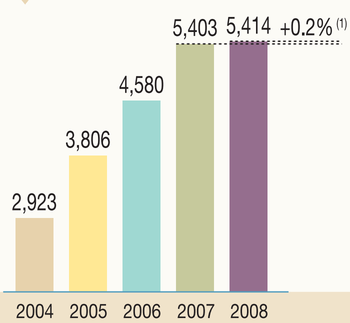
Financial Report 2008

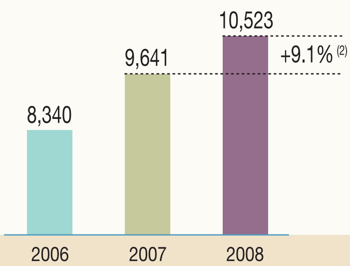
Highlights

Net attributable profit
(Million euros)



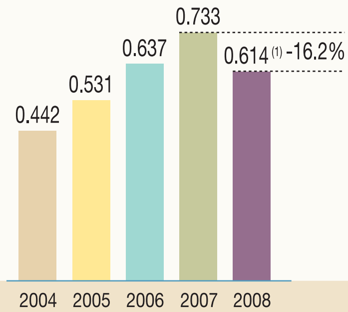
(1) At constant exchange rates: +4.0%.

Operating income [1]
(Million euros)



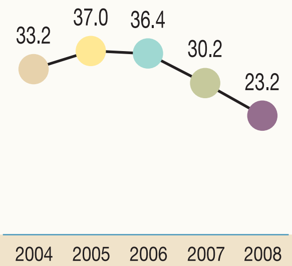
(1) Excluding results of one-off operations.
(2) At constant exchange rates: +13.5%.

Dividend per share
(Euros)



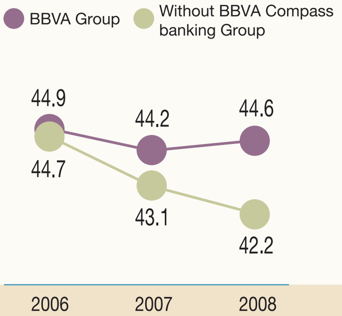
(1) It includes €0.501 in cash and €0.113 in kind (delivery of shares at the closing price on 27-01-09).

ROE [1]
(Percentage)



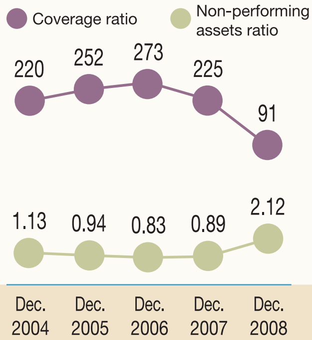
(1) Excluding results of one-off operations.

Efficiency ratio including depreciation and amortization [1]
(Percentage)



(1) Excluding results of one-off operations.

NPA ratio and coverage ratio
(Percentage)



BBVA Group Highlights

(Consolidated figures)

Excluding results of one-off operations [1]

	31-12-08	Δ%	31-12-07	31-12-06	31-12-08	Δ%	31-12-07	31-12-06
BALANCE SHEET (million euros)								
Total assets	542,650	8.2	501,726	411,663				
Total lending (gross)	342,671	7.0	320,294	264,720				
Customer funds on balance sheet	376,380	11.5	337,518	286,828				
Other customer funds	119,017	(21.1)	150,777	142,064				
Total customer funds	495,397	1.5	488,295	428,892				
Total equity	26,705	(4.4)	27,943	22,318				
Shareholders' funds	26,586	7.2	24,811	18,209				
INCOME STATEMENT (million euros)								
Net interest income	11,686	21.4	9,628	8,138	11,686	21.4	9,628	8,138
Gross income	18,978	9.9	17,271	15,143	18,978	9.9	17,271	15,143
Operating income	10,523	11.5	9,441	8,340	10,523	9.1	9,641	8,340
Net operating income	6,151	(15.8)	7,303	5,545	7,442	(2.1)	7,603	6,322
Income before tax	6,926	(18.5)	8,495	7,030	7,490	(2.4)	7,675	6,533
Net attributable profit	5,020	(18.1)	6,126	4,736	5,414	0.2	5,403	4,580
DATA PER SHARE AND SHARE PERFORMANCE RATIOS								
Share price (euros)	8.66	(48.3)	16.76	18.24				
Market capitalisation (million euros)	32,457	(48.3)	62,816	64,788				
Net attributable profit per share (euros)	1.35	(20.5)	1.70	1.39	1.46	(2.8)	1.50	1.35
Dividend per share (euros)	0.61	(16.2)	0.73	0.64				
Book value per share (euros)	7.09	7.2	6.62	5.13				
P/BV (Price/book value; times)	1.2		2.5	3.6				
PER (Price/earnings ratio; times)	6.5		10.3	13.7				
Yield (Dividend/Price; %)	7.1		4.4	3.5				
SIGNIFICANT RATIOS (%)								
Operating income/Average total assets	2.03		2.05	2.11	2.03		2.09	2.11
ROE (Net attributable profit/Average equity)	21.5		34.2	37.6	23.2		30.2	36.4
ROA (Net income/Average total assets)	1.04		1.39	1.26	1.12		1.23	1.22
Efficiency ratio	40.9		42.0	41.8	40.9		40.8	41.8
Efficiency ratio including depreciation and amortization	44.6		45.3	44.9	44.6		44.2	44.9
NPA ratio	2.12		0.89	0.83				
NPA coverage ratio	91		225	273				
CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)								
Total	12.2		13.0					
Core capital	6.2		5.8					
Tier I	7.9		7.3					
OTHER INFORMATION								
Number of shares (millions)	3,748		3,748	3,552				
Number of shareholders	903,897		889,734	864,226				
Number of employees	108,972		111,913	98,553				
• Spain	29,070		31,106	30,582				
• The Americas	77,928		78,805	66,146				
• Rest of the world	1,974		2,002	1,825				
Number of branches	7,787		8,028	7,499				
• Spain	3,375		3,595	3,635				
• The Americas	4,267		4,291	3,742				
• Rest of the world	145		142	122				

General note: the consolidated accounts of the Bank and the subsidiaries comprising the BBVA Group have been drawn up according to the International Financial Reporting Standards adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein by Bank of Spain Circular 6/2008. They may not therefore coincide with some of those published in the Quarterly Earnings Report 2008.

(1) In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter. In 2007, capital gains from Iberdrola in the first quarter, the endowment for the BBVA Microfinance Foundation in the second quarter, capital gains on the sale of buildings in the second and third quarters and non-recurrent early retirement charges in the fourth quarter.

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"BBVA has continued to make a difference in 2008. We have a winning business model"

FRANCISCO GONZÁLEZ, CHAIRMAN AND CEO

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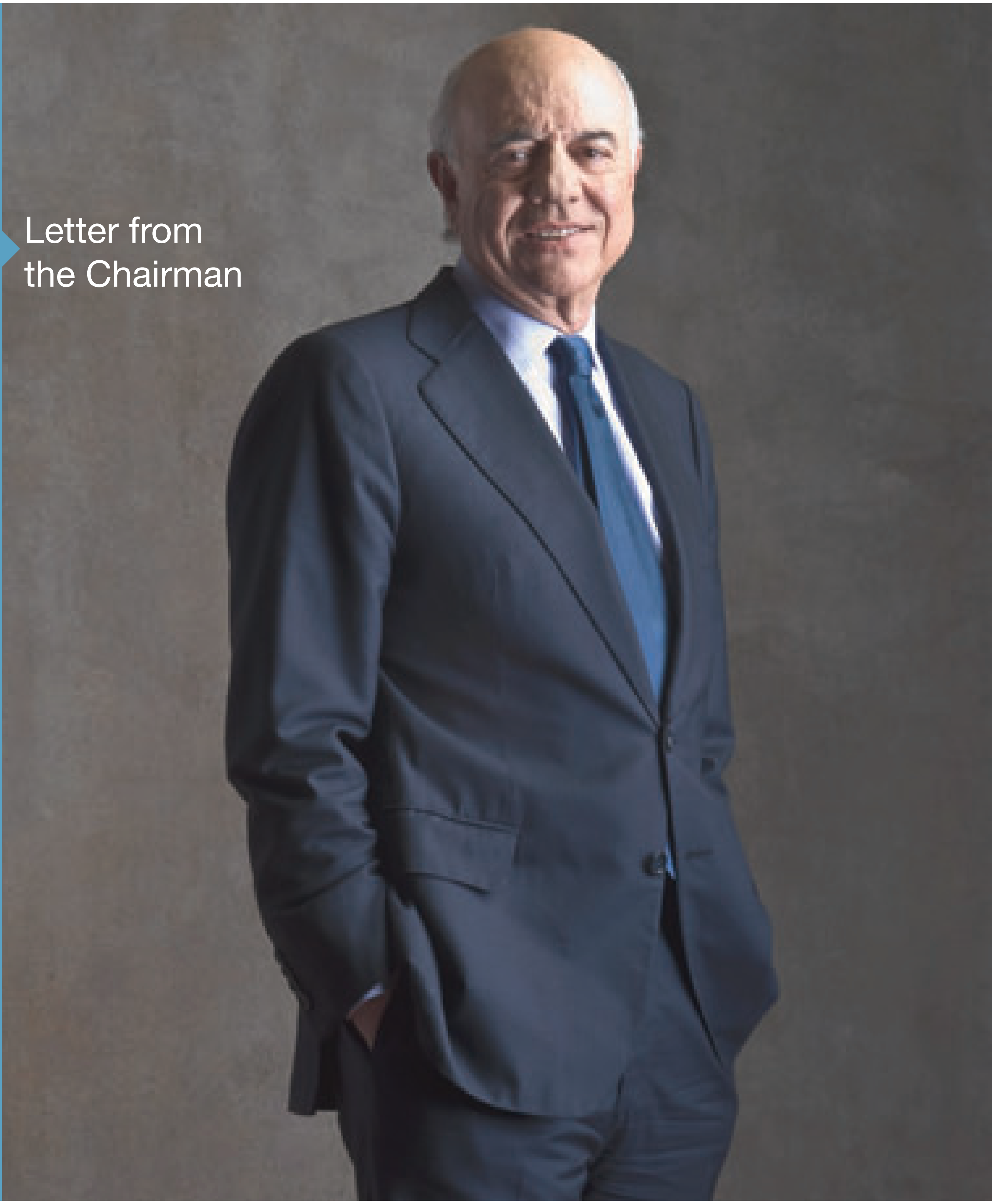


Dear Shareholder

2008 will be remembered as the year with the most unpleasant surprises in many decades for the world's economy and the financial sector in particular. There has been a profound and historic reorganisation of the global banking map. Many competitors have disappeared, others have been partially or fully nationalised, and the majority have either required public funds or rights issues. Only a handful of groups have revealed their robustness and their ability to continue generating earnings for their shareholders. Amongst these few, BBVA has stood tall.

"In 2009, we shall continue to support our customers' needs"

Within such a challenging environment, one that is so extremely unfavourable, BBVA has continued along the path of sustained generation of earnings. In 2008, the Group recorded a net attributable profit without one-offs, that is, considering recurrent earnings, of €5,414m, almost identical (+0.2%) to 2007. Including one-offs, profits amounted to €5,020m, 18.1% down on 2007.

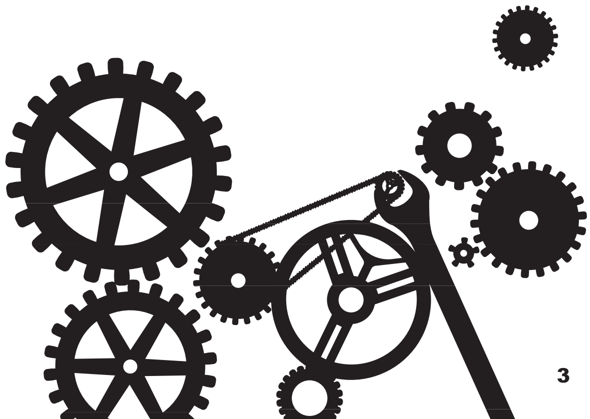
Considering their quality and recurrence, these results are excellent in their own right, but even more so when compared to those of our competitors, which have recorded sharp downturns in their profits and even huge losses. Thus, BBVA has ended 2008 as one of the leading banks in Europe and the world in terms of profits.

In the worst year for banking since the 1930s, BBVA has managed to uphold high rates of growth in income, strict cost control and outstanding management of both risk and capital. Consequently, BBVA has reinforced its leadership in the global industry in terms of efficiency and return on equity. In short, we have increased our advantage in those variables that measure the solvency, profitability and quality of a group's management.

It is thanks to this that in 2008 we have continued developing our project to build the BBVA of the future, making major inroads.

We have successfully accomplished, in record time and with excellent results in synergies, the integration of our four banks in the United States under a single franchise, BBVA Compass.

We have reinforced our alliance with CITIC, increasing our investments in CITIC International



"We shall continue to operate with rigour, prudence and responsibility as we strive to create value"

Financial Holdings (Hong Kong), and in China CITIC Bank (Mainland China).

Finally, we have made highly significant progress in the Group's Innovation and Transformation Plan, which is furnishing us with major improvements in efficiency.

Once again, therefore, BBVA is making the difference. This has been widely acknowledged by the market in three ways.

Firstly, in a year of sharp falls on stock markets, the BBVA share in 2008 has recorded the best performance in its peer group, consisting of Europe's major financial groups, in terms of total shareholder return (TSR).

Over the course of 2008, furthermore, we have been climbing up the ranking of the world's largest private banks in terms of market capitalisation. BBVA has jumped from 17th position at the onset of the crisis to 7th at year-end 2008.

Finally, our good performance has also been acknowledged by credit rating agencies. We were the only major bank in the world to improve its rating in 2008.

Moreover, all this has taken place against a backdrop of respect for our responsibilities and our pledges to the societies in which we operate, consistent with our vision "working towards a better future for people", which reflects the way in which we understand the role our Group has to play in society.

For BBVA, and within today's environment of recession, it is particularly important to stand close to its customers, its families and its businesses, providing new lending. In 2008, our customer lending balance rose 7%. In 2009, we shall continue supporting our customers, just as we have always done. For without lending, there is no business, no profits and no bank.

BBVA's differential performance is not a matter of chance, but instead is driven by our business model, conscientiously built up over many years. It is a winning model, even in times of crisis.

This model has its roots deeply embedded in our strategy that, as you are well aware and I have mentioned on other occasions, is based on three pillars: Principles, People and Innovation.

These three pillars are crucial, but in times such as these I should like to stress the importance of our Principles. The most important lesson we shall learn from this crisis is likely to be that we should uphold these Principles in everything we do.

In this Group, ethics, transparency and prudence inform all our actions and decisions, as we understand this to be the only way to forge long-term relationships with our customers and shareholders, build trust in the market and generate profit in a sustained manner.

2008 has been an exceptionally difficult year; one which BBVA has negotiated extraordinarily well. Yet we need to be prepared and very strong, because 2009 looks set to be even more challenging.

We are facing a far-reaching upheaval in the financial industry, which in addition to the restructuring of the global banking map will lead to a different regulatory framework and substantial changes in business models. This process will take place over the next 5 or 6 years, and will involve three stages.

The first one is the financial stage, defined by problems of liquidity and losses from the repricing of financial assets. This is the stage that has characterised 2008 and led to the disappearance of leading names in our industry.

The second stage, which is already under way, is defined by the impact on the real economy, which is already causing a sharp rise in default. This stage affects and is affected by the previous one and will further reduce the number of institutions. The key to survival is solvency, determined by capital and the quality of assets, together with the strength of the business model for continuing to generate profits.

The third and final stage will be the sector's inevitable structural transformation. This is when the few institutions that have managed to overcome the second stage will have to face the major technological and social changes taking place.

BBVA has weathered the first stage magnificently, and we have all that it needs to successfully overcome the ensuing stages. We should see this crisis as a major opportunity to continue making a difference and open up our lead over the bulk of the financial industry.

This means we are going to continue exercising prudence, which involves increasing our capital strength even further, and doing so in the best possible manner for the future of both the Group and its shareholders, without diluting their stake. Accordingly, the board of directors is proposing to the Annual General Meeting the payment of the final dividend for 2008 in shares (1 share for every 62), whereby the dividend will be brought in line with the evolution of the Group's net attributable profit. In 2009, and in order to reinforce the internal generation of capital, our payout will be set at around 30%.

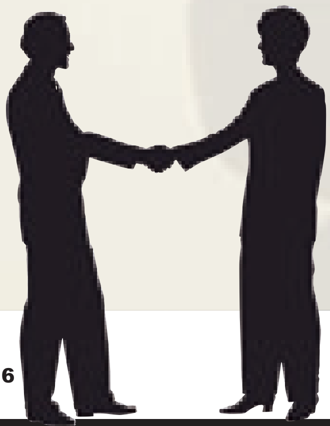
Looking to the future, BBVA has the vision and the right strategy to weather this crisis and successfully address the third and final stage of the sector's restructuring. Only those banks that know how to combine a physical presence with a virtual one will come out on top. BBVA has been heading in that direction for some time now.

I should like to stress that the fact BBVA is now one of the strongest and best prepared banks in the world is due to the merits of the 109,000 people that make up the Group's extraordinary team of professional staff all over the world. I should therefore like to thank them for what they have managed to achieve in 2008, and urge them to continue applying their remarkable effort and enthusiasm to ensure that BBVA will continue to make the difference in 2009.

I should like to end by expressing my very special gratitude to you all, our shareholders, for the trust and unconditional support you have shown BBVA during this complex business year 2008. I can assure you that in 2009 we are going to continue working with the same rigour and the same prudence and responsibility as we have done so far, with a view to safeguarding our institution and creating value for you all, the true owners of this great project that is BBVA.

3 March 2009
Francisco González Rodríguez

Continuing to make a difference



The BBVA Group's strength within a complex financial scenario

Business 2008 will almost certainly be remembered as the financial sector's most difficult year for decades. The progressive impairment of credit quality, which began with the subprime crisis in August 2007, has been reflected in massive write-downs by financial institutions, with a significant impact on the sector's earnings and capital.

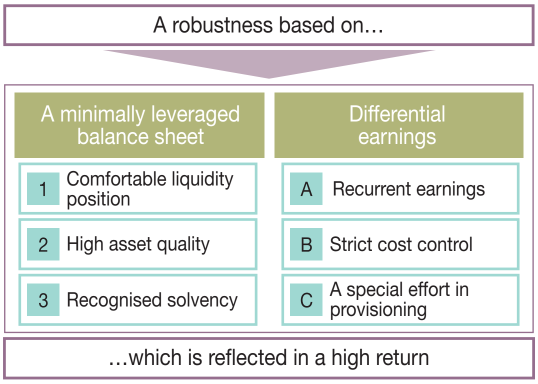
The depth and speed of this crisis has taken everyone by surprise, generating an environment of uncertainty and loss of confidence that has led to a major credit crunch on the interbank and capital markets, with the ensuing problems of refinancing for numerous banks.

Within this context, the **BBVA Group** has stood fast as one of the world's most robust banks. This crisis has reaffirmed its capacity for pre-emption and the strength of its business model as a customer-driven bank, focusing on value creation through sustainable and profitable growth. BBVA therefore presents a balance sheet that is minimally leveraged, a comfortable liquidity position and assets of high quality that outperform those of its competitors, leading to earnings with a high level of recurrence that testify to its recognised solvency.

Special note should be taken of this latter point – a matter of the greatest concern in the market following the collapse of Lehman Brothers. Along these lines, the Group is remarkable for the greater quality of its **capital**, due amongst other things to its capacity for generating organic capital, a stock of generic provisions and the absence of unexpected capital consumption. Furthermore, faced with a deteriorating outlook for 2009, BBVA has adopted measures of the utmost prudence to shore up its capital using internal levers, with the issue of preferred stock and the readjustment of its dividends policy.

All this is mirrored in the BBVA Group's credit rating, as it is the only major bank in the world to have improved its **rating** twice since the onset of the crisis.

BBVA has stood fast as one of the world's most robust banks



It can therefore be affirmed that BBVA is one of the world's safest banks. Yet this comes as no surprise, as it is the result of a proven business model anchored to major competitive advantages:

- Excellent retail banking franchise
- Customer-based model in corporate and investment banking
- Sound position of solvency and liquidity on the balance sheet
- Excellent risk management with a low risk profile
- "Best in class" in efficiency

Although they are all important, the two last ones are worthy of special mention within a scenario in which **cost** management and **risk** management become especially important given the forecasts for growth in income and the impairment of assets in 2009. On this point, the Group has a proven and protracted track-record, laying the foundations for continuing to make the difference with its main competitors.

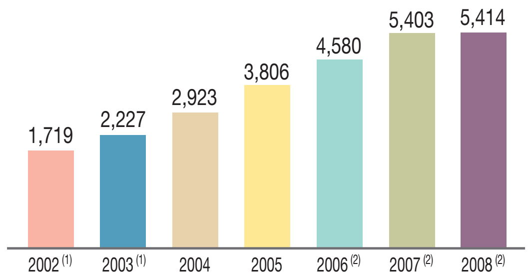
2008, making a difference also in a more complex environment

BBVA GROUP

Within a difficult environment, in which most of the major international banking groups have recorded sharp falls in income and profits, and even losses in some cases, BBVA has continued to deliver sound earnings, revealing the greater recurrency of its business model and climbing into the leading positions in the global ranking by volume of earnings.

Capacity for generating recurrent earnings in a complex environment

Net attributable profit (Million euros)



(1) Pre-NIIF.
(2) Excluding one-offs.

Indeed, in 2008 the BBVA Group has recorded a **net attributable profit**, excluding one-off earnings, of €5,414m, 0.2% up on the €5,403m in 2007, which is 4.0% at constant exchange rates, as the variation in these rates has had a negative impact of around 4 percentage points. This figure means that the return on equity (**ROE**) stands at 23.2%, which ratifies BBVA's position as one of Europe's more profitable major financial groups.

The mainstay of these earnings is **income**, especially net interest income, which is up 21.4% on a year-on-year basis, driven by keeping spread wide and by a higher business volume: lending has risen by 7.0% and on-balance sheet customer funds by 11.5% (8.5% and 13.5%, respectively, at constant exchange rates). When adding net fee and commission income, net trading income, dividends, income by the equity method and other items, gross income amounted to €18,978m, 9.9% up on the €17,271m recorded in 2007 (+14.0% at constant exchange rates).

Administration **costs** have continued to rein in their growth throughout the year, increasing by 10.0% over the year as a whole on a like-for-like basis with 2007. The area of Spain and Portugal has seen expenditure fall by 1.0%, whereas the increase in the Americas has been affected by the incorporation of Compass and the enlargement of the branch network and sales forces in several countries. At 31-Dec-08, the Group has a headcount of 108,972 people and a network of 7,787 branch offices, with the decreases recorded in both cases over the year attributable in the main to Spain.

This evolution in income and expenditure has meant that **operating income** excluding one-offs for 2008 is €10,523m, 9.1% up on the €9,641m recorded in 2007 (13.5% at constant exchange rates), and the Group maintains an excellent **cost-to-income** ratio at 44.6%, which improves to 42.2% without the Compass Group (against 43.1% in 2007). BBVA therefore upholds its position as one of the more efficient major European banks.

The increase in non-performing assets due to the deteriorating economic climate has led to a 54.5% rise in provisions for financial asset impairment, up to €2,940m, as the Group continues to apply criteria of the utmost prudence. BBVA continues to compare favourably with its peers in **asset quality**, with a better NPA rate than the system's in the main markets and a coverage that includes €4,547m of generic provisions.

The growth in the Group's earnings is largely **organic**, as changes in the perimeter, mainly due to the incorporation of Compass, have had no significant impact on net attributable profit.

One-off earnings (the sale of the holding in Bradesco minus the provisioning of an extraordinary nature for early retirements and the Madoff case) consume €395m of net attributable profit, whereas in 2007 they contributed €724m (capital gains from Iberdrola and the sale of premises minus endowments for the BBVA Microfinance Foundation and extraordinary early retirements). When these are taken into account, the BBVA Group's net attributable profit in 2008 is €5,020m, as opposed to €6,126m in 2007, with earnings per share standing at €1.35, ROE at 21.5% and ROA at 1.04%.

This generation of earnings has allowed BBVA to finance its growth and reinforce its **solvency**, recording by year-end 2008 a BIS ratio of 12.2%, a Tier I of 7.9% and a core capital of 6.2%, which is an improvement on the 5.8% recorded in December 2007.

The market has recognised the Group's differential performance, whereby the **BBVA share** has behaved relatively better than its main competitors: the BBVA Group has been the second best major European bank in 2008, and the first in the euro zone, with a relative performance of 17% against its competitors' average.

Concerning **shareholder remuneration**, within an environment in which other institutions have withdrawn their dividend payments, BBVA has distributed three interim dividends posted against 2008 results for a gross amount of €0.501 per share. In addition, a proposal is to be submitted to the Annual General Meeting to supplement the dividends already paid with a distribution in kind of part of the issue premium reserve through the delivery of 60.5 million shares from treasury stock. This means that total shareholder remuneration for business 2008 will amount to €0.61 according to the share price at the end of January 2009.

Regarding 2009, and adopting the utmost prudence in the face of a worsening scenario, the Group has decided to reduce the payout to 30% (cash and cash equivalents) in order to reinforce its capital.

SPAIN AND PORTUGAL

The area of Spain and Portugal has faced an environment of severe economic adjustment in 2008 caused by an unprecedented international crisis, which is leading to a sharp slowdown in business.

Thanks to the strategy of pre-emption introduced in 2007, it has pursued actions designed to cope successfully with the main uncertainties the market now presents:

- Liquidity: positioning itself as a bank with a stable long-term relationship with its customers, with a broad customer base.
- Quality of assets, based on customer insight and rigorous risk assessment and management, whereby its NPA rate is lower than its competitors' and is more than amply provisioned.
- Control of expenditure, through the measures that will be detailed in due course in this chapter.
- Solvency, thanks to the quality of capital and a stable and recurrent generation of income.

Spain and Portugal: keys to 2008

We continue to manage the slowdown in Spain according to the following priorities:

1. Proper management of the liquidity gap
2. Management of prices and cross-selling
3. Higher credit quality than our competitors

All in all, the global crisis has led to an abrupt slowdown in lending (+0.4% in the year). By contrast, within the framework of a rise in the saving rate and a fall in consumer spending, there has been increased demand for time deposits, and on-balance sheet customer funds have grown 10.1%. In spite of the weakness of the business volume, the adjustment of the prices of assets and liabilities to the conditions of the new scenario has upheld the strength of **net interest income,** which is up 10.0%.

Elsewhere, 2008 has seen an acceleration of the **Transformation Plan** for Spain and Portugal, which began in 2007, with the launch and implementation of the *Proyecto Clima* in its branch network in Spain, one year ahead of schedule. This project, which has meant the implementation of a new organisational model in the Commercial Banking network, pursues three core objectives:

1. Increase in sales capacity and greater proximity to customers by driving management by segment with specialist sales forces.
2. Fine-tuning of organisational efficacy, with the creation of a basic management unit, the CBC (Retail Banking Hubs), a new backbone for the commercial structure, and the reduction in structures and their simplification, thereby bringing decision-making closer to both regions and customers.
3. Increase in productivity and efficiency, centralising part of the network's administrative functions, thereby freeing up time dedicated to sales.

The cost control inspired by the Transformation Plan has reduced expenditure by 1.0%, which, set against the 6.0% growth in gross income has led to improved **efficiency**, a 10.6% rise in operating income and a 10.2% increase in **net attributable profit**, up to €2,625m.

The crisis has also led to a higher non-performing assets rate, although prudent risk management has kept it below the average for the system and it is evolving more favourably.

WHOLESALE BANKING & ASSET MANAGEMENT

In 2008, the area has continued to develop its strategy of transformation and growth, revealing a major capacity for resistance and adjustment to the adverse environment in its various operating markets.

Wholesale Banking & Asset Management: keys to 2008

Strengthening a customer-focused model of wholesale banking:

1. Exploiting opportunities in Corporate & Investment Banking
2. Global Markets, recording the recurrence of business with customers
3. Expanding our franchise in Asia

Corporate & Investment Banking has taken advantage of the opportunities the environment has offered it, which has been reflected in a 32.7% rise in investment, in turn leading to a 36.3% increase in net interest income. **Global Markets**, with a customer-focused business model, a broadly diversified portfolio and lower risk than the rest of the sector, has withstood the extreme volatility of the markets, with an 11.4% rise in gross income. Within an adverse environment, **Asset Management** has increased its market share in Spain in both mutual funds (+265 basis points) and pension funds (+75 basis points).

All the above results in a 5.3% year-on-year growth in the area's **gross income** (excluding net income from non-financial services), which contrasts with the sharp drops in income recorded by most of the world's major financial groups. Nevertheless, the smaller contribution made by Industrial and Real Estate Holdings means that operating income has fallen 4.6% and **net attributable profit** by 15.9% to a figure of €754m.

Finally, as will be detailed further on, 2008 has seen the doubling of BBVA's stake in the banking platforms in China's CITIC Group.

MEXICO

In 2008, BBVA Bancomer has undertaken intense activity in increasing cross-selling to the existing **customer base**, which now numbers 15.8 million people, with an increase of 900,000 new customers over the past twelve months. To do so, it has continued driving the programme of synergy across the different business units, with specific targets in cross-selling. A clear example of this effort can be seen in Government and Corporate Banking, which at the year-end recorded a total of 30,800 customers, of whom more than 64% have 5 or more product families. Another line of action designed to extend loyalty, the penetration of lending and the attraction of low-cost deposits, has been the boost given to increasing the number of customers with payslips, who at the year-end number 6.8 million, thanks to such specialised products as the *Crédito Nómina* (Payslip Loan), mutual funds and deposit campaigns with special benefits.

Mexico: keys to 2008

Good results thanks to Bancomer's pre-emption strategy:

1. Good pace of business, despite the global environment
2. Major cost containment driven by the schemes within the Transformation Plan
3. A substantially lower risk premium than its peers due to provisioning based on expected loss

In view of this, lending to customers in 2008 has grown by 13.8% in pesos. In turn, customer funds have increased 9.2%. This has meant that **net interest income** is up 15.4% at constant exchange rates.

As a result of the initiatives undertaken in the Transformation Plan, there has been a containment of costs, which has led to an improvement in the **efficiency** ratio, whereby it stands at 33.1%, leading to a 16.4% rise in operating income.

Furthermore, despite the country's higher NPA levels, the timely implementation of a provisioning model based on expected loss means that Bancomer has an equity premium that substantially outperforms its competitors. Consequently, **net attributable profit** amounts to €1,938m, 12.1% up on 2007 at constant exchange rates.

THE UNITED STATES

2008 has seen the successful **integration** of Texas State Bank, State National Bank and Laredo National Bank into Compass, and the new BBVA Compass brand has been launched.

This has not interrupted the growth trend in the **business**, with year-on-year increases in dollars of 12.3% in lending and 4.3% in deposits. A highlight has been cost control within the context of the integration process, as well as the better-than-expected generation of synergies. Finally, a special effort has been made in provisioning in a complicated environment.

All in all, the contribution made to the Group by the US franchise amounts to €690m in operating income and €211m in **net attributable profit** (€317m excluding the amortization of intangible assets).

The United States: keys to 2008

The process of integrating the four banks has been completed in record time and with excellent results:

1. Uninterrupted trend in business growth following the incorporation of Compass
2. Better-than-expected generation of synergies
3. Special effort in provisioning within a complicated environment

SOUTH AMERICA

Despite the turmoil in the financial markets, the economic situation in South America has been favourable, as the drop-off in business in the United States is being offset by greater commercial dynamism in other regions, such as Asia.

South America: keys to 2008

Strong growth in South America:

1. Solid growth is upheld in income thanks to the dynamism of the business
2. With fresh improvements in efficiency
3. NPA ratio remains stable at minimum levels

Within this context, the area has evolved very positively, with high growth in the business volume (with lending up +18.1% on a like-for-like basis and funds rising by +17.8%, in local currencies), with the customer base growing by 500,000. In addition, the number of credit cards has risen by 165,000 – a 5.8% increase. All this is reflected in gross income, which is up 23.9% at constant exchange rates.

Although costs have risen on the back of the rising trend in inflation and business expansion, the **efficiency** ratio has continued to improve, increasing to 44.5%, and operating income has grown by 30.1%.

The highest loan-loss provisions are linked to the increase in the loan-book, as the NPA rate remains stable at minimum levels due to the strict management of risk acceptance and to an active work-out policy. The result is that **net attributable profit** in 2008 amounts to €727m (a year-on-year increase of +22.7% at constant exchange rates).

Main milestones in 2008

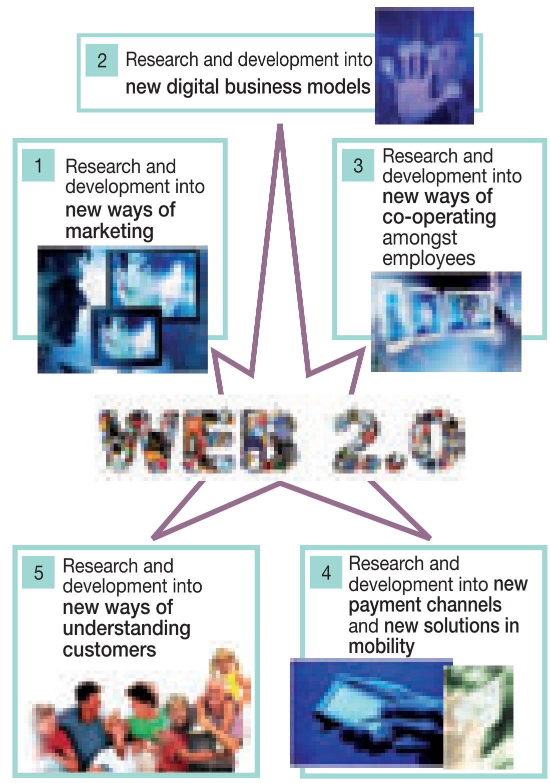
BBVA'S strength in 2008 has enabled the Group to remain focused on the management priorities set out at the beginning of the year, such as the implementation of the Innovation and Transformation Plan and the integration of the banks purchased in the United States, as well as increasing the investment in the CITIC Group.

INNOVATION AND TRANSFORMATION PLAN

The BBVA Group has continued developing the Innovation and Transformation Plan presented in May 2007. Business 2008 has seen the consolidation of numerous projects, as well as the start of new ones, all with a view to making life easier for people, through the widespread use of new information technologies.

The main schemes implemented in **Innovation** basically involve five lines of action:

Lines of research and development



1. **Research and development into new ways of marketing and communicating.** This sphere encompasses several projects, such as: **Webzine**, a business dealing with advertising through digital magazines targeting different market segments; **Actibva**, a community

platform that is open to all and which provides society with BBVA's financial knowledge and tools; and **Colección Planta 29**, which includes a blog on innovation aimed at the developers' community, as well as the launch of the first collection of e-books under the public domain, co-sponsored with Telefónica and Red.es. Finally, the Group has reinforced its positioning as the benchmark financial institution in innovation, attending sundry **events**, such as Campus Party Madrid, Valencia and Colombia, World Internet Day, *Madrid es Ciencia* (Madrid is Science), Mobuzz TV, Evento Blog España and FICOD.

In 2008 we have pursued numerous projects...

2. **Research and development into new digital business models.** This encompasses both those projects already launched in 2007, such as **e-conta**, an online accounting service for SMEs and the self-employed, together with new ones, such as **Virtualdoc**, a service for digitalisation, secure storage, management of the information cycle and web access to the same. Yet undoubtedly the most important project introduced during the year is ***BBVA Tú cuentas***, a personal finance manager that aggregates accounts and makes financial and non-financial recommendations based on artificial intelligence. This service provides a revolutionary solution enabling online banking users to improve the management of their personal finances, providing them with user-friendly analysis tools that help them to handle their savings and expenses. The Group can thus improve its insight into its customers' needs and attitudes and, in turn, these will be able to take decisions on customised offers of financial and non-financial products.
3. **Research and development into new ways of co-operating.** Three projects have been consolidated in 2008: **Google**, whose intranet search engine provides access to the information contained on the Group's website, intranets, shared resources and local information; the **Blogosphere**, a new internal, multi-directional, online communication tool that facilitates the transfer of individual knowledge into the collective domain; and, finally, **Infoblue**, the revamping of the Documentation Centre on the back of the developments made in digitalisation and connectivity, for the more efficient management of information. In addition to all the above, there is the **Innovation Centre**, an area for testing new work methods, based on new solutions in connectivity, mobility and digitalisation, which will be fully up and running in 2009.
4. **Research and development into new payment channels and new solutions in mobility.** The Group has decided to respond to the major changes taking place within this field, with the aim being to structure the Group's approach to payment channels and mobility and drive the development of projects with the business areas.
5. **Research and development into new ways of understanding customers.** BBVA aims to become a referent in the development and application of a 360º approach to insight into consumers, understanding the major issues that affect them through a qualitative analysis of social trends, at both financial and non-financial level. Furthermore, the bank seeks to become a market benchmark through the external dissemination of reports and the creation of a network of alliances in Consumer Insight.

Regarding **Transformation**, plans have been rolled out in 2008 both at the level of the different areas and at a mainstream or corporate level, framed within the Global Transformation Plan.

Amongst the transformation plans introduced in the **business areas**, special note should be taken of the following:

- *Cliente Matriz* project: a new arrangement of the branch network in **Spain**, focusing on sales, management by segment and the concentration of back-office functions.
- Centralisation of the operational hubs in **Wholesale Banking & Asset Management**, formerly distributed in different countries.
- In **Mexico**: a productivity increase in the retail networks, centralised collection plant, and a Customer Insight project as the platform for improved sales productivity, customer loyalty and early management alerts.
- Creation of a Transformation structure in the **United States**.
- In **South America**: development of the *Novo* plan, which made it possible to create more effective and efficient central services, as well as a plan focused on extending banking usage based on risk management and differentiated servicing.

At **corporate level** it is worth noting:

- Creation of **OpPlus**, aimed at optimising operational processes through the intensive use of technology, while generating a high performance environment.
- **Budgeting Macro-process**: a re-engineering of the BBVA Group's budgeting process and drawing up the 2009-2011 budget according to the new model.
- **Shared Service Centres**: processing hubs in Spain and Portugal, Legal Services (Legal Counsel and Consultations, along with the Centre for Signature Notarisation, Judicial Requests and Testamentary Executions), Procurement and Contracting and Affiliate Management.
- In addition, work has been carried out on consolidating the transformation **infrastructures** for the Group: implementation of organisational structures and staff corporate application (*Aristos*) in Mexico, Peru, Colombia, Paraguay and Venezuela and selection and start-up of pilot programmes for the Business Process Management (*ARIS*) corporate tool.

Furthermore, progress has been made in the project ***Banco del Futuro*** (Bank of the Future), which has taken shape in seven strategic lines of work, with allocation of their teams and planning schedules. The conceptual definition for these lines of work has already been drawn up, and the related activities will be started in 2009.

INTEGRATION OF COMPASS

2008 has been a key year for the construction of the BBVA franchise in the United States. Over the course of the year, the merger has been completed of the three BBVA banks in Texas (State National Bank, Texas State Bank and Laredo National Bank) and they have been integrated within the Compass Bank platform, an institution that was purchased in September 2007. The integrations have been undertaken in a record time of less than twelve months and with a minimal impact on customers and employees.

As a result of this union of the four banks, BBVA USA ends the year as one of the top 20 banking institutions in the US, with €43,345m in assets, 2.4 million customers, 641 branch offices and 13,371 employees. These figures make BBVA one of the leaders in the Sunbelt, the region that stretches across the southern United States. It is one of the country's most attractive markets because of its growth potential in both its economy and its population, and the Group has defined it as strategic to its expansion.

In 2008, work has begun on transforming Compass Bank for its better integration within the BBVA Group. The organisational structures have been streamlined and aligned with BBVA's own in order to facilitate communication and harness synergies with the Group. The business units have been organised into three, Retail Banking, Corporate Banking and Wealth Management, and a single control framework has been set up under the figure of country manager for all BBVA operations in the United States: BBVA Compass, BBVA Puerto Rico, Bancomer Financial Holding and the BBVA branch office in New York.

In addition, August 2008 saw the start of the roll-out of the BBVA Compass brand in the US, a conversion process that is set to culminate in the first months of 2009 and will pave the way for a new scale, a more robust positioning and a global approach.

INCREASED INVESTMENT IN CITIC

In 2008, BBVA has consolidated its strategic alliance in China and Hong Kong with the CITIC

Group, one of China's foremost industrial conglomerates, increasing its investments in CNCB and CIFH and thereby its presence on the governing bodies of both institutions.

Following this new agreement, BBVA now has a holding of close to 30% in CITIC International Financial Holdings Ltd. (CIFH) in Hong Kong and may appoint three members to its board of directors. Likewise, it has also increased its holding in China CITIC Bank (CNCB) to approximately 10% of its share capital and will now sit two members on its board of directors.

These operations mean that the Group has further extended its growth strategy in Asia, and particularly in China, one of the markets with the greatest present and future potential in financial services, and reinforced its position as one of the few international banking groups present in those markets through a strategic partnership agreement with a major Chinese business group. BBVA is perfectly placed to capitalise on the huge opportunities for growth provided by the banking business in China.

Management priorities in the business areas

SPAIN AND PORTUGAL

According to all the forecasts, the signs are that 2009 is going to be a difficult year, with a sharp slowdown in the global economy. Spain will of course be affected and the end result will be a downturn in the economy and in the banking business.

Nonetheless, for the area of Spain and Portugal such an environment presents an excellent opportunity for strengthening the business, for setting itself apart from its competitors and, in short, for consolidating itself as the benchmark banking franchise in Spain.

Within this new scenario, the area's goal is to adapt to customers' needs and offer them a full, flexible and competitive range of products and services that extends its business sphere.

The area seeks, therefore, to develop a **long-term banking relationship** with its customers based on the strength, return and efficiency of its operations, with balanced growth in its business and rigorous and differentiated risk assessment and management.

Accordingly, it aims to leverage its operations in 2009 on the following:

- An organisation that is fully **customer-focused:** through "banking by people for people", with a clear strategy of commercial proximity based on segmentation by value with specific networks, sales forces and products for each kind of segment, from personal banking through to SMEs, large corporations and institutional clients, including the self-employed and retailers. To do so, it relies on greater insight into its customers' financial and non-financial requirements to anticipate their needs and offer them an innovative range of financial products and services tailored to cater for each moment in life.
- **Multi-channel approach**, which maximises selling opportunities and exploits the synergies of distribution, improving commercial productivity and favouring the cross-sale of products of greater value.
- **Improved efficiency**, with further development of the Transformation Plan, which will lead to distribution and production models that are ever more efficient and profitable and seeking a greater commercial focus in the branch network, through the industrialisation of operating and administrative processes.
- Excellent and differential **risk management**.

WHOLESALE BANKING & ASSET MANAGEMENT

This area, formerly called "Global Businesses" has changed its name to strengthen BBVA's positioning as regards its wholesale customers, and is now Wholesale Banking & Asset Management. The aim of this modification is to identify BBVA as a universal bank on the one hand, and on the other, this area as a comprehensive provider of high value.

In 2009, the development of its strategic agenda will focus on the following lines of action:

In **Corporate & Investment Banking**, the Group will further develop its strategy of presenting selected customers with a comprehensive offer of products and services in which BBVA has a sustainable competitive advantage.

Global Markets will continue reinforcing its business model on the customer franchise and will base itself on cross-selling as a driving-force for income in a highly complex environment for the financial markets.

Asset Management will make the most of the prevailing uncertainty in the industry to fully transform its business portfolio, whilst making further inroads in its organisation as a global unit integrating its business processes.

Regarding **Asia**, whereas 2008 saw the culmination of negotiations with the CITIC Group with an increase in the investment in CNCB and CIFH, 2009 will be a key year in the pursuit of joint business ventures and in the region's development in three-way cooperation between CNCB, CIFH and BBVA.

Finally, the **Industrial and Real Estate Holdings** unit will devote itself to diversifying the area's businesses, as well as to creating value in the medium and long terms through the active management of its portfolio of industrial holdings, applying criteria of profitability, efficiency and rotation.

MEXICO

In 2009, BBVA Bancomer will face a more challenging environment than in prior years. Accordingly, its strategy will be based on **upholding its leadership** and maintaining the pace of its volumes on a par with the industry, as well as the associated income, through a hands-on and positive management of the prices of assets and liabilities, exploiting the bank's commercial muscle, its capillarity, its competitive position and its robustness. Furthermore, a dedicated approach will be made to cross-selling to the existing customer base, through a programme of synergies across the various business units.

To achieve this goal, a significant boost has been given to the **Transformation Plan**, which will usher in benefits in both efficiency and productivity. This, combined with specific cost-control projects, will lead to better recurrency and efficiency ratios.

Controlling the **quality of assets** will continue to be a mainstay for continued profitable growth. Accordingly, techniques and solutions have been expanded and improved throughout the lending circuit (origination, monitoring and collection) for all formats, with the aim being to uphold the differential advantage that BBVA Bancomer has maintained so far over its competitors in asset quality indicators.

Even though BBVA Bancomer has a sound liquidity position, efforts will continue to be made to properly manage liquidity levels in an ever changing market. The management of capital is also a key component of the financial strategy for 2009, namely, to maintain the high level of solvency.

With a view to further improving **customer service**, two main lines are to be addressed: revitalising the monitoring of customer satisfaction with waiting-times in branches and gradually evolving towards a new appraisal of the service based on levels of recommendation. In addition, BBVA Bancomer has the permanent objective of continuing to improve in its quest to become one of the best companies to work for in Mexico.

THE UNITED STATES

The strategic priority for 2009 is the Transformation Plan for building up the BBVA franchise in the United States as a platform for growth in this country. The following lines of work are highlighted: the strengthening of retail banking through the implementation of the BBVA business model, which will lead to an increase in cross-selling and greater customer loyalty; exploiting the capacities of the international network, especially in corporate banking; implementing the Group's risk model and tools; and adopting BBVA's principles and corporate culture.

Regarding the management priorities for 2009, in which the adverse economic climate is set to prevail, **BBVA Compass** will dedicate its greatest efforts to efficient capital management. Initiatives are to be undertaken with a view to increasing the amount of deposits, actively managing prices, controlling asset quality and improving efficiency.

The aim in **Puerto Rico** is to continue improving efficiency, streamlining structures and controlling expenditure, as well as managing both prices and risk efficiently within the island's current economic environment.

The priorities for **Bancomer Transfer Services** are to uphold its leadership in the remittance of transfers between the US and Mexico, bolster the origination and distribution network and diversify its range of products.

SOUTH AMERICA

In the **banking business**, some of the main aims for this area in 2009 involving private customers are to increase the penetration of lending, leveraged on payslips to mitigate risk, and enhance the efficiency of the distribution model, with its ensuing impact on the arrangement of the branch network, in which the aim is to exploit the experience of PFMs in managing sales forces.

The transformation of the model, designed to improve productivity and the quality of service, includes concentrating transactions in credit cards and leveraging in channels other than the branch office, above all for certain customer segments, focusing on multi-channel business processes and a greater degree of automation.

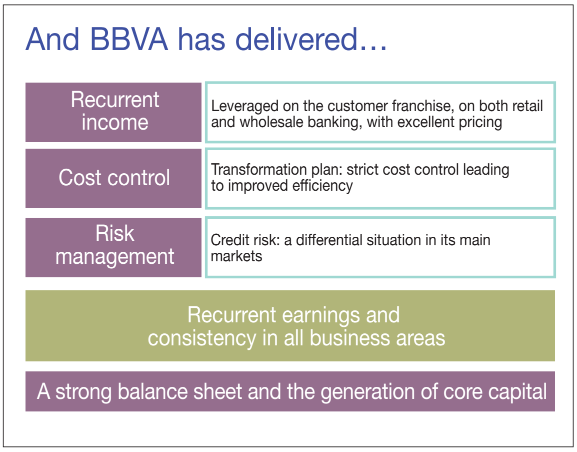
Other matters to be addressed on a priority basis are the complete reassessment of the “VIP” segment and the definition of a plan for improving charges. Action will continue to be undertaken in corporate banking designed to expand this business in a profitable manner, fine-tuning the management model and improving the offer of financial products for this segment with a view to positioning BBVA at the forefront of corporate banking in this region. Within the foreign trade sector, the Group’s banks are already a market benchmark, having implemented pioneering schemes within the field of new technologies.

Regarding the **pension business**, strategic lines will continue to be directed towards increasing the value of the franchise based on the synergies between the banks and PFMs, through the development of new businesses and the reinforcement of both its institutional presence and brand image.

The new bulk distribution arrangement allows them to market not only pension fund memberships, the transfer of pensions, insurances and the terminations specific to the pension network but also banking products, largely lending (cards and consumer finance in general and even mortgages) and payslips.

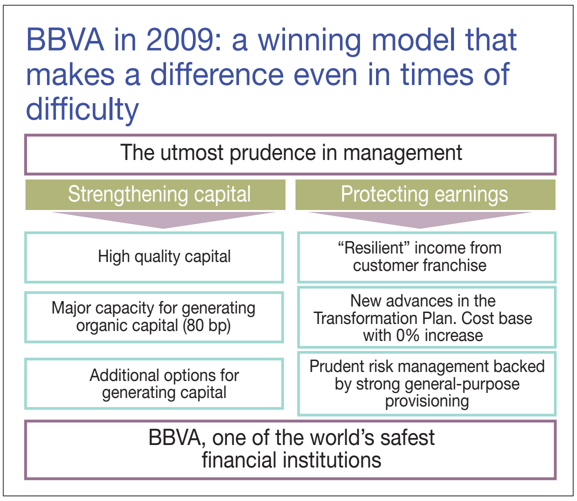
In the **insurance business**, priority will be given to the work undertaken in pursuit of greater value creation, lending a major boost to the bancassurance activity in progress, as well as to the development of new distribution channels (large-scale sales forces, call centre), business intelligence and operating support, in order to improve both efficiency and performance.

CONCLUSION



In short, within an environment as especially complex as the one experienced in 2008, the BBVA Group has emerged stronger, thereby proving the soundness of its business model.

The outlook for 2009 points to another challenging year for the global economy and for the financial sector in particular. Nonetheless, this difficult environment presents opportunities for the best prepared. The BBVA Group has solid foundations and 2009 will present another magnificent opportunity for it to continue making a difference with its peers.



Group financial information

Economic environment

The international economic crisis was the main feature that characterised **2008**. Financial markets were severely disturbed during the entire period, with general falls on international stock markets and higher volatility.

As the year wore on, it became clear that the financial crisis was going to have a serious material impact, and that practically no part of the world and no asset would be immune to its consequences. The uncertainties that arose at the end of the year were related to the possible length of the slowdown as well as to the actual ability of the economic measures implemented to offset the effects of the crisis.

The year can be divided into **three** clearly distinct **periods**:

The **first period**, which lasted until March, was marked by the continuation and deepening of the **financial crisis** that began in summer of 2007. This led to higher risk premiums and an ongoing high level of liquidity premiums. Problems during this time were concentrated in the United States, leading to sharp dollar depreciation. The financial system troubles eventually spread out from their origin in the subprime area.

This, in turn, led to a notable increase in the cost of long- as well as short-term financing sources – and even to the drying up of credit. It became increasingly evident that this situation would persist, and that overcoming it would require the recapitalisation and deleveraging of the financial system. Losses in the banking sector had by that time reached $400,000m, with losses for the year estimated at $1 trillion. The nationalisation of the British bank Northern Rock, along with the bailout of the American Bear Stearns put an end to this first period.

The **second period** lasted from the spring until the end of summer. Thanks to several events, the financial **crisis** slowed down during this time, and even saw a slight fall off in risk premium levels. Firstly, public sector interventions in the form of bank rescues in the USA and United Kingdom conveyed the impression that there would be no bankruptcies, favouring a reduction in risk premiums and making possible the reactivation of issues in the financial sector.

Secondly, expectations were raised for the rapid recapitalisation of the affected entities thanks to purchases by some investors, highlighted by the emerging sovereign wealth funds. Finally, confidence rose on the belief that interest rate drops in the American and English economies – those most affected at the time – would help to reactivate those economies. In the United States, rates had dropped from 5.25% to 2% in a relatively short period.

This period also produced a **monetary policy dilemma**, the result of the financial crisis coinciding with an increase in commodity prices – an increase that was partly due to the fact that commodities themselves had become safe haven assets attracting large capital inflows. The immediate effect was a spike in inflation that peaked during the summer in both developed as well as emerging economies.

In this context, the **central banks**, which had been injecting liquidity in order to confront the rebound in interbank interest rates, were faced with limited options in terms of adjusting official interest rates in response to the economic slowdown. The European Central Bank (ECB) went so far as to increase rates by a quarter of a point to 4.25% in July 2008, a move that the Bank would quickly have to reverse.

The **third period of the year**, that is, from late summer, ushered in an **acceleration of the financial crisis**, along with the corresponding economic policy measures. This was due to a number of events taking place in September: the nationalisation of the two largest mortgage agencies in the US, Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers, the rescue of Merril Lynch by the Bank of America and the bailout of the AIG insurance company by the United States government.

The default of such a large firm as Lehman Brothers notably increased previously existing stress in risk and liquidity premiums. The commercial paper market underwent a new drop in volume, while the movement of liquidity demand towards the interbank market brought liquidity premiums to previously unheard of levels.

This all led to a turning point in the evolution of the financial crisis, **spreading the problems** beyond the English speaking world. Movements in the euro reflected this; after having strongly appreciated until June, reaching a maximum against the dollar of 1.6, the currency fell back to below 1.4 dollars.

Consequently, the autumn of 2008 saw a **collapse in asset prices**, including stocks. Estimates of bank losses, which had reached $1.4 billion, were newly revised upwards. Meanwhile world economic growth forecasts were lowered due to three factors: a reduction in lending growth caused by tensions in the financial sector, a drop in financial wealth in the context of lower asset prices, leading to less dynamic domestic demand, and a greater-than-expected slowdown in the real estate sector in developed countries.

With the crisis accelerating, the abovementioned **monetary policy** dilemma that the developed countries had faced in the spring and summer of 2008 lost relevance. Maximum inflation rates had been overcome while the risk of a drop in activity remained significant. As such, there was a radical change in expectations concerning interest rates, with markets discounting further falls along with an extended period of low interest rates. In fact, the acceleration of the crisis led to unprecedented actions: on 8 October, the Federal Reserve, the European Central Bank and the central banks of Switzerland, Sweden, Canada and the United Kingdom jointly lowered their interest rates by a half percentage point.

Moreover, liquidity tensions spread beyond the developed countries for the first time since the crisis began. **Emerging economies** started to feel the effects of the drought in funds – their interbank markets got tighter, risk spreads widened while currencies depreciated significantly against the dollar. The actual impact of the crisis on emerging economies was constrained, however, by healthy macroeconomic fundamentals, with lower dependence on foreign savings than in the past and dynamic domestic demand acting as solid support. Moreover, although commodity prices had gone down, underlying trends in supply and demand assured that prices would remain relatively high, favouring commodity exporting countries.

The successive problems in the financial sector led to abundant liquidity supply by the central banks, along with an increase in diverse **economic policy** measures. These were highlighted by bailout plans for the financial sector, along with fiscal expansion in different countries. At first, the plans of action were clearly uncoordinated, especially in Europe. Yet the Euro-group meeting in October, and especially the G-20 meeting in November, gave a strong boost in terms of coordinating these actions.

The initial lack of coordination was evidenced by the **financial sector bailout plans**. At first these were based on distinct diagnoses of the crisis, drawing the focus on liquidity or solvency issues in the different countries.

The **British** plan was perhaps the most complete. It included three lines of action: the recapitalisation of a group of entities through the government purchase of shares, a plan of guarantees for the issuing of short- and medium-term debt by the banks (accessible to those entities with sufficient capital, obtained privately or through government intervention), and an additional line of liquidity provision. Many other plans moved in this direction. In fact, the US plan, which had initially focused on creating a market for toxic assets, also ended up including the goal of bank recapitalisation in its design. The G-20 meeting, nonetheless, signalled a turning point by supporting globally coordinated actions.

The **fiscal plans** also extended to many other countries, although with differences ranging in their composition from spending increase measures and the reduction of tax income to their clear focus on a final goal. The US plan, the largest in scope, may be better set to have an immediate impact. In Europe, where the plans have a more moderate reach, the adequate design of measures is especially important to achieve effectiveness.

In any case, **by the end of 2008**, risk premiums remained high throughout a wide range of assets, with liquidity premiums showing only a moderate decrease. The United States had entered into an economic recession, showing progressive weakness in activity and labour market indicators. The European economy was also suffering a notable slowdown in activity, which was beginning to affect employment. Spain was undergoing deterioration in its economy as well as in employment, especially pronounced in the construction sector. The Spanish economy finally grew by 1.2%, as opposed to 3.7% the prior year, ending the year with markedly negative growth. The same was true for all the other economies: the growth profile was increasingly becoming one of greater adjustment, culminating in negative rates, although on average for the year the United States grew by 1.3% and the EMU by 0.7%.

Given the significant risks of a slowdown in activity, along with a lowered risk of inflation

Interest rates

(Annual and quarterly average)

	Year 2008	2008 4Q	2008 3Q	2008 2Q	2008 1Q	Year 2007	2007 4Q	2007 3Q	2007 2Q	2007 1Q
Official ECB rate	3.88	3.28	4.24	4.00	4.00	3.85	4.00	4.00	3.82	3.57
Euribor 3 months	4.64	4.24	4.98	4.86	4.48	4.28	4.72	4.49	4.07	3.82
Euribor 1 year	4.83	4.38	5.37	5.05	4.48	4.45	4.68	4.65	4.38	4.09
Spain 10-year bond	4.38	4.16	4.65	4.54	4.17	4.32	4.35	4.47	4.39	4.06
USA 10-year bond	3.64	3.20	3.84	3.86	3.65	4.63	4.26	4.73	4.84	4.68
USA Federal rates	2.08	1.07	2.00	2.08	3.19	5.05	4.53	5.18	5.25	5.25
TIIE (Mexico)	8.28	8.71	8.49	7.96	7.93	7.66	7.86	7.71	7.63	7.44

following the steep drop in oil prices, monetary authorities stepped up their process of **interest rate** reductions. The USA dropped their rates for the first time to a range of 0% to 0.25%, while in Europe, forecasts pointed to new reductions in 2009 after having reached a rate of 2.5%. Consequently, public debt interest rates settled at very low levels, even reaching record lows in the Unites States. Consideration was even given to the possibility of adopting unconventional measures in monetary policy, once the scope for interest rate cuts had largely been exhausted.

In terms of **exchange rates**, the dollar which in autumn had appreciated against the euro to below 1.25 due to the crisis spreading beyond the USA, fell back to 1.4 in December 2008 in light of the reduced interest rate differential with Europe. This amounted to a 5.8% appreciation for the entire year. However, given that the most important currencies in the BBVA Group **balance sheet** depreciated against the euro (the Mexican peso 16.5%, the Chilean peso 17.4%, the Argentinean peso 5.1% and the Colombian peso 5.0%), exchange rates had an overall negative effect on year-on-year comparisons.

All **average exchange rates** for the year, which are used to convert the **income statement** to euros, depreciated compared to 2007: the Mexican peso fell 8.1%, the US dollar 6.8%, the Argentinean peso 8.4%, the Venezuelan bolivar 6.9%, and the Chilean peso 6.2%. The Colombian peso and the new Peruvian sol depreciated by smaller amounts. As a result the Group's income statement is negatively affected by about 4 percentage points (excluding the impact of hedging).

Exchange rates [(1)]

	Year-end exchange rates				Average exchange rates			
	31-12-08	∆% on 31-12-07	31-12-07	∆% on 31-12-06	2008	∆% on 2007	2007	∆% on 2006
Mexican peso	19.2334	(16.5)	16.0521	(10.8)	16.2912	(8.1)	14.9730	(8.6)
U.S. dollar	1.3917	5.8	1.4721	(10.5)	1.4705	(6.8)	1.3705	(8.4)
Argentine peso	4.9197	(5.1)	4.6684	(12.9)	4.7078	(8.4)	4.3111	(10.0)
Chilean peso	885.74	(17.4)	731.53	(3.8)	762.78	(6.2)	715.31	(6.9)
Colombian peso	3,125.00	(5.0)	2,967.36	(0.9)	2,857.14	(0.6)	2,840.91	4.1
Peruvian new sol	4.3678	0.9	4.4060	(4.5)	4.2898	(0.1)	4.2856	(4.1)
Venezuelan bolivar fuerte	2.9884	5.9	3.1646	(10.7)	3.1582	(6.9)	2.9412	(8.4)

(1) Expressed in currency/euro.

Earnings

> Net interest income
> Gross income
> Operating income
> Provisions and others
> Net attributable profit
> Economic profit and risk-adjusted return on economic capital

In 2008, a year marked by the international financial crisis, the BBVA Group once again demonstrated its capacity to generate recurrent earnings, with which its position vis-à-vis its competitors has been enhanced, thus showing that its customer-focused business model, based on long-lasting, mutual insight and trust, is a valid one.

All the business areas contributed to the Group's performance, remaining in a privileged situation in their segment or geographical area when compared with their competitors in terms of income, efficiency, returns and asset quality.

The BBVA Group income statement presented and explained in this Financial Report 2008 fulfils the criteria and models laid out in the **Bank of Spain Circular 6/2008**. These regulations modify Circular 4/2004, which was the basis on which the Group's financial statements had hitherto been presented. The changes it introduces do not affect income before tax or net attributable profit, but it does alter some of the accounts item lines and intermediate income.

The **main differences** are:

- It does not contemplate net interest income *per se* instead introducing the new **net interest income**, which does not include dividends. However it does include financial income and costs from insurance activity.
- The **income from insurance activities** item disappears and depending on their nature its earnings are split mainly between net interest income and the item of other operating income and expenses.
- Ordinary revenues cease to exist and the new **gross income** is introduced. This differs from the former in that it includes other operating income and expenses, not included under ordinary revenues and the new model also includes net revenues from non-financial activities, contributions to deposit guarantee funds and items that were formerly included in the other gains and losses item line. Furthermore, it does not include capital gains on sales of investments in associates available for sale which are considered to have strategic value.
- Operating profit is also eliminated. In order to retain an equivalent reference, the income statement attached includes **operating income**, which is obtained by subtracting administration

costs and depreciation and amortization from gross income.

- **Net operating income** is newly included and this is calculated by subtracting impairment on financial assets and provisions from operating income.

Year-on-year comparison of the **BBVA Group's** earnings in 2008 is affected by a series of **one-off operations:**

- In the **2008 tax year,** it recorded €727m in gross capital gains on the sale of its interest in Bradesco (€509m net), minus gross charges of €470m and €390m in the second and fourth quarters for early retirements of a non-recurrent nature in Spain associated with the Transformation Plan (€329m and €273m after tax) and an extraordinary charge in the fourth quarter related to the Madoff fraud case (€302m after tax).

Consolidated income statement

(Million euros)

	2008	∆%	∆% at constant exchange rates	2007	2006
NET INTEREST INCOME	**11,686**	**21.4**	**26.9**	**9,628**	**8,138**
Net fees and commissions	4,527	(0.7)	2.9	4,559	4,191
Net trading income	1,558	(20.3)	(18.7)	1,956	1,638
Dividend income	447	28.4	28.7	348	380
Income by the equity method	293	21.1	21.4	242	308
Other operating income and expenses	466	(13.4)	(12.0)	538	490
GROSS INCOME	**18,978**	**9.9**	**14.0**	**17,271**	**15,143**
Administration costs	(7,756)	10.0	13.8	(7,053)	(6,330)
Personnel expenses	(4,716)	8.8	12.0	(4,335)	(3,989)
General and administrative expenses	(3,040)	11.9	16.7	(2,718)	(2,342)
Depreciation and amortization	(699)	21.1	25.6	(577)	(472)
OPERATING INCOME	**10,523**	**9.1**	**13.5**	**9,641**	**8,340**
Impairment on financial assets (net)	(2,940)	54.5	61.6	(1,903)	(1,457)
Provisions (net)	(140)	4.0	6.2	(135)	(561)
NET OPERATING INCOME	**7,442**	**(2.1)**	**1.6**	**7,603**	**6,322**
Other gains (losses)	48	(32.6)	(30.9)	71	211
INCOME BEFORE TAX	**7,490**	**(2.4)**	**1.3**	**7,675**	**6,533**
Income tax	(1,710)	(13.8)	(10.6)	(1,983)	(1,718)
NET INCOME	**5,780**	**1.6**	**5.5**	**5,691**	**4,815**
Minority interests	(366)	26.6	33.4	(289)	(235)
NET ATTRIBUTABLE PROFIT (except one-off operations)	**5,414**	**0.2**	**4.0**	**5,403**	**4,580**
One-off operations [(1)]	(395)	n.m.	n.m.	724	156
NET ATTRIBUTABLE PROFIT	**5,020**	**(18.1)**	**(15.3)**	**6,126**	**4,736**
EARNINGS PER SHARE CALCULATION					
Average ordinary shares in circulation (million)	3,706	3.1		3,594	3,401
Basic earnings per share excluding one-offs (euros)	1.46	(2.8)		1.50	1.35
Basic earnings per share (euros)	1.35	(20.5)		1.70	1.39
Diluted earnings per share (euros)	1.35	(20.5)		1.70	1.39

1) In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter. In 2007, capital gains from Iberdrola in the first quarter, the endowment for the BBVA Microfinance Foundation in the second quarter, capital gains on the sale of buildings in the second and third quarters and non-recurrent early retirement charges in the fourth quarter.

- In **2007**, it reported €847m in gross capital gains on the disposal of equity holdings in Iberdrola and €273m of gross capital gains from the sale of property in connection with the new corporate headquarters, minus charges of €200m to cover endowment of the BBVA Microfinance Foundation and €100m in the fourth quarter as provisions for non-recurrent early retirements.

Hence, one-off operations in 2008, net of tax, reduced net attributable profit by €395m whereas in 2007 they added €724m.

The following comments refer to the income statement **without these non-recurrent earnings**, except where otherwise indicated, this being the most representative way of assessing the Group's performance. Therefore, the amounts in the accompanying table corresponding to one-off operations are included net of tax as an entry at the bottom.

An analysis of earnings, moreover, requires the effect of fluctuation in average **exchange rates** for 2008 and 2007 be taken into account; they have fallen in the region of 4 percentage points (ignoring the impact of hedging). As is usual, a column has been included in the accompanying income statement, showing the variations at constant exchange rates.

In **2008, net attributable profit**, excluding one-off operations, stood at €5,414m, a figure slightly up on the €5,403m reported the previous year. At constant exchange rates, this represents a rise of

Consolidated income statement: quarterly evolution

(Million euros)

	2008				2007			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
NET INTEREST INCOME	3,088	3,043	2,829	2,726	2,697	2,433	2,252	2,246
Net fees and commissions	1,105	1,138	1,153	1,131	1,230	1,122	1,115	1,092
Net trading income	139	260	568	591	373	431	570	582
Dividend income	45	161	186	56	120	30	163	35
Income by the equity method	25	95	34	139	81	57	77	26
Other operating income and expenses	157	96	83	130	129	123	127	159
GROSS INCOME	4,558	4,794	4,854	4,772	4,630	4,196	4,305	4,140
Administration costs	(2,016)	(1,925)	(1,909)	(1,907)	(1,964)	(1,744)	(1,682)	(1,663)
Personnel expenses	(1,188)	(1,185)	(1,165)	(1,178)	(1,189)	(1,079)	(1,032)	(1,035)
General and administrative expenses	(827)	(740)	(743)	(730)	(775)	(665)	(650)	(628)
Depreciation and amortization	(187)	(174)	(161)	(177)	(184)	(147)	(127)	(120)
OPERATING INCOME	2,355	2,695	2,784	2,688	2,483	2,306	2,496	2,357
Impairment on financial assets (net)	(859)	(917)	(607)	(557)	(578)	(455)	(501)	(369)
Provisions (net)	(16)	18	3	(145)	60	(15)	(52)	(127)
NET OPERATING INCOME	1,480	1,796	2,180	1,986	1,965	1,836	1,942	1,860
Other gains (losses)	(30)	11	(2)	69	22	33	9	7
INCOME BEFORE TAX	1,449	1,807	2,178	2,056	1,987	1,869	1,952	1,867
Income tax	(258)	(316)	(617)	(520)	(483)	(455)	(504)	(541)
NET INCOME	1,191	1,491	1,561	1,536	1,504	1,414	1,447	1,327
Minority interests	(98)	(99)	(75)	(94)	(63)	(75)	(78)	(72)
NET ATTRIBUTABLE PROFIT (except one-off operations)	1,093	1,392	1,486	1,442	1,440	1,339	1,369	1,254
One-off operations	(575)	-	(329)	509	(70)	44	54	696
NET ATTRIBUTABLE PROFIT	519	1,392	1,157	1,951	1,370	1,382	1,423	1,950

4.0%. This profit is particularly commendable in a year in which most of the large international banking groups suffered serious falls in their revenues and profits, and in some cases even losses.

The higher recurrence in BBVA's business model shows that despite the environment being much less favourable than in 2007, the Group's earnings underwent a significant rise: **the gross income** increased to €18,978m, up 9.9% year on year, driven largely by net interest income, which rose 21.4%. Thus, **operating income** reached €10,523m, 9.1% above the €9,641m reported in 2007 (13.5% at constant exchange rates), which enabled the BBVA Group to offset higher loan-loss provisions deriving from the economic crisis and from its traditional prudent criteria.

Furthermore, this growth in the Group's earnings is essentially **organic**, because the perimeter changes, largely due to the incorporation of Compass in September 2007, have had little impact on the variation in net attributable profit.

It is worth mentioning that the increase in its main profit metrics, in such a complicated year as 2008, was attained over an already high starting point, because **2007** was a very good year as far as earnings were concerned, reporting growth (excluding non-recurrent operations) in net interest income (+18.3%), operating income (+15.6%) and net attributable profit (+18.0%).

The Group's **average total assets** (ATA) grew 12.3% in 2008, due to the balance-sheet increase from organic business growth and to the fact that this year now included Compass Bank assets for the full 12 months, versus the 4 that were booked in 2007. The headings reflecting the Group's most recurrent revenues maintained high ratios of returns on the assets it manages. Hence, net interest income on ATAs stood at 2.26%, up on the figure for both 2007 and 2006 (2.09% and 2.06%, respectively). Administration costs continued to rise below average total assets, whereby their weight fell to 1.50% (1.53% in 2007 and 1.60% in 2006). Operating

Consolidated income statement (1)

(Expressed as a % of average total assets (ATA))

	2008	2007	2006
NET INTEREST INCOME	**2.26**	**2.09**	**2.06**
Net fees and commissions	0.87	0.99	1.06
Net trading income	0.30	0.42	0.41
Other operating income and expenses	0.23	0.24	0.30
GROSS INCOME	**3.66**	**3.74**	**3.82**
Administration costs	(1.50)	(1.53)	(1.60)
Personnel expenses	(0.91)	(0.94)	(1.01)
General and administrative expenses	(0.59)	(0.59)	(0.59)
Depreciation and amortization	(0.13)	(0.13)	(0.12)
OPERATING INCOME	**2.03**	**2.09**	**2.11**
Impairment on financial assets (net)	(0.57)	(0.41)	(0.37)
Provisions (net) and other gains (losses)	(0.02)	(0.01)	(0.09)
INCOME BEFORE TAX	**1.45**	**1.66**	**1.65**
Income tax	(0.33)	(0.43)	(0.43)
NET INCOME (ROA)	**1.12**	**1.23**	**1.22**
Minority interest	(0.07)	(0.06)	(0.06)
NET ATTRIBUTABLE PROFIT	**1.05**	**1.17**	**1.16**
MEMORANDUM ITEM:			
Average total assets (million euros)	517,856	461,199	395,939

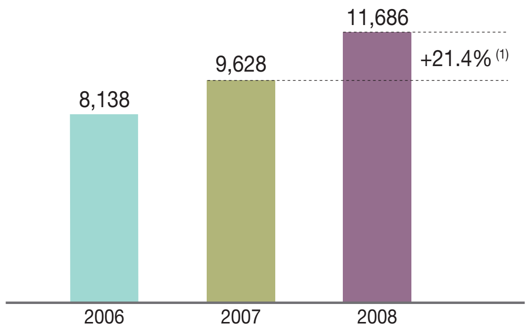
(1) Excluding one-off operations.

income on ATAs remained at a level of 2.03% in 2008, slightly below the 2.09% reported in 2007 and 2.11% of 2006, due to other revenues rising at a rate below that of the ATAs. Lastly, the ROA (net profit/ATA) stood at 1.12%, in comparison to the 1.23% reported in 2007 and the 1.22% in 2006.

Net interest income

The main driver of growth in BBVA's revenues in 2008 was net interest income, which reached €11,686m, an increase of 21.4% over the €9,628m of 2007. This was fruit of larger business

Net interest income
(Million euros)

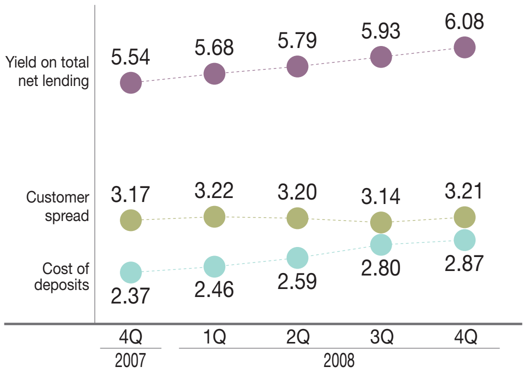


(1) At constant exchange rate: +26.9%.

Breakdown of yields and costs
(Million euros)

	2008		2007		2006	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances with central banks	2.8	3.32	3.5	2.86	3.0	3.73
Financial assets and derivatives	22.9	3.94	23.3	4.09	26.1	4.35
• Euros	14.0	2.69	14.1	2.91	17.9	2.66
• Foreign currencies	8.8	5.92	9.2	5.90	8.2	8.06
Loans and advances to credit institutions	6.0	4.38	8.6	4.50	6.0	4.19
• Euros	4.2	4.30	6.4	3.85	3.6	3.21
• Foreign currencies	1.8	4.57	2.2	6.39	2.4	5.63
Loans and advances to customers	62.1	7.38	59.8	7.00	58.8	5.93
• Euros	42.2	5.98	43.6	5.35	44.8	4.15
- Domestic	39.2	5.87	41.6	5.18	41.9	4.17
- Other	3.0	7.40	2.0	8.72	2.9	3.92
• Foreign currencies	19.9	10.35	16.2	11.45	14.0	11.61
Other assets	6.3	0.55	4.9	1.16	6.1	1.26
TOTAL ASSETS	**100.0**	**5.87**	**100.0**	**5.68**	**100.0**	**5.06**
Deposits from central banks and credit institutions	14.9	4.94	14.3	5.27	16.1	4.10
• Euros	6.3	4.89	5.9	4.60	8.7	3.40
• Foreign currencies	8.6	4.97	8.3	5.75	7.4	4.92
Deposits from customers	45.8	3.53	44.6	3.41	44.9	3.10
• Euros	22.2	3.27	23.8	2.86	25.0	1.87
- Domestic	16.3	2.69	17.3	2.09	17.8	1.42
- Other	5.9	4.88	6.4	4.95	7.2	2.97
• Foreign currencies	23.6	3.78	20.8	4.04	19.9	4.64
Debt certificates and subordinated liabilities	23.0	5.12	25.2	4.87	22.1	3.83
• Euros	18.7	5.22	21.6	4.69	19.6	3.66
• Foreign currencies	4.3	4.65	3.6	5.91	2.5	5.18
Other liabilities	11.0	0.73	10.6	0.84	12.1	0.90
Equity	5.3	-	5.3	-	4.7	-
TOTAL LIABILITIES AND EQUITY	**100.0**	**3.61**	**100.0**	**3.59**	**100.0**	**3.01**
NET INTEREST INCOME/ATA		**2.26**		**2.09**		**2.06**

Customer spread (Domestic)
(Percentage)



volumes and keeping spreads wide in the Group's different units.

In the business with domestic customers in **Spain**, thanks to a successful pricing policy, yields on loans remained on the upward path it began midway through 2005. This was despite cuts in rates in the latter months of 2008 which led to a yield of 6.08% in the fourth quarter of the year, versus the 5.54% reported for the last quarter of 2007. Moreover, the cost of deposits rose to 2.87% in the fourth quarter of 2008 compared to 2.37% in the same period one year earlier, largely due to changes in the composition of customer funds, with time deposits increasing in importance. All in all, the customer spread remained relatively stable over the year, to lie at 3.21% in the fourth quarter of 2008, 4 basis points up on the figure of 3.17% reported in the last quarter of 2007. For 2008 as a whole, the **customer spread** was 3.18%, 9 basis points above the spread for 2007.

This improvement in spreads in the home market contributed to a 10.0% year-on-year growth in net interest income in the Spain & Portugal area, and a 36.3% rise in the same among Corporate and Investment Banking customers in the Wholesale Banking & Asset Management area.

In **Mexico**, interbank rates showed a slight upward trend over the year, with the average Interbank Equilibrium Interest Rate (TIIE) for 2008 standing at 8.3%, as opposed to the figure of 7.7% for 2007. The customer spread remained stable throughout the year, lying at 12.4% in the fourth quarter, the same level as in 2007, due to a slight rise both in yield on loans and cost of deposits. The former was at a level of 15.7% in the fourth quarter of 2008, in comparison to the 15.0% recorded in the same quarter 2007, despite the negative effect of consumer finance and cards items losing weight. Likewise, the cost of deposits rose from 2.6% in the fourth quarter of 2007 to 3.3% in 2008. This spread performance and the higher lending and asset balances led to a year-on-year 15.4% increase in net interest income, in pesos.

As regards **South America**, it reported a significant rise in its net interest income (+32.0% at constant exchange rates), based on high rises in activity and a good trend in spreads.

Gross income

For 2008 as a whole, **fees** generated net income of €4,527m, a similar figure to the €4,559m of 2007. The variation in this figure was affected by fees from mutual and pension funds (–9.8%), resulting from the negative market effect and the greater preference shown for time deposits in markets like Spain and Mexico.

Net trading income stood at €1,558m in 2008, 20.3% down on the €1,956m reported for 2007, largely because of the fall in earnings generated in the Markets area.

Alternatively, in 2008 income from **dividends** came to €447m, a rise of 28.4% over the €348m of the previous year; this item is largely made up of the dividends – and their increase – from Telefónica.

Net income from companies calculated by the **equity method**, came to €293m in 2008, compared to €242m one year earlier; the contribution by the IBV Corporation was outstanding in both years.

The item **other operating income and expenses** accrued €466m for the year, as opposed to the €538m of 2007 (–13.4% year on year), its main component entries being:

- +€616m income from insurance activities, 11.2% up on the €554m reported in 2007. These sums are the net amount of premiums collected minus benefits, because financial gains and expenses are included in net interest income.
- +€82m net income from non-financial services, which were negatively affected by

Net fees and commissions

(Million euros)

	2008	∆%	2007	2006
Collection and payment services	2,150	4.1	2,066	1,801
• Credit and debit cards	953	(6.5)	1,019	934
• Other collection and payment services	1,197	14.4	1,047	867
Asset management	1,172	(7.4)	1,266	1,256
• Mutual and pension funds	984	(9.8)	1,091	1,133
• Managed portfolios	188	7.8	175	123
Other securities services	578	(6.0)	615	570
• Purchase/sale of securities	206	(2.4)	211	181
• Underwriting and placement	47	(29.4)	67	62
• Administration and custody services	325	(3.6)	337	327
Other fees	627	2.3	613	563
NET FEES AND COMMISSIONS	**4,527**	**(0.7)**	**4,559**	**4,191**

lower revenues from real estate business in 2008.

- And –€251m in provisioning deposit guarantee funds in the various countries in which the Group operates.

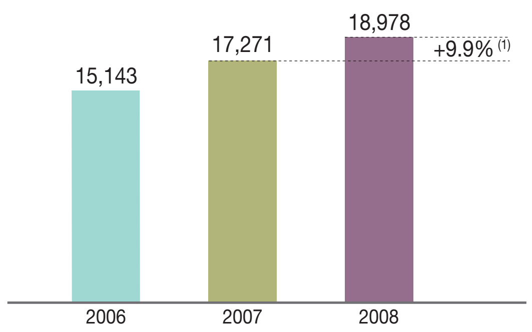
In short, **gross income**, which is made up of net interest income plus the previously discussed income items (fees, net trading income, dividends, income by the equity method and other operating income and expenses) came to €18,978m in the year, showing a 9.9% increase over the €17,271m of 2007 (+14.0% at constant rates).

Operating income

A downward quarterly trend was observed in **administration costs**, due to the transformation plans implemented in 2008. In year-on-year terms, however, they were influenced by the broadening of the perimeter, growth projects and strong sales activity. They consumed €7,756m over the year, which is a rise of 10.0% over the €7,053m reported in 2007 (+8.8% personnel expenses and +11.9% general and administrative expenses). In the Spain & Portugal area, expenses fell 1.0% in

Gross income

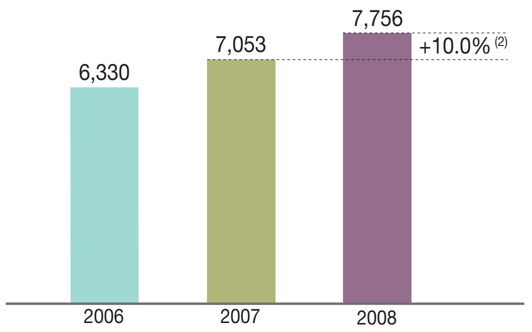
(Million euros)



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

Administration costs (1)

(Million euros)



(1) Excluding results of one-off operations.
(2) At constant exchange rate: +13.8%.

Administration costs and depreciation (1)

(Million euros)

	2008	∆%	2007	2006
PERSONNEL EXPENSES	**4,716**	**8.8**	**4,335**	**3,989**
Wages and salaries	3,593	9.0	3,297	3,012
• Fixed compensation	2,737	11.5	2,455	2,255
• Variable compensation	856	1.7	842	757
Employee welfare expenses	693	5.0	660	631
• Of which: pension funds	127	11.5	113	127
Training expenses and other	430	13.5	379	346
GENERAL AND ADMINISTRATIVE EXPENSES	**3,040**	**11.9**	**2,718**	**2,342**
Premises	617	18.7	520	451
IT	598	10.9	539	496
Communications	260	10.4	236	218
Advertising and publicity	272	9.6	248	207
Corporate expenses	110	4.5	105	93
Other expenses	887	9.3	812	674
Levies and taxes	295	14.6	257	203
ADMINISTRATION COSTS	**7,756**	**10.0**	**7,053**	**6,330**
DEPRECIATION AND AMORTIZATION	**699**	**21.1**	**577**	**472**
ADMINISTRATION COSTS AND DEPRECIATION & AMORTIZATION	**8,455**	**10.8**	**7,630**	**6,803**

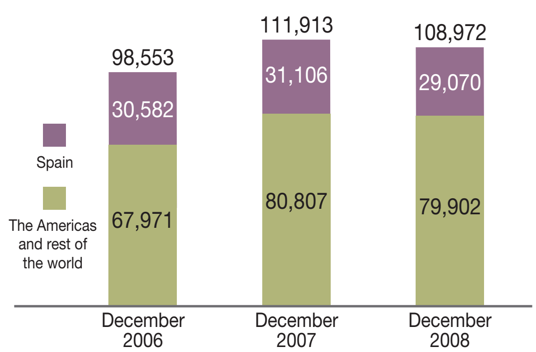
(1) Excluding one-off operations.

comparison to 2007, but in the Americas they rose by 16.7%, affected by the acquisition of Compass and retail network expansions in certain countries.

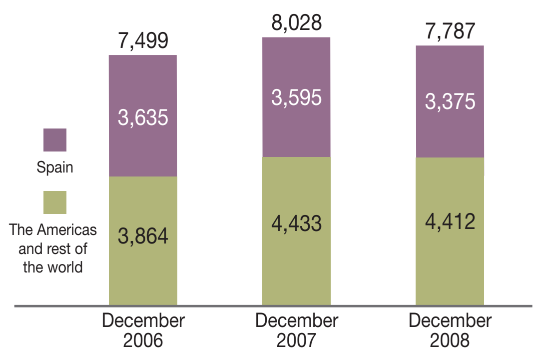
The BBVA Group had a **workforce** of 108,972 employees at 31-Dec-08, a decrease of 2.6% on the 111,913 at year-end 2007. The figure in Spain fell by 6.5%, fruit of the transformation plans implemented, and there were smaller decreases in the Americas (basically due to the changes recorded in Argentina in the fourth quarter), and likewise in the rest of the world.

Its **branch** network has a total of 7,787 outlets. The Spanish network (BBVA and Dinero Express) was streamlined in the last twelve months, while the

Number of employees



Number of branches



Efficiency (1)

(Million euros)

	2008	∆%	2007	2006
GROSS INCOME	**18,978**	**9.9**	**17,271**	**15,143**
Personnel expenses	(4,716)	8.8	(4,335)	(3,989)
General and administrative expenses	(3,040)	11.9	(2,718)	(2,342)
ADMINISTRATION COSTS	**(7,756)**	**10.0**	**(7,053)**	**(6,330)**
EFFICIENCY RATIO (Costs/gross income, %)	**40.9**		**40.8**	**41.8**
Depreciation and amortization	(699)	21.1	(577)	(472)
ADMINISTRATION COSTS + DEPRECIATION AND AMORTIZATION	**(8,455)**	**10.8**	**(7,630)**	**(6,803)**
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	**44.6**		**44.2**	**44.9**

(1) Excluding one-off operations.

number of outlets remained relatively stable in the Americas.

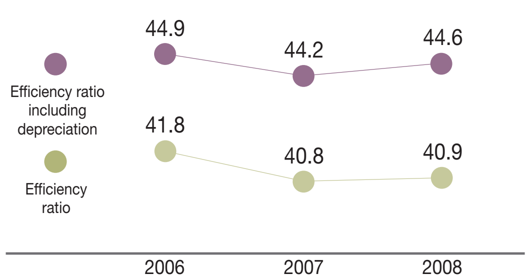
With the new income statement model from Bank of Spain Circular 6/2008, the simplest and most direct way of obtaining the **efficiency ratio** is to calculate the ratio of administration costs to gross income. In comparison to the calculations made in recent years, the outcome is a somewhat higher figure, as the new gross income item differs from the former ordinary revenues, largely in that it includes contributions to deposit guarantee funds. It therefore stood at 40.9% in 2008, a similar level to that of 2007, its variation being affected by the negative structure effect from the incorporation of Compass (without Compass it improved to 39.5%).

Depreciation and amortization rose 21.1%, affected by the depreciation of intangible assets at the banks acquired in the United States (€163m), whereby administration costs plus depreciation and amortization increased 10.8% year on year, and **the efficiency ratio including depreciation** stood at 44.6% (44.2% in 2007), a level which continues to be among the best in comparison with its benchmark competitors. Excluding the figures for the Compass Group, the efficiency ratio including depreciation stood at 42.2%, an improvement on the 43.1% of 2007.

Despite the complex current situation, the good performance by revenues and control of the Group's expenses resulted in **operating income** of €10,523m for the year as a whole, a figure 9.1% up on the €9,641m of 2007 (+13.5% at constant exchange rates). By business area, in this item Spain & Portugal increased 10.6%, Mexico by 7.0%

Efficiency (1)

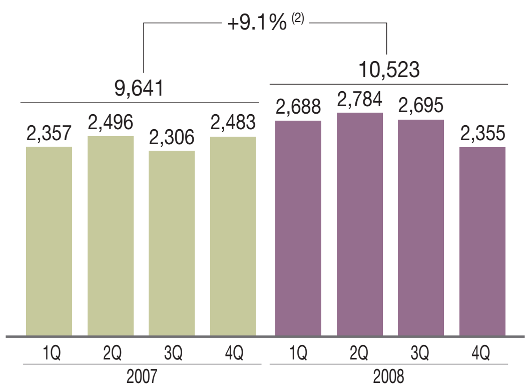
(Percentages)



(1) Excluding results of one-off operations.

Operating income (1)

(Million euros)



(1) Excluding results of one-off operations.
(2) At constant exchange rate: +13.5%.

(16.4% in pesos), the United States by 81.3% due to the perimeter effect and South America by 24.1% (30.1% in local currency), while Wholesale Banking & Asset Management fell by 4.6%.

Provisions and others

Total **impairment on financial assets** stood at €2,940m for 2008, 54.5% higher than the €1,903m reported the previous year. This item was affected by the rise in non-performing assets recorded in the latter quarters (the outcome of deterioration in the economic climate), and by the criteria of utmost prudence applied by the Group.

A figure of €140m was recorded under **provisions**. This includes €205m for ordinary early retirements (€212m in 2007). Non-recurrent earnings, however, include €860m gross for extraordinary early retirements in the Spain & Portugal area and in Central Services, product of the transformation plans, as against the €100m in non-recurrent provisions booked in 2007.

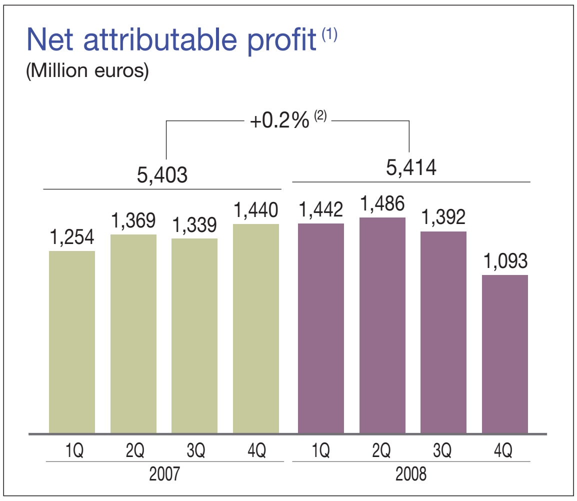
Thus, by subtracting impairment on financial asset and provisions from operating income, we attain a figure for **net operating income** of €7,442m, versus the €7,603m reported in 2007.

Net attributable profit

By incorporating the other items, **income before tax** for 2008 came to €7,490m, as against €7,675m in 2007. Income tax on this sum was €1,710m, which benefited from a reduction in the tax rate applicable in Spain in 2008 (from 32.5% to 30%), and in Mexico from the sale of its write-offs portfolio. We hence attain a net profit of €5,780m (+1.6%, year-on-year).

Minority interests account for €366m of this amount, whereby the Group's **net attributable profit** in 2008 came to €5,414m. This figure is 0.2% higher than the €5,403m reported in 2007 (+4.0% at constant exchange rates) and it is commendable in an environment which has proven much more complicated than that of one year earlier.

The breakdown of the net attributable profit figure by **business area** is as follows: Spain & Portugal contributed €2,625m with a

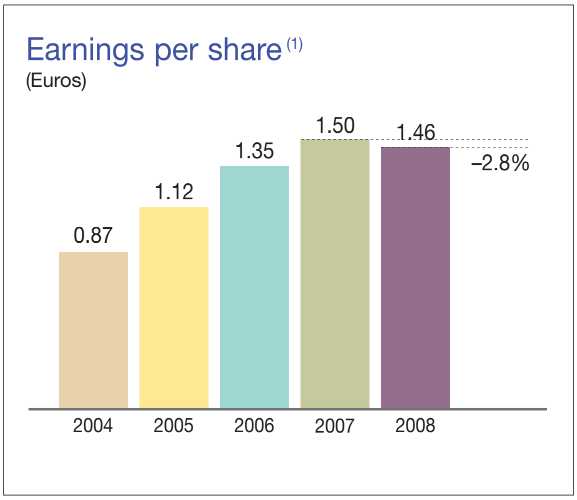


(1) Excluding results of one-off operations.
(2) At constant exchange rate: +4.0%.

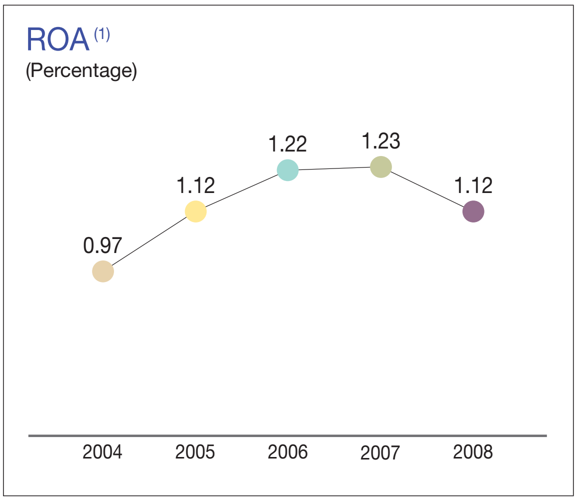
year-on-year increase of 10.2%, Wholesale Banking & Asset Management €754m (–15.9%), Mexico €1,938m (+3.0% in euros and +12.1% in pesos), the United States €211m (+3.6% in euros and +11.2% in dollars) and South America €727m (+16.6% in euros and +22.7% at constant exchange rates).

Earnings per share (EPS) came to €1.46 as against €1.50 for 2007 (–2.8%, year on year), their performance being affected by the 3.1% rise in the number of shares resulting from the capital increase carried out in September 2007.

Due to retained profit, the Group's larger shareholders' funds influenced the **book value** per share, which stood at €7.09 at 31-Dec-08 (7.2% higher than one year before) and they also affected



(1) Excluding results of one-off operations.



(1) Excluding results of one-off operations.

the return on equity (**ROE**) which in 2008 was at 23.2% as against 30.2% in 2007. Return on total average assets (**ROA**) stood at 1.12%.

Non-recurrent earnings booked in 2008 reduced net attributable profit by €395m. These are itemised as follows: net capital gains of €509m from the sale of the Group's interest in Bradesco in the first quarter, minus €602m net for extraordinary provisions for early retirements in the second and fourth quarters of the year and minus €302m for the charge associated with the Madoff fraud in the fourth quarter. In 2007, however, non-recurrent earnings contributed an important amount (€724m) to net attributable profit, due to sales of the Group's equity holding in Iberdrola and of properties, minus the charge for the endowment of the BBVA Microfinance Foundation and minus a net extraordinary provision of €70m for early retirements.

Including these non-recurrent earnings, in 2008 the Group's **net attributable profit** came to €5,020m, a figure that places BBVA among the leaders not only in its peer group, but also among all the world-level banking groups. Its earnings per share lay at €1.35, its ROE at 21.5% and ROA at 1.04%.

The three interim dividends posted against earnings for 2008, which came to a gross aggregate of €0.501 per share, ie, a total of €1,878m, represented a cash payout of 37.4%. Adding the distribution in shares of part of the issue premium reserves proposed to the Annual General Meeting, the resulting total **payout** comes to 46% at the share price at the end of January 2009.

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-based management** system BBVA has introduced, the aim of which is to align the interests of its managers with those of its shareholders. A set of procedures, tools and indicators are required to put this system into operation.

In this context, the best benchmark for aligning the aforementioned interests is **economic value**. This is calculated for each of the Group's businesses and activities as the sum of the capital employed (economic risk capital, or ERC) and the value added.

In turn, **value added**, which represents the expectation that the return on capital will exceed its cost, is calculated as the value discounted, at the cost of capital for each business, from the economic profit projected forward. Therefore, EP compares earnings generation and the cost of the capital used to obtain them and EP growth over time is directly linked to increases in shareholder value.

The **economic profit** (EP) is the profit generated over and above the cost of capital employed, and it is calculated by applying the formula below:

$$\text{Economic profit (EP)} = \text{Adjusted net attributable profit} - (\text{ERC x cost of capital})$$

In this formula, **adjusted net attributable profit** is reached by making the following **adjustments** to net attributable profit:

- Substituting generic provisions with an allocation based on expected loss; the metric thus replaces a figure reflecting an accounting requirement with one reflecting the best estimate of the real risk incurred.
- Adjusting variations in unrealised capital gains in the equity holdings portfolio. This means recognising capital gains in earnings when they are generated and not when they are realised.

Economic profit and risk-adjusted return on economic capital

(Million euros)

	2008	Δ%	2007	2006
NET ATTRIBUTABLE PROFIT	5,020	(18.1)	6,126	4,736
Adjustments	(3,241)	n.m.	578	553
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	1,778	(73.5)	6,704	5,289
Average economic risk capital (ERC) (B)	19,735	10.5	17,854	15,455
RISK-ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100	9.0		37.5	34.2
RECURRENT RAROC (%)	29.9		33.8	31.9
ERC x cost of capital (C)	2,053	8.6	1,890	1,689
ECONOMIC PROFIT (EP) = (A) - (C)	(275)	n.m.	4,814	3,599
RECURRENT ECONOMIC PROFIT	3,402	(5.9)	3,614	2,689

- Adjusting the difference between the market value of the Group's Global Markets positions and their accounting value.
- Altering the asset value of the Group's equity holdings in subsidiary companies resulting from FX differences.

In 2008, these adjustments came to –€3,241m, largely due to unrealised capital losses, therefore the resulting adjusted net attributable profit was €1,778m.

These calculations are tracked over time. In the medium and long term they are very useful for determining the intrinsic value of a business. However, in the short term, they 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.

Recurrent economic profit in 2008 stood at €5,150m, compared with the €5,181m reported in 2007.

The result of multiplying average economic risk capital (ERC) over the period (€19,735m in 2008) by the percentage of the **cost of capital**, is then deducted. 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 capital remuneration terms.

This is how **economic profit** (EP) is reached. Although this figure stood at –€275m for the year, **recurrent** EP, however, reached €3,402m, once again reflecting BBVA's capacity to generate profit over and above the cost of capital employed and, therefore, economic value for the shareholder.

RAROC measures the return earned by each business unit adjusted to the risk it bears. It reflects the difference between the adjusted net attributable profit and the average ERC for the period:

$$\text{Risk-adjusted return on economic capital (RAROC)} = \frac{\text{Adjusted net attributable profit}}{\text{Average ERC}} \times 100$$

In 2008, the outcome of this calculation was a RAROC of 9.0% and a **recurrent RAROC** of 29.9%.

BBVA's combination of growth and high profitability brings in recurrent EP and therefore sustained generation of economic value for shareholders. Empirical evidence and our own data for recent years indicate a very high correlation between the sum of the economic values of BBVA's businesses and the market price of its shares, although the latter is currently affected by market volatility.

Balance sheet and business activity

> Lending to customers
> Customer funds
> Other items on the balance sheet

In 2008, **lending** to customers continued its slowdown within the Spanish market and increased significantly in the Americas, which was compatible with a moderate NPA ratio and a high coverage ratio.

For its part, growth in **funds** has centred on products included on the balance sheet, both in Spain and in the Americas.

Given that **Compass** joined the Group in September 2007, year-on-year comparison of items on the balance sheet is now on a like-for-like basis. Nonetheless, the nationalisation of pension funds in Argentina in the fourth quarter and the sale of the Miami branch in the second quarter did have an impact on funds reported off the balance sheet.

The **Bank of Spain Circular 6/2008** implies some changes in the Group's balance sheet due to the reclassification of items, without effect on equity, and with a very limited impact, as it only represents a movement of 0.2% within the total assets of the Group at 31-Dec-08 and of less than 0.7% of the balance sheet total for loans and funds. The most significant variation occurs in documentary risk, which no longer includes credit default swaps.

Where **exchange rates** are concerned, it must be taken into account that their performance has a negative influence on the year-on-year comparison of the balance sheet and of business figures, since, between 1 January and 31 December 2008, both the Mexican peso and the Chilean, Argentinean and Colombian pesos depreciated against the euro, although the US dollar slightly counteracted this effect as it appreciated during the same period. Therefore, as is customary and in order to facilitate analysis of business performance, the growth rates quoted are at constant exchange rates on the main figures.

At the end of December 2008, the **total assets** of the BBVA Group stood at €543 billion, representing an increase of 8.2% compared to the €502 billion recorded on the same date the previous year.

Lending to customers predominate in the assets in the **balance sheet structure**, at 62% of the total on 31-Dec-08, a similar proportion to that of the previous year. In liabilities, customer deposits stand out, increasing their weight to 47% of the balance sheet total at the close of 2008, rising from 44%

Consolidated balance sheet

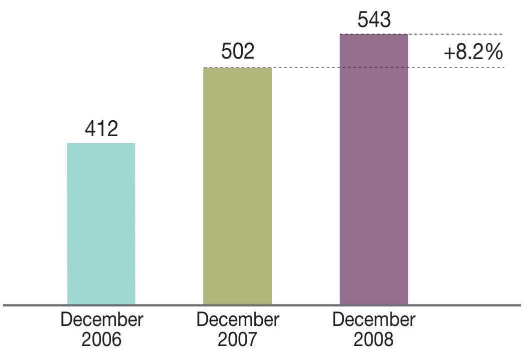
(Million euros)

	31-12-08	∆%	31-12-07	31-12-06
Cash and balances with central banks	14,659	(35.1)	22,582	12,515
Financial assets held for trading	73,299	17.6	62,336	51,791
Other financial assets designated at fair value through profit or loss	1,755	50.3	1,167	977
Available for sale financial assets	47,780	(1.3)	48,432	42,255
Loans and receivables	369,494	9.4	337,765	279,658
• Loans and advances to credit institutions	33,856	38.0	24,527	21,264
• Loans and advances to customers	335,260	7.1	313,178	258,317
• Other	378	n.m.	60	77
Held-to-maturity investments	5,282	(5.4)	5,584	5,906
Investments in entities accounted for using the equity method	1,467	(4.9)	1,542	889
Tangible assets	6,908	31.9	5,238	4,527
Intangible assets	8,440	2.4	8,244	3,269
Other assets	13,568	53.5	8,837	9,876
TOTAL ASSETS	**542,650**	**8.2**	**501,726**	**411,663**
Financial liabilities held for trading	43,009	123.2	19,273	14,924
Other financial liabilities at fair value through profit or loss	1,033	130.1	449	583
Financial liabilities at amortised cost	450,605	4.3	431,855	351,404
• Deposits from central banks and credit institutions	66,804	(24.2)	88,098	57,804
• Deposits from customers	255,236	16.2	219,609	186,749
• Debt certificates	104,157	1.9	102,247	86,482
• Subordinated liabilities	16,987	8.5	15,662	13,597
• Other financial liabilities	7,420	18.9	6,239	6,772
Liabilities under insurance contracts	6,571	(4.3)	6,868	6,908
Other liabilities	14,727	(4.0)	15,338	15,527
TOTAL LIABILITIES	**515,945**	**8.9**	**473,783**	**389,345**
Minority interests	1,049	19.1	880	768
Valuation adjustments	(930)	n.m.	2,252	3,341
Shareholders' funds	26,586	7.2	24,811	18,210
TOTAL EQUITY	**26,705**	**(4.4)**	**27,943**	**22,318**
TOTAL EQUITY AND LIABILITIES	**542,650**	**8.2**	**501,726**	**411,663**
MEMORANDUM ITEM:				
Contingent liabilities	35,952	(2.5)	36,859	29,986
MEMORANDUM ITEM:				
Average total assets	517,856	12.3	461,199	395,939
Average shareholders' funds	23,324	30.3	17,901	12,594

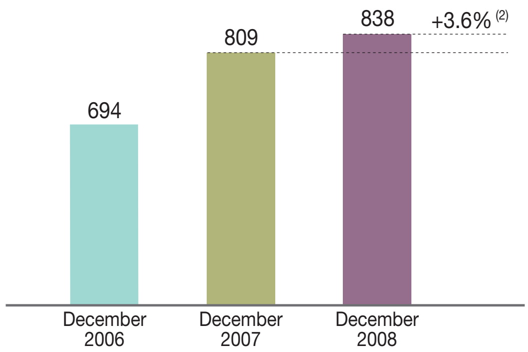
recorded on 31-Dec-07, whereby the loans-to-deposits ratio is reduced to 1.31 (1.43 in December 2007). Adding marketable securities and subordinated liabilities, total customer funds reported on the balance sheet represent 69% of the balance, against 67% in 2007.

The Group's **business volume** came to €838 billion at 31-Dec-08, which represents a

Total assets
(Billion euros)



Business volume [1]
(Billion euros)



(1) Total gross lending plus total customer funds.
(2) At constant exchange rate: +6.1%.

year-on-year increase of 3.6% up on the €809 billion on the same date a year earlier (6.1% at constant exchange rates). Of this figure, €343 billion corresponded to gross lending and €495 billion to total customer funds, including both those on the balance sheet and mutual and pension funds and customer portfolios.

Lending to customers

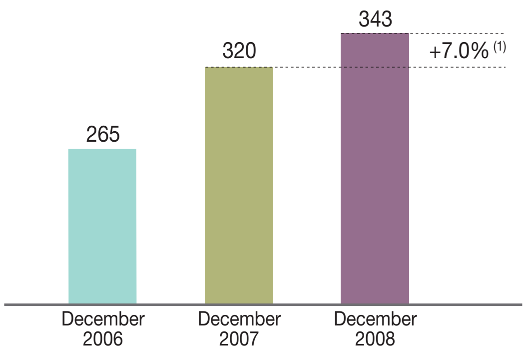
Loans to customers totalled €343 billion at year-end, up 7.0% on the €320 billion in December 2007. At constant exchange rates, this growth reaches 8.5%.

Total lending
(Million euros)

	31-12-08	∆%	31-12-07	31-12-06
Public sector	17,520	9.8	15,960	15,942
Other domestic sectors	186,998	(1.0)	188,836	167,874
• Secured loans	105,832	1.2	104,567	90,649
• Commercial loans	9,543	(25.3)	12,767	13,286
• Financial leases	7,702	(0.9)	7,774	6,997
• Other term loans	55,448	(2.2)	56,680	51,043
• Credit card debtors	1,971	(0.2)	1,975	1,506
• Other demand and miscellaneous debtors	3,474	32.5	2,622	2,612
• Other financial assets	3,029	23.6	2,450	1,779
Non-domestic sector	129,717	15.7	112,140	78,414
• Secured loans	39,390	28.3	30,695	25,492
• Other loans	90,326	10.9	81,445	52,922
Non-performing loans	8,437	151.2	3,358	2,492
• Public sector	79	(31.7)	116	127
• Other domestic sectors	5,483	282.0	1,435	953
• Non-domestic sectors	2,875	59.1	1,807	1,411
TOTAL LENDING (GROSS)	**342,671**	**7.0**	**320,294**	**264,720**
Loan-loss provisions	(7,412)	4.1	(7,117)	(6,404)
TOTAL NET LENDING	**335,260**	**7.1**	**313,178**	**258,317**

Total lending (gross)

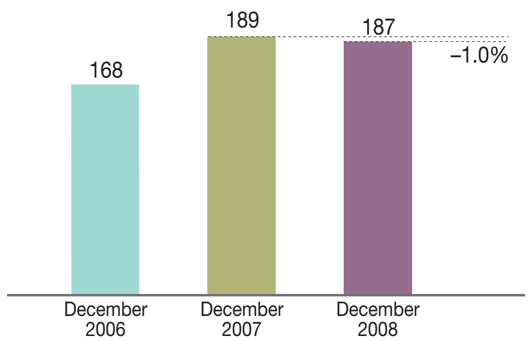
(Billion euros)



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

Total lending to other domestic sectors (gross)

(Billion euros)



As usual, these figures include the **balances of the securitised portfolios** between 2004 and 2008, which at year-end 2008 come to €44,353m. The only items remaining off the balance sheet are securitisations prior to 2004, which at 31-Dec-08 represented only €545m and are not included in the accompanying tables.

Regarding the breakdown of lending by **geographical area**, of most relevance is the reduction in the weight of the Latin American countries that do not reach investment grade, which in December 2008 accounted for only 4.2% of the Group's total lending, against 4.9% at the end of the previous year. This is because Peru has come to be considered investment grade. The investment grade countries of Latin America (Mexico, Chile and Peru) accounted for 11.4% of the total, United States increased its weight to 11.6% and the remaining 72.8% corresponded to Spain and the rest of the world.

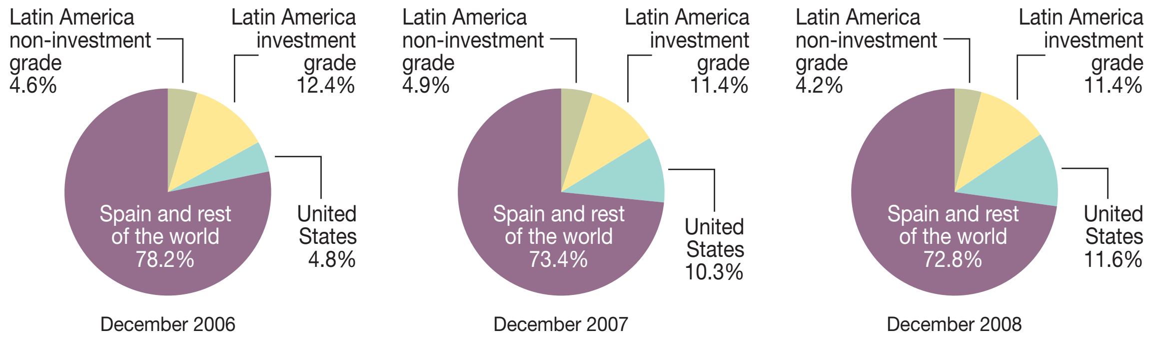
In Spain, lending to **other domestic clients** reached €187 billion, 1.0% down on the €189 billion of 31-Dec-07, due to the tendency to slowdown, which was felt by the entire sector. This trend has affected practically all products, including the main item line under this heading, secured loans, which recorded a 1.2% year-on-year rise, to the tune of €106 billion.

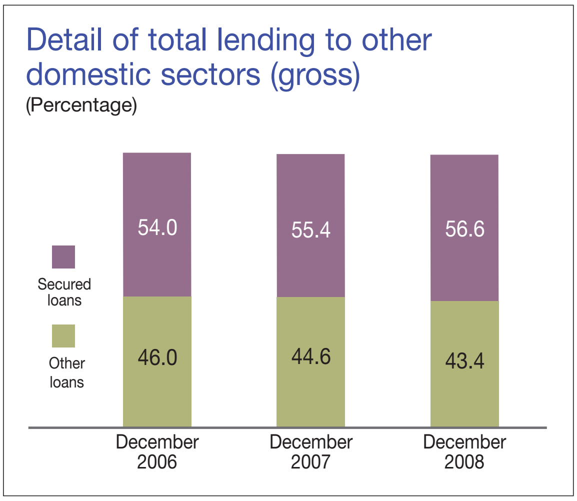
Lending to domestic customers included an additional €17.5 billion to the **Public Sector**, in which the BBVA retains its leadership with a 9.8% year-on-year progress.

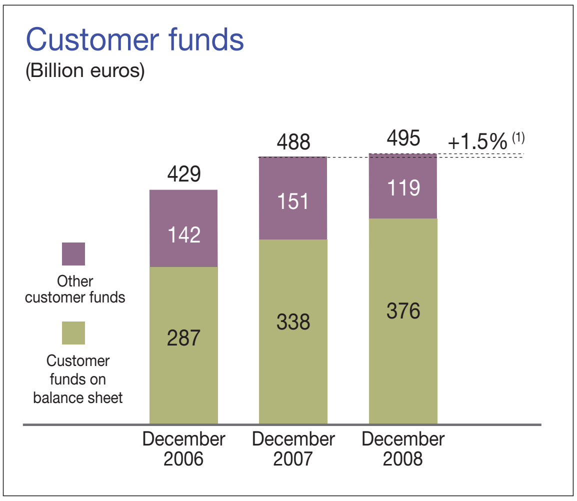
Lending to **non-resident customers** rose 15.7% to €130 billion (€112 billion a year earlier). Excluding the effect of exchange rates the increase was 20.4%. This was the result of a good

Geographical breakdown of total lending (gross)

(Percentage)







(1) At constant exchange rate: +4.5%.

performance by corporate and investment banking units in Europe, New York and Asia, and by all the franchises in the Americas. Such lending grew at 12% or more in Mexico, United States, Chile, Colombia, Peru and Venezuela.

Non-performing loans account for the remaining €8.4 billion, and their evolution is dealt with in detail in the chapter on risk management in this report.

Customer funds

At 31-Dec-08, total customer funds, on and off the balance sheet, stood at €495 billion, 1.5% higher than the €488 billion for the same date in 2007. At constant exchange rates the increase rises to 4.5% and to 5.4% on a like-for-like basis.

As usual in recent quarters, **customer funds booked on the balance sheet** performed best. At year-end they stood at €376 billion, rising 11.5% compared to €338 billion at 31-Dec-07 (up 13.5% without the impact of exchange rates).

Customer funds on the balance sheet were affected by two changes arising from the application of the Bank of Spain's Circular 6/2008. The first is that certain types of savings insurance come to be recorded within customer deposits (time deposits), taking the total of funds to around €3 billion on 31-Dec-08. The second is that the balance of unloaded securitisations (€14 billion on 31-Dec-08) moves from the heading of customer deposits to that of marketable debt securities, without any effect on total funds.

Of the total of funds on the balance sheet, **customer deposits** account for €255 billion, with a year-on-year increase of 16.2% over the €220 billion at the close of 2007 (+19.1% at constant exchange rates).

Under this heading, Public Sector deposits are in excess of €6 billion, with a year-on-year decrease of 7.7%. Debts to other domestic clients are up by 8.5%, reaching €99 billion, €45 billion of which correspond to current and savings accounts, €44 billion to time deposits (with a significant year-on-year increase of 18.7%) and €10 billion to assets sold under repurchase agreements and other accounts. The remaining deposits correspond to non-residents and amount to more than €150 billion, with a 23.3% year-on-year rise (28.8% at constant exchange rates).

Marketable debt securities come to €104 billion, showing 1.9% growth on the €102 billion recorded at 31-Dec-07. Of this sum, €40 billion are mortgage bonds while the remaining €64 billion correspond to other marketable securities and securitisations.

On-balance-sheet funds are completed by **subordinated liabilities** which stood at €17 billion at the end of December 2008, which means a year-on-year increase of 8.5%.

Customer funds **off the balance sheet**, ie, mutual and pension funds and customer

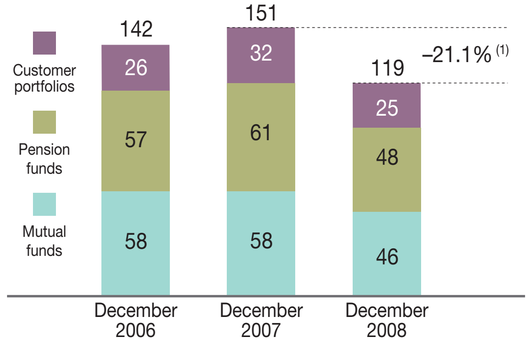
Customer funds
(Million euros)

	31-12-08	∆%	31-12-07	31-12-06
CUSTOMER FUNDS ON BALANCE SHEET	376,380	11.5	337,518	286,828
DEPOSITS FROM CUSTOMERS	255,236	16.2	219,609	186,749
Public sector	6,328	(7.7)	6,853	7,124
Other domestic sectors	98,630	8.5	90,862	88,811
• Current and savings accounts	44,589	0.9	44,187	47,806
• Time deposits	43,829	18.7	36,911	30,894
• Assets sold under repurchase agreement and other	10,213	4.6	9,764	10,111
Non-domestic sector	150,277	23.3	121,893	90,814
• Current and savings accounts	56,930	12.0	50,836	37,699
• Time deposits	85,647	38.9	61,670	42,910
• Assets sold under repurchase agreement and other	7,700	(18.0)	9,387	10,205
DEBT CERTIFICATES	104,157	1.9	102,247	86,482
Mortgage bonds	39,673	(0.2)	39,756	36,051
Other debt certificates	64,484	3.2	62,491	50,430
SUBORDINATED LIABILITIES	16,987	8.5	15,662	13,597
OTHER CUSTOMER FUNDS	119,017	(21.1)	150,777	142,064
Mutual funds	46,295	(20.1)	57,932	58,452
Pension funds	48,140	(21.0)	60,909	57,147
Customer portfolios	24,582	(23.0)	31,936	26,465
TOTAL CUSTOMER FUNDS	495,397	1.5	488,295	428,892

portfolios, stand at €119 billion at 31-Dec-08, down 21.1% from €151 billion a year earlier. At constant exchange rates the decline was 16.5%. These figures are severely affected by the sharp decline of the markets, which had a negative impact on the value of mutual funds and customer portfolios. In fact, mutual funds dropped 20.1%, to €46 billion, pension funds fell by 21.0%, to €48 billion, and customer portfolios went down 23.0%, to €25 billion.

By geographic area, off-balance-sheet funds in **Spain** stood at €62 billion, falling 17.2% over the year. In the **other countries** in which the Group operates, the total amounted to €57 billion, down 24.8%, which is limited to 15.8% at constant rates and to 10.1% if additional adjustment is made for the nationalisation of the pension funds of Consolidar AFJP in Argentina and the sale of the Miami branch, which had contributed €3,699m and €750m, respectively, at 31-Dec-07.

Other customer funds
(Billion euros)



(1) At constant exchange rate: –16.5%.

Other customer funds

(Million euros)

	31-12-08	∆%	31-12-07	31-12-06
SPAIN	**61,611**	**(17.2)**	**74,401**	**76,080**
MUTUAL FUNDS	**34,900**	**(19.3)**	**43,258**	**45,491**
Mutual funds (ex real estate)	33,197	(18.8)	40,876	43,273
• Monetary and short-term fixed-income	12,016	(22.4)	15,489	15,496
• Long-term fixed-income	1,252	(24.3)	1,653	1,783
• Balanced	755	(49.4)	1,493	1,577
• Equity	1,657	(53.8)	3,589	4,182
• Guaranteed	16,507	(1.7)	16,788	17,094
• Global	1,009	(45.9)	1,864	3,142
Real estate investment trusts	1,580	(30.0)	2,258	2,218
Private equity funds	123	(0.4)	124	-
PENSION FUNDS	**16,060**	**(5.9)**	**17,068**	**16,291**
Individual pension plans	9,357	(4.6)	9,806	9,249
Corporate pension funds	6,703	(7.7)	7,262	7,042
CUSTOMER PORTFOLIOS	**10,650**	**(24.3)**	**14,075**	**14,298**
REST OF THE WORLD	**57,406**	**(24.8)**	**76,376**	**65,984**
Mutual funds and investment companies	11,395	(22.3)	14,674	12,961
Pension funds	32,079	(26.8)	43,841	40,856
Customer portfolios	13,932	(22.0)	17,861	12,167
OTHER CUSTOMER FUNDS	**119,017**	**(21.1)**	**150,777**	**142,064**

As well as the type-based view employed up to this point, another way of analysing customer funds is to distinguish between those belonging to domestic clients and those of non-residents. In **Spain**, the evolution of the markets and the high level of interest rates during a good part of the year caused customer demand to concentrate on time deposits, to the detriment of more liquid liabilities and mutual funds. Thus, **time deposits** reached €44 billion, representing 18.7% year-on-year growth which – excluding the volatile balances in euro-deposits within the Global Markets area – rose to 22.5%. **Current and savings accounts** meanwhile added up to €45 billion, exceeding the balance recorded at 31-Dec-07 by 0.9%.

Mutual funds fell 19.3% to €35 billion but such decrease was below the average of the system. Thus, and for the second year running, BBVA continued to gain market share, 265 basis points in the year (from 17.1% in December 2007 to 19.8% in December 2008), becoming the leader in this market for the first time. This is partly due to the more conservative profile of the Group funds, with the important relative weight of guaranteed funds, which decreased by just 1.7%, and those of short-term fixed-income and money market.

In addition, BBVA keeps its first position in **pension funds**, both in individual and in staff retirement plans, and increases its market share by 75 basis points in 2008, to 18.7% (+95 basis points in individual plans and +37 in staff retirement plans). At 31-Dec-08, assets under management in pension funds totalled €16 billion, with a year-on-year decrease of 5.9% due to negative market effect. €9.4 billion of these corresponded to individual plans and €6.7 billion to staff retirement plans and associated schemes.

As for **non-resident** customer funds, the aggregate of current and savings accounts, time deposits and mutual and pension funds came to €186 billion on 31-Dec-08, with an 8.8% year-on-year increase (16.7% at constant exchange rates and 19.9% considered additionally on a like-to-like basis).

The growth recorded by lower cost types, **current and savings accounts**, continued to be outstanding: they rose 12.0% to stand at €57 billion at year-end. The item lines for **stable funds** went up 7.4% and turned in €129 billion, €86 billion of which correspond to time deposits (+38.9%), €32 billion to pension funds (–26.8%, affected by Consolidar) and €11 billion to mutual funds and investment companies (–22.3%).

Other items on the balance sheet

The increase in the **trading book** is not due to additional investment or to the assumption of greater risk, which continued to be limited. The fundamental cause behind such increases is the changes in valuation of different instruments, owing in good part to the greater volatility of interest and exchange rates. In fact, the net position is lower than that of December 2007.

At the close of 2008, **financial assets available for sale** approached €48 billion, representing a year-on-year reduction of 1.3%. This variation was influenced in upward terms by the increase in the stake held in CITIC and in downward terms by the divestment from Bradesco and the falling stock market prices and, consequently, the lower market value of the equity portfolio. For its part, the **investments** item stood at €1,467m on 31-Dec-08, 4.9% down on the close of 2007.

Tangible assets amounted to €6,908m, with a year-on-year rise of 31.9%, owing in the main to consolidation of the *BBVA Propiedad* real estate fund. This means that its assets have been incorporated in the balance sheet of the Group; they correspond to rented property chosen by the fund's managers for their operation, high-occupancy buildings which are generating income from rent.

Lastly, **intangible assets** stood at €8,440m at the close of 2008, 2.4% up on the €8,244m on the same date one year earlier. The most relevant component of this item is goodwill, which stood at €7,659m, mainly contributed by Compass. The slight increase recorded against December 2007 is explained by the appreciation of the dollar against the euro.

Capital base

In 2008, **capital generation** has been a key factor in the **financial sector**. Measures have been taken throughout the year to strengthen financial entity capital, ranging from the suppression of dividends to injections of capital by various governments, as well as issues of instruments such as convertible securities and capital additions by private equity. The majority of the sector has been doomed to significant losses, which have been hedged via the aforementioned capital measures.

For the **BBVA Group**, however, 2008 concluded with a net attributable profit of €5,020m, of which €1,800m has been paid out as cash **dividends**, through three interim dividends totalling €0.501 per share. In January 2009, coinciding with the publication of earnings for the fourth quarter, the Bank announced the decision to propose payment of a supplementary dividend in BBVA shares that it held on its books as treasury stock. This measure strengthens the Group's capital position in view of the economic slowdown and rises in NPA rates. What is proposed is a payment of one share for every 62, coming to a sum of €0.11 per share at market price, which will be added to the €0.501 already paid out in interim payments posted against 2008. Therefore, at year-end 2008 **dividend yield** stood at 5.8% in cash plus 1.3% in kind, thus giving a yield of over 7% overall. This measure implies that retained profit exceeds €3 billion, prompting an improvement in capital ratios for 2008, thanks to the fact that this organic generation has exceeded ordinary consumptions and investments made throughout the year.

As far as **investments** are concerned, the last quarter of 2008 saw additional acquisitions of CNCB and CIFH, representing a continuation of the expansion plan in Asia announced by the Group. Throughout 2008, moreover, important investments have been made to improve efficiency, such as the integration of BBVA's four United States banks into a single entity, BBVA Compass, which concluded in November, or extraordinary provisions for early retirements.

The most relevant **divestment** was that of Bradesco, which took place during the first quarter of the year, generating a profit of €509m, a sum slightly below the extraordinary provisions made for early retirements (€602m).

Capital base (BIS II Regulation)

(Million euros)

	31-12-08	∆%	31-12-07
Shareholders' funds	26,586	7.2	24,811
Adjustments	(9,034)	(2.5)	(9,265)
CORE CAPITAL	**17,552**	**12.9**	**15,546**
Preference shares	5,395	20.1	4,492
Adjustments	(583)	21.8	(479)
CAPITAL (TIER I)	**22,364**	**14.3**	**19,559**
Subordinated debt and other	12,914	(18.2)	15,784
Deductions	(590)	23.3	(479)
OTHER ELIGIBLE CAPITAL (TIER II)	**12,324**	**(19.5)**	**15,305**
CAPITAL BASE	**34,687**	**(0.5)**	**34,864**
Minimum capital requirement (BIS II Regulation)	22,666	5.5	21,479
CAPITAL SURPLUS	**12,022**	**(10.2)**	**13,384**
RISK-WEIGHTED ASSETS	**283,320**	**5.5**	**268,491**
BIS RATIO (%)	**12.2**		**13.0**
CORE CAPITAL (%)	**6.2**		**5.8**
TIER I (%)	**7.9**		**7.3**
TIER II (%)	**4.3**		**5.7**

In all, these measures have produced a BBVA Group **capital base** of €34,687m at 31-Dec-08, in keeping with **Basel II** regulations.

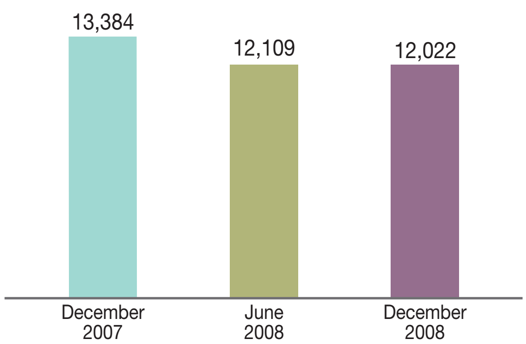
Risk-weighted assets (RWA) have risen 5.5% over the year to reach €283,320m, accounting for 52% of total assets on the Group's balance sheet. With this figure, capital requirements (8% of RWA) stand at €22,666m and the **capital surplus** thus comes to €12,022m, 53% above the required minimum.

At the close of the year, **core capital** stood at €17,552m, €2,006m up on the figure of €15,546m posted at 31-Dec-07 (+12.9%). It therefore accounts for 6.2% of risk-weighted assets, likewise an improvement on the 5.8% reported at year-end 2007, which all evidences BBVA's capacity for generating organic capital.

On adding preference shares to core capital, **Tier I** came to €22,364m (14.3% up on the same figure at 31-Dec-07) and it accounts for 7.9% of

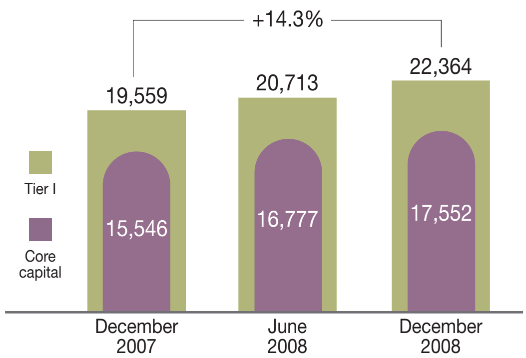
Capital surplus

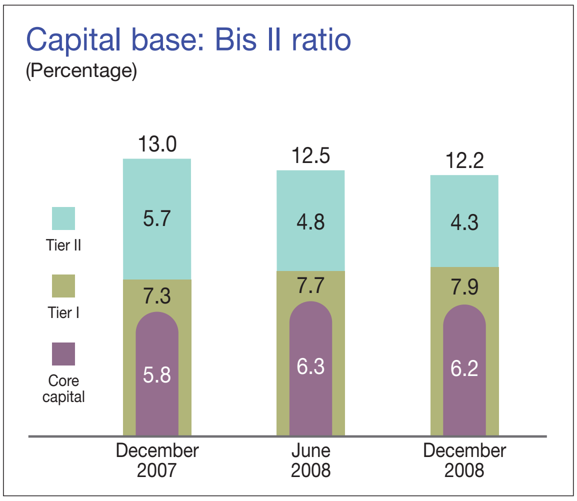
(Million euros)



Capital (Tier I)

(Million euros)





RWA, a ratio which is also above the 7.3% reported at year-end 2007.

Other eligible capital (**Tier II**) mainly consisted of subordinated debt, eligible latent capital gains and surplus generic provisions up to the regulatory stipulated limit. The remaining surplus generic provisions are considered for the calculations for RWA according to Basel II advanced models. At 31-Dec-08, Tier II stood at €12,324m, ie, 4.3% of risk-weighted assets. Over the year, this ratio has been affected by falls in both the equity and fixed-income markets.

Adding Tier I and Tier II, the **BIS ratio** of total capital remains high, reaching 12.2% of RWA at the close of 2008.

Over the course of 2008, there were several redemptions and new issues of instruments eligible for the Group's capital base in order to optimise its structure and cost. These are outlined below:

As far as **preference shares** are concerned, in December BBVA Capital Finance SAU issued €1 billion of the D Series, which were successfully placed through the branch network in record time. This operation levered the weight of preference shares over TIER I to a level of 24.1% at 31-Dec-08.

As regards **subordinated debt**, in July early redemption was made of a BBVA issue for €600m. Alternatively, during 2008 there were four issues in euros targeted at European institutional investors, coming to a total of €295m: one in March for €125m, another in May for €50m, and two in July totalling €120m.

As far as issues made by **Group subsidiaries**, BBVA Bancomer carried out three in Mexican pesos (one in July for 1,200 million Mexican pesos and two in the fourth quarter of 3 billion each). BBVA Chile issued 1.4 million development units in October, and lastly Banco Continental made six issues over the year: three in Peruvian soles (45 million, 50 million and 30 million respectively) and three in dollars (two for US$20m and one for US$30m). Under BIS criteria, the characteristics of these 10 issues enabled them to be included as Tier II of the Group's capital base.

As a **summary of the year 2008**, it may be said that despite the crisis affecting the financial sector, BBVA's capital position improved over the year, due to moderate growth in balance sheet risks and a higher retention of capital organically generated by the entity. In view of this, BBVA has not needed to undertake a capital enlargement and has managed to continue payouts to shareholders without diluting their stake in the Group.

RATINGS

In an environment of economic slowdown, which has hit financial entities – and therefore their ratings – especially hard, BBVA has emerged as the only one of Europe's large financial groups which has managed to achieve an improvement in its rating in 2008, while, at the same time keeping its Moody's rating (Aa1) and the positive outlook of its Fitch rating (AA–) unchanged. In February 2008, Standard & Poor´s raised BBVA's rating from AA– to AA. The reasons the agency gave for this move were BBVA's differential performance vis-à-vis its peers. In particular, it highlighted the strength of the Group's local franchises, its increasingly greater diversification, the prudent strategy pursued by its management team and its solid fundamentals.

Ratings

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

The BBVA share

In 2008 it became evident that the seriousness of the global **financial crisis** was greater than anticipated, and had, in addition, a notable impact on the real economy. The resulting macroeconomic context was a sharp slowdown in growth, particularly in the United States and Europe, and, to a lesser extent, in Asia and Latin America. The financial industry did not fully solve all its liquidity issues and the solvency of many entities was seriously affected. For these reasons, governments and monetary authorities were obliged to take a variety of measures, both in terms of monetary policy and direct aid to the financial sector. The public sector took part in rescue plans and the recapitalisation of banks, above all in the United States and the United Kingdom, though similar initiatives were also witnessed in other European countries.

Against this backdrop, **stock markets** underwent a sharp correction during the year. In the United States, the S&P 500 index dropped 38.5%, and, in Europe, the Stoxx 50 fell 43.4%. In Spain, the Ibex 35 likewise plummeted 39.4%, dragged down in particular by the construction, real estate and banking sectors.

The **banking sector** evolved even more unfavourably, due to the context of economic slowdown, which had a negative impact on earnings, and also owing to some banks' high exposure to toxic assets, calling for considerable provisioning requirements. All of this led to a significant decline in profits, and even losses in some cases. Consequently, sector analysts made sharp downward adjustments to the estimate of results throughout 2008, particularly of those of companies with greater exposure to toxic assets.

For this reason, **the banking sector indices** fared worse than general ones, and with even greater differences between indices. In the United States, the financial services index, S&P Financials Index, fell 57.0%. In the case of the regional banks index, S&P Regional Banks, featuring mainly retailing business, the fall was less sharp, 47.7%. In Europe, the banking sector index, Stoxx Banks, plummeted 64.4%. This decline was slightly smaller in the case of British banks (–56.8%, the FTSE Banks).

Share price index
(31-12-07=100)

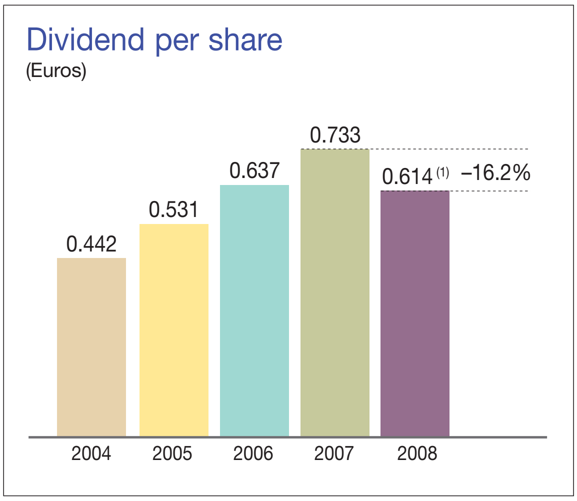
In this negative stock market environment, the **BBVA share's** performance in 2008, with a fall of 48.3%, was clearly better than that of the sector, ranking second of the large European banks that best evolved over the year, and first in the euro zone.

In an environment of declining profits and considerable losses for some banks, **BBVA's results** throughout 2008 show a marked difference with the sector, and were well received by analysts. They highlighted the stability of BBVA's solid recurrent earnings, as well as their overall amount in absolute terms, one of the largest in Europe. This is extremely relevant as BBVA has the smallest balance sheet among banks with the highest market capitalisation. Analysts valued the strength of Spanish and Mexican earnings as the most positive feature during the year, as well as expense control and its solid earnings in South America. Similarly, they acknowledged BBVA's good relative position in terms of solvency, and positively valued the recently announced management measures to reinforce the Group's capital.

At 31-Dec-08, the closing price per BBVA share stood at €8.66, putting **market capitalisation**

The BBVA share

	31-12-08	31-12-07	31-12-06
Number of shareholders	903,897	889,734	864,226
Number of shares issued	3,747,969,121	3,747,969,121	3,551,969,121
Daily average number of shares traded	55,548,033	50,958,752	34,457,769
Daily average trading (million euros)	676	908	593
Maximum price (euros)	16.82	20.28	20.26
Minimum price (euros)	7.04	15.40	14.78
Closing price (euros)	8.66	16.76	18.24
Book value per share (euros)	7.09	6.62	5.13
Market capitalisation (million euros)	32,457	62,816	64,788



(1) It includes €0.501 in cash and €0.113 in kind (delivery of shares at the closing price on 27-1-09).

at €32,457m. Likewise, the said share price determined a price-earnings ratio (**PER**) of 6.5, compared to 10.3 at year-end 2007.

The **book value** per share, obtained by dividing shareholders' funds by the number of shares, rose to €7.09 at 31-Dec-08, up 7.2% on the figure of €6.62 on the same date of the previous year, giving a price/book multiple of 1.2 times. **Earnings per share** in 2008 came to €1.35.

As regards **shareholder return**, at a time when other banks have eliminated the dividend, BBVA has paid three interim dividends against 2008 earnings with a total value of €0.501 per share. Additionally and as a complement to the dividends already paid, there is a proposal to the General Shareholders Assembly for the distribution of a portion of the issue premium reserve in kind through the handover of 60.5 million shares from the treasury stock. Consequently, total shareholder remuneration against 2008 earnings will come to approximately €0.614 per share at closing price at the end of January 2009. This means that the **dividend yield** rises to 7.1%, from 4.4% in December 2007.

At the close of 2008, BBVA had a total of 903,897 **shareholders**, compared to 889,734 at 31-Dec-07, thus recording an increase in the number of shareholders for the second year running. The shareholder base is highly diversified and the only individual holding of significance known to BBVA is that held by Mr. Manuel Jove Capellán, who, on 31-Dec-08 owned a stake of 4.34% of the share capital. 93.9% of shareholders own less than 4,501 shares, representing 12.7% of the capital. The average holding per shareholder is 4,146 shares, which, at 31-Dec-08, means an average sum of €35,908.

Private investors own 40.1% of the capital, 2.1% is held by employees and the remaining 57.8% by institutional investors. The capital held by non-resident shareholders accounts for 45.3% of the total, slightly less than in December 2007.

Share performance ratios

	31-12-08	31-12-07	31-12-06
Price/Book value (times)	1.2	2.5	3.6
PER (Price/Earnings; times)	6.5	10.3	13.7
Yield (Dividend/Price; %)	7.1	4.4	3.5

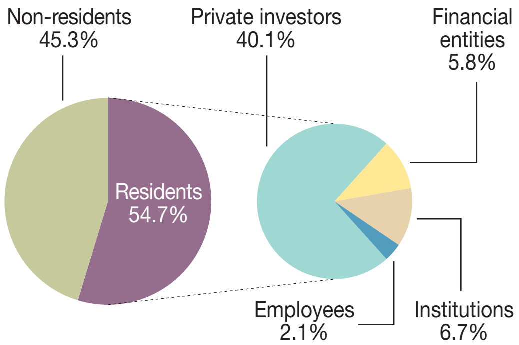
Shareholder structure

(31-12-08)

Number of shares	Shareholders Number	Shareholders %	Shares Number	Shares %
Up to 150	315,333	34.9	24,349,685	0.6
151 to 450	250,815	27.7	66,936,046	1.8
451 to 1,800	214,399	23.7	191,350,532	5.1
1,801 to 4,500	68,513	7.6	192,354,032	5.1
4,501 to 9,000	27,627	3.1	173,298,590	4.6
9,001 to 45,000	22,910	2.5	409,534,269	10.9
More than 45,001	4,300	0.5	2,690,145,967	71.8
TOTAL	**903,897**	**100.0**	**3,747,969,121**	**100.0**

Shareholder structure

(31-12-08)



The BBVA share is still characterised by its high **liquidity**. It was traded on all 254 trading days in the 2008 stock exchange calendar. A total of 14,109 million shares were traded on these days on the continuous market, up 9.4% on that of 2007, representing 376.4% of the share capital. Consequently, the average daily trading volume was 56 million shares, 1.48% of the share capital, representing an average daily cash sum of €676m. The BBVA share is included in the Ibex 35 index and the Euro Stoxx 50 index, with weightings of 10.1% and 2.4% respectively.

Risk management

A global financial crisis has hit all players in the economy, but with very different outcomes. In the case of financial entities, their business models and above all their risk management models are aspects which are proving critical when it comes to defining the impact the crisis is having on said entities. In this context, the BBVA Group is showing proven strength, as a result of a sound risk management model that is built into its overall management. BBVA's distinctive situation was acknowledged last year, as it is the only major bank in the world to have seen its rating improve, from AA– to AA (Standard & Poor's).

A SOUND RISK CULTURE, FOSTERED BY THE BOARD OF DIRECTORS

The board of directors plays a most important role in defining and developing the Group's risk culture, starting by detailing its target risk profile and exhaustively monitoring the risk management

Risk management principles in BBVA

BBVA's risk profile is consistent with a series of principles:

1. The risks assumed must be compatible with the Group's capital, in keeping with its target solvency level.
2. Business growth must be financed with prudent liquidity management.
3. The Group's earnings generation should have a high recurrence level.
4. Limits must be placed on risk factors that imply concentrations and which endanger solvency, liquidity and recurrence targets.
5. All risks must be identified, measured and assessed; monitoring and management procedures must likewise be in place.
6. The existence of sound control and mitigation mechanisms for operational and reputational risks.
7. It is each business area's responsibility to propose and maintain its own risk profile, within their independence and the corporate action framework.
8. The risk infrastructure should be appropriate for offering dynamic support to all the above, in terms of tools, databases, IT systems, procedures and people.

area. Given the growing complexity of risk management in financial entities, in performing these functions the board of directors is supported by the Risk Committee, which, within the scope of its functions, devotes the necessary means to analysing how risk is dealt with in the Group as a whole.

In order to guarantee compliance with risk management principles in the BBVA Group, there is a risk monitoring and control structure that covers all the different decision-making levels.

COMPREHENSIVE MONITORING AND CONTROL OF THE RISK PROFILE

To perform this function, the BBVA Group supports the development of a Risk area, independent from the business areas and with capacity to set up an integrated risk management model in the organisation.

In BBVA, the risk management model is built on the foundations of a corporate Risk area that manages the risks of the Group as a whole. Said area is, in turn, made up of specialised units for each risk type (credit, market, structural, operational and non-banking risks), which work alongside the transversal units: Global Risk Management (which brings together all the risks), Risk Management Methodologies (which defines the quantification metrics) and finally Transformation and Control (responsible for internal control and model validation). The Internal Control function ensures that all the processes implemented in the Risk area are the most suitable.

Below this level there are additional, decentralised risk management teams, specialised in each business type and country. This layout assures: a) integration, control and management of all BBVA's risks; b) application of standardised principles, policies and metrics throughout the entire Group; c) incorporation of the necessary insight for each geographical area and each particular business.

Integrated risk management in a financial entity likewise calls for the development of tools and models that enable aggregation of risks of a wide-ranging nature. The development of such an infrastructure is a complex task, requiring the co-ordination of varied knowledge and capabilities within an entity: systems architecture, modelling capacity, procedures and that all those involved observe strict discipline.

BUILDING IN THE COST OF RISK ACROSS THE WHOLE OF THE BBVA MODEL

It is several years ago now that an economic capital model was developed in BBVA, the aim of which was to incorporate the appropriate risk cost into each transaction. This includes the cost of all the possible kinds of risk (credit, market, operational risk, etc.).

In addition to providing a global view of risks, this organisational layout allows other variables such as the customer, branch or business unit, the product and the geographical area to likewise be analysed. Thus, in addition to having a view of economic capital (and expected loss) for the Group as a whole, it is possible to calculate risk-adjusted returns on economic capital (RAROC) for each of the aforementioned variables and to set targets for the different businesses and for the Group. BBVA has been publishing its economic profit (EP) and its risk-adjusted return (RAR) at Group and business area levels every quarter since 2007. In doing so, the Group aims to share its internal view of each of its lines of activity with the market.

LINKING BUSINESS AREA TARGETS TO VALUE CREATION

An essential aspect of risk culture development is the correct incorporation of the cost of risk into the business units' targets. In BBVA there are RAROC-based incentive policies – business unit managers' targets include economic metrics linked to sustainable, long-term, risk-adjusted value creation.

IMPORTANT ADVANCES IN THE USE OF ADVANCED MODELS (BASEL II)

In June 2008, the Bank of Spain gave its approval for BBVA to use internal-ratings based models (IRB) for calculating capital for credit risk in the Spain area, which implies backing for the risk management model that BBVA has been developing and implementing for several years. Work is continuing with the Bank of Spain and other foreign regulators on attaining approval for both credit risk and operational risk models for different jurisdictions.

A significant aspect in Basel II is the importance awarded to entities' boards of directors regarding the definition and monitoring of risk management policies, supervision that adequate solvency levels are maintained (subjected to the Basel II, Pillar 2, Supervisory Review) and the policy for communicating and disclosing information to the market about risk management (Basel II, Pillar 3).

As far as the use of advanced models in BBVA is concerned, the importance of the Internal Control function should be highlighted; this department is responsible for certifying the goodness and soundness of said models, as well as their integration into day-to-day management.

ROBUST CREDIT AND LIQUIDITY RISK MANAGEMENT

BBVA's sound **credit risk** management has been a feature that has marked the difference between the Group and its competitors and it has become one of its main strengths, underlined in various entity appraisals that have appeared in market publications.

Its model, based on a customer focus and including prudent and rigorous management, has enabled it to build a moderate and diversified risk profile which places it in a sound position from which to face today's markets complex financial situation.

On another hand and as a consequence of the events and trends in international financial markets over recent months, the need to review and improve the management of both systemic **risk** and individual **liquidity** risk has become evident, as underlined by the IMF.

In June 2008, BIS and CEBS both published documents with important recommendations and principles regarding banks' liquidity risk management and supervision, which institutions and supervisors should consider and put into practice in the near future. These recommendations were, in the main, already incorporated into the Group's liquidity monitoring and management model, complying with and pre-empting the future regulatory obligation, and this largely explains BBVA's liquidity management over the last year and a half.

As regards liquidity risk identification, measurement and monitoring and control, it is the BBVA Corporate Risk area that sets the limits and alerts, measures the risk and provides managers with support tools for making decisions.

Another aspect which becomes particularly relevant is the use of **stress scenarios** and the need to maintain a **contingency plan**. For many years, BBVA has repeatedly assessed the consequences of different theoretical crisis situations, viewing their possible effects and verifying its capacity to overcome them. There is, furthermore, a Contingency Plan, approved by the Executive Committee, which defines the competencies of the areas and committees affected in extreme situations.

REAL ESTATE RISKS IN SPAIN

After 15 years of economic growth in Spain, a slowdown in its real estate market is taking place. It should be emphasised that real estate risks are appearing in newer loans, in which the loan/value relationship is higher, whereas more seasoned operations are performing well. Furthermore, the Group has a high level of provisions to cope with the consequences of a negative real estate environment. The increase, in BBVA's favour, of the differential in NPA between BBVA and the other Spanish entities, is the result of its rigorous risk management policy.

THE GLOBAL ECONOMIC SLOWDOWN

There is some widely spread concern as to whether the economic recession is of a global nature, spreading to all markets. However, while recession symptoms are being observed in the United States and Europe, Latin America is not following the same patterns as in previous crises. In this regard, the fact that BBVA is a highly diversified group in vastly different regions (Europe, USA, Latin America and China) is enabling it to take on the current situation of uncertainty with greater optimism.

Integration of risks

The economic capital calculated for each of the risk types must be merged together to attain economic capital at Group level. A simple approach would consist of calculating total capital as the sum of these individual capital figures. However, the result of directly adding these figures together would assume that the scenarios at the measurement confidence level would occur at the same time for all the risks, ie, it would ignore that the different kinds of risks are, to a certain extent, diversified, giving rise to a total capital figure that is lower than the mere sum of the individual risks. The difference between these two metrics is the benefit of **diversification.**

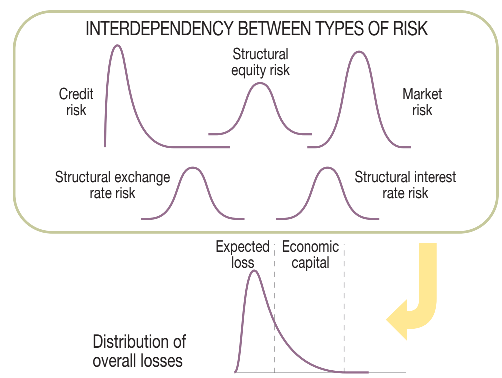
The BBVA Group has developed a **model for integrating the different kinds of risk** in order to measure total economic capital more precisely. The model is an extension of the portfolio model for credit risk. Whereas the portfolio model enables the effects of geographic diversification and the possible concentration that exists in certain credit exposures to be exploited in credit risk, by integrating risks we aim to capture the dependency structure between the different risk types and the impact their different levels of relative importance (sizes) have on the entity's previously mentioned overall profile.

The distribution of total losses is constructed based on the individual loss distributions for each risk type, taking into account their mutual interdependencies. Once this distribution has been obtained, it is possible to calculate the global economic capital at a particular confidence level.

The results from this model allow diversification factors to be estimated which will be applied to the individual capital for the different risk types calculated at a consistent confidence level with the entity desired risk profile.

In this framework, **sensitivity analyses** are periodically carried out on the total diversification achieved under different correlation assumptions between the underlying risks. The diversification level of each of the risks depends, above all, on the relative size of the risk against global risk, as well as the correlation hypotheses and the characteristics of individual loss distributions.

Risk integration diagram

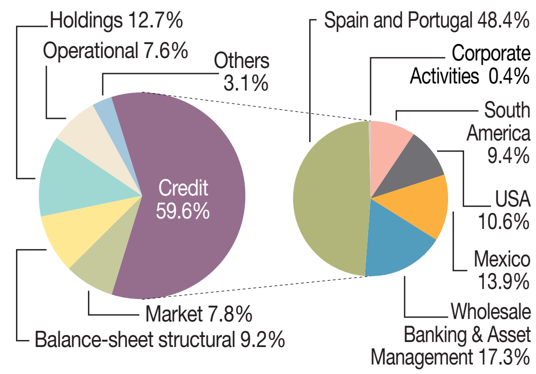


Overall risk profile

In attributable terms, at 31-Dec-08, **economic risk capital** (ERC) stood at €21,541m, reporting an increase of 12.0% for the year[1]. The predominant risk type continued to be credit risk, which accounted for 60% of the total. ERC from market operations was affected by the more volatile market conditions, though its weight remained low, whereas the weight of ERC associated with investments in associates went up due to the increased investment in CITIC. Conversely, ERC for operational risk fell by 21.1% through the application of economic

Map of the BBVA Group's ERC Distribution by type of risk

(Data in attributable terms, 31-12-08)



[1] The growth rates shown are based on the homogenous close of December 2007 (€19,237m), which included the effects for the year of **recalibrating** and reviewing the models, versus the figure published in the Annual Report 2007, which was €19,398m.

models based on operational loss records in Spain and Mexico over 2008.

In the area breakdown, **Spain and Portugal** reported ERC growth of 3.7%. **Wholesale Banking & Asset Management** (WB&AM) went up 46%, resulting from loan-book increases and higher investment in CITIC and also because of the more volatile market. Both business areas include capital reductions due to the change in operational risk calculation methodology.

In **Mexico**, ERC was down 7.4% due to the depreciation of the peso. However, at a constant exchange rate, economic risk capital rose by 10%, a pace below that of exposure, which was up 21%, in the main due to the change in mix of portfolio growth. There was, moreover, a decrease in operational risk capital due to the change in methodology used for its calculation.

At year-end 2008, ERC in the **United States** stood at €1,882m, up 5.3% to reach a weight within the Group of 8.7% over the total ERC.

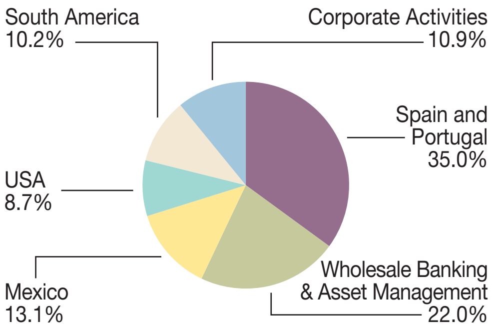
ERC in **South America** rose 23.3%, largely due to increased lending, especially in Peru, Venezuela and Colombia and to market risk.

Lastly, the ERC for **Corporate Activities** was up 11.9%, in essence due to rises in structural interest and exchange rate risk.

The Group's recurrent **risk-adjusted return on economic capital** (**RAROC**), ie, that generated from customer business and excluding one-offs, stood at 29.9%, reaching high levels in all the business areas.

The **economic risk capital ratios** stood at 6.8% for adjusted core capital and 12.5% for total capital, both above their respective benchmark levels (6-7% for adjusted core capital and 12% for total capital).

ERC map, by business area
(Data in attributable terms, 31-12-08)



Credit risk management

METHODOLOGIES FOR CREDIT RISK QUANTIFICATION

The risk measurement and management model employed in BBVA has made it lead market best practices and compliance with the directives guidelines laid down in the Basel II Accord.

The Group quantifies its credit risk using two main metrics: **expected loss** (**EL**) and **economic capital** (**EC**). Economic capital is the amount of capital considered necessary to cover unexpected losses.

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

Based on the historical information stored on its database systems, both metrics (EL and EC) are calculated through an estimation of their underlying risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

These parameters are assigned to each operation, depending on its characteristics. To do so, **risk assessment tools** (ratings and scorings) assess the risk in each transaction/customer by assigning them a score. This score is employed in risk parameters assessment, together with other information such as transaction seasoning, loan to value ratio, etc.

Probability of Default (PD)

In order to classify the Group's various portfolios in a standardised way, BBVA has a **master scale**, which exists in two versions – a short version, with 17 degrees, and another longer version with 34, which takes account of geographic diversity and the various risk levels existing in the different portfolios of the countries where the Group operates.

BBVA possesses risk assessment tools (scorings and ratings) which, based on its own historical records allow operations or customers' creditworthiness to be assessed, based on the score assigned and how this corresponds to the so-called probability of default (PD).

Scoring. This tool is a decision model which helps in granting and managing retail loans (consumer finance, mortgages, credit cards to individuals, etc.). Scoring is the basic tool for deciding who to grant a loan to, how much to lend and which strategies can contribute to setting the price of a loan, as it is an algorithm that ranks operations or customers according to their creditworthiness.

There are different types of scoring available: reactive, behavioural, proactive and bureau.

Reactive scoring modelling focuses on classifying specific loan applications submitted by customers, and they attempt to predict applicants' probability of default if the operation were accepted (they may not be BBVA customers at the time of application).

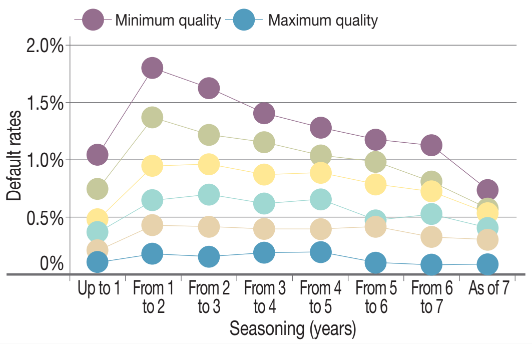
The level of sophistication of the scoring modelling is gradually enabling these tools to give more accurate customer profiles, improving the Bank's capacity to identify different levels of creditworthiness within specific groups (young people, customers, etc.). This is particularly relevant for adjusting the tools' discrimination capacity.

The accompanying graphs show default rates at one year of some of the reactive scoring tools the Group uses.

We can see, for example, that both the loan seasoning and the score can serve to assess the creditworthiness of a retail type operation. The

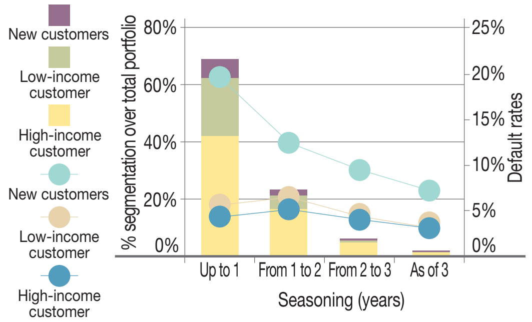
Mortgage scoring tool calibration, BBVA Spain

(Default rates by seasoning for different score groups)



Consumer finance scoring tool calibration, BBVA Banco Continental

(Default rates for different tool segments by seasoning)



second graph shows the different probability of default shown by groups with different levels of creditworthiness, from the highest for the non-customer segment to the lowest for the high-income customer segment.

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 overcome by combining reactive with behavioural and proactive scorings.

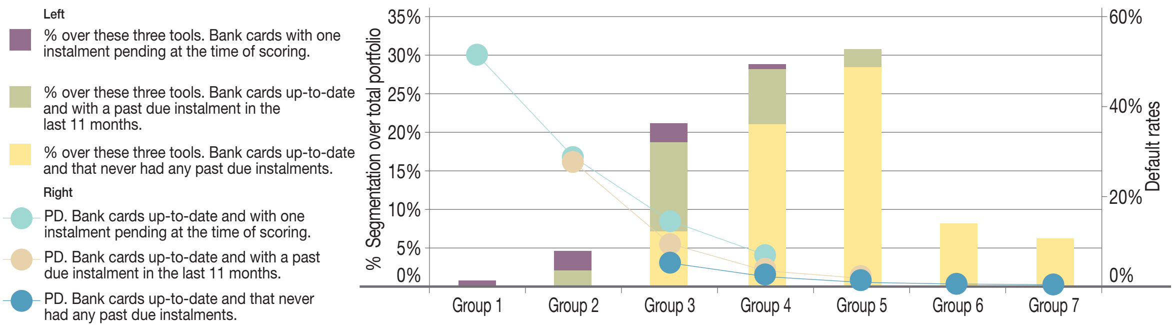
Behavioural scorings are used to review credit card limits, monitor risk etc., and they take account of the internally available variables inherent to the operation and to the customer, and more specifically, variables referring to the behaviour a particular product has shown in the past (delays in payment, default, etc.), and the customer's behaviour with the entity (average balance on accounts, direct debit bills, etc.).

The set of behavioural scoring systems employed for credit cards try to discriminate between customers who are likely or not to perform according to their score for operations groups with similar behaviour. As an example, the graph on the next page shows the calibration of three of BBVA Bancomer's banking credit card tools, based on creditworthiness and seasoning. The three are applied to cards in operation for over 12 months, but each for a different creditworthiness level.

Proactive scoring tools take into account the same variables as behavioural scorings, but they have a different purpose. Unlike the latter, which score specific operations, proactive scorings provide an overall ranking for the customer. This

Behavioural tool calibration for credit cards, BBVA Bancomer

(Default rates for each tool and different score groups)



view of the customer is supplemented by calibrations adapted to each product type.

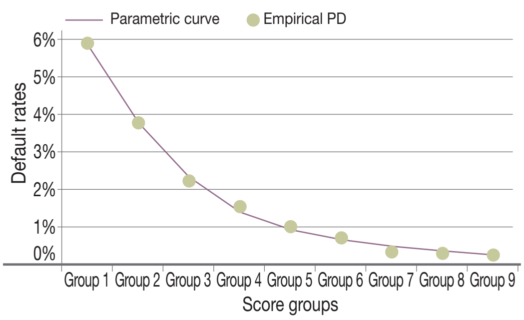
The proactive scorings the Group has available enable it to monitor customers' credit risk more precisely, to improve risk screening processes and to more proactively manage its portfolio, by offering credit facilities adapted to each customer's risk profile.

By way of an example, the accompanying graphs show the probability of default curves from proactive scoring of private individuals, implemented in Spain.

The so-called **bureau scoring** models, widely used in the Americas, are, furthermore, of great importance. This kind of tool is similar to the previously mentioned scorings, except that while the latter are based on internal information from the Bank itself, bureau scoring modelling requires credit information from other institutions (on default or on customer behaviour). This information is provided by credit agencies which are responsible for compiling data from other entities. Not all banks collaborate in supplying

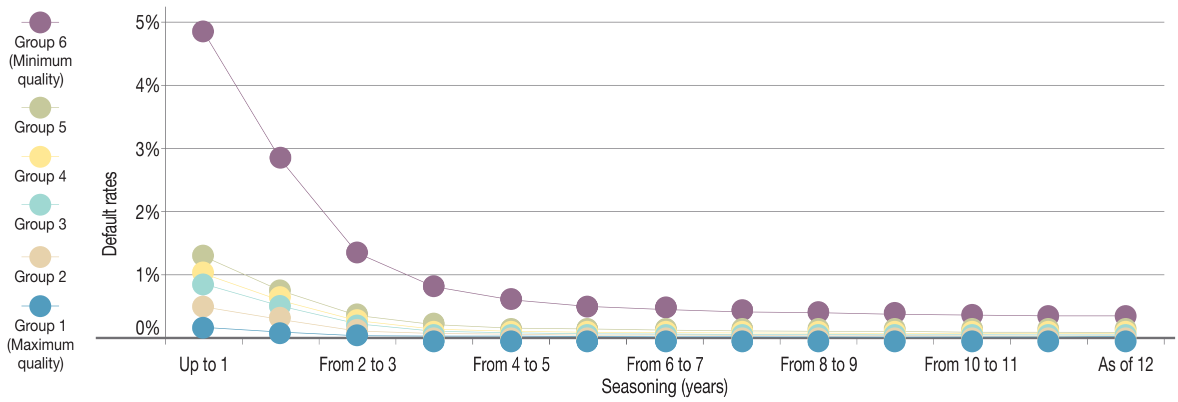
Bureau scoring tool calibration for the consumer portfolio, BBVA Compass

(Default rates by score group)



Proactive scoring tool calibration for mortgages to individuals, BBVA Spain

(By seasoning for different score groups. Customers with a positive experience and high loyalty)



this information, and usually only participating entities can have access to it.

As an example, the preceding graph shows the bureau scoring calibration of the BBVA Compass consumer portfolio.

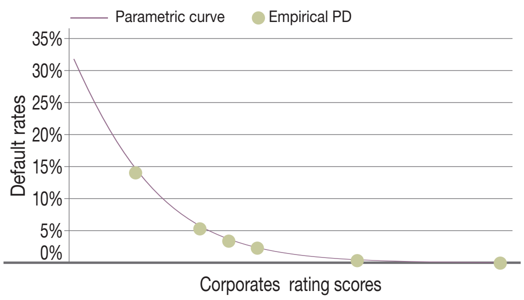
Rating. Unlike reactive and behavioural scorings, which classify operations, this kind of modelling focuses on ranking customers (companies, corporations, SMEs, the public sector, etc.).

In those wholesale portfolios where the number of defaults is very low (sovereign risks, corporations, financial institutions) internal information is supplemented by benchmarking from external rating agencies.

As an example we present the BBVA Bancomer Corporates default parametric curve as a function of internal score assigned by the rating.

Rating tool calibration for corporates, BBVA Bancomer

(Default rates by score group)



Once the probability of default is obtained for operations or customers, a cycle adjustment is performed. This aims to generate a risk metric which goes beyond the moment in which the estimation is made, in order to find representative information of behaviour throughout the full business cycle. This probability is linked to the Group's master scale.

Loss Given Default (LGD)

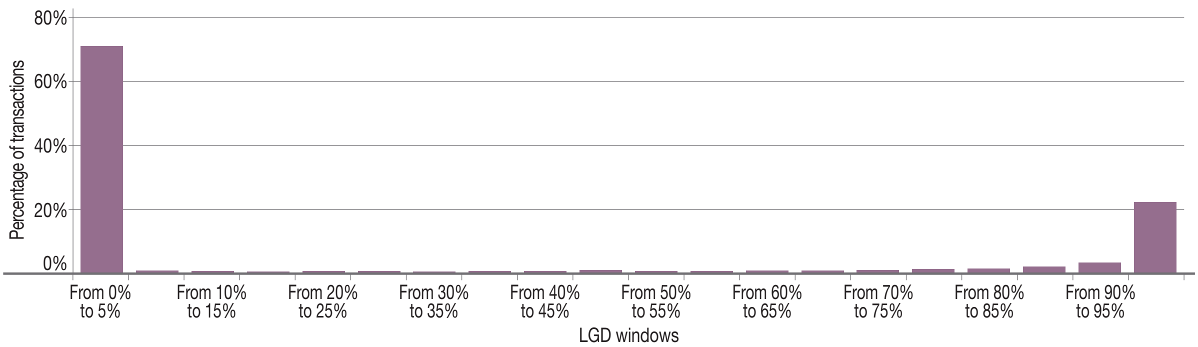
Loss given default (LGD) is another of the key factors used in quantitative risk analysis and it is defined as the percentage of risk exposure that is not expected to be recovered in the event of default.

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.

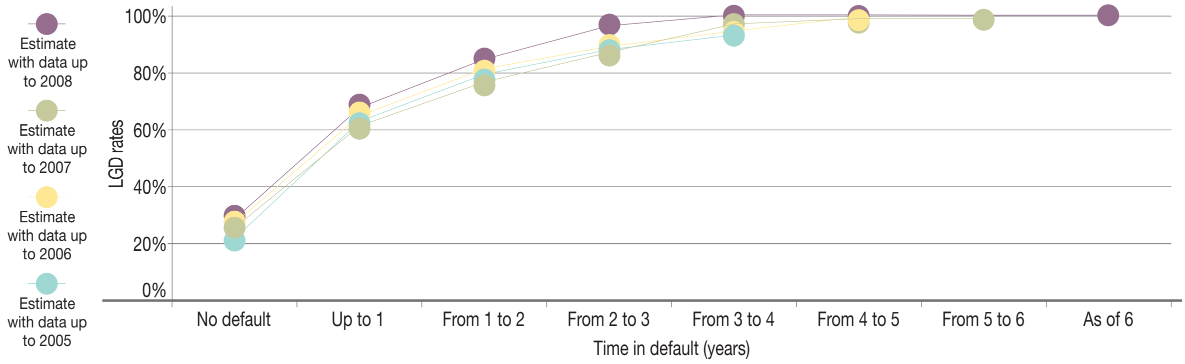
However, there are portfolios in which there are fewer defaults (low default portfolios – LDP). In these portfolios, there is not enough historical information to obtain reliable estimations using the Workout LGD method, therefore it is necessary to combine external sources with internal data to obtain a representative rate of loss given default.

In general, LGD usually shows **bimodal behaviour:** what we normally see is that almost all the debt is either recovered or lost, as is shown in the graph for the auto finance portfolio of Finanzia Spain.

LGD distribution for the auto finance portfolio, Finanzia Spain



LGD curves by time in default for past due operations, for credit cards and different years, BBVA Spain



However, this behaviour is not standard across all the portfolios, such as is the case in some of BBVA Bancomer's operations.

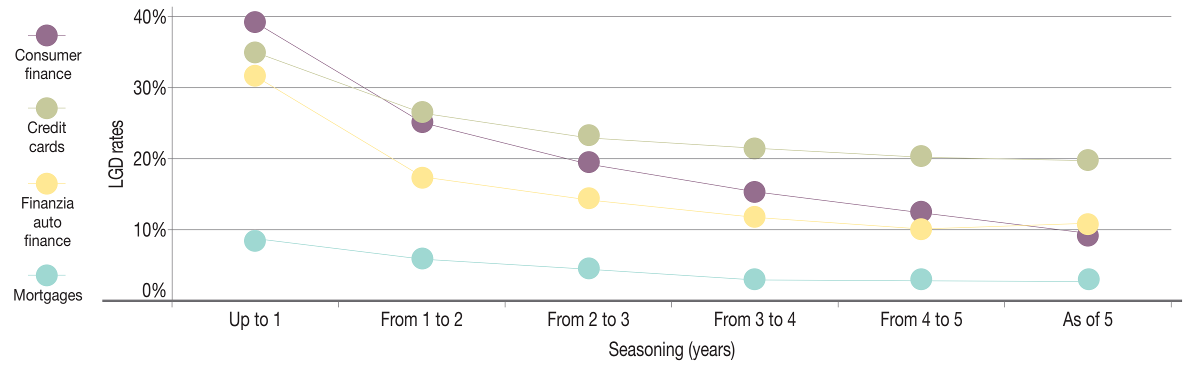
Stability analyses have been made to see how LGD is evolving in the Group over time. The graph above shows, by way of an example, the soundness of LGD estimations for past due credit card debt in Spain.

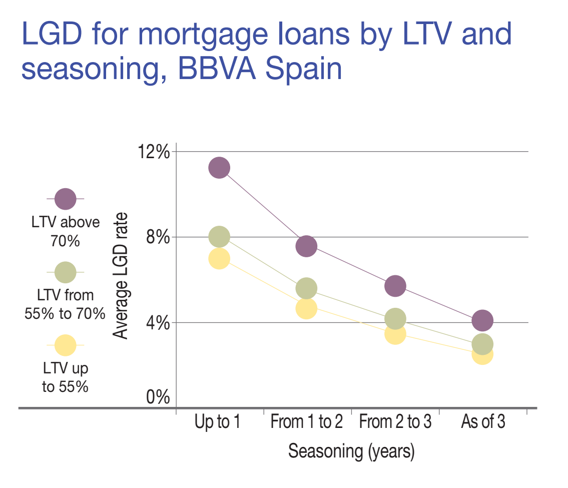
Results are highly solid because, even when a further year's information is added, there are no substantial changes in the conclusions that were reached in previous years. The graph also shows that LGD is clearly dependent on **time in default.** The longer the time in default, the higher the LGD over the debt outstanding at each moment in time.

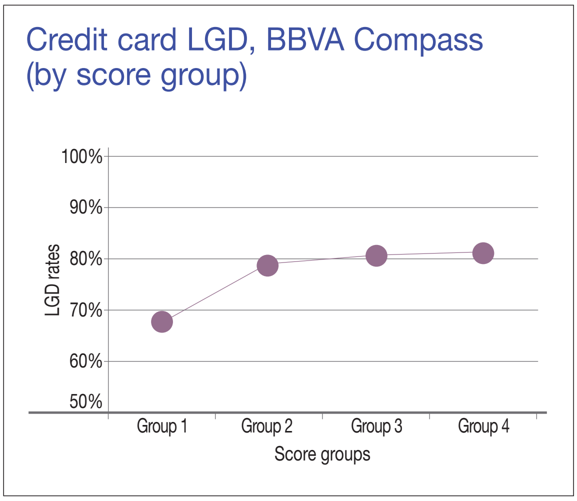
In addition to time in default, other **relevant factors** are important for calculating LGD, such as seasoning, the loan to value ratio, the type of customer, score, etc. An illustration of each of these factors is given below with examples:

a) **Seasoning:** the time that the customer takes in stopping paying (the period elapsed from origination to default).
b) **Loan to value ratio:** internal analyses show that LGD depends on the relationship between the amount of the loan and the value of the guarantee (loan to value, LTV), a characteristic feature of the mortgage portfolio. LGD growth depends on this ratio, although this relationship may not be so evident among mortgages with an LTV above 80%, due to selection biases, together with the presence of guarantors or additional guarantees.

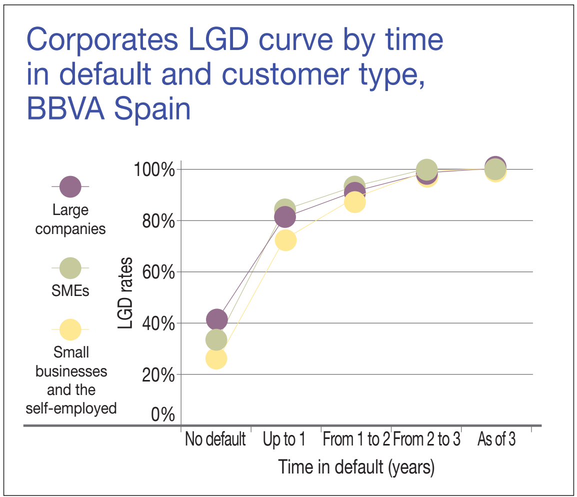
LGD curves by seasoning for various products in Spain







c) **Customer type:** in the specific case of products for non retail portfolios, customer type, as defined by sales volume, has proven to be a relevant factor. Therefore, an LGD estimation has been obtained for each size of company: Corporates, Large Corporates, SMEs, etc.



d) **Score:** more specifically, BBVA Compass uses the scoring tools grade to estimate LGD, observing a positive correlation between score and LGD.

e) **Other significant factors:** in some portfolios there are other variables that affect LGD, such as exposure at default (EAD), the number of clients involved in the transaction, the geographic location of the mortgaged property, the customer's profile, etc.

Progress in building LGD scorings and ratings is becoming more important for adapting LGD estimations to economic and social changes.

In the BBVA group, different LGDs are attributed to the outstanding portfolio (defaulted or non-defaulted), according to **combinations** of the aforementioned **significant factors**, depending on the features of each product/customer. The accompanying graph illustrates one of the possible combinations, LGD as a function of time in default, differentiated according to the time elapsed from origination to default.

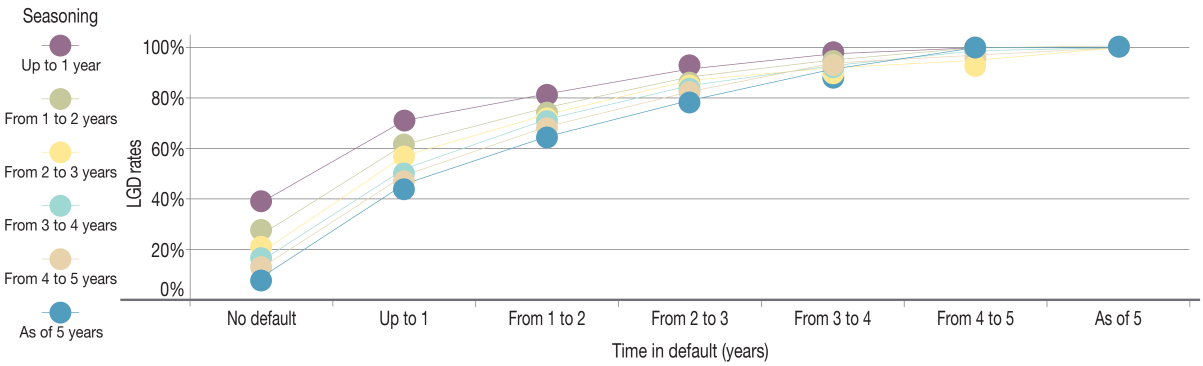
Lastly, it is important to mention that LGD estimates are conditioned by the moment of the cycle of the data window used, given that LGD varies with the **economic cycle**. Hence, two concepts are defined: Long Run LGD (LRLGD) and Downturn LGD (DLGD).

LRLGD represents the average long-term LGD and it is therefore used to calculate expected losses. Conversely, DLGD (downturn LGD) represents the loss given default in the worst economic situation, and it is used for calculating economic capital because the aim of the latter is to cover possible losses incurred over and above those expected.

All loss given default estimates (LGD, LRLGD and DLGD) are performed at portfolio level, and they account of all the aforementioned factors.

In addition to being a basic input for quantifying expected losses and capital, LGD estimates have other uses for internal

LGD by time in default and seasoning for the consumer portfolio, BBVA Spain



management. For example, LGD is an essential factor to discriminate prices, in the same way that it can determine the approximate value of a defaulted portfolio in the event of wanting to outsource its recovery or defining which potential recovery actions have the highest priority.

Exposure at Default (EAD)

Exposure at default (EAD) is another of the inputs required to calculate expected loss and capital. 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 credit cards or credit lines, exposure should include the potential increase in balance at the time of default.

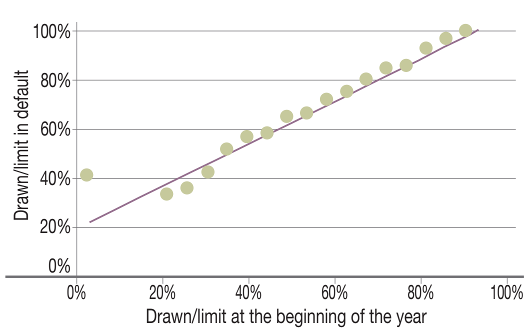
The Basel II capital regulations lay down that EAD estimates for this type of products cannot be constrained to the amount a customer has drawn at any particular moment, but rather they must also include potential additional withdrawals prior to default.

In compliance with Basel II requirements, BBVA has opted to use an approach in which EAD is attained by adding a percentage of undrawn risk to the risk already drawn on the operation. This percentage is calculated based on the **credit conversion factor** (CCF), which is defined as the percentage of the undrawn amount that is expected to be used before default. Therefore, the exposure estimate at the time of default is the calculation of this conversion factor by statistical analysis.

As was mentioned in the section on loss given default, there are portfolios known as "low default portfolios", in which there are few defaults (sovereign risks, corporations, etc.). In order to obtain CCF estimations for these portfolios, it is necessary to resort to external reports assuming similar behaviour to that of other portfolios, they are alternatively assigned that same CCF value.

The estimates of these conversion factors also include distinguishing factors which depend on the characteristics of the transaction; such an example would be BBVA Bancomer banking credit cards, where the conversion factor is estimated according to the card's spending limit.

CCFs for bank credit cards, BBVA Bancomer
(Limits between MEX$10,000 and MEX$ 25,000)



The portfolio model and concentration and diversification effects

The BBVA Group has developed a portfolio model in order to attain a better economic capital metric for credit risk, taking account of the diversification and concentration effects inherent in its lending structure. In short, a more accurate measurement of its risk profile. This model provides BBVA with a key tool for credit risk management, which has been designed providing for the requirements of Pillar II of the Basel Accord.

The portfolio model considers that risk comes from various sources (it is a multiple-factor model). This feature implies that economic capital is sensitive to the possible existence of **geographic diversification**, a crucial aspect in a global entity like BBVA. The tool is, in turn, sensitive to the possible concentration that may exist in certain credit exposures.

In summary, the portfolio model may be said to contemplate the following effects:

- Implicitly, **geographical/sectoral concentration**, on the one hand. To do so, it uses a matrix that penalises correlations of assets from each segment/portfolio, according to the size of the portfolio and to the size of the economy in question. In addition to sector concentrations in economies, it also thus takes account of concentrations in BBVA's portfolios in said economies.
- Moreover, the model explicitly considers **individual concentration** in the Group's largest exposures.
- The model lastly considers an indirect concentration effect through **correlations** that are introduced between LGDs and defaults.

Hence the model enables impact analyses to be performed on the portfolios for the various factors causing concentration and diversification effects: the country/sector and individual exposure concentration effect, the diversification effect between (geographic) factors or the random effect of LGD correlated to defaults.

CREDIT RISK IN 2008

The Group's **maximum exposure** to credit risk stood at €628,273m at 31-Dec-08, increasing 2.2% over the same date 2007.

Customer credit risks (including contingent liabilities), which account for 65.9% overall, rose 5.1% over year-end 2007. Potential exposure to credit risk in market activities (18.9% overall) including potential exposure for derivatives, also grew by 4.7%, whereas undrawn facilities (15.2% of the total) fell by 8.7%.

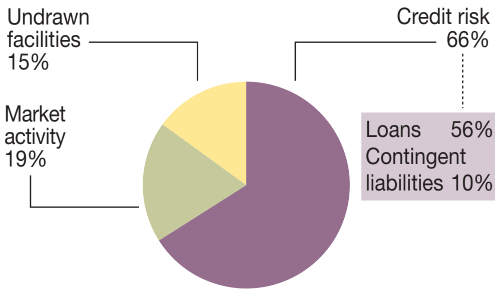
The **geographic distribution** of credit risk showed that the United States and South America

Maximum exposure to credit risk

	31-12-08							31-12-07	31-12-06
	Spain and Portugal	Wholesale Banking & Asset Mgt	Mexico	USA	South America	Corporate Activities	GROUP TOTAL	GROUP TOTAL	GROUP TOTAL
Gross credit risk (drawn)	**219,155**	**93,072**	**29,027**	**33,287**	**28,101**	**589**	**403,231**	**383,843**	**305,250**
Loans and receivables	206,016	49,286	27,907	31,501	25,190	541	340,441	317,998	262,969
Contingent liabilities	13,139	43,786	1,120	1,786	2,912	48	62,791	65,845	42,281
Market Activity	**12,251**	**46,779**	**22,816**	**8,551**	**9,432**	**16,070**	**115,900**	**110,721**	**92,083**
Credit entities	194	17,400	4,773	290	2,548	621	25,826	20,997	17,150
Fixed income	12,057	16,583	16,049	8,131	4,293	15,450	72,563	81,794	68,738
Derivatives	-	12,796	1,994	130	2,591	-	17,511	7,931	6,195
Undrawn facilities	**34,865**	**32,644**	**10,118**	**9,393**	**2,447**	**3,195**	**92,663**	**101,444**	**98,226**
SUBTOTAL	**266,271**	**172,495**	**61,961**	**51,231**	**39,981**	**19,854**	**611,794**	**596,008**	**495,559**
Others							**16,479**	**19,024**	**17,605**
TOTAL							**628,273**	**615,032**	**513,164**

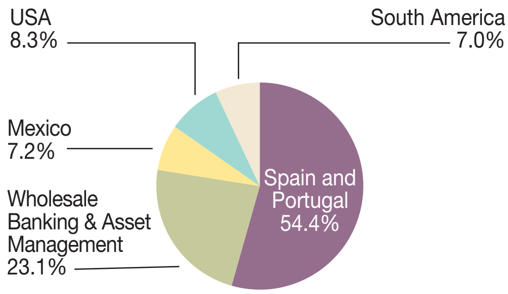
Maximum exposure to credit risk Distribution by type of risk

(31-12-08)



Exposure. Credit risk Distribution by business area

(31-12-08)

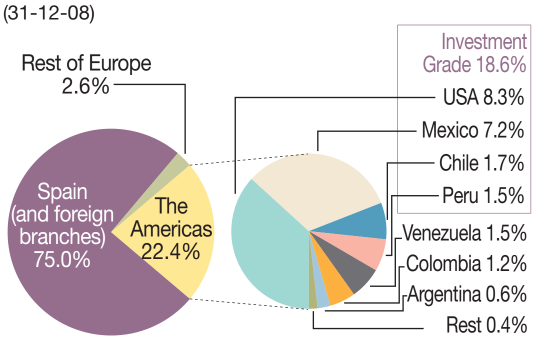


gained in weight over the year. The USA business area was favoured both by its own organic growth and by the appreciation of the dollar in 2008, while South America grew despite most of its currencies suffering depreciations. Mexico, however, lost weight due to the large depreciation of the peso. As a whole, the Americas accounted for 22.4% of the Group's overall credit risk, versus the 21.7% reported at year-end 2007. It should nevertheless be underlined that the vast majority of risk in the Americas (83.0%, versus a figure of 79.1% in 2007) was located in investment grade countries.

A breakdown of customer loans **by sector** at 31-Dec-08 is given in the table below. The

Exposure. Credit risk Geographical distribution

(31-12-08)



Customer lending by sector

(Million euros)

	31-12-08			31-12-07	31-12-06
	Residents	Non-residents	TOTAL	TOTAL	TOTAL
Public sector	17,436	5,066	22,502	21,065	21,194
Agriculture	1,898	2,211	4,109	3,737	3,133
Industry	17,976	28,600	46,576	39,922	24,731
Real estate and construction	38,632	9,050	47,682	55,156	41,502
Commercial and financial	17,165	34,560	51,725	36,371	38,910
Loans to individual customers	88,712	39,178	127,890	121,462	103,918
Leasing	7,702	1,683	9,385	9,148	7,692
Others	18,229	10,974	29,203	30,491	21,294
SUBTOTAL	**207,750**	**131,322**	**339,072**	**317,352**	**262,374**
Interest, fees and others	749	619	1,368	646	595
TOTAL	**208,499**	**131,941**	**340,441**	**317,998**	**262,969**

loan-book in the domestic private sector in Spain stood at €190 billion, and the risks were highly diversified by counterparty type and sector.

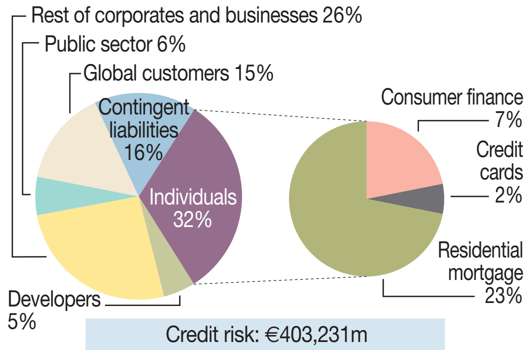
The **distribution by portfolio** shows that individuals' risk accounts for 32% of total credit risk, residential mortgages being particularly important (23% overall). The loan to value of this portfolio stood at around 55%.

The **distribution** of credit risk, **by rating**, of the parent company and subsidiaries in Spain, which comprises companies, financial entities, institutions and sovereign borrowers, shows that 57% of exposure was concentrated in customers with an A rating or above.

The distribution is also shown for the corporate and developer segment for the parent company and its subsidiaries in Spain.

Exposure. Credit risk Distribution by portfolio

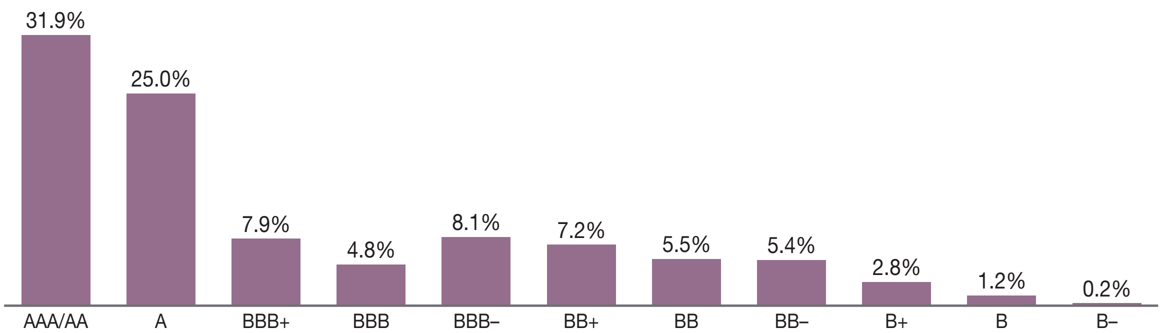
(31-12-08)



The distribution by rating of the loan-book in Mexico with corporates and financial institutions is shown in the accompanying graph.

Distribution by rating (1)

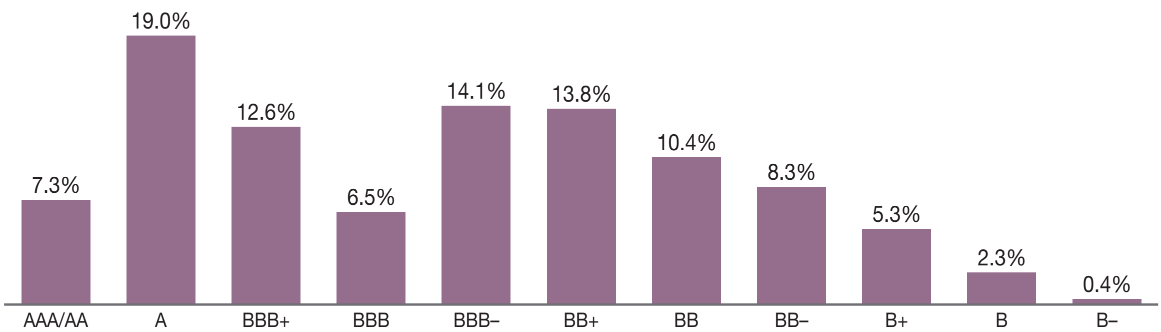
(Exposure 31-12-08. Percentage)



(1) Activities of the parent company and subsidiaries in Spain. Corporates, financial entities, institutions and sovereign risks.

Distribution by rating. Corporates and developers (1)

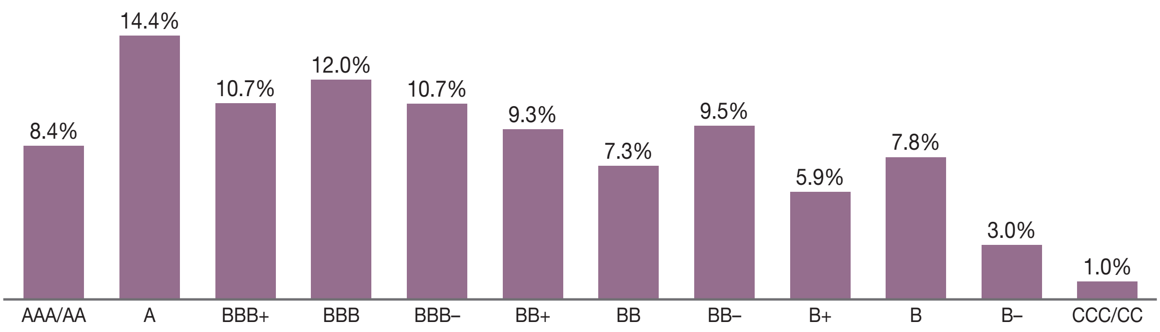
(Exposure 31-12-08. Percentage)



(1) Activities of parent company and subsidiaries in Spain. It includes only the Banking Book.

Distribution by rating. Mexico

(Exposure 31-12-08. Percentage)



Expected losses

The expected loss in the non-doubtful debt portfolio, expressed in attributed terms and adjusted to business cycle average, stood at year-end 2008 at €2,061m. This is a 2.7% up on the same date 2007.

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

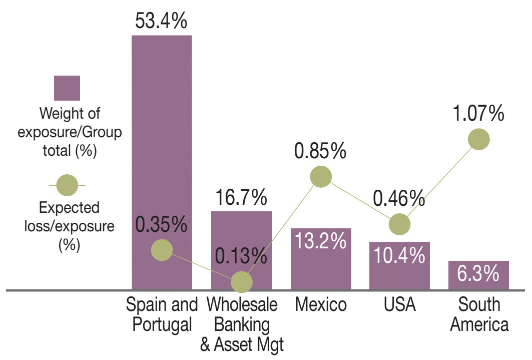
The graph on the next page gives a breakdown use of attributable expected losses by business area at 31-Dec-08. Spain and Portugal, with an exposure which accounts for 53.4% of the total, had an expected loss to exposure ratio of 0.35%. Wholesale Banking & Asset Management accounted for 15.3% of exposure, with a ratio of expected loss to exposure of 0.13%, Mexico had a weight of 13.2% and a ratio of 0.85%, the

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

	Exposure [2]	Expected loss		Economic capital	
Portfolios [1]	Million euros	Million euros	%	Million euros	%
Retail mortgage					
Spain	72,397	140	0.19%	1,225	1.69%
Mexico	7,408	97	1.31%	453	6.11%
Others	10,310	47	0.46%	293	2.84%
TOTAL	**90,115**	**284**	**0.32%**	**1,971**	**2.19%**
Other retail portfolios					
Spain	20,051	271	1.35%	975	4.86%
Mexico	9,491	332	3.49%	703	7.40%
Others	5,026	174	3.46%	386	7.67%
TOTAL	**34,568**	**776**	**2.25%**	**2,064**	**5.97%**
Companies and institutions					
Spain	166,569	312	0.19%	4,326	2.60%
Mexico	15,490	102	0.66%	484	3.12%
Others	74,361	297	0.40%	1,757	2.36%
TOTAL	**256,420**	**711**	**0.28%**	**6,568**	**2.56%**

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

Attributable expected losses (balances not in default) by business area
(Percentage over exposure. 31-12-08)



United States a weight of 10.4% and a ratio of 0.46% and South America a weight of 6.3% and an expected loss ratio of 1.07%.

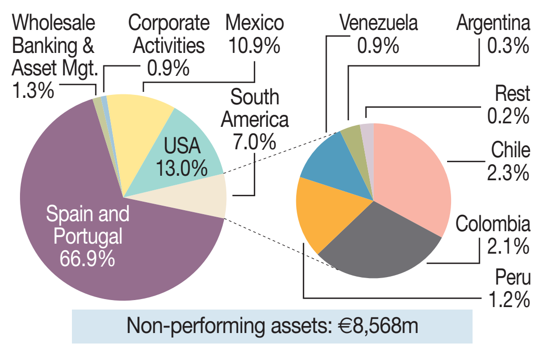
Concentration

Ignoring sovereign risks and financial entities, at year-end 2008 there were 139 holding groups in the BBVA Group (121 in 2007) with risk drawn (loans, contingent liabilities, credit derivatives and fixed-income issues) exceeding €200m each, of which 83% held investment grade rating. The credit risk (loans plus guarantees) accounted for 18% of the BBVA Group's total risk (the same as in 2007), and total risk was broken down by business area as follows: 33% in Spain and Portugal, 50% in Corporate & Investment Banking (in Spain and in foreign branches), 11% in Global Markets activities, and 5% in the Americas, 3% of which was concentrated in Mexico. The risk was spread over the main industries. Those with the most important relative weights were: industry (17%), institutional (15%), construction (15%), consumer and services (14%) and utilities (13%).

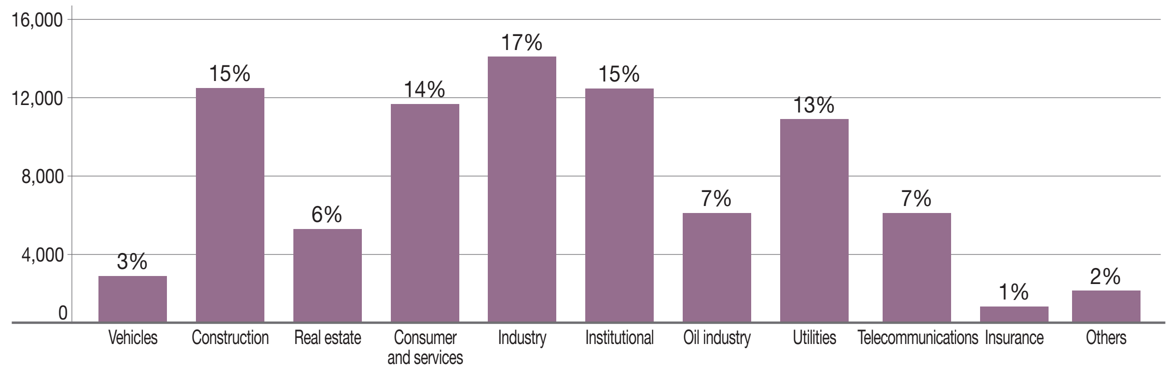
Non-performing assets and risk premium

Due to the deterioration in the economic situation, which has multiplied delinquent accounts and insolvency situations, the NPA volume (loans and contingent liabilities) stood at €8,568m, versus the figure of €3,408m posted in December 2007. By business area, the increase was sharper in Spain and Portugal, which at year-end 2008 accounted for 66.9% of the total Group NPA, as opposed to 46.8% the previous year. In any case, both in the Group as a whole and in Spain and Portugal, generic provisions and collateral vastly exceeded the NPA figure, once specific provisions have been deduced.

Non-performing assets
Distribution by business area
(31-12-08)



Concentration. Distribution by sector
(Risks above €200m. Million euros. 31-12-08)



Non-performing assets trend. Group total

(Million euros)

	2008	2007	2006
BEGINNING BALANCE	**3,408**	**2,531**	**2,382**
Entries	11,208	4,606	2,742
Recoveries	(3,668)	(2,418)	(1,830)
NET ENTRY	**7,540**	**2,188**	**912**
Transfers to write-offs	(2,198)	(1,497)	(707)
Exchange differences and others	(182)	186	(56)
FINAL BALANCE	**8,568**	**3,408**	**2,531**

Non-performing assets trend by business area

(Million euros)

	Spain and Portugal		Wholesale Banking & Asset Mgt.		Mexico		USA		South America	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
BEGINNING BALANCE	**1,597**	**1,078**	**20**	**25**	**657**	**612**	**491**	**177**	**535**	**526**
NET ENTRY	**4,773**	**901**	**97**	**10**	**1,454**	**874**	**852**	**222**	**382**	**190**
Transfers to write-offs	(632)	(394)	(4)	(6)	(1,000)	(752)	(279)	(179)	(256)	(170)
Exchange differences and others	(7)	12	-	(9)	(178)	(77)	53	271	(66)	(11)
FINAL BALANCE	**5,731**	**1,597**	**113**	**20**	**933**	**657**	**1,117**	**491**	**595**	**535**

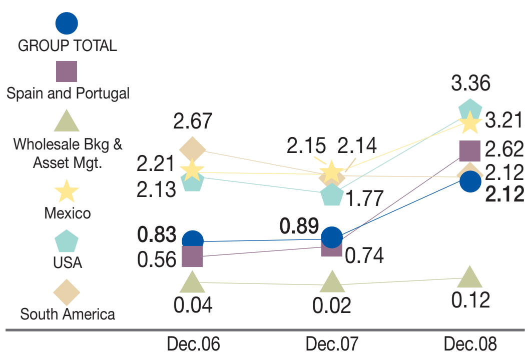
The tables above show the changes recorded in the period running from 01-Jan-08 to 31-Dec-08 for impaired lending to customers and doubtful contingent liabilities, both for the BBVA Group as a whole and for each business area.

The Group's **NPA ratio** stood at 2.12% (versus the figure of 0.89% in December 2007), resulting from the previously mentioned increase in non-performing loans. Analysing by **business area,** Wholesale Banking & Asset Management and South America turned in good performances; the former with practically zero NPA (0.12%) and the latter reducing its NPA ratio by 2 basis points over the year to stand at 2.12%, despite having increased its consumer finance and credit card operations.

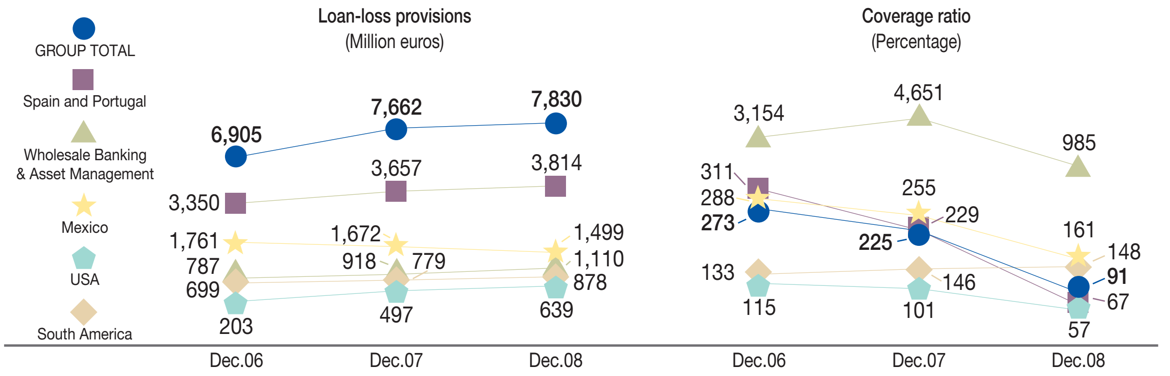
The ratio in Spain and Portugal rose 188 basis points to reach 2.62%. In Spain, however, BBVA maintained an NPA ratio in the domestic private sector below that of the system as a whole (2.85% as against 3.38% in December 2008, according to the most recently published data), and it extended its advantage in 2008 to 53 basis points below the ratio, in comparison to the 16 basis point gap recorded in December 2007. This improved performance was achieved, moreover, despite it being much less active than the rest of the banking industry in purchasing real estate assets (€629m in 2008).

NPA ratios

(Percentage)



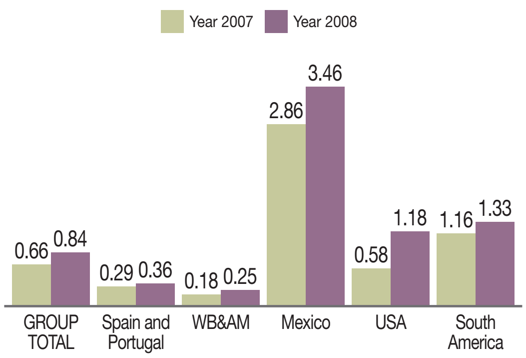
Coverage



In Mexico, the NPA ratio stood at 3.21%, as against 2.15% at 31-Dec-07, although Bancomer likewise showed lower NPA ratios than the average of its main competitors, and a better performance over the last year, according to the latest local information to be made available. For its part, the NPA ratio in the United States rose to 3.36%, versus the figure of 1.77% reported in December 2007.

The Group's **risk premium**, which measures the charge against earnings made for net loss provisioning per lending unit, rose 18 basis points in 2008 to stand at 0.84% (0.66% in 2007). By business area, Mexico and the United States rose 60 basis points (to 3.46% and 1.18%, respectively), whereas Spain and Portugal and Wholesale Banking & Asset Management underwent a smaller increase of 7 basis points to reach 0.36% and 0.25%, respectively. The risk premium in South America was 1.33% (up 17 basis points over 2007).

Risk premiums
(Percentage)



Provisioning for insolvency risk in the customer lending portfolio increased by 2.2%, to reach €7,830m. Of this amount, generic and country risk reserves accounted for €4,547m, ie, 58% of the reserves overall, and they continue to be well above the expected loss figure. The Group's **coverage ratio** (91%) continued to show a high degree of capital strength.

Risk management in market areas

In 2008, BBVA received a new authorisation from the Bank of Spain to extend the perimeter and change the **internal model methodology** used to determine capital requirements deriving from risk positions in its trading book in the BBVA Group in Spain and Mexico, which jointly account for 90% of the Group's trading book market risk. As of December 2007, the method used for estimating market risk in BBVA, S.A. and BBVA Bancomer has been based on historic simulation through the Algorithmics risk assessment platform. The new platform will pave the way to a better future integration of market risk for the entire perimeter of the Advanced Internal Model for capital allocation.

During 2008, the policies and tools BBVA used to control risk in market areas were consolidated and internal controls over its trading floor positions were upgraded.

The basic measurement model used is **Value-at-Risk (VaR)**, which provides a forecast of the maximum loss that portfolios could incur on a one-day horizon with a 99% probability, stemming from fluctuations recorded in the equity, interest rate, FX and commodity markets. For certain positions, moreover, it is also necessary to consider other risks such as the credit spread, basis risk or volatility and correlation risk.

The market risk **limits** model currently in force consists of a global structure comprising economic risk capital (ERC) and VaR limits and of VaR and stop loss sublimits for each of the Group's business units. The global limits are proposed by the Global Markets Risk Unit and approved by the Executive Committee on an annual basis, once they have been submitted to the board of directors' Risk Committee.

This limits structure is developed based on the identification of specific risks, by typology, activities and trading desks. The market risk units keep consistency between the global and specific limits on the one hand, and between VaR sublimits and delta sensitivity on the other. This is supplemented by analyses of impacts on the income statement when risk factors enter a stress situation, considering the impact of financial crises that have taken place in the past and economic scenarios that could occur in the future.

In order to assess business unit performance over the year, the accrual of negative earnings is linked to the reduction of the VaR limits set. To anticipate these new circumstances and to offset the effect of these adverse situations, the structure in place is supplemented by limits on loss and alert signals, which automatically trigger off procedures to cope with situations that might compromise market area activities.

The measurement model lastly includes back-testing (ex-post comparison) which helps to refine the accuracy of the risk measurements, comparing day-on-day results with their corresponding VaR measurements.

MARKET RISK IN 2008

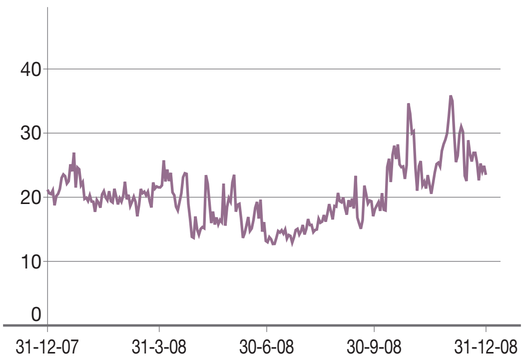
Over 2008, the BBVA Group's market risk remained at low levels in proportion to the aggregates BBVA manages. In VaR terms, it stood on average at €20.2m. The VaR figures were more widely dispersed than in previous years, higher level calculations being grouped in the last quarter of the year, as volatility spread to all the markets. Nevertheless, at the close of the year the average weighted use of the limits set was moderate (58%).

If we analyse **risk factors**, the most important was interest-rate risk (51% of the total at 31-Dec-08), which includes both interest-rate risk and that linked to credit spreads. Vega and FX risk accounted for 31% and 16% respectively, both gaining weight in the second half of the year, while equity risk only accounted for 2%.

By **geographical area**, 69% of the market risk corresponded to banking in Europe and the

Trends in market risk [1]

(VaR, in million euros)



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

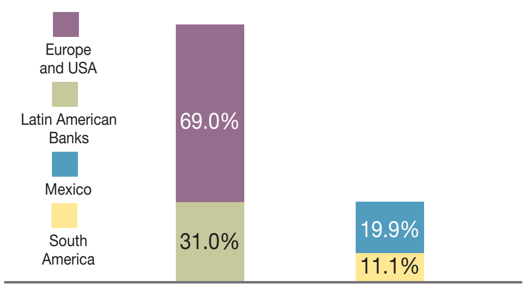
Market risk by risk factor in 2008

(Million euros)

Risk	31-12-08
Interest + spread	24.2
Exchange rate	7.4
Equity	1.1
Vega and correlation	14.8
Diversification effect	(24.3)
TOTAL	**23.3**
AVERAGE 2008	**20.2**
MAXIMUM 2008	**35.3**
MINIMUM 2008	**12.8**

Market risk by geographical area

(Average 2008)



United States and 31% to the Group's Latin American franchises, of which 20% was concentrated in Mexico.

As far as the **average use of limits** approved by the Executive Committee for the Group's main business units is concerned, average use was higher in mature markets, lying at around 56% during the year (77% at 31-Dec-08). In Latin America average limits use for the year stood at 40%, approaching 45% at the close of the year.

The **back-testing** comparison performed with market risk management results for the parent company (which accounts for a sizeable part of the Group's market risk) follows the principles laid out in the Basel Accord, which makes a day-on-day comparison between actual VaR and the VaR estimated by the model, showed once again that the said risk measurement model was working correctly throughout 2008.

CREDIT RISK IN MARKET ACTIVITIES

The credit risk assessment in OTC financial instruments is made by means of a Monte Carlo simulation, which enables calculation not only of the current exposure value of each of the counterparties, but also their possible future evolution under fluctuations in market variables.

The simulation model incorporates: a) the term effect (the exposure deriving from the various operations presents potential maximum values at different points in time); b) the correlation effect (the exposures of the various transactions normally present correlations different to 1 according to the correlations between the market factors they depend on); and c) the existence of legal netting and collateral agreements.

The **equivalent maximum** credit risk **exposure** to counterparties at 31-Dec-08 stood at €43,553m, up 162% on the previous year. The overall reduction in terms of exposure due to netting and collateral agreements subscribed was €30,534m.

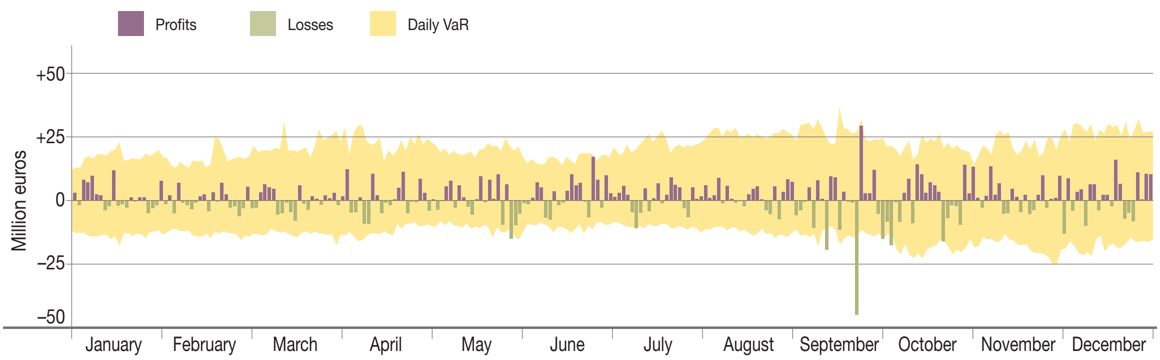
The **net market value** of the instruments mentioned in the portfolio on 31-Dec-08 was €2,692m, with a 55-month average residual term. The average **replacement value**, in gross terms, stood at €41,995m.

The table on the next page shows the **distribution by maturity** of the equivalent maximum exposure amounts under OTC financial instruments.

The **counterparty risk** assumed in this activity involved entities with a high credit rating (equal to or above A– in 83% of the cases). Exposure was concentrated in financial entities (81%) and the remainder (19%) in corporations and the rest of clients, and was suitably diversified.

BBVA, S.A. internal back-testing model in 2008

(Estimated VaR vs profits and losses)



OTC derivatives. Equivalent maximum exposure

(Million euros)

OTC financial instruments	Gross replacement	Net replacement	Equivalent maximum exposure	Weighted average term
IRS	23,117	1,827	26,517	48
FRAs	158	137	141	1
Interest rate options	1,744	(153)	1,441	41
OTC interest rate diversification			(135)	
TOTAL OTC INTEREST RATE	**25,019**	**1,812**	**27,964**	**47**
Forward FX	6,246	(575)	6,251	44
Currency swaps	3,381	(119)	3,913	71
Currency options	731	161	620	46
OTC exchange rate diversification			(547)	
TOTAL OTC EXCHANGE RATE	**10,358**	**(533)**	**10,237**	**66**
OTC equity	4,273	1,031	5,933	22
Lending	2,158	283	2,596	108
Commodities	187	99	273	
OTC equity and others diversification			(84)	
TOTAL OTC EQUITY AND OTHERS	**6,618**	**1,414**	**8,718**	**87**
TOTAL DIVERSIFICATION			**(3,365)**	
TOTAL	**41,995**	**2,692**	**43,553**	**55**

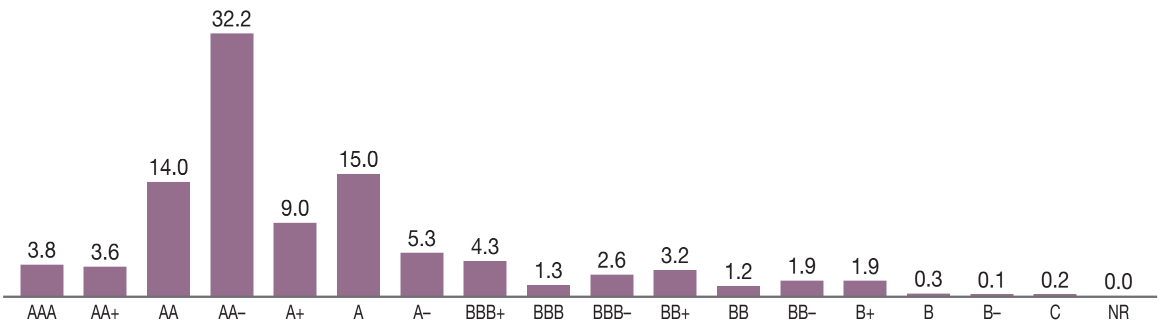
Distribution by maturity
Maximum exposure in OTC financial instruments

(Million euros)

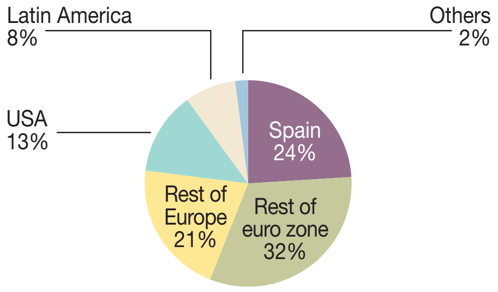
	2008							
Type of product	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Up to 15 years	Up to 25 years	As of 25 years
OTC interest rate	27,964	26,884	26,184	16,572	11,265	3,010	2,378	1,834
OTC exchange rate	10,237	5,956	5,048	3,658	1,784	339	325	296
OTC equity and others	8,718	8,057	7,334	5,433	4,439	4,143	4,100	3,966
Total diversification	(3,365)	(406)					(5)	
TOTAL	**43,553**	**40,490**	**38,566**	**25,662**	**17,487**	**7,493**	**6,799**	**6,096**

Equivalent maximum exposure. Distribution by rating

(Percentage)



Equivalent maximum exposure Geographical distribution
(Percentage)



By **geographical area**, the highest concentration lay in Europe (77%) and North America (13%), which together accounted for 90% of the total.

Structural risks

STRUCTURAL INTEREST RATE RISK

The global financial crisis that the markets suffered throughout 2008 was passed on to the interest rate curves of the main currencies in which the BBVA undertakes its banking activity. During the early part of the year, interest rates in Europe remained tight, especially in the short term of the curve, with a rise in the positive slope between the three-month and the one-year rate. In the latter part of the year, however, interest rates fell sharply in Europe and in the United States, as they did in Mexico, after a year in which rates had shown an upward trend with sharp rises in the longer terms.

In such an environment, **management** of the banking book structural interest rate risk is of particular importance. This is the responsibility of the **Assets and Liabilities Management** area and more specifically the Assets and Liabilities Committee (ALCO), which develops management strategies aimed at maximising BBVA's economic profit and preserving earnings recurrence through net interest income. To do so, it not only takes its market outlook into consideration, but it also ensures that exposure levels match the risk profile defined by the Group's management bodies and that a balance is kept between expected earnings and the risk level borne. The implementation of a transfer pricing system that centralises the entity's interest rate risk on the ALCO's books is helping to assure that balance-sheet risk is being suitably managed.

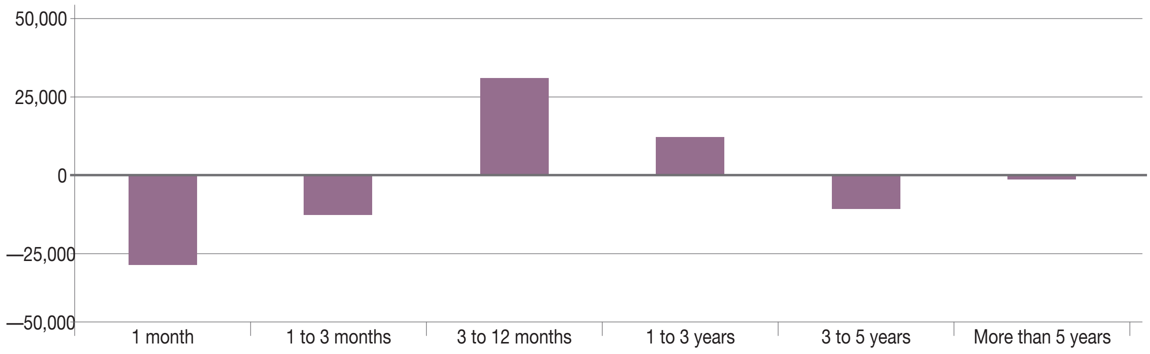
Structural interest rate risk **control and monitoring** is performed in the **Risk area**, which, acting as an independent unit, guarantees that the risk management and control functions are conveniently segregated. This policy is in line with the Basel Committee on Banking Supervision recommendations. The area's functions include designing models and measurement systems, together with development of the monitoring, reporting and control policies. The Risk area performs monthly measurements of structural interest rate risk thus supporting the management of the Group and it performs a risk control and analysis function. This is then reported to the main governing bodies, such as the Executive Committee and the board of directors' Risk Committee.

Variations in market interest rates affect the entity's net interest income in the short and medium term and its economic value, if we take a long-term view. The main source of risk resides in the time mismatch that exists between repricing and maturity dates of the different products comprising the banking book. This is illustrated by the graph on the next page, which shows the gap analysis on BBVA's structural balance sheet in euro.

The Group's structural interest rate risk measurement model uses a set of **metrics and systems** which enable its risk profile to be identified and assessed. From the perspective of characterising the balance sheet, models of analysis have been developed to establish assumptions dealing fundamentally with prepayment of loans and the performance of deposits with no explicit maturity. Likewise, a model for simulating interest rate curves is applied which enables risk to be quantified in terms of probabilities. It also allows sources of risk to be assessed in addition to the mismatching of cash flows, coming not only from parallel shifts but also from changes in the slope and curvature, in keeping with each currency's historical behaviour. This simulation model calculates the earnings at risk (EaR) and economic capital (EC), as the maximum adverse deviations in net interest income and economic profit, respectively, for a particular confidence level and time horizon.

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

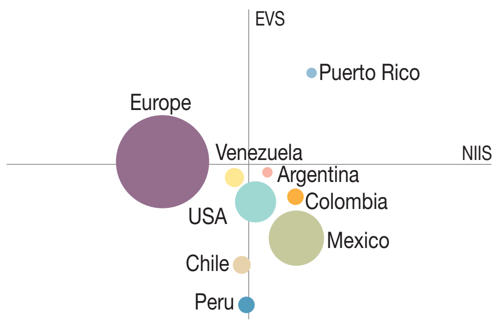
(Million euros)



These negative impacts are controlled in each of the Group's entities through a limits policy.

The risk measurement model is supplemented by scenario analyses and stress tests, as well as **sensitivity** measurements to a standard variation of 100 basis points for all the market yield curves. The graph included shows the structural interest rate risk profile of the Group's main entities, according to their sensitivities.

Structural interest rate risk profile

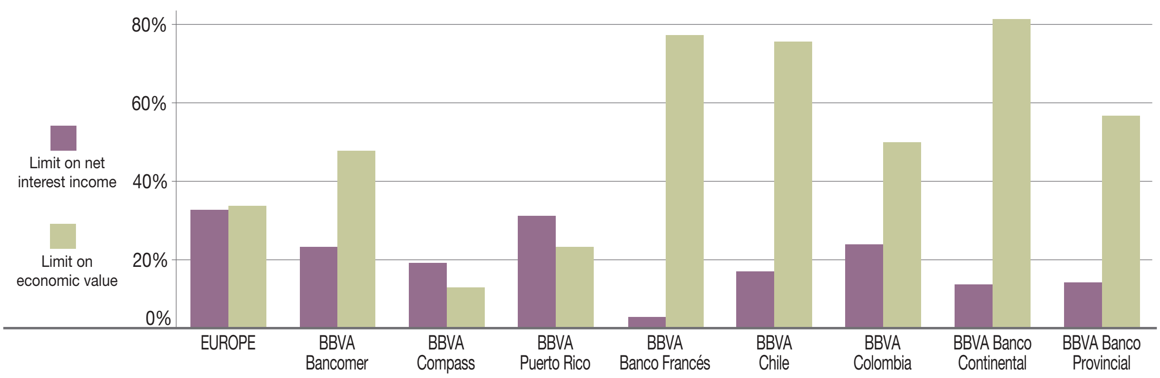


NIIS: Net interest income sensitivity (%) of the franchise to +100 bp.
EVS: Economic value sensitivity (%) of the franchise to +100 bp.
Size: Capital allocated to each franchise.

In 2008, special emphasis was placed on **stress testing**, evaluating both foreseeable scenarios from the Research Department and severe risk scenarios drawn up from an analysis of historical data and the breakdown of certain correlations observed. Further work was done on integration of structural interest rate risk in the Group, taking the source in its different component entities and markets into account. BBVA Compass has, moreover, joined the corporate interest rate risk monitoring and control policies.

The **limits** structure is one of the mainstays in BBVA's control policies, because it represents its

Structural interest rate risk. Average use of limits in 2008



risk appetite as defined by the Executive Committee. Despite the rise in market volatility due to the international financial crisis, particularly acute in the second half of the year, active balance-sheet management enabled risk levels to be maintained at levels in keeping with the Group's risk profile, as is shown in the preceding graph, which shows average limits use in each entity during 2008.

STRUCTURAL EXCHANGE RATE RISK

The FX market was also affected by the financial crisis in **2008**. Exchange rates were more unstable than in previous years, with antagonistic trends in the two halves of the year. While the first half of the year featured a depreciation of the dollar with respect to the euro and a strengthening of the Latin American currencies against the dollar, in the latter half of the year the US currency accrued earnings of over 10%, ending the year in the black with respect to the euro. The Latin American currencies, on the other hand, depreciated against the dollar in the second half of the year.

These exchange rate variations affect BBVA's equity, 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 the Assets and Liabilities Committee (ALCO), actively manages structural exchange rate risk using hedging policies that aim to minimise the effect of FX fluctuations on capital ratios, as well as to assure the equivalent value in euros of the foreign currency earnings contributed by the Group's various subsidiaries.

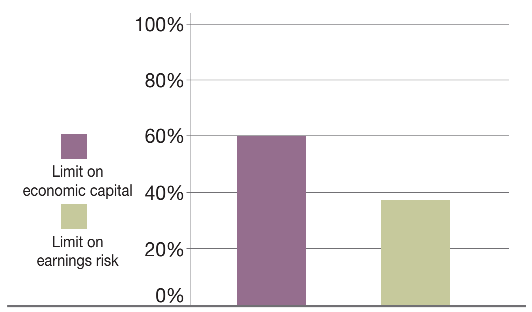
The **Risk** area acts as an independent unit, responsible for designing measurement models, making risk calculations and controlling compliance of limits, reporting on all these issues to the board of directors' Risk Committee and to the Executive Committee.

Structural exchange rate risk is measured using a **scenarios simulation model** that takes account of the historical performance of different currencies.

On the basis of this exchange rates simulation, a distribution is produced of their possible impacts on the Group's equity and income statement, hence giving the maximum adverse deviation in both variables for a particular confidence level and time horizon, depending on market liquidity in each currency. Furthermore, this simulation model is also used to generate a range of impacts on capital ratios, for which the FX breakdown both of equity and risk-weighted assets is taken into consideration.

The Asset/Liability Management unit incorporates these metrics into its decision-making process, in order to match the entity's risk profile to the framework deriving from the limits structure authorised by the Executive Committee for these very metrics. Active management of FX exposure retained the risk level within the limits set for 2008, despite market volatility. The average hedging level of the book value of the Group's holdings in foreign currency is close to 50%. As in previous years, hedging of earnings in foreign currency also remained high in 2008. The graph below shows the trend seen in average **use of limits** over the year.

Structural exchange rate risk
Average use of limits in 2008



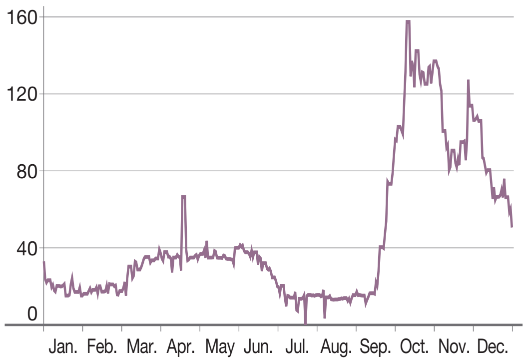
LIQUIDITY RISK

In **2008** the difficulties financial entities encountered in managing liquidity and its associated risks became ever more acute. The credit spreads applied, both in the primary market (issuance) and in the secondary and derivatives markets (credit default swap), which had begun to tighten up in the summer of 2007, remained at record highs.

The bankruptcy of Lehman Brothers in September served to raise the lack of confidence on the interbank market, leading to an important growth in the spreads demanded and a market that was increasingly more selective as regards its counterparties. The depo-repo spread graph shows the spread throughout 2008 between the one-month interbank deposit rate and the derivative (collateralised deposit) for the same term.

Depo-repo spread (1 month) in 2008

(Basic points)



In this environment, the **liquidity management** policy followed in BBVA was based, amongst other things, on anticipation and prudent control of the risk borne, with funding highly diversified in terms of markets, maturities and currencies. The issuance policy in previous years enabled it to virtually stay out of the wholesale markets throughout 2008. As far as risk control is concerned, thorough monitoring of liquidity uses has been a key factor, backed up by the maintenance of a sufficiently large buffer of liquid assets, fully available for rediscount. In this regard, there has been an appropriate coverage of the maturities that the entity had to face, both in long- and in short-term instruments, without any specific liquidity stress and in a good trading position.

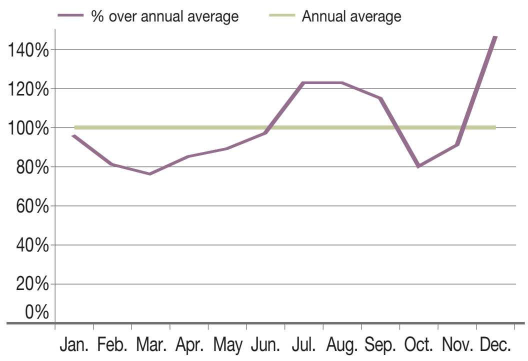
The recurrence of earnings reported by the Group and the rating awarded by the different agencies (BBVA was the only large bank to improve its rating in 2008) attracted retail deposits and the successful launch of finance programmes with wholesale customers, both allowed it to fund the business appropriately, despite the intricate international environment. This was mirrored by its moderate average participation in central bank auctions in 2008.

In BBVA, it is the Asset/Liability Management unit that is responsible for integral liquidity management. To do so, it takes account of a broad **limits**, sublimits and alerts **scheme** approved by the Executive Committee. Said limits are independently measured and controlled by the Risk area which at the same time offers managers support tools and metrics for making their decisions.

On this subject, the documents published in June 2008 by the BIS and the CEBS, with recommendations and principles for liquidity risk management and supervision, ratify the BBVA model. More specifically, the fact that said documents acknowledge the importance of stress tests and the Contingency Plan, ratifies the recurrent analyses using simulated stress situations that the entity carries out, making them an indicator that the units responsible for liquidity control and management must take into account. The content of these stress tests forms part of the Contingency Plan, approved by the Executive Committee, which furthermore defines the competencies of each area in the Group and the various hierarchical committees responsible for monitoring and resolving liquidity tensions.

During 2008, far beyond the events that introduced stress and volatility into the markets (especially in September and October), the contingencies encountered from a liquidity viewpoint were resolved in BBVA with comparatively less difficulty, because of its correct liquidity management and control policies. The accompanying graph illustrates the annual evolution of one indicator used to monitor the position of liquidity and its potential risk.

Available liquidity extended to 30 days in 2008



STRUCTURAL RISK MANAGEMENT IN THE EQUITY PORTFOLIO

BBVA undertakes constant monitoring of structural risk in its equity portfolio, in order to constrain the negative impact that an adverse performance by its holdings in the capital of other industrial and financial companies might have on the entity's solvency and earnings recurrence. The monitoring perimeter takes in this kind of positions in the investment portfolio, including, for reasons of management prudence and efficiency, the holdings that are consolidated, even though variations in value have no immediate effect on equity. In order to determine exposure, moreover, account is taken of the positions held in derivatives of underlying assets of the same kind, used to limit portfolio sensitivity to potential price cuts.

In order to assure that this risk is held within limits compatible with the Group's target risk profile, a risk control and limitation mechanism has been structured, which hinges on two aspects of exposure – earnings and economic capital. The Risk area provides estimates of the risk levels assumed, which it supplements with periodic stress- and back-testing comparisons and scenario analyses, and it monitors the degree of compliance with the limits authorised by the Executive Committee, periodically informing senior management on such matters. Economic capital measurements are, furthermore, built into the risk-adjusted return metrics, used to foster efficient capital management in the Group.

Use of economic capital dropped significantly in 2008, due to moderation in the exposure level, consistent with the adverse stock market situation. This moderation was possible thanks to active management of positions carried out throughout the year which, in conjunction with the Group's hedging policy, offset the incremental effect in estimated risk deriving from the generalised surge in volatilities and correlations recorded in the stock markets.

Operational risk

Operational Risk Management. Since the year 2000, the Group has been using an operational risk management model which is based on the identification and quantification of all individual risks. The key to the model resides in anticipation, which means being able to identify operational risks and their possible consequences prior to them materialising as events.

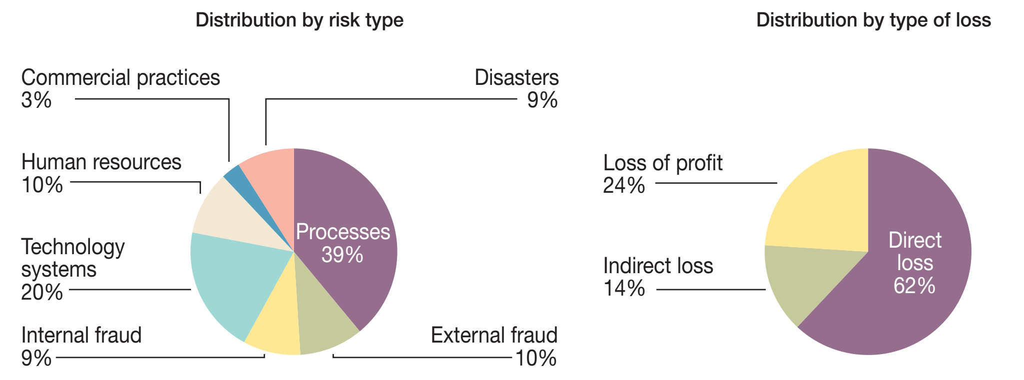
BBVA has several tools to carry out this task, covering both qualitative and quantitative operational risk aspects. In order to establish their origin, risks are subdivided into the various categories defined under Basel – processes, fraud, technology systems, human resources, commercial practices and disasters.

Operational risk management in the Group is spread by geographical area and by unit. Each country has an Operational Risk Unit, which operates within the Risk area. In turn, in each business and support unit there is an Internal Control and Operational Risk department, which is responsible for managing it within its respective unit, through Operational Risk Committees that meet every three months. This management involves comprehensive monitoring of the data supplied by the tools and, of course, implementing mitigation measures wherever necessary.

The Group uses three **management tools**:

Ev-Ro: This identifies and quantifies Operational Risk Factors (ORF), which are all those circumstances that provoke or may provoke losses. Estimation is made of their frequency and impact on business or support areas which is evaluated in terms of direct cost, indirect cost (inefficiency) and loss of profit. The tool is

Risk assessed with Ev-Ro
(BBVA Group total)



implemented throughout the Group and is updated on an annual basis.

Ev-Ro differentiates the high priority ORFs, which account for 80% of the quantified risk. As is to be expected, said factors occupy a sizeable part of Operational Risk Committees' time. The Group situation is shown in the graph above.

TransVaR: To supplement the information provided by Ev-Ro, BBVA uses an indicator-based operational risk management tool. An indicator is a variable associated to a process that measures its attributes, such as quality, for example. Hence, it also serves for measuring operational risk. TransVaR is used to monitor how operational risk is evolving and to set up alert signals.

There is a link between TransVaR indicators and the causes of operational risk; therefore they can be used for making forecasts. The most important indicators are volumes of processed transactions, systems availability, balance-sheet balancing regularity and the number of incidents recorded in processes.

SIRO: Operational risk events usually have a negative impact on the income statement. When this happens, they are recorded on a database set up in each country. The information is, in turn, downloaded each month onto a central database. As this process began in 2002, its now holds historical data for seven full years.

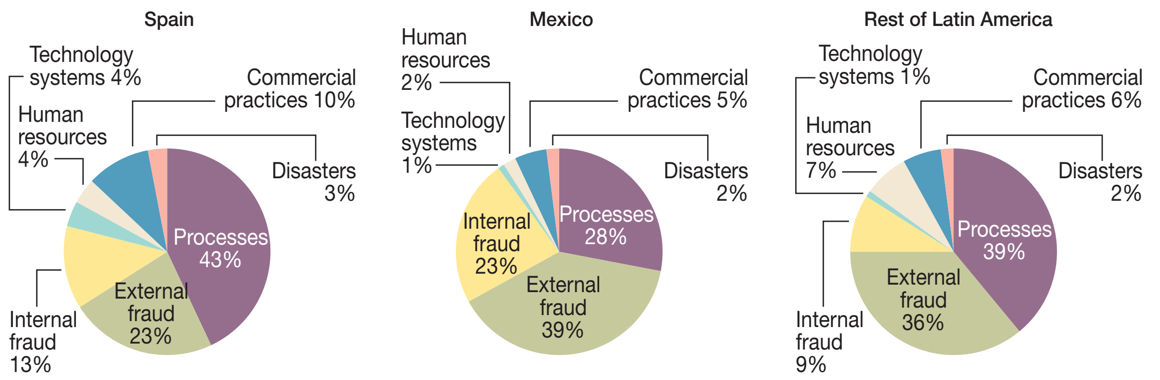
Internal data is completed by external data from the ORX (Operational Risk Exchange) consortium, a not-for-profit association that was founded in 2001 and currently has over 50 members. ORX data comprises operational risk events of over €20,000 each and it currently holds records of over 90,000 events, coming to a total of over €30 billion. ORX information serves a dual purpose: it complements the BBVA database for making risk capital calculations and it also acts as benchmark for making comparisons with the rest of the sector.

The table below shows the most significant losses the Group recorded during 2008.

Operational risk events above €20,000
(From 1-10-07 to 30-09-08 (last 4 quarters). Amount in million euros)

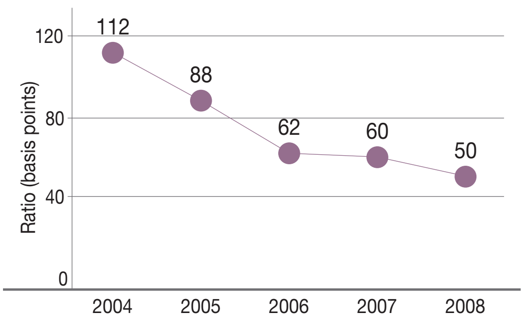
	Spain and Portugal		Wholesale Banking & Asset Management		Mexico		Rest of Latin America	
Type of risk	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Processes	48	5.0	25	3.1	29	1.6	59	10.9
External fraud	76	3.6	1	0.3	50	2.8	40	2.7
Internal fraud	7	0.8	-	-	17	5.7	11	1.1
Others	17	1.3	2	1.4	11	3.9	20	1.5
TOTAL	**148**	**10.7**	**28**	**4.7**	**107**	**14.0**	**130**	**16.1**

Historical distribution of losses by type of risk



Operational events ratio

(BBVA Group total. Cost of events / Total revenues, in basis points)



The entity also periodically monitors historical loss distribution by geographical area and risk type, and it assesses how this has evolved in comparison with the Group's total ordinary revenues. The accompanying graphs show the situation at 31-Dec-08.

The aforecited tools are, in conjunction with capital calculation methodologies, the basis of the Basel **AMA model** (Advanced Model Approach). BBVA is in the process of reviewing and validating said model with its regulator, which should, in future, enable it to benefit from a reduction in regulatory capital.

In the first phase, advanced operational risk models will be applied in Spain and Mexico, which currently account for some 70% of the Group's income. This process will be taking place throughout 2009.

Reputational risk. One of the most important consequences of operational risk is reputational risk, which is defined as that deriving from changes in the perception certain stakeholders, ie, customers, shareholders, employees, etc., may have of the Group and its component brands.

This risk is analysed and managed locally in each business line, and globally in the Corporate Responsibility and Reputation unit. In 2008 various initiatives were broached, aimed at creating a reputational risk management model that is usable in the most important spheres of Group.

Operational risk capital. During 2008, new operational risk economic capital estimates were made. To do so, the Group used the LDA (Loss Distribution Approach) methodology, with real data from 2007. This methodology estimates spread of losses from operational events by adjusting two factors – event frequency and their impact on the year. Initially the use of this method has been confined to Spain and Mexico. The other units (basically the USA and South America) used the standard or basic Basel method, which consists of calculating capital at risk by applying a fixed percentage to each business line, which varies from 12% to 18%.

Three information sources were referred to for making the capital estimates in Spain and Mexico: the Group's internal database (SIRO), external data from ORX and simulated events. To reach said estimates, BBVA used Opvision, the calculation engine it developed in conjunction with Risklab and Indra.

The results for risk capital, calculated using the various methodologies, are shown in the accompanying table:

Operational risk capital
(Million euros)

	Basic method	Standardised method	AMA method w/o diversification	AMA method with diversification
Spain	1,197	1,074	1,276	635
Mexico	755	647	495	253
Others	611	516	n/a	n/a

Risk management in non-banking activities

MANAGEMENT MODEL

BBVA continued to use a model in which its business units undertake risk monitoring and control, while the central unit standardises policies, processes, tools and calculations, providing an overall view with the Group's other risks.

This approach enabled the various risks that emerged over 2008 in this kind of activities to be anticipated: extremely high volatility in corporate bonds, low liquidity in some markets and fiduciary risk in newly appearing products, such as alternative investment in funds of funds.

The New Products Committee, which operates at company level in each country, has been of key importance in order to accept only those risks that can be identified, measured, evaluated and, of course, managed, both for the Group's own portfolios and for those belonging to third parties.

INSURANCE

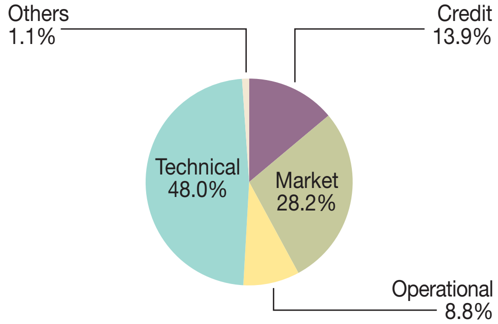
Risk management in insurance serves a four-fold purpose:

1) Identification, evaluation and assessment of the risks of currently catalogued products in Group companies which operate in this activity, together with new risks as they arise, using a methodology with corporate validation.
2) Inclusion of risk premium into product prices.
3) Setting limits and controls in keeping with the risk profile BBVA is aiming for, appropriate for the specific features of insurance products (maturities, underlying assets and the necessary actuarial calculations).
4) Risk focus, taking account of the business units' information requirements and those of the different Regulators.

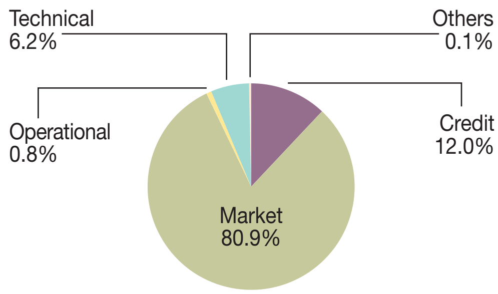
Under this multiple-pronged approach, work has continued in assessing both pension insurance products, such as life annuities, and risk insurance and the factors influencing pricing. Furthermore, a joint project was undertaken between the risk management teams and the technical departments in the Group's companies in order to design suitable tools. Alternatively, it is clear that the future of product development for covering dependency will be based on proper risk assessment and pricing, and therefore the corresponding tools are being updated for this purpose.

Economic capital in insurance activity came to €809m in December 2008, 13.2% up on the

European Insurance. Economic capital distribution by type of risk
(31-12-08. Total capital: €378m)



Insurance in the Americas. Economic capital distribution by type of risk
(31-12-08. Total capital: €431m)



€714m reported one year earlier, due to business development and higher volatility in financial markets. Capital of a purely technical nature accounted for 25.7% of the total, market capital for 56.3%, loan capital for 12.9% and operational capital for 4.5%.

ASSET MANAGEMENT

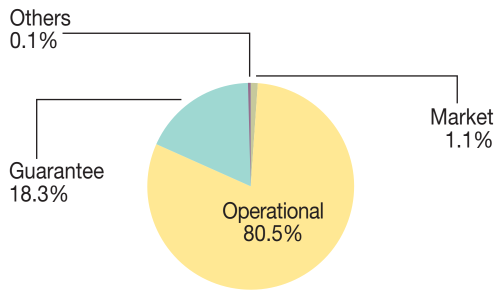
The worldwide feature for this activity during 2008 was high volatility, with negative yields in several asset classes and a process of redemptions, which reduced the volume of assets managed and produced a higher concentration in those evidencing lower risk. Alternative investment, which underwent an important rise in 2007, declined somewhat and required liquidity risk be newly and proactively addressed.

BBVA is deeply committed to its duty as trustee for its customers, only assuming risks in third-party portfolios that can be correctly identified, measured and evaluated. This is why the extension of the subprime crisis over time and its general spreading to all fixed-income markets worlwide, has had an impact in line with the reference indices used for the third-party portfolios the Group manages in the various countries in which it operates.

In alternative investment vehicles, and above all in those with non-institutional investors, a liquidity and custody risk analysis performed between the business unit and the Risk area, led to decisions being taken that minimised the effect of the adverse market trend on the Group's end customers.

Economic capital in the Asset Management unit went up by 10.1% in 2008 to reach €62m, of which operational risk accounted for 80.5%.

Asset Management. Economic capital distribution by type of risk
(31-12-08. Total capital: €62m)

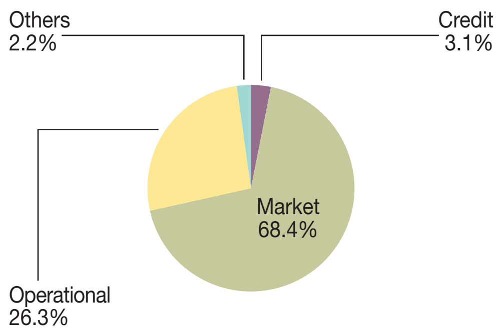


PENSIONS IN THE AMERICAS

The **economic capital** assigned to this activity was affected by several conflicting variables. On the one hand, it rose due to natural growth of the new contributions as well as increased market volatility, which affected regulatory investment; and it fell, on the other, due to discontinuing operating activities in Argentina and the effect the market decline had on AuMs.

Starting with a figure of €300m at year-end 2007, it rose 14.2% to reach an economic capital of €343m in 2008. The relative weight of market risk went up to 68.4%, due to the higher

Pensions in the Americas. Economic capital distribution by type of risk
(31-12-08. Total capital: €343m)



volatility levels mentioned earlier, and the weight of operational risk dropped to 26.3%.

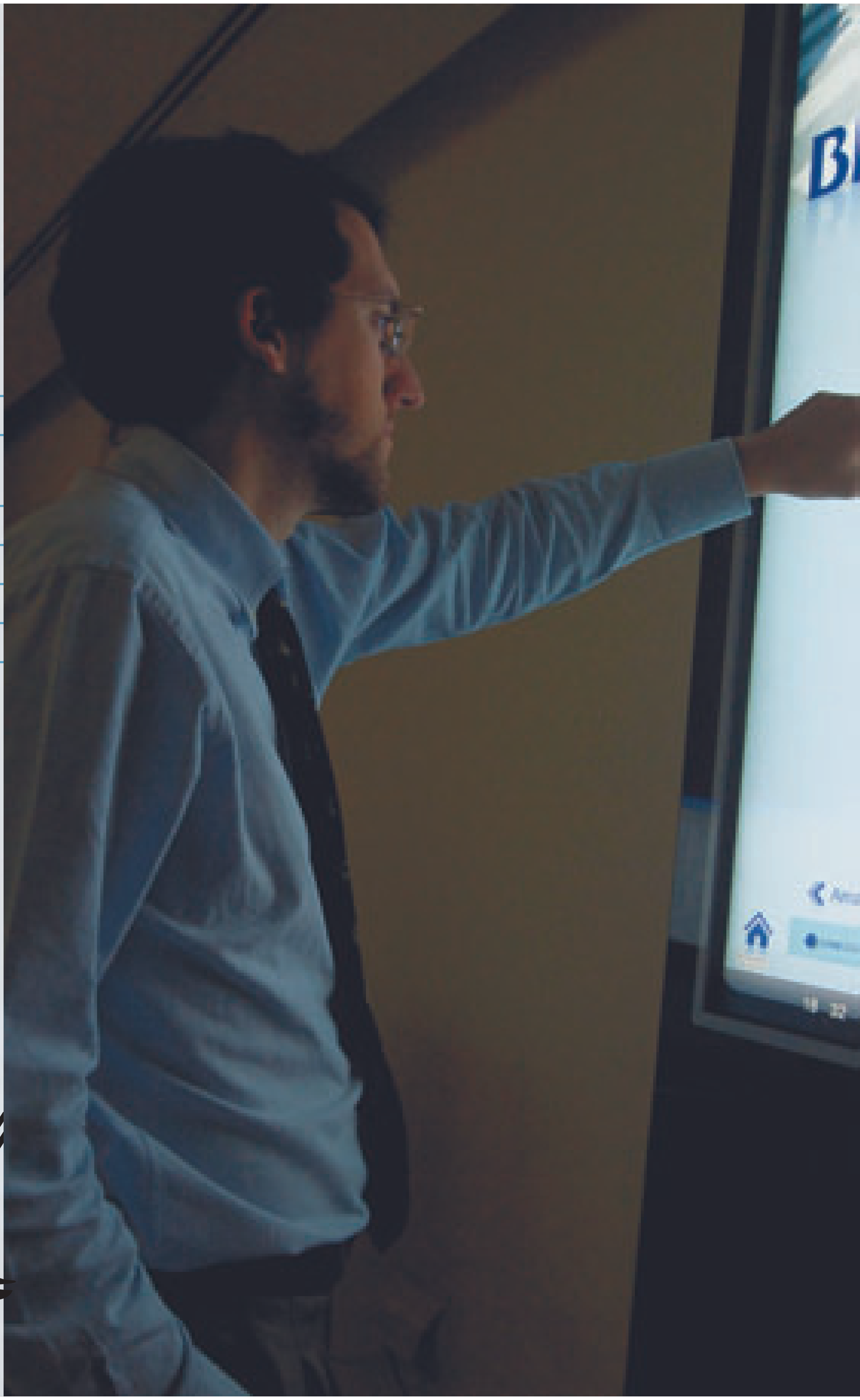
REAL ESTATE BUSINESS RISK

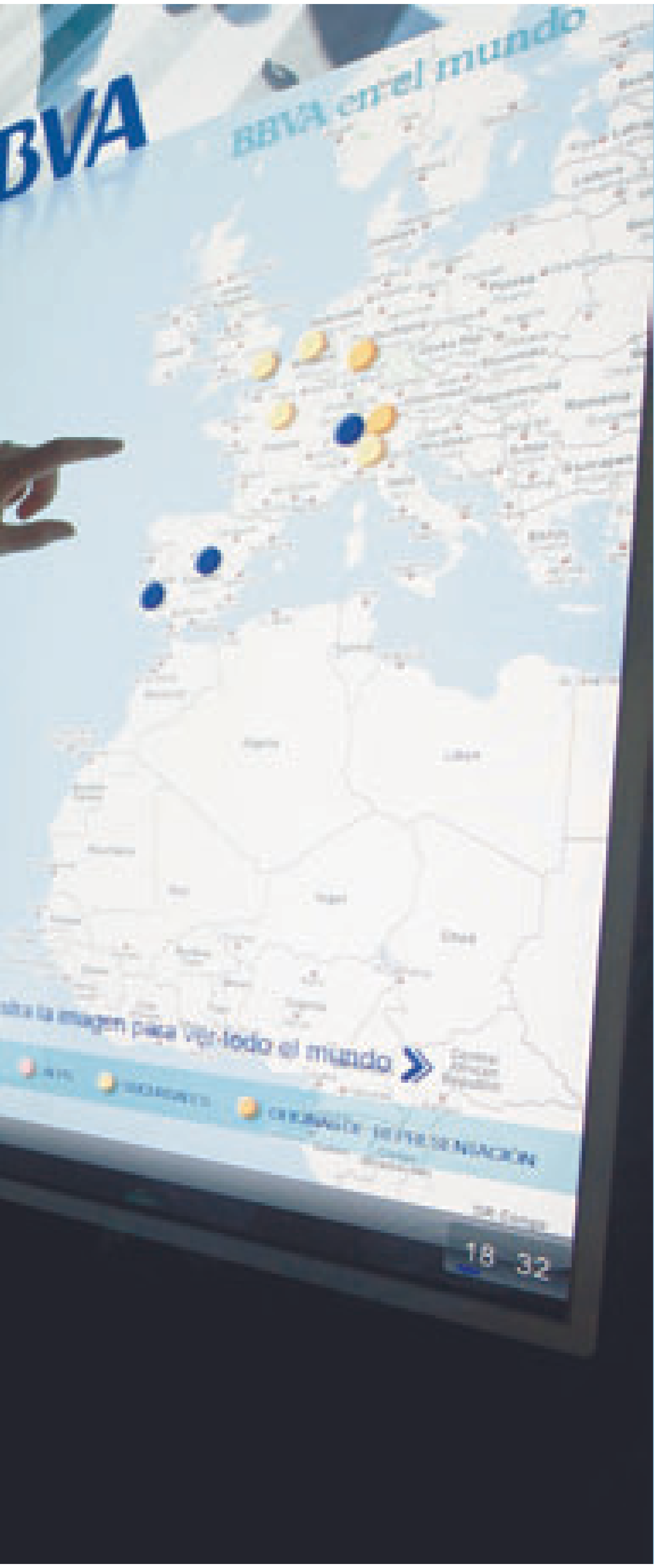
Within the framework of BBVA's risk management policy, and in order to gain a better insight into risks and their evaluation, advances were made in addressing risk coming from the Group's real estate companies, focusing particularly on Anida.

This risk is evaluated in economic capital terms. To do so, models have been developed that simulate the price trends of various assets for a set time horizon and confidence level. The potential loss is marked by the probabilities of price variation scenarios occurring that differ from those reflected on the balance sheet, taking account of country diversification effects, the different phases each project is at, etc.

Business areas

- Spain and Portugal
- Wholesale Banking & Asset Management
- Mexico
- The United States
- South America
- Corporate Activities





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

The breakdown by business area starts at the lowest level units where all the initial accounting data for the business in question is collected. Management groups the figures from these units in a predefined manner to attain the picture for the main units and eventually for the business areas themselves. Likewise, the Group's individual companies are also assigned to different business units according to their activity type. If a company's activities are diverse and do not fall into a single area, the Group allocates its balance sheet and its corresponding earnings to a number of relevant units.

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

- **Capital**: the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets have two levels: the first is core equity, which determines the capital allocated. This amount is used as a basis for calculating the return generated on equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of preference shares and subordinated debt.
  The ERC calculation combines credit, market and structural balance-sheet risk as well as risk associated with holdings in industrial, real estate and financial companies, 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 drawn up using the guidelines and requirements laid out in the Basel II capital accord, and differences exist between said calculations and the legal calculations, as the

internal models are pending approval by the supervisor.
ERC is risk sensitive and thus linked to the management policies of the individual businesses and the business portfolio. It provides an equitable basis for allocating capital to businesses according to the risks incurred and makes it easier to compare profitability across units.
- **Internal transfer prices:** management uses rates adjusted for maturity, to calculate the net interest income for each business. It also reviews the interest rates for the different assets and liabilities that make up each unit's balance sheet. In cases where there are revenue-generating units as well as distribution units (as in asset management products, for instance), earnings are distributed at market prices.
- **Assignment of operating expenses:** both direct and indirect costs are assigned to business areas except where there is no closely defined relationship, ie, when they are of a clearly corporate or institutional nature for the Group as a whole.
- **Cross-business register:** as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate shadow accounting entries caused by cross-selling incentives.

As far as segment structure is concerned, the business areas make up the **top level**. We shall now go on to offer a breakdown of this top level made up of the operating business areas, along with their most important component units, for which information is also provided. The arrangement of the areas differs from that presented in 2007, reflecting the new Group organisation structure which has been effective since December 2007.

- **Business in Spain and Portugal**
- **Wholesale Banking & Asset Management:**
  - Corporate & Investment Banking
  - Global Markets
  - Asset Management
- **Businesses in Mexico:**
  - Banking businesses
  - Pensions and Insurance
- **Businesses in the United States**
- **Businesses in South America:**
  - Banking businesses
  - Pensions and Insurance

In addition to units above, all business areas have another unit that groups other business as well as eliminations and unassigned items.

The **Corporate Activities** area handles the Group's general management functions. These largely consist of managing liquidity and bank capital, together with structural positions for interest and exchange rates associated with the euro balance sheet. Management of structural risks related to interest rates in currencies other than the euro is handled by the corresponding areas. This area also includes the Holdings in Industrial and Financial Companies unit.

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

- **Spain and Portugal**, which includes: the Spanish Retail Network (individual customers, private banking and small companies and businesses in the domestic market); the Corporate and Business Banking unit which manages the SMEs, institutions and developers segments in the domestic market; and the remaining units, in particular, Consumer Finance, European Insurance and BBVA Portugal.
- **Wholesale Banking & Asset Management,** consisting of: Corporate & Investment Banking (which includes the activities of the European, Asian and New York Branches); Global Markets (trading floor business and distribution in Europe, Asia and New York); Asset Management which includes the traditional management businesses (mutual and pension funds in Spain), hedge funds and private equity; the management of the Group's Industrial and Real Estate Holdings; and Asia (through the Group's holding in the CITIC group).
- **Mexico**: this area includes the banking, pension and insurance businesses in this country.
- **The United States:** comprising the banking and insurance businesses in the United States and Puerto Rico.
- **South America**: this includes the banking, pension and insurance businesses in South America.

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

The figures for 2007 and 2006 were prepared using the same criteria and area structure as in 2008 and therefore provide a uniform year-on-year comparison. As usual, in the case of units in the Americas, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

Operating income and net attributable profit by business area

(Million euros)

	Operating income					Net attributable profit				
	2008	∆%	∆% at constant exchange rate	2007	2006	2008	∆%	∆% at constant exchange rate	2007	2006
Spain and Portugal	4,553	10.6	10.6	4,117	3,445	2,625	10.2	10.2	2,381	1,884
Wholesale Banking & Asset Management	1,216	(4.6)	(4.6)	1,275	1,070	754	(15.9)	(15.9)	896	859
Mexico	3,634	7.0	16.4	3,397	3,093	1,938	3.0	12.1	1,880	1,710
The United States	690	81.3	94.5	381	130	211	3.6	11.2	203	64
South America	1,770	24.1	30.1	1,427	1,159	727	16.6	22.7	623	509
Corporate Activities	(1,341)	40.4	40.4	(955)	(556)	(840)	44.3	44.3	(582)	(448)
BBVA GROUP EXCLUDING ONE-OFFS	**10,523**	**9.1**	**13.5**	**9,641**	**8,340**	**5,414**	**0.2**	**4.0**	**5,403**	**4,580**
BBVA GROUP	**10,523**	**11.5**	**16.0**	**9,441**	**8,340**	**5,020**	**(18.1)**	**(15.3)**	**6,126**	**4,736**

Economic profit by business area

(2008. Million euros)

	Average economic risk capital (ERC)	Adjusted net attributable profit	Recurrent adjusted net attributable profit	Economic profit (EP)	Recurrent economic profit (recurrent EP)
Spain and Portugal	7,247	2,155	2,155	1,500	1,500
Wholesale Banking & Asset Management	3,543	6	619	(361)	313
Mexico	3,004	1,776	2,080	1,432	1,736
The United States	1,801	195	275	11	91
South America	1,970	712	655	466	409
Corporate Activities	2,170	(3,066)	(633)	(3,323)	(647)
BBVA GROUP	**19,735**	**1,778**	**5,150**	**(275)**	**3,402**

Spain and Portugal

> Spanish Retail Network
> Corporate and Business Banking
> Other units

The Spain and Portugal Area consists of a number of units. The Retail Banking Unit, which includes BBVA Patrimonios (a special unit for the high-net-worth segment), handles the needs of private individual customers. Corporate & Business Banking (CBB) deals with SMEs, small caps, public and private institutions, and developers. The Consumer Finance Unit specialises in consumer needs and handles internet banking. Seguros Europa is in charge of bancassurance business. BBVA Portugal is responsible for the Group's activities in that country.

In response to general demand (financial and non financial) from BBVA customers, the units in the area develop and distribute a wide range of innovative and customised products, with a high degree of specialisation in each segment. The unit has a total headcount of 24,074 and the network includes 3,485 branches, of which 110 are located in Portugal.

Over the year, worsening prospects for households and companies slowed lending in the **banking sector** and led to gains in the more conservative customer fund types, particularly time deposits. In the latter part of the year, a drop in base interest rates forced banks to reprice assets and liabilities to fall in line with the new scenario. Nonetheless, new marketing strategies and tightened cost control have helped absorb some of the increased provisions. The Spanish banking sector as a whole continues to enjoy better NPA and coverage ratios than their counterparts in many other countries.

As the year advanced, productivity and competitive advantage became increasingly important factors. In this regard **BBVA's ability to anticipate** change stood it in particularly good stead: two years earlier it had launched a Transformation and Innovation Plan that helped boost output and sales very effectively in 2008. By applying its particular customer-focused business model and implementing prudent and strict risk policies the Spain and Portugal area managed to close the year on a positive note, with an increased operating profit and a well-controlled NPA ratio.

Backed by its strong solvency, BBVA launched a wide range of products and services in the

Income statement

(Million euros)

	2008	∆%	2007	2006
NET INTEREST INCOME	4,828	10.0	4,391	3,800
Net fees and commissions	1,639	(3.6)	1,701	1,650
Net trading income	254	1.6	250	223
Other income/expenses	415	6.1	391	322
GROSS INCOME	7,136	6.0	6,732	5,996
Administration costs	(2,480)	(1.0)	(2,505)	(2,445)
Depreciation and amortization	(103)	(7.3)	(111)	(105)
OPERATING INCOME	4,553	10.6	4,117	3,445
Impairment on financial assets (net)	(809)	36.2	(594)	(546)
Provisions (net) and other gains/losses	6	(7.9)	6	12
INCOME BEFORE TAX	3,751	6.3	3,529	2,911
Income tax	(1,125)	(2.0)	(1,149)	(1,023)
NET INCOME	2,625	10.3	2,381	1,887
Minority interests	-	n.m.	1	(3)
NET ATTRIBUTABLE PROFIT	2,625	10.2	2,381	1,884

Balance sheet

(Million euros)

	31-12-08	∆%	31-12-07	31-12-06
Cash and balances with central banks	2,501	11.8	2,236	2,206
Financial assets	10,203	(25.0)	13,613	14,332
Loans and receivables	207,633	1.5	204,472	181,174
• Loans and advances to customers	202,394	2.5	197,524	175,993
• Loans and advances to credit institutions and other	5,239	(24.6)	6,948	5,181
Inter-area positions	-	-	-	-
Tangible assets	1,380	(4.8)	1,449	1,380
Other assets	1,781	(4.1)	1,858	1,722
TOTAL ASSETS / LIABILITIES AND EQUITY	223,498	(0.1)	223,628	200,814
Deposits from central banks and credit institutions	12,339	(20.7)	15,559	10,737
Deposits from customers	99,988	10.5	90,508	81,641
Debt certificates	5,479	(18.7)	6,739	7,928
Subordinated liabilities	4,252	2.5	4,149	3,707
Inter-area positions	77,474	(5.7)	82,171	72,954
Other liabilities	16,422	(5.9)	17,452	17,352
Minority interests	2	(64.5)	5	6
Economic capital allocated	7,543	7.1	7,045	6,489

Relevant business indicators

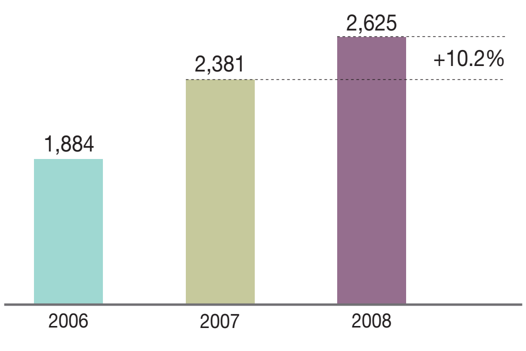
(Million euros and percentages)

	31-12-08	∆%	31-12-07	31-12-06
Customer lending (1)	199,297	0.4	198,524	177,289
Customer deposits (2)	100,893	10.2	91,546	84,742
• Deposits	100,743	10.1	91,463	84,660
• Assets sold under repurchase agreement	151	81.4	83	83
Off-balance-sheet funds	40,873	(22.2)	52,541	54,108
• Mutual funds	31,270	(26.4)	42,469	44,629
• Pension funds	9,603	(4.7)	10,072	9,478
Other placements	6,097	16.1	5,254	7,146
Customer portfolios	10,650	(24.3)	14,075	14,297
Risk-weighted assets (3)	94,283	7.1	88,058	81,114
ROE (%)	36.2		35.5	30.0
Efficiency ratio (%)	34.8		37.2	40.8
Efficiency incl. depreciation and amortization (%)	36.2		38.8	42.5
NPA ratio (%)	2.62		0.74	0.56
Coverage ratio (%)	67		229	311

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

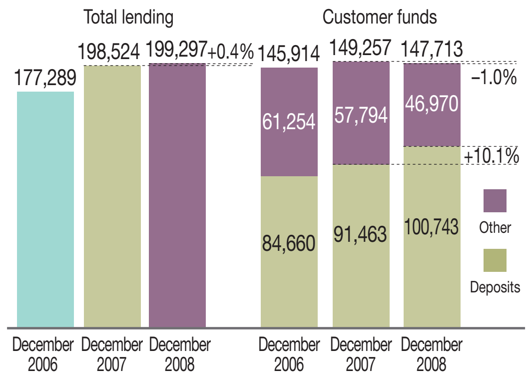
Spain and Portugal Net attributable profit

(Million euros)



Spain and Portugal

(Million euros)

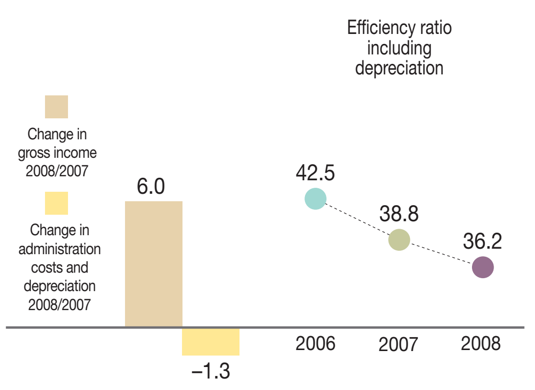


fourth quarter of the year to match lower economic expectations. These included new finance and savings solutions that can be adapted and customised to suit all the various situations individuals and the self-employed might face in the current crisis.

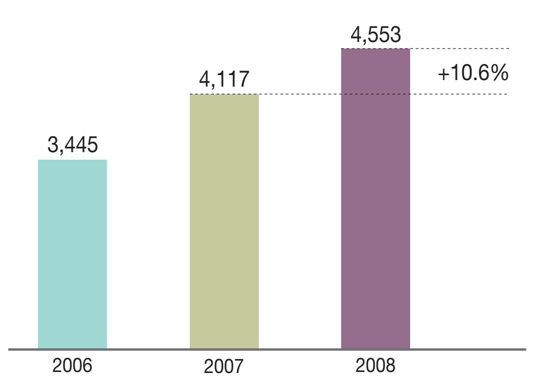
At 31-Dec-08, the **loan-book** in the area stood at €199,297m, a 0.4% year-on-year increase. This marks a significant slowdown compared to 2007 when loans rose by 12.0%. However, the area continues to grow in best rated finance products and to reduce its exposure in segments where risk is higher.

The new products for **customer funds** combine a guarantee on initial investment, immediate liquidity and a very competitive

Spain and Portugal. Efficiency
(Percentage)



Spain and Portugal. Operating income
(Million euros)



return. The success of the latest savings campaign, together with marketing to win payslip accounts, also helped boost **savings and current accounts** to €39,929m, despite customers' preference for **time deposits** which grew strongly for the third year running (up 24.0% to €38,453m).

In addition the Group increased its market share of **mutual funds** from 17.1% in December 2007 to 19.8% at the end of 2008. As a result it has become the system's leader in this business for the first time thanks to a high volume of subscriptions, which centre on more conservative funds, and a redemption rate that is lower than average. This conservative asset profile also helped to ensure a reduction in the market effect. The outcome is that the unit now manages €31,270m of assets in mutual funds. While this represents a 26.4% year-on-year drop, it compares favourably to the 29.8% fall experienced by the sector as a whole.

In **pension funds**, BBVA also held on to its market lead, both in individual private plans and corporate pension plans. Its market share rose by 75 basis points to 18.7% (95 basis points up in individual private plans and 37 up in corporate pension plans). The area now manages around €9,603m, the 4.7% year-on-year fall being due to the overall market decline.

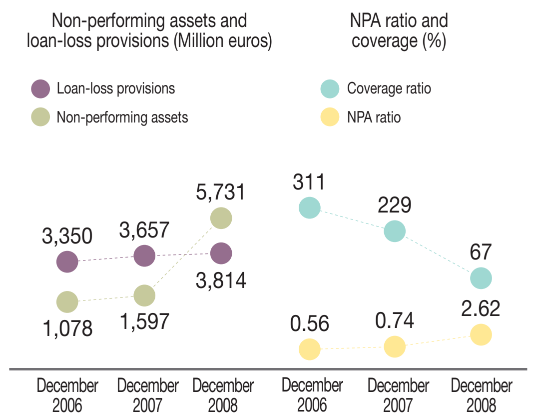
Lastly, BBVA placed €1 billion in preference shares through its retail network in the fourth quarter. As a result, at 31-Dec-08 **total customer funds under management** (deposits, mutual and pension funds, and other placements) came to €147,713m (as compared to €149,257m a year before).

Good management of business volume lifted **net interest income** 10.0% to €4,828m. This amounted to 2.17% of average total assets (2.07% in 2007) Fees on banking services increased 5.2% (despite a 19.3% decline in fees from banking services). Conversely, fees related to mutual funds fell by 18.1% and as a result, the net aggregate declined by 3.6%. Other net income was up by 6.1% year on year, as a result of growth in income from insurance activities (+10.1%), and net trading income came to €254m (up 1.6%), bringing the **gross income** to €7,136m (+6.0%).

In the Spain and Portugal area the Group's Transformation Plan helped increase the revenue generated, through continued streamlining of the branch network, with a reduction of 220 offices over the year. The net result of these changes and a 1,500 reduction in staff numbers has been to cut administration costs by 1.0%, giving a 2.7 percentage point improvement in the **efficiency** ratio (36.2% as compared to 38.8% in 2007) and a 10.6% growth in **operating income** to €4,553m.

An increase in recurrent earnings offset higher **loan-loss provisions** required by impairment on financial assets (€809m, 36.2% up on 2007). The area closed the year with an NPA ratio of 2.62% and coverage of 67%. According to the latest available figures for the Spanish sector, BBVA's NPA ratio is lower than the average for the financial system and continues to outperform its

Spain and Portugal



Key factors in Spain and Portugal in 2008

- Growth in profit based on recurrent earnings in an adverse environment.
- Higher return and greater efficiency.
- Reduction in expenses.
- Anticipation of deterioration of credit quality: plans already implemented and infrastructure for risk management.
- New Commercial Banking model to improve commercial capacity and the approach to the customer.
- Private banking model: value-added services adapted to customers' advisory needs.
- Delve into customer knowledge using clientele insight techniques.
- New way of understanding the management of personal finances: release of the "*tú cuentas*" product.

competitors. This is true of the overall loan portfolio as well as the various segments (individuals, corporates and especially real estate developers). Moreover, this improved performance was achieved despite a much less active policy on purchasing assets from distressed customers than the rest of the sector (€629m for the year).

As a result, **net attributable profit** came to €2,625m, with a year-on-year increase of 10.2%, bringing return on equity (ROE) to 36.2% (as compared to 35.5% in 2007).

AREA STRATEGY

Thanks to a strategy combining **pre-emption and innovation**, the Spain and Portugal area managed to hold on to its leadership on the domestic financial services market, generating profitable growth in an environment that saw progressive deterioration as the year went by.

A suitable pricing policy, combined with thorough cost control and a very prudent credit risk policy helped extend the area's lead over its competitors, against a general backdrop of increased NPAs in the system.

Spain and Portugal has continued to strengthen its two **strategic levers**: innovation and transformation.

With regard to **transformation**, the introduction of a **new network model** in Commercial Banking has allowed important improvements in commercial capacity, customer proximity and organisational effectiveness.

In addition, BBVA's ambition to become a benchmark for all customer segments, through extended service personalisation and developments in technology, has boosted the development of new distribution models, as well as working to improve its operating efficiency and its knowledge of the customer base, as a means of generating value.

In the field of **innovation**, the area is increasingly developing solutions that are individually tailored to each segment. Priority has been given to providing new financial restructuring products for customers with payment difficulties, such as the *Hipoteca Solución*, *Préstamo Reestructuración Consumo*, etc.).

The area has continued to focus on **multichannel distribution**, with a simplification of structures in offices, a redefinition of management processes and an improvement in tools in order to improve the advice given to customers and offer solutions of greater added value.

The bank has also striven to identify **opportunities** for differentiation, with initiatives such as *BBVA tú cuentas*, for managing personal finances from individual customers and *PymesGESTIÓN* for customers from the business and SME segment.

With an aim to transcend the purely financial area and extend the scope of its relationship with its customers, the area has consolidated its range of **non-financial products and services** and integrated it into its overall offering.

Spanish Retail Network

This unit manages an innovative commercial offering and a wide range of products targeted at the financial and non-financial demands of households, professionals, retailers and businesses, and the high-net-worth individual segment; it plays an extensive advisory role in all of these segments.

During the last quarter of the year, BBVA launched a **campaign** geared towards offering individuals and the self-employed the best financial solutions for current economic conditions, in four product areas: mortgages, payslips, deposits and products for the self-employed. The campaign is part of BBVA's distinctive business model, which customises products to meet customers' needs.

The unit closed the year with a **loan-book** of €100,906m and **customer funds** of €112,528m. Commercial productivity was also high, with an average of 44.9 products sold per officer. The consequent increase in revenue and a reduction in expenses improved efficiency to 41.3% (42.8% in 2007). **Operating income** was up 4.3% to €2,673m and **net attributable profit** rose 8.1% to €1,677m.

The **individual segment** was affected by a clear slump in the housing market. BBVA has nonetheless developed important new products and offerings, closing the year with €8,735m of new operations arranged during the year and bringing the **residential mortgage** portfolio of non-public backed housing to €68,398m, a year-on-year increase of 2.9%. Nonetheless this was substantially less than the 11.5% increase recorded in 2007. A number of important marketing initiatives were launched during 2008. A mortgage went on offer targeted at young people seeking less than €200,000, with an interest rate of Euribor minus 0.25 over the first year. An existing discount for this group of 1% on the amount of the mortgage contracted has also been retained. As part of its fourth-quarter campaign, the unit set underway its *Ven a Casa-200* product. Intended to attract mortgages from BBVA's competitors, this product offers customers who transfer their mortgage €200 a month during one year. Finally, for customers with existing mortgages who cannot afford to keep up their monthly payments, specific grace period packages have been introduced such as deferment of part of the capital payment and suspension of up to two instalments a year.

The balance of **consumer finance** at 31-Dec-08 stood at €8,950m and cumulative sales in the period came to €2,567m. In current credit restrictions, BBVA's *PIDE* loan (which accounts for 40% of total consumer loan sales) has pre-awarded credit limits to customers to the value of €24,215m, with a further €3,272m in a separate line for businesses, retailers and the self-employed. The new *Consumo Personalizado* loan, in which the price is based on the customer's risk profile, accounted for 17% of all loans arranged. Other products include the "–10%" loan, designed for small credit amounts, which returns 10% of the interest paid per year and the *Préstamo Nacimiento* (New baby loan) for mothers.

As for **customer funds, transactional deposits** at 31-Dec-08 stood at €27,667m, a similar level to the close of 2007, despite a customer preference for more stable products. These results were achieved through a number of marketing campaigns, principally: the two *Quincenas del Ahorro* which attracted over €2 billion, with over 700,000 gifts handed out; the new *Rendimiento* account, which offers a high yield on money transferred from other banks outside the BBVA Group, and which turned in €1,185m; and an innovative campaign associated with BBVA's sponsorship of the professional football league, *Jornada de tu Vida*, the balance of which peaked to €1 billion at certain moments. Under the scheme, BBVA customers who make deposits to their non-remunerated accounts or make purchases with BBVA cards can take part in numerous draws, offering regular "wages" and gift vouchers. One of the most important actions in the area of payslips and pensions products – an essential product in the fourth-quarter campaign – was the *nómina-inflación* product, which pays out the inflation rate on essentials (electricity, gas, land line telephone, mobile phone, Internet and TV) to customers whose salary or pension is paid directly into their accounts.

In **time deposits**, BBVA again closed the year with a significant increase in balances, to €34,567m (up 20.9% year on year). This rise came as a result of a favourable reception for an extended product catalogue. Several new and highly competitive formulas were launched during the year, such as the BBVA *Depósito Creciente*, the *Depósitos Dobles* and *Depósito Fortaleza*, all of which attracted new funds.

In the field of **mutual funds**, the unit anticipated demand for more conservative products, where it has retained and widened its existing lead. Overall, its market share was up 265 basis points. BBVA saw better trends in net subscriptions and redemptions and in asset value than its competitors. In **pension funds**, where BBVA again widened its market lead, new funds were offset by instability on financial markets, bringing the figure for assets managed by the unit to €9,211m. However a campaign to encourage customers to transfer their pension plans to BBVA attracted a net €35m in the fourth quarter.

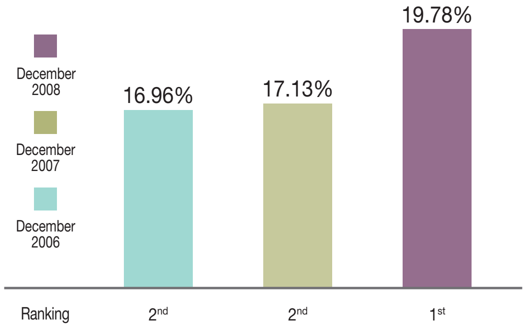
And in December, a new €1 billion BBVA preference share issue sold out in just four days, highlighting the network's marketing capacity. Altogether, **stable customer funds** (time deposits, mutual and pension funds and other placements) came to €77,028m (as compared to €80,588m at 31-Dec-07).

The Group has consolidated its leadership in bancassurance, with the launch of new risk products for the individual customer segment: the BBVA Car Insurance, the 2C Health Insurance and the BBVA *Protección Familiar* insurance, which offers extensive coverage in the event of an accident suffered by the holder or their spouse.

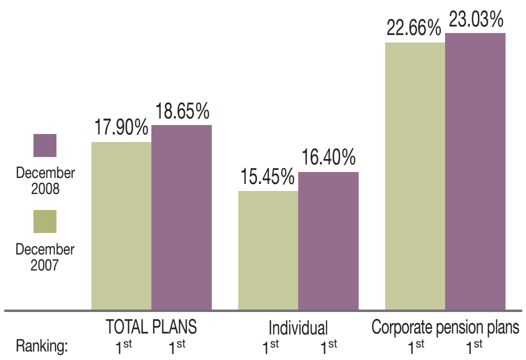
In the **youth segment** commercial campaigns run as part of the BlueBBVA programme attracted over 450,000 new customers in 2008. Following the success of this strategy of attracting young people in Spain, BBVA is extending the campaign to Latin America, by way of a global programme with local adaptations.

In Commercial Banking's **payment channels** business, the stock of cards has grown 4% to over 7.1 million units, with volume growth of 3% on the year (10.4% in credit cards). BBVA's wide range of cards was further extended with the launch of the innovative *3 meses sin* (3 months without) card. The new card is designed to be used in combination with a conventional credit card – with which its shares a credit limit – but it allows payment on purchases to be deferred for

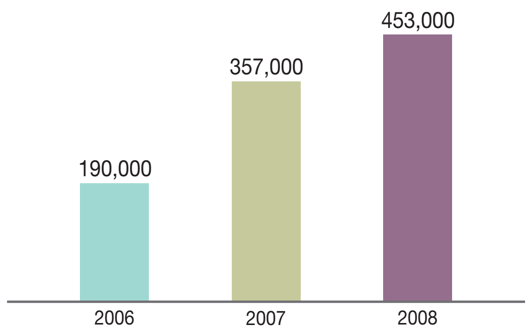
Market share in mutual funds
(Percentage)



Market share in pension plans
(Percentage)



Customer attraction among young people (blueBBVA)
(Number of new customers during the year)



up to three months at no interest. The new Macroniche Cards plan includes a range of actions to encourage increased customer business and financing according to the customer's profile and the life cycle of the card.

In **Direct Banking**, internet services to individual customers (BBVAnet) saw a 19.3% increase, to an average of 33.4 million transaction and query operations per month. A new instrument has been launched in this area: *Tú cuentas* allows comprehensive management of customers' finances, including products from both BBVA and the competition. During 2008, a major upgrade was carried out to the telephone banking service with a view to offering better customer care, increasing the number of services offered to incoming calls and improving the organisation of marketing campaigns, with subsequent benefits in terms of productivity and profitability. In the self-service channel, nearly 900 new ATMs were installed with deposit facilities, as part of a plan for renovating and extending available facilities. The new machines will make it possible to automate a series of transactions that until now have only been available across the counter.

The **Innovation and New Business Models** unit has consolidated its work through a broad range of products and services. It is responding to a demand from customers for convenient, accessible and premium non-financial products with full guarantees. In 2008, it performed 185,000 operations to a value of €160m, generating €15m revenue for the Group, 30% more than in 2007.

BBVA Patrimonios, the unit that directly manages the finances of individual high-net-worth customers, continued to extend its offer, bringing out a special offering for industrialists referred to it by the CBB unit. It has also developed new products tailored to current market conditions, for both liabilities (structured products) and assets (portfolio-financing plan). With a view to offering a top quality service throughout its area of operations, it has opened two additional HNWI management centres in the Canary Islands and Galicia.

During the year and within the "the family office", tourist projects within the real estate investment trusts that BBVA Patrimonios offers its private banking customers (Real Estate México I, II and III) were approved. Likewise capital increases were made in these companies. The unit also continued to manage projects for investment in photovoltaic solar plants for customers.

In Spain, BBVA Patrimonios managed around €9,725m in assets (as compared to €11,389m a year before), with an 8.7% increase in the number of customer groups to 1,983.

The **small businesses sector** provides a complete service, which ranges from creating a value proposition to developing specific plans and campaigns. Its customers include professionals, self-employed people, retailers, farms and small companies, whose needs are met by its specialist sales force through a broad range of products. At 31-Dec-08, the unit's loan-book stood at €16,166m.

In the final months of the year, two new models of relationship with this customer segment were launched: *Compromiso Autónomos* and *Compromiso Comercios*. For the self-employed, in exchange for a minimum banking business, customers are offered commission-free accounts and the best financing conditions. Retailers can additionally benefit from *Bono TPV*, the first flat rate for point-of-sale terminals on the market, based on turnover. The service comes with a quality commitment that guarantees retailers repairs in under 48 hours and installations in under seven days, coupled with the most up-to-date technology. In the three months that the two products have been on the market, 7,800 "self-employed commitments" and 5,700 *Bonos TPV* have been arranged.

Key achievements over the year include: a 7.6% growth in mortgage turnover; a pre-awarded credit campaign, to an amount of €5,650m, for more than 250,000 self-employed, retailers and micro enterprises; a campaign to offer businesses improved liquidity, turning in €1,225m in just two months; 5,867 operations completed within the framework of the ICO agreement to a total amount of €272m; and marketing of the new *Más Cobertura Profesional* insurance policy, which covers temporary incapacity for employment among the self-employed, with premiums to a value of €14.4m taken out. In addition, 23,267 interest-rate hedging coverages were performed, with a year-on-year growth of 89%, contributing over €36m to the income statement.

A specific financial offer has been designed to meet the needs of each of the component groups in the **agricultural sector**: one for arable and livestock farmers, another for the agri-foodstuff industry and finally, one for credit cooperatives. The unit has also handled and cleared €224m in payments of EU agricultural aid to 46,000 farmers.

Corporate and Business Banking

The Corporate and Business Banking unit (CBB), which accounts for about 35% of the area's business volume, manages the SMEs, corporations and institutions segment, together with developers.

The strategy developed by the unit is particularly customer-focused and takes a two-pronged approach: **value-based management**, where management focuses on earnings and **management specialised by segment**, with a range of specific products and services tailored to each segment. The medium-term targets aim for: **growth**, through customer loyalty and attracting new customers, proactive risk management and marketing products and services; **innovation**, with the implementation of new business models and the design of new financial and non-financial products and services; and **transformation**, with improvements in operating processes to raise efficiency.

Despite the economic environment in 2008 not being propitious for companies, the **lending** balance managed by the CBB came to €87,651m at 31-Dec-08 (+1.8% year on year), with a 2.32% NPA ratio, a rate below the system average. Likewise, **customer funds** reached €31,292m, up 6.8%.

Good management of the balance sheet and the pricing policy applied produced a 22.9% rise in net interest income, to reach €1,483m. This, together with income from fees on services and financial instruments (where hedging derivatives took on a more important role) produced a gross income of €2,025m, ie, a rise of 19.0% on 2007.

By reducing its expenses by 0.9%, its efficiency ratio improved 4 percentage points, to stand at 18.6% (22.6% in 2007), and **operating income** went up by 25.1% year on year to €1,647m. This growth offset higher loan-loss provisioning (€360m, a year-on-year rise of 66.4%) and produced a **net attributable profit** of €912m, which represents a rise of 22.6%.

These good figures were obtained in a year in which, despite restricted liquidity in the markets and the economic slowdown, sales and cross-selling activity intensified, while at the same time risk management, monitoring and control were enhanced and costs controlled.

Over the year, the unit has continued to extend the range of **products and services** it supplies, to adapt it to the needs of its customers and of its environment. Worthy of mention here are the enlargement of risk hedging derivatives offering (*Stockpyme*), the incorporation of innovative solutions for financing photovoltaic solar farms (leasing plans with and without maintenance), new kinds of credit cards (*Ingreso Express* (Express Pay-in), *Tarjeta Recarga Empresas* (SMEs Reload Card) and *Tarjeta Solred Empresas* (Solred Companies Fuel Card)), e-banking solutions (*E-Factoring* and *Autocobro Express* (Express Automatic Collection)) as well as new insurance products for SMEs and corporations. There was also a sales drive in non-financial products and services (BBVA Solutions Catalogue: *Activo a RRHH* (HRM solutions), Management of subsidies for innovation, Delinquent accounts collection services, Environmental consultancy and *Solium*). Progress was also made in implementing new models for approaching customers (Human Resources Premium Programme and SME Newsletter).

Likewise, at the end of 2008, the **online banking** tool "BBVA net cash" was being used by almost 80,000 businesses, institutions and corporations, which processed over 236 million collection and payment transactions via this medium during the year. Moreover, in 2008 the quality of BBVA net cash was once again acknowledged, as it was named as the best internet banking tool for businesses, institutions and corporations in Spain and Portugal by the *Global Finance* "World's Best Internet Banks Awards".

One of the aspects which most gained in importance in 2008, and one that was given high priority within the strategy of this unit, was the firm **financial support to small- and medium-sized enterprises**, in their short-, medium- and long-term requirements.

Hence, as far as the financing of **working capital** is concerned, we should underline factoring and accounts payable financing (known as *confirming* in Spanish) with market shares of 28.1% and 31.2%, respectively (latest data published at September 2008). Financing via factoring was provided to 2,361 businesses for a total of €10,571m and accounts payable financing was provided to 53,927 businesses for a total of €10,290m.

In **medium- and long-term** financing, loan and lease plan transactions under the various agreements signed with the ICO (the Spanish Official Credit Agency) were particularly significant. In 2008, BBVA once again consolidated its leadership, approving transactions totalling €1,021m, with a share of 12.4%. The *Línea ICO Pyme* (ICO SME Credit Line) was especially outstanding reaching €832m, BBVA's leadership of which evidences its firm support to Spanish SMEs. Other ICO lines worthy of mention were those awarded for tourism activities (€60m), the *Plan Avanza TIC* (ICT Progress Scheme) (€38m) and line for the fisheries sector (€26m).

Within medium-and long-term financing, we should also emphasise its sound position in leasing on equipment (with a market share of 16.8%) and in real estate leasing (with a share of 20.3%), in which BBVA is market leader.

In the **small caps segment**, at 31-Dec-08 the loan-book came to €34,042m and customer funds to €8,658m, of which transactional deposits accounted for €5,022. Growth in net interest income (+12.4%) to €833m, together with an 11.2% increase in fee income, brought gross income to €1,188m (+12.6%). Expenses fell 1.1%, therefore operating income came to €961m (+16.8% year on year) and net attributable profit to €569m (+20.4%).

BBVA continued to head the **SME** market, with a share penetration of 38%. To maintain this position, it has a retail network that covers the whole of the domestic market and it applies a business model based on specialisation, personalised service, on-going advisory and information services and it pays particular attention to service quality.

SME Banking maintains a **value offering**, the foundations of which are: a broad catalogue of products and services offering customised solutions to each SMEs needs; and constant communication through SME personal managers and other means such as the Newsletter, e-mail, website, online banking, meetings with businesspeople, etc.

In the **Corporate Banking** segment, the loan-book increased 13.3% to €15,459m and customer funds by 186% to €5,235m. The increases in net interest income (27.0% year on year to €212m) and trading income (+46.7% in revenues from derivative spreads) led to a rise in gross income (+16.4%) which was higher than the increase in costs. This therefore produced a further advance in efficiency which boosted operating income to €267m (+18.2%) and net attributable profit to €125m (+11.0%).

The **business model** for corporations is based on customer insight and management, taking a long-term view of the client group's perspective. This strategy has converted BBVA into undisputed leader in this segment, both in its penetration share (94.4%) and in its share as top financial provider (53.3%).

This approach model has fostered important balance sheet growth, resulting from accompanying customers in their transactions; both those associated with their organic growth and in their non-organic investments. Support in cash requirement management is one of its strong points, given that BBVA's aim is to play an active role in all these groups' economic and financial transactions. Also worth underlining is the strong support lent to corporations in hedging their positions subjected to market volatility, both in interest rates and in commodities and other underlying assets.

Institutions Banking provides services to public and private entities through BBVA and Banco de Crédito Local (BCL). At year-end 2008 lending had risen 8.4% to €20,801m and customer funds by 12.8% to €17,353m. There was also an improvement in efficiency whereby operating income increased to €299m (+45.4% year on year) and net attributable profit to €232m (+63.0%).

In the different **tenders** awarded to BBVA in 2008, the most outstanding contracts were: 40% of the invoicing of the meal allowances for the staff of the Catalonia Regional Government, through 12,000 new *Credit Restaurant BBVA* reload cards; integral treasury management of the *Instituto Social de las Fuerzas Armadas* (Armed Forces Social Institute); the banking services contract for collection, management and control of the premiums paid to *Mutualidad General de Funcionarios Civiles del Estado (MUFACE)*, a civil servants' mutual fund, with an estimated 17,000 operations worth €311m; and the real estate lease plan with maintenance for the Picanya Town Hall (Valencia), the first deal of its kind with a public sector entity in Spain. Furthermore, there were two syndicated **operations** worthy of mention, both led by BBVA; one as underwriter, MLA and agent bank for €300m, in financing for railway projects in the city of Valencia and another for €225m with the Regional Government of Andalusia.

In the real estate **developer segment**, the current environment has caused a slowdown in the pace of loan-book growth, which went from a 21.2% increase in average balances for 2007 to a rise of 4.3% in 2008. Of the overall figure for housing loans granted in the year, government-backed housing increased in weight to account for 31.6%, as against the figure of 15.0% reported in 2007.

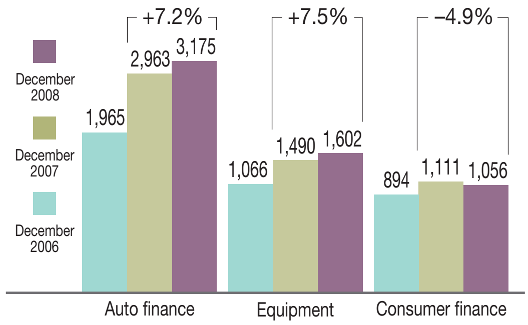
Other units

CONSUMER FINANCE

This unit manages online banking, consumer finance, cards and leasing plans (known as "renting" in Spain). These activities are conducted through Uno-e, Finanzia and other subsidiaries in Spain, Portugal and Italy, with a workforce of 1,122.

In a context like the present one, the unit obtained an operating income of €114m and net attributable profit of €3m in 2008. The year was characterised by a lower loan approval rate and reduced demand for credit due to the deteriorating economic scenario. This was particularly acute in the automobile sector. Nevertheless, **lending** stood at €5,671m at 31-Dec-08 (up 2.4%), with accumulated turnover of €4,395m (5,368 in 2007).

Consumer Finance
Lending by business line
(Million euros)



In the vehicle prescription business, in spite of a drop of 29.8% in the registration of private cars, loans increased by 7.2% to €3,175m in 2008, with a turnover of €1,315m. This allowed BBVA Finanzia to keep its second place in the Spanish ranking in terms of vehicle finance volume. Equipment finance was likewise affected by less dynamism but grew 8.2% to €863m, with a turnover of €409m. Lending in equipment leasing plans was up 6.3% to €735, with invoicing of €310m. The fleet of vehicles in leasing plans stood at 37,915, with invoicing of €233m in 2008.

At Uno-e, lending came to €1,056m, after reaching a turnover of €1,956m in 2008 (€2,123m in 2007). Of particular significance were the increases of 4.4% in payment channels and 13.4% in the mortgage loan balance.

In 2008, the Consumer Finance unit acquired a 50% stake in Rentrucks, a company dealing in the rental of industrial vehicles. This complements the financing and business leasing plans activity. Furthermore, in the payment channels line of business, a credit card was launched for Inditex Portugal. This was the first co-branded credit card to be marketed outside Spain and not only implied the opening of the consumer/payment channels line in Portugal but also ensured support for the international expansion of BBVA's main partners.

Customer funds, managed or brokered, came to €1,232m (€1,669m at the end of 2007), of which

€480m were time deposits. This variation came about in the context of fierce competition in interest rates, in both online and traditional banking. Among the new deposits marketed during the year, of particular note were the structured deposits, such as the *Depósito Blindado Uno-e* (Shielded Deposit), for 12 months and 100% capital guaranteed, and the *Depósito 16* for 9 months. Off-balance-sheet products showed a downturn at year-end, due to the slump in financial markets and customers' preference for time deposits.

In **Portugal**, BBVA Finanziamento, invoiced €216m in vehicle finance in 2008, bringing the total to €432m (up 11.3%) and its market share to 12.5%. Finally, at 31-Dec-08, leasing companies in **Italy** had a fleet of 12,450 vehicles.

EUROPEAN INSURANCE

With an aim to positioning itself as a point of reference in the insurance business among BBVA's different customer segments, this unit, which comprises several companies, handles direct insurance, underwriting and brokerage. These companies, through their different networks, also market a wide range of products tailored to the needs of each segment.

In 2008, the unit contributed **earnings** of €522m to the area's income statement. Of this its own insurance activity accounted for €494m (up 7.7% on 2007) while brokerage fees on the policies of other companies contributed €28m. **Net attributable profit** increased 11.5% to €256m due to an increase of 10.7% in gross income and 11.7% in operating income. This was partly a result of a conservative risk policy.

During 2008 it issued **premiums** to an amount of €1,093m, of which €602m were risk premiums (life and non-life), €278m were for group insurance schemes and the rest was premiums on private savings policies. BBVA Seguros continued to lead in individual life risk policies, with a market share of 14.8% (latest available figures).

The volume of **funds under managed** in savings insurance policies reached €8,466m, 37% with individual customers and the rest with corporate pension plans. Apart from BBVA Seguros' own insurance products, the unit acted as **broker** for premiums totalling €203m.

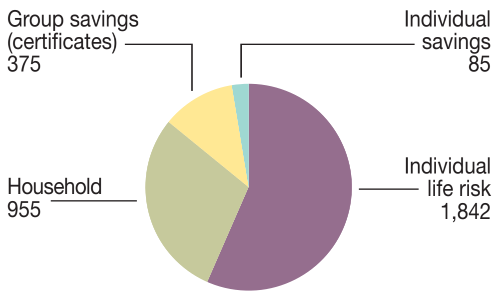
With an aim to reinforcing its position as leader in the **individual** customer segment, BBVA Seguros has broadened its range of products to include two new risk products: the *BBVA Seguro Coche* (car insurance), encompassing all types and at a very competitive price, and the 2C health insurance, offering cover for serious illnesses. For the specific needs of the **self-employed**, the new *Más Cobertura Profesional* (more Professional Coverage) provides the policy holder and their beneficiaries with greater protection in the event of temporary invalidity, death or permanent invalidity due to accidents.

In the **SME** segment, BBVA Broker, the Group's insurance broker in Spain, has a wide array of products to address the needs of small and medium-sized businesses, covering the entire production process, from goods and facilities to deferred payment sales by means of trade credit insurance. It has likewise adapted to the needs of sectors like the renewable energy sector (building and operating of photovoltaic solar farms).

With regard to **insured savings**, new products have been launched which are competitive both financially and for tax purposes. Worthy of special mention are the *Planes Individuales de Ahorro Sistemático (PIAS)* (Personal Systematic Savings Plans), which invoiced €142m in premiums, and the *Rentas aseguradas de remuneración variable*, which guarantee a minimum annuity and offer deep liquidity.

BBVA Seguros now has over 3.2 million **current policies**, 156,000 more than in 2007, and has upheld the **quality** of its service, with 97% of

BBVA Seguros. Policy distribution
(Thousands of policies. 31-12-08)



Total no. policies: 3,257,820 Growth in 2008: 156,711 (up 5%)

all insurance claims and 99% of household insurance claims being successfully handled to the entire satisfaction of the customer, and no complaints arising. Periodic independent surveys gave BBVA Seguros an average score of 7.8 out of 10 regarding customer service in the case of household insurance policy claim.

BBVA PORTUGAL

With respect to **lending** to customers, of note was the launching of new products for the individual customer segment, such as the *Hipoteca Fácil Plus* (Easy Mortgage), the *Préstamo Nacimiento* (New baby loan) or the campaigns aimed at promoting the use of credit cards. In addition, in the business segment, the unit took specific measures like the one aimed at retailers for the installation of mobile *GRPS TPV*, and the one aimed at attracting new customers with *Contapack Negocios BBVA*. BBVA Portugal likewise participated in project finance for the Pebble wind farm and the motorways of Douro Litoral and Transmontana, and the bank also acted as advisor in the financing of the Moura photovoltaic solar farm, one of the largest in the world. All these operations, together with an increase in lending to SMEs (up 19.5%), brought lending to €5,736m (up 15.1% year on year) at year-end.

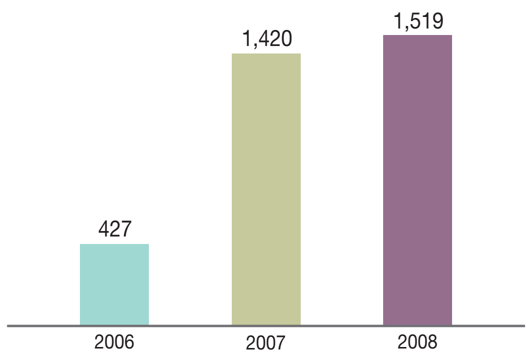
As for **customer funds**, which were characterised by the transfer from investment funds to deposit accounts and aggressive competition, the unit completed the existing range with the launch of new competitive products, such as *Más BBVA*, *Super Positivo BBVA*, *Super Call BBVA*, *Dual* 6% and *Dual* 5%. The deposit total thus rose to €1.970m, showing a year-on-year growth of 16.3%.

As a consequence of these higher business volumes, BBVA Portugal's net interest income climbed 17.9% to €85m and, together with cost containment (up 1.6% year on year), generated an operating income of €53m (up 21.0%). This helped offset the higher loan-loss provisions resulting from the economic situation and the growth in the loan portfolio, and obtain a **net attributable profit** of €24m (up 69.9% on 2007).

DINERO EXPRESS

This branch network, which specialises in the migrant segment, was set up to attract new customers who remit money transfers and to provide them with products and services suited to their needs. It has proved an effective entry point for new customers. As part of a strategy adopted at the start of 2008, BBVA has been gradually closing Dinero Express branches with the aim to integrate migrants in the retail-banking unit as an additional segment. Although it now has fewer outlets, the unit increased the number of money transfers by 7% to €543m during the year despite the falling market associated with the adverse economic situation. The BBVA network handled 56% of these transfers.

Money remittances
(Number of remittances, in thousands)



Wholesale Banking & Asset Management

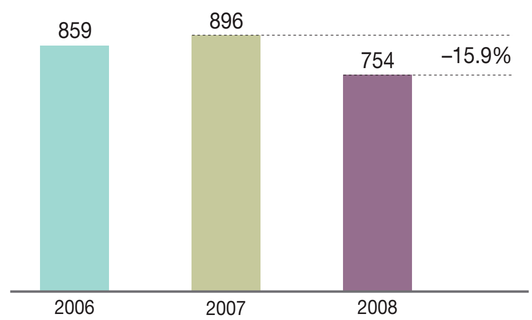
> Corporate & Investment Banking
> Global Markets
> Asset Management
> Industrial and Real Estate Holdings
> Asia

Wholesale Banking & Asset Management handles the entire Group's wholesale banking and asset management activities. It is organised around three major business units: Corporate & Investment Banking, Global Markets and Asset Management. Furthermore it also includes the Industrial and Real Estate Holdings unit, which diversifies its activity, and the Group's holdings in the CITIC financial group associated with its expansion in Asia.

The year 2008 was particularly complicated for markets, investment banking and asset management businesses. Most of the large international financial groups suffered sharp falls in profits and even losses, due to a drop in revenues and the need for extraordinary loss provisioning.

In this context, the performance turned in by BBVA's Wholesale Banking & Asset Management (WB&AM) area was particularly outstanding. Thanks to its business model based on customer franchise, it managed to raise its principal lines of **income** in 2008. The aggregate of net interest income and net trading income, which should be analysed together due to the offsetting that occurs between these item lines in certain market operations, came to €890m, an increase of 13.4% over the €784m reported in 2007 (taking the Europe, New York and Asia units into account). This increase was largely attributable to the Corporate Banking unit, through the sharp rise in lending. Net fees and commissions contributed €413m, dropping 7.5% on the previous year, mainly in Asset Management (through the decrease in managed assets) and in the Markets unit. Lastly, other net income stood at €434m, in

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



Income statement

(Million euros)

	Wholesale Banking & Asset Management				Memorandum item: Corporate & Investment Banking			Memorandum item: Global Markets		
	2008	∆%	2007	2006	2008	∆%	2007	2008	∆%	2007
NET INTEREST INCOME	745	n.m.	(7)	18	524	36.3	385	327	n.m.	(301)
Net fees and commissions	413	(7.5)	446	383	235	9.2	215	14	(61.4)	37
Net trading income	144	(81.8)	791	501	63	156.5	24	108	(83.2)	643
Other income/expenses	434	(16.3)	518	538	1	n.m.	(1)	111	(10.0)	124
GROSS INCOME	1,736	(0.7)	1,749	1,441	823	32.0	624	560	11.4	503
Administration costs	(511)	9.5	(467)	(363)	(184)	27.6	(144)	(223)	(2.3)	(228)
Depreciation and amortization	(9)	28.8	(7)	(7)	(2)	1.2	(2)	(2)	23.8	(2)
OPERATING INCOME	1,216	(4.6)	1,275	1,070	637	33.4	477	335	22.8	273
Impairment on financial assets (net)	(256)	97.2	(130)	(127)	(124)	(4.8)	(131)	(140)	n.m.	(1)
Provisions (net) and other gains/losses	(26)	n.m.	9	151	(1)	n.m.	-	(1)	n.m.	-
INCOME BEFORE TAX	933	(19.1)	1,154	1,094	511	47.2	347	194	(28.6)	272
Income tax	(174)	(29.8)	(247)	(227)	(150)	40.4	(107)	(45)	(32.8)	(67)
NET INCOME	760	(16.2)	907	866	361	50.3	240	149	(27.2)	205
Minority interests	(6)	(40.7)	(10)	(7)	-	-	-	(5)	(6.0)	(6)
NET ATTRIBUTABLE PROFIT	754	(15.9)	896	859	361	50.3	240	144	(27.8)	199

Balance sheet

(Million euros)

	31-12-08	∆%	31-12-07	31-12-06	31-12-08	∆%	31-12-07	31-12-08	∆%	31-12-07
Cash and balances with central banks	1,548	35.2	1,145	922	74	91.9	39	1,469	33.5	1,100
Financial assets	66,579	45.5	45,748	38,287	1,068	41.1	757	60,424	44.0	41,969
Loans and receivables	68,456	48.8	46,018	43,921	49,654	31.3	37,827	16,049	151.6	6,380
• Loans and advances to customers	48,205	31.0	36,805	29,878	46,153	32.7	34,789	2,042	2.2	1,999
• Loans and advances to credit institutions and other	20,251	119.8	9,213	14,043	3,501	15.2	3,039	14,006	219.7	4,381
Inter-area positions	1,506	(84.2)	9,513	-	-	-	-	15,445	(57.8)	36,587
Tangible assets	77	43.6	53	30	1	6.9	1	5	40.1	4
Other assets	2,206	45.0	1,521	1,631	15	(65.0)	42	1,179	19.1	989
TOTAL ASSETS / LIABILITIES AND EQUITY	140,372	35.0	103,999	84,792	50,812	31.4	38,667	94,571	8.7	87,029
Deposits from central banks and credit institutions	29,151	(18.9)	35,944	28,410	1,476	137.8	621	25,140	(28.2)	35,034
Deposits from customers	61,366	43.6	42,732	35,489	34,206	240.5	10,046	27,069	(17.0)	32,607
Debt certificates	(189)	n.m.	-	10	1	n.m.	-	(190)	n.m.	-
Subordinated liabilities	2,675	47.8	1,809	913	1,103	3.3	1,067	525	54.6	339
Inter-area positions	-	-	-	1,281	10,885	(55.2)	24,275	-	-	-
Other liabilities	42,691	107.1	20,614	16,575	1,183	7.1	1,104	41,097	122.8	18,449
Minority interests	(64)	n.m.	41	47	-	-	-	9	3.5	8
Economic capital allocated	4,742	65.9	2,858	2,071	1,959	26.0	1,554	921	55.6	592

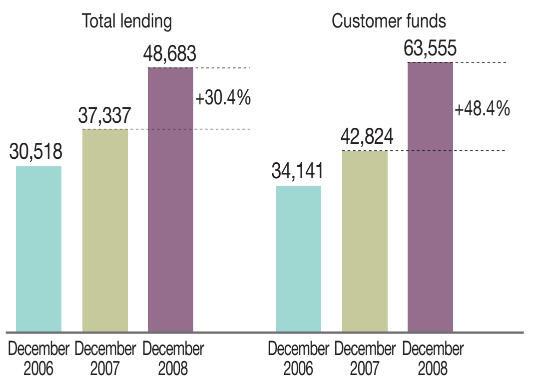
Relevant business indicators

(Million euros and percentages)

	Wholesale Banking & Asset Management				Memorandum item: Corporate & Investment Banking			Memorandum item: Global Markets		
	31-12-08	∆%	31-12-07	31-12-06	31-12-08	∆%	31-12-07	31-12-08	∆%	31-12-07
Customer lending [1]	48,683	30.4	37,337	30,518	46,847	32.7	35,293	1,819	(10.5)	2,033
Customer deposits [2]	62,568	48.1	42,243	34,944	34,153	238.8	10,080	28,248	(11.8)	32,032
• Deposits	52,731	59.6	33,036	24,594	34,151	238.9	10,078	18,412	(19.3)	22,827
• Assets sold under repurchase agreement	9,837	6.8	9,207	10,350	1	(34.9)	2	9,835	6.8	9,205
Off-balance-sheet funds	10,824	10.6	9,788	9,548	68	45.9	47	860	40.3	613
• Mutual funds	4,014	65.5	2,425	2,376	68	45.9	47	860	40.3	613
• Pension funds	6,810	(7.5)	7,363	7,172	-	-	-	-	-	-
Customer portfolios	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets [3]	59,279	65.9	35,726	25,860	24,487	26.0	19,429	11,517	55.6	7,400
ROE (%)	21.3		34.3	44.9	19.0		17.1	23.6		41.0
Efficiency ratio (%)	29.4		26.7	25.2	22.3		23.1	39.9		45.4
Efficiency incl. depreciation and amortization (%)	30.0		27.1	25.7	22.6		23.4	40.2		45.7
NPA ratio (%)	0.12		0.02	0.04	0.13		0.04	0.10		-
Coverage ratio (%)	n.m.		n.m.	n.m.	n.m.		n.m.	198		n.m.

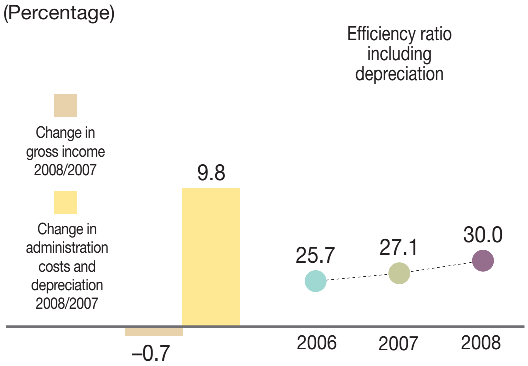
(1) Gross lending excluding NPAs.
(2) Includes collection accounts.
(3) According to ERC methodology.

Wholesale Banking & Asset Management (Million euros)



Wholesale Banking & Asset Management. Efficiency

(Percentage)



the main resulting from income carried by the equity method and dividends, their 16.3% decline over 2007 being due to lower revenues from proprietary real estate activity.

This all led to **gross income** for the area standing at €1,736m, a year-on-year decrease of 0.7%, which becomes a 5.3% increase if non-financial activities are excluded (basically proprietary real estate activity).

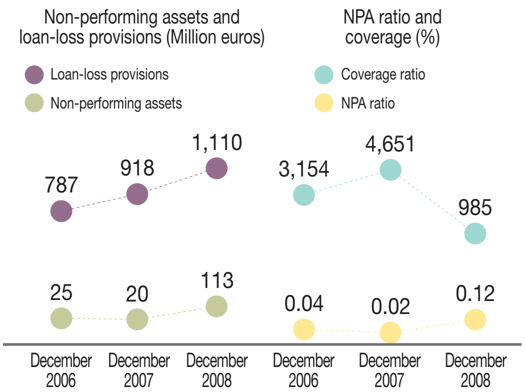
The increases in business volume are particularly noteworthy, given that at year-end 2008 the **loan-book** balance stood at €48,683m. This was largely due to Corporate & Investment Banking, which was up 30.4% over the previous year and **customer funds** (deposits, mutual funds and pension funds) which posted €63,555m (+48.4%).

As a result of the area's growth plans, administration costs rose by 9.5%. Nonetheless,

Wholesale Banking & Asset Management. Operating income

(Million euros)

Wholesale Banking & Asset Management



the **cost-to-income ratio** for 2008 stood at 30.0%, (27.1% the previous year), which is still excellent. Hence, **operating income** came to €1,216m, 4.6% down on 2007.

Asset quality in the area remains excellent with a very low NPA ratio (0.12%). Non-performing assets were only €113m and the coverage ratio very high at 985%. However, provisions for financial asset impairment were €256m, almost double the 2007 amount, owing to generic provisions associated with the sharp rise in lending and other provisions made by the Global Markets Unit. As a result, **net attributable profit** for the year fell 15.9% to €754m, compared to €896m in 2007.

Profit does not include the effect of the Bernard L. Madoff Investment Securities fraud, which, due to its singular nature, has been included in Corporate Activities.

Key factors in Wholesale Banking & Asset Management in 2008

- Growth in income despite market turmoil.
- Recurrence in earnings: consolidation of the customer-focused business model.
- Excellent market and credit risk management in a highly complex environment.
- Consolidation of world leader position in trade finance.
- Leader in Spain in brokerage.
- Assets under Management (AuM) market leader in Spain (with a rise in market share) both in mutual and in pension funds (individual and staff retirement plans).
- Increased holdings in China's CITIC Group.

The activity and earnings of Wholesale Banking & Asset Management units in **the Americas** are booked in the Mexico and South America business areas. After adding their figures to those mentioned above, the Wholesale Banking & Asset Management Area contributed the amounts shown in the accompanying table for the regions in which the Group operates.

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

	31-12-08	∆%	31-12-07	31-12-06
Gross income	2,638	9.7	2,405	1,826
Operating income	1,920	10.5	1,738	1,356
Net attributable profit	1,107	(5.5)	1,172	979
Customer lending	58,223	18.4	49,193	30,518
Deposits	69,558	44.9	47,989	24,594

AREA STRATEGY

Over 2008, Wholesale Banking & Asset Management further developed its transformation and growth strategy, showing excellent credit and market risk management in a highly complex environment. The targets for the area in 2009 are global integration, productivity and efficiency.

In **Corporate & Investment Banking**, emphasis will be placed on presenting selected customers with a comprehensive offer of products and services in which BBVA has a sustainable competitive advantage. The final implementation of the industry-specific coverage model will favour strategic dialogue with customers, which in turn will improve the pre-empting and adaptation of products and services to their needs.

Global Markets will continue to foster cross-selling, based on relationships developed with its key customers.

In a more than difficult year for the funds industry, **Asset Management** became leader in Spain in terms of assets managed, with a 19.8% market share in mutual funds and 18.7% in pension funds. The unit will make the most of the prevailing uncertainty in the industry to fully transform its business portfolio, whilst making further inroads in its organisation as a global unit integrating its business processes.

In **Asia**, after increasing its holdings in CITIC, 2009 will be a key year in the pursuit of joint business ventures.

Corporate & Investment Banking

This unit co-ordinates the combination of an integrated range of products – trade finance, structured finance, syndicated loans, corporate finance, origination of equity and fixed income and transactional services – with industry-specific costume coverage (industry bankers). This business model will enhance its strong positioning in Spain and Latin America; at the same time, a selective customer penetration policy will be pursued in Europe and Asia.

The unit's loan portfolio grew 32.7% to €46,847m, lifting net interest income 36.3% to €524m. This sustained gross income, which increased 32.0% to €823m, and operating income was up 33.4% to €637m. After absorbing generic loan-loss provisions deriving from higher lending, net attributable profit came to €361m (up 50.3%).

2008 saw further inroads in the policy of selecting high-potential customers, with a clear cross-selling focus. Emphasis was placed on cross-border transactions and those with higher added value and this strategy once again positioned BBVA towards the top in the key markets rankings.

Worthy of mention under the **trade finance** unit activity is the good performance turned by Asia, where a set of contracts to participate in the financing of the Porce III Project were signed in Tokyo. This is the largest energy generation project currently under construction in Colombia, for a value of US$1 billion. There was, moreover, penetration of the Indian market, upon signing contracts with leading entities – such as Reliance Industries – in which BBVA acted for the first time as mandated lead arranger in an ECA-backed (SACE) transaction. Other commendable transactions include the structured finance transaction in Brazil in favour of Tele Norte Leste for US$550m; the financing of two energy projects in Qatar, totalling $4,600m; and Peru LNG's construction of a gas liquefaction plant and pipeline in Peru, in a deal in which direct foreign investment is the highest ever in that country's history.

As a consequence of this excellent year, the Group retained its position as leader in the trade finance world ranking that it had won in 2007, and for the fourth year running it topped the ranking in Latin America and in the Asia-Pacific region, excluding Japan (Source: Dealogic). Furthermore, the sector acknowledged its leadership position over 2008 with five "Deal of the Year" 2007 awards from the *Trade Finance Magazine*, *Trade and Forfaiting Review* and *Global Trade Review* journals to the following deals: CFE Mexico ($80m), CVRD Brazil ($6 billion), Destilmex Mexico (€45m) and Indian Oil Corp. ($600m). Lastly, BBVA has received the best trade finance supplier in Spain award from *Global Finance* and it was named "Best Trade Finance Bank in Latam" by *Trade Finance Magazine* and *Trade and Forfaiting Review*.

The **Structured Finance** group's activity consolidated BBVA as one of Spain's leading banks in this business. In the field of leveraged and asset finance, of particular importance were the sale and lease back financing operations of a portfolio of properties belonging to the Eroski Group, the Papresa takeover deal by the Alfonso Gallardo Group or the loan to Tropical Turística Canaria to refinance its Abama beach resort debt. It likewise led operations to finance the redevelopment of the railway network in the Spanish cities that are on the new, high-speed train routes, as well as the urban re-planning of sites released from railway usage; of particular significance was the syndicated loan for €300m in favour of Valencia Parque Central Alta Velocidad.

In energy project finance, BBVA has been involved in multiple deals related to electricity generation and in natural resources projects; it upheld its position as one of the top banks in renewable energy, financing wind, photovoltaic and solar-thermal energy projects. It has structured and co-ordinated finance of Tuin Zonne, the largest photovoltaic farm in the world (120 MW) to the total amount of €862m and it has been involved in financing combined cycle power plants in several countries and projects associated with natural resources (oil & gas), such as the first regasification plant in the Netherlands (Gate LNG).

In infrastructure project finance, BBVA has acted as lead arranger of the two major finance deals of 2008: FSTA, for £2,500m, for the construction and maintenance of air-to-air refuelling aircraft, and BAA refinancing for £8,700m. The Group likewise further strengthened its position as the leader in the domestic sector, as it arranged the financing of the refurbishment and maintenance of four first generation motorways and the Son Dureta Hospital (Mallorca, Spain).

Of particular interest in the Americas were the finance of the Peru LNG project for US$3,876m; the "Autoroute 30" (A-30), a toll road building

Trade finance, structured finance, corporate finance and equity capital markets
The most significant transactions in 2008

2008 Colombia USD 1,000,000,000 Export Credit ECA Global Trade Finance CESCE BBVA Mandated Lead Arranger	2008 India USD 300,000,000 Export Credit ECA Global Trade Finance BBVA Mandated Lead Arranger	2008 Brazil USD 550,000,000 Export Credit ECA Global Trade Finance BBVA Mandated Lead Arranger	2008 Qatar USD 3,200,000,000 Export Credit ECA Global Trade Finance BBVA Mandated Lead Arranger
2008 Peru USD 2,050,000,000 PERU LNG Financing for the construction of a liquefaction plant and pipeline Structured Finance / Global Trade Finance BBVA Joint Bookrunner Mandated Lead Manager	2008 Spain EUR 190,000,000 Acquisition of PAPRESA Structured Finance BBVA Sole Bookrunner, MLA & Hedging Provider	2008 Spain EUR 862,000,000 TUIN ZONNE tuin zonne Structured Finance BBVA Financial Advisor & Mandated Lead Arranger	2008 United Kingdom GBP 2,500,000,000 FSTA Aircrafts ROLLS ROYCE Structured Finance BBVA Mandated Lead Arranger
2008 Spain GBP 8,700,000,000 BAA acquisition refinancing ferrovial BAA Structured Finance BBVA Mandated Lead Arranger	2008 Canada CAD 1,094,412,000 30 acciona Structured Finance BBVA Bookrunner, MLA & Syndication Agent	2008 Spain EUR 197,700,000 NUTREXPA Cuétara Acquisition Financing Grupo SOS Corporate Finance BBVA Financial Advisor	2008 Peru EUR 224,000,000 23.8% IPO of Corporate Finance BBVA Financial Advisor
2008 Peru EUR 95,000,000 24% IPO of edelnor Corporate Finance BBVA Financial Advisor	2008 Switzerland CHF 15,862,000,000 UBS Rights issue Equity Capital Markets BBVA Co-Manager	2008 Italy EUR 1,223,000,000 FINMECCANICA Rights issue Equity Capital Markets BBVA Co-Manager	2008 Mexico MXN 4,000,000,000 IPO Equity Capital Markets BBVA Global Joint Co-ordinator

and operating project in Canada, which was acclaimed as "*Project of the Year 2008*" in North America by the *Project Finance International* journal; and in Mexico, syndicated loans to the R Group, for the construction of two oil rigs and to Concesionaria Mexiquense (OHL Group) for the development of the Mexico DF toll ring road (*Circuito Exterior Mexiquense*).

Corporate Finance is the group responsible for advisory activity, mergers and acquisitions; it has a worldwide reach, spreading to all global international corporate and middle market customer segments, in all regions and all activity sectors. In 2008, BBVA acted as financial advisor to some of the most relevant transactions on the Spanish market, such as Nutrexpa's acquisition of Cuétara for €198m. In the Americas, its advisory activity for Endesa in the takeover bids launched on Edegel and Edelnor are worth mentioning.

In **Equity Capital Markets** stand-out transactions include: its involvement as co-manager in the UBS and Finmeccanica capital issues, with €171m and €49m underwritten, respectively; its participation in the initial public offering of VISA Inc on the New York Stock Exchange; the flotation of Bolsa Mexicana de Valores; its role as agent bank and advisor in the Tavex rights issue and in the MAFRE dividends reinvestment programme; its participation in Vocento's extraordinary distribution of unrestricted reserves; and the preference share takeover of the Brazilian petrochemical company Suzano on the Latibex.

In **Debt Capital Markets**, of most outstanding interest were the Kingdom of Spain, Cores and Iberdrola bond issues in Spain, and the growing expansion of activity in Europe leading issues in different sectors such as those by National Grid, E.ON, Carrefour, Paccar Financial Europe and Kraft Foods In syndicated loans, BBVA retained its leadership in Spain in 2008, arranging all the major transactions (FCC, Acciona, Celsa, Grifols, Sol Meliá), and it raised its presence in the European market, where it led transactions for the Italian companies Eni and Terna, the French insurance company AXA, and the British companies National Express and Angloamerican.

In the Americas, the most important transactions were the US$1,300m syndicated loan to Votorantrade N.V. in Brazil, the structuring of the bridge loan and syndicated loan granted to BMW from New York for US$600m to expand its activity in Canada, and the loan for €1,075m to finance ENCE's Strategic Plan 2007/2011. Wal-Mart named BBVA New York "best new relationship bank" and the "best debt deal overseas" for the syndicated finance of 220

Debt capital markets and syndicated loans
The most significant transactions in 2008

Year	Country	Amount	Transaction	Bank	Role
2008	Spain	EUR 3,000,000,000 EUR 5,000,000,000	Kingdom of Spain (2 issues) Bonds	BBVA	Joint Bookrunner
2008	Spain	EUR 1,600,000,000	Bonds	BBVA	Joint Bookrunner
2008	Germany	EUR 1,000,000,000	Bonds	BBVA	Joint Bookrunner
2008	France	EUR 700,000,000	Bonds	BBVA	Joint Bookrunner
2008	Spain	EUR 1,704,000,000	Syndicated Loan Facility	BBVA	MLA / Bookrunner
2008	Italy	EUR 3,100,000,000	Syndicated Loan Facility	BBVA	MLA / Bookrunner
2008	United Kingdom	USD 4,500,000,000	Syndicated Loan Facility	BBVA	MLA / Bookrunner
2008	Brazil	USD 1,300,000,000	Votorantrade Syndicated Loan Facility	BBVA	Joint Bookrunner / MLA

Outstanding ranking positions in 2008

No. 1 Trade finance (MLA) (1)	Worldwide (Dealogic)
No. 1 Trade finance (MLA) (1)	Asia-Pacific (Dealogic)
No. 1 Trade finance (MLA) (1)	Latin America (Dealogic)
No. 1 Trade finance (MLA)	BRIC Countries: Brazil, Russia, India and China (Dealogic)
No. 2 Trade finance (MLA) (2)	Europe (Dealogic)
No. 6 Project finance (MLA)	Worldwide (Dealogic)
No. 3 Project finance (MLA)	Latin America (Dealogic)
No. 3 Project finance (MLA)	Europe (Dealogic)
No. 5 Bonds (Bookrunner)	Spain (Dealogic)
No. 1 Bonds (Bookrunner)	Latin America (Dealogic)
No. 5 Syndicated loans (MLA)	Spain (Dealogic)
No. 3 Syndicated loans (MLA)	Latin America (Reuters)

(1) Both including and excluding aircraft and shipping finance.
(2) Excluding aircraft and shipping finance.

billion JPY to refinance its Japanese subsidiary Seiyu. Lastly, in Mexico, BBVA led the book runners ranking in the domestic debt capital market, participating in 16 issues totalling 32,232 million Mexican pesos that accounted for 24% of the market (Source: Bloomberg).

The **Global Transaction Services** group, within its strategic cross-country and customer focus, continued to develop the products and solutions that were best suited to covering the transaction requirements of customers other than individuals. These included liquidity management, payment and collection cash flows, working capital requirements and custody services, securities clearing and settlement.

In this regard, transactions of particular interest include the convergence plans of the various e-banking tools for companies and institutions and projects tending to complete the range of channels for customer connectivity with the bank (Swift and Host-to-Host customers); the launch in Spain of *Autocobro Express* (allowing customers to collect their export bills in France, Portugal and Italy without needing to hold an account in said countries) and the *e-Factoring* (electronic credit claims collection) service which both strengthen the position of BBVA net cash, together with the File Standardisation service, which enables electronic files to be sent and received in the format used by the customer; the procedure whereby Compass shareholders can receive the gross dividend from the ADR programmes from BBVA without withholding tax at source; the agreement with Bradesco for rendering mutual cash management services to their customers; and new mandates on payment concentration in euro on Spain from international banks.

Lastly, it should be mentioned that Spain, Portugal, Chile and Argentina obtained the Global Finance award for best e-banking for companies and institutions (in Portugal and Chile, for the second year running). Moreover, in Argentina BBVA Banco Francés obtained the prize for the best website design in Latin America.

Global Markets

This unit handles the origination, structuring, distribution and risk management of market products, which are placed through the trading rooms in Europe, Asia and the Americas. The activities of the Mexican and South American trading rooms are reported under their respective areas.

The year was particularly complicated due to adverse **market** conditions, featuring great financial and economic uncertainty. The difficult real-estate market situation, tight credit markets and the collapse of the world's stock markets all worsened. This all resulted in a sharp economic slowdown and a recapitalising process in the banking sector, which badly hit their income statements.

Despite such an environment, **Global Markets** continued to deliver recurrent and stable earnings and achieved double-digit growth of customer in all regions. This was thanks to its customer-focused business model, which seeks to achieve value-added solutions by capitalising on its strategic strengths: its skill in product development and its capacity to adapt to customers' demands, business diversification, distribution through the Group's networks and obtaining synergies across the various regions. The good income performance turned in by the Global Markets unit is in stark contrast to the negative earnings reported by most of its competitors, which makes BBVA one of the best performers in this business in 2008.

The outcome is a gross income figure for 2008 of €560m, 11.4% up on 2007, while operating income stood at €335m (+22.8%) and net attributable profit at €144m.

In 2008, Global Markets began to record important trading activity on its **new trading floors**: Düsseldorf, inaugurated in January, where a team of traders began to give institutional investors specialised coverage in market products; and Hong Kong, where the markets teams were completed to add Asian assets to their product range and whose trading activity focused on Asian customers, while likewise attending those from Europe and Latin America.

In **the Americas**, the Regional Derivatives Centre came into operation, to extend the range of products to be distributed to Latin American customers, and the *Riskpyme Latam* project solidified in all the countries, thanks to intensive marketing of derivatives through the Group's branch networks, following a similar pattern to that applied in Mexico and Spain. The performance of the cross-border business is also worthy of mention: it grew substantially and the unit has become a source of recurrent revenues thanks to its global reach, to improvements in the range of products and services for global customers and to collaboration between the teams in the various countries. Lastly, BBVA and Bancomer launched the first ETF in Mexico linked to the main companies that are listed on the Latin American international stock market (Latibex).

In 2008, the Group reached top spot in the **ranking** of securities traded in terms of total equity volume traded over the year, a position it had not held since December 2005, raising its brokerage volume both in absolute and relative terms. For the fourth straight year BBVA occupied the number one slot in the annual derivatives business ranking drawn up by the specialist magazine *Risk España*. Furthermore, it received, for the second year running, the **prize** for excellence awarded to the best distributors of structured products in the European market. BBVA also won the award to the best bank in structured products in the Spanish market in the equity, hedge funds, FX, hybrids, interest rate, structured funds and CPPI categories.

Asset Management

This unit designs and manages mutual funds and pension funds that are marketed through the Group's different branch networks. It tackles these goals through three different channels. These are: **traditional asset management** and **alternative asset management**, which work on the development of their product catalogue to offer the best range, and **Valanza** (the Group's private equity unit).

The sharp falls recorded in the markets in 2008 affected total assets under management, which stood at €50,961m at 31-Dec-08, down 15.5% in the year. Commission income also suffered and therefore the unit's gross income declined 18.4% to €172m and net attributable profit dropped 27.9% to €70m.

Last year, 2008, was a highly complex year for the **mutual funds** industry in Spain, due to market corrections, lack of investor confidence and the hugely competitive environment in which entities were fighting to attract savings and thus relieve their liquidity problems. In this context, at year-end 2008 BBVA was managing assets worth €34,900m, of which mutual funds accounted for €33,197m, a year-on-year fall of 18.8%. This is below the system's biggest all time fall of 29.8%. Such advantage enabled the Group to increase its **market share** by 265 basis points over the year to stand at 19.8%, and top the ranking for the first time, 15 basis points ahead of its main rival. Fee averages for BBVA funds were at 1,043% at 31-Dec-08, surpassing the sector average by 4.25 basis points, and it also raised its commission income share by 303 basis points compared to the system as a whole, up to 20.6%.

Continuing with its innovation policy, during 2008 the Group completed its **product** range with several launches. These included the *BBVA Bonos Corto Plazo Gobiernos* and the *BBVA Fondo Liquidez*, new short-term, fixed-income funds; *BBVA Estructurado Finanzas BP* and *BBVA Estructurado Telecomunicaciones BP*, global funds largely targeting Personal Banking customers; the equity FTSE 4Good Ibex ETF; and 11 new guaranteed mutual funds, of which the *BBVA Inflación* fund is of particular interest as it was the first fund to be guaranteed with the underlying Spanish inflation rate.

Quality Funds, with 34 distribution agreements subscribed with international managers, has consolidated its position as the BBVA Group's funds' open architecture platform.

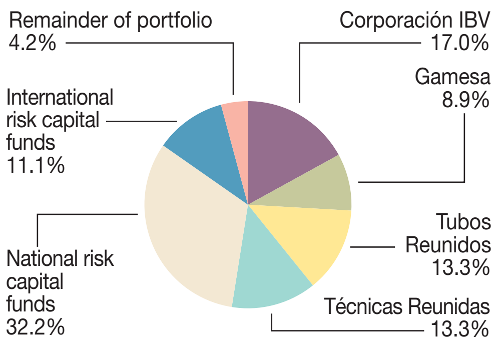
The **pensions** business in Spain managed assets coming to a figure €16,060m, down 5.9% year on year, likewise due to the fall in the markets. Of that total, individual plans reached €9,357m whereas staff retirement plans and associated schemes stood at €6,703m. BBVA has widened its leadership advantage, with a 75-basis point increase in its market share to reach 18.7% and it retained first place both in individual plans (market share up 16.4%, +95 basis points for the year) and in staff retirement plans (market share up 23.0%, +37 basis points).

Industrial and Real Estate Holdings

This unit helps to diversify the area's businesses with the aim of creating medium- and long-term value through active management of a portfolio of industrial holdings and real estate projects, through Anida and the Duch Project. Its management fundamentals are profitability, asset turnover, liquidity and optimal use of economic capital. In 2008, it reported a net attributed profit of €260m (compared to €386m in 2007), largely coming from the sale of 2.78% of its stake in Gamesa and 10.7% in Hispasat, as well as the capital reduction in Tubos Reunidos.

It currently manages an **industrial holdings** portfolio of over 50 associated undertakings from the most wide-ranging sectors, of which Corporación IBV, Gamesa, Técnicas Reunidas and Tubos Reunidos are particularly worthy of mention. The portfolio value at 31-Dec-08 shows unrealised capital gains of around €120m.

Distribution of the industrial holdings portfolio
(31-12-08)



As far as **international funds** are concerned, US$19m have been invested through Palladium in new companies, such as American Gilstone Company (mining sector), Celeritas (communication), Healt (health care) and Heritage and Mission Community Bank in the financial sector. Conversely, the holding in the manager, BBVA-Darby Overseas was sold, generating income of €700,000, although investment in the fund was maintained, and IFE Fund was sold, producing income of €400,000.

The unit also manages the Group's holding in the CITIC Fund (real estate fund) with committed capital totalling US$40m. Over the year it made contributions of US$16m.

Asia

In 2008, BBVA increased its interests in CITIC International Financial Holdings (CIFH) in Hong Kong from 14.5% to 29.7% and in China CITIC Bank (CNCB) from 4.8% to approximately 10%. As a result, BBVA consolidated its positioning in the region and enhanced its commitment to China with aggregate investments in excess of €2 billion. However, since 17-Dec-08 CIFH is no longer a shareholder in CNCB, in which it previously held a 15% interest.

Mexico

> Banking business
> Pensions and Insurance

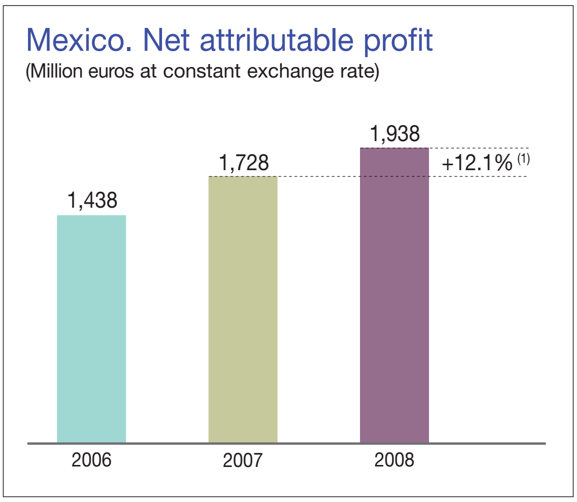
This area covers the banking, pensions and insurance business conducted in Mexico by the BBVA Bancomer financial group

A gradual moderation of **economic activity** was observed in Mexico over the course of 2008. The rate of increase in GDP dropped over the year, and the figure for the year as a whole has been 1.3%. The effects of this slowdown were felt first in exports but then spread gradually to private consumption, and by the end of the year a general slowdown was evident in all components of aggregate demand.

The Mexican economy has been exposed to increases in international prices of commodities, foodstuffs and energy, and imports have become more expensive due to the depreciation of the national currency, pushing **inflation** up to 6.5% at year-end 2008. This trend in prices led the Mexican central bank to increase its short-term base rate by 75 basis points to 8.25% in December.

On **financial markets**, a strong surge in risk aversion was observed, particularly from October onwards. This exerted pressure on exchange rates, the securities market and the prices of public and corporate debt.

Thus, the average **exchange rate** for the year was 11 pesos to the dollar, while at 31-Dec-08 it stood at 14. Against the euro, the Mexican peso underwent a depreciation of 8.1% on 2007 in terms of annual average exchange rates (reaching 16.3 pesos to the euro) and of 16.5%



(1) At current exchange rate: +3.0%.

Income statement

(Million euros)

	Mexico					Memorandum item: Banking business				Memorandum item: Pensions and Insurance			
	2008	Δ%	Δ% (1)	2007	2006	2008	Δ%	Δ% (1)	2007	2008	Δ%	Δ% (1)	2007
NET INTEREST INCOME	**3,716**	**6.0**	**15.4**	**3,505**	**3,220**	**3,686**	**4.4**	**13.5**	**3,533**	**30**	**n.m.**	**n.m.**	**(23)**
Net fees and commissions	1,189	(8.9)	(0.9)	1,305	1,276	1,113	(10.7)	(2.8)	1,246	123	(7.7)	0.4	133
Net trading income	376	20.7	31.4	311	260	287	36.8	48.8	210	89	(12.5)	(4.8)	101
Other income/expenses	154	33.8	45.6	115	129	(80)	(4.4)	4.0	(83)	217	8.3	17.8	200
GROSS INCOME	**5,435**	**3.8**	**12.9**	**5,236**	**4,884**	**5,007**	**2.1**	**11.1**	**4,906**	**459**	**11.4**	**21.3**	**412**
Administration costs	(1,727)	(0.6)	8.2	(1,737)	(1,694)	(1,583)	(2.9)	5.6	(1,630)	(170)	(3.3)	5.2	(175)
Depreciation and amortization	(73)	(28.3)	(22.0)	(102)	(98)	(71)	(29.0)	(22.7)	(99)	(2)	4.6	13.8	(2)
OPERATING INCOME	**3,634**	**7.0**	**16.4**	**3,397**	**3,093**	**3,354**	**5.6**	**14.9**	**3,176**	**287**	**22.6**	**33.4**	**234**
Impairment on financial assets (net)	(1,110)	33.1	44.8	(834)	(621)	(1,110)	33.1	44.8	(834)	-	-	-	-
Provisions (net) and other gains/losses	(25)	n.m.	n.m.	19	(50)	(25)	n.m.	n.m.	19	-	15.0	25.1	-
INCOME BEFORE TAX	**2,499**	**(3.2)**	**5.3**	**2,583**	**2,422**	**2,218**	**(6.0)**	**2.2**	**2,361**	**287**	**22.6**	**33.4**	**234**
Income tax	(560)	(20.1)	(13.1)	(701)	(710)	(485)	(24.2)	(17.5)	(640)	(76)	18.7	29.1	(64)
NET INCOME	**1,939**	**3.0**	**12.1**	**1,882**	**1,713**	**1,733**	**0.7**	**9.6**	**1,721**	**210**	**24.1**	**35.0**	**170**
Minority interests	(1)	(3.2)	5.3	(2)	(2)	(1)	(8.9)	(0.9)	(1)	(1)	0.9	9.8	(1)
NET ATTRIBUTABLE PROFIT	**1,938**	**3.0**	**12.1**	**1,880**	**1,711**	**1,733**	**0.7**	**9.6**	**1,720**	**210**	**24.2**	**35.1**	**169**

Balance sheet

(Million euros)

	Mexico					Memorandum item: Banking business				Memorandum item: Pensions and Insurance			
	31-12-08	Δ%	Δ% (1)	31-12-07	31-12-06	31-12-08	Δ%	Δ% (1)	31-12-07	31-12-08	Δ%	Δ% (1)	31-12-07
Cash and balances with central banks	5,387	(2.8)	16.5	5,540	5,854	5,387	(2.8)	16.5	5,540	-	(74.0)	(68.9)	-
Financial assets	20,825	(21.4)	(5.8)	26,501	19,638	18,133	(24.5)	(9.5)	24,012	2,987	5.2	26.1	2,839
Loans and receivables	32,145	4.0	24.6	30,902	27,150	32,050	4.0	24.6	30,812	162	4.0	24.6	156
• Loans and advances to customers	26,464	(5.2)	13.6	27,907	25,225	26,463	(5.2)	13.6	27,907	-	(25.7)	(11.0)	-
• Loans and advances to credit institutions and other	5,681	89.7	127.2	2,995	1,925	5,586	92.3	130.4	2,905	162	4.0	24.6	156
Inter-area positions	43	n.m.	n.m.	-	-	50	n.m.	n.m.	8	-	-	-	-
Tangible assets	709	(10.7)	7.0	794	830	703	(10.9)	6.8	789	6	16.9	40.1	5
Other assets	1,696	(12.6)	4.7	1,941	3,408	1,912	37.5	64.7	1,391	98	21.1	45.1	81
TOTAL ASSETS / LIABILITIES AND EQUITY	**60,805**	**(7.4)**	**10.9**	**65,678**	**56,879**	**58,234**	**(6.9)**	**11.5**	**62,551**	**3,253**	**5.6**	**26.5**	**3,081**
Deposits from central banks and credit institutions	9,160	(42.2)	(30.8)	15,855	7,294	9,160	(42.2)	(30.8)	15,855	-	n.m.	n.m.	-
Deposits from customers	32,466	(7.9)	10.4	35,237	36,110	32,533	(7.8)	10.4	35,302	-	-	-	-
Debt certificates	3,127	69.5	103.1	1,845	190	3,127	69.5	103.1	1,845	-	-	-	-
Subordinated liabilities	1,585	(19.1)	(3.0)	1,959	2,039	1,881	28.4	53.8	1,466	-	-	-	-
Inter-area positions	-	(100.0)	(100.0)	5	14	-	-	-	-	-	-	-	-
Other liabilities	11,647	59.7	91.3	7,293	7,614	8,956	84.7	121.3	4,849	3,008	6.4	27.5	2,827
Minority interests	1	(19.0)	(3.0)	1	8	1	10.1	31.9	-	-	39.3	66.9	-
Economic capital allocated	2,819	(19.1)	(3.0)	3,483	3,610	2,577	(20.3)	(4.6)	3,234	245	(3.6)	15.5	254

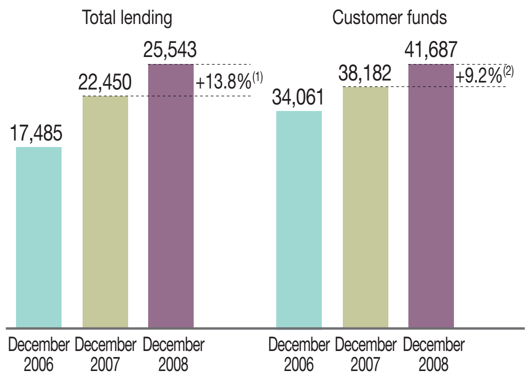
(1) At constant exchange rate.

Relevant business indicators
(Million euros and percentages)

	Mexico					Memorandum item: Banking business				Memorandum item: Pensions and Insurance			
	31-12-08	Δ%	Δ% [1]	31-12-07	31-12-06	31-12-08	Δ%	Δ% [1]	31-12-07	31-12-08	Δ%	Δ% [1]	31-12-07
Customer lending [2]	25,543	(5.0)	13.8	26,899	23,480	25,543	(5.0)	13.8	26,899	-	-	-	-
Customer deposits [3]	29,677	(5.5)	13.2	31,408	32,592	29,677	(5.5)	13.2	31,408	-	-	-	-
• Deposits	25,053	(3.4)	15.7	25,945	26,162	25,053	(3.4)	15.7	25,945	-	-	-	-
• Assets sold under repurchase agreement	4,625	(15.3)	1.4	5,463	6,430	4,625	(15.3)	1.4	5,463	-	-	-	-
Off-balance-sheet funds	16,376	(17.6)	(1.2)	19,862	18,478	9,180	(18.1)	(1.9)	11,214	7,196	(16.8)	(0.3)	8,648
• Mutual funds	9,180	(18.1)	(1.9)	11,214	9,853	9,180	(18.1)	(1.9)	11,214	-	-	-	-
• Pension funds	7,196	(16.8)	(0.3)	8,648	8,625	-	-	-	-	7,196	(16.8)	(0.3)	8,648
Other placements	2,830	(9.5)	8.4	3,127	3,294	2,830	(9.5)	8.4	3,127	-	-	-	-
Customer portfolios	5,200	(16.6)	(0.1)	6,237	6,941	5,200	(16.6)	(0.1)	6,237	-	-	-	-
Risk-weighted assets [4]	35,233	(19.1)	(3.0)	43,533	45,120	32,208	(20.3)	(4.6)	40,431	3,061	(3.6)	15.5	3,174
Efficiency ratio (%)	31.8			33.2	34.7	31.6			33.2	37.0			42.6
Efficiency incl. depreciation and amortization (%)	33.1			35.1	36.7	33.0			35.3	37.5			43.1
NPA ratio (%)	3.21			2.15	2.21	3.21			2.15	-			-
Coverage ratio (%)	161			255	288	161			255	-			-

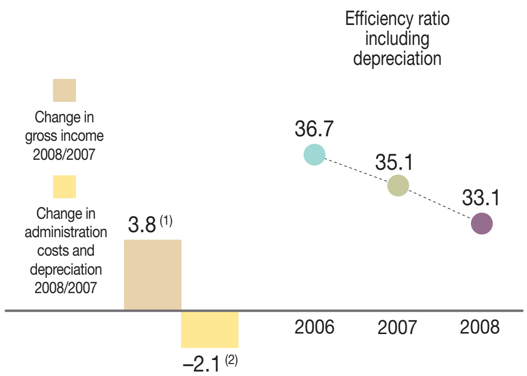
(1) At constant exchange rate.
(2) Gross lending excluding NPAs and Bancomer's old mortgage portfolio.
(3) Excluding deposits and repos issued by Bancomer Markets unit.
(4) According to ERC methodology.

Mexico
(Million euros at constant exchange rate)



(1) At current exchange rate: –5.0%.
(2) At current exchange rate: –8.9%.

Mexico. Efficiency
(Percentage)

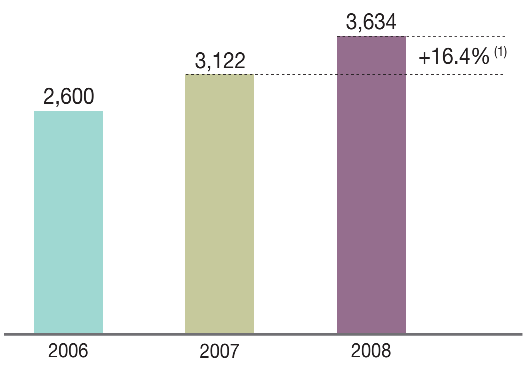


(1) At constant exchange rate: +12.9%.
(2) At constant exchange rate: +6.5%.

in the year-end exchange rate, which was 19.2 pesos to the euro. This has a negative impact on the financial statements for the Mexico business area. To provide a better picture of how the business has evolved, the comments below are based on the column of figures for change at constant exchange rates shown in the attached tables.

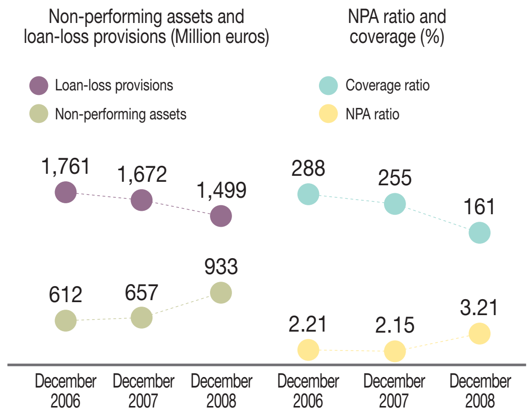
During the year as a whole, the Mexico area generated **net attributable profit** of €1,938m, with a 12.1% year-on-year increase driven by excellent revenue performance. Net interest income reached

Mexico. Operating income
(Million euros at constant exchange rate)



(1) At current exchange rate: +7.0%.

Mexico



€3,716m, up 15.4% on 2007, due to growth in business and efficient price management. Adding up the €1,189m figure for fee income (-0.9%), the €376m for net trading income (+31.4%) and the €154m for other net income, which was boosted mainly by insurance operations, gross income was €5,435m, 12.9% up on 2007. Successful application of cost-control programmes implied that administration costs rose by 8.2%, ie, less than revenues, totalling €1,727m. This further enhanced efficiency, with the cost-to-income ratio dropping from 35.1% in 2007 to 33.1% in 2008. **Operating income** thus reached €3,634m, 16.4% higher than in 2007, despite the fact that 2008 was a much tougher year.

Impairment on financial assets stood at €1,110m. This was 44.8% more than the previous year, due to higher lending volumes and deteriorating asset quality throughout the system. At the end of 2008, the NPA ratio stood at 3.21% and the coverage ratio remained high (161%).

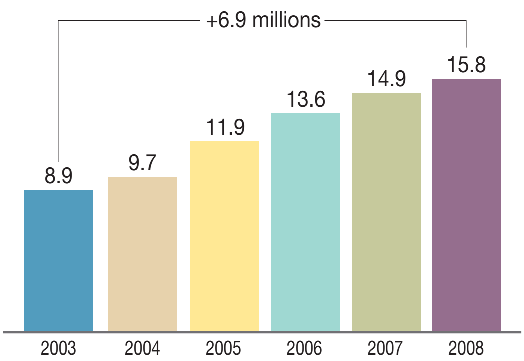
AREA STRATEGY

In 2008 BBVA Bancomer took action intended to promote bancarisation by offering products and services tailored to specific segments. As a result, its **customer base** increased by 900,000 over the year to a total of 15.8 million as of December 2008, with an overall increase of almost 7 million customers in five years.

Key factors in Mexico in 2008

- Healthy growth in activity in spite of the current economic situation.
- Strengthening of the franchise, increased market share in the main lending and deposit segments.
- Growth centred on lower-risk products in lending. Lower risk premium than competitors and NPA lower than average for the system.
- Customer funds reached a record market share of 31.3% in current and savings accounts.
- Customer base extended by 900,000.
- Stock of payslip accounts up to 6.8 million.
- Single-digit cost increase and efficiency improved to the best rate in the Mexican financial system.

Performance of customer base
(Million customers)



BBVA Bancomer's main strategic lines for **2009** will be the following:

- Upholding the current high level of **customer deposits**, mainly lower-cost (demand) deposits, by attracting payslip accounts and by designing and running tailored promotions.
- Generating income by increasing **cross-selling**.
- Seeking to ensure **asset quality** by improving risk screening, monitoring, and collection procedures.
- Continuing to apply the key initiatives set up under the **Transformation Plan** to enhance efficiency and productivity.
- Maintaining high levels of investment in **technology and infrastructure** to further banking penetration and bring new people into the financial system.
- Improving **service quality** indicators and applying new methods to enhance customer insight.
- Encouraging the migration of transactions to **alternative channels** such as Línea Bancomer, Bancomer.com, ATMs, etc.

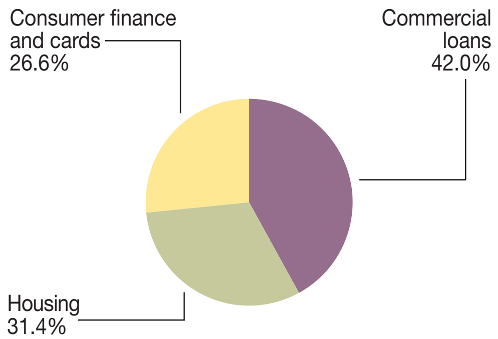
Banking business

Lending to customers rose to €25,543m at 31-Dec-08, 13.8% up on the previous year. The housing mortgage portfolio performed increasingly well in 2008: it grew 20.8% (excluding the old mortgage portfolio), reaching €8,021m at 31-Dec-08. Wholesale lending which includes corporations, businesses, government and financial entities, showed a 19.6% increase, to €10,737m. Of this, €4,130m was in finance to SMEs (up 36.9% year on year), €1,658m to the public sector (up 12.5%) and €4,540m to large corporates (up 4.0%).

Consumer finance (credit cards, personal and salary advances, and auto finance) held steady at €6,784m, similar to the previous year, reflecting a slowdown in these products.

Thus the BBVA Bancomer loan-book consisted mainly of wholesale lending, which accounted for 42.0% of the total (40.0% in December 2007), and housing finance for home-owners and developers (31.4%, up from 29.6% the previous year). The weight of consumer finance fell to 26.6% from 30.4% at year-end 2007. In December 2008, Bancomer maintained its leadership for all lending segments, with a 30.7% share of the total market (not including UDI REITs).

Distribution of the loan portfolio
(31-12-08. Percentage)

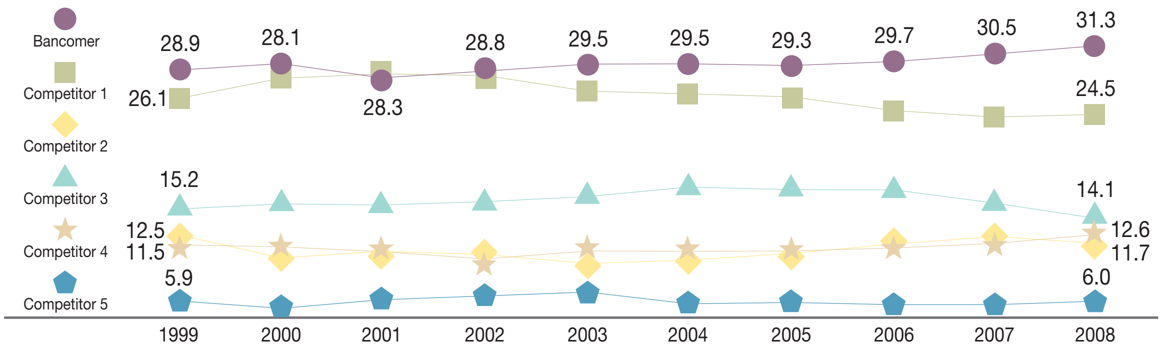


Customer funds (customer deposits, mutual funds, investment companies and other financial products) reached €41,687m at 31-Dec-08, with a year-on-year increase of 9.2%. Lower-cost products continued to perform outstandingly: current and savings accounts grew 10.3% over the year to €14,351m. Their 31.3% market share was 76 basis points higher than the December 2007 figure. Funds gathered in time deposits grew significantly, with a year-on-year increase of 24.3%, picking up pace to reach €7,869m at the end of the year. Mutual funds were down 1.9% on 31-Dec-07 levels, to a year-end balance of €9,180m. The shift away from mutual funds was less pronounced in Bancomer than in the system as a whole, enabling it to maintain its leadership in this segment, with a market share of 22.8% in December.

Current and savings accounts accounted for more than 34.4% of total customer funds; time deposits and other financial products for 36.8%; investment companies for 22.0% and

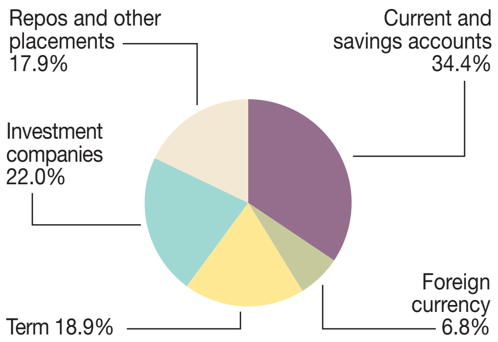
Market share in current and savings accounts

(National currency. Percentage)



Distribution of customer funds

(31-12-08. Percentage)



foreign-currency deposits for the remaining 6.8%. At the end of 2008, Bancomer's share of total customer funds in the market (excluding repos) was 27.7%, 145 basis points up on the previous year.

Customer spread remained high throughout 2008, standing at 12.4% in the final quarter, similar to the figure for the fourth quarter of 2007. This performance and higher lending and customer-fund volumes drove **net interest income** up to €3,686m, 13.5% higher than in 2007. Fee income contributed €1,113m (down 2.8% year on year), net trading income €287m and other net income consumed €80m (mainly through contributions to the Deposit Guarantee Fund); as a result, **gross income** went up 11.1% to €5,007m.

Over the year growth in **administration costs** continued to slow down, and indeed by the year-end they were only 5.6% above their 2007 level. This was well below growth in revenues, so the efficiency ratio improved to 33.0% in 2008, from 35.3% the previous year, and **operating income** grew by 14.9% year on year to €3,354m.

In December 2008 the banking business recorded a 3.21% **NPA ratio.** This was slightly higher than the 2.15% recorded at year-end 2007, but was set against a background of asset quality impairment throughout the Mexican banking industry. The level of impairment at Bancomer was lower than the average for the industry by approximately 30 basis points. Provisions for financial asset impairment grew 44.8% to €1,110m, thus keeping the coverage ratio high at 161%.

Net attributable profit for 2008 as a whole thus rose to €1,733m, 9.6% up on 2007.

To strengthen its balance sheet position and support the expansion of its retail network, BBVA Bancomer carried out an ambitious programme of 12 bond **issues** in 2008, worth a total of 39,403m pesos, in senior bonds, subordinate bonds and mortgage securitisations. This made it the leading issuer of over 1-year debt on the local market, with 23% of the total for 2008. The soundness which investors attribute to Bancomer was apparent in the fact that highly competitive prices were obtained in all cases, making it a benchmark organisation in the market. This strengthened the bank's liquidity position and helped it to maintain adequate levels of capitalisation.

In the context of action to increase bancarisation, a major financial education programme was launched under the name *Adelante con tu Futuro* (Forward with your Future), comprising interactive personal finance workshops on saving and the proper use of loans. In this way, in 2008 Bancomer helped 7,000 people to obtain a better understanding of the various financial products that they used.

BUSINESS UNITS

The highlights of 2008 for the various business units are outlined below:

Commercial Banking recorded vigorous growth in loans to the self-employed and small businesses (among whom the level of loan penetration is very low), through the implementation of a marketing strategy tailored especially to this segment. As a result, the number of customers with credit exceeded 82,000 by the year-end, and the balance for this portfolio was up by 50% on 2007. Furthermore, the installation of dedicated desks at branches was completed and 31 dedicated, specialist offices were opened to cater for non-resident customers, a segment with great potential.

Promotional campaigns to continue encouraging lower-cost deposits once again featured *El Libretón* (including *Quincenas del Ahorro* or "savings fortnights"). Almost 1.2 million prizes were handed out to customers, a total of 2.2 million new accounts were added, with a high deposit retention level (78%). To attract funds from businesses and corporates, a campaign was launched under the title *Echa a volar tu negocio* (Get your business off the ground) that captured more than 2,300m pesos. Products such as the Winner Card were also promoted in an effort to encourage saving among children and young people, through a partnership agreement with Mexico's leading cereal brand.

Finally, to maintain Bancomer's policy of reaching out to more and more areas, 28 new branches were opened in 2008. 761 more ATMs and over 20,000 point-of-sale terminals were also installed.

In **Government & Corporate Banking**, special mention must be made of demand deposits, in which there was year-on-year growth of 26% to around €4,700m by the year-end. This can be explained mainly by the increase of 41% (864,000 accounts) in the bank's overall stock of payslip accounts which this unit contributed. In terms of lending, a figure of over €4 billion was achieved in financing for SMEs (up 36.9% year on year), and the number of customers with credit increased by 28% to more than 6,900. This resulted in cross-selling levels continuing to improve throughout the year. By the year-end, 64% of customers had five or more product families with BBVA Bancomer.

Mortgage Banking continued to lead the market, with a 29.1% share in new mortgages granted, 50 basis points up on the figure for 2007. This was achieved by granting more than 96,000 loans to housing developers and nearly 66,000 new home buyer mortgages. To increase lending, technology applications were launched which were intended to facilitate operations by customers, including such stand-out solutions as remote sales, an instant customer care service and a telephone helpline through which customers interested in obtaining a mortgage can be directed towards specialist branches. A multi-product simulator was also set up for developers to enable them to calculate funding requirements for the whole catalogue of mortgage products, and new alternatives were also launched, such as *Crédito Líquido* (Liquid Credit), financial leasing, *Credi-proveedores* (Supplier Loan) and maximum interest-rate cap hedging. These products are intended to provide comprehensive solutions to the various needs that arise in residential development. Finally, to improve information flows with housing developers, an immediate response service has been established through which customers can check on the movements of their loans, and thus optimise the administration of their funding.

In **Corporate & Investment Banking** a new strategic model was implemented which resulted in the restructuring of the unit and a more efficient segmentation of customers. This was done to improve product coverage and overall customer integration. As a result, the data on activities in 2008 were positive.

Stand-out deals during the year included $400m in financing for the country's leading oil company – in an operation that also included a hedging derivative – and shared global co-ordination of the IPO for shares in the Mexican Stock Exchange, through which 4 billion pesos in funding were captured and more than 242 million shares were placed. In transactional services, BBVA Bancomer became the leading bank for one of the country's top industrial groups, offering services through more than 6,000 points of sale and becoming the sole payment platform for more than 30,000 suppliers.

In **Asset Management**, Bancomer confirmed its leadership in mutual funds in 2008 with an 80 basis-point increase in market share to 22.8% at the year-end. The year saw the launch by this unit of various new products for different types of customers, such as the B+Real fund targeted at private banking customers and HNWIs, which seeks to pay out higher-than-inflation yields. Another new feature was the BBVABRIC fund, which invests in stock markets in Brazil, Russia, India and China. Efforts also continued to promote mutual funds through the retail network via the *Invierte y Gana* (Invest and Win) campaign for the promotion of guaranteed funds, which were in great demand due to the volatile environment. This promotion offered customers attractive yields on investments starting from 90,000 pesos, and resulted in the capture of almost 10 billion pesos in the fourth quarter, with 71% new funds.

Global Markets continued to strengthen its presence in the structured notes market, where its share reached 24.4% in 2008, distancing it still further from its closest competitors. It also continued to concentrate on income from clients. Highlights in the corporate sales segment included the financing, syndication and hedging with derivatives of a $584m, 7-year deal with one of the country's leading oil industry service suppliers for the construction of a deep-sea oil rig. Finally, in order to continue promoting loan-based derivatives for SMEs, Global Markets expanded its coverage to other states in Mexico, with 42% more offices and products tailored to the needs of the segment catered for.

Pensions and Insurance

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. The **net attributable profit** from these four companies in 2008 totalled €210m, 35.1% up on 2007.

2008 was a highly complex year for the **pensions business** due to volatility on the international financial markets. As a result, the assets managed by Afore Bancomer at year-end totalled €7,196m, 0.3% down on the figure for the end of 2007. Fees were also affected: they stood at €125m, just 0.4% higher than in 2007, in spite of an increase in sales that generated more business and more affiliates. However, the crisis in the markets was most clearly felt in the financial results, which were slightly negative. On the other hand, the company's cost containment policy resulted in a 3.0% reduction in expenses. All in all, **net attributable profit** for 2008 was €39m (down 3.5% year on year).

Conversely, the **insurance business** again enjoyed a good year, with strong sales by all three Group companies in all business segments. Particularly noteworthy was the performance of **Seguros Bancomer**, Mexico's fourth biggest insurance company and the leader in the bancassurance sector, which achieved sales of €853m in premiums in 2008, 26.9% up on the previous year. This success was due to intensive sales work in the form of various advertising and launch campaigns for new products in the different market segments where the company operates. **Pensiones Bancomer** also had a positive year with business underwritten totalling €250m, 50.2% up on 2007. All this sales effort, combined with a suitable claim control policy, enabled the insurance business to achieve a **net attributable profit** of €171m, 48.7% up on 2007.

The United States

> BBVA Compass banking group
> Other units

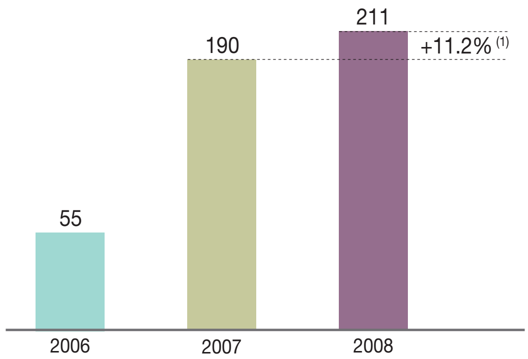
Economic conditions in the United States deteriorated broadly during 2008. The subprime mortgage crisis expanded to all real estate categories, bringing about large write-downs for banks, creating capital and liquidity problems globally, and eventually leaving the banking industry in crisis mode. Residential investment declined dramatically, accompanied by record drops in construction activity and average home prices. Unemployment rose from 5.0% in December 2007 to finish 2008 at 7.2% with many companies carrying out large staff reductions. Consumers responded to these events by holding back spending, leading to contracting economic output in the U.S.

To deal with the liquidity crunch and economic slowdown, the Federal Reserve embarked upon aggressive **interest rate** reductions. 2008 saw declines in the Prime and Fed Funds rates of 400 basis points each, with the Fed Funds target currently set at 0.0 – 0.25 basis points.

After hitting record highs during the year, oil and gasoline prices fell sharply in the fourth quarter, offering some relief to consumers and businesses alike. By the end of 2008, falling **inflation**, combined with a recessionary environment, pointed towards the risk of deflation. In response, the U.S. government, with a new president, is in the process of enacting a fiscal stimulus package approaching $1 trillion.

Over the course of the year, the dollar appreciated against the euro by 5.8%. However, the average **exchange rate** in 2008 showed 6.8%

The United States
Net attributable profit
(Million euros at constant exchange rate)



(1) At current exchange rate: +3.6%.

Income statement

(Million euros)

	The United States					BBVA Compass banking group				
	2008	Δ%	Δ% (1)	2007	2006	2008	Δ%	Δ% (1)	2007	2006
NET INTEREST INCOME	1,332	74.6	87.3	763	280	1,206	90.5	104.4	633	136
Net fees and commissions	546	73.6	86.3	314	113	511	106.8	121.9	247	41
Net trading income	123	236.2	260.7	37	14	97	n.m.	n.m.	17	2
Other income/expenses	21	88.2	101.9	11	3	22	88.7	102.5	12	4
GROSS INCOME	2,022	79.7	92.8	1,125	410	1,836	102.1	116.8	909	183
Administration costs	(1,088)	75.1	87.8	(621)	(252)	(985)	109.6	124.9	(470)	(96)
Depreciation and amortization	(244)	98.1	112.6	(123)	(28)	(237)	105.1	120.0	(116)	(20)
OPERATING INCOME	690	81.3	94.5	381	130	614	90.0	103.8	323	67
Impairment on financial assets (net)	(365)	n.m.	n.m.	(85)	(39)	(330)	n.m.	n.m.	(51)	(10)
Provisions (net) and other gains/losses	(15)	n.m.	n.m.	1	2	(13)	n.m.	n.m.	1	4
INCOME BEFORE TAX	309	4.3	11.9	297	93	272	(0.3)	6.9	273	60
Income tax	(99)	5.7	13.4	(93)	(29)	(89)	2.5	9.9	(87)	(19)
NET INCOME	211	3.6	11.2	203	64	184	(1.6)	5.5	187	41
Minority interests	-	n.m.	n.m.	-	-	-	(100.0)	(100.0)	-	-
NET ATTRIBUTABLE PROFIT	211	3.6	11.2	203	64	184	(1.7)	5.5	187	41
MEMORANDUM ITEM: NET ATTRIBUTABLE PROFIT EXCLUDING AMORTIZATION OF THE INTANGIBLE ASSETS	317	23.4	32.4	257	74	289	20.8	29.7	239	50

Balance sheet

(Million euros)

	31-12-08	Δ%	Δ% (1)	31-12-07	31-12-06	31-12-08	Δ%	Δ% (1)	31-12-07	31-12-06
Cash and balances with central banks	641	23.7	17.0	518	101	606	25.0	18.2	485	82
Financial assets	8,877	2.1	(3.5)	8,693	3,827	7,763	1.2	(4.4)	7,673	2,447
Loans and receivables	31,656	15.2	8.9	27,474	8,757	28,181	16.3	10.0	24,227	5,297
• Loans and advances to customers	30,889	17.6	11.2	26,262	7,911	27,598	18.3	11.9	23,322	4,828
• Loans and advances to credit institutions and other	767	(36.8)	(40.2)	1,212	846	584	(35.5)	(39.0)	905	470
Inter-area positions	-	-	-	-	-	-	-	-	-	-
Tangible assets	767	8.5	2.6	707	291	723	9.5	3.5	660	235
Other assets	1,405	42.0	34.3	989	1,975	1,298	46.4	38.4	887	1,830
TOTAL ASSETS / LIABILITIES AND EQUITY	43,345	12.9	6.8	38,381	14,951	38,571	13.7	7.5	33,931	9,891
Deposits from central banks and credit institutions	6,652	(1.3)	(6.7)	6,741	1,151	5,277	(4.2)	(9.4)	5,509	190
Deposits from customers	30,970	18.5	12.1	26,125	9,722	28,443	17.3	10.9	24,242	7,273
Debt certificates	440	(51.7)	(54.3)	911	885	244	11.0	4.9	220	-
Subordinated liabilities	1,136	15.1	8.8	988	259	1,052	15.9	9.6	908	170
Inter-area positions	-	(81.2)	(82.2)	2	2	-	-	-	-	-
Other liabilities	2,264	26.2	19.3	1,794	2,360	1,922	31.6	24.4	1,461	1,936
Minority interests	-	(99.7)	(99.7)	1	-	-	(99.7)	(99.7)	1	-
Economic capital allocated	1,882	3.5	(2.1)	1,818	572	1,633	2.6	(3.0)	1,591	323

(1) At constant exchange rate.

Relevant business indicators

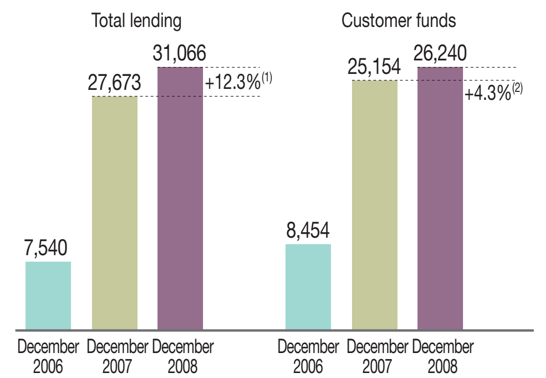
(Million euros and percentages)

	The United States					BBVA Compass banking group				
	31-12-08	Δ%	Δ% (1)	31-12-07	31-12-06	31-12-08	Δ%	Δ% (1)	31-12-07	31-12-06
Customer lending (2)	31,066	18.7	12.3	26,161	7,968	27,982	20.8	14.2	23,168	4,885
Customer deposits (3)	26,240	10.3	4.3	23,784	8,933	24,712	10.1	4.1	22,438	7,415
• Deposits	25,845	10.3	4.3	23,424	8,715	24,317	10.1	4.1	22,078	7,196
• Assets sold under repurchase agreement	395	9.6	3.7	360	219	395	9.6	3.7	360	219
Off-balance-sheet funds	-	-	-	-	-	-	-	-	-	-
• Mutual funds	-	-	-	-	-	-	-	-	-	-
• Pension funds	-	-	-	-	-	-	-	-	-	-
Customer portfolios	5,550	(16.9)	(21.5)	6,682	-	5,550	(16.9)	(21.5)	6,682	-
Risk-weighted assets (4)	23,531	3.5	(2.1)	22,730	7,148	20,409	2.6	(3.0)	19,893	4,032
ROE (%)	11.7			20.3	15.7	11.8			24.6	27.3
Efficiency ratio (%)	53.8			55.2	61.4	53.6			51.7	52.3
Efficiency incl. depreciation and amortization (%)	65.9			66.2	68.3	66.5			64.4	63.5
NPA ratio (%)	3.36			1.77	2.13	3.18			1.75	2.16
Coverage ratio (%)	57			101	115	58			98	110

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

The United States

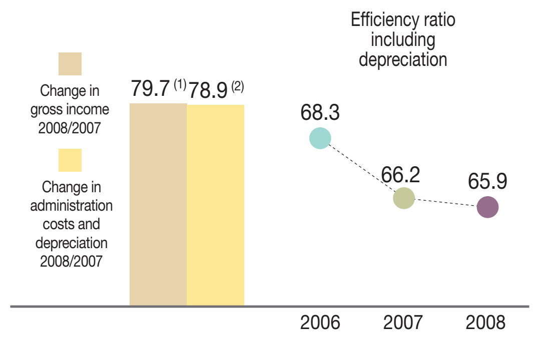
(Million euros at constant exchange rate)



(1) At current exchange rate: +18.7%.
(2) At current exchange rate: +10.3%.

The United States. Efficiency

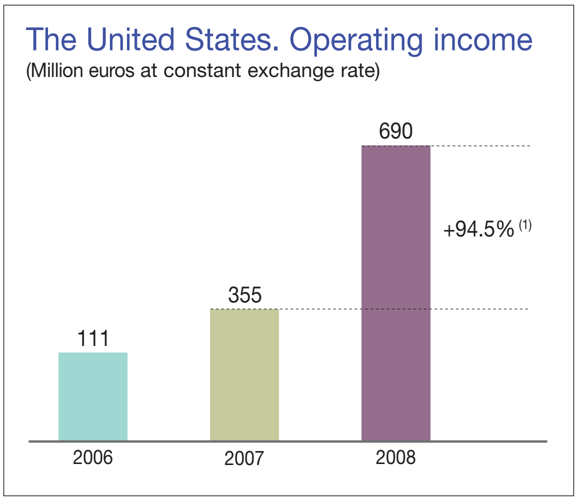
(Percentage)

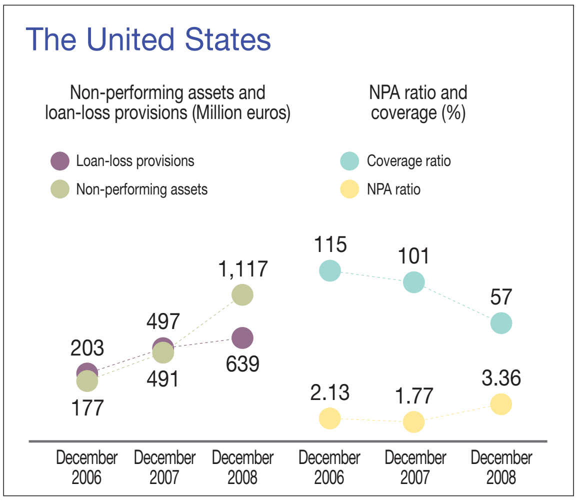


(1) At constant exchange rate: +92.8%.
(2) At constant exchange rate: +91.9%.

depreciation over 2007. This had a positive impact on the figures in the balance sheet and a negative impact on the income statement. To get a clearer picture of real business performance in this context, all comments will refer to year-on-year changes at **constant exchange rates**, as can be seen in a column in the preceding tables.

During the year, **BBVA USA** recorded an increase in **lending to customers** of 12.3%, reaching a balance of €31,066m on 31-Dec-08. Given the commercial real estate losses impacting the U.S.





(1) At current exchange rate: +81.3%.

market, focus was placed during the year on reducing exposure to these loan types. As a result, such exposure declined by over 300 basis points from 41.6% of total loans in December 2007 to 38.5% at December 2008. Most of the loan growth during the year came from less risky and more granular types of commercial loans and residential real estate loans. At year-end, the NPA rate stood at 3.36%, with a coverage ratio of 57%.

Customer deposits, meanwhile, grew 4.3% over the December 2007 figure, reaching a balance of €26,240m. The current economic situation has brought about lower interest rates, which were taken advantage of as lower cost interest bearing transactional accounts and wholesale financing displaced higher cost time deposits.

Compass joined the Group in September 2007, so year-on-year changes in the income statements are now insignificant, due to perimeter changes.

Net interest income, which had shown a rising trend throughout the first half year, remained stable through the second half despite the country's worsening economic situation. This offers a good example of BBVA USA's management's ability to cope with adverse conditions. Net interest income in the fourth quarter was up 2.9% on the same period in 2007. Total net interest income for the year reached €1,332m.

Non-interest income underwent a slowdown in the second half year, as reduced economic activity combined with a fall-off in securities market valuations drove net fees and commissions down. All told, the United States business area's **gross income** stood at €2,022m.

Administration **costs** reached €1,088m for the year. These include additional expenses arising from the merger and integration, as well as the costs of the reorganisation process needed to align the bank with the BBVA Group business model. In spite of this, the **efficiency** ratio improved to 53.8%, compared to 55.2% for 2007. Depreciation and amortization stood at €244m, of which €163m correspond to the amortization of intangibles for the purchased banks. Even so, the cost-to-income ratio was 65.9%, slightly better than the previous year's figure of 66.2%. Altogether, this produced an **operating income** figure of €690m, almost double that of 2007.

The business area made a special effort in loan-loss **provisioning**, especially during the second half year, with provisions for financial asset impairment reaching €365m for the entire year.

All in all, BBVA USA contributed **net attributable profit** of €211m to the Group in 2008. Excluding amortization of intangibles, this figure rises to €317m.

AREA STRATEGY

2008 was a year marked by the **integration** process, which began with the full merger of the three Texas banks into the Compass franchise and

Key factors in the United States in 2008

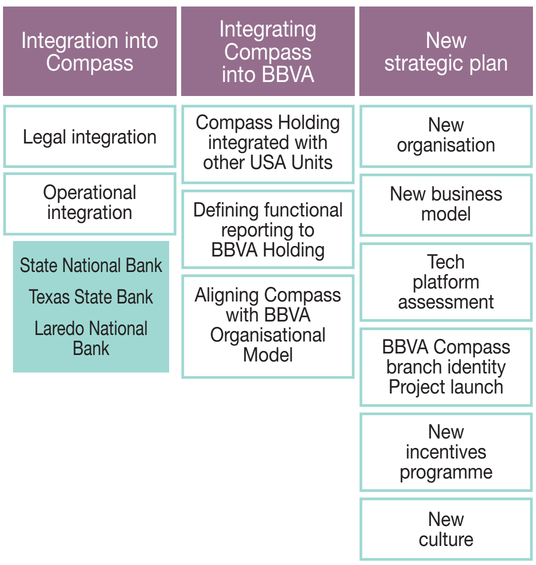
- Despite the drastic economic contraction, BBVA USA has proven its management abilities in difficult environments.
- Integration of the four banks in record time.
- Implementation of the new BBVA Compass brand.
- Synergy generation beyond expectations.
- All of this has been compatible with business growth, especially in the loan portfolio and in low-risk products.
- Special effort in loan-loss provisioning.

platform, and continued with the integration of the resulting entity into the BBVA Group.

The legal merger of the four banks during the first quarter was followed by the process of **integrating their operations** into the Compass Bank platform. This effort was carried out in record time and with outstanding results – the integration of State National Bank was completed in March, that of the Texas State Bank in August and Laredo National Bank's in November.

The franchise was then re-branded to **BBVA Compass**, serving to combine local recognition with international prestige. This process will be completed within the first months of 2009.

BBVA USA, moving forward with our transformation process



Steps have been taken to **align** BBVA USA with the organisational and business models of the BBVA Group. Such actions have had their effect on all lines of business, focusing mainly on three areas: customer focus, employee satisfaction and motivation, and shareholder profitability.

Looking ahead with an optimal organisation in place, BBVA USA is now prepared to take the next steps towards implementing its new strategic plan, which will include more changes in the business model, in technology platforms, incentive structures and corporate culture.

BBVA Compass banking group

The process of integrating the four banks into BBVA Compass was fully compatible with business growth. BBVA Compass Bank ended December 2008 with a **loan-book** of €27,982m, a 14.2% year-on-year increase. Growth in less risky areas such as lending to corporations and residential mortgages led the way, while exposure to commercial real estate assets decreased. As for **customer deposits**, they reached €24,712m at 31-Dec-08, a year-on-year rise of 4.1%.

Given that this unit accounts for over 87% of the area's profit, the evolution of its results is quite similar to that described above for BBVA USA group as a whole.

Income stayed on an upward curve throughout the first part of the year, only to drop afterwards as the result of the ailing economy, leaving **gross income** at €1,836m. Administration costs were influenced by merger and integration costs, while depreciation and amortization included €163m for intangible assets. All the above produced an **operating income** of €614m.

After heavy loan-loss provisioning, **net attributable profit** stood at €184m. Excluding the depreciation and amortization of intangible assets, this figure rises to €289m.

BUSINESS UNITS

Retail Banking has the following priorities: customer satisfaction, an increase in cross-sold products, along with improvements in customer retention, efficiency and average profitability. Towards these ends, the Retail Banking unit launched the following initiatives:

- A "BusinessClass Preferred" customer programme, which provides the bank's best customers with an enhanced package of service and product benefits. This initiative has produced excellent results since its launch.
- A programme for increasing cross-selling, retention and customer profitability.
- A new online system for referring mortgage requests to the specialised department.
- Mobile banking for retail clients.

This unit ended 2008 with a loan portfolio of €9,384m and customer deposits of €13,872m.

The bank reorganisation process included the integration of Community Banking into the **Corporate Banking** unit at the end of the year. The primary goals of this operation included: expanding cross-selling opportunities, enhancing product and sector diversification and expanding international capabilities by leveraging the BBVA brand. To accomplish these, Corporate Banking plans to lever on BBVA's more dynamic credit culture and to invest in technology and infrastructure to support growth and manage risk.

As part of the goals set for 2008, the unit expanded its capital markets business, mainly through the sale of interest-rate derivatives and fixed-income products. Progress was also made in streamlining the risk model via optimised committee structures, loan approval guidelines and risk monitoring.

Corporate Banking manages a loan portfolio of €16,283m and customer deposits of €7,728m. Loan growth during the year benefited from an increase in municipal and public funding and the energy sector.

Wealth Management is the unit that offers value-added products and services to the bank's high-net worth customers. The past year presented great challenges in meeting this goal, but the unit was able to solidify its positioning through the following activities:

- Creating a single investments organisation by merging Compass Brokerage into its operations
- Working with Retail Banking to migrate customers with over $500,000 of liquid assets to Wealth Management
- Expanding in the Denver, CO market

Wealth Management manages a loan portfolio of €1,731m and customer deposits of €2,322m. Additionally, the unit ended the year with €9,777m in assets under management.

Efforts such as these undertaken by each business unit better position BBVA Compass, preparing it to move ahead with the strategic transformation plan needed for continued growth.

Other units

BBVA Puerto Rico managed customer loans of €3,023m at 31-Dec-08. This was down 3.7% year on year. Customer deposits rose to €1,445m, a 6.9% increase over the figure at 31-December-07. This increase was driven by a rise in savings accounts, which grew by 10.5% thanks to the launch of new products such as the *Cuenta Ascendente* (Step up Account) and the *Cuenta Inteligente* (Intelligent Account).

Despite the continuing recession on the island, gross income rose to €152m, a year-on-year increase of 7.9%. That was significantly higher than the moderate 1.7% rise in expenses, the product of a strict cost control programme that will last into 2009. This enhanced the efficiency ratio and improved operating income by 18.4% to €72m. Net attributable profit stood at €26m, (up 21.6% year on year).

BTS processed 28.4 million transfers in 2008, a 7.8% increase over the previous year. Of these, 22.5 million went to Mexico and 5.8 million to other countries. Net attributable profit for the year went down 18.5% year on year to €10m, as fierce competition, both locally and globally, continued to pressure margins.

BBVA Bancomer USA saw its deposits increase 13.0% over December 2007. It opened almost 21,000 new accounts in 2008, while handling over 495,000 money transfers.

South America

> Banking businesses
> Pensions and Insurance

The South America area handles the BBVA Group's banking, pension and insurance businesses in Argentina, Bolivia, Chile, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. In the fourth quarter of 2008 the Group sold its interests in Consolidar Salud. In the same quarter, Argentina nationalised the pension funds administered in the private sector, where BBVA operated through Consolidar AFJP.

The region generally showed good, if uneven, **economic performance** during 2008. In the first half-year, high commodity prices, robust lending and a healthy public finances environment all served to boost growth in area countries, along with strong domestic demand. Nevertheless, the spiralling of the international financial crisis in the fourth quarter led to a global rise in risk aversion, which pushed up funding costs significantly, leading to tougher credit conditions and a general slowdown in activity. The period also saw a sharp drop in food and commodity prices, as foreign demand shrunk, all of which helped to reverse the upward trend in inflation that lasted until September. The central banks' restrictive monetary policy applied during the first half-year gave way during the last months of the year to lowered interest rates and injections of liquidity.

Despite the deteriorating economic scenario in the fourth quarter, it was a positive year for the whole **Latin American financial sector**. Variables tracking financial activity improved, without

BBVA's presence in South America
(31-12-08)

	Banks	Pension funds managers	Insurance companies
Argentina	•		•
Bolivia		•	
Chile	•	•	•
Colombia	•	•	•
Ecuador		•	
Panama	•		
Paraguay	•		
Peru	•	•	
Uruguay	•		
Venezuela	•		•

Income statement

(Million euros)

	South America					Memorandum item: Banking businesses				Memorandum item: Pensions and Insurance			
	2008	∆%	∆% (1)	2007	2006	2008	∆%	∆% (1)	2007	2008	∆%	∆% (1)	2007
NET INTEREST INCOME	2,199	25.9	32.0	1,746	1,376	2,056	24.9	30.6	1,646	146	38.8	50.7	105
Net fees and commissions	775	3.3	9.8	750	664	562	7.6	12.7	523	214	(7.1)	(2.8)	230
Net trading income	253	13.7	19.6	222	319	263	63.0	71.4	161	(9)	n.m.	n.m.	61
Other income/expenses	(35)	89.4	n.m.	(18)	(4)	(56)	(11.6)	(6.6)	(64)	29	(42.6)	(38.9)	50
GROSS INCOME	3,192	18.2	23.9	2,701	2,355	2,824	24.6	30.4	2,266	380	(15.0)	(10.1)	447
Administration costs	(1,315)	11.3	16.8	(1,181)	(1,103)	(1,046)	11.8	17.2	(935)	(241)	0.6	6.3	(239)
Depreciation and amortization	(107)	14.9	20.0	(93)	(93)	(98)	16.2	21.1	(84)	(9)	2.8	8.8	(9)
OPERATING INCOME	1,770	24.1	30.1	1,427	1,159	1,681	34.8	40.9	1,247	130	(34.6)	(30.7)	199
Impairment on financial assets (net)	(358)	36.8	42.7	(262)	(150)	(358)	36.8	42.7	(262)	-	-	-	-
Provisions (net) and other gains/losses	(17)	(73.1)	(72.1)	(63)	(54)	(13)	(77.6)	(76.1)	(59)	(4)	n.m.	n.m.	16
INCOME BEFORE TAX	1,396	26.7	33.0	1,102	955	1,310	41.4	47.7	927	126	(41.2)	(37.6)	215
Income tax	(318)	61.8	67.6	(197)	(229)	(286)	75.5	80.3	(163)	(44)	(3.8)	1.6	(46)
NET INCOME	1,078	19.0	25.3	905	726	1,024	34.1	40.7	764	82	(51.4)	(48.4)	169
Minority interests	(351)	24.4	31.1	(282)	(217)	(335)	40.6	48.0	(238)	(15)	(65.1)	(62.8)	(44)
NET ATTRIBUTABLE PROFIT	727	16.6	22.7	623	509	689	31.2	37.3	525	67	(46.6)	(43.3)	125

Balance sheet

(Million euros)

	South America					Memorandum item: Banking businesses				Memorandum item: Pensions and Insurance			
	31-12-08	∆%	∆% (1)	31-12-07	31-12-06	31-12-08	∆%	∆% (1)	31-12-07	31-12-08	∆%	∆% (1)	31-12-07
Cash and balances with central banks	5,512	37.3	37.9	4,016	2,889	5,511	37.3	37.9	4,015	-	(24.3)	(11.8)	1
Financial assets	5,865	29.0	36.8	4,546	4,219	5,057	36.6	43.7	3,703	1,027	(2.6)	7.7	1,054
Loans and receivables	27,871	15.9	21.8	24,048	21,076	27,269	15.7	21.4	23,574	751	32.7	47.0	566
• Loans and advances to customers	24,341	12.8	18.9	21,570	17,014	24,137	12.9	19.0	21,382	205	8.1	14.0	189
• Loans and advances to credit institutions and other	3,530	42.5	45.6	2,478	4,062	3,132	42.9	44.0	2,192	546	45.1	64.9	377
Inter-area positions	-	-	-	-	-	13	9.9	16.0	12	-	-	-	-
Tangible assets	478	4.4	10.4	457	488	427	8.9	14.1	392	50	(22.5)	(13.4)	65
Other assets	1,874	15.5	21.9	1,623	1,825	1,190	27.3	37.9	935	131	(14.1)	(5.7)	153
TOTAL ASSETS / LIABILITIES AND EQUITY	41,600	19.9	25.5	34,690	30,498	39,468	21.0	26.4	32,631	1,960	6.6	17.9	1,838
Deposits from central banks and credit institutions	3,674	33.0	41.7	2,763	2,650	3,667	32.9	41.6	2,759	8	55.0	65.1	5
Deposits from customers	27,951	16.4	20.9	24,018	21,254	28,059	16.5	21.1	24,077	-	n.m.	n.m.	-
Debt certificates	1,212	39.4	59.0	870	468	1,212	39.4	59.0	870	-	-	-	-
Subordinated liabilities	1,240	9.1	14.7	1,137	1,112	680	14.4	26.2	595	-	-	-	-
Inter-area positions	30	8.7	6.4	28	30	-	-	-	-	-	-	-	-
Other liabilities	4,625	39.5	48.2	3,316	2,604	3,722	72.3	80.3	2,160	1,218	(15.9)	(7.5)	1,448
Minority interests	666	24.0	27.1	537	695	601	30.3	30.4	461	55	(20.6)	(4.0)	69
Economic capital allocated	2,201	8.9	14.4	2,021	1,684	1,527	(10.6)	(7.1)	1,709	678	115.2	139.4	315

(1) At constant exchange rate.

Relevant business indicators

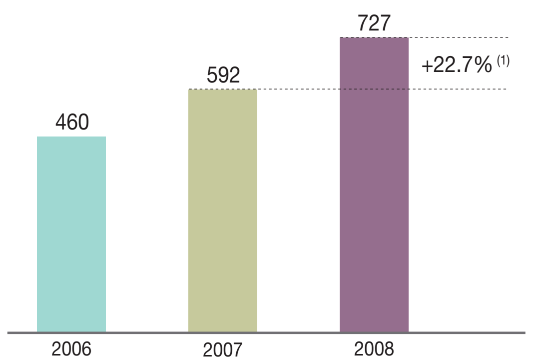
(Million euros and percentages)

	South America					Memorandum item: Banking businesses				Memorandum item: Pensions and Insurance			
	31-12-08	∆%	∆% [1]	31-12-07	31-12-06	31-12-08	∆%	∆% [1]	31-12-07	31-12-08	∆%	∆% [1]	31-12-07
Customer lending [2]	24,475	12.0	18.1	21,845	17,368	24,475	12.0	18.1	21,845	-	-	-	-
Customer deposits [3]	29,382	15.1	20.2	25,525	22,886	29,382	15.1	20.2	25,525	-	-	-	-
• Deposits	28,864	16.6	22.1	24,759	21,780	28,864	16.6	22.1	24,759	-	-	-	-
• Assets sold under repurchase agreement	518	(32.3)	(35.5)	766	1,106	518	(32.3)	(35.5)	766	-	-	-	-
Off-balance-sheet funds	25,831	(29.3)	(19.8)	36,551	33,447	1,300	(24.6)	(19.2)	1,725	24,531	(29.6)	(19.9)	34,826
• Mutual funds	1,300	(24.6)	(19.2)	1,725	1,575	1,300	(24.6)	(19.2)	1,725	-	-	-	-
• Pension funds	24,531	(29.6)	(19.9)	34,826	31,872	-	-	-	-	24,531	(29.6)	(19.9)	34,826
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets [4]	27,518	8.9	14.4	25,263	19,985	19,093	(10.6)	(7.1)	21,358	8,478	115.2	139.4	3,940
ROE (%)	36.9			32.8	34.8	45.3			32.8	14.8			41.2
Efficiency ratio (%)	41.2			43.7	46.8	37.0			41.3	63.4			53.6
Efficiency incl. depreciation and amortization (%)	44.5			47.2	50.8	40.5			45.0	65.8			55.5
NPA ratio (%)	2.12			2.14	2.67	2.13			2.16	-			-
Coverage ratio (%)	148			146	133	148			146	-			-

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

South America. Net attributable profit

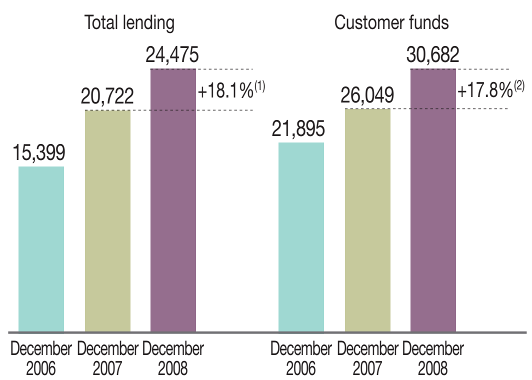
(Million euros at constant exchange rate)



(1) At current exchange rate: +16.6%.

South America

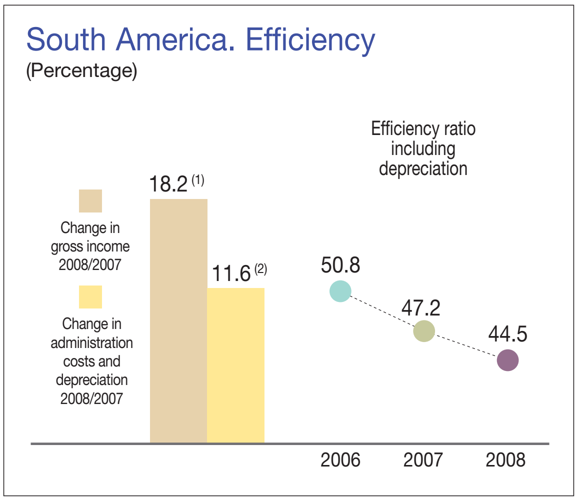
(Million euros at constant exchange rate)



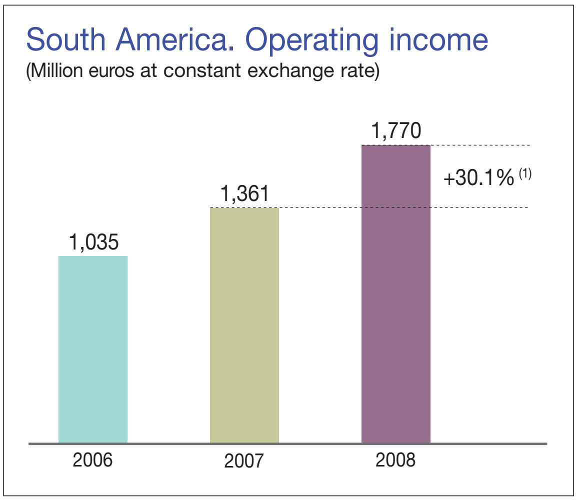
(1) At current exchange rate: +12.0%.
(2) At current exchange rate: +12.6%.

worrying signs of worsening asset quality or liquidity shortage – except at specific moments in certain countries. Generally, profit and solvency levels continued to improve.

Towards the end of the year, Latin American **currencies** depreciated significantly against the US dollar, cancelling out most of their rise in value during the first half-year. Depreciation predominated against the euro too: the negative impact of the exchange rate persisted in the area's financial statements. As usual, the accompanying tables contain columns with year-on-year changes



(1) At constant exchange rate: +23.9%.
(2) At constant exchange rate: +17.0%.



(1) At current exchange rate: +24.1%.

at **constant exchange rates** and all remarks refer to these figures, which provide a better picture of how the business has evolved.

In this context, the **South America** area closed an outstanding year, showing positive performance in banking and insurance business (although the pension business experienced difficulties). **Net attributable profit** reached €727m (up 22.7% year on year), supporting an improvement in return on equity (ROE) to 36.9%, as against 32.8% in 2007.

This outstanding boost in profits was based on solid results in recurring income by all units, especially in **net interest income**, which grew by 32.0% at €2,199m. The keys to this success lay in significant volume growth and keeping spreads wide – a policy that is difficult to apply in an environment of interest rate volatility.

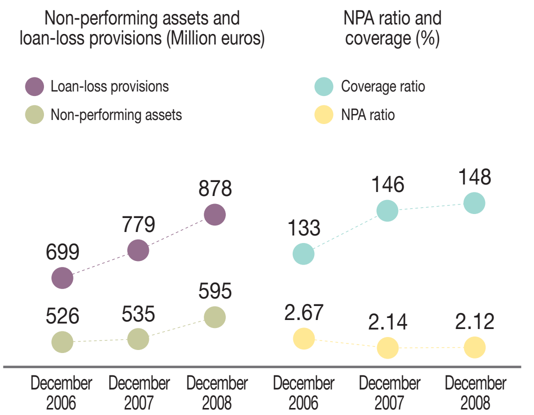
Business with customers recorded outstanding figures for **lending** which stood at €24,475m by 31-Dec-08, a year-on-year increase of 18.1%. Retail-oriented products once again showed the most dynamic performance, especially mortgages (up 26.0%), consumer loans and credit cards (jointly up 17.0%) and corporate-banking products, which grew by 17.6%. It was also a good year for **customer funds** which, including mutual funds, closed out the year at €30,682m (a 17.8% year-on-year jump). This included growth in current and savings accounts, which were up 15.0%, in spite of rising interest rates until October and occasional tight liquidity. The **pension business** was hit by poor financial market performance and the removal of Consolidar AFJP funds from their books. At year close, assets under management stood at €24,531m (a 19.9% year-on-year drop, down 9.5% excluding Consolidar). Conversely, 2008 was a favourable year for the **insurance business**, with a 40% year-on-year increase in premiums sold, discounting the effect of the Consolidar Salud divestment.

Net **fee** income also benefited from volume growth, to reach €775m at year-end. This 9.8% rise was driven mostly by products linked to transactional activity rather than market-related products (equities, mutual funds and pensions). **Net trading income** totalled €253m, up 19% from 2007. This included capital gains on the disposal of public-sector assets in Argentina. All in all, **gross income** reached €3,192m, a year-on-year increase of 23.9%.

Administration costs consumed €1,315m. Their 16.8% increase reflected the widespread rise in inflation and strong sales and marketing activity in all units, along with an expansion of the branch network in some cases. However, since revenue growth outpaced that of expenses, the **cost-to-income ratio including depreciation** improved to 44.5%, from the previous year figure of 47.2%, while **operating income** rose by 30.1%, bringing the total to €1.770m.

The significant rise in business volumes in no way impaired asset quality. Disciplined risk acceptance and an active work-out policy brought the **non-performing assets ratio** down to 2.12% (as compared to 2.14% on 31-Dec-07). Provisions

South America



for financial asset impairment rose by 42.7%, due to increased lending and a change in the loan-book mix. Higher provisioning pushed the **coverage** ratio on non-performing assets to 148%, (up on the 146% at 31-Dec-07).

AREA STRATEGY

In spite of the worsening international economic scenario, the BBVA Group's **strategy for the future** as applied to the area remains firmly committed to maintaining its leadership position in Latin America, both in the banking business and in pension and insurance activities.

Accordingly, in 2008 the bank further progressed towards meeting its objective of increasing its **customer base:**

- Individual customers: increasing the base with over 500,000 new customers.
- Payslip account customers: 600,000 new customers, reaching a total of 2.4 million.
- 25% increase in loan customers, bringing the figure to 2.5 million.

Key factors in South America in 2008

- Positive macroeconomic environment, despite a slowdown in the last quarter.
- Transformation and banking penetration plans continued to progress as planned.
- Excellent banking business results, based on strong recurrent earnings, positive trends in marketing activity and strict interest spread management.
- Expenses were in line with regional inflation rates. Efficiency continues to improve.
- NPA ratio remained low.
- Brilliant year for the insurance business, with buoyant marketing activity. Pension business earnings affected by market volatility.

Banking businesses

The area's banking business generated €689m in net attributable profit, ie, 37.3% more than in 2007. The most relevant information for each bank is given below.

ARGENTINA

In 2008, the **Argentine economy** grew at a rate of 7%. This more moderate growth rate can be explained by lower global demand arising from the international economic crisis, especially near the end of the year. Such negative effects were mitigated in the first quarter by high commodity prices. Performance was also hindered by the high degree of social unrest, especially in the farming sector in the first quarter, and by the problems set off in the fourth quarter when the State took over pension assets administered in the private sector

In 2008, **BBVA Banco Francés** continued to boost its **private lending activity**, which saw a year-on-year jump of close to 10% – especially in the retail and corporate sectors. Retail lending (up 44.8%) was highlighted by personal loans, secured lending and credit cards. Business in the corporate segment featured advances, documentary credit and foreign trade transactions. In the **customer funds** area, priority was put on low cost fund gathering activities, where noteworthy gains were made in current and savings accounts (up 19.9%), overcoming isolated moments of tight liquidity throughout the system By the end of the year, the bank held over 800m pesos in capital surplus, along with a comfortable liquidity position.

In Argentina, BBVA Banco Francés contributed **net attributable profit** of €140m in net attributable profit during 2008, with a year-on-year growth of 4.2% despite high capital gains on the disposal of public-sector assets in 2007. The aforementioned boost in activity fuelled an increase in **net interest income** (up 26.7%, also benefiting from effective spread management) and fees (up 36.3%).

SOUTH AMERICA. FINANCIAL STATEMENTS OF THE MAIN BANKS

Income statement

(Million euros)

	ARGENTINA BBVA Banco Francés				CHILE BBVA Chile			
	2008	∆%	∆% (1)	2007	2008	∆%	∆% (1)	2007
NET INTEREST INCOME	**275**	**16.0**	**26.7**	**237**	**233**	**17.3**	**25.1**	**198**
Net fees and commissions	138	24.8	36.3	111	51	4.8	11.8	48
Net trading income	58	(17.5)	(9.9)	70	36	144.4	160.6	15
Other income/expenses	(11)	(26.7)	(20.0)	(15)	2	(44.5)	(40.8)	3
GROSS INCOME	**460**	**14.1**	**24.7**	**403**	**321**	**21.4**	**29.5**	**264**
Administration costs	(223)	20.9	32.1	(184)	(147)	5.0	12.0	(140)
Depreciation and amortization	(10)	11.2	21.4	(9)	(9)	(8.1)	(2.0)	(10)
OPERATING INCOME	**227**	**8.3**	**18.3**	**210**	**165**	**44.0**	**53.6**	**114**
Impairment on financial assets (net)	(8)	n.m.	n.m.	4	(62)	5.7	12.7	(58)
Provisions (net) and other gains/losses	15	n.m.	n.m.	(21)	(7)	114.4	128.7	(3)
INCOME BEFORE TAX	**234**	**21.3**	**32.5**	**193**	**96**	**82.2**	**94.3**	**53**
Income tax	(49)	n.m.	n.m.	1	(8)	n.m.	n.m.	(2)
NET INCOME	**185**	**(4.9)**	**3.9**	**194**	**88**	**71.4**	**82.7**	**51**
Minority interests	(44)	(5.7)	3.0	(47)	(25)	74.4	86.0	(14)
NET ATTRIBUTABLE PROFIT	**140**	**(4.6)**	**4.2**	**147**	**63**	**70.2**	**81.4**	**37**

Balance sheet

(Million euros)

	BBVA Banco Francés				BBVA Chile			
	31-12-08	∆%	∆% (1)	31-12-07	31-12-08	∆%	∆% (1)	31-12-07
Cash and balances with central banks	1,132	79.0	88.6	633	207	(26.3)	(10.7)	280
Financial assets	543	(27.5)	(23.5)	748	1,732	135.5	185.2	736
Loans and receivables	2,512	3.4	9.0	2,429	6,431	(4.7)	15.4	6,746
• Loans and advances to customers	2,170	4.9	10.5	2,069	5,933	(7.1)	12.5	6,386
• Loans and advances to credit institutions and other	342	(4.8)	0.4	359	498	38.6	67.8	360
Tangible assets	92	6.3	12.0	86	67	(11.3)	7.4	75
Other assets	196	2.8	8.3	191	384	5.1	27.3	365
TOTAL ASSETS / LIABILITIES AND EQUITY	**4,475**	**9.5**	**15.4**	**4,086**	**8,821**	**7.5**	**30.2**	**8,203**
Deposits from central banks and credit institutions	151	(11.6)	(6.8)	171	954	1.8	23.2	937
Deposits from customers	3,520	8.3	14.1	3,250	5,363	0.1	21.2	5,359
Debt certificates	-	(90.5)	(90.0)	-	637	10.2	33.4	578
Subordinated liabilities	-	-	-	-	299	(2.7)	17.8	307
Other liabilities	552	179.0	194.0	198	1,274	80.3	118.3	706
Minority interests	39	(24.9)	(20.8)	52	62	22.9	48.9	50
Economic capital allocated	212	(48.9)	(46.1)	415	233	(11.9)	6.7	264

(1) At constant exchange rate.

COLOMBIA BBVA Colombia				PERU BBVA Banco Continental				VENEZUELA BBVA Banco Provincial			
2008	Δ%	Δ% (1)	2007	2008	Δ%	Δ% (1)	2007	2008	Δ%	Δ% (1)	2007
420	**28.7**	**29.4**	**326**	**315**	**24.9**	**25.0**	**252**	**720**	**29.8**	**39.3**	**554**
101	(6.7)	(6.1)	108	94	9.8	9.9	85	161	3.3	11.0	156
47	145.6	147.0	19	84	127.4	127.6	37	32	98.2	112.9	16
(4)	(64.9)	(64.7)	(10)	(2)	(47.6)	(47.5)	(4)	(38)	7.9	15.8	(35)
564	**27.3**	**28.1**	**443**	**491**	**32.4**	**32.5**	**371**	**874**	**26.5**	**35.9**	**691**
(202)	6.4	7.0	(190)	(140)	20.6	20.7	(116)	(298)	15.7	24.3	(257)
(26)	13.2	13.9	(23)	(15)	17.6	17.7	(12)	(36)	28.9	38.4	(28)
336	**46.0**	**46.8**	**230**	**336**	**38.9**	**39.0**	**242**	**541**	**33.2**	**43.0**	**406**
(126)	119.8	121.1	(57)	(75)	82.8	83.0	(41)	(84)	(18.2)	(12.2)	(103)
(11)	(59.7)	(59.5)	(27)	2	n.m.	n.m.	(1)	(12)	(53.6)	(50.1)	(25)
199	**36.7**	**37.4**	**146**	**263**	**31.2**	**31.3**	**200**	**445**	**60.0**	**71.9**	**278**
(59)	78.0	79.1	(33)	(81)	25.0	25.1	(65)	(75)	39.3	49.6	(54)
140	**24.4**	**25.1**	**112**	**181**	**34.2**	**34.3**	**135**	**369**	**65.1**	**77.2**	**224**
(6)	23.7	24.4	(5)	(95)	31.9	32.0	(72)	(165)	64.9	77.1	(100)
133	**24.5**	**25.2**	**107**	**86**	**36.8**	**37.0**	**63**	**205**	**65.2**	**77.4**	**124**

BBVA Colombia				BBVA Banco Continental				BBVA Banco Provincial			
31-12-08	Δ%	Δ% (1)	31-12-07	31-12-08	Δ%	Δ% (1)	31-12-07	31-12-08	Δ%	Δ% (1)	31-12-07
385	(32.4)	(28.8)	570	1,434	47.6	46.3	972	2,125	51.3	42.9	1,405
1,207	23.4	29.9	978	1,122	61.6	60.2	695	335	(23.2)	(27.5)	436
4,543	15.9	22.1	3,920	4,859	28.9	27.8	3,771	7,015	33.4	26.0	5,257
4,499	16.1	22.2	3,877	4,684	27.6	26.5	3,671	5,182	25.8	18.8	4,120
44	2.8	8.3	43	175	75.9	74.4	100	1,832	61.1	52.1	1,137
82	(9.3)	(4.5)	90	81	22.7	21.6	66	89	44.0	36.0	62
106	(27.1)	(23.2)	145	183	38.1	36.9	133	309	257.6	237.7	86
6,323	**10.9**	**16.8**	**5,703**	**7,680**	**36.3**	**35.1**	**5,636**	**9,872**	**36.2**	**28.7**	**7,246**
349	3.5	9.0	337	1,684	50.7	49.4	1,118	267	182.3	166.6	95
4,884	9.0	14.8	4,482	4,813	32.1	31.0	3,643	7,947	34.0	26.6	5,929
254	55.5	63.8	163	134	16.9	15.9	115	-	(100.0)	(100.0)	13
134	(4.3)	0.8	140	166	105.0	103.2	81	73	9.2	3.1	67
253	48.0	55.9	171	441	45.2	43.9	304	1,006	53.0	44.4	658
17	7.9	13.7	16	201	17.7	16.6	171	281	64.0	54.8	171
432	9.5	15.3	394	241	17.9	16.9	204	297	(5.1)	(10.4)	313

Administration costs were impacted by dynamic sales and marketing in the bank and high inflation in the country, but this didn't hinder an 18.3% increase in **operating income** to €227m. Loan-loss provisions were low, however, as requirements for further provisions were kept in check and recoveries managed efficiently.

CHILE

The **Chilean economy** grew by 4% in 2008, although that growth was quite uneven. The economy expanded until September, then experienced a slowdown throughout the last months of the year as the international crisis worsened. Monetary policy and interest rate movements closely paralleled inflation, which was pushed up by rising energy and food prices until October, before falling off over the last two months thanks to drops in fuel prices and lower growth forecasts.

BBVA Chile continued made further progress in repositioning its retail business while making strides in organisational efficiency. These efforts fell within the framework of the Top One and Top Sales plans, which led to advances in productivity while speeding up activity. Forum, the Group's consumer finance unit in Chile, maintained its leadership position in vehicle finance through third-party channels, while expanding penetration in different brands and the offer of high value added products. This produced a 12.2% boost in the joint bank and Forum **loan-book**, highlighted by consumer and card financing. It also supported a gradual recovery in the mortgage business. In **customer funds**, which marked a year-on-year increase of 15.7%, priority was placed on capturing customers in the individual and corporate segments. Meanwhile, new guaranteed products were launched in mutual funds. On another front, the Assets and Liabilities Committee policy of extending maturities while diversifying financing sources helped the bank to avoid the occasional tight liquidity episodes appearing in the sector during the last quarter.

Net attributable profit, which reached €63m (81.4% over the 2007 figure), was fuelled by a 25.1% jump in **net interest income**. The latter was influenced by increased business volumes and effective spread management. Fees also performed well (up 11.8%), but expenses, which had to absorb the costs of the new marketing structure, increased by 12.0%. In spite of that, the cost/income ratio of 48.6% represented an 8.1% year-on-year improvement. **Operating income** was also up (by 53.6%), reaching €165m. Loan-loss provisions were kept quite low; the 12.7% increase was below that of overall activity, thanks to prudent credit risk management.

COLOMBIA

A general slowdown in domestic demand – consumption as well as investment – took **GDP growth** down to under 4%. The ailing world economy, along with local factors such as the anti-inflationary measures put into place by the Colombian central bank in April 2006, eventually had a negative effect on lending activities, which dropped off sharply from the high growth rates of 2006 and 2007.

BBVA Colombia remains positioned as one of the most dynamic players within the financial system. **Lending** grew by 19.8%, a higher rate than that of the system as a whole, marking significant gains in lending to individuals (up 17.9%) as well as to corporates (up 23.7%). Performance in individual lending was highlighted by consumer loans (highest growth in the sector, at 18.2%), credit cards (up 21.1%, thanks to a significant marketing effort that brought in over 150,000 new credit card customers over the year), and the mortgage portfolio, which included new loan products such as the VIS loans. It was also a good year for **customer funds**, which grew by 13.7% in spite of the effect of changes in the liquidity requirement standards, favouring longer and more stable maturities. In order to diminish interest rate risk on the balance sheet, in 2008 the bank issued bonds indexed to the DTF and IPC rates for the amount of 300 billion pesos. In addition, the mortgage portfolio was securitised for the amount of 140 billion pesos.

BBVA Colombia increased its **net attributable profit** by 25.2% in 2008 up to €133m, thanks to a boost in **net interest income** (up 29.4%) fuelled by growth in business volumes and active spread management. Growth in expenses (up 7%) was kept at a moderate level by the austerity plans applied over recent years. This helped improve the cost/income ratio by 7.6 percentage points over the year, pushing **operating income** up by 46.8% to €336m. The sharp increase in loan-loss provisioning was the result of strengthened regulations covering consumer loan portfolio.

The trade journal *The Banker* chose BBVA Colombia as the "Best Bank in Colombia" for 2008, while *Latin Finance* once again acknowledged the entity as the "Number one bank in the country in sustainability, corporate social responsibility and ethics".

PANAMA

Latest estimates show the **Panamanian economy** to have grown by 9% in 2008, boosted by the Canal enlargement project, a strong real estate sector and foreign trade.

BBVA Panamá enjoyed dynamic trade with other regions, leading to an 18.1% increase in lending, including good performance by the wholesale and individual loans segment. Meanwhile, strict risk management lowered the NPA ratio to below 1%. Two branches and two lending hubs were also opened, as part of the expansion plan launched in 2007.

This increased business led to growth in net interest income of 15.5%, as well as a 14.9% jump in fee income, boosting **net attributable profit** to €27m (up 25.2%).

PARAGUAY

Projections show that in spite of the worsening international situation, the Paraguayan GDP grew by 5.4% in 2008, given that the domestic **economic situation** remained positive.

BBVA Paraguay, the country's leading bank, had a brilliant year with 44.3% growth in **lending**, fuelled by the expansion in retail business begun the year before. This expansion issued in the opening of two new branches in 2008, along with additions to the ATM network. **Customer funds** also performed well (up 29.3%), an achievement that was complemented by medium- and long-term finance obtained from multilateral organisations, and by the issuing of subordinated bonds.

The bank posted a **net attributable profit** of €25m (up 26.3%), greatly boosted by a spike in net interest income (up 35.3%) and fee income (up 46.0%).

For the second straight year, BBVA Paraguay was named as the "Best Bank in the Country" by *The Banker* and *Euromoney*.

PERU

In 2008, the **Peruvian economy** grew by approximately 9%, a rate similar to that of the previous year's results. This growth was fuelled by domestic demand, benefiting from greater investment, higher employment and less restrictive access to loans. This was augmented by the healthy condition of public finances and a significant level of international reserves. Rising inflation and occasional liquidity falloffs represented the year's less positive events.

With this backdrop, **BBVA Banco Continental** enjoyed a year of innovation and an improved product offer, allowing the bank to increase **lending** by 26.3%. The retail segment was highlighted by consumer and card lending as well as the mortgage business. Highlights for the corporate segment, meanwhile, included agreements reached with the International Finance Corporation (IFC) for the development of an environmental portfolio, the offering of derivatives along with progress in leasing plans and foreign trade. **Customer funds** grew at a 16.1% rate, with advances made in retail products boosted by a good number of marketing campaigns, along with a new line of mutual funds. Progress was also shown in the corporate segment, highlighted by the *Mundo Sueldo* (Salary World) campaign, which managed to attract a sizeable volume of payslip account customers. 19 new branches and 86 new ATM facilities were opened in 2008 as part of the Banking Penetration Plan launched in 2007.

Such an increase in business activity led to a 25.0% growth rate in **net interest income**, in spite of the negative effect of toughened legal reserve regulations. Although the branch network and accompanying workforce expansion triggered a 20.7% rise in administration costs, the efficiency ratio continued to improve (31.6%, compared with 34.7% in 2007), while **operating income** jumped by 39.0% to €336m. All in all, **net attributable profit** reached €86m, 37% over the 2007 figure.

The entity was awarded a number of important prizes in 2008, including the "Best Bank in Peru" and "Best Internet Consumer Bank" by *Global Finance*. It was also named "Best Bank in Peru" in the *Euromoney Awards for Excellence*, "Best bank in Peru in Sustainability, Ethics, Good Corporate

Governance and Corporate Social Responsibility" by *Latin Finance* and *Management & Excellence*. The bank also received honourable mention in the *Great Place to Work* ranking. Finally, BBVA Banco Continental is the only bank included on the index of companies which comply with the principles of good corporate governance, created by the Lima Stock Exchange.

URUGUAY

The country closed the year with an average **GDP growth rate** of 12.5%, fuelled by booming private consumption. The least favourable events were the significant rise in inflation, up to 8.5%, and the growing trade deficit.

BBVA Uruguay showed very positive performance in business activity, with important advances made in **lending** (up 56.3%), boosted by the Bank Penetration plan launched in 2007. This plan led to solid growth in credit card volume and personal loans, as well as in lending to corporates – a segment that saw increased cross-selling to the bank's main customers. **Customer funds** grew by 57.0%, which included a significant rise in payslip accounts. The year also saw the opening of a new branch.

BBVA Uruguay recorded **net attributable profit** of €9m. This 57.6% increase over 2007 was due to positive evolution in income, along with the recovery of one particular operation to which provisions had been allocated in prior years.

VENEZUELA

The **Venezuelan economy** performed well in 2008, although with signs of a slowdown. The year's results were boosted by high oil prices during the first part of the year. Fiscal policy evolved towards expansion, serving to prop up the high inflation rate (in the region of 30%). This combined with a restrictive monetary policy, growing cash reserves, upward adjustments of minimum passive interest rates and limits to permitted maximum active interest rates.

BBVA Banco Provincial focused its efforts on improving levels of profitability, efficiency and quality. This led the bank to place priority on most value added business, on optimising operating costs, on improving its various marketing channels and on continuing with a strict policy of non-performing assets supervision. Thanks to these efforts, the bank was the country's most profitable for the second consecutive year.

Lending grew by 18.8%, highlighted by the retail segment, and most especially by the credit card business (which included the launching of the *Proteccción 365* debit card). Consumer lending was also noteworthy, with the launching of new products and services that helped to maintain the bank's leading position in vehicle finance. **Customer funds** (up 26.6%), were underscored by the launching of the *Certificado de Depósito* (certificate of deposit) – a short-term instrument aimed at high-net worth customers, along with good performance of transactional deposits which was superior to that of the sector as a whole.

Improvements in spread management policy and activity helped **net interest income** grow by 39.3%, despite the negative effects brought on by numerous regulatory changes. Other revenues also performed well. Similarly, the applied austerity measures kept rises in administration costs (up 24.3%) below the rate of inflation, improving the cost/income ratio to 38.2% (41.3% in 2007) and supporting a 43.0% **operating income** increase to €541m. Loan-loss provisioning requirements remained moderate in spite of the growth in lending, leading to a **net attributable profit** figure of €205m (up 77.4% year on year).

For the second straight year, the entity was named as the "Best Bank in Venezuela" by *Global Finance*, *Euromoney* and *The Banker*. Moreover, it is the only Venezuelan bank included in the top 10 list of the best Latin American banks in the "Sustainability, Ethics, Corporate Government and Social Responsibility" ranking put out by *Latin Finance*.

Pensions and Insurance

The pensions and insurance business in South American generated combined net attributable profit of €67m in 2008, a year-on-year drop of 43.3%. As previously noted, the fourth quarter saw the sale of the Group's stake in Consolidar Salud and the transfer to government supervision of pension assets formerly under private management in Argentina, leading to the end of business activity by Consolidar AFJP.

PENSIONS

2008 was a troubled year for the **pension business**, due to bad performance in financial markets that dragged down earnings in the sector. Total volume of **assets under management** was also affected. BBVA pension fund managers in the region closed out the year at €24,531m, a 9.5% dip from the 31-Dec-07 figure (excluding Consolidar AFJP). The year was positive, however, from the point of view of **sales**, which grew by 10.8%, attracting 4.6% more **affiliates** (both percentages omitting Consolidar).

At **AFP Provida** in Chile, healthy sales during the year resulted in a 3.5% increase in the number of affiliates, along with an 11.7% jump in and total business written. Managed assets, however, suffered a 15.7% drop due to volatile markets, posting a figure of €16,060m on 31-Dec-08. In Peru, **AFP Horizonte** outperformed the sector in assets under management (€2,622m at year-end), in number of contributors (1.15 million) and in revenues, while **AFP Horizonte** in Colombia achieved a 17.0% increase in managed assets (€4,231m), as well as a 10.9% gain in number of affiliates.

The drop in assets under management, together with the effect of market volatility on fund profitability, had an impact on **fees**, which recorded a limited growth of 1.2%. Finally, the heading most seriously hit by the bad year in the markets was that of **gains on financial assets and liabilities**, which registered a net loss of €47m, driving a 74.1% decline of **net attributable profit** contributed by all Group fund managers, down to €18m. Of that number, Provida accounted for €7m, Consolidar AFJP for €3m, Horizonte Colombia for €4m, Horizonte Peru for €2m and Previsión Bolivia for €2m.

INSURANCE

2008 was a buoyant year for **insurance business** activities for all companies and in all lines of business. The volume of **premiums issued** reached €460m, fully 40% over the 2007 figure. Moderate expenses and a confined rate of claims supported this positive performance in sales activity and pushed **net attributable profit** to €49m. Grupo Consolidar in Argentina accounted for €27m of that total, Chile for €10m, Venezuela for €7m and the two Colombian companies for €5m.

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

(Million euros)

	Operating income					Net attributable profit				
Country	2008	Δ%	Δ% at constant exchange rate	2007	2006	2008	Δ%	Δ% at constant exchange rate	2007	2006
Argentina	278	8.7	18.7	256	347	169	(4.4)	4.4	177	163
Chile	190	(10.4)	(4.5)	212	191	80	(22.5)	(17.4)	103	56
Colombia	362	41.3	42.1	256	163	143	17.2	17.9	122	117
Panama	36	6.4	14.2	34	32	27	16.6	25.2	23	22
Paraguay	32	50.9	39.4	21	15	25	36.7	26.3	18	14
Peru	342	33.2	33.3	257	212	88	25.7	25.8	70	62
Uruguay	8	5.4	0.6	8	7	9	65.1	57.6	6	8
Venezuela	559	34.2	44.1	416	218	212	65.8	78.1	128	85
Other countries (1)	(38)	10.1	8.6	(34)	(26)	(27)	12.0	11.0	(24)	(17)
TOTAL	**1,770**	**24.1**	**30.1**	**1,427**	**1,159**	**727**	**16.6**	**22.7**	**623**	**509**

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

Corporate Activities

> Asset/Liability Management (ALM)
> Holdings in Industrial and Financial Companies

This area includes the results of two units: Asset/Liability Management (ALM) and Holdings in Industrial and Financial Companies. It also records the costs from central units that have a strictly corporate function and makes allocations to corporate and miscellaneous provisions, eg, for early retirement and others of a corporate nature.

Year-on-year comparisons of net interest income for 2008 continued to be affected by the financing of the Compass acquisition and higher wholesale-funding costs. This, together with lower net trading income, influenced **operating income**, which stood at –€1,341m in 2008, versus the previous year's figure of –€955m. Hence net attributable profit without one-offs for the year was –€840m (–€582m in 2007).

One-off results in **2008** have had a negative effect (–€395m) on net attributable profit; they came from:

- Capital gains on the Bradesco holding divestment in the first quarter: €727m gross (€509m net of tax).
- Extraordinary provisioning for early retirements in Spain (Spain and Portugal area and Central Services) within the transformation plan framework, which came to €860m gross, €602m after tax (€329m in the second quarter and €271m in the fourth quarter of the year).
- A provision of €431m (€302m after tax) for the Bernard L. Madoff Investment Securities fraud. Although BBVA had no direct investment and never sold products managed or deposited at this company to retail or private banking customers, it structured products for financial entities and institutional investors that were referenced to third-party mutual funds which invested via Madoff. If, as a result of the fraud uncovered by the SEC, these funds are found to be worthless, the potential net maximum loss for BBVA through the covering of this activity would reach €302m, an amount that the Group fully provisioned for in the fourth quarter.

2007 however, recorded positive one-off results of €724m from the divestment of the holding in Iberdrola and the sale of real estate

Income statement

(Million euros)

	2008	∆%	2007	2006
NET INTEREST INCOME	**(1,134)**	**47.2**	**(770)**	**(557)**
Net fees and commissions	(34)	n.m.	42	105
Net trading income	409	18.4	346	321
Other income/expenses	217	96.1	111	189
GROSS INCOME	**(543)**	**99.8**	**(272)**	**57**
Administration costs	(635)	17.2	(542)	(473)
Depreciation and amortization	(164)	15.6	(142)	(141)
OPERATING INCOME	**(1,341)**	**40.5**	**(955)**	**(557)**
Impairment on financial assets (net)	(43)	n.m.	1	26
Provisions (net) and other gains/losses	(14)	(60.7)	(36)	(411)
INCOME BEFORE TAX	**(1,398)**	**41.3**	**(990)**	**(941)**
Income tax	565	40.2	403	500
NET INCOME	**(833)**	**42.0**	**(587)**	**(441)**
Minority interests	(7)	n.m.	5	(6)
NET ATTRIBUTABLE PROFIT (except one-off operations)	**(840)**	**44.3**	**(582)**	**(448)**
One-off operations [1]	(395)	n.m.	724	156
NET ATTRIBUTABLE PROFIT	**(1,235)**	**n.m.**	**142**	**(292)**

Balance sheet

(Million euros)

	31-12-08	∆%	31-12-07	31-12-06
Cash and balances with central banks	(930)	n.m.	9,127	543
Financial assets	17,233	(13.7)	19,960	21,515
Loans and receivables	1,733	(64.3)	4,851	(2,419)
• Loans and advances to customers	2,967	(4.6)	3,111	2,296
• Loans and advances to credit institutions and other	(1,234)	n.m.	1,740	(4,715)
Inter-area positions	(1,549)	(83.7)	(9,513)	-
Tangible assets	3,498	96.8	1,777	1,508
Other assets	13,045	42.6	9,148	2,583
TOTAL ASSETS / LIABILITIES AND EQUITY	**33,030**	**(6.6)**	**35,350**	**23,730**
Deposits from central banks and credit institutions	5,829	(48.1)	11,235	7,562
Deposits from customers	2,496	152.4	989	2,533
Debt certificates	94,088	2.4	91,882	77,002
Subordinated liabilities	6,099	8.5	5,620	5,567
Inter-area positions	(77,505)	(5.7)	(82,206)	(74,281)
Other liabilities	(1,689)	n.m.	2,163	1,581
Minority interests	443	50.4	295	12
Valuation adjustments	(930)	n.m.	2,252	3,341
Shareholders' funds	23,387	14.9	20,345	14,836
Economic capital allocated	(19,187)	11.4	(17,225)	(14,425)

(1) In 2008, capital gains from Bradesco, provisions for non-recurrent early retirements and provision for the loss originated by the Madoff fraud. In 2007, capital gains from Iberdrola and on the sale of buildings, the endowment for the BBVA Microfinance Foundation and non-recurrent early retirement charges.

properties, minus charges for the endowment to the BBVA Microfinance Foundation and for extraordinary early retirement provisions.

After booking these one-offs, **net attributable profit** for the area in 2008 stood at –€1,235m, as opposed to the previous year's +€142m.

Asset/Liability Management (ALM)

The Asset/Liability Management unit administers the Group's structural interest- and exchange-rate balance-sheet positions as well as the Group's overall liquidity and bank capital through the Assets and Liabilities Committee (ALCO).

The aim of managing **structural liquidity** is to fund recurrent growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to numerous alternative sources of finance. A core principle in the BBVA Group's liquidity management is to encourage the financial independence of its subsidiaries in the Americas. The year 2008 has featured highly volatile wholesale markets and tight interbank markets. This stress situation reached record heights with the default of Lehman Brothers, triggering off central bank and government intervention with much-needed, abundant injections of funds to bring a degree of calm to the markets. Throughout all this, BBVA's comfortable liquidity position allowed it to stay out of the medium- and long-term finance markets throughout the whole year. For 2009, the Group's current and potential sources of liquidity easily surpass the expected drainage.

The BBVA Group's **capital management** pursues two key goals: to maintain capital levels in keeping with the Group's business targets in all the countries in which it operates, while at the same time maximising returns on shareholders' funds through efficient capital allocation to the different businesses, active management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity (shares, preferred securities and subordinated debt). Current capital levels enable the Group to comply with these goals.

BBVA manages the **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) to preserve its capital ratios and bring stability to the Group's income statement whilst controlling impacts on reserves and the cost of this risk management. During 2008, BBVA pursued an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%, with hedging approaching 100% in the dollar area. In addition to corporate-level hedging, some subsidiary banks held local-level dollar positions. Furthermore, the Group hedged exchange-rate exposure on expected 2008 and 2009 earnings in the Americas. During 2008 such hedging largely mitigated the impact of the weakening American currencies against the euro. In 2009, BBVA will uphold its policy of prudent management of exchange-rate risk on expected earnings from the Americas.

The unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This maintains more uniform short- and medium-term net interest income growth irrespective of interest-rate fluctuations. During 2008, the unit's strategies continued to focus on hedging a less positive economic scenario in Europe for 2009-2010. Risk on the USA and Mexico balance sheets remained within comfort parameters. The unit works both with hedging derivatives (caps, floors, swaps, FRAs) and balance-sheet instruments (mainly government bonds). At year-end 2008, the Group held asset portfolios denominated in euros, US dollars and Mexican pesos.

Holdings in Industrial and Financial Companies

This unit manages its portfolio of shares in companies operating in the telecommunications, media, electricity, oil and gas, and finance sectors. BBVA applies strict requirements to this portfolio regarding risk-control procedures, economic capital consumption and return on investment, diversifying investments across different sectors. It also applies dynamic monetisation and hedging management strategies to equity portfolios.

In 2008, investments were made totalling €1,259m, and divestments came to €2,382m. The largest single transaction was the sale of the 2.5% stake in Bradesco in March for €875m, which produced net capital gains of €509m.

At 31-Dec-08, the market value of the portfolio of holdings in industrial and financial companies stood at €4,067m, with unrealised capital gains of €995m before tax.

Other areas and activities

Human Resources

A company's efficiency and competitive capacity greatly depends on the quality of its human factor. People themselves contribute the skills, know-how and expertise needed for the organisation's development. They are, in short, those who create value.

In an increasingly complex and globalised market, companies must **promote talent** on a corporate-wide scale, reaching across the different functions, lines of business and geographical areas. They must create management practices that are consistent throughout the world.

These management practices must strive to meet a two-fold objective. On the one hand, they must assure a constant flow of talent, an activity that starts out by identifying talent within the company itself. A company must then work to develop that talent, as a way to retain the best professionals. On the other hand, a firm must present itself externally as an attractive place to work, in order to attract the best talent available in the market.

Along these lines, the approximately 245,000 CVs received in 2008 demonstrate the Group's ability to attract potential employees, as do the 12,314 new hires during the year.

Among other qualities, the Human Resources department distinguishes itself by the intensive use of technology, especially in the areas of Recruitment, Training and Development.

Such activity can be seen in the active presence of the **Recruitment** area on the web 2.0, in its positioning on the main employment portals and networks, as well as on its own virtual career fair.

Training, meanwhile, is the cornerstone for the development of talent. It is also a major differentiating factor at BBVA, where it is perceived as an investment with a two-fold objective – responding to the needs of customers as well as to the requirements of all the professionals working for the Group, towards the end of promoting professional growth.

The importance of training for BBVA is made quite evident by the almost €41m that the bank invested in this area in 2008. Moreover, the bank's international reach makes language training an essential element, a need that was addressed with an investment of €4m.

By making full use of the new technologies, **e-learning** is gradually becoming the Group's main training lever. This year saw a 25% increase in this activity over 2007. E-learning provides the Group with a tool for global learning, one that is highly effective thanks to its massive dissemination yet with content that is developed or adapted locally. This makes it possible to give individualised attention based on each employee's needs, through the design of individual training plans adapted to each profile.

One of the new developments in 2008 was the creation of new training programmes available to all Group employees, so that they may learn or improve their knowledge of English or Spanish. The success of these programmes was shown by the more than 18,000 registered users of the different levels in both of these e-learning initiatives.

BBVA would not be what it is today without the contribution of its staff, especially those of its **executive team**. Training activities for this team are mostly carried out in the Management School in Aranjuez, Spain, with the goal of instilling in the executives a comprehensive view of the Group, along with a deep understanding of the competitive context within which it operates. Towards the same end, BBVA collaborates with the highest ranking business schools in offering innovative training programmes. Over 840 people participated in these programmes in 2008. One highlight amongst others was a course on Value-Based Management, aimed at deepening the executive team's knowledge of the principles and practices of this management tool.

The organic as well as inorganic growth of the BBVA Group calls for rapid and efficient **integration** processes. For that reason, the needed consolidation of corporate culture must be accompanied by certain common management principles that can be applied to all the business units distributed around the world. The Group's multicultural nature requires knowing how to combine globality with respect for specific local practices.

Throughout 2008, Human Resources (HR) teams worked together with their counterparts at **BBVA Compass** to bring this entity in line with the corporate processes employed by the HR function and to standardise HR policies. By the beginning of 2009, the main employee management schemes at BBVA Compass coincide with those of the rest of the Group.

The effective use of HR polices and tools related to recruitment, career development and remuneration should make it possible to identify, segment and manage key employees in the organisation, regardless of area or country in which they carry out their activity.

In order to assure the objectivity and effectiveness of such processes, the same management tools must be made available to all units. Moreover, the systems must be duly integrated so that homogeneous data is available. Towards this end, the Aristos technological platform was put into use in Mexico, Peru, Columbia, Venezuela and Paraguay in 2008. Part of the Human Resources **Transformation Plan**, this platform supports the various Group HR processes. It has already been in operation in Spain for some time.

Meanwhile, an Employee Care Service was set up in Peru, Colombia and Venezuela, in order to provide a faster and more streamlined response system for any question posed by an employee in relation to HR policies and processes. The Service, which is offered through a combination of different channels (call centre, email, web portals, etc.), has proven to be quite useful in those countries where it has been implemented, such as Spain and Mexico.

BBVA's commitment to the people comprising its staff can be seen in a series of initiatives grouped together under the **Passion for People** programme – an important benefit that the Group offers to its active as well as retired employees. The programme includes such initiatives as flexible remuneration (designed for all Group employees, regardless of their organisational level), initiatives to reconcile work and personal life, community service schemes, as well as a relation model for early retired, retired staff and widows or widowers of Group employees:

- Quality of life: 86 initiatives
- Personal benefits: 97 projects
- Sports and Culture: 70,000 people
- Senior: 9 projects
- Volunteer programmes: 700 collaborators

Communication is a basic element for team cohesion. With this in mind, the HR area set out in January of 2008 to renew its communications structure. It came up with a new, more direct, transparent and innovative model centred on the concept **4U… from HR** (*Para ti*, *dRRHH* in Spanish speaking countries). This motto captured the overall approach, in which the receiver of the message (4U) takes centre stage, while the sender of all communications is clearly identified (from HR).

All communications are organised into three areas, depending on their content: those concerning BBVA employee benefits programmes and initiatives (Passion for People), others related to Human Resources policies (Management Models) and those focusing on procedures that must be followed (Processes). A single web portal functions as the central platform for the new model. The portal is designed to ease the employee's navigation through the site, providing information about the Group's policies, processes and initiatives.

Every two years a **Satisfaction Survey** is carried out in order to collect the opinions of all those who comprise BBVA. Such opinions cover such issues as employees' professional experiences (such as their relations with peers or their immediate superior), the balance between their personal and professional life as well as their level of knowledge about HR polices.

This process was carried out in September, 2008, with the participation of 71% of the workforce (compared to the 57% figure from the previous survey). A new poll format, several years in the making, was used for the first time. This new poll makes it possible to measure the rational as well as emotional aspects of work relations. Moreover, thanks to its structure, the poll allows for comparisons with other companies and sectors at the local and international level, and, of course, internally between the Group's units and departments. The new model was designed with the goal of making BBVA "the best company to work for". As such, it places special emphasis on providing the ability to detect potential areas for improvement and to identify best practices.

Intellectual capital

Intangible assets are a key element in a company's competitive success, as well as an essential factor in value creation.

The intangible assets comprising the BBVA Group's intellectual capital are grouped into three blocks, depending on their particular nature:

- Human capital, which refers to the knowledge of the individuals and teams working in the Group
- Relational capital, which refers to the ability to relate to major stakeholders
- Structural capital, which concerns structured knowledge

Indices in each block are grouped according to BBVA's commitments to the mentioned stakeholders, ie, customers, shareholders, employees, suppliers and society.

Human capital indicators

EMPLOYEES	2008	2007	2006
Managing diversity as a competitive advantage, ensuring equal opportunities and respect for all individuals			
Employees (No.)	108,972	111,913	98,553
• Spain	29,070	31,106	30,582
• The Americas	77,928	78,805	66,146
• Rest of the world	1,974	2,002	1,825
Average age of workforce	37.3	37.6	37.6
• Spain	41.4	41.4	41.3
• The Americas	35.7	35.7	35.5
Men/women ratio (%)	49/51	51/49	53/47
• Spain	57/43	59/41	59/41
• The Americas	46/54	48/52	49/51
University graduates (%)	61	58	58
• Spain	64	63	61
• The Americas	60	56	56
Average number of years of service of workforce	10.7	11.2	12.3
• Spain	16.8	17.1	17.5
• The Americas	8.1	8.3	9.4
People who work in a country other than their own (Expatriates) (No.)	211	224	220
Women in management team (Corporate managers) (%)	10.3	9.2	8.5
Women in management team (Executive level) (%)	17.4	17.4	16.6
Promoting personal and professional development, reconciling the Group's and individuals' interests			
New hires	12,254	9,804	3,849
• Spain	1,192	2,140	1,081
• The Americas	11,062	7,664	2,768
Résumés processed in the recruiting process (No.)	245,276	272,080	183,683
People for whose position a functional profile has been defined (%)	98	98	98
Managers who have undergone 180º assessment (%)	100	100	100
Employees who have carried out self-assessment of their knowledge (%)	88.9	88.8	79.6
Investment in training (thousand euros)	40,806	43,882	35,549
Hours of training given (thousands)	4,082	3,980	3,821
• Spain	1,081	1,279	1,287
• The Americas	3,000	2,701	2,534
Hours of training per employee	37	39	39
• Spain	35	39	42
• The Americas	38	39	38
Managers trained in the Management School (cumulative number)	3,839	2,999	2,315
Steering Committee members committed to Management School training (%)	100	100	100
Professionals who have worked as in-house coaches in the training of employees (No.)	490	480	470
Evaluation of satisfaction with training (score out of 5)	4.1	4.4	4.4
Recognising merit, measured by achievement of results, customer service and overall vision of the Group			
Individuals promoted (% of total headcount)	21.1	23.1	17.4
Individuals with variable remuneration (%)	81	73	56
Variable remuneration out of total remuneration (%)	18	17	13

Relational capital indicators

CUSTOMERS	2008	2007	2006
Winning the trust of customers through the fulfilment of commitments and ethical and transparent conduct			
Customers (millions)	48	47	42
Individual customer satisfaction index (%) (1)	69.7	70.9	70.2
Spontaneous awareness index (1st mention, BBVA brand) (%) (1)	11.8	12.3	12.5
Providing a proactive and customised service, knowing how to treat each customer in terms of their needs and potential			
Branches (No.)	7,787	8,028	7,499
• Spain	3,375	3,595	3,635
• The Americas	4,267	4,291	3,742
• Rest of the world	145	142	122
Countries where the Group operates (No.)	32	31	32
New channels			
• Calls received and generated by telebanking (millions)	137	137	168
• Customers using online services (thousands)	4,614	4,412	4,193
• ATMs and other self-service devices (No.)	17,604	17,136	15,684
Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business			
Public access websites with Group content (No.)	70	61	58
Network of Group's correspondent banks abroad (No.)	3,915	4,156	4,104
SOCIETY			
Encouraging involvement in programmes closely related to social concerns			
BBVA Group foundations (No.)	6	6	5
Children awarded a scholarship under the *BBVA Integración* scholarships scheme in Latin America (No.)	47,104	17,920	-
Community investment: resources allocated by the Group and its foundations (million euros)	85.3	69.0	56.4
Socially responsible investment (% over total mutual funds and pension funds managed)	2.7	1.4	1.6
Contributing to the establishment of stable financial systems in all the markets in which the Group operates			
Countries of the Group with Economic Research departments (No.)	9	9	10
Periodical publications issued by the Group's Research departments (No.)	48	42	46
Expenditure on publications, sponsorship and collaborations with the Group's Economic Research departments (thousand euros)	2,074	1,315	1,462
Acting in accordance with strict rules of ethical conduct, determining our way of understanding business			
Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)	1,054	1,639	1,820
SUPPLIERS			
Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects			
Supplier satisfaction index (score out of 5, biennial survey)	4.1	-	4.1
SHAREHOLDERS			
Affording in the long-term a profitability that betters its benchmarked competitors			
Shareholders (thousands)	904	890	864
Shares (millions)	3,748	3,748	3,552
Providing timely, comprehensive and accurate information			
Channels available to shareholders (No.)	13	13	12
Periodical publications issued annually for shareholders (No.)	26	26	22
Number of enquiries attended to by the Shareholders' Office (annual)	28,514	27,055	11,865

(1) Source: FRS Individuals, referring to Spain.

Structural capital indicators

EMPLOYEES	2008	2007	2006
Creating a climate of trust based on an open relationship, team support and transparent communications			
Corporate culture fora on *La Experiencia BBVA* (No. sessions)	53	64	75
Participants in *La Experiencia BBVA* fora (No.)	655	763	715
Internal communication channels in Spain (No. annual communications)	2,324	1,486	303
Corporate intranet (daily)	1,512	1,257	262
Actividad (monthly)	11	11	11
Adelante (quarterly)	4	4	5
IP TV	557	184	-
Other channels	240	30	25
Satisfaction survey (work climate; biennial) (1)			
• Overall index (%)	69	-	-
• Rational index (%)	70	-	-
• Emotional index (%)	68	-	-
• Participation rate (%)	71	-	-
Stimulating the generation of ideas and the capacity to implement them			
Daily corporate intranet users (No.)	64,760	81,965	15,300
Corporate intranet pages viewed daily (thousands)	2,905	2,293	2,026
Documents stored on the intranet (thousands)	1,811	1,947	1,654
People contributing to development and maintenance of intranet content (No.)	235	314	379
Intranetised processes (cumulative number)	365	347	298
Intranet projects (No.)	676	628	551
Fostering teamwork within the framework of personal accountability which favours initiative and decision making by individuals			
Meeting rooms equipped with videoconference technology (No.)	794	548	368
Videoconferences (No.)	23,504	13,508	5,306
Banks and fund managers having implemented internal customer survey (%)	40	40	80
Virtual work fora in operation (No.)	988	856	790
Professionals making up the management team (No.)	1,964	1,970	2,006

(1) The survey is not homogeneous in respect of previous years.

Technology and Operations

The role played by technology and operations in the BBVA Group is moving along according to the 2007-2010 Strategic Plan. It is founded upon four basic pillars: a) Technology and Exploitation, which provides robust and efficient infrastructures b) Design and Development, which contributes the functional resources from the new applications comprising the BBVA Platform, c) Operations and Production, which generates new efficiency standards in back-office processes, and d) Strategy and Innovation, which facilitates the quick adoption of technologies that help in developing business attributes while allowing for a differentiated offer to customers.

THE TECHNOLOGY AND OPERATIONS STRATEGIC PLAN

The Plan continues to advance in a coordinated way among the four pillars – furthering productivity, efficiency, delivery speed and differentiation for which it was designed. These advances are having an effect on customer-related as well as back-office activities, helping the plan to reach its forecasted results:

Technology and Exploitation: the server network in landmark buildings was reduced by 80% thanks to virtualisation techniques that resulted in significant synergies in management and maintenance costs, while supporting the extension of these techniques into other areas. Meanwhile, through the use of such innovative technologies as grid computing, and having reached the technical limits of conventional computing, BBVA was able to improve its risk scoring processes such that hundreds of low-cost computers can work together on a single function, offering increased accuracy and shorter computation times.

Design and Development: continuing with the BBVA Platform plan, which aims at developing systems "from outside to inside" (starting with customer interactions, then moving on to the internal components that execute the action), the new front-office application was put into operation. This system optimises the time that employees devote to accessing and interacting with customer information, with an estimated 20% reduction in the time needed for this task (time that can be used for marketing activity). Four building blocks of the new BBVA Platform architecture are already in place. These internal components are built upon a modular design and based on Service Oriented Architecture (SOA) that is itself supported by Enterprise Service Bus (ESB) systems, Business Process Management (BPM) tools and Rules Engines. It is one of the first systems to use BBVA's new Advanced CRM.

Operations and Production: the Group is redefining back-office banking activity by means of industrialisation through OpPlus centres. New technologies make it possible to move from vertically processing customer information according to product or business line, to a horizontal focus by activity. The ubiquity offered by the digitalisation of images and automated processes not only results in savings from relocation, but also provides a boost in the efficiency of each activity – well beyond that of the old vertical model. The first results from the centres in Malaga, Lima and Buenos Aires showed annual savings of ⇔50m – covering only the activity in Spain. Similarly, office digitalisation, when compared to the manual handling of documents and data recording, reduced employee time on these tasks by 35%, which could then be used on sales tasks. Such changes would not have been possible without this paradigm change.

Strategy and Innovation: BBVA maintains its commitment to disruptive innovation, in collaboration with the world's leading institutions in the field (MIT, SRI, Fraunhofer Institute, etc.). This collaboration has resulted in initiatives that now form part of the Technology and Operations Strategic Plan. This is mainly seen in areas of interaction, highlighted by advances in self-service banking, as well as in analytic areas, resulting in more personalised offers for customers. This group of initiatives is focused on the technological attributes of ubiquity, interactivity, analytics, collaboration and personalisation – all aimed at offering a quantum leap in the use of technology at BBVA.

Procurements, Premises and Services

In 2008 the bank kicked off a number of projects that are of vital importance for the ongoing generation of value, improved efficiency, and a higher level of services rendered to business areas around the world.

The GPS (Global Procurement Systems) project will offer the entire Group a support tool that can be used throughout the **procurement** cycle. The GPS, which will be available in Spain and Mexico in early 2010, is aimed at optimising processes and obtaining synergies by means of combining the procurement volumes among different Group units.

Meanwhile, Corporate **Premises** organised an architecture competition to receive proposals for the new corporate headquarters to be located in northern Madrid (Las Tablas). The competition resulted in the selection of the prestigious Herzog & de Meuron architecture studio, winners of the Pritzker prize, who have designed many important projects around the world. This unique and landmark structure was designed with a clear commitment to environmental principles. Through intensive use of the latest technologies, the building will make it possible to implement efficient new work processes in a friendly environment – one that will foster collaboration as well as the professional development of BBVA employees.

Projects were also started on the new headquarters for BBVA Bancomer in Mexico and BBVA Paraguay. The designs for both buildings aim not only at architectural and functional uniqueness, but also at sustainability and operational efficiency.

Work was also done on the construction of a new Data Processing Centre (DPC) next to the existing in Madrid (Tres Cantos). This new DPC, which was designed in accordance with the strictest standards (TIER IV), will be large enough to support the growth expected in coming years.

The year was also highlighted by the start-up of the Group's **Eco-efficiency Plan**, the goals for which serve to quantify the Group's commitment to reducing the environmental impact of its operations – thus strengthening BBVA's leadership in this area. The plan lays out different lines of action lasting till 2012, aimed at, for example, reducing consumption per employee (water, energy, paper, etc.), waste recycling, through to the implementation of different environmental certifications in buildings (ISO 14001 along with the LEED certification) for the new headquarters in Spain, Mexico and Paraguay.

Transformation and Productivity

SCOPE OF TRANSFORMATION

Throughout 2008, BBVA carried out the Transformation Plans identified by the different areas in the Global Transformation Plan. The implemented plans were highlighted by the following:

- *CLIMA*: a new organisation of the retail network in **Spain**, focus on sales, management by segment and concentration of operational functions.
- Centralisation of the operational hubs in **Wholesale Banking & Asset Management** which earlier were distributed among different countries.
- In **Mexico**: a productivity increase in the retail network, centralised collection plant, and a Customer Insight project as the basis for improved sales productivity, customer loyalty and early management alerts.
- Creation of a Transformation structure in the **United States**.
- In **South America**: development of the *Novo* plan, which made it possible to create more effective and efficient services, as well as a plan focused on extending banking usage based on risk management and differentiated servicing.
- Creation of **OpPlus**, aimed at optimising operational processes through the intensive use of technology, while generating a high performance environment.
- **Budgeting Macro-process**: a re-engineering of the BBVA Group's budgeting process. The 2009/2011 budget was prepared using the new model.
- **Shared Service Centres**:
  - Spain and Portugal processing hubs
  - Legal Services: Legal Counsel and Consultations, along with the Centre for Signature Notarisation, Judicial Requests and Testamentary Executions
  - Procurement and Contracting
  - Management of subsidiaries
- Implementation of the organisational structures and staff corporate application (*Aristos*) in Mexico, Peru, Colombia, Paraguay and Venezuela.
- Selection and start-up of pilot programmes for the Business Process Management (*ARIS*) corporate tool.

BANK OF THE FUTURE

This project focused on seven lines of strategic work, with assigned teams and plans: development of physical distribution, development of servicing, payment channels and mobility, new digital businesses, customer insight, remote relationship models and organisational model. The conceptual definitions for these lines of work have already been drawn up, and the related activities will be started in 2009.

BUSINESS CONTINUITY

The 120 business continuity plans implemented in the Group were carried out throughout the year, at BBVA Compass as well. Each year, tests are planned and run, making it possible to update each plan. Some of these plans had to be put into action due to events that altered normal activity, such as the outbreak of social unrest in certain countries that included road block-outs and other problems of access to work centres, or the hurricane that landed in southern Texas. In all of these cases, the activation of these plans allowed BBVA to continue to offer critical services to its customers, as well as to comply with its obligations to society and to the authorities.

CORPORATE QUALITY

Corporate Quality drew up the first Corporate Complaints Management Report, covering the local activities and management models of the main countries in which BBVA operates. Additionally, the first phase of a methodological review of internally rendered services was implemented.

Compliance

BBVA's Compliance function continued to evolve in 2008 in the face of new developments that altered its configuration and responsibilities, primarily upon the coming into force of the European Union directive known as MiFID.

More specifically, efforts to develop the principles already contained in the BBVA Group Code of Conduct led to the formalisation of the **Compliance Function Charter**, which established the basic features and Group-wide functions of that particular area.

Following the principles laid down by the Bank for International Settlements (BIS) and the abovementioned MiFID directive, activities were developed for the promotion of policies and procedures aimed at compliance, and the identification, evaluation and mitigation of possible **compliance risks**. This dissemination work included training and the distribution of relevant materials. Said compliance risks relate to the following issues:

- Conduct in markets
- Handling of conflicts of interest
- Prevention of money laundering as well as the financing of terrorist activities
- Personal data protection

The management of these risks does not fall entirely on Compliance, which was set up as a corporate unit with local units in each country. Rather, it is spread out among different departments within the organisation, each having its own area of responsibility. This system depends on a number of committees charged with specific functions, which assure smooth coordination in identifying, assessing and supervising proper mitigation of possible compliance risks arising from BBVA's activity.

CONDUCT IN BUSINESS

BBVA updated its internal guidelines for conduct in securities markets in 2008, a sign of its commitment to the principles underpinning its business activity. Towards this end:

- A **corporate Policy for Market Conduct** was established. The globally applicable policy includes general principles and criteria for action related to preventing market abuse, managing potential conflicts of interest, and personal trading activity in markets. Said principles and criteria apply to all employees and entities comprising the BBVA Group around the world.
- The BBVA Group Securities Markets Code of Conduct as applied to Spain was also updated in order to align it with the new MiFID directive. The name was changed to **Internal Standards of Conduct on the Securities Markets**, while it scope of application was extended not only to Spain, but also to the Group's branches and affiliates throughout the European Union.

The implementation of this policy commenced in the fourth quarter in all the jurisdictions in which BBVA operates. The process will be finished during the first months of 2009.

The effort to implement this new internal framework included specific communications and training initiatives, making full use of new technologies to provide online training materials. Such activities offered a practical and enjoyable way for employees to gain knowledge of the new material.

PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORIST ACTIVITIES

The BBVA Group has a **Corporate Policy** for managing the Risk of Money Laundering and the Financing of Terrorist Activities which reinforces the objective, as stated in the Code of Conduct, of cooperating fully with governmental bodies, international agencies and other organisations in the fight against drug trafficking, terrorist activities and other forms of organised crime.

This model continued to evolve throughout 2008 by means of adjusting the policies and procedures to regulatory changes that occurred in the countries where the Group is present, and by the addition of the best international practices in this area.

Likewise, new automated operations **monitoring tools** were implemented Mexico, Venezuela Argentina, Chile, Peru, Colombia, Panama, the United Kingdom and Uruguay, along with customer and operations **screening tools** in Mexico, Argentina, Venezuela, Portugal, the United Kingdom, France, Belgium, Italy, Hong Kong and Japan.

Finally, **training** continued to be given high priority throughout the year, especially with groups working in areas of greatest risk.

The Corporate Governance System

The 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.

Originally approved in 2004, these regulations were amended in December 2007 to reflect the latest recommendations on corporate governance, accommodating them to reflect the circumstances under which the Bank operates.

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 & Compliance committee; the Appointments & Remuneration committee; and the Risks committee. All the board committee seats are occupied by directors.

The Executive committee is authorised to execute the board's powers of administration over the Company, except where prevailing legislation or the Bank's own 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, in compliance with 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 2008, pursuant to the regulations regarding disclosure standards for listed companies. It has also approved the report on board remuneration presented by the board's Appointments & Remuneration committee.

Shareholders can find all these documents (the board regulations, the corporate governance report and the report on directors' remuneration) 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.

INDEPENDENT DIRECTORS

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 eleven of the current fourteen board members are independent.

To such end, the board regulations determine what makes a director independent. These requirements reflect those recommended in the *Código Unificado de Buen Gobierno* (the unified code of good governance) and are in line with international standards, in particular those issued by the New York stock exchange (NYSE), pursuant to the indications of the Securities & Exchange Commission (SEC) in the United States.

Pursuant to article one of the board regulations, independent directors are those external directors who have been appointed in view of their personal and professional qualifications and can carry out their duties without being compromised by their relationships with the Company, its significant shareholders or its senior managers. Independent directors may not:

a) Have been executive director or employees in the Group within the last three or five years, respectively.
b) Receive from the Bank or companies in its Group, any amount or benefit for an item other than remuneration for their directorship, except where the sum is insignificant.
   For the effects of this section, this does not include either dividends or pension supplements that directors receive due to their earlier professional or employment relationship, provided these are

unconditional and, consequently, the company paying them may not at its own discretion, suspend, amend or revoke their accrual without alleging breach of duties.

c) Be or have been in the last 3 years, partners of the external auditor or in charge of the audit report, when the audit in question was carried out during said 3-year period in the Bank or any of its Group companies.
d) Be executive directors or senior managers of another company on which a Bank executive director or senior manager is an external director.
e) Maintain or have maintained over the last year any important business relationship with the Company or with any Group company, either in their own name or as a significant shareholder, director or senior manager of a company that maintains or has maintained such a relationship.
   Business relationships means relationships as supplier of goods or services, including financial goods and services, as advisor or consultant.
f) Be significant shareholders, executive directors or senior managers of any entity that receives, or has received over the last three years, significant donations from the Bank or its Group.
   Those who are merely trustees in a foundation receiving donations shall not be deemed to be included under this letter.

g) Be spouses, persons linked by a similar relationship, or related up to second degree to an executive director or senior manager of the Bank.
h) Have not been proposed either for appointment or renewal by the Appointments & Remuneration committee.
i) Be related to any significant shareholder or shareholder represented on the board under any of the circumstances described under letters a), e), f) or g) of this section. In the event of family relationships mentioned in letter g), the limitation shall not just be applicable with respect to the shareholder, but also with respect to their shareholder-nominated directors in the Bank.

Directors who hold an interest in the Company's share capital may be considered independent if they meet the above conditions and their shareholding is not considered legally significant.

According to the latest recommendations on corporate governance, the board has established a limit on how long a director may remain independent. Directors may not remain on the board as independent directors after having sat on it as such for more than twelve years running.

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 & Remuneration 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.

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 Appointments & Remuneration committee determine the extent and amount of the remuneration, rights and other economic rewards of the chairman & CEO, the president & COO and other executive directors of the Bank. Its conclusions are put to the board as proposals that can then be incorporated in the corresponding contracts. The committee also proposes the remuneration system for the board of directors as a whole, within the framework established under the Bank's bylaws.

BBVA pursues a policy of absolute transparency. Its annual report publishes an itemised breakdown of the remuneration received by each member of the board every year. This is made available to the shareholders for the General Meeting. It also gives detailed information on the remuneration policy for board members, to which all shareholders also have access.

CONFLICTS OF INTEREST

The rules comprising the BBVA directors' charter detail different situations in which conflicts of interest could arise between directors, their family members and/or organisations with which they are linked, and the BBVA Group. 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.

INCOMPATIBILITIES

Directors are also subject to a regime of incompatibilities, which places 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 have 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 of its subsidiaries for two years after leaving, unless expressly authorised by the board. Such authorisation 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 (formalising said resignation when the board so resolves):

- When barred (on grounds of incompatibility or other) under prevailing legal regulations, under the bylaws or under the directors' 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 honour 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 the same, within the same amount of time.

General Meeting of Shareholders (AGM)

Issues 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 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 bylaws at the Bank's registered offices, free of charge.

They will also find documents relating to the AGM on the 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 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, e-mail 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 organisation of the AGMs, the Bank's board of directors operates a permanent helpdesk to deal with shareholders' requests for information, clarification and questions.

The Board of Directors

The board comprises the number of directors established in the company's bylaws and in any resolution adopted by the AGM.

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.

Shareholder-nominated directors are external directors who directly or indirectly hold shares representing at least 5% of the Company's capital and voting rights and who represent such shareholders. For such purposes, a director is 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. BBVA does not have shareholder-nominated directors.

The above criteria – used to determine whether a person is a shareholder-nominated director – shall 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.

In compliance with the most stringent international corporate governance practices the AGM hold last 14 March 2008 approved a bylaws modification to establish the term of office for directors in three years, as against the prior five years, Directors could be re-elected for one or more terms of the same maximum duration.

The BBVA board of directors, at 31st December 2008, comprised fourteen directors actively performing their duties, of which three were 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 re-election
González Rodríguez, Francisco	Chairman & CEO	Executive	28-Jan-2000	26-Feb-2005
Goirigolzarri Tellaeche, José Ignacio	President & COO	Executive	18-Dec-2001	14-Mar-2008
Alfaro Drake, Tomás	Director	Independent	18-Mar-2006	
Álvarez Mezquíriz, Juan Carlos	Director	Independent	28-Jan-2000	18-Mar-2006
Bermejo Blanco, Rafael	Director	Independent	16-Mar-2007	
Breeden, Richard C.	Director	Independent	29-Oct-2002	28-Feb-2004
Bustamante y de la Mora, Ramón	Director	Independent	28-Jan-2000	26-Feb-2005
Fernández Rivero, José Antonio	Director	Independent	28-Feb-2004	
Ferrero Jordi, Ignacio	Director	Independent	28-Jan-2000	26-Feb-2005
Knörr Borrás, Román	Director	Independent	28-May-2002	14-Mar-2008
Loring Martínez de Irujo, Carlos	Director	Independent	28-Feb-2004	18-Mar-2006
Maldonado Ramos, José	Director & Secretary	Executive	28-Jan-2000	28-Feb-2004
Medina Fernández, Enrique	Director	Independent	28-Jan-2000	28-Feb-2004
Rodríguez Vidarte, Susana	Director	Independent	28-May-2002	18-Mar-2006

Mr FRANCISCO GONZÁLEZ RODRÍGUEZ

Chairman & CEO

Born in Chantada (Lugo) in 1944.
Francisco González has been chairman & CEO of BBVA since January 2000.

Francisco González is member and chairman of the European Financial Services Roundtable (EFR), board member 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, Global Counsellor of the Conference Board and member of the international advisory committee for the New York Federal Reserve, as well as other international fora.
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 privatisation of a very diverse group of State-owned banks.
During this period, Francisco González was also director of Endesa, Chairman of Banco Uno-e, Banco Hipotecario de España, Banco Exterior de España, Caja Postal and Banco de Crédito Local.
Before joining Argentaria, Francisco González founded the securities firm, FG Inversiones Bursátiles, which became the first independent firm of brokers in Spain, and was later bought out by Merrill Lynch.
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.

Graduated in Economic and Business Sciences from Universidad Complutense de Madrid.

Mr JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE

President & COO

Born in Bilbao (Vizcaya) in 1954.
He was appointed as BBVA's president & chief operating officer on 18th December 2001.

His professional career has always been linked to banking, and more specifically, to BBVA, which he joined in 1978, after having taught Strategic Planning at the Universidad Comercial de Deusto.
Main stages in BBVA:

- Joined the Banco de Bilbao in 1978, assigned to the Strategic Planning Area. Member of BBV Holding (company that led the merger between BB and BV).
- In 1992, was appointed BBV General Manager.
- From 1993 to 1998, he directed Retail Banking for the BBV Group. From 1995 he also directed the BBV-Americas Group, coinciding with the BBV Group's expansion in Latin America.
- In 1994 he became a member of the BBV Management Committee.
- In 1999, BBV and Argentaria announced their merger. José Ignacio Goirigolzarri was appointed member of the BBVA Management committee and head of all its Latin-American businesses.
- Since 2000 has sat on the BBVA Bancomer board.

- In April 2001, was appointed General Manager of the BBVA Group, in charge of Retail Banking. His responsibilities covered the following areas: Retail Banking in Spain, Retail Banking in the Americas, Pensions, Private Banking and e-Banking.

Director of CITIC-BANK and Spanish chairman of the Spain-USA "Consejo España-Estados Unidos" Foundation.

Doctor in Economics and Business Science from Universidad de Deusto.

Mr TOMÁS ALFARO DRAKE

Director

Born in Madrid in 1951.
He was appointed to a BBVA directorship on 18th March 2006.

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 programme 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, service distribution.
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

Director

Born in Crémenes (Leon) in 1959.
Appointed to BBVA directorship on 28th January 2000.

1988 – Joined FISEG, Empresa Financiera de Servicios Generales.
1990 – General manager of EL ENEBRO, S.A. (holding company of the Eulen Group).
1993 – Chief financial officer, EULEN, S.A.
2002 – Managing director of GRUPO EULEN, S.A.

Graduated in economic science from the Universidad Complutense de Madrid.

Mr RAFAEL BERMEJO BLANCO

Director

Born in Madrid in 1940.
He was appointed to a BBVA directorship on 16th March 2007. Has been chairman of its Audit & Compliance committee since 28th March 2007.

1966 - Sema – Metra. Analyst for investment projects.
1971 - 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 - Instituto de Crédito Oficial. Chairman.
1982 - Fondo de Garantía de Depósitos. Director. World Bank consultant (Argentine banking system).
1989-2004 Banco Popular.
Member of General Management committee (1991-2004).
Branch network manager (1991-1995).
Comptroller General (1995-1999).
Technical general secretary in charge of consolidated financial information, reporting to the Banking of Spain and management of the Group's equity (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 RICHARD C. BREEDEN

Director

Born in the United States of America in 1949.
He was appointed to a BBVA directorship on 29th October 2002.

1976-1981; 1985-1988: Lawyer for Cravath, Swaine & Moore, New York, and partner in Baker & Botts, Washington.
1982-1985: Senior Legal Advisor to the Vice-President of the USA and the White House.
1989: Presidential Aide in the White House, USA.
1989-1993: Chairman of the U.S. Securities & Exchange Commission (SEC).
1993-1996: Chairman of Coopers & Lybrand, International Financial Services, LLC.
Since 1996, CEO of Richard C. Breeden & Co., a company specialising in advising companies on business restructuring and strategic consultancy regarding corporate governance, accounts and disclosure requirements. In 2002, the Federal Court of the United States appointed him Corporate Instructor to head the SEC fraud enquiry against WorldCom, Inc. (now known as MCI, Inc.).
Since 1997, has chaired the Audit committee and sat on the Remuneration committee of W.P. Stewart & Co., Ltd. Also chairs the Audit committee for Audio Visual Services Corporation, and is court-appointed member of the MCI, Inc. board of directors and Audit committee.

Read law at the Harvard Law School and at Stanford University.

Mr RAMÓN BUSTAMANTE Y DE LA MORA

Director

Born in Madrid in 1948.
Appointed to BBVA directorship on 28th January 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: Director of Territorial Norte; (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

Director

Born in Gijón (Asturias) in 1949.
He was appointed to his BBVA directorship on 28th February 2004. Has been chairman of its Risks committee since 30th March 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 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 Comptrol and Oversight. In 1997 he took over the duties of General Manager for Organisation, 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 Adquira.

Graduated in Economic Sciences from the Universidad de Santiago.

Mr IGNACIO FERRERO JORDI
Director

Born in Barcelona in 1945.
He was appointed to his BBVA directorship on 28th January 2000.

Chairman of the board and managing director of NUTREXPA.
Chairman of the board and managing director of LA PIARA.
Deputy chairman of the food and drink federation (FEDERACIÓN DE INDUSTRIAS DE ALIMENTACIÓN Y BEBIDAS) since 23rd April 1980.
Deputy chairman of the institute for family-run businesses (INSTITUTO DE LA EMPRESA FAMILIAR) since 10th July 2000.
Member of management board and of the executive committee for FOMENTO DEL TRABAJO NACIONAL, since January 1997.
Member of the managing committee of MAZ (Mutua Accidentes de Zaragoza) since 31st March 2000.
Member of Management Board of Spanish commercial coding association, AECOC (Asociación Española de Codificación Comercial) since 25th February 2003.

Graduated in Law from Universidad de Barcelona.

Mr ROMÁN KNÖRR BORRÁS
Director

Born in Sueca (Valencia) in 1939.
He was appointed to a BBVA directorship on 28th May 2002.

1955–1961 AREITIO, S.A. Business Group.
1961–1992 KAS Business Group (Head of Advertising and PR; Sales and Marketing Manager; Deputy Chairman of KAS, S.A. and KNÖRR ELORZA, S.A.
Director and Chairman of ZUMOS DE NAVARRA, S.A.; Director and Chairman of MIKO, AVIDESA and CASTILLO DE MARCILLA; Director of S.A. DE ALIMENTACIÓN, Director of ALIMENTOS NATURALES, S.A. and Director of AGUAS DE SAN MARTÍN DE VERI, S.A.
Also deputy chairman of the Spanish fruit-juice manufacturers' association (ASOCIACIÓN NACIONAL DE FABRICANTES DE ZUMOS) and member of management committee of Spanish advertisers' association (ASOCIACIÓN ESPAÑOLA DE ANUNCIANTES) and of management committee and steering committee of the national soft-drinks manufacturers' association (ASOCIACIÓN NACIONAL DE FABRICANTES DE BEBIDAS REFRESCANTES).
Also Chairman of CONSULNOR ALAVA, S.A. and Director of PATRIMIX SICAV, S.A.
From June 1994 to June 1999 was Chairman of SINDICATO EMPRESARIAL ALAVÉS.
Was chairman of the Basque Industrial Confederation (Confederación Empresarial Vasca or CONFEBASK) from July 1999 to July 2005, and member of Executive Committee and Management Board of Spanish Industrial Confederation (CEOE) over the same period.
Is currently on the board of MEDIASAL 2000, S.A., and chairman of EUROKAS SICAV, S.A. and CARBONICAS ALAVESAS, S.A. and joint director of FUTURE DRINKS & FOODS, S.L.
Chairman of the Official Alava Chamber of Commerce and Industry since March 2006.
Full member and chairman of the training committee for the High Council of Chambers of Commerce.
Chairman of the Basque chambers of commerce, CAMARAS DE COMERCIO VASCAS- EUSKO GANBERAK.
Member of the management board of the Basque innovation agency, INNOBASQUE, Agencia Vasca de la Innovación.

Studied Commercial Management, Marketing and Advertising at various teaching institutions in Barcelona and San Sebastian.

Mr CARLOS LORING MARTÍNEZ DE IRUJO
Director

Born in Mieres (Asturias) in 1947.
He was appointed to his BBVA directorship on 28th February 2004. Has been chairman of the board's Appointments & Remuneration committee since April 2006.

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 big public companies. Since 1985, has been member of its Management Committee.
His activity has been focussed 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.
More recently, he has focussed on consultancy services for listed companies in their big 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 organisation as new recommendations and regulations on good governance have been published in Spain. Was recently shortlisted by the International Who's Who of Business Lawyers as one of the most pre-eminent lawyers in corporate governance.
From 1984 to 1992 was member of the board of governors of the Colegio de Abogados de Madrid (Madrid Law Association).
Has worked with the teaching arm of the Garrigues lawfirm, as a member of the Advisory Board for its Masters in Private Banking.

Read law at the Universidad Complutense de Madrid.

Mr JOSÉ MALDONADO RAMOS

Director & Company Secretary

Born in Madrid in 1952.
Was appointed Director & Company Secretary of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. on 28th January 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 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).
Board Secretary and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria Alimentaria, S.A. (ENDIASA); for Astilleros Españoles, S.A.; and for Iberia Líneas Aéreas de España, S.A.
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.

Read Law at Universidad Complutense de Madrid, winning the extraordinary first prize on graduation.

Mr ENRIQUE MEDINA FERNÁNDEZ

Director

Born in La Puebla de Montalbán (Toledo) in 1942.
He was appointed to his BBVA directorship on 28th January 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); 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.

Read law at the Universidad Complutense de Madrid.

Ms. SUSANA RODRÍGUEZ VIDARTE
Director

Born in Bilbao (Vizcaya) in 1955.
She was appointed to her BBVA directorship on 28th May 2002.

Has mainly worked in the academic world.
Lecturer and researcher at the Management Department in the Economics Sciences and Economics Faculty La Comercial de la Universidad de Deusto.
Held the chair in Business Economics and Management Control, with teaching activities for undergraduate and postgraduate programmes at La Comercial in Spain, Argentina and Chile.
Since 1996, has been dean of the Business and Economics department 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 member of the Executive Committee of the Management Board of the Universidad de Deusto and its Academic Committee.
Trustee of the Luis Bernaola Foundation and the Management Board of the business management cluster, Cluster del Conocimiento en Gestión Empresarial.
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. During 2008 the board of directors met thirteen times, the chairman of the board attending all its sessions.

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 & Compliance	Appointments & Remuneration	Risks
González Rodríguez, Francisco	•			
Goirigolzarri Tellaeche, José Ignacio	•			
Alfaro Drake, Tomás		•		
Álvarez Mezquíriz, Juan Carlos	•		•	
Bermejo Blanco, Rafael		•		•
Breeden, Richard C.				
Bustamante y de la Mora, Ramón		•		•
Fernández Rivero, José Antonio				•
Ferrero Jordi, Ignacio	•		•	
Knörr Borrás, Román	•			
Loring Martínez de Irujo, Carlos		•	•	
Maldonado Ramos, José				•
Medina Fernández, Enrique	•			•
Rodríguez Vidarte, Susana		•	•	

THE EXECUTIVE COMMITTEE

In accordance with Company bylaws, the board of directors may appoint an Executive committee, once 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 the law and/or bylaws deem undelegatable due to their essential nature.

On 31st December 2008, this committee was made up of six members, of whom two were executive directors and four independent directors. Its composition was as follows:

CHAIRMAN:	Mr Francisco González Rodríguez
PRESIDENT & COO:	Mr José Ignacio Goirigolzarri Tellaeche
MEMBERS:	Mr Juan Carlos Álvarez Mezquíriz
	Mr Ignacio Ferrero Jordi
	Mr Román Knörr Borrás
	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 or company bylaws.

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 programmes and to fix 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 operations, determining methods and conditions; to arrange inspections and internal or external audits of all operational areas of the Entity; 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 analysed 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.

During 2008, the Executive committee met 18 times.

AUDIT & 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.

On 31st December 2008, the BBVA Audit & Compliance Committee comprised 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:

- Supervise the internal control systems' sufficiency, appropriateness and efficacy in order to ensure the accuracy, reliability, scope and clarity of the financial statements of the company and its consolidated group in their annual and quarterly reports. Also to oversee the accounting and financial information that the Bank of Spain or other regulators from Spain and abroad may require.
- 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 information or for a response from the competent 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 operations, 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.

Ensure the accuracy, reliability, scope and clarity of the financial statements. The committee shall constantly monitor the process by which they are drawn up, 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 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. During 2008 the Audit & Compliance committee met 15 times.

Executives responsible for Comptrol, 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 and the secretary shall 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 specialisation or independence.

Likewise, the committee can call on the personal co-operation 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.

APPOINTMENTS & REMUNERATION COMMITTEE

The Appointments & Remuneration Committee is tasked with assisting the board on issues related to the appointment and re-election of board members, and determining the directors' remuneration.

This committee shall comprise a minumum 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.

On 31st December 2008, the BBVA Appointments & Remuneration Committee comprised the following members:

CHAIRMAN:	Mr Carlos Loring Martínez de Irujo
MEMBERS:	Mr Juan Carlos Álvarez Mezquíriz
	Mr Ignacio Ferrero Jordi
	Ms Susana Rodríguez Vidarte

Its duties, apart from the afore-mentioned duty in the appointment of directors, include proposing the remuneration system for the board as a whole, within the framework established in the company bylaws. This entails determination of its items, the amount payable for each item and the settlement of said amount, and, as mentioned above, the scope and amount of the remuneration, rights and economic compensation for the CEO, the COO and the bank's executive directors in order to include these aspects in a written contract.

This committee shall also:

- Should the chairmanship of the Board or the post of chief executive officer fall vacant, examine or organise, 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.
- Submit an annual report on the directors remuneration policy to the board of directors.
- Report the appointments and severances of senior managers and propose senior-management remuneration policy to the board, along with the basic terms and conditions for their contracts.

The chairman of the Appointments & Remuneration 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. During 2008 the Appointments & Remuneration Committee met 5 times.

In accordance with the BBVA board regulations, the committee may ask members of the Group organisation 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.

RISKS COMMITTEE

The board's Risks committee is tasked with analysis 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.

The Risk committee shall have a majority of external directors, with a minimum of three members, appointed by the Board of Directors, which shall also appoint its chairman.

On 31st December 2008, the composition of the Risks committee was as follows:

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:

- Analyse 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) The setting of 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 information and oversight systems used to oversee and manage risks;
  d) The measures established to mitigate the impact of risks identified should they materialise.

- Monitor the match between risks accepted and the profile established.
- Assess 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.
- Check 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. In 2008, it held 45 meetings.

Steering Committee[1]

Chairman and CEO

Mr Francisco González Rodríguez

President and COO

Mr José Ignacio Goirigolzarri Tellaeche

Other members of the Steering Committee

Mr Eduardo Arbizu Lostao	Legal Services, Fiscal Matters, Auditing & Compliance
Mr Xavier Argenté Ariño[2]	Spanish Banking Business (Spain and Portugal)
Mr Juan Asúa Madariaga	Spain and Portugal
Mr Javier Ayuso Canals	Communication & Image
Mr José Barreiro Hernández	Wholesale Banking & Asset Management
Mr Javier Bernal Dionis[2]	Innovation and Business Development (Spain and Portugal)
Mr Ángel Cano Fernández	HR, IT & Operations
Mr Ignacio Deschamps González	Mexico
Mr José María García Meyer-Dohner	USA
Mr Manuel González Cid	CFO
Mr José Maldonado Ramos	Secretary General
Mr Vicente Rodero Rodero	South America
Mr José Sevilla Álvarez	Risk

(1) Composition at 31 December 2008.
(2) They ceased to be members of the Steering Committee in January 2009, when the new member was Mr Carlos Torres Vila, head of Strategy and Corporate Development.

Corporate responsibility

CORPORATE RESPONSIBILITY AT BBVA

BBVA understands corporate responsibility to be a wholehearted commitment to providing the utmost value possible in a balanced manner to all its direct stakeholders – shareholders, customers, employees and suppliers – and to the societies in which it operates.

The prevailing **commitments** that the Group seeks to fulfil through its corporate responsibility (CR) policy are as follows:

- Uphold excellence at all times in its core business operations
- Minimize the negative impacts caused by its business activity
- Develop "social business opportunities" that generate value both for the community and BBVA
- Invest in those societies in which the Group is present through support for social projects, especially those involving education

Major progress has been made in 2008 in integrating corporate responsibility into the business strategy. Special mention should be made of the approval by the board of directors of both the **Corporate Responsibility** (CR) **Policy** and the **Corporate Responsibility and Reputation** (CRR) **Strategic Plan.**

In addition, the **CRR committee** has also been consolidated through four meetings held in 2008. This committee is the body charged with driving the integration of CR criteria, activities and policies throughout the Group's business and support areas. In turn, local CRR committees have been set up in 6 countries (Argentina, Chile, Colombia, Mexico, Peru and Venezuela), chaired by the country manager in each location, and with them all adopting the same approach to the Group's CRR.

In terms of **international commitments**, BBVA continues to lend its support to the UN Global Compact, the UN Environment Programme – Finance Initiative (UNEP FI) and the Equator Principles, as well as publicly acknowledging its respect for the UN's Universal Declaration of Human Rights and the Fundamental Principles and Rights of the International Labour Organisation.

Regarding the continuous improvement in **reporting** to all BBVA stakeholders, it should be noted that 2008 has seen an increase in the number of banks drafting their own CR reports; Mexico, Peru and Venezuela have now been joined by Argentina, Chile and Colombia.

MATTERS OF INTEREST TO STAKEHOLDERS

The Group's CR policy is centred on issues of significance to BBVA, being reviewed within the present context of crisis. These issues have been identified through numerous channels of dialogue and contact with stakeholders in order to integrate, on the one hand, the institution's vision, principles and strategies, and on the other, the expectations these groups hold. The following are the main achievements recorded in 2008:

Customer focus

- Drafting of the first Complaints Corporate Report, with a view to identifying and implementing improvements in the management system.

Financial inclusion

- Development of the **BBVA Microfinance Foundation**, with alliances and agreements in Peru, Colombia, Puerto Rico and Costa Rica. At the year-end it had 1,700 employees and a network of 160 branch offices, providing a service for 346,758 customers, which including family members means a figure of over 1,700,000 beneficiaries.
- **Banking penetration**: 500,000 more active private customers in Mexico and 400,000 more in South America.

Responsible finance

- Drafting of the "Handbook on social and environmental risk management for the Group's lending operations", reinforcing the procedures for complying with the Equator Principles in matters of project finance.

Responsible products and services

- Boost for socially responsible investment (**SRI**) in Spain. Approval for the management in its entirety of BBVA's staff pension plan Spain according to SRI criteria (€1.9 billion in funds and 41,100 affiliates). Adhesion to the United Nations Principles for Responsible Investment (PRI).
- Trading of over 1 million tonnes of CO_2.
- Launch of the *Ayuda Vivienda* (Home loans) within the *Plan Familias* (Families Plan) to help young people with lower incomes to access mortgages. (1,351 loans for €163m).

RESPONSIBLE MANAGEMENT OF HUMAN RESOURCES

- Approval of the Group's CR Training plan.
- Award to BBVA Spain of the *Empresa Familiarmente Responsable* (Family-Responsible Company) certificate, acknowledging its commitment and the effort made through pioneering initiatives in balancing work and personal life.
- Development of several initiatives within the *Plan Calidad de Vida* (Quality of Life plan).

Responsible procurement

- Review and overhaul of the Procurement Approval Questionnaire to include CR criteria in all procurement approval questionnaires of the Group.
- Dissemination of the UN Global Compact amongst suppliers in Argentina, Colombia, USA, Mexico, Peru, Puerto Rico and Venezuela.

ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE

- Progressive implementation of ISO 14001 management systems, which now extend to 12 sites. By the end of 2008, the number of Group employees working in certified premises amounted to 9,080 employees (8% of the staff), as opposed to 4,710 (4%) in 2007.
- Launch of the **Global Eco-efficiency Plan** ***(PGE)*** 2008-2012, with a total investment of €19m and an estimated annual saving of €1.5m as of 2012. This plan reduces BBVA's direct environmental impacts and sets the following targets for 2012: reductions of 20% in CO_2 emissions, 10% in paper consumption, 7% in water consumption and 2% in the use of electricity (all per employee), increasing to

20% the number of employees working in ISO 14001 certified buildings and seeking LEED certification for the new corporate headquarters in Madrid, Mexico and Paraguay, as well as for the Corporate University in La Moraleja (Madrid).

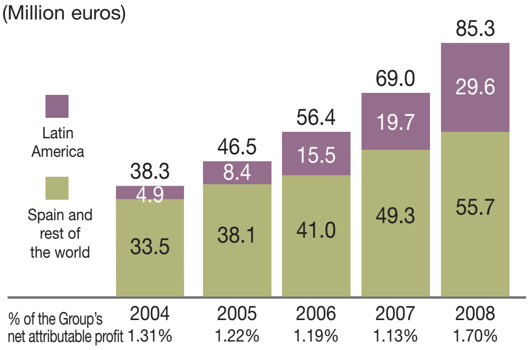
- Drop of 4% in paper consumption per employee in 2008.

Community involvement

- Further deployment of the Community Investment Plan for Latin America, which has been reinforced in 2008 through the consolidation of the provision of 1% of the local net attributable profit in each one of BBVA operating countries. The star programme within this plan is the *Niños Adelante* integration scholarship, with awards increasing from 18,000 children in 2007 to 47,104 children in 2008.
- Launch of the financial literacy programme in Mexico, benefiting 7,000 people.
- Holding of the 23rd edition of the *Ruta Quetzal BBVA*, with 325 expeditionaries from 55 countries taking part.
- The Group has earmarked a total of €85.3m for community investment (a year-on-year increase of +24%), amounting to 1.70% of its net attributable profit.

Community investment: funds allocated by the BBVA Group and its foundations (1)

(Million euros)



(1) From 2006 to 2008 it includes both those contributions made by each one of the countries in Latin America and those made directly from Spain in favour of these countries.

Regarding the eligibility of BBVA in analyst portfolios and **sustainability indexes**, the Group maintains its privileged position. These indexes measure the performance of companies from an economic, social, ethical and environmental perspective, and remaining on them requires proof of ongoing progress in matters of sustainability. At year-end 2008, the weighting in these indexes was as follows:

Main sustainability indexes featuring BBVA

	Weighting (%)
DJSI World	0.73%
DJSI STOXX	1.61%
DJSI EURO STOXX	2.97%
FTSE4Good Global	0.53%
FTSE4Good Europe	1.18%
FTSE4Good Europe 50	1.72%
FTSE4Good IBEX	7.66%
ASPI Eurozone Index	2.13%
Ethibel Sustainability Index Excellence Europe	1.78%
Ethibel Sustainability Index Excellence Global	0.98%
KLD Global Sustainability Index	0.62%
KLD Global Sustainability Index Ex-US	1.11%
KLD Europe Sustainability Index	1.88%
KLD Europe Asia Pacific Sustainability Index	1.83%

For further information on specific schemes, as well as a scorecard of the achievements made in 2008 and the goals for 2009 in the field of CRR, please see the **Corporate Responsibility Report 2008**, which accompanies this report and is also available online at http://rrc.bbva.com.

Supplementary information

Consolidated time series

Office network


Atención
al Cliente

CONSOLIDATED TIME SERIES

Income statements

(Million euros)

	IFRS (Bank of Spain's Circular 6/2008)			IFRS (Bank of	
	2008	2007	2006	2008	2007
Net interest income	11,686	9,628	8,138	11,891	9,769
Gross income/ ordinary revenues	18,978	17,271	15,143	19,853	18,133
Operating income/ operating profit	10,523	9,441	8,340	11,279	10,544
Income before tax	6,926	8,495	7,030	6,926	8,495
Net income	5,385	6,415	4,971	5,385	6,415
Net attributable profit	5,020	6,126	4,736	5,020	6,126

Balance sheet and business activity

(Million euros)

	31-12-08	31-12-07	31-12-06	31-12-08	31-12-07
Loans to customers	335,260	313,178	258,317	333,029	310,882
Total assets	542,650	501,726	411,663	543,513	502,204
Customer funds on balance sheet	376,380	337,518	286,828	374,308	334,844
• Deposits from customers	255,236	219,609	186,749	267,140	236,183
• Debt certificates	104,157	102,247	86,482	90,180	82,999
• Subordinated liabilities	16,987	15,662	13,597	16,987	15,662
Other customer funds	119,017	150,777	142,064	119,017	150,777
Total customer funds	495,397	488,295	428,892	493,324	485,621

Additional information

	31-12-08	31-12-07	31-12-06	31-12-08	31-12-07
Dividends (million euros) (1)	2,301	2,717	2,220	2,301	2,717
Number of shareholders (thousands)	904	890	864	904	890
Number of shares (millions) (2)	3,748	3,748	3,552	3,748	3,748
Number of employees	108,972	111,913	98,553	108,972	111,913
• Spain	29,070	31,106	30,582	29,070	31,106
• Abroad	79,902	80,807	67,971	79,902	80,807
Number of branches	7,787	8,028	7,499	7,787	8,028
• Spain	3,375	3,595	3,635	3,375	3,595
• Abroad	4,412	4,433	3,864	4,412	4,433

(1) 2008 includes payment in kind in the form of shares.
(2) The data for the period from 1998 to 1999 were re-calculated based on the share exchange ratio (5 BBV shares for 3 Argentaria shares).

Spain's Circular 4/2004)			Bank of Spain's Circular 4/1991						
2006	2005	2004	2004	2003	2002	2001	2000	1999	1998
8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995	5,760	5,516
15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143	9,108	8,374
8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376	3,457	3,120
7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876	2,902	2,374
4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914	2,168	1,785
4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232	1,746	1,424

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
256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467	113,607	99,907
411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145	238,166	202,911
283,645	259,200	207,701	199,485	182,832	180,570	199,486	185,718	139,934	119,941
192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146	105,077	99,351
77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460	31,552	17,562
13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112	3,305	3,028
142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831	102,677	74,221
425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549	242,611	194,162

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
2,220	1,801	1,499	1,499	1,247	1,109	1,222	1,123	854	699
864	985	1,081	1,081	1,159	1,179	1,204	1,300	1,268	1,338
3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196	2,931	2,861
98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082	88,556	86,349
30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733	37,052	37,847
67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349	51,504	48,502
7,499	7,328	6,751	6,848	6,924	7,504	7,988	8,946	7,491	7,226
3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864	4,336	4,495
3,864	3,750	3,366	3,473	3,553	4,090	4,368	5,082	3,155	2,731

OFFICE NETWORK

THE BBVA GROUP'S NETWORK OF OFFICES – IN SPAIN

THE BBVA GROUP'S HEAD OFFICES

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Canary Islands - Regional
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