Finanzia Banco de Crédito, S.A.

Financial Statements for the Year Ended 31 December 2009 and Directors´ Report, together with Independent Auditors´Report

The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails.

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AUDIT REPORT OF ANNUAL ACCOUNTS

To the Shareholders of
Finanzia Banco de Crédito, S.A.:

1. We have audited the financial statements of Finanzia Banco de Crédito, S.A. (hereinafter, "the Bank"), which include the balance sheet as of 31 December 2009 and the income statement, recognised income and expenditure statement, statement of changes in equity, cash flow statement and the report corresponding to the tax year ending on said date, for which the Bank's Administrators are responsible. Our responsibility is to express an opinion on said annual accounts as a whole, based on the work carried out according to generally accepted auditing regulations, which includes examining, based on selective testing, evidence supporting the annual accounts, and assessing their presentation, the accounting principles applied and the estimations carried out.

2. In accordance with commercial law, the Bank's Administrators present, for comparative purposes, with each one of the balance sheet headings, of the income statement, of the recognised income and expenditure statement, of the statement of changes in equity, of the cash flow statement and the report, as well as the figures for the tax year 2000, those for the previous tax year. Our opinion exclusively refers to the annual accounts of the tax year 2009. We issued our audit report on 3 April 2009 for the annual accounts of the tax year 2008, in which we express a favourable opinion.

3. The Bank's operations are managed by the Banco Bilbao Vizcaya Argentaria Group. These operations have produced the balances and transactions with affiliate companies stated in the report. The attached annual accounts, which are presented in compliance with current legislation, must be interpreted in the context of the group in which the Bank carries out its operations, with the financial support of its shareholders (companies belonging to the BBVA Group – see notes 18 and 33.1) and not as an independent company. As stated in Note 1, the Bank has not formulated consolidated annual accounts in the tax year 2009 because it is exempt from that obligation as the group is part of the consolidation of a larger group (Banco Bilbao Vizcaya Argentaria Group), whose dominant company is governed by Spanish law. The effect of the consolidation, carried out

based on the accounting records of the companies that make up the Finanzia Group, compared to the attached individual annual accounts, entails, on 31 December 2009, an increase in net reserves of 17.77 billion euros, and a decrease in assets and net losses of 202.801 and 31.567 billion euros, respectively.

4. In our opinion, the annual accounts for the tax year 2009 present fairly, in all material respects, the equity and the financial situation of Finanzia Banco de Crédito, S.A. on 31 December 2009 and the results of its operations, the changes in its equity and its cash flow, for the tax year ending on said date, and contain sufficient information to be interpreted and understood correctly, in accordance with the accounting principles and regulations set out in Circular 4/2004, by the Bank of Spain, which are the same as those applied in the previous tax year.

5. The attached management report for the tax year 2009 includes explanations that the Administrators deem convenient on the situation of the Bank, the evolution of its business and other matters, and are not an integral part of the annual accounts. We have verified that the accounting information in said management report coincides with the information in the financial statement for the tax year 2009. Our job as auditors is to verify the management report with the scope mentioned in this paragraph and does not include checking information other than that obtained from the Bank's accounting records.

DELOITTE, S.L.
Registered in the Official Registry of Auditors. No. S0692

Miguel Ángel Bailón
6 April 2010

FINANZIA BANCO DE CRÉDITO, S.A.

Financial statements for the year ended December 31, 2009

The English version is only a translation of the original in Spanish for information purposes. In the event of a discrepancy, the Spanish-language version prevails

FINANZIA BANCO DE CRÉDITO, S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008 (Notes 1 to 3)

		Thousands of euros	
ASSETS	**Note**	**2009**	**2008 (*)**
CASH AND BALANCES WITH CENTRAL BANKS	**6**	**131**	**48**
FINANCIAL ASSETS HELD FOR TRADING		**-**	**-**
Loans and advances to credit institutions		-	-
Loans and advances to customers		-	-
Debt securities		-	-
Equity instruments		-	-
Trading derivatives		-	-
Memorandum item: Loaned or advanced as collateral		-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE CHARGED TO PROFIT AND LOSS		**-**	**-**
Loans and advances to credit institutions		-	-
Loans and advances to customers		-	-
Debt securities		-	-
Equity instruments		-	-
Memorandum item: Loaned or advanced as collateral		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**7**	**415**	**201**
Debt securities		-	-
Equity instruments		415	201
Memorandum item: Loaned or advanced as collateral		-	-
LOANS AND RECEIVABLES	**8**	**7.464.994**	**7.215.614**
Loans and advances to credit institutions		2.535.405	2.351.607
Loans and advances to customers		4.929.589	4.864.007
Debt securities		-	-
Memorandum item: Loaned or advanced as collateral		1.641.822	1.293.817
HELD-TO-MATURITY INVESTMENTS		**-**	**-**
Memorandum item: Loaned or advanced as collateral		-	-
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HE		**-**	**-**
HEDGING DERIVATIVES	**9**	**6.243**	**9.221**
NON-CURRENT ASSETS HELD FOR SALE	**10**	**1.013**	**1.789**
INVESTMENTS IN ENTITIES	**11**	**121.310**	**127.531**
Associate entities		107	137
Jointly controlled entities		11.675	15.200
Group companies		109.528	112.194
INSURANCE CONTRACTS LINKED TO PENSIONS		**-**	**-**
TANGIBLE ASSETS	**12**	**4.318**	**4.953**
Tangible fixed assets		4.318	4.953
For own use		4.318	4.953
Other assets leased out under an operating lease		-	-
Investment properties		-	-
Memorandum item: Acquired under financial leasing		-	-
INTANGIBLE ASSETS	**13**	**2.765**	**3.796**
Goodwill		-	-
Other intangible assets		2.765	3.796
TAX ASSETS	**22**	**22.120**	**25.261**
Current		-	-
Deferred		22.120	25.261
OTHER ASSETS	**14**	**9.717**	**14.993**
TOTAL ASSETS		**7.633.026**	**7.403.407**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 37 and Appendix I are an integral part of the balance sheet as of December 31, 2009.

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FINANZIA BANCO DE CRÉDITO, S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008 (Notes 1 to 3)

		Thousands of euros	
LIABILITIES AND EQUITY	**Note**	**2009**	**2008 (*)**
FINANCIAL ASSETS HELD FOR TRADING		**83**	**62**
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		-	-
Marketable debt securities		-	-
Trading derivatives		83	62
Short positions		-	-
Other financial liabilities		-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		-	-
Marketable debt securities		-	-
Subordinated liabilities		-	-
Other financial liabilities		-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**15**	**7.376.032**	**7.186.560**
Deposits from central banks		-	-
Deposits from credit institutions		7.054.076	6.558.869
Customer deposits		308.915	615.611
Marketable debt securities		-	-
Subordinated liabilities		6.015	6.024
Other financial liabilities		7.026	6.056
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGES C		**-**	**-**
HEDGING DERIVATIVES	**9**	**22.455**	**26.576**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
PROVISIONS	**16**	**22.739**	**19.468**
Pension funds and similar obligations		19.702	14.731
Provisions for taxes and other legal contingencies		-	-
Provisions for contingent exposures and commitments		187	2.168
Other provisions		2.850	2.569
TAX LIABILITIES	**22**	**8.410**	**599**
Current		-	-
Deferred		8.410	599
OTHER LIABILITIES	**14**	**9.135**	**11.844**
TOTAL LIABILITIES		**7.438.854**	**7.245.109**

(*) Presented for comparison purposes only.

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LIABILITIES AND EQUITY *(Continued)*	Note	2009	2008 (*)
			Thousands of euros
SHAREHOLDERS' FUNDS		**197.798**	**161.326**
Share capital	**18**	**32.658**	**14.983**
Issued		32.658	14.983
Less: Uncalled share capital		-	-
Share premium	**19**	**185.140**	**27.818**
Reserves	**20**	**116.656**	**122.853**
Other equity instruments		**-**	**-**
Equity component of compound financial instruments		-	-
Other equity instruments		-	-
Less: Treasury shares		**-**	**-**
Earnings for the year		**(136.656)**	**(4.328)**
Less: Dividends and remuneration		**-**	**-**
VALUATION ADJUSTMENTS	**9**	**(3.626)**	**(3.028)**
Available-for-sale financial assets		-	**-**
Cash flow hedging		(3.626)	(3.028)
Hedging of net investment in foreign transactions		-	-
Exchange differences		-	**-**
Non-current assets held for sale		-	-
Other valuation adjustments		**-**	-
TOTAL EQUITY		**194.172**	**158.298**
TOTAL LIABILITIES AND EQUITY		**7.633.026**	**7.403.407**

MEMORANDUM ITEM	Note	2009	2008 (*)
CONTINGENT EXPOSURES	**23**	**96.428**	**96.240**
CONTINGENT COMMITMENTS	**23**	**26.317**	**17.189**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 37 and Appendix I are an integral part of the balance sheet as of December 31, 2009.

FINANZIA BANCO DE CRÉDITO, S.A.

INCOME STATEMENTS CORRESPONDING TO TAX YEARS ENDING 31 DECEMBER 2009 AND 2008 (Notes 1 to 3)

		Thousands of euros	
	Note	**2009**	**2008 (*)**
INTEREST AND SIMILAR INCOME	**25**	302.090	379.713
INTEREST AND SIMILAR EXPENSES	**25**	(217.078)	(292.423)
NET INTEREST INCOME		**85.012**	**87.290**
INCOME FROM EQUITY INSTRUMENTS		427	-
FEE AND COMMISSION INCOME	**26**	25.645	34.110
FEE AND COMMISSION EXPENSES	**27**	(5.207)	(7.893)
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	**28**	(120)	(36)
Trading portfolio		(120)	(36)
Other financial assets at fair value through profit or loss		-	-
Other financial instruments not at fair value through profit or loss		-	-
Others		-	-
EXCHANGE DIFFERENCES (NET)		-	-
OTHER OPERATING INCOME	**29**	5.801	5.964
OTHER OPERATING EXPENSES ºº/cell>**GROSS INCOME**	**29**	(1.365)	(2.230)
MARGEN BRUTO		**110.193**	**117.205**
ADMINISTRATION COSTS	**30**	(55.877)	(67.491)
Personnel costs		(31.476)	(38.452)
Other general administrative expenses		(24.401)	(29.039)
DEPRECIATION AND AMORTIZATION	**12 and 13**	(2.055)	(1.850)
PROVISIONS (NET)	**16**	(5.799)	(9.441)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)		(168.065)	(42.416)
Loans and receivables	**4**	(168.065)	(42.416)
Other financial instruments not at fair value through loss and profit		-	-
NET OPERATING INCOME		**(121.603)**	**(3.993)**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)		(8.833)	-
Goodwill and other intangible assets		-	-
Other Assets	**32**	(8.833)	-
GAINS (LOSSES) IN DERECOGNIZED ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE		-	-
NEGATIVE GOODWILL IN BUSINESS COMBINATIONS		-	
GAINS AND LOSSES ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED TRANSACTIONS	**31**	176	554
INCOME BEFORE TAX		**(130.260)**	**(3.439)**
INCOME TAX	**22**	(6.396)	(889)
INCOME FROM ORDINARY ACTIVITIES		**(136.656)**	**(4.328)**
INCOME FROM DISCONTINUED OPERATIONS (NET)		-	-
INCOME FOR THE YEAR		**(136.656)**	**(4.328)**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 37 and Appendix I are an integral part of the income statement for the year ended December 31, 2009.

FINANZIA BANCO DE CRÉDITO, S.A.

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (Notes 1 to 3)

Thousands of euros

STATEMENT OF RECOGNIZED INCOME AND EXPENSES	2009	2008 (*)
PROFIT FOR THE YEAR	**(136.656)**	**(4.328)**
OTHER RECOGNIZED INCOME (EXPENSES)	**(598)**	**(3.028)**
Available-for-sale financial assets	-	-
Valuation gains/losses	-	-
Amounts removed to income statement	-	-
Reclassifications	-	-
Cash flow hedging	(854)	(4.326)
Valuation gains/losses	(854)	(4.326)
Amounts removed to income statement	-	-
Amounts removed to the initial book value of the hedged items	-	-
Other reclassifications	-	-
Hedging of net investment in foreign transactions	-	-
Valuation gains/losses	-	-
Amounts removed to income statement	-	-
Other reclassifications	-	-
Exchange Differences	-	-
Valuation gains/losses	-	-
Amounts removed to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Valuation gains and losses	-	-
Amounts removed to income statement	-	-
Other reclassifications	-	-
Actuarial gains and losses on pension plans	-	-
Rest of recognized income and expenses	-	-
Income tax	256	1.298
TOTAL RECOGNIZED INCOME/EXPENSE	**(137.254)**	**(7.356)**

(*) Se presenta, única y exclusivamente, a efectos comparativos.

The accompanying Notes 1 to 37 described in the report and Appendix I are an integral part of the statement of recognized income and expenses for the year ended December 31, 2009.

FINANZIA BANCO DE CRÉDITO, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (Notes 1 to 3)

Thousands of euros

	Shareholders' Funds							Valuation adjustments (Note 9)	Total Net Equity
	Capital (Note 18)	Share premium (Note 19)	Reserves (Note 20)	Other equity instruments	Result for the year	Less: Dividends and remuneration	Total shareholders' funds		
Balances at January 1, 2008 (*)	**14.983**	**27.818**	**117.669**	-	**5.184**	-	**165.654**	**-**	**165.654**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Effect of correction of errors	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**14.983**	**27.818**	**117.669**	-	**5.184**	-	**165.654**	**-**	**165.654**
Total income/expenses recognized	**-**	**-**	**-**	-	**(4.328)**	-	**(4.328)**	**(3.028)**	**(7.356)**
Other changes in equity	**-**	**-**	**5.184**	-	**(5.184)**	-	**-**	**-**	**-**
Capital increases	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-
Increase of other equity instruments	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-
Dividend distribution/Shareholder remuneration	-	-	-	-	-	-	-	-	-
Transactions including treasury shares and other equity instruments (net)	-	-	-	-	-	-	-	-	-
Transfers between net equity entries	-	-	5.184	-	(5.184)	-	-	-	-
Increase/Reductions due to business combinations	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-
Rest of increases/reductions in total equity	-	-	-	-	-	-	-	-	-
Balances at December 31, 2008 (*)	**14.983**	**27.818**	**122.853**	**-**	**(4.328)**	**-**	**161.326**	**(3.028)**	**158.298**

Thousands of euros

	Shareholders' Funds							Valuation adjustments (Note 9)	Total Net Equity
	Capital (Note 18)	Share premium (Note 19)	Reserves (Note 20)	Other equity instruments	Result for the year	Less: Dividends and remuneration	Total shareholders' funds		
Balances as of January 1, 2009	**14.983**	**27.818**	**122.853**	**-**	**(4.328)**	**-**	**161.326**	**(3.028)**	**158.298**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Effect of correction of errors	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**14.983**	**27.818**	**122.853**	-	**(4.328)**	-	**161.326**	**(3.028)**	**158.298**
Total income/expenses recognized	**-**	**-**	**-**	-	**(136.656)**	-	**(136.656)**	**(598)**	**(137.254)**
Other changes in equity	**17.675**	**157.322**	**(6.197)**	-	**4.328**	-	**173.128**	**-**	**173.128**
Capital increases	17.675	157.322	-	-	-	-	**174.997**	**-**	**174.997**
Capital reductions	-	-	-	-	-	-	**-**	-	**-**
Conversion of financial liabilities into capital	-	-	-	-	-	-	**-**	-	**-**
Increase of other equity instruments	-	-	-	-	-	-	**-**	-	**-**
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	**-**	-	**-**
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	**-**	-	**-**
Dividend distribution/Shareholder remuneration	-	-	-	-	-	-	**-**	-	**-**
Transactions including treasury shares and other equity instruments (net)	-	-	-	-	-	-	**-**	-	**-**
Transfers between net equity entries	-	-	(4.328)	-	4.328	-	-	-	-
Increase/Reductions due to business combinations	-	-	-	-	-	-	**-**	-	**-**
Payments with equity instruments	-	-	-	-	-	-	**-**	-	**-**
Rest of increases/reductions in total equity	-	-	(1.869)	-	-	-	**(1.869)**	-	**(1.869)**
Balances as of December 31, 2009	**32.658**	**185.140**	**116.656**	**-**	**(136.656)**	**-**	**197.798**	**(3.626)**	**194.172**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 37 and Appendix I are an integral part of the statement of changes in total equity for the year ended December 31, 2009.

FINANZIA BANCO DE CRÉDITO, S.A.

CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (Notes 1 to 3)

	Thousands of euros	
	2009	**2008 (*)**
CASH FLOW FROM OPERATING ACTIVITIES(1)	**(170.218)**	**33.724**
Result for the year	**(136.656)**	**(4.328)**
Adjustments to obtain the cash flow from operating activities:	**17.287**	**12.022**
Amortization	2.055	1.850
Other adjustments	15.232	10.172
Net increase/decrease in operating assets	**(238.200)**	**(1.032.961)**
Financial assets held for trading	-	-
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	(214)	-
Loans and receivables	(249.380)	(1.035.253)
Other operating assets	11.394	2.292
Net increase/decrease in operating liabilities	**180.955**	**1.058.102**
Trading portfolio	21	62
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortized cost	189.481	1.046.292
Other operating liabilities	(8.547)	11.748
Collection/Payments for income tax	**6.396**	**889**
CASH FLOWS FROM INVESTMENT ACTIVITIES(2)	**(2.220)**	**(30.734)**
Investments	**(19.551)**	**(35.769)**
Tangible assets	(241)	(1.784)
Intangible assets	(259)	(1.117)
Equity holdings	(2.500)	(26.199)
Other business units	-	-
Non-current assets and associated liabilities held for sale	(16.551)	(6.669)
Held-to-maturity investments	-	-
Other settlements related with investment activities	-	-
Collections	**17.331**	**5.035**
Tangible assets	-	152
Intangible assets	-	-
Equity holdings	-	-
Other business units	-	-
Non-current assets and associated liabilities held for sale	17.331	4.883
Held-to-maturity investments	-	-
Other collections related to investing activities	-	-
CASH FLOW FROM FINANCIAL ACTIVITIES (III) (3)	**172.521**	**(3.033)**
Payments	**(607)**	**(3.033)**
Dividends	-	-
Subordinated liabilities	(9)	(5)
Amortization of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other items relating to financing activities	(598)	(3.028)
Collections	**173.128**	**-**
Subordinated liabilities	-	-
Issuance of own equity instruments	173.128	-
Disposal of own equity instruments	-	-
Other items relating to financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES (4)	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS(1+2+3+4)	**83**	**(43)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF YEAR	**48**	**91**
CASH OR CASH EQUIVALENTS AT END OF YEAR	**131**	**48**

COMPONENTS OF CASH AND EQUIVALENT AT END OF YEAR	2009	2008 (*)
Cash	2	2
Balance of cash equivalent in central banks	129	46
Other financial assets	-	-
Less: bank overdrafts repayable on demand	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF YEAR	**131**	**48**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 37 and Appendix I are an integral part of the statement of cash flow for the year ended December 31, 2009.

FINANZIA BANCO DE CRÉDITO, S.A.

Financial statements for the year ended December 31, 2009

1. Introduction, basis of presentation of the financial statements and other information

1.1. Introduction

Finanzia Banco de Crédito, S.A. (hereinafter, the Bank) is a private-law entity, founded on 1 September 1949 and subject to the rules and regulations governing banking institutions operating in Spain, and forming part of the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the BBVA Group).

The principal activity of the Bank fundamentally consists in financing consumption and equipment good operations. The Bank conducts its business through 33 commercial offices located throughout the national territory.

The financial statements are to be interpreted within the context of the Group in which the Bank operates, with the financial support of its shareholders (entities belonging to the BBVA Group) and the mother company (see Notes 18 and 33.1), and not as an independent entity.

The Bylaws and other public information about the Bank are available for consultation at its registered address (Calle Julián Camarillo nº4, Madrid).

The Bank's financial statements for 2008 were approved by the Bank's General Shareholders' Meeting on 29 June 2009. The 2009 financial statements of the Bank are pending approval at the General Shareholders' Meeting. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2. Basis of presentation of the annual financial statements

The Bank's financial statements for 2009 are presented in accordance with Bank of Spain Circular 4/2004, of December 22 (and as amended thereafter). This Banco de España circular implements and adapts the International Financial Reporting Standards adopted by the European Union (hereinafter "EU-IFRS") in compliance to stipulations under Regulation 1606/2002 of the European Parliament and the 19 July 2002 Council relating to the application of the International Accounting Standards.

The Bank's financial statements for the year ended on December 31, 2009 which were formulated by its Directors (in the Board meeting held on March 25, 2010) were prepared on the basis of its accounting records. These financial statements have been prepared in accordance with the principles, accounting policies and valuation criteria described in Note 2, so that they present an accurate picture of the Bank's equity and financial position on December 31, 2009, and the results of its operations, changes in equity and cash flows arising for the Bank during 2009.

In keeping with current legislation, the Bank has not prepared consolidated annual financial statements because it is exempt from this obligation, as it is integrated within the scope of consolidation of the BBVA Group. As of 31 December 2009, the estimated effect of consolidation, compared with the individual annual accounts, resulted in an increase in the total reserves of 17,770 thousand euros and a decrease of assets and net losses of 202,801 thousand euros and 31,567 thousand euros, respectively.

All accounting policies and valuation criteria with a significant effect on the financial statements were applied in their preparation.

Due to the fact that the numerical information contained in the financial statements is expressed in thousands of euros, except in certain cases where a lower unit is necessary, certain captions that do not present any balance in the condensed statements may present the balance in euros. The accounting balances have been rounded to present the amounts in thousands of euros. As a result, the amounts appearing in some tables may not be the arithmetical sum of the preceding figures.

1.3. Comparative information

The information relating to 2008 contained in these notes to the financial statements is presented, solely for comparison purposes, with information relating to 2009.

1.4. Seasonal nature of income and expenses

The nature of the most significant activities and transactions carried out by the Bank is mainly related to traditional activities carried out by financial institutions that are not affected by seasonal or factors.

1.5. Responsibility for the information and for the estimates made

The information presented in these annual financial statements is the responsibility of the Bank's directors. In preparing these financial statements estimates were occasionally made by the Bank in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate mainly to the following:

- The impairment losses on certain assets (Notes 7, 8, 10, and 11).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 17)
- The useful life and impairment losses of tangible and intangible assets (see Notes 12, and 13).
- The fair value of certain unlisted assets and liabilities (Note 11).

Although these estimates were made on the basis of the best information available as of December 31, 2009 on the events analyzed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years.

1.6. Fondo de Garantía de Depositos (Deposits guarantee fund)

The Bank is part of the “Fondo de Garantía de Depósitos”. The expense incurred due to the contributions made to this Agency in 2009 and 2008 amounted to 1 thousand euros, respectively, which are recorded in the "Other products and operating expenses" section of the enclosed income statement (see Note 29).

2. Accounting policies and measurement bases applied

The accounting policies and valuation criteria used in preparing these financial statements of the Bank were as follows:

2.1. Financial instruments

a) Valuation of financial instruments and recognition of changes in valuations

All financial instruments are initially accounted for at fair value which, unless there is evidence to the contrary, shall be the transaction price.

The change produced during the year, except in trading derivatives, arising from the accrual of interests and similar items are recorded in the headings “Interest and similar income” or “Interest expense and similar charges” (Note 25), as appropriate, in the income statement for the year. The dividend accrued in the period are recorded in the heading “Income from equity instruments” in the income statement for said period.

The changes in the valuations after the initial recognition, for reasons other than those of the preceding paragraph, are described below according to the categories of financial assets and liabilities:

- “Financial assets held for trading”

Assets and liabilities recognized in these headings in the accompanying balance sheets are valued at fair value.

Changes arising from the valuation to fair value (gains or losses) are recognized in the heading “Gains or losses on financial assets and liabilities (net)” in the accompanying income statements. On the other hand, Valuation adjustments by changes in foreign exchange rates are recognized in the heading “Exchange Differences (net)” in the income statement for the year.

The fair value of the standard financial derivatives included in the held for trading portfolios is equal to their daily listed price in an active market. If, under exceptional circumstances, their listed price cannot be established on a given date, these derivatives are measured using methods similar to those used to value over-the-counter (hereinafter “OTC”) derivatives.

The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instrument, discounted at the measurement date (“present value” or “theoretical close”); these derivatives are measured using methods recognized by the financial markets, including the net present value (NPV) method and option price calculation models.

- “Available-for-sale financial assets”

Assets recognized in this heading of the accompanying consolidated balance sheets are valued at fair value.

Changes arising from the valuation at fair value (gains or losses) are recognized temporarily, at the net amount, in the heading “Valuation adjustments - Available-for-sale financial assets” in the accompanying balance sheets.

In the particular case of the sale of equity instruments considered strategic investments listed under “Available-for-sale Financial Assets”, results generated are recognized in the heading “Gains (losses) in non-current assets held-for-sale not classified as discontinued operations” in the income statement, even though they had not been classified in a previous balance sheet as non-current assets held for sale, as indicated in Rule 56 of Circular 4/2004.

The net impairment losses in the available-for-sale financial assets during the period are recognized in the heading “Impairment losses on financial assets (net) – Other financial instruments not at fair value through profit or loss” in the income statements for said period.

The amounts recognized in the section “Valuation Adjustments - Available-for-Sale Financial Assets” remain in the equity until the asset from which they are derived is derecognized from the balance sheet. At that time this amount is cancelled out in the heading “Net income from financial operations” in the income statement for the year in which the derecognition from the balance sheet takes place.

- “Loans and receivables” and “Financial liabilities at amortized cost”

Assets and liabilities recognized in these headings in the accompanying consolidated balance sheets are measured at “amortized cost” using the “effective interest rate” method, as the Bank intends to hold these financial instruments to maturity.

Impairment losses on financial assets in these headings and having taken place this year are listed in the heading “Impairment losses on financial assets (net) – Loans and receivables” in the financial statement for the year.

-“Hedging derivatives”

Assets and liabilities recognized in these headings in the accompanying balance sheets are valued at fair value.

Changes produced subsequent to the designation of hedging in the valuation of financial instruments designated as hedged items as well as financial instruments under hedge accounting are recognized according to the following criteria:

- In the fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized in the heading “Gains or losses on financial assets and liabilities (Net)” in the income statement.

- In cash flow hedges, the differences in valuation in the effective hedging of hedging items are recognized temporarily in the heading "Valuation adjustments – Cash flow hedging”. These valuation changes are recognized in the heading “Gains or losses on financial assets and liabilities (Net)” in the income statement in the same period or periods during which the hedged instrument affects profit or loss, when forecast transaction occurs or at the maturity date of the item hedged. Differences in valuation of the hedging item for ineffective portions of cash flow hedges are recognized directly in the heading “Gains or losses on financial assets and liabilities (Net)” in the income statement.

Other financial instruments

The following exceptions have to be highlighted with respect to the above general criteria:

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, for any impairment loss.

- Valuation adjustments arising in financial instruments classified at the balance sheet date as non-current assets held for sale and the liabilities associated with them are recognized with a balancing entry in the heading “Valuation adjustments - Non-current assets held for sale” on the balance sheet.

b) Impairment on financial assets

Definition of impaired financial assets

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of its impairment – when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to a negative impact on the future cash flows that were estimated at the time the transaction was formalized.

- In the case of equity instruments, mean that the carrying amount of these instruments cannot be recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the year in which the impairment becomes known, and any recoveries of previously recognized impairment losses are recognized in the income statement for the year in which the impairment is reversed or reduced, with the exception of any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale which are not recognized through profit or loss but recognized in the heading “Valuation adjustments – Available-for-sale financial assets” in the balance sheet.

Balances are considered to be impaired, and accrual of the interest thereon is suspended, when there are reasonable doubts that the balances will be recovered in full and/or the related interest will be collected for the amounts and on the dates initially agreed upon, taking into account the guarantees received by the Bank to guarantee (in part or in full) the performance of transactions. Amounts collected in relation to impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the principal not yet paid.

When the recovery of any recognized amount is considered to be remote, this amount is removed from the balance sheet, notwithstanding any actions taken by the entity in order to collect the amount until their rights expire in full through expiry, forgiveness or for other reasons.

Calculation of impairment on financial assets

Impairment on financial assets is determined by the type of instrument and the category in which they are recognized, as described below. The Bank recognizes impairment charges directly against the impaired asset when the likelihood of recovery is deemed remote, and uses an offsetting or allowance account when it records non-performing loan provisions.

The amount of impairment losses of debt certificates at amortized cost is valued as a function of whether the impairment losses are determined individually or collectively.

Impairment losses determined individually

The quantification of impairment losses on assets classified as impaired is done on an individual basis in connection with customers whose operations are equal to or exceed €1 million.

The amount of the impairment losses incurred on these instruments relates to the positive difference between their respective carrying amounts and the present values of their expected future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be obtained over the residual life of the instrument; including, where appropriate, those which may result from the collaterals and other credit enhancements provided for the instrument (after deducting the costs required for foreclosure and subsequent sale).
- The various types of risk to which each instrument is subject.
- The circumstances in which collections will foreseeably be made.

These cash flows are discounted using the original effective interest rate. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract.

As an exception to the rule described above, the market value of quoted debt instruments is deemed to be a fair estimate of the present value of their future cash flows.

Impairment losses determined collectively

The quantification of impairment losses is determined on a collective basis in the following two cases:

- Assets classified as impaired of customers in which the amount of their operations is less than €1 million.
- Asset portfolio not impaired currently but which presents an inherent loss.

To estimate the collective loss of credit risk, the Bank uses the parameters set by Annex IX of the Circular 4/2004 from Bank of Spain on the base of its experience and the Spanish banking sector information in the quantification of impairment losses and provisions for insolvencies for credit risk. These parameters will be used as far as the Bank of Spain validates internal models based on the Bank's past experience.

The following is a description of the methodology to estimate the collective loss of credit risk:

<u>1. Impaired financial assets</u>

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that have past-due amounts with more than three months, taking into account the age of the past-due amounts, the guarantees or collateral provided and the economic situation of the customer and the guarantors.

In the case of unsecured transactions and taking into account the age of the past-due amounts, the minimum allowance percentages are as follow:

AGE OF THE PAST-DUE AMOUNT	ALLOWANCE PERCENTAGE APPLIED
Up to 6 months	between 4.5% and 5.3%
Over 6 months and up to 12 months	between 27.4% and 27.8%
Over 12 months and up to 18 months	between 60.5% and 65.1%
Over 18 months and up to 24 months	between 93.3% and 95.8%
Over 24 months	100%

In the case of transactions secured by completed houses when the total exposure is equal or inferior 80% of the value of the guarantee or collateral and taking into account the age of the past-due amounts, the minimum allowance percentages are as follow:

AGE OF THE PAST-DUE AMOUNT	ALLOWANCE PERCENTAGE APPLIED
Less than 3 years	2%
Over 3 years and up to 4 years	25%
Over 4 years and up to 5 years	50%
Over 5 years and up to 6 years	75%
Over 6 years	100%

In the rest of transactions secured by real property in which the entity has began the process to take possession of the pledge and taking into account the age of the past-due amounts, the minimum allowance percentages are as follows:

AGE OF THE PAST-DUE AMOUNT	ALLOWANCE PERCENTAGE APPLIED
Up to 6 months	between 3.8% and 4.5%
Over 6 months and up to 12 months	between 23.3% and 23.6%
Over 12 months and up to 18 months	between 47.2% and 55.3%
Over 18 months and up to 24 months	between 79.3% and 81.4%
Over 24 months	100%

Regarding the coverage level to be applied to defaulting transactions secured by property (homes, offices and completed multi-use sites, as well as rural properties), the value of the collateral must be taken into account, applying the previous percentages to the amount of those transactions exceeding 70% of the property value.

Debt instruments for which, without qualifying as doubtful in terms of criteria for classification as past-due, there is reasonable doubt that they will be recovered on the initially agreed terms, are analyzed individually.

2. Not individually impaired assets

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that do not have individually objective of impairment are collectively assessed, including the assets in a group with similar credit risk characteristics, sector of activity of the debtor or the type of guarantee.

The allowance percentages of hedge are as follows:

Negligible risk	0%
Low risk	0,06% - 0,75%
Medium-low risk	0,15% - 1,88%
Medium risk	0,18% - 2,25%
Medium-high risk	0,20% - 2,50%
High risk	0,25% - 3,13%

Impairment of equity instruments

The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) for the last approved balance sheet, adjusted for the unrealized gains at the valuation date.

Impairment losses are recognized in the income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses may only be reversed subsequently in the event of the sale of the assets.

2.2. Transfers of financial assets and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties.

The financial assets are derecognized from the balance sheet only if their cash flows have expired or the risks and rewards associated with the financial assets are substantially transferred. Similarly, the financial liabilities are only derecognized if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

If all the risks and rewards are substantially transferred to third parties, the transferred financial asset is derecognized and, at the same time, any right or obligation retained or created as a result of the transfer is recognized.

The Bank is considered to have transferred substantially all the risks and rewards if such risks and rewards account for the majority of the risks and rewards incidental to ownership of the securitized assets.

If all the risks and benefits associated with the transferred financial asset are substantially retained:

- The transferred financial asset is not derecognized and continues to be measured using the same criteria as those used before the transfer in the balance sheet.
- A financial liability is recognized at the amount of compensation received, which is subsequently measured at amortized cost and included under “Financial liabilities at amortized cost - Deposits from credit institutions”. As these liabilities do not constitute a current obligation, when measuring such a financial liability the entity deducts those financial instruments owned by it which constitute financing for the entity to which the financial assets have been transferred, in so far as these instruments are deemed to specifically finance the assets transferred.
- Both the income generated on the transferred (but not derecognized) financial asset and the expenses of the new financial liability are recorded.

Securitization

The Bank has applied the most stringent prevailing criteria in determining whether or not it retains substantially all the risk and rewards incidental to ownership for all securitizations performed since January 1, 2007. As a result of this analysis, the Bank has concluded that none of the securitizations undertaken since that date meet the prerequisites for derecognizing the underlying assets from the accompanying balance sheets (See note 8) as it retains substantially all the risks and benefits embodied by expected loan losses or associated with the possible variation in net cash flows, as it retains the subordinated loans extended by Bank to the same securitization funds.

2.3. Financial guarantees

Financial guarantees are considered those contracts that oblige their issuer to make specific payments to reimburse the lender for a loss incurred when a specific borrower breaches its payment obligations on the terms – whether original or subsequently modified – of a debt instrument, irrespective of the legal form it may take. These guarantees may take the form of a deposit, financial guarantee, insurance contract or credit derivative, among others.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost (see Note 2.1).

The provisions made for financial guarantees are recognized under “Provisions - Provisions for Contingent Liabilities and Commitments” on the liability side in the accompanying balance sheet (see Note 16). These provisions are recognized and reversed with a charge or credit, respectively, to “Provisions Expense (net)” in the income statement.

2.4. Non-current assets held for sale

The heading “Non-current assets held for sale” in the accompanying balance sheets recognized the carrying amount of financial or non-financial assets that are not part of operating activities of the Bank. The recovery of this carrying amount is expected to take place through the price obtained on its disposal (see Note 10). The assets included under this heading are assets where an active sale plan has been initiated and approved at the appropriate level of management and it is highly probable they will be sold in their current condition within one year from the date on which they are classified as such.

This heading includes individual items and groups of items (“disposal groups”) and disposal groups that form part of a major business unit and are being held for sale as part of a disposal plan (“discontinued operations”). The individual items include the assets received by the Bank from their debtors in full or partial settlement of the debtors’ payment obligations (assets foreclosed or donated in repayment of debt and recovery of lease finance transactions), unless the Bank has decided to make continued use of these assets. The Group has units that specialize in real estate management and the sale of this type of asset.

Non-current assets held for sale are generally measured at fair value less sale costs or their carrying amount upon classification within this category, whichever is the lower. Non-current assets held for sale are not depreciated while included in this heading.

The fair value of non-current assets held for sale from foreclosures or recoveries is determined taking into consideration valuations performed by companies of authorized values in each of the geographical areas in which the assets are located. The Bank requires that these valuations be no older than one year, or less if there are other signs of impairment losses. The valuation of the assets included under this heading are obtained mainly from the valuations recorded in authorized publications.

The gains and losses generated on the disposal of assets and liabilities classified as held for sale, and related impairment losses and subsequent recoveries, where pertinent, are recognized in “Gains and losses on non-current assets held for sale not classified as discontinued operations” (see Note 31). The remaining income and expense items associated with these assets and liabilities are classified within the corresponding income statement headings.

2.5. Tangible assets

Tangible assets for own use

The heading “Tangible assets for own use” relates to the assets intended for future or current use by the Bank and that it expects to hold for more than one year.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand is considered to have an indefinite life and is therefore not depreciated.

The period tangible asset depreciation charge is recognized with a balancing entry in the income statement and is based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

	Annual Percentage
Furniture	8% to 10%
Facilities	6% to 12%
Office supplies and computerization	10% to 25%

At the close of each accounting period, the Bank analyzes if there is any indication, internal or external, that the net carrying values of tangible assets exceed their recoverable values, in which case the carrying amount of the asset in question is written down to the recoverable amount and depreciation charges going forward are adjusted to reflect the asset's remaining useful life and/or its adjusted carrying value.

Similarly, if there is any indication that the value of a tangible asset has been recovered, the reversal of the impairment loss recorded in previous periods is recorded and, consequently, future depreciation charges are adjusted. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have been if no impairment losses had been recognized in prior years.

Upkeep and maintenance expenses relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the accompanying income statement in the heading "Other general administrative expenses" (see Note 30.2).

2.6. Intangible assets

These assets can have an “indefinite useful life” – when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Bank – or a “finite useful life”, in all other cases.

The Bank has not recognized any intangible assets with an indefinite useful life.

Intangible assets with a finite useful life are amortized according to this useful life, using methods similar to those used to depreciate tangible assets. The period tangible asset depreciation charge is recognized in the income statement in the heading "Amortization" (see Notes 12 and 13).

The Bank recognizes any impairment loss on the book value of these assets with charge to the heading “Impairment losses on other assets (net) – Goodwill and other intangible assets” in the income statement. The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior periods are similar to those used for tangible assets.

2.7. Tax assets and liabilities

The Spanish corporation tax expense is recognized in the income statement, except when resulting from a transaction in which the profits or losses are recognized directly in equity, in which case the related tax effect is recognized in equity.

The income tax expense is calculated by aggregating the current tax arising from the application of the related tax rate to the taxable profit (or tax loss) for the period (after deducting the tax credits allowable for tax purposes) and the change in deferred tax assets and liabilities recognized in the income statement.

Deferred tax assets and liabilities include temporary differences, valued at the amount expected to be payable or recoverable for the differences between the book values of assets and liabilities and their tax bases, and tax loss and tax credit carry forwards. These amounts are valued by applying the tax rates that are expected to apply in the period when the asset is realized or the liability settled to the temporary difference (see Note 22).

Deferred tax assets are recognized to the extent that it is considered probable that the Bank will have sufficient taxable profits in the future against which the deferred tax assets can be utilized.

The recognized deferred tax assets and liabilities are reassessed by the Bank at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyzes performed.

2.8. Provisions, contingent liabilities

The heading “Provisions” of the accompanying consolidated balance sheets includes the amount recognized to cover the Bank's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date, settlement of which is deemed likely to entail an outflow of resources embodying economic benefits. These obligations may arise in connection with legal or contractual provisions, valid expectations that the Bank forms relating to third parties in relation to the assumption of certain responsibilities or virtually certain developments of particular aspects of applicable regulation, specifically draft legislation to which the Bank will certainly be subject.

These provisions are recognized in the balance when all of the following requirements are met: it is a current obligation resulting from a past event and, at the consolidated balance sheet date, it is more likely than not that the obligation will have to be settled; it is probable that to settle the obligation the entity will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible Bank obligations that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the Bank. They include the existing obligations of the Bank when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

2.9. Post-employment benefits and other long-term commitments to employees

Following is a description of the most significant accounting criteria relating to the commitments of the Bank to employees, related to post-employment benefits and other commitments (see Note 17).

Calculation of commitments: actuarial assumptions and gains/losses recognition

The present values of the commitments are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method, which views each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

In adopting the actuarial assumptions, the following are taken into account:

- They are unbiased, in that they are neither imprudent nor excessively conservative.
- They are mutually compatible, reflecting the economic relationships between factors such as inflation, rates of salary increase and discount rates.
- The future levels of salaries and benefits are based on market expectations at the balance sheet date for the period over which the obligations are to be settled.
- The discount rate used is determined by reference to market yields at the balance sheet date on high quality corporate bonds or debentures.

The Bank applies the criteria of recognizing all actuarial differences from these commitments in the incomes statement for the year in which they come into existence and does not apply the option of differing actuarial profits and losses using a fluctuating band (the so-called corridor approach).

Commitments resulting from post-employment benefits

- Pensions

Post-employment benefits include defined contribution and defined obligation commitments.

- <u>Defined contribution commitments</u>

The amount of these commitments is determined as a pre-established annual amount. The current contributions made by the Bank for defined contribution retirement commitments, are recognized with a charge to the heading “Personnel Expenses – Contributions to external pension funds” in the accompanying income statements (see Notes 17 and 30).

- <u>Defined-benefit commitments</u>

The Bank has defined benefit commitments for permanent disability and death of current employees and early retirees as well as retirement commitments applicable to a group of employees receiving ongoing benefits.

The ongoing commitments are covered by insurance contracts with company outside of BBVA and therefore are presented in the accompanying consolidated balance sheets for the net amount of the commitment less plan assets.

- Early retirements

In 2009 as in previous years, the Bank offered certain employees the possibility of taking early retirement before the age stipulated in the collective labor agreement in force. The corresponding provisions by the Bank were recognized with a charge in the heading “Provision Expense (Net) **-** Transfers to Funds for Pensions and Similar Obligations—Early Retirements” in the accompanying income statements (see Notes 16 and 17). The present amounts payable to pre-retired employees are quantified on a case-by-case basis and they are recognized in the heading “Provisions - Pension funds and similar obligations” in the accompanying balance sheets (see Note 16).

Commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement. The commitments relating to this group of employees after they have reached normal retirement age are included in the section on pensions.

- Other post-employment welfare benefits

The Bank has welfare benefit commitments, the effects of which extend beyond the retirement of the employees entitled to the benefits. These commitments relate to certain current employees and retirees, depending upon the employee group to which they belong.

The present values of the acquired obligations for post-employment welfare benefits are quantified on a case-by-case basis. They are recognized in the heading “Provisions – Provision for pensions and similar obligations” in the accompanying consolidated balance sheets (see Notes 16 and 17) and they are charged to the heading “Personnel expenses – Other personnel expenses” in the accompanying consolidated income statements (see Note 30).

Other commitments to employees

The Bank is obliged to deliver certain goods and services. The most significant employee welfare benefits granted, in terms of the type of compensation and the event giving rise to the commitment are: loans to employees, life insurance, and educational help.

The post-employment benefits delivered by the Bank to active employees are recognized in the heading “Personnel expenses – Other personnel expenses” in the accompanying income statements (see Note 30).

Other commitments for current employees accrue and are settled on a yearly basis, so it is not necessary to record a provision in this connection.

2.10. Termination benefits

Termination benefits must be recognized when the Bank is committed to severing its contractual relationship with its employees and, to this end, has a formal detailed redundancy plan. There were no redundancy plans in the Bank, so it is not necessary to recognize a provision for this issue.

2.11. Foreign currency transactions and exchange differences

The Bank’s functional currency is the euro. As of 31 December 2009 and 2008 the Bank had no assets or liabilities in currencies other than its functional currency.

2.12. Recognition of income and expenses

The most significant criteria used by the Bank to recognize its income and expenses are summarized as follows:

Interest income and expenses and similar items:

As a general rule, interest income and expenses and similar items are recognized on the basis of their period of accrual using the effective interest rate method. Specifically, the financial fees and commissions that arise on the arrangement of loans, basically origination and analysis fees, must be deferred and recognized in the income statement over the expected life of the loan.

On the other hand, dividends received from other companies are recognized as income when the Bank’ right to receive them arises.

However, when a debt instrument is deemed to be impaired individually or is included in the category of instruments that are impaired because of amounts more than three months past-due, the recognition of accrued interest in the income statement is interrupted. This interest is recognized for accounting purposes when it is received.

Commissions, fees and similar items:

Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant are:

- Those relating to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected.
- Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.

- Those relating to a single act, which is recognized when the single act is carried out.

Non-financial income and expenses:

These are recognized for accounting purposes on an accrual basis.

Deferred collections and payments:

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.13. Financial income from non-financial services

The heading "Other operating income" includes the book value of the sales of assets and income from the non-financial services that are mainly related to revenue from collaboration in management and administration offered by the bank to Uno-e Bank, S.A. (see Note 29).

2.14. Leases

Leases are qualified as financial when they substantially transfer all the risks and rewards incidental to ownership of the asset forming the subject matter of the contract. Leases other than finance leases are classified as operating leases.

When the entity acts as the lessor of an asset in financial leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recorded as financing provided to third parties and, therefore, are included in the heading "Loans and receivables" in the balance sheets.

2.15. Statements of recognized income and expenses

The statement of consolidated recognized income and expenses reflects the income and expenses generated each year, differentiating the ones recognized as results in the income statement from "Other income and recognized expenses" recorded straight in equity.

"Other recognized income (expenses)" include the changes that have taken place in the year in the "Valuation adjustments" broken down by item.

The sum of the changes occurred in the heading "Valuation adjustments" of the total equity and the income of the period forms the "Total income and expenses recognized".

2.16. Statement of changes in equity

The statement of changes in total equity reflects all the changes generated in each year in each of the headings of the consolidated equity, including the ones from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.

The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "valuation adjustments", are included in the total equity of the Bank net of tax effect, which has been recognized depending on the case, as deferred tax assets or liabilities.

2.17. Statement of cash flows

For the preparation of the statement of cash flows has been used the indirect method. This method starts from the entity's profit or loss and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

For these purposes, in addition to cash on hand, cash equivalents include short term, highly liquid investments subject to low risk of impairment.

The reconciliation between the various sections in the balance sheet with respect to the cash flow statement is set out following the 2009 and 2008 cash flow statements.

The following definitions apply for the redaction of the statement of cash flows:

a) Cash flows: Inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to a low risk of changes in value, such as balances with central banks, short-term Treasury bills and notes, and demand deposits with other credit institutions.

b) Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investing or financing activities.

c) Investment activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

d) Financing activities: Activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities

3. Allocation of profit or loss

The proposal for the allocation of the net profit of the Banc for the year 2009 that the Board of Directors will submit to the Annual General Meeting (AGM) for approval is as follows:

Items	Thousands of eu
Losses for the year	**(136.656)**
Allocation -	
Accrued reserves (losses)	(136.656)

4. Risk exposure

Dealing in financial instruments can entail the assumption or transfer of one or more classes of risk by financial institutions. The risks related to financial instruments are:

a) Market risks: these are defined as the risks arising from the maintenance of financial instruments whose value may be affected by changes in market conditions. It includes three types of risk:

i). Exchange risk: this is the risk resulting from changes in the foreign exchange rate for different currencies.

ii). Interest rates risk: this is the risk resulting from variations in market interest rates.

iii). Price risk: this is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on the market.

b) Credit risk: this is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation due to the insolvency or incapacity of the natural or legal persons involved.

c) Liquidity risk: this is the possibility that a company cannot meet its payment commitments duly, or, to do so, must resort to borrowing funds under onerous conditions, or risking its image and the reputation of the Bank.

The Bank, as a member of the BBVA Group, adheres to the global risk management policy of the Group, which comprises three components: a corporate risk governance regime; a set of tools, circuits and procedures that constitute the various different risk management regimes; and an internal risk control system.

Principles and policies

The Group's general guiding principles for defining and monitoring its risk profile are as follows:

1. The risk management function is unique, independent and global.
2. The assumed risks must be compatible with the target capital adequacy and must be identified, measured and assessed. Monitoring and management procedures and sound control systems must likewise be in place.
3. All risks must be managed integrally during their life cycle, being treated differently depending on their type and with active portfolio management based on a common measurement (economic capital).
4. It is each business area's responsibility to propose and maintain its own risk profile, within their independence in the corporate action framework (defined as the set of risk policies and procedures).
5. The risk infrastructure must be suitable in terms of people, tools, databases, information systems and procedures so that there is a clear definition of roles and responsibilities, ensuring efficient assignment of resources among the corporate area and the risk units in business areas.

Based on these principles, the Group has developed an integral risk management system k management policy of the Group, which comprises three components: a corporate risk governance regime, with separation of functions and responsibilities; a set of tools, circuits and procedures that constitute the various different risk management regimes; and an internal risk control system.

Corporate governance system

The Bank has a corporate governance system which is in keeping with international recommendations and trends, adapted to requirements set by regulators in each country and to the most advanced practices in the markets in which it pursues its business.

In the field of risk management, it is the board of directors of the Group that is responsible for approving the risk control and management policy, as well as periodically monitoring internal reporting and control systems.

To perform this function correctly the BBVA, S.A. board is supported by the Executive Committee and a Risk Committee, the main mission of the latter being to assist the board in undertaking its functions associated with risk control and management.

As per Board Regulations, article 36, for these purposes, the Risk Committee is assigned the following duties:

- Analyze and evaluate proposals related to the Bank's risk management and oversight policies and strategies.
- To monitor the match between risks accepted and the profile established.
- Assess and approve, where applicable, any risks whose size could compromise the Bank's capital adequacy or recurrent earnings, or that present significant potential operational or reputational risks.
- Verify that the Bank is provided with the means, systems, structures and resources in line with best practices, to enable it to implement its risk management strategy.

The Group’s risk management system is managed by the Corporate Risk Area, which combines the view by risk type with a global view. The Corporate Risk Management Area is made up of the Corporate Risk Management unit, which covers credit, market, structural and non-banking risks, which work alongside the transversal units: such as Structural Management & Asset Allocation, Risk Assessment Methodologies and Technology, and Validation and Control, which include internal control and operational risks.

Below this level there are risk teams in the business units with which it maintains flowing, continuous relations, and which examine the risks from each country or from specific business groups.

Using this structure, the risk management function assures: firstly, the integration, control and management of all the Bank's risks; secondly, the application of standardised risk principles, policies and metrics throughout the entire Bank; and thirdly, the necessary insight into each geographical region and each business.

This organizational lay-out is supplemented by regular running committees which may be exclusively from the Risk Area (Risk Management Committee, Markets Committee and Operations Committee) or they may comprise several areas (New Products Committee; Global Internal Control and Operational Risk Committee, Assets and Liabilities Committee and Liquidity Committee). Their duties are:

- The mission of the BBVA, S.A. Risk Management Committee is to develop and implement the Group’s risk management model in such a way as to ensure regular follow-up of each type of risk at a global level and in each of the business unit. The risk managers from the business areas and the risk managers from the Corporate Risk Area are members of this committee.
- The BBVA, S.A. Technical Operations Committee analyzes and approves, if appropriate, transactions and financial programs to the level of its competency, passing on those beyond its scope of power to the Risks Committee.
- The BBVA, S.A. Global Asset Allocation Committee assesses the Group’s global risk profile and whether its risk management policies are consistent with its target risk profile; it identifies global risk concentrations and alternatives to mitigate these; it monitors the macroeconomic and competitor environment, quantifying global sensitivities and the foreseeable impact different scenarios will have on risk exposure.
- The task of the BBVA, S.A. Global Internal Control and Operational Risk Committee is to undertake a review at the level of the Group and of each of its units, of the control environment and the running of

the Internal Control and Operational Risk Models, and likewise to monitor and locate the main operational risks the Group is subject to, including those that are transversal in nature. This Committee is therefore the highest operational risk management body in the Group.

- The functions of the BBVA, S.A. New Products Committee are to assess, and if appropriate to approve, the introduction of new products before the start of activity; to undertake subsequent control and monitoring for newly authorized products; and to foster business in an orderly way to enable it to develop in a controlled environment.
- The BBVA, S.A. Assets and Liabilities Committee (ALCO) is responsible for actively managing structural liquidity, interest rate and exchange rate risks, together with the Bank's capital resources base.
- The Liquidity Committee monitors the measures adopted and verifies the disappearance of the trend signals which led to it being convened or, if it so deems necessary, it will convene the Crisis Committee.

Tools, circuits, and procedures

The Group has implemented an integral risk management system designed to cater for the needs arising in relation to the various types of risk. This has prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the appropriate circuits and procedures, which are reflected in manuals that also include management criteria.

Specifically, the Group carries out the following principal activities in the area of risk management: calculation of the risk exposures of the various portfolios, considering any related mitigating factors (netting, collateral, etc.); calculation of the probability of default (“PD”), loss severity and expected loss of each portfolio, and assignment of the PD to the new transactions (ratings and scorings); values-at-risk measurement of the portfolios based on various scenarios using historical and Monte Carlo simulations; establishment of limits to the potential losses based on the various risks incurred; determination of the possible impacts of the structural risks on the income statement; setting of limits and alerts to safeguard the Group’s liquidity; identification and quantification of operational risks by business line to enable the mitigation of these risks through corrective measures; and definition of efficient circuits and procedures which contribute to the efficient achievement of the targets set.

4.1. Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation due to the insolvency or incapacity of the natural or legal persons involved.

Maximum exposure to credit risk

For the financial assets recognized on the face of the balance sheet, credit risk exposure is equivalent to these assets' carrying amounts. For approved financial guarantees, the maximum exposure to credit risk is the maximum that the Bank would be liable for if these guarantees were called in.

The Bank's maximum credit risk exposure as of December 31, 2009 and 2008, without recognizing the availability of collateral or other credit enhancements, is broken down by chapters in the table below:

		Thousands of euros	
ITEMS	**Note**	**2009**	**2008**
Loans and receivables	**8**	**7.464.994**	**7.215.614**
Loans and advances to credit institutions		2.535.405	2.351.607
Loans and advances to customers		4.929.589	4.864.007
Hedging Derivatives	**9**	**6.243**	**9.221**
Total balance		**7.471.237**	**7.224.835**
Financial guarantees	23	96.428	96.240
Contingent commitments	23	26.317	17.189
Total off-balance		**122.745**	**113.429**
Maximum credit risk exposure		**7.593.982**	**7.338.264**

As of December 31, 2009, the value of the renegotiated financial assets, which could have deteriorated had it not been for the renegotiation of their terms, has not varied significantly from the previous year.

Mitigating credit risk: collateral and other credit enhancements

Maximum exposure to credit risk is reduced by collateral, credit enhancements and other actions which mitigate the Bank's exposure.

The Bank's policy for hedging or mitigating credit risk is built on its banking model. On this basis, the provision of guarantees is a necessary instrument but one that is not sufficient when taking risks; therefore for the Bank to assume risks, it needs to verify the payment or resource generation capacity to comply with repayment of the risk incurred.

This philosophy is distilled in a conservative approach to risk taking policy, in the analysis performed on a transaction's financial risk, based on the creditor's ability to settle or generate cash flow to extinguish its obligations, in taking guarantees in all generally accepted forms (cash collateral, pledged assets, personal guarantees, covenants or hedges) commensurate with the risk assumed, and lastly, in the analysis of the recovery risk assumed (asset liquidity).

The procedures used for the valuation of the collateral are consistent with the market's best practices, which involve the use of appraisal for real estate guarantees, market price for shares, quoted value of shares in a mutual fund, etc.

All assigned collaterals are to be properly instrumented and recorded in the corresponding register, as well as receive the approval of the Bank's Legal Unit.

The following is a description of the main collateral for each financial instrument class:

- **Loans and receivables:**
  - Loans and advances to credit institutions: These have the counterparty's personal guarantee.
  - Loans and advances to customers: most of these operations are backed by personal guarantees extended by the counterparty. In addition, collateral guarantees are employed to secure loans and advances to customers including cash guarantees and other collateral such as pledged securities. Other kinds of credit enhancements may be put in place such as guarantees.

- **Trading derivatives:** Credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees, depending on counterparty solvency and the nature of the transaction.
- **Financial guarantees, other contingent risks and undrawn facilities:** They have the counterparty's personal guarantee and, in some cases, the additional guarantee from another credit institution with which a credit derivative has been subscribed.

The following table shows the detail of the Bank's exposure to credit risk with BBVA Group entities:

Thousands of euros

ITEMS	Note	2009	2008
Loans and advances to credit institutions	**33**	**2.535.355**	**2.351.488**
Loans and advances to customers	**33**	**1.397.119**	**1.187.854**
Financial Guarantees			
Risk with the BBVA Group	33	96.348	96.160
Undrawn facilities			
Risk with the BBVA Group	33	22.900	13.230
		4.051.722	**3.648.732**
Hedging Derivatives			
Risk with the BBVA Group	33	6.243	9.221
TOTAL RISK WITH BBVA GROUP ENTITIES		**4.057.965**	**3.657.953**
NET RISK		**3.536.017**	**3.680.311**

Risk from credit operations without considering risk from BBVA Group entities represents 46.56% of the maximum exposure to risk from credit operations.

Credit quality of financial assets that are neither past due nor impaired

The Bank has ratings tools that enable it to rank the credit quality of its operations and customers based on a scoring system and to map these ratings to probability of default ("PD") scales. To analyze the variation of this probability, the Bank has a series of historical databases that house the pertinent information generated internally.

Scoring is a decision model assisting in the granting and management of retail-type credits: consumer loans, mortgages, credit cards for individuals, etc. Scoring is the tool used to decide whether a loan should be assigned, what amount should be assigned and what strategies can help establish the price, because it is an algorithm that sorts transactions in accordance with their credit rating.

The Bank maintains a master ratings scale with a view to facilitating the uniform classification of the Bank's various risky asset portfolios.

The table below outlines the distribution of exposure by internal ratings, which comprehends Bank Customers as of December 31, 2009 and 2008:

Rating	2009	2008
AAA/ AA / A	28,77%	12,27%
BBB / BBB-	9,09%	13,63%
BB+ / BB / BB-	25,17%	10,48%
B+	8,35%	18,91%
B	10,12%	16,22%
B-	14,00%	25,05%
C	4,50%	3,44%
Total	**100,00%**	**100,00%**

Risk concentration

The table below depicts the Bank's credit risk concentration by classes of financial instruments and geographic markets as of December 31, 2009:

Thousands of euros

RISKS ON BALANCE SHEET	Spain	EUROPE except Spain	Total
Loans and receivables	**6.449.703**	**1.015.291**	**7.464.994**
Loans and advances to credit institutions	1.726.955	808.450	2.535.405
Loans and advances to customers	4.722.748	206.841	4.929.589
Hedging Derivatives	**6.243**	-	**6.243**
Total	**6.455.946**	**1.015.291**	**7.471.237**
OFF-BALANCE SHEET RISKS	**Spain**	**EUROPE except Spain**	**Total**
Financial guarantees	**1.464**	**94.964**	**96.428**
Other contingent exposures	**26.317**	-	**26.317**
Total	**27.781**	**94.964**	**122.745**

Financial assets past due but not impaired

The table below provides disclosure on financial assets past due as of December 31, 2009 but not impaired, including past due amounts classified by class of available financial instrument:

Thousands of euros

2009	Under 1 month	1 to 2 months	2 to 3 months	Total
Loans and advances to customers	**5.971**	**6.130**	**3.771**	**15.872**

Impaired assets and impairment losses.

The changes in 2009 and 2008 in the "Loans and advances to customers – impaired financial assets" account are as follows:

Thousands of euros

CONCEPTS	2009	2008
Balance at beginning of year	**303.134**	**125.485**
Inputs	381.131	374.001
Recoveries	(198.988)	(164.218)
Waivers	(669)	(475)
Transfers to write-off	(94.238)	(31.659)
Balance at end of year	**390.370**	**303.134**

The breakdown by maturities of impaired assets as of December 31, 2009 and 2008 was as follows:

Thousands of euros

2009					
Impaired assets from loans and advances to customers					
past-due from 3 to 6 months	**past-due from 6 to 12 months**	**past-due from 12 to 18 months**	**past-due from 18 to 24 months**	**past-due by over 24 months**	**Total**
64.043	112.088	110.644	101.103	2.492	**390.370**

Thousands of euros

2008					
Impaired assets from loans and advances to customers					
past-due from 3 to 6 months	**past-due from 6 to 12 months**	**past-due from 12 to 18 months**	**past-due from 18 to 24 months**	**past-due by over 24 months**	**Total**
78.079	124.665	69.181	31.167	42	**303.134**

The totality of impaired assets belongs to Spain.

The following shows the changes in impaired financial assets written off from the balance sheet for the years ended December 31, 2009, 2008 and 2007 because the possibility of their recovery was deemed remote:

	Thousands of euros	
ITEMS	**2009**	**2008**
Balance at beginning of period	**158.706**	**122.682**
Increase:	**117.138**	**41.949**
Assets of remote collectability	94.238	31.659
Past-due and not collected	22.900	10.290
Derecognition due to:	**(6.610)**	**(5.925)**
Cash recovery	(5.137)	(4.787)
Foreclosed assets	(22)	(34)
Other changes	(1.451)	(1.104)
Balance at end of period	**269.234**	**158.706**

The Bank's NPA ratios as of December 31, 2009 and 2008 were:

	Thousands of euros	
ITEMS	**2009**	**2008**
NPA ratio	7,53%	6,00%

Changes in losses from impaired assets included in the "Loans and receivables" heading balance were as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Balance at beginning of year	**155.466**	**141.392**
Increase in impairment losses charged to income	221.998	111.588
Decrease in impairment losses credited to income	(49.348)	(65.247)
Elimination of impaired assets balance by loan loss provisioning	(94.238)	(31.659)
Transfers	(174)	(608)
Balance at end of year	**233.704**	**155.466**
Of which:		
- individually determined	224.717	110.818
- collectively determined	8.987	44.648
Per covered asset type:	**233.704**	**155.466**
Loans and advances to customers	233.704	155.466
By Geographical Area	**233.704**	**155.466**
Spain	233.331	155.466
Non-residents	373	-

Recovery of written-off assets in the years 2009 and 2008 amount to €4,585,000 and €3,925,000 respectively, and are presented by deducting the balance in the heading "Impairment losses on financial assets (net) – Loans and receivables" in the financial statement enclosed.

As of December 2009 and 2008, accumulated financial income from impaired assets was €36,521,000 and €22,105,000 respectively, in the corresponding income statements, due to uncertainty with regard to their collectability.

4.2 Liquidity risk

The aim of liquidity risk management and control is to ensure that the payment commitments can be duly met without having to resort to borrowing funds under burdensome terms, or damaging the image and reputation of the institution.

Liquidity risk management by the Bank is carried out in a centralized manner with a double emphasis: the short-term consideration (90-day time horizon), which focuses basically on the management of payments and collections of Treasury and Markets, calculates the Bank's possible liquidity requirements; and the structural, long-term consideration, which focuses on the financial management of the balance sheet as a whole, with a minimum monitoring time frame of one year.

The evaluation of asset liquidity risk is based on whether or not assets are eligible for rediscounting at the corresponding central bank. For normal situations, both in the short and medium term, those assets that are on the eligible list published by the European Central Bank (hereinafter "ECB") or the corresponding monetary authority are considered to be liquid. Non-eligible assets, quoted or non-quoted, are considered to represent a second line of liquidity for the entity only when analyzing crisis situations.

A detail, by contractual maturity, of the balances of certain headings in the balance sheets as of December 31, 2009 and 2008, disregarding valuation adjustments, was as follow:

	Thousands of euros						
2009	**Total**	**At sight**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years old**	**Over 5 years old**
ASSETS -							
Cash and balances with central banks	131	131	-	-	-	-	-
Loans and advances to credit institutions	2.522.629	33	1.068.944	326.062	623.463	435.380	68.747
Loans and advances to customers	5.089.314	406.255	102.694	199.625	933.631	2.670.277	776.832
Other maturing assets	8	8	-	-	-	-	-
LIABILITIES -							
Deposits from credit institutions	7.039.457	-	1.200.830	823.574	1.232.215	2.961.481	821.357
Deposits from customers	312.631	13.170	-	-	-	299.461	-
Subordinated liabilities	6.010	-	-	-	6.010	-	-
Other maturing liabilities	6.678	1.148	5.530	-	-	-	-

	Thousands of euros						
2008	**Total**	**At sight**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years old**	**Over 5 years old**
ASSETS -							
Cash and balances with central banks	48	48	-	-	-	-	-
Loans and advances to credit institutions	2.340.575	119	581.115	10.723	228.600	1.477.404	42.614
Loans and advances to customers	4.959.072	-	813.417	162.310	876.305	2.495.054	611.986
LIABILITIES -							
Deposits from credit institutions	6.520.691	4	3.155.259	516.204	1.079.706	1.698.138	71.380
Deposits from customers	615.160	5.267	-	-	-	609.893	-
Subordinated liabilities	6.010	-	-	-	-	6.010	-
Other maturing liabilities	6.056	2.066	3.990	-	-	-	-

In the wake of the exceptional circumstances unfolding in the international financial markets, notably in 2008 and 2009, the European governments made a decided effort to try to resolve the issues confronting bank funding and its ramifications on the real economy with a view to safeguarding the stability of the international financial system. The overriding goals underpinning these measures were to ensure sufficient liquidity to enable financial institutions to function correctly, facilitate bank funding, provide financial institutions with additional capital resources where needed so as to continue to ensure the proper financing of the economy, ensure that applicable accounting standards are sufficiently flexible to take into consideration current exceptional market circumstances and to reinforce and improve cooperation among European nations.

On December 17, 2009, the Basel Committee on Banking Supervision submitted a series of proposals of different kinds aimed at reinforcing international financial system standards regarding common stock and liquidity. The main purpose of the recommendations is to standardize criteria, establish common standards, and to step up regulatory requirements in the financial sector. The new requirements are expected to enter into force at the end of 2012.

The following measures were passed into law in Spain in 2008 to mitigate the problem of bank funding: Royal Decree-Law 6/2008, of October 10, creating the Spanish Financial Asset Acquisition Fund, and Order EHA/3118/2008, dated October 31, implementing this Royal Decree, as well as Royal Decree-Law 7/2008, of October 13, on Emergency Economic Measures in connection with the Concerted Euro Area Action Plan, and Order EHA/3364/2008, dated November 21.

The Bank can make use of the above measures as part of its risk management policy. However, at the date of preparation of the accompanying financial statements, the Group has not had to resort to using these facilities.

4.3. Market risk

The aim of on-balance-sheet interest rate risk management is to maintain the Bank's exposure to market interest rate fluctuations at levels in keeping with its risk strategy and profile. In pursuance of this, the Bank, through the central Asset-Liability Committee ("ALCO") undertakes active balance sheet management through operations intended to optimize the levels of risk borne according to the expected earnings and enables the maximum levels of accepted risk with which to be complied.

ALCO uses the interest rate risk measurements performed by the Risk Area. Acting as an independent unit, the Risk Area periodically quantifies the impact of interest rate fluctuations on the Bank´s net interest income and economic value.

In addition to measuring sensitivity to 100-basis-point changes in market interest rates, the Bank performs probabilistic calculations to determine the economic capital and risk factor for structural interest rate risk in the Bank's banking activity (excluding the Treasury Area) based on interest rate curve simulation models. The Bank regularly performs stress tests and sensitivity analysis to complement its assessment of its interest rate risk profile.

All these risk valuations are subsequently analyzed and monitored, and the levels of risk assumed and the degree of compliance with the limits authorized by the Standing Committee are reported to the Bank's various managing bodies.

5. Fair value of financial instruments

The fair value of an asset or a liability on a given date is the amount for which it could be exchanged or settled, respectively, between two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of an asset or a liability is the price that would be paid for it on an organized, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, by using mathematical valuation models sufficiently tried and trusted by the international financial community. The estimates used in such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent to the valuation models developed and the possible inaccuracies of the assumptions required by these models may signify that the fair value of an asset or liability that is estimated does not coincide exactly with the price for which the asset or liability could be exchanged or settled on the date of its valuation.

Determining the fair value of financial instruments

Following is a comparison of the book values of the Bank's financial assets and liabilities and their respective fair values as of December 31, 2009 and 2008:

	Thousands of euros			
	2009		2008	
ITEMS	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and balances with central banks	131	131	48	48
Available-for-sale financial assets	415	415	201	201
Loans and receivables	7.464.994	7.539.980	7.215.614	7.220.699
Hedging Derivatives	6.243	6.243	9.221	9.221
Liabilities				
Trading portfolio	83	83	62	62
Financial liabilities at amortized cost	7.376.032	7.306.619	7.186.560	7.243.501
Hedging Derivatives	22.455	22.455	26.576	26.576

For financial instruments that are not carried at fair value, fair value was calculated in the following manner:

- The fair value of "Cash and balances with central banks", which are short term by their very nature, is equivalent to their carrying amount.
- The fair values of "Loans and receivables" and "Financial liabilities at amortized cost" were estimated by discounting estimated cash flows using the market interest rates prevailing at each year-end.

For financial instruments whose carrying amount corresponds to their fair value, the measurement processes used are set forth below:

- Measurement using market observable quoted prices for the financial instrument in question, secured from independent sources and linked to active markets (Level 1). As of 31 December 2009 and 2008, there were no financial instruments classified as Level 1 in the fair value hierarchy.
- Measurement using valuation techniques the inputs for which are drawn from market observable data (Level 2). The Bank includes in this level non-negotiated derivatives traded in organized markets, both for trading and hedging purposes.
- Measurement using valuation techniques, where some of the inputs are not taken from market observable data (Level 3). As of 31 December 2009 and 2008, there were no financial instruments classified as Level 3 in the fair value hierarchy.

Model selection and validation is undertaken at the independent business units.

The following table depicts the main financial instruments carried at fair value as of December 31, 2009 and 2008, broken down by the valuation technique level used to determine fair value:

		Thousands of euros					
		2009			2008		
	Note	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS							
Hedging Derivatives	9	-	6.243	-	-	9.221	-
LIABILITIES							
Trading portfolio							
Trading derivatives		-	83	-	-	62	-
Hedging Derivatives	9	-	22.455	-	-	26.576	-

Furthermore, the Bank maintains as available-for-sale financial assets certain equity instruments valued at cost at €415,000 (Note 7).

6. Cash and balances with central banks

The breakdown of the balance in this heading in the balance sheets as of December 31, 2009 and 2008 is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Cash	2	2
Balances at the Bank of Spain	129	46
Total	**131**	**48**

7. Available-for-sale financial assets

The detail, by transaction type, of the balances of this heading in the balance sheet as of December 31, 2009 and 2008 is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Equity instruments		
Shares of Spanish companies		
Unlisted	2.077	1.863
Impairment losses	(1.662)	(1.662)
Total	**415**	**201**

During 2009 and 2008, no amount was debited from in the heading “Valuation Adjustments” for liabilities on the balance sheets with an entry in the income statements.

During 2009 and 2008 there were no changes in the impairment losses of “equity instruments” included in this heading.

On 27 November 2009 Rent and Tech Alquiler y Servicios Tecnológicos, S.L. carried out a capital increase, issuing 7,943 shares with a nominal value of 1 euro each with a premium per share total of €142,041.02 to compensate for the credit extended by Finanzia Banco de Crédito, S.A.

8. Loans and receivables

8.1. Breakdown of the balance

The breakdown of the balance in this heading in the balance sheets as of December 31, 2009 and 2008, based on the nature of the related financial instrument, was as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Loans and advances to credit institutions	2.535.405	2.351.607
Loans and advances to customers	5.163.293	5.019.473
Total gross	**7.698.698**	**7.371.080**
Less: impairment losses	(233.704)	(155.466)
Total net	**7.464.994**	**7.215.614**

8.2. Loans and advances to credit institutions

The breakdown of the balance of this heading in the balance sheets as of December 31, 2009 and 2008, based on the nature of the related financial instrument, was as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Reciprocal accounts	33	118
Deposits with agreed maturity	2.522.596	2.340.457
Total gross	**2.522.629**	**2.340.575**
Valuation adjustment (*)	12.776	11.032
Total	**2.535.405**	**2.351.607**

(*) The above valuation adjustments relate to interest accrual and similar income

8.3. Loans and advances to customers

The breakdown of the balance of this heading in the balance sheets as of December 31, 2009 and 2008, without taking impairment losses into consideration and based on the mode and location of operations is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Commercial credit	115	653
Secured loans	2	7
Credit accounts	5.915	10.353
Other loans	4.408.591	4.314.599
Receivable on demand and other	15.872	12.121
Financial leases	267.020	316.475
Impaired assets	390.371	303.134
Other financial assets	1.428	1.730
Total gross	**5.089.314**	**4.959.072**
Valuation adjustment (*)	73.979	60.401
Impairment losses	(233.704)	(155.466)
Total	**4.929.589**	**4.864.007**

(*) The valuation corrections shown above correspond to interests and similar income, to hedging derivatives associated to customer loan and receivables, to commissions, and to transaction costs.

The detail, by activity, of this heading as of December 31, 2009 and 2008 disregarding valuation adjustments was as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Public sector	1.685	2.267
Agriculture	32.962	28.119
Industry	83.219	80.933
Real estate and construction	137.914	132.817
Commercial and financial	1.274.851	1.122.537
Loans to individual customers	3.260.211	3.270.209
Others	298.472	322.190
Total	**5.089.314**	**4.959.072**

The Bank provides its customers with financing to purchase real estate assets in the form of the finance lease arrangements recognized under the heading "Customer loans and receivables".

Nearly all the balance in this heading corresponds to operations with residents of Spain.

As of December 31, 2009, from the total balance in the heading "Loans and advances to customers", amounts of €1,641,822,000 and €1.293.817,000 respectively (Note 24) correspond to securitized loans through the securitization funds of the Bank, which cannot be excluded from the balance as risks or rewards are retained on them.

9. Hedging derivatives (receivable and payable)

The breakdown by interest rate risk of the fair value of the hedging derivatives held by the Bank as of December 31, 2009 and 2008 and recognized in the balance sheets is as follows:

	Thousands of euros	
	2009	**2008**
Non-organized markets		
Credit entities	**(16.212)**	**(17.355)**
Fair-value micro-hedge:	871	(1.679)
Cash flow micro-hedging	(17.083)	(15.676)
Total	**(16.212)**	**(17.355)**
of which: Asset hedging derivatives	**6.243**	**9.221**
of which: Liability hedging derivatives	**(22.455)**	**(26.576)**

As of 31 December 2009 and 2008 no amounts previously recognized in the Net Equity have been carried to results. Cash flow micro-hedges will be applied to results in the course of the year 2010.

In 2009, in relation to the fair value hedges, €446,000 were recognized in loss and profit corresponding to to hedging instruments and hedged items attributable to covered risk, respectively.

The notional and/or contractual amount of the formalized contracts does not imply the real risk assumed by the Bank, given that the net position in these financial instruments results from their compensation and/or combination.

10. Non-current assets held for sale

The balance in the "Available-for-sale non-current assets" heading in the accompanying consolidated balance sheets corresponds in part to the recovery of real estate properties from financial leases once the contract expires and without the purchase option having been exercised by the debtor and in part to assets received by the Bank for the partial or full liquidation of financial assets representing receivables with third parties.

The changes in 2009 and 2008 in the balance of this heading in the balance sheets were as follows:

		Thousands of euros	
ITEMS	**Note**	**2009**	**2008**
Revalued and updated cost -			
Balance at beginning of year		**2.770**	**1.079**
Additions		16.551	6.644
Withdrawals		(17.149)	(4.953)
Balance at end of year		**2.172**	**2.770**
Impairment -			
Balance at beginning of year		**981**	**722**
Additions	31	5.148	1.662
Available	31	(4.549)	(1.349)
Others		(421)	(54)
Balance at end of year		**1.159**	**981**
Net balance -			
Balance at beginning of year		**1.789**	**357**
Balance at end of year		**1.013**	**1.789**

As of December 31, 2009 and 2008, there were no liabilities associated with non-current assets held for sale.

As of December 2009 and 2008 the Bank has not financed any operations in relation to non-current assets held for sale.

The fair value of these entries has been determined taking into account the market values of similar assets.

Gains and losses generated on the disposal of material assets reached €840,000 and €65,000 during 2009, respectively, (€907,000 and €40,000 during 2008, respectively) and are recognized in “Gains(losses) on non-current assets held for sale not classified as discontinued operations” in the corresponding consolidated income statements (see Note 31).

11. Investments in associates

11.1. Investments in associated entities

The balance of this heading of the accompanying accounts balances correspond to investments with non-quoted associate entities whose common stock is in euros.

During 2009 and 2008 there was no change in this heading.

Impairment losses recognized in “Impairment losses on the rest of financial assets (net)” during 2009 amounted to €30,000 (See Note 32).

11.2. Investments in jointly controlled Entities

The balance in this heading of the accompanying consolidated balance sheets corresponds integrally with the operation carried on 13 May 2008, in which the Bank acquired 42.9% of the Company Distransa Rentrucks, S.A., an unlisted firm whose common stock is in euros. The operation was carried out through an capital increase in which the Bank paid out €47,000 euros for capital amd 15,153,000 in share premiums.

The percentages of direct and indirect ownership and other relevant information on this company are provided in Appendix I.

In 2009, a provision was made of €3,525,000 for impairment losses (Nota 32).

11.3. Investments in group Entities

The heading in the accompanying balance sheets includes the book value of the shares of companies forming part of the BBVA Group. The percentages of direct and indirect ownership and other relevant information on these companies are provided in Appendix I.

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
By currency:		
In euros	124.702	122.202
By share price		
Unlisted	124.702	122.202
Less -		
Impairment losses	(15.174)	(10.008)
Total	**109.528**	**112.194**

The changes in 2009 and 2008 in the balance of this heading, disregarding the balance of the impairment losses, were as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Balance at beginning of year	**122.202**	**111.203**
Share capital increases and acquisitions	2.500	10.999
Transfers	-	-
Sales	-	-
Balance at end of year	**124.702**	**122.202**

The most notable transactions performed in 2009 and 2008 were as follows:

2009

On March 27, 2009, the partners of BBVA Finanzia, S.p.A. effectuated a payment into reserves for the amount of €5,000,0000 of which the Bank subscribed 50%, an investment of €2,500,000.

In 2009, a provision was made of €5,166,000 for impairment losses (see Note 32).

2008

On 19 February 2008, the Bank implemented an agreement signed in 2007 in which it acquired a 11.68% share on that date of Finanzia Autorenting S.A. for a purchasing price of €10,999,000.

11.4. Impairment

The breakdown of the changes in impairment losses in 2009 and 2008 in this heading is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Balance at beginning of year	**10.008**	**10.008**
Net provision for the year	-	-
Provision listed against results (See Note 32)	8.721	-
Balance at end of year	**18.729**	**10.008**

12. Tangible assets

Changes in 2009 and 2008 in the balances of this heading of the consolidated balance sheets, including furniture, installations, and personal use vehicles, were as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Revalued and updated cost -		
Balance at beginning of year	**18.495**	**16.951**
Additions	240	1.766
Withdrawals	(149)	(222)
Balance at end of year	**18.586**	**18.495**
Accrued depreciation -		
Balance at beginning of year	**13.542**	**12.846**
Additions	765	765
Withdrawals	(39)	(69)
Balance at end of year	**14.268**	**13.542**
Impairment -		
Balance at beginning of year	**-**	**-**
Additions	112	-
Withdrawals	(112)	-
Balance at end of year	**-**	**-**
Net tangible assets -		
Balance at beginning of year	**4.953**	**4.105**
Balance at end of year	**4.318**	**4.953**

As of December 31, 2009 and 2008, €10,931,000 and €10,721,000 in material assets were in use and fully amortized.

13. Intangible assets

The breakdown of the balance of this heading in the balance sheets as of December 31, 2009 and 2008 corresponds to the net balance of the disbursements made on the acquisition of computer software.

The breakdown of the net changes in 2009 and 2008 in the balance of intangible assets has been as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Balance at beginning of year	**3.796**	**3.764**
Additions	259	1.117
Year amortization	(1.290)	(1.085)
Balance at end of year	**2.765**	**3.796**

The average life of the Bank's intangible assets is 5 years.

14. Other assets and liabilities

The detail of the balances of these headings in the balance sheets as of December 31, 2009 and 2008 is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Assets -		
Transactions in transit	2.251	2.367
Accrued interest	7.347	12.474
Unmatured accrued expenses	56	21
Other prepayments and accrued income	7.291	12.453
Other items	119	152
Total	**9.717**	**14.993**
Liabilities -		
Transactions in transit	437	680
Accrued interest	8.698	11.164
Accrued expenses not past-due	7.464	9.872
Accrued expenses and deferred income	1.234	1.292
Total	**9.135**	**11.844**

The balance of the heading “Other prepayments and accrued income” includes as of 31 December 2009 and 2008, among others, uncollected earned income to be perceived for insurance programs in connection to loans and receivables contracts issued by the Bank; for its part the balance of the heading “Accrued expenses not past-due” mainly included on 31 December 2009 and 2008 due amounts pending expiry for other general administrative expenses.

15. Financial liabilities at amortized cost

The breakdown of the items making up the balances of this heading in the accompanying balance sheets is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Deposits from credit institutions	7.054.076	6.558.869
Deposits from other creditors	308.915	615.611
Subordinated liabilities	6.015	6.024
Other financial liabilities	7.026	6.056
Total	**7.376.032**	**7.186.560**

15.1. Deposits from credit institutions

The breakdown of the balance of this heading in the accompanying balance sheets, based on the nature of the related transactions, is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Deposits with agreed maturity	6.256.477	5.939.602
Repurchase agreements	782.980	581.085
Other accounts	-	4
Valuation adjustment (*)	14.619	38.178
Total	**7.054.076**	**6.558.869**

(*) The above valuation adjustments mainly relate to interest accrual,

The balance of this heading relates mainly to the amount of term deposits with BBVA (see Notes 1 and 33). As of31 December 2009 and 2008 these depositss accrued an average effective interest rate of 3.15% and 4.41%, respectively.

Nearly all the balance in this heading on 31 December 2009 and 2008 corresponds to operations with Spanish credit institutions.

15.2. Deposits from customers

The breakdown of the balance of this heading in the accompanying balance sheets, based on the nature of the related transactions, is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Other domestic sectors		
Current accounts	13.170	5.267
Term deposits	292.029	609.893
Valuation adjustment (*)	3.716	451
Total	**308.915**	**615.611**

(*) The above valuation adjustments mainly to interest accrual,

The heading "Term deposits" detailed above includes as of 31 December of 2009 and 2008 amounts of €291,957,000 and €609,760,000 corresponding to the balance of the compensation received for the net securitization funds from the effect of the Bank's own stake.

The balance in this heading corresponds to operations with residents of Spain.

15.3. Subordinated liabilities

As of December 31, 2009 and 2008 the balance of this heading in the accompanying consolidated balance sheets corresponds to a subordinated loan of €6,010,000 granted by BBVA, S.A. (Note 1) with expiry in December 2011 and the quarterly variable EURIBOR interest rate plus 60 basis points. These issuances are non-convertible subordinated debt and, accordingly, for debt seniority purposes, they rank behind ordinary debt.

In 2009 and 2008 the subordinated debt bore interest amounted to €134,000 and €328,000, respectively (See Note 25).

16. Provisions

The detail of the balance of this heading in the balance sheets as of December 31, 2009 and 2008 is as follows:

ITEMS	**2009**	**2008**
Provisions for pensions and similar obligations	19.702	14.731
Provisions for contingent exposures and commitments	187	2.168
Other provisions	2.850	2.569
Total	**22.739**	**19.468**

The changes in 2009 and 2008 in the balances of the headings in the accompanying balance sheets were as follows:

	Thousands of euros		
ITEMS	**Funds for pensions and similar commitments**	**Provisions for risks and contingent commitments**	**Other provisions**
Balance at the beginning of 2008	**6.715**	**2.165**	**2.514**
Add -			
Contribution charged to profit for the year	9.681	2	60
Less -			
Available funds	-	-	(14)
Payments to early retirees	(1.588)	-	-
Amount used and other changes	(77)	1	9
Balance at end of 2008	**14.731**	**2.168**	**2.569**
Add -			
Contribution charged to profit for the year	8.020	-	364
Less -			
Available funds	-	(1.981)	-
Payments to early retirees	(3.029)	-	-
Amount used and other changes	(20)	-	(83)
Balance as of December 31, 2009	**19.702**	**187**	**2.850**

The net allowances charged to the income statement under the headings “Provision for pensions and similar obligations”, are recognized in the headings “Interests and similar charges,” “Personnel Costs” and “Provisions spending (net)” for the amounts of €582,220 and €7,416,000 respectively (€274,140 and €9,393,000 in 2008).

Furthermore, the provisions and recovered amounts under “Provisions for risk and contingent commitments” are recognized in the heading “Provisions (net)” in the corresponding income statements.

Finally, provisions for 2009 and 2008 recognized in “Other provisions” are recognized in the heading “Provisions (net)”, which additionally lists the available funds corresponding to the aforementioned years.

17. Commitments with personnel

As described in Note 2.9, the Group has assumed both defined-benefit and defined-contribution post-employment commitments with its employees.

17.1. Pension commitments through defined-contribution plans

Commitments with personnel for post-employment defined contribution correspond to contributions on behalf of current employees made annually by the entity. These contributions are accrued and charged to the income statement in the relevant financial year (See Note 2.9). No liability is therefore recognized on the accompanying balance sheets.

In 2009, the Bank made contributions to the defined contribution plans amounting to €396,000 (€478,000 in 2008).

17.2. Pension commitments through defined-benefit plans and other long-term benefits

The following table shows the commitments under defined-benefit plans and the long-term post-employment benefits, which are recognized as provisions in the accompanying consolidated balance sheets:

	Thousands of euros	
ITEMS	**2009**	**2008**
Post-employment benefits		
Pension commitments	-	-
Early retirements	19.087	14.177
Post-employment welfare benefits	615	554
Total commitments	**19.702**	**14.731**
Net commitments of plan assets	**19.702**	**14.731**
of which:		
Net assets	**-**	-
Net liabilities (*)	19.702	14.731

(*) Recognized under the heading “Provisions – Provisions for pensions and similar obligations” of the accompanying balance sheets.

The most significant actuarial assumptions used as of December 31, 2009 and 2008, for the quantification of these commitments are as follows:

ITEMS	**2009**	**2008**
Mortality tables	PERM/F 2000P.	PERM/F 2000P.
Discount rate (cumulative annual)	4.5%/AA corporate bond yield curve	4.5%/AA corporate bond yield curve
Consumer price index (cumulative annual)	2,0%	2,0%
Retirement ages	Those corresponding to the first date on which one is legally entitled to retirement or the contractually agreed date on an individual level in the case of early retirement	

17.2.1. Pension commitments

The Bank has defined benefit commitments for permanent disability and death of current employees as well as retirement commitments applicable to a group of employees receiving ongoing benefits. Defined benefit commitments are funded by insurance contracts.

The defined benefit commitments as of December 31, 2009 and 2008 were as follows:

		Thousands of euros
ITEMS	**2009**	**2008**
Commitments to retired employees	848	849
	848	**849**
Hedging at the year-end:		
With insurance contracts with insurance companies not linked to the group	848	849
Total	**848**	**849**

The insurance contracts contracted with insurance companies not linked to the Group that are shown in the preceding table reflect the sum of the assets they cover. As of December 31, 2009 and 2008, the amount of the commitments to be fulfilled was equal to the affected assets.

The current contributions made by the Bank in relation to defined benefit commitments are recorded with a charge to the “Personnel Expenses – Contributions to external pension funds” account of the accompanying income statement and amounted to €72,000 and €34,000 in 2009 and 2008, respectively.

17.2.2. Early retirements

The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement. The commitments relating to this group of employees after they have reached normal retirement age are included in section 17.2.1.

In 2009 and 2008 the Bank offered certain employees the possibility of taking early retirement before reaching the age stipulated in the collective labor agreement in force. This offer was accepted by 12 and 21 employees, respectively. The total cost of these agreements amounts to €7,066,000 and €9,506,000, and the corresponding provisions were recognized with a charge to the heading “Provisioning Expense (Net) - Transfers to Funds for Pensions and Similar Obligations - Early Retirements” in the accompanying income statement.

The changes in 2009 and 2008 in the present value of the vested obligations for commitments to early retirees were as follows:

		Thousands of euros
ITEMS	**2009**	**2008**
Current actuarial value at start of year	**14.177**	**6.344**
+ Interest cost	556	257
+ Early retirements in the year	7.066	9.506
- Payments made	(3.029)	(1.588)
+/- Actuarial losses (gains)	348	(289)
+/- Other changes	(31)	(53)
Current actuarial value at end of year	**19.087**	**14.177**
Hedging at the end of each year		
In internal funds	19.087	14.177

17.2.3. Post-employment welfare benefits

The Bank has welfare benefit commitments, the effects of which extend beyond the retirement of the employees entitled to the benefits. These commitments relate to certain current employees and retirees, depending upon the employee group to which they belong.

The breakdown of these commitments as of 31 December 2009 and 2008 is as follows:

		Thousands of euros
ITEMS	**2009**	**2008**
Post-employment welfare benefits commitments for retired employees.	378	284
Vested contingencies for commitments for post-employment welfare benefits of current employees	237	270
Total:	**615**	**554**
Hedging at the end of each year:		
In internal funds (*)	615	554

(*) These funds are recognized under the heading "Pensions funds and similar obligations" of the accompanying balance sheets.

The changes in 2009 and 2008 in the present value of the vested obligation for post-employment welfare benefit commitments were as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Balance at January 1	**554**	**371**
+ Interest cost	26	17
+ Current service cost	22	14
- Payments made	(20)	(77)
+/- Actuarial losses (gains)	2	176
+/- Other changes	31	53
Balance at end of period	**615**	**554**

17.2.4. Summary

Following is a summary of the charges recorded in the 2009 and 2008 income statements for post-employment benefit commitments:

	Thousands of euros	
ITEMS	**2009**	**2008**
Interest and similar expenses		
Interest cost of pension funds	582	274
Personnel costs:		
Welfare benefits	22	14
Transfers to pensions plans	468	512
Provisions expense (net):		
Transfers to fund for pension and similar obligations		
Pension Funds	350	(113)
Early retirements	7.066	9.506
Total	**8.488**	**10.193**

As of 31 December 2009 and 2008 there were no unfunded actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used.

17.3. Other commitments with employees

Other benefits for active employees are earned and settled annually, without any provision being necessary. The total cost of the employee welfare benefits as of 31 December 2009 and 2008 was €476,000 and €435,000, respectively, and these amounts were recognised with a charge to “Personnel Expenses – Other” in the accompanying income statements.

18. Share capital

As of December 31, 2008, the common stock of the Bank amounted to €14,982,930, divided into 2,493,000 registered shares with a nominal value of €6.01 each, fully subscribed and paid-up.

On 29 June 2009 a capital increase was carried out, approved by the Extraordinary Shareholders’ Meeting of 28 June 2009, through the issuance of 694,765 ordinary shares that have been fully paid up by Corporación General Financiera, S.A.

Subsequently, on 28 December 2009 a capital increase was carried out, approved by the Extraordinary Shareholders’ Meeting of 27 December 2009, through the issuance of 2,246,256 ordinary shares that have also been fully paid up by Corporación General Financiera, S.A.

Capital increase costs incurred from both increases amount to €1,869,000, and the amount has been registered in the heading “Reserves” of the accompanying consolidated balance sheet for 2009.

As of December 31, 2009, the common stock of the Bank amounted to €32.658.466,21, divided into 5,434,021 registered shares with a nominal value of €6.01 each, fully subscribed and paid-up.

The shareholder structure of the Bank as of 31 December 2009 was as follows:

	% of share
Corporación General Financiera, S.A. (*)	99,54%
Cidessa Uno, S.L. (*)	0,46%
Total	**100%**

(*) Entities belonging to the Banco Bilbao Vizcaya Argentaria Group.

19. Share premium

As of 31 December 2009 and 2008 the balance of this heading in the accompanying consolidated balance sheet amounts to €185,140,000 and €27,818,000 respectively and includes the amount of the share premiums arising from the capital increases, in particular the capital increases in 2009 for an amount of €157,322,000.

The amended Spanish Corporations Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

20. Reserves

The breakdown of this heading in the accompanying consolidated balance sheets is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Restricted reserves:		
Legal reserve	2.997	2.997
Voluntary reserves:		
Voluntary and other	113.659	119.856
Total	**116.656**	**122.853**

Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. These provisions must be made until the reserve reaches 20% of the share capital. The legal reserve may also be used to increase the share capital in the part of its balance exceeding the 10% of the capital already increased.

To the extent mentioned above, and until the legal reserve exceeds 20% of capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

21. Minimum equity required

Bank of Spain Circular 3/2008, of May 22, on the calculation and control of minimum capital base requirements (hereinafter “Circular 3/2008), regulates the minimum capital base requirements for Spanish credit institutions – both as individual entities and as consolidated groups– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

Circular 3/2008 implements Spanish legislation on capital base and consolidated supervision of financial institutions, as well as adapting Spanish law to the relevant European Union Directives, in compliance with the Accord by the Basel Committee on Banking Supervision (Basel II).

The minimum capital base requirements established by Circular 3/2008 are calculated according to the Group’s exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in said Circular and the internal Corporate Governance obligations.

The Executive Committee of the Bank of Spain, in its session of 30 December 2009, agreed to exempt the Bank, due to its condition of subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. from individual compliance to self-funding requirements, higher risk limits, and internal corporate governance stipulated in the regulation upon agreeing that the requirements of section 2 of the fifth section of Circular 3/2008 necessary for this exemption had been met.

22. Tax matters

The Company also files consolidated tax returns included in the 2/82 group with Banco Bilbao Vizcaya Argentaria, S.A. as its Parent Company. On 30 December 2002, the pertinent notification was made to the

Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation.

The balance of the heading “Tax Collection Accounts” in the accompanying balance sheets contains the liability for applicable taxes, including the provision for corporation tax for each year, relative to the income and net of tax withholdings and prepayments in the same period. If any, the net positive balance from the Bank’s provision for Corporate Income tax on profit for the year in course, minus withholdings and pre-payments for it as well as amounts to return from previous years is included under “Tax receivables” in the assets section of the accompanying balance sheets.

22.1. Years open for review by the tax authorities

At the date these consolidated financial statements were prepared, the Bank had 2004 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

During 2009, the Bank was informed by the Tax Authority that the various tax payments related to its activity from the years 2004, 2005, and 2006 that had not expired on the aforementioned notification date would be reviewed.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax inspections of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Banks’ Board of Directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Bank’s financial statements.

22.2. Reconciliation

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the recognized corporation tax expense is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
30% corporate income tax	**-**	**6.648**
Net increases (decreases) due to temporary differences	5.938	-
Adjustments to prior years' income tax	458	(5.759)
Corporate tax	**6.396**	**889**

In keeping with the Group’s policy, the Bank has not recognized any fiscal credit in relation to the negative taxable base from 2009, which amounts to €120,832,000.

Negative taxable base may be compensated with any positive taxable base generally obtained in the 15 fiscal periods following that in which the losses occurred.

The breakdown of the negative taxable bases and the fiscal credit derived from them is as follows:

Thousands of euros				
Negative taxable bases				
Tax year	**Limit year**	**Taxable base genera**	**Estimated taxable bas**	**Activated fiscal credit**
2008	2023	55.931	21.719	6.516

During 2008 negative taxable bases of €55,931,000 have been generated, of which only €21,719,000 have been considered. The activated fiscal credit amounts to 30% of the latter.

Independently from the income tax recognized in the income statements, in 2009 the Bank added €1,554,000 in equity, of which €256,000 were from 2009.

The balance of the heading “Tax assets” in the balance sheets includes the tax receivables relating to deferred tax assets; in turn, the balance of the heading “Tax Liabilities” includes the liability relating to the Bank’s various deferred tax liabilities.

Deferred tax assets amounted to €13,317,000 and €18,160,000 in 2009 and 2008, respectively. The main items for which deferred tax assets were recognized are provisions for pension commitments and similar obligations to employees (€7,445,000 and €4,748,000 in 2009 and 2008, respectively) and insolvency provision funds (€1,453,000 and €7,768,000 in 2009 and 2008, respectively).

The amount in "Deferred tax liabilities" amounted to €8,410,000 and €559,000 in 2009 and 2008, respectively. The main item for which the deferred tax liability has been recognized corresponds to the variation in the carrying amount of its investments in subsidiaries, jointly controlled entities and associates.

23. Financial guarantees and drawable by third parties

The detail of the balance of this heading as of December 31, 2009 and 2008 is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Contingent exposures -		
Collateral, bank guarantees and indemnities	96.428	96.240
Total	**96.428**	**96.240**
Contingent commitments -		
Drawable by third parties:		
Other resident sectors	26.317	17.189
Other commitments	-	-
Total	**26.317**	**17.189**

Since a significant portion of these amounts will reach maturity without any payment obligation materializing for the Bank, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Bank to third parties.

Income from the guarantee instruments is recorded under the heading "Commissions Income" in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

24.

This is the balance in the heading "Transfer of assets maintained in full on the balance sheet", which on 31 December 2009 amounted to €1,641,822 and on 31 December 2008 amounted to €1,293,817 (See Note 8).

25. Similar i

25.1. Interest and similar income

The breakdown of the most significant interest and similar income earned by the Bank in 2009 and 2008 was as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Central banks	1	7
Loans and advances to credit institutions	39.335	89.780
Loans and advances to customers	271.006	283.698
Public sector	105	134
Resident sector	269.441	283.356
Non resident sector	1.460	208
Rectification of income as a result of hedging transactions	(11.918)	4.217
Other income	3.666	2.011
Total	**302.090**	**379.713**

25.2. Interest and similar expenses

The breakdown of the balance of this heading in the accompanying income statements is as follows:

ITEMS	Note	Thousands of euros 2009	2008
Loans and advances to credit institutions		204.074	249.042
Deposits by customers		35.970	50.800
Subordinated liabilities	15	134	328
Rectification of expenses as a result of hedging transactions		(23.682)	(8.021)
Cost attributable to pension funds	17	582	274
Total		**217.078**	**292.423**

26. Fee and commission income

The breakdown of the balance of this heading in the accompanying income statements is as follows:

ITEMS	Thousands of euros 2009	2008
Contingent liabilities	132	132
Bank and other guarantees	132	132
For contingent commitments -	2	2
Collection and payment services	13	12
Non-banking financial product sales	17.739	21.261
Other fees and commissions	7.759	12.703
Total	**25.645**	**34.110**

27. Paid commissions

The breakdown of the balance of this heading in the accompanying income statements is as follows:

ITEMS	Thousands of euros 2009	2008
Brokerage fees on lending and deposit transactions	14	10
Fees and commissions assigned to third parties	27	26
Other fees and commissions	5.166	7.857
Total	**5.207**	**7.893**

28. Gains or losses on financial operations

The balance of this heading in the accompanying consolidated income statements corresponds exactly to the gains and losses of the assets held for trading.

29. Other operating income and expenses

The breakdown of the balance of this heading in the accompanying income statements is as follows:

ITEMS	Thousands of euros 2009	2008
Real estate income (*)	523	772
Financial income from non-financial services	5.050	5.037
Rest of operating income	228	155
Total	**5.801**	**5.964**

(*) Corresponds to the subletting by the Bank of some of the Julián Camarillo offices which it rents itself from BBVA, S.A.

The heading "Financial income from non-financial services" includes mainly invoicing for the management and administration assistance that the Bank provides to Uno-e Bank, S.A., a BBVA Group company (See Note 2.13).

The breakdown of the balance of the heading “Other operating expenses” in the accompanying income statements is as follows:

	Thousands of euros	
ITEMS	**2009**	**2008**
Rest of operating expenses	1.365	2.230
Of which:		
Deposits guarantee fund	1	1
Total	**1.365**	**2.230**

30. Administration costs

30.1. Personnel costs

The breakdown of the entries in this heading of the accompanying income statements is:

	Thousands of euros	
ITEMS	**2009**	**2008**
Wages and salaries	24.511	30.671
Social Security	5.344	6.312
Contributions to outside pension funds	468	512
Other personnel expenses	1.153	957
Total	**31.476**	**38.452**

The detail, by professional category and by gender, of the average number of employees in 2009 and 2008, was as follows:

	2009		2008	
ITEMS	**Men**	**Women**	**Men**	**Women**
Executives	13	2	17	2
Technical personnel	138	62	188	72
Administrative personnel	106	171	124	201
Total	**257**	**235**	**329**	**275**

Equity-based employee remuneration

Settlement of the long-term share remuneration plan 2006-2008

During 2006, the BBVA Group implemented a long-term parent company (BBVA S.A.) share-based remuneration plan for the members of the Bank’s management team. The liquidation in shares of this remuneration plan was approved by the General BBVA S.A. Shareholders’ Meeting on 13 March 2009. On 31 December 2008, in the case of the Bank, the total cost of the term plan was €1,190,000 approximately.

Variable Share-based Remuneration Plan

A Multi-year Variable parent company (BBVA, S.A.) Share-based Remuneration Plan for the Group’s executive team was approved at the General Shareholders’ Meeting held on March 13, 2009.

The Plan entered into force on April 15, 2009 and will end on December 31, 2010.

The corresponding cost for 2009, amounting to €142,000 is recorded in the heading “Personnel Expenses – Other expenses” of the income statement.

30.2. Other general administrative expenses

The breakdown of the balance of this heading in the income statements is as follows:

ITEMS	2009	2008
	Thousands of euros	
Technology and systems	3.708	4.861
Communication	1.592	2.146
Advertising	302	1.070
Property, fixtures and materials	5.420	6.430
Of which:		
Rent expenses (*)	4.136	3.279
Taxes	634	508
Other administration expenses	12.745	14.024
Total	**24.401**	**29.039**

(*) The Bank does not expect to terminate the lease contracts early.

The "Other administrative expenses" balance for 2009 detailed above includes fees paid to the external auditor for the performance of the audit of the Bank, amounting to € 90,000.

Furthermore, the Bank contracted other services during 2009 according to the following breakdown::

ITEMS	Thousands of e
Firms belonging to the Deloitte worldwide organization	5
Other firms	30

The services provided by our accountants meet the independence requirements established in Law 44/2002, of 22 November, on Measures Reforming the Financial System and in the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC), and accordingly they did not include the performance of any work that is incompatible with the auditing function.

31. Gains and losses in non-current assets held for sale not classified as discontinued operations

The breakdown of the entries in this heading of the accompanying income statements is:

ITEMS	Note	2009	2008
		Thousands of euros	
Net real estate gains	10	775	867
Of which:			
Foreclosed		-	6
Impairment of non-current assets held for sale	10	(599)	(313)
Total		**176**	**554**

32. Impairment losses on other assets – Other assets

The details of impairment losses of non-financial assets, broken down by the nature of these assets, for 2009 and 2008 was as follows:

ITEMS	Note	2009	2008
		Thousands of euros	
Tangible assets	12	112	-
Investments	11	8.721	-
Total		**8.833**	**-**

33. Related party transactions

33.1. Transactions with Group entities

For 2009 and 2008 the balances of the main aggregates in the financial statements arising from the transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out in normal market conditions, were as follows:

ITEMS	Note	2009	2008
			Thousands of euros
Assets:			
Loans and advances to credit institutions	4	2.535.355	2.351.488
Loans and advances to customers	4	1.397.119	1.187.854
Trading derivatives	4	6.243	9.221
Accrual accounts		7.286	12.453
Liabilities:			
Deposits from credit institutions		7.054.077	6.558.865
Deposits by customers		110	388
Subordinated liabilities		6.010	6.010
Trading derivatives		22.538	26.638
Accrual accounts		16	409
Memorandum accounts:			
Contingent liabilities	4	96.348	96.160
Commitments and contingent exposures	4	22.900	13.230
Income statement:			
Income		93.731	186.428
Expenses		210.063	263.229

There are no other significant effects on the annual financial statement of the Bank arising from dealings with Group companies, other than those arising from insurance policies to cover pension or similar commitments (see Note 17).

As of December 31, 2009 and 2008, the notional amount of the futures transactions arranged by the Bank with Group companies amounted to €991,346,000 and €1,226,880,000, respectively.

33.2. Transactions with key personnel of the entity

The information on the remuneration of key personnel (members of the Board of Directors of the Bank) is included in Note 35.

The amount of the loans granted to current members of Board of Directors of the Bank as of December 31, 2009 totaled €377,000.

33.3. Transactions with other related parties

There are no other significant transactions with other related parties.

34. Statement of cash flows

Cash flows from operating activities have varied in 2009 by €170,218,000, compared to the €33,724,000 variation in 2008. The most significant changes occurred in Loans and receivables and Financial liabilities measured at amortized cost.

Cash flows from investing activities have varied in 2009 by €2,220,000, compared to the €30,734,000 variation in 2008. The most significant changes occurred in Non-current assets held for sale.

Cash flows from financing activities amounted varied in 2009 by €172,521,000 compared to €3,033,000 in 2008. The most significant movements can be seen in the line concerning Issuance of own equity instruments.

35. Benefits and others for the Board of Directors and Chief Executive branch.

The Board of Directors of the Bank is formed by five members, and this post is unremunerated. However, as they are all, except Gonzalo Toraño Vallina, members of the Bank's Executive Team, they receive compensation for this post, which in 2009 amounted to €860,000 in fixed and variable remuneration, €302,000 in remuneration in kind, and €70,000 in contributions to the Pensions Plan.

36. Detail of the Director's holdings in companies with similar business activities

Pursuant to Article 127 ter.4 of the Amended Corporations Law, introduced by Act 26/2003 of 17 July which amended Law 24/1988, of 28 July on the Securities Market and the Amended Corporations Law, the companies engaging in an activity that is identical, similar or complementary to that which constitutes the corporate purpose of the Finanzia Banco de Crédito, S.A., in which the members of the Board of Directors have an ownership interest or exercise duties within are listed as follows:

Full name	Company	Share Number of shares	Type of investment in entity	Post or function:
Alvaro Benito, Francisco	BBVA	1.894	Direct	Executive
Cruz Veira, Javier	BBVA	22.843	Direct	Executive
	SCH	131	Direct	-
Moliner Robredo, Ignacio	BBVA	9.749	Direct	Executive
De Lapuerta Montoya, Juan	BBVA	2.029	Direct	Executive
Toraño Vallina, Gonzalo	BBVA	26.078	Direct	Executive

Also, in accordance with the aforementioned text, the activities realized, for their own account or that of others, by the members of the Board of Directors, that are identical, similar or complementary to that which constitutes the corporate purpose of the Finanzia Banco de Crédito, S.A. are indicated below:

Full name	Activity carried out	Company through which the activity is carried out	Post or function that are held or carried out in the indicated Company
Alvaro Benito, Francisco	Director	Uno-e Bank, S.A.	Director
Cruz Veira, Javier	Director	Uno-e Bank, S.A.	Director
Moliner Robredo, Ignacio	Director	Uno-e Bank, S.A.	Director
De Lapuerta Montoya, Juan	Director	Uno-e Bank, S.A.	Director
Toraño Vallina, Gonzalo	Chairman and CEO	Uno-e Bank, S.A.	Chairman and CEO

37. Other information

37.1. Environmental impact

Given the activities in which the Bank is involved, it has no environmental liabilities, expenses, assets, or provisions or contingencies that could have a significant effect on its equity, financial position and profits. Consequently, as of December 31, 2009 the Group's consolidated financial statements did not disclose any item that should be included in the environmental information document envisaged in the related Ministry of the Economy Order dated October 8, 2001 and no specific breakdowns in this report with respect to environmental issues.

37.2. Report on the activity of the Customer Care Department and the Consumer Ombudsman.

The report on the activity of the Customer Care Department and the Customer Ombudsman required pursuant to Article 17 of Ministry of Economy and Finance Order ECO/734/2004 of March 11 is included in the management report accompanying these financial statements.

37.3. Agency agreements

Neither at the close of 2009 no at any time during the period did the Bank maintain in vigor any "Agency contracts" of the sort stipulated by article 22 of the Royal Decree 1245/1995 of 14 July.

37.4. Equity holdings in Credit Institutions

As of 31 December 2009, the Bank did not have any holding in the equity of other national or foreign credit entities outside the BBVA Group, equal to or greater than 5% of its capital or voting rights.

ANEXO I

PARTICIPACIONES EN ENTIDADES MULTIGRUPO

Sociedad	Domicilio	Actividad	% Derechos de Voto controlados por el Banco: Directo	Indirecto	Total	Miles de Euros (*): Valor Neto en Libros	Datos de la Entidad Participada: Activos 31.12.09	Pasivos 31.12.09	Patrimonio 31.12.09	Resultado Ejercicio a 31.12.09
DISTRANSA RENTRUCK, S.A. (*)	ESPAÑA	SERVICIOS	42,90		42,90	11.675	58.366	47.008	13.324	(1.966)
					TOTAL:	**11.675**				

PARTICIPACIONES EN ENTIDADES DEL GRUPO

Sociedad	Domicilio	Actividad	% Derechos de Voto controlados por el Banco: Directo	Indirecto	Total	Miles de Euros (*): Valor Neto en Libros	Datos de la Entidad Participada: Activos 31.12.09	Pasivos 31.12.09	Patrimonio 31.12.09	Resultado Ejercicio a 31.12.09
FINANZIA AUTORENTING, S.A.	ESPAÑA	SERVICIOS	72,87		72,87	33.560	613.307	600.056	42.932	(29.681)
BBVA,INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	SERV.FINANCIER.	49,90		49,90	16.268	458.190	419.067	36.402	2.721
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	ESPAÑA	SERVICIOS	99,96		99,96	150	3.666	831	1.887	948
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM., LDA.	PORTUGAL	SERV.FINANCIER.	100,00		100,00	5.300	55.169	46.374	9.373	(578)
UNO-E BANK, S.A.	ESPAÑA	BANCA	32,65		32,65	35.040	1.382.368	1.274.638	140.652	(32.932)
BBVA RENTING, S.A.	ESPAÑA	SERV.FINANCIER.	5,94		5,94	60	840.090	754.149	85.941	(7.861)
BBVA FINANZIA, S.p.A	ITALIA	SERV.FINANCIER.	50,00		50,00	19.150	454.316	426.266	28.115	(65)
					TOTAL:	**109.528**				

(*) Datos no auditados

FINANZIA BANCO DE CRÉDITO, S.A.

MANAGEMENT REPORT
FOR THE YEAR ENDED
31 DECEMBER 2009

Finanzia Banco de Crédito, S.A. (hereinafter "the Bank") is a private-law entity founded on 1 September 1949 and governed by the rules and regulations applicable to banks operating in Spain and a part of the Grupo Bilbao Vizcaya Argentaria (hereinafter, BBVA Group), subject to the International Financial Reporting Standards (IFRS-EU) .

The management report of the Bank has been prepared from the accounting and management books with regard to the financial information included herein. It is compliant to the criteria established by Bank of Spain Circular 4/2004.

CAPITAL BASE

Bank of Spain Circular 3/2008, of May 22, on the calculation and control of minimum capital base requirements (hereinafter "Circular 3/2008), regulates the minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated groups– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

Circular 3/2008 implements Spanish legislation on capital base and consolidated supervision of financial institutions, as well as adapting Spanish law to the relevant European Union Directives, in compliance with the Accord by the Basel Committee on Banking Supervision (Basel II).

The minimum capital base requirements established by Circular 3/2008 are calculated according to the Group's exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in said Circular and the internal Corporate Governance obligations.

The Executive Committee of the Bank of Spain, in its session of 30 December 2009, agreed to exempt the Bank, due to its condition of subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. from individual compliance to self-funding requirements, higher risk limits, and internal corporate governance stipulated in the regulation upon agreeing that the requirements of section 2 of the fifth section of Circular 3/2008 necessary for this exemption had been met.

BALANCE SHEET AND BUSINESS

As of December 31, 2009, the Bank's consolidated balance was €7,633,026,000 (€7,403,407,000 in 2008). In 2009, loans and receivables increased by €249,380,000, i.e. a 3.5% increase on the previous year.

INCOME STATEMENT

In 2009, the Bank's pre-tax results were –€130,260,000 (–€3,439,000 in 2008). Net losses were –€136,656,000 (–€4,328,000 in 2008).

The interest margin in 2009, financial income minus financial costs without including profits from equity investments was €85,012,000 euros, compared to €87,290,000 in 2008.

In 2009 gross income was €110,193,000 versus €117,205,000 in 2008.

Administrative expenses for 2009 were €55,877,000 compared to €67,491,000 in 2008. This dramatic reduction is due to the constant effort to contain spending and improve efficiency, and to the adaptation of commercial structures to current market conditions.

Losses from impairment of financial assets increased by €125,649,000 to €168,065,000 in 2009. These loan-loss provisions include additional allocations that increased coverage for impaired assets from 51% to 60%, demonstrating the Company's clear effort in loan-loss provisioning. This has been to anticipate the possible effects of the current forecasts for 2010 on these areas.

Finally, and based on the foregoing, the result of exploitation activities is –€121,603,000 in 2009, compared to –€3,993,000 in 2008.

THE RISK MANAGEMENT SYSTEM IN THE BBVA GROUP

The Bank's risk management system is described in Note 4 "Risk exposure" of the accompanying annual financial statements.

ORGANIZATION AND PLANNING

The Bank continued in 2009 with the policy initiated in previous years of optimizing its organization by leveraging certain structures and services within the central structures of the BBVA Group. In addition, commercial structures have been adapted to current market conditions.

RESEARCH AND DEVELOPMENT

In the course of 2009, a number of projects have been carried out that resulted in significant improvements in the area of internal supervision, fraud prevention, and recovery processes.

ENVIRONMENTAL INFORMATION

As of December 31, 2009, there were no items in the Bank's financial statements that warranted inclusion in the separate environmental information document set out in the Ministry of the Economy Order dated October 8, 2001.

REPORT ON THE ACTIVITY OF THE CUSTOMER CARE AND CUSTOMER OMBUDSMAN DEPARTMENT

In Spain the BBVA Group has a Customer Care Service in place to manage customer complaints and grievances. In addition, if a customer is not satisfied with the solution proposed by the Customer Care Service, he or she has a second line of defense in the Customer Ombudsman.

In accordance with the stipulations of Article 17 of the Ministry for the Economy Order ECO/734/2004, dated March 11 regarding customer care and consumer ombudsman departments at financial institutions, and in line with the BBVA Group's "Internal Regulations for Customer Protection in Spain" approved by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. in its meeting of July 23, 2004, the following is a summary of related activities in 2009:

Report on the activity of the Customer Care Service in 2009

a) Statistical summary of the grievances and complaints handled by the BBVA Group Customer Care Service, presented by customers of Finanzia Banco de Crédito, S.A. in 2009.

The number of customer complaints received by the BBVA Group Customer Care Service and corresponding to Finanzia Banco de Crédito, S.A. in 2009 was 88, of which only one was finally not processed because it did not comply with the requirements of the Ministerial Order ECO/734. As of the publication date of the annual report, 99% of the complaints admitted had been resolved and closed, and only one case was pending analysis.

The complaints managed can be classified as follows:

ITEMS	Percentage of Complaints
Assets/Loan products	71,3%
Services (receipts, transfers, etc.)	18,4%
Recoveries	5,8%
Insurance	2,3%
Quality of service and assistance	1,1%
Foreclosures	1,1%
TOTAL	100,0%

The complaints handled in 2009, broken down by the nature of their final resolution, are as follows:

ITEMS	Number of Complaints
In favor of the person submitting the complaint	40
Partially in favor of the person submitting the complaint	5
In favor of the BBVA Group	42

The principles and methods used by the Customer Care Service to resolve complaints are based on the application of the rules on transparency and customer protection and best banking practices. The Service adopts its decisions independently, notifying the various units involved of any actions which require review or adaptation to the related regulations.

b) Recommendations or suggestions derived from the experience acquired by the ombudsman's activity, with a view to better meeting its aims.

In 2009, the Customer Care Service aided in the resolution of a significant number of claims and encouraged amicable settlements to disputes which, undoubtedly, boost customer satisfaction and perceptions of quality.

The Customer Care Service promoted and put into place a specific Complaints Committee in 2009 to promote the implementation of initiatives aimed at improving banking practices and procedures, as well as the monitoring of work lines based on their activity, across all units and companies. The Committee includes representatives of the various business
and operations units, as well as the Customer Ombudsman

Report on the activity of the BBVA Customer Ombudsman

a) Statistical summary of the grievances and complaints handled by the BBVA Group Customer Ombudsman, presented by customers of Finanzia Banco de Crédito, S.A. in 2009.

There were 15 customer complaints received by the Office of the Customer Ombudsman in 2009. Of these, one was finally not processed as it did not fulfill the requirements of the Ministerial Order ECO/734. Every case was resolved and closed in the year that it was presented.

The grievances and complaints handled are classified in the table below in line with the criteria established by the Claims Service of the Bank of Spain in its half-yearly data compilations:

ITEMS	Number of Complaints
Assets operations	13
Insurance and pension funds	1
Several	1

The 15 cases received in 2009 can be classified according to individual final resolutions by the Ombudsman, as follows:

ITEMS	Number of Complaints
Amicable agreement between the customer and the group	10
In favor of Finanzia, Banco de Crédito, S.A.	5

Based on the above, over 66% of the customers bringing a complaint before the Consumer Ombudsman were in some way satisfied.

The Ombudsman's decisions are based on current legislation, the contractual relationships in place between the parties, current standards on transparency and customer protection on best banking practices and, especially, on the principle of equity.

The independent nature of the role of the Consumer Ombudsman is essential and is a required to earn the trust of the institution’s clientele. The decisions handed down by the Ombudsman in favor of the customer are binding on the affected Group entity.

b) Recommendations or suggestions derived from the experience acquired by the ombudsman’s activity, with a view to better meeting its aims.

In the report containing the activity of the BBVA Customer Ombudsman are also some recommendations for all group entities subject to the BBVA Group’s Customer Defense Regulation for Spain, including:

- Operational recommendations to improve the customer service and defense system, as regards the implementation of the electronic signature.
- Recommendations on information and transparency in operations and products (MiFID): by paying special attention to the information given to clients on risk, liquidity and reimbursement or penalties for the products contracted.
- Recommendations on publicity and advertising messages.

It should be noted that complaints presented by Finanzia clients to the Customer Ombudsman are very few and that in 2009 there were no complaints presented to the various public supervisory authorities that had first been handled by the Office of the Ombudsman.

2009 ECONOMIC SCENARIO AND FUTURE PERSPECTIVES

The business year 2009 experienced a shift from an almost-widespread decline in terms of activity and employment toward relative stabilization. Generally speaking, the first half of the year saw further development of the adjustment that started at the end of 2008, with heavy falls in most economies, a sharp decline in global trade flows and financial markets which although showed some signs of recovery, were far from returning completely back to normal. Against this background of almost-widespread market failure, countercyclical economic policy measures were necessary to break the vicious circle that started in 4Q08, mainly characterized by risk aversion and the search for safe-haven assets, the liquidity crisis on wholesale finance markets, solvency problems in many financial institutions and, overall, a widespread shrinking of the economy. The fall of GDP in Spain will be similar to the Euro zone (3.6%), due to the positive contribution from the foreign sector, which behaves counter cyclically, and the wider scope of the fiscal stimulus package implemented in relation to Europe. These factors have counteracted some of the pending adjustments which affect the Spanish economy such as job losses, the resizing of the real estate sector and the deleveraging process in the private sector. Average inflation for the year was negative (-0.3%).

The main forthcoming economic policy challenge is deciding on the right time to withdraw the stimulus packages so that the head start and sustainability of recovery are not thwarted. The fragility of private consumer spending is still evident, a situation further complicated by imbalances in public finances that are difficult to sustain in the medium term.

In 2009, the Bank has prioritized profitable growth. To this end the pillars of the company’s strategy have been pricing policy, with continued improvement in spreads, cost control, new improvements in efficiency and productivity, asset quality control, and better management of irregular investment with a strengthening of supervision and recovery structures.

During 2010, the aforementioned measures will continue, while attempting to seize newly arising opportunities to increase the client base and strengthen core businesses. Prudent management of the balance will continue to be key in the current situation. Likewise, the effort toward cost reduction and efficiency improvement will continue. This is the reason for the importance of the technological investment made and even accelerated during these crisis years.

EVENTS SUBSEQUENT TO 31 DECEMBER 2009

After 31 December 2009 and up to the preparation of these annual reports, no other events have taken place that significantly affect the accompanying financial statements.

TREASURY SHARES

The Bank did not carry out treasury shares operations in 2009.