Information of Prudential Relevance 2010

Base Accord PILLAR III

Introduction

Bank of Spain Circular 3/2008 of 22 May 2008 and its amendment 9/2010 of 22 December (hereinafter, the Solvency Circular) represents the final implementation for Spanish financial institutions of the legislation on bank capital and supervision of credit institutions on a consolidated basis, laid down in Spanish Law 13/1985 of 25 May 1985 on *Financial intermediary investment ratios, bank capital and reporting requirements of financial intermediaries* and other financial system regulations, and in Spanish Royal Decree 216/2008 of 15 February 2008 on *Financial institutions' own funds*. These two laws together represent the adaptation of Spanish credit institutions to Community Directives 2006/48/EC of 14 June 2006 *relating to the taking up and pursuit of the business of credit institutions* and 2006/49/EC of 14 June 2006 *on the capital adequacy of investment firms and credit institutions*, of the European Parliament and of the Council.

In accordance with Rule 109 of the Solvency Circular, financial institutions have to publish a document called "Information of Prudential Relevance" including the contents stipulated in chapter eleven of said regulation. This report has been drawn up in keeping with said stipulations.

According to what has been laid down in the policy defined by the Group for drawing up the Information of Prudential Relevance, the content herein refers to December 31, 2010 and was approved by the Group's Audit and Compliance Committee, in its meeting held on March 28, 2011, having previously been reviewed by the External Auditor. Said review has not revealed any material discrepancies concerning compliance with the reporting requirements laid down in the Bank of Spain Solvency Circular.

Note: All figures have been rounded to present the amounts in million euros. As a result, the amounts appearing in some tables may not be the arithmetical sum of the preceding figures.

Translation of a report originally issued in Spanish, in the event of a discrepancy, the Spanish original version prevails.

1. General information requirements

1.1. Corporate name and differences in the Consolidated Group for the purposes of the Solvency Circular and the Accounting Circular

1.1.1. Corporate name and scope of application

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the Bank or BBVA) is a private-law entity subject to the rules and regulations governing banking institutions operating in Spain.

The Bylaws and other public information about the Bank are available for consultation at its registered address (Plaza San Nicolás, 4 Bilbao) and on its official website: www.bbva.com.

In addition to the transactions it carries out directly, the Bank heads a group of subsidiaries, jointly-controlled and associate institutions which perform a wide range of activities and which, together with the Bank, constitutes the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the Group or BBVA Group).

Circular 3/2008 and its amendment 9/2010 are binding at a consolidated level for the entire Group.

1.1.2. Differences among the consolidated group for the purposes of the Solvency Circular and the Accounting Circular

The Group's consolidated financial statements are drawn up in accordance with what is laid down in the International Financial Reporting Standards adopted by the European Union (hereinafter, "IFRS-EU"). The IFRS-EU were adapted to the Spanish credit institution sector in Spain via Bank of Spain Circular 4/2004 of 22 December 2004 (hereinafter, the Accounting Circular) as well as through its subsequent amendments, including Bank of Spain Circulars 6/2008 of 26 November 2008, 3/2010 of 29 June and 8/2010 of 30 November.

For the purposes of the Accounting Circular, companies will be considered to form part of a consolidated group when the controlling institution holds or can hold, directly or indirectly, control of them. For these purposes, an institution is understood to control another when it has the power to direct its policies as regards finance and the pursuit of its business in order to obtain economic profit from its activities. In particular, control is presumed to exist when the controlling institution has a relationship with another, which is termed dependent, in some of the following situations:

- It holds the majority of voting rights.
- It is entitled to appoint or dismiss the majority of the members of its governing body.
- By agreements subscribed with other partners, it can avail itself of the majority of voting rights.
- Exclusively with its votes, it has appointed the majority of the members of the governing body who are undertaking their responsibilities at the time the consolidated accounts must be drawn up and during the two fiscal years immediately preceding that moment. This case will not give rise to consolidation if the company whose directors have been appointed is bound to another in any of the cases described in the first two bullets of this section.

Therefore, in drawing up the Group's consolidated financial statements, all dependent companies have been consolidated by applying the full consolidation method.

Alternatively, the Group's accounting policy applied to jointly-controlled entities (those which are not dependent and are jointly-controlled under contractual agreement through unanimous consent of the equity holders) is as follows:

- Jointly-controlled financial entities: the proportionate consolidation method is applied.
- Jointly-controlled non-financial entities: the equity method is applied.

Moreover, associates, those upon which the Group holds a significant influence but which are neither dependent nor jointly-controlled, are valued using the equity method.

Alternatively, for the purposes of the Solvency Circular, as is described in Spanish Law 36/2007, heading two, section 3.4, the consolidated group will comprise the following subsidiaries:

- Credit institutions.

- Investment services companies.
- Open-end funds.
- Companies managing mutual funds, together with companies managing pension funds, whose sole purpose is the administration and management of the aforementioned funds.
- Companies managing mortgage securitization funds and asset securitization funds.
- Venture capital companies and venture capital funds managers.
- Institutions whose main activity is holding shares or investments, unless they are mixed portfolio financial corporations supervised at the financial conglomerate level.

  Likewise, the special-purpose entities whose main activity implies a prolongation of the business of any of the institutions included in the consolidation, or includes the rendering of back-office services to these, will also form part of the consolidated group.

  However, according to the provisions of this law, insurance entities and some service firms will not form part of consolidated groups of credit institutions.

Therefore, for the purposes of calculating solvency requirements, and hence the drawing up of this Information of Prudential Relevance, the perimeter of consolidated institutions is different from the perimeter defined for the purposes of drawing up the Group's financial statements.

The outcome of the difference between the two regulations is that 69 institutions, largely real estate, insurance and service companies, which are consolidated in the Group's annual accounts by the full or proportionate consolidation method, are consolidated for the purposes of Solvency by applying the equity method.

The Annexes contain a list of the entities comprising the scope of consolidation for solvency purposes.

1.2. Identification of dependent institutions with capital resources below the minimum requirement. Possible impediments for transferring capital

There is no institution in the Group not included in the consolidated group under the Solvency Circular whose capital resources are below the regulatory minimum requirement.

The Group operates in Spain, Mexico, the United States and 30 other countries, largely in Europe and Latin America. The Group's banking subsidiaries around the world are subject to supervision and regulation by a number of regulatory bodies with respect to issues such as compliance with a minimum level of regulatory capital. The obligation to comply with these capital requirements may affect the capacity of these banking subsidiaries to transfer funds to the parent company via dividends, loans or other means.

In some jurisdictions in which the Group operates, the law lays down that dividends may only be paid with the funds legally available for this purpose.

1.3. Exemptions from capital requirements at the individual or sub-consolidated level

In keeping with the provisions of Rule Five of the Solvency Circular, on the exemption from individual or consolidated compliance with the aforementioned Rule for Spanish credit institutions belonging to a consolidable group, the Group obtained exemption from the Bank of Spain on December 30, 2009 for the following companies:

- Banco Industrial de Bilbao, S. A.
- Banco de Promoción de Negocios, S.A.
- BBVA Banco de Financiación, S.A.
- Banco Occidental, S.A.
- Finanzia Banco de Crédito, S.A.

1.4. Risk management policies and targets

1.4.1. General principles in risk management

The aim of Global Risk Management is to preserve the Group's capital adequacy level, support the definition of its strategy and help the business to develop.

The general guiding principles followed by the BBVA Group to define and monitor its risk profile are set out below:

1. The risk management function is unique, independent and global.
2. The risks assumed must be compatible with the target capital adequacy and must be identified, measured and assessed. Monitoring and risk management procedures and sound control and mitigation 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 metric (economic capital).
4. It is each business area's responsibility to propose and maintain its own risk profile, within its independence in the corporate framework (defined as the set of risk policies and procedures) through an appropriate risk infrastructure.
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.

On the basis of these principles, the Group has developed a global risk management system which is structured around three components:

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

1.4.2. Corporate governance layout

The Group 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.

With respect to risks it is the duty of the Board of Directors to establish the general principles that define the entity's risk profile, approve its risk control and management policy, and monitor the internal information and control systems on a regular basis.

To perform this duty correctly the 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 39, for these purposes, the Risk Committee is assigned the following duties:

- To analyze and evaluate proposals related to the Group's risk management and monitoring policies and strategies.

- To monitor the match between risks accepted and the profile established.

- To assess and approve, where applicable, any risks whose size could compromise the Group's capital adequacy or recurrent earnings, or that present significant potential operational or reputational risks.

- To check that the Group possesses the means, systems, structures and resources in accordance with best practices to allow the implementation of its risk management strategy.

1.4.3. The risk function

Global Risk Management (GRM) is the Group's risk function. It is made up of an extensive team of professionals who manage risks in the various businesses, companies and countries in which it operates, as a single team with a single risk model.

The aim of Global Risk Management is to preserve the Group's solvency, support the definition of its strategy and help the business to develop. It is made up of the risk units of the business areas and the Corporate Risk Area, which defines the global risk management policies and strategies. The risk units in the business areas propose and maintain the risk profile of their customer portfolios independently, but within the framework of corporate activity.

The Corporate Risk Area combines a vision based on risk type with a global vision. It is divided into five units:

- Corporate Risk Management: responsible for the management and control of credit, market, technical, structural, real estate and non-banking risks.

- Validation & Control: takes on the management of the internal control model and operational risk, the internal validation of the risk measurement and risk admission models and GRM production management.

- Structural Management & Asset Allocation: responsible for defining the target risk profile and the global management of risks assumed by the Group in the course of its activity.

- Technology & Methodologies: responsible for the management of the technological and methodological developments required for risk management in the Group.

- Technical Secretary: carries out technical checks on proposals for the Risk Management Committee (defined below) and the Risk Committee, and prepares and promotes the regulations applicable to the management of social and environmental risks.

Using this structure, the risk management function assures, first, the integration, control and management of all the Group's risks; second, the application of standardized risk principles, policies and metrics throughout the entire Group; and third, the necessary insight into each geographical region and each business.

This organizational scheme is complemented by a number of different committees, including the following:

- The Global Asset Allocation Committee is made up of the Group's COO, the Financial director, the Corporate Strategy and Development director and the Global Risk Management director. This committee plans the process of risk admission and proposes an objective risk profile to the Board of Directors' Risk Committee.

- The task of the Global Internal Control and Operational Risk Committee is to undertake a review at the Group level 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 has open, including those of a transversal nature. This committee is therefore the highest operational risk management body in the Group.

- The Risk Management Committee is made up of the managers of the risk units from the business areas and the managers from the Corporate Risk Area units. Among the committee's duties is to define the risk strategy (particularly in terms of the policies and structure of the Group's function) and present it to the Group's governing bodies for their approval, monitor risk control and management in the Group and adopt any actions that may be required in this respect.

- The Global Risk Management Committee is made up of the corporate managers of the Group's risk function and the risk managers in the different countries and WB&AM. It reviews the Group's risk strategy and the the main risk projects and initiatives in the business areas.

- The permanent members of the Risk Management Committee are: the Global Risk Management, Corporate Risk Management and Technical Secretary directors. Other members attend according to the operations that are to be analyzed at each session. It analyzes and decides on those financial programs and operations that lie within its powers and debates those that exceed them. If appropriate, it passes on a favorable opinion to the Risk Committee.

- The Assets and Liabilities Committee (ALCO) is responsible for actively managing structural interest-rate and foreign-exchange positions, as well as the Group's overall liquidity and bank capital.

- The Technology and Methodologies Committee is the forum that decides on the coverage needs of models and infrastructures in the business areas within the framework of the Global Risk Management model of operation.

- The functions of the New Products Committee are to assess, and if appropriate to approve, the introduction of new products before activities commence; 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.

1.4.4. Scope and nature of the risk measurement and reporting systems

Depending on their type, risks fall into the following categories:

1. Credit risks.
2. Market risks.
3. Operational risks.
4. Structural risks.

There follows a description of the risk measurement systems and tools for each kind of risk.

1.4.4.1. Credit risk

This is the probability that a counterparty may not meet its contractual obligations related to a specific transaction.

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

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

There are three essential parameters in the process of calculating the EL and EC measurements: the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These are generally estimated using historical information available in the systems. They are assigned to operations and customers according to their characteristics. In this context, the credit rating tools (ratings and scorings) assess the risk in each transaction/customer according to their credit quality by assigning them a score. This score is then used in assigning risk metrics, together with additional information such as transaction seasoning, loan to value ratio, customer segment, etc.

Point 4.5.1.7. of this document details the definitions, methods and data used by the Group to estimate and validate the parameters of probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The credit risk for the global portfolio of the BBVA Group is measured through a Portfolio model that includes the effects of concentration and diversification. The aim is to study the loan book as a whole, and to analyze and capture the effect of the interrelations between the different portfolios.

This model not only provides a more complete calculation of capital requirements, but is also a key tool for credit risk management. It is a core of the Asset Allocation model, which is an efficient portfolio allocation model based on the profitability-risk binomial.

The Portfolio model considers that risk comes from various sources (it is a multi-factor model). This feature implies that economic capital is sensitive to geographic diversification, a crucial aspect in a global entity like BBVA. In addition, and within the framework of the Asset Allocation project, the sector axis has, together with the geographical, become key for the analysis of business concentration. Finally, the tool is sensitive to the concentration in certain credit exposures of the entity's large clients.

1.4.4.2. Market risk

This is the possibility of losses in the value of positions held as a result of changing market prices. It includes three types of risk:

- Interest rate risk: this is the risk resulting from variations in market interest rates.
- Exchange rate risk: this is the risk resulting from variations in currency exchange rates.
- Price risk: this is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively due to factors which affect all the instruments traded on the market.

In addition, for certain positions, other risks also need to be considered: credit spread risk, basis risk, volatility or correlation risk.

The basic measurement model used is that of value-at-risk (VaR), which provides a forecast of the maximum loss that can be incurred by trading portfolios in a one-day horizon, with a 99% probability, stemming from market fluctuations of the aforementioned factors. It uses a historical period of 2 years of observations of the risk factors.

The Bank of Spain has authorized the use of the internal model to calculate the capital risk positions of the trading portfolios of BBVA S.A. (since 2004) and BBVA Bancomer (since 2007). Together, the two account for around 80-90% of market risk in the Group's trading portfolio.

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

This limits structure is developed by identifying specific risks by type, trading activity and trading desk. The consistency among limits: global and specific on the one hand and VaR sublimits and delta sensitivity on the other, is maintained by the market risk units. This is supplemented by analyses of impacts on the income statement with risk factors under a stress test, taking into account the impact of financial crises that have taken place in the past and economic scenarios that could occur in the future.

In order to assess business unit performance over the year, the accrual of negative earnings is linked to the reduction of VaR limits set. The control structure in place is supplemented by limits on loss and alert signals to anticipate the effects of adverse situations in terms of risk levels and/or result.

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

1.4.4.3. Operational risk

Operational risk is the risk of loss due to inappropriateness or failures in internal processes, personnel and systems, or alternatively due to outside events.

The Group has had a robust operational risk management model in place since the year 2000. It is based on four pillars:

- Risk identification: Consists in determining the factors that contribute to risk.
- Risk measurement: by establishing quantitative and qualitative metrics.
- Risk assessment: to establish a level of priority for each factor given its relative importance.
- Risk mitigation: this is the most important part of the management cycle. It consists of putting into practice a set of measures, such as improvements in controls or changes in processes, that reduce risk.

To carry out this task, BBVA has several tools already running that cover both qualitative and quantitative aspects of operational risk:

- Ev-Ro. Ev-Ro is a tool used to identify and prioritize operational risk factors, which are all those operational weaknesses that can generate losses. An analysis of the impact and frequency of each risk factor enables risk maps to be generated by business or support areas and class of risk.
- TransVaR. All the Group's operations are based on process management. TransVaR is a key risk indicator (*KRI*) tool associated with processes. It identifies impairment or improvement in the Institution's risk profile. Thus TransVaR might have certain predictive nature, because the indicators used are always associated with the causes that generate risk.
- SIRO. Operational risk events nearly always have a negative impact on the Group's income statement. To keep these events under control, they are recorded in a database called SIRO. To ensure reliability, 95% of its inputs are fed directly from accounting data through automatic interfaces. The internal SIRO data are supplemented with information from an external database at the Operational Risk Exchange (ORX) consortium. ORX is a non-profit association founded by twelve international banks in 2002 and currently has 53 members in 18 countries.
- The operational risk events are classified according to the risk categories established by Basel II: processes, fraud (internal and external), IT, human resources, commercial practices, disasters and suppliers.

1.4.4.4. Structural risks

Below is a description of the different types of structural risk:

- Structural interest-rate risk. Structural interest-rate risk consists of the potential change in the net interest income and/or book value of an entity as a result in changes in interest rates. A financial entity's exposure to adverse movements in market rates represents a risk inherent to banking activity, and at the same time becomes an opportunity for generating value.

  Movements in market interest rates have an effect on the Group's net interest income, from a medium and short-term perspective, and on its economic value in the long-term horizon. The main source of risk is the time lag between price changes and maturities of the asset and liability products making up the banking book.

  The Financial Management units of the parent company and its subsidiaries abroad, through the Assets and Liabilities Committee (ALCO), aim to maximize the economic value of the banking book and preserve the net interest income, thus ensuring recurring earnings. At the same time, it must ensure that exposure levels match the risk profile defined by the Group's management bodies and that a balance is maintained between expected earnings and the risk level borne. A transfer pricing system that centralizes the Bank's interest-rate risk on ALCO's books helps to assure that balance-sheet risk is being properly managed.

  The Group's management is based on calculations of structural interest-rate risk, which is controlled and monitored in the Risk area. This area acts as an independent unit, thus guaranteeing that the risk management and control functions are conveniently segregated. This policy is in line with the Basel Committee on Banking Supervision recommendations. The area designs models and measurement systems and develops monitoring, reporting and control policies. It performs monthly measurements of interest rate risk, as well as risk control and analysis. This information is then reported to the main governing bodies, such as the Executive Committee and the Board of Director's Risk Committee.

  The Group's structural interest-rate risk measurement model uses a sophisticated set of metrics and tools that enable its risk profile to be monitored. To characterize the balance sheet, models of analysis have been developed to establish assumptions dealing fundamentally with prepayment of loans and the performance of deposits with no explicit maturity. A model for simulating interest rate curves is also applied to enable risk to be quantified in terms of probabilities. This allows sources of risk to be determined in addition to the mismatching of cash flows coming not only from parallel movements but also from changes in the slope and curvature. This simulation model, which also considers the diversification between currencies and business units, calculates the net interest earnings at risk (EaR) and economic capital (EC) as the maximum adverse deviations in net interest income and economic value, respectively, for a particular confidence level and time horizon. This supplements the sensitivity measurements to a standard deviation of 100 basis points in all the market curves.

The maximum negative impacts on both net interest income and value, are controlled in each of the Group's entities through a limits policy. The entity's risk appetite, as determined by the Executive Committee, is expressed through the limit structure, which is one of the mainstays of control policies.

The risk measurement model is supplemented by analysis of specific scenarios and stress tests.

- Structural exchange-rate risk. Structural exchange-rate risk is basically caused by exposure to variations in foreign exchange rates that arise in the Group's foreign subsidiaries and the funding to foreign branches financed in a different currency to that of the investment.

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

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

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

  All these metrics are incorporated into the decision-making process by Financial Management, so that it can adapt the Bank's risk profile to the guidelines derived from the limits structure authorized by the Executive Committee.

- Structural risk in the equity portfolio. The Group's exposure to structural risk in the equity portfolio basically results from the holdings in the capital of other industrial and financial companies, recorded as the investment portfolio with medium/long-term investment horizons. It includes, for reasons of management prudence and efficiency, the consolidated holdings, although their variations in value have no immediate effect on equity in this case. In order to determine exposure, the net short positions held in derivatives of underlying assets of the same kind are considered, used to limit portfolio sensitivity to potential falls in prices.

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

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

- 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 deteriorate the image and reputation of the entity.

  The Group's liquidity risk monitoring takes a dual approach: the short-term approach (365-day time horizon), which focuses basically on the management of payments and collections of treasury and wholesale markets, and includes the operations of the area itself as well as the Bank's possible liquidity requirements; and the structural, medium-term approach, which focuses on the finance of the balance sheet as a whole, with a monitoring focused on a time horizon of more than one year.

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

  Liquidity management is performed through the Assets and Liabilities Committee (ALCO) through the Financial Management unit, within the Finance Division. To implement it, a broad scheme of limits, sublimits and alerts, approved by the Executive Committee, is considered, based on which the Risk Area carries out its independent valuation and control work. It also provides the manager with back-up decision-making tools and metrics.

  A core principle in the Group's liquidity management has long been to encourage the financial independence of its subsidiaries. This aims to ensure that the cost of liquidity is correctly reflected in price formation and that there is sustainable growth in the lending business. Each of the local risk areas, which are independent from the local manager, complies with the corporate principles of liquidity risk control that are established by Global Risk Management, the Structural Risk unit for the entire Group.

For each entity, the management areas request an outline of the quantitative and qualitative limits and alerts for short- medium- and long-term liquidity risk. This request must be authorized by the Executive Committee.

Also, the Risk Area performs periodic (daily and monthly) risk exposure measurements, develops the related valuation tools and models, conducts periodic stress tests, measures the degree of concentration on interbank counterparties, prepares the policies and procedures manual, and monitors the authorized limits and alerts, which are reviewed al least one time every year.

Information on liquidity risk is sent to the managing areas and Risk Management every day and to the Management Committee at least every week. It is one of the basic items dealt with by all the ALCO in the Group. As established in the Contingency Plan, the Technical Liquidity Group (TLG) conducts an initial analysis of the Bank's short- and long-term liquidity situation in the event of an alert of a possible crisis. The TLG is made up of experts from the Short-Term Cash Desk, Asset/Liability Management and Structural Risks. Any of the three areas has the power to call the TLG to evaluate the situation. If, on analyzing the situation, the limits policy or liquidity indicators suggest that decisions have to be adopted, the TLG immediately submits its evaluation to the Liquidity Committee. The committee, which is made up of directors of the corresponding areas, plans a strategy that is submitted to the Financing Committee, who decide on its implementation. The Financing Committee is made up of the COO and the executive heads of the Bank's business areas and the Risk Area.

1.4.5. The internal control model

The Group's internal control model is based on the best practices described in the following documents: ""*Enterprise Risk Management – Integrated Framework*" by the COSO ("*Committee of Sponsoring Organizations of the Treadway Commission*) and ""*Framework for Internal Control Systems in Banking Organizations*" by the BIS.

The internal control model is therefore part of the integral risk management framework. This framework is the organizational process within the entity involving its Board of Directors, management and all the staff that is designed to identify the potential risks facing the institution so that they can be managed within established limits, in such a way as to achieve the corporate targets set by the management bodies.

This Integral risk management framework is made up of specialized units (Risks, Compliance, Accounting and Consolidation, Legal Services), the Internal Control Function, Operational Risk and Internal Audit.

The internal control model is underpinned by, amongst others, the following principles:

- The "process" is the articulating axis of the internal control model.
- Risk identification, assessment and mitigation activities must be unique for each process.
- The Group's units are responsible for internal control.
- The systems, tools and information flows that support internal control and operational risk activities must be unique or, in any event, they must be wholly administered by a single unit.
- The specialized units promote policies and draw up internal regulations, whose second-level development and application is the responsibility of the Corporate Internal Control and Corporate Operational Risk unit.

One of the essential elements in the model is the institution-level controls, a top-level control layer that aims to reduce the severity of overall risk inherent in its business activities.

Each unit's Internal Control and Operational Risk management is responsible for implementing the control model within its scope of responsibility and managing the existing risk by proposing improvements to processes.

Given that some units have a global scope of responsibility, there are transversal control functions which supplement the previously mentioned control mechanisms.

Lastly, the Internal Control and Operational Risk Committee in each unit is responsible for approving suitable mitigation plans for each existing risk or shortfall. This committee structure culminates at the Group's Global Internal Control and Operational Risk Committee.

1.4.6. Risk protection and reduction policies. Supervision strategies and processes

The Group applies a credit risk protection and mitigation policy deriving from its business model focused on relationship banking. On this basis, the provision of guarantees is a necessary instrument but one that is not sufficient when taking risks; therefore for the Group to assume risks, it needs to verify the payment or resource generation capacity to comply with repayment of the risk incurred.

The aforementioned is carried out through a prudent risk management policy which consists of analyzing the financial risk in a transaction, based on the repayment or resource generation capacity of the credit receiver, the provision of guarantees in any of the generally accepted ways (monetary, collateral or personal guarantees and hedging) appropriate to the risk borne, and lastly on the recovery risk (the asset's liquidity).

In the Group, monitoring plays a fundamental role in the risk management process and the scope of action of this function extends to all the phases in this process (acceptance, monitoring and recovery), guaranteeing that each risk is dealt with according to its status and defining and fostering measures to appropriately manage deteriorating risk.

Each business area is responsible for initially monitoring risk quality in its business segment referring to outstanding exposure, outstanding deteriorating exposure and past due exposure.

The Central Monitoring Area supervises this function, offering its global vision and fulfilling, amongst others, the following tasks:

- Monitoring the achievement of the asset quality targets.
- Monitoring the outstanding risks that are under watch, deteriorating and past due.
- Monitoring trends in concentration, expected loss and capital use in the main risk groups.
- Benchmarking the risk quality parameters.
- Special monitoring of sensitive portfolios.

2. Information on total eligible capital

2.1. Characteristics of the eligible capital resources

For the purposes of calculating its minimum capital requirements, the Group follows Rule Eight of the Solvency Circular, for defining the elements comprising its Basic Capital, Additional Capital and, if applicable, auxiliary capital, considering their corresponding deductions as defined in Rule Nine. The spread of the various component elements of capital and the deductions between basic Capital, additional Capital and auxiliary capital, together with compliance with the limits stipulated both on some of the elements (preferred securities, subordinated, etc.) and also on the different kinds of funds, is all in keeping with the dispositions in Rule Eleven.

In line with what is stipulated in the Solvency Circular, basic capital basically comprises:

- Common equity: This is the Bank's share capital.
- Share premium.
- Retained profits and undisclosed reserves: These are understood to be those produced and charged to profits when their balance is in credit and those amounts which, without being included on the income statement must be booked in the "other reserves". account, in keeping with the dispositions contained in the Accounting Circular. In application of Rules Eighteen and Fifty-one of the aforementioned Accounting Circular, exchange rate differences will also be classified as reserves. Likewise, valuation adjustments in the coverage of net investments in businesses abroad and the balance of the equity account which contains remuneration accrued on capital instruments will also be included in reserves.
- Minority interests: The holdings representing minority interests, and corresponding to those ordinary shares in the companies belonging to the consolidated group that are fully paid up, excluding the part which is included in revaluation reserves and in valuation adjustments. Earnings net of dividends attributable to these shareholders are also included hereunder. In any event, the fraction over and above 10% of the Group's total basic capital would not be considered eligible basic capital.
- Net income for the year referring to the perimeter of credit institutions, deducting the amount corresponding to interim and final dividend payments.
- Preferred securities mentioned in Spanish Law 13/1985, article 7.1, and issued as per Additional Disposition Two of the same. It likewise also includes issues made by foreign companies, as long as they comply with what is laid out in the Solvency Circular, Rule Nine, section 5, letters e) and f). According to Rule Eleven, these shares may account for up to 30% (maximum) of basic capital.

Basic capital is, moreover, adjusted mainly through the following deductions:

- Intangible assets and goodwill.
- Shares or other securities booked as own funds that are held by any of the Group's consolidated institutions, together with those held by non-consolidated institutions belonging to the economic group, although in this case up to the limit stipulated in Solvency Circular, Rule Nine, section 1, letter c).
- Finance for third parties with the aim acquiring shares or other securities eligible as bank capital of the financer or of other institutions in its consolidable group.
- The outstanding debit balance of each of the total equity accounts that reflect valuation adjustments in available-for-sale financial assets and exchange-rate variations.
- There are other deductions which are split equally; 50% to basic capital and 50% to additional capital:

  a. Holdings in financial institutions that may be consolidated by virtue of their activity, but which are not part of the Group, when the holding exceeds 10% of the subsidiary's capital.

  b. The bank capital requirements for insurance companies when the direct or indirect holding amounts to 20% or more of the capital of these companies.

  c. Shortfall of allowances on the expected loss in positions calculated according to the model based on internal ratings.

Total eligible capital also includes additional capital, which is largely made up of the following elements:

- Subordinated financing received by the Group, understood as that which, for credit seniority purposes, comes behind all the common creditors. The issues, moreover, have to fulfill a number of conditions which are laid out in Rule Eight of the Solvency Circular. In keeping with Rule Eleven of the aforementioned Circular, this item should not account for more than 50% of basic capital.

- Preference securities issued by subsidiary companies which exceed the limits stipulated in Rule Eleven for the purpose of their inclusion as basic capital, provided they fulfill the requirements listed in Rule Eight, section 5.

- The Solvency Circular has opted to include as eligible 35% of the gross amounts of net capital gains on capital instruments which are booked as valuation adjustments on financial assets available for sale when these correspond to debt instruments and 45% for capital instruments, instead of the option of including them net of tax. When these valuation adjustments give rise to capital losses, these are deducted from basic capital.

- The surplus resulting between the allowances for losses on risks related to exposures calculated as per the IRB Method on the losses they are expected to incur, for the part that is below 0.6% of the risk-weighted exposures calculated according to said method. It will also include the book balances of generic allowances referring to securitized exposures which have been excluded from the risk-weighted exposures calculation under the IRB method, for the part not exceeding 0.6% of the risk-weighted exposures that would have corresponded to said securitized exposures, had they not been excluded. There is no treatment defined for the surplus of allowances over expected loss in portfolios assessed under the Advanced Measurement Approach above the 0.6% limit.

  Furthermore, the book balance for generic allowances for losses reached in keeping with the Accounting Circular and which corresponds to those portfolios which are applied the standardized approach, for an amount up to 1.25% of the weighted risks that have been the basis for the coverage calculation, will also be considered eligible additional capital. Generic allowances for losses for those securitized assets that have been excluded from the risk-weighted exposures under the standardized approach are also eligible up to a limit of 1.25% of the weighted risks that would have corresponded to them, had they not been excluded. The surplus over the 1.25% limit is deducted from exposure.

- 50% of the deductions above mentioned when we discussed basic capital, are assigned to additional capital.

2.2. Amount of eligible capital resources

The accompanying table shows the amount of eligible capital resources, net of deductions, of the different elements comprising the capital base:

The increase in Tier I capital is due basically to the capital increase of 5,015 million euros in November 2010, together with the earnings generated by the Group and not distributed.

(Millions euros)

Eligible capital resources	Eligible capital resources 2010	2009
Capital	2,201	1,837
Reserves [1]	30,694	22,630
Minority interests	1,325	1,245
Deductions	-10,568	-8,315
- Goodwill	*-8,532*	*-7,248*
- Treasury stock	*-553*	*-139*
- Other deductions	*-1,483*	*-928*
Net attrib. profit and interim and final dividends	3,526	2,587
Eligible preference shares and other eligible liabilities	7,164	7,129
BASIC CAPITAL	**34,342**	**27,113**
Subordinated debt	5,211	9,522
Valuation adjustments in the AFS portfolio	563	959
Surplus on generic allowances for loan losses	1,698	1,922
ADDITIONAL CAPITAL	**7,472**	**12,402**
Other deductions from Basic Capital and Additional Capital [2]	-4,477	-2,131
TOTAL	37,337	37,384
Additional capital resources mixed group [3]	1,291	1,305
TOTAL including mixed group	**38,628**	**38,689**

(1) Including Share Premium.
(2) Mainly holdings in financial and insurance institutions are divided equally between Basic Capital and Additional Capital.
(3) Article 6 of Spanish Royal Decree 1332/2005, of 11 November 2005 on the capital adequacy of financial groups and mixed group reporting.

3. Information on capital requirements

3.1. A breakdown of minimum capital requirements by risk type

The accompanying table shows total capital requirements itemized by credit risk, trading-book risk, exchange rate risk, operational risk and other requirements as of December 31, 2010 and 2009.

The total amount for credit risk includes the positions in securitizations (standard and advanced method) and equity portfolio.

(Millions euros)

	Capital requirements	
Exposure categories and risk types	2010	2009
Central governments and central banks	591	681
Regional governments and local authorities	94	86
Public sector institutions and other public entities	106	134
Institutions	250	209
Corporates	4,723	4,687
Retail	1,632	1,383
Collateralized with real estate property	1,567	1,499
Default status	538	596
High risk	222	164
Short term to institutions and corporates	12	8
Mutual funds	4	4
Other exposures	980	792
Securitization positions	425	255
TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH	11,145	10,499

(Continued)

(Continued)

	Capital requirements	
Exposure categories and risk types	2010	2009
Central governments and central banks	33	20
Institutions	1,066	987
Corporates	5,823	5,638
Retail	1,752	1,575
Secured by real estate collateral	*1,250*	*1,206*
Qualifying revolving retail	*399*	*278*
Other Retail	*103*	*91*
Equity	827	966
By method:		
Simple method	*282*	*389*
PD/LGD method	*427*	*490*
Internal models	*118*	*87*
By nature:		
Exchange traded equity instruments	*541*	*609*
Equity instruments in sufficiently diversified portfolios	*286*	*358*
Securitization positions	33	31
TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH	9,534	9,219
TOTAL CREDIT RISK	20,679	19,718
Standardized:	52	38
Price risk from fixed income positions	38	24
Price risk from Equity portfolios	14	14
Advanced: Market risk	352	292
TOTAL TRADING-BOOK ACTIVITY RISK	404	331
EXCHANGE RATE RISK (STANDARDIZED APPROACH)	1,227	572
OPERATIONAL RISK [1]	2,771	2,585
OTHER CAPITAL REQUIREMENTS	70	82
CAPITAL REQUIREMENTS	25,151	23,288

(1) See Chapter 6.

The amounts shown in the table above on credit risk include the counterparty risk in trading-book activity as shown below:

(Millions euros)

Counterparty risk trading book activities	Capital requirements	
	2010	2009
Standardized approach	171	145
Advanced measurement approach	589	514
TOTAL	760	659

The Group currently has no capital requirements for trading-book activity liquidation risk.

3.2. Procedure employed in the Internal capital adequacy assessment process

The Group's budgeting process is where it makes the calculations both for economic capital at risk allocated by the different business areas and for the capital base. Economic capital is calculated by internal models that collect the historical data existing in the Group and calculate the capital necessary for pursuit of the activity adjusted for risks inherent to it. Said calculations include additional risks to those contemplated in regulatory Pillar I.

The following points are assessed within the internal capital adequacy assessment process:

- The Group's risk profile: measurement of the risks (credit, operational, market and other asset and liability risks) and quantification of the capital necessary to cover them.
- Systems of risk governance, management and control: Review of the corporate risk management culture and internal audit.
- Capital resources target: capital distribution between the Group's companies and the targets marked for it.
- Capital planning: A projection is made of the Group's capital base and that of its main subsidiaries for the next three years and capital sufficiency is analyzed at the end of the period. Furthermore, a stress test is performed using a scenario in which macroeconomic values are estimated for a global-level, economic recession scenario and the consequences of this on the Group's activity (increased NPA, lower activity levels, higher volatility in the financial markets, falls in the stock market, operating losses, liquidity crises, etc.) and its impact on the capital base (income, reserves, capacity to issue equity instruments, provisions, risk-weighted assets, etc.). Estimations are also made on the possible cyclical nature of the models used. The stress scenarios cover recession situations in sufficiently long periods (20-30 years).
- Future action program: If the conclusions of the report so require, corrective actions are programmed that enable the Bank's equity situation to be optimized in view of the risks analyzed.

The Internal capital adequacy assessment process concludes with a document which is sent annually to the Bank of Spain for supervision of the targets and the action plan presented, enabling a dialogue to be set up between the Supervisor and the Group concerning capital and solvency.

4. Credit risk

4.1. Accounting definitions

4.1.1. Definitions of non-performing assets and impaired positions

Pursuant to the provisions of the Accounting Circular, the Group classifies its debt instruments under the heading of Assets impaired by credit risk both for the risk attributable to the customer and for country risk:

- **Customer Risk**: the risks included in this category include both:
  - **Risks due to default:** includes those debt instruments that have amounts due on principal, interest or any other cost agreed by contract, regardless of who the holder is or the guarantee involved, with a seasoning of more than 3 months, unless they involve write-offs; as well as those debt instruments that are classified as non-performing through the accumulation of balances rated as non-performing through default for an amount exceeding 25% of the overall sums pending collection.
  - **For reasons other than default:** includes those debt instruments for which there is no concurrence of the circumstances required to classify them as write-offs or non-performing for reasons of default, and which generate doubt regarding their full reimbursement (principal and interest) under the terms and conditions agreed by contract.
- **Country risk**: the assets impaired for reasons of country risk will be the debt instruments of operations in countries with long-standing difficulties in servicing their debt, with there being doubt cast on the possibility of recovery, with the exception of those excluded from provisioning for country risk (e.g., risks attributed to a country, regardless of the currency in which they are denominated, registered in subsidiaries located in the holder's country of residence, commercial loans with a due date not exceeding one year, etc.) and those that are to be classified as non-performing or write-offs for risk attributable to the customer.

Those operations for which there is a concurrence of reasons for classifying a transaction as credit risk, both for risk attributable to the customer and for country risk, are to be classified under the heading corresponding to risk attributable to the customer, unless it corresponds to a worse category for country risk, without prejudice to the fact that impairment losses attributable to customer risk are covered under the item of country risk when it involves a greater requirement.

Write-off risks are those debt instruments, due or otherwise, for which an individualized analysis has concluded that their recovery is deemed remote and that they should be classified as final write-offs.

4.1.2. Methods for determining value adjustments for impairment of assets and provisions

4.1.2.1. Methods used for determining value adjustments for impairment of assets

The calculation of the impairment of financial assets is performed according to the type of instrument and the category under which it is recorded. The Group uses write-offs when the possibility of recovery is remote and the offsetting item or allowance account when provisions are set.

The amount of the deterioration of debt instruments valued at their amortized cost is determined by whether the impairment losses are calculated individually or collectively.

Impairment losses determined individually

The amount of impairment losses recorded by these instruments coincides with the positive difference between their respective book values and the present values of future cash flows.

The estimation of future cash flows for debt instruments considers the following:

- All sums expected to be obtained during the remaining life of the instrument including those that may arise from collaterals and credit enhancements, if any, (once deduction has been made of the costs required for their foreclosure and subsequent sale). Impairment losses include an estimate of the possibility of collecting of the accrued, past-due and uncollected interest.
- The different types of risk to which each instrument is subject.
- The circumstances under which the collections will foreseeably take place

These cash flows are discounted at the instrument's original effective interest rate.

When a financial instrument has a variable rate, the discount rate for valuing any impairment loss is the current effective interest rate stipulated by contract.

As an exception to the above, the market value of quoted debt instruments is considered to be a fair estimate of the current value of its future cash flows.

Impairment losses determined collectively

The quantification of impairment losses is determined on a collective basis both in the case of some assets classified as impaired and for the asset portfolio not currently impaired, but for which an inherent loss is foresseable.

The inherent loss is considered to be equal to the sum of the losses incurred that are pending assignment to specific transactions and which are calculated using statistical procedures.

The Group collectively estimates the inherent loss for credit risk corresponding to the operations undertaken by the Group's financial institutions in Spain (approximately 69% of the Group's loan book as of December 31, 2010) using the parameters provided by Annex IX to the Bank of Spain Circular 4/2004, based on its own experience and on the information held on the Spanish banking sector.

Notwithstanding the above, the Group has its proprietary historic records available as used in its internal rating models approved by the Bank of Spain for some portfolios, albeit only for the purposes of estimating regulatory capital under the new Basel Accord (BIS II). These internal rating models to calculate the economic capital required in its activities use the expected loss concept to quantify the cost of credit risk for incorporation into its calculation of the risk-adjusted return on capital of its operations.

The provisions required under Bank of Spain Circular 4/2004 fall within the range of provisions calculated using the Group's internal rating models.

Similar methods and criteria are applied for collectively estimating the loss for credit risk corresponding to operations undertaken in foreign subsidiaries, taking as reference Bank of Spain parameters, albeit using non-performing seasoning standards adapted to the particular circumstances in each country in which the subsidiary operates. Nevertheless, for consumer, cards and mortgage portfolios in Mexico, as well as the loan portfolio held by the Group's companies in the United States, use is being made of internal models for calculating impairment loss that are based on their own historical experience.

4.1.2.2. Methods used for provisioning for contingent exposures and commitments

Non-performing contingent exposures and commitments, except for letters of credit and other guarantees, are to be provisioned for an amount equal to the estimation of the sums expected to be disbursed that are deemed to be non-recoverable, applying criteria of valuation prudence. When calculating the provisions criteria similar to those established for non-performing assets for reasons other than customer default are applied.

Nonetheless, those letters of credit and other guarantees provided and classified as non-performing are to be covered at least by the coverage percentages specified for non-performing assets.

Likewise, the inherent loss associated with letters of credit and other guarantees provided that are in force and not impaired is covered by applying similar criteria to those set out in the preceding section on impairment losses determined collectively.

4.1.3. Criteria for removing or maintaining assets subject to securitization on the balance sheet

The accounting procedure for the transfer of financial assets depends on the manner in which the risks and benefits associated with securitized assets are transferred to third parties.

Financial assets are only removed from the consolidated balance sheet when the cash flows they generate have dried up or when their implicit risks and benefits have been substantially transferred out to third parties.

It is considered that the Group substantially transfers the risks and benefits when these account for the majority of the overall risks and benefits of the securitized assets.

When the risks and benefits of transferred assets are substantially conveyed to third parties, the financial asset transferred is removed from the consolidated balance sheet, and any right or obligation retained or created as a result of the transfer is simultaneously acknowledged.

In many situations, it is clear whether the entity has substantially transferred all the risks and benefits associated with the transfer of an asset. However, when it is not sufficiently clear if said transfer took place or not, the entity evaluates its exposure before and after the transfer by comparing the variation in the amounts and the calendar of the net cash flows of the transferred asset. Therefore, if the exposure to the variation in the current value of the net cash flows of the financial asset does not significantly change as a result of the transfer, then the entity has not substantially transferred all the risks and benefits associated with the ownership of the asset.

When the risks and/or benefits associated with the financial asset transferred are substantially retained, the asset transferred is not removed from the consolidated balance sheet and continues to be valued according to the same criteria applied prior to the transfer.

In the specific case of the SSPEs (Securitization Special Purpose Entities) to which Group institutions transfer their loan-books, the following control guidelines are to be considered with a view to analyzing their possible consolidation:

- The activities of SSPEs are pursued on the Group's behalf in accordance with its specific business requirements, whereby it will obtain benefits or advantages from said activities.
- The Group retains decision-making powers in order to obtain the greater part of the benefits from the activities of SSPEs or has delegated such powers through an "auto-pilot"

mechanism (SSPEs are structured in such a way that all their decisions and activities will already have been defined at the time of their creation).

- The Group is entitled to obtain the greater part of the benefits from SSPEs and is therefore exposed to the risks forthcoming from their business.
- The Group withholds the greater part of the residual benefits from SSPEs.
- The Group withholds the greater part of the risks of the SSPE assets and the rules on asset removal are applied.

If there is control based on the preceding guidelines, the SSPEs are consolidated to the consolidated entity.

4.1.4. Criteria for the recognition of income in the event of the removal of assets from the balance sheet

In order for the Group to recognize the result of the sale of financial instruments, this is to involve the corresponding removal from the accounts, which requires the fulfillment of the requirements governing the substantial transfer of risks and benefits as described in the preceding point. The result will be reflected on the income statement, being calculated as the difference between the book value and the net value received including any new additional assets obtained minus any liabilities assumed.

When the amount of the financial asset transferred coincides with the total amount of the original financial asset, the new financial assets, financial liabilities and liabilities for the provision of services, as appropriate, that are generated as a result of the transfer will be recorded according to their fair value.

4.1.5. Key hypothesis for valuing risks and benefits retained on securitized assets

The Group considers that a substantial withholding is made of the risks and benefits of securitizations when the subordinated bonds of issues are kept and/or it grants subordinated finance to the securitization funds that mean substantially retaining the credit losses expected from the loans transferred.

The Group only has traditional securitizations and no synthetic securitizations.

4.2. Information on credit risks

4.2.1. Exposure to credit risk

Pursuant to Rule Thirteen in the Solvency Circular concerning the capital requirements for credit risk, exposure is understood to be any asset item and all items included in the Group's memorandum accounts, involving credit risk and not deducted from the Group's eligible capital. Accordingly, inclusion is made mainly of customer lending items, with their corresponding undrawn balances, letters of credit and guarantees, debt securities and equity instruments, cash and deposits in central banks and credit institutions, assets purchased or sold under a repurchase agreement (asset and liability repos), financial derivatives and fixed assets.

Below is a presentation of the original exposure and the forecasts under the advanced model and standardized approaches as of December 31, 2010 and 2009. In accordance with section one of Rule Twenty-Eight of the Solvency Circular, only the exposure net of allowances is presented for those exposures calculated under the standardized approach.

2010 (Millions euros)

Category of exposure	Original exposure [1]	Allowances [2]	Exposure net of allowances [3]
Central governments and central banks	78,123	-5	78,118
Regional governments and local authorities	6,355	-1	6,354
Public sector institutions and other public entities	5,350	-3	5,347
Multilateral development banks	51	-	51
International organizations	13	-	13
Institutions	13,377	-59	13,318
Corporates	83,749	-569	83,180
Retail	38,087	-168	37,920
Collateralized with real estate property	42,165	-293	41,872
Default status	8,335	-2,144	6,191
High risk	2,202	-245	1,957
Short term to institutions and corporates	729	-4	725
Mutual funds	49	-	49
Other exposures	16,052	-1,372	14,680
TOTAL STANDARDIZED APPROACH	294,636	-4,862	289,774

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Category of exposure	Original exposure [1]	Allowances [2]	Exposure net of allowances [3]
Central governments and central banks	1,087	-3	
Institutions	95,730	-52	
Corporates	161,743	-3,395	
Retail	83,515	-996	
Secured by real estate collateral	*69,998*	*-286*	
Qualifying revolving retail	*10,166*	*-546*	
Other retail	*3,351*	*-164*	
TOTAL ADVANCED MEASUREMENT APPROACH	342,075	-4,446	
SUBTOTAL CREDIT RISK (securitizations and equity positions not included)	636,711	-9,309	
Securitization positions	8,456	-256	
Standardized approach	6,021	-174	5,847
Advanced measurement approach	2,435	-82	
Equity	7,345	-429	
Simple method	1,473	-326	
Equity instruments in sufficiently diversified portfolios	1,051	-29	
Exchange Traded equity instruments	422	-297	
PD/LGD method	5,375	-	
Internal models	497	-103	
TOTAL CREDIT RISK	652,512	-9,994	

(1) Gross exposure prior to the application of risk mitigation techniques.
(2) It includes allowances for assets losses (financial and non-financial) and other valuation adjustments, with the exception of the generic alalowance included in the capital base as more Additional Capital, as per Rule Eight in the Solvency Circular.
(3) Exposures are adjusted solely by allowances in the case of exposures by the standardized approach.

2009 (Millions euros)

Category of exposure	Original exposure (1)	Allowances (2)	Exposure net of allowances (3)
Central governments and central banks	55,075	-10	55,065
Regional governments and local authorities	5,526	-7	5,519
Public sector institutions and other public entities	7,470	-67	7,402
Multilateral development banks	13	-	13
International organizations	68	-	68
Institutions	10,321	-5	10,316
Corporates	81,583	-853	80,729
Retail	33,688	-129	33,559
Collateralized with real estate property	37,873	-59	37,814
Default status	9,020	-1,952	7,067
High risk	1,505	-33	1,472
Short term to institutions and corporates	481	-	481
Mutual funds	51	-	51
Other exposures	16,648	-744	15,904
TOTAL STANDARDIZED APPROACH	**259,320**	**-3,860**	**255,460**
Central governments and central banks	1,168	-3	
Institutions	72,824	-41	
Corporates	168,936	-3,176	
Retail	79,160	-1,033	
Secured by real estate collateral	*67,211*	*-433*	
Qualifying revolving retail	*8,612*	*-457*	
Other retail	*3,337*	*-142*	
TOTAL ADVANCED MEASUREMENT APPROACH	**322,088**	**-4,253**	

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Category of exposure	Original exposure (1)	Allowances (2)	Exposure net of allowances (3)
SUBTOTAL CREDIT RISK (securitizations and equity positions not included)	**581,408**	**-8,113**	
Securitization positions	8,008	-286	
Standardized approach	5,503	-196	5,306
Advanced measurement approach	2,506	-89	
Equity	8,461	-226	
Simple method	1,913	-178	
Equity instruments in sufficiently diversified portfolios	1,298	-1	
Exchange Traded equity instruments	616	-177	
PD/LGD method	6,187	-28	
Internal models	361	-20	
TOTAL CREDIT RISK	**597,878**	**-8,625**	

(1) Gross exposure prior to the application of risk mitigation techniques.
(2) It includes allowances for assets losses (financial and non-financial) and other valuation adjustments, with the exception of the generic alalowance included in the capital base as more Additional Capital, as per Rule Eight in the Solvency Circular.
(3) Exposures are adjusted solely by allowances in the case of exposures by the standardized approach.

4.2.2. Average value of the exposures throughout 2010 and 2009

(Millions euros)

Category of exposure	Original average exposure for the period 2010	2009
Central governments and central banks	67,829	62,669
Regional governments and local authorities	6,230	6,588
Public sector institutions and other public entities	6,550	3,707
Multilateral development banks	26	15
International organizations	15	89
Institutions	15,224	11,150
Corporates	80,858	81,023
Retail	36,606	37,112
Collateralized with real estate property	41,346	35,868
Default status	8,226	6,099
High risk	2,146	1,556
Short term to institutions and corporates	655	309
Mutual funds	55	54
Other exposures	17,089	24,363
TOTAL STANDARDIZED APPROACH	282,855	270,602
Central governments and central banks	1,806	1,278
Institutions	90,189	70,305
Corporates	167,239	179,112
Retail	81,934	75,694
Secured by real estate collateral	*68,892*	*66,005*
Qualifying revolving retail	*9,692*	*6,431*
Other Retail	*3,350*	*3,258*
TOTAL ADVANCED MEASUREMENT APPROACH	341,169	326,389
SUBTOTAL CREDIT RISK (securitizations and equity positions not included)	624,024	596,991
Securitization positions	8,610	5,925
Standardized approach	6,164	3,387
Advanced measurement approach	2,445	2,538
Equity	7,838	7,626
Simple method	1,770	1,892
Equity instruments in sufficiently diversified portfolios	1,273	1,081
Exchange Traded equity instruments	497	811
PD/LGD method	5,572	5,330
Internal models	496	405
TOTAL CREDIT RISK	640,471	610,542

4.2.3. Distribution by geographical area

The following charts present the distribution by significant geographic areas of the original exposure by country pursuant to the obligor´s country. The breakdown includes exposure under the standardized and advanced measurement approaches, without including positions in securitizations or equity.

(Millions euros)

Category of exposure	Total	Original exposure by geographical area: Europe	Mexico	EEUU & Puerto Rico	South America	Rest of the world
Central governments and central banks	78,123	46,322	17,470	4,082	10,179	69
Regional governments and local authorities	6,355	2,226	1,900	1,871	356	2
Public sector institutions and other public entities	5,350	1,563	91	3,254	443	
Institutions	13,377	5,847	3,247	1,464	2,818	
Corporates	83,749	19,277	21,731	27,944	14,101	696
Retail	38,087	17,991	1,051	3,933	15,112	
Collateralized with real estate property	42,165	16,362	9,091	9,847	6,853	12
Securitization positions	6,021	1,019	134	4,867		
Other exposures	27,431	13,252	4,780	4,739	4,004	656
TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH	300,657	123,859	59,496	62,001	53,866	1,435
Central governments and central banks	1,087	521	51	2	302	211
Institutions	95,730	90,039	17	2,898	174	2,602
Corporates	161,743	138,923	2,226	9,447	4,442	6,705
Retail	83,515	73,256	10,171	13	25	49
Securitization positions	2,435	2,435				
TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH	344,510	305,174	12,465	12,361	4,943	9,566
TOTAL CREDIT RISK	645,167	429,033	71,961	74,362	58,809	11,001

Note: Positions in equity are not included.

The following table shows the distribution by geographical area of the book balances of the non-performing and impaired exposures of financial assets and contingent liabilities.

(Millions euros)

	Total	Europe	Mexico	EEUU & Puerto Rico	South America	Rest of the world
Non-performing and impaired exposures	15,936	11,236	1,206	2,050	1,110	334

Note: Accounting balances solvency perimeter.

The next table shows the distribution by geographical area of the book balances of the allowances for financial and non-financial asset losses and for contingent liabilities.

(Millions euros)

	Total	Europe	Mexico	EEUU & Puerto Rico	South America	Rest of the world
Allowance for asset losses	11,708	7,034	1,843	1,374	1,288	169

Note: Accounting balances solvency perimeter.

4.2.4. Distribution by sector

The following graphs show the distribution by economic sector (standardized and advanced measurement approaches) of the original exposure. The distribution does not include positions in equity.

(Millions euros)

		Original exposure by sector							
Category of exposure	Total	EECC, insurance and financial brokerage	Public sector	Agriculture	Industry	Construction	Commercial	Retail	Other sectors
Central governments and central banks	78,123		12.1%						
Regional governments and local authorities	6,355		1.0%						
Public sector institutions and other public entities	5,350		0.8%						
Institutions	13,377	2.1%							
Corporates	83,749	0.5%		0.3%	1.4%	1.0%	5.8%		4.0%
Retail	38,087			0.1%	0.1%			4.1%	0.7%
Collateralized with real estate property	42,165	0.1%		0.1%	0.2%	0.1%	0.6%	4.8%	0.7%
Securitization positions	6,021	0.2%	0.8%						
Other exposures	27,431	0.2%	0.3%		0.1%	0.0%			2.2%
TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH	300,657	3.1%	15.0%	0.5%	1.9%	1.3%	7.6%	9.6%	7.6%
Central governments and central banks	1,087		0.2%						
Institutions	95,730	10.4%	4.4%						
Corporates	161,743	2.2%		0.1%	5.9%	2.0%	4.6%		10.1%
Retail	83,515							12.1%	
Securitization positions	2,435	0.4%							
TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH	344,510	13.0%	4.5%	0.1%	5.9%	2.1%	5.4%	12.1%	10.2%
TOTAL CREDIT RISK	645,167	16.1%	19.5%	0.7%	7.8%	3.4%	13.1%	21.7%	17.8%

Note: Positions in equity are not included.

The following table shows the distribution by counterparty of the book balances of the non-performing and impaired exposures of financial assets and contingent liabilities.

(Millions euros)

	Total	EECC, insurance and financial brokerage	Public sector	Corporates	Retail	Other sectors
Non-performing and impaired exposures	15,936	3.1%	0.8%	63.9%	26.3%	5.9%

Note: Accounting balances solvency perimeter.

The next table shows the distribution by counterparty of the book balances of allowances for financial and non-financial asset losses and for contingent exposures:

(Millions euros)

	Total	EECC, insurance and financial brokerage	Public sector	Corporates	Retail	Other sectors
Specific allowance for asset losses	7,015	4.5%	0.7%	63.8%	22.9%	8.1%
Generic allowance	4,693					
Total allowance for asset losses	11,708					

Note: Accounting balances solvency perimeter.

4.2.5. Distribution by residual maturity

The following table presents the distribution of Original Exposure by residual maturity, broken down by category of exposure under the standardized and advanced measurement approaches:

(Millions euros)

		Original exposure by residual maturity		
Category of exposure	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
Central governments and central banks	78,123	43,264	21,717	13,142
Regional governments and local authorities	6,355	2,152	1,500	2,703
Public sector institutions and other public entities	5,350	1,993	1,356	2,001
Institutions	13,377	7,773	3,421	2,183
Corporates	83,749	36,007	23,797	23,945
Retail	38,087	16,340	12,089	9,658
Collateralized with real estate property	42,165	3,916	5,472	32,776
Securitization positions	6,021	4,905	1	1,115
Other exposures (1)	27,431	764	269	2,012
TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH	300,657	117,114	69,623	89,534
Central governments and central banks	1,087	401	392	294
Institutions	95,730	48,912	20,408	26,409
Corporates	161,743	64,658	48,368	48,717
Retail	83,515	7,371	2,826	73,319
Securitization positions	2,435	305	558	1,572
TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH	344,510	121,647	72,551	150,311
TOTAL CREDIT RISK (2)	645,167	238,760	142,174	239,845

(1) The item "Other exposures" includes the category of other exposures (mainly fixed assets and cash). In view of their nature, this category is not broken down by residual maturity.
(2) Positions in equity are not included.

4.2.6. Allowances for asset losses

The following table presents the movement recorded in the years 2010 and 2009 in the allowance for impairment losses of financial assets on the balance sheet and for contingent liabilities and commitments, including country risk, generic and specific funds. It does not include allowances for other assets losses, which as of December 31, 2010 amounted to 1,412 million euros.

2010 (Millions euros)

Item	Allowances on assets	Allowances for contingent liabilities and commitments	Total
BALANCE BoY 2010	9,202	243	9,445
Increase in impairment charged to income	7,195	62	7,256
Decrease in impairment credited to income	-2,236	-40	-2,276
Institutions acquired by the Group during the year	-	-	-
Institutions disposed of during the year	-	-	-
Transfers to written-off loans	-4,488	-	-4,488
Exchange differences and others	360	-1	359
BALANCE EoY 2010	10,032	264	10,296
For impaired portfolio	7,305	145	7,450
For current non-impaired portfolio	2,727	119	2,846

Note: Solvency perimeter.

2009 (Millions euros)

Item	Allowances on assets	Allowances for contingent liabilities and commitments	Total
BALANCE BoY 2009	7,740	421	8,161
Increase in impairment charged to income	8,258	110	8,368
Decrease in impairment credited to income	-2,638	-280	-2,918
Institutions acquired by the Group during the year	-	-	-
Institutions disposed of during the year	-	-	-
Transfers to written-off loans	-3,878	-	-3,878
Exchange differences and others	-280	-8	-288
BALANCE EoY 2009	9,202	243	9,445
For impaired portfolio	6,055	239	6,294
For current non-impaired portfolio	3,148	3	3,151

Note: Solvency perimeter.

4.2.7. Total impairment losses for the period

The following table shows details of impairment losses and provisions on financial assets and continent risks and commitments, as well as derecognition of losses previously recognized in asset write-offs recorded directly in the income statement in 2010 and 2009.

(Millions euros)

Items	2010	2009
Financial assets	4,706	5,439
Of which:		
Recovery of written-off assets	-253	-185
Contingent exposure and commitments [recoveries(-)]	22	-170
TOTAL IMPAIRMENT LOSSES	4,728	5,268

Note: Solvency perimeter.

4.3. Information on counterparty risk

Counterparty exposure involves that part of the original exposure corresponding to derivative instruments, repurchase and resale transactions, securities or commodities lending or borrowing transactions and deferred settlement transactions.

4.3.1. Policies on managing counterparty risk

4.3.1.1. Methodology: allocation of internal capital and limits to exposures subject to counterparty risk

The Group has an economic model for calculating internal capital through exposure to counterparty risk in treasury operations. This model has been implemented in the systems of the Risk unit in Markets Areas, and it is used to estimate the distribution of potential losses the Group faces due to possible default of the counterparties of the instruments.

The calculation process is based on the Montecarlo simulation of the aforementioned distribution of losses consisting of the product of three sources of uncertainty: exposures, defaults and loss given default (LGD).

The generation of exposures is undertaken in a manner that is consistent with those used for the monitoring and control of credit risk limits. The time horizon is divided up into intervals, and, for each interval, the risk factors (interest rates, exchange rates, etc.) underlying the instruments are simulated. The exposures are generated from 500 different scenarios using the Montecarlo method for risk factors (subject to counterparty risk) and applying the corresponding mitigations to each counterparty (in other words, applying collateral and/or netting agreements as applicable.

The individual defaults of the counterparties are simulated by means of a factorial model that takes into account the correlations between counterparties and the credit quality of the different counterparties. In addition, the model includes the random nature of loss given default.

The correlations, loss given defaults, internal ratings and associated probabilities of default are consistent with the Group's economic model for general credit risk.

The distribution of possible losses for credit risk for a one-year horizon is constructed through the simulation of the variables considered and through the process indicated, thereby estimating the 99.9% percentile corresponding to the level of confidence for estimating the risk. This figure is modified by an adjustment factor for the possible maturity subsequent to one year of the operations in a similar vein to the general approach adopted by Basel for the treatment of credit risk.

Counterparty limits are specified within the financial programs authorized for each subsidiary within the line item of treasury limits. It stipulates both the limit and the maximum term for the operation. The use of transactions within the limits is measured in terms of (mark-to-market valuation plus the potential risk with Montecarlo Simulation methodology (95% confidence level) and bearing in mind the possible existence of collateral contracts.

Control of the counterparty risk in the Markets Area is carried out through a corporate platform that enables online monitoring of the limits and availabilities established for the different counterparties and clients. This control is completed by independent units of the business area to guarantee proper segregation of functions.

4.3.1.2. Policies for ensuring the effectiveness of collaterals and establishing the value adjustments for impairment to cover this risk

The Group has concluded collateral contracts with many of its counterparties that serve as a guarantee of the (mark-to-market valuation of derivatives operations. The collateral consists mostly of deposits, which means that no situations of impairment are forthcoming.

A tool has been specifically designed to process and manage the collateral contracts concluded with counterparties. This application enables the management of collateral at the transaction level -useful for controlling and monitoring the status of specific operations- as well as at the position level by providing accumulated information according to different parameters or characteristics. Furthermore, this tool feeds the applications responsible for estimating counterparty risk by providing all the necessary parameters for considering the impact of mitigation in the portfolio due to the agreements concluded.

Likewise, there is also an application that reconciles and adjusts the positions serving the Collateral and Risks units.

In order to uphold the effectiveness of collateral contracts, the Group carries out a daily monitoring of the market values of the operations governed by such contracts and of the deposits made by the counterparties. Once the amount of the collateral to be delivered or received is obtained, the collateral demand (margin call), or the demand received, is carried out at the intervals established in the contract, usually daily. If significant variations arise from the process of reconciliation between the counterparties, they are reported by the Collateral unit to the Risks unit for subsequent analysis and monitoring. Within the control process, the Collateral unit issues a daily report on the guarantees which includes the description by counterparty of the exposure and collateral, making special reference to those guarantee deficits at or beyond the set warning levels. Collateral insufficiencies are considered to be of greater credit exposure by consuming the line for the corresponding amount.

4.3.1.3. Policies regarding the risk of adverse effects occurring due to correlations

Derivatives contracts may give rise to potential adverse correlation effects between the exposure to the counterparty and its credit quality me (wrong-way-exposures). The Group has strict policies on the treatment of exposures of this nature that, firstly, follow specific admission processes for each individual operation and, secondly, compute the effects of risk not for the potential value of the exposure but for 100% of its nominal value.

4.3.1.4. Impact of collaterals in the event of a downgrade in their credit rating

In derivatives operations, as a general policy, the Group does not conclude collateral contracts that involve an increase in the amount to be deposited in the event of the Group being downgraded.

The general criterion applied to date with banking counterparties is to establish a zero threshold within collateral contracts, independently of the mutual rating (provision will be made as collateral of any difference that arises through mark-to-market valuation, however small it may be). Therefore, the Group's downgrading will not have a significant impact on the amount of collateral to be provided.

It is calculated that, in the worst case scenario, in accordance with the characteristics of the current transactions and contracts, the increase of collateral will be below 2% of the total collateral provided on the date of analysis.

4.3.2. Amounts of Counterparty Risk

The calculation of the original exposure for the counterparty risk of derivatives, according to Rule Seventy-one in the Bank of Spain Circular 3/2008, can be made by means of the following methods: original risk, mark-to-market valuation, standardized and internal models.

The Group calculates solely the value of exposure to risk through the mark-to-market method obtained as the aggregate of the positive mark-to-market value after contractual netting agreements plus the potential future risk of each transaction or instrument.

There follows a specification of the amounts in million euros involved in the counterparty risk of derivatives as at December 31, 2010 and 2009:

(Millions euros)

Counterparty risk of derivatives	2010	2009
Gross positive fair value of the contracts	34,084	32,251
Positive effects arising from compensation agreements (netting agreements)	31,338	25,667
Credit exposure after netting and before collateral assigned	25,182	22,777
Collateral assigned	2,825	3,612
Credit exposure after netting and collateral assigned	22,358	19,165

The total exposure to counterparty risk, composed basically of repo transactions and OTC derivatives, is 85,336 million (2010) and 47,359 million euro (2009), after applying any compensation agreements applicable.

4.3.2.1. Credit derivative transactions

The table below shows the amounts corresponding to transactions with credit derivatives used in intermediation activities:

2010 (Millions euros)

Classification of derivatives	Total notional amount of the transactions	Types of derivatives: (CDS) on individual names	(CDSI) on indexes	Baskets Nth to default	(CDO) on tranches
Protection purchased	37,198	17,011	18,982	519	685
Protection sold	35,827	16,272	18,875	44	635

2009 (Millions euros)

Classification of derivatives	Total notional amount of the transactions	Types of derivatives: (CDS) on individual names	(CDSI) on indexes	Baskets Nth to default	(CDO) on tranches
Protection purchased	30,433	17,933	11,529	261	709
Protection sold	28,189	15,948	11,449	70	722

As of December 31, 2010 and 2009 the Group did not use credit derivatives for its own lending portfolio.

4.4. Information on the standardized approach

4.4.1. Identification of external rating agencies

The external credit assessment institutions (ECAIs) appointed by the Group to determine the risk weightings applicable to its exposures are the following: Standard & Poor's, Moody's and Fitch.

The exposures for which the ratings of each ECAI are used are those corresponding to the wholesale portfolios, basically involving central governments and central banks in developed countries and financial institutions.

In those cases in which a counterparty has ratings by different ECAIs, the Group follows the procedure laid down in Rule Twenty-one in the Solvency Circular, in which specification is made of the order of priority to be used in the assignment of ratings. On the one hand, when two different credit ratings made by nominated ECAIs are available for a rated exposure, application is to be made of the higher risk weighting. On the other hand, when there are more than two credit ratings for the same rated exposure, use is to be made of the two credit ratings that provide the lowest risk weightings. If the two lowest risk weightings coincide, then that weighting will be applied; if they do not coincide, the higher of the two will be applied.

4.4.2. Assignment of the credit ratings of public share issues

The number of cases and amount of these assignments is insignificant in the Group.

4.4.3. Exposure values before and after the application of credit risk mitigation techniques

The following table presents the amounts for net exposure, **prior** to the application of credit risk mitigation techniques, for different risk weightings and for the different categories of risk that correspond to the standardized method, excluding securitization positions:

2010 (Millions euros)

	Exposure net of allowances for losses							
	Risk weighting							
Category of exposure	0%	20%	35%	50%	75%	100%	150%	Total
Central governments and central banks	67,946	1,145	-	3,581	-	5,425	22	78,118
Regional governments and local authorities	557	5,646	-	50	-	101	-	6,354
Public sector institutions and other public entities	518	3,810	-	506	-	509	3	5,347
Multilateral development banks	-	24	-	3	-	24	-	51
International organizations	13	-	-	-	-	-	-	13
Institutions	-	11,176	-	1,223	-	918	-	13,318
Corporates	-	6,511	-	2,798	-	73,786	86	83,180
Retail	-	-	-	-	37,920	-	-	37,920
Collateralized with real estate property	-	-	29,014	6,135	-	6,723	-	41,872
Default status	-	-	-	85	-	4,892	1,213	6,191
High risk	-	-	-	1	-	157	1,800	1,957
Short term to institutions and corporates	-	725	-	-	-	-	-	725
Mutual funds	-	-	-	-	-	49	-	49
Other exposures	2,065	810	-	-	-	11,802	3	14,680
TOTAL (1)	**71,099**	**29,847**	**29,014**	**14,382**	**37,920**	**104,386**	**3,126**	**289,774**

(1) It does not include securitization positions.

2009 (Millions euros)

	Exposure net of allowances for losses							
	Risk weighting							
Category of exposure	0%	20%	35%	50%	75%	100%	150%	Total
Central governments and central banks	45,192	126	-	2,468	-	7,257	22	55,065
Regional governments and local authorities	603	4,427	-	208	-	281	-	5,519
Public sector institutions and other public entities	388	6,088	-	1	-	926	-	7,402
Multilateral development banks	-	9	-	4	-	-	-	13
International organizations	68	-	-	-	-	-	-	68
Institutions	-	8,297	-	903	-	1,115	-	10,316
Corporates	-	4,497	-	2,647	-	73,360	225	80,729
Retail	-	-	-	-	33,559	-	-	33,559
Collateralized with real estate property	-	-	23,137	7,794	-	6,882	-	37,814
Default status	-	-	-	20	-	6,232	815	7,067
High risk	-	-	-	-	-	77	1,395	1,472
Short term to institutions and corporates	-	481	-	-	-	-	-	481
Mutual funds	-	1	-	-	-	50	-	51
Other exposures	5,933	29	-	-	-	9,939	3	15,904
TOTAL (1)	**52,184**	**23,955**	**23,137**	**14,046**	**33,559**	**106,120**	**2,460**	**255,460**

(1) It does not include securitization positions.

The tables below show exposure amounts **after** the application of credit risk mitigation techniques, for different risk weightings and for the different categories of risk that correspond to the standardized method, excluding securitization positions.

2010 (Millions euros)

	Fully adjusted value of the exposure (1)							
	Risk weighting							
Category of exposure	0%	20%	35%	50%	75%	100%	150%	Total
Central governments and central banks	56,388	1,145	-	3,581	-	5,425	22	66,561
Regional governments and local authorities	557	5,636	-	50	-	101	-	6,344
Public sector institutions and other public entities	518	3,790	-	506	-	491	3	5,308
Multilateral development banks	-	24	-	3	-	24	-	51
International organizations	13	-	-	-	-	-	-	13
Institutions	-	14,319	-	1,223	-	918	-	16,461
Corporates	-	6,526	-	2,873	-	70,588	86	80,073
Retail	-	-	-	-	35,869	-	-	35,869
Collateralized with real estate property	-	-	28,697	6,112	-	6,553	-	41,362
Default status	-	-	-	85	-	4,872	1,213	6,170
High risk	-	-	-	1	-	156	1,776	1,933
Short term to institutions and corporates	-	725	-	-	-	-	-	725
Mutual funds	-	-	-	-	-	49	-	49
Other exposures	2,551	1,079	314	-	-	11,938	11	15,894
TOTAL (2)	60,027	33,244	29,012	14,435	35,869	101,116	3,110	276,813

(1) It is defined as the value of the exposure net of allowances, following the application of risk mitigation techniques.
(2) It does not include securitization positions.

2009 (Millions euros)

	Fully adjusted value of the exposure (1)							
	Risk weighting							
Category of exposure	0%	20%	35%	50%	75%	100%	150%	Total
Central governments and central banks	44,204	126	-	2,470	-	7,257	22	54,079
Regional governments and local authorities	603	4,432	-	208	-	281	-	5,524
Public sector institutions and other public entities	388	6,036	-	1	-	881	-	7,305
Multilateral development banks	-	9	-	4	-	-	-	13
International organizations	68	-	-	-	-	-	-	68
Institutions	-	9,866	-	905	-	1,123	-	11,895
Corporates	-	4,451	3	2,904	-	70,942	225	78,526
Retail	-	-	-	-	31,985	-	-	31,985
Collateralized with real estate property	-	-	23,131	7,748	-	6,840	-	37,719
Default status	-	-	-	20	-	6,228	813	7,061
High risk	-	-	-	-	-	67	1,350	1,417
Short term to institutions and corporates	-	481	-	-	-	-	-	481
Mutual funds	-	1	-	-	-	50	-	51
Other exposures	6,802	29	-	-	-	9,915	9	16,755
TOTAL (2)	52,065	25,431	23,135	14,261	31,985	103,583	2,420	252,880

(1) It is defined as the value of the exposure net of allowances, following the application of risk mitigation techniques.
(2) It does not include securitization positions.

4.5. Information on the IRB method

4.5.1. General information

4.5.1.1. Authorization by the Bank of Spain for the use of the IRB method

The following is a list of the models authorized by the Bank of Spain for the purpose of their use in the calculation of capital requirements.

Institution	Portfolio
BBVA, S.A. Finanzia Banco de Crédito Uno-e Bank	Financial institutions
	Public institutions
	Corporates
	Corporates
	Developers
	Retail mortgages
	Specialist finance
Finanzia Banco de Crédito	Automobile Finanzia
BBVA Ireland	Corporates
	Financial fnstitutions
BBVA Bancomer	Retail revolving (Credit cards)
BBVA Group	Equity

The approval of the models by the Bank of Spain includes both own estimations of the probability of default (PD), loss given default (LGD) and the internal estimation of credit conversion factors (CCFs).

The Group maintains its calendar for receiving approval for additional advanced internal models in different types of risks and geographical areas.

4.5.1.2. Structure of internal rating systems and relationship between internal and external ratings

The Group has rating tools for each one of the exposure categories listed in the Basel Accord.

The retail portfolio has scoring tools for determining the credit quality of transactions on the basis of information on the transaction itself and on the customer. The scoring models are algorithms calculated using statistical methods that score each transaction. This score reflects the transaction's level of risk and is in direct relation to its probability of default (PD).

These decision models are the basic tool for deciding who should receive a loan and the amount to be granted, thereby contributing to both the arrangement and management of retail-type loans.

For the wholesale portfolio, the Group has rating tools that, as opposed to scorings, do not assess transactions but rather, customers. The Group has different tools for rating the various customer segments: SMEs, corporates, public administrations, etc.

In those wholesale portfolios in which the number of defaults is very low (sovereign risks, corporates, financial institutions) the internal information is supplemented by the benchmarks of external rating agencies. The PD estimations made by the Group are transferred to the Group's Master Scale, enabling a comparison to be made with the scales used by external agencies.

4.5.1.3. Use of internal estimations for purposes other than the calculation of capital requirements

The Group's internal calculations are a vital component of management based on value creation, providing criteria for assessing the risk-return trade-off.

These measures have a broad range of uses, from the adoption of strategic business decisions through to the individual admission of transactions.

Specifically, internal estimations are used in everyday business in support of credit risk management through their inclusion in admission and monitoring processes, as well as in the pricing of transactions.

The management use of performance metrics that consider expected loss, economic capital and risk-adjusted return enables the monitoring of portfolios and the assessment of non-performing positions, among others.

4.5.1.4. Process for managing and recognizing the effects of credit risk mitigation

The Group uses risk mitigation techniques for exposures pertaining to the wholesale portfolio by replacing the obligor's PD with that of the guarantor, in those cases in which the latter is eligible and their PD is lower than the obligor's.

In retail admission processes, the scoring contains the effect of the guarantor, and the recovery flows that are forthcoming throughout the cycle reflect the recoveries related to the guarantees associated with the contracts. This means that the effect of the guarantees is taken into account in the actual estimation of the loss given default for retail portfolios.

4.5.1.5. Mechanisms used for controlling internal rating systems

The entity carries out the control and monitoring of the rating systems and metrics for risk management for private individuals, SMEs and the self-employed, corporates and institutions. The activities are carried out, within certain analytical and qualitative fields, by realizing periodic 360º monitoring of all impacts of the tools as well as their internal function in terms of efficiency and effectiveness.

Global understanding of the systems allows action plans to be established, with a follow-up to ensure their proper execution. The weaknesses of the rating systems are thus identified and managed. The monitoring function is the main driving force of new developments and evolving maintenance, which allow the business interests of the entity to be aligned with regulatory requirements within a framework of analytical, technical and technological capacities.

Analysis, in the methodological sphere, is defined as the monitoring of the predictive capabilities of the models, back-testing calibration of the parameters, proper granularity and concentration, sample stability of input, as well as traceability, integrity and consistency.

The use of rating systems by the different areas is overseen from the context of integration in management. This context defines parameter sensitivity tests, stress-tests of estimates, proper use of the parameters in the portfolio management to facilitate decision-making, control of exposure without rating, risk policies and the framework for delegating tasks, structures of decision-making committees, implementation risk evaluation, proper technological environment, evaluation of the inclusion of the parameters in corporate applications, proper follow-up of the training of users to guarantee its proper implementation and full comprehension, follow-up of the correct structure and quality of documentation, as well as all other activities that ensure the proper use of management metrics.

Furthermore, access to the internal rating repository is based on IT system-authorized profiles ensuring that only the customer loan management supervisors can see the scoring and rating.

Control of the capital process is performed by risk units that are independent of the units that calculate the scoring and rating and which, therefore, are users of the internal rating system. These control mechanisms are established at different levels of the process, such as at input, execution and final outputs, and involve both the integrity of the data and their accuracy and correctness.

4.5.1.6. Description of the internal rating process

There follows a description of the internal classification processes according to each customer category:

- Central banks and central governments: The assignment of sovereign risk ratings is made by the risk units nominated accordingly, which periodically analyze customers of this nature, rating them according to the parameters included in the corresponding rating model.

  This model comprises different tools depending on the type of country: developed, emerging or peripheral. Ratings in local and foreign currencies are generated for these three tools.

  In general, the rating is obtained through the ratings of external agencies, if these exist, except for the case of foreign currencies in emerging and peripheral countries in which a ratio is established among the scores granted to each country for country risk and the empirical PD of the rating agencies, which enable the classification of these countries using the BBVA master scale.

  In the case of emerging countries with presence of BBVA subsidiaries, the rating in local currency is adjusted to that obtained by the emerging countries' tool under the authorization of the Sovereign Risk Committee.

- Institutions: The rating of Public Institutions is generally provided by the risk units responsible for their approval, on a yearly basis, coinciding with the review of customer risk or with the reporting of their accounts.

  In the case of Financial Institutions, the risk unit responsible makes a regular assessment of this type of customers, continuously monitoring their evolution on domestic and international markets.

- Corporates: Includes the assessment of exposures with corporate business groups. The result is influenced by both qualitative (business positioning, financial flexibility, etc.) and quantitative indicators (size of group by sales, debt levels, etc.). The responsibility for rating lies with the units approving the exposure.

- SMEs: This includes exposures with SMEs, specialized lending and collection rights. Corporate customers are classified according to which one of the different segments in this portfolio they belong to. The responsibility for the assessment may befall either the Units originating the risk or those approving it.

  Furthermore, for the assessment and arrangement of specialized lending, the Group has chosen to apply the supervisory slotting criteria approach, as featured in the Basel Accord of June 2004 and in the Solvency Circular.

- Developers: The rating of developers classifies property projects and associated operations, as well as the risk of client developers who are not associated with property projects. Its use makes it easier to monitor and rate projects during their execution phase.

- Retail: It has been broken down into each one of the exposure categories referred to by the correlations foreseen in the sections defined in the Solvency Circular.

  One of the most important processes in which scoring is fully integrated at the highest level and in all decision-making areas is the Group's process for approving retail transactions. Scoring is an important factor for the analysis and resolution of transactions and it is a mandatory requirement to include it in decision-making on risk in those segments for which it has been designed. In the process of marketing and approving retail transactions, the manager is responsible for marketing management, the quality of the risk and the return, in other words, the customer's comprehensive management, attending to the processes of admission, monitoring and control.

The rating process is as follows for each specific category of retail exposure:

- Retail mortgages (Spain): the manager collects data on the customer (personal, financial, banking relationship information) and on the operation (LTV, amount, maturity, etc.) and carries out the rating of the transaction with the scoring. The decision of whether it is approved is made based on the results issued by the model.

- Finanzia car loans (Finanzia Banco de Crédito): The financing application may enter through the call center or be directly recorded in Finanzianet by our authorized dealers. The necessary information on the client (personal, financial information, authorization of the consult from the external bureau of credit) and on the transaction (maturity, amount, etc.) to complete the rating of the transaction with the scoring. Once the validity of the information provided is obtained, the decision of whether to approve it is made based on the results issued by the model.

- Retail Revolving (BBVA Bancomer credit cards): the manager or specialist party gathers the necessary information on the client (personal, financial information and authorization of the consult from the external bureau of credit) and on the transaction (limit requested) to complete the rating of the transaction with the scoring. The decision of whether it is approved is made based on the results issued by the model.

- Equity: For its portfolio position registered as equity, the Group is applying the rating obtained for customers as a result of their classification in the lending process.

4.5.1.7. Definitions, methods and data for estimating and validating risk parameters

The estimation of the parameters is based on the uniform definition of default used in the Group.

For the purpose of both considering default and estimating parameters, there are two different approaches in the Group:

- The contract approach is applied within the sphere of retail risk. Each customer transaction is dealt with as an independent unit in terms of credit risk. Therefore, non-compliance with credit obligations towards the bank is handled at the transaction level, regardless of the behavior of the customer with respect to other obligations.

- The customer approach is applied to the remainder of the portfolio. The significant unit - when defining default - is the customer's sum of contracts, which enter a situation of default en masse when the customer defaults.

The Group considers a contract or customer to be in default status when the situation described in 4.1.1 arises.

In addition, to avoid including defaults for small amounts in the estimations, defaulted volumes are to pass through a materiality filter that depends on the type of customer and transaction.

Therefore, there are no deviations regarding the rules on the definition of default.

Estimating parameters

The Group has an information system called RAR (Risk-Adjusted Return) that reflects the information on each exposure to credit risk in the Group's various portfolios and is used for providing historical data that are used both for estimating the parameters and for obtaining the latest information on the figures for capital and expected loss.

The sources of information used for estimating the risk parameters are the outputs of historical data that are integrated within the Risk-Adjusted Return (RAR) system, which were designed specifically for this purpose.

By and large, estimates of the parameters of probability of default (PD), loss given default (LGD) and credit conversion factors (CCF) are generated on the basis of historical data recorded by the Group. In the case of low default portfolios (LDP), in which the number of defaults tends to be insufficient for obtaining empirical estimates, use is made of data from external agencies. These are merged with the internal information available and expert criteria.

Internal estimations of the PD, LGD and CCF parameters are made for all the Group's portfolios.

There follows a detail of the estimation methodologies used for the PD, LGD and CCF risk parameters.

a. *Probability of default (PD)*

The methodology used for estimating the PD in those cases that have a mass of internal data of sufficient size is based on the creation of pools of exposures. The groups proposed with a view to calibration are defined by pooling contracts together seeking to achieve intra-group uniformity in terms of credit quality and differentiation with all the other risk groups. The largest possible number of pools is defined in order to allow a suitable discrimination of risk. The basic metric used for making these groupings is the score, being supplemented by other relevant metrics regarding PD that are proven to be sufficiently distinguishable depending on the portfolio.

Once the pools of exposures have been defined, the average empirical PD recorded for each one is obtained and adjusted to the cycle. This metric provides stable estimates over the course of the economic cycle, referred to as PD-TTC (Through the Cycle). This calculation considers the portfolio's track record and provides long-term levels of PD.

In low default portfolios (LDPs) the empirical PDs imputed by External Credit Assessment Institutions are used to obtain the PD of internal risk groups.

Finally, there is a Master Scale, which is simply a standard and uniform rule for credit levels that makes it possible to make comparisons of credit quality in the Group's different portfolios.

b. *Loss given default (LGD)*

As a general rule, the method used for estimating loss given default is referred to as Workout LGD. Here, LGD is obtained as a quotient of the sum of all the financial flows recorded during the recovery process that takes place when a transaction defaults and the transaction's exposure at the time of the default.

This estimate is made by considering all the historical data recorded in internal systems. When making the estimates, there are transactions that have already defaulted but for which the recovery process is still ongoing, whereby the loss given default recorded at the time of the estimate is higher than it will ultimately be. The necessary adjustments are made for these so as not to distort the estimate.

These estimates are made by defining uniform risk groups in terms of the nature of the operations that determine loss given default. They are made in such a way that there are enough groups for each one to be distinguishable and receive a different estimate.

In keeping with the guidelines set out by the rules, the estimates are made by distinguishing between wholesale and retail type exposures.

There is insufficient historical experience to make a reliable estimation in low default portfolios (LDP) using the Workout LGD method, so external sources of information are used, combined with internal data to provide the portfolio with a representative rate of loss given default.

The loss given default rates estimated according to the internal databases the Group holds are conditioned to the moment of the cycle of the data window used, given that loss given default varies over the economic cycle. Hence, two concepts can be defined: long-term loss given default, referred to as Long-Run LGD (LRLGD), and loss given default at the worst moment in the cycle, called Downturn LGD (DLGD).

LRLGD is calculated by making an adjustment to capture the difference between the loss given default obtained empirically with the available sample and the average loss given default observed throughout the economic cycle.

In addition, an estimate is made to reflect the loss given default that would be observed at the worst moment in the next economic cycle (DLGD). An internal model is used for this.

These estimates are made for those portfolios whose loss given default is noticeably sensitive to the cycle. The different ways the recovery cycles can conclude are determined for each portfolio, differentiating solely those that lead to significantly different estimations of loss given default, with an estimate of the level those parameters would have in a downturn situation.

c. *Credit conversion factor (CCF)*

As with the two preceding parameters, the exposure at the moment of default is another of the necessary inputs for calculating expected loss and regulatory capital. A contract's exposure usually coincides with its balance. However, this does not hold true in all cases. For example, for those products with explicit limits, such as cards or credit lines, the exposure should incorporate the potential increase in the balance that may be recorded up to the time of default.

In observance of regulatory requirements, exposure is calculated as the drawn balance, which is the real risk at any specific moment, plus a percentage (CCF) of the undrawn balance, which is the part that the customer can still use until the available limit is reached. Therefore, the CCF is defined as the percentage of the Undrawn Balance that is expected to be used before default occurs.

CCF is estimated by using the cohort approach, analyzing how the exposure varies from a pre-established reference date through to the moment of default, obtaining the average performance according to the relevant metrics.

Different approaches are used for wholesale and retail type exposures. The contract approach analyzes the exposure's evolution until the contract's moment of breach of contract, whereas the customer approach analyzes the exposure's evolution through to the moment of breach by the customer.

Once again, in low default portfolios (LDP) there is insufficient historical experience to make a reliable calculation with the Workout LGD method defined. In this case, too, use is made of external sources that are combined with internal data to provide a representative CCF of the portfolio.

4.5.2. Exposure values by category and obligor grade

The following table presents the information on credit risk by method of internal classifications (IRB) by obligor grade for the different categories of exposure. The information shown is balance-sheet volume, Off-balance-sheet volume, exposure, EAD, PD-TTC and Downturn LGD and RW (internal estimates approved by the Bank of Spain):

2010 (Millions euros)

Categories of exposure	Balance sheet reassigned [1]	Off balance sheet reassigned [2]	Exposure reassigned (3) = (1+2)	EAD [4]	PD-TTC (%)	DLGD (%)	RW (%)
Central governments and central banks	1,677	891	2,568	2,132	0.85	39.90	19.64
From AAA to AA-	1,257	693	1,950	1,612	0.03	39.73	13.39
From A+ to A-	255	159	414	335	0.08	43.06	24.37
From BBB+ to BBB-	72	18	90	81	0.14	31.56	31.36
From BB+ to BB-	68	22	90	79	0.77	38.59	87.05
From B+ to B-	7	-	7	7	2.56	39.98	n.s.
C	-	-	-	-	21.22	40.00	n.s.
D	16	-	16	16	100.00	40.00	96.82
Institutions	87,968	8,156	96,124	92,472	0.19	22.64	14.41
From AAA to AA-	43,909	3,266	47,175	45,881	0.03	21.41	9.12
From A+ to A-	29,085	1,972	31,057	30,120	0.07	23.08	13.10
From BBB+ to BBB-	12,279	2,573	14,852	13,593	0.18	24.60	24.40
From BB+ a BB-	2,503	340	2,843	2,684	0.83	27.57	58.37
From B+ a B-	68	4	72	70	5.68	45.17	n.s.
C	47	-	47	47	21.22	45.00	n.s.
D	77	-	78	78	100.00	32.75	72.33
Corporates	93,414	66,455	159,868	129,496	6.64	38.26	56.20
Of which: Total exposures assigned to obligor grades or pools of exposures	85,686	63,924	149,609	120,397	6.64	38.26	54.31
From AAA to AA-	11,527	7,999	19,526	15,821	0.03	33.99	12.96
From A+ to A-	11,125	15,173	26,298	18,995	0.09	39.91	22.41
From BBB+ to BBB-	16,231	23,954	40,185	29,873	0.20	40.61	38.61
From BB+ to BB-	18,185	10,846	29,031	24,059	0.97	36.70	67.07
D	6,163	590	6,753	6,456	100.00	57.79	80.60

(Continued)

(Continued)

Categories of exposure	Balance sheet reassigned [1]	Off balance sheet reassigned [2]	Exposure reassigned (3) = (1+2)	EAD [4]	PD-TTC (%)	DLGD (%)	RW (%)
Retail	77,613	5,902	83,515	79,873	5.22	17.55	27.42
Secured by real estate collateral	69,775	224	69,998	69,809	4.77	10.64	22.39
From AAA to AA-	-	-	-	-	0.00	0.00	-
From A+ to A-	1,187	12	1,199	1,189	0.09	10.15	2.31
From BBB+ to BBB-	8,657	55	8,712	8,666	0.25	10.66	5.24
From BB+ to BB-	38,000	139	38,139	38,021	1.18	8.39	11.81
From B+ to B-	18,694	18	18,713	18,697	4.76	12.66	42.05
C	1,516	-	1,516	1,516	16.16	13.11	73.40
D	1,720	-	1,720	1,720	100.00	36.44	97.87
Qualifying revolving retail	4,488	5,678	10,166	6,713	7.47	81.35	74.21
From A+ to A-	-	-	-	-	0.00	0.00	-
From BBB+ to BBB-	872	2,249	3,122	1,545	0.23	80.43	13.47
From BB+ to BB-	1,203	1,678	2,881	1,901	0.99	81.22	34.04
From B+ to B-	1,534	1,298	2,832	2,168	4.26	82.57	94.46
C	710	451	1,162	930	23.41	80.22	211.53
D	168	1	169	169	100.00	81.62	66.72
Other retail	3,351	-	3,351	3,351	10.17	33.84	38.41
From AAA to AA-	761	-	761	761	0.03	45.00	4.72
From BBB+ to BBB-	21	-	21	21	0.11	44.70	12.89
From BB+ to BB-	194	-	194	194	1.04	31.03	32.84
From B+ to B-	1,975	-	1,975	1,975	5.81	28.59	45.34
C	201	-	201	201	12.32	26.09	50.11
D	199	-	199	199	100.00	52.58	94.74
Equity PD/LGD method	5,375	-	5,375	5,375	0.14	83.77	99.26
From AAA to AA-	397	-	397	397	0.09	65.00	69.66
From A+ to A-	4,645	-	4,645	4,645	0.10	86.45	97.17
From BBB+ to BBB-	169	-	169	169	0.19	72.49	112.29
From BB+ to BB-	103	-	103	103	0.97	65.00	187.09
From B+ to B-	61	-	61	61	2.37	65.00	266.31
TOTAL BY CATEGORY AND OBLIGOR GRADE	266,047	81,403	347,450	309,349	4.19	29.05	36.78

(2) Amount not used included in memorandum accounts corresponding mainly to sums undrawn from credit lines and cards, as well as exposures in letters of credit and documentary credits.
(3) This refers to exposure following the application of risk mitigation techniques.
(4) Value of the exposure in the event of default.

2009 (Millions euros)

Categories of exposure	Balance sheet reassigned (1)	Off balance sheet reassigned (2)	Exposure reassigned (3)=(1+2)	EAD (4)	PD-TTC (%)	DLGD (%)	RW (%)
Central governments and central banks	**1,189**	**905**	**2,094**	**1,644**	**0.79**	**36.73**	**15.49**
From AAA to AA-	865	623	1,488	1,177	0.01	40.53	9.00
From A+ to A-	75	118	194	135	0.09	43.23	25.76
From BBB+ to BBB-	56	131	187	121	0.29	22.22	15.71
From BB+ to BB-	174	13	187	181	1.20	16.95	36.81
From B+ to B-	18	4	22	20	3.70	34.57	92.59
C	-	-	-	-	21.16	39.89	n.s.
D	1	16	17	9	100.00	40.00	96.77
Institutions	**64,612**	**8,657**	**73,270**	**69,297**	**0.21**	**27.60**	**17.81**
From AAA to AA-	26,700	3,185	29,885	28,538	0.03	30.95	14.18
From A+ to A-	28,148	2,771	30,919	29,570	0.07	24.19	14.06
From BBB+ to BBB-	7,341	2,393	9,733	8,594	0.19	27.56	27.80
From BB+ a BB-	2,256	286	2,541	2,413	0.90	28.11	62.06
From B+ a B-	78	15	93	88	5.55	42.86	n.s.
C	25	-	25	25	21.19	45.00	n.s.
D	65	7	72	69	100.00	65.56	43.45
Corporates	**99,988**	**67,576**	**167,564**	**137,669**	**5.12**	**35.72**	**51.19**
Of which: Total exposures assigned to obligor grades or pools of exposures	**93,270**	**64,754**	**158,025**	**129,391**	**5.12**	**35.72**	**49.22**
From AAA to AA-	11,723	6,164	17,886	15,216	0.03	33.54	13.39
From A+ to A-	11,161	13,305	24,466	18,254	0.08	38.45	21.78
From BBB+ to BBB-	22,109	27,867	49,976	38,146	0.21	40.36	38.51
From BB+ to BB-	24,437	11,332	35,769	30,664	0.98	32.93	62.37
D	5,031	668	5,700	5,359	100.00	37.40	83.29

(Continued)

(Continued)

Categories of exposure	Balance sheet reassigned (1)	Off balance sheet reassigned (2)	Exposure reassigned (3)=(1+2)	EAD (4)	PD-TTC (%)	DLGD (%)	RW (%)
Retail	**74,151**	**5,009**	**79,160**	**75,735**	**5.65**	**15.50**	**26.00**
Secured by real estate collateral	**67,025**	**186**	**67,211**	**67,070**	**4.94**	**10.44**	**22.49**
From AAA to AA-	427	9	436	429	0.05	17.18	2.42
From A+ to A-	1,517	3	1,520	1,518	0.10	9.49	2.38
From BBB+ to BBB-	6,998	43	7,041	7,008	0.25	10.38	4.78
From BB+ to BB-	26,416	105	26,521	26,441	1.13	9.57	13.19
From B+ to B-	27,674	25	27,699	27,680	3.51	9.71	28.84
C	2,287	1	2,288	2,287	13.91	12.59	69.77
D	1,706	-	1,706	1,706	100.00	32.13	95.78
Qualifying revolving retail	**3,788**	**4,823**	**8,612**	**5,327**	**11.71**	**68.90**	**65.31**
From A+ to A-	-	1	2	1	0.10	84.13	4.81
From BBB+ to BBB-	166	1,242	1,408	478	0.25	74.47	10.66
From BB+ to BB-	1,551	2,463	4,014	2,303	0.99	73.53	32.58
From B+ to B-	1,223	868	2,091	1,578	4.03	71.05	82.51
C	536	247	783	654	34.10	70.38	182.55
D	311	2	313	313	100.00	12.33	57.97
Other retail	**3,337**	**-**	**3,337**	**3,337**	**11.58**	**31.97**	**33.92**
From AAA to AA-	694	-	694	694	0.03	50.32	5.28
From BBB+ to BBB-	13	-	13	13	0.29	49.63	26.27
From BB+ to BB-	245	-	245	245	1.14	25.90	27.67
From B+ to B-	1,805	-	1,805	1,805	5.77	23.73	37.51
C	344	-	344	344	12.52	21.41	41.00
D	236	-	236	236	100.00	61.81	87.28
Equity PD/LGD method	**6,187**	**-**	**6,187**	**6,187**	**0.14**	**83.78**	**98.95**
From AAA to AA-	872	-	872	872	0.09	65.00	72.19
From A+ to A-	4,897	-	4,897	4,897	0.10	88.46	99.94
From BBB+ to BBB-	260	-	260	260	0.18	69.97	104.26
From BB+ to BB-	111	-	111	111	0.99	65.00	187.76
From B+ to B-	48	-	48	48	2.55	65.00	251.55
TOTAL BY CATEGORY AND OBLIGOR GRADE	**246,127**	**82,148**	**328,275**	**290,533**	**3.96**	**29.54**	**37.48**

(2) Amount not used included in memorandum accounts corresponding mainly to sums undrawn from credit lines and cards, as well as exposures in letters of credit and documentary credits.
(3) This refers to exposure following the application of risk mitigation techniques.
(4) Value of the exposure in the event of default.

4.5.3. Comparative analysis of the estimates made

The following graphs compare the expected loss adjusted to the cycle calculated according to the Group's core internal models in Spain approved by the Bank of Spain, with the effective loss incurred between 2001 and 2010. They also present the average effective loss between 2001 and 2010 in accordance with the following:

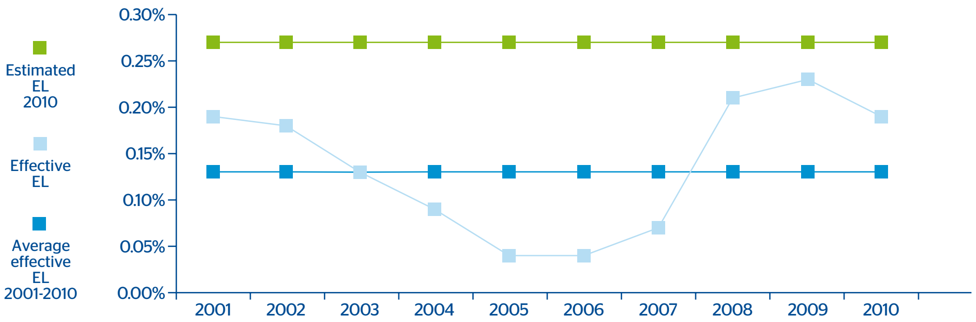
- Estimated expected loss calculated with the internal models calibrated to 2010, and adjusted to the economic cycle (green line), that is, the annual average expected loss in an economic cycle.
- Effective loss, calculated as the ratio of new non-performing loans over the average exposure recorded (2001-2010) multiplied by the stressed LGD (light blue line), is the average loss incurred and which should be lower than the expected loss in the best years of an economic cycle, and higher in the bad years.
- Average effective loss (2001-2010) calculated as the average effective PD (probability of default) multiplied by the stressed LGD in the last year (dark blue line).

The comparison has been made for the portfolios of Retail mortgages, SMEs and Developers. In the categories of Institutions (Public and Financial Institutions) and Corporate, historical experience shows that there is such a small number of defaulted exposures (Low Default Portfolios) that it is not statistically significant, and hence the comparison is not shown. This comparison is also not shown for the rest of the Retail portfolios, given the extremely limited relevance of the exposure.

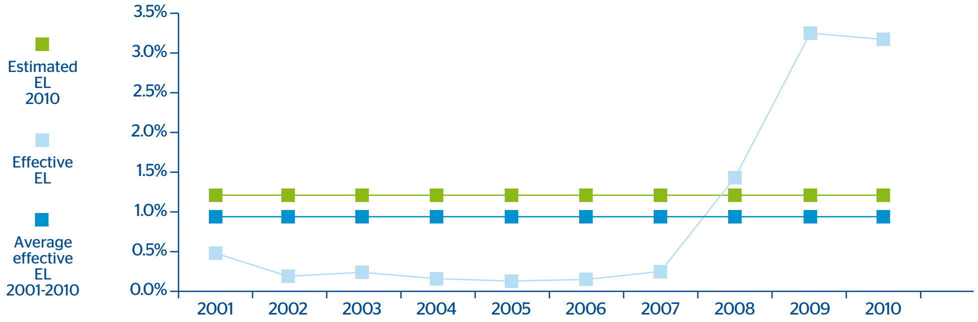
Retail mortgages

Despite the downturn in the economic environment, the effective loss in 2010 is below the estimated annual average expected loss for an entire economic cycle. This is due to the conservative criteria included in the internal models and to the risk management approach pursued within the Group.

Retail mortgages



SMEs and developers



SMEs and developers

The chart illustrates how estimated average Expected Loss for the cycle is consistent with the average of the effective loss in the last nine years. Given the magnitude of the economic recession taken into account in this period, we can conclude that the calculations are aligned with the impairment of the cycled observed.

In the years of highest economic growth the effective loss was lower than the average expected loss for an economic cycle calculated according to internal models, but starting in 2008 the opposite occurs. This is consistent with the sharp economic slowdown and the financial difficulties businesses had to cope with in recent years.

Impairment losses

The table below shows the balance of specific, generic and country risk allowances for losses, by exposure categories, as of December 31, 2010 and 2009.

(Millions euros)

	Allowance for asset losses	
Categories of exposure	2010	2009
Central governments and central banks	3	3
Institutions	52	41
Corporates	3,396	3,176
Retail	996	1,033
Secured by real estate collateral	*286*	*433*
Other retail	*710*	*599*
TOTAL	4,446	4,253

4.5.4. Risk-weighted value of specialized lending exposures

The Solvency Circular stipulates that the consideration of specialized lending companies is to apply to those legal entities with the following characteristics:

- That the exposure is to an entity created specifically to finance and/or operate physical assets
- That the contractual arrangements give the lender a substantial degree of control over the assets and income they generate.
- That the primary source of repayment of the obligation is the income generated by the assets being financed, rather than in the independent capacity of the borrower.

The following table presents the exposures assigned to each one of the risk weightings of the specialized lending exposures as of December 31, 2010 and 2009:

(Millions euros)

		Original exposure [1]	
Risk weighting	Factor	2010	2009
1	50%	–	191
	70%	4,407	–
2	70%	–	4,080
	90%	5,727	5,197
3	115%	67	23
4	250%	–	47
5	0%	59	1
TOTAL		10,259	9,539

(1) Gross exposure prior to the application of risk mitigation techniques.

4.5.5. Risk-weighted value of equity exposures

The following table presents the exposures assigned to each one of the risk weightings of equity exposures as of December 31, 2010 and 2009:

(Millions euros)

	Original exposure	
Risk weighting	2010	2009
Risk weighting simple method	**1,473**	**1,913**
190%	901	883
290%	382	780
370%	190	250
PD/LGD method	**5,375**	**6,187**
Internal models method	497	361
TOTAL	7,345	8,461

4.6. Information on securitizations

4.6.1. General characteristics of securitizations

4.6.1.1. Purpose of securitization

The Group's current policy on securitization involves a program of recurrent issue, with an intended diversification of securitized assets that adjusts their volume to the bank's capital requirements and to market conditions.

This program is complemented by all the other finance and equity instruments, thereby diversifying the need to resort to wholesale markets.

The definition of the strategy and the execution of the operations, as with all other wholesale finance and capital management, is supervised by the Assets & Liabilities Committee, obtaining the pertinent internal authorizations directly from the Board of Directors or from the Executive Committee.

The main purpose of securitization is to act as an instrument for efficient balance sheet management, as a source of:

- Liquidity at an efficient cost, complementing all the other finance instruments.
- Freeing up regulatory capital, through the transfer of risk.
- Freeing up potential excesses of generic allowances for losses, provided that the volume of the first-loss tranche and the effective risk transfer so permit.

4.6.1.2. Functions pursued in the securitization process and degree of involvement

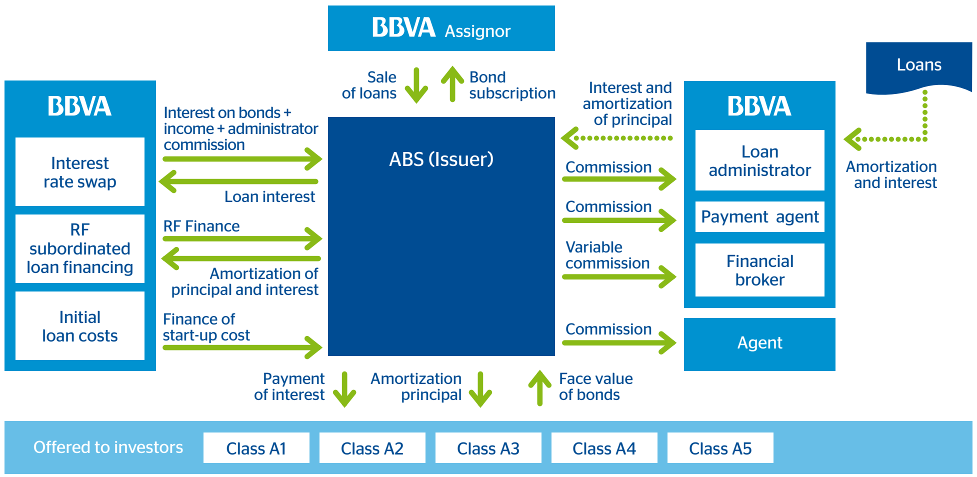
The Group's degree of involvement in its securitization funds is not normally restricted to the mere role of assignor and administrator of the securitized portfolio.

The Group has commonly assumed such additional roles as:

- Direct counterparty of the swap, given that the Group's rating permits this through the Spanish Banking Association's Framework Contractual Agreements for Financial Operations (CMOF) with the securitization fund.
- Payment Agent.
- Provider of the treasury account.
- Provider of the subordinated loan and of the loan for start-up costs, with the former being the one that finances the first-loss tranche, and the latter financing the fund's fixed expenditure.
- Administrative agent of the securitized portfolio.

The Group has not assumed the role of sponsor of securitizations originated by third-party institutions.

Group's degree of involvement



The Group's balance sheet maintains the first-loss tranches of all securitizations performed.

It is worth noting that the Group has not modified its model for the generation of securitization operations since the credit crunch, which began in July 2007. Accordingly:

- There has been no transfer of risk through synthetic securitizations. All operations have involved traditional securitizations with simple structures in which the underlying assets were loans or financial leasing.
- It has not been involved in recurrent structures such as conduits or SIVs. All its issues have been one-offs, with no mandatory commitments for asset repackaging or the replacement of loans.

4.6.1.3. Methods used for the calculation of risk-weighted exposures in its securitization activity

The methods used to calculate the risk-weighted exposures in securitizations are:

- The standardized approach: when this method is used for fully securitized exposures, in full or in a predominant manner if it involves a mixed portfolio.
- The IRB approach: when internal models are used for securitized exposures, in full or in a predominant manner. Within the alternatives of the IRB approach, use is made of the model based on external ratings.

4.6.2. Risk transfer in securitization activities

A securitization fulfills the criterion of significant and effective transfer of risk, and therefore falls within the solvency framework of the securitizations, when it upholds the conditions laid down in Rules Fifty-five and Fifty-six in the Solvency Circular.

4.6.3. Investment or retained securitizations

The following table presents the amounts in terms of EAD of investment and retained securitizations by type of exposure, tranche and weighting ranges that correspond to securitizations that, in the case of those originated in the Group, fulfill the criteria of risk transfer as of December 31, 2010 and 2009.

2010 (Millions euros)

			EAD broken down by ECAI tranches						
			Standard			Advanced			
Securitization type	Exposure type	Tranche	20%	50%; 100%; 350%	1.250%	6-10%; 12-18%	50-75%; 100%	250-425-625%	1.250%
Investment	Balance-sheet exposure	Preferential	4,601	–	–	1,011	–	–	–
		Intermediate	–	39	–	10	25	4	–
		First-losss	–	38	184	–	–	–	69
	Off-balance-sheet exposure	Preferential	–	–	–	–	–	–	–
		Intermediate	–	–	–	–	–	–	–
		First-losss	–	–	–	–	–	–	–
TOTAL			4,601	77	184	1,021	25	4	69
Retained	Balance-sheet exposure	Preferential	524	–	–	1,183	–	–	–
		Intermediate	–	338	–	25	–	15	–
		First-losss	–	–	88	–	–	–	94
	Off-balance-sheet exposure	Preferential	–	–	–	–	–	–	–
		Intermediate	–	–	–	–	–	–	–
		First-losss	–	–	35	–	–	–	–
TOTAL			524	338	123	1,207	–	15	94

2009 (Millions euros)

			EAD broken down by ECAI tranches						
			Standard			Advanced			
Securitization type	Exposure type	Tranche	20%	50%; 100%; 350%	1,250%	6-10%; 12-18%	50-75%; 100%	250-425-625%	1,250%
Investment	Balance-sheet exposure	Preferential	3,631	–	–	1,085	–	–	–
		Intermediate	–	97	–	9	18	10	–
		First-losss	–	–	–	–	–	–	–
	Off-balance-sheet exposure	Preferential	–	–	–	–	–	–	–
		Intermediate	–	–	–	–	–	–	–
		First-losss	–	–	–	–	–	–	–
TOTAL			3,631	97	–	1,095	18	10	–
Retained	Balance-sheet exposure	Preferential	731	–	–	1,251	–	–	–
		Intermediate	–	744	–	25	–	15	–
		First-losss	–	–	93	–	–	–	93
	Off-balance-sheet exposure	Preferential	–	–	–	–	–	–	–
		Intermediate	–	–	–	–	–	–	–
		First-losss	–	–	11	–	–	–	–
TOTAL			731	744	104	1,275	–	15	93

4.6.4. Originated securitizations

4.6.4.1. Rating agencies used

Regarding those issues made in the Group, the rating agencies that have been involved in the issues that fulfill the criteria of risk transfer and fall within the securitizations' solvency framework are, on a general basis, Fitch, Moody's and S&P.

In all the SSPEs, the agencies have assessed the risk of the entire issuance structure:

- Awarding ratings to all bond tranches.
- Establishing the volume of the credit enhancement.
- Establishing the necessary triggers (early termination of the restitution period, pro-rata amortization of AAA classes, pro-rata amortization of series subordinated to AAA and amortization of the reserve fund, amongst others)

In each and every one of the issues, in addition to the initial rating, the agencies carry out regular quarterly monitoring.

4.6.4.2. Breakdown of securitized balances by Type of Asset

The next table gives the current outstanding balance, non-performing exposures and impairment losses recognized in the period corresponding to the underlying assets of originated securitizations, in which risk transfer criteria are fulfilled, by type of asset, as of December 31, 2010 and 2009.

The Group has not securitized positions in revolving structures.

In 2010 and 2009, there were no securitizations that fulfill the transfer criteria as per the requirements of the Solvency Circular, and, therefore, no results were recognized.

BBVA has been the structurer of all transactions effected since 2006.

2010 (Millions euros)

Type of asset	Current balance	Of which: non-performing exposures (1)	Total impairment losses for the period
Commercial and residential mortgages	5,624	125	13
Credit cards	–	–	–
Financial leasing	922	87	16
Lending to corporates or SMEs	1,506	134	24
Consumer lending	1,695	152	65
Receivables	–	–	–
Securitization balances	–	–	–
Derivatives	–	–	–
TOTAL	9,747	498	118

(1) It includes the total amount of exposures impaired for reasons of default or for other reasons.

2009 (Millions euros)

Type of asset	Current balance	Of which: non-performing exposures (1)	Total impairment losses for the period
Commercial and residential mortgages	6,385	145	7
Credit cards	-	-	-
Financial leasing	1,479	105	16
Lending to corporates or SMEs	2,238	157	2
Consumer lending	2,737	245	55
Receivables	–	–	–
Securitization balances	–	–	–
Derivatives	–	–	–
TOTAL	12,838	653	79

(1) It includes the total amount of exposures impaired for reasons of default or for other reasons,

The next table gives the current outstanding balance of underlying assets of securitizations originated by the Group, in which risk transfer criteria are **not** fulfilled. These therefore do not enter within the solvency framework of securitizations; the capital exposed is calculated as if they had not been securitized:

(Millions euros)

Type of asset	Current balance	
	2010	2009
Commercial and residential mortgages	23,876	24,537
Credit cards	–	–
Financial leasing	23	21
Lending to corporates or SMEs	6,178	6,407
Consumer lending	2,481	1,801
Receivables	–	3
Securitization balances	–	–
Derivatives	154	208
TOTAL	32,712	32,976

4.7. Information on credit risk mitigation techniques

4.7.1. Hedging based on netting operations on and off the balance sheet

Within the limits established by the rules on netting in each one of its operating countries, the Group negotiates with its customers the assignment of the derivatives business to master agreements (e.g., ISDA or CMOF) that include the netting of off-balance sheet transactions.

The text of each agreement in each case determines the transactions subject to netting.

The mitigation of counterparty risk exposure stemming from the use of mitigation techniques (netting plus the use of collateral agreements) leads to a reduction in overall exposure (current market value plus potential risk).

4.7.2. Hedging based on collaterals

4.7.2.1. Management and valuation policies and procedures

The procedures for the management and valuation of collaterals are set out in the internal manual on credit risk management policies, which the Group actively uses in the arrangement of transactions and in the monitoring of both these and customers.

This manual lays down the basic principles of credit risk management, which includes the management of the collaterals assigned in transactions with customers. Accordingly, the risk management model jointly values the existence of a suitable cash flow generation by the obligor that enables them to service the debt, together with the existence of suitable and sufficient guarantees that ensure the recovery of the credit when the obligor's circumstances render them unable to meet their obligations.

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

4.7.2.2. Types of collaterals

As collateral for the purpose of calculating equity, the Group uses the coverage established in the Solvency Circular. There follows a detail of the main collaterals available in the Group:

- **Mortgage collateral:** the collateral is the property upon which the loan is arranged.

  As of December 31, 2010, the average amount outstanding balance on the corresponding loans is 53% of the real estate mortgage collateral and 54% as at December 31, 2009.

- **Financial collateral**: their object is any one of the following financial assets, as per the specifications of Rule Thirty-nine in the Solvency Circular:

  - Cash deposits, deposit certificates or similar securities.
  - Debt securities issued for the different categories.
  - Shares or convertible bonds.

- **Other property and rights used as collaterals**: The following property and rights are considered to be acceptable as collateral:

  - Cash deposits, deposit certificates or similar instruments held in third-party institutions other than the lending credit institution, when these are pledged in favor of the latter.
  - Life insurance policies pledged in favor of the lending credit institution.
  - Debt securities issued by other institutions, provided that these securities are to be repurchased at a pre-set price by the issuing institutions at the request of the holder of the securities.

The exposures covered by financial collateral and other ellegible collaterals of the advanced measurement approach stand at €68,717 million and €51,220 million as at December 31, 2010 and 2009, respectively.

The value of the exposure covered with financial collateral and other collateral calculated using the standardized approach is as follows:

2010 (Millions euros)

	Types of collateral		
Categories of exposure	Exposure covered by financial collaterals	Exposure covered by other eligible collaterals	Exposure after netting and volatility adjustments covered by eligible collaterals
Central governments and central banks	-	-	12,416
Regional governments and local authorities	-	9	2
Public sector institutions and other public entities	17	-	32
Institutions	-	3	6
Corporates	134	262	460
Retail	716	37	-
Collateralized with real estate property	-	476	18
Default status	-	5	-
High risk	-	8	5
Other exposures	-	-	23
TOTAL EXPOSURE VALUE AFTER GUARANTEES	867	800	12,961

2009 (Millions euros)

Categories of exposure	Types of collateral: Exposure covered by financial collaterals	Exposure covered by other eligible collaterals	Exposure after netting and volatility adjustments covered by eligible collaterals
Central governments and central banks	-	-	1,631
Regional governments and local authorities	-	-	1
Public sector institutions and other public entities	15	-	78
Institutions	-	-	18
Corporates	106	94	758
Retail	513	45	-
Collateralized with real estate property	-	31	14
Default status	-	2	5
High risk	-	7	20
Short term to institutions and corporates	-	22	-
Other exposures	-	-	55
TOTAL EXPOSURE VALUE AFTER GUARANTEES	634	200	2,580

4.7.3. Hedging based on personal guarantees

According to the Solvency Circular, **signature guarantees** are those personal guarantees, including those arising from credit insurances, that have been awarded by the providers of coverage defined in Rule Forty in the Solvency Circular.

As of year-end 2010 and 2009, the Group did not use credit derivatives as collateral.

In the category of Retail exposure under the advanced approach, signature guarantees impact on the PD, not reducing the amount of the credit risk in EAD.

The total value of the exposure covered with personal guarantees is as follows:

(Millions euros)

Categories of exposure	Exposure covered by personal guarantees 2010	2009
Regional governments and local authorities	9	2
Public sector institutions and other public entities	7	5
Institutions	40	61
Corporates	2,416	1,790
Retail	1,431	1,097
Collateralized with real estate property	16	49
Default status	24	-
High risk	11	28
Other exposures	2	1
TOTAL EXPOSURE STANDARIZED MODEL COVERED BY PERSONAL GUARANTEES	3,956	3,033
Central governments and central banks	442	510
Institutions	518	655
Corporates	6,891	7,075
TOTAL EXPOSURE ADVANCED MODEL COVERED BY PERSONAL GUARANTEES	7,851	8,240
TOTAL	11,807	11,273

4.7.4. Risk concentration

Within the context of credit risk mitigation operations, there are no concentrations of counterparty risk, given the risk management policies applied and the netting and collateral agreements entered into with the main counterparties.

5. Market risk in trading book activities

5.1. Differences in the trading book for the purposes of applying the Solvency and the Accounting Circulars

Regulatory trading book activities include the positions managed by the Group's Trading units, for which market risk limits are set and these are monitored daily. Moreover, they comply with the other requirements defined in the solvency regulations.

The trading book as an accounting concept is not confined to any business area, but rather follows the true reflection criteria laid down in the accounting regulations. Hence, for example, all derivatives are booked as accounting trading book unless they are hedging derivates, regardless of whether or not they are part of the Trading units' exposure or they come from other business areas.

5.2. Internal models

5.2.1. Scope of application

For the purposes of calculating own funds, the scope of application of the internal model for market risk extends to BBVA S.A. and BBVA Bancomer Trading Floors.

For the purposes of calculating own funds requirements, the Bank of Spain has authorized the use of the internal model for measuring price risk commodity positions and/or exchange rate and gold risk in trading book activities held by the Group in its operations in Spain and Mexico.

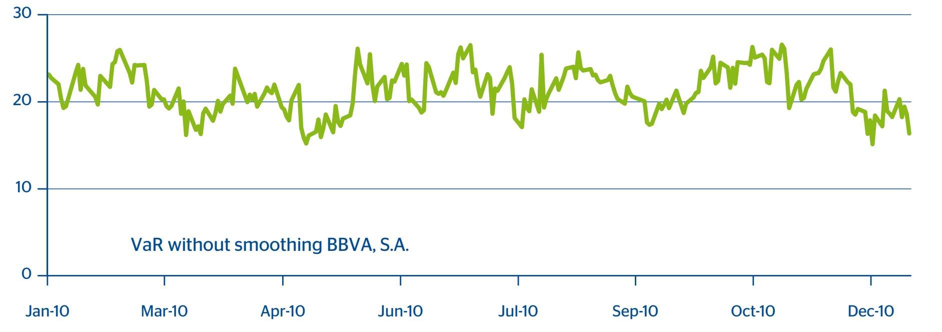
5.2.2. Features of the models used

Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level. VaR is calculated in the Group at a 99% confidence level and a 1-day time horizon.

In BBVA and BBVA Bancomer, VaR is estimated using the Historic Simulation methodology. This methodology consists of observing how

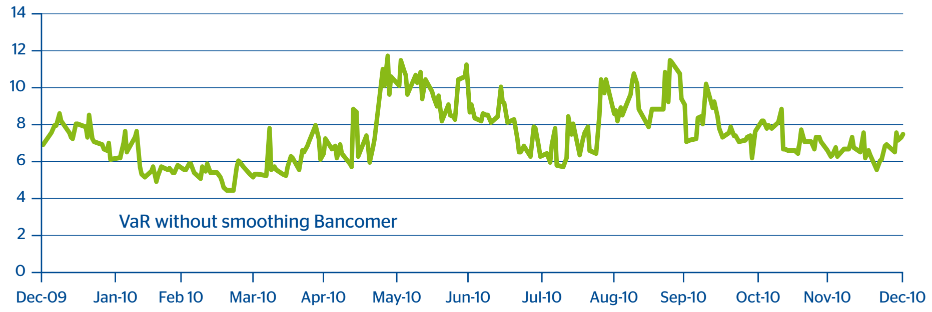
Trends in market risk

(Million euros)



Trends in market risk

(Million euros)



the profits and losses of the current portfolio would perform if the market conditions from a particular historical period were in force, and, from that information, infer the maximum loss at a certain confidence level. It offers the advantage of accurately reflecting the historical multivariate probability distribution of the market variables and of not requiring any specific distribution assumption. The historical period used is two years.

In terms of the types of market risk on the Group's trading portfolio, the main risk factor in BBVA S.A. is linked to interest rates, at 58% of the total at the end of 2010 (this figure includes spread risk). Equity accounts for 4% of risk, exchange-rate risk 7% and volatility risk 31% of the total portfolio. The following tables show the VaR by risk factor for BBVA S.A. and BBVA Bancomer:

BBVA, S.A. market risk

(Millions euros)

Risk (VaR)	
Interest+spread	18.9
Exchange rate	2.4
Equity	1.2
Vega and correlation	9.9
Diversification effect	-16.1
TOTAL	16.4
AVERAGE	21.2
MAXIMUM	26.6
MINIMUM	15.1

BBVA Bancomer market risk

(Millions euros)

Risk (VaR)	
Interest+spread	7.0
Exchange rate	0.3
Equity	2.5
Vega and correlation	1.7
Diversification effect	-4.0
TOTAL	7.5
AVERAGE	7.5
MAXIMUM	11.8
MINIMUM	4.5

VaR figures are estimated following two methodologies:

- VaR without smoothing, which awards equal weight to the daily information for the previous two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance.
- VaR with smoothing, which weighs more recent market information more heavily. This metric is supplementary to the one above.

VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.

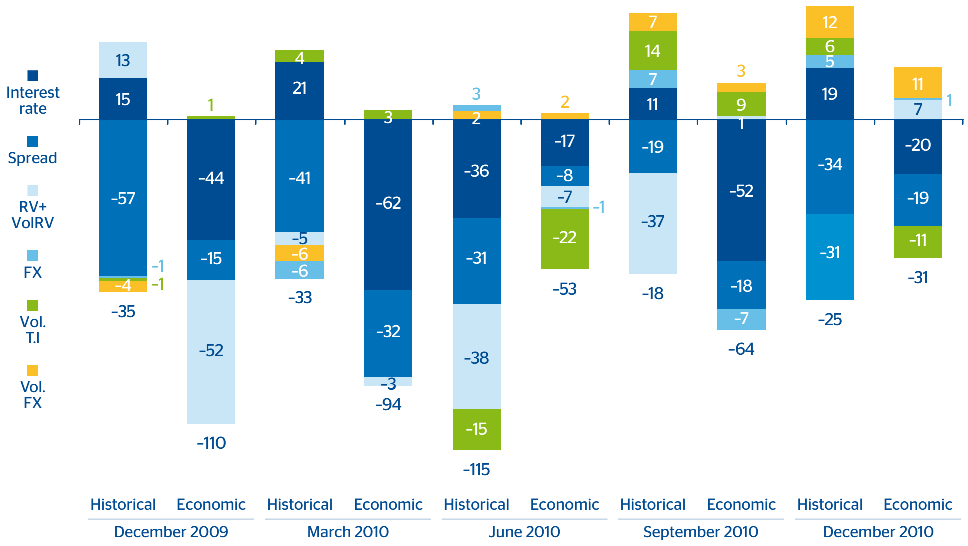
5.2.3. Stress testing

All the tasks associated with stress, methodologies, scenarios of market variables or reports are undertaken in coordination with the Group's Risk Areas.

The Group is currently performing stress testing on historical crisis scenarios and impacts based on economic crisis scenarios prepared by BBVA Research. They can be seen in the following chart.

Economic and historical stress scenarios-Europe. BBVA, S.A.

(Million euros)



- Historical crisis scenarios: Once the critical periods that are to be used have been defined, the development of the risk factors is applied to revaluate the current portfolio in order to estimate the loss that would be incurred if this market situation were to be repeated.

- Economic crisis scenarios: Unlike the former, economic stress scenarios vary over time. It is the Market *Stress* Committee which decides which scenarios should be taken into account. This committee's ultimate aim is to enable the most significant market risk positions in the Group's trading activities on the markets to be identified, assessing the impact certain changes in risk drivers will have on them. This task is performed by the Market Risk areas in the Group's various units. To do so, the Stress Committee must identify and quantify foreseeable crisis scenarios in the financial markets, and this is achieved thanks to the participation of BBVA Research as a key member of the Committee.

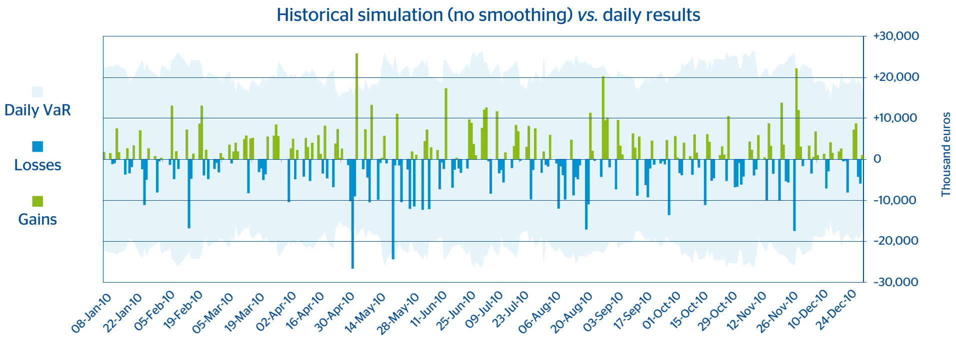
5.2.4. Back-testing

The Group's market risk measurement model needs to have a back-testing or self-validation program that assures that the risk measurements being made are appropriate.

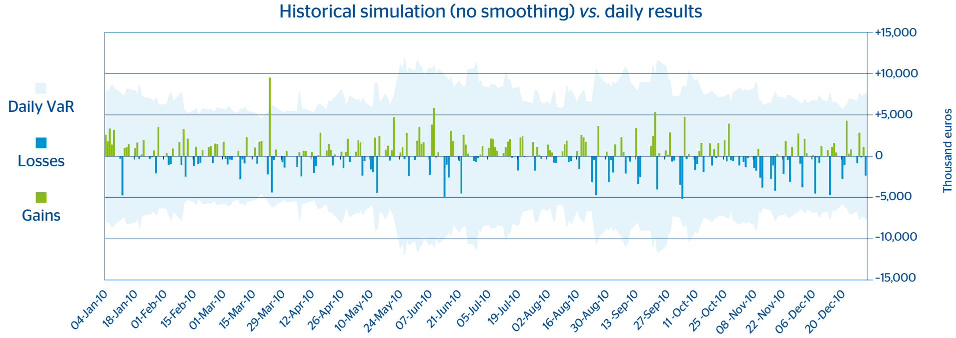
The Global Markets Risk unit periodically approves the risk valuation models used to estimate the maximum loss that could be incurred in the positions assessed with a certain level of probability. If it is noticed that the model does not match the real results of the positions in question, checks would need to be run to offset possible errors, or changes need to be made to improve the accuracy of the estimate.

The approval of the VaR measurement system is performed by comparing the ex-ante risk levels provided daily by the model with the real, ex-post management results calculated by the Financial Division from the business units' management systems. Consistency between the results obtained and resulting risk level is verified.

Validation of the Market risk measurement model for BBVA, S.A. with management results (Base EUR)



Validation of the Market risk measurement model for BBVA Bancomer with management results (Base MXN)



The deviations in May are the result of the Greek crisis:

- 05/05/2010: increased volatility in credit markets resulting from the Greek crisis and contagion to the rest of the Euro zone (due, among other factors, to an increase of 18% and 27% in Spanish and Italian spreads, respectively).

- 07/05/2010: increased volatility in credit markets resulting from the Greek crisis and contagion to the rest of the Euro zone (leading to a general fall of around 30% in the spreads of peripheral Euro zone countries).

5.2.5. Characteristics of the risk management system

The Group has a risk management system that is appropriate for the volume of risks managed, in compliance with the conditions laid out in Rule Ninety-three.

- Integration of the daily risk calculations into the Group's risk management.

- A Risk unit that is independent of the business units.

- Active participation of management bodies in the risk control process.

- Sufficient human resources to employ the model.

- Existence of written procedures that assure the global precision of the internal model used for calculating VaR.

- Accreditation of the degree of accuracy of the internal model used for calculated VaR.

- Existence of a stress program.

- Periodic internal audits performed on the risk measurement system.

The Group employs a back-testing program that ensures that the risk measurements carried out are appropriate.

The Group uses internal validation procedures for the model that are independent of the model development process.

VaR is calculated at a 99% confidence level and a 1-day time horizon. In order to extrapolate to the regulatory 10-day horizon, the figures are multiplied by square root of 10. A historical period of 2 years is used for risk factor observation.

The market risks model has a sufficiently large number of risk factors depending on the business volume in the various financial markets.

For the purposes of calculating bank capital requirements for the trading portfolio, the Group is incorporating the new Basel requirements stipulated by the European Directive for:

1. **Incremental Risk Charge(IRC):** Calculates the risk not captured by the VaR model, specifically migration and default events.

2. **VaR Stress:** Gives a VaR figure using parameters calculated in a period of stress conditions.

3. **Capital charge on securitization portfolio:** The specific risk will be calculated according to the standard method rules, i.e. the same capital charge as a position in the banking book.

4. **Capital charge on correlation portfolio:** The risk is calculated by the standard method and supervisory formula. The perimeter of this charge is fixed to Nth-to-default market positions, market tranches, only for positions with an active market and hedging capacity.

6. Operational risk

6.1. Methods employed

In keeping with the Solvency Circular, advanced models (AMA method) are used in a significant portion of the banking perimeter in the sphere of Spain and Mexico to calculate the regulatory capital for operational risk for Pillar I. For the rest of the Group, the calculation is carried out by applying the basic or standardized approach, as required, to the relevant consolidated income from the remaining subsidiaries.

In March 2010 the BBVA Group received authorization from the Bank of Spain to apply advanced models for calculating regulatory capital by operational risk in Spain and Mexico. This made it the only financial institution to date to obtain the Bank of Spain's classification for advanced operational risk models. The application and the Bank of Spain's authorization initially establish a floor on saving in regulatory capital, defined as the capital corresponding to the standard method. The authorization also lists a series of improvements that, once implemented in the model, will result in effective operational risk capital savings for the Group.

6.2. Description of the advanced measurement approaches

The advanced internal model follows the LDA (Loss Distribution Approach) methodology. This methodology estimates the distribution of losses by operational event by convoluting the frequency distribution and the loss given default distribution of said events.

The calculations have been made using internal data on the Group's historic losses as its main source of information. External databases (ORX consortium) have been employed to enrich the data from this internal database and to take account of the impact of possible events not yet considered therein, and scenario simulations have been included using information from the Group's operational risk self-assessment tool (Ev-Ro).

However, the combination of the different sources of information is an aspect of the model that is constantly being developed. BBVA continues to work on the analysis of techniques for rescaling external data while looking into possible capital adjustments to include internal and external business control factors.

The distribution of losses is constructed for each of the different types of operational risk, which are defined as per Basel Accord cells, for example, a cross between business line and risk class. In those cases in which there is not sufficient data for a sound analysis, it becomes necessary to undertake cell aggregations, and to do so the business line is chosen as the axis. In certain cases, a greater disaggregation of the Basel cell has been selected. The objective consists of identifying statistically homogenous groups and a sufficient amount of data for proper modeling. The definition of these groupings is regularly reviewed and updated.

The Solvency Circular establishes that regulatory capital for operational risk is determined as the sum of individual estimates by type of risk, but the option of incorporating the effect of the correlation among them is contemplated. This impact has been taken into consideration in BBVA estimates with a conservative approach.

With regards to other factors included in the Solvency Circular, current estimates do not include the mitigation effect provided by insurance activities, however an analysis is being made of whether said effect should be included in the future.

7. Investments in capital instruments not included in the trading book

7.1. Differentiation between portfolios held for sale and those held for strategic purposes

7.1.1. Portfolios held for sale

The portfolio held for sale is reflected in accounting terms by the entry entitled available-for-sale assets. Said portfolio will include debt securities as long as they are not classified as: a) Strategic investments, as per the definition given of these in the following section; b) Held-to-maturity investments or fair value through profit or loss investments; or c) Capital instruments of institutions that are not one of the Group's subsidiaries, associates or jointly-controlled entities that have not been included in the fair value through profit or loss category.

7.1.2. Portfolios held for strategic purposes

As in the previous section, the portfolio held for strategic purposes is included for accounting purposes under the heading of available-for-sale financial assets. However, an investment in capital instruments is considered strategic when it has been made with the intent of setting up or maintaining a long-term operating relationship with the subsidiary, even if there is no significant influence on it.

The following situations, amongst others, indicate a significant influence is exercised:

- Representation on the Board of Directors or equivalent management body in the subsidiary
- Participation in the policy setting process, including those related to dividends and other payouts.
- The existence of significant transactions between the investing institution and the subsidiary.
- The exchange of senior management staff.
- The supply of expert information of an essential nature.

7.2. Accounting policies and instrument valuation

A description of accounting policies and capital instrument valuation methods

The financial instruments contained in the available-for-sale financial assets portfolio are valued at their fair value both in their initial entry and on subsequent valuations. These changes are recorded in equity unless objective evidence exists that the fall in value is due to asset impairment where the amounts recorded will be written-off from equity and they will be taken directly to the income statement.

The fair value is the amount for which an asset could be made over or a liability cancelled, between duly informed interested parties in a transaction carried out in conditions of mutual independence. The fair value is reached without making any deduction for transaction costs that might be incurred due to sale or disposal by other means.

In the initial entry, the best evidence of fair value is the listing price on an active market. When these prices are not available, recent transactions on the same instrument will be consulted or valuation techniques based solely on data observable in the market will be used.

In subsequent valuations, fair value will be obtained by one of the following methods:

- Prices quoted on active markets for the same instrument, i.e., without modification or reorganizing in any way.
- Prices quoted on active markets for similar instruments or other valuation techniques in which all the meaningful inputs are used based on directly or indirectly observable market data.
- Valuation techniques in which some meaningful input is not based on observable market data.

When it is not possible to reliably estimate a capital instrument's fair value, it will be valued at its cost.

7.3. Book value of equity investments

The accompanying table shows the book values of portfolios held for sale and those held for strategic purposes.

The fair value of the permanent investment portfolio, calculated on the basis of the official listing price of the listed companies was €694 million below the book value as at December 31, 2010 and €476 million euros above the book value as at December 31, 2009.

(Millions euros)

	Book value			
Item	Permanent investment portfolio (1)	Available-for-sale financial assets	Other financial assets with changes in P&L	Total
31/12/10	6,779	5,493	578	12,851
31/12/09	6,583	6,326	418	13,327

(1) It includes investments in associates and jointly-controlled entities.

7.4. Exposure in equity investments and capital instruments

The accompanying table shows the types, nature and amounts of the original exposures in equity investments listed or unlisted on a stock market, with an item differentiating sufficiently diversified portfolios and other unlisted instruments.

2010 (Millions euros)

Item	Type of exposure [1] Non-derivatives	Other trading
Exchange traded instruments	4,809	102
Non-exchange traded instruments	2,476	-42
Included in sufficiently diversified portfolios	2,476	-42
Other instruments	–	–
TOTAL POSITIONS IN EQUITY	7,285	60

(1) Depending on their nature, equity instruments not included in trading book activity will be separated into derivatives and non-derivatives, The amount shown refers to original exposure, i.e, gross exposure of value corrections through asset impairment and provisions, before applying risk mitigation techniques,

2009 (Millions euros)

Item	Type of exposure [1] Non-derivatives	Other trading
Exchange traded instruments	5,629	-56
Non-exchange traded instruments	2,916	-27
Included in sufficiently diversified portfolios	2,916	-27
Other instruments	–	–
TOTAL POSITIONS IN EQUITY	8,545	-84

(1) Depending on their nature, equity instruments not included in trading book activity will be separated into derivatives and non-derivatives, The amount shown refers to original exposure, i.e, gross exposure of value corrections through asset impairment and provisions, before applying risk mitigation techniques,

Furthermore, the amount of profits recorded as a result of the sale or liquidation of equity instruments or equity investments was €224 million as at December 31, 2010 and €266 million as of December 31, 2009. The profits recorded in equity were €1,120 million as at December 31, 2010 and €1,541 million as at December 31, 2009.

Profits in capital instruments included under additional capital stood at €563 million as at December 31, 2010 and €830 million as at December 31, 2009, most from the investment in Telefónica.

8. Interest-rate risk

8.1. Nature of interest rate risk and key hypotheses

The Group's exposure to variations in market interest rates is one of the main financial risks linked to the pursuit of its banking operations. The risk of repricing, which stems from the difference between the periods for reviewing interest rates or the maturity of investment transactions vis-ŕ-vis their financing, constitutes the basic interest rate risk to be considered. Nonetheless, other risks such as the exposure to changes in the slope and shape of interest rate curves and the risk of optionality present in certain banking transactions are also taken into consideration by risk control mechanisms.

The sensitivity measurements of the Group's net interest income and economic value in the face of variations in market interest rates are complemented by provisional scenarios and risk measurements using curve simulation processes, thereby allowing an assessment of the impact changes have on the slope, curvature and parallel movements of varying magnitude.

Especially important in the measurement of structural interest rate risk, which is carried out every month, is the establishment of hypotheses on the evolution and performance of certain items on the balance sheet, especially those involving products with no explicit or contractual due date.

The most significant of these hypotheses are those established on current and savings accounts, since they largely condition risk levels given the volume they represent within the liabilities of the Group's financial institutions.

A prior step to the study of these liabilities necessarily involves "account segmentation". To do so, the balances on the balance sheet are broken down by products, analyzed separately and subsequently grouped according to their common features, especially regarding the criteria on the remuneration of each account and independently of the accounting standards on grouping.

A first stage involves analyzing the relationship between the trends in market interest rates and the interest rates of those accounts with no contractual due date. This relationship is established by means of models that show whether the account's remuneration can be considered either fixed-rate (there is no relationship between the two variables) or variable-rate. In this latter case, an assessment is made of whether this relationship is produced with some form of delay and what the percentage impact of the variations in market interest rates is on the account's interest rate.

Subsequently, an analysis is made of the evolution over time of the balances in each category in order to establish their trend, as regards the seasonal variations in the balance. It is assumed that these seasonal variations mature in the very short term, whereas the trend in the balance is given a long-term maturity. This prevents oscillations in the level of risks caused by momentary variations in balances, thus favoring the stability of balance-sheet management. This breakdown of amounts is made by the regressions that best adjust the balance's evolution over time.

Group companies have opted for different procedures to determine the maturity of transactional liabilities, taking into account the varying nature of markets and the availability of historical data. In the Group's case, calculation is made of the average period of effectiveness of the accounts through a descriptive analysis of the data. An analysis is made of the distribution of the accounts that make up a product by "contractual period" and establishment is made of the "average life" of the accounts that make up said product. On the basis of the "average contractual period", the "maturity" of the trend in the balance is ascertained for the product.

A further aspect to be considered in the model's hypotheses is the analysis of the prepayments associated with certain positions, especially with the loan-book and mortgage portfolios. The evolution of market interest rates conditions the incentive that the bank's customer has to proceed to the early repayment of the loan granted, modifying the calendar of payments initially specified in the contract.

The function used to estimate future early repayments, in light of a given interest rate scenario, is obtained through the analysis of historical data on the early repayment of loans, and their relationship with market interest rates at any given moment.

8.2. Variations in interest rates

The following tables present the average levels of interest rate risk in terms of the sensitivity of net interest income and economic value for the Group's main financial institutions as of December 31, 2010:

(Millions euros)

	Net interest income impact (1)							
	Increase of 100 basis points				Decrease of 100 basis points			
	Euro	Dollar	Other	Total	Euro	Dollar	Other	Total
Europe	-5.34%	+0.38%	+0.00%	-4.95%	+6.97%	-0.35%	-0.00%	+6.62%
BBVA Bancomer	–	+0.60%	+1.13%	+1.72%	–	-0.60%	-1.13%	-1.72%
BBVA Compass	–	+2.92%	–	+2.92%	–	-2.78%	–	-2.78%
BBVA Puerto Rico	–	+3.99%	–	+3.99%	–	-3.02%	–	-3.02%
BBVA Chile	–	+0.08%	-1.94%	-1.86%	–	-0.10%	+1.89%	+1.80%
BBVA Colombia	–	+0.07%	+1.32%	+1.40%	–	-0.07%	-1.34%	-1.42%
BBVA Banco Continental	–	+1.56%	+0.69%	+2.25%	–	-0.68%	-1.54%	-2.22%
BBVA Banco Provincial	–	+0.34%	+1.33%	+1.67%	–	-1.20%	-0.34%	-1.54%
BBVA Banco Francés	–	-0.08%	+0.50%	+0.42%	–	+0.08%	-0.51%	-0.43%
BBVA GROUP	-1.68%	+0.85%	+0.52%	-0.31%	+2.19%	-0.83%	-0.49%	+0.87%

(1) Percentage relating to "1 year" net interest income forecast in each entity.

(Millions euros)

	Economic value impact (1)							
	Increase of 100 basis points				Decrease of 100 basis points			
	Euro	Dollar	Other	Total	Euro	Dollar	Other	Total
Europe	+0.64%	+0.21%	-0.00%	+0.85%	-0.70%	-0.23%	+0.00%	-0.93%
BBVA Bancomer	–	+0.78%	-2.09%	-1.31%	–	-0.79%	+1.58%	+0.79%
BBVA Compass	–	+1.70%	–	+1.70%	–	-1.46%	–	-1.46%
BBVA Puerto Rico	–	+0.16%	–	+0.16%	–	+0.16%	–	+0.16%
BBVA Chile	–	+0.17%	-5.33%	-5.16%	–	-0.21%	+4.05%	+3.84%
BBVA Colombia	–	+0.09%	-2.16%	-2.07%	–	-0.09%	+2.12%	+2.03%
BBVA Banco Continental	–	+0.95%	-5.97%	-5.02%	–	-1.02%	+6.42%	+5.41%
BBVA Banco Provincial	–	-0.04%	-0.82%	-0.86%	–	+0.04%	+0.85%	+0.89%
BBVA Banco Francés	–	-0.33%	-1.65%	-1.97%	–	+0.34%	+1.73%	+2.07%
BBVA GROUP	+0.52%	+0.55%	-0.80%	+0.27%	-0.57%	-0.53%	+0.67%	-0.44%

(1) Percentage relating to each entity's capital base.

The negative/positive sensitivity to a rise/fall in interest rates in the Euro zone is temporary and limited to the first quarters, as a result of liabilities repricing quicker than assets (basically the mortgage portfolio).

However, the economic impact of this rise in interest rates on net interest income is positive, as once the mortgage portfolio is revalued, and given the weight of customer deposits, the customer spread increases.

9. Subsequent events

Law 2/2011 of 4 March on the *Sustainable Economy*, which amends Section 1 of Article 10 ter of Law 13/1985, on *investment ratios, capital and reporting requirements of financial intermediaries*, establishes a new reporting requirement relating to the remuneration practices and policies of credit institutions. This information is available in the report on the remuneration policy of the Board of Directors of BBVA, which can be accessed via the website *www.bbva.com*.

Annexes: Entities within the consolidation perimeter of the Solvency Circular

There follows a list of the entities that comprise the Consolidated Group determined by the Solvency Circular, according to their treatment for capital requirements:

Annex I
Additional information on consolidated subsidiaries composing the BBVA Group according to the Solvency Circular

			% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA, S.A. (AFP PROVIDA)	CHILE	PENSIONS	12.70	51.62	64.32	299,781	604,814
ADMINISTRADORA DE FONDOS PARA EL RETIRO - BANCOMER,S.A DE C.V.	MEXICO	PENSIONS	17.50	82.50	100.00	378,280	253,580
AFP GÉNESIS ADMINISTRADORA DE FONDOS Y FIDEICOMISOS, S.A.	ECUADOR	PENSIONS	0.00	100.00	100.00	5,705	9,911
AFP HORIZONTE, S.A.	PERU	PENSIONS	24.85	75.15	100.00	57,956	93,038
AFP PREVISIÓN BBV-ADM. DE FONDOS DE PENSIONES, S.A.	BOLIVIA	PENSIONS	75.00	5.00	80.00	2,063	9,634
AMERICAN FINANCE GROUP, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	15,599	16,529
ANIDA DESARROLLOS SINGULARES, S.L.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	-485,076	1,613,790
ANIDA GRUPO INMOBILIARIO, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	-	186,112
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	PORTFOLIO	0.00	100.00	100.00	106,704	98,004
ANIDA INMUEBLES ESPAÑA Y PORTUGAL, S.L.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	-11,543	333,936
ANIDA OPERACIONES SINGULARES, S.L.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	-436,849	2,152,664
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA.	PORTUGAL	REAL ESTATE INSTR.	0.00	100.00	100.00	-	21,948
APLICA SOLUCIONES ARGENTINAS, S.A.	ARGENTINA	SERVICES	0.00	100.00	100.00	1,399	1,604
APLICA SOLUCIONES TECNOLÓGICAS CHILE LIMITADA	CHILE	SERVICES	0.00	100.00	100.00	-76	431
APLICA TECNOLOGÍA AVANZADA OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	3	3
APLICA TECNOLOGÍA AVANZADA SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	3	3
APLICA TECNOLOGÍA AVANZADA, S.A. DE C.V.- ATA	MEXICO	SERVICES	100.00	0.00	100.00	4	60,114
ARIZONA FINANCIAL PRODUCTS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	718,853	721,440
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM., LDA.	PORTUGAL	FINANCIAL SERVICES	0.00	100.00	100.00	4,720	45,950
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMÁ), S.A.	PANAMA	BANKING	54.11	44.81	98.92	19,464	1,585,516
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	9.52	90.48	100.00	338,916	8,094,054
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	0.00	68.18	68.18	543,201	11,637,734
BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO, S.A.	PUERTO RICO	BANKING	0.00	100.00	100.00	178,673	3,614,532
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	0.00	100.00	17,049	754,090

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Company	Location	Activity	% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
			Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
BANCO CONTINENTAL, S.A.	PERU	BANKING	0.00	92.24	92.24	835,381	10,077,559
BANCO DE PROMOCIÓN DE NEGOCIOS, S.A.	SPAIN	BANKING	0.00	99.84	99.84	15,165	32,901
BANCO DEPOSITARIO BBVA, S.A.	SPAIN	BANKING	0.00	100.00	100.00	1,595	986,755
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	0.00	99.93	99.93	97,220	212,691
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	16,464	18,014
BANCO PROVINCIAL OVERSEAS N.V.	DUTCH ANTILLES	BANKING	0.00	100.00	100.00	35,236	424,812
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.85	53.75	55.60	159,952	8,492,775
BANCOMER FINANCIAL SERVICES INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1,930	778
BANCOMER FOREIGN EXCHANGE INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	7,412	8,593
BANCOMER PAYMENT SERVICES INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	34	22
BANCOMER TRANSFER SERVICES, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	27,707	71,644
BBVA AMÉRICA, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	479,328	880,779
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SPAIN	SECURITIES	70.00	0.00	70.00	1,331	9,880
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERVICES	0.00	100.00	100.00	3,990	5,374
BBVA ASSET MANAGEMENT (IRELAND) LIMITED	IRELAND	FINANCIAL SERVICES	0.00	100.00	100.00	245	270
BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS, S.A.	CHILE	FINANCIAL SERVICES	0.00	100.00	100.00	15,821	18,002
BBVA ASSET MANAGEMENT, S.A., SGIIC	SPAIN	FINANCIAL SERVICES	17.00	83.00	100.00	11,436	152,334
BBVA BANCO DE FINANCIACIÓN, S.A.	SPAIN	BANKING	0.00	100.00	100.00	64,200	703,047
BBVA BANCO FRANCÉS, S.A.	ARGENTINA	BANKING	45.65	30.36	76.01	64,589	5,249,989
BBVA BANCOMER FINANCIAL HOLDINGS, INC.	U.S.	PORTFOLIO	0.00	100.00	100.00	48,091	42,900
BBVA BANCOMER GESTIÓN, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	30,613	54,585
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	41,407	304,008
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	534	24,503
BBVA BANCOMER, S.A. DE C.V.	MEXICO	BANKING	0.00	100.00	100.00	6,561,797	69,666,830
BBVA BRASIL BANCO DE INVESTIMENTO, S.A.	BRASIL	BANKING	100.00	0.00	100.00	16,166	47,756
BBVA BROKER, CORREDURÍA DE SEGUROS Y REASEGUROS, S.A. (Ex-BBVA CORREDURÍA TÉCNICA ASEGURADORA, S.A.)	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	297	35,016
BBVA CAPITAL FINANCE, S.A.	SPAIN	FINANCIAL SERVICES	100.00	0.00	100.00	60	2,983,028
BBVA CARTERA DE INVERSIONES, SICAV, S.A.	SPAIN	OPEN-END FUNDS	99.99	0.00	99.99	118,444	120,093
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	76.20	19.23	95.43	265,416	8,634,332
BBVA COMERCIALIZADORA LTDA.	CHILE	FINANCIAL SERVICES	0.00	100.00	100.00	-1,154	3,050
BBVA COMPASS CONSULTING & BENEFITS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	13,449	13,723

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Company	Location	Activity	% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
			Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
BBVA COMPASS INSURANCE AGENCY, INC	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	146,614	155,943
BBVA COMPASS INVESTMENT SOLUTIONS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	51,158	56,021
BBVA CONSULTING (BEIJING) LIMITED	CHINA	FINANCIAL SERVICES	0.00	100.00	100.00	477	683
BBVA CORREDORA TÉCNICA DE SEGUROS LIMITADA	CHILE	FINANCIAL SERVICES	0.00	100.00	100.00	13,377	15,902
BBVA CORREDORES DE BOLSA LIMITADA	CHILE	SECURITIES	0.00	100.00	100.00	48,415	573,180
BBVA DINERO EXPRESS, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	0.00	100.00	2,186	14,524
BBVA FACTORING LIMITADA (CHILE)	CHILE	FINANCIAL SERVICES	0.00	100.00	100.00	6,765	31,974
BBVA FIDUCIARIA, S.A.	COLOMBIA	FINANCIAL SERVICES	0.00	100.00	100.00	23,453	26,094
BBVA FINANCE (UK), LTD.	UNITED KINGDOM	FINANCIAL SERVICES	0.00	100.00	100.00	3,324	24,867
BBVA FINANCE, S.p.A	ITALY	FINANCIAL SERVICES	100.00	0.00	100.00	4,648	6,860
BBVA FINANCIAMIENTO AUTOMOTRIZ, S.A.	CHILE	PORTFOLIO	0.00	100.00	100.00	145,494	145,529
BBVA FINANZIA, S.p.A	ITALY	FINANCIAL SERVICES	50.00	50.00	100.00	29,200	600,187
BBVA FUNDOS, S. Gestora Fundos Pensoes, S.A.	PORTUGAL	FINANCIAL SERVICES	0.00	100.00	100.00	998	8,679
BBVA GEST, S.G. DE FUNDOS DE INVESTIMENTO MOBILIARIO, S.A.	PORTUGAL	FINANCIAL SERVICES	0.00	100.00	100.00	998	7,206
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	0.00	100.00	-	688,846
BBVA GLOBAL MARKETS B.V.	NETHERLAND	FINANCIAL SERVICES	100.00	0.00	100.00	18	256,964
BBVA HORIZONTE PENSIONES Y CESANTÍAS, S.A.	COLOMBIA	PENSIONS	78.52	21.44	99.96	62,061	162,934
BBVA INMOBILIARIA E INVERSIONES, S.A.	CHILE	REAL ESTATE INSTR.	0.00	68.11	68.11	5,652	44,049
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	0.00	100.00	100.00	33,148	443,576
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	0.00	100.00	1	503,692
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	0.00	100.00	60	1,697,891
BBVA INVERSIONES CHILE, S.A.	CHILE	FINANCIAL SERVICES	61.22	38.78	100.00	580,584	1,254,723
BBVA IRELAND PLC	IRELAND	FINANCIAL SERVICES	100.00	0.00	100.00	180,381	881,138
BBVA LEASIMO - SOCIEDADE DE LOCAÇAO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERVICES	0.00	100.00	100.00	11,576	28,620
BBVA LUXINVEST, S.A.	LUXEMBOURG	PORTFOLIO	36.00	64.00	100.00	255,843	1,477,238
BBVA MEDIACIÓN OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	0.00	100.00	100.00	60	85,311
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	100.00	0.00	100.00	22,598	1,121,259
BBVA PATRIMONIOS GESTORA SGIIC, S.A.	SPAIN	FINANCIAL SERVICES	99.98	0.02	100.00	3,907	28,634
BBVA PENSIONES, S.A., ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSIONS	100.00	0.00	100.00	12,922	72,968
BBVA PLANIFICACIÓN PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	1	502
BBVA PROPIEDAD F.I.I.	SPAIN	REAL-ESTATE MUTUAL FUND	0.00	100.00	100.00	1,384,561	1,469,283
BBVA PUERTO RICO HOLDING CORPORATION	PUERTO RICO	PORTFOLIO	100.00	0.00	100.00	322,837	179,048

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Company	Location	Activity	% voting rights controlled by the Bank Direct	Indirect	Total	(Thousand euros) Subsidiary data Net carrying amount	Assets as of 31-Dec-2010
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERVICES	0.00	100.00	100.00	20,976	840,056
BBVA SECURITIES INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	41,796	45,580
BBVA SECURITIES OF PUERTO RICO, INC.	PUERTO RICO	FINANCIAL SERVICES	100.00	0.00	100.00	4,726	6,963
BBVA SEGUROS INC.	PUERTO RICO	FINANCIAL SERVICES	0.00	100.00	100.00	187	5,459
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	0.00	100.00	60	15,154,181
BBVA SERVICIOS CORPORATIVOS LIMITADA	CHILE	FINANCIAL SERVICES	0.00	100.00	100.00	1,297	10,949
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	CHILE	FINANCIAL SERVICES	0.00	97.49	97.49	15,901	64,945
BBVA SUBORDINATED CAPITAL, S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	0.00	100.00	130	3,434,727
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SUIZA	BANKING	39.72	60.28	100.00	58,107	1,406,692
BBVA TRADE, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	6,379	21,274
BBVA U.S. SENIOR S.A.U.	SPAIN	FINANCIAL SERVICES	100.00	0.00	100.00	169	898,687
BBVA USA BANCSHARES, INC.	U.S.	PORTFOLIO	100.00	0.00	100.00	9,268,740	9,106,626
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES	0.00	100.00	100.00	4,747	9,330
BBVA WEALTH SOLUTIONS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	25,398	25,990
BCL INTERNATIONAL FINANCE, LTD.	CAYMAN ISLANDS	FINANCIAL SERVICES	100.00	0.00	100.00	-	4
BILBAO VIZCAYA AMÉRICA B.V.	NETHERLAND	PORTFOLIO	0.00	100.00	100.00	746,000	629,416
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	PORTFOLIO	89.00	11.00	100.00	34,771	251,089
BLUE INDICO INVESTMENTS, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	49,106	55,957
C B TRANSPORT, INC.	U.S.	SERVICES	0.00	100.00	100.00	12,427	13,622
CAPITAL INVESTMENT COUNSEL, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	22,807	24,088
CARTERA E INVERSIONES, S.A., CÍA DE	SPAIN	PORTFOLIO	100.00	0.00	100.00	92,016	253,247
CASA DE BOLSA BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	77,423	99,183
CÍA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.	URUGUAY	FINANCIAL SERVICES	0.00	100.00	100.00	108	187
CIDESSA DOS, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	12,062	12,183
CIDESSA UNO, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	4,754	898,460
CIERVANA, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	53,164	70,156
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	0.00	99.99	99.99	449	1,050
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	0.00	100.00	100.00	587	1,738
COMPASS ASSET ACCEPTANCE COMPANY, LLC	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	363,575	363,575
COMPASS AUTO RECEIVABLES CORPORATION	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	3,125	3,125
COMPASS BANCSHARES, INC.	U.S.	PORTFOLIO	0.00	100.00	100.00	9,083,594	9,178,765
COMPASS BANK	U.S.	BANKING	0.00	100.00	100.00	9,049,899	51,111,008

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Company	Location	Activity	% voting rights controlled by the Bank Direct	Indirect	Total	(Thousand euros) Subsidiary data Net carrying amount	Assets as of 31-Dec-2010
COMPASS CAPITAL MARKETS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	5,626,344	5,626,344
COMPASS FINANCIAL CORPORATION	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	6,886	53,984
COMPASS GP, INC.	U.S.	PORTFOLIO	0.00	100.00	100.00	34,802	43,807
COMPASS LIMITED PARTNER, INC.	U.S.	PORTFOLIO	0.00	100.00	100.00	4,872,688	4,873,129
COMPASS LOAN HOLDINGS TRS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	58,163	60,101
COMPASS MORTGAGE CORPORATION	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1,938,209	1,938,459
COMPASS MORTGAGE FINANCING, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	26	26
COMPASS MULTISTATE SERVICES CORPORATION	U.S.	SERVICES	0.00	100.00	100.00	2,807	2,862
COMPASS SOUTHWEST, LP	U.S.	BANKING	0.00	100.00	100.00	4,008,054	4,008,406
COMPASS TEXAS ACQUISITION CORPORATION	U.S.	PORTFOLIO	0.00	100.00	100.00	1,694	1,711
COMPASS TEXAS MORTGAGE FINANCING, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	26	26
COMPASS TRUST II	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	–	1
COMPAÑÍA CHILENA DE INVERSIONES, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	580,313	590,050
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	PENSIONS	46.11	53.89	100.00	4,025	19,566
CONSOLIDAR COMERCIALIZADORA, S.A.	ARGENTINA	FINANCIAL SERVICES	0.00	100.00	100.00	1,440	12,577
CONTENTS ÁREA, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	1,251	1,456
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA, S.A.	PERU	SECURITIES	0.00	100.00	100.00	6,243	12,399
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	0.00	100.00	100.00	–	350,885
CONTINENTAL S.A. SOCIEDAD ADMINISTRADORA DE FONDOS	PERU	FINANCIAL SERVICES	0.00	100.00	100.00	9,013	10,700
CONTINENTAL SOCIEDAD TITULIZADORA, S.A.	PERU	FINANCIAL SERVICES	0.00	100.00	100.00	440	467
CONTRATACIÓN DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	2,633	11,486
CORPORACIÓN DE ALIMENTACIÓN Y BEBIDAS, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	138,508	164,685
CORPORACIÓN GENERAL FINANCIERA, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	509,716	1,704,190
DESARROLLADORA Y VENDEDORA DE CASAS, S.A	MEXICO	REAL ESTATE INSTR.	0.00	100.00	100.00	13	15
DESITEL TECNOLOGÍA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	1,616	1,616
DINERO EXPRESS SERVICIOS GLOBALES, S.A.	SPAIN	FINANCIAL SERVICES	100.00	0.00	100.00	2,042	1,771
ENTRE2 SERVICIOS FINANCIEROS, E.F.C., S.A.	SPAIN	FINANCIAL SERVICES	0.00	100.00	100.00	9,139	9,515
ESPANHOLA COMERCIAL E SERVIÇOS, LTDA.	BRASIL	FINANCIAL SERVICES	100.00	0.00	100.00	–	985
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.	SPAIN	FINANCIAL SERVICES	87.50	0.00	87.50	1,974	23,916
FIDEICOMISO 28991-8 TRADING EN LOS MERCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	2,259	2,259
FIDEICOMISO BBVA BANCOMER SERVICIOS Nº F/47433-8, S.A.	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	41,490	48,139
FIDEICOMISO F/29763-0 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS CUENTA PROPIA	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	24,506	24,947

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Company	Location	Activity	% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
			Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS CUENTA TERCEROS	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	39,772	40,540
FIDEICOMISO Nº. 847 EN BANCO INVEX, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. 4ª EMISIÓN)	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	29	270,963
FIDEICOMISO Nº. 402900-5 ADMINISTRACIÓN DE INMUEBLES	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	2,522	2,734
FIDEICOMISO Nº. 711, EN BANCO INVEX, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEICOMISO INVEX 1ª EMISIÓN)	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	-	111,196
FIDEICOMISO Nº. 752 EN BANCO INVEX, S.A., INSTITUCION DE BANCA MÚLTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. INVEX 2ª EMISIÓN)	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	-	51,183
FIDEICOMISO Nº. 781 EN BANCO INVEX, S.A., INSTITUCION DE BANCA MÚLTIPLE, INVEX GRUPO FINANCIERO, FIDUCIARIO (FIDEIC. 3ª EMISIÓN)	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	-	295,754
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	3,405	7,428
FINANZIA, BANCO DE CRÉDITO, S.A.	SPAIN	BANKING	0.00	100.00	100.00	174,207	7,778,930
FRANCÉS ADMINISTRADORA DE INVERSIONES, S.A.	ARGENTINA	FINANCIAL SERVICES	0.00	100.00	100.00	7,118	10,436
FRANCÉS VALORES SOCIEDAD DE BOLSA, S.A.	ARGENTINA	FINANCIAL SERVICES	0.00	100.00	100.00	2,255	3,686
GESTIÓN DE PREVISIÓN Y PENSIONES, S.A.	SPAIN	PENSIONS	60.00	0.00	60.00	8,830	27,725
GESTIÓN Y ADMINISTRACIÓN DE RECIBOS, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	150	2,780
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	0.00	100.00	110,115	515,862
GRANFIDUCIARIA	COLOMBIA	FINANCIAL SERVICES	0.00	90.00	90.00	-	218
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	99.97	0.00	99.97	6,677,124	7,580,999
GUARANTY BUSINESS CREDIT CORPORATION	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	27,132	28,524
GUARANTY PLUS HOLDING COMPANY	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	-23,927	45,646
GUARANTY PLUS PROPERTIES LLC-2	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	35,040	35,193
GUARANTY PLUS PROPERTIES LLC-3	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-4	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-5	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-6	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-7	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-8	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-9	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES, INC-1	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	9,349	9,351
HIPOTECARIA NACIONAL MEXICANA INCORPORATED	U.S.	REAL ESTATE INSTR.	0.00	100.00	100.00	312	408
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	58,701	91,122
HOLDING CONTINENTAL, S.A.	PERU	PORTFOLIO	50.00	0.00	50.00	123,678	884,998

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Company	Location	Activity	% voting rights controlled by the Bank Direct	Indirect	Total	(Thousand euros) Subsidiary data Net carrying amount	Assets as of 31-Dec-2010
HOMEOWNERS LOAN CORPORATION	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	7,786	8,062
HUMAN RESOURCES PROVIDER	U.S.	SERVICES	0.00	100.00	100.00	698,212	698,237
HUMAN RESOURCES SUPPORT, INC.	U.S.	SERVICES	0.00	100.00	100.00	696,453	696,511
IBERNEGOCIO DE TRADE, S.L.	SPAIN	SERVICES	0.00	100.00	100.00	3,687	3,688
INMUEBLES Y RECUPERACIONES CONTINENTAL, S.A.	PERU	REAL ESTATE INSTR.	0.00	100.00	100.00	5,392	6,583
INVERAHORRO, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	–	77,630
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	DUTCH ANTILLES	PORTFOLIO	48.00	0.00	48.00	11,390	37,837
INVERSIONES BAPROBA, C.A.	VENEZUELA	FINANCIAL SERVICES	100.00	0.00	100.00	1,307	1,258
INVERSORA OTAR, S.A.	ARGENTINA	PORTFOLIO	0.00	99.96	99.96	3,276	65,392
INVESCO MANAGEMENT Nº 1, S.A.	LUXEMBOURG	FINANCIAL SERVICES	0.00	100.00	100.00	9,753	10,344
INVESCO MANAGEMENT Nº 2, S.A.	LUXEMBOURG	FINANCIAL SERVICES	0.00	100.00	100.00	–	7,769
LIQUIDITY ADVISORS, L.P.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	900,046	902,819
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	17,342	23,937
OPCIÓN VOLCÁN, S.A.	MEXICO	REAL ESTATE INSTR.	0.00	100.00	100.00	65,964	69,684
OPPLUS OPERACIONES Y SERVICIOS, S.A. (Antes STURGES)	SPAIN	SERVICES	100.00	0.00	100.00	1,067	19,109
OPPLUS S.A.C	PERU	SERVICES	0.00	100.00	100.00	600	1,710
PARTICIPACIONES ARENAL, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	7,574	7,582
PECRI INVERSIÓN S.A	SPAIN	OTHER INVESTMENT COMPANIES	100.00	0.00	100.00	78,500	95,512
PHOENIX LOAN HOLDINGS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	319,718	338,561
PI HOLDINGS Nº. 1, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	57,372	57,768
PI HOLDINGS Nº. 3, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	21,423	21,650
PI HOLDINGS Nº. 4, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1	1
PORT ARTHUR ABSTRACT & TITLE COMPANY	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1,839	2,176
PREMEXSA, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	375	1,282
PROMOCIÓN EMPRESARIAL XX, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	1,039	12,641
PROVIDA INTERNACIONAL, S.A.	CHILE	PENSIONS	0.00	100.00	100.00	44,125	48,133
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	VENEZUELA	FINANCIAL SERVICES	0.00	90.00	90.00	2,344	11,277
PROVINCIAL SDAD. ADMIN. DE ENTIDADES DE INV. COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERVICES	0.00	100.00	100.00	1,489	1,488
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN. DE APORTES, S.A.	BOLIVIA	PENSIONS	0.00	100.00	100.00	776	2,913
PROXIMA ALFA INVESTMENTS (UK) LLP	UNITED KINGDOM	FINANCIAL SERVICES	0.00	51.00	51.00	–	85
PROXIMA ALFA INVESTMENTS (USA) LLC	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	7,212	1,293
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) II INC.	U.S.	PORTFOLIO	0.00	100.00	100.00	72	68

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Company	Location	Activity	% voting rights controlled by the Bank Direct	Indirect	Total	(Thousand euros) Subsidiary data Net carrying amount	Assets as of 31-Dec-2010
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) INC.	U.S.	PORTFOLIO	100.00	0.00	100.00	72	7,216
PROXIMA ALFA SERVICES LTD.	UNITED KINGDOM	FINANCIAL SERVICES	100.00	0.00	100.00	105	2,342
RIVER OAKS BANK BUILDING, INC.	U.S.	REAL ESTATE INSTR.	0.00	100.00	100.00	24,530	29,231
RIVERWAY HOLDINGS CAPITAL TRUST I	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	233	7,765
RWHC, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	542,101	542,734
S. GESTORA FONDO PUBL. REGUL. MERCADO HIPOT.	SPAIN	FINANCIAL SERVICES	77.20	0.00	77.20	138	213
SCALDIS FINANCE, S.A.	BELGICA	PORTFOLIO	0.00	100.00	100.00	3,416	3,652
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	317	2,501
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	3,603	5,266
SMARTSPREAD LIMITED (UK)	UNITED KINGDOM	SERVICES	100.00	0.00	100.00	1	137
SOCIEDAD DE ESTUDIOS Y ANÁLISIS FINANCIERO, S.A.	SPAIN	COMERCIAL	100.00	0.00	100.00	114,518	193,810
SOUTHEAST TEXAS TITLE COMPANY	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	529	727
SPORT CLUB 18, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	23,412	53,093
STATE NATIONAL CAPITAL TRUST I	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	352	11,580
STATE NATIONAL STATUTORY TRUST II	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	233	7,725
TEXAS LOAN SERVICES, L.P.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	894,559	895,031
TEXAS REGIONAL STATUTORY TRUST I	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	1,159	38,627
TEXASBANC CAPITAL TRUST I	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	582	19,396
TMF HOLDING INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	7,601	10,388
TRAINER PRO GESTIÓN DE ACTIVIDADES, S.A.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	2,886	2,931
TRANSITORY CO.	PANAMA	REAL ESTATE INSTR.	0.00	100.00	100.00	124	1,435
TUCSON LOAN HOLDINGS, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	345,706	345,789
TWOENC, INC.	U.S.	FINANCIAL SERVICES	0.00	100.00	100.00	-1,164	1,117
UNIDAD DE AVALUOS MÉXICO, S.A. DE CV	MEXICO	FINANCIAL SERVICES	0.00	100.00	100.00	1,918	3,533
UNIVERSALIDAD "E5"	COLOMBIA	FINANCIAL SERVICES	0.00	100.00	100.00	–	3,250
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	0.00	100.00	100.00	–	94,309
UNO-E BANK, S.A.	SPAIN	BANKING	67.35	32.65	100.00	174,751	1,361,488
VALANZA CAPITAL RIESGO S.G.E.C.R. S.A. UNIPERSONAL	SPAIN	VENTURE CAPITAL	100.00	0.00	100.00	1,200	16,026

Annex II
Additional information on jointly-controlled companies accounted for using the proportionate consolidation method according to the Solvency Circular

			% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
ALTURA MARKETS, SOCIEDAD DE VALORES, S.A.	SPAIN	SECURITIES	50.00		50.00	12,600	1,038,431
ECASA, S.A.	CHILE	FINANCIAL SERVICES		100.00	100.00	5,515	7,102
FÓRUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES		51.04	51.04	7,480	107,008
FÓRUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES		51.00	51.00	56,493	719,366
INVERSIONES PLATCO, C.A.	VENEZUELA	FINANCIAL SERVICES		50.00	50.00	11,832	26,803
PSA FINANCE ARGENTINA COMPAÑÍA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERVICES		50.00	50.00	12,451	137,358
RENTRUCKS, ALQUILER Y SERVICIOS DE TRANSPORTE, S.A.	SPAIN	FINANCIAL SERVICES		50.00	50.00	3,959	42,281

Annex III

Additional information on investments and jointly-controlled companies accounted for using the equity method according to the Solvency Circular

Company	Location	Activity	% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
			Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
ADMINISTRADORA DE FONDOS DE CESANTIA DE CHILE, S.A.	CHILE	FINANCIAL SERVICES		37.80	37.80	5,460	15,263
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES		40.00	40.00	2,037	17,162
ALMAGRARIO, S.A.	COLOMBIA	SERVICES		35.38	35.38	3,956	31,858
ALTITUDE SOFTWARE SGPS, S.A.	PORTUGAL	SERVICES		30.00	30.00	9,842	18,619
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE		100.00	100.00	264,143	570,278
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	ALEMANIA	REAL ESTATE INSTR.		100.00	100.00	4,358	20,130
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.		100.00	100.00	97,027	143,976
ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.		100.00	100.00	499	919
ÁUREA, S.A. (CUBA)	CUBA	REAL ESTATE		49.00	49.00	3,922	8,421
BAHÍA SUR RESORT, S.C.	SPAIN	REAL ESTATE	99.95		99.95	1,436	1,438
BBVA AUTORENTING, S.p.A.	ITALY	SERVICES		100.00	100.00	66,793	314,830
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCE	87.78	12.22	100.00	6,496	48,124
BBVA CONSULTORÍA, S.A.	SPAIN	SERVICES		100.00	100.00	2,227	4,257
BBVA ELCANO EMPRESARIAL II, S.C.R., S.A.	SPAIN	VENTURE CAPITAL	45.00		45.00	37,491	104,885
BBVA ELCANO EMPRESARIAL, S.C.R., S.A.	SPAIN	VENTURE CAPITAL	45.00		45.00	37,487	104,958
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00		100.00	–	1
BBVA RE LIMITED	IRELAND	INSURANCE		100.00	100.00	656	67,631
BBVA RENTING, S.p.A	ITALY	SERVICES		100.00	100.00	8,453	56,154
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	9,490	42,797
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	13,242	329,602
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCE		100.00	100.00	56,178	397,262
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS	SPAIN	INSURANCE	94.30	5.65	99.95	414,659	10,913,118
BBVA SERVICIOS, S.A.	SPAIN	SERVICES		100.00	100.00	354	10,791
CAMARATE GOLF, S.A.	SPAIN	REAL ESTATE		26.00	26.00	4,091	39,396
CASA DE CAMBIO MULTIDIVISAS, S.A. DE C.V.	MEXICO	SERVICES		100.00	100.00	171	170
CHINA CITIC BANK LIMITED CNCB	CHINA	BANKING	15.00		15.00	3,557,759	180,608,192
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED CIFH	HONG KONG	FINANCIAL SERVICES	29.68		29.68	464,339	11,063,029
COMPASS CUSTODIAL SERVICES, INC.	U.S.	FINANCIAL SERVICES		100.00	100.00	1	1
COMPASS INVESTMENTS, INC.	U.S.	FINANCIAL SERVICES		100.00	100.00	1	1
COMPASS WEALTH MANAGERS COMPANY	U.S.	SERVICES		100.00	100.00	1	1

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			% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A.	SPAIN	FINANCIAL SERVICES	21.82		21.82	14,413	61,967
COMPAÑÍA MEXICANA DE PROCESAMIENTO, S.A. DE C.V.	MEXICO	SERVICES		50.00	50.00	4,706	8,854
COMUNIDAD FINANCIERA ÍNDICO, S.L.	SPAIN	SERVICES		100.00	100.00	69	62
CONSOLIDAR ASEGURADORA DE RIESGOS DEL TRABAJO, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	29,434	237,856
CONSOLIDAR CÍA. DE SEGUROS DE RETIRO, S.A.	ARGENTINA	INSURANCE	33.79	66.21	100.00	32,612	608,698
CORPORACIÓN IBV PARTICIPACIONES EMPRESARIALES, S.A.	SPAIN	PORTFOLIO		50.00	50.00	71,027	808,482
CORPORATIVO VITAMÉDICA, S.A. DE C.V.	MEXICO	SERVICES		99.98	99.98	2,586	9,833
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	SPAIN	REAL ESTATE		72.50	72.50	52,210	91,653
ECONTA GESTIÓN INTEGRAL, S.L.	SPAIN	SERVICES		100.00	100.00	372	1,829
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE		99.01	99.01	6,253	7,240
EL OASIS DE LAS RAMBLAS, S.L.	SPAIN	REAL ESTATE		70.00	70.00	167	473
ESTACIÓN DE AUTOBUSES CHAMARTÍN, S.A.	SPAIN	SERVICES		51.00	51.00	31	30
FERROMÓVIL 3000, S.L.	SPAIN	SERVICES		20.00	20.00	6,275	649,334
FERROMÓVIL 9000, S.L.	SPAIN	SERVICES		20.00	20.00	4,614	413,798
FIDEICOMISO F/70191-2 PUEBLA	MEXICO	REAL ESTATE		25.00	25.00	5,017	44,360
FIDEICOMISO HARES BBVA BANCOMER F/47997-2	MEXICO	REAL ESTATE		80.91	80.91	28,371	35,433
FINANCEIRA DO COMERCIO EXTERIOR, S.A.R.	PORTUGAL	FINANCIAL SERVICES	100.00		100.00	51	35
FINANZIA AUTORENTING, S.A.	SPAIN	SERVICES	27.13	72.87	100.00	49,879	540,085
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES		100.00	100.00	439	1,176
GOBERNALIA GLOBAL NET, S.A.	SPAIN	SERVICES		100.00	100.00	947	2,977
GRUPO PROFESIONAL PLANEACIÓN Y PROYECTOS, S.A. DE C.V.	MEXICO	SERVICES		58.40	58.40	4,049	23,913
I+D MÉXICO, S.A. DE C.V.	MEXICO	SERVICES		50.00	50.00	22,127	70,158
IMOBILIARIA DUQUE D'AVILA, S.A.	PORTUGAL	REAL ESTATE		50.00	50.00	5,346	24,149
INGENIERIA EMPRESARIAL MULTIBA, S.A. DE C.V.	MEXICO	SERVICES		99.99	99.99	-	-
INMOBILIARIA BILBAO, S.A.	SPAIN	REAL ESTATE INSTR.		100.00	100.00	3,842	3,847
INVERSIONES ALDAMA, C.A.	VENEZUELA	REAL ESTATE		100.00	100.00	-	-
INVERSIONES P.H.R.4, C.A.	VENEZUELA	REAL ESTATE		60.46	60.46	-	26
JARDINES DE SARRIENA, S.L.	SPAIN	REAL ESTATE		85.00	85.00	255	457
LAS PEDRAZAS GOLF, S.L.	SPAIN	REAL ESTATE		50.00	50.00	9,647	66,286
MEDITERRANIA DE PROMOCIONS I GESTIONS INMOBILIARIES, S.A.	SPAIN	REAL ESTATE		100.00	100.00	1,189	1,251
MULTIASISTENCIA OPERADORA, S.A. DE C.V.	MEXICO	INSURANCE		100.00	100.00	121	877
MULTIASISTENCIA SERVICIOS, S.A. DE C.V.	MEXICO	INSURANCE		100.00	100.00	381	1,971
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCE		100.00	100.00	16,913	25,983

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Company	Location	Activity	% voting rights controlled by the Bank			(Thousand euros) Subsidiary data	
			Direct	Indirect	Total	Net carrying amount	Assets as of 31-Dec-2010
OCCIDENTAL HOTELES MANAGEMENT, S.L.	SPAIN	SERVICES		41.67	41.67	87,579	756,194
PARQUE REFORMA SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.		30.00	30.00	3,544	66,363
PENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE		100.00	100.00	156,591	2,529,143
PREVENTIS, S.A.	MEXICO	INSURANCE		90.27	90.27	11,130	28,533
PRO-SALUD, C.A.	VENEZUELA	SERVICES		58.86	58.86	-	-
PROMOTORA DE RECURSOS AGRARIOS, S.A.	SPAIN	SERVICES	100.00	0.00	100.00	139	122
PROMOTORA METROVACESA, S.L.	SPAIN	REAL ESTATE		50.00	50.00	4,412	76,919
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	SPAIN	REAL ESTATE		58.50	58.50	184	339
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE		100.00	100.00	8,938	9,456
RIVER OAKS TRUST CORPORATION	U.S.	FINANCIAL SERVICES		100.00	100.00	1	1
ROMBO COMPAÑÍA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERVICES		40.00	40.00	9,849	86,232
SEGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	24.99	75.01	100.00	412,330	2,432,075
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCE		100.00	100.00	31,340	53,778
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES		100.00	100.00	1,099	6,000
SERVICIOS DE ADMINISTRACIÓN PREVISIONAL, S.A.	CHILE	PENSIONS		37.87	37.87	5,460	15,263
SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES		46.14	46.14	4,992	14,226
SERVICIOS ON LINE PARA USUARIOS MÚLTIPLES, S.A. (SOLIUM)	SPAIN	SERVICES		66.67	66.67	4,056	7,710
SERVICIOS TECNOLÓGICOS SINGULARES, S.A.	SPAIN	SERVICES		100.00	100.00	-	20,216
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	20.42	0.93	21.35	15,489	206,836
SOCIETE INMOBILIERE BBV D'ILBARRIZ	FRANCE	REAL ESTATE		100.00	100.00	1,637	1,537
TELEFÓNICA FACTORING ESPAÑA, S.A.	SPAIN	FINANCIAL SERVICES	30.00		30.00	3,694	101,408
TUBOS REUNIDOS, S.A.	SPAIN	INDUSTRIAL		23.99	23.99	50,726	664,368
UNICOM TELECOMUNICACIONES S. DE R.L. DE C.V.	MEXICO	SERVICES		99.98	99.98	1	3
UNITARIA GESTIÓN DE PATRIMONIOS INMOBILIARIOS	SPAIN	REAL ESTATE		100.00	100.00	2,410	2,633
URBANIZADORA SANT LLORENC, S.A.	SPAIN	REAL ESTATE	60.60		60.60	-	108
VIRTUAL DOC, S.L.	SPAIN	SERVICES		70.00	70.00	-	467
VISACOM, S.A. DE C.V.	MEXICO	SERVICES		100.00	100.00	1,134	1,135
VITAMÉDICA, S.A DE C.V.	MEXICO	INSURANCE		50.99	50.99	2,586	9,833
OTHER COMPANIES						6,597	394,804