



**BBVA Group**

“Information of Prudential Relevance”

Basel Accord Pillar III

12-31-2009

## Introduction

Bank of Spain Circular 3/2008 of 22 May 2008 (hereinafter, the Solvency Circular) represents the final development in the legislation of own funds 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, own funds 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, 2009 and was approved by the Group's Audit and Compliance Committee, in its meeting held on March 22, 2010, 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.*

## CONTENTS

Introduction .....	1
CONTENTS .....	2
1 General informational requirements.....	3
2 Information on Total Eligible Capital .....	15
3 Information on Capital Requirements.....	18
4 Credit and dilution risk.....	20
5 Market risk in trading book activities .....	56
6 Operational risk.....	59
7 Investments in capital instruments not included in the trading book .....	60
8 Interest rate risk.....	63
Annex I: Entities within the Consolidation Perimeter of the Solvency Circular.....	65

## 1 General informational requirements

### 1.1 Description of the Consolidated Group and differences among the Consolidated Group

#### 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](http://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 is 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 adaptation of the IFRS-EU to the Spanish credit institution sector came 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 Circular 6/2008 of 26 November 2008.

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 letters 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.

According to the stipulations of said law, however, insurance institutions will not form part of credit institution consolidated groups.

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 71 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.

Annex 1 contains a list of the entities comprising the consolidation perimeter for own funds 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. Argentina and Venezuela notwithstanding, we know of no economic or legal restrictions on our subsidiaries for transferring capital to the controlling institution through dividends, loans or any other means.

## 1.3 Exemptions from capital requirements at the individual or consolidated level

In keeping with the dispositions of Rule Five of the Solvency Circular, on the exemption from individual or consolidated compliance of the aforementioned Rule for Spanish credit institutions belonging to a consolidated 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 Group's general guiding principles for defining and monitoring its risk profile are as follows:

1. The risk management function is unique, independent and global.
2. The 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 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 their independence in the corporate action framework (defined as the set of risk policies and procedures).
5. The risk infrastructure must be suitable in terms of people, tools, databases, information systems and procedures so that there is a clear definition of roles and responsibilities, ensuring efficient assignment of resources among the corporate area and the risk units in business areas.

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 regulatory requirements in each country and to the most advanced practices in the markets in which it pursues its business.

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

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

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

- ✓ 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 Global Risk Area

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

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

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

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

- ✓ The mission of the Risk Management Committee is to develop and implement the Group's risk management model in such a way as to ensure regular follow-up of each type of risk at a global level and in each of the business units. The risk managers from the business areas and the risk managers from the Holding Risk Area are members of this committee.
- ✓ The Technical Operations Committee analyzes and approves, if appropriate, transactions and financial programs to the level of its competency, scaling up those beyond its scope of power to the Risks Committee.
- ✓ The Global Asset Allocation Committee assesses the Group's global risk profile and whether its risk management policies are consistent with its target risk profile; it identifies global risk concentrations and alternatives to mitigate these; it monitors the macroeconomic and competitor environment, quantifying global sensitivities and the foreseeable impact different scenarios will have on risk exposure.
- ✓ The task of the 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 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.
- ✓ The Assets and Liabilities Committee (ALCO) is responsible for actively managing structural liquidity, interest rate and foreign exchange risks, together with the Group's capital resources base.
- ✓ The Liquidity Committee will undertake monitoring of the measures adopted and will verify that the signals which led to it being convened are progressing satisfactorily or, if it so deems necessary, will proceed to convene the Crisis Committee.

#### 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 risk that one of the parties to the financial instrument contract stops complying with its contractual obligations due to the insolvency or incapacity of natural or legal persons or entities and which leads to a financial loss in the other party.

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 herein 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).

Furthermore, the BBVA Group has developed a portfolio model in order to obtain a better economic capital metric for credit risk, taking into account the diversification and concentration effects inherent in its lending structure. This model provides BBVA with a key tool for credit risk management, which has been designed in line with the requirements of Pillar II of the Basel Accord.

The portfolio model, a multi-factor model, considers that risk comes from various sources. This feature implies an increase on economic capital sensitivity related to geographic diversification, a crucial aspect in a global entity like BBVA. The tool is also sensitive to the concentration that may exist in certain credit exposures.

To sum up, the portfolio model includes the following effects:

- ✓ Geographic/sectoral concentration. This uses a matrix that penalizes correlations of assets for each segment/portfolio according to the size of the portfolio and the size of the economy in question.
- ✓ Individual concentration in the Group's largest counterparties.
- ✓ Indirect concentration through the correlation between LGD and default.

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

## 1.4.4.2 Market risk

Market risk is defined as the risk that the fair value of a financial instrument will fluctuate because of changes in market conditions. The risk can be mitigated and even eliminated through hedges using other products (assets/liabilities or derivatives), or by undoing the transaction/open position.

There are four major risk factors:

- ✓ Exchange rate risk: this is the risk resulting from variations in FX exchange rates.
- ✓ Interest rate risk: this is the risk resulting from variations in market interest 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.
- ✓ Commodities risk: this is the risk resulting from changes in the price of traded commodities.

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.

Currently, BBVA S.A. and BBVA Bancomer are authorized by the Bank of Spain to use their internal model to determine capital requirements deriving from risk positions in their trading book, which jointly accounts for 80-90% of the Group's trading book market risk. Since December 2007, the method used for estimating market risk in BBVA S.A. and BBVA Bancomer has been based on historic simulation through the Algorithmics risk assessment platform. The sample period used is two years. The rest of the banks in the Group use a parametric methodology.

In 2009 risk measurements were bolstered to strengthen controls and the application of market risk policies in BBVA in line with the new guidelines from Basel .

The market risk limits model currently in force consists of a global structure comprising economic risk capital (ERC) and VaR, 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 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 back-testing 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 statements. 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@org.com). ORX is a non-profit association founded by twelve international banks in 2002 and currently has 55 members. BBVA is one of its founding partners.

The operational risk events are classified according to the risk classes established by Basel II: processes, fraud (internal and external), IT, human resources, commercial practices and disasters.

## 1.4.4.4 Structural risks

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

- **Structural interest rate risk.** The aim of managing balance-sheet interest rate risk is to maintain Group exposure, in the face of variations in market interest rates, at thresholds in line with its strategy and risk profile.

The Financial Management Unit, through the Assets and Liabilities Committee (ALCO), develops management strategies designed to maximize the economic value of the BBVA banking book by preserving the recurring results through net interest income. To do so, it not only takes market outlook into consideration, but it also ensures that exposure levels match the risk profile defined by the Group's management bodies and that a balance is maintained between expected earnings and the risk level borne. The implementation of 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.

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

The Group's structural interest-rate risk measurement model uses a set of metrics and tools that enable its risk profile to be identified and assessed. From the perspective of characterizing 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. It allows sources of risk to be addressed 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. These negative impacts are controlled in each of the Group's entities through a limits policy.

The risk measurement model is supplemented by scenario analyses and stress tests, as well as sensitivity measurements to a standard deviation of 100 basis points for all the market yield curves.

- **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 BBVA's equity, solvency ratios and its estimated earnings whenever there is exposure deriving from the contribution of subsidiary entities operating in "non-euro" markets. The Financial 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 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 held within levels that are compatible with the Group's target risk profile. The monitoring perimeter of the profile takes in the Group's holdings in the capital of other industrial and financial companies, recorded as the investment portfolio. It includes, for reasons of management prudence and efficiency, the consolidated holdings, although their variations in value have no immediate effect on equity in this case. In order to determine exposure, the positions held in derivatives of underlying assets of the same kind are considered, used to limit portfolio sensitivity to potential falls in prices.

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

- **Liquidity risk.** This is defined as the risk that an entity will not be able to meet payment obligations, or to meet them, will be forced to secure funding 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 (90-day time horizon), which focuses basically on the management of payments and collections of Treasury and Markets, calculates the Bank's possible liquidity requirements; and the structural, long-term approach, which focuses on the financial management of the balance sheet as a whole, with a minimum monitoring time frame of one year.

The evaluation of asset liquidity risk is based on whether or not 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 – listed or otherwise – are only considered to represent a second line of liquidity for the Group when analyzing crisis situations.

In BBVA, it is the Financial Management unit that is responsible for integral liquidity management. To do so, it takes account of a broad framework of limits, sublimits and alerts approved by the Executive Committee. These limits are independently measured and controlled by the Risk area, which at the same time offers managers the support tools and metrics they need to make their decisions.

The BBVA model separates the management and liquidity control functions in different banking subsidiaries, in accordance with a corporate scheme of measurement, control and supervision. Using this model, corresponding daily and monthly analyses are carried out, as well as stress tests at least once a month. In addition, each entity has its own Contingency Plan to address possible situations of tension. The Plan defines the responsibilities of each area in the Group and the hierarchical committees that monitor and resolve possible liquidity tensions.

#### 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 therefore comes within the Integral Risk Management Framework. Said framework is understood as the process within an organization involving its Board of Directors, its management and all its staff, which is designed to identify potential risks facing the institution and which enables them to be managed within the limits defined, in such a way as to reasonably assure that the organization meets its business targets.

This Integral Risk Management Framework is made up of Specialized Units (Risks, Compliance, Accounting and Consolidation, Legal Services), the Internal Control Function and Internal Audit.

The Internal Control Model is underpinned by, amongst others, the following principles:

1. The "process" is the articulating axis of the Internal Control Model.
2. Risk identification, assessment and mitigation activities must be unique for each process.
3. The Group's units are responsible for internal control.

4. 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.
5. The specialized units promote policies and draw up internal regulations, the second-level development and application of which is the responsibility of the Corporate Internal Control Unit.

One of the essential elements in the model is the Institution-Level Controls, a top-level control layer, whose aim is to reduce the overall risk inherent in its business activities.

Each unit's Internal Control 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 the banking approach 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:

- i. Monitoring the achievement of the asset quality targets.
- ii. Monitoring the outstanding risks that are under watch, deteriorating and past due.
- iii. Monitoring trends in concentration, expected loss and capital use in the main risk groups.
- iv. Benchmarking the risk quality parameters.
- v. 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 comprises the Bank's share capital and the 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).
- ✓ Funding for third parties, the aim of which is to acquire shares or other eligible securities as own funds of the awarding institution or of other institutions in its consolidated group, as long as the amount exceeds 1% of the capital outstanding.



- ✓ The outstanding debit balance of each of the net equity accounts reflecting valuation adjustments in financial assets available for sale, through exchange differences and through hedging of net investments of foreign businesses.
- ✓ 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. Holdings in insurance companies when they directly or indirectly account for 20% or more of the subsidiary's capital.

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.
- ✓ Furthermore, preferred 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 will be included.
- ✓ The Solvency Circular has opted for including as eligible 35% of the gross amounts of net capital gains 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 valuation adjustments give rise to capital losses, these are deducted from Basic Capital.
- ✓ The surplus resulting between the sum of the value corrections due to asset impairment and due to provisions for 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 provisions 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 insolvency provisions over expected loss in portfolios assessed under the Advanced Measurement Approach above the aforementioned 0.6% limit.

Furthermore, the book balance for generic provisions 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 provisions 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:

Million euros

Eligible capital resources	Capital Resources	
	2009	2008
Capital	1,837	1,837
Reserves	22,630	20,768
Minority interests	1,245	928
Deductions	-8,315	-9,997
- <i>Goodwill and other intangible assets</i>	-7,248	-8,439
- <i>Treasury stock</i>	-139	-720
- <i>Other deductions</i>	-928	-838
Attributable profit & interim and final dividends	2,587	3,181
Eligible preference shares and other eligible liabilities	7,129	5,391
<b>BASIC CAPITAL</b>	<b>27,113</b>	<b>22,108</b>
Subordinated debt	9,522	9,772
Valuation adjustments in the AFS portfolio	959	482
Surplus on generic provisions	1,922	2,289
<b>ADDITIONAL CAPITAL</b>	<b>12,402</b>	<b>12,543</b>
Other deductions from Basic Capital and Additional Capital (1)	-2,131	-957
<b>TOTAL</b>	<b>37,384</b>	<b>33,694</b>

Notes

(1) Holdings in financial and insurance institutions are divided equally between Basic Capital and Additional Capital.

Furthermore, in accordance with article 6 of Spanish Royal Decree 1332/2005, of 11 November 2005, on the capital adequacy of financial groups and mixed group reporting, there are additional capital resources which come to €1,305 million and €1,129 million as at December 31, 2009 and 2008, respectively.

## 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.

The total amount for Credit Risk includes the positions in securitizations (Standard and Advanced Method) and equity portfolio.

Exposure categories and risk types		Capital Requirements	
		2009	2008
Million euros			
Central Governments and Central Banks	681	924	
Regional Governments and Local Authorities	86	164	
Public Sector Institutions and other Public Entities	134	15	
Multilateral Development Banks	0	0	
Institutions	209	131	
Corporates	4,687	5,713	
Retail <sup>(2)</sup>	1,383	1,982	
Collateralized with real estate property	1,499	930	
Default status	596	317	
High risk	164	104	
Short Term to Institutions and Corporates	8	2	
Mutual funds	4	5	
Other Exposures	792	754	
Securitized balances	255	171	
<b>TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH</b>	<b>10,499</b>	<b>11,210</b>	
Central Governments and Central Banks <sup>(1)</sup>	20		
Institutions	987	1,028	
Corporates	5,639	5,879	
Retail	1,575	1,291	
Of which: Secured by real estate collateral	1,206	1,202	
Of which: Qualifying revolving retail <sup>(2)</sup>	278		
Of which: Other retail assets	91	89	
Equity	966	1,214	
By method:			
Of which: Simple Method	389	537	
Of which: PD/LGD Method	490	568	
Of which: Internal Models	87	108	
By nature:			
Of which: Exchange Traded equity instruments	609	979	
Of which: Equity instruments in sufficiently diversified portfolios	358	235	
Securitization positions	31	22	
<b>TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH</b>	<b>9,220</b>	<b>9,435</b>	
<b>TOTAL CREDIT RISK</b>	<b>19,718</b>	<b>20,645</b>	
Standardized:	38	55	
Of which: Price Risk from fixed income positions	24	47	
Of which: Price Risk from Equity portfolios	14	8	
Advanced: Market Risk	292	381	
<b>TOTAL TRADING-BOOK ACTIVITY RISK</b>	<b>331</b>	<b>435</b>	
<b>EXCHANGE RATE RISK (STANDARDIZED APPROACH)</b>	<b>572</b>	<b>649</b>	
<b>OPERATIONAL RISK (3)</b>	<b>2,585</b>	<b>2,312</b>	
<b>OTHER CAPITAL REQUIREMENTS</b>	<b>82</b>	<b>83</b>	
<b>CAPITAL REQUIREMENTS</b>	<b>23,288</b>	<b>24,124</b>	

**Notes:**

(1) In 2009 the sovereign risks of countries not complying with the conditions of Standard 24.3.d of the Solvency Circular (primarily non-European Economic Area countries) have been calculated using the Advanced Method.

(2) In 2009 the Qualifying Revolving exposures (Credit cards) of BBVA Bancomer were calculated using the Advanced Method.

(3) See Chapter 6

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

Counterparty Risk Trading Book Activities	2009	2008
Standardized Approach	152	350
Advanced Measurement Approach	729	823
<b>Total</b>	<b>881</b>	<b>1,173</b>

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 and dilution 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:
  - i. **Risks due to default:** it 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.
  - ii. **For reasons other than default:** it 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 quantification of the impairment losses on assets classified as impaired is undertaken individually with customers for whom the sum of their operations is equal to or in excess of €1 million.

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).
- ✓ 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 in the following two cases:

- ✓ The assets classified as impaired of customers for whom the sum of their operations is less than €1 million.
- ✓ The portfolio of live assets that are not impaired but which involves an inherent loss.

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 performs the collective estimation of the inherent loss for credit risk corresponding to the operations undertaken by the Group's financial institutions in Spain (approximately 67% of the Group's Loan-book at December 31, 2009), 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 on the quantification of impairment losses and the subsequent loan-loss provisioning for credit risk.

These provisions are within the range of provisions calculated through the Group's internal models which have been approved by the Bank of Spain for certain portfolios for the purposes of estimating the regulatory capital requirements.

Similar methods and criteria are applied for collectively estimating the loss for credit risk corresponding to operations undertaken with non-domestic customers in Spain recorded 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 those 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 financial 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 that, as appropriate, 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 said securitization funds that mean substantially retaining the credit losses expected from the loans transferred.

The Group only has traditional securitizations and no synthetic securitizations as at December 31 2009 and 2008.

## 4.2 Information on credit and dilution 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 provisions under the Advanced Measurement and Standardized Approaches as at December 31, 2009 and 2008. Pursuant to the provisions of section one of Rule Twenty-eight in the Solvency Circular, presentation is made solely of the Exposure Net of Provisions for those exposures calculated under the Standardized Approach.

Million euros 12/31/2009

Category of exposure	Original Exposure <sup>(1)</sup>	Provisions <sup>(2)</sup>	Exposure Net of provisions <sup>(3)</sup>
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	0	68
Institutions	10,321	-5	10,316
Corporates	81,583	-853	80,729
Retail <sup>(6)</sup>	33,688	-129	33,559
Collateralized with real estate property	37,873	-59	37,814
Default status	9,019	-1,952	7,067
High risk	1,505	-33	1,472
Short Term to Institutions and Corporates	481	-	481
Mutual funds	51	0	51
Other Exposures	16,648	-744	15,904
<b>TOTAL STANDARDIZED APPROACH</b>	<b>259,320</b>	<b>-3,860</b>	<b>255,460</b>
Central Governments and Central Banks <sup>(5)</sup>	1,168	-3	
Institutions	72,824	-41	
Corporates	168,936	-2,912	
Retail	79,160	-947	
<i>Of which: Secured by real estate collateral</i>	67,211	-397	
<i>Of which: Qualifying revolving retail <sup>(6)</sup></i>	8,612	-419	
<i>Of which: Other retail</i>	3,337	-130	
<b>TOTAL ADVANCED MEASUREMENT APPROACH</b>	<b>322,088</b>	<b>-3,903</b>	
<b>TOTAL CREDIT RISK DILUTION AND DELIVERY <sup>(5)</sup></b>	<b>581,408</b>	<b>-7,764</b>	
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	
<b>TOTAL CREDIT RISK</b>	<b>597,878</b>	<b>-8,276</b>	

**Notes**

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

(2) It includes provisions for the Impairment of assets (financial and non-financial) and other valuation adjustments, with the exception of the generic provision included in the capital base as more Additional Capital, as per Rule Eight in the Solvency Circular.

(3) Exposures are adjusted solely by provisions in the case of exposures by the Standardized Approach.

(4) It does not include positions in securitizations or equity.

(5) In 2009 the sovereign risk of countries not complying with the conditions of Standard 24.3.d of the Solvency Circular (primarily non-European Economic Area countries) have been calculated using the Advanced Method.

(6) In 2009 the Qualifying Revolving Exposures (Credit Cards) of BBVA Bancomer were calculated using the Advanced Method.

Million euros

12/31/2008

Category of exposure	Original Exposure <sup>(1)</sup>	Provisions <sup>(2)</sup>	Exposure Net of provisions <sup>(3)</sup>
Central Governments and Central Banks	51,681	-13	51,669
Regional Governments and Local Authorities	5,323	-21	5,302
Public Sector Institutions and other Public Entities	930	0	929
Multilateral Development Banks	3	-	3
International Organizations	16	0	16
Institutions	15,770	-17	15,752
Corporates	90,667	-420	90,248
Retail	45,175	-357	44,817
Collateralized with real estate property	31,311	-83	31,227
Default status	5,336	-1,535	3,801
High risk	1,028	-12	1,016
Short Term to Institutions and Corporates	95	-	95
Mutual funds	59	0	59
Other Exposures	28,171	-281	27,890
<b>TOTAL STANDARDIZED APPROACH</b>	<b>275,566</b>	<b>-2,741</b>	<b>272,825</b>
Institutions	75,354	-91	
Corporates	192,034	-1,492	
Retail	67,607	-790	
<i>Secured by real estate collateral</i>	64,442	-642	
<i>Other retail</i>	3,165	-147	
<b>TOTAL ADVANCED MEASUREMENT APPROACH</b>	<b>334,995</b>	<b>-2,373</b>	
<b>TOTAL CREDIT RISK DILUTION AND DELIVERY <sup>(4)</sup></b>	<b>610,561</b>	<b>-5,114</b>	
Securitization positions	3,810	-233	
Standardized Approach	1,457	-149	1,308
Advanced Measurement Approach	2,354	-85	
Equity	9,469	-26	
Simple Method	2,560	-3	
Equity instruments in sufficiently diversified portfolios	706	-3	
Exchange Traded equity instruments	1,853	0	
PD/LGD Method	6,380	-10	
Internal Models	530	-13	
<b>TOTAL CREDIT RISK</b>	<b>623,840</b>	<b>-5,374</b>	

**Notes**

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

(2) It includes provisions for the Impairment of assets (financial and non-financial) and other valuation adjustments, with the exception of the generic provision included in the capital base as more Additional Capital, as per Rule Eight in the Solvency Circular.

(3) Exposures are adjusted solely by provisions in the case of exposures by the Standardized Approach.

(4) It does not include positions in securitizations or equity.

## 4.2.2 Average value of the exposures throughout 2009

Million euros	12/31/2009
Category of exposure	Original Average Exposure for the Period
Central Governments and Central Banks	62,669
Regional Governments and Local Authorities	6,588
Public Sector Institutions and other Public Entities	3,707
Multilateral Development Banks	15
International Organizations	89
Institutions	11,150
Corporates	81,023
Retail	37,112
Collateralized with real estate property	35,868
Default status	6,099
High risk	1,556
Short Term to Institutions and Corporates	309
Mutual funds	54
Other Exposures	24,363
<b>TOTAL STANDARDIZED APPROACH</b>	<b>270,602</b>
Central Governments and Central Banks	1,278
Institutions	70,305
Corporates	179,112
Retail	75,694
<i>Of which: Secured by real estate collateral</i>	66,005
<i>Of which: Qualifying revolving retail</i>	6,431
<i>Of which: Other retail assets</i>	3,258
<b>TOTAL ADVANCED MEASUREMENT APPROACH</b>	<b>326,389</b>
<b>TOTAL CREDIT RISK DILUTION AND DELIVERY</b>	<b>596,991</b>
Securitization positions	5,925
Of which: Standardized Approach	3,387
Of which: Advanced Measurement Approach	2,538
Equity	7,626
Of which: Simple Method	1,892
Equity instruments in sufficiently diversified portfolios	1,081
Exchange Traded equity instruments	811
Of which: PD/LGD Method	5,330
Of which: Internal Models	405
<b>TOTAL CREDIT RISK</b>	<b>610,542</b>

## 4.2.3 Distribution by geographical area

The following graphs present the distribution by significant geographical area of the Original Exposure. The distribution includes exposure under the Standardized and Advanced Measurement Approaches, without including positions in securitizations or equity.

Million euros

12/31/2009

Category of exposure	Total	Original Exposure by geographical area				
		Spain and the rest of the EU	Mexico	USA & Puerto Rico	South America	Rest of world
Central Governments and Central Banks	55,075	30,586	12,039	3,011	9,260	180
Regional Governments and Local Authorities	5,526	2,141	1,390	1,421	523	50
Public Sector Institutions and other Public Entities	7,470	1,594	40	5,172	660	4
Institutions	10,321	2,785	2,553	1,454	2,933	596
Corporates	81,583	23,290	19,028	24,464	14,159	641
Retail	33,688	18,761	766	5,012	8,667	483
Collateralized with real estate property	37,873	16,820	7,330	8,129	5,560	34
Rest of Exposures	27,785	14,437	4,341	4,727	4,065	215
<b>TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH</b>	<b>259,320</b>	<b>110,414</b>	<b>47,486</b>	<b>53,390</b>	<b>45,828</b>	<b>2,202</b>
Central Governments and Central Banks	1,168	364	3	199	291	311
Institutions	72,824	66,403	94	3,020	171	3,135
Corporates	168,936	143,640	3,144	9,771	3,850	8,531
Retail	79,160	70,381	8,618	15	23	122
<b>TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH</b>	<b>322,088</b>	<b>280,788</b>	<b>11,860</b>	<b>13,005</b>	<b>4,335</b>	<b>12,099</b>
<b>TOTAL CREDIT RISK DILUTION AND DELIVERY (1)</b>	<b>581,408</b>	<b>391,203</b>	<b>59,346</b>	<b>66,395</b>	<b>50,163</b>	<b>14,301</b>

Note:

(1)It does not include positions in equity or securitizations.

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.

Million euros

12/31/2009

GEOGRAPHICAL AREA	TOTAL EXPOSURE	Spain and the rest of the EU	Mexico	USA & Puerto Rico	South America	Rest of world
<b>NON PERFORMING AND IMPAIRED EXPOSURES</b>	<b>15,928</b>	<b>11,992</b>	<b>1,269</b>	<b>1,858</b>	<b>772</b>	<b>37</b>

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 balances in equity or in securitizations.

Category of exposure	12/31/2009							
	Total	Original Exposure by sector						
		Financial Institutions, Insurance and Brokerage	Public sector	Industrial	Energy	Construction	Retail	Other Sectors
Central Governments and Central Banks	55,075		21.2%					
Regional Governments and Local Authorities	5,526		2.1%					
Public Sector Institutions and other Public Entities	7,470		2.5%					0.2%
Institutions	10,321	3.9%						
Corporates	81,583	0.4%		4.3%	0.7%	2.8%	1.7%	21.4%
Retail	33,688	0.1%		0.6%	0.3%	1.0%	6.6%	4.4%
Collateralized with real estate property	37,873	0.1%		0.4%			9.6%	4.0%
Rest of Exposures	27,785	2.8%	0.7%	0.6%		0.8%	2.5%	3.2%
<b>TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH</b>	<b>259,320</b>	<b>7.3%</b>	<b>26.6%</b>	<b>6.0%</b>	<b>1.1%</b>	<b>5.1%</b>	<b>20.5%</b>	<b>33.4%</b>
Central Governments and Central Banks	1,168		0.4%					
Institutions	72,824	16.3%	7.4%					-1.1%
Corporates	168,936	6.1%	0.7%	11.9%	6.0%	4.3%		23.5%
Retail	79,160			0.4%		0.5%	20.7%	2.9%
<b>TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH</b>	<b>322,088</b>	<b>22.5%</b>	<b>8.4%</b>	<b>12.3%</b>	<b>6.0%</b>	<b>4.9%</b>	<b>20.7%</b>	<b>25.2%</b>
<b>TOTAL CREDIT RISK DILUTION AND DELIVERY (1)</b>	<b>581,408</b>	<b>15.7%</b>	<b>16.5%</b>	<b>9.5%</b>	<b>3.8%</b>	<b>5.0%</b>	<b>20.6%</b>	<b>28.9%</b>

Note:

(1) It does not include positions in equity or securitizations.

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.

COUNTERPARTY	12/31/2009				
	TOTAL EXPOSURE (*)	Financial Institutions	Public sector	Corporates	Retail and Others
<b>NON PERFORMING AND IMPAIRED EXPOSURES</b>	<b>15,928</b>	<b>2.3%</b>	<b>2.2%</b>	<b>62.5%</b>	<b>33.1%</b>

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:

Million euros 12/31/2009

Category of exposure (1)	Total	Original Exposure by residual maturity		
		Less than 1 year	Between 1 and 5 years	Over 5 years
Central Governments and Central Banks	55,075	19,436	17,725	17,913
Regional Governments and Local Authorities	5,526	1,467	1,022	3,036
Public Sector Institutions and other Public Entities	7,470	3,742	1,983	1,744
Institutions	10,321	4,949	3,033	2,339
Corporates	81,583	35,498	24,302	21,783
Retail	33,688	9,641	11,246	12,802
Collateralized with real estate property	37,873	2,471	5,954	29,448
Other Exposures (1)	27,785	722	472	923
<b>TOTAL CREDIT RISK BY THE STANDARDIZED APPROACH</b>	<b>259,320</b>	<b>77,926</b>	<b>65,739</b>	<b>89,988</b>
Central Governments and Central Banks	1,168	517	321	330
Institutions	72,824	27,799	21,441	23,583
Corporates	168,936	61,914	52,558	54,464
Retail	79,160	8,719	2,894	67,547
<b>TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH</b>	<b>322,088</b>	<b>98,949</b>	<b>77,214</b>	<b>145,925</b>
<b>TOTAL CREDIT RISK DILUTION AND DELIVERY (2)</b>	<b>581,408</b>	<b>176,875</b>	<b>142,953</b>	<b>235,913</b>

### Notes

(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) It does not include positions in securitizations or equity.

## 4.2.6 Provisions for impairment losses

The following table presents the movement recorded in the years 2009 and 2008 in the provisions for impairment losses of financial assets on the balance sheet and of contingent liabilities and commitments, including country risk, generic and specific funds.

Million euros 12/31/2009

Item	Provisions on Balance Sheet	Provisions for Contingent Liabilities & Commitments	Total
<b>BALANCE BoY 2009</b>	<b>7,740</b>	<b>421</b>	<b>8,161</b>
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	0	0	0
Institutions disposed of during the year	0	0	0
Transfers to written-off loans	-3,878	0	-3,878
Exchange differences and others	-280	-8	-288
<b>BALANCE EoY 2009</b>	<b>9,202</b>	<b>243</b>	<b>9,445</b>
Of which:	0	0	0
For impaired portfolio	6,055	239	6,294
For current non-impaired portfolio	3,148	3	3,151

**Note:** Solvency perimeter

Million euros

12/31/2008

Item	Provisions on Balance Sheet	Provisions for Contingent Liabilities & Commitments	Total
<b>BALANCE BoY 2008</b>	<b>7,187</b>	<b>546</b>	<b>7,733</b>
Increase in impairment charged to income	4,590	97	4,687
Decrease in impairment credited to income	-1,457	-216	-1,673
Institutions acquired by the Group during the year	1	0	1
Institutions disposed of during the year	-4	0	-4
Transfers to written-off loans	-1,951	0	-1,951
Exchange differences and others	-626	-6	-632
<b>BALANCE EoY 2008</b>	<b>7,740</b>	<b>421</b>	<b>8,161</b>
Of which:			
For impaired portfolio	3,509	325	3,834
For current non-impaired portfolio	4,231	96	4,327

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 Monte Carlo 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 horizon is divided up into intervals of time and, for each interval, the risk factors (interest rates, exchange rates, spreads) underlying the instruments are simulated. Based on the valuations of the positions obtained through the occurrence of the risk factors, it is possible to aggregate them into a single exposure for each counterparty (depending on the existence of risk for the Group) applying the different hierarchies that define this exposure (i.e., applying, if they exist, collateral and/or netting agreements).

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 operations under the auspices of the limits is measured in terms of mark-to-market valuation plus the potential risk with Monte Carlo 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 subscribed 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 signed 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, said 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 signed.

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 the credit quality of the same (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

Regarding derivatives operations, as a general policy, the Group does not subscribe 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, 2009:

▪ Gross positive fair value of the contracts	32,251
▪ Positive effects arising from Compensation Agreements (netting agreements)	25,667
▪ Credit exposure after netting and before collateral assigned	22,777
▪ Collateral assigned	3,612
▪ Credit exposure after netting and collateral assigned	19,165

In 2008 the gross positive fair value of the OTC Derivatives transactions amounted to €41,464 million. The positive effects of the netting agreements stood at €30,510 million, and credit exposure after netting and collateral assigned was at €28,231 million.

By adding all the other counterparty risk (basically resale and repurchase agreements) to the derivatives, the Original Exposure amounts to €47,359 million and €71,586 million as at December 31, 2009 and 2008, respectively.

#### 4.3.2.1 Credit derivative transactions

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

Million euros 12/31/2009

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
Of which: Protection purchased	30,433	17,933	11,529	261	709
Of which: Protection sold	28,189	15,948	11,449	70	722

The Group does not currently have credit derivatives used for its own lending portfolio.

As at December 31, 2008, the notional amount of the credit derivatives purchased and sold used in intermediation activities was €29,113 million and €26,838 million, respectively.

## 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 those involving Central Governments and Central Banks. Likewise, for the categories of Financial and Public Institutions country exposure ratings are applied, as stipulated in the Solvency Circular.

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:

Million euros 12/31/2009

Category of exposure	Exposure Net of Provisions							Total
	Risk weighting							
	0%	20%	35%	50%	75%	100%	150%	
Central Governments and Central Banks (3)	45,192	126	0	2,468	0	7,257	22	55,065
Regional Governments and Local Authorities	603	4,427	0	208	0	281	0	5,519
Public Sector Institutions and other Public Entities	388	6,088	0	1	0	926	0	7,402
Multilateral Development Banks	0	9	0	4	0	0	0	13
International Organizations	68	0	0	0	0	0	0	68
Institutions	0	8,297	0	903	0	1,115	0	10,316
Corporates	0	4,497	0	2,647	0	73,360	225	80,729
Retail	0	0	0	0	33,559	0	0	33,559
Collateralized with real estate property	0	0	23,137	7,794	0	6,882	0	37,814
Default status	0	0	0	20	0	6,232	815	7,067
High risk	0	0	0	0	0	77	1,395	1,472
Short Term to Institutions and Corporates	0	481	0	0	0	0	0	481
Mutual funds	0	1	0	0	0	50	0	51
Other Exposures	5,933	29	0	0	0	9,939	3	15,904
<b>TOTAL <sup>(1)</sup></b>	<b>52,184</b>	<b>23,955</b>	<b>23,137</b>	<b>14,046</b>	<b>33,559</b>	<b>106,120</b>	<b>2,460</b>	<b>255,460</b>

**Notes**  
(1) It does not include securitization positions.

Million euros 12/31/2008

Category of exposure	Exposure Net of Provisions							Total
	Risk weighting							
	0%	20%	35%	50%	75%	100%	150%	
Central Governments and Central Banks	22,322	20,402	-	613	-	8,317	15	51,669
Regional Governments and Local Authorities	11	3,112	-	1,408	-	768	4	5,302
Public Sector Institutions and other Public Entities	458	222	-	-	7	242	-	929
Multilateral Development Banks	-	3	-	-	-	-	-	3
International Organizations	16	-	-	-	-	-	-	16
Institutions	-	14,829	-	361	-	562	1	15,752
Corporates	-	558	-	1,731	-	87,547	411	90,248
Retail	-	-	-	-	44,817	-	-	44,817
Collateralized with real estate property	-	-	26,189	280	-	3,948	810	31,227
Default status	-	-	-	58	-	3,247	496	3,801
High risk	-	-	-	1	-	135	880	1,016
Short Term to Institutions and Corporates	-	95	-	-	-	-	-	95
Mutual funds	-	-	-	-	-	59	-	59
Other Exposures	17,724	161	0	2	53	9,805	144	27,890
<b>TOTAL <sup>(1)</sup></b>	<b>40,531</b>	<b>39,382</b>	<b>26,189</b>	<b>4,454</b>	<b>44,876</b>	<b>114,631</b>	<b>2,762</b>	<b>272,825</b>

**Notes**  
(2) It does not include securitization positions.

There follows a presentation of 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.

Million euros

12/31/2009

Category of exposure	Fully Adjusted Value of the exposure (1)								Total
	Risk weighting								
	0%	20%	35%	50%	75%	100%	150%		
Central Governments and Central Banks	44,204	126	0	2,470	0	7,257	22	54,079	
Regional Governments and Local Authorities	603	4,432	0	208	0	281	0	5,524	
Public Sector Institutions and other Public Entities	388	6,036	0	1	0	881	0	7,305	
Multilateral Development Banks	0	9	0	4	0	0	0	13	
International Organizations	68	0	0	0	0	0	0	68	
Institutions	0	9,866	0	905	0	1,123	0	11,895	
Corporates	0	4,451	3	2,904	0	70,942	225	78,526	
Retail	0	0	0	0	31,985	0	0	31,985	
Collateralized with real estate property	0	0	23,131	7,748	0	6,840	0	37,719	
Default status	0	0	0	20	0	6,228	813	7,061	
High risk	0	0	0	0	0	67	1,350	1,417	
Short Term to Institutions and Corporates	0	481	0	0	0	0	0	481	
Mutual funds	0	1	0	0	0	50	0	51	
Other Exposures	6,802	29	0	0	0	9,915	9	16,755	
<b>TOTAL (2)</b>	<b>52,065</b>	<b>25,431</b>	<b>23,135</b>	<b>14,261</b>	<b>31,985</b>	<b>103,583</b>	<b>2,420</b>	<b>252,880</b>	

Notes

(1) It is defined as the value of the exposure net of provisions, following the application of risk mitigation techniques.

(2) It does not include securitization positions.

Million euros

12/31/2008

Category of exposure	Fully Adjusted Value of the exposure (1)								Total
	Risk weighting								
	0%	20%	35%	50%	75%	100%	150%		
Central Governments and Central Banks	21,963	19,285	0	588	0	7,866	14	49,716	
Regional Governments and Local Authorities	7	3,123	0	1,408	0	768	4	5,311	
Public Sector Institutions and other Public Entities	438	212	0	0	6	223	0	880	
Multilateral Development Banks	0	3	0	0	0	0	0	3	
International Organizations	16	0	0	0	0	0	0	16	
Institutions	696	17,877	227	473	0	510	1	19,784	
Corporates	0	548	0	1,695	0	84,098	402	86,743	
Retail	0	0	0	0	44,407	1	0	44,407	
Collateralized with real estate property	0	0	28,164	301	0	4,225	0	32,690	
Default status	0	0	0	61	0	3,398	524	3,984	
High risk	0	0	0	0	0	19	955	974	
Short Term to Institutions and Corporates	0	95	0	0	0	0	0	95	
Mutual funds	0	0	0	0	0	59	0	59	
Other Exposures	17,801	155	66	3	51	9,447	146	27,669	
<b>TOTAL (2)</b>	<b>40,921</b>	<b>41,299</b>	<b>28,457</b>	<b>4,530</b>	<b>44,464</b>	<b>110,614</b>	<b>2,046</b>	<b>272,330</b>	

Notes

(1) It is defined as the value of the exposure net of provisions, 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 SA Finanzia Banco de Crédito Uno-E Bank	Financial Institutions
	Public Institutions
	Corporates
	SMEs
	Developers
	Retail Mortgages
	Specialist Finance
Finanzia Banco de Crédito	Autos Finanzia
BBVA Ireland	Corporates
	Financial Institutions
BBVA Bancomer	Retail Revolving (Credit Cards)
BBVA Group	Equity portfolios

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).

In June 2009, the Bank of Spain authorized the BBVA Group to use the method based on internal classifications (IRB Method) to determine capital requirements at the consolidated level of the credit exposures evaluated by the BBVA Bancomer credit card model. Said model was also authorized by Mexico's national banking and exchange authority (Comisión Nacional Bancaria y de Valores - CNBV) at the local level.

The Group maintains its calendar established 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 estimated 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 estimations are a vital component of management based on value creation, giving rise to 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.

Regarding processes of retail admission, 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 corporates and institutions. The activities are carried out, within certain analytical and qualitative fields, by realizing periodic 360 degree 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 and follow-up of their proper execution to be carried out. In this context, the weaknesses of the rating systems are identified and managed, with monitoring function as the main driving force of new developments and evolutionary 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's 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:** 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.



- ✓ **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:

- **Spain Mortgages:** 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.
- **CF Automobiles:** in BBVA Finanzia, 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.
- **BBVA Bancomer credit cards:** the manager or product specialist party gathers the necessary information on the client (personal, financial information and authorization of the consult from the external bureau) 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 the customer as a result of their classification in the lending process.

#### 4.5.1.7 Definitions, methods and data for estimation and validation of PD

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 treated as a separate unit in terms of credit risk, whereby the fact that a customer defaults on one of their transactions does not mean that their other transactions are considered to have defaulted.
- ✓ 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 risk parameters 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 that 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.

The PD estimates made in the Group are transferred to the Group's Master Scale, which is no more than a uniform and readily understandable adjustment of the different levels of credit quality, whereby a comparison can be made in terms of credit quality between different portfolios and which, moreover, is comparable with the scales used by external agencies.

In those cases in which there is insufficient data available in the databases of historical records for making an empirical estimate, use is made of data provided by external rating agencies. This method is applied to low default portfolios (LDP) and to those for which there is not expected to be a sufficient number of future defaults for making sufficiently reliable estimates. This process involves the empirical PDs observed by External Credit Assessment Institutions for obtaining the PD of internal risk groups.

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.

Regarding low default portfolios (LDP), there is insufficient historical experience to make a reliable estimation using the *Workout* LGD method, so use is made of external sources of information that are 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). This involves an internal model that loads the empirical estimations of loss given default up to the level expected at the worst moment in the cycle.

These estimates are made for those portfolios whose loss given default is noticeably sensitive to the cycle. Determination is made for each portfolio of the different ways the recovery cycles can conclude, 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 at 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 default, whereas the customer approach analyzes the exposure's evolution through to the moment of default by the customer.

Once again, low default portfolios (LDP) record few instances of default, which means there is insufficient historical experience for making a reliable estimation with the *Workout* LGD method. 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):

Million euros

12/31/2009

Categories of Exposure	Balance on Balance Sheet Reassigned (1)	Balance off Balance Sheet Reassigned (2)	Exposure Reassigned (3) (1+2)	EAD (4)	PD-TTC (%)	DLGD (%)	RW (%)
Central Governments and Central Banks (5)	1.189	905	2.094	1.644	0,79	36,73	15,49
From AAA to A-	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	0	0	0	0	21,16	39,89	226,72
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+ to BB-	2.256	286	2.541	2.413	0,90	28,11	62,06
From B+ to B-	78	15	93	88	5,55	42,86	170,97
C	25	0	25	25	21,19	45,00	281,79
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
From B+ to B-	18.402	5.356	23.758	21.303	3,63	30,30	87,09
C	408	63	470	448	21,23	31,10	186,86
D	5.031	668	5.700	5.359	100,00	37,40	83,29
Retail	74.151	5.009	79.160	75.735	5,65	15,50	26,00
Of which: 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
Of which: Qualifying revolving retail (6)	3.788	4.823	8.612	5.327	11,71	68,90	65,31
From A+ to A-	0	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
Of which: 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	0	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
<b>TOTAL BY CATEGORY AND OBLIGOR GRADE</b>	<b>246.127</b>	<b>82.148</b>	<b>328.275</b>	<b>290.533</b>	<b>3,96</b>	<b>29,54</b>	<b>37,48</b>

**Notes**

(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.

(5) In 2009 the sovereign risks of countries not complying with the conditions of Standard 24.3.d of the Solvency Circular (primarily non-European Economic Area countries) have been calculated using the Advanced Method.

(6) In 2009 the Qualifying Revolving Exposures (Credit cards) of BBVA Bancomer were calculated using the Advanced Method.

Million euros

12/31/2008

Categories of Exposure	Balance on Balance Sheet Reassigned (1)	Balance off Balance Sheet Reassigned (2)	Exposure Reassigned (3) (1+2)	EAD (4)	PD-TTC (%)	DLGD (%)	RW (%)
<b>Institutions</b>	66,650	10,046	76,696	72,176	0.16	28.73	17.81
From AAA+ to AA-	38,028	4,016	42,044	40,378	0.03	29.57	13.83
From A+ to A-	20,311	4,299	24,610	22,539	0.06	26.78	15.20
From BBB+ to BBB-	5,911	1,432	7,343	6,665	0.18	30.51	31.42
From BB+ to BB-	2,283	277	2,559	2,462	0.87	26.64	64.92
From B to B-	58	8	66	65	3.89	44.76	156.77
C	13	8	21	17	21.22	44.89	244.20
D	47	5	52	50	100.00	75.90	16.56
<b>Corporates</b>	116,712	73,213	189,926	157,425	2.08	37.27	46.68
Of which: Total exposures assigned to obligor grades or pools of exposures.	111,386	69,549	180,935	150,123	2.08	37.27	44.95
From AAA+ to AA-	13,371	7,890	21,261	17,535	0.03	29.17	11.82
From A+ to A-	21,730	18,520	40,250	32,122	0.07	40.27	22.11
From BBB+ to BBB-	31,087	24,874	55,961	45,382	0.19	40.25	40.40
From BB+ to BB-	33,061	14,405	47,465	40,861	0.87	35.67	66.24
From B+ to B-	10,087	3,396	13,483	11,910	3.56	33.91	89.62
C	90	32	122	115	20.10	33.06	196.18
D	1,960	433	2,393	2,199	100.00	44.71	91.22
<b>Retail</b>	67,503	204	67,707	67,544	4.80	11.22	23.90
Of which: Secured by real estate collateral	64,251	191	64,442	64,285	4.61	10.22	23.37
From A+ to A-	2,161	17	2,177	2,164	0.10	9.89	2.17
From BBB+ to BBB-	3,932	35	3,967	3,938	0.24	13.89	6.19
From BB+ to BB-	21,743	90	21,833	21,760	1.02	9.99	12.96
From B+ to B-	33,392	50	33,443	33,401	3.71	9.24	28.00
C	1,876	0	1,876	1,876	18.26	14.10	82.13
D	1,146	-	1,146	1,146	100.00	24.35	89.10
Of which: Other retail	3,252	13	3,264	3,259	10.13	30.84	34.23
From AAA+ to AA-	673	-	673	673	0.03	44.98	4.72
From BBB+ to BBB-	9	-	9	9	0.32	45.00	27.27
From BB+ to BB-	340	8	348	344	1.20	25.72	29.11
From B+ to B-	1,790	4	1,794	1,793	5.73	24.41	39.09
C	250	-	250	250	13.14	23.31	44.93
D	190	-	190	190	100.00	59.92	88.42
<b>Equity PD/LGD Method</b>	6,380	0	6,380	6,380	0.13	87.06	237.82%
From AAA+ to AA-	300	0	300	300	0.09	65.00	70.68
From A+ to A-	4,320	0	4,320	4,320	0.10	65.32	98.80
From BBB+ to BBB-	1,733	0	1,733	1,733	0.20	65.01	148.42
From BB+ to BB-	23	0	23	23	0.92	65.03	182.99
From B+ to B-	4	0	4	4	2.55	65.00	235.08
<b>TOTAL BY CATEGORY AND OBLIGOR GRADE</b>	<b>257,245</b>	<b>83,463</b>	<b>340,708</b>	<b>303,526</b>	<b>2.19</b>	<b>30.49</b>	<b>38.76</b>

**Notes**

(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

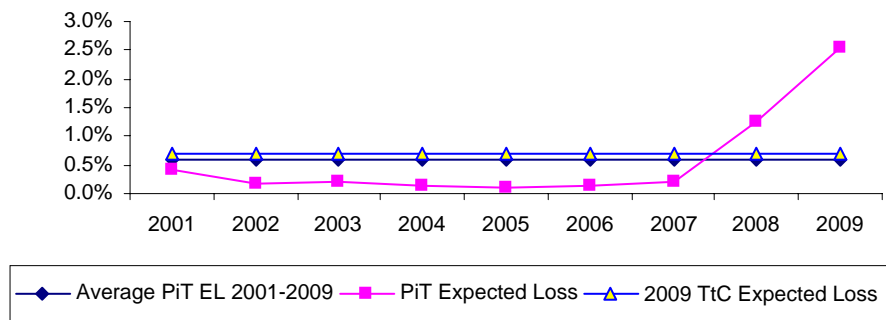
The following graphs compare the expected loss adjusted to the cycle calculated according to the Group's core internal models in Spain approved by the Bank of Spain, with the effective loss incurred between 2001 and 2009. They also present the average effective loss between 2000 and 2009 in accordance with the following:

- Estimated expected loss calculated with the internal models calibrated to 2009, and adjusted to the economic cycle (light blue 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 (2000-2009) multiplied by the stressed LGD (red 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 (2001-2009) calculated as the average effective PD 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. Regarding 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 reason the comparison is not shown.

## Retail mortgages

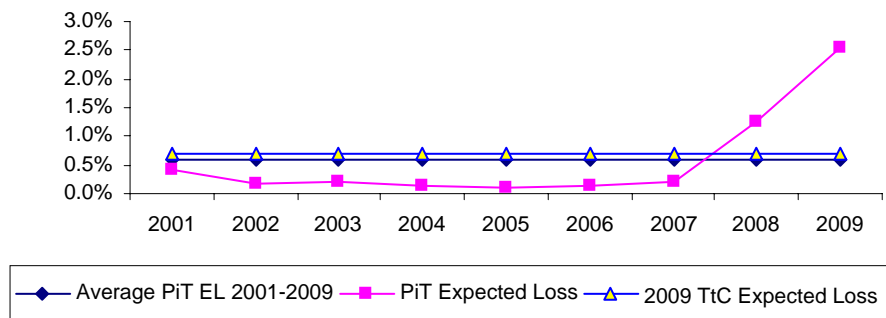
Despite the downturn in the economic environment, the effective loss in 2009 is below the estimated annual average expected loss for an entire economic cycle. This is due to the conservative criteria included in the internal models and to the risk management approach pursued within the Group.



## 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.

Just as in those years of highest economic growth the effective loss was lower than the average expected loss for an economic cycle calculated according to internal models, the opposite occurs in 2009, which is consistent with the sharp economic slowdown recorded and with the financial difficulties businesses had to cope with in 2008 and 2009.



## Trends in impairment losses

The table below shows the impairment losses on financial assets and contingent liabilities and commitments that, when compared to the previous period, reflect the increased efforts in loan-loss provisions carried out by the Group which has continued to apply criteria of maximum prudence. A detailed analysis of the Group's more problematic portfolios has been completed. Provisions of the Consumer Finance unit of Spain and Portugal have been anticipate, the parameters of expected loss due to the recalibration of the internal credit card models in Mexico have been made more strict, the valuation of collateral associated with the commercial real estate portfolio of the United States has been updated and additional provisions have been made under a criterion of anticipation.

Million euros		
	2009	2008
Financial assets	5,439	2,926
Of which:		
<i>Recovery of written-off assets</i>	-185	-192
Contingent exposure and commitments (recoveries)	-170	-119
<b>Total impairment losses</b>	<b>5,268</b>	<b>2,807</b>

Note: Solvency perimeter

### 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, when calculation is made of the risk-weighted value of the specialized lending exposures:

Million euros		12/31/2009	
Risk weighting	Factor	Original Exposure (1)	
		2009	2008
1	50%	191	290
	70%	0	0
2	70%	4,080	3,245
	90%	5,197	5,434
3	115%	23	0
4	250%	47	21
5	0%	1	0
<b>TOTAL</b>		<b>9,539</b>	<b>8,991</b>

Note

(1) Gross exposure before risk mitigation



## 4.5.5 Risk-weighted value of equity exposures

Below is a presentation of the risk-weighted value of the equity exposures as at December 31, 2009 and 2008.

Original Exposure	2009	2008
Risk Weighting Simple Method	1,913	2,560
190%	883	706
290%	780	1,853
370%	250	0
PD/LGD Method	6,187	6,380
Internal Models Method	361	530
<b>TOTAL</b>	<b>8,461</b>	<b>9,469</b>

## 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, adjusting 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.

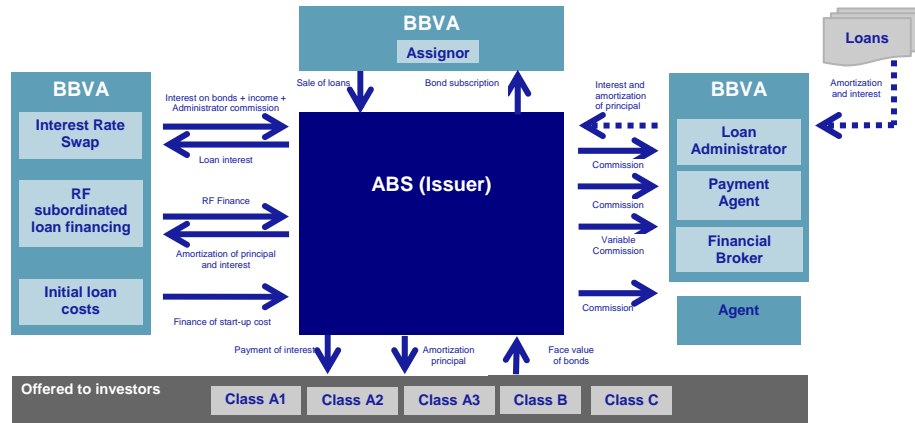
The definition of the strategy and the execution of the operations, as with all other wholesale finance and capital management, is supervised by the Assets & Liabilities Committee, obtaining the pertinent internal authorizations directly from the Board of Directors or from the Executive Committee.

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 provisions, 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.

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, but instead 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:

Million euros 12/31/2009

Security Type	Exposure Type	Tranche	EAD broken down by ECAI tranches						
			Standard			Advanced			
			20%	50%;100%; 350%	1250%	6-10%;12-18%; 20-35%	50- 75%;100%;	250-425- 625%	1250%
Investment	Balance-sheet exposure	Preferential	3,631	0	0	1,085	0	0	0
		Intermediate	0	97	0	9	18	10	0
	First-loss	Preferential	0	0	0	0	0	0	0
		Intermediate	0	0	0	0	0	0	0
	Off-balance-sheet exposure	Preferential	0	0	0	0	0	0	0
		Intermediate	0	0	0	0	0	0	0
<b>TOTAL</b>			<b>3,631</b>	<b>97</b>	<b>0</b>	<b>1,095</b>	<b>18</b>	<b>10</b>	<b>0</b>
Retained	Balance-sheet exposure	Preferential	731	0	0	1,251	0	0	0
		Intermediate	0	744	0	25	0	15	0
	First-loss	Preferential	0	0	93	0	0	0	93
		Intermediate	0	0	0	0	0	0	0
	Off-balance-sheet exposure	Preferential	0	0	0	0	0	0	0
		Intermediate	0	0	0	0	0	0	0
<b>TOTAL</b>			<b>731</b>	<b>744</b>	<b>104</b>	<b>1,275</b>	<b>0</b>	<b>15</b>	<b>93</b>

Million euros 12/31/2008

Security Type	Exposure Type	Tranche	EAD broken down by ECAI tranches						
			Standard			Advanced			
			20%	50%;100%; 350%	1250%	6-10%;12-18%; 20-35%	50- 75%;100%;	250-425- 625%	1250%
Investment	Balance-sheet exposure	Preferential	0	0	0	1,668	0	0	0
		Intermediate	0	0	0	36	26	0	0
	First-loss	Preferential	0	0	0	0	0	0	6
		Intermediate	0	0	0	0	0	0	0
	Off-balance-sheet exposure	Preferential	0	0	0	0	0	0	0
		Intermediate	0	0	0	0	0	0	0
<b>TOTAL</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>1,704</b>	<b>26</b>	<b>0</b>	<b>6</b>
Retained	Balance-sheet exposure	Preferential	1,146	0	0	525	0	0	0
		Intermediate	0	5	0	0	0	0	0
	First-loss	Preferential	0	0	134	0	0	0	94
		Intermediate	0	0	0	0	0	0	0
	Off-balance-sheet exposure	Preferential	0	0	0	0	0	0	0
		Intermediate	0	0	0	0	0	0	0
<b>TOTAL</b>			<b>1,146</b>	<b>5</b>	<b>157</b>	<b>525</b>	<b>0</b>	<b>0</b>	<b>94</b>

## 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

There follows a table with the current balance corresponding to the underlying assets of the Group's originated securitizations, in which risk transfer criteria are not fulfilled, by type of asset:

Million euros		
Type of asset	Current balance	
	2009	2008
Commercial and residential mortgages	24,537	25,711
Credit cards	0	
Financial leasing	21	25
Lending to corporates or SMEs	6,407	2,286
Consumer lending	1,801	947
Receivables	3	7
Securitization balances	0	
Others	208	269
<b>TOTAL</b>	<b>32,976</b>	<b>29,245</b>

There follows a table with 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:

Million euros		12/31/2009	
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	0	0	0
Securitization balances	0	0	0
Others	0	0	0
<b>TOTAL</b>	<b>12,838</b>	<b>653</b>	<b>79</b>

**Notes**

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

Million euros		12/31/2008	
Type of asset	Current balance	Of which: Non-Performing Exposures (1)	
Commercial and residential mortgages	7,567	90	
Credit cards	-	-	
Financial leasing	2,311	46	
Lending to corporates or SMEs	2,609	87	
Consumer lending	4,172	202	
Receivables	-	-	
Securitization balances	-	-	
Others	-	-	
<b>TOTAL</b>	<b>16,659</b>	<b>426</b>	

**Notes**

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

The Group has not securitized positions in revolving structures.

During 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.

## 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. At December 31, 2008, the fair value of all the collaterals taken exceeded the assets covered. There follows a detail of the main collaterals available in the Group:

- **Real estate mortgage collateral:** the collateral is the residential property upon which the loan is arranged.

As at December 31, 2009, the average amount outstanding balance on the corresponding loans is 54% of the real estate mortgage collateral and 55% as at December 31, 2008.

- **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 collateral.** 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 assurance 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 real estate collateral of the Advanced Measurement Approach stand at €51,220 million and €57,311 million as at December 31, 2009 and 2008, respectively.

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

Million euros 12/31/2009

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	0	0	1,631
Regional Governments and Local Authorities	0	0	1
Public Sector Institutions and other Public Entities	15	0	78
Institutions	0	0	18
Corporates	106	94	758
Retail	513	45	0
Collateralized with real estate property	0	31	14
Default status	0	2	5
High risk	0	7	20
Short Term to Institutions and Corporates	0	22	0
Other Exposures	0	0	55
<b>TOTAL EXPOSURE VALUE AFTER GUARANTEES</b>	<b>634</b>	<b>200</b>	<b>2,580</b>

Million euros 12/31/2008

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	0	0	68
Regional Governments and Local Authorities	0	0	1
Public Sector Institutions and other Public Entities	0	0	5
Institutions	15	0	25
Corporates	141	99	1,029
Retail	281	27	0
Collateralized with real estate property	0	109	0
Default status	56	3	4
High risk	0	6	1
Other Exposures	22	23	27
<b>TOTAL EXPOSURE VALUE AFTER GUARANTEES</b>	<b>515</b>	<b>268</b>	<b>1,161</b>

## 4.7.3 Hedging based on personal guarantees

According to the Solvency Circular, **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.

The Group does not currently have credit derivatives used for hedging.

In the category of Retail exposure under the advanced approach, 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:

Million euros

Categories of Exposure	Exposure covered by personal guarantees	
	2009	2008
Regional Governments and Local Authorities	2	2
Public Sector Institutions and other Public Entities	5	3
Institutions	61	47
Corporates	1,790	527
Retail	1,097	190
Collateralized with real estate property	49	7
Default status	0	3
High risk	28	34
Other Exposures	1	12
<b>TOTAL EXPOSURE STANDARIZED MODEL COVERED BY GUARANTEES</b>	<b>3,033</b>	<b>826</b>
<b>ADVANCED METHOD</b>		
Central Governments and Central Banks	510	0
Institutions	655	317
Corporates	7,075	8,886
<b>TOTAL EXPOSURE ADVANCED MODEL COVERED BY GUARANTEES</b>	<b>8,240</b>	<b>9,203</b>
<b>TOTAL</b>	<b>11,273</b>	<b>10,029</b>

## 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 Circular

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 derivatives, 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.

The Bank of Spain has authorized the use of the internal model for measuring price risk for the purposes of calculating own funds requirements, 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 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.

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 and economic crisis scenarios drawn up by its Economic Research Department.

- ✓ Historical crisis scenarios: Once the critical periods that are to be used have been defined, the development of the risk factors is applied to reevaluate 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. The Market Stress Committee 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 market activities to be identified, assessing the impact certain changes in their risk drivers will have on them, a task which is performed by the Market Risk areas in the various units in the Group. 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 the Economic Research Department.

### 5.2.4 Back-testing

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

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 Finance Department from the business units' management systems. Consistency between the results obtained and resulting risk level is verified.

## 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 Senior Management 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 calculating 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 own funds requirements for specific private placement and equity price risk, the Group is in the process of incorporating event and default risk, in compliance with more recent directives from the regulators, and incremental default risk charge.

## 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.

### 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).

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 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.

In conclusion, it should be highlighted that the calculation driver used is the Opvision tool developed by QRR, Indra and the Group.

## 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.

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. Said 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 account.

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 conveyance 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 of any kind.
- ✓ 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.

Million euros 12/31/2009

Item	Book value			Total
	Permanent Investment Portfolio (1)	Available-for-sale financial assets	Other financial assets with changes in P&L	
12/31/2009	6,583	6,326	418	13,327
12/31/2008	3,455	7,853	292	11,599

### Notes

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

The fair value of the permanent investment portfolio, calculated on the basis of the official listing price of the listed companies was €476 million and €31 million above the book value as at December 31, 2009 and 2008, respectively.

## 7.4 Exposure in equity investments

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.

Million euros		12/31/2009	
Item	Type of Exposure (1)		
	Non-derivatives	Derivatives	
Exchange Traded Instruments	5,629	-56	
Non-Exchange Traded Instruments	2,916	-27	
Included in sufficiently diversified portfolios	2,916	-27	
Other instruments	0	0	
<b>TOTAL POSITIONS IN EQUITY</b>	<b>8,545</b>	<b>-84</b>	

Notes

(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.

Million euros		12/31/2008	
Item	Type of Exposure (1)		
	Non-derivatives	Derivatives	
Exchange Traded Instruments	7,894	-105	
Non-Exchange Traded Instruments	1,680	-	
Included in sufficiently diversified portfolios	1,680	-	
Other instruments	-	-	
<b>TOTAL POSITIONS IN EQUITY</b>	<b>9,574</b>	<b>-105</b>	

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

Profits in equity instruments included under Additional Capital stood at €830 million as at December 31, 2009, the majority of which correspond to 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-à-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 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 in 2009:

SUBSIDIARIES	Average Impact Net Interest Income (*)		Average Impact Economic Value (**)	
	Increase of 100 basis points	Decrease of 100 basis points	Increase of 100 basis points	Decrease of 100 basis points
Europe	-3.63%	+3.96%	+0.45%	-0.72%
BBVA Bancomer	+1.28%	-1.27%	-2.89%	+2.59%
Compass Bancshares, Inc	+0.83%	-0.23%	+1.26%	-4.19%
BBVA Puerto Rico	+3.57%	-3.20%	-1.68%	+1.01%
BBVA Chile	-0.64%	+0.52%	-6.15%	+4.87%
BBVA Colombia	+1.83%	-1.85%	-1.85%	+1.93%
BBVA Banco Continental	+1.78%	-1.79%	-5.38%	+5.94%
BBVA Banco Provincial	+0.71%	-0.71%	-1.58%	+1.68%
BBVA Banco Francés	+0.86%	-0.87%	+0.13%	-0.17%

(\*) Percentage relating to "1 year" Net Interest Income forecast in each entity.

(\*\*) Percentage relating to each entity's Capital Base.

## Annex I: 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

Company	Location	Activity	% of Voting Rights			Thousand euros (*)	
			Direct	Indirect	Total	Subsidiary	
						Data	Subsidiary Data
			Controlled by the Bank				
ADMINISTRAD. DE FONDOS PARA EL RETIRO-BANCOMERS.S.A DE C.V.	MEXICO	PENSIONS	17.50	82.50	100.00	322,688	163,686
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA, S.A. (AFP PROVIDA)	CHILE	PENSIONS	12.70	51.62	64.32	258,163	472,233
ADPROTEL STRAND, S.L.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	3	319,717
AFP GENESIS ADMINISTRADORA DE FONDOS Y FIDEICOMISOS, S.A.	ECUADOR	PENSIONS	0.00	100.00	100.00	3,879	6,527
AFP HORIZONTE, S.A.	PERU	PENSIONS	24.85	75.15	100.00	39,118	62,782
AFP PREVISION BBV-ADM.DE FONDOS DE PENSIONES S.A.	BOLIVIA	PENSIONS	75.00	5.00	80.00	2,063	10,723
ALMACENES GENERALES DE DEPOSITO, S.A.E. DE	SPAIN	PORTFOLIO	83.90	16.10	100.00	12,649	118,816
ALTTITUDE INVESTMENTS LIMITED	UNITED KINGDOM	NO ACTIVITY	51.00	0.00	51.00	615	762
AMERICAN FINANCE GROUP, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	13,337	14,540
ANIDA CARTERA SINGULAR, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	-555,210	221,961
ANIDA DESARROLLOS SINGULARES, S.L.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	-106,837	1,190,622
ANIDA GRUPO INMOBILIARIO, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	198,357	440,882
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	PORTFOLIO	0.00	100.00	100.00	108,055	86,029
ANIDA INMUEBLES ESPAÑA Y PORTUGAL, S.L.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	3	129,120
ANIDA OPERACIONES SINGULARES, S.L.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	-30,226	1,772,683
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPessoal, LTDA	PORTUGAL	REAL ESTATE INSTR.	0.00	100.00	100.00	5	23,538
APLICA SOLUCIONES ARGENTINAS, S.A.	ARGENTINA	SERVICES	0.00	100.00	100.00	1,424	2,350
APLICA SOLUCIONES GLOBALES, S.L.	SPAIN	SERVICES	100.00	0.00	100.00	57	77,770
APLICA TECNOLOGIA AVANZADA, S.A. DE C.V.	MEXICO	SERVICES	100.00	0.00	100.00	4	44,932
ARAGON CAPITAL, S.L.	SPAIN	PORTFOLIO	99.90	0.10	100.00	37,925	32,883
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	658,953	664,232
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM.LDA	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	5,300	53,169
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.	PANAMA	BANKING	54.11	44.81	98.92	19,464	1,374,863
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	9.52	90.48	100.00	378,916	7,009,350
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	0.00	68.18	68.18	447,965	9,188,004
BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO, S.A.	PUERTO RICO	BANKING	0.00	100.00	100.00	165,725	3,815,865
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	0.00	100.00	17,049	625,593
BANCO CONTINENTAL, S.A.	PERU	BANKING	0.00	92.08	92.08	638,802	7,263,761
BANCO DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	BANKING	0.00	99.82	99.82	15,152	33,107
BANCO DEPOSITARIO BBVA, S.A.	SPAIN	BANKING	0.00	100.00	100.00	1,595	1,100,017
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	0.00	99.93	99.93	97,220	278,987
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	16,384	17,913
BANCO PROVINCIAL OVERSEAS N.V.	NETHERLANDS ANTILLES	BANKING	0.00	100.00	100.00	30,085	317,243
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.85	53.75	55.60	148,879	11,265,237
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	1,783	652
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	5,524	6,684
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	35	24
BANCOMER TRANSFER SERVICES, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	16,642	72,931
BBV AMERICA, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	479,328	880,229
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SPAIN	SECURITIES	70.00	0.00	70.00	1,331	10,126
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	2,759	3,536
BBVA ASSET MANAGEMENT ADMINISTRADORA GENERAL DE FONDOS S.A.	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	13,567	15,183
BBVA ASSET MANAGEMENT, S.A. - SGIC	SPAIN	FINANCIAL SERV.	17.00	83.00	100.00	11,436	186,612
BBVA BANCO DE FINANCIACION S.A.	SPAIN	BANKING	0.00	100.00	100.00	64,200	2,338,428
BBVA BANCO FRANCÉS, S.A.	ARGENTINA	BANKING	45.65	30.36	76.01	51,151	4,293,968
BBVA BANCOMER FINANCIAL HOLDINGS, INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	34,156	28,917
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	23,476	28,348
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	26,623	180,141
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	343	8,200
BBVA BANCOMER, S.A. DE C.V.	MEXICO	BANKING	0.00	100.00	100.00	5,173,428	59,039,672
BBVA BRASIL BANCO DE INVESTIMENTO, S.A.	BRASIL	BANKING	100.00	0.00	100.00	16,166	40,040
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	FINANCIAL SERV.	99.94	0.06	100.00	297	29,906
BBVA CAPITAL FINANCE, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	60	2,988,033
BBVA CAPITAL FUNDING, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	0	945,645
BBVA CARTERA DE INVERSIONES SICAV S.A.	SPAIN	VARIABLE CAPITAL	100.00	0.00	100.00	118,449	119,042
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	76.20	19.23	95.43	262,780	6,484,031
BBVA COMERCIALIZADORA LTDA.	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	-723	267
BBVA COMPASS CONSULTING & BENEFITS, INC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	12,194	12,501
BBVA COMPASS INVESTMENT SOLUTIONS, INC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	37,893	40,893
BBVA CONSULTING ( BEIJING) LIMITED	CHINA	FINANCIAL SERV.	0.00	100.00	100.00	477	339
BBVA CORREDORA TECNICA DE SEGUROS LIMITADA	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	5,590	7,784
BBVA CORREDORES DE BOLSA, S.A.	CHILE	SECURITIES	0.00	100.00	100.00	35,008	381,675
BBVA DINERO EXPRESS, S.A.U	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	2,186	8,306
BBVA E-COMMERCE, S.A.	SPAIN	SERVICES	100.00	0.00	100.00	30,878	35,804
BBVA FACTORING LIMITADA (CHILE)	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	4,568	18,864
BBVA FIDUCIARIA, S.A.	COLOMBIA	FINANCIAL SERV.	0.00	100.00	100.00	17,052	19,462
BBVA FINANCE (UK), LTD.	UNITED KINGDOM	FINANCIAL SERV.	0.00	100.00	100.00	3,324	23,498
BBVA FINANCE SPA.	ITALY	FINANCIAL SERV.	100.00	0.00	100.00	4,648	6,747
BBVA FINANCIAMIENTO AUTOMOTRIZ, S.A.	CHILE	PORTFOLIO	0.00	100.00	100.00	115,284	115,344
BBVA FINANZIA, S.p.A.	ITALY	FINANCIAL SERV.	50.00	50.00	100.00	38,300	454,316
BBVA FUNDOS, S Gestora Fundos Pensões,S.A.	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	998	6,957
BBVA GEST, S.G.DE FUNDOS DE INVESTIMENTO MOBILIARIO, S.A.	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	998	7,089
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	0	540,013
BBVA GLOBAL MARKETS B.V.	NETHERLANDS	FINANCIAL SERV.	100.00	0.00	100.00	18	17
BBVA GLOBAL MARKETS RESEARCH, S.A.	SPAIN	FINANCIAL SERV.	99.99	0.01	100.00	501	5,079
BBVA HORIZONTE PENSIONES Y CESANTIAS, S.A.	COLOMBIA	PENSIONS	78.52	21.43	99.95	40,171	105,548
BBVA INMOBILIARIA E INVERSIONES, S.A.	CHILE	REAL ESTATE INSTR.	0.00	68.11	68.11	3,998	23,752
BBVA INSTITUICAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	43,626	458,190

## ANNEX I

### ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES COMPOSING THE BBVA GROUP ACCORDING TO THE SOLVENCY CIRCULAR

Company	Location	Activity	% of Voting Rights			Thousand euros (*)	
			Controlled by the Bank			Subsidiary	Subsidiary
			Direct	Indirect	Total	Net Carrying Amount	Assets as of 12.31.09
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	1	503,508
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	60	1,787,316
BBVA INVERSIONES CHILE, S.A.	CHILE	FINANCIAL SERV.	61.22	38.78	100.00	580,584	938,225
BBVA IRELAND PUBLIC LIMITED COMPANY	IRELAND	FINANCIAL SERV.	100.00	0.00	100.00	180,381	1,200,253
BBVA LEASIMO - SOCIEDADE DE LOCAÇÃO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERV.	0.00	100.00	100.00	11,576	34,932
BBVA LEASING S.A. COMPAÑIA DE FINANCIAMIENTO COMERCIAL (COLOMBIA)	COLOMBIA	FINANCIAL SERV.	0.00	100.00	100.00	19,376	110,077
BBVA LUXINVEST, S.A.	LUXEMBOURG	PORTFOLIO	36.00	64.00	100.00	255,843	1,511,080
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERV.	0.00	100.00	100.00	60	82,530
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	100.00	0.00	100.00	22,598	766,239
BBVA PARTICIPACIONES INTERNACIONAL, S.L.	SPAIN	PORTFOLIO	92.69	7.31	100.00	273,365	347,381
BBVA PATRIMONIOS GESTORA SGIC, S.A.	SPAIN	FINANCIAL SERV.	99.98	0.02	100.00	3,907	30,180
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSIONS	100.00	0.00	100.00	12,922	74,200
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERV.	80.00	20.00	100.00	1	495
BBVA PRIVANZA (JERSEY), LTD.	JERSEY	NO ACTIVITY	0.00	100.00	100.00	20,610	22,350
BBVA PUERTO RICO HOLDING CORPORATION	PUERTO RICO	PORTFOLIO	100.00	0.00	100.00	322,837	1,661,36
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERV.	0.00	100.00	100.00	20,976	840,090
BBVA SECURITIES HOLDINGS, S.A.	SPAIN	PORTFOLIO	99.86	0.14	100.00	13,334	53,408
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	23,957	31,664
BBVA SECURITIES OF PUERTO RICO, INC.	PUERTO RICO	FINANCIAL SERV.	100.00	0.00	100.00	4,726	6,576
BBVA SEGUROS INC.	PUERTO RICO	FINANCIAL SERV.	0.00	100.00	100.00	174	4,147
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	60	13,644,130
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	CHILE	FINANCIAL SERV.	0.00	97.49	97.49	12,120	54,429
BBVA SUBORDINATED CAPITAL S.A.U.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	130	3,657,266
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SUIZA	BANKING	39.72	60.28	100.00	55,795	1,106,702
BBVA TRADE, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	6,379	19,206
BBVA U.S. SENIOR S.A.U.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	132	2,222,160
BBVA USA BANCSHARES, INC	UNITED STATES	PORTFOLIO	100.00	0.00	100.00	8,555,593	8,211,206
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES	0.00	100.00	100.00	4,018	4,678
BCL INTERNATIONAL FINANCE, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	0.00	100.00	0	40,336
BILBAO VIZCAYA AMERICA B.V.	NETHERLANDS	PORTFOLIO	0.00	100.00	100.00	746,000	564,988
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	PORTFOLIO	89.00	11.00	100.00	34,771	235,582
BLUE INDICO INVESTMENTS, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	18,228	25,181
BROOKLINE INVESTMENTS, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	33,969	32,395
C B TRANSPORT ,INC.	UNITED STATES	SERVICES	0.00	100.00	100.00	11,872	13,490
CANAL COMPANY, LTD.	JERSEY	NO ACTIVITY	0.00	100.00	100.00	28	834
CAPITAL INVESTMENT COUNSEL, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	19,524	20,977
CARTERA E INVERSIONES S.A. CIA DE	SPAIN	PORTFOLIO	100.00	0.00	100.00	60,541	207,082
CASA DE BOLSA BBVA BANCOMER , S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	51,427	64,478
CIA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.	URUGUAY	NO ACTIVITY	0.00	100.00	100.00	108	174
CIDESSA DOS, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	12,244	12,164
CIDESSA UNO, S.L.	SPAIN	PORTFOLIO	0.00	100.00	100.00	4,754	942,337
CIERVANA, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	53,164	69,418
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERV.	0.00	99.99	99.99	129	284
COMERCIALIZADORA DE SERV.FINANCIER, S.A.	COLOMBIA	SERVICES	0.00	100.00	100.00	510	1,120
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	232,976	173,294
COMPASS ASSET ACCEPTANCE COMPANY, LLC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	336,445	336,445
COMPASS AUTO RECEIVABLES CORPORATION	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	2,900	2,901
COMPASS BANCSHARES, INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	8,192,333	8,812,708
COMPASS BANK	UNITED STATES	BANKING	0.00	100.00	100.00	8,637,425	48,357,800
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	5,109,507	5,109,507
COMPASS FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	6,331	50,031
COMPASS GP,INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	31,793	40,144
COMPASS INSURANCE AGENCY, INC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	121,414	131,005
COMPASS LIMITED PARTNER, INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	4,418,760	4,419,169
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	53,907	55,705
COMPASS MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	1,785,485	1,786,404
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	24	24
COMPASS MULTISTATE SERVICES CORPORATION	UNITED STATES	SERVICES	0.00	100.00	100.00	2,604	2,657
COMPASS SOUTHWEST, LP	UNITED STATES	BANKING	0.00	100.00	100.00	3,627,266	3,643,363
COMPASS TEXAS ACQUISITION CORPORATION	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1,571	1,588
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	24	24
COMPASS TRUST II	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	0	1
COMPASS TRUST IV	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	8	486,080
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	PENSIONS	46.11	53.89	100.00	4,623	36,987
CONSOLIDAR COMERCIALIZADORA, S.A.	ARGENTINA	FINANCIAL SERV.	0.00	100.00	100.00	2,343	7,171
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA, S.A.	PERU	SECURITIES	0.00	100.00	100.00	4,283	9,668
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERV.	0.00	100.00	100.00	0	176,153
CONTINENTAL S.A. SOCIEDAD ADMINISTRADORA DE FONDOS	PERU	FINANCIAL SERV.	0.00	100.00	100.00	5,943	7,054
CONTINENTAL SOCIEDAD TITULIZADORA, S.A.	PERU	FINANCIAL SERV.	0.00	100.00	100.00	393	463
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	1,938	6,791
CORPORACION DE ALIMENTACION Y BEBIDAS, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	138,508	164,282
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	452,431	1,477,996
CORPORACION INDUSTRIAL Y DE SERVICIOS, S	SPAIN	PORTFOLIO	0.00	100.00	100.00	1,251	3,791
DESARROLLADORA Y VENDEDORA DE CASAS, S.A	MEXICO	REAL ESTATE INSTR.	0.00	100.00	100.00	13	13
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	1,372	1,375
DEUSTO, S.A. DE INVERSION MOBILIARIA	SPAIN	PORTFOLIO	0.00	100.00	100.00	14,122	18,374
DINERO EXPRESS SERVICIOS GLOBALES, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	2,042	2,218
ELANCHOVE, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	1,500	4,100
ESPANHOLA COMERCIAL E SERVIÇOS, LTDA.	BRASIL	FINANCIAL SERV.	100.00	0.00	100.00	0	655

## ANNEX I

### ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES COMPOSING THE BBVA GROUP ACCORDING TO THE SOLVENCY CIRCULAR

Company	Location	Activity	% of Voting Rights			Thousand euros (*)	
			Controlled by the Bank			Subsidiary Data	Subsidiary Data
			Direct	Indirect	Total	Net Carrying Amount	Assets as of 12.31.09
EUROPEA DE TITULIZACION, S.A., S.G.F.T.	SPAIN	FINANCIAL SERV.	87.50	0.00	87.50	1,974	17,688
FIDEIC. N° 711. EN BANCO INVEX, S.A. INSTITUCION DE BANCA MULTIPLE, INV	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	0	112,243
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	1,607	1,607
FIDEICOMISO 29764-8 SOCIO LIQUIDADOR POSICION DE TERCEROS	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	14,969	15,228
FIDEICOMISO BBVA BANCOMER SERVICIOS N° F/47433-8, S.A.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	34,587	50,471
FIDEICOMISO N.847 EN BANCO INVEX, S.A., INSTITUCION DE BANCA MULTIPLE	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	25	269,166
FIDEICOMISO N° 402900-5 ADMINISTRACION DE INMUEBLES	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	2,333	2,536
FIDEICOMISO N° 752 EN BANCO INVEX, S.A., INSTITUCION DE BANCA MULTIPLE	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	0	50,683
FIDEICOMISO N° 781en BANCO INVEX, S.A., INSTITUCION DE BANCA MULTIPLE,	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	0	276,505
FIDEICOMISO SOCIO LIQUIDADOR DE OP.FINANC.DERIVADAS	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	10,498	10,703
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	4,222	5,424
FINANCIERA ESPAÑOLA, S.A.	SPAIN	PORTFOLIO	85.85	14.15	100.00	4,522	6,858
FINANZIA, BANCO DE CREDITO, S.A.	SPAIN	BANKING	0.00	100.00	100.00	210,615	7,633,026
FRANCES ADMINISTRADORA DE INVERSIONES, S.A.	ARGENTINA	FINANCIAL SERV.	0.00	100.00	100.00	6,053	9,103
FRANCES VALORES SOCIEDAD DE BOLSA, S.A.	ARGENTINA	FINANCIAL SERV.	0.00	100.00	100.00	1,492	2,497
GENTE BBVA, S.A.	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	-1,909	553
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSIONS	60.00	0.00	60.00	68.30	25,426
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	150	3,666
GFS HOLDINGS INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	8,941	8,941
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	0.00	100.00	110,115	468,642
GRANFIDUCIARIA	COLOMBIA	FINANCIAL SERV.	0.00	90.00	90.00	0	231
GRELAR GALICIA, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	4,720	4,721
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE	MEXICO	FINANCIAL SERV.	99.97	0.00	99.97	6,677,124	6,026,397
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	23,974	25,419
GUARANTY FINANCIAL INSURANCE SOLUTIONS INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	8,941	10,916
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	-20,689	41,594
GUARANTY PLUS PROPERTIES LLC-2	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	32,341	32,461
GUARANTY PLUS PROPERTIES LLC-3	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-4	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-5	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-6	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-7	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-8	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES LLC-9	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
GUARANTY PLUS PROPERTIES, INC-1	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	9,022	9,033
HIPOTECARIA NACIONAL MEXICANA INCORPORAT	UNITED STATES	REAL ESTATE INSTR.	0.00	100.00	100.00	170	275
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	136,901	169,708
HOLDING CONTINENTAL, S.A.	PERU	PORTFOLIO	50.00	0.00	50.00	123,678	677,228
HOLDING DE PARTICIPACIONES INDUSTRIALES 2000, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	3,618	4,487
HOMEOWNERS LOAN CORPORATION	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	7,390	7,817
HUMAN RESOURCES PROVIDER	UNITED STATES	SERVICES	0.00	100.00	100.00	818,763	818,808
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	0.00	100.00	100.00	817,323	817,401
IBERDROLA SERV FINANCIER, S.F.C., S.A.	SPAIN	FINANCIAL SERV.	0.00	84.00	84.00	7,909	9,585
IBERNEGOCIO DE TRADE (antes IBERTRADE, LTD.)	SPAIN	SERVICES	0.00	100.00	100.00	1,583	1,688
INMUEBLES Y RECUPERACION,CONTINENTAL,S.A	PERU	REAL ESTATE INSTR.	0.00	100.00	100.00	1,722	5,735
INVERAHORRO, S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	474	56,713
INVERSIONES BANPRO INTERNACIONAL INC. N.V.	NETHERLANDS ANTILLES	NO ACTIVITY	48.00	0.00	48.00	11,390	32,337
INVERSIONES BAPROBA, C.A.	VENEZUELA	FINANCIAL SERV.	100.00	0.00	100.00	1,307	1,314
INVERSORA OTAR, S.A.	ARGENTINA	PORTFOLIO	0.00	99.96	99.96	2,472	52,064
INVESCO MANAGEMENT N° 1, S.A.	LUXEMBOURG	FINANCIAL SERV.	0.00	100.00	100.00	9,857	10,366
INVESCO MANAGEMENT N° 2, S.A.	LUXEMBOURG	FINANCIAL SERV.	0.00	100.00	100.00	0	11,063
LIQUIDITY ADVISORS, L.P	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	825,654	828,255
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	14,312	18,399
MULTIVAL, S.A.	SPAIN	PORTFOLIO	0.00	100.00	100.00	112	255
OCCIVAL, S.A.	SPAIN	NO ACTIVITY	100.00	0.00	100.00	8,211	9,889
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE INSTR.	0.00	100.00	100.00	54,003	57,734
OPPLUS OPERACIONES Y SERVICIOS, S.A. (Antes STURGES)	SPAIN	SERVICES	100.00	0.00	100.00	1,067	18,946
OPPLUS S.A.C	PERU	SERVICES	0.00	100.00	100.00	600	1,621
PARTICIPACIONES ARENAL, S.L.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	7,552	7,665
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	419,685	437,335
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	42,743	43,347
PI HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	15,044	15,331
PI HOLDINGS NO. 4, INC.	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
PORT ARTHUR ABSTRACT & TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	1,740	2,093
PREMEXSA, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0.00	100.00	100.00	375	725
PRESTACIONES ADMINISTRATIVAS LIMITADA - PROEX LIMITADA	CHILE	FINANCIAL SERV.	0.00	100.00	100.00	447	1,445
PROMOCION EMPRESARIAL XX, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	1,522	12,260
PROVIDA INTERNACIONAL, S.A.	CHILE	PENSIONS	0.00	100.00	100.00	39,129	39,136
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	VENEZUELA	FINANCIAL SERV.	0.00	90.00	90.00	2,668	13,841
PROVINCIAL SDAD. ADMIN DE ENTIDADES DE INV COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERV.	0.00	100.00	100.00	2,194	2,095
PROVIVIENDA, ENTIDAD RECAUDADORA Y ADMIN DE APORTES, S.A.	BOLIVIA	PENSIONS	0.00	100.00	100.00	604	1,444
PROXIMA ALFA INVESTMENTS (IRELAND) LIMITED	IRELAND	FINANCIAL SERV.	0.00	100.00	100.00	317	344
PROXIMA ALFA INVESTMENTS (UK) LLP	UNITED KINGDOM	FINANCIAL SERV.	0.00	51.00	51.00	0	2,143
PROXIMA ALFA INVESTMENTS (USA) LLC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	6,689	1,393
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) II INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	67	63
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) INC.	UNITED STATES	PORTFOLIO	0.00	100.00	100.00	0	6,693
PROXIMA ALFA INVESTMENTS, SGIC, S.A.	SPAIN	FINANCIAL SERV.	100.00	0.00	100.00	0	2,780
PROXIMA ALFA MANAGING MEMBER LLC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	0	0
PROXIMA ALFA SERVICES LTD.	UNITED KINGDOM	FINANCIAL SERV.	0.00	100.00	100.00	0	3,265
PROYECTOS EMPRESARIALES CAPITAL RIESGO I, S.C.R. SIMP, S.A.	SPAIN	VENTURE CAPITAL	100.00	0.00	100.00	114,609	89,963
PROYECTOS INDUSTRIALES CONJUNTOS, S.A. D	SPAIN	PORTFOLIO	0.00	100.00	100.00	3,148	7,504
RIVER OAKS BANK BUILDING, INC.	UNITED STATES	REAL ESTATE INSTR.	0.00	100.00	100.00	14,915	15,834
RIVERWAY HOLDINGS CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	216	7,202
RWHC, INC	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	500,734	501,210
S GESTORA FONDO PUBL.REGUL.MERCADO HIPOT	SPAIN	FINANCIAL SERV.	77.20	0.00	77.20	138	213
SCALDIS FINANCE, S.A.	BELGICA	PORTFOLIO	0.00	100.00	100.00	3,416	3,657
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE	MEXICO	SERVICES	0.00	100.00	100.00	350	1,118
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	2,886	4,067
SMARTSPREAD LIMITED (UK)	UNITED KINGDOM	SERVICES	0.00	99.78	99.78	0	125
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANC.,S.A.	SPAIN	COMERCIAL	100.00	0.00	100.00	114,518	194,234
SOUTHEAST TEXAS TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	491	703
SPORT CLUB 18, S.A.	SPAIN	PORTFOLIO	100.00	0.00	100.00	26,423	43,322
ST. JOHNS INVESTMENTS MANAGEMENT CO.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	3,417	3,593
STATE NATIONAL CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	326	10,739
STATE NATIONAL STATUTORY TRUST II	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	216	7,166
STAVIS MARGOLIS ADVISORY SERVICES, INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	20,021	20,660
TEXAS LOAN SERVICES, LP	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	818,719	819,612
TEXAS REGIONAL STATUTORY TRUST I	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	1,076	35,828
TEXASBANC CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	540	17,992
TMF HOLDING INC.	UNITED STATES	FINANCIAL SERV.	0.00	100.00	100.00	6,820	6,843

**ANNEX I**  
**ADDITIONAL INFORMATION ON JOINTLY-CONTROLLED COMPANIES ACCOUNTED**  
**FOR USING THE PROPORTIONATE CONSOLIDATION METHOD IN THE BBVA**  
**GROUP ACCORDING TO THE SOLVENCY CIRCULAR**

Company	Location	Activity	% of Voting Rights			Thousand euros (*)	
			Controlled by the Bank			Subsidiary	Subsidiary
			Direct	Indirect	Total	Data	Data
						Net Carrying	Assets as of
						Amount	12.31.09
ALTURA MARKETS, SOCIEDAD DE VALORES, S.A.	SPAIN	SECURITIES	50.00	0.00	50.00	12,600	952,234
DISTRANSA RENTRUCKS, S.A.	SPAIN	FINANCIAL SERV.	0.00	42.92	42.92	11,675	58,366
ECASA, S.A.	CHILE	FINANCIAL SERV.	0.00	51.00	51.00	3,847	4,886
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERV.	0.00	51.04	51.04	5,673	54,033
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERV.	0.00	51.00	51.00	54,261	551,872
INVERSIONES PLATCO, C.A.	VENEZUELA	FINANCIAL SERV.	0.00	50.00	50.00	11,270	31,991
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.	0.00	50.00	50.00	9,353	74,488

**ANNEX I**  
**ADDITIONAL INFORMATION ON INVESTMENTS AND JOINTLY-CONTROLLED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD IN THE BBVA GROUP ACCORDING TO THE SOLVENCY CIRCULAR**

Company	Location	Activity	% of Voting Rights			Thousand euros	
			Controlled by the Bank			Subsidiary Data	Subsidiary Data
			Direct	Indirect	Total	Net Carrying Amount	Assets as of 12.31.09
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	0.00	40.00	40.00	3,096	20,609
ALMAGRARIO, S.A.	COLOMBIA	SERVICES	0.00	35.38	35.38	4,297	26,494
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	0.00	100.00	100.00	243,779	565,607
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	GERMANY	REAL ESTATE INSTR.	0.00	100.00	100.00	4,361	19,872
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.	0.00	100.00	100.00	82,235	113,976
ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.	0.00	100.00	100.00	278	913
APOYO MERCANTIL S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	986	133,261
ATUEL FIDEICOMISOS, S.A.	ARGENTINA	SERVICES	0.00	100.00	100.00	2,913	6,328
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	0.00	49.00	49.00	3,848	8,859
BAHIA SUR RESORT, S.C.	SPAIN	NO ACTIVITY	99.95	0.00	99.95	1,422	1,438
BBVA AutoRenting SPA	ITALY	SERVICES	0.00	100.00	100.00	63,642	264,399
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCE	87.78	12.22	100.00	18,962	39,680
BBVA CONSULTORIA, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	4,234	3,550
BBVA ELCANO EMPRESARIAL II, S.C.R., S.A.	SPAIN	VENTURE CAPITAL	45.00	0.00	45.00	48,566	84,607
BBVA ELCANO EMPRESARIAL, S.C.R., S.A.	SPAIN	VENTURE CAPITAL	45.00	0.00	45.00	48,594	84,607
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00	0.00	100.00	1	1
BBVA PROPIEDAD F.I.I.	SPAIN	OTHER INVESTMENTS COMP.	0.00	95.69	95.69	1,415,987	1,544,210
BBVA RE LIMITED	IRELAND	INSURANCE	0.00	100.00	100.00	23,436	57,561
BBVA RENTING, SPA	ITALY	SERVICES	0.00	100.00	100.00	7,891	43,917
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	12,714	35,238
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	42,495	271,906
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCE	0.00	100.00	100.00	40,506	365,173
BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS	SPAIN	INSURANCE	94.30	5.65	99.95	1,037,763	11,582,821
BBVA SERVICIOS, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	5,578	17,003
CAMARATE GOLF, S.A.(*)	SPAIN	REAL ESTATE	0.00	26.00	26.00	4,568	39,396
CHINA CITIC BANK LIMITED CNBC	CHINA	BANKING	10.07	0.00	10.07	1,893,783	125,126,663
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED CIFIH	HONG-KONG	FINANCIAL SERVICES	29.68	0.00	29.68	401,832	13,911,177
COMPANIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	SPAIN	FINANCIAL SERVICES	21.82	0.00	21.82	12,170	63,052
COMPANIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V.	MEXICO	SERVICES	0.00	50.00	50.00	3,646	8,338
COMPASS CUSTODIAL SERVICES, INC.	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
COMPASS INVESTMENTS, INC.	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
COMPASS WEALTH MANAGERS COMPANY	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
CONSOLIDAR ASEGURADORA DE RIESGOS DEL TRABAJO, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	26,931	170,840
CONSOLIDAR CIA. DE SEGUROS DE RETIRO, S.A.	ARGENTINA	INSURANCE	33.79	66.21	100.00	50,757	569,458
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A.(*)	SPAIN	PORTFOLIO	0.00	50.00	50.00	157,098	1,196,635
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	SPAIN	REAL ESTATE	0.00	72.50	72.50	41,370	76,167
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	0.00	98.93	98.93	8,894	7,242
EMPRESA INSTANT CREDIT, C.A.	VENEZUELA	NO ACTIVITY	0.00	100.00	100.00	0	0
FERROMOVIL 3000, S.L.(*)	SPAIN	SERVICES	0.00	20.00	20.00	5,964	678,770
FERROMOVIL 9000, S.L.(*)	SPAIN	SERVICES	0.00	20.00	20.00	4,319	428,236
FIDEICOMISO F/70191-2 PUEBLA (*)	MEXICO	REAL ESTATE	0.00	25.00	25.00	1,929	44,360
FIDEICOMISO F/401555-8 CUATRO BOSQUES (*)	MEXICO	REAL ESTATE	0.00	50.00	50.00	2	8,072
FINANZIA AUTORENTING, S.A.	SPAIN	SERVICES	27.13	72.87	100.00	13,272	613,307
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	209	629
GOBERNALIA GLOBAL NET, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	1,553	2,781
GRUPO PROFESIONAL PLANEACION Y PROYECTOS, S.A. DE C.V.(*)	MEXICO	SERVICES	0.00	44.39	44.39	6,118	25,201
I+D MEXICO, S.A. DE C.V.(*)	MEXICO	SERVICES	0.00	50.00	50.00	15,491	68,938
IMOBILIARIA DUQUE D'AVILA, S.A. (*)	PORTUGAL	REAL ESTATE	0.00	50.00	50.00	5,211	26,138
IMOBILIARIA BILBAO, S.A.	SPAIN	REAL ESTATE INSTR.	0.00	100.00	100.00	3,307	3,838
INMUEBLES MADARIAGA PROMOCIONES, S.L.(*)	SPAIN	REAL ESTATE	50.00	0.00	50.00	3,707	18,717
INVERSIONES P.H.R.4, C.A.	VENEZUELA	NO ACTIVITY	0.00	60.46	60.46	29	48
JARDINES DEL RUBIN, S.A.(*)	SPAIN	REAL ESTATE	0.00	50.00	50.00	2,206	15,579
LAS PEDRAZAS GOLF, S.L.(*)	SPAIN	REAL ESTATE	0.00	50.00	50.00	8,519	74,827
MARQUES DE CUBAS 21, S.L.	SPAIN	REAL ESTATE	100.00	0.00	100.00	1,743	7,544
MEDITERRANEA DE PROMOCIONS I GESTIONS INMOBILIARIES, S.A.	SPAIN	NO ACTIVITY	0.00	100.00	100.00	1,188	1,248
MIRADOR DE LA CARRASCOA, S.L.	SPAIN	REAL ESTATE	0.00	65.77	65.77	1,486	38,866
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	41	678
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	113	1,288
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	8,234	20,208
OCCIDENTAL HOTELES MANAGEMENT, S.L.	SPAIN	SERVICES	0.00	38.53	38.53	84,360	871,949
PENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	0.00	100.00	100.00	227,929	1,751,823
PREVENTIS, S.A.	MEXICO	INSURANCE	0.00	90.27	90.27	6,115	19,751
PROMOTORA METROVACESA, S.L.	SPAIN	REAL ESTATE	0.00	50.00	50.00	8,790	76,015
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	SPAIN	REAL ESTATE	0.00	58.50	58.50	227	387
PRO-SALUD, C.A.	VENEZUELA	SERVICES	0.00	58.86	58.86	0	0
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE	MEXICO	REAL ESTATE	0.00	100.00	100.00	471	9,752
RIVER OAKS TRUST CORPORATION	UNITED STATES	NO ACTIVITY	0.00	100.00	100.00	1	1
ROMBO COMPANIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERVICES	0.00	40.00	40.00	9,083	121,179
SEGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	24.99	75.01	100.00	307,005	1,882,969
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCE	0.00	100.00	100.00	35,771	66,334
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	681	4,072
SERVICIOS DE ADMINISTRACION PREVISIONAL, S.A.	CHILE	PENSION FUND MANAGERS	0.00	37.87	37.87	4,079	7,977
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES	0.00	46.14	46.14	4,193	12,571
SERVICIOS ON LINE PARA USUARIOS MULTIPLES, S.A. (SOLIUM)(*)	SPAIN	SERVICES	0.00	66.67	66.67	3,648	7,842
SERVIREDE SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	20.42	0.93	21.35	20,399	159,257
SOCIETE IMMOBILIERE BBV D'ILBARRIZ	FRANCIA	REAL ESTATE	0.00	100.00	100.00	1,683	1,716
TELEFONICA FACTORING, S.A.	SPAIN	FINANCIAL SERVICES	30.00	0.00	30.00	3,247	76,165
TUBOS REUNIDOS, S.A.	SPAIN	INDUSTRIAL	0.00	23.36	23.36	51,642	749,991