

BBVA

QUARTERLY REPORT

Results

4Q08

2008



2 BBVA GROUP HIGHLIGHTS**3 GROUP INFORMATION**

3 Relevant events

6 Earnings

13 Business activity

18 Capital base

20 The BBVA share

22 RISK AND ECONOMIC CAPITAL MANAGEMENT

22 Risk management

25 Economic profit & risk adjusted return
on economic capital**26 BUSINESS AREAS**

28 Spain and Portugal

33 Wholesale Banking and Asset Management

37 Mexico

41 The United States

44 South America

48 Corporate Activities

51 Information by secondary segments

52 CORPORATE RESPONSIBILITY

BBVA Group Highlights

BBVA Group Highlights						
(Consolidated figures)	31-12-08	Δ%	31-12-07	Excluding one-offs ⁽¹⁾		
				31-12-08	Δ%	31-12-07
BALANCE SHEET (million euros)						
Total assets	543,513	8.2	502,204			
Total lending (gross)	340,441	7.1	317,998			
On-balance sheet customer funds	374,308	11.8	334,844			
Other customer funds	119,017	(21.1)	150,777			
Total customer funds	493,324	1.6	485,621			
Equity	26,679	(4.5)	27,943			
Shareholders' funds	26,586	7.2	24,811			
INCOME STATEMENT (million euros)						
Net interest income	11,891	21.7	9,769	11,891	21.7	9,769
Core revenues	17,721	14.6	15,463	17,721	14.6	15,463
Ordinary revenues	19,853	9.5	18,133	19,126	10.6	17,286
Operating profit	11,279	7.0	10,544	10,552	8.8	9,697
Pre-tax profit	6,926	(18.5)	8,495	7,490	(2.4)	7,675
Net attributable profit	5,020	(18.1)	6,126	5,414	0.2	5,403
DATA PER SHARE AND SHARE PERFORMANCE RATIOS						
Share price	8.66	(48.3)	16.76			
Market capitalisation (million euros)	32,457	(48.3)	62,816			
Net attributable profit per share (euros)	1.35	(20.5)	1.70	1.46	(2.8)	1.50
Book value per share (euros)	7.09	7.2	6.62			
P/BV (Price/book value; times)	1.2		2.5			
PER (Price/earnings ratio; times)	6.5		10.3			
Yield (Dividend/Price; %)	7.1		4.4			
SIGNIFICANT RATIOS (%)						
Operating profit/Average total assets	2.18		2.28	2.04		2.10
ROE (Net attributable profit/Average equity)	21.5		34.2	23.2		30.2
ROA (Net profit/Average total assets)	1.04		1.39	1.11		1.23
Efficiency ratio	38.6		38.1	40.1		39.9
Efficiency ratio including depreciation and amortization	42.1		41.3	43.7		43.3
NPA ratio	2.12		0.89			
NPA coverage ratio	91		225			
CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)						
Total	12.2		13.0			
Core capital	6.2		5.8			
Tier I	7.9		7.3			
OTHER INFORMATION						
Number of shares (million)	3,748		3,748			
Number of shareholders	903,897		889,734			
Number of employees	108,972		111,913			
• Spain	29,070		31,106			
• The Americas	77,928		78,805			
• Rest of the world	1,974		2,002			
Number of branches	7,787		8,028			
• Spain	3,375		3,595			
• The Americas	4,267		4,291			
• Rest of the world	145		142			

N.B.: Non-audited figures.

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

Group information

Relevant events

In 2008, a year marked by the international financial crisis, the BBVA Group again demonstrated its capacity to generate recurrent earnings. Consequently it has grown stronger compared to its competitors, confirming the validity of a business model focused on customers and based on lasting relationships of shared knowledge and mutual trust. BBVA also enjoys ample liquidity and suitable capital adequacy.

All business areas contributed to the Group's earnings and in their respective segments, maintain advantages with their competitors in terms of revenue, efficiency, profitability and asset quality.

BBVA's strength allowed it to stay focused on the priorities it defined at the beginning of the year: advancing on the innovation and transformation plan, integration of its banks in the United States and a deeper strategic alliance with the CITIC Group entailing expanded participation.

The most significant aspects of the Group's performance for the fourth quarter and for the complete year are summarised below:

- In the **fourth quarter** of 2008 the Group obtained operating profit of €2,343m and net attributable profit of €519m. For **2008** as a whole, operating profit came to €11,279m, an increase of 7.0% compared to €10,544m in 2007 and net attributable profit was €5,020m.
- These earnings are a considerable achievement in a year when most large international banking groups have recorded significant falls in revenues and profit, including losses in some cases. In fact, BBVA probably occupies one of the top slots in a worldwide ranking by size of profit in 2008.
- These figures are affected by **non-recurrent earnings** that amounted to a deduction of €395m in 2008: €509m on the sale of an interest in Bradesco in the first quarter, less €602m of provisions for non-recurring early retirements in Spain in the second and fourth quarters, less €302m in a non-recurring provision for the loss derived from the Madoff fraud.

However in 2007 non-recurrent earnings contributed €724m to net attributable profit in the form of capital gains from Iberdrola and the sale of buildings, less funding for the BBVA Microcredit Foundation and provisions for non-recurrent early retirements. Unless otherwise stated, all remarks below **exclude** the above operations thus providing a clearer picture of the Group's earnings.

- **Net attributable profit excluding non-recurrent items** in 2008 came to €5,414m, an increase of 0.2% compared to €5,403m in 2007 (the increase was 4.0% at constant exchange rates).
- **Earnings per share**, which were affected by a capital increase in 2007, came to €1.46, a decline of 2.8% year-on-year. **ROE** stands at 23.2%, which means BBVA remains one of the most profitable large European financial groups. **ROA** was 1.11%.
- The most dynamic component of the Group's revenues is **net interest income**, which grew 21.7% on higher volume of business and action to maintain spreads. **Ordinary revenues** rose 10.6% despite conditions that were much less favourable than in 2007.
- Expenses continued to grow more slowly, in line with the trend in recent quarters. Therefore **operating profit** rose 8.8% to €10,552m (up 13.1% at constant exchange rates) and BBVA's **efficiency** ratio remained one of the best among large European banking groups. Including depreciation the ratio was 43.7% and excluding Compass it came to 41.3% (an improvement compared to 42.1% in 2007).
- **Loan-loss provisions** increased 47.0% during the year due to the rise in non-performing assets and because the Group continues to act with maximum prudence in a very complex economic environment.
- Although asset quality has been impaired by the current economic environment, it is still high and the **non-performing assets ratio** (2.12%) continues to be lower than most of BBVA's competitors. The **coverage ratio** remains high at 91% and the current level of coverage funds stands at €7,830m of which €4,547m is generic.

- BBVA has still no need for asset provisions or write-offs related to the crisis in financial markets other than the above provision for the Madoff case. And it has not carried out any type of portfolio reclassification related to the latest modification of IAS 39.
- In spite of divestments in recent years and the general downturn in the markets, at the end of 2008 the Group still held **latent capital gains** of €1,523m in its portfolios of equity holdings.
- The Group's **capital base** is sound and it continues to generate the funds needed to finance growth. In accordance with Basel II rules, at 31-Dec-08 the Group's core capital came to 6.2% of risk-weighted assets (an improvement on the 5.8% achieved at the end of 2007), Tier 1 was 7.9% and the BIS ratio was 12.2%.
- BBVA paid a third gross interim **dividend** of €0.167 per share against 2008 earnings on 12th January. This is of particular relevance at a time when other banks have eliminated their dividend.
- Additionally and as a complement of the dividends already paid, there will be a proposal for the distribution of the issue premium reserve in kind via the hand over of 60.5 million shares coming from the treasury stock. As a result, total shareholder remuneration against 2008 earnings will come to €0.614 per share with the closing price on 27th January, 2008.
- The market has recognised the Group's comparatively better performance and in a year of sharp falls on stock markets **BBVA's share price** was one of those that suffered least among large European financial groups. In fact, it was the second best in Europe and top in the euro zone.
- In the **Spain & Portugal** Area the main driver of revenue is still net interest income, which rose 10.1% thanks to successful management of business volume. Ordinary revenues increased 6.6% and, helped by a 1.1% decline in expenses (a consequence of the transformation plan), efficiency again improved. Operating profit rose 10.8% and net attributable profit came to €2,625m, an increase of 10.2%.
- Thanks to its business model based on customer franchise, **Wholesale Banking & Asset Management** managed to increase revenue in an especially complicated year and ordinary revenues grew 6.7% year-on-year to €1,714m. It also achieved substantial increases in lending and customer funds (up 30.4% and 48.4%, respectively) without impairing its excellent asset quality. Operating profit came to €1,223m and, after allowing for considerable generic loan-loss provisions, net attributable profit was €754m.
- In **Mexico** lending rose 13.8% and customer funds grew 9.2% in pesos. This boosted net interest income 13.7% and other revenues also rose. Expenses continue to grow more slowly and were outpaced by the rise in revenues. Therefore efficiency improved, leading to increases at constant exchange rates of 16.0% in operating profit and 12.1% in net attributable profit, which came to €1,938m.
- In the **United States** integration of the four banks ended in November when Laredo National Bank merged with Compass Bank and work continued on deploying the new *BBVA Compass* brand. This was accompanied by increases in lending (up 12.3% in dollars) and deposits (up 4.3%). Operating profit came to €686m. After a special effort in loan-loss provisions, net attributable profit came to €211m (€317m excluding the amortisation of intangibles).
- In **South America** the sharp increase in lending (up 18.1% in local currency) and customer funds (up 17.8%), aided by the work to maintain spreads, boosted net interest income 31.1%. Therefore operating profit jumped 28.8%, offsetting the loan-loss provisions required by higher lending, and net attributable profit increased 22.7% at constant rates to €727m.

Economic environment

The international economic crisis was the main feature that characterised **2008**. Financial markets suffered sharp fluctuations during the entire period, with general falls on international stock markets and higher volatility. As the year progressed it became clear that the financial crisis would have a serious tangible impact and that practically no part of the world and no asset would be immune to the consequences.

Faced by this situation governments and central banks drew up important intervention plans, aimed at reactivating economies, increasing the supply of liquidity and bailing out the worst-hit banks. As a

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

result, towards the end of the year tensions in the money markets relaxed (although not in credit markets) following rate cuts.

The **United States** entered recession with business and employment indicators weakening progressively. In view of this scenario and the fall in inflation, the Federal Reserve cut rates several times, from 4.25% at the end of 2007, to a range of 0%-0.25%.

In **Europe** the economy also suffered a sharp decline, which is beginning to affect jobs. **Spain** suffered deterioration of its economy and employment situation, which was particularly intense in the construction sector. After its last rate increase in July and after the risk of inflation was dispelled, the European Central Bank started lowering rates to 2.5%.

In **Latin America** the economic situation was generally positive although there was a noticeable slowdown in the final months of the year accompanied by lower inflation (except in Mexico).

In terms of **exchange rates**, the dollar appreciated slightly against the euro in the fourth quarter but the Mexican, Chilean, Colombian and Argentine pesos fell considerably. In the last 12 months the effect on year-on-year comparisons of the Group's balance sheet is still negative. Currencies with greatest influence have depreciated (the Mexican peso is down 16.5%, the Argentine peso 5.1%, the Chilean peso 17.4% and the Colombian peso 5.0%). These outweigh those that appreciated (the US dollar was up 5.8% and the Venezuelan bolivar fuerte rose 5.9%).

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

Exchange rates ⁽¹⁾					
	Year-end exchange rates			Average exchange rates	
	31-12-08	Δ% on 31-12-07	Δ% on 30-09-08	2008	Δ% on 2007
Mexican peso	19.2334	(16.5)	(19.5)	16.2912	(8.1)
U.S. dollar	1.3917	5.8	1.9	1.4705	(6.8)
Argentine peso	4.9197	(5.1)	(8.0)	4.7078	(8.4)
Chilean peso	885.74	(17.4)	(18.1)	762.78	(6.2)
Colombian peso	3,125.00	(5.0)	(8.6)	2,857.14	(0.6)
Peruvian new sol	4.3678	0.9	0.8	4.2898	(0.1)
Venezuelan bolívar fuerte	2.9884	5.9	2.0	3.1582	(6.9)

(1) Expressed in currency/euro.

The year-on-year comparisons of the BBVA Group's earnings in 2008 are affected by a series of **non-recurrent operations**:

- In the first quarter of **2008** the Group recorded €727m in gross capital gains on the sale of an interest in Bradesco (€509m net). In addition there were gross charges of €470m and €390m in the second and fourth quarters for early retirements of a non-recurrent nature in Spain associated with the transformation plan (€329m and €273m net of tax) and an extraordinary charge in the fourth quarter related to the Madoff embezzlement case (€302m after tax).
- In **2007** the Group recorded €847m in gross capital gains on the sale of an interest in Iberdrola and €273m of gross capital gains from the sale of property in connection with the new corporate headquarters. These

Consolidated income statement

(Million euros)	2008	Δ%	Δ% at constant exchange rates	2007
Core net interest income	11,444	21.5	27.0	9,422
Dividends	447	28.5	28.8	348
NET INTEREST INCOME	11,891	21.7	27.1	9,769
Income by the equity method	293	21.1	21.2	242
Net fee income	4,687	(0.8)	3.0	4,723
Income from insurance activities	851	16.8	20.9	729
CORE REVENUES	17,721	14.6	19.3	15,463
Net trading income	1,405	(22.9)	(21.6)	1,823
ORDINARY REVENUES	19,126	10.6	14.9	17,286
Net revenues from non-financial activities	82	(56.5)	(56.3)	188
Personnel costs	(4,716)	8.8	12.0	(4,335)
General expenses	(3,040)	11.9	16.7	(2,718)
Depreciation and amortization	(699)	21.1	25.6	(577)
Other operating income and expenses	(201)	37.5	49.2	(146)
OPERATING PROFIT	10,552	8.8	13.1	9,697
Impairment losses on financial assets	(3,026)	56.1	63.3	(1,938)
• Loan-loss provisions	(2,797)	47.0	53.8	(1,902)
• Other	(229)	n.m.	n.m.	(36)
Provisions	(142)	29.1	31.5	(110)
Other income/losses	106	n.m.	n.m.	25
• From disposal of equity holdings	13	22.2	33.2	11
• Other	93	n.m.	n.m.	14
PRE-TAX PROFIT	7,490	(2.4)	1.3	7,675
Corporate income tax	(1,710)	(13.8)	(10.6)	(1,983)
NET PROFIT	5,780	1.6	5.5	5,691
Minority interests	(366)	26.6	33.4	(289)
NET ATTRIBUTABLE PROFIT (excluding one-offs)	5,414	0.2	4.0	5,403
Net of one-off operations ⁽¹⁾	(395)	n.m.	n.m.	724
NET ATTRIBUTABLE PROFIT	5,020	(18.1)	(15.3)	6,126
EARNINGS PER SHARE CALCULATION				
Average ordinary shares in circulation (million)	3,706	3.1		3,594
Basic earnings per share excluding one-offs (euros)	1.46	(2.8)		1.50
Basic earnings per share (euros)	1.35	(20.5)		1.70
Diluted earnings per share (euros)	1.35	(20.5)		1.70

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

Consolidated income statement: quarterly evolution

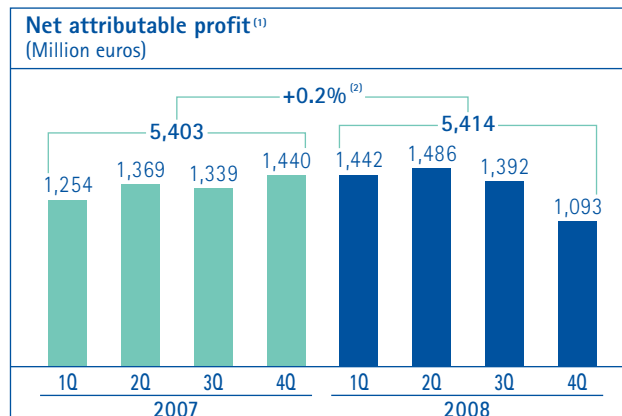
(Million euros)	2008				2007			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Core net interest income	3,029	2,971	2,766	2,678	2,625	2,381	2,217	2,199
Dividends	45	161	185	56	120	30	163	35
NET INTEREST INCOME	3,073	3,132	2,952	2,734	2,745	2,411	2,380	2,233
Income by the equity method	25	95	34	139	81	57	77	26
Net fee income	1,145	1,183	1,184	1,175	1,270	1,168	1,152	1,133
Income from insurance activities	255	203	195	199	205	183	170	171
CORE REVENUES	4,498	4,612	4,365	4,247	4,301	3,819	3,780	3,564
Net trading income	93	220	541	552	339	402	535	547
ORDINARY REVENUES	4,591	4,832	4,905	4,799	4,639	4,221	4,315	4,110
Net revenues from non-financial activities	20	29	7	26	49	26	61	52
Personnel costs	(1,188)	(1,185)	(1,165)	(1,178)	(1,189)	(1,079)	(1,032)	(1,035)
General expenses	(827)	(740)	(743)	(730)	(775)	(665)	(650)	(628)
Depreciation and amortization	(187)	(174)	(161)	(177)	(184)	(147)	(127)	(120)
Other operating income and expenses	(65)	(48)	(47)	(41)	(37)	(34)	(45)	(30)
OPERATING PROFIT	2,343	2,714	2,795	2,700	2,503	2,323	2,522	2,349
Impairment losses on financial assets	(910)	(931)	(618)	(566)	(597)	(459)	(509)	(372)
• Loan-loss provisions	(802)	(853)	(596)	(545)	(584)	(452)	(498)	(367)
• Other	(108)	(77)	(23)	(21)	(13)	(7)	(11)	(5)
Provisions	(27)	21	5	(141)	70	(11)	(46)	(123)
Other income/losses	44	3	(4)	63	11	16	(15)	13
• From disposal of equity holdings	5	-	-	9	16	-	(1)	(4)
• Other	39	3	(5)	55	(5)	16	(15)	18
PRE-TAX PROFIT	1,449	1,807	2,178	2,056	1,987	1,869	1,952	1,867
Corporate income tax	(258)	(316)	(617)	(520)	(483)	(455)	(504)	(541)
NET PROFIT	1,191	1,491	1,561	1,536	1,504	1,414	1,447	1,327
Minority interests	(98)	(99)	(75)	(94)	(63)	(75)	(78)	(72)
NET ATTRIBUTABLE PROFIT (excluding one-offs)	1,093	1,392	1,486	1,442	1,440	1,339	1,369	1,254
Net of one-off operations	(575)	-	(329)	509	(70)	44	54	696
NET ATTRIBUTABLE PROFIT	519	1,392	1,157	1,951	1,370	1,382	1,423	1,950

were offset by charges of €200m to cover funding of the BBVA Microcredit Foundation and €100m in the fourth quarter as provisions for non-recurrent early retirements.

In summary, non-recurrent items in 2008, net of tax, reduced attributable profit by €395m whereas in 2007 they added €724m.

All the following remarks (unless otherwise stated) refer to the income statement **excluding non-recurrent items** because this gives a clearer picture of the Group's performance. Therefore non-recurrent operations are included, net of tax, at the end of the attached income statement.

In the fourth quarter of 2008 the BBVA Group obtained net attributable profit of €1,093m excluding



(1) Excluding results of one-off transactions.

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

non-recurrent items. **Net attributable profit for 2008** on the same basis therefore comes to €5,414m, slightly

more than the €5,403m obtained in 2007. At constant exchange rates the increase is 4.0% because the exchange rates effect is still negative (roughly four percentage points) although this has improved in recent quarters.

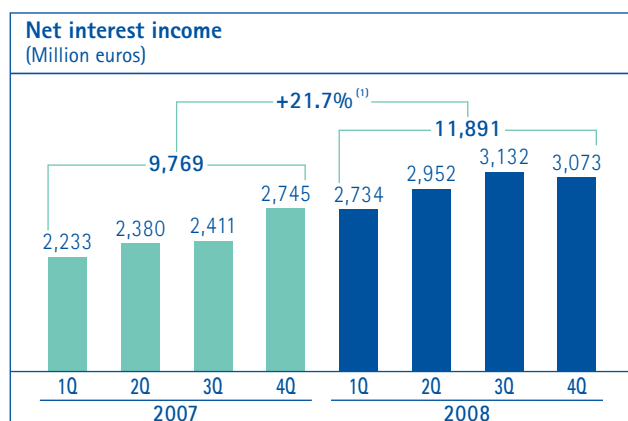
This profit is a considerable achievement in a year when most large international banking groups have recorded significant drops in revenues and profit, including losses in some cases.

BBVA's business model generates higher levels of recurrent earnings. This is demonstrated by the substantial increase in revenues (ordinary revenues rose 10.6%), supported by net interest income (up 21.7%), despite conditions that were much less favourable than in 2007. **Operating profit** for the year came to €10,552m, an increase of 8.8% compared to €9,697m in 2007 (up 13.1% at constant exchange rates). This helped to offset higher loan-loss provisions associated with the economic crisis and BBVA's traditional prudent criteria.

The growth in the Group's earnings was mainly **organic**. Changes in the perimeter (basically Compass in September 2007) had no significant impact in the growth in net attributable profit.

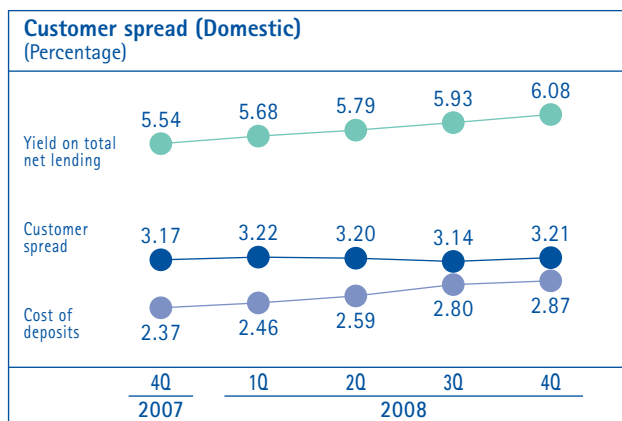
Net interest income

In the **fourth quarter** of 2008 net interest income was again the main factor behind the increase in the Group's revenues, rising 12.0% to €3,073m. These figures are affected by Telefónica's dividend, which was recorded in the third quarter of 2008 whereas this occurred in the fourth quarter of 2007 and thus explains the reduction of net interest income over average total assets witnessed between the third and fourth quarters. Therefore net interest income excluding dividends came to €3,029m, a new quarterly record for the Group and an increase of 15.4% year-on-year.



Total net interest income **for the year** came to €11,891m, an increase of 21.7% compared to €9,769m in 2007. It was 2.29% of average total assets (2.12% in 2007). Excluding €447m in dividends, net interest income rose 21.5% to €11,444m on higher volume and sustained customer spreads in the various business areas.

Thanks to a successful pricing policy recent rate cuts did not prevent the yield on loans to domestic customers in **Spain** from continuing its upward trend of the last two years. In the fourth quarter the yield was 6.08% (5.93% in the previous quarter and 5.54% a year earlier). Moreover the cost of deposits increased to 2.87% compared to 2.80% in the third quarter and 2.37% in the fourth quarter of 2007. This is mainly due to structural changes in customer funds, with time deposits playing an ever-increasing role. As the yield on loans increased more, customer spreads widened to 3.21% in the fourth quarter, compared to 3.14% in the previous quarter and 3.17% a year earlier. For the whole of 2008 the customer spread was 3.18%, an increase of nine basis points compared to 2007. This helped net interest income in the Spain & Portugal Area to grow 10.1% in 2008.



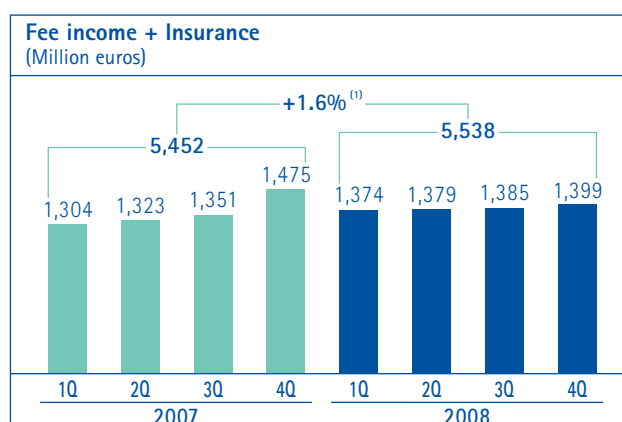
In **Mexico** interbank rates remained stable in the fourth quarter at 8.7%, following a period of upward adjustments from 8.5% in the third quarter and 8.0% in the second. The customer spread was also stable at 12.4% (12.6% in the previous quarter and 12.4% a year earlier). The yield on loans was 15.7% (15.8% in the previous quarter and 15.0% a year earlier) and the cost of deposits was 3.3% (3.2% in the previous quarter and 2.6% a year earlier). This spread and the higher levels of lending and customer funds helped the area to increase net interest income 13.7% in pesos.

Breakdown of yields and costs	4 th Quarter 08		3 rd Quarter 08		2 nd Quarter 08		1 st Quarter 08	
	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost
Cash and balances at Central Banks	2.9	2.98	2.9	3.48	2.4	3.74	2.8	3.20
Financial assets and derivatives	23.6	2.75	21.7	4.12	22.5	4.09	23.4	3.69
• Fixed-income securities	20.4	3.03	18.2	4.24	18.6	4.16	19.4	4.21
- Euros	12.9	1.34	11.0	2.85	11.3	3.00	11.3	2.77
- Foreign currencies	7.5	5.94	7.2	6.36	7.3	5.94	8.2	6.20
• Equity securities	3.2	1.00	3.5	3.52	3.9	3.80	4.0	1.14
Due from banks	5.0	4.02	5.8	5.21	5.3	5.20	4.7	6.01
• Euros	2.9	4.45	4.0	5.39	3.6	5.16	3.0	6.49
• Foreign currencies	2.1	3.43	1.8	4.81	1.7	5.30	1.7	5.17
Loans to customers	61.9	7.25	63.4	7.42	63.7	7.19	63.1	7.16
• Euros	41.0	5.95	43.3	5.92	44.5	5.77	44.1	5.70
- Domestic	36.5	6.08	39.2	5.93	40.6	5.79	40.7	5.68
- Other	4.5	4.87	4.1	5.78	4.0	5.62	3.5	5.90
• Foreign currencies	20.9	9.81	20.1	10.65	19.2	10.47	19.0	10.55
Other assets	6.5	0.34	6.2	0.55	6.1	0.54	6.0	0.83
TOTAL ASSETS	100.0	5.45	100.0	6.04	100.0	5.90	100.0	5.80
Deposits by Central Banks and banks	14.8	4.36	15.1	4.72	13.9	4.84	15.7	4.90
• Euros	6.3	3.69	6.4	4.64	5.9	4.66	6.7	4.39
• Foreign currencies	8.5	4.85	8.7	4.78	8.0	4.98	9.0	5.29
Due to customers	48.0	3.32	48.9	3.79	49.5	3.63	47.8	3.58
• Euros	23.3	3.21	24.8	3.62	26.2	3.64	25.7	3.41
- Domestic	16.0	2.87	16.5	2.80	16.4	2.59	16.4	2.46
- Other	7.3	3.97	8.3	5.26	9.9	5.39	9.3	5.09
• Foreign currencies	24.7	3.41	24.0	3.95	23.3	3.61	22.0	3.76
Marketable debt securities and subordinated debt	19.4	4.76	19.6	5.18	20.2	4.93	20.1	5.09
• Euros	14.4	4.90	15.1	5.28	16.3	5.02	16.2	5.13
• Foreign currencies	5.0	4.35	4.5	4.83	3.9	4.56	3.9	4.95
Other liabilities	12.8	0.63	11.2	0.64	11.1	0.72	10.9	0.83
Equity	4.9	-	5.2	-	5.4	-	5.5	-
TOTAL LIABILITIES AND EQUITY	100.0	3.24	100.0	3.65	100.0	3.54	100.0	3.59
NET INTEREST INCOME/ATA		2.21		2.39		2.36		2.21

In **South America** net interest income grew sharply, rising 31.1% at constant exchange rates on higher volume and wider spreads.

Ordinary revenues

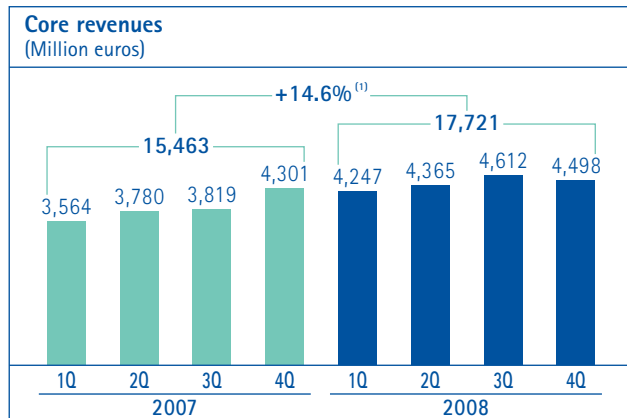
For the whole of 2008 **net fee income** came to €4,687m (€4,723m in 2007). It was affected by lower fees on mutual funds and pension funds (down 13.5%) owing to the negative market effect and a preference for time deposits in markets such as Spain. **Insurance business** contributed €851m (up 16.8%). This brought the aggregate of net fee income and insurance to €5,538m, an increase of 1.6% compared to €5,452m in 2007.



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

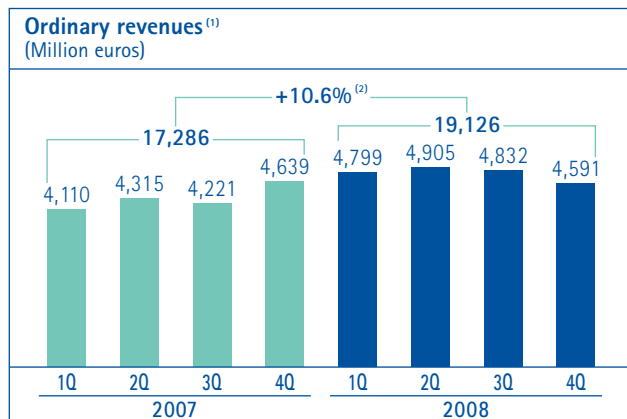
Net income from companies carried **by the equity method**, came to €293m in 2008, compared to €242m a year earlier. This was mainly contributed by Corporación IBV.

Core revenues, which consist of net interest income, net fee income, insurance and equity-accounted income, came to €4,498m in the fourth quarter and €17,721m for the whole year, an increase of 14.6% compared to €15,463m in 2007. **Net trading income** in 2008 contributed €1,405m, dropping 22.9% compared to €1,823m in 2007. This was mainly due to lower earnings generated by the Markets Unit in the fourth quarter.



(1) At constant exchange rates: +19.3%.

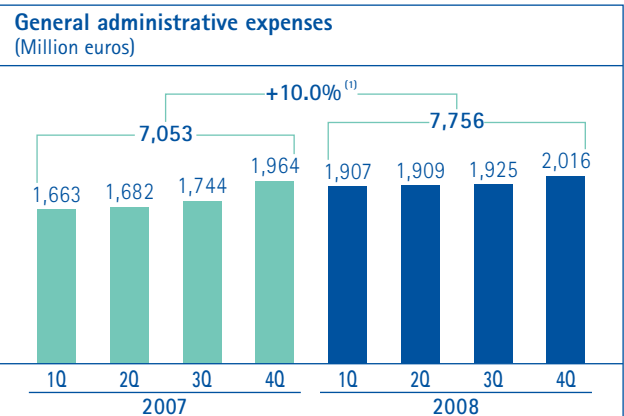
Therefore **ordinary revenues** came to €4,591m in the fourth quarter, bringing the total for the year to €19,126m, an increase of 10.6% compared to €17,286m in 2007 (up 14.9% at constant rates). After adding €82m from net sales of non-financial activities, affected by the lower income in real estate activities in 2008, total **operating revenues** for the Group in 2008 rose 9.9% to €19,208m.



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +14.9%.

Operating profit

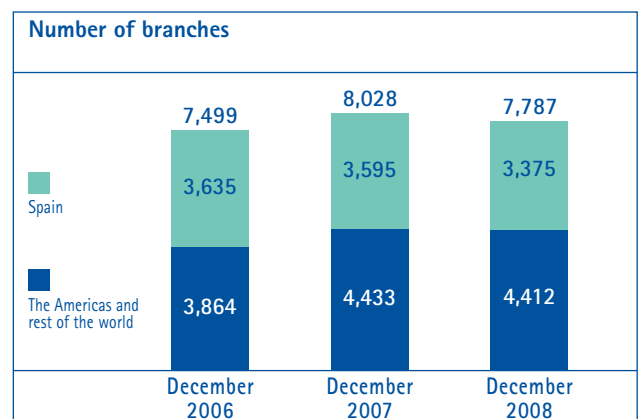
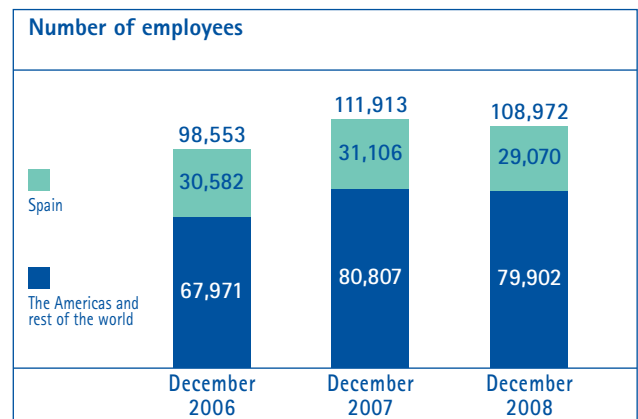
General administration expenses were affected by acquisitions, growth projects and increased marketing activity. Despite this and thanks to the transformation plans implemented during the year, expenses kept growing more



(1) At constant exchange rates: +13.8%.

slowly, extending the trend in recent quarters. The total for the year came to €7,756m, rising 10.0% compared to €7,053m in 2007 (personnel expenses were up 8.8% and general overheads rose 11.9%). In the Spain & Portugal Area expenses fell 1.1% but in the Americas they rose 16.7%, influenced by the addition of Compass and by the expansion of branch networks in some countries.

At 31-Dec-08 the Group's **employees** numbered 108,972, a decrease of 2.6% compared to 111,913 a year earlier. During the year the numbers fell 6.5% in Spain (as a result of transformation plans) and declined slightly



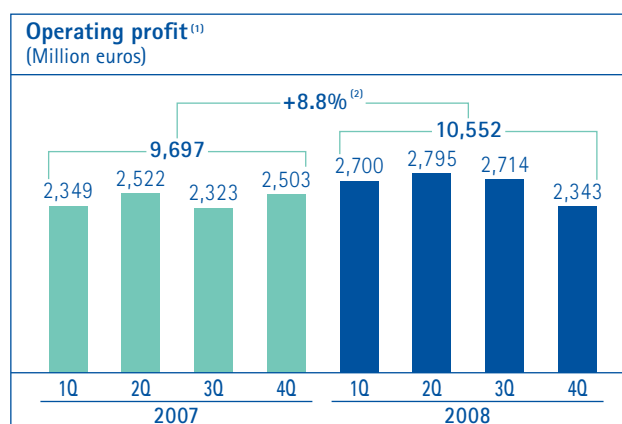
Efficiency ⁽¹⁾			
(Million euros)	2008	Δ%	2007
Ordinary revenues	19,126	10.6	17,286
Net revenues from non-financial activities	82	(56.5)	188
TOTAL REVENUES	19,208	9.9	17,474
Personnel costs	(4,716)	8.8	(4,335)
General expenses	(3,040)	11.9	(2,718)
Recovered expenses	55	(24.7)	73
GENERAL ADMINISTRATIVE EXPENSES (NET)	(7,702)	10.3	(6,980)
EFFICIENCY RATIO (Costs/revenues, %)	40.1		39.9
Depreciation and amortization	(699)	21.1	(577)
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION	(8,400)	11.2	(7,557)
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	43.7		43.3

(1) Excluding the one-off operations.

in the Americas (owing to changes in Argentina in the fourth quarter) and in the rest of the world. The number of **branches** stands at 7,787. In the last 12 months some closed in Spain (BBVA and Dinero Express) but in the Americas the number was relatively stable.

Efficiency (measured by the cost/income ratio) stands at 40.1% (39.9% in 2007). This is affected by the incorporation of Compass (without the latter, efficiency improves to 38.7%). Depreciation rose 21.1%, owing to the amortisation of intangible assets at the Group's banks in the United States (€163m). Therefore net administration expenses plus depreciation increased 11.2% year-on-year and the **efficiency including depreciation** was 43.7% (43.3% in 2007). This continues to be one of the best ratios among BBVA's peers. Excluding the Compass group, the ratio including depreciation is 41.3% (42.1% in 2007).

In spite of the current complex situation the above changes in revenues and expenses led to **operating profit**

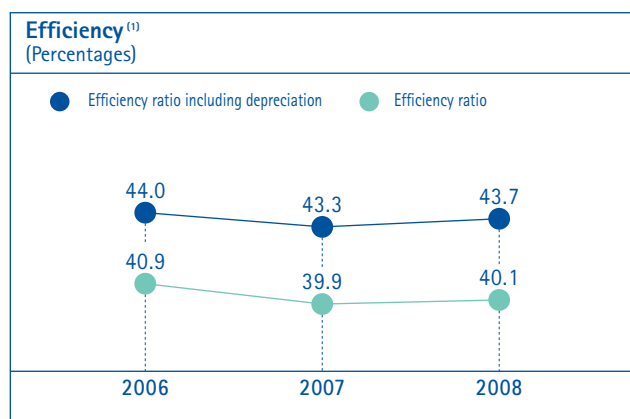


(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +13.1%.

of €2,343m in the fourth quarter and €10,552m for the entire year, rising 8.8% compared to €9,697m in 2007 (up 13.1% at constant exchange rates). By business area operating profit grew 10.8% in Spain & Portugal, 6.6% in Mexico (16.0% in pesos), 79.1% in the USA (due to acquisitions) and 22.8% in South America (28.8% in local currencies). In the Wholesale Banking & Asset Management Area it fell 3.5%.

Provisions and others

Total **net loan-loss provisions** amounted to €2,797m for the year, an increase of 47.0% compared to €1,902m in 2007. They reflect the rise in non-performing assets in recent quarters, related to the weaker economic environment, and the Group's highly prudent criteria.



(1) Excluding results of one-off transactions.

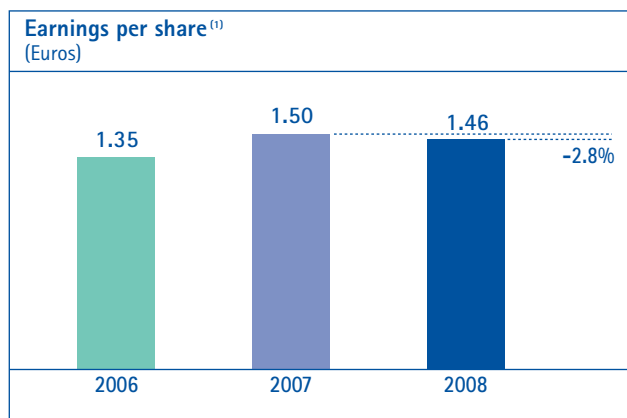
Other provisions came to €142m. This figure includes €205m for early retirements of an on-going nature (€212m in 2007). These are in addition to non-recurrent provisions of €860m in the Spain & Portugal Area and in Central Services, associated with the transformation plans. The equivalent figure for 2007 was €100m.

Attributable profit

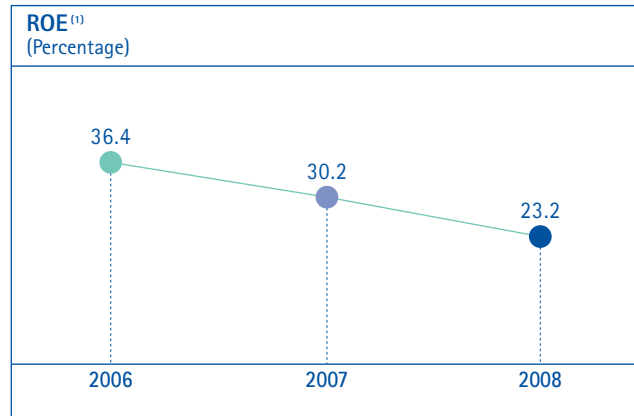
Profit before tax for the year came to €7,490m, compared to €7,675m in 2007. Corporate tax was €1,710m affected by the tax rate in Spain, which has fallen from 32.5% in 2007 to 30% in 2008, and by the sale of portfolios in Mexico. Therefore net profit for the year rose 1.6% to €5,780m. Of this amount, minority interests account for €366m and thus the **net attributable profit** of the Group for 2008 was €5,414m. This amount is 0.2% higher than the €5,403m obtained in 2007 (up 4.0% at constant exchange rates) and should be seen as positive achievement in an environment that is considerably more complicated than the previous year.

By **business area**, Spain & Portugal contributed €2,625m (up 10.2%), Wholesale Banking & Asset Management €754m (down 15.9%), Mexico €1,938m (up 3.0% in euros and 12.1% in pesos), USA €211m (up 3.6% euros and up 11.2% in dollars) and South America €727m (up 16.6% in euros and 22.7% at constant exchange rates).

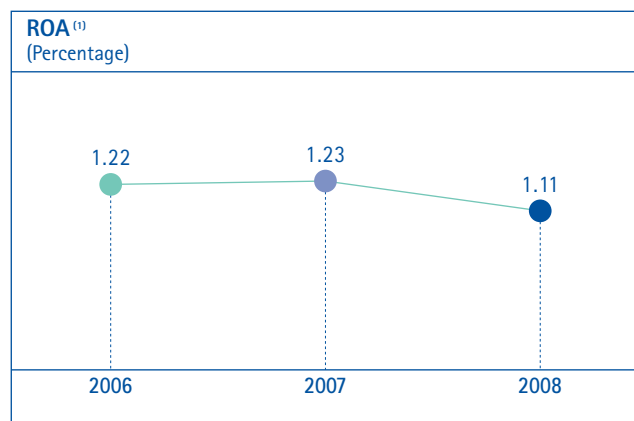
Earnings per share (EPS) for the year come to €1.46, compared to €1.50 in 2007 (down 2.8%). This figure is affected by a 3.1% increase in the average number of shares following the capital increase in September 2007. The Group's higher equity, due to retained profits, increases the **book value** per share, which comes to €7.09 at 31-Dec-08 (up 7.2%). However it also affects



the return on equity (**ROE**), which stands at 23.2% for 2008, compared to 30.2% in 2007. The return on total assets (**ROA**) comes to 1.11%.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

Non-recurrent earnings in 2008 resulted in a deduction of €395m from attributable profit. They comprise €509m of net capital gains on the sale of an interest in Bradesco in the first quarter, less €602m of net provisions associated with non-recurring early retirements in the second and fourth quarters, and a €302m charge associated with the Madoff fraud in the fourth quarter. However in 2007 non-recurrent earnings contributed a considerable amount (€724m) to net attributable profit following the sale of buildings and the interest in Iberdrola, less the charge for funding the BBVA Microcredit Foundation and less €70m for net non-recurrent provisions for early retirements.

Including these items the BBVA Group's **net attributable profit** for 2008 comes to €5,020m, which probably makes it one of the top contenders in its peer group. Earnings per share stand at €1.35, ROE is 21.5% and ROA is 1.04%.

Business activity

During the fourth quarter of 2008 lending to customers in Spain continued to slow and additions to customer funds remained centred on deposits that are reported on the balance sheet. However in the Americas both lending and deposits grew steadily with emphasis on the former.

As **Compass** joined the Group in September 2007, year-on-year comparison of items on the balance sheet

is now on a like-for-like basis. Nonetheless the nationalisation of pension funds in Argentina in the fourth quarter and the sale of the Miami branch in the second quarter had an impact on customer funds not included on the balance sheet.

Exchange rates had a negative impact on year-on-year comparisons of the balance sheet and business figures. In

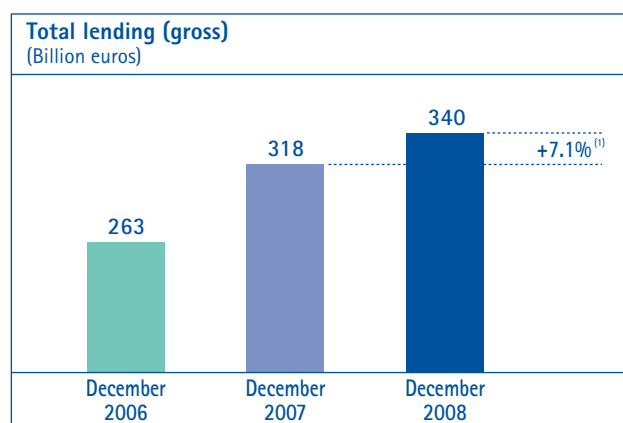
Consolidated balance sheet				
(Million euros)	31-12-08	Δ%	31-12-07	30-09-08
Cash and balances at Central Banks	14,659	(35.1)	22,582	20,701
Financial assets held for trading	73,299	17.6	62,336	62,670
Other financial assets at fair value	1,755	50.3	1,167	1,115
Financial assets available for sale	47,780	(1.3)	48,432	47,432
Loans and receivables	370,664	9.5	338,492	365,807
• Due from banks	25,826	23.0	20,997	24,088
• Loans to customers	333,029	7.1	310,882	334,844
• Other	11,809	78.6	6,613	6,875
Held to maturity investments	5,282	(5.4)	5,584	5,254
Investments in associates	1,467	(4.9)	1,542	1,347
Property, plant and equipment	6,908	31.9	5,238	5,327
Intangible assets	8,440	2.4	8,244	8,376
Other assets	13,261	54.4	8,588	10,766
TOTAL ASSETS	543,513	8.2	502,204	528,795
Financial liabilities held for trading	43,009	123.2	19,273	25,443
Other financial liabilities at fair value	1,033	130.1	449	338
Financial liabilities at amortised cost	448,556	4.5	429,204	449,642
• Deposits by Central Banks and banks	66,804	(24.2)	88,098	89,259
• Due to customers	267,140	13.1	236,183	251,043
• Marketable debt securities	90,180	8.7	82,999	86,592
• Subordinated debt	16,987	8.5	15,662	15,510
• Other	7,444	18.9	6,262	7,238
Liabilities under insurance contracts	9,519	(4.8)	9,997	10,492
Other liabilities	14,716	(4.1)	15,338	15,544
TOTAL LIABILITIES	516,833	9.0	474,261	501,459
Minority interests	1,049	19.1	880	1,006
Valuation adjustments	(955)	n.m.	2,252	(246)
Shareholders' funds	26,586	7.2	24,811	26,575
EQUITY	26,679	(4.5)	27,943	27,336
TOTAL LIABILITIES AND EQUITY	543,513	8.2	502,204	528,795
MEMORANDUM ITEM:				
Contingent liabilities	62,791	(4.6)	65,845	82,507
MEMORANDUM ITEM:				
Average total assets	518,509	12.3	461,668	507,148
Average shareholders' funds	23,324	30.3	17,901	23,315

the last 12 months the Mexican peso (the currency with the biggest impact on the Group's financial statements) fell against the euro. This was also the case with the Chilean peso, the Argentine peso and the Colombian peso. On the other hand the US dollar appreciated slightly during the year. As usual we will provide comparisons at constant exchange rates for the main items because this helps to give a clearer picture of business activity.

The Group's **total assets** at the end of 2008 came to €544 billion, an increase of 8.2% compared to €502 billion at the same point last year.

Lending to customers

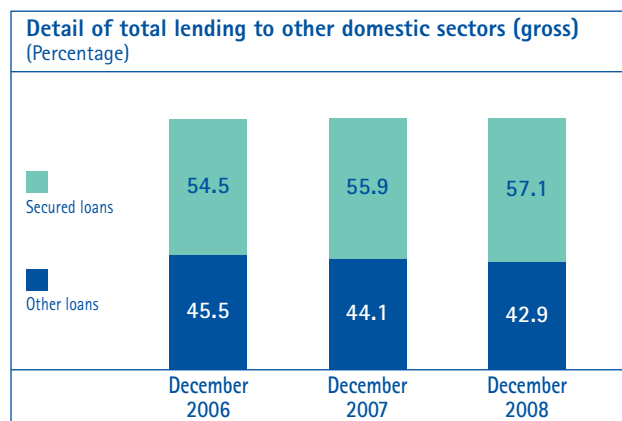
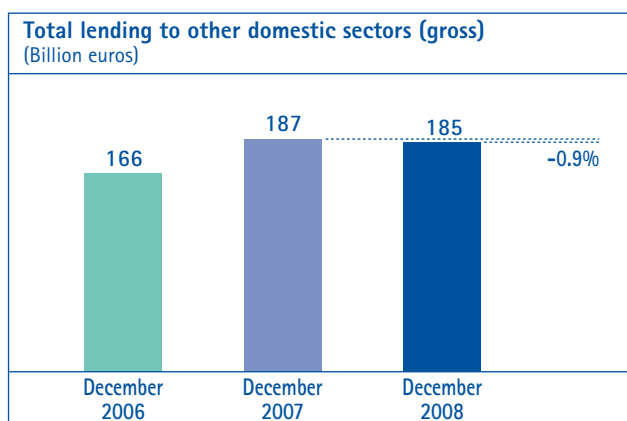
By 31st December 2008 total loans to customers had risen 7.1% to €340 billion (compared to €318 billion a year earlier). At constant exchange rates the increase was 8.6%. Only 4.2% of the Group's total lending corresponds to non-investment grade countries in Latin America.



(1) At constant exchange rates: +8.6%.

In Spain, loans to **domestic customers** fell 0.9% to €185 billion (€187 billion at the end of 2007). This was due to the above-mentioned slowdown, which was felt by the entire sector and which affected the main component: secured lending. During the year these rose only 1.2% to €106 billion. Lending to domestic customers included an additional €17.5 billion to the **public sector** (up 9.8% year-on-year).

Total lending				
(Million euros)	31-12-08	Δ%	31-12-07	30-09-08
Public sector	17,520	9.8	15,960	16,729
Other domestic sectors	185,417	(0.9)	187,049	187,850
• Secured loans	105,832	1.2	104,567	106,908
• Commercial loans	9,543	(25.3)	12,767	9,981
• Financial leases	7,702	(0.9)	7,774	7,970
• Other term loans	56,311	(1.5)	57,159	57,767
• Credit card debtors	1,971	(0.2)	1,975	1,704
• Other	4,059	44.6	2,808	3,521
Non-domestic sector	129,067	15.6	111,631	131,608
• Secured loans	39,390	28.3	30,695	40,362
• Other loans	89,676	10.8	80,936	91,246
Non-performing loans	8,437	151.2	3,358	6,483
• Public sector	79	(31.7)	116	78
• Other domestic sectors	5,483	282.0	1,435	3,855
• Non-domestic sectors	2,875	59.1	1,807	2,550
TOTAL LENDING (GROSS)	340,441	7.1	317,998	342,670
Loan-loss provisions	(7,412)	4.1	(7,117)	(7,826)
TOTAL NET LENDING	333,029	7.1	310,882	334,844



Lending to **non-residents customers** rose 15.6% to €129 billion (€112 billion a year earlier). Excluding the effect of exchange rates the increase was 20.3%. This was the result of a good performance by corporate & investment banking units in Europe, New York and Asia, and by all the Latin American countries. Such lending grew at 12% or more in Mexico, United States, Chile, Colombia, Peru and Venezuela.

Non-performing loans account for the remaining €8.4 billion. These are dealt with in the chapter on risk management.

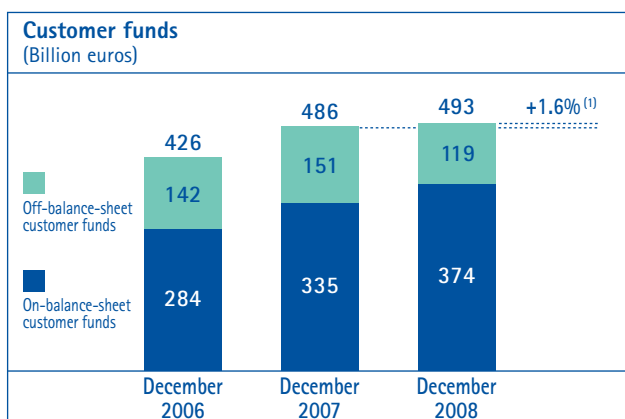
Customer funds

At the end of December total customer funds on and off the balance sheet increased 1.6% to €493 billion

Customer funds				
(Million euros)	31-12-08	Δ%	31-12-07	30-09-08
ON-BALANCE-SHEET CUSTOMER FUNDS	374,308	11.8	334,844	353,145
DEPOSITS	267,140	13.1	236,183	251,043
Public sector	6,328	(7.7)	6,853	6,321
Other domestic sectors	110,251	2.6	107,416	105,998
• Current and savings accounts	44,589	0.9	44,187	42,243
• Time deposits	40,917	21.1	33,781	39,864
• Assets sold under repurchase agreement	9,339	6.3	8,785	6,854
• Other	15,406	(25.4)	20,664	17,038
Non-domestic sector	150,561	23.5	121,913	138,724
• Current and savings accounts	56,930	12.0	50,836	53,835
• Time deposits	85,647	38.9	61,670	76,066
• Assets sold under repurchase agreement and other accounts	7,984	(15.1)	9,407	8,823
MARKETABLE DEBT SECURITIES	90,180	8.7	82,999	86,592
Mortgage bonds	39,486	(0.6)	39,730	39,726
Other marketable securities	50,695	17.2	43,269	46,866
SUBORDINATED DEBT	16,987	8.5	15,662	15,510
OTHER CUSTOMER FUNDS	119,017	(21.1)	150,777	137,371
Mutual funds	46,295	(20.1)	57,932	52,480
Pension funds	48,140	(21.0)	60,909	57,366
Customer portfolios	24,582	(23.0)	31,936	27,525
TOTAL CUSTOMER FUNDS	493,324	1.6	485,621	490,516

(€486 billion a year earlier). At constant exchange rates the increase rises to 4.6% and to 5.6% on a like-for-like basis.

As usual in recent quarters, **customer funds reported on the balance sheet** performed best. At year-end they stood at €374 billion, rising 11.8% compared to €335



(1) At constant exchange rates: +4.6%.

billion at the end of 2007 (up 13.8% without the impact of exchange rates). Of this figure, customer deposits contributed €267 billion (up 13.1%), marketable debt securities accounted for €90 billion (up 8.7%) and subordinate liabilities (subordinate debt and preference securities) represented €17 billion (up 8.5%).

Off-balance-sheet funds (mutual funds, pension funds and customers' portfolios) stand at €119 billion, down 21.1% from €151 billion a year earlier. At constant exchange rates the decline was 16.5%. These figures are severely affected by the sharp decline of the markets, which had a negative impact on the value of mutual funds and customer portfolios. In Spain these funds fell 17.2% during the year to €62 billion, affected by the lower demand for mutual funds. Outside Spain off-balance-sheet funds stand at €57 billion, down 24.8%. At constant rates the decline was 15.8%. However, if Argentina's nationalisation of Consolidar's pension funds and the sale of the Miami

Other customer funds				
(Million euros)	31-12-08	Δ%	31-12-07	30-09-08
SPAIN	61,611	(17.2)	74,401	64,824
MUTUAL FUNDS	34,900	(19.3)	43,258	37,236
Mutual funds (ex Real estate)	33,197	(18.8)	40,876	35,511
• Monetary and short term fixed-income	12,016	(22.4)	15,489	12,906
• Long-term fixed income	1,252	(24.3)	1,653	1,256
• Balanced	755	(49.4)	1,493	987
• Equity	1,657	(53.8)	3,589	2,236
• Guaranteed	16,507	(1.7)	16,788	16,809
• Global	1,009	(45.9)	1,864	1,317
Real estate investment trusts	1,580	(30.0)	2,258	1,602
Private equity funds	123	(0.4)	124	123
PENSION FUNDS	16,060	(5.9)	17,068	16,093
Individual pension plans	9,357	(4.6)	9,806	9,208
Corporate pension funds	6,703	(7.7)	7,262	6,885
CUSTOMER PORTFOLIOS	10,650	(24.3)	14,075	11,494
REST OF THE WORLD	57,406	(24.8)	76,376	72,548
Mutual funds and investment companies	11,395	(22.3)	14,674	15,244
Pension funds	32,079	(26.8)	43,841	41,273
Customer portfolios	13,932	(22.0)	17,861	16,031
OTHER CUSTOMER FUNDS	119,017	(21.1)	150,777	137,371

branch are also taken into account, the decline was 10.1%. At the end of 2007 these units had contributed €3,699m and €750m, respectively.

In **Spain** high interest rates in previous quarters and weak stock markets drove savings into time deposits at the expense of current and savings accounts or mutual funds. As a result time deposits rose 21.1% year-on-year to €41 billion. Excluding the volatile movements in euro deposits (related to their nature), the increase was 25.7%. Moreover current and savings accounts increased 0.9% to €45 billion during the year. Mutual funds fell 19.3% to €35 billion; but such decrease was below the average of the system, helped by the higher proportion of BBVA's guaranteed funds (which only fell 1.7%). Thus, BBVA gained 2.7 percentage points in market share during the year, becoming the leader in this market for the first time. It

also maintained its lead in pension funds. These came to €16 billion, falling 5.9% year-on-year due to negative markets.

Public sector deposits in Spain fell 7.7% to €6 billion at year-end.

In the **non-resident customer** segment the aggregate of current and savings accounts, time deposits, mutual funds and pension funds rose 8.8% to €186 billion (up 16.7% at constant exchange rates). Current and savings accounts increased 12.0% during the year to €57 billion.

Stable funds rose 7.4% to €129 billion. Time deposits accounted for €86 billion (up 38.9%), pension funds €32 billion (down 26.8%, affected by Consolidar) and mutual funds and investment companies €11 billion (down 22.3%).

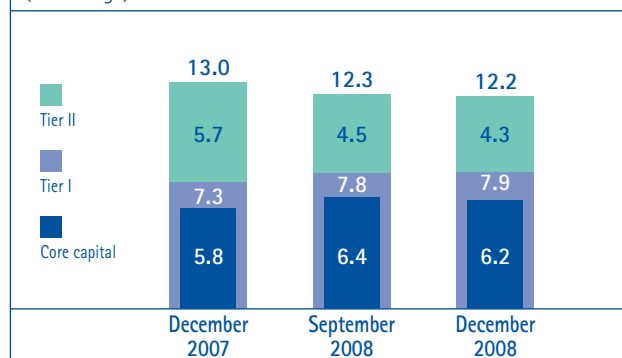
Statement of changes in equity								
(Million euros)	Capital	Reserves	Profit for the year	Treasury shares	Valuation adjustments	Minority interests	Paid dividends	TOTAL EQUITY
BALANCE AT 31-12-06	1,740	13,208	4,736	(112)	3,341	768	(1,363)	22,318
Valuation adjustments					(1,089)	(12)		(1,101)
Profit retained		2,525	(2,525)					-
Dividends			(2,210)			(108)	(298)	(2,616)
Shares issued	96	3,191						3,287
Treasury shares		(51)		(209)				(260)
Profit for the year			6,126			289		6,415
Other		(44)				(57)		(101)
BALANCE AT 31-12-07	1,837	18,830	6,126	(322)	2,252	880	(1,661)	27,943
BALANCE AT 31-12-07	1,837	18,830	6,126	(322)	2,252	880	(1,661)	27,943
Valuation adjustments					(3,207)	(55)		(3,262)
Profit retained		3,464	(3,464)					-
Dividends			(2,663)			(142)	(159)	(2,964)
Shares issued								-
Treasury shares		(172)						(172)
Profit for the year			5,020			366		5,385
Other		58		(309)		-		(251)
BALANCE AT 31-12-08	1,837	22,180	5,020	(630)	(955)	1,049	(1,820)	26,679

At 31st December 2008 the BBVA Group's **capital base**, calculated according to **Basel II** rules, came to €34,687m, an increase of 1.3% compared to the end of September 2008.

At the end of the year **risk-weighted assets** came to €283,320m after increasing €4,199m in the fourth quarter (1.5%) due to a bigger interest in CITIC and the Group's organic growth, and partially diminished by the depreciation of some currencies, particularly the Mexican peso. Thus the **capital base surplus** (in excess of the 8% of risk-weighted assets required by the rules) was €12,022m.

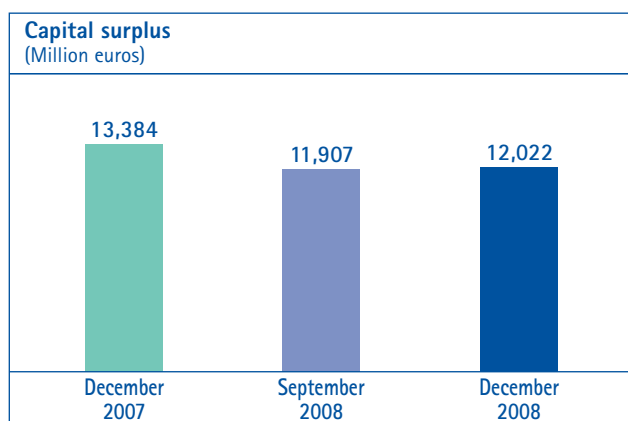
The BBVA Group has managed to generate organic capital in a particularly difficult year.

Capital base: BIS II ratio
(Percentage)



At the end of December, **core capital** came to €17,552m an increase of €2,006m over 31-12-07. This is 6.2% of

Capital base (BIS II Regulation)					
(Million euros)	31-12-08	30-09-08	30-06-08	31-03-08	31-12-07
Shareholders' funds	26,586	26,575	25,850	25,571	24,811
Adjustments	(9,034)	(8,754)	(9,072)	(9,055)	(9,265)
CORE CAPITAL	17,552	17,821	16,777	16,516	15,546
Preference shares	5,395	4,465	4,420	4,419	4,492
Adjustments	(583)	(514)	(484)	(475)	(479)
CAPITAL (TIER I)	22,364	21,772	20,713	20,460	19,559
Subordinated debt and other	12,914	12,985	13,355	14,036	15,784
Deductions	(590)	(520)	(490)	(476)	(479)
OTHER ELIGIBLE CAPITAL (TIER II)	12,324	12,465	12,865	13,560	15,305
CAPITAL BASE	34,687	34,236	33,578	34,021	34,864
Minimum capital requirement (BIS II Regulation)	22,666	22,330	21,469	21,045	21,479
CAPITAL SURPLUS	12,022	11,907	12,109	12,976	13,384
RISK-WEIGHTED ASSETS	283,320	279,122	268,357	263,062	268,491
BIS RATIO (%)	12.2	12.3	12.5	12.9	13.0
CORE CAPITAL (%)	6.2	6.4	6.3	6.3	5.8
TIER I (%)	7.9	7.8	7.7	7.8	7.3
TIER II (%)	4.3	4.5	4.8	5.2	5.7



risk-weighted assets compared to 5.8% in December 2007 and 6.4% at the end of September 2008.

Tier I capital comes to €22,364m, which is 7.9% of risk-weighted assets and an improvement compared to 7.3% a year earlier and 7.8% at 30-Sep-08. In December BBVA Capital Finance SAU issued €1,000m in preference securities with an early redemption option at five years. As a result preference securities represent 24.1% of total core equity (Tier I).

Other eligible capital (**Tier II**), mainly consists of subordinated debt, eligible latent capital gains and surplus generic provisions up to the limits permitted by regulations. The remaining excess generic provisions is

considered for the calculations for RWA in the advanced model portfolios. At the end of the quarter they came to €12,324m. This is 4.3% of risk-weighted assets. During the year it was very affected by falls on stock markets.

During the fourth quarter Banco Continental carried out two issues of subordinate debt, one of 30 million Peruvian soles (about €8m) and another of \$20m (€16m). BBVA Chile issued 1.4 million development units (€36m). In addition Bancomer raised 6 billion Mexican pesos (some €351m) in two issues of 3 billion pesos. All these operations by subsidiaries are included at the Group level as Tier II.

The aggregate of Tier I and Tier II at the end of December 2008 brings the **BIS ratio** to 12.2%, compared to 12.3% in the previous quarter and 13.0% at the end of 2007.

The capital ratios continue being at very adequate levels despite the current financial markets situation and the increase in the Group's interest in CITIC which occurred in the fourth quarter.

Ratings

There was no movement in ratings during the quarter.

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

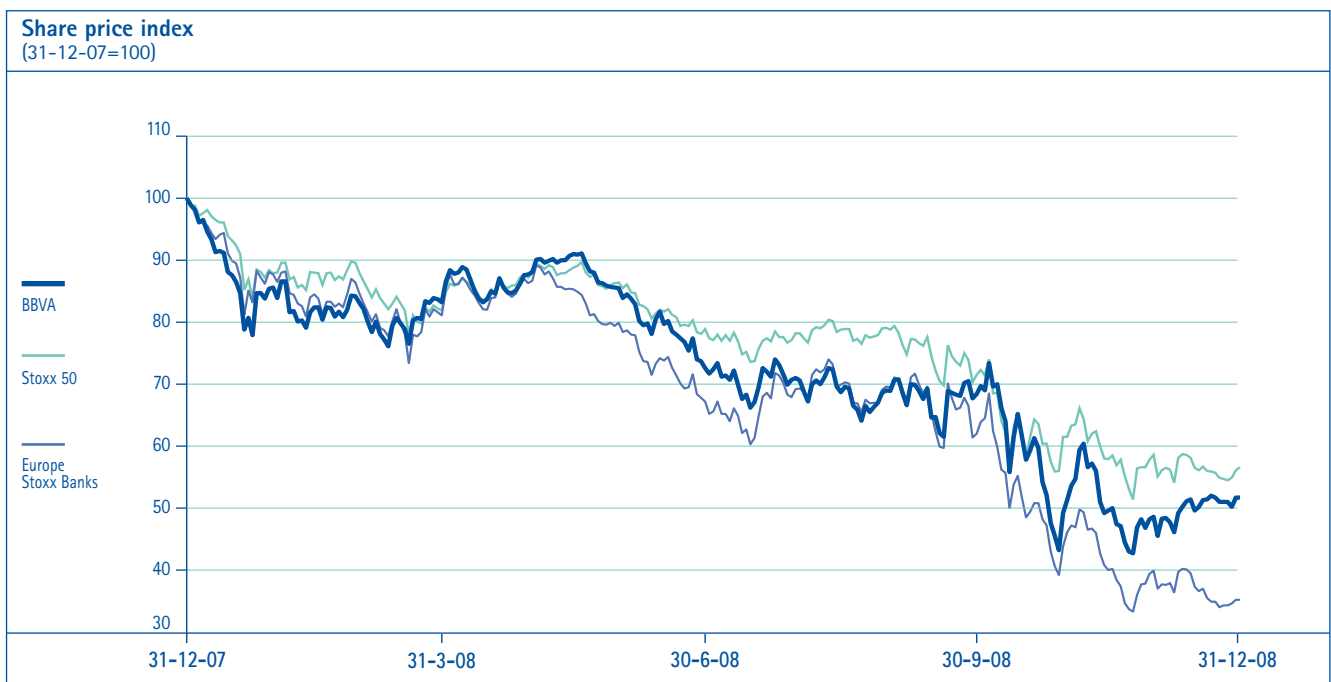
In the **fourth quarter** of 2008 share prices in the banking sector were affected by government and monetary authority intervention to stabilise financial systems. This tried to ease finance and liquidity issues through various measures aimed at containing the extent of the crisis. Rescue and recapitalisation plans were also employed in specific cases. Volatility was extremely high with gains after the announcement of the aid packages, followed by subsequent corrections. Furthermore the measures generally included sharp cuts in interest rates. In these circumstances, investors are now primarily concerned about solvency. As a result there were widespread adjustments in dividend policies and most banks have cancelled cash dividends. Apart from the deterioration in the financial system, global economic conditions continue to weaken and the tightening has extended to emerging markets, including Latin America.

The indices of the world's main **stock exchanges** fell sharply in the fourth quarter. The Stoxx 50 fell 20.9%, the FTSE declined 11.0% and in the USA the S&P 500 dropped 22.6%. The IBEX 35 ended 16.3% down.

The above measures by governments and central banks failed to offset negative sentiment among the investment community regarding the **financial sector** and this suffered a sharp correction in absolute terms and in comparison with the rest of the market. In the quarter the Stoxx Banks index fell 42.6%, the FTSE Banks 38.2% and in the USA the S&P Financials Index lost 37.6% and S&P Regional Banks 29.3%.

BBVA's share price performed relatively better, falling 24.4% during the quarter. For the whole of 2008, BBVA (down 48.3%) also outperformed Stoxx Banks (down 64.4%), ranking second among large European banks and first in the euro zone.

BBVA's advantages compared to the rest of the sector became more visible especially after presentation of the **third quarter earnings**, which were well received by analysts. They noted the increase in profit, in contrast to the declines of its competitors. In fact, the amount of profit was one of the biggest in Europe. This is extremely relevant as BBVA has the smallest balance sheet among banks with a high market capitalisation. Analysts judged the strength of Spanish earnings as the



The BBVA share			
	31-12-08	30-09-08	31-12-07
Number of shareholders	903,897	886,950	889,734
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121
Daily average number of shares traded	55,548,033	53,508,290	50,958,752
Daily average trading (million euros)	676	707	908
Maximum price (euros)	16.82	16.82	20.28
Minimum price (euros)	7.04	10.18	15.40
Closing price (euros)	8.66	11.46	16.76
Book value per share (euros)	7.09	7.09	6.62
Market capitalisation (million euros)	32,457	42,952	62,816

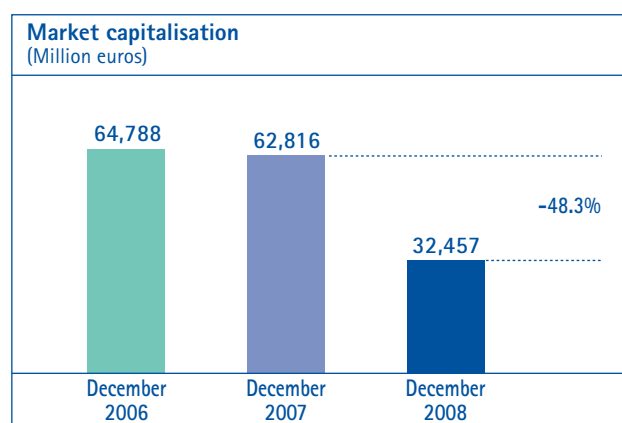
Share performance ratios			
	31-12-08	30-09-08	31-12-07
Price/Book value (times)	1.2	1.6	2.5
PER (Price/Earnings; times)	6.5	6.7	10.3
Yield (Dividend/Price; %)	7.1	7.1	4.4

most positive feature during the quarter, especially revenues and expenses, as well as the solid earnings in Latin America. In general they recognised the bank's relatively high capital adequacy and internal generation of capital in recent quarters. However, there were concerns about the slowdown of business and consequent decline of asset quality in Spain and Mexico.

During the quarter BBVA's share price varied between €12.35 and €7.04, closing the year on 31st December at €8.66. This put market capitalisation at €32,457m and determines a price-earnings ratio (PER) of 6.5, compared to 10.3 at 31-Dec-07. The price-to-book ratio is 1.2 compared to 2.5 at the end of 2007 and the **dividend yield** rises to 7.1% (4.4% a year earlier).

In the fourth quarter of 2008 the average number of shares traded each day was 62 million, an increase compared to the previous quarter. However the average value fell to €579m due the lower share price.

In respect of **shareholder remuneration** and at a time when other banks have eliminated the dividend, BBVA



has paid three interim dividends against 2008 earnings with a total value of €0.501 per share. Additionally and as a complement of the dividends already paid, there will be a proposal for the distribution of the issue premium reserve in kind via the hand over of 60.5 million shares coming from the treasury stock. As a result, total shareholder remuneration against 2008 earnings will come to €0.614 per share at closing price on the 27th January, 2009.

Risk management

Credit risk

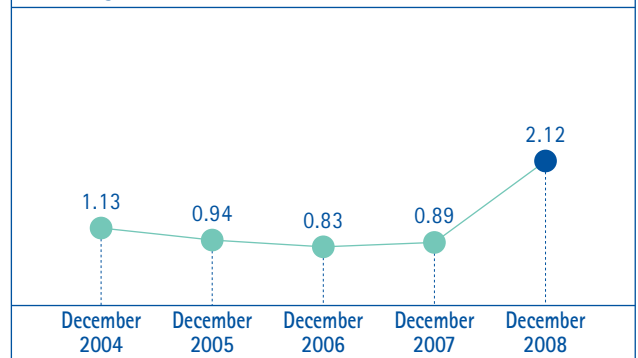
Loan-book performance has been marked by a very difficult economic environment, in which non-payments and insolvencies have multiplied. Against this backdrop, the BBVA Group stood out as one of the European banking groups with the lowest NPL ratio and the highest coverage. This is the outcome of deep insight into its portfolios, all of which were generated almost entirely by its own Group networks.

Total customer risks (including contingent risks) stood at €403,231m at the end of December 2008. This was 5.1% up on the €383,843m reported on the same date in 2007. **Non-performing assets** totalled €8,568m at 31-Dec-08, 151.4% higher than the €3,408 on the books twelve months earlier.

The Group's **non performing assets ratio**, which correlates these figures, thus reached 2.12% on 31-Dec-2008, as compared against the 1.54% ratio on 30th September 2008 and the 0.89% from December of the previous year.

The economic situation in **Spain** deteriorated, especially in the real-estate sector. The surge in

Non-performing assets ratio
(Percentage)



non-payments impacted the entire financial industry. However, in other resident sectors (Spain) BBVA's non performing assets ratio is below that of the system (2.59% as against 3.18% to November 2008, according to the latest public data). It has increased its advantage to 59 base points, compared with the 16 basis points less that it had in December 2007. Moreover, the better performance has been achieved in spite of being less active in the purchase of assets from distressed customers compared to the rest of the sector (€629m during the entire year). In this context, the Spain & Portugal business area reported a non performing assets ratio of 2.62% (1.86% on

Credit risk management				
(Million euros)	31-12-08	Δ%	31-12-07	30-09-08
TOTAL RISK EXPOSURE ⁽¹⁾				
Non-performing assets	8,568	151.4	3,408	6,544
Total risks	403,231	5.1	383,843	425,177
Provisions	7,830	2.2	7,662	8,310
• Specific	3,282	75.7	1,868	2,506
• Generic and country-risk	4,547	(21.5)	5,794	5,804
NPA ratio (%)	2.12		0.89	1.54
NPA coverage ratio (%)	91		225	127
FORECLOSED ASSETS:				
Foreclosed assets	391	65.0	237	383
Foreclosed asset provisions	98	2.3	96	100
Coverage (%)	25.1		40.5	26.2

(1) Including contingent liabilities.

Variations in non-performing assets					
(Million euros)	2008				2007
	4Q	3Q	2Q	1Q	4Q
BEGINNING BALANCE	6,544	4,720	3,878	3,408	3,255
Net variation	2,024	1,824	842	470	153
Entries	4,265	3,137	2,215	1,591	1,501
Outflows	(1,264)	(875)	(813)	(716)	(710)
Write-offs	(787)	(529)	(535)	(347)	(581)
Exchange rate differences and other	(190)	91	(25)	(58)	(57)
PERIOD-END BALANCE	8,568	6,544	4,720	3,878	3,408
MEMORANDUM ITEM:					
• Non-performing loans	8,437	6,483	4,665	3,837	3,358
• Non-performing contingent liabilities	131	61	55	41	49

30-Sep-08 and 0.74% on 31-Dec-07), while Wholesale Banking & Asset Management reported a very low ratio of 0.12%.

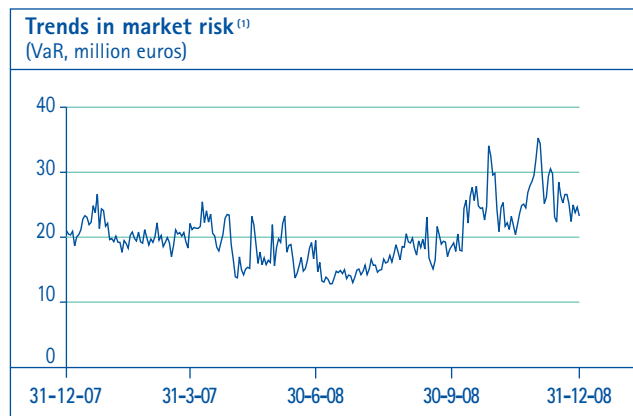
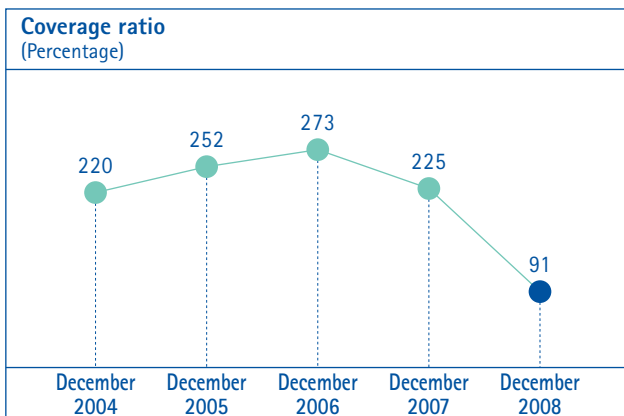
In Mexico, within an environment of deteriorating asset quality throughout the banking sector, Bancomer's non performing assets ratio is also below average in its peer group and with improved performance over the last year, according to the latest local data. At the end of December, the area's non performing assets ratio was 3.21% as against 2.75% at September 2008 and 2.15% at December 2007. The **United States** area also saw its ratio increase to 3.36%, up from its 30-Sep-08 figure of 2.71% or its 1.77% on 31-Dec-07. However, the ratio in the **South America** area remained low: 2.12% at the end of 2008 (2.05% three months earlier and 2.14% one year earlier).

Coverage provisions for customer risks reached €7,830m at 31st December 2008, as against €7,662m on the same date in 2007. Of these, generic and country-risk provisions (€4,547m) accounted for 58% of the total and continue to be significantly higher than expected loss.

Thus, the Group's **coverage ratio** reflected a strong position standing at 91% as the year ended. By business area, Spain & Portugal has a 67% coverage, Wholesale Banking & Asset Management 985%; Mexico 161%; the United States 57% and South America 148%.

Market risk

The average market risk on the BBVA Group trading portfolio was €25.4m in the fourth quarter of 2008.



(1) On 29-2-08 the Bank of Spain approved the Algorithmic internal model for the European and Mexican trading portfolios. The methodology applied for the VaR metric in these businesses is the historical simulation.

This was slightly higher than the third-quarter average but still low in proportion to the Group's trading volumes. At 31st December 2008, the risk was lower, at €23.3m, while average weighted consumption of VaR limits remained comfortable (58%). Strong volatility prevailed on the markets this quarter, hitting the America units especially hard.

By **geographical areas**, the average risk in the fourth quarter was mainly concentrated in Europe. Total European and US risk accounted for 71% of the total exposure. Mexico increased its share by 2 percentage points to 17.6% and South America reduced its percentage to 11.9%.

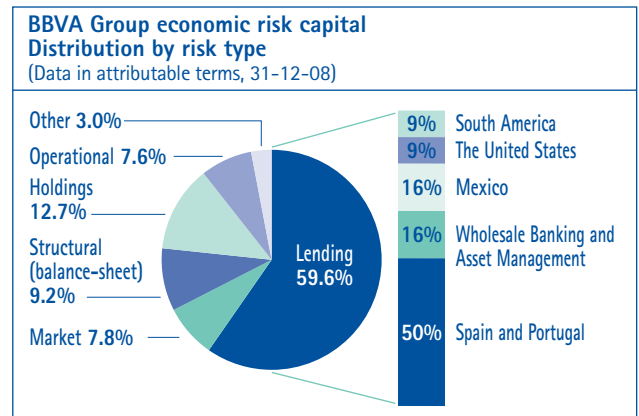
Market risk by risk factors	
(Fourth Quarter 2008. Million euros)	
Risk	31-12-08
Interest and credit spread	24.2
Exchange rate	7.4
Equity	1.1
Vega and correlation	14.8
Diversification effect	(24.3)
TOTAL	23.3
AVERAGE	25.4
MAXIMUM	35.3
MINIMUM	17.8

By **risk type**, at the end of 2008, the biggest risks were interest-rate and spread. These increased their share of the total against the previous quarter, as did exchange-rate risk and volatility risk (which became a significant percentage). Equity risk went down.

Economic capital

Consumption of economic risk capital (ERC), in attributable terms, rose to €21,541 on 31st December 2008, after recording a 13.4% growth during 2008.

Total ERC went up 9.9% during the fourth quarter. ERC for credit risk remained stable. Nonetheless, its relative share of total risk dropped as ERC for trading activities rose.



Economic profit & risk adjusted return on economic capital

The figures for economic profit and risk-adjusted return on capital (RAROC) form part of the fundamental metrics that BBVA needs for a correct implementation of its value-based management system.

Calculations are based on the **economic profit**, which is obtained by making adjustments to the **net attributable profit**: substituting generic provisions with an allocation based on expected losses; accounting the changes in unrealised capital gains on the holding portfolios; applying the difference between all the accounting positions of Global Markets and their market value; and reflecting changes in the total net-asset value due to exchange-rate variations on holdings in Group companies. In 2008, these accounted for –€3,241m, mainly due to lower unrealised capital gains. **Adjusted profit** thus stood at €1,778m.

Additionally, **recurrent** data is calculated. These are mainly a consequence of customer business, whose metrics genuinely reflect the Group's management performance. They are obtained by excluding the earnings of units impacted by changes in capital gains on portfolio investments and with respect to expected

losses, what is considered is the loss adjusted to cycle. Such recurrent adjusted profit stood at €5,150m in 2008, as against the €5,181m recorded in the 2007.

The required economic capital is then calculated by multiplying average economic risk capital or ERC for the period (€19,735m in 2008) by the percentage cost of capital and deducted from the adjusted profit. The **cost of capital** is different for each of the Group's business areas and units. Based on information extracted from the analysts' consensus, it is equivalent to the rate of return the market is demanding on investment capital.

This gives the figure for **economic profit**. Although this was –€275m for the year, the **recurrent economic profit** stood at €3,402m, once more reflecting the degree to which BBVA's profits exceed the cost of capital employed. This difference is the BBVA shareholders' economic return.

The **RARoC** figure measures the return earned by each business unit, adjusted to the risks it bears. Comparing the adjusted profit against the average economic risk capital (ERC) for the year gives a RARoC of 9.0%, while **recurrent RARoC** was 29.9%.

Economic profit and risk adjusted return on economic capital			
(Million euros)	2008	Δ%	2007
NET ATTRIBUTABLE PROFIT	5,020	(18.1)	6,126
Adjustments	(3,241)	n.m.	578
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	1,778	(73.5)	6,704
Average economic risk capital (ERC) (B)	19,735	10.5	17,854
RISK ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100	9.0		37.5
RECURRENT RAROC (%)	29.9		33.8
ERC x cost of capital (C)	2,053	8.6	1,890
ECONOMIC PROFIT (EP) = (A) - (C)	(275)	n.m.	4,814
RECURRENT ECONOMIC PROFIT	3,402	(5.9)	3,614

EP and RAROC by business area							
(2008. Million euros and percentage)	Average economic risk capital (ERC)	Adjusted net attributable profit	Recurrent adjusted net attributable profit	RAROC (%)	Recurrent RAROC (%)	Economic profit (EP)	Recurrent economic profit (recurrent EP)
Spain and Portugal	7,247	2,155	2,155	29.7	29.7	1,500	1,500
Wholesale Banking and Asset Management	3,543	6	619	0.2	20.2	(361)	313
The United States	1,801	195	275	10.8	15.2	11	91
South America	1,970	712	655	36.1	33.2	466	409
Corporate Activities	2,170	(3,066)	(633)	-	-	(3,323)	(647)
BBVA GROUP	19,735	1,778	5,150	9.0	29.9	(275)	3,402

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

The breakdown by business area starts at the lowest level where all the initial accounting data for the business in question are collected. Management groups the data from these units in a predefined manner to arrive at the picture for the main units and, finally, for the business areas themselves. Likewise, the Group's subsidiaries are also assigned to particular business areas according to their type of activity. If a company's activities do not match a single area, the Group allocates these and the corresponding earnings to a number of relevant units.

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

- **Capital:** the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets have two levels: the first is core equity, which determines the allocated capital. The Bank uses this amount as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinate debt and preference shares. The ERC calculation combines lending risk, market risk, and structural risk associated with the balance sheet and equity positions, operational risk and fixed asset and technical risks in the case of insurance companies.
- **Internal transfer prices:** the Bank uses rates adjusted for maturity to calculate the net interest income for each business. It also examines the interest rates for the different assets and liabilities that make up each unit's balance sheet. In cases where there are revenue-generating units as well as distribution units (eg, asset management products), it divides the earnings according to market prices.
- **Assignment of operating expenses:** the Bank assigns direct and indirect costs to business areas except where there is no closely defined relationship, ie, when they are of a clearly corporate or institutional nature for the entire Group.
- **Cross-business register:** as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused by cross-marketing incentives.
- In the breakdown of information, the **top level** comprises the business areas. They are broken down into their main operating units and information is provided for these as well. The arrangement of the areas is different to that in 2007 and reflects the new structure adopted at the end of that year.
- **Business in Spain and Portugal**
- **Wholesale Banking and Asset Management:**
 - Corporate and Investment Banking
 - Global Markets
- **Businesses in Mexico:**
 - Banking businesses
 - Pensions and Insurance
- **Businesses in the United States**
- **Businesses in South America:**
 - Banking businesses
 - Pensions and Insurance

Shareholders' equity, as calculated under current regulation, is an extremely important concept for the overall Group. However, for the purpose of allocating capital to business areas the Bank prefers ERC. It is risk-sensitive and thus linked to the management policies of individual businesses and the business portfolio. This procedure which anticipated the approach adopted by the Basel II rules on capital. These provide an equitable basis for assigning capital to businesses according to the risks incurred and they will make it easier to compare profitability across units.

Apart from the above units, all business areas have another unit that groups other business as well as eliminations and unassigned items.

The Corporate Activities area handles the Group's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity issues and shareholders' funds. The management of structural risks related to interest rates in currencies other than the euro is

handled by the corresponding areas. This area also includes the industrial portfolio management unit and financial shareholdings.

The **second level** is geographic. The Group provides a breakdown by region for total assets and for the major figures on the income statement (ordinary revenues, operating profit and attributable profit). These are calculated by assigning the corresponding amounts generated by global businesses and Corporate Activities to each geographic area. Furthermore for the South America area we show operating profit and net attributable profit by country (including banking, pension and insurance activities in each case). These figures and those for Mexico and USA are not the same as those given for the geographic breakdown because they do not include global businesses or corporate activities.

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

- **Spain and Portugal:** this includes the Spanish Retail Network (individual customers, high net-worth individuals and small companies and businesses in the domestic market), the Corporate and Business Banking unit (SMEs, large companies, institutions and developers in the domestic market), and the remaining units, in particular, Consumer Finance, European Insurance and BBVA Portugal.
- **Wholesale Banking and Asset Management:** consisting of Corporate and Investment Banking (includes the activities of the European, Asian and New York branches); Global Markets (trading floor business and

distribution in Europe, Asia and New York); Asset Management (mutual and pension funds in Spain, hedge funds and private equity); the management of the Group's own equity portfolios and real estate businesses; and Asia (through the Group's holding in the Citic group).

- **Mexico:** this area includes the banking, insurance and pension businesses in Mexico.
- **The United States:** it comprises the banking and insurance business in the USA and Puerto Rico.
- **South America:** this consists of banking, insurance and pension businesses in South America.

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

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

Operating profit and net attributable profit by business area								
(Million euros)	Operating profit				Net attributable profit			
	2008	Δ%	Δ% at constant exchange rates	2007	2008	Δ%	Δ% at constant exchange rates	2007
Spain and Portugal	4,567	10.8	10.8	4,121	2,625	10.2	10.2	2,381
Wholesale Banking and Asset Management	1,223	(3.5)	(3.5)	1,268	754	(15.9)	(15.9)	896
Mexico	3,639	6.6	16.0	3,414	1,938	3.0	12.1	1,880
The United States	686	79.1	92.1	383	211	3.6	11.2	203
South America	1,785	22.8	28.8	1,454	727	16.6	22.7	623
Corporate Activities	(1,348)	43.0	43.0	(943)	(840)	44.3	44.3	(582)
BBVA GROUP EXCLUDING ONE-OFFS	10,552	8.8	13.1	9,697	5,414	0.2	4.0	5,403
BBVA GROUP	11,279	7.0	10.9	10,544	5,020	(18.1)	(15.3)	6,126

Income statement

(Million euros)	2008	Δ%	2007
NET INTEREST INCOME	4,706	10.1	4,275
Income by the equity method	28	n.m.	-
Net fee income	1,643	(3.0)	1,694
Income from insurance activities	494	7.4	460
CORE REVENUES	6,870	6.9	6,429
Net trading income	229	(0.8)	231
ORDINARY REVENUES	7,099	6.6	6,660
Net revenues from non-financial activities	56	2.6	54
Personnel and general administrative expenses	(2,480)	(1.1)	(2,508)
Depreciation and amortization	(103)	(7.3)	(111)
Other operating income and expenses	(6)	n.m.	26
OPERATING PROFIT	4,567	10.8	4,121
Impairment losses on financial assets	(815)	36.0	(599)
• Loan-loss provisions	(778)	31.8	(590)
• Other	(37)	n.m.	(9)
Provisions	-	n.m.	(3)
Other income/losses	(2)	n.m.	10
PRE-TAX PROFIT	3,751	6.3	3,529
Corporate income tax	(1,125)	(2.0)	(1,149)
NET PROFIT	2,625	10.3	2,381
Minority interests	-	n.m.	1
NET ATTRIBUTABLE PROFIT	2,625	10.2	2,381

Balance sheet

(Million euros)	31-12-08	Δ%	31-12-07
Cash and balances at Central Banks	2,501	11.8	2,236
Financial assets	10,203	(25.0)	13,613
Loans and receivables	207,633	1.5	204,472
• Due from banks	4,330	(29.7)	6,157
• Loans to customers	202,394	2.5	197,524
• Other	908	14.8	791
Inter-area positions	-	-	-
Property, plant and equipment	1,380	(4.8)	1,449
Other assets	1,781	(4.1)	1,858
TOTAL ASSETS / LIABILITIES AND EQUITY	223,498	(0.1)	223,628
Deposits by Central Banks and banks	12,339	(20.7)	15,559
Due to customers	97,076	11.1	87,378
Marketable debt securities	5,479	(18.7)	6,739
Subordinated debt	4,252	2.5	4,149
Inter-area positions	77,474	(5.7)	82,171
Other liabilities	19,333	(6.1)	20,581
Minority interests	2	(64.5)	5
Economic capital allocated	7,543	7.1	7,045

Relevant business indicators			
(Million euros and percentages)	31-12-08	Δ%	31-12-07
Customer lending ⁽¹⁾	199,297	0.4	198,524
Customer deposits ⁽²⁾	100,893	10.2	91,546
• Deposits	100,743	10.1	91,463
• Assets sold under repurchase agreement	151	81.4	83
Off-balance-sheet funds	40,873	(22.2)	52,541
• Mutual funds	31,270	(26.4)	42,469
• Pension funds	9,603	(4.7)	10,072
Other placements	6,097	16.1	5,254
Customer portfolios	10,650	(24.3)	14,075
Risk-weighted assets ⁽³⁾	94,283	7.1	88,058
ROE (%)	36.2		35.5
Efficiency ratio (%)	33.9		36.3
Efficiency incl. depreciation and amortization (%)	35.3		37.9
NPA ratio (%)	2.62		0.74
Coverage ratio (%)	67		229

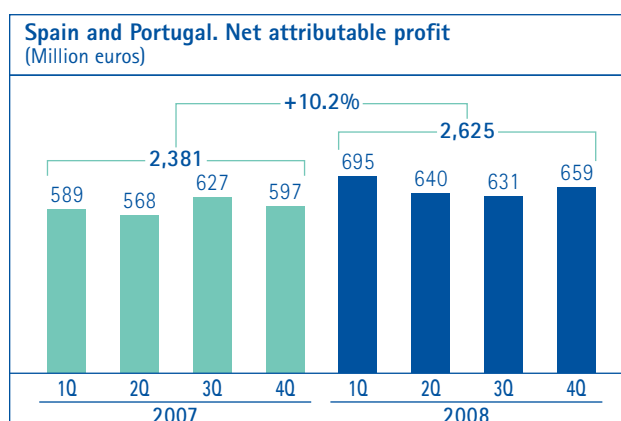
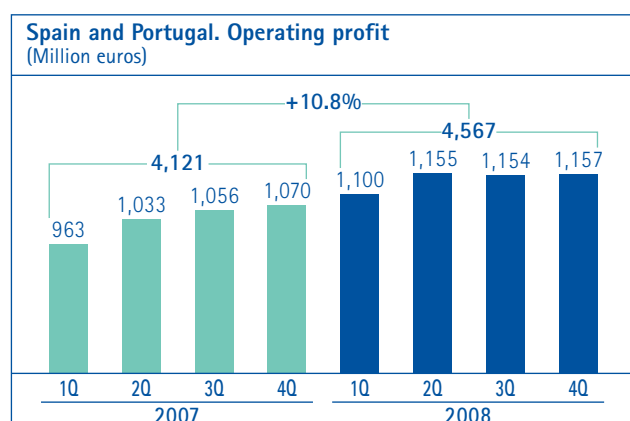
(1) Gross lending excluding NPAs. (2) Includes collection accounts and individual annuities. (3) According to ERC methodology.

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

In the fourth quarter lower expectations of families and companies weighed on lending in the **banking sector** and helped to drive gains in conservative types of customer funds, particularly time deposits. This forced banks to reprice assets and liabilities in line with the new scenario and to tighten cost

controls, in order to offset higher provisions. The non performing assets (NPA) and coverage ratios of the Spanish banking sector as a whole continue to compare favourably with other countries.

As the year advanced, productivity and a competitive edge became increasingly relevant and this highlighted the importance of **BBVA's ability to anticipate change**. Two years earlier it launched a transformation and innovation plan that in 2008 has helped to boost output and sales in a very effective fashion. By applying its particular business model focused on customers and its prudent and strict risk policies the Spain & Portugal Area closed the year on a positive note with operating profit rising 10.8% year-on-year, an NPA ratio of 2.62% and a coverage ratio of 67%. According to the latest available figures for the Spanish sector, BBVA's NPA ratio is lower than the



average for the financial system and continues to outperform. This is true of the overall loan portfolio as well as the various segments (private individuals, companies and especially real estate developers). Moreover, the better performance has been achieved in spite of being less active in the purchase of assets from distressed customers compared to the rest of the sector (€629m during the entire year).

Supported by its sound solvency and in view of lower economic expectations BBVA launched a wide range of products and services in the fourth quarter. These included new finance and savings solutions that can be adapted and customised to suit every situation that private individuals and the self-employed might face in the current economic crisis.

At 31st December 2008, the portfolio of **loans to customers** in the area stood at €199,297m, up 0.4% year-on-year. This emphasises the important slowdown compared to 2007 when they increased 12.0%. However the area continues to grow in high-quality finance products and to reduce its exposure in segments where risk is higher.

The new products for **customer funds** combine a guarantee covering the initial investment, immediate liquidity and a very competitive return. Moreover the latest savings campaign, together with marketing to capture employee salary payments, boosted savings and current accounts to €39,929m despite customers' preference for time deposits which grew strongly for the third year running (up 24.0% to €38,453m). In addition the Group increased its market share of mutual funds from 17.1% in December 2007 to 19.8% at the end of 2008. As a result it has become the leader in this business for the first time thanks to a high volume of subscriptions, which centre on more conservative funds, and a redemption rate that is lower than average. The conservative asset profile also helped to ensure market impacts were less negative. Therefore mutual funds' assets under management stand at €31,270m, dropping 26.4% year-on-year, but the sector as a whole is down 29.8%. Lastly, BBVA placed €1,000m in preference shares through its retail network in the fourth quarter. At 31-Dec-08 total customer funds under management (deposits, mutual and pension funds, and other placements) came to €147,713m (€149,257m a year earlier).

Appropriate management of the business volume lifted **net interest income** 10.1% to €4,706m for the full year. This amounts to 2.24% of average total assets (2.16% in 2007) showing an increasing quarterly upward trend (2.33% in the fourth quarter of 2008, 2.23% in the third quarter of 2008 and 2.19% in the fourth quarter of 2007). Fees on banking

services increased 5.2% (despite a 19.3% decline in fees from equity intermediation). Conversely, fees related to mutual funds fell 18.1% and the net aggregate therefore declined 3.0%. Income from insurance business rose 7.4% and ordinary revenues came to €7,099m (up 6.6%).

In the Spain & Portugal Area the Group's transformation plan helped to reduce expenses 1.1%, improving **efficiency** (measured by the cost/income ratio) 2.6 percentage points to 35.3% (37.9% in 2007). Thus **operating profit** climbed 10.8% to €4,567m.

The increase in recurrent earnings offset higher loan-loss provisions of €778m (up 31.8%). As a result **net attributable profit** rose 10.2% year-on-year to €2,625m and return on equity (ROE) was 36.2% (35.5% in 2007).

Spanish Retail Network

This unit services the financial and non-financial needs of households, professional practices, retailers and small businesses. It also manages the high-net-worth segment of private customers.

In the fourth quarter BBVA launched a **campaign** to promote better financial solutions for private individuals and the self-employed in the present economic context. This entails four product lines: mortgages, payrolls, deposits and the self-employed. These solutions lend weight to BBVA's distinctive business model, which customises products to meet customers' needs in conjunction with a high degree of advisory.

At 31-Dec-08 the Spanish retail network managed €100,906m in customer loans and €112,528m in customer funds. Marketing productivity was high, achieving an average of 44.9 products sold per account manager. The consequent increase in revenues and a reduction in expenses improved efficiency to 40.2% (41.6% in 2007). Operating profit was up 4.6% to €2,677m and net attributable profit rose 8.1% to €1,677m.

In the **private individual segment** and despite the considerable slowdown in the housing market, the unit signed new operations worth €8,735m during the year bringing the **residential mortgage** loan portfolio to €68,398m, an increase of 2.9% year-on-year. Nonetheless this was substantially less than the increase of 11.5% recorded in 2007. Marketing activity during the quarter included a special offer to capture mortgages from the competition (*Ven a casa-200*). Apart from offering facilities for the payment of instalments, the offer

includes an incentive of €200 per month in the first year. The outstanding balance of **consumer finance** at 31-Dec-08 stood at €8,950m and cumulative sales in the period came to €2,567m. Marketing of BBVA's personalised consumer finance continued during the quarter, contributing 17% of sales.

In terms of **customer funds** a new edition of the savings-book campaign (*Quincena del Libretón*) in the fourth quarter led to the distribution of more than 245,000 gifts and brought in more than €718m. Together with various salary campaigns this lifted the balance of savings and current accounts to €27,667m at year-end. The new range of saving products launched during the quarter includes traditional deposits adjusted to customers' requirements and guaranteed mutual funds, a segment in which BBVA is the market leader. The new solutions, such as the *BBVA Depósito Creciente*, *Depósitos Dobles* or the *Depósito Fortaleza* for new money, boosted time deposits 20.9% to €34,567m during the year. Customers' preference for conservative mutual funds was particularly beneficial for BBVA and helped to increase its market share in this segment. A lack of stability in financial markets offset new contributions to pension funds and total assets managed by the unit stand at €9,211m. However a campaign to encourage customers to transfer their pension plans to BBVA captured a net €35m in the fourth quarter.

The **bancassurance** unit captured €142m through individual savings plans (*Ahorro Sistemático*). It also issued €111m of life-insurance premiums in the private-individual segment (up 7.7% year-on-year).

During 2008 the BlueBBVA Programme achieved some 500,000 new customers in the **youth segment**. Following its success in Spain, BBVA is extending to Latin America this strategy of attracting young people, through a global programme with local adaptations.

BBVA Patrimonios, a unit that specialises in high-net-worth individuals in Spain, currently manages assets of €9,725m (€11,389m a year earlier) and has increased the number of customer groups by 8.7%. It opened a management centre for wealthy customers in Galicia as part of its plan to offer a high level of service throughout Spain.

The **small business segment** covers professional practices, the self-employed, retailers, the farming community and microfirms. BBVA is the leader in this segment and during the quarter it launched a new plan for the self-employed (*Compromiso Autónomos*). The plan will adapt BBVA's entire range of products and services to the needs of this segment,

particularly those caused by the current economic scenario. Furthermore it will provide a series of advantages in finance and deposits as well as electronic banking (*BBVA Net Office*) and innovative accounting solutions for retailers.

The corresponding loan portfolio stands at €16,166m with good results from cross marketing as witnessed by the distribution of interest-rate hedging products (€36m in 2008) and a new insurance policy (*Más Cobertura Autónomos*) with €14.4m in premiums. During the year the unit concluded 5,867 operations entailing €272m of ICO funds. In addition the POS campaign for retailers (*Bond TPV*), which was launched in the third quarter, has accumulated 5,700 bonds.

Corporate and Business Banking

The Corporate & Business Banking Unit (CBB) deals with SMEs, large companies, institutions and developers. In 2008 business with SMEs grew more slowly and therefore the loan portfolio handled by CBB at 31-Dec-08 came to €87,651m (up 1.8%) and customer funds were €31,292m (up 6.8%). Net interest income rose 22.8% helped by business volumes and action to defend the price of assets and liabilities. Additional revenues from the sale of hedging products and cost controls meant efficiency improved to 18.2% (22.0% in 2007) and operating profit came to €1,647m (up 25.3%). Net attributable profit increased 22.6% to €912m.

CBB manages most of the Group's work in conjunction with the **2008 ICO** agreement. BBVA completed 11,543 operations entailing €832m and these facilitated cross selling. Some 13% of operations are new customers, 12% of those who sign a leasing agreement also take out an insurance policy and 21% of these acquire a hedging contract.

The portfolio of loans in the **SME** segment stands at €34,042m and customer funds are €8,658m of which €5,022m are savings and current accounts. Operating profit for 2008 was €960m (up 16.8%) and net attributable profit came to €569m (up 20.4%).

In business with larger **corporate customers** lending grew 13.3% to €15,459m and customer funds rose 18.6% to €5,235m, boosting operating profit 18.4% to €267m. Net attributable profit was up 11.0% to €125m. In the fourth quarter BBVA led an exclusive plan to reinvest MAPFRE's interim dividend. It offered shareholders the option of reinvesting their dividends in the form of new shares associated with the approved capital increase.

Lending to public and private **institutions** rose 8.4% to €20,801m and customer funds increased 12.8% to €17,353m. Efficiency also improved and thus operating profit came to €299m (up 46.4%) and net attributable profit was €232m (up 63.0%). In the fourth quarter BBVA led two syndicated credits: one for railway finance in the City of Valencia and another of €225m for the regional government of Andalucía.

Business with **developers** tracked the property market, with new lending falling commensurate with the number of housing units started during the period (down 59%). At year-end the average balance of the stock had increased 4.3%, in contrast to 21.2% in 2007. This was due to the lower level of business and the unit's strict risk criteria. Residential finance was increasingly focused on government-controlled housing (VPO), which accounted for 31.6% (15.0% in 2007).

The **transaction services** unit ended the year with a user-base of 80,000 customers who transmitted more than 236 million payments and collections during the period. The volume of foreign trade payments and collections handled by BBVA grew more than 5%.

Other units

Consumer Finance

This unit manages on-line banking, consumer finance, cards and leasing plans that include maintenance. These activities are conducted via Uno-e, Finanzia and other companies in Spain, Portugal and Italy. Operating profit in 2008 came to €116m and net attributable profit was €3m.

Despite the slowdown in the consumer finance market, at 31-Dec-08 the **loan portfolio** of this unit stood at €5,671m (up 2.4%) and new lending products sold during the year came to €4,395m (€5,368m in 2007). Despite a 29.8% drop in new car registrations in Spain, the unit invoiced €1,315m in the vehicle prescription business in 2008, bringing the stock of such loans to €3,175m (up 7.2%). As a result the unit increased its market share in the private individual segment 37 basis points to 13.6% during the year. Lower demand still affects equipment finance but it rose 8.2% year-on-year to €863m with invoicing of €409m in the year. The total stock of finance in equipment leasing plans rose 6.3% to €735m after invoicing of €310m. Furthermore the fleet of vehicles in leasing plans now stands at 37,915. The loan portfolio at Uno-e stands at €1,056m, after new lending of €1,956m in 2008 (€2,123m in 2007). Payment channels did well (up 4.4%).

Customer funds managed or brokered came to €1,232m (€1,669m at the end of 2007) of which €480m were time deposits.

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

European Insurance

This unit handles insurance business in Spain and Portugal and it generated net attributable profit of €256m in 2008 (up 11.5%). This was the result of revenues of €522m: €494m from its own policies (up 7.4%) and €28m from brokerage fees on the policies of other companies.

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

BBVA Portugal

In the fourth quarter this unit launched a new mortgage loan (*Crédito Hipoteca Fácil Plus*) and *Conta Pack Negocios BBVA* to capture new retail customers. Products related to customer funds included *Súper Positivo BBVA*, *Super Call II BBVA*, *Dual 6%* and *Dual 5%*. BBVA also participated in project finance for the Pebble wind farm and the Trasmontana tollway.

At the end of 2008 the loan portfolio stood at €5,736m (up 15.1% year on year), supported by an increase in lending to SMEs (up 19.5%). Customer funds rose 16.3%, following the exodus from mutual funds. Based on these higher business volumes, net interest income increased 17.8% to €85m, operating profit rose 22.6% to €53m and net attributable profit jumped 69.9% to €25m.

Dinero Express

This branch network, which specialises in the immigrant segment, was set up to attract new customers who send money transfers and to provide them with products and services suited to their needs. It has proved an effective entry point for new customers. As part of a strategy adopted at the start of 2008, BBVA has been gradually closing branches with the goal of integrating immigrants in the retail-banking unit as an additional segment. Although it now has less outlets the unit increased the number of money transfers 10% to €543m during the year despite a falling market associated with the adverse economic situation. The BBVA network handled 56% of these transfers.

Wholesale Banking and Asset Management

Income statement									
(Million euros)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	2008	Δ%	2007	2008	Δ%	2007	2008	Δ%	2007
NET INTEREST INCOME	896	n.m.	131	524	36.3	385	436	n.m.	(178)
Income by the equity method	261	9.5	239	-	-	-	-	-	-
Net fee income	413	(7.5)	446	235	10.1	214	14	(62.9)	39
Income from insurance activities	-	-	-	-	-	-	-	-	-
CORE REVENUES	1,570	92.4	816	759	27.0	598	450	n.m.	(140)
Net trading income	144	(81.8)	791	63	135.0	27	108	(83.2)	641
ORDINARY REVENUES	1,714	6.7	1,606	822	31.6	625	558	11.4	501
Net revenues from non-financial activities	31	(76.1)	130	-	(100.0)	-	-	-	-
Personnel and general administrative expenses	(511)	9.5	(467)	(184)	27.2	(145)	(223)	(2.1)	(228)
Depreciation and amortization	(9)	28.8	(7)	(2)	1.2	(2)	(2)	23.8	(2)
Other operating income and expenses	(1)	n.m.	5	(1)	(22.0)	(1)	(1)	35.6	(1)
OPERATING PROFIT	1,223	(3.5)	1,268	636	33.1	478	332	22.6	271
Impairment losses on financial assets	(288)	119.0	(132)	(124)	(4.8)	(131)	(140)	n.m.	(1)
• Loan-loss provisions	(258)	96.5	(131)	(124)	(4.8)	(131)	(140)	n.m.	(1)
• Other	(30)	n.m.	-	-	-	-	-	-	-
Provisions	(3)	n.m.	4	(1)	n.m.	-	-	n.m.	-
Other income/losses	1	(90.3)	14	1	260.3	-	1	39.8	1
PRE-TAX PROFIT	933	(19.1)	1,154	511	47.2	347	194	(28.6)	272
Corporate income tax	(174)	(29.8)	(247)	(150)	40.4	(107)	(45)	(32.8)	(67)
NET PROFIT	760	(16.2)	907	361	50.3	240	149	(27.2)	205
Minority interests	(6)	(40.7)	(10)	-	-	-	(5)	(6.0)	(6)
NET ATTRIBUTABLE PROFIT	754	(15.9)	896	361	50.3	240	144	(27.8)	199

Balance sheet									
(Million euros)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	31-12-08	Δ%	31-12-07	31-12-08	Δ%	31-12-07	31-12-08	Δ%	31-12-07
Cash and balances at Central Banks	1,548	35.2	1,145	74	91.9	39	1,469	33.5	1,100
Financial assets	66,579	45.5	45,748	1,068	41.1	757	60,424	44.0	41,969
Loans and receivables	68,456	48.8	46,018	49,654	31.3	37,827	16,049	151.6	6,380
• Due from banks	11,426	101.0	5,685	3,480	14.9	3,027	5,488	n.m.	1,055
• Loans to customers	48,205	31.0	36,805	46,153	32.7	34,789	2,042	2.2	1,999
• Other	8,825	150.1	3,528	21	82.8	12	8,519	156.2	3,326
Inter-area positions	1,506	(84.2)	9,513	-	-	-	15,445	(57.8)	36,587
Property, plant and equipment	77	43.6	53	1	6.9	1	5	40.1	4
Other assets	2,206	45.0	1,521	15	(65.0)	42	1,179	19.1	989
TOTAL ASSETS / LIABILITIES AND EQUITY	140,372	35.0	103,999	50,812	31.4	38,667	94,571	8.7	87,029
Deposits by Central Banks and banks	29,151	(18.9)	35,944	1,476	137.8	621	25,140	(28.2)	35,034
Due to customers	61,366	43.6	42,732	34,206	240.5	10,046	27,069	(17.0)	32,607
Marketable debt securities	(189)	n.m.	-	1	n.m.	-	(190)	n.m.	-
Subordinated debt	2,675	47.8	1,809	1,103	3.3	1,067	525	54.6	339
Inter-area positions	-	-	-	10,885	(55.2)	24,275	-	-	-
Other liabilities	42,691	107.1	20,614	1,183	7.1	1,104	41,097	122.8	18,449
Minority interests	(64)	n.m.	41	-	-	-	9	3.5	8
Economic capital allocated	4,742	65.9	2,858	1,959	26.0	1,554	921	55.6	592

Relevant business indicators									
(Million euros and percentages)	Wholesale Banking and Asset Management			Memorandum item:					
				Corporate and Investment Banking			Global Markets		
	31-12-08	Δ%	31-12-07	31-12-08	Δ%	31-12-07	31-12-08	Δ%	31-12-07
Customer lending ⁽¹⁾	48,683	30.4	37,337	46,847	32.7	35,293	1,819	(10.5)	2,033
Customer deposits ⁽²⁾	62,568	48.1	42,243	34,153	238.8	10,080	28,248	(11.8)	32,032
• Deposits	52,731	59.6	33,036	34,151	238.9	10,078	18,412	(19.3)	22,827
• Assets sold under repurchase agreement	9,837	6.8	9,207	1	(34.9)	2	9,835	6.8	9,205
Off-balance-sheet funds	10,824	10.6	9,788	68	45.9	47	860	40.3	613
• Mutual funds	4,014	65.5	2,425	68	45.9	47	860	40.3	613
• Pension funds	6,810	(7.5)	7,363	-	-	-	-	-	-
Customer portfolios	-	-	-	-	-	-	-	-	-
Risk-weighted assets ⁽³⁾	59,279	65.9	35,726	24,487	26.0	19,429	11,517	55.6	7,400
ROE (%)	21.3		34.3	19.0		17.1	23.6		41.0
Efficiency ratio (%)	29.3		26.9	22.4		23.1	40.0		45.5
Efficiency incl. depreciation and amortization (%)	29.8		27.3	22.6		23.4	40.3		45.8
NPA ratio (%)	0.12		0.02	0.13		0.04	0.10		-
Coverage ratio (%)	n.m.		n.m.	n.m.		n.m.	198		n.m.

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

The Wholesale Banking & Asset Management Area handles the Group's wholesale business and fund management. It is organised around three major units: Corporate & Investment Banking, Global Markets and Asset Management. Furthermore it includes the Industrial and Real Estate Holdings Unit, which contributes to its diversification, and the Group's holdings in the CITIC financial group, associated with expansion in Asia.

The year was particularly complicated for markets, investment banking and asset management. Most large international financial groups experienced sharp declines in profits, including losses, due to a drop in revenue and the need for extraordinary provisioning.

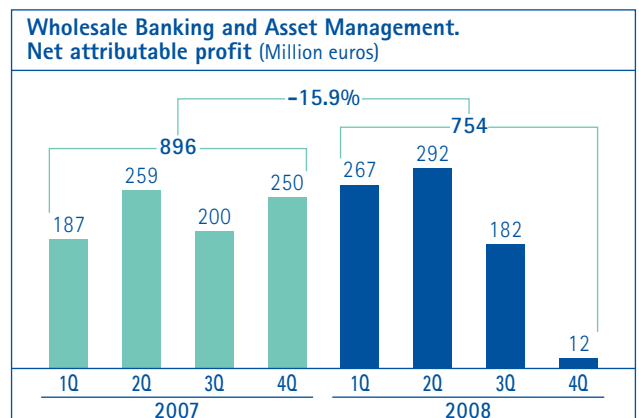
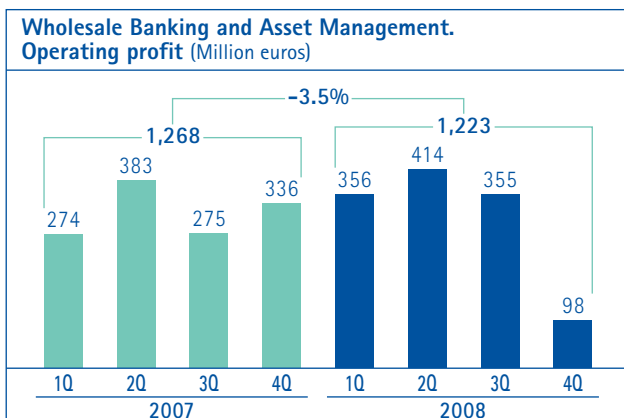
In this context the performance of the Wholesale Banking & Asset Management Area was highly commendable. Thanks to its business model based on customer franchise the area increased revenues: **ordinary revenues** came to €1,714m, an increase of 6.7% compared to €1,606m in 2007 (based on the

units in Europe, New York and Asia). Of the above amount, net interest income and net trading income together accounted for €1,040m (up 12.9%), earnings carried by the equity method (mainly Gamesa) accounted for €261m (up 9.5%) and net fee income contributed €413m (dropping 7.5%, mainly in Global Markets and Asset Management).

In addition there were considerable increases in the volume of business. At the end of 2008 the **loan portfolio** stood at €48,683m (principally in Corporate & Investment Banking) after an increase of 30.4%. **Customer funds** (deposits, mutual funds and pension funds) came to €63,555m (up 48.4%).

As a result of the area's growth plans, expenses increased 9.5%. Nonetheless the **cost/income ratio** including depreciation for 2008 stands at 29.8% (27.3% in 2007), which is still excellent. As a result of the above **operating profit** fell 3.5% to €1,223m.

Asset quality in the area remains excellent with a very low non-performing loan ratio (0.12%). Non-performing assets are



only €113m and the coverage ratio is very high (985%). However, loan-loss provisions were €258m—nearly double the 2007 amount—owing to generic provisions associated with the sharp increase in lending and other provisions made by the Markets Unit. As a result, **net attributable profit** for the year fell 15.9% to €754m, compared to €896m in 2007.

Profit does not include the impact of the fraud perpetrated by Bernard L Madoff Investment Securities which owing to its nature has been included in the Corporate Activities Area.

The earnings of Wholesale Banking & Asset Management units in **Latin America** are recorded in their respective areas (Mexico and South America). After taking into account the figures mentioned above, the Wholesale Banking & Asset Management Area contributed the amounts shown in the table for the regions in which the Group operates.

Wholesale Banking and Asset Management including The Americas			
(Million euros)	31-12-08	Δ%	31-12-07
Ordinary revenues	2,647	15.3	2,296
Operating profit	1,926	11.0	1,735
Net attributable profit	1,107	(5.5)	1,172
Customer lending	58,223	18.4	49,193
Deposits	69,558	44.9	47,989

Corporate and Investment Banking

This unit co-ordinates origination, distribution and management of a complete catalogue of corporate & investment banking products (corporate finance, structured finance, syndicated loans and debt capital markets), global trade finance and global transaction services. Coverage of large corporate customers is specialised by sector (industry bankers).

The unit's loan portfolio grew 32.7% to €46,847m, lifting net interest income 36.3% to €524m. This supported ordinary revenues, which increased 31.6% to €822m, and operating profit was up 33.1% to €636m. After absorbing generic loan-loss provisions related to high lending, net attributable profit came to €361m (up 50.3%).

Prominent operations during the quarter in **debt capital markets** included three that signal a degree of normalisation in the market. They were a syndicated loan of €3,100m for ENI to

finance the purchase of a 57.2% stake in Distrigas (a Belgian company); a bond issue for Iberdrola with two tranches of €1,000m at 3 years and €600m at 7 years; and a bond issue of €700m for Carrefour. The quarter also included private placements for Vodafone, Volkswagen and Paccar worth €280m.

In **corporate finance**, BBVA acted as financial adviser to Nutrexpa in its acquisition of Sos Cuétara for €215m. This was one of the most important operations in the Spanish market.

In **structured finance** the unit continued to carry out operations in the renewable energy sector. These included FCC's purchase of B&B's wind farm portfolio in Spain for €528m and finance for TSK's photovoltaic installations in Granada for €126m.

Operations in the **Americas** included finance for the Autoroute 30 Project, created by Acciona and Iridium Concesiones de Infraestructura, for the construction, operation and maintenance of a tollway in Canada. This project was acclaimed as "project of the year 2008" in the USA by *Project Finance International* (a trade magazine). Another operation entailed a syndicated loan of \$250m for Braskem (a Brazilian petrochemical company). The unit also structured bridging finance and a syndicated loan of \$600m for BMW arranged in New York to expand its activities in Canada. Other deals included \$140m in finance for Cencosud Argentina and a market issue of Colombian bonds for Corporación Andina de Fomento (CAF). In Mexico it organised a syndicated loan of 6,000 million pesos for the OHL Group, a loan of 1,000 million pesos for Embotelladoras Arca and another of \$78m for Prolec GE.

Global Trade Finance maintained its top slot in international rankings (Dealogic) at global level and in Asia, Latin America and the BRIC countries. During the quarter the unit signed a partial finance operation in Tokyo for the Porco III hydroelectric scheme. In energy terms this project is the biggest currently in construction in Colombia. The agreement is for \$200m and \$100m of this will be finance by BBVA with a guarantee from JBIC (Japan Bank for International Cooperation) over 15 years. It also signed an 11-year \$300m facility in Rome in favour of Reliance Industries (the top Indian group in petroleum products) without the need for a contract – thanks to SACE cover. This is the first time BBVA acts as an agent in an operation with SACE cover and its participation is €100m. Furthermore BBVA and Bancomer participated with \$40m in a credit line for Volcan Compañía Minera in Peru for prefinancing \$200m of exports over 3 years.

The **global transaction services** unit obtained the transaction services of several important customers. They include Cartones América in Colombia (with Peru and Venezuela in the second phase); Petronas in Venezuela and shortly in the rest of Latin America; and Envoy Services and Earthport for Spain, Portugal and some Latin American countries. In Europe, Autocobro Express was launched by BBVA Net Cash. This allows customers to collect their export bills without opening an account in the importer's country. In addition BBVA Bancomer completed a project that will allow American Express to directly debit 35,000 credit card payments via its web site.

Global Markets

This unit handles the origination, structuring, distribution and risk management of market products, which are placed through the trading rooms in Europe, Asia and the Americas.

Despite the complex environment it achieved double-digit growth of **customer revenues** in all regions thanks to the customer focus of its business model and its strategic strengths. These include the development of products and their adaptation to customers' needs, business diversification, distribution via the Group's networks and the development of synergies in different locations. The strong revenues in the Global Markets Unit contrast with the negative earnings of most competitors. This places BBVA among those with the best performance in this business in 2008.

Therefore ordinary revenues in **Europe and New York** rose 11.4% during the year to €558m, operating profit was €332m (up 22.6%) and net attributable profit came to €144m.

Cross-border business grew substantially, with the unit becoming a source of recurrent revenues thanks to its global reach, to the improved products and services for global customers and to its collaboration with teams in various countries.

For the second year running BBVA won a prize for excellence awarded by *Structured Products* to the best distributors of structured products in the European market. The award cited BBVA's leadership in the Spanish market and its prudent approach to risk management, which ensures capital adequacy and sustainability despite complex conditions.

Asset Management

This unit designs and manages mutual funds and pension funds that are marketed through the Group's different branch

networks. It tackles these goals through three different channels. These are traditional asset management, alternative asset management and Valanza (the Group's private equity unit).

The sharp falls in the market in 2008 had an impact on total assets under management, which fell 15.5% during the year to €50,961m. Net fee income also suffered and therefore the unit's ordinary revenues declined 17.3% to €172m and net attributable profit dropped 27.9% to €70m.

At the end of 2008 BBVA managed €34,900m of assets in **mutual funds** in Spain. Of this amount, non-real estate mutual funds account for €33,197m. They fell 18.8% year-on-year despite an average drop of 29.8% for the sector as a whole (its worst ever). This means that BBVA now holds 19.8% of this market after gaining 2.65 percentage points since the beginning of the year and for the first time becomes the market leader. Its market share of net fee income also increased 3.03 points during the year to 20.6%.

The market had a negative effect on **pension business** in Spain with assets under management falling 5.9% to €16,060m. Of this amount individual plans account for €9,357m and employee and associate schemes €6,703m.

Industrial and Real Estate Holdings

This unit helps to diversify the area's businesses with the aim of creating medium and long-term value through active management of a portfolio of industrial holdings and real estate projects (Anida and the Duch Project). The fundamental criteria for this purpose are profitability, turnover, liquidity and optimal employment of economic capital. In 2008 the unit obtained net attributable profit of €260m, compared to €386m in 2007.

At the end of the year the **industrial holdings** portfolio had latent capital gains of about €120m. There were no significant transactions in the fourth quarter.

Asia

BBVA has increased its stakes in CITIC International Financial Holdings (CIFH) in Hong Kong from 14.5% to 29.7% and in China CITIC Bank (CNCB) from 4.8% to approximately 10%. As a result it has consolidated its presence in the region and its commitment to China with investments that now exceed €2,000m. In a related move, CIFH ceased to be a CNCB shareholder on 17th December 2008 (previously it held a 15% interest).

Income statement												
(Million euros)	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	2008	Δ%	Δ% ⁽¹⁾	2007	2008	Δ%	Δ% ⁽¹⁾	2007	2008	Δ%	Δ% ⁽¹⁾	2007
NET INTEREST INCOME	3,694	4.5	13.7	3,533	3,689	4.4	13.5	3,535	6	90.7	107.4	3
Income by the equity method	6	91.2	108.1	3	6	98.6	116.1	3	-	(12.3)	(4.6)	-
Net fee income	1,190	(8.9)	(0.9)	1,306	1,113	(10.7)	(2.8)	1,246	124	(7.7)	0.4	135
Income from insurance activities	379	20.9	31.6	313	-	-	-	-	316	26.2	37.4	250
CORE REVENUES	5,269	2.2	11.2	5,156	4,807	0.5	9.3	4,784	446	14.9	25.0	388
Net trading income	285	30.9	42.4	218	287	36.8	48.8	210	(2)	n.m.	n.m.	8
ORDINARY REVENUES	5,554	3.3	12.4	5,374	5,095	2.0	11.0	4,994	444	12.1	22.0	396
Net revenues from non-financial activities	8	23.4	34.2	7	12	(15.1)	(7.6)	14	(3)	(55.5)	(51.6)	(7)
Personnel and general administrative expenses	(1,727)	(0.8)	8.0	(1,741)	(1,583)	(3.1)	5.4	(1,634)	(170)	(3.3)	5.2	(175)
Depreciation and amortization	(73)	(28.3)	(22.0)	(102)	(71)	(29.0)	(22.7)	(99)	(2)	4.6	13.8	(2)
Other operating income and expenses	(123)	(0.8)	7.9	(124)	(97)	21.5	32.1	(80)	20	(2.8)	5.8	20
OPERATING PROFIT	3,639	6.6	16.0	3,414	3,356	5.1	14.3	3,195	289	24.5	35.4	232
Impairment losses on financial assets	(1,126)	33.3	45.1	(844)	(1,126)	33.3	45.1	(844)	-	-	-	-
• Loan-loss provisions	(1,112)	33.4	45.1	(834)	(1,112)	33.4	45.1	(834)	-	-	-	-
• Other	(14)	29.5	40.9	(10)	(14)	29.5	40.9	(10)	-	-	-	-
Provisions	(161)	n.m.	n.m.	28	(161)	n.m.	n.m.	28	-	-	-	-
Other income/losses	147	n.m.	n.m.	(15)	149	n.m.	n.m.	(17)	(2)	n.m.	n.m.	2
PRE-TAX PROFIT	2,499	(3.2)	5.3	2,583	2,218	(6.0)	2.2	2,361	287	22.6	33.4	234
Corporate income tax	(560)	(20.1)	(13.1)	(701)	(485)	(24.2)	(17.5)	(640)	(76)	18.7	29.1	(64)
NET PROFIT	1,939	3.0	12.1	1,882	1,733	0.7	9.6	1,721	210	24.1	35.0	170
Minority interests	(1)	(3.2)	5.3	(2)	(1)	(8.9)	(0.9)	(1)	(1)	0.9	9.8	(1)
NET ATTRIBUTABLE PROFIT	1,938	3.0	12.1	1,880	1,733	0.7	9.6	1,720	210	24.2	35.1	169

(1) At constant exchange rates.

Balance sheet												
(Million euros)	Mexico				Memorandum item:							
					Banking business				Pensions and Insurance			
	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07
Cash and balances at Central Banks	5,387	(2.8)	16.5	5,540	5,387	(2.8)	16.5	5,540	-	(74.0)	(68.9)	-
Financial assets	20,825	(21.4)	(5.8)	26,501	18,133	(24.5)	(9.5)	24,012	2,987	5.2	26.1	2,839
Loans and receivables	32,145	4.0	24.6	30,902	32,050	4.0	24.6	30,812	162	4.0	24.6	156
• Due from banks	4,979	87.0	124.1	2,663	4,979	87.0	124.1	2,663	68	3.0	23.4	66
• Loans to customers	26,464	(5.2)	13.6	27,907	26,463	(5.2)	13.6	27,907	-	(25.7)	(11.0)	-
• Other	702	110.9	152.8	333	608	150.3	199.9	243	94	4.7	25.4	90
Inter-area positions	43	n.m.	n.m.	-	50	n.m.	n.m.	8	-	-	-	-
Property, plant and equipment	709	(10.7)	7.0	794	703	(10.9)	6.8	789	6	16.9	40.1	5
Other assets	1,696	(12.6)	4.7	1,941	1,912	37.5	64.7	1,391	98	21.1	45.1	81
TOTAL ASSETS / LIABILITIES AND EQUITY	60,805	(7.4)	10.9	65,678	58,234	(6.9)	11.5	62,551	3,253	5.6	26.5	3,081
Deposits by Central Banks and banks	9,160	(42.2)	(30.8)	15,855	9,160	(42.2)	(30.8)	15,855	-	n.m.	n.m.	-
Due to customers	32,466	(7.9)	10.4	35,237	32,533	(7.8)	10.4	35,302	-	-	-	-
Marketable debt securities	3,127	69.5	103.1	1,845	3,127	69.5	103.1	1,845	-	-	-	-
Subordinated debt	1,585	(19.1)	(3.0)	1,959	1,881	28.4	53.8	1,466	-	-	-	-
Inter-area positions	-	(100.0)	(100.0)	5	-	-	-	-	-	-	-	-
Other liabilities	11,647	59.7	91.3	7,293	8,956	84.7	121.3	4,849	3,008	6.4	27.5	2,827
Minority interests	1	(19.0)	(3.0)	1	1	10.1	31.9	-	-	39.3	66.9	-
Economic capital allocated	2,819	(19.1)	(3.0)	3,483	2,577	(20.3)	(4.6)	3,234	245	(3.6)	15.5	254

(1) At constant exchange rates.

Relevant business indicators													
(Million euros and percentages)	Mexico				Memorandum item:								
					Banking business				Pensions and Insurance				
	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	
Customer lending ⁽²⁾	25,543	(5.0)	13.8	26,899	25,543	(5.0)	13.8	26,899	-	-	-	-	
Customer deposits ⁽³⁾	29,677	(5.5)	13.2	31,408	29,677	(5.5)	13.2	31,408	-	-	-	-	
• Deposits	25,053	(3.4)	15.7	25,945	25,053	(3.4)	15.7	25,945	-	-	-	-	
• Assets sold under repurchase agreement	4,625	(15.3)	1.4	5,463	4,625	(15.3)	1.4	5,463	-	-	-	-	
Off-balance-sheet funds	16,376	(17.6)	(1.2)	19,862	9,180	(18.1)	(1.9)	11,214	7,196	(16.8)	(0.3)	8,648	
• Mutual funds	9,180	(18.1)	(1.9)	11,214	9,180	(18.1)	(1.9)	11,214	-	-	-	-	
• Pension funds	7,196	(16.8)	(0.3)	8,648	-	-	-	-	7,196	(16.8)	(0.3)	8,648	
Other placements	2,830	(9.5)	8.4	3,127	2,830	(9.5)	8.4	3,127	-	-	-	-	
Customer portfolios	5,200	(16.6)	(0.1)	6,237	5,200	(16.6)	(0.1)	6,237	-	-	-	-	
Risk-weighted assets ⁽⁴⁾	35,233	(19.1)	(3.0)	43,533	32,208	(20.3)	(4.6)	40,431	3,061	(3.6)	15.5	3,174	
Efficiency ratio (%)	31.1			32.4	31.0			32.6	38.5			45.1	
Efficiency incl. depreciation and amortization (%)	32.4			34.2	32.4			34.6	39.0			45.6	
NPA ratio (%)	3.21			2.15	3.21			2.15	-			-	
Coverage ratio (%)	161			255	161			255	-			-	

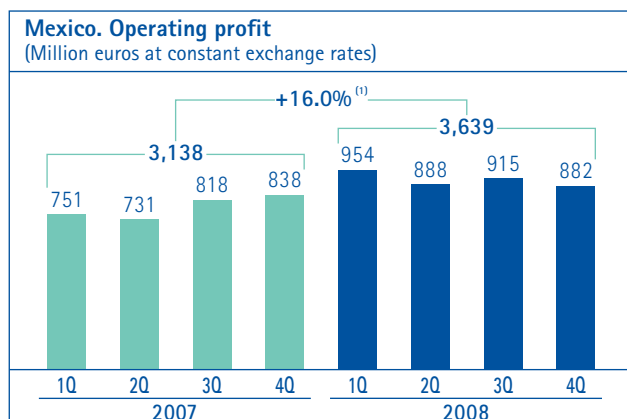
(1) At constant exchange rate. (2) Gross lending excluding NPAs and Bancomer's old mortgage portfolio. (3) Excluding deposits and repos issued by Bancomer Markets unit. (4) According to ERC methodology.

This area comprises the banking, pension and insurance businesses that the BBVA Bancomer Financial Group operates in Mexico.

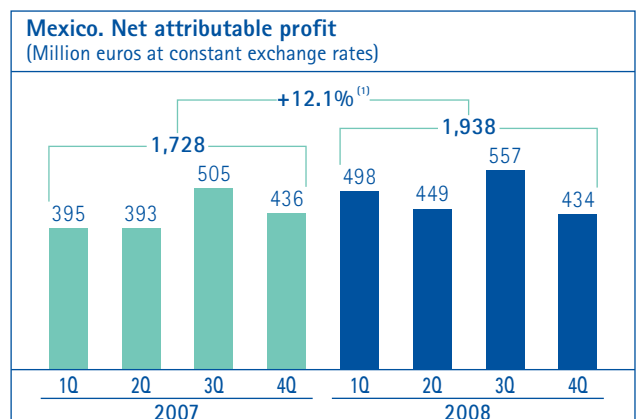
During the last quarter of 2008, the Mexican **economy** has felt the effects of the recession in neighbouring USA and begun to show signs of slow-down in production and employment. Although the greatest corrections were seen in activities linked closest to foreign trade, end-of-year figures suggest that domestic market production may also be slowing down. The economy has been exposed to volatile price increases in energy and other areas, pushing inflation up to 6.5% at the year-end. Nonetheless, given the economic forecasts for

the country, as pressure eases from lowering international commodity prices, the Bank of Mexico's target level for inflation is plausible for 2009 and 2010.

Since the beginning of October, **financial variables** such as the exchange rate, interest rates on public and private debt and stock market trading have all been under pressure, reacting to an international surge in risk aversion. The interest-rate yield curve showed higher volatility, reflecting investors' preference for liquidity and the inbound flow of international money slowed. The Bank of Mexico chose to keep its short-term official interest rate at 8.25%. However, its latest statements indicate that it may now be focusing more on the risks



(1) At current exchange rates: +6.6%.



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

of an economic downturn than on inflation. This would suggest that interest rates will fall in 2009.

The average **exchange rate** in the fourth quarter was 13 pesos to the dollar, as the peso weakened compared to the third quarter. The end-of-year rate for the Mexican peso reflected an annual depreciation of 16.5% against the euro, while average annual rates depreciated 8.1%. This has a negative impact on the financial statements for the area. In order to have a clearer view of underlying performance, the comments below are based on the column of figures for change in **constant exchange rates** shown in the attached tables.

During the year as a whole, the Mexico area generated **attributable profit** of €1,938m, with a 12.1% year-on-year increase driven by excellent revenue performance. Net interest income reached €3,694m, up 13.7% on 2007, due to growth in business and efficient price management. The €1,569m figure for fee income and insurance revenues (up 5.4% year on year) plus the €285m for net trading income (up 42.4%) produced ordinary revenues of €5,554m, increasing 12.4%. Successful application of cost-control programmes meant administration & personnel expenses rose 8.0% (less than revenues), totalling €1,727m. This further enhanced efficiency, the cost-income ratio including depreciation going down from 34.2% in 2007 to 32.4% in 2008. **Operating profit** thus reached €3,639m, 16.0% higher than in 2007, despite the fact that 2008 was a much tougher year.

€1,112m were allocated to **loan-loss provisions**. This was 45.1% more than the previous year, due to higher lending volumes and asset quality impairments throughout the system. At the end of 2008, the NPA ratio stood at 3.21% and the coverage ratio remained high (161%).

Banking business

Lending to customers rose to €25,543m at 31st December 2008, 13.8% up on the previous year. The housing portfolio performed increasingly well this year. It grew 20.8% (excluding the back-book), reaching €8,021m at 31-Dec-08. Commercial lending, which includes corporations, businesses, government and financial entities, showed a 19.6% increase, with a balance of €10,737m. Of this, €4,130m was in finance

to medium sized businesses (up 36.9% year on year), €1,658m to the public sector (up 12.5%) and €4,540m to large corporations (up 4.0%).

Unsecured consumer lending (credit cards and personal, payroll and car-purchase loans) slowed down to stand at €6,784m, similar to the previous year.

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

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

Current and savings accounts accounted for 34.4% of total customer funds; term deposits and other intermediation products for 36.8%; investment companies for 22.0% and foreign-currency deposits for the remaining 6.8%. At the end of 2008, Bancomer's had a 27.7% share of total customer funds in the market (excluding repos), 145 basis points up on the previous year.

Customer spread remained high, at 12.4% in the final quarter of 2008, compared to 12.6% in the previous quarter and 12.4% in the fourth quarter of 2007. This performance and higher lending and customer-fund volumes drove **net-interest income** up to €3,689m, 13.5% higher than in 2007. Fee income contributed

€1,113m (down 2.8% year on year), bringing **core revenues** up 9.3% to €4,807m. Adding net trading income of €287m, **ordinary revenues** came to €5,095m, 11.0% higher than in 2007.

As in earlier quarters, growth in **administration & personnel expenses** continued to slow down. They reached the end of the year only 5.4% above their 2007 level. As this was way below growth in revenues, the cost-income ratio improved to 32.4% in 2008, from 34.6% the previous year, and **operating profit** grew 14.3% year on year, reaching €3,356m.

In December 2008, the area recorded a 3.21% **NPA ratio**. Although slightly higher than the 2.15% recorded at year-end 2007, asset quality deteriorated throughout the Mexican banking industry. As the deterioration was less marked in Bancomer, its NPA ratio was the lowest in the industry by approximately 30 basis points. Allocations to loan-loss provisions increased 45.1% to €1,112m, keeping the coverage ratio high, at 161%.

Attributable profit thus rose to €1,733m for 2008 as a whole, 9.6% higher than in 2007.

In the final quarter of the year, **Retail Banking** opened an express banking module to increase the efficiency of traditional transactions such as cash withdrawals, deposits and loan repayments. It also improved its service for foreign customers in Mexico, completing the installation of dedicated corners in existing branches and opening a total of 31 independent branches during the year. At 31-Dec-08, the unit had 6.8 million payroll accounts. These provide significant cross-selling opportunities. The balance of SMEs finance grew by more than €2 billion pesos during the final quarter, up 58% on SME loans in 2007.

Banca Hipotecaria granted more than 96,000 mortgages to housing developers and nearly 66,000 new mortgages to home buyers, reaching a 32.8% market share in new origination for home-buyer mortgages to November.

Share of wallet has continued to improve in **Government & Corporate Banking**. This unit serviced a total of nearly 30,800 customers at the year end, of whom 64% had 5 or more product families with BBVA Bancomer. Moreover, the percentage of customers with credit rose 22% in 2008.

During the fourth quarter, BBVA Bancomer made two further issues: a non-preferential, non-convertible subordinate rights issue to the sum of 3 bn pesos at 12 years; and a mortgage securitisation of over 5.5 bn pesos at 22 years. In both cases, the prices were highly competitive. These transactions, added to those already carried out during 2008, consolidated the bank's successful track record as a recurrent issuer in an environment where access to the long-term debt market is restricted to a select few.

Pensions and Insurance

In 2008, the BBVA Group's pensions and insurance business in Mexico generated €210m in attributable profit. This was 35.1% higher than in 2007.

This year, the **pension business** (Afore Bancomer) earned an attributable profit of €39m, 3.5% lower than the previous year due to volatility on the local and international markets. Excluding the impact of said volatility, the rest of the income items performed well, driven by greater sales that generated more business and more contributors and by an effort to contain operating costs throughout the company.

In the **insurance business**, successful marketing and sales significantly boosted revenues for all business lines yet again, especially in banking and savings products. Total business written increased by 31.2% during 2008. The attributable profit for all three Group companies in this unit (Seguros Bancomer, Pensiones Bancomer and Preventis) stood at €171m, increasing 48.7% year on year.

The United States

Income statement				
(Million euros)	2008	Δ%	Δ% at constant exchange rate	2007
NET INTEREST INCOME	1,355	75.9	88.8	770
Income by the equity method	-	-	-	-
Net fee income	546	73.6	86.3	314
Income from insurance activities	-	-	-	-
CORE REVENUES	1,901	75.3	88.1	1,085
Net trading income	123	235.9	260.4	37
ORDINARY REVENUES	2,024	80.5	93.7	1,121
Net revenues from non-financial activities	-	(100.0)	(100.0)	-
Personnel and general administrative expenses	(1,088)	76.1	88.9	(618)
Depreciation and amortization	(244)	98.1	112.6	(123)
Other operating income and expenses	(6)	n.m.	n.m.	3
OPERATING PROFIT	686	79.1	92.1	383
Impairment losses on financial assets	(371)	n.m.	n.m.	(86)
• Loan-loss provisions	(349)	n.m.	n.m.	(85)
• Other	(22)	n.m.	n.m.	(1)
Provisions	(9)	19.1	27.8	(7)
Other income/losses	3	(52.4)	(48.9)	7
PRE-TAX PROFIT	309	4.3	11.9	297
Corporate income tax	(99)	5.7	13.4	(93)
NET PROFIT	211	3.6	11.2	203
Minority interests	-	n.m.	n.m.	-
NET ATTRIBUTABLE PROFIT	211	3.6	11.2	203
MEMORANDUM ITEM: NET ATTRIBUTABLE PROFIT EXCLUDING AMORTIZATION OF THE INTANGIBLE ASSETS	317	23.4	32.4	257

Balance sheet				
(Million euros)	31-12-08	Δ%	Δ% at constant exchange rate	31-12-07
Cash and balances at Central Banks	641	23.7	17.0	518
Financial assets	8,877	2.1	(3.5)	8,693
Loans and receivables	31,656	15.2	8.9	27,474
• Due from banks	330	(58.8)	(61.1)	803
• Loans to customers	30,889	17.6	11.2	26,262
• Other	436	6.5	0.7	409
Inter-area positions	-	-	-	-
Property, plant and equipment	767	8.5	2.6	707
Other assets	1,405	42.0	34.3	989
TOTAL ASSETS / LIABILITIES AND EQUITY	43,345	12.9	6.8	38,381
Deposits by Central Banks and banks	6,652	(1.3)	(6.7)	6,741
Due to customers	30,970	18.5	12.1	26,125
Marketable debt securities	440	(51.7)	(54.3)	911
Subordinated debt	1,136	15.1	8.8	988
Inter-area positions	-	(81.2)	(82.2)	2
Other liabilities	2,264	26.2	19.3	1,794
Minority interests	-	(99.7)	(99.7)	1
Economic capital allocated	1,882	3.5	(2.1)	1,818

Relevant business indicators				
(Million euros and percentages)	31-12-08	Δ%	Δ% at constant exchange rate	31-12-07
Customer lending ⁽¹⁾	31,066	18.7	12.3	26,161
Customer deposits ⁽²⁾	26,240	10.3	4.3	23,784
• Deposits	25,845	10.3	4.3	23,424
• Assets sold under repurchase agreement	395	9.6	3.7	360
Off-balance-sheet funds	-	-	-	-
• Mutual funds	-	-	-	-
• Pension funds	-	-	-	-
Other placements	-	-	-	-
Customer portfolios	5,550	(16.9)	(21.5)	6,682
Risk-weighted assets ⁽³⁾	23,531	3.5	(2.1)	22,730
ROE (%)	11.7			20.3
Efficiency ratio (%)	53.8			55.1
Efficiency incl. depreciation and amortization (%)	65.8			66.1
NPA ratio (%)	3.36			1.77
Coverage ratio (%)	57			101

(1) Gross lending excluding NPAs. (2) Excluding deposits and repos issued by Markets units. (3) According to ERC methodology.

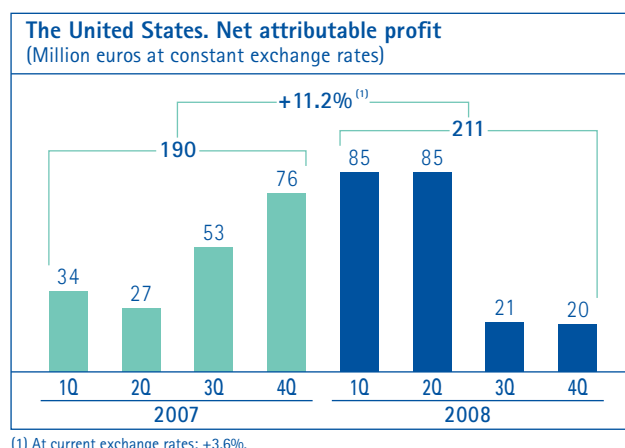
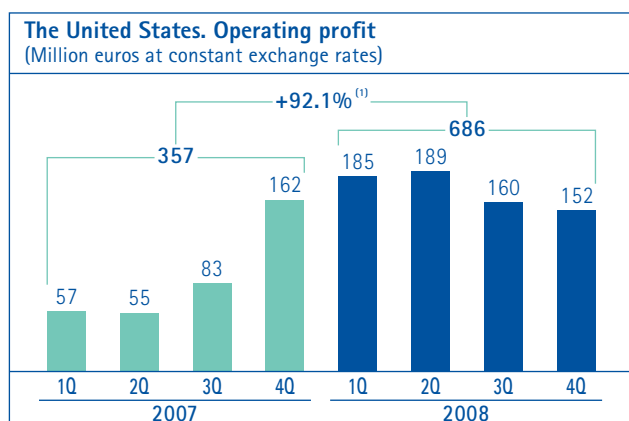
The situation of the **United States' economy** worsened in the fourth quarter. The prospect of lower demand is bringing sharp employment declines, holding back consumer spending. Consumers are reacting to the credit constraints applied by some banks to certain groups of customers. This environment has forced the government to react with measures ranging from assistance to home-owners to fiscal stimulus and injecting public capital into some banks. The central bank has reduced interest rates to historically low levels (setting the target Fed Funds rate at 0.00-0.25%) and is expanding its balance sheet in an effort to provide stability and liquidity to financial markets and stimulate economic activity.

The dollar appreciated slightly against the euro during the quarter. Thus, during the year as a whole, its **exchange rate** strengthened 5.8%. However, the average

exchange rate in 2008 showed a 6.8% depreciation against 2007. This has a positive impact on the figures in the balance sheet and a negative impact on the income statement. To get a clearer picture of real business performance in this context, all comments below will refer to year-on-year changes at **constant exchange rates**.

During 2008, **BBVA USA** recorded an increase in lending of 12.3%, reaching a balance of €31,066m, while customer deposits grew 4.3%, up to €26,240m. The NPA ratio stood at 3.36% on 31-Dec-2008, with a coverage ratio of 57%.

Net interest income for the **fourth quarter** was €340m, down 0.7% against the third quarter but up 3.0% versus fourth quarter 2007. Ordinary revenues were €491m (down -1.2% from third quarter and -0.9% versus the



final quarter of 2007). Fourth-quarter expenses were €276m, slightly above previous quarters as they included additional merger and integration expenses. This meant that operating profit, at €152m, was down 5.5% from the third quarter and 6.7% less than fourth quarter 2007. BBVA USA allocated a further €100m to loan-loss provisions, bringing the attributable profit for the quarter to just €20m. Excluding amortization of intangibles, this figure is €46m.

Thus, during **the fiscal year 2008**, the area contributed an operating profit to the Group of €686m and attributable profit of €211m, ie, €317m without amortization of intangibles.

BBVA Compass banking group

During the fourth quarter, Laredo National Bank was successfully converted onto the BBVA Compass platform, completing the conversions of the three Texas banks. This signified the end of the operational **integration** phase. Progress was made in implementing the new BBVA Compass brand, with a new management team in place to take the next step toward full alignment with the BBVA organizational and business model and to position itself for “full speed ahead” on the strategic plan.

All this was done whilst growing the business. BBVA Compass Bank ended December 2008 with a loan-book of €27,982m, 14.2% more than one year earlier, and customer deposits of €24,712m, increasing 4.1% year on year.

In the **fourth quarter**, BBVA Compass generated net interest income of €307m, 1.5% less than the third quarter, but 2.5% up on the last quarter of 2007. Ordinary revenues came up to €443m, flat to the fourth quarter of 2007, but down 2.3% against the third-quarter figure. As administration and personnel expenses included merger and integration costs, the operating profit stood at €133m, down 8.1% on the third quarter and 11.0% on the fourth quarter of 2007. Total loan-loss provisions for the quarter were €91m, slightly down from the third quarter but still high. Net attributable profit for the last three months of 2008 was €13m. Excluding amortization of intangibles, the number rises to €39m.

In the **year 2008**, Compass Bank generated an operating profit of €610m and net attributable profit of €184m.

Excluding the amortization of intangible assets, this figure rises to €289m.

The **Corporate Banking** unit manages a loan portfolio of €11,254m and customer deposits of €4,628m. Loan growth during the year benefited from upstream opportunities in municipal/public funding and the energy sector. The fourth quarter continued a trend of strong non-lending revenue from interest rate derivative products and fixed income sales.

The **Community Banking** unit manages loans of €5,030m and customer deposits of €3,100m. It continued to benefit from cross-sale activity from the former Texas State Bank and Laredo National Bank markets, specifically in interest rate derivatives, mortgages and insurance product lines.

Retail Banking ended 2008 with a loan portfolio of €9,384m and customer deposits of €13,872m.

The **Wealth Management** unit manages a loan portfolio of €1,731m and customer deposits of €2,322m. During the quarter the unit also reorganized itself to better align with the BBVA model and merged Compass Brokerage into its operations.

Other units

BBVA Puerto Rico managed customer loans of €3,023m at 31-Dec-08. This was down 3.7% year on year, while customer deposits, at €1,445m, increased by 6.9% over December 2007. Ordinary revenues rose to €154m, up 8.4% over 2007, significantly higher than the 1.7% increase in expenses. This enhanced the efficiency ratio and improved operating profit by 14.4% to €72m. Attributable profit stood at €26m (up 21.6% year on year).

BTS processed over 7 million transfers during the fourth quarter of 2008. This was 3.7% more than during the same period 2007. Of these, 5.6 million went to Mexico and 1.4 million to other countries. Attributable profit for the year went down 18.5% year on year to €10m, as intense competition, both locally and globally, continued to pressure margins. **BBVA Bancomer USA** saw its deposits increase 13.0% over December 2007 and opened 3,800 new accounts during the fourth quarter of the year, handling over 100,000 money transfers.

Income statement

(Million euros)	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	2008	Δ%	Δ% ⁽¹⁾	2007	2008	Δ%	Δ% ⁽¹⁾	2007	2008	Δ%	Δ% ⁽¹⁾	2007
NET INTEREST INCOME	2,076	25.3	31.1	1,657	2,061	24.9	30.7	1,650	15	49.8	60.6	10
Income by the equity method	2	30.0	35.1	2	1	(42.2)	(39.9)	2	1	n.m.	n.m.	-
Net fee income	930	1.1	6.3	920	562	7.6	12.6	523	256	(4.1)	0.7	267
Income from insurance activities	22	n.m.	n.m.	(11)	-	n.m.	n.m.	-	137	10.1	18.9	124
CORE REVENUES	3,031	18.1	23.8	2,567	2,625	20.7	26.3	2,175	410	2.0	8.0	402
Net trading income	216	7.2	12.7	201	263	63.0	71.4	161	(47)	n.m.	n.m.	40
ORDINARY REVENUES	3,246	17.3	23.0	2,768	2,887	23.6	29.4	2,336	362	(18.0)	(13.2)	442
Net revenues from non-financial activities	1	n.m.	n.m.	-	-	-	-	-	1	n.m.	n.m.	-
Personnel and general administrative expenses	(1,315)	11.3	16.8	(1,181)	(1,046)	14.0	19.6	(917)	(241)	1.4	7.2	(237)
Depreciation and amortization	(107)	14.9	20.0	(93)	(98)	16.2	21.1	(84)	(9)	2.8	8.8	(9)
Other operating income and expenses	(41)	2.0	6.1	(40)	(49)	10.3	15.2	(45)	12	58.3	70.7	8
OPERATING PROFIT	1,785	22.8	28.8	1,454	1,694	31.3	37.3	1,290	126	(37.9)	(34.1)	204
Impairment losses on financial assets	(360)	33.4	39.3	(269)	(360)	33.4	39.3	(269)	-	-	-	-
• Loan-loss provisions	(355)	37.6	43.5	(258)	(355)	37.6	43.5	(258)	-	-	-	-
• Other	(4)	(60.5)	(58.1)	(11)	(4)	(60.5)	(58.1)	(11)	-	-	-	-
Provisions	(32)	(51.0)	(48.1)	(65)	(21)	(67.5)	(65.4)	(65)	(11)	n.m.	n.m.	(1)
Other income/losses	2	n.m.	n.m.	(18)	(4)	(87.4)	(86.9)	(30)	11	(7.7)	(3.5)	12
PRE-TAX PROFIT	1,396	26.7	33.0	1,102	1,310	41.4	47.7	927	126	(41.2)	(37.6)	215
Corporate income tax	(318)	61.8	67.6	(197)	(286)	75.5	80.3	(163)	(44)	(3.8)	1.6	(46)
NET PROFIT	1,078	19.0	25.3	905	1,024	34.1	40.7	764	82	(51.4)	(48.4)	169
Minority interests	(351)	24.4	31.1	(282)	(335)	40.6	48.0	(238)	(15)	(65.1)	(62.8)	(44)
NET ATTRIBUTABLE PROFIT	727	16.6	22.7	623	689	31.2	37.3	525	67	(46.6)	(43.3)	125

(1) At constant exchange rates.

Balance sheet

(Million euros)	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07
Cash and balances at Central Banks	5,512	37.3	37.9	4,016	5,511	37.3	37.9	4,015	-	(24.3)	(11.8)	1
Financial assets	5,865	29.0	36.8	4,546	5,057	36.6	43.7	3,703	1,027	(2.6)	7.7	1,054
Loans and receivables	27,871	15.9	21.8	24,048	27,269	15.7	21.4	23,574	751	32.7	47.0	566
• Due from banks	3,031	47.2	48.9	2,059	2,679	45.9	45.3	1,836	459	63.1	86.1	281
• Loans to customers	24,341	12.8	18.9	21,570	24,137	12.9	19.0	21,382	205	8.1	14.0	189
• Other	499	19.2	28.3	419	453	27.3	36.9	356	87	(8.2)	3.0	95
Inter-area positions	-	-	-	-	13	9.9	16.0	12	-	-	-	-
Property, plant and equipment	478	4.4	10.4	457	427	8.9	14.1	392	50	(22.5)	(13.4)	65
Other assets	1,874	15.5	21.9	1,623	1,190	27.3	37.9	935	131	(14.1)	(5.7)	153
TOTAL ASSETS / LIABILITIES AND EQUITY	41,600	19.9	25.5	34,690	39,468	21.0	26.4	32,631	1,960	6.6	17.9	1,838
Deposits by Central Banks and banks	3,674	33.0	41.7	2,763	3,667	32.9	41.6	2,759	8	55.0	65.1	5
Due to customers	27,951	16.4	20.9	24,018	28,059	16.5	21.1	24,077	-	n.m.	n.m.	-
Marketable debt securities	1,212	39.4	59.0	870	1,212	39.4	59.0	870	-	-	-	-
Subordinated debt	1,240	9.1	14.7	1,137	680	14.4	26.2	595	-	-	-	-
Inter-area positions	30	8.7	6.4	28	-	-	-	-	-	-	-	-
Other liabilities	4,625	39.5	48.2	3,316	3,722	72.3	80.3	2,160	1,218	(15.9)	(7.5)	1,448
Minority interests	666	24.0	27.1	537	601	30.3	30.4	461	55	(20.6)	(4.0)	69
Economic capital allocated	2,201	8.9	14.4	2,021	1,527	(10.6)	(7.1)	1,709	678	115.2	139.4	315

(1) At constant exchange rates.

Relevant business indicators												
(Million euros and percentages)	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07	31-12-08	Δ%	Δ% ⁽¹⁾	31-12-07
Customer lending ⁽²⁾	24,475	12.0	18.1	21,845	24,475	12.0	18.1	21,845	-	-	-	-
Customer deposits ⁽³⁾	29,382	15.1	20.2	25,525	29,382	15.1	20.2	25,525	-	-	-	-
• Deposits	28,864	16.6	22.1	24,759	28,864	16.6	22.1	24,759	-	-	-	-
• Assets sold under repurchase agreement	518	(32.3)	(35.5)	766	518	(32.3)	(35.5)	766	-	-	-	-
Off-balance-sheet funds	25,831	(29.3)	(19.8)	36,551	1,300	(24.6)	(19.2)	1,725	24,531	(29.6)	(19.9)	34,826
• Mutual funds	1,300	(24.6)	(19.2)	1,725	1,300	(24.6)	(19.2)	1,725	-	-	-	-
• Pension funds	24,531	(29.6)	(19.9)	34,826	-	-	-	-	24,531	(29.6)	(19.9)	34,826
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets ⁽⁴⁾	27,518	8.9	14.4	25,263	19,093	(10.6)	(7.1)	21,358	8,478	115.2	139.4	3,940
ROE (%)	36.9			32.8	45.3			32.8	14.8			41.2
Efficiency ratio (%)	40.5			42.7	36.2			39.2	66.2			53.7
Efficiency incl. depreciation and amortization (%)	43.8			46.0	39.6			42.8	68.6			55.7
NPA ratio (%)	2.12			2.14	2.13			2.16	-			-
Coverage ratio (%)	148			146	148			146	-			-

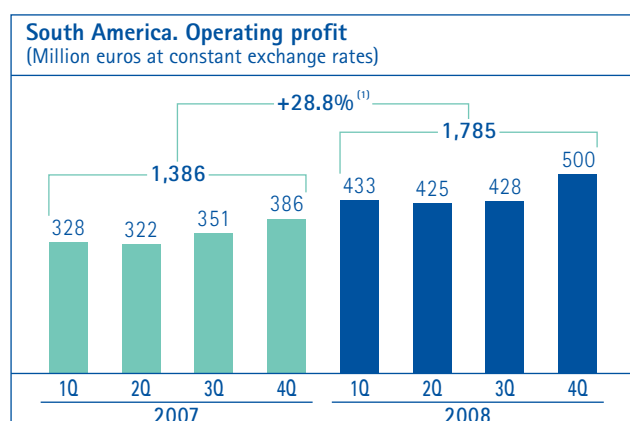
(1) At constant exchange rate. (2) Gross lending excluding NPAs. (3) Including marketable debt securities. (4) According to ERC methodology.

The South America Area manages the BBVA Group's banking, pension and insurance businesses in the region.

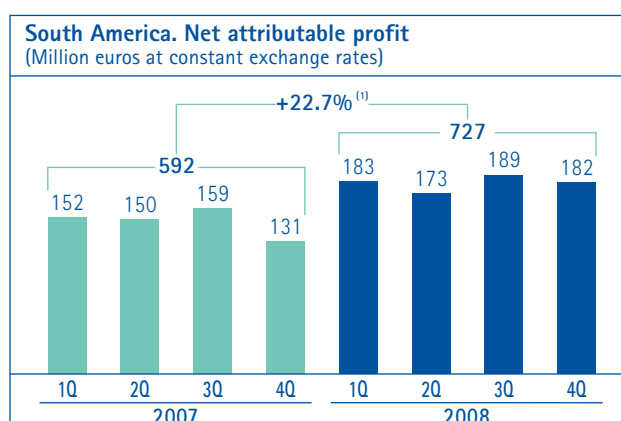
Signs of an imminent slowdown noted at the end of last quarter have become evident over the last three months. The two main reasons behind the deteriorating **economic scenario** are: increased risk aversion, which pushed up risk premiums and funding costs significantly, leading to tougher credit conditions; and plummeting commodity prices as foreign demand shrunk. However, as commodity and food prices dropped and the central banks' restrictive monetary policy from previous quarters made itself felt, the upward tendency in inflation until September began to be reversed. Interest rates went down and liquidity was injected into the system.

Higher risk aversion led Latin-American **currencies** to depreciate significantly against the US dollar, cancelling out most of their rise in value during the first part of the year. Depreciation predominated against the euro too: the negative impact of the exchange rate persisted in the area's financial statements. As usual, the attached tables contain columns with year-on-year changes at **constant exchange rates** and all remarks refer to these figures, which provide a better picture of underlying management performance.

Despite the deteriorating economic scenario, variables tracking financial activity in the region continued to show significant improvements, especially in lending, whose growth was not accompanied by signs of worsening asset quality or lack of



(1) At current exchange rates: +22.8%.



(1) At current exchange rates: +16.6%.

liquidity. The **South America area** ended 2008 with an **attributable profit** of €727m, up 22.7% over 2007. Banking and insurance business were the main contributors to growth, while the pension business encountered some complications. Return on equity (ROE) stood at 36.9%, as against 32.8% in 2007.

As noted in earlier quarters, the recurrency of revenues in all units was the most positive aspect of the year. A 31.1% rise in **net-interest income** year on year brought it up to €2,076m driven by significant volume growth and strong spreads. Business with customers recorded outstanding figures for **lending**. The loan-book to 31-Dec-2008 achieved a balance of €24,475m, up 18.1% on the previous year. Retail lending was especially buoyant, above all in mortgages (up 26.0%) and in the consumer and credit card business, which rose 17.0%. Lending to companies also grew 17.6%, increasing faster as the year progressed. The banks' **customer funds**, including mutual funds, ended 2008 with a balance of €30,682m (up 17.8% year on year). Current and savings accounts performed especially well, growing 15.0% despite rising interest rates up to October and moments of tight liquidity in some countries. **Pension managers** were hit by the performance of the financial markets and the removal of Consolidar funds from their books. They ended the year with €24,531m in assets under management (a drop of 19.9% year on year).

Buoyant business volumes during the year were reflected in revenues from **fees and insurance**. These contributed €952m, 10.3% more than in 2007. The rise was driven mostly by products linked to transactional activity rather than market-related products (equities, mutual funds and pensions). **Net trading income** totalled €216m, 12.7% higher than in 2007. This included capital gains on the disposal of public-sector assets in Argentina. All in all, the area's **ordinary revenues** reached €3,246m in 2008 (up 23.0% year on year).

Administration & personnel expenses consumed €1,315m. Their 16.8% increase reflected the widespread rise in inflation and strong sales and marketing activity in all units, along with an expansion of the branch network and staffing in many of them. However, since revenue growth outpaced that of expenses, the **cost-income ratio** improved by 2.2 percentage points, reaching 43.8% including depreciation (46.0% in 2007). **Operating profit** increased 28.8%, reaching €1,785m.

The significant rise in business volumes in no way impaired asset quality. Disciplined risk acceptance and an active recoveries policy kept the **non-performing assets (NPA) ratio** down to 2.12% (as compared with 2.14% in December 2007).

Nonetheless, loan-loss provisions showed a 43.5% increase against 2007, due to the significant rise in lending over recent years and the change of mix in loan types. Higher provisioning brought **coverage** of the loan-book to 148% (up on the 146% at 31-Dec-07).

Banking businesses

The area's banking business generated €689m in attributable profit, ie, 37.3% more than in 2007. The most relevant information for each bank is given below:

In **Argentina**, **BBVA Banco Francés** contributed €140m in attributable profit during 2008, with a year-on-year growth of 4.2% despite high capital gains on the disposal of public-sector assets in early 2007. Its performance was very positive both in lending to the private sector (up 9.8%), especially in retail loans (up 44.8%), and in transactional accounts and deposits (up 19.9%), overcoming isolated moments of tight liquidity throughout the system. The 8.0% increase in total lending fed into net interest income, which increased 26.7% year on year, and into higher fees (up 36.3%). Administration & personnel expenses were impacted by dynamic sales and marketing in the bank and high inflation in the country. Loan-loss provisions were low, however, as requirements for further endowments were kept in check and recoveries managed efficiently.

In **Chile**, the banking business (**BBVA and Forum**) brought in an attributable profit of €63m, 81.4% more than in 2007. Lending increased 12.2%, with high growth in consumer and credit card finance, and a progressive recovery of mortgage business. Customer funds rose 15.7%, driving up net-interest income by 25.0% and fees by 11.8%. Cost-control kept the rise in expenses low (12.0%), permitting a significant improvement in cost-income ratio, which improved 8.4 percentage points to reach 48.7%. Operating profit went up by 54.7% to €164m. Greater business volumes did not require significant further endowments to provisions, which rose just 12.8%.

BBVA Colombia increased its attributable profit by 25.2% up to €133m, reflecting the same dynamic growth in business volumes as BBVA banks elsewhere in the region. Lending increased 19.8% year on year (17.9% for individuals and 23.7% for companies). Customer funds went up 13.7%, their mix impacted by changes in liquidity requirement standards enacted in 2008, which favoured longer maturities. Net interest income grew 29.4%, fuelled by business volumes and active spread management. Moderate growth in expenses (up

7.2%) improved the cost-income ratio by 6.5 percentage points and pushed operating profit up by 41.6% to €327m.

In Peru, **BBVA Banco Continental** earned an attributable profit of €86m, 37.0% up on 2007. It also significantly boosted its volumes: lending went up 26.3% and customer funds 16.1%, with a relatively even split between individuals and companies. This fed into a 25.3% increase in net interest income and a 9.8% increase in fee income. Administration & personnel costs increased 20.5%. This reflected rising inflation, expansion of the branch network and of staffing levels under the regional plan to increase banking penetration. Nonetheless, the cost-income ratio continued to improve (31.3% compared to 34.4% in 2007). Operating profit rose 38.4% to reach €336m.

In Venezuela, **BBVA Banco Provincial** contributed an attributable profit of €205m (up 77.4%) despite a tough political environment and numerous regulatory changes. The profit figure originated in a 39.4% rise in net-interest income year on year, driven by growth in customer business (lending up 18.8% and customer funds by 26.6%) which speeded up over the year, albeit more moderately than in previous years. A determined policy on spreads partially offset the impact of changes in the regulations on rates. Dynamic sales and marketing boosted fee income, which grew 11.0%. Administration expenses increased 24.3%, below inflation, such that the cost-income ratio improved to 36.6% (39.3% in 2007) and operating profit stood at €556m (up 42.8%). Higher lending did not impede moderation in provisioning requirements.

In the rest of the banking businesses: **BBVA Panama** showed an attributable profit of €27m (up 25.2% year on year); **BBVA Paraguay** €25m (up 26.3%) and **BBVA Uruguay** €9m (up 57.6%).

Pensions and Insurance

The pension and insurance businesses in South America generated an attributable profit of €67m in 2008, 43.3% less than in 2007. The dip was due to the performance of **pension funds**, which contributed €18m, 74.1% less than the previous year. Sales were buoyant but volatile financial markets during much of the year took their toll. The **insurance business**, however, recorded a €49m profit (up 0.3%), with volumes growing over the year.

In Chile, **AFP Provida**, increased its number of contributors and total business written (which rose 11.7% year on year). However, this was not reflected in the income statement, due to the negative impact of the markets on fee income and interest yields from assets under management. Thus attributable profit stood at €7m.

In **Argentina**, the State took over pension assets administered in the private sector, where BBVA operated through **Consolidar**. The Group sold its holding in **Consolidar Salud**, the health-insurance arm of **Consolidar** during the fourth quarter. The **Consolidar Group**, including the pension business to November, obtained €29m in attributable profit in 2008 (up 5.4% year on year), driven mainly by its insurance business. Dynamic marketing and sales had their effect in the insurance companies, which wrote 21.4% more business over the year (excluding **Consolidar Salud**), and in pensions (which increased funds raised by 49.5% to November).

The **Horizonte** pension-fund manager in Peru generated an attributable profit of €2m. It led the market in the number of contributors and gained market share in assets under management, contributors and revenues. The **Horizonte** pension-fund manager in Colombia contributed a profit of €4m and increased its assets under management by 17.0%.

South America. Data per country (banking business, pensions and insurance)

(Million euros)	Operating profit				Net attributable profit			
	2008	Δ%	Δ% at constant exchange rates	2007	2008	Δ%	Δ% at constant exchange rates	2007
Argentina	281	3.7	13.3	270	169	(4.4)	4.4	177
Chile	188	(11.5)	(5.6)	213	80	(22.5)	(17.4)	103
Colombia	355	38.3	39.1	257	143	17.2	17.9	122
Panama	37	6.5	14.3	34	27	16.6	25.2	23
Paraguay	33	52.4	40.7	21	25	36.7	26.3	18
Peru	342	33.3	33.5	257	88	25.7	25.8	70
Uruguay	8	7.0	2.1	8	9	65.1	57.6	6
Venezuela	574	34.0	43.9	428	212	65.8	78.1	128
Other countries ⁽¹⁾	(32)	(4.8)	(6.1)	(34)	(27)	12.0	11.0	(24)
TOTAL	1,785	22.8	28.8	1,454	727	16.6	22.7	623

(1) Bolivia, Ecuador and Dominican Republic. Additionally, it includes eliminations and other charges.

Income statement

(Million euros)	2008	Δ%	2007
NET INTEREST INCOME	(836)	40.1	(596)
Income by the equity method	(5)	90.5	(2)
Net fee income	(35)	n.m.	42
Income from insurance activities	(44)	32.9	(33)
CORE REVENUES	(919)	55.9	(590)
Net trading income	409	18.1	346
ORDINARY REVENUES	(511)	109.4	(244)
Net revenues from non-financial activities	(15)	289.5	(4)
Personnel and general administrative expenses	(635)	18.1	(538)
Depreciation and amortization	(164)	15.6	(142)
Other operating income and expenses	(24)	54.5	(16)
OPERATING PROFIT	(1,348)	43.0	(943)
Impairment losses on financial assets	(66)	n.m.	(8)
• Loan-loss provisions	56	n.m.	(4)
• Other	(122)	n.m.	(4)
Provisions	62	n.m.	(67)
Other income/losses	(46)	n.m.	27
PRE-TAX PROFIT	(1,398)	41.2	(990)
Corporate income tax	565	40.2	403
NET PROFIT	(833)	42.0	(587)
Minority interests	(7)	n.m.	5
NET ATTRIBUTABLE PROFIT (excluding one-offs)	(840)	44.3	(582)
Net of one-off operations ⁽¹⁾	(395)	n.m.	724
NET ATTRIBUTABLE PROFIT	(1,235)	n.m.	142

(1) In 2008, capital gains from Bradesco, provisions for non-recurring early retirements and provision for the loss originated by the Madoff fraud. In 2007, capital gains from Iberdrola and on the sale of buildings, the endowment for the BBVA Microcredit Foundation and non-recurrent early retirement charges.

Balance sheet

(Million euros)	31-12-08	Δ%	31-12-07
Cash and balances at Central Banks	(930)	n.m.	9,127
Financial assets	17,233	(13.7)	19,960
Loans and receivables	2,903	(48.0)	5,578
• Due from banks	1,729	(52.4)	3,631
• Loans to customers	736	(9.7)	815
• Other	438	(61.3)	1,133
Inter-area positions	(1,549)	(83.7)	(9,513)
Property, plant and equipment	3,498	96.8	1,777
Other assets	12,738	43.1	8,899
TOTAL ASSETS / LIABILITIES AND EQUITY	33,892	(5.4)	35,828
Deposits by Central Banks and banks	5,829	(48.1)	11,235
Due to customers	17,311	(16.3)	20,692
Marketable debt securities	80,111	10.3	72,634
Subordinated debt	6,099	8.5	5,620
Inter-area positions	(77,505)	(5.7)	(82,206)
Other liabilities	(1,640)	n.m.	2,186
Minority interests	443	50.4	295
Valuation adjustments	(955)	n.m.	2,252
Shareholders' funds	23,387	14.9	20,345
Economic capital allocated	(19,187)	11.4	(17,225)

This area includes the results of two units: Financial Planning and Holdings in Industrial & Financial Companies. It also books the costs from central units with strictly corporate functions and makes allocations to corporate and miscellaneous provisions, eg, for early retirements.

In the **fourth quarter**, there have been additional charges for non-recurring early retirements in Spain in the context of the transformation plan. Moreover, the Bernard L. Madoff Investment Securities fraud is relevant. Although BBVA had no direct investment and never sold products managed or deposited at this company to retail or private banking customers, it structured products for financial entities and institutional investors that were linked to third-party mutual funds which invested via Madoff. If the result of the alleged fraud reported to the SEC means these funds are worthless, the net maximum loss for BBVA through the covering of this activity would be €302m (this amount has been fully provisioned).

Year-on-year comparisons of net interest income for **2008** continued to be affected by the financing of the Compass acquisition and higher wholesale-funding costs. This, along with lower net trading income, impacted **operating profit**, which stood at –€1,348m in 2008, as compared with –€943m the previous year.

Attributable profit without one-offs for the year was –€840m (–€582m in 2007). **One-off results** in 2008 came from capital gains on the Bradesco holding disposal (€509m net), minus charges for early retirement provisions in the second and fourth quarters (€329m and €273m respectively) and the mentioned provision of €302m for the Madoff case. These one-offs total –€395m net of tax. 2007 however, recorded positive one-off results of €724m (from the divestments in Iberdrola and sale of real estate minus charges for the endowment to the BBVA Microcredit Foundation and early retirement provisions).

After booking these one-offs, the area's net **attributable profit** was –€1,235m in 2008, compared against +€142m the previous year.

Financial Planning

The Financial Planning unit administers the Group's structural interest and exchange-rate positions as well as its overall liquidity and shareholders' funds through the Assets and Liabilities Committee (ALCO).

Managing **structural liquidity** helps to fund recurrent growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to several alternative sources of finance. A core principle in the BBVA Group's liquidity management is to encourage the financial independence of its subsidiaries in the Americas. During the fourth quarter, wholesale markets remained highly volatile and tight interbank markets prevailed throughout much of 2008. This situation worsened with the default of Lehman Brothers, and continued into the fourth quarter, causing central banks and governments to intervene with much-needed, abundant injections of funds to bring a degree of calm to the markets. Throughout all this, BBVA's comfortable liquidity position allowed it to stay out of the markets for medium- and long-term finance. For 2009, the Group's current and potential sources of liquidity easily surpass the expected drainage.

The BBVA Group's **capital management** pursues two key goals: Firstly, maintaining capital levels appropriate to the Group's business targets in all the countries where it operates. And secondly, at the same time, maximising returns on shareholder funds through efficient capital allocation to the different businesses, active management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity, namely, shares, preferred securities and subordinate debt. Current capital levels enable the Group to comply with these goals.

BBVA manages the **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) to preserve its capital ratios and bring stability to the Group's income statement while controlling impacts on reserves and the cost of this risk management. In the fourth quarter of 2008,

BBVA pursued an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%, with nearly 100% hedging in the dollar area. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group hedges exchange-rate exposure on expected 2008 and 2009 earnings from the Americas. During 2008 such hedging has mitigated the impact of the weakening American currencies against the euro, with a hedge of approximately 50%. 2009 will see further prudent management of exchange-rate risk on expected earnings from the Americas.

The unit also actively manages the Group's **structural interest-rate exposure** on its balance sheet. This maintains more uniform short and medium-term net interest income growth by cutting out interest-rate fluctuations. During 2008, it has focused its strategies on hedging a less positive economic scenario in Europe for 2009-2010. Risk on the USA and Mexico balance sheets remains within comfort parameters. The unit works both with hedging derivatives (caps, floors, swaps, FRA's, etc) and with balance-sheet instruments (mainly government bonds). As 2008 ended, the Group

had asset portfolios denominated in euros, US dollars and Mexican pesos.

Holdings in Industrial and Financial Companies

This unit manages its portfolio of shares in companies operating in the telecommunications, media, electricity, oil, gas and finance sectors. BBVA applies strict requirements to this portfolio regarding risk-control procedures, economic-capital consumption and return on investment, diversifying investments over different sectors. It also applies dynamic monetisation and coverage management strategies to holdings.

In 2008, it invested €1,259m and divested €2,382m. The largest single transaction was the sale of the 2.5% holding in Bradesco in March for €875m, which triggered net capital gains of €509m.

At 31st December 2008, the market value of the holdings in industrial and financial companies was €4,067m, with unrealised capital gains of €995m before tax.

Information by secondary segments

2008				
(Million euros)				
Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	8,379	4,783	1,994	319,526
The United States	2,368	982	405	73,748
Mexico	5,402	3,487	1,825	60,882
South America	3,167	1,694	608	41,745
Other	537	332	187	47,612
TOTAL	19,853	11,279	5,020	543,513

2007				
(Million euros)				
Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	8,654	5,312	3,486	309,734
The United States	1,201	411	222	60,189
Mexico	5,192	3,236	1,755	65,766
South America	2,704	1,382	562	34,685
Other	382	204	102	31,830
TOTAL	18,133	10,544	6,126	502,204

The following is a review of the most relevant events related to the Group's corporate responsibility in the fourth quarter of 2008.

Customer focus

BBVA launched a wide range of financial solutions (*Nos adaptamos a la vida de nuestros clientes*) to help individuals and the self-employed in the current financial crisis.

Access to finance

The BBVA Microcredit Foundation has set up the first microcredit organisation in Puerto Rico in conjunction with that country's Economic Development Bank. Moreover it has appointed Gonzalo Gil, a former deputy governor of the Bank of Spain and an expert in regulation and supervision, to its governing body. He will be joined by Nancy Barry (former president of Women's World Banking) and Claudio González Vega (an Ohio State University professor, known as the "father of microcredit").

Responsible finance

In an effort to reinforce ethical business principles –in line with best international practice– BBVA's board of directors has approved a code of ethics for operations in securities markets. This establishes general guidelines to preserve the integrity of such markets.

Responsible products and services

In terms of socially responsible investments (SRI), Corporación Andina de Fomento (CAF) invested \$5m in BBVA Codespa Microfinanzas (an open investment fund). Furthermore the SRI Observatory, an ESADE project in co-operation with BBVA, was announced to the public. In addition the bank launched its fifth *BBVA Baby Loan* campaign to support families with recently-born children and BBVA Banco Continental (Peru) received a loan from the Inter-American Development Bank for sustainable environmental projects.

Responsible HR management

BBVA and Educa-System signed an agreement under the Group's programme to reconcile work with private life. Educa-System, which is a home-learning company, will provide part-time classes for the children of BBVA's employees at special rates. In addition BBVA announced the BBVA INTEGRA Prize for innovative initiatives that generate value through employment of the handicapped.

Environmental management and climate change

BBVA announced its 2008-2012 Global Eco-Efficiency Plan with a commitment to reduce CO₂ emissions 20% by 2012. BBVA's new headquarters in Madrid is part of the plan. The building will have a LEED certificate, which is the highest measure of

environmental performance and signifies strong backing for sustainability.

Commitment to society

COMMUNITY SUPPORT. BBVA organised the second BBVA Solidarity Run. About 6000 people took part and their participation fees went to African children who are refugees in ACNUR camps.

EDUCATION. The BBVA Banco Continental Foundation opened the first of four schools it will build in areas affected by the earthquake (Chincha and Pisco).

SOCIAL ACTION PLAN FOR LATIN AMERICA. The Group promoted its integration scholarship programme in South America with an advertising campaign and a new web site: www.niñosadelante.com

HUMAN RIGHTS. BBVA commemorated the 60th anniversary of the Declaration of Human Rights with two events. The BBVA chairman joined a new action under the United Nations Global Compact and the bank launched a course in human rights for all employees.





PROMOTION OF CORPORATE RESPONSIBILITY. BBVA Chile set up a corporate responsibility and reputation committee.

Prizes and recognition

BBVA won the Codespa Prize in the corporate category for the *Niños Adelante* project.

BBVA and the sustainability indices

BBVA maintained its prominent position in the most important sustainability indices. Its participation in these is shown below:

Main sustainability indices in which BBVA participates		BBVA's participation (%)
	DJSI World	0.73%
	DJSI STOXX	1.61%
	DJSI EURO STOXX	2.97%
	FTSE4Good Global	0.53%
	FTSE4Good Europe	1.18%
	FTSE4Good Europe 50	1.72%
	FTSE4Good IBEX	7.66%
	ASPI Eurozone Index	2.13%
	Ethibel Sustainability Index Excellence Europe	1.78%
	Ethibel Sustainability Index Excellence Global	0.98%
	KLD Global Sustainability Index	0.62%
	KLD Global Sustainability Index Ex-US	1.11%
	KLD Europe Sustainability Index	1.88%
	KLD Europe Asia Pacific Sustainability Index	1.83%

INVESTOR RELATIONS

- MADRID 28046 - Pº Castellana, 81 - 19th floor
Tel: 34-91 374 62 01
Fax: 34-91 537 85 12
e-mail: inversoresbbva@grupobbva.com
- NEW YORK - 1345 Av. of the Americas, 45th floor, NY 10105
Tel: 1-212-728 16 60 - Fax: 1-212-333 29 05
e-mail: ricardo.marine@bbvany.com

INTERNET INFO (<http://www.bbva.com>)

