BBVA

4Q09

QUARTERLY REPORT

Results 2009

QUARTERLY REPORT

Results

2009

Contents

BBVA Group Highlights

BBVA Group Highlights

(Consolidated figures)

	31-12-09	Δ%	31-12-08	31-12-07
BALANCE SHEET (million euros)				
Total assets	535,065	(1.4)	542,650	501,726
Total lending (gross)	332,162	(3.1)	342,682	320,311
Customer funds on balance sheet	371,999	(1.2)	376,380	337,518
Other customer funds	136,957	15.1	119,017	150,777
Total customer funds	508,957	2.7	495,397	488,295
Total equity	30,763	15.2	26,705	27,943
Shareholders' funds	29,362	10.4	26,586	24,811
INCOME STATEMENT (million euros)				
Net interest income	13,882	18.8	11,686	9,628
Gross income	20,666	8.9	18,978	17,271
Operating income	12,308	17.0	10,523	9,441
Income before tax	5,736	(17.2)	6,926	8,495
Net attributable profit	4,210	(16.1)	5,020	6,126
Net attributable profit excluding one-off operations (1)	5,260	(2.8)	5,414	5,403
DATA PER SHARE AND SHARE PERFORMANCE RATIOS				
Share price (euros)	12.73	47.0	8.66	16.76
Market capitalisation (million euros)	47,712	47.0	32,457	62,816
Net attributable profit per share (euros)	1.12	(17.0)	1.35	1.70
Net attributable profit per share excluding one-off operations (euros) (1)	1.40	(3.9)	1.46	1.50
Book value per share (euros)	7.87	11.0	7.09	6.62
Tangible book value per share (euros) (2)	6.27	25.0	5.02	5.44
P/BV (Price/book value; times)	1.6		1.2	2.5
Price/tangible book value (times) (2)	2.0		1.7	3.1
PER (Price/Earnings; times)	11.3		6.5	10.3
SIGNIFICANT RATIOS (%)				
ROE (Net attributable profit/Average equity)	16.0		21.5	34.2
ROE excluding one-off operations (1)	20.0		23.2	30.2
ROA (Net income/Average total assets)	0.85		1.04	1.39
ROA excluding one-off operations (1)	1.04		1.12	1.23
RORWA (Net income/Risks weighted assets)	1.56		1.94	2.39
RORWA excluding one-off operations (1)	1.92		2.08	2.12
Efficiency ratio (3)	40.4		44.6	45.3
Cost of risk excluding one-off operations (1)	1.15		0.82	0.60
NPA ratio	4.3		2.3	1.0
NPA coverage ratio	57		92	225
CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)				
Ratio BIS	13.6		12.2	13.0
Core capital	8.0		6.2	5.8
Tier I	9.4		7.9	7.3
OTHER INFORMATION				
Number of shares (millions)	3,748		3,748	3,748
Number of shareholders	884,373		903,897	889,734
Number of employees	103,721		108,972	111,913
Number of branches	7,466		7,787	8,028

Memorandum item: the data on this Quarterly Report has not been audited. It has been prepared according to the International Financial Reporting Standards adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein by Bank of Spain Circular 6/2008. Therefore, they may not coincide with those published in the Quarterly Reports of the previous years.

(1) In the third quarter of 2009, capital gains on the sale and lease-back of properties which have been allotted to generic provisions for NPLs with no effect on net attributable profit. In the fourth quarter the extraordinary allocation to provisions and the goodwill impairment, both in the US. In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

(2) Net of goodwill.

(3) Except otherwise stated, efficiency ratio including depreciation.

Group information

Relevant events

During the second year of the international crisis BBVA continued, quarter by quarter, to demonstrate its ability to generate recurrent earnings thanks to a business model that is based on customer trust and superior risk management. The high level of revenues is the main reason why the Group ended 2009 with significant improvements in:

- **Capital adequacy:** core capital stands at 8.0%, an increase of 180 basis points since 31-Dec-08.
- **Efficiency:** an improvement of more than 4 percentage points during the year.
- **Balance sheet:** strengthened by assiduous analysis of non-performing assets and provisioning that maintains suitable levels of coverage.
- **Liquidity Risk:** the liquidity gap is smaller and collateral available as a second line of liquidity has increased.

These achievements did not prevent the bank from maintaining attractive shareholder remuneration in the form of cash dividends. It also retains a significant amount of latent capital gains and –more importantly– it did not depart from the management priorities it set in 2009. Consequently BBVA was able to increase critical mass extending its franchise in the United States through the Guaranty operation and to increase its interest in China Citic Bank (CNCB)– all without the need to sell strategic assets.

The most significant aspects of the Group's performance in its main business areas in the fourth quarter and for the entire year are summarised below:

- As usual, revenues in the fourth quarter were excellent. **Gross income** for the quarter came to €5,288m, an increase of 16.0% compared to the same period in 2008, and the total for 2009 was €20,666m (up 8.9%).
- Operating costs fell 1.1% during the year and therefore **operating income** rose 17.0% to €12,308m. As a result **efficiency** (measured by the cost/income ratio) improved to 40.4% (44.6% at 31-Dec-08).
- One priority in the fourth quarter was to **strengthen the balance sheet** of the Group and its franchises. The aim was to ensure they would be in optimum condition to tackle the complex conditions expected in 2010 and to capitalise on any business opportunities that might arise in the different business areas. In this respect BBVA took the following actions:
  - It set aside an additional €300m for early retirements, bringing the total for 2009 to €551m. This enables BBVA to continue implementing its transformation plan for the distribution network.
  - It increased provisions associated with various foreclosed or acquired assets in Spain by about €200m following a revised valuation. This brought the total to €475m for the year. The coverage ratio now stands at 32%.
  - It increased loan-loss provisions after a detailed analysis of the Group's more problematic portfolios. In the Spain & Portugal Area it provided for non-performing assets in the consumer finance unit above the requirements of the legal calendar following maximum prudence criteria. This required €164m in the quarter (€377m for the entire year). And it used a large part of the €830m of additional provisions made in the third quarter to cover the real estate developer portfolio. In Mexico higher provisions in the quarter (€73m) were related to the credit-card portfolio when expected-loss criteria were tightened following recalibration of the internal models. In the United States provisions were €715m higher

than the third quarter. The Group first revised appraisal values of the collateral associated with the commercial real estate portfolio and wrote off any differences. It then made additional provisions that increased the coverage ratio. In South America and in the Wholesale Banking & Asset Management Area no extra provisioning has been considered necessary.

- Profit in the fourth quarter was affected by the negative impacts of hyperinflation in Venezuela (€90m) and impairment of goodwill generated in successive acquisitions to build the USA franchise, totalling €704m net of taxes.

- As a result **net attributable profit** for the quarter came to €31m. Excluding one-off operations in the United States related to the write-down of goodwill and the additional loan-loss provisions mentioned above, which together total €1,050m, profit in the quarter was €1,082m (similar to the fourth quarter of 2008). Net attributable profit for the full year came to €4,210m. This would be €5,260m without the effect of one-off items, implying a slight decline of 2.8% compared to 2008. Excluding the effect of exchange rates, the year-on-year comparison is positive (up 2.0%). Therefore BBVA maintains a high return on equity and on assets; **ROE** excluding one-offs is 20.0% (16.0% after one-offs) and **ROA** is 1.0% (0.8% after one-offs).

- All business areas except the United States (affected by the one-off item) contributed to the Group's performance. Each area, in its own segment or region, holds a prominent position compared to its competitors in terms of revenue, efficiency, profitability and asset quality.

- The general **volume of business** is indicated by the stable level of the Group's total assets. During 2009 lending decreased slightly, a consequence of the overall slowdown of the global economy. Portfolios with lower risk became a bigger part of total lending. Conversely, customer funds increased thanks to a rise in assets under management and to an increase in the lower-cost funds (current and savings accounts).

- BBVA continues to be extremely prudent in terms of **risk management** with the goal of anticipating any future problems associated with the difficult economic situation. Apart from the actions described above the Group decided to carry out an extraordinary reclassification, declaring some loans that are currently performing as doubtful. This was the result of a detailed examination of the Group's most problematic portfolios, affecting the Spain & Portugal Area (real estate developers) and the United States (commercial real estate). Therefore at 31-Dec-09 the NPA ratio was 4.3%. Without the extraordinary reclassification, gross additions to NPA status continue to decline, in a context of a very selective approach to property purchases in Spain. The coverage ratio for NPAs was 57% at 31-Dec-09 and this is considered a suitable level. If the collateral associated with these risks is included, coverage rises to 165%.

- In terms of the **capital base**, the Group's core capital remains unchanged from the third quarter at 8.0%. In the fourth quarter organic generation of core capital was 30 basis points (the deterioration of goodwill in the USA does not affect the capital base). The additional capital offset the effect on goodwill when BBVA's interest in China Citic Bank became classified as a *substantial shareholding*. The BIS ratio stands at 13.6% (13.4% at 30-Sep-09). During the year BBVA generated 140 basis points of core capital organically, easily exceeding the anticipated level.

- At 31-Dec-09 BBVA also held €1,703m in **latent capital gains** on its more liquid portfolios of equity holdings. The above amount does not include capital gains in other portfolios.

- On 28-Dec-09 BBVA paid a third interim **dividend** of €0.09 per share in cash against 2009 earnings. It thus maintains its dividend policy of a 30% cash payout.

- In the **Spain & Portugal Area** recurrent revenues (net interest income and net fee income) in the fourth quarter was similar to the third quarter. For the whole year, the positive evolution of net interest income and the containment of operating costs allowed operating income to rise 1.0% to €4,533m. Thus net attributable profit for the year came to €2,373m, a decline of 7.5% due to the higher loan-loss provisions. In terms of business volume the more risk-worthy forms of lending (such as first residence mortgages and lending to institutions and large companies) and customer funds (savings and current accounts, and pension funds) continued to perform well.

- Revenues in the **Wholesale Banking & Asset Management Area** remained buoyant, rising 12.8% year-on-year thanks to recurrent items (net interest income plus net fee income was up 43.5% for the year) and to the contribution from China Citic Bank. This easily offset the fall in income from the Industrial and Real Estate Holdings Portfolio. Loan-loss provisions were lower and thus net attributable profit for the year rose 30.9% to €1,011m. The most relevant aspects related to business volume were the sustained level of lending, thanks to the area's strategy of focusing on customers of high quality, and the considerable growth in customer funds.

- **Mexico** reported excellent results that maintain its high profitability in an especially adverse macroeconomic scenario. The year-on-year growth of 5.4% in operating income reflects higher revenues and cost controls, and led to a further improvement in efficiency. Nonetheless higher loan-loss provisions reduced net attributable profit to €1,359m, a fall of 19.1% for the year. The most notable aspect of business volume was the steady level of the loan portfolio, although the mix changed. Items of less risk (mortgages and companies) grew in importance and good performance of customer funds which were up 5.2% year-on-year.

- Excluding the one-off operations already mentioned, operating income in the **United States** grew faster, at 20.3%. This reflects the steady rise in revenues and the favourable performance of operating costs. Regarding business activity, customer funds had positive performance and lending was contained.

- Lastly, **South America** maintained strong banking revenues despite a slowdown in business in previous months. Pension and insurance business also did well. This, together with operating costs that grew at a slower pace, helped operating income to rise 25.1% for the whole year and net attributable profit was up 21.8% to €871m. Regarding business volume and as in the other areas, lending was contained and customer funds experimented high growth.

Economic environment

In the fourth quarter of 2009 the global economy gave increasingly clear signs of a return to growth. Emerging economies –especially Asia and Latin America– have become the main engines of recovery. Developed economies are still in an earlier stage, held down by high unemployment and the need to complete a difficult process of deleveraging, which is stifling the growth of internal demand. The United States' is in a better position than Europe although recovery in both areas is embryonic.

In the future there will be uncertainty regarding sustainability and the scope of recovery. The main risk is the premature withdrawal of stimulus packages, particularly in the most advanced economies where private sector consumption is extremely fragile and where there is still the risk of new financial shocks.

Regarding **end-of-period exchange rates** the US dollar, the Argentinean peso and the Venezuelan bolivar fuerte depreciated year-on-year. Other currencies with an impact on the Group's financial statements (the Mexican, Chilean and Colombian pesos and the Peruvian nuevo sol) appreciated year-on-year. The overall impact is slightly positive for the balance sheet and business figures.

Average exchange rates reflect year-on-year depreciations in the Mexican, Argentine, Chilean and Colombian pesos. The US dollar, Venezuelan bolivar fuerte and Peruvian nuevo sol appreciated. As a result exchange rates have a negative effect on year-on-year comparisons of the income statement amounting to about five percentage points.

Interest rates

(Quarterly average)

	2009				2008			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	1.00	1.00	1.10	1.92	3.28	4.24	4.00	4.00
Euribor 3 months	0.72	0.87	1.31	2.01	4.24	4.98	4.86	4.48
Euribor 1 year	1.24	1.34	1.67	2.22	4.38	5.37	5.05	4.48
Spain 10-year bond	3.83	3.92	4.16	4.17	4.16	4.65	4.54	4.17
USA 10-year bond	3.45	3.50	3.30	2.70	3.20	3.84	3.86	3.65
USA Federal rates	0.25	0.25	0.25	0.25	1.07	2.00	2.08	3.19
TIIE (Mexico)	4.93	4.90	5.89	8.00	8.71	8.49	7.96	7.93

Exchange rates

(Expressed in currency/euro)

	Year-end exchange rates			Average exchange rates	
	31-12-09	∆% on 31-12-08	∆% on 30-09-09	2009	∆% on 2008
Mexican peso	18.9222	1.6	4.3	18.7988	(13.3)
U.S. dollar	1.4406	(3.4)	1.6	1.3948	5.4
Argentine peso	5.5571	(11.5)	1.4	5.2649	(10.6)
Chilean peso	730.46	21.3	9.4	777.60	(1.9)
Colombian peso	2,941.18	6.3	(4.2)	2,976.19	(4.0)
Peruvian new sol	4.1626	4.9	1.6	4.1905	2.4
Venezuelan bolivar fuerte	3.0934	(3.4)	1.6	2.9950	5.4

Earnings

The earnings of the BBVA Group in **2009** and in last quarter were as follows:

- **Strong net interest income** reflecting suitable management of pricing and balance sheet risk.
- Strict **cost control** based on the Transformation Plans implemented in recent years, which continue to yield benefits in the form of year-on-year reductions in operating costs.
- Leading to **buoyant operating income** that grew 17.0% year-on-year, setting a new record of €12,308m. All the Group's business areas contributed to the improvement.

Consolidated income statement

(Million euros)

	2009	Δ%	Δ% at constant exchange rates	2008
NET INTEREST INCOME	**13,882**	**18.8**	**23.4**	**11,686**
Net fees and commissions	4,430	(2.1)	1.0	4,527
Net trading income	1,544	(0.9)	2.5	1,558
Dividend income	443	(0.9)	(1.1)	447
Income by the equity method	120	(59.1)	(59.0)	293
Other operating income and expenses	248	(46.9)	(43.9)	466
GROSS INCOME	**20,666**	**8.9**	**12.8**	**18,978**
Operating costs	(8,358)	(1.1)	1.2	(8,455)
Personnel expenses	(4,651)	(1.4)	0.6	(4,716)
General and administrative expenses	(3,011)	(1.0)	2.6	(3,040)
Depreciation and amortization	(697)	(0.3)	(0.8)	(699)
OPERATING INCOME	**12,308**	**17.0**	**22.3**	**10,523**
Impairment on financial assets (net)	(5,473)	86.1	94.7	(2,940)
Provisions (net)	(458)	(68.0)	(67.8)	(1,431)
Other gains (losses)	(641)	n.m.	n.m.	775
INCOME BEFORE TAX	**5,736**	**(17.2)**	**(13.1)**	**6,926**
Income tax	(1,141)	(26.0)	(22.3)	(1,541)
NET INCOME	**4,595**	**(14.7)**	**(10.5)**	**5,385**
Minority interests	(385)	5.2	3.7	(366)
NET ATTRIBUTABLE PROFIT	**4,210**	**(16.1)**	**(11.6)**	**5,020**
Net one-offs [1]	(1,050)	n.m.	n.m.	(395)
NET ATTRIBUTABLE PROFIT (excluding one-off operations)	**5,260**	**(2.8)**	**2.0**	**5,414**
EARNINGS PER SHARE CALCULATION				
Basic earnings per share (euros)	1.12	(17.0)		1.35
Basic earnings per share excluding one-offs (euros)	1.40	(3.9)		1.46

(1) In the third quarter of 2009, capital gains on the sale and lease-back of properties which have been allotted to generic provisions for NPLs with no effect on net attributable profit. In the fourth quarter the extraordinary allocation to provisions and the goodwill impairment, both in the US. In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

Consolidated income statement

(Million euros)

	2009				2008			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
NET INTEREST INCOME	**3,589**	**3,434**	**3,586**	**3,272**	**3,088**	**3,043**	**2,829**	**2,726**
Net fees and commissions	1,163	1,086	1,102	1,079	1,105	1,138	1,153	1,131
Net trading income	420	325	435	364	139	260	568	591
Dividend income	153	42	207	41	45	161	186	56
Income by the equity method	114	(21)	22	4	25	95	34	139
Other operating income and expenses	(151)	130	140	129	157	96	83	130
GROSS INCOME	**5,288**	**4,998**	**5,491**	**4,889**	**4,558**	**4,794**	**4,854**	**4,772**
Operating costs	(2,254)	(2,017)	(2,017)	(2,070)	(2,203)	(2,099)	(2,069)	(2,084)
Personnel expenses	(1,233)	(1,127)	(1,130)	(1,161)	(1,188)	(1,185)	(1,165)	(1,178)
General and administrative expenses	(852)	(716)	(709)	(734)	(827)	(740)	(743)	(730)
Depreciation and amortization	(169)	(174)	(178)	(175)	(187)	(174)	(161)	(177)
OPERATING INCOME	**3,034**	**2,981**	**3,474**	**2,819**	**2,355**	**2,695**	**2,784**	**2,688**
Impairment on financial assets (net)	(1,787)	(1,741)	(1,029)	(916)	(859)	(917)	(607)	(557)
Provisions (net)	(224)	(82)	(48)	(104)	(837)	18	(467)	(145)
Other gains (losses)	(1,238)	789	(228)	36	(30)	11	(2)	796
INCOME BEFORE TAX	**(214)**	**1,947**	**2,168**	**1,834**	**629**	**1,807**	**1,708**	**2,783**
Income tax	277	(457)	(480)	(480)	(12)	(316)	(476)	(738)
NET INCOME	**63**	**1,490**	**1,688**	**1,354**	**617**	**1,491**	**1,232**	**2,045**
Minority interests	(31)	(110)	(127)	(116)	(98)	(99)	(75)	(94)
NET ATTRIBUTABLE PROFIT	**31**	**1,380**	**1,561**	**1,238**	**519**	**1,392**	**1,157**	**1,951**
Net one-offs (1)	(1,050)	-	-	-	(575)	-	(329)	509
NET ATTRIBUTABLE PROFIT (excluding one-off operations)	**1,082**	**1,380**	**1,561**	**1,238**	**1,094**	**1,392**	**1,486**	**1,442**
EARNINGS PER SHARE CALCULATION								
Basic earnings per share (euros)	0.01	0.37	0.42	0.34	0.14	0.38	0.31	0.53
Basic earnings per share excluding one-offs (euros)	0.29	0.37	0.42	0.34	0.30	0.38	0.40	0.39

(1) In the third quarter of 2009, capital gains on the sale and lease-back of properties which have been allotted to generic provisions for NPLs with no effect on net attributable profit. In the fourth quarter the extraordinary allocation to provisions and the goodwill impairment, both in the US. In 2008, capital gains from Bradesco in the first quarter, provisions for non-recurrent early retirements in the second and fourth quarters and provision for the loss originated by the Madoff fraud in the fourth quarter.

- These factors led to a general improvement in **efficiency** (measured by the cost/income ratio), which now stands at 40.4% (44.6% at 31-Dec-08).
- The Group made an important effort to **strengthen its balance sheet** and those of its franchises through loan-loss provisions and other provisions for early retirements and for adjustments in the value of various foreclosed or acquired assets in Spain.
- The Group **maintained** its ability to generate high levels of **core capital** in an organic manner, with 180 basis points in the year.

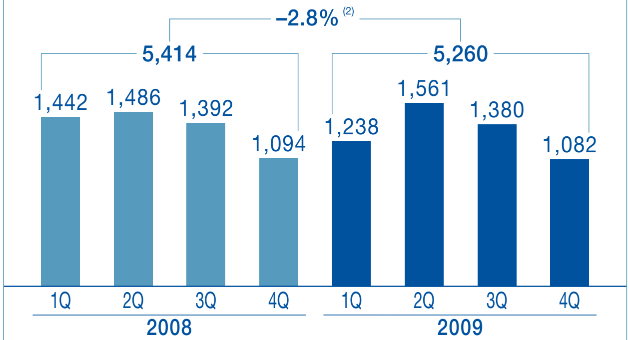
The year-on-year comparisons of the Group's earnings are affected by a **series of one-off items:**

- In the third quarter of **2009** there were capital gains of €830m from the sale and leaseback of branches in Spain which were used for provisions with no effect on net attributable profit. In the fourth quarter a one-off charge for €1,050m net of tax was set aside in the United States for the impairment of goodwill and loan-loss provisions to increase the coverage ratio.

- In **2008** one-offs resulted in a net charge of €395m against net attributable profit (€509m of capital gains from the sale of an interest in Bradesco, less €602m in provisions associated with non-recurring early retirements and a €302m charge associated with the Madoff fraud).

Including one-offs, **net attributable profit** in the fourth quarter was €31m but if they are excluded, profit comes to €1,082m (similar to the same quarter of 2008). For the complete year net attributable profit without one-offs came to €5,260m, a slight decrease of 2.8% compared to €5,414m in 2008. At constant exchange rates there was an increase over the previous year of 2.0%.

Net attributable profit [1]
(Million euros)

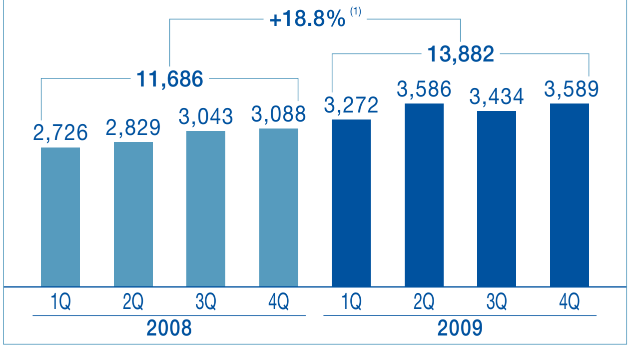


(1) Excluding one-offs.
(2) At constant exchange rate: +2.0%.

Net interest income

Net interest income continued to be the main driving force behind the Group's income in the fourth quarter. It reached a new high of €3,589m, rising 16.2% compared to the same quarter of 2008. The total for the year came to €13,882m, an increase of 18.8% compared to €11,686m in 2008 (up 23.4% without the effect of exchange rates).

Net interest income
(Million euros)



(1) At constant exchange rate: +23.4%.

The main reasons behind this growth are the active commercial policies of the business areas and the appropriate management of structural risks on the balance sheet.

Price management in the business areas easily offset the growth of unprofitable assets, such non-performing assets (NPA), and the slowdown in banking business. As noted in the third quarter, there are three aspects of such management leading to an improvement in spreads: passing on the higher cost of risk to lending operations and containing the cost of funds; identifying products or segments with better risk-adjusted returns; and optimising the structure of customer funds.

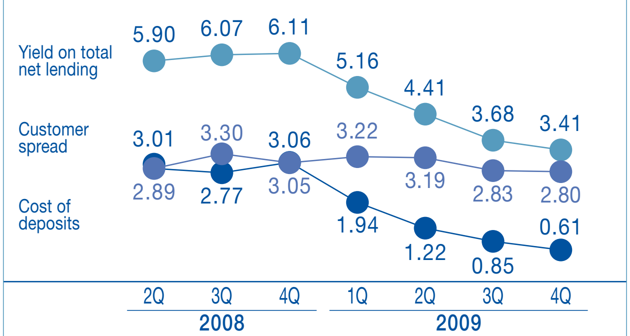
Management of structural risks, such as interest and liquidity risk, was characterised by anticipation and strict prudence. This helped to create a solid balance sheet with low leveraging and a low risk profile. On one hand, the bank built up portfolios that helped to stabilise net interest income and the economic value of the balance sheet. And on the other, the high growth of lending in previous years was financed by liabilities that were suitably structured in terms of maturity, type of instrument and diversification.

In business with customers in the **euro zone** the sharp drop in interest rates had at first a positive effect because the yield on loans (mainly mortgages) fell more slowly than the cost of funds. However now the fall in the yield on loans (down 27 basis points to 3.41%) is greater than the decline in the cost of funds (down 24 basis points to 0.61%). Thus

Breakdown of yields and costs

	4th Quarter 09		3rd Quarter 09		2nd Quarter 09		1st Quarter 09	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances with central banks	3.5	1.08	3.8	1.02	3.5	1.34	3.0	2.15
Financial assets and derivatives	26.7	2.82	25.8	2.88	25.1	3.15	24.2	3.38
Loans and advances to credit institutions	4.6	1.97	4.6	2.14	4.8	3.62	5.3	2.86
Loans and advances to customers	59.8	5.20	60.2	5.09	60.9	5.78	61.5	6.40
• Euros	40.6	3.41	40.9	3.68	41.0	4.41	41.3	5.16
- Domestic	36.0	3.50	36.2	3.82	36.4	4.44	36.4	5.38
- Other	4.5	2.77	4.7	2.64	4.7	4.16	4.9	3.54
• Foreign currencies	19.2	8.97	19.3	8.07	19.8	8.62	20.2	8.94
Other assets	5.5	0.29	5.7	0.37	5.8	0.51	6.0	0.36
TOTAL ASSETS	**100.0**	**4.01**	**100.0**	**3.97**	**100.0**	**4.56**	**100.0**	**4.99**
Deposits from central banks and credit institutions	14.0	2.16	14.1	2.16	13.1	3.35	13.4	4.01
Deposits from customers	46.3	1.11	46.1	1.29	45.5	1.72	44.8	2.46
• Euros	21.3	0.61	21.6	0.85	21.0	1.22	21.0	1.94
- Domestic	14.8	0.83	15.8	1.06	15.5	1.53	16.4	2.15
- Other	6.5	0.12	5.8	0.27	5.5	0.35	4.7	1.23
• Foreign currencies	25.0	1.54	24.5	1.67	24.4	2.14	23.7	2.92
Debt certificates and subordinated liabilities	21.7	1.87	21.7	2.12	22.6	2.59	23.4	3.57
Other liabilities	12.2	1.18	12.5	0.75	13.5	0.80	13.4	0.69
Equity	5.7	-	5.7	-	5.4	-	5.1	-
TOTAL LIABILITIES AND EQUITY	**100.0**	**1.37**	**100.0**	**1.45**	**100.0**	**1.91**	**100.0**	**2.57**
NET INTEREST INCOME/ATA		**2.64**		**2.52**		**2.65**		**2.42**

Customer spread (euro area)
(Percentage)



the customer spread has fallen slightly compared to the third quarter (by 3 basis points) to 2.80%. At the same time the risk on the balance sheet is lower because consumer finance now plays a lesser role and low-cost funds have increased. This spread is compatible with the year-on-year increase of 3.2% in net interest income in Spain & Portugal and in those units of Wholesale Banking & Asset Management that operate in the euro zone. Another significant measure of profitability is the ratio of net interest income to average total assets (NII/ATA). This was stable in the first three quarters of 2009 and increased slightly in the fourth quarter at all Spanish units (retail businesses and CBB).

In **Mexico** interbank rates fell sharply in the first half of the year but stabilised in the third and fourth quarters (the average TIIE was 4.9%). This stability was reflected in the cost of funds, which hardly changed in the last quarter (down 5 basis points to 1.9%). The yield on loans is still affected by the change in the portfolio mix (with less consumer finance and credit card lending) and therefore it declined 13 basis points compared to the third quarter. Consequently customer spreads also remain practically stable at 11.35% (11.43% in the previous quarter).

In the **United States** net interest income rose 23.4% year-on-year in the fourth quarter at constant rates, sustained mainly by an increase in business volume following the incorporation of Guaranty and the repricing effect sustained through out the year.

South America once again reported a positive performance of net interest income in the quarter and the year (up 14.1% and 15.2%, respectively, at constant exchange rates against the same periods of 2008). This reflects the higher volume of customer funds, sustained lending and healthy spreads.

Gross income

Net fee income for the year fell 2.1% to €4,430m (up 1.0% at constant exchange rates). Fees on mutual and pension funds were down 18.3% year-on-year and fees on banking services were up 4.3% (despite reduced business).

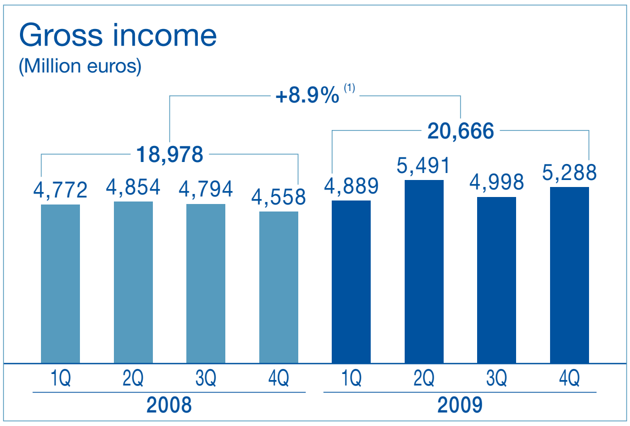
Net trading income contributed €1,544m in 2009, which was very similar to 2008 (€1,558m).

Dividend income for the year came to €443m (€447m in 2008). The main component in this item was Telefonica's dividend.

Income by the equity method in 2009 came to €120m after booking the contribution of China Citic Bank (CNCB) in the fourth quarter. In 2008 this item came to €293m, which reflected Corporación IBV's sale of an interest in Gamesa.

The last item is **other operating income and expenses,** which came to €248m in 2009 (€218m less than 2008). This was mainly due to the effect in this item of a currency correction for hyperinflation in Venezuela (€245m) and higher contributions to deposit guarantee funds (up 28.8%) in the various countries where the Group operates. It included an extraordinary contribution to the Federal Deposit Insurance Corporation (FDIC) in the United States. The above charges were not offset by income from insurance activities, which rose 22.9% year-on-year to €720m.

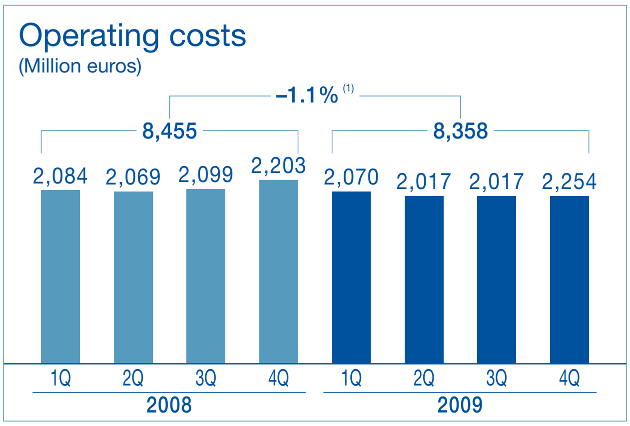
As a result **gross income** in the quarter came to €5,288m, the second highest amount in the Group's history. It was €730m more than the same quarter in 2008 and €290m more than the previous quarter of 2009. The total for the year was up 8.9% to €20,666m (up 12.8% at constant exchange rates).



(1) At constant exchange rate: +12.8%.

Operating income

During the entire year **operating costs** continued their containment trend that started at the beginning of 2008. They came to €8,358m, which was €97m less than 2008, thanks to BBVA's ability to anticipate to the present crisis by implementing several transformation plans as far back as 2006. The Spain & Portugal Area made a particularly big effort to contain its costs, which fell 4.2% during the year. In the Americas operating costs were held at the same levels as a year earlier (at constant exchange rates) and were thus considerably lower than inflation.



(1) At constant exchange rate: +1.2%.

Operating costs, depreciation and efficiency

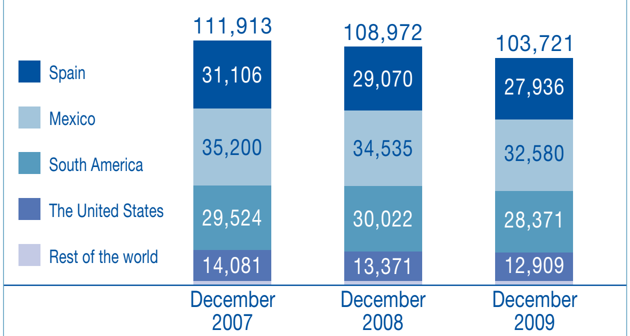
(Million euros)

	2009	Δ%	2008
PERSONNEL EXPENSES	**4,651**	**(1.4)**	**4,716**
Wages and salaries	3,607	0.4	3,593
Employee welfare expenses	643	(7.3)	693
Training expenses and other	401	(6.7)	430
GENERAL AND ADMINISTRATIVE EXPENSES	**3,011**	**(1.0)**	**3,040**
Premises	643	4.2	617
IT	577	(3.5)	598
Communications	254	(2.2)	260
Advertising and publicity	262	(4.0)	272
Corporate expenses	80	(27.7)	110
Other expenses	929	4.7	887
Levies and taxes	266	(9.7)	295
ADMINISTRATION COSTS	**7,662**	**(1.2)**	**7,756**
DEPRECIATION AND AMORTIZATION	**697**	**(0.3)**	**699**
OPERATING COSTS	**8,358**	**(1.1)**	**8,455**
GROSS INCOME	**20,666**	**8.9**	**18,978**
EFFICIENCY RATIO (Operating costs/gross income,%)	**40.4**		**44.6**

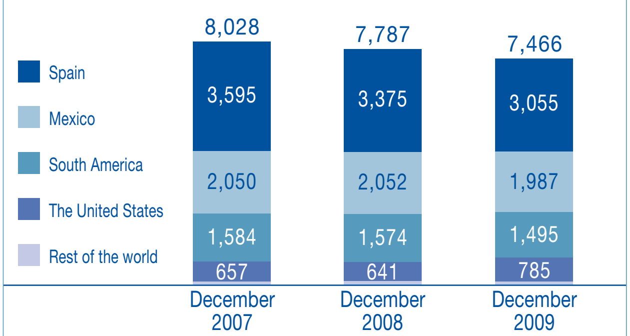
In the fourth quarter the number of employees stopped falling and ended the year at 103,721 (down 4.8% year-on-year) thanks to the transformation plans. The main changes in the year took place in the United States with a reduction in the first quarter that was partially offset by the incorporation of Guaranty in the third. At 31-Dec-09 the Group had 7,466 branches, down 321 from 31-Dec-08 reflecting the ongoing restructuring process. In Spain the reduction has been underway since the end of 2006, which means that BBVA made the move 2 years in anticipation to the trend followed afterwards by the sector.

Efficiency (cost/income ratio) improved compared to 2008, thanks to higher revenues and cost containment, and now stands at 40.4% (44.6% at 31-Dec-08). This figure means BBVA is still one of the most efficient banks in its peer group.

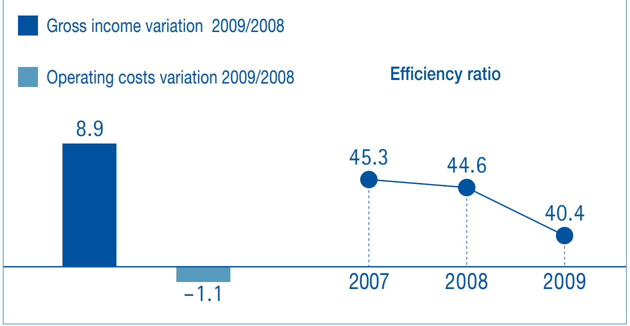
Number of employees



Number of branches

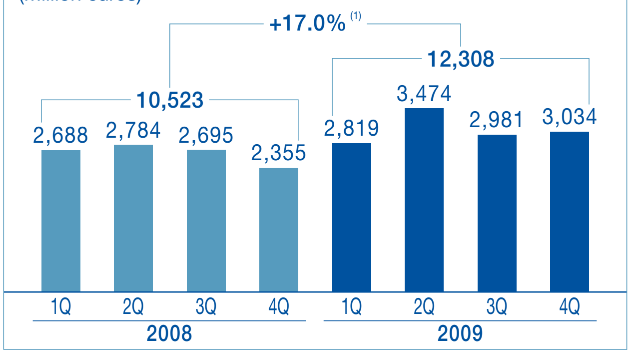


Efficiency
(Percentages)



All the above resulted in **operating income** of €3,034m in the quarter and €12,308m for the full year. The latter figure was up 17.0% compared to €10,523m in 2008 (up 22.3% excluding the effect of exchange rates).

Operating income
(Million euros)



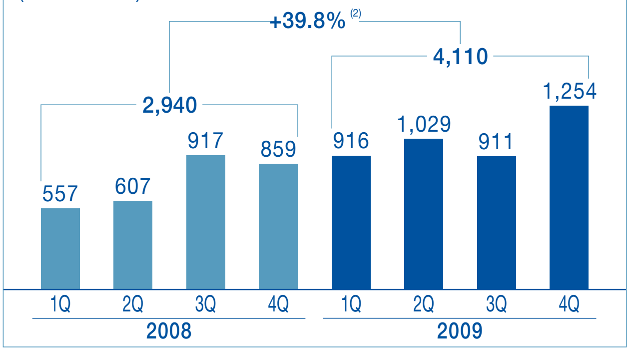
(1) At constant exchange rate: +22.3%.

All business areas contributed to operating income as follows: €4,533m in Spain & Portugal, €1,386m in Wholesale Banking & Asset Management (WB&AM), €3,319m in Mexico, €875m in the United States and €2,202m in South America.

Provisions and others

During the year **impairment losses on financial assets** came to €5,473m, an increase of 86.1% compared to 2008. This demonstrates the substantial efforts made in loan-loss provisioning. This was particularly high in the last quarter owing to a detailed analysis of the Group's more problematic

Impairment losses on financial assets [1]
(Million euros)



(1) In the third quarter of 2009 €830m capital gains coming from the sale and lease-back of properties which were alloted to NPL generic provisions are not included, nor the extraordinary allocation to USA provisions done in the fourth quarter.
(2) At constant exchange rate: +46.3%.

portfolios which allowed for the anticipation of the possible effects of the current outlook for the year 2010:

- The Spain & Portugal Area provided for non-performing assets in the consumer finance unit above the requirements of the legal calendar, following maximum prudence criteria. This required €164m in the quarter (€377m for the entire year) apart from €830m of additional provisions made in the third quarter.
- In Mexico higher provisions in the fourth quarter (up €73m compared to previous quarters) were mainly due to new expected-loss criteria following recalibration of internal models for the credit card portfolio.
- In the United States provisions in the fourth quarter were €715m higher than those of the third quarter. The Group first revised appraisal values of the collateral associated with the commercial real estate portfolio and wrote off any differences. It then made additional provisions that increased the coverage ratio.

If one-off loan-loss provisions of €1,363m (before tax) are excluded (€830 in Spain & Portugal and €533m in the United States) the Group's risk premium at 31-Dec-09 was 1.15%. It should be noted that the operating income generated by BBVA in the year is sufficient to cover provisioning that is double the amount recorded, even including the two one-off provisions mentioned above.

For the entire year charges to **provisions** came to €458m after including €551m for early retirements. In 2008 they came to €1,431m of which early retirements of a non-recurrent nature accounted for €860m.

The last item, **other gains (losses)**, contains losses of €641m in 2009 that reflect three factors. There was a capital gain of €830m on the sale and leaseback of buildings in Spain and a loss of €998m on the impairment of goodwill in the United States. And there was a loss of €475m following adjustments in the value of various foreclosed or acquired assets in Spain. In 2008 this item reported €775m of gains, including €727m from the sale of an interest in Bradesco.

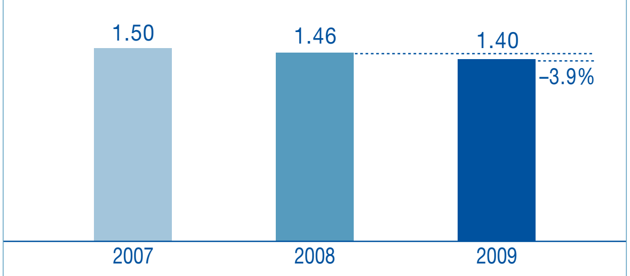
Net attributable profit

Income before tax for the year came to €5,736m, a drop of 17.2% compared to €6,926m in 2008. After deducting corporate tax of €1,141m and €385m for minority interests, **net profit attributable** to the Group in 2009 comes to €4,210m (€5,260m excluding one-off items of €1,050m).

By **business area**, the contributions to the Group's net attributable profit are as follows: Spain & Portugal provided €2,373m, WB&AM €1,011m, Mexico €1,359m, the United States –€21m (excluding one-offs) and South America €871m.

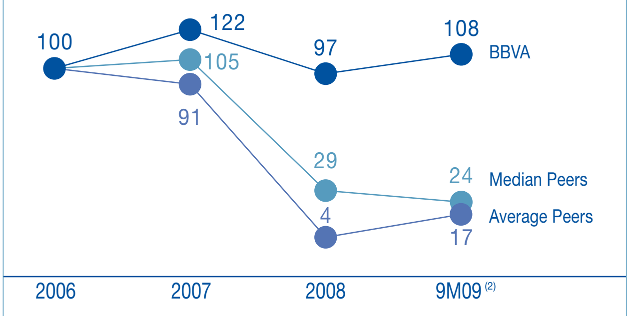
Basic **earnings per share** (EPS) were €1.12 for the year (€1.35 in 2008). Excluding one-off operations this figure is largely the same as 2008 (€1.40 and €1.46, respectively) and it is a relatively stable amount with respect to the period before the crisis.

Earnings per share [1]
(Euros)



(1) Excluding one-offs.

Earnings per share. BBVA and Peer Group [1]
(Year 2006=100)

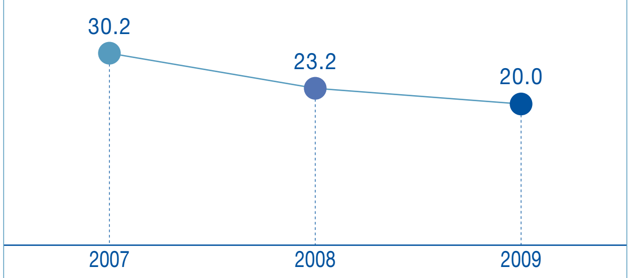


(1) Peer Group: Group of 15 comparable european banks.
(2) Annualized.

Nonetheless most banks have seen drastic declines in their EPS during this period.

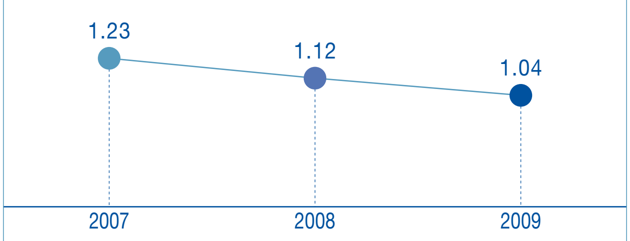
BBVA's high profitability ratios in 2009 were commendable. **ROE** excluding one-offs was 20.0% (16.0% with one-offs), **ROA** was 1.0% (0.8% with one-offs) and **RORWA** came to 1.9% (1.6% with one-offs). Thus BBVA remains one of the most profitable banks in the financial system.

ROE [1]
(Percentage)



(1) Excluding one-offs.

ROA [1]
(Percentage)



(1) Excluding one-offs.

Business activity

In the fourth quarter of **2009** the Group's business activity and balance sheet were characterised by the same conditions mentioned in the reports of previous quarters. These were:

- Despite the decline throughout the year due to the general slowdown in the economy, lending rose slightly in the fourth quarter.

Consolidated balance sheet

(Million euros)

	31-12-09	∆%	31-12-08	30-09-09
Cash and balances with central banks	16,344	11.5	14,659	20,323
Financial assets held for trading	69,733	(4.9)	73,299	70,585
Other financial assets designated at fair value through profit or loss	2,337	33.2	1,755	2,207
Available for sale financial assets	63,520	32.9	47,780	63,400
Loans and receivables	346,117	(6.3)	369,494	345,629
• Loans and advances to credit institutions	22,239	(34.3)	33,856	22,330
• Loans and advances to customers	323,442	(3.5)	335,260	322,857
• Other	436	15.4	378	441
Held-to-maturity investments	5,437	3.0	5,282	4,995
Investments in entities accounted for using the equity method	2,922	99.2	1,467	1,340
Tangible assets	6,507	(5.8)	6,908	6,386
Intangible assets	7,248	(14.1)	8,440	8,129
Other assets	14,900	9.8	13,568	14,312
TOTAL ASSETS	**535,065**	**(1.4)**	**542,650**	**537,305**
Financial liabilities held for trading	32,830	(23.7)	43,009	36,394
Other financial liabilities at fair value through profit or loss	1,367	32.4	1,033	1,299
Financial liabilities at amortised cost	447,936	(0.6)	450,605	446,993
• Deposits from central banks and credit institutions	70,312	5.3	66,804	73,777
• Deposits from customers	254,183	(0.4)	255,236	249,365
• Debt certificates	99,939	(4.1)	104,157	98,622
• Subordinated liabilities	17,878	5.2	16,987	18,594
• Other financial liabilities	5,624	(24.2)	7,420	6,635
Liabilities under insurance contracts	7,186	9.4	6,571	6,907
Other liabilities	14,983	1.7	14,727	15,004
TOTAL LIABILITIES	**504,302**	**(2.3)**	**515,945**	**506,597**
Minority interests	1,463	39.5	1,049	1,254
Valuation adjustments	(62)	(93.4)	(930)	(543)
Shareholders' funds	29,362	10.4	26,586	29,997
TOTAL EQUITY	**30,763**	**15.2**	**26,705**	**30,707**
TOTAL EQUITY AND LIABILITIES	**535,065**	**(1.4)**	**542,650**	**537,305**
MEMORANDUM ITEM:				
Contingent liabilities	33,185	(7.7)	35,952	32,807
MEMORANDUM ITEM:				
Average total assets	542,969	4.8	517,856	544,132
Average shareholders' funds	26,341	12.9	23,324	26,349
Average risks weighted assets	294,313	6.1	277,478	296,057

- The more risky forms of lending, such as consumer finance and cards, fell and first residence mortgages and loans to institutions increased.
- Customer funds increased thanks to a rise in assets under management in pension and mutual funds and to an increase in the lower cost items (current and savings accounts).
- Customers' preferences switched from time deposits to other items. This was a result of the sharp decline in interest rates in the Spanish market and BBVA's excellent liquidity position.
- Total assets remained stable. At 31-Dec-09 they came to €535 billion, which was 1.4% lower compared to €543 billion at 31-Dec-08.

It should be noted that year-end **exchange rates** hardly had any impact on year-on-year comparisons of the balance sheet or on the Group's business volumes. This is because the dollar's depreciation against the euro (3.4%) was offset by a rise in the Mexican peso (up 1.6%), the Chilean peso (up 21.3%) and the Colombian peso (up 6.3%) – among others.

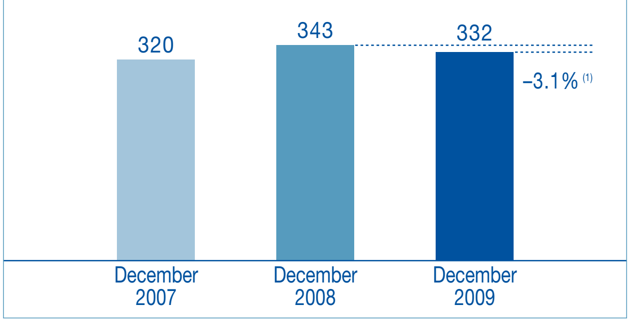
The most significant features of lending business and customer funds are commented below.

Lending to customers

Gross lending at 31-Dec-09 stands at €332 billion after declining 3.1% year-on-year. There was a slight rebound in the fourth quarter (up 0.3% quarter-on-quarter).

Of total lending to **domestic** customers in Spain, the **public sector** reported the biggest advance, rising 18.1% year-on-year and 2.7% quarter-on-quarter to €21 billion.

Total lending (gross)
(Billion euros)



(1) At constant exchange rate: –3.3%.

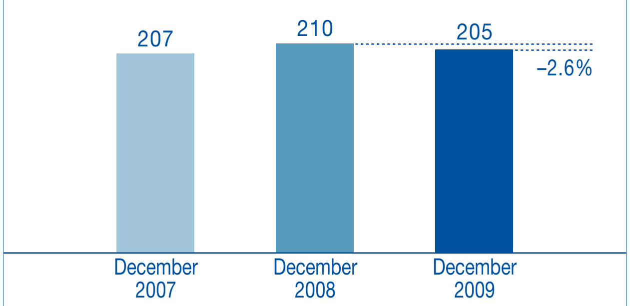
Total lending
(Million euros)

	31-12-09	∆%	31-12-08	30-09-09
Domestic sector	204,671	(2.6)	210,082	204,997
Public sector	20,786	18.1	17,599	20,247
Other domestic sectors	183,886	(4.5)	192,483	184,750
• Secured loans	106,294	0.4	105,832	106,761
• Commercial loans	7,062	(26.0)	9,543	6,192
• Financial leases	6,547	(15.0)	7,702	6,862
• Other term loans	46,407	(16.3)	55,448	49,122
• Credit card debtors	1,839	(6.7)	1,971	1,776
• Other demand and miscellaneous debtors	2,296	(33.9)	3,474	2,996
• Other financial assets	2,529	(16.6)	3,031	2,648
• Non performing loans	10,911	99.0	5,483	8,391
Non-domestic sector	127,491	(3.9)	132,600	126,008
Secured loans	42,280	7.3	39,390	41,690
Other loans	80,986	(10.3)	90,335	80,579
Non performing loans	4,225	47.0	2,875	3,739
TOTAL LENDING (GROSS)	**332,162**	**(3.1)**	**342,682**	**331,005**
Loan-loss provisions	(8,720)	17.5	(7,423)	(8,148)
TOTAL NET LENDING	**323,441**	**(3.5)**	**335,260**	**322,857**

Loans to the **domestic private sector** fell 4.5% to €184 billion at year-end with items related to commercial activity and household consumption falling further. The volume of discounted bills decreased 26.0%, credit card debtors fell 6.7% and other term loans (basically consumer loans and SME and small businesses) fell 16.3%. Secured loans (€106 billion) are the main component of domestic lending and they were almost unchanged compared to the third quarter (down 0.4%) or compared to the end of 2008 (up 0.4%). Non-performing assets at year-end were €10,911m, a significant increase year on year very much concentrated in the fourth quarter. The increase is due to a series of portfolios, mainly related to the real estate sector, which were declared NPAs following a detailed and rigorous examination by the Group.

Outstanding loans to **non-resident** customers stand at €127 billion. This is a fall of 3.9% compared to €133 billion at 31-Dec-08 (up 1.2% against the third quarter of 2009). Secured loans reported the best annual and quarterly performance, and they now account for a higher percentage of the total non-resident portfolio (33.2% at 31-Dec-09 compared to 29.7% at 31-Dec-08). The increase in non-performing assets in this segment in the fourth quarter is basically due to an additional reclassification of the commercial real estate portfolio in the United States as rigorous as the one mentioned for other term loans in Spain.

Total lending. Domestic sector (gross)
(Billion euros)



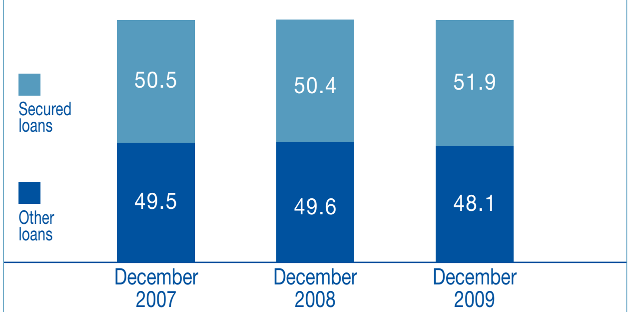
Customer funds

At 31-Dec-09 **total customer funds** on and off the balance sheet came to €509 billion, an increase of 2.7% compared to €495 billion a year earlier. In the last quarter they gained nearly €10 billion.

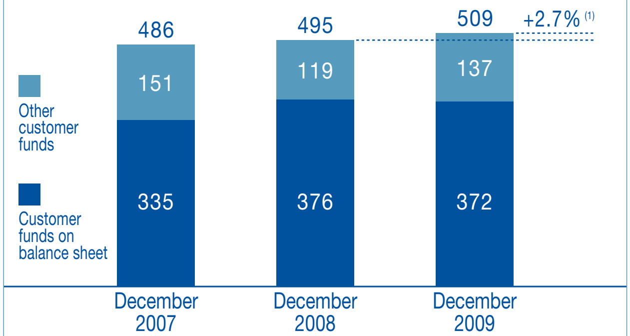
Customer funds on the balance sheet came to €372 billion at 31-Dec-09, a decline of 1.2% compared to €376 billion a year earlier but up 1.5% quarter-on-quarter. The decline mainly reflects customers moving away from time deposits to other products due to some extent to BBVA's comfortable liquidity position. As usual in recent years customer funds on the balance sheet are bigger than gross lending and this highlights the mentioned Group's ample liquidity.

At the end of 2009 customer funds **off the balance sheet** (mutual funds, pension funds and customer portfolios) came to €137 billion, a rise of 15.1% compared to €119 billion a year earlier and up 2.9% quarter-on-quarter. The improvement reflects the gathering of funds (especially pension funds) and the

Detail of total lending to domestic sector (gross) (Percentage)



Customer funds
(Billion euros)



(1) At constant exchange rate: +1.7%.

Customer funds

(Million euros)

	31-12-09	∆%	31-12-08	30-09-09
CUSTOMER FUNDS ON BALANCE SHEET	**371,999**	**(1.2)**	**376,380**	**366,581**
DEPOSITS FROM CUSTOMERS	**254,183**	**(0.4)**	**255,236**	**249,365**
Domestic sector	97,486	(7.1)	104,959	98,112
Public sector	4,296	(32.1)	6,328	4,908
Other domestic sectors	93,190	(5.5)	98,630	93,204
• Current and savings accounts	47,381	6.3	44,589	45,115
• Time deposits	35,135	(19.8)	43,829	36,193
• Assets sold under repurchase agreement and other	10,675	4.5	10,213	11,896
Non-domestic sector	156,697	4.3	150,277	151,253
Current and savings accounts	63,718	11.9	56,930	59,094
Time deposits	88,114	2.9	85,647	86,202
Assets sold under repurchase agreement and other	4,865	(36.8)	7,700	5,958
DEBT CERTIFICATES	**99,939**	**(4.1)**	**104,157**	**98,622**
Mortgage bonds	35,833	(9.7)	39,673	38,750
Other debt certificates	64,106	(0.6)	64,484	59,872
SUBORDINATED LIABILITIES	**17,878**	**5.2**	**16,987**	**18,594**
OTHER CUSTOMER FUNDS	**136,957**	**15.1**	**119,017**	**133,113**
Mutual funds	47,266	2.1	46,295	47,712
Pension funds	63,190	31.3	48,139	59,224
Customer portfolio	26,501	7.8	24,582	26,177
TOTAL CUSTOMER FUNDS	**508,957**	**2.7**	**495,397**	**499,694**

rise in equity markets towards the end of the year, which boosted assets under management and customer portfolios.

In **Spain** the sharp decline in interest rates caused customers to switch from time deposits to savings and current accounts, and to conservative types of mutual funds. In addition the Group's comfortable liquidity meant the unit could focus in the defence of spreads, as fund gathering was not a marketing priority. Consequently time deposits fell 19.8% year-on-year to €35 billion. Conversely, current and savings accounts rose 6.3% during the year to €47 billion at 31-Dec-09. Although mutual funds declined 6.0% year-on-year to €33 billion, they ended the year little changed compared to 30-Sep-09. Furthermore the decline was smaller than the market as a whole and therefore BBVA remains the leading mutual fund manager in Spain with a 19.3% market share at 31-Dec-09. Pension funds also did well, rising 6.9% in the year to €17 billion (up 1.3% quarter-on-quarter). Customer portfolios showed significant growth (22.8%).

In terms of **non-resident** customer funds the aggregate of items on and off the balance sheet increased 11.0% during the year to €231 billion (up 4.6% quarter-on-quarter). The rise reflects the excellent performance of off balance sheet funds, which increased 28.8% in 2009 (up 6.8% quarter-on-quarter) thanks to contributions from pension business in the South America and Mexico Areas. Furthermore customer funds on the balance sheet rose 4.3% year-on-year. This was mainly due to an increase in items with bigger margins and lower costs, eg, current and savings accounts, which increased 11.9% during the year.

Other customer funds

(Million euros)

	31-12-09	∆%	31-12-08	30-09-09
SPAIN	**63,046**	**2.3**	**61,611**	**63,889**
MUTUAL FUNDS	**32,797**	**(6.0)**	**34,900**	**33,974**
Mutual funds (ex real estate)	31,217	(6.0)	33,197	32,367
• Guaranteed	12,646	(23.4)	16,507	14,595
• Monetary and short-term fixed-income	13,436	11.8	12,016	12,964
• Long-term fixed-income	1,385	10.6	1,252	1,224
• Balanced	881	16.7	755	762
• Equity	2,180	31.6	1,657	2,039
• Global	689	(31.8)	1,009	784
Real estate investment trusts	1,473	(6.8)	1,580	1,499
Private equity funds	108	(12.9)	123	108
PENSION FUNDS	**17,175**	**6.9**	**16,060**	**16,951**
Individual pension plans	9,983	6.7	9,357	9,856
Corporate pension funds	7,191	7.3	6,703	7,095
CUSTOMER PORTFOLIOS	**13,074**	**22.8**	**10,650**	**12,964**
REST OF THE WORLD	**73,912**	**28.8**	**57,406**	**69,224**
Mutual funds and investment companies	14,469	27.0	11,395	13,738
Pension funds	46,015	43.4	32,079	42,273
Customer portfolios	13,427	(3.6)	13,932	13,213
OTHER CUSTOMER FUNDS	**136,957**	**15.1**	**119,017**	**133,113**

Statement of changes in equity

At the end of the fourth quarter the total equity of the BBVA Group came to €31 billion and this is similar to the previous quarter after allowing for the deduction of the third interim dividend. This is the result of the above-mentioned decision to set aside almost all the Group's earnings in the fourth quarter to make an additionally charge for loan-loss provisioning in the United States (to increase the coverage ratio) and the impairment of goodwill in the same area. Other items had hardly any impact on the statement of changes in the Group's net equity.

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 30-09-09	**1,837**	**24,793**	**4,179**	**(148)**	**(543)**	**1,254**	**(664)**	**30,707**
Valuation adjustments					481	181		663
Profit retained		(2)	2					-
Dividends			(2)			0	(336)	(338)
Shares issued								-
Treasury shares		44		(67)				(23)
Profit for the year			31			31		63
Other		(308)		2		(4)		(309)
BALANCE AT 31-12-09	**1,837**	**24,528**	**4,210**	**(212)**	**(62)**	**1,463**	**(1,000)**	**30,763**
FOURTH QUARTER VARIATION	**-**	**(266)**	**31**	**(65)**	**481**	**209**	**(336)**	**56**

Capital base

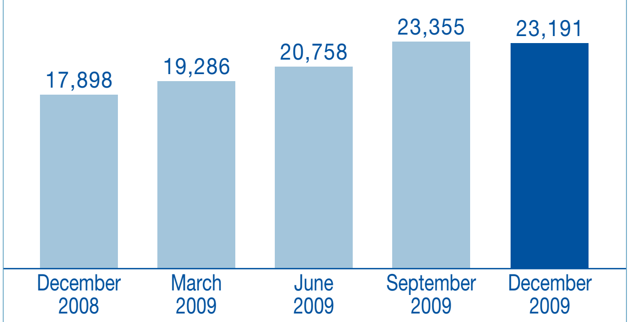
At 31st December 2009 the Group's **eligible capital base** calculated according to **Basel II** rules came to €39,440m, which was €436m more than the previous quarter. The increase shows that in the fourth quarter the Group again generated capital in an organic manner as the impairment of goodwill in the United States and the corresponding impact on earnings has a neutral effect on core capital and the total capital base.

Risk-weighted assets (RWA) stand at almost the same level as the end of September (up 1.3% year-on-year to €291,026m). The lower level of lending was offset by the appreciation of the US dollar and the Mexican peso.

The **minimum capital requirement** (8% of RWA) therefore comes to €23,282m and the capital base surplus is €16,158m. As a result the Group's capital base is 69% higher than the minimum required (up slightly compared to the previous quarter).

Core capital at the end of 2009 came to €23,191m, implying a core ratio of 8.0% (the same as the third quarter). The organic generation of capital in the last quarter of 2009 was offset by the effect on goodwill when the Group's interest in China Citic Bank was classified as a substantial shareholding. Up to September this amount was included in the cost of investment, reducing Tier I and Tier II by

Core capital
(Million euros)



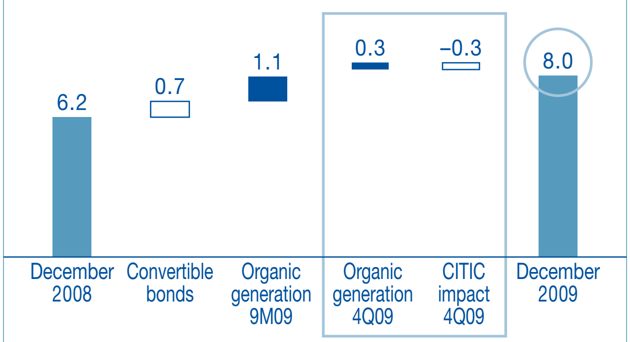
Capital base (BIS II Regulation)
(Million euros)

	31-12-09	30-09-09	30-06-09	31-03-09	31-12-08
Shareholders' funds	29,362	29,997	29,383	27,742	26,586
Adjustments	(8,171)	(8,642)	(8,625)	(8,456)	(8,688)
Mandatory convertible bonds	2,000	2,000			
CORE CAPITAL	**23,191**	**23,355**	**20,758**	**19,286**	**17,898**
Preference shares	5,129	5,398	5,433	5,421	5,395
Adjustments	(1,066)	(1,527)	(1,525)	(1,532)	(583)
CAPITAL (TIER I)	**27,254**	**27,226**	**24,666**	**23,175**	**22,710**
Subordinated debt and other	13,251	13,304	12,880	12,802	12,914
Deductions	(1,065)	(1,527)	(1,539)	(1,543)	(590)
OTHER ELIGIBLE CAPITAL (TIER II)	**12,186**	**11,778**	**11,340**	**11,259**	**12,324**
CAPITAL BASE	**39,440**	**39,004**	**36,006**	**34,434**	**35,033**
Minimum capital requirement (BIS II Regulation)	23,282	23,242	23,493	23,861	22,989
CAPITAL SURPLUS	**16,158**	**15,762**	**12,513**	**10,573**	**12,044**
RISK-WEIGHTED ASSETS	**291,026**	**290,521**	**293,661**	**298,261**	**287,364**
BIS RATIO (%)	**13.6**	**13.4**	**12.3**	**11.5**	**12.2**
CORE CAPITAL (%)	**8.0**	**8.0**	**7.1**	**6.5**	**6.2**
TIER I (%)	**9.4**	**9.4**	**8.4**	**7.8**	**7.9**
TIER II (%)	**4.2**	**4.1**	**3.9**	**3.8**	**4.3**

50% each. Therefore the effect on the capital base is neutral.

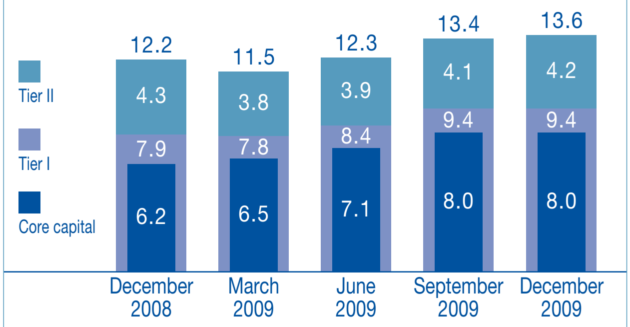
During 2009 the core ratio increased 180 basis points: 70 basis points were provided by the issue of convertible bonds in the third quarter and 140 basis points by organic generation. This reflects the BBVA Group's ability to generate capital in adverse economic circumstances. Lastly, China Citic Bank subtract 30 basis points.

Core capital generation
BIS II (Percentage)



The **Tier I ratio** stands at 9.4%, also unchanged during the fourth quarter (7.9% at 31-Dec-08). In October BBVA successfully concluded an offer to exchange preference securities placed in the institutional market. As a result of this exchange BBVA issued two preference securities of €645m and GBP251m. Both carry an early redemption option at five years. Consequently preference securities now

Capital base: BIS II ratio
(Percentage)



represent 18.8% of total capital (Tier I) and this is one percentage point less than the previous quarter.

At the end of the quarter other eligible capital (**Tier II**), which mainly consists of subordinated debt, eligible latent capital gains and surplus generic provisions, came to €12,186m. This is 4.2% of risk-weighted assets (4.1% at 30-Sep-09 and 4.3% at 31-Dec-08).

The aggregate of Tier I and Tier II at 31-Dec-09 brings the **BIS ratio** to 13.6%, an increase of 0.2 percentage points compared to 30-Sep-09 and 1.4 percentage points higher compared to 12.2% at 31-Dec-08. This increase basically reflects the improvement in core capital.

Ratings

BBVA remains one of the financial entities with superior ratings.

Ratings

	Long term	Short term	Financial strength	Outlook
Moody's	Aa2	P-1	B-	Negative
Fitch	AA-	F-1+	A/B	Positive
Standard & Poor's	AA	A-1+	-	Negative

The BBVA share

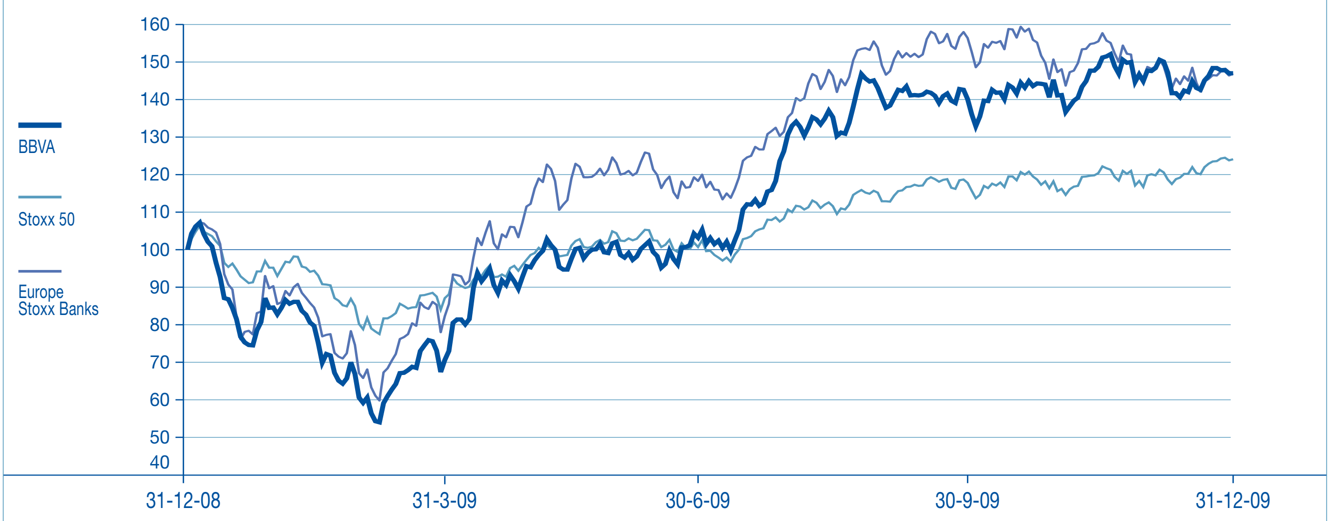
In the **fourth quarter** of 2009 equity markets continued the upward trend that started in March. Factors such as the improved outlook for the macro level and for 2010 earnings supported the positive sentiment. Nonetheless in recent quarters market optimism regarding the banking sector appears to have somewhat evaporated, resulting in negative pressures. Investors have been underweighting bank stocks and this tendency increased significantly towards the end of the year. One factor that may be behind the relatively poor performance is the uncertainty surrounding the latest BIS rules, which might have a negative effect on short-term investor sentiment. The proposed stiffer capital requirements could possibly impair the capital adequacy and liquidity of some banks in the future and this made investors cautious.

The main **indices** closed the quarter with slight gains, continuing the improvement that commenced in the second quarter in Europe and the United States. In Europe the Stoxx50 rose 5.4% during the fourth quarter and the UK's FTSE gained 4.8%. In the US the S&P 500 increased 5.5%. In Spain the IBEX 35 failed to match other European indices, advancing only 1.6%. However thanks to better performance in earlier quarters, the IBEX outperformed European and American indices for the full year. The IBEX 35 was up 29.8% in the year compared to 24.1% for Stoxx 50 and 23.5% for the S&P 500.

However in the fourth quarter **bank indices** failed to keep up with general markets. The European Stoxx Banks fell 6.1% and the FTSE Banks closed down 9.2%. The S&P Financials Index declined 3.7% and the US regional bank index (S&P Regional Banks) retreated 5.2%. This relative weakness can be at least partially explained as a correction following the record recovery that took place in earlier quarters. However, despite the declines bank stocks close up in the year. The Stoxx Banks in Europe was up 46.9% compared to the beginning of the year, the FTSE Banks gained 23.8% and the S&P Financials closed up 14.8%.

Analysts viewed **BBVA's** third quarter **results** as generally positive. On the whole they beat expectations and this increased confidence in the strength and sustainability of the bank's future earnings. The analysts considered the level of capital appropriate and valued BBVA's proven ability to generate additional capital organically. Earnings in Spain held up well and there were signs of stabilisation in Mexico. In Asia, BBVA announced during the fourth quarter that it will increase its interest in China CITIC Bank to 15% and this was favourably received by the market, which believes it will strengthen long-term growth in the region. And all these factors appear to have had an effect on the share price. In the final quarter of 2009 the **BBVA share** rose 4.9% whereas Europe Stoxx

Share price index
(31-12-08 = 100)



The BBVA share

	31-12-09	30-09-09	30-06-09	31-03-09	31-12-08
Number of shareholders	884,373	896,433	923,005	919,195	903,897
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121
Quarter daily average number of shares traded	51,014,696	50,638,534	48,989,582	58,814,357	61,864,657
Quarter daily average trading (million euros)	631	535	399	399	579
Maximum price in the quarter (euros)	13.28	12.83	9.10	9.33	12.35
Minimum price in the quarter (euros)	11.39	8.51	5.88	4.45	7.04
Closing price for the quarter (euros)	12.73	12.13	8.94	6.11	8.66
Book value per share (euros)	7.87	8.00	7.84	7.40	7.09
Tangible book value per share (euros) (1)	6.27	6.17	5.88	5.36	5.02
Market capitalisation (million euros)	47,712	45,463	33,507	22,900	32,457

(1) Net of goodwill.

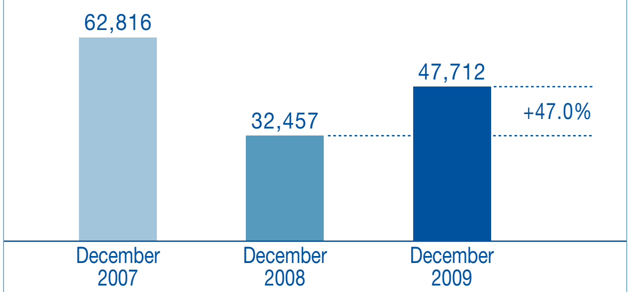
Share performance ratios

	31-12-09	30-09-09	30-06-09	31-03-09	31-12-08
Price/Book value (times)	1.6	1.5	1.1	0.8	1.2
Price/Tangible book value (times) (1)	2.0	2.0	1.5	1.1	1.7
PER (Price/Earnings; times)	11.3	9.1	7.3	4.8	6.5
Yield (Dividend/Price; %)	3.3	3.3	4.0	6.1	7.1

(1) Net of goodwill.

Banks fell 6.1%. The share price varied between €11.39 and €13.28, closing at €12.73 on 31-Dec-09 and bringing market capitalisation to €47,712m. At that point the price-earnings ratio (P/E) was 11.3 compared to 6.5 a year earlier (both ratios calculated on the actual figures at year-end). Nonetheless BBVA still trades at a significant discount to the European banking sector in terms of P/E. For example, based on analysts' forecasts for 2010, BBVA trades at a discount of 55% compared to the Stoxx Banks Index (BBVA's P/E is 9.36 vs 20.79 for Stoxx Banks). The price-to-book ratio is 2.0 compared to a multiple of 1.7 at the end of 2008.

Market capitalisation
(Million euros)



The Group is maintaining the dividend policy it announced in January 2009 in terms of **shareholder remuneration**. On 28-Dec-09 it paid a third interim dividend in cash of €0.09 per share against 2009 earnings. BBVA moved the usual date for this dividend forward so shareholders can take advantage of lower taxes. BBVA has paid 3 interim dividends so far against 2009 earnings totalling €0.27 (gross), requiring a total disbursement of €1,012m, at a time when many banks have cut back or even cancelled cash dividends.

Lastly, BBVA's shares continued to enjoy high **liquidity** during the final quarter of 2009. The average number of shares traded each day was 51 million (unchanged from the previous quarter) and the average value (€631m) was higher owing to the increase in the share price.

Risk and economic capital management

Risk management

Credit risk

The BBVA's customer-relation based business model and the risk-management methods it has applied are allowing it to outperform the industry average in cost of risk, non-performing asset (NPA's) and coverage ratios in all the areas in which it operates. Diversification in both the geographical location and the nature of its loan-book has meant the Group has been able to attenuate the worst effects of the crisis, despite its negative impact on markets such as Spain and the USA.

The **fourth quarter** of 2009 continued to be marked both by uncertainty about when economic recovery might kick in and what the scope of such recovery would be. BBVA has thus performed a detailed re-evaluation of its loan-books applying criteria of maximum prudence. This should help it to stay ahead of potential trends and shore up the balance sheets of its subsidiary businesses to reflect any possibilities of impairments in the forthcoming months. Thus, the Group will be better able to face the complicated environment expected for 2010 whilst taking advantages of any business opportunities arising. Its policy of maximum prudence has led BBVA to take the following actions:

- In the **United States** the Group re-analysed the portfolio of commercial real estate. It then came up with a subjective reclassification of €644m to its doubtful assets, setting aside €533m for additional provisioning: the Group first revised appraisal values of the collateral associated with the commercial real estate portfolio and wrote off any differences, and also made additional provisions that increased the coverage ratio.
- In **Spain & Portugal**, analysis focussed on the consumer-lending and real-estate developer loan books and about €1,817m in lending that is still performing has been booked under doubtful assets in a one-off reclassification exercise; specific and substandard provisions have been increased and more provisions set aside in the Consumer Finance unit.
- In **Mexico** the metrics used to calculate internal expected-loss models for credit-card lending have

Credit risk management

(Million euros)

	31-12-09	30-09-09	30-06-09	31-03-09	31-12-08
TOTAL RISK EXPOSURE (1)					
Non-performing assets	15,602	12,500	11,774	10,543	8,568
Total risks	364,776	363,812	369,313	374,962	378,635
Provisions	8,943	8,459	8,023	8,000	7,841
• Specific	5,969	4,422	4,132	3,679	3,282
• Generic and country-risk	2,975	4,037	3,891	4,321	4,558
NPA ratio (%)	4.3	3.4	3.2	2.8	2.3
NPA coverage ratio (%)	57	68	68	76	92
MEMORANDUM ITEM:					
Foreclosed assets	861	698	546	461	391
Foreclosed asset provisions	208	151	123	108	98
Coverage (%)	24	22	22	23	25

(1) Including contingent liabilities.

been made tougher, thus increasing fourth-quarter allocations to provisions.

On 31st December 2009, the volume of **total risks** with customers (including contingent liabilities) stood at €364,776m, having increased 0.3% against the €363,812m recorded to 30-Sep-2009 based on the appreciation of the currencies against the euro in this quarter. Higher-risk lending (eg, consumer and credit-card lending) as a percentage of the total has continued to drop as the percentage of residential mortgages and corporate and institutional lending has increased.

Doubtful risks stood at €15,602m, showing a 24.8% increase over the level reported at 30-Sep-2009. Recoveries have continued to rise (€2,035m recovered in the quarter, up 26.3% quarter-on-quarter), whilst the increase in new additions to NPA's, above all in Spain & Portugal and the United States, reflected the policy of anticipating events and applying maximum prudence mentioned above. Factoring out the impact of these one-off actions, BBVA has seen a continuing downward trend in the net additions to NPA's throughout the year. Preventive real estate assets bought went down, totalling €4m in the quarter.

The **NPA ratio** rose to 4.3%. This was higher than the third-quarter figure due to the aforementioned increase in doubtful assets. In **Spain & Portugal** the ratio was 5.1% (4.3% excluding the mentioned reclassification). **Mexico** recorded a ratio of 4.3%, whilst **South America** did not record any significant changes (2.7% in the fourth quarter, 2.8% in the third). In the **United States**, the ratio was 5.2%, compared against 3.9% the previous quarter.

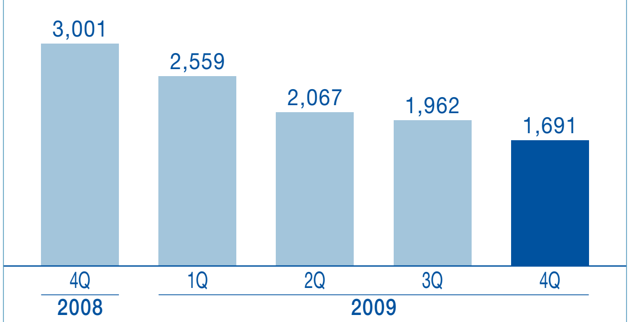
Variations in non-performing assets

(Million euros)

	4Q09	3Q09	2Q09	1Q09	4Q08
BEGINNING BALANCE	**12,500**	**11,774**	**10,543**	**8,568**	**6,544**
Entries	6,187	3,573	3,717	3,787	4,265
Outflows	(2,035)	(1,611)	(1,650)	(1,228)	(1,264)
Net variation	**4,152**	**1,962**	**2,067**	**2,559**	**3,001**
Write-offs	(1,144)	(1,088)	(819)	(686)	(787)
Exchange rate differences and other	94	(148)	(17)	102	(190)
PERIOD-END BALANCE	**15,602**	**12,500**	**11,774**	**10,543**	**8,568**
MEMORANDUM ITEM:					
• Non-performing loans	15,197	12,189	11,509	10,262	8,437
• Non-performing contingent liabilities	405	311	265	281	131

Net additions to NPA [(1)]

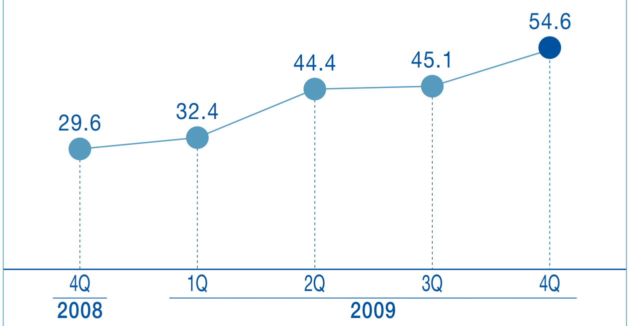
(Million euros)



(1) In the fourth quarter of 2009, 2,461 million euros of one-off entries are excluded. 1,817 million euros correspond to Spain and Portugal and 644 million euros to the USA.

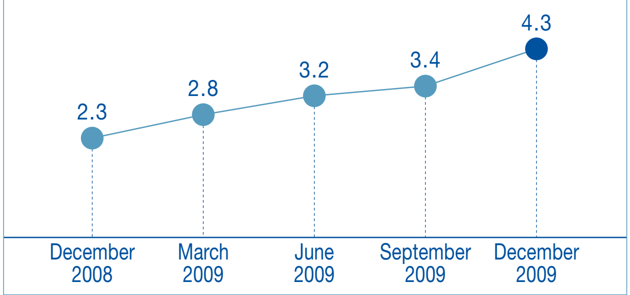
Recoveries over entries to NPA [(1)]

(Percentage)

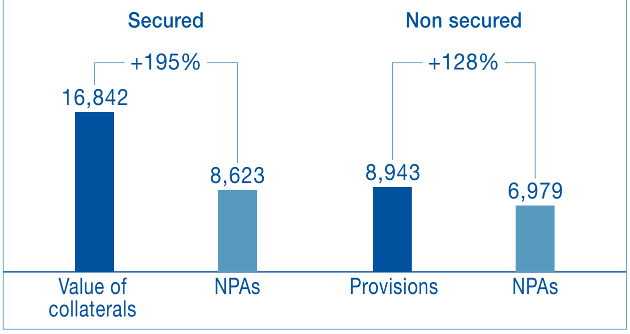


(1) In the fourth quarter of 2009, 2,461 million euros of one-off entries are excluded. 1,817 million euros correspond to Spain and Portugal and 644 million euros to the USA.

NPA ratio
(Percentage)



Coverage including provisions and collaterals (Million euros)



NPA provisions reached €8,943m, ie, 5.7% up on the figure recorded in September 2009. Generic and country-risk provisions, €2,975m, accounted for 33.3% of the total NPA provisions. Collaterals were worth 195% of the value of secured doubtful loans and NPA provisions covered 128% of the unsecured doubtful risks.

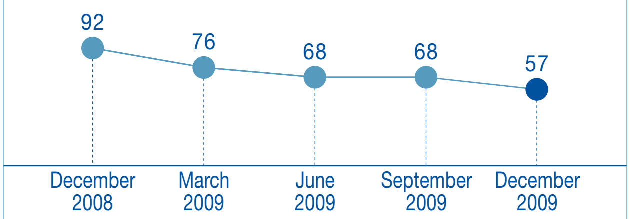
The Group's **coverage ratio** of 57% at 31-Dec-2009 is considered adequate because if the value of the collateral associated to these risks is included (€16,842m), coverage would increase to 165%. By business area, this ratio increased most significantly in the United States (from 43% to 57%), a consequence of the additional provisioning effort. In Spain & Portugal it was 48%. In other areas it achieved similar levels to the end of the third quarter: in Wholesale Banking & Asset Management it was 102%, in Mexico 130% and in South America also 130%.

Market risk

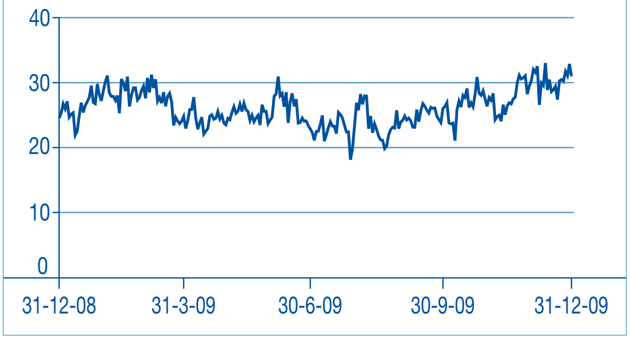
During the fourth quarter of 2009, BBVA Group's average market-risk exposure has been €28m (referenced to VaR without exponential flattening). This is €4m more than the previous quarterly average. As interest rates in Latin America began to flatten out after ongoing cuts, interest-rate exposure gradually went down in almost all the Latin-American trading desks. However, risk increased in Global Markets Europe, due mainly to higher exposure to interest rates and greater volatility on equities. These were the main factors driving the evolution of the Group's overall exposure. At the quarter end, exposure was €31m, having peaked at €33m on 11th December.

By **geographical area**, the concentration of risk increased slightly in Europe, where 65% of total average exposure was located in the fourth quarter. The

NPA coverage ratio
(Percentage)



Trends in market risk [1]
(VaR, million euros)



(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.

banks in South America saw their relative share of total exposure go down three percentage points to 13%.

The different **types of market risk** on the Group's trading portfolio at 31-Dec-2009 were as follows. The greatest exposure was to interest rates and lending spread, which rose by €9m against the end of the previous quarter, due to higher exposure in Europe. Equity risk increased from €3m to €9m, reflecting higher exposure in Mexico and, albeit less so, in Europe. Finally, exchange-rate and volatility risk went down by between 10 and 20%.

Market risk by risk factors

(Fourth Quarter 2009. Million euros)

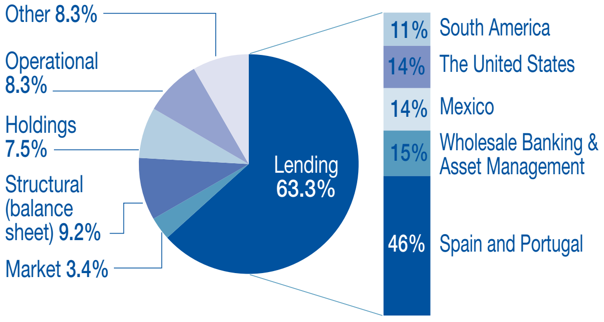
Risk	31-12-09
Interest + credit spread	37.6
Exchange rate	2.3
Equity	8.9
Vega and correlation	15.4
Diversification effect	(33.2)
TOTAL	**31.1**
AVERAGE	**28.3**
MAXIMUM	**33.1**
MINIMUM	**21.1**

Economic capital

Attributable ERC consumption (economic risk capital) reached €22,135m at the end of December, up 1.0% against September 2009.

BBVA Group economic risk capital. Distribution by risk type

(Data in attributable terms, 31-12-09)



In general, the distribution of risks remained quite stable from the third to the fourth quarter. The largest category (63.3%) was credit risk on portfolios originated in the Group branch-network from its own customer base.

Operational risk ERC stood at 8.3% of the total, as it had the previous quarter.

ERC for risks linked to market variables (market risk, stake-holdings and structural balance-sheet risk) went down by 0.8% over the quarter. Market risk (3.4%) was the smallest single item, given the nature of BBVA's business and its policy of minimal proprietary trading. Stake-holding risk (7.5%) basically reflected the portfolio of Holdings in Industrial & Financial Companies and the stake in CITIC. The structural balance-sheet risk (9.2%) originated from the management of the Group's structural interest-rate and exchange-rate risk, both stemming from the Group's activity in the different countries in which it operates.

Economic profit and 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 **adjusted 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 2009, these adjustments increased €580m the earnings, mainly due to the adjustment for unrealised capital gains (the adjustment was negative in 2008). Adjusted profit thus stood at €4,790m.

The medium- and long-term performance of these calculations is very useful for determining the intrinsic value of a business. However, in the short term they can be hit by market volatility. That is why recurrent data becomes so relevant. As these mainly come from customer business, the 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, including the loss adjusted to cycle. Such **recurrent adjusted profit** stood at €4,626m for 2009.

From the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€22,065m at 31-12-09) by the percentage **cost of capital**. 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.

The **economic profit** is thus calculated. It amounted to €2,314m for the whole of 2009, and the **recurrent** economic profit stood at €2,620m, once more reflecting the degree to which BBVA's profits exceed the cost of capital employed.

The **RARoC** figure measures the return earned by the business, adjusted to risks borne. Comparing the adjusted profit against the average economic risk capital (ERC) for the period gives the BBVA Group a RARoC of 21.7%, while its **recurrent RARoC** was 25.1%.

Economic profit and risk adjusted return on economic capital

(Million euros)

	2009	Δ%	2008
NET ATTRIBUTABLE PROFIT	**4,210**	**(16.1)**	**5,020**
Adjustments	580	n.m.	(3,241)
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	**4,790**	**169.4**	**1,778**
Average economic risk capital (ERC) (B)	22,065	11.8	19,735
RISK-ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100 (1)	**21.7**		**9.0**
RECURRENT RAROC (%) (1)	**25.1**		**29.9**
ERC x cost of capital (C)	2,476	20.6	2,053
ECONOMIC PROFIT (EP) = (A) - (C)	**2,314**	**n.m.**	**(275)**
RECURRENT ECONOMIC PROFIT	**2,620**	**(23.0)**	**3,402**

(1) Percentage annualized.

Business areas

Aggregating information by areas is a fundamental **management** tool for the various business that together form the BBVA Group. In this section we discuss the more significant aspects of the activities and earnings of the Group's five business areas, along with those of the main units within each, plus Corporate Activities. We focus on their income statements, balance sheets and a set of relevant management indicators, namely, lending, deposits, off-balance-sheet funds, ROE, cost-income ratio, non-performing assets and coverage. The areas are structured as follows:

- **Spain and Portugal**
- **Wholesale Banking & Asset Management:**
  - Corporate and Investment Banking.
  - Global Markets.
- **Mexico:**
  - Banking business.
  - Pensions and Insurance.
- **The United States**
- **South America:**
  - Banking businesses.
  - Pensions and Insurance.

Which in turn comprise:

- **Spain and Portugal**: This includes the Spanish retail branch network (individual customers, high net-worth individuals and small companies and businesses in the domestic market); the business & corporate banking unit (SMEs, large companies, institutions and developers in the domestic market); and the remaining units, in particular, consumer finance, insurance business and BBVA Portugal.

- **Wholesale Banking & Asset Management**: This consists of corporate and investment banking (including the activities of the European, Asian and New York offices with large corporate and business customers); global markets (trading floor business and distribution in Europe, Asia and New York); asset management (mutual and pension funds in Spain); the Group's own long maturing equity portfolios and private equity activities (Valanza S.C.R); and Asia (through the Group's holding in the Citic group). Wholesale Banking & Asset Management also operates in these businesses in Mexico and South America. However, this report covers its activities and earnings in those regions under the umbrella of the business areas there.

- **Mexico**: This area operates the banking, insurance and pension businesses in Mexico.

- **The United States**: This area operates the banking and insurance business in the United States and in the Associate State Puerto Rico.

- **South America**: This area operates the banking, insurance and pension businesses in South America.

Apart from the above units, all business areas have a residual compartment in which to place its other businesses as well as eliminations and unallocated items.

Finally, 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 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 Group's industrial portfolio management unit and financial shareholdings, along with its non-international real-estate business.

BBVA has maintained the criteria it applied in 2008 to the composition of the business areas very much the same for 2009, with only a few insignificant changes. These do not affect the Group-level information and their impact on the figures for the different business units and areas is practically irrelevant. Nonetheless, the 2008 data have been reformatted to include these marginal changes to ensure like-for-like 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.

The breakdown by business area starts at the lowest-level units, 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. The Group's subsidiaries are also assigned to particular business areas according to their activity.

Once the composition of each business area has been defined, certain **management criteria** are applied. The most relevant are the following:

- **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 solvency targets. 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 risks, and technical risks in the case of insurance companies. These are calculated using internal models defined according to the guidelines and requirements of the Basel 2 Accord, such that economic criteria prevail over normative criteria.

  As ERC is risk-sensitive, it is linked to the management policies of individual businesses, providing an equitable basis for assigning capital to each business in keeping with the risks incurred and making it easier to compare profitability across units. Thus, the economic risk capital is calculated on a standard basis that is applicable to all kinds of risk and any risk transaction, position or balance. This makes it possible to assess risk-adjusted returns and work out an aggregate profitability per customer, product, segment, business area or unit.

- **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 at 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-selling:** in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused when earnings are booked to two or more units with the aim of encouraging cross-selling to straddle business boundaries.

Recurrent economic profit by business area

(January-December 2009. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain and Portugal	2,291	1,567
Wholesale Banking & Asset Management	841	445
Mexico	1,796	1,462
The United States	331	70
South America	821	535
Corporate Activities	(1,454)	(1,460)
BBVA GROUP	**4,626**	**2,620**

Operating income and net attributable profit by business area

(Million euros)

	Operating income				Net attributable profit			
	2009	∆%	∆% at constant exchange rates	2008	2009	∆%	∆% at constant exchange rates	2008
Spain and Portugal	4,533	1.0	1.0	4,488	2,373	(7.5)	(7.5)	2,565
Wholesale Banking & Asset Management	1,386	14.7	14.7	1,209	1,011	30.9	30.9	773
Mexico	3,319	(8.7)	5.4	3,634	1,359	(29.9)	(19.1)	1,938
The United States	875	26.8	20.3	690	(1,071)	n.m.	n.m.	211
South America	2,202	24.4	25.1	1,770	871	19.8	21.8	727
Corporate Activities	(8)	(99.4)	(99.4)	(1,269)	(333)	(72.1)	(72.1)	(1,193)
BBVA GROUP	**12,308**	**17.0**	**22.3**	**10,523**	**4,210**	**(16.1)**	**(11.6)**	**5,020**
BBVA GROUP EXCLUDING ONE-OFFS	**12,308**	**17.0**	**22.3**	**10,523**	**5,260**	**(2.8)**	**2.0**	**5,414**

Spain and Portugal

Income statement

(Million euros)

	2009	Δ%	2008
NET INTEREST INCOME	**4,934**	**2.7**	**4,804**
Net fees and commissions	1,482	(9.4)	1,635
Net trading income	188	(18.8)	232
Other income/expenses	434	0.8	430
GROSS INCOME	**7,038**	**(0.9)**	**7,101**
Operating costs	(2,505)	(4.2)	(2,613)
Personnel expenses	(1,564)	(3.2)	(1,616)
General and administrative expenses	(835)	(6.5)	(894)
Depreciation and amortization	(105)	1.0	(104)
OPERATING INCOME	**4,533**	**1.0**	**4,488**
Impairment on financial assets (net) (1)	(1,931)	138.7	(809)
Provisions (net) and other gains/losses (1)	777	n.m.	5
INCOME BEFORE TAX	**3,380**	**(8.3)**	**3,684**
Income tax	(1,007)	(10.1)	(1,119)
NET INCOME	**2,373**	**(7.5)**	**2,565**
Minority interests	-	(38.4)	-
NET ATTRIBUTABLE PROFIT	**2,373**	**(7.5)**	**2,565**

(1) The third quarter of 2009 includes €830 million of capital gains on the sale and lease-back of properties and generic loan-loss provisions for identical amount.

Balance sheet

(Million euros)

	31-12-09	Δ%	31-12-08
Cash and balances with central banks	2,379	(4.9)	2,503
Financial assets	11,020	8.0	10,203
Loans and receivables	200,205	(2.1)	204,591
• Loans and advances to customers	199,165	(1.9)	203,117
• Loans and advances to credit institutions and other	1,040	(29.5)	1,474
Inter-area positions	-	-	-
Tangible assets	1,301	(5.8)	1,381
Other assets	892	(50.2)	1,791
TOTAL ASSETS/LIABILITIES AND EQUITY	**215,797**	**(2.1)**	**220,470**
Deposits from central banks and credit institutions	1,048	(58.2)	2,507
Deposits from customers	91,826	(8.0)	99,849
Debt certificates	369	(93.9)	6,092
Subordinated liabilities	4,296	1.0	4,252
Inter-area positions	97,104	15.9	83,781
Financial liabilities held for trading	291	73.9	167
Other liabilities	13,244	(18.7)	16,281
Economic capital allocated	7,619	1.0	7,542

Spain and Portugal highlights in the fourth quarter

- Recurrent revenues were stable during the quarter.
- New year-on-year improvement in efficiency.
- Market share gains in household mortgages, public sector finance and pension funds during the year.
- Anticipation in risk management.

Relevant business indicators

(Million euros and percentages)

	31-12-09	∆%	31-12-08
Customer lending (gross)	204,351	(1.2)	206,896
Customer deposits [1]	92,936	(8.3)	101,299
Off-balance-sheet funds	40,171	(1.7)	40,873
• Mutual funds	29,842	(4.6)	31,270
• Pension funds	10,329	7.6	9,603
Other placements	8,278	35.8	6,097
Customer portfolios	13,074	22.8	10,650
ROE (%)	32.2		35.4
Efficiency ratio (%)	35.6		36.8
NPA ratio (%)	5.1		2.6
Coverage ratio (%)	48		67

(1) Including collection accounts and individual annuities.

The Spain & Portugal Area provides a distinctly different and innovative approach to banking through specialised branch networks where the customer is the prime focus of business. It handles the financial and non-financial needs of individual customers (Spanish Retail Network), including the upper-middle market segment (BBVA Patrimonios). SMEs, large companies, and public and private institutions are managed by the Corporate & Business Banking Unit (CBB). Other specialised units handle consumer finance and internet banking (the Consumer Finance Unit), the bancassurance business (BBVA Seguros) and BBVA Portugal.

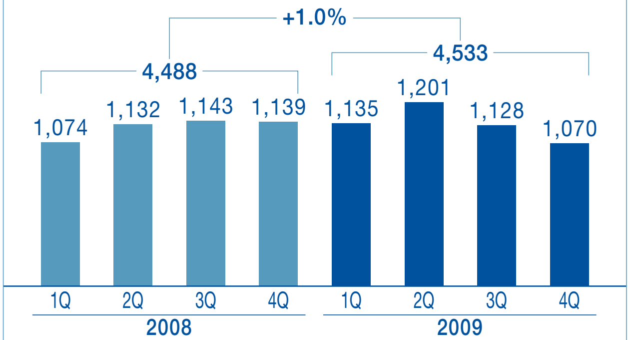
In the fourth quarter of 2009 the **market** continued to unwind in terms of the new lending although the pace was slacker. Lending to companies and consumer finance slowed faster than first residence mortgages. Furthermore in recent months increases in Spain's savings rate have boosted demand for deposits, especially for the low cost types, bonds and mutual funds, to the detriment of time deposits.

In 2009 BBVA led the way in support for families and small businesses by launching various loan and savings campaigns adapted to these customers' needs. These initiatives were made possible by the Group's financial strength, ample liquidity and superior risk management.

At 31-Dec-09 **gross lending to customers** stood at €204,351m, a slight decline compared to €206,896m a year earlier, reflecting the smaller percentage of loans in those sectors and products of greater risk. **Customer funds** under management (deposits, mutual and pension funds plus the distribution of BBVA bonds) fell 4.6% to €141,316m year-on-year. The main reason behind the decrease was the lower demand for time deposits, which are now less attractive owing to interest rates at record lows. The balance of time deposits at 31-Dec-09 came to €32,005m after fund gathering raised €7,720m in the year (€1,526m in the third quarter). However current and savings accounts rose 5.5% to €42,172m,

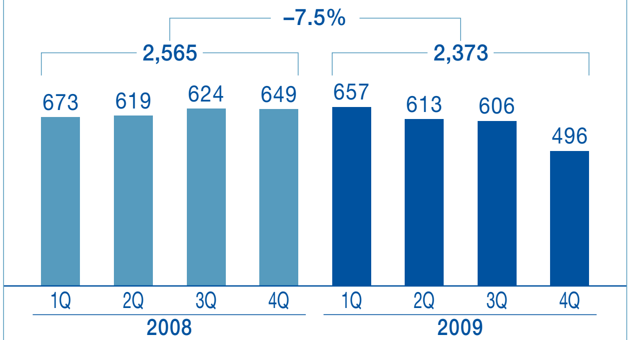
Spain and Portugal. Operating income

(Million euros)



Spain and Portugal. Net attributable profit

(Million euros)



subscriptions to money market and short-term fixed-income funds increased 8.2%, and BBVA placed €2,000m of its own bonds during the year. The improvements reflect the capture of salary payments and pension funds, and BBVA's leadership in the SME segment.

In a year when GDP fell, **net interest income** in the fourth quarter came to €1,241m, up 0.5% compared to the previous quarter. The figure for the full year rose 2.7% to €4,934m. In terms of average total assets the area's profitability at 31-Dec-09 was 2.25% (2.16% in 2008). These improvements were the result of appropriate pricing and gains in market share based on the latest available figures (November 2009). BBVA gained 37 basis points of market share in household mortgages (bringing the total to 12.8%), and 121 basis points in public sector finance (34.0%). At the end of 2009 BBVA was also the leader (according to an FRS report) in the SME and large-company segment and in assets under management in mutual and pension funds (19.3% and 19.0% respectively). Net fee income for the year was €1,482m, down 9.4% on lower fee revenues from mutual funds and despite a 1.4% rise in banking services fees. Insurance business also made a notable contribution with net income rising 9.3% in the year.

The area achieved an excellent reduction in operating costs, which fell 4.2% during the year thanks to a transformation plan launched in 2006. Since 2007 the plan has reduced costs by 5.4%, lowered the number of branches by 540 and employees by 3,170. In the same period the rest of the Spanish banking sector added 2,158 branches and 21,531 employees according to the latest available figures (September 2009 and December 2008, respectively).

The improvements in income and costs lifted **operating income** 1.0% to €4,533m for the year. Such improvements were achieved despite the complex macroeconomic environment and a drop in revenues associated with financial markets (net trading income was down 18.8%). Spain & Portugal closed the year with a new improvement in **efficiency** (cost/income ratio), which stands at 35.6% (36.8% in 2008).

As previously mentioned, one priority of the area in the fourth quarter was to strengthen its balance sheet, increasing its ability to tackle the complex conditions expected in 2010. It therefore made an important effort in terms of provisioning that resulted in accumulated impairment losses on financial assets of €1,931m (€809m in 2008). Consequently **net attributable profit** fell 7.5% in the year to €2,373m.

The strict risk controls raised the **non-performing asset ratio** to 5.1% after an extraordinary downgrade affecting €1,817m of such assets. The aim is to anticipate those situations that might deteriorate in the coming months by applying extremely prudent criteria. Excluding this effect, gross additions to NPA status continue to fall (down 1.6% in the quarter) and debt recovery was up 62.4% in the year (up 31.3% quarter-on-quarter). The **coverage ratio** stands at 48%.

Spanish Retail Network

This unit services the financial and non-financial needs of households, professional practices, retailers and small businesses with products adapted to each **segment**. In 2009 the unit consolidated its marketing policy, which is focused on customers, by creating solutions suitable for their finance and savings needs.

The loan portfolio at 31-Dec-09 was €101,909m, a fall of 2.0% compared to €103,969m a year earlier. Customer funds fell 1.2% year-on-year from €112,528m to €111,212m. The stability of net interest income and the further reduction in costs are the main features of the unit's results. These compensate to a large extent for the increase in provisions so that profits showed a slight decline of 2.2% year on year.

In the **private individual segment** residential mortgages and savings and current accounts performed well. In **residential mortgages** the unit raised its market share 272 basis points during the year to 13.8% (based on the latest available figures at 30-Nov-09). The *Ven a Casa 200* campaign is still relevant and contributes 17% to branch network sales. In addition the unit launched a new on-line service to study the viability of mortgage proposals in 24 hours, which has generated leads through various real estate sites. As a result the portfolio of residential mortgages rose 2.1% during the year to €69,786m. In the fourth quarter **consumer finance** launched a campaign that offers a free television set to individual customers who take out a PIDE loan, a car loan or a personal loan of more than €12,000. This, together with the car loan web site (www.financiatucocheconbbva.es), helped BBVA to invoice €1,717m during 2009 in consumer finance bringing the corresponding portfolio at 31-Dec-09 to €7,166m (€8,950m at 31-Dec-08). Despite a number of aggressive campaigns by other banks to capture savings and current accounts, customer funds managed by the unit rose 10.9% year-on-year to €31,043m. In the fourth quarter the unit conducted a new savings campaign entailing 247,000 gifts and gathered €770m in new deposits. During the year the balance of time deposits fell 16.0% to €29,760m. Nonetheless in the fourth quarter three new products in this category boosted fund gathering 24.1% quarter-on-quarter to €7,720m. Lastly, the Group consolidated its leadership in mutual funds and pension funds with managed assets of €28,403m and €9,904m, respectively.

In 2009 **BBVA Patrimonios** increased assets under management 11.6% to €10,855m and its customer base rose 7.8% following various marketing campaigns. For example, in the last quarter the unit introduced two new services: *BBVA Broker*, related to insurance, and a tool that helps customers optimize their asset structure (*Planific@*). It also increased its product range with new Quality Fund portfolios and marketing of Brunara SICAV, helping customers to increase and diversify their investments in equity funds. These moves complemented others made earlier in the year (the PROA Plan, VISA Infinite Card, portfolio guidance, annuities and “family office” products).

In the **small business** segment (professional practices, the self-employed, retailers, the farming community and small companies) among other marketing initiatives the unit extended the pre-approved line of loans to €6,000m during the year. Other noteworthy items included the placement of €574m in ICO credit lines, a special plan for retailers and another for small manufacturers. The latter plans were launched in the fourth quarter. At 31-Dec-09 the unit managed loans of €13,869m (€16,166m at 31-Dec-08).

Lastly, individual customers of BBVA also benefited from a new range of cards with three particular features: they are adapted to the customer’s payment preference, easier to use and have greater security. The new range has been simplified by dividing it into four groups (*Antes, Ahora, Después* and *A tu Ritmo*).

Corporate & Business Banking

The corporate & business banking unit (CBB) handles SMEs, large companies, institutions and developers with specialised branch networks for each segment. It also contains the product management unit that designs and markets specific products for different market segments.

In 2009 it consolidated its **profitable growth model** by putting various plans into action in the fourth quarter (*GAP de Riesgos*, *Garantía Real* and *Choque*).

Although there appears to be less growth in the market, the unit closed 2009 with a **loan portfolio** of €89,989m and it maintained its leadership in the sector with a 35.2% market share. **Customer funds** came to €25,970m (€31,292m in 2008).

The income statement shows **operating income** is growing at 2.3% per year, reflecting an increase in net interest income (up 4.7%), in fee income (up 0.3%) and a reduction in costs (down 9.4%). As a result net attributable profit rose 1.2% to €889m.

During the quarter the unit signed new **ICO agreements** (government credit) and extended various existing lines. Once again BBVA was one of the most active banks in placement of these loans, signing €2,450m of which €1,278m was related to liquidity and €614m to SMEs.

The unit has more than 60,000 customers in the **SME** segment with a loan portfolio of €30,131m and €7,301m in customer funds. Operating income for 2009 came to €851m and attributable profit was €487m (€555m in 2008). It is making efforts to attract new customers in order to consolidate its leadership, increase customer loyalty and optimise its market share of lending.

In the **large company** segment the loan portfolio at year-end was up 4.7% year-on-year to €16,568m and customer funds maintained the same balance than at 31-Dec-09 (€5,237m). Operating income also performed well rising 14.6% year-on-year to €293m. After higher provisions the attributable profit was €117m.

BBVA is still one of the leaders in the **institutions** segment. Lending and customer funds under management stand at €25,380 and €13,402m, respectively. Operating income is €325m (up 14.2%) and attributable profit came to €220m. The unit signed two loans of €75m each in the fourth quarter: one for the Castilla y Leon regional government and the other for the regional government in the Canary Islands. It also managed a €100m issue for the Catalan Finance Institute.

In the **real estate developer** segment the fall in the housing activity led to a 3.5% decline in lending in 2009. In addition new projects are mainly in the government-regulated category and these now account for more than 50% of the total.

Other units

The **Consumer Finance** unit manages consumer finance and on-line banking, via Uno-e, Finanzia and other subsidiaries in Spain, Portugal and Italy. In 2009 it obtained operating income of €162m, an increase of 41.9% year-on-year. This reflects a fine performance in net interest income (up 17.4%) and lower costs (down 13.1%). However the application of strict risk criteria resulted in additional provisioning of €88m in the fourth quarter and an attributable loss of €181m. In this quarter there was an important reduction of 55.2% in additions to NPA status compared to the maximum amount in the first quarter of 2009. This was reflected by BBVA's NPA ratio in consumer finance, which is 490 basis points lower than the latest figures published by ASNEF for the Spanish banking sector (16.3% at 30-Sep-09).

In **Spain** the unit's loan portfolio stands at €6,387m (up 2.9% in the year). According to ASNEF's most recent figures for market share (30-Nov-09) BBVA has gained 15 basis points in consumer finance since 31-Dec-08 and is the top banking group. Invoicing in the vehicle prescription business has been growing fast, quarter-by-quarter, and came to €972m for the year. In equipment leasing plans, invoicing was up 16.6% to €361m in the same period. Uno-e's loan portfolio stands at €1,073m of which mortgages account for 5.5% (up 127.0% year-on-year). Funds under management or brokered came to €1,246m with increases of 24.6% in savings and current accounts and 15.3% in mutual funds.

Outside Spain, BBVA Finanziamento's loans are up 12.5% in the year to €493m and the fleet of the leasing companies in Italy was up 16.3% to 14,477 vehicles at 31-Dec-09.

The performance of **BBVA Portugal** in 2009 was positive. Appropriate price management in times of low interest rates helped net interest income to rise 0.2% year-on-year to €85m. Together with an increase in net fee income and cost controls, operating income increased 4.0% to €55m and attributable profit came to €23m (€25m in 2008).

The loan portfolio rose 2.7% to €6,063m with a 9.5% increase in mortgages. The unit has designed a number of campaigns related to consumer finance (including *Oferta y Revolving* and *Crédito Liquidez BBVA*). It expanded the product range for SMEs with a new accounts payable financing service and a health insurance policy in conjunction with AXA-Vitalplan Corporate. Fund gathering in the year resulted in €6,347m of which €1,357m was obtained in the fourth quarter, reflecting an expansion of the deposits catalogue (three new products) and mutual funds (*BBVA Obligaciones*).

Activities in investment banking include a loan for Portucel and project financing for a hospital in Loures (€100m and €28m, respectively).

Lastly, **BBVA Seguros**, the leader in individual life insurance policies in Spain with a 13.0% market share at 30-Sep-09 has rounded out its products for professional practices and the self-employed with a new professional liability policy. Premiums issued during the year on individual policies (life and non-life) came to €1,111m (up 27.2% in the year). Of this amount private endowment policies accounted for €543m (up 95.6%). In total the unit obtained income of €497m from in-house policies and €26m in brokerage on third-party policies. Thus net attributable profit rose 2.7% to €263m for the year.

Wholesale Banking & Asset Management

Income statement

(Million euros)

	Wholesale Banking & Asset Management			Units: Corporate and Investment Banking			Units: Global Markets		
	2009	∆%	2008	2009	∆%	2008	2009	∆%	2008
NET INTEREST INCOME	**1,148**	**53.9**	**746**	**579**	**13.6**	**509**	**625**	**92.0**	**326**
Net fees and commissions	516	24.7	414	360	54.4	233	45	46.1	31
Net trading income	(53)	n.m.	140	37	(30.6)	53	(150)	n.m.	64
Other income/expenses	317	(22.6)	409	1	(30.7)	1	133	19.7	111
GROSS INCOME	**1,928**	**12.8**	**1,709**	**976**	**22.6**	**796**	**654**	**22.9**	**532**
Operating costs	(541)	8.2	(500)	(174)	1.8	(171)	(227)	3.9	(219)
Personnel expenses	(353)	12.5	(314)	(105)	(0.8)	(106)	(128)	4.2	(123)
General and administrative expenses	(178)	0.2	(178)	(67)	5.7	(63)	(97)	3.1	(94)
Depreciation and amortization	(10)	18.0	(9)	(2)	20.2	(1)	(2)	18.2	(2)
OPERATING INCOME	**1,386**	**14.7**	**1,209**	**802**	**28.3**	**625**	**427**	**36.3**	**313**
Impairment on financial assets (net)	(7)	(97.3)	(258)	(16)	(86.7)	(124)	3	n.m.	(140)
Provisions (net) and other gains/losses	(5)	n.m.	5	(3)	175.4	(1)	-	n.m.	(1)
INCOME BEFORE TAX	**1,375**	**43.8**	**956**	**783**	**56.6**	**500**	**430**	**148.7**	**173**
Income tax	(360)	103.0	(177)	(230)	56.7	(147)	(110)	183.9	(39)
NET INCOME	**1,015**	**30.3**	**779**	**553**	**56.5**	**353**	**320**	**138.5**	**134**
Minority interests	(3)	(44.9)	(6)	-	-	-	(2)	(60.4)	(5)
NET ATTRIBUTABLE PROFIT	**1,011**	**30.9**	**773**	**553**	**56.5**	**353**	**318**	**146.6**	**129**

Balance sheet

(Million euros)

	Wholesale Banking & Asset Management			Units: Corporate and Investment Banking			Units: Global Markets		
	31-12-09	∆%	31-12-08	31-12-09	∆%	31-12-08	31-12-09	∆%	31-12-08
Cash and balances with central banks	624	(59.4)	1,539	68	4.5	65	549	(62.6)	1,469
Financial assets	61,216	(4.8)	64,318	420	0.3	419	58,631	(3.0)	60,424
Loans and receivables	51,028	(24.6)	67,701	37,883	(23.2)	49,297	4,357	(72.9)	16,048
• Loans and advances to customers	37,493	(21.8)	47,950	36,130	(21.2)	45,861	1,224	(40.2)	2,048
• Loans and advances to credit institutions and other	13,536	(31.5)	19,751	1,753	(49.0)	3,436	3,133	(77.6)	14,001
Inter-area positions	24,454	n.m.	1,593	6,038	n.m.	-	21,337	34.6	15,851
Tangible assets	37	(13.8)	43	1	14.4	1	4	(7.2)	5
Other assets	2,272	42.7	1,592	29	12.6	26	1,169	(0.9)	1,179
TOTAL ASSETS/LIABILITIES AND EQUITY	**139,632**	**2.1**	**136,785**	**44,439**	**(10.8)**	**49,808**	**86,047**	**(9.4)**	**94,976**
Deposits from central banks and credit institutions	34,935	34.5	25,972	1,136	46.9	773	27,089	7.8	25,140
Deposits from customers	63,330	4.1	60,847	38,668	14.9	33,664	24,661	(9.0)	27,093
Debt certificates	(130)	(31.1)	(189)	-	(100.0)	1	(130)	(31.5)	(190)
Subordinated liabilities	2,222	(9.8)	2,463	1,083	(1.8)	1,103	482	(8.1)	525
Inter-area positions	-	-	-	-	(100.0)	11,136	-	-	-
Financial liabilities held for trading	30,938	(20.1)	38,701	-	(96.5)	5	30,937	(20.0)	38,695
Other liabilities	4,398	(4.9)	4,626	1,627	39.4	1,166	2,156	(22.7)	2,791
Economic capital allocated	3,939	(9.8)	4,365	1,925	(1.8)	1,959	851	(7.6)	921

WB&AM highlights in the fourth quarter

- High quality revenues and excellent results.
- Positive trend in liquidity continues thanks to lending restraint and stable customer funds.
- Global Markets' business is increasingly international and geographically diversified.
- CNBC is now classified as a substantial shareholding and BBVA raised its interest to 15%.
- BBVA leads in bonds, syndicated loans, structured trade finance and corporate finance by volume and/or number of operations.

Relevant business indicators

(Million euros and percentages)

	Wholesale Banking & Asset Management		
	31-12-09	∆%	31-12-08
Customer lending (gross)	38,073	(22.4)	49,059
Customer deposits [1]	61,213	(1.4)	62,094
• Deposits	53,645	2.7	52,257
• Assets sold under repurchase agreement	7,568	(23.1)	9,837
Off-balance-sheet funds	11,139	2.9	10,824
• Mutual funds	3,914	(2.5)	4,014
• Pension funds	7,224	6.1	6,810
ROE (%)	25.5		23.2
Efficiency ratio (%)	28.1		29.3
NPA ratio (%)	1.0		0.2
Coverage ratio (%)	102		n.m.

(1) Including collection accounts.

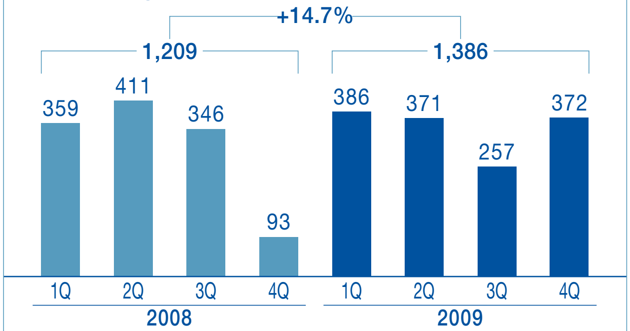
The Wholesale Banking & Asset Management (WB&AM) Area handles the Group's wholesale businesses and asset management. It is organised around three major units: Corporate & Investment Banking, Global Markets and Asset Management. Furthermore it includes the Industrial and Real Estate Holdings Unit, which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

By the end of 2009 the area's **gross income** rose 12.8% year-on-year. The increase was achieved despite lower revenues from portfolio disposals (down €193m compared to 2008). This was partially offset by income of €160m from China Citic Bank (CNCB). Gross income was supported by net interest income and net fee income, which increased 53.9% and 24.7%, respectively. By units, Corporate & Investment Banking lifted gross income 22.6% for the full year, helped by appropriate risk management, an optimised product range and closer relationships with customers. In the same period Global Markets' gross income rose 22.9% thanks to geographic diversification, customer focus and to trading opportunities (especially in interest rates). For its part Asset Management took important strategic decisions such as the rollout of hedge fund instruments. The 20.0% increase in traditional investment products offset the costs associated with lack of continuity in hedge funds and helped to consolidate the unit's leadership in the Spanish market.

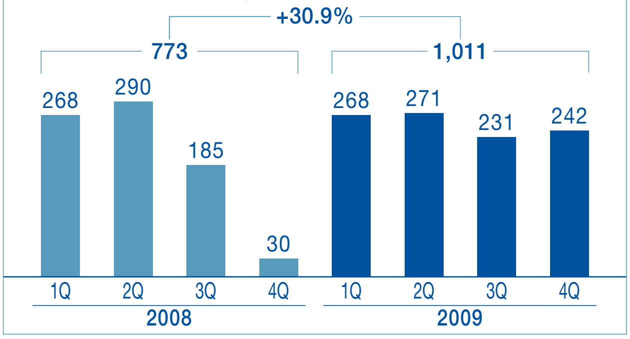
Operating costs were contained throughout 2009, rising more slowly year-on-year (up 8.2% compared to 10.8% in 2008). This together with the increase in revenues led to an improvement in the cost/income ratio, which stands at 28.1% compared to 29.3% in 2008. The strength of **operating income**, which rose 14.7% to €1,386m, reflected improvements in both revenues and expenses.

In terms of **loan-loss provisions** WB&AM continues to enjoy a high level of asset quality with a low non-performing asset ratio (1.0%) and a coverage ratio of

Wholesale Banking & Asset Management Operating income (Million euros)



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



102%. In spite of the complex 2009, net transfers to provisions were just €7m (€258m in 2008). This was a consequence of the decline in lending and a focus on customers of high credit quality.

Thanks to the increase in recurrent revenues, to cost controls and to lower write-offs and provisioning, WB&AM's **net attributable profit** in 2009 (counting only Europe, New York and Asia) came to €1,011m (up 30.9% on 2008).

In terms of business activity the area's **gross lending** fell 22.4% year-on-year to €38,073m at 31-Dec-09, which is mainly held by Corporate & Investment Banking. Nonetheless **customer funds** (deposits, mutual funds and pension funds) performed favourably, rising 2.7% to €64,784m thanks to a considerable increase in deposits. The combined effect of the decline in lending and the rise in fund gathering helped to improve the area's liquidity profile.

The business and earnings of WB&AM units in **Latin America** are recorded in their respective areas (Mexico and South America). If they are added to the above results (excluding asset management in South America), the area's combined contributions to the Group are those shown in the table below:

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

	31-12-09	Δ%	31-12-08
Gross income	3,062	18.2	2,590
Operating income	2,327	22.4	1,902
Income before tax	2,214	39.1	1,592
Net attributable profit	1,486	33.6	1,112
Customer lending (gross)	47,700	(20.4)	59,950
Deposits	64,559	4.4	61,848

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, structured trade finance, equity and debt capital markets), global trade finance and global transaction services. Coverage of large corporate customers is specialised by sector (industry bankers).

During the year the unit's activity was characterised by the containment of credit risk, by the creation of stable relationships with customers with high business potential, by repricing of assets and liabilities and by an increase in transactional business. Net interest income rose 13.6% year-on-year and as a percentage of average total assets it was 1.32% at the end of 2009 (0.97% a year earlier).

As a result **gross income** grew 22.6% to €976m, reflecting the performance of recurrent revenues (net interest income and net fee income). Operating costs rose 1.8% and therefore **operating income** increased 28.3% year-on-year to €802m. **Net attributable profit** came to €553m, an increase of 56.5% compared to €353m in 2008.

Fixed-income business ended the year in a flurry of activity with more than 30 operations closed in the fourth quarter. These included private placement of a $600m issue for Grifols and a €3,000m five-year issue for Spain's Orderly Bank Restructuring Fund (BBVA was the only Spanish bank participating in this issue) and private placements for the public sector. During the year BBVA consolidated its leadership position in Spain by volume of number of operations (Source: *Dealogic*).

Syndicated loans in the fourth quarter included Gamesa (€1,200m), Aena, Ferrovial, Persán, Kerabén and Acciona Eólica. BBVA was also mandated in a €1,000m loan for Telecom Italia. The unit closed a great year placing itself as leader in Spain by volume and number of operations (Source: *Dealogic*).

In **structured finance** 2009 was a particularly busy year. The bank ranked second in Spain and Europe by volume and number of operations. BBVA was elected Bank Of The Year (2009) by *Project Finance* (a specialized magazine) and obtained a number of the *Deals Of The Year* awards for operations such as the Boreas Project in Britain (the bank's first offshore project).

The **Structured Trade Finance** unit set up a team in Frankfurt to develop and market products in Germany as well as in central and northern Europe. According to *Dealogic*, BBVA ended the year in pole position by number of operations.

In **Equity Capital Markets** BBVA participated in the main share capital increases in Europe including National Express, Lloyds and ING.

For the first time the **Corporate Finance** unit ended the year as leader in the M&A market in Spain by volume of operations announced. (Source: *Thomson Reuters*).

In **Global Transaction Services** BBVA topped *Euromoney's* ranking as best provider of cash management services for companies and institutions in Spain.

In **Latin America** BBVA Colombia was also *Euromoney's* top choice in cash management services. Furthermore BBVA Banco Continental won a prize for business creativity awarded by Proyecto e-mpresario. In the rankings, BBVA is leader in the bond market and second in syndicated loans (Source: *Thomson Reuters* and *Dealogic*). In Mexico, BBVA Bancomer is one of the top banks in many of the products: first in project finance, syndicated loans and equity capital markets, and second in bonds (Sources: *Loan Pricing Corporation*, *Thomson Reuters* and *Bloomberg*).

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 complex conditions Global Markets was able to take advantage of market opportunities in 2009. In terms of customers, business with institutional investors is again growing and the corporate segment is buoyant. The unit successfully concluded a series of proprietary trading opportunities in the first half, especially with interest-rates. In the day to day business, there was an extraordinary recovery of the debt business on all trading floors and customer risk hedging in bond operations. Moreover in the fourth quarter the unit strengthened its position as top broker in Spanish equities. Its market share in December was 15.0% whereas that of its competitors is below 10.4%.

It should also be remembered that Global Markets has become a much more international and geographically diversified business. This is reflected by the double-digit growth at all the trading floors in Europe, Asia, Mexico and South America. In addition cross-border business continues to improve thanks to the global nature of the products and customer service, and to the close co-operation between teams at the various locations.

This is reflected in the extraordinary earnings and efficiency achieved in 2009. Gross income for the year in Europe, Asia and New York was up 22.9% to €654m, operating income rose 36.3% to €427m and net attributable profit jumped 146.6% to €318m. These figures are the result of a superb year at Global Markets, which has become a unit with highly recurrent earnings despite the difficult environment. Furthermore careful and steady management has helped to contain expenses. These achievements led to an improvement in the cost/income ratio, which now stands at 34.8%, notably lower than 2008 (41.1%), making the unit one of the most efficient in the whole industry.

Asset Management and other business

Asset Management is BBVA's provider of asset management solutions. It designs and manages mutual funds, pension funds and the third-party fund platform *Quality Funds*. The unit has solutions tailored for each customer segment, based on constant product innovation as the key to success.

At the end of the fourth quarter total assets under management in Spain stood at €49,972m, a decline of 1.9% against the third quarter of 2009. Of this amount, mutual funds account for €32,797m. BBVA ended the year as the leader in the Spanish market with a 19.3% market share. The average return on its mutual funds in 2009 was higher than the net weighted return of the seven biggest managers (which account for 62% of the market). By net return, more than 82% of BBVA's mutual funds (excluding guaranteed funds) are in the first two quartiles. Lastly, on top of obtaining higher profitability than most of its competitors, BBVA's mutual funds enjoy lower levels of volatility.

The assets managed in pensions funds in Spain were up 6.8% year-on-year to €17,175m. Of this amount individual plans account for €9,983m and employee and associate schemes €7,191m. BBVA continues being leader for the whole of pension plans, with a market share of 19.0% (23.0% in employee schemes and 17% in individual plans).

In 2009 the capital gains of the **Industrial and Real Estate Holdings** increased 71%, easily beating the revaluation of the Spanish stock index (IBEX-35) during the same period (29.8%).

Lastly, in the fourth quarter China Citic Bank (CNCB) was booked by the equity method, as it became classified as substantial holding. BBVA raised its investment in China Citic Bank (CNCB) from 10% to 15% (entailing roughly €1,000m) by executing its purchase option of HK$6.45 per share which will be effective from 1-Mar-10.

Mexico

Income statement

(Million euros)

	Mexico				Units: Banking business				Units: Pensions and Insurance			
	2009	∆%	∆% (1)	2008	2009	∆%	∆% (1)	2008	2009	∆%	∆% (1)	2008
NET INTEREST INCOME	**3,307**	**(11.0)**	**2.7**	**3,716**	**3,251**	**(11.8)**	**1.8**	**3,686**	**53**	**75.0**	**101.9**	**30**
Net fees and commissions	1,077	(9.4)	4.6	1,189	1,024	(8.0)	6.2	1,113	51	(14.9)	(1.8)	60
Net trading income	370	(1.4)	13.7	376	266	(7.2)	7.1	287	104	17.0	35.0	89
Other income/expenses	116	(24.6)	(13.0)	154	(131)	64.6	89.9	(80)	256	(8.4)	5.7	280
GROSS INCOME	**4,870**	**(10.4)**	**3.4**	**5,435**	**4,411**	**(11.9)**	**1.7**	**5,007**	**464**	**1.1**	**16.7**	**459**
Operating costs	(1,551)	(13.8)	(0.6)	(1,800)	(1,423)	(13.9)	(0.7)	(1,653)	(127)	(25.8)	(14.4)	(172)
Personnel expenses	(725)	(14.0)	(0.7)	(843)	(661)	(15.4)	(2.4)	(781)	(63)	0.3	15.8	(63)
General and administrative expenses	(761)	(14.0)	(0.7)	(885)	(699)	(12.7)	0.7	(801)	(62)	(41.9)	(33.0)	(106)
Depreciation and amortization	(65)	(10.5)	3.2	(73)	(63)	(11.0)	2.7	(71)	(2)	1.4	17.0	(2)
OPERATING INCOME	**3,319**	**(8.7)**	**5.4**	**3,634**	**2,988**	**(10.9)**	**2.8**	**3,354**	**336**	**17.3**	**35.3**	**287**
Impairment on financial assets (net)	(1,525)	37.4	58.5	(1,110)	(1,525)	37.4	58.5	(1,110)	-	-	-	-
Provisions (net) and other gains/losses	(21)	(15.7)	(2.7)	(25)	(21)	(18.6)	(6.1)	(25)	(1)	n.m.	n.m.	-
INCOME BEFORE TAX	**1,773**	**(29.1)**	**(18.1)**	**2,499**	**1,442**	**(35.0)**	**(25.0)**	**2,218**	**336**	**17.0**	**35.0**	**287**
Income tax	(411)	(26.5)	(15.2)	(560)	(325)	(33.1)	(22.8)	(485)	(88)	14.7	32.4	(76)
NET INCOME	**1,361**	**(29.8)**	**(19.0)**	**1,939**	**1,118**	**(35.5)**	**(25.6)**	**1,733**	**248**	**17.9**	**36.0**	**210**
Minority interests	(2)	45.1	67.4	(1)	-	(35.7)	(25.8)	(1)	(2)	98.3	128.8	(1)
NET ATTRIBUTABLE PROFIT	**1,359**	**(29.9)**	**(19.1)**	**1,938**	**1,117**	**(35.5)**	**(25.6)**	**1,733**	**246**	**17.5**	**35.6**	**210**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico				Units: Banking business				Units: Pensions and Insurance			
	31-12-09	∆%	∆% (1)	31-12-08	31-12-09	∆%	∆% (1)	31-12-08	31-12-09	∆%	∆% (1)	31-12-08
Cash and balances with central banks	6,236	15.8	13.9	5,387	6,236	15.8	13.9	5,387	-	(25.0)	(26.2)	-
Financial assets	23,564	13.2	11.3	20,825	20,053	10.6	8.8	18,133	3,725	24.7	22.7	2,987
Loans and receivables	30,764	(4.3)	(5.8)	32,145	30,619	(4.5)	(6.0)	32,050	196	21.3	19.3	162
• Loans and advances to customers	27,373	0.8	(0.8)	27,151	27,293	0.8	(0.8)	27,066	95	12.5	10.7	84
• Loans and advances to credit institutions and other	3,391	(32.1)	(33.2)	4,994	3,326	(33.3)	(34.3)	4,984	101	30.9	28.7	77
Tangible assets	753	6.3	4.5	709	747	6.2	4.4	703	7	17.7	15.8	6
Other assets	1,539	(6.1)	(7.6)	1,638	1,819	(2.2)	(3.8)	1,861	113	14.7	12.8	98
TOTAL ASSETS/LIABILITIES AND EQUITY	**62,857**	**3.5**	**1.9**	**60,704**	**59,474**	**2.3**	**0.7**	**58,134**	**4,041**	**24.2**	**22.2**	**3,253**
Deposits from central banks and credit institutions	10,641	16.2	14.3	9,160	10,641	16.2	14.3	9,160	-	(100.0)	(100.0)	-
Deposits from customers	31,998	(1.4)	(3.0)	32,466	32,037	(1.5)	(3.1)	32,533	-	-	-	-
Debt certificates	3,187	1.9	0.3	3,127	3,187	1.9	0.3	3,127	-	-	-	-
Subordinated liabilities	1,499	(5.4)	(7.0)	1,585	1,862	(1.0)	(2.6)	1,881	-	-	-	-
Financial liabilities held for trading	4,085	(0.6)	(2.2)	4,110	4,085	(0.6)	(2.2)	4,110	-	n.m.	n.m.	-
Other liabilities	8,782	18.1	16.2	7,437	5,259	10.8	9.0	4,746	3,818	26.9	24.9	3,008
Economic capital allocated	2,664	(5.5)	(7.0)	2,818	2,403	(6.7)	(8.2)	2,576	223	(9.1)	(10.6)	245

(1) At constant exchange rate.

Mexico highlights in the fourth quarter

- Operating income grew despite high-stress environment.
- Excellent cost-income ratio performance
- Pensions & insurance business developed strongly
- Bancomer is the only bank in Mexico certified to use expected-loss internal modelling to calculate its credit-card provisions.
- BBVA Bancomer named *"Best Bank in Mexico"* by *Euromoney*.

Relevant business indicators

(Million euros and percentages)

	Mexico			
	31-12-09	Δ%	Δ% (1)	31-12-08
Customer lending (gross)	28,996	1.2	(0.4)	28,644
Customer deposits (2)	31,252	5.3	3.6	29,677
Off-balance-sheet funds	20,065	22.5	20.5	16,376
• Mutual funds	10,546	14.9	13.0	9,180
• Pension funds	9,519	32.3	30.1	7,196
Other placements	2,781	(1.7)	(3.3)	2,830
Customer portfolios	5,042	(3.0)	(4.6)	5,200
Efficiency ratio (%)	31.9			33.1
NPA ratio (%)	4.3			3.2
Coverage ratio (%)	130			161

(1) At constant exchange rate.
(2) Excluding deposits and Bancomer's Market unit repos.

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

During the fourth quarter, the Mexican **economy** continued to show gradual recovery. As in the previous quarter, the most dynamic components of aggregate demand were private consumption, public-sector investment and thirdly, exports. Prudent fiscal and monetary management and the sound Mexican financial system are allowing domestic demand to recover sooner than in previous downturns. The year-on-year decline in GDP to the end of 2009 (6.8%E) is expected to be less than the drop estimated to mid-year.

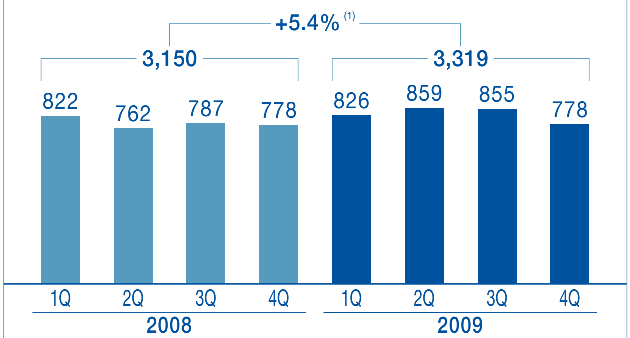
Annual **inflation** has continued to go down during the last quarter, and the year ended with a rate of 3.6%. This was due to low domestic demand, stabilisation of the forex market and the favourable performance of non-core components (agricultural and energy prices).

In this environment, the Bank of Mexico opted to maintain the **interest rate** at 4.5% (base borrowing rate).

The peso **exchange rate** appreciated against the euro, rising 4.3% against the 30-Sep-09 rate and 1.6% against year-end 2008. However, comparing average exchange rates, the Mexican currency depreciated 0.9% quarter on quarter and 13.3% year on year. The above said had a slightly positive impact on the area's balance sheet and a negative one 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** unless otherwise indicated.

Mexico. Operating income

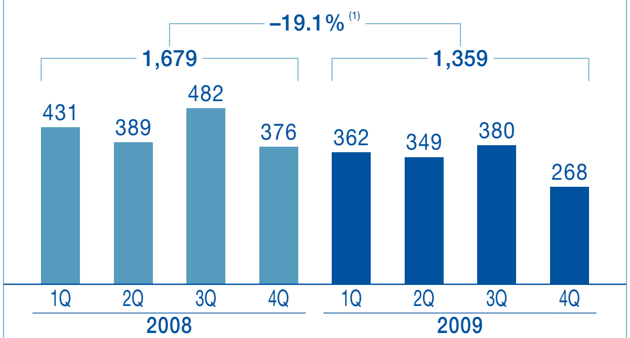
(Million euros at constant exchange rate)



(1) At current exchange rate: —8.7%.

Mexico. Net attributable profit

(Million euros at constant exchange rate)



At current exchange rate: –29.9%.

BBVA has further consolidated its leadership in Mexico throughout the financial crisis, growing the most significant items on its income statement. At year-end 2009, **net interest income** stood at €3,307m, having risen 2.7% year on year. This was the result of well focussed price management and increased customer funds (6.8% more funds were gathered through current, savings and time deposits since the end of December 2008; current accounts grew 7.9%). Fee income reached €1,077m. This 4.6% growth came from positive performance of charges on banking services and pension-fund management. Net trading income rose to €370m, 13.7% more than in the same period of the previous year. The rise was due to an increase in revenues from customer business and favourable market conditions. Along with sound earnings from the insurance business, all the above said contributed to a 3.4% increase in **gross income** compared with January-December 2008. Gross income totalled €4,870m year-to-end 2009.

Transformation and efficiency plans were rolled out during 2009, bringing down operating costs by 0.6% year on year. And since revenues were strong, the year-end **cost-income ratio** stood at 31.9%, more than one percentage point below the figure of last year. The combined performance of revenues and expenses meant that the year-to-end **operating profit** rose 5.4% to €3,319m.

Year-on-year growth in **losses from impairment on financial assets** continued to slow down, reaching €1,525m year to end (up 58.5%). At the same time, provisions increased in the fourth quarter, above all due to the application of tougher metrics to calculate the internal expected-loss models for the credit-card business. BBVA Bancomer was the only bank in Mexico to be certified by the national banking and exchange authority (Comisión Nacional Bancaria y de Valores - CNBV) and the Bank of Spain to use internal expected loss models for credit-card provisioning. This has meant that it was less affected than other banks by the stricter provisioning standards established by the CNBV. If a standard calculation was used throughout the financial industry, ie, if everything was booked to the income statement that prevailing legislation has allowed to charge against reserves, Bancomer would have one of the lowest cost of risk among its principal competitors. This is not just the outcome of more prudent risk management, with more restrictive acceptance policies, but also of applying expected-loss criteria to calculate the level of provisions required.

Despite the adverse economic environment, this performance has enabled the Mexico area to record a sound **attributable profit**, which ended 2009 at €1,359m. The **NPA ratio** was 4.3% on 31-Dec-09 and **coverage** 130%.

Banking business

The economic downturn has led to a slower growth in banking **business volumes** throughout the Mexican banking system. Despite this, BBVA Bancomer has managed to grow its franchise and enhance its reputation by the positive results it achieved in both lending and customer funds. Its outstanding performance against this complicated global economic and financial backdrop was recognised by *Euromoney* who named BBVA Bancomer *Best Bank in Mexico*.

Gross customer lending reached €28,916m at the end of 2009. Although this was 0.4% lower than the previous year, it left Bancomer's leadership intact. The loan book gradually changed its composition over the year. The percentage of consumer-credit and card business shrank as lower-risk products grew their share of the total. The year-end figures show a diversified structure: 39.7% of the lending was in the commercial book (which includes loans to large corporations, small and medium-sized enterprises, financial institutions and the Government); 30.8% in the housing book (including developers and excluding the old mortgage portfolio) and 20.7% in the consumer-finance book.

The **commercial loan-book** grew 7.1% year-on-year. The fastest growth came from lending to SMEs, which went up 21.7% year-on-year to €968m. A programme was launched to boost liquidity in SMEs (small and medium-sized enterprises). More than 6,000 SMEs have been beneficiaries of this programme during the financial crisis, taking up over €95m in new loans. The specialist network for servicing SMEs had over 96,000 customers as 2009 ended. Also noteworthy is the 51.2% increase over 2008 in lending to government bodies.

In October, BBVA Bancomer received a national prize, *Premio Nacional de Vivienda 2008* for launching six new mortgage products in the market for **lending to home buyers**. At year end, the mortgage loan-book (excluding the old mortgage portfolio) had grown 7.0% year on year. According to the latest figures, BBVA Bancomer still has the biggest volume of new mortgages. Over the last twelve months it granted 36,027 loans to individual customers and 73,260 to developers. BBVA Bancomer was also named by Nacional Financiera (the government development bank) as *the most outstanding financial intermediary in 2009*, for its SME-support programme and its mortgage product for households facing economic difficulties.

Consumer credit continued to shrink against the previous year, reflecting both the economic downturn and the Bank's strict risk acceptance policy. Much of the 13.6% drop was due to lower credit-card lending. However, over the last two months of the year, credit cards performed better, helped by the brighter environment and various campaigns to encourage proper use of credit. A more suitable use of credit cards was reflected in the stabilisation of the NPA ratio on this loan book.

The balance of **customer funds** (bank deposits, repos, funds and investment companies) reached €44,579m to December 2009. This was a year-on-year increase of 5.2%. This positive performance was largely due to a stronger distribution network and the launch of innovative products. At year-end 2009, BBVA Bancomer had more than 6,200 ATMs, 423 more than in 2008. This has enabled it to become the bank with the largest number of ATMs in the Mexican system. Additionally BBVA Bancomer has been authorized to operate banking correspondents which will enable it to increase by more than 12,000 the points of sale over 2010. These commercial establishments could perform (current estimate) around 40 million banking operations, thus reinforcing the current network. Apart from this, a new kind of ATM has been activated (*practicajas*) to allow customers to place deposits, make transfers, pay for credit cards and services and request loans. By expediting teller processes, these have improved customer service.

The composition of customer funds has also improved: 41.9% are in lower-cost products (current and savings accounts); 23.7% in investment companies and 19.0% in time deposits. Off-balance-sheet customer funds reflected the dynamic performance of investment companies. These grew at 13.0% year on year.

BBVA Bancomer has continued to actively manage its **liquidity** and its **capital adequacy** by making issues on the local market. During 2009, it maintained its position as the biggest mortgage covered bonds issuer on the private market, and launched the biggest issue in the Mexican market for a total of €312m. In order to maintain adequate capital ratios, it issued €157m in subordinate debt, thereby improving the bank's capital ratio by 123 basis points.

Additionally, BBVA Bancomer continued being leader in corporate bond placements in the local market with a 20.6% share of the total issued (according to *Bloomberg and Thomson Financial*).

The development of BBVA Bancomer's own management style and its effort to create leaders have been recognised in the fourth quarter by Hewitt Associated who ranked BBVA Bancomer among its *Top companies for Leaders 2009*.

Pensions and Insurance

The BBVA Group pensions and insurance businesses in Mexico contributed a combined attributable profit of €246m in 2009. This was 35.6% more than in 2008.

The pension business had a tough year due to significant drops in activity and employment rates throughout the country. Nonetheless, **Afore Bancomer** generated a €50m attributable profit (up 47.6% on 2008), in a year marked by good revenue performance (up 10.6%), dynamic sales and a reduction in costs (down 14.4%). Consequently, 2009 operating profit reached €70m, increasing by a significant 55.6%.

The **insurance business** suffered from the marked slowdown in banking volumes, which meant lower sales of bancassurance products. However, the three Group companies contributed an attributable profit of €196m (up 32.9% year on year). The growth in savings products not directly linked to banking activity and products sold through alternative channels accounted for a substantial part of this figure. €816m premiums were written in business during 2009 (including sales of savings products). This was 10.4% higher than in 2008.

The United States

Income statement

(Million euros)

	The United States			
	2009	∆%	∆% [1]	2008
NET INTEREST INCOME	**1,514**	**13.7**	**7.8**	**1,332**
Net fees and commissions	555	1.7	(3.5)	546
Net trading income	151	23.0	16.6	123
Other income/expenses	(35)	n.m.	n.m.	21
GROSS INCOME	**2,184**	**8.0**	**2.5**	**2,022**
Operating costs	(1,309)	(1.7)	(6.7)	(1,332)
Personnel expenses	(664)	0.4	(4.8)	(662)
General and administrative expenses	(440)	3.3	(2.0)	(426)
Depreciation and amortization	(204)	(16.1)	(20.4)	(244)
OPERATING INCOME	**875**	**26.8**	**20.3**	**690**
Impairment on financial assets (net) [2]	(1,419)	288.5	268.5	(365)
Provisions (net) and other gains/losses [2]	(1,056)	n.m.	n.m.	(15)
INCOME BEFORE TAX	**(1,599)**	**n.m.**	**n.m.**	**309**
Income tax	528	n.m.	n.m.	(99)
NET INCOME	**(1,071)**	**n.m.**	**n.m.**	**211**
Minority interests	-	150.0	137.1	-
NET ATTRIBUTABLE PROFIT	**(1,071)**	**n.m.**	**n.m.**	**211**
Resultados singulares netos [2]	(1,050)	n.m.	n.m.	-
NET ATTRIBUTABLE PROFIT (excluding one-off operations)	**(21)**	**n.m.**	**n.m.**	**211**

(1) At constant exchange rate.
(2) In the fourth quarter of 2009, 533 million euros extraordinary allocation to provisions and 998 million euros goodwill impairment charge, both figures before tax.

Balance sheet

(Million euros)

	The United States			
	31-12-09	∆%	∆% [1]	31-12-08
Cash and balances with central banks	857	33.7	38.4	641
Financial assets	6,761	(23.8)	(21.2)	8,877
Loans and receivables	33,932	7.4	11.1	31,603
• Loans and advances to customers	33,075	7.0	10.8	30,906
• Loans and advances to credit institutions and other	857	22.9	27.2	697
Tangible assets	706	(7.9)	(4.6)	767
Other assets	2,272	55.3	60.7	1,463
TOTAL ASSETS/LIABILITIES AND EQUITY	**44,528**	**2.7**	**6.3**	**43,351**
Deposits from central banks and credit institutions	3,743	(43.7)	(41.7)	6,652
Deposits from customers	33,734	9.8	13.7	30,717
Debt certificates	510	(23.0)	(20.3)	661
Subordinated liabilities	864	(26.1)	(23.5)	1,168
Financial liabilities held for trading	178	(40.8)	(38.7)	301
Other liabilities	2,973	51.0	56.3	1,970
Economic capital allocated	2,526	34.2	38.9	1,882

(1) At constant exchange rate.

The United States highlights in the fourth quarter

- Sound operating revenues.
- Special effort in allocations to loan-loss provisions boosted coverage ratio.
- Reappraisal of the area's goodwill.
- Detailed, rigorous analysis of the commercial real-estate portfolio impacted non-performing asset ratio.

Relevant business indicators

(Million euros and percentages)

	The United States			
	31-12-09	Δ%	Δ% [(1)]	31-12-08
Customer lending (gross)	34,108	8.2	12.0	31,518
Customer deposits [(2)]	32,538	26.2	30.7	25,779
ROE (%)	(43.0)			11.7
Efficiency ratio (%)	59.9			65.9
NPA ratio (%)	5.2			3.4
Coverage ratio (%)	57			57

(1) At constant exchange rate.
(2) Excluding deposits and Market unit repos.

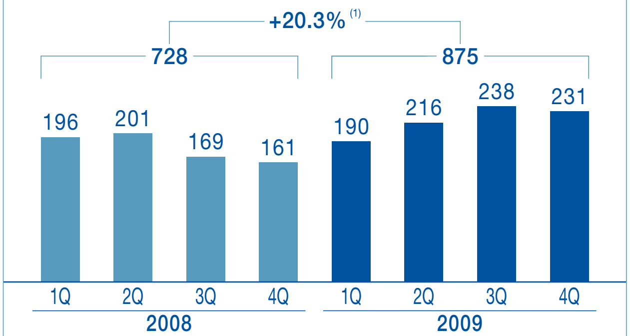
In the first part of 2009, the U.S. **economy** continued to show signs of being bogged down in a recession, with significantly lower levels of economic activity. However, third-quarter data already showed slight expansion: financial conditions were stabilizing, residential investment increased (for the first time since 2005), consumer spending picked up and business inventories were more in line with sales. In the last three months of the year, although the worst of the recession may have passed, the economy is still weak. The unemployment rate broke 10% for the first time since 1983 and many challenges lie ahead. As a result, we are anticipating low growth in 4Q09 and throughout 2010. The most significant hurdles to strong recovery will target personal consumption expenditure. While job destruction is slowing, it is still prevalent, and job creation will likely be minimal. Furthermore, despite indications that household demand is improving (steady increases in retail sales excluding autos and manufacturing activity), many households are still whittling down their debt. Credit standards remain high for those that seek it, such that credit outstanding in the market had dropped by more than USA$100 bn in 2009. These factors will continue to constrain consumption in 2010, so overall recovery is likely to be slow.

Growth in **residential investment** exceeded expectations in 3Q09 and is expected to continue to rise, albeit modestly. Low prices, attractive mortgage rates and the extension of the home buyers' tax credit will support demand, which will prompt more construction. On the other hand, the deterioration of commercial real-estate fundamentals is eroding business investment in structures as credit is extremely limited. However, the negative impact to non-residential investment will be softened by further growth in the equipment and software component as businesses are motivated by cost-savings to replace technology.

Recent trends in **international trade** have shown that both domestic and foreign demand are recovering. While the latest data report growth in imports surpassing that of exports, the trend is expected to shift

The United States. Operating income

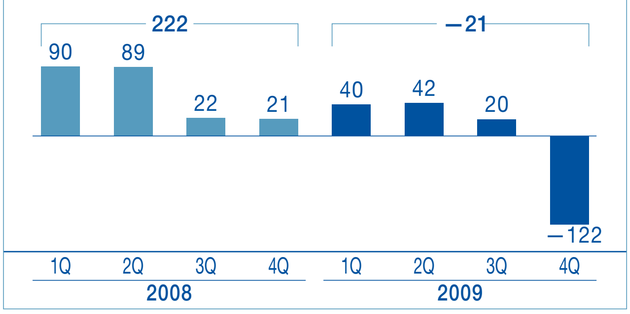
(Million euros at constant exchange rate)



(1) At current exchange rate: +26.8%.

The United States. Net attributable profit excluding one-offs

(Million euros at constant exchange rate)



in the near future as recovery in emerging markets stimulates demand for exports.

Inflation is expected to remain low but positive. Although economic activity is increasing, it is emerging from a level so low that abundant resource slack will counteract upward pressures from fiscal and monetary stimuli. And as producers' costs will remain low, they are able to maintain a profit without raising prices.

Given the slack in the economy, the Fed is expected to gradually wind down the monetary stimulus. The strategy is anticipated to focus first on the withdrawal of quantitative easing and then, albeit in the medium term, on raising **interest rates**. These are currently at between 0% and 0.25%.

The final dollar **exchange rate** against the euro has gone down 3.4% in the last twelve months, ending 2009 at US$1.44 to the euro. However, the average exchange rate recorded an appreciation of 5.4% year over year, to US$1.39 per euro. Unless otherwise indicated, all comments below refer to changes at a constant exchange rate.

BBVA USA ended the year with a €34,108m loan book and customer deposits of €32,538m, 12.0% and 30.7% higher than the previous year, respectively. This was primarily due to the Guaranty acquisition in August 2009. Excluding Guaranty balances, loan balances were down 2.2% and customer deposits increased 4.1%.

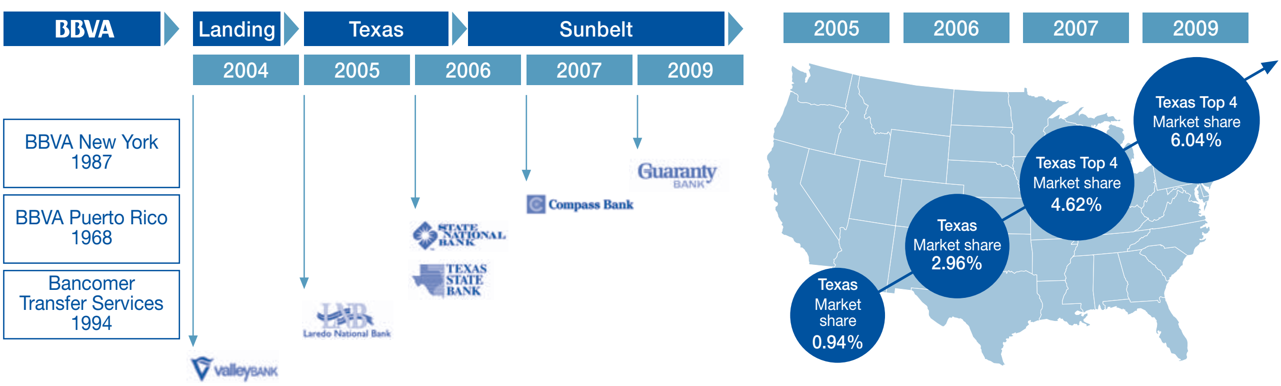
The area's **earnings** for the year include two one-off charges booked to the fourth quarter for €1,050m. One is the extraordinary allocation to provisions (€346m) and the other is goodwill impairment (€704m). These should shore up the USA franchise's balance sheet and capital adequacy to prepare it for 2010 and enable it to be ready to take advantage of any market opportunities.

Operating profit speeded up its year-on-year growth to 20.3%, reaching €875m. The main causes were good revenue performance and the excellent behaviour of operating costs. Net interest income showed a significant rise, triggered by increasing business volumes following the incorporation of Guaranty's balances. Net trading income also grew strongly, helped by more customer transactions and the higher value of some portfolios given the lower interest rates. This counteracted the drop in Other net revenues as Federal Deposit Insurance Corporation (FDIC) fees went up. Costs decreased 6.7% year on year due to lower amortization of intangibles and lower merger and integration costs.

Losses from impairment of financial assets stood at €1,419m. This was €1,054m more than in 2008, reflecting the high loan-loss provision allocations made during 2009. The collaterals associated to the commercial real-estate loan book were re-assessed and additional provisions set aside to boost coverage. This, along with the goodwill impairment charge, generated an **attributable loss** in the area of €1,071m. This figure is €21m without the €1,050m for one-off charges.

Finally, the **NPA ratio** rose to 5.2%. In part this was due to the €644m reclassified as doubtful loans after the detailed analysis of the commercial real-estate loan

Development of BBVA's franchise in the United States



book. However, higher provisions helped **coverage** improve to 57%.

BBVA Compass banking group

BBVA Compass represents approximately 91% of total BBVA USA assets. The comments on the area are therefore totally applicable to this entity.

On 31st December 2009, **loans** were €31,194m (up 14.5% year on year). **Customer funds** rose 32.2% to €31,064m. This reflected the incorporation of US$7.5bn into the its loan book and US$11.4 bn into its customer funds from Guaranty in August 2009.

Net interest income for 2009 was €1,389m. This was 9.0% higher than in 2008. After a 7.6% reduction in other revenues year on year due to the higher FDIC insurance charge (higher rates and special assessment), **gross income** stood at €2,006m, up 3.3% year on year. Guaranty contributed approximately 6% of Compass' revenues.

Operating expenses went down 6.9% year on year to €1,218m, for the same reasons as explained above for BBVA USA. Consequently, **operating profit** reached €789m. This was up 24.2% on the previous year.

The **cost-income ratio** improved by over 6.6 percentage points in 2009, down to 60.7%. This was the result of revenue and cost synergies coming from the integration.

Finally, the aforementioned higher provisions and the amortization of goodwill produced a year-to-end **attributable loss** of €1,010m. However, without the impact from the €1,050m one-off charges, the BBVA Compass Banking Group would be reporting an attributable profit of €40m.

At 31st December 2009, **Corporate and Commercial Group (CCG)** managed a loan portfolio of €14,940m, a 6.9% decrease from a year ago. Customer funds reached €8,513m, up 16.6% since December 2008. The customer funds growth has been driven by non-interest bearing deposits that have experienced exceptional growth, primarily the result of strong correspondent banking efforts and increases in several large relationships within the unit.

Retail Banking ended the year with a loan portfolio of €8,433m, down 8.8%, primarily due to planned run-off in the Indirect Auto Dealer and Student Lending portfolios. However, the residential real estate category increased quarter by quarter last year, generating US$1,152m in new mortgages in 2009, a significant increase over 2008 levels. Customer funds totalled €12,469m (down 7.8%), primarily due to lower demand for savings products.

Wealth Management was managing a €1,977m loan portfolio. This was up 2.3% on year end 2008. Deposits were €3,200m, rising 40.0% from the previous year. The market-linked Power CD product, launched in March, has generated in excess of US$120m in new deposits. At 31st December 2009, assets under management were €11,973m, up 6.1% year on year.

Other units

At 31st December 2009, **BBVA Puerto Rico** managed a loan portfolio of €2,913m, down 9.0% from December 2008. Customer deposits were €1,473m, growing 5.4% from last year. Overall contraction in business volumes, especially lending, produced a 7.5% year-on-year shrinkage in revenues. However, successful cost management offset this dip at the operating profit line. Operating profit reached €74m (down 2.6%), although high loan-loss provisioning resulted in a final loss of €67m.

BTS reported net income of €12m, representing annual growth of 12.3%.

Income statement

(Million euros)

	South America				Units: Banking businesses				Units: Pensions and Insurance			
	2009	Δ%	Δ% (1)	2008	2009	Δ%	Δ% (1)	2008	2009	Δ%	Δ% (1)	2008
NET INTEREST INCOME	**2,463**	**14.6**	**15.2**	**2,149**	**2,421**	**17.8**	**18.0**	**2,056**	**45**	**(52.9)**	**(50.1)**	**96**
Net fees and commissions	836	7.8	9.6	775	625	11.1	12.9	562	215	0.6	2.3	214
Net trading income	405	60.4	65.5	253	282	7.5	9.6	263	124	n.m.	n.m.	(9)
Other income/expenses	2	(83.3)	(73.7)	15	(97)	72.4	70.5	(56)	109	38.4	48.1	79
GROSS INCOME	**3,706**	**16.1**	**17.4**	**3,192**	**3,230**	**14.4**	**15.2**	**2,824**	**493**	**29.8**	**35.7**	**380**
Operating costs	(1,504)	5.8	7.8	(1,421)	(1,260)	10.2	11.7	(1,143)	(223)	(10.5)	(6.3)	(250)
Personnel expenses	(768)	5.9	8.1	(725)	(634)	10.6	12.3	(574)	(111)	(13.9)	(9.8)	(129)
General and administrative expenses	(621)	5.4	7.5	(589)	(522)	10.6	12.2	(472)	(101)	(9.5)	(5.2)	(112)
Depreciation and amortization	(115)	7.8	8.0	(107)	(104)	6.1	6.1	(98)	(11)	25.7	29.7	(9)
OPERATING INCOME	**2,202**	**24.4**	**25.1**	**1,770**	**1,970**	**17.2**	**17.5**	**1,681**	**269**	**107.1**	**116.4**	**130**
Impairment on financial assets (net)	(419)	17.3	17.6	(358)	(415)	16.1	16.4	(358)	(4)	n.m.	n.m.	-
Provisions (net) and other gains/losses	(52)	206.0	175.4	(17)	(24)	79.2	59.8	(13)	(16)	n.m.	n.m.	(4)
INCOME BEFORE TAX	**1,731**	**24.0**	**24.9**	**1,396**	**1,531**	**16.8**	**17.3**	**1,310**	**249**	**97.1**	**106.7**	**126**
Income tax	(397)	24.9	26.6	(318)	(356)	24.5	25.2	(286)	(56)	27.3	35.4	(44)
NET INCOME	**1,334**	**23.7**	**24.5**	**1,078**	**1,175**	**14.7**	**15.1**	**1,024**	**193**	**134.9**	**144.3**	**82**
Minority interests	(463)	31.9	29.7	(351)	(406)	21.0	18.9	(335)	(58)	281.4	281.5	(15)
NET ATTRIBUTABLE PROFIT	**871**	**19.8**	**21.8**	**727**	**769**	**11.7**	**13.1**	**689**	**135**	**101.5**	**111.5**	**67**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	South America				Units: Banking businesses				Units: Pensions and Insurance			
	31-12-09	Δ%	Δ% (1)	31-12-08	31-12-09	Δ%	Δ% (1)	31-12-08	31-12-09	Δ%	Δ% (1)	31-12-08
Cash and balances with central banks	5,837	5.9	6.7	5,512	5,837	5.9	6.7	5,511	-	(46.8)	(52.9)	-
Financial assets	7,688	31.3	21.6	5,854	6,335	25.5	15.7	5,046	1,962	91.0	79.6	1,027
Loans and receivables	28,269	1.6	(3.3)	27,836	27,793	2.0	(2.9)	27,235	615	(18.1)	(19.9)	751
• Loans and advances to customers	25,256	3.5	(1.9)	24,405	25,041	3.6	(1.9)	24,159	238	(17.6)	(14.0)	289
• Loans and advances to credit institutions and other	3,013	(12.2)	(13.7)	3,430	2,752	(10.5)	(11.3)	3,076	377	(18.4)	(23.3)	462
Tangible assets	648	35.7	31.1	478	600	40.4	36.9	427	49	(2.8)	(13.4)	50
Other assets	1,936	0.7	(2.7)	1,922	1,325	6.2	0.7	1,248	150	14.6	12.1	131
TOTAL ASSETS/LIABILITIES AND EQUITY	**44,378**	**6.68**	**1.96**	**41,600**	**41,889**	**6.1**	**1.3**	**39,467**	**2,776**	**41.7**	**35.3**	**1,960**
Deposits from central banks and credit institutions	3,092	(15.8)	(21.7)	3,674	3,086	(15.8)	(21.7)	3,667	12	38.8	36.2	8
Deposits from customers	29,312	5.0	1.1	27,921	29,427	5.0	1.2	28,028	-	-	(17.6)	-
Debt certificates	1,554	25.1	9.9	1,243	1,554	25.1	9.9	1,243	-	-	-	-
Subordinated liabilities	1,229	(0.9)	(6.7)	1,240	733	7.7	(3.3)	680	-	-	-	-
Financial liabilities held for trading	680	(32.3)	(43.1)	1,005	680	(32.3)	(43.1)	1,005	-	n.m.	n.m.	-
Other assets	6,160	42.7	40.1	4,316	4,613	39.1	37.9	3,317	2,211	73.6	62.2	1,273
Economic capital allocated	2,350	6.8	3.7	2,201	1,796	17.6	13.0	1,527	554	(18.3)	(18.6)	678

(1) At constant exchange rate.

South America highlights in the fourth quarter

- Growth in all income lines.
- Excellent year-end earnings from both banking and the pensions & insurance businesses.
- Lending up 4.2% quarter on quarter.
- Improved NPA and coverage ratios than in the third quarter.

Relevant business indicators

(Million euros and percentages)

	South America			
	31-12-09	∆%	∆% (1)	31-12-08
Customer lending (gross)	26,223	3.8	(1.6)	25,255
Customer deposits (2)	31,529	7.3	3.0	29,373
Off-balance-sheet funds	38,744	50.0	30.4	25,831
• Mutual funds	2,640	103.0	85.4	1,300
• Pension funds	36,104	47.2	27.6	24,531
ROE (%)	40.2			36.9
Efficiency ratio (%)	40.6			44.5
NPA ratio (%)	2.7			2.1
Coverage ratio (%)	130			149

(1) At constant exchange rate.
(2) Including debt certificates.

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

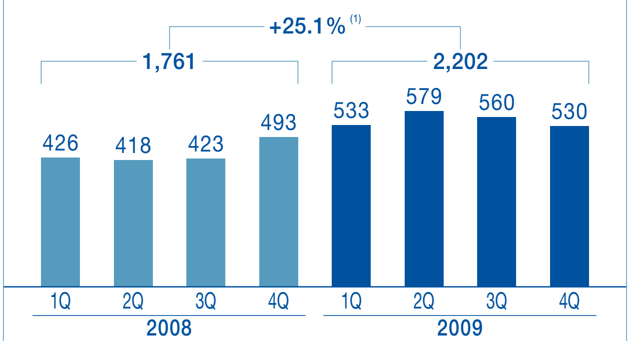
As expected, Latin America initiated its **economic recovery** in the second half of 2009. Unlike what happened in earlier crises, this time the large majority of Latam countries have implemented expansive economic policies without triggering imbalances that might jeopardise the recovery. Increasingly sound public finances, controlled inflation, the credibility that central banks have gained and the greater flexibility of the forex markets have been fundamental factors in the region's improved performance. Stronger commodity prices and lower risk aversion have also contributed to the recovery. The rise in commodity prices took some pressure off the countries with most limited access to international credit, such as Argentina and Venezuela. The financial boost it supplied enabled them to avoid tax adjustments that could have further aggravated the recession. The financial systems in the region showed enormous strength. Supported by expansive monetary policies, as mentioned, they had few problems in weathering the tight access to international funding at the end of 2008. They appeared unscathed by the drop in activity and the increase in NPA ratios at the beginning of the year, which were anyway not as intense as elsewhere in the world or as in other crises.

Exchange rates in the last quarter did not vary significantly against the US dollar. The exchange-rate impact remained slightly positive both for the income statement and for business volumes. As usual, the attached tables include columns with the year-on-year changes at constant exchange rates, which is what the following comments refer to.

During a difficult year, the area performed well, despite progressive slowdown in volumes. There was a significant growth in revenues; costs were gradually moderated and a comfortable level of asset quality was maintained. All this fed into an €871m **attributable profit** in 2009. This was up 21.8% year on year, sustaining a high level of return on equity (ROE): 40.2%.

South America. Operating income

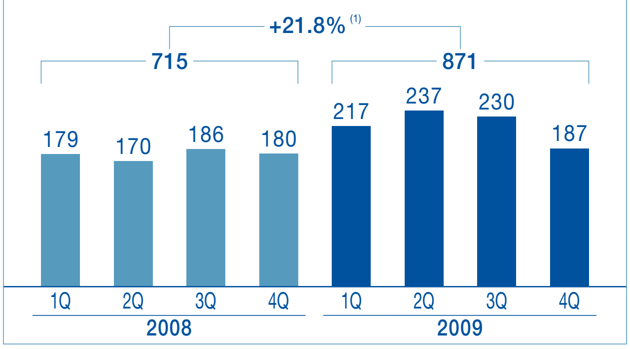
(Million euros at constant exchange rate)



(1) At current exchange rate: +24.4%.

South America. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +19.8%.

The magnificent revenue performance was made possible by the well focussed entry-price policy and the strong spreads that all the units in the area applied. These were fundamental in offsetting the progressive slowdown in **lending volumes**. At the end of the year, these stood at €26,223m, down 1.6% on year-end 2008, but up 4.2% quarter on quarter. Lower funding requirements due to slower lending growth meant units could apply a selective policy when marketing **customer funds**, giving priority to the lower cost range. At the end of December, customer funds showed a balance of €34,169m (including mutual funds), 6.6% higher than in December 2008. Growth was largely concentrated in current and savings accounts (19.7%). The assets under management in the region's pension funds ended the year at €36,104m, 27.6% up on twelve months previous. Fund gathering growth in 2009 was 5.9% higher than in 2008, excluding the effect of the Consolidar AFJP divestment. Year-on-year comparison of business written by the insurance companies was impacted by the exit of Consolidar Salud from the perimeter at the end of the previous year.

Spread management and improved lending volumes over the final months of the year boosted year-end **net interest income** to €2,463m. This was 15.2% higher than the previous year. It was also a good year for fee income (€836m and up 9.6% year on year). The more traditional lines of business did well and those related to mutual funds and securities improved in the later quarters. Net trading income stood at €405m, reflecting a positive year on the financial markets. The sale of financial instruments in the banking business generated capital gains and the pension managers and insurance companies reported high returns from proprietary trading. Year-to-end **gross income** in 2009 reached €3,706m, up 17.4% on the previous year.

As pointed out above, austerity and focussed cost management were also key elements in the year's performance. Operating costs were €1,504m. This was 7.8% higher than the previous year and substantially below the average regional inflation rate. This moderation in expenses and positive revenue growth meant that, as in previous years, the **cost-income ratio** improved, reaching 40.6% as against the 44.5% reported in 2008. **Operating profit** rose 25.1% over the year, to €2,202m.

The third characteristic marking the year was the strict policy applied to risk acceptance and the success of the recoveries policy implemented by the area's units. This considerably curtailed the impact of the crisis on asset quality. Thus, the 2.7% year-end **NPA ratio** remained quite close to the 2.1% reported in 2008. Coverage remained high, at 130%. In 2009, **losses from impairments on financial assets** grew 17.6% year on year to €419m.

Banking business

The area's banking business generated a net attributable profit of €769m, as against €689m the previous year. The most relevant information on each bank is given below:

In 2009, **BBVA Banco Francés** in Argentina produced €116m in attributable profit, with excellent net-interest-income and fee-income performance (up 24.8% and 27.8% respectively). Lending grew more slowly, especially in the wholesale business. Excluding public-sector lending (which was impacted by the swap done at the beginning of the year), it rose 4.4%. The year saw very positive performance in customer funds, which grew 11.9%, driven above all by transactional items (up 10.4%). This pushed operating income up 27.2% over the year, to €258m, although the normalised tax rate marred its contribution to the bottom line.

BBVA Chile and Forum generated an attributable profit of €73m in 2009, 18.7% more than in 2008. This was helped by the excellent revenue performance, despite the significant drop in interest and inflation rates. This led to a gross income of €380m, up 20.9% year on year. The slowdown in lending volumes (which shrunk 7.9%) was felt mainly in wholesale business. Volumes went up in retail lending, above all in consumer credit, which rose 13.3% year on year, gaining 53 basis points in market share to November 2009. In customer funds, transactional business had a good year (up 31.3%). Growing revenues and slower growth of expenses meant that the end-of-year operating profit was €213m (up 32.1%).

It was a complicated year for **BBVA Colombia**. But even plummeting interest rates during the year did not prevent it from growing its attributable profit 8.7% to €139m. Positive spread management during the year offset the drop in the lending balance. Net interest income continued to grow (up 6.9% against 2008), which, with austerity in costs (down 1.2%) positioned net income at €365m (up 13.2%) and the cost-income ratio at 37.2% (against 40.4% in 2008).

In Peru, **BBVA Banco Continental** contributed an attributable profit of €112m in 2009 (up 27.0%), against a backdrop of sharply falling interest rates. However, net interest income continued to rise fast (up 23.0% year on year) despite slower lending growth, reflecting successful management of spreads. The rest of the items on the revenue side also performed well. With moderation in expenses, operating profit, at €412m, rose 19.8% year on year. The cost-income ratio also improved to 29.5% from 31.6% the previous year.

In 2009, **BBVA Banco Provincial** in Venezuela generated an attributable profit of €265m (up 22.6%). The key to this was its successful management of lending and borrowing rates which, together with the positive rise in business volumes (lending up 17.6% and customer funds up 19.7%) increased net interest income by 24.8% over the year. Significant cost control produced a 19.0% growth in expenses, comfortably below the country's inflation rate. This triggered and adecuate cost-income ratio (39.8%) and a 10.9% rise in operating profit, which reached €632m.

In the other banks, 2009 profit in **BBVA Panama** reached €29m (up 1.5% year on year); **BBVA Paraguay** also earned €29m (up 27.4%) and **BBVA Uruguay** €5m (down 40.9%).

Pensions and Insurance

In 2009, the Pensions & Insurance unit contributed an attributable profit of €135m, more than doubling its 2008 figure. Of this, €88m were generated by the **pension-fund business** and €46m by the **insurance business**. Business volumes performed well in all the companies, despite the negative impact of the crisis on the region's employment figures.

In Chile, **AFP Provida** generated an attributable profit of €61m in 2009 (compared with €7m in 2008). The volume of assets placed under its management grew 10.0% over the year, as trading income rose and cost increases were kept in check (up 5.3%). Operating profit thus went up to €124m, significantly outperforming the €12m earned in 2008.

The **Consolidar Group** in Argentina delivered good sales performance in the three companies and showed good cost containment despite the impact of the corporate restructuring carried out during the year.

Amongst the rest of the companies, **AFP Horizonte** in Colombia generated €18m in attributable profit and **AFP Horizonte** in Peru €14m, in a context marked by dynamic business activity and favourable trading income.

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

(Million euros)

	Operating income				Net attributable profit			
Country	2009	Δ%	Δ% at constant exchange rates	2008	2009	Δ%	Δ% at constant exchange rates	2008
Argentina	287	3.1	15.3	278	130	(23.5)	(14.5)	169
Chile	350	84.3	87.9	190	143	79.2	82.7	80
Colombia	407	12.3	16.9	362	162	13.8	18.6	143
Peru	441	28.8	25.9	342	126	43.1	39.8	88
Venezuela	664	18.7	12.6	559	277	30.6	23.9	212
Other countries (1)	54	38.7	41.1	39	32	(6.5)	(4.6)	34
TOTAL	**2,202**	**24.4**	**25.1**	**1,770**	**871**	**19.8**	**21.8**	**727**

(1) Panama, Paraguay, Uruguay, Bolivia and Ecuador. Additionally, it includes eliminations and other charges.

Income statement

(Million euros)

	2009	∆%	2008
NET INTEREST INCOME	**516**	**n.m.**	**(1,061)**
Net fees and commissions	(36)	14.3	(32)
Net trading income	483	10.8	436
Other income/expenses	(23)	n.m.	176
GROSS INCOME	**940**	**n.m.**	**(481)**
Operating costs	(948)	20.2	(788)
Personnel expenses	(576)	3.5	(557)
General and administrative expenses	(175)	154.2	(69)
Depreciation and amortization	(197)	20.7	(163)
OPERATING INCOME	**(8)**	**(99.4)**	**(1,269)**
Impairment on financial assets (net)	(172)	n.m.	(41)
Provisions (net) and other gains/losses	(743)	22.1	(609)
INCOME BEFORE TAX	**(923)**	**(51.9)**	**(1,919)**
Income tax	506	(30.9)	732
NET INCOME	**(417)**	**(64.9)**	**(1,187)**
Minority interests	84	n.m.	(7)
NET ATTRIBUTABLE PROFIT	**(333)**	**(72.1)**	**(1,193)**
One-off operations [1]	-	(100.0)	(395)
NET ATTRIBUTABLE PROFIT (except one-off operations)	**(333)**	**(58.3)**	**(799)**

1) In 2008, capital gains from Bradesco and extraordinary charges for early retirements.

Balances

(Millones de euros)

	31-12-09	∆%	31-12-08
Cash and balances with central banks	411	n.m.	(922)
Financial assets	33,701	72.8	19,505
Loans and receivables	1,918	(65.9)	5,618
• Loans and advances to customers	1,079	(37.7)	1,731
• Loans and advances to credit institutions and other	839	(78.4)	3,887
Inter-area positions	(24,471)	n.m.	(1,629)
Tangible assets	3,061	(13.3)	3,531
Other assets	13,253	(2.8)	13,637
TOTAL ASSETS/LIABILITIES AND EQUITY	**27,873**	**(29.9)**	**39,739**
Deposits from central banks and credit institutions	16,852	(10.6)	18,839
Deposits from customers	3,983	15.9	3,437
Debt certificates	94,449	1.3	93,223
Subordinated liabilities	7,768	23.7	6,278
Inter-area positions	(97,124)	15.9	(83,812)
Financial liabilities held for trading	(3,342)	162.1	(1,275)
Other liabilities	(1,705)	184.8	(599)
Valuation adjustments	(62)	(93.4)	(930)
Shareholders' funds	26,152	11.8	23,387
Economic capital allocated	(19,098)	1.5	(18,809)

This area has always combined 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 2009 it also incorporated the newly created Real-Estate Management unit, which brings together all the Group's non-international real-estate business.

The 2009 **net interest income** in Corporate Activities made an outstanding contribution to the Group's revenues, totalling €516m, compared against the negative €1,061m recorded in 2008. This performance was mainly due to successful management of the euro balance-sheet and the favourable impact of interest rate hedges. Net trading income also generated significant revenues, growing 10.8%. Both items more than offset the negative impact of hyperinflation on the books in Venezuela, such that gross income reached €940m in 2009 (down €481m on 2008) and absorbed nearly all the year's operating expenses. Thus, **operating profit** was negative by €8m. This compares very favourably against an operating loss of €1,269m the previous year.

Losses from impairment on financial assets subtracted €172m from this figure, mainly due to country-risk coverage. Allocations to provisions and other earnings charged a further €743m against the area. These reflected the application of maximum prudence criteria in valuing assets adjudicated and acquired and the real-estate fund's assets when appraisals are updated to reflect current prices. The area's **attributable profit** in 2009 was negative by €333m, much less so than the €1,193 loss recorded the previous year, even factoring out the one-off transactions from 2008 (–€799m).

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 has long been to encourage the financial independence of its subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation. During 2009, thanks to the decisive role of the central banks, liquidity conditions on interbank markets improved significantly, with a large reduction in the Euribor *Overnight Index Swap* (OIS) spread. The medium-term markets also saw marked improvements after the announcement that central banks would buy covered bonds and that there would be public guarantee programmes for banks' issues. BBVA's position remained especially favourable. The liquidity gap on its businesses throughout 2009 enabled it to keep a low profile on the long-term funding markets. The Group's liquidity position remained sound, due to the weight of retail customer deposits within the balance sheet structure and the ample collateral available as a second source of liquidity. For 2010, BBVA's current and potential sources of liquidity easily surpass expected drainage, enabling it to remain in this comfortable position.

The 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 units, active management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity (shares, preferred securities and subordinate debt). In the third quarter of 2009, the bank made a €2,000m five-year mandatory convertible bond issue. This provides additional flexibility and headroom in capital management. The transaction also allows BBVA to anticipate the possibility of future capital regulations becoming stricter.

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 2009, BBVA maintained a policy of actively hedging its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group hedges its exchange-rate exposure on expected 2009 and 2010 earnings from the Americas.

During 2009, this hedging has mitigated the impact of American currencies' depreciation against the euro. In 2010, the same policy of prudence and anticipation will be pursued in managing the Group's exchange-rate exposure.

The unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This keeps the performance of short and medium-term net interest income more uniform by cutting out interest-rate fluctuations. During 2009, the outcome of this management has been highly satisfactory. Hedging has been maintained against a less positive economic scenario in Europe for 2009-2010, while the risk on the Group's USA and Mexico balance sheets remains within comfort parameters. These strategies are managed both with hedging derivatives (caps, floors, swaps, FRA's, etc) and with balance-sheet instruments (mainly government bonds with highest credit and liquidity ratings). As 2009 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. Like Financial Planning, this unit reports to the Group's Finance Department.

BBVA operates this portfolio with strict requirements regarding its risk-control procedures, economic-capital consumption and return on investment, diversifying investments over different sectors. It also applies dynamic management techniques to holdings through monetisation and coverage strategies. In 2009, it invested €353m and divested €594m.

On 31st December 2009, the market value of the Holdings in Industrial & Financial Companies portfolio was €4,698m, with unrealised capital gains of €1,542m.

During the year, management of the industrial and financial holdings generated €247m in dividends and €107m in net trading income. The attributable profit was €287m.

Real-Estate Management

Given the current economic scenario and forecasts as to how it may develop, BBVA has set up a Real-Estate Management unit to apply specialist management to real-estate assets from foreclosures, asset-for-debt swaps, purchases of distressed assets and the assets in BBVA Propiedad, the real-estate fund.

Corporate responsibility

During the **fourth quarter** of 2009 BBVA signed a co-operation agreement with the Inter-American Development Bank (IDB) to promote the economic and social development of Latin America and the Caribbean. The goal is to provide more financial and non-financial services to micro-firms and SMEs. This includes foreign trade financing, co-financing of infrastructure projects and education finance. Both organisations have worked in similar areas; for example:

- BBVA's participation in the Trade Finance Programme.
- The collaboration between the IDB's multilateral investment fund and BBVA's Microcredit Foundation to provide broader access to microcredit in Latin America and the Caribbean.
- An agreement on co-operation and technical guidance between BBVA's South America Area and the Inter-American Investment Corporation to support the development of SMEs in the region.

Other relevant events associated with corporate responsibility were:

Responsible products and services

BBVA Bancomer launched *B+EDUCA*, the first mutual fund that focuses on education. The fund's subscribers donate 25% of net monthly interest to help poor students who are high achievers under a scholarship scheme (*Becas Adelante por los que se quedan*). Bancomer also commenced marketing of a new micro-business card to boost the growth of micro-firms in Mexico. BBVA, in co-operation with the Spanish chapter of the UN's Global Compact, presented *Principles for Responsible Investment*, confirming its commitment to socially responsible investment. BBVA Colombia and the Inter-American Investment Corporation announced a programme (*Greenpyme*) to improve the energy efficiency of SMEs, thus helping to protect the environment. And the BBVA Group joined the 2010 scheme of Spain's official credit institute (ICO) to support the self-employed and small businesses.

Responsible HR management

BBVA's annual solidarity run took place in Madrid with 7000 participants. Their registration fees went to help children in the Dadaab refugees camps (Kenya). This is co-ordinated with the United Nations' refugee organisation, UNHCR. BBVA matched the amount collected (€70,000).

Environmental management and climate change

The 2009 CDP Report for Spain was published with support from BBVA, the Carbon Disclosure Project (CDP) and *Ecología y Desarrollo*. It assesses the transparency of the top 85 Spanish companies regarding climate change and highlights the best practices in this area. The Group launched a new campaign (*Ayúdanos a plantar un árbol*) to encourage employees to use digital messages and improve their carbon footprint. The aim is to reduce the use of paper and foster reforestation in various Spanish regions. In addition BBVA Paraguay opened a new headquarters that was designed and built in accordance with sustainability criteria and achieved a *LEED Oro* certificate. Elsewhere BBVA Chile won the national energy efficiency prize in the banking sector awarded by that country's federation of industry and commerce, and the Ministry of Energy.

Commitment to society

VOLUNTEERS. BBVA's Volunteers won a prize for their work on basic technical training for immigrants in the corporate volunteer category of the Cibermax Prizes. The volunteers also took part in an annual competition entailing social projects put forward by current and past employees.

COMMUNITY SUPPORT. UNICEF and the Kanouté Foundation are organising a soccer match with star players from the BBVA League as part of the "Champions for Africa" campaign (also sponsored by BBVA). The money collected will help to provide schooling for more than 20,000 children in Mozambique and Mali.

PROMOTION OF CORPORATE RESPONSIBILITY. BBVA is participating in the third annual Spain–Latin America Conference on the social responsibility of companies in Spain and Mexico (*Enfoques ante la crisis*).

Prizes and recognition

The prize for the best Ibero-American documentary at Mexico City's international film festival went to *Los que se quedan*, which was sponsored by BBVA.

BBVA and the sustainability indices

BBVA maintained a 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 (%)
Dow Jones Sustainability Indexes	DJSI World	0.80
	DJSI STOXX	1.85
	DJSI EURO STOXX	3.60
vigeo	ASPI Eurozone Index	2.60
	Ethibel Sustainability Index Excellence Europe	2.13
	Ethibel Sustainability Index Excellence Global	1.30
(1) FTSE4Good KLD Indexes	FTSE KLD Global Sustainability Index	0.71
	FTSE KLD Global Sustainability Index Ex-US	1.23
	FTSE KLD Europe Sustainability Index	2.08
	FTSE KLD Europe Asia Pacific Sustainability Index	1.41

(1) In May 2009 FTSE and KLD merged their sustainability indices.

INVESTOR RELATIONS

- Paseo de la Castellana, 81 – 19th floor
  E-28046 MADRID -SPAIN
  Phone: +34 91 374 62 01
  Fax: +34 91 537 85 12
  e-mail: inversoresbbva@grupobbva.com

- 1345 Av. of the Americas, 45th floor
  NEW YORK NY 10105 - USA
  Phone: (+1 212) 728 16 60
  Fax: (+1 212) 333 29 05
  e-mail: ricardo.marine@bbvany.com

INTERNET INFO http: //www.bbva.com

BBVA

4Q09

Dow Jones Sustainability Indexes
Member 2008/09

FTSE4Good

KLD INDEXES

ASPI