→ 4Q10

BBVA

QUARTERLY REPORT

Results 2010

Contents

QUARTERLY REPORT 2010

Results

BBVA GROUP HIGHLIGHTS

BBVA Group Highlights

(Consolidated figures)

	31-12-10	Δ%	31-12-09	31-12-08
Balance sheet (million euros)				
Total assets	552,738	3.3	535,065	542,650
Total lending (gross)	348,253	4.8	332,162	342,682
Customer funds on balance sheet	378,388	1.7	371,999	376,380
Other customer funds	147,572	7.6	137,105	119,034
Total customer funds	525,960	3.3	509,104	495,414
Total equity	37,475	21.8	30,763	26,705
Stockholders' funds	36,689	25.0	29,362	26,586
Income statement (million euros)				
Net interest income	13,320	(4.0)	13,882	11,686
Gross income	20,910	1.2	20,666	18,978
Operating income	11,942	(3.0)	12,308	10,523
Income before tax	6,422	12.0	5,736	6,926
Net attributable profit	4,606	9.4	4,210	5,020
Net attributable profit excluding one-offs [(1)]	4,606	(12.4)	5,260	5,414
Data per share and share performance ratios				
Share price (euros)	7.56	(40.6)	12.73	8.66
Market capitalization (million euros)	33,951	(28.8)	47,712	32,457
Net attributable profit per share (euros) [(2)]	1.17	8.3	1.08	1.31
Net attributable profit per share excluding one-offs (euros) [(1-2)]	1.17	(13.3)	1.35	1.41
Book value per share (euros)	8.17	4.3	7.83	7.09
Tangible book value per share (euros) [(3)]	6.27	6.3	5.90	4.99
P/BV (Price/book value; times)	0.9		1.6	1.2
Price/tangible book value (times) [(3)]	1.2		2.2	1.7
PER (Price/Earnings; times)	7.4		11.3	6.5
Significant ratios (%)				
ROE (Net attributable profit/Average equity)	15.8		16.0	21.5
ROE excluding one-offs [(1)]	15.8		20.0	23.2
ROA (Net income/Average total assets)	0.89		0.85	1.04
ROA excluding one-offs [(1)]	0.89		1.04	1.12
RORWA (Net income/Average risk-weighted assets)	1.64		1.56	1.94
RORWA excluding one-offs [(1)]	1.64		1.92	2.08
Efficiency ratio	42.9		40.4	44.6
Risk premium excluding one-offs [(1)]	1.27		1.15	0.82
NPA ratio	4.1		4.3	2.3
NPA coverage ratio	62		57	92
Capital adequacy ratios (%)				
BIS Ratio	13.7		13.6	12.2
Core capital	9.6		8.0	6.2
Tier I	10.5		9.4	7.9
Other information				
Number of shares (millions)	4,491		3,748	3,748
Number of shareholders	952,618		884,373	903,897
Number of employees	106,976		103,721	108,972
Number of branches	7,361		7,466	7,787
Number of ATMs	16,995		15,716	14,888

General note: These quarterly statements have not been audited. The consolidated accounts of the BBVA Group have been drawn up according to the International Financial Reporting Standards (IFRS) adopted by the European Union and in conformity with Bank of Spain Circular 4/2004, together with the changes introduced therein.

(1) In the third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit, and in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States. 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) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

(3) Net of goodwill.

GROUP INFORMATION

RELEVANT EVENTS

More than three years since the start of the crisis, BBVA continues to show an excellent capacity to generate recurring and sustainable earnings and an outstanding strength that gives it the ability to take advantage of any opportunities that may arise.

- **Sound and recurring earnings.** In a highly tense environment, BBVA is capable of maintaining stable earnings and its position as a model of efficiency and profitability in each of the areas in which it operates. These earnings have also been compatible with a major effort in loan-loss provisions and a high level of investment in the brand, franchises, people and technology.
- **Superior strength**, because the Group has a resilient, well capitalized balance sheet with risks that are well-known and controlled and with an adequate financing structure. Despite the pressures suffered by the financial system, BBVA has always been notable for its solid indicators of risk, solvency and liquidity. As a result, the Group has not required assistance neither has cost anything to the communities in which it operates; in fact, it has continued to contribute to their development and sustainability.

In short, BBVA continues with its successful management of the four key levers of earnings, risk, capital and liquidity, under a strict code of conduct and with a customer-based **business model** that is both universal and diversified by segments, customers and products, as well as by businesses and geographical areas.

The most important aspects of the BBVA's performance in its main areas in the fourth quarter and 2010 as a whole are as follows:

- A positive performance from revenues, with the **gross income** for the quarter at €4,946m, despite the reduced contribution of net trading income (NTI). The figure for the year as a whole is €20,910m, once more an all-time high.
- **Operating expenses** for the year increased by 7.3% year-on-year. The sale-and-leaseback operation for buildings in the third quarter of 2009 and 2010 are part of the reason for this rise. However, investments made in technology, the brand and projects for growth, as well as staff increases in various franchises account for most of the increase. Even so, the **efficiency ratio** is 42.9%, and continues to place BBVA at the top of its peer group.
- **Operating income** for the quarter was €2,621m and closed 2010 at €11,942m, 3.0% down on 2009, but still an amount far higher than that generated in the pre-crisis period.
- A major effort was once more made in the fourth quarter of 2010 on loan-loss provisions to maintain adequate coverage ratios. Despite this, the trend in **impairment losses on financial assets** has been positive and led to an improvement in the risk premium in the reference period. In the year as a whole, this item declined by 13.8% to €4,718m, or 39.5% of the operating income generated. In addition, the **other gains (losses)** item included high provisions towards the end of the year for assets from distressed customers. The corresponding charge in the quarter amounted to €273m and enabled coverage to remain above 30% for all these assets.
- This favorable trend in provisions has not had a negative impact on the Group's **coverage** ratio, which has increased to 62%. Equally, the **NPA ratio** increased and closed the year at 4.1% (4.3% as of 31-Dec-2009). Finally, gross additions to NPA also posted positive figures, falling in 2010 by 23.5% year-on-year.
- As a result of the above, the **net attributable profit** generated in the quarter was €939m, slightly below the figure for previous quarters, primarily due to the reduced contribution of NTI and the high level of provisions. Once more, it is important to note the positive contribution from all the business areas. The accumulated figure for the year increased by 9.4% to €4,606m. This figure is particularly notable given the extended duration of the adverse economic climate in which it was generated. These figures maintain BBVA's profitability at levels that compare well with the standards in the sector, both in terms of equity and assets, with a **ROE** of 15.8% and **ROA** of 0.89%.

- High level of **diversification** of the Group's earnings. Recurring earnings are, to a large extent, the result of a portfolio that is diversified by geography, business and customers. In terms of geography, today 58.1% of the Bank's gross income comes from the Americas and Asia (53.0% in the same period the previous year), where BBVA operates through leading franchises. This allows the Group to take better advantage of the opportunities in each economy.

- A further step was taken in 2010 to diversify the business through the acquisition of 24.9% of **Garanti**. This operation marks BBVA's entry into Turkey, one of the emerging markets with the biggest growth potential, through the acquisition of a stake in one of the best bank franchises in the country. Garanti has 9.5 million customers, a network of 837 branches and total assets of over €60,000m. According to figures as of 30-Sep-2010, it is the leading bank in terms of lending, with a market share of 13.6%, the third biggest in deposits (with a 12.4% share) and the main issuer of credit cards (17.7% share). It has a first-class international-level management team that shares BBVA's approach, banking practices and firm commitment to technology and innovation. The deal includes an option for a controlling stake, with an unbeatable partner (the Dogus Group), and in which the timing depends on BBVA.

- BBVA made a share **capital increase** in November with the aim of financing the acquisition of the 24.9% stake in Garanti. It is worth highlighting the good response to the issue by the market, as 99.9% of the bank's shareholders prior to the operation showed their support. On top of that, the issue was oversubscribed by four times.

- In terms of its **capital base**, BBVA is among the best capitalized financial institutions thanks to its quarter-by-quarter organic generation of core capital. This position has also been strengthened after its recent successful capital increase. The Group closed 2010 with a core ratio of 9.6%, 164 basis points above the figure on 31-Dec-2009. Of this total, about 70 basis points correspond to the organic generation of capital. Tier I capital stands at 10.5% and the capital base at 13.7%. If the impact expected from the incorporation of Garanti is included, the core ratio would be 8.6%.

- In terms of banking **activity** between October and December, the trend is very similar to that explained in the previous quarter. Lending has been very stable over the quarter in Spain and Portugal, against a background of a general stagnation in credit, while in Mexico and South America it was extremely buoyant. In the United States, the fall has been the result of the gradual change in the portfolio mix towards lines with lower associated risk. In customer funds, there has been an increase in time deposits in the domestic sector, and the growth of their cost has slowed considerably compared with the previous quarter (+25 bps compared with +63 bps in the third quarter). Current and savings accounts also continue to increase in the non-domestic sector. The most notable aspect is the continued effort to strengthen customer loyalty. Moreover, BBVA maintains its leading position in pension funds in Latin America and Spain.

- Due to the above, it has a comfortable **liquidity** position and adequate leverage in the Group, which to date complies with all the demands of regulations in this matter. In this respect, it is worth highlighting another improvement in the deposit/loan ratio, which in December closed at 79.2% compared with 73.9% in September 2010. It is also of note that BBVA was the first banking institution to open the door of the liquidity market in January 2011, with a new issue of mortgage-covered bonds.

- As of 31-Dec-2010, BBVA continues to have major unrealized **capital gains** on its more liquid portfolios of equity holdings, at €993m. This also means it has additional capital reserves in a regulatory environment that will impose greater demands on solvency.

- On 10 January, in line with the planned timetable, the **third interim cash dividend** was paid against 2010 earnings, for the same amount as the first and second interim dividends.

- In the difficult economic background in **Spain and Portugal**, the *Aprovecha tu Banco* (Take Advantage of your Bank) campaign (part of the *Plan Uno*) has increased market share in residential mortgages and time deposits, and ensured that current and savings accounts represent a high proportion of total funds on the balance sheet. The competitive advantages of BBVA's commercial product catalogue have generated a net attributable profit for the year of €2,070m, a year-on-year fall of 9.0%. However, it continues at a very stable level and stands out among the rest of the banks in the Spanish system. Finally, the non-performing asset ratio has been held in check at 5.0%, while the latest data for the sector as a whole still show an upturn in NPA.

- In a year of transition towards economic recovery, **Mexico** has managed to post significant progress in business activity, earnings and credit quality, while maintaining its position of leadership in the Mexican market. As a result, BBVA Bancomer has generated a year-on-year growth in its net attributable profit of 11.9% at constant exchange rates, to €1,707m. This is despite the increase in tax rates. This outstanding performance has been recognized by the magazine *Latin Finance*, which named BBVA Bancomer the Best Bank in Mexico for its profit and earnings, asset growth, management quality, strategic vision and technological sophistication.
- In **South America**, 2010 featured recovery in all the lines of business, significant progress in revenues, moderation in costs and improved asset quality. This has boosted the net attributable profit to €889m, 16.5% up on the figure for 2009. All the units have also maintained good liquidity and solvency positions.
- The **United States** continues to focus on customer loyalty, credit quality, promotion of cross-selling and customer profitability. This is why lending has grown in items of lowest risk and greatest loyalty such as residential mortgages (residential real estate). In contrast, lending to developers (construction real estate), and to a lesser extent consumer finance, showed a significant downturn. It is worth highlighting the increase in lower-cost deposits, to the detriment of time deposits. The result has been a good performance in net interest income, which together with the fall in impairment losses on financial assets, led to the generation of an accumulated net attributable profit of €236m (€100m in 2009, excluding one-offs). Over the quarter, the NPA ratio also performed well, at 4.4% (4.6% as of 30-Sep-2010), as did the coverage ratio, which closed at 61% (59% in September).
- Finally, the results in **Wholesale Banking & Asset Management** (WB&AM) were positive. Once more, it is important to mention the excellent performance of the most recurring revenues (net interest income and fees) in Corporate and Investment Banking (C&IB) and commercial business with customers in Global Markets (GM), as well as from the increased contribution from Asia, including China Citic Bank (CNCB), compared with the same period the previous year. WB&AM continues to enjoy a high level of asset quality with a low non-performing asset ratio (1.2%), a coverage ratio of 71% and very low loan-loss provisions. The net attributable profit for the year was up 11.4% to €950m. In terms of the loan portfolio, there continues to be a significant focus on customers with high loyalty, profitability and credit quality.

THE ECONOMIC BACKGROUND

In the **fourth quarter of 2010**, uncertainty and risks in the global economy increased due to renewed

Interest rates
(Quarterly averages)

	2010				2009			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	1.00	1.00	1.00	1.00	1.00	1.00	1.10	1.92
Euribor 3 months	1.02	0.87	0.69	0.66	0.72	0.87	1.31	2.01
Euribor 1 year	1.52	1.40	1.25	1.22	1.24	1.34	1.67	2.22
Spain 10-year bond	4.73	4.23	4.19	3.95	3.83	3.92	4.16	4.17
USA 10-year bond	2.86	2.77	3.47	3.70	3.45	3.50	3.30	2.70
USA Federal rates	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	4.87	4.91	4.94	4.92	4.93	4.90	5.89	8.00

financial turmoil, particularly in Europe as a result of the doubts regarding the process of fiscal consolidation in some countries. This led to the activation of the rescue plans for Ireland. Overall, the advanced economies have shown some signs of slowdown in the quarter, while emerging economies maintain sound growth and are becoming the main pillar of the global economic recovery.

In the **United States** cyclical concerns continue, derived from the weakness of private demand since some of the fiscal stimulus programs began to expire. Thus throughout the quarter there has been a gradual loss of strength in the real estate sector, weakness in the labor market and a deleveraging process in households. Given this situation, the Federal Reserve has begun a new monetary expansion program. At least initially, this has led to downward pressure on short-term interest rates and a depreciation of the dollar. Even so, although towards the end of 2010 the U.S. economy has slowed, the year as a whole closed with average growth close to 3%.

In **Europe**, the economy slowed gradually in line with expectations, although some countries such as Germany maintain their strength. Tension has also returned to the debt markets, particularly in peripheral countries, and above all in Ireland and Portugal. Nevertheless, 2010 closed with growth of close to 2%.

The **Mexican economy** has throughout the second half of 2010 shown resistance to the loss of strength in foreign demand. This is reflected in a less notable slowdown of its growth rates than expected, with GDP up in 2010 by around 5%. Inflation closed at a historically low level of 4.4% as a result of the appreciation of the peso over the year, moderate international prices and the lack of pressure from domestic demand. Nevertheless, the monetary pause is expected to remain in place, at least throughout 2011.

Finally growth in **emerging economies** continues to ease to more sustainable levels, thus limiting the risk of overheating. In **South America** private demand is replacing the economic policy stimuli adopted as the main source of recovery. Although the trend for inflation is rising, it is still not a problem, and the major capital inflows in the region have led some countries to implement control mechanisms. In **China**, the latest economic indicators point to the existence of a renewed boost to growth and increased inflation, which is making the authorities take adjustment measures, including a recent rise in interest rates. Despite this, GDP growth in 2010 was 10.3%. In **Turkey**, the economy recovered in 2010, with a growth of 7.6% and inflation slightly under the Central Bank's target. At the same time, the public debt has been confirmed as falling increasingly steeply. Given this situation, the Central Bank has reduced the official interest rate and controlled credit with increases in the bank's short-term reserve requirements.

In terms of **exchange rates** over the last year, there was a general appreciation of the currencies of greatest importance for the Group's results and business, as can be seen in the adjoining table. The exceptions are the Venezuelan bolivar, which devalued in January, and the Argentinean peso, which depreciated slightly over the last twelve months in terms of average exchange rates. In all, the effect of the exchange rates on the year-on-year comparison of the Group's income statements and balance sheet is positive.

Exchange rates
(Expressed in currency/euro)

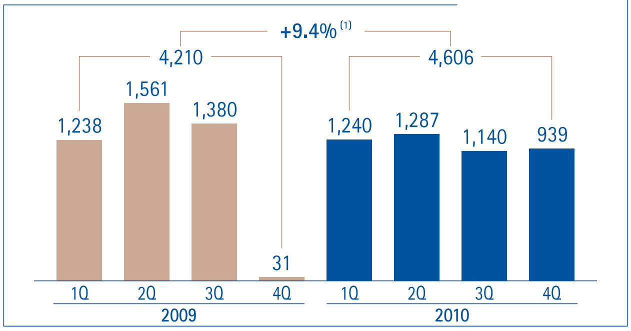
	Year-end exchange rates			Average exchange rates	
	31-12-10	Δ% on 31-12-09	Δ% on 30-09-10	2010	Δ% on 2009
Mexican peso	16.5475	14.4	3.5	16.7372	12.3
U.S. dollar	1.3362	7.8	2.1	1.3257	5.2
Argentinean peso	5.4851	1.3	0.2	5.2686	(0.1)
Chilean peso	625.39	16.8	5.9	675.68	15.1
Colombian peso	2,557.54	15.0	(3.9)	2,518.89	18.2
Peruvian new sol	3.7528	10.9	1.4	3.7448	11.9
Venezuelan bolivar fuerte	5.7385	(46.1)	2.1	5.6217	(46.7)

EARNINGS

In the **fourth quarter of 2010**, BBVA generated a net attributable profit of €939m, slightly less than previous quarters, primarily due to a lesser contribution of net trading income and the high level of provisions. As a result, it stood at €4,606m for the year. This indicates a 9.4% growth over the earnings recorded in 2009. The most noteworthy advances achieved this year are listed below.

- Elevated capacity for generating revenues, as reflected by the accumulated **gross income**, the highest in BBVA's history, of €20,910m. This is

Net attributable profit
(Million euros)



(1) At constant exchange rate: +6.8%.
Excluding one-offs: –12.4%, at constant exchange rate: –15.0%.

Consolidated income statement
(Million euros)

	2010	Δ%	Δ% at constant exchange rates	2009
Net interest income	**13,320**	**(4.0)**	**(5.3)**	**13,882**
Net fees and commissions	4,537	2.4	(0.6)	4,430
Net trading income	1,894	22.7	15.0	1,544
Dividend income	529	19.3	18.7	443
Income by the equity method	335	180.1	180.0	120
Other operating income and expenses	295	19.2	(23.7)	248
Gross income	**20,910**	**1.2**	**(1.5)**	**20,666**
Operating costs	(8,967)	7.3	5.4	(8,358)
Personnel expenses	(4,814)	3.5	1.9	(4,651)
General and administrative expenses	(3,392)	12.7	10.4	(3,011)
Depreciation and amortization	(761)	9.2	7.8	(697)
Operating income	**11,942**	**(3.0)**	**(6.1)**	**12,308**
Impairment on financial assets (net) (1)	(4,718)	(13.8)	(17.9)	(5,473)
Provisions (net)	(482)	5.4	4.4	(458)
Other gains (losses) (1)	(320)	(50.1)	(54.4)	(641)
Income before tax	**6,422**	**12.0**	**10.6**	**5,736**
Income tax	(1,427)	25.1	23.7	(1,141)
Net income	**4,995**	**8.7**	**7.3**	**4,595**
Non-controlling interests	(389)	1.1	14.0	(385)
Net attributable profit	**4,606**	**9.4**	**6.8**	**4,210**
Net one-offs (1)	-	n.m.	n.m.	(1,050)
Net attributable profit (excluding one-offs)	**4,606**	**(12.4)**	**(15.0)**	**5,260**
Basic earnings per share (euros) (2)	**1.17**	**8.3**		**1.08**
Basic earnings per share excluding one-offs (euros) (2)	**1.17**	**(13.3)**		**1.35**

(1) In the third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit, and in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.
(2) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

Consolidated income statement: quarterly evolution

(Million euros)

	2010				2009			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,138**	**3,245**	**3,551**	**3,386**	**3,589**	**3,434**	**3,586**	**3,272**
Net fees and commissions	1,135	1,130	1,166	1,106	1,163	1,086	1,102	1,079
Net trading income	252	519	490	633	420	325	435	364
Dividend income	227	45	231	25	153	42	207	41
Income by the equity method	124	60	94	57	114	(21)	22	4
Other operating income and expenses	70	85	47	93	(149)	128	140	128
Gross income	**4,946**	**5,084**	**5,579**	**5,301**	**5,290**	**4,995**	**5,492**	**4,889**
Operating costs	(2,325)	(2,262)	(2,262)	(2,118)	(2,254)	(2,017)	(2,018)	(2,070)
Personnel expenses	(1,240)	(1,211)	(1,215)	(1,149)	(1,233)	(1,126)	(1,130)	(1,161)
General and administrative expenses	(887)	(855)	(855)	(796)	(852)	(716)	(710)	(733)
Depreciation and amortization	(199)	(197)	(192)	(174)	(169)	(174)	(178)	(175)
Operating income	**2,621**	**2,821**	**3,317**	**3,183**	**3,036**	**2,979**	**3,474**	**2,819**
Impairment on financial assets (net)	(1,112)	(1,187)	(1,341)	(1,078)	(1,787)	(1,741)	(1,029)	(916)
Provisions (net)	(75)	(138)	(99)	(170)	(224)	(82)	(48)	(104)
Other gains (losses)	(273)	113	(88)	(72)	(1,240)	791	(228)	36
Income before tax	**1,162**	**1,609**	**1,789**	**1,862**	**(214)**	**1,947**	**2,168**	**1,834**
Income tax	(127)	(359)	(431)	(510)	277	(457)	(480)	(480)
Net income	**1,034**	**1,250**	**1,358**	**1,352**	**63**	**1,490**	**1,688**	**1,354**
Non-controlling interests	(96)	(110)	(70)	(113)	(31)	(110)	(127)	(116)
Net attributable profit	**939**	**1,140**	**1,287**	**1,240**	**31**	**1,380**	**1,561**	**1,238**
Net one-offs (1)	-	-	-	-	(1,050)	-	-	-
Net attributable profit (excluding one-offs)	**939**	**1,140**	**1,287**	**1,240**	**1,081**	**1,380**	**1,561**	**1,238**
Earnings per share								
Basic earnings per share (euros) (2)	0.23	0.29	0.32	0.31	0.01	0.36	0.40	0.33
Basic earnings per share excluding one-offs (euros) (2)	0.23	0.29	0.32	0.31	0.27	0.36	0.40	0.33

(1) In the third quarter, both for 2009 and 2010, includes capital gains from the sale-and-leaseback of retail branches which have been allocated to generic provisions for NPA, with no effect on net attributable profit, and in the fourth quarter of 2009, there was an extraordinary provision and a charge for goodwill impairment in the United States.
(2) Earnings per share for periods prior to the share capital increase have been adjusted to the said capital increase as per IAS 33.

especially relevant considering the still complex economic backdrop of the year.

- Increased **diversification**, in terms of geographic areas, business and segments, which makes the earnings dependent upon multiple economies, currencies, sectors and risk factors. In terms of geography, today, 58.1% of the Bank's gross income comes from the Americas and Asia, where BBVA operates through leading franchises that compensate the reduced contribution from Spain. In terms of business, the weight of earnings from units without liquidity or credit risks, such as those managing mutual funds and pensions or insurance, are relevant, as they contribute stability to the earnings from the banking business, as they are more cyclical. Furthermore, the Group has specialized units in the different segments for individual customers, SMEs, national and multinational corporations, governments and administrations and financial institutions. This diversity is managed through the transversal responsibilities of the geographic areas and businesses.

- Launch of an ambitious **investment** plan with the objective of initiating a new path of growth in each of the markets in which BBVA operates. The above has impacted the course of operating expenses (up 7.3% year-on-year, and up 5.4% at constant exchange rates).

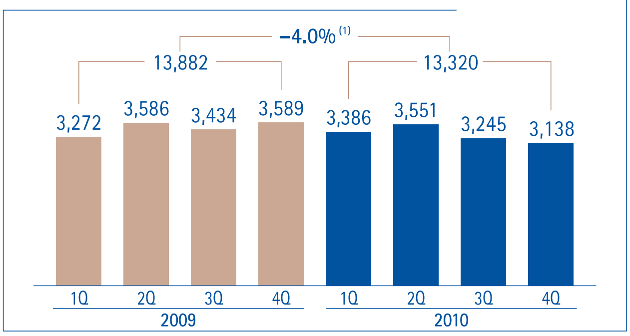
- Positive progress of **provisions**. After the proactive measures taken in the fourth quarter of 2009, impairment losses on financial assets in 2010 were down 13.8%, as a result of BBVA's superior risk management. In this regard, both the **NPA ratio** and **coverage** have remained at the same levels as at the close of September, 4.1% and 62%, respectively and improved along the year (4.3% and 57% as of December 31, 2009).

NET INTEREST INCOME

Between October and December of 2010, the **net interest income** presented more stable progress than in the previous quarter. It recorded a slight, 3.3% fall, as compared to a quarter-on-quarter decrease of 8.6% the previous period. The accumulated figure of €13,320m is only 4.0% lower than that of 2009. The above shows, once again, the high resilience of the Group's net interest income against a backdrop of rising interest rates, more expensive wholesale funds and the gradual change of the composition of the

Net interest income

(Million euros)



(1) At constant exchange rate: –5.3%.

Breakdown of yields and costs

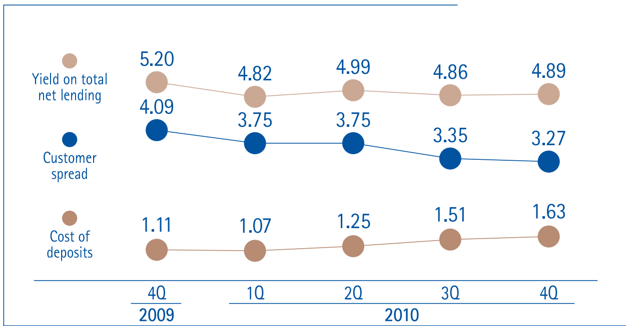
	4Q10		3Q10		2Q10		1Q10	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances with central banks	4.0	1.17	4.2	0.99	3.7	1.16	3.4	1.19
Financial assets and derivatives	25.2	2.75	26.0	2.61	26.8	2.65	26.5	2.79
Loans and advances to credit institutions	4.7	1.97	4.2	2.14	4.6	1.91	4.8	1.83
Loans and advances to customers	59.9	4.89	59.5	4.86	59.1	4.99	59.8	4.82
· Euros	39.5	3.12	39.0	3.12	38.7	3.23	40.2	3.31
- Domestic	35.6	3.31	35.4	3.22	35.2	3.27	35.2	3.42
- Other	3.9	1.48	3.6	2.10	3.6	2.81	4.9	2.53
· Foreign currencies	20.4	8.31	20.5	8.19	20.4	8.35	19.6	7.90
Other assets	6.2	0.46	6.1	0.43	5.7	0.30	5.5	0.77
Total assets	**100.0**	**3.79**	**100.0**	**3.73**	**100.0**	**3.81**	**100.0**	**3.79**
Deposits from central banks and credit institutions	12.9	2.15	15.1	1.82	15.9	1.66	13.5	1.98
Deposits from customers	48.1	1.63	45.6	1.51	44.9	1.25	47.0	1.07
· Euros	24.6	1.40	22.5	1.23	19.6	0.74	20.5	0.58
- Domestic	17.3	1.77	16.6	1.52	14.3	0.89	14.6	0.77
- Other	7.3	0.51	5.8	0.41	5.2	0.34	5.9	0.12
· Foreign currencies	23.4	1.87	23.2	1.78	25.3	1.64	26.5	1.44
Debt certificates and subordinated liabilities	20.4	2.15	20.6	1.95	21.8	1.90	23.0	1.81
Other liabilities	12.3	0.64	12.8	0.64	11.7	0.44	10.7	0.79
Equity	6.3	-	5.9	-	5.8	-	5.7	-
Total liabilities and equity	**100.0**	**1.58**	**100.0**	**1.45**	**100.0**	**1.29**	**100.0**	**1.27**
Net interest income/average total assets (ATA)		**2.21**		**2.28**		**2.52**		**2.52**

portfolio towards items with less risk and spread, but with higher loyalty. The Entity's solid geographic structure is also a contributing factor. In this regard, the Americas present positive performance of net interest income with year-on-year growth of 3.2% at constant exchange rates. This is particularly important in the case of South America (up 11.1%).

In terms of the customer spreads in the **euro zone** over the quarter, the yield on loans maintained the levels from the previous quarter and closed the year at 3.12%. The solid defense of spreads, despite the change in the mix towards lower risk and lower margin products, with progressive repricing of the loan portfolio (in particular, residential mortgages), as well as positive spreads of the new production, explain this performance. In terms of the cost of deposits, it's worth noting the slowdown of the rate of growth over the last three months of the year, as compared to the previous quarter. The figure now stands at 1.40%, 17 basis points more than in the previous period (up 49 points in the third quarter, as compared to the second). As a result, customer spread in the euro zone only fell 16 basis points to 1.73%.

→ Customer spread. BBVA Group

(Percentage)



In **Mexico**, the interbank interest rates have remained at similar levels to those in the previous quarter (average TIIE at 4.87% as of 31-Dec-2010, compared with 4.91% as of 30-Sep-2010), so it barely had any impact on the returns on investment or the cost of the liabilities. As a result, customer spread remains unchanged at 10.72%. In all, the accumulated net interest income in the area practically remains the same as in 2009 (down 0.7% year-on-year, but up 11.5% with the effect of the exchange rate).

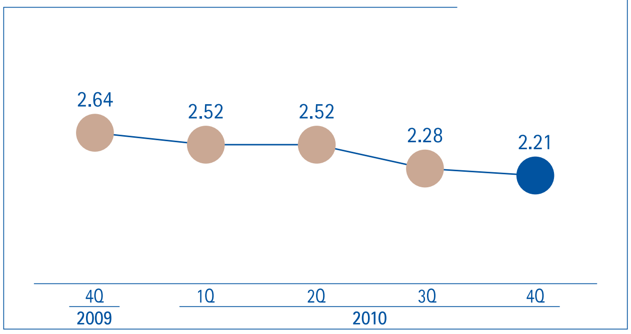
In **South America**, the reactivation of activity has compensated for the effect the heightened competitive pressure in the region has had on spreads. The net interest income of €2,495m is up 11.1% over the levels of 2009 at constant exchange rates.

Finally, in the **United States**, the accumulated net interest income was up 1.3% year-on-year (up 6.8% including the effect of the currency), and was sustained primarily by the repricing efforts carried out in the year and due to the growth of lower-cost customer funds. The customer spread of BBVA Compass again grew in the fourth quarter, by 11 basis points, as the cost of deposits fell while the yield on loans remains at practically the same level as the previous quarter.

Therefore, the Group's net interest income is being increasingly generated by a balance sheet with more controlled liquidity and credit risk.

→ Net interest income/ATA. BBVA Group

(Percentage)



GROSS INCOME

Fees and commissions generated between October and December of 2010, at €1,135m, are practically the same as in the previous quarter, and are up 2.4% in the year to €4,537m. Especially noteworthy are the increases in fees and commissions from pension funds, which are up 8.0%. Those corresponding to banking services were also above the 2009 levels thanks to the increases in those for account maintenance and management, as well as from contingent liabilities. By geographical area, the Americas increased the weight of their contribution to fees and commission income for the Group, and account for 63% of the total (60% in 2009).

The contribution of **net trading income** was lower in the fourth quarter of 2010 than in previous quarters due to a lesser contribution of the markets units. As of December, this heading recorded very positive performance, as it was up 22.7% on the amount obtained in the same period of 2009, standing at €1,894m, due to its favorable course in the first nine months of 2010.

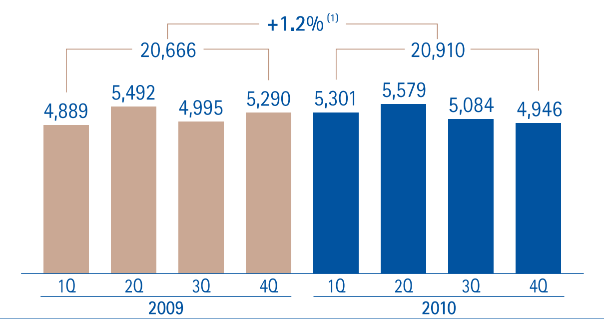
Income from **dividends** came to €529m, for a year-on-year increase of 19.3%. Their main component is that from BBVA's investment in Telefónica, which has increased from €1.0 to €1.3 per share.

Furthermore, **equity-accounted income** reached €335m, up from the 2009 figure of €120m due primarily to the increased contribution of CNCB.

In this quarter, the **other operating income and expenses** heading totaled €295m, as compared to the €248m from 2009 due to the greater contribution of the insurance business.

Therefore, the **gross income** accumulated as of December reached a Group record of €20,910m, which is 1.2% than in the same period of 2009. This further demonstrates BBVA's capacity for generating operating income in a still complex economic context.

Gross income
(Million euros)



(1) At constant exchange rate: –1.5%.

OPERATING INCOME

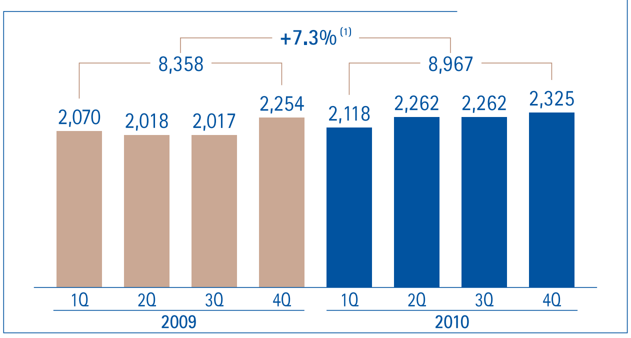
Operating costs for the year were €8,967m and grew 7.3% year-on-year. However, their rate of growth

Breakdown of operating costs and efficiency calculation
(Million euros)

	2010	Δ%	2009
Personnel expenses	**4,814**	**3.5**	**4,651**
Wages and salaries	3,740	3.7	3,607
Employee welfare expenses	689	7.1	643
Training expenses and other	386	(3.7)	401
General and administrative expenses	**3,392**	**12.7**	**3,011**
Premises	750	16.7	643
IT	563	(2.4)	577
Communications	284	11.6	254
Advertising and publicity	345	31.9	262
Corporate expenses	89	11.6	80
Other expenses	1,040	11.9	929
Levies and taxes	322	20.7	266
Administration costs	**8,207**	**7.1**	**7,662**
Depreciation and amortization	**761**	**9.2**	**697**
Operating costs	**8,967**	**7.3**	**8,358**
Gross income	**20,910**	**1.2**	**20,666**
Efficiency ratio (Operating costs/gross income, in %)	**42.9**		**40.4**

was down in the last quarter, since they grew at a rate of 8.8% as of September. By types, the largest increases continue to be in administrative expenses. On the one hand, as mentioned in previous quarterly reports, this item included the increase of rental costs from the sale-and-leaseback of real estate in Spain in the third quarter of 2009 and 2010. And on the other, after the end of the Transformation Plan carried out by the Group in previous years, it is now starting a very significant investment process that affects mainly the franchises working in emerging markets. In this regard, some of its actions taken include the implementation of various growth plans in all business areas, by improving the information systems, renewing and extending the number of ATMs, applying the BBVA brand's new positioning and boosting its reputation, through its sponsorship in the Liga BBVA in Spain and of the U.S. NBA basketball league.

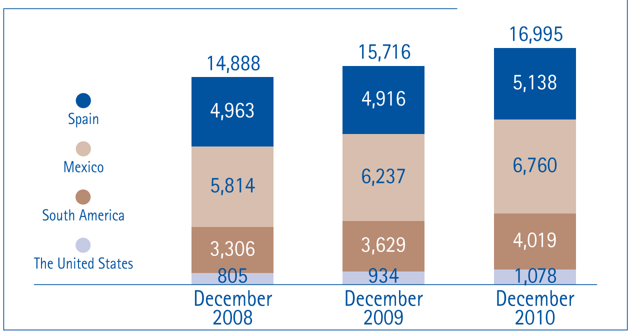
Operating costs
(Million euros)



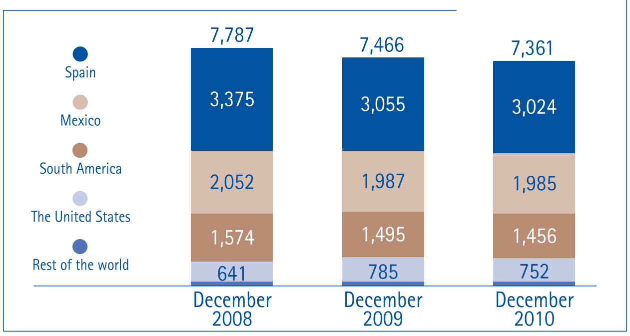
(1) At constant exchange rate: +5.4%.

This investment process is accompanied by a gradual increase of the Group's **workforce** in almost all of its areas. Thus, as of 31-Dec-2010, BBVA had 106,976 employees, up 3.1% on the previous year. In terms of its distribution network, it now has 1,279 more **ATMs** than in 31-Dec-2009. Furthermore, the number of **branches** continues to fall, but at a lower rate than in previous years, as BBVA anticipated the sector's current trend with its aforementioned Transformation Plan. As of 31-Dec-2010, there were 105 fewer branches than at the close of 2009.

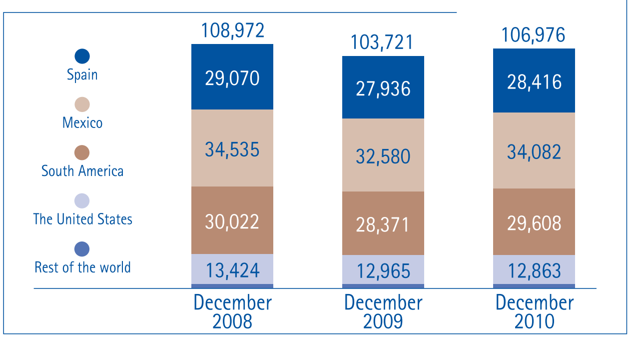
Number of ATMs



Number of branches

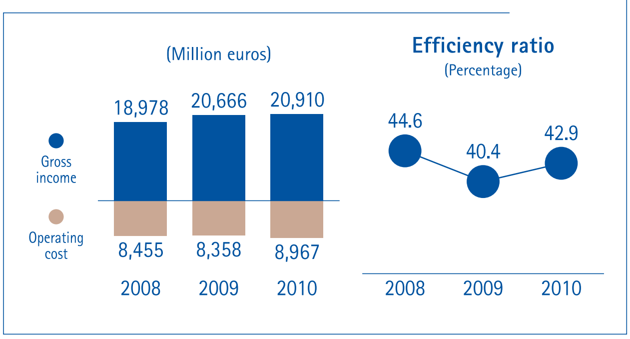


Number of employees



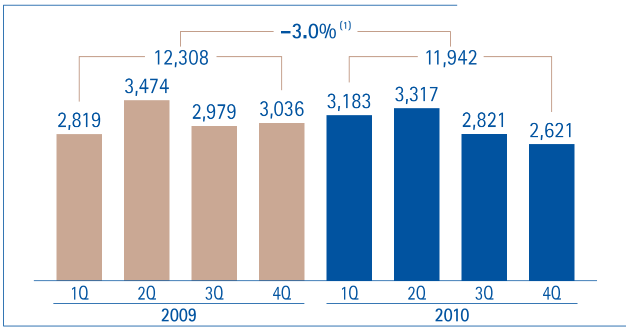
As a result of this course of revenues and expenses, the **efficiency ratio** is at 42.9%, and BBVA maintains its position as one of the most efficient entities within

Efficiency



its reference group. Consequently, the accumulated **operating income** reached €11,942m, marking a slight 3.0% fall on the previous year.

→ Operating income
(Million euros)

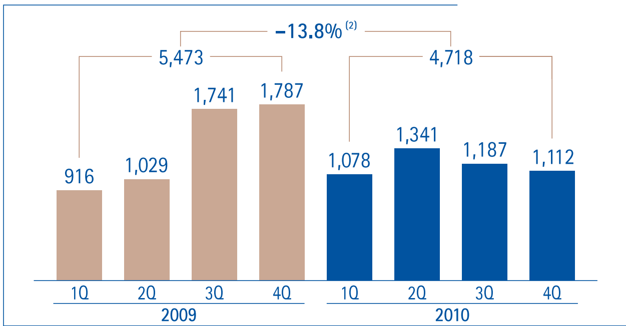


(1) At constant exchange rate: -6.1%.

PROVISIONS AND OTHERS

In the last quarter of the year, impairment losses on financial assets, €1,112m, positively progressed and were down 6.4% quarter-on-quarter. The above has enabled the risk premium for the period to continue its downward trend and closed at 1.21% (1.33% in the previous quarter). In the accumulated figure as of December 2010, there has been a 13.8% year-on-year decrease to €4,718m. The cause of this decrease is primarily due to the proactive measures carried out throughout the fourth quarter of 2009 in Spain and Portugal and in the United States. Considering the above, the percentage of the operating income allocated to covering these impairment losses stands at 39.5%, one of the lowest for its reference group. Finally, said fall in provisions did not prevent the improvement in the coverage ratio, which stood at 62% as of 31-Dec-2010, more than 4 percentage points rise year-on-year.

→ Impairment losses on financial assets (1)
(Million euros)



(1) In the third quarter of 2009, includes €830m capital gains coming from the sale-and-leaseback of properties which were alloted to NPL generic provisions, in the fourth quarter the €533m extraordinary allocation to USA provisions, and in the fourth quarter of 2010, the €233m additional allocation.
(2) At constant exchange rate: -17.9%.

Provisions (the main item is early retirements) increased to €482m, as compared to the €458m in 2009. This was primarily the result of those for contingent liabilities, since there were recoveries in 2009 for the reduction of balances.

Lastly, **other gains (losses)** stood at –€320m, as compared to the –€641 in 2009. Greater provisions were incorporated for real estate assets in 2010 to maintain coverage above 30%. This also includes the capital gains generated in the third quarter from the sale-and-leaseback of branches in Spain. In 2009 they primarily included, in addition to the capital gains from the sale-and-leaseback of premises in Spain, the goodwill impairment charge in the United States.

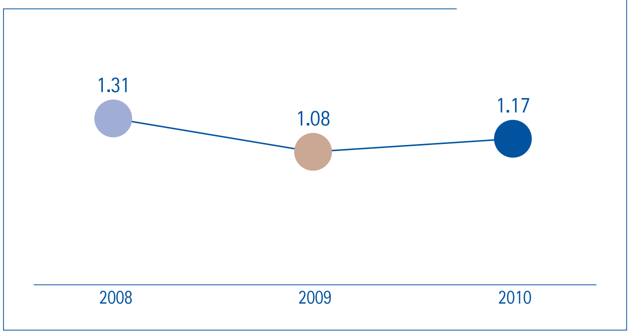
NET ATTRIBUTABLE PROFIT

The **net attributable profit** for the quarter reached €939m, which puts the accumulated figure for the year at €4,606m (up 9.4%). Not counting the one-offs of the previous year, at €1,050m, the annual variation is –12.4%.

Once again, all the Group's **business areas** have positively contributed to its generation. In this regard, Spain and Portugal generated €2,070m, Mexico €1,707m, South America €889m, United States €236m and WB&AM €950m.

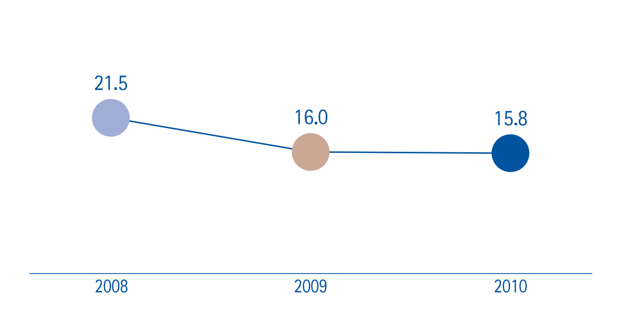
The share capital increase in November did not dilute **basic earnings per share**, which stood at €1.17 in

→ Earnings per share
(Euros)

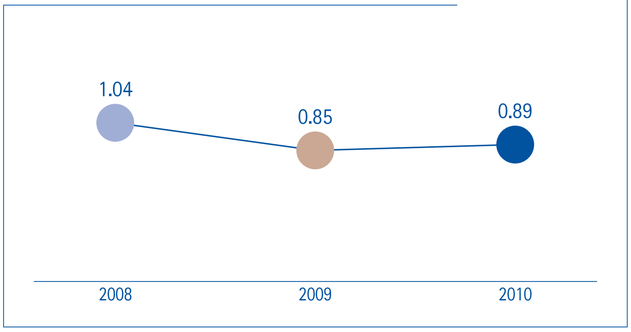


2010 and was up 8.3%, a growth rate close to that of the net attributable profit. The **book value** per share stands at €8.17, up 4.3% year-on-year, and the **tangible book value** per share closed at €6.27 on 31-Dec-2010, up 6.3%. In terms of the Group's performance, measured in terms of return on equity (ROE) and return on total average assets (ROA), BBVA continues to be one of the most profitable banks in its reference group with a ROE of 15.8% and a ROA of 0.89%.

→ ROE
(Percentage)



→ ROA
(Percentage)



BUSINESS ACTIVITY

The main aspects of the Group's balance sheet and business in **2010** as a whole and in the **fourth quarter** of the year are as follows:

- The **loan-book** continues along the same trends as in previous quarters, with differences according to the areas in which BBVA operates. Thus, in Spain

Consolidated balance sheet

(Million euros)

	31-12-10	Δ%	31-12-09	30-09-10
Cash and balances with central banks	19,981	22.3	16,344	20,836
Financial assets held for trading	63,283	(9.2)	69,733	69,306
Other financial assets designated at fair value through profit or loss	2,774	18.7	2,337	2,706
Available-for-sale financial assets	56,457	(11.1)	63,520	57,558
Loans and receivables	364,707	5.4	346,117	360,762
· Loans and advances to credit institutions	23,636	6.3	22,239	24,846
· Loans and advances to customers	338,857	4.8	323,442	333,741
· Other	2,213	n.m.	436	2,175
Held-to-maturity investments	9,946	82.9	5,437	9,877
Investments in entities accounted for using the equity method	4,547	55.6	2,922	4,250
Tangible assets	6,701	3.0	6,507	6,593
Intangible assets	8,007	10.5	7,248	7,785
Other assets	16,336	9.6	14,900	18,087
Total assets	**552,738**	**3.3**	**535,065**	**557,761**
Financial liabilities held for trading	37,212	13.3	32,830	47,706
Other financial liabilities at fair value through profit or loss	1,607	17.5	1,367	1,565
Financial liabilities at amortized cost	453,164	1.2	447,936	450,843
· Deposits from central banks and credit institutions	68,180	(3.0)	70,312	75,225
· Deposits from customers	275,789	8.5	254,183	255,798
· Debt certificates	85,180	(14.8)	99,939	94,394
· Subordinated liabilities	17,420	(2.6)	17,878	18,553
· Other financial liabilities	6,596	17.3	5,624	6,873
Liabilities under insurance contracts	8,033	11.8	7,186	7,961
Other liabilities	15,246	1.8	14,983	16,777
Total liabilities	**515,262**	**2.2**	**504,302**	**524,852**
Non-controlling interests	1,556	6.3	1,463	1,426
Valuation adjustments	(770)	n.m.	(62)	(128)
Stockholders' funds	36,689	25.0	29,362	31,610
Total equity	**37,475**	**21.8**	**30,763**	**32,909**
Total equity and liabilities	**552,738**	**3.3**	**535,065**	**557,761**
Memorandum item:				
Contingent liabilities	35,816	9.8	32,614	33,337
Memorandum item:				
Average total assets	558,808	2.9	542,969	557,671
Average stockholders' funds	29,066	10.3	26,341	28,462
Average risk weighted assets	304,174	3.4	294,313	302,074

and Portugal its performance was very stable over the quarter (–0.4%), with a year-on-year growth of 0.7%, in a context of a general credit slump. In contrast, Mexico and South America have been extremely buoyant, with very positive rates of growth both over the year (10.2% and 21.5% respectively) and in the last three months (3.2% and 9.3%). In the United States, the fall has been the result of the gradual change in the portfolio mix towards lines with lower associated risk.

- **Customer deposits** performed strongly, due to the increase in time deposits in the domestic sector and low-cost funds in the non-domestic sector. In both cases, the most notable aspect is the effort to strengthen customer loyalty.

- The leading position in **pension funds** in Spain and most of Latin America has been maintained.

- Continuing **stability** in the Group's balance sheet. Total assets closed December similar to the figure for 31-Dec-2009 (+3.3% or +1.2% at constant exchange rates) and 0.9% under the figure for the previous quarter. In addition, the Bank's balance sheet is characterized by great strength in the indicators of risk, solvency and liquidity and its adequate financing structure.

- The positive effect of the **exchange rate**, both over the quarter and the year as a whole, as the currencies with the greatest impact on the Group's balance sheet and business have appreciated, except for the Venezuelan bolivar, due to its devaluation in January 2010.

We have included rates of change at constant exchange rates for the most important data in order to help the analysis of the business activity.

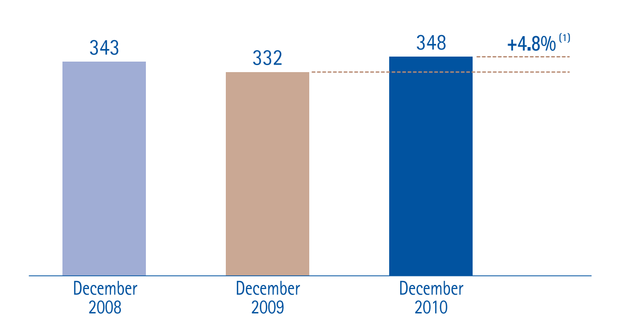
LENDING TO CUSTOMERS

Gross lending to customers stood at €348 billion as of 31-Dec-2010, a year-on-year increase of 4.8%, and 1.5% increase over the quarter. Excluding the exchange-rate effect, the increase is a year-on-year 2.8% and quarter-on-quarter 0.8%.

Total lending
(Million euros)

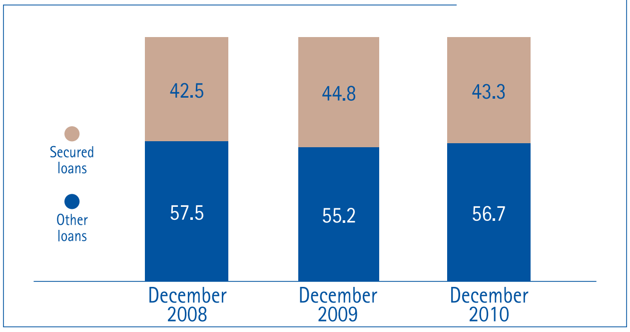
	31-12-10	Δ%	31-12-09	30-09-10
Domestic sector	209,587	2.4	204,671	210,885
Public sector	23,767	14.3	20,786	24,082
Other domestic sectors	185,819	1.1	183,886	186,803
· Secured loans	105,002	(1.2)	106,294	105,736
· Commercial loans	6,847	(3.0)	7,062	6,107
· Financial leases	5,666	(13.5)	6,547	5,839
· Other term loans	46,225	(0.4)	46,407	46,896
· Credit card debtors	1,695	(7.8)	1,839	1,275
· Other demand and miscellaneous debtors	2,222	(3.2)	2,296	2,482
· Other financial assets	7,321	189.4	2,529	7,671
· Non-performing loans	10,841	(0.6)	10,911	10,798
Non-domestic sector	138,666	8.8	127,491	132,199
Secured loans	45,509	7.6	42,280	45,742
Other loans	88,750	9.6	80,986	82,133
Non-performing loans	4,408	4.3	4,225	4,324
Total lending (gross)	**348,253**	**4.8**	**332,162**	**343,084**
Loan-loss provisions	(9,396)	7.8	(8,720)	(9,343)
Total net lending	**338,857**	**4.8**	**323,441**	**333,741**

→ Total lending (gross)
(Billion euros)



(1) At constant exchange rate: +2.8%.

→ Total lending gross distribution
(Percentage)



Lending has also varied by **business area** and type of portfolio. In Spain and Portugal, the Bank is continuing to win market share in high-loyalty products such as residential mortgages. At the same time, positions in the highest-risk portfolios are being reduced. In Mexico the rate of growth in practically all the business lines is speeding up. Of particular note is the outstanding performance of the commercial portfolio and the improved progress in consumer finance and credit cards compared with previous quarters. In South America activity continues being strong, with a gradual improvement in growth rates over the year and increases across the board in practically all the countries. In the United States, the fall in lending is due to the reduction in items of greater risk, such as construction real estate and consumer finance, as residential real estate and, to a lesser extent, loans to SMEs and corporations increased significantly, in both quarterly and annual terms.

Broken down by domestic and non-domestic sectors, among loans to **domestic customers** lending to the public sector increased by 14.3% year-on-year to €24 billion, although it was down by 1.3% in the last quarter. Lending to other domestic sectors remained at similar levels to those at the close of September 2010, at €186 billion, 1.1% up on the year. Out of this segment, the item with lowest associated risk and greatest relative weight is secured loans, which totaled €105 billion, practically the same level as three months earlier (–0.7%). Also of note is the fact that the items more related to corporate, business and consumer activity, such as commercial loans, other term loans and credit card debtors, fell back less than in previous months.

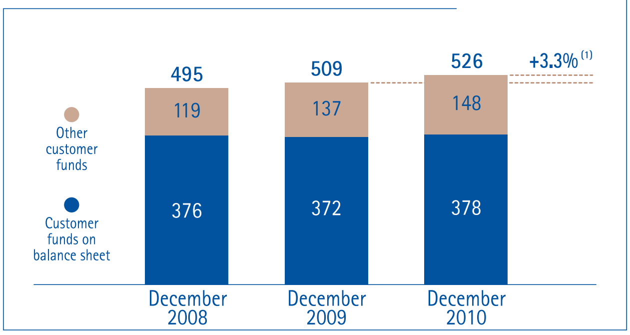
Finally, non-performing assets remain under €11 billion at the close of the year, and have fallen for the first time for more than two years (–0.6% year-on-year, compared with +28.7% in September and +40.1% in June 2010).

Lending to **non-domestic customers** totaled €139 billion as of 31-Dec-2010, a year-on-year increase of 8.8%. The other loans heading grew by 9.6% over the year to €89 billion, and secured loans increased 7.6% to €46 billion. Finally, NPA went up 4.3% due to the exchange-rate effect. Excluding this effect, the decrease was 4.2% over the same period.

CUSTOMER FUNDS

As of December 31, 2010, total **customer funds** came to €526 billion, an increase of 3.3% on the figure 12 months previously and 2.5% more than on 30-Sep-2010. Excluding the exchange-rate effect, the increase is 0.1% year-on-year and 1.4% quarter-on-quarter.

→ Customer funds
(Billion euros)



(1) At constant exchange rate: +0.1%.

Customer funds

(Million euros)

	31-12-10	∆%	31-12-09	30-09-10
Customer funds on balance sheet	**378,388**	**1.7**	**371,999**	**368,745**
Deposits from customers	**275,789**	**8.5**	**254,183**	**255,798**
Domestic sector	133,629	37.1	97,486	109,848
Public sector	17,412	n.m.	4,296	7,409
Other domestic sectors	116,217	24.7	93,190	102,438
· Current and savings accounts	43,225	(8.8)	47,381	45,740
· Time deposits	49,160	39.9	35,135	47,599
· Assets sold under repurchase agreement and other	23,832	123.3	10,675	9,100
Non-domestic sector	142,159	(9.3)	156,697	145,951
Current and savings accounts	74,681	17.2	63,718	67,930
Time deposits	61,626	(30.1)	88,114	73,697
Assets sold under repurchase agreement and other	5,852	20.3	4,865	4,324
Debt certificates	**85,180**	**(14.8)**	**99,939**	**94,394**
Mortgage bonds	40,246	12.3	35,833	38,436
Other debt certificates	44,933	(29.9)	64,106	55,957
Subordinated liabilities	**17,420**	**(2.6)**	**17,878**	**18,553**
Other customer funds	**147,572**	**7.6**	**137,105**	**144,298**
Mutual funds	43,383	(8.5)	47,415	43,818
Pension funds	78,755	24.6	63,189	75,567
Customer portfolios	25,434	(4.0)	26,501	24,913
Total customer funds	**525,960**	**3.3**	**509,104**	**513,042**

The item that is performing best is **on-balance sheet customer funds**, which amounted to €378 billion, a year-on-year growth of 1.7% and 2.6% over the quarter. This improvement is based once more on the strength of customer deposits (+8.5% year-on-year to €276 billion). In the domestic sector, there was an outstanding performance in time deposits (+€14 billion over the year), with an increase of 39.9%, although this represented a slowdown on its growth in the last part of the year (+3.3% since September 2010). With respect to **non-domestic** deposits, the greatest increase over the quarter and 2010 as a whole was once more in the items with lowest associated cost, such as current and savings accounts (+17.2% year-on-year and +9.9% quarter-on-quarter). In contrast, time deposits continue to decrease (–30.1% year-on-year and –16.4% quarter-on-quarter).

The performance of Group customer lending and deposits has kept the deposit/loan ratio high, at 79.2%, which is above the figure for previous quarters.

Off-balance sheet customer funds (mutual funds, pension funds and customer portfolios), amounted to €148 billion at the close of 2010, 7.6% up on the figure for 31-Dec-2009 (+0.5% at constant exchange rates). In **Spain**, the figure is €54 billion, a fall of 14.8% year-on-year. Of these, mutual funds amount to €24 billion and their 28.0% fall is the result of savers showing greater preference for other products such as time deposits, as well as the negative effect of the stock market prices on managed funds. The biggest falls continue to be in funds with lowest added value (guaranteed, short-term fixed-income, money-market and long-term fixed-income). Pension funds have performed better. They only fell back by

Other customer funds

(Million euros)

	31-12-10	∆%	31-12-09	30-09-10
Spain	**53,874**	**(14.7)**	**63,194**	**56,198**
Mutual funds	**23,708**	**(28.0)**	**32,945**	**25,576**
Mutual funds (ex real estate)	22,202	(29.2)	31,365	24,066
· Guaranteed	11,773	(8.0)	12,799	12,458
· Monetary and short-term fixed-income	6,040	(54.8)	13,374	6,908
· Long-term fixed-income	698	(21.4)	888	757
· Balanced	974	14.6	850	1,065
· Equity	1,513	10.0	1,375	1,497
· Others [1]	1,204	(42.1)	2,078	1,380
Real estate investment trusts	1,392	(5.5)	1,473	1,397
Private equity funds	114	5.7	108	114
Pension funds	**16,811**	**(2.1)**	**17,175**	**17,019**
Individual pension plans	9,647	(3.4)	9,983	9,856
Corporate pension funds	7,164	(0.4)	7,191	7,162
Customer portfolios	**13,355**	**2.1**	**13,074**	**13,604**
Rest of the world	**93,698**	**26.8**	**73,911**	**88,100**
Mutual funds and investment companies	19,675	36.0	14,469	18,243
Pension funds	61,944	34.6	46,014	58,548
Customer portfolios	12,080	(10.0)	13,427	11,309
Other customer funds	**147,572**	**7.6**	**137,105**	**144,298**

(1) Including absolut return and passive management funds.

2.1% year-on-year to €17 billion. Thus, BBVA maintains its leading position as pension fund manager in Spain, with a market share of 18.4% (latest available data as of September). Finally, customer portfolios increased by 2.1% on the previous year to €13 billion.

Off-balance-sheet funds in the **rest of the world** totaled €94 billion, 26.8% above the figure for 31-Dec-2009 (up 12.1% at constant exchange rates). This rise can be explained both by the good performance of the pension business (up 34.6% year-on-year) in countries in which the Group has pension managers, and by increases in funds and investment companies, which increased by 36.0%. In contrast, customer portfolios continued to fall. They were down 10.0% and now stand at €12 billion.

STATEMENT OF CHANGES IN EQUITY

At the close of the fourth quarter of 2010, BBVA's **total equity** came to €37,475m, an increase of €4,566m since 30-Sep-2010. The higher shareholders' funds of €5,079m, are a consequence of the share capital increase on November 2010, plus the net attributable profit generated over the three months of €939m, less the amount allocated for the third interim dividend for the year, paid out on January 11, 2011.

CAPITAL BASE

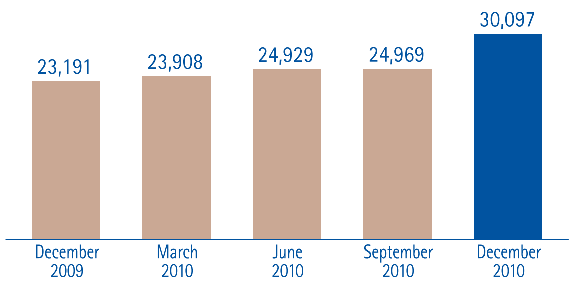
As of December 31, 2010, the **capital base** of the BBVA Group was reinforced by the share capital increase for €4,914m, successfully carried out in November 2010. This increase was aimed to finance the acquisition of a 24.9% stake in the Garanti bank, which will be paid in the first half of 2011. Because of this share capital increase and the profits generated but not distributed, the Group's shareholders' funds according to Basel II regulations stood at €42,924m.

Risk-weighted assets (RWAs) on the same date stood at €313,327m, up 2.3% on 30-Sep-2010 and 7.7% in the year. This increase is explained primarily by the generalized appreciation of currencies both in the fourth quarter and in the whole of 2010.

The **minimum capital requirements** (8% of RWA) come to €25,066m, and the **capital base surplus** of €17,858m, is up 20.8% on the third quarter and 71.2% above the minimum required levels (60.3% as of 30-Sep-2010).

Core capital reached €30,097 and the core ratio stands at 9.6%. Over the year, this ratio has

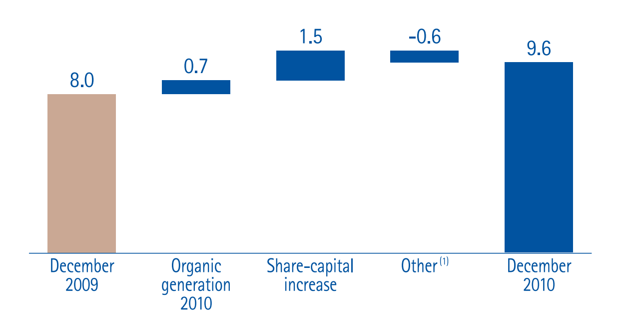
Core capital
(Million euros)



Capital base (BIS II Regulation)
(Million euros)

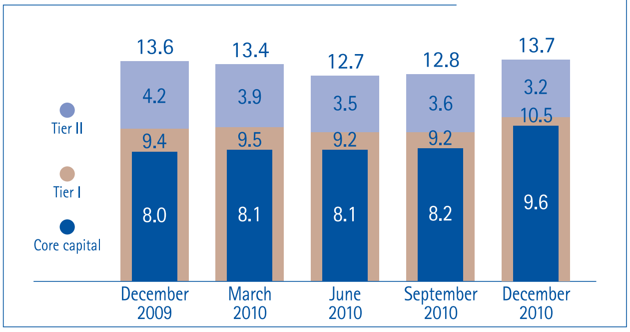
	31-12-10	30-09-10	30-06-10	31-03-10	31-12-09
Shareholders' funds	36,689	31,610	30,609	29,805	29,362
Adjustments and deductions	(8,592)	(8,642)	(7,680)	(7,897)	(8,171)
Mandatory convertible bonds	2,000	2,000	2,000	2,000	2,000
Core capital	**30,097**	**24,969**	**24,929**	**23,908**	**23,191**
Preference shares	5,164	5,165	5,224	5,153	5,129
Deductions	(2,239)	(1,900)	(1,803)	(1,194)	(1,066)
Capital (Tier I)	**33,023**	**28,234**	**28,351**	**27,867**	**27,254**
Subordinated debt and other	12,140	12,955	12,737	12,762	13,251
Deductions	(2,239)	(1,900)	(1,803)	(1,194)	(1,065)
Other eligible capital (Tier II)	**9,901**	**11,055**	**10,935**	**11,568**	**12,186**
Capital base	**42,924**	**39,289**	**39,285**	**39,435**	**39,440**
Minimum capital requirement (BIS II Regulation)	25,066	24,506	24,769	23,547	23,282
Capital surplus	**17,858**	**14,783**	**14,516**	**15,888**	**16,158**
Risk-weighted assets	**313,327**	**306,319**	**309,617**	**294,336**	**291,026**
Bis ratio (%)	**13.7**	**12.8**	**12.7**	**13.4**	**13.6**
Core capital (%)	**9.6**	**8.2**	**8.1**	**8.1**	**8.0**
Tier I (%)	**10.5**	**9.2**	**9.2**	**9.5**	**9.4**
Tier II (%)	**3.2**	**3.6**	**3.5**	**3.9**	**4.2**

Core capital generation
(Percentage)



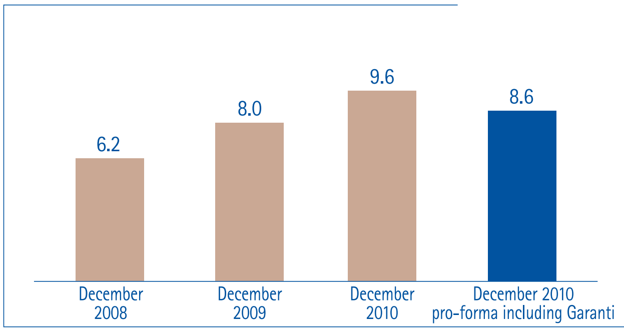
(1) Venezuela + CNCB + Exchange rate.

Capital base: BIS II ratio
(Percentage)



increased 164 basis points, approximately 70 of which correspond to organic capital generation. Furthermore, if the expected effect of the incorporation of Garanti, €2,107m for goodwill and €11,780m for the increase of RWAs are included, the core ratio would be at 8.6%.

Core capital ratio
(Percentage)



The **Tier I** ratio rose 117 basis points to 10.5%. Furthermore, preference shares maintained a level similar to that of September 2010 and closed the year at €5,164m. As a result, their share of Tier I stood at 15.6%.

The rest of the eligible capital, which mainly consists of subordinated debt, surplus generic provisions and eligible unrealized capital gains, came to €9,901m. The **Tier II** ratio thus stands at 3.2%, compared to 3.6% in the previous quarter. The fall in this ratio is mainly due to the amortization of subordinated debt instruments over the quarter.

As a result, the **BIS** ratio closed 2010 at 13.7%, 87 basis points more than at 30-Sep-2010 and 15 points over the 13.6% of 2009.

RATINGS

In July, Standard & Poor's confirmed BBVA's AA rating. This means BBVA has maintained its position among the financial institutions with the best ratings at a global level.

Ratings

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

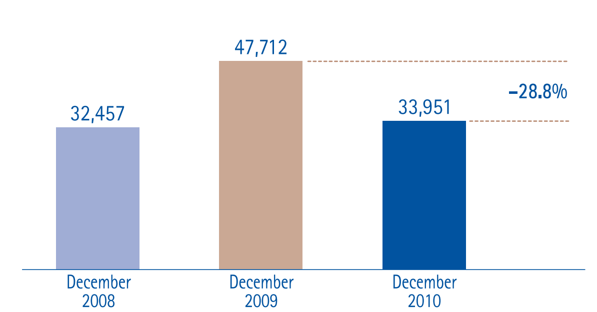
THE BBVA SHARE

In the **fourth quarter of 2010**, the stock markets continued, in general, with the third quarter's upward trend, and thus offset the decline suffered in the first half of the year. This is due, in part, to the confirmation of the economic recovery worldwide, though it has not been homogenous across countries or regions. The behavior has been variable in Europe, and in this period, the exacerbated course of the countries with greater problems, such as Ireland and Portugal, has negatively affected the progress of its markets.

Against this backdrop, the **main stock market indices** in Europe closed the quarter with mild increases. Thus, in the United States, the S&P 500 was up 10.2%, while the Stoxx 50 in Europe grew 4.2% and the FTSE in the United Kingdom was up 6.8%. However, the Ibex 35 in Spain fell back 6.2%. Considering the above, for the whole year, the S&P 500 grew 12.8%, the Stoxx 50 maintained the same figure as of December 31, 2009, the FTSE was up 10.9% and, finally, the Ibex 35 fell 17.4%.

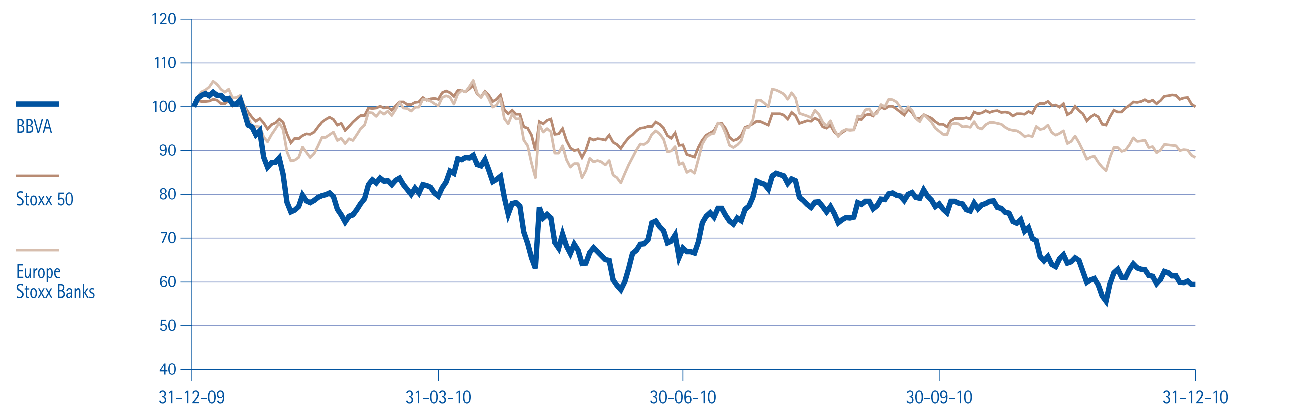
In terms of the **banking sector** in Europe, the European Central Bank has confirmed its commitment to the current liquidity and support measures for the system, which have had a positive impact on the stock market performance. However, the market has shown a trend towards a clear underweighting of banks in southern Europe due to the perception of sovereign risk generated in the last part of 2010. The situation in Greece and, more recently, in Ireland, and the possible consequences on other European countries have had a negative impact. In this regard, the European bank index, Stoxx Banks, fell 6.3% in the fourth quarter, while this same index for euro zone banks dropped 12.0%. In the United Kingdom, FTSE Banks fell 4.0%. The above has resulted, over the whole year, in the decrease in the Stoxx Banks and Euro-Stoxx Banks of 11.6% and 26.9%, respectively, while the FTSE Banks remained even (down 0.1%).

Market capitalization
(Million euros)



BBVA's third quarter **results** have been in line with analysts' expectations. This has been especially clear in the reactivation of business activity in Latin America, which has been accompanied by a decrease in the risk premium. Likewise, the improvement of the Group's asset quality is noteworthy, especially in Spain, South America and Mexico. The highlight in this regard in Spain was the course of the NPA ratio as compared to the sector average. Likewise, analysts have favorably received the solid coverage and the lesser impact the Bank of Spain's new regulations of provisions has had on the Group.

Share price index
(31-12-09 = 100)



Its November 2, 2010 announcement of the acquisition of 24.9% of Garanti was also considered positive. Among the elements highlighted were the quality of the Turkish franchise and the future growth potential both of the country and the bank. The share capital increase undertaken has also been well received by the market, as 99.9% of the bank's shareholders prior to the operation showed their support. Moreover, the issue was heavily over-subscribed (by over a factor of four). Among the highlights of this operation are the Group's improved solvency ratios and the capacity of the Group to anticipate events: it has taken the lead in possible future increases by other banks before the implementation of Basel III.

However, the **progress of the BBVA share** has been affected by the deterioration of market conditions in Spain and in countries in the periphery of Europe, down 23.7% in the quarter. Its share price has oscillated between €7.00 and €10.17, and closed at €7.56 on December 31, 2010. This price determines a market capitalization of 33,951 million euros and a price/earnings ratio (P/E, calculated on 2010 earnings) of 7.5 times. Thus the BBVA share presents an attractive valuation with regards to the sector. The price/tangible book ratio is 1.2 as of December 31, 2010. The **dividend yield** in 2010 was 5.6%.

The average daily **volume** of shares traded posted a 37.0% quarter-on-quarter increase in the last quarter of 2010. This was due partly to the seasonal effect of the summer months on the third quarter. In this way, the BBVA share continues to have a high level of liquidity, with an average of 80 million shares traded in the period. This increased trading has had a greater effect than the fall of the share price, thus, the average traded value in the quarter increased to €704 million (up 26.0% quarter-on-quarter).

On December 22, 2010 payment of the third interim dividend for 2010 was announced with regard to **shareholder remuneration**. This confirms the usual dividend payment calendar from recent years. On January 10, 2011 the interim dividend was paid at €0.09 gross per share issued, for a payout of €404 million. In total, BBVA continued to offer very attractive shareholder remuneration in 2010, and has distributed, in cash, three dividends posted against 2010 results, amounting €0.27 gross per share, for a total of 1,079 million.

The BBVA share

	31-12-10	30-09-10	30-06-10	31-03-10	31-12-09
Number of shareholders	952,618	889,104	897,894	887,252	884,373
Number of shares issued	4,490,908,285	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121
Quarter daily average number of shares traded	80,198,596	58,363,137	85,118,109	49,389,086	51,014,696
Quarter daily average trading (million euros)	704	561	823	535	631
Maximum price in the quarter (euros)	10.17	10.89	11.40	13.27	13.28
Minimum price in the quarter (euros)	7.00	8.26	7.28	9.26	11.39
Closing price for the quarter (euros)	7.56	9.91	8.61	10.13	12.73
Book value per share (euros)	8.17	8.43	8.17	7.95	7.83
Tangible book value per share (euros) (1)	6.27	6.21	5.72	5.87	5.90
Market capitalization (million euros)	33,951	37,124	32,278	37,967	47,712

(1) Net of goodwill.

Share performance ratios

	31-12-10	30-09-10	30-06-10	31-03-10	31-12-09
Price/Book value (times)	0.9	1.2	1.1	1.3	1.6
Price/Tangible book value (times) (1)	1.2	1.6	1.5	1.7	2.2
PER (Price/Earnings; times)	7.4	7.6	6.5	7.7	11.3
Yield (Dividend/Price; %)	5.6	4.3	5.3	4.5	3.3

(1) Net of goodwill.

RISK AND ECONOMIC CAPITAL MANAGEMENT

RISK MANAGEMENT

BBVA managed to improve and stabilize the primary indicators for credit quality, despite the complex context for economic activity in 2010. Thus, at the close of 2010, the NPA ratio fell to 4.1%, coverage ended the year at 62% and the risk premium for the fourth quarter fell to 1.21% (1.33% and 1.53% in the third and second quarters, respectively). Thus the Group was able to continue to stand out, as compared to the rest of the system, for the positive performance of its risk indicators.

As of December 31, 2010, the volume of **total risks** with customers (including contingent liabilities) rose to €384,069m, for a year-on-year increase of 5.3%. This increase is due, in part, to the revaluation of the currencies against the euro, but also to the real growth in lending, as it was up 2.8% in the year at constant exchange rates. It is also worth pointing out the trend for a reduction in the BBVA loan portfolios related to the developer sector in Spain and the United States throughout 2010.

Non-performing assets as of 31-Dec-2010 stood at €15,685m, only an €82m increase over the year. This increase can be fully explained by foreign currency movements, as they were down 1.9% without their impact. This figure is particularly relevant when considering, in the fourth quarter, the criteria of maximum prudence in the classification of some

Credit risk
(Million euros)

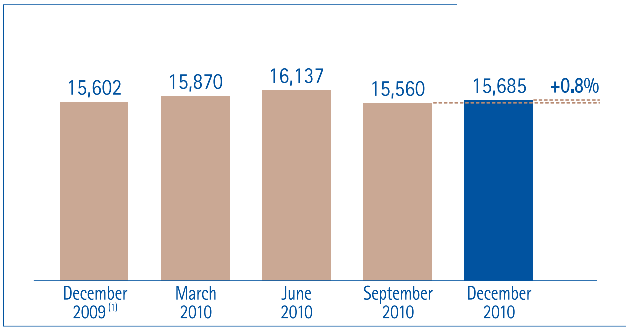
	31-12-10	30-09-10	30-06-10	31-03-10	31-12-09
Total risk exposure [1]					
Non-performing assets	15,685	15,560	16,137	15,870	15,602
Total risks	384,069	376,421	384,344	370,699	364,776
Provisions	9,655	9,641	9,917	9,308	8,943
· Specific	6,823	6,552	6,775	6,437	5,969
· Generic and country-risk	2,832	3,089	3,142	2,872	2,975
NPA ratio (%)	4.1	4.1	4.2	4.3	4.3
NPA coverage ratio (%)	62	62	61	59	57

(1) Including contingent liabilities.

Variations in non-performing assets
(Million euros)

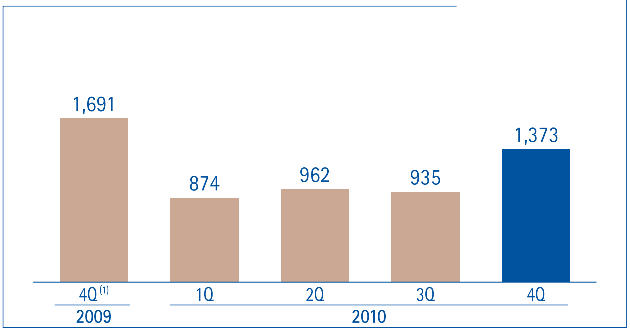
	4Q10	3Q10	2Q10	1Q10	4Q09
Beginning balance	**15,560**	**16,137**	**15,870**	**15,602**	**12,500**
Entries	3,852	3,051	3,042	3,262	6,187
Recoveries	(2,479)	(2,116)	(2,080)	(2,388)	(2,035)
Net variation	**1,373**	**935**	**962**	**874**	**4,152**
Write-offs	(1,269)	(1,119)	(1,034)	(885)	(1,144)
Exchange rate differences and other	21	(393)	339	279	94
Period-end balance	**15,685**	**15,560**	**16,137**	**15,870**	**15,602**
Memorandum item:					
· Non-performing loans	15,361	15,218	15,781	15,520	15,197
· Non-performing contingent liabilities	324	342	355	351	405

Non-performing assets
(Million euros)



(1) In the fourth quarter of 2009, including €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

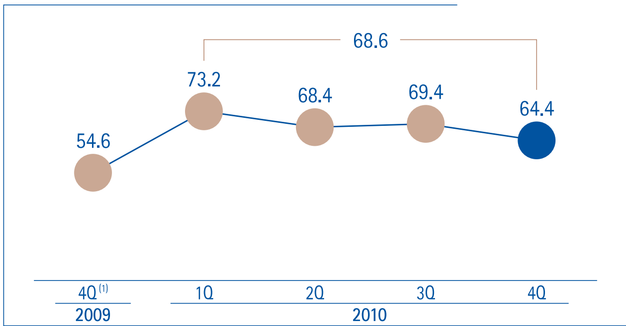
Net additions to NPA
(Million euros)



(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

portfolios in Spain. Furthermore, the solid performance of recovery throughout the year should also be noted; the ratio of recoveries to new NPA for the year was 68.6%, as compared to 37.8% in 2009.

Recoveries over entries to NPA
(Percentage)



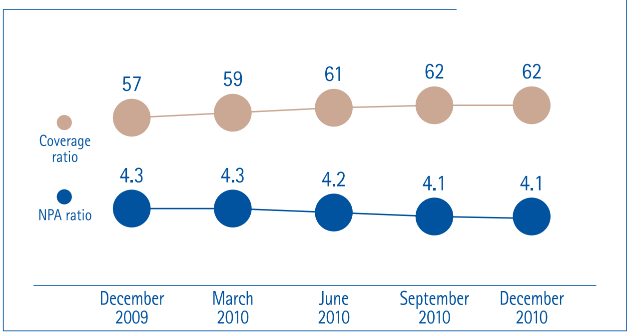
(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

The **NPA ratio** for the Group closed 2010 at 4.1%, which is down from 2009 (4.3%). This rate has been maintained throughout the year in a controlled manner, without surpassing the maximum level reached one year before. This demonstrates the success of the Group's proactive efforts carried out in the fourth quarter of 2009, which enabled the stabilization of NPA levels and the Group's superior performance with regards to the main competitors and the system average. By business area, the strong performance of NPA in Mexico stands out, as it fell more than one percentage point in the year to 3.2%; the NPA ratio in South America fell to 2.5%; and in Spain and Portugal, it improved 10 basis points to close the year at 5.0%. In the other areas, the NPA ratio was practically maintained. Thus, Wholesale Banking and Asset Management stands at 1.2%, and 4.4% in the United States.

Coverage provisions for risks with customers rose to €9,655m on 31-Dec-2010, marking an increase of €712m on the figure at the close of 2009. Of this, generic provisions amount to €2,832m and represent 29.3% of the total.

As a result of the increase in the balance of provisions, the **coverage ratio** of NPA closed 2010 at 62%. Its progress in Mexico is noteworthy, and stands at 152% (130% as of 31-Dec-2009). It remained fairly stable in the other areas: in Spain and Portugal the rate closed at 46% (48% in 2009); in South America it closed at 130% (129% in 2009); it improved to 61% in the United States (58% in 2009); and Wholesale Banking & Asset Management stood at 71% (70% in 2009). Additionally, is worth considering that 58% of risks are collateralized.

NPA and coverage ratios
(Percentage)



Credit risk in the Spanish developer sector

POLICIES. BBVA has always understood the need for **teams specializing** in the developer and real estate sector, given its economic importance and technical

Developers and residential mortgage risk in Spain. Highlights

- Limited exposure to the developers sector: 8% of the risk in Spain and 3% of the Group's balance sheet.
- BBVA's share of the risk in the sector (5.2%) is well below its share of total lending (11.0%).
- Early recognition of risk since 2009.
- High quality of collateral associated with developers risk.
- Reduced average LTV of the residential mortgage portfolio (51%).

component. In addition, the Group has very clear criteria regarding the management of risk from this sector, including:

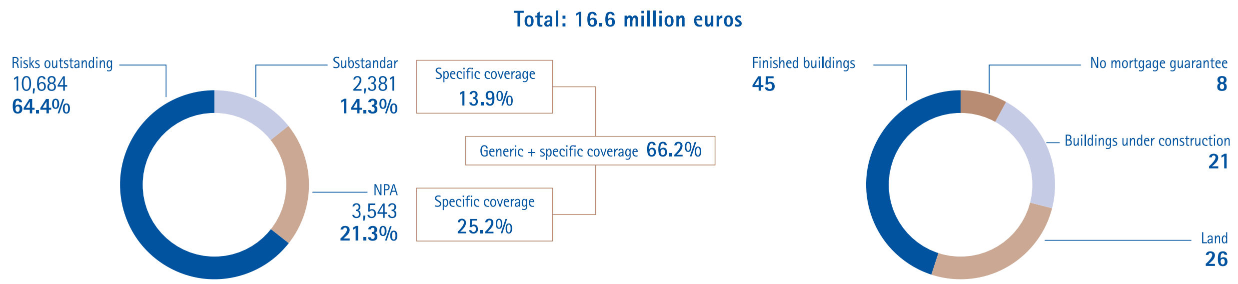
1. To avoid concentration in terms of customers, products and regions. To do so, large-scale corporate transactions have been avoided, as they already decreased BBVA's market share in the years of maximum growth of lending.
2. To not participate in the second home market, but to stand behind public housing and to intervene in transactions on land with a high degree of urban security. One result of this is the high quality of BBVA collateral, with 66% of loans to developers guaranteed with buildings (62% are dwellings, 89% of which are first residences or public housing) and 26% with land (of which 68% is urbanized).
3. In terms of home-buyer lending, the policy is to not finance with loan-to-value (LTV) over 80%, or otherwise, to require collateral or additional guarantees. Therefore, mortgage loans to households for the purchase of a home have an average LTV of 51%, and nearly 95% of this portfolio corresponds to the first residence.
4. In the case of real estate assets acquired by BBVA, distinction should be made between the types: completed, in progress and land. In the first type, the ultimate objective is their sale to individuals, which is supported by the customer base and the Group's various distribution channels. In the second type, the strategy is clearly to facilitate and promote the completion of the project. And in the third type, BBVA's majority presence on urban land simplifies the work, though urban management and control of liquidity for the urbanization expenses are also subject to special monitoring.

DEVELOPER RISK. As of 31-Dec-2010, BBVA's credit exposure the developer sector stands at €16.6 billion, representing 9% of the loans to other resident sectors in Spain (8% if public administrations are included) and barely 3% of the Group's consolidated assets.

At the end of 2009, BBVA carried out an exercise in transparency, and recognized 1,817 million as nonperforming assets largely related with this sector. Therefore, the NPA of this portfolio in 2010 has been stabilized. Currently, 32% of the NPA are up-to-date on payments (subjective NPA); this percentage is standout as compared with the rest of the system. Furthermore, substandard risk amounted to 14.3% of total developer risk.

According to the last Financial Stability report from the Bank of Spain, as of June 2010, the exposure of the Spanish banking system to said sector was €439 billion, which represents an approximate share of 7% for BBVA in this segment, as compared to the 11% share in the total loan-book in Spain. Of them, 175.5 billion were

Spain: exposure to developers
(Million euros and percentage)



Real estate risk in Spain
(Billion euros)

	BBVA 31-12-10	System 30-06-10 (1)	Percentage BBVA over system
Problematic assets	**9.1**	**175.5**	**5.2**
NPA	3.5	47.9	7.3
Substandar assets	2.4	57.6	4.2
Asset purchases	3.3	70.0	4.7

(1) Source: Central Bank of Spain.

problematic assets (47.9 nonperforming, 57.6 substandard and 70 for purchased assets), of which BBVA only has a 5.2% share.

COLLATERALS. The value of the collaterals of the developer risk, with the updated appraisals, amounted to €25,327m, for an average LTV of 65.5%, which broadly covers the value of the portfolio. Furthermore, it has specific provisions amounting to €1,224m. Circular 3/2010 of the Bank of Spain, which entered into force on September 30, 2010 and modifies Circular 4/2004, establishes that, in addition to the already-updated appraisal value of the guarantee, several extremely strict regulatory coefficients, ranging from 30% to 50%, must be applied based on the type of asset. After its application, the excess value over the guarantees, which constitutes the provisionable base, stands at €1,355m for NPA and at €1,185m for the substandard.

REAL ESTATE ASSETS. As of December 31, 2010, BBVA maintained a total of €3,259m in real estate assets at gross book value originated through lending to companies. Said real estate has an average coverage of 32%, which is well over the regulatory requirements.

Foreclosures and asset purchases

	Gross book value (million euros)	Coverage (%)
Asset purchases	3,259	32.1
Dwellings	875	22.1
Other	204	37.7
Capital instruments	455	63.1
Total	**4,793**	**33.4**

MARKET RISK

In the **fourth quarter of 2010**, the BBVA Group's average market-risk exposure was €33m (referenced to

Market risk by risk factors
(4th Quarter 2010. Million euros)

Risk	31-12-10
Interest + spread	29
Exchange rate	3
Equity	4
Volatility	12
Diversification effect	(21)
Total	**28**
Average	**33**
Maximun	**39**
Minimun	**25**

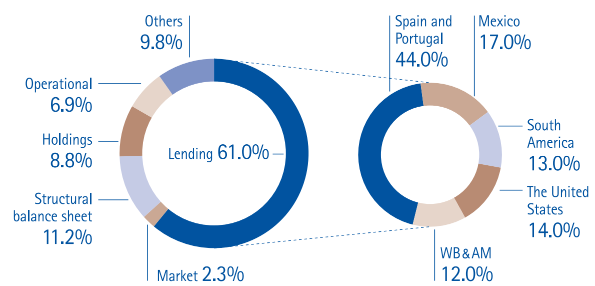
VaR without exponential smoothing). This is a slight reduction on the previous quarter, and the result of the market units of South America and Mexico, as the contribution from GM Europe increased slightly. At quarter end, exposure was €28m, having peaked at €39m on November 9.

ECONOMIC CAPITAL

Attributable economic risk capital (ERC) consumption amounted to €25,481m at the close of December, an increase of 2.1% compared with September 2010.

As is to be expected from BBVA's profile, most of this figure (61.0%) was credit risk on portfolios originated in the Group's branch network from its own customer base. This risk rose slightly over the quarter due to increased lending in both South America and Mexico.

BBVA Group economic risk capital Distribution by risk type
(Data in attributable terms, 31-12-10)



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 2010, these adjustments reduce earnings by €2,863m, mainly due to adjustments in value changes. Adjusted profit thus stood at €1,743m.

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 €4,981m for the whole of 2010, an increase of 90.2% over 2009.

From the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€24,322m as of 31-Dec-10) 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 –€1,238m for the period January-September of 2010. However, the **recurrent** economic profit stood at €2,618m, reflecting the degree to which BBVA's profits exceed the cost of capital employed, and thus create economic value for shareholders.

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 7.2%, while its **recurrent RARoC** was 24.9%.

Economic profit and risk adjusted return on economic capital
(Million euros)

	2010	Δ%	2009
Net attributable profit	**4,606**	**9.4**	**4,210**
Adjustments	(2,863)	n.m.	579
Adjusted net attributable profit (A)	**1,743**	**(63.6)**	**4,789**
Average economic risk capital (ERC) (B)	24,322	10.2	22,078
Risk-adjusted return on economic capital (RAROC) = (A)/(B) * 100	7.2		21.7
Recurrent raroc (%)	**24.9**		**25.1**
ERC x cost of capital (C)	2,981	20.4	2,476
Economic profit (EP) = (A) - (C)	**(1,238)**	**n.m.**	**2,313**
Recurrent economic profit	**2,618**	**(0.1)**	**2,620**

BUSINESS AREAS

Information by area represents a basic tool in the **management** of the BBVA Group's various businesses. 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. Specifically, it includes the income statement, the balance sheet and a set of relevant management indicators, among them: the loan book, deposits, off-balance sheet funds, efficiency, non-performing assets and coverage.

In 2010, certain changes were made in the criteria applied in 2009 in terms of the composition of some of the different business areas. These changes affected:

- The United States and WB&AM: in order to give a global view of the Group's business in the United States, we decided to include the New York office, formerly in WB&AM, in the United States area. This change is consistent with BBVA's current method of reporting its business units.
- South America. The adjustment for the hyperinflation has been included in 2010 in the accounting statements for Banco Provincial (Venezuela); this will also be carried out for the 2009 statements to make them comparable. At year-end 2009 (the first time that the Venezuelan economy was classified as hyperinflationary for accounting purposes), said impact was included under Corporate Activities to make easier the comparison with 2008 and in order not to distort the quarterly figures of 2009.

Likewise, a modification has been made in the allocation of certain costs from the corporate headquarters to the business areas that affect rent expenses and sales of IT services, though to a lesser extent. This has meant that the data for 2009 has been reworked to ensure that the different years are comparable.

The configuration of the business areas and their composition are as follows:

- **Spain and Portugal**, which includes: the Retail Banking network in Spain, including the segments of private individual customers, private banking and small business and retail banking in the domestic market; Corporate and Business Banking, which handles the needs of the SMEs, corporations, government and developers in the domestic market; and all other units, among which are Consumer Finance, BBVA Seguros and BBVA Portugal.
- **Mexico**: includes the banking, pensions and insurance businesses in the country.
- **United States**: encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico.
- **South America**: includes the banking, pensions and insurance businesses in South America.
- **WB&AM**, composed of: Corporate and Investment Banking (including the activities of the European and Asian offices with large corporate customers); global markets (trading floor business and distribution in Europe and Asia); 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). WB&AM is also present in the above businesses in Mexico, South America and the United States, but its activity and results are included in these business areas for the purposes of this report.

As well as the units indicated, all the areas also have allocations of other businesses that include eliminations and other items not assigned to the units.

Finally, the aggregate of **Corporate Activities** includes the rest of items that are not allocated to the business areas. These are basically the cost of the headquarters various units, certain allocations to provisions such as early retirements and those other of corporate nature. Corporate Activities also performs management functions for the Group as a whole, essentially management of asset and liability positions in euro-denominated interest rates and in exchange rates, as well as liquidity and capital management functions. The management of asset and liability interest-rate risk in currencies other than the euro is recorded in the corresponding business areas. It also includes the Industrial and Financial Holdings unit and the Group's non-international real estate businesses.

Furthermore, as usual in the case of The Americas units, both constant exchange rates and year on year current exchange variation rates have been applied.

The Group compiles reporting information on a level as disaggregated as possible, and all data relating to the businesses these units manage is recorded in full. These basic units are then aggregated in accordance with the organizational structure established by the Group at higher level units and, finally, the business areas themselves. Similarly, all the companies making up the Group are also assigned to the different units according to their activity.

Once the composition of each business area has been defined, certain **management criteria** are applied, of which the following are particularly important:

- **Capital:** Capital is allocated to each business according to economic risk capital (ERC) criteria. This is based on the concept of unexpected loss at a specific confidence level, depending on the Group's capital adequacy targets. These targets have two levels: the first is core equity, which determines the capital allocated. This amount is used 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 preferred securities. The calculation of the ERC combines credit risk, market risk, structural balance-sheet risk, equity positions, operational risk and fixed asset and technical risks in the case of insurance companies. These calculations are carried out using internal models that have been defined following the guidelines and requirements established under the Basel II capital accord, with economic criteria prevailing over regulatory ones.

  ERC is risk-sensitive and thus linked to the management policies of the businesses themselves. It standardizes capital allocation between them in accordance with the risks incurred and makes it easier to compare profitability across units. In other words, it is calculated in a way that is standard and integrated for all kinds of risks and for each operation, balance or risk position, allowing its risk-adjusted return to be assessed and an aggregate to be calculated for the profitability by client, product, segment, unit or business area.

- **Internal transfer prices:** the calculation of the net interest income of each business is performed using rates adjusted for the maturities and rate reset clauses of the various assets and liabilities making up each unit's balance sheet. Earnings are distributed across revenue-generating and distribution units (e.g., in asset management products) at market prices.

- **Assignment of operating expenses:** both direct and indirect costs are assigned to the business areas, except where there is no clearly defined relationship with the businesses, i.e. when they are of a clearly corporate or institutional nature for the Group as a whole. In this regard, we should note that the primary change in criteria during 2010 related to the assignment of costs refers to the allocation of rent expenses in Spain and Portugal. This was formerly carried out based on a percentage over the book value of the real estate property and based on the area occupied. As of 2010, this allocation will be carried out at market value.

- **Cross selling:** in some cases, consolidation adjustments are required to eliminate shadow accounting entries in the results of two or more units as a result of cross-selling incentives.

Recurrent economic profit by business area

(January-December 2010. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain and Portugal	2,023	1,184
Mexico	1,859	1,445
South America	778	436
The United States	316	-
Wholesale Banking & Asset Management	942	491
Corporate Activities	(937)	(938)
BBVA Group	**4,981**	**2,618**

Operating income and net attributable profit by business area

(Million euros)

	Operating income				Net attributable profit			
	2010	Δ%	Δ% at constant exchange rates	2009	2010	Δ%	Δ% at constant exchange rates	2009
Spain and Portugal	4,045	(8.0)	(8.0)	4,395	2,070	(9.0)	(9.0)	2,275
Mexico	3,597	8.5	(3.4)	3,316	1,707	25.7	11.9	1,357
South America	2,129	3.4	6.4	2,058	889	14.0	16.5	780
The United States	1,029	(1.8)	(7.0)	1,048	236	n.m.	n.m.	(950)
Wholesale Banking & Asset Management	1,257	3.5	3.5	1,214	950	11.4	11.4	852
Corporate Activities	(114)	n.m.	n.m.	276	(1,245)	n.m.	n.m.	(105)
BBVA Group	**11,942**	**(3.0)**	**(6.1)**	**12,308**	**4,606**	**9.4**	**6.8**	**4,210**
BBVA Group excluding one-offs	**11,942**	**(3.0)**	**(6.1)**	**12,308**	**4,606**	**(12.4)**	**(15.0)**	**5,260**

SPAIN AND PORTUGAL

Income statement
(Million euros)

	2010	∆%	2009
Net interest income	**4,675**	**(4.8)**	**4,910**
Net fees and commissions	1,388	(6.4)	1,482
Net trading income	198	6.0	187
Other income/expenses	368	(15.7)	436
Gross income	**6,629**	**(5.5)**	**7,015**
Administration costs	(2,584)	(1.4)	(2,620)
Personnel expenses	(1,544)	(1.4)	(1,565)
General and administrative expenses	(937)	(1.4)	(950)
Depreciation and amortization	(103)	(1.9)	(105)
Operating income	**4,045**	**(8.0)**	**4,395**
Impairment on financial assets (net) [1]	(1,335)	(30.9)	(1,931)
Provisions (net) and other gains (losses) [1]	238	(69.4)	776
Income before tax	**2,948**	**(9.0)**	**3,240**
Income tax	(878)	(9.0)	(965)
Net income	**2,070**	**(9.0)**	**2,275**
Non-controlling interests	-	-	-
Net attributable profit	**2,070**	**(9.0)**	**2,275**

(1) The third quarter of 2009 and 2010 includes €830 million and €233 million, respectively stemming from the sale-and-leaseback of retail branches, and its allocation to generic provisions for NPA for the same amount.

Balance sheet
(Million euros)

	31-12-10	∆%	31-12-09
Cash and balances with central banks	2,588	8.8	2,379
Financial assets	11,076	0.5	11,020
Loans and receivables	201,419	0.6	200,228
· Loans and advances to customers	200,930	0.9	199,190
· Loans and advances to credit institutions and other	489	(52.9)	1,038
Inter-area positions	-	-	-
Tangible assets	1,301	(0.1)	1,302
Other assets	807	(9.8)	894
Total assets/liabilities and equity	**217,191**	**0.6**	**215,823**
Deposits from central banks and credit institutions	255	(76.0)	1,063
Deposits from customers	103,469	12.7	91,826
Debt certificates	362	(1.8)	369
Subordinated liabilities	4,691	9.2	4,296
Inter-area positions	86,944	(10.6)	97,243
Financial liabilities held for trading	106	(63.7)	291
Other liabilities	13,043	(0.6)	13,117
Economic capital allocated	8,322	9.2	7,619

Spain and Portugal highlights in the fourth quarter

- Superior earnings compared with the rest of the banks in the Spanish system.
- New gains in market share of residential mortgage lending and customer deposits.
- Improved NPA ratio over the year.
- Best private bank in Spain according to *The Banker*.

Relevant business indicators

(Million euros and percentages)

	Spain and Portugal		
	31-12-10	30-09-10	31-12-09
Total lending to customers (gross)	205,776	206,574	204,378
Customer deposits [1]	104,809	104,400	92,936
Off-balance-sheet funds	31,441	33,422	40,227
· Mutual funds	21,455	23,277	29,898
· Pension funds	9,986	10,145	10,329
Other placements	8,218	8,231	8,278
Efficiency ratio (%)	39.0	37.3	37.3
NPA ratio (%)	5.0	5.0	5.1
Coverage ratio (%)	46	48	48

(1) Include collection accounts and individual annuities.

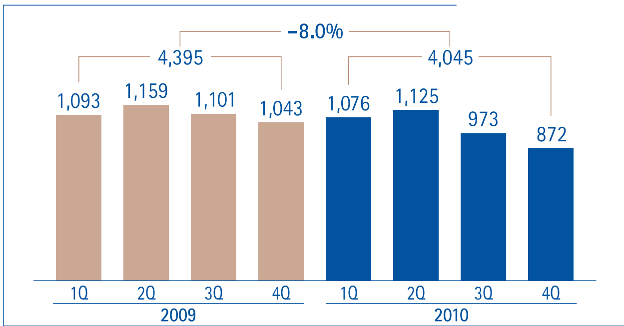
This area handles the financial and non-financial needs of private individual customers (Retail Network), including the higher net-worth market segment (BBVA Banca Privada, private banking). It also manages business with SMEs, large corporations and public and private institutions through the Corporate and Business Banking unit (CBB). Other specialized units handle online banking, consumer finance (the Consumer Finance Unit), the bancassurance business (BBVA Seguros) and BBVA Portugal.

The main trends in the Spanish market in the **fourth quarter of 2010** were the same as those commented in previous quarters. Consumption continues weak, with a year-on-year fall of 10.2% (as of 30-Nov-2010), while mortgage home loans are increasing, although less than in the previous quarter (up 0.3% year-on-year to 30-Nov-2010). Lending to corporates has eased its decline to 1.3%. With respect to demand for savings products, the main focus is on term deposits, which have increased for both private individuals and companies by 8.2%, in detriment to transactional deposits, which closed 2010 at practically the same level as the previous year. Finally, assets in mutual funds (except real estate) managed by banks and savings banks fell by 16.5% year-on-year, with a negative volume effect in October and November of €3,978m.

In this difficult situation the success of commercial campaigns launched by BBVA, in particular ***Aprovecha tu Banco*** (Use your Bank) has enabled the area to gain market share in the products with biggest customer loyalty, such as residential mortgages, where there was a gain of 5 basis points over the quarter, putting the accumulated total gain in market share since 31-Dec-2009 at 33 basis points. BBVA also closed the year as the main supplier in the corporate segment and it is one of the most active institutions in the placement of ICO funds, with a market share of 11.0% as of 31-Dec-2010, making it one of the leading players in the market. As a result, **gross customer lending** showed a notable resistance over the quarter (–0.4%), at €205,776m as of 31-Dec-2010, a year-on-year growth of 0.7%.

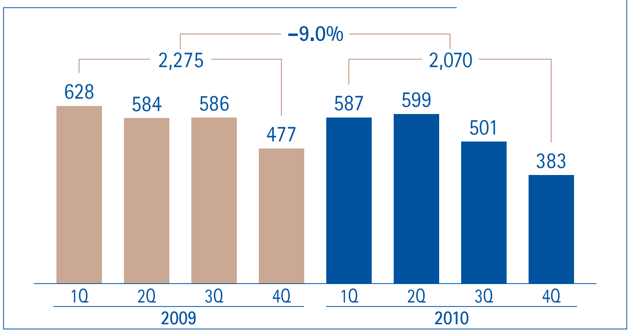
Spain and Portugal. Operating income

(Million euros)



Spain and Portugal. Net attributable profit

(Million euros)



One of the main commercial targets in the area under the *Plan Uno* has been met, with an improvement of 137 basis points in customer loyalty thanks to attracting over €12,000m in highly stable deposits over the year, and the launch of BBVA's share capital increase for retail investors in November. The area closed 2010 with **total customer funds** under management of €144,437m. It is important to note BBVA's positioning in term deposits, with its market share of 8.8% on 30-Nov-2010 at an all-time high. Current and savings accounts, at €39,742m, maintain their significant proportion of on-balance customer funds, at 37.9%. This proportion is higher than the average in the sector, and is the result of the growing demand for the *Cuenta Uno* and the new *Ventajas Uno* schemes. In all, the cost of the stock of deposits is under the average in the market (0.8% in BBVA compared with 1.4% in the sector).

Assets under management in mutual funds amounted to €21,455m, compared with €29,898m on 31-Dec-2009. The fall is due to the increased demand of savers for other products, such as term deposits and also falling stock markets. However, the main decreases have been in the assets under management with lowest added value, such as short-term fixed-income and money market funds, long-term fixed-income and those that do not involve active management. BBVA maintains its leading position in pension funds, with a market share of 18.4% as of 30-Sep-2010 (latest figure available).

The competitive advantages of the area in its commercial products have contributed to a net interest income in 2010 of €4,675m, 4.8% down on the figure for 2009, and a yield measured as net interest income over average total assets of 2.15%. Income from fees fell year-on-year by 6.4% to €1,388m, due to reductions applied to a growing number of customers, whose loyalty has increased, and the fall mentioned above in mutual funds. Net trading income, at €198m, together with other income items of €368m, fell slightly on the same period in 2009. As a result, **gross income** stood at €6,629m (€7,015m in 2009).

The area continues to keep **operating expenses** well in check, at €2,584m, which implies a new year-on-year reduction of 1.4%. This was thanks to the continuous efforts in cost management, even after the end of the Transformation Plan implemented in 2006, with which BBVA anticipated the rest of the sector. It is worth noting that it has already implemented practically all of its transformation plan, while the sector as a whole has only recently begun a process of consolidation that will probably include the closure of branches and staff reductions. The market share of the BBVA branch network has steadily declined to reach 7.9% as of 30-Sep-2010 (latest available data), although this trend is expected to be reversed once the rest of the sector starts restructuring its network.

This again explains BBVA's competitive advantage in efficiency compared with the system as a whole, with an efficiency ratio of 39.0% and an **operating income** of €4,045m (€4,395m as of 31-Dec-2009). This gives a clear indication of its resilience and capacity to generate recurring revenues in the current difficult economic situation. Impairment losses on financial assets fell by 30.9% to €1,335m, and provisions (net) and other gains (losses) by 69.4% to €238m. As a result, the **net attributable profit** amounted to €2,070m (€2,275m in 2009).

Finally, strict risk control has led to a reduction in the **NPA ratio** of 10 basis points to 5.0% as of 31-Dec-2010, against a background in which there have been signs of an upturn in this ratio in the system as a whole. The NPA ratio of banks and savings banks at the end of November (latest available figure) was 5.7%, 64 basis points up on 31-Dec-2009 and 70 basis points above the figure for the area.

SPANISH RETAIL NETWORK

This unit manages the financial and non-financial demand of households, professionals, retailers and small businesses. It closed 2010 with business volume of €214,577m and a **net attributable profit** of €1,317m, accounting for 61.3% and 63.6% of the area as a whole, respectively.

In 2010, the retail network has been a model in the market in terms of granting mortgage loans, attracting stable savings, in its main profitability and productivity indicators, and in the stability of its efficiency ratio. This has been in a year where there has been a clear tightening in the business volume and earnings. The increase of cross selling to 3.7 products per customer, greater loyalty, improvement of credit spreads (more acute in the second half of the year) and cost control have all contributed to an **operating income** of €2,190m, more than 7 times the total loan-loss provisions.

In the **loan book**, new residential mortgage lending was up by 5.1% year-on-year to €10,849m, of which 6.1% was contracted via the Internet. This sustainable growth in mortgages, with a volume as of 31-Dec-2010 of €72,571m, has been possible thanks to the boost from the *Sí damos hipotecas* (Yes, We Give Mortgages) and *Ven a Casa* (Come Home) campaigns and the *Hipoteca On Line BBVA* (BBVA online mortgage) scheme. In a context of slowing demand for consumer finance, BBVA closed 2010 as the leading provider of this kind of finance. Against this background, the Retail Network maintained its monthly level of new lending at €126m in the quarter, thanks to a number of consumer lending campaigns launched during the year. As a result, the market share in consumer finance increased to 10.6% as of 30-Nov-2010.

Customer funds increased in the fourth quarter by a notable €2,172m from deposits and other customer funds from individuals, the self-employed and small businesses, with the total standing at nearly €13,000m since March. Particularly notable were current and savings accounts fund gathering, with a balance of €29,826m as of 31-Dec-2010, thanks to various commercial campaigns (*Cuenta Uno* and *Ventajas Uno*), as well as a new edition of the *Quincena del Ahorro* (Savings Fortnight), which has attracted more than €736m and granted over 234,300 gifts. Current and savings accounts increased their proportion of all funds on the unit's balance sheet to 40.2%. This is higher than the average in the market, and has resulted in the global cost of deposits, at 0.9%, being lower in BBVA than the market average (1.5%). The increased volume of funds gathered has also had a positive effect on the market share in term deposits, which was 159 basis points up over the year, to an all-time high of 8.6% as of 30-Nov-2010 and a managed stock of €40,381m. With the balance of current and savings accounts, as well as term deposits, continuing to rise, the liquidity gap of commercial activity in the fourth quarter improved again by €1,567m.

Finally, there was a notable participation by the network in the Group's share **capital increase**, through which it attracted €1,300m. In all, stable resources (deposits, mutual funds, pension funds and fixed-income) amounted to €112,261m.

BBVA Private Banking closed the fourth quarter with funds under management in Spain of €38,944m, up 5.8% year-on-year, and with a growth of 5.6% in its customer base. The unit closed 2010 as the market leader in SICAV, both in terms of assets under management (€3,017m) with a market share of 11.8%, and in the number of companies (296). It has also been named the best private bank in Spain by *The Banker* (Financial Times group), as recognition of the way it has adapted its business model to the new regulations, capacity to generate sustainable long-term profits, ability to instill confidence in investors, and innovation in improving customer service.

In the **small business segment** (professionals, the self-employed, retailers, the farming community and small businesses), the unit has outperformed the market with a 13.2% increase in revenues from point-of-sale terminals from 01-Jan-2010 (a rise of 5.8% in all the institutions linked to Servired over the same period), thanks to the launch of exclusive offers. Of particular note in the fourth quarter was the new edition of *Factoría de Clientes* (Customer Factory), which has achieved 9,191 visits to non-customers; Member Get Member, which has attracted €1m of new customer funds; the *Plan de Cooperativas Agrarias* (Farmers' Cooperatives Plan), with which 1,000 new members have joined; and the renewal of the agreement with the tobacconists' union. In addition, a total of 39,016 transactions with ICO funds were closed in 2010 for €2,618m. In particular, the ICO Directo line has granted €70m to SMEs and the self-employed in 1,600 operations.

CORPORATE AND BUSINESS BANKING

Corporate and Business Banking (CBB) handles SMEs, large companies, institutions and developers, with specialized branch networks for each segment. It also contains the product management unit that designs and markets specific products for the different customer segments.

The unit closed 2010 with its **loan book** at €90,200m (up 0.2% year-on-year) and **customer funds** at €27,992m (up 7.8%). In a difficult economic environment, the area continues to manage its business opportunities appropriately to obtain profitable growth and increase loyalty, cross selling and its customer base. This has been done while maintaining strict cost control, resulting in an operating income of €1,610m, 0.7% up on the 2009 figure. Combined with a prudent risk management policy, it has led to a net attributable profit of €877m, 1.7% up on the figure for 2009.

By customer segment, particularly notable is the positive performance of **corporates** activity, with a 3.4% year-on-year growth in lending to €17,134m, a significant increase in customer funds (up 49.5%) to €7,831m, and a positive trend in both the operating income (up 21.2% to €354m) and the net attributable profit (up 66.4% to €194m).

BBVA remains one of the market leaders in the **institutions** segment, where lending increased 11.2% year-on-year to €28,226m. Customer funds amounted to €11,587m, compared with €13,403m at the close of 2009. The fall is mainly the result of the withdrawal of wholesale deposits at high prices. This has not prevented an increase of 62 basis points in the market share over 2010. Of particular note is the positive performance of the operating income, up 5.0% to €314m, as well as the net attributable profit, which closed 2010 at €207m (up 2.7%). The most significant operations in the fourth quarter were project finance worth €86m with Aguas de la Cuenca el Ebro and another for €100m with Metro de Barcelona, as well as loans to the Valencia City Council (€153m), the regional government of Valencia (€125m) and the regional government of Castilla y León (€100m), as well as accounts payable financing of €100m with the City Council of Madrid.

Efforts in the **SME segment** have focused on the management of potential customers. The quarter closed with a customer base of 80,000. This has not prevented the deleveraging process from continuing. The loan book, at €28,313m, was down 6.0% year-on-year, but the rate of growth in customer funds increased to a total of €8,540m (up 16.9%) at the close of 2010. Keeping spreads wide in the quarter and cost controls over the year led to a lower year-on-year fall of the operating income than in the previous quarter (down 11.9%, compared with the 12.5% accumulated fall to September). As a result of this and a prudent risk policy, the net attributable profit was €175m.

Finally, lending in **construction real estate** has maintained its rate of decline (down 10.3% year-on-year). New projects are basically aimed at financing the public housing program, which now accounts for 72.0% of all activity.

OTHER UNITS

The **Consumer Finance** unit manages consumer finance and business fitting through dealers, as well as equipment leasing activities, through Finanzia, Uno-e and other subsidiaries in Spain, Portugal and Italy. It closed 2010 with an operating income of €231m, up 21.3% on 2009. The net attributable profit was –€6m, as it was affected by the regulatory change in the timetable for specific provisions, although the coverage ratio has still been increased by 16.3 percentage points. The loan book totaled €5,546m in Spain (down 1.5%), €461m in Portugal (down 3.3%) and €663m in Italy (up 41.3%).

BBVA Portugal closed the year with a lending growth of 22.8% to €7,448m, boosted by the increased mortgages (up 26.0%) and corporate lending (up 16.2%) as a result of the various campaigns launched during the year. Customer funds advanced 10.7% year-on-year, thanks to increased deposits (up 16.7%).

Finally, **BBVA Seguros** wrote €1,084m in premiums in 2010 and continues to be the market leader in individual life and accident insurance policies, with a market share of 13.0% of written premiums as of 30-Sep-2010. The life and accident insurance business remains positive, with revenues of €365m (up 9.1% year-on-year), boosted by the activity in payment protection products. On the non-life side of the business, multi-risk home and fire insurance contributed €186m (up 1.7%) and there was positive progress in the auto business, with over €7m of premiums written (up 53.6%) and more than 29,000 vehicles insured. The fourth quarter saw the launch of *Seguro BBVA Salud Autónomos* (BBVA Self-Employed Insurance). In total the unit obtained revenues of €370m for the Group in 2010 from in-house policies and €19m in brokerage on third-party policies. The net attributable profit was down 4.1% to €251m.

MEXICO

Income statement

(Million euros)

	Mexico				Units: Banking business				Units: Pensions and Insurance			
	2010	∆%	∆% [1]	2009	2010	∆%	∆% [1]	2009	2010	∆%	∆% [1]	2009
Net interest income	**3,688**	**11.5**	**(0.7)**	**3,307**	**3,623**	**11.4**	**(0.8)**	**3,251**	**61**	**14.5**	**2.0**	**53**
Net fees and commissions	1,233	14.5	1.9	1,077	1,150	12.3	(0.0)	1,024	79	55.1	38.1	51
Net trading income	395	6.6	(5.1)	370	283	6.2	(5.5)	266	112	8.0	(3.9)	104
Other income/expenses	179	54.8	37.9	116	(144)	9.5	(2.5)	(131)	340	32.5	17.9	256
Gross income	**5,496**	**12.8**	**0.5**	**4,870**	**4,912**	**11.3**	**(0.9)**	**4,411**	**591**	**27.4**	**13.5**	**464**
Administration costs	(1,899)	22.2	8.8	(1,554)	(1,758)	23.5	10.0	(1,423)	(149)	16.9	4.1	(127)
Personnel expenses	(856)	18.1	5.2	(725)	(784)	18.7	5.7	(661)	(71)	12.7	0.4	(63)
General and administrative expenses	(956)	25.2	11.5	(764)	(890)	27.2	13.3	(699)	(75)	21.1	7.8	(62)
Depreciation and amortization	(86)	32.5	18.0	(65)	(84)	33.0	18.4	(63)	(3)	21.0	7.7	(2)
Operating income	**3,597**	**8.5**	**(3.4)**	**3,316**	**3,153**	**5.5**	**(6.0)**	**2,988**	**442**	**31.4**	**17.0**	**336**
Impairment on financial assets (net)	(1,229)	(19.4)	(28.2)	(1,525)	(1,229)	(19.4)	(28.2)	(1,525)	-	-	-	-
Provisions (net) and other gains (losses)	(87)	n.m.	261.2	(21)	(86)	n.m.	273.3	(21)	-	-	-	(1)
Income before tax	**2,281**	**28.8**	**14.7**	**1,770**	**1,838**	**27.4**	**13.4**	**1,442**	**442**	**31.6**	**17.1**	**336**
Income tax	(570)	38.8	23.6	(411)	(448)	37.8	22.7	(325)	(122)	38.8	23.6	(88)
Net income	**1,711**	**25.8**	**12.0**	**1,360**	**1,390**	**24.4**	**10.8**	**1,118**	**320**	**29.0**	**14.9**	**248**
Non-controlling interests	(4)	89.5	68.7	(2)	-	-	-	-	(3)	43.4	27.7	(2)
Net attributable profit	**1,707**	**25.7**	**11.9**	**1,357**	**1,390**	**24.4**	**10.8**	**1,117**	**317**	**28.9**	**14.8**	**246**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	Mexico				Units: Banking business				Units: Pensions and Insurance			
	31-12-10	∆%	∆% [1]	31-12-09	31-12-10	∆%	∆% [1]	31-12-09	31-12-10	∆%	∆% [1]	31-12-09
Cash and balances with central banks	6,365	2.1	(10.7)	6,236	6,365	2.1	(10.7)	6,236	-	-	-	-
Financial assets	25,737	9.2	(4.5)	23,564	20,946	4.5	(8.7)	20,053	5,050	35.6	18.6	3,725
Loans and receivables	40,277	30.9	14.5	30,764	40,029	30.7	14.3	30,619	302	53.8	34.5	196
· Loans and advances to customers	34,743	26.9	11.0	27,373	34,626	26.9	10.9	27,293	152	59.7	39.7	95
· Loans and advances to credit institutions and other	5,535	63.2	42.7	3,391	5,402	62.4	42.0	3,326	150	48.4	29.7	101
Tangible assets	887	17.8	3.0	753	880	17.8	3.0	747	8	14.7	0.3	7
Other assets	1,886	22.7	7.3	1,536	2,206	21.3	6.0	1,819	160	42.2	24.3	113
Total assets/liabilities and equity	**75,152**	**19.6**	**4.6**	**62,855**	**70,425**	**18.4**	**3.6**	**59,474**	**5,520**	**36.6**	**19.5**	**4,041**
Deposits from central banks and credit institutions	12,933	21.5	6.3	10,641	12,933	21.5	6.3	10,641	-	-	-	-
Deposits from customers	37,013	15.7	1.2	31,998	37,033	15.6	1.1	32,037	-	-	-	-
Debt certificates	3,861	21.1	5.9	3,187	3,861	21.1	5.9	3,187	-	-	-	-
Subordinated liabilities	2,014	34.4	17.5	1,499	2,474	32.9	16.2	1,862	-	-	-	-
Financial liabilities held for trading	4,855	18.9	3.9	4,085	4,855	18.9	3.9	4,085	-	-	-	-
Other liabilities	10,992	25.2	9.5	8,780	6,121	16.4	1.8	5,259	5,231	37.0	19.8	3,818
Economic capital allocated	3,483	30.7	14.3	2,664	3,148	31.0	14.5	2,403	289	30.0	13.6	223

(1) At constant exchange rate.

Mexico highlights in the fourth quarter

- Significant recovery in business activity.
- Sound and superior earnings.
- Major improvement of the risk premium.
- Growth in market share in strategic segments.
- BBVA Bancomer recognized as Best Bank in Mexico by *Latin Finance*.

Relevant business indicators

(Million euros and percentages)

	Mexico		
	31-12-10	30-09-10 (1)	31-12-09 (1)
Total lending to customers (gross)	36,526	35,380	33,157
Customer deposits (2)	38,051	35,361	35,737
Off-balance-sheet funds	28,122	27,601	22,944
· Mutual funds	15,341	14,588	12,060
· Pension funds	12,781	13,014	10,885
Other placements	3,127	3,057	3,180
Efficiency ratio (%)	34.6	34.1	31.9
NPA ratio (%)	3.2	3.4	4.3
Coverage ratio (%)	152	150	130

(1) Figures in € million at constant exchange rate.
(2) Excluding deposits and Bancomer's Market unit repos.

This area comprises the banking, pensions and insurance business conducted in Mexico by the BBVA Bancomer Financial Group (BBVA Bancomer).

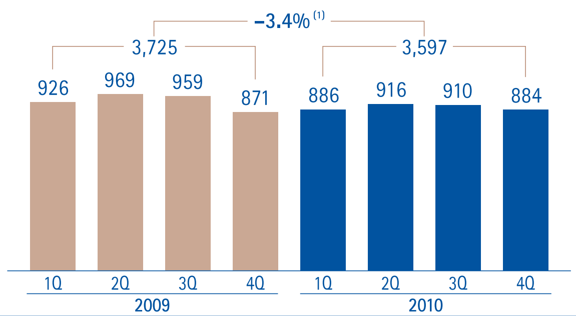
In 2010 the **Mexican economy** showed signs of a gradual recovery, with GDP up around 5% and **inflation** lower than expected by the Bank of Mexico, at 4.4%. Even so, the Bank of Mexico is expected to maintain its monetary pause at least throughout 2011, when the policy **interest rate** is expected to remain at 4.5%.

With respect to the **exchange rate**, the peso has gained against the euro in both final (14.4%) and average (12.3%) exchange rates. In the fourth quarter, the Mexican currency appreciated by 3.5% in terms of final exchange rates and remains nearly at the same figures in average rates (a slight depreciation of 0.2%). This has a positive impact on the financial statements in the area, although between October and December the influence of the exchange rate on the income statement is practically neutral. As is normally the case, the figures below are given at constant exchange rates, unless indicated otherwise, and both scenarios can be seen in the adjoining tables of income statements and balance sheets.

Against this background of gradual economic recovery, BBVA Bancomer has presented sound **earnings** figures that set it apart from its main competitors. Net interest income saw steady progress throughout the year, reflecting the improvement in commercial activity, and closed 2010 at €3,688m, a similar level to 2009. Net fees and commissions increased at a year-on-year rate of 1.9% to €1,233m, boosted mainly by the fees charged by mutual and pension funds. Together with the positive results obtained in the insurance business, this performance has helped **gross income** to increase slightly on the 2009 figure, at €5,496m, despite the reduced contribution from net trading income (–5.1%).

Mexico. Operating income

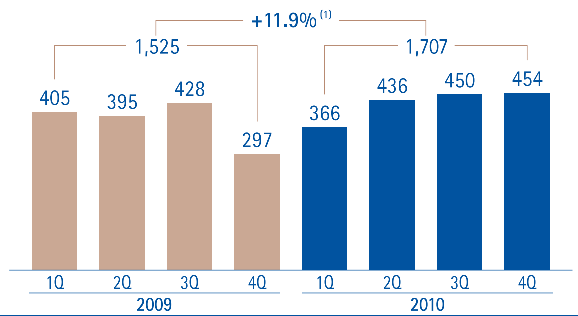
(Million euros at constant exchange rate)



(1) At current exchange rate: +8.5%.

Mexico. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +25.7%.

Operating expenses stood at €1,899m, with a year-on-year increase of 8.8% due to greater investment in technology and infrastructure and the launch of a strategic growth plan that will be in force over the coming two years. The income and expenses figures put the efficiency ratio at similar levels to those of the previous quarters, at 34.6%. It remains one of the lowest in the Mexican banking system. The **operating income** was €3,597m, a fall of 3.4% on the figure a year earlier. However, it increased by 8.5% if we take into account the exchange-rate impact.

One of the items in the income statement to improve most over 2010 is **impairment losses on financial assets**, which fell by 28.2% over the year to €1,229m. Loan-loss provisions were down year-on-year in all segments of the portfolio, particularly in the case of credit cards. As a result, the risk premium has continued to fall since January 2010 and closed the year at 3.08%. It is also important to note that the favorable trend in loan-loss provisions has not had a negative impact on **coverage** in the area, which progressed each quarter to 152% as of 31-Dec-2010, 2 percentage points up on the figure on 30-Sep-2010. There has also been an improvement in the **NPA ratio**, which closed the year at 3.2%, 15 basis points below the figure on 30-Sep-2010.

Stable income and lower loan-loss provisions meant that in 2010, which was a transition year towards recovery, BBVA Bancomer's **pre-tax profit** grew year-on-year by 14.7% to €2,281m. This positive performance can also be seen in net attributable profit, which was up 11.9% to €1,707m. This is despite the increases in January 2010 in the rate of income tax from 28% to 30% and value added tax from 15% to 16%.

BANKING BUSINESS

At the end of 2010, BBVA Bancomer managed to register a substantial recovery in its business and results, while maintaining its leading position in the Mexican market. This outstanding performance has been recognized by the magazine *Latin Finance*, which named it the best bank in Mexico for its profit and returns, asset growth, management quality, strategic vision and technological sophistication.

Bancomer's **business** results have been boosted not only by the economic recovery, but also its excellent commercial management and improved productivity in its distribution networks. **Gross lending to customers** (excluding the old mortgage portfolio), rose by 10.1% year-on-year and 3.3% quarter-on-quarter to €36,410m at the close of 2010.

The **commercial loan book**, in other words the combined loans to corporations, SMEs, financial institutions and the government, was up year-on-year by 15.3% and quarter-on-quarter by 4.0% to €15,782m. Particularly notable is the performance of the corporate portfolio, which rose an additional 4.5% between October and December 2010 to €6,600m (up 23.4% over the year). Lending to SMEs and micro-enterprises continued to increase, ending the year at €1,253m. In finance to medium-sized companies there was significant growth of 16.0% in new customers in 2010, and increased loyalty in existing ones; as of 31-Dec-2010, 64% of the customers in this segment held five or more products. This has led to a further increase of 142 basis points in the market share of lending over the year.

Consumer finance, including credit cards, recovered significantly over the year to €7,186m as of 31-Dec-2010. The year-on-year increase of 14.6% was the highest since August 2008, and the quarterly 7.8% increase the highest in 2010. Consumer loans (car, payroll and personal) increased by 23.8% on 2009 and 10.5% on the figure at the end of September. It is important to note that the use of ATMs has had a positive impact on the issue of pre-approved payroll loans. It has also boosted the use of multiple channels for granting finance: 27% of all consumer finance as of 31-Dec-2010 was issued through channels other than the branch network. The balance of credit cards grew at a rate of 9.0% year-on-year and 6.0% quarter-on-quarter. This performance, together with the low level of activity among some competitors in this segment of finance, helped increase Bancomer's market share in credit cards over the year by 430 basis points and in consumer finance as a whole by 320 basis points.

The **mortgage** loan-portfolio (excluding the old portfolio) was €8,511m, a rise of 8.1% compared with the close of the previous year and 2.4% up on the figure for 30-Sep-2010. This maintains BBVA Bancomer's leading position in this segment. It financed one out of every three new mortgages and granted more than 34,000 loans to individual customers and more than 93,000 to developers. Another highlight was the fact that for the third year in a row, BBVA Bancomer was awarded the National Housing Prize. This time the award was granted for offering a variety of solutions as a response to the crisis and supporting more than 50,000 customers affected.

In all, the investment portfolio mix remains adequately diversified by segments, with practically the same breakdown as at the close of 2009. There was a gradual change in its composition in 2009, with an increase in the proportion of lower-risk types.

The balance of **customer funds** (bank deposits, repos, mutual funds and investment companies) amounted to €53,392m on 31-Dec-2010, up year-on-year by 11.7% and quarter-on-quarter by 6.9%. There was a positive movement in demand deposits, which increased significantly (16.5%) both over the year and in the last quarter (14.6%). They thus continue to be the main component of liabilities, and allow BBVA Bancomer to maintain a profitable funding structure. With respect to off-balance-sheet funds, in 2010 assets under management in mutual funds performed well, and closed on 31-Dec-2010 at €15,341m, a year-on-year growth of 27.2% and a quarterly growth of 5.2%. As a result, BBVA Bancomer increased its market share by 59 basis points over the year, as well as continuing as the most profitable fund manager in the market.

It is also worth highlighting the area's adequate handling of **liquidity and solvency**. BBVA's model of liquidity and interest-rate risk management ensures the independence and financial autonomy of its subsidiaries. In Mexico, a total of MXN 29,000m were issued on local financial markets, putting total debt issuance at MXN 118,653m. This makes BBVA Bancomer the main debt issuer on the Mexican market.

PENSIONS AND INSURANCE

In 2010 the Group's pension and insurance business in Mexico generated a **net attributable profit** of €317m, 14.8% more than in 2009, and 18.6% of total earnings in the area. The two businesses provide diversity and recurrent earnings for the area and Group as a whole, while not being dependent on credit and liquidity risk. It is also an activity with a low capital requirement, high efficiency ratio (25.2% in 2010) and high growth potential, above all in the insurance business. It is a unit with significant synergies with the banking business in distribution and the customer base.

The **pension business** had a more favorable year than previous ones, due to the improvement in the labor market, economic activity and confidence. Against this background, Afore Bancomer's assets under management closed 2010 at €12,781m (up 17.4%), with increases in both revenues and the number of pension savers. This has resulted in a 19.9% increase in net fee income to €162m. With net trading income also performing well, Afore Bancomer's net attributable profit was up 33.7% to €75m.

The year was once more good for the **insurance business**, with a strong commercial performance by the Group's three companies and all its business segments. Seguros BBVA Bancomer, one of the five biggest insurance companies in Mexico and a leader in the bancassurance business, wrote premiums for €577m (up 7.4% on the figure for 2009) and had a very satisfactory level of claims. Pensiones BBVA Bancomer also had a positive year, writing premiums for €449m, up 43.2% on the figure for 2009. The net attributable profit was up 10.0% on the previous year to €243m.

SOUTH AMERICA

Income statement

(Million euros)

	South America				Units: Banking businesses				Units: Pensions and Insurance			
	2010	Δ%	Δ% [1]	2009	**2010**	Δ%	Δ% [1]	2009	**2010**	Δ%	Δ% [1]	2009
Net interest income	**2,495**	**(2.8)**	**11.1**	**2,566**	**2,455**	**(2.8)**	**11.3**	**2,527**	**41**	**(4.7)**	**(4.4)**	**43**
Net fees and commissions	957	5.4	9.5	908	690	(1.0)	10.1	697	282	31.0	12.0	215
Net trading income	514	26.7	13.0	405	381	35.1	19.4	282	133	7.4	(2.2)	124
Other income/expenses	(168)	(30.7)	48.9	(242)	(298)	(9.6)	58.1	(329)	139	45.1	65.3	96
Gross income	**3,797**	**4.4**	**9.7**	**3,637**	**3,229**	**1.7**	**8.9**	**3,176**	**594**	**24.5**	**15.6**	**477**
Administration costs	(1,668)	5.6	14.2	(1,579)	(1,413)	4.9	16.8	(1,347)	(239)	14.9	4.9	(208)
Personnel expenses	(854)	7.9	15.4	(791)	(708)	7.2	18.4	(660)	(120)	11.5	1.4	(108)
General and administrative expenses	(684)	1.6	10.9	(673)	(581)	0.6	13.1	(577)	(113)	18.9	9.4	(95)
Depreciation and amortization	(131)	14.1	24.6	(115)	(125)	14.1	26.4	(109)	(7)	13.5	(1.5)	(6)
Operating income	**2,129**	**3.4**	**6.4**	**2,058**	**1,815**	**(0.8)**	**3.5**	**1,829**	**355**	**32.0**	**24.1**	**269**
Impairment on financial assets (net)	(419)	(2.8)	(4.8)	(431)	(419)	(1.9)	(3.9)	(427)	-	n.m.	n.m.	(4)
Provisions (net) and other gains (losses)	(40)	(22.1)	(32.4)	(52)	(24)	(14.6)	(31.3)	(28)	(8)	(34.9)	(40.6)	(12)
Income before tax	**1,670**	**6.0**	**11.3**	**1,575**	**1,372**	**(0.1)**	**7.0**	**1,374**	**347**	**37.1**	**29.0**	**253**
Income tax	(397)	(1.7)	2.0	(404)	(323)	(10.6)	(6.1)	(362)	(89)	54.4	47.3	(58)
Net income	**1,273**	**8.6**	**14.5**	**1,172**	**1,049**	**3.6**	**11.7**	**1,012**	**258**	**32.0**	**23.7**	**195**
Non-controlling interests	(383)	(2.1)	10.2	(392)	(317)	(5.2)	9.9	(335)	(67)	16.2	12.3	(58)
Net attributable profit	**889**	**14.0**	**16.5**	**780**	**732**	**8.0**	**12.6**	**678**	**191**	**38.7**	**28.4**	**137**

(1) At constant exchange rate.

Balance sheet

(Million euros)

	South America				Units: Banking businesses				Units: Pensions and Insurance			
	31-12-10	Δ%	Δ% [1]	31-12-09	**31-12-10**	Δ%	Δ% [1]	31-12-09	**31-12-10**	Δ%	Δ% [1]	31-12-09
Cash and balances with central banks	7,064	21.0	42.6	5,837	7,064	21.0	42.6	5,837	-	-	-	-
Financial assets	8,550	11.2	10.3	7,688	6,671	(5.0)	(5.8)	7,021	1,860	73.8	63.8	1,070
Loans and receivables	33,845	19.7	22.8	28,269	33,067	18.9	22.1	27,810	563	(5.9)	(12.5)	598
· Loans and advances to customers	30,408	20.4	21.9	25,256	30,228	20.7	22.2	25,041	197	(17.2)	(19.8)	238
· Loans and advances to credit institutions and other	3,437	14.1	31.2	3,013	2,839	2.5	20.9	2,769	366	1.6	(8.0)	361
Tangible assets	652	0.6	10.1	648	596	(0.6)	11.1	600	56	15.7	0.5	48
Other assets	1,551	(19.9)	(19.7)	1,936	1,383	(2.6)	(3.1)	1,420	130	134.4	173.8	56
Total assets/liabilities and equity	**51,663**	**16.4**	**20.7**	**44,378**	**48,781**	**14.3**	**18.8**	**42,687**	**2,610**	**47.2**	**38.6**	**1,773**
Deposits from central banks and credit institutions	4,299	39.0	30.3	3,092	4,295	39.2	30.4	3,086	4	(57.0)	(58.6)	9
Deposits from customers	33,496	14.3	22.1	29,312	33,605	14.2	21.9	29,427	-	-	-	-
Debt certificates	1,864	19.9	4.6	1,554	1,864	19.9	4.6	1,554	-	-	-	-
Subordinated liabilities	1,331	8.3	2.7	1,229	1,171	59.8	46.5	733	-	-	-	-
Financial liabilities held for trading	876	28.8	10.8	680	876	28.8	10.8	680	1	-	-	-
Other liabilities	7,406	17.1	24.8	6,326	5,027	(9.9)	(3.4)	5,576	2,159	78.4	71.8	1,210
Economic capital allocated	2,390	9.4	5.9	2,185	1,943	19.2	18.5	1,631	446	(19.4)	(27.6)	554

(1) At constant exchange rate.

South America highlights in the fourth quarter

- Strong business activity.
- Significant progress in revenues.
- Cost moderation.
- Comfortable liquidity and solvency position in all units.

The South American area manages the BBVA Group's banking, pension and insurance businesses in the region. The area is quite diversified and has units operating in practically all countries. In 2010, BBVA Uruguay reached an agreement to purchase Crédit Uruguay. The deal has made it the second largest financial institution in the country.

The year 2010 was clearly one of **macroeconomic reactivation**, which has been fully consolidated in recent months due to the strength of domestic demand. As well as this, the high rates of business and consumer confidence have reduced the need for the fiscal and monetary stimuli applied since 2009. Another positive factor has been commodity prices, which have helped the positive performance of public finances. In these circumstances, the forecasts for GDP growth have been revised upward over the year, and finally closed at 5%, without any significant inflationary pressures appearing.

The expectations for rises in interest rates explain the moderate upward move in **exchange rates** in the regional currencies over 2010, except for the Venezuelan bolivar, devaluated at the start of the year. The exchange-rate effect is negative in the financial statements for South America, both in terms of the income statements and the balance sheets. As usual, the attached tables include columns with the year-on-year changes at constant exchange rates, to which the following comments refer.

Relevant business indicators

(Million euros and percentages)

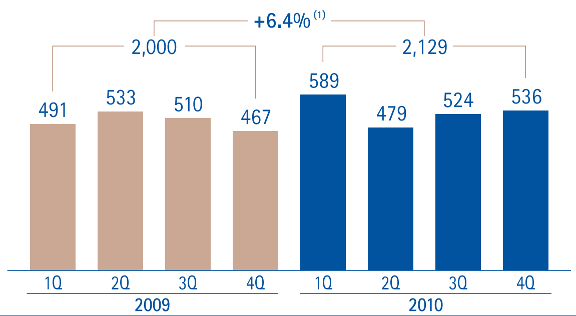
	South America		
	31-12-10	30-09-10 [1]	31-12-09 [1]
Total lending to customers (gross)	31,512	28,832	25,938
Customer deposits [2]	36,070	33,345	29,882
Off-balance-sheet funds	51,862	49,981	44,630
· Mutual funds	3,063	2,830	2,944
· Pension funds	48,800	47,151	41,686
Efficiency ratio (%)	43.9	43.2	43.4
NPA ratio (%)	2.5	2.4	2.7
Coverage ratio (%)	130	139	129

(1) Figures in € million at constant exchange rate.
(2) Including debt certificates.

For BBVA South America, the year has featured recovery in all the lines of business, significant progress in revenues, moderation in costs and improved asset quality. Thus, the **loan book** closed 2010 at €31,512m, 21.5% up on the previous year, with rises in both individuals and corporates. The upturn in lending has not led to a worsening in the level of liquidity in the area, as **customer funds** have also performed very well, and closed the year at €39,133m in the banking business (including mutual funds), 19.2% above the figure for 2009. There was a particularly notable trend in current and savings accounts, up by 26.0%. The area registered a good deposit/loan ratio of 114.5%. Assets under management by pension funds in the area stood at €48,800m, 17.1% up.

South America. Operating income

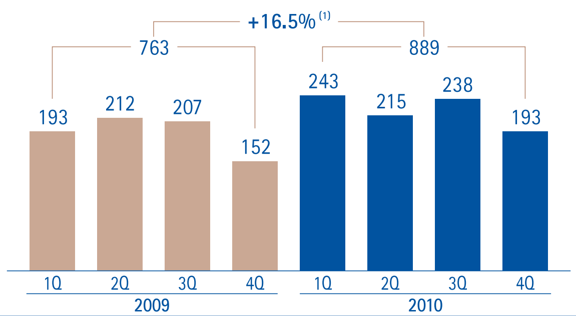
(Million euros at constant exchange rate)



(1) At current exchange rate: +3.4%.

South America. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +14.0%.

The upturn in activity has offset the effect that the high competitive pressure in the region has on spreads. As a result, the net interest income of €2,495m was 11.1% up on the figure for 2009. The increased business also explains the positive progress in net fees and commissions (up 9.5%), despite the negative effect of the regulatory limitations that entered into force in some countries in 2010. Net trading income was good, partly because of the revaluation of BBVA Banco Provincial's U.S. dollar positions due to the devaluation of the Venezuelan bolivar. The other income/expenses item includes the adjustment for hyperinflation in Venezuela, which has been more negative than in 2009. In all, **gross income** was €3,797m, 9.7% up on the figure for 2009.

Expenses have been kept in check throughout the year, with a year-on-year growth of 14.2% due to the effect of expansion projects underway in the area. Even so, this rate of change is below the average regional inflation and has not prevented the efficiency ratio from remaining at an attractive level (43.9%) or the **operating income** from increasing 6.4% to €2,129m. The improvement in asset quality has maintained the volume of NPA practically the same over the year, with a fall in the **NPA ratio** to 2.5% from 2.7% in December 2010 (2.4% in September 2010). As a result, losses from impairments on financial assets were down 4.8% on the figure for 2009, and NPA **coverage** remained at 130.0%, basically the same as a year ago (139% at 30-9-2010).

To sum up, the year was very favorable for recurrent revenues, with expenses in check and no increase in loan-loss provisions. The above has boosted the area's **net attributable profit**, which reached €889m, up 16.5% year-on-year, with a comfortable situation in terms of both liquidity and capital adequacy in all of its units.

BANKING BUSINESS

The area's banking business generated a net attributable profit of €732m in 2010, 12.6% up on the figure for the previous year. Below are some of the most important aspects of the banks in the region over the year.

In 2010, **BBVA Banco Francés** developed important business initiatives that have allowed it to increase its lending by 43.0% over the year, with an increase of 38 basis points in market share to October (latest available figures) and with no deterioration in asset quality (the NPA ratio continues to be well below that in the rest of the system). Customer funds were up by 22.7%, marking an increase highly concentrated in transactional accounts (up 22.2%) and time deposits (up 23.9%). The bank's buoyant business has led to a 16.5% year-on-year improvement in the net interest income, and a 15.6% increase in net fees and commissions, despite legal limitations incorporated during the year. Operating expenses were up 28.5%, affected by the upturn in inflation and the expansion projects launched by the unit. The high asset quality has enabled loan-loss provisioning to remain at similar levels to 2009. In all, the net attributable profit in 2010 was €111m.

BBVA Chile has reinforced its positioning in retail business, which has allowed it to gain (up to October) 28 basis points of market share in consumer finance; 19 in credit cards and 11 in mortgages. At the same time, the consumer finance unit, Forum, strengthened its leading position with a 31% increase in lending and no deterioration in risk indicators (the NPA ratio closed at 1.9%). With respect to customer funds, current accounts were significantly up by 22.1%, with an increase of 12 basis points in market share. BBVA Chile and Forum contributed a net attributable profit of €115m (up 41.9%), which benefits from the increased activity's effect on the net interest income (up 12.1%) and fees and commission income (up 27.6%). Furthermore, this was possible even though net trading income was below that of 2009. There was also a positive contribution from the moderate level of expenses (up 7.4%) and major reduction in loan-loss provisions (down 39.4%), above all due to the improved asset quality.

BBVA Colombia has performed very well commercially in 2010 with year-on-year gains of market share (9 basis points in lending up to October), especially in mortgages and corporate lending (up 64 and 20 basis points, respectively). In customer funds, there was a year-on-year growth of 22.3% in current and savings accounts, reflecting the policy of reducing the cost of deposits. BBVA Colombia has offset the impact of the fall in the rates with the growth in lending and the implementation of strict defense of spreads, which has limited the fall in the net interest income (down 4.9%). Furthermore, costs have been moderate, with a slight year-on-year increase of 1.4%, and limited loan-loss provisions (down 32.4%), impacted by the decrease of non-performing assets (–26.6%). Consequently, the accumulated net attributable profit contributed reached €184m, up 12.0%. BBVA Colombia was recognized as the "Bank of the Year" in the country by *The Banker*. It also received an award as the best Colombian bank for good corporate governance practices, social responsibility and ethics from *Latin Finance*.

BBVA Banco Continental undertook numerous commercial initiatives in 2010, as well as an 8% increase in its branch network, 23% in the number of ATMs and 184% in its "express" agent network. The above has allowed for a 19.5% growth in lending and a 20.6% increase in customer funds, for a net attributable profit for the year of €134m (up 6.5%), thanks to the key role played by the rise in activity. The net interest income was up by 4.8%, despite the downward pressure on spreads, and net fees and commissions were up by 12.7%, with a very high recurrent component. Expenses were up by 9.7%, a moderate rate given the expansion in the commercial network and which has enabled the efficiency ratio to remain low (30.6%). The NPA ratio continues very low (1.9%), with no pressure on the volume of loan-loss provisioning. In 2010, the bank was recognized as the Best Bank in Peru by *Global Finance* and the Best Foreign Trade Bank in Peru by *Trade Finance*. It was also in third place as Best Bank in Latin America in the ranking by *América Economía*, and third in the sustainability ranking drawn up by *Management & Excellence* and *Latin Finance*.

In a complex macroeconomic context, **BBVA Banco Provincial** has had a good year, with great commercial strength that has allowed it to increase its loan portfolio by 41.0% and gain 139 basis points in market share (up to October). Customer funds increased by 46.6% and their market share increased by 285 basis points over the year (also as of October 2010). The unit contributed a net attributable profit of €115m (up 23.0%), based on this increase in business and positive handling of spreads, which has been reflected in progress in the net interest income (up 28.9%). As a result of the positive performance of other revenues and a moderate increase in expenses (under the rate of inflation), the efficiency ratio has improved to 48.0%, and operating income continues to grow strongly (up 43.6%). In 2010, BBVA Banco Provincial was once again named Best Bank in Venezuela by three prestigious publications: *Euromoney* (for the fourth year in a row), *Global Finance* (also for the fourth year in a row) and *The Banker*.

Finally, the profit of **BBVA Paraguay** in 2010 stood at €39m; **BBVA Panamá** earned €31m and **BBVA Uruguay** €3m.

PENSIONS AND INSURANCE

Pensions and Insurance net attributable profit in 2010 amounted to €191m, 28.4% up on the previous year.

In a favorable year for the pension business, **AFP Provida** in Chile generated a net attributable profit of €89m, up 20.8% thanks to the increase in collections (up 9.9%) and its positive effect on fees and commissions income (up 21.5%). Furthermore, **AFP Horizonte in Colombia** generated a net attributable profit of €26m and **AFP Horizonte in Peru**, €16m.

In a year that was also positive for the insurance business, the volume of written premiums for the group of companies grew 28.2% (excluding Colombia which fell back because of a strategic decision), with a moderate level of claims and expenses. The result was a net attributable profit of €64m (up 50.9%), of which €26m were from the **Grupo Consolidar** in Argentina, €17m from the Group's companies in **Chile**, €13m from the **Colombian** companies and €8m from **Seguros Provincial** in Venezuela.

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

(Million euros)

	Operating income				Net attributable profit			
Country	**2010**	Δ%	Δ% at constant exchange rate	2009	**2010**	Δ%	Δ% at constant exchange rate	2009
Argentina	299	4.3	4.3	287	132	1.8	1.8	130
Chile	427	22.1	6.1	350	221	54.5	34.3	143
Colombia	425	4.5	(11.5)	407	223	37.2	16.2	162
Peru	515	16.9	4.5	441	149	18.1	5.6	126
Venezuela	399	(23.7)	43.2	523	123	(34.6)	22.8	188
Other countries [1]	63	24.0	8.2	51	41	36.5	15.0	30
Total	**2,129**	**3.4**	**6.4**	**2,058**	**889**	**14.0**	**16.5**	**780**

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

THE UNITED STATES

Income statement
(Million euros)

	2010	Δ%	Δ% [1]	2009
Net interest income	**1,794**	**6.8**	**1.3**	**1,679**
Net fees and commissions	646	5.8	0.3	610
Net trading income	156	0.1	(4.9)	156
Other income/expenses	(49)	49.4	42.3	(33)
Gross income	**2,546**	**5.5**	**0.1**	**2,413**
Administration costs	(1,517)	11.2	5.5	(1,365)
Personnel expenses	(753)	7.5	2.0	(701)
General and administrative expenses	(565)	23.2	17.0	(458)
Depreciation and amortization	(199)	(3.1)	(7.9)	(205)
Operating income	**1,029**	**(1.8)**	**(7.0)**	**1,048**
Impairment on financial assets (net)	(703)	(50.5)	(52.9)	(1,420)
Provisions (net) and other gains (losses)	(22)	(97.9)	(98.0)	(1,056)
Income before tax	**304**	**n.m.**	**n.m.**	**(1,428)**
Income tax	(68)	n.m.	n.m.	478
Net income	**236**	**n.m.**	**n.m.**	**(950)**
Non-controlling interests	-	-	-	-
Net attributable profit	**236**	**n.m.**	**n.m.**	**(950)**
Net one-offs [2]	-	n.m.	n.m.	(1,050)
Net attributable profit (excluding one-offs)	**236**	**134.9**	**116.8**	**100**

(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 amounts before tax.

Balance sheet
(Million euros)

	31-12-10	Δ%	Δ% [1]	31-12-09
Cash and balances with central banks	2,284	162.3	143.3	871
Financial assets	7,469	7.4	(0.4)	6,953
Loans and receivables	39,729	(6.4)	(13.2)	42,437
· Loans and advances to customers	38,408	(4.1)	(11.1)	40,056
· Loans and advances to credit institutions and other	1,321	(44.5)	(48.5)	2,381
Inter-area positions	4,883	(80.1)	(81.6)	24,581
Tangible assets	795	11.8	3.7	711
Other assets	2,453	4.7	(2.9)	2,342
Total assets/liabilities and equity	**57,613**	**(26.0)**	**(31.4)**	**77,896**
Deposits from central banks and credit institutions	6,690	(8.1)	(14.8)	7,280
Deposits from customers	42,343	(31.9)	(36.9)	62,200
Debt certificates	501	(1.7)	(8.8)	510
Subordinated liabilities	1,141	2.0	(5.4)	1,118
Inter-area positions	-	-	-	-
Financial liabilities held for trading	360	92.9	78.9	187
Other liabilities	3,838	6.1	(1.6)	3,617
Economic capital allocated	2,741	(8.2)	(14.8)	2,985

(1) At constant exchange rate.

The United States highlights in the fourth quarter

- Continued reduction in the developer's portfolio and growth in residential mortgages and companies.
- Lower-cost deposits maintain their rise.
- Good performance in more recurring revenues.
- Improved quality of risk.

Relevant business indicators

(Million euros and percentages)

The United States

	31-12-10	30-09-10 [1]	31-12-09 [1]
Total lending to customers (gross)	39,570	40,302	44,335
Customer deposits [2]	41,354	50,976	65,726
Efficiency ratio (%)	59.6	57.9	56.6
NPA ratio (%)	4.4	4.6	4.2
Coverage ratio (%)	61	59	58

(1) Figures in € million at constant exchange rate.
(2) Excluding deposits and repos issued by Markets unit.

This area encompasses the Group's business in the United States and in the Commonwealth of Puerto Rico. It also incorporates the assets and liabilities of BBVA's office in New York, which garners the activity carried out with large corporations and businesses in New York and the business of markets and distribution in the same area.

The **economic surge** in the United States at the end of 2009 lost steam at the start of 2010, although growth continued and ended at 3% for the year as a whole. Even so, the recovery is still limited by three factors: the slowdown in the real estate market; the weakness in employment; and the deleveraging process in which households are still involved.

The **residential real estate market** continued under pressure over the year, due mainly to the expiry of various home buyer assistance programs that had been implemented in previous years. Prices have also been contained by the high rate of unemployment, uncertainty, lack of confidence on the part of consumers, and excess stocks inventory. As a result, unlike what happened in previous recessions, it is considered highly unlikely that residential investment will lead the way to recovery.

The **labor market** has remained fragile in 2010 after the major adjustments in 2008 and 2009. A total of 86,000 new jobs were created in the first eleven months of the year, so the current rate of job creation is still a long way from that required to reduce the unemployment rate to below 9.0% in 2011.

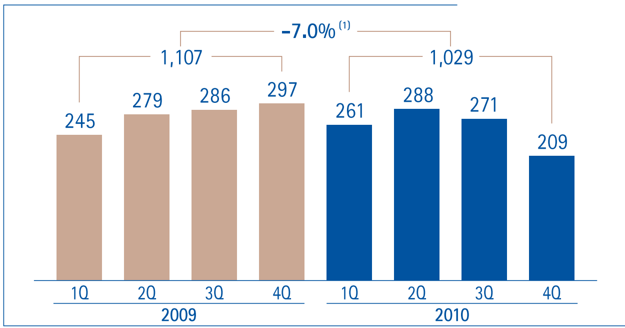
In addition, it is important to note that the growth of lending has been limited by economic conditions in the country, together with the trend for **household deleveraging**. Nevertheless, gradual progress in this direction is expected due to the steady improvement in risk perception in the banking sector.

Inflation remained in check in 2010, in line with forecasts, due to falling prices in basic services and rentals. Towards the end of the year, the Federal Reserve decided to give a new boost to economic policy with the start of a program of monetary expansion. This initially led to downward pressure on **interest rates**, which are expected to continue at exceptionally low levels as long as the economic situation does not substantially improve.

Finally, the **exchange rate** of the dollar against the euro has continued to appreciate, both over the year and in the quarter. Final exchange rates were up 7.8% in the last twelve months and 2.1% in the fourth quarter, closing on 31-Dec-2010 at $1.34/euro. The average exchange rates were up 5.2% year-on-year, although there was a slight depreciation of 0.8% over the quarter to $1.33/euro. In all, the appreciation has had a positive effect on the area's financial statements and business over the year, although it was negative in the income statement in the fourth quarter. As is normally the case, the figures below are given at constant exchange rates, unless indicated otherwise, and both scenarios can be seen in the adjoining tables.

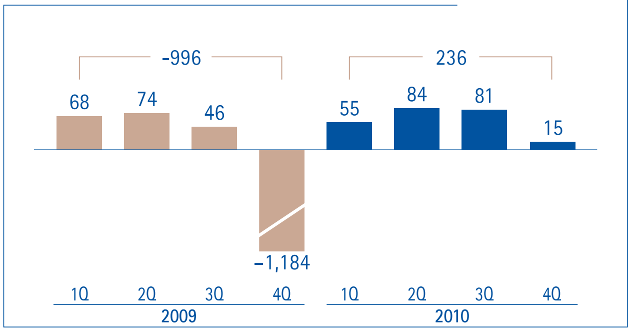
Against this background, the decrease in the **loan book** in BBVA USA has slowed over recent months. In the fourth quarter the fall was only 1.8% (–3.1% in the previous quarter), and in the year as a whole it was 10.7% (–13.4% at the close of September) to €39,570m.

→ The United States. Operating income
(Million euros at constant exchange rate)



(1) At current exchange rate: –1.8%.

→ The United States. Net attributable profit
(Million euros at constant exchange rate)



However, it is worth highlighting the selective growth of lending in the area, with a change in the portfolio mix towards items of less cyclical risk resulting from a clear focus on customer loyalty, credit quality, promotion of cross-selling and customer profitability. The residential real estate portfolio increased by 28.6% over the year and by 8.0% in the quarter. Commercial and corporate loans were up 10.7% over last year and 4.5% in the quarter. In contrast, the construction real estate portfolio has fallen by 40.7% year-on-year and 11.5% quarter-on-quarter).

In addition, adequate risk control in 2010 and the proactive measures taken in the fourth quarter of 2009, consisting of additional loan-loss provisioning to increase the coverage ratio in the area, have led to better asset quality. The **NPA ratio** and **coverage ratio** both improved over the quarter and closed at 4.4% and 61% respectively (4.6% and 59% on 30-Sep-2010).

Customer deposits also fell over the year as a whole by 37.1% to €41,354m. However, it is important to highlight the excellent performance of lower-cost deposits, which were up 7.7%, in detriment to term deposits, which were down by 20.7% in the same period.

The area's **net attributable profit** was €236m. It is worth noting that in 2009 the profit was affected by various one-off charges: first, loan-loss provisions made to increase the coverage ratio in the area; and second, deterioration in goodwill generated in the successive acquisitions made to construct the United States franchise. If these two items are excluded, the net attributable profit in 2010 still registers an increase of 116.8% compared with the figure excluding one-offs in 2009.

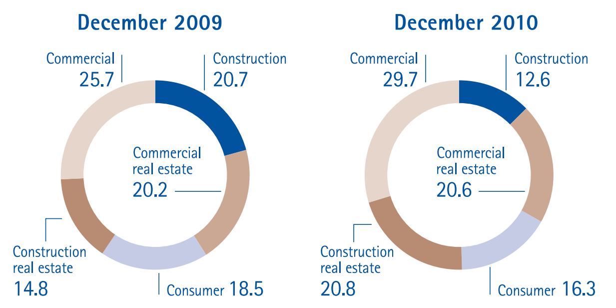
This increased profit is the result partly of the strength of the **gross income**, which ended the year at €2,546m (up 0.1% using constant-exchange rates and 5.5% excluding the exchange-rate effect), thanks to the contribution of Guaranty and the repricing effort made. Another positive effect is from the reduction of **impairment losses on financial assets** as a result of the change in the loan portfolio mix to lower-risk items (excluding last-year's one-offs, this item fell by 24.6%). Finally, the lack of additional charges such as the deterioration in goodwill in 2009 also had a positive impact.

BBVA COMPASS BANKING GROUP

BBVA Compass represents approximately 74% of the area's total assets and garners the retail and corporate banking business in the United States (excluding Puerto Rico).

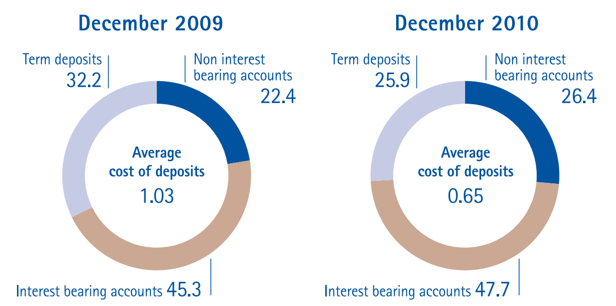
At the close of 2010, the **loan book** was down 7.1% year-on-year to €31,256m. The fall in lending is the result of reduced finance for construction real estate and the planned run-off in consumer finance for car dealerships and students. This drop has in part been offset by the increase in residential real estate, which was up 34.7% over the year and 9.1% in the quarter; and to a lesser extent by commercial loans, which were up 11.2% on 31-Dec-2009 and 3.9% on 30-Sep-2010. It is worth noting that US$3,294m in new residential mortgages were generated during the year, 22.3% up on the figure for the previous year. In all, the residential real estate portfolio accounted for 20.8% of total lending in BBVA Compass as of December 31, 2010, compared with 14.8% in 2009, and commercial loans accounted for 29.7% (25.7% the previous year). In contrast, construction real estate was down 8.1 percentage points to 12.6% and consumer finance down 2.2 pp to 16.3%.

→ BBVA Compass Banking Group
Loan mix (Percentage)



Customer deposits fell by 1.8% year-on-year to €32,873m as a result of the fall in term deposits (–21.0%). Lower-cost funds such as current accounts were up by 7.7%, and now represent 73.4% of all the unit's funds compared with 66.9% a year earlier.

→ BBVA Compass Banking Group
Deposit mix (Percentage)



This changing composition of lending and deposits has provided an impetus for an improvement in the customer spread, which increased by 11 basis points over the quarter. This is because the cost of deposits has fallen, while the yield on loans remains at practically the same levels as in the third quarter. As a result, the net interest income of €1,566m is 7.1% up on the figure for 2009, while net fees and commissions have increased by 1.0% over the same period. Although both net trading income and the other gains (losses) item were down, **gross income** ended the year at €2,168m, 2.7% up on 2009. However, the increased operating expenses, due to the process of integrating Guaranty, led to a 1.7% fall in the **operating income** over the previous year to €816m. Impairment on financial assets improved significantly, reflecting the exceptional measures taken in 2009 and the risk control mechanisms implemented over this year. As a result, the **net attributable profit** increased to €149m (compared with –€1,063m in 2009, or €42m without one-off charges, at constant exchange rates).

OTHER UNITS

As of December 31, 2010, **BBVA Puerto Rico** managed a loan portfolio of €2,850m, down 9.3% from the previous year. Customer deposits amounted to €1,588m, at similar levels to the close of 2009. In all, the operating income fell over the year by 10.0% to €70m, but the reduced impairment losses on financial assets (a year-on-year fall of 64.1%) pushed the net attributable profit to over €1m, compared with a loss of €71m in the previous year.

Finally, **BTS** reported a net attributable profit of €11m, €1.7m down on the previous year. Revenues dropped 9.5% as the number of transactions declined by 4.0%.

WHOLESALE BANKING & ASSET MANAGEMENT

Income statement

(Million euros)

	Wholesale Banking & Asset Management			Units: Corporate and Investment Banking			Units: Global Markets		
	2010	∆%	2009	2010	∆%	2009	2010	∆%	2009
Net interest income	**831**	**(15.4)**	**982**	**507**	**12.1**	**452**	**382**	**(34.0)**	**579**
Net fees and commissions	492	6.8	461	351	15.7	304	39	(15.8)	47
Net trading income	(66)	13.1	(59)	58	25.8	46	(162)	(2.1)	(165)
Other income/expenses	500	59.2	314	-	-	-	156	17.5	133
Gross income	**1,758**	**3.4**	**1,699**	**916**	**14.2**	**802**	**415**	**(30.0)**	**593**
Administration costs	(501)	3.3	(485)	(151)	10.4	(137)	(213)	(0.4)	(214)
Personnel expenses	(330)	3.3	(319)	(90)	11.2	(81)	(116)	(3.0)	(119)
General and administrative expenses	(162)	3.8	(156)	(59)	9.7	(54)	(96)	2.9	(93)
Depreciation and amortization	(9)	(7.6)	(10)	(1)	(6.8)	(1)	(1)	(6.2)	(2)
Operating income	**1,257**	**3.5**	**1,214**	**765**	**15.0**	**665**	**202**	**(46.6)**	**379**
Impairment on financial assets (net)	(116)	92.9	(60)	(49)	(28.5)	(69)	(31)	n.m.	3
Provisions (net) and other gains (losses)	2	n.m.	(4)	2	n.m.	(2)	-	-	-
Income before tax	**1,143**	**(0.6)**	**1,150**	**718**	**20.8**	**595**	**171**	**(55.2)**	**382**
Income tax	(192)	(34.8)	(294)	(212)	21.9	(174)	(29)	(69.7)	(97)
Net income	**951**	**11.2**	**856**	**506**	**20.4**	**421**	**142**	**(50.3)**	**285**
Non-controlling interests	(2)	(53.2)	(3)	-	-	-	-	-	(2)
Net attributable profit	**950**	**11.4**	**852**	**506**	**20.4**	**421**	**142**	**(50.0)**	**283**

Balance sheet

(Million euros)

	Wholesale Banking & Asset Management			Units: Corporate and Investment Banking			Units: Global Markets		
	31-12-10	∆%	31-12-09	31-12-10	∆%	31-12-09	31-12-10	∆%	31-12-09
Cash and balances with central banks	1,768	189.9	610	153	124.7	68	1,607	200.4	535
Financial assets	55,729	(8.7)	61,024	405	(3.2)	418	52,041	(10.9)	58,441
Loans and receivables	48,346	13.2	42,695	30,607	(0.7)	30,808	16,700	57.6	10,598
· Loans and advances to customers	35,754	16.5	30,684	28,490	(2.8)	29,323	7,026	n.m.	1,222
· Loans and advances to credit institutions and other	12,591	4.8	12,011	2,118	42.6	1,485	9,674	3.2	9,376
Inter-area positions	12,644	-	-	-	-	-	28,676	53.2	18,714
Tangible assets	35	8.9	32	1	47.3	1	3	(9.0)	3
Other assets	3,000	36.3	2,202	25	(13.2)	29	1,208	3.7	1,165
Total assets/liabilities and equity	**121,522**	**14.0**	**106,563**	**31,191**	**(0.4)**	**31,324**	**100,235**	**12.1**	**89,455**
Deposits from central banks and credit institutions	31,575	0.6	31,399	3,512	n.m.	573	27,815	(9.1)	30,615
Deposits from customers	43,819	25.7	34,864	10,608	3.7	10,233	33,210	34.8	24,630
Debt certificates	1	-	-	1	-	-	-	-	-
Subordinated liabilities	2,322	18.0	1,967	837	0.1	836	565	19.2	475
Inter-area positions	-	-	183	13,321	(20.7)	16,790	-	-	-
Financial liabilities held for trading	34,812	13.0	30,799	-	-	-	34,811	13.0	30,799
Other liabilities	5,113	36.8	3,738	1,664	18.4	1,405	2,833	35.0	2,099
Economic capital allocated	3,879	7.4	3,613	1,247	(16.0)	1,486	999	19.3	838

Wholesale Banking & Asset Management highlights in the fourth quarter

- Positive performance from more recurring revenues and customer funds.
- Continued focus on high bundling customers and credit quality.
- BBVA consolidates its position as one of the key banks at a global level in a number of investment banking products.
- Agreement with the Bank of Baroda to create a credit card company in India.

Relevant business indicators

(Million euros and percentages)

	Wholesale Banking & Asset Management		
	31-12-10	30-09-10	31-12-09
Total lending to customers (gross)	36,197	34,846	31,058
Customer deposits	27,632	30,969	32,788
· Deposits	21,118	23,068	25,220
· Assets sold under repurchase agreements	6,515	7,901	7,568
Off-balance-sheet funds	10,785	10,933	11,139
· Mutual funds	3,576	3,675	3,914
· Pension funds	7,209	7,258	7,224
Efficiency ratio (%)	28.5	29.0	28.6
NPA ratio (%)	1.2	1.3	1.2
Coverage ratio (%)	71	66	70

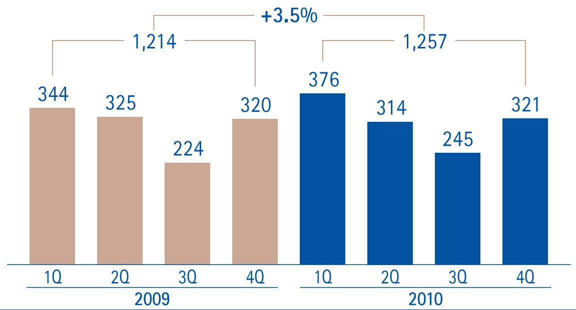
The Wholesale Banking & Asset Management (WB&AM) area handles the Group's wholesale businesses and asset management in all the geographical areas where it operates. For the purposes of this financial report, the business and earnings of the units in the Americas are recorded in their respective areas (Mexico, South America and the United States). WB&AM is organized around three main business units: Corporate and Investment Banking (C&IB), Global Markets (GM) and Asset Management (AM). It also includes the Industrial and Real Estate Holdings unit and the Group's holdings in the CITIC financial group.

The area once more showed a clear customer focus and a high level of recurrence and quality in its revenues in 2010, despite the upheaval in the markets. Accumulated **gross income** amounted to €1,758m, 3.4% up on 2009, supported once more by recurring revenue (net interest income and net fees) from C&IB and the increased contribution from the CITIC group. Operating costs ended the year 3.3% up on the figure for 2009. This is mainly the result of investments in systems and the various growth plans implemented in all the geographical areas. **Operating income** increased by 3.5% on 2009 to €1,257m.

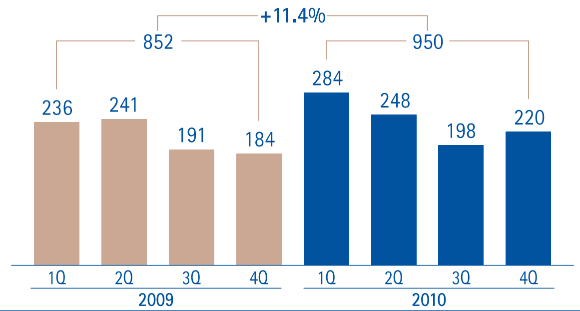
WB&AM continues to show a high level of **asset quality**, with a small NPA ratio of 1.2%, under the figure for the close of the previous quarter, a high coverage ratio of 71%, 4.4 percentage points up on 30-Sep-2010, and loan-loss provisions of €116m, barely 9.2% of the operating income in the area. The **net attributable profit** for the year was €950m (€852m in 2009).

In terms of business activity, the area's **loan book** as of 31-Dec-2010 was up 16.5% year-on-year to €36,197m. However, this is the result of a greater volume of repos in Global Markets, as in C&IB the trend continues to be for

Wholesale Banking & Asset Management Operating income (Million euros)



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



containment, with a year-on-year fall of 2.7%. This is because improving asset quality means focusing on customers with a greater loyalty, profitability and credit quality. However, it is worth noting that there was a slight recovery in lending in this unit in the fourth quarter (up 2.3%). **Customer funds** ended the year at €31,903m, 12.3% under the figure for 31-Dec-2009.

Taking into account the figures for business and results of the WB&AM units in the **Americas**, the global scope of the area shows a better year-on-year performance than in the previous quarter, with income continuing to show resistance and recurrence, and a net attributable profit at €1,486m, 3.6% up on the figure for 2009. Lending performed well, with an increase of 13.8%, while customer funds fell by 29.2%.

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

	2010	Δ%	2009
Income statement			
Gross income	3,029	(0.8)	3,052
Administration costs	(800)	7.7	(743)
Operating income	2,229	(3.5)	2,309
Income before tax	2,033	(5.2)	2,144
Net attributable profit	1,486	3.6	1,434
Balance sheet	**31-12-10**	**Δ%**	**31-12-09**
Total lending to customers (gross)	54,669	13.8	48,054
Customer funds on balance sheet	48,532	(32.8)	72,208
Other customer funds	10,294	(4.9)	10,826
Total customer funds	58,825	(29.2)	83,033
Economic capital allocated	4,320	5.1	4,111

CORPORATE AND INVESTMENT BANKING

C&IB coordinates the origination, distribution and management of a complete catalogue of corporate and investment banking products (corporate finance, structured finance, structured trade finance, equity capital markets and debt capital markets), and global transactional services. Large corporate customers are offered a specialized coverage by sector (industry bankers). This business model allows BBVA to consolidate the strong positioning of C&IB in Spain and Latin America; at the same time, a selective customer attraction policy is being pursued in Europe and Asia.

Recurrent revenues have performed particularly well in a context of moderate lending. Year-on-year growth in the net interest income and fees (up 12.1% and 15.7% respectively) have boosted the **gross income** to €916m, 14.2% up on the figure for the previous year. Finally, the **net attributable profit** was up by 20.4% to €506m.

The activity of the **Structured Finance** unit has consolidated BBVA as one of the top entities in the business across Europe, the Americas and Asia. BBVA has continued very active in renewable energies in all the geographical areas in which it operates. It has structured and led operations in the solar thermal, wind power and gas sectors. In the gas sector it has participated in Nordstream I, the biggest operation of its kind undertaken in Europe, which consisted in the construction of a gas pipeline between Russia and Germany. In social infrastructure and transport, BBVA has supported its key customers in important projects such as the financing provided for the Exhibition and Congress Center in Seville, line 9 of the Metro in Barcelona and the privatization of the port of Brisbane in Australia. The highlight in America was the Long Beach Court House operation.

In **Structured Trade Finance**, the most important contract ever with Russia has been signed to extend and reform the Khabarovsk refinery; while in Mexico, finance was provided for an electricity generation platform in Sonda de Campeche. According to Dealogic, at the close of the year the Group retained its leading position in terms of number of deals and is in first place in the regions of Asia and BRIC, second in Latin America and third in Western Europe.

Corporate Finance closed the year at the top of the ranking in the Spanish M&A market by volume of deals announced, according to Thomson Reuters, with a total of fourteen deals, of which four were announced in the fourth quarter.

In **Equity Capital Markets**, the reduced activity in Spain has been offset by major international operations. Among these has been the initial public stock offering of Enel Green Power, the biggest in EMEA (Europe, Middle East and Asia) since 2008, as well as that of OHL Mexico, the biggest in the country for the last ten years. This and other operations have won BBVA first place in the Thomson Reuters Mexican equity capital markets ranking.

BBVA was very active in **Debt Capital Markets** in 2010, and closed the year in top positions in both Spain and in the Americas.

In **bonds**, BBVA has consolidated its leading position in the Spanish market, and repeated its number one spot both in terms of volume and number of transactions (according to Dealogic). At the close of 2010, the Group had a market share of 10.8% in volume placed, at over €15,000m, through 69 operations by financial, institutional and corporate issuers. Over the quarter, it was very active in Europe, with highlights being the GDP Suez, BAA, Iberdrola and Red Eléctrica operations. Finally, in Mexico, BBVA Bancomer was the joint lead broker in the biggest ever issue by CFE.

Highlights in **syndicated loans** include the leading position in the ranking of financial institutions active in Spain (according to Dealogic), as well as the increase in operations with clients in Europe, where it arranged issues for companies as important as Daimler, E.on, Imperial Tobacco, Eiffage, RWE, SAP and Leaseplan. It has also closed the biggest syndicated loan deal in Mexico for PEMEX, at US$3,250m. This puts the Bank at the top of the ranking of syndicated loans in the country (according to Loan Pricing).

In **Global Transaction Services** BBVA topped Euromoney's ranking for the second year in a row as best provider of cash management services for corporates and institutions in Spain. IFI España has also been recognized by the consultancy Fimetix as the best supplier of transactional services in the country for international financial institutions. BBVA's institutional custody services have for the third year in a row received the TOP rating in the annual Global Investor Euromoney Survey for non-resident institutional customers.

GLOBAL MARKETS

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

In 2010, GM had a **gross income** of €415m, 30.0% down on the same period in 2009. The fall was in trading income, which was affected by the difficult market conditions. However, income from customers was up 20.3%, thus reinforcing its business model, which is aimed at offering clients the best solutions for investment, finance and risk hedging. The biggest growth by type of client was among institutional clients. By underlying assets, there was a major increase in equities. On the cost side, a major management effort was made at a time when the unit has been immersed in a significant investment process, as shown by the slight fall of 0.4% year-on-year in operating expenses.

In what has been a difficult environment, GM has taken advantage of its internationalization by growing exponentially in Asia, New York, Latin America and increasing its geographical **diversification**. Currently, 68.5% of its revenues are generated outside Spain.

In line with its increasing **globalization**, GM has integrated BBVA Bancomer into the BBVA global equity platform. In practice this means a move from having local operational capacity to more global functions for the management of equity orders. The unit has also consolidated its leading position as top equity broker in the Spanish stock market. Its market share was 21.4% as of 31-Dec-10, a rise of 9.6 percentage points over the last two years (11.8% as of 31-Dec-2008).

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.

In the **fourth quarter** of 2010, the unit has continued to be active in the launch of new products. Among these are four new guaranteed fixed-income funds and two more guaranteed equity funds. In pension funds, a new individual plan has been launched called BBVA Plan Tranquilidad 2016.

As of 31-Dec-2010, the total assets under management in Spain amounted to €40,519m. Mutual funds account for

€23,708m of this figure, a fall of 7.3% on the previous quarter, due partly to the large maturities of some funds, and also to the preference of customers for other products such as bank term deposits. The rate of redemption in money and short-term fixed-income funds has slowed in the last months of the year, although they continue to be the categories with most redemptions, at 49.5% of the total in the fourth quarter. Assets under management in pension funds in Spain were down 1.2% on the previous quarter to €16,811m. Of this amount, individual plans account for €9,647m and employee and associate schemes, €7,164m. BBVA continues to be leader in pension plans as a whole, with a market share of 18.4%. Its share of employment plans is 22.4% and of individual plans 16.2% (according to data from Inverco, as of 30-Sep-2010).

There have been positive results in Latin America as a result of the growth plans for the retail and corporate networks. Assets under management as of 31-Dec-2010 increased by 44.3% year-on-year in Mexico, 22.6% in Colombia, and 12.7% in Peru.

Industrial and Real Estate Holdings diversifies the area by developing long-maturing projects that create value in the medium and long-term through the active management of industrial equity holdings and real estate projects (DUCH and Anida Internacional). In the fourth quarter there were sales of minor stakes of portfolio holdings for about €21m.

The wholesale business in **Asia** performed excellently in 2010 and continues to be the basis for organic growth in the region. The loan book was 13.8% up on the close of 2009, with customer funds up 74.1%, supported by GM Asia. The accumulated net attributable profit was up 95.6%. Over the year, BBVA has strengthened its business capacity in the zone by opening trading floors in Singapore and Tokyo, new operational branches and representative offices, the signing in December of the agreement with the Indian Bank of Baroda to create a joint credit card company, and the increase in CNCB's stake. This company has closed an excellent year with high rates of growth in virtually all its business lines (lending at 30-Sep-2010 was up 12.7% from 31-Dec-2010 and customer deposits were up 22.1%) and has generated a profit above market expectations (an increase of 51.5% year-on-year to September).

CORPORATE ACTIVITIES

Income statement
(Million euros)

	2010	Δ%	2009
Net interest income	**(163)**	**n.m.**	**437**
Net fees and commissions	(179)	65.4	(108)
Net trading income	698	44.2	484
Other income/expenses	329	50.0	219
Gross income	**684**	**(33.7)**	**1,031**
Administration costs	(798)	5.6	(755)
Personnel expenses	(478)	(13.1)	(550)
General and administrative expenses	(88)	n.m.	(9)
Depreciation and amortization	(232)	18.1	(197)
Operating income	**(114)**	**n.m.**	**276**
Impairment on financial assets (net)	(916)	n.m.	(107)
Provisions (net) and other gains (losses)	(893)	20.5	(741)
Income before tax	**(1,924)**	**236.3**	**(572)**
Income tax	678	49.3	454
Net income	**(1,246)**	**n.m.**	**(118)**
Non-controlling interests	-	(97.8)	13
Net attributable profit	**(1,245)**	**n.m.**	**(105)**

Balance sheet
(Million euros)

	31-12-10	Δ%	31-12-09
Cash and balances with central banks	(88)	n.m.	411
Financial assets	28,445	(15.6)	33,701
Loans and receivables	1,091	(36.7)	1,724
· Loans and advances to customers	(1,386)	n.m.	883
· Loans and advances to credit institutions and other	2,477	194.7	840
Inter-area positions	(17,578)	(28.5)	(24,596)
Tangible assets	3,030	(1.0)	3,060
Other assets	14,698	10.9	13,251
Total assets/liabilities and equity	**29,597**	**7.4**	**27,551**
Deposits from central banks and credit institutions	12,428	(26.2)	16,837
Deposits from customers	15,649	n.m.	3,983
Debt certificates	78,590	(16.7)	94,319
Subordinated liabilities	5,920	(23.8)	7,768
Inter-area positions	(86,944)	(10.8)	(97,446)
Financial liabilities held for trading	(3,796)	18.2	(3,212)
Other liabilities	(3,817)	121.4	(1,724)
Valuation adjustments	(770)	n.m.	(62)
Shareholders' funds	33,150	26.8	26,152
Economic capital allocated	(20,814)	9.2	(19,065)

This area includes all those activities not included in the business areas. Basically, this segment records the costs from head offices with a strictly corporate function and makes allocations to corporate and miscellaneous provisions, such as early retirement. It also includes the assets and liabilities derived from the management of structural liquidity, interest-rate and exchange-rate risks by the Financial Management unit, as well as their impact on results that are not recognized in the business areas via transfer pricing. It also includes portfolios and assets, with their corresponding results, where management is not linked to customer relations, such as Holdings in Industrial and Financial Companies and Real Estate Management

Over the whole of 2010, the net interest income from Corporate Activities amounted to negative €163m, as compared to the positive €437m in 2009. As commented in the third quarter, this net interest income has been negatively affected, on the one hand, by the finalization of the mortgage loan repricing after the 2009 fall in interest rates and, on the other hand, due to the recent rise of the interest rate curve in the euro zone. However, the substantial contribution over the year of net trading income from the positive rotation of the ALCO portfolios throughout the first half-year resulted in **gross income** of €684m, 33.7% below the same figure for 2009. Operating expenses increased to €798m, compared with €755m in 2009, due to new investments in the new technological platform and image and brand identity. **Operating income** accumulated to December was –€114m (€276m in 2009).

Impairment on financial assets amounted to €916m in 2010, significantly over the €107m recorded in 2009. This increase in the volume of impairment is primarily due to greater generic provisions made in the first half of the year to improve the Group's coverage. Furthermore, the heading "Provisions (net) and other gains/losses" also increased to €893m, which basically includes the provisions for early retirement and write-offs for acquired and foreclosed assets. Thus, the **net attributable profit** for the year came to –€1,245m (–105 the previous year).

ASSET/LIABILITY MANAGEMENT

The Asset/Liability Management is responsible for actively managing structural interest-rate and foreign exchange positions, as well as the Group's overall liquidity and shareholders' funds.

Liquidity management helps to fund the recurrent growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of finance. A core principle in the BBVA Group's liquidity management is to encourage the financial independence of its banking subsidiaries in the Americas. This aims to ensure that the cost of liquidity is correctly reflected in price formation and that there is sustainable growth in the lending business. After the period of tranquility originating out of the results of the European Bank's stress tests in July 2010, the crisis in Ireland has again generated unique financial market volatility. This has been the result of an acute perception of sovereign debt risk attributed to various European countries during the months of October, November and December. BBVA has continued to operate with complete normality against this backdrop, and carried out a significant capital increase in November, and was the first banking institution to open doors to the liquidity market in January 2011 with a new issue of covered bonds. The above, together with sound performance of the weight of retail deposits in the structure of the balance sheet in all of its regions, continue to enable the Group to reinforce its liquidity. For 2011 as a whole, BBVA's current and potential sources of liquidity easily surpass expected drainage.

The Group's **capital management** has a twofold aim: to maintain the levels of capitalization appropriate to the business targets in all the countries in which it operates; and, at the same time, to maximize the return on shareholders' funds through the efficient allocation of capital to the different units, good management of the balance sheet and proportionate use of the various instruments that comprise the Group's equity: stock, preferred stock and subordinate debt. In this last quarter, BBVA has very successfully executed a capital increase after the announcement of its purchase of 24.9% of the Turkish bank Garanti. The current levels of capitalization ensure compliance with all of its capital objectives.

Foreign exchange risk management of BBVA's long-term investments, basically stemming from its franchises in the Americas, aims to preserve the Group's capital ratios and give stability to its income statement, while controlling the impact on reserves and the costs of this management. In 2010, BBVA has maintained a policy of actively hedging its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 30%. In addition to this corporate-level hedging, dollar positions are held at a local level by some of the subsidiary banks. The Group also hedges its foreign exchange exposure on expected 2010 and 2011 results in the Americas. In 2010, the favorable performance of most of the currencies in the Americas has had a positive effect on the Group's equity and income statement. For 2011, the same prudent and proactive policy will be pursued in managing the Group's foreign exchange risk from the perspective of its effect on capital ratios and on the income statement.

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. In 2010, the results of this management have been highly satisfactory. Strategies were implemented to provide a hedge against a less positive economic outlook in Europe for the whole of 2010 and 2011, while limiting the risk on the balance sheets in the United States and Mexico. These strategies are managed both with hedging derivatives (caps, floors, swaps, FRAs) and with balance-sheet instruments (mainly government bonds with the highest credit and liquidity ratings). At the close of the year, the Group held asset portfolios denominated in euros, U.S. dollars and Mexican pesos at similar levels to those at the close of the first half of 2010.

HOLDINGS IN INDUSTRIAL AND FINANCIAL COMPANIES

This unit manages the portfolio of industrial and financial investments in companies operating in the telecommunications, media, electricity, oil, gas and financial sectors. Like Asset/Liability Management, this unit lies within the Group's Finance Division.

BBVA applies strict requirements to this portfolio in terms of risk-control procedures, use of economic capital and return on investment, diversifying investments across different sectors. It also applies dynamic hedging and monetization management strategies to holdings. In 2010, investments were made totaling €434m and divestitures came to €409m.

On December 31, 2010, the market value of the Holdings in Industrial & Financial Companies portfolio was €4,168m, with unrealized capital gains of €993m.

In 2010, the management of the industrial and financial holdings generated €317m in dividends and €142m in trading income, giving a net attributable profit of €404m.

REAL ESTATE MANAGEMENT

The Group has always counted with expert teams for the management of the real estate and developer sector. Thus, the Real Estate Management unit focus is to provide specialized management of the real estate assets it has acquired from foreclosures, repossessions, purchases from distressed customers and the assets in BBVA Propiedad, the real estate fund. In 2010, the Group has continued to make an important effort to provision for these assets (€657m) with the aim to maintain their coverage above 30%, taking as reference updated appraisals.

CORPORATE RESPONSIBILITY

The year 2010 has been one of consolidation for the **Global Financial Education Plan** *El dinero en nuestras vidas* (The Money in our Lives), the main focus of the Group's Corporate Responsibility and Reputation Strategic Plan, with a budget of €26m for the three-year period 2009-2011. In the **fourth quarter** of 2010, BBVA extended the *Valores de Futuro* (Future Values) program in Spain and Portugal by extending it to more locations in Spain and the main cities in Portugal. A total of 3,600 schools and 680,000 school students are planned to take part over the 2010-2011 period. Other new points in the program are: the launch of an online community that gives students, schools, family members and friends the chance to interact in the various initiatives or competitions included in the project; and the pilot *Ahorro para todos* (Savings for All) initiative, which organizes group savings plans involving real money in the participating schools.

The main CR initiatives and achievements over the reference period are summarized below:

FINANCIAL INCLUSION

The BBVA Microfinance Foundation has acquired Financiera Confianza in Peru as part of an operation that includes a planned subsequent merger with Caja Nuestra Gente. The resulting institution will be one of the leaders in the Peruvian microfinance market, with more than 400,000 customers through its own network of 150 branches and service points. The Mexican National Banking and Securities Commission (CNBV) has granted BBVA Bancomer authorization to start operations with Tiendas Oxxo, Farmacias Benafides and the Pitició retail outlets as banking correspondents. This increases the number of points of sale under this scheme to over 4,000 and adds a new service: cash deposits into BBVA Bancomer savings accounts for savings vouchers and BBVA Bancomer credit card payments, which were previously restricted to teller windows in banks.

RESPONSIBLE BANKING

RESPONSIBLE FINANCE. BBVA Colombia has granted the Sustainable SME Award to the company Servicios y Logística S.A. The award recognizes the effort of owners of SMEs in the country who incorporate sustainability criteria into their business practices.

CUSTOMER FOCUS. BBVA Chile has included a system of assistance into its Banco Fácil self-service network aimed at users with a hearing disability. It uses explanatory videos in the terminals that explain the main functions of the service, such as cash deposits, payment from the account and check deposits.

HUMAN RESOURCES. The CR department has launched a Corporate Reputation and Responsibility course in partnership with the Corporate Training unit. The course, which is accessible to all the Bank's employees through the e-campus platform, briefly outlines the bases of the Group's CR policy. It places particular emphasis on financial literacy and inclusion. The Group has strengthened its commitment to gender equality by implementing the *Diversidad de Género* (Gender Diversity) project, whose main lines of action will be the professional development of women and the subject of maternity.

THE ENVIRONMENT. On occasion of the 16th United Nations Convention on Climate Change in Cancún, BBVA signed the Cancún Communiqué and the Global Investor Statement on Climate Change. These high-level initiatives stress the Group's commitment to the fight against climate change. In addition, BBVA has given an important boost to its Global Eco-Efficiency Plan in Spain by initiating an energy efficiency project through which over 17,000 halogen lamps will be replaced by lamps with LED technology at an approximate saving of 82% in electricity consumption. Finally, BBVA has participated in the launch of the first electrical vehicle marketed in Spain, which will be used to transport employees between its various buildings in Madrid.

COMMUNITY INVOLVEMENT

BBVA has collected more than €900,000 in the third "Champions for Africa" charity match held in partnership with UNICEF. The money is being used to send more than 83,500 children in Mali through school and to construct a vocational training center in the Kanouté Foundation's City of Children. Another event held by the Group in the quarter was the "BBVA Charity Run" in a number of countries in Latin America and Spain, with the aim of collecting funds for educational projects.

BBVA AND THE SUSTAINABILITY INDICES

BBVA continues to have a leading position in the main sustainability indices. Their weightings over the quarter were as follows:

Main sustainability indices in which BBVA participates

		Weighting (%)
Dow Jones Sustainability Indexes	DJSI World	0.53
	DJSI Europe	1.17
	DJSI Eurozone	2.36
vigeo	ASPI Eurozone Index	1.85
	Ethibel Sustainability Index Excellence Europe	2.72
	Ethibel Sustainability Index Excellence Global	0.87
MSCI Indices	MSCI World ESG Index	0.38
	MSCI World ex USA ESG Index	0.71
	MSCI Europe ESG Index	1.26
	MSCI EAFE ESG Index	0.80

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BBVA

Dow Jones Sustainability Indexes
Member 2008/09

MSCI
Indices

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