

Q U A R T E R L Y R E P O R T

January-September 2010



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QUARTERLY REPORT 2010

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BBVA GROUP HIGHLIGHTS

→ BBVA Group Highlights

(Consolidated figures)

	30-09-10	Δ%	30-09-09	31-12-09
Balance sheet (million euros)				
Total assets	557,761	3.8	537,305	535,065
Total lending (gross)	343,084	3.6	331,005	332,162
Customer funds on balance sheet	368,745	0.6	366,581	371,999
Other customer funds	144,298	8.4	133,091	137,105
Total customer funds	513,042	2.7	499,672	509,104
Total equity	32,909	7.2	30,707	30,763
Stockholders' funds	31,610	5.4	29,997	29,362
Income statement (million euros)				
Net interest income	10,182	(1.1)	10,292	13,882
Gross income	15,964	3.8	15,376	20,666
Operating income	9,322	0.5	9,271	12,308
Income before tax	5,260	(11.6)	5,950	5,736
Net attributable profit	3,668	(12.2)	4,179	4,210
Net attributable profit excluding one-offs ⁽¹⁾	3,668	(12.2)	4,179	5,260
Data per share and share performance ratios				
Share price (euros)	9.91	(18.3)	12.13	12.73
Market capitalization (million euros)	37,124	(18.3)	45,463	47,712
Net attributable profit per share (euros)	0.95	(15.4)	1.12	1.12
Net attributable profit per share excluding one-offs (euros) ⁽¹⁾	0.95	(15.4)	1.12	1.40
Book value per share (euros)	8.43	5.4	8.00	7.83
Tangible book value per share (euros) ⁽²⁾	6.56	6.3	6.17	6.27
P/BV (Price/book value; times)	1.2		1.5	1.6
Price/tangible book value (times) ⁽²⁾	1.5		2.0	2.0
Significant ratios (%)				
ROE (Net attributable profit/Average equity)	17.2		21.2	16.0
ROE excluding one-offs ⁽¹⁾	17.2		21.2	20.0
ROA (Net income/Average total assets)	0.95		1.11	0.85
ROA excluding one-offs ⁽¹⁾	0.95		1.11	1.04
RORWA (Net income/Average risk-weighted assets)	1.75		2.05	1.56
RORWA excluding one-offs ⁽¹⁾	1.75		2.05	1.92
Efficiency ratio	41.6		39.7	40.4
Risk premium excluding one-offs ⁽¹⁾	1.29		1.10	1.15
NPA ratio	4.1		3.4	4.3
NPA coverage ratio	62		68	57
Capital adequacy ratios (%)				
BIS Ratio	12.8		13.4	13.6
Core capital	8.2		8.0	8.0
Tier I	9.2		9.4	9.4
Other information				
Number of shares (millions)	3,748		3,748	3,748
Number of shareholders	889,104		896,433	884,373
Number of employees	105,265		104,723	103,721
Number of branches	7,362		7,554	7,466
Number of ATMs	16,619		15,558	15,716

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.

(2) Net of goodwill.

GROUP INFORMATION

RELEVANT EVENTS

In the **third quarter of 2010** the trends in the fundamentals of the BBVA Group were consolidated. The NPA ratio and coverage are progressing favorably, solvency is once more improving thanks to organic generation of capital resulting from the profit obtained in the period and, despite the economic environment, the balance sheet structure has been strengthened. In addition, the activity is showing clear signs of dynamism in Mexico and South America.

The most important aspects of the performance of the Group and its main areas during the quarter are as follows:

- Positive performance of revenues, despite the seasonal factor, the depreciation of currencies against the euro and the lower contribution of revenues from dividends, as, unlike in the second quarter of 2010, these revenues do not include the dividend from Telefónica. The **gross income** was €5,084m in the quarter, 1.8% more than in the same period the previous year, and an accumulated figure for the year of €15,964m, 3.8% more than the first nine months of 2009.
- Accumulated **operating costs** to 30-Sep-2010 were €6,642m, 8.8% up on the figure for January-September in 2009. Apart from the increased costs of rental as already mentioned in the reports for the first and second quarters of 2010 and a high rate of inflation in some countries in South America, BBVA is investing in its systems, in the extension and renewal of ATMs, image and brand identity (new sponsorship of the US NBA basketball league) and implementing growth plans in practically all the geographical areas in which it operates. The main aim is to take advantage of the opportunities offered by each market to start on a new growth path.
- The **operating income** for the quarter was €2,821m, and the accumulated figure was €9,322m. This is €50m up on the first nine months last year, thus demonstrating a high level of stability. The Group's diversification has been increased. The percentage of the operating income that comes from the Americas represents more than 50%.
- BBVA closed the second phase of the **Árbol** operation in this quarter. This was a **retail branches** sale-and-leaseback transaction in Spain with the fund RREEF Real Estate for €364m. The transaction has generated a profit of €233m, so this amount has been allocated to the generic provision for NPA. The risk premium in the quarter stood at 1.33% (including the generic provision for NPA mentioned above) and remains at levels below those of the previous quarter (1.53%) and of the third quarter of 2009 (2.01%).
- The new Bank of Spain Circular 3/2010 of 29 June entered into force on 30 September 2010, as anticipated in the quarterly earnings report in June 2010. We can confirm that it will have no significant effects on the Group, as the anticipation of the calendar for provisions (€198m of which €118m have been offset with the generic provision) is offset to a great extent by the value of the guarantees. It is also important to stress that the tougher provisions for foreclosures and preventive asset purchases will barely have any impact, thanks to the anticipatory measures taken by BBVA, which has set aside provisions for these assets of around 30%.
- The quarterly **net attributable profit** was €1,140m, with the contribution from all the Group's areas remaining positive. The accumulated figure for the first nine months was €3,668m, 12.2% down on the figure for the period January-September 2009.
- In terms of banking **activity** the highlights have been, in terms of lending, the overall increase experienced by the mortgages to individuals in all the geographical areas and loans to businesses and corporations in Latin America. In customer funds, there has been an increase in term deposits in the domestic sector and of the savings and current accounts in the non-domestic sector. The

Relevant events

Earnings
Business activity
Capital base
The BBVA share

most notable aspect is the effort to strengthen customer loyalty. Moreover, BBVA maintains the leading position in pension funds in Latin America and Spain. Finally, it is worth highlighting the improvement in the deposit/loan ratio, which in September closed at 74.6%, compared with 73.9% in June 2010.

- **Asset quality** indicators improved on their 30-Jun-2010 levels. The NPA ratio closed 30-Sep-2010 at 4.1%, and the coverage was at 62%. The trends continue to be positive. The figures for gross additions to NPA assets were similar to the previous quarter, and there has been a fall over 2010 of 50.7%.
- With regard to its **capital base**, BBVA generated 10 basis points of core capital in the third quarter of 2010, increasing the ratio to 8.2%. Tier I was 9.2% and the capital base 12.8%.
- As of 30-Jun-2010, BBVA also held €1,250m in unrealized **capital gains** on its more liquid portfolios of equity holdings.
- Thus BBVA once more confirms its position as one of the **safest banks** in the world. This is reflected in the “Safest Bank Award 2010” report prepared every year by the magazine *Global Finance*. In an analysis of the assets of the 500 biggest financial institutions in the world, the Group is among the top 30. This recognition, linked to good results obtained in the stress tests in July, is further proof of the Group’s strength and capacity to resist adverse macroeconomic scenarios while maintaining, and even improving, its capital adequacy.
- China Citic Bank (CNCB) announced a capital increase of up to 2.2 new shares for each 10 existing ones. The Board of the Chinese institution has approved the increase to support the development and high rate of growth of its banking business, with lending increasing in the first half of the year at 11.9%, compared with the figure for year-end 2009, customer deposits growing at 21.4% over the same period and an attributable profit for the first half up 45.3% year on year.
- On 11 October, and in line with the planned timetable, the **second interim dividend** was paid on the earnings for 2010, for the same amount as in the first dividend paid on 12 July: €0.09 per share.
- In **Spain and Portugal** BBVA’s performance has once more been stand-out. Its commercial policies and long-term view of customer relations continue to win market share in high-loyalty products such as residential mortgages. In liabilities, term deposits have increased. With regard to earnings, the area obtained an accumulated profit to September of €1,687m. Although this represents a year on year fall of 6.2%, it is a differential performance compared to the other banks in the Spanish system. Finally, the NPA ratio has been held in check at 5.0%, while the latest data for the sector show an upturn in non-performing assets.
- In **Mexico**, the quarter closed with very positive data both in earnings and in activity and asset quality. In terms of results, of particular importance was the significant reduction in loan-loss provisions, which in year on year terms fell by 22.1% and in the quarter did so by 5.6%. As a result, the risk premium once more reflects an improvement. The accumulated net attributable profit for the area, at €1,254m, is up 2.0% on that published in the third quarter of 2009, with growth of 13.7% taking into account the favorable effect of the exchange rate. In business activity, the highlights are the excellent performance of the commercial portfolio (up 24.1% year on year) which includes companies, government and financial institutions, the improved growth of mortgage loans (up 7.2%, as compared to 6.6% in June 2010) and the return to growth in the consumer portfolio (up 4.6%). Finally, there has been a notable improvement once more both in the NPA ratio (from 3.8% as of 30-Jun-2010 to 3.4% as of 30-Sep-2010) and in the coverage, which closed 13 percentage points above the figure for June, at 150%. Moreover, the improved coverage was achieved with a reduction in the allocation to loan-loss provisions.
- Business in **South America** continued to progress well, with favorable macroeconomic prospects for

the coming months. This has a positive effect on the contribution of this area to the Group. BBVA has also gained market share in both lending and customer funds since the close of 2009. Together with a containment of costs and loan-loss provisions, this has resulted in a net attributable profit for the area at the close of the first nine months of 2010 of €699m, for a year on year increase of 13.7% at constant exchange rates. Once more, the excellent asset quality in the area stands out, as the NPA ratio of 2.4% is again under the figure for the previous quarter (2.7% as of 30-Jun-2010), with a higher level of coverage (139% compared with 133% on 30-Jun-2010).

- In the **United States** it is worth noting the selective growth of lending, which is producing a change of the portfolio mix towards items of less risk. Residential real estate loans increased by 22% year on year and 8.1% quarter on quarter. In contrast, the construction real estate portfolio fell by 41.0% year on year and 16.2% quarter on quarter. With regard to deposits, the highest growth was recorded in the lower-cost items. As a result, the net interest income performed well. Together with the containment of expenses and the lower impairment losses on financial assets, this has generated an accumulated net attributable profit of €220m (€177m in the same period in 2009). In the quarter, the NPA ratio is at 4.6% and the coverage ratio closed at 59%.
- The accumulated earnings to September 2010 in **Wholesale Banking & Asset Management**

increased by 9.2% year on year to €730m. Once more, it is important to mention the favorable performance of the most recurrent income (net interest income and fees) in Corporate and Investment Banking and commercial business with customers in Global Markets, as well as from the increased contribution from Asia, including CNCB, compared with the same period the previous year. In terms of the loan portfolio, there continues to be a significant concentration on customers with high loyalty, profitability and credit quality.

ECONOMIC ENVIRONMENT

The economic context of developed economies throughout the **third quarter of 2010** has been characterized by uncertainty over the sustainability of the recovery underway. This situation is contrasted by solid growth in the principal emerging regions. With that in mind, financial tension continues to be at the core, though the publication of stress tests in Europe has allowed for the dissipation of many concerns regarding the European financial system, especially in Spain, which has eased this tension in the majority of economies in the region, including that of Spain.

A less dynamic tone can be observed in the recovery in the **United States**, and we expect that it be slightly more moderate towards the end of 2010 due to scarce job creation, which limits consumers' spending power. Against this backdrop, the Federal Reserve has shown clear signs of its commitment to growth

→ Interest rates

(Quarterly averages)

	2010			2009			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	1.00	1.00	1.00	1.00	1.00	1.10	1.92
Euribor 3 months	0.87	0.69	0.66	0.72	0.87	1.31	2.01
Euribor 1 year	1.40	1.25	1.22	1.24	1.34	1.67	2.22
Spain 10-year bond	4.23	4.19	3.95	3.83	3.92	4.16	4.17
USA 10-year bond	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
TIIE (Mexico)	4.91	4.94	4.92	4.93	4.90	5.89	8.00

Relevant events

Earnings
Business activity
Capital base
The BBVA share

and appears to be willing to maintain rates at their current low level, as well as (if necessary) to use other monetary policy instruments to continue supporting the recovery. In that regard, inflation will not be an obstacle, as it is expected to remain contained in coming quarters.

In **Europe** the situation is paradoxical as, on the one hand, it forms the epicenter of the recent public debt crisis and, on the other, it has presented solid progress in recent quarters, especially in the second and to a lesser extent, in the third. This reflects the heterogeneity of growth between the different countries. Forecasts indicate that the reactivation will slow, though less so than expected until now. That said, the risks faced by the European economy continue to be marked by the uncertainty over the resolution of the public debt crisis, the rate of progress of the deleveraging process in the private sector and the presence of points of weakness in parts of the European financial system.

In **Mexico**, after its surprising second quarter progress, the growth of its economy throughout 2010 as a whole is expected to continue to be solid, since the decreased knock-on effect of the US economy will be compensated for by a greater boost in domestic demand. Its commitment to fiscal discipline will help sustain the exchange rate and

keep interest rates low in the long term. Also, inflation remains at historically low levels, which will allow the authorities to prolong the monetary pause.

The strength of growth in **South America** has been particularly noteworthy and has been the product of an improved tone of domestic demand that continues to surprise the market positively. This reactivation has resulted in a moderate increase in inflation that, in some countries, has led central banks to increase reference interest rates. Forecasts for 2011 continue to point towards significant growth.

In **China**, third quarter economic indicators suggest a controlled slowdown induced by the economic authorities, which is helping to reduce the risks of overheating. Annual growth will still be over 9% in coming years, the highest of the large world economies.

In terms of **exchange rates**, there has been a general appreciation of all the currencies that affect the Group's financial statements, except in the case of the Venezuelan strong bolivar and the average exchange rate of the Argentinean peso, though most suffered significant depreciation in the third quarter. In all, the effect of the exchange rates on the year on year comparison of the Group's income statements is positive, but negative on the quarter on quarter level.

→ Exchange rates

(Expressed in currency/euro)

	30-09-10	Year-end exchange rates			Average exchange rates	
		Δ% on 30-09-09	Δ% on 30-06-10	Δ% on 31-12-09	January-Sep. 10	Δ% on January-Sep. 09
Mexican peso	17.1259	15.3	(8.1)	10.5	16.7087	11.5
U.S. dollar	1.3648	7.3	(10.1)	5.6	1.3145	4.0
Argentinean peso	5.4950	2.5	(10.7)	1.1	5.1922	(1.1)
Chilean peso	662.25	20.7	0.6	10.3	683.53	14.3
Colombian peso	2,457.00	14.6	(4.2)	19.7	2,512.56	20.2
Peruvian new sol	3.8044	11.2	(8.8)	9.4	3.7231	12.0
Venezuelan bolivar fuerte	5.8613	(46.4)	(10.1)	(47.2)	5.5489	(47.1)

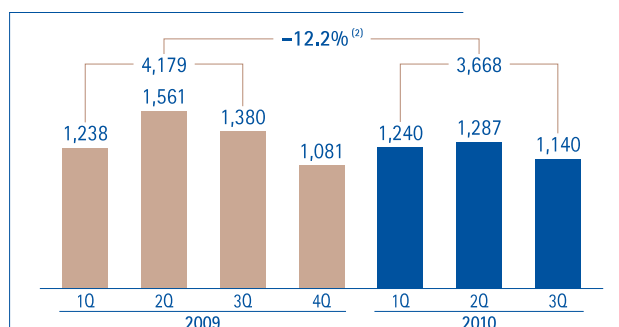
EARNINGS

In the **third quarter of 2010**, BBVA generated a net attributable profit of €1,140m, with the contribution from all the Group's business areas remaining positive. Thus, the accumulated result as of 30-Sep-2010 was €3,668m.

Despite the still-complex backdrop, BBVA has been able to maintain its capacity to generate **revenues**. However, three relevant elements affect the gross income recorded during this period: its marked seasonality, the depreciation of currencies against the

→ Net attributable profit ⁽¹⁾

(Million euros)



(1) Excluding one-offs.
(2) At constant exchange rate: -14.2%.

→ Consolidated income statement: quarterly evolution

(Million euros)

	2010			2009			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	3,245	3,551	3,386	3,589	3,434	3,586	3,272
Net fees and commissions	1,130	1,166	1,106	1,163	1,086	1,102	1,079
Net trading income	519	490	633	420	325	435	364
Dividend income	45	231	25	153	42	207	41
Income by the equity method	60	94	57	114	(21)	22	4
Other operating income and expenses	85	47	93	(149)	128	140	128
Gross income	5,084	5,579	5,301	5,290	4,995	5,492	4,889
Operating costs	(2,262)	(2,262)	(2,118)	(2,254)	(2,017)	(2,018)	(2,070)
Personnel expenses	(1,211)	(1,215)	(1,149)	(1,233)	(1,126)	(1,130)	(1,161)
General and administrative expenses	(855)	(855)	(796)	(852)	(716)	(710)	(733)
Depreciation and amortization	(197)	(192)	(174)	(169)	(174)	(178)	(175)
Operating income	2,821	3,317	3,183	3,036	2,979	3,474	2,819
Impairment on financial assets (net)	(1,187)	(1,341)	(1,078)	(1,787)	(1,741)	(1,029)	(916)
Provisions (net)	(138)	(99)	(170)	(224)	(82)	(48)	(104)
Other gains (losses)	113	(88)	(72)	(1,240)	791	(228)	36
Income before tax	1,609	1,789	1,862	(214)	1,947	2,168	1,834
Income tax	(359)	(431)	(510)	277	(457)	(480)	(480)
Net income	1,250	1,358	1,352	63	1,490	1,688	1,354
Non-controlling interests	(110)	(70)	(113)	(31)	(110)	(127)	(116)
Net attributable profit	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)	1,140	1,287	1,240	1,081	1,380	1,561	1,238
Earnings per share							
Basic earnings per share (euros)	0.30	0.33	0.32	0.01	0.37	0.42	0.34
Basic earnings per share excluding one-offs (euros)	0.30	0.33	0.32	0.29	0.37	0.42	0.34

(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.

→ Consolidated income statement

(Million euros)

	January–Sep. 10	Δ%	Δ% at constant exchange rates	January–Sep. 09
Net interest income	10,182	(1.1)	(2.4)	10,292
Net fees and commissions	3,402	4.1	0.7	3,267
Net trading income	1,642	46.1	36.1	1,124
Dividend income	302	4.0	3.4	290
Income by the equity method	211	n.m.	n.m.	6
Other operating income and expenses	225	(43.2)	(45.7)	396
Gross income	15,964	3.8	1.5	15,376
Operating costs	(6,642)	8.8	6.8	(6,105)
Personnel expenses	(3,575)	4.6	2.9	(3,417)
General and administrative expenses	(2,506)	16.0	13.3	(2,159)
Depreciation and amortization	(562)	6.4	5.6	(528)
Operating income	9,322	0.5	(2.0)	9,271
Impairment on financial assets (net) ⁽¹⁾	(3,606)	(2.2)	(6.2)	(3,686)
Provisions (net)	(408)	74.2	74.0	(234)
Other gains (losses) ⁽¹⁾	(47)	n.m.	n.m.	599
Income before tax	5,260	(11.6)	(12.7)	5,950
Income tax	(1,300)	(8.4)	(10.6)	(1,418)
Net income	3,960	(12.6)	(13.4)	4,532
Non-controlling interests	(293)	(17.1)	(1.2)	(353)
Net attributable profit	3,668	(12.2)	(14.2)	4,179
Basic earnings per share (euros)	0.95	(15.4)		1.12

(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.

euro and the reduced contribution of dividends as compared to the previous quarter, including those from Telefónica. Furthermore, net interest income incorporates a higher cost of liabilities due primarily to improvements in the structuring of financing over recent months, with extended maturity and an increase of the weight of greater loyalty retail financing.

Operating costs are the same amount as the previous quarter, thus **operating income** stood at €2,821m. Special note should be taken of its growing diversification as well. One example of this is that the percentage of the operating result coming from the different franchises in The Americas has risen from 53% in the second quarter to 61%.

In the third quarter, €233m have been generated in **capital gains** from the sale-and-leaseback of retail

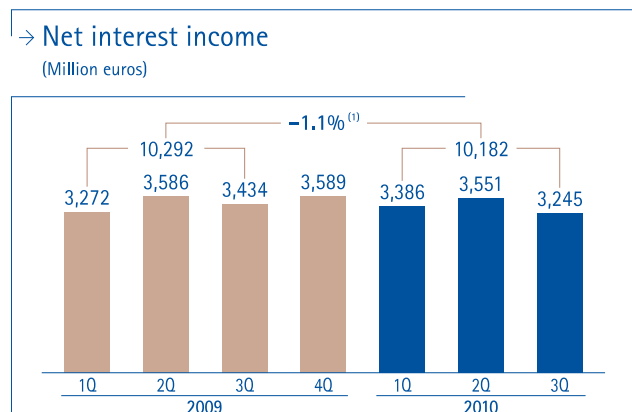
branches in Spain. In terms of impairment on financial assets, the same amount has been allocated to increase the generic provision for NPA.

NET INTEREST INCOME

In situations like the present, adequate management of customer spreads and of the balance sheet is especially important. And it is this solid management that has allowed the **net interest income** accumulated as of 30-Sep-2010, at €10,182m, to present great resistance when compared to the same period of 2009, at €10,292m.

Between July and September 2010, this heading reached €3,245m, somewhat lower than that obtained in previous quarters. Latin American

franchises as a whole maintained their contribution to the net interest income in local currency, though it has fallen with respect to the second quarter in the equivalent amount in euro due to the depreciation of currencies in the period. The rest of the decrease occurred in Spain, which was negatively affected by the recent upturn in the interest rate curve in the euro



zone. This has had a more sudden impact on the cost of funds than on the yield on loans.

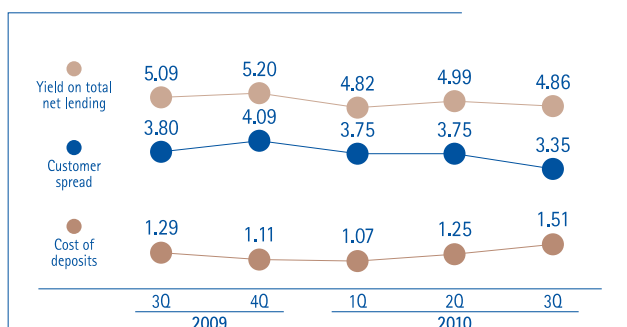
In addition, the Group continues with its trend to gradually increase the relative weight of portfolios with lower risk and, therefore, lower spreads; these primarily include those of residential mortgages in all geographical areas in which BBVA operates and loans to corporations and businesses, especially in Mexico and the United States. There is also a growing trend in customer deposits. Therefore, the net interest income is being generated by a balance sheet with more controlled liquidity and credit risk.

In terms of the customer spread in the **euro zone**, the yield on loans fell 11 basis points to 3.12% in the quarter. This fall was due, mainly, to the gradual change in the mix mentioned above towards products with a lower risk and greater loyalty, such as mortgages. On the liabilities side, the preference of

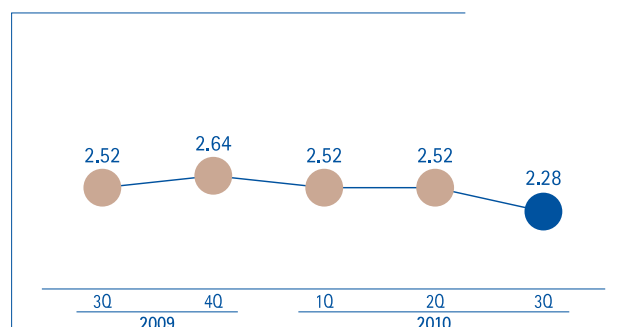
→ Breakdown of yields and costs

	3Q10		2Q10		1Q10		4Q09	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances with central banks	4.2	0.99	3.7	1.16	3.4	1.19	3.5	1.08
Financial assets and derivatives	26.0	2.61	26.8	2.65	26.5	2.79	26.7	2.82
Loans and advances to credit institutions	4.2	2.14	4.6	1.91	4.8	1.83	4.6	1.97
Loans and advances to customers	59.5	4.86	59.1	4.99	59.8	4.82	59.8	5.20
· Euros	39.0	3.12	38.7	3.23	40.2	3.31	40.6	3.41
- Domestic	35.4	3.22	35.2	3.27	35.2	3.42	36.0	3.50
- Other	3.6	2.10	3.6	2.81	4.9	2.53	4.5	2.77
· Foreign currencies	20.5	8.19	20.4	8.35	19.6	7.90	19.2	8.97
Other assets	6.1	0.43	5.7	0.30	5.5	0.77	5.5	0.29
Total assets	100.0	3.73	100.0	3.81	100.0	3.79	100.0	4.01
Deposits from central banks and credit institutions	15.1	1.82	15.9	1.66	13.5	1.98	14.0	2.16
Deposits from customers	45.6	1.51	44.9	1.25	47.0	1.07	46.3	1.11
· Euros	22.5	1.23	19.6	0.74	20.5	0.58	21.3	0.61
- Domestic	16.6	1.52	14.3	0.89	14.6	0.77	14.8	0.83
- Other	5.8	0.41	5.2	0.34	5.9	0.12	6.5	0.12
· Foreign currencies	23.2	1.78	25.3	1.64	26.5	1.44	25.0	1.54
Debt certificates and subordinated liabilities	20.6	1.95	21.8	1.90	23.0	1.81	21.7	1.87
Other liabilities	12.8	0.64	11.7	0.44	10.7	0.79	12.2	1.18
Equity	5.9	-	5.8	-	5.7	-	5.7	-
Total liabilities and equity	100.0	1.45	100.0	1.29	100.0	1.27	100.0	1.37
Net interest income/average total assets (ATA)		2.28		2.52		2.52		2.64

→ Customer spread. BBVA Group (Percentage)



→ Net interest income/ATA BBVA Group (Percentage)



customers for term deposits rather than other products such as mutual funds, as well as the loyalty-building campaigns, explain the increase in the cost of funds of 49 basis points. As a result, customer spread in the euro zone fell to 1.89%. The movement in spreads mentioned above is consistent with a very stable the balance sheet and presents an increasingly lower risk and capital consumption.

In **Mexico**, the interbank interest rates have remained at similar levels (average TIIE at 4.91%, compared with 4.94% in the previous quarter), so the cost of deposits only decreased by 1 basis point as compared to 30-Jun-2010. The reduced weight of consumer finance and credit card products caused the yield on loans to fall 14 basis points in the quarter. Thus, customer spread stood at 10.72%, as compared to the 10.84% recorded in the second quarter of 2010. This explains the 1.8% year on year drop in constant terms of the accumulated net interest income in the area (the positive effect of the exchange rate explains the 9.5% growth in current euros).

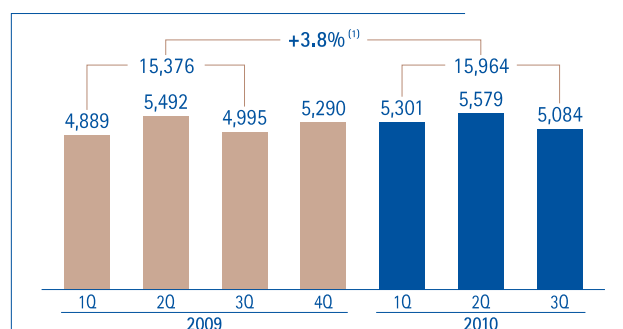
South America posted a net interest income with a year on year rise in the first nine months of the year of 11.5% at constant exchange rates. This solid performance is based on an overall improvement in lending and on the growth in customer funds.

Finally, in the **United States**, the accumulated net interest income through September 2010 rose by 8.9% year on year in dollar terms, primarily sustained by the ongoing re-pricing effort. In this regard, the customer spread has increased 21 basis points in the last quarter, as the rate paid for customer deposits has decreased to a greater extent than the yield on loans.

GROSS INCOME

As is usually the case during the third quarter of each year, fee and commission income falls slightly against the previous quarter. This is explained by the seasonal drop in activity during the period, combined in the third quarter of 2010 with the aforementioned exchange rate effect resulting from the depreciation of currencies and the reductions applied to more customers in Spain whose bundling has risen. Net **fee income** progressed 4.1% year on year (similar to the growth in June for the same period, up 4.2%) to €3,402m. This is due to both the increase of fees from mutual and pension funds, up 3.4%, and the growth in those linked to banking services, which increased by 4.4% in the same period. This increase is based on those stemming from account administration and maintenance, contingent liabilities and credit cards. By geographical area, the Americas increased the weight of their contribution and account for 64% (59% in the third quarter of 2009) of the Group's fees and commissions.

→ Gross income (Million euros)



(1) At constant exchange rate: +1.5%.

Net income from financial operations contributed €519m in the period, which was very similar to that of the second quarter (€490m). The sum accumulated as of September 2010 totaled €1,642m, up 46.1% year on year.

Dividend income was €302m in the first nine months of 2010, exceeding that obtained during the same period of 2009 by 4%. Its main component continues to be the dividends from Telefónica paid in the second quarter.

The **income by the equity method**, €211m for the year, is significantly higher than the €6m obtained as of September 2009, as it includes the contribution of the Group's holding in CNCB (recorded on this line since the fourth quarter of 2009).

Finally, **other operating income and expenses** posted an accumulated total of €225m through September, down on the figure of €396m a year ago, mainly as a result of the adjustment for hyperinflation in Venezuela, which in 2009 was

booked entirely in December. As explained in the previous report on results, the impact on the net attributable profit is not so important, given that this effect modifies all the lines in the statement (income positively and expenses negatively) and the monetary items in the balance sheet with a corresponding item in this line.

Therefore, this marks another quarter in which the resilience of the **gross income** is confirmed, reaching €5,084m, 1.8% more than during the same period of 2009, for an accumulated total over the year of €15,964m, marking 3.8% growth in the last twelve months.

OPERATING INCOME

Operating expenses from January to September 2010 were €6,642m. This was 8.8% higher year on year, due primarily to the increase in administration costs. Apart from the increased costs of rental as already mentioned in the reports for the first and

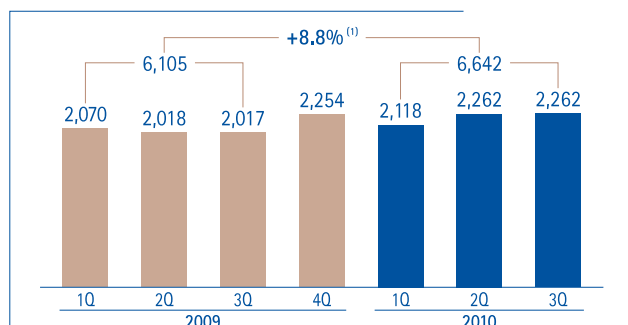
→ Breakdown of operating costs and efficiency calculation

(Million euros)

	January-Sep. 10	Δ%	January-Sep. 09	2009
Personnel expenses	3,575	4.6	3,417	4,651
Wages and salaries	2,763	5.5	2,620	3,607
Employee welfare expenses	514	4.9	490	643
Training expenses and other	298	(3.1)	308	401
General and administrative expenses	2,506	16.0	2,159	3,011
Premises	562	20.7	465	643
IT	424	2.1	416	577
Communications	209	10.7	189	254
Advertising and publicity	250	32.6	189	262
Corporate expenses	65	6.7	61	80
Other expenses	767	18.3	648	929
Levies and taxes	228	19.4	191	266
Administration costs	6,080	9.0	5,577	7,662
Depreciation and amortization	562	6.4	528	697
Operating costs	6,642	8.8	6,105	8,358
Gross income	15,964	3.8	15,376	20,666
Efficiency ratio (Operating costs/gross income, in %)	41.6		39.7	40.4

second quarters of 2010 and a higher rate of inflation in some countries in South America, BBVA is taking on new investments in systems, in the extension and renewal of ATMs, image and brand identity (with the new sponsorship of the US NBA basketball league) and implementing growth plans in practically all the geographical areas in which it operates. The main aim is to take advantage of the opportunities offered by each market to start on a new growth path.

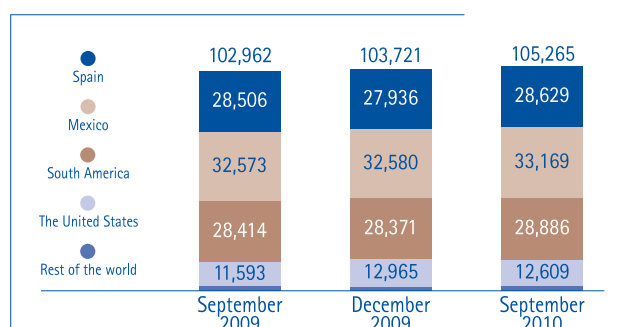
→ Operating costs (Million euros)



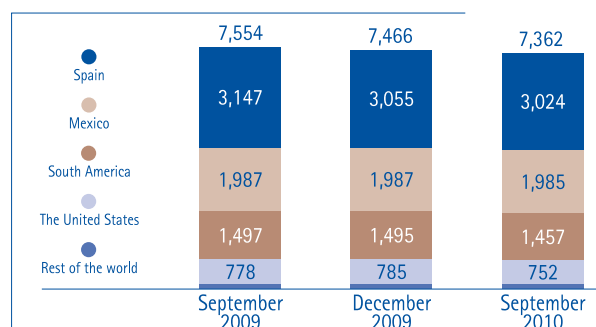
(1) At constant exchange rate: +6.8%.

The above has resulted in an increase of the number of **employees** by 1,544 people since 31-Dec-2009 in practically all business areas except in the United States (still completing the franchise restructuring process). The **branch network** has been reduced by 104 branches in the same period. However, the number of **ATMs** has increased significantly, 903 more since December 2009. This is further proof of BBVA's commitment to technological innovation and the customer view, as clients are provided multiple channels for improved, more flexible access to the Bank.

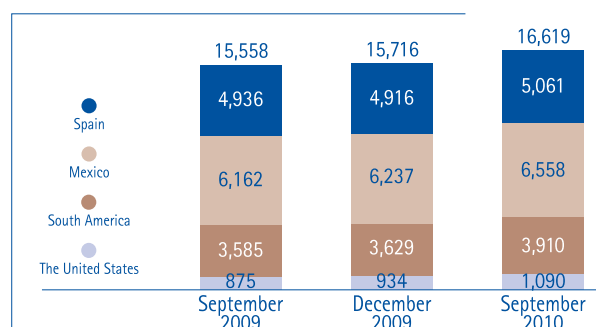
→ Number of employees



→ Number of branches



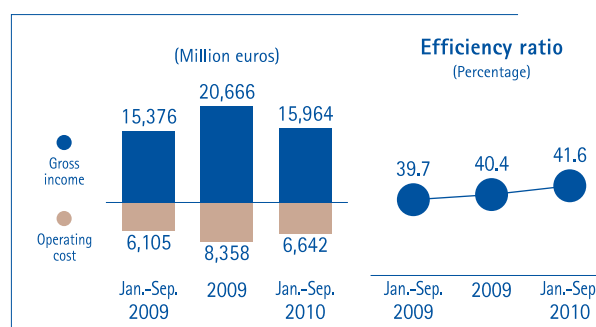
→ Number of ATMs



The aforementioned course of both income and costs has made an impact on the **efficiency ratio**, which closed September at 41.6%, as compared to the 40.3% recorded in the first half of 2010, which means that BBVA continues to be a benchmark in the sector.

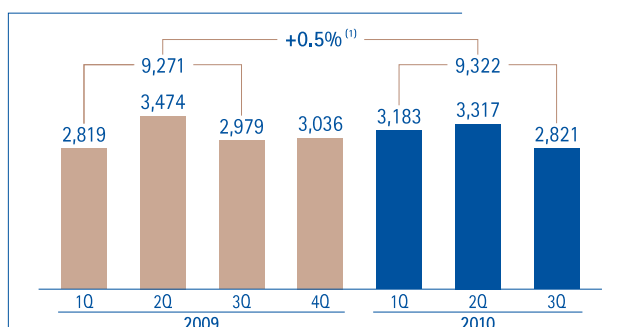
All the above resulted in **operating income** of €2,821m in the quarter and €9,322m for the full year. The latter figure was up 0.5% compared to the

→ Efficiency



→ Operating income

(Million euros)



(1) At constant exchange rate: -2.0%.

same period of 2009. The Group thus demonstrates its capacity to generate a solid operating result, which continues to be very stable in a still-complex economic context. The increase in diversification should also be noted since, as mentioned before, the percentage of the operating income from franchises in the Americas increased in the period as compared to the previous quarter.

PROVISIONS AND OTHERS

This quarter BBVA closed the second phase of the Árbol deal, a **retail branch** sale-and-leaseback transaction in Spain. This transaction has generated €233m in gains. In terms of **impairment on financial assets**, the same amount has been allocated to increase the generic provision for NPA. Also in the third quarter of 2010, loan-loss provisions included the impact of the change in regulations regarding the

calculation of impairment losses according to the modification of the Bank of Spain Circular. This impact of this new regulation is very limited (about €198m of which €118m have been offset against the generic provision). The risk premium remained contained in the quarter and stood at 1.33% (including the generic provision allocation for NPA mentioned above). During the first nine months of the year, impairment losses on financial assets totaled €3,606m.

Provisions totaled €408m between January and September, higher than the figure of €234m in the same period in 2009. This was primarily the result of those for contingent liabilities, since there were recoveries in 2009 due to the reduction of balances outstanding.

Lastly, other gains (losses) subtract €47m and incorporate the aforementioned gains for the retail branches sale-and-leaseback in the second phase of the Árbol deal. The figure for the same period the year before, €599m, included the gains generated then for the first phase of the deal, which were much higher, at €830m, as it was a much larger transaction.

NET ATTRIBUTABLE PROFIT

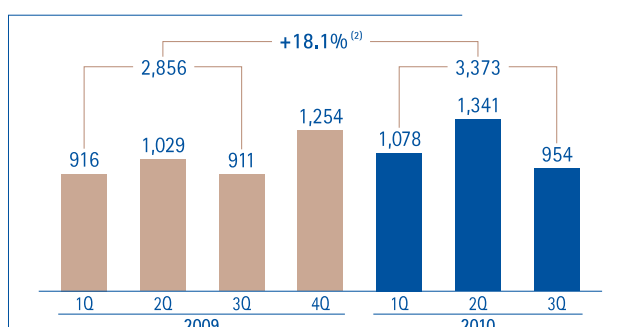
The **net attributable profit** for the quarter was €1,140m, and the accumulated figure for the first nine months of the year reached €3,668. This is 12.2% less than the figure from January to September 2009.

As stated previously, the contribution of the **business areas** continues to be positive. In this regard, in the year to September, Spain and Portugal generated €1,687m, Mexico €1,254m, South America €699m, United States €220m and WB&AM €730m. It is also worth noting the acceleration of year on year growth of the net attributable profit in the Americas (up 14.1% as compared to up 3.7% in June 2010, at constant exchange rates).

Accumulated **earnings per share** as of September 2010 stood at €0.95, which is lower than the €1.12 from the same period of 2009; the rate of year on year change is practically the same as that for the net

→ Impairment losses on financial assets⁽¹⁾

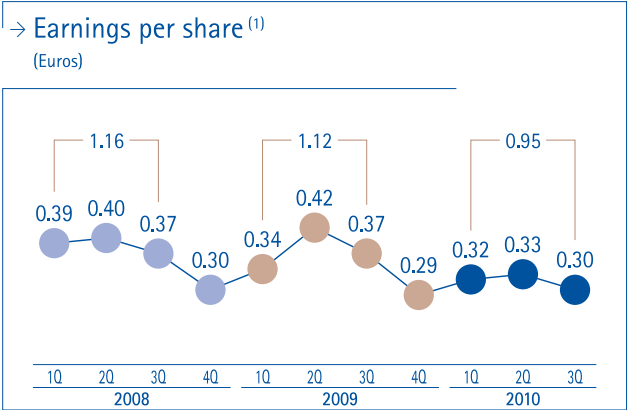
(Million euros)



(1) In the third quarter of 2009, €830m capital gains coming from the sale-and-leaseback of properties which were allotted to NPL generic provisions are not included, nor the €533m extraordinary allocation to USA provisions booked in the fourth quarter, and in the fourth quarter of 2010, the €233m additional allocation.

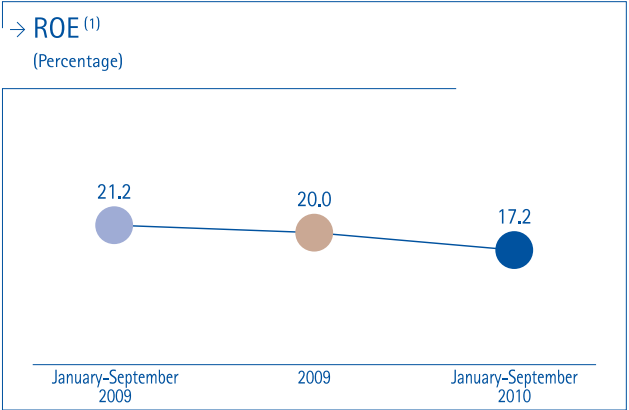
(2) At constant exchange rate: +11.9%.

Relevant events
Earnings
Business activity
Capital base
The BBVA share

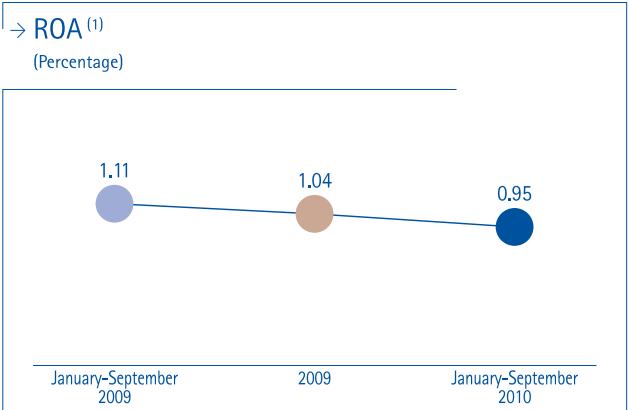


(1) Excluding one-offs.

attributable profit. The increase of the Group's shareholders' funds led to a rise in the **book value** per share, to €8.43, as well as in the **tangible book value** per share, which reached €6.56. In terms of returns, and according to the latest data available, BBVA continues to be ranked at the top of entities comprising the group of benchmark institutions. Return on equity (**ROE**) reached 17.2%, and the return on total average assets (**ROA**), was at 0.95%.



(1) Excluding one-offs.



(1) Excluding one-offs.

BUSINESS ACTIVITY

The main aspects of the BBVA Group balance sheet and business to highlight in the **third quarter of 2010** are:

- The negative effect of the **exchange rate** in this quarter, as the main currencies that most affect the balance sheet and activity of the Group, especially

→ Consolidated balance sheet

(Million euros)

	30-09-10	Δ%	30-09-09	30-06-10	31-12-09
Cash and balances with central banks	20,836	2.5	20,323	22,298	16,344
Financial assets held for trading	69,306	(1.8)	70,585	73,330	69,733
Other financial assets designated at fair value through profit or loss	2,706	22.6	2,207	2,796	2,337
Available-for-sale financial assets	57,558	(9.2)	63,400	60,729	63,520
Loans and receivables	360,762	4.4	345,629	361,766	346,117
· Loans and advances to credit institutions	24,846	11.3	22,330	21,846	22,239
· Loans and advances to customers	333,741	3.4	322,857	339,258	323,442
· Other	2,175	n.m.	441	661	436
Held-to-maturity investments	9,877	97.8	4,995	9,768	5,437
Investments in entities accounted for using the equity method	4,250	217.2	1,340	4,692	2,922
Tangible assets	6,593	3.2	6,386	6,747	6,507
Intangible assets	7,785	(4.2)	8,129	8,546	7,248
Other assets	18,087	26.4	14,312	18,245	14,900
Total assets	557,761	3.8	537,305	568,917	535,065
Financial liabilities held for trading	47,706	31.1	36,394	43,734	32,830
Other financial liabilities at fair value through profit or loss	1,565	20.4	1,299	1,651	1,367
Financial liabilities at amortized cost	450,843	0.9	446,993	466,329	447,936
· Deposits from central banks and credit institutions	75,225	2.0	73,777	94,729	70,312
· Deposits from customers	255,798	2.6	249,365	257,830	254,183
· Debt certificates	94,394	(4.3)	98,622	86,407	99,939
· Subordinated liabilities	18,553	(0.2)	18,594	18,988	17,878
· Other financial liabilities	6,873	3.6	6,635	8,375	5,624
Liabilities under insurance contracts	7,961	15.3	6,907	8,068	7,186
Other liabilities	16,777	11.8	15,004	16,284	14,983
Total liabilities	524,852	3.6	506,597	536,065	504,302
Non-controlling interests	1,426	13.8	1,254	1,399	1,463
Valuation adjustments	(128)	(76.5)	(543)	844	(62)
Stockholders' funds	31,610	5.4	29,997	30,609	29,362
Total equity	32,909	7.2	30,707	32,852	30,763
Total equity and liabilities	557,761	3.8	537,305	568,917	535,065
Memorandum item:					
Contingent liabilities	33,337	1.6	32,807	35,461	33,185
Memorandum item:					
Average total assets	557,671	2.5	544,132	554,529	542,969
Average stockholders' funds	28,462	8.0	26,349	28,442	26,341
Average risk weighted assets	302,074	2.0	296,057	297,450	294,313

the Mexican peso and the US dollar, have depreciated in the last three months. However, these same currencies have appreciated in the last twelve months, except the Venezuelan bolivar due to its devaluation in January.

- Therefore, the **loan book** decreased in the quarter in current terms, but grew 0.8% at constant exchange rates. Throughout the year, the average annual rate of increase was 3.6% or 1.6% excluding the exchange rates.
- Strong performance in mortgages to individuals in all the geographical areas and in loans to major corporations and companies in the Americas.
- Increase in **customer deposits** due to the strong performance of term deposits in the domestic sector and of the savings and current accounts in the non-domestic sector. In both cases, the most notable aspect is the effort to strengthen customer loyalty.
- Defense of the leading position in **pension funds** in Latin America and Spain.

- Great **stability** in the size of the Group's balance sheet. Assets were very similar to those at the close of the previous quarter (-2.0%) and 3.8% above the figure as of 30-Sep-2009.

We are also showing rates of change at constant exchange rates for the most important headings in order to help the analysis of the business activity.

LENDING TO CUSTOMERS

Gross lending to customers stood at €343 billion as of 30-Sep-2010, a year on year increase of 3.6%, but a 1.7% drop in the quarter. This performance can be explained in part by the impact of currencies, since, without the effect of the exchange rates, it has grown 1.6% year on year, and 0.8% on the quarter on quarter level.

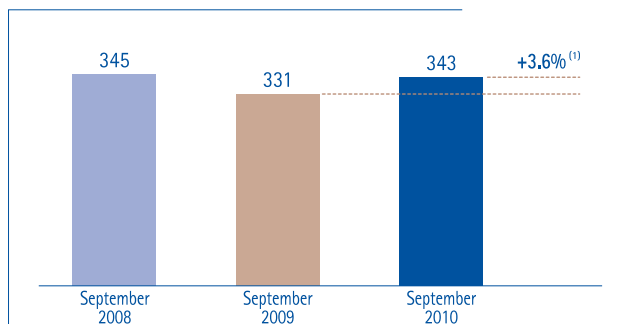
We also should note the different performance of lending by **business areas** and by type of portfolio. A recovery in lending activity was observed in Mexico, particularly in the excellent performance of

→ Total lending (Million euros)

	30-09-10	Δ%	30-09-09	30-06-10	31-12-09
Domestic sector	210,885	2.9	204,997	208,447	204,671
Public sector	24,082	18.9	20,247	23,128	20,786
Other domestic sectors	186,803	1.1	184,750	185,319	183,886
· Secured loans	105,736	(1.0)	106,761	105,905	106,294
· Commercial loans	6,107	(1.4)	6,192	6,353	7,062
· Financial leases	5,839	(14.9)	6,862	5,968	6,547
· Other term loans	46,896	(4.5)	49,122	46,546	46,407
· Credit card debtors	1,275	(28.2)	1,776	1,708	1,839
· Other demand and miscellaneous debtors	2,482	(17.2)	2,996	3,572	2,296
· Other financial assets	7,671	189.7	2,648	4,340	2,529
· Non-performing loans	10,798	28.7	8,391	10,927	10,911
Non-domestic sector	132,199	4.9	126,008	140,436	127,491
Secured loans	45,742	9.7	41,690	49,224	42,280
Other loans	82,133	1.9	80,579	86,430	80,986
Non-performing loans	4,324	15.7	3,739	4,782	4,225
Total lending (gross)	343,084	3.6	331,005	348,884	332,162
Loan-loss provisions	(9,343)	14.7	(8,148)	(9,625)	(8,720)
Total net lending	333,741	3.4	322,857	339,258	323,441

→ Total lending (gross)

(Billion euros)



(1) At constant exchange rate: +1.6%.

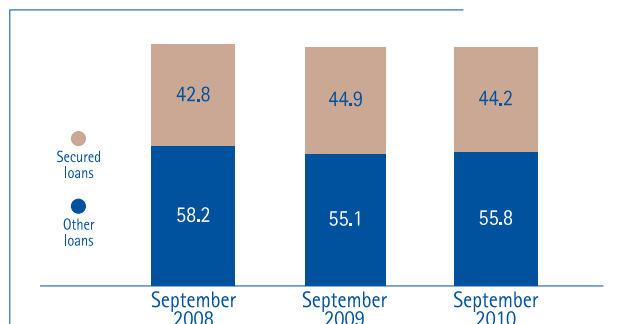
the commercial loan-book, the higher year on year rate of growth in mortgage loans and the return to growth in the consumer portfolio. Business in South America also continued to progress well, with very favorable prospects for the coming quarters. In the United States, there has been selective growth of the loan book, which is leading to a change in the mix towards items with lesser risk, with growth in loans for residential mortgages and commercial loans, and a fall in the construction real estate segment. Finally, Spain and Portugal, despite the still-complicated situation, continues to win market share in high-loyalty products such as residential mortgages.

When analyzing the course of lending from another perspective, we see that of the total lending to **domestic** customers in Spain, the public sector increased 18.9% year on year to €24 billion. Furthermore, loans to other domestic sectors represented €187 billion and present modest year on year and quarter on quarter growth. Secured loans, which account for the greatest volume and least associated risk, stood at €106 billion, almost the same amount as the previous quarter. Finally, at the close of the third quarter, non-performing assets stood at €11 billion, which is slightly less than the figures for 31-Dec-2009 and 30-Jun-2010.

Moreover, lending to **non-domestic** customers rose to €132 billion at the same date, marking a 4.9% increase with respect to the €126 billion as of 30-Sep-2009. Of these, secured loans increased 9.7% to €46 billion. The other loans heading grew 1.9%. Finally, the rate of change of non-performing assets

→ Total lending gross distribution

(Percentage)



also slowed (it fell from 31.0% yoy as of June 2010 to 15.7% as of September).

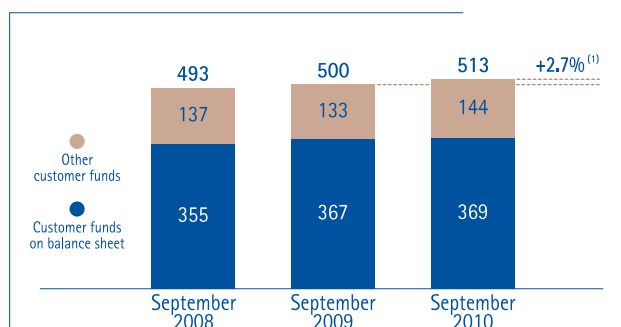
CUSTOMER FUNDS

Total customer funds on and off the balance sheet rose to €513 billion at the close of the third quarter, marking a slight increase as compared to that of 30-Sep-2009 (up 2.7%) as well as that of 30-Jun-2010 (up 0.9%). Without the exchange rate effect, year on year change was -0.7% and +3.7% quarter on quarter.

Customer funds on the balance sheet grew 0.6% in the last twelve months to €369 billion. The good performance of customer deposits (up 2.6%) continued, especially in the domestic sector, which was up more than €9 billion in the quarter. Of these, the strong progress of term deposits has continued (up €8.5 billion since June), with a year on year increase of 31.5%, and the balances of the current and savings accounts have been maintained at practically the same

→ Customer funds

(Billion euros)



(1) At constant exchange rate: -0.7%.

→ Customer funds

(Million euros)

	30-09-10	Δ%	30-09-09	30-06-10	31-12-09
Customer funds on balance sheet	368,745	0.6	366,581	363,225	371,999
Deposits from customers	255,798	2.6	249,365	257,830	254,183
Domestic sector	109,848	12.0	98,112	100,516	97,486
Public sector	7,409	51.0	4,908	6,390	4,296
Other domestic sectors	102,438	9.9	93,204	94,126	93,190
· Current and savings accounts	45,740	1.4	45,115	48,312	47,381
· Time deposits	47,599	31.5	36,193	39,052	35,135
· Assets sold under repurchase agreement and other	9,100	(23.5)	11,896	6,761	10,675
Non-domestic sector	145,951	(3.5)	151,253	157,314	156,697
Current and savings accounts	67,930	15.0	59,094	73,310	63,718
Time deposits	73,697	(14.5)	86,202	76,078	88,114
Assets sold under repurchase agreement and other	4,324	(27.4)	5,958	7,927	4,865
Debt certificates	94,394	(4.3)	98,622	86,407	99,939
Mortgage bonds	38,436	(0.8)	38,750	37,539	35,833
Other debt certificates	55,957	(6.5)	59,872	48,868	64,106
Subordinated liabilities	18,553	(0.2)	18,594	18,988	17,878
Other customer funds	144,298	8.4	133,091	145,434	137,105
Mutual funds	43,818	(8.1)	47,690	47,452	47,415
Pension funds	75,567	27.6	59,224	72,964	63,189
Customer portfolios	24,913	(4.8)	26,177	25,018	26,501
Total customer funds	513,042	2.7	499,672	508,659	509,104

levels as of 30-Sep-2009 (1.4%). In terms of non-resident deposits, the main improvement can be observed in the current and savings accounts, which grew 15.0% with respect to 30-Sep-2009.

Said performance of lending and deposits allows the deposit/loan ratio to remain high, at 74.6%, which is above that of previous quarters.

Off-balance-sheet customer funds, which include mutual funds, pension funds and customer portfolios, amounted to €144 billion as of 30-Sep-2010, increasing 8.4% (or up 0.8% at constant exchange rates) from the €133 billion recorded twelve months prior. The part corresponding to the domestic market is worth €56 billion, marking a decrease of 12.0%. Of this amount, mutual funds account for €26 billion and fall 24.7% over the year. This was due mainly to the increased demand of savers for other products, like term deposits. However, the main decreases have

been seen in the assets under management with lower added value, as they do not involve active management like the guaranteed funds and short-term fixed-income and money market funds. Pension funds are performing better and have reached €17 billion, which is slightly above the figure at the close of June and that of 30-Sep-2009 (up 0.4% yoy). This means BBVA maintains its leadership position in Spain with a market share of 18.6% (latest data available, June). Furthermore, customer portfolios increased 4.9% to €14 billion.

Off balance sheet funds for the rest of the world totaled €88 billion, 27.3% up on the €69 billion recorded as of 30-Sep-2009 (up 11.1% at constant exchange rates). This growth is due both to the strong progress of the pension business, in which the Group holds the top positions in the rankings in the main countries in which it operates, with a 38.5% year on

→ Other customer funds

(Million euros)

	30-09-10	Δ%	30-09-09	30-06-10	31-12-09
Spain	56,198	(12.0)	63,867	57,411	63,194
Mutual funds	25,575	(24.7)	33,952	27,975	32,945
Mutual funds (ex real estate)	24,065	(25.6)	32,345	26,448	31,365
· Guaranteed	12,500	(14.4)	14,602	12,737	12,799
· Monetary and short-term fixed-income	6,908	(46.6)	12,939	8,896	13,374
· Long-term fixed-income	806	(0.2)	807	823	888
· Balanced	1,084	47.9	733	1,125	850
· Equity	1,437	11.6	1,287	1,384	1,375
· Others ⁽¹⁾	1,331	(32.7)	1,977	1,484	2,078
Real estate investment trusts	1,397	(6.8)	1,499	1,414	1,473
Private equity funds	114	5.7	108	113	108
Pension funds	17,019	0.4	16,951	16,701	17,175
Individual pension plans	9,856	0.0	9,856	9,686	9,983
Corporate pension funds	7,162	0.9	7,095	7,015	7,191
Customer portfolios	13,604	4.9	12,964	12,735	13,074
Rest of the world	88,100	27.3	69,224	88,023	73,911
Mutual funds and investment companies	18,243	32.8	13,738	19,477	14,469
Pension funds	58,548	38.5	42,273	56,263	46,014
Customer portfolios	11,309	(14.4)	13,213	12,283	13,427
Other customer funds	144,298	8.4	133,091	145,434	137,105

(1) Including absolut return and passive management funds.

year increase, and to positive contribution of mutual funds, which are up 32.8%. However, customer portfolios decreased 14.4% to €11 billion.

STATEMENT OF CHANGES IN TOTAL EQUITY

At the close of the third quarter of 2010, BBVA's **total equity** came to €32,909 million, marking an increase

of €57 million over the last three months. This increase can be explained almost entirely by the greater attributable profit in the quarter, which stood at €1,140 million, excluding the part allocated to the second interim dividend paid in the year on October 11, and the negative effect in the quarter of the aforementioned depreciation of currencies in the valuation adjustments.

CAPITAL BASE

The BBVA Group's **capital base**, calculated according to the BIS II regulation, stood at €39,289m of 30-Sep-2010, which is quite similar to the figure at the close of the previous quarter.

Risk-weighted assets (RWA) stood at €306,319m, 1.1% less than on 30-Jun-2010. This fall can mainly be explained by the general depreciation in the quarter of currencies against the euro.

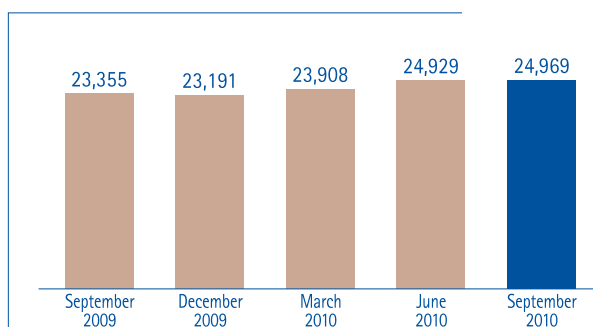
The **minimum capital requirements** (8% of RWA) come to €24,506m, and the **capital base surplus** €14,783m, up 1.8% on the previous quarter and 60.3% above the minimum required levels (58.6% as of 30-Jun-2010).

As of 30-Sep-2010, **core capital** increased by 0.2% quarter on quarter to €24,969m. It is worth noting

that this evolution is also affected by the overall depreciation of the currencies against the euro in the quarter. The increase of 10 basis points in the core capital compared to the close of June was due to the generation of earnings in the quarter, given

→ Core capital

(Million euros)



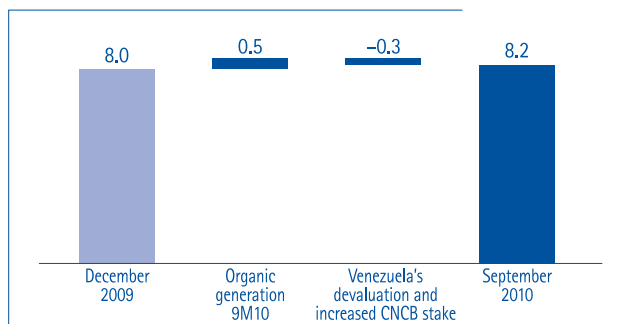
→ Capital base (BIS II Regulation)

(Million euros)

	30-09-10	30-06-10	31-03-10	31-12-09	30-09-09
Shareholders' funds	31,610	30,609	29,805	29,362	29,997
Adjustments	(8,642)	(7,680)	(7,897)	(8,171)	(8,642)
Mandatory convertible bonds	2,000	2,000	2,000	2,000	2,000
Core capital	24,969	24,929	23,908	23,191	23,355
Preference shares	5,166	5,224	5,153	5,129	5,398
Adjustments	(1,900)	(1,803)	(1,194)	(1,066)	(1,527)
Capital (Tier I)	28,234	28,351	27,867	27,254	27,226
Subordinated debt and other	12,955	12,737	12,762	13,251	13,304
Deductions	(1,900)	(1,803)	(1,194)	(1,065)	(1,527)
Other eligible capital (Tier II)	11,055	10,935	11,568	12,186	11,778
Capital base	39,289	39,285	39,435	39,440	39,004
Minimum capital requirement (BIS II Regulation)	24,506	24,769	23,547	23,282	23,242
Capital surplus	14,783	14,516	15,888	16,158	15,762
Risk-weighted assets	306,319	309,617	294,336	291,026	290,521
Bis ratio (%)	12.8	12.7	13.4	13.6	13.4
Core capital (%)	8.2	8.1	8.1	8.0	8.0
Tier I (%)	9.2	9.2	9.5	9.4	9.4
Tier II (%)	3.6	3.5	3.9	4.2	4.1

→ Core capital generation

(Percentage)



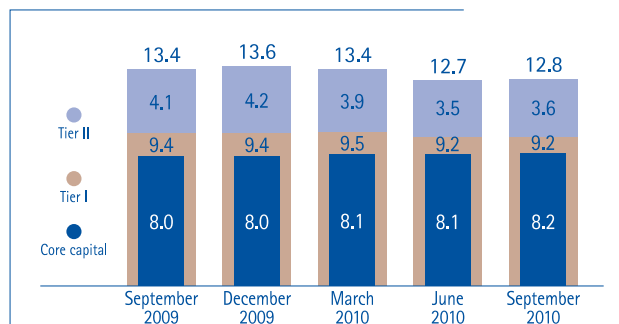
the containment of RWAs. The core capital ratio stands at 8.2%.

The **Tier I** ratio increased 6 basis points to reach 9.2%, and its increase can basically be explained by the organic generation of capital. Preference shares closed 30-Sep-2010 at €5,165m, practically the same figure as of 30-Jun-2010 (€5,224m). As a result, their share of Tier I continue at very similar levels as in the previous quarter (18.3%).

The rest of the eligible capital, which mainly consists of subordinated debt, surplus generic provisions and eligible unrealized capital gains, came to €11,055m. The **Tier II** ratio thus stands at 3.6%, compared to 3.5% in the previous quarter. The improvement in this

→ Capital base: BIS II ratio

(Percentage)



ratio over the quarter is mainly due to the increase in capital gains from the available-for-sale portfolio. Also, during this quarter, BBVA Chile completed a subordinated debt issue of 5.6 million *Unidades de Fomento* (€180m) included as Tier II at Group level.

As a result, the **BIS** ratio closed September 2010 at 12.8%, 14 basis points more than at the end of June.

RATINGS

In July, Standard & Poor's confirmed BBVA's AA rating. This means BBVA has maintained its position among 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+	A/B	Positive
Standard & Poor's	AA	A-1+	-	Negative

THE BBVA SHARE

In the **third quarter of 2010**, the stock markets appear to have broken the downward trend of the first half of the year. In Europe, the signs of economic recovery in the second quarter, above market forecasts, and the upward revision of macroeconomic expectations by the European Central Bank, could be helping to partially dissipate market uncertainties.

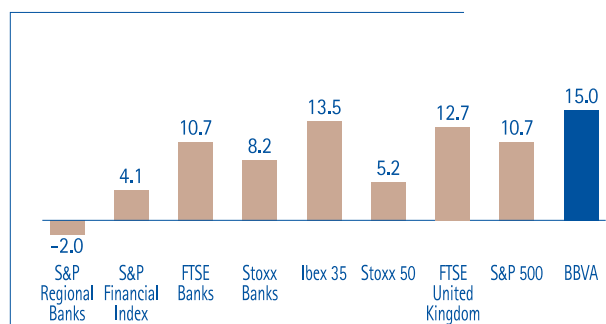
Against this background, the **main stock market indices** in Europe closed the quarter with rises, compared with the falls of the previous quarter. The Stoxx 50 rose 5.2% from June to September, while the FTSE in the U.K. was up 12.7%. Similarly, the U.S. market (S&P 500) rose by 10.7%, while in Spain the Madrid stock exchange (Ibex 35) posted the biggest rise of all, at 13.5%.

There were two major events in the European **banking sector** in the third quarter of 2010: the publication of the results of the stress tests; and the second draft of the Basel regulations. The results of the stress tests have in general been well received by the market. The most valued aspect is the transparency involved in their publication, which represents an unprecedented review of European banking. The exercise published by the Bank of Spain for the Spanish financial system has been valued as the most complete and rigorous, both in terms of the hypotheses used, considered the strictest among the European banks, the additional information provided and the number of institutions analyzed. In terms of the measures announced by the

Basel committee, they are in line with market forecasts (less restrictive than in the first draft). The implementation periods have been extended, and this could help some institutions to achieve the minimum ratios established. The above, together with the new data offered by the European Central Bank and the confirmation that the Bank will continue with its lines of support for the banking sector, have made it easier for banking institutions to access wholesale banking markets. Meanwhile, in Spain the process of consolidation and restructuring of the savings banks has been received favorably and should help solve the problems of overcapacity in the system.

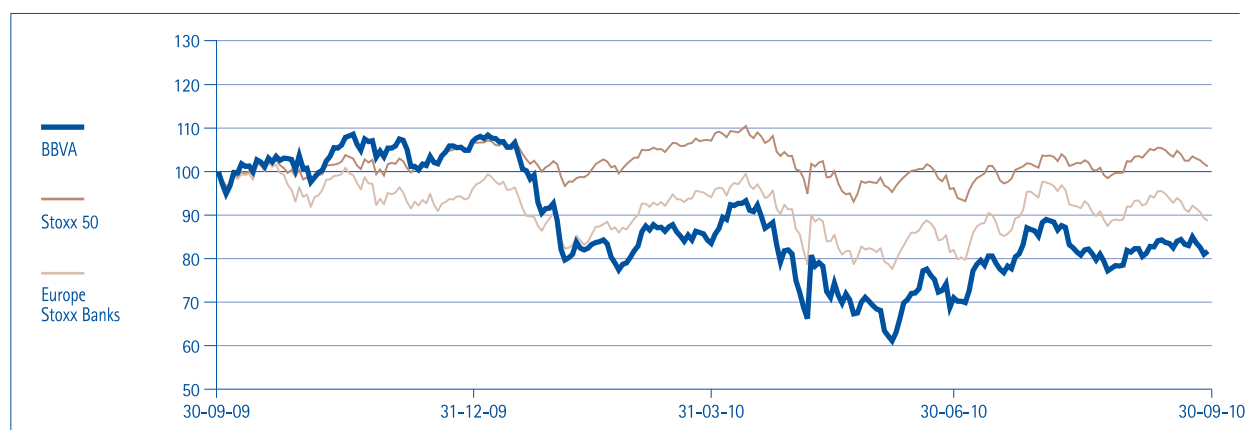
Against this background, the European banking index, Stoxx Banks, recovered in the third quarter of the year by 8.2%. In turn, the FTSE Banks index for British banks increased 10.7%.

→ BBVA share price performance and main market indices in the third quarter (Percentage)



→ Share price index

(30-09-09 = 100)



BBVA results in the second half of the year have been received very favorably by analysts. In general they have been above expectations. Particular value has been placed on the confirmation of the positive trend in revenues and asset quality, as well as the recovery of the business in Mexico and South America. In Spain, the elements welcomed most by the markets have been the signs of improvements in NPA, the resistance of the net interest income and the quarterly increase in the figure for deposits. In Mexico and South America, the coming months are expected to confirm the recovery demonstrated in activity to June, and that may be reflected in the revenue items. In addition, the good economic situation expected in the coming quarters will help boost results in both divisions.

The above has been reflected in the **BBVA share price**, which increased by 15.0% from June to September 2010, outperforming the Ibex 35. The price of BBVA shares varied between €8.26 and €10.89, closing on 30 September at €9.91. This price represents a market capitalization of €37,124m. At this closing price, the price-earnings ratio (P/E, calculated on the median of

earnings for 2010 estimated by analysts) increased to 7.6, compared to 6.5 at the close of June (calculated on the closing price for June and the median of earnings estimated by analysts for the close of 2010). The net price/tangible book value ratio in September 2010 was 1.5, compared with 1.4 at the close of the second quarter. In addition, for 2010 analysts are estimating a **dividend yield** of 4.3% (calculated as the median of their estimate of the dividend per share for 2010 and the share price on 30 September).

The average daily **volume** of shares traded fell by 31% on the previous quarter. This was due partly to the seasonal effect of the summer months, with slightly more than 58 million shares traded on average between June and September. This lower trading level weighed more than the BBVA share price rise. As a result, the average traded amount in the quarter was €561 million.

On September 30, 2010 **payment of the second interim dividend** for 2010 was announced, in line with the usual dividend payment calendar of recent years. On October 11, 2010 this interim dividend was paid at €0.09 gross per share, with a payout of €337 million.

→ The BBVA share

	30-09-10	30-06-10	31-03-10	31-12-09	30-09-09
Number of shareholders	889,104	897,894	887,252	884,373	896,433
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121
Quarter daily average number of shares traded	58,363,137	85,118,109	49,389,086	51,014,696	50,638,534
Quarter daily average trading (million euros)	561	823	535	631	535
Maximum price in the quarter (euros)	10.89	11.40	13.27	13.28	12.83
Minimum price in the quarter (euros)	8.26	7.28	9.26	11.39	8.51
Closing price for the quarter (euros)	9.91	8.61	10.13	12.73	12.13
Book value per share (euros)	8.43	8.17	7.95	7.83	8.00
Tangible book value per share (euros) ⁽¹⁾	6.56	6.31	6.41	6.27	6.17
Market capitalization (million euros)	37,124	32,278	37,967	47,712	45,463

(1) Net of goodwill.

→ Share performance ratios

	30-09-10	30-06-10	31-03-10	31-12-09	30-09-09
Price/Book value (times)	1.2	1.1	1.3	1.6	1.5
Price/Tangible book value (times) ⁽¹⁾	1.5	1.4	1.6	2.0	2.0
PER (Price/Earnings; times) ⁽²⁾	7.6	6.5	7.7	11.3	10.8
Yield (Dividend/Price; %) ⁽³⁾	4.3	5.3	4.5	3.3	3.5

(1) Net of goodwill.

(2) The 30-09-10 P/E is calculated taking into consideration the median of the analysts' estimates (October 2010).

(3) Dividend yield at 30-09-10 is calculated taking into consideration the median of analysts' estimates (October 2010).

RISK AND ECONOMIC CAPITAL MANAGEMENT

RISK MANAGEMENT

CREDIT RISK

In the **third quarter** of 2010, BBVA maintained the positive trend of its main indicators of credit quality. The NPA ratio was at 4.1% and coverage ended the period at 62%. Thus BBVA continues to stand out against the system for the positive performance of its risk indicators.

As of September 30, 2010, the volume of **total risks** with customers (including contingent liabilities) stood at €376,421m, a fall of 2.1% on the figure for 30-Jun-2010, due to the depreciations of the main currencies against the euro; in constant terms it increased by 1.0% in the quarter. It is also worth

→ Credit risk

(Million euros)

	30-09-10	30-06-10	31-03-10	31-12-09	30-09-09
Total risk exposure ⁽¹⁾					
Non-performing assets	15,560	16,137	15,870	15,602	12,500
Total risks	376,421	384,344	370,699	364,776	363,812
Provisions	9,641	9,917	9,308	8,943	8,459
· Specific	6,552	6,775	6,437	5,969	4,422
· Generic and country-risk	3,089	3,142	2,872	2,975	4,037
NPA ratio (%)	4.1	4.2	4.3	4.3	3.4
NPA coverage ratio (%)	62	61	59	57	68
Memorandum item: ⁽²⁾					
Foreclosed assets	1,440	1,547	1,239	945	773
Provisions	208	297	269	208	151
Coverage (%)	14	19	22	22	19

(1) Including contingent liabilities.

(2) Including foreclosed assets from lease contracts. At 30-Sep-2010 some provisions have been deducted from the value of the foreclosed assets as the Bank of Spain Circular 3/2010 of 29th June came into force.

→ Variations in non-performing assets

(Million euros)

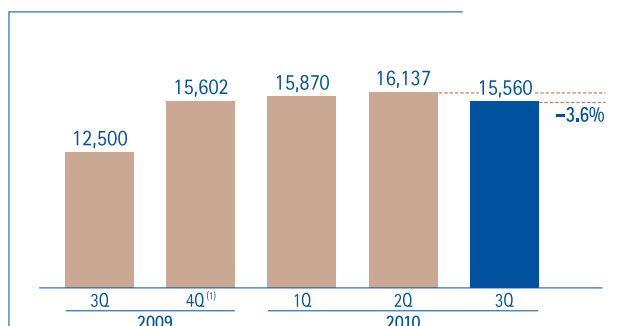
	3Q10	2Q10	1Q10	4Q09	3Q09
Beginning balance	16,137	15,870	15,602	12,500	11,774
Entries	3,051	3,042	3,262	6,187	3,573
Recoveries	(2,116)	(2,080)	(2,388)	(2,035)	(1,611)
Net variation	935	962	874	4,152	1,962
Write-offs	(1,119)	(1,034)	(885)	(1,144)	(1,088)
Exchange rate differences and other	(393)	339	279	94	(148)
Period-end balance	15,560	16,137	15,870	15,602	12,500
Memorandum item:					
· Non-performing loans	15,218	15,781	15,520	15,197	12,189
· Non-performing contingent liabilities	342	355	351	405	311

pointing out the trend for a reduction in the BBVA loan portfolios related to the developer sector in Spain and commercial real estate in the United States.

Non-performing assets amounted to €15,560m as of 30-Sep-2010, a fall in the quarter of €577m. This variation was influenced by the exchange-rate effect, although it should be stressed that in constant terms NPA fell 1.2%. Gross additions to NPA were at similar levels to the previous quarter, as were recoveries. The latter can be explained basically for a seasonal reason: the summer vacations (above all, in Spain). In all, the ratio of recoveries to new NPA was at 69.4%, improving on the level of the previous quarter.

→ Non-performing assets

(Millio 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.

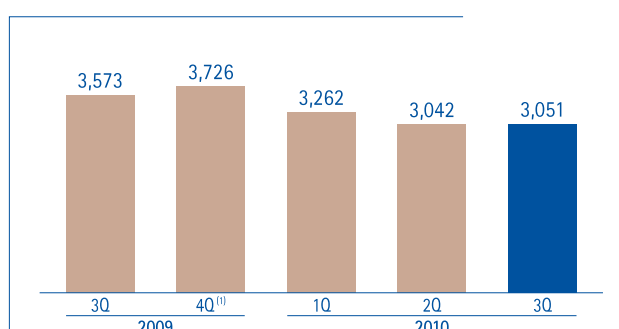
The Group's **NPA ratio** was reduced to 4.1%. It is worth highlighting the good performance of NPA in Mexico, where it fell by 46 basis points over the quarter to 3.4%, and in South America, where it ended the third quarter at 2.4%, with a fall of 24 basis points over the last three months. In WB&AM the ratio fell to 1.3% (1.4% in the first quarter of the year). In the other areas the NPA ratio was maintained or grows slightly. In Spain and Portugal it continued at 5.0%, and in the United States it was 4.6%.

Coverage provisions for risks with customers were €9,641m on 30-Sep-2010, a decrease of €276m on the figure for June 2010. It is important to note that generic provisions amount to €3,089m and represent 32.0% of the total (31.7% as of 30-Jun-10). Collaterals were worth 181% of the value of secured doubtful risks and NPA provisions covered 145% of

unsecured doubtful risks. Bank of Spain Circular 3/2010 of June 29, 2010, which entered into force on September 30, gives greater relevance to collaterals with regard to risk coverage. On the one hand, it shortens the calendar for loan-loss provisions, but on the other, it extends the type of guarantees that are allowed, although with major haircuts on their

→ Gross additions to NPA

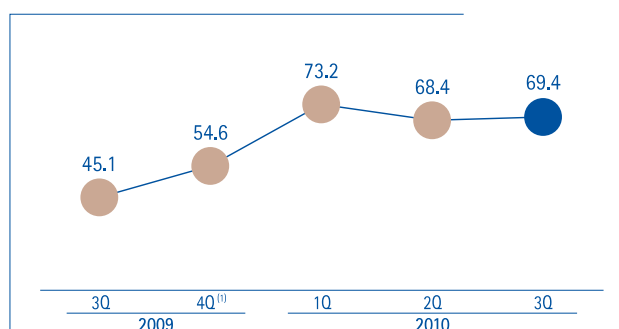
(Million euros)



(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.

→ Recoveries over entries to NPA

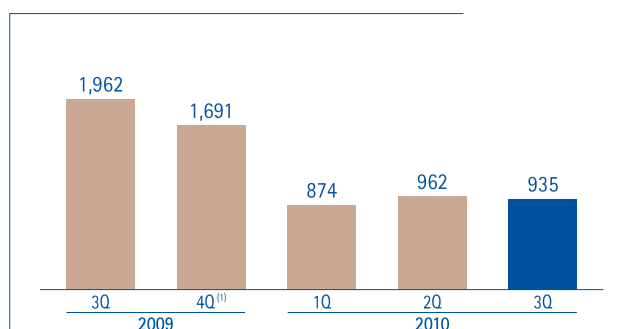
(Percentage)



(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.

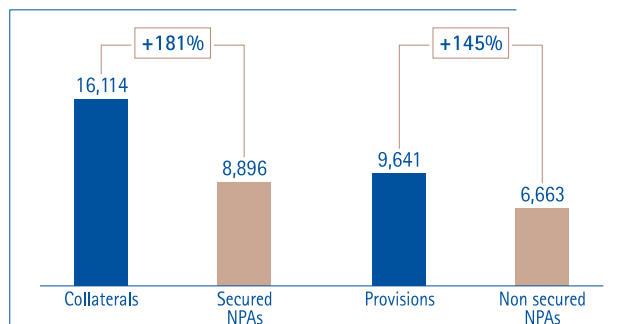
→ Net additions to NPA

(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.

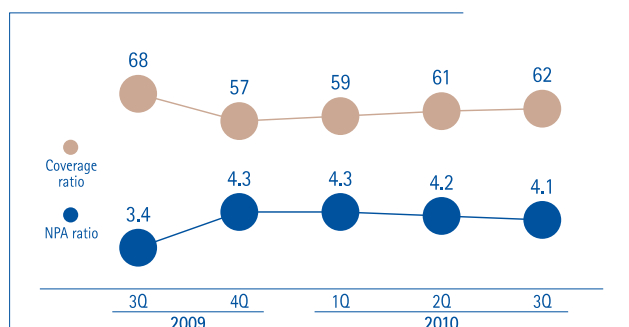
→ Coverage including provisions and collaterals (Million euros)



updated appraisal. As explained in the quarterly report in June 2010, this change did not have any significant effects on BBVA, as the anticipation of the calendar for provisions has been compensated to a great extent by the recognition of the value of guarantees held by the Group.

Finally, the **coverage ratio** of NPA closed at 62% at the end of the third quarter of 2010. There was a notable increase in Mexico (from 136% in June 2010 to 150%), despite the lower volume of loan-loss provisions in this quarter compared to the previous one. The figure in South America rose to 139%, in the United States it was at 59% (62% on 30-Jun-2010), and in Spain and Portugal the rate was again at 48%.

→ NPA and coverage ratios (Percentage)

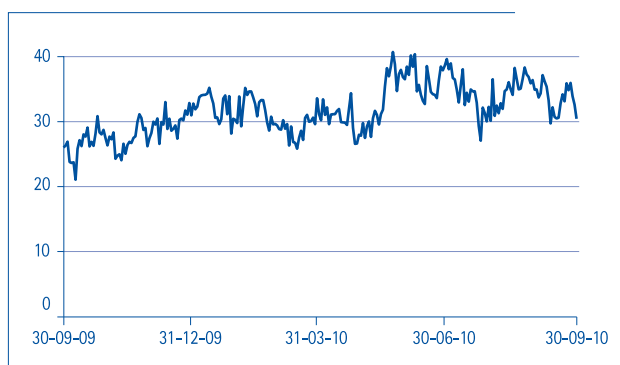


MARKET RISK

The BBVA Group's market risk continues at reduced levels, as corresponds to its business model. In the third quarter of 2010, the BBVA Group's average market-risk exposure was €34m (referenced to VaR

without exponential smoothing). This compares with the figure of €33m for the previous quarter. The growing risk in Europe, and, to a lesser extent in Mexico, explain the slightly upward progress, while the risk contributed to the Group by South America decreases. At quarter end, exposure was €30m, having peaked at €40m on July 1st.

→ Trends in market risk ⁽¹⁾ (VaR, million euros)



(1) On 29-02-08 the Bank of Spain approved the Algorithmic internal model for the European and Mexican trading portfolios. The methodology applied for the VaR metric in these businesses is the historical simulation.

By **geographical area**, the concentration of risk increased slightly in Europe, where 63.0% of total average exposure was recorded in the third quarter. The banks in South America decreased their relative concentration to 12.6%.

In terms of the **types of market risk** on the Group's trading portfolio as of 30-Sep-2010, the greatest

→ Market risk by risk factors (3rd Quarter 2010. Million euros)

Risk	30-09-10
Interest + spread	41
Exchange rate	4
Equity	4
Volatility	15
Diversification effect	(35)
Total	30
Average	34
Maximun	40
Minimun	27

exposure was to interest rates and lending spread, which, nevertheless, decreased by 6.0% on the close of the previous quarter. Equally, equity risk decreased from €6m to €4m and currency risk was reduced from €9m to €4m. Volatility risk rose from €14m to €15m.

ECONOMIC CAPITAL

Attributable economic risk capital (ERC) consumption reached €24,926m as of 30-Sep-2010, marking a 0.7% increase as compared to June 2010.

The main category (62.0%) was, once more, credit risk on portfolios originated in the Group branch network from its own customer base. This risk has increased slightly over the quarter due to the new estimates of the credit risk parameters carried out during this period that include the impact of the rise in the number of loan portfolio defaults, mirroring the downturn in the economic environment.

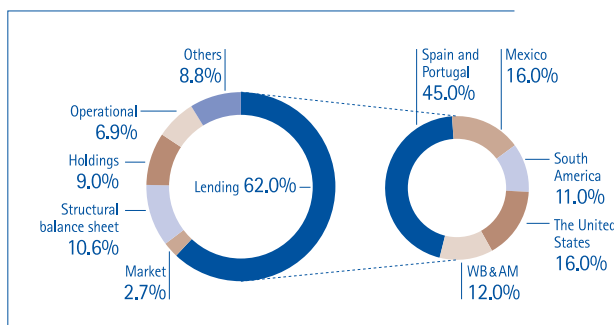
Market risk continues to be the least relevant item (2.7%), given the nature of BBVA's business and its

policy of minimal proprietary trading. Stake-holding risk basically reflects the portfolio of Holdings in Industrial & Financial Companies and the stake in CITIC, and stands at levels similar to those as of 30-Jun-2010, at 9.0%. Structural balance-sheet risk totals 10.6% and originates from the management of the Group's structural interest-rate risk (4.2%) and exchange-rate risk (6.4%).

Finally, operational risk amounted to 6.9% of total ERC.

→ BBVA Group economic risk capital Distribution by risk type

(Data in attributable terms, 30-09-10)



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 the first nine months of 2010, these adjustments reduce earnings by €2,977m, mainly due to adjustments in value changes. Adjusted profit thus stood at €690m.

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 €3,565m at the end of September 2010.

From the adjusted profit a subtraction is made which comes from multiplying the average economic risk capital or ERC for the period (€24,007m as of 30-Sep-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 -€1,509m for the period January-September of 2010. However, the **recurrent** economic profit stood at €1,816m, 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 3.8%, while its **recurrent RARoC** was 24.0%.

→ Economic profit and risk adjusted return on economic capital

(Million euros)

	January-Sep. 10	Δ%	January-Sep. 09
Net attributable profit	3,668	(12.2)	4,179
Adjustments	(2,977)	n.m.	846
Adjusted net attributable profit (A)	690	(86.3)	5,024
Average economic risk capital (ERC) (B)	24,007	8.8	22,068
Risk-adjusted return on economic capital (RAROC) = (A)/(B) * 100 ⁽¹⁾	3.8		30.4
Recurrent raroc (%) ⁽¹⁾	24.0		27.8
ERC x cost of capital (C)	2,199	18.6	1,854
Economic profit (EP) = (A) - (C)	(1,509)	n.m.	3,170
Recurrent economic profit	1,816	(21.7)	2,321

(1) Percentage annualized.

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: 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 Wholesale Banking & Asset Management:** 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 will be 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, said impact was included under Corporate Activities.

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.
- **Wholesale Banking & Asset Management,** 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). Wholesale Banking & Asset Management (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 expenses 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–September 2010. Million euros)

	Adjusted net attributable profit	Economic profit (EP)
Spain and Portugal	1,594	978
Mexico	1,399	1,097
South America	621	368
The United States	256	14
Wholesale Banking & Asset Management	650	315
Corporate Activities	(956)	(956)
BBVA Group	3,565	1,816

→ Operating income and net attributable profit by business area (Million euros)

	Operating income				Net attributable profit			
	January–Sep. 10	Δ%	Δ% at constant exchange rates	January–Sep. 09	January–Sep. 10	Δ%	Δ% at constant exchange rates	January–Sep. 09
Spain and Portugal	3,173	(5.4)	(5.4)	3,353	1,687	(6.2)	(6.2)	1,798
Mexico	2,717	6.0	(5.0)	2,564	1,254	13.7	2.0	1,103
South America	1,599	1.4	3.9	1,577	699	12.1	13.7	623
The United States	824	5.9	1.3	778	220	24.3	17.9	177
Wholesale Banking & Asset Management	936	4.6	4.6	894	730	9.2	9.2	668
Corporate Activities	72	(31.2)	(31.2)	105	(922)	n.m.	n.m.	(192)
BBVA Group	9,322	0.5	(2.0)	9,271	3,668	(12.2)	(14.2)	4,179

SPAIN AND PORTUGAL

→ Income statement

(Million euros)

	January-Sep. 10	Δ%	January-Sep. 09
Net interest income	3,576	(2.5)	3,668
Net fees and commissions	1,051	(6.5)	1,123
Net trading income	154	1.3	152
Other income/expenses	279	(14.3)	326
Gross income	5,060	(4.0)	5,269
Administration costs	(1,887)	(1.5)	(1,917)
Personnel expenses	(1,126)	(0.6)	(1,133)
General and administrative expenses	(685)	(2.9)	(705)
Depreciation and amortization	(77)	(2.9)	(79)
Operating income	3,173	(5.4)	3,353
Impairment on financial assets (net) ⁽¹⁾	(985)	(38.3)	(1,595)
Provisions (net) and other gains (losses) ⁽¹⁾	222	(72.3)	803
Income before tax	2,411	(5.8)	2,560
Income tax	(724)	(4.9)	(761)
Net income	1,687	(6.2)	1,799
Non-controlling interests	-	-	-
Net attributable profit	1,687	(6.2)	1,798

(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)

	30-09-10	Δ%	30-09-09
Cash and balances with central banks	2,460	3.0	2,388
Financial assets	12,078	12.6	10,727
Loans and receivables	201,986	0.1	201,749
· Loans and advances to customers	201,486	0.5	200,410
· Loans and advances to credit institutions and other	500	(62.6)	1,340
Inter-area positions	-	-	-
Tangible assets	1,291	(1.0)	1,304
Other assets	879	3.1	852
Total assets/liabilities and equity	218,694	0.8	217,021
Deposits from central banks and credit institutions	625	(28.1)	869
Deposits from customers	103,108	10.5	93,295
Debt certificates	83	(73.4)	312
Subordinated liabilities	4,731	7.9	4,384
Inter-area positions	88,398	(8.8)	96,974
Financial liabilities held for trading	389	49.4	260
Other liabilities	12,967	(1.4)	13,150
Economic capital allocated	8,392	7.9	7,776

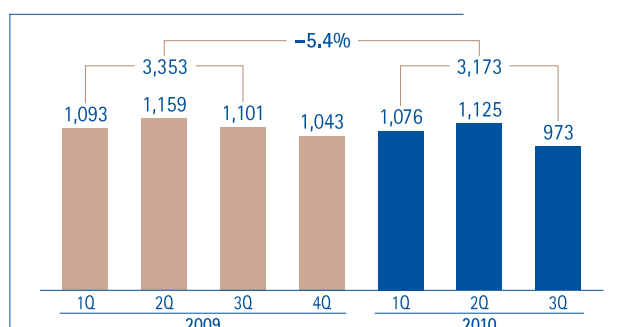
→ Spain and Portugal highlights in the third quarter

- Increased market share in key products for customer bundling.
- Growth in customer deposits.
- Differential performance of revenues.
- Maintenance of asset quality indicators.

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). The area 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.

In the **third quarter of 2010**, the system showed moderate progress in household credit as a result of the slight increase in the residential mortgage portfolio (up 0.6% yoy as of 31-Aug-10). Consumer finance fell by 10.9%, despite a slight upturn in spending by individuals. The fall in lending to companies eased to 2.8%. Demand for savings products continued to be focused on term deposits for households, up 2.9%, and corporate transactional deposits, up 9.3%. Finally, assets under management in mutual funds managed by banks and savings banks fell by 11.4% year on year, with a negative volume effect in July and August of €2,358m.

→ Spain and Portugal. Operating income (Million euros)



→ Relevant business indicators (Million euros and percentages)

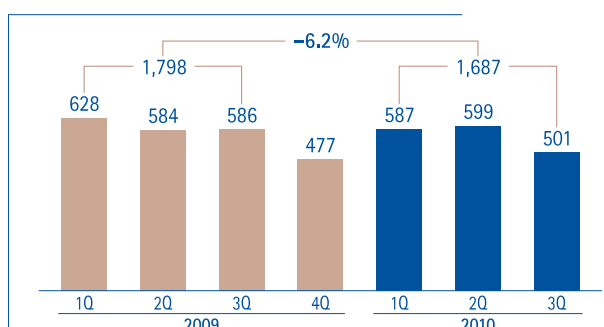
Spain and Portugal			
	30-09-10	30-06-10	30-09-09
Total lending to customers (gross)	206,574	207,082	205,529
Customer deposits ⁽¹⁾	104,400	95,201	94,064
Off-balance-sheet funds	33,422	35,626	41,028
· Mutual funds	23,277	25,686	30,870
· Pension funds	10,145	9,940	10,158
Other placements	8,231	8,228	8,268
Efficiency ratio (%)	37.3	36.4	36.4
NPA ratio (%)	5.0	5.0	4.0
Coverage ratio (%)	48	48	59

(1) Include collection accounts and individual annuities.

Within the framework of the **Plan UNO**, the core of its commercial policy, the area has increased the loyalty of its customer base and increased its market share in mortgages to households by 24 basis points since 31-Dec-2009 to reach 13.0% as of 31-Aug-2010. It is also worth highlighting the improved spread in new mortgage production (July and August) of 26 basis points (20 basis points in the market). The positioning in both total consumer finance and in the corporate segment has been maintained, with growth being selective according to the risk profile. BBVA is one of the most active banks in ICO fund placement, with a 12.8% market share as of 26-Sep-2010, 25 basis points more than in the same period in 2009. Its business is also extremely diversified. In all, **gross customer lending** was €206,574m on 30-Sep-2010, a year on year growth of 0.5%.

Customer funds under management (deposits, mutual funds and pension funds, as well as the distribution of

→ Spain and Portugal. Net attributable profit (Million euros)



BBVA bonds), totaled €146,032m, with an increase of €9,722m in term deposits in the quarter as a result of the launch of a stable fund campaign, mainly with products linked to *Plan UNO* and aimed at customers with a high level of loyalty. The above resulted in a market share of 8.3% as of 31-Aug-2010 in term deposits, 183 basis points more than in December 2009. The high relative weight of transactional deposits in the area's liabilities, (38.3%) at €39,946m, means that the cost of the stock of deposits is 0.8% in BBVA, below the market average of 1.4%. The assets under management by the Group in mutual funds amounted to €23,277m (€30,870m at 30-Sep-2009). The fall is due partly to the increased demand of savers for other products, such as term deposits and also to the falls in stock markets over the last year. However, the main falls have been in the assets under management with lowest added value, such as guaranteed funds and short-term fixed-income and money market funds, which do not involve active management. In pension funds, BBVA has maintained its leading position with a market share of 18.6% (June data, the latest available) and at the close of September, assets under management had increased €205m since 30-Jun-2010.

In this moderate climate for the banking business, profitable growth of the unit's commercial activity, together with a better risk profile, have produced net interest income of €3,576m accumulated to September, a moderate fall of 2.5% against the same period of 2009. Profitability, measured as the ratio between net interest income and average total assets (ATA), stood at 2.19% (2.23% a year earlier). Income from fees fell year on year by 6.5% to €1,051m, due to the reductions applied to a growing number of customers, whose loyalty has increased, and the fall mentioned above in the funds under management. Net trading income, at €154m, together with other net income of €279m, fell slightly on the same period of 2009. As a result, **gross income** stood at €5,060m (€5,269m on 30-Sep-2009).

The area continues to keep **operating expenses** well in check, at €1,887m, which implies a new year on year reduction of 1.5%. This once more explains its competitive advantage in efficiency with respect to the system as a whole, which has barely begun its process of consolidation, while BBVA created its Transformation Plan early and started its implementation at the end of 2006. As a result, the efficiency ratio stood at 37.3% and **operating income** was €3,173m (€3,353m on 30-Sep-2009), a clear

demonstration of its high resilience and the capacity of the area to generate recurrent results.

During the quarter, €233m of capital gains were booked stemming from the sale-and-leaseback deal on retail branches in Spain as part of the second phase of the *Árbol* operation. The same amount was allocated in the quarter for generic provisions for non-performing assets. As a result, the **net attributable profit** amounted to €1,687m, with a moderate year on year fall of 6.2%, but continued at a very stable level.

In an environment in which there is still an upward trend in the NPA ratio of the system, which reached 5.6%, according to the latest data available as of 31-Aug-2010, the **NPA ratio** of Spain and Portugal remained stable and closed September at 5.0%, the same figure as in 30-Jun-2010.

SPANISH RETAIL NETWORK

This unit manages financial and non-financial demand from households, professionals, retailers and small businesses. It achieved new market share gains in the third quarter in mortgage lending and deposits with rises of 22 and 52 basis points respectively to 12.9% and 7.3%, as of 31-Aug-2010. Business volume, at €213,732m, represents 62.7% of the area and the earnings obtained to September were €1,073m, 63.6%.

In the current context of shrinking volumes of business and earnings, the Spanish Retail Network achieved an **operating income** of €1,759m, thanks to increased cross-selling (averaging at 3.7 products per customer) increased customer bundling, a defense of the yield on loans and control of both costs and NPA. Increased provisions for NPA made **net attributable profit** to fall 10.4% year on year.

In the third quarter of 2010, funds gathered as deposits and other **customer funds** from individuals, the self-employed and businesses amounted to €3,678m since March 2010, to reach a total of €10,631m. The cost of the stock of deposits continues to be lower than the average for banks and savings banks (0.8% against 1.4% according to the Bank of Spain, to August). To a large extent this is because the lower-cost liabilities, at €29,555m, represent 41.1% of managed deposits. Total stable funds (deposits, mutual

funds, pension funds and fixed-income) amounted to €111,957m with new production of €6,452m in term deposits and a managed balance cost that is also below average (1.6% compared with 2.3% in the sector). The rise in deposits gathered has meant that the liquidity gap in commercial activity in the third quarter has continued to improve by €3,521m.

In the **loan book**, there was a notable year on year increase of 5.3% in new production of residential mortgage loans to €7,889m, of which more than a quarter corresponded to the third quarter and 7% was sold online. The sustainability of the growth in mortgage lending, with a total balance of €71,748m as of 30-Sep-2010, is the result of the various commercial campaigns: *Sí Damos Hipotecas* (Yes, we do give mortgages), *Ven a Casa* (Come home) and the *Hipoteca On Line BBVA* (Online BBVA Mortgage) offer. In a context of slowing demand for consumer finance, BBVA continues as the leading provider of this kind of finance, according to data published at September 2010. The Retail Network is maintaining its level of monthly sales in the quarter at €88m, thanks among other initiatives to the boost provided by the commercial campaign offering a free gift of comprehensive car insurance and the excellent rate of new consumer loans under special conditions for public-sector workers. As a result, the market share in consumer finance sales increased to 10.8% on 30-Aug-2010.

BBVA Private Banking closed the quarter with funds under management in Spain of €36,180m, up 1.6% year on year, and with a 2.1% growth in its customer base. The unit closed September as the market leader in SICAV, both in terms of assets under management (€3,031m) with a 12.1% market share, and number of companies (293).

In the **small business segment**, the unit has outperformed the market in the increased business through the point-of-sale terminals, up 13.9% year on year compared with the +5.8% in the entities in the Servired network as a whole, according to the latest data available to June. In addition, the *Plan + Profesional* has increased funds by €1,000m and the customer base by 2,000 since March 2010. Additionally, the agreements with the National Association of the Self-Employed (ATA) and the Spanish Hotel and Catering Trade Association have also been renewed and boosted. Between them, they amount to 740,000 members. With regard to the *Plan Franquicias* (Franchise Plan), it is worth mentioning the rise in the volume of operations analyzed by the CISNE (the exclusive risk sanction channel) to €5.4m,

most from agreements with the Grupo Restalia, McDonald's and Mail Boxes, as well as the new agreement reached with Burger King. Finally, the unit closed 23,189 operations for €671m in ICO credit lines up to 26-Sep-2010.

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 the third quarter with its **loan book** at €91,252m (up 0.5% year on year) and **customer funds** at €29,711m (up 8.9%). In what has been a difficult economic environment, CBB has carried out a positive management of its business opportunities aimed at obtaining a profitable growth with strict cost control. As a result, its operating income of €1,217m has been maintained at the same level as a year ago. The above, together with a prudent risk management policy, led to an attributable profit of €643m (down 1.4% year on year).

BBVA continues to develop and market new products to support the companies. Among these, the range of ICO products has been extended with the new ICO *Turismo Tramo Público* (Public Tourism) and ICO *Comercio Interior* (Domestic Trade) lines, in which it has improved its competitive position with respect to 2009. With regard to the financing of working capital, it is worth highlighting the €9,516m in factoring (domestic and international) and the €7,924m in accounts payable financing (*confirming*) up to 30-Aug-10 (data from the AEF). This strengthens BBVA's leading position in both products.

By customer segments, we should also take note of the good performance in the **corporate** segment, which has maintained the same lending volumes for the last twelve months, at €16,842m, and the growth of customer funds to €5,932m (up 26.1% year on year). Positive growth was also posted in the operating income (up 17.9% year on year, to €257m) and in net attributable profit, marking a 157.4% improvement to €183m.

BBVA is still one of the market leaders in the **institutions** segment. Lending increased 15.7% year on year to

€28,799m, and customer funds grew 2.6% to €15,270. Also worth noting is the strong performance of operating income, with a 6.7% improvement in the year to €244m, as well as the 9.4% growth in net attributable profit to €169m. The following are among the most significant operations in this period: a financing policy for €250m with CORES; €103m project finance with Concessió Estacions Aeroport L9 of Barcelona; a syndicated loan with the Catalan regional government for €350m; and an accounts payable financing service of €850m, also with the Catalan regional government.

Business carried out with the **SME segment** continues to suffer due to the deleveraging process underway. In this context, the loan book stood at €28,786m euros (down 6.1% year on year) and customer funds at €8,476m (up 10.5%) at the close of September 2010. Even so, thanks to the defense of spreads and cost control, the operating income was €564m and the net attributable profit €110m.

Finally, lending in the **developer segment** continued to fall (8.8% year on year to 30-Sep-2010), in line with the strategic objective of reducing balances in this segment. The weight of finance for the public housing program already represents 80% of all activity.

OTHER UNITS

The **Consumer Finance** unit manages consumer finance and business fitting through prescribers, as well as equipment leasing activities, through Finanzia, Uno-e and other subsidiaries in Spain, Portugal and Italy. In the first nine months of 2010, this unit obtained an operating result of €178m, a year on year increase of 35.6%. The net attributable was -€20m, compared with the loss of €80m in the same period of 2009. The 2010 result was affected by the legal change in the timetable for specific provisions. At the same time, this has allowed the unit to increase its coverage ratio by 12.8 percentage points. The loan book totaled €5,426m in Spain (down 1.3% year on year),

€459m in Portugal (down 1.3%) and €616m in Italy (up 45.6%). ASNEF's latest report (30-Jun-2010) shows that BBVA continues as leader in financing volumes for automobiles and equipment goods, leasing of fittings, renting and leasing of equipment.

BBVA Portugal had a year on year rate of growth in lending of 20.0% to €7,413m, boosted by the increases in mortgage lending (up 23.5%) and in SMEs (up 22.4%). It has developed new products in the SME sector to support its cash needs, such as *Empréstimo Fácil*, as well as continuing with its commitment to the development of equipment leasing. The balance of customer funds as of 30-Sep-2010 was €3,013m, up 21.4% year on year, thanks to the growth in deposits (up 27.3%) with products such as *Depósitos a Prazo Lider* and those aimed at customers with a less conservative profile, such as the *Depósito Especial Inversión* 4.5% BBVA, or the *Depósito Plus BBVA*. Notable in investment banking were seven commercial paper operations for €79m.

BBVA Seguros is the market leader in individual life risk insurance policies, with a market share of 13.4% as of June 30 2010 (the latest data available). It wrote premiums totaling more than €788m until September. The life risk insurance business remains positive, with earnings of €272m (up 10.0% year on year), boosted by the activity in payment protection products. On the non-life side of the business, multi-risk home insurance contributed €133m (up 0.8% year on year) and there was positive progress in the incipient auto business, with €5.6m of premiums written (up 63.6%) and more than 29,000 vehicles insured. Especially noteworthy in the third quarter were the entry into force of a coinsurance scheme with Sanitas for the marketing of health insurance and, in terms of brokerage on third-party policies, the launch of new products such as a civil liability insurance for executives and directors and environmental liability insurance. In total the unit obtained revenues of €275m for the Group to September from in-house policies and €14m in brokerage on third-party policies. The net attributable profit was €187m.

MEXICO

→ Income statement

(Million euros)

	Mexico				Units							
	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09	Banking business				Pensions and Insurance			
	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09
Net interest income	2,747	9.5	(1.8)	2,510	2,693	8.9	(2.3)	2,472	51	39.2	24.9	36
Net fees and commissions	913	13.5	1.8	805	854	11.4	(0.1)	766	57	52.1	36.4	37
Net trading income	331	7.1	(4.0)	310	228	0.1	(10.2)	227	104	26.9	13.8	82
Other income/expenses	133	33.3	19.6	100	(114)	16.0	4.1	(98)	255	23.8	11.1	206
Gross income	4,126	10.8	(0.6)	3,725	3,660	8.7	(2.5)	3,367	466	29.0	15.7	361
Administration costs	(1,408)	21.4	8.9	(1,160)	(1,297)	22.6	9.9	(1,058)	(112)	14.7	2.9	(97)
Personnel expenses	(646)	17.5	5.4	(550)	(592)	18.3	6.2	(501)	(53)	9.4	(1.9)	(48)
General and administrative expenses	(700)	24.7	11.8	(562)	(644)	26.2	13.2	(511)	(57)	20.1	7.7	(47)
Depreciation and amortization	(62)	27.5	14.4	(49)	(60)	27.9	14.7	(47)	(2)	19.3	7.0	(2)
Operating income	2,717	6.0	(5.0)	2,564	2,363	2.3	(8.2)	2,309	355	34.3	20.4	264
Impairment on financial assets (net)	(953)	(13.1)	(22.1)	(1,097)	(953)	(13.1)	(22.1)	(1,097)	-	-	-	-
Provisions (net) and other gains (losses)	(48)	127.5	104.1	(21)	(49)	133.6	109.5	(21)	1	n.m.	n.m.	(1)
Income before tax	1,716	18.7	6.4	1,446	1,361	14.3	2.5	1,191	355	34.7	20.8	264
Income tax	(458)	34.5	20.6	(341)	(354)	30.1	16.7	(272)	(103)	45.8	30.8	(71)
Net income	1,257	13.8	2.1	1,105	1,007	9.6	(1.7)	919	252	30.7	17.2	193
Non-controlling interests	(3)	89.6	70.1	(2)	-	-	-	-	(2)	45.1	30.1	(1)
Net attributable profit	1,254	13.7	2.0	1,103	1,007	9.6	(1.7)	918	250	30.6	17.1	192

(1) At constant exchange rate.

→ Balance sheet

(Million euros)

	Mexico				Units							
	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09	Banking business				Pensions and Insurance			
	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09
Cash and balances with central banks	5,693	(31.5)	(40.6)	8,306	5,693	(31.5)	(40.6)	8,306	-	-	-	-
Financial assets	25,440	11.9	(2.9)	22,732	20,757	6.0	(8.0)	19,578	4,944	47.1	27.6	3,361
Loans and receivables	37,927	40.1	21.5	27,074	37,686	39.7	21.2	26,969	281	51.9	31.8	185
· Loans and advances to customers	32,458	28.9	11.8	25,190	32,325	28.8	11.7	25,096	157	52.2	32.0	103
· Loans and advances to credit institutions and other	5,469	190.3	151.8	1,884	5,361	186.3	148.3	1,873	125	51.6	31.5	82
Tangible assets	821	10.2	(4.4)	746	814	10.2	(4.5)	739	7	11.7	(3.1)	6
Other assets	1,655	17.5	1.9	1,409	2,193	25.5	8.9	1,747	125	17.9	2.3	106
Total assets/liabilities and equity	71,537	18.7	3.0	60,265	67,143	17.1	1.6	57,339	5,358	46.4	27.0	3,659
Deposits from central banks and credit institutions	12,128	(5.8)	(18.3)	12,879	12,128	(5.8)	(18.3)	12,879	-	-	-	-
Deposits from customers	33,157	14.4	(0.8)	28,979	33,175	14.2	(1.0)	29,052	-	-	-	-
Debt certificates	4,132	13.2	(1.8)	3,651	4,132	13.2	(1.8)	3,651	-	-	-	-
Subordinated liabilities	1,845	26.2	9.4	1,462	2,497	34.5	16.7	1,856	-	-	-	-
Financial liabilities held for trading	6,110	108.2	80.6	2,935	6,110	108.2	80.6	2,935	-	-	-	-
Other liabilities	11,013	41.9	23.1	7,761	6,223	33.8	16.0	4,651	5,129	50.3	30.4	3,413
Economic capital allocated	3,151	21.2	5.2	2,599	2,877	24.2	7.7	2,316	228	(7.1)	(19.4)	246

(1) At constant exchange rate.

→ Mexico highlights in the third quarter

- Clear signs of an improvement in business volume.
- Improvement in asset quality indicators.
- Profit grows at its highest year on year rate since the fourth quarter of 2008.
- Seguros BBVA Bancomer chosen as the best insurance company of Mexico by World Finance.

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

In the third quarter of the year the **Mexican economy** has continued to show signs of recovery, thanks mainly to domestic demand. This is because private consumption has been stronger, in line with improved wages and leading to an increase in household spending over recent months. In addition, exports have reduced their contribution to growth as foreign demand has slowed.

Prices have continued to be favorable in the period under analysis. **Inflation** was 3.7% year on year, under the Bank of Mexico's (Banxico) expected range. This is mainly due to favorable agricultural prices and low pressure from the demand side. In this situation, Banxico has maintained **interest rates** unchanged at 4.5% and the monetary pause is expected to continue, given the prospects of a gradual economic recovery.

→ Relevant business indicators

(Million euros and percentages)

	Mexico		
	30-09-10	30-06-10 ⁽¹⁾	30-09-09 ⁽¹⁾
Total lending to customers (gross)	34,185	32,756	30,718
Customer deposits ⁽²⁾	34,167	33,543	32,067
Off-balance-sheet funds	26,669	25,188	21,769
· Mutual funds	14,095	13,626	11,714
· Pension funds	12,574	11,562	10,055
Other placements	2,953	3,030	3,286
Efficiency ratio (%)	34.1	34.1	31.2
NPA ratio (%)	3.4	3.8	4.0
Coverage ratio (%)	150	136	135

(1) Figures in € million at constant exchange rate.

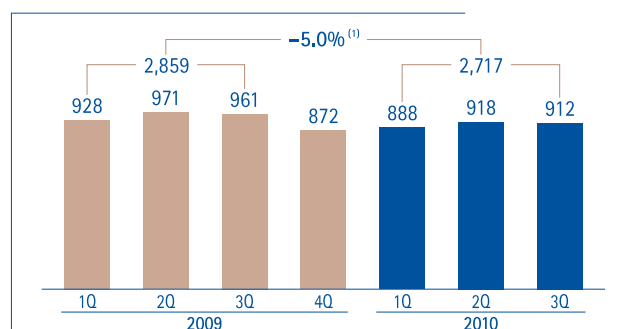
(2) Excluding deposits and Bancomer's Market unit repos.

The final **exchange rate** of the peso against the euro shows depreciation over the quarter of 8.1%. However, in the last 12 months it has appreciated by 15.3%. The average exchange rate appreciated by a mere 0.6% in the quarter, but by 11.5% over the last 12 months. As is always the case, the figures below are given at constant exchange rates, unless indicated otherwise, and both scenarios can be seen in the adjoining tables.

In the first nine months of the year the Mexico area had a net interest income of €2,747m, a fall of 1.8% year on year resulting from the change in the mix of assets towards lower-risk segments and products. However, it is worth stressing that there are clear signs of an improvement in the volumes of business. Net fee income amounted to €913m, 1.8% more than in the same period

→ Mexico. Operating income

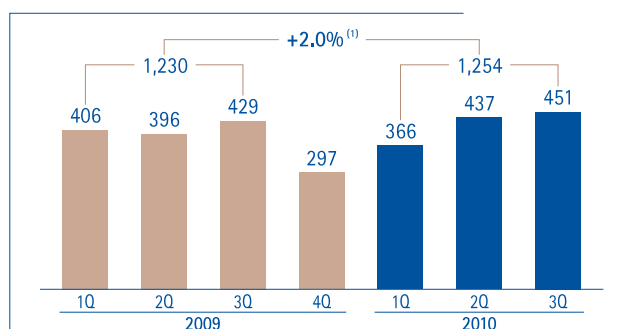
(Million euros at constant exchange rate)



(1) At current exchange rate: +6.0%.

→ Mexico. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +13.7%.

the previous year. The quarterly amount is 3.7% more than the previous quarter. This increase can be explained mainly by the higher fees charged by the pension fund administration business (Afore BBVA Bancomer) and by activity in investment companies. Net income from financial operations amounted to €331m, following a particularly high figure for the January-September 2009 period. Finally, there was a notable growth of 19.6% in the line of other operating income and expenses, boosted mainly by activity in insurance, thanks to increased sales of premiums through alternative channels. As a result, the accumulated **gross income** for the year was €4,126m, similar to the figure for the same period in 2009.

Operating expenses were €1,408m, 8.9% more than a year earlier, due to the increased investment on technology and infrastructures. This includes the installation of 396 new ATMs over the last 12 months, including a new generation of *practicajas* (96) and cash recycling ATMs. Combined with the positive performance of revenues, this has resulted in an efficiency ratio of 34.1% at the close of September, one of the lowest in the system. **Operating income** was €2,717m, 5.0% below the figure for the same period last year, although allowing for exchange rate variations, it was up 6.0%.

The most notable feature of the quarter is that the risk indicators have continued to improve. **Impairment losses on financial assets** for the quarter were €293m, the lowest figure since the third quarter of 2008. The accumulated figure to September was €953m, a year on year fall of 22.1%, which is reflected in all the segments of the loan book. This has led to a further improvement in the risk premium, which in the third quarter stood at 3.44%, the lowest level since 2008 and 119 basis points below the ratio a year prior. It should also be highlighted that for one more quarter the reduction in loan-loss provisions has not had a negative impact on coverage in the area, which in fact improved considerably with respect to June 2010, reaching 150% compared with 136% in 30-Jun-2010. The non-performing asset portfolio has continued to shrink and as a result the NPA ratio improved by 46 basis points in the quarter to 3.4%.

The combination of stable income and improvement in loan-loss provisions have led to pre-tax **profit** increasing at 6.4%, its greatest year on year rate since the fourth quarter of 2008, to €1,716m. This positive performance is also reflected in the net attributable profit, which

improved by 2.0% in the same time horizon, despite the increase in taxes, to €1,254m.

BANKING BUSINESS

The third quarter of the year showed clear signs of recovery in the banking **business**, which has been boosted by the relative improvement in the macroeconomic environment and positive commercial management. As a result, productivity has improved in the distribution networks. Thus in the retail network, the number of products sold monthly per executive increased by a year on year 26%.

The **loan book** (excluding the old mortgage portfolio) stood at €34,052m, improving its rate of growth to 11.2% over the figure 12 months earlier, and reaching pre-crisis levels.

By type of portfolio, the balance of **commercial lending** (including corporate, government and financial institutions) stood at €14,661, with improved performance on previous quarters, and a year on year growth of 24.1%. Its improvement has been mainly boosted by lending to large corporations, businesses and the government. Finance to medium-sized companies included a significant growth in new customers of 10% in the third quarter of 2010 and increased loyalty, as at the close of September 64% corporate customers held 5 or more products on average, the highest level of penetration in the last five years.

The **consumer finance** portfolio and credit cards grew 4.6% on the close of September 2009. Of particular note was the reactivation of finance for consumer goods, with a year on year growth of 9.9%, the highest figure since July 2008 and 6.2% up on the previous quarter. The number of new consumer loans granted in the first nine months of 2010 amounted to 770,000, 52% up on the accumulated figure in September 2009. It is also important to stress that the multi-channel origination (channels other than the branch network) for consumer finance has grown significantly and represented 13.7% of all loans originated. The balance of credit cards increased 1.3% year on year, the first such increase since October 2008. So far this year, nearly two million new credit cards have been originated, 24.5% up on the figure the previous year, while the revenues from purchases increased by

13.5%. This level of activity has led to a gain in the market share in consumer finance and credit cards of 160 basis points on December 2009, according to the last data available in September.

The **mortgage** loan portfolio had a balance of €8,034m, in other words a year on year growth of 7.2%. A total of 23,805 individual residential mortgage loans have been granted since January 1st and 68,532 homes have been financed through loans to developers. BBVA Bancomer continues to strengthen its position in the market and is winning new customers through the reorganization of the housing loan market following the disappearance of the main sofoles.

Customer funds (bank deposits, repos, mutual funds and investment companies) closed September 2010 with a balance of €51,215m. Among these, current accounts increased 9.2% to reach a balance of €20,541m (including both domestic and foreign currency). Significantly, term deposits performed better in the third quarter, with a growth of 5.8% on the close of June. Customer funds were also increased through mutual funds, whose assets under management were up by 20.3% to a total of €14,095m as at 30-Sep-2010. In the third quarter 5 new international mutual funds were launched, increasing the range currently available to include new regions and countries (Asia not including Japan, Latin America, emerging countries), technological companies and dollar-denominated government debt. The “triple liquidity” fund was also launched, offering protection of capital, monthly reinvested interest and money is available every 28 days.

In the period June-September, BBVA Bancomer operated as leader in the first issue of \$530m in dollar-denominated senior corporate bonds by Peñoles in the local market. BBVA Bancomer has also helped sell the first issue of capital development certificates for €181m by Prudential Real Estate Investors. In addition, and as part of its continuous management of liquidity, BBVA Bancomer has

issued 10-year senior bank bonds on the local market for a total of MXN 5,910 million at very competitive prices.

PENSIONS AND INSURANCE

Between January and September 2010, the pensions and insurance business generated a **net attributable profit** of €250 million, an increase of 17.1% compared to the same period in 2009.

Within the **pension sector**, Afore Bancomer continues to post strong growth, closing the quarter with assets under management of €12,574m, up 25.0% compared with September 2009, with a net attributable profit of €57m (up 53.0%). This growth is the result of the positive performance of revenues, with a year on year increase in gross income of 25.1%, and of cost control (costs fell 5.5%). As a result, the accumulated operating income rose 59.5% to €84m.

In the **insurance business**, the rate of growth in business volumes increased, with a year on year rise in written premiums of 23.4%, moderate rates of claims and good net trading income (up 6.7% year-on year). Thus, operating income was up to €270m until September, 11.9% more than in the first nine months of 2009. Net attributable profit was €193m, marking a year on year increase of 9.5%. In the fourteen years since it was launched, Seguros BBVA Bancomer has become one of the top five insurance companies in the country, and was elected by the World Finance magazine as the best insurance company of Mexico for the diversity of its products, its growing results and sustainability, among other considerations. Moreover, the National Commission for the Protection and Defense of Users of Financial Services (Condusef) gave Seguros BBVA Bancomer the top 10 rating for transparency, quality of information provided to clients and diversity in the channels and products made available to clients.

SOUTH AMERICA

→ Income statement

(Million euros)

	South America				Units							
	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09	Banking businesses				Pensions and Insurance			
	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09	Jan.-Sep. 10	Δ%	Δ% ⁽¹⁾	Jan.-Sep. 09
Net interest income	1,843	(1.9)	11.5	1,880	1,811	(2.1)	11.6	1,849	35	5.8	7.4	33
Net fees and commissions	709	7.5	10.7	660	505	0.6	10.2	502	215	38.9	19.2	155
Net trading income	402	11.8	0.3	360	306	19.0	6.4	257	96	(6.5)	(15.3)	103
Other income/expenses	(141)	(14.2)	80.0	(164)	(231)	(0.9)	65.6	(233)	97	24.0	38.4	79
Gross income	2,814	2.9	7.5	2,735	2,391	0.7	7.2	2,375	443	20.1	11.8	369
Administration costs	(1,214)	4.9	12.8	(1,158)	(1,032)	5.1	16.4	(982)	(172)	13.0	3.3	(152)
Personnel expenses	(626)	6.7	13.6	(587)	(523)	6.0	16.3	(493)	(87)	11.1	0.7	(78)
General and administrative expenses	(491)	1.0	9.4	(486)	(417)	2.2	14.1	(409)	(80)	15.6	6.5	(69)
Depreciation and amortization	(97)	14.7	26.7	(85)	(92)	15.0	29.0	(80)	(6)	9.3	(1.6)	(5)
Operating income	1,599	1.4	3.9	1,577	1,359	(2.5)	1.2	1,394	271	25.1	18.0	217
Impairment on financial assets (net)	(301)	(4.9)	(7.7)	(317)	(301)	(3.6)	(6.5)	(313)	-	n.m.	n.m.	(4)
Provisions (net) and other gains (losses)	(21)	156.1	68.5	(8)	(15)	177.5	62.0	(5)	(6)	63.6	42.0	(4)
Income before tax	1,277	2.0	6.3	1,252	1,043	(3.0)	3.1	1,076	265	26.9	19.7	209
Income tax	(282)	(11.8)	(9.0)	(320)	(228)	(19.5)	(15.9)	(283)	(64)	35.4	29.4	(47)
Net income	994	6.7	11.7	932	815	2.8	10.1	793	201	24.4	16.9	161
Non-controlling interests	(296)	(4.1)	7.3	(309)	(242)	(7.1)	7.0	(261)	(53)	12.1	8.3	(48)
Net attributable profit	699	12.1	13.7	623	573	7.7	11.4	532	148	29.5	20.3	114

(1) At constant exchange rate.

→ Balance sheet

(Million euros)

	South America				Units							
	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09	Banking businesses				Pensions and Insurance			
	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09
Cash and balances with central banks	5,429	11.4	27.2	4,872	5,429	11.4	27.2	4,871	-	-	-	-
Financial assets	8,736	18.6	15.7	7,366	7,136	5.3	2.7	6,776	1,605	67.6	55.9	958
Loans and receivables	31,152	14.8	16.2	27,126	30,563	14.7	16.3	26,643	706	15.7	6.4	611
· Loans and advances to customers	27,324	15.7	14.9	23,608	27,159	16.0	15.2	23,410	174	(24.2)	(27.5)	230
· Loans and advances to credit institutions and other	3,828	8.8	26.6	3,518	3,405	5.3	25.7	3,234	532	39.8	25.6	381
Tangible assets	634	26.8	26.9	500	578	27.5	29.9	454	55	19.9	2.2	46
Other assets	2,119	(0.6)	(3.3)	2,132	1,782	25.4	19.9	1,421	159	270.7	295.1	43
Total assets/liabilities and equity	48,070	14.5	16.3	41,996	45,489	13.3	15.3	40,166	2,526	52.4	41.3	1,658
Deposits from central banks and credit institutions	4,314	51.1	37.3	2,854	4,309	51.3	37.4	2,849	5	(26.7)	(29.9)	6
Deposits from customers	30,145	8.0	13.0	27,908	30,255	8.0	12.9	28,003	-	-	-	-
Debt certificates	2,139	38.4	19.0	1,545	2,139	38.4	19.0	1,545	-	-	-	-
Subordinated liabilities	1,301	(7.2)	(11.9)	1,402	987	40.0	26.5	705	-	-	-	-
Financial liabilities held for trading	910	74.3	46.2	522	910	74.3	46.2	522	1	n.m.	n.m.	-
Other liabilities	7,015	26.6	34.0	5,540	5,087	2.6	8.4	4,960	2,076	105.8	99.1	1,009
Economic capital allocated	2,246	1.0	(4.8)	2,224	1,801	13.9	11.2	1,581	444	(30.9)	(39.8)	643

(1) At constant exchange rate.

→ South America highlights in the third quarter

- Growing reactivation of banking activity.
- Reduced liquidity risk: adequate deposit/loan ratio.
- Improved asset quality over the quarter.
- Excellent performance in recurrent revenues.

BBVA South America manages the banking, pension and insurance businesses in countries in the region. The area is quite diversified and has units operating in practically all countries in South America.

The reactivation observed in the first quarter of 2010 has translated into a fully consolidated **macroeconomic situation** in the third quarter, in which the generalized improvement of business and consumer confidence stimulates the rapid growth of domestic demand. This solid progress in the private sector decreases the need for the fiscal and monetary stimuli applied since 2009. In fact, these measures have already been withdrawn in some countries. Thus, the regional GDP growth forecast for 2010 has been upwardly revised once again, to 5%. This clear reactivation has resulted in a moderate increase in inflation that, in some countries (Chile and Peru), has led central banks to normalize their monetary policy and to increase reference interest rates. Furthermore, the good performance of commodity prices has allowed the overall climate of public finances to remain positive.

The expectations for an increase in interest rates in the region imply a moderate trend towards the revaluation of **exchange rates** of their currencies, except for the Venezuelan bolivar, which is affected by the devaluation of last January. The

→ Relevant business indicators

(Million euros and percentages)

	South America		
	30-09-10	30-06-10 ⁽¹⁾	30-09-09 ⁽¹⁾
Total lending to customers (gross)	28,346	27,121	24,741
Customer deposits ⁽²⁾	32,804	32,275	28,858
Off-balance-sheet funds	48,360	45,603	41,936
· Mutual funds	2,767	3,082	2,810
· Pension funds	45,593	42,520	39,127
Efficiency ratio (%)	43.2	42.6	42.3
NPA ratio (%)	2.4	2.7	2.8
Coverage ratio (%)	139	133	127

(1) Figures in € million at constant exchange rate.

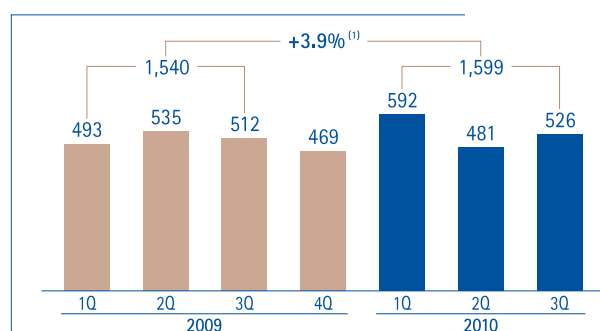
(2) Including debt certificates.

bolivar's devaluation explains why the exchange-rate effect continues to be negative in the financial statements in the area, both in terms of the income statement and the balance sheet. As usual, the attached tables include columns with the year on year changes at constant exchange rates, which is what the following comments refer to.

The increase of domestic demand allows for a growing reactivation of lending activity and a distancing from the stagnation experienced over most of 2009. The balance of the area's **loan book** as of September 30, 2010 rose to €28,346m, 14.6% more than twelve months ago, with advances in the individual customer and company segments. According to data published in July 2010, the market share has increased 15 basis points in 2010. This reactivation of lending does not imply a less comfortable liquidity situation, as **customer funds** are also growing at a good pace, especially as regards transactional products. These products have increased their market share in the same period by 59 basis points according to figures published in July. Thus, customer funds under

→ South America. Operating profit

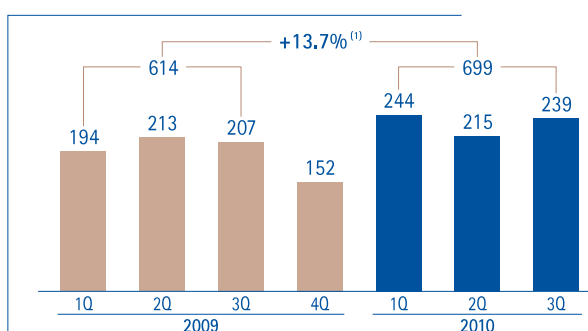
(Million euros at constant exchange rate)



(1) At current exchange rate: +1.4%.

→ South America. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +12.1%.

management (including mutual funds) closed September at €35,571m, up 12.3% and 38 basis points more in the market share from December 2009 to July 2010. Especially outstanding has been the 26.8% increase in current and savings accounts. The assets managed by pension fund managers in the area were up 16.5% year on year to €45,593m. With these figures, the liquidity risk of the balance sheets of the area's units remains low and presents a good deposit/loan ratio of 115.7% as of September 30, 2010.

This considerable reactivation of activity is paramount to the growth of **revenues**, as it broadly compensates for the effect on the spreads from the heightened competitive pressure throughout the region. Thus, the net interest income accumulated through September reached €1,843m, 11.5% more than in the same period in 2009. In the meantime, fees and commissions stood at €709m (up 10.7%) despite the regulatory limitations that took effect in several countries in recent months. Net trading income, at €402m, was fueled by the revaluation of BBVA Banco Provincial's US dollar positions due to the devaluation of the bolivar in January. Other income/expenses include the adjustment for hyperinflation in Venezuela, which this year has been more negative than in the same period in 2009. With that, the **gross income** accumulated as of September was €2,814 million, exceeding that obtained during the first nine months of 2009 by 7.5%.

Expenses as of September reached €1,214m, marking a year on year increase of 12.8%, which is still below the average level of inflation in the region despite the expansion projects in which the area is involved. The efficiency ratio as of September has remained at very favorable levels, at 43.2%, while the accumulated **operating income** stands at €1,599m, a year on year rise of 3.9%.

In the bottom part of the profit and loss account, the **impairment losses on financial assets**, at €301m, are 7.7% lower than those accumulated as of September 2009, despite the reactivation of lending. This is primarily due to the improved asset quality, with a year on year decrease of the non-performing assets in the area of 6.1% that allows the **NPA ratio** to drop to 2.4% from the 2.8% reported as of September 30, 2009 and the 2.7% recorded as of June 30, 2010. The coverage ratio was 139%, 12 percentage points above the same date in 2009 and 6 percentage points above the previous quarter.

Therefore, there has been very favorable progress in recurrent revenues and a moderate behavior of costs and loan-loss provisioning that boosted the **net attributable profit** to

€699m accumulated as of September, 13.7% more than in the same period of 2009.

BANKING BUSINESS

In the first nine months of 2010, the banking business generated a net attributable profit of €573 million, an increase of 11.4% compared to the same nine-month period in 2009. The most relevant information on each bank is given below.

At **BBVA Banco Francés** (Argentina), the most positive aspect in 2010 has been the excellent performance of its recurrent revenues, and especially of the net interest income, with year on year growth of 19.3% thanks in large part to improved activity. Thus, lending has grown 29.5% this year (excluding the public sector), with an emphasis on consumer finance loans and credit cards (up 61.1%). There has also been very strong progress in fees and commissions (up 15.7%) despite the legal limitations that have taken effect in recent months. Operating expenses present a year on year increase of 27.9%, affected by the upturn in inflation and expansion projects launched by the unit. Asset quality remains high, allowing loan-loss provisions to experience a slight year on year decrease. Consequently, the accumulated net attributable profit reached €87m.

BBVA Chile and Forum have contributed a net attributable profit of €93m, an increase of 42.3% yoy. This heightened increase is based on the extraordinary growth of the net interest income (+up 20.1%), thanks to the growing rate of activity with individual customers affecting all modalities, but especially consumer finance loans and credit cards (up 11.1%), mortgages (up 12.9%) and current accounts (up 32.8%). The improvement in activity also positively affects fees and commissions, which have risen 25.1% this year. We have observed a year on year fall in net trading income due to high capital gains from the sale of the securities portfolio in 2009. Finally, there has been moderate progress in costs (up 5.6%) as well as in loan-loss provisioning (down 46.5%), with a clear decrease in the need for specific provisions.

Interest rates in Colombia have continued to fall in the third quarter and put pressure on the spreads of the banking sector. Against this backdrop, **BBVA Colombia** notably accelerates the growth of its activity, with a year on year increase of lending of 10.6% and continues to strictly defend spreads. These two factors have softened the impact of the drop of rates on the performance of net interest income (down 5.5% yoy). Furthermore, the year on year comparison of net trading income has been affected by the capital gains generated from

the sale of the government securities portfolio in 2009. Once again, costs are progressing very moderately, with a 1.8% decrease against last year; this restraint is also observed in loan-loss provisioning (down 30.6%), which is highly affected by the downward trend of the non-performing assets (down 29.7%). The net attributable profit contributed by BBVA Colombia as of September reached €151m, 11.4% more than in the same period of 2009.

In the first nine months of 2010, **BBVA Banco Continental** (Peru) generated a net attributable profit of €100m. The most relevant aspect observed has been the reactivation of activity, especially in terms of lending to individual customers (up 13.4 year on year) and of the current and savings accounts (up 32.8%), within a highly competitive financial system in which the progress of spreads is limited. Despite this, the bank's recurrent revenues (net interest income and fees and commissions) present year on year growth of 5.6%. The expansion projects launched this year are pushing the figures for operating expenses upwards (up 9.5%), although this has not prevented the efficiency ratio from remaining at very satisfactory levels (29.9%).

BBVA Banco Provincial (Venezuela) has generated a net attributable profit of €87m as of September, 23.2% higher than that reached a year before. Two atypical factors affect this result. On the one hand, the devaluation of the bolivar in January and its effect on the revaluation of the bank's US dollar positions, which explains a major part of the net trading income. And on the other hand, the year's inflation level is leading to a more negative adjustment for hyperinflation than in 2009, with a knock-on impact on all the lines. Within the recurrent items, the most noteworthy is the excellent performance of the net interest income, which is up 28.1% yoy due to the strong progress of lending (up

33.9%) and the maintenance of spreads. Also important is that, despite the negative impact of inflation on costs, the bank continues to maintain a good efficiency ratio (49.2%).

Finally, the profit of **BBVA Panama** as of September stood at €24m; **BBVA Paraguay** earned €29m and **BBVA Uruguay** €2m.

PENSIONS AND INSURANCE

BBVA maintains excellent earnings in its pension and insurance business in Latin America and continues to lead the ranking of the pension market, holding second place among insurance companies. Thus, the net attributable profit contributed as of September is €148m (up 20.3% yoy), of which €100m correspond to the **pension-fund business** and €47m to the **insurance business**.

AFP Provida (Chile) generated earnings totaling €73m (up 14.2%); this rate has been affected by a net trading income that is much more moderate than in the previous year. The most noteworthy aspects include the excellent performance of collection volumes (up 11.0% yoy), the strength of fees and commissions (28.6% greater than those reached in the same period of 2009) and the moderate performance of costs (up 5.5%).

Grupo Consolidar (Argentina) has obtained a net attributable profit of €18m. The positive performance of sales variables has been fundamental and has led to a marked improvement in revenue. Furthermore, the moderate performance of claims and cost control should also be mentioned.

Finally, **AFP Horizonte de Colombia** generated a net attributable profit of €20m and **AFP Horizonte de Peru**, €12m.

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

(Million euros)

Country	Operating income				Net attributable profit			
	January-Sep. 10	Δ%	Δ% at constant exchange rate	January-Sep. 09	January-Sep. 10	Δ%	Δ% at constant exchange rate	January-Sep. 09
Argentina	222	(0.9)	0.2	224	100	(4.4)	(3.4)	105
Chile	332	22.3	7.0	272	179	53.3	34.2	117
Colombia	333	7.2	(10.8)	310	180	39.5	16.0	129
Peru	388	11.6	(0.3)	348	112	10.6	(1.2)	101
Venezuela	277	(28.9)	34.4	390	92	(35.1)	22.7	143
Other countries ⁽¹⁾	47	40.8	21.8	33	34	20.4	4.4	28
Total	1,599	1.4	3.9	1,577	699	12.1	13.7	623

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

THE UNITED STATES

→ Income statement

(Million euros)

	January-Sep. 10	Δ%	Δ% ⁽¹⁾	January-Sep. 09
Net interest income	1,384	13.6	8.9	1,219
Net fees and commissions	493	10.0	5.6	448
Net trading income	117	(16.2)	(19.5)	140
Other income/expenses	(35)	38.6	33.5	(25)
Gross income	1,959	10.0	5.5	1,781
Administration costs	(1,135)	13.2	8.7	(1,003)
Personnel expenses	(570)	8.2	3.9	(527)
General and administrative expenses	(415)	30.1	25.0	(319)
Depreciation and amortization	(151)	(4.5)	(8.1)	(158)
Operating income	824	5.9	1.3	778
Impairment on financial assets (net)	(498)	0.9	(3.0)	(494)
Provisions (net) and other gains (losses)	(22)	(24.7)	(27.6)	(29)
Income before tax	304	19.0	13.0	255
Income tax	(83)	7.0	1.6	(78)
Net income	220	24.3	17.9	177
Non-controlling interests	-	-	-	-
Net attributable profit	220	24.3	17.9	177

(1) At constant exchange rate.

→ Balance sheet

(Million euros)

	30-09-10	Δ%	Δ% ⁽¹⁾	30-09-09
Cash and balances with central banks	2,890	204.8	184.0	948
Financial assets	7,395	6.4	(0.9)	6,952
Loans and receivables	39,762	(7.6)	(13.8)	43,013
· Loans and advances to customers	38,317	(8.4)	(14.6)	41,833
· Loans and advances to credit institutions and other	1,445	22.5	14.2	1,180
Inter-area positions	12,009	(51.7)	(54.9)	24,844
Tangible assets	806	13.5	5.8	711
Other assets	2,476	69.4	57.9	1,462
Total assets/liabilities and equity	65,339	(16.2)	(21.9)	77,929
Deposits from central banks and credit institutions	5,756	(21.0)	(26.3)	7,282
Deposits from customers	50,892	(18.5)	(24.1)	62,457
Debt certificates	490	(32.8)	(37.3)	729
Subordinated liabilities	1,176	1.5	(5.4)	1,159
Inter-area positions	-	-	-	-
Financial liabilities held for trading	353	33.8	24.7	264
Other liabilities	3,822	24.3	15.9	3,074
Economic capital allocated	2,849	(3.9)	(10.4)	2,964

(1) At constant exchange rate.

→ The United States highlights in the third quarter

- Gradual change in the mix of the loan-book towards lower-risk portfolios with greater bundling.
- Positive behavior of lower-cost deposits.
- Good performance of the most recurrent revenues: net interest income and fees & commissions.
- Improvement of impairment losses on financial assets.

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.

A less dynamic tone can be observed in the **economic recovery** in the United States, and we expect that it be slightly more moderate towards the end of 2010 due to the deleveraging process and scarce job creation, which limits consumers' spending power. BBVA's baseline scenario forecasts that the US economy will grow at a rate of 2.7% and 2.3% in 2010 and 2011, respectively.

Labor markets continue to be weak, as there has been no large-scale job creation. As a result, unemployment has only improved 10 basis points to 9.6% at the close of the third quarter of 2010, and it is likely that it remain high in the medium term. Although **residential investment** has positively contributed to the economic growth in the second quarter, recent data indicates that the still-excessive housing supply could be a significant obstacle to new housing construction. Housing starts are at their historic minimum level and are expected to remain low until inventory clears. Surveys such as the National Association of Home Builders (NAHB) market confidence indicator also point to low housing production in coming quarters. The growth of **personal consumption** could also be limited by the aforementioned deleveraging process, weak labor markets and tight credit markets. We expect personal consumption to increase 1.5% in 2010 and 1.8% in 2011.

In terms of the prices in 2010, **inflation** has surprised on the downside, meaning that this factor will not be an

→ Relevant business indicators

(Million euros and percentages)

	The United States		
	30-09-10	30-06-10 ⁽¹⁾	30-09-09 ⁽¹⁾
Total lending to customers (gross)	39,458	40,703	45,570
Customer deposits ⁽²⁾	49,907	50,963	65,161
Efficiency ratio (%)	57.9	57.5	56.3
NPA ratio (%)	4.6	4.3	3.1
Coverage ratio (%)	59	62	46

(1) Figures in € million at constant exchange rate.

(2) Excluding deposits and repos issued by Markets unit.

obstacle, as it is expected to remain contained in coming quarters.

Against this backdrop, the Federal Reserve has shown clear signs of its commitment to growth and appears to be willing to maintain **rates** at their current low level, as well as (if necessary) to use other monetary policy instruments to continue supporting the recovery. The market is expecting the announcement of a second round of quantitative easing of the monetary policy. Thus, no interest rate hikes are expected in 2010 or 2011.

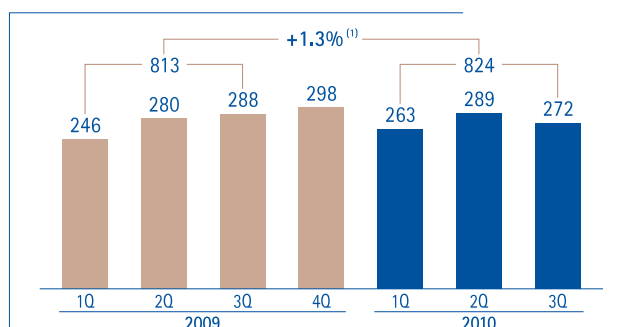
The final **exchange rate** of the dollar against the euro shows depreciation over the quarter of 10.1%. However, in the last 12 months it has appreciated by 7.3%. The average exchange rate has hardly appreciated by 0.9% in the quarter, but it appreciated by 4.0% over the last 12 months. As is always the case, the figures below are given at constant exchange rates, unless indicated otherwise, and both scenarios can be seen in the adjoining tables.

The restructuring of the **banking sector** in the United States has not yet been completed, thus providing opportunities for growth for well-positioned companies, like BBVA USA. In this regard, we need only to mention the number of institutions the Federal Deposit Insurance Corporation (FDIC) has placed on its "Problem List": 829, according to the latest data available as of 30-Jun-2010. Moreover, in 2010, 132 banking institutions have disappeared and been rescued by the FDIC. Of them, 46 have ceased to exist in the third quarter of 2010 (data from 15-Oct-2010).

Against this difficult backdrop, BBVA USA closed September 2010 with a **loan portfolio** of €39,458m, a fall

→ The United States. Operating profit

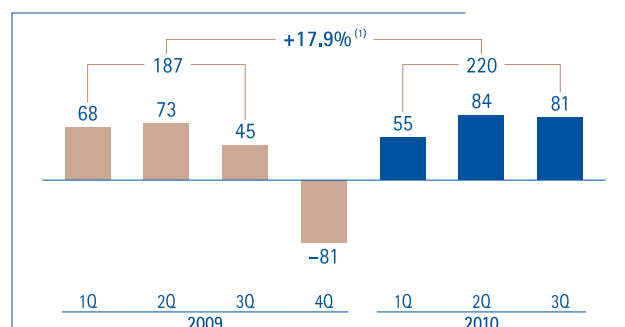
(Million euros at constant exchange rate)



(1) At current exchange rate: +5.9%.

→ The United States. Net attributable profit

(Million euros at constant exchange rate)



(1) At current exchange rate: +24.3%.

of only 3.1% in the quarter and 13.4% in the last twelve months. This unit's emphasis is on customer loyalty, credit quality, fostering cross-sales and customer profitability. Therefore, the fall in balances was observed in the lower added value and higher risk items, like the construction real estate portfolio, down 16.2% in the quarter and 41.0% since 30-Sep-2009, and consumer lending (down 3.9% in the quarter and down 15.5% in the last year). Meanwhile lower risk portfolios with higher customer loyalty, such as residential mortgages, grew 22.0% year on year and 8.1% quarter on quarter. Loans to major corporations and companies are up 3.6% in the last twelve months and 3.8% in the third quarter.

Customer **deposits** fell 2.1% in the quarter to €49,907m. It is worth mentioning, however, the positive performance of lower cost liabilities (current and savings accounts).

In this context, the positive course of **gross income** is outstanding; it was up 5.5% year on year in the first nine months of 2010 to €1,959m, sustained by the most recurrent items, such as the net interest income (up 8.9%) and fees and commissions (up 5.6%). However, the most volatile sources of income decreased: net income from financial operations and other net revenues (the former more negative than a year ago).

In terms of operating expenses, their 8.7% increase is due primarily to Guaranty's integration process into the BBVA USA franchise. Excluding Guaranty, operating expenses would have remained flat. Thus, the accumulated **operating income** was highly resistant and grew 1.3% year on year to €824m. The efficiency ratio stood at 57.9%, which is quite similar to that of the first half of the year.

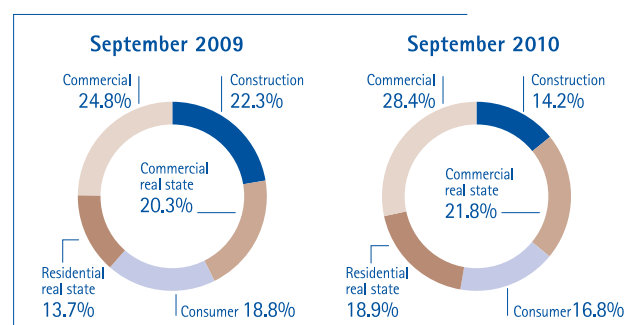
It is also worth pointing to the improvement of **impairment losses on financial assets** in the quarter, which explains the year on year reduction in that accumulated as of September, down 3.0% to €498m. The above established a **net attributable profit** of €220m, up 17.9% on the same period of 2009.

BBVA COMPASS BANKING GROUP

BBVA Compass represents approximately 65% of total BBVA USA assets and garners the retail and corporate banking business in the United States (excluding Puerto Rico).

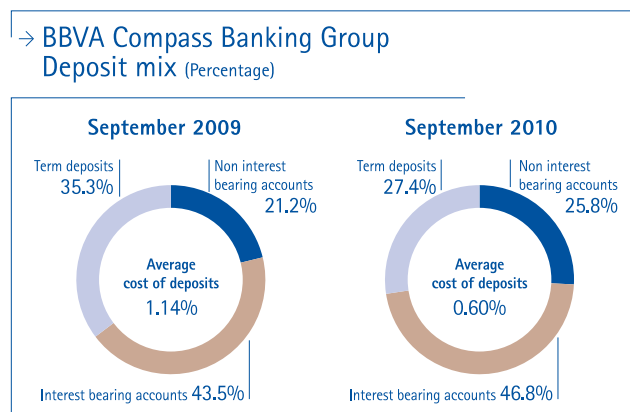
As of 30-Sep-2010, the **loan book** of the unit fell 1.9% quarter on quarter to €31,030m. Similarly to that explained for the area, the increases are observed in the lower risk headings. Residential mortgages are up 27.5% in 2010 and loans to companies and corporations have risen 6.1%. Therefore, the residential mortgage portfolio now accounts for 18.9% of the total, as compared the

→ BBVA Compass Banking Group Loan mix (Percentage)



13.7% recorded one year ago. However, the construction real estate portfolio fell back 41.2% and consumer loans were down 16.8%; these drops are explained by the stricter risk control in the construction of real estate and car financing portfolios. The above therefore facilitates a change in the current composition of the BBVA Compass loan portfolio and, thus, in the risk profile of its balance sheet.

Customer deposits are also at levels similar to those as of 30-Jun-2010, at €31,948m. Non-interest bearing deposits have experienced exceptional growth, up 16.4% year on year to €8,240m. Low-cost funds, therefore, make up 25.8% of the total, as compared to 21.2% one year prior.



The aforementioned progress of both lending and customer deposits has had a positive impact on the area's liquidity gap. The deposit/loan ratio improved to 103.0% as of 30-Sep-2010 (101.7% as of 30-Jun-2010 and 98.9% as of 30-Sep-2009).

The customer spread has also been favorable and is up 40 basis points in the last year since the rate paid for the deposits has fallen more than the yield obtained from the loan portfolio (which fell, in part, due to the change in the mix).

The above has resulted in the gross income increasing 8.5% year on year to €1,672m accumulated as of September, thanks to the strong performance of the most recurrent items, such as net interest income (up 15.7%)

and fees and commissions (up 5.9%). **Operating income** totaled €655m, up 6.0% in the same time period. This, together with the stabilizing of impairment losses on financial assets (which barely grew 6.3%) and a lower volume of provisions, explains the increase of the **attributable profit** to €133m, 22.7% greater than the figure for January-September 2009.

WHOLESALE BANKING

Wholesale Banking (WB) in the United States is currently centered in the Spanish Parent Company's branch in New York and comprises the business with corporations and affiliates, trade finance, investment banking and trading floor operations.

In general, the **business** in New York follows the pattern of the rest of the WB units in the Group: a focus on customers with the highest added value and greatest loyalty, price management and cross-selling, with particular attention to risk-adjusted return over any volume or market share targets. Although the unit's revenues are down 15.2% on the same period of 2009 and profits fell 12.1% to €70m, its profitability progressed favorably as measured in both the net interest income over ATA (0.57% as of 30-Sep-2010, as compared to 0.51% twelve months ago) and in net profit over ATA (0.48% versus 0.32% one year prior). The unit's NPA remains nearly non-existent, at 0.3%.

OTHER UNITS

As of 30-Sep-2010, **BBVA Puerto Rico** managed a loan portfolio of €2,818m, down 13.9% from a year ago. Customer deposits were €1,591m, growing 4.7% from last year. Operating income stood at €55m, three million less year on year, as the lower net interest income is offset to a great extent by efforts to reduce costs. Lower impairment losses on financial assets (down 35.3% yoy) allowed for growth in the net attributable profit, which reached €7m, as compared to the €6m in losses accumulated as of September 2009.

Finally, **BTS** reported a net attributable profit of €8m. Revenues fell €3m against the same period in 2009, to €22m, due to a 5.0% drop in the number of transactions.

WHOLESALE BANKING & ASSET MANAGEMENT

→ Income statement

(Million euros)

	Wholesale Banking & Asset Management			Units					
	Jan.-Sep. 10	Δ%	Jan.-Sep. 09	Corporate and Investment Banking			Global Markets		
	Jan.-Sep. 10	Δ%	Jan.-Sep. 09	Jan.-Sep. 10	Δ%	Jan.-Sep. 09	Jan.-Sep. 10	Δ%	Jan.-Sep. 09
Net interest income	603	(19.7)	751	370	9.7	337	277	(39.3)	456
Net fees and commissions	370	5.1	352	264	16.1	227	26	(32.4)	39
Net trading income	30	n.m.	(18)	45	26.1	35	(35)	(49.9)	(69)
Other income/expenses	314	101.5	156	-	-	-	100	7.7	92
Gross income	1,318	6.1	1,242	678	13.1	600	368	(29.0)	518
Administration costs	(382)	9.9	(348)	(112)	15.5	(97)	(169)	7.7	(157)
Personnel expenses	(251)	10.6	(227)	(69)	20.9	(57)	(96)	10.8	(86)
General and administrative expenses	(125)	10.5	(113)	(43)	8.4	(39)	(72)	4.1	(70)
Depreciation and amortization	(6)	(18.3)	(7)	(1)	(12.3)	(1)	(1)	(9.8)	(1)
Operating income	936	4.6	894	566	12.6	503	199	(45.0)	361
Impairment on financial assets (net)	(32)	n.m.	29	5	(84.7)	30	(33)	n.m.	(3)
Provisions (net) and other gains (losses)	2	n.m.	-	2	n.m.	-	-	-	-
Income before tax	906	(1.8)	923	573	7.5	533	165	(53.9)	359
Income tax	(175)	(30.3)	(252)	(169)	8.4	(156)	(28)	(69.3)	(92)
Net income	731	8.8	671	403	7.2	376	137	(48.6)	267
Non-controlling interests	(1)	(72.1)	(3)	-	-	-	-	n.m.	(2)
Net attributable profit	730	9.2	668	403	7.2	376	137	(48.2)	265

→ Balance sheet

(Million euros)

	Wholesale Banking & Asset Management			Units					
	30-09-10	Δ%	30-09-09	Corporate and Investment Banking			Global Markets		
	30-09-10	Δ%	30-09-09	30-09-10	Δ%	30-09-09	30-09-10	Δ%	30-09-09
Cash and balances with central banks	3,078	47.1	2,093	142	181.1	51	2,927	43.9	2,034
Financial assets	61,507	0.7	61,100	423	2.5	413	58,113	0.7	57,702
Loans and receivables	48,036	3.2	46,545	29,780	(6.4)	31,823	17,215	29.0	13,341
· Loans and advances to customers	34,436	7.9	31,928	27,874	(7.8)	30,247	6,355	296.3	1,604
· Loans and advances to credit institutions and other	13,600	(7.0)	14,617	1,906	21.0	1,575	10,860	(7.5)	11,737
Inter-area positions	13,587	n.m.	-	-	-	-	27,930	67.1	16,711
Tangible assets	34	1.0	34	1	10.9	1	3	(12.9)	3
Other assets	3,259	100.9	1,622	27	4.6	26	1,546	23.3	1,254
Total assets/liabilities and equity	129,502	16.3	111,394	30,373	(6.0)	32,312	107,734	18.3	91,046
Deposits from central banks and credit institutions	41,201	43.8	28,657	2,688	n.m.	609	38,261	37.3	27,859
Deposits from customers	33,283	(3.4)	34,441	12,130	37.3	8,837	21,153	(17.4)	25,603
Debt certificates	3	n.m.	-	2	n.m.	-	-	-	-
Subordinated liabilities	2,326	25.1	1,860	865	0.2	863	573	69.9	337
Inter-area positions	-	n.m.	4,877	11,735	(38.4)	19,058	-	-	-
Financial liabilities held for trading	43,964	28.5	34,203	-	-	-	43,963	28.5	34,202
Other liabilities	4,841	26.0	3,843	1,656	17.3	1,412	2,771	13.1	2,450
Economic capital allocated	3,884	10.5	3,515	1,297	(15.5)	1,533	1,013	70.5	594

→ Wholesale Banking & Asset Management highlights in the third quarter

- Good performance of revenues, highly leveraged on the customer.
- Recurrence of results.
- Outstanding asset quality.
- Leadership position in the Spanish market for several investment banking products (bond issuance, M&A, syndicated loans, etc.).

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, Global Markets and Asset Management. It also includes the Industrial and Real Estate Holdings unit and the Group's holdings in the CITIC financial group.

In the first nine months of 2010, the area continued to show a clear customer focus and a high recurrence and quality in its earnings, in what has still been a difficult economic environment with high market volatility. Operating income for January to September was an accumulated €936m, 4.6% above the figure for the first nine months of 2009 thanks to the good performance of recurrent income (net interest income and fees) in Corporate and Investment Banking (C&IB) and the

→ Relevant business indicators

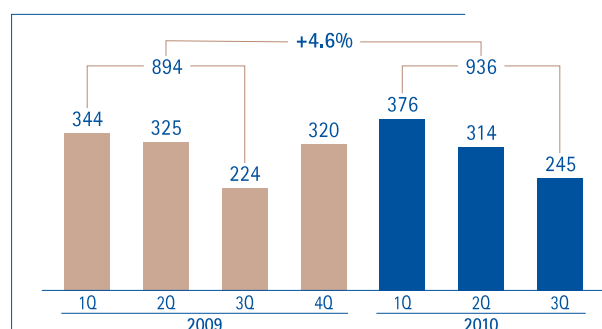
(Million euros and percentages)

Wholesale Banking & Asset Management			
	30-09-10	30-06-10	30-09-09
Total lending to customers (gross)	34,846	32,502	32,220
Customer deposits	30,969	31,928	31,416
· Deposits	23,068	25,115	23,465
· Assets sold under repurchase agreements	7,901	6,813	7,951
Off-balance-sheet funds	10,933	10,777	11,038
· Mutual funds	3,675	3,682	3,873
· Pension funds	7,258	7,095	7,165
Efficiency ratio (%)	29.0	26.1	28.0
NPA ratio (%)	1.3	1.4	0.9
Coverage ratio (%)	66	60	71

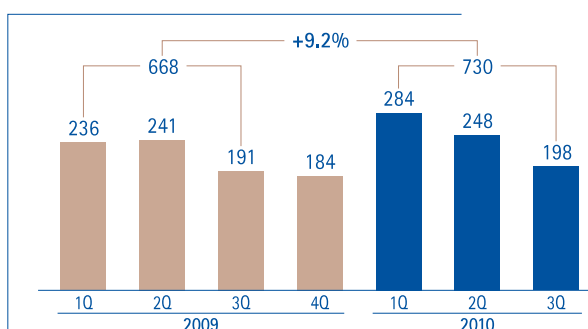
increased contribution from CNCB compared with the same period the previous year. As a result of the above, together with sound loan-loss provisioning and the favorable tax effect of income by the equity method, year on year **net attributable profit** grew by 9.2% to €730m.

The **loan book** as of 30-Sep-2010 grew year on year by 8.2% to €34,846m, although this is the result of a greater volume of repos in Global Markets. In C&IB the trend continues to be downward, with a year on year fall in gross customer lending of 7.6%, as improving asset quality means focusing on customers with a greater loyalty, profitability and credit quality. **Customer funds** (deposits, mutual funds and pension funds) closed the quarter at similar levels to a year ago, at €34,001m.

→ Wholesale Banking & Asset Management Operating income (Million euros)



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



WB&AM continues to show outstanding **asset quality**. The NPA ratio fell by 15 basis points over the quarter to 1.3% and coverage increased by 6 percentage points to 66%. Accumulated loan-loss provisions to September barely amounted to 3.4% of the operating income.

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 revenues continuing to show resistance and recurrence, and a net attributable net profit at €1,162m, 1.5% above the same period for 2009. Lending performed well on the business side, with an increase of 6.0%, while customer funds fell by 14.9%.

→ Wholesale Banking & Asset Management con América

(Million euros)

	Jan.-Sep. 10	Δ%	Jan.-Sep. 09
Income statement			
Gross income	2,263	(1.8)	2,306
Administration costs	(596)	11.0	(538)
Operating income	1,667	(5.7)	1,768
Income before tax	1,635	(6.0)	1,739
Net attributable profit	1,162	1.5	1,145
Balance sheet			
	30-9-10	Δ%	30-9-09
Total lending to customers (gross)	52,235	6.0	49,267
Customer funds on balance sheet	59,765	(15.3)	70,537
Other customer funds	10,438	(12.5)	11,930
Total customer funds	70,202	(14.9)	82,467
Economic capital allocated	4,363	7.7	4,053

CORPORATE AND INVESTMENT BANKING

This unit coordinates origination, distribution and management of a complete catalogue of corporate and investment banking products (corporate finance, structured finance, structured trade finance, equity and debt capital markets), global trade finance and global transaction services. Coverage of large corporate customers is specialized by sector (industry bankers).

In the first nine months of 2010, the good performance of recurrent revenues (net interest income and fees) has been

reflected by improved **operating income**, up 12.6% year on year to €566m. This, together with the evolution of loan-loss provisions, explains the increase of 7.2% in the **net attributable profit** to €403m in the accumulated figure to September.

In the **fixed-income** market, many customers in the public sector have once more trusted the group with their issues. Specifically, BBVA has been lead manager of the latest public issues by the Spanish Treasury (€6,000m) and the Institute for Official Credit (ICO) (€2,000m and €1,500m). It has also acted as lead manager Eurobond issues by other major companies such as France Telecom, Aravena and the financial arms of some automotive groups (Banque PSA and RCI Banque). Thanks to this intense activity, BBVA has maintained its position as leader in the Spanish market in the issue of bonds by volume of operations, according to *Dealogic*, with a market share of 11.2%.

In Mexico, among the highlights in the market of dollar-denominated bonds was the first issue of stock certificates by Industrias Peñoles (US \$530m), with BBVA Bancomer acting as lead broker. In Chile, the bank has acted as joint bookrunner in the issue of US \$500m bonds for the National Petroleum Company. This operation represents a milestone for BBVA, as it is the first time it has acted as a bookrunner with an active role in an issue for a Latin American company.

In **syndicated loans**, BBVA has headed up the financing of large Spanish groups such as Telefónica, Red Eléctrica, FCC and Iberdrola, as well as international ones such as GDF Suez, Anglo American, ESB and SES Global (without forgetting work on behalf of smaller companies such as Maxam, Pepe Jeans and Sol Meliá). Particularly important has been the financing agreement for the acquisition by Grifols of Talecris in the United States, one of the biggest deals between the two countries, in which BBVA has acted by advising, structuring and distributing the deal between European and US investors. Thus at the close of the third quarter of 2010, BBVA is in top place in the Spanish market by number of deals and second by volume (according to *Dealogic*).

Among the major deals in **Equity Capital Markets** was the placing in September by BBVA of a 5.64% holding in Gamesa among institutional investors. BBVA Bancomer has also been the leading broker in the issue of capital development certificates for Prudential Real Estate Investors.

Corporate Finance has also closed numerous deals in 2010 that have made it a market leader. Among these has been the financial advice given to Grupo Leche Pascual in its acquisition of Azkoyen Hostelería (Caffé Mocay), the Pernod Ricard Group in its sale of Bodegas Marqués de Arienzo, and the two operations to find a partner for Ibereólica and Magtel in developing solar thermal plants.

Among the highlights in **structured finance** have been the advice and financing of operations for solar thermal plants and wind farms (Ibereólica, Grupo Vapat, Gamesa) and urban plants (Acinelav). Its work in infrastructures has included Line 9 of the Barcelona subway, the extension of the railroad line to Sabadell and the acquisition of the Teknon medical center. In Mexico, it participated in the EAOSA syndicated loan to finance a wind energy plant in Oaxaca. This operation means that BBVA has been lead arranger for the only two project finance deals in the renewable energy sector in Mexico. In the United States, it has maintained its leading position in the financing of wind power projects and was the only coordinating bank in the Fowler Ridge II wind farm.

In **Structured Trade Finance**, BBVA has for the first time led the ranking in Western Europe drawn up by *Dealogic* as of 30-Sep-2010. This is in addition to its usual excellent position in the regions of Latin America, Asia and the BRIC countries. Also for the first time, it organized multi-ECA backed financing for the construction and launch of a communications satellite for Hispasat.

Finally, **Global Transaction Services** has extended the range of products and services it offers in Mexico: a new function has been introduced in Integral Treasury Service, and Institutional Custody Services has begun to provide an additional service for non-resident 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.

Up to September 2010, the unit had a **gross income** of €368m, 29.0% down on the same period in 2009. This is because of lower trading income as a result of worse market conditions, including lower volatility over the quarter and the growth in risk perception in peripheral

countries. Despite this fall, in the first nine months of the year customer revenues increased by 18.7%, thus strengthening the unit's business model, which is aimed at offering the best investment, financing and risk coverage solutions. By client type, the biggest growth was among institutional customers. In terms of underlyings, there was a major increase in equity brokerage revenues.

The new investments in technology and recruitment of specialized staff have increased expenses by 7.7%, with the **operating income** at €199m and the **net attributable profit** at €137m.

Global Markets continues to improve **geographical diversity and globalization** and is extending its capacity for distribution in the main international financial centers (London, New York, Hong Kong, Madrid and Mexico). In line with this strategy, the unit is strengthening its international presence with the recruitment of professionals with great experience in their respective markets. As recognition of the increased internationalization and product distribution capacity, and thus the outstanding growth of the Bank as provider of structured finance and broker in the institutional Asian market for structured bonds, the unit has received the Asia Pacific Third Party USD Rate Structures Award from MTN-I, one of the main databases in the world specializing in structured products.

Another aspect to highlight in the third quarter is the consolidation of its **leading position in equity brokerage** in the Spanish stock market, with a growth in market share to reach 19.7%. Its closest competitor in the ranking does not reach double digit figures in market share.

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 **third quarter** of 2010 it launched eight new mutual funds: two dynamic management funds and, within the group of guaranteed funds, four fixed-income and two equity funds. Two new individual plans have been launched

in pension funds. Two new funds have been approved in Quality Funds: *Quality Valor* and *Quality Selección Emergente*. Both feature dynamic management through third-party funds selected for this platform.

As of 30-Sep-2010, the total assets under management in Spain were €42,594m. Mutual funds account for €25,575m of this figure, a fall of 8.6% over the quarter, due partly to the high maturities of some funds, and also to the preference of customers for other products such as bank term deposits. However, the main decreases have been in the short-term fixed-income and money market funds. Assets under management in pension funds in Spain were up 1.9% over the quarter to €17,019m. Of this amount, individual plans account for €9,856m and employee and associate schemes, €7,162m. BBVA continues to be leader in pension plans as a whole, with a market share of 18.6%. Its share in employee schemes is 22.8% and in individual plans 16.3% (Source: Inverco, data as of June 2010).

Industrial and Real Estate Holdings diversifies the area by developing long-maturing projects that create value at the medium and long-term through the active management of industrial equity holdings and real estate projects (Duch and Anida Internacional). No relevant transactions were carried out in the third quarter of 2010.

The **Asian** market is extremely attractive. New branches and representative offices have been opened there to provide greater coverage and knowledge in the region. Moreover, CNCB announced a capital increase of up to 2.2 new shares for each 10 existing ones. The Board of the Chinese institution has approved the capital increase to support the development and high rate of growth of its banking business, where lending increased in the first half of the year by 11.9% on the figure for year-end 2009, customer deposits grew by 21.4% and net attributable for the half year was up 45.3% year on year.

CORPORATE ACTIVITIES

→ Income statement

(Million euros)

	January-Sep. 10	Δ%	January-Sep. 09
Net interest income	28	(89.5)	265
Net fees and commissions	(134)	11.3	(121)
Net trading income	607	237.1	180
Other income/expenses	186	(37.8)	299
Gross income	687	10.1	624
Administration costs	(615)	18.5	(519)
Personnel expenses	(356)	(9.8)	(394)
General and administrative expenses	(90)	n.m.	26
Depreciation and amortization	(169)	12.3	(150)
Operating income	72	(31.2)	105
Impairment on financial assets (net)	(837)	294.5	(212)
Provisions (net) and other gains (losses)	(588)	55.3	(378)
Income before tax	(1,353)	178.4	(486)
Income tax	423	26.9	333
Net income	(929)	n.m.	(152)
Non-controlling interests	7	n.m.	(40)
Net attributable profit	(922)	n.m.	(192)

→ Balance sheet

(Million euros)

	30-09-10	Δ%	30-09-09
Cash and balances with central banks	1,286	(25.1)	1,716
Financial assets	28,541	(15.2)	33,648
Loans and receivables	1,899	n.m.	122
· Loans and advances to customers	(279)	151.6	(111)
· Loans and advances to credit institutions and other	2,178	n.m.	233
Inter-area positions	(25,671)	3.3	(24,848)
Tangible assets	3,006	(2.8)	3,092
Other assets	15,559	3.9	14,968
Total assets/liabilities and equity	24,620	(14.2)	28,699
Deposits from central banks and credit institutions	11,201	(47.3)	21,235
Deposits from customers	5,212	128.0	2,286
Debt certificates	87,547	(5.2)	92,385
Subordinated liabilities	7,174	(13.8)	8,327
Inter-area positions	(88,398)	(13.2)	(101,867)
Financial liabilities held for trading	(4,020)	124.6	(1,790)
Other liabilities	(2,056)	n.m.	1,262
Valuation adjustments	(128)	(76.5)	(543)
Shareholders' funds	28,611	8.0	26,482
Economic capital allocated	(20,523)	7.6	(19,078)

This aggregate includes all those activities not included in the business areas. Basically, it 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.

In the first nine months of the year the net interest income from Corporate Activities amounted to €28m. This compares with the €265m in the same period last year. Net interest income was negatively affected on the one hand, by the finalization of the repricing process in mortgages following the decline in interest rates in 2009, and on the other by the recent upward curve in interest rates in the euro area. However, the substantial contribution of net trading income from the positive rotation of the ALCO portfolios throughout the first half-year resulted in **gross income** of €687m in the January-September period, a year on year increase of 10.1%. Operating expenses amounted to €615m, compared with €519m in the first three quarters of 2009, due to new investments in systems and image and brand identity. As a result, the accumulated **operating income** to September was €72m (compared with the figure of €105m 12 months earlier).

Impairment losses on financial assets amounted to €837m between January and September, compared with €212m in the same period in 2009. This higher amount is mainly due to the greater generic provisions made in the first half-year with the aim of increasing the Group's coverage. The sum of provisions and other gains (losses), which mainly includes provisions for early retirement and write-offs for acquired and foreclosed assets, amounted to €588m. In all, the **net attributable profit** in the first three quarters of the year was -€922m (compared with -€192m 12 months earlier).

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 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 first quarter, in which BBVA seized the opportunity to complete a large part of its long-term funding needs for the year as a whole, the May to July period has been characterized by unique financial market volatility in both the long and short terms. This has been the result of acute perception of sovereign debt risk attributed to various European countries. This situation has improved significantly following the publishing of the results of the European Bank's stress tests in July 2010. BBVA has continued to operate with complete normality against this backdrop and was the first banking institution to open doors to the liquidity market. The above, together with the positive performance of the weight of retail deposits on the balance sheet structure, allows the Group to reinforce its liquidity position. In terms of the rest of 2010 and 2011, 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). The current levels of capitalization ensure compliance with all these 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 the first nine months of this year, the favorable performance of most of the currencies in the Americas has had a positive effect on the Group's equity and income statement, although the devaluation of the Venezuelan bolivar in January has reduced this benefit. For the rest of 2010 and 2011, the same prudent and proactive policy will be pursued in managing the Group's foreign exchange risk from the perspective of their 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 the first nine months of the 2010, the results of this management have been highly satisfactory. Strategies had been 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 September 2010, the Group held asset portfolios denominated in euros, US 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 is responsible for managing the portfolio of 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, economic capital consumption and return on investment, diversifying investments across different sectors. It also applies dynamic hedging management strategies to holdings. In these first nine months of 2010, it invested €307m and divested €118m.

As of 30-Sep-2010, the market value of the Holdings in Industrial & Financial Companies portfolio was €4,601m, with unrealized capital gains of €1,250m.

REAL ESTATE MANAGEMENT

Given the current economic conditions and the future outlook, BBVA has created a Real Estate Management unit 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.

CORPORATE RESPONSIBILITY

In an environment of financial and economic crisis, BBVA continues to strengthen its commitment to operate under the strictest principles of integrity, prudence and transparency. The Group is progressing with actions based on the pillars of the Strategic Corporate Responsibility and Reputation (CRR) Plan: financial literacy and inclusion, responsible banking and community involvement.

In the **third quarter** of 2010, BBVA held CCR workshops in Argentina, Peru and Spain for representatives from its business units. The aim has been to make those responsible aware of the policies and projects being carried out, as well as to develop new CRR initiatives. The Group has also participated in the retransmission of the TEDxChange encounter, which was attended by 150 world leaders discussed matters before the official resolutions of the United Nations Summit on the Millennium Development Goals. The main initiatives and aims achieved over the quarter in CR are summarized below:

FINANCIAL LITERACY

BBVA Bancomer has promoted its personal finance program *Adelante con tu futuro* (Forward with your future), and reached collaboration agreements with educational institutions such as the Valle de México University and the Monterrey Institute of Technology and Higher Education (ITESM). The aim is for students and future professionals to acquire the knowledge needed to improve their financial culture.

FINANCIAL INCLUSION

The Corporación para las Microfinanzas Puerto Rico has begun its activity by offering financial products and services to entrepreneurs and owners of small businesses who have difficulty in accessing the conventional financial system. Under the slogan *Financiando tu Crecimiento* (Financing your Growth) it grants loans of between 500 and 15,000 dollars for working capital, machinery and equipment.

RESPONSIBLE BANKING

RESPONSIBLE FINANCE. BBVA Banco Continental has announced finance for a major social housing project in Peru worth €4,000m, which will benefit more than 20,000 **low-income** families. BBVA has also been chosen by the European Investment Bank to implement an initiative for developing renewable energy and energy efficiency operations for €400m, with a line of finance and a risk sharing scheme.

THE ENVIRONMENT. The communication campaign was launched for the Global Eco-Efficiency Plan (GEC) *Ponte en acción* (Start acting). This provides practical advice via the Intranet on ways to incorporate eco-efficient habits among all the Group employees, who can send their proposals to a dedicated mailbox for this purpose. BBVA has also opened its first eco-efficient branch in Madrid, with energy savings of 49%. In addition, the environmental management

system ISO 14001 certification has been obtained for five BBVA Banco Francés buildings in Argentina.

COMMUNITY INVOLVEMENT

During the Iberoamerican Conference on Education, BBVA and the Organization of Iberoamerican States announced an alliance to boost education policies in the region. The Group has undertaken to support the Educational Targets 2021 project with a million grants benefiting a total of more than 8 million people. BBVA Banco Francés has launched its Unicef VISA card, which allows users to collaborate with projects helping children in Argentina. Finally, the Group provided a million euros for urgent humanitarian aid following the hurricane that hit Mexico in July.

PRIZES AND AWARDS

BBVA Chile has been included among the most socially responsible companies in the country, according to the national ranking of Corporate Social Responsibility drawn up by the magazine *Qué Pasa* and the PROhumana Foundation. It is also in ninth place on a list drawn up by the Fundación Chile and the magazine *Capital* of the 101 companies best prepared to tackle climate change, where it is the only bank out of the top 25 companies.

BBVA AND THE SUSTAINABILITY INDICES

September saw the publication of the results of the Dow Jones Sustainability Index Review 2010, in which BBVA is in a strong position, with improvements in its social and environmental dimensions, despite the slump in the sector. BBVA also continues to be well positioned in the rest of the sustainability indices, whose weighting over the quarter is as follows:

→ Main sustainability indices in which BBVA participates

	Weighting (%)
 DJSI World	0.65
DJSI Europe ⁽¹⁾	1.40
DJSI Eurozone ⁽²⁾	2.80
ASPI Eurozone Index	2.11
 Ethibel Sustainability Index Excellence Europe	1.63
Ethibel Sustainability Index Excellence Global	1.00
 MSCI World ESG Index ⁽³⁾	0.45
MSCI World ex USA ESG Index ⁽⁴⁾	0.82
MSCI Europe ESG Index ⁽⁵⁾	1.44
MSCI EAFE ESG Index ⁽⁶⁾	0.93

(1) Formerly DJSI STOXX. (2) Formerly DJSI EUROSTOXX. (3) Formerly FTSE KLD Global Sustainability Index. (4) Formerly FTSE KLD Global Sustainability Index Ex-US. (5) Formerly FTSE KLD Europe Sustainability Index. (6) Formerly FTSE KLD Europe Asia Pacific Sustainability Index.

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