3Q10

BBVA

QUARTERLY REPORT

# January-September 2010

# Contents

QUARTERLY REPORT 2010

## January-September

# 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 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 |

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)

| | Year-end exchange rates | | | | Average exchange rates | |
|---|---|---|---|---|---|---|
| | 30-09-10 | 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) |

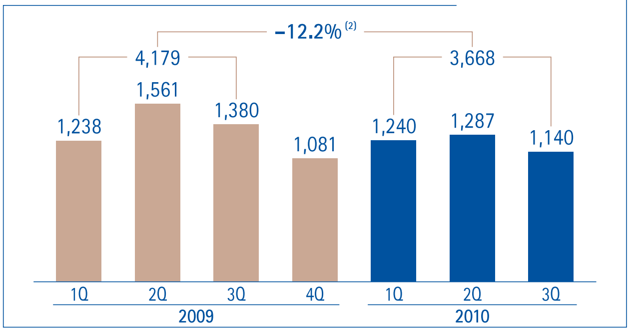
# EARNINGS

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%.

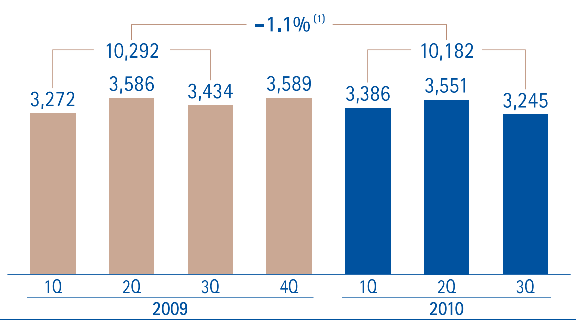
In the third quarter, €233m have been generated in **capital gains** from the sale-and-leaseback of retail branches in Spain. In terms of impairment on financial assets, the same amount has been allocated to increase the generic provision for NPA.

## 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.

### Net interest income
(Million euros)




(1) At constant exchange rate: −2.4%.

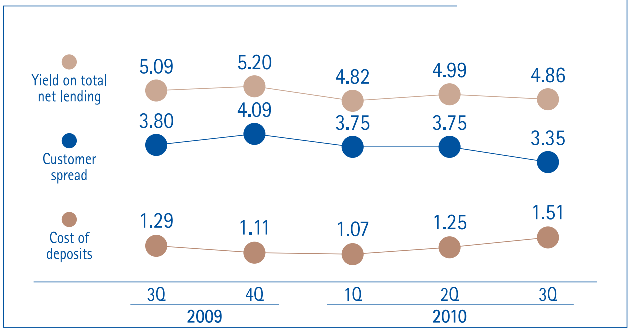
In addition, the Group continues with its trend to gradually increase the relative weight of portfolios with lower risk and, therefore, lower spreads; these primarily include those of residential mortgages in all geographical areas in which BBVA operates and loans to corporations and businesses, especially 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

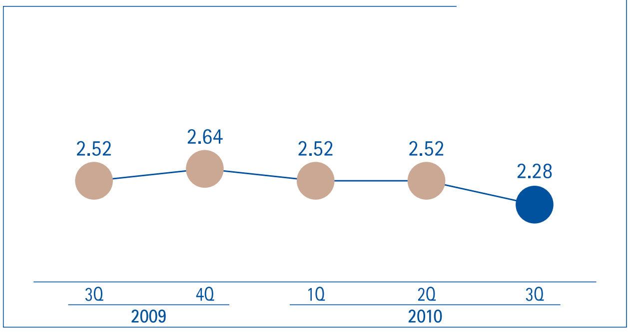
### Breakdown of yields and costs

| | 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).

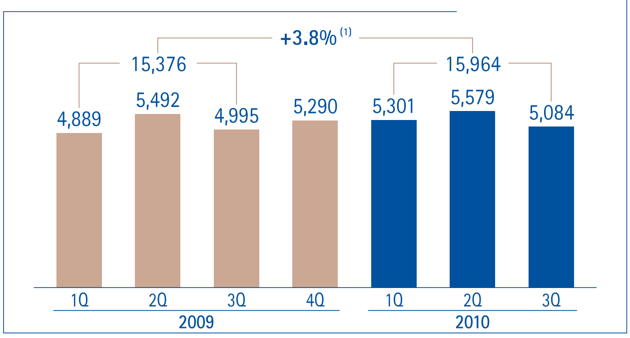
**South America** posted a net interest income with a year on year rise in the first nine months of the year of 11.5% at constant exchange rates. This solid performance is based on an overall improvement in lending and on the growth in customer funds.

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 some 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

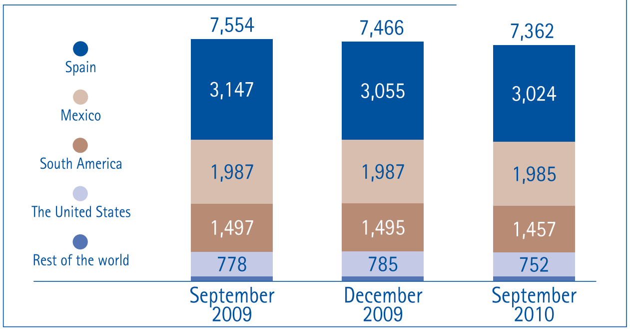
**Operating expenses** from January to September 2010 were €6,642m. This was 8.8% higher year on year, due primarily to the increase in administration costs. Apart from the increased costs of rental as already mentioned in the reports for the first and

### 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** |

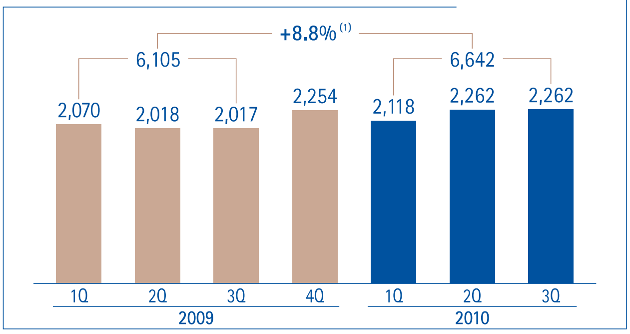
second quarters of 2010 and a higher rate of inflation in some countries in South America, BBVA is taking on new investments in systems, in the extension and renewal of ATMs, image and brand identity (with the new sponsorship of the US NBA basketball league) and implementing growth plans in practically 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.

### Number of branches



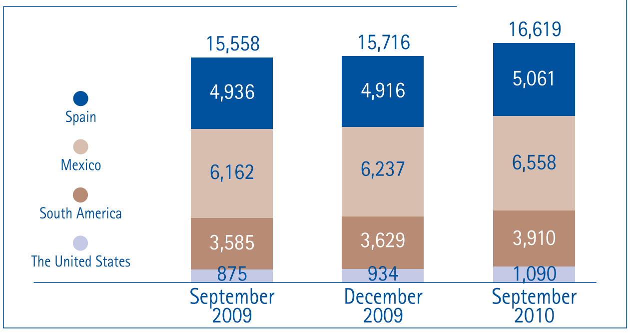

### Operating costs

(Million euros)




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

### Number of ATMs

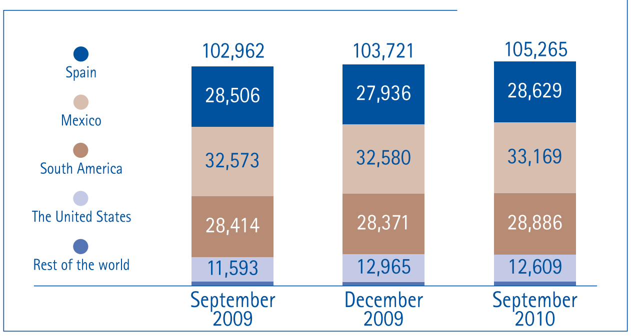



The above has resulted in an increase of the number of **employees** by 1,544 people since 31-Dec-2009 in practically all business areas except in the United States (still completing the franchise restructuring process). The **branch network** has been reduced by 104 branches in the same period. However, 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.

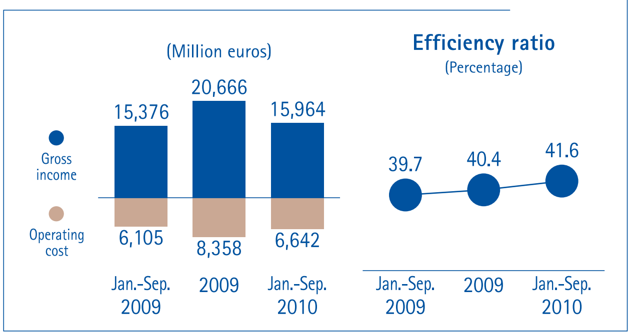
The aforementioned course of both income and costs has made an impact on the **efficiency ratio**, which closed September at 41.6%, as compared to the 40.3% recorded in the first half of 2010, which means that BBVA continues to be a benchmark in the sector.

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

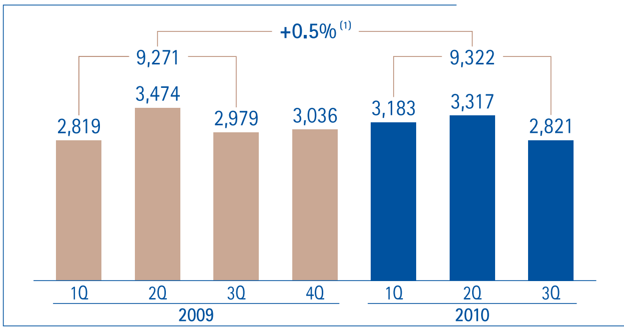
### Number of employees




### Efficiency



→ Operating income
(Million euros)



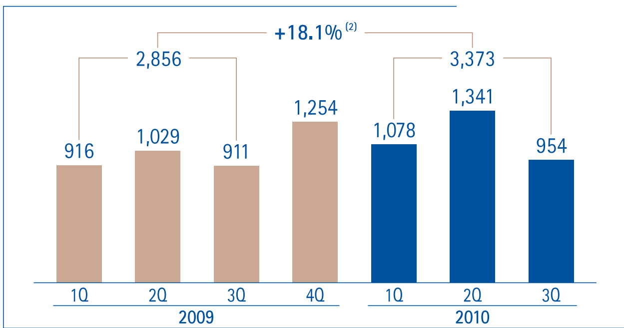

(1) At constant exchange rate: –2.0%.

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 **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.

→ 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 alloted 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%.

**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

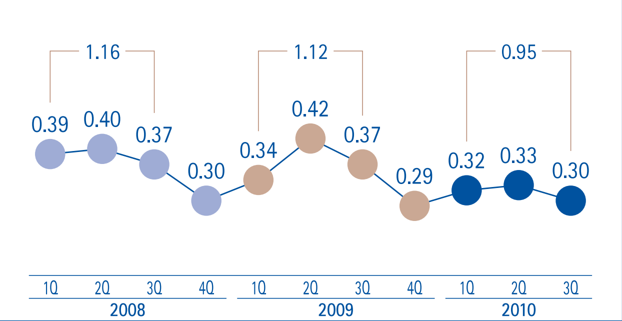
The **net attributable profit** for the quarter was €1,140m, and the accumulated figure for the first nine months of the year reached €3,668. This is 12.2% less than the figure from January to September 2009.

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

## Earnings per share (1)

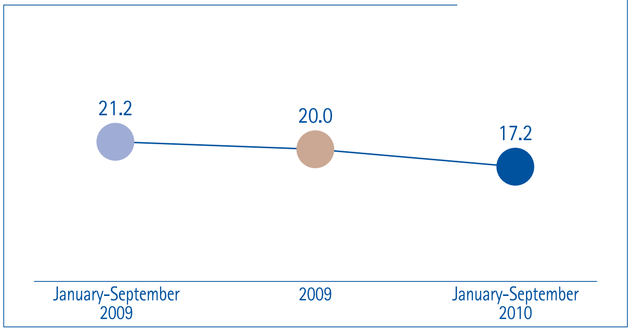
(Euros)




(1) Excluding one-offs.

## ROE (1)

(Percentage)

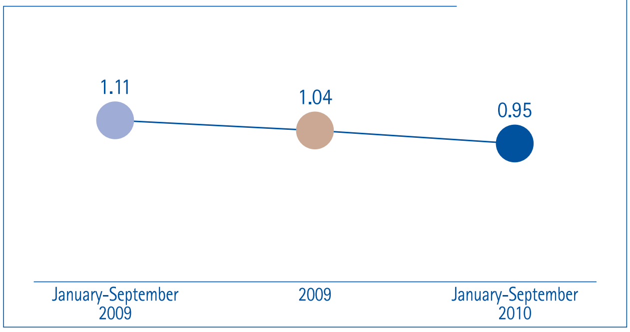



(1) Excluding one-offs.

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%.

## ROA (1)

(Percentage)




(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

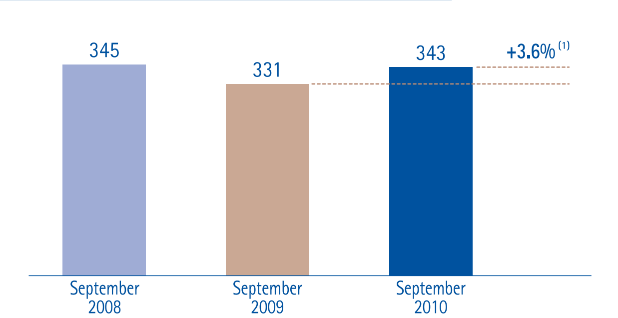
**Gross lending to customers** stood at €343 billion as of 30-Sep-2010, a year on year increase of 3.6%, but a 1.7% drop in the quarter. This performance can be explained in part by the impact of currencies, since, without the effect of the exchange rates, it has grown 1.6% year on year, and 0.8% on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

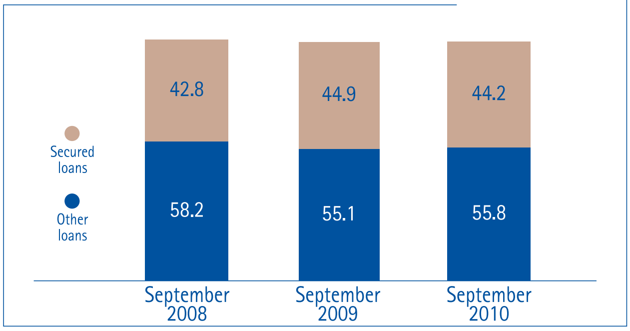
| | 30-09-10 | ∆% | 30-09-09 | 30-06-10 | 31-12-09 |
|---|---|---|---|---|---|
| Domestic sector | 210,885 | 2.9 | 204,997 | 208,447 | 204,671 |
| Public sector | 24,082 | 18.9 | 20,247 | 23,128 | 20,786 |
| Other domestic sectors | 186,803 | 1.1 | 184,750 | 185,319 | 183,886 |
| · Secured loans | 105,736 | (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%.

→ Total lending gross distribution
(Percentage)




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.

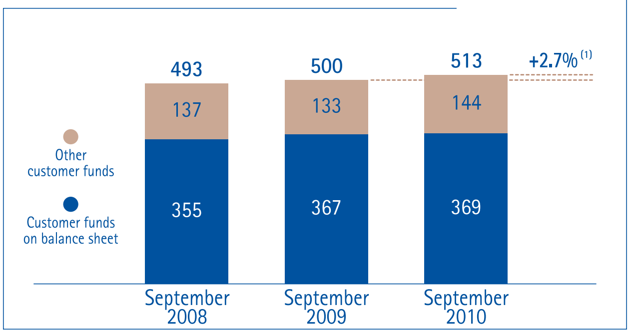
Moreover, lending to **non-domestic** customers rose to €132 billion at the same date, marking a 4.9% increase with respect to the €126 billion as of 30-Sep-2009. Of these, secured loans increased 9.7% to €46 billion. The other loans heading grew 1.9%. Finally, the rate of change of non-performing assets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

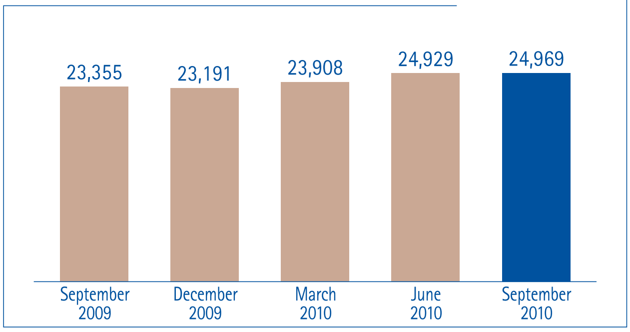
The BBVA Group's **capital base**, calculated according to the BIS II regulation, stood at €39,289m of 30-Sep-2010, which is quite similar to the figure at the close of the previous quarter.

**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

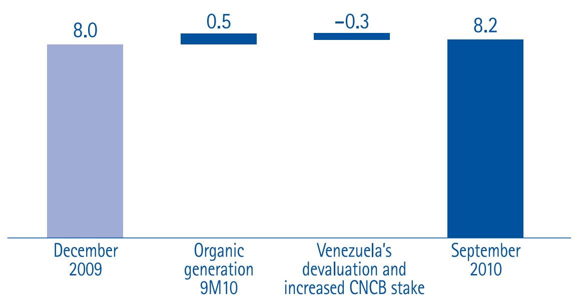
## Core capital
(Million euros)



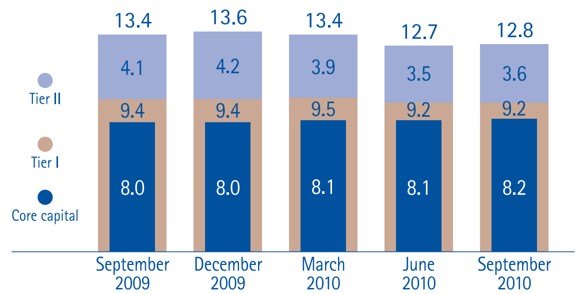

## Capital base (BIS II Regulation)
(Million euros)

| | 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)




→ Capital base: BIS II ratio
(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 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

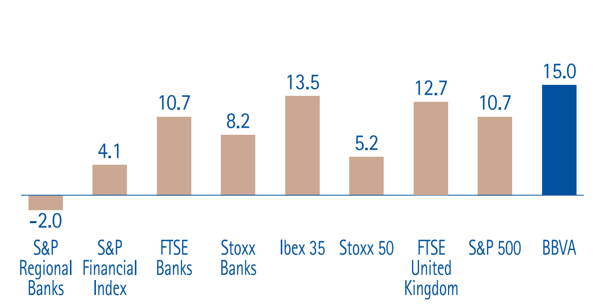
In the **third quarter of 2010**, the stock markets appear to have broken the downward trend of the first half of the year. In Europe, the signs of economic recovery in the second quarter, above market forecasts, and the upward revision of macroeconomic expectations by the European Central Bank, could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

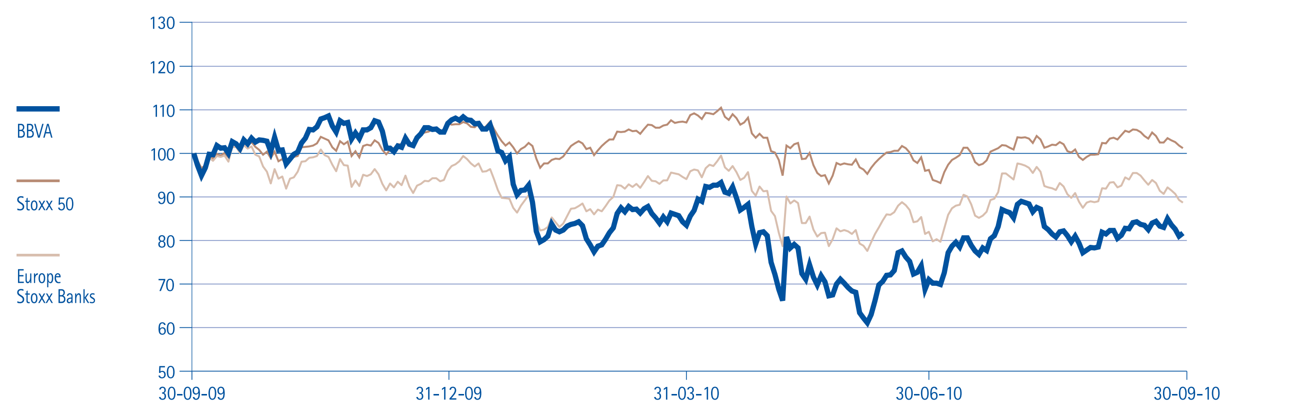
There were two major events in the European **banking sector** in the third quarter of 2010: the publication of the results of the stress tests; and the second draft of the Basel regulations. The results of the stress tests have in general been well received by the market. The most valued aspect is the 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 ofearnings 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.

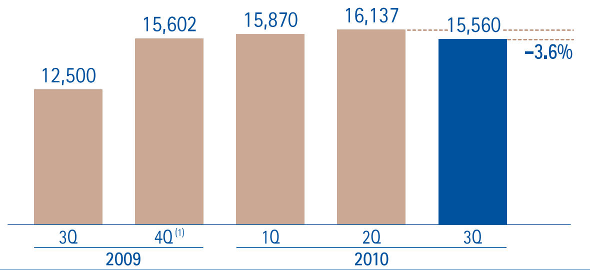
→Variations in non-performing assets
(Million euros)

| | 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)

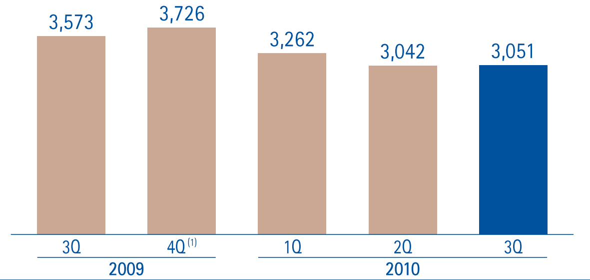



(1) In the fourth quarter of 2009, including €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

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%.

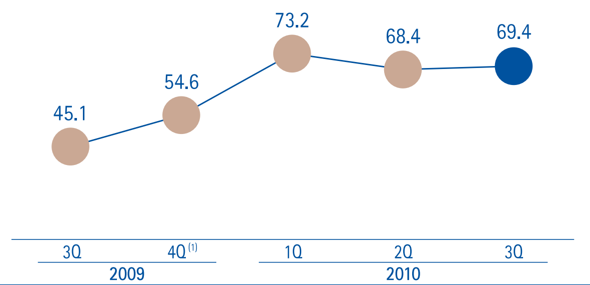
**Coverage provisions** for risks with customers were €9,641m on 30-Sep-2010, a decrease of €276m on the figure for June 2010. It is important to note that generic provisions amount to €3,089m and represent 32.0% of the total (31.7% as of 30-Jun-10). Collaterals were worth 181% of the value of secured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



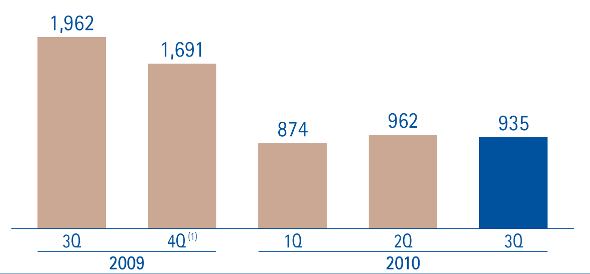

(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

Recoveries over entries to NPA
(Percentage)



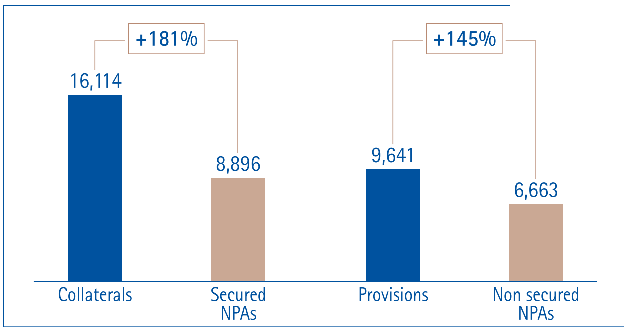

(1) In the fourth quarter of 2009, excluding €2,461 million one-offs, 1,817 of which correspond to Spain and Portugal and 644 to United States.

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.

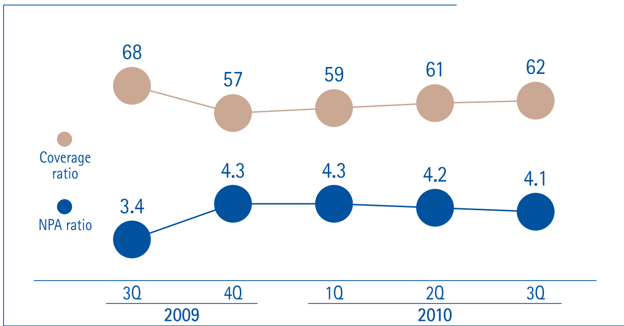
### Coverage including provisions and collaterals
(Million euros)




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%.

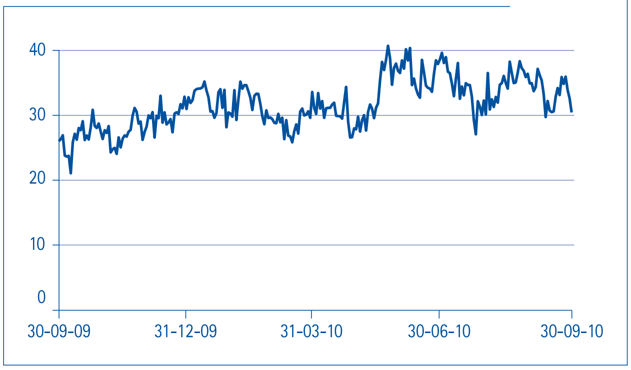
### NPA and coverage ratios
(Percentage)




## 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

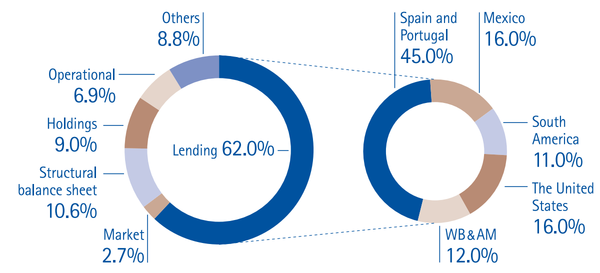
Attributable economic risk capital (ERC) consumption reached €24,926m as of 30-Sep-2010, marking a 0.7% increase as compared to June 2010.

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.

## 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.

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.

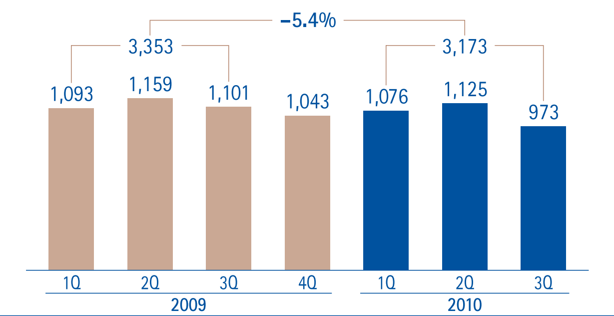
In the **third quarter of 2010**, the system showed moderate progress in household credit as a result of the slight increase in the residential mortgage portfolio (up 0.6% yoy as of 31-Aug-10). Consumer finance fell by 10.9%, despite a slight upturn in spending by individuals. The fall in lending to 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.

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

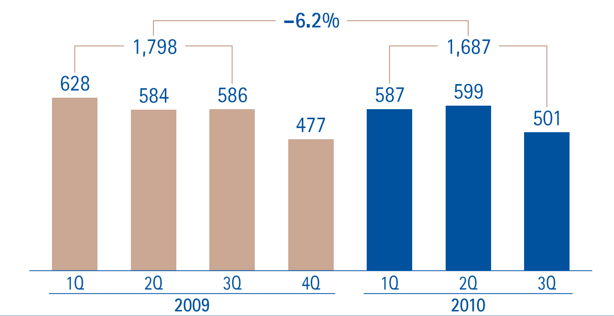
## Spain and Portugal. Operating income

(Million euros)




## 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 *Empréstito 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 Investimiento 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: Banking business | | | | Units: 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: Banking business | | | | Units: 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.

## 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.

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.

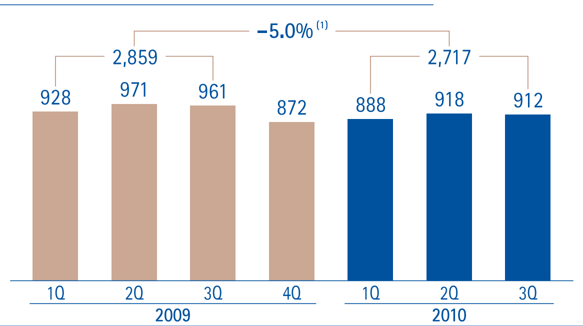
Prices have continued to be favorable in the period under analysis. **Inflation** was 3.7% year on year, under the Bank of Mexico's (Banxico) expected range. This is mainly due to favorable agricultural prices and low pressure from the demand side. In this situation, Banxico has maintained **interest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

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

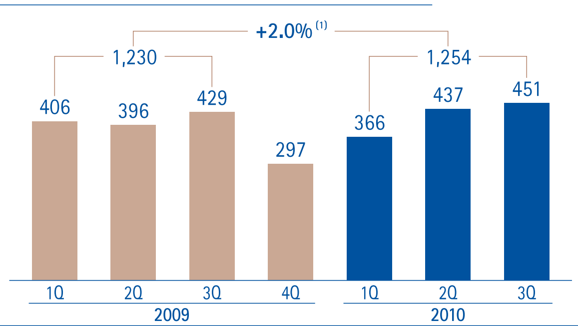
(Million euros at constant exchange rate)




(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: Banking businesses | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan.-Sep. 10 | ∆% | ∆% [1] | Jan.-Sep. 09 | Jan.-Sep. 10 | ∆% | ∆% [1] | Jan.-Sep. 09 | Jan.-Sep. 10 | ∆% | ∆% [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: Banking businesses | | | | Units: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30-09-10 | ∆% | ∆% [1] | 30-09-09 | 30-09-10 | ∆% | ∆% [1] | 30-09-09 | 30-09-10 | ∆% | ∆% [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.

## 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.

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.

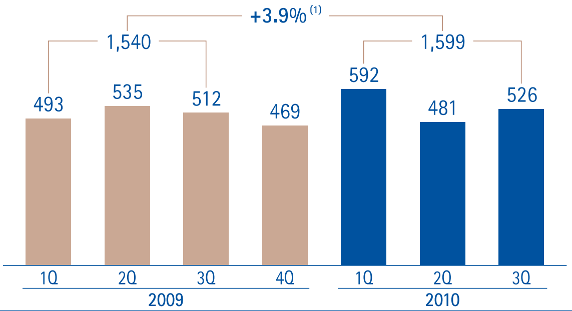
The reactivation observed in the first quarter of 2010 has translated into a fully consolidated **macroeconomic situation** in the third quarter, in which the generalized improvement of business and consumer confidence stimulates the rapid growth of domestic demand. This solid progress in the private 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 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

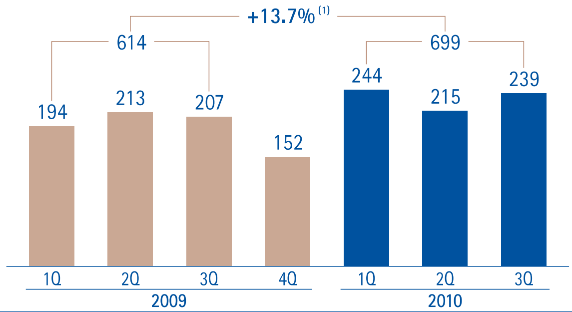
(Million euros at constant exchange rate)




(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 that 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)

| | Operating income | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| Country | 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.

## 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.

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

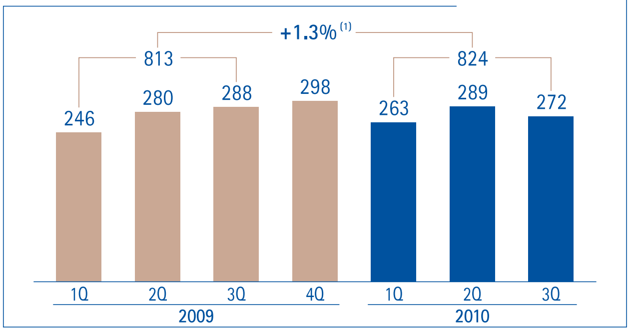
Against this backdrop, the Federal Reserve has shown clear signs of its commitment to growth and appears to be willing to maintain **rates** at their current low level, as well as (if necessary) to use other monetary policy instruments to continue supporting the recovery. The market is expecting the 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).

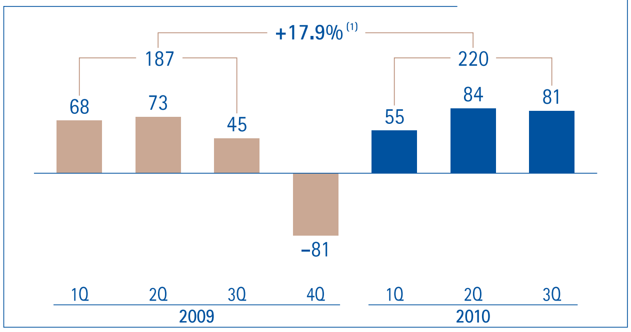
Against this difficult backdrop, BBVA USA closed September 2010 with a **loan portfolio** of €39,458m, a fall

### → 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.

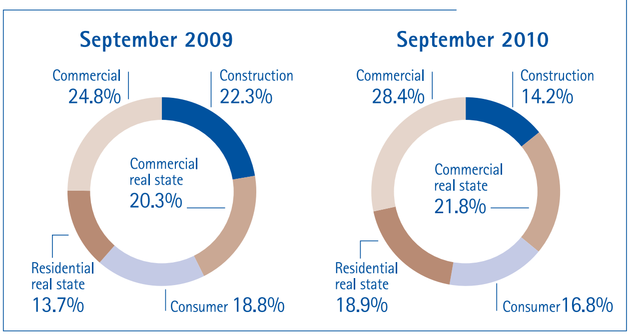
It is also worth pointing to the improvement of **impairment losses on financial assets** in the quarter, which explains the year on year reduction in that accumulated as of September, down 3.0% to €498m. The above established a **net attributable profit** of €220m, up 17.9% on the same period of 2009.

## 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

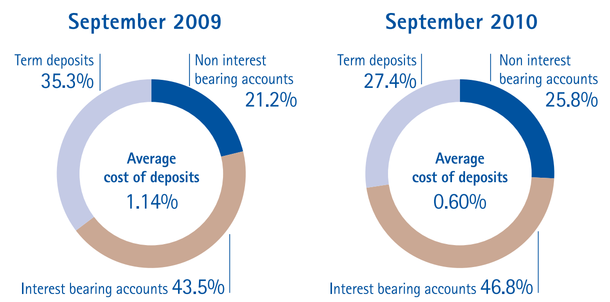
### → BBVA Compass Banking Group Loan mix (Percentage)



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.

→ BBVA Compass Banking Group
Deposit mix (Percentage)




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: Corporate and Investment Banking | | | Units: 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: Corporate and Investment Banking | | | Units: 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.).

## Relevant business indicators

(Million euros and percentages)

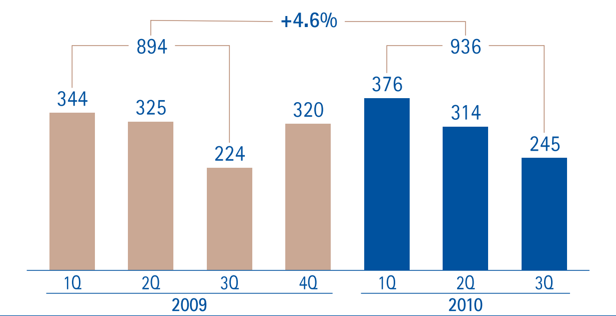
| | Wholesale Banking & Asset Management | | |
|---|---|---|---|
| | 30-09-10 | 30-06-10 | 30-09-09 |
| Total lending to customers (gross) | 34,846 | 32,502 | 32,220 |
| Customer deposits | 30,969 | 31,928 | 31,416 |
| · Deposits | 23,068 | 25,115 | 23,465 |
| · Assets sold under repurchase agreements | 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 |

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.

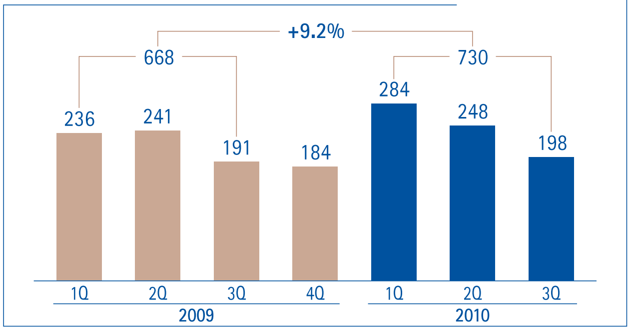
In the first nine months of 2010, the area continued to show a clear customer focus and a high recurrence and quality in its earnings, in what has still been a difficult economic environment with high market volatility. Operating income for January to September was an accumulated €936m, 4.6% above the 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 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 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 (%) |
|---|---|---|
| Dow Jones Sustainability Indexes | DJSI World | 0.65 |
| | DJSI Europe (1) | 1.40 |
| | DJSI Eurozone (2) | 2.80 |
| vigeo | ASPI Eurozone Index | 2.11 |
| | Ethibel Sustainability Index Excellence Europe | 1.63 |
| | Ethibel Sustainability Index Excellence Global | 1.00 |
| MSCI Indices | 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.

For more information: www.bancaparatodos.com

## INVESTOR RELATIONS


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

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


**INTERNET INFO http: //www.bbva.com**

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adelante.