BBVA

QUARTERLY REPORT

January-September

3Q08

2008

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BBVA Group Highlights

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(Consolidated figures)	30-09-08	∆%	30-09-07	31-12-07	Excluding one-offs (1) 30-09-08	∆%	30-09-07	31-12-07
BALANCE SHEET (million euros)								
Total assets	528,795	7.3	492,674	502,204				
Total lending (gross)	342,670	10.8	309,164	317,998				
On-balance sheet customer funds	353,145	3.9	339,820	334,844				
Other customer funds	137,371	(10.5)	153,562	150,777				
Total customer funds	490,516	(0.6)	493,382	485,621				
Equity	27,336	(0.9)	27,594	27,943				
Shareholders' funds	26,575	10.5	24,040	24,811				
INCOME STATEMENT (million euros)								
Net interest income	8,818	25.5	7,025	9,769	8,818	25.5	7,025	9,769
Core revenues	13,224	18.5	11,162	15,463	13,224	18.5	11,162	15,463
Ordinary revenues	15,263	13.1	13,494	18,133	14,536	14.9	12,647	17,286
Operating profit	8,936	11.1	8,042	10,544	8,209	14.1	7,195	9,697
Pre-tax profit	6,298	(4.7)	6,608	8,495	6,041	6.2	5,688	7,675
Net attributable profit	4,501	(5.4)	4,756	6,126	4,321	9.1	3,962	5,403
DATA PER SHARE AND SHARE PERFORMANCE RATIOS								
Share price	11.46	(30.3)	16.44	16.76				
Market capitalisation (million euros)	42,952	(30.3)	61,617	62,816				
Net attributable profit per share (euros)	1.21	(9.6)	1.34	1.70	1.16	4.2	1.12	1.50
Book value per share (euros)	7.09	10.5	6.41	6.62				
P/BV (Price/book value; times)	1.6		2.6	2.5				
PER (Price/earnings ratio; times)	6.7		10.1	10.3				
Yield (Dividend/Price; %)	7.07		4.46	4.37				
SIGNIFICANT RATIOS (%)								
Operating profit/Average total assets	2.35		2.40	2.28	2.16		2.15	2.10
ROE (Net attributable profit/Average equity)	25.5		35.6	34.2	24.8		31.0	30.2
ROA (Net profit/Average total assets)	1.24		1.43	1.39	1.21		1.25	1.23
Efficiency ratio	37.2		36.9	38.1	39.0		39.4	39.9
Efficiency ratio including depreciation and amortization	40.5		39.8	41.3	42.5		42.5	43.3
NPL ratio	1.54		0.88	0.89				
NPL coverage ratio	127		234	225				
CAPITAL ADEQUACY RATIOS (BIS II Regulation) (%)								
Total	12.3			13.0				
Core capital	6.4			5.8				
Tier I	7.8			7.3				
OTHER INFORMATION								
Number of shares (million)	3,748		3,748	3,748				
Number of shareholders	886,950		885,131	889,734				
Number of employees	112,621		111,409	111,913				
• Spain	29,887		31,016	31,106				
• The Americas	80,758		78,443	78,805				
• Rest of the world	1,976		1,950	2,002				
Number of branches	7,909		7,971	8,028				
• Spain	3,484		3,606	3,595				
• The Americas	4,280		4,222	4,291				
• Rest of the world	145		143	142				

N.B.: Non-audited figures.

(1) In 2008, capital gains from Bradesco in the first quarter and extraordinary charges for early retirements in the second quarter. In 2007, capital gains from Iberdrola in the first quarter, the endowment for the BBVA Microcredit Foundation in the second quarter, capital gains on the sale of buildings in the second and third quarters and charges for early retirements in the fourth quarter.

Group information

Relevant events

In the third quarter of 2008 the BBVA Group obtained net attributable profit of €1,392m – a considerable achievement at a time when international economic conditions are especially difficult for the financial sector. This is BBVA's fourth quarter since the financial crisis started in the summer of 2007.

All **business areas** contributed to this quarter's results, demonstrating the strength of a business model that is focused on customers and based on long-term relationships of shared knowledge and mutual trust. Furthermore all the areas, in their respective segments, maintained advantages with respect to their competitors in terms of revenue, efficiency, profitability, non-performing loans and loan-loss coverage.

The most significant aspects of the Group's performance in the third quarter and in the nine months to September are summarised below:

- Operating profit in the **third quarter** came to €2,714m. This is 16.8% higher than the €2,323m obtained in the same period last year. **Net attributable profit** was €1,392m, slightly higher compared to €1,382m in the third quarter last year. As a result, net attributable profit for the **first nine months** came to €4,501m.
- Unless otherwise stated, all the remarks below **exclude** the following **non-recurrent items**, thus providing a clearer picture of the Group's performance. In the present year the sale of an interest in Bradesco in the first quarter generated €509m (after tax). After deducting €329m (net of tax) in the second quarter for early retirements of a non-recurrent nature in Spain & Portugal (associated with the bank's transformation plan), this resulted in €180m of additional net attributable profit in 2008. In the first nine months of 2007 capital gains on the sale of an interest in Iberdrola and on the sale of buildings, less funding for the BBVA Microcredit Foundation, resulted in €794m of net attributable profit.
- **Net attributable profit excluding non-recurrent items** for the **first nine months** of 2008 rose 9.1% year-on-year to €4,321m. Excluding the effect of exchange rates, the increase in profit is 13.7%.
- **Earnings per share** increased 4.2% to €1.16, compared to €1.12 last year. This is slightly less than the increase in profit owing to the capital increase in 2007. **ROE** stands at 24.8% and **ROA** is 1.21%. Including non-recurrent items, earnings per share increase to €1.21, ROE is 25.5% and ROA 1.24%.
- As in previous quarters **recurrent earnings** are the main source of the Group's profit. Net interest income grew 25.5% year-on-year and core revenues were up 18.5%.
- General administration expenses increased 12.8% but they grew more slowly compared to previous quarters. Therefore **efficiency**, measured by the cost/income ratio including depreciation, came to 42.5% (40.2% excluding Compass), compared to 41.8% for the first nine months of last year. **Operating profit** was up 14.1% to €8,209m (up 19.0% at constant exchange rates).
- Transfers to **loan-loss provisions** increased 51.3%, reflecting the increases in non-performing loans that occurred in recent quarters, because the Group continues to be extremely prudent.
- The Group's asset quality continues to be high despite the complex environment. The **non-performing loan ratio** is 1.54%, which is lower than most banks in BBVA's peer group. The **coverage ratio** is also high (127%). At present coverage funds stand at €8,310m of which €5,804m is generic (€5,642m at the same point last year).
- BBVA has not needed to make any significant asset provisions linked to instability in the financial markets. And it has not carried out any type of portfolio reclassification related to the latest modification of IAS 39.
- At the end of September the Group still held **latent capital gains** of €1,849m in its portfolios of equity

holdings despite the depressed markets and the capital gains materialised in recent years.

- In accordance with Basel II rules, at 30-Sep-08 the Group's **capital base** ratios were as follows: the core capital ratio is 6.4% (up slightly compared to 6.3% at 30-Jun-08), Tier 1 was 7.8% and the BIS ratio was 12.3%.

- At a time when other banks are cutting back dividends, BBVA's second **interim dividend** against 2008 earnings, paid on 10th October, was 10% higher at €0.167 per share.

- Net interest income in the **Spain & Portugal** Area for the first nine months rose 11.0% year-on-year. Lending was up 3.6%, balance-sheet customer deposits increased 6.3%. Ordinary revenues increased 7.3% whereas expenses declined 0.4% thanks to the area's transformation plan. Thus efficiency improved and operating profit rose 11.7%. This lifted net attributable profit 10.2% to €1,966m.

- Despite the turbulence in financial markets the **Wholesale Banking & Asset Management** Area continued to generate recurrent earnings on business with customers. This boosted ordinary revenues 27.3% year-on-year, operating profit was up 20.9% and net attributable profit rose 14.8% to €741m for the first nine months.

- In **Mexico** there was an important increase in lending and deposits (up 14.9% and 13.5%, respectively, in local currency). This boosted net interest income 15.4% at constant exchange rates. Expenses rose at a slower pace therefore operating profit increased 19.9% and net attributable profit was up 16.3% to €1,531m for the first nine months.

- Lending in the **United States** increased 12.6% and customer deposits were up 4.7%. As a result it contributed €517m to operating profit and €184m to net attributable profit (€262m excluding the amortisation of intangibles). Moreover during the third quarter Texas State Bank was successfully integrated with Compass, making further progress in establishing the BBVA Compass brand. The USA integration plan concludes in November with Laredo National Bank.

- In **South America** lending increased 21.7% and customer funds were up 16.8% year-on-year in local currencies. This helped net interest income to grow 34.3% and operating profit rose 28.1%. After higher loan-loss provisions linked to the increase in lending, net attributable profit for the year to September came to €539m (up 17.7% at constant exchange rates).

Economic environment

In the **third quarter** the international macroeconomic situation continued to deteriorate and financial markets were badly affected by a number of extremely negative events, especially in September. Most of this was marked by the severe problems at some banks and insurance companies. This led to further liquidity problems and shut down interbank markets. Market rates increased during the quarter, especially in the short term; there were new declines on international stock markets and volatility increased.

In the **United States**, where the crisis originated, economic indicators point to a substantial slowdown and housing market adjustments continue. Nonetheless the fall in oil prices has reduced inflationary pressures. In the **euro zone** the latest indicators denote weak economic growth and this also applies to **Spain**.

In view of this situation **governments** in the United States and in numerous member states of the European Union started to approve specific plans in October. The Spanish government announced measures aimed at improving the liquidity of banks, re-establishing confidence and recovering the long-term finance mechanisms. It wants the cost of this to be contained and to be able to recuperate such costs with time.

Central banks intervened by injecting liquidity. In a co-ordinated effort the Federal Reserve (to 1.5%), the ECB (to 3.75%) and the Bank of England lowered interest rates half a percentage point in October.

Interest rates

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

Conversely, economic activity in **Latin America** is still positive due to the growth of internal demand although the outlook for inflation continues to deteriorate. Most central banks have tightened monetary policy. In **Mexico** the interbank interest rate rose during the quarter, ending September at 8.7%.

Most of the **currencies** that affect the Group's financial statements appreciated against the euro in the third quarter. The US dollar rose 10.2% and Mexican peso 3.3%. Conversely, over the last 12 months official rates have mainly fallen against the euro although less than in previous quarters. On this basis the Mexican peso is down 1.5%, the dollar 0.9% and the Chilean and Colombian pesos have lost about 8%. The Argentine peso and the Peruvian sol appreciated slightly.

Therefore there is still a small negative impact on the year-on-year comparisons of the balance sheet at the end of September. Compared to June 2008 the effect is positive.

In the year-on-year comparisons of **average exchange rates** for the first nine months, all currencies lost ground against the euro. The Mexican peso fell 7.9%, the US dollar 11.7%, the Argentine peso 12.0%, the Venezuelan bolivar fuerte 11.5%, the Chilean peso 3.4%, the Peruvian sol 2.2% and the Colombian peso 0.3%. As a result, comparisons between this year's income statement for the first nine months and that of last year are negatively affected by exchange rates to the extent of five percentage points.

Exchange rates (1)

	Year-end exchange rates				Average exchange rates	
	30-09-08	Δ% on 30-09-07	Δ% on 30-06-08	Δ% on 31-12-07	Jan.-Sep. 08	Δ% on Jan.-Sep. 07
Mexican peso	15.7126	(1.5)	3.3	2.2	15.9928	(7.9)
U.S. dollar	1.4303	(0.9)	10.2	2.9	1.5216	(11.7)
Argentine peso	4.5037	0.5	7.8	3.7	4.7891	(12.0)
Chilean peso	789.89	(8.1)	3.8	(7.4)	735.84	(3.4)
Colombian peso	3,105.59	(8.0)	(2.4)	(4.5)	2,824.86	(0.3)
Peruvian new sol	4.2630	3.3	9.7	3.4	4.3616	(2.2)
Venezuelan bolívar fuerte	3.0713	(0.7)	10.2	3.0	3.2675	(11.5)

(1) Expressed in currency/euro.

Earnings

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

- In **2008**, in the first quarter, gross capital gains of €727m on the sale of an interest in Bradesco (€509m net) and in the second quarter, a charge of €470m for early retirements of a non-recurrent nature in Spain & Portugal associated with the bank's transformation plan (€329m net).
- In **2007**, in the first quarter, gross capital gains of €847m on the sale of an interest in Iberdrola, in the second quarter, gross capital gains of €235m on the sale of premises in connection with the new corporate headquarters, less a charge of €200m to cover funding

Consolidated income statement

(Million euros)	Jan.-Sep. 08	Δ%	Δ% at constant exchange rates	Jan.-Sep. 07
Core net interest income	8,415	23.8	30.2	6,797
Dividends	402	76.4	76.7	228
NET INTEREST INCOME	**8,818**	**25.5**	**31.8**	**7,025**
Income by the equity method	268	67.0	67.2	160
Net fee income	3,542	2.6	6.9	3,453
Income from insurance activities	597	13.9	18.4	524
CORE REVENUES	**13,224**	**18.5**	**24.0**	**11,162**
Net trading income	1,312	(11.6)	(10.1)	1,484
ORDINARY REVENUES	**14,536**	**14.9**	**19.9**	**12,647**
Net revenues from non-financial activities	62	(55.7)	(55.6)	139
Personnel costs	(3,528)	12.1	16.0	(3,146)
General expenses	(2,213)	13.9	19.5	(1,943)
Depreciation and amortization	(512)	30.1	35.6	(393)
Other operating income and expenses	(136)	25.3	37.6	(109)
OPERATING PROFIT	**8,209**	**14.1**	**19.0**	**7,195**
Impairment losses on financial assets	(2,115)	57.8	65.4	(1,341)
• Loan-loss provisions	(1,994)	51.3	58.6	(1,318)
• Other	(121)	n.m.	n.m.	(23)
Provisions	(115)	(36.1)	(37.2)	(180)
Other income/losses	62	n.m.	n.m.	14
• From disposal of equity holdings	9	n.m.	n.m.	(5)
• Other	54	179.6	179.0	19
PRE-TAX PROFIT	**6,041**	**6.2**	**10.9**	**5,688**
Corporate income tax	(1,452)	(3.2)	0.9	(1,500)
NET PROFIT	**4,589**	**9.6**	**14.5**	**4,188**
Minority interests	(268)	18.8	28.6	(225)
NET ATTRIBUTABLE PROFIT (excluding one-offs)	**4,321**	**9.1**	**13.7**	**3,962**
Net of one-off operations (1)	180	(77.3)	(77.3)	794
NET ATTRIBUTABLE PROFIT	**4,501**	**(5.4)**	**(2.0)**	**4,756**
EARNINGS PER SHARE CALCULATION				
Average ordinary shares in circulation (million)	3,713	4.7		3,547
Basic earnings per share excluding one-offs (euros)	1.16	4.2		1.12
Basic earnings per share (euros)	1.21	(9.6)		1.34
Diluted earnings per share (euros)	1.21	(9.6)		1.34

(1) In 2008, capital gains from Bradesco in the first quarter and extraordinary charges for early retirements in the second quarter. In 2007, capital gains from Iberdrola in the first quarter, the endowment for the BBVA Microcredit Foundation in the second quarter and capital gains on the sale of buildings in the second and third quarters.

Consolidated income statement: quarterly evolution

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

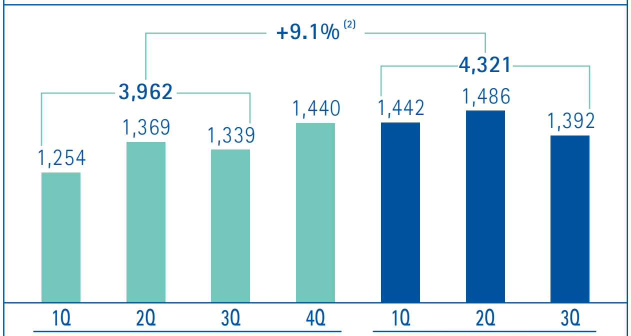
for the BBVA Microcredit Foundation, and in the third quarter of 2007, €44m of net attributable profit from additional capital gains on the sale of premises.

In summary, non-recurrent earnings contributed €794m to net attributable profit in the first nine months of 2007 compared to only €180m in the same period this year.

Unless otherwise indicated the following remarks refer to the income statement **excluding** the above **non-recurrent items** because this will provide a clearer picture of the Group's performance. The non-recurrent items are included, net of tax, at the end of the attached income statement.

In the **third quarter** of 2008 the BBVA Group obtained net attributable profit of €1,392m excluding non-recurrent items. This was 4.0% higher than the €1,339m obtained in the same period last year. **Net attributable profit** for the first **nine months** therefore

Net attributable profit [(1)]
(Million euros)



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +13.7%.

comes to €4,321m, an increase of 9.1% compared to €3,962m for the same period last year. The increase at constant exchange rates is 13.7% because the effect of currency variations is still negative (roughly 5 percentage points) although less so than in the first half.

As in previous quarters, recurrent income is the main factor behind the Group's earnings, particularly net interest income, which rose 25.5% year on year. Cumulative **operating profit** for the year to September rose 14.1% to €8,209m, compared to €7,195m for the same period last year (up 19.0% at constant exchange rates). The lower part of the income statement includes loan-loss provisions, which were also higher.

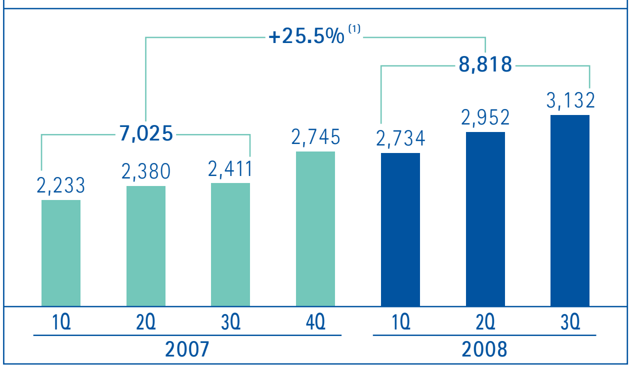
The growth in earnings was **mainly organic**. M&A activity (principally Compass) contributed only 2.8 percentage points to the growth in operating profit and 1.2 points to net attributable profit.

Net interest income

As commented above, net interest income was the main driver behind the Group's revenues in the **third quarter**. It rose 29.9% year-on-year to €3,132m, including €133m in dividends from Telefónica (booked in the fourth quarter last year). Excluding all dividends (€161m) net interest income was €2,971m (up 24.8%), setting a new record for a single quarter excluding dividends.

For the **year to September**, the figure is €8,818m, an increase of 25.5% over the €7,025m generated in the same period last year. In fact, in the last 12 months net interest income as a percentage of average total assets has been steadily increasing. The percentage was 2.39% in the third quarter of 2008, 2.36% in the second quarter and 2.05% in the third quarter of 2007. After deducting dividends of €402m, net interest income comes to €8,415m, an increase of 23.8% owing to a bigger volume of business and sustained customer spreads at the Group's various units.

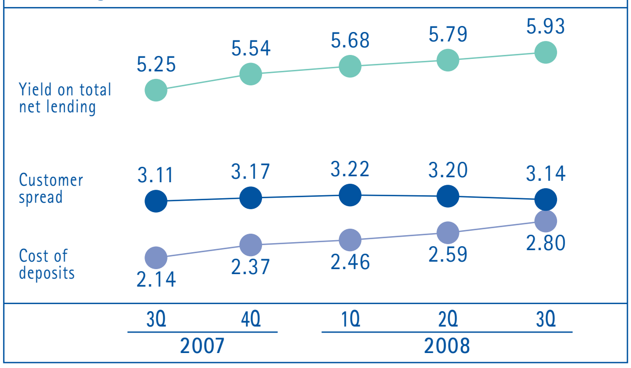
Net interest income
(Million euros)



(1) At constant exchange rates: +31.8%.

Spreads on business with domestic customers in **Spain** remained high in the third quarter (3.14%). They are slightly lower than the second quarter (3.20%) but above the third quarter last year (3.11%). In a context of high interest rates the yield on loans continued to rise. At 30-Sep-08 it was 5.93%, compared to 5.79% in the last quarter and 5.25% a year earlier. The cost of deposits has risen to 2.80% (2.59% in the second quarter and 2.14% in the third quarter last year). This is partly due to an increase in the relative importance of time deposits. These spreads helped to lift net interest income in the Spain & Portugal Area 11.0% in the first nine month.

Customer spread (Domestic)
(Percentage)



In **Mexico** interest rates rebounded in the third quarter (the average TIIE was 8.5% compared to 8.0% in the second quarter). Despite this the yield on loans held steady during the quarter at 15.8% due to a relative decline in the relative weighting of consumer finance and cards. The cost of deposits partially reflected the increase in interest rates, rising to 3.2% (3.0% in the second quarter). As a result the customer spread is 12.6% compared to 12.8% in the second quarter but still higher than 12.3% in the third quarter last year. These changes, together with the increase in business, helped cumulative net interest income for the area to rise 15.4% in local currency.

Breakdown of yields and costs

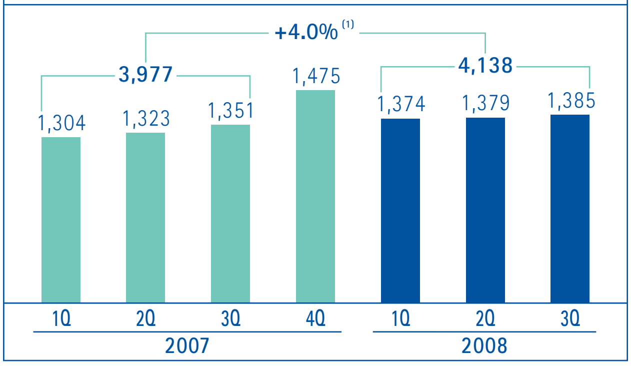
	3rd Quarter 08		2nd Quarter 08		1st Quarter 08		4th Quarter 07	
	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost	% of/ATA	% Yield/Cost
Cash and balances at Central Banks	2.9	3.48	2.4	3.74	2.8	3.20	3.3	2.75
Financial assets and derivatives	21.7	4.12	22.5	4.09	23.4	3.69	23.5	4.06
• Fixed-income securities	18.2	4.24	18.6	4.16	19.4	4.21	19.0	4.51
- Euros	11.0	2.85	11.3	3.00	11.3	2.77	10.7	3.01
- Foreign currencies	7.2	6.36	7.3	5.94	8.2	6.20	8.3	6.45
• Equity securities	3.5	3.52	3.9	3.80	4.0	1.14	4.5	2.12
Due from banks	5.8	5.21	5.3	5.20	4.7	6.01	6.0	5.81
• Euros	4.0	5.39	3.6	5.16	3.0	6.49	4.3	5.88
• Foreign currencies	1.8	4.81	1.7	5.30	1.7	5.17	1.7	5.65
Loans to customers	63.4	7.42	63.7	7.19	63.1	7.16	60.8	7.23
• Euros	43.3	5.92	44.5	5.77	44.1	5.70	42.5	5.58
- Domestic	39.2	5.93	40.6	5.79	40.7	5.68	39.5	5.54
- Other	4.1	5.78	4.0	5.62	3.5	5.90	3.0	6.13
• Foreign currencies	20.1	10.65	19.2	10.47	19.0	10.55	18.3	11.06
Other assets	6.2	0.55	6.1	0.54	6.0	0.83	6.4	0.83
TOTAL ASSETS	**100.0**	**6.04**	**100.0**	**5.90**	**100.0**	**5.80**	**100.0**	**5.84**
Deposits by Central Banks and banks	15.1	4.72	13.9	4.84	15.7	4.90	15.8	5.10
• Euros	6.4	4.64	5.9	4.66	6.7	4.39	6.3	4.24
• Foreign currencies	8.7	4.78	8.0	4.98	9.0	5.29	9.5	5.68
Due to customers	48.9	3.79	49.5	3.63	47.8	3.58	47.8	3.70
• Euros	24.8	3.62	26.2	3.64	25.7	3.41	26.0	3.44
- Domestic	16.5	2.80	16.4	2.59	16.4	2.46	16.4	2.37
- Other	8.3	5.26	9.9	5.39	9.3	5.09	9.6	5.26
• Foreign currencies	24.0	3.95	23.3	3.61	22.0	3.76	21.9	4.01
Marketable debt securities and subordinated debt	19.6	5.18	20.2	4.93	20.1	5.09	19.9	5.13
• Euros	15.1	5.28	16.3	5.02	16.2	5.13	16.0	4.96
• Foreign currencies	4.5	4.83	3.9	4.56	3.9	4.95	3.9	5.82
Other liabilities	11.2	0.64	11.1	0.72	10.9	0.83	10.9	0.75
Equity	5.2	-	5.4	-	5.5	-	5.6	-
TOTAL LIABILITIES AND EQUITY	**100.0**	**3.65**	**100.0**	**3.54**	**100.0**	**3.59**	**100.0**	**3.68**
NET INTEREST INCOME/ATA		**2.39**		**2.36**		**2.21**		**2.16**

In the year to date net interest income in **South America** continued to grow strongly (up 34.3% at constant exchange rates) supported by higher lending and higher customer funds and by action to defend spreads.

Ordinary revenues

For the first nine months **net fee income** came to €3,542m (up 2.6%). Growth continued to be affected by fees on mutual and pension funds (down 11.1%). These are being hindered by a preference for time deposits and the negative market effect. **Insurance business** generated €597m (up 13.9%). Therefore net fee income plus insurance rose 4.0% to €4,138m, compared to €3,977m in the first nine months last year.

Fee income + Insurance
(Million euros)

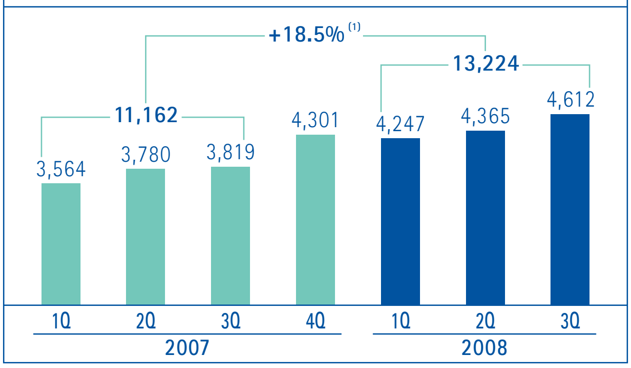


(1) At constant exchange rates: +8.4%.

Net income from companies booked **via the equity method** came to €268m in the year to September (€160m last year). In both years this was principally contributed by Corporación IBV.

Core revenues, which consist of net interest income, net fee income, insurance and equity-accounted revenue, came to €4,612m in the third quarter (a new record for BBVA). The figure for the first nine months was €13,224m, an increase of 18.5% compared to €11,162m for the same period last year.

Core revenues
(Million euros)

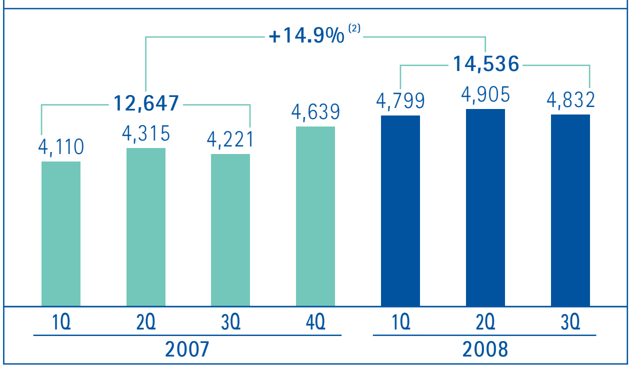


(1) At constant exchange rates: +24.0%.

Net trading income contributed €1,312m in the year to September (down 11.6% compared to €1,484m last year).

Ordinary revenues (the sum of core revenues and net trading income) came to €4,832m in the third quarter, bringing the total for the year to €14,536m. This is 14.9% more than the €12,647m obtained in the same period last year (up 19.9% at constant exchange rates). After adding €62m from net sales of non-financial activities, the Group's total **operating revenues** came to €14,597m, an increase of 14.2% year-on-year.

Ordinary revenues [1]
(Million euros)

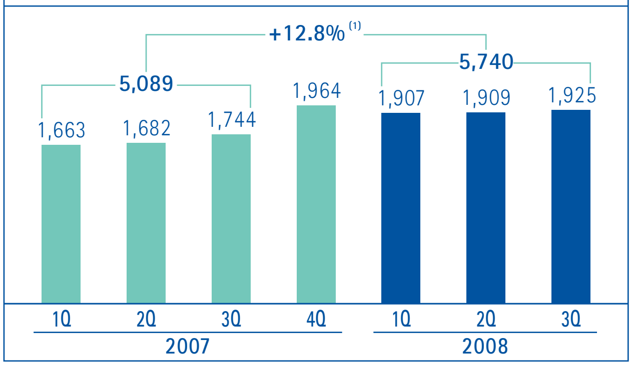


(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +19.9%.

Operating profit

General administration expenses in the first nine months came to €5,740m, rising 12.8% compared to €5,089m a year earlier. Personnel expenses were up

General administrative expenses
(Million euros)

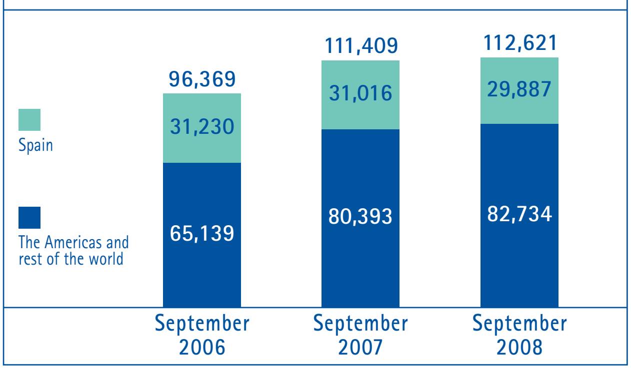


(1) At constant exchange rates: +17.3%.

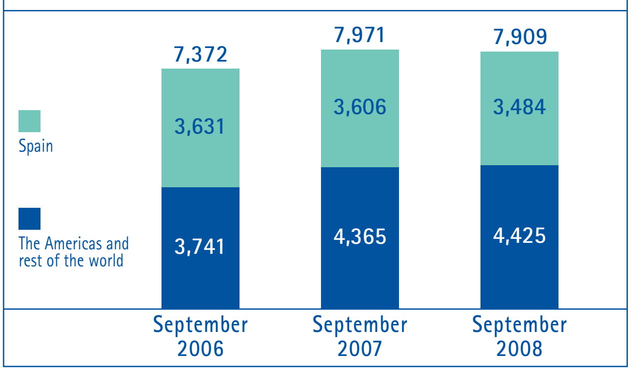
12.1% and general overheads rose 13.9%. However, the rate of increase is lower than in the first half. The increase is mainly due to recent acquisitions, growth projects and higher marketing activity. In Spain & Portugal the increase was contained at 0.4%. However expenses in the Americas rose 21.6% owing to the incorporation of Compass and to the addition of new branches and sales personnel in some countries.

At 30-Sep-08 the Group's **employees** numbered 112,621 and the number of **branches** was 7,909. Over the last 12 months the number of employees and branches has fallen in Spain and risen in the Americas.

Number of employees



Number of branches



Efficiency (1)

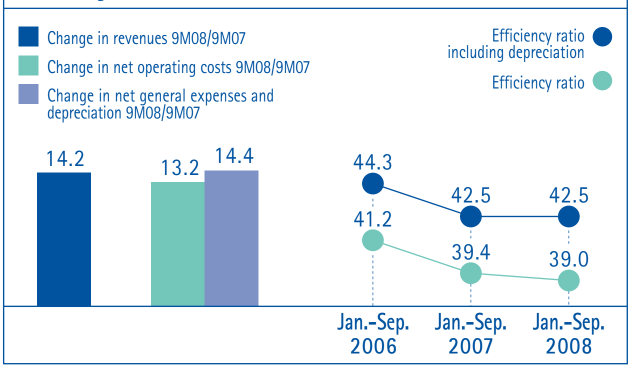
(Million euros)	Jan.-Sep. 08	Δ%	Jan.-Sep. 07	2007
Ordinary revenues	14,536	14.9	12,647	17,286
Net revenues from non-financial activities	62			
TOTAL REVENUES				
Personnel costs				
General expenses				
Recovered expenses				
GENERAL ADMINISTRATIVE EXPENSES (NET)				
EFFICIENCY RATIO (Costs/revenues, %)				
Depreciation and amortization				
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION				
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION				

(1) Excluding the one-off operations.

As total revenues increased 14.2%, which was faster than expenses net of recuperated costs (up 13.2%), **efficiency**, measured by the cost/income ratio for the first nine months, improved from 39.4% at September 2007 to 39.0% for September this year. If we exclude Compass from this calculation, the ratio improves to 37.6%. Moreover depreciation rose 30.1%, affected by amortisation of intangibles at the banks acquired in the United States (€119m). Therefore net administration expenses plus depreciation increased 14.4% year-on-year and the **cost/income ratio including depreciation** was 42.5%, similar to the same period last year. Excluding the Compass group, this ratio improves to 40.2%, compared to 41.8% the first nine months of last year.

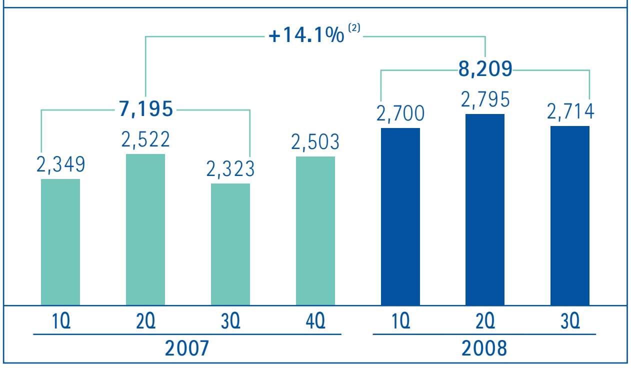
These developments in revenues and expenses also helped **operating profit** to maintain its high rate of growth. In the third quarter it rose 16.8% to €2,714m (€2,323m in the same quarter of 2007) and consequently operating profit

Efficiency (1)
(Percentages)



(1) Excluding results of one-off transactions.

Operating profit (1)
(Million euros)



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +19.0%.

for the first nine months was up 14.1% to €8,209m (€7,195m in the same period of 2007). At constant exchange rates the increase is 19.0%. All business areas reported double-digit growth. Operating profit in Spain & Portugal was up 11.7%, in Wholesale Banking & Asset Management it grew 20.9%, Mexico rose 10.4% (19.9% in pesos), in South America it increased 19.5% (28.1% in local currencies) and in the United States it more than doubled owing to the acquisitions.

Provisions and others

In the year to September **loan-loss provisions** increased 51.3% to €1,994m, compared to €1,318m for the same period last year. They reflect the increases in non-performing assets that occurred in recent quarters as the Group continues to be extremely prudent.

Other provisions in the first nine months fell 36.1% to €115m. This figure includes €89m for early retirements of an ongoing nature (€151m in 2007). These are in addition to non-recurrent provisions of €470m in the Spain & Portugal Area booked in the second quarter of 2008.

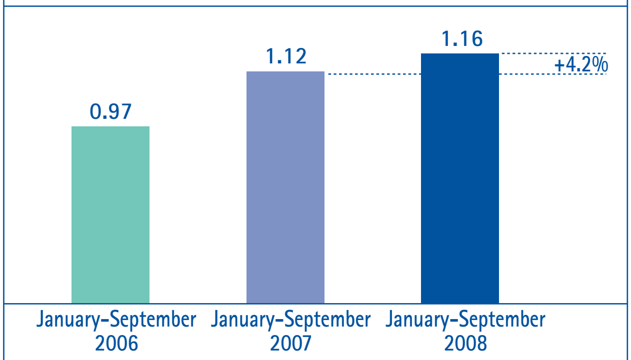
Attributable profit

Profit before tax for the first nine months came to €6,041m, an increase of 6.2% over the €5,688m obtained in the same period last year. Corporate tax was €1,452m (the tax rate in Spain was reduced to 30% in 2008). As a result, net profit came to €4,589m. After deducting €268m for minority interests, the Group's **net attributable profit** for the first nine months of 2008 rose 9.1% to €4,321m, compared to €3,962m last year (up 13.7% excluding exchange rate effects).

In the breakdown by **business area**, Spain & Portugal contributed €1,966m (up 10.2% year-on-year), Wholesale Banking & Asset Management €741m (up 14.8%), Mexico €1,531m (up 7.1% in euros and 16.3% in pesos), USA €184m (up 47.9% at current exchange rates and up 67.4% at constant rates, owing to the addition of Compass) and South America €539m (up 9.4% in euros and 17.7% at constant exchange rates).

Earnings per share (EPS) for the first nine months come to €1.16 (up 4.2% compared to €1.12 for the same period last year). EPS increased less than net attributable profit because the average number of shares rose 4.7% following the capital increase in September 2007. This capital increase and retained profits have increased

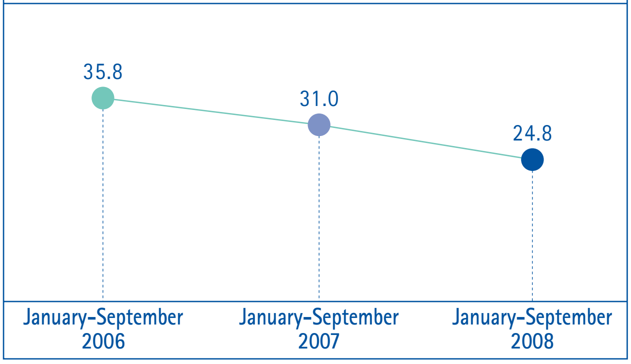
Earnings per share (1)
(Euros)



(1) Excluding results of one-off transactions.

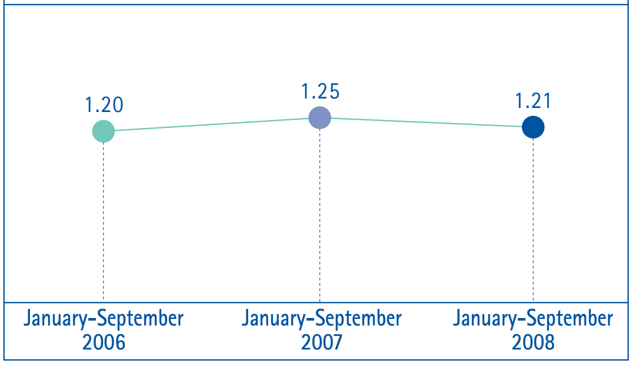
shareholders' equity, boosting the **book value** per share 10.5% to €7.09. But it also affects **ROE**, which now stands at 24.8% (31.0% at the same point last year). **ROA** is 1.21%, slightly lower than 1.25% for the first nine months last year).

ROE (1)
(Percentage)



(1) Excluding results of one-off transactions.

ROA (1)
(Percentage)



(1) Excluding results of one-off transactions.

Non-recurrent earnings in the year to September add €180m to net attributable profit. They result from net capital gains of €509m on the sale of the Group's interest in Bradesco, less €329m net for provisions associated with non-recurring early retirements. In the same period last year, non-recurrent earnings contributed a much higher amount (€794m) on the sale of buildings and the interest in Iberdrola, less funding for the BBVA Microcredit Foundation.

Including these items the BBVA Group's **net attributable profit** for the year to September comes to €4,501m, compared to €4,756m for the same period last year. Earnings per share are €1.21, ROE is 25.5% and ROA 1.24%.

Business activity

In the third quarter of 2008 lending to customers in Spain declined faster and increases in customer funds continued to favour deposits that are reported on the balance sheet. Conversely in the Americas, business continued growing steadily with the emphasis on lending rather than customer funds.

As **Compass** joined the Group in September 2007, the year-on-year comparison of items on the balance sheet is now on a like-for-like basis.

Based on the last 12 months the effect of **exchange rates** on the balance sheet is still negative although

Consolidated balance sheet

(Million euros)	30-09-08	Δ%	30-09-07	30-06-08	31-12-07
Cash and balances at Central Banks	20,701	17.1	17,678	12,393	22,582
Financial assets held for trading	62,670	8.7	57,663	58,862	62,336
Other financial assets at fair value	1,115	27.0	878	1,108	1,167
Financial assets available for sale	47,432	3.6	45,790	46,199	48,432
Loans and receivables	365,807	8.1	338,543	357,011	338,492
• Due from banks	24,088	(16.8)	28,966	24,329	20,997
• Loans to customers	334,844	10.9	302,040	323,833	310,882
• Other	6,875	(8.8)	7,537	8,848	6,613
Held to maturity investments	5,254	(5.7)	5,573	5,402	5,584
Investments in associates	1,347	(13.2)	1,552	1,261	1,542
Property, plant and equipment	5,327	2.2	5,210	5,149	5,238
Intangible assets	8,376	(1.6)	8,513	7,711	8,244
Other assets	10,766	(4.5)	11,275	9,893	8,588
TOTAL ASSETS	**528,795**	**7.3**	**492,674**	**504,990**	**502,204**
Financial liabilities held for trading	25,443	32.7	19,169	23,495	19,273
Other financial liabilities at fair value	338	(31.8)	496	366	449
Financial liabilities at amortised cost	449,642	7.7	417,452	428,429	429,204
• Deposits by Central Banks and banks	89,259	26.8	70,367	75,029	88,098
• Due to customers	251,043	4.6	240,094	246,664	236,183
• Marketable debt securities	86,592	3.6	83,595	83,248	82,999
• Subordinated debt	15,510	(3.9)	16,132	15,415	15,662
• Other	7,238	(0.4)	7,264	8,073	6,262
Liabilities under insurance contracts	10,492	4.3	10,062	10,187	9,997
Other liabilities	15,544	(13.2)	17,901	16,543	15,338
TOTAL LIABILITIES	**501,459**	**7.8**	**465,080**	**479,020**	**474,261**
Minority interests	1,006	17.8	854	876	880
Valuation adjustments	(246)	n.m.	2,701	(756)	2,252
Shareholders' funds	26,575	10.5	24,040	25,850	24,811
EQUITY	**27,336**	**(0.9)**	**27,594**	**25,970**	**27,943**
TOTAL LIABILITIES AND EQUITY	**528,795**	**7.3**	**492,674**	**504,990**	**502,204**
MEMORANDUM ITEM:					
Contingent liabilities	82,507	36.1	60,623	77,663	65,845
MEMORANDUM ITEM:					
Average total assets	507,148	13.3	447,707	499,938	461,668
Average shareholders' funds	23,315	36.3	17,105	23,311	17,901

now much smaller than at the end of June. This is because most currencies in the Americas have appreciated against the euro in recent months. As usual we will provide additional comparisons for the main items, based on constant exchange rates.

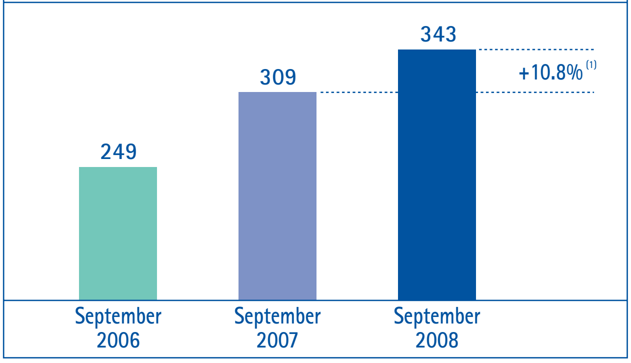
At 30-Sep-08 the Group's **total assets** came to €529 billion, an increase of 7.3% compared to €493 billion a year earlier.

Lending to customers

At the end of the quarter, lending to customers came to €343 billion, rising 10.8% compared to €309 billion at 30-Sep-07. At constant exchange rates the increase was 11.3%.

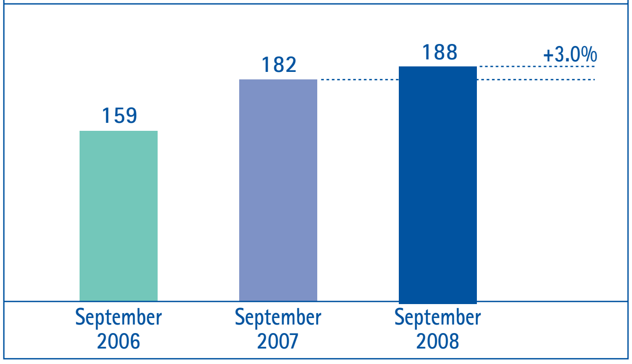
Lending to domestic customers in Spain includes €17 billion to the **public sector** (up 5.6% year-on-year) and those to the **domestic private sector** rose 3.0% to €188 billion (€182 billion at 30-Sep-07), reflecting the general slowdown for the whole banking sector. Secured loans (the biggest component of lending) were particularly affected, increasing only 4.2% to €107 billion.

Total lending (gross)
(Billion euros)



(1) At constant exchange rates: +11.3%.

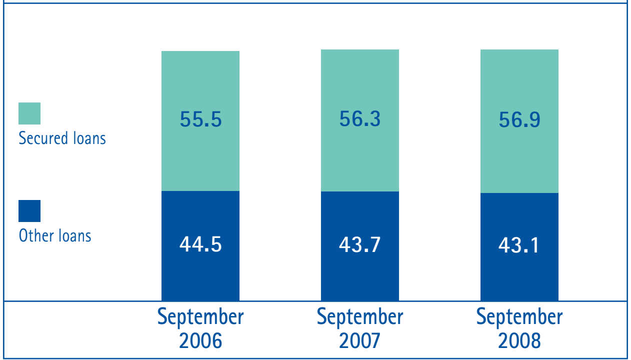
Total lending to other domestic sectors (gross)
(Billion euros)



Total lending

(Million euros)	30-09-08	Δ%	30-09-07	30-06-08	31-12-07
Public sector	16,729	5.6	15,847	17,176	15,960
Other domestic sectors	187,850	3.0	182,318	190,191	187,049
• Secured loans	106,908	4.2	102,593	107,199	104,567
• Commercial loans	9,981	(21.0)	12,633	10,744	12,767
• Financial leases	7,970	5.3	7,568	8,009	7,774
• Other term loans	57,767	5.1	54,978	57,772	57,159
• Credit card debtors	1,704	19.1	1,431	2,115	1,975
• Other	3,521	13.0	3,115	4,352	2,808
Non-domestic sector	131,608	22.1	107,788	119,171	111,631
• Secured loans	40,362	32.3	30,509	36,744	30,695
• Other loans	91,246	18.1	77,278	82,427	80,936
Non-performing loans	6,483	101.9	3,212	4,665	3,358
• Public sector	78	(37.8)	126	77	116
• Other domestic sectors	3,855	213.5	1,230	2,487	1,435
• Non-domestic sectors	2,550	37.4	1,856	2,102	1,807
TOTAL LENDING (GROSS)	**342,670**	**10.8**	**309,164**	**331,204**	**317,998**
Loan-loss provisions	(7,826)	9.9	(7,124)	(7,371)	(7,117)
TOTAL NET LENDING	**334,844**	**10.9**	**302,040**	**323,833**	**310,882**

Detail of total lending to other domestic sectors (gross)
(Percentage)



Lending to **non-resident** customers increased 22.1% to €132 billion, compared to €108 a year earlier (up 23.6% without the impact of exchange rates). This was the result of a good performance by corporate & investment banking units in Europe, New York and Asia, aided by all the Group's banks in Latin America. Lending in Mexico, Argentina, Chile, Colombia, Peru and Venezuela grew at 15% or more.

Non-performing assets account for the remaining €6.5 billion. These are dealt with in the chapter on risk management.

Customer funds

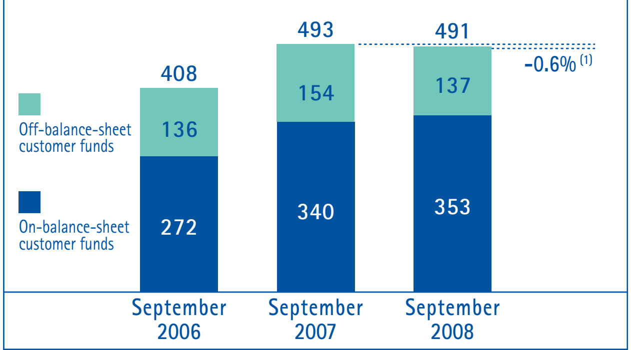
At the end of September total customer funds on and off the balance sheet came to €491 billion, compared to €493 billion a year earlier. At constant exchange rates the figure is up 0.2%.

Year-on-year variations in customer funds are affected by amounts allocated in the **Treasury auction**, which are reported under Public Sector Deposits. Last year the amount was particularly high (€10.5 billion) whereas now the balance is zero. Excluding such amounts, total customer funds increased 1.6% (instead of falling 0.6%).

Customer funds

(Million euros)	30-09-08	Δ%	30-09-07	30-06-08	31-12-07
ON-BALANCE-SHEET CUSTOMER FUNDS	**353,145**	**3.9**	**339,820**	**345,327**	**334,844**
DEPOSITS	**251,043**	**4.6**	**240,094**	**246,664**	**236,183**
Public sector	6,321	(63.1)	17,111	8,168	6,853
Other domestic sectors	105,998	(1.4)	107,552	106,270	107,416
• Current and savings accounts	42,243	(3.7)	43,875	43,249	44,187
• Time deposits	39,864	20.7	33,019	38,047	33,781
• Assets sold under repurchase agreement	6,854	(27.1)	9,402	7,188	8,785
• Other	17,038	(19.8)	21,256	17,785	20,664
Non-domestic sector	138,724	20.2	115,431	132,227	121,913
• Current and savings accounts	53,835	9.0	49,397	48,551	50,836
• Time deposits	76,066	32.9	57,219	75,357	61,670
• Assets sold under repurchase agreement and other accounts	8,823	0.1	8,815	8,319	9,407
MARKETABLE DEBT SECURITIES	**86,592**	**3.6**	**83,595**	**83,248**	**82,999**
Mortgage bonds	39,726	0.4	39,585	39,666	39,730
Other marketable securities	46,866	6.5	44,010	43,582	43,269
SUBORDINATED DEBT	**15,510**	**(3.9)**	**16,132**	**15,415**	**15,662**
OTHER CUSTOMER FUNDS	**137,371**	**(10.5)**	**153,562**	**140,190**	**150,777**
Mutual funds	52,480	(11.8)	59,481	54,571	57,932
Pension funds	57,366	(5.3)	60,553	57,652	60,909
Customer portfolios	27,525	(17.9)	33,528	27,967	31,936
TOTAL CUSTOMER FUNDS	**490,516**	**(0.6)**	**493,382**	**485,517**	**485,621**

Customer funds
(Billion euros)



(1) At constant exchange rates: +0.2%.

As in recent quarters, **customer funds on the balance sheet** attracted most of the gains, rising 3.9% to €353 billion compared to €340 billion a year earlier (up 7.2% without Treasury auction). Of this amount customer deposits account for €251 billion, up 4.6% (up 9.4% without Treasury auction). Marketable debt securities account for €86.6 billion (up 3.6% year on year) and subordinate liabilities (subordinate debt and preference securities) account for the remaining €15.5 billion (down 3.9%).

Off-balance-sheet funds (mutual funds, pension funds and customer portfolios) came to €137 billion at 30-Sep-08. This was a drop of 10.5% from the figure of €154 billion a year earlier (down 9.1% at constant exchange rates). These figures are severely affected by the negative impact of the markets on some components. In Spain these funds fell 15.3% to €65 billion, affected by lower demand for mutual funds. Outside Spain off-balance-sheet funds came to €73 billion, down 5.8% year-on-year (down 2.7% at constant rates). Part of this decline is due to the sale of the Miami branch in the second quarter of 2008. At 30-Sep-07 this branch contributed €1,005m to customer portfolios.

Other customer funds

(Million euros)	30-09-08	∆%	30-09-07	30-06-08	31-12-07
SPAIN	**64,824**	**(15.3)**	**76,574**	**67,857**	**74,401**
MUTUAL FUNDS	**37,236**	**(17.4)**	**45,056**	**39,460**	**43,258**
Mutual funds (ex Real estate)	35,511	(16.6)	42,558	37,519	40,876
• Monetary and short term fixed-income	12,906	(19.8)	16,090	14,283	15,489
• Long-term fixed income	1,256	(20.6)	1,582	1,388	1,653
• Balanced	987	(39.2)	1,624	1,141	1,493
• Equity	2,236	(45.1)	4,073	2,649	3,589
• Guaranteed	16,809	(1.0)	16,974	16,609	16,788
• Global	1,317	(40.5)	2,214	1,448	1,864
Real estate investment trusts	1,602	(32.5)	2,374	1,818	2,258
Private equity funds	123	(0.4)	124	123	124
PENSION FUNDS	**16,093**	**(3.1)**	**16,604**	**16,124**	**17,068**
Individual pension plans	9,208	(2.0)	9,394	9,238	9,806
Corporate pension funds	6,885	(4.5)	7,211	6,886	7,262
CUSTOMER PORTFOLIOS	**11,494**	**(22.9)**	**14,913**	**12,273**	**14,075**
REST OF THE WORLD	**72,548**	**(5.8)**	**76,988**	**72,333**	**76,376**
Mutual funds and investment companies	15,244	5.7	14,425	15,111	14,674
Pension funds	41,273	(6.1)	43,949	41,528	43,841
Customer portfolios	16,031	(13.9)	18,614	15,694	17,861
OTHER CUSTOMER FUNDS	**137,371**	**(10.5)**	**153,562**	**140,190**	**150,777**

In Spain high interest rates and weak stock markets drove savings into time deposits at the expense of mutual funds or current and savings accounts. As a result time deposits rose 20.7% to €40 billion at 30-Sep-08. Excluding the volatile movements in euro deposits the increase was 34.3%. Conversely current and savings accounts fell 3.7% to €42 billion. Mutual funds fell 17.4% to €37 billion, however, the average decline in the banking sector was even greater and thus BBVA continued to gain market share (2.3 percentage points in the last 12 months). Pension funds fell 3.1% to €16 billion due to negative markets.

Public sector deposits in Spain fell 63.1% to €6.3 billion. If the €10.5 billion allocated in the Treasury auction last year are excluded the fall is 3.8%.

In the **non-resident customer** segment in Spain the aggregate of current and savings accounts, time deposits, mutual funds and pension funds rose 13.0% to €186 billion (up 15.4% at constant exchange rates). Current and savings accounts, which are associated with bigger margins, grew 9.0% to €54 billion.

Stable funds came to €133 billion (up 14.7%). Time deposits accounted for €76 billion (up 32.9%), pension funds €41 billion (down 6.1%) and mutual funds and investment companies €15 billion (up 5.7%).

Statement of changes in equity

(Million euros)	Capital	Reserves	Profit for the year	Treasury shares	Valuation adjustments	Minority interests	Paid dividends	TOTAL EQUITY
BALANCE AT 31-12-06	**1,740**	**13,208**	**4,736**	**(112)**	**3,341**	**768**	**(1,363)**	**22,318**
Valuation adjustments					(640)	(53)		(693)
Profit retained		2,525	(2,525)					-
Dividends			(2,210)			(105)	259	(2,056)
Shares issued	96	3,191						3,287
Treasury shares		(51)		(156)				(207)
Profit for the year			4,756			225		4,981
Other		(54)				18		(37)
BALANCE AT 30-09-07	**1,837**	**18,820**	**4,756**	**(268)**	**2,701**	**854**	**(1,104)**	**27,594**
BALANCE AT 31-12-07	**1,837**	**18,830**	**6,126**	**(322)**	**2,252**	**880**	**(1,661)**	**27,943**
Valuation adjustments					(2,498)	6		(2,491)
Profit retained		3,464	(3,464)					-
Dividends			(2,663)			(144)	439	(2,367)
Shares issued								-
Treasury shares		(163)						(163)
Profit for the year			4,501			268		4,768
Other		(67)		(282)		(5)		(354)
BALANCE AT 30-09-08	**1,837**	**22,064**	**4,501**	**(603)**	**(246)**	**1,006**	**(1,222)**	**27,336**

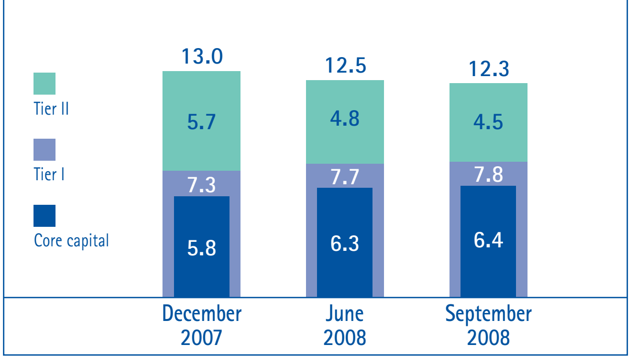
Capital base

At the end of September 2008 the BBVA Group's **capital base**, calculated according to **Basel II** rules, came to €34,236m, an increase of 2.0% compared to the end of June 2008.

During the third quarter **risk-weighted assets** (RWA) increased to €279,122m, a rise of 4.0% compared to the end of the last quarter, mainly due to currency appreciation. The minimum capital requirement (8% of RWA) is therefore €22,330m and the **capital base surplus** is €11,907m. In other words, the Group's capital base is 53% higher than the required minimum.

At the end of September, **core capital** came to €17,821m. This is 6.4% of risk-weighted assets compared to 6.3% at 30-Jun-08 and 5.8% at 31-Dec-07. The increase is mainly due to net attributable profit excluding dividends.

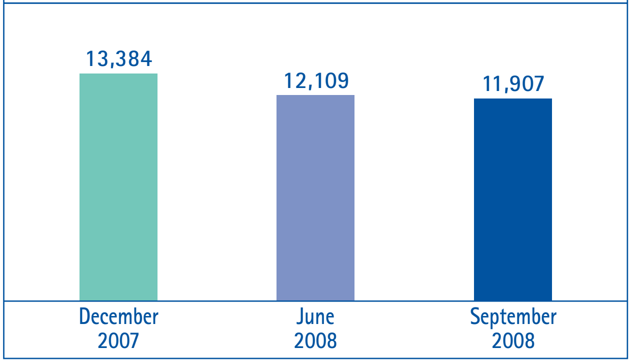
Capital base: BIS II ratio
(Percentage)



Capital base (BIS II Regulation)

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

Capital surplus
(Million euros)



Tier I capital comes to €21,772m, which is 7.8% of risk-weighted assets (7.7% at 30-Jun-08 and 7.3% at 31-Dec-07). The ratio of preference securities to core equity was 20.5%. Although BBVA made no new issues in the third quarter, the value of existing issues in US dollars and GB pounds increased €40m due to currency appreciation.

Other eligible capital (**Tier II**), which mainly consists of subordinated debt, eligible latent capital gains and generic provisions in excess of the limit defined in the rules, amounted to €12,465m. Therefore the Tier II ratio is 4.5%. This ratio fell 30 basis points during the quarter mainly due to the early redemption of a subordinated-debt issue of €600m by BBVA SA and to the falls on stock markets.

During the quarter the Group made two small issues, one of €100m by BBVA SA and the other of €20m by BBVA Subordinated Capital SAU. BBVA Bancomer also issued 1,200m pesos in subordinated debt (about €80m) and BBVA Banco Continental (Peru) issued 95m soles (about €20m).

As a result, the **BIS ratio** at the end of September 2008 was 12.3%, compared to 12.5% at the end of the previous quarter.

Ratings

There was no movement in ratings during the quarter.

Ratings

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

The BBVA share

In the **third quarter of 2008** stock markets continued to slide as the financial crisis began to weigh on the real economy. Negative events in the banking sector did further damage causing market volatility to surge and investors became increasingly risk-adverse, adding to the negative sentiment on stock markets. Fortunately inflationary pressures subsided following a sharp drop in the oil price and on growing concern about the slowing economy.

The main European **indices** fell heavily during the quarter, exceeding declines in the previous period. The Stoxx 50 fell 9.3% and the UK's FTSE lost 12.9% on lower forecasts for the European economy. The IBEX 35 performed slightly better (down 8.8%). In the US market the S&P 500 dropped 8.9%.

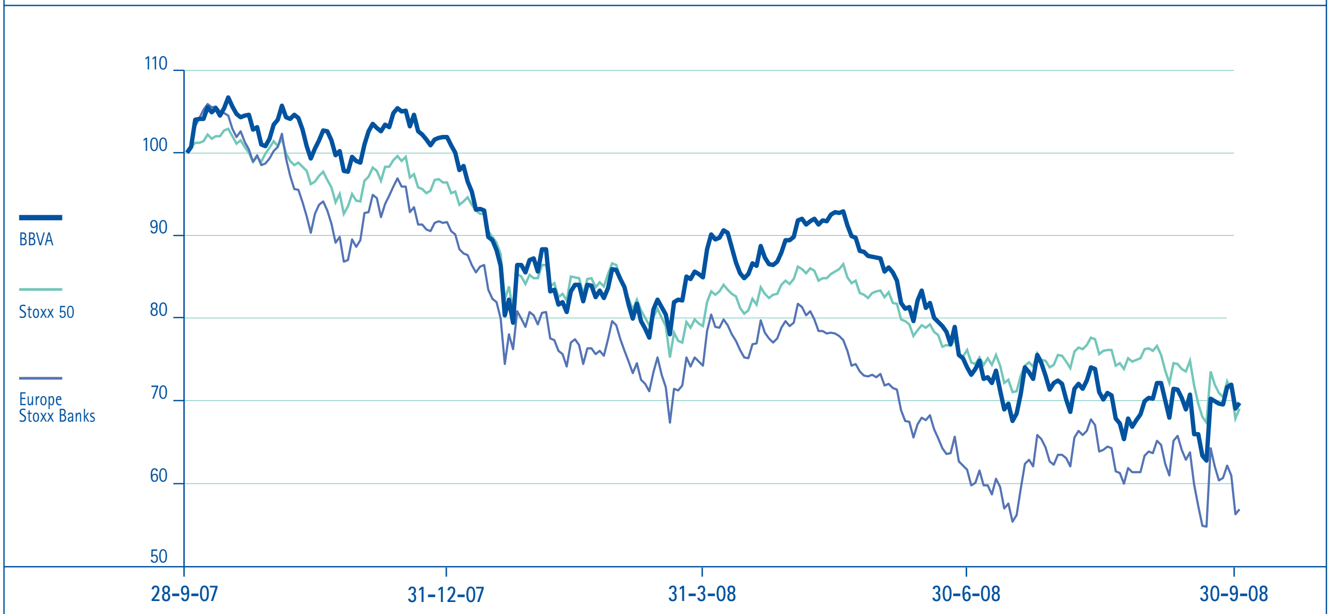
European **banking stocks** were undermined by considerable uncertainty regarding earnings, capital adequacy and liquidity. Capital increases at some banks partially offset heavy write-downs of toxic assets. In the United States the authorities were forced to take action in view of the critical situation at some important banks. This provided initial support for share prices and helped to compensate the earlier sharp losses. European governments also took steps to improve liquidity and reduce balance sheet problems. During the quarter the European banking index (Stoxx Banks) fell 7.7%. The falls were smaller among British banks, which had dropped heavily in the previous quarter, and the FTSE Banks fell 1.4%. In the USA the S&P Financials Index was flat (down 0.1%) and the S&P Regional Banks rose 24.3%.

Earnings in the banking sector suffered sharp declines in the second quarter caused by a fall in revenues and an important increase in provisions. Wholesale banking business is severely affected by the current situation and this has a negative effect on earnings. Nonetheless retail business, which is more stable, is making bigger contributions to profit.

In this context **BBVA's share price** has once again outperformed the sector average. It fell 5.8% in the third quarter (compared to the 7.7% fall in Stoxx Banks mentioned above). Moreover, in the last 12 months it has fallen 30.3% whereas the Stoxx Banks is down 43.2%.

BBVA's earnings in the second quarter were in line with analysts' expectations. They especially liked the solid trends in banking operations because they support sustainable growth in the mid-term. This was reflected by the strong rise of lending outside Spain and the improvements in margins and efficiency. In the Spain & Portugal Area the positive aspects were strong net

Share price index
(28-09-07=100)



The BBVA share

	30-09-08	30-06-08	31-12-07	30-09-07
Number of shareholders	886,950	886,407	889,734	885,131
Number of shares issued	3,747,969,121	3,747,969,121	3,747,969,121	3,747,969,121
Daily average number of shares traded	53,508,290	52,379,128	50,958,752	49,784,590
Daily average trading (million euros)	707	740	908	903
Maximum price (euros)	16.82	16.82	20.28	20.28
Minimum price (euros)	10.18	12.05	15.40	15.40
Closing price (euros)	11.46	12.17	16.76	16.44
Book value per share (euros)	7.09	6.90	6.62	6.41
Market capitalisation (million euros)	42,952	45,613	62,816	61,617

Share performance ratios

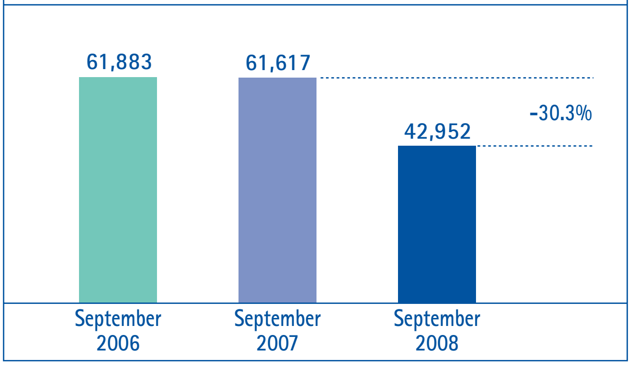
	30-09-08	30-06-08	31-12-07	30-09-07
Price/Book value (times)	1.6	1.8	2.5	2.6
PER (Price/Earnings; times) (1)	6.7	6.9	10.3	10.1
Yield (Dividend/Price; %) (2)	7.07	6.78	4.37	4.46

(1) The 30-9-08 P/E is calculated taking into consideration the median of the analysts' estimates (October 2008).
(2) Dividend yield at 30-9-08 is calculated taking into consideration the median of analysts' estimates (October 2008).

interest income, solid earnings despite the slowdown in lending and cost containment. The strength of the Wholesale Banking & Asset Management Area was well received. Mexico is still looked on as an important source of growth for the Group and this also applies to South America whose earnings contained no negative surprises. In the US Area business growth and expenses were in line with expectations. At the end of September, 71% of the 38 analysts who track BBVA's performance maintained their buy recommendation with an average target price of €16.5.

In the third quarter BBVA's share price varied between €10.18 and €12.58, closing at €11.46 on 30-Sep-08. This puts the market capitalisation at €42,952m and determines a price-earnings ratio (calculated on the analysts' average forecast for 2008 earnings) of 6.7, compared to 10.3 for 2007 (calculated on the actual figures at the end of 2007). It also means the price-to-book ratio is 1.6 and the **dividend yield** (calculated on the analysts' average estimate for 2008 dividends) is 7.1%. The equivalent figures for 2007 were 2.5 and 4.4%, respectively.

Market capitalisation
(Million euros)



In the third quarter the average number of shares traded each day was 56 million, somewhat higher than the previous quarter. However the average value fell to €644m.

In respect of **shareholder remuneration** and at a time when other banks are cutting back dividends, BBVA's second interim dividend against 2008 earnings was 10% higher than 2007. This dividend of €0.167 per share was paid on 10th October 2008.

Risk and economic capital management

Risk management

Credit risk

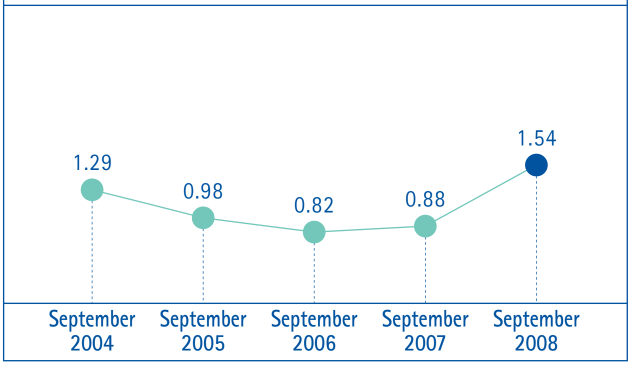
The BBVA Group's asset quality is excellent. It is amongst the European banking groups with the lowest NPL and the highest coverage ratios.

Total customer risks (including contingent risks) stood at €425,177m on 30th September 2008. This was 15% up on the €369,787m reported in September 2007. **Non-performing assets** were €6,544m at the end of the quarter, 101.1% more than the €3,255m booked to the same date on the previous year. This increase was largely due to the unfavourable macroeconomic environment in domestic and international markets, which also influenced the increase in total exposure. In this third quarter, the positive exchange-rate impact has also pushed the figures up as American currencies have strengthened against the euro.

The Group's **non-performing loan (NPL) ratio** stood at 1.54% at the end of September 2008. At 30-Jun-08 the figure was 1.15% and at 30-Sep-07 it was 0.88%.

The latest published data for August 2008 show BBVA's NPL ratio on lending to other resident sectors **in Spain** to be below that of the industry as a whole (1.79% compared to 2.50%). Its performance year to date was also more positive, as the gap widened to 71 basis points, compared to the 16 basis points' advantage it had in December 2007. In the Spain & Portugal business area, the NPL ratio stood at 1.86% to the end of September (1.22% on 30-Jun-08 and 0.66% on 30-9-07). It was lower in the loanbook for residential mortgages to individuals and developers (1.57%), which mainly comprises first residence loans with a low loan-to-value ratio. In Wholesale Banking & Asset Management there is scarcely any doubtful loans, such that the NPL ratio was a mere 0.05%.

Non-performing loan ratio
(Percentage)



Credit risk management

(Million euros)	30-09-08	Δ%	30-09-07	30-06-08	31-12-07
TOTAL RISK EXPOSURE [1]					
Non-performing assets	6,544	101.1	3,255	4,720	3,408
Total risks	425,177	15.0	369,787	408,867	383,843
Provisions	8,310	9.1	7,618	7,857	7,662
• Specific	2,506	26.8	1,976	2,035	1,868
• Generic and country-risk	5,804	2.9	5,642	5,821	5,794
NPL ratio (%)	1.54		0.88	1.15	0.89
NPL coverage ratio (%)	127		234	166	225
FORECLOSED ASSETS:					
Foreclosed assets	383	50.6	254	323	237
Foreclosed asset provisions	100	12.4	89	72	96
Coverage (%)	26.2		35.1	22.3	40.5

(1) Including contingent liabilities.

Variations in non-performing assets

(Million euros)	2008 3Q	2008 2Q	2008 1Q	2007 4Q	2007 3Q
BEGINNING BALANCE	**4,720**	**3,878**	**3,408**	**3,255**	**2,918**
Net variation	**1,824**	**842**	**470**	**153**	**337**
Entries	3,137	2,215	1,591	1,501	1,108
Outflows	(875)	(813)	(716)	(710)	(557)
Write-offs	(529)	(535)	(347)	(581)	(428)
Exchange rate differences and other	91	(25)	(58)	(57)	214
PERIOD-END BALANCE	**6,544**	**4,720**	**3,878**	**3,408**	**3,255**
MEMORANDUM ITEM:					
• Non-performing loans	6,483	4,665	3,837	3,358	3,212
• Non-performing contingent liabilities	61	55	41	49	43

In Mexico the NPL ratio stood at 2.75% at the end of the quarter (2.37% on 30-Jun-08 and 2.32% on 30-Sep-07). This was below the average of its core peer group and better behaviour over the year, according to available data. The United States area also saw an increase in its NPL ratio to 2.71% from the 2.37% reported in June 2008 and 1.66% in September 2007. However, in South America it continued to go down, reaching 2.05% (2.22% on 30-Jun-08 and 2.44% on 30-Sep-07).

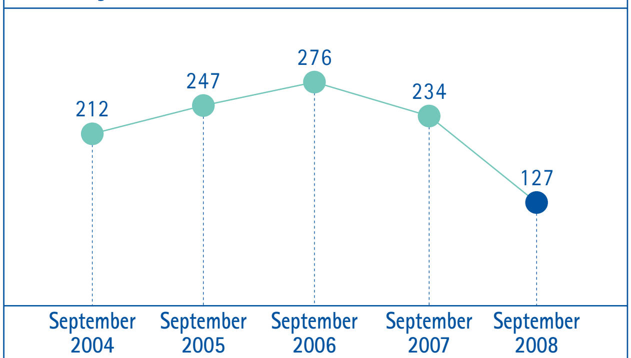
Coverage funds continued to grow, reaching a total of €8,310m at the end of September 2008. This was 9.1% above the €7,618m reported for the same date in 2007. Generic provisions and country risk (up 2.9% to €5,804m) rose parallel to loan growth. Specific provisions also rose 26.8% to €2,506m.

The **coverage ratio** continues to reflect a high degree of strength in the Group as a whole (127% at 30-Sep-08, as against 234% in 30-Sep-07) and in all its business areas: in Spain & Portugal it was 97%, in Wholesale Banking & Asset Management it was over 2,100%, in Mexico 191%, in United States 73% and in South America 146%.

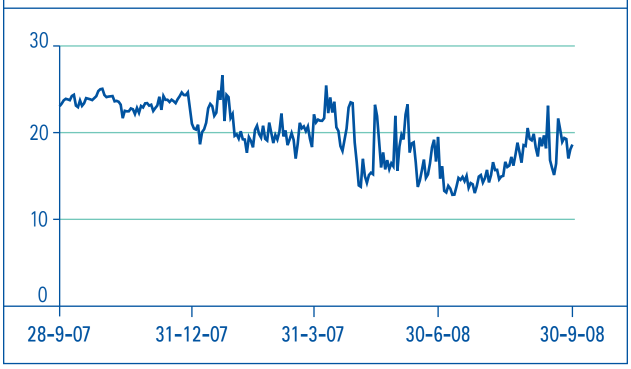
Market risk

The market risk from the BBVA Group's trading portfolio in the third quarter of 2008 stood at an average of €16.4m (referenced to VaR without exponential flattening). This is 12.4% down on the average in the second quarter. At 31-Sep-08, exposure was €18.6m, while average weighted consumption of VaR limits remained at moderate levels (38%).

Coverage ratio
(Percentage)



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



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

Volatility in mature markets and Latam markets continued to increase over the quarter.

Broken down by **geographical zones**, risk was mainly concentrated in Europe and the United States, which accounted for 72% of the third-quarter total. Mexico's share of total exposure went down nearly 11 percentage points to 15.7% and South America's weighting increased slightly to 12.5%.

Grading exposure by **risk type**, the main risk on 30th September 2008 was interest-rate and spread, although this reduced its weighting against the second quarter. Meanwhile, exchange-rate risk and equity risk have increased their share in the total, while volatility risk maintained its significant weight.

Market risk by risk factors

(Third Quarter 2008. Million euros)

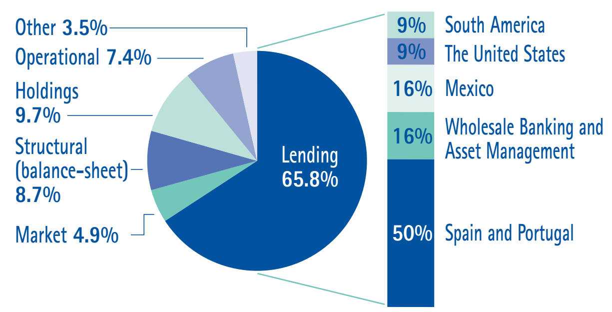
Risk	30-09-08
Interest and credit spread	20.4
Exchange rate	4.8
Equity	3.0
Vega and correlation	6.6
Diversification effect	(16.2)
TOTAL	**18.6**
AVERAGE	**16.4**
MAXIMUM	**23.1**
MINIMUM	**12.8**

Economic capital

Attributable ERC consumption (economic risk capital) reached €19,597m at the end of September 2008, up 1.2% against 30-Jun-08 and 3.2% against 31-Dec-07.

In the third quarter, ERC for lending risk grew 3.7%. The amount subject to operational risk has gone down 28.5% with the implementation of internal models to calculate capital at risk.

BBVA Group economic risk capital
Distribution by risk type
(Data in attributable terms, 30-9-08)



Economic profit & risk adjusted return on economic capital

The figures for economic profit (EP) and risk-adjusted return on capital (RAROC) form part of an array of elements that BBVA uses to manage its value-creation metrics more efficiently.

Calculation starts with 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 2008, these accounted for –€2,189m, mainly due to lower unrealised capital gains. Subtracting this amount, **adjusted profit** stood at €2,311m.

Since these figures may be temporarily distorted by market volatility, recurrent data also need to be calculated. These mainly reflect the value of customer business, excluding the earnings of units impacted by changes in capital gains on portfolio investments. Such **recurrent adjusted profit** stood at €3,838m in the first nine months of 2008, 0.3% up on the €3,828m recorded in the same period of 2007.

The required economic capital for each business unit (average economic risk capital over the period, ie, €19,201m in Jan-Sep 2008) is then calculated and multiplied by the percentage cost of capital and deducted from the adjusted profit. The **cost of capital** is based on market information extracted from the analysts' consensus, using different rates for each business unit and business area.

This gives an **economic profit** of €817m for the year to September. **Recurrent economic profit** stood at €2,584m, reflecting the degree to which BBVA's profits exceed the cost of capital employed. This difference is the economic value of BBVA shareholders' return.

The **RARoC** figure measures the return earned by each business unit adjusted to the risks it bears. Comparing the annualised adjusted profit against the average economic risk capital (ERC) for the first three quarters gives a RARoC of 16.1%, while **recurrent RARoC** was 30.9% (34.9% in 9m 2007).

Economic profit and risk adjusted return on economic capital

(Million euros)	Jan.-Sep. 08	Δ%	Jan.-Sep. 07
NET ATTRIBUTABLE PROFIT	**4,501**	**(5.4)**	**4,756**
Adjustments	(2,189)	n.m.	374
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	**2,311**	**(54.9)**	**5,129**
Average economic risk capital (ERC) (B)	19,201	10.4	17,388
RISK ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100 (1)	**16.1**		**39.4**
RECURRENT RAROC (%) (1)	**30.9**		**34.9**
ERC x cost of capital (C)	1,494	8.4	1,378
ECONOMIC PROFIT (EP) = (A) – (C)	**817**	**(78.2)**	**3,751**
RECURRENT ECONOMIC PROFIT	**2,584**	**(3.9)**	**2,690**

(1) Percentage annualized.

EP and RAROC by business area

(January-September 2008. Million euros and percentage)	Average economic risk capital (ERC)	Adjusted net attributable profit	Recurrent adjusted net attributable profit	RAROC (% annualized)	Recurrent RAROC (% annualized)	Economic profit (EP)	Recurrent economic profit (recurrent EP)
Spain and Portugal	7,215	1,782	1,782	33.0	33.0	1,294	1,294
Wholesale Banking and Asset Management	3,262	293	546	12.0	27.9	41	356
The United States	1,738	176	176	13.5	13.5	44	44
South America	1,909	530	530	37.1	37.1	352	352
Corporate Activities	2,088	(1,885)	(611)	-	-	(2,071)	(619)
BBVA GROUP	**19,201**	**2,311**	**3,838**	**16.1**	**30.9**	**817**	**2,584**

Business areas

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

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

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

- **Capital**: the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets have two levels: the first is core equity, which determines the allocated capital. The Bank uses this amount as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinate debt and preference shares. The ERC calculation combines lending risk, market risk, and structural risk associated with the balance sheet and equity positions, operational risk and fixed asset and technical risks in the case of insurance companies.

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

- **Internal transfer prices**: the Bank uses rates adjusted for maturity to calculate the net interest income for each business. It also examines the interest rates for the different assets and liabilities that make up each unit's balance sheet. In cases where there are revenue-generating units as well as distribution units (eg, asset management products), it divides the earnings according to market prices.

- **Assignment of operating expenses**: the Bank assigns direct and indirect costs to business areas except where there is no closely defined relationship, ie, when they are of a clearly corporate or institutional nature for the entire Group.

- **Cross-business register**: as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused by cross-marketing incentives.

- In the breakdown of information, the **top level** comprises the business areas. They are broken down into their main operating units and information is provided for these as well. The arrangement of the areas is different to that in 2007 and reflects the new structure adopted at the end of that year.

- **Business in Spain and Portugal**
- **Wholesale Banking and Asset Management:**
  - Corporate and Investment Banking
  - Global Markets
- **Businesses in Mexico:**
  - Banking businesses
  - Pensions and Insurance
- **Businesses in the United States**
- **Businesses in South America:**
  - Banking businesses
  - Pensions and Insurance

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

The Corporate Activities area handles the Group's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity issues and shareholders' funds. The management of structural risks related to interest rates in currencies other than the euro is handled by the corresponding areas. This area also includes the industrial portfolio management unit and financial shareholdings.

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

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

- **Spain and Portugal:** this includes the Spanish Retail Network (individual customers, high net-worth individuals and small companies and businesses in the domestic market), the Corporate and Business Banking unit (SMEs, large companies, institutions and developers in the domestic market), and the remaining units, in particular, Consumer Finance, European Insurance and BBVA Portugal.

- **Wholesale Banking and Asset Management:** consisting of Corporate and Investment Banking (includes the activities of the European, Asian and New York branches); Global Markets (trading floor business and distribution in Europe, Asia and New York); Asset Management (mutual and pension funds in Spain, hedge funds and private equity); the management of the Group's own equity portfolios and real estate businesses; and Asia (through the Group's holding in the Citic group).

- **Mexico:** this area includes the banking, insurance and pension businesses in Mexico.

- **The United States:** it comprises the banking and insurance business in the USA and Puerto Rico.

- **South America:** this consists of banking, insurance and pension businesses in South America.

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

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

Operating profit and net attributable profit by business area

(Million euros)	Operating profit				Net attributable profit			
	Jan.-Sep. 08	Δ%	Δ% at constant exchange rates	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Δ% at constant exchange rates	Jan.-Sep. 07
Spain and Portugal	3,410	11.7	11.7	3,051	1,966	10.2	10.2	1,784
Wholesale Banking and Asset Management	1,126	20.9	20.9	931	741	14.8	14.8	646
Mexico	2,809	10.4	19.9	2,545	1,531	7.1	16.3	1,430
The United States	517	142.6	174.6	213	184	47.9	67.4	125
South America	1,271	19.5	28.1	1,063	539	9.4	17.7	492
Corporate Activities	(922)	51.3	51.3	(609)	(641)	24.4	24.4	(515)
BBVA GROUP EXCLUDING ONE-OFFS	**8,209**	**14.1**	**19.0**	**7,195**	**4,321**	**9.1**	**13.7**	**3,962**
BBVA GROUP	**8,936**	**11.1**	**15.4**	**8,042**	**4,501**	**(5.4)**	**(2.0)**	**4,756**

Spain and Portugal

Income statement

(Million euros)	Jan.-Sep. 08	∆%	Jan.-Sep. 07
NET INTEREST INCOME	**3,477**	**11.0**	**3,134**
Income by the equity method	2	95.9	1
Net fee income	1,225	(2.7)	1,259
Income from insurance activities	365	7.8	339
CORE REVENUES	**5,069**	**7.1**	**4,733**
Net trading income	213	13.5	188
ORDINARY REVENUES	**5,282**	**7.3**	**4,920**
Net revenues from non-financial activities	46	(3.1)	47
Personnel and general administrative expenses	(1,844)	(0.4)	(1,851)
Depreciation and amortization	(80)	(7.4)	(86)
Other operating income and expenses	7	(68.4)	22
OPERATING PROFIT	**3,410**	**11.7**	**3,051**
Impairment losses on financial assets	(609)	46.2	(416)
• Loan-loss provisions	(584)	42.6	(410)
• Other	(24)	271.7	(7)
Provisions	2	n.m.	(5)
Other income/losses	(2)	n.m.	8
PRE-TAX PROFIT	**2,801**	**6.2**	**2,637**
Corporate income tax	(835)	(2.1)	(853)
NET PROFIT	**1,966**	**10.2**	**1,784**
Minority interests	-	139.3	-
NET ATTRIBUTABLE PROFIT	**1,966**	**10.2**	**1,784**

Balance sheet

(Million euros)	30-09-08	∆%	30-09-07
Cash and balances at Central Banks	2,410	16.0	2,077
Financial assets	10,985	(19.9)	13,709
Loans and receivables	206,261	3.9	198,500
• Due from banks	3,157	(28.6)	4,425
• Loans to customers	202,106	5.0	192,495
• Other	997	(36.9)	1,581
Inter-area positions	-	-	-
Property, plant and equipment	1,371	(5.1)	1,444
Other assets	1,657	(40.3)	2,774
TOTAL ASSETS / LIABILITIES AND EQUITY	**222,684**	**1.9**	**218,505**
Deposits by Central Banks and banks	11,925	(12.4)	13,620
Due to customers	92,439	7.9	85,675
Marketable debt securities	5,400	(27.1)	7,404
Subordinated debt	4,105	1.7	4,036
Inter-area positions	82,520	3.7	79,594
Other liabilities	19,012	(10.8)	21,318
Minority interests	2	(72.2)	6
Economic capital allocated	7,281	6.2	6,853

Relevant business indicators

(Million euros and percentages)	30-09-08	∆%	30-09-07
Customer lending [1]	200,855	3.6	193,895
Customer deposits [2]	96,288	6.2	90,635
• Deposits	96,215	6.3	90,505
• Assets sold under repurchase agreement	74	(43.3)	130
Off-balance-sheet funds	44,769	(16.9)	53,898
• Mutual funds	35,324	(20.2)	44,250
• Pension funds	9,444	(2.1)	9,647
Other placements	5,200	(1.3)	5,270
Customer portfolios	11,494	(22.9)	14,913
Risk-weighted assets [3]	91,016	6.2	85,666
ROE (%)	36.4		35.9
Efficiency ratio (%)	33.8		36.2
Efficiency incl. depreciation and amortization (%)	35.3		37.9
NPL ratio (%)	1.86		0.66
Coverage ratio (%)	97		261

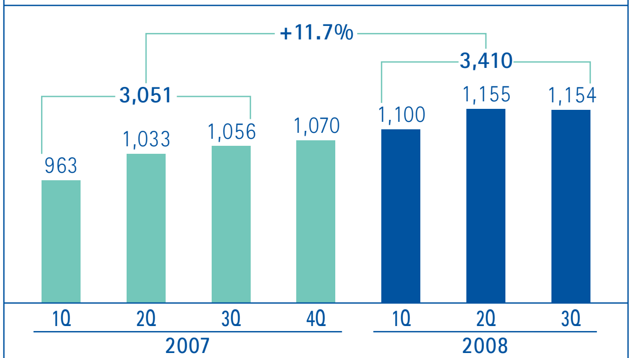
(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) According to ERC methodology.

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

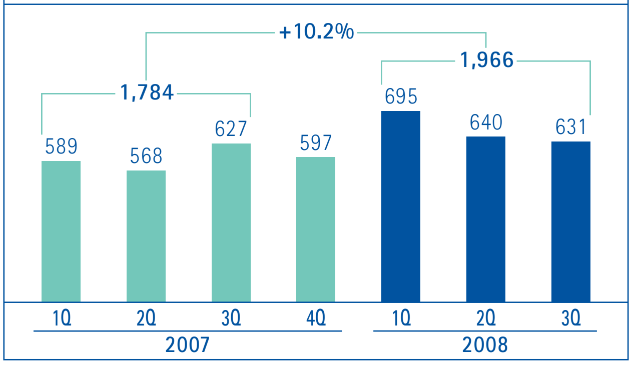
In the third quarter lending in the Spanish **banking sector** grew more slowly and there was a sustained demand for time deposits accompanied by an overall increase in savings and a slowdown in consumer spending. Prices of loans and the cost of deposits adjusted in line with current conditions, helping to maintain the strength of net interest revenue. Together with cost controls and contributions from the insurance business and other units, this kept recurrent earnings at an acceptable level. Non-performing loan ratios in the Spanish sector increased but the level of coverage is adequate. Both ratios are sound, compared to other financial systems.

The sustained growth of **the area's recurrent earnings** reflects the high level of marketing productivity in the various branch networks. This started some years ago with BBVA's transformation plan and has continued with the introduction of the new retail banking centres. These centres usher in a new model for the customer relationship, focusing on a personalised retail approach. Among other things, the transformation plan has helped

Spain and Portugal. Operating profit
(Million euros)



Spain and Portugal. Net attributable profit
(Million euros)



to promote products for customers' deposits. It also led to a further improvement in efficiency (measured by the cost/income ratio including depreciation) in the first nine months. This ratio is now 35.3%, compared to 37.9% at the same point last year.

In fact, the Spain & Portugal Area has been steadily growing in high-quality credit products and reducing its exposure to risky segments, and it has been doing this faster than the banking sector as a whole. At the end of the third quarter the portfolio of **loans to customers** in the area stood at €200,855m, up 3.6% year-on-year. The non-performing loan ratio was 1.86% and the coverage ratio was 97%. According to the latest available figures for the sector, BBVA's NPL ratio is increasingly better than the Spanish average in both household and company lending, and particularly in loans to real estate developers. This is evidence of the Group's ability to anticipate events.

Once again time deposits were an important factor in **customer funds**. At the end of the third quarter such deposits had grown 25.9% to €37,087m. Since mid-2006 the area has maintained high growth in this product, which is much in demand. Moreover in the last 12 months BBVA has increased its market share of mutual funds from 16.8% to 19.1% by maintaining the volume of subscriptions and by focusing on the more conservative funds (as requested by customers). This type of fund has increased its proportion of managed assets. As a result of the lower risk profile BBVA enjoys a lower level of redemptions and a less negative market effect. The assets in mutual funds managed by the area stand at €35,324m, dropping 20.2% due to negative markets but the sector as a whole is down 26.3%. Deposits in current and savings accounts have not kept pace with the stable deposits included on the balance sheet and they stand at €38,800m. Total customer funds come to €146,183m, which is a little lower than last year although average monthly balances record a 0.9% increase.

Recent improvements in the price of new loans together with the higher volume of business, lifted **net interest income** 11.0% to €3,477m in the first nine months. It now amounts to 2.21% of managed assets (2.15% for the same period last year). Fees on banking services increased 5.2% (despite the 19.9% fall in fees related to equities intermediation). Conversely net fee income from mutual funds fell 17.1%. The aggregate therefore declined 2.7%.

Income from insurance business rose 7.8% and net trading income was up 13.5%. Expenses fell 0.4%, helping to improve efficiency and lifting **operating profit** 11.7% to €3,410m for the year to date.

The growth of recurrent earnings, with the ratio of revenues to managed assets rising, helped to lift **net attributable profit** 10.2% to €1,966m. ROE stands at 36.4% (35.9% at the same point last year) after loan-loss provisions of €584m (up 42.6%).

Spanish Retail Network

This unit uses a wide range of specialised products for guiding and servicing the financial and non-financial needs of households, professional practices, retailers and small businesses. It also manages the high-net-worth segment of private individuals through a specialised unit (BBVA Patrimonios).

Lending to customers rose 1.9% to €102,216m. Time deposits were up 27.6% year-on-year. At BBVA and also in the broader market they account for a good part of customer demand. Total deposits grew 10.2% and total managed funds (including mutual funds, which are affected negatively by stock markets) came to €113,587m (€115,618m at 30-Sep-07). Marketing productivity increased to an average of 45.9 products sold per account manager. The profitable growth of business plus cost controls lifted operating profit to €2,018m (up 7.1%) and net attributable profit to €1,231m (up 6.3%).

In the **private individual segment** the **residential mortgage loan portfolio** rose 4.9% year-on-year to €68,449m. Operations worth €7,010m were concluded in the first nine months and in the third quarter one type of mortgage (*Hipoteca Blue BBVA*) and the *Ven a casa* campaign both did particularly well. In the year to date **consumer finance** added a further €2,128m in new business, bringing the portfolio of such loans to €9,145m. BBVA's personalised consumer finance products accounted for 14% of new lending in September and it launched a small-loan product (*Préstamo –10%*) that pays back 10% of interest paid each year.

In terms of **customer funds** the unit has gathered €6,892m in time deposits over the last 12 months, bringing its total to €33,869m. The Retail Network helped BBVA to increase its market share of mutual funds because the net effect of subscriptions and redemptions, and the asset valuations are better than those of the competition. The lack of stability in financial markets absorbed new contributions to pension funds and this was true for the entire sector. Therefore the assets managed by this unit declined slightly to €9,063m (€9,264m at 30-Sep-07). And the aggregate of stable customer funds (time deposits, mutual and pension funds, and other placements) came to €79,300m (€80,478m at 30-Sep-07).

In **insurance business** the unit captured €93m via a savings plan (*Ahorro Sistemático*) that was launched in the first quarter. It also issued €85m of life insurance premiums in the private-individual segment (up 10% compared to the first nine months last year).

BBVA Patrimonios, the unit that handles the high-net-worth individuals in Spain, currently manages assets of €10,062m (€12,274m at 30-Sep-07) and has increased the number of customer groups by 10%. It extended its range of products and conducted new campaigns in line with market conditions.

The **small business** segment covers professional practices, the self-employed, retailers, the farming community and companies with less than €2m in turnover. The corresponding loan portfolio stands at €17,289m (€17,413m at 30-Sep-07). Marketing campaigns in the third quarter included a three-year hedging product (*Stockpyme*) that added 1,145 policies in three months and the launch of a new innovative POS system for retailers (*Bono TPV*). With this system customers can obtain all the installation, maintenance and management services related to credit card collections via a single monthly payment.

The unit continued to sell policies to small businesses and the self-employed and premiums came to €27m. And nearly 5,000 operations entailing €229m of ICO funds were concluded in the year to September.

Corporate and Business Banking

The Corporate & Business Banking Unit (CBB) deals with SMEs, large companies, institutions and developers.

Despite the distinctly lower level of activity in the SME segment this unit's loan portfolio rose 4.4% to €87,825m at 30-Sep-08. Customer funds came to €27,513m (final balances were down 7.4% but average balances were up 4.8%). The volume of business and an appropriate pricing policy for loans and deposits helped net interest income to rise 23.1%. Earnings from the sale of hedging contracts and cost controls boosted operating profit 24.2% to €1,204m. Efficiency improved from 21.8% in the first nine months of 2007 to 18.0% for the same period this year. Net attributable profit increased 28.0% to €696m.

In the year to September BBVA concluded 9,750 operations worth €680m under the **ICO-2008** agreement. Most of these were handled by CBB and they facilitated cross-marketing. Some 13% of the companies are new customers, 14% of those who sign a leasing plan also take out an insurance policy and 20% of companies acquire an interest-rate hedging contract.

In the **SME** segment the loan portfolio stands at €34,842m and customer funds are €8,516m. For the first nine months operating profit came to €716m (up 17.3%) and net attributable profit was €424m (up 23.0%).

In business with **corporates** lending grew 21.7% to €15,470m and customer funds rose 7.0% to €4,712m. Operating profit comes to €196m (up 19.1%) and net attributable profit was €99m (up 16.6%). During the third quarter the unit provided €250m in finance to Corporación Financiera Alba for the acquisition of shares in listed and unlisted companies.

Lending to public and private **institutions** rose 5.3% to €20,081m and customer funds came to €14,271m (down 4.7%, but up 20.4% on average balances). Together with the improvement in efficiency, this boosted operating profit 43.5% to €205m and net attributable profit surged 71.9% to €165m. During the quarter BBVA won a real estate leasing plan with maintenance for Picanya Townhall (Valencia). This is the first such operation with local government in Spain. Furthermore BBVA led the finance operation for photovoltaic plants in Valencia and Murcia with 11 projects valued at €10m, including the roof of Valencia's convention centre.

The lower activity in the case of **real estate developers** is the result of a drop in new lending, a consequence of a lower number of housing starts during the period (down 58%) and BBVA's strict risk controls. The segment's loan portfolio rose only 2.4% in the first nine months, compared to 13.1% in the same period last year. It accounts for only 8.4% of the area's total loan portfolio. Residential finance was increasingly focused on government-controlled housing (*VPO*). In the first nine months it accounted for 27.7%, compared to 11.5% in the same period last year.

The **transaction services unit** ended the third quarter with a user-base of 79,000 customers who transmitted more than 175 million payments and collections during the period. BBVA Net Cash won an award as "best internet bank" for SMEs, institutions and large companies in Spain and Portugal in a competition organised by *Global Finance*.

Other units

Consumer Finance

This unit manages on-line banking, consumer finance, cards and leasing plans that include maintenance. These activities are conducted via Uno-e, Finanzia and other companies in Spain, Portugal and Italy. For the first nine months its operating profit came to €87m and net attributable profit was €5m.

Despite the slowdown in the consumer finance market **lending** grew 10.0% to €5,744m at the end of September. New finance provided during the first nine months came to €3,386m (€3,948m in the same period last year). In spite of a 22% fall in new car registrations, BBVA's portfolio in the vehicle prescription business increased 16.9% year-on-year to €3,715m. In the last 12 months it increased market share 57 basis points to 13.68%. Lower demand affects equipment finance but it still grew 12.2% to €853m and invoicing in the period came to €314m. The stock of equipment leasing plans came to €741m (up 17.3%), with invoicing of €238m in the period. There are 39,296 vehicles in BBVA's fleet with leasing plans that include maintenance. The loan portfolio at Uno-e stands at €1,081m (up 1.2%) and new lending in the first nine months came to €1,488m (€1,567m in the same period last year). Payment channels did well (up 8.2%).

Customer funds managed or brokered came to €1,279m (€1,695m at 30-Sep-07) of which €428m were time deposits.

In **Portugal**, BBVA Finanziamento invoiced €158m in the year to September, bringing its market share to 10.7%. Its stock of finance stands at €418m (up 12.2%). And at 30-Sep-08 the leasing plan companies in **Italy** had a fleet of 11,784 vehicles.

European Insurance

This unit handles insurance business in Spain and Portugal. In the first nine months in-house policies contributed earnings of €365m (up 7.8%) and brokerage fees on the policies of other companies added €22m. Net attributable profit came to €188m (up 11.6%).

Total **premiums** in the year to September came to €841m. Risk premiums (life and non-life) accounted for €458m, group insurance schemes account for €190m and the rest are premiums on private savings policies. BBVA Seguros continues to lead in individual life insurance policies in Spain with a 15.2% market share at June 2008 (the latest figure available).

BBVA Seguros expanded its product range by launching a savings policy (*Rentas de Remuneración Variable*) in July that offers a return linked in real time to the latest market situation. There is a lifetime guaranteed minimum and savings can be withdrawn without penalty.

BBVA Portugal

Business in the third quarter included the promotion of two guaranteed capital deposits (*Más BBVA* and *Super Call BBVA*) and the new-baby loan. It conducted campaigns to promote the use of credit cards and to persuade retailers to install the GRPS mobile POS. It also participated in project finance for Auto-Estradas de Douro Litoral.

The loan portfolio rose 15.1% to €5,780m helped by lending to SMEs (up 30.6%). The financial crisis triggered a shift of customer funds to deposits (up 15.0%). Net interest income came to €60m (up 14.1%), operating profit net was €37m (up 16.9%) and net attributable profit €12m (up 21.8%).

Dinero Express

This branch network, which specialises in the immigrant segment, increased the number of its money transfers 22% for a total amount of €416m despite a falling market associated with the adverse economic situation. The BBVA network handled 50.5% of the transfers.

Wholesale Banking and Asset Management

Income statement

(Million euros)	Wholesale Banking and Asset Management			Memorandum item: Corporate and Investment Banking			Memorandum item: Global Markets		
	Jan.-Sep. 08	Δ%	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Jan.-Sep. 07
NET INTEREST INCOME	**601**	**n.m.**	**27**	**387**	**41.7**	**273**	**267**	**n.m.**	**(189)**
Income by the equity method	262	65.4	159	-	-	-	-	-	-
Net fee income	311	(6.8)	334	175	11.0	158	12	(63.1)	33
Income from insurance activities	-	-	-	-	-	-	-	-	-
CORE REVENUES	**1,174**	**126.0**	**520**	**562**	**30.4**	**431**	**279**	**n.m.**	**(156)**
Net trading income	315	(51.6)	650	39	92.0	20	270	(55.8)	611
ORDINARY REVENUES	**1,489**	**27.3**	**1,169**	**601**	**33.2**	**451**	**549**	**20.8**	**454**
Net revenues from non-financial activities	25	(72.8)	91	-	(100.0)	-	-	-	-
Personnel and general administrative expenses	(381)	16.1	(328)	(129)	31.9	(98)	(179)	10.9	(162)
Depreciation and amortization	(6)	18.7	(5)	(2)	1.8	(2)	(1)	15.4	(1)
Other operating income and expenses	(1)	n.m.	4	-	(67.0)	(1)	-	(40.9)	-
OPERATING PROFIT	**1,126**	**20.9**	**931**	**470**	**34.1**	**351**	**368**	**26.4**	**291**
Impairment losses on financial assets	(214)	157.1	(83)	(142)	79.3	(79)	(66)	n.m.	(4)
• Loan-loss provisions	(205)	147.4	(83)	(142)	79.3	(79)	(66)	n.m.	(4)
• Other	(9)	n.m.	-	-	-	-	-	-	-
Provisions	-	(85.3)	1	-	n.m.	-	-	(99.8)	-
Other income/losses	5	(34.3)	8	-	(85.3)	-	1	250.1	-
PRE-TAX PROFIT	**917**	**7.0**	**857**	**328**	**20.6**	**272**	**303**	**5.3**	**288**
Corporate income tax	(171)	(16.2)	(204)	(97)	15.3	(84)	(81)	7.1	(75)
NET PROFIT	**746**	**14.2**	**653**	**231**	**23.1**	**188**	**222**	**4.6**	**213**
Minority interests	(4)	(38.4)	(7)	-	-	-	(4)	(1.3)	(4)
NET ATTRIBUTABLE PROFIT	**741**	**14.8**	**646**	**231**	**23.1**	**188**	**219**	**4.7**	**209**

Balance sheet

(Million euros)	Wholesale Banking and Asset Management			Memorandum item: Corporate and Investment Banking			Memorandum item: Global Markets		
	30-09-08	Δ%	30-09-07	30-09-08	Δ%	30-09-07	30-09-08	Δ%	30-09-07
Cash and balances at Central Banks	1,323	27.6	1,037	40	73.6	23	1,279	26.6	1,010
Financial assets	50,605	7.1	47,234	1,181	56.6	754	46,643	8.1	43,147
Loans and receivables	62,478	21.9	51,249	50,379	45.4	34,643	9,721	(34.0)	14,721
• Due from banks	10,919	(24.3)	14,420	4,287	49.3	2,872	4,464	(54.9)	9,901
• Loans to customers	47,693	41.4	33,726	45,893	44.5	31,759	1,796	(8.0)	1,952
• Other	3,865	24.6	3,103	199	n.m.	12	3,461	20.7	2,867
Inter-area positions	7,530	22.7	6,137	-	-	-	35,758	16.0	30,834
Property, plant and equipment	77	150.2	31	1	(5.9)	1	4	5.1	4
Other assets	2,288	29.3	1,769	212	n.m.	37	1,388	12.2	1,237
TOTAL ASSETS / LIABILITIES AND EQUITY	**124,301**	**15.7**	**107,457**	**51,813**	**46.1**	**35,458**	**94,792**	**4.2**	**90,952**
Deposits by Central Banks and banks	41,235	31.5	31,362	1,285	99.9	643	39,301	29.8	30,287
Due to customers	52,855	3.4	51,097	21,486	124.2	9,582	31,290	(24.5)	41,448
Marketable debt securities	-	-	-	-	-	-	-	-	-
Subordinated debt	1,995	10.9	1,798	1,108	10.9	999	293	(7.3)	316
Inter-area positions	-	-	-	25,079	13.8	22,036	-	-	-
Other liabilities	24,626	21.4	20,293	886	15.9	765	23,391	27.6	18,332
Minority interests	58	51.3	38	-	-	-	7	(1.2)	7
Economic capital allocated	3,533	23.2	2,869	1,969	37.4	1,433	510	(9.2)	562

Relevant business indicators

(Million euros and percentages)	Wholesale Banking and Asset Management			Memorandum item: Corporate and Investment Banking			Memorandum item: Global Markets		
	30-09-08	Δ%	30-09-07	30-09-08	Δ%	30-09-07	30-09-08	Δ%	30-09-07
Customer lending (1)	48,516	40.9	34,429	46,700	44.0	32,430	1,796	(9.8)	1,991
Customer deposits (2)	53,060	4.9	50,587	21,483	125.1	9,542	31,425	(23.2)	40,897
• Deposits	45,599	50.1	30,375	21,482	125.2	9,540	23,965	15.8	20,687
• Assets sold under repurchase agreement	7,461	(63.1)	20,212	1	(57.5)	2	7,460	(63.1)	20,210
Off-balance-sheet funds	9,559	(1.9)	9,744	74	73.9	42	1,374	n.m.	298
• Mutual funds	2,570	5.3	2,441	74	73.9	42	1,374	n.m.	298
• Pension funds	6,989	(4.3)	7,302	-	-	-	-	-	-
Customer portfolios	-	-	-	-	-	-	-	-	-
Risk-weighted assets (3)	44,162	23.2	35,859	24,608	37.4	17,908	6,374	(9.2)	7,021
ROE (%)	30.4		34.2	16.7		18.2	53.3		61.6
Efficiency ratio (%)	25.1		26.0	21.4		21.6	32.6		35.5
Efficiency incl. depreciation and amortization (%)	25.6		26.4	21.7		22.0	32.9		35.8
NPL ratio (%)	0.05		0.02	0.08		0.03	-		-
Coverage ratio (%)	n.m.		n.m.	n.m.		n.m.	n.m.		n.m.

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

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

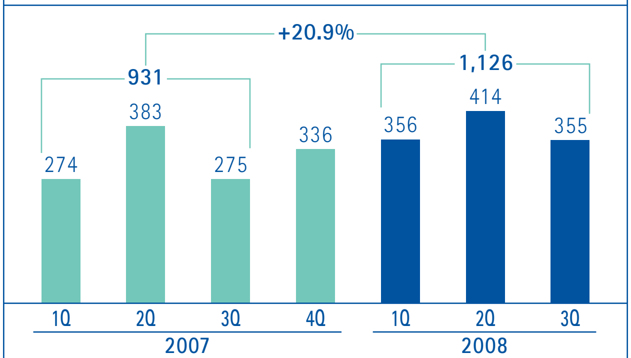
In the year to September and considering the business units located in Europe and the branches in New York and Asia, the area obtained **net attributable profit** of €741m, an increase of 14.8% compared to €646m for the same period last year. Corporate Banking and Global Markets turned in a good performance despite the adverse market and the Industrial & Real Estate Holdings Unit generated important capital gains on sales from its portfolio. Although the Asset Management Unit managed to improve its market share, the greater preference of customers for deposits led to a fall in mutual funds and in net fee income. As a result, ROE for the entire area stands at 30.4%.

At 30-Sep-08 the area managed a **loan portfolio** of €48,516m, mainly through the Corporate & Investment Banking Unit. This portfolio increased 40.9% year-on-year. Furthermore **customer funds** (deposits, mutual funds and pension funds) rose 37.5% to €55,158m.

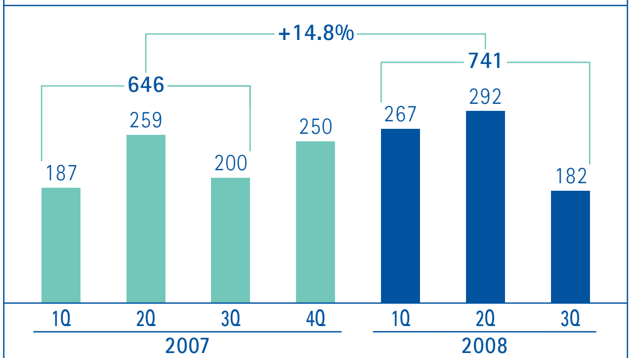
Ordinary revenues for the first nine months increased 27.3% to €1,489m. Its main component, net interest income plus net trading income, jumped 35.2% to €916m. Earnings booked via the equity method increased 65.4% to €262m on sales of Gamesa. Lastly, net fee income fell 6.8% year-on-year to €311m. The decline was mainly associated with the global markets and asset management units.

Expenses were up 16.1%. As this was less than the growth in revenues, the area improved its efficiency (measured by the cost/income ratio). **Efficiency** now stands at 25.6% including depreciation and **operating profit** for the first nine months comes to €1,126m (up 20.9%).

Wholesale Banking and Asset Management. Operating profit (Million euros)



Wholesale Banking and Asset Management. Net attributable profit (Million euros)



In the Wholesale Banking & Asset Management Area non-performing assets are merely €52m so the **NPL ratio** remains extremely low (0.05%). Furthermore loan-loss coverage is also very high (2,114%). New loan-loss provisions in the first nine months came to €205m, which was more than double the amount provided in the same period last year. This was mainly due to higher generic provisions associated with the surge in lending.

The business and earnings of wholesale banking & asset management units in **Latin America** are recorded in their respective areas (Mexico and South America). Adding their figures to those reported above, the worldwide operations of the area generated the amounts shown in the attached table.

Wholesale Banking and Asset Management including The Americas

(Million euros)	30-09-08	Δ%	30-09-07
Ordinary revenues	2,102	24.6	1,687
Operating profit	1,575	22.5	1,286
Net attributable profit	990	14.7	864
Customer lending	60,456	32.7	45,553
Deposits	62,688	35.9	46,131

Corporate and Investment Banking

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

The higher level of business activity (lending was up 44.0% to €46,700m) boosted net interest income 41.7%. This was the main support for ordinary revenues, which rose 33.2% to €601m for the year to September. As a result, operating profit grew 34.1% to €470m and net attributable profit for this unit came to €231m (up 23.1%) despite higher provisions of a generic nature.

Important operations during the quarter included two no-recourse discount lines for Cargill Oil Packers y Boehringer Ingelheim España, worth €12m and €16m, respectively. The unit also issued a €340m guarantee for Endesa's takeovers of its Peruvian subsidiaries. In addition BBVA participated in a 5-year **syndicated loan** of €510m for Gestamp Automoción to finance its investment plan.

Structured finance operations included the sale and lease-back of a portfolio of 15 buildings, valued at €208m, owned by the Eroski Group. Operations in the energy sector included eight wind farms for the Elecnor Group, Valencia I and the Jorge Group; $230m for a copper, zinc and silver mine; and €50m for five photovoltaic plants in Spain. Infrastructure operations included a bridging loan for Cedinsa (a leading contractor of the Catalan regional government) for construction and operation of a tollway in Gerona.

The **equities origination** team participated in UBS's capital increase as co-manager and underwriter of €171m. It also acted as agent bank and advisor in a capital rights issue for Tavex and for Vocento's distribution of unrestricted reserves. The team co-operated with BBVA Bancomer in the international institutions tranche during the flotation of the Mexican stock exchange authority. And it was agent bank in Petrogas's hostile bid for the preference shares of Suzano Petroquímica (a Brazilian company that is a component of Latibex).

Co-ordination by various units in Corporate & Investment Banking led to important operations in **the Americas**. They included Mount Storm II in the USA (a 100MW wind farm owned by Shell Wind Energy and Dominion Energy Resources), and a one-year bridging loan to Dow Chemical for acquisition of Rohm and & Haas. Other deals entailed structured finance in the form of a syndicated loan in Mexico for two oil platforms to be occupied by the R Group and a syndicated loan to Colbun (a utility company in Colombia). Furthermore in Chile the unit handled placement of Compañía General de Electricidad's bonds in what was the biggest local issue of the year.

Global Trade Finance signed an agreement with Sace (Italian ECA) and the Reliance Group to finance $300m. This was BBVA's first operation with this important Indian customer. In addition the bank financed purchase operations involving CESCE, the Spanish export guarantee agency and two Russian customers (OGK-5 and Nomos Bank). It also financed $4,600m for two energy projects in Qatar and €2,700m for the Lotos Group to build a refinery in Poland. For the fourth year running *Trade & Forfaiting Review* proclaimed BBVA "best trade finance bank in Latin America". Moreover BBVA maintains a leading position in Dealogic's rankings as top bank in Asia (excluding Japan), in the "BRIC" countries (Brazil, Russia, India and China) and in Latin America.

Lastly the **Global Transaction Services** unit won the cash management services of Continental in Mexico, entailing cash pooling and electronic banking; BBVA Puerto Rico started an account transaction service for Adidas; and Philips's transaction business was linked to BBVA Colombia.

Global Markets

This unit handles the origination, structuring, distribution and risk management of market products, which are placed through the trading rooms in Europe, Asia and the Americas. Its business model is focused on customers and it offers added-value solutions that capitalise on BBVA's strengths in product management, global reach and distribution via the branch network. The ultimate goal is to generate recurrent earnings.

The third quarter of 2008 was particularly complex. In September market tensions and volatility surged following the problems and the intervention of US and European financial entities affected by the crisis.

Despite the difficulties the unit generated good earnings in the third quarter thanks to appropriate risk management and its ability to maintain business activity. As a result, customer revenues show double digit growth in Europe, Mexico, South America and USA.

In **Europe and New York** ordinary revenues for the period Jan-Sep 2008 rose 20.8% to €549m, operating profit was €368m (up 26.4%) and net attributable profit came to €219m (up 4.7%).

For the fourth year running BBVA occupied top slot in the annual derivatives business ranking prepared by *Risk España*, a specialist magazine. It also tops the ranking for stock market transactions by annual volume, a position it had not held since December 2005.

In **Latin America** revenues from customers in Mexico increased 26% (over the first nine months of 2007) and in South America they jumped 58%. Cross-border business surged 205%, capitalising on the geographic positioning of the Global Markets Unit and thanks to close co-operation by the unit's teams.

Asset Management

This unit designs and manages mutual funds and pension funds that are marketed through the Group's different branch networks. It tackles these goals through three different channels. These are **traditional asset management** and **alternative asset management**, which are working constantly to optimise the product range, and **Valanza** (the Group's private equity unit).

The complex market situation caused the value of total assets under management to fall 13.5% to €53,330m. This also affected net fee income, therefore the unit's ordinary revenues declined 11.6% to €134m for the year to September, and net attributable profit was €59m (down 18.7%).

At the end of September the Group managed €37,236m of assets in **mutual funds** in Spain. Of this amount, mutual funds account for €35,511m. They fell 16.6% year-on-year despite an average drop of 26.3% for the sector as a whole (its worst ever). This means that BBVA now holds 19.1% of this market after gaining 1.9 percentage points since the beginning of the year. Its share of net fee income compared to the total market also increased to 19.4% (up 1.9 points during the year).

The market had a negative effect on **pension business** in Spain. Assets under management fell 3.1% to €16,093m of which €9,208m is individual plans and €6,885m is employee and associate schemes.

Industrial and Real Estate Holdings

This unit helps to diversify the area's businesses with the aim of creating medium and long-term value through active management of a portfolio of industrial holdings and real estate projects (Anida and the Duch Project). The fundamental criteria for this purpose are profitability, turnover, liquidity and optimal employment of economic capital.

At 30-Sep-08 the **industrial holdings** portfolio contained latent capital gains of more than €250m. During the third quarter BBVA sold shares in Gamesa, generating €78m in earnings booked via the equity method and €13m in trading income.

The net attributable profit of this unit came to €264m for the first nine months, an increase of 43.0% compared to €184m a year earlier.

Asia

BBVA has a pre-agreement to double its investment in CITIC to about 10% of CNCB (China CITIC Bank) and 30% of CIFH (CITIC International Financial Holdings, a Hong Kong subsidiary). It will also increase its presence on both boards. During the third quarter and as part of the strategic alliance, various groups of CNCB managers visited BBVA's headquarters in Madrid. They met with executives from the Group's business areas to share information about the scope of operations and plans for the future.

Mexico

Income statement

(Million euros)	Mexico				Memorandum item: Banking business				Memorandum item: Pensions and Insurance			
	Jan.-Sep. 08	Δ%	Δ%(1)	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Δ%(1)	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Δ%(1)	Jan.-Sep. 07
NET INTEREST INCOME	**2,794**	**6.2**	**15.4**	**2,630**	**2,790**	**6.1**	**15.2**	**2,631**	**4**	**125.0**	**144.4**	**2**
Income by the equity method	5	146.1	167.3	2	5	187.5	212.2	2	-	(66.2)	(63.2)	-
Net fee income	945	(4.6)	3.6	991	883	(6.6)	1.4	946	96	(6.0)	2.1	102
Income from insurance activities	261	12.1	21.8	232	-	-	-	-	214	16.4	26.5	184
CORE REVENUES	**4,004**	**3.9**	**12.8**	**3,855**	**3,678**	**2.8**	**11.7**	**3,578**	**315**	**9.0**	**18.4**	**288**
Net trading income	236	56.5	70.0	151	238	66.1	80.4	143	(2)	n.m.	n.m.	7
ORDINARY REVENUES	**4,240**	**5.9**	**15.0**	**4,005**	**3,916**	**5.2**	**14.3**	**3,722**	**312**	**5.6**	**14.7**	**296**
Net revenues from non-financial activities	5	68.1	82.6	3	8	(1.6)	6.9	8	(3)	(42.3)	(37.3)	(5)
Personnel and general administrative expenses	(1,293)	(0.1)	8.5	(1,295)	(1,184)	(2.1)	6.4	(1,209)	(132)	(0.6)	7.9	(132)
Depreciation and amortization	(57)	(23.6)	(17.0)	(74)	(55)	(24.1)	(17.5)	(73)	(2)	(0.4)	8.2	(2)
Other operating income and expenses	(87)	(7.9)	0.1	(94)	(63)	4.4	13.4	(61)	16	13.9	23.8	14
OPERATING PROFIT	**2,809**	**10.4**	**19.9**	**2,545**	**2,622**	**9.8**	**19.3**	**2,388**	**192**	**12.5**	**22.2**	**171**
Impairment losses on financial assets	(766)	21.2	31.7	(632)	(766)	21.2	31.7	(632)	-	-	-	-
• Loan-loss provisions	(760)	22.1	32.6	(622)	(760)	22.1	32.6	(622)	-	-	-	-
• Other	(6)	(37.1)	(31.7)	(9)	(6)	(37.1)	(31.7)	(9)	-	-	-	-
Provisions	(80)	n.m.	n.m.	56	(80)	n.m.	n.m.	56	-	-	-	-
Other income/losses	44	n.m.	n.m.	-	45	n.m.	n.m.	(1)	-	n.m.	n.m.	1
PRE-TAX PROFIT	**2,007**	**2.0**	**10.8**	**1,969**	**1,821**	**0.6**	**9.3**	**1,811**	**192**	**11.6**	**21.3**	**172**
Corporate income tax	(475)	(11.5)	(3.9)	(537)	(422)	(14.2)	(6.9)	(492)	(55)	10.9	20.5	(50)
NET PROFIT	**1,532**	**7.0**	**16.3**	**1,432**	**1,400**	**6.1**	**15.3**	**1,319**	**137**	**12.0**	**21.6**	**122**
Minority interests	(1)	(22.9)	(16.3)	(1)	-	(4.5)	3.7	(1)	-	(35.2)	(29.6)	(1)
NET ATTRIBUTABLE PROFIT	**1,531**	**7.1**	**16.3**	**1,430**	**1,399**	**6.1**	**15.3**	**1,318**	**136**	**12.2**	**21.9**	**121**

(1) At constant exchange rates.

Balance sheet

(Million euros)	Mexico				Memorandum item: Banking business				Memorandum item: Pensions and Insurance			
	30-09-08	Δ%	Δ%(1)	30-09-07	30-09-08	Δ%	Δ%(1)	30-09-07	30-09-08	Δ%	Δ%(1)	30-09-07
Cash and balances at Central Banks	5,637	10.4	12.0	5,107	5,637	10.4	12.0	5,107	-	(68.8)	(68.4)	-
Financial assets	24,597	18.9	20.6	20,691	21,495	17.5	19.3	18,287	3,462	25.4	27.3	2,761
Loans and receivables	36,116	14.6	16.2	31,528	35,995	14.5	16.2	31,425	199	20.1	21.8	166
• Due from banks	4,689	32.5	34.5	3,538	4,689	32.5	34.5	3,538	79	24.0	25.8	63
• Loans to customers	30,934	11.0	12.6	27,875	30,934	11.0	12.6	27,875	-	-	1.5	-
• Other	493	n.m.	n.m.	114	372	n.m.	n.m.	12	120	17.6	19.3	102
Inter-area positions	10	n.m.	n.m.	-	16	120.6	123.9	7	-	-	-	-
Property, plant and equipment	823	3.9	5.4	792	817	3.7	5.2	788	6	36.9	38.9	4
Other assets	1,840	(9.7)	(8.4)	2,037	1,629	7.7	9.3	1,513	138	187.5	191.7	48
TOTAL ASSETS / LIABILITIES AND EQUITY	**69,023**	**14.7**	**16.4**	**60,155**	**65,590**	**14.8**	**16.5**	**57,128**	**3,805**	**27.7**	**29.6**	**2,979**
Deposits by Central Banks and banks	14,843	13.5	15.2	13,078	14,843	13.5	15.2	13,078	-	-	-	-
Due to customers	34,463	7.1	8.6	32,190	34,541	7.1	8.7	32,253	-	-	-	-
Marketable debt securities	3,490	102.3	105.3	1,726	3,490	102.3	105.3	1,726	-	-	-	-
Subordinated debt	1,641	(17.3)	(16.1)	1,983	1,546	4.2	5.7	1,484	-	-	-	-
Inter-area positions	-	(100.0)	(100.0)	6	-	-	-	-	-	-	-	-
Other liabilities	11,668	52.6	54.9	7,644	8,499	60.0	62.4	5,312	3,554	30.6	32.5	2,721
Minority interests	1	(33.4)	(32.4)	1	1	18.1	19.8	-	-	n.m.	n.m.	-
Economic capital allocated	2,917	(17.3)	(16.1)	3,526	2,669	(18.5)	(17.3)	3,274	251	(2.6)	(1.1)	257

(1) At constant exchange rates.

Relevant business indicators

(Million euros and percentages)	Mexico				Memorandum item: Banking business				Memorandum item: Pensions and Insurance			
	30-09-08	∆%	∆%[1]	30-09-07	**30-09-08**	∆%	∆%[1]	30-09-07	**30-09-08**	∆%	∆%[1]	30-09-07
Customer lending [2]	30,077	13.3	14.9	26,551	30,077	13.3	14.9	26,551	-	-	-	-
Customer deposits [3]	33,191	12.4	14.0	29,539	33,191	12.4	14.0	29,539	-	-	-	-
• Deposits	26,853	11.2	12.8	24,156	26,853	11.2	12.8	24,156	-	-	-	-
• Assets sold under repurchase agreement	6,338	17.7	19.5	5,383	6,338	17.7	19.5	5,383	-	-	-	-
Off-balance-sheet funds	21,632	9.3	10.9	19,796	12,543	14.7	16.4	10,935	9,089	2.6	4.1	8,861
• Mutual funds	12,543	14.7	16.4	10,935	12,543	14.7	16.4	10,935	-	-	-	-
• Pension funds	9,089	2.6	4.1	8,861	-	-	-	-	9,089	2.6	4.1	8,861
Other placements	3,429	(1.2)	0.2	3,471	3,429	(1.2)	0.2	3,471	-	-	-	-
Customer portfolios	6,225	(5.3)	(3.9)	6,573	6,225	(5.3)	(3.9)	6,573	-	-	-	-
Risk-weighted assets [4]	36,459	(17.3)	(16.1)	44,073	33,367	(18.5)	(17.3)	40,927	3,133	(2.6)	(1.1)	3,216
Efficiency ratio (%)	30.5			32.3	30.2			32.4	42.5			45.5
Efficiency incl. depreciation and amortization (%)	31.8			34.2	31.6			34.4	43.0			46.1
NPL ratio (%)	2.75			2.32	2.75			2.32	-			-
Coverage ratio (%)	191			250	191			250	-			-

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

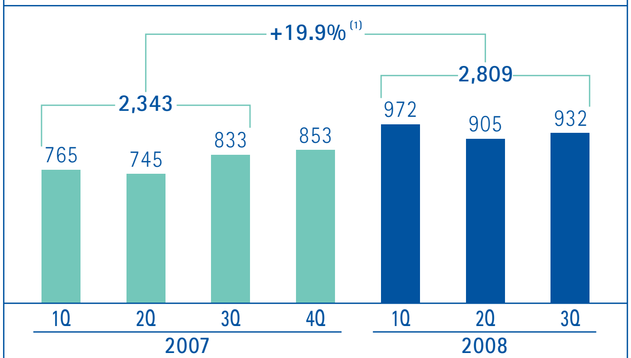
This area comprises the banking, pension and insurance businesses that the BBVA Bancomer Financial Group operates in Mexico.

In the third quarter, more moderate growth in the **economy** reflected less expansion of foreign demand through USA and less buoyant domestic consumption. Nonetheless, dynamic public-sector investment fuelled domestic demand, which remained the greatest contributor to gross domestic product growth. Despite pressure on price formation from international factors such as commodity, food and energy prices, annual inflation stood within Central Bank estimates for September, at 5.5%.

Financial variables have not been immune to widespread risk aversion across the globe. Although this has increased its sovereign risk spread, Mexico's sound structural underpinnings have kept the increase lower than that of other emerging economies. Bank of Mexico's interbank interest rate target stood at 8.25% during the third quarter. The 50 basis points above the target at the end of the previous quarter reflected the inflationary risks mentioned above.

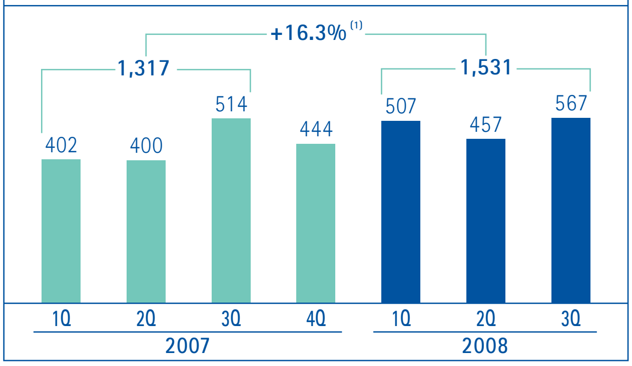
The average quarterly **exchange rate** for the dollar was 10.3 pesos, as the Mexican currency appreciated slightly from the second quarter average. The peso strengthened 3.3% against the euro, in the third

Mexico. Operating profit
(Million euros at constant exchange rates)



(1) At current exchange rates: +10.4%.

Mexico. Net attributable profit
(Million euros at constant exchange rates)



(1) At current exchange rates: +7.1%.

quarter, reducing the negative exchange-rate impact on the area's financial statements. This now stands at 1.5% for the balance-sheet figures (using end of September rates for 2008 and 2007) and 7.9% for the income-statement figures (average rates for the first nine months of 2008). The attached tables contain columns with the year-on-year changes at **constant exchange rates**. All remarks below refer to these figures as they provide a more meaningful picture of management performance.

In the first nine months of 2008, Mexico contributed €1,531m in **attributable profit** to the Group, growing 16.3% year on year. Revenues were the main drivers behind this increase. Net interest income thus reached €2,794m, up 15.4% on the same period the previous year, due to higher business volumes and firm spreads. Fees and insurance business contributed €1,206, rising 7.1% year on year, while net trading income stood at €236m (up 70.0%). Ordinary revenues reflected these inputs, reaching €4,240m (up 15.0%). General administration expenses subtracted €1,293m, increasing 8.5%. Since this was less than the increase in revenues, the cost-income ratio improved to 31.8% including amortisation (34.2% January-September 2007). **Operating profit** was €2,809, 19.9% higher than in the first three quarters of the previous year.

Loan-loss provisions totalled €760m, increasing 32.6% due to higher lending, and deteriorating asset quality throughout the system. The NPL ratio was 2.75% on 30th September 2008, whilst the coverage ratio remained high, at 191%.

Banking business

Customer lending recorded 14.9% year-on-year growth. The total loanbook reaching €30,077m at the end of the third quarter of 2008. Commercial credit (which includes lending to corporations, SMEs, government and financial institutions) continued to be the driving force behind the increase, with €12,065m as of 30-Sep-08, 14.7% higher than one year earlier. The largest share of this was in finance to SMEs, which grew 31.1% year on year to €4,141m, followed by public-sector finance, which rose 31.3% to €1,942m. Finally, loans for large corporations stood at €5,542m, down 4.2% against the 30-Sep-07 balance.

In loans to individuals, home-buyer lending has surged 23.0% year on year (excluding the old mortgage portfolio balances), reaching €9,422m at the end of September 2008. Meanwhile, unsecured consumer lending (which includes credit cards and personal loans, car and payroll credit) totalled €8,590m, an increase of 7.6% over September 2007. This reflected a widespread slowdown in consumer borrowing, although the Bank maintained its market leadership in this segment.

This performance of BBVA Bancomer's diversified loan book produced a structure in which commercial lending accounted for 40% of the total, while home-buyer loans represented more than 31%, whilst the consumer-credit book reduced its weight to less than 29%. In September 2008, Bancomer was still market leader including all lending segments, with a total market share of 29.9% (excluding UDIs from the old mortgage portfolio).

Customer funds (including customer deposits, funds and investment companies and other intermediation products) stood at €49,162m at 30-Sept-08, a year-on-year increase of 13.5%. Low-cost customer funds (current and savings accounts) remained buoyant, increasing 15.1% over the last 12 months to reach €15,391m. Mutual funds also performed especially well, posting a balance of €12,543m, 16.4% higher than on 30-Sept-07. This rise was paralleled by a 12.4% rise in term deposits, which grew to €8,612m.

The structure of customer funds remained stable, as current and savings accounts represented over 31% of the total, followed by mutual funds with 25.5%, whilst term deposits and other intermediation products accounted for 37% and foreign-currency deposits for the remaining 6%. At the end of the third quarter of 2008, Bancomer's market share of total customer funds was 26.9%, 1.6 percentage points more than one year earlier.

The customer spread remained high, at 12.6% in the third quarter of 2008, as against 12.8% in the previous quarter and 12.3% in the third quarter of 2007. This, along with growth in lending and customer funds, swelled **net interest income** growth to 15.2% year on year, reaching €2,790m between January and September 2008. Adding the €883m revenues from fees (up 1.4% year on year), **core revenues** reached €3,678m, 11.7% more than in the first nine months of

2007. With €238m from net trading income, **ordinary revenues** went up to €3,916m, increasing 14.3% year on year.

Growth in **general administration & personnel expenses** maintained the steady slowdown recorded over the last few quarters. Year-to-date costs grew just 6.4% against the January-September period in 2007.

This performance in income and costs further enhanced the **efficiency ratio**. This stood at 31.6% year to date in September 2008, as compared with 34.4% in the same period of the previous year. This in turn fed into **operating profit** which increased 19.3% year on year, to €2,622m.

As asset quality deteriorated throughout the Mexican banking industry, Bancomer's **non-performing loan ratio** of 2.75% in September 2008 was better than its peer group, albeit up from 2.32% twelve months earlier. Coverage stood at 191%. €760m were allocated to loan-loss provisions.

Thus, **attributable profit** reached €1,399m in the first nine months of 2008. This was 15.3% more than the same period of 2007.

In the third quarter, the **Retail Banking** unit opened 11 new branches, bringing up the total to 1,834 throughout the Mexican Republic. There was also a remarkable increase of over 100,000 payroll accounts. These now number over 6 million. An agreement was reached with one of the leading brands of breakfast cereals in Mexico, to promote the *Winner Card*, a savings card targeted at young people and children.

Mortgage banking granted over 71,200 loans for housing developers and over 49,100 new home-buyer mortgages to September 2008. It had a 38.5% share of new mortgages issued to September. During the third quarter, the unit launched a new telephone service, *Venta Remota*, providing immediate attention and specialist advice. Customers can use it to authorise loans, after which the paperwork is sent to the branches for signature.

The Bank is committed to innovation in Mexico's payment system. Its **Government & Company Banking** unit launched a new service for companies with various points of sale, to facilitate their collection procedures by reconciling payments through different channels.

During the third quarter, Bancomer once again led the domestic market, issuing four debt issues for a total of 8,430m pesos, ie, 20% of total market issues in the period.

Pensions and Insurance

In the first nine months of 2008, the pensions and insurance business in Mexico brought in attributable profit of €136m, 21.9% up on the same period in 2007.

In the **pension business**, Bancomer Afore posted an attributable profit of €27m to September. This is slightly lower than in the same period of 2007, due to bearish financial markets in 2008, locally and worldwide. Excluding this, the rest of the lines performed positively, as sales productivity increased incoming payments and the number of pension-savers. Moreover, the company continues to successfully contain its operating costs, which were practically flat to the previous year.

In its **insurance business**, Seguros Bancomer, Pensiones Bancomer and Preventis have jointly obtained an attributable profit of €109m year to date, 31.1% higher than in January-September 2007. Business was excellent in all lines, but especially in bancassurance and savings products. This is reflected in the year-on-year growth in premiums. Seguros Bancomer wrote business for €707m to September, 40.6% more than the same period of 2007. The modest level of claims in the 3 companies also contributed to this dynamic performance.

The United States

Income statement

(Million euros)	Jan.-Sep. 08	Δ%	Δ% at constant exchange rate	Jan.-Sep. 07
NET INTEREST INCOME	**981**	**131.4**	**161.9**	**424**
Income by the equity method	-	-	-	-
Net fee income	401	151.9	185.1	159
Income from insurance activities	-	-	-	-
CORE REVENUES	**1,381**	**137.0**	**168.2**	**583**
Net trading income	99	n.m.	n.m.	18
ORDINARY REVENUES	**1,481**	**146.5**	**179.0**	**601**
Net revenues from non-financial activities	-	(100.0)	(100.0)	-
Personnel and general administrative expenses	(785)	134.2	165.1	(335)
Depreciation and amortization	(177)	226.3	269.3	(54)
Other operating income and expenses	(2)	n.m.	n.m.	2
OPERATING PROFIT	**517**	**142.6**	**174.6**	**213**
Impairment losses on financial assets	(256)	n.m.	n.m.	(35)
• Loan-loss provisions	(241)	n.m.	n.m.	(34)
• Other	(15)	n.m.	n.m.	(1)
Provisions	5	n.m.	n.m.	-
Other income/losses	6	22.1	38.2	5
PRE-TAX PROFIT	**272**	**47.7**	**67.2**	**184**
Corporate income tax	(87)	47.3	66.7	(59)
NET PROFIT	**184**	**47.9**	**67.4**	**125**
Minority interests	-	n.m.	n.m.	-
NET ATTRIBUTABLE PROFIT	**184**	**47.9**	**67.4**	**125**
MEMORANDUM ITEM: NET ATTRIBUTABLE PROFIT EXCLUDING AMORTIZATION OF THE INTANGIBLE ASSETS	**262**	**80.0**	**103.8**	**145**

Balance sheet

(Million euros)	30-09-08	Δ%	Δ% at constant exchange rate	30-09-07
Cash and balances at Central Banks	508	23.3	24.3	412
Financial assets	8,436	(1.5)	(0.6)	8,565
Loans and receivables	30,326	8.0	9.0	28,075
• Due from banks	312	(52.4)	(52.0)	656
• Loans to customers	29,625	10.9	11.9	26,714
• Other	388	(44.9)	(44.5)	705
Inter-area positions	-	-	-	-
Property, plant and equipment	740	(1.1)	(0.2)	748
Other assets	1,375	26.9	28.0	1,083
TOTAL ASSETS / LIABILITIES AND EQUITY	**41,383**	**6.4**	**7.4**	**38,883**
Deposits by Central Banks and banks	6,656	18.2	19.3	5,629
Due to customers	29,242	7.2	8.1	27,276
Marketable debt securities	561	(41.6)	(41.1)	962
Subordinated debt	1,047	(16.6)	(15.9)	1,256
Inter-area positions	-	(69.5)	(69.3)	1
Other liabilities	2,205	1.9	2.8	2,162
Minority interests	-	(100.0)	(100.0)	19
Economic capital allocated	1,672	6.0	6.9	1,577

Relevant business indicators

(Million euros and percentages)	30-09-08	Δ%	Δ% at constant exchange rate	30-09-07
Customer lending [1]	29,631	11.7	12.6	26,535
Customer deposits [2]	25,404	3.8	4.7	24,466
• Deposits	25,045	3.9	4.8	24,115
• Assets sold under repurchase agreement	359	2.3	3.1	351
Off-balance-sheet funds	-	-	-	-
• Mutual funds	-	-	-	-
• Pension funds	-	-	-	-
Other placements	-	-	-	-
Customer portfolios	5,904	(14.9)	(14.2)	6,941
Risk-weighted assets [3]	20,897	6.0	6.9	19,719
ROE (%)	14.2			22.1
Efficiency ratio (%)	53.0			55.8
Efficiency incl. depreciation and amortization (%)	65.0			64.8
NPL ratio (%)	2.71			1.66
Coverage ratio (%)	73			109

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

Economic activity weakened in 3Q08. Unemployment rose, consumer expenditures slowed and residential construction declined sharply as prices fell further. Third-quarter exports of goods increased while imports were weak, helping international trade to boost GDP growth. Headline inflation eased significantly due to a decline in global oil and other commodity prices. Core inflation remained contained due to slower economic activity and continued absence of wage pressures. In combination, this reduced short-term inflation expectations.

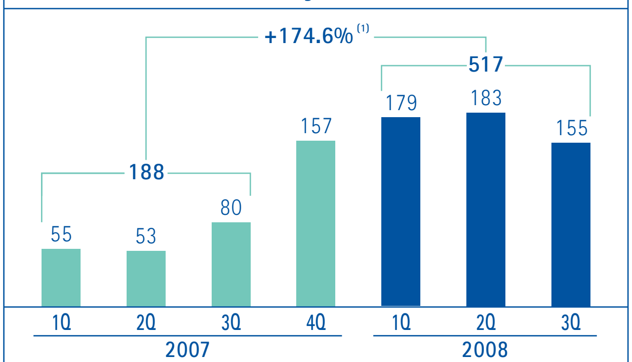
On the **financial front**, extraordinary stress persisted. Many financial institutions continued to experience severe losses, which have impaired their ability to lend and meet their own funding needs. Investors became reluctant to bear credit risk which resulted in severe liquidity restrictions and a sharp decline in asset valuations, particularly in financials.

In this context, the Federal Reserve continued to implement a series of measures aimed at improving liquidity in financial markets. In the light of the significant deterioration in financial and economic conditions, it lowered the interest rate on October 8th to 1.50% from 2.0%.

The dollar appreciated against the euro during the quarter. Thus, over the last twelve months the dollar-euro **exchange rate** has gone down by only 0.9%, although the average exchange rates from January to September 2008 reflect a depreciation of 11.7% against the same period in 2007. The following remarks refer to year-on-year changes at **constant exchange rates** as they provide a clearer picture of underlying performance.

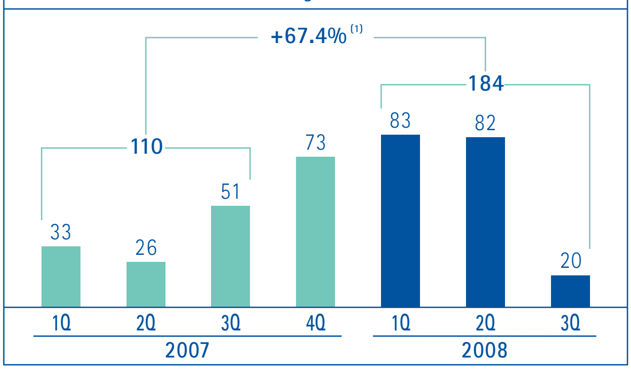
Compass joined the BBVA Group in September 2007, so year-on-year comparisons of business figures are now like for like. As the quarter ended, **BBVA USA**'s total loan-book stood at €29,631m, 12.6% up on the previous year (up 18.1% in residential mortgages and 11.0% in commercial loans) while customer deposits were €25,404m (up 4.7% year on year).

The United States. Operating profit
(Million euros at constant exchange rates)



(1) At current exchange rates: +142.6%.

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



(1) At current exchange rates: +47.9%.

Net interest margin for the **quarter** was €331m, effectively flat to second quarter but 3.7% higher than fourth quarter 2007. Ordinary revenues were €481m (down 5.9% from second quarter and up 0.3% from the final quarter of 2007). Expenses declined 1.5% compared to the second quarter. Operating profit reached €155m or 15.2% less than in second quarter but very similar to 4Q07. Total loan-loss provisions were €128m, more than doubling previous quarters, weighing down attributable profit for the quarter, which stood at €20m. Excluding the amortization of intangibles, attributable profit was €45m.

In the first **nine months** of 2008, BBVA USA generated operating profit of €517m and attributable profit of €184. Without amortization of intangibles, attributable profit was €262m.

Compass banking group

Much progress was made during the third quarter with respect to the ongoing **integration** of banking models, platforms and systems in the new organization. One such event was the successful conversion of Texas State Bank onto the BBVA Compass platform. A second was the re-branding of the franchise to “BBVA Compass” to combine local recognition with international prestige.

BBVA Compass ended September with €26,579m in lending, up 13.9% on 30-Sep-07. Residential mortgages grew 25.6%, commercial loans grew 11.0% and home equity lines and loans grew 21.6%. Customer deposits reached €23,937m (up 4.7% year over year).

The **Corporate Banking** unit experienced loan growth of 6.7% during the third quarter as it took advantage of opportunities in municipal/public funding and the energy sector. It continued to successfully employ a strategic change of direction away from real estate lending to becoming a more diversified lender, stressing C&I opportunities. The unit also experienced strong revenues from sales of interest rate derivative products and bond investment sales.

The **Community Banking** unit benefited from cross-sale activity from the former Texas State Bank markets, specifically in the interest rate derivatives, mortgage and insurance product lines. Business activity continues to be driven by an emphasis on larger, tax-exempt credit opportunities.

The **Retail Banking** unit experienced strong customer household growth during the quarter, adding nearly 20,000 households. Nearly half the growth came from customers with high balances. Home equity balances posted strong growth during the quarter of 6.0%.

The **Wealth Management** unit also continued to realize benefits from integration in the Texas market, with loans growing 7.4% and deposits 13.0% against June. Management of Texas State Bank customer business will boost next year’s earnings .

During the **third quarter**, **BBVA Compass** produced a core net interest margin of €301m, flat to second quarter and up 4.0% compared to fourth quarter 2007. Ordinary revenues came in at €438m, down 5.2% to second quarter, primarily the result of lower securities commissions, but 2.5% greater than fourth quarter 2007. Emphasis on cost control produced a 1.1% drop against the previous quarter. Operating profit was €139m, down 13.5% from second quarter and down 3.2% from 4th quarter 2007.

Loan loss provisions have dominated the story line for US banks during the quarter and Compass was no exception. Total provisions for the quarter were €119m, more than double the previous quarter. However, NPLs grew more modestly, standing at €718m at the end of the quarter, up 17.8% on June 30th. Management felt it important to take these provisions in light of the continued economic deterioration in US markets and to continue to make sure the bank is conservatively provisioned. Given the higher provisions, net attributable profit for quarter was 15m. Excluding amortization of intangibles, the number rises to €40m.

Year to date, BBVA Compass has contributed operating profit of €462m and attributable profit of €164m, which is €242m without amortization of intangibles.

Other units

BBVA Puerto Rico managed customer loans of €2,999m at September 30, 2008, up 1.7% year over year. Its customer deposits stood at €1,383m (up 5.1%). For the first nine months of 2008, ordinary revenues rose 10.6% versus the same period of 2007, reaching €112m; expenses grew only 2.2% over the same period. This enhanced the efficiency ratio and improved operating profit by 19.2% to €53m. Attributable profit stood at €20m (up 14.7%).

BTS processed over 7.2 million transfers during the third quarter of 2008. This is 3.5% more over the same period 2007. Of these, 5.7 million went to Mexico and 1.5 million to other countries. Attributable profit for the first nine months was €7m, down 23.6% year over year, as intense competition continued to pressure margins. **BBVA Bancomer USA** saw its deposits increase 24.3% over September 2007 and opened 5,000 new accounts during the third quarter of the year, handling over 120,000 money transfers.

South America

Income statement

(Million euros)	South America				Memorandum item: Banking businesses				Memorandum item: Pensions and Insurance			
	Jan.-Sep. 08	Δ%	Δ%[1]	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Δ%[1]	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Δ%[1]	Jan.-Sep. 07
NET INTEREST INCOME	**1,498**	**25.6**	**34.3**	**1,192**	**1,487**	**25.2**	**33.9**	**1,188**	**11**	**68.9**	**86.6**	**7**
Income by the equity method	2	74.0	82.6	1	1	(19.5)	(15.7)	1	1	n.m.	n.m.	-
Net fee income	679	(0.7)	5.8	683	400	3.7	11.3	386	193	(3.8)	0.6	200
Income from insurance activities	5	n.m.	n.m.	(26)	-	n.m.	n.m.	-	93	21.4	36.2	76
CORE REVENUES	**2,184**	**18.0**	**26.2**	**1,851**	**1,889**	**19.9**	**28.3**	**1,575**	**297**	**5.1**	**12.1**	**283**
Net trading income	145	(15.1)	(9.1)	171	173	29.8	40.4	133	(28)	n.m.	n.m.	38
ORDINARY REVENUES	**2,329**	**15.2**	**23.2**	**2,022**	**2,061**	**20.7**	**29.2**	**1,708**	**270**	**(15.9)**	**(10.6)**	**321**
Net revenues from non-financial activities	1	n.m.	n.m.	-	-	(100.0)	(100.0)	-	1	n.m.	n.m.	-
Personnel and general administrative expenses	(951)	10.4	17.8	(861)	(751)	12.1	19.8	(671)	(179)	1.4	8.1	(176)
Depreciation and amortization	(75)	13.7	20.8	(66)	(67)	8.9	15.9	(62)	(8)	79.9	87.7	(4)
Other operating income and expenses	(33)	5.6	14.8	(31)	(36)	7.9	16.6	(33)	6	19.4	22.5	5
OPERATING PROFIT	**1,271**	**19.5**	**28.1**	**1,063**	**1,207**	**28.0**	**37.3**	**943**	**90**	**(37.9)**	**(34.1)**	**145**
Impairment losses on financial assets	(213)	41.5	48.7	(150)	(213)	41.5	48.7	(150)	-	-	-	-
• Loan-loss provisions	(210)	45.5	52.9	(144)	(210)	45.5	52.9	(144)	-	-	-	-
• Other	(3)	(54.3)	(52.3)	(6)	(3)	(54.3)	(52.3)	(6)	-	-	-	-
Provisions	(7)	(52.0)	(47.4)	(15)	(4)	(80.8)	(79.0)	(18)	(4)	n.m.	n.m.	4
Other income/losses	(10)	(32.2)	(28.9)	(15)	(10)	(25.7)	(23.3)	(14)	4	n.m.	n.m.	(2)
PRE-TAX PROFIT	**1,040**	**17.8**	**26.8**	**883**	**980**	**28.9**	**38.8**	**760**	**90**	**(38.7)**	**(35.1)**	**147**
Corporate income tax	(247)	42.3	51.8	(173)	(225)	54.4	64.4	(146)	(30)	(14.1)	(9.1)	(35)
NET PROFIT	**794**	**11.8**	**20.6**	**710**	**755**	**22.9**	**32.7**	**614**	**60**	**(46.5)**	**(43.2)**	**112**
Minority interests	(255)	17.3	27.3	(217)	(242)	29.3	41.0	(187)	(14)	(55.7)	(53.3)	(31)
NET ATTRIBUTABLE PROFIT	**539**	**9.4**	**17.7**	**492**	**514**	**20.1**	**29.1**	**428**	**46**	**(43.0)**	**(39.4)**	**81**

(1) At constant exchange rates.

Balance sheet

(Million euros)	South America				Memorandum item: Banking businesses				Memorandum item: Pensions and Insurance			
	30-09-08	Δ%	Δ%[1]	30-09-07	30-09-08	Δ%	Δ%[1]	30-09-07	30-09-08	Δ%	Δ%[1]	30-09-07
Cash and balances at Central Banks	4,961	65.0	64.8	3,007	4,961	65.0	64.8	3,007	-	(36.6)	(33.3)	-
Financial assets	5,073	20.9	24.5	4,196	4,172	22.6	25.9	3,403	1,113	12.3	17.3	991
Loans and receivables	27,553	17.4	20.9	23,471	26,883	17.0	20.6	22,973	777	32.7	36.6	585
• Due from banks	2,922	10.3	11.7	2,649	2,523	6.1	7.0	2,378	465	50.8	58.1	308
• Loans to customers	23,931	18.2	22.1	20,246	23,722	18.1	22.1	20,082	216	14.2	13.6	189
• Other	700	21.6	24.7	576	637	24.3	27.5	513	97	9.5	13.3	88
Inter-area positions	-	-	-	-	6	(44.0)	(43.9)	11	-	-	-	-
Property, plant and equipment	470	(0.5)	2.6	472	399	0.1	2.9	398	71	(3.6)	1.3	74
Other assets	1,824	(7.0)	(4.5)	1,962	1,185	20.2	26.2	985	169	(10.8)	(7.9)	190
TOTAL ASSETS / LIABILITIES AND EQUITY	**39,881**	**20.5**	**23.7**	**33,108**	**37,605**	**22.2**	**25.5**	**30,777**	**2,131**	**15.8**	**20.2**	**1,840**
Deposits by Central Banks and banks	3,458	53.5	57.5	2,253	3,452	54.5	58.6	2,233	14	(68.3)	(66.5)	44
Due to customers	26,785	15.8	18.8	23,137	26,853	15.9	18.9	23,175	-	-	-	-
Marketable debt securities	1,100	82.3	95.1	603	1,100	82.3	95.1	603	-	-	-	-
Subordinated debt	1,124	(14.6)	(12.4)	1,317	647	24.7	33.4	519	-	-	-	-
Inter-area positions	25	75.1	74.9	14	-	-	-	-	-	-	-	-
Other liabilities	4,774	43.2	47.6	3,333	3,528	63.1	68.1	2,163	1,536	7.9	11.6	1,424
Minority interests	617	26.4	28.1	488	545	28.2	28.5	425	61	(3.9)	4.4	64
Economic capital allocated	1,998	1.8	4.6	1,963	1,480	(10.7)	(8.5)	1,658	519	68.5	75.8	308

(1) At constant exchange rates.

Relevant business indicators

(Million euros and percentages)	South America				Memorandum item: Banking businesses				Memorandum item: Pensions and Insurance			
	30-09-08	∆%	∆%(1)	30-09-07	30-09-08	∆%	∆%(1)	30-09-07	30-09-08	∆%	∆%(1)	30-09-07
Customer lending (2)	24,116	17.8	21.7	20,475	24,116	17.8	21.7	20,475	-	-	-	-
Customer deposits (3)	28,176	15.5	18.7	24,404	28,176	15.5	18.7	24,404	-	-	-	-
• Deposits	27,761	17.9	21.3	23,539	27,761	17.9	21.3	23,539	-	-	-	-
• Assets sold under repurchase agreement	416	(51.9)	(51.5)	865	416	(51.9)	(51.5)	865	-	-	-	-
Off-balance-sheet funds	33,360	(8.5)	(3.2)	36,472	1,516	(12.3)	(9.9)	1,730	31,843	(8.3)	(2.9)	34,743
• Mutual funds	1,516	(12.3)	(9.9)	1,730	1,516	(12.3)	(9.9)	1,730	-	-	-	-
• Pension funds	31,843	(8.3)	(2.9)	34,743	-	-	-	-	31,843	(8.3)	(2.9)	34,743
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets (4)	24,972	1.8	4.6	24,534	18,503	(10.7)	(8.5)	20,728	6,489	68.5	75.8	3,852
ROE (%)	37.7			35.3	45.7			36.5	15.1			36.1
Efficiency ratio (%)	40.8			42.6	36.5			39.3	65.9			54.8
Efficiency incl. depreciation and amortization (%)	44.0			45.9	39.7			42.9	68.8			56.2
NPL ratio (%)	2.05			2.44	2.06			2.46	-			-
Coverage ratio (%)	146			132	146			132	-			-

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

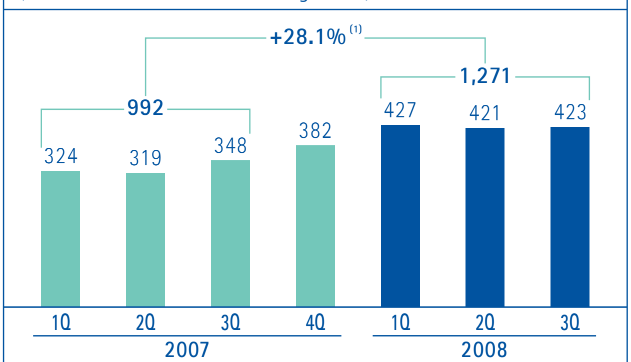
The South America area manages the banking, pension and insurance business conducted by the BBVA Group in the region.

In the third quarter of 2008, although the pace of growth in the region slowed down compared to previous quarters, the **economic situation** remained positive, apparently unscathed by the turbulence on the financial markets. There are various reasons for this. Firstly, the impact of lower business activity in the United States was offset by more dynamic trade with other regions, especially Asia. And given relatively high commodity prices, foreign trade continued to make a positive net contribution to GDP. Domestic demand in the Latam countries is also holding up well, although the upward tendency in interest rates over recent months has smoothed the curve somewhat. The increase in rates was mainly driven by a perceived upturn in inflation, which led central banks to tighten their monetary policy.

Unlike previous quarters, Latam **currencies** have depreciated against the US dollar in 3Q08 but most of them have gained some lost ground against the euro. This attenuated the negative impact of the exchange rate on the consolidated accounts for this area. The attached tables contain columns with the year-on-year changes at **constant exchange rates**. Unless otherwise indicated, the following remarks refer to these figures as they provide a better picture of management performance.

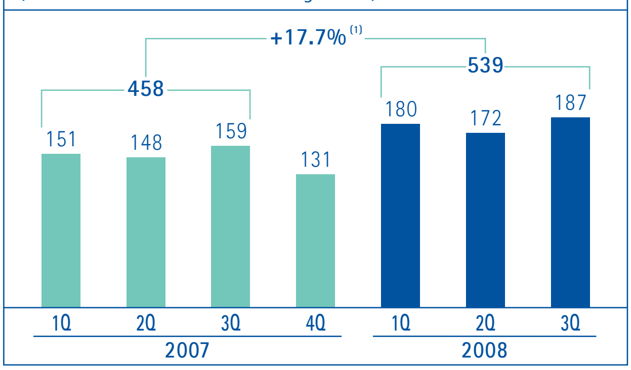
Against this favourable economic backdrop, the region's financial systems continue to show significant increases in business volumes, especially lending volumes,

South America. Operating profit
(Million euros at constant exchange rates)



(1) At current exchange rates: +19.5%.

South America. Net attributable profit
(Million euros at constant exchange rates)



(1) At current exchange rates: +9.4%.

although interest rates are cramping growth in retail lending. There are no signs as yet of a rise in the non-performing loans ratio. The **BBVA South America area** is reporting excellent performance in all its units. In the first nine months of the year, it generated €539m in **attributable profit**, a year-on-year increase of 17.7% (or 9.4% using current exchange rates). This profit pushed return on equity (ROE) up to 37.7%, as compared with 35.3% in the same period of 2007.

Earnings continued to be revenue driven, starting with the year-to-date **net interest income**, which stood at €1,498m for January through September, a year-on-year increase of 34.3%. Greater business volumes and the policy of maintaining spreads applied by all the units had a decisive influence on this high growth. To 30-Sep-08, the total **loanbook** stood at €24,116m, 21.7% above the figure reported twelve months previously. Consumer and card lending increased 30.3% and lending to companies 19.4%. Their growth was more modest than in previous quarters. Mortgage lending, however, maintained similar levels of growth (22.1%). The banks' **customer funds** (including mutual funds) ended September at €29,692m (up 16.8% year on year), including current and savings accounts, which grew 13.2% despite the discouraging impact of higher interest rates. Assets under management in the **pension funds** reached €31,843m, 2.9% down on 30-Sep-07 due to bearish financial markets.

Fee income and **revenues** from **insurance activities** also performed well. Combined, they generated €684m. This was 11.3% more than in the first three quarters of 2007, despite modest growth in the fees linked closest to markets (securities, mutual funds and pensions). **Net trading income** reached €145m, down 9.1% on the January-September period of 2007, which included capital gains on the disposal of public-sector assets in Argentina. This performance of the main income lines boosted **ordinary revenues** to €2,329m (up 23.2%).

The upward pressure of inflation throughout the region and the expansion of several units' sales networks were the main drivers behind the 17.8% year-on-year increase in **general and personnel costs**. Since this increase is lower than the increase in revenues, the **cost-income ratio** continued to improve, reaching 44.0% including depreciation (compared to 45.9% in the first nine months of 2007). **Operating profit** thus grew 28.1% year on year, reaching €1,271m.

Strict risk-admission management and the active recovery policy applied by all units has brought the **NPL ratio** down to 2.05% from 2.44% in September 2007. However, the increase in lending over recent years and the change in the loanbook mix has required higher loan-loss provisioning (52.9%). This has helped push up the **coverage ratio** to 146% on 30-Sep-08, surpassing coverage of 132% twelve months earlier.

Banking businesses

From January through September 2008, the banking business in this area has contributed attributable profit of €514m. This was 29.1% up on the same period of 2007. The most significant events in the different businesses are described below.

In Argentina, **BBVA Banco Francés** reported an attributable profit of €106m for the first nine months of the year. This was 5.5% down year on year, reflecting substantial capital gains from the divestment of public-sector assets in early 2007. Net interest income reached €200m (up 31.2%), driven by increased lending (up 18.2%), especially to individuals, and increased transactional deposits (up 15.7%). This was excellent performance, despite the tight liquidity observed in the system at certain moments during the third quarter. Fee income also grew (up 23.5%), whilst the plan to encourage new banking penetration, combined with country-wide inflation, continued to push up general administration expenses. Reduced allocation requirements and an active recovery management are behind the low figure for provisions.

Business volumes performed very well in **BBVA Chile**, both in the bank network and in Forum, showing year-on-year growth of 15.3% in the loanbook. Consumer and card lending did especially well, and mortgage lending picked up. Customer funds grew 14.6%. This has fuelled net interest income, which rose 25.3%. As costs grew only 11.8%, operating profit reached €116m, 47.7% higher than in the first three quarters of 2007. Provisions were practically flat and attributable profit increased 47.2% year on year, to reach €47m.

BBVA Colombia posted an attributable profit of €109m between January and September. This was 20.5% more than in the same period of 2007. Its excellent performance was largely due to the increase in core net interest income, which grew 28.9% year on year, driven by higher business volumes, especially in retail loans, but also in business lending. Moderation in administration costs (up 6.3%) also had a positive influence, despite higher inflation in the country. Operating profit reached €241m, up 40.4% year on year.

BBVA Banco Continental in Peru generated €61m in attributable profit. This was 41.7% more than in the first three quarters of 2007. As in the other countries, the key to the higher revenues (especially net interest income, which rose 22.3%) was the growth of volumes in retail products and business products: Lending rose 23.2% and customer funds 26.0%. Although general administration expenses were impacted by rising expenses stemming from the plan to improve banking penetration, the cost-income ratio continued to improve. It stood at 31.4%, compared to the 34.6% figure reported for January-September 2007. Operating profit increased 33.1% to reach €230m.

In Venezuela, **BBVA Banco Provincial** obtained a year-to-date attributable profit of €143m, up 66.6% year on year. This high increase originated in the net interest income, which was 50.6% up on the first nine months of 2007. It was influenced positively by growth in business volumes (albeit not as spectacular as previous quarters') and sound spreads, but negatively by changes regarding tax regulations introduced in the third quarter. As the other income lines (fee income and net trading income) also performed well, and costs grew below the country's inflation, year-to-date operating profit was €402m, having grown 60.5% year on year.

In the rest of the banking businesses, **BBVA Panama** showed an attributable profit of €21m for the half year (up 33.0% year on year); **BBVA Paraguay** €18m (up 29.4%) and **BBVA Uruguay** €9m (up 83.0%).

Pensions and Insurance

The pensions and insurance businesses in South America contributed a combined attributable profit of €46m over the first three quarters of 2008. This was 39.4% less than in the same period of the previous year. Of this, €15m came from the **pension business** (down 73.1%) and €31m from the **insurance business** (up 62.1%). The performance of the main companies is described below.

In Chile, **AFP Provida** continued to increase its sales. This can be seen in its year-to-date figures to September, which were up 11.8% year on year. However, volatility on the international financial markets throughout the year meant these higher sales were not fully reflected in the assets under management, which went down 6.8%, or in the attributable profit (€8m).

In Argentina, the **Grupo Consolidar** (which includes the AFJP pension business and the insurance companies) generated an attributable profit of €20m over the nine months (virtually all of it is related to insurance), 3.7% more than in the same period of 2007. The key to this performance was higher sales activity both in the insurance business (10.9% more business was written than the year before) and in the pension business, where assets under management rose 1.4% against 30-Sep-07 despite the impact of the markets.

In the rest of the pension funds, **AFP Horizonte** contributed an attributable profit of €5m from Colombia, while Peru's **AFP Horizonte** posted €2m under the same item. Bearish markets have had a negative impact on both cases.

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

(Million euros)	Operating profit				Net attributable profit			
Country	Jan.-Sep. 08	Δ%	Δ% at constant exchange rates	Jan.-Sep. 07	Jan.-Sep. 08	Δ%	Δ% at constant exchange rates	Jan.-Sep. 07
Argentina	192	(10.4)	1.9	214	126	(15.7)	(4.2)	149
Chile	139	(9.4)	(6.2)	153	62	(10.1)	(6.9)	69
Colombia	257	36.9	37.2	188	113	10.9	11.2	102
Panama	26	1.5	14.9	26	21	17.5	33.0	18
Paraguay	23	52.9	44.0	15	18	37.3	29.4	13
Peru	236	24.5	27.4	190	63	22.3	25.1	52
Uruguay	6	2.7	(2.4)	6	9	92.7	83.0	5
Venezuela	415	42.4	61.0	292	148	47.8	67.1	100
Other countries [1]	(24)	19.8	16.3	(20)	(20)	40.9	37.8	(14)
TOTAL	**1,271**	**19.5**	**28.1**	**1,063**	**539**	**9.4**	**17.7**	**492**

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

Corporate Activities

Income statement

(Million euros)	Jan.-Sep. 08	Δ%	Jan.-Sep. 07
NET INTEREST INCOME	**(533)**	**39.3**	**(382)**
Income by the equity method	(3)	42.8	(2)
Net fee income	(18)	n.m.	27
Income from insurance activities	(34)	60.7	(21)
CORE REVENUES	**(589)**	**55.4**	**(379)**
Net trading income	304	(1.1)	308
ORDINARY REVENUES	**(284)**	**299.4**	**(71)**
Net revenues from non-financial activities	(15)	n.m.	(2)
Personnel and general administrative expenses	(486)	16.3	(418)
Depreciation and amortization	(116)	8.5	(107)
Other operating income and expenses	(21)	91.9	(11)
OPERATING PROFIT	**(922)**	**51.3**	**(609)**
Impairment losses on financial assets	(57)	137.5	(24)
• Loan-loss provisions	7	n.m.	(24)
• Other	(64)	n.m.	(0)
Provisions	(36)	(83.6)	(217)
Other income/losses	18	112.3	9
PRE-TAX PROFIT	**(997)**	**18.4**	**(842)**
Corporate income tax	363	11.1	327
NET PROFIT	**(634)**	**22.9**	**(516)**
Minority interests	(7)	n.m.	0
NET ATTRIBUTABLE PROFIT (excluding one-offs)	**(641)**	**24.4**	**(515)**
Net of one-off operations [1]	180	(77.3)	794
NET ATTRIBUTABLE PROFIT	**(461)**	**n.m.**	**279**

(1) In 2008, capital gains from Bradesco and extraordinary charges for early retirements. In 2007, capital gains from Iberdrola, capital gains on the sale of buildings and the endowment for the BBVA Microcredit Foundation.

Balance sheet

(Million euros)	30-09-08	Δ%	30-09-07
Cash and balances at Central Banks	5,861	(2.9)	6,038
Financial assets	18,122	6.2	17,060
Loans and receivables	3,074	(46.3)	5,720
• Due from banks	2,088	(36.3)	3,277
• Loans to customers	554	(43.7)	984
• Other	432	(70.4)	1,458
Inter-area positions	(7,540)	22.9	(6,137)
Property, plant and equipment	1,847	7.2	1,723
Other assets	10,159	-	10,162
TOTAL ASSETS / LIABILITIES AND EQUITY	**31,523**	**(8.8)**	**34,566**
Deposits by Central Banks and banks	11,143	151.8	4,425
Due to customers	15,260	(26.4)	20,720
Marketable debt securities	76,040	4.3	72,899
Subordinated debt	5,597	(2.5)	5,742
Inter-area positions	(82,545)	3.7	(79,615)
Other liabilities	49	(98.7)	3,794
Minority interests	329	9.1	301
Valuation adjustments	(246)	n.m.	2,701
Shareholders' funds	23,297	14.3	20,388
Economic capital allocated	(17,400)	3.6	(16,788)

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

Year-on-year comparison of net interest income in the first nine months of the year continued to be marred by the Compass acquisition funding structure and higher wholesale-funding costs. This generated an **operating profit** of –€922m, as compared with the –€609m generated in the same period of 2007.

Attributable profit excluding one-offs was –€641m as compared with –€515m in the first three quarters of 2007. **One-off earnings** in 2008 were the following: capital gains on the Bradesco divestment in the first quarter (€509m) and provisions for one-off early retirements under the Spain & Portugal area's transformation plan in the second quarter (€329m), ie, a total of €180m net of tax. In comparison, €794m were recorded under this item to September 2007 (capital gains from the Iberdrola divestment and sales of premises minus the endowment for the BBVA Microcredit Foundation). **Attributable profit** for the area thus stood at –€461m in the period from January to September 2008, as compared with the +€279m booked to the same period of 2007.

Financial Planning

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

Managing **structural liquidity** helps to fund recurring growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to several alternative sources of finance. The Group encourages its American subsidiaries to be financially independent. The third quarter of 2008 was marked by strong volatility on wholesale markets and tight interbank markets. The stress hit a peak with the default of Lehman Brothers as the crisis spread to European banks. Timely intervention by the central banks and governments brought a degree of calm to the markets in the first few days of October, although liquidity remained largely short term. Throughout all this, BBVA's comfortable liquidity position meant it did not need to call on the medium- to long-term funding markets and could limit its funding requirements against the European Central Bank. The amount of wholesale funding maturing in the final quarter of 2008 is minimal, while current and potential sources of liquidity inflows far surpass the expected outflows in the next few quarters.

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

Actively managing **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) helps BBVA to preserve its capital ratios and bring stability to the Group's income statement while controlling impacts on reserves and the cost of this risk management. The third quarter of 2008 saw a stronger dollar and stability in Latam currencies. BBVA pursued an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%, with 100% hedging in the dollar area. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group hedges exchange-rate exposure on expected 2008 and 2009 earnings from the Americas. During the first nine months of 2008 such hedging has mitigated the impact of the weakening American currencies against the euro, with a forex hedge of approximately 50%.

The Financial Planning unit also actively manages the Group's **structural interest-rate exposure** on its balance sheet. This maintains more uniform short and medium-term net interest income growth by cutting out interest-rate fluctuations. During 2008, it has focused its strategies at hedging a less positive economic scenario in Europe for 2008-2010. The risk on the Mexico and USA balance sheets stands well within the area's comfort zone. The unit works both with heging derivatives (caps, floors, swaps, FRA's, etc) and with balance-sheet instruments. As September ended, the Group had asset portfolios denominated in euros, US dollars and Mexican pesos.

Holdings in Industrial and Financial Companies

This unit manages its portfolio of shares in industrial and financial companies with strict requirements regarding their return on investment, economic-capital consumption and risk-control procedures, diversifying investments by strategy and by sector. It also applies dynamic monetisation and coverage management strategies to holdings.

In the first nine months of 2008, it invested €1,113m and divested €1,834m. The largest single operation was the sale of the 2.5% holding in Bradesco in March for €875m, which triggered net capital gains of €509m.

At 30th September 2008, the market value of the holdings in industrial and financial companies was €4,755m, with unrealised capital gains of €1,266m before tax.

Information by secondary segments

January-September 2008 (Million euros) Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	6,754	4,073	2,142	305,717
The United States	1,740	741	331	75,098
Mexico	4,096	2,664	1,428	69,094
South America	2,246	1,179	434	39,804
Other	427	279	166	39,083
TOTAL	**15,263**	**8,936**	**4,501**	**528,795**

January-September 2007 (Million euros) Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	6,707	4,235	2,745	311,532
The United States	646	217	125	59,446
Mexico	3,868	2,410	1,335	60,204
South America	1,975	1,007	452	33,127
Other	297	173	98	28,366
TOTAL	**13,494**	**8,042**	**4,756**	**492,674**

Corporate responsibility

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

Customer focus

The 2007 report by the Bank of Spain's complaints service says BBVA turned in its best performance ever based on complaints received.

Access to finance

The BBVA Microcredit Foundation launched a new entity (Banca de las Microfinanzas Bancamía) in Colombia and another (Caja Nuestra Gente) in Peru. Both are the result of mergers with local microcredit organisations. Other moves to foster penetration of the un-banked population include three non-banking correspondents in BBVA Colombia and the launch of a new type of account (*Cuenta Básica*) for un-banked people by BBVA Banco Francés (Argentina).

Responsible finance

An ambitious new management system to combat money laundering and terrorist financing was introduced by BBVA Colombia. And in Venezuela, BBVA Banco Provincial modified its training courses to tighten up on the same problems.

Responsible products and services

The first *blue mortgage* for young people with limited resources was chosen as one of the top 100 ideas of the year by *Actualidad Económica* (a Spanish Magazine). BBVA also signed an agreement with the Madrid Autonomous Community to finance 25,000 non-regulated dwellings at an agreed price.

Responsible HR management

BBVA and the unions signed an agreement, which will last to 2010, on implementation of the Group's transformation plan in Spain. BBVA Banco Francés conducted new talks and workshops on health matters and the Group started a survey of all employees with the aim of making BBVA the best place to work.

Environmental management and climate change

The 2008-2012 Eco-Efficiency Plan, which will reduce BBVA's environmental footprint, was approved. BBVA's bank in Colombia launched an environmental responsibility campaign to raise awareness of climate change and the BBVA Bancomer Foundation in Mexico held a forestry workshop for employees and their families.

Commitment to society

COMMUNITY SUPPORT. BBVA sponsored various tertiary education courses in Spain aimed at promoting the careers of handicapped people. In addition BBVA Colombia donated study grants and other educational resources worth 100 million pesos to a local region (Caldas) and BBVA Compass employees gave $25,000 to the US Red Cross to help deal with the aftermath of hurricane Dolly.

EDUCATION. The BBVA Bancomer Foundation signed a co-operation agreement with the Mexican adult-education authority to promote basic reading skills among adults and children. Moreover BBVA Colombia and UNICEF signed an agreement to improve the quality of education.

Social Action Plan for Latin America

Under its special programme (*Por los que se quedan*), BBVA Bancomer increased the number of its study grants to 10,600 and the BBVA Banco Provincial Foundation decided to hand out 4,500 such grants to young people with low incomes, facilitating their integration with society and encouraging them to continue schooling.

CR reports

BBVA Banco Provincial published its second corporate responsibility report and set up a corporate responsibility and reputation committee.

Prizes and recognition

According to a ranking prepared by Management & Excellence for *Latin Finance*, the BBVA Group is the leader in sustainability, ethics, corporate governance and social responsibility in Latin America. Furthermore BBVA Colombia, BBVA Banco Continental, BBVA Banco Provincial and BBVA Banco Francés are among the top ten.

BBVA and the sustainability indices

BBVA maintained its prominent position in the Dow Jones and FTSE sustainability indices following the annual review by SAM and EIRIS (independent agencies). Its presence in these indices in shown below:

Main sustainability indices in which BBVA participates

		BBVA's participation (%)
Dow Jones Sustainability Indexes	DJSI World	0.74%
	DJSI STOXX	1.63%
	DJSI EURO STOXX	3.12%
FTSE	FTSE4Good Global	0.55%
	FTSE4Good Europe	1.21%
	FTSE4Good Europe 50	1.83%
	FTSE4Good IBEX	8.39%
vigeo	ASPI Eurozone Index	2.25%
	Ethibel Sustainability Index Excellence Europe	1.82%
	Ethibel Sustainability Index Excellence Global	1.04%
KLD INDEXES	KLD Global Sustainability Index	0.63%
	KLD Global Sustainability Index Ex-US	1.16%
	KLD Europe Sustainability Index	1.97%
	KLD Europe Asia Pacific Sustainability Index	1.83%

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