BBVA Group

"Information of Prudential Relevance"

Basel Accord Pillar III

Introduction

Banco de España Circular 3/2008 of 22nd May (hereinafter the Solvency Circular) represents the final development in the legislation of own funds and supervision of credit institutions on a consolidated basis, laid down in Spanish Law 13/1985 of 25th May, on *Financial intermediary investment ratios, own funds and reporting requirements of financial intermediaries* and other financial system regulations, and in Spanish Royal Decree 216/2008, of 15th February, on *Financial institutions' own funds.* These two laws together represent the adaptation of Spanish credit institutions to Community Directives 2006/48/EC of 14th June *relating to the taking up and pursuit of the business of credit institutions* and 2006/49/EC, of 14th June *on the capital adequacy of investment firms and credit institutions*, of the European Parliament and of the Council.

In accordance with Rule One hundred and nine of the Solvency Circular, financial institutions have to publish a document called "Information of Prudential Relevance" including the contents stipulated in chapter eleven of said regulation. This report has been drawn up in keeping with said stipulations.

According to what has been laid down in the policy defined by the Group for drawing up the Information of Prudential Relevance, the content herein refers to 31st December 2008 and it was approved by the Group's Audit and Compliance Committee, in its meeting held on 31st March 2009, having previously been reviewed by the External Auditor. Said review has not revealed any material discrepancies concerning compliance with the reporting requirements laid down in the Banco de España Solvency Circular.

Translation of a report originally issued in Spanish, in the event of a discrepancy, the Spanish original version prevails.

Index

1 General information requirements

1.1 A description of the consolidated group and differences between the consolidated group

1.1.1 Corporate name and scope of application

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the Bank or BBVA) is a private institution, submitted to the legislation and regulations governing banking institutions operating in Spain.

The articles of association and other public information about the Bank are available for consultation at its registered address (Plaza San Nicolás, 4 Bilbao) and on its official website: www.bbva.com.

In addition to the transactions it carries out directly, the Bank heads a group of equity holdings, jointly-controlled and associate institutions which perform a wide range of activities and which together with the Bank constitutes the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the Group or BBVA Group).

1.1.2 Differences between the consolidated group for the purposes of the Solvency Circular and the Accounting Circular

The Group's annual consolidated accounts are drawn up in accordance with what is laid down in the International Financial Reporting Standards adopted by the European Union (hereinafter, "IFRS-EU"). The adaptation of the IFRS-EU to the Spanish credit institution sector came in Spain via Banco de España Circular 4/2004, of 22nd December (hereinafter, the Accounting Circular) as well as through its subsequent amendments, including Banco de España Circular 6/2008, of 26th November.

For the purposes of the Accounting Circular, companies will be considered to form part of a consolidated group when the controlling institution holds or can hold, directly or indirectly, control of them. For these purposes, an institution is understood to control another when it has the power to direct its policies as regards finance and the pursuit of its business, in order to obtain economic profit from its activities. In particular, control is presumed to exist when the controlling institution has a relationship with another, which is termed dependent, in some of the following situations:

- ✓ It holds the majority of voting rights.
- ✓ It is entitled to appoint or dismiss the majority of the members of its governing body.
- ✓ By agreements subscribed with other partners, it can avail itself of the majority of voting rights.
- ✓ Exclusively with its votes, it has appointed the majority of the members of the governing body who are undertaking their responsibilities at the time the consolidated accounts must be drawn up and during the two tax years immediately preceding that moment. This case will not give rise to consolidation if the company whose directors have been appointed is bound to another in any of the cases described in the first two letters of this section.

Therefore, in drawing up the Group's consolidated annual accounts, all the dependent companies have been consolidated by applying the full consolidation method.

Alternatively, the policy the Group applies to jointly-controlled entities (those which are not dependent and are jointly controlled under contractual agreement through unanimous consent of the equity holders) is the following:

- ✓ Financial jointly-controlled entities: They are applied the proportionate consolidation method.
- ✓ Non-financial jointly-controlled entities: They are applied the equity method.

Moreover, associates, those on which the Group holds a significant influence but which are neither dependent nor jointly-controlled, are valued using the equity method.

Alternatively, for the purposes of the Solvency Circular, as is described in Spanish Law 36/2007, heading two, section 3.4, the consolidated group will comprise the following companies:

- ✓ Credit institutions
- ✓ Investment services companies
- ✓ Open-end funds
- ✓ Companies managing mutual funds, together with companies managing pension funds, whose sole purpose is the administration and management of the aforementioned funds
- ✓ Companies managing mortgage securitisation funds and asset securitisation funds
- ✓ Venture capital companies and venture capital funds managers
- ✓ Institutions whose main activity is holding shares or investments, unless they are mixed portfolio financial corporations supervised at financial conglomerate level

Likewise, the special-purpose entities whose main activity implies a prolongation of the business of any of the institutions included in the consolidation, or includes the rendering of back-office services to these, will also form part of the consolidated group.

According to the stipulations of said law, however, insurance institutions will not form part of credit institution consolidated groups.

Therefore, for the purposes of calculating solvency requirements, and hence the drawing up of this Information of Prudential Relevance, the perimeter of consolidated institutions is different to the perimeter defined for the purposes of drawing up the Group's annual accounts.

The outcome of the difference between the two regulations is that 89 institutions, largely real estate, insurance and service companies, which are consolidated in the Group's annual accounts by the full or proportionate consolidation method, are consolidated for the purposes of Solvency by applying the equity method.

Annex 1 contains a list of the entities comprising the consolidation perimeter for own funds purposes.

1.2 Identification of dependent institutions with capital resources below the minimum requirement. Possible impediments for transferring capital.

There is no institution in the Group not included in the consolidated group for the purposes of applying the Solvency Circular whose capital resources are below the regulatory minimum requirement.

The Group operates in Spain, Mexico, the United States and 30 other countries, largely in Europe and Latin America. Argentina and Venezuela notwithstanding, we know of no economic or legal restrictions on our subsidiaries for transferring capital to the controlling institution through dividends, loans or any other means.

1.3 Exemptions from capital requirements at individual or consolidated level

In keeping with the dispositions of Rule Five of the Solvency Circular, on the exemption from individual or consolidated compliance of the aforementioned Rule for Spanish credit institutions belonging to a consolidated group, the Group has applied to the Banco de España for exemption for the following companies:

- ✓ Banco Depositario BBVA, S.A.
- ✓ Banco Industrial de Bilbao, S. A.
- ✓ Banco de Promoción de Negocios, S.A.
- ✓ BBVA Factoring E.F.C., S.A.
- ✓ Banco de Crédito Local, S.A.
- ✓ Uno-e BANK, S.A.
- ✓ BBVA Banco de Financiación, S.A.
- ✓ Banco Occidental, S.A.
- ✓ Finanzia Banco de Crédito, S.A.

1.4 Risk management policies and targets

1.4.1 The general principles in risk management

The Group's general guiding principles for defining and monitoring its risk profile are as follows:

1. The risks assumed must be compatible with the Group's capital, in keeping with its target solvency level.
2. Business growth must be financed with prudent liquidity management.
3. The Group's earnings generation should have a high recurrence level.
4. Limits must be placed on risk factors that imply concentrations and which endanger solvency, liquidity and recurrence targets.
5. All risks must be identified, measured and assessed; monitoring and management procedures must likewise be in place.

6. The existence of sound control and mitigation mechanisms for operational and reputational risks.
7. It is each business area's responsibility to propose and maintain its own risk profile, within their independence in the corporate action framework.
8. The risk infrastructure should be appropriate for offering dynamic support to all the above, in terms of tools, databases, IT systems, procedures and people.

On the basis of these principles, the Group has developed a global risk management system which is structured around three components:

- ✓ A corporate risk governance lay-out which separates functions and responsibilities.
- ✓ A set of tools, circuits and procedures that make up differentiated management systems.
- ✓ A system of internal control mechanisms.

1.4.2 Corporate governance lay-out

The Group has a corporate governance system which is in keeping with international recommendations and trends, adapted to its business environment and to the most advanced practices in the markets in which it pursues its business.

In the field of risk management, it is the board of directors that is responsible for approving the risk control and management policy, as well as periodically monitoring internal reporting and control systems.

To perform this function correctly the board is supported by the Executive Committee and a Risk Committee, the main mission of the latter being to assist the board in undertaking its functions associated with risk control and management.

As per Board Regulations, article 36, for these purposes, the Risk Committee is assigned the following functions:

- ✓ To analyse and evaluate proposals related to the Group's risk management and oversight policies and strategies.
- ✓ To monitor the match between risks accepted and the profile established.
- ✓ To assess and approve, where applicable, any risks whose size could compromise the Group's capital adequacy or recurrent earnings, or that present significant potential operational or reputational risks.
- ✓ To check that the Group possesses the means, systems, structures and resources benchmarked against best practices to allow implementation of its risk management strategy.

1.4.3 Global Risk Area

The Group's risk management system is managed by the Corporate Risk Area, which combines the view by risk type with a global view. The Corporate Risk Management Area is made up of specialised units for each type of risk (credit, market and structural, operational and non-banking risks) which work alongside the transversal units: such as Global Risk Management which brings together all the risks, the Risk Assessment Methodologies Unit, and Transformation and Internal Control.

Below this level there are risk teams with which it maintains flowing, continuous relations, and which examine the risks from each country or from specific business groups.

Using this structure, the risk management function assures firstly, the integration, control and management of all the Group's risks; secondly, the application of standardised risk principles, policies and metrics throughout the entire Group; and thirdly, the necessary insight into each geographical region and each business.

This organisational lay-out is supplemented by regular running committees which may be exclusively from the Risk Area (the Global Risk Committee and the Technical Operations Committee) or they may comprise several areas (The New Products Committee; the Global Internal Control and Operational Risk Committee, the Assets and Liabilities Committee and the Liquidity Committee). Their scope is:

- ✓ The mission of the Global Risk Committee, made up of the corporate supervisors of risk management in the Group, is to develop and implement the Group's risk management model in such a way as to ensure that the cost of risk is appropriately integrated into the different decision-making processes. It thus assesses the Group's global risk profile and whether its risk management policies are consistent with its target risk profile; it identifies global risk concentrations and alternatives to mitigate these; it monitors the macroeconomic and competitor environment, quantifying global sensitivities and the foreseeable impact different scenarios will have on risk exposure.
- ✓ The Technical Operations Committee analyses and approves, if appropriate, transactions and financial programmes to the level of its competency, scaling up those beyond its scope of power to the Risks Committee.
- ✓ The task of the Global Internal Control and Operational Risk Committee is to undertake a review at Group-level and of each of its units, of the control environment and the running of the Internal Control and Operational Risk Models, and likewise to monitor and locate the main operational risks the Group has open, including those of a transversal nature. This Committee is therefore the highest operational risk management body in the Group.
- ✓ The functions of the New Products Committee are to assess, and if appropriate to approve, the introduction of new products before activities commence; to undertake subsequent control and monitoring for newly authorised products; and to foster business in an orderly way to enable it to develop in a controlled environment.
- ✓ The Assets and Liabilities Committee (ALCO) is responsible for actively managing structural liquidity, interest rate and exchange rate risks, together with the Group's capital resources base.
- ✓ The Liquidity Committee will undertake monitoring of the measures adopted and it will verify the disappearance of the trend signals which led to it being convened or, if it so deems necessary, it will proceed to convene the Crisis Committee.

1.4.4 Scope and nature of the risk measurement and reporting systems

Depending on their type, risks fall into the following categories:

1. Credit risks
2. Market risks
3. Operational risks
4. Structural risks

There follows a description of the risk measurement systems and tools for each kind of risk.

1.4.4.1 Credit risk

This is the risk that one of the parties to the financial instrument contract stops complying with its contractual obligations due to the insolvency or incapacity of natural or legal persons and which leads to a financial loss in the other party.

The calculation of the credit risk profile is essential when it comes to setting the Group's targets. The two main metrics we use are expected loss (EL) and economic capital (EC), the latter being what is deemed necessary to cover unexpected losses. Numerous credit classification/rating tools (ratings and scorings) are used to calculate both of these metrics. They are based on an infrastructure of historical information on risks and enable us to make appropriate estimates of the necessary inputs to carry out said calculations: probability of default, loss given default and exposure at the time of default.

1.4.4.2 Market risk

This is what arises from holding financial instruments whose value may be affected by changes in market conditions. It includes three types of risk:

- ✓ Exchange rate risk: this is the risk resulting from variations in FX exchange rates.
- ✓ Interest rate risk: this is the risk resulting from variations in market interest rates.
- ✓ Price risk: This is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on the market.

With regard to market risk (including interest rate risk, exchange rate risk and price risk), BBVA's limits structure determines an overall VaR (Value-at-Risk) limit and an Economic Capital limit for each business unit and specific sublimits by type of risk, activity and desk.

1.4.4.3 Operational risk

Operational risk is the risk of loss due to inappropriateness or failures in internal processes, staff and systems, or alternatively due to outside events.

The tools that have been implemented cover both qualitative and quantitative aspects of operational risk. These are classified using Basel categories: processes, fraud, technology systems, human resources, commercial practices and disasters:

- ✓ Ev-Ro: this is a tool for identifying and quantifying operational risk factors.
- ✓ TransVaR: to supplement the information provided by Ev-Ro, the Group possesses an indicator-based operational risk management tool. The fundamental purpose of this tool is to show how operational risk is evolving and to set up alert signals.
- ✓ SIRO: when operational risk events occur, the Group records them on databases that have been set up in each BBVA Group bank.

1.4.4.4 Structural risks

Here is a description of the different types of structural risks:

Structural interest rate risk. The aim of managing balance-sheet interest rate risk is to maintain Group exposure, before variations in market interest rates at thresholds in line with its strategy and risk profile. In pursuance of this, the ALCO undertakes active balance sheet management through operations intended to optimise the levels of risk borne according to the expected earnings and enable the maximum levels of accepted risk to be complied with.

In addition to performing sensitivity measurements for fluctuations in market rates, the Group makes probability calculations based on interest rate curve simulation models that determine the “economic capital” and “income at risk” for the structural interest rate risk the Group’s banking activity incurs (excluding Treasury operations).

Structural exchange rate risk. Structural exchange rate risk is basically caused by exposure to variations in exchange rates that arise in the Group’s foreign subsidiaries and the provision of funds to foreign branches financed in a different currency to that of the investment in the subsidiary.

Management of structural exchange rate risk is based on measurements made by the Risk Area using a model which simulates different exchange rate scenarios and enables the possible fluctuations in value to be quantified for a 99% confidence level and a preset time horizon.

Structural risk in the equity portfolio. The Group’s exposure to structural risk in the equity portfolio comes largely from its holdings in industrial and financial companies with medium- to long-term investment horizons, reduced by the short net positions held in derivative instruments over the same underlying assets, in order to limit portfolio sensitivity to potential price cuts.

The Risk Area measures and effectively monitors structural risk in the equity portfolio. To do so, it estimates the sensitivity figures and the capital necessary to cover possible unexpected losses due to the variations in the value of the equity portfolio at a confidence level that corresponds to the institution’s target rating, and taking account of the liquidity of the positions and the statistical performance of the assets under consideration. These figures are supplemented by periodic stress comparisons, back-testing and scenario analyses.

Liquidity risk. Liquidity risk is the name given to the possibility that an institution cannot meet its payment obligations or, that meeting them implies it has to resort to obtaining funds on onerous terms.

The Group’s liquidity risk monitoring takes a dual approach: a short-term approach, with a time horizon of up to 90 days, and a second structural, medium-term approach, focused on financial management of the balance sheet as a whole, with a monitoring time horizon of at least one year.

The evaluation of asset liquidity risk is based on whether or not they are eligible for rediscounting before the corresponding central bank. Both in the short and medium term, those assets that are on the eligible list published by the European Central Bank or by the corresponding monetary authority are considered to be of highest liquidity. Non-eligible assets – quoted or otherwise – are only considered to represent a second line of liquidity for the Group when analysing crisis situations.

Reports on liquidity risk are periodically sent to the Group’s ALCO and to the managing areas themselves. As is stipulated in the Contingency Plan, in the event of any alert signal or crisis being detected, it is the Technical Liquidity Group (TLG) that undertakes the first analysis of the Group’s liquidity situation, be it short- or long-term. In situations in which said alerts may constitute a serious problem, the TLG informs the Liquidity Committee.

1.4.5 The internal control model

The Group's Internal Control Model is based on the best practices described in the following documents: "*Enterprise Risk Management – Integrated Framework*" by the COSO (*Committee of Sponsoring Organizations of the Treadway Commission*) and "*Framework for Internal Control Systems in Banking Organizations*" by the BIS.

The Internal Control Model therefore comes within the Integral Risk Management Framework. Said framework is understood as the process within an organisation involving its board of directors, its management and all its staff, which is designed to identify potential risks facing the institution and which enables them to be managed within the limits defined, in such a way as to reasonably assure that the organisation meets its business targets.

This Integral Risk Management Framework is made up of Specialised Units (Risks, Compliance, Accounting and Consolidation, Legal Services), the Internal Control Function and Internal Audit.

The Internal Control Model is underpinned by, amongst others, the following principles:

1. The "process" is the articulating axis of the Internal Control Model.
2. Risk identification, assessment and mitigation activities must be unique for each process.
3. It is the Group's units that are responsible for internal control.
4. The systems, tools and information flows that support internal control and operational risk activities must be unique or, in any event, they must be wholly administered by a single unit.
5. The specialised units promote policies and draw up internal regulations, the second-level development and application of which is the responsibility of the Corporate Internal Control Unit.

One of the essential elements in the model is the Institution-level Controls, a top-level control layer, the aim of which is to reduce the overall risk inherent in its business activities.

Each unit's Internal Control Management is responsible for implementing the control model within its scope of responsibility and managing the existing risk by proposing improvements to processes.

Given that some units have a global scope of responsibility, there are transversal control functions which supplement the previously mentioned control mechanisms.

Lastly, the Internal Control and Operational Risk Committee in each unit is responsible for approving suitable mitigation plans for each existing risk or shortfall. This committee structure culminates at the Group's Global Internal Control and Operational Risk Committee.

1.4.6 Risk protection and reduction policies. Supervision strategies and processes

The Group applies a credit risk protection and mitigation policy deriving from the banking approach focused on relationship banking. On this basis, the provision of guarantees is a necessary instrument but one that is not sufficient when taking risks; therefore for the Group to assume risks, it needs to verify the payment or resource generation capacity to comply with repayment of the risk incurred.

The aforementioned is carried out through a prudent risk management policy which consists of analysing the financial risk in a transaction, based on the repayment or resource generation capacity of the credit receiver, the provision of guarantees in any of the generally accepted ways (monetary, collateral or personal guarantees and hedging) appropriate to the risk borne, and lastly on the recovery risk (the asset's liquidity).

In most cases, maximum exposure to credit risk is reduced by collateral, credit enhancements and other actions which mitigate the Group's exposure. Below is a description for each type of financial instrument:

Financial assets held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument. In trading derivatives, credit risk is minimised through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantee, depending on counterparty solvency and the nature of the transaction.

Other financial assets at fair value through profit or loss: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent in the structure of the instrument.

Financial assets available for sale: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent in the structure of the instrument.

Loans and receivables:

- **Loans and advances to credit institutions:** They have the counterparty's personal guarantee and, in some cases, the additional guarantee from another different credit institution, with which a credit derivative has been subscribed.

- **Loans and advances to other debtors:** In addition to the counterparty's personal guarantee, additional collateral are taken to assure lending such as mortgage or cash collateral, pledging of securities or other collateral. Other credit enhancements can be made, such as letters of credit or credit derivatives.

- **Debt securities:** The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent in the structure of the instrument.

Held-to-maturity investments: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent in the structure of the instrument.

Hedging derivatives: Credit risk is minimised through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are closed out for their net balance. There may likewise be other kinds of guarantees, depending on counterparty solvency and the nature of the transaction.

Financial guarantees, other contingent exposures and drawable by third parties: They have the counterparty's personal guarantee and, in some cases, the additional guarantee from another different credit institution, with which a credit derivative has been subscribed.

In the Group, monitoring plays a fundamental role in the risk management process and the scope of action of this function extends to all the phases in this process (acceptance, monitoring and recovery), guaranteeing that each risk is dealt with according to its status and defining and fostering measures to appropriately manage deteriorating risk.

Each Business Area is responsible for initially monitoring risk quality in its business segment referring to outstanding exposure, outstanding deteriorating and past due exposure. The Central Monitoring Area supervises this function, offering its global vision and fulfilling, amongst others, the following tasks:

i. Monitoring the achievement of the asset quality targets.
ii. Monitoring the outstanding risks that are under watch, deteriorating and past due.
iii. Monitoring trends in concentration, expected loss and capital use in the main risk groups.
iv. Benchmarking the risk quality parameters.
v. Special monitoring of sensitive portfolios.

2 Information on Total Eligible Capital

2.1 The characteristics of the eligible capital resources

For the purposes of calculating its minimum capital requirements, the Group follows Rule Eight of the Solvency Circular, for defining the elements comprising its Basic Capital, Additional Capital and, if applicable, auxiliary capital, considering their corresponding deductions as defined in Rule Nine. The spread of the various component elements of capital and the deductions between Basic Capital, Additional Capital and auxiliary capital, together with compliance with the limits stipulated both on some of the elements (preference shares, subordinate, etc.) and also on the different kinds of funds, is all in keeping with the dispositions in Rule Eleven.

In line with what is stipulated in the Solvency Circular, Basic Capital basically comprises:

- ✓ Common equity: This comprises the Bank's share capital and the share issue premium.
- ✓ Retained profits and undisclosed reserves: These are understood to be those produced and charged to profits when their balance is in credit and those amounts which, without being included on the income statement must be booked in the "other reserves"· account, in keeping with the dispositions contained in the Accounting Circular. In application of Rules Eighteen and Fifty-one of the aforementioned Accounting Circular, exchange rate differences will also be classified as reserves. Likewise, valuation adjustments in the coverage of net investments in businesses abroad and the balance of the equity account which contains remuneration accrued on capital instruments will also be included in reserves.
- ✓ Minority interests: The holdings representing minority interests, and corresponding to those ordinary shares in the companies belonging to the consolidated group which are fully paid up, excluding the part which is included in revaluation reserves and in valuation adjustments. Earnings net of dividends attributable to these shareholders are also included hereunder. In any event, the fraction over and above 10% of the Group's total Basic Capital would not be considered eligible Basic Capital.
- ✓ Net income for the year referring to the perimeter of credit institutions, deducting the amount corresponding to interim and final dividend payments.
- ✓ Preference shares mentioned in Spanish Law 13/1985, article 7.1, and issued as per Additional Disposition Two of the same. It likewise also includes issues made by foreign companies, as long as they comply with what is laid out in the Solvency Circular, Rule Nine, section 5, letters e) and f). According to Rule Eleven, these shares may account for up to 30% (maximum) of Basic Capital.

Basic Capital is, moreover, adjusted mainly through the following deductions:

- ✓ Intangible assets and Goodwill.
- ✓ Shares or other securities booked as own funds that are held by any of the Group's consolidated institutions, together with those held by non-consolidated institutions belonging to the Economic Group, although in this case up to the limit stipulated in Solvency Circular, Rule Nine, section 1, letter c).

- ✓ Funding for third parties, the aim of which is to acquire shares or other eligible securities as own funds of the awarding institution or of other institutions in its consolidated group, as long as the amount exceeds 1% of the capital outstanding.
- ✓ The outstanding debit balance of each of the net equity accounts reflecting valuation adjustments in financial assets available for sale, through exchange differences and through hedging of net investments of foreign businesses.
- ✓ There are other deductions which are split equally; 50% to Basic Capital and 50% to Additional Capital:
    a. Holdings in financial institutions that may be consolidated by virtue of their activity, but which are not part of the Group, when the holding exceeds 10% of the subsidiary's capital.
    b. Holdings in insurance companies when they directly or indirectly account for 20% or above of the subsidiary's capital.

Total Eligible Capital also includes Additional Capital, which is largely made up of the following elements:

- ✓ Subordinated financing received by the Group, understood as that which, for credit seniority purposes, comes behind all the common creditors. The issues, moreover, have to fulfil a number of conditions which are laid out in Rule Eight of the Solvency Circular. In keeping with Rule Eleven of the aforecited Circular, this item should not account for more than 50% of Basic Capital.
- ✓ Furthermore, preference shares issued by subsidiary companies which exceed the limits stipulated in Rule Eleven for the purpose of their inclusion as Basic Capital, provided they fulfil the requirements listed in Rule Eight, section 5.
- ✓ The Solvency Circular has opted for including as eligible 35% of the gross amounts of net capital gains which are booked as valuation adjustments on financial assets available for sale when these correspond to debt instruments and 45% for capital instruments, instead of the option of including them net of tax. When valuation adjustments give rise to capital losses, these are deducted from Basic Capital
- ✓ The surplus resulting between the sum of the value corrections due to asset impairment and due to provisions for risks related to exposures calculated as per the IRB Method on the losses they are expected to incur, for the part that is below 0.6% of the risk-weighted exposures calculated according to said method. It will also include the book balances of generic provisions referring to securitised exposures which have been excluded from the risk-weighted exposures calculation under the IRB method, for the part not exceeding 0.6% of the risk-weighted exposures that would have corresponded to said securitised exposures, had they not been excluded. There is no treatment defined for the surplus of insolvency provisions over expected loss in portfolios assessed under the Advanced Measurement Approach, above the aforementioned 0.6% limit.

  Furthermore, the book balance for generic provisions reached in keeping with the Accounting Circular and which corresponds to those portfolios which are applied the Standardised Approach, for an amount up to 1.25% of the weighted risks that have been the basis for the coverage calculation, will also be considered eligible Additional Capital. Generic provisions for those securitised assets that have been excluded from the risk-weighted exposures under the Standardised Approach are also eligible up to a limit of 1.25% of the weighted risks that would have corresponded them, had they not been excluded. The surplus over and above the 1.25% limit is deducted from exposure.
- ✓ 50% of the deductions assigned to Additional Capital, mentioned when we discussed Additional Capital.

2.2 Amount of Eligible Capital Resources

The accompanying table shows the amount of eligible capital resources, net of deductions, of the different elements comprising the capital base:

Million euros	12/31/2008
Eligible capital resources	
Capital	1,837
Reserves	20,768
Minority interests	928
Deductions	-9,997
Attributable profit & interim and final dividends	3,181
Eligible preference shares	5,391
BASIC CAPITAL	**22,107**
Subordinated debt	9,772
Valuation adjustments in the AFS portfolio	482
Surplus on generic provision	2,289
ADDITIONAL CAPITAL	**12,543**
Other deductions from Basic Capital and Additional Capital (1)	-957
TOTAL	**33,694**

Notes

(1) Holdings in financial and insurance institutions are divided equally between Basic Capital and Additional Capital.

Furthermore, in accordance with article 6 of Spanish Royal Decree 1332/2005, of 11th November, on the capital adequacy of financial groups and mixed group reporting, there are additional capital resources which come to €1,129 million.

3 Information on Capital Requirements

3.1 A breakdown of minimum Capital Requirements by risk type

The accompanying table shows total capital requirements itemised by Credit Risk, Trading-book Risk, Exchange Rate Risk, Operational Risk and other requirements.

The total amount for Credit Risk includes the positions in securitisations (Standard and Advanced Method) and equity portfolio.

Million euros — 12/31/2008

Exposure categories and risk types	Capital Amount
Central Governments and Central Banks	924
Regional Governments and Local Authorities	164
Public Sector Institutions and other Public Entities	15
Multilateral Development Banks	0
Institutions	131
Corporates	5,713
Retail	1,982
Collateralised with real estate property	930
Default status	317
High risk	104
Short Term to Institutions and Corporates	2
Mutual funds	5
Other exposures	754
Securitised balances	171
TOTAL CREDIT RISK BY THE STANDARDISED APPROACH	**11,210**
Institutions	1,028
Corporates	5,879
Retail	1,291
Of which: Secured by real estate collateral	1,202
Of which: Other retail	89
Equity	1,214
By method:	
Of which: Simple Method	537
Of which: PD/LGD Method	568
Of which: Internal Models	108
By nature:	
Of which: Exhange Traded equity instruments	979
Of which: Equity instruments in sufficciently diversified portfolios	235
Securitisation positions	22
TOTAL CREDIT RISK BY THE ADVANCED MEASUREMENT APPROACH	**9,435**
TOTAL CREDIT RISK	**20,645**
Standardised:	55
Of which: Price Risk from fixed income positions	47
Of which: Price Risk from Equity portfolios	8
Advanced: Market Risk	381
TOTAL TRADING-BOOK ACTIVITY RISK	**435**
EXCHANGE RATE RISK (STANDARDISED APPROACH)	**649**
OPERATIONAL RISK (STANDARDISED APPROACH)	**2,312**
OTHER CAPITAL REQUIREMENTS	**83**
CAPITAL REQUIREMENTS	**24,124**

Of the amounts shown in this table referring to credit risk, €1,173 million correspond to counterparty risk in trading-book activity. The Group currently has no capital requirements for trading-book activity liquidation risk.

3.2 The procedure employed in the Internal Capital Adequacy Assessment Process

The Group's budgeting process is where it makes the calculations both for Economic Capital at risk allocated by the different business areas and for the capital base. Economic Capital is calculated by internal models that collect the historical data existing in the Group and calculate the capital necessary for pursuit of the activity adjusted for risks inherent to it. Said calculations include additional risks to those contemplated in regulatory Pillar I.

The following points are assessed within the Internal Capital Adequacy Assessment Process:

- ✓ The Group's risk profile: Measurement of the risks (credit, operational, market and other asset and liability risks) and quantification of the capital necessary to cover them.
- ✓ Systems of risk governance, management and control: Review of the corporate risk management culture and Internal Audit.
- ✓ Capital resources target: Capital distribution between the Group's companies and the targets marked for it.
- ✓ Capital planning: A projection is made of the Group's capital base and that of its main subsidiaries for the next three years and capital sufficiency is analysed at the end of the period. Furthermore, a stress test is performed using a scenario in which macroeconomic values are estimated for a global-level, economic recession scenario and the consequences of this on the Group's activity (increased NPA, lower activity levels, higher volatility in the financial markets, falls in the stock market, operating losses, liquidity crises, etc.) and its impact on the capital base (income, reserves, capacity to issue equity instruments, provisions, risk-weighted assets, etc.). Estimations are also made on the possible cyclical nature of the models used. The stress scenarios cover recession situations in sufficiently long periods (20-30 years).
- ✓ Future action programme: If the conclusions of the report so require, corrective actions are programmed that enable the Bank's equity situation to be optimised in view of the risks analysed.

The Internal Capital Adequacy Assessment Process concludes with a document which is sent annually to the Banco de España, for supervision of the targets and the action plan presented, enabling a dialogue to be set up between the Supervisor and the Group concerning capital and solvency.

4 Credit and dilution risk

4.1 Accounting definitions

4.1.1 Definitions of non-performing assets and impaired positions

Pursuant to the provisions of the Accounting Circular, the Group classifies its debt instruments under the heading of Assets impaired by credit risk both for the risk attributable to the customer and for country risk:

- ✓ **Customer Risk**: the risks included in this category include both:
  - i. **Risks due to default:** it includes those debt instruments that have amounts due on principal, interest or any other cost agreed by contract, regardless of who the holder is or the guarantee involved, with a seasoning of more than 3 months, unless they involve write-offs, as well as those debt instruments that are classified as non-performing through the accumulation of balances rated as non-performing through default for an amount exceeding 25% of the overall sums pending collection.
  - ii. **For reasons other than default:** it includes those debt instruments for which there is no concurrence of the circumstances required to classify them as write-offs or non-performing for reasons of default, and which generate doubt regarding their full reimbursement (principal and interest) under the terms and conditions agreed by contract.
- ✓ **Country risk:** the assets impaired for reasons of country risk will be the debt instruments of operations in countries with long-standing difficulties in servicing their debt, with there being doubt cast on the possibility of recovery, with the exception of those excluded from provisioning for country risk (eg, risks attributed to a country, regardless of the currency in which they are denominated, registered in subsidiaries located in the holder's country of residence, commercial loans with a due date not exceeding one year, etc.) and those that are to be classified as non-performing or write-offs for risk attributable to the customer.

Those operations for which there is a concurrence of reasons for classifying a transaction as credit risk, both for risk attributable to the customer and for country risk, are to be classified under the heading corresponding to risk attributable to the customer, unless it corresponds to a worse category for country risk, without prejudice to the fact that impairment losses attributable to customer risk are covered under the item of country risk when it involves a greater requirement.

Write-off risks are those debt instruments, due or otherwise, for which an individualised analysis has concluded that their recovery is deemed remote and that they should be classified as final write-offs.

4.1.2 Methods for determining value adjustments for impairment of assets and provisions

4.1.2.1 Methods used for determining value adjustments for impairment of assets

The calculation of the impairment of financial assets is performed according to the type of instrument and the category under which it is recorded. The Group uses write-offs when the possibility of recovery is remote and the offsetting item or allowance account when provisions are set.

The amount of the deterioration of debt instruments valued at their amortised cost is determined by whether the impairment losses are calculated individually or collectively.

Impairment losses determined individually

The quantification of the impairment losses on assets classified as impaired is undertaken individually with customers for whom the sum of their operations is equal to or in excess of €1 million.

The amount of impairment losses recorded by these instruments coincides with the positive difference between their respective book values and the present values of future cash flows.

The estimation of future cash flows for debt instruments considers the following:

- ✓ All sums expected to be obtained during the remaining life of the instrument including those that may arise from collaterals and credit enhancements, if any, (once deduction has been made of the costs required for their foreclosure and subsequent sale)
- ✓ The different types of risk to which each instrument is subject
- ✓ The circumstances under which the collections will foreseeably take place

These cash flows are discounted at the instrument's original effective interest rate. When a financial instrument has a variable rate, the discount rate for valuing any impairment loss is the current effective interest rate stipulated by contract.

As an exception to the above, the market value of quoted debt instruments is considered to be a fair estimate of the current value of its future cash flows.

Impairment losses determined collectively

The quantification of impairment losses is determined on a collective basis in the following two cases:

- ✓ The assets classified as impaired of customers for whom the sum of their operations is less than €1 million
- ✓ The portfolio of live assets that are not impaired but which involves an inherent loss

The inherent loss is considered to be equal to the sum of the losses incurred that are pending assignment to specific transactions and which are calculated using statistical procedures.

The Group performs the collective estimation of the inherent loss for credit risk corresponding to the operations undertaken by the Group's financial institutions in Spain (approximately 68.73% of the Group's Loan-book at 31 December 2008), using the parameters provided by Annex IX to the Banco de España Circular 4/2004 based on its own experience and on the information held on the Spanish banking sector on the quantification of impairment losses and the subsequent loan-loss provisioning for credit risk.

Similar methods and criteria are applied for collectively estimating the loss for credit risk corresponding to operations undertaken with non-domestic customers in Spain recorded in foreign subsidiaries, taking as reference Banco de España parameters, albeit using non-performing seasoning standards adapted to the particular circumstances in each country in which the subsidiary operates. Nevertheless, for consumer, cards and mortgage portfolios in Mexico, as well as the loan portfolio held by the Group's companies in the United States, use is being made of internal models for calculating impairment loss that are based on their own historical experience.

4.1.2.2 Methods used for provisioning for contingent exposures and commitments

Non-performing contingent exposures and commitments, except for letters of credit and other guarantees, are to be provisioned for an amount equal to the estimation of the sums expected to be disbursed that are deemed to be non-recoverable, applying criteria of valuation prudence. When calculating the provisions, application is to be made of criteria similar to those established for non-performing assets for reasons other than customer default.

Nonetheless, those letters of credit and other guarantees provided and classified as non-performing are to be covered at least by the coverage percentages specified for non-performing assets.

Likewise, the inherent loss associated with letters of credit and other guarantees provided that are in force and not impaired is covered by applying similar criteria to those set out in the preceding section on impairment losses determined collectively.

4.1.3 Criteria for removing from or retaining on the balance sheet those assets subject to securitisation

The accounting procedure for the transfer of financial assets is informed by the manner in which the risks and benefits associated with securitised assets are transferred to third parties.

Financial assets are only removed from the consolidated balance sheet when the cash flows they generate have dried up or when their implicit risks and benefits have been substantially transferred out to third parties.

It is considered that the Group substantially transfers the risks and benefits when these account for the majority of the overall risks and benefits of the securitised assets.

When the risks and benefits of the transferred assets are substantially conveyed to third parties, the financial asset transferred is removed from the consolidated balance sheet, simultaneously acknowledging any right or obligation retained or created as a result of the transfer.

The transfer of risks and benefits is to be assessed by comparing the Bank's exposure, before and after the transfer, to the variation in the amounts and the calendar of the net cash flows of the transferred asset.

When the risks and/or benefits associated with the financial asset transferred are substantially retained, the financial asset transferred is not removed from the consolidated balance sheet and continues to be valued according to the same criteria applied prior to the transfer.

In the specific case of the SSPEs (Securitization Special Purpose Entities) to which Group institutions transfer their loan-books, the following control guidelines are to be considered with a view to analysing their possible consolidation:

- ✓ The activities of SSPEs are pursued on the Group's behalf in accordance with its specific business requirements, whereby it will obtain benefits or advantages from said activities.
- ✓ The Group retains decision-making powers in order to obtain the greater part of the benefits from the activities of SSPEs or has delegated such powers through an "auto-pilot" mechanism (SSPEs are structured in such a way that all their decisions and activities will already have been defined at the time of their creation).
- ✓ The Group is entitled to obtain the greater part of the benefits from SSPEs and is therefore exposed to the risks forthcoming from their business.
- ✓ The Group withholds the greater part of the residual benefits from SSPEs.
- ✓ The Group withholds the greater part of the risks of the SSPE assets and the rules on asset removal are applied.

If there is control based on the preceding guidelines, the SSPEs are consolidated to the consolidated entity.

4.1.4 Criteria for the recognition of income in the event of the removal of assets from the balance sheet

In order for the Group to recognise the result of the sale of financial instruments, this is to involve the corresponding removal from the accounts, which requires the fulfilment of the requirements governing the substantial transfer of risks and benefits as described in the preceding point. The result will be reflected on the income statement, being calculated as the difference between the book value and the net value received including any new additional assets obtained minus any liabilities assumed.

When the amount of the financial asset transferred coincides with the total amount of the original financial asset, the new financial assets, financial liabilities and liabilities for the provision of services that, as appropriate, are generated as a result of the transfer will be recorded according to their fair value.

4.1.5 Key hypothesis for valuing risks and benefits retained on securitised assets

The Group considers that a substantial withholding is made of the risks and benefits of securitisations when the subordinated bonds of issues are kept and/or it grants subordinated finance to said securitisation funds that means substantially retaining the credit losses expected from the loans transferred.

Regarding synthetic securitisations, the Group currently has none of this nature, having solely traditional securitisations.

4.2 Information on credit and dilution risks

4.2.1 Exposure to credit risk

Pursuant to Rule Thirteen in the Solvency Circular concerning the capital requirements for credit risk, exposure is understood to be any asset item and all items included in the Group's memorandum accounts, involving credit risk and not deducted from the Group's eligible capital. Accordingly, inclusion is made mainly of customer lending items, with their corresponding undrawn balances, letters of credit and guarantees, debt securities, cash and deposits in central banks and credit institutions, assets purchased or sold under a repurchase agreement (asset and liability repos), financial derivatives and fixed assets.

There follows a presentation of the Original Exposure and the provisions under the Advanced Measurement and Standardised Approaches. Pursuant to the provisions of section one of Rule Twenty-eight in the Solvency Circular, presentation is made solely of the Exposure Net of Provisions for those exposures calculated under the Standardised Approach.

Million euros 12/31/2008

Category of exposure (1)	Original Exposure (2)	Provisions (3)	Exposure Net of provisions (4)
Central Governments and Central Banks	51,681	-13	51,669
Regional Governments and Local Authorities	5,323	-21	5,302
Public Sector Institutions and other Public Entities	930	0	929
Multilateral Development Banks	3	-	3
International Organisations	16	0	16
Institutions	15,770	-17	15,752
Corporates	90,667	-420	90,248
Retail	45,175	-357	44,817
Collateralised with real estate property	31,311	-83	31,227
Default status	5,336	-1,535	3,801
High risk	1,028	-12	1,016
Short Term to Institutions and Corporates	95	-	95
Mutual funds	59	0	59
Other Exposures	28,171	-281	27,890
TOTAL STANDARDISED APPROACH	275,566	-2,741	272,825
Institutions	75,354	-91	
Corporates	192,034	-1,895	
Retail	67,607	-1,002	
Secured by real estate collateral	64,442	-816	
Other retail	3,165	-187	
TOTAL ADVANCED MEASUREMENT APPROACH	334,995	-2,988	
TOTAL CREDIT RISK DILUTION AND DELIVERY (5)	**610,561**	**-5,729**	
Securitisation positions	3,810	-233	
Standardised Approach	1,457	-149	1,308
Advanced Measurement Approach	2,354	-85	
Equity	9,469	-26	
Simple Method	2,560	-3	
Equity instruments in sufficciently diversified portfolios	706	-3	
Exchange Traded equity instruments	1,853	0	
PD/LGD Method	6,380	-10	
Internal Models	530	-13	
TOTAL CREDIT RISK	**623,840**	**-5,989**	

Notes

(1) Segmentation by categories of exposure is undertaken according to section 1 of Rule Fourteen and rule Twenty-three in the Solvency Circular. In the Standardised Approach, the category of Institutions includes financial institutions, whereas in the Advanced Measurement Approach it includes both financial and public institutions.

(2) Gross exposure prior to the application of risk mitigation techniques.

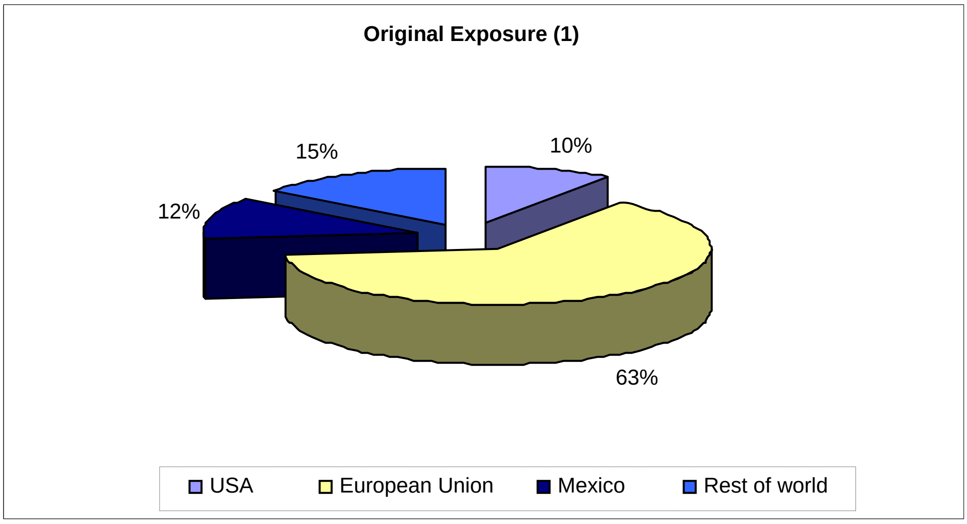
(3) It includes provisions for the impairment of assets (financial and non-financial) and other valuation adjustments, with the exception of the generic provision included in the capital base as more Additional Capital, as per Rule Eight in the Solvency Circular.

(4) Exposures are adjusted solely by provisions in the case of exposures by the Standardised Approach.

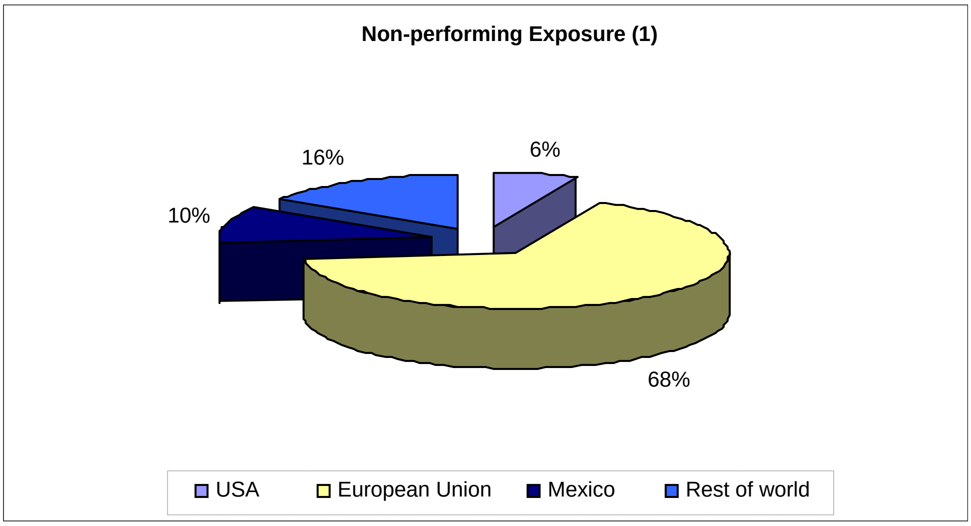
(5) It does not include positions in securitisations or equity.

4.2.2 Distribution by geographical area

The following graphs present the distribution by significant geographic area of the Original Exposure and Non-performing Exposure. The distribution includes exposure under the Standardised and Avanced Measurement Approaches, without including positions in securitisations or equity.



(1) Gross exposure prior to the application of risk mitigation techniques.



(1) It includes the total amount of exposures impaired for reasons of default or for other reasons. These exposures include non-performing derivatives and repos as well as foreclosed real-estate assets.

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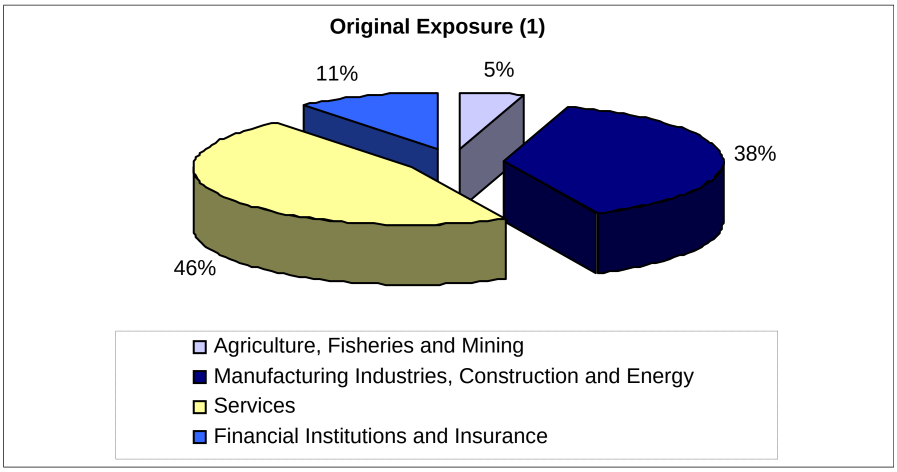
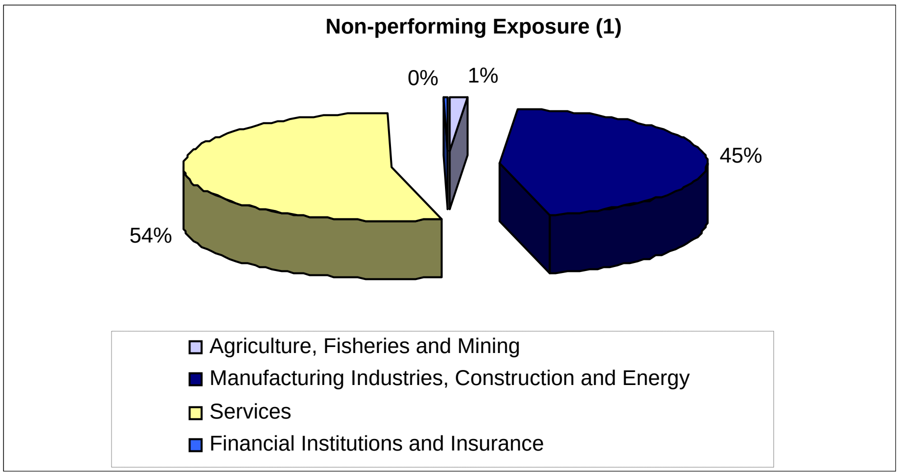
4.2.3 Distribution by sector

The following graphs show the distribution by industry solely for the category of Corporates (Standardised and Advanced Measurement Approach) of Original and Non-performing Exposure. The distribution does not include balances in equity or in securitisations.



(1) Gross exposure prior to the application of risk mitigation techniques.



(1) It includes the total amount of exposures impaired for reasons of default or for other reasons. These exposures include non-performing derivatives and repos as well as foreclosed real-estate assets.

4.2.4 Distribution by residual maturity

The following table presents the distribution of Original Exposure by residual maturity, broken down by category of exposure under the Standardised and Advanced Measurement Approaches:

Million euros 12/31/2008

Category of exposure (1)	Total	Original Exposure by residual maturity (2)			
		Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Central Governments and Central Banks	51,681	27,570	11,388	8,526	4,196
Regional Governments and Local Authorities	5,323	1,197	1,683	1,507	936
Public Sector Institutions and other Public Entities	930	559	280	80	10
Multilateral Development Banks	3	2	1	-	-
International Organisations	16	6	4	6	-
Institutions	15,770	9,754	3,698	1,676	641
Corporates	90,667	48,901	27,918	9,196	4,652
Retail	45,175	12,987	27,134	3,257	1,796
Collateralised with real estate property	31,311	1,112	3,721	6,734	19,743
High risk	1,028	144	462	354	69
Short Term to Institutions and Corporates	95	95	-	-	-
Mutual funds	59	23	7	20	9
Other Exposures (3)	33,507	-	-	-	-
TOTAL CREDIT RISK STANDARDISED APPROACH	**275,566**	**102,352**	**76,298**	**31,357**	**32,052**
Institutions	75,354	30,714	27,803	9,384	7,453
Corporates	192,034	80,432	70,193	17,834	23,575
Retail	67,607	374	6,521	13,280	47,432
Of which: Secured with real estate collateral	64,442	201	4,278	12,564	47,399
Of which: Other retail	3,165	173	2,243	716	33
TOTAL CREDIT RISK ADVANCED MEASUREMENT APPROACH	**334,995**	**111,520**	**104,517**	**40,497**	**78,460**
TOTAL CREDIT RISK DILUTION AND DELIVERY	**610,561**	**213,872**	**180,815**	**71,854**	**110,512**
Securitisation positions (4)	3,810				
Equity (4)	9,469				
TOTAL CREDIT RISK	**623,840**				

Notes

(1) Segmentation by category of exposure is undertaken according to section 1 of Rule Fourteen and Rule Twenty-three in the Solvency Circular.

(2) Gross exposure prior to the application of risk mitigation techniques.

(3) The item "Other Exposures" includes the categories of Default Exposure and Other Exposures (mainly fixed assets and cash). In view of their nature, these categories are not broken down by residual maturity.

(4) In view of their nature, positions in securitisation and Equity are not broken down by residual maturity.

4.2.5 Impaired assets removed from the balance sheet

There follows a presentation of the movement in business year 2008 of the financial assets written off due to the remote possibility of their recovery:

Million euros

Item	Movement
BALANCE BoY 2008	**5,621**
Additions for:	
Assets of remote recovery	1,700
Products overdue not collected	276
Removals for:	
Cash recovery	-199
Foreclosed assets	-13
Other causes	-355
Net exchange differences	-159
BALANCE EoY 2008	**6,871**

The removals for other causes in the preceding table include sales to third-parties independent of the Group of the portfolio of written-off assets made during the year.

4.2.6 Provisions for impairment losses

The following table presents the movement recorded in business year 2008 in the accumulated impairment losses of financial assets on the balance sheet and of contingent exposures and commitments:

Million euros

Item	Provisions on Balance Sheet	Provisions for Contingent Exposures and Commitments	Total
BALANCE BoY 2008	**7,187**	**546**	**7,733**
Increase in impairment charged to income	4,590	97	4,687
Decrease in impairment credited to income	-1,457	-216	-1,673
Institutions acquired by the Group during the year	1	0	1
Institutions disposed of during the year	-4	0	-4
Transfers to written-off loans	-1,951	0	-1,951
Exchange differences and others	-626	-6	-632
BALANCE EoY 2008	**7,740**	**421**	**8,161**
Of which:			
For impaired portfolio	3,509	96	3,605
for current non-impaired portfolio	4,231	325	4,556

4.3 Information on counterparty risk

Counterparty exposure involves that part of the Original Exposure corresponding to derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, and deferred settlement transactions.

4.3.1 Policies on managing counterparty risk

4.3.1.1 Methodology: allocation of internal capital and limits to exposures subject to counterparty risk

The Group has an economic model for calculating internal capital through exposure to counterparty risk in treasury operations. This model has been implemented in the systems of the Risk Unit in Markets areas, and it is used to estimate the distribution of potential losses the Group faces due to possible default of the counterparties of the instruments.

The calculation process is based on the Monte Carlo simulation of the aforementioned distribution of losses consisting of the product of three sources of uncertainty: exposures, defaults and loss given default (LGD).

The generation of exposures is undertaken in a manner that is consistent with those used for the monitoring and control of credit risk limits. The horizon is divided up into time windows and, for each one of them, a simulation is made of the risk factors (interest rates, exchange rates, spreads) underlying the instruments and which condition their valuation. Based on the valuations of the positions obtained through the occurrence of the risk factors, it is possible to aggregate them into a single exposure for each counterparty (conditional on the existence of risk for the Group) applying the different hierarchies that define this exposure (ie, applying, if they exist, collateral and/or netting agreements).

The individual defaults of the counterparties are simulated by means of a factorial model that takes into account the correlations between counterparties and the credit quality of the different counterparties. In addition, the model includes the random nature of loss given default.

The correlations, loss given defaults, internal ratings and associated probabilities of default are consistent with the Group's economic model for general credit risk.

Through the simulation of the variables considered and through the process indicated, the distribution is built up of possible losses for credit risk for a one-year horizon, thereby estimating the 99.9% percentile corresponding to the level of confidence for estimating the risk. This figure is modified by an adjustment factor for the possible maturity subsequent to one year of the operations in a similar vein to the general approach adopted by Basel for the treatment of credit risk.

Counterparty limits are specified within the Financial Programmes authorised for each subsidiary within the line item of Treasury Limits. It stipulates both the limit and the maximum term for the operation. The use of operations under the auspices of the limits is measured in terms of mark-to-market valuation plus the potential risk with Monte Carlo Simulation methodology (95% confidence level) and bearing in mind the possible existence of collateral contracts (netting).

4.3.1.2 Policies for ensuring the effectiveness of collaterals and provisions

The Group has subscribed collateral contracts with many of its counterparties that serve as a guarantee of the mark-to-market valuation of derivatives operations. The collateral consists mostly of deposits, which means that no situations of impairment are forthcoming. With a view to upholding the effectiveness of collateral contracts, the Group undertakes the daily monitoring of the market values of the operations governed by such contracts and of the deposits made by the counterparties.

4.3.1.3 Policies with respect to risk that leads to adverse effects through correlations

Derivatives contracts may give rise to potential adverse correlation effects between the exposure to the counterparty and the credit quality of the same (wrong-way-exposures). The Group has strict policies on the treatment of exposures of this nature that firstly follow specific admission processes for each individual operation and secondly compute the effects of risk not for the potential value of the exposure but for 100% of its nominal value.

4.3.1.4 Impact of collaterals in the event of a downgrade in its credit rating

Regarding derivatives operations, the Group does not subscribe collateral contracts that involve an increase in the amount to be deposited in the event of the Group being downgraded.

The general criterion applied to date with banking counterparties is to establish a zero threshold within collateral contracts, independently of the mutual rating (provision will be made as collateral of any difference that arises through mark-to-market valuation, however small it may be). Therefore, the Group's downgrading will not have a significant impact on the amount of collaterals to be provided.

4.3.2 Amounts of Counterparty Risk

The calculation of the Original Exposure for the counterparty risk of derivatives, according to Rule Seventy-one in the Banco de España Circular 3/2008, can be made by means of the following methods: original risk, mark-to-market valuation, standardised and internal models.

The Group calculates solely the value of exposure to risk through the mark-to-market method obtained as the aggregate of the positive mark-to-market value after contractual netting agreements plus the potential future risk of each transaction or instrument.

There follows a specification of the amounts involved in the counterparty risk of derivatives:

- ✓ Gross positive fair value of the contracts: €41,464 million.
- ✓ Positive effects arising from netting agreements: €30,510 million.
- ✓ Collateral assigned: €1,635 million.
- ✓ Credit exposure in derivatives after considering netting agreements and collateral: €28,231 million.

By adding all the other counterparty risk (basically assets and liabilities acquired under repurchase agreements) to the derivatives, the Original Exposure amounts to €71,586 million.

4.3.2.1 Credit derivative transactions

The notional amount of the credit derivatives purchased and sold used in intermediation activities is €29,113 million and €26,838 million, respectively. The main types of derivatives used are credit default swaps (CDS) on individual names and CDS on indexes. The Group does not currently have credit derivatives used for its own lending portfolio.

4.4 Information on the Standardised Approach

4.4.1 Identification of external rating agencies

The external credit assessment institutions (ECAIs) appointed by the Group to determine the risk weightings applicable to its exposures are the following: Standard & Poor's, Moody's and Fitch.

The exposures for which the ratings of each ECAI are used are those corresponding to the wholesale portfolios, basically those involving Central Governments and Central Banks. Likewise, for the categories of Financial and Public Institutions country exposure ratings are applied, as stipulated in the Solvency Circular.

In those cases in which a counterparty has ratings by different ECAIs, the Group follows the procedure laid down in Rule Twenty-one in the Solvency Circular, in which specification is made of the order of priority to be used in the assignment of ratings. On the one hand, when two different credit ratings made by nominated ECAIs are available for a rated exposure, application is to be made of the higher risk weighting. On the other hand, when there are more than two credit ratings for the same rated exposure, use is to be made of the two credit ratings that provide the lowest risk weightings. If the two lowest risk weightings coincide, then that weighting will be applied; if they do not coincide, the higher of the two will be applied.

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4.4.2 Assignment of the credit ratings of public share issues

The number of cases and amount of these assignments is insignificant in the Group.

4.4.3 Exposure values before and after the application of credit risk mitigation techniques

The following table presents the amounts for net exposure, prior to the application of credit risk mitigation techniques, for different risk weightings and for the different categories of risk that correspond to the Standardised Method, excluding securitisation positions:

Million euros 12/31/2008

Category of exposure (1)	Exposure Net of Provisions							Total
	Risk weightings							
	0%	20%	35%	50%	75%	100%	150%	
Central Governments and Central Banks	22,322	20,402	0	613	0	8,317	15	51,669
Regional Governments and Local Authorities	11	3,112	0	1,408	0	768	4	5,302
Public Sector Institutions and other Public Entities	458	222	0	0	7	242	0	929
Multilateral Development Banks	0	3	0	0	0	0	0	3
International Organisations	16	0	0	0	0	0	0	16
Institutions	0	14,829	0	361	0	562	1	15,752
Corporates	0	558	0	1,731	0	87,547	411	90,248
Retail	0	0	0	0	44,817	0	0	44,817
Collateralised with real estate property	0	0	26,189	280	0	3,948	810	31,227
Default status	0	0	0	58	0	3,247	496	3,801
High risk	0	0	0	1	0	135	880	1,016
Short-term to institutions and corporates	0	95	0	0	0	0	0	95
Mutual funds	0	0	0	0	0	59	0	59
Other Exposures	17,724	161	0	2	53	9,805	144	27,890
TOTAL CREDIT RISK STANDARDISED APPROACH (2)	**40,531**	**39,382**	**26,189**	**4,454**	**44,876**	**114,631**	**2,762**	**272,825**

Notes

(1) Segmentation by category of exposure is undertaken according to section 1 of Rule Fourteen in the Solvency Circular.

(2) It does not include securitisation positions.

There follows a presentation of exposure amounts, after the application of credit risk mitigation techniques, for different risk weightings and for the different categories of risk that correspond to the Standardised Method, excluding securitisation positions.

Million euros 31/12/2008

Category of exposure (1)	Net Exposure Reassigned (2)							Total
	Risk weightings							
	0%	20%	35%	50%	75%	100%	150%	
Central Governments and Central Banks	23,295	20,381	0	613	0	8,308	15	52,612
Regional Governments and Local Authorities	11	3,121	0	1,408	0	768	4	5,312
Public Sector Institutions and other Public Entities	459	222	0	0	7	239	0	926
Multilateral Development Banks	0	3	0	0	0	0	0	3
International Organisations	16	0	0	0	0	0	0	16
Institutions	0	14,924	0	364	0	573	1	15,862
Corporates	0	560	0	1,737	0	87,061	411	89,769
Retail	0	0	0	0	44,407	1	0	44,407
Collateralised with real estate property	0	0	26,127	280	0	3,919	804	31,130
Default status	0	0	0	57	0	3,188	496	3,741
High risk	0	0	0	1	0	171	803	975
Short-term to institutions and corporates	0	95	0	0	0	0	0	95
Mutual funds	0	0	0	0	0	59	0	59
Other Exposures	18,363	160	68	2	53	9,786	150	28,583
TOTAL CREDIT RISK STANDARDISED APPROACH (3)	**42,144**	**39,468**	**26,195**	**4,462**	**44,466**	**114,073**	**2,684**	**273,491**

Notes

(1) Segmentation by category of exposure is undertaken according to section 1 of Rule Fourteen in the Solvency Circular.
(2) It is defined as the value of the exposure net of provisions, following the application of risk mitigation techniques.
(3) It does not include securitisation positions.

Following the application of risk mitigation techniques, exposure is greater than before the application of such techniques given that the categories of the Standardised Method, mainly central governments and central banks, are guaranteeing advanced model exposures.

4.5 Information on the IRB Method

4.5.1 General information

4.5.1.1 Authorisation by Banco de España for the use of the IRB Method

The following is a list of the models authorised by Banco de España for the purpose of their use in the calculation of capital requirements.

Institution	Portfolio
BBVA SA Banco de Crédito Local Finanzia Banco de Crédito Uno-E Bank	Financial Institutions Public Institutions Corporates SMEs Developers Retail Mortgages Specialist Finance
Finanzia Banco de Crédito	Autos Finanzia
BBVA Ireland	Corporates Financial Institutions
BBVA Group	Equity portfolios

The approval of the models by Banco de España includes both own estimations of the probability of default (PD), loss given default (LGD) and the internal estimation of credit conversion factors (CCFs).

The Group is in the final stages for receiving approval for additional Advanced Internal Models in different types of risks and geographical areas.

4.5.1.2 Structure of internal rating systems and relationship between internal and external ratings

The Group has rating tools for each one of the exposure categories listed in the Basel Accord.

The retail portfolio has scoring tools for determining the credit quality of transactions on the basis of information on the transaction itself and on the customer. The scoring models are algorithms estimated using statistical methods that score each transaction. This score reflects the transaction's level of risk and is in direct relation to its probability of default (PD).

These decision models are the basic tool for deciding on who should receive a loan and the amount to be granted, thereby contributing to both the arrangement and management of retail type loans.

For the wholesale portfolio, the Group has rating tools that, as opposed to scorings, do not assess transactions but customers instead. The Group has different tools for rating the various customer segments: SMEs, corporates, public administrations, etc.

In those wholesale portfolios in which the number of defaults is very low (sovereign risks, corporates, financial institutions) the internal information is supplemented by the benchmarks of external rating agencies. The PD estimations made by the Group are transferred to the Group's Master Scale, enabling a comparison to be made with the scales used by external agencies.

4.5.1.3 Use of internal estimations for purposes other than the calculation of capital requirements

The Group's internal estimations are a vital component of management based on value creation, giving rise to criteria for assessing the risk-return trade-off.

These measures have a broad range of uses, from the adoption of strategic business decisions through to the individual admission of transactions.

Specifically, internal estimations are used in everyday business in support of credit risk management through their inclusion in admission and monitoring processes, as well as in the pricing of transactions.

The management use of performance metrics that consider expected loss, economic capital and risk-adjusted return is allowing the monitoring of portfolios and the assessment of non-performing positions, amongst others.

4.5.1.4 Process for managing and recognising the effects of credit risk mitigation

The Group uses risk mitigation techniques for exposures pertaining to the wholesale portfolio by replacing the obligor's PD with that of the guarantor, in those cases in which the latter is eligible and their PD is lower than the obligor's.

Regarding processes of retail admission, the scoring contains the effect of the guarantor, and the recovery flows that are forthcoming throughout the cycle reflect the recoveries related to the guarantees associated with the contracts. This means that the effect of the guarantees is taken into account in the actual estimation of the loss given default for retail portfolios.

4.5.1.5 Mechanisms used for controlling internal rating systems

Access to internal rating repository is based on IT system authorised profiles ensuring that only the customer's loan management supervisors can see the scoring and rating.

Control of the capital process is performed by Risk Units that are independent of the units that calculate the scoring and rating and which, therefore, are users of the internal rating system. These control mechanisms are established at different levels of the process, such as at input, execution and final outputs, and involve both the integrity of the data and their accuracy and correctness.

4.5.1.6 Description of the internal rating process

There follows a description of the internal classification processes according to each customer category:

- ✓ **Central banks and central governments:** The assignment of sovereign risk ratings is made by the Risk Units nominated accordingly, which periodically analyse customers of this nature, rating them according to the parameters included in the corresponding rating model.
- ✓ **Institutions:** The rating of Public Institutions is generally provided by the Risk Units responsible for their approval, on a yearly basis, coinciding with the review of customer risk or with the reporting of their accounts.

  In the case of Financial Institutions, the Risk Unit responsible makes a regular assessment of this type of customers, continuously monitoring their evolution on domestic and international markets.
- ✓ **Corporates:** This includes exposures with SMEs, specialised lending and collection rights. Corporate customers are classified according to which one of the different segments in this portfolio they belong to. The responsibility for the assessment may befall either the Units originating the risk or those approving it.

  Furthermore, for the assessment and arrangement of specialised lending, the Group has chosen to apply the supervisory slotting criteria approach, as featured in the Basel Accord of June 2004 and in the Solvency Circular.
- ✓ **Retail:** It has been broken down into each one of the exposure categories referred to by the correlations foreseen in the sections defined in the Solvency Circular.

  One of the most important processes in which scoring is fully integrated at the highest level and in all decision-making areas is the Group's process for approving retail transactions. Scoring is an important factor for the analysis and resolution of transactions and it is a mandatory requirement to include it in decision-making on risk in those segments for which it has been designed. In the process of marketing and approving retail transactions, the manager is responsible for marketing management, the quality of the risk and the return; in other words, the customer's comprehensive management, attending to the processes of admission, monitoring and control.
- ✓ **Equity**: For its portfolio position registered as equity, the Group is applying the rating obtained for the customer as a result of their classification in the lending process.

4.5.1.7 Definitions, methods and data for estimation and validation of PD

The estimation of the parameters is based on the uniform definition of default used in the Group.

For the purpose of both considering default and estimating parameters, there are two different approaches in the Group:

- ✓ The contract approach is applied within the sphere of retail risk. Each customer transaction is treated as a separate unit in terms of credit risk, whereby the fact that a customer defaults on one of their transactions does not mean that their other transactions are considered to have defaulted.
- ✓ The customer approach is applied to the remainder of the portfolio. The significant unit - when defining default - is the customer's sum of contracts, which enter a situation of default en masse when the customer defaults.

The Group considers a contract or customer to be in default status when the situation described in 4.1.1 arises.

In addition, to avoid including defaults for small amounts in the estimations, defaulted volumes are to pass through a materiality filter that depends on the type of customer and transaction.

Therefore, there are no deviations regarding the rules on the definition of default.

Estimating parameters

The Group has an information system called RAR (Risk-Adjusted Return) that reflects the information on each exposure to credit risk in the Group's various portfolios and is used for providing historical data that are used both for estimating the parameters and for obtaining the latest information on the figures for capital and expected loss.

The sources of information used for estimating the risk parameters are the outputs of historical data that are integrated within the Risk-Adjusted Return (RAR) system, which were designed specifically for this purpose.

By and large, estimates of the risk parameters probability of default (PD), loss given default (LGD) and credit conversion factors (CCF) are generated on the basis of historical data recorded by the Group. In the case of low default portfolios (LDP), in which the number of defaults tends to be insufficient for obtaining empirical estimates, use is made of data from external agencies that are merged with the internal information available and expert criteria.

Internal estimations of the PD, LGD and CCF parameters are made for all the Group's portfolios.

There follows a detail of the estimation methodologies used for the PD, LGD and CCF risk parameters.

a. Probability of default (PD)

The methodology used for estimating the PD in those cases that have a mass of internal data of sufficient size is based on the creation of pools of exposures. The groups proposed with a view to calibration are defined by pooling contracts together seeking to achieve intra-group uniformity in terms of credit quality and differentiation with all the other risk groups. The largest possible number of pools is defined in order to allow a suitable discrimination of risk. The basic metric used for making these groupings is the score, being supplemented by other relevant metrics regarding PD that are proven to be sufficiently distinguishable depending on the portfolio.

Once the pools of exposures have been defined, the average empirical PD recorded for each one is obtained and adjusted to the cycle. This metric provides stable estimates over the course of the economic cycle, referred to as PD-TTC (Through the Cycle). This calculation considers the portfolio's track record and provides long-term levels of PD.

The PD estimates made in the Group are transferred to the Group's Master Scale, which is no more than a uniform and readily understandable adjustment of the different levels of credit quality, whereby a comparison can be made in terms of credit quality between different portfolios and which, moreover, is comparable with the scales used by external agencies.

In those cases in which there is insufficient data available in the databases of historical records for making an empirical estimate, use is made of data provided by external rating agencies. This method is applied to low default portfolios (LDP) and to those for which there is not expected to be a sufficient number of future defaults for making sufficiently reliable estimates. This process involves the empirical PDs observed by External Credit Assessment Institutions for obtaining the PD of internal risk groups.

b. Loss given default (LGD)

As a general rule, the method used for estimating loss given default is referred to as Workout LGD. Here, LGD is obtained as a quotient of the sum of all the financial flows recorded during the recovery process that takes place when a transaction defaults and the transaction's exposure at the time of the default.

This estimate is made by considering all the historical data recorded in internal systems. When making the estimates there are transactions that have already defaulted but for which the recovery process is still ongoing, whereby the loss given default recorded at the time of the estimate is higher than it will ultimately be. The necessary adjustments are made for these so as not to distort the estimate.

These estimates are made by defining uniform risk groups in terms of the nature of the operations that determine loss given default. They are made in such a way that there are enough groups for each one to be distinguishable and receive a different estimate.

In keeping with the guidelines set out by the rules, the estimates are made by distinguishing between wholesale and retail type exposures.

Regarding low default portfolios (LDP), there is insufficient historical experience to make a reliable estimation using the Workout LGD method, so use is made of external sources of information that are combined with internal data to provide the portfolio with a representative rate of loss given default.

The loss given default rates estimated according to the internal databases the Group holds are conditioned to the moment of the cycle of the data window used, given that loss given default varies over the economic cycle. Accordingly, two concepts are defined: long-term loss given default, referred to as Long-Run LGD (LRLGD), and loss given default at the worst moment in the cycle, called Downturn LGD (DLGD).

LRLGD is calculated by making an adjustment to capture the difference between the loss given default obtained empirically with the available sample and the average loss given default observed throughout the economic cycle.

In addition, an estimate is made to reflect the loss given default that would be observed at the worst moment in the next economic cycle (DLGD). This involves an internal model that loads the empirical estimations of loss given default up to the level expected at the worst moment in the cycle.

These estimates are made for those portfolios whose loss given default is noticeably sensitive to the cycle. Determination is made for each portfolio of the different ways the recovery cycles can conclude, differentiating solely those that lead to significantly different estimations of loss given default, with an estimate of the level those parameters would have in a downturn situation.

c. Credit conversion factor (CCF)

As with the two preceding parameters, the exposure at the moment of default is another of the necessary inputs for calculating expected loss and regulatory capital. A contract's exposure usually coincides with its balance. However, this does not hold true in all cases. For example, for those products with explicit limits, such as cards or credit lines, the exposure should incorporate the potential increase in the balance that may be recorded at the time of default.

In observance of regulatory requirements, exposure is calculated as the Drawn Balance, which is the real risk at any specific moment, plus a percentage (CCF) of the Undrawn Balance, which is the part that the customer can still use until the available limit is reached. Therefore, the CCF is defined as the percentage of the Undrawn Balance that is expected to be used before default occurs.

CCF is estimated by using the cohort approach, analysing how the exposure varies from a pre-established reference date through to the moment of default, obtaining the average performance according to the relevant metrics.

Different approaches are used for wholesale and retail type exposures. The contract approach analyses the exposure's evolution until the contract's moment of default, whereas the customer approach analyses the exposure's evolution through to the moment of default by the customer.

Once again, low default portfolios (LDP) record few instances of default, which means there is insufficient historical experience for making a reliable estimation with the Workout LGD method. In this case, too, use is made of external sources that are combined with internal data to provide a representative CCF of the portfolio.

4.5.2 Exposure values by category and obligor grade

The following table presents the information on credit risk by method of internal classifications (IRB) by obligor grade for the different categories of exposure. The information shown is Balance-sheet Volume, Off-balance-sheet Volume, Exposure, EAD, PD-TTC and Downturn LGD (internal estimates approved by Banco de España):

Million euros — 12/31/2008

Categories of Exposure		Balance on Balance Sheet (1)	Balance off-Balance Sheet (2)	Exposure (3) (1+2)	EAD (4)	PD-TTC (%)	DLGD (%)
Institutions		66,650	10,046	76,696	72,176	0.1634	28.73
	AAA/AA	38,028	4,016	42,044	40,378	0.0339	29.57
	A	20,311	4,299	24,610	22,539	0.0643	26.78
	BBB	5,911	1,432	7,343	6,665	0.1774	30.51
	BB	2,283	277	2,559	2,462	0.8714	26.64
	B	58	8	66	65	3.8946	44.76
	C	13	8	21	17	21.2222	44.89
	D	47	5	52	50	100.0000	75.90
Corporates		116,712	73,213	189,926	157,425	2.0761	37.27
Of which: total exposures assigned to obligor grades or pools of exposures.		111,386	69,549	180,935	150,123	2.0761	37.27
	AAA/AA	13,371	7,890	21,261	17,535	0.0328	29.17
	A	21,730	18,520	40,250	32,122	0.0725	40.27
	BBB	31,087	24,874	55,961	45,382	0.1941	40.25
	BB	33,061	14,405	47,465	40,861	0.8675	35.67
	B	10,087	3,396	13,483	11,910	3.5555	33.91
	C	90	32	122	115	20.1031	33.06
	D	1,960	433	2,393	2,199	100.0000	44.71
Retail		67,503	204	67,707	67,544	4.8004	11.22
Of which: Secured by real estate collateral		64,251	191	64,442	64,285	4.6060	10.22
	A	2,161	17	2,177	2,164	0.0961	9.89
	BBB	3,932	35	3,967	3,938	0.2384	13.89
	BB	21,743	90	21,833	21,760	1.0175	9.99
	B	33,392	50	33,443	33,401	3.7103	9.24
	C	1,876	0	1,876	1,876	18.2623	14.10
	D	1,146	-	1,146	1,146	100.0000	24.35
Of which: Other retail		3,252	13	3,264	3,259	10.1277	30.84
	AA	673	-	673	673	0.0300	44.98
	BBB	9	-	9	9	0.3198	45.00
	BB	340	8	348	344	1.1967	25.72
	B	1,790	4	1,794	1,793	5.7251	24.41
	C	250	-	250	250	13.1373	23.31
	D	190	-	190	190	100.0000	59.92
Equity		9,469	-	9,469	9,469	-	-
Of which: PD/LGD Method		6,380	-	6,380	6,380	0.1310	65.21
	AA	300	-	300	300	0.0900	65.00
	A	4,320	-	4,320	4,320	0.0999	87.18
	BBB	1,733	-	1,733	1,733	0.2000	90.00
	BB	23	-	23	23	0.9152	65.03
	B	4	-	4	4	2.5493	65.00
Of which: Simple Method		2,560	-	2,560	2,560	-	-
Of which: Advanced Method		530	-	530	530	-	-
TOTAL CREDIT RISK ADVANCED METHOD		260,334	83,463	343,797	306,615	-	-

Notes

(1) Segmentation by category of exposure is undertaken according to section 1 of Rule Fourteen in the Solvency Circular.

(2) Amount not used included in memorandum accounts corresponding mainly to sums undrawn from credit lines and cards, as well as exposures in letters of credit and documentary credits.

(3) This refers to exposure following the application of risk mitigation techniques.

(4) Value of the exposure in the event of default.

4.5.3 Comparative analysis of the estimates made

The following graphs compare the expected loss adjusted to the cycle calculated according to the Group's internal models approved by Banco de España, with the effective loss incurred between 2001 and 2008. They also present the average effective loss between 2000 and 2008 in accordance with the following:

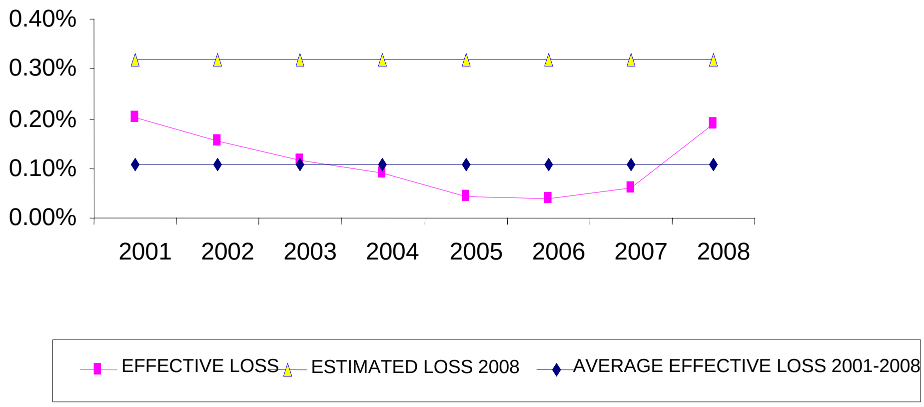
> Estimated expected loss calculated with the internal models calibrated to 2008, and adjusted to the economic cycle (light blue line), that is, the annual average expected loss in an economic cycle.
>
> Effective loss, calculated as the ratio of new non-performing loans over the average exposure recorded (2000-2008) multiplied by the stressed LGD (red line), is the average loss incurred and which should be lower than the expected loss in the best years of an economic cycle, and higher in the bad years.
>
> Average effective loss (2001-2008) calculated as the average effective PD multiplied by the stressed LGD in the last year (dark blue line).

The comparison has been made for the portfolios of Retail mortgages, SMEs and Developers and Autos Finanzia. Regarding the categories of Institutions (Public and Financial Institutions) and Corporate, historical experience shows that there is such a small number of defaulted exposures (Low Default Portfolios) that it is not statistically significant, and hence the reason the comparison is not shown.

CATEGORIES	EXPOSURE % over total credit risk Advanced method
RETAIL MORTGAGES	**22%**
SMES AND RE DEVELOPERS	**15%**
AUTOS FINANZIA	**1%**

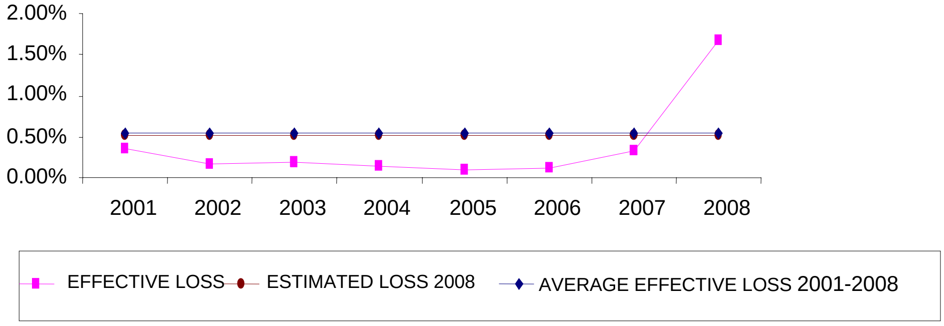
Retail mortgages

Despite the downturn in the economic environment, the effective loss in 2008 is below the estimated annual average expected loss for an entire economic cycle. This is due to the conservative criteria included in the internal models and to the risk management approach pursued within the Group.



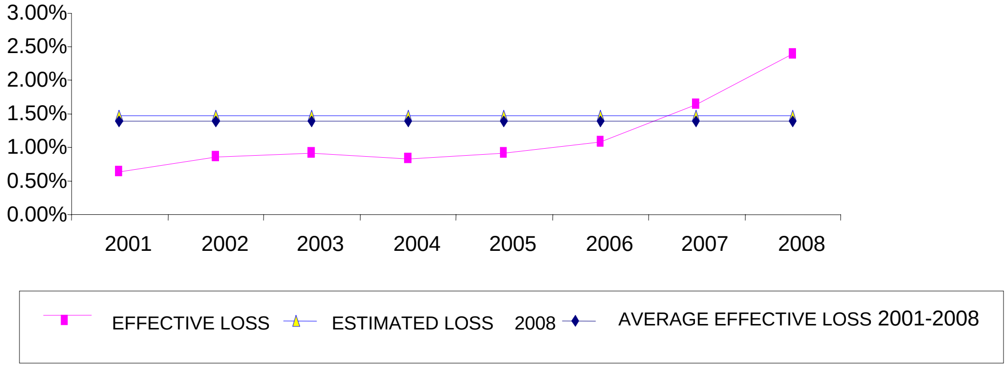
SMEs and RE Developers

Just as in those years of highest economic growth the effective loss was lower than the average expected loss for an economic cycle calculated according to internal models, the opposite occurs in 2008, which is consistent with the sharp economic slowdown recorded and with the financial difficulties businesses had to cope with in 2008.



Autos Finanzia

With a very low exposure to this portfolio (less than €2,500 million), we note that the effective loss over the period 2001-2006 was below the average expected loss for the cycle. However, this level is exceeded in 2008 as the situation of household finances deteriorates due to a sharp rise in interest rates, the credit crunch and the weakening of business activity that led to a rise in unemployment.



Trends in impairment losses

There follows a presentation of the impairment losses of financial assets and contingent exposures and commitments, which when compared to the preceding period reflect the evolution of the quality of the credit risk that has been characterised by an extremely challenging economic environment in which there has been a sharp rise in defaults and insolvency filings especially in the real estate industry, and in which the Group has continued to apply criteria of maximum prudence.

Million euros

Items	2008	2007
Financial assets	2,926	1,903
Of which:		
Recovery of written off assets	192	226
Contingent exposure and commitments (recoveris)	(119)	48
Total impairment losses	**2,807**	**1,951**

4.5.4 Risk-weighted value of specialised lending exposures

The Solvency Circular stipulates that the consideration of specialised lending companies is to apply to those legal entities with the following characteristics:

- ✓ That the exposure is to an entity created specifically to finance and/or operate physical assets
- ✓ That the contractual arrangements give the lender a substantial degree of control over the assets and income they generate
- ✓ That the primary source of repayment of the obligation is the income generated by the assets being financed, rather than in the independent capacity of the borrower.

The following table presents the exposures assigned to each one of the risk weightings, when calculation is made of the risk-weighted value of the specialised lending exposures:

Million euros 12/31/2008

Risk weighting	Factor	Original Exposure (1)
1	50%	290
	70%	-
2	70%	3,245
	90%	5,434
3	115%	-
4	250%	21
5	0%	-
TOTAL		**8,991**

Note

(1) Gross exposure before risk mitigation

4.6 Information on Securitisations

4.6.1 General characteristics of Securitisations

4.6.1.1 Purpose of Securitisation

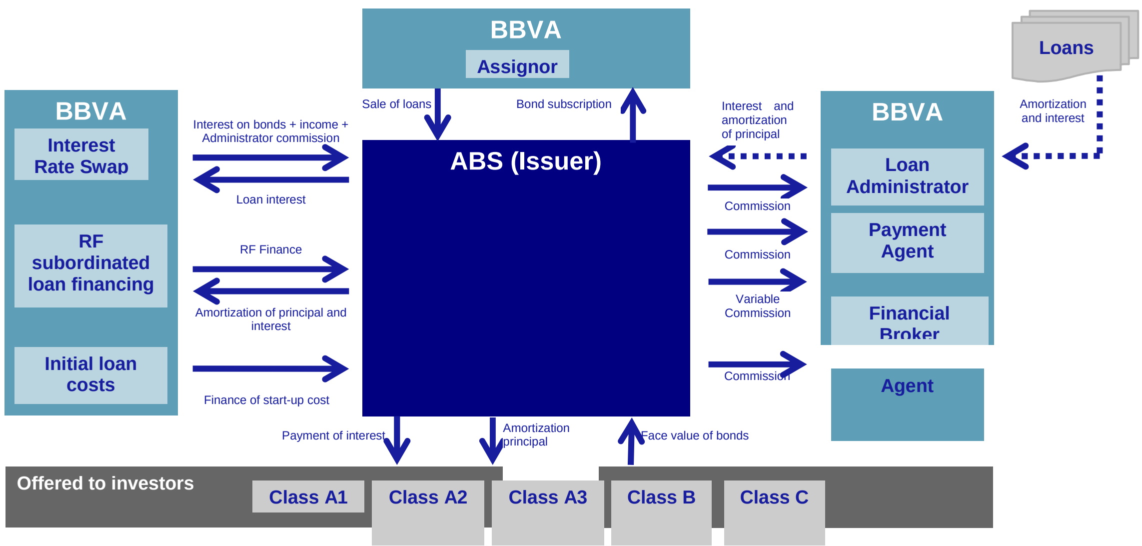
The Group's current policy on securitisation involves a programme of recurrent issue, with an intended diversification of securitised assets, adjusting their volume to the bank's capital requirements and to market conditions.

This programme is complemented by all the other finance and equity instruments, thereby diversifying the need to resort to wholesale markets.

The definition of the strategy and the execution of the operations, as with all other wholesale finance and capital management, is supervised by the Assets & Liabilities Committee, obtaining the pertinent internal authorisations directly from the Board of Directors or, instead, from the Executive Committee.

The main purpose of securitisation is to act as an instrument for efficient balance sheet management, as a source of:

- ✓ Liquidity at an efficient cost, complementing all the other finance instruments
- ✓ Freeing up regulatory capital, through the transfer of risk
- ✓ Freeing up potential excesses of generic provisions, provided that the volume of the first-loss tranche and the effective risk transfer so permit



4.6.1.2 Functions pursued in the securitisation process and degree of involvement

The Group's degree of involvement in its securitisation funds is not normally restricted to the mere role of assignor and administrator of the securitised portfolio.

The Group has commonly assumed such additional roles as:

- ✓ Direct counterparty of the swap, given that the Group's rating permits this through the Spanish Banking Association's Framework Contractual Agreements for Financial Operations (*CMOF*) with the securitisation fund
- ✓ Payment Agent
- ✓ Provider of the treasury account
- ✓ Provider of the subordinated loan and of the loan for start-up costs, with the former being the one that finances the first-loss tranche, and the latter financing the fund's fixed expenditure
- ✓ Administrative agent of the securitised portfolio

The Group has not assumed the role of sponsor of securitisations originated by third-party institutions.

The Group's balance sheet maintains the first-loss tranches of all securitisations performed.

It is worth noting that the Group has not modified its model for the generation of securitisation operations since the credit crunch, which began in July 2007. Accordingly:

- ✓ There has been no transfer of risk through synthetic securitisations. All operations have involved traditional securitisations with simple structures in which the underlying assets were loans or financial leasing.
- ✓ It has not been involved in recurrent structures such as conduits or SIVs, but instead all its issues have been one-offs, with no mandatory commitments for asset repackaging or the replacement of loans.

4.6.1.3 Methods used for the calculation of risk-weighted exposures in its securitisation activity

The methods used to calculate the risk-weighted exposures in securitisations are:

- ✓ The securitisation standardised approach: when this method is used for fully securitised exposures, in full or in a predominant manner if it involves a mixed portfolio.
- ✓ The securitisation IRB approach: when internal models are used for securitised exposures, in full or in a predominant manner. Within the alternatives of the IRB approach, use is made of the model based on external ratings.

4.6.2 Risk transfer in securitisation activities

A securitisation fulfils the criterion of significant and effective transfer of risk, and therefore falls within the solvency framework of the securitisations, when it upholds the conditions laid down in Rules Fifty-five and Fifty-six in the Solvency Circular.

4.6.3 Investment or retained securitisations

The following table presents the amounts in terms of EAD of investment and retained securitisations by type of exposure, tranche and weighting ranges that correspond to securitisations that, in the case of those originated in the Group, fulfil the criteria of risk transfer:

Million euros 12/31/2008

Security Type	Exposure Type	Tranche	EAD broken down by tranches ECAI				
			Standard	Advanced	Standard	Advanced	1250%
			20%	6-10%; 12-18%; 20-35%	50%; 100%	50-75%; 100%	
Investment	Balance-sheet exposure	Preferential	-	1,668	-	-	-
		Intermediate	-	36	-	26	-
		First-loss	-	-	-	-	6
	Off-balance-sheet exposure	Preferential	-	-	-	-	-
		Intermediate	-	-	-	-	-
		First-loss	-	-	-	-	-
TOTAL			**0**	**1,704**		**26**	**6**
Retained	Balance-sheet exposure	Preferential	1,146	525	-	-	-
		Intermediate	-	-	5	-	-
		First-loss	-	-	-	-	227
	Off-balance-sheet exposure	Preferential	-	-	-	-	-
		Intermediate	-	-	-	-	-
		First-loss	-	-	-	-	23
TOTAL			**1,146**	**525**	**5**	**-**	**251**

4.6.4 Originated securitisations

4.6.4.1 Rating agencies used

Regarding those issues made in the Group, the rating agencies that have been involved in the issues that fulfil the criteria of risk transfer and fall within the securitisations' solvency framework are, on a general basis, Fitch, Moody's and S&P's.

In all the SSPEs, the agencies have assessed the risk of the entire issuance structure:

- ✓ Awarding ratings to all bond tranches
- ✓ Establishing the volume of the credit enhancement
- ✓ Establishing the necessary triggers (early termination of the restitution period, pro-rata amortisation of AAA classes, pro-rata amortisation of series subordinated to AAA and amortisation of the reserve fund, amongst others)

In each and every one of the issues, in addition to the initial rating, the agencies carry out regular quarterly monitoring.

4.6.4.2 Breakdown of securitised balances by Type of Asset

There follows a table with the current balance, non-performing exposures and provisions corresponding to the underlying assets of originated securitisations, in which risk transfer criteria are fulfilled, by type of asset:

Million euros 12/31/2008

Type of asset	Current balance	Of which: Non Performing Exposures (1)	Provisions
Commercial and residential mortgages	7,567	175	-102
Credit cards	-	-	-
Financial leasing	2,311	44	-42
Lending to corporates or SMEs	2,609		-66
Consumer lending	4,172	175	-94
Receivables	-	-	-
Securitisation balances	-	-	-
Others	-	-	-
TOTAL	**16,659**	**394**	**-304**

Notes

(1) It includes all exposures impaired for reasons of default or for other reasons.

The securitisations originated in 2008, which fulfil the transfer criteria as per the requirements of the Solvency Circular correspond to a series of securitisations on residential mortgage assets in Mexico amounting at the year-end to €595 million.

Regarding the recognition of income in the case of removal of assets from the balance sheet, the Group applies the accounting criteria previously described in section 4.1.4.

4.7 Information on Credit Risk Mitigation Techniques

4.7.1 Hedging based on netting operations on and off the balance sheet

Within the limits established by the rules on netting in each one of its operating countries, the Group negotiates with its customers the assignment of the derivatives business to master agreements (eg, ISDA or CMOF) that include the netting of off-balance sheet transactions.

The text of each agreement in each case determines the transactions subject to netting.

The mitigation of counterparty risk exposure stemming from the use of mitigation techniques (netting plus the use of collateral agreements) leads to a reduction in overall exposure (current market value plus potential risk).

4.7.2 Hedging based on collaterals

4.7.2.1 Management and valuation policies and procedures

The procedures for the management and valuation of collaterals are set out in the internal Manual on Credit Risk Management Policies, which the Group actively uses in the arrangement of transactions and in the monitoring of both these and customers.

This Manual lays down the basic principles of credit risk management, which includes the management of the collaterals assigned in transactions with customers. Accordingly, the risk management model jointly values the existence of a suitable cash flow generation by the obligor that enables them to service the debt, together with the existence of suitable and sufficient guarantees that ensure the recovery of the credit when the obligor's circumstances render them unable to meet their obligations.

The procedures used for the valuation of the collateral are consistent with the market's best practices, which involve the use of appraisal for real estate guarantees, market price for shares, quoted value of shares in a mutual fund, etc.

All collaterals assigned are to be properly instrumented and recorded in the corresponding register, as well as receive the approval of the Group's Legal Units.

4.7.2.2 Types of collaterals

As collateral for the purpose of calculating equity, the Group uses the coverage established in the Solvency Circular. At 31 December 2008, the fair value of all the collaterals taken exceeded the assets covered. There follows a detail of the main collaterals available in the Group:

Real estate mortgage: the collateral is the residential property upon which the loan is arranged.

The average value of mortgage guarantees over the value of the total exposure in mortgage lending is 145% (Loan to Value of 55%), with this being the main type of collateral.

Financial collaterals: their object is any one of the following financial assets, as per the specifications of Rule Thirty-nine in the Solvency Circular:

- ✓ Cash deposits, deposit certificates or similar securities
- ✓ Debt securities issued for the different categories
- ✓ Shares or convertible bonds

The sum of financial collaterals amounts to €58,094 million.

Other property and rights used as collateral. The following property and rights are considered to be acceptable as collateral:

- ✓ Cash deposits, deposit certificates or similar instruments held in third-party institutions other than the lending credit institution, when these are pledged in favour of the latter
- ✓ Life assurance policies pledged in favour of the lending credit institution
- ✓ Debt securities issued by other institutions, provided that these securities are to be repurchased at a pre-set price by the issuing institutions at the request of the holder of the securities

The sum of the guarantees of other property and rights used as collateral guarantees amounts to €17,192 million.

4.7.3 Hedging based on personal guarantees

According to the Solvency Circular, **guarantees** are those personal guarantees, including those arising from credit insurances, that have been awarded by the providers of coverage defined in Rule Forty in the Solvency Circular.

The Group does not currently have credit derivatives used to hedge positions either in its loan-book or in equity instruments not included as financial assets held for trading.

In the category of Retail exposure under the advanced approach, guarantees impact on the PD, not reducing the amount of the credit risk in EAD.

The sum of the guarantees held by the Group amounts to €10,029 million.

4.7.4 Risk concentration

Within the context of credit risk mitigation operations, there are no concentrations of counterparty risk, given the risk management policies applied and the netting and collateral agreements entered into with the main counterparties.

5 Market risk in trading book activities

5.1 Differences in the Trading Book for the purposes of applying the Solvency and the Accounting Circular

Regulatory trading book activities include the positions managed by the Group's Trading units, for which market risk limits are set and these are monitored daily. Moreover, they comply with the other requirements defined in the solvency regulations.

The trading book as an accounting concept is not confined to any business area, but rather follows the true reflection criteria laid down in the accounting regulations. Hence, for example, all derivatives are booked as accounting trading book unless they are hedging derivates, regardless of whether or not they are part of the Trading units' exposure or they come from other business areas.

5.2 Internal Models

5.2.1 Scope of application

For the purposes of calculating own funds, the scope of application of the internal model for market risk extends to BBVA S.A. and BBVA Bancomer Trading Floors.

Banco de España has authorised the use of the internal model for measuring price risk for the purposes of calculating own funds requirements, commodity positions and/or exchange rate and gold risk in trading book activities held by the Group in its operations in Spain and Mexico.

5.2.2 Features of the models used

Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level. VaR is calculated in the Group at a 99% confidence level and a 1-day time horizon.

In BBVA and BBVA Bancomer VaR is estimated using the Historic Simulation methodology. This methodology consists of observing how the profits and losses of the current portfolio would perform if the market conditions from a particular historic period were in force, and from that information to infer the maximum loss at a certain confidence level. It offers the advantage of accurately reflecting the historical multivariate probability distribution of the market variables and of not requiring any specific distribution assumption. The historic period used is one of two years.

VaR figures are estimated following two methodologies:

- ✓ VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance.

- ✓ VaR with smoothing, which weights more recent market information more heavily. This is a metric which supplements the previous one.

VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.

5.2.3 Stress testing

All the tasks associated with stress, methodologies, scenarios of market variables or reports are undertaken in co-ordination with the Group's Risk Areas.

The Group is currently performing stress testing on historical and economic crisis scenarios supplied by the Economic Research Department.

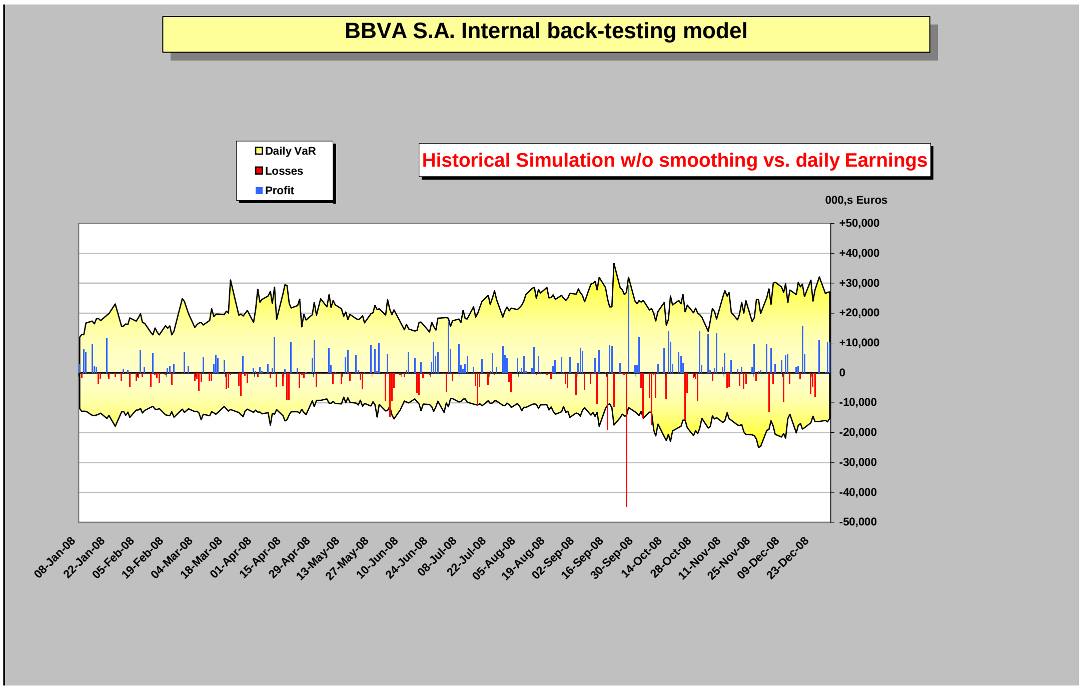
- ✓ Historical crisis scenarios: Once the critical periods that are to be used have been defined, the development of the risk factors is applied to revalue the current portfolio in order to estimate the loss that would be incurred if this market situation were to be repeated.
- ✓ Economic crisis scenarios: Unlike the former, economic stress scenarios vary over time. It is the Market Stress Committee which decides which are the scenarios to be taken into account. This committee's ultimate aim is to enable the most significant market risk positions in the Group's trading market activities to be identified, assessing the impact certain movements in their risk drivers will have on them, a task which is performed by the Market Risk areas in the various units in the Group. To do so, the Stress Committee must identify and quantify foreseeable crisis scenarios in the financial markets, and this is achieved thanks to the participation of the Economic Research Department.

5.2.4 Back-testing

The Group's market risk measurement model needs to have a back-testing or self-validation programme, which assures that the risk measurements being made are suitable.

The Global Markets Risk Unit (*UCRAM,* after its Spanish initials) periodically approves the risk measurement models used to estimate the maximum loss that could be incurred in the positions assessed with a certain level of probability, given that the principles or assumptions on which they are based may become obsolete due to variations in market conditions.

The approval of the VaR measurement system is performed by comparing the ex-ante risk levels provided daily by the model with the real, ex-post management results calculated by the Finance Department from the business units' management systems. It is verified that the resulting risk level is consistent with the results obtained.



The Group has a risk management system that is appropriate to the volume of risks managed, in compliance with the conditions laid out in Rule Ninety-three.

- ✓ Integration of the daily risk calculations into the Group's risk management
- ✓ A Risk unit that is independent of the business units
- ✓ Active participation of Senior Management in the risk control process
- ✓ Sufficient human resources to employ the model
- ✓ Existence of written procedures that assure the global precision of the internal model used for calculating VaR
- ✓ Existence of a stress programme
- ✓ Periodic internal audits performed on the risk measurement system

The Group employs a back-testing programme that ensures that the risk measurements are carried out are appropriate.

The Group uses internal validation procedures for the model that are independent of the model development process.

VaR is calculated at a 99% confidence level and a 1-day time horizon. In order to extrapolate to the regulatory 10-day horizon, the figures are multiplied by square root of 10. A historical period of 2 years is used for risk factor observation.

The market risks model has a sufficiently large number of risk factors depending on the business volume in the various financial markets.

For the purposes of calculating own funds requirements for specific private placement and equity price risk, the Group is in the process of building in event and default risk, in compliance with more recent directives from the regulators, and incremental default risk charge.

6 Operational risk

6.1 Methods employed

The calculation of Regulatory Capital for operational risk for Pillar I has been carried out by applying the Foundation or Standardised model, as appropriate, to relevant consolidated income from the institutions in the Group's banking perimeter, in keeping with what is laid out in the Solvency Circular.

The Group has an advanced internal model for calculating capital for operational risk, which is currently in the process of being approved by Banco de España.

Following the Loss Distribution Approach (LDA) methodology, said model calculates economic capital for operational risk for a highly significant part of the Spain and Mexico business areas.

LDA methodology estimates the distribution of losses by operational event by convoluting the frequency distribution and the loss given default distribution of said events.

The calculations have been made using internal data on the Group's historic losses as its main source of information. External databases (ORX consortium) have been employed to enrich the data from this internal database and to take account of the impact of possible events not yet considered therein, and scenario simulations have been included using information from the Group's operational risk self-assessment tool (Ev-Ro).

An individual estimate is made of loss distribution for each of the risk aggregations, which are defined as per Basel Accord cells, ie, a cross between business line and risk class (in those cases where there is not sufficient data for a sound analysis, it becomes necessary to undertake cell aggregations, and to do so the business line is chosen as the axis.

Lastly, economic capital for operational risk is defined from the aggregate losses, taking account of the dependency structure between the various risk aggregations.

Current estimates do not include the mitigation effect provided by insurance activities, however an analysis is being made of whether said effect should be included in the future.

In conclusion, it should be highlighted that the calculation driver used is the Opvision tool developed by QRR, Indra and the Group.

7 Investments in capital instruments not included in the trading book

7.1 Differentiation between portfolios held for sale and those held for strategic purposes

7.1.1 Portfolios held for sale

The portfolio held for sale is reflected in accounting terms by the entry entitled *available-for-sale assets*. Said portfolio will include debt securities as long as they are not classified as: a) Strategic investments, as per the definition given of these in the following section; b) Held-to-maturity investments or fair value through profit or loss investments; or c) Capital instruments of institutions that are not one of the Group's subsidiaries, associates or jointly-controlled entities that have not been included in the fair value through profit or loss category.

7.1.2 Portfolios held for strategic purposes

As in the previous section, the portfolio held for strategic purposes is included for accounting purposes under the heading of available-for-sale financial assets. However, an investment in capital instruments is considered strategic when it has been made with the intent of setting up or maintaining a long-term operating relationship with the subsidiary.

The following situations, amongst others, indicate a significant influence is exercised:

- ✓ Representation on the board of directors or equivalent management body in the subsidiary
- ✓ Participation in the policy setting process, including those related to dividends and other payouts
- ✓ The existence of significant transactions between the investing institution and the subsidiary
- ✓ The exchange of senior management staff
- ✓ The supply of expert information of an essential nature

7.2 Accounting policies and instrument valuation

A description of accounting policies and capital instrument valuation methods

The financial instruments contained in the available-for-sale financial assets portfolio are valued at their fair value both in their initial entry and on subsequent valuations. Said changes are recorded in equity unless objective evidence exists that the fall in value is due to asset impairment where the amounts recorded will be written-off from equity and they will be taken directly to the income account.

The fair value is the amount for which an asset could be made over or a liability cancelled, between duly informed interested parties in a transaction carried out in conditions of mutual independence. The fair value is reached without making any deduction for transaction costs that might be incurred due to conveyance or disposal by other means.

In the initial entry, the best evidence of fair value is the listing price on an active market. When these prices are not available, recent transactions on the same instrument will be consulted or valuation techniques based solely on data observable in the market will be used.

In subsequent valuations, fair value will be obtained by one of the following methods:

- ✓ Prices quoted on active markets for the same instrument, ie, without modification or reorganising in any way
- ✓ Prices quoted on active markets for similar instruments or other valuation techniques in which all the meaningful inputs are used based on directly or indirectly observable market data
- ✓ Valuation techniques in which some meaningful input is not based on observable market data

When it is not possible to reliably estimate a capital instrument's fair value, it will be valued at its cost price.

7.3 Book value of equity investments

The accompanying table shows the book values of portfolios held for sale and those held for strategic purposes.

Million euros 12/31/2008

Item	Book Value			
	Permanent Investment Portfolio	Financial available-for-sale assets	Other financial assets with changes in P&L	Total
Equity investments	3,455	7,853	292	11,599

The fair value of the permanent investment portfolio, calculated on the basis of the official listing price of the listed companies is €31 million above the book value.

7.4 Exposure in equity investments

The accompanying table shows the types, nature and amounts of the original exposures in equity investments listed or unlisted on a stock market, with an item differentiating sufficiently diversified portfolios and other unlisted instruments.

Million euros 12/31/2008

Item	Type of Exposure(1)	
	Non-derivatives	Derivatives
Exchange Traded Instruments	7,894	-105
Non Exchange Traded Instruments	1,680	-
Included in sufficiently diversified portfolios	1,680	-
Other instruments		-
TOTAL POSITIONS IN EQUITY	9,574	-105

Notes

(1) Depending on their nature, equity instruments not included in Trading Book Activity will be separated into derivatives and non-derivatives. The amount shown refers to Original Exposure, i.e. gross exposure of value corrections through asset impairment and provisions, before applying risk mitigation techniques.

Furthermore, the amount of profits recorded through the sale or cancellation of capital instruments or equity investments is €686 million. Likewise, the amount of profits recorded in equity is €1,066 million.

8 Interest rate risk

8.1 Nature of interest rate risk and key hypotheses

The Group's exposure to variations in market interest rates is one of the main financial risks linked to the pursuit of its banking operations. The risk of repricing, which stems from the difference between the periods for reviewing interest rates or the maturity of investment transactions vis-à-vis their financing, constitutes the basic interest rate risk to be considered. Nonetheless, other risks such as the exposure to changes in the slope and shape of interest rate curves and the risk of optionality present in certain banking transactions are also taken into consideration by risk control mechanisms.

The sensitivity measurements of the Group's net interest income and economic value in the face of variations in market interest rates are complemented by provisional scenarios and risk measurements using curve simulation processes, thereby allowing an assessment of the impact changes have on the slope, curvature and parallel movements of varying magnitude.

Especially important in the measurement of structural interest rate risk is the establishment of hypotheses on the evolution and performance of certain items on the balance sheet, especially those involving products with no explicit or contractual due date.

The more significant of these hypotheses are those established on current and savings accounts, since they largely condition risk levels given the volume they represent within the liabilities of the Group's financial institutions.

A prior step to the study of these liabilities necessarily involves "account segmentation". To do so, the balances on the balance sheet are broken down by products, analysed separately and subsequently grouped according to their common features, especially regarding the criteria on the remuneration of each account and independently of the accounting standards on grouping.

A first stage involves analysing the relationship between the trends in market interest rates and the interest rates of those accounts with no contractual due date. This relationship is established by means of models that show whether the account's remuneration can be considered a fixed-rate one (there is no relationship between the two variables) or a variable-rate one. In this latter case, an assessment is made of whether this relationship is produced with some form of delay and what the percentage impact of the variations in market interest rates is on the account's interest rate.

Subsequently, an analysis is made of the evolution over time of the balances in each category in order to establish their trend, as regards the seasonal variations in the balance. It is assumed that these seasonal variations mature in the very short term, whereas the trend in the balance is given a long-term maturity. This avoids oscillations in the level of risks caused by momentary variations in balances, favouring the stability of balance-sheet management. This breakdown of amounts is made by the regressions that best adjust the balance's evolution over time.

Group companies have opted for different procedures to determine the maturity of transactional liabilities, taking into account the varying nature of markets and the availability of historical data. In the Group's case, calculation is made of the average period of effectiveness of the accounts through a descriptive analysis of the data. An analysis is made of the distribution of the accounts that make up a product by "contractual period" and establishment is made of the "average life" of the accounts that make up said product. On the basis of the "average contractual period", the "maturity" of the trend in the balance is ascertained for the product.

A further aspect to be considered in the model's hypotheses is the analysis of the prepayments associated with certain positions, especially with the loan-book and mortgage portfolios. The evolution of market interest rates conditions the incentive that the bank's customer has to proceed to the early repayment of the loan granted, modifying the calendar of payments initially specified in the contract.

The analysis of historical data on the early repayment of loans, and their relationship with market interest rates at any given moment, allows establishment to be made of the function used to estimate future early repayments, in the light of a given interest rate scenario.

8.2 Variations in interest rates

The following tables present the average levels of interest rate risk in terms of the sensitivity of net interest income and economic value for the Group's main financial institutions in 2008:

(Data in million euros)

Average Impact Net Interest Income

SUBSIDIARIES	Increase of 100 basis points				Decrease of 100 basis points
	Euro	Dollar	Rest	Total	TOTAL
Europe	-89	-30	+1	**-115**	**+137**
BBVA Bancomer		+18	+25	**+43**	**-43**
BBVA Puerto Rico		+2		**+2**	**-3**
BBVA Compass		-8		**-8**	**+5**
BBVA Chile		+0	-1	**-0**	**+0**
BBVA Colombia		-0	+9	**+9**	**-9**
BBVA Banco Continental		-1	+3	**+2**	**-2**
BBVA Banco Provincial		+1	-1	**-0**	**+0**
BBVA Banco Francés		-0	+0	**+0**	**-0**

Average Impact Economic Value

SUBSIDIARIES	Increase of 100 basis points				Decrease of 100 basis points
	Euro	Dollar	Rest	Total	TOTAL
Europe	+141	+14	-1	**+153**	**-196**
BBVA Bancomer		+56	-402	**-346**	**+331**
BBVA Puerto Rico		+6		**+6**	**-19**
BBVA Compass		-127		**-127**	**+45**
BBVA Chile		+3	-54	**-51**	**+40**
BBVA Colombia		-1	-10	**-10**	**+11**
BBVA Banco Continental		-24	-16	**-40**	**+42**
BBVA Banco Provincial		-13	+2	**-11**	**+12**
BBVA Banco Francés		+0	-9	**-9**	**+10**

Annex I: Entities within the Consolidation Perimeter of the Solvency Circular

There follows a list of the entities that comprise the Consolidated Group determined by the Solvency Circular, according to their treatment for capital requirements:

ANNEX I
ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES
COMPOSING THE BBVA GROUP, AS PER THE SOLVENCY CIRCULAR

			% of Voting Rights controlled by the Bank			Thousand euros (*) Subsidiary data	
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets as of 31.12.08
ADMINISTRAD. DE FONDOS PARA EL RETIRO-BANCOMER,S.A DE C.V.	MEXICO	PENSIONS	18	83	100	302,164	151,825
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA(AFP PROVIDA)	CHILE	PENSIONS	13	52	64	191,473	340,987
AFP GENESIS ADMINISTRADORA DE FONDOS, S.A.	ECUADOR	PENSIONS	0	100	100	3,249	5,747
AFP HORIZONTE, S.A.	PERU	PENSIONS	25	75	100	33,616	56,826
AFP PREVISION BBV-ADM.DE FONDOS DE PENSIONES S.A.	BOLIVIA	PENSIONS	75	5	80	2,063	12,687
ALMACENES GENERALES DE DEPOSITO, S.A.E. DE	SPAIN	PORTFOLIO	84	16	100	12,649	113,131
ALTITUDE INVESTMENTS LIMITED	UNITED KINGDOM	FINANCIAL SERV.	51	0	51	225	992
ALTURA MARKETS, SOCIEDAD DE VALORES, S.A.	SPAIN	SECURITIES	50	0	50	5,000	1,491,084
ANIDA CARTERA SINGULAR, S.L.	SPAIN	PORTFOLIO	0	100	100	0	260
ANIDA GRUPO INMOBILIARIO, S.L.	SPAIN	PORTFOLIO	100	0	100	198,357	667,126
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	PORTFOLIO	0	100	100	91,316	72,965
APLICA SOLUCIONES ARGENTINAS, S.A.	ARGENTINA	SERVICES	0	100	100	1,538	3,639
APLICA SOLUCIONES GLOBALES, S.L.	SPAIN	SERVICES	95	5	100	60	66,128
APLICA TECNOLOGIA AVANZADA, S.A. DE C.V.	MEXICO	SERVICES	100	0	100	4	38,817
ARAGON CAPITAL, S.L.	SPAIN	PORTFOLIO	100	0	100	37,925	32,901
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	661,400	666,141
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM., LDA.	PORTUGAL	FINANCIAL SERV.	0	100	100	7,209	60,301
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.	PANAMA	BANKING	54	45	99	19,464	1,193,426
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	10	90	100	278,916	6,903,307
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	56	12	68	303,531	8,587,405
BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO	PUERTO RICO	BANKING	0	100	100	99,693	4,317,976
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100	0	100	17,049	489,055
BANCO CONTINENTAL, S.A.	PERU	BANKING	0	92	92	470,732	7,698,528
BANCO DE CREDITO LOCAL, S.A.	SPAIN	BANKING	100	0	100	509,594	11,311,890
BANCO DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	BANKING	0	100	100	15,151	33,869
BANCO DEPOSITARIO BBVA, S.A.	SPAIN	BANKING	0	100	100	1,595	898,558
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	0	100	100	97,220	291,669
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49	51	100	15,812	17,423
BANCO PROVINCIAL OVERSEAS N.V.	NETHERLANDS ANTILLES	BANKING	0	100	100	26,801	426,998
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	2	54	56	153,859	9,495,115
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	1,903	663
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	4,201	5,772
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	38	28
BANCOMER TRANSFER SERVICES, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	17,228	68,836
BANKERS INVESTMENT SERVICES, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	637	679
BBV AMERICA, S.L.	SPAIN	PORTFOLIO	100	0	100	479,328	889,260
BBV SECURITIES HOLDINGS, S.A.	SPAIN	PORTFOLIO	100	0	100	13,327	47,941
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SPAIN	SECURITIES	70	0	70	1,331	12,592
BBVA ADMINISTRADORA GENERAL DE FONDOS S.A.	CHILE	FINANCIAL SERV.	0	100	100	18,388	19,309
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERV.	0	99	99	13,973	14,531
BBVA ASSET MANAGEMENT, S.A., SGIIC	SPAIN	FINANCIAL SERV.	17	83	100	11,436	209,515
BBVA BANCO DE FINANCIACION S.A.	SPAIN	BANKING	0	100	100	64,200	5,765,224
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	46	30	76	40,139	4,486,157
BBVA BANCOMER ASSET MANAGEMENT INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	1	1
BBVA BANCOMER FINANCIAL HOLDINGS, INC.	UNITED STATES	PORTFOLIO	0	100	100	40,350	37,567
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0	100	100	22,245	37,892
BBVA BANCOMER HOLDINGS CORPORATION	UNITED STATES	PORTFOLIO	0	100	100	9,835	9,835
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	108,236	280,141
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0	100	100	954	6,155
BBVA BANCOMER SERVICIOS, S.A.	MEXICO	BANKING	0	100	100	453,310	475,676
BBVA BANCOMER USA	UNITED STATES	BANKING	0	100	100	7,103	93,620
BBVA BANCOMER, S.A. DE C.V.	MEXICO	BANKING	0	100	100	4,181,301	59,174,003
BBVA BRASIL BANCO DE INVESTIMENTO, S.A.	BRAZIL	BANKING	100	0	100	16,166	30,830
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	FINANCIAL SERV.	100	0	100	297	23,116
BBVA CAPITAL FINANCE, S.A.	SPAIN	FINANCIAL SERV.	100	0	100	60	3,001,677
BBVA CAPITAL FUNDING, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100	0	100	0	1,174,864
BBVA CARTERA DE INVERSIONES,SICAV,S.A.	SPAIN	VARIABLE CAPITAL	100	0	100	118,445	111,651
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	76	19	95	263,965	6,505,196
BBVA COMERCIALIZADORA LTDA.	CHILE	FINANCIAL SERV.	0	100	100	-282	195
BBVA CORREDORA TECNICA DE SEGUROS BHIF LTDA.	CHILE	FINANCIAL SERV.	0	100	100	21,994	23,626
BBVA CORREDORES DE BOLSA, S.A.	CHILE	SECURITIES	0	100	100	22,740	160,243
BBVA DINERO EXPRESS, S.A.U	SPAIN	FINANCIAL SERV.	100	0	100	2,186	9,658
BBVA E-COMMERCE, S.A.	SPAIN	SERVICES	100	0	100	30,879	35,235
BBVA FACTORING E.F.C., S.A.	SPAIN	FINANCIAL SERV.	0	100	100	126,447	6,786,041
BBVA FACTORING LIMITADA	CHILE	FINANCIAL SERV.	0	100	100	2,807	17,326
BBVA FIDUCIARIA , S.A.	COLOMBIA	FINANCIAL SERV.	0	100	100	9,956	11,305
BBVA FINANCE (UK), LTD.	UNITED KINGDOM	FINANCIAL SERV.	0	100	100	3,324	23,168
BBVA FINANCE SPA.	ITALY	FINANCIAL SERV.	100	0	100	4,648	5,460
BBVA FINANCIAMIENTO AUTOMOTRIZ, S.A.	CHILE	PORTFOLIO	0	100	100	85,607	85,696
BBVA FINANZIA, S.P.A	ITALY	FINANCIAL SERV.	50	50	100	36,465	447,794
BBVA FUNDOS, S.G. DE FUNDOS DE PENSOES, S.A.	PORTUGAL	FINANCIAL SERV.	0	100	100	998	5,525

BBVA

ANNEX I

ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES
COMPOSING THE BBVA GROUP, AS PER THE SOLVENCY CIRCULAR

			% of Voting Rights controlled by the Bank			Thousand euros (*) Subsidiary data	
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets as of 31.12.08
BBVA GEST, S.G. DE FUNDOS DE INVESTIMENTO MOBILIARIO, S.A.	PORTUGAL	FINANCIAL SERV.	0	100	100	998	6,842
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100	0	100	0	586,894
BBVA GLOBAL MARKETS RESEARCH, S.A.	SPAIN	FINANCIAL SERV.	100	0	100	501	4,728
BBVA HORIZONTE PENSIONES Y CESANTIAS, S.A.	COLOMBIA	PENSIONS	79	21	100	36,879	72,698
BBVA INMOBILIARIA E INVERSIONES S.A.	CHILE	REAL ESTATE INSTR.	0	68	68	3,893	21,428
BBVA INSTITUIÇAO FINANCEI.CREDITO, S.A.	PORTUGAL	FINANCIAL SERV.	0	100	100	43,626	396,129
BBVA INTERNATIONAL INVESTMENT CORPORATION	PUERTO RICO	FINANCIAL SERV.	100	0	100	2,769,952	2,143,991
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.	100	0	100	1	509,587
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERV.	100	0	100	60	1,929,850
BBVA INVERSIONES CHILE, S.A.	CHILE	FINANCIAL SERV.	37	63	100	306,854	374,617
BBVA INVESTMENTS, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	10,921	12,191
BBVA IRELAND PUBLIC LIMITED COMPANY	IRELAND	FINANCIAL SERV.	100	0	100	180,381	2,302,336
BBVA LEASIMO - SOCIEDADE DE LOCAÇAO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERV.	0	100	100	11,576	42,560
BBVA LEASING S.A. COMPAÑÍA DE FINANCIAMIENTO COMERCIAL	COLOMBIA	FINANCIAL SERV.	0	100	100	16,295	52,254
BBVA LUXINVEST, S.A.	LUXEMBOURG	PORTFOLIO	36	64	100	255,843	1,529,677
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERV.	0	100	100	60	89,356
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	100	0	100	22,598	625,831
BBVA PARTICIPACIONES INTERNACIONAL, S.L.	SPAIN	PORTFOLIO	93	7	100	273,365	345,195
BBVA PATRIMONIOS GESTORA SGIIC, S.A.	SPAIN	FINANCIAL SERV.	100	0	100	3,907	51,584
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSIONS	100	0	100	12,922	74,573
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERV.	80	20	100	1	514
BBVA PRIVANZA (JERSEY), LTD.	CHANNEL ISLANDS	NO ACTIVITY	0	100	100	20,610	21,759
BBVA PUERTO RICO HOLDING CORPORATION	PUERTO RICO	PORTFOLIO	100	0	100	255,804	100,177
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERV.	0	100	100	20,976	789,704
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	30,267	26,039
BBVA SECURITIES OF PUERTO RICO, INC.	PUERTO RICO	FINANCIAL SERV.	100	0	100	4,726	5,831
BBVA SEGUROS INC.	PUERTO RICO	FINANCIAL SERV.	0	100	100	180	3,384
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERV.	100	0	100	60	11,704,747
BBVA SOCIEDAD DE LEASING INMOBILIARIO, S.A.	CHILE	FINANCIAL SERV.	0	97	97	9,063	36,224
BBVA SUBORDINATED CAPITAL S.A.U.	SPAIN	FINANCIAL SERV.	100	0	100	130	3,930,607
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SWITZERLAND	BANKING	40	60	100	55,795	951,366
BBVA TRADE, S.A.	SPAIN	SERVICES	0	100	100	6,379	19,177
BBVA U.S.SENIOR S.A.U.	SPAIN	FINANCIAL SERV.	100	0	100	132	5,061,163
BBVA USA BANCSHARES, INC	UNITED STATES	PORTFOLIO	100	0	100	9,417,869	9,076,103
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES	0	100	100	3,405	3,991
BBVA(SUIZA) S.A. OFICINA DE REPRESENTACION	URUGUAY	BANKING	0	100	100	11	2,264
BCL INTERNATIONAL FINANCE, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	0	100	100	0	112,943
BEXCARTERA, SICAV S.A.	SPAIN	NO ACTIVITY	0	81	81	9,352	13,526
BILBAO VIZCAYA AMERICA B.V.	NETHERLANDS	PORTFOLIO	0	100	100	756,000	483,360
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	PORTFOLIO	89	11	100	34,771	201,339
BLUE INDICO INVESTMENTS, S.L.	SPAIN	PORTFOLIO	100	0	100	18,221	51,060
BROOKLINE INVESTMENTS,S.L.	SPAIN	PORTFOLIO	100	0	100	33,969	32,395
C B TRANSPORT ,INC.	UNITED STATES	SERVICES	0	100	100	14,450	17,862
CANAL COMPANY, LTD.	CHANNEL ISLANDS	NO ACTIVITY	0	100	100	26	793
CAPITAL INVESTMENT COUNSEL, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	19,439	20,937
CARTERA E INVERSIONES S.A., CIA DE	SPAIN	PORTFOLIO	100	0	100	60,541	217,651
CASA DE BOLSA BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0	100	100	54,497	67,976
CENTRAL BANK OF THE SOUTH	UNITED STATES	BANKING	0	100	100	1,176	3,709
CIA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.	URUGUAY	NO ACTIVITY	0	100	100	108	180
CIDESSA DOS, S.L.	SPAIN	PORTFOLIO	0	100	100	11,602	11,925
CIDESSA UNO, S.L.	SPAIN	PORTFOLIO	0	100	100	4,754	690,939
CIERVANA, S.L.	SPAIN	PORTFOLIO	100	0	100	53,164	68,947
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERV.	0	100	100	120	272
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	0	100	100	96	206
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	PORTFOLIO	100	0	100	232,976	173,294

ANNEX I

ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES COMPOSING THE BBVA GROUP, AS PER THE SOLVENCY CIRCULAR

			% of Voting Rights controlled by the Bank			Thousand euros (*) Subsidiary data	
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets as of 31.12.08
COMPASS ASSET ACCEPTANCE COMPANY, LLC	UNITED STATES	FINANCIAL SERV.	0	100	100	341,239	341,569
COMPASS AUTO RECEIVABLES CORPORATION	UNITED STATES	FINANCIAL SERV.	0	100	100	3,002	3,003
COMPASS BANCSHARES, INC.	UNITED STATES	PORTFOLIO	0	100	100	9,058,349	9,358,516
COMPASS BANK	UNITED STATES	BANKING	0	100	100	9,101,163	46,842,954
COMPASS BROKERAGE, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	22,919	24,358
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	5,138,466	5,138,466
COMPASS CONSULTING & BENEFITS, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	12,121	12,705
COMPASS FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERV.	0	100	100	6,512	51,683
COMPASS GP,INC.	UNITED STATES	PORTFOLIO	0	100	100	32,458	41,091
COMPASS INSURANCE AGENCY, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	118,981	132,232
COMPASS LIMITED PARTNER, INC.	UNITED STATES	PORTFOLIO	0	100	100	4,444,607	4,444,607
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	55,768	58,210
COMPASS MORTAGE CORPORATION	UNITED STATES	FINANCIAL SERV.	0	100	100	1,830,203	1,831,372
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	25	25
COMPASS MULTISTATE SERVICES CORPORATION	UNITED STATES	SERVICES	0	100	100	2,695	2,761
COMPASS SOUTHWEST, LP	UNITED STATES	BANKING	0	100	100	3,629,145	3,630,558
COMPASS TEXAS ACQUISITION CORPORATION	UNITED STATES	NO ACTIVITY	0	100	100	1,627	1,643
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	25	25
COMPASS TRUST II	UNITED STATES	NO ACTIVITY	0	100	100	0	1
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	PENSIONS	46	54	100	52,900	58,868
CONSOLIDAR COMERCIALIZADORA, S.A.	ARGENTINA	FINANCIAL SERV.	0	100	100	553	3,817
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA S.A.	PERU	SECURITIES	0	100	100	3,860	6,395
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERV.	0	100	100	0	182,651
CONTINENTAL S.A. SOCIEDAD ADMINISTRADORA DE FONDOS	PERU	FINANCIAL SERV.	0	100	100	5,021	6,303
CONTINENTAL SOCIEDAD TITULIZADORA, S.A.	PERU	FINANCIAL SERV.	0	100	100	414	453
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	1,280	8,150
CORPORACION DE ALIMENTACION Y BEBIDAS, S.A.	SPAIN	PORTFOLIO	0	100	100	138,508	164,531
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	PORTFOLIO	100	0	100	452,431	1,432,107
CORPORACION INDUSTRIAL Y DE SERVICIOS, S.L.	SPAIN	PORTFOLIO	0	100	100	1,251	5,573
DESARROLLADORA Y VENDEDORA DE CASAS, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.	0	100	100	17	17
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	1,299	1,345
DEUSTO, S.A. DE INVERSION MOBILIARIA	SPAIN	PORTFOLIO	0	100	100	11,492	17,074
DINERO EXPRESS SERVICIOS GLOBALES, S.A.	SPAIN	FINANCIAL SERV.	100	0	100	10,421	3,807
ELANCHOVE, S.A.	SPAIN	PORTFOLIO	100	0	100	1,500	3,878
ESPANHOLA COMERCIAL E SERVIÇOS, LTDA.	BRAZIL	FINANCIAL SERV.	100	0	100	0	1,585
EUROPEA DE TITULIZACION, S.A., SDAD.GEST.DE FDOS.DE TITUL.	SPAIN	FINANCIAL SERV.	86	0	86	1,815	11,599
FIDEIC. Nº.711, EN BANCO INVEX, S.A. INSTITUCION DE BANCA	MEXICO	FINANCIAL SERV.	0	100	100	0	124,766
FIDEICOMISO 29764-8 SOCIO LIQUIDADOR POSICION DE TERCEROS	MEXICO	FINANCIAL SERV.	0	100	100	28,422	28,970
FIDEICOMISO 474031 MANEJO DE GARANTIAS	MEXICO	FINANCIAL SERV.	0	100	100	2	2
FIDEICOMISO BBVA BANCOMER SERVICIOS Nº F/47433-8, S.A.	MEXICO	FINANCIAL SERV.	0	100	100	32,442	51,540
FIDEICOMISO INVEX 228	MEXICO	FINANCIAL SERV.	0	100	100	0	0
FIDEICOMISO INVEX 367	MEXICO	FINANCIAL SERV.	0	100	100	0	0
FIDEICOMISO INVEX 393	MEXICO	FINANCIAL SERV.	0	100	100	0	0
FIDEICOMISO INVEX 411	MEXICO	FINANCIAL SERV.	0	100	100	0	0
FIDEICOMISO Nº.402900-5 ADMINISTRACION DE INMUEBLES	MEXICO	FINANCIAL SERV.	0	100	100	2,631	2,580
FIDEICOMISO Nº.752 EN BANCO INVEX, S.A.,INSTITUCION DE BANCA	MEXICO	FINANCIAL SERV.	0	100	100	0	55,999
FIDEICOMISO Nº.781en BANCO INVEX, S.A.,INSTITUCION DE BANCA	MEXICO	FINANCIAL SERV.	0	100	100	0	287,718
FIDEICOMISO Nº.847 EN BANCO INVEX, S.A.,INSTITUCION DE BANCA	MEXICO	FINANCIAL SERV.	0	100	100	25	301,319
FIDEICOMISO SOCIO LIQUIDADOR DE OP.FINANC.DERIVADAS	MEXICO	FINANCIAL SERV.	0	100	100	16,692	17,476
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERV.	0	100	100	4,616	4,960
FINANCIERA ESPAÑOLA, S.A.	SPAIN	PORTFOLIO	86	14	100	4,522	6,812
FINANZIA, BANCO DE CREDITO, S.A.	SPAIN	BANKING	0	100	100	56,203	7,403,407
FRANCES ADMINISTRADORA DE INVERSIONES, S.A.	ARGENTINA	FINANCIAL SERV.	0	100	100	5,912	9,521
FRANCES VALORES SOCIEDAD DE BOLSA, S.A.	ARGENTINA	FINANCIAL SERV.	0	100	100	2,133	2,652
GENTE BBVA, S.A.	CHILE	FINANCIAL SERV.	0	100	100	-243	5,790
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSIONS	60	0	60	8,830	26,532
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	SPAIN	SERVICES	0	100	100	150	2,763
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100	0	100	110,115	494,296
GRANFIDUCIARIA	COLOMBIA	FINANCIAL SERV.	0	90	90	0	245
GRELAR GALICIA, S.A.	SPAIN	PORTFOLIO	0	100	100	4,500	4,687
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	49	51	100	6,050,885	5,603,415
HIPOTECARIA NACIONAL MEXICANA INCORPORATED	UNITED STATES	REAL ESTATE INSTR.	0	100	100	206	315
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0	100	100	202,262	219,458
HOLDING CONTINENTAL, S.A.	PERU	PORTFOLIO	50	0	50	123,678	504,399
HOLDING DE PARTICIPACIONES INDUSTRIALES 2000, S.A.	SPAIN	PORTFOLIO	0	100	100	3,618	4,470
HOMEOWNERS LOAN CORPORATION	UNITED STATES	FINANCIAL SERV.	0	100	100	7,684	8,987
HUMAN RESOURCES PROVIDER	UNITED STATES	SERVICES	0	100	100	1,131,354	1,131,402
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	0	100	100	1,130,007	1,133,128
HYDROX HOLDINGS, INC.	UNITED STATES	NO ACTIVITY	0	100	100	0	0

ANNEX I

ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES

COMPOSING THE BBVA GROUP, AS PER THE SOLVENCY CIRCULAR

			% of Voting Rights controlled by the Bank			Thousand euros (*) Subsidiary data	
Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets as of 31.12.08
IBERDROLA SERVICIOS FINANCIEROS, E.F.C, S.A.	SPAIN	FINANCIAL SERV.	0	84	84	7,290	9,641
IBERNEGOCIO DE TRADE, S.L.	SPAIN	SERVICES	0	100	100	1,586	1,737
INMOBILIARIA ASUDI, S.A.	SPAIN	REAL ESTATE INSTR.	0	100	100	2,886	3,239
INMUEBLES Y RECUPERACIONES CONTINENTAL, S.A.	PERU	REAL ESTATE INSTR.	0	100	100	3,586	7,252
INVERAHORRO, S.L.	SPAIN	PORTFOLIO	100	0	100	474	520
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	NETHERLANDS ANTILLES	PORTFOLIO	48	0	48	11,390	29,312
INVERSIONES BAPROBA, C.A.	VENEZUELA	FINANCIAL SERV.	100	0	100	1,307	1,159
INVERSORA OTAR, S.A.	ARGENTINA	PORTFOLIO	0	100	100	2,156	40,876
INVESCO MANAGEMENT Nº 1, S.A.	LUXEMBOURG	FINANCIAL SERV.	0	100	100	10,016	10,480
INVESCO MANAGEMENT Nº 2, S.A.	LUXEMBOURG	FINANCIAL SERV.	0	100	100	0	11,334
LIQUIDITY ADVISORS, L.P	UNITED STATES	FINANCIAL SERV.	0	100	100	851,032	853,671
MERCURY TRUST LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.	0	100	100	3,786	3,820
MILANO GESTIONI, SRL.	ITALY	REAL ESTATE INSTR.	0	100	100	46	4,184
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0	100	100	9,793	17,890
MULTIVAL, S.A.	SPAIN	PORTFOLIO	0	100	100	67	234
OCCIVAL, S.A.	SPAIN	NO ACTIVITY	100	0	100	8,211	9,950
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE INSTR.	0	100	100	49,153	53,520
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100	0	100	1,067	13,264
OPPLUS S.A.C	PERU	SERVICES	0	100	100	196	1,191
PALADIN BROKERAGE SOLUTIONS, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	8,454	8,769
PARTICIPACIONES ARENAL, S.L.	SPAIN	NO ACTIVITY	0	100	100	6,458	7,922
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	571,034	589,469
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	12,558	13,732
PI HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	53	53
PI HOLDINGS NO. 4, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	1	1
PORT ARTHUR ABSTRACT & TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	0	100	100	2,143	2,466
PREMEXSA, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0	100	100	375	679
PRESTACIONES ADMINISTRATIVAS LIMITADA - PROEX LIMITADA	CHILE	FINANCIAL SERV.	0	100	100	80	635
PROMOCION EMPRESARIAL XX, S.A.	SPAIN	PORTFOLIO	100	0	100	1,522	12,728
PROVIDA INTERNACIONAL, S.A.	CHILE	PENSIONS	0	100	100	29,453	29,520
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	VENEZUELA	FINANCIAL SERV.	0	90	90	2,561	10,550
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERV.	0	100	100	2,336	2,321
PROVIVIENDA, ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	S.G.F.PENSIONES	0	100	100	490	2,284
PROXIMA ALFA INVESTMENTS (IRELAND) LIMITED	IRELAND	FINANCIAL SERV.	0	100	100	125	125
PROXIMA ALFA INVESTMENTS (UK) LLP	UNITED KINGDOM	FINANCIAL SERV.	0	51	51	0	1,397
PROXIMA ALFA INVESTMENTS (USA) LLC	UNITED STATES	FINANCIAL SERV.	0	100	100	0	24,803
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) II INC.	UNITED STATES	PORTFOLIO	0	100	100	0	4
PROXIMA ALFA INVESTMENTS HOLDINGS (USA) INC.	UNITED STATES	PORTFOLIO	0	100	100	344	390
PROXIMA ALFA INVESTMENTS, SGIIC S.A.	SPAIN	FINANCIAL SERV.	100	0	100	16,785	15,848
PROXIMA ALFA MANAGING MEMBER LLC	UNITED STATES	FINANCIAL SERV.	0	100	100	2	1
PROXIMA ALFA SERVICES LTD.	UNITED KINGDOM	FINANCIAL SERV.	0	100	100	2,292	1,852
PROYECTOS EMPRESARIALES CAPITAL RIESGO I,S.C.R.SIMP., S.A.	SPAIN	VENTURE CAPITAL	100	0	100	155,700	145,411
PROYECTOS INDUSTRIALES CONJUNTOS, S.A. DE	SPAIN	PORTFOLIO	0	100	100	3,148	8,327
RIVER OAKS BANK BUILDING, INC.	UNITED STATES	REAL ESTATE INSTR.	0	100	100	14,977	15,924
RIVERWAY HOLDINGS CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	0	100	100	223	7,454
S.GESTORA FONDO PUBL.REGUL.MERCADO HIPOTECARIO, S.A.	SPAIN	FINANCIAL SERV.	77	0	77	138	213
SCALDIS FINANCE, S.A.	BELGIUM	PORTFOLIO	0	100	100	3,416	3,661
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	90	3,161
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	0	100	100	2,310	4,423
SMARTSPREAD LIMITED (UK)	UNITED KINGDOM	SERVICES	0	64	64	0	1
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANC.,S.A.	SPAIN	COMMERCIAL	100	0	100	114,518	195,905
SOUTHEAST TEXAS TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	0	100	100	699	938
SPORT CLUB 18, S.A.	SPAIN	PORTFOLIO	100	0	100	21,923	37,451
ST. JOHNS INVESTMENTS MANAGMENT CO.	UNITED STATES	FINANCIAL SERV.	0	100	100	3,653	3,816
STATE NATIONAL CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	0	100	100	338	11,117
STATE NATIONAL PROPERTIES LLC	UNITED STATES	FINANCIAL SERV.	0	100	100	13	14
STATE NATIONAL STATUTORY TRUST II	UNITED STATES	FINANCIAL SERV.	0	100	100	223	7,423
STAVIS MARGOLIS ADVISORY SERVICES, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	20,363	21,152
TARUS, INC.	UNITED STATES	NO ACTIVITY	0	100	100	1	1
TEXAS LOAN SERVICES, LP.	UNITED STATES	FINANCIAL SERV.	0	100	100	842,681	843,680
TEXAS REGIONAL STATUTORY TRUST I	UNITED STATES	FINANCIAL SERV.	0	100	100	1,114	37,117
TEXASBANC CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	0	100	100	563	18,751
TRANSITORY CO	PANAMA	REAL ESTATE INSTR.	0	100	100	135	2,674
TSB PROPERTIES, INC.	UNITED STATES	REAL ESTATE INSTR.	0	100	100	-1,419	762
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERV.	0	100	100	553,469	553,549
TWOENC, INC	UNITED STATES	FINANCIAL SERV.	0	100	100	-357	299
UNIDAD DE AVALUOS MEXICO S.A. DE C.V.	MEXICO	FINANCIAL SERV.	0	100	100	1,163	1,593
UNIVERSALIDAD - BANCO GRANAHORRAR	COLOMBIA	FINANCIAL SERV.	0	100	100	0	5,464
UNIVERSALIDAD "E5"	COLOMBIA	FINANCIAL SERV.	0	100	100	0	3,645
UNO-E BANK, S.A.	SPAIN	BANKING	67	33	100	174,751	1,296,768
VALANZA CAPITAL RIESGO S.G.E.C.R. S.A. UNIPERSONAL	SPAIN	VENTURE CAPITAL	100	0	100	1,200	8,863
VALLEY MORTGAGE COMPANY, INC.	UNITED STATES	NO ACTIVITY	0	100	100	1	1

(*) Information on foreign companies at exchange rate on 31.12.08.

ANNEX I
ADDITIONAL INFORMATION ON JOINTLY-CONTROLLED COMPANIES CONSOLIDATED IN THE BBVA GROUP, AS PER THE SOLVENCY CIRCULAR

			% of Voting Rights controlled by the Bank			Thousand euros (*) Subsidiary data	
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets as of 31.12.08**
ECASA, S.A.	CHILE	FINANCIAL SERV.	0	51	51	5,469	6,794
FORUM DISTRIBUIDORA, S,A,	CHILE	FINANCIAL SERV.	0	51	51	4,723	18,825
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERV.	0	51	51	43,705	474,870
INVERSIONES PLATCO, C.A.	VENEZUELA	FINANCIAL SERV.	0	50	50	1,004	3,287
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.	0	50	50	6,926	92,089

(*) Information on foreign companies at exchange rate on 31.12.08.

BBVA

ANNEX I

ADDITIONAL INFORMATION ON EQUITY HOLDINGS AND JOINTLY-CONTROLLED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD IN THE BBVA GROUP, AS PER THE SOLVENCY CIRCULAR

			% of Voting Rights controlled by the Bank			Thousand euros (*) Subsidiary data	
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets as of 31.12.08**
AAI HOLDINGS, INC.	UNITED STATES	NO ACTIVITY	0	100	100	1	1
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES		40	40	3,742	10,679
ALMAGRARIO, S.A.	COLOMBIA	SERVICES		35	35	6,222	19,608
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	0	100	100	112,477	250,890
ANIDA DESARROLLOS SINGULARES, S.L.	SPAIN	REAL ESTATE INSTR.	0	100	100	0	594,494
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	GERMANY	REAL ESTATE INSTR.	0	100	100	4,099	19,658
ANIDA OPERACIONES SINGULARES, S.L.	SPAIN	REAL ESTATE INSTR.	0	100	100	3	1,649,249
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.	0	100	100	72,012	102,069
ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE INSTR.	0	100	100	793	1,008
APOYO MERCANTIL S.A. DE C.V.	MEXICO	SERVICES	0	100	100	777	120,708
ARIZONA KACHINA HOLDINGS, INC.	UNITED STATES	NO ACTIVITY	0	100	100	1	1
ATREA HOMES IN SPAIN LTD	UNITED KINGDOM	NO ACTIVITY	0	100	100	0	11
ATUEL FIDEICOMISOS, S.A.	ARGENTINA	SERVICES	0	100	100	6,269	6,288
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE		49	49	4,168	9,025
BAHIA SUR RESORT, S.C.	SPAIN	NO ACTIVITY	100	0	100	1,436	1,438
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCE	88	12	100	6,514	39,656
BBVA CONSULTORIA, S.A.	SPAIN	SERVICES	0	100	100	2,227	2,186
BBVA ELCANO EMPRESARIAL II, S.C.R., S.A.	SPAIN	VENTURE CAPITAL	45		45	38,506	81,703
BBVA ELCANO EMPRESARIAL, S.C.R.,S.A.	SPAIN	VENTURE CAPITAL	45		45	38,502	81,705
BBVA INSERVEX, S.A.	SPAIN	SERVICES	100	0	100	1,205	2,447
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100	0	100	0	1
BBVA PROPIEDAD F.I.I.	SPAIN	OTHR INVEST. ENTITIES	0	96	96	1,522,714	1,655,365
BBVA RE LIMITED	IRELAND	INSURANCE	0	100	100	656	48,632
BBVA RENTING, SPA	ITALY	SERVICES	0	100	100	1,925	36,750
BBVA SEGUROS COLOMBIA , S.A.	COLOMBIA	INSURANCE	94	6	100	9,259	32,225
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCE	94	6	100	13,242	183,692
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCE	0	100	100	24,840	308,595
BBVA SEGUROS, S.A., DE SEGUROS Y REASEGUROS	SPAIN	INSURANCE	94	6	100	414,525	11,474,162
BBVA SERVICIOS, S.A.	SPAIN	SERVICES	0	100	100	354	19,174
BIBJ MANAGEMENT, LTD.	CHANNEL ISLANDS	NO ACTIVITY	0	100	100	0	0
BIBJ NOMINEES, LTD.	CHANNEL ISLANDS	NO ACTIVITY	0	100	100	0	0
CAMARATE GOLF, S.A.	SPAIN	REAL ESTATE		26	26	5,170	40,948
CASA DE CAMBIO MULTIDIVISAS, S.A DE C.V.	MEXICO	NO ACTIVITY	0	100	100	145	145
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED CIFH	HONG-KONG	FINANCIAL SERVICES	30		30	541,221	590,966
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	SPAIN	SERVICES	22		22	11,502	52,727
COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V.	MEXICO	SERVICES		50	50	3,189	6,379
COMPASS ARIZONA ACQUISITION, CORP.	UNITED STATES	NO ACTIVITY	0	100	100	1	1
COMPASS CUSTODIAL SERVICES, INC.	UNITED STATES	NO ACTIVITY	0	100	100	1	1
COMPASS FIDUCIARY SERVICES, LTD., INC.	UNITED STATES	NO ACTIVITY	0	100	100	9	9
COMPASS INVESTMENTS, INC.	UNITED STATES	NO ACTIVITY	0	100	100	1	1
COMPASS SECURITIES, INC.	UNITED STATES	NO ACTIVITY	0	100	100	1	1
COMPASS UNDERWRITERS, INC.	UNITED STATES	INSURANCE	0	100	100	147	147
COMPASS WEALTH MANAGERS COMPANY	UNITED STATES	NO ACTIVITY	0	100	100	1	1
COMUNIDAD FINANCIERA ÍNDICO, S.L.	SPAIN	SERVICES	0	100	100	349	495
CONSOLIDAR ASEGURADORA DE RIESGOS DEL TRABAJO, S.A.	ARGENTINA	INSURANCE	88	13	100	32,598	166,487
CONSOLIDAR CIA. DE SEGUROS DE RETIRO, S.A.	ARGENTINA	INSURANCE	33	67	100	14,224	538,662
CONSOLIDAR CIA. DE SEGUROS DE VIDA, S.A.	ARGENTINA	INSURANCE	34	66	100	27,225	47,184
CORPORACION IBV PARTICIPACIONES EMPRESAR	SPAIN	PORTFOLIO		50	50	385,062	875,132
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	SPAIN	REAL ESTATE	0	73	73	29,330	59,259

ANNEX I
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Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net Carrying Amount**	**Assets as of 31.12.08**
DISTRANSA RENTRUCKS, S.A.	SPAIN	SERVICES		43	43	14,994	41,454
ECONTA GESTION INTEGRAL, S.L.	SPAIN	SERVICES		60	60	2,745	1,953
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	0	99	99	5,641	9,057
EL OASIS DE LAS RAMBLAS, S.L.	SPAIN	REAL ESTATE	0	70	70	167	493
EMPRESA INSTANT CREDIT, C.A.	VENEZUELA	NO ACTIVITY	0	100	100	0	0
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SPAIN	SERVICES	0	51	51	31	30
EXPLOTACIONES AGROPECUARIAS VALDELAYEGUA, S.A.	SPAIN	REAL ESTATE	0	100	100	9,121	9,128
FERROMOVIL 3000, S.L.	SPAIN	SERVICES		20	20	5,089	25,444
FERROMOVIL 9000, S.L.	SPAIN	SERVICES		20	20	3,453	17,264
FIDEICOMISO F/70191-2 PUEBLA	MEXICO	REAL ESTATE		25	25	8,778	47,526
FIDEICOMISO F 403853 5 BBVA BANCOMER SERVICIOS ZIBATA	MEXICO	REAL ESTATE		30	30	19,807	66,025
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE		50	50	11,713	30,070
FINANCEIRA DO COMERCIO EXTERIOR S.A.R.	ITALY	NO ACTIVITY	100	0	100	51	37
FINANZIA AUTORENTING, S.A.	SPAIN	SERVICES	0	100	100	33,561	651,086
FIRS TIER CORPORATION	UNITED STATES	NO ACTIVITY	0	100	100	1	1
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	191	483
FW CAPITAL I	UNITED STATES	NO ACTIVITY	0	100	100	1	1
GOBERNALIA GLOBAL NET, S.A.	SPAIN	SERVICES	0	100	100	947	2,491
GRUPO PROFESIONAL PLANEACION Y PROYECTOS, S.A. DE C.V.	MEXICO	SERVICES		44	44	7,063	9,188
HESTENAR, S.L.	SPAIN	REAL ESTATE	0	43	43	48,715	105,290
IMOBILIARIA DUQUE D'AVILA, S.A.	PORTUGAL	REAL ESTATE	0	50	50	0	0
INENSUR BRUNETE, S.L.	SPAIN	REAL ESTATE	0	100	100	3,657	3,812
INGENIERIA EMPRESARIAL MULTIBA, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	0	0
INMOBILIARIA BILBAO, S.A.	SPAIN	REAL ESTATE INSTR.	0	100	100	0	50
INMUEBLES MADARIAGA PROMOCIONES, S.L.	SPAIN	REAL ESTATE	50		50	0	0
INVERSIONES ALDAMA, C.A.	VENEZUELA	NO ACTIVITY	0	100	100	255	503
INVERSIONES P.H.R.4, C.A.	VENEZUELA	NO ACTIVITY	0	60	60	67,785	202,340
INVERSIONES T, C.A.	VENEZUELA	NO ACTIVITY	0	100	100	19,071	58,547
JARDINES DE SARRIENA, S.L.	SPAIN	REAL ESTATE	0	85	85	2,869	7,551
JARDINES DEL RUBIN, S.A.	SPAIN	REAL ESTATE		50	50	779	1,391
LA ESMERALDA DESARROLLOS, S.L.	SPAIN	REAL ESTATE		25	25	1	1
LAS PEDRAZAS GOLF, S.L.	SPAIN	REAL ESTATE		50	50	9,724	34,572
MAGGIORE FLEET, S.P.A.	ITALY	SERVICES	0	100	100	20,000	56,323
MARINA LLAR, S.L.	SPAIN	REAL ESTATE	0	100	100	21,154	101,228
MARQUES DE CUBAS 21, S.L.	SPAIN	REAL ESTATE	100	0	100	32	614
MEDITERRANIA DE PROMOCIONS I GESTIONS INMOBILIARIES, S.A.	SPAIN	NO ACTIVITY	0	100	100	17	1,059
MEGABANK FINANCIAL CORPORATION	UNITED STATES	NO ACTIVITY	0	100	100	8,298	17,808
MIRADOR DE LA CARRASCOSA, S.L.	SPAIN	REAL ESTATE	0	56	56	98,732	1,395,384
MONESTERIO DESARROLLOS, S.L.	SPAIN	REAL ESTATE	0	100	100	1	0
MONTEALIAGA,S.A.	SPAIN	REAL ESTATE	0	100	100	3,639	11,753
MONTEALMENARA GOLF, S.L.	SPAIN	REAL ESTATE		50	50	139	125
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	SERVICES	0	100	100	254	441
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	0	100	100	0	0
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	9,317	24,194
OCCIDENTAL HOTELES MANAGEMENT, S.L.	SPAIN	SERVICES		58	58	8,858	10,538
PARQUE REFORMA SANTA FE, S.A. de C.V.	MEXICO	REAL ESTATE INSTR.		30	30	1	1
PENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	0	100	100	7,830	121,181

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Company	Location	Activity	Direct	Indirect	Total	Net Carrying Amount	Assets as of 31.12.08
PERI 5.1 SOCIEDAD LIMITADA	SPAIN	REAL ESTATE	0	55	55	301,667	1,465,656
PREVENTIS, S.A.	MEXICO	INSURANCE	0	90	90	22,347	44,857
PROMOTORA DE RECURSOS AGRARIOS, S.A.	SPAIN	SERVICES	100	0	100	438	3,814
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	SPAIN	REAL ESTATE	0	59	59	3,924	8,506
PRO-SALUD, C.A.	VENEZUELA	SERVICES	0	59	59	3,381	2,839
PROYECTO MUNDO AGUILON, S.L	SPAIN	REAL ESTATE	0	100	100	103	10,637
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	0	100	100	36,849	172,001
RIVER OAKS TRUST CORPORATION	UNITED STATES	NO ACTIVITY	0	100	100	1,589	1,647
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.		40	40	2,962	96,190
SEGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	25	75	100	54,296	387,653
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCE	0	100	100	1	2
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	2,410	2,634
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES		46	46	0	108
SERVICIOS ON LINE PARA USUARIOS MULTIPLES, S.A. (SOLIUM)	SPAIN	SERVICES		67	67	467	618
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	SPAIN	SERVICES	0	100	100	860	860
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERV.	21	1	21	1	1
SOCIETE INMOBILIERE BBV D'ILBARRIZ	FRANCE	REAL ESTATE	0	100	100	1	1
TELEFONICA FACTORING, S.A.	SPAIN	FINANCIAL SERV.	30		30	6,454	30,540
TUBOS REUNIDOS, S.A.	SPAIN	INDUSTRIAL	0	23	23	5,011	24,266
UNICOM TELECOMUNICACIONES S.DE R.L. DE C.V.	MEXICO	SERVICES	0	100	100	3,681	8,258
UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS, S.A.	SPAIN	SERVICES	0	100	100	6,569	16,973
URBANIZADORA SANT LLORENC, S.A.	SPAIN	NO ACTIVITY	61	0	61	4,998	51,167
VIRTUAL DOC, S.L.	SPAIN	SERVICES	0	70	70	15,808	79,187
VISACOM, S.A. DE C.V.	MEXICO	SERVICES	0	100	100	2,876	42,531
VITAMEDICA S.A DE C.V.	MEXICO	INSURANCE		51	51	197,819	331,775
WESTERN BANCSHARES OF ALBUQUERQUE, INC.	UNITED STATES	NO ACTIVITY	0	100	100	4,408	59,404
WESTERN MANAGEMENT CORPORATION	UNITED STATES	NO ACTIVITY	0	100	100	2275	8446
OTHER ENTITIES						66,784	

(*) Information on foreign companies at exchange rate on 31.12.08.