> Risk management

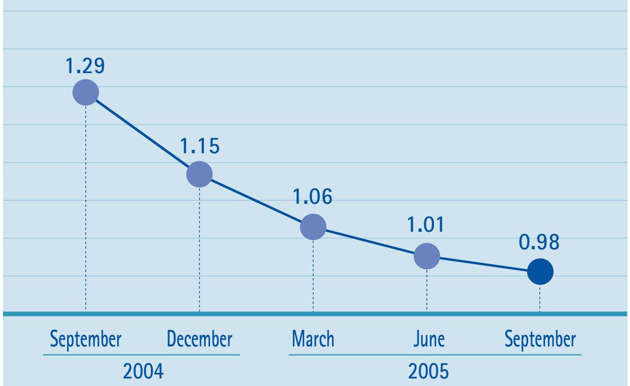
> LENDING RISK

In the third quarter of 2005 BBVA maintained the upward trend in asset quality related to lending. This steady improvement has become a standard feature in recent years. Thus, although total exposure at 30-Sep-05 (including contingent liabilities) grew 24.9% year-on-year, non-performing loans declined 5.6%. On a like-for-like comparison, ie, excluding Hipotecaria Nacional and Laredo National Bancshares, the figure would be 8.1%. This meant that the non-performing loans ratio was 0.98% at the end of the third quarter against 1.29% a year earlier and 1.01% at 30-Jun-05.

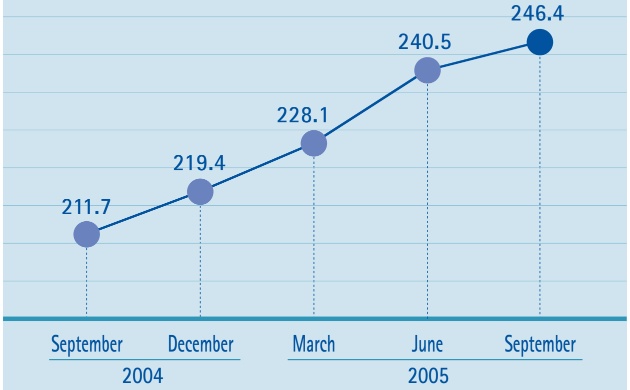
The fall in non-performing loans and the 9.9% increase in loan loss provisions in the last 12 months brought the coverage ratio to 246.4%, compared to 211.7% at 30-Sep-04 and 240.5% at 30-Jun-05. Generic provisions reached maximum coverage (1.25 alfa) at the end of 2004 and they continue at this level at 30-Sep-05.

All business areas recorded the same trend (a year-on-year decline in non-performing loans despite increased activity). Therefore they all recorded improvements in the non-performing loans ratio. At 30-Sep-05 the ratio was 0.67% for the Retail Banking Area in Spain and Portugal (0.86% a year earlier), 0.22% for Wholesale

> Non-performing loan ratio
(Percentage)



> Coverage ratio
(Percentage)



> Credit risk management (Million euros)

	30-09-05	∆%	30-09-04	30-06-05	31-12-04
TOTAL RISK EXPOSURE (1)					
Non-performing assets	2,299	(5.6)	2,436	2,264	2,268
Total risks	235,133	24.9	188,277	225,021	197,739
Provisions	5,666	9.9	5,156	5,447	4,977
NPL ratio (%)	0.98		1.29	1.01	1.15
NPL coverage ratio (%)	246.4		211.7	240.5	219.4
MEMORANDUM ITEM:					
Foreclosed assets	334	(8.3)	365	343	324
Foreclosed asset provisions	156	(17.8)	189	168	167
Coverage (%)	46.6		51.9	49.1	51.7

(1) Including contingent liabilities.

Variations in non-performing assets (Million euros)

	3Q 05	2Q 05	1Q 05	4Q 04	3Q 04
BEGINNING BALANCE (1)	2,264	2,219	2,268	2,436	2,412
Net variation	35	45	(49)	(168)	24
• Entries	525	418	401	476	521
• Outflows	(357)	(353)	(379)	(394)	(428)
• Write-offs	(160)	(145)	(151)	(181)	(75)
• Exchange rate differences and other	27	125	80	(69)	6
PERIOD-END BALANCE (1)	2,299	2,264	2,219	2,268	2,436
MEMORANDUM ITEM:					
• Non-performing loans	2,256	2,215	2,179	2,222	2,361
• Non-performing contingent liabilities	43	49	40	46	75

(1) Including contingent liabilities.

and Investment Banking (0.45% in September 2004) and 2.64% for the Americas Area (3.87% at 30-Sep-04). The figure for Mexico was 2.27% and for the rest of banks in that region it was 3.32% compared to 3.36% and 4.95%, respectively, in September 2004. Coverage has increased in all areas over the last 12 months bringing the coverage ratio to 298.0% in retail banking, 567.2% in wholesale banking and 191.2% in the Americas.

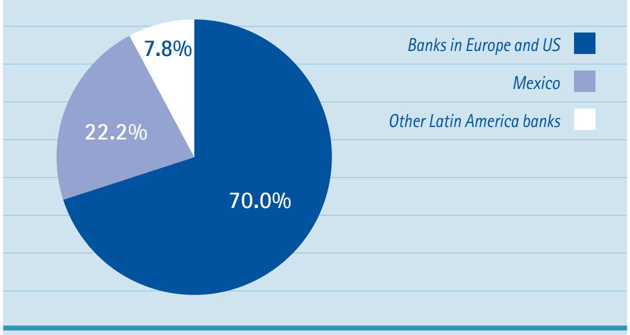
> MARKET RISK

In the third quarter of 2005, market exposure of the BBVA group, measured by Value-at-Risk (VaR), continued to fall to very moderate levels. At 30-Sep-05 it was €14.9m. Average exposure in the quarter was €16.9m and average weighted use of limits was 26%. All these figures were lower than previous quarters. Furthermore, an overview of the year shows that VaR figures tend to move in an increasingly tighter range, reflecting the stable trend. More effective management of exposure at Bancomer contributed to the improvements together with more moderate exposure at some of BBVA´s market units.

Regarding diversification of risk by geographic area, the bank maintained its percentage of exposure in

Trends in market risk
(VaR, thousand euros)

Market risk by geographical areas
(Average third quarter 2005)



Market risk by risk factors (Third Quarter 2005. Thousand euros)

		Daily VaR		
	30-09-05	Average	Maximum	Minimum
Interest (1)	8,646	10,087	13,465	7,238
Exchange rate (1)	1,936	1,419	2,384	616
Equity (1)	1,735	1,829	4,146	1,191
Vega and correlation	4,800	5,456	6,617	4,367
Diversification effect	(2,250)	(1,917)	-	-
TOTAL	**14,867**	**16,875**	**20,658**	**13,463**

(1) Includes gamma risk of fixed-income, exchange rate and equity options respectively. Interest risk includes the spread.

Latin-American countries in the third quarter. The dominant factors in these markets are high liquidity and tight spreads on sovereign risk.

In terms of the type of market risk assumed by the BBVA group, at 30-Sep-05 interest rate risk increased to 51% of the total including spread risk but before allowing for the effect of diversification. Volatility risk associated with optional positions (vega) accounted for 23% and exchange rate risk was 11%. Stock exchange exposure fell to 10% and correlation risk remained at 4%.

> OPERATIONAL RISK

During the first nine months of 2005 BBVA has significantly advanced in implementation of operational risk tools. The goal is to qualify for the advanced management model as defined by Basel convergence criteria. Thus the bank has practically completed deployment of the Ev-Ro tool (qualitative control) and SIRO (a database of past events entailing operational risk). These, together with other data from the external ORX database, are being used to complete the methodology for calculating risk capital. This will be in operation at year-end.