QUARTERLY REPORT

# Results 2005

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# > BBVA Group Highlights

## > BBVA Group Highlights (consolidated figures)

| | 31-12-05 | 31-12-04 | Δ% |
|---|---|---|---|
| **BALANCE SHEET (million euros)** | | | |
| Total assets | 392,389 | 334,678 | 17.2 |
| Customer lending (gross) | 222,413 | 176,673 | 25.9 |
| On-balance sheet customer funds | 259,200 | 207,884 | 24.7 |
| Other customer funds | 143,887 | 121,553 | 18.4 |
| Total customer funds | 403,087 | 329,437 | 22.4 |
| Equity | 17,302 | 13,805 | 25.3 |
| Shareholders' funds (including profit for the year) | 13,036 | 10,961 | 18.9 |
| **INCOME STATEMENT (million euros)** | | | |
| Net interest income | 7,208 | 6,160 | 17.0 |
| Core revenues | 11,756 | 10,060 | 16.9 |
| Ordinary revenues | 13,024 | 11,120 | 17.1 |
| Operating profit | 6,823 | 5,591 | 22.0 |
| Pre-tax profit | 5,592 | 4,137 | 35.2 |
| Net attributable profit | 3,806 | 2,923 | 30.2 |
| **DATA PER SHARE AND MARKET CAPITALIZATION** | | | |
| Share price | 15.08 | 13.05 | 15.6 |
| Market capitalization (million euros) | 51,134 | 44,251 | 15.6 |
| Net attributable profit | 1.12 | 0.87 | 29.5 |
| Book value | 3.84 | 3.23 | 18.9 |
| PER (Price/earnings ratio; times) | 13.4 | 15.1 | |
| P/BV (Price/book value; times) | 3.9 | 4.0 | |
| **SIGNIFICANT RATIOS (%)** | | | |
| Operating profit/ATA | 1.87 | 1.73 | |
| ROE (Net attributable profit/Average equity) | 37.0 | 33.2 | |
| ROA (Net profit/ATA) | 1.12 | 0.96 | |
| RORWA (Net profit/Risk weighted average assets) | 1.91 | 1.62 | |
| Efficiency ratio | 43.2 | 44.6 | |
| Efficiency ratio including depreciation and amortization | 46.7 | 48.6 | |
| NPL ratio | 0.94 | 1.13 | |
| NPL coverage ratio | 252.5 | 219.7 | |
| **CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)** | | | |
| Total | 12.0 | 12.5 | |
| Core capital | 5.6 | 5.8 | |
| TIER I | 7.5 | 7.9 | |
| **OTHER INFORMATION** | | | |
| Number of shares (million) | 3,391 | 3,391 | |
| Number of shareholders | 984,891 | 1,081,020 | |
| Number of employees | 94,681 | 87,112 | |
| • Spain | 31,154 | 31,056 | |
| • America (1) | 61,604 | 54,074 | |
| • Rest of the world | 1,923 | 1,982 | |
| Number of branches | 7,410 | 6,868 | |
| • Spain | 3,578 | 3,385 | |
| • America (1) | 3,658 | 3,303 | |
| • Rest of the world | 174 | 180 | |

(1) Includes those related to the BBVA Group's banking, pension fund managers and insurance companies in all the American countries in which it is present.

## Relevant events

The financial information provided in this quarterly report follows the criteria established in Circular 4/2004 of the Bank of Spain and the international financial reporting standards (IFRS), approved by the European Union. The figures for 2004 have been prepared using the same criteria and are directly comparable. Therefore they are different to those published in 2004. The figures in this report have not been audited and thus may change in the future. This quarterly report contains certain reallocations of items on the income statement of 2004 and 2005, to the figures published in the previous quarterly report. They have no impact on net profit and only a limited effect on operating profit or on the balance sheet, shareholders' funds and on the corresponding reconciliation of accounts. This report includes all of theses changes.

The most relevant financial aspects of the BBVA Group in 2005 are summarised below:

- In 2005 the group recorded significant improvements in the main business ratios and other indicators. These figures already stood at exemplary levels in the international context. Strong increases in business volume in all segments and geographic regions were accompanied by additional improvements in risk quality and coverage. This situation led to the best results ever in the history of BBVA. Following the year's achievements in earnings per share, efficiency, return on equity and on assets, together with the improvement in risk quality, BBVA has consolidated its position among the largest European financial groups.

- Attributable net income in 2005 rose to €3,806m, an increase of 30.2% over the €2,923m obtained in 2004. The profit figures for the full year and for the fourth quarter are both all-time records.

- Earnings per share grew 29.5% to €1.12 and ROE increased to 37.0% (33.2% in 2004).

- The considerable increase in profit in 2005 is mainly due to positive performance by all sources of revenue. Operating profit rose to €6,823m, an increase of 22.0%.

- Apart from the elevated profit figure, its significant upward trend and the excellent quality of earnings, the year-on-year comparisons for each quarter show that growth in all margins and profit is accelerating.

- Ordinary revenues rose 17.1% on favourable performance of all components. These include net interest income which grew 17.0% and income from fees and insurance which rose 16.4%. Operating costs including depreciation grew more slowly (at 12.0%) and, on a like-for-like basis, this figure was 8.4%.

- As a result, the cost/income ratio including depreciation, stands at 46.7% having improved 1.9 points over 2004 (48.6%). Without depreciation the ratio would be 43.2%.

- The strong increase in lending to customers was accompanied by a further improvement in asset quality. Thus the NPL ratio improved to 0.94% at 31-Dec-05, compared to 1.13% a year earlier. Coverage increased to 252.5% (219.7% at 31-Dec-04).

- At year-end, core capital stands at 5.6%. Tier 1 capital is 7.5% and the BIS ratio 12.0%. Excluding the acquisitions done in 2005, the core capital would be 6.2%.

- On 10th October the group paid a third interim dividend of €0.115 per share against 2005 results. This was the same amount as the July and October dividends and 15% higher than dividends a year earlier.

- The high level of business activity in the Retail Banking Area for Spain and Portugal led to a 20.1% increase in lending (supported by SME finance and mortgages) and a 10.0% rise in customer funds. This helped ordinary revenues to climb 8.3%. Operating profit and net attributable profit both recorded year-on-year increases of 13.1%. The net attributable profit for this area came to €1,614m.

- In the Wholesale and Investment Banking Area the group's capacity to generate revenue was reflected in ordinary revenues (up 24.4%) and operating profit (up 33.9%). After lower provisioning requirements, net attributable profit grew 46.6% to €592m.

- The Americas Area also enjoyed high levels of business activity, especially in lending. This was reflected in revenues with increases of 32.6% in net interest income and 35.4% in operating profit. It lifted net attributable profit to €1,820m, an increase of 52.3% over 2004. On a like-for-like comparison (ie, excluding Hipotecaria Nacional, Laredo Nacional Bancshares and BBVA Bancomer USA and in December, Granahorrar in Colombia), operating profit rose 32.3% and net attributable profit 45.4%.

- Bancomer's contribution is particularly significant. Its operating profit jumped 46.2%, supported by net interest income (up 39.7% thanks to higher volumes in the more profitable lines) and by net fee income (up 26.1%). Net profit shot up 56.3% to €1,192m (46.1% excluding Hipotecaria Nacional).

- Lastly, at the end of December the group announced a new organisation structure that will drive its global strategy of profitable growth and energise its transformation through innovative business models.

## > ECONOMIC ENVIRONMENT

In 2005 the world's economies continued to expand at more than 4%, showing notable resistance to increases in the oil price. In line with the steady economic expansion and the growing risk of inflation, the US Federal Reserve gradually increased rates from 1% in June 2004 to 4.25% at the end of 2005. Despite this, long-term interest rates continued at very low levels. On average, the 10-year rate in 2005 was the same as the previous year and the rate curve flattened.

On 1st December the European Central Bank also signalled the start of an upward cycle by increasing its rate to 2.25% after two and a half years at 2%. This led to a rebound in euribor in the fourth quarter but, despite this, the average 10-year rate remained lower than in 2004. The European economy grew less than in 2004. However, the Spanish economy was up 3.4% (three-tenths of a percent more than in 2004) driven by strong domestic demand from consumers, the housing market and SMEs. Foreign trade and higher inflation were negative factors.

Latin America was favoured by the international context and grew more than 4% in 2005. This was the third year of significant growth, characterised by the fact that it extended to all countries in the region. Increases in raw material prices, the improvement in nominal exchange rates and a significant reduction in risk premiums have also favoured these countries. Mexican interest rates peaked in May and began to fall at the end of August. The peso gained ground against the dollar and this kept inflation at record lows.

In the fourth quarter the euro fell 2.1% against the dollar and this largely extended to most Latin-American currencies. As a result, the euro fell against the main Latin-American currencies over the last 12 months. Thus the effect of exchange rates on the group's balance sheet at 31-Dec-05 and on the year-on-year comparisons, is now positive. On the other hand, average exchange rates during the year are used to convert the items on the income statement to euros. This time, the overall impact is positive for the first time in many years although not great. The Mexican peso appreciated 3.5% against the euro, the Colombian peso 12.7%, the Chilean peso 8.7% and the Peruvian sol 3.5%. The dollar rate was unchanged and the Venezuelan bolivar fell 10.5%.

## Exchange rates (1)

| | Year-end exchange rates | | | Average exchange rates | |
|---|---|---|---|---|---|
| | 31-12-05 | Δ% on 31-12-04 | Δ% on 30-09-04 | 2005 | Δ% on 2004 |
| Mexican peso | 12.6357 | 20.2 | 3.1 | 13.5575 | 3.5 |
| Argentine peso | 3.5907 | 12.8 | (2.7) | 3.6382 | 0.8 |
| Chilean peso | 606.80 | 25.1 | 5.9 | 696.86 | 8.7 |
| Colombian peso | 2,695.42 | 18.9 | 2.2 | 2,890.17 | 12.7 |
| Peruvian new sol | 4.0434 | 10.7 | (0.3) | 4.0976 | 3.5 |
| Venezuelan bolivar | 2,531.65 | 3.1 | 2.1 | 2,617.80 | (10.5) |
| US dollar | 1.1797 | 15.5 | 2.1 | 1.2441 | - |

(1) Expressed in currency/euro.

## Interest rates (Quarterly average)

| | 2005 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q |
| Official ECB rate | 2.08 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Euribor 3 months | 2.34 | 2.13 | 2.12 | 2.14 | 2.16 | 2.12 | 2.08 | 2.06 |
| Euribor 1 year | 2.63 | 2.20 | 2.19 | 2.33 | 2.31 | 2.35 | 2.29 | 2.14 |
| Spain 10 year bond | 3.38 | 3.23 | 3.36 | 3.64 | 3.79 | 4.15 | 4.31 | 4.14 |
| USA 10 year bond | 4.48 | 4.20 | 4.15 | 4.29 | 4.16 | 4.29 | 4.58 | 3.99 |
| USA Federal rates | 3.97 | 3.43 | 2.92 | 2.45 | 1.95 | 1.43 | 1.00 | 1.00 |
| TIIE (Mexico) | 9.10 | 9.88 | 10.05 | 9.40 | 8.54 | 7.45 | 6.73 | 5.90 |

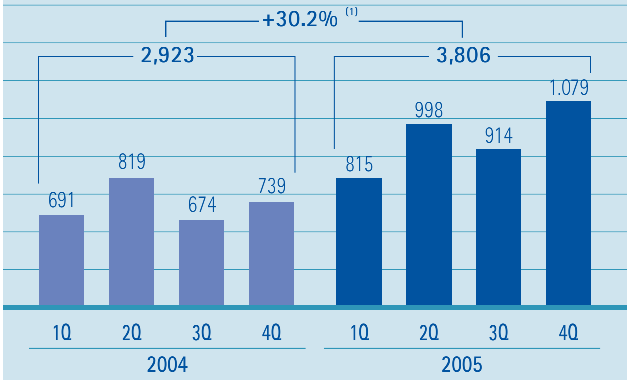
# > Earnings

In the fourth quarter of 2005 the group generated net attributable profit of €1,079m. This was 46.0% higher than the €739m obtained in the same period of 2004. Like previous quarters, this growth is explained by the performance of operating profit, which grew 29.3% to €1,878m. Both the net attributable profit and the operating profit are the highest ever recorded by the group.

As a result, the total net attributable profit for 2005 came to €3,806m euros. This is also a new record for the group and 30.2% higher than the €2,923m obtained in 2004. During the year all sources of revenue, without

## > Net atributable profit

(Million euros)




(1) At constant exchange rates: +29.0%.

## > Consolidated income statement (Million euros)

| | 2005 | Δ% | 2004 | Memorandum item: Δ% at constant exchange rates |
|---|---|---|---|---|
| Core net interest income | 6,915 | 17.1 | 5,904 | 15.7 |
| Dividends | 292 | 14.6 | 255 | 14.5 |
| **NET INTEREST INCOME** | **7,208** | **17.0** | **6,160** | **15.7** |
| Net income by the equity method | 121 | 25.2 | 97 | 25.4 |
| Net fee income | 3,940 | 15.4 | 3,413 | 13.7 |
| Income from insurance activities | 487 | 24.7 | 391 | 22.4 |
| **CORE REVENUES** | **11,756** | **16.9** | **10,060** | **15.4** |
| Net trading income | 1,267 | 19.6 | 1,060 | 19.0 |
| **ORDINARY REVENUES** | **13,024** | **17.1** | **11,120** | **15.7** |
| Net revenues from non-financial activities | 126 | (0.6) | 126 | (0.7) |
| Personnel costs | (3,602) | 10.9 | (3,247) | 9.8 |
| General expenses | (2,160) | 16.7 | (1,851) | 15.2 |
| Depreciation and amortization | (449) | 0.1 | (448) | (1.7) |
| Other operating income and expenses (net) | (115) | 4.6 | (110) | 1.2 |
| **OPERATING PROFIT** | **6,823** | **22.0** | **5,591** | **20.7** |
| Impairment losses on financial assets (net) | (854) | (10.8) | (958) | (12.4) |
| • Loan-loss provisions | (813) | 3.7 | (784) | 1.6 |
| • Other | (41) | (76.3) | (174) | (76.3) |
| Provisions (net) | (454) | (46.6) | (851) | (46.8) |
| Other income/losses (net) | 77 | (78.3) | 355 | (78.2) |
| • From disposal of equity holdings | 29 | (90.7) | 308 | (90.8) |
| • Other | 49 | 4.4 | 47 | 9.0 |
| **PRE-TAX PROFIT** | **5,592** | **35.2** | **4,137** | **33.8** |
| Corporate income tax | (1,521) | 47.9 | (1,029) | 45.5 |
| **NET PROFIT** | **4,071** | **31.0** | **3,108** | **29.9** |
| Minority interests | (264) | 42.3 | (186) | 44.7 |
| **NET ATTRIBUTABLE PROFIT** | **3,806** | **30.2** | **2,923** | **29.0** |

## Consolidated income statement: quarterly evolution (Million euros)

| | 2005 | | | | 2004 | | | |
|---|---|---|---|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | 2nd Quarter | 1st Quarter | 4th Quarter | 3rd Quarter | 2nd Quarter | 1st Quarter |
| Core net interest income | 1,890 | 1,785 | 1,701 | 1,539 | 1,516 | 1,485 | 1,463 | 1,440 |
| Dividends | 109 | 41 | 121 | 22 | 89 | 22 | 116 | 29 |
| **NET INTEREST INCOME** | **1,999** | **1,826** | **1,822** | **1,561** | **1,605** | **1,507** | **1,579** | **1,469** |
| Net income by the equity method | 43 | 28 | 28 | 23 | 27 | 26 | 22 | 22 |
| Net fee income | 1,065 | 1,022 | 954 | 899 | 872 | 861 | 848 | 833 |
| Income from insurance activities | 138 | 130 | 123 | 96 | 95 | 102 | 95 | 98 |
| **CORE REVENUES** | **3,245** | **3,006** | **2,926** | **2,579** | **2,599** | **2,495** | **2,544** | **2,422** |
| Net trading income | 372 | 255 | 341 | 299 | 289 | 228 | 302 | 240 |
| **ORDINARY REVENUES** | **3,617** | **3,261** | **3,267** | **2,878** | **2,888** | **2,723** | **2,847** | **2,662** |
| Net revenues from non-financial activities | 15 | 43 | 40 | 28 | 51 | 21 | 37 | 18 |
| Personnel costs | (982) | (910) | (872) | (838) | (849) | (793) | (797) | (808) |
| General expenses | (599) | (551) | (532) | (479) | (501) | (447) | (451) | (452) |
| Depreciation and amortization | (125) | (117) | (105) | (102) | (110) | (114) | (111) | (113) |
| Other operating income and expenses (net) | (49) | (27) | (9) | (31) | (26) | (24) | (27) | (32) |
| **OPERATING PROFIT** | **1,878** | **1,699** | **1,789** | **1,457** | **1,453** | **1,366** | **1,497** | **1,275** |
| Impairment losses on financial assets (net) | (296) | (234) | (202) | (123) | (362) | (183) | (183) | (230) |
| • Loan-loss provisions | (282) | (227) | (187) | (118) | (189) | (183) | (187) | (225) |
| • Other | (14) | (7) | (15) | (5) | (173) | - | 4 | (6) |
| Provisions (net) | (125) | (75) | (123) | (131) | (137) | (199) | (226) | (289) |
| Other income/losses (net) | 5 | 15 | 57 | (1) | 32 | 20 | 18 | 284 |
| • From disposal of equity holdings | 10 | 3 | 13 | 4 | 25 | 21 | 22 | 240 |
| • Other | (5) | 13 | 45 | (4) | 6 | - | (4) | 44 |
| **PRE-TAX PROFIT** | **1,461** | **1,406** | **1,522** | **1,203** | **986** | **1,004** | **1,107** | **1,040** |
| Corporate income tax | (315) | (418) | (451) | (337) | (204) | (277) | (237) | (310) |
| **NET PROFIT** | **1,147** | **988** | **1,070** | **866** | **782** | **726** | **870** | **730** |
| Minority interests | (68) | (73) | (72) | (50) | (44) | (52) | (51) | (39) |
| **NET ATTRIBUTABLE PROFIT** | **1,079** | **914** | **998** | **815** | **739** | **674** | **819** | **691** |

exception, performed positively. This highlights the quality of the results and is the greatest factor contributing to profit growth. Increases in revenue outstripped cost increases and thus the group once again improved in efficiency. Operating profit advanced significantly by 22.0% compared to 2004.

Besides the strength of recurrent revenue, the other feature contributing to the quality of 2005 results was the largely neutral effect of line items on the profit and loss account between operating profit and net profit. The differences between the two years offset each other. In the comparison with 2004, reductions in provisions and other adjustments were offset by lower capital gains on sale of holdings.

Another relevant feature of the group's 2005 results was their steady climb. The year-on-year increases for all revenues and profit figures are progressively higher when expressed at either current or constant exchange rates. The rate of growth of operating profit accelerated, rising from 14.3% in the first quarter, to 17.1% for the first half, to 19.5% for the first nine months and to the above figure of 22.0% for the full year. Net attributable profit was up 18.0% in March, 20.1% by June, 24.9% in September and 30.2% for the full year.

## > NET INTEREST INCOME

Net interest income for the fourth quarter came to €1,999m, a year-on-year increase of 24.5%. As a result, the cumulative figure for the year grew 17.0% over 2004 to €7,208m. Excluding dividends, net interest income for the year grew 17.1% (14.5% in the first nine months) to €6,915m. Dividends accounted for €292m, an increase of 14.6%.

In the domestic market, the customer spread in the fourth quarter was 2.56%, which was unchanged from the previous quarter. The higher average cost of deposits (due to a greater amount in time deposits) absorbed the higher yield on loans following a rebound in interest rates. In terms of the whole year, the decline in customer spreads was more than offset by the firm growth in business volume.

Spreads increased in the Americas. This was especially true in Mexico where the difference between the yield on loans and the cost of deposits in pesos grew from 11.22% in the fourth quarter of 2004 and 11.63% in the third quarter of 2005, to 11.87% in the fourth quarter of 2005, despite a drop in the TIIE.

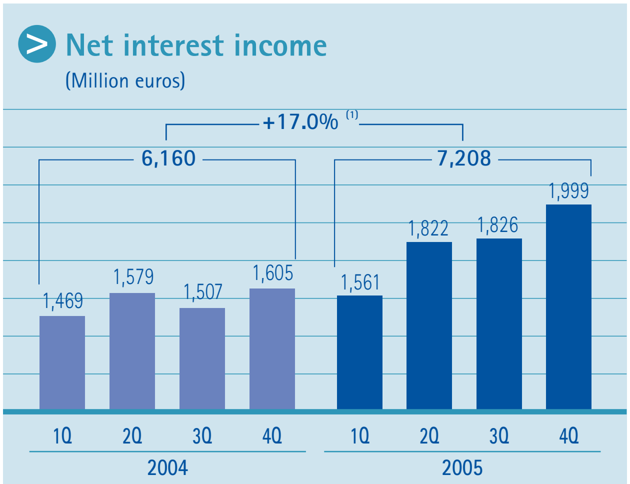
## > ORDINARY REVENUES

Net fee income in the fourth quarter was €1,065m while insurance business yielded another €138m. The year-on-year increases were 22.2% and 45.0%, respectively. This brought the increases for the whole year to 15.4% for fee income (€3,940m) and 24.7% for insurance (€487m). Together, these items came to €4,427m in 2005, a year-on-year increase of 16.4%: 10.2% in Retail Banking in Spain and Portugal, 19.2% in Wholesale and Investment Banking and 20.5% in The Americas (26.1% in Mexico).

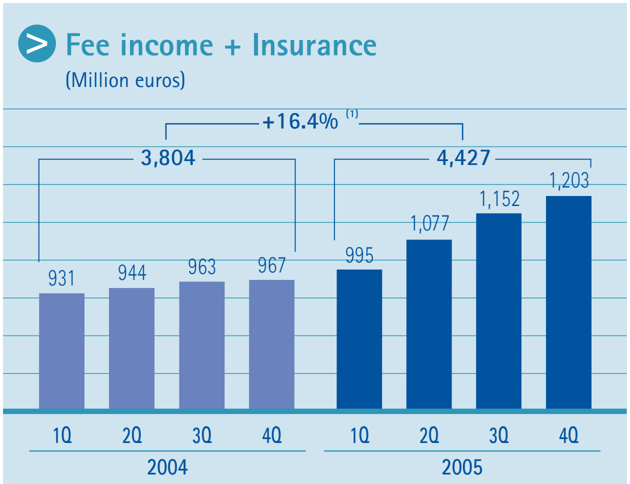
Net income by the equity method (mainly BNL and Corporación IBV) came to €121m, an increase of 25.2% over the €97m obtained in 2004.

Core revenues, which are the aggregate of net interest income, net fee income and net income by the equity method, came to €11,756m for the year. This is a year-on-year increase of 16.9% (14.1% for the first nine months).

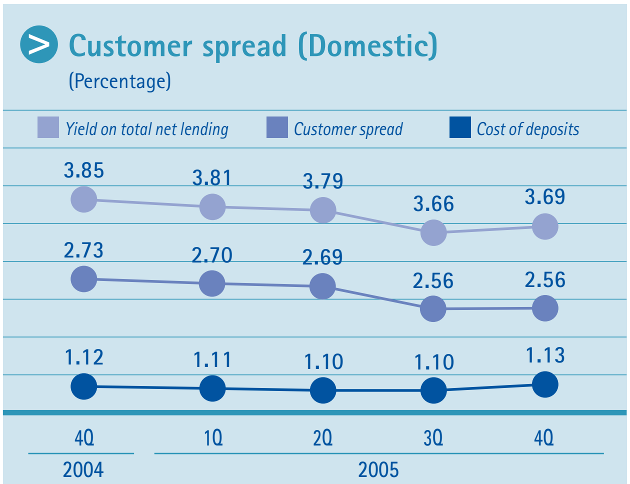
Net trading income in 2005 came to €1,267m, an increase of 19.6% over the previous year. The main contributions

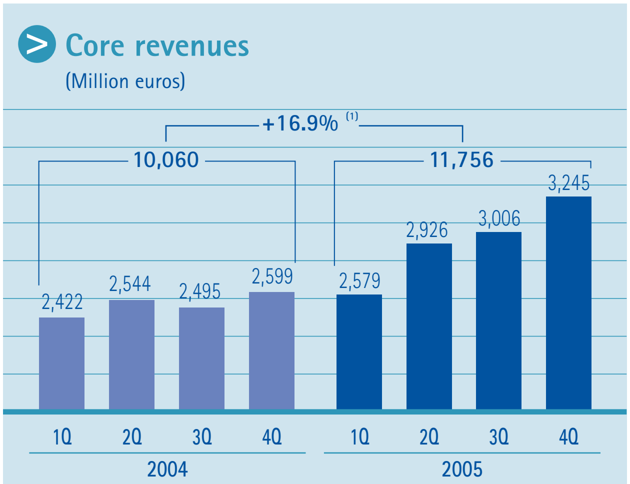



(1) At constant exchange rates: +15.7%.




(1) At constant exchange rates: +14.6%.



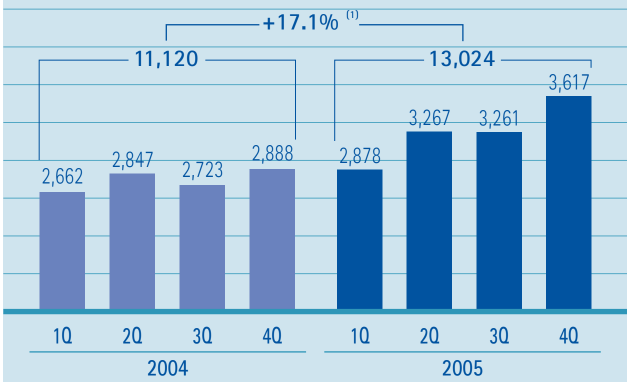




(1) At constant exchange rates: +15.4%.

came from the Markets unit, the Americas (mainly Mexico and Argentina), industrial and financial holdings, and from the retail and wholesale banking areas following greater efforts in the distribution of cash management products.

Core revenues and net trading income make up the ordinary revenues, which come to €3,617m in the fourth quarter, an increase of 25.2% compared to 2004. For the entire year these revenues increased 17.1% to €13,024m. After adding €126m of net sales from non-financial activities (including real estate business), the group's total revenues came to €13,149m, an increase of 16.9% over 2004.

**Ordinary revenues** (Million euros)




(1) At constant exchange rates: +15.7%.

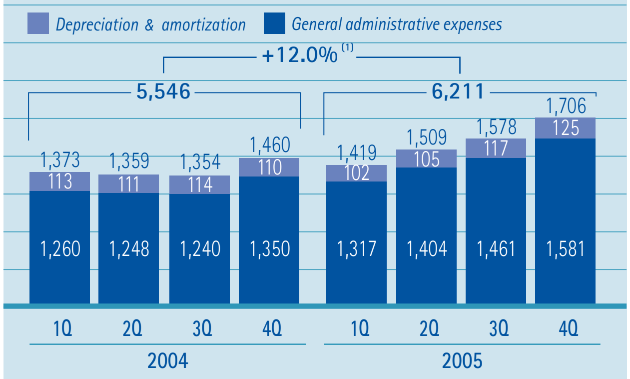
## > OPERATING PROFIT

Compared to the increase in ordinary revenues, operating expenses advanced more moderately. Including depreciation, expenses came to €6,211m in 2005, which was 12.0% more than 2004. Personnel costs were up 10.9%, general expenses 16.7% and depreciation 0.1%. Aggregate costs for domestic businesses increased 3.8% despite opening new offices. In the Americas the figure was 22.3% although this falls to 14.2% on a like-for-like basis (ie, excluding Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar). If the impact of exchange rates is taken into account, the figure would be 11.1%. This was due to the important increase in marketing activity in all countries.

At the end of the year the group's staff numbered 94,681. This includes 2,274 employees from Granahorrar (Colombia), who joined the group in the fourth quarter, and 3,215 who came from Hipotecaria Nacional (Mexico) and Laredo National Bancshares (USA) in earlier quarters.

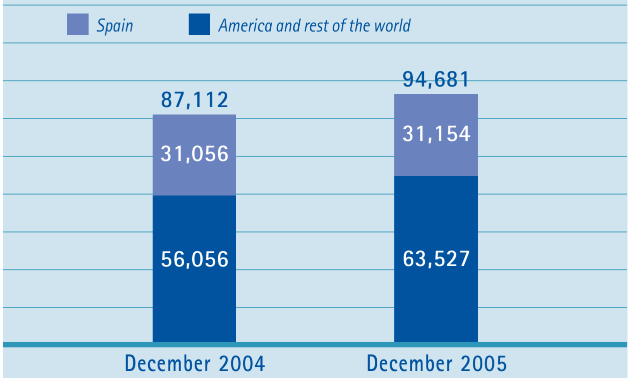
The branch network stands at 7,410 offices. Some 3,578 of these are in Spain where there was a net increase of 68 in the fourth quarter and 193 in the entire year due to the expansion of retail banking and Dinero Express. There are 3,658 branches in the Americas (the 135 Granahorrar branches join the 173 contributed by Hipotecaria Nacional and Laredo) and 174 in the rest of the world.

**General administrative expenses + depreciation & amortization** (Million euros)

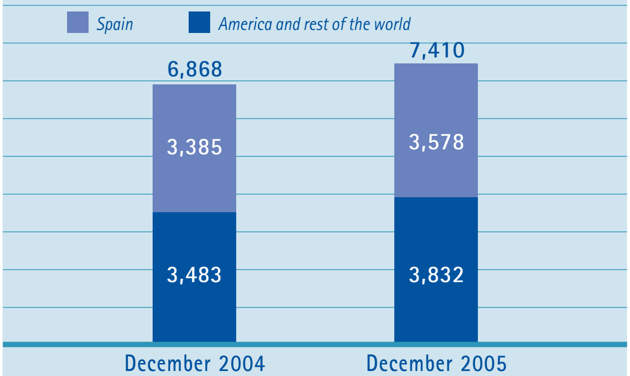



(1) At constant exchange rates: +10.7%.

**Number of employees**




**Number of branches**



## Efficiency (Million euros)

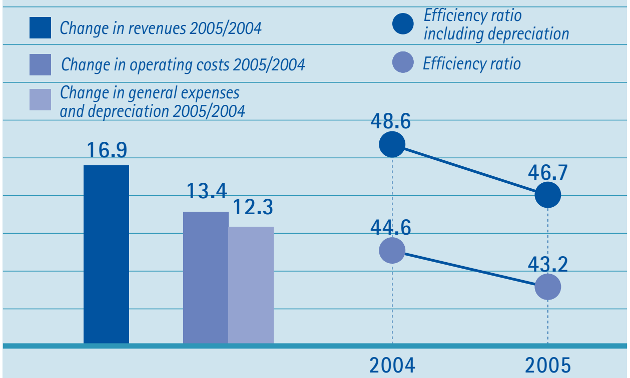
| | 2005 | Δ% | 2004 |
|---|---|---|---|
| Ordinary revenues | 13,024 | 17.1 | 11,120 |
| Net revenues from non-financial activities | 126 | (0.6) | 126 |
| **TOTAL REVENUES** | **13,149** | **16.9** | **11,247** |
| Personnel costs | (3,602) | 10.9 | (3,247) |
| General expenses | (2,160) | 16.7 | (1,851) |
| Recovered expenses | 76 | (9.7) | 84 |
| **GENERAL ADMINISTRATIVE EXPENSES (NET)** | **(5,687)** | **13.4** | **(5,014)** |
| **EFFICIENCY RATIO (Costs/revenues, %)** | **43.2** | | **44.6** |
| Depreciation and amortization | (449) | 0.1 | (448) |
| **GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION** | **(6,135)** | **12.3** | **(5,462)** |
| **EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION** | **46.7** | | **48.6** |

As the 16.9% increase in operating revenues (ordinary revenues plus non-financial activities) exceeds the increase of 13.4% in administrative expenses net of recovered costs, the cost/income ratio improved to 43.2% (44.6% in 2004). Including depreciation (the usual procedure in international comparisons), the increase in costs is 12.3% and the cost/income ratio 46.7%. This is an improvement of 1.9 percentage points over the 2004 ratio of 48.6%. This means BBVA continues to be one of the most efficient large financial groups in the euro zone. It should be noted that in 2005 all the group's business areas improved their cost/income ratios.

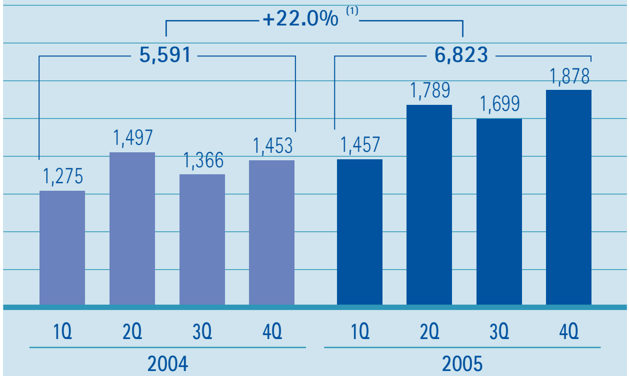
Operating profit is the result of deducting expenses (including depreciation) and the net cost of other products and charges from ordinary revenues. In the fourth quarter operating profit came to €1,878m and this was a year-on-year increase of 29.3%. In cumulative terms, operating profit for the year came to €6,823m, a rise of 22% compared to 2004 (19.5% for the first nine months). All three business areas recorded notable increases: 13.1% in Retail Banking in Spain and Portugal, 33.9% in Wholesale and Investment Banking and 35.4% in The Americas (46.2% in Mexican banking).

After eliminating the impact of exchange rates, operating profit for the group climbed 20.7% (31.9% in the Americas). On a like-for-like basis (ie, excluding contributions from Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar) the increases would be 20.7% for the combined group and 32.3% for the Americas (19.3% and

## Efficiency
(Percentages)




## Operating profit
(Million euros)




(1) At constant exchange rates: +20.7%.

28.8%, respectively, at constant exchange rates). In all cases growth was substantial, reflecting the considerable strength of BBVA's recurrent earnings.

## > PROVISIONS AND OTHERS

For the whole year €813m was set aside for loan provisioning, 3.7% more than 2004. In the domestic market total provisions fell and they now mainly consist of generic provisions. This due to the low level of non-performing loans. Generic provisions continue at the maximum level which was reached at the end 2004. The increase in the Americas was 15.7% (9.8% at constant exchange rates). It rose steadily during the year, commensurate with the high rate of growth in lending. Furthermore, other provisions for asset impairment declined significantly compared to 2004 (when the entire goodwill of €193m associated with BNL was written off in the fourth quarter). Transfers to provisions for the full year were €454m. This was 46.6% less than in 2004 due basically to lower early retirement costs.

Finally the net result of other gains and losses contributed €77m, compared to €355m in 2004. The decrease arises mainly in the sale of holdings. In 2005, which saw no significant sales, this item contributed €29m against the €308m obtained in 2004. The latter figure was generated by capital gains on the sale of the banks interest in Banco Atlantico (€218m), Direct Seguros (€26m), Grubarges (€19m), Vidrala (€20m), the Crecer pension manager and insurance companies in El Salvador (€14m).

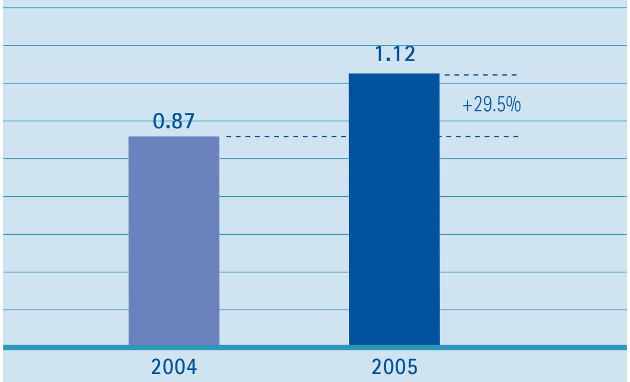
## > ATTRIBUTABLE PROFIT

After deducting provisions and similar items from operating profit, pre-tax profit in the fourth quarter came to €1,461m with a year-on-year increase of 48.2%. For the whole year, pre-tax profit rose 35.2% to €5,592m. After deducting €1,521m for corporate tax, net profit was €4,071m, an increase of 31.0%. Of this amount, €264m corresponds to minority interests and thus the net attributable profit for the group comes to €3,806m, an increase of 30.2% over the €2,923m obtained in 2004.

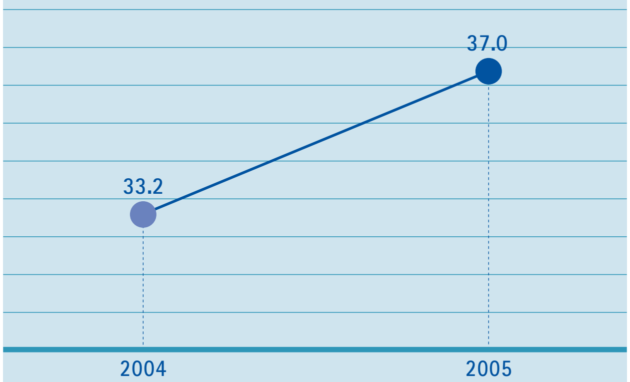
By business area the net attributable profit for the year was contributed as follows: €1,614m by Retail Banking in Spain and Portugal (up 13.1%), €592m by Wholesale and Investment Banking (up 46.6%) and €1,820m by the Americas (up 52.3%) less a loss of €219m on Corporate Activities (a loss of €102m in 2004).

Earnings per share for 2005 comes to €1.12, a rise of 29.5% over 2004. This level of growth means BBVA maintains its lead among large European banks in terms of this key figure. Return on equity (ROE) for the year improved to 37.0% compared to 33.2% in 2004. The return on total assets (ROA) also improved to 1.12% (0.96% in 2004) and the return on risk-weighted assets (RORWA) was 1.91% (1.62% in 2004).

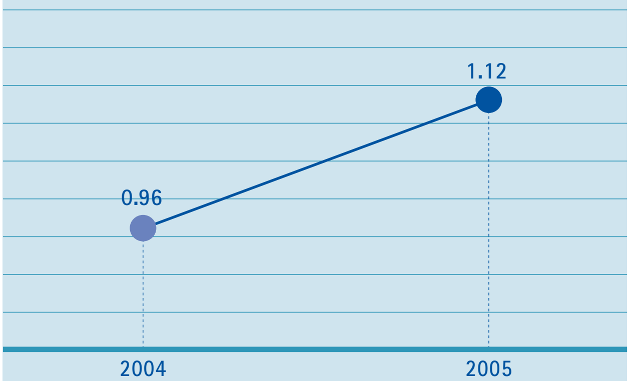
### > Earnings per share
(Euros)




### > ROE
(Percentage)

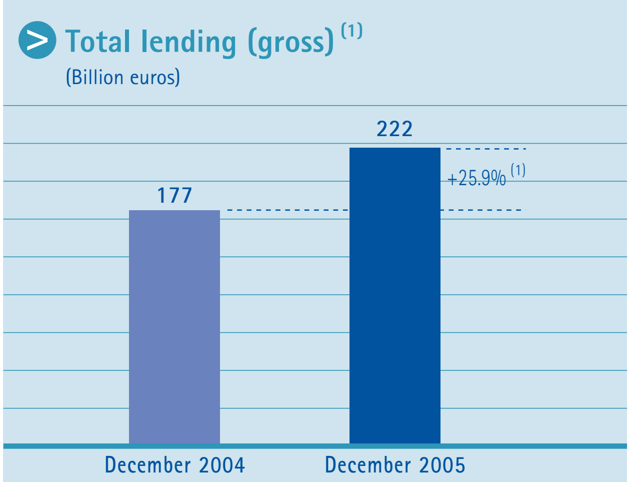



### > ROA
(Percentage)



# > Business activity

In the fourth quarter of 2005 the year-on-year increases in the main business indicators of the BBVA Group continued to accelerate. Lending in Spain continued at a vigorous level, especially in mortgages and the SME and retailer segments. Customer funds, for their part, grew faster compared to September, with the increase spread more evenly across the different sources. In the group's other regional markets, lending (up sharply) and customer funds both grew faster. The most active sources of customer funds were current and savings accounts, and mutual funds.




(1) At constant exchange rates: +22.5%.

## > LENDING TO CUSTOMERS

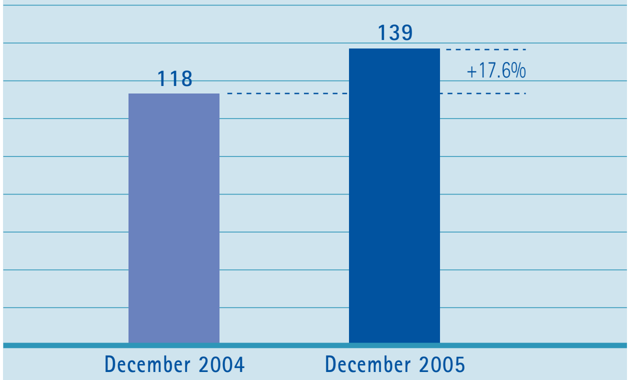
At 31-Dec-05 loans to customers increased to €222 billion, rising 25.9% over the €177 billion recorded a year earlier. This figure surpassed the increase of 23.7% recorded at 30-Sep-05. The euro has depreciated against currencies in the Americas and therefore the increase at constant exchange rates would be 22.5%.

Lending to other resident sectors, which grew steadily during the year, brought the total to €139 billion at year-end. This was an increase of 17.6% over the figure of €118 billion at 31-Dec-04. As in previous quarters, the best performance came from secured loans. They rose 22.5% to €79 billion, supported by home buyers and retail credit (up 37.3%) and leasing (up 20.1%). This reflects the high level of lending (up more than 22%) to SMEs and small businesses by the retail banking area. Other types of lending included other loans (up 6.2%) and credit cards (up 16.0%).

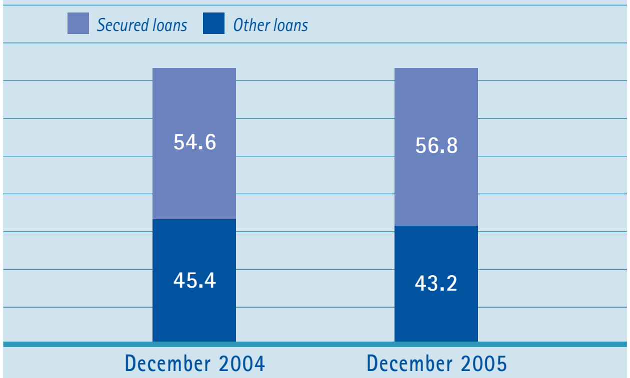
### > Total lending (Million euros)

| | 31-12-05 | ∆% | 31-12-04 | 30-09-05 |
|---|---|---|---|---|
| Public sector | 16,088 | 4.3 | 15,425 | 15,700 |
| Other domestic sectors | 139,232 | 17.6 | 118,421 | 132,909 |
| • Secured loans | 79,128 | 22.5 | 64,617 | 76,288 |
| • Commercial loans | 12,671 | 37.3 | 9,231 | 11,321 |
| • Other term loans | 38,273 | 6.2 | 36,036 | 36,080 |
| • Credit card debtors | 1,237 | 16.0 | 1,067 | 1,063 |
| • Other | 1,694 | (25.8) | 2,284 | 2,078 |
| • Financial leases | 6,229 | 20.1 | 5,186 | 6,079 |
| Non-domestic sector | 64,747 | 59.4 | 40,625 | 57,256 |
| • Secured loans | 21,824 | 77.8 | 12,272 | 19,653 |
| • Other loans | 42,923 | 51.4 | 28,353 | 37,603 |
| Nonperforming loans | 2,346 | 6.6 | 2,202 | 2,256 |
| • Public sector | 121 | 13.5 | 107 | 121 |
| • Other domestic sectors | 795 | (9.7) | 880 | 827 |
| • Non-domestic sectors | 1,430 | 17.7 | 1,215 | 1,308 |
| **TOTAL LENDING (GROSS)** | **222,413** | **25.9** | **176,673** | **208,121** |
| Loan loss provisions | (5,563) | 21.2 | (4,590) | (5,263) |
| **TOTAL NET LENDING** | **216,850** | **26.0** | **172,083** | **202,858** |

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




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




Non-resident loans surged 59.4% to €65 billion (€41 billion at 31-Dec-04). Even without the exchange rate effect, the increase is 43.0% higher than 35.3% at 30-Sep-05. On a like-for-like basis, ie, deducting the €6 billion contributed by Hipotecaria Nacional, Laredo National Bancshares and Granahorrar (which joined the group in 2005), the increase is 43.9% at current exchange rates and 29.1% at constant rates (29.9% and 23.5%, respectively, at 30-Sep-05). These developments are the result of good performances by international corporate banking and by the majority of the group's banks in Latin America, in a favourable economic environment. Lending in Mexico rose 50.2% in pesos (21.8% without Hipotecaria Nacional), helped by consumer finance, credit cards, lending to SMEs and housing loans. The other countries in the Americas (Venezuela, Peru, Colombia, Chile and Puerto Rico) recorded increases of more than 18% in local currency terms.

Finally, lending to the public sector in Spain increased 4.3% to €16 billion.

The rise in lending did not have a negative impact on asset quality. During the year, non-performing loans (NPLs) increased 6.6% in euro terms but they declined at constant exchange rates. The reduction is even greater if Hipotecaria Nacional, Laredo and Granahorrar are included. This would introduce further improvements in the NPL ratio and in coverage (details in the section on risk management).

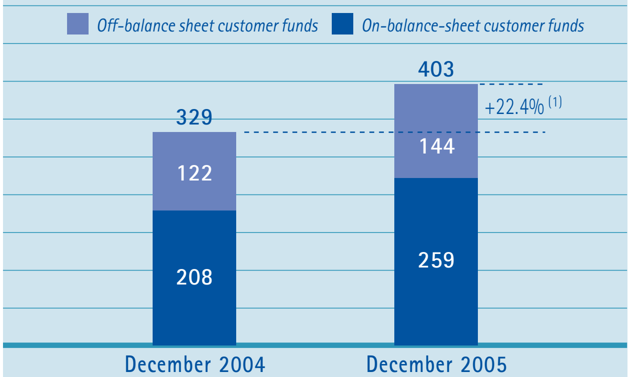
## > CUSTOMER FUNDS

Total customer funds, including those off the balance sheet, came to €403 billion at 31-Dec-05. This was an increase of 22.4% over the €329 billion recorded at the end of 2004. At constant exchange rates the rise would be 16.3%, a similar level to the previous quarter.

Customer funds on the balance sheet came to €259 billion (a 24.7% increase over the €208 billion at 31-Dec-05 or 19.7% at constant exchange rates). Of this, customer deposits account for €182.6 billion (up 21.7%), marketable debt securities account for €62.8 billion (up 38.2%) and preference shares and subordinated debt €13.7 billion (up 11.3%).

Off-balance sheet funds (mutual funds, pension funds and customers' portfolios) came to €144 billion. This was 18.4% higher than the €122 billion recorded at 31-Dec-04 (10.7% higher at constant exchange rates). Of this amount, €76 billion came from Spain (up 9.8%)

## Customer funds (1) (Billion euros)




(1) At constant exchange rates: +16.3%.

## Customer funds (Million euros)

| | 31-12-05 | Δ% | 31-12-04 | 30-09-05 |
|---|---|---|---|---|
| **ON-BALANCE-SHEET CUSTOMER FUNDS** | **259,200** | **24.7** | **207,884** | **242,282** |
| **DEPOSITS** | **182,635** | **21.7** | **150,075** | **166,128** |
| Public sector | 9,753 | 100.6 | 4,861 | 7,848 |
| Other domestic sectors | 79,755 | 6.3 | 75,041 | 75,132 |
| • Current accounts | 20,645 | (3.0) | 21,293 | 20,648 |
| • Savings accounts | 20,629 | 13.1 | 18,236 | 18,991 |
| • Time deposits | 20,435 | 4.6 | 19,538 | 18,653 |
| • Assets sold under repurchase agreement | 12,029 | (3.8) | 12,503 | 11,907 |
| • Other | 6,017 | 73.3 | 3,471 | 4,933 |
| Non-domestic sector | 93,127 | 32.7 | 70,173 | 83,148 |
| • Current and savings accounts | 35,118 | 36.1 | 25,812 | 30,466 |
| • Time deposits | 47,814 | 19.7 | 39,942 | 46,315 |
| • Assets sold under repurchase agreement and other accounts | 10,195 | 130.7 | 4,419 | 6,367 |
| **MARKETABLE DEBT SECURITIES** | **62,842** | **38.2** | **45,482** | **62,434** |
| Mortgage bonds | 26,927 | 40.7 | 19,137 | 25,294 |
| Other marketable securities | 35,915 | 36.3 | 26,345 | 37,140 |
| **SUBORDINATED DEBT** | **13,723** | **11.3** | **12,327** | **13,720** |
| **OTHER CUSTOMER FUNDS** | **143,887** | **18.4** | **121,553** | **141,828** |
| Mutual funds | 59,002 | 15.5 | 51,083 | 57,883 |
| Pension funds | 53,959 | 30.1 | 41,490 | 51,914 |
| Customer portfolios | 30,926 | 6.7 | 28,980 | 32,031 |
| **TOTAL CUSTOMER FUNDS** | **403,087** | **22.4** | **329,437** | **384,110** |

and €68 billion from other countries (up 29.6% at current exchange rates or 11.8% at constant rates).

In the domestic market the sum of deposits by other resident sectors (excluding repurchase agreements and other similar accounts) plus mutual and pension funds rose 7.3% year-on-year to €123 billion at 31-Dec-05. Mutual funds continue to be the driving force but the contribution from deposits is now greater than at the end of September. In fact, deposits increased 4.5% to nearly €62 billion of which €41.3 billion is current and savings accounts (up 4.4%). Time deposits increased 4.6% to €20.4 billion.

After adding time deposits, mutual funds and pension funds, the stable funds come to nearly €82 billion, an increase of 8.8% over 2004. Mutual funds grew 9.8% to €46.3 billion of which €44.5 billion are financial (up 8.4%) and €1.8 billion is in the *BBVA Propiedad* real estate fund (up 60.5%). As a result, BBVA was the fund manager with the greatest net subscriptions to funds in 2005. This was supported by the launch of *Carteras Gestionadas*, which attracted more than 24,000 customers and assets €1.4 billion in mutual funds. Lastly, pensions funds made up the remaining €15 billion. They increased 11.8% (14.7% in private plans thanks to the wide acceptance of the *BBVA Protección* plans).

In the non-resident sector, the sum of deposits (excluding repurchase agreements and similar accounts) plus mutual and pension funds is nearly €134 billion. At current exchange rates it increased 31.0% over December 2004 (14.7% at constant exchange rates). If funds contributed by Hipotecaria Nacional, Laredo

## Other customer funds (Million euros)

| | 31-12-05 | Δ% | 31-12-04 | 30-09-05 |
|---|---|---|---|---|
| **SPAIN** | **75,799** | **9.8** | **69,006** | **76,102** |
| **MUTUAL FUNDS** | **46,340** | **9.8** | **42,212** | **46,103** |
| Mutual Funds (ex Real Estate) | 44,507 | 8.4 | 41,070 | 44,407 |
| • Money market | 13,871 | 15.4 | 12,019 | 13,448 |
| • Fixed-income | 14,138 | 4.0 | 13,592 | 14,774 |
| Of which: Guaranteed | 7,765 | (2.5) | 7,963 | 8,227 |
| • Balanced | 2,064 | (15.6) | 2,444 | 2,137 |
| • Equity | 13,586 | 7.8 | 12,606 | 13,456 |
| Of which: Guaranteed | 9,960 | 3.7 | 9,606 | 9,963 |
| • Global | 848 | 107.5 | 409 | 592 |
| Real Estate investment trusts | 1,833 | 60.5 | 1,142 | 1,696 |
| **PENSION FUNDS** | **15,091** | **11.8** | **13,501** | **14,391** |
| Individual pension plans | 8,395 | 14.7 | 7,320 | 7,824 |
| Corporate pension funds | 6,696 | 8.3 | 6,181 | 6,567 |
| **CUSTOMER PORTFOLIOS** | **14,368** | **8.1** | **13,293** | **15,608** |
| **REST OF THE WORLD** | **68,088** | **29.6** | **52,547** | **65,726** |
| Mutual funds | 12,662 | 42.7 | 8,871 | 11,780 |
| Pension funds | 38,868 | 38.9 | 27,989 | 37,523 |
| Customer portfolios | 16,558 | 5.6 | 15,687 | 16,423 |
| **OTHER CUSTOMER FUNDS** | **143,887** | **18.4** | **121,553** | **141,828** |

National Bancshares and Granahorrar (a total of €3.8 billion) are excluded then, on a like-for-like basis, the increase is 27.4% at current rates and 11.5% at constant rates.

Current and savings accounts of non-residents performed well. They rose to €35 billion, 36.1% at current exchange rates (19.5% at constant rates). These increases in lower-cost funds were particularly welcome owing to the contribution they make to earnings. The different forms of stable funds performed as follows: time deposits came to €48 billion (rising 19.7% at current rates or 8.9% at constant rates); pension funds increased to €39 billion (38.9% and 14.8%); and mutual funds accounted for the remaining €13 billion. The latter amount rose sharply in 2005 (42.7% in euros and 25.8% in local currencies).

Lastly, public sector debits came to €10 billion (double the figure for 2004) with an increase of 65.7% after deducting the amounts assigned in the Treasury liquidity auctions.

# > Risk management

## > LENDING RISK

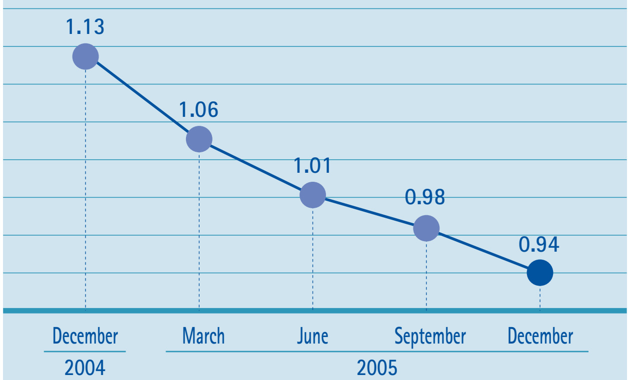
High growth in customer lending in 2005 occurred in parallel with improvements in asset quality. This has meant further advances in the NPL and coverage ratios, both in the group as a whole and in all its business areas. Thus, the BBVA Group has consolidated its position at the head of the big European banks on these two benchmarks.

At year-end 2005, doubtful risks (including contingent liabilities) stood at €2,382m, 6.0% more than the €2,248m recorded in December 2004. However, if the addition to the group of Hipotecaria Nacional, Laredo National Bancshares and Granahorrar are taken into consideration and also the impact of the American currencies strengthening against the euro, then, the net change in doubtful risks on a like-for-like basis and at constant exchange rates has in fact dropped significantly.

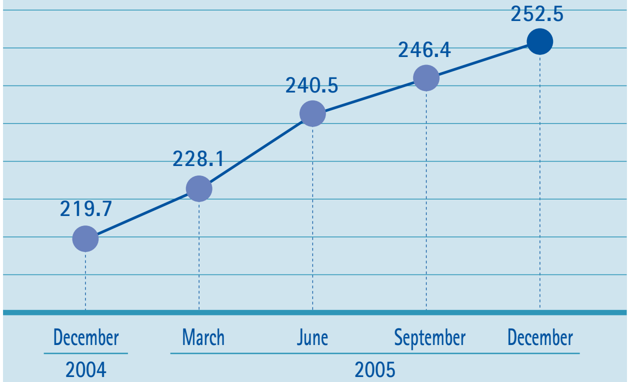
While total risk exposure grew 27.3% year on year, reaching €252 billion, this behaviour of doubtful risks brought the group's NPL ratio down to 0.94% at the end of 2005, as compared with 0.98% at 30-9-05 and 1.13% at 31-12-04.

All business areas recorded reductions in their NPL ratios, with lending growing as doubtful risks shrunk (except for a slight increase in The Americas for reasons already explained). Thus, at 31-12-05 the ratio was 0.62% for the Retail Banking Area in Spain and Portugal (0.82% twelve months earlier); 0.18% for

### > Non-performing loan ratio
(Percentage)




### > Coverage ratio
(Percentage)




### > Credit risk management (Million euros)

| | 31-12-05 | Δ% | 31-12-04 | 30-09-05 |
|---|---|---|---|---|
| **TOTAL RISK EXPOSURE** [1] | | | | |
| Non-performing assets | 2,382 | 6.0 | 2,248 | 2,299 |
| Total risks | 252,274 | 27.3 | 198,230 | 235,099 |
| Provisions | 6,015 | 21.8 | 4,939 | 5,667 |
| | | | | |
| NPL ratio (%) | 0.94 | | 1.13 | 0.98 |
| NPL coverage ratio (%) | 252.5 | | 219.7 | 246.4 |
| | | | | |
| **MEMORANDUM ITEM:** | | | | |
| Foreclosed assets | 363 | 12.5 | 323 | 324 |
| Foreclosed asset provisions | 170 | 2.4 | 166 | 167 |
| Coverage (%) | 46.8 | | 51.4 | 51.7 |

(1) Including contingent liabilities.

## Variations in non-performing assets (Million euros)

| | 4Q 05 | 3Q 05 | 2Q 05 | 1Q 05 | 4Q 04 |
|---|---|---|---|---|---|
| BEGINNING BALANCE (1) | 2,299 | 2,264 | 2,219 | 2,248 | 2,436 |
| Net variation | 83 | 35 | 45 | (29) | (188) |
| • Entries | 622 | 520 | 406 | 395 | 481 |
| • Outflows | (455) | (357) | (340) | (379) | (394) |
| • Write-offs | (228) | (155) | (133) | (151) | (181) |
| • Exchange rate differences and other | 144 | 27 | 112 | 106 | (94) |
| PERIOD-END BALANCE (1) | 2,382 | 2,299 | 2,264 | 2,219 | 2,248 |
| MEMORANDUM ITEM: | | | | | |
| • Non-performing loans | 2,346 | 2,256 | 2,215 | 2,179 | 2,202 |
| • Non-performing contingent liabilities | 36 | 43 | 49 | 40 | 46 |

(1) Including contingent liabilities.

Wholesale and Investment Banking (0.30% at 31-12-04) and 2.67% for the Americas Area (3.44% at 31-12-04). The figure for Mexico was 2.34% and for the rest of banks in that region it was 3.26% compared to 2.94% and 4.43%, respectively, one year earlier.

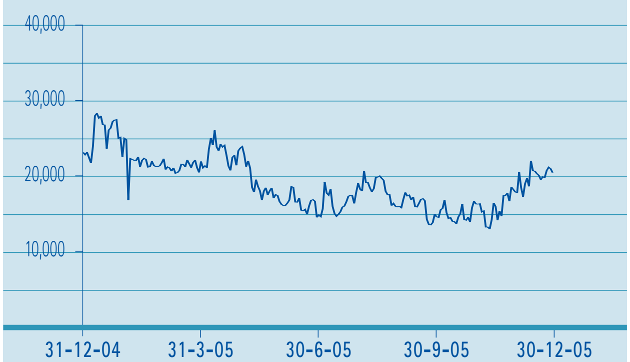
Loan loss provisions reached €6,015m on 31-12-05, with a year-on-year growth of 21.8%. This was far higher than the growth in doubtful risks, so that the coverage ratio went up to 252.5%, as against the 219.7% recorded twelve months before. Maximum generic coverage (1.25 alfa), reached at year-end 2004, was maintained through to the end of 2005. All business areas presented increases in their coverage ratios: Retail Banking in Spain and Portugal reaching 315.7% (as compared with 249.1% at 31-12-04), Wholesale and Investment Banking 728.7% (as against 480.2%) and the Americas 183.8% (173.5% one year earlier).

## > MARKET RISK

In the fourth quarter of 2005, market exposure of the BBVA group, measured by Value-at-Risk (VaR), remained at moderate levels. Average exposure in the quarter was €16.8m, similar to that recorded for the third quarter, with €20.4m of risk at 31-12-05. This was in line with the greater exposure assumed in some Latin-American markets.

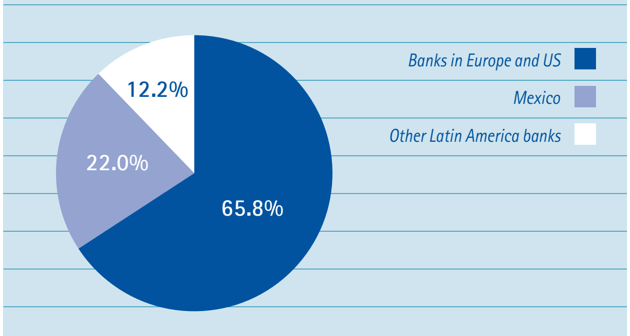
### Trends in market risk

(VaR, thousand euros)




### Market risk by geographical areas

(Average fourth quarter 2005)



## Market risk by risk factors (Fourth Quarter 2005. Thousand euros)

| | | Daily VaR | | |
|---|---|---|---|---|
| | 31-12-05 | Average | Maximum | Minimum |
| Interest [1] | 14,232 | 10,391 | 14,853 | 7,005 |
| Exchange rate [1] | 1,717 | 1,990 | 5,692 | 1,119 |
| Equity [1] | 2,024 | 2,213 | 3,788 | 1,266 |
| Vega and correlation | 5,009 | 4,716 | 5,009 | 4,243 |
| Diversification effect | (2,559) | (2,536) | - | - |
| **TOTAL** | **20,424** | **16,773** | **21,997** | **12,918** |

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

On average and in comparison with the third quarter, diversification by geographical areas delivered lighter exposure in mature markets, relative to the Latin-American banks within the group which were weighted more heavily.

In terms of the type of market risk assumed by the BBVA group, at the end of December interest-rate risk stood out as the predominant factor (including spread exposure, 62% of total exposure, but before allowing for the effect of diversification). This was followed by the risk of volatility associated to optional positions (22%) and stock-market exposure (9%), to the detriment of exchange rate risk (7%).

## > OPERATIONAL RISK

In 2005, BBVA made significant progress in rolling out its operational risk tools in order to qualify for the advanced management model as defined by Basel convergence criteria. The group has practically completed deployment of the Ev-Ro tool (qualitative control), while further spreading the use of TransVaR (a management tool using chosen indicators) and SIRO (a database of past events entailing operational risk). The SIRO data, together with other information from the external ORX database, enabled BBVA to calculate initial estimates of operational risk capital requirements in line with the advanced models.

# > Capital base

At the end of 2005 the BBVA Group's capital base came to €26,045m, calculated in accordance with the criteria of the Bank for International Settlements (BIS). This is 14.2% higher than at 31-Dec-04. After deducting base capital required under the above criteria (8% of risk-weighted assets) the surplus came to €8,694m (up 6.0% on 2004).

Considerable growth in business volume and the appreciation of Latin-American currencies against the euro, led to an increase in risk-weighted assets. Furthermore the acquisitions made during the year gave rise to new capital requirements. The addition to the group of Banco Granahorrar in Colombia in December generated €267m in goodwill and an increase of €721m in risk-weighted assets.

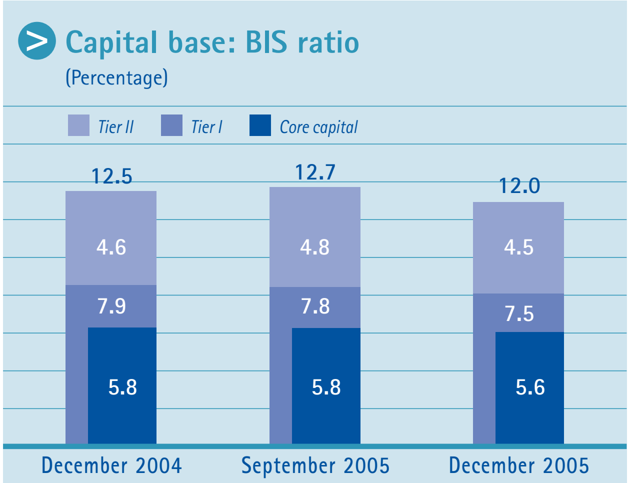
Core capital came to €12,151m, a year-on-year increase of 14.5%. This was less than the 18.7% growth in risk-weighted assets and thus the ratio is now 5.6% compared to the figure of 5.8% recorded in September 2005 and December 2004.

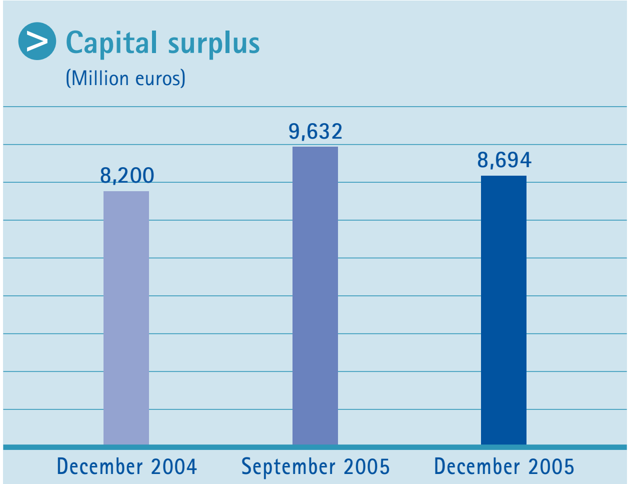
After adding preference shares to core capital, Tier I rose 12.9% to €16,279m. At year-end it was 7.5% of risk-weighted assets (7.8% at 30-Sep-05 and 7.9% at 31-Dec-04). As a result, preference shares fell to 25.4% of core equity at 31-Dec-05, 1 percentage point less than a year earlier.

Other eligible capital, which mainly consists of subordinate debt and revaluation reserves, was €9,766m

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

| | 31-12-05 | 30-09-05 | 31-12-04 |
|---|---|---|---|
| Called-up share capital | 1,662 | 1,662 | 1,662 |
| Reserves | 9,517 | 9,548 | 7,560 |
| Minority interests | 889 | 897 | 728 |
| Deductions | (3,723) | (2,797) | (2,261) |
| Net attributable profit | 3,806 | 2,728 | 2,923 |
| **CORE CAPITAL** | **12,151** | **12,038** | **10,612** |
| Preference shares | 4,128 | 4,122 | 3,809 |
| **CAPITAL (TIER I)** | **16,279** | **16,160** | **14,421** |
| Subordinated debt | 7,996 | 7,913 | 7,077 |
| Valuation adjustments and other | 2,563 | 2,771 | 2,022 |
| Deductions | (793) | (709) | (706) |
| **OTHER ELIGIBLE CAPITAL (TIER II)** | **9,766** | **9,975** | **8,393** |
| **CAPITAL BASE** | **26,045** | **26,135** | **22,814** |
| Minimum capital requirement (BIS Regulation) | 17,351 | 16,503 | 14,614 |
| **CAPITAL SURPLUS** | **8,694** | **9,632** | **8,200** |
| **MEMORANDUM ITEM:** | | | |
| Risk-weighted assets | 216,890 | 206,296 | 182,683 |
| **BIS RATIO (%)** | **12.0** | **12.7** | **12.5** |
| **CORE CAPITAL (%)** | **5.6** | **5.8** | **5.8** |
| **TIER I (%)** | **7.5** | **7.8** | **7.9** |
| **TIER II (%)** | **4.5** | **4.8** | **4.6** |




at the end of 2005, a year-on-year increase of 16.4%. Thus Tier II was 4.5%, compared to 4.8% at 30-Sep-05 and 4.6% at 31-Dec-04. Regarding subordinated debt, the group made an early cancellation of €750m issued by BBVA Capital Funding and BBVA Subordinated Capital Finance made four new issues for institutional investors in Europe. The issues were: €250m maturing in 2017, €150m maturing in 2020, 300m British pounds in 2020 and 20 billion yen maturing in 2035.

Following this, the BIS Ratio stands at 12.0%, compared to 12.7% at 30-Sep-05 and 12.5% at 31-Dec-04.

## > RATINGS

In the fourth quarter, BBVA's ratings by the various agencies remained unchanged.

### Ratings

| | Long term | Short term | Financial strength |
|---|---|---|---|
| Moody's | Aa2 | P-1 | B+ |
| Fitch - IBCA | AA- | F-1+ | B |
| Standard & Poor's | AA- | A-1+ | - |

# The BBVA share

Most of the world's stock exchanges closed the fourth quarter with gains, having risen significantly over the year as a whole, albeit with variations from one region to another. Best performance came from the emerging economies (MSCI Emerging Markets was up 30.3%), European (Stoxx 50 rose 20.7%, with Ibex 35 gaining 18.2%) and Japanese (+40.2% on the Nikkei index), while the United States showed rather weaker trading results (S&P 500 up 3%).

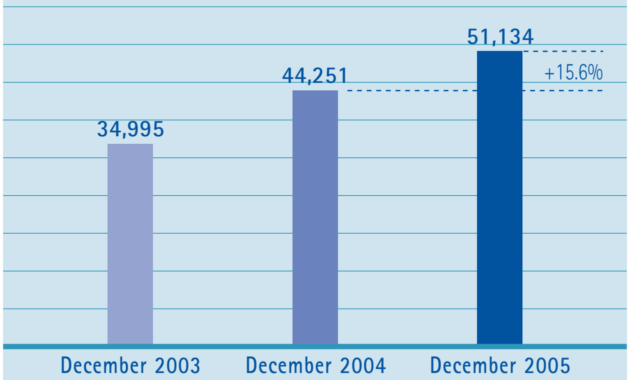
The BBVA share value went up 3.4% in the fourth quarter and 15.6% over the entire year. During 2005, the share benefited from the group's continuous progress in all its businesses, reflected in the ever-higher earnings reported each quarter. Investors and analysts took a very favourable view of the quality and recurrence of BBVA's results and its risk control. They were especially positive about the Groups position in fast-growing markets such as Spain and Latin America. BBVA's cost-income ratio, asset quality, profitability and growth have made it one of the market's preferred European-bank investments. This has led analysts to significantly hike up their profit estimates and the target price for the share during this period, the majority of the main market analysts giving "buy" recommendations on BBVA.

With this kind of performance in 2005, the share has now amassed three consecutive years of gains. It went up 19.2% in 2004 and 20.1% in 2003. The market has thereby acknowledged the success of BBVA's strategy of profitable growth and trusts in it. The 65.4% gain made by BBVA over the last three years compares favourably against the Europe Stoxx Banks (62.0%) and the Stoxx 50 (39.1%).

Closing at €15.08 on 30th December, BBVA's market cap reached €51,134m. This was €6,883m up on its 2004 year-end close.

During the fourth quarter, the share price oscillated between €14.02 and €15.22, showing maximum range of 8.6%. An average of 27 million shares were traded each day, to a value of €421m. Over 2005, average daily trading went up €424m, 5% more than in 2004.

## Market capitalization
(Million euros)




## Share price index
(31-12-04=100)

## The BBVA share

| | 31-12-05 | 30-09-05 | 31-12-04 |
|---|---|---|---|
| Number of shareholders | 984,891 | 1,012,975 | 1,081,020 |
| Number of shares issued | 3,390,852,043 | 3,390,852,043 | 3,390,852,043 |
| Daily average number of shares traded | 31,672,354 | 32,658,243 | 36,013,282 |
| Daily average trading (million euros) | 423.86 | 424.87 | 403.45 |
| Maximum price (euros) | 15.22 | 14.63 | 13.11 |
| Minimum price (euros) | 11.87 | 11.87 | 10.15 |
| Closing price (euros) | 15.08 | 14.59 | 13.05 |
| Book value per share (euros) | 3.84 | 3.67 | 3.23 |
| Market capitalization (million euros) | 51,134 | 49,473 | 44,251 |

## Share performance ratios

| | 31-12-05 | 30-09-05 | 31-12-04 |
|---|---|---|---|
| Price/Book value (times) | 3.9 | 4.0 | 4.0 |
| PER (Price/Earnings; times) | 13.4 | 13.0 | 15.1 |
| Yield (Dividend/Price; %) | 3.52 | 3.70 | 3.39 |

Shareholders were duly remunerated on 10th October 2005 and 10th January 2006, when the second and third interim dividends were paid out for 2005, each share grossing 0.115€. These payments were 15% higher than the dividends paid on the same dates of the previous year.

# > Business areas



Following introduction of IFRS, the group has restated the information on business areas in 2004 in accordance with the financial statements, so that the year-on-year comparisons in the present report have a uniform basis.

Information by area is a fundamental tool for monitoring and controlling the group's various businesses. Preparation starts at the lowest level where all the initial accounting data for the business in question are kept. Management classifies and combines data from these units in accordance with the defined structure to arrive at the picture for the entire area. The individual companies in the group also belong to a particular business area. When the diversity of a company requires, the group assigns its activity and results to different units.

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

- Capital: the group allocates economic capital commensurate with the risks incurred by each business. It assesses capital requirements according to the lending, market and operational risks incurred. The first step is to quantify the amount of core equity (capital and reserves) attributable to the risks in each area. The bank uses this amount as a basis to determine the return generated on the equity in each business (ROE). Following this, it assigns other eligible funds issued by the group (subordinated debt and preference shares) together with their associated costs. In the Americas business area (except Argentina and international private banking, which follow the above criteria), the bank assigns as capital the book value of the group's interest. It records the amounts related to minority interests under "Other eligible funds".

- Internal transfer prices: management uses rates adjusted for maturity to calculate the margins for each business. It also revises the interest rates for the different assets and liabilities that make up each unit's balance sheet.

- Assignment of operating expenses: in line with the new accounting standards, BBVA has perfected the process of assigning expenses. It assigns direct and indirect costs to business areas except for those where there is no close and defined relationship with the areas, ie, they are of a clearly corporate or institutional nature for the entire group.

In regard to information by area, the main division consists of the areas: Retail Banking in Spain and Portugal, Wholesale and Investment Banking, and the Americas. The structure of the group's senior management echoes this division. The details of the more important units in each area are as follows:

– Retail Banking in Spain and Portugal:
  - Financial services (which includes the commercial banking unit, SME banking and Finanzia/Uno-e).
  - The asset management and private banking unit.
– Wholesale and Investment Banking:
  - Wholesale banking (comprising corporate banking and institutions banking).
  - Global markets and distribution
– The Americas:
  - Banks in the Americas
  - Pensions and insurance

The Corporate Activities area handles the group's general management functions. These consist of structural positions on interest and exchange rates, liquidity and shareholders' funds. It also includes the industrial portfolio management unit and financial shareholdings.

The second level is geographic. In the case of the Americas, management prepares information by country, where each country contains banking, and pensions and insurance activities. Owing to its relevance, we show the complete income statement for Mexico (which combines the statements of Bancomer and of the pension and insurance activities in that country). Lastly, to complete the geographic vision, business in Europe would be the aggregate of Retail banking in Spain and Portugal and Wholesale and Investment banking.

Thus the present composition of the group's main business areas is as follows:

## > Retail Banking in Spain and Portugal

This includes retail business, asset management and private banking conducted by the group in Spain and Portugal. Consequently it covers individual customers and SMEs in the Spanish market, the Finanzia/Uno-e group (e-banking business, consumer finance, distribution of cards and renting), the private banking business, the mutual and pension fund managers, the insurance business and BBVA Portugal. It also includes the depositary services for the area's customers, which were included under Wholesale Banking in 2004.

## > Wholesale and Investment Banking

This covers the business that the group conducts with large companies and institutions through corporate banking (whether domestic or international) and institutional banking. It also incorporates the trading floors in Spain, Europe and New York, the origination and distribution of equities and the depository (for the area's customers) and custodial services. It includes business and real estate projects if they are not associated with a group interest in large companies.

## > The Americas

This area covers the activity and results of the group's banks in Latin America and their subsidiary undertakings, including pension managers, insurance companies and international private banking.

The information on each area and on the units it contains consists of the income statement and a series of key indicators. In the case of units in the Americas area, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

### > Net attributable profit by business area (Million euros)

| | 2005 | Δ% | 2004 |
|---|---|---|---|
| Retail Banking in Spain and Portugal | 1,614 | 13.1 | 1,427 |
| Wholesale and Investment Banking | 592 | 46.6 | 404 |
| The Americas | 1,820 | 52.3 | 1,195 |
| Corporate Activities | (219) | 113.3 | (102) |
| **BBVA GROUP NET ATTRIBUTABLE PROFIT** | **3,806** | **30.2** | **2,923** |

### > ROE and Efficiency (Percentage)

| | ROE | | Efficiency including depreciation and amortization | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Retail Banking in Spain and Portugal | 32.1 | 32.5 | 43.3 | 45.6 |
| Wholesale and Investment Banking | 25.9 | 17.7 | 29.7 | 33.2 |
| The Americas | 33.8 | 26.1 | 46.4 | 48.7 |
| **BBVA GROUP** | **37.0** | **33.0** | **46.7** | **48.6** |

## Income statement (Million euros)

| | Retail Banking in Spain and Portugal | | | Memorandum item: Financial Services | | | Memorandum item: Asset Management and Private Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2005 | Δ% | 2004 | 2005 | Δ% | 2004 | 2005 | Δ% | 2004 |
| **NET INTEREST INCOME** | **3,182** | **5.6** | **3,015** | **3,129** | **5.9** | **2,956** | **35** | **7.6** | **32** |
| Net income from equity method | 1 | (29.7) | 1 | - | n.m. | - | 1 | 1.2 | 1 |
| Net fee income | 1,602 | 8.5 | 1,477 | 1,470 | 8.3 | 1,358 | 240 | 9.2 | 219 |
| Income from insurance activities | 309 | 20.3 | 257 | - | - | - | - | - | - |
| **CORE REVENUES** | **5,094** | **7.2** | **4,750** | **4,599** | **6.6** | **4,314** | **275** | **9.0** | **252** |
| Net trading income | 108 | 96.3 | 55 | 101 | 102.2 | 50 | 4 | 280.5 | 1 |
| **ORDINARY REVENUES** | **5,203** | **8.3** | **4,805** | **4,700** | **7.7** | **4,364** | **279** | **10.2** | **254** |
| Net revenues from non-financial activities | 23 | (16.2) | 27 | 25 | (9.7) | 27 | - | - | - |
| Personnel and general administrative expenses | (2,250) | 3.2 | (2,179) | (2,077) | 3.2 | (2,014) | (80) | 5.9 | (75) |
| Depreciation and amortization | (103) | (3.9) | (107) | (88) | (6.8) | (95) | (4) | 7.6 | (4) |
| Other operating income and expenses (net) | 49 | 35.6 | 36 | 51 | 34.0 | 38 | (1) | 1.1 | (1) |
| **OPERATING PROFIT** | **2,922** | **13.1** | **2,583** | **2,611** | **12.5** | **2,322** | **194** | **12.2** | **173** |
| Impairment losses on financial assets (net) | (474) | 15.9 | (409) | (458) | 17.8 | (389) | (11) | n.m. | (1) |
| • Loan loss provisions | (476) | 16.3 | (409) | (458) | 17.7 | (389) | (11) | n.m. | (1) |
| • Other | 2 | n.m. | - | - | n.m. | - | - | n.m. | - |
| Provisions (net) | - | n.m. | (4) | 1 | n.m. | (3) | - | (99.5) | - |
| Other income/losses (net) | 21 | 80.4 | 12 | 23 | 69.6 | 14 | - | (67.6) | (1) |
| • From disposal of equity holdings | 11 | n.m. | 3 | 10 | n.m. | 1 | - | (100.0) | 1 |
| • Other | 10 | 14.5 | 9 | 13 | 4.0 | 12 | - | (89.4) | (2) |
| **PRE-TAX PROFIT** | **2,469** | **13.2** | **2,181** | **2,177** | **12.1** | **1,943** | **183** | **6.9** | **171** |
| Corporate income tax | (852) | 13.4 | (751) | (752) | 11.4 | (676) | (64) | 7.9 | (59) |
| **NET PROFIT** | **1,618** | **13.1** | **1,430** | **1,425** | **12.4** | **1,268** | **119** | **6.3** | **112** |
| Minority interests | (4) | 13.1 | (4) | (3) | 17.5 | (2) | (1) | 28.9 | (1) |
| **NET ATTRIBUTABLE PROFIT** | **1,614** | **13.1** | **1,427** | **1,422** | **12.4** | **1,265** | **118** | **6.1** | **111** |

## Relevant business indicators (Million euros and percentages)

| | 31-12-05 | Δ% | 31-12-04 | 31-12-05 | Δ% | 31-12-04 | 31-12-05 | Δ% | 31-12-04 |
|---|---|---|---|---|---|---|---|---|---|
| Loans to customers [(1)] | 127,959 | 20.1 | 106,510 | 123,210 | 20.0 | 102,672 | 1,355 | 62.0 | 837 |
| Customer deposits | 58,265 | 10.6 | 52,679 | 54,957 | 10.6 | 49,671 | 1,189 | (6.5) | 1,271 |
| • Deposits | 58,157 | 10.6 | 52,596 | 54,898 | 10.7 | 49,608 | 1,140 | (8.8) | 1,251 |
| • Assets sold under repurchase agreement | 108 | 30.3 | 83 | 59 | (5.0) | 63 | 49 | 138.2 | 20 |
| Off balance sheet funds | 61,636 | 10.6 | 55,719 | 47,588 | 10.1 | 43,217 | 13,034 | 11.0 | 11,740 |
| • Mutual funds | 46,232 | 10.1 | 41,988 | 39,691 | 9.2 | 36,342 | 5,842 | 14.2 | 5,117 |
| • Pension funds | 15,405 | 12.2 | 13,731 | 7,897 | 14.9 | 6,875 | 7,192 | 8.6 | 6,623 |
| Other placements | 7,153 | 1.1 | 7,076 | 6,619 | 0.7 | 6,576 | 534 | 6.8 | 500 |
| Customer portfolios | 11,459 | 30.7 | 8,768 | 2,044 | 67.0 | 1,224 | 9,415 | 24.8 | 7,544 |
| Equity | 8,192 | 10.4 | 7,422 | 7,159 | 14.9 | 6,232 | 267 | (31.9) | 392 |
| • Shareholders' funds | 5,208 | 9.9 | 4,741 | 4,552 | 14.3 | 3,984 | 166 | (32.6) | 247 |
| • Other eligible funds | 2,984 | 11.3 | 2,682 | 2,607 | 16.0 | 2,248 | 101 | (30.8) | 145 |
| Total assets [(2)] | 135,293 | 19.6 | 113,127 | 129,003 | 19.5 | 107,989 | 1,870 | (6.7) | 2,005 |
| ROE (%) | 32.1 | | 32.5 | 33.5 | | 34.5 | 46.7 | | 51.5 |
| Efficiency ratio (%) | 41.4 | | 43.4 | 42.1 | | 43.9 | 28.4 | | 29.6 |
| Efficiency incl. Depreciation and amortization (%) | 43.3 | | 45.6 | 44.0 | | 46.1 | 29.9 | | 31.1 |
| NPL ratio (%) | 0.62 | | 0.82 | 0.62 | | 0.83 | 0.03 | | 0.04 |
| Coverage ratio (%) | 315.7 | | 249.1 | 315.4 | | 248.8 | n.m. | | n.m. |

(1) Excluding NPLs.
(2) Excluding insurance.

The Retail Banking Area in Spain and Portugal manages three classes of customers in separate ways. These are private individuals (personal financial services); small businesses, retailers, the self-employed and small and medium enterprises (commercial financial services); and consumer finance, car loans, card distribution, renting and e-banking (special financial services). The later includes Finanzia, Finanzia Autorenting, Finanziamento Portugal, Advera in Italy and Uno-e. The area's focus is provide comprehensive banking solutions. It manages its distribution network (3,667 branches, including 106 in Portugal), the alternative banking channels and the development of new products and services.

The characteristic features of 2005 were the sustained growth of the main business indicators and the area's earnings. The strong level of business activity together with a pricing policy suited to low interest rates, the development of new business lines and appropriate cost control, led to a 13.1% increase in operating profit and an improvement in the cost/income ratio including depreciation (which fell 2 points to 43.3%). The increase in operating profit boosted net attributable profit by 13.1% to €1,614m. ROE rose to 32.1% during the year.

The positive figures on the upper part of the income statement were mainly generated by net interest income. This rose 5.6% to €3,182m, reflecting a sustained increase in banking business related to private individuals, SMEs and small businesses. This activity was also aided by action taken to defend spreads and customer funds in a highly competitive environment.

Lending by the area at 31-Dec-05 came to €128 billion. It grew 20.1% in the year, supported by increases of 22.9% in market mortgages (21.1% in residential and 32.7% in developer finance) as well as a 22.5% rise in SMEs and small businesses and 8.5% in consumer finance.

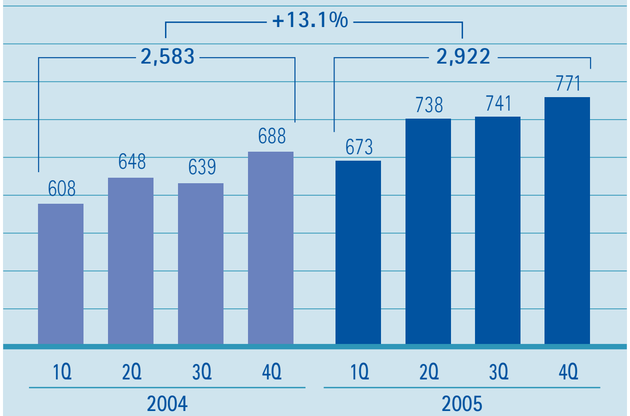
Total funds under management by the area (deposits, mutual and pension funds, and other brokered products) grew 10.0% during the year to €126.9 billion. All types performed well although the biggest increases were in stable deposits. Term deposits increased 20.2% (financial insurance products 30.1%), mutual funds rose 10.1% and pensions 12.2%. In addition, transactional deposits increased 5.1%.

Higher business activity was also responsible for growth in net fee income which rose 8.5% to €1,602m. Fees on banking services increased 12.1% (€922m) and on mutual and pension funds rose 3.9% (€680m). Furthermore, the development and distribution of insurance products contributed €309m (up 20.3%).

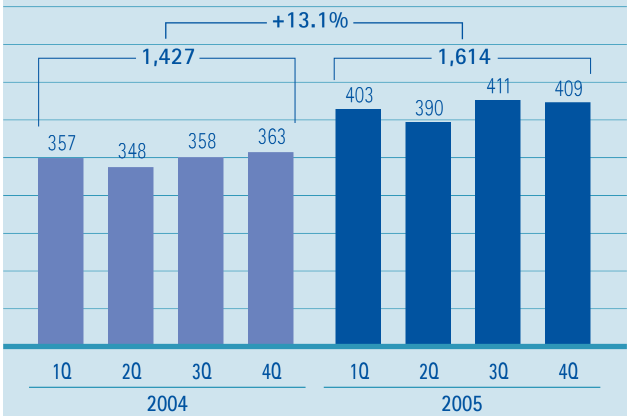
Higher net interest income, fees and insurance boosted core revenues 7.2% to €5,094m. In addition, distribution of cash management products in the SME and retailer segment lifted net trading income to €108m. This figure is nearly twice that of 2004. Thus ordinary revenues climbed 8.3% to €5,203m. Costs (personnel, overheads, amortisation and depreciation, net of recoveries) were up only 2.8%, which is less than half the increase in ordinary revenues, despite adding 161 offices to the branch network. Consequently the cost/income ratio, including depreciation improved 2.3 points to 43.3% (45.6% in 2004).

The area's operating profit in 2005 climbed 13.1% to €2,923m. The loan loss provisions of €476m and their increase of 16.3% are mainly due to generic provisioning. They remained at maximum level during the year but increase in accordance with the level of lending activity. However, specific provisions remain low as a consequence of the improvement in asset quality. Despite the increase in

**Retail Banking in Spain and Portugal**
**Operating profit** (Million euros)




**Retail Banking in Spain and Portugal**
**Net attributable profit** (Million euros)



lending activity, non-performing loans declined 8.1% in the last 12 months. The non-performing loan ratio fell to 0.62%, compared to 0.82% at 31-Dec-04. Coverage increased to 315.7% (249.1% at the end of 2004).

## > FINANCIAL SERVICES

Personal, commercial and special financial services make up about 90% of the area's total earnings. Operating profit in the year came to €2,611m, a rise of 12.5% over 2004. Net attributable profit was €1,422m (up 12.4%). Lending and funds under management came to €123 billion and €109 billion, respectively, following increases of 20.0% and 9.8%.

### > Personal Financial Services

In the private individual segment, personalisation of services advanced through products that are more adapted to customers' needs and helped by greater guidance. These developments helped to improve the range of products (lending and savings), re-focus marketing campaigns, reinforce the role of branches and continue the development of alternative channels, pushing a higher use of internet banking and establishing the mobile phone as a new channel for electronic banking. The commercial banking network increased the average number of products sold per agent by more than 33.9%.

The wider range in the catalogue of products (increased flexibility depending on the level of bundling) has pushed the growth in lending over €76 billion (up 18.7%). The value of mortgages sold in 2005 increased 22.8% to €24.6 billion, €15.6 billion of which was residential. Moreover, Banca Hipotecaria, a unit that specialises in financing real estate projects, increased its loan portfolio 31.1%, financing more than 48,000 dwellings. New consumer finance operations concluded by the area in 2005 rose 17.4% over the previous year.

Regarding fund-gathering activities, this area conducted a new *Quincena* savings campaign, entailing nearly 500,000 gifts and gathering €1.3 billion. It also launched *Cuentas Claras Internacional* and extended this service to immigrants, adding to other offersalready in place for this segment (remittances, consumer loans, etc). In terms of stable funds, the area also marketed term deposits (*Plus Creciente* and *Preferente*), the managed fund portfolios and the *Protección* pension plans. For the whole year, total gathering of all types of term deposits came to €5,340m, which was 16.9% higher than 2004.

In payment channels, the enhanced potential for using cards to make payments, the launch of the cards *BBVA Visa Diez* and *BBVA Diez Fácil* helped retail sales to increase 12% over the preceding year. Alternative banking channels continued to develop strongly. The prescription unit increased sales in the consumer, mortgage and small business markets as well as from brokerage through agents, by 22% to €5,494m. In respect of alternative channels, BBVAnet, the electronic banking service, the number of transactions handled during the year jumped 54.8% to nearly 134m.

### > Commercial Financial Services

During the year this unit chalked up considerable improvements in volume and earnings, consolidating its model for servicing small and medium enterprises, professional practices, the self-employed, retailers and farmers. The marketing focus for these customer types entails massive distribution of standard products and periodic segment-oriented campaigns to improve the personalised approach. This unit works through the network of 213 SME branches plus another 1,724 branches in the commercial network with more the 3,000 specialists that handle retailers, the self-employed and the farming community.

Lending by this unit increased 22% during the year to more than €44 billion. All business lines contributed to this success, including increases of 14% in leasing, 23% in factoring, 26% in renting and 11% in confirming.

Customer funds also recorded gains. Mutual fund assets under management (*BBVA Cash* and *BBVA Corto Plus Empresas*) nearly tripled to €1,292m. These funds are marketed to SMEs to help them optimise working capital. Insurance sales also increased sharply with written premiums rising to €17m. Lastly, in a move to develop new lines of revenue, the unit significantly increased distribution of cash management products through its two networks. This consolidated recurrent earnings of more than €100m from trading income, which are double those of 2004.

### > Special Financial Services

Business growth at this unit led to increases of 24.5% in ordinary revenues and 24.9% in operating profit (which came to €96m). Together with lower provisioning requirements, this boosted net attributable profit 87.2% to €50m.

The loan portfolio grew 23.3% to €3.4 billion as a result of the increase in turnover, which rose 18% to €3.1 billion. By type, car loans increased 17.8% to €1.15 billion, equipment loans advanced 18.2% to €471m (including equipment renting), car renting rose 11.8% to €233m and consumer finance handled through Uno-e increased 19% to €1.06 billion (20.9% via cards).

Customer funds came to €1.41 billion, a year-on-year increase of 27.1%, following the success of the *Depósito 8* campaign, which was launched in the last quarter and has tripled term deposits. The increase in funds was also aided by various new marketing efforts in mutual funds, which grew 46.6%.

## > ASSET MANAGEMENT AND PRIVATE BANKING

By year-end the volume of funds under management by this unit (ie, assets in mutual and pension funds plus funds administered by the private banking units) came to €73.1 billion. This was 12.3% higher than a year earlier. The 9.2% increase in net fee income was the determining factor behind the 12.2% rise in operating profit. Net attributable profit rose 6.1% over 2004 to €118m.

Total funds under management in mutual funds in Spain increased to €44.5 billion after net gathering of €1,960m during the year. This means that BBVA's fund manager (BBVA Gestión) is once again the biggest contributor to the system. In the fourth quarter the new product, *Carteras Gestionadas*, grew significantly. Since its launch in March it has attracted 24,171 customers with total assets of €1,379m. Furthermore, assets in real estate funds surged 60.5% to €1,833m in the year. The total assets of mutual funds managed by BBVA now comes to €46.3 billion, an increase of 9.8%.

Pension business in Spain, in which BBVA is the clear leader, lifted assets 11.8% year-on-year to €15.1 billion. Of this amount, €8.4 billion represents private plans. They increased 14.7% on continuing popularity of *Planes Protección* for the second year. Group and other pension plans accounted for €6.7 billion (up 8.3%).

In the Spanish private banking business, BBVA managed total assets of €15.9 billion, which was 17.8% higher than at the end of 2004. Of this amount, €9.3 billion (up 26%) is managed by BBVA Patrimonios together with both general and personalised advice. The personal banking unit provides personal advice to 25,957 customers in the upper-middle market segment. It managed €8.8 billion in assets (up 12% over 31-Dec-04). Some €6.7 billion of this is handled directly and the rest is handled through BBVA Patrimonios. The added value created by this service was complemented in 2005 by a wide range of funds from the principal international fund managers.

## > EUROPEAN INSURANCE

This unit consists of various separate insurance companies that provide direct insurance, reinsurance and insurance brokering in Spain and Portugal. They mainly market a wide range of products to different types of customer (private individuals, SMEs, retailers, professional practices and the self-employed) through various parts of the area's network although they use external channels for group insurance. In 2005 the unit issued premiums for €1,981m, an increase of 21.1%.

BBVA Seguros is an insurance unit that handles life, household, multiple risk and construction policies. Total net premiums issued in 2005 came to €1,823m, a year-on-year increase of 21.2%. This breaks down as follows: a rise of 62.6% in loan repayment protection policies bringing the total to €228m in premiums; 15.7% in guaranteed income (€846m); 17.4% in household policies (€123m) and 24.6% in group welfare insurance. This unit continues to lead in life insurance via the bancassurance sector and its technical reserves rose 8.4% to €9,742m. Apart from its own policies, the unit brokered premiums of €158m with a year-on-year increase of 19.9%.

The fourth quarter included the launch of *Seguros Personales BBVA* as part of the group's process of innovation and development in the personalisation of products and services. This new range of life policies replaces a number of older products with a modular approach. Pricing is transparent and customers can customise policies to fit their particular needs. They can choose the cover and there is an option associated with a 25% no-claims bonus.

## > BBVA PORTUGAL

This unit completed its 2003-2005 master plan, with significant growth in terms of volume and profit. It achieved gains in market share in the priority areas such as the real estate sector, SMEs and mutual funds.

Customer loans rose 17.2% (40.2% in mortgages). Customer funds were up 21.9% while mutual funds rose 31.4%. In terms of earnings, the 27.2% rise in net fee income and control of operating expenses (up 2.3%) boosted operating profit 40.2% to €25m. Helped by lower provisions, net attributable profit thus came to €10m, against €5m in 2004.

## > Income statement (Million euros)

| | Wholesale and Investment Banking | | | Memorandum item: Wholesale Banking | | | Markets | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2005 | ∆% | 2004 | 2005 | ∆% | 2004 | 2005 | ∆% | 2004 |
| **NET INTEREST INCOME** | **440** | **4.1** | **423** | **453** | **4.6** | **433** | **(28)** | **n,s,** | **7** |
| Net income from equity method | 51 | (50.9) | 104 | 1 | n.m. | (1) | - | - | - |
| Net fee income | 227 | 19.2 | 190 | 184 | 18.1 | 156 | 50 | 31.0 | 38 |
| Income from insurance activities | - | - | - | - | - | - | - | - | - |
| **CORE REVENUES** | **718** | **0.1** | **717** | **638** | **8.4** | **589** | **21** | **(52.0)** | **45** |
| Net trading income | 418 | 113.0 | 196 | 60 | 92.4 | 31 | 375 | 145.8 | 152 |
| **ORDINARY REVENUES** | **1,136** | **24.4** | **914** | **698** | **12.6** | **620** | **396** | **101.1** | **197** |
| Net revenues from non-financial activities | 95 | 17.4 | 81 | - | - | - | - | - | - |
| Personnel and general administrative expenses | (360) | 11.1 | (324) | (184) | 8.3 | (170) | (147) | 13.2 | (130) |
| Depreciation and amortization | (7) | 5.4 | (7) | (4) | (4.5) | (4) | (2) | (10.1) | (2) |
| Other operating income and expenses (net) | 22 | n.m. | (2) | 18 | n.m. | (2) | - | (76.4) | (1) |
| **OPERATING PROFIT** | **886** | **33.9** | **662** | **529** | **19.2** | **444** | **247** | **283.6** | **64** |
| Impairment losses on financial assets (net) | (115) | (50.8) | (233) | (114) | (46.5) | (214) | - | (99.0) | (18) |
| • Loan loss provisions | (114) | (50.8) | (233) | (114) | (46.5) | (214) | - | (99.0) | (18) |
| • Other | - | n.m. | - | - | n.m. | - | - | - | - |
| Provisions (net) | 5 | (18.1) | 6 | 2 | (63.9) | 6 | - | n.m. | - |
| Other income/losses (net) | 29 | (49.1) | 57 | 2 | (81.8) | 11 | 2 | n.m. | (3) |
| • From disposal of equity holdings | 16 | (60.3) | 41 | - | n.m. | 1 | - | - | - |
| • Other | 13 | (19.5) | 16 | 2 | (78.5) | 10 | 2 | n.m. | (3) |
| **PRE-TAX PROFIT** | **806** | **63.7** | **493** | **419** | **69.1** | **248** | **248** | **n,s,** | **44** |
| Corporate income tax | (211) | 148.7 | (85) | (132) | 63.8 | (81) | (68) | n.m. | 13 |
| **NET PROFIT** | **596** | **46.0** | **408** | **287** | **71.6** | **167** | **181** | **218.9** | **57** |
| Minority interests | (4) | (10.1) | (4) | - | (100.0) | - | (3) | 46.3 | (2) |
| **NET ATTRIBUTABLE PROFIT** | **592** | **46.6** | **404** | **287** | **71.6** | **167** | **177** | **226.4** | **54** |

## > Relevant business indicators (Million euros and percentages)

| | 31-12-05 | ∆% | 31-12-04 | 31-12-05 | ∆% | 31-12-04 | 31-12-05 | ∆% | 31-12-04 |
|---|---|---|---|---|---|---|---|---|---|
| Loans to customers [1] | 46,896 | 14.0 | 41,124 | 45,669 | 13.8 | 40,138 | 1,222 | 61.9 | 755 |
| Customer deposits | 56,535 | 15.9 | 48,773 | 23,905 | 14.5 | 20,881 | 32,617 | 16.9 | 27,890 |
| • Deposits | 39,628 | 13.4 | 34,951 | 23,896 | 14.5 | 20,878 | 15,720 | 11.7 | 14,072 |
| • Assets sold under repurchase agreement | 16,907 | 22.3 | 13,822 | 10 | 148.7 | 4 | 16,897 | 22.3 | 13,818 |
| Off balance sheet funds | 809 | 7.0 | 756 | 684 | (6.9) | 735 | 125 | n.m. | 21 |
| • Mutual funds | 806 | 7.1 | 753 | 681 | (6.9) | 732 | 125 | n.m. | 21 |
| • Pension funds | 3 | (9.3) | 3 | 3 | (9.3) | 3 | - | - | - |
| Customer portfolios | 2,909 | (35.7) | 4,525 | 2,909 | (35.7) | 4,525 | - | - | - |
| Equity | 3,555 | 2.8 | 3,459 | 2,500 | 13.1 | 2,210 | 461 | (29.7) | 656 |
| • Shareholders' funds | 2,258 | 2.8 | 2,196 | 1,600 | 13.1 | 1,414 | 292 | (29.7) | 415 |
| • Other eligible funds | 1,296 | 2.6 | 1,263 | 901 | 13.1 | 796 | 169 | (29.7) | 241 |
| Total assets | 166,667 | 12.6 | 148,019 | 57,692 | 8.5 | 53,183 | 119,232 | 12.6 | 105,906 |
| ROE (%) | 25.9 | | 17.7 | 19.1 | | 12.5 | 42.2 | | 11.9 |
| Efficiency ratio (%) | 29.2 | | 32.5 | 26.2 | | 27.3 | 37.1 | | 65.9 |
| Efficiency incl. Depreciation and amortization (%) | 29.7 | | 33.2 | 26.8 | | 28.0 | 37.5 | | 66.9 |
| NPL ratio (%) | 0.18 | | 0.30 | 0.20 | | 0.32 | - | | - |
| Coverage ratio (%) | 728.7 | | 480.2 | 699.8 | | 450.7 | - | | - |

(1) Excluding NPLs.

Wholesale and Investment Banking comprises three units: Global Corporate Banking (both international and domestic), Institutional Banking and Global Markets and Distribution, with its trading floors in Europe and New York, distribution of bonds and equities and custodial services. It also includes the Business and Property Project unit and Global Transactional Services.

Fourth-quarter ordinary revenues and operating profit were higher than in the preceding quarters. Attributable profit reached €145m. As a result, annual operating profit grew 33.9% and attributable profit 46.6%, reaching €592m. With this significant increase in profits, return on equity (ROE) rose to 25.9% (17.7% in 2004).

Ordinary revenues, which most closely tracks revenues in wholesale businesses, was €1,136m in 2005, 24.4% up on 2004. Fee income grew 19.2% in both Markets and Wholesale Banking and net trading income totalled €418m, more than doubling 2004 NTI, mainly due to Markets' activities. Revenues on non-financial services also performed well, with year-on-year growth of 17.4%. These contributed €95m to the area's results, most of which came from real-estate transactions.

Operating expenses increased 11.0%. Earnings' growth outstripped costs' sufficiently to improve the cost-income ratio including depreciation by 3.5 points, bringing it down to 29.7% (as against 33.2% in 2004).

Operating profit rose 33.9% over the year, up to €886m. Moreover, the 50.8% reduction in loan-loss provisions –due to fewer non-performing loans and having reached the upper obligatory limit for generic provisioning– also swelled the area's profit growth. Finally, revenues from portfolio divestments went down significantly. In 2004 these had included the sale of holdings in Grubarges and Vidrala.

Lending to 31-12-05 reached €46.9 billion, with 14.0% year-on-year growth. International corporate banking was especially dynamic. There was a marked improvement in asset quality, as the balance of doubtful risks dropped by 27.6%, bringing the NPL ratio down to 0.18%, compared to the 0.30% at which it stood at year-end 2004. At the same time, the coverage ratio went up to 728.7% from its previous level of 480.2% at 31-12-04. Deposits rose to €39.6 billion, up 13.4% against 2004.

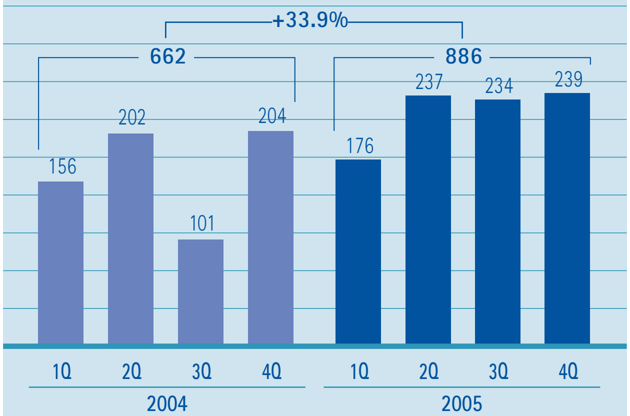
## > WHOLESALE BANKING

Recurrent business in Wholesale Banking, which comprises the Global Corporate Banking and Institutional Banking units, has shown excellent performance both in volume (with lending up 13.8% and deposits 14.5%) and in earnings. Operating profit was €529m, 19.2% higher than in 2004, with a 1.2 point improvement in its cost-income ratio, which stood at 26.8%. Lower generic provisioning in Global Corporate Banking brought the attributable profit up to €287m, ie 71.6% above the previous year.

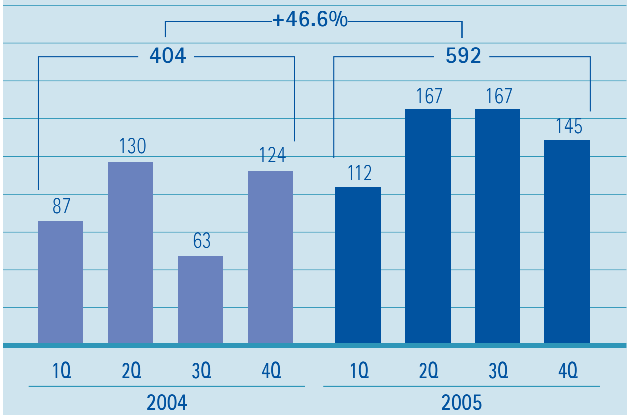
### > Global Corporate Banking

This unit managed lending worth €26.5 billion and growing 22.5% year-on-year –above all due to international business–, and €12.5 billion of deposits, ie 29.0% more than at year-end 2004, coming both from domestic and international customers. Increasing activity, upholding lending spreads and boosting cross-selling has pushed the ordinary profit up 16.8% to €505m, while operating profit has risen 26.1% to €382m. Attributable profit was €186m, as compared to €71m in 2004; this was

**Wholesale and Investment Banking Operating profit** (Million euros)




**Wholesale and Investment Banking Net attributable profit** (Million euros)



due to less provisioning (since maximum limits were already met) and improved risk quality.

In the fourth quarter, BBVA has been trading broadly in the capital markets. It has led syndicated loans transactions such as those for Gamesa and Christian Dior, valued at €1.2 billion and €500m respectively, whilst arranging structured finance deals such as those signed with the ONO Group (€3.1 billion) and the ACS Group (€1.66 billion) to fund acquisitions, and various project-finance deals worth approximately €800m.

In fixed-income origination, BBVA has underwritten public placements worth €1,231m with organisations such as BBVA, Rural Hipotecario, Altadis and Paccar Financial and private placements for €385m with companies such as KBC, Irish Life & Permanent, RBOS, Anglo Irish Bank, John Deere, Volvo and BNP.

Finally, in Corporate Finance it played an outstanding role as financial advisor to Inversiones Empresariales Tersina and Desarrollo Empresarial Quetro in their takeover bid for Inmocaral.

### > Institutional Banking

The unit's lending increased 3.6% against 31-12-04, reaching €19.2 billion, and deposits rose 2.0% to €11.4 billion. Despite high fees for re-financing booked in 2004, ordinary profit increased 3.0%, driven by more cross-selling of derivatives and other products. Its operating profit reached €147m (+4.2%) and attributable profit €100m, up 4.5% on 2004.

Institutional Banking has consolidated its leadership as biggest provider of finance for the public administrations in Spain. In the fourth quarter it won government tenders to provide banking services to AENA and run the Gijón port authorities' pension scheme. It also signed operations with regional and local governments in Valencia, Catalonia and Teruel. Its Gobernalia Global Net service was used by various groups of municipalities for new technology projects and will be building websites for the Majadahonda local government and the Navarre University teaching hospital.

## > GLOBAL MARKETS AND DISTRIBUTION

This unit obtained high earnings in the fourth quarter, reporting an operating profit of €84m and an attributable profit of €57m resulting from transactions with customers and returns on interest-rate trades. Ordinary profit for the year as a whole was €396m, as against €197m in 2004, due to net trading income growth, basically as interest-rate and equity positions were put onto the market. Costs went up 12.9%, most of the growth coming from personnel expenses, such that operating profit reached €247m (€64m in 2004). Finally, attributable profit was €177m, as against €54m euros the previous year.

Customer business increased 40% against 2004, in a commercial-franchise model which provides recurrent revenues and shores up the stability of the income statement. This business already accounts for 87% of total revenues.

The unit has been active with new products, as shown by the €300m issue of bonds structured in a novel fashion: with protected principal and coupons linked to the European inflation rate, plus additional returns indexed to the performance of dynamic management of a basket of four funds during the first 10 years of the operation. This is the first such transaction to be arranged by a Spanish bank.

BBVA has maintained its leadership in the Spanish bond markets (amongst the top market makers in Public Debt and the first in the AIAF Market ranking according to October 2005 data), and in equities (heading the Continuous Market ranking in 2005) and derivatives (the Spanish journal, *Risk España* named it best bank for advice on risk management and derivatives transactions).

## > BUSINESS AND PROPERTY PROJECTS

This unit manages a portfolio that, on 31-12-05, comprised 89 holdings, highly diversified over different sectors, with a book value of €1,188m and latent capital gains of €1,027m, €168m more than at year-end 2004. In 2005 it obtained an attributable profit of €141m, €54m less than in 2004 due to lower income from Business Projects as no especially big divestments were made in 2005. However, Property Projects increased their contribution by 32.4% to €74m.

During the year, the unit made investments worth over €100m and sales of €200m (in both cases, mainly in real estate projects). In 2004 its sales were €575m.

## > GLOBAL TRANSACTIONAL SERVICES

This unit supports specialist management of the transactional business for companies and institutions in both the wholesale and other group areas. It delivers services such as on-line banking, payment intermediation, factoring and confirming and trade finance.

At year-end 2005, over 70,000 companies and institutions were using its on-line banking services in Spain, where the number of active users rose 6.7%. These users arranged payments and collections worth €190m, 6.1% more than

# > The Americas

## Income statement (Million euros)

| | 2005 | Δ% | Δ% at constant exchange rate | 2004 |
|---|---|---|---|---|
| **NET INTEREST INCOME** | **3,797** | **32.6** | **29.4** | **2,865** |
| Net income from equity method | (1) | n.m. | n.m. | - |
| Net fee income | 2,056 | 18.5 | 15.1 | 1,735 |
| Income from insurance activities | 241 | 40.7 | 35.0 | 171 |
| **CORE REVENUES** | **6,092** | **27.7** | **24.3** | **4,771** |
| Net trading income | 349 | 40.7 | 37.9 | 248 |
| **ORDINARY REVENUES** | **6,441** | **28.3** | **25.0** | **5,019** |
| Net revenues from non-financial activities | 6 | 65.2 | 59.1 | 4 |
| Personnel and general administrative expenses | (2,767) | 24.6 | 21.4 | (2,221) |
| Depreciation and amortization | (226) | (0.1) | (3.6) | (226) |
| Other operating income and expenses (net) | (163) | 13.3 | 10.5 | (144) |
| **OPERATING PROFIT** | **3,291** | **35.4** | **31.9** | **2,431** |
| Impairment losses on financial assets (net) | (394) | 27.2 | 20.7 | (310) |
| • Loan loss provisions | (359) | 15.7 | 9.8 | (310) |
| • Other | (36) | n.m. | n.m. | - |
| Provisions (net) | (132) | (29.5) | (30.8) | (187) |
| Other income/losses (net) | 3 | 69.4 | n.m. | 2 |
| • From disposal of equity holdings | 2 | (87.7) | (88.0) | 16 |
| • Other | 1 | n.m. | n.m. | (14) |
| **PRE-TAX PROFIT** | **2,768** | **43.0** | **39.9** | **1,936** |
| Corporate income tax | (725) | 36.0 | 31.8 | (534) |
| **NET PROFIT** | **2,043** | **45.7** | **43.0** | **1,402** |
| Minority interests | (223) | 7.5 | 9.1 | (208) |
| **NET ATTRIBUTABLE PROFIT** | **1,820** | **52.3** | **48.7** | **1,195** |

## Relevant business indicators (Million euros and percentages)

| | 31-12-05 | Δ% | Δ% at constant exchange rate | 31-12-04 |
|---|---|---|---|---|
| Loans to customers (1) | 41,605 | 65.5 | 41.2 | 25,141 |
| Customer deposits (2) | 65,594 | 35.3 | 15.8 | 48,492 |
| • Deposits | 58,376 | 28.8 | 10.3 | 45,330 |
| • Assets sold under repurchase agreement | 7,218 | 128.2 | 93.1 | 3,163 |
| Off balance sheet funds | 50,515 | 39.9 | 17.1 | 36,098 |
| • Mutual funds | 11,964 | 43.4 | 25.5 | 8,342 |
| • Pension funds | 38,551 | 38.9 | 14.7 | 27,756 |
| Customer portfolios | 16,559 | 5.6 | (1.8) | 15,687 |
| Equity | 6,621 | 20.6 | 2.4 | 5,488 |
| • Shareholders' funds | 5,954 | 22.0 | 2.6 | 4,882 |
| • Other eligible funds | 667 | 10.0 | 0.6 | 606 |
| Total assets (3) | 100,501 | 35.0 | 19.2 | 74,443 |
| ROE (%) | 33.8 | | | 26.1 |
| Efficiency ratio (%) | 42.9 | | | 44.2 |
| Efficiency incl. Depreciation and amortization (%) | 46.4 | | | 48.7 |
| NPL ratio (%) | 2.67 | | | 3.44 |
| Coverage ratio (%) | 183.8 | | | 173.5 |

(1) Excluding NPLs and Bancomer's old mortgage portfolio.
(2) Excluding deposits and repos issued by Bancomer's Markets unit.
(3) Excluding insurance.

The Americas Area consists of all the activities conducted by the BBVA group's banks, pension managers and various insurance companies on that continent, plus international private banking. During the year the area added Hipotecaria Nacional (January), Laredo National Bancshares (May) and Granahorrar in Colombia (December), strengthening the bank's position in the Colombian mortgage segment.

In 2005 the economic environment in the region was favourable with improvements in the main countries. On average, GDP grew at around 4% with moderate inflation and interest rates that were similar to those of 2004. However, there were relatively significant variations during the year, especially in Mexico. Unlike previous years, currencies in the Americas appreciated against the euro compared to 2004 with corresponding impacts on the group's balance sheet. Nonetheless, fluctuation on the average exchange rates in 2005 was more moderate and therefore the overall impact on contributions to consolidated earnings was not significant. The attached financial statements include columns showing the year-on-year changes calculated at constant exchange rates. Unless otherwise indicated, the following comments refer to these figures as they are more relevant when examining performance.

Substantial increases in business volume led to a sharp rise in recurrent revenues and in the area's profit. Thus in 2005 net attributable profit came to €1,820m, an increase of 48.7% over 2004 (52.3% in current euros).

Net interest income rose 29.4% to €3,797m. A large part of this increase was due to greater business volume as a consequence of greater marketing efforts boosting lending by 41.2% year-on-year (excluding Bancomer's old mortgage portfolio and non-performing assets). On a like-for-like basis (ie, excluding acquisitions), the increase was 19.9%. The biggest growth was recorded in retail segments (credit cards, consumer finance and mortgages). Moreover, customer funds (traditional fund gathering, repos placed through the branch network and mutual funds) grew 17.2% (11.5% on a like-for-like basis), particularly those of lower cost (current and savings accounts) and mutual funds.

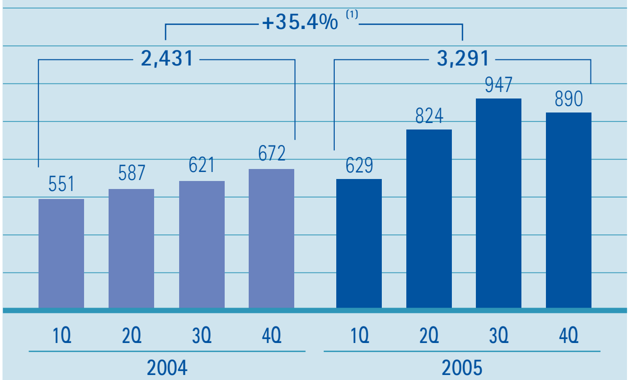
Net fee income grew 15.1% against 2004 to €2,056m. It also benefited from the higher level of activity, including a recovery in mutual and pension funds and the favourable performance of revenues from traditional banking services. Marketing activity by the group's insurance companies was reflected in their revenue stream, which grew 35.0% during the year to €241m. Net trading income was up 37.9% over 2004, to €349m on positive market developments during the second half of the year. These offset lower performance at the beginning of the year. As a result, ordinary revenues came to €6,441m, a year-on-year rise of 25.0%.

The considerable marketing effort was also the main cause of the increase in expenses. Including depreciation, they rose 19.1% or 11.1% if recent acquisitions are excluded (Hipotecaria Nacional, Laredo, BBVA Bancomer USA and Granahorrar). In any event, the increase in expenses was lower than the increase in revenues and therefore the cost/income ratio for the area improved once again. It now stands at 46.4% (including depreciation). This is an improvement of 2.3 percentage points over 2004 (48.7%).

As a result of the above, operating profit rose 31.9% to €3,291m. Loan loss provisions increased moderately (up 9.8%). The rise was significantly lower than the increase in

## The Americas. Operating profit

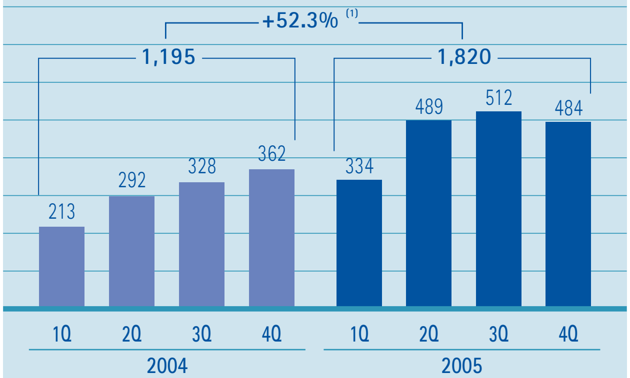
(Million euros)




(1) At constant exchange rates: +31.9%.

## The Americas. Net attributable profit

(Million euros)




(1) At constant exchange rates: +48.7%.

## Income statement (Million euros)

| Memorandum item | Banks in America 2005 | Δ% | Δ%[1] | 2004 | Of which: Mexico 2005 | Δ% | Δ%[1] | 2004 | Pensions and Insurance 2005 | Δ% | Δ%[1] | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NET INTEREST INCOME** | **3,726** | **33.2** | **30.0** | **2,797** | **2,463** | **39.7** | **34.9** | **1,763** | **13** | **(29.8)** | **(30.8)** | **19** |
| Net income from equity method | - | n.m. | n.m. | - | - | (98.5) | (98.6) | (2) | (1) | (20.8) | (27.8) | (1) |
| Net fee income | 1,447 | 25.2 | 21.7 | 1,156 | 978 | 26.1 | 21.8 | 775 | 427 | 14.0 | 8.6 | 374 |
| Income from insurance activities | - | - | - | - | - | - | - | - | 269 | 24.3 | 20.3 | 217 |
| **CORE REVENUES** | **5,173** | **30.9** | **27.5** | **3,953** | **3,441** | **35.6** | **31.0** | **2,537** | **708** | **16.4** | **11.6** | **608** |
| Net trading income | 300 | 48.0 | 45.8 | 203 | 161 | 27.4 | 23.0 | 127 | 40 | 23.7 | 16.2 | 33 |
| **ORDINARY REVENUES** | **5,473** | **31.7** | **28.4** | **4,155** | **3,602** | **35.2** | **30.6** | **2,663** | **749** | **16.8** | **11.9** | **641** |
| Net revenues from non-financial activities | - | - | - | - | - | - | - | - | 12 | 50.1 | 47.4 | 8 |
| Personnel and general administrative expenses | (2,316) | 28.5 | 25.4 | (1,802) | (1,349) | 27.1 | 22.8 | (1,061) | (358) | 14.7 | 9.8 | (312) |
| Depreciation and amortization | (192) | 1.1 | (2.7) | (190) | (114) | (3.2) | (6.5) | (118) | (15) | (17.7) | (20.5) | (18) |
| Other operating income and expenses (net) | (165) | 18.9 | 15.5 | (139) | (124) | 17.3 | 13.3 | (105) | 20 | 84.7 | 77.6 | 11 |
| **OPERATING PROFIT** | **2,800** | **38.3** | **34.9** | **2,025** | **2,015** | **46.2** | **41.2** | **1,379** | **408** | **23.7** | **18.7** | **329** |
| Impairment losses on financial assets (net) | (401) | 31.0 | 24.3 | (306) | (280) | 34.8 | 30.2 | (208) | - | (86.7) | (86.8) | (1) |
| • Loan loss provisions | (366) | 19.5 | 13.4 | (306) | (254) | 22.2 | 18.0 | (208) | - | (99.3) | (99.3) | (1) |
| • Other | (35) | n.m. | n.m. | - | (26) | n.m. | n.m. | - | - | n.m. | n.m. | - |
| Provisions (net) | (128) | (28.7) | (30.0) | (179) | (48) | (38.5) | (40.6) | (77) | (1) | 16.6 | 6.7 | (1) |
| Other income/losses (net) | - | (95.5) | (95.3) | 8 | (10) | (51.2) | (52.9) | (20) | 5 | n.m. | n.m. | (4) |
| • From disposal of equity holdings | 1 | (31.8) | (33.4) | 1 | 1 | 12.5 | 8.6 | 1 | 1 | (91.3) | (91.5) | 15 |
| • Other | - | n.m. | n.m. | 7 | (10) | (49.6) | (51.3) | (20) | 4 | n.m. | n.m. | (19) |
| **PRE-TAX PROFIT** | **2,272** | **46.8** | **44.0** | **1,548** | **1,678** | **56.3** | **50.9** | **1,074** | **412** | **27.2** | **22.4** | **324** |
| Corporate income tax | (619) | 38.8 | 35.0 | (446) | (486) | 56.2 | 50.8 | (311) | (116) | 18.1 | 13.3 | (98) |
| **NET PROFIT** | **1,652** | **50.0** | **47.7** | **1,102** | **1,192** | **56.3** | **51.0** | **763** | **295** | **31.2** | **26.4** | **225** |
| Minority interests | (141) | (2.4) | 0.5 | (145) | (1) | (96.5) | (96.6) | (32) | (36) | 44.2 | 38.2 | (25) |
| **NET ATTRIBUTABLE PROFIT** | **1,511** | **57.9** | **54.4** | **957** | **1,191** | **63.1** | **57.5** | **730** | **260** | **29.6** | **24.9** | **201** |

## Relevant business indicators (Million euros and percentages)

| | 31-12-05 | Δ% | Δ%[1] | 31-12-04 | 31-12-05 | Δ% | Δ%[1] | 31-12-04 | 31-12-05 | Δ% | Δ%[1] | 31-12-04 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Loans to customers [2] | 40,220 | 69.3 | 43.2 | 23,757 | 20,378 | 80.5 | 50.2 | 11,292 | - | - | - | - |
| Customer deposits [3] | 61,993 | 37.8 | 16.7 | 44,979 | 34,909 | 26.6 | 5.4 | 27,571 | - | - | - | - |
| • Deposits | 54,775 | 31.0 | 10.9 | 41,816 | 28,985 | 16.5 | (3.0) | 24,873 | - | - | - | - |
| • Assets sold under repurchase agreement | 7,218 | 128.2 | 93.1 | 3,163 | 5,924 | 119.6 | 82.7 | 2,698 | - | - | - | - |
| Off balance sheet funds | 9,415 | 56.3 | 30.5 | 6,022 | 8,115 | 62.1 | 34.9 | 5,005 | 38,541 | 38.9 | 14.7 | 27,747 |
| • Mutual funds | 9,415 | 56.3 | 30.5 | 6,022 | 8,115 | 62.1 | 34.9 | 5,005 | - | - | - | - |
| • Pension funds | - | - | - | - | - | - | - | - | 38,541 | 38.9 | 14.7 | 27,747 |
| Customer portfolios | 5,713 | (2.7) | (18.8) | 5,870 | 5,713 | (1.2) | (17.8) | 5,785 | - | - | - | - |
| Equity | 5,549 | 23.4 | 4.6 | 4,497 | 2,873 | 4.1 | (13.4) | 2,761 | 970 | 15.7 | (3.9) | 838 |
| • Shareholders' funds | 5,127 | 22.9 | 3.9 | 4,172 | 2,867 | 4.2 | (13.3) | 2,752 | 939 | 20.4 | 0.2 | 780 |
| • Other eligible funds | 422 | 29.6 | 14.6 | 326 | 6 | (29.6) | (41.4) | 9 | 31 | (46.7) | (57.2) | 58 |
| Total assets | 93,953 | 35.8 | 19.1 | 69,208 | 57,418 | 25.9 | 4.8 | 45,595 | - | - | - | - |
| ROE (%) | 32.0 | | | 25.2 | 39.4 | | | 30.8 | 32.6 | | | 26.1 |
| Efficiency ratio (%) | 42.3 | | | 43.4 | 37.4 | | | 39.8 | 47.1 | | | 48.1 |
| Efficiency incl. Depreciation and amortization (%) | 45.8 | | | 47.9 | 40.6 | | | 44.3 | 49.1 | | | 50.9 |
| NPL ratio (%) | 2.78 | | | 3.66 | 2.34 | | | 2.94 | - | | | - |
| Coverage ratio (%) | 182.1 | | | 171.1 | 269.0 | | | 267.5 | - | | | - |

(1) At constant exchange rate.
(2) Excluding NPLs and Bancomer's old mortgage portfolio.
(3) Excluding deposits and repos issued by Bancomer's Markets unit.

lending although the evolution of provision charges accelerated quarter on quarter. At constant exchange rates non-performing loans fell year-on-year despite the addition of new business units and increased activity. Thus the non-performing loan ratio continued to fall, reaching 2.67% at the end of 2005. This compares to 3.44% recorded at 31-Dec-04. Coverage rose to 183.8% (173.5% at December 2004).

The foregoing developments were reflected in the area's net attributable profit (up 48.7%) and in the profitability. ROE was 33.8% in 2005, compared to 26.1% in 2004.

## > BANKS IN THE AMERICAS

Net attributable profit generated by the groups banking businesses in the Americas in 2005 came to €1,511m. This was 54.4% more than 2004, due mainly to higher levels of activity at practically all banks. Details for each one are given below.

### > Mexico

The Mexican economy developed positively in 2005 with sound advances in domestic demand and moderate inflation. At the beginning of the year interest rates rose until May and then they stabilised until August. Since then, they have been falling rapidly and finished the year slightly below the initial level. In this context, BBVA Bancomer's net attributable profit for the year rose 57.5% to €1,191m (up 63.1% in current euros). This brought the ROE to 39.4% (30.8% in 2004). The above mentioned profit included €77m from Hipotecaria Nacional.

The results were mainly due to intense marketing efforts expanded throughout the year. These led to a sharp increase in customer business and especially in lending, which rose 50.2% year-on-year to close in December at €20.4 billion (an increase of 21.8% without Hipotecaria Nacional). All types of business grew, especially those related to individuals. This includes consumer finance and credit cards (up 79.1%) as well as housing loans. The latter increased 61.5% on a like-for-like basis (ie, including Hipotecaria Nacional's portfolio in 2004). Customer funds (the aggregate of deposits, repos placed through the branch network and mutual funds) increased 9.9% year-on-year to €43.0 billion at 31-Dec-05. By type, lower-cost funds (ie, current and savings accounts) grew 15.7% and mutual funds were up 34.9%.

The considerable growth in business volume together with appropriate price management resulted in an important increase in the more recurrent revenues. Net interest income came to €2,463m (up 34.9%) and net fee income rose 21.8% to €978m on a significant rebound in mutual funds, securities and credit cards. Income from traditional banking activities also continued to grow strongly. In addition, net trading income contributed €161m (up 23.0%).

Marketing activity and the addition of Hipotecaria Nacional also contributed to the increase in operating expenses, which rose 19.8% (after including depreciation). This was lower than the increase in ordinary revenues (up 30.6%). This meant the cost/income ratio, including depreciation, improved further from 44.3% in 2004 to 40.6%. Operating profit thus came to €2,015m, an advance of 41.2% over 2004.

Loan loss provisions increased 18%, which was less than the increase in lending but which show the increased charges, particularly in the second half of the year. This led to an improvement in the non-performing loan ratio, which fell to 2.34% (2.94% a year earlier). Coverage rose to 269.0% (267.5% in 2004).

### > Other countries

**BBVA Banco Francés** (Argentina) finished 2005 with net attributable profit of €90m (€15m in 2004) thanks to the favourable economic environment. The income statement reveals the positive performance of net interest income, helped by containing the cost of fund-gathering activities in the face of interest rate pressures. The improvement was also aided by higher returns on inflation-linked assets because inflation increased during the year. Lending activity increased in the private sector, which increased its share of the overall portfolio to 55% by the end of 2005 (30% in 2004). At the same time the bank reduced its holdings of public sector assets and used these funds to pay off the financial assistance received from the central bank during the liquidity crisis. Customer funds rose 18.5%, coming mainly from the retail segment and the longer average duration of deposits. Greater activity in transactional business (payment channels, insurance, cards, etc) also contributed to operating profit, which came to €211m (up 58.8%).

**BBVA Chile:** in a context of sharp rises in interest rates, falling spreads and intense competition, this bank generated net attributable profit of €27m, an increase of 4.2%. This result was supported by careful management of net interest income, a 12.9% increase in net fee income and by the better quality of the loan portfolio (which led to lower provisioning). The loan portfolio grew 19.2% with increases in credit cards, consumer finance, mortgages and lending to small enterprises.

**BBVA Colombia** ended the year with net attributable profit of €49m compared to €19m in 2004. The increase can be attributed to a higher level of banking business (without Granahorrar, lending was up 21.8%, spread evenly among the different types, and customer funds rose 23.2%). Other factors include good price management against a background of falling rates, improvements in other revenue streams such as fees and trading income, cost control and lower provisioning. The acquisition of Banco Granahorrar for €348m (in an auction), effective from the month of December, will allow BBVA Colombia to improve its positioning in the mortgage sector (where it is already marketing a wide range of products and services).

**United States of America:** in 2005 the four units in this country contributed €72m in operating profit and €26m in net attributable profit. **BBVA Puerto Rico** embarked on intense marketing activity with 18.5% growth in the loan portfolio (especially car loans, consumer finance and mortgages). This led to a 5.4% rise in net interest income (despite the negative effect of higher interest rates) which was compatible with the moderate advance in operating expenses. The bank generated €22m in net attributable profit. **Laredo National Bancshares** continued to follow its new business plan, re-organising the workforce and extending the branch network in order to strengthen its presence along the border between Texas and Mexico. From May to December LNB contributed €10m in operating profit and generated €4m in net attributable profit. **BBVA Bancomer USA**, the new name for Valley Bank, expanded its branch network by incorporating BTS' branches in California and by opening new branches. Despite the mentioned transfer of branches, **Bancomer Transfer Services (BTS)**, which handles money transfers from the US to Mexico maintained its leadership status.

**BBVA Banco Continental (Peru)** converted the higher level of business activity (loans grew 33.2% and customer funds 25.0%) into a 30.2% increase in net interest income. Together with cost controls, this boosted operating profit by 47.8%. Together with lower loan provisions following improvements in the loan portfolio, this brought net attributable profit to €47m – more than double the figure for 2004.

**BBVA Banco Provincial** (Venezuela) increased funds under management by 40.9% (46.6% the transactional deposits). It also increased lending by 64.1%. These achievements offset the negative impact of interest-rate controls and led to a 2.7% rise in net interest income. Net fee income rose 29.0% and net attributable profit came to €55m.

Referring to the rest of banks, net attributable profit in **Panama** came to €19m (up 6.8%) and in **Paraguay** it was €10m (up 21.5%). **Uruguay** managed to reduce its losses to €2m.

## > PENSION FUNDS AND INSURANCE

The pension fund managers and insurance companies in BBVA America contributed net attributable profit of €260m in 2005. This was a year-on-year increase of 24.9%. Operating profit was €408m (up 18.7%).

### > Pensions

At the end of 2005 the group managed €38.5 billion in pension funds. This figure was 14.7% higher than a year earlier. Provida (Chile) accounted for the lion's share with €19.5 billion and Bancomer with €8.9 billion. In terms of earnings, the increase in business activity at all companies lifted net fee income to €422m, a rise of 6.6% on 2004, generated mainly by Argentina, Chile and Colombia. Operating profit was €248m (up 18.6%) and net attributable profit came to €145m (up 19.9%). Of the latter amount, €83m was contributed by Afore Bancomer, €31m by Provida, €12m by Horizonte Peru, €10m by Horizonte Colombia and €7m by Consolidar.

### > Insurance

The aggregate of premiums written and brokered by the companies concerned came to €834m, a year-on-year increase of 17%. This was supported by a sharp rise in bancassurance in all countries, with advances in Mexico (50%), Venezuela (57%), Argentina (28%) and Peru (27%). They were helped by life and incapacity insurance. The greater level of activity, the decline in claims and the higher financial revenues helped net attributable profit for the combined companies to grow 31.8% to €115m, including €77m from the Mexican companies.

## > INTERNATIONAL PRIVATE BANKING

In 2005 this unit completed the consolidation of its operations in Andorra, Switzerland and Miami. Customer funds under management increased 3.4% to €14,921m at 31-Dec-05. As a result, core revenues increased by 5.3% over 2004. This growth carries over to the bottom line on the income statement and thus operating profit came to €130m (up 3.1%) and net attributable profit came to €73m (up 4.8%).

## Data per country (banking business, pensions and insurance) (Million euros)

| | Operating profit | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| Country | 2005 | Δ% | Δ% at constant exchange rate | 2004 | 2005 | Δ% | Δ% at constant exchange rate | 2004 |
| Mexico | 2,242 | 41.8 | 37.0 | 1,581 | 1,350 | 56.7 | 51.3 | 862 |
| Argentina | 250 | 53.5 | 52.3 | 163 | 119 | 233.6 | 231.1 | 36 |
| Chile | 158 | 36.8 | 25.9 | 115 | 62 | 76.4 | 62.2 | 35 |
| Colombia | 128 | 69.1 | 50.1 | 75 | 66 | 133.2 | 106.9 | 28 |
| United States [1] | 73 | (18.8) | (18.8) | 90 | 27 | (37.9) | (37.9) | 44 |
| Panama | 28 | 3.3 | 3.4 | 27 | 19 | 6.7 | 6.8 | 18 |
| Paraguay | 11 | (1.0) | 2.8 | 11 | 10 | 17.0 | 21.5 | 9 |
| Peru | 194 | 45.8 | 40.9 | 133 | 59 | 83.3 | 77.1 | 32 |
| Uruguay | - | n.m. | n.m. | (2) | (2) | (22.4) | (33.7) | (3) |
| Venezuela | 120 | (22.4) | (13.3) | 155 | 57 | (33.0) | (25.2) | 85 |
| Other countries [2] | 4 | (42.4) | (42.4) | 6 | 4 | (70.1) | (70.1) | 12 |
| **TOTAL** | **3,207** | **36.2** | **32.6** | **2,354** | **1,771** | **53.0** | **49.3** | **1,158** |

(1) Includes Puerto Rico.
(2) Bolivia, Ecuador and Dominican Republic. In 2004 also includes El Salvador.

## Mexico (banking business, pensions and insurance). Income statement (Million euros)

| | 2005 | Δ% | Δ% at constant exchange rate | 2004 |
|---|---|---|---|---|
| **NET INTEREST INCOME** | **2,467** | **39.7** | **34.9** | **1,766** |
| Net income from equity method | - | (98.5) | (98.6) | (2) |
| Net fee income | 1,163 | 22.6 | 18.4 | 949 |
| Income from insurance activities | 174 | 22.4 | 18.2 | 142 |
| **CORE REVENUES** | **3,804** | **33.2** | **28.7** | **2,855** |
| Net trading income | 172 | 28.8 | 24.4 | 133 |
| **ORDINARY REVENUES** | **3,976** | **33.0** | **28.5** | **2,989** |
| Net revenues from non-financial activities | 3 | 12.2 | 8.3 | 3 |
| Personnel and general administrative expenses | (1,517) | 26.7 | 22.4 | (1,197) |
| Depreciation and amortization | (116) | (2.7) | (6.1) | (119) |
| Other operating income and expenses (net) | (104) | 10.5 | 6.7 | (95) |
| **OPERATING PROFIT** | **2,242** | **41.8** | **37.0** | **1,581** |
| Impairment losses on financial assets (net) | (280) | 34.8 | 30.2 | (208) |
| • Loan loss provisions | (254) | 22.2 | 18.0 | (208) |
| • Other | (26) | n.m. | n.m. | - |
| Provisions (net) | (48) | (38.5) | (40.6) | (77) |
| Other income/losses (net) | (10) | (46.7) | (48.5) | (19) |
| • From disposal of equity holdings | 1 | 12.5 | 8.6 | 1 |
| • Other | (11) | (45.2) | (47.0) | (20) |
| **PRE-TAX PROFIT** | **1,904** | **49.2** | **44.1** | **1,276** |
| Corporate income tax | (551) | 46.7 | 41.6 | (376) |
| **NET PROFIT** | **1,353** | **50.2** | **45.1** | **901** |
| Minority interests | (3) | (91.2) | (91.5) | (39) |
| **NET ATTRIBUTABLE PROFIT** | **1,350** | **56.7** | **51.3** | **862** |

# > Corporate Activities

This area includes the results of ALCO (the assets and liabilities committee), the large industrial companies unit and the financial shareholdings unit. It also handles certain provisions such as early retirements, provisions at the corporate level and the costs of the headquarters units that have a strictly corporate function.

This area's net attributable profit in the fourth quarter came to €40m after receiving €79m in dividends from the industrial and financial portfolio and despite an operating loss of €22m. For the full year, there was an operating loss of €277m (a loss of €85m in 2004). The year-on-year decline is similar to the reduction in net

## > Income statement (Million euros)

| | 2005 | Δ% | 2004 |
|---|---|---|---|
| **NET INTEREST INCOME** | **(212)** | **47.8** | **(143)** |
| Net income from equity method | 71 | n.m. | (8) |
| Net fee income | 56 | n.m. | 11 |
| Income from insurance activities | (63) | 68.0 | (38) |
| **CORE REVENUES** | **(148)** | **(16.7)** | **(178)** |
| Net trading income | 391 | (30.1) | 560 |
| **ORDINARY REVENUES** | **243** | **(36.4)** | **382** |
| Net revenues from non-financial activities | 2 | (86.5) | 15 |
| Personnel and general administrative expenses | (386) | 3.3 | (374) |
| Depreciation and amortization | (113) | 4.1 | (108) |
| Other operating income and expenses (net) | (23) | n.m. | - |
| **OPERATING PROFIT** | **(277)** | **224.7** | **(85)** |
| Impairment losses on financial assets (net) | 129 | n.m. | (6) |
| • Loan loss provisions | 136 | (19.0) | 168 |
| • Other | (7) | (95.8) | (174) |
| Provisions (net) | (328) | (50.8) | (666) |
| Other income/losses (net) | 24 | (91.6) | 285 |
| • From disposal of equity holdings | - | n.m. | 249 |
| • Other | 24 | (31.6) | 36 |
| **PRE-TAX PROFIT** | **(452)** | **(4.4)** | **(472)** |
| Corporate income tax | 266 | (21.7) | 340 |
| **NET PROFIT** | **(185)** | **40.2** | **(132)** |
| Minority interests | (33) | n.m. | 30 |
| **NET ATTRIBUTABLE PROFIT** | **(219)** | **113.3** | **(102)** |

## > Relevant business indicators (Million euros and percentages)

| | 31-12-05 | Δ% | 31-12-04 |
|---|---|---|---|
| Structural portfolio | 31,249 | 24.7 | 25,062 |
| Industrial and Financial portfolio | 8,811 | 15.8 | 7,606 |
| | | | |
| Equity | 4,131 | 19.0 | 3,470 |
| • Shareholders' funds | 2,521 | 21.4 | 2,077 |
| • Other eligible funds | 1,610 | 15.6 | 1,393 |

trading income. This is mainly explained by the sale of Acerinox in 2004 and the higher cost of forex hedging operations for Latin-American earnings in 2005.

Other items on the income statement include lower provisions compared to 2004. These are mainly due to the amortisation in 2004 of €193m in goodwill associated with BNL. Another item refers to transfers to provisions, which were down on lower charges related to early retirements during the year. Furthermore, other gains and losses fell sharply from the 2004 level, which contained capital gains from the sale of Banco Atlantico and Direct Seguros. As a result the area recorded a net loss of €219m.

## > ALCO

The assets and liabilities committee (ALCO) administers the group's interest rate and exchange rate positions, group liquidity and shareholders' equity. In 2005 it generated net attributable profit of €63m.

The purpose of the committee is to safeguard the group's reserves and capital ratios and to bring stability to the income statement. It does this by managing the group's exchange-rate exposure, which is mainly related to its franchises in the Americas. It also monitors and controls the cost of such risk management. At year-end, overall coverage of BBVA's equity in the Americas stands at 44%. There is 39% of perfect coverage in Mexico, 75% in Chile, 100% in the USA and 29% in Peru. These levels of coverage do not include the long position in US dollars held by some affiliate banks at local level. In 2005, the transfer to reserves following appreciation against the euro of base currencies used by the group's subsidiaries, came to nearly €700m, while the financial cost of the capital coverage policy was €57m, net of tax. In addition, the coverage policy for earnings in 2005 reduced net trading income by €70m net of tax. This was offset by earnings converted into euros that were higher than the budgeted by the group's units in the Americas.

ALCO also actively manages the group's structural interest-rate exposure. It does this with derivatives and other balance sheet instruments. At 31-Dec-05 the committee held a portfolio of fixed interest investments worth €31,249m to compensate or reduce the negative impact on the group's net interest income, of a decline in interest rates. During the year this portfolio contributed €264m to net interest income and €80m to net trading income. Other ALCO operations contributed €21m to earnings in 2005.

## > HOLDINGS IN INDUSTRIAL AND FINANCIAL COMPANIES

This item comprises the group's holdings in listed industrial companies (mainly Telefónica, Iberdrola and Repsol YPF) and in financial entities (currently limited to Bradesco). These holdings are managed according to uniform criteria with the goal of maximising value, following strict principles of return, liquidity, rotation and use of economic capital. All these holdings are currently classified as "available for sale". In addition and until the Banca Nazionale del Lavoro (BNL) operation is wound up, it continues to be part of the portfolio, although it is booked via the equity method.

At 31-Dec-05 the market value of the holdings portfolio (including equity swaps) stands at €8,811m with latent capital gains of €3,354m before tax.

Industrial and financial holdings generated €183m in dividends and €298m in net trading income. Compared to 2004, these figures reflect an increase of 12.4% and 22.3%, respectively. Net income from companies carried by the equity method (mainly BNL) also increased. Operating profit came to €470m, compared to €328m in 2004. This amount practically carries through to net attributable profit which was €433m (€269m in 2004) because in 2005 there were neither significant provisions (goodwill associated with BNL was written off in 2004) nor capital gains (the group's interest in Banco Atlantico was sold in 2004).

# > Corporate responsibility

In the last three months of 2005, BBVA received fresh recognition of some of its activities related to corporate responsibility. Such recognition included the following:

- Prizes awarded by the Spanish Business Administration and Accounting Association and by the Institute of Auditors for the best Spanish sustainability report in 2004 (ie, BBVA's annual corporate responsibility report).
- Fifth place among Spanish companies (an improvement of three places) in the list of "world's most respected companies" prepared by PricewaterhouseCoopers and the *Financial Times*.

The group also undertook numerous new activities in the fourth quarter. The more important ones are described below, grouped by area:

**Customers:** BBVA introduced new products and services with features related to corporate responsibility, such as *Cuentas Claras Internacional* (a personalised system of fees and commissions that is clear, simple and less costly for immigrants). Other examples include BBVA Bancomer's system of guarantees (a new form of commitment to customers with wider guarantees of service quality and security that specifies compensation in the case of non-compliance) and consumer finance for pensioners via *Banco Express*, a new affiliate of BBVA Chile.

**Employees:** the bank signed an agreement with the bank's unions to promote equality and reconciliation of family life with working hours. It also launched new initiatives connected with the *Passion for People* programme (including a household multi-assistance service and an option to acquire BBVA shares periodically through salary deductions).

**Social work:** BBVA Bancomer co-ordinated donations from its customers and employees for victims of the Stan and Wilma hurricanes. These were complemented by contributions from the BBVA Bancomer Foundation.

**Training:** one of the most worthy actions in this area was the Euro Solidarity campaign. Group employees in Spain could volunteer to donate one euro from their monthly salary (to be matched by the bank) to an education scheme run by the Entreculturas Foundation for the extreme poor in the Andes region of Peru. By year-end, 4,522 employees had joined the scheme. BBVA Banco Provincial (Venezuela) and the Central Region University of Technology also reached an agreement to provide comprehensive training and advice to micro-firms. In Spain, the bank awarded the second round of *Blue Joven* Prizes for "Enterprising People of Andalucia" and announced the 2006 edition of the *Ruta Quetzal BBVA*, visiting Mexico, Belize, Guatemala and Spain.

**The environment:** significant events also took place in this area. They included internal items (such as the ISO 14001 certificate for environmental management at the HQ building on Paseo de la Castellana 81 in Madrid) as well as sponsored activities (membership of the CeroCO2 initiative to offset CO2 emissions and opening of the Cap Salines Coastal Research Station in Mallorca – sponsored by the BBVA Foundation).

**Knowledge enhancement:** BBVA has joined an important medical project to create a Spanish Cardiovascular Research Centre. Meanwhile the BBVA Foundation has actively continued promoting and distributing scientific knowledge. It presented the results of various research projects, including one on the Internet in Spain and "The Sustainable Enterprise". In addition the economic research department unveiled a new web site for the handicapped and Banco de Crédito Local sponsored a second edition of the Local Forum Observatory Prize for contributions to the development and modernisation of local government.

**Culture:** BBVA either sponsored or organised four exhibitions during the period. They were *Masters of Collage* (at the Miró Foundation in Barcelona); *Hasta pulverizarse los ojos* (Madrid and Bilbao); the 17th Audiovisual Exhibition (Bilbao) and an exhibition on the Belem Palace (Lisbon). Furthermore, the bank organised a series of competitions for the employees' children in Spain and Latin America as part of the *Passion for People* campaign. The winning entry from these, complemented by an international competition, became the illustration on the corporate Christmas card.

## Consolidated balance sheet (Million euros)

| | 31-12-05 | Δ% | 31-12-04 | 30-09-05 |
|---|---|---|---|---|
| Cash and balances at Central Banks | 12,341 | 21.9 | 10,123 | 13,239 |
| Financial assets held for trading | 44,012 | (11.1) | 49,512 | 44,544 |
| Other financial assets at fair value | 1,421 | 34.1 | 1,059 | 1,380 |
| Financial assets available for sale | 60,034 | 10.3 | 54,428 | 52,882 |
| Loans and receivables | 249,397 | 26.7 | 196,892 | 235,269 |
| • Due from banks | 27,470 | 64.5 | 16,703 | 25,037 |
| • Loans to customers | 216,850 | 26.0 | 172,083 | 202,858 |
| • Other | 5,076 | (37.4) | 8,106 | 7,374 |
| Held to maturity investments | 3,959 | 77.2 | 2,234 | 3,930 |
| Investments in associates | 1,473 | 5.3 | 1,399 | 1,446 |
| Property, plant and equipment | 4,383 | 11.3 | 3,940 | 4,256 |
| Intangible assets | 2,070 | 152.1 | 821 | 1,730 |
| Other assets | 13,299 | (6.8) | 14,269 | 16,190 |
| **TOTAL ASSETS** | **392,389** | **17.2** | **334,678** | **374,867** |
| | | | | |
| Financial liabilities held for trading | 16,271 | (19.7) | 20,263 | 19,595 |
| Other financial liabilities at fair value | 740 | (11.3) | 834 | 768 |
| Financial liabilities at amortised cost | 329,505 | 19.5 | 275,767 | 308,348 |
| • Deposits by Central Banks and banks | 66,315 | 3.1 | 64,349 | 61,363 |
| • Due to customers | 182,635 | 21.7 | 150,075 | 166,128 |
| • Marketable debt securities | 62,842 | 38.2 | 45,482 | 62,434 |
| • Subordinated debt | 13,723 | 11.3 | 12,327 | 13,720 |
| • Other | 3,990 | 12.9 | 3,533 | 4,703 |
| Liabilities under insurance contracts | 10,501 | 29.4 | 8,114 | 10,215 |
| Other liabilities | 18,071 | 13.7 | 15,894 | 19,034 |
| **TOTAL LIABILITIES** | **375,087** | **16.9** | **320,873** | **357,960** |
| | | | | |
| Minority interests | 977 | 32.5 | 738 | 916 |
| Valuation adjustments | 3,289 | 56.1 | 2,107 | 3,546 |
| Shareholders' funds | 13,036 | 18.9 | 10,961 | 12,446 |
| **EQUITY** | **17,302** | **25.3** | **13,805** | **16,908** |
| | | | | |
| **TOTAL LIABILITIES AND EQUITY** | **392,389** | **17.2** | **334,678** | **374,867** |
| | | | | |
| **MEMORANDUM ITEM:** | | | | |
| Contingent liabilities | 29,862 | 38.5 | 21,558 | 26,978 |

## Consolidated income statement (Million euros)

| | 2005 | Δ% | 2004 |
|---|---|---|---|
| Core net interest income | 6,915 | 17.1 | 5,904 |
| Dividends | 292 | 14.6 | 255 |
| **NET INTEREST INCOME** | **7,208** | **17.0** | **6,160** |
| Net income by the equity method | 121 | 25.2 | 97 |
| Net fee income | 3,940 | 15.4 | 3,413 |
| Income from insurance activities | 487 | 24.7 | 391 |
| **CORE REVENUES** | **11,756** | **16.9** | **10,060** |
| Net trading income | 1,267 | 19.6 | 1,060 |
| **ORDINARY REVENUES** | **13,024** | **17.1** | **11,120** |
| Net revenues from non-financial activities | 126 | (0.6) | 126 |
| Personnel costs | (3,602) | 10.9 | (3,247) |
| General expenses | (2,160) | 16.7 | (1,851) |
| Depreciation and amortization | (449) | 0.1 | (448) |
| Other operating income and expenses (net) | (115) | 4.6 | (110) |
| **OPERATING PROFIT** | **6,823** | **22.0** | **5,591** |
| Impairment losses on financial assets (net) | (854) | (10.8) | (958) |
| • Loan-loss provisions | (813) | 3.7 | (784) |
| • Other | (41) | (76.3) | (174) |
| Provisions (net) | (454) | (46.6) | (851) |
| Other income/losses (net) | 77 | (78.3) | 355 |
| • From disposal of equity holdings | 29 | (90.7) | 308 |
| • Other | 49 | 4.4 | 47 |
| **PRE-TAX PROFIT** | **5,592** | **35.2** | **4,137** |
| Corporate income tax | (1,521) | 47.9 | (1,029) |
| **NET PROFIT** | **4,071** | **31.0** | **3,108** |
| Minority interests | (264) | 42.3 | (186) |
| **NET ATTRIBUTABLE PROFIT** | **3,806** | **30.2** | **2,923** |
| **EARNINGS PER SHARE CALCULATION** | | | |
| Average ordinary shares in circulation (thousand) | | | |
| Basic earnings per share | 3,390,852 | 0.6 | 3,372,205 |
| Diluted earnings per share | 1.12 | 29.5 | 0.87 |
| | 1.12 | 29.5 | 0.87 |

## Statement of Changes in Equity (Million euros)

| | Capital | Reserves | Profit for the year | Treasury shares | Valuation adjustments | Minority interest | Paid dividends | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 31-12-04** | **1,662** | **7,428** | **2,923** | **(36)** | **2,107** | **738** | **(1,015)** | **13,805** |
| Valuation adjustments | | | | | 1,182 | 3 | | 1,185 |
| Profit retained | | 1,424 | (1,424) | | | | | - |
| Dividends | | | (1,499) | | | (61) | (151) | (1,712) |
| Shares issued | | | | | | | | - |
| Treasury stock | | | | (60) | | | | (60) |
| Profit for the year | | | 3,806 | | | 264 | | 4,071 |
| Other | | (21) | | | | 34 | | 14 |
| **BALANCE AT 31-12-05** | **1,662** | **8,831** | **3,806** | **(96)** | **3,289** | **977** | **(1,167)** | **17,302** |

## Reconciliation of equity due to application of new accounting regulation (Million euros)

| | |
|---|---|
| **GROUP EQUITY AT 31-12-03** | **12,774** |
| **ADJUSTMENTS AFTER FIRST APPLICATION OF IFRS** | |
| Accrual of arrangement fees | (194) |
| Valuation of derivatives | (50) |
| Loan loss provisions (net) | (190) |
| Goodwill | (1,952) |
| Net provisions for pension fund | (933) |
| Valuation of pension fund liabilities externalized with Group companies | (394) |
| Valuation adjustments in assets linked to pension fund liabilities externalized with Group companies | 264 |
| Other (net) | (382) |
| Valuation adjustments | 1,376 |
| **EQUITY AT 1-01-04** | **10,319** |
| **MOVEMENTS FROM 1-01-04 TO 31-12-04** | |
| Share capital increase | 1,999 |
| Profit for the period | 2,923 |
| Buy-out of Bancomer minorities | (1,376) |
| Valuation adjustments | 466 |
| Dividend paid | (1,015) |
| Other | (248) |
| **EQUITY AT 31-12-04** | **13,068** |

## Reconciliation of profit due to application of new accounting regulation (Million euros)

| | 1Q 04 | 2Q 04 | 3Q 04 | 4Q 04 | 2004 |
|---|---|---|---|---|---|
| **PROFIT ANNOUNCED IN 2004** | **667** | **688** | **704** | **742** | **2,802** |
| ADJUSTMENTS IFRS | 24 | 131 | (30) | (4) | 121 |
| • Accrual of arrangement fees | (11) | (14) | (14) | (6) | (46) |
| • Valuation of derivatives and financial assets | (8) | 8 | 13 | (39) | (25) |
| • Loan loss provisions | 23 | - | (15) | (16) | (8) |
| • Goodwill | 121 | 172 | 173 | (122) | 344 |
| • Provisions for pension fund | - | - | - | - | - |
| • Securities portfolio (associates) | (33) | 41 | (61) | (84) | (137) |
| • Other | (68) | (75) | (126) | 262 | (8) |
| **PROFIT ADJUSTED UNDER IFRS** | **691** | **819** | **674** | **739** | **2,923** |

# Information by segments. 2005 (Million euros)

## INCOME STATEMENTS

| | Retail Banking Spain and Portugal | Wholesale and Investment Banking | The Americas | Corporate Activities | TOTAL BBVA GROUP |
|---|---|---|---|---|---|
| Net interest income | 3,182 | 440 | 3,797 | (212) | 7,208 |
| Ordinary revenues | 5,203 | 1,136 | 6,441 | 243 | 13,024 |
| Operating profit | 2,922 | 886 | 3,291 | (277) | 6,823 |
| Pre-tax profit | 2,469 | 806 | 2,768 | (452) | 5,592 |
| Net attributable profit | 1,614 | 592 | 1,820 | (219) | 3,806 |

## RETAIL BANKING SPAIN AND PORTUGAL

| | Financial Services | Asset Management and Private Banking | Rest of business | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 3,129 | 35 | 19 | 3,182 |
| Ordinary revenues | 4,700 | 279 | 223 | 5,203 |
| Operating profit | 2,611 | 194 | 117 | 2,922 |
| Pre-tax profit | 2,177 | 183 | 109 | 2,469 |
| Net attributable profit | 1,422 | 118 | 73 | 1,614 |

## WHOLESALE AND INVESTMENT BANKING

| | Wholesale Banking | Global Markets and Distribution | Rest of business | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 453 | (28) | 15 | 440 |
| Ordinary revenues | 698 | 396 | 42 | 1,136 |
| Operating profit | 529 | 247 | 110 | 886 |
| Pre-tax profit | 419 | 248 | 138 | 806 |
| Net attributable profit | 287 | 177 | 128 | 592 |

## THE AMERICAS

| | Banks in America | | Pensions and insurance | Rest of business | TOTAL AREA |
|---|---|---|---|---|---|
| | Mexico | Rest of banks | | | |
| Net interest income | 2,463 | 1,263 | 13 | 58 | 3,797 |
| Ordinary revenues | 3,602 | 1,871 | 749 | 220 | 6,441 |
| Operating profit | 2,015 | 785 | 408 | 84 | 3,291 |
| Pre-tax profit | 1,678 | 594 | 412 | 85 | 2,768 |
| Net attributable profit | 1,191 | 320 | 260 | 49 | 1,820 |

# Information by segments. 2004 (Million euros)

## INCOME STATEMENTS

| | Retail Banking Spain and Portugal | Wholesale and Investment Banking | The Americas | Corporate Activities | TOTAL BBVA GROUP |
|---|---|---|---|---|---|
| Net interest income | 3,015 | 423 | 2,865 | (143) | 6,160 |
| Ordinary revenues | 4,805 | 914 | 5,019 | 382 | 11,120 |
| Operating profit | 2,583 | 662 | 2,431 | (85) | 5,591 |
| Pre-tax profit | 2,181 | 493 | 1,936 | (472) | 4,137 |
| Net attributable profit | 1,427 | 404 | 1,195 | (102) | 2,923 |

## RETAIL BANKING SPAIN AND PORTUGAL

| | Financial Services | Asset Management and Private Banking | Rest of business | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 2,956 | 32 | 27 | 3,015 |
| Ordinary revenues | 4,364 | 254 | 188 | 4,805 |
| Operating profit | 2,322 | 173 | 88 | 2,583 |
| Pre-tax profit | 1,943 | 171 | 66 | 2,181 |
| Net attributable profit | 1,265 | 111 | 50 | 1,427 |

## WHOLESALE AND INVESTMENT BANKING

| | Wholesale Banking | Global Markets and Distribution | Rest of business | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 433 | 7 | (17) | 423 |
| Ordinary revenues | 620 | 197 | 97 | 914 |
| Operating profit | 444 | 64 | 153 | 662 |
| Pre-tax profit | 248 | 44 | 201 | 493 |
| Net attributable profit | 167 | 54 | 182 | 404 |

## THE AMERICAS

| | Banks in America | | Pensions and insurance | Rest of business | TOTAL AREA |
|---|---|---|---|---|---|
| | Mexico | Rest of banks | | | |
| Net interest income | 1,763 | 1,034 | 19 | 49 | 2,865 |
| Ordinary revenues | 2,663 | 1,492 | 641 | 222 | 5,019 |
| Operating profit | 1,379 | 646 | 329 | 77 | 2,431 |
| Pre-tax profit | 1,074 | 474 | 324 | 64 | 1,936 |
| Net attributable profit | 730 | 227 | 201 | 37 | 1,195 |

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