QUARTERLY REPORT

# Results 2006

BBVA

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# BBVA GROUP HIGHLIGHTS

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(Consolidated figures)

| | 31-12-06 | 31-12-06 excluding one-offs (1) | Δ% (2) | 31-12-05 |
|---|---|---|---|---|
| **BALANCE SHEET (million euros)** | | | | |
| Total assets | 411,916 | | 5.0 | 392,389 |
| Total lending (gross) | 262,969 | | 18.2 | 222,413 |
| On-balance sheet customer funds | 283,645 | | 9.4 | 259,200 |
| Other customer funds | 142,064 | | (0.5) | 142,707 |
| Total customer funds | 425,709 | | 5.9 | 401,907 |
| Equity | 22,318 | | 29.0 | 17,302 |
| Shareholders' funds | 18,210 | | 39.7 | 13,036 |
| **INCOME STATEMENT (million euros)** | | | | |
| Net interest income | 8,374 | 8,374 | 16.2 | 7,208 |
| Core revenues | 13,667 | 13,667 | 16.3 | 11,756 |
| Ordinary revenues | 15,701 | 15,178 | 16.5 | 13,024 |
| Operating profit | 8,883 | 8,360 | 22.5 | 6,823 |
| Pre-tax profit | 7,030 | 6,533 | 16.8 | 5,592 |
| Net attributable profit | 4,736 | 4,580 | 20.3 | 3,806 |
| **DATA PER SHARE AND MARKET CAPITALIZATION** | | | | |
| Share price | 18.24 | | 21.0 | 15.08 |
| Market capitalization (million euros) | 64,788 | | 26.7 | 51,134 |
| Net attributable profit | 1.39 | 1.34 | 19.8 | 1.12 |
| Book value | 5.13 | | 33.4 | 3.84 |
| PER (Price/earnings ratio; times) | 13.7 | | | 13.4 |
| P/BV (Price/book value; times) | 3.6 | | | 3.9 |
| **SIGNIFICANT RATIOS (%)** | | | | |
| Operating profit/ATA | 2.24 | 2.11 | | 1.87 |
| ROE (Net attributable profit/Average equity) | 37.6 | 36.4 | | 37.0 |
| ROA (Net profit/ATA) | 1.26 | 1.22 | | 1.12 |
| RORWA (Net profit/Risk weighted average assets) | 2.12 | 2.05 | | 1.91 |
| Efficiency ratio | 39.6 | 40.9 | | 43.2 |
| Efficiency ratio including depreciation and amortization | 42.6 | 44.0 | | 46.7 |
| NPL ratio | 0.83 | | | 0.94 |
| NPL coverage ratio | 272.8 | | | 252.5 |
| **CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)** | | | | |
| Total | 12.0 | | | 12.0 |
| Core capital | 6.2 | | | 5.6 |
| TIER I | 7.8 | | | 7.5 |
| **OTHER INFORMATION** | | | | |
| Number of shares (million) | 3,552 | | | 3,391 |
| Number of shareholders | 864,226 | | | 984,891 |
| Number of employees | 98,553 | | | 94,681 |
| • Spain | 30,582 | | | 31,154 |
| • America (3) | 66,146 | | | 61,604 |
| • Rest of the world | 1,825 | | | 1,923 |
| Number of branches | 7,585 | | | 7,410 |
| • Spain | 3,635 | | | 3,578 |
| • America (3) | 3,797 | | | 3,658 |
| • Rest of the world | 153 | | | 174 |

N.B.: Non-audited figures. Consolidated quarterly accounts for the Bank and the Group's companies follow International Financial Reporting Standards adopted by the European Union, also considering the Bank of Spain Circular 4/2004.

(1) Capital gains on BNL, Repsol and Andorra and non-recurrent charges for early retirements and corporate income tax booked in the second and fourth quarters of 2006.
(2) Percentage changes in the profit and loss and earnings per share excluding the one-off operations in 2006.
(3) 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 BBVA Group has just completed its best year ever. Vigorous performance by all business areas resulted in significant growth in the volume of business, boosting recurrent revenues, which are the basis of the increase in profit. At the same time, the Group improved its efficiency, profitability and risk quality. It is one of the top European banks in terms of these indicators. The highlights of the Group's performance and strategy in the fourth quarter and the full year are summarised below:

- The acquisition of Texas Regional Bancshares was concluded in November. More recently (January 2007), State National Bank also became part of the BBVA Group.

- The Group took a decisive step in its Asia Plan with a strategic partnership with Citic Group. This entails an initial investment of €989m that will open the mainland Chinese markets (through a 5% stake in China Citic Bank) and the Hong Kong market (via a 15% stake in Citic International Financial Holdings). The Group has also opened a representative office in Sydney and obtained approval to open another in Mumbai.

- In the fourth quarter of 2006, the Group generated operating profit of €2,274m, with a year-on-year increase of 21.1% (26.0% at constant exchange rates). Net attributable profit came to €279m, affected by non-recurrent provisions of €777m for early retirements (€544m after tax) and an additional tax charge of €457m due to new rules that will reduce the effective tax rate in future years. Excluding these charges, net attributable profit for the fourth quarter comes to €1,280m, an increase of 18.7% compared to the same period in 2005 (an increase of 23.2% at constant exchange rates).

- For the full year, net attributable profit was €4,736m. However, excluding 156m of non-recurrent items (those mentioned above in the fourth quarter and €1,157m of capital gains associated with BNL, Repsol and Andorra in the second quarter), net attributable profit in 2006 comes to €4,580m, rising 20.3% over the €3,806m obtained in 2005. This means earnings per share were €1.34 (up 19.8% from €1.12 in 2005) and ROE stands at 36.4% (37.0% in 2005).

- The growth in profit stems from the increase in operating profit. This rose 22.5% year-on-year to €8,360m (without the Repsol capital gains). At constant exchange rates the increase is 23.2% and the trend is upwards in recent quarters.

- The strong performance of operating profit can be traced to growth in all revenue streams. Net interest income rose 16.2% on higher business volumes and the improvement in spreads. Net income from fees and insurance was up 12.6% and net trading income rose 19.2%.

- Because of the above, ordinary revenues without non-recurrent items grew 16.5%, which was much higher than the 9.5% increase in operating expenses (including depreciation). This produced a further improvement in the cost/income ratio, which now stands at 44.0% (without Repsol capital gains), compared to 46.7% a year earlier.

- The substantial growth in lending to customers did not affect the high quality of the loan portfolio (the NPL ratio improved to 0.83% at year-end, compared to 0.94% at 31-Dec-05). However, it led to hefty generic loan-loss provisions, which increased coverage to 272.8% (252.5% a year earlier). The total amount of generic provisions now stands at €4,952m, compared to €3,967m at 31-Dec-05.

- In a move to strengthen shareholders' funds and finance the Group's growth while maintaining appropriate levels of capital adequacy, BBVA increased its capital by €3 billion on 27th November by means of an accelerated bookbuilding procedure with institutional investors at €18.62 per share. As a result, at year-end the Group's core capital stands at 6.2% (6.0% at 30-Sep-06 and 5.6% at 31-Dec-05), Tier I capital is 7.8% and the BIS ratio 12.0%.

- On 10th January the group paid a third interim dividend of €0.132 per share against 2006 results. This was the same amount as the July and October dividends and 15% higher than the dividend paid a year earlier.

- All the Group's business areas reported record profits in 2006, based on the growth of recurrent earnings. In all cases, this exceeded the increase in expenses and thus generated widespread improvements in efficiency and substantial rises in operating profit.

- In Retail Banking in Spain and Portugal, lending was up 18.3% (with contributions from all main types) and customer funds rose 9.3%. These increases, together with the improvement in spreads, helped net interest income to grow 9.2%. Net income from fees and insurance was up 11.2% and costs remained under control. Therefore, operating profit grew 14.4% and net attributable profit rose 13.8% to €1,498m.

- The Wholesale Businesses area demonstrated its ability to generate recurrent earnings. Ordinary revenues grew progressively during the year, accumulating an increase of 26.1% by year-end. This carried over to operating profit (up 30.0%) and led to net attributable profit of €1,282m (up 47.0%).

- In Mexico and the United States, the dominant factor behind the increase in revenues was net interest income. At constant exchange rates, this grew 33.3%, helped by sharp increases in lending and customer funds (up 40.6% and 24.5%, respectively, in local currencies). The improvement in customer spreads also contributed. After adding net income from fees and insurance (up 18.8%) and deducting expenses (which rose at a slower pace), operating profit grew 41.7%. This was sufficient to offset higher provisions required by the increase in lending and therefore net attributable profit came to €1,775m (up 30.8% at constant exchange rates and 29.6% at current rates).

- South America maintained the trend of previous quarters with strong year-on-year growth in all the main revenue streams. At constant exchange rates, net interest income rose 28.4% (boosted by a 28.8% increase in lending and 21.0% in customer funds). Net income from fees and insurance rose 17.2% and net trading income jumped 85.5%. Operating profit increased 37.4% and net attributable profit grew 37.0% to €509m (34.4% at current exchange rates).

- In December, the Group adopted a new management structure designed to foster growth and the current profound process of transformation and innovation, moving towards the creation of a large global entity.

## ECONOMIC ENVIRONMENT

With world growth at about 5%, 2006 became an extension of the economic boom that started in 2003. Despite the risks (oil prices, adjustments in asset prices such as the US housing market, increased disparity of trade balances, etc), the world's economy encountered significant support in technical innovation and the emerging economies. This facilitated substantial growth and low inflation. China and India played important

## INTEREST RATES
(Quarterly averages)

| | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q |
| Official ECB rate | 3.30 | 2.91 | 2.57 | 2.33 | 2.08 | 2.00 | 2.00 | 2.00 |
| Euribor 3 months | 3.59 | 3.22 | 2.90 | 2.61 | 2.34 | 2.13 | 2.12 | 2.14 |
| Euribor 1 year | 3.86 | 3.62 | 3.32 | 2.95 | 2.63 | 2.20 | 2.19 | 2.33 |
| | | | | | | | | |
| Spain 10 year bond | 3.80 | 3.89 | 3.98 | 3.51 | 3.38 | 3.23 | 3.36 | 3.64 |
| USA 10 year bond | 4.62 | 4.89 | 5.06 | 4.56 | 4.48 | 4.20 | 4.15 | 4.29 |
| | | | | | | | | |
| USA Federal rates | 5.25 | 5.25 | 4.90 | 4.44 | 3.97 | 3.43 | 2.92 | 2.45 |
| TIIE (Mexico) | 7.32 | 7.31 | 7.38 | 8.02 | 9.10 | 9.88 | 10.05 | 9.40 |

## EXCHANGE RATES (1)

| | Year-end Exchange Rates | | | Average Exchange Rates | |
|---|---|---|---|---|---|
| | 31-12-06 | Δ% on 31-12-05 | Δ% on 30-09-06 | 2006 | Δ% on 2005 |
| Mexican peso | 14.3230 | (11.8) | (2.3) | 13.6923 | (1.0) |
| Argentine peso | 4.0679 | (11.7) | (2.9) | 3.8806 | (6.2) |
| Chilean peso | 703.73 | (13.8) | (3.2) | 666.22 | 4.6 |
| Colombian peso | 2,941.18 | (8.4) | 3.0 | 2,958.58 | (2.3) |
| Peruvian new sol | 4.2098 | (4.0) | (2.2) | 4.1111 | (0.3) |
| Venezuelan bolivar | 2,824.86 | (10.4) | (3.8) | 2,695.42 | (2.9) |
| U.S. dollar | 1.3170 | (10.4) | (3.9) | 1.2556 | (0.9) |

(1) Expressed in currency/euro.

roles but practically all regions contributed. This generated a considerable increase in world trade. With long-term interest rates at relatively low levels and buoyant company earnings, share prices enjoyed an excellent year and recovered levels not seen since the recession in 2001.

In the USA, with the economy slowing gradually in the second quarter, the Federal Reserve halted the upward cycle in interest rates at 5.25% in June. From that moment, long-term rates started a decline that led to a negative slope on the yield curve. The 10-year US bond fell below the Fed's benchmark rate.

The European Union enjoyed solid growth in 2006; domestic demand recovered and exceeded expectations. The Spanish economy benefited from these conditions and exceeded the forecasts made at the beginning of the year. Growth was around 3.7%, helped by a smaller gap between the positive contributions of domestic demand and the negative effect of the trade balance. As soon as the momentum in activity was confirmed, the ECB raised interest rates faster, in the second half of 2006, bringing them to 3.5% at year-end. This increase was reflected in short-term market rates (one-year euribor moved up to 4% by year-end). However, after gaining ground in the first half, long-term rates declined in the second (although not as fast as the US bond). This resulted in a flat yield curve at the end of the year.

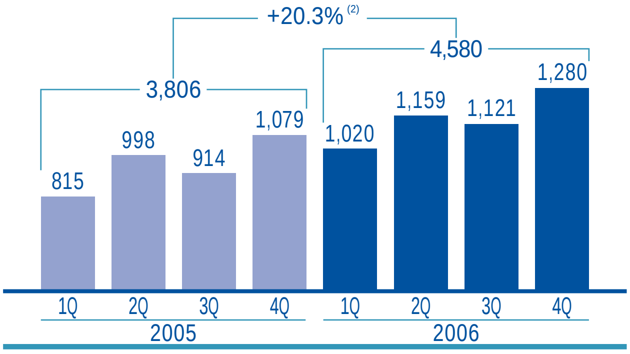
In Latin America, 2006 was also favourable. Growth was around 5% and the economic cycles of the different countries were largely in step. Country risk premiums fell in a context of institutional stability, capital flowed into the region and inflation moderated. The Mexican economy exceeded expectations with growth of 4.6% in 2006. This was supported by domestic demand and foreign trade and inflation was kept under control despite a slight rebound at year-end. As a result, the local central bank held rates steady at 7% after a series of declines that ended in April.

In the fourth quarter, the US dollar depreciated 3.9% against the euro, dragging most Latin-American currencies with it. This added to the cumulative depreciation in 2006 of currencies that have the greatest impact on the BBVA Group's financial statements. The Mexican peso fell 11.8%, the Chilean peso 13.8%, the Argentine peso 11.7%, the US dollar 10.4% and the Venezuelan bolivar 10.4%. This had a negative effect on year-on-year comparisons on the Group's balance sheet at 31-Dec-06. However the impact on the income statement, which is determined by the variation in average exchange rates between 2005 and 2006, is only slightly negative (unlike the previous quarters of 2006). This shows depreciations against the euro of 1.0% for the Mexican peso, 6.2% for the Argentine peso, 2.9% for the bolivar, 2.3% for the Colombian peso and 0.9% for the US dollar. The Chilean peso appreciated 4.6% against the euro.

# Earnings

In the fourth quarter of 2006, the BBVA Group's operating profit came to €2,274m, increasing 21.1% year-on-year. After adjusting for changes in exchange rates, which had a negative effect in the quarter, the increase becomes 26.0%. Net attributable profit came to €279m and the difference is due to a series of non-recurrent items booked during the period. The first of these is provisions of €777m for the early retirement programme associated with the restructuring of branch networks in Spain and those derived from the new organisational structure announced in December (€544m after tax). A further €457m is required for additional

**Net attributable profit** (1)
(Million euros)




(1) Excluding results of one-off transactions in 2006.
(2) At constant exchange rates: +21.0%.

## CONSOLIDATED INCOME STATEMENT

(Million euros)

| | 2006 | 2006 excluding one-offs (1) | Δ% excluding one-offs (1) | 2005 | Memorandum item: Δ% at constant exchange rates excluding one-offs (1) |
|---|---|---|---|---|---|
| Core net interest income | 7,995 | 7,995 | 15.6 | 6,915 | 16.4 |
| Dividends | 379 | 379 | 29.7 | 292 | 29.8 |
| NET INTEREST INCOME | 8,374 | 8,374 | 16.2 | 7,208 | 16.9 |
| Income by the equity method | 308 | 308 | 153.2 | 121 | 153.3 |
| Net fee income | 4,335 | 4,335 | 10.0 | 3,940 | 10.5 |
| Income from insurance activities | 650 | 650 | 33.6 | 487 | 35.6 |
| CORE REVENUES | 13,667 | 13,667 | 16.3 | 11,756 | 16.9 |
| Net trading income | 2,034 | 1,511 | 19.2 | 1,267 | 19.8 |
| ORDINARY REVENUES | 15,701 | 15,178 | 16.5 | 13,024 | 17.2 |
| Net revenues from non-financial activities | 131 | 131 | 4.4 | 126 | 4.9 |
| Personnel costs | (3,989) | (3,989) | 10.7 | (3,602) | 11.3 |
| General expenses | (2,342) | (2,342) | 8.4 | (2,160) | 9.2 |
| Depreciation and amortization | (472) | (472) | 5.2 | (449) | 5.7 |
| Other operating income and expenses | (146) | (146) | 27.4 | (115) | 29.7 |
| OPERATING PROFIT | 8,883 | 8,360 | 22.5 | 6,823 | 23.2 |
| Impairment losses on financial assets | (1,504) | (1,504) | 76.0 | (854) | 76.4 |
| • Loan loss provisions | (1,477) | (1,477) | 81.6 | (813) | 82.0 |
| • Other | (27) | (27) | (34.8) | (41) | (34.6) |
| Provisions | (1,338) | (561) | 23.6 | (454) | 24.4 |
| Other income/losses | 989 | 238 | 208.0 | 77 | 207.4 |
| • From disposal of equity holdings | 934 | 183 | n.m. | 29 | n.m. |
| • Other | 55 | 55 | 12.4 | 49 | 12.0 |
| PRE-TAX PROFIT | 7,030 | 6,533 | 16.8 | 5,592 | 17.5 |
| Corporate income tax | (2,059) | (1,718) | 13.0 | (1,521) | 13.6 |
| NET PROFIT | 4,971 | 4,815 | 18.3 | 4,071 | 19.0 |
| Minority interests | (235) | (235) | (11.0) | (264) | (10.3) |
| NET ATTRIBUTABLE PROFIT | 4,736 | 4,580 | 20.3 | 3,806 | 21.0 |

(1) Capital gains on BNL, Repsol and Andorra and non-recurrent charges for early retirements and corporate income tax booked in the second and fourth quarters of 2006.

## CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION

(Million euros)

| | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | 4Q (1) | 3Q | 2Q (1) | 1Q | 4Q | 3Q | 2Q | 1Q |
| Core net interest income | 2,134 | 1,999 | 1,928 | 1,933 | 1,890 | 1,785 | 1,701 | 1,539 |
| Dividends | 156 | 35 | 172 | 17 | 109 | 41 | 121 | 22 |
| NET INTEREST INCOME | 2,290 | 2,033 | 2,100 | 1,950 | 1,999 | 1,826 | 1,822 | 1,561 |
| Income by the equity method | 86 | 152 | 29 | 41 | 43 | 28 | 28 | 23 |
| Net fee income | 1,137 | 1,048 | 1,042 | 1,108 | 1,065 | 1,022 | 954 | 899 |
| Income from insurance activities | 167 | 186 | 148 | 149 | 138 | 130 | 123 | 96 |
| CORE REVENUES | 3,681 | 3,420 | 3,320 | 3,248 | 3,245 | 3,006 | 2,926 | 2,579 |
| Net trading income | 358 | 319 | 422 | 412 | 372 | 255 | 341 | 299 |
| ORDINARY REVENUES | 4,038 | 3,739 | 3,741 | 3,659 | 3,617 | 3,261 | 3,267 | 2,878 |
| Net revenues from non-financial activities | 44 | 12 | 56 | 19 | 15 | 43 | 40 | 28 |
| Personnel costs | (1,043) | (993) | (963) | (989) | (982) | (910) | (872) | (838) |
| General expenses | (610) | (570) | (574) | (588) | (599) | (551) | (532) | (479) |
| Depreciation and amortization | (125) | (115) | (104) | (128) | (125) | (117) | (105) | (102) |
| Other operating income and expenses | (30) | (38) | (41) | (38) | (49) | (27) | (9) | (31) |
| OPERATING PROFIT | 2,274 | 2,035 | 2,116 | 1,936 | 1,878 | 1,699 | 1,789 | 1,457 |
| Impairment losses on financial assets | (441) | (408) | (358) | (297) | (296) | (234) | (202) | (123) |
| • Loan loss provisions | (432) | (395) | (357) | (293) | (282) | (227) | (187) | (118) |
| • Other | (9) | (13) | (1) | (4) | (14) | (7) | (15) | (5) |
| Provisions | (80) | (139) | (207) | (135) | (125) | (75) | (123) | (131) |
| Other income/losses | 22 | 69 | 124 | 22 | 5 | 15 | 57 | (1) |
| • From disposal of equity holdings | (4) | 50 | 118 | 20 | 10 | 3 | 13 | 4 |
| • Other | 27 | 19 | 6 | 2 | (5) | 13 | 45 | (4) |
| PRE-TAX PROFIT | 1,775 | 1,557 | 1,676 | 1,526 | 1,461 | 1,406 | 1,522 | 1,203 |
| Corporate income tax | (452) | (377) | (461) | (429) | (315) | (418) | (451) | (337) |
| NET PROFIT | 1,323 | 1,180 | 1,215 | 1,097 | 1,147 | 988 | 1,070 | 866 |
| Minority interests | (43) | (59) | (55) | (77) | (68) | (73) | (72) | (50) |
| NET ATTRIBUTABLE PROFIT | 1,280 | 1,121 | 1,159 | 1,020 | 1,079 | 914 | 998 | 815 |

(1) Excluding the one-off operations.

provisions related to company tax. New tax rules will reduce the effective rate in future years but they require the Group to write off its existing tax credits in 2006. Excluding these charges, net attributable profit for the quarter would be €1,280m, an increase of 18.7% compared to the fourth quarter of 2005 (23.2% at constant exchange rates).

Net attributable profit for the whole year is €4,736m, an increase of 24.4% compared to 2005 (€3,806m). Of this amount, €156m is the net result of non-recurrent events: the two charges mentioned above (totalling €1,001m) and €1,157m of additional profit obtained in the second quarter (capital gains associated with BNL, Repsol and Andorra and the related tax charge). Excluding these, net attributable profit would be €4,580m with an increase of 20.3%. At constant exchange rates, the increase is slightly greater (21.0%) because –unlike previous quarters– the impact of exchange rates on the Group's income statement for the year is slightly negative. This can be seen in the customary additional column on the statement, which shows variations at constant rates.

Once again, the main factor behind profit was recurrent earnings. Excluding capital gains related to Repsol, ordinary revenues grew 16.5%, whereas expenses and depreciation grew 9.5%. This meant the cost/income ratio improved and cumulative operating profit came to €8,360m, climbing 22.5% over the €6,823m obtained in 2005 (up 23.2% at constant exchange rates). This item has been growing faster in recent quarters. After incorporating the Repsol capital gains, operating profit grew 30.2% to €8,883m.

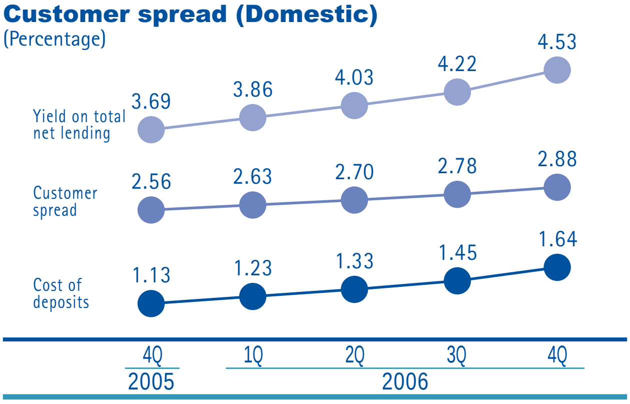
The substantial operating profit offset the 81.6% increase in generic loan-loss provisions, which were due to the sharp increase in lending to customers. The non-performing loan ratio in fact improved during the year.

## NET INTEREST INCOME

Net interest income in the fourth quarter (€2,290m) set a new record for the Group, rising 14.6% year-on-year (19.5% at constant exchange rates). For the full year, it came to €8,374m, an increase of 16.2% over the €7,208m obtained in 2005 (16.9% at constant exchange rates). Of this amount, dividends accounted for €379m (up 29.7%) and thus net interest income without dividends was €7,995m (up 15.6%). This increase was due to the growth in lending and customer funds in Spain and the Americas, as well as customer spreads.

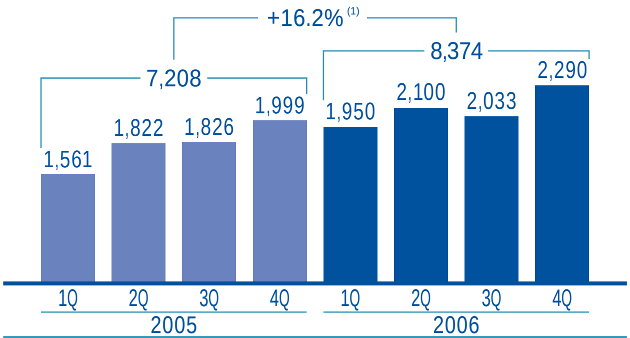
Spreads in the Spanish private sector maintained an upward trend throughout the year. They rose from 2.56 percentage points in the fourth quarter of 2005, to 2.78 points in the third quarter of 2006, and to 2.88 points in the fourth quarter. This is because increases in market rates are largely transferred to loan yields (4.53% in the fourth quarter, compared to 4.22% in the third quarter or 3.69% in the fourth quarter of 2005) whereas the cost of deposits rose more gradually to 1.64% (compared to 1.45% in the third quarter and 1.13% in the last quarter of 2005). For the entire year, customer spreads were 2.75 points (12 basis points higher than a year earlier).

**Customer spread (Domestic)**
(Percentage)




In Mexico, interest rates in the fourth quarter remained at the same level as the two previous quarters (the TIIE has been 7.3% since the end of April). The average TIIE in 2006 was 7.5%, compared to 9.6% in 2005. Despite this decline in interest rates, BBVA Bancomer improved customer spreads, which rose from 11.87 points in the fourth quarter of 2005, to 12.59 points in the third quarter of 2006 and to 12.50 points in the fourth quarter. This was because the cost of funds fell to 2.43% in the fourth quarter of 2006 (from 3.64% a year earlier). This decrease was greater than the decline in loan yields (14.92% in the last quarter of 2006, compared to 15.51% a year earlier). Furthermore, these yields benefited from strong growth in more profitable forms of lending. These improvements in spreads and the increase in business volume, especially lending, boosted net interest income 33.7% year-on-year in pesos. The South America Area also recorded strong growth in net interest income (up 28.4% at constant exchange rates) supported by the higher volume of lending and deposits.

**Net interest income**
(Million euros)

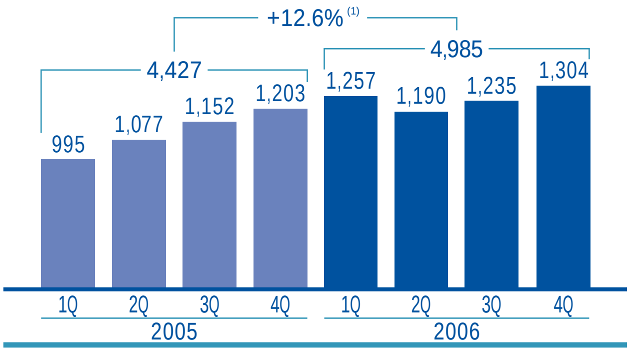



(1) At constant exchange rates: +16.9%.

## ORDINARY REVENUES

Net fee income contributed €4,335m in 2006 (up 10.0% year-on-year). Insurance business added €650m (up 33.6%) and this brought the total to €4,985m. This figure is 12.6% higher than the €4,427m obtained in 2005 (13.2% higher at constant exchange rates). All the Group's business areas recorded year-on-year increases of two-figures. Ordinary revenues in Retail Banking in Spain and Portugal increased 11.2%, in Wholesale Businesses the increase was 15.7%, in Mexico and the United States 17.6% and in South America, 15.6%.

**Fee income + Insurance**
(Million euros)

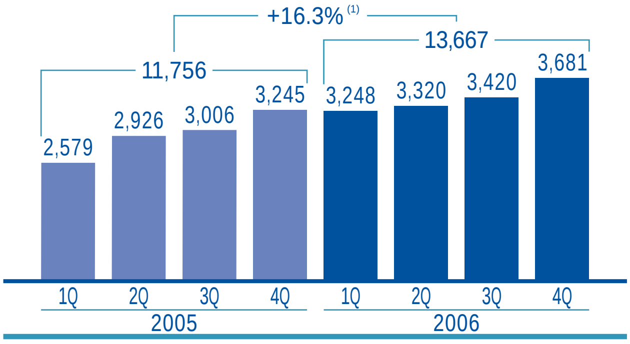



(1) At constant exchange rates: +13.2%.

Net income from companies carried by the equity method came to €308m for the year, compared to €121m in 2005. The main contributor was Corporación IBV (€251m), boosted by the sale of part of its investment in Gamesa. The sale of shares in BNL in May reduced its contribution to €25m, compared to €73m in 2005.

Core revenues, which are the sum of net interest income, net fee income, insurance and income by the equity method, came to €3,681m in the fourth quarter –another new record. This figure was 13.4% higher than the same period of 2005. For the full year, core revenues came to €13,667m, an increase of 16.3% over the €11,756m obtained in 2005 (16.9% at constant exchange rates).

**Core revenues**
(Million euros)

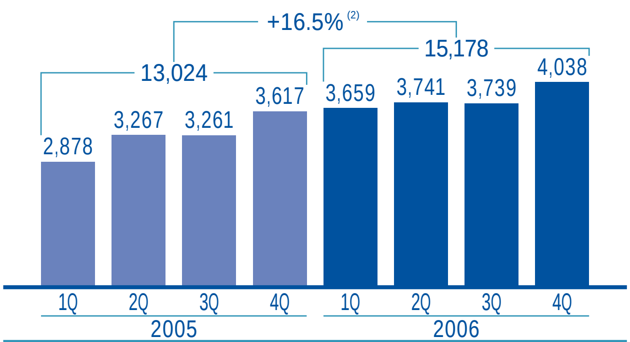



(1) At constant exchange rates: +16.9%.

Net trading income in 2006 contributed €2,034m. Of this figure, €523m were capital gains booked in the second quarter following the sale of the Group's interest in Repsol YPF. Excluding these, net trading income came to €1,511m, some 19.2% higher than the €1,267m obtained in 2005. The increase was mainly due to the wholesale business area (market operations and the sale of derivatives to customers) and to South America (especially Argentina).

As a result, ordinary revenues came to €4,038m in the fourth quarter and to €15,701m for the full year. After discounting the Repsol capital gains, ordinary revenues were €15,178m, up 16.5% compared to €13,024m in 2005. Adding €131m of net gains on non-financial activities (up 4.4% from €126m in 2005), which is mainly real estate business managed by Anida, the Group's total operating revenues in 2006 came to €15,309m without non-recurrent items. The year-on-year increase was 16.4% (20.4% with the Repsol capital gains).

**Ordinary revenues** (1)
(Million euros)

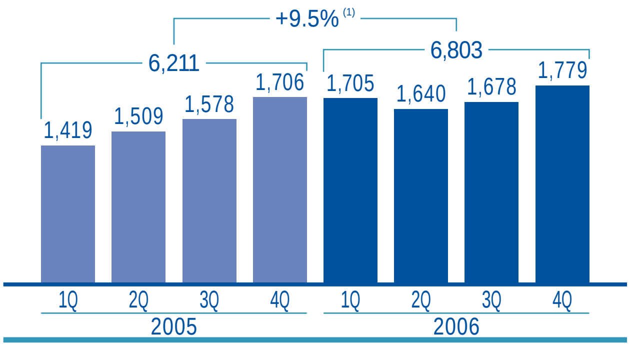



(1) Excluding Repsol capital gains in the second quarter 2006.
(2) At constant exchange rates: +17.2%.

## OPERATING PROFIT

Once again, operating expenses increased more slowly than revenues. Personnel costs were up 10.7%, general expenses 8.4% and depreciation increased 5.2%. As a result, total expenses for 2006 came to €6,803m including depreciation, a rise of 9.5% year-on-year despite the significant increase in business volume and intense marketing activity. In Spain the increase was 6.1% and in the Americas 13.5% (14.9% at constant exchange rates and 11.2% if the impact of the additions of Granahorrar, Laredo, Forum and Texas State Bank is excluded).

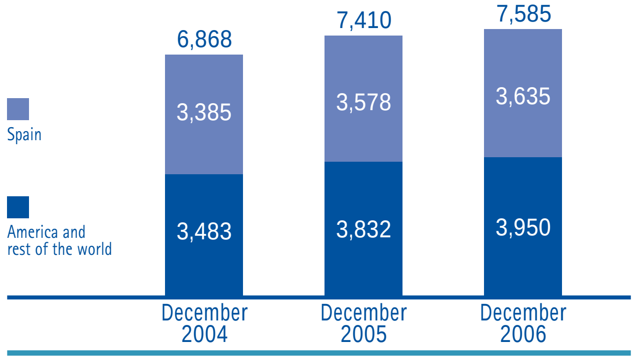
**General administrative expenses + depreciation & amortization** (Million euros)




(1) At constant exchange rates: +10.1%.

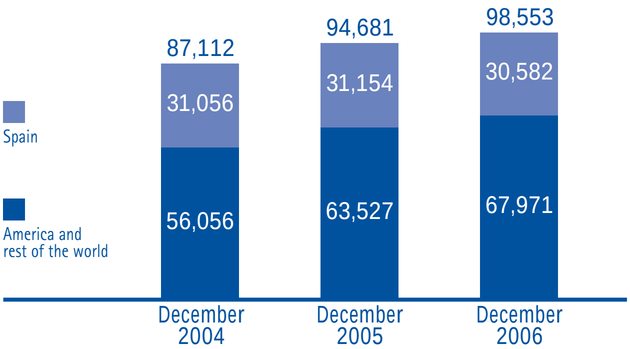
The Group ended 2006 with 98,553 employees, including 2,009 from Texas State Bank. During the year, numbers fell slightly in Spain and increased in the Americas (affected by the purchase of Forum in Chile). The Group expanded the sales force for pension fund managers in various countries owing to stiffer competition. In other areas, the number of employees declined because the sale of Andorra easily offset the expansion in Asia. At 31-Dec-06, there were 7,585 branches, including 73 from Texas State Bank. Other notable items include the expansion of Dinero Express in Spain and the extension of the network in Chile and Mexico.

**Number of branches**

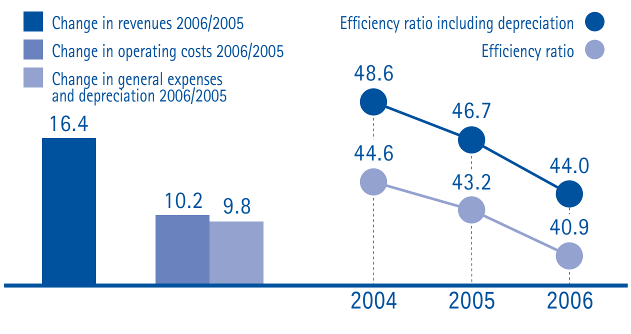



The Group also improved its long-established leadership in operating efficiency. Excluding the Repsol capital gains, the cost/income ratio including depreciation stands at 44.0% for 2006, an improvement of 2.7 percentage points compared to 2005 (46.7%). As mentioned above, this is explained by the fact that operating revenues (ordinary revenues plus net gains on non-financial services) grew 16.4%, but administrative expenses, net of recovered costs plus depreciation rose only 9.8%. All business areas improved their cost/income ratio. In Retail Banking in Spain and Portugal it was 45.4%, in Wholesale Businesses 25.2%,

**Number of employees**




**Efficiency** (1)
(Percentages)




(1) Excluding Repsol capital gains in the second quarter 2006.

## EFFICIENCY
(Million euros)

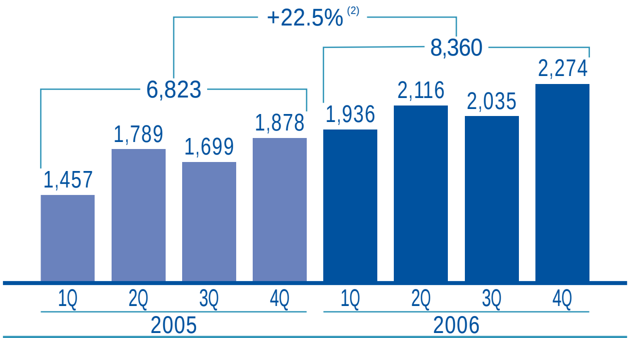
| | 2006 | 2006 excluding one-offs (1) | Δ% excluding one-offs (1) | 2005 |
|---|---|---|---|---|
| Ordinary revenues | 15,701 | 15,178 | 16.5 | 13,024 |
| Net revenues from non-financial activities | 131 | 131 | 4.4 | 126 |
| TOTAL REVENUES | 15,832 | 15,309 | 16.4 | 13,149 |
| Personnel costs | (3,989) | (3,989) | 10.7 | (3,602) |
| General expenses | (2,342) | (2,342) | 8.4 | (2,160) |
| Recovered expenses | 65 | 65 | (14.1) | 76 |
| GENERAL ADMINISTRATIVE EXPENSES (NET) | (6,265) | (6,265) | 10.2 | (5,687) |
| EFFICIENCY RATIO (Costs/revenues, %) | 39.6 | 40.9 | | 43.2 |
| Depreciation and amortization | (472) | (472) | 5.2 | (449) |
| GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION | (6,737) | (6,737) | 9.8 | (6,135) |
| EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION | 42.6 | 44.0 | | 46.7 |

(1) Repsol capital gains in the second quarter of 2006.

in Mexico and the United States 38.2% and in South America 49.7%.

The good performance of revenues and expenses led to stronger operating profit, which rose 21.1% in the fourth quarter to €2,274m (€1,878m in the same period of 2005 and up 26.0% at constant exchange rates). For the entire year, the figure is €8,360m without the Repsol capital gains. This amount is 22.5% higher than the €6,823m obtained in 2005 (23.2% higher at constant rates). This growth is one percentage point higher than the corresponding figure for the first nine months. After adding Repsol capital gains, operating profit rose 30.2%

**Operating profit** (1)
(Million euros)




(1) Excluding Repsol capital gains in the second quarter 2006.
(2) At constant exchange rates: +23.2%.

year-on-year to €8,883m (30.9% at constant rates). All business areas contributed significantly with increases of 14.4% in Retail Banking in Spain and Portugal, 30.0% in Wholesale Businesses, 40.3% in Mexico and the United States (41.7% at constant exchange rates) and 35.0% in South America (37.4% at constant rates).

## PROVISIONS AND OTHERS

In 2006, the Group set aside €1,477m for loan-loss provisions. This was 81.6% more than the €813m provided in the previous year. The increase is linked to the sharp rise in lending to customers rather than impairment of loan quality (the NPL ratio in fact improved during the year). Transfers to generic reserves were €1,051m, compared to €646m in 2005.

Furthermore, other provisions made in 2006 came to €1,338m, compared to €454m in 2005. The biggest item is the provision of €1,054m for early retirements (€288m in 2005). This is because the costs associated with the network transformation plan in Spain were booked in the fourth quarter. This plan was announced in July and implemented in October, and together with other related to the new organizational structure announced in December came to €777m.

Other gains and losses include capital gains on the sale of investments in other companies. In 2005 there were no significant divestments and this item came to €29m. However, in 2006 there were €934m in capital gains, the most important of which were the sale of Banca Nazionale del Lavoro (€568m) and Banc Internacional de Andorra (€183m).

## ● ATTRIBUTABLE PROFIT

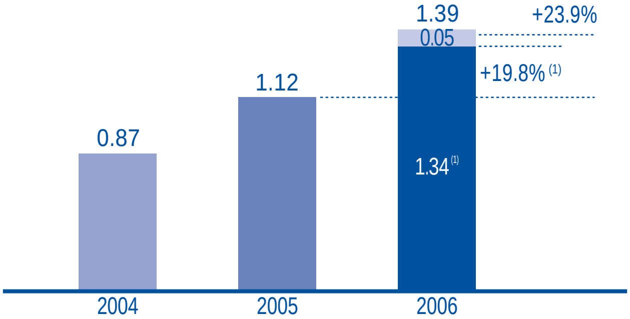
Pre-tax profit for 2006 came to €7,030m. Excluding non-recurrent items the figure is €6,533m, compared to €5,592m in 2005. Of the €2,059m provided for corporate income tax, €341m are non-recurrent. New rules will lower tax rates in future years (32.5% in 2007 and 30% from 2008 onwards, compared to 35% at present). This will have a positive effect from 2007 onwards but the Group is obliged to write off certain tax credits in 2006. Thus the non-recurrent provision is made up of €379m related to the new tax rules less the net result of tax charges and adjustments associated with the Repsol, BNL and Andorra capital gains, together with provisions for non-recurrent early retirements.

Excluding non-recurrent items, net profit would be €4,815m and the year-on-year increase 18.3%. After deducting €235m for minority interests, the net attributable profit of the Group for 2006 is €4,580m, an increase of 20.3% compared to the €3,806m obtained in 2005 (21.0% at constant exchange rates). The trend has been upwards each quarter. Including the €156m of non-recurrent items in the second and fourth quarters, net attributable profit rose 24.4% to €4,736m.

By business area, Retail Banking in Spain and Portugal contributed €1,498m (up 13.8%), Wholesale Businesses contributed €1,282m (up 47.0%), Mexico and the United States €1,775m (up 29.6% in euros terms and 30.8% at constant exchange rates) and South America €509m (up 34.4% at current rates and 37.0% at constant rates). Corporate Activities's contribution was negative €329m ( €132m in 2005).

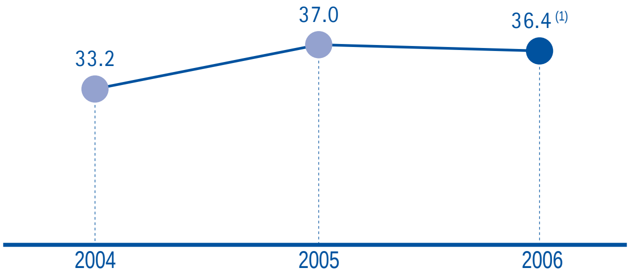
Earnings per share in 2006 were €1.34 without non-recurrent items, rising 19.8% over the €1.12 generated in 2005. The increase is less than the rise in net attributable profit owing to the capital increase in November. If non-recurrent items were included, earnings per share would be €1.39. Return on equity (ROE) without non-recurrent items stands at 36.4% (37.0% in 2005) and the return on total assets (ROA) is 1.22% (1.12% in 2005).

**Earnings per share**
(Euros)



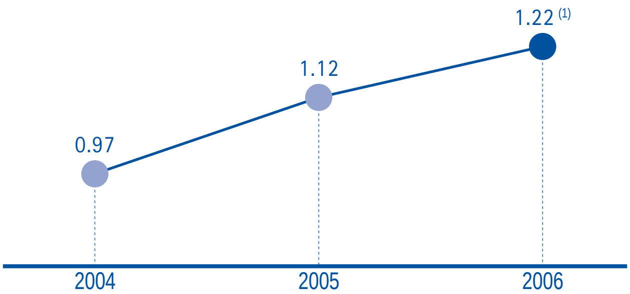

(1) Excluding results of one-off transactions.

**ROE**
(Percentage)




(1) Excluding results of one-off transactions.

**ROA**
(Percentage)




(1) Excluding results of one-off transactions.

# Business activity



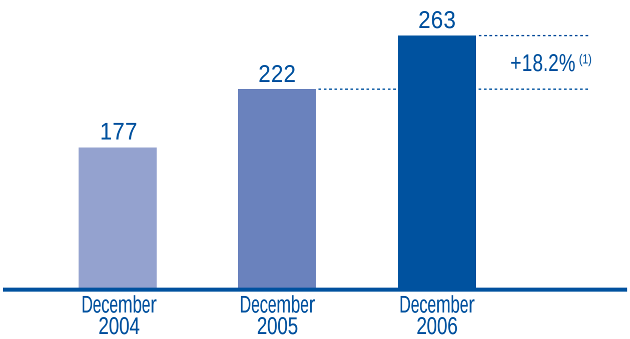
In 2006 the volume of the BBVA Group's business with customers grew significantly. Growth in lending was particularly intense. In Spain, it was reasonably balanced across all the main types of loans (residential mortgages, consumer finance, SMEs and small businesses). It also grew in most countries in the Americas, especially in lending to private individuals and SMEs. Deposits reported on the balance sheet (term deposits, current accounts and savings accounts) grew strongly in Spain and, in the Americas, current accounts, savings accounts and pension funds also recorded significant growth. American currencies lost ground against the euro during the year. The Mexican peso fell 11.8%, the Chilean peso 13.8%, the Argentine peso 11.7%, the US dollar 10.4%, the Venezuelan bolivar 10.4%, the Colombian peso 8.4% and Peruvian sol 4.0%. This distorts year-on-year comparisons, therefore percentages for the main figures are also stated at constant exchange rates so readers can analyse local management performance in each case.

## ● LENDING TO CUSTOMERS

At the end of 2006, lending to customers came to €263 billion, rising 18.2% compared to €222 billion at 31-Dec-05. At constant exchange rates, the increase was 20.9%.

Of this amount, lending to the domestic private sector accounted for €166 billion, increasing 19.5% over the figure at 31-Dec-05 (€139 billion). In previous years, growth was mainly associated with secured loans but in

**Total lending (gross)**
(Billion euros)

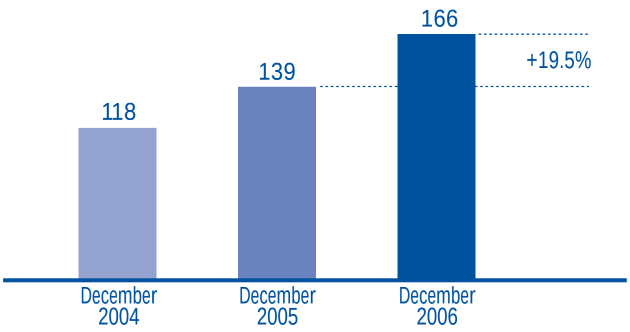



(1) At constant exchange rates: +20.9%.

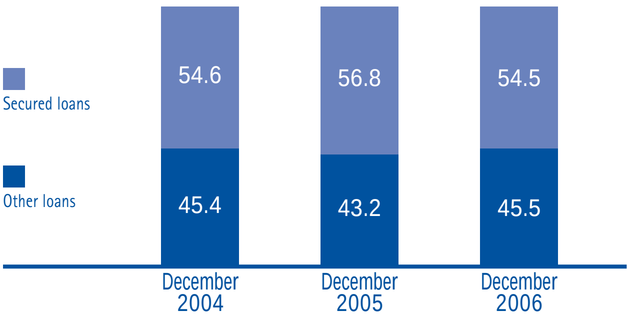
### TOTAL LENDING
(Million euros)

| | 31-12-06 | ∆% | 31-12-05 | 30-09-06 |
|---|---|---|---|---|
| Public sector | 15,942 | (0.9) | 16,088 | 15,004 |
| Other domestic sectors | 166,375 | 19.5 | 139,232 | 159,092 |
| • Secured loans | 90,649 | 14.6 | 79,128 | 88,319 |
| • Commercial loans | 13,286 | 4.9 | 12,671 | 12,565 |
| • Other term loans | 51,241 | 33.9 | 38,273 | 47,628 |
| • Credit card debtors | 1,506 | 21.7 | 1,237 | 1,211 |
| • Other | 2,695 | 59.1 | 1,695 | 2,500 |
| • Financial leases | 6,997 | 12.3 | 6,229 | 6,869 |
| Non-domestic sector | 78,160 | 20.7 | 64,747 | 72,179 |
| • Secured loans | 25,492 | 16.8 | 21,824 | 22,501 |
| • Other loans | 52,669 | 22.7 | 42,923 | 49,678 |
| Non-performing loans | 2,492 | 6.2 | 2,346 | 2,331 |
| • Public sector | 127 | 4.9 | 121 | 129 |
| • Other domestic sectors | 953 | 19.9 | 795 | 893 |
| • Non-domestic sectors | 1,411 | (1.3) | 1,430 | 1,309 |
| TOTAL LENDING (GROSS) | 262,969 | 18.2 | 222,413 | 248,606 |
| Loan loss provisions | (6,404) | 15.1 | (5,563) | (6,041) |
| TOTAL NET LENDING | 256,565 | 18.3 | 216,850 | 242,565 |

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




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




2006, it was more evenly spread. In fact, secured loans grew to nearly €91 billion at 31-Dec-06, a year-on-year increase of 14.6% (18.6% in the case of residential mortgages). However, growth has slowed in recent quarters and these loans have become a smaller percentage of total lending to the domestic private sector although they still account for 54.5%. Nonetheless, lending to small and medium enterprises and to small businesses is as buoyant as it was in 2005. Furthermore, other types of lending to private individuals (consumer finance and credit cards) are booming. All this is reported under 'Other term loans' (consumer finance and a major part of SME finance) which rose 33.9%, and under credit cards (up 21.7%). Lending in the domestic sector is complemented by public sector loans, whose balance is similar to a year earlier (€16 billion).

Lending to non-resident customers rose 20.7% to €78 billion (€65 billion at 31-Dec-05). The increase was 30.3% at constant exchange rates. This was the result of strong lending growth in most countries in the Americas (in local currencies the increase was 30% in Mexico and more than 20% in Argentina, Chile, Colombia, Peru and Venezuela). International wholesale banking also contributed.

Finally, non-performing loans (NPLs) rose 6.2% year-on-year to €2.5 billion. Total lending rose faster, therefore the Group's NPL ratio improved once again. This is examined in greater detail in the section on risk management.

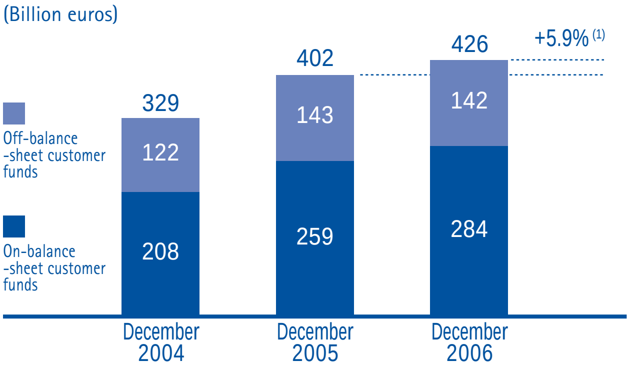
## CUSTOMER FUNDS

Total customer funds, on and off the balance sheet, came to €426 billion at 31-Dec-06, an increase of 5.9% over the €402 billion a year earlier (9.6% at constant exchange rates).

In 2006, most of the growth occurred in customer funds on the balance sheet, which rose 9.4% to €284 billion, compared to €259 billion at 31-Dec-05 (up 12.5% at constant rates). Of this figure, customer deposits accounted for €192 billion (up 5.3%, or 9.5% at constant rates), marketable debt securities accounted for €78 billion (up 23.6%) and subordinate liabilities (subordinate debt and preference shares) represented €14 billion (down 0.9%).

Customer funds off the balance sheet consist of mutual funds, pension funds and customers' portfolios. At 31-Dec-06 they came to €142 billion, which was slightly lower than a year earlier (€143 billion) although at constant exchange rates they increased 4.3%. Of this sum, Spain accounts for €76 billion, up 2.0% owing to customers' preference for time deposits in 2006, rather

**Customer funds**
(Billion euros)




(1) At constant exchange rates: +9.6%.

## CUSTOMER FUNDS

(Million euros)

| | 31-12-06 | ∆% | 31-12-05 | 30-09-06 |
|---|---|---|---|---|
| ON-BALANCE-SHEET CUSTOMER FUNDS | 283,645 | 9.4 | 259,200 | 272,072 |
| DEPOSITS | 192,374 | 5.3 | 182,635 | 184,888 |
| Public sector | 7,124 | (27.0) | 9,753 | 13,370 |
| Other domestic sectors | 94,393 | 18.4 | 79,755 | 85,259 |
| • Current and savings accounts | 47,806 | 15.8 | 41,273 | 47,519 |
| • Time deposits | 27,682 | 35.5 | 20,435 | 23,592 |
| • Assets sold under repurchase agreement | 9,081 | (24.5) | 12,030 | 7,294 |
| • Other | 9,824 | 63.3 | 6,017 | 6,854 |
| Non-domestic sector | 90,857 | (2.4) | 93,127 | 86,259 |
| • Current and savings accounts | 37,699 | 7.3 | 35,118 | 33,070 |
| • Time deposits | 42,910 | (10.3) | 47,814 | 44,148 |
| • Assets sold under repurchase agreement and other accounts | 10,249 | 0.5 | 10,195 | 9,041 |
| MARKETABLE DEBT SECURITIES | 77,674 | 23.6 | 62,842 | 74,449 |
| Mortgage bonds | 36,029 | 33.8 | 26,927 | 33,074 |
| Other marketable securities | 41,645 | 16.0 | 35,915 | 41,375 |
| SUBORDINATED DEBT | 13,597 | (0.9) | 13,723 | 12,735 |
| OTHER CUSTOMER FUNDS | 142,064 | (0.5) | 142,707 | 136,351 |
| Mutual funds | 58,452 | (0.9) | 59,002 | 58,545 |
| Pension funds | 57,147 | 5.9 | 53,959 | 53,500 |
| Customer portfolios | 26,465 | (11.0) | 29,746 | 24,306 |
| TOTAL CUSTOMER FUNDS | 425,709 | 5.9 | 401,907 | 408,423 |

than mutual funds. The other countries in which the Group operates accounted for the remaining €66 billion. The year-on-year decline of 3.1% (up 7.1% at constant exchange rates) is explained by the sale of Banc Internacional in Andorra. At 31-Dec-05, this bank contributed €7,382m to these funds. On a like-for-like basis the amount actually increased 8.7% (21.7% at constant rates).

In Spain, the figure that best represents customer funds is the aggregate of domestic private-sector deposits (excluding repurchase agreements and other such accounts) plus mutual and pension funds. By the end of 2006, this figure had risen 11.5% year-on-year to €137 billion (especially deposits, which climbed 22.3% to €75 billion).

Of the above amount, current and savings accounts represent €48 billion (up 15.8%) and more stable funds (time deposits, pension funds and mutual funds) accounted for the remaining €89 billion (up 9.3%). As mentioned above, in 2006, customers were more interested in time deposits than mutual funds and this was reflected in the corresponding figures. Time deposits increased 35.5% to nearly €28 billion whereas mutual funds fell 1.8% to €45 billion. Pension funds grew 8.0% to €16 billion, especially individual plans, which increased 10.2%.

Domestic public-sector debits came to €7 billion at 31-Dec-06, affected negatively by the amounts allocated in the Treasury's liquidity auctions. Excluding these amounts, the level is similar to a year earlier.

## OTHER CUSTOMER FUNDS

(Million euros)

| | 31-12-06 | ∆% | 31-12-05 | 30-09-06 |
|---|---|---|---|---|
| SPAIN | 76,080 | 2.0 | 74,619 | 75,431 |
| MUTUAL FUNDS | 45,491 | (1.8) | 46,340 | 46,154 |
| Mutual Funds (ex Real Estate) | 43,273 | (2.8) | 44,507 | 44,047 |
| • Monetary and short term fixed-income | 15,496 | (15.6) | 18,353 | 15,567 |
| • Long-term fixed income | 1,783 | (5.7) | 1,891 | 1,985 |
| • Balanced | 1,577 | (23.6) | 2,064 | 1,714 |
| • Equity | 4,182 | 15.3 | 3,626 | 3,942 |
| • Guaranteed | 17,094 | (3.6) | 17,725 | 17,273 |
| • Global | 3,142 | 270.6 | 848 | 3,566 |
| Real Estate investment trusts | 2,218 | 21.0 | 1,833 | 2,107 |
| PENSION FUNDS | 16,291 | 8.0 | 15,091 | 15,499 |
| Individual pension plans | 9,249 | 10.2 | 8,395 | 8,599 |
| Corporate pension funds | 7,042 | 5.2 | 6,697 | 6,900 |
| CUSTOMER PORTFOLIOS | 14,298 | 8.4 | 13,188 | 13,778 |
| REST OF THE WORLD | 65,984 | (3.1) | 68,088 | 60,920 |
| Mutual funds | 12,961 | 2.4 | 12,662 | 12,391 |
| Pension funds | 40,856 | 5.1 | 38,867 | 38,001 |
| Customer portfolios | 12,167 | (26.5) | 16,558 | 10,528 |
| OTHER CUSTOMER FUNDS | 142,064 | (0.5) | 142,707 | 136,351 |

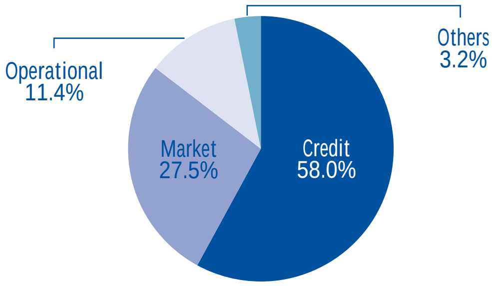
In the case of non-resident customers, the aggregate figure used above for the domestic sector (deposits excluding repurchase agreements and other such accounts, plus mutual and pension funds) came to €134 billion, which was similar to 31-Dec-05. At constant exchange rates, the amount increased 9.4%. As in recent quarters, cheaper deposits such as current and savings accounts led the way, rising 7.3% to €38 billion (up 18.0% at constant exchange rates).

Other, more stable funds fell 2.6% to €97 billion (up 6.4% at constant rates). Of these, pension funds accounted for €41 billion (up 5.1% at current exchange rates or 19.4% at constant rates) and mutual funds represented €13 billion (up 2.4% and 11.9%). Time deposits accounted for the remaining €43 billion, falling 10.3% (down 4.8% at constant exchange rates), affected by the strategy followed in Mexico. This encourages a shift to assets sold under repurchase agreements (which are accounted elsewhere) and to mutual funds.

## MAP OF ECONOMIC CAPITAL

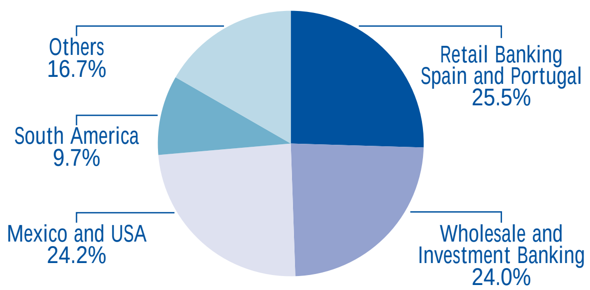
At the end of December 2006, the BBVA Group's economic capital at risk (ECR) was €17,308m and the breakdown by risk type remained stable. Lending risk accounts for 58%, market risk 27.5%, operational risk 11.4% and other risks 3.2%.

**Distribution of economic capital by risk type** (Data in attributable terms, 31-12-06)



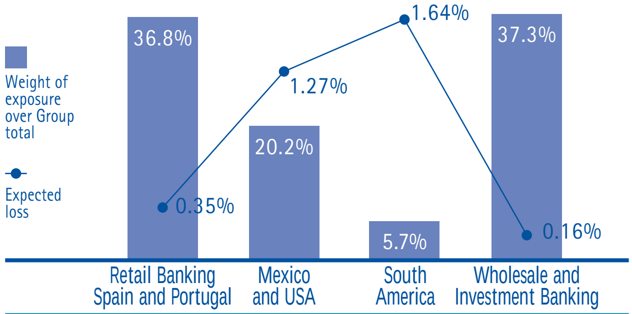

By business area, Retail Banking in Spain and Portugal consumes 25.5% of ECR and Wholesales Businesses 24%. Mexico and the United States increased its share of the total to 24.2% following the important growth in business volume in Mexico and the recent acquisition in Texas. South America accounts for 9.7% and the rest of the Group (mainly holdings in other companies and structural risks related to the balance sheet) absorbs 16.7%.

**Distribution of economic capital by business area** (Data in attributable terms, 31-12-06)




Expected losses on performing loans, in attributable terms and adjusted for the economic cycle, were €2,030m. The exposures of Wholesale Businesses and Retail Banking in Spain & Portugal are similar and together they account for 74% of the Group's total. The ratio of expected losses to exposure in each case is

**Attributable expected losses by business areas**
(Percentage over exposure, 31-12-06 )




0.16% and 0.35%, respectively. Mexico and the United States accounts for 20% of exposure to lending risk and the expected loss is 1.27%. South America's exposure in this case is 5.7% of total and the expected loss is 1.64%.

## LENDING RISK

The sharp growth in lending to customers in 2006, which is discussed in the section on business activity, did not impair the overall quality of the loan portfolio, which remains at excellent levels. It is emerging as one of the BBVA Group's strong points compared to other large European banking groups.

Total exposure with customers (including contingent liabilities) came to €305 billion in 2006, an increase of 21.0% (€252 billion at 31-Dec-05). Furthermore, lending growth during the year in Spain and the Americas was particularly strong in products such as consumer finance, credit cards and SME lending. These are more profitable but entail a potentially higher level of default than products such as mortgages which, moreover, slowed slightly in Spain.

Despite this, the increase in non-performing assets (up 6.3% to €2,531m, compared to €2,382m a year earlier) was much less than the rise in total risk.

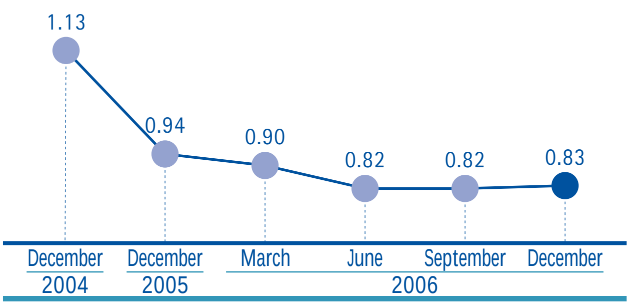
In fact, non-performing assets as a percentage of total risk at 31-Dec-06 fell to 0.83%, from 0.94% at the end of 2005. However, it should be pointed out that this improvement mainly occurred in the first half. In the second half they increased at a similar rate as total exposure. At the end of 2006, the non-performing loan (NPL) ratio in Retail Banking in Spain and Portugal was

## CREDIT RISK MANAGEMENT
(Million euros)

| | 31-12-06 | Δ% | 31-12-05 | 30-09-06 |
|---|---|---|---|---|
| TOTAL RISK EXPOSURE (1) | | | | |
| Non-performing assets | 2,531 | 6.3 | 2,382 | 2,361 |
| Total risks | 305,250 | 21.0 | 252,275 | 286,576 |
| Provisions | 6,905 | 14.8 | 6,015 | 6,510 |
| NPL ratio (%) | 0.83 | | 0.94 | 0.82 |
| NPL coverage ratio (%) | 272.8 | | 252.5 | 275.8 |
| MEMORANDUM ITEM: | | | | |
| Foreclosed assets | 222 | (38.8) | 363 | 268 |
| Foreclosed asset provisions | 82 | (51.9) | 170 | 130 |
| Coverage (%) | 36.8 | | 46.8 | 48.7 |

(1) Including contingent liabilities.

### Non-performing loan ratio
(Percentage)




0.67%, similar to the level at 31-Dec-05 (0.65%) despite the change in the structure of lending. Wholesale Businesses improved to 0.22% (0.29% a year earlier) and Mexico and the United States improved to 2.19% (2.24%) despite sharp growth in consumer finance and cards. South America also improved to 2.67% (3.67%).

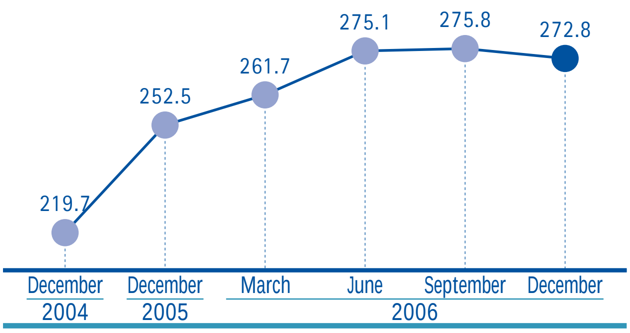
Lending growth continues to require additional loan-loss provisioning, with generic provisions up sharply. At the end of 2006, the balance of coverage funds came to €6,905m, rising 14.8% over the €6,015m level at

## VARIATIONS IN NON-PERFORMING ASSETS
(Million euros)

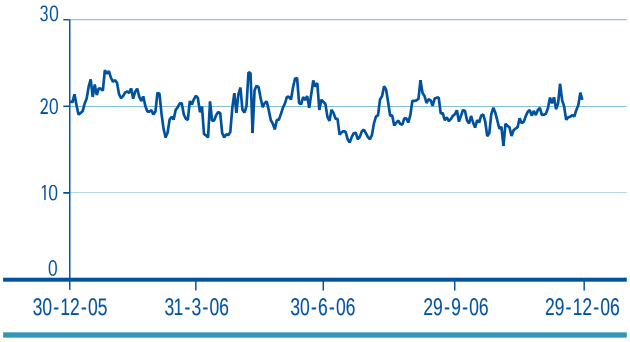
| | 2006 | | | | 2005 |
|---|---|---|---|---|---|
| | 4Q | 3Q | 2Q | 1Q | 4Q |
| BEGINNING BALANCE (1) | 2,361 | 2,240 | 2,325 | 2,382 | 2,299 |
| Net variation | 170 | 121 | (85) | (57) | 83 |
| Entries | 821 | 715 | 607 | 598 | 622 |
| Outflows | (507) | (433) | (454) | (436) | (455) |
| Write-offs | (198) | (191) | (163) | (156) | (228) |
| Exchange rate differences and other | 54 | 30 | (75) | (63) | 144 |
| PERIOD-END BALANCE (1) | 2,531 | 2,361 | 2,240 | 2,325 | 2,382 |
| MEMORANDUM ITEM: | | | | | |
| • Non-performing loans | 2,492 | 2,331 | 2,214 | 2,297 | 2,346 |
| • Non-performing contingent liabilities | 40 | 30 | 26 | 28 | 36 |

(1) Including contingent liabilities.

**Coverage ratio**
(Percentage)




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




31-Dec-05. Cumulative generic provisions increased 24.8% during the year to €4,952m and now represent 71.7% of the total. Coverage (the ratio of coverage funds to NPLs) stands at 272.8% (252.5% a year earlier) and all business areas maintain high levels. Coverage in Retail Banking in Spain and Portugal is 264.5% (275.6% at 31-Dec-05), in Wholesale Businesses it is 707.9% (561.5%), in Mexico and the United States 248.9% (251.3%) and in South America it is 132.8% (109.3%).

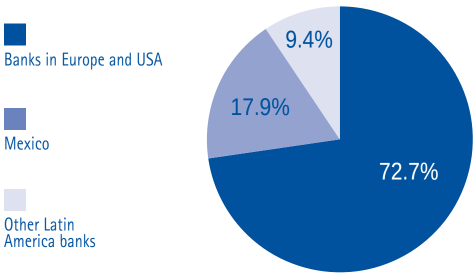
## MARKET RISK

During the fourth quarter of 2006, market exposure of the BBVA Group, measured by value-at-risk (VaR), remained similar to the previous quarter with an average of €18.9m and ended the year at €20.7m. The average weighted consumption of limits at year-end stood at a moderate level (39%).

By geographic area, Europe and the USA accounted for 72.7% of average market risk in the fourth quarter (an increase compared to the previous quarter). The remaining 27.3% corresponds to Latin-American banks, mainly Mexico (17.9%) and Chile.

In terms of risk type, the predominant factor is interest rate risk (27% of the total excluding the diversification effect and 51% if spread-related risk is considered). This is followed by stock-market exposure (21%), volatility risk associated with optional positions (18%), correlation risk (11%) and exchange-rate risk (3%).

**Market risk by geographical areas**
(Average fourth quarter 2006)




## MARKET RISK BY RISK FACTORS
(Fourth Quarter 2006. Million euros)

| | 31-12-06 | Daily VaR | | |
|---|---|---|---|---|
| | | Average | Maximum | Minimum |
| Interest [(1)] | 12.1 | 11.0 | 13.3 | 8.9 |
| Exchange rate [(1)] | 0.7 | 1.3 | 3.6 | 0.5 |
| Equity [(1)] | 5.8 | 4.7 | 5.8 | 3.8 |
| Vega and correlation | 5.2 | 5.1 | 7.0 | 4.5 |
| Diversification effect | (3.1) | (3.2) | - | - |
| TOTAL | 20.7 | 18.9 | 22.6 | 15.4 |

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

# Capital base

According to the rules of the Bank for International Settlements (BIS), the capital base of the BBVA Group at the end of 2006 was €30,164m, an increase of 8.5% compared to 30-Sep-06. Risk-weighted assets increased 4.3% in the fourth quarter to €252,373m. Therefore, the capital base surplus, in excess of the 8% of risk-weighted assets required by the rules, was €9,974m, an increase of 18.2% since the end of the previous quarter.

This means the BIS ratio stands at 12.0%, compared to 11.5% in September 2006 and 12.0% in December 2005.

The acquisition of Texas Regional Bancshares was concluded in the fourth quarter and this generated €1,257m in goodwill and an increase of €3,351m in risk-weighted assets.

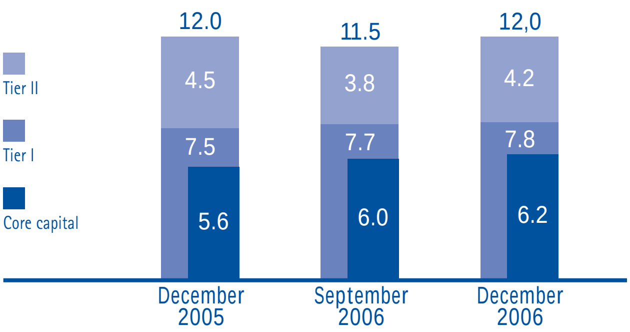
In November, the BBVA Group increased share capital by €3,000m, which it placed entirely with institutional investors. It issued 161,117,078 new shares at €18.62 per share. This capital has considerably increased the bank's capital adequacy, particularly the core capital ratio, which measures the high quality equity applicable to banks.

## CAPITAL BASE (BIS REGULATION)

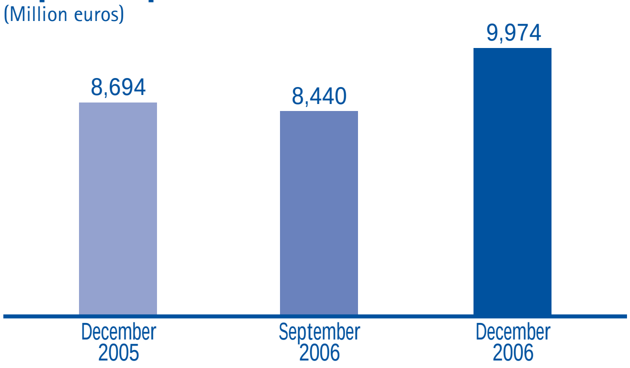
(Million euros)

| | 31-12-06 | 30-09-06 | 31-12-05 |
|---|---|---|---|
| Called-up share capital | 1,740 | 1,662 | 1,662 |
| Reserves | 13,694 | 10,913 | 9,517 |
| Minority interests | 705 | 698 | 889 |
| Deductions | (5,327) | (3,146) | (3,723) |
| Net attributable profit | 4,736 | 4,457 | 3,806 |
| CORE CAPITAL | 15,549 | 14,584 | 12,151 |
| Preference shares | 4,025 | 4,025 | 4,128 |
| CAPITAL (TIER I) | 19,574 | 18,609 | 16,279 |
| Subordinated debt | 8,783 | 7,534 | 7,996 |
| Valuation adjustments and other | 1,842 | 1,697 | 2,563 |
| Deductions | (34) | (36) | (793) |
| OTHER ELIGIBLE CAPITAL (TIER II) | 10,591 | 9,195 | 9,766 |
| CAPITAL BASE | 30,164 | 27,804 | 26,045 |
| Minimum capital requirement (BIS Regulation) | 20,190 | 19,364 | 17,351 |
| CAPITAL SURPLUS | 9,974 | 8,440 | 8,694 |
| RISK-WEIGHTED ASSETS | 252,373 | 242,045 | 216,890 |
| BIS RATIO (%) | 12.0 | 11.5 | 12.0 |
| CORE CAPITAL (%) | 6.2 | 6.0 | 5.6 |
| TIER I (%) | 7.8 | 7.7 | 7.5 |
| TIER II (%) | 4.2 | 3.8 | 4.5 |

**Capital base: BIS ratio**
(Percentage)




**Capital surplus**
(Million euros)




At 31-Dec-06, core capital stands at €15,549m, after increasing 6.6% during the quarter. This is 6.2% of risk-weighted assets, compared to 6.0% at 30-Sep-06 or 5.6% at 31-Dec-06.

After adding preference shares, Tier I capital came to €19,574m at the end of 2006. This amount is 7.8% of risk-weighted assets (7.7% at 31-Sep-06 and 7.5% at 31-Dec-05). The ratio of preference shares to core equity, in accordance with the BIS rules, fell to 20.6%.

Other eligible capital, which mainly consists of subordinate debt and revaluation reserves, amounted to €10,591m. Thus, Tier II came to 4.2% (3.8% at 30-Sep-06 and 4.5% at 31-12-05).

During the fourth quarter, the bank issued €1,000m in subordinate debt, aimed at institutional investors. This issue matures in 2016 with an early redemption option in 2011 and a coupon of 50-basis points if the issue is not redeemed after the fifth year. A $200m issue of subordinated debt matured in November.

## ● RATINGS

In December 2006, Standard & Poor´s changed its outlook on BBVA from stable to positive, raising the possibility of an upgrade if the bank continues to outperform in all business lines, including sound profitability and healthy asset quality. The agency also said the integration of the recent acquisitions and prudent management of expansion policy are other factors to be taken into account.

## RATINGS

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

# The BBVA share

The predominant international conditions in the fourth quarter of 2006 were similar to previous quarters. Stock markets were up thanks to the same factors that led to their stability (moderate interest rates and strong corporate earnings). However, the dollar remained under pressure and doubts arose regarding asset quality cycle. The Ibex 35 continued to gain ground with an increase of 9.4% in the quarter. It thus ends an exceptional year in which it climbed 31.8%. During the quarter, the Stoxx 50 rose 4.1% and the S&P 500 put on 6.2%, closing the year with increases of 10.4% and 13.6%, respectively.

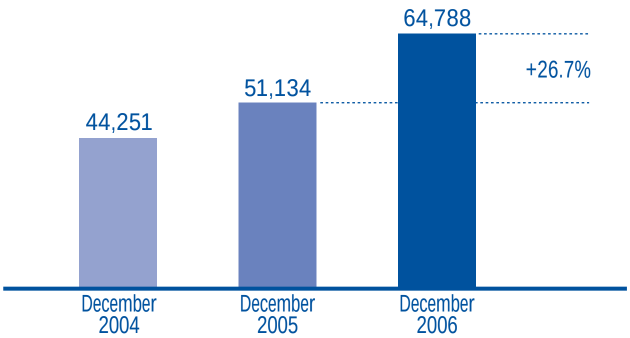
In 2006, the European banking sector followed the broader market, which was particularly favourable after the summer. In fact, banks outperformed general indices (Stoxx Banks was up 19.1% for the year). Against this backdrop, BBVA's share price climbed 21.0% during the year, outperforming the sector average.

Analysts viewed the Group's third quarter results positively, pronouncing them generally in line with forecasts. Positive factors include the consistency of the figures, the strength of lending in retail banking and the developments in Mexico.

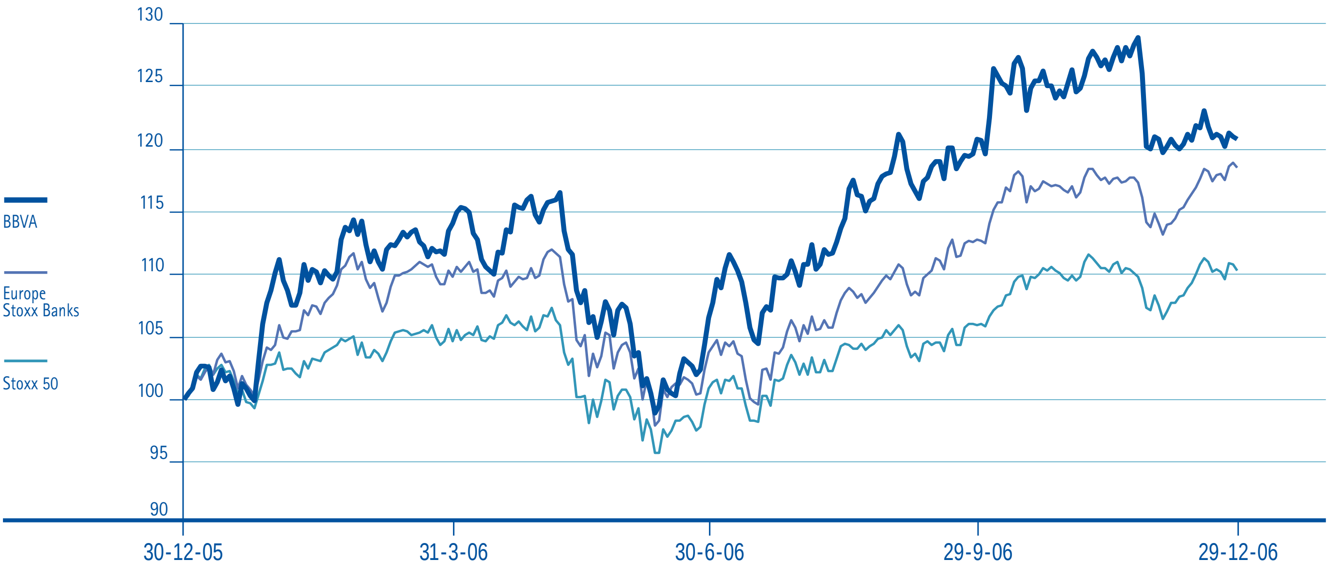
They also considered BBVA's acquisitions in China and Hong Kong favourably, noting the strategic implications. These additions will boost wholesale business in the region and capitalise on the Group's leading position in trade between Latin America and China. On 27th November, BBVA announced a capital increase of €3,000m, which it placed with institutional investors in Spain and abroad.

During the fourth quarter, BBVA's share price varied between €17.91 and €20.26, closing at €18.24 on 31st

**Market capitalization**
(Million euros)




**Share price index**
(30-12-05=100)



## THE BBVA SHARE

| | 31-12-06 | 30-09-06 | 31-12-05 |
|---|---|---|---|
| Number of shareholders | 864,226 | 896,103 | 984,891 |
| Number of shares issued | 3,551,969,121 | 3,390,852,043 | 3,390,852,043 |
| Daily average number of shares traded | 34,457,769 | 32,555,339 | 31,672,354 |
| Daily average trading (million euros) | 592.55 | 540.65 | 423.86 |
| Maximum price (euros) | 20.26 | 18.37 | 15.22 |
| Minimum price (euros) | 14.78 | 14.78 | 11.87 |
| Closing price (euros) | 18.24 | 18.25 | 15.08 |
| Book value per share (euros) | 5.13 | 4.71 | 3.84 |
| Market capitalization (million euros) | 64,788 | 61,883 | 51,134 |

## SHARE PERFORMANCE RATIOS

| | 31-12-06 | 30-09-06 | 31-12-05 |
|---|---|---|---|
| Price/Book value (times) | 3.6 | 3.9 | 3.9 |
| PER (Price/Earnings; times) | 13.7 | 13.7 | 13.4 |
| Yield (Dividend/Price; %) | 3.49 | 3.51 | 3.52 |

December. This lifted market capitalisation to €64,788m, a year-on-year increase of 26.7%. The average number of shares traded during the quarter was about 40 million per day, with an average daily value of €750m, clearly above the volumes reached in the third quarter.

In regard to shareholder remuneration, on 10th October 2006 and 10th January 2007 the bank paid its second and third interim dividends, respectively, against 2006 earnings. Each dividend was €0.132 per share, which is 15% higher than the equivalent payments a year earlier.

# BUSINESS AREAS

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

The breakdown by business area starts at the lowest level where all the initial accounting data for the business in question are kept. Management classifies and combines data from these units in accordance with a defined structure by the Group to arrive at the picture for the principal units and, finally, for the entire area itself. Likewise, the Group's individual companies also belong to different business areas according to their type of activity. If a company's activities do not match a single area, the Group assigns them and its earnings to a number of relevant 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 (CER). This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets are applied at two levels: the first is core equity, which determines the allocated capital. The Bank uses this amount as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinate debt and preference shares. The CER calculation combines lending risk, market risk (including structural risk associated with the balance sheet and equity positions), operational risk and fixed asset and technical risks in the case of insurance companies.

  Shareholders' equity, as calculated under BIS rules, is an extremely important reference to the entire Group. However, for the purpose of allocating capital to business areas the Bank prefers CER. It is risk-sensitive and thus linked to the management policies for the individual businesses and the business portfolio. This procedure anticipates the approach likely to be adopted by the future Basel II rules on capital. These provide an equitable basis for assigning capital to businesses according to the risks incurred and make it easier to compare returns.

  In this report the above method of allocating capital is applied to all business units without exception (in previous years, capital was assigned to most units in the Americas based on book value).

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

- Cross-business register: in some cases, and for the correct assignment of results, consolidation adjustments are done to eliminate double accounting produced by the incentives given to boost cross-business between units.

In the breakdown of information, the top level comprises the business areas. They are broken down into their main operating units and information is provided for these as well. The arrangement of the areas is different to that in 2005 and reflects the structure adopted for 2006.

- **Retail Banking in Spain and Portugal:**
  - Financial services
  - Asset management and private banking
- **Wholesale Businesses:**
  - SMEs and corporations
  - Global businesses
- **Businesses in Mexico and the United States:**
  - Banking businesses
  - Pensions and insurance
- **Businesses in South America:**
  - Banking businesses
  - Pensions and insurance

Apart from the above units, all areas contain an extra unit (see information by segment in the section on financial statements) composed by other businesses as well as eliminations and unassigned items.

The Corporate Activities area handles the Group's general management functions. These mainly consist of structural positions for interest and exchange rates, liquidity and shareholders' funds. It also includes the industrial portfolio management unit and financial shareholdings. The Group's companies in Andorra have also been reported under this area until their disposal.

The second level is geographic. The section on financial statements gives information by country in the Americas in which each contains banking, 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 breakdown, business in Europe comprises Retail Banking in Spain and Portugal and Wholesale Businesses.

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

**Retail Banking in Spain and Portugal:** this includes the financial services unit, ie, individual customers, small companies and businesses in the domestic market, plus consumer finance provided by Finanzia and Uno-e, mutual and pension fund managers, private banking, the insurance business and BBVA Portugal.

**Wholesale Businesses:** this area consists of the corporate banking unit, including SMEs (previously reported under Retail Banking), large companies and institutions in the domestic market. Global Businesses covers the global customers unit, investment banking, treasury management and distribution. The area also takes care of business and real estate projects.

**Mexico and the United States:** this area includes the banking, insurance and pension businesses in Mexico and the United States (including Puerto Rico).

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

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

The figures for 2005 have been recalculated based on the same criteria and area structure to provide a uniform year-on-year comparison. As usual, in the case of units in the Americas, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

## NET ATTRIBUTABLE PROFIT BY BUSINESS AREA
(Million euros)

| | 2006 | ∆% | 2005 |
|---|---|---|---|
| Retail Banking in Spain and Portugal | 1,498 | 13.8 | 1,317 |
| Wholesale and Investment Banking | 1,282 | 47.0 | 873 |
| Mexico and USA | 1,775 | 29.6 | 1,370 |
| South America | 509 | 34.4 | 379 |
| Corporate Activities | (329) | 149.0 | (132) |
| BBVA GROUP NET ATTRIBUTABLE PROFIT | 4,736 | 24.4 | 3,806 |

## ROE AND EFFICIENCY
(Percentage)

| | ROE | | Efficiency including depreciation and amortization | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Retail Banking in Spain and Portugal | 35.6 | 34.6 | 45.4 | 47.4 |
| Wholesale and Investment Banking | 31.8 | 24.4 | 25.2 | 28.6 |
| Mexico and USA | 46.7 | 44.2 | 38.2 | 43.8 |
| South America | 31.8 | 30.1 | 49.7 | 52.6 |
| BBVA GROUP | 36.4 (1) | 37.0 | 44.0 (1) | 46.7 |

(1) Excluding the one-off operations in 2006.

# Retail Banking in Spain and Portugal

## INCOME STATEMENT

(Million euros)

| | Retail Banking in Spain and Portugal | | | Memorandum item: Financial Services | | | Memorandum item: Asset Management and Private Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | Δ% | 2005 | 2006 | Δ% | 2005 | 2006 | Δ% | 2005 |
| NET INTEREST INCOME | 2,865 | 9.2 | 2,623 | 2,813 | 9.0 | 2,579 | 29 | 15.5 | 25 |
| Income by the equity method | 1 | (15.7) | 1 | 1 | n.m. | - | - | (98.6) | 1 |
| Net fee income | 1,589 | 9.1 | 1,456 | 1,477 | 10.2 | 1,340 | 271 | 12.8 | 241 |
| Income from insurance activities | 376 | 21.4 | 309 | - | - | - | - | - | - |
| CORE REVENUES | 4,830 | 10.0 | 4,390 | 4,290 | 9.5 | 3,919 | 301 | 12.6 | 267 |
| Net trading income | 72 | 31.8 | 55 | 48 | 28.3 | 38 | 9 | 37.9 | 6 |
| ORDINARY REVENUES | 4,902 | 10.3 | 4,444 | 4,338 | 9.6 | 3,957 | 309 | 13.2 | 273 |
| Net revenues from non-financial activities | 32 | 25.5 | 26 | 28 | 15.2 | 25 | - | - | - |
| Personnel and general administrative expenses | (2,193) | 4.9 | (2,092) | (1,966) | 4.1 | (1,888) | (95) | 4.1 | (91) |
| Depreciation and amortization | (102) | (0.7) | (103) | (84) | 0.7 | (84) | (5) | (26.8) | (7) |
| Other operating income and expenses | 14 | (68.4) | 43 | 15 | (66.5) | 44 | (1) | 87.6 | - |
| OPERATING PROFIT | 2,653 | 14.4 | 2,319 | 2,331 | 13.5 | 2,053 | 209 | 19.3 | 175 |
| Impairment losses on financial assets | (356) | 8.3 | (328) | (337) | 7.4 | (314) | (9) | (11.3) | (10) |
| • Loan loss provisions | (357) | 8.0 | (330) | (336) | 7.0 | (314) | (9) | (11.3) | (10) |
| • Other | 1 | (43.5) | 2 | (1) | n.m. | - | - | (100.0) | - |
| Provisions | (3) | 14.7 | (2) | (2) | n.m. | 2 | 1 | n.m. | (3) |
| Other income/losses | 16 | (11.2) | 18 | 19 | (11.3) | 21 | (2) | 121.0 | (1) |
| PRE-TAX PROFIT | 2,311 | 15.1 | 2,007 | 2,011 | 14.1 | 1,763 | 199 | 23.1 | 162 |
| Corporate income tax | (808) | 17.9 | (686) | (707) | 16.2 | (608) | (66) | 28.5 | (51) |
| NET PROFIT | 1,503 | 13.7 | 1,321 | 1,305 | 13.0 | 1,155 | 133 | 20.6 | 111 |
| Minority interests | (4) | 4.3 | (4) | (3) | (13.0) | (3) | (2) | 48.2 | (1) |
| NET ATTRIBUTABLE PROFIT | 1,498 | 13.8 | 1,317 | 1,302 | 13.0 | 1,152 | 132 | 20.3 | 110 |

## BALANCE SHEET

(Million euros)

| | Retail Banking in Spain and Portugal | | | Memorandum item: Financial Services | | | Memorandum item: Asset Management and Private Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31-12-06 | Δ% | 31-12-05 | 31-12-06 | Δ% | 31-12-05 | 31-12-06 | Δ% | 31-12-05 |
| Cash and balances at Central Banks | 1,569 | 17.1 | 1,340 | 1,490 | 17.5 | 1,268 | 14 | 157.9 | 5 |
| Financial assets | 11,863 | (9.8) | 13,159 | 329 | (35.7) | 511 | 369 | (20.9) | 466 |
| Loans and receivables | 120,449 | 18.6 | 101,561 | 111,936 | 18.1 | 94,783 | 2,970 | 37.4 | 2,162 |
| • Due from banks | 2,586 | 8.5 | 2,384 | 153 | (9.9) | 170 | 1,318 | 26.5 | 1,042 |
| • Loans to customers | 117,218 | 18.3 | 99,095 | 111,617 | 18.0 | 94,602 | 1,456 | 30.1 | 1,119 |
| • Other | 645 | n.m. | 81 | 166 | n.m. | 12 | 196 | n.m. | - |
| Inter-area positions | - | - | - | - | - | - | - | - | - |
| Property, plant and equipment | 1,218 | 8.4 | 1,123 | 1,083 | 9.3 | 991 | 13 | (23.5) | 17 |
| Other assets | 1,462 | (20.2) | 1,831 | 864 | 32.8 | 651 | 76 | (32.9) | 113 |
| TOTAL ASSETS / LIABILITIES AND EQUITY | 136,561 | 14.7 | 119,014 | 115,702 | 17.8 | 98,204 | 3,442 | 24.5 | 2,764 |
| Deposits by Central Banks and banks | 7,117 | 25.4 | 5,677 | 3,612 | 15.7 | 3,122 | 337 | (1.6) | 343 |
| Due to customers | 60,327 | 21.6 | 49,627 | 57,516 | 23.6 | 46,543 | 1,153 | 8.7 | 1,061 |
| Marketable debt securities | 77 | 86.2 | 42 | 73 | 75.7 | 42 | 4 | n.m. | - |
| Subordinated debt | 2,563 | 17.3 | 2,186 | 2,056 | 14.6 | 1,794 | 117 | 10.4 | 106 |
| Inter-area positions | 44,502 | 5.4 | 42,209 | 42,854 | 4.4 | 41,048 | 1,301 | 65.2 | 788 |
| Other liabilities | 17,549 | 14.5 | 15,327 | 5,942 | 144.2 | 2,434 | 309 | 14.9 | 269 |
| Minority interests | 18 | (68.3) | 56 | 6 | (87.7) | 47 | 12 | 42.4 | 8 |
| Shareholders' funds | 4,408 | 13.3 | 3,891 | 3,642 | 14.7 | 3,175 | 208 | 10.4 | 189 |

## RELEVANT BUSINESS INDICATORS

(Million euros and percentages)

| | Retail Banking in Spain and Portugal | | | Memorandum item: Financial Services | | | Asset Management and Private Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31-12-06 | ∆% | 31-12-05 | 31-12-06 | ∆% | 31-12-05 | 31-12-06 | ∆% | 31-12-05 |
| Customer lending (1) | 118,113 | 18.3 | 99,804 | 112,480 | 18.1 | 95,278 | 1,477 | 30.7 | 1,130 |
| Customer deposits (2) | 63,479 | 20.5 | 52,702 | 60,528 | 22.3 | 49,483 | 1,195 | 9.1 | 1,095 |
| • Deposits | 63,445 | 20.5 | 52,638 | 60,513 | 22.3 | 49,464 | 1,176 | 12.0 | 1,050 |
| • Assets sold under repurchase agreement | 34 | (46.3) | 64 | 15 | (16.0) | 18 | 19 | (58.7) | 45 |
| Off-balance-sheet funds | 61,407 | 0.7 | 60,962 | 49,369 | (0.9) | 49,820 | 10,954 | 8.2 | 10,127 |
| • Mutual funds | 44,824 | (1.7) | 45,609 | 40,324 | (3.1) | 41,604 | 3,775 | 14.2 | 3,307 |
| • Pension funds | 16,583 | 8.0 | 15,352 | 9,045 | 10.1 | 8,216 | 7,179 | 5.3 | 6,820 |
| Other placements | 7,137 | (0.1) | 7,146 | 7,108 | (0.2) | 7,119 | 29 | 10.3 | 26 |
| Customer portfolios | 19,032 | 22.1 | 15,588 | 8,181 | 45.9 | 5,608 | 10,851 | 8.7 | 9,980 |
| Total assets (3) | 124,292 | 17.9 | 105,383 | 115,702 | 17.8 | 98,204 | 3,442 | 24.5 | 2,764 |
| ROE (%) | 35.6 | | 34.6 | 37.5 | | 38.8 | 66.1 | | 39.2 |
| Efficiency ratio (%) | 43.4 | | 45.1 | 43.8 | | 45.5 | 30.6 | | 33.3 |
| Efficiency incl. depreciation and amortization (%) | 45.4 | | 47.4 | 45.7 | | 47.6 | 32.2 | | 35.8 |
| NPL ratio (%) | 0.67 | | 0.65 | 0.68 | | 0.65 | 0.01 | | - |
| Coverage ratio (%) | 264.5 | | 275.6 | 261.5 | | 274.5 | n.m. | | n.m. |

(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) Excluding insurance.

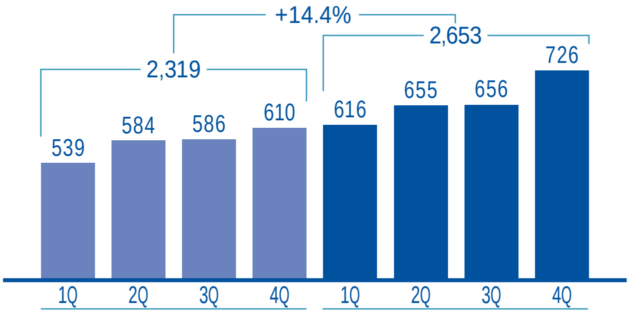
The Retail Banking Area for Spain and Portugal provides distinctive services with a high degree of personalisation to private individuals and small businesses (including professional practices, the self-employed, retailers and farmers). It also includes consumer finance (Finanzia and Uno-e), the asset management and the private banking unit (incorporating international private banking), European insurance business and BBVA Portugal. The area handles its own development, launch and distribution of new products and services.

Increased marketing productivity was the main feature in this area for the second year running. It boosted business volume, net interest income (thanks to suitable pricing policies) and other revenues. Expenses remained under control and therefore the cost/income ratio improved further. Operating profit grew 14.4% to €2,653m and was the main driver of net attributable profit, which came to €1,498m (up 13.8%). ROE stands at 35.6% (34.6% in 2005).

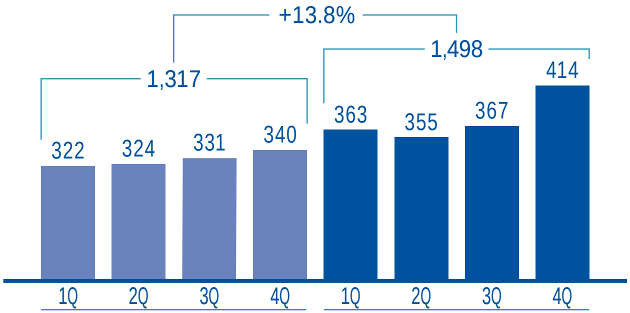
By year-end, lending to customers had grown 18.3% to €118,113m, with important contributions from the main segments. Residential mortgages were up 18.6%, consumer finance and credit cards 25.2% and lending to small businesses and the self-employed 23.3%. Despite the strong growth in consumer finance and credit cards, which would normally result in more defaults, the non-performing loan ratio remained low at 0.67% (0.65% at 31-Dec-05) and coverage is high, at 264.5% (275.6% at 31-Dec-05).

Customer funds came to €131,989m with a year-on-year increase of 9.3% (deposits were up 20.5%). Current and savings accounts rose 17.9% and the more stable deposits

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




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



increased 7.3%. Time deposits were up 34.7% as customers shifted their preference from mutual funds, whose assets under management fell 1.7%.

The combination of these increases and an improvement in customer spreads (which had grown successively narrower since 2003) lifted net interest income to €2,865m (up 9.2%). Other revenues rose 11.9%. Net fee income was up 9.1% to €1,589m, insurance revenues increased 21.4% to €376m and net trading income rose 31.8%. As a result, ordinary revenues grew 10.3% to €4,902m.

The higher revenues helped the cost/income ratio to improve to 45.4% (47.4% in 2005) because expenses rose at a slower pace (4.6% including depreciation), despite adding 80 new branches in areas of greater growth (and closing others with less potential). Loan-loss provisions increased 8.0% and the main component was generic provisions related to higher lending.

## ● FINANCIAL SERVICES

Financial services cover business with private individuals and small businesses, and the consumer finance unit. In 2006, this unit increased lending 18.1% and funds under management by 9.9% (funds reported on the balance sheet were up 22.3%). Together with the improvement in spreads and the new improvement in the cost/income ratio, these increases boosted operating profit 13.5% to €2,331m and net attributable profit rose 13.0% to €1,302m.

### Financial services for individuals

Business with private individuals continues at a high level. Constant innovation and diversification of the product range, together with greater guidance for customers, were reflected in marketing productivity, which rose 16.4% in the year to an average of 33.2 products sold per month, per account manager.

Customer fund gathering was aided in the fourth quarter by the latest savings campaign, which lifted balances more than €1,300m and entailed 500,000 promotional gifts. Together with further marketing of *Cuentas Claras*, this increased current and savings accounts balances by 18.6% (4.2% in 2005). The extensive range of time deposits helped to increase the more stable types of funds by 35.7% and this product was in great demand by customers during the year.

After becoming the first to launch an exchange-traded fund (EFT) in the Spanish market (the *Acción Ibex 35* in July), BBVA rolled out the first EFT that tracks a pan-European index in November. Other significant items include pension funds, which captured €562m in the fourth quarter, and the new range of home insurance policies (*Vivienda Extra* and *Seguro Vivienda Superior*) whose premiums rose to €159m for the year.

Consumer finance increased 25.9% following sales of €5,366m, a year-on-year increase of 40.0%, supported by new products (*Crédito Nómina, Crédito Fácil* and *Préstamo Inmediato PIDE*). Residential mortgages total nearly €72,500m (up 18.6% year-on-year). Operations closed during the year came to €26,369m (up 5.8%). Marketing focused on *Hipoteca Fácil Plus*, which incorporates the flexibility customers require.

### Financial services for small businesses

Lending to small companies, micro-firms, the self-employed and the farming sector increased 19.0% to €18,769m thanks to the excellent performance of discounted bills, factoring and leasing plans. These were complemented by a wider product range with new approaches such as the *Préstamo Bienvenida* for new customers, the *Diferencial 0%* loan or overdraft, and a business mortgage with a balloon payment.

The number of small companies and businesses that pay employees via BBVA has increased 19.4%. Furthermore, the bank continues to personalise the range of transactional products, launching *Pack Negocios* in November for professional practices, the self-employed and retailers.

Insurance sales were up 54% and the payment channels business was also positive. The number of Solred Mastercards, which are exclusively marketed by BBVA, increased 377%.

### Consumer Finance

This unit manages online banking, consumer finance and vehicle loans, credit card distribution and leasing plans (including maintenance) that are conducted via Uno-e, Finanzia, Finanzia Autorenting and Finanziamento Portugal. Operating profit rose 21.0% to €117m, supported by increased volumes. Net attributable profit came to €46m, with the comparison affected by €11m obtained from the sale of a subsidiary in 2005.

At 31-Dec-06, the loan portfolio stood at €4,070m (up 19.7%) on sales of €3,643m (up 17.2%). The vehicle prescription business invoiced €1,130m and BBVA Finanzia became the second largest Spanish company in terms of vehicle finance with a balance of €2,016m (up 14.7%). Sales of vehicle leasing plans (including maintenance) rose 14.1% to €291m and the fleet grew to 35,799 vehicles (up 21.4%). Equipment finance came to €550m (up 42.2%) on sales that rose 23.7% year-on-year and lending in equipment leasing plans grew 22.3% to €524m (sales were up 38.7%). Uno-e's loan portfolio increased 31.2% to €925m with a 40.4% rise in private card loans, boosted by a new agreement signed with a leading operator in the food sector. In Portugal, BBVA Finanziamento booked €193m in new finance and the balance of vehicle finance rose 12.3% to €355m.

Customer funds under direct management or brokered came to €1,510m, rising 7.3% (deposits fell 2.0% and mutual funds increased 46.9%).

## ● ASSET MANAGEMENT AND PRIVATE BANKING

At 31-Dec-06, this unit managed total assets of €79,940m (up 3.9% year-on-year). Operating profit came to €209m (up 19.3%) and net attributable profit is €132m (up 20.3%).

In 2006, customers preferred to put their money in deposits and the total assets of mutual funds managed by BBVA declined 1.8% to €45,491m at 31-Dec-06. Of this amount, mutual funds accounted for €43,273m (down 2.8%). Their average fees increased 2.3 basis points during the year (compared to a fall of 1.8 bp for the sector as a whole). This put fees at 1.246%. Assets of the real estate fund rose 21.0% to €2,218m.

Managed portfolios of funds was launched in 2005 and it ended 2006 with 59,281 portfolios and €3,311m in assets under management. The increase during the year was 35,110 new portfolios and €1,933m in assets. The Group continued to innovate in 2006, expanding the range of asset-management products. In December, it obtained approval to launch the first fund of private-equity funds, which will trade on the Spanish exchange (BBVA Capital Privado). In addition, BBVA was the first bank to receive CNMV approval to launch a hedge fund, in the form of BBVA Codespa Microfinanzas FIL.

The assets under management in the Group's pension business in Spain increased 8.0% year-on-year to €16,291m. Of this amount, individual plans account for €9,249m (up 10.2%) and group schemes account for €7,042m (up 5.2%).

BBVA Patrimonios (a private banking unit) promoted the added value of its services, which are based on global, personalised guidance, as a key factor in servicing customers. It had its best year since it was set up in 2003. Funds under management rose 29.2% to €11,987m, with net capture in the year of €1,087m (up 10%). In addition, international private banking assets under management of €6,171m.

## ● EUROPEAN INSURANCE

This unit handles the insurance business in Spain and Portugal. In 2006 it contributed earnings of €415m to the area's income statement. Of this amount, €376m came from policies issued by the Group (up 21.4%) and €40m was brokerage fees on the policies of other companies. Net attributable profit came to €184m. The year-on-year increase was 20.7%, confirming previous year's figures, which were also above 20%.

BBVA Seguros continues to lead the life insurance business in Spain with a 16.6% market share at 30-Sep-06 (the latest figure available). Premiums grew 18.6% and there are more than 1.6 million policyholders. Premiums on household multiple risk policies rose 13.8% year-on-year and there were more than 890,000 customers at 31-Dec-06. The range of policies has been extended to provide greater coverage and service.

Premiums issued in the year came to €1,452m of which 42% are risk premiums (life and non-life), generating underwriting margins of 61% for the Group, and the rest are premiums on private savings policies and group schemes.

## ● BBVA PORTUGAL

The 22.0% increase in lending (mortgages were up 31.5%) was the main factor behind the increase of net interest income (up 22.5%). This carried over to operating profit (up 21.0%) and to net attributable profit (up 18.4%) to €10m.

# Wholesale and Investment Banking

## INCOME STATEMENT

(Million euros)

| | Wholesale and Investment Banking | | | Memorandum item: Corporate and Business Banking | | | Memorandum item: Global Wholesale Banking and Markets | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | Δ% | 2005 | 2006 | Δ% | 2005 | 2006 | Δ% | 2005 |
| NET INTEREST INCOME | 1,032 | 1.4 | 1,017 | 911 | 9.6 | 831 | 127 | (25.9) | 171 |
| Income by the equity method | 283 | n.m. | 51 | - | (100.0) | - | - | (100.0) | - |
| Net fee income | 491 | 15.7 | 425 | 288 | 7.9 | 267 | 212 | 28.0 | 165 |
| Income from insurance activities | - | - | - | - | - | - | - | - | - |
| CORE REVENUES | 1,806 | 20.9 | 1,494 | 1,199 | 9.2 | 1,098 | 339 | 0.5 | 337 |
| Net trading income | 642 | 43.4 | 448 | 152 | 47.1 | 103 | 554 | 42.8 | 388 |
| ORDINARY REVENUES | 2,448 | 26.1 | 1,941 | 1,351 | 12.4 | 1,201 | 893 | 23.1 | 725 |
| Net revenues from non-financial activities | 104 | 9.9 | 95 | - | - | - | 1 | 183.0 | - |
| Personnel and general administrative expenses | (644) | 10.7 | (582) | (321) | 6.2 | (302) | (302) | 17.9 | (256) |
| Depreciation and amortization | (12) | (2.4) | (12) | (7) | (3.7) | (7) | (4) | 14.5 | (4) |
| Other operating income and expenses | 16 | (45.2) | 29 | 6 | (19.2) | 7 | (1) | (26.4) | (1) |
| OPERATING PROFIT | 1,912 | 30.0 | 1,471 | 1,029 | 14.4 | 899 | 586 | 26.3 | 464 |
| Impairment losses on financial assets | (322) | 19.8 | (269) | (206) | 20.5 | (171) | (117) | 18.7 | (98) |
| • Loan loss provisions | (322) | 19.8 | (269) | (206) | 20.5 | (171) | (117) | 18.7 | (98) |
| • Other | - | (100.0) | - | - | (100.0) | - | - | - | - |
| Provisions | (11) | n.m. | 5 | - | n.m. | (1) | (19) | n.m. | 3 |
| Other income/losses | 159 | n.m. | 31 | 4 | 73.2 | 2 | (1) | n.m. | 3 |
| PRE-TAX PROFIT | 1,738 | 40.4 | 1,238 | 827 | 13.3 | 730 | 450 | 21.0 | 372 |
| Corporate income tax | (449) | 24.4 | (361) | (290) | 13.9 | (255) | (137) | 31.2 | (104) |
| NET PROFIT | 1,288 | 47.0 | 876 | 538 | 13.0 | 476 | 313 | 17.0 | 268 |
| Minority interests | (6) | 54.2 | (4) | - | - | - | (5) | 31.8 | (3) |
| NET ATTRIBUTABLE PROFIT | 1,282 | 47.0 | 873 | 538 | 13.0 | 476 | 309 | 16.8 | 264 |

## BALANCE SHEET

(Million euros)

| | Wholesale and Investment Banking | | | Memorandum item: Corporate and Business Banking | | | Memorandum item: Global Wholesale Banking and Markets | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31-12-06 | Δ% | 31-12-05 | 31-12-06 | Δ% | 31-12-05 | 31-12-06 | Δ% | 31-12-05 |
| Cash and balances at Central Banks | 1,568 | 5.3 | 1,489 | 648 | (5.4) | 685 | 920 | 14.6 | 802 |
| Financial assets | 41,148 | 14.7 | 35,889 | 2,833 | (7.5) | 3,064 | 37,176 | 16.8 | 31,841 |
| Loans and receivables | 150,280 | 14.0 | 131,830 | 66,275 | 10.2 | 60,153 | 83,612 | 17.1 | 71,388 |
| • Due from banks | 58,084 | 4.9 | 55,354 | 3,552 | 11.2 | 3,195 | 54,252 | 4.5 | 51,936 |
| • Loans to customers | 89,559 | 18.0 | 75,885 | 62,545 | 9.8 | 56,952 | 27,015 | 42.7 | 18,929 |
| • Other | 2,637 | n.m. | 591 | 177 | n.m. | 6 | 2,345 | n.m. | 523 |
| Inter-area positions | - | (100.0) | 4,624 | - | - | - | 2,436 | (91.8) | 29,660 |
| Property, plant and equipment | 91 | (4.1) | 95 | 70 | (10.6) | 79 | 11 | 5.5 | 10 |
| Other assets | 1,963 | (34.9) | 3,013 | 247 | (7.3) | 266 | 1,232 | (48.2) | 2,379 |
| TOTAL ASSETS / LIABILITIES AND EQUITY | 195,050 | 10.2 | 176,940 | 70,073 | 9.1 | 64,246 | 125,386 | (7.9) | 136,080 |
| Deposits by Central Banks and banks | 76,303 | (2.1) | 77,951 | 3,691 | (8.2) | 4,022 | 72,420 | (1.9) | 73,837 |
| Due to customers | 55,168 | (11.2) | 62,130 | 20,147 | 2.6 | 19,632 | 35,012 | (17.6) | 42,493 |
| Marketable debt securities | 7,874 | 2.3 | 7,697 | 7,865 | 1.8 | 7,729 | 10 | n.m. | (32) |
| Subordinated debt | 2,357 | 14.1 | 2,065 | 1,202 | (2.6) | 1,234 | 872 | 39.6 | 625 |
| Inter-area positions | 29,937 | n.m. | - | 32,012 | 31.7 | 24,307 | - | - | - |
| Other liabilities | 19,224 | (17.8) | 23,399 | 3,022 | (41.1) | 5,130 | 15,542 | (13.8) | 18,039 |
| Minority interests | 35 | 22.7 | 29 | - | 100.0 | - | 16 | 81.2 | 9 |
| Shareholders' funds | 4,152 | 13.2 | 3,669 | 2,135 | (2.6) | 2,192 | 1,515 | 36.5 | 1,110 |

## RELEVANT BUSINESS INDICATORS

(Million euros and percentages)

| | Wholesale and Investment Banking | | | Memorandum item: Corporate and Business Banking | | | Memorandum item: Global Wholesale Banking and Markets | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31-12-06 | ∆% | 31-12-05 | 31-12-06 | ∆% | 31-12-05 | 31-12-06 | ∆% | 31-12-05 |
| Customer lending (1) | 90,305 | 18.6 | 76,129 | 62,734 | 10.4 | 56,842 | 27,571 | 43.0 | 19,282 |
| Customer deposits (2) | 57,230 | (10.3) | 63,790 | 23,025 | 5.4 | 21,843 | 34,173 | (18.5) | 41,934 |
| • Deposits | 46,832 | - | 46,839 | 22,977 | 5.4 | 21,791 | 23,823 | (4.8) | 25,035 |
| • Assets sold under repurchase agreement | 10,399 | (38.7) | 16,951 | 49 | (7.7) | 53 | 10,350 | (38.8) | 16,899 |
| Off-balance-sheet funds | 2,249 | 4.4 | 2,155 | 2,024 | (0.2) | 2,029 | 224 | 78.8 | 125 |
| • Mutual funds | 2,181 | 3.9 | 2,100 | 1,957 | (0.9) | 1,974 | 224 | 78.8 | 125 |
| • Pension funds | 67 | 22.2 | 55 | 67 | 22.2 | 55 | - | - | - |
| Customer portfolios | 491 | (83.1) | 2,909 | - | - | - | 491 | (83.1) | 2,909 |
| Total assets | 195.050 | 10.2 | 176,940 | 70,073 | 9.1 | 64,246 | 125,386 | (7.9) | 136,080 |
| ROE (%) | 31.8 | | 24.4 | 24.8 | | 23.1 | 22.0 | | 22.8 |
| Efficiency ratio (%) | 24.8 | | 28.0 | 22.9 | | 24.2 | 33.8 | | 35.3 |
| Efficiency incl. depreciation and amortization (%) | 25.2 | | 28.6 | 23.4 | | 24.7 | 34.3 | | 35.8 |
| NPL ratio (%) | 0.22 | | 0.29 | 0.34 | | 0.36 | 0.05 | | 0.18 |
| Coverage ratio (%) | 707.9 | | 561.5 | 499.5 | | 466.8 | n.m. | | 906.9 |

(1) Gross lending excluding NPLs. (2) Includes collection accounts.

The Wholesale Businesses Area comprises the corporate and business banking unit (SME banking, Iberian corporate banking, institutions banking, transaction services and product management), the global businesses unit (global customers and investment banking), global markets and distribution, and Asia. It also handles the private equity business (which the Group conducts under the Valanza brand) and the real estate business (through its subsidiary, Anida).

In 2006 this area consolidated a business model that successfully provides it with steadily growing revenues. These helped to generate net attributable profit of €1,282m, an increase of 47.0% year-on-year and ROE rose to 31.8% (compared to 24.4% in 2005).

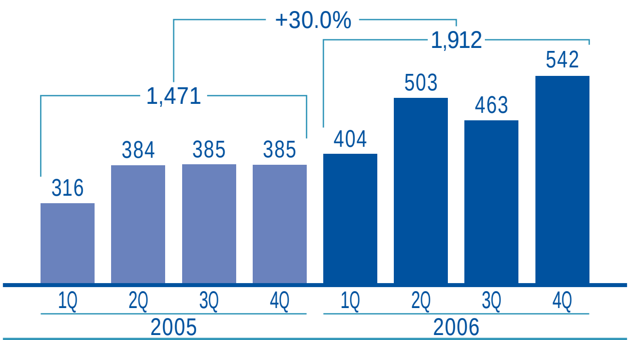
Lending grew 18.6% to €90,305m at 31-Dec-06 with solid contributions from all units, especially global businesses.

Deposits stand at €46,832m, which is similar to 12 months earlier owing to declines in the markets unit and in business with international global customers.

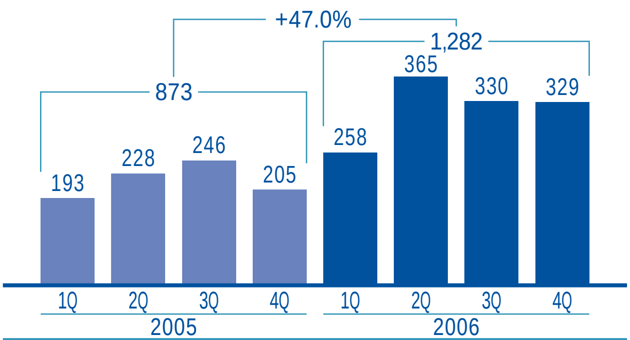
Net interest income was up 1.4% (up 12.7% on purely banking business). Core revenues increased 20.9% on higher net fee income (up 15.7% year-on-year) aided by equity-accounted results (which were boosted by capital gains from the sale of shares in Gamesa via Corporación IBV). Net trading income grew 43.4% on greater cross-selling of products to customers. As a result, ordinary revenues rose 26.1% to €2,448m.

Operating profit grew faster than this, climbing 30.0% to €1,912m, because operating expenses including depreciation increased at a considerably lower pace (10.5%) than ordinary

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




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



revenues. This meant the cost/income ratio improved 3.4 percentage points to 25.2%. Although non-performing loans have fallen from 0.29% at the end of 2005, to 0.22%, loan-loss provisions increased €53m on higher generic provisions related to increased lending. Coverage rose 146 points to 707.9%. Divestment of holdings, in accordance with the area's investment strategy, also helped to generate pre-tax profit of €1,738m (up 40.4% compared to 2005).

## CORPORATE AND BUSINESS BANKING

This unit services small and medium enterprises, large companies and institutions in the domestic market. Net interest income was up 9.6%, aided by strict management of spreads and higher volumes. By the year-end, lending was up 10.4% to €62,734m and customer deposits stood at €22,977m (up 5.4%). Net fee income rose 7.9% and net trading income 47.1%. Thus ordinary revenues came to €1,351m (up 12.4%). Thanks to cost control, the cost/income ratio fell 1.3 points to 23.4% and operating profit increased 14.4% to €1,029m. Finally, higher provisions (up 20.5%) due to higher business volumes brought net attributable profit to €538m (up 13.0%).

In November, the bank added 26 new wholesale branches in Spain (20 for the institutions segment and 6 for corporate banking). This was part of the Blue Net project announced in July and completes the 2006 expansion plan with a total of 272 new branches. Of this number, the SME segment accounted for 209, institutions banking for 52 (extending the network to cover practically all Spanish provinces) and 11 branches were for corporate banking.

### SME Banking

At the end of 2006 and after transferring customers to corporate banking, this unit manages a loan portfolio of €30,539m (up 14.0% on a uniform basis), customer deposits of €7,243m (up 7.6%) and mutual funds of €1,109m.

The unit introduced some innovative campaigns in the fourth quarter. They included leasing operations with a final payment (balloon payment) and BBVA Ecology Car Leasing. In particular, an agreement was signed with the European Investment Bank that will allow BBVA to extend a €200m line of preferential credit to Spanish SMEs. These funds are earmarked for projects that increase the productivity and competitive edge of small and medium Spanish enterprises.

### Iberian Corporate Banking

Lending rose to €12,905m at 31-Dec-06 and deposits stood at €4,266m. The year-on-year increases on a like-for-like basis (ie, adjusted for the transfer of customers from SME banking) were 19.2% and 18.0%, respectively.

Significant operations closed in the fourth quarter include the unit's role as senior lead arranger in refinancing of Holding d'Infraestructures de Transport (owner of SANEF, a company that operates tollways in France and in which Abertis Infraestructuras has a 57.6% interest). It also structured and acted as underwriter in the financing of the light metro line to Pozuelo and Boadilla (Madrid), and financed the Mahou Group's takeover of the Alhambra Group. Lastly, it financed the acquisition of Inmobiliaria Asón (which owned Edificio Windsor and other property) by El Corte Inglés.

### Institutions Banking

At the end of 2006, this unit managed €19,008m in loans and €11,726m of customer funds. These amounts were similar to a year earlier.

During the quarter, the unit together with corporate banking and structured finance, participated in the biggest ever purchase of trains for the Madrid metro system. The operation comprised two contracts for the manufacture, supply, commissioning and guarantee of 145 trains, with two different groups of suppliers, worth €1,094m in total.

### Transaction Services and Product Management

The year ended with 73,828 users (businesses, institutions and companies) of BBVA's electronic banking services in Spain. They executed more than 238 million collection and payment operations. The service has another 3,168 users in Portugal. BBVA Cash America, a system for countries on that continent, has 7,570 customers which made more than 5.5 million domestic and international transactions in the fourth quarter.

The volume of foreign trade payments and collections handled by BBVA grew more than 12%. BBVA confirmed its leadership in company cards in Spain with a 30% share of this market.

## GLOBAL BUSINESSES

The global businesses unit combines the products of investment banking and the markets unit with services for large international companies. It also co-ordinates corporate banking and market business in the Americas although these earnings are recorded under the corresponding areas.

Lending jumped 43.0% to €27,571m, net fee income rose 28.0% year-on-year and net trading income was up 42.8% on greater customer activity. As a result, ordinary revenues rose 23.1% and operating profit increased 26.3% to €586m. The cost/income ratio improved 1.5 points to 34.3%. After deduction of provisions linked to the above-mentioned rise in lending, net attributable profit came to €309m, a rise of 16.8% compared to 2005.

### Global Customers & Investment Banking

The 22.9% rise in ordinary revenues was due to higher volumes (lending increased 39.3% to €24,177m) and to defence of interest spreads. This led to a 23.8% rise in net interest income and a 15.3% improvement in net fee income. Furthermore, the 4.2% fall in expenses helped operating profit to climb 37.1% to €297m. Higher provisions, associated with the increase in business activity, limited the increase in net attributable profit, which rose 10.4% to €100m.

Equity origination operations in the fourth quarter included Vocento's IPO in which BBVA acted as global co-ordinator and underwriter, leading the Spanish retail and institutional tranches, which accounted for 68.5% of overall volume (more than €331m). In corporate finance, BBVA acted as financial adviser to Corporación IBV in the sale of the Landata Group to Amper for €75m. The operation was designed by BBVA, which also co-ordinated the sale and advised the seller.

Structured finance operations included the acquisition of APRR, a company that operates tollways in France, by a consortium comprising Macquarie (Australia) and Eiffage (a French contractor). They chose BBVA to structure the world's biggest project finance operation so far. BBVA is also establishing itself as one of the world's leaders in finance for regasification plants financing a Canadian terminal that is 75% –owned by Repsol. Lastly, BBVA participated as mandated lead arranger and financial advisor for the consortium HAG (participated by Cintra and ACS-Dragados with a 33.3% interest each as well as other local companies). This consortium will build the Ionia Odos Motorway, one of the first toll motorways in Greece.

### Global Markets and Distribution

Net attributable profit rose 32.2% to €234m. Ordinary revenues is the figure that best represents this unit's income because of differences in booking market positions for net interest income and net trading income. These revenues rose 27.3% as a result of increased operations with customers and other units under the cross-marketing plan. Operating profit came to €309m (up 25.2%).

In the fourth quarter, BBVA strengthened its hold on the new market for exchange-traded funds (EFTs) in Spain. These products are halfway between a share and a fund, and they trade in real time. Apart from managing the most active EFT linked to the IBEX 35, the bank has launched a new one linked to the DJ Euro Stoxx 50 and has obtained the only licence granted for an EFT that tracks the Latibex index.

Syndicated loans included one of $9,000 for Cemex España, which was led by BBVA and entailed 25 international financial institutions.

### Asia

BBVA has taken a decisive step in its Asian strategy through its partnership with Citic Group. In the first phase, it will purchase 5% of China Citic Bank (CNCB), with its head office in Beijing, for €501m. It will also acquire a 15% stake in Citic International Financial Holdings (CIFH), with its head office in Hong Kong, for €488m. The combined assets of CNCB and CIFH come to €71,507m. Together they have more than 15,000 staff and 454 branches. The partnership signals the simultaneous entry of BBVA in the banking markets of mainland China and Hong Kong. It will be the strategic investor, with an important programme of co-operation in different fast-growing banking areas.

The Group has made further progress in its international expansion opening a representative office in Sydney and obtained approval to open another in Mumbai.

## ● VALANZA

This unit manages a portfolio of 51 holdings, with assets totalling €1,663m and latent capital gains of more than €700m. Thanks to the buoyant stock market, these are higher despite considerable capital gains realized during the year. Net attributable profit comes to €385m, some €318m more than in 2005. Corporación IBV and the IPO of Técnicas Reunidas were the two main contributors.

## ● ANIDA

It has a portfolio of land in development valued at around €1.3 billion (a 30% increase on 2005) and latent capital gains of €389m. Net attributable profit came to €94m (up 25.9%).

# Mexico and USA

## INCOME STATEMENT
(Million euros)

| | 2006 | Δ% | Δ% at constant exchange rate | 2005 |
|---|---|---|---|---|
| NET INTEREST INCOME | 3,535 | 32.0 | 33.3 | 2,678 |
| Income by the equity method | (2) | n.m. | n.m. | - |
| Net fee income | 1,390 | 14.7 | 15.8 | 1,212 |
| Income from insurance activities | 305 | 33.3 | 34.6 | 229 |
| CORE REVENUES | 5,227 | 26.9 | 28.2 | 4,119 |
| Net trading income | 196 | 16.9 | 18.0 | 168 |
| ORDINARY REVENUES | 5,423 | 26.5 | 27.8 | 4,287 |
| Net revenues from non-financial activities | (4) | 61.0 | 62.6 | (3) |
| Personnel and general administrative expenses | (1,946) | 12.0 | 13.1 | (1,737) |
| Depreciation and amortization | (126) | (8.9) | (8.0) | (138) |
| Other operating income and expenses | (117) | 10.8 | 11.9 | (106) |
| OPERATING PROFIT | 3,231 | 40.3 | 41.7 | 2,303 |
| Impairment losses on financial assets | (685) | 117.6 | 119.7 | (315) |
| • Loan loss provisions | (672) | 132.9 | 135.2 | (289) |
| • Other | (13) | (50.1) | (49.6) | (26) |
| Provisions | (73) | 43.5 | 44.9 | (51) |
| Other income/losses | 43 | n.m. | n.m. | (8) |
| PRE-TAX PROFIT | 2,515 | 30.4 | 31.7 | 1,929 |
| Corporate income tax | (739) | 32.8 | 34.1 | (556) |
| NET PROFIT | 1,777 | 29.4 | 30.7 | 1,373 |
| Minority interests | (2) | (43.3) | (42.8) | (4) |
| NET ATTRIBUTABLE PROFIT | 1,775 | 29.6 | 30.8 | 1,370 |

## BALANCE SHEET
(Million euros)

| | 31-12-06 | Δ% | Δ% at constant exchange rate | 31-12-05 |
|---|---|---|---|---|
| Cash and balances at Central Banks | 5,955 | (6.7) | 5.8 | 6,380 |
| Financial assets | 23,465 | 15.0 | 30.1 | 20,407 |
| Loans and receivables | 35,901 | (0.5) | 12.5 | 36,092 |
| • Due from banks | 2,146 | (64.5) | (59.9) | 6,048 |
| • Loans to customers | 33,136 | 21.5 | 37.3 | 27,277 |
| • Other | 619 | (77.6) | (74.6) | 2,767 |
| Inter-area positions | - | - | - | - |
| Property, plant and equipment | 1,121 | 1.8 | 15.1 | 1,100 |
| Other assets | 5,388 | 4.3 | 17.9 | 5,168 |
| TOTAL ASSETS / LIABILITIES AND EQUITY | 71,830 | 3.9 | 17.5 | 69,147 |
| Deposits by Central Banks and banks | 8,445 | (23.1) | (13.1) | 10,985 |
| Due to customers | 45,832 | 9.1 | 23.5 | 42,001 |
| Marketable debt securities | 1,074 | 55.0 | 73.0 | 693 |
| Subordinated debt | 2,298 | 15.7 | 31.0 | 1,987 |
| Inter-area positions | 16 | (33.0) | (24.1) | 25 |
| Other liabilities | 9,975 | 3.1 | 16.6 | 9,678 |
| Minority interests | 8 | (21.3) | (10.9) | 10 |
| Shareholders' funds | 4,181 | 10.9 | 25.5 | 3,769 |

## RELEVANT BUSINESS INDICATORS

(Million euros and percentages)

| | 31-12-06 | Δ% | Δ% at constant exchange rate | 31-12-05 |
|---|---|---|---|---|
| Customer lending [1] | 31,329 | 24.4 | 40.6 | 25,185 |
| Customer deposits [2] | 43,307 | 5.7 | 19.5 | 40,970 |
| • Deposits | 36,791 | 5.4 | 19.1 | 34,910 |
| • Assets sold under repurchase agreement | 6,516 | 7.5 | 21.8 | 6,059 |
| Off-balance-sheet funds | 18,478 | 8.8 | 23.4 | 16,977 |
| • Mutual funds | 9,853 | 21.4 | 37.6 | 8,115 |
| • Pension funds | 8,625 | (2.7) | 10.3 | 8,862 |
| Other placements | 3,294 | 47.4 | 67.0 | 2,235 |
| Customer portfolios | 6,941 | 21.5 | 37.7 | 5,713 |
| Total assets [3] | 69,289 | 3.4 | 17.0 | 66,984 |
| ROE (%) | 46.7 | | | 44.2 |
| Efficiency ratio (%) | 35.9 | | | 40.5 |
| Efficiency incl. depreciation and amortization (%) | 38.2 | | | 43.8 |
| NPL ratio (%) | 2.19 | | | 2.24 |
| Coverage ratio (%) | 248.9 | | | 251.3 |

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

This area covers the banking, pension and insurance businesses in Mexico and the United States (including Puerto Rico).

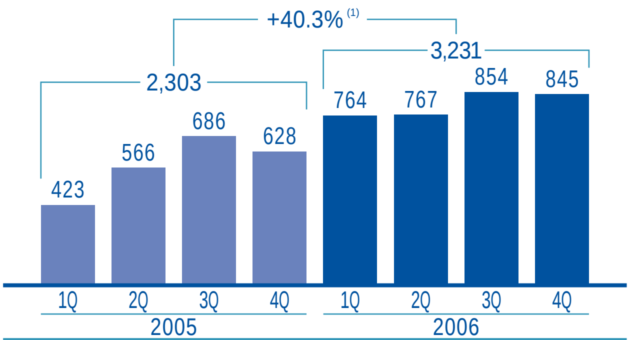
In 2006 the Mexican peso and the US dollar weakened against the euro. This had a negative impact on the year-on-year comparatives for the area's balance sheet. However, average exchange rates over the year depreciated less, and thus the final impact on the income statements in euros was lower. The charts below show year-on-year change at constant exchange rates. All comments refer to these rates, as they are most significant when analysing the business performance.

High year-on-year growth in the area's lending and customer funds (40.6% and 24.50% respectively) are reflected in the net interest income, which rose 33.3%. Along with fee and insurance income (18.8%), it was the main driver of the 2006 ordinary revenues at €5,423m (+27.8%). Despite higher activity, expenses grew slower than revenues (up 11.6% including depreciation). Thus the cost-income ratio improved to 38.2% (from 43.8% in 2005) and operating profit rose 41.7% to €3,231m. The ratio for non-performing loans stood at 2.19% on 31-Dec-06 (2.24% a year earlier) with 248.9% coverage. However, the increase in lending required a significant increase in loan-loss provisions (generic). All in all, the area generated an attributable profit of €1,775m in 2006, 30.8% up on the previous year, and a return on equity of 46.7% (as against 44.2% ROE in 2005).

## BANKING BUSINESSES

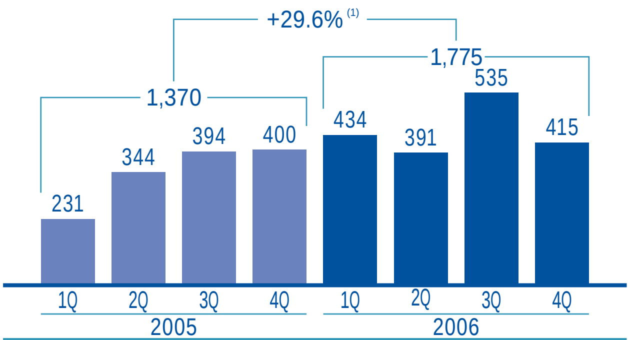
The banking businesses generated €1,625m in attributable profit during 2006, 32.9% up on the previous year. Below, we highlight key aspects of BBVA Bancomer and BBVA USA's performance.

**Mexico and USA**
**Operating profit** (Million euros)




(1) At constant exchange rates: +41.7%.

**Mexico and USA**
**Net attributable profit** (Million euros)




(1) At constant exchange rates: +30.8%.

## BBVA Bancomer

In 4Q06, Mexico's economic growth slowed down slightly, rising 4.0% as compared with an average of 4.9% over the previous three quarters. Strong domestic demand was the main driver, helped along by foreign demand slowing less than predicted. Year-end inflation was just over 4%, mainly impacted by one-off events (eg, supply-side anomalies in food). However, with inflationary pressure expected to ease off over 2007, the Bank of Mexico kept the borrowing rate at 7%.

Revenues from remittances and tourism financed an already low current-account deficit, further stabilising the exchange rate against the dollar. Meanwhile, the Mexican peso fell 11.8% against the euro over the year, closing at 14.3 pesos on 31-Dec-06. However, 2006 average exchange rates on aggregate weakened 1% over 2005, having appreciated over the previous quarters.

In this scenario, BBVA Bancomer's loan book reached €23.48 billion at the end of December, having grown 30.6% over the year. Lending to companies increased 15.5%, driven by SMEs' borrowing which rose 33.2%. Highest growth was reported in loans to individuals: credit cards were up 44.6%, consumer loans 44.3% and mortgages 55.7% (excluding the old mortgage portfolio).

Customer funds, including deposits, mutual funds and other intermediated products, stood at €45,741m, up 14.6% on December 2005. Current and savings accounts reached €17,198m, having grown 13,2%, while term deposits went down 13.6% year on year, as customers shifted to repos (up 23%) and mutual funds (up 37.6%).

Growth in business volumes and better spreads (12.5% in 4Q06 compared to 11.9% in the equivalent period of 2005) pushed net interest income up to €3,259m during 2006, with a year-on-year rise of 33.7%. Fee income reached €1,196m, growing 20.8%, driven by credit-card issuance and mutual funds. Net trading income was €166m (rising 4.3%). This brought ordinary revenues up to €4,619m, 28.8% higher than in 2005.

The 9.5% increase in operating expenses including depreciation (€1,666m) was lower than the increase in revenues, generating a cost-income ratio of 36.1% in 2006. This was 6.3 percentage points better than the 42.4% ratio from the previous year. Operating profit grew 44.4% to €2,880m. Strong growth in lending, especially loans to individuals, did not penalise the non-performing loans ratio, which improved to 2.21% at 31-Dec-06 from 2.34% twelve months earlier, despite the higher risk adhered to consumer loans and cards. However, it did mean 152.3% more loan-loss provisions (which reached €633m) since the Group has been provisioning its consumer and mortgage lending on the basis of expected loss since July 2005. Coverage rose to 287.7% (as against 269.0% on 31-Dec-05).

Finally, year-end attributable profit was €1,552m in 2006, 31.6% above the previous year, bringing ROE up to 48.5% as compared with 46.0% in 2005.

A special draw was held amongst retail-banking customers to celebrate 10 years of the Libretón passbook. This raised over 1.6 billion pesos in two weeks, with 78% customer-fund retention and 25,000 new accounts opened. A prepaid card for young people was launched (*Tarjeta 40*) with one of the biggest radio broadcasters in the country. This led to the activation of nearly 8,000 cards. In a drive to encourage product bundling, the campaign to offer special terms on lending against pay-rolls domiciled to BBVA Bancomer accounts ended the quarter with a 14.8% increase in loans placed with eligible customers, compared to the same period in 2005. Meanwhile, car finance grew 59.4% year on year, giving BBVA Bancomer 41.1% of the total market. By the end of 2006 it not only became market leader amongst banks but also bigger than the two main car-finance firms.

During the last three months of the year, 24 new branches were opened, and a further 24 were completely refitted and provided with new technology infrastructure.

To promote business with companies, a cooperation agreement was signed with Fonatur (the Mexican tourist board) to finance the construction and sale of property developments in tourist areas. 34 branches are now implementing the plan to improve service levels to SMEs. Cutting down account executives' workload in back-office tasks has boosted their selling capacity by 50%. The branches have also increased the business-loan customer base by 35.5%.

Bancomer BBVA's mortgage-banking arm has recorded 26% year-on-year growth in originating personal mortgages, granting over 63,000 mortgage loans in 2006. This was over 46,000 more than our closest peer bank and nearly 26,000 more than the Sofoles (specialised mortgage lenders).

## INCOME STATEMENT

(Million euros)

| | Memorandum item: Banking businesses | | | | Of which: BBVA Bancomer | | | | Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | ∆% | ∆% (1) | 2005 | 2006 | ∆% | ∆% (1) | 2005 | 2006 | ∆% | ∆% (1) | 2005 |
| NET INTEREST INCOME | 3,542 | 32.2 | 33.5 | 2,679 | 3,259 | 32.3 | 33.7 | 2,463 | 2 | (53.0) | (52.5) | 4 |
| Income by the equity method | (2) | n.m. | n.m. | - | (2) | n.m. | n.m. | - | - | - | - | - |
| Net fee income | 1,306 | 18.2 | 19.4 | 1,105 | 1,196 | 19.6 | 20.8 | 1,000 | 165 | (12.2) | (11.3) | 188 |
| Income from insurance activities | - | - | - | - | - | - | - | - | 245 | 40.5 | 41.9 | 174 |
| CORE REVENUES | 4,846 | 28.1 | 29.4 | 3,783 | 4,453 | 28.6 | 29.9 | 3,462 | 412 | 12.4 | 13.5 | 366 |
| Net trading income | 180 | 14.7 | 15.8 | 157 | 166 | 3.2 | 4.3 | 161 | 16 | 49.0 | 50.4 | 11 |
| ORDINARY REVENUES | 5,026 | 27.6 | 28.8 | 3,941 | 4,619 | 27.5 | 28.8 | 3,624 | 428 | 13.4 | 14.6 | 377 |
| Net revenues from non-financial activities | - | - | - | - | - | - | - | - | (4) | n.m. | n.m. | 3 |
| Personnel and general administrative expenses | (1,807) | 11.6 | 12.7 | (1,619) | (1,571) | 10.5 | 11.6 | (1,422) | (202) | 19.2 | 20.4 | (170) |
| Depreciation and amortization | (123) | (9.9) | (9.0) | (137) | (95) | (16.9) | (16.1) | (114) | (3) | 73.6 | 75.4 | (1) |
| Other operating income and expenses | (73) | 2.0 | 3.0 | (72) | (73) | 1.5 | 2.5 | (72) | 25 | 32.1 | 33.4 | 19 |
| OPERATING PROFIT | 3,023 | 43.1 | 44.5 | 2,113 | 2,880 | 42.9 | 44.4 | 2,015 | 245 | 7.2 | 8.2 | 228 |
| Impairment losses on financial assets | (685) | 117.6 | 119.7 | (315) | (646) | 131.1 | 133.4 | (280) | - | - | - | - |
| • Loan loss provisions | (672) | 132.9 | 135.2 | (289) | (633) | 149.8 | 152.3 | (254) | - | - | - | - |
| • Other | (13) | (50.1) | (49.6) | (26) | (13) | (50.4) | (49.9) | (26) | - | - | - | - |
| Provisions | (73) | 43.5 | 44.9 | (51) | (70) | 46.5 | 47.9 | (48) | - | n.m. | n.m. | - |
| Other income/losses | 40 | n.m. | n.m. | (8) | 34 | n.m. | n.m. | (10) | 3 | n.m. | n.m. | - |
| PRE-TAX PROFIT | 2,305 | 32.5 | 33.8 | 1,740 | 2,198 | 31.0 | 32.3 | 1,678 | 247 | 8.6 | 9.7 | 228 |
| Corporate income tax | (679) | 34.8 | 36.1 | (504) | (645) | 32.7 | 34.1 | (486) | (72) | 10.2 | 11.3 | (65) |
| NET PROFIT | 1,626 | 31.5 | 32.8 | 1,236 | 1,552 | 30.2 | 31.5 | 1,192 | 176 | 8.0 | 9.0 | 163 |
| Minority interests | (1) | (36.7) | (36.1) | (1) | (1) | (37.7) | (37.1) | (1) | (1) | (46.7) | (46.2) | (2) |
| NET ATTRIBUTABLE PROFIT | 1,625 | 31.6 | 32.9 | 1,235 | 1,552 | 30.3 | 31.6 | 1,191 | 174 | 8.7 | 9.8 | 160 |

## BALANCE SHEET

(Million euros)

| | Memorandum item: Banking businesses | | | | Of which: BBVA Bancomer | | | | Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-12-06 | ∆% | ∆% (1) | 31-12-05 | 31-12-06 | ∆% | ∆% (1) | 31-12-05 | 31-12-06 | ∆% | ∆% (1) | 31-12-05 |
| Cash and balances at Central Banks | 5,955 | (6.7) | 5.8 | 6,380 | 5,853 | (7.4) | 5.0 | 6,321 | - | (9.2) | 2.9 | - |
| Financial assets | 21,422 | 14.8 | 29.8 | 18,659 | 17,538 | 11.1 | 25.9 | 15,787 | 2,529 | 16.3 | 31.9 | 2,174 |
| Loans and receivables | 35,808 | (0.8) | 12.2 | 36,082 | 27,058 | (10.6) | 1.3 | 30,269 | 111 | n.m. | n.m. | 15 |
| • Due from banks | 2,143 | (64.5) | (59.9) | 6,046 | 1,491 | (71.4) | (67.6) | 5,216 | 20 | 212.1 | 252.7 | 6 |
| • Loans to customers | 33,136 | 21.5 | 37.3 | 27,276 | 25,225 | 12.6 | 27.7 | 22,398 | - | (98.0) | (97.8) | 1 |
| • Other | 529 | (80.8) | (78.3) | 2,760 | 343 | (87.1) | (85.4) | 2,655 | 91 | n.m. | n.m. | 7 |
| Inter-area positions | 8 | n.m. | n.m. | 1 | 8 | n.m. | n.m. | 1 | - | - | - | - |
| Property, plant and equipment | 1,113 | 1.8 | 15.1 | 1,093 | 823 | (10.4) | 1.6 | 918 | 7 | 3.5 | 17.3 | 6 |
| Other assets | 3,866 | (8.1) | 3.9 | 4,206 | 1,888 | (46.4) | (39.2) | 3,522 | 70 | (58.1) | (52.5) | 167 |
| TOTAL ASSETS / LIABILITIES AND EQUITY | 68,172 | 2.6 | 16.1 | 66,422 | 53,170 | (6.4) | 6.1 | 56,819 | 2,717 | 15.0 | 30.4 | 2,362 |
| Deposits by Central Banks and banks | 8,445 | (23.1) | (13.1) | 10,979 | 7,294 | (17.7) | (6.8) | 8,868 | - | (69.8) | (65.7) | - |
| Due to customers | 45,851 | 9.2 | 23.5 | 42,006 | 36,127 | (1.6) | 11.6 | 36,705 | - | - | - | - |
| Marketable debt securities | 1,074 | 55.0 | 73.0 | 693 | 190 | n.m. | n.m. | - | - | - | - | - |
| Subordinated debt | 820 | (29.4) | (20.1) | 1,162 | 561 | (47.8) | (40.9) | 1,076 | - | - | - | - |
| Inter-area positions | - | - | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | 8,037 | 0.5 | 13.7 | 7,994 | 5,626 | (19.3) | (8.5) | 6,972 | 2,471 | 13.9 | 29.1 | 2,170 |
| Minority interests | 2 | (71.6) | (67.8) | 8 | 2 | (68.8) | (64.6) | 8 | 6 | 217.3 | 259.6 | 2 |
| Shareholders' funds | 3,941 | 10.1 | 24.6 | 3,579 | 3,369 | 5.6 | 19.7 | 3,190 | 240 | 26.4 | 43.2 | 190 |

(1) At constant exchange rate.

## RELEVANT BUSINESS INDICATORS

(Million euros and percentages)

| | Memorandum item: Banking businesses | | | | Of which: BBVA Bancomer | | | | Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-12-06 | Δ% | Δ% (1) | 31-12-05 | 31-12-06 | Δ% | Δ% (1) | 31-12-05 | 31-12-06 | Δ% | Δ% (1) | 31-12-05 |
| Customer lending (2) | 31,329 | 24.4 | 40.6 | 25,185 | 23,480 | 15.2 | 30.6 | 20,378 | - | - | - | - |
| Customer deposits (3) | 43,307 | 5.7 | 19.5 | 40,970 | 32,595 | (6.6) | 5.8 | 34,909 | - | - | - | - |
| • Deposits | 36,791 | 5.4 | 19.1 | 34,910 | 26,165 | (9.7) | 2.3 | 28,985 | - | - | - | - |
| • Assets sold under repurchase agreement | 6,516 | 7.5 | 21.8 | 6,059 | 6,430 | 8.5 | 23.0 | 5,924 | - | - | - | - |
| Off-balance-sheet funds | 9,853 | 21.4 | 37.6 | 8,115 | 9,853 | 21.4 | 37.6 | 8,115 | 8,625 | (2.7) | 10.3 | 8,862 |
| • Mutual funds | 9,853 | 21.4 | 37.6 | 8,115 | 9,853 | 21.4 | 37.6 | 8,115 | - | - | - | - |
| • Pension funds | - | - | - | - | - | - | - | - | 8,625 | (2.7) | 10.3 | 8,862 |
| Other placements | 3,294 | 47.4 | 67.0 | 2,235 | 3,294 | 47.4 | 67.0 | 2,235 | | | | |
| Customer portfolios | 6,941 | 21.5 | 37.7 | 5,713 | 6,941 | 21.5 | 37.7 | 5,713 | - | - | - | - |
| Total assets | 68,172 | 2.6 | 16.1 | 66,422 | 53,170 | (6.4) | 6.1 | 56,819 | - | - | - | - |
| ROE (%) | 45.1 | | | 42.8 | 48.5 | | | 46.0 | 88.6 | | | 75.5 |
| Efficiency ratio (%) | 35.9 | | | 41.1 | 34.0 | | | 39.2 | 47.7 | | | 44.6 |
| Efficiency incl. depreciation and amortization (%) | 38.4 | | | 44.5 | 36.1 | | | 42.4 | 48.3 | | | 45.0 |
| NPL ratio (%) | 2.19 | | | 2.24 | 2.21 | | | 2.34 | - | | | - |
| Coverage ratio (%) | 248.9 | | | 251.3 | 287.7 | | | 269.0 | - | | | - |

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

Bancomer has consolidated its leadership, with 39% of the market in loans to home buyers. Its share is not only greater than the total share of the six biggest banks but also than all the Sofoles together. In 2006, loans for nearly 88,000 new homes were granted to developers, 27% up on 2005.

Wholesale Banking has maintained a high profile on the financial markets, with the placement of seven debt issues. It acted as bookrunner for a $850m syndicated loan to the Carso group (a retail conglomerate) and two placements of warrants for Cemex (cement company) worth a total of MXN 5 billion.

### United States

The purchase of Texas Regional Bancshares was completed in November brought the incorporation of Texas State Bank; this added €3,115m in lending and €4,651m in deposits to the Group's accounts, plus a further 73 branches and 2,009 employees. Since then it has contributed an operating profit of €20m and an attributable profit of €10m.

BBVA USA thus closed the year with €7,849m in lending and €10,712m in deposits. Excluding the Texas State Bank figures, this reflects year-on-year growth of 9.9% and 11.7% respectively. Operating profit rose to €129m, 52.0% higher than in 2005, while attributable profit reached €64m (up 81.7%).

State National Bank was consolidated in January 2007.

## ● PENSIONS AND INSURANCE

In 2006 the pension and insurance business contributed €245 to the operating profit (up 8.2% on the previous year) and €174m to the attributable profit.

It was a complicated year for business in employment-related benefits, as indicators on the labour market recorded low growth and new, aggressive competitors moved into this sector. The most direct consequences were an increase in the size of the sales force and a significant squeeze on fees throughout the industry. **Bancomer Afore** is the second biggest Mexican retirement fund administrator in assets under management and membership. It had to completely overhaul its charges, reducing both fee income and attributable profit, which went down 21% against the previous year, to €65m.

The insurance business in Mexico, however, was buoyant. Reflecting the general tendencies, **Seguros Bancomer** recorded an increase of 64.6% in premiums over the year, with significant progress in bancassurance and other product lines. The joint attributable profit of the Group's three Mexican companies (Seguros Bancomer, Pensiones Bancomer and Preventis) in 2006 was €109m, with a year-on-year increase of 43.2%.

## INCOME STATEMENT

(Million euros)

| | South America | | | | Memorandum item: | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Banking businesses | | | | Pensions and Insurance | | | |
| | 2006 | Δ% | Δ% (1) | 2005 | 2006 | Δ% | Δ% (1) | 2005 | 2006 | Δ% | Δ% (1) | 2005 |
| NET INTEREST INCOME | 1,310 | 26.1 | 28.4 | 1,039 | 1,301 | 26.2 | 28.4 | 1,031 | 11 | 15.3 | 21.3 | 9 |
| Income by the equity method | 3 | n.m. | n.m. | (1) | 4 | n.m. | n.m. | - | (1) | 0.6 | (3.6) | (1) |
| Net fee income | 815 | 17.3 | 18.1 | 695 | 434 | 17.2 | 19.7 | 371 | 259 | 8.4 | 7.5 | 239 |
| Income from insurance activities | (6) | n.m. | n.m. | 5 | - | - | - | - | 121 | 27.3 | 33.7 | 95 |
| CORE REVENUES | 2,122 | 22.1 | 24.1 | 1,738 | 1,739 | 24.1 | 26.4 | 1,402 | 389 | 13.9 | 14.9 | 342 |
| Net trading income | 282 | 80.3 | 85.5 | 157 | 238 | 87.5 | 94.6 | 127 | 45 | 50.1 | 48.8 | 30 |
| ORDINARY REVENUES | 2,405 | 26.9 | 29.1 | 1,895 | 1,977 | 29.4 | 31.9 | 1,528 | 434 | 16.8 | 17.7 | 372 |
| Net revenues from non-financial activities | - | (99.0) | (99.0) | 9 | - | - | - | - | - | (99.0) | (99.0) | 9 |
| Personnel and general administrative expenses | (1,103) | 18.3 | 20.4 | (933) | (870) | 20.5 | 22.8 | (722) | (210) | 11.5 | 13.2 | (188) |
| Depreciation and amortization | (93) | 34.9 | 36.2 | (69) | (82) | 48.6 | 50.4 | (55) | (11) | (19.0) | (19.1) | (14) |
| Other operating income and expenses | (46) | 14.2 | 17.3 | (40) | (45) | 17.8 | 20.7 | (38) | 2 | 162.5 | 113.2 | 1 |
| OPERATING PROFIT | 1,163 | 35.0 | 37.4 | 861 | 980 | 37.5 | 40.4 | 713 | 216 | 20.3 | 20.4 | 179 |
| Impairment losses on financial assets | (149) | 87.6 | 85.4 | (80) | (149) | 73.6 | 71.8 | (86) | (1) | n.m. | n.m. | - |
| • Loan loss provisions | (151) | 114.1 | 111.5 | (71) | (151) | 96.1 | 94.0 | (77) | - | n.m. | n.m. | - |
| • Other | 2 | n.m. | n.m. | (9) | 2 | n.m. | n.m. | (9) | - | (50.8) | (48.5) | - |
| Provisions | (59) | (24.7) | (22.1) | (78) | (51) | (33.8) | (31.5) | (77) | (8) | n.m. | n.m. | (1) |
| Other income/losses | - | (97.8) | (97.8) | 14 | - | (96.6) | (96.9) | 9 | (1) | n.m. | n.m. | 6 |
| PRE-TAX PROFIT | 955 | 33.1 | 35.5 | 718 | 781 | 39.6 | 42.7 | 559 | 207 | 12.5 | 13.1 | 184 |
| Corporate income tax | (229) | 38.4 | 41.6 | (166) | (179) | 42.5 | 46.0 | (125) | (62) | 21.3 | 23.0 | (51) |
| NET PROFIT | 726 | 31.4 | 33.7 | 552 | 602 | 38.7 | 41.7 | 434 | 145 | 9.2 | 9.4 | 133 |
| Minority interests | (217) | 25.1 | 26.5 | (173) | (180) | 28.9 | 31.2 | (140) | (36) | 9.1 | 7.3 | (33) |
| NET ATTRIBUTABLE PROFIT | 509 | 34.4 | 37.0 | 379 | 422 | 43.4 | 46.7 | 294 | 109 | 9.2 | 10.1 | 99 |

## BALANCE SHEET

(Million euros)

| | South America | | | | Memorandum item: | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Banking businesses | | | | Pensions and Insurance | | | |
| | 31-12-06 | Δ% | Δ% (1) | 31-12-05 | 31-12-06 | Δ% | Δ% (1) | 31-12-05 | 31-12-06 | Δ% | Δ% (1) | 31-12-05 |
| Cash and balances at Central Banks | 2,889 | 7.1 | 16.2 | 2,698 | 2,889 | 7.1 | 16.2 | 2,698 | 1 | 61.4 | 84.8 | - |
| Financial assets | 4,218 | (16.7) | (8.2) | 5,061 | 3,491 | (24.2) | (16.9) | 4,608 | 962 | 29.4 | 46.1 | 744 |
| Loans and receivables | 21,058 | 17.9 | 31.4 | 17,866 | 20,629 | 18.7 | 32.3 | 17,378 | 547 | (5.3) | 7.9 | 578 |
| • Due from banks | 3,583 | 26.0 | 40.8 | 2,844 | 3,364 | 34.1 | 49.4 | 2,508 | 290 | (28.0) | (17.8) | 403 |
| • Loans to customers | 17,014 | 15.5 | 28.8 | 14,726 | 16,861 | 15.7 | 28.9 | 14,578 | 174 | 1.7 | 15.2 | 171 |
| • Other | 461 | 55.9 | 75.6 | 296 | 404 | 38.4 | 55.9 | 292 | 83 | n.m. | n.m. | 4 |
| Inter-area positions | - | - | - | - | 3 | 8.3 | 20.0 | 3 | - | - | - | - |
| Property, plant and equipment | 488 | (5.4) | 5.4 | 516 | 417 | (4.2) | 6.4 | 435 | 71 | (12.3) | - | 81 |
| Other assets | 1,842 | (12.6) | (5.6) | 2,107 | 1,034 | 9.8 | 23.6 | 941 | 169 | (32.6) | (23.4) | 251 |
| TOTAL ASSETS / LIABILITIES AND EQUITY | 30,496 | 8.0 | 19.5 | 28,248 | 28,463 | 9.2 | 21.1 | 26,063 | 1,750 | 5.8 | 20.0 | 1,654 |
| Deposits by Central Banks and banks | 2,650 | 34.0 | 47.9 | 1,978 | 2,632 | 34.0 | 47.9 | 1,964 | 39 | (3.8) | 11.5 | 41 |
| Due to customers | 21,252 | 4.4 | 15.7 | 20,357 | 21,356 | 4.6 | 16.0 | 20,420 | - | (100.0) | (100.0) | - |
| Marketable debt securities | 468 | 22.2 | 38.7 | 383 | 475 | 23.9 | 40.6 | 383 | - | - | - | - |
| Subordinated debt | 1,112 | 32.6 | 36.7 | 839 | 441 | 142.3 | 181.1 | 182 | - | - | - | - |
| Inter-area positions | 30 | 2.5 | 1.6 | 29 | - | - | - | - | - | - | - | - |
| Other liabilities | 2,604 | 4.0 | 16.7 | 2,503 | 1,529 | 19.4 | 32.2 | 1,281 | 1,363 | 5.9 | 20.2 | 1,286 |
| Minority interests | 695 | 4.0 | 14.5 | 669 | 621 | 5.6 | 15.7 | 588 | 74 | (7.9) | 5.9 | 81 |
| Shareholders' funds | 1,684 | 12.9 | 25.4 | 1,491 | 1,410 | 13.2 | 25.4 | 1,246 | 274 | 11.5 | 25.5 | 246 |

(1) At constant exchange rate.

## RELEVANT BUSINESS INDICATORS

(Million euros and percentages)

| | South America | | | | Memorandum item: Banking businesses | | | | Memorandum item: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31-12-06 | Δ% | Δ% (1) | 31-12-05 | 31-12-06 | Δ% | Δ% (1) | 31-12-05 | 31-12-06 | Δ% | Δ% (1) | 31-12-05 |
| Customer lending (2) | 17,366 | 15.6 | 28.8 | 15,018 | 17,366 | 15.6 | 28.8 | 15,018 | - | - | - | - |
| Customer deposits (3) | 22,773 | 8.3 | 20.2 | 21,023 | 22,773 | 8.3 | 20.2 | 21,023 | - | - | - | - |
| • Deposits | 21,667 | 9.1 | 20.9 | 19,864 | 21,667 | 9.1 | 20.9 | 19,864 | - | - | - | - |
| • Assets sold under repurchase agreement | 1,106 | (4.6) | 6.8 | 1,159 | 1,106 | (4.6) | 6.8 | 1,159 | - | - | - | - |
| Off-balance-sheet funds | 33,447 | 8.0 | 22.7 | 30,978 | 1,575 | 21.2 | 33.5 | 1,299 | 31,872 | 7.4 | 22.2 | 29,679 |
| • Mutual funds | 1,575 | 21.2 | 33.5 | 1,299 | 1,575 | 21.2 | 33.5 | 1,299 | - | - | - | - |
| • Pension funds | 31,872 | 7.4 | 22.2 | 29,679 | - | - | - | - | 31,872 | 7.4 | 22.2 | 29,679 |
| Customer portfolios | - | - | - | - | - | - | - | - | - | - | - | - |
| Total assets (4) | 29,391 | 7.5 | 19.4 | 27,350 | 28,463 | 9.2 | 21.1 | 26,063 | - | - | - | - |
| ROE (%) | 31.8 | | | 30.1 | 31.8 | | | 28.9 | 40.0 | | | 41.4 |
| Efficiency ratio (%) | 45.9 | | | 49.0 | 44.0 | | | 47.3 | 48.3 | | | 49.5 |
| Efficiency incl. depreciation and amortization (%) | 49.7 | | | 52.6 | 48.1 | | | 50.9 | 50.9 | | | 53.1 |
| NPL ratio (%) | 2.67 | | | 3.67 | 2.69 | | | 3.71 | - | | | - |
| Coverage ratio (%) | 132.8 | | | 109.3 | 132.8 | | | 109.3 | - | | | - |

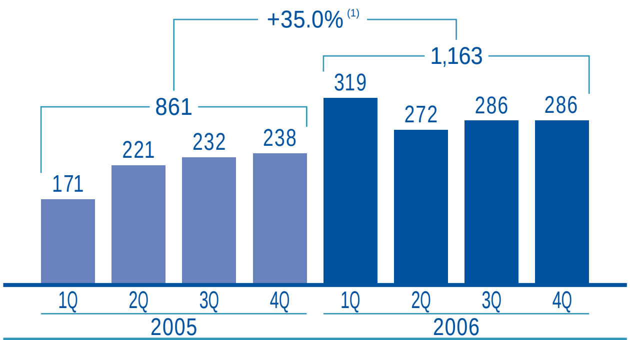
(1) At constant exchange rate. (2) Gross lending excluding NPLs. (3) Including marketable debt securities. (4) Excluding insurance.

The South America area handles the banking, pension and insurance business conducted by the Group in Argentina, Bolivia, Chile, Colombia, Ecuador Panama, Paraguay, Peru, Dominican Republic, Uruguay and Venezuela. The incorporation of Granahorrar in Colombia (December 2005) and Forum in Chile (May 2006) affects the year-on-year comparisons on the area's financial statements.

In 2006, Latin America continued to enjoy its greatest economic boom in recent decades. Over the last three years GDP expanded at an average rate of 5% per year, average inflation was 6% and the total government deficit is now less than 1% of GDP. This macroeconomic stability is the result of balanced government policies, the greater independence of central banks and tighter fiscal discipline. High commodity prices and the relative abundance of global liquidity have a positive effect and important amounts of capital are flowing into the region. Despite turbulence in the second quarter, interest rates were generally stable although there was a slight upward trend in most countries. This paved the way for a positive year on stock markets, favouring results in the financial sector.

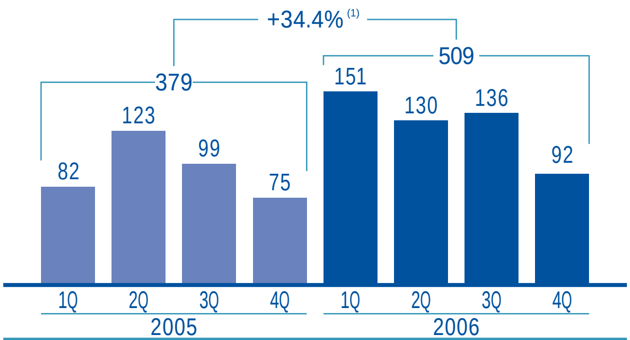
In 2006, Latin-American currencies fell against the euro and this has a negative impact on the area's balance sheet. However, average exchange rates fell less compared to 2005 and therefore their impact on the income statement is less relevant. The attached tables contain columns with year-on-year changes for different items at constant exchange rates. Unless otherwise indicated, the following remarks refer to these figures.

**South America**
**Operating profit** (Million euros)




(1) At constant exchange rates: +37.4%.

**South America**
**Net attributable profit** (Million euros)




(1) At constant exchange rates: +37.0%.

In the positive economic context commented above, the South America Area had its best year so far with significant advances in business volumes and earnings. Net attributable profit came to €509m, rising 37.0% compared to the previous year (34.4% at current exchange rates). As a result, ROE (return on equity) now stands at 31.8% (30.1% at the end of 2005).

Business conducted with customers was the main factor responsible for the sharp rise in earnings and this activity gained importance on the balance sheets of all units in the area. Lending was particularly positive and 2006 ended with total loans of €17,366m, a rise of 28.8% year-on-year. Unlike previous years, this time it was buoyant demand from private individuals (in mortgages, consumer finance and credit cards) and from small businesses that was the decisive factor driving growth. In fact, year-on-year, the combined growth of these segments was 35%. Total customer funds (deposits plus mutual funds) also performed well, rising 21.0% to €24,348m. Efforts by all units to maintain spreads by boosting the volume of lower cost customer funds were largely successful.

The higher level of business had an extremely positive effect on volumes. This was the key factor driving the sharp growth in recurrent earnings, although the slight rise in interest rates did not offer particularly favourable conditions. Thus in 2006, net interest income increased 28.4% to €1,310m. Moreover, the faster pace of business also boosted net fee income and revenues from insurance activities. Together, they rose 17.2% year-on-year to €809m. The stability in the financial markets had a positive impact on net trading income, which jumped 85.5% to €282m. Because of this strong performance, ordinary revenues rose to €2,405m (up 29.1%).

Operating expenses grew 21.5% during the year owing to the sharp increase in business at all units and an increase in the pensions sales force. The relatively high inflation in two main countries (Argentina and Venezuela) and the addition of Granahorrar and Forum also contributed to the rise in costs. Despite this, expenses grew less than revenues and so the cost/income ratio improved to 49.7% (52.6% a year earlier). As a result, operating profit surged 37.4% to €1,163m.

The favourable economic environment and prudent risk management helped to prevent the buoyant activity in lending from impairing loan quality. In fact, the area's non-performing loan ratio improved substantially to 2.67%, compared to 3.67% a year earlier. Therefore the increase in loan-loss provisions (€151m and more than double the 2005 figure) was the result of generic provisions caused by the sharp rise in business volumes. As a result, coverage of non-performing loans rose to 132.8% at 31-Dec-06 (109.3% a year earlier).

## ● BANKING BUSINESS

In 2006, net attributable profit generated by the banks in this area surged 46.7% year-on-year to €422m. Significant events at the different banks are detailed below.

Following its best year in recent times, **BBVA Banco Francés** in Argentina contributed net attributable profit of €136m (up 62.5%). Lending was extremely strong (up 23.0%), especially retail lending (up 45.8%). Customer funds increased 17.4% with significant improvements in the lower-cost funds. The increase in private-sector lending and the reduced importance of public-sector assets (due to divestments earlier in the year) improved the bank's business mix. This boosted net interest income and net fee income. Net trading income benefited from capital gains on the sale of public-sector assets. These positive developments in revenues helped operating profit to rise 45.5% to €288m.

**BBVA Chile** faced a complicated environment in 2006. The negative impact of continuously rising interest rates at the beginning of the year was aggravated by fierce competition in the local market. Despite this, intense business activity helped lending to grow 21.4% and customer funds to increase 21.3%. As a result, net interest income rose 8.7% to €168m. The higher level of activity and the expansion of the BBVA Express branch network had an effect on expenses, which rose 13.3% year-on-year including depreciation. Thus operating profit came to €90m, similar to 2005. Higher loan-loss provisioning linked to the growth in business and the historic portfolio brought net attributable profit to €7m.

The prominent factor this year for **BBVA Colombia** was the merger with Granahorrar, which was concluded in record time. This bank has also developed considerable marketing skills and this led to strong increases in lending (28.3%) and customer funds (16.3%). This was achieved despite the competitive scenario, which has been more complex than in previous years. The increase in business volumes offset the negative effect of tighter spreads, especially in lending (due to strong competition and changes in local legislation). This resulted in higher net interest income and net fee income.

Moreover, these improvements were aided by costs savings following the purchase of Granahorrar and sound risk management, which helped the NPL ratio to improve to 5.11% (7.84% at 31-Dec-05). BBVA Colombia reported operating profit of €135m (up 49.2%) and net attributable profit of €96m (twice the figure last year).

It was also a highly positive year at **BBVA Banco Continental** in Peru, which generated net attributable profit of €56m (up 20.9%). A rise in interest rates at the beginning of the year had a negative impact but this was progressively offset by the increase in business activity, especially lending, which grew 35.1%. Consequently, net interest income rose 19.7% to €213m and net fee income advanced 15.4% with improvements in all areas. The higher revenues carried over to operating profit, which increased 17.9% to €197m.

**BBVA Banco Provincial** in Venezuela experienced a year fraught with political and regulatory uncertainty. But this did not prevent it from achieving an outstanding year, in which it generated net attributable profit of €82m (up 54.2%). Net interest income was the driving factor behind this important improvement. It rose 48.0% thanks to a 51.2% jump in lending (with retail loans leading the way) and a rise of 48.0% in customer funds (current accounts were particularly active). Other sources of revenue also put in a strong performance: net fee income was up 32.6% and net trading income rose 86.1% to €37m. These revenues meant that operating profit surged 92.6% to €215m.

Other banks in the area also reported favourable results in 2006. **BBVA Panamá** contributed net attributable profit of €22m (up 16.3%), **BBVA Paraguay** €14m (up 26.7%) and **BBVA Uruguay**, with €8m in profit, enjoyed its best year so far.

## ● PENSIONS AND INSURANCE

The pensions and insurance unit for South America generated net attributable profit of €109m (up 10.1%). Of this amount, insurance contributed €41m (up 16.3%) on intense activity in bancassurance. It was a moderate year for pension business, which generated profit of €67m (up 6.6%). Brief comments on the performance of the main companies are given below.

It was a highly positive year for **AFP Provida** in Chile, with net attributable profit rising 34.6% to €43m. Higher volumes, with increases of 14.5% in contributions and 22.6% in assets under management, helped ordinary revenues to grow 17.0%.

In Argentina, intensive marketing at **Consolidar AFJP** led to an increase of 27.8% in contributions and 30.6% in assets under management. This boosted ordinary revenues 18.8%. The Consolidar insurance companies reported a 41.2% rise in premiums. These improvements brought net attributable profit contributed by the **Consolidar Group** (AFJP plus the insurance companies) to €26m.

Other companies with good results in 2006 include **AFP Horizonte Colombia**, whose net attributable profit jumped 48.3% to €14m despite market volatility. **AFP Horizonte Perú**, in an extraordinarily complex environment, generated net attributable profit of €6m.

# Corporate Activities

## INCOME STATEMENT
(Million euros)

| | 2006 | Δ% | 2005 |
|---|---|---|---|
| NET INTEREST INCOME | (368) | 145.5 | (150) |
| Income by the equity method | 23 | (67.2) | 71 |
| Net fee income | 50 | (67.0) | 152 |
| Income from insurance activities | (24) | (57.0) | (56) |
| CORE REVENUES | (319) | n.m. | 16 |
| Net trading income | 841 | 90.9 | 441 |
| ORDINARY REVENUES | 522 | 14.3 | 457 |
| Net revenues from non-financial activities | (1) | 36.4 | (1) |
| Personnel and general administrative expenses | (444) | 5.9 | (419) |
| Depreciation and amortization | (139) | 10.1 | (127) |
| Other operating income and expenses | (12) | (69.4) | (41) |
| OPERATING PROFIT | (75) | (42.5) | (131) |
| Impairment losses on financial assets | 9 | (93.3) | 138 |
| • Loan loss provisions | 26 | (82.2) | 146 |
| • Other | (17) | 114.2 | (8) |
| Provisions | (1,193) | 263.2 | (328) |
| Other income/losses | 771 | n.m. | 22 |
| PRE-TAX PROFIT | (488) | 62.8 | (300) |
| Corporate income tax | 166 | (33.0) | 247 |
| NET PROFIT | (323) | n.m. | (53) |
| Minority interests | (6) | (92.1) | (79) |
| NET ATTRIBUTABLE PROFIT | (329) | 149.0 | (132) |

## BALANCE SHEET
(Million euros)

| | 31-12-06 | Δ% | 31-12-05 |
|---|---|---|---|
| Financial assets | 21,179 | (41.8) | 36,383 |
| Loans to customers | (361) | 172.3 | (133) |
| Liquidity transferred to the business areas | 74,486 | 97.9 | 37,639 |
| Property, plant and equipment | 1,610 | 3.9 | 1,549 |
| Other assets | 4,901 | (2.5) | 5,026 |
| Capital transferred to the business areas | 14,424 | 12.5 | 12,819 |
| TOTAL ASSETS / LIABILITIES AND EQUITY | 116,239 | 24.6 | 93,284 |
| Due to customers | 9,831 | 15.4 | 8,520 |
| Marketable debt securities | 68,180 | 26.2 | 54,027 |
| Subordinated debt | 5,266 | (20.8) | 6,646 |
| Other liabilities | 14,772 | 44.9 | 10,192 |
| Equity | 18,189 | 30.9 | 13,899 |
| • Minority interests | 12 | (94.2) | 208 |
| • Valuation adjustments | 3,341 | 1.4 | 3,295 |
| • Shareholders' funds | 14,836 | 42.7 | 10,396 |

This area includes the results of two units: Financial Management and Planning and Holdings in Industrial and Financial Companies. It also books the costs from headquarter units that have a strictly corporate function and makes allocations to corporate and miscellaneous provisions, eg, for early retirement.

Earnings from the Group's companies in Andorra were reported under this area until April, when the Group divested its holding there. This had a negative impact on the year-on-year comparison of items that used to include their revenues and earnings. The capital gains from the divestment are dealt with below.

Year-on-year changes in the area's net interest income continued to reflect the narrower spread on the portfolios due to higher interest rates. The sale of the stake in Banca Nazionale de Lavoro in May lowered the total figure booked under the equity method. Net trading income (€841m) notably includes the €523m capital gains from disposal of the Repsol YPF holding. All this led to a negative operating profit of –€75m in 2006 as against the –€131 from 2005.

Below the operating-profit line, allocations to provisions were raised by higher charges for early retirements, which includes a special charge of €777m booked in the fourth quarter for a plan to transform the branch network in Spain and those derived from the changes in the organization announced in December. This brought total allocations up to €1,054m over the year, as against €288m in 2005. Also significant was the rise in Other income/losses. These included earnings from the sale of holdings in Banca Nazionale del Lavoro (€568m) and Banc Internacional de Andorra (€183m) in 2Q06, whereas in 2005 no significant disposals were booked to this item.

Apart from the tax impact of these disposals, an extraordinary €457m charge reflected the adjustment of the Group's tax shield to the lower corporation-tax rates applicable as of 2007 under new tax regulations. (Their positive impact will be felt as of 2007, when rates drop to 32.5% in 2007 and 2008 when they will reach 30%). The area's net attributable profit in 2006 thus came down to negative –€329m, as against –€132m in 2005

## FINANCIAL MANAGEMENT AND PLANNING

The Financial Management an Planning unit through the Assets and Liabilities Committee (ALCO) administers the Group's interest and exchange rate structure as well as its overall liquidity and shareholders' funds.

Actively managing exchange-rate exposure on its long-term investments (basically stemming from its franchise in the Americas) helps BBVA to preserve its capital ratios and reserves, thus bringing stability to the income statement whilst controlling the cost of this risk management. At the end of September 2006, the Group was pursuing an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Apart from corporate-level hedging, some subsidiary banks hold long dollar positions at local level. The exchange-rate exposure on expected 2006 and 2007 earnings from the Group's franchise in America is managed in the same way. The results of this policy contributed €27m to 2006 earnings.

The Financial Management and Planning unit also actively manages structural interest-rate exposure of the Group's balance sheet using both hedging derivatives and balance-sheet instruments. The fixed-income asset portfolio denominated in euros, Mexican pesos and US dollars was above €11 bn on 31st December 2006.

## HOLDINGS IN INDUSTRIAL AND FINANCIAL COMPANIES

This unit manages the Group's portfolio of holdings in the telecommunications, media, electricity, oil and gas industries, as well as in the financial-services sector.

The portfolio acts as a repository of capital for future growth within the banking business. It follows strict criteria for risk-control, economic capital consumption and return on investment, with diversification over different industries. The unit also applies dynamic monetisation and coverage management strategies to holdings.

At 31st December 2006, the market value of the industrial and financial holdings portfolio stood at €7,387m, with unrealised capital gains of €3,389m before tax.

Apart from the divestments in Repsol YPF and BNL, BBVA made net investments of €912m and divestments €831m as part of its portfolio turnaround policy.

# CORPORATE RESPONSIBILITY



The following is a review of the most significant events related to the BBVA Group's corporate responsibility in the fourth quarter of 2006.

**Recognition.** In November, BBVA's annual report on corporate responsibility received its most important accolade so far when it was added to the prestigious list of the top 50 reports, published by the British organisation, SustainAbility. BBVA appears in 34th place and is the first Spanish entry. Moreover, in December it received the Publifestival Prize for the company that best integrates social action and marketing strategy.

**Employees.** During the quarter, there were several events associated with employees. The bank awarded prizes in an international drawing competition for employees' children and it launched an international photography competition. BBVA Banco Provincial organised holidays for 600 children of employees in Venezuela and BBVA Chile opened the *Banca Gente* line with special financial products for employees.

**Responsible business.** The bank launched new products and services in this area. They included the first Spanish mutual fund specialising in microfinance organisations (*BBVA Codespa Microfinanzas*) and a special account to encourage young children to save (*Miniblue*). It also set up an IT workshop for local government to develop solutions based on new technology. In a move to mitigate the effect of higher interest rates on SMEs, BBVA rolled out the *Stockpyme* line and introduced a finance package to facilitate the installation of photovoltaic panels for small businesses. In Portugal, it helped to finance Europe's biggest wind farm. And in Argentina it launched a new mortgage (*Línea Inquilinos*) to facilitate the purchase of homes by their current tenants.

**Master plan for social action in Latin America.** This is an ambitious plan to co-ordinate the Group's social action policies in Latin America. The idea is to spend at least 0.7% of the previous year's profit in the region. In 2007, this would come to nearly 15m and would exceed €20m after adding the resources that the Spanish part of the Group earmarks for social action in Latin America. Priority is given to education in poor sectors of the population. One scheme (*BBVA Becas Integración*) will generate more than 16,000 scholarships in 2007.

**Community support.** There were numerous activities during the quarter. They included the Spanish launch of a new type of free family loan (*Préstamo Joven*) and a humanitarian campaign in Argentina (food collections for the Food Bank Foundation). In Mexico, a Christmas bazaar was set up to collect funds for the BBVA Bancomer Foundation's training centres and in Chile the bank organised a Christmas fund campaign. In Puerto Rico it ran another campaign (*Fondos Unidos*) to support 155 humanitarian organisations with help from employees' voluntary salary contributions.

**Education.** This area included several events such as the announcement of the BBVA Ruta Quetzal expedition for 2007 and the launch of a second education project for Colombia under the Euro Solidarity programme (donations from employees and BBVA). There were several other activities in the Americas such as a campaign to encourage reading habits in Peru and the sponsorship of a painting competition for schoolchildren in Panama. The bank distributed study grants to university students in Texas and there were new agreements with Venezuelan universities on training for micro-firms.

**Social science, health and the environment.** There were numerous activities of the BBVA Foundation during the quarter. They included a forum on companies and the law, a conference on the impact of global warming on polar ecosystems, an exhibition in Burgos on the environment (*Félix, 25 años de conciencia ecológica*) and a study of Spanish graduates and undergraduates. Anida and the Spanish Red Cross launched a project (*CON sumo cuidado*) to raise environmental awareness among students in various cities in Spain and the bank obtained an ISO 14001 certificate for the environmental management of its building at Gran Vía 1 in Bilbao.

**Culture.** The cultural activity programme took centre stage in the artistic arena, presenting the restoration of an important retable in Seville and various exhibitions. The latter included Spanish still-life from the Naseiro collection (Madrid), the 19th audiovisual exhibition (Bilbao), paintings of Joan Miró 1956-1983 (Barcelona), 20th-century art from BBVA's collection (A Coruña) and four centuries of European works from the bank's collection (Bogotá).

# FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

(Million euros)

| | 31-12-06 | ∆% | 31-12-05 | 30-09-06 |
|---|---|---|---|---|
| Cash and balances at Central Banks | 12,515 | 1.4 | 12,341 | 9,811 |
| Financial assets held for trading | 51,835 | 17.8 | 44,012 | 45,505 |
| Other financial assets at fair value | 977 | (31.2) | 1,421 | 1,004 |
| Financial assets available for sale | 42,267 | (29.6) | 60,034 | 42,950 |
| Loans and receivables | 279,855 | 12.2 | 249,397 | 279,685 |
| • Due from banks | 17,050 | (37.9) | 27,470 | 31,847 |
| • Loans to customers | 256,565 | 18.3 | 216,850 | 242,565 |
| • Other | 6,240 | 22.9 | 5,076 | 5,273 |
| Held to maturity investments | 5,906 | 49.2 | 3,959 | 5,872 |
| Investments in associates | 889 | (39.6) | 1,473 | 1,026 |
| Property, plant and equipment | 4,527 | 3.3 | 4,383 | 4,262 |
| Intangible assets | 3,269 | 57.9 | 2,070 | 1,906 |
| Other assets | 9,876 | (25.7) | 13,299 | 11,163 |
| TOTAL ASSETS | 411,916 | 5.0 | 392,389 | 403,184 |
| Financial liabilities held for trading | 14,924 | (8.3) | 16,271 | 13,953 |
| Other financial liabilities at fair value | 583 | (21.3) | 740 | 654 |
| Financial liabilities at amortised cost | 348,445 | 5.7 | 329,505 | 343,739 |
| • Deposits by Central Banks and banks | 57,804 | (12.8) | 66,315 | 65,774 |
| • Due to customers | 192,374 | 5.3 | 182,635 | 184,888 |
| • Marketable debt securities | 77,674 | 23.6 | 62,842 | 74,449 |
| • Subordinated debt | 13,597 | (0.9) | 13,723 | 12,735 |
| • Other | 6,995 | 75.3 | 3,990 | 5,893 |
| Liabilities under insurance contracts | 10,121 | (3.6) | 10,501 | 10,134 |
| Other liabilities | 15,527 | (14.1) | 18,071 | 15,433 |
| TOTAL LIABILITIES | 389,598 | 3.9 | 375,087 | 383,913 |
| Minority interests | 768 | (20.9) | 971 | 777 |
| Valuation adjustments | 3,341 | 1.4 | 3,295 | 2,527 |
| Shareholders' funds | 18,210 | 39.7 | 13,036 | 15,967 |
| EQUITY | 22,318 | 29.0 | 17,302 | 19,271 |
| TOTAL LIABILITIES AND EQUITY | 411,916 | 5.0 | 392,389 | 403,184 |
| MEMORANDUM ITEM: | | | | |
| Contingent liabilities | 42,281 | 41.6 | 29,862 | 37,969 |

## CONSOLIDATED INCOME STATEMENT
(Million euros)

| | 2006 | ∆% | 2005 |
|---|---|---|---|
| Core net interest income | 7,995 | 15.6 | 6,915 |
| Dividends | 379 | 29.7 | 292 |
| NET INTEREST INCOME | 8,374 | 16.2 | 7,208 |
| Income by the equity method | 308 | 153.2 | 121 |
| Net fee income | 4,335 | 10.0 | 3,940 |
| Income from insurance activities | 650 | 33.6 | 487 |
| CORE REVENUES | 13,667 | 16.3 | 11,756 |
| Net trading income | 2,034 | 60.5 | 1,267 |
| ORDINARY REVENUES | 15,701 | 20.6 | 13,024 |
| Net revenues from non-financial activities | 131 | 4.4 | 126 |
| Personnel costs | (3,989) | 10.7 | (3,602) |
| General expenses | (2,342) | 8.4 | (2,160) |
| Depreciation and amortization | (472) | 5.2 | (449) |
| Other operating income and expenses | (146) | 27.4 | (115) |
| OPERATING PROFIT | 8,883 | 30.2 | 6,823 |
| Impairment losses on financial assets | (1,504) | 76.0 | (854) |
| • Loan loss provisions | (1,477) | 81.6 | (813) |
| • Other | (27) | (34.8) | (41) |
| Provisions | (1,338) | 194.6 | (454) |
| Other income/losses | 989 | n.m. | 77 |
| • From disposal of equity holdings | 934 | n.m. | 29 |
| • Other | 55 | 12.4 | 49 |
| PRE-TAX PROFIT | 7,030 | 25.7 | 5,592 |
| Corporate income tax | (2,059) | 35.4 | (1,521) |
| NET PROFIT | 4,971 | 22.1 | 4,071 |
| Minority interests | (235) | (11.0) | (264) |
| NET ATTRIBUTABLE PROFIT | 4,736 | 24.4 | 3,806 |
| EARNINGS PER SHARE CALCULATION | | | |
| Average ordinary shares in circulation (million) | 3,406 | 0.4 | 3,391 |
| Basic earnings per share (euros) | 1.39 | 23.9 | 1.12 |
| Diluted earnings per share (euros) | 1.39 | 23.9 | 1.12 |

## BREAKDOWN OF YIELDS AND COSTS

| | 4th Quarter 06 | | 3rd Quarter 06 | | 2nd Quarter 06 | | 1st Quarter 06 | |
|---|---|---|---|---|---|---|---|---|
| | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost |
| Cash and balances at Central Banks | 3.0 | 3.50 | 2.6 | 4.23 | 2.9 | 3.84 | 3.6 | 3.48 |
| Financial assets and derivatives | 24.0 | 4.13 | 25.4 | 3.75 | 27.4 | 4.52 | 27.7 | 3.68 |
| • Fixed-income securities | 18.7 | 4.50 | 20.6 | 4.47 | 22.5 | 4.70 | 23.1 | 4.34 |
| - Euros | 11.3 | 2.43 | 13.7 | 2.44 | 15.3 | 2.51 | 15.1 | 2.31 |
| - Foreign currencies | 7.4 | 7.66 | 6.8 | 8.57 | 7.2 | 9.34 | 8.1 | 8.15 |
| • Equity securities | 5.3 | 2.84 | 4.9 | 0.72 | 4.9 | 3.65 | 4.6 | 0.37 |
| Due from banks | 6.7 | 4.24 | 6.2 | 4.07 | 4.8 | 4.48 | 6.1 | 4.03 |
| • Euros | 4.3 | 3.25 | 3.8 | 3.17 | 2.6 | 3.38 | 3.5 | 3.06 |
| • Foreign currencies | 2.4 | 6.05 | 2.4 | 5.47 | 2.2 | 5.79 | 2.7 | 5.27 |
| Loans to customers | 60.8 | 6.21 | 59.9 | 5.98 | 58.4 | 5.78 | 56.0 | 5.69 |
| • Euros | 45.9 | 4.54 | 45.8 | 4.18 | 44.8 | 4.00 | 42.5 | 3.85 |
| - Domestic | 42.8 | 4.53 | 42.9 | 4.22 | 42.0 | 4.03 | 39.7 | 3.86 |
| - Other | 3.1 | 4.68 | 2.9 | 3.47 | 2.8 | 3.55 | 2.8 | 3.71 |
| • Foreign currencies | 14.9 | 11.40 | 14.1 | 11.85 | 13.5 | 11.68 | 13.5 | 11.49 |
| Other assets | 5.5 | 1.07 | 5.9 | 1.34 | 6.5 | 0.42 | 6.5 | 0.64 |
| TOTAL ASSETS | 100.0 | 5.22 | 100.0 | 4.97 | 100.0 | 4.97 | 100.0 | 4.62 |
| | | | | | | | | |
| Deposits by Central Banks and banks | 14.7 | 4.24 | 16.6 | 3.83 | 16.9 | 3.78 | 16.2 | 3.35 |
| • Euros | 7.0 | 3.24 | 9.6 | 2.88 | 9.5 | 2.79 | 8.9 | 2.53 |
| • Foreign currencies | 7.7 | 5.16 | 7.0 | 5.13 | 7.4 | 5.03 | 7.3 | 4.35 |
| Due to customers | 46.3 | 3.07 | 44.5 | 3.07 | 43.7 | 2.98 | 45.0 | 3.00 |
| • Euros | 26.3 | 2.12 | 25.2 | 1.79 | 24.2 | 1.51 | 24.1 | 1.54 |
| - Domestic | 18.3 | 1.64 | 18.5 | 1.45 | 17.9 | 1.33 | 16.7 | 1.23 |
| - Other | 8.0 | 3.21 | 6.7 | 2.73 | 6.3 | 2.02 | 7.4 | 2.23 |
| • Foreign currencies | 20.0 | 4.33 | 19.3 | 4.75 | 19.5 | 4.82 | 20.9 | 4.69 |
| Marketable debt securities and subordinated debt | 22.3 | 3.91 | 22.4 | 3.56 | 22.6 | 3.29 | 21.0 | 3.01 |
| • Euros | 19.5 | 3.73 | 19.6 | 3.30 | 19.9 | 3.08 | 19.3 | 2.79 |
| • Foreign currencies | 2.8 | 5.12 | 2.8 | 5.38 | 2.7 | 4.88 | 1.8 | 5.41 |
| Other liabilities | 11.5 | 0.80 | 11.7 | 1.06 | 12.3 | 0.75 | 13.2 | 0.60 |
| Equity | 5.1 | - | 4.8 | - | 4.5 | - | 4.6 | - |
| TOTAL LIABILITIES AND EQUITY | 100.0 | 3.01 | 100.0 | 2.92 | 100.0 | 2.78 | 100.0 | 2.61 |
| | | | | | | | | |
| NET INTEREST INCOME/ATA | | 2.20 | | 2.05 | | 2.19 | | 2.02 |

## STATEMENT OF CHANGES IN EQUITY

(Million euros)

| | Capital | Reserves | Profit for the year | Treasury shares | Valuation adjustments | Minority interests | Paid dividends | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| BALANCE AT 31-12-04 | 1,662 | 7,428 | 2,923 | (36) | 2,107 | 738 | (1,015) | 13,805 |
| Valuation adjustments | | | | | 1,188 | 45 | | 1,233 |
| Profit retained | | 1,427 | (1,427) | | | | | - |
| Dividends | | | (1,495) | | | (64) | (151) | (1,711) |
| Shares issued | | | | | | | | - |
| Results of treasury shares traded | | 34 | | (60) | | (1) | | (27) |
| Profit for the year | | | 3,806 | | | 264 | | 4,071 |
| Other | | (58) | | | | (11) | | (69) |
| BALANCE AT 31-12-05 | 1,662 | 8,831 | 3,806 | (96) | 3,295 | 971 | (1,167) | 17,302 |
| | | | | | | | | |
| BALANCE AT 31-12-05 | 1,662 | 8,831 | 3,806 | (96) | 3,295 | 971 | (1,167) | 17,302 |
| Valuation adjustments | | | | | 46 | (3) | | 43 |
| Profit retained | | 2,006 | (2,006) | | | | | - |
| Dividends | | | (1,801) | | | (104) | (196) | (2,100) |
| Shares issued | 79 | 2,921 | | | | | | 3,000 |
| Results of treasury shares traded | | | | (51) | | | | (51) |
| Profit for the year | | | 4,736 | | | 235 | | 4,971 |
| Other | | (549) | | 35 | | (332) | | (846) |
| BALANCE AT 31-12-06 | 1,740 | 13,208 | 4,736 | (112) | 3,341 | 768 | (1,363) | 22,318 |

## INFORMATION BY SEGMENTS. 2006

(Million euros)

| Income Statements | Retail Banking in Spain and Portugal | Wholesale and Investment Banking | Mexico and USA | South America | Corporate Activities | TOTAL BBVA GROUP |
|---|---|---|---|---|---|---|
| Net interest income | 2,865 | 1,032 | 3,535 | 1,310 | (368) | 8,374 |
| Ordinary revenues | 4,902 | 2,448 | 5,423 | 2,405 | 522 | 15,701 |
| Operating profit | 2,653 | 1,912 | 3,231 | 1,163 | (75) | 8,883 |
| Pre-tax profit | 2,311 | 1,738 | 2,515 | 955 | (488) | 7,030 |
| Net attributable profit | 1,498 | 1,282 | 1,775 | 509 | (329) | 4,736 |

| Retail Banking in Spain and Portugal | Financial Services | Asset Mgt and Private Bkg | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 2,813 | 29 | 23 | 2,865 |
| Ordinary revenues | 4,338 | 309 | 254 | 4,902 |
| Operating profit | 2,331 | 209 | 113 | 2,653 |
| Pre-tax profit | 2,011 | 199 | 101 | 2,311 |
| Net attributable profit | 1,302 | 132 | 65 | 1,498 |

| Wholesale and Investment Banking | Corporate and Business Banking | Global Wholesale Bkg and Markets | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 911 | 127 | (6) | 1,032 |
| Ordinary revenues | 1,351 | 893 | 205 | 2,448 |
| Operating profit | 1,029 | 586 | 297 | 1,912 |
| Pre-tax profit | 827 | 450 | 460 | 1,738 |
| Net attributable profit | 538 | 309 | 436 | 1,282 |

| Mexico and USA | Banking businesses | Pensions and Insurance | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 3,542 | 2 | (9) | 3,535 |
| Ordinary revenues | 5,026 | 428 | (31) | 5,423 |
| Operating profit | 3,023 | 245 | (37) | 3,231 |
| Pre-tax profit | 2,305 | 247 | (37) | 2,515 |
| Net attributable profit | 1,625 | 174 | (24) | 1,775 |

| South America | Banking businesses | Pensions and Insurance | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 1,301 | 11 | (1) | 1,310 |
| Ordinary revenues | 1,977 | 434 | (6) | 2,405 |
| Operating profit | 980 | 216 | (33) | 1,163 |
| Pre-tax profit | 781 | 207 | (33) | 955 |
| Net attributable profit | 422 | 109 | (21) | 509 |

## INFORMATION BY SEGMENTS. 2005

(Million euros)

| Income Statements | Retail Banking in Spain and Portugal | Wholesale and Investment Banking | Mexico and USA | South America | Corporate Activities | TOTAL BBVA GROUP |
|---|---|---|---|---|---|---|
| Net interest income | 2,623 | 1,017 | 2,678 | 1,039 | (150) | 7,208 |
| Ordinary revenues | 4,444 | 1,941 | 4,287 | 1,895 | 457 | 13,024 |
| Operating profit | 2,319 | 1,471 | 2,303 | 861 | (131) | 6,823 |
| Pre-tax profit | 2,007 | 1,238 | 1,929 | 718 | (300) | 5,592 |
| Net attributable profit | 1,317 | 873 | 1,370 | 379 | (132) | 3,806 |

| Retail Banking in Spain and Portugal | Financial Services | Asset Mgt and Private Bkg | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 2,579 | 25 | 19 | 2,623 |
| Ordinary revenues | 3,957 | 273 | 214 | 4,444 |
| Operating profit | 2,053 | 175 | 90 | 2,319 |
| Pre-tax profit | 1,763 | 162 | 82 | 2,007 |
| Net attributable profit | 1,152 | 110 | 56 | 1,317 |

| Wholesale and Investment Banking | Corporate and Business Banking | Global Wholesale Bkg and Markets | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 831 | 171 | 15 | 1,017 |
| Ordinary revenues | 1,201 | 725 | 15 | 1,941 |
| Operating profit | 899 | 464 | 107 | 1,471 |
| Pre-tax profit | 730 | 372 | 136 | 1,238 |
| Net attributable profit | 476 | 264 | 133 | 873 |

| Mexico and USA | Banking businesses | Pensions and Insurance | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 2,679 | 4 | (5) | 2,678 |
| Ordinary revenues | 3,941 | 377 | (31) | 4,287 |
| Operating profit | 2,113 | 228 | (38) | 2,303 |
| Pre-tax profit | 1,740 | 228 | (38) | 1,929 |
| Net attributable profit | 1,235 | 160 | (25) | 1,370 |

| South America | Banking businesses | Pensions and Insurance | Other | TOTAL AREA |
|---|---|---|---|---|
| Net interest income | 1,031 | 9 | (1) | 1,039 |
| Ordinary revenues | 1,528 | 372 | (5) | 1,895 |
| Operating profit | 713 | 179 | (31) | 861 |
| Pre-tax profit | 559 | 184 | (25) | 718 |
| Net attributable profit | 294 | 99 | (15) | 379 |

## THE AMERICAS. DATA PER COUNTRY (BANKING BUSINESS, PENSIONS AND INSURANCE)

(Million euros)

| | Operating Income | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | Δ% | Δ% at constant exchange rate | 2005 | 2006 | Δ% | Δ% at constant exchange rate | 2005 |
| Argentina | 353 | 41.2 | 50.6 | 250 | 163 | 36.3 | 45.4 | 119 |
| Chile | 186 | 17.8 | 12.6 | 158 | 56 | (9.3) | (13.3) | 62 |
| Colombia | 165 | 29.5 | 32.5 | 128 | 117 | 77.4 | 81.6 | 66 |
| United States (1) | 129 | 50.7 | 52.0 | 85 | 64 | 80.1 | 81.7 | 36 |
| Mexico | 3,102 | 39.9 | 41.3 | 2,218 | 1,711 | 28.2 | 29.5 | 1,334 |
| Panama | 33 | 16.8 | 17.9 | 28 | 22 | 15.3 | 16.3 | 19 |
| Paraguay | 15 | 33.6 | 23.2 | 11 | 14 | 37.4 | 26.7 | 10 |
| Peru | 209 | 7.9 | 8.3 | 194 | 62 | 5.3 | 5.7 | 59 |
| Uruguay | 7 | n.m. | n.m. | - | 8 | n.m. | n.m. | (2) |
| Venezuela | 222 | 84.8 | 90.3 | 120 | 85 | 48.7 | 53.1 | 57 |
| Other countries (2) | (27) | (0.7) | (0.8) | (27) | (17) | 56.9 | 55.6 | (11) |
| TOTAL | 4,393 | 38.8 | 40.5 | 3,164 | 2,284 | 30.6 | 32.2 | 1,749 |

(1) Includes Puerto Rico.
(2) Bolivia, Ecuador and Dominican Republic. Additionally, it includes eliminations and other charges allocated from South America.

## MEXICO (BANKING BUSINESS, PENSIONS AND INSURANCE). INCOME STATEMENT

(Million euros)

| | 2006 | Δ% | Δ% at constant exchange rate | 2005 |
|---|---|---|---|---|
| NET INTEREST INCOME | 3,252 | 32.1 | 33.4 | 2,462 |
| Income by the equity method | (2) | n.m. | n.m. | - |
| Net fee income | 1,277 | 15.7 | 16.8 | 1,104 |
| Income from insurance activities | 305 | 33.3 | 34.6 | 229 |
| CORE REVENUES | 4,832 | 27.3 | 28.6 | 3,795 |
| Net trading income | 182 | 6.1 | 7.1 | 172 |
| ORDINARY REVENUES | 5,014 | 26.4 | 27.7 | 3,966 |
| Net revenues from non-financial activities | (4) | 61.0 | 62.6 | (3) |
| Personnel and general administrative expenses | (1,694) | 11.1 | 12.2 | (1,525) |
| Depreciation and amortization | (98) | (15.7) | (14.9) | (116) |
| Other operating income and expenses | (117) | 10.5 | 11.6 | (106) |
| OPERATING PROFIT | 3,102 | 39.9 | 41.3 | 2,218 |
| Impairment losses on financial assets | (646) | 131.1 | 133.4 | (280) |
| • Loan loss provisions | (633) | 149.8 | 152.3 | (254) |
| • Other | (13) | (50.4) | (49.9) | (26) |
| Provisions | (70) | 46.4 | 47.9 | (48) |
| Other income/losses | 36 | n.m. | n.m. | (10) |
| PRE-TAX PROFIT | 2,422 | 28.8 | 30.1 | 1,880 |
| Corporate income tax | (710) | 30.8 | 32.1 | (542) |
| NET PROFIT | 1,713 | 28.0 | 29.3 | 1,338 |
| Minority interests | (2) | (43.8) | (43.2) | (3) |
| NET ATTRIBUTABLE PROFIT | 1,711 | 28.2 | 29.5 | 1,334 |

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2006 QUARTERLY REPORT Results

BBVA