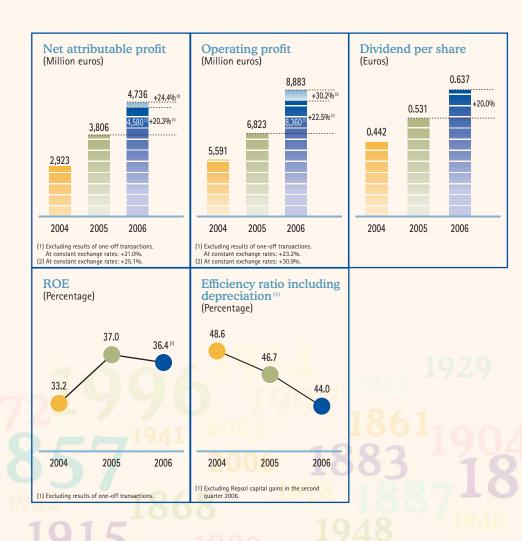


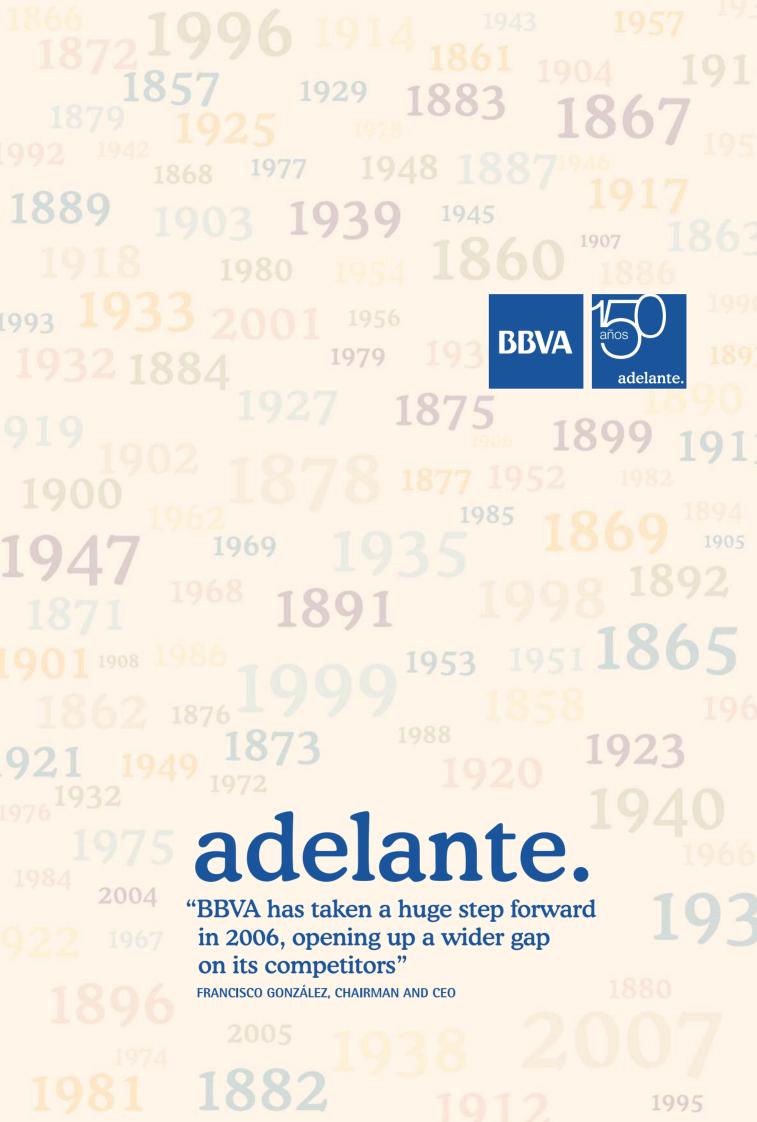


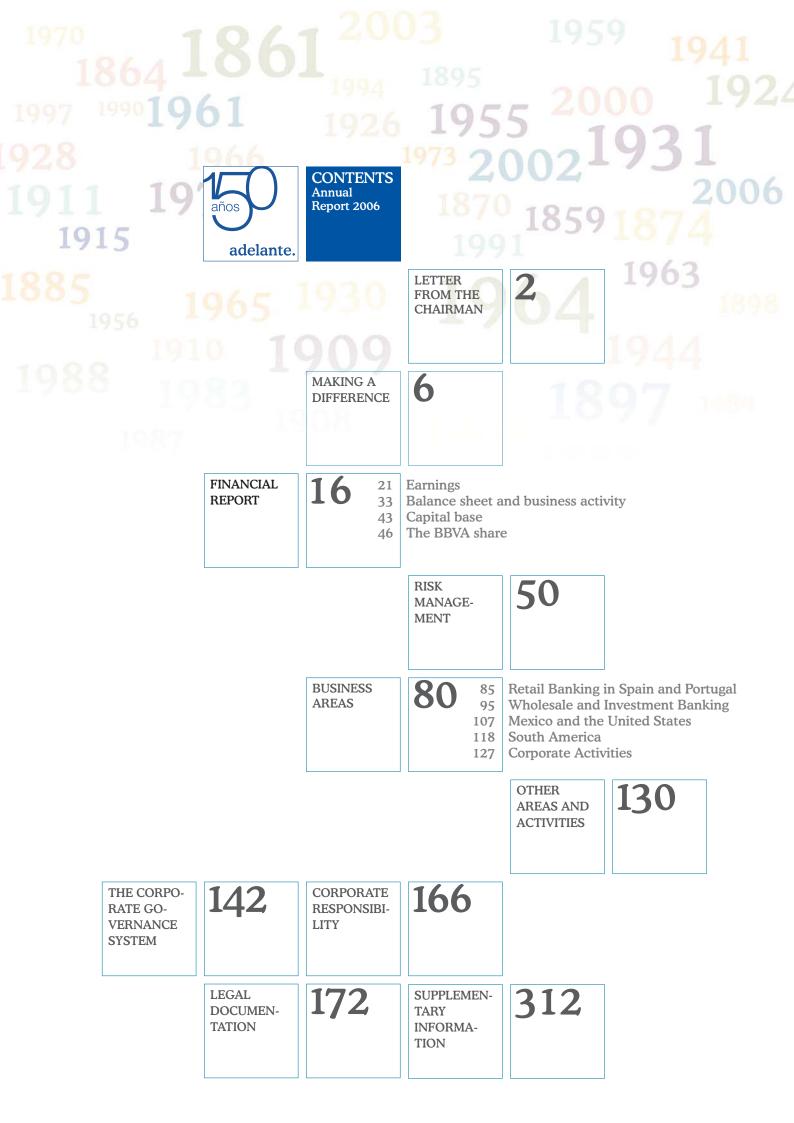
### **HIGHLIGHTS**

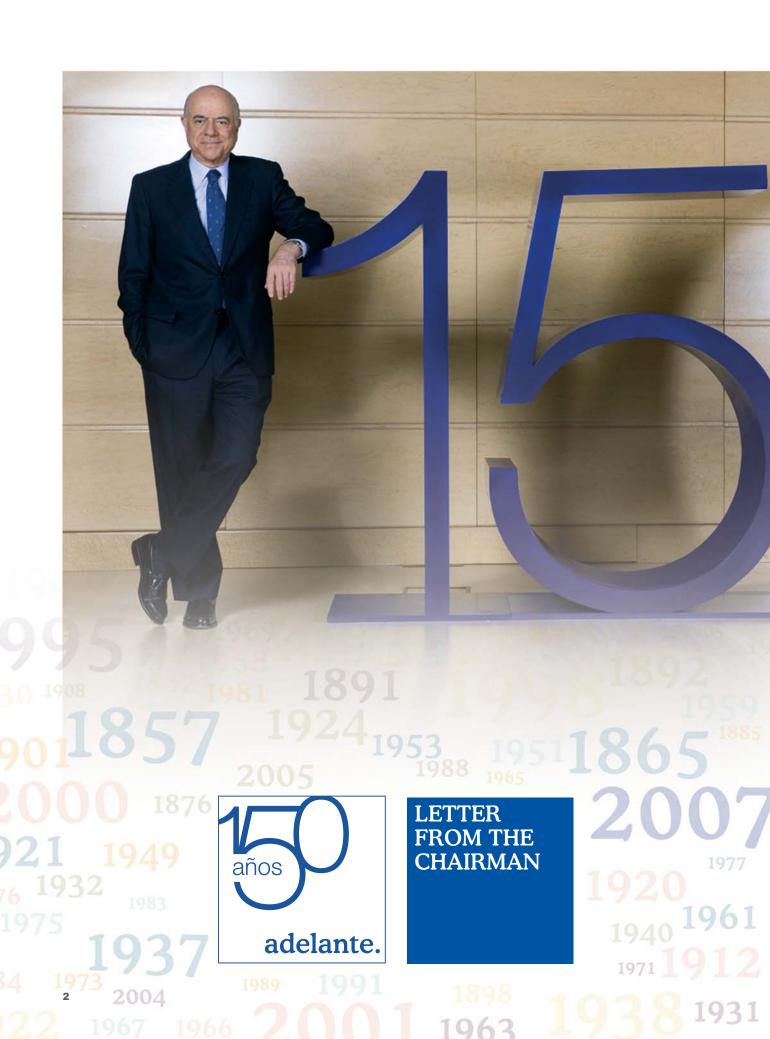


BBVA Group Highlights (Consolidated figures)					
	31-12-06	1-12-06 excludir one-offs (1)	ng $\Delta^{0}\!$	31-12-05	21 12 04
BALANCE SHEET (million euros)	31-12-06	one-orts (1)	Δ% (2)	31-12-05	31-12-04
Total assets	411 01 0	•••••		202 200	220 441
	411,916		5.0	392,389	329,441
Total lending (gross)	262,969		18.2	222,413	176,673
On-balance sheet customer funds	283,645		9.4	259,200	207,701
Other customer funds	142,064		(0.5)	142,707	121,553
Total customer funds	425,709		5.9	401,907	329,254
Equity	22,318		29.0	17,302	13,805
Shareholders' funds	18,210		39.7	13,036	10,961
INCOME STATEMENT (million euros)					
Net interest income	8,374	8,374	16.2	7,208	6,160
Core revenues	13,667	13,667	16.3	11,756	10,060
Ordinary revenues	15,701	15,178	16.5	13,024	11,120
Operating profit	8,883	8,360	22.5	6,823	5,591
Pre-tax profit	7,030	6,533	16.8	5,592	4,137
Net attributable profit	4,736	4,580	20.3	3,806	2,923
DATA PER SHARE AND MARKET CAPITALISATION					
Share price	18.24	••••••	21.0	15.08	13.05
Market capitalisation (million euros)	64,788		26.7	51,134	44,251
Net attributable profit	1.39	1.34	19.8	1.12	0.87
Dividend	0.637		20.0	0.531	0.442
Book value	5.13		33.4	3.84	3.23
PER (Price/earnings ratio; times)	13.7			13.4	15.1
P/BV (Price/book value; times)	3.6			3.9	4.0
SIGNIFICANT RATIOS (%)					
Operating profit/ATA	2.24	2.11		1.87	1.74
ROE (Net attributable profit/Average equity)	37.6	36.4		37.0	33.2
ROA (Net profit/ATA)	1.26	1.22		1.12	0.97
RORWA (Net profit/Risk weighted average assets)	2.12	2.05		1.91	1.62
Efficiency ratio	39.6	40.9		43.2	44.6
Efficiency ratio including depreciation and amortization	42.6	44.0		46.7	48.6
NPL ratio	0.83			0.94	1.13
NPL coverage ratio	272.8			252.5	219.7
CAPITAL ADEQUACY RATIOS (BIS REGULATION) (%)					
Total	12.0			12.0	12.5
Core capital	6.2			5.6	5.8
TIER I	7.8			7.5	7.9
OTHER INFORMATION					
Number of shares (million)	3,552			3,391	3,391
Number of shareholders	864,226			984,891	1,081,020
Number of employees	98,553			94,681	87,112
• Spain	30,582			31,154	31,056
• The Americas (3)	66,146			61,604	54,074
• Rest of the world	1,825			1,923	1,982
Number of branches	7,585			7,410	6,868
• Spain	3,635			3,578	3,385
• The Americas (3)	3,797			3,658	3,303
Rest of the world	153			174	180

<sup>(1)</sup> Capital gains on BNL, Repsol and Andorra and non-recurrent charges for early retirements and corporate income tax booked in the second and fourth quarter 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.









2006 has been yet another excellent year for BBVA (and this almost ceases to be newsworthy). Pursuing our trajectory of profitable growth, we have recorded a net attributable profit in 2006 of €4,736m, which constitutes an increase of 24.4% with regard to 2005 and a new record for our Group. Earnings per share, which are the finest measure of the quality of a company's management, have risen by 23.9%.

Excluding non-recurrent items, due largely to the divestment of our holdings in BNL, Repsol and Banc Internacional d'Andorra, and to early retirement provisions and the extra charge for the new rules on corporate income tax, the growth in Group profit would have been 20.3%.

Our profits in 2006 rode on the back of high rates of activity in all our business areas, which at constant interest rates mean increases of 20.9% in lending and 9.6% in costumer funds for the Group as a whole. This growth in activity is reflected in revenues, with sharp rises of 16.2% in net interest income and 16.5% in ordinary revenues, excluding non-recurrent items. Together with the dynamism of income, the containment of costs has meant a 22.5% rise in operating profit, excluding non-recurrent items.

These earnings are of the highest quality – as they refer to the upper reaches of the income statement – and extremely balanced, since they affect all business areas. The growth recorded by the areas of Mexico and the United States, South America and Wholesale and Investment Banking are nothing short of spectacular, yet I should also like to highlight the growth in Retail Banking in Spain and Portugal, within an extremely challenging and competitive market scenario.

Insofar as our core parameters are concerned, the good performance in income and expenditure is reflected in another of our hallmarks: a further increase in efficiency. We have again improved our ratio, by 270 basis points, and it now stands at 44% (without non-recurrent items), the best amongst the large financial groups within the euro zone, and almost 14 points higher than the average for our competitors. We have therefore reinforced our standing as one of the world's most efficient banks.

BBVA also ratified its position in 2006 as one of the most profitable banks in Europe, with a return on equity (ROE) of 36.4% – excluding non-recurrent items – 13 points higher than the average for our peers.

Furthermore, we have rendered our robust growth rate compatible with prudence in risk management; we have reduced our non-performing loans ratio by 11 basis points to 0.83%, whilst our NPL coverage ratio rose by 20 percentage points to 272.8%. In these variables, too, we remain at the forefront of major financial groups in Europe.

Meanwhile, we have continued to uphold the levels of solvency that we deem to be most appropriate for the Group. In 2006, we improved our core capital, which stands at 6.2%, whereas the BIS ratio remains stable at 12%.

The growth and quality of our profits, the strength of our core parameters and the promising outlook for the Group enable us to continue making a significant increase in shareholder

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# "A transformation that has redefined our principles of Good Governance, our Corporate Culture and our HR management model"

remuneration. Thus, the board of directors is submitting a proposal to the Annual General Meeting for a 2006 dividend of €0.637 euros per share, a year-on-year increase of 20%.

At the same time, 2006 has witnessed major progress throughout the Group in the launching and implementation of projects for the future.

In Retail Banking in Spain and Portugal, a highlight has been the excellent reception afforded to new consumer products, deposits, asset management and asset portfolios, advances in business segmentation policies – with huge success amongst youth and migrant sectors –, the completion of the branch network expansion programme and the streamlining of the organisational structure.

In Wholesale and Investment Banking, we have forged ahead in business expansion abroad, and we have undertaken a comprehensive restructuring of Corporate and Business Banking, with sharp growth in the sale of derivatives to companies, once again positioning ourselves amongst the global leaders in trade finance and project finance.

In Mexico, there has continued to be a significant enlargement of the customer base, we have reinforced our leadership in consumer lending and mortgages and we have generated a sharp rise in the business productivity and efficiency of the branch network.

In the United States, further inroads have been made in the expansion plan, with the acquisition of Texas State Bank and State National Bank, thereby complementing the earlier purchase of Laredo National Bank (LNB).

Finally, in South America, there has been significant progress in the process of extending banking usage – with a major increase in both lending and costumer funds – with significant growth in insurance banking, and we have overseen the exemplary integration of Granahorrar in Colombia.

2006 rounds off an extraordinary trajectory negotiated by the BBVA Group over the past four

years. We have taken a huge step forward in our transformation process, opening up a wide gap on our competitors and consolidating our position as a benchmark for the major financial groups in the euro zone. Thus, the period 2002-2006 saw us multiply our assets by 1.5, and our market capitalisation by 2.2; we also improved our return on equity (ROE) by more than 22 percentage points and our efficiency ratio by 8 points. Moreover, in this same period, we have multiplied earnings per share by 2.5, with an average annual increase of 25.5%.

This excellent performance has been mirrored by our share. The overall yield for shareholders, which includes the rise in market value and dividends collected, amounted to 25% in 2006, and 120% for the past four years.

Yet none of this has been achieved by chance, but rather responds to a considered strategy. In recent years, BBVA has undergone a far-reaching transformation, whereby we have managed to redefine our principles of Good Governance, our Corporate Culture and our HR management model.

In step with this transformation, we have been systematically applying a strategy designed to create value through profitable growth, based on two pillars: firstly, a suitable corporate positioning, allocating more capital to high-growth businesses; secondly, the development of a business rooted in our specific skills: the management of efficiency, distribution networks and risk.

We can affirm that our strategy in recent years has been a resounding success: nevertheless, we aspire to more.

Today's world is experiencing one of the fastest periods of change ever known, driven by two major forces: globalisation and technological progress. With a view to becoming an industry benchmark in this new scenario, we have a dual aspiration at BBVA: to metamorphose from a multinational group into a global concern; and evolve from a "customer-focused bank" into a "people-focused bank".

On our way to becoming a global concern, we have made inroads by expanding into high-growth markets, such as the United States and Asia.

The purchases of the Texas State Bank and State National Bank in the US in 2006 increased our size threefold, making us the premier state bank in Texas, the world's eighth largest economy. The successful completion of the acquisition of Compass Bancshares in 2007 will enable us to line up amongst the 20 foremost banks in the US, with clear leadership in the so-called Sun Belt (region stretching across the South and Southwest of the US), the country's area of steepest growth.

In barely two years in Asia, we have made our presence felt in the main financial centres throughout the entire Asia-Pacific area. In addition, we have bolstered our growth potential in the region through a strategic alliance with China's Citic Group. This agreement makes us exclusive partners for the development of retail and wholesale banking in Asia, and specifically in China, and represents the largest investment made by a Spanish company in this market.

At BBVA, we have already evolved from a "product-focused bank" into a "customer-focused bank". The time has now come to take a further step, in keeping with the vision of our corporate culture: "BBVA, working towards a better future for people".

In order to shift our focus from customers to people, we are relying on two focal points: on the one hand, the notion of accessibility – we want to reach much broader segments of the population, using the opportunities provided by technology to reduce production and distribution costs; on the other hand, our aim is to develop from a financial group into a services group, providing all nature of solutions for people (health, housing, leisure...).

The idea of a "people-based bank" refers also to the staff at BBVA. Human capital constitutes one of the keys to the future. Hence the reason we want to improve our management of talent, encouraging career development, the generation of ideas and teamwork.

In order to achieve all our goals and aspirations, our strategy rests on two pillars: Principles and Innovation.

Principles, "with a capital P", are vital and inalienable for BBVA, as they are what sets us apart from our competitors. Amongst their more

salient features, I should like to stress the following: our advanced and exacting Corporate Governance of the highest calibre, a Corporate Culture based on transparency, integrity and a commitment to the people and societies with which we work, strict codes of conduct, transparent business practices and an ethical approach to all our operations.

As regards Innovation, in 2006 we launched a highly substantial project, a Transformation and Productivity Plan, for assessing and redesigning all Group processes. To give an even greater boost to innovation, in 2007 we have set up an Innovation committee at the highest level, in which both the CEO and I will be present, and whose aim will be to coordinate and promote projects in this field. This year, 2007, BBVA is going to unleash the full force of its innovative project.

This year also marks the 150th anniversary of BBVA and the 75th anniversary of BBVA Bancomer. 2007 is set to be an historic year for BBVA, even more so, if possible, than 2006.

2007 is going to be BBVA's year. The year in which we take decisive steps towards our goal of becoming one of the world's ten referent entities in our industry, with the recent expansion of our presence in the US being a move in the right direction. A year in which we are clearly going to make a difference in value creation for our shareholders.

To do so, we have an excellent team of almost 100,000 staff throughout the Group worldwide, whom I thank for their dedication, effort and enthusiasm.

Naturally enough, we hope to continue receiving the support and trust of each and every one of you, our shareholders, as without you none of this would be possible.

26 February 2007 Francisco González Rodríguez

A.





The continuity and strength of a consistent strategy

In 2002, BBVA decided to address a new growth dynamics based on profitable growth and value creation.

During the initial years (2002-2004), the BBVA Group made a huge effort in internal transformation. In order to so, a new Group strategy was defined and a more flexible organisational structure was adopted, ensuring this strategy was implemented in a more effective manner. In turn, the business area was given more leeway and a sharper focus on BBVA stakeholders: customers, shareholders, employees and society at large.

In this first stage, the priority was to lay solid foundations for profitable growth, based on core Group parameters that have been steadily reinforced, ultimately placing the Group at the forefront in the euro zone in the main indices of return, efficiency and risk quality. It is worth noting, furthermore, that all business areas have played their part.

In recent years, BBVA has focused on profitable growth of both an organic and non-organic nature. Almost €8,000m have been invested since 2004 in acquisitions that have fulfilled the two basic premises established by BBVA for non-organic growth: value creation and strategic consistency.

The beginning of 2004 heralded the announcement of a takeover bid on 100% of

Yet another Data without o			arkable	trajectory
	2002 (1)	2006		CAGR 2002-2006
Assets	279,472	411,916	x 1.5	10.2%
Net attributable profit	1,719	4,580	x 2.7	27.8%
Earnings per share	0.54	1.34	x 2.5	25.5%
Dividend per share	0.348	0.637	x 1.8	16.3%
ROE :	36.4%	ROA	1.22%	

(1) Pre-IFRS.

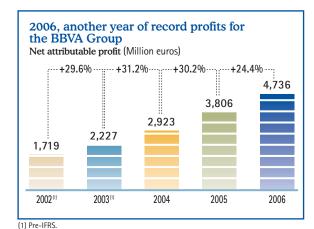
the shares in Bancomer that were not as yet held by BBVA. The same year witnessed the purchases of Valley Bank in California and Hipotecaria Nacional in Mexico. The US business was reinforced in 2005 through the acquisition of Laredo National Bancshares, and Granahorrar was purchased in Colombia. In 2006, BBVA has continued its purchasing strategy, acquiring Texas Regional Bancshares and State National Bancshares in Texas, and Forum in Chile, and it has taken a step forward in its Asian project through its strategic alliance with the Citic Group, which will provide access to the markets in mainland China and Hong Kong. 2007 has also got off to a good start with an outstanding operation, the launch of a public offer for the purchase of 100% of Compass Bancshares, a decisive move for BBVA that will constitute its largest ever acquisition.

Elsewhere, 2006 saw the divestment of holdings in Repsol YPF, Banca Nazionale del Lavoro and Banc Internacional de Andorra, with associated capital gains of €1,157m net of tax. In addition, at the end of 2006 BBVA undertook a capital enlargement amounting to €3,000m, which has reinforced the equity structure, whereby the Group has closed the year with a core capital of 6.2%.

The Group's profitable growth has been consistent with proper risk management, over which all business areas exert strict control, whereby year-end 2006 recorded the best NPL and coverage rates in BBVA's history.

#### 2006, a growth year

Growth at BBVA forges ahead from one year to the next, and 2006 has posted yet another record profit. The positive trend in operations in all business areas and the recurrence of earnings have led to a net attributable profit of €4,736m. Excluding earnings of an exceptional nature (the net difference between the aforementioned capital gains associated with Repsol, BNL and Andorra and the extra expenditure on early retirements and new tax laws), the profit is €4,580m, a year-on-year rise of 20.3% regarding 2005.



This increase in profit has been reflected across the board in all revenue items, and mainly, as is now coming to be expected, in operating profit, which without one-offs amounts to €8,360m, up 22.5% on 2005. The Group's business volume, ie, the sum of customer lending and funds, at year-end 2006 amounts to €688,678m, with year-on-year growth of 10.3%, rising to 13.7% at constant exchange rates (without the negative impact of the depreciation of the dollar and Latin American currencies throughout the year). This positive trend in business has been mirrored in the profit returned by each one of the areas.

Earnings per share, the simplest way of measuring the value generated for shareholders, amounted to €1.34 per share in 2006 without considering exceptionals, 19.8% up on the figure for 2005.

This trend in profit has again underscored a substantial rise in shareholder remuneration. Indeed, with the three interim dividends for 2006 already paid out and a supplementary dividend to be submitted to the approval of the Annual General Meeting, the overall dividend to be distributed and charged to earnings 2006 amounts to €0.637 per share, which is 20.0% up on 2005. Furthermore, the rise in the BBVA share price, by 21.0% over the year to €18.24 per share, has driven market capitalisation at year-end 2006 up to €64,788m, 26.7% more than the prior year.

These record earnings for the Group in 2006 are the result of an excellent performance in all business areas:

- Retail Banking in Spain and Portugal. Increasing productivity in the area, which has risen by 36% since December 2004, continues to boost business volumes, especially lending, with highlights in 2006 being the consumer and card segments, on the back of products such as Crédito PIDE (ASK Loan), Crédito 0% (0% Loan) and Crédito Fácil (Easy Loan). Higher volumes and the improvement in customer spread, up to 3.08% in the fourth quarter 2006 (31 basis points higher than the same period in 2005), mean year-on-year increases of 9.2% in net interest income and 10.3% in ordinary revenues. This is compounded by the continued containment of spending (despite the opening of 80 offices), whereby operating profit has risen 14.4% to €2,653m. Such increases in revenues have had their effect on net attributable profit, which rises to €1,498m, up 13.8% on 2005.
- Wholesale and Investment Banking has ended the year in fine fettle. Operating profit is up 30.0% on 2005, rising to €1,912m, and net attributable profit has rocketed up 47.0% to €1,282m. The year has been characterised by a good performance in lending, which has risen by 18.6%, and a positive trend in spreads. In addition, further inroads have been made in business deployment abroad and in marketing capacity in SMEs, a segment with an extremely promising outlook in both growth and yield, and where BBVA has the largest customer base, according to the latest report by FRS Inmark.
- Mexico and the United States. The increase in business volumes has meant a rise in income that has by far outpaced expenditure, whereby the area's operating profit has jumped 40.3% to €3,231m, and net attributable profit has risen by 29.6% to €1,775m. Operations have been intense in Mexico, in both lending and funds, with a highlight being consumer finance, with

year-on-year increases in local currency of 46.6% in credit cards, 44.3% in consumer finance and 55.7% in mortgage finance, a segment with excellent future prospects. Business expansion has continued in the United States, with the new acquisitions in Texas reinforcing the Group's position in this State.

• South America has experienced a highly stable economic environment, notwithstanding the elections held in several countries, which has led to sharp increases in business, up 28.8% in lending and 21.0% in funds (at constant exchange rates), with a favourable performance in all countries. These higher volumes have been reflected in income, with the year-end recording an operating profit of €1,163m, a year-on-year increase of 35%, and a net attributable profit of €509m, a 34.4% rise on 2005, with a highly diversified country mix.

## Further progress in efficiency and the consolidation of pole position in profitability

Group revenue remains the main driving force behind the income statement: net interest income has grown 16.2% in 2006 on a year-on-year basis, fees have risen by 10.0% and income from the insurance business by 33.6%, which means core revenues of €13,667m, 16.3% up on 2005. This higher income, coupled with the containment of spending, has paved the way for continuous quarter-to-quarter improvement in efficiency. BBVA has thereby managed to close 2006 with an efficiency ratio without one-offs of 44.0%, 2.7 percentage points better than the 46.7% recorded in 2005, thereby confirming its leadership in this index amongst the major banks in the euro zone.

BBVA also continues to maintain its privileged position regarding returns, thanks to its enormous capacity for generating earnings. With a ROE of 36.4% without non-recurrent earnings, it continues to be Europe's most profitable bank. Furthermore, the return on total average assets (ROA) has risen from 1.12% for the prior year to 1.22% in 2006.

## The finest levels of lending and risk quality

BBVA has known how to match the sharp growth recorded in recent years in lending with successful risk management. The Group has therefore ended 2006 with its lowest ever NPL rate, 0.83%, and its highest NPL coverage ratio, 272.8%.

In tandem with the proper management of structural and market risks, all this explains the positive appraisals the Group has received from the main rating agencies: Standard & Poor's and Fitch AA– and Moody's Aa2.

2006 milestones 2006 has been characterised by several important milestones for the BBVA Group. A new organisational structure has been introduced, which is more

streamlined and oriented towards global growth, business, diversity and innovation, being reinforced towards the latter stages of the year.

Furthermore, major purchases have been made, as vital contributions to the Group's strategy, opening up markets with enormous growth potential or expanding its presence in areas in which it was already operating.

## NEW ORGANISATIONAL STRUCTURE

BBVA reorganised the Group's structure at the end of 2005, with the aim being to discover new talent for accelerating growth and transformation on the way to becoming a global bank. The number of business areas increased from three to four: Retail Banking in Spain and Portugal, Wholesale and Investment Banking, Mexico and the United States, and South America. In addition, the areas of Human Resources and Systems and Operations were brought together under one management.

The reasoning behind these changes was to base the Group's growth on three pillars of action:

- Progress in globalisation
- Greater independence of the business units
- Accelerated transformation through innovation.

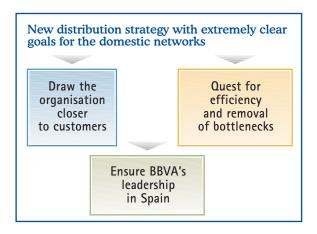
Within this clearer and more flexible structure, each one of the units in an area acts as a centre for creating value, with direct responsibility for its income statement, its growth and its market. BBVA thereby renders its executives more independent and the entity itself more agile.

#### Transformation of networks in Spain

Along these same lines, in July 2006 BBVA presented a new project for restructuring and growth: a new distribution strategy for the business networks in Spain. This project is designed to ensure the Group's leadership in Spain, gain in efficiency and remove bottlenecks. At the same time, it has been drafted with customers in mind, seeking greater capillarity in the network and thereby enabling BBVA to draw ever closer to them.

In Retail Banking in Spain and Portugal, this project has led to Mortgage Banking being absorbed by Commercial Banking and to the setting-up of seven new regional departments, which are essentially business units.

In Wholesale and Investment Banking, it has affected the Corporate and Business Banking (*BEC*) unit, which since early 2006 comprises SME Banking, Corporate Banking and Institutions Banking, with a streamlining of structures. The pooling of the three segments' central services, as well as of the interim structures (in seven unified regional departments, which match geographically those of Commercial Banking), with specific price and risk circuits by segments, has generated major synergies, as well as an enlargement of the branch network and greater proximity to customers.



## New structure for 2007. A further step forward

By year-end 2006, the Group had given the green light to a new organisational structure, to be implemented in 2007 and involving a further step forward within BBVA's strategy, trimming the corporate structure and imbuing the business units with greater strength and independence. The Group is to pivot its operations on the business areas of Retail Banking in Spain and Portugal, Wholesale and Investment Banking, Mexico and the United States, and South America.

The Spain and Portugal area includes the aforementioned unit of Corporate and Business Banking (*BEC*, with its segments of SMEs, corporations and institutions), which formerly belonged to Wholesale and Investment Banking. In addition, the new area of Global Businesses includes the operations of Global Markets and Distribution, Global Customers Europe and the Americas, Business and Real Estate Projects (Valanza and Anida), Investment Banking, Asset Management and Private Banking (formerly part of Retail Banking in Spain and Portugal) and Asia.



#### NON-ORGANIC GROWTH Purchase of Texas Regional Bancshares and State National Bancshares

June 2006 saw BBVA give yet another boost to its growth strategy in the United States, with the announcement of two acquisitions that fulfil the brace of conditions BBVA has laid down for its non-organic growth operations, given that they dovetail fully within the Group's strategy and create value for shareholders right from the

start, with a positive bearing on earnings per share (EPS) from 2007 onwards.

BBVA has purchased two robust banking franchises in the State of Texas: Texas Regional Bancshares, for €1,674m, whereby the Texas State Bank has joined the Group in November, and State National Bancshares, for €368m, which has meant the recent inclusion in the Group of State National Bank in January 2007.

With these two new purchases, in addition to Laredo National Bank, acquired in 2005, BBVA has trebled its size in the region and in barely two years it has become the foremost banking group in Texas at state level, and the fourth including nationwide banks. Thanks to this, the Group has buoyed its expansion in the United States, and specifically in a high-growth market such as Texas, the world's "eighth economy", with a significant presence of Hispanics and important trade dealings with Mexico.

BBVA has thus gained a clear competitive edge in the Hispanic market in the US, combining a leading group in the Texas market with a powerful franchise in Mexico and the rest of Latin America. From now on, it aims to develop a retail and differential business model, for which it has a franchise called BBVA USA, with five lines of business:

- Banking business in Texas (Laredo National, Texas State and State National)
- BBVA Puerto Rico
- Bancomer Transfer Services (BTS)
- BBVA Bancomer USA
- BBVA Finanzia USA.

## Deployment in China in partnership with the Citic Group

BBVA has long been aware of Asia's importance as a continent offering major opportunities. Accordingly, Asian markets, and China's in particular, record the greatest dynamism and growth in financial services on the global stage. With this in mind, back in 2005 and as part of the Asia Plan, the Group instituted a new business unit, Corporate Banking Asia, which in 2006 became the Asia unit and took up its place in Global Businesses, extending its presence to the region's main financial centres.



In November 2006, BBVA went even further, taking a decisive step forward in this plan through a strategic alliance with the Citic Group, which involves the purchase by BBVA, for €501m, of 5% of China Citic Bank (CNCB), China's third largest commercial bank, with a call option on an additional 4.9%, which would bring the total to 9.9%. Furthermore, BBVA is to invest €488m in the purchase of 15% of Citic International Financial Holdings (CIFH), headquartered in Hong Kong.

This operation constitutes the largest investment ever made by a Spanish company in China, making BBVA one of the largest international groups in the Chinese market. Moreover, the innovative approach taken by this partnership is based on the development of retail and corporate banking in the Chinese market, which records the highest growth in the world, in addition to the businesses of corporate banking, investment banking and cash management from the important financial centre that is Hong Kong.

#### Purchases in consumer finance

The BBVA Group has made several purchases in 2006 within the business of consumer finance, where it occupies a position of leadership in those markets in which it is involved in retail banking.

In April 2006, the Group announced the purchase of 51% of the largest vehicle financing firm in Chile, Forum Servicios Financieros, for €84m. Chile is one of the countries with the greatest growth potential in the car segment,

and Forum heads the sector, with market shares of 12.4% of all new vehicles sold in the country and 21% of all those financed.

The operation makes complete strategic sense for BBVA, as it places the Group in a position of leadership in Chile within a high-growth market. With Forum, BBVA increases the weight of the consumer segment in its lending portfolio from 8.7% to 12.3%, thereby improving the business mix.

Following this purchase, in July 2006 BBVA purchased 50% of Advera, whereupon the Group became the sole shareholder of the company, which changed its name to BBVA Finanzia SpA. It is to be the launch pad for the development of the Group's consumer finance business in Italy, one of the markets with the most promising prospects in this segment. BBVA Finanzia is formulating a new plan for business and growth in Italy.

Also in Italy, BBVA has continued to strengthen its consumer finance business with the purchase of 100% of Maggiore Fleet, one of Italy's largest independent companies in long-term lending in vehicle leasing, at a cost of €70m.

#### INNOVATION AND DEVELOPMENT

BBVA is committed to innovation as a core component of growth and differentiation, understood as access to new segments and financial solutions and entry into associated non-financial businesses.

In 2006, BBVA has embarked upon the second stage of its internal innovation process, decentralising it and making the business units responsible for their innovation strategy, whereby they have been granted full independence in the implementation of such plans.

The following are the highlights amongst the actions developed in 2006 at corporate level: introduction of think-tanks, fora for sharing knowledge and experiences and true motors of innovation; the innovation portal, the basis for enhanced knowledge management and for the greater scope of innovation tools; optimisation of financial and tax subsidies for innovation; and coordination of all Group innovation projects, with cataloguing of all those existing and improvement of the synergies and relationships between them.

A policy of support for initiatives leading to better market adjustment and broader accessibility, reaching more segments of the population, as well as looking to the fringes of the business and enlarging the sphere of our dealings with customers, has meant the launch of numerous innovative projects in 2006. These include *Zona Uno* (Zone One), *Punto de venta* (Sales-point), *BBVA Salud* healthcare insurance, customised cards, contact-free cards, sale of housing or travel offers, and the consolidation of innovative projects, as is the case of Dinero Express.

Two new lines of activity are particularly noteworthy: the analysis of customers and markets and the development of e-business. The aim is to seek a fresh approach to customers, on the basis of the technical analysis of trends and behaviour, with a view to gaining greater knowledge of their present and future needs.

In the light of the Group's new organisational structure, as defined towards the end of 2006, BBVA has decided to create a corporate department for Innovation and Development, in order to articulate a corporate framework that will provide backing and support for innovation in the business units.

In addition, BBVA has set up an Innovation committee at the highest level, designed to promote the strategy of innovation and transformation throughout the entire Group. The implementation of this committee, the first of its kind in the banking sector, is yet another step the Group has taken in its quest to consolidate its position at the forefront of the services sector.



BBVA in the future: the design of a major project Since 2002, BBVA has been firmly establishing the guidelines for forging a major project. A project that continuously seeks to create value in a differential

manner: value for people, value for customers, value for employees and value for society. This involves having ambitious goals. BBVA's aim is to become a benchmark bank within the finance industry, a global bank, a bank of services and people.

This project rests on solid foundations, such as corporate governance, corporate culture and codes of conduct, being above all a project for growth, evolving and adapting to different market circumstances and requirements.

The Group has made considerable progress over these years regarding:

- Diversity: it is a multifarious group, in terms of both geography and businesses, with this being a major source of value creation.

  BBVA is becoming increasingly global. By the end of 2006, it was operating in 32 countries, with major franchises in Spain, Mexico, the United States and South America, and it has recently reinforced its presence in such a high-growth market as China.
- Development of new businesses with great potential, such as the migrant sector, the underserved or micro-loans, providing basic services for segments that were hitherto left unattended. Positions have also been taken up in high-growth segments, albeit with a higher level of sophistication. In addition, BBVA has entered markets in the Americas with a differential offer in quality and recorded considerable success in trade finance and project finance, occupying the highest positions on the rankings' leader board.
- Growth: since 2002, BBVA has multiplied its assets by 1.5 and earnings per share by 2.5, more than doubling its market capitalisation.



Yet the ground covered is no more than the path the Group is steadily marking out for itself. BBVA pursues its project, introducing a scalable structure for fostering growth and gradually adapting to the needs of an increasingly global milieu. This structure favours coordination between business units, rendering them more capable of operating and taking decisions on their own accord, being responsible for their own growth strategy and possessing the necessary tools for exploiting the advantages of belonging to a global group. In turn, this means an organisation that draws even closer to its customers.

Innovation has an important part to play in this new Group structure. BBVA has a global network for its management, with the Innovation committee taking a central role, coordinating and promoting projects in this field.

BBVA begins 2007 full of optimism, setting itself major challenges in each and every one of its areas:

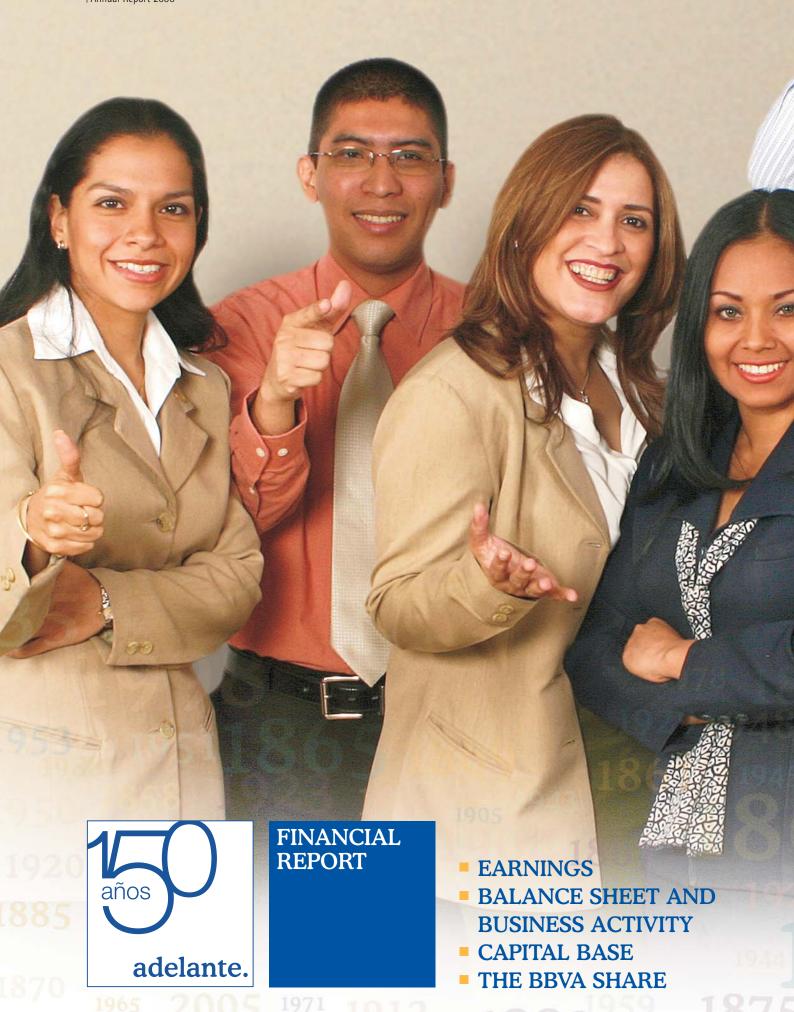
Portugal are to consolidate the new structure of its branch networks, bolster revenues (on the back of a good performance by both operations and spreads) and continue to improve efficiency. In Commercial Banking, the Group expects to reinforce the mix in profitable growth and, faced with a slower rise in mortgage lending, continue with robust growth in consumer finance, cards and SMEs. The aim is also to extend the

customer base and reach those segments of the population that have hitherto received scant consideration, such as migrants (which the BBVA caters for through a dedicated network and through Dinero Express) or young people (who are being provided with an increasingly improved service and a more extensive range of products). In Consumer Finance, the Group aims to increase lending and expand into new markets. In addition, 2007 will see the utmost encouragement for the synergies of the unit made up by SME Banking, Corporate Banking and Institutions Banking, in which the main plans are designed to increase cross-sales, business productivity and attract new customers, businesses and markets.

- Concerning Global Businesses, the aim is to strengthen the customer franchise and make further progress towards a more global organisation. The priority in the Markets business is to find new markets and customers, consolidating the Group's customer-oriented business model that seeks to generate recurrent earnings. The aim in Global Customers is to facilitate the integral management of customers and foster their loyalty, developing the cross-sales model that allows for strengthening synergies and exploiting products of high value added. Last but not least, the Group faces a huge challenge in Asia, with the development of the alliance with Citic and the entry into new markets.
- In Mexico, where the Group has a major franchise, one of the strategic approaches will be to continue extending the customer base, tapping the potential for banking usage amongst individuals by means of

- products tailored to suit the needs of population segments in the medium-to-low income brackets. At the same time, the aim is to prolong the steep growth in the mortgage business, in credit cards, in consumer finance and in micro-loans. The objective in the SME segment is to increase the use of financing amongst customers.
- In the United States, the Group is facing a key year for its strategy of becoming a global bank, especially following the announcement in February 2007 of the takeover bid for 100% of Compass Bancshares. Once completed, this operation would constitute the largest acquisition ever made by BBVA and would position the Group amongst the 20 foremost financial entities in the United States, with a position of leadership in the so-called Sun Belt. Moreover, Compass is an excellent complement to the purchases made in this country in recent years. An initial stage, to be carried out in 2007, will involve the merger of the Group's three banks in Texas (Laredo National Bank, Texas State Bank and State National Bank), whereupon, following completion of the acquisition of Compass, they will be merged into a single franchise.
- The challenges in South America involve the development of financing and access to credit for those unbanked segments, as well as growth in the mortgage business and a greater boost for the business of SME banking.

The BBVA Group remains committed to its strategy of becoming a global concern, an organisation of services and people based on innovation and profitable growth.





#### **ECONOMIC ENVIRONMENT**

Global growth of around 5% meant that 2006 saw the economy continue the expansive phase begun in 2003. In order to achieve this, it had to overcome elements of uncertainty, such as high oil prices, the possibility of an adjustment in the price of assets such as real estate in the United States, or an increased disparity of trade balances.

Faced with this challenging scenario, the global economy found secure footholds, which allowed for significant growth with low-level inflation. Thus, technological innovation continued to expand in different sectors and countries, maintaining the global economy's high growth potential. Yet the most salient feature was the prominent role played by emerging economies, which for the third year in a row grew by more than 7%. China and India were outstanding, although it has to be said that all regions performed well. All this drove growth in world trade up to 9%, thereby completing the most dynamic three-year period since the seventies.

Nonetheless, the year had two distinct periods: in contrast to significant growth across the board in the first half, in which the fear of an upsurge in inflation came to the fore, the second half consolidated the belief that growth in the US economy was slowing down, albeit in a gradual and orderly manner. This was due to moderation in private spending, within an environment of lower growth in real estate property and disposable income, and to a smaller increase in investment, especially regarding housing. In turn, the dynamism of the global economy and the cumulative depreciation of the dollar began to temper the foreign sector's significant downward pull on the economy.

Within this context of deceleration in the US, one of the significant features was the consolidation of European expansion. The euro zone managed to grow at a rate of 3.5% in the first half of 2006, exceeding expectations. Considering the whole year, growth stood at 2.8%. Domestic demand was the main driving-force behind this recovery based on several factors: firstly, on the dynamism of

investment, underpinned by the low costs of labour and capital, high corporate profits and the rekindled confidence of employers; secondly, private spending began to show signs of an upturn, on the back of an increase in disposable income (due to the positive trend shown by employment), on the good performance of financial worth and on renewed confidence amongst households. Although growth tended to slow in the second half, it remained above par, suggesting a rate of around 2.5% in 2007.

Europe's recovery was one of the features boosting the Spanish economy, which once again outperformed the forecasts made at the beginning of the year, recording 3.9% growth. Furthermore, this pace was dictated by a smaller gap between the positive contribution made by domestic demand and the negative effect of the foreign sector. Whereas European dynamism favoured the export of goods and services, such as tourism, the moderation in household expenditure on housing and consumer spending was due to its sensitivity to the hike in interest rates. This slowdown in the growth of domestic demand took place in an orderly and steady manner, consistent with the trend in its core determinants. Accordingly, the mainstays provided by the consolidated growth in employment remained, thereby safeguarding household income, within a context of moderate wage increases. This was due to a sharp increase in the offer of labour, driven by the influx of migrant workers and the greater presence of women in employment. In addition, investment capital continued to be founded on a positive outlook for foreign activity, the sound equity standing of companies and a real cost of capital that remained low and stable by Spanish standards.

Within this environment of significant growth, and despite the increase in oil prices, inflation rates recorded only a moderate upturn. Central banks were therefore granted sufficient leeway to shift gradually from expansive monetary policies to more neutral ground. The Federal Reserve, which had begun to raise interest rates from 1% in June 2004, halted this upward cycle in June 2006 with the

rate at 5.25%. In May, the market underwent a volatile period in response to the possibility of higher inflationary stresses ratcheting up base rates by several more notches. However, following a meeting of the monetary authority at the end of June, the financial markets began to accept that the Federal Reserve would start lowering interest rates in 2007, within a context of business slowdown and controlled inflation.

In Europe, the European Central Bank, which had begun raising interest rates in December 2005, from the level of 2%, accelerated the pace of rate hikes in the second half of 2006, once the momentum in economy was confirmed, bringing them to 3.5% at year-end. This rate is still at the lower end of what might be considered neutral ground for interest rates. The sharp growth in monetary and lending aggregates in the region is a further indication of relatively expansive monetary conditions.

Within this context, long-term interest rates, more sensitive to global factors than domestic monetary policies, recorded a more moderate increase during the year, amounting to barely half a percentage point, as the demand for bonds by emerging economies continued to be very high, for reasons that had little to do with relative yields. Asian countries, pursuing a strategy of exchange rate stabilisation, and oil-exporting countries, seeking to invest their high levels of savings, were major customers

for debt in the US. In addition, term risk premiums continued to diminish, within an environment of low volatility in both inflation and business, which help to reduce uncertainty and therefore its associated risk premium. Both factors restrict the increase in yields.

Accordingly, the year-end in the United States recorded a downward trend in the yield curve, as the rates for ten-year debt stood below the Federal Reserve rate. In Europe, ECB rate rises were passed on to market interest rates in the shorter terms (the 1-year Euribor reached 4% in December), whereas after gaining ground in the first half, longer term rates declined in the second (although to a somewhat lesser extent than the US bond). This resulted in a flat yield curve at the end of the year.

A high-growth environment with long-term interest rates at relatively low levels in historical terms and buoyant company earnings, share prices enjoyed an excellent year and recovered levels unseen since the recession in 2001. Once the May-June upheaval had been negotiated, market volatility remained minimal.

Within this context, significant capital flows were channelled into emerging markets, mainly Asia and Latin America. For the second year in succession, this region recorded net inputs in capital flows, which had not occurred since 2000. In addition, a sharp

(Annual and quarterly average)	Year		2006			Year		2005		
	2006	40	30	20	10	2005	40	30	20	10
Official ECB rate	2.78	3.30	2.91	2.57	2.33	2.02	2.08	2.00	2.00	2.00
Euribor 3 months	3.08	3.59	3.22	2.90	2.61	2.18	2.34	2.13	2.12	2.14
Euribor 1 year	3.44	3.86	3.62	3.32	2.95	2.33	2.63	2.20	2.19	2.33
Spain 10 year bond	3.79	3.80	3.89	3.98	3.51	3.39	3.38	3.23	3.36	3.64
USA 10 year bond	4.78	4.62	4.89	5.06	4.56	4.28	4.48	4.20	4.15	4.29
USA Federal rates	4.96	5.25	5.25	4.90	4.44	3.19	3.97	3.43	2.92	2.45
TIIE (Mexico)	7.51	7.32	7.31	7.38	8.02	9.61	9.10	9.88	10.05	9.40

reduction in the country risk premium led to all-time lows, in a year in which numerous election campaigns were held, with institutional stability being well received on the financial markets. Latin America grew by 5.1% in 2006, accelerating the pace of business in the second half and showing considerable consistency amongst its economies. Inflation performed equally well, ending the year at 5%. This meant an overall reduction since summer 2005 of almost two percentage points in interest rates, with the main contributors being Mexico and Brazil.

The Mexican economy, with 4.6% growth in 2006, exceeded expectations and remained unaffected by the uncertainty surrounding the polls. Domestic demand grew in the first half at a rate of 7.2%, the highest since 2002, and the dynamism of foreign trade was something of a surprise. Although growth was driven by high oil prices, public works and recovery in the automotive sector, factors of a temporary nature, expectations are that the growth rate will continue to be high on the back of progress in reforms pending, the proper implementation of policies, the large volumes of remittances received and the favourable global environment. Special note should be made of the general steadiness in inflation forecasts, despite a slight upturn during the year, which enabled the Bank of Mexico to keep interest rates stable at 7%, following

the downward trend in rates that ended in April.

This positive pattern across Latin America was helped by the trend in the prices of commodities, which accumulated an increase of approximately 100% over the period 2004-2006. In particular, oil peaked in summer 2006 at an all-time record price of 80 dollars a barrel, proceeding to level out at around 60 dollars.

Insofar as the trend in exchange rates is concerned, the US dollar depreciated by 10.4% against the euro, driving down those Latin American currencies with the greatest bearing on the BBVA Group's financial statements, with the Mexican peso depreciating by 11.8%, the Chilean peso by 13.8%, the Argentinean peso by 11.7%, the Venezuelan bolivar by 10.4% and the Colombian peso by 8.4%. Accordingly, this had a negative exchange rate effect on year-on-year variations in the Group's balance sheet at 31-Dec-06.

Regarding the impact on the income statement, which depends on the variation in average exchange rates between 2006 and 2005, this is slightly negative, with depreciations against the euro of 1.0% for the Mexican peso, 6.2% for the Argentinean peso, 2.9% for the bolivar, 2.3% for the Colombian peso and 0.9% for the dollar, whereas the Chilean peso appreciated by 4.6%.

		<u>rear-end exc</u>	change rate	5	Average exchange rates			
	31-12-06	∆% on 31-12-05	31-12-05	$\Delta$ % on 31-12-04	31-12-06	∆% on 31-12-05	31-12-05	$\Delta\%$ on 31-12-04
Mexican peso	14.3230	(11.8)	12.6357	20.2	13.6923	(1.0)	13.5575	3.5
Argentine peso	4.0679	(11.7)	3.5907	12.8	3.8806	(6.2)	3.6382	0.8
Chilean peso	703.73	(13.8)	606.80	25.1	666.22	4.6	696.86	8.7
Colombian peso	2,941.18	(8.4)	2,695.42	18.9	2,958.58	(2.3)	2,890.17	12.7
Peruvian new sol	4.2098	(4.0)	4.0434	10.7	4.1111	(0.3)	4.0976	3.5
Venezuelan bolivar	2,824.86	(10.4)	2,531.65	3.1	2,695.42	(2.9)	2,617.80	(10.5)
U.S. dollar	1.3170	(10.4)	1.1797	15.5	1.2556	(0.9)	1.2441	_

# $11 \quad 1915_{1882}^{1868} \quad 1889 \quad 1903 \quad 1939 \quad 19$



EARNINGS

- Net interest income
- Ordinary revenues
- Operating profit
- Provisions and others
- Net attributable profit

The BBVA Group had its best year ever in 2006. The marketing activity carried out by each and every one of the business areas led to sharp growth in business volume and generated a high level of recurrent earnings, which underpin the increase in profit. Consistent with this, the Group strengthened its efficiency, return and risk quality indices, in which it occupies a prominent position amongst major European banks.

The year witnessed the booking of a series of items of a non-recurrent or exceptional nature, accounting for a net sum of €156m in attributable profit: in the second quarter, €1,157m corresponded to capital gains associated with the divestment of holdings in Repsol YPF, BNL and Banc Internacional de Andorra and the related tax charge; and in the fourth quarter, −€1,001m, of which €544m corresponded to provisions for the early retirement programme associated with the restructuring of branch networks in Spain and

with the design of the new organisational structure announced in December (€777m before tax), and a further €457m for additional provisions related to corporate income tax, due largely to new tax regulations. These have reduced the tax rate for future years and thereby require an adjustment to be made in 2006 to the Group's tax assets and liabilities.

The net attributable profit recorded by the BBVA Group in 2006 amounted to €4,736m, a 24.4% increase on the €3,806m posted in 2005. Excluding the €156m associated with non-recurrent events, net attributable profit was €4,580m, with a year-on-year increase of 20.3%. At constant exchange rates, the increase was somehow higher, at 21.0%, as exchange rates had a slightly negative impact overall on the Group's consolidated income statement, as may be seen in the additional column on the income statement recording variations at constant rates.

(Million euros)	2006	2006 excluding one-offs (1)	$\Delta$ % excluding one-offs $^{ ext{ iny (1)}}$	$\Delta$ % at constant exchange rates excluding one-offs $^{ ext{(1)}}$	2005	2004
Core net interest income	7,995	7,995	15.6	16.4	6,915	5,904
Dividends	379	379	29.7	29.8	292	255
NET INTEREST INCOME	8,374	8,374	16.2	16.9	7,208	6,160
Income by the equity method	308	308	153.2	153.3	121	97
Net fee income	4,335	4,335	10.0	10.5	3,940	3,413
Income from insurance activities	650	650	33.6	35.6	487	391
CORE REVENUES	13,667	13,667	16.3	16.9	11,756	10,060
Net trading income	2,034	1,511	19.2	19.8	1,267	1,060
ORDINARY REVENUES	15,701	15,178	16.5	17.2	13,024	11,120
Net revenues from non-financial activities	131	131	4.4	4.9	126	126
Personnel costs	(3,989)	(3,989)	10.7	11.3	(3,602)	(3,247
General expenses	(2,342)	(2,342)	8.4	9.2	(2,160)	(1,851
Depreciation and amortization	(472)	(472)	5.2	5.7	(449)	(448
Other operating income and expenses	(146)	(146)	27.4	29.7	(115)	(110
OPERATING PROFIT	8,883	8,360	22.5	23.2	6,823	5,591
Impairment losses on financial assets	(1,504)	(1,504)	76.0	76.4	(854)	(958
<ul> <li>Loan-loss provisions</li> </ul>	(1,477)	(1,477)	81.6	82.0	(813)	(784
• Other	(27)	(27)	(34.8)	(34.6)	(41)	(174
Provisions	(1,338)	(561)	23.6	24.4	(454)	(851
Other income/losses	989	238	208.0	207.4	77	355
<ul> <li>From disposal of equity holdings</li> </ul>	934	183	n.m.	n.m.	29	308
• Other	55	55	12.4	12.0	49	47
PRE-TAX PROFIT	7,030	6,533	16.8	17.5	5,592	4,137
Corporate income tax	(2,059)	(1,718)	13.0	13.6	(1,521)	(1,029
NET PROFIT	4,971	4,815	18.3	19.0	4,071	3,108
Minority interests	(235)	(235)	(11.0)	(10.3)	(264)	(186
NET ATTRIBUTABLE PROFIT	4,736	4,580	20.3	21.0	3,806	2,923

The main factor driving profit was, once again, the trend in recurrent earnings. Excluding capital gains related to Repsol, ordinary revenues grew 16.5%, as opposed to the combined figure of 9.5% for expenses and depreciation. This meant a further improvement in the cost/income ratio, with a cumulative operating profit of  $\leqslant$ 8,360m, up 22.5% on the  $\leqslant$ 6,823m recorded in 2005

(23.2% at constant exchange rates, with a steeper rise in the year's final quarters). Including the capital gains related to Repsol, operating profit rose by 30.2% to €8,883m.

This high operating profit offset the 81.6% increase in generic loan-loss provisions, which was due to the sharp increase in lending to customers, as the non-performing loan ratio continued to fall during the year.

		2005						
	40(1)	30	20(1)	10	40	30	20	10
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)
<ul> <li>From disposal of equity holdings</li> </ul>	(4)	50	118	20	10	3	13	4
• Other	27	19	6	2	(5)	13	45	(4)
PRE-TAX PROFIT	1,776	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.								

The high rates of year-on-year growth in the main sources of revenue and in profit, as noted in the preceding paragraphs, were especially significant in comparison to 2005, when high growth rates were also recorded with regard to 2004: 17.1% in ordinary revenues, 22.0% in operating profit (over the €5,591m in 2004) and 30.2% in net attributable profit (€2,923m in 2004).

It should also be stressed that, as in 2005, all sources of revenue grew at a higher rate than average total assets (ATA), which meant an improvement in the Group's ratios of return over assets managed. Indeed, given that ATA rose by 8.8% in 2006, operating profit without one-offs amounted to 2.11% of these (1.87% in 2005 and 1.74% in 2004) and the ROA (net profit/ATA) rose to 1.22%, as

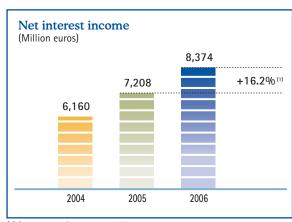
(Expressed as a % of ATA)	2006 excluding one-offs	2005	2004
Core net interest income	2.02	1.90	1.83
Dividends	0.10	0.08	0.08
NET INTEREST INCOME	2.11	1.98	1.91
Income by the equity method	0.08	0.03	0.03
Net fee income and insurance activities	1.26	1.22	1.18
CORE REVENUES	3.45	3.23	3.13
Net trading income	0.38	0.35	0.33
ORDINARY REVENUES	3.83	3.58	3.46
Net revenues from non-financial activities	0.03	0.03	0.04
General administrative expenses	(1.60)	(1.58)	(1.58)
Depreciation and amortization	(0.12)	(0.12)	(0.14)
Other operating income and expenses	(0.04)	(0.03)	(0.03)
OPERATING PROFIT	2.11	1.87	1.74
Impairment losses on financial assets	(0.38)	(0.23)	(0.30)
Provisions	(0.14)	(0.12)	(0.26)
Other income/losses	0.06	0.02	0.11
PRE-TAX PROFIT	1.65	1.54	1.29
Corporate income tax	(0.43)	(0.42)	(0.32)
NET PROFIT	1.22	1.12	0.97
Minority interests	(0.06)	(0.07)	(0.06)
NET ATTRIBUTABLE PROFIT	1.16	1.05	0.91
MEMORANDUM ITEM:			
Average total assets (million euros)	395,950	364,055	321,827

opposed to 1.12% in 2005 and 0.97% in 2004.

Net interest income

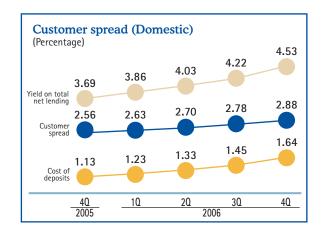
Net interest income for 2006 came to €8,374m, up 16.2% on the €7,208m recorded in 2005 (16.9% at constant exchange rates). Of this amount, dividends

accounted for €379m (up 29.7%), whereby net interest income without dividends was €7,995m, a 15.6% increase on 2005. This increase was due, on the one hand, to growth in lending and customer funds in both Spain and the Americas and, on the other, to the trend in customer spreads.



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

Along these lines, customer spreads in the Spanish private sector maintained an upward trend throughout the year, rising from 2.56% in the fourth quarter of 2005 to 2.88% in the same period of 2006. This was because market rate rises were transferred to a greater extent to loan yields (amounting to 4.53% in the fourth quarter of 2006, as opposed to 3.69% in the fourth quarter of 2005) than to the cost of deposits, which rose to 1.64%, against 1.13% in the last quarter of 2005. Taking the year as a whole, customer spreads stood at 2.75%, 12 basis points higher than the 2.63% recorded in 2005.



	2	006	2005		
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	
Cash and balances at Central Banks	3.0	3.73	2.9	4.37	
Financial assets and derivatives	26.1	4.02	32.0	3.72	
Fixed-income securities	21.2	4.50	27.4	4.05	
- Euros	13.8	2.42	17.4	2.14	
- Foreign currencies	7.4	8.40	9.9	7.39	
Equity securities	4.9	1.94	4.6	1.75	
Due from banks	6.0	4.19	5.7	3.72	
• Euros	3.6	3.21	2.9	2.59	
Foreign currencies	2.4	5.63	2.7	4.94	
Loans to customers	58.8	5.93	53.0	5.39	
• Euros	44.8	4.15	41.3	3.79	
- Domestic	41.9	4.17	38.8	3.74	
- Other	2.9	3.92	2.5	4.63	
Foreign currencies	14.0	11.60	11.7	11.06	
Other assets	6.1	0.82	6.5	0.78	
TOTAL ASSETS	100.0	4.95	100.0	4.43	
Deposits by Central Banks and banks	16.1	3.80	17.8	3.36	
• Euros	8.7	2.85	10.0	2.19	
Foreign currencies	7.4	4.92	7.8	4.86	
Due to customers	44.9	3.03	43.7	2.79	
• Euros	25.0	1.75	24.0	1.23	
- Domestic	17.8	1.42	16.9	1.11	
- Other	7.2	2.57	7.1	1.53	
Foreign currencies	19.9	4.64	19.7	4.68	
Marketable debt securities and subordinated debt	22.1	3.46	18.9	2.74	
• Euros	19.6	3.23	17.6	2.45	
Foreign currencies	2.5	5.18	1.3	6.61	
Other liabilities	12.1	0.79	15.3	0.79	
Equity	4.7	-	4.3	_	
TOTAL LIABILITIES AND EQUITY	100.0	2.83	100.0	2.45	
NET INTEREST INCOME/ATA	1	2.11		1.98	

This spread performance slowed the downward trend in profit margins recorded in recent years in step with the fall in interest rates. The growth in lending and fund volume was therefore transferred largely to net interest income, which recorded year-on-year increases of 9.2% in the area of Retail Banking in Spain and Portugal and 12.7% in the purely banking side of Wholesale and Investment Banking (the total amount for this area was affected by the imbalance between this line item and net trading income, caused by the valuation criteria for market positions).

Interest rates in Mexico remained stable from the end of April onwards, although the average TIIE (benchmark for the Mexican interbank money market) for 2006 stood at 7.5%, as opposed to 9.6% in 2005. Despite this fall in interest rates, BBVA Bancomer improved customer spreads, which rose from 11.87% in the fourth quarter of 2005 to 12.50% in the fourth quarter of 2006, as the drop in the cost of deposits (down to 2.43% in the fourth quarter of 2006, from 3.64% in the same period of 2005) outpaced the drop in

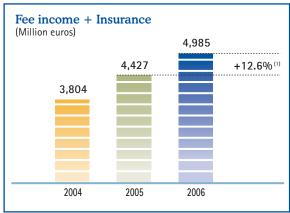
loan yields (14.92% in October-December 2006, as opposed to 15.51% in the same period of 2005), which benefited from the sharp growth in the more profitable forms of investment. This performance by spreads and the growth in business volume, above all lending, accounted for a year-on-year increase in net interest income of 33.7% in pesos. The South America area also recorded strong growth in net interest income (up 28.4% at constant exchange rates), on the back of higher volumes of lending and deposits.

## Ordinary revenues

Net fee income contributed €4,335m in 2006, a year-on-year increase of 10.0%, with the insurance business adding €650m (up 33.6%), whereby the sum of

both items amounted to €4,985m, a figure 12.6% higher than the €4,427m recorded in 2005 (13.2% at constant exchange rates). All business areas recorded two-figure year-on-year increases: 11.2% for Retail Banking in Spain and Portugal, 15.7% for Wholesale and

	2006	Δ%	2005	2004
Collection and payment services	1,801	15.1	1,565	1,367
Credit and debit cards	934	27.5	733	592
Other collection and payment services	867	4.2	832	775
Asset management	1,393	1.5	1,373	1,234
Mutual and pension funds	1,270	4.8	1,212	1,141
Managed portfolios	123	(23.4)	161	93
Other securities services	570	10.2	518	467
Purchase/sale of securities	181	11.7	162	135
Underwriting and placement	62	2.6	60	67
Administration and custody services	327	11.0	295	266
Other fees	570	17.6	485	345
NET FEE INCOME	4,335	10.0	3,940	3,413
Income from insurance activities	650	33.6	487	391
NET FEE INCOME AND INSURANCE	4,985	12.6	4,427	3,804



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

Investment Banking, 17.6% for Mexico and the United States and 15.6% for South America.

Net income from companies carried by the equity method came to €308m for the year, as opposed to €121m in 2005. The main contribution came from Corporación IBV, €251m, boosted by the divestment of part of its interest in Gamesa, whereas the sale of shares in BNL in May reduced its contribution to €25m, as opposed 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 €13,667m, a 16.3% increase on the €11,756m recorded in 2005 (16.9% at constant exchange rates).

Net trading income in 2006 contributed  $\in 2,034$ m. Of this figure,  $\in 523$ m 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  $\in 1,511$ m, some 19.2% higher than the



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



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

€1,267m obtained in 2005. The increase was mainly due to the Wholesale and Investment Banking area (market operations and the sale of derivatives to customers) and to South America (especially Argentina).

As a result, ordinary revenues came to €15,701m in 2006. After discounting the Repsol capital gains, ordinary revenues stood at €15,178m, up 16.5% compared to €13,024m recorded in 2005.

Adding €131m of net gains on non-financial activities (up 4.4% on the €126m recorded in 2005), forthcoming mainly from the real estate business managed by Anida, the Group's total operating revenues in 2006 came to €15,309m excluding one-offs. The year-on-year increase was 16.4% (20.4% with the Repsol capital gains).

## Operating profit

As in recent years, operating costs, which amounted €6,803m including depreciations, increased at a slower pace than income, up 9.5% on 2005 (10.7% for

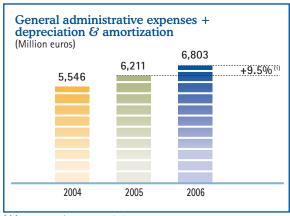
personnel costs, 8.4% for general expenses and 5.2% for depreciations). In a year in which the Group achieved significant increases in business volume in its main operating markets and undertook intense marketing activity, expenses increased in Spain by 6.1% and in the Americas by 13.5% (14.9% at constant exchange rates, which is 11.2% when adjusted by the impact of the additions of Granahorrar, Laredo, Forum and Texas State Bank).

	2006	$\Delta$ %	2005	2004
PERSONNEL COSTS	3,989	10.7	3,602	3,247
Wages and salaries	3,012	9.8	2,744	2,460
• Fixed compensation	2,255	7.0	2,109	1,939
Variable compensation	757	19.1	635	521
Employee welfare expenses	631	5.7	597	566
Of which: pension funds	127	1.8	125	130
Training expenses and other	346	32.0	262	221
GENERAL EXPENSES	2,342	8.4	2,160	1,851
Premises	451	8.5	415	361
IT	496	14.1	434	412
Communications	218	7.5	203	183
Advertising and publicity	207	(2.1)	212	144
Corporate expenses	93	6.5	88	73
Other expenses	674	13.2	596	526
Levies and taxes	203	(4.9)	213	153
GENERAL ADMINISTRATIVE EXPENSES	6,330	9.9	5,763	5,098
DEPRECIATION AND AMORTIZATION	472	5.2	449	448
GENERAL ADMINISTRATIVE EXPENSES AND				
DEPRECIATION & AMORTIZATION	6,803	9.5	6.211	5,546

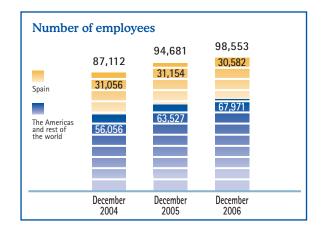
The Group ended 2006 with a workforce of 98,553 employees. The number of staff fell slightly in Spain during the year, but increased in the Americas, boosted by the inclusion of the 2,009 people working for Texas State Bank and the 381 people at Forum in Chile, as well as by the expansion of sales forces in pension fund managers in response to stiffer competition in several countries. The figure fell for the rest of

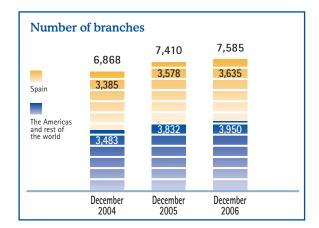
the world, as the sale of Banc Internacional de Andorra clearly outweighed the number recruited through expansion in Asia.

There were 7,585 outlets in its branch network at 31-Dec-06, a figure that included the 73 branches of Texas State Bank. A further highlight was the expansion of Dinero Express in Spain and the extension of the branch network in Chile and Mexico.

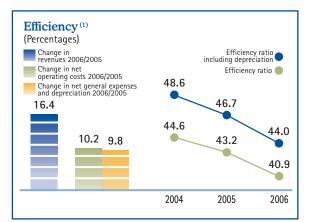


(1) At constant exchange rates: +10.1%.





For yet another year, the Group reinforced its long-standing leadership in operating efficiency in the euro zone. Indeed, even excluding the capital gains associated with Repsol, the cost/income ratio including depreciations stood at 44.0% for 2006 as a whole; an improvement of 2.7 percentage points compared to 2005 (46.7%) given that, as noted, operating revenues (ordinary revenues plus net gains on non-financial activities) rose by 16.4%, whereas general expenses net of recovered expenses plus

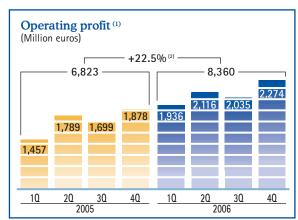


(1) Excluding Repsol capital gains in the second quarter 2006.

depreciation increased by 9.8%. This bolstered the improvement in efficiency that has been a constant in the BBVA Group in recent years (in 2005 it recorded a rise of 1.9 points on the 48.6% recorded in 2004). Excluding depreciations, efficiency stood at 40.9%, against 43.2% in 2005 and 44.6% in 2004.

It is also worth noting that all business areas improved their cost/income ratio, which including depreciations stands at 45.4% in Retail Banking Spain and Portugal (bettering the 47.4% recorded in the prior year), 25.2%

	2006	2006 excluding one-offs (1)	$\Delta$ % excluding one-offs $^{ ext{(1)}}$	2005	2004
Ordinary revenues	15,701	15,178	16.5	13,024	11,120
Net revenues from non-financial activities	131	131	4.4	126	126
TOTAL REVENUES	15,832	15,309	16.4	13,149	11,247
Personnel costs	(3,989)	(3,989)	10.7	(3,602)	(3,247)
General expenses	(2,342)	(2,342)	8.4	(2,160)	(1,851)
Recovered expenses	65	65	(14.1)	76	84
GENERAL ADMINISTRATIVE EXPENSES (NET)	(6,265)	(6,265)	10.2	(5,687)	(5,014)
EFFICIENCY RATIO (Costs/revenues, %)	39.6	40.9	• • • • • • • • • • • • • • • • • • • •	43.2	44.6
Depreciation and amortization	(472)	(472)	5.2	(449)	(448)
GENERAL ADMINISTRATIVE EXPENSES (NET)					
+ DEPRECIATION AND AMORTIZATION	(6,737)	(6,737)	9.8	(6,135)	(5,462)
EFFICIENCY INCLUDING DEPRECIATION					
AND AMORTIZATION	42.6	44.0		46.7	48.6



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

in Wholesale and Investment Banking (28.6% in 2005), and 38.2% in Mexico and the United States (43.8% in 2005) and 49.7% in South America (52.6% in 2005).

This performance by revenues and expenses also underpinned the strength of operating profit, which in 2006 amounted to €8,360m without the capital gains from Repsol. This figure was 22.5% up on the €6,823m recorded in 2005 (up 23.2% at constant exchange rates, a year-on-year rate that has been accelerating since the 21.9% recorded in the year's first half). After adding the capital gains related to Repsol, operating profit rose to €8,883m, with the year-on-year increase standing at 30.2% (30.9% at constant rates).

All business areas made a significant contribution to this performance, with increases of 14.4% in Retail Banking in Spain and Portugal, 30.0% in Wholesale and Investment Banking, 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).

The year-on-year comparison between 2006 and 2005 is barely affected by changes in the perimeter: on the one hand, the entries of Laredo National Bank and Granahorrar in 2005 and of Forum and Texas State Bank in 2006, and the divestments of Banc Internacional de Andorra, Repsol and BNL, on the other. If adjustment is made for their impact on the different line items for revenues and expenses, the combined effect is slightly negative, as operating profit at a constant perimeter would record a year-on-year increase of 23.8%, as

opposed to the 22.5% mentioned beforehand for the Group's income statement excluding non-recurrent earnings. At constant exchange rates, the increase with no change in the perimeter would be 24.6%, instead of 23.2%.

## 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, which was not due to

an impairment of loan quality (the NPL ratio improved during the year) but rather to the sharp rise in customer lending, which meant allocating €1,051m to generic provisions, against a figure of €646m in 2005. This meant that these generic figures recorded a balance of €4,952m at 31-Dec-06, up 24.8% on the €3,967 at year-end 2005.

In turn, other provisions made in 2006 amounted to €1,338m, as opposed to €454m in 2005. The largest line item was the provision for early retirements, amounting to €1,054m in 2006, against €288m the prior year, due to the fourth-quarter booking of provisions corresponding to the plan for the restructuring of branch networks in Spain, announced in July and implemented in October, and others associated with the new organisational structure presented in December 2006, which in total amounted to €777m.

Regarding other income and losses, special note should be made of the item of sale of investments, which contributed €29m in 2005, when no significant divestments were made, whereas in 2006 it recorded capital gains of €934m, corresponding to Banca Nazionale del Lavoro (€568m) and Banc Internacional de Andorra (€183m).

### Net attributable profit

All in all, pre-tax profit for 2006 stood at €7,030m. Excluding non-recurrent items the figure is €6,533m, compared to €5,592m in 2005. Of the €2,059m

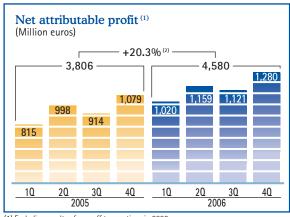
provided for corporate income tax, €341m are non-recurrent. Another €379m responded

to the application of new tax legislation, which provides for lower tax rates in coming years (32.5% in 2007 and 30% from 2008 onwards, as opposed to the current rate of 35%). This will have a positive impact from 2007 onwards, but the adjustment of the Group's tax assets and liabilities to these rates had to be booked in 2006. The remainder corresponds mainly to the tax impact of the capital gains related to Repsol, BNL and Banc Internacional de Andorra and to that of the provisions for early retirements of a non-recurrent nature.

Excluding non-recurrent items, net profit stood at €4,815m, with a year-on-year increase of 18.3%, of which €235m corresponded to minority interests.

Accordingly, the Group's net attributable profit in 2006 amounted to €4,580m, up 20.3% on the €3,806m recorded in 2005 (21.0% at constant exchange rates, a trend that has been accelerating in the second half of the year). By including the €156m from one-offs 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 (13.8% up on 2005), Wholesale and Investment Banking contributed €1,282m (up 47.0%), Mexico and the United States €1,775m (up 29.6% in euro terms and 30.8% at constant exchange rates) and South America accounted for €509m (up 34.4% at current rates and 37.0% at constant rates). Corporate Activities' contribution was -€329m (-€132m in 2005).



(1) Excluding results of one-off transactions in 2006.



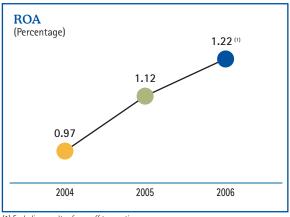


(1) Excluding results of one-off transactions.

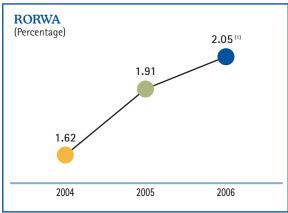
In the item of net attributable profit, and as with operating profit, the impact of perimeter variations was of scant significance, as net attributable profit at constant perimeter would register increases of 22.0% in euro and 22.8% at constant exchange rates, as opposed to the aforementioned 20.3% and 21.0%, respectively.

Earnings per share - without non-recurrent items – in 2006 amounted to €1.34, an increase of 19.8% on the €1.12 recorded in 2005. This increase was slightly lower than that for net attributable profit due to the impact of the capital increase in November (including non-recurrent items, earnings per share amounted to €1.39, with a year-on-year increase of 23.9%).

Return on equity (ROE), with exclusion also made of non-recurrent items, was 36.4%, on a par with the figure for 2005 (37.0%) and exceeding the 33.2% recorded in 2004. This enabled BBVA to uphold its position as one of



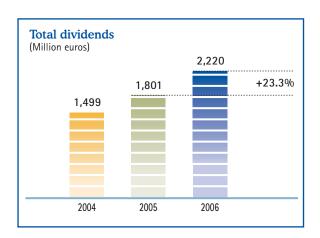
(1) Excluding results of one-off transactions.





Europe's most profitable banks. The return on assets (ROA) was 1.22%, as opposed to 1.12% in the prior year, and the return on risk-weighted assets (RORWA) rose to 2.05% (1.91% in 2005).

The dividend proposed by the board of directors for approval by the Annual General Meeting and to be posted against earnings for 2006 amounts to €0.637 per share, registering an increase of 20.0% on the €0.531 charged



against earnings in 2005. Considering the effect of the capital increase, the total amount to be distributed to shareholders will be €2,220m, a figure 23.3% up on the €1,801m recorded in 2005. The remaining €2,516m of net attributable profit will be earmarked for reserves (25.4% up on the €2,006m in the prior year). This means that the pay-out stands at 46.9%, a similar figure to 2005 (47.3%).

# 2007



BALANCE SHEET AND BUSINESS ACTIVITY

- Lending to customers
- Customer funds
- Other balance-sheet items

In 2006, the BBVA Group has achieved significant growth in its business volume with its customers. Lending to customers has reported especially intense growth. In Spain, this has been driven by all the major finance modes (open-market residential mortgages, consumer, company and retailer finance), and in most countries in the Americas, above all by SME and private customer finance.

As observed in recent years, this growth has proven compatible with a new improvement in the quality of the lending portfolio, recording decreases in the non-performing loan rate and increases in its NPL coverage levels, whereby the Group has maintained its privileged position among the large European banks as far as these indicators are concerned.

As regards customer funds, in Spain growth in on-balance-sheet deposits (time deposits, current and savings accounts) has been outstanding, whereas in the Americas the

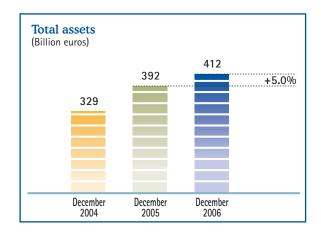
strongest increases were in current and savings accounts and in pension funds.

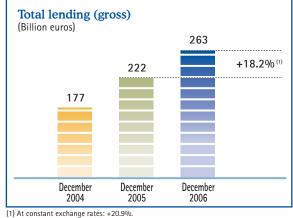
Unlike the situation in 2005, in which the Group experienced a positive exchange rate effect, in 2006 the impact these rates have had on the year-on-year variation in balance-sheet aggregates has been negative, due to the main currencies in the Americas suffering a depreciation against the euro: the Mexican peso by 11.8%, the Chilean peso by 13.8%, the Argentine peso by 11.7%, the US dollar and the Venezuelan bolivar by 10.4%, the Colombian peso by 8.4% and the Peruvian sol by 4.0%. As is usual in these cases, to facilitate better management analysis, ratios are provided at constant exchange rates for the main aggregates.

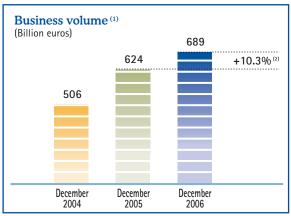
The BBVA Group's total assets at 31-Dec-06 stood at €412 billion, 5.0% up on the €392 billion recorded at year-end 2005.

Business volume, calculated as the sum of €263 billion, corresponding to gross lending and €426 billion, the figure reached by total

	31-12-06	Δ%	31-12-05	31-12-04
Cash and balances at Central Banks	12,515	1.4	12,341	10,123
Financial assets held for trading	51,835	17.8	44,012	47,036
Other financial assets at fair value	977	(31.2)	1,421	1,059
Financial assets available for sale	42,267	(29.6)	60,034	53,004
Loans and receivables	279,855	12.2	249,397	196,892
Due from banks	17,050	(37.9)	27,470	16,703
• Loans to customers	256,565	18.3	216,850	172,083
• Other	6,240	22.9	5,076	8,106
Held to maturity investments	5,906	49.2	3,959	2,222
Investments in associates	889	(39.6)	1,473	1,399
Property, plant and equipment	4,527	3.3	4,383	3,940
Intangible assets	3,269	57.9	2,070	821
Other assets	9,876	(25.7)	13,299	12,945
TOTAL ASSETS	411,916	5.0	392,389	329,441
Financial liabilities held for trading	14,924	(8.3)	16,271	14,134
Other financial liabilities at fair value	583	(21.3)	740	834
Financial liabilities at amortised cost	348,445	5.1	331,590	277,857
Deposits by Central Banks and banks	57,804	(12.8)	66,315	64,349
Due to customers	192,374	5.3	182,635	149,892
Marketable debt securities	77,674	23.6	62,842	45,482
Subordinated debt	13,597	(0.9)	13,723	12,327
• Other	6,995	15.2	6,075	5,807
Liabilities under insurance contracts	10,121	(3.6)	10,501	8,114
Other liabilities	15,527	(2.9)	15,986	14,696
TOTAL LIABILITIES	389,598	3.9	375,087	315,636
Minority interests	768	(20.9)	971	738
Valuation adjustments	3,341	1.4	3,295	2,107
Shareholders' funds	18,210	39.7	13,036	10,961
EQUITY	22,318	29.0	17,302	13,805
TOTAL LIABILITIES AND EQUITY	411,916	5.0	392,389	329,441
••••••		•••••		• • • • • • • • • • • • • • • • • • • •
MEMORANDUM ITEM:				
Contingent liabilities	42,281	41.6	29,862	21,558
MEMORANDUM ITEM:				
Average total assets	395,950	8.8	364,055	321,827
Average risk-weighted assets	234,370	17.7	199,189	180,786
Average shareholders' funds	12,594	22.3	10,300	8,806







(1) Total gross lending plus total customer funds.
(2) At constant exchange rates: +13.7%.

customer funds (which include on-balance-sheet customer funds, mutual and pension funds and customer portfolios), came to €689 billion at 31-Dec-06, 10.3% up on the €624 billion recorded for year-end 2005. At constant exchange rates, this increase rises to 13.7%. Within this aggregate, worth mentioning is the year-on-year growth turned in by lending (18.2% in euro terms and 20.9% at constant exchange rates), while total customer funds rose 5.9% (9.6% at constant rates).

Lending to customers

As mentioned in the previous paragraph, on 31-Dec-06, total lending stood at €263 billion, rising 18.2% compared to €222 billion at 31-Dec-05. At constant

exchange rates, the increase was 20.9%.

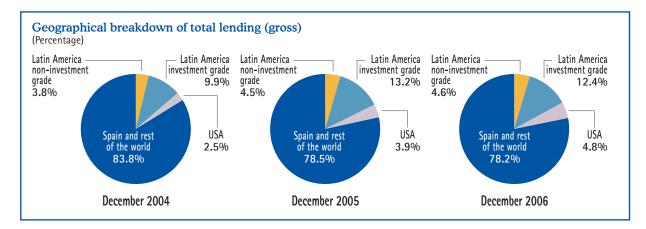
It should be remembered that in accordance with accounting standards applied since 2005,

these figures include the balances of the securitisation operations for 2004, 2005 and 2006, which come to an outstanding balance of  $\leq 9,056$ m at year-end 2006. The only items remaining off the balance sheet and not included in the accompanying tables are the securitisations prior to 2004, the balance for which lay at €1,058m at year-end 2006.

As in 2005, the growth rates in lending to customers were above those recorded for the total balance sheet, whereby its weight over total assets rose once again to reach 62.3% at year-end 2006 (net of hedging provisions), compared with the figures recorded at year-end 2005 and 2004 of 55.3% and 52.2%, respectively.

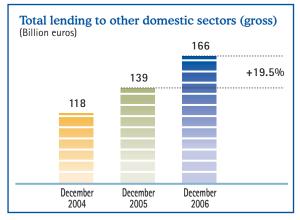
Regarding the breakdown of lending by geographic areas, it should be noted that at 31-Dec-06, the percentage of loans granted by the Group in Latin American countries with a below investment grade rating, stood at 4.6% only (4.5% at 31-Dec-05). Lending in Latin American investment grade countries (Mexico and Chile) accounted for 12.4% of the total (13.2% a year earlier). Lending to Latin America represented 17.0% of the Group's total, a percentage slightly down on the 17.7% recorded at year-end 2005. Lending in the United Sates (including Puerto Rico) increased its share from 3.9% in 2005 to 4.8% of the total, owing to the purchase of Texas State Bank, whereas lending in Spain and the rest of the world (mainly Europe) accounted for the remaining 78.2% (78.5% in December 2005).

Lending to other domestic sectors in Spain (other than the public sector) reached €166

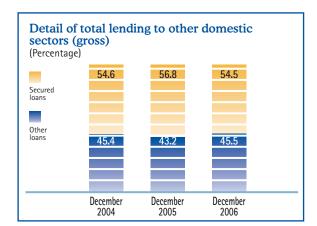


billion, 19.5% up on the €139 billion recorded at year-end 2005. If, in previous years, secured loans had accounted for most of this growth, 2006 saw a more balanced distribution of contribution to said growth.

Thus secured loans approached €91 billion at 31-Dec-06, evidencing a year-on-year increase of 14.6% (finance of open-market housing accounting for 18.6%). This item has experienced a slowdown over recent quarters,



(Million euros)	31-12-06	Δ%	31-12-05	31-12-04
Public sector	15,942	(0.9)	16,088	15,425
Other domestic sectors	166,375	19.5	139,232	118,421
Secured loans	90,649	14.6	79,128	64,617
Commercial loans	13,286	4.9	12,671	9,231
• Financial leases	6,997	12.3	6,229	5,186
Other term loans	51,241	33.9	38,273	36,036
Credit card debtors	1,506	21.7	1,237	1,067
• Other	2,695	59.1	1,695	2,284
Non-domestic sector	78,160	20.7	64,747	40,625
• Secured loans	25,492	16.8	21,824	12,272
• Other loans	52,669	22.7	42,923	28,353
Non-performing loans	2,492	6.2	2,346	2,202
Public sector	127	4.9	121	107
Other domestic sectors	953	19.9	795	880
Non-domestic sectors	1,411	(1.3)	1,430	1,215
TOTAL LENDING (GROSS)	262,969	18.2	222,413	176,673
Loan-loss provisions	(6,404)	15.1	(5,563)	(4,590)
TOTAL NET LENDING	256,565	18.3	216,850	172,083



whereby its weight over total lending to other domestic sectors fell over the year. Nevertheless it still accounted for 54.5%. Lending to SMEs and small businesses has, however, maintained the vigorous pace shown in 2005, and the other modes of private customer finance (consumer finance and credit cards) have taken a major leap. All of this is indicated in term loans line items (including consumer finance and most company finance, which increased by 33.9%) and the credit card line item (up 21.7%).

Domestic sector loans are completed by taking into account loans to the public sector, a market segment in which the Group is leader in Spain, and its balance of €16 billion for 2006 was similar to that turned in at year-end 2005.

Non-domestic loans increased to €78 billion, 20.7% up on the €65 billion recorded at 31-Dec-06, and rose still further to 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. This was also affected by the takeover of the Texas State Bank, which has contributed €3.1 billion in loans

The major growth recorded in lending to customers in 2006 had no negative bearing on portfolio quality, which remained at an excellent level, and has become consolidated as one of the Group's strengths when compared with the large European banking groups.

Indeed, the figure for NPL at 31-Dec-06 stood at €2,492m, and its 6.2% year-on-year increase lay far below the value recorded for total lending. Including contingent liabilities, total NPL came to €2,531m, up 6.3% on the €2,382m reported at year-end 2005. This rate is also far below that recorded for total risk exposure, which, including contingent liabilities, reached €305 billion at 31-Dec-06, 21.0% up on the €252 billion for the same date in 2005. It should be underlined, furthermore, that

	2006				
	40	30	20	10	40
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

	31-12-06	Δ%	31-12-05	31-12-04
TOTAL RISK EXPOSURE (1)				
Non-performing assets	2,531	6.3	2,382	2,248
Total risks	305,250	21.0	252,275	198,230
Provisions	6,905	14.8	6,015	4,939
NPL ratio (%)	0.83		0.94	1.13
NPL coverage ratio (%)	272.8		252.5	219.7
MEMORANDUM ITEM:				
Foreclosed assets <sup>(2)</sup>	250	(33.5)	375	339
Foreclosed asset provisions	82	(51.9)	170	173
Coverage (%)	32.8		45.3	51.1

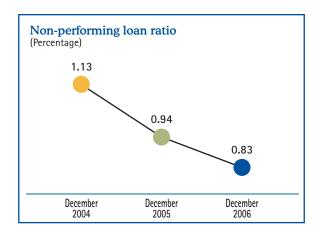
growth in lending over the year in both Europe and the Americas has been especially strong in modes such as consumer finance, credit cards and lending to SMEs, which produce a higher return but have a higher potential default rate than modes such as mortgages, which have slowed down slightly in Spain.

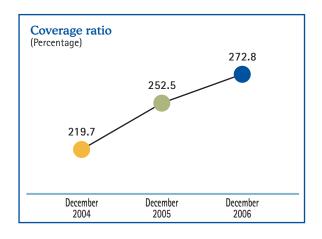
This trend in total risk and NPL has yet again been a key factor in the improvement of the Group's default rate, which fell to 0.83% at 31-Dec-06, as opposed to 0.94% at year-end 2005 and 1.13% recorded on the same date 2004. This fall was concentrated in the first half of the year, whereas during the second half of 2006, NPLs rose in line with total risk.

By business areas, Retail Banking in Spain and Portugal showed a NPL ratio of 0.67% at year-end 2006, thus maintaining a similar level

to the 0.65% recorded at 31-Dec-05, despite the change in the structure of lending, whereas Wholesale and Investment Banking improved to record a ratio of 0.22%, versus the 0.29% of the previous year. The figure for the area comprising Mexico and the United States stood at 2.19% as opposed to the 2.24% of December 2005, despite the surge in consumer loans and credit cards, and the figure for South America improved to 2.67% at 31-Dec-06, down 1 percentage point on the 3.67% recorded twelve months earlier.

Growth in lending continues to determine loan-loss provisions, which have experienced a major increase due to the impact of generic provisions. This has implied that the provisions balance closed the year 2006 at  $\epsilon$ 6,905m, 14.8% up on the  $\epsilon$ 6,015m at 31-Dec-05. In





this item, generic provisions increased by 24.8% over the year to total €4,952m, thus gaining relative weight to account for 71.7% of the total. A comparison of provisions with NPLs shows a coverage ratio of 272.8%, an improvement on the already high levels recorded at year-end 2005 and 2004 of 252.5% and 219.7%, respectively. To assess this 20.3 percentage points increase in the coverage ratio in 2006, it should be noted that it corresponds to €514m of additional funds.

All the business areas maintained high NPL coverage ratios: Retail Banking in Spain and Portugal at 264.5% (275.6% on 31-Dec-05), Wholesale and Investment Banking at 707.9% (up from 561.5% in 2005), Mexico and the United States at 248.9% (251.3% in 2005) and South America at 132.8% (109.3% the previous year).

## Customer funds

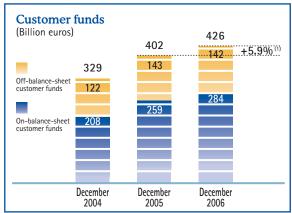
Total customer funds, on and off the balance sheet, came to €426 billion at 31-Dec-06, showing an increase of 5.9% over the €402 billion turned in a

year earlier, which, at constant exchange rates, rises to 9.6%.

The growth experienced in 2006 was concentrated in on-balance-sheet funds. These approached a figure of €284 billion, 9.4% above the €259 billion for year-end 2005 (up 12.5% rise at constant exchange rates). Therefore, like lending, they gained weight over the Group's total liabilities, due to their faster growth rate.

A breakdown of the said funds shows that customer deposits came to  $\leq$ 192 billion, with a year-on-year increase of 5.3% over the

(Million euros)	31-12-06	Δ%	31-12-05	31-12-04
ON-BALANCE-SHEET CUSTOMER FUNDS	283,645	9.4	259,200	207,701
DEPOSITS	192,374	5.3	182,635	149,892
Public sector	7,124	(27.0)	9,753	4,861
Other domestic sectors	94,393	18.4	79,755	74,858
Current and savings accounts	47,806	15.8	41,273	39,529
Time deposits	27,682	35.5	20,435	19,538
Assets sold under repurchase agreement	9,081	(24.5)	12,030	12,503
• Other	9,824	63.3	6,017	3,288
Non-domestic sector	90,857	(2.4)	93,127	70,173
Current and savings accounts	37,699	7.3	35,118	25,812
Time deposits	42,910	(10.3)	47,814	39,942
Assets sold under repurchase agreement and other accounts	10,249	0.5	10,195	4,419
MARKETABLE DEBT SECURITIES	77,674	23.6	62,842	45,482
Mortgage bonds	36,029	33.8	26,927	19,037
Other marketable securities	41,645	16.0	35,915	26,445
SUBORDINATED DEBT	13,597	(0.9)	13,723	12,327
OTHER CUSTOMER FUNDS	142,064	(0.5)	142,707	121,553
Mutual funds	58,452	(0.9)	59,002	51,083
Pension funds	57,147	5.9	53,959	41,490
Customer portfolios	26,465	(11.0)	29,746	28,980
TOTAL CUSTOMER FUNDS	425,709	5.9	401,907	329,254



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

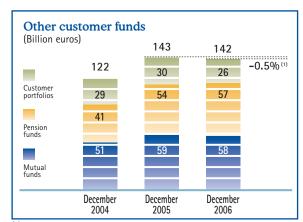
€183 billion recorded in December 2005 (9.5% at constant exchange rates). Within this aggregate, public sector debits stood at €7 billion at 31-Dec-06, their development being compromised by the balances assigned in Treasury liquidity auctions, which if excluded,

would leave them at a similar level to year-end 2005. Debits to other domestic sectors amounted to €94 billion, 18.4% up on 31-Dec-05, of which €75 billion corresponded to deposits (up 22.3%), €9 billion to assets sold under repurchase agreements (down 24.5%) and €10 billion to counterparty deposits for asset securitisations and valuation adjustments (up 63.3%). Lastly, €91 billion corresponded to debits to nondomestic sectors (down 2.4% in euro terms but up 5.3% at constant exchange rates).

On-balance-sheet funds are completed by marketable debt securities, which, in nearing €78 billion, showed a year-on-year increase of 23.6% (highlighting mortgage bonds that increased by 33.8%) and by subordinated liabilities (subordinated debt and preference shares), which remained stable at a figure of €14 billion.

Off-balance-sheet customer funds, which comprise mutual funds, pension funds and

(Million euros)	31-12-06	Δ%	31-12-05	31-12-04
SPAIN	76,080	2.0	74,619	69,006
MUTUAL FUNDS	45,491	(1.8)	46,340	42,212
Mutual Funds (ex Real Estate)	43,273	(2.8)	44,507	41,070
Monetary and short term fixed-income	15,496	(15.6)	18,353	15,652
• Long-term fixed income	1,783	(5.7)	1,891	1,996
Balanced	1,577	(23.6)	2,064	2,444
• Equity	4,182	15.3	3,626	3,000
Guaranteed	17,094	(3.6)	17,725	17,569
• Global	3,142	270.6	848	409
Real Estate investment trusts	2,218	21.0	1,833	1,142
PENSION FUNDS	16,291	8.0	15,091	13,501
Individual pension plans	9,249	10.2	8,395	7,320
Corporate pension funds	7,042	5.2	6,697	6,181
CUSTOMER PORTFOLIOS	14,298	8.4	13,188	13,293
REST OF THE WORLD	65,984	(3.1)	68,088	52,547
Mutual funds	12,961	2.4	12,662	8,871
Pension funds	40,856	5.1	38,867	27,989
Customer portfolios	12,167	(26.5)	16,558	15,687
OTHER CUSTOMER FUNDS	142,064	(0.5)	142,707	121,553



(1) At constant exchange rates: +4.3%

customer portfolios, stood on 31-Dec-06 at €142 billion, a figure barely 0.5% down on the €143 billion reported at year-close 2005, though it represents a 4.3% increase at constant exchange rates.

The part of this figure corresponding to Spain (€76 billion), showed a 2.0% increase which was determined by customers' preferring, during the year, term deposits over mutual funds. Thus the latter's equity fell 1.8% to €45.5 billion, whereas pension funds rose by 8.0% to €16 billion and customer portfolios by 8.4% to €14 billion.

The €66 billion corresponding to the remaining countries in which the Group operates, represent a year-on-year decline of 3.1%, equivalent to a 7.1% increase at constant exchange rates. This figure was affected by the sale of Banc Internacional de Andorra, which, in December 2005, contributed €7,382m to these line items. If adjustments are made to compensate for this effect, however, the figure shows an 8.7% increase (21.7% at constant exchange rates). Equity managed in pension funds, mutual funds and customer portfolios came to €41 billion, €13 billion and €12 billion, respectively.

Another way of assessing customer funds is to consider the figures that best represent the trends shown in the main markets in which the Group operates. This avoids the impact of mode shifts due to customer preferences at any point in time.

In the Spanish market this aggregate comprises deposits from other domestic sectors

(excluding assets sold under repurchase agreements and other accounts with more irregular trends) plus mutual and pension funds. At year-end 2006, it showed a year-on-year increase of 11.5% to total €137 billion. Of this sum, transactional deposits (current and savings accounts) accounted for €48 billion, 15.8% up on the figure for 31-Dec-05.

The remaining €89 billion corresponded to more stable funds (time deposits, mutual and pension funds), which rose 9.3% in the year. As has already been mentioned, 2006 saw customers demand more term deposits than mutual funds, which is reflected in the trends shown in both these modes: term deposits increased by 35.5% to almost €28 billion, whereas mutual funds fell by 1.8% leaving the assets managed at €45.5 billion, of which mutual funds (ex real estate) accounted for €43.3 billion (-2.8%) and the *BBVA Propiedad* real estate investment fund accounted for €2.2 billion (up 21.0%).

Pension fund assets grew by 8.0% to total €16 billion, which has enabled the Group to continue as leader in this business segment. Of the said sum, €9 billion correspond to individual plans (representing a year-on-year increase of 10.2%), and €7 billion to corporate pension funds (up 5.2%).

As for non-domestic customer funds, the figure equivalent to that included in the domestic sector (deposits excluding assets sold under repurchase agreements and other similar accounts, mutual funds and pension funds) stood at €134 billion, a similar figure in euro to that reported on 31-Dec-05, but showing a 9.4% increase at constant exchange rates. As in the previous year, lower cost modes (current and savings accounts) performed well, increasing 7.3% to total €38 billion, which represents 18.0% at constant exchange rates.

The most stable funds (€97 billion) fell in euro terms by 2.6%, but rose 6.4% at constant exchange rates. Pension funds, a product in which the Group ranks first in Latin America, accounted for €41 billion of said stable funds, with increases of 5.1% at current rates and 19.4% at constant rates. Mutual funds also rose, up 2.4% to

€13 billion (an increase of 11.9% at constant exchange rates), whereas term deposits fell 10.3% to €43 billion (a drop of 4.8% at constant rates) due to the policy followed by Mexico during the year, with shifts from this mode to repurchase agreement products (included in the assets sold under repurchase agreements item line, and therefore not accounted for in this figure) and to mutual funds.

Other balance-sheet items

At 31-Dec-06, financial assets available for sale reported a year-on-year fall of 29.6%, concentrated in the fixed income portfolio and due to the maturity and

to the sale, before the development in interest rates, of part of the fixed interest rate asset portfolio that the Financial Management unit uses for asset and liability interest rate risk management. The development of this item line was also influenced by the sale of the holding in Repsol YPF, due to currency depreciations against the euro and to the impact of rising stock prices on the market value of the equity portfolio.

Furthermore, sale of the holding in Banca Nazionale del Lavoro gave rise to a decrease in the holdings item line.

The item of property, plant and equipment showed a moderate increase of 3.3%, due mainly to incorporation of the Texas State Bank into the Group in November.

The year-on-year evolution of intangible assets is underpinned by goodwill, its main component, which at year-end 2006 came to €2,973m, as opposed to the €1,858m recorded on 31-Dec-05. This was due to takeovers made during the year and especially to Texas Regional Bancshares, which generated goodwill to the sum of €1,257m.

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CAPITAL BASE

2006 was a high-growth year for the BBVA Group: this was largely due to the fast-paced rise in activity in its main businesses, and to a lesser extent to investments made, although for nonetheless very considerable amounts.

In short, at 31-Dec-06, risk-weighted assets stood at €252,373m, 16.4% up on the €216,890m reported at year-end 2005. This was the outcome of organic growth (translating into an increase approaching 16%), weakening of the US dollar and the main Latin American currencies and the incorporation of assets coming from investments made in the year.

Takeovers during the year featured that of Texas Regional Bancshares (whose incorporation generated €1,257m in goodwill and risk-weighted assets worth €3,351m) and State National Bancshares (completed in January 2007), together with the strategic agreement with Citic Group,

which will also be concluded in 2007. 2006, moreover, saw important investments made in efficiency, which involved devoting €544m, after taxes, to extraordinary early retirements.

Management of the capital base in 2006 enabled the Group to provide itself with the resources required to fund this growth. Its increase in ordinary profit, at a pace exceeding 20%, generated additional capital that enabled it to comfortably finance the requirements deriving from ordinary business as well as to maintain the upward trend in dividends: up 20% per share compared with that paid against profits in 2005, which left share dividend yield at 3.49% and pay-out at 46.9% of profits.

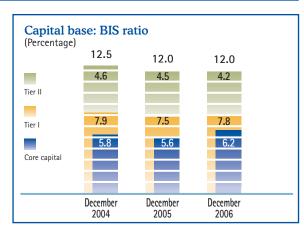
On the other hand, sales of its holdings in Repsol YPF and BNL, which generated some €1,000m in capital gains, also freed up resources for broaching the aforementioned investments.

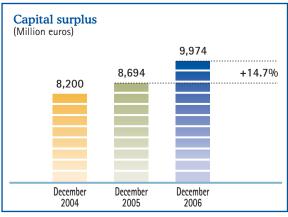
	31-12-06	$\Delta$ %	31-12-05	31-12-04
Called-up share capital	1,740	4.8	1,662	1,662
Reserves	13,694	43.9	9,517	7,560
Minority interests	705	(20.8)	889	728
Deductions	(5,327)	43.1	(3,723)	(2,261)
Net attributable profit	4,736	24.4	3,806	2,923
CORE CAPITAL	15,549	28.0	12,151	10,612
Preference shares	4,025	(2.5)	4,128	3,809
CAPITAL (TIER I)	19,574	20.2	16,279	14,421
Subordinated debt	8,783	9.8	7,996	7,077
Valuation adjustments and other	1,842	(28.2)	2,563	2,022
Deductions	(34)	(95.7)	(793)	(706)
OTHER ELIGIBLE CAPITAL (TIER II)	10,591	8.4	9,766	8,393
CAPITAL BASE	30,164	15.8	26,045	22,814
Minimum capital requirement (BIS Regulation)	20,190	16.4	17,351	14,614
CAPITAL SURPLUS	9,974	14.7	8,694	8,200
RISK-WEIGHTED ASSETS	252,373	16.4	216,890	182,683
BIS RATIO (%)	12.0		12.0	12.5
CORE CAPITAL (%)	6.2		5.6	5.8
TIER I (%)	7.8		7.5	7.9
TIER II (%)	4.2		4.5	4.6

Furthermore, in November, the BBVA Group increased share capital by €3,000m, which it placed entirely through an offer addressed to 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.

At 31-Dec-06, in accordance with the Bank for International Settlements (BIS) criteria, BBVA Group's capital base came to €30,164m, 15.8% up on the same date one year earlier. The capital surplus required by the aforementioned criteria (8% of risk-weighted assets) stood at €9,974m, 14.7% higher than at year-end 2005.

Core capital lay at €15,549m at 31-Dec-06, after recording a 28.0% increase over the same date 2005, whereby it accounts for 6.2% of risk-weighted assets as opposed to the figure of 5.6% recorded in December 2005.





On adding preference shares to core capital, Tier I capital came to €19,574m, a 20.2% rise for the year, and it represented 7.8% of risk-weighted assets, up 7.5% over the figure reported on 31-Dec-05.

Other eligible capital, which basically includes subordinated debt and eligible latent capital gains, stood at €10,591m at year-end 2006, 8.4% up on the previous year, thus leaving Tier II at 4.2% in comparison with the 31-Dec-05 figure of 4.5%

The BIS ratio therefore lay at 12.0%, a similar level to that recorded in December 2005.

To optimise the structure and the cost of its capital base, in the course of the year there were several redemptions and new issues made of instruments eligible for the Group's capital base

As regards preference shares, January 2006 saw the early redemption of an issue amounting to \$70m. Subsequently, in April and July, the redemption option was exercised on two issues of €340m and US\$240m, respectively. Lastly, in the month of September, there was a preference share issue worth €500m, placed with European institutional investors. Through these operations, the weight of preference shares over capital base fell to a figure of 20.6% at 31-Dec-06, 4.8 percentage points below that recorded twelve months earlier.

Regarding subordinated debt, four issues matured during the year, three of which were in US dollars (US\$525m) and the other was in euro (€84m). Moreover, given market conditions, it was decided to exercise the early redemption option of a further issue totalling €500m. Likewise, in February 2006, early redemption was made of US\$500m Bancomer capital notes, which comprised part of the Group's Tier II.

In the course of 2006, BBVA made two new issues of subordinated debt aimed at European institutional investors: £300m and €1,000m maturing in March 2016 and October 2016, respectively. In addition to the issues directly

guaranteed by the parent bank, the capital base for the year incorporated subordinated debt issues made by other banks in the Group, such as BBVA Bancomer, BBVA Puerto Rico, BBVA Colombia and BBVA Chile. These issues altogether contributed a sum equivalent to €475m, which was included in the BBVA Group's Tier II at 31-Dec-06.

#### **RATINGS**

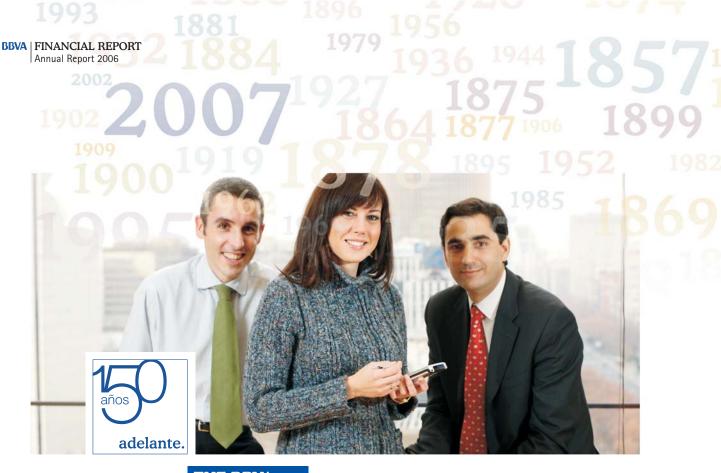
In June, Fitch raised BBVA's individual rating from B to A/B. According to this rating agency, this step up aimed to reflect the strength of some fundamentals far above the average values of its benchmark group in Europe.

Furthermore, in June, after the announcement was made of the purchase of Texas Regional Bancshares and State National Bancshares, all three major agencies (S&P, Moody's and Fitch) confirmed their long-term ratings for BBVA.

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

The various agencies hold a positive view of the BBVA Group, highlighting the soundness of its retail franchise, its growing capacity for generating recurrent profits, its excellent asset quality, its high liquidity and its sensible management.

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



THE BBVA SHARE

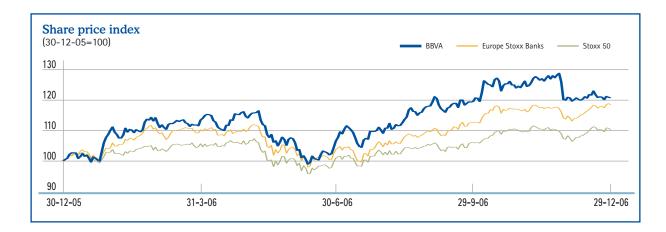
In 2006, equity markets yet again behaved well, supported by the positive trend in economic growth worldwide, with controlled inflation and monetary policies with less pressure to raise interest rates, which was joined by good business results and high levels of corporate activity.

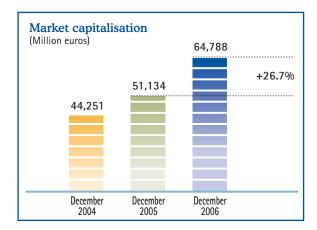
As in 2005, the best performances were recorded in the emerging countries (the MSCI Emerging Markets Free was up 25.6% for the year) with more moderate appreciations on European, United States and Japanese stock markets; the Stoxx 50 gained 10.4%, the S&P 500 was up 13.6% and the Nikkei 6.7%. In such an environment, the high level of stock market growth experienced in Spain, where the Ibex 35 rose by no less than 31.8%, should be underlined. This increase was underpinned by the good performance of the Spanish economy and the possibility of realignment operations in important sectors like electricity and real estate.

The banking sector has followed the market trends, upholding a particularly positive

performance level after the summer, thanks to the strength of the sector's fundamentals, the announcement of good results, a benign credit environment and expectations regarding corporate operations. In Europe, investors have essentially rewarded stocks with high market exposure, possible corporate activity targets (Italian banks) and high growth records (exposure to emerging markets, some restructuring processes, the French banking sector, etc.).

Within this context, the BBVA share has appreciated by 21.0% in 2006, a value over appreciations attained in the three previous years (15.6% in 2005, 19.2% in 2004 and 20.1% in 2003), and above the 10.4% and 18.7% figures recorded by the Stoxx 50 and by the Stoxx Banks, respectively (indices indicating general market and sector averages in Europe), albeit below the Ibex 35. This increase in share price, together with the €3,000m capital increase undertaken at the end of November,





have lifted BBVA's year-end 2006 market capitalisation to €64,788m, 26.7% up on the €51,134m recorded at year-end 2005.

The BBVA share has profited from the favourable environment and the high growth rates experienced within the Group. Analysts

have continued to value positively both trends in the performance of its business areas (improvements in business volumes and revenues) and in the strength of its fundamentals (efficiency, credit quality, yield, etc.), which has led to significant increases in profit estimations and target share prices throughout the year. The Group's advances in strategic development were also well received by the market, among which we should highlight the takeovers of Texas Regional Bancshares and State National Bancshares in the United States and the acquisition of holdings in China Citic Bank in China and Citic International Financial Holdings in Hong Kong.

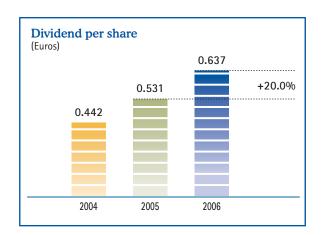
At year-end 2006, the closing price per share stood at  $\leq$ 18.24 and the price-to-earnings ratio at 13.7 times. The book value per share has risen to  $\leq$ 5.13 as opposed to  $\leq$ 3.84 recorded on 31-Dec-05, whereby the price/book multiple

	31-12-06	31-12-05	31-12-04
Number of shareholders	864,226	984,891	1,081,020
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	31,672,354	36,013,282
Daily average trading (million euros)	592.55	423.86	403.45
Maximum price (euros)	20.26	15.22	13.11
Minimum price (euros)	14.78	11.87	10.15
Closing price (euros)	18.24	15.08	13.05
Book value per share (euros)	5.13	3.84	3.23
Market capitalisation (million euros)	64,788	51,134	44,251

Share performance ratios			
	31-12-06	31-12-05	31-12-04
Price/Book value (times)	3.6	3.9	4.0
PER (Price/Earnings; times)	13.7	13.4	15.1
Yield (Dividend/Price; %)	3.49	3.52	3.39

lies at 3.6 times. Earnings per share rose to €1.39 in 2006, evidencing a rise of 23.9% over the previous year when the values recorded were €1.34 per share and 19.8% respectively, excluding one-offs.

As regards shareholder remuneration, three interim dividends of €0.132 each have been issued posted against earnings for 2006, paid out in July and October 2006 and January



2007. If we add to this the supplementary dividend of €0.241 per share, which is to be submitted for approval by the shareholders' Annual General Meeting, the total dividend that shareholders will receive, posted against earnings for 2006, will amount to €0.637 per share. This implies an increase of 20.0% over the €0.531 distributed and posted against earnings for 2005. This figure means that the pay-out stands at 46.9% and dividend yield calculated on the year-end closing share price for 2006, at 3.49%.

On the medium and long-term investment horizon, BBVA continues to stand out for its value creation for shareholders. This is indicated in the accompanying table, which shows the earnings obtained by investors in BBVA shares over the last 10 years for each entry and exit date, considering share price fluctuations, dividend reinvestments and paybacks. For the 1997-2006 period as a whole, the average annual earnings of the

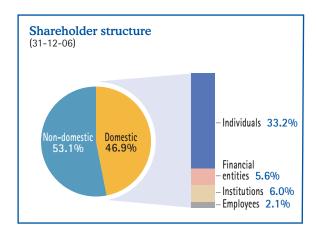
	1007	1000		age annua					2005	2006	Δ% cumulative
1000	1997	1998	1999	• • • • • • • • • • • • • • • • • • • •	2001	2002	2003	2004	• • • • • •	• • • • • • •	2006
1996	116.8	72.9	47.9	38.7	27.2	14.6	16.0	16.9	17.2	17.9	418.9
1997		37.9	22.1	19.5	11.3	0.9	4.5	7.0	8.5	10.2	139.3
1998			8.2	11.3	3.7	(6.7)	(1.1)	2.6	4.9	7.1	73.6
1999				14.5	1.5	(11.2)	(3.3)	1.5	4.4	7.0	60.5
2000					(10.1)	(21.8)	(8.7)	(1.5)	2.4	5.8	40.1
2001						(31.9)	(7.9)	1.6	5.8	9.3	55.8
2002							24.6	24.0	22.6	23.0	129.0
2003								23.5	21.6	22.5	83.7
2004									19.8	22.0	48.7
2005										24.2	24.2

Number	0/		
	%	Number	%
327,806	37.9	25,587,014	0.7
248,263	28.7	65,377,204	1.8
186,184	21.5	163,317,754	4.6
55,922	6.5	157,259,164	4.4
22,677	2.6	142,642,550	4.0
19,418	2.2	348,332,277	9.8
3,956	0.5	2,649,453,158	74.6
	248,263 186,184 55,922 22,677 19,418	248,263     28.7       186,184     21.5       55,922     6.5       22,677     2.6       19,418     2.2	248,263     28.7     65,377,204       186,184     21.5     163,317,754       55,922     6.5     157,259,164       22,677     2.6     142,642,550       19,418     2.2     348,332,277

BBVA share have stood at 17.9%, which means that a person who invested in BBVA shares on 31-Dec-96 would have increased their capital more than five-fold by 31-Dec-06, whereas in the same period the Ibex 35, with an appreciation of 174.4%, has only recorded a 2.7 times increase.

At the close of the year, the number of BBVA shareholders totalled 864,226. The shareholder base is highly diversified, and there are no individual holdings equal to or above 5% of the share capital. 94.7% of shareholders own fewer than 4,501 shares, representing 11.6% of the capital, and the average holding per shareholder stands at 4,110 shares, which, at the year-end closing price, implies an average sum of €74,966.

Private investors hold 33.2% of the capital while 2.1% corresponds to employees, 63.6% to institutional investors and the board of



directors holds the remaining 1.1%. The capital held by non-resident shareholders accounts for 53.1% of the total, a somewhat higher percentage than that recorded at year-end 2005.

BBVA shares are traded on the Spanish electronic market and other major European markets, on the New York Stock Exchange (as ADSs represented by ADRs) and also on the Mexican Stock Market. The BBVA share is listed on the Ibex 35 and Euro Stoxx 50 reference indices, with weightings of 13.1% and 2.02% respectively.

The BBVA share continues to stand out as high liquid. It has been traded on each and every one of the 254 days that made up the 2006 stock exchange calendar. The trading volume on the electronic market reached a total of 8,752 million shares, which implies an increase of 7.9% over 2005 and represents 246.4% of the share capital. The average daily trading volume stood at 34.5 million shares (0.97% of the share capital), which corresponds to a daily cash sum of €593m, 39.8% up on the previous year.

2006 has seen the creation of a new Shareholders' Management department, which brings together the Major Investors' Management unit and the Shareholder's Office, in order to improve care of private investors. The Corporate Responsibility Report 2006 provides full information on the activities undertaken in this department.

RISK MANAGEMENT IN NON-BANKING ACTIVITIES

EΩ

OPERATIONAL RISK



BBVA considers excellence in risk management to be an essential component in its competitive strategy.

Governance of the risk variable and an overall understanding of the concept constitute one of the main value creation hubs in the Group's banking business, and hence, its internal decision-making mechanisms employ measurements that quantify the different types of risk in a consistent and uniform fashion. The development of these measurements requires the different types of risk be correctly identified, measured and evaluated, and that they be managed in a comprehensive and integrated manner in accordance with a broad System of Risk Management.

This system comprises four groups of basic elements:

- Uniform tools for measuring the types of risk implicit in each of the Group's businesses, which incorporate the developments in risk measurement methodology in which the Group has invested heavily in recent years.
- Historical databases and information schemes that feed the various measurement systems implemented to quantify expected losses and economic capital for the different decision-making levels.
- Management procedures, circuits and criteria, which integrate the risk management model into processes for making decisions of a strategic, tactical or operating nature in the day-to-day running of the Group.
- The team of highly qualified and experienced professionals that undertake the risk management functions within the Group.

One of the basic hubs of the Group's management policies is to maintain an adequate balance between return and risk when developing and implementing business plans for its constituent business units.

In accordance with corporate strategy, it is the BBVA board of directors that defines the general principles that determine the Group's risk profile target. Likewise, it approves the infrastructure required for risk management, the delegation

framework and the ceilings system that enable the business to develop in keeping with this risk profile in day-to-day decision-making.

In 2006, one of the Group's most important lines of development has been the development and impact analysis of stress scenarios. The definition of circumstances that are adverse, both from a macroeconomic and market perspective, and the thorough and detailed assessment of the impact that these would have on each of the Group's business units on a global scale, has been one of the most important tasks undertaken by Risk Management in 2006 and has now become a base element in its management practice.

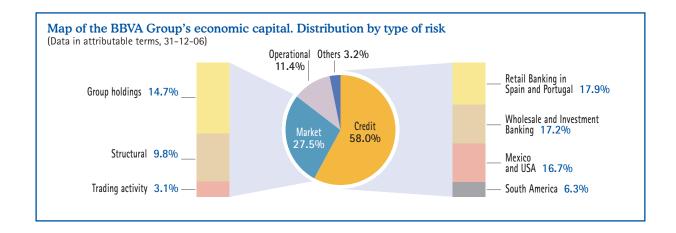
Parallel to this greater integration of risk management into business decision-making, the Group is broaching the final stage in its adaptation process to Basel II, in which it has opted, from the outset, to use advanced models, both for credit and operational risk (the Bank already has an internal model approved by the Supervisor for calculating the capital consumption by market risk).

In accordance with the agendas laid down by the regulating bodies, relevant information has been submitted throughout 2006 concerning the models that BBVA is presenting for validation.

To this end, the Group is therefore actively collaborating with the Supervisors in general, and especially with the Bank of Spain and Mexico's National Banking and Securities Commission to assure consistent and co-ordinated progress in the process of validating its advanced models within the calendar stipulated in the Accord, which culminates in December 2007.

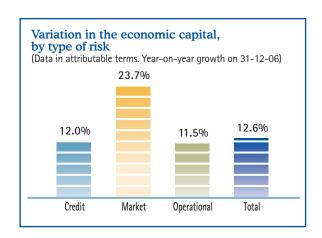
Overall risk map On 31-Dec-06, the consumption of risk capital (CER) in the Group, stood, in attributable terms, at €17,308m, with a year-on-year growth of 12.6%.

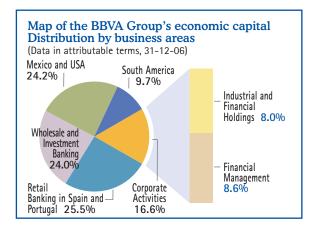
The CER for credit risk accounted for 58% of overall CER. A breakdown of this figure shows that 17.9% corresponds to Retail Banking in Spain and Portugal, 17.2% to Wholesale and Investment Banking, 16.7% to Mexico and the United States, and the remaining 6.3% to South America.

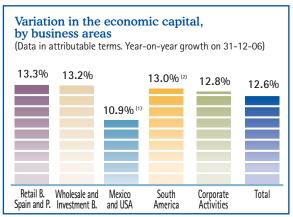


The rise in CER for credit risk has slowed down over 2006, growing at a rate of 12.0%, which is lower than the increase in activity. This is derived from an improvement in the credit portfolio risk profile and it has also been affected by the risk parameter statistical recalibration process, which is periodically undertaken to incorporate the most recent historic information from the databases. Omitting the latter effect, CER growth for credit would have reached 18.5%.

The CER for market risk has increased by 23.7%. Within this figure, CER consumption due to holdings in industrial and financial companies has fallen by 3.7%, influenced by the sale of holdings in BNL, whereas entry into Vega Asset Management (which includes a direct holding in hedge funds) has driven a 19.2% rise in CER for market risk. As for the CER deriving from the Group's balance sheet structure risk (interest and exchange rate) and



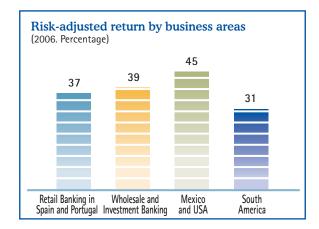


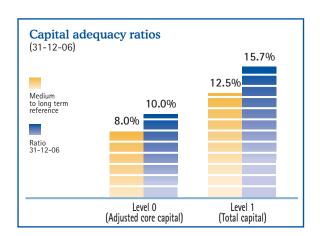


(1) At constant exchange rates: +25.5%. (2) At constant exchange rates: +25.4%.

the CER for Cash Management units, they have undergone increases of 49.5% and 42.2% respectively.

At 31-Dec-06, the CER for operational risk is calculated with a standard Basel approach. The first estimations made with advanced models result in significant reductions on such calculations.





The risk-adjusted return (RAR) for the different business areas, calculated by considering the expected losses adjusted to the economic cycle and CER consumptions, have remained above their respective costs of capital in all areas, at levels ranging from 45% in Mexico and the United States to 31% in South America.

In order to monitor the Group's financial solvency adjusted to risk, a two-level comparison is made of total CER consumption and the Group's level of capital available:

- Level 0: adjusted core capital, equivalent to the Group's balance-sheet value. This is basically calculated as the core capital adjusted by latent capital gains and by the difference between loan-loss provisions and expected losses.
- Level 1: total capital, which, in addition to the above, also includes preference shares and eligible subordinated debt.

The so-called financial ratios are then calculated. Taking into account that the long-term benchmark ratios, which are consistent with the target rating, are estimated to stand at 8% (level 0) and 12.5% (level1), and that at 31-Dec-06 these ratios lay at 10.0% and 15.7%, respectively, the year-end financial solvency situation is comfortable.

The CER therefore represents a basic unit of measurement for the capital assignment and planning process, which considers the risk-adjusted return and the added value of current and potential business, and also for

analysing and monitoring the Group's financial solvency.

To complete the view of the overall risk profile, work has continued in 2006 to estimate and analyse the impact of different global and local macroeconomic scenarios would have on solvency, value and results, as well as global sensitivities to economic and financial variables.

The level of systematisation attained has enabled a broad spectrum of scenarios to be analysed with different probability and impact. The conclusions highlight the recurrence of the Group's results, even when facing relatively severe scenarios. In the main, this is due to its broad customer base and the geographical diversification of its retail banking business, to the functioning of its generic loan-loss provisions, to its low risk profile, to its scarce earnings exposure to stock markets, to its hedging policy on exchange rates and because the foreseeable evolution of interest rates in Spain and in Mexico in risk scenarios, is favourable during the initial quarters.

In terms of value, it is estimated that the greatest impact of a global crisis scenario would come from a slow-down in the activity (around 40%), while somewhere around a 15% of the impact would come from higher credit provisions, exchange rates and stock markets.

In short, the positioning and yield of the business portfolio, the financial capital situation and overall scenario and risk factor analysis, all show a favourable environment for the Group to continue along its profitable growth path. In the event of a rise in the probability of a particular scenario that would cause a greater volatility in earnings, or an eventual negative impact, the Group would adopt a set of measures aimed to mitigate said impact.

### Credit risk management

#### METHODOLOGIES FOR CREDIT RISK QUANTIFICATION

A credit risk profile can be quantified in two ways: expected loss and economic

capital (the latter related to unexpected loss). The Group has implemented numerous tools for loan classification and historic information infrastructures that allow for an estimation of the inputs necessary to calculate expected loss and capital. These measurements combined with cost and yield information, result in a better internal risk management, based on value creation, and facilitate compliance with the regulatory requirements set forth within the framework of Basel II.

#### Group master scale

BBVA has a master scale designed to facilitate homogenous classification of the Group's various risk portfolios. Said scale exists in two different versions: the narrow version, which classifies outstanding risks into 17 groups and the broad version, which breaks them down into 34 degrees.

#### Probability of default

The classification tools (scorings and ratings) deployed throughout the Group, allow operation or customer creditworthiness to be put into order, through what are termed probabilities of default. The Group uses the internal information stored in the historical databases to assess the key determinants of this probability (for example, the scores assigned by the said tools and the seasoning of the transaction).

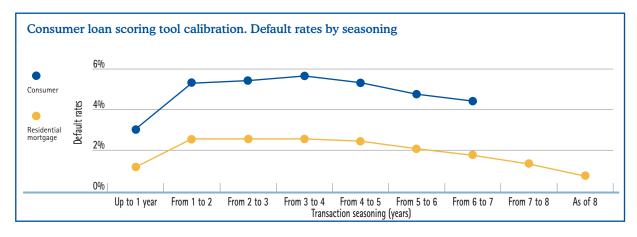
**Scorings.** These tools classify retail operations (consumer mortgages, credit cards, small

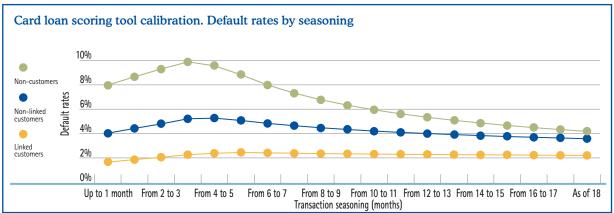
#### BBVA master scale

(Long version)

(Long version)			
	Def (i	<sup>f</sup> ault probab n basis poin	ility ts)
Master scale rating	Average	Minimum from ≥	Maximum to <
AAA	1	0	2
AA+	2	2	3
AA	3	3	4
AA-	4	4	5
A+	5	5	6
A	8	6	9
A-	10	9	11
BBB+1	12	11	14
BBB+2	15	14	17
BBB1	18	17	20
BBB2	22	20	24
BBB-1	27	24	30
BBB-2	34	30	39
BB+1	44	39	50
BB+2	58	50	67
BB1	78	67	90
BB2	102	90	116
BB-1	132	116	150
BB-2	166	150	194
B+1	204	194	226
B+2	250	226	276
B+3	304	276	335
B1	370	335	408
B2	450	408	490
В3	534	490	581
B-1	633	581	689
B-2	750	689	842
B-3	945	842	1,061
CCC+	1,191	1,061	1,336
CCC	1,500	1,336	1,684
CCC-	1,890	1,684	2,121
CC+	2,381	2,121	2,673
CC	3,000	2,673	3,367
CC-	3,780	3,367	4,243

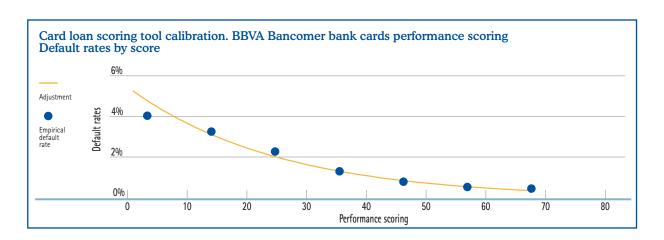
businesses, etc.). The accompanying graphs provide a breakdown of the default rates, at one-year interval, of some of the BBVA Group tools in Spain. As can be seen, operation seasoning marks the creditworthiness of a retail operation.





Complementary to this type of scoring, called "reactive scoring" (classification tools used to determine the possible approval of new operations based on information that is unrelated to customer behaviour), are the so-called "behavioural scorings". These are analysis tools used in the Group that take past

behaviour (product and customer) in account, using a variety of variables, such as the number of default cycles over the last periods or the number of consecutive increases in the customer's balance, for instance. The graph shows an example of behavioural scoring from the BBVA Group in Mexico.



**Ratings.** The Group has different rating tools to classify different customer segments. These tools do not classify operations; they classify customers.

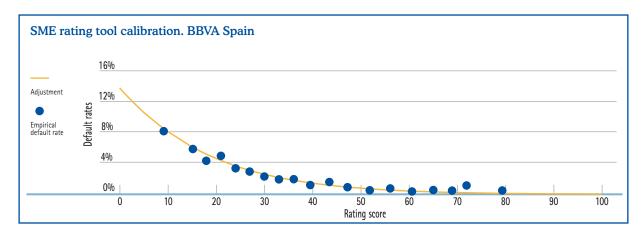
By way of an example, the accompanying graphs show the probabilities of default deriving from some of the Group's rating tools, based on the scores assigned by each tool. These probabilities have been calculated using internal data. For low default segments (sovereign borrowers, financial institutions and large corporate risk), internal information is complemented by benchmarkings from external rating agencies.

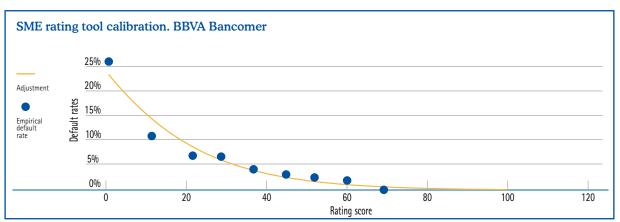
The probabilities of default assigned to each score of the rating tool are business cycle-adjusted, bearing in mind the historical rates and how the future economic cycle is expected to evolve. This probability is then linked to the BBVA Group master scale so that all the Group's transactions have an internal rating assigned to them.

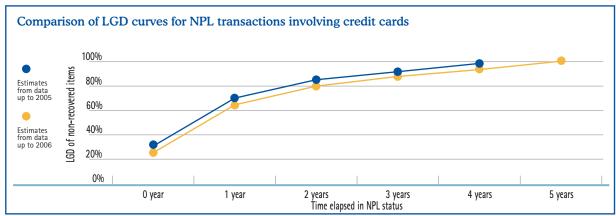
#### Loss Given Default (LGD)

Loss given default (LGD) is defined as the percentage of risk exposure that is not expected to be recovered in the event of default. The method the BBVA Group uses, in the main, to calculate loss given default is known as "Workout LGD". It is based on discounting the cash flows of the defaulted exposure that have been collected at different times as a result of the recovery process. In the case of low default rate portfolios, other methods are also used, such as external sources for obtaining market references on LGD rates similar to those of the internal portfolio.

In the course of 2006, the greater depth in its historical databases has enabled the Group to enhance consistency in its estimations of said parameter. The accompanying graph provides as an example, the stability of the LGD estimations associated with default on credit card operations in Spain (LGD expressed as a percentage of what is not expected to be recovered, with respect to an operation's exposure that still







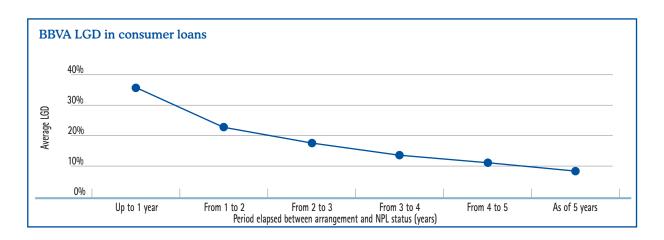
Observations used: Up to 2005: 115,687 cycles. Up to 2006: 152,977 cycles.

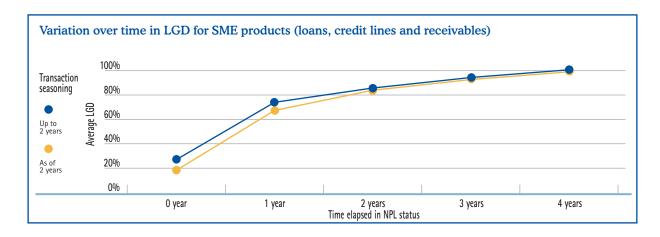
remains in default). The results are highly solid because even when a further year's information is added, there are no substantial changes in the conclusions that were previously reached.

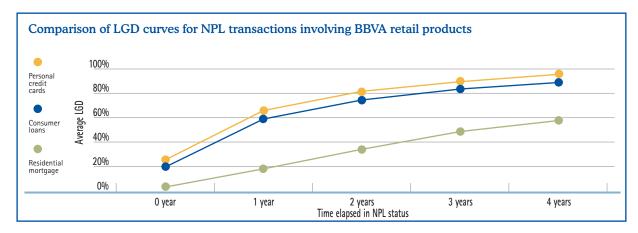
As was the case for the probability calculations, the Group's historical databases allow to analyse the characteristics of customers or transactions relevant for LGD assignation, and to thus determine its intrinsic characteristics (bimodal distribution, seasoning, etc...).

In the BBVA Group, different LGD rates are allocated to outstanding receivables (defaulted or non-defaulted), according to the combinations of significant factor, depending on the features of each product and of whether or not there are guarantees. These LGD rates are estimated in order to determine expected loss, economic capital and regulatory capital under Basel II. Some of the factors assessed are outlined below:

- a) Seasoning: one of the key factors determining LGD is the period that elapses from contract arrangement to default; the higher a transaction's seasoning, the lower its LGD.
- b) Time elapsed in default: a further important factor in LGD estimations is the time that a transaction remains in default.
- c) Combination of significant factors: another interesting analysis is how LGD evolves according to the time that elapses from contract arrangement to customer default and the time the customer is in default. The accompanying graph provides an aggregate representation of this evolution for unsecured loans, credits and receivables. Each line of the graph corresponds to different seasonings.
- d) Loan/value ratio: internal studies show that LGD increases according to the increase in



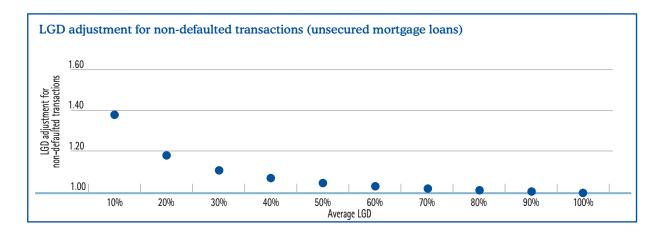


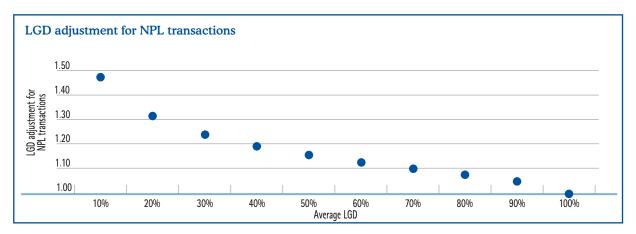


the LTV (loan to value) percentage – LTV being the ratio between the amount of the loan and the property value. However, this relationship does not hold true for mortgages with an LTV exceeding 85%, given that in such transactions there are

usually additional guarantees or guarantors. By way of an illustration, the accompanying table shows LGDs for mortgages within an LTV range of 65% and 85%, resulting from the combination of significant factors.

		Transaction seasoning (years)								
		Up to 1 year	Up to 1 year From 1 to 2 From 2 to 3 As of 3 yea							
	Non-defaulted	7.3%	5.5%	4.0%	2.9%					
	Up to 1 year	26.4%	21.8%	17.4%	15.7%					
	From 1 to 2	45.8%	40.5%	36.4%	29.8%					
	From 2 to 3	58.7%	54.2%	51.4%	35.4%					
	From 3 to 4	65.0%	60.3%	60.3%	39.6%					
	From 4 to 5	68.4%	61.0%	61.0%	45.8%					
	From 5 to 6	89.5%	87.0%	87.0%	81.9%					
	As of 6 years	100.0%	100.0%	100.0%	100.0%					





In order to comply with the requirements laid down by the Basel Banking Supervision Committee concerning estimation of the "downturn LGD", the BBVA Group adjusts the LGD of all its portfolio transactions, with some differences depending on the transaction status (defaulted or non-defaulted). The graph included shows the suggested adjustments for defaulted and non-defaulted portfolio transactions. The graphs provided indicate that the higher the LGD, the lower is the proposed adjustment due to the lower level of volatility experienced by the LGD when it rises.

#### Exposure at default

This is another of the fundamental parameters required for calculating expected loss and economic capital in Group operations. 2006 has seen further studies undertaken on the estimation of conversion factors required for determining exposure at default, using the

same input data structure as that employed for estimating the other risk parameters. Consistency is thus assured in input attainment procedures and in the application of best market practice. These estimations, obtained with internal data, will be incorporated into the historical databases, which will contribute towards improving internal estimations of expected loss and economic capital for those exposure positions lying off the balance sheet.

#### **CREDIT RISK IN 2006**

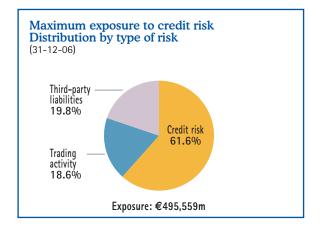
The Group's maximum exposure to credit risk stood at €495,559m at 31-Dec-06, representing an increase of 8.8% over year-end 2005. By business areas, Retail Banking in Spain and Portugal accounted for 32.9% of the exposure, Wholesale and Investment Banking for 44.6%, Mexico and the United States for 16.8% and South America for 5.8%.

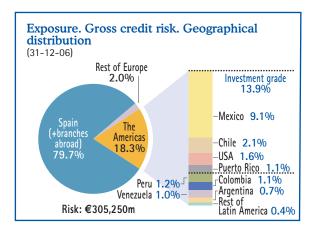
			31-1	2-06			31-12-05	31-12-04
	Retail Banking Spain and P.	Wholesale and Investment B.	Mexico and USA	South America	Corporate Activities	GROUP TOTAL	GROUP TOTAL	GROUP TOTAL
GROSS CREDIT RISK (DRAWN)	122,764	128,774	36,027	19,735	(2,050)	305,250	252,275	198,230
oans and receivables	119,325	91,877	35,053	17,685	(972)	262,969	222,413	176,673
Contingent liabilities	3,439	36,896	975	2,050	(1,079)	42,281	29,862	21,558
TRADING ACTIVITY	11,529	29,869	26,598	7,838	16,250	92,083	118,005	107,534
Credit entities	388	8,592	2,086	3,187	2,896	17,150	27,470	16,703
Fixed income	11,141	17,858	22,617	3,768	13,354	68,738	82,010	83,224
Derivatives	-	3,418	1,895	883	-	6,195	8,526	7,607
THIRD-PARTY LIABILITIES	28,605	62,161	20,752	1,372	(14,664)	98,226	85,001	60,717
TOTAL	162.898	220,803	83,377	28,945	(464)	495,559	455,282	366.481

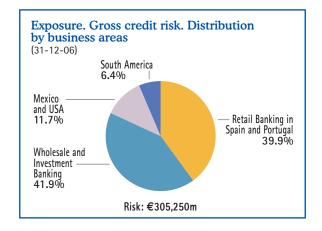
Customer lending risks (61.6% of the total, including contingent liabilities) and third party liabilities (accounting for 19.8%) increased by 21.0% and 15.6% respectively, whereas the potential exposure to credit risk in market activities including potential exposure for derivatives (18.6% of the total) fell by 22.0%.

Risk distribution over the year has been affected by the depreciation of Latin American currencies versus the euro and the incorporation of the Texas State Bank. Taking

both effects into consideration, in addition to organic growth, its geographic distribution remains stable at the close of both financial years; the Group in Spain (including foreign branches, basically in Europe) accounts for 79.7%, the rest of Europe accounts for 2.0% (spread almost equally between the retail and wholesale businesses), while exposure in the Americas represents 18.3%, of which the vast majority (75.8%) is concentrated in investment grade countries.





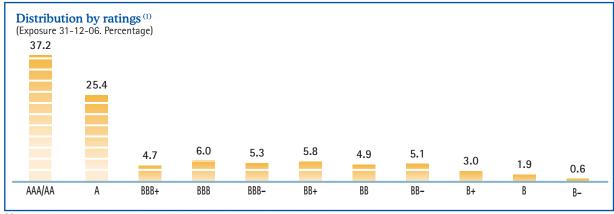


At 31-Dec-06, the distribution of customer lending was as is shown in the accompanying table. Lending to the private domestic sector in Spain amounted to €167 billion, and risks were very widely spread in terms of counterparties and sectors.

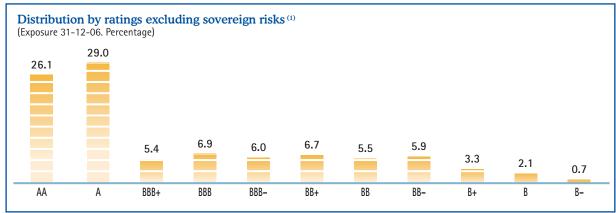
Exposure distribution by ratings, which comprises companies, financial entities, institutions and sovereign borrowers, shows that 63% of the exposure is concentrated on customers with an A rating or above.

If sovereign risks are excluded, 57% still holds an A rating and 76% has a rating equal to or above BBB–.

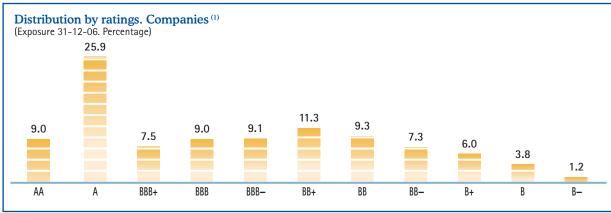
		31-12-06		31-12-05	31-12-04
	Residents	Non-residents	TOTAL	TOTAL	TOTAL
Public sector	15,987	5,207	21,194	22,125	20,345
Agriculture	1,818	1,315	3,133	2,505	1,608
Industry	15,965	8,765	24,731	17,930	16,715
Real estate and development	33,803	7,698	41,502	36,562	25,232
Commercial and financial	15,231	23,679	38,910	36,194	17,703
Loans to individual customers	78,190	25,728	103,918	82,583	70,613
Leasing	6,717	975	7,692	6,726	6,341
Others	15,519	5,775	21,294	17,370	17,036
SUBTOTAL	183,231	79,143	262,374	221,995	175,593
Interest, fees and others	166	429	595	418	1,080
TOTAL	183,397	79,572	262,969	222,413	176,673



(1) Activities of the parent bank and subsidiaries in Spain. Companies, financial entities, institutions and sovereign risks.



(1) Activities of the parent bank and subsidiaries in Spain. Companies, financial entities and institutions.

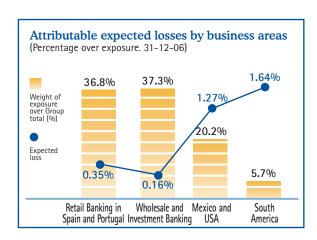


(1) Activities of the parent bank and subsidiaries in Spain. It includes only the Banking Book.

The distribution is likewise provided for business segment ratings corresponding to the parent bank.

#### **Expected losses**

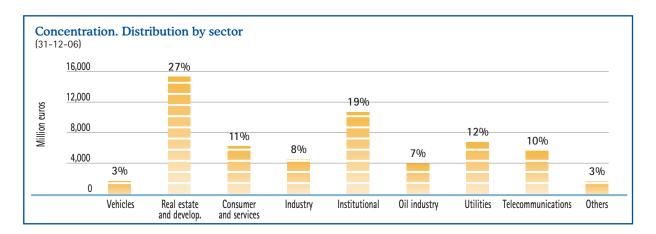
The expected loss in the non-performing portfolio, expressed in attributed terms and adjusted to business cycle average, stood at €2,030m at 31-Dec-06. The corresponding graph shows the consumption of attributable expected losses by business areas. Wholesale and Investment Banking, with an exposure accounting for 37.3% of the total, has an expected loss to exposure ratio of 0.16%. Retail Banking in Spain and Portugal, with an exposure weight of 36.8%, shows an expected loss to exposure ratio of 0.35%. Mexico and the United States have a weight of 20.2% and a ratio of 1.27%, and lastly



South America represents a weight of 5.7% of risk exposure with an expected loss of 1.64%.

The principal portfolios of the parent company in Spain have experienced consumption of expected loss and economic capital as shown in the table on the next page.

	Exposure (1)	Exposure (1) Expected losses		Economic capital	
	Million euros	Million euros	0/0	Million euros	%
Consumer loans	7,440	87	1.17%	278	3.74%
Mortgage	60,817	93	0.15%	1,096	1.80%
SMEs	16,818	44	0.26%	560	3.33%
Corporates	47,186	37	0.08%	1,189	2.52%



#### Concentration

At the close of the year, the Group has 104 company groups (79 in 2005) with credit risk exposure (investment and guarantees) exceeding €200m, which represents 19% of the Group's overall risk (15% in 2005). 90% of the said company groups has an investment grade loan rating. Viewed from the transaction source perspective, they are spread as follows: 69% in Spain, 22% from the Bank's branches abroad, and 9% in Latin America, of which Mexico accounts for 7%. The breakdown by activity sectors highlights real estate and construction (27%), institutional (19%), electricity and gas (12%), consumption and services (11%) and telecommunications (10%).



At 31-Dec-06, the volume of NPL lay at €2,531m, of which €40m corresponded to non-performing contingent liabilities. Despite strong growth in credit activities, NPLs have only recorded an increase of 6.3%, attained without increasing transfers to write-offs, the



rate of which fell to 13.9% of the critical mass (NPL balances plus entries for the year), in comparison with the 15.9% and 14.2% recorded for 2005 and 2004, respectively.

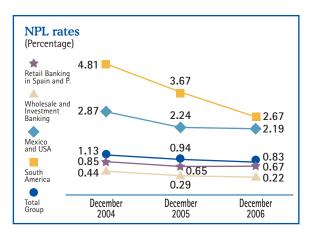
The movement experienced during the period between 01-Jan-06 and 31-Dec-06 for deteriorated credit to the customer base and non-performing contingent liabilities is shown in the following table.

	2006	2005	2004
BEGINNING BALANCE	2,382	2,248	3,028
Entries	2,742	1,943	1,988
Recoveries	(1,830)	(1,531)	(1,575)
NET ENTRY	912	412	413
Transfers to write-offs	(707)	(667)	(713)
Exchange differences and others	(56)	389	(480)
FINAL BALANCE	2,531	2.382	2.248

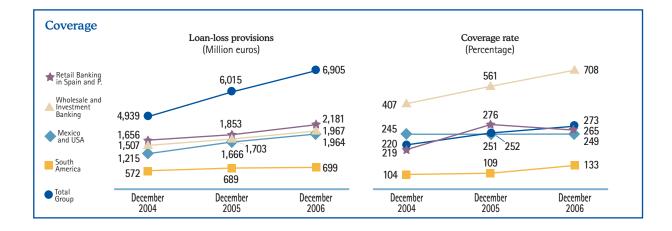
When analysed by business areas, NPL flows have behaved well in Wholesale and Investment Banking and in South America, upheld by reduced net entries. Mexico has been affected by strong growth in its consumer loan and credit card activity, modes, which while more profitable, are coupled with higher default rates; whereas Retail Banking in Spain and Portugal increased its NPLs due to strong risk growth recorded in all segments and especially the boost in consumer products.

The Group's default rate dropped 11 basis points in the course of the year to reach 0.83%, the outcome of high credit growth and containment of non-performing balances. The reduction in the default rate in South America, which dropped 100 basis points to 2.67%, is worthy of mention. The Mexico and United States area, affected by the incorporation of the Texas State Bank and the strong growth

experienced in consumer loans and credit cards, also reduced its default rate by 5 basis points, to stand at 2.19%, as did Wholesale and Investment Banking, which reduced its rate by 7 basis points to a historic minimum of 0.22%. Despite the change in investment structure, Retail Banking in Spain and Portugal managed to maintain a practically stable default rate.



		Banking d Portugal		sale and nt Banking	Mex and			uth erica
	2006	2005	2006	2005	2006	2005	2006	2005
BEGINNING BALANCE	672	740	303	370	663	495	631	549
NET ENTRY	277	76	57	4	512	292	59	32
Transfers to write-offs	(129)	(144)	(73)	(77)	(406)	(291)	(99)	(149)
Exchange differences and others	5	-	(9)	6	20	167	(65)	199
FINAL BALANCE	825	672	278	303	789	663	526	631



Provisioning for insolvency risk in the customer lending portfolio increased by 14.8%, to reach €6,905m. Said increase was due to the growth of generic provisions produced by the strong credit activity. This increase in funds, which was generalised across all the business areas, was key in levering the BBVA Group coverage rate up to 272.8%, thus enhancing its capital strength.

Risk management in market areas

In the BBVA Group market areas, credit and market risk are jointly managed through a limits system adapted to the activities performed on each of the

trading floors. This system measures the impact of a possible adverse market evolution on positions, both under ordinary circumstances and under situations of risk factor stress. The Executive Committee approves global VaR (Value-at-Risk) limits for each unit according to the specific risks each one presents, differentiated by type of risk, business activities undertaken and the unit's organisational structure. The market risk units conserve coherence firstly between the limits of the units and the global limits, and secondly between VaR limits and delta sensitivity.

In order to take the profits already obtained in the current year into account, the accrual of negative profits from business units is linked to the reduction in the VaR limits set. This scheme is complemented by loss limits and warning alerts that automatically trigger off procedures designed to cope with situations which might potentially compromise the business area activities.

The measurement model employed is parametric Value-at-Risk (VaR), which applies a covariance matrix, with a confidence level of 99% and a one-day time horizon. This model also considers basis risk, spread, convexity and other risks associated with embedded options and structured products. The VaR provides a forecast of the maximum loss that portfolios could incur stemming from fluctuations recorded in the equity market and in interest and exchange rates, as well as in credit markets through the credit spread.

In order to assess impacts on less liquid markets or those with a higher probability of transitory nonliquidity, periodical analyses are carried out taking into account the different liquidity conditions affecting the financial markets. These are likewise combined with economic capital and VaR limits in stress situations, considering the impact of past financial crises and foreseeable future scenarios. The market risk measurement model lastly incorporates back-testing or ex-post comparison, which verifies the accuracy of the risk measurements made, comparing day-on-day management results at different aggregation levels, with the corresponding VaR measurements for those same levels.

The current enlargement of the new risk measurement platform, already implemented in Spain and Mexico, to the BBVA Group's set of Latin American units will provide a more accurate and flexible measurement based on VaR calculation by historical and Monte Carlo simulation. The new platform will pave the way to the future integration of market risk and credit risk for the entire perimeter of the Advanced Internal model for capital cost allocation.

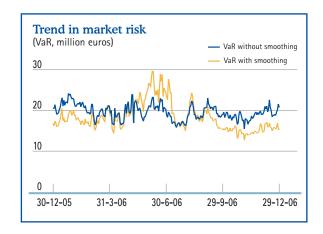
#### **MARKET RISK IN 2006**

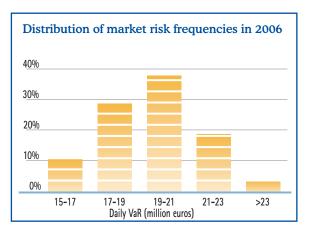
The BBVA Group's market risk in 2006 (measured as VaR without smoothing) has remained at moderate levels. The increase in volatility of some Latin American markets in the second quarter of the year (election periods) implied recoveries in the VaR with smoothing, which went on to fall considerably in the subsequent months.

In 2006 the BBVA Group's market risk stood at an average of €19.6m (VaR without smoothing). The VaR figures show less dispersion than in previous years.

By risk factors, the most important is interest rate risk (46% of the total at the close of the year), which includes systematic risk and specific risk linked to spreads. Vega risk and correlation risk account for 18.5% and 11% of the total, respectively, while equity and FX risks represent 21.5% and 3%.

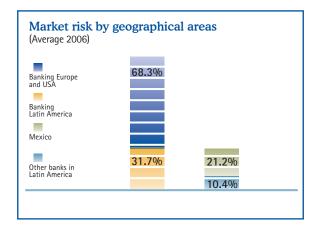
By geographical areas, 68.3% of the market risk corresponds to Europe and the United





States and 31.7% to the Group's Latin American banks, of which 21.2% is concentrated in Mexico. The risk profile for developed and emerging countries remains similar to that observed in 2005.

		Daily VaR				
	31-12-06	Average	Maximum	Minimum		
Interest (1)	12.1	11.8	16.9	8.0		
Exchange rate (1)	0.7	1.2	3.6	0.5		
Equity <sup>(1)</sup>	5.8	4.2	9.9	1.8		
Vega and correlation	5.2	5.2	7.0	4.1		
Diversification effect	(3.1)	(2.9)	-	-		
TOTAL	20.7	19.6	24.2	15.4		



The average limits use by the Group's main business units reached 39% when calculated without exponential smoothing and 31% with exponential smoothing.

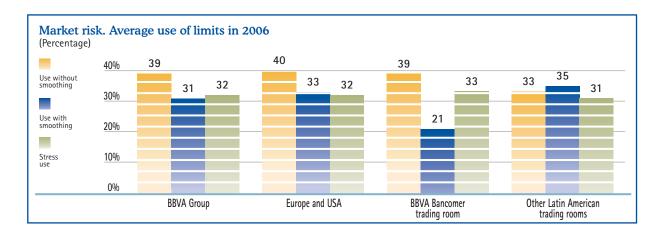
The back-testing comparison performed with market risk management results for the BBVA S.A. perimeter in 2006, which makes a

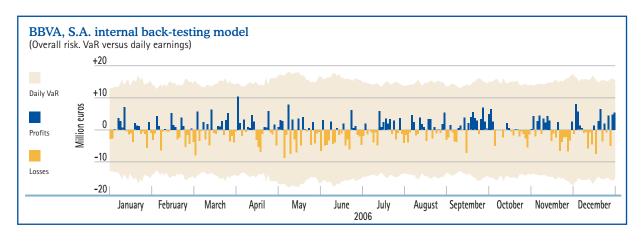
day-on-day comparison between holding earnings and the risk level estimated by the model, confirms that the said risk model is working correctly.

## CREDIT RISK IN MARKET ACTIVITIES

The credit risk in OTC financial instruments is determined by a Monte Carlo simulation which enables calculation not only of the current exposure value of each of the counterparties, but also their possible future evolution with the fluctuation of market variables.

The simulation model incorporates the term effect (the exposure deriving from the various operations presents potential maximum values at different points in time) and the correlation effect (the exposures of the various transactions normally present correlations different to one, according to the correlations between the market factors they depend on),





together with legal netting and collateral contracts.

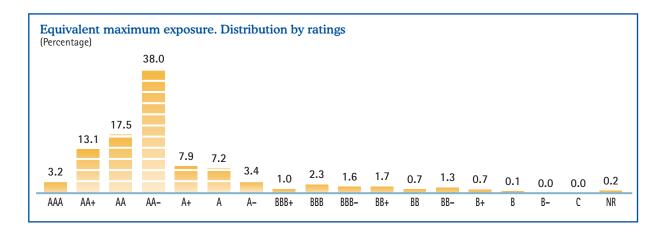
The equivalent maximum credit risk exposure to counterparties at 31-Dec-06 stood at €13,492m, which represents a fall of 14% over the previous year. The overall reduction in terms of exposure due to netting and collateral agreements subscribed was €9,142m.

The net market value of the instruments mentioned in the portfolio on this date was - $\in$ 1,876m, with a 64-month average residual term. The replacement value, in gross terms, stood at  $\in$ 12,253m.

The accompanying table shows the distribution by maturities of the equivalent maximum exposure amounts with OTC financial instruments.

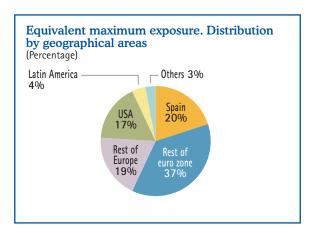
OTC financial instruments	Gross replacement value	Net replacement value	Equivalent maximum exposure a	Weighted verage term (months)
IRS	8,552	(292)	10,184	57
FRAs	4	2	9	12
Interest rate options	398	(155)	436	38
OTC interest rate diversification			(32)	
TOTAL OTC INTEREST RATE	8,953	(445)	10,596	57
Forward FX	467	(445)	631	30
Currency swaps	553	6	980	64
Currency options	153	41	195	16
OTC exchange rate diversification			(245)	
TOTAL OTC EXCHANGE RATE	1,173	(397)	1,561	59
OTC equity	1,564	(1,253)	974	24
Fixed income and others	563	220	758	119
OTC equity and others diversification			(99)	
TOTAL OTC EQUITY AND OTHERS	2,127	(1,034)	1,633	100
TOTAL DIVERSIFICATION			(299)	
TOTAL	12,253	(1,876)	13,492	64

(Million euros)				20	006			
Type of product	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Up to 15 years	Up to 25 years	As of 25 years
OTC interest rate	10,431	10,596	9,566	5,415	3,277	1,210	1,008	654
OTC exchange rate	1,561	1,362	959	471	272	79	56	28
OTC equity and others	1,633	1,534	1,580	799	584	451	347	93
Total diversification	(167)							



The counterparty risk assumed in this activity involves entities with a high credit rating (equal to or above A– in 90% of the cases). Exposure is concentrated in financial entities (88%) and the remainder (12%) in corporations and obligors, and is suitably diversified.

By geographical areas, the highest concentration lies in Europe (76%) and North America (17%), which together account for 93% of the total.



# Structural risks

#### STRUCTURAL INTEREST RATE RISK

The exposure of financial institutions to variations in interest rates is a risk inherent to the banking

business. The different terms of maturity and repricing of debtor and creditor positions represent the main source of interest rate risk, by virtue of how they are affected to a greater

or lesser degree by interest rate variations. Nevertheless, the effect of changes in the slope or shape of interest rate curves must also be taken into consideration, as must the embedded option of certain products.

In accordance with the recommendations made by the Basel Committee on Banking Supervision, the BBVA Group has a suitable organisational structure to control and manage its structural interest rate risk, which assures the necessary independence in undertaking said functions. The Financial Management unit, through the Assets and Liabilities Committee (ALCO), is responsible for management of the asset and liability risk, excluding the Markets or Cash Management areas' activities, in accordance with the risk profile defined by the Group's managerial bodies. To comply with its commitments, Financial Management is supported by the measurements taken by the Risk Management area, which, acting as an independent unit, designs the measurement, monitoring, reporting and control systems, as well as the limits policies.

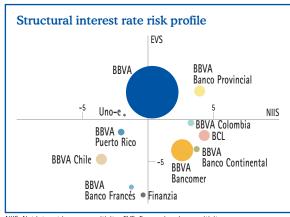
The effects of structural interest rate risk may be analysed both from the viewpoint of their repercussions on the institution's income statement, in the short and medium term, and from the viewpoint of its impact on its economic value, taking a longer term view. To this end, the BBVA Group uses several indicators to perform a complementary assessment of the consequences variations in interest rates have on its net interest income one or two years hence, and on its economic value.

(Million euros)	Balance	1 month	1-3 months	3-12 months	1-2 years	2-3 years	3-4 years	4–5 years	As of 5 years
ASSETS	•••••	•••••	•••••	•••••	• • • • • • •	• • • • • •	• • • • • •	• • • • • • • •	••••
Money market	29,412	14,724	8,756	4,753	573	123	262	7	214
Lending	157,008	36,273	39,229	63,754	6,073	2,898	1,829	2,032	4,919
Securities portfolio	12,565	834	865	989	820	1,116	295	1,368	6,279
Other sensitive assets	36,113	33,694	43	65	922	1,039	225	33	93
Derivatives	53,905	1,326	1,547	8,526	1,970	5,947	7,280	4,812	22,496
TOTAL SENSITIVE ASSETS	289,003	86,851	50,440	78,087	10,358	11,123	9,891	8,252	34,001
LIABILITIES									
• • • • • • • • • • • • • • • • • • • •	18,288	10,911	3,778	3,494	4	3	3	3	93
Money market	18,288 83,010	10,911 14,747	3,778 5,846	3,494 7,705	4 14,684	3 1,961	3 1,212	3 18,757	93 18,098
Money market Customer funds						3 1,961 5,256			
Money market Customer funds Wholesale financing	83,010	14,747	5,846	7,705	14,684		1,212	18,757	18,098
Money market Customer funds Wholesale financing Other sensitive liabilities	83,010 79,384	14,747 14,051	5,846 23,132	7,705 3,670	14,684 484	5,256	1,212 6,061	18,757 4,578	18,098 22,152
LIABILITIES  Money market  Customer funds  Wholesale financing  Other sensitive liabilities  Derivatives  TOTAL SENSITIVE LIABILITIE	83,010 79,384 51,120 63,188	14,747 14,051 27,758	5,846 23,132 8,227	7,705 3,670 6,140	14,684 484 1,820	5,256 739	1,212 6,061 616	18,757 4,578 911	18,098 22,152 4,909

A gap analysis provides a simplified view of the balance sheet structure and proves useful as an introduction to the impact of temporary movements in interest rates. The table included shows the gaps in the BBVA structural balance sheet (expressed in euro), calculated from the maturity and repricing dates of the main items sensitive to interest rate variations, depending on whether they are fixed or variable rate.

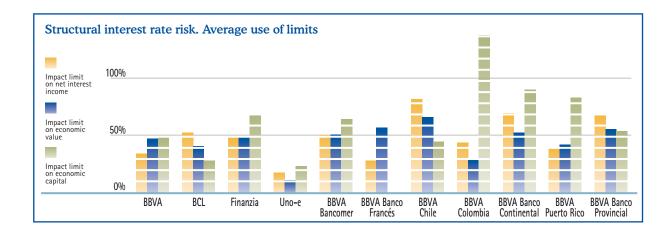
The Risk Management area also calculates the sensitivities of the net interest income and economic value, referring to the impact parallel shifts in interest rate curves would have on the said values. Although parallel shifts of various magnitudes are assessed, both upwards and downwards, the shock used as the standard benchmark in BBVA is 100 basis points. The graph included shows the structural interest rate risk profile of the Group's main component institutions, according to their sensitivities.

In addition to sensitivity calculations, BBVA uses interest rate curve simulation models, which also generate and assess movements other than parallel shifts, such as changes in slope and curvature. Estimation of the impacts of said



NIIS: Net interest income sensitivity. EVS: Economic value sensitivity.

curves enables calculation of the maximum losses the Group might incur for a particular confidence level and time horizon in terms of net interest income and economic value. The maximum loss for a 99% confidence level represents the economic capital through structural interest rate risk. These measurements are complemented by an assessment of foreseeable and stress scenarios, which are periodically updated in accordance with the evolution of the economic and financial environment.



Throughout 2006, the BBVA Group has endeavoured in the improvement and fine tuning of its structural interest rate risk measurement tools to adapt them to the ever more sophisticated and varied range of products and markets in which it operates. It has likewise furthered its analysis of the different structural interest rate risk factors in order to identify the most significant specific exposure factors and to thus enable this risk be more effectively managed. Financial Management therefore manages the structural balance sheet both actively and permanently, aiming at assuring stability and recurrence of net interest income and maximising value creation. To do so, it takes asset and liability positions and employs a wide range of financial instruments to achieve appropriate coverage. The measures Financial Management can take in the sphere of structural interest rate risk are constrained by the limits structure, which is approved annually by the Executive Committee and monitored by the Risk Management area. The graph shows their average use over 2006, in which the upward trend in interest rates has increased market volatility.

## STRUCTURAL EXCHANGE RATE RISK

Structural exchange rate risk refers to the effects that variations in exchange rates can have on a banking institution's strategic or permanent positions. In the BBVA Group, this risk essentially stems from its holdings institutions in the Americas. Interest rate variations affect the value of said investments in

euro and impact on the Group's equity value. Furthermore, the earnings in foreign currencies generated by the holdings in the aforementioned institutions are also exposed to exchange rate variations.

In BBVA the structural exchange rate risk management and monitoring functions are appropriately segregated, Financial Management being responsible for the former and the Risk Management area for the latter. This second unit is responsible for measuring the risk, assessing its impact on the Group's equity value and also on its income statement. To do so, it uses exchange rate simulation models that take into account their historical behaviour and their foreseeable future evolution, in accordance with market expectations and the possibility of exchange rate crises arising. The said simulations enable calculation of the economic capital through structural exchange rate risk, ie, the maximum loss that the Group's equity value would undergo due to an exchange rate variation, given a 99% confidence level. This methodology is also used to estimate possible impacts on the income statement and determine each currency's individual contribution to the risk assumed, which leads to identification of the most significant exchange rate risk exposures.

Financial Management manages structural exchange rate risk in order to stabilise income in euro and maximise the Group's equity value, in accordance with its market expectations and taking hedging alternatives and their cost into consideration. Financial

Management is therefore constantly assessing the instruments available on the market to perform hedging operations that prove effective and imply the lowest possible cost. During 2006, the average coverage of the book value of BBVA Group's holdings in foreign currency stood at 35%. Financial Management has likewise hedged around 70% of the 2006 income in foreign currency and it has also arranged coverage of the earnings forecast for 2007.

It should lastly be highlighted that Financial Management's activity concerning exchange rate risk is constrained to the economic capital limit set annually by the Executive Committee, in order to maintain exposure within acceptable tolerance levels. The Risk Management area regularly monitors compliance with this limit, whose average use during 2006 lay at 72%.

#### LIQUIDITY RISK

Liquidity risk is that which can give rise to the entity not being able to meet its payment obligations or that which, in order to meet them, implies having to do so on onerous terms.

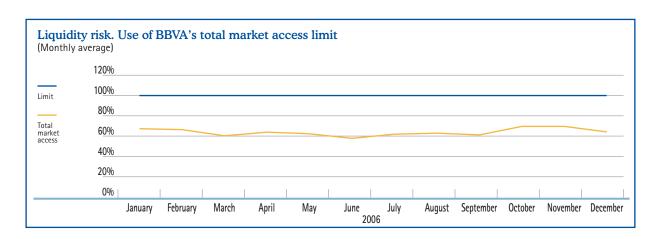
Liquidity risk measurement and control in BBVA is performed by the Risk Management area and is kept separate from liquidity risk management. Its day-to-day management comes under the Market area, whereas monitoring of medium term liquidity corresponds to Financial Management, which executes the decisions taken by the ALCO in its monthly meetings.

BBVA's principal measures for controlling liquidity risk include the daily monitoring of short term liquidity (payments and collections within the cash management activity and the most important in the bank as a whole), comprising a time horizon from one to ninety days, and the monthly monitoring of structural liquidity, which projects the liquidity gaps for the next twelve months, in accordance with the institution's Financial Forecast.

Measurement, both for the short and medium term, is performed using a number of quantitative indicators, for which limits and/or alerts are set. These limits vary, covering different spheres that are susceptible to control, ranging from liquidity gaps to the capacity for market access or the concentration degree said capacity exhibits. However, qualitative indicators that may influence liquidity are also monitored, such as the perception the market or rating agencies may have of liquidity. The limits structure is approved annually by the Executive Committee.

BBVA has a Contingency Plan, the object of which is to lay down the lines of action to be followed in the event of a liquidity crisis and which gives the details regarding responsibilities, measures to be taken and lines of action in different types of scenario or crisis. Liquidity analysis in crisis situations includes the performance of stress analyses, differentiating between specific BBVA and system-wide crises

During 2006, consumption of liquidity indicators has remained below the limits authorised by the Executive Committee at all times.



## STRUCTURAL RISK MANAGEMENT IN THE EQUITY PORTFOLIO

The risks implicit in the Group's holdings in industrial and financial companies are managed in order to minimise the potential effect of adverse market fluctuations on the value of these portfolios, and in the last instance, to keep them aligned with the desired, long term, global risk profile.

In accordance with the corporate governance scheme, it is the Executive Committee that defines the general framework of action concerning the policies and procedures for management of these risks, and it determines the maximum tolerance levels for the main portfolios. The Risk area is responsible for identifying, measuring and monitoring the risks inherent in these investments. It is, furthermore, responsible for keeping executive management informed on these issues and pre-empting, wherever possible, any deviation with respect to the previously defined strategy by applying a series of risk and income indicators.

The corporate risk model provides conservative estimations of potential losses based on statistical models for the holdings portfolios, including positions held in derivative instruments over the same underlying assets. The market data employed is relevant for the risk profile of the holdings kept in portfolio and reflects an extended sampling period to take in the different phases of the cycle in a manner consistent with the investments' medium/long term horizon. In order to verify the goodness of the estimations, these are compared with the yields actually obtained in the holdings portfolios for the same periods. Stress tests and sensitivity analyses are likewise carried out under different scenarios simulated for the relevant risk factors, over the foundations of forecasts by the Research department and other analysts, which enable greater depth to be attained in risk profile analysis.

Amongst other measures, the model generates the economic capital assigned to these investments for a one-year horizon with a confidence level at the institution's objective rating, as a uniform measurement for Group's overall risk map. These estimations are also

used to assess the equity portfolios through risk-adjusted yield and value creation measurements.

The Group's level of equity exposure fell considerably in 2006, enhanced by the divestments made and the increase in use of hedging strategies with derivative instruments to preserve the capital gains obtained through the generalised rise in stock market share prices in the course of the year. The aggregate sensitivity of the Group's equity holdings before a 1% fall in share prices stood at €75m at the close of year, with 73% concentrated in highly liquid equity in the European Union.

# Operational risk

#### Management model

In the year 2000, BBVA created the Central Operational Risk Unit to introduce a methodology throughout the Group that

would enable this kind of risk to be identified, measured and evaluated, and for which a somewhat broad corporate definition was adopted: operational risk applies to all risks that cannot be typified as credit or market risk.

Operational risk materialises in the form of events. These may have different consequences: a) no effect on accounts, b) an impact on income statements, c) a lost profit effect (loss of future revenues) and d) an impact on the institution's reputation. Therefore, to evaluate operational risk it is necessary to take its possible consequences into account.

The Group has designed and introduced tools that take both qualitative and quantitative aspects of operational risk into consideration, ie, the risk is identified, without the event having taken place or the risk is identified through its consequences (impacts on accounts). They also classify operational risk into the different categories typified in Basel II (processes, fraud, technology, human resources, commercial practices and disasters).

Operational risk management in business and support areas is provided through the Operational Risk Committee, formed by those people responsible for process management and with decision-making powers to change those processes. In each area there is an Internal Controller or Operational Risk Manager who co-ordinates all these tasks.

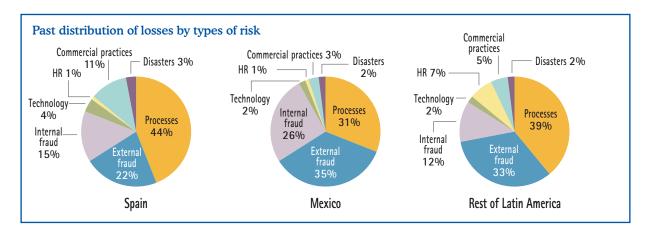
The Group uses the following management tools:

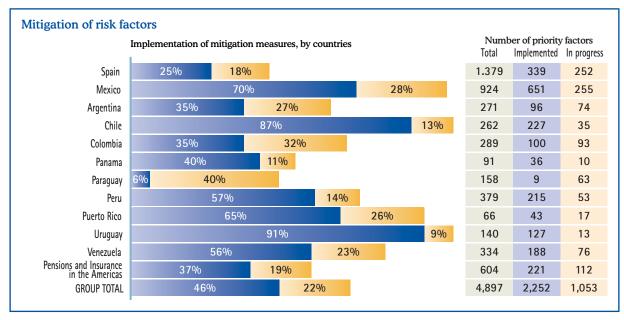
**Ev-Ro:** This is the basic qualitative tool for identifying and valuing operational risk factors by business and support areas and by risk types. A risk factor is any circumstance that may materialise as an operational risk event (for example, a control weakness or lack of training plans). The Ev-Ro tool has been introduced into virtually all the Group's business and support units.

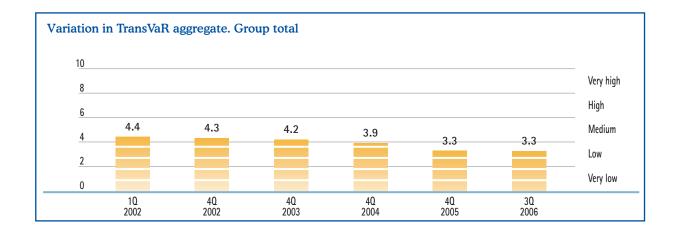
The graph provided shows operational risk distribution in its various categories,

differentiating between Spain, Mexico (together accounting for almost 80% of the Group's risk) and the remaining countries.

The operational risk tools introduced provide information about the level of operational risk that exists in each unit and they therefore represent the primary information source for being able to implement mitigation measures. Risk committees also monitor the extent of the progress of these measures and they add new risk factors that have recently appeared or been discovered. The graph at the bottom of the page shows the degree to which mitigation measures for high priority risk factors (those accounting for 80% of a unit's operational risk) have been implemented.







**TransVaR:** This is an operational risk management tool that uses indicators. The latter are taken from the processes the units manage. They may be split into two classes: production indicators (these reflect the volumes of processed transactions) and quality indicators (these measure control efficiency and process quality). TransVaR is an annexable indicator based on 22 indicators common to the whole Group, which can subsequently be synthesised by risk types and by countries. The graph above shows how this indicator has evolved in the Group.

**SIRO:** This is a large corporate database that has gathered all the operational risk events, since January 2002, that have constituted a heavy loss or cost for the Group. Events are classified by risk types and business lines. Each country has a local SIRO that transmits its data monthly to the global application installed in Spain.

To complement SIRO data, BBVA makes use of external data belonging to the ORX consortium (Operational Risk Exchange), an association founded in 2001 by 12 international banking institutions (including BBVA) and which today has over 30 member banks. ORX information serves a dual purpose: on the one hand, it complements the BBVA database for making risk capital calculations, and on the other it allows comparisons to be made with the rest of the sector. The table below shows the important losses the Group has incurred due to operational risk events during the year.

Reputational risk. The Group has a tool, known as RepTool, for qualitative measurement of reputational risk, which is defined in BBVA as the income uncertainty deriving from the perception certain stakeholders may have of our brand. Our most

		Banking in nd Portugal	Whole Investme					st of America
Type of risk	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Processes	46	3.7	29	7.5	43	4.7	39	2.8
External fraud	35	1.7	4	0.2	54	4.3	24	2.0
Internal fraud	17	1.8	-	-	22	3.7	3	0.7
Others	15	1.5	9	1.4	8	2.5	8	1.0
TOTAL	113	8.6	42	9.2	127	15.2	74	6.5

important stakeholders are our customers, our shareholders, our employees and the regulators. Reputational risk is always an outcome of other kinds of risk, the greatest source perhaps being operational risk.

Up to year-end 2006, RepTool has been implemented in the following business units: Global Markets and Distribution, International Private Banking, Corporate Banking, Products and Businesses, Consumer Finance, International Finance Institutions and Institutions Banking. A total of 356 reputational risk factors have so far been identified, of which only 1% has required immediate mitigating action, while a further 6% require medium term mitigation plans.

During 2006, BBVA Spain has undertaken a joint project with the Corporate Responsibility and Reputation unit, to find out which aspects of reputational risk are of most concern to senior executives. The results have made it very clear that the perceived level of reputational risk is relatively moderate, and that the aspects considered most critical are compliance to rules and regulations, ethical business conduct and the importance of being customer-focused.

**Operational risk capital.** During 2005 and 2006, the Risk Management area tested different models for calculating operational risk capital, to go on finally to adopt the OpVision tool.

OpVision has been used to make estimations of operational risk capital for Mexico and Spain under the Basel II Advanced Model (AMA), more specifically using LDA (Loss Distribution Approach) methodology. This methodology estimates the distribution of losses through operational events by duly adjusting its two determinant factors (event frequency and impact). The data used is from records of the last five years and comes from three different information sources: a) the Group's internal database, b) external data from ORX and c) events simulated using Ev-Ro. The accompanying graph shows a diagram of the calculation process for capital at risk and expected loss. In 2007, the calculation perimeter will be extended to the rest of the Group.

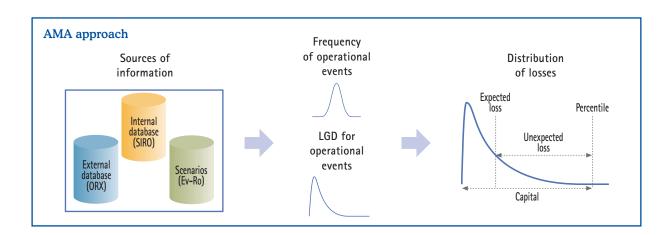
Risk management in non-banking activities

#### Insurance

The BBVA Group's insurance companies provide multiple risk coverage in different countries to a large number of customers. Risk

management in this field of business serves a three-fold purpose:

- 1) The identification and measurement of risks in both existing and new products.
- 2) To establish control measures that assure company solvency at the level the Group demands.
- 3) Preparation of the companies for the new solvency requirement standards imposed by the regulators. In Europe we would be talking of Solvency II.



In the Group's attempt to attain a better understanding of the risks involved in the various products, 2006 was a year in which special attention was paid to life annuities by following three lines of action: a) modelling of their own experience by the countries where this is possible; b) creation of a methodology framework for calculating economic capital that is adaptable to any country; c) development of a tool that identifies management and risk parameters both at aggregate and individual operations level, in order to rate them by taking all the implicit risk costs into account for each individual product.

Given the diversity of companies and countries, generic frameworks including limits and procedures for credit and market risk management have either been renewed or newly established. In drawing up these frameworks, attention has been paid to matching the diversity of the countries and their regulatory environments with the

necessary consistency that comes with belonging to a group.

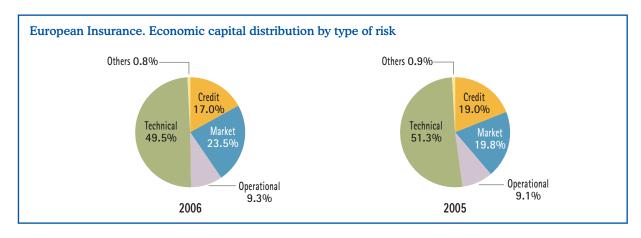
The economic capital for the European Insurance unit grew by 5%, from €341m in December 2005 to €359m in December 2006. The evolution of its risk type distribution is shown in the accompanying table.

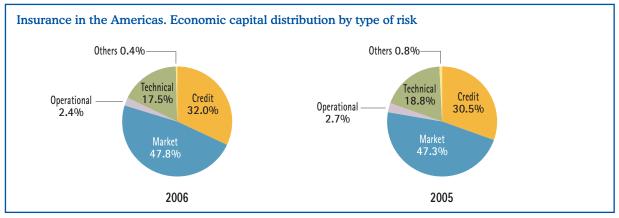
Economic capital assigned to the Group's insurance companies operating in the Americas rose by 12%, rising from €275m in December 2005 to €308m at year-end 2006.

#### **Asset Management**

BBVA offers its customers multiple collective investment vehicles, adapted to different jurisdictions and with investment objectives that seek either to maximise return for a preset level of risk or, conversely, to minimise the risk for a particular target yield level.

The incorporation of new kinds of management, hedge funds, exchange traded funds or private equity funds, demand new approaches to risk management; firstly as





regards the tools available to managers and secondly as regards informing current or potential customers about the risks inherent in these assets.

Progress has been made during the year in drawing up manuals for all the key risk management processes and in the approval of generic credit and market risk frameworks for own account investments. Likewise, a thorough analysis has been made of the risks inherent in the management of real-estate vehicles.

The economic capital for Asset Management and Private Banking went from €133m in December 2005 to €155m in December 2006, showing a rise of 16%. The distribution of this economic capital by type of risk is shown in the following graph.

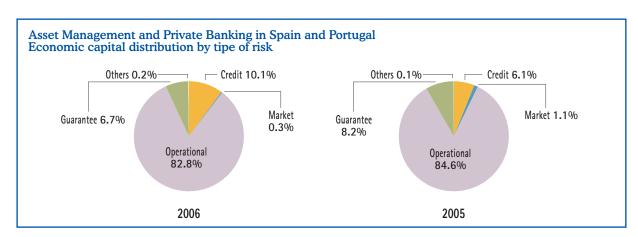
The economic capital of the Americas Pensions unit underwent a 34% increase, rising from €202m in December 2005 to €271m at year-end 2006, and it has experienced changes in its risk type distribution as is shown in the accompanying graph.

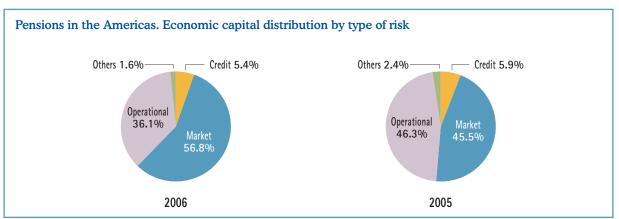
#### Management model

Throughout 2006, further progress has been made in all the Insurance, Pensions and Asset Management units along the dual line of: the existence of risk departments integrated in the companies, which measure and control, together with a central unit, the aim of which is to remove inconsistencies in processes and methodologies.

An in-depth analysis has likewise been made of the risks that have a different profile to credit, market and operational risks, to enable the former to also be included. Interaction between the risk departments in the companies and the central Risk Management area has been key for gaining a better understanding and the possibility of measuring fiduciary, technical and biometric risks.

As in previous years, the New Products committee has played a key role in analysing, under a multidisciplinary approach, new emergent risks, either arising from products offered to customers or from the financial assets acquired for their portfolios or for the portfolios of the Group's companies.







BUSINESS AREAS

- RETAIL BANKING IN SPAIN AND PORTUGAL
- WHOLESALE AND INVESTMENT BANKING
- MEXICO AND USA
- SOUTH AMERICA
- CORPORATE ACTIVITIES

Information by areas or segments is a fundamental tool for managing the Group's various businesses. In this section, we report and discuss the more significant data on the business activities and earnings of the Group's different business areas, together with those on their main component units.

The breakdown of information by business area starts at the grassroots level of units, where all the initial accounting data for the business in question are kept. These grassroots units are grouped together in accordance with the structure defined by the Group to constitute units of a higher level, and finally the business areas themselves. Likewise, the Group's individual companies are also assigned to different units according to the nature of their operations, proceeding to their segmentation in those cases in which the diversity of their business so requires and assigning their balance sheet and earnings to several units.

Once the composition of each business area has been defined, certain management criteria are applied. 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 target in terms of capital adequacy. This target is established at two levels: the first is core equity, which determines the allocated capital, and is used as a basis for calculating the return on equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinated debt and preference shares. The CER calculation encompasses 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 referent for the entire Group. However, the Bank prefers CER for the purpose of allocating capital to

business areas. 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 the information contained 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 in terms of theoretical 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 made to eliminate double accounting produced by the incentives given to boost cross-business between units.

Regarding structuring by segments, the top level comprises the business areas. There follows a detail of this highest level of operational business areas, as well as of their main component units, with information being provided for these as well. The area structure is different to that presented in 2005 and reflects the Group organisation adopted in 2006.

- Retail Banking in Spain and Portugal:
  - Financial services
  - Asset management and private banking
- Wholesale and Investment Banking:
  - 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 a further unit (see information by segment in the section on financial statements) composed of other businesses, as well as a supplement containing deletions and other items unassigned to the units.

In turn, 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 unit for industrial and financial holdings. The results for Group' companies in Andorra have also been reported under this area until the divestment of the holding.

The second level is geographic, for which information is provided by country in South America, with each one containing banking, pension and insurance activities. Owing to its significance, we present 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 and Investment Banking.

The present composition of the Group's main business areas is therefore 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 and Investment Banking: this area consists of the corporate banking unit, including SMEs (previously reported under Retail Banking), large companies and institutions in the domestic market. In turn, Global Businesses covers the global customers unit, investment banking, treasury management and distribution. The area also caters for 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 main area and its component units 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 management indicators including customer lending, customer deposits, off-balance-sheet customer funds, ROE, cost/income ratio, non-performing loans and coverage ratios. The income statement and balance sheet for Corporate Activities are also presented, showing the liquidity assigned to all other areas and their capital allocations (under assets), and the Group's funding and equity accounts (under liabilities).

The figures for 2005 and 2004 have been recalculated applying the same criteria and area structure as 2006, thereby providing 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 both constant and current exchange rates.

(Million euros)	2006	Δ%	2005	2004
Retail Banking in Spain and Portugal	1,498	13.8	1,317	1,194
Wholesale and Investment Banking	1,282	47.0	873	658
Mexico and USA	1,775	29.6	1,370	891
South America	509	34.4	379	229
Corporate Activities	(329)	149.0	(132)	(50)
BBVA GROUP NET ATTRIBUTABLE PROFIT	4.736	24.4	3.806	2.923

		ROE	Efficiency including depreciation and amortization				
	2006	2005	2004	2006	2005	2004	
Retail Banking in Spain and Portugal	35.6	34.6	33.3	45.4	47.4	48.8	
Wholesale and Investment Banking	31.8	24.4	18.9	25.2	28.6	31.4	
Mexico and USA	46.7	44.2	36.4	38.2	43.8	45.8	
South America	31.8	30.1	19.6	49.7	52.6	56.8	
BBVA GROUP	36.4 <sup>(1)</sup>	37.0	33.2	44.0 <sup>(1)</sup>	46.7	48.6	



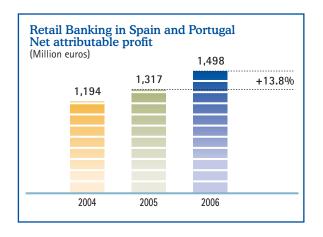


RETAIL BANKING IN SPAIN AND PORTUGAL

- Financial Services
  - Solutions for Individuals
  - Solutions for Small Businesses
  - Consumer Finance
- Asset Management and Private Banking
- European Insurance
- BBVA Portugal

The Retail Banking area for Spain and Portugal provides distinctive services, with a high degree of personalisation, to individuals (Solutions for Individuals) and small businesses, professional practices, the self-employed, retailers and farmers (Solutions for Small Businesses). It also includes the Consumer Finance unit (Finanzia and Uno-e), dealing in the financing of the sale of consumer products and vehicles, credit card distribution, renting and e-banking. The area likewise includes the Asset Management unit and the Private Banking unit (incorporating international private banking), the European Insurance business and BBVA Portugal.

The area handles the distribution as well as the development and launching of new products and services, on the basis of permanent innovation. Staff comes to 23,443 people and the network includes 3,629 branches, of which 99 are located in Portugal.

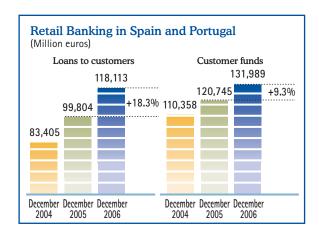


Increased marketing productivity, that is, the number of products sold per manager, was the main feature in this area for the second year running. It boosted revenues from services as well as business volumes. This, together with a suitable pricing policy, brought the net interest income up 9.2%. As expenses remained under control, the

(Million euros)							Memorandu	m item:		
	Retai	I Banking in	Spain and Po	rtugal	Fina	ncial Servi	ices		t Managem Private Ban	
	2006	$\Delta$ %	2005	2004	2006	$\Delta^{0\!/_{\!\!0}}$	2005	2006	Δ%	2005
NET INTEREST INCOME	2,865	9.2	2,623	2,509	2,813	9.0	2,579	29	15.5	25
Income by the equity method	1	(15.7)	1	1	1	n.m.	-	-	(98.6)	1
Net fee income	1,589	9.1	1,456	1,341	1,477	10.2	1,340	271	12.8	241
Income from insurance activities	376	21.4	309	257			-	-	-	-
CORE REVENUES	4,830	10.0	4,390	4,108	4,290	9.5	3,919	301	12.6	267
Net trading income	72	31.8	55	33	48	28.3	38	9	37.9	6
ORDINARY REVENUES	4,902	10.3	4,444	4,141	4,338	9.6	3,957	309	13.2	273
Net revenues from non-financial activities	32	25.5	26	27	28	15.2	25	-	-	-
Personnel and general administrative expenses	(2,193)	4.9	(2,092)	(2,003)	(1,966)	4.1	(1,888)	(95)	4.1	(91)
Depreciation and amortization	(102)	(0.7)	(103)	(106)	(84)	0.7	(84)	(5)	(26.8)	(7)
Other operating income and expenses	14	(68.4)	43	30	15	(66.5)	44	(1)	87.6	-
OPERATING PROFIT	2,653	14.4	2,319	2,089	2,331	13.5	2,053	209	19.3	175
Impairment losses on financial assets	(356)	8.3	(328)	(274)	(337)	7.4	(314)	(9)	(11.3)	(10)
Loan-loss provisions	(357)	8.0	(330)	(274)	(336)	7.0	(314)	(9)	(11.3)	(10)
• Other	1	(43.5)	2		(1)	n.m.	_	-	(100.0)	-
Provisions	(3)	14.7	(2)	(5)	(2)	n.m.	2	1	n.m.	(3)
Other income/losses	16	(11.2)	18	8	19	(11.3)	21	(2)	121.0	(1)
PRE-TAX PROFIT	2,311	15.1	2,007	1,817	2,011	14.1	1,763	199	23.1	162
Corporate income tax	(808)	17.9	(686)	(619)	(707)	16.2	(608)	(66)	28.5	(51)
NET PROFIT	1,503	13.7	1,321	1,198	1,305	13.0	1,155	133	20.6	111
Minority interests	(4)	4.3	(4)	(4)	(3)	(13.0)	(3)	(2)	48.2	(1)
NET ATTRIBUTABLE PROFIT	1,498	13.8	1,317	1.194	1,302	13.0	1,152	132	20.3	110

(Million euros)							Memorandui	m item:		
	Retail I	Banking in	Spain and Po	rtugal	Finai	ncial Servi	ces		Managen rivate Ban	
	31-12-06	Δ%	31-12-05	31-12-04	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	1,263	1,490	17.5	1.268	14	157.9	5
Financial assets	11,863	(9.8)	13,159	16,586	329	(35.7)	511	369	(20.9)	466
Loans and receivables	120,449	18.6	101,561	85,197	111,936	18.1	94,783	2,970	37.4	2,162
Due from banks	2,586	8.5	2,384	2,402	153	(9.9)	170	1,318	26.5	1,042
<ul> <li>Loans to customers</li> </ul>	117,218	18.3	99,095	82,692	111,617	18.0	94,602	1,456	30.1	1,119
• Other	645	n.m.	81	104	166	n.m.	12	196	n.m.	-
Inter-area positions	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	1,218	8.4	1,123	1,569	1,083	9.3	991	13	(23.5)	17
Other assets	1,462	(20.2)	1,831	967	864	32.8	651	76	(32.9)	113
TOTAL ASSETS / LIABILITIES AND EQUITY	136,561	14.7	119,014	105,583	115,702	17.8	98,204	3,442	24.5	2,764
Deposits by Central Banks and banks	7,117	25.4	5,677	4,758	3,612	15.7	3,122	337	(1.6)	343
Due to customers	60,327	21.6	49,627	45,830	57,516	23.6	46,543	1,153	8.7	1,061
Marketable debt securities	77	86.2	42	109	73	75.7	42	4	n.m.	-
Subordinated debt	2,563	17.3	2,186	2,419	2,056	14.6	1,794	117	10.4	106
Inter-area positions	44,502	5.4	42,209	27,620	42,854	4.4	41,048	1,301	65.2	788
Other liabilities	17,549	14.5	15,327	21,001	5,942	144.2	2,434	309	14.9	269
Minority interests	18	(68.3)	56	51	6	(87.7)	47	12	42.4	8
Shareholders' funds	4,408	13.3	3,891	3,795	3,642	14.7	3,175	208	10.4	189

(Million euros and percentages)							Memorandu	m item:		
	Retail	Banking in	Spain and Po	rtugal	Fina	ncial Serv	ices		Manager rivate Bar	
	31-12-06	Δ%	31-12-05	31-12-04	31-12-06	Δ%	31-12-05	31-12-06	Δ%	31-12-05
Customer lending (1)	118,113	18.3	99,804	83,405	112,480	18.1	95,278	1,477	30.7	1,130
Customer deposits (2)	63,479	20.5	52,702	47,989	60,528	22.3	49,483	1,195	9.1	1,095
• Deposits	63,445	20.5	52,638	47,956	60,513	22.3	49,464	1,176	12.0	1,050
<ul> <li>Assets sold under repurchase agreement</li> </ul>	34	(46.3)	64	33	15	(16.0)	18	19	(58.7)	45
Off-balance-sheet funds	61,407	0.7	60,962	55,335	49,369	(0.9)	49,820	10,954	8.2	10,127
Mutual funds	44,824	(1.7)	45,609	41,637	40,324	(3.1)	41,604	3,775	14.2	3,307
Pension funds	16,583	8.0	15,352	13,698	9,045	10.1	8,216	7,179	5.3	6,820
Other placements	7,137	(0.1)	7,146	7,068	7,108	(0.2)	7,119	29	10.3	26
Customer portfolios	19,032	22.1	15,588	13,547	8,181	45.9	5,608	10,851	8.7	9,980
Total assets (3)	124,292	17.9	105,383	88,979	115,702	17.8	98,204	3,442	24.5	2,764
ROE (%)	35.6		34.6	33.3	37.5		38.8	66.1		39.2
Efficiency ratio (%)	43.4		45.1	46.3	43.8		45.5	30.6		33.3
Efficiency incl. depreciation and amortization (%)	45.4		47.4	48.8	45.7		47.6	32.2		35.8
NPL ratio (%)	0.67		0.65	0.85	0.68		0.65	0.01		-
Coverage ratio (%)	264.5		275.6	219.0	261.5		274.5	n.m.		n.m.



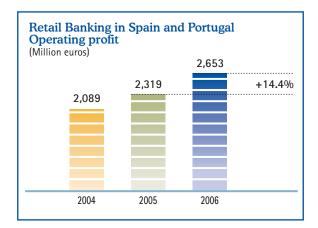


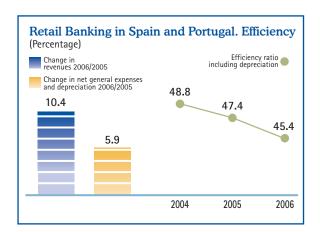
efficiency ratio further improved and operating profit grew 14.4% to  $\leq 2,653$ m. This positive performance of operating profit was the main driver of net attributable profit which came to  $\leq 1,498$ m, up 13.8% on 2005. The area's ROE stood at 35.6%, as opposed to 34.6% a year earlier.

At 31-Dec-06, lending to customers accounted for €118,113m, showing a year-on-year increase of 18.3%, with important contributions from the main segments: residential mortgages, up 18.6%,

consumer finance and credit cards, up 25.2% and lending to small businesses and the self-employed, up 23.3%. Despite strong growth in consumer finance and credit cards, which are more likely to result in more defaults, the non-performing loan ratio remained low at 0.67% at year end (0.65% at 31-Dec-05), and coverage, high at 264.5% (275.6% at 31-Dec-05).

On the other hand, customer funds reported a year-on-year increase of 9.3%, up to €131.989m. Deposits were up 20.5%.





Current and savings accounts rose 17.9% and the more stable deposits increased 7.3%. Term deposits were up 34.7% as customers shifted their preference from mutual funds, whose assets under management fell 1.7%.

2006 witnessed a change in customer spread trends which had grown successively narrower since 2003, but began to show signs of recovery. Indeed, the unit's yield on loans reached 4.68% in the fourth quarter of 2006, 74 basis points above the 3.94% recorded for the same period in 2005, while the cost of deposits rose by only 43 basis points, to 1.60% in the fourth quarter of 2006 (from 1.17% for the same period of the previous year). Thus, customer spread reached 3.08% in the last quarter of the year, 31 basis points above the 2.77% recorded in the last quarter of 2005.

The combination of increased activity and the improved customer spread lifted net interest income to €2,865m, up 9.2% on the €2,623m recorded for 2005.

Other revenues (fee income, insurance revenues and net trading income) rose 11.9%, to €2,036m. The breakdown of these revenues shows that net fee income increased 9.1% to total €1,589m, but of particular significance was the performance of revenues from lines of business which are less typical of banking and more innovative. In this respect, insurance business contributed €376m, reporting a 21.4% year-on-year increase, and net trading income came to €72m, up 31.8%

on 2005, thanks to the sale of derivative instruments to SMEs. As a result, ordinary revenues grew 10.3% on the previous year, to  $\leq 4,902$ m.

These higher revenues led to a rise of 2 percentage points in the efficiency ratio, bringing it to 45.4% in 2006, as opposed to 47.4% in 2005, since expenses rose to a lesser degree (4.6% including depreciation), despite adding 80 new branches in areas of greater growth (and closing others with less potential). These trends in revenue and expenses led to an operating profit of €2,653m, showing an increase of 14.4% on the €2,319m for 2005.

The lower part of the income statement highlights the loan-loss provisions, which grew 8.0% to €357m and whose main component was generic provisions associated with higher lending.

#### Financial Services

Financial Services cover business with individuals and small businesses, and the Consumer Finance unit. In 2006, this unit increased lending by 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 further improvements in efficiency ratio, these increases boosted operating profit 13.5% to €2,331m and net attributable profit rose 13.0% to €1,302m.

#### SOLUTIONS FOR INDIVIDUALS

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

As far as customer fund gathering is concerned, transactional deposits (current and savings accounts) reported a year-on-year increase of 18.6%, implying a surge in the 4.2% increase in growth reported in 2005. This was underpinned by the consolidation of the *Cuentas Claras* (Clear Accounts), the salary campaigns, as well as by the savings campaigns which, with the delivery of 1,025,000 promotional gifts, brought fund gathering up to over €2,800m.

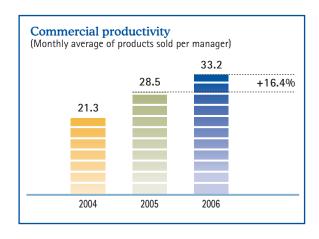
As regards stable fund gathering, term deposits took centre stage, increasing 35.7%, as a consequence of the net capture of €5,747m during the year, on the back of products like *Depósito Plus* (Plus Deposit) and *Depósito Creciente* (Growing Deposit), as well as by the broadening of the range of products with new structured deposits like the *Depósito Triple 4*, *Depósito Objetivo*, *Depósito Triple 6* and *Depósito Triple 10*.

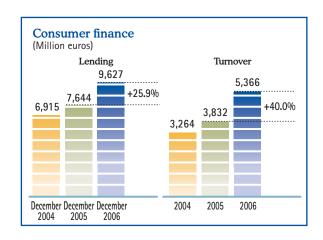
Mutual funds were affected by customers' preference for deposit products in 2006. Nevertheless, *Carteras Gestionadas*, a good example of customised advice, more than doubled in the year, both in terms of number of

portfolios and assets managed. Similarly, the offer of funds was widened to include new guaranteed funds, highlighting BBVA Consolida Garantizado, BBVA Garantizado Doble 10, BBVA 106 Doble 10, BBVA Extra 10, BBVA 105 Ibex and BBVA 110 Ibex, which gathered €1,686m. Also worthy of mention is the fact that BBVA was the first bank to launch an exchange-traded fund in the Spanish market, the Acción Ibex 35 ETF, and it also rolled out the first ETF that tracks a pan-European index, the Acción DJ Euro Stoxx 50 ETF.

In turn, pension plans captured  $\le$ 671m in the year, an amount concentrated mainly in the *BBVA Protección* plans range. All in all, the different types of stable savings funds, (term deposits, mutual funds, pension funds and other placements) increased by almost  $\le$ 5,300m (up 7.2%).

As far as lending is concerned, a significant feature is the trend in consumer finance, which rose 25.9%, the increased turnover having reached €5,366m, implying a year-on-year rise of 40.0%. This was greatly supported by the launch of new products: the Crédito Nómina (Salary Loan), which reported a €951m turnover; the Préstamo Inmediato PIDE (ASK Immediate Loan), accounting for €601m, consists in a pre-granted loan of which customers can avail immediately, easily and with entire flexibility, 24 hours a day, as they can do so either through their local branch, ATM, or BBVA net and Linea BBVA; finally, the Crédito Fácil (Easy Loan), a quickly granted loan directed at the financial needs of





modest economies of both Spanish and foreign residents, reported a €461m turnover.

Residential mortgages totalled nearly €72,500m, reporting a year-on-year growth of 18.6%, and operations closed during the year rose to €26,369m, up 5.8% on 2005. Marketing focused on the Hipoteca Fácil Plus (Easy Mortgage Plus), which combines all the customisation and flexibility features required by customers, offering solutions for the rise in interest rates: the possibility to 100% finance homes with a 40-year term mortgage, the chance to put off payment of a sum of up to 30% of the full amount until its maturity date, to change from a variable to a fixed interest rate, to defer two instalments a year and to lengthen or shorten the term of the operation. Similarly, BBVA's offer in mortgages was adapted to meet segments with special needs, such as young people, non-residents and migrants.

As for payment channels, the number of retailers with point-of-sale terminals rose by 13%, and sales were up 16% on 2005, a result of different marketing campaigns to encourage the use of credit cards for purchases. In addition, products like the *Tarjeta Fácil* (Easy Card) and the *Tarjeta Pago Fijo* (Fixed Payment Card) contributed to the increase in the number of BBVA cards, bringing it up to 6.7million (6.4 in 2005).

Likewise in 2006, the range of home insurance policies was updated, with the launch of the Seguro Vivienda Extra and the Seguro Vivienda Superior.

The New Business Models unit promoted the offer of non-financial products, while progressing towards the building of multiservice banking. With this purpose in mind, in 2006, marketing activities were developed in five areas of importance for customers: BBVA Hogar (Household), for the purchase and fitting out of a home; BBVA Salud (Healthcare) medical insurance; BBVA Motor and BBVA Viajes (Travel), which afford the possibility to purchase vehicles and book hotels and trips at advantageous prices; finally, Mi Tienda BBVA (My BBVA Shop), offers interest-free twelve-month financing for lasting consumer products.

Worthy of special attention is the development of Dinero Express Servicios Globales S.A., the BBVA Group's distribution network in Spain dedicated specifically to the migrant population segment, with an offer of financial and non-financial services such as money transfer, current accounts, credit and debit cards, telephone services, travel, etc. In the course of the year, the network of points-of-sale was extended to 90, with long opening hours and innovative promotions, state-of-the-art technology and personalised attention, whereby customer base jumped to 70,000 customers. In 2006, BBVA's network and Dinero Express made 780,000 remittances worth over €310m (€130m in 2005).

BlueBBVA has been introduced with a view to expanding the customer base in the young people's segment. It involves a new approach to dealings with this group, with three separate sub-segments catering for those aged between 0 and 29: miniblue, blue and másblue. Within this framework, the offer of products and financial and non-financial services designed specifically for this segment has been overhauled. Special mention should be made accordingly of the Préstamo Joven (Youth Loan), and the creation of a new dedicated website (www.bluebbva.com). All this has been publicised through our sponsorship of the TV programme Operación Triunfo (Fame Academy). These schemes have led to a 14.5% increase in customers, with the figure now topping 1,300,000.

BBVA's offer of on-line banking services in Spain combines the different Internet websites at one point of access, www.bbva.es, which concentrates the commercial offer to facilitate its use and speed up the consulting, operational and direct contracting processes through this channel. BBVA services for individuals on the Internet reported a 41% increase in the number of transactions, implying a monthly average of 24 million transactions and queries. It is worth noting that 26.4% of the trading in securities in domestic and international markets is already carried out through this channel. Furthermore, customers can avail of alternative tools such as BBVA net Bolsa Móvil (which works through mobile phones) and

Alertas de Valores (Securities Alert). This progress in on-line banking was acknowledged by the consulting firm AQmetrix, who voted BBVA's Internet service for individuals the best in Spain and Europe, in its quarterly reports, awarding BBVA top ranking. What's more, Global Finance magazine named BBVA net as the best Internet banking service in Spain.

As regards the telephone channel, *Línea BBVA* dealt with 2.4 million calls, and processed over 3 million transactions. In addition, 165,000 cards and 146,000 insurance policies were commercialised, showing growths of 114% and 82% respectively. The great popularity and the high appreciation of the SMS alert service by customers led BBVA to create a *Canal Móvil*. Last of all, as regards the mobile phone payment service, Mobipay, BBVA already has 150,000 users and a 73% market share of the total number of banks commercialising this service.

## SOLUTIONS FOR SMALL BUSINESSES

This Retail Banking unit generates and structures proposals of value through a range of products and services adapted to SMEs, the self-employed, retailers, professional practices, farmers and other businesses. Increased marketing activity in 2006, a year when the unit was reorganised, resulted in significant growth in all lines of business. At 31-Dec-06, lending reached €18,769m, up 19.0% on year-end 2005.

This was the result of the diverse finance campaigns for businesses and SMEs launched throughout the year, featuring a wide range of products with different terms and offering flexible financial conditions. The said products also contributed to the cross-selling of insurance and cards. New innovative products were added to the traditional ones, such as the Préstamo Bienvenida (Welcome Loan) for new customers, the Diferencial 0% (overdraft) for loans or credit accounts and the Hipoteca Negocios con Cuota Final (Business Mortgage with Balloon Payment), allowing customers to defer payment of up to 30% of the initial amount of the loan until the final instalment. In the context of the Agreement signed by

BBVA and the ICO in 2006, the Group once again ranked first in the *ICO-Pymes* line by volume of funds distributed (€1,282m), in which Retail Banking had a significant stake.

The commercialisation of financial derivatives and hedging instruments was also bolstered up in 2006, whereby they reported a trading rate ten times that for 2005. A highlight in the farming sector was the CAP (Common Agricultural Policy) campaign which registered over 51.000 applications, 18% up on 2005, thus improving the bond with the said segment.

Regarding customer fund products, of particular note was the 19.4% increase in the number of companies and businesses that pay their employees via BBVA, and the growing personalisation of the range of transactional products, including the launch in November of the *Pack Negocios* (Business Pack) targeted at professional practices, the self-employed and retailers.

Insurance sales likewise showed positive trends (up 54%) and the payment channels business also behaved well. The number of Solred Mastercard cards, which are exclusively marketed by BBVA for businesses and SMEs, was up 377%.

#### **CONSUMER FINANCE**

This unit manages on-line banking, consumer finance and vehicle loans, credit card distribution and leasing plans, conducted via Uno-e, Finanzia, Finanzia Autorenting and Finanziamento Portugal, with a workforce of 1,161 employees and a distribution network of 39 branches (2 in Portugal). In the third quarter of 2006, Telefónica withdrew from Uno-e's body of shareholders, on the basis of existing agreements.

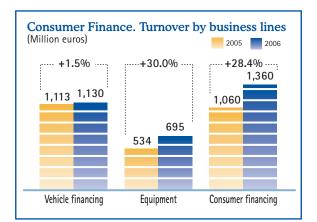
Finanzia concluded its Transformation Plan during the year, the dual aim of which was to centralise administration and bolster up sales efforts. To this end, managers were provided with tools that rise efficiency and increase the time available to improve the relationship with prescribers. In addition, in the latter part of the year, Finanzia's vehicle prescription business and the Prescription unit, formerly part of

Commercial Banking, merged under the BBVA Finanzia brand.

Consumer Finance reported an operating profit of €117m in 2006, showing a year-on-year increase of 21.0%, supported by growth in business volumes. Net attributable profit stood at €46m, as its year-on-year variation was affected by the €11m obtained from the sale of a subsidiary in 2005.

At 31-Dec-06, the unit's lending portfolio stood at €4,070m, with a year-on-year increase of 19.7%, while aggregate sales in 2006 totalled €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 rose 14.1% to €291m, and the fleet grew to 35,799 units (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 significant 40.4% rise in private card lending, boosted by a new agreement signed with a leading operator in the food sector; also noteworthy was the 64.3% rise in mortgages resulting from the boom in sales of this product on the on-line channel, and from the commercialisation agreement through El Corte Inglés' Insurance Offices. Visa credit card lending associated with consumer finance at the point of sale



showed an outstanding growth, up 29.2%, with a €153m turnover (up 20.5% on 2005).

In Portugal, BBVA Finanziamento's business was repositioned. This boosted growth in areas with greatest earning capacity. Lending, corresponding in the main to vehicle finance, came to €355m, rising 12.3% year-on-year, with sales totalling €193m.

Customer funds under direct management or brokered by the unit came to  $\leq 1,510$ m, up 7.3% on 31-Dec-05; the highlights were the growth recorded by mutual funds (up 46.9%) and pension funds (up 51%). These growth rates are well above those reported by the market, which proves the degree of guidance and product specialisation delivered to customers.

Asset Management and Private Banking

This unit is in charge of designing and managing the products that are marketed by the Group's different networks. It is also involved in the direct management of

the top segment of individual customers through its BBVA Patrimonios and International Private Banking units.

At year-end, customer funds (including both mutual and pension funds and assets managed in the private banking units) totalled €79,940m, up 3.9% year-on-year. Operating profit came to €209m, up 19.3% on 2005, and net attributable profit reached €132m, growing 20.3%.

In a year characterised by the heavy demand for deposits in the market, total assets of mutual funds managed by BBVA fell 1.8% to €45,491m at 31-Dec-06. Of this amount, mutual funds (ex-real estate) 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 basis points in the sector). This put fees at 1.246%. Assets of real estate funds rose 21.0% to €2,218m.

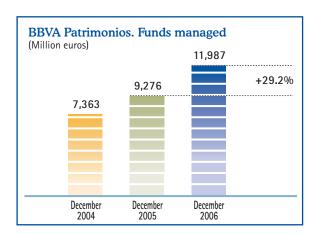
Carteras Gestionadas, a managed portfolio of funds product, was launched in 2005 and ended 2006 with a total of 59,281 portfolios and €3,311m in assets under management.

The increase during the year was 35,110 new portfolios and €1,933m in assets.

The Group continued to innovate in 2006, and ended 2006 with the widest range of asset management products on the market. BBVA was the first bank to twice receive CNMV approval for the launch of hedge funds: in November for BBVA Codespa Microfinanzas FIL and the second, through BBVA Partners, a pioneer in the development of alternative management in Spain. BBVA was likewise granted the first licence in the new ETF or exchange traded fund market, through Acción Ibex 35 ETF, and registered the first ETF to track the Euro Stoxx 50 in Spain. It also obtained approval for the first ETF linked to the Latibex Top. Finally, in December, it was authorised to launch the first fund of private-equity funds, which will trade on the Spanish Exchange (BBVA Capital Privado).

BBVA is the undisputed leader in the pension business in Spain with a share of 18.3%. The assets under management at 31-Dec-06 totalled €16,291m, showing a year-on-year increase of 8.0%. Of this volume, individual plans account for €9,249m, up 10.2%, and corporate pension plans account for €7,042m, up 5.2%, thus ensuring BBVA's leadership in this market, with a 22.1% share.

As regards private banking in Spain, BBVA Patrimonios promoted the added value of its services, which are based on global, personalised guidance, as a key factor in servicing customers, and recorded the 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 34% on 2005.

Last of all, the International Private Banking unit, which operates from its sites in Miami and Switzerland, managed assets worth €6,171m, capturing new funds to the amount of €126m in the year.

#### European Insurance

European Insurance comprises several companies in Spain and Portugal which manage the insurance business (direct insurance, underwriting and

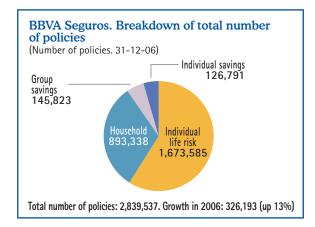
brokerage). They market, through their different networks, a wide range of products – both their own or brokered – adapted to the needs of individual customers as well as SMEs, retailers, professional practices and the self-employed.

In 2006, this unit contributed earnings of €415m to the area's income statement. Of this amount, €376m came from policies issued by the Group (up 21.4% on 2005) 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 years' figures, which were also above 20%.

Premiums issued in the year came to €1,452m, of which risk premiums (life and non-life) account for €605m, showing an increase of 12.2% on 2005. Of this amount, €438m correspond to the life risk insurance line of business, up 10.4%, and €140m to household insurance (up 13.8%), with over 890,000 customers.

BBVA Seguros continues to lead the individual life insurance business, with a 16.6% market share. This is due to the upward trends in payment-protection insurance policies, recording a 19% increase in premiums and over 1,130,000 policies, as well as to personal insurance policies (€125m in premiums and in excess of 500,000 policies at year end).

Total funds managed in savings policies at 31-Dec-06 came to €9,219m. Individual



savings policies accounted for  $\leq 3,685$ m and corporate pension plans, for  $\leq 5,534$ m.

With an aim to continue improving and broadening the range of products with offers to suit customers' demands, two new lines of insurance products were launched in 2006: *BBVA Salud* (Healthcare), offering, apart from top range medical services, the chance to receive a discount of 35% on the premium in the case of infrequent use; and *BBVA Vivienda* (*BBVA Vivienda Extra* and *BBVA Vivienda* (*BBVA Vivienda Extra* and *BBVA Vivienda* (*Buperior*), household multiple risk insurance including initial guidance on the capitals to be insured and a wide range of services and coverage.

In addition to the insurance provided by the Group itself, premiums worth €204m were brokered. Brokerage activity was conducted, in the main, through BBVA Correduría. In 2006, insurance products targeted at companies were actively marketed, with significant results in lending insurance and a wide range of insurance products linked to the construction sector.

#### BBVA Portugal

In 2006, intense business activity and a differentiated offer with innovative proposals of value for the customer contributed to the consolidation of BBVA

Portugal's growth strategy and enabled it to extend its share of so-called priority business segments, such as finance for the purchase of a home.

Lending to customers recorded a year-on-year growth of 22.0%. Highly significant was the rise of 31.5% in mortgage finance, thanks to more flexible conditions in the commercial offer. Further factors contributing to the rise in lending was the *Crédito Cero* (Zero Loan) product, the promotion, in partnership with the European Investment Bank, of a finance line for SMEs, as well as agreements with organisations for the provision of customised services under competitive conditions.

Total assets managed in mutual funds recorded a 3.8% growth, with a market share of 2.5%, which basically reflects the assets gathered through guaranteed funds (in which BBVA Portugal's share was 33.9%) and two special funds (with a share of 9.1%). Among the funds commercialised in 2006, the Euro Consolidado Fund and the BBVA Doble 8 were particularly outstanding. To complete the offer of the stable savings range, special products were launched to cater for the more conservative customer, with guaranteed capital, minimum returns and appreciation potential associated with diverse indices: Depósito Creciente 6 BBVA, Depósitos Gestión Diversificada, Depósito Multigestión Dinámica BBVA, Depósito Plus 8 BBVA and Depósito Cap 10 BBVA.

Increased business volume and improved customer spreads led to a rise in net interest income of 22.5% over 2005. This was the main factor behind the improvement in the efficiency ratio and the growth of operating profit by 21.0%, and the 18.4% rise in net attributable profit to €10m.

# $1901^{\frac{1}{1908}} 2000^{\frac{1}{1986}} 2000^{\frac{1}{1974}} 1924^{\frac{1}{195}} 2000^{\frac{1}{1876}} 1873^{\frac{1}{195}} 1950^{\frac{1}{195}} 1950^{\frac{1}{195}}$



WHOLESALE AND INVESTMENT BANKING

#### Corporate and Business Banking

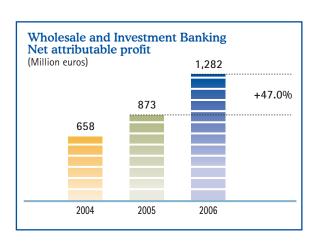
- SME Banking
- Iberian Corporate Banking
- Institutions Banking
- Transactional Services and Product Management

#### Global Businesses

- Global Customers and Investment Banking
- Global Markets and Distribution
- Asia
- Valanza
- Anida

The Wholesale and Investment Banking area comprises the Corporate and Business Banking unit, made up of SME Banking (in 2005, in Retail Banking in Spain and Portugal), Iberian Corporate Banking, Institutions Banking, Transactional Services and Product Management; the Global Businesses unit, taking in Global Customers and Investment Banking, Global Markets and Distribution and Asia. It also handles the private equity businesses, which the Group conducts under the Valanza brand, and the real estate business, through its subsidiary Anida.

With this new structure, in force since the beginning of 2006, the main courses taken by the area's strategy are as follows: consolidation of its position as leader in the domestic markets, as regards both corporate customers and institutions and SMEs; a more global nature, with access to new geographical areas, such as Asia, and relying on an offer of global products whose objective is to satisfy



customers' needs; and diversification of the Group's businesses, thanks to the contribution of the business and real estate project units.

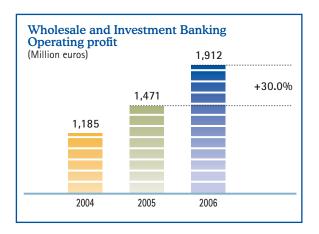
The Wholesale and Investment Banking area's business model, reinforced during 2006, affords it steadily growing revenues. These helped generate a net attributable profit of €1,282m, an increase year-on-year of 47.0%, and ROE rose to 31.8% (24.4% in 2005).

(Million euros)							Memorandu	ım item:		
	Who	lesale and I	nvestment B	anking		orporate a siness Ban			Global Businesses	5
	2006	$\Delta$ %	2005	2004	2006	$\Delta^{0\!/_{\!\!0}}$	2005	2006	Δ%	2005
NET INTEREST INCOME	1,032	1.4	1,017	947	911	9.6	831	127	(25.9)	171
Income by the equity method	283	n.m.	51	104	-	(100.0)	-	-	(100.0)	-
Net fee income	491	15.7	425	380	288	7.9	267	212	28.0	165
Income from insurance activities	_		_	_	_		_	-	_	_
CORE REVENUES	1,806	20.9	1,494	1,431	1.199	9.2	1,098	339	0.5	337
Net trading income	642	43.4	448	225	152	47.1	103	554	42.8	388
ORDINARY REVENUES	2,448	26.1	1,941	1,656	1,351	12.4	1,201	893	23.1	725
Net revenues from non-financial activities	104	9.9	95	81	-	-	-	1	183.0	-
Personnel and general administrative expenses	(644)	10.7	(582)	(544)	(321)	6.2	(302)	(302)	17.9	(256)
Depreciation and amortization	(12)	(2.4)	(12)	(12)	(7)	(3.7)	(7)	(4)	14.5	(4)
Other operating income and expenses	16	(45.2)	29	4	6	(19.2)	7	(1)	(26.4)	(1)
OPERATING PROFIT	1,912	30.0	1,471	1,185	1,029	14.4	899	586	26.3	464
Impairment losses on financial assets	(322)	19.8	(269)	(366)	(206)	20.5	(171)	(117)	18.7	(98)
<ul> <li>Loan-loss provisions</li> </ul>	(322)	19.8	(269)	(366)	(206)	20.5	(171)	(117)	18.7	(98)
• Other	_	(100.0)	_		-	(100.0)	_	-	_	_
Provisions	(11)	n.m.	5	6	-	n.m.	(1)	(19)	n.m.	3
Other income/losses	159	n.m.	31	59	4	73.3	2	(1)	n.m.	3
PRE-TAX PROFIT	1,738	40.4	1,238	884	827	13.3	730	450	21.0	372
Corporate income tax	(449)	24.4	(361)	(222)	(290)	13.9	(255)	(137)	31.2	(104)
NET PROFIT	1,288	47.0	876	662	538	13.0	476	313	17.0	268
Minority interests	(6)	54.2	(4)	(4)	-	-	-	(5)	31.8	(3)
NET ATTRIBUTABLE PROFIT	1,282	47.0	873	658	538	13.0	476	309	16.8	264

(Million euros)							Memorandu	ım item:		
_	Whol	esale and	nvestment B	anking		orporate a siness Banl		В	Global usinesses	5
	31-12-06	Δ%	31-12-05	31-12-04	31-12-06	$\Delta$ %	31-12-05	31-12-06	Δ%	31-12-05
Cash and balances at Central Banks	1,568	5.3	1,489	1,449	648	(5.4)	685	920	14.6	802
Financial assets	41,148	14.7	35,889	29,775	2,833	(7.5)	3,064	37,176	16.8	31,841
Loans and receivables	150,280	14.0	131,830	110,757	66,275	10.2	60,153	83,612	17.1	71,388
<ul> <li>Due from banks</li> </ul>	58,084	4.9	55,354	45,397	3,552	11.2	3,195	54,252	4.5	51,936
<ul> <li>Loans to customers</li> </ul>	89,559	18.0	75,885	64,874	62,545	9.8	56,952	27,015	42.7	18,929
• Other	2,637	n.m.	591	486	177	n.m.	6	2,345	n.m.	523
Inter-area positions	-	(100.0)	4,624	7,491	-	-	-	2,436	(91.8)	29,660
Property, plant and equipment	91	(4.1)	95	101	70	(10.6)	79	11	5.5	10
Other assets	1,963	(34.9)	3,013	5,362	247	(7.3)	266	1,232	(48.2)	2,379
TOTAL ASSETS / LIABILITIES AND EQUITY	195,050	10.2	176,940	154,935	70,073	9.1	64,246	125,386	(7.9)	136,080
Deposits by Central Banks and banks	76,303	(2.1)	77,951	77,142	3,691	(8.2)	4,022	72,420	(1.9)	73,837
Due to customers	55,168	(11.2)	62,130	52,905	20,147	2.6	19,632	35,012	(17.6)	42,493
Marketable debt securities	7,874	2.3	7,697	7,670	7,865	1.8	7,729	10	n.m.	(32)
Subordinated debt	2,357	14.1	2,065	2,606	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	11,046	3,022	(41.1)	5,130	15,542	(13.8)	18,039
Minority interests	35	22.7	29	33	-	100.0	-	16	81.2	9
Shareholders' funds	4,152	13.2	3,669	3,533	2,135	(2.6)	2,192	1,515	36.5	1,110

(Million euros and percentages)							Memorandu	ım item:		
	Who	lesale and I	nvestment B	anking -		rporate a ness Ban		E	Global Businesses	5
	31-12-06	Δ%	31-12-05	31-12-04	31-12-06	Δ%	31-12-05	31-12-06	Δ%	31-12-05
Customer lending (1)	90,305	18.6	76,129	65,243	62,734	10.4	56,842	27,571	43.0	19,282
Customer deposits (2)	57,230	(10.3)	63,790	55,372	23,025	5.4	21,843	34,173	(18.5)	41,934
Deposits	46,832	-	46,839	41,500	22,977	5.4	21,791	23,823	(4.8)	25,035
<ul> <li>Assets sold under repurchase agreement</li> </ul>	10,399	(38.7)	16,951	13,872	49	(7.7)	53	10,350	(38.8)	16,899
Off-balance-sheet funds	2,249	4.4	2,155	1,660	2,024	(0.2)	2,029	224	78.8	125
Mutual funds	2,181	3.9	2,100	1,623	1,957	(0.9)	1,974	224	78.8	125
Pension funds	67	22.2	55	36	67	22.2	55	-	-	-
Customer portfolios	491	(83.1)	2,909	4,525	-	-	-	491	(83.1)	2,909
Total assets	195,050	10.2	176,940	154,935	70,073	9.1	64,246	125,386	(7.9)	136,080
ROE (%)	31.8		24.4	18.9	24.8		23.1	22.0		22.8
Efficiency ratio (%)	24.8		28.0	30.7	22.9		24.2	33.8		35.3
Efficiency incl. depreciation and amortization (%)	25.2		28.6	31.4	23.4		24.7	34.3		35.8
NPL ratio (%)	0.22		0.29	0.44	0.34		0.36	0.05		0.18
Coverage ratio (%)	707.9		561.5	406.7	499.5		466.8	n.m.		906.9

Wholesale and Investment Banking (Million euros)	
1. Loans to customers 90,305 76,129 +18.6% 65,243	Customer funds 48,993 49,080 +0.2%
December December December 2004 2005 2006	December December December 2004 2005 2006



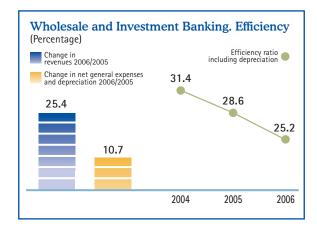
As regards activity, lending grew 18.6% in the year to €90,305m at 31-Dec-06, with solid contributions from all units, especially Global Businesses. Funds (deposits and mutual and pension funds) stood at €49,080m, which is similar to 12 months earlier due to declines in the Markets unit and in business with international global customers.

As for earnings, net interest income was up 1.4% due to the imbalance between this heading and net trading income caused by the criteria for valuation of market positions, as purely banking business rose by 12.7%. Core revenues were up 20.9%, thanks to fee income (up 15.7% year-on-year) and equity-accounted income,

which was boosted by capital gains from the sale of part of Gamesa via Corporación IBV. Adding net trading income, which increased 43.4% due to the abovementioned imbalance and as a result of greater cross-selling of market products to customers, ordinary revenues rose to €2,448m, up 26.1% on 2005.

Operating profit grew faster than this, climbing 30.0% to  $\leqslant 1,912$ m, because operating expenses including depreciation increased at a much lower pace (10.5%) than ordinary revenues. This meant the efficiency ratio improved 3.4 percentage points to 25.2%.

Although non-performing loans fell from 0.29% at the end of 2005, to 0.22%, loan-loss



provisions increased €53m on generic provisions related to the increase in lending. The NPL coverage ratio rose 146 points to 707.9%.

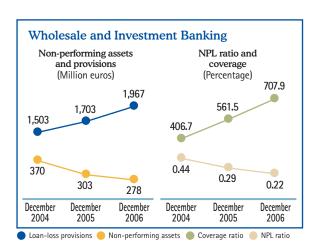
Divestments of holdings, within the framework of the area's strategy for management of the holdings portfolio, also helped to generate a pre-tax profit of €1,738m, up 40.4% on 2005.

Corporate and Business Banking Within the Group, this unit services SMEs, large corporations and institutions in the domestic market. It likewise includes activities related to

transactional banking and the management of products targeted at these segments.

The unit's new organisation model was presented in July, thus completing the process initiated six months earlier with the incorporation of SME banking, part of an integral project of transformation and expansion affecting all the unit's structures:

- Central services, whose three structures were converted into a single common one, maintaining specialisation according to segments (SMEs, corporate and institutions).
- Intermediate structures, with seven new unified regional heads being created: for the North West, the North, Catalonia, the Centre, the East, the South and the Canary Islands.
- Distribution network, with 26 new branches (6 for corporate and 20 for institutions banking) and ended the year with a total of



272 branches, 8% more than the previous year. Of these, 209 catered for the SME segment, 52, for the institutions segment (whose network was expanded to cover practically all of the Spanish provinces) and 11, for the corporate segment.

This new organisation focuses primarily on the customer, who will benefit from: greater proximity, availing of the far-reaching SME banking network; advances in segmentation, thanks to specialisation in the network and central services; greater accessibility to the product, as a result of the greater proximity of the back office and of experts to the customer; and improvement of time to market, as the structure is far more lightweight. Within this framework, the BEC Markets Plan was launched in order to strengthen the sale of markets and capital markets products to the network's customers.

The unit's results were based on the performance of net interest income, which was up 9.6% on 2005, reflecting both the defence of the spreads and the upward trends of the volumes: customer lending reported a year-on-year growth of 10.4% at the end of 2006 to  $\le 62,734$ m, and customer deposits totalled  $\le 22,977$ m (up 5.4%).

Net fee income rose 7.9% and net trading income 47.1%. Thus ordinary revenues came to  $\leq$ 1,351m (up 12.4%). Thanks to cost control, the efficiency ratio improved 1.3 points to 23.4% and operating profit increased 14.4% to  $\leq$ 1,029m. Finally, higher

provisions (up 20.5%) due to higher business volumes, brought net attributable profit to €538m (up 13.0%).

#### **SME BANKING**

It services and advises the SME segment in the Spanish market, and has a sales force of 950 managers. At the end of the year, and after transferring customers to Corporate Banking, the loan portfolio was worth €30,539m, showing a year-on-year growth on a uniform basis of 14.0%, customer deposits came to €7,243m (up 7.6%) and mutual funds to €1,109m.

Having adjusted the impact of the aforementioned transfers, ordinary revenues increased 13.9%, thanks to the buoyancy of business lines, price management and net trading income from the distribution of hedging derivatives (Riskpyme project). This increased income, together with moderation in costs, contributed to further improvements in efficiency and the forging ahead of operating profit to €673m, showing a year-on-year increase of 18.1%, with net attributable profit rising 23.8% to €336m.

Intense marketing activity drove a further increase in the customer base, reaching 80,000 customers, with a noticeable rise in the number of large and medium companies (up 7.2%), as well as increased loyalty in these segments.

In consequence, BBVA has held onto its position as the most important bank in Spain for SMEs, with a market penetration of 33%, 45.5% notoriety and ranks first as financial supplier for 13.8%, according to the latest FRS survey. BBVA stood as the leading finance company in the brokerage of ICO funds in the SME Campaign 2006, with €1,282m in loans and an 18.3% share.

Throughout 2006, thanks to the activity of product specialists, distribution of market, insurance and renting products continued throughout the entire network, and some innovative campaigns for the brokerage of important flows, such as taxes or foreign trade, were launched. Furthermore, diverse fora, commercial events and training sessions were held, with an aim to affording value to customers.

#### IBERIAN CORPORATE BANKING

It services the large corporations and multinational companies' subsidiaries in the Iberian Peninsula. 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.

These upward trends in business and the defence of spreads brought net interest income up to €155m, showing a year-on-year improvement of 13.9% (also on a like-for-like basis). This circumstance, together with an increase in fees and revenues from market products distribution to customers combined with contained expenses, resulted in a 17.1% year-on-year growth of the operating profit of to €219m. Loan-loss provisions were mainly of a generic nature and were associated with higher business volumes. Net attributable profit thus rose to €118m, up 10.3% on 2005.

The management model is a customer-focused one, with a flexible commercial structure that takes customers' needs into account; proximity of the diverse product units allows for the design of customised solutions to meet their needs and thus win their loyalty.

In 2006, this unit closed a number of significant transactions, some of which were: the syndicated loan to the Compensation Board of the Parque de Valdebebas for the urban development of almost 11 million m² in Madrid; its participation as senior lead arranger in the refinancing of Holding d'Infraestructures de Transport (owner of SANEF, a highway-operator in France and in which Abertis Infraestructuras holds a 57.6% stake). It also structured and acted as underwriter in the financing of the light urban railway to Pozuelo and Boadilla, as well as financing the takeover of the Alhambra Group by the Mahou Group.

#### **INSTITUTIONS BANKING**

It provides service for public and private sector institutions, through the BBVA and Banco de Crédito Local (BCL) brands. BCL is an institution specialising in the long-term financing of regional administrations through fund gathering in the capital markets.

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. The unit obtained net attributable profit of €96m, thanks to the good performance of net interest income and net fee income, which is reflected in a year-on-year growth of 6.4% of core revenues. Expenses including depreciation only rose by 1.5%, but lower yield from the financial portfolio for sale of assets during 2005 gave an operating profit of €152m (up 3.6%).

The unit consolidated its leadership as the main financial supplier of Public Administrations, and was awarded, among others, tenders launched by the Autonomous Authority of National Parks, the National Institute of Statistics and the General Legal Fund. In addition, the agreement with the Ministry for Defence was renewed. BBVA likewise strengthened its position as financial supplier of the European Union on being awarded the dollar account for payments to America and Africa.

Institutions Banking participated in financing operations like the southern metropolitan by-pass for Bilbao, the biggest ever purchase of trains by the Madrid metro, a bilateral syndicated loan with Aguas de la Cuenca del Ebro, the awarding of renting to the Catalan Institute for Health, a loan with fixed-rate derivative to the Regional government of Bizkaia, and the signing of two new lines with the European Investment Bank (for €200m each), to finance SMEs' and regional public administrations' investment projects.

BBVA Gobernalia, a service company involved in developing computer applications, started to carry out projects for the private sector and has entered into numerous collaboration agreements with Public Administrations, such as the setting up of the Local e-Administration Laboratory (L@el), whose first project was the design of an integral information management system in different town and regional councils. Also of note is the design and development of citizen portals for the Burgos Regional Government and Palencia City Council and the adjudication of e-administration projects with Barcelona City

Council, the Regional Government of Andalusia and the Tenerife Council.

## TRANSACTIONAL SERVICES AND PRODUCT MANAGEMENT

Transactional Services develops and promotes activities related to cash management, account pooling, domestic and international collections and payments and on-line banking channels for SMEs, corporations and institutions.

The unit closed 2006 with 73,828 users of BBVA's electronic banking services in Spain. They executed more than 238 million collection and payment operations, showing an increase of 13%. In Portugal, where BBVA Net Cash was launched in 2005, users rose to 3,168 (up 76%). This service was extended to the external network branches at the end of 2006. Following its launch in 2005, BBVA Cash America, the common e-banking service for customers in the Americas, was consolidated in 2006, and totalled 7,570 users who arranged 10.8 million transactions. Moreover, BBVA was named the best internet bank for businesses, corporations and institutions in Colombia, Chile and Venezuela by the Global Finance journal.

In the foreign trade, the volume handled by BBVA increased by 11%, meaning a 17.6% market share, according to the Bank of Spain's Balance of Payments. As for company cards, BBVA ranks first in Spain with a market share of 30%, according to data by SERMEPA (Dec-2006).

The Product Management unit promotes and commercialises leasing, renting, factoring, confirming and forfaiting products through the BBVA branch network and BBVA
Factoring. 2006 saw the contracting of further leasing operations to the sum of €2,750m (thus placing the Group in second place of the domestic ranking of the said product with a 14.7% market share, according to data by the Spanish Association of Leasing), reaching €6,543m in outstanding lending (up 14.6%). Additionally, further autorenting operations accounting for €261m (up 11%) were concluded and lending in equipment leasing agreements worth €304m (up 35.6%). BBVA

Factoring managed a volume of factoring assignments and confirming advances worth €19,629m (up 4.7%), as for forfaiting advances, they totalled €738m (up 26%), and BBVA Factoring continued as market leader with a share of 30.5% in the year (Spanish Association of Factoring, December 2006).

#### Global Businesses

This unit was set up in 2006 with an aim to boosting the global and comprehensive management of large international corporations and institutional investors,

combining banking for relations with the investment banking and market products units in a single decision-making area. These products are also distributed to retail customers and SMEs working with the Group's different banks, through different collaboration programmes involving cross-selling.

The Global Businesses unit includes the teams of Global Customers and Investment Banking, which groups together all the large international corporations, Global Markets and Distribution, with a well consolidated customer-oriented business model, as well as the Group's businesses in Asia, a key project in BBVA's expansion plans. Likewise, it is in charge of coordinating corporate banking and markets businesses in the Americas (where the Group's business model is being transferred to), although these earnings are recorded under the corresponding areas.

Three factors stand out in the unit's performance during 2006: strong growth, the increasingly international nature of the business and the focus on greater value added products.

The unit's income statement reported significant growth in line items including typically banking activities. Thus, the 43.0% increase in lending to €27.571m and the performance of net fee income (up 28.0% year-on-year) and net trading income (up 42.8%), due to greater customer activity, drove ordinary revenues up 23.1% and operating profit up 26.3%, to €586m. The resulting efficiency ratio rose 1.5 points with

respect to 2005, thus reaching 34.3%. After deduction of provisions linked to the abovementioned rise in lending, net attributable profit came to €309m, a rise of 16.8% compared to 2005.

In 2006, international customers gained weight in the income statements of all businesses. In Global Markets and Distribution, the trading floors of Milan, Paris, London and Lisbon rose by 18% in fixed income and 72% in equity, whereas the contribution of the Global Customers international units recorded a 50% rise, increasing its importance within the unit to 59%.

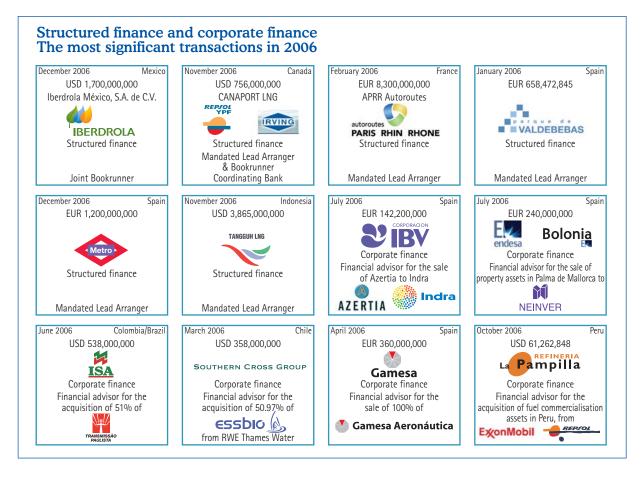
Lastly, there is a clear trend towards the sophistication of products and high value added products, resulting in increased revenue and stronger customers' loyalty.

## GLOBAL CUSTOMERS AND INVESTMENT BANKING

It caters for large corporations of a global nature, from home and abroad, through its specialist branches in Europe and New York. In addition, it brings together the teams for structured finance, corporate finance, equity origination and trade finance products.

The 22.9% year-on-year rise in ordinary revenues was due to upward trends in activity (lending increased 39.3% to €24,177m) and to the upholding of spreads. This led to a 23.8% increase in net interest income and a 15.3% improvement in net fee income. Furthermore, the year-on-year 4.2% drop 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.

BBVA was the major company in Spain in structured finance operations, with loans to the value of €1,144m. On an international level, there were several outstanding operations such as that involving APRR, the French highway, one of the first toll highways in Greece (EONIA), the Indiana highway in USA, the Canaport regasification plant in Canada and the re-financing of Iberdrola Mexico. Together with the Enersis wind farm in Portugal, the



Toluca highway in Mexico, Sydney airport in Australia and the Jamnagar refinery in India, these last operations were named "Deals of the Year" by the specialist journal *Euromoney*.

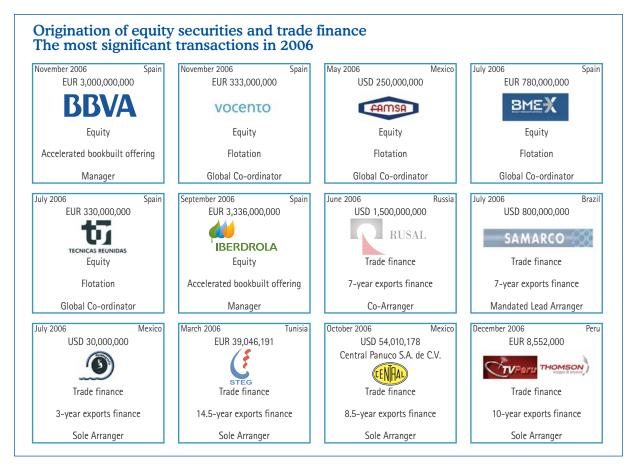
As regards corporate finance, the year was marked by increased activity both in Spain and Latin America, and BBVA participated in significant operations such as the sale of Gamesa Aeronáutica and advisory services for Endesa in the sale of real estate assets in Mallorca. In Latin America, it provided advisory services to ISA (Colombia) for the acquisition of 51% of Transmissao Paulista (Brazil) and to Southern Cross for the purchase of 51% of Essbio (Chile).

In the field of equity origination, BBVA was leader of the Spanish market in IPOs, in a year reporting greater activity than in the previous six years, and during which, ten Spanish companies were listed on the stock market, to the value of €3,061m. BBVA acted as global coordinator in the three main offers, with 48% of the total volume issued.

With regard to trade finance activity, of particular note is the origination of high added value operations with strategic customers and risk-mitigating structures, consolidating the Group's presence in international markets. BBVA thus consolidated its leadership in the sector, and is once again in the top positions of world ranking, as well as in Latin American and Asian rankings. The Group won 6 "Deal of the Year" awards granted by the specialist journals *Trade Finance Magazine*, *Trade & Forfaiting Review* and *Global Trade Review* (2 awards per journal) for 4 operations: Votorantim (2 awards), IRTP/Thomson (2 awards), Perforadora Central de Panuco and STEG.

## GLOBAL MARKETS AND DISTRIBUTION

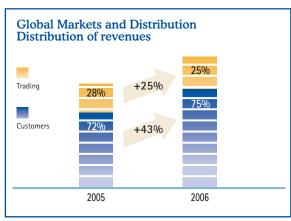
It encompasses the trading floors located in Europe and New York, fixed-income and equity distribution, custodial services, fixed-income origination and syndicated loans as well as relations with financial institutions.



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% on 2005).

The Markets unit business model is customer oriented, and thus affords the income statement the recurrence and stability lacking in older cash management models. Consequently, in 2006, income from customer business was up 43%, which represents 75% of the unit's total revenues (72% in 2005).

The *Riskpyme* project was consolidated in 2006, with a 67% growth in the sale of derivatives to SMEs in Spain. The project extended its target customer base with a more packaged product (*Stockpyme* line), such as its offer with the incorporation of products for



covering commodities and its incipient activity in capital market products.

Moreover, with the setting up of Próxima Alfa (51% owned by BBVA), BBVA broadened its products range to include the management of hedge funds. Próxima Alfa has been authorised by the Spanish Securities and Investment Board as a managing body for collective and free investment undertakings and, at year-end 2006, was completing the

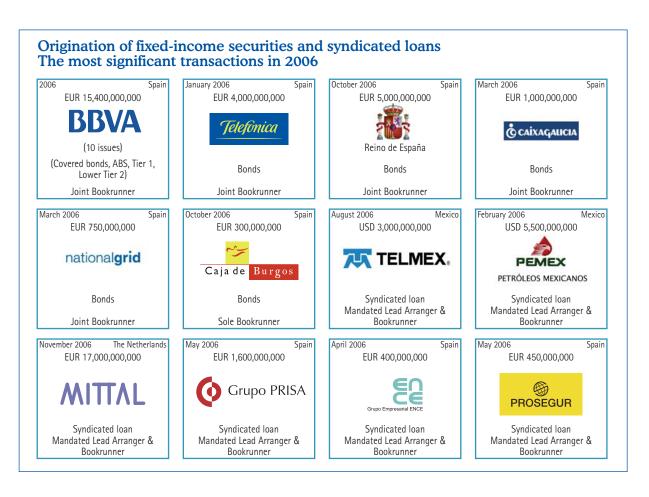
formalities to be able to start marketing hedge funds.

Likewise, BBVA is leader in Spain in the new market for ETFs, in which the Group is the only organisation holding three licences: BBVA was the first bank to launch a fund linked to the Ibex 35 index, the first in the Spanish market to launch one linked to the DJ Euro Stoxx 50 and the only one to be granted a licence for an ETF that tracks the Latibex index.

For the second year running, according to a survey carried out by the specialist magazine *Risk España*, BBVA was named the best bank in the derivatives market by Spanish customers, in which it leads in 14 of the 25 categories. Similarly, it was voted as one of the best organisation providing custodial services to international institutional customers in Spain by the magazine *Global Custodian*, and is the most highly rated for the fixed income business in Spain, in accordance with a study carried out by Greenwich Associates.

This leadership is also illustrated by the fixed income origination team's activity throughout the year, with 29 public operations led by BBVA. Of particular significance were those related to savings banks and other international finance companies. In the case of the public sector, BBVA co-managed issues of the Kingdom of Spain, the Autonomous Community of Madrid, the Government of Andalusia, the Government of Navarre, the Government of Catalonia and the Government of the Canary Islands. The private issue activity also recorded considerable growth, with €1,273m underwritten in 127 operations.

Regarding syndicated loans, 2006 was a year in which corporate movements between companies gave rise to numerous operations; in Spain, BBVA led those associated with companies like Prisa, Ence, Prosegur, ACS and Aldeasa. On the international plane, of particular note are deals closed in favour of multinationals like Mittal-Arcelor, Terna, Eiffage and Acea, as well



as the work carried out in the Latin American market, where the Group led operations with customers like Telmex, Pemex and Votorantim and holds third place in the number of operations led according to the Loan Pricing Corporation.

# **ASIA**

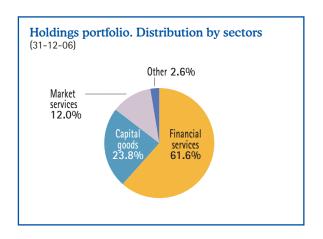
Having decided to establish itself in the region with greatest growth in the world, for BBVA 2006 was the year in which the Asia project took off. In this respect, the strategic alliance with the Citic Group implied a change in scale, and allowed BBVA to enter the banking markets of mainland China and Hong Kong at the same time. At the preliminary stage, the partnership has planned the purchase of 5% worth €501m - of China Citic Bank (CNCB), headquartered in Beijing, for the development of retail and corporate banking in China, and, for €488m, a 15% stake in Citic International Financial Holdings (CIFH), with head office in Hong Kong, setting the foundations for the development of cash management, corporate and investment banking in the Asian region.

BBVA is a senior member of the Asian banking industry, and is currently present in the main financial centres: Beijing, Shanghai, Hong Kong, Tokyo, Singapore, Seoul, Taipei and Sydney. Moreover, the Group is completing the formalities in order to open a representation office in Mumbai. Activity focuses mainly on corporate banking with an offer of products for financing international trade, bilateral and short and long-term structured financing, the issue of guarantees, foreign trade, etc.

2006 likewise saw the expansion in Asia of the business of remittance dispatch, which complements the capacities that the Group already had in the Americas. As a result of the agreements signed with banks from China, India and the Philippines, BBVA is now present in the main countries receiving remittances.

Valanza

It is the result of the transformation of the Business Projects unit into a capital risk manager. It manages a portfolio of 51 holdings (among which are



Corporación IBV, Iberia and Tubos Reunidos), with assets totalling €1,663m and latent capital gains in excess of €700m. Thanks to the buoyant stock market, these are €213m higher than those recorded at year-end 2005, despite considerable capital gains realised during the year. Net attributable profit came to €385m, €318 more than the previous year.

The main divestments in 2006 were: Azertia, Cementos Lemona, Gamesa, Landata and the sale of Técnicas Reunidas in a takeover bid. Of the investments made, of particular note in Spain are the incorporation of the women's footwear chain Adela Gil and Svenson, the European leader in hair treatment. Business got underway in Mexico during the year and stakes were acquired in the engineering firm PYPSA and in the Milano clothes shops chain. Last of all, international funds likewise recorded increased activity: Palladium, investing in Proamerica community bank and in Aconcagua, the wood panel company; and Darby, investing in the Brazilian market in Bra Líneas Aéreas and SAT, as well as in Border Meddia Part in Mexico.

Anida

The Anida brand, under which BBVA grouped all its real estate business, continued to gain strength in 2006. Its core activity is urban land management to

be later strengthened through housing construction. At year end, its property portfolio was valued at approximately €1,300m, up

30% on 2005, and latent capital gains totalled €389m. Net attributable profit came to €94m, an increase of 25.9% over 2005. The most significant results were the capital gains obtained as a result of the sale of investments in Urbaplan (€19m) and in Dilsa (€6m).

2006 saw the consolidation of this unit's international expansion, started in Mexico in late 2004, with 7 projects currently in progress

and future investment worth €120m committed. Anida's potential in the international market will open new business opportunities in other regions, such as Latin America or Europe. Particularly noteworthy is Anida's commitment – upheld since 2004 – to contribute 0.7% of its profits to social projects and to mitigating the environmental impact of its activity.

N° 1 Company cards	Spain (SERMEPA 2006)
N° 1 Factoring and confirming	Spain (AEF 2006)
№ 2 Leasing	Spain (AEL 2006)
№ 5 Project finance	World-wide (Infrastructure Journal 2006)
№ 3 Project finance	Europe (Thomson 2006)
Nº 2 Project finance	Latin America (Dealogic 2006)
N° 1 Equity origination	Spain (Dealogic 2006)
№ 2 Trade finance (no. operations)	World-wide (Dealogic 2006) (1)
№ 2 Trade finance (no. operations)	Latin America (Dealogic 2006) (1)
Nº 1 Trade finance (no. operations)	Asia (Dealogic 2006) (1)
Nº 3 Syndicated loans (no. operations)	Latin America (Loan Pricing Corporation 2006)
№ 1 Syndicated loans (no. operations)	Spain (GBA 2006)
N  ○ 2 Trading Spanish stock exchanges	Spain (BME 2006)
Nº 1 Fixed-income market	Spain (AIAF 2006)
N° 1 Euro-dollar market	Spain (Bank of Spain 2006)
N° 1 Treasury bills	Spain (Senaf 2006)
№ 1 Short-term derivatives	Spain (Bank of Spain 2006)
N° 1 Exchange traded funds (ETF)	Spain (BME 2006)
Top 5 Spanish public debt	Spain (Senaf 2006)
Nº 3 Warrants	Spain (BME 2006)



# **MEXICO** AND USA

- Banking businesses
  - **BBVA Bancomer**
  - The United States
- Pensions and Insurance

This area covers the banking, pensions and insurance business in Mexico and the Unites States (including Puerto Rico).

In 2006, the Mexican peso and the US dollar lost ground against the euro, which has produced a negative exchange rate effect on the year-on-year comparison of the area's balance-sheet figures. However, average exchange rates over the year depreciated less, thus their final impact on the income statement in euro was lower. The accompanying tables include columns with the year-on-year variation at constant exchange rates, and the comments will refer to these figures, as they are more relevant when analysing business performance over the year.

The area turned in a net attributable profit of €1,775m in 2006, 30.8% up on the previous year and ROE of 46.7% (44.2% in 2005).

Assessing activity, strong growth in lending to customers has been an outstanding feature, increasing 40.6% in year-on-year terms to reach



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

a balance of €31,329m at year-end 2006. Customer funds (deposits, mutual funds and other brokerage products) came to €56,453m, a rise of 24.5% over December 2005.

These larger business volumes, together with an improvement in customer spreads were transferred to net interest income, which rose

			$\Delta$ % at constant		
• • • • • • • • • • • • • • • • • • • •	2006	$\Delta$ %	exchange rate	2005	2004
NET INTEREST INCOME	3,535	32.0	33.3	2,678	1,899
Income by the equity method	(2)	n.m.	n.m.	-	(2)
Net fee income	1,390	14.7	15.8	1,212	993
Income from insurance activities	305	33.3	34.6	229	191
CORE REVENUES	5,227	26.9	28.2	4,119	3,082
Net trading income	196	16.9	18.0	168	141
ORDINARY REVENUES	5,423	26.5	27.8	4,287	3,223
Net revenues from non-financial activities	(4)	61.0	62.6	(3)	(1)
Personnel and general administrative expenses	(1,946)	12.0	13.1	(1,737)	(1,350)
Depreciation and amortization	(126)	(8.9)	(8.0)	(138)	(124)
Other operating income and expenses	(117)	10.8	11.9	(106)	(98)
OPERATING PROFIT	3,231	40.3	41.7	2,303	1,649
Impairment losses on financial assets	(685)	117.6	119.7	(315)	(234)
Loan-loss provisions	(672)	132.9	135.2	(289)	(234)
Other	(13)	(50.1)	(49.6)	(26)	
Provisions	(73)	43.5	44.9	(51)	(79)
Other income/losses	43	n.m.	n.m.	(8)	(19)
PRE-TAX PROFIT	2,515	30.4	31.7	1,929	1,318
Corporate income tax	(739)	32.8	34.1	(556)	(387)
NET PROFIT	1,777	29.4	30.7	1,373	931
Minority interests	(2)	(43.3)	(42.8)	(4)	(40)
NET ATTRIBUTABLE PROFIT	1,775	29.6	30.8	1,370	891

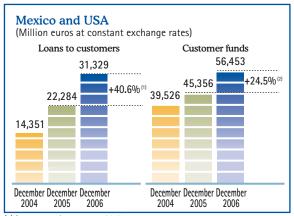
			$\Delta$ % at constant		
	31-12-06	$\Delta$ %	exchange rate	31-12-05	31-12-04
Cash and balances at Central Banks	5,955	(6.7)	5.8	6,380	4,378
Financial assets	23,465	15.0	30.1	20,407	15,922
Loans and receivables	35,901	(0.5)	12.5	36,092	26,021
<ul><li>Due from banks</li></ul>	2,146	(64.5)	(59.9)	6,048	5,484
<ul> <li>Loans to customers</li> </ul>	33,136	21.5	37.3	27,277	14,879
● Other	619	(77.6)	(74.6)	2,767	5,659
Inter-area positions	-	-	-	-	-
Property, plant and equipment	1,121	1.8	15.1	1,100	651
Other assets	5,388	4.3	17.9	5,168	2,484
TOTAL ASSETS / LIABILITIES AND EQUITY	71,830	3.9	17.5	69,147	49,455
Deposits by Central Banks and banks	8,445	(23.1)	(13.1)	10,985	9,964
Due to customers	45,832	9.1	23.5	42,001	30,635
Marketable debt securities	1,074	55.0	73.0	693	1,826
Subordinated debt	2,298	15.7	31.0	1,987	561
Inter-area positions	16	(33.0)	(24.1)	25	16
Other liabilities	9,975	3.1	16.6	9,678	3,997
Minority interests	8	(21.3)	(10.9)	10	6
Shareholders' funds	4,181	10.9	25.5	3,769	2,451

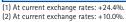
			$\Delta$ % at constant		
	31-12-06	$\Delta$ %	exchange rate	31-12-05	31-12-04
Customer lending (1)	31,329	24.4	40.6	25,185	13,595
Customer deposits (2)	43,307	5.7	19.5	40,970	30,464
Deposits	36,791	5.4	19.1	34,910	27,766
<ul> <li>Assets sold under repurchase agreement</li> </ul>	6,516	7.5	21.8	6,059	2,698
Off-balance-sheet funds	18,478	8.8	23.4	16,977	11,440
Mutual funds	9,853	21.4	37.6	8,115	5,005
Pension funds	8,625	(2.7)	10.3	8,862	6,435
Other placements	3,294	47.4	67.0	2,235	1,923
Customer portfolios	6,941	21.5	37.7	5,713	5,785
Total assets (3)	69,289	3.4	17.0	66,984	47,992
ROE (%)	46.7			44.2	36.4
Efficiency ratio (%)	35.9			40.5	41.9
Efficiency incl. depreciation and amortization (%)	38.2			43.8	45.8
NPL ratio (%)	2.19			2.24	2.87
Coverage ratio (%)	248.9			251.3	245.2

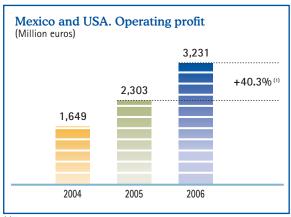
by 33.3% to €3,535m which was, together with net fee income and insurance business yielded (up 18.8%), the main driver of 2006 ordinary revenues, at €5,423m (up 27.8%).

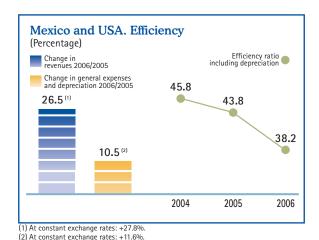
As expenses grew slower (up 11.6% including depreciation and amortization), despite the impact of higher activity, the efficiency ratio improved by 5.6 percentage points to close at 38.2% (43.8% in 2005), and operating profit rose 41.7% to  $\leq 3.231$ m.

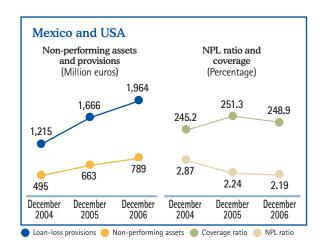
The non-performing loans ratio remained under control at 2.19% at 31-Dec-06 (2.24% one year earlier), with 248.9% coverage rate. However, the aforementioned increase in lending required a 135.2% increase in loan-loss provisions, which, pressured by generic provisions, reached €672m. This was due to the Group's provisioning of the consumer and mortgage portfolios, carried out since July 2005 to pre-empt expected loss.











# Banking businesses

In 2006, the area's banking businesses turned in an operating profit of €3,023m, a 44.5% rise on the previous year, and a net attributable profit of

€1,625m (up 32.9%). The most outstanding aspects of the BBVA Bancomer and BBVA USA performances are highlighted below.

# BBVA Bancomer

In 2006, the Mexican economy recorded its highest growth rate since the year 2000, with a 4.6% GDP rise, largely driven by domestic demand

components such as private consumption and investment, although foreign demand also contributed, especially the performance of the automotive industry. Environmental background conditions towards the latter end of the year (anomalies in food supply) left inflation slightly above 4%. However, with inflationary pressures expected to ease off over 2007, the Bank of Mexico was able to keep the short-term borrowing rate at 7% after the rate-cutting process that concluded in April, while in December, after some ups and downs, long-term rates reached their lowest levels of the year.

Increased exports, especially in oil products, and higher income from remittances and tourism, have financed an already low deficit in the balance of payments, and thus

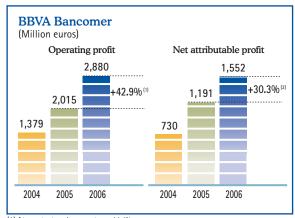
stabilised the exchange rate against the US dollar: although said exchange rate did experience a certain volatility during the months running up to the presidential elections in July. Therefore, after opening the year at 10.5 pesos per dollar, it approached 11.5 before the summer, to go on to close in December at 10.9 pesos per dollar. Against the euro, the Mexican peso fell by 11.8% over the year, reaching 14.3 pesos per euro at year-end 2006. However, 2006 average exchange rates on aggregate weakened 1.0% over 2005.

Lastly, public finances did well, concluding 2006 with a slight surplus, which represents the best performance in 25 years. In this scenario, the Federal Government made the first issue ever of Mexican peso bonds at a fixed interest rate and with a 30-year maturity.

During 2006, the finance sector continued to perform well, highlighting an increase in lending to individuals and small companies, underpinned by buoyant private consumption, business investment and employment.

Against this background, BBVA Bancomer's net attributable profit stood at €1,552m for 2006, which represents year-on-year growth of 31.6% and left ROE at 48.5%, as opposed to the 2005 figure of 46.0%.

The key factor in achieving these profits for the year was the customer business and manageable lending in particular, which showed a year-on-year increase of 30.6% and a year-end balance of €23,480m.

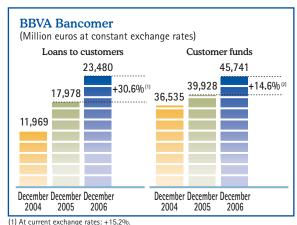




Loans associated with the individuals segment were the most dynamic, recording a year-on-year increase of 50.2%. Within this segment, consumer finance rose 44.3% (highlighting vehicle finance, which was up 59.4%) and credit cards (up 46.6%). The mortgage business (excluding the old mortgage portfolio) grew at the even higher rate of 55.7%, thus levering its balance at 31-Dec-06 up to €6,476m. One of the growth strategies applied to customer business in 2006 was that of boosting high loyalty products, such as pay-rolls loans, which recorded a 16.7% increase in the number of active accounts compared with 2005, which means that 4.8 million people now have their salary paid in through BBVA Bancomer.

Likewise, corporate lending also rose by 15.5%, with a markedly fast pace in loans to medium-sized companies, which experienced year-on-year growth of 33.2% to total €3,537m. In this segment, a 35% increase (1,100 customers) was achieved in the number of credit-user companies. This was partly due to an improvement in the service and speedier granting of loans, thanks to a rise in the number of branches authorized to approve loans (from 46 to 74), enabling 15% of operations to be validated in the same office as they were processed. Attention to large corporations, was, on the other hand, largely channelled through debt market finance.

Customer funds, including deposits, repos placed through the branch network, mutual



(1) At current exchange rates: +15.2%.
(2) At current exchange rates: +1.1%.

funds and other transactional products, stood at €45,741m at 31-Dec-06, 14.6% up on the same date one year earlier. The activity of lower cost deposits, such as current and savings accounts, has been particularly fast paced, showing an increase of 13.2% to stand at €17,198m. This has led to a market share of 29.7% in the attraction of current plus savings funds at year-end 2006. In this business line, the *Libretón*, passbook with a total of 1.59 million accounts, continues as product leader.

As regards term deposits, the strategy begun towards the end of 2005 to improve finance structure efficiency led to a shift of customer balances invested in term deposits (down 13.6% c.f. December 2005) towards repos (up 23%) and other alternative products (up 67.0%), as well as to mutual funds. Thanks to their distribution at retail level and to the design of special products, mutual funds have experienced a year-on-year rise of 37.6%, the volume of assets standing at €9,853m on 31-Dec-06. Moreover, BBVA Bancomer was active on the capital markets with two issues, one of subordinated debt and the other of warrants, coming to a total of 8,500 million pesos.

Net interest income was boosted by these higher business volumes, owing to the growing weight of lending on the balance sheet and appropriate price management. In this latter aspect, despite the fall in interest rates (the average IEIR lay at 7.5% as opposed to 9.6%

(Million euros)  Memorandum item:		Banking	business	es	Of	wich: BB	VA Banco	mer	F	ensions a	and Insura	nce
<u>_</u>	2006	Δ%	Δ0/0 (1)	2005	2006	Δ%	Δ0/0 (1)	2005	2006	Δ%	Δ% (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	-	_	<b></b>	-	-	-	-	-	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)	-	-	-	-
<ul> <li>Loan-loss provisions</li> </ul>	(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

(Million euros)  Memorandum item:		Banking	business	es	Of	wich: BB	VA Banco	mer	Pensions and Insurance			
	31-12-06	Δ%	Δ0/0 (1)	31-12-05	31-12-06	Δ%	Δ0/0 (1)	31-12-05	31-12-06	Δ%	Δ0/0 (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
<ul> <li>Due from banks</li> </ul>	2,143	(64.5)	(59.9)	6,046	1,491	(71.4)	(67.6)	5,216	20	212.1	252.7	6
<ul> <li>Loans to customers</li> </ul>	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

Memorandum item:		Banking	business	es	0f	wich: BB	VA Banco	mer	Pensions and Insurance			
	31-12-06	Δ%	Δ0/0 (1)	31-12-05	31-12-06	Δ%	Δ0/0 (1)	31-12-05	31-12-06	Δ%	Δ0/0 (1)	31-12-05
Customer lending <sup>(2)</sup>	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	-	-	-	-
<ul> <li>Pension funds</li> </ul>	-	-	-	-	-	-	-	-	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	-	<u>-</u>	-	-
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	-			-

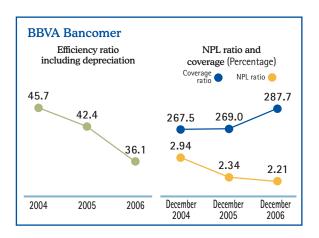
the previous year), BBVA Bancomer improved it customer spread, which went from 11.87% in the last quarter of 2005 to 12.50% in the same quarter of 2006. This was possible thanks to the fall in deposit costs (2.43% in the fourth quarter of 2006, versus 3.64% recorded in the same period in 2005) exceeding the fall in investment yield (14.92% in the last quarter of 2006, down from 15.51% for the same period 2005), which has benefited from strong growth in the most profitable lending modes.

Therefore, net interest income came to €3,259m in 2006, up 33.7% on 2005. Increased activity has also favoured fee income, which totalled €1,196m, with a growth rate of 20.8%, and particularly those associated with the issue of credit and debit cards, mutual funds and other traditional banking activities. Likewise, market operations contributed €166m to profits, up 4.3%. This left ordinary revenues at €4,619m, 28.8% higher than in 2005.

Higher activity has also had a bearing on operating expenses, which rose 9.5% to stand at €1,666m (including depreciation and amortization). As this rate was lower than that

of income growth, the efficiency ratio for 2006 lay at 36.1%, an improvement of 6.3 percentage points over the 42.4% ratio recorded one year earlier and operating profit went up by 44% 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. It did, however, lead to a 152.3% increase in loan-loss provisions, which reached €633m, largely



corresponding to generic provisions (it should be remembered that the Group provisions its consumer and mortgage lending on the basis of expected loss). Thus, coverage rate rose to 287.7% (as against 269.0% on 31-Dec-05).

One of the most outstanding features of the Retail Banking business in 2006 was the increase in the customer base, which had passed the 13 million mark at the close of the year. A key factor was the sale of 4.08 million credit cards (including bank cards and Finanzia cards), which represents a rise of 42.7% over 2005, positioning BBVA Bancomer as leader in this segment, with a market share of 35.0%. Moreover, the attraction of low cost funds through the Libretón continued to rise, through campaigns such as the Quincena Especial (Special Fortnight), held to celebrate its tenth anniversary, which attracted over 1,600 million pesos, with 78% customer-fund retention and 25,000 new accounts opened.

2006 saw an expansion of the distribution network, with 41 new branches opened and a further 456 ATMs and over 19,000 new point-of-sale terminals.

Service improvement continued to be a priority, and the projects to address this point included the implementation of customer differentiation mechanisms by introducing automatic and semi-automatic queues in the offices. At year-end 2006, these systems had been fitted in 701 branches, enabling 98% of preferential customers to be attended in less than 10 minutes and 95% of companies in less than 15 minutes. Likewise, the Bancomer Q programme was introduced, which rewards service quality in branches subscribed to the said programme, in exchange for a monetary incentive package and curriculum value.

All of this has had a positive effect on commercial productivity, which rose 16% over the year to reach a figure of 95.4 products sold per manager per month.

The products launched by Retail Banking in 2006 include the *Bancomer Platinum* card, which is offered to preferential customers to reward their loyalty through benefits such as lower interest rates, inclusion in the *Bancomer Vida* (Bancomer Life) loyalty programme and a

complete range of insurance products. Furthermore, as part of the new segments penetration policy, specialised products have been created, such as the first prepaid card for young people, *Tarjeta 40*, in partnership with the country's largest radio broadcaster, reaching almost 8,000 new cards in the last quarter of 2006. Likewise, Finanzia continued its penetration in its commercial partner outlets through the *Crédito Inmediato Bancomer* (Bancomer Instant Loan), whereby, for customers with a credit record and bank credit card, credit lines are approved in just 20 minutes.

Mortgage Banking in BBVA Bancomer has turned in a year-on-year growth of 26% in the placement of new operations with individuals. With over 63,000 loans granted during 2006, it overtook its nearest competitor by over 46,000 mortgages and the Sofoles (specialised mortgage lenders) by almost 26,000. Bancomer thus consolidated it leadership with a market share of 41.2% in loans to individuals, exceeding not only the aggregate share of the system's six most important banks, but also that of the Sofoles. As regards housing developer lending, loans have been granted for almost 88,000 dwellings, 27% over the 2005 figure.

Mortgage Banking continued innovating with new products, including the *Hipoteca* Binacional (dual nationality mortgage), launched jointly with the Laredo National Bank, where it offers mortgages to non-Mexicans who want to buy a home in the country's tourist areas. The Hipoteca Cambio de Casa (Move House Mortgage) is another new product. It allows customers to buy a second home, financing up to 100% of its value without having to sell their current home at the same time. Two further mortgage loan programmes were launched in partnership with the ISSSTE Housing Fund, which use workers' housing sub-accounts to form a retirement fund or to put down the deposit on a home.

Wholesale and Investment Banking continued its market positioning by offering innovative solutions to large companies with products aimed at cash management and increased finance to companies through derivative instruments, recording over 90 operations of this type. It likewise kept its position as leader in the placement of debt in local financial markets, reaching a market share of 16.4% (source: Bloomberg), through the placement of 13 debt issues approaching a total of 19,000 million pesos. This achievement was honoured by the magazine *Latin Finance*, who distinguished BBVA Bancomer as "Best Investment Bank 2006".

Among the operations undertaken during the year, particular mention should be made of two warrant issues: one for Petróleos Mexicanos (PEMEX) worth 10,000 million pesos, said company's largest ever placement in the local debt market, and one to refinance the Mexico-Toluca highway worth over 5,500 million pesos, the largest operation in road projects in Mexico's history. It also acted as placement agent for a syndicated loan worth 610 million pesos to Chedraui retail chain stores which enabled it to attract the pay-roll of 26,000 employees. It was involved in the capital market as placement agent in the ARA Consortium secondary takeover bid for an overall sum of 2,557 million pesos.

The United States BBVA's business in the United States, called altogether BBVA USA, was consolidated over 2006, if we consider that since the start-up of the project early

in 2004, when it only comprised BBVA Puerto Rico and the BTS money transfer unit, its assets have increased four-fold. At year-end 2006, it had acquired a significant presence, having incorporated Laredo National Bank, BBVA Bancomer USA, the Finanzia USA consumer finance project and Texas State Bank. Moreover, in the month of January 2007, State National Bank, headquartered in Dallas, Texas, also joined the Group, contributing nearly €900m in lending to customers and €1,000m in deposits.

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 net attributable profit reached €64m (up 81.7%).

The takeover of the two new Texas banks is a huge step in the consolidation of the banking project in this state, where there will be a distribution network of over 160 branches and almost 4,000 employees, aiming to attend all kinds of customers, both individuals and companies.

Laredo National Bank (LNB), in its first full year as a BBVA Group member, increased its loans by 9.8% to reach a balance of €1,640m, boosted by mortgages and consumer finance in particular, which grew 12.5% and 9.1%, respectively. As for deposits, they rose 12.5% to a total of €2,570m.

These higher activity levels have given rise to an operating profit of  $\leq$ 45m, as compared with the  $\leq$ 23m recorded the previous year, and a net attributable profit of  $\leq$ 30m ( $\leq$ 13m in 2005).

In 2006, LNB developed new products for individual customers, such as mortgage secured loans, personal loans, current accounts with competitive yields and investment products for national and foreign customers. It also created a foreign trade department, in order to provide a more comprehensive service to companies.

Consumer finance was also marketed through the Finanzia USA pilot project, a business division of the Laredo National Bank, devoted, in 2006, to the marketing of credit cards through LNB branches, supermarket stands and direct sales.

The month of November saw the purchase of Texas Regional Bancshares, which brought the incorporation into the Group of Texas State Bank, whose headquarters are in McAllen, Texas. At 31-Dec-06, this bank's lending came to €3,115m, with deposits totalling €4,651m; it has a network of 73 branches and 2,009 employees. From the day it joined the Group to year-end 2006, it contributed an operating profit of €20m and a net attributable profit of €10m.

In Puerto Rico, the economic environment took a downturn in 2006 due to problems suffered in financing its public debt and the approval of tax reforms. In May, its major Government agencies closed temporarily and the prices of basic services rose while tax rates were put up.

Despite this background, BBVA Puerto Rico recorded a year-on-year growth of 11.0% in loans, which came to €3,057m (highlighting mortgages, which rose 22.0%), while deposits stood at €3,340m, showing an increase of 12.6%, largely in term deposits.

Appropriate management of interest rate risk, growth in fees and moderation in expenses led to an operating profit of €67m, 12.7% up on 2005. It reported a net attributable profit of €25m, up 17.7% on the previous year.

BTS, the money remittance business, has extended its distribution network with new alliances and new channels. In 2006, remittances began from the United States to Asia resulting from alliances with banks in China, India and the Philippines, the main remittance recipient countries in the region. Remittances from Europe doubled for the year and the main transfer brokers (from the USA to Mexico and from the USA to the rest of Latin America) grew by 12% and 46%, respectively. All of this resulted in a volume in excess of 22 million transfers in 2006, recording a year-on-year increase of 18%, levering net attributable profit to €15m (up 24.9% on 2005).

In California, BBVA Bancomer USA completed the first stage in its development, with 32 bank branches offering basic banking services to first and second-generation customers of Latin American origin, together with complementary products such as telephone cards, cashing cheques and money transfers. Some 27,500 new accounts were opened in 2006, raising the deposits balance by 13.4%. During the last quarter of the year, plans were developed to offer mortgage loans jointly with Laredo National Bank and Hipotecaria Nacional, and credit cards with Finanzia USA.

# 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 net

attributable profit (up 9.8%).

In Mexico, the BBVA Group maintains a highly prominent position in the pensions and insurance sectors, with companies in each of these business lines. Thus in pensions it is represented by Afore Bancomer, in the annuities business by Pensiones Bancomer, while Seguros Bancomer covers a full range of insurance activities and Preventis (merged with Meximed in 2006) provides its services in the field of health insurance. This area, furthermore, includes the insurance business undertaken in Puerto Rico, which generated a net attributable profit of €1m in 2006.

The year was exceedingly complex in the pension business in Mexico due to the hardening of the sector's competitive environment as new and aggressive competitors moved in. The most direct consequences were an increase in the size of the sales force and a significant squeeze on fees throughout the industry. In the specific case of Afore Bancomer, the second biggest Mexican pension fund manager in assets under management and subscribers. It had to completely overhaul its charges, reducing both fee income and attributable profit, which went down 21.0% against the previous year, to €65m. For its part, the assets managed by the company at 31-Dec-06 came to €8,625m, 10.3% over that administered on the same date, one year earlier.

The insurance business in Mexico, however, was buoyant. A fast commercial pace was set throughout the sector and Seguros Bancomer was no exception, reporting a 64.6% increase over 2005 in the aggregate volume of premiums issued. All business lines showed important progress, although more particularly so in the lines linked to banking activity, savings products and those marketed through alternative channels. The joint net attributable profit of the Group's three

Mexican companies (Seguros Bancomer, Pensiones Bancomer and Preventis) stood at €109m in 2006, which represents a year-on-year rise of 43.2%.

(Million euros)			_	ı	
	2006	Λ%	∆% at constant exchange rate	2005	2004
NET INTEREST INCOME	3,252	32.1	33.4	2,462	1.762
Income by the equity method	(2)	n.m.	n.m.	-	(2)
Net fee income	1,277	15.7	16.8	1,104	905
Income from insurance activities	305	33.3	34.6	229	191
CORE REVENUES	4,832	27.3	28.6	3,795	2,856
Net trading income	182	6.1	7.1	172	133
ORDINARY REVENUES	5,014	26.4	27.7	3,966	2,990
Net revenues from non-financial activities	(4)	61.0	62.6	(3)	(1)
Personnel and general administrative expenses	(1,694)	11.1	12.2	(1,525)	(1,213)
Depreciation and amortization	(98)	(15.7)	(14.9)	(116)	(119)
Other operating income and expenses	(117)	10.5	11.6	(106)	(98)
OPERATING PROFIT	3,102	39.9	41.3	2,218	1,558
Impairment losses on financial assets	(646)	131.1	133.4	(280)	(208)
• Loan-loss provisions	(633)	149.8	152.3	(254)	(208)
• Other	(13)	(50.4)	(49.9)	(26)	-
Provisions	(70)	46.4	47.9	(48)	(77)
Other income/losses	36	n.m.	n.m.	(10)	(20)
PRE-TAX PROFIT	2,422	28.8	30.1	1,880	1,254
Corporate income tax	(710)	30.8	32.1	(542)	(368)
NET PROFIT	1,713	28.0	29.3	1,338	886
Minority interests	(2)	(43.8)	(43.2)	(3)	(39)





# SOUTH AMERICA

# Banking businesses

- Argentina
- Chile
- Colombia
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela
- Pensions and 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. 2006 saw the incorporation of the finance company Forum in Chile, while Granahorrar in Colombia became part of the Group at the end of 2005.

At 31-Dec-06, the area managed a business volume (aggregate of lending and total customer funds) of €73,585m, up 23.3% year-on-year, through a network of 1,613 branches and 28,609 employees. In 2006, the area gave a net attributable profit of €509m, up 34.4% on the previous year (37% at a constant exchange rate).

The economic context was positive in 2006, as the region continued to enjoy its period of greatest growth in recent decades, with an average rate of expansion of 5%, average inflation of 6% and government

(31-12-06)	Banks	Pension fund managers	
Argentina	•	•	•
Bolivia		•	
Chile	•	•	•
Colombia	•	•	•
Ecuador		•	
Panama	•		
Paraguay	•		
Peru	•	•	
Dominican Republic		•	•
Uruguay	•		
Venezuela	•		•

deficit below 1% of the GDP. This macroeconomic stability is based on consistent economic policies, greater independence of central banks and tighter fiscal discipline. Further positive elements were the high

(Million euros)									Memorandu	ım item:			
		Sc	outh Amer	ica			Banking b	usinesses		Pe	nsions an	d Insuranc	ce c
	2006	Δ%	Δ‰ (1)	2005	2004	2006	Δ%	$\Delta^{0}\!\!/\!_{0}$ (1)	2005	2006	Δ%	$\Delta$ % $^{(1)}$	Δ2005
NET INTEREST INCOME	1,310	26.1	28.4	1,039	908	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	596	434	17.2	19.7	371	259	8.4	7.5	239
Income from insurance activities	(6)	n.m.	n.m.	5	(20)	-	-	-	-	121	27.3	33.7	95
CORE REVENUES	2,122	22.1	24.1	1,738	1,485	1,739	24.1	26.4	1,402	389	13.9	14.9	342
Net trading income	282	80.3	85.5	157	95	238	87.5	94.6	127	45	50.1	48.8	30
ORDINARY REVENUES	2,405	26.9	29.1	1,895	1,579	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	5	-	-	-	-	-	(99.0)	(99.0)	9
Personnel and general administrative expenses	(1,103)	18.3	20.4	(933)	(815)	(870)	20.5	22.8	(722)	(210)	11.5	13.2	(188)
Depreciation and amortization	(93)	34.9	36.2	(69)	(85)	(82)	48.6	50.4	(55)	(11)	(19.0)	(19.1)	(14)
Other operating income and expenses	(46)	14.2	17.3	(40)	(33)	(45)	17.8	20.7	(38)	2	162.5	113.2	1
OPERATING PROFIT	1,163	35.0	37.4	861	651	980	37.5	40.4	713	216	20.3	20.4	179
Impairment losses on financial assets	(149)	87.6	85.4	(80)	(73)	(149)	73.6	71.8	(86)	(1)	n.m.	n.m.	-
Loan-loss provisions	(151)	114.1	111.5	(71)	(73)	(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)	(101)	(51)	(33.8)	(31.5)	(77)	(8)	n.m.	n.m.	(1)
Other income/losses	_	(97.8)	(97.8)	14	21	-	(96.6)	(96.9)	9	(1)	n.m.	n.m.	6
PRE-TAX PROFIT	955	33.1	35.5	718	498	781	39.6	42.7	559	207	12.5	13.1	184
Corporate income tax	(229)	38.4	41.6	(166)	(139)	(179)	42.5	46.0	(125)	(62)	21.3	23.0	(51)
NET PROFIT	726	31.4	33.7	552	359	602	38.7	41.7	434	145	9.2	9.4	133
Minority interests	(217)	25.1	26.5	(173)	(130)	(180)	28.9	31.2	(140)	(36)	9.1	7.3	(33)
NET ATTRIBUTABLE PROFIT	509	34.4	37.0	379	229	422	43.4	46.7	294	109	9.2	10.1	99

(Million euros)									Memorandu	m item:			
		So	uth Amer	ica			Banking l	ousinesses		Per	nsions an	d Insuran	ce
	31-12-06	Δ%	$\Delta$ % $^{ ext{(1)}}$	31-12-05	31-12-04	31-12-06	Δ%	$\Delta$ % $^{(1)}$	31-12-05	31-12-06	Δ%	$\Delta$ % <sup>(1)</sup>	31-12-05
Cash and balances at Central Banks	2,889	7.1	16.2	2,698	1,679	2,889	7.1	16.2	2,698	1	61.4	84.8	-
Financial assets	4,218	(16.7)	(8.2)	5,061	4,139	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	11,993	20,629	18.7	32.3	17,378	547	(5.3)	7.9	578
<ul> <li>Due from banks</li> </ul>	3,583	26.0	40.8	2,844	1,648	3,364	34.1	49.4	2,508	290	(28.0)	(17.8)	403
<ul> <li>Loans to customers</li> </ul>	17,014	15.5	28.8	14,726	9,925	16,861	15.7	28.9	14,578	174	1.7	15.2	171
• Other	461	55.9	75.6	296	421	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	139	417	(4.2)	6.4	435	71	(12.3)	-	81
Other assets	1,842	(12.6)	(5.6)	2,107	1,492	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	19,443	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	1,837	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	13,950	21,356	4.6	16.0	20,420	-	(100.0)	(100.0)	-
Marketable debt securities	468	22.2	38.7	383	344	475	23.9	40.6	383	-	-	-	-
Subordinated debt	1,112	32.6	36.7	839	108	441	142.3	181.1	182	-	-	-	-
Inter-area positions	30	2.5	1.6	29	265	-	-	-	-	-	-	-	-
Other liabilities	2,604	4.0	16.7	2,503	1,327	1,529	19.4	32.2	1,281	1,363	5.9	20.2	1,286
Minority interests	695	4.0	14.5	669	473	621	5.6	15.7	588	74	(7.9)	5.9	81
Shareholders' funds	1.684	12.9	25.4	1,491	1.138	1,410	13.2	25.4	1,246	274	11.5	25.5	246

		C-			-		) l.: l-		Memorandu			d I	
-	31-12-06		uth Amer Δ <sup>(1)</sup>		21 12 04	Banking businesses  31-12-06 Δ% Δ% <sup>(1)</sup> 31-12-05				Pensions and Insuranc 31-12-06 Δ% Δ% <sup>(1)</sup>			31-12-05
Customer lending (2)	• • • • •	Δ%	• • • • •		31-12-04				• • • • •	31-12-06	Δ%0	Δ9/0 **	31-12-05
Customer lending s	17,366	15.6	28.8	15,018	10,160	17,366	15.6	28.8	15,018	-	<del>-</del>		-
Customer deposits (3)	22,773	8.3	20.2	21,023	14,515	22,773	8.3	20.2	21,023	-	<b>-</b>	-	-
Deposits	21,667	9.1	20.9	19,864	14,051	21,667	9.1	20.9	19,864	-	<u>-</u>		-
Assets sold under repurchase agreement	1,106	(4.6)	6.8	1,159	465	1,106	(4.6)	6.8	1,159	-	<del>-</del>	-	-
Off-balance-sheet funds	33,447	8.0	22.7	30,978	22,329	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	1,017	1,575	21.2	33.5	1,299	-	<u>-</u>	-	-
Pension funds	31,872	7.4	22.2	29,679	21,312	-	-	-	-	31,872	7.4	22.2	29,679
Customer portfolios	-	-	-	-	85	-	-	-	-	-	-	-	-
Total assets (4)	29,391	7.5	19.4	27,350	18,699	28,463	9.2	21.1	26,063	-	-	-	-
ROE (%)	31.8			30.1	19.6	31.8			28.9	40.0			41.4
Efficiency ratio (%)	45.9			49.0	51.5	44.0			47.3	48.3			49.5
Efficiency incl. depreciation and amortization (%)	49.7			52.6	56.8	48.1			50.9	50.9			53.1
NPL ratio (%)	2.67			3.67	4.81	2.69			3.71	-			-
Coverage ratio (%)	132.8			109.3	104.1	132.8			109.3	-			-
At constant exchange rate.     Gross lending excluding NPLs.     Including marketable debt securities.     Excluding insurance.				ı									1

commodity prices and the relative abundance of global liquidity, giving rise to important amounts of capital flowing into the region. Despite turbulence in the second quarter of the year, interest rates were generally stable, although there was a slight upward trend, which implied a positive year for financial markets.

As far as exchange rates are concerned, in the year, Latin-American currencies fell against the euro, with the consequent negative impact on the financial statements of the area when expressed in euro, the impact being more intense on balances than on earnings lines. The attached tables contain a column with year-on-year variations at constant exchange rates. Unless otherwise stated, the following remarks refer to these figures.

In this positive context, the Group's banks' business activity was intense, and led to high growth rates in business volumes, particularly that related to lending, where all types registered significant advances. This sharp organic growth was complemented by the incorporation of two new companies into the area: Granahorrar, at the end of the previous year, with an aim to reinforcing the Group's

position in the Colombian mortgage market, and Forum, a Chilean company specialising in vehicle finance, whose incorporation took place in May.

For their part, the Group's pensions and insurance companies faced a varying context, complex in the case of the pensions segment and more favourable in that dealing in insurance. The former was particularly influenced by the competitiveness observed in most countries deriving from the entry of new competitors, with the consequent pressure on the sector's earnings. On the contrary, the insurance companies enjoyed a positive year, with advances in all of their lines of activity, especially in bancassurance.

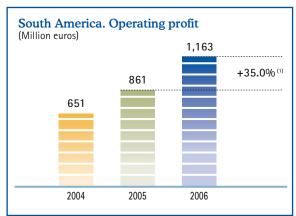
In this context, the South America area recorded a very favourable year, in which business conducted with customers was particularly relevant, especially in the case of the lending segment, which ended 2006 with total loans of €17,366m, up 28.8% on 31-Dec-05. Unlike previous years, this time it was buoyant demand from private individuals (in mortgages, consumer finance and credit cards) and from small businesses that was the decisive factor driving growth. In fact,



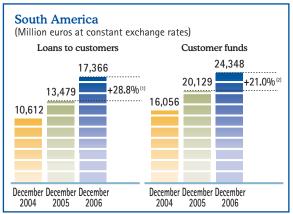
(1) At constant exchange rates: +37.0%.

year-on-year, the combined growth of these segments was 35%. Customer deposits and mutual funds also performed well, reaching €24,348m, up 21.0% on the figure at 31-Dec-05. Efforts by all units to maintain spreads by boosting the volume of lower cost customer funds were largely successful. Last of all, managed pension funds reported a year-on-year rise of 22.2%, 2006 ending with a volume of €31,872m.

The higher level of business had an extremely positive effect on volumes. This was the key factor driving the sharp growth in the area's recurrent earnings, as it offset the negative impact of the slightly upward trend in interest rates. Thus, in 2006, net interest income was up 28.4% on the previous year to a total of  $\leq 1,310$ m, while net fee income and revenues from insurance activities came to  $\leq 809$ m, with a year-on-year increase of



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

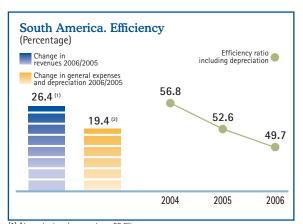


(1) At current exchange rates: +15.6% (2) At current exchange rates: +9.1%.

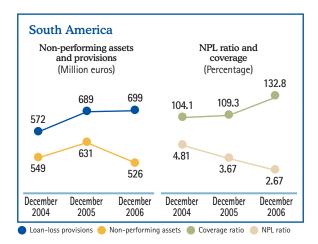
17.2%. The stability in the region's financial markets had a positive impact on net trading income, which jumped to €282m, up 85.5% on 2005. Because of this strong performance, ordinary revenues registered a year-on-year increase of 29.1% to €2,405m.

Operating expenses grew 21.5%, owing to the sharp increase in business, the increase in the pensions sales force, the relatively high inflation in certain countries (Argentina and Venezuela) and the addition of Granahorrar and Forum. At any rate, expenses grew less than revenues, and so the cost/income ratio improved to 49.7%, as opposed to 52.6% in 2005, and 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, the area's non-performing loan



(1) At constant exchange rates: +28.6% (2) At constant exchange rates: +21.5%.



ratio dropped to 2.67% at 31-Dec-06, down from 3.67% on the same date the previous year. Therefore the increase in loan-loss provisions to €151m, more than double the 2005 figure, was the result of generic provisions caused by the sharp rise in business volumes. This was obvious in the upward trend of the level of coverage of non-performing loans, which rose to 132.8% (109.3% at the end of 2005).

In consequence, net attributable profit rose to €509m, up 37.0% on the previous year (34.4% with current exchange rates), and return on equity (ROE) rose to 31.8%, as opposed to 30.1% reported in 2005.



In 2006, net attributable profit generated by the banks in this area surged to €422m, implying an increase of 46.7% on 2005. Significant events at the

different banks are detailed below.

# **ARGENTINA**

The economic context in Argentina was very positive in 2006, reporting an increase of 8.5% in its GDP, due both to the strength of domestic demand and to the upward trends in the foreign sector, which allowed the country to easily reschedule the year's maturity dates and cancel all its obligations to the IMF. The financial system faced a year of acceleration in retail lending, particularly in consumer

finance, credit cards and loans to small companies. The mortgage segment started to show signs of improvement, after a period of virtual stagnation since the end of the slump. Deposits also showed positive trends, with a significant increase in fixed-term deposits in pesos, which benefited from the gradual rise in interest rates.

In 2006, BBVA Banco Francés, the largest of the private banks in terms of deposits, reported a strong business performance, influenced by the growing contribution of the alternative distribution channels, whose development continued throughout the year. Lending was up 23.0% on the figures at 31-Dec-05, boosted by retail lending, which rose by 46.7%, whereas 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 the divestments in the first half of the year) improved the bank's business mix. This boosted the growth of net interest income (+11%).

The consolidation of transactional business (administration of payment channels, insurance, account opening and credit and debit card transactions) contributed to strong growth in fee income, while net trading income benefited from capital gains on the sale of public-sector assets. These positive developments in revenues led to a year-on-year rise of 45.5% in operating profit to €288m. Moreover, minor loan-loss provisioning needs implied that this rise in the operating profit favourably affected net attributable profit which reached €136m in 2006, 62.5% up on the previous year.

# **CHILE**

The Chilean economy showed a good performance in 2006, with a growth of 4% in its GDP and a 2.6% inflation rate, although its activity progressively slowed down in the second half of the year which allowed the Central Bank to halt its cycle of successive increases in interest rates. In the financial sector, the year was characterised by

sharp growth in lending, favoured, as in 2005, by the expansion of the individuals segment, especially in consumer finance. But it was also a year of fierce competition and high commercial aggressiveness, which, together with a rise in interest rates in the first half of the year, had a negative effect on spreads.

In this complicated context, in 2006, BBVA Chile proceeded to redefine its distribution channels, in order to reactivate the commercial productivity of its branch network; work was also done to consolidate its agreements business (finance agreements for the companies' workforce) and strengthen its position in the mass consumer segment through the BBVA Express network. The SME banking branch network was streamlined, Corporate banking consolidated its privileged position in the segment and Asset Management broadened its range of mutual funds, with the launch of eight new funds. All these measures were developed within the framework of the "CxC" strategy project for the 2006-2009 period, the aim of which is to place BBVA Chile among the main finance groups in the country. One of the plan's objectives, to gain ground in the consumer finance segment, was strengthened thanks to the purchase of 51% of Forum Servicios Financieros, leader in vehicle finance in Chile, with a market share of 12.4%.

The company's intense commercial activity led to year-on-year growth of 21.4% in lending and 21.3% in customer funds. The positive effect of this increased activity offset the impact of tighter spreads, resulting in an 8.7% rise in net interest income with respect to the previous year to reach €168m. Increased commercial activity and the expansion of the BBVA Express branch network gave rise to a 13.3% increase in expenses including depreciation. Thus operating profit came to €90m, similar to 2005. Higher loan-loss provisioning, linked to the growth in business and to requirements deriving from the historic portfolio, conditioned net attributable profit which stood at €7m.

## **COLOMBIA**

The Colombian economy showed positive trends in 2006, with GDP rising by around 7%, thanks to dynamic private consumption and investment, and a lower inflation rate (4.5%). The short-term interest rate, DTF, showed an upward trend throughout the year, whereas the long-term rates underwent great volatility in the second quarter, giving rise to a sharp adjustment of the prices of financial assets and of the exchange rate of the peso against the dollar, stood at year-end at a level similar to that of December 2005. In the finance system, the concentration process continued, with several purchase and merger operations and the number of banks being reduced to 18. It was also a year of fierce competition, particularly in the mortgage segment.

BBVA Colombia, the third largest financial group in Colombia, celebrated its 50th anniversary in 2006. The year was marked by the merger with Granahorrar, whose legal stage was approved on May 2, and the effective integration successfully concluded in November. It was also a year of significant growth in business volumes, as regards lending (28.3%) as well as funds (16.3%), despite the fact that, as already pointed out, the competitive context was particular complex. With regard to lending, of particular note is the progress made by consumer finance (up 52%), thanks to the success of the campaign launched in the first part of the year, by the mortgage portfolio (up 24%), despite the commercial war, and loans to companies (up 24%). In the case of customer funds, of special significance was the year-on-year increase in savings accounts (up 25%), thanks to the El Libretón campaigns. Similarly, worthy of mention is the placement of 400,000 million pesos in subordinate bonds, helping the company to improve its capital solvency ratio.

The increase in business volumes offset the effect of tighter spreads, especially in lending, due to aggressive competition in the mortgage segment; 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% from 7.84% at 31-Dec-05. BBVA Colombia contributed operating profit of €135m (up 49.2%) and net attributable profit of €96m, twice last year's figure, to the Group.

Worthy of mention is its acknowledgement as best Internet bank for corporate and institutional customers awarded by *Global Finance* magazine.

## **PANAMA**

The Panamanian economy reported a growth in GDP of around 7.5% in 2006, a consequence of upwards trends in world trade and the high growth rate of the building sector, boosted by real estate projects and megaprojects like the enlargement of the Canal. The financial sector showed sharp increases in lending and deposits, in a year which saw the purchase of several local banks by international banking companies.

In this context, BBVA Panamá increased its lending by 18.9% and customer funds by 32.6%. Worthy of mention is the year-on-year increase of the individuals segment, particularly consumer finance (26.3%), and of loans to companies (17.8%). This increased activity favoured all lines of business, driving a rise of 14.6% in ordinary revenues and 17.9% in operating profit. This, together with the reduced loan-loss provisioning requirements brought the net attributable profit to €22m, showing a year-on-year growth of 16.3%.

In 2006, BBVA Panama was given a BBB–(investment grade) rating by Standard & Poor's, one level higher than that of the country's national debt.

## **PARAGUAY**

Paraguay's economy grew by more than 3% in 2006, with an inflation rate in the line of previous years and its public accounts overhauled. In consequence, the guarani

appreciated against the dollar, affecting the country's export sector.

BBVA Paraguay celebrated its 45th anniversary with an excellent year, reinforcing its position as leader in the lending market, with a share of 20%. In 2006, it continued to prioritise financing in the production sector – especially that of the dairy and farming sector - though it did not neglect the mortgage segment and launched the first 20-year loan on the market. Lending rose by 20.2% with respect to 2005, whereas customer funds were up by 9.3%, bringing along an increase in income, particularly in net interest income (up 20.6%) and in fee income (up 17.8%). Positive trends in expenses helped improve efficiency to 26.4% and drove operating profit up by 23.2% with respect to the previous year, and net attributable profit up by 26.7%, reaching €14m.

For the third year running, BBVA Paraguay was given the highest rating by the Supervising Authority of Banks of Paraguay.

#### **PERU**

The Peruvian economy showed a growth in GDP of over 7% in 2006, a result of upwards trends in domestic demand, particularly in the case of private individual investment and finance, which offset the slow down in the foreign sector. It was likewise a year of stable prices, with a consumer price index below 2%. Last of all, the sol appreciated against the dollar, backed by the entry of capital into the country and the trade surplus.

2006 was a highly positive year for BBVA Banco Continental, Peru's second largest finance company, with strikingly dynamic activity, especially in terms of lending, which reported a year-on-year increase of 35.1%. The market share captured reached 27.2%, up 425 basis points with respect to December 2005. The said increase affected all lines of business: consumer finance and cards grew by 39.4%, loans to companies by 35.5%, and mortgage loans by 20.7%. In the case of customer funds, priority was given to the

lower-cost customer funds, which led to a year-on-year growth of 18.2% of call deposit and savings accounts.

Greater business volumes offset the impact of the rising interest rates, particularly negative in the first part of the year. This brought the net interest income to €213m, showing a year-on-year increase of 19.7%. Similarly, net fee income went up by 15.4%. These positive trends in income were likewise evident in the operating profit, which came to €197m, up 17.9% on the figure for 2005. The increase in loan-loss provisions was owing to general needs deriving from the sharp growth in activity, as the NPL rate improved to up to 2.09% from 2.89% at 31-Dec-05. Consequently, net attributable profit reached €56m, up 20.9% on the previous year.

BBVA Banco Continental was awarded the highest rating to a Peruvian bank as issuer of long-term financial instruments in local currency, as it was given a BBB grade, considered an investment grade, by Fitch. Moreover, BBVA was named the Best Bank in Peru for the second year running by *Global Finance*, and *América Economía* magazine ranked it 5<sup>th</sup> among the 25 best Latin American banks (the first among Peruvian banks).

## URUGUAY

The Uruguayan economy showed positive trends in 2006, with GDP growing by almost 7% and inflation remaining within the Government's parameters (6%). The financial system reported moderate growth in activity, approximately 9% in the private sector lending and almost 5% in deposits.

In this context, BBVA Uruguay enjoyed its best year ever, with net attributable profit of €8m. This was owing to a large extent to the renewed approach to its commercial strategy, together with a process of rationalisation of administrative costs.

#### **VENEZUELA**

Positive developments in Venezuela's economic activity implied a growth in GDP of around

10%, closely linked to the extremely high price of oil worldwide. This helped finance the increase in public spending and domestic demand, although, at the same time, it led to an inflation rebound and a considerable monetary expansion. This economic context favoured the strong expansion of financial business, as regards both loans and deposits, despite ongoing high political and regulatory uncertainty.

2006 was one of BBVA Banco Provincial most outstanding years, showing net attributable profit of €82m, up 54.2% on that of 2005. One of the focal points of strategy in 2006 was the diversification of the loan portfolio, with priority given to business with individuals, particularly in the consumer finance and credit card segments, while reinforcing leadership in the financing of vehicles. One of the most innovative products launched in 2006 was the Crédito Nómina Instantáneo (Instant Payroll Loan), the first consumer finance product of this type offered in Venezuela. In this firm commitment to the retail business, the bank tailored its organisational structure, promoting the commercial network, reorganising SME and Institutions banking and promoting direct sales channels. As a result, the lending balance rose by 51.2% in the year, while customer funds increased by 48.0%, with current accounts being the most dynamic.

This positive performance brought the net interest income up by 48.0% on that obtained in 2005. Net fee income likewise reported positive trends (up 32.6%). As did market operations (up 86.1%), which, together with a moderate increase in expenditure, led to a year-on-year advance of 92.6% of the operating profit to €215m.

In 2006, BBVA Banco Provincial was included among the top ten high tech companies in Venezuela by *IT Manager* magazine, and the only financial institution among the top ten, and was voted best Internet bank for corporations and institutions in Venezuela by *Global Finance* magazine.



The Pensions and Insurance unit for South America generated net attributable profit of €109m in 2006, up 10.1% on the previous year.

## **PENSIONS**

2006 was a rather complicated year for the pension business, with a high level of competitiveness in most countries and fresh competitors on the market, leading to an increase in the sales force and downward pressure on pension managers income.

At the end of the year, the pension managers of the South American area were managing €31,872m, up 22.2% on that at 31-Dec-05, the number of subscribers was in excess of 9.3 million, showing a year-on-year rise of almost half a million, and contributions recorded a year-on-year growth of 25.3%. Chile's AFP Provida held onto its position as leader with managed assets worth €20,559m, up 22.6% on the figure for 2005, and a share in the Chilean market of 31.1%. For its part, Consolidar AFJP managed €4,099m, showing a year-on-year growth of 30.6% and a market share of 18.7%, Horizonte Colombia managed €3,269m (+20.2%), with a share of 16.4%, and Horizonte Perú managed €2,591m (+34.1%), with a share of 26.2%.

This increase in activity boosted the ordinary revenues of all of the managers, which reported a year-on-year increase of 11.8%. Nevertheless, it likewise led to a slight upward turn in expenditure, and the resulting increase in operating profit stood at 7.8%. Net attributable profit reached €67m (up 6.6%), of which €43m were contributed by AFP Provida (up 34.6%), €14m, by AFP Horizonte Colombia (up 48.3%), despite the market volatility in the said country, and €6m, by AFP Horizonte Perú, in an extraordinarily complex competitive context.

#### **INSURANCE**

2006 was extremely positive for the insurance business in South America, with an important boost in trade, particularly in the bancassurance segment. The total number of premiums issued during the year showed an increase of 35.4% with respect to 2005, with significant advances in all of the companies (60.5% in Venezuela, 41.2% in Argentina, 27.0% in Colombia and 20.8% in Chile). Moreover, claims were down and financial results performed very well. In all, the net attributable profit of all the companies came to €41m, up by 16.3% on that for 2005. It is worth mentioning that insurance business got underway in the Dominican Republic during the year.

(Million euros)		Operating profit					Net attributable profit				
Country	2006	Δ%	Δ% at constant exchange rate	2005	2004	2006	Δ%	Δ% at constant exchange rate	2005	2004	
Argentina	353	41.2	50.6	250	163	163	36.3	45.4	119	36	
Chile	186	17.8	12.6	158	115	56	(9.3)	(13.3)	62	35	
Colombia	165	29.5	32.5	128	75	117	77.4	81.6	66	28	
Panama	33	16.8	17.9	28	27	22	15.3	16.3	19	18	
Paraguay	15	33.6	23.2	11	11	14	37.4	26.7	10	9	
Peru	209	7.9	8.3	194	133	62	5.3	5.7	59	32	
Uruguay	7	n.m.	n.m.	-	(2)	8	n.m.	n.m.	(2)	(3)	
Venezuela	222	84.8	90.3	120	155	85	48.7	53.1	57	85	
Other countries (1)	(27)	(0.7)	(0.8)	(27)	(27)	(17)	56.9	55.6	(11)	(11)	
TOTAL	1,163	35.0	37.4	861	651	509	34.4	37.0	379	229	



- CORPORATE ACTIVITIES
- Financial Management
- Holdings in Industrial and Financial Companies

This area includes the results of two units: Financial Management 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 in 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 –€131m in 2005.

Below the operating-profit line, allocations to provisions were raised by higher charges for early retirements, which include a special charge of €777m booked in the fourth quarter for a plan to transform the branch network in Spain, plus the charges derived from the changes in the organisation 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 €379m charge reflected the adjustment of the Group's tax

	2006	Δ%	2005	2004
NET INTEREST INCOME	(368)	145.5	(150)	(103)
Income by the equity method	23	(67.2)	71	(7)
Net fee income	50	(67.0)	152	103
Income from insurance activities	(24)	(57.0)	(56)	(38)
CORE REVENUES	(319)	n.m.	16	(45)
Net trading income	841	90.9	441	567
ORDINARY REVENUES	522	14.3	457	521
Net revenues from non-financial activities	(1)	36.4	(1)	15
Personnel and general administrative expenses	(444)	5.9	(419)	(385)
Depreciation and amortization	(139)	10.1	(127)	(121)
Other operating income and expenses	(12)	(69.4)	(41)	(13)
OPERATING PROFIT	(75)	(42.5)	(131)	17
Impairment losses on financial assets	9	(93.3)	138	(11)
Loan-loss provisions	26	(82.2)	146	164
• Other	(17)	114.2	(8)	(174)
Provisions	(1,193)	263.2	(328)	(671)
Other income/losses	771	n.m.	22	286
PRE-TAX PROFIT	(488)	62.8	(300)	(379)
Corporate income tax	166	(33.0)	247	338
NET PROFIT	(323)	n.m.	(53)	(41)
Minority interests	(6)	(92.1)	(79)	(8)
NET ATTRIBUTABLE PROFIT	(329)	149.0	(132)	(50)

	31-12-06	$\Delta$ %	31-12-05	31-12-04
Financial assets	21,179	(41.8)	36,383	38,298
Loans to customers	(361)	172.3	(133)	(287)
Liquidity transferred to the business areas	74,486	97.9	37,639	20,409
Property, plant and equipment	1,610	3.9	1,549	1,480
Other assets	4,901	(2.5)	5,026	6,252
Capital transferred to the business areas	14,424	12.5	12,819	10,917
TOTAL ASSETS / LIABILITIES AND EQUITY	116,239	24.6	93,284	77,070
Due to customers	9,831	15.4	8,520	6,573
Marketable debt securities	68,180	26.2	54,027	35,533
Subordinated debt	5,266	(20.8)	6,646	6,633
Other liabilities	14,772	44.9	10,192	16,996
Equity	18,189	30.9	13,899	11,336
. Minority interests	12	(94.2)	208	175
. Valuation adjustments	3,341	1.4	3,295	2,107
. Shareholders' funds	14,836	42.7	10,396	9.054

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 30% as of 2008, as opposed to the current rate of 35%. The area's net attributable profit in 2006 thus came down to −€329m, as against −€132m in 2005.

# Financial Management

Through the Assets and Liabilities Committee (ALCO), the Financial Management unit 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 year-end 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 the Americas is managed in the same way.

The Financial Management unit also actively manages the structural interest-rate exposure of the Group's balance-sheet using both hedging derivatives and balance-sheet instruments. On 31-Dec-06 and at Group level, the amount of the fixed-income assets held in portfolio available for sale, and denominated in euro, Mexican pesos and US dollars, exceeded €11,000m.

# Holdings in Industrial and Financial Companies

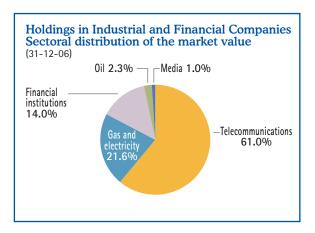
This unit manages the Group's portfolio of holdings in the telecommunications, media, electricity, oil and gas industries, as well as in the

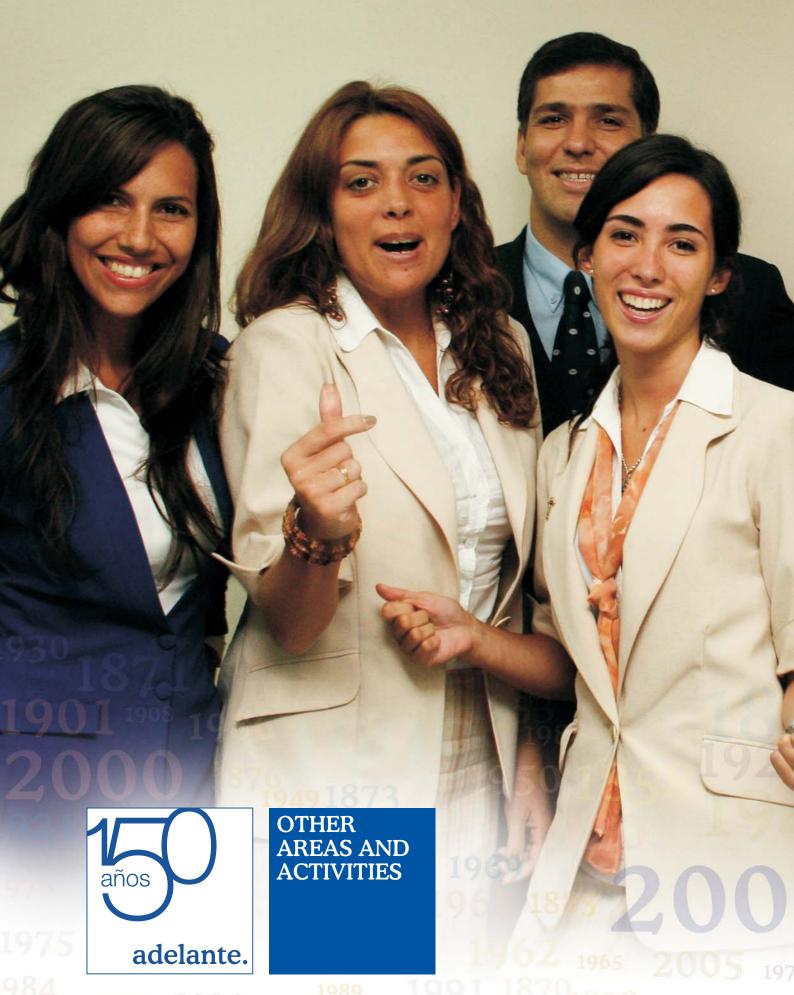
financial-services sector, highlighting the holdings in Telefónica, Iberdrola and Bradesco.

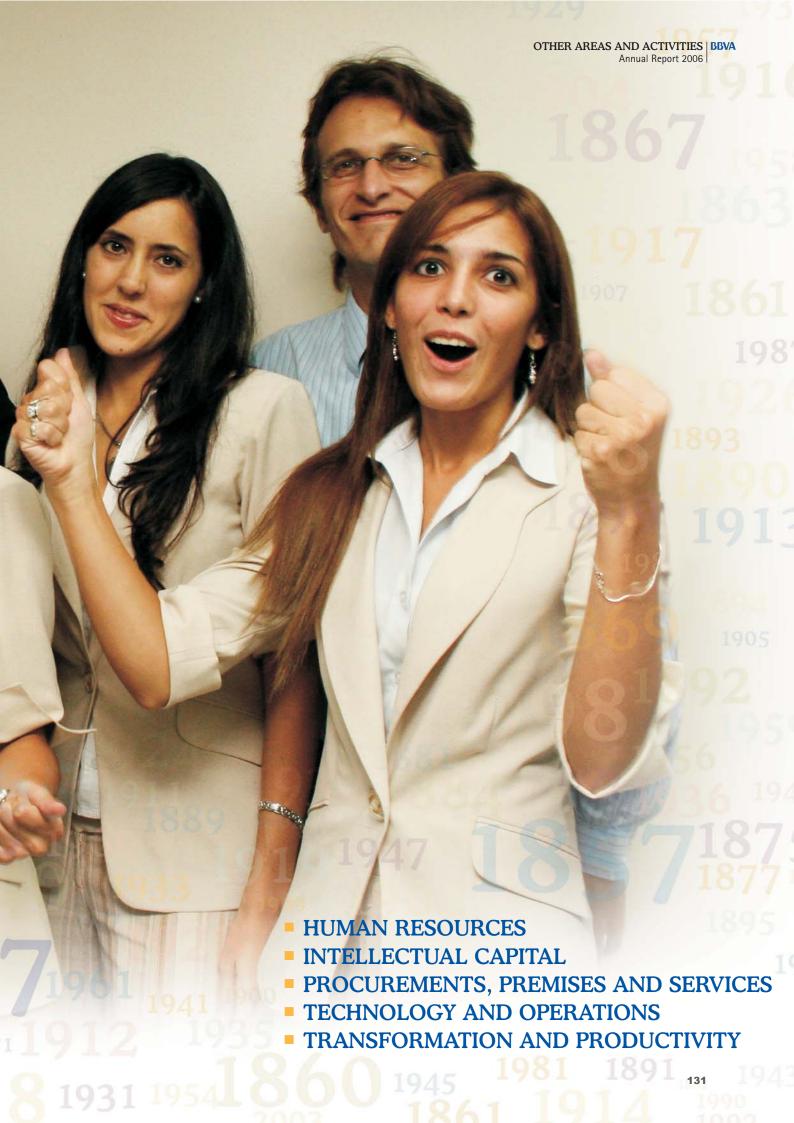
BBVA manages this portfolio applying strict criteria for risk-control, economic capital consumption and return on investment, within a strategy of sectoral investment and diversification. The unit also applies dynamic monetisation and coverage management strategies to holdings. From an accounting perspective, all holdings are considered to be assets held for sale. Accordingly, they constitute a capital reserve for supporting the growth of the banking business.

Apart from the divestments in Repsol YPF and BNL, in 2006 BBVA has made net investments of €912m and divestments of €831m as part of its portfolio turnaround policy. These have generated €333m in earnings from market operations, a figure 11.8% up on 2005.

At 31-Dec-06, the market value of the industrial and financial holdings portfolio stood at  $\in$ 7,387m, with unrealised capital gains of  $\in$ 3,389m before tax, maintaining a similar level to those recorded at year-end 2005 ( $\in$ 3,354m) despite the non-recurrent capital gains forthcoming in 2006.



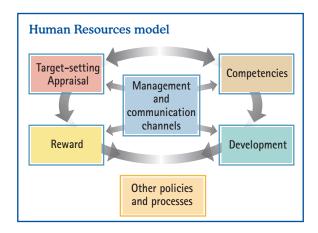




# Human Resources

A further step was taken in 2006 in the global and strategic nature of the Human Resources function, as part of the Group's dynamics of creating value. In this sense,

on the one hand, the function has come closer to the different units, as adequate solutions need to be found for the reality of each market, business or country, and on the other, to people, seeking to encourage their professional development and emphasising the creation of a particular style of management for the BBVA Group.



# Greater proximity to units

Within a general, common framework, the actual human resources model of the Group searches for the best solutions to enable the company to compete and stand out in each business or geographical area.

In this sense, with an aim to guaranteeing a standardised application of corporate policies in all of the Human Resources units in the different countries, in 2006 a policy manual has been drawn up to serve as a reference framework for the performance of their activities.

In addition, the Human Resources area provides the tools and means so that the units themselves can make direct use of the different people management models, thus reinforcing their role as true managers of their own resources.

This new strategy by the Group, based on a greater autonomy of the management of units, means that they are the ones who lay down the functions that need to be classified as "managerial", within the predefined general framework.

After more than two years of experience, in 2006, the Management Team's management model has evolved with an aim to adapting to the Group's new reality, which is more global and diverse. Currently, the said team comprises just two levels, corporate manager and executive, (the five levels with which this management model was initiated no longer existing). This change has implied a much more flexible and lighter management structure for RBVA

Moreover, the remuneration policy is one of the cornerstones in the management of people and a key tool for the different areas. The basis of this policy is to obtain the commitment of all employees to the attainment of both the strategic and business objectives set by the Group, and their application in practice is delegated to the units themselves.

To this end, once again, in each country and in each business, the Group's remuneration management system is segmented according to the functional responsibility of each position and to the salary benchmark data of the reference market.

Variable remuneration is particularly important in BBVA. Its purpose is to acknowledge and reward the effort and degree of achievement of the working team, and, individually, each of the people making up the said team. 2006 saw the launching of the new corporate framework for variable incentives, with an aim to further rewarding the contribution of value and providing each unit with an effective management tool.

The new model associates the individual objectives of each person with the value creation indicators of the unit in which they perform their duties, in such a way that the working teams are oriented in the same direction. To this end, a series of indicators and objectives are set for each unit, so that the greater the generation of value, the greater the variable remuneration of the people comprising said unit. Likewise, each person is set certain individual objectives and indicators in line with the strategy of their unit and the Group.

In this new framework, Human Resources guarantees the correct application of the system

of variable incentives, with each area taking full charge of the management of the model, as they are responsible for generating incentives for their collaborators as well as for their distribution within the framework established for this purpose.

# A model focussing on people

As already pointed out, BBVA's human resources management model seeks to foster people's professional development and puts special emphasis on the creation of a particular style of management for the Group, in agreement with the principles of its corporate culture.

BBVA sees training as a commitment to its teams and conceives it as an investment with a dual objective: a response to the needs of its customers and to the individual needs of all the professionals working in the Group. BBVA's outlay on training totalled over €35m in 2006.

The customer was the focal point of 69% of the training activity developed throughout the year. Moreover, the policy of knowledge certification by external bodies continued to be applied. This system affords an independent view of the level of knowledge of the people awarded the certification. The number of employees with some sort of knowledge certification came to 6,267 at 31-Dec-06, encompassing subjects such as financial advice, the auditing function, the risk function and languages.

	2006	2005
EFPA (European Financial		
Planning Association)	2,988	2,534
CIA (Certificate Internal Auditors)	130	52
CFA (Chartered Financial Analyst)	416	308
FRM (Financial Risk Management)	146	100
Six Sigma	312	-
BULATS (Business Language Testing Service)	2,275	2,025

With a view to developing the management skills of the teams, as an instrument for helping to create a common style of management throughout the Group, eight editions of the Corporate Leadership Programme were held in the School of Management (the BBVA Group's corporate training centre) during the year. They were developed in cooperation with the Center for Creative Leadership (CCL). In addition, over 230 executives took part in the eight editions of the Corporate Management Programme and 487 middle managers received training in the Management Development Programme.

The interest of these programmes, in each edition, is heightened by the regular presence of the Chairman, the COO, members of the Group's Steering Committee and Head of Human Resources, who manifest their commitment to the workforce by transmitting their vision of the Group's future and strategy. 60 fora were held in the School of Management throughout 2006, and had almost 600 participants. In addition, another 15 fora were held in the shape of breakfasts for small groups, thus enabling the Chairman and the COO to meet with 120 people at different levels of the organisation.

Three new training measures have been implemented to back up this type of training activity with the development of people as its focal point: the Strategic Vision programme, which seeks to provide executives with general knowledge on the context in which the Group is competing; the Value Creation programme, which emphasises decision-making, availing of planning processes, resource allocation and performance management; and the Leadership based on Values programme, which strengthens the principles of the Group's corporate culture in this group of professionals.

# Anticipating the future

With an aim to identifying and developing worthy proposals in the sphere of the management of employees, a specific unit dedicated to innovation in human resources was set up in 2006. Using its own research and analyses, it develops special projects that have a clear beneficiary: BBVA employees. Among

others, the following activities are worthy of particular mention:

- Pasión por las Personas (Passion for People): it is a corporate project that turns BBVA culture principles into reality. With the aid of its eight general programmes, it seeks to increase employees' motivation by meeting their expectations. In 2006, over 150 initiatives were launched in over 15 countries.
- Three new corporate projects that will be implemented in 2007 were designed:
   "Quality of Life in BBVA", involving a set of initiatives to favour the balance and reconciliation of work and family life; "BBVA Senior", implying a new model of relation with the early-retired, retired and widowed employees; and "BBVA Personal Benefits", offering exclusive benefits and advantages for employees.
- Experts held meetings and a new Human Resources portal was designed in order to promote the generation of innovation actions, the exchange of best practices, knowledge management and communication among staff in the area.

Further information on these and other measures relating to human resources can be found in the *Corporate Responsibility Report* 2006, published together with the present report.

Intellectual capital In an economy where the only thing that is certain is its uncertainty, the best source for obtaining lasting competitive advantage is knowledge. In this context,

such companies as are constantly creating new knowledge, disseminating it and incorporating it into their products and processes are guaranteed success. These are the activities that define the "knowledge creating" company where the entire business revolves around continued innovation.

An organisation that learns is expert in creating, acquiring and transmitting knowledge, and in modifying its conduct in order to adapt to

these new ideas and knowledge. BBVA understands the creation of knowledge as a process for rendering explicit what is tacit, and presenting it through a series of indicators that allows the market to evaluate intangible aspects that are not reflected in the purely financial report.

The intangible assets making up the BBVA Group's intellectual capital are grouped into three sets of indicators: those referring to the knowledge of the people working in the organisation (human capital); those related to structural knowledge, that is, information, communication and management systems and corporate culture (structural capital); and, last of all, those that show BBVA's capacity to relate with stakeholders (relational capital).

Procurements,
Premises and
Services

The Procurements, Premises and Services unit has been overhauled. Its new more business-oriented model of organisation promotes service to internal customers and is

organised around two different functions: corporate and country functions. This enhances coordination between them while continuing to ensure that a global negotiation and procurement management methodology is applied throughout the BBVA Group.

Of particular note among the projects promoted by the unit in 2006 are the following:

- The use of on-line negotiation tools continued to spread in the Americas, registering a total of 1,385 electronic negotiations.
- The pilot project allowing access from the different countries of the Americas to the corporate procurement tool.
- Extension of e-invoicing to orders processed via the *Adquira* marketplace, whereby the procurement cycle has been fully completed.
- The implementation of the environmental management system in landmark buildings continued, with the building at Gran Vía, 1 in Bilbao being certified to ISO 14001:2004 and headquarters at Castellana, 81 in Madrid having its certification renewed. In

EMPLOYEES	2006	2005	2004
Managing diversity as a competitive advantage, ensuring equal opportunities			• • • • • • • • • • • • • • • • • • • •
and respect for all individuals			
mployees (No.)	98,553	94,681	87,112
● Spain	30,582	31,154	
• The Americas	66,146	61,604	54,074
• Rest of the world	1,825	1,923	1,982
Average age of workforce	37.6	38.1	38.1
• Spain	41.3	41.9	41.6
• The Americas	35.5	35.7	35.9
Men/women ratio (%)	53/47	55/45	57/43
• Spain	59/41	62/38	63/37
• The Americas	49/51	51/49	53/47
Jniversity graduates (%)	58	49	47
• Spain	61	50	48
• The Americas	56		46
Average number of years of service of workforce	12.3	13.2	13.3
• Spain	17.5	18.5	19.3
• The Americas	9.4	9.8	9.7
People who work in a country other than their own (Expatriates) (No.)	220	227	266
Nomen in management team (Corporate managers) (%)	8.5	4.7	4.1
Nomen in management team (Executive level) (%)	16.6	15.8	15.4
Promoting personal and professional development, reconciling the Group's and individuals' interests	2.040	2.020	2.502
Young graduates	3,849	3,030	2,502
- Spain	2,366	2,166	1,906
- The Americas	1,081 1,285	1,150 1,016	1,177 729
• Specialists	1,483	864	596
- Spain	592	247	193
- The Americas	891	617	403
CVs processed in the recruiting process (No.)	183,683		73,305
People for whose position a functional profile has been defined (%)	98	98	97
Managers who have undergone 180° assessment (%)	100	100	100
Employees who have carried out self-assessment of their knowledge (%)	79.6		74.1
nvestment in training (thousand euros)	35,549	34,302	
Hours of training given (thousands)	3,821	4,082	3,744
• Spain	1,287	1,760	1,639
• The Americas	2,534	2,323	2,105
Hours of training per employee	39	43	43
• Spain	42	56	53
• The Americas	38	38	39
Managers trained in the School of Management (cumulative number)	2,315	1,720	1,092
Steering Committee members committed to School of Management training (%)	100	100	100
Professionals who have worked as internal monitors in the training of employees (No.)	470	420	502
Evaluation of satisfaction with training (score out of 5)	4.4	4.2	4.1
Recognising merit, measured by achievement of results, customer service and overall vision of the Group			
ndividuals promoted (% of total headcount)	17.4	11.9	12.7
ndividuals with variable remuneration (%)	56	53	53
/ariable remuneration out of total remuneration (%)	13	12	12

Structural capital indicators  EMPLOYEES	2006	2005	2004
Creating a climate of trust based on an open relationship, team support and transparent communications			
Corporate culture fora on <i>La Experiencia BBVA</i> (No. sessions)	75	54	54
Participants in <i>La Experiencia BBVA</i> fora (No.)	715	1,504	878
nternal communication channels in Spain (No. annual communications)	303	271	254
Buenos días (daily)	262	256	239
Actividad (monthly)	11	11	11
Adelante (quarterly)	5	4	4
Other channels	25	-	-
Satisfaction poll (work climate; biennial)	2006	2005	2003
Spain - Satisfaction index (%)		64.4	
- Motivation index (%)		61.1	60.4
- Image index (%)		70.4	70.7
- Participation index (%)	-	76.2	73.7
BBVA Bancomer (Mexico)	<del>-</del>	47.1	47.5
- Satisfaction index (%)		70.0	744
- Motivation index (%)		76.0 84.9	74.4 84.3
- Image index (%)	<del>-</del>	86.7	84.6
- Participation index (%)	<del>-</del>	60.7	73.2
Rest of the Group	<del>-</del>	60.7	/3.2
- Satisfaction index (%)		68.6	68.3
- Motivation index (%)		79.2	78.8
- Image index (%)	<del>-</del>	77.8	78.0
- Participation index (%)		68.9	70.0
	2006	2005	2004
Stimulating the generation of ideas and the capacity to implement them	· · · · · · · · · · · · · · · · · · ·		
Daily corporate intranet users (No.) Corporate intranet pages viewed daily (thousands)	15,300	14,400	13,000
Documents stored on the intranet (thousands)	2,026	2,083	2,576
People contributing to development and maintenance of intranet content (No.)	1,654	995	574
ntranetised processes (cumulative number)	379	264	267
ntranet projects (No.)	298	237	175
intance projects (No.)	551	388	264
Encouraging teamwork within the framework of personal accountability which favours initiative and decision making by individuals			
Meeting rooms equipped with video technology (No.)	304	251	250
videoconferences (No.)	3,550	929	1,145
Banks and fund managers having implemented internal customer survey (%)	100	100	100
/irtual work fora in operation (No.)	790	796	347

Winning the trust of customers through the fulfilment of commitments and cultical and transparent conduct   Customers (millions)	CUSTOMERS	2006	2005	2004
Customers (millions)   42   38   35   16   16   16   17   17   18   18   18   18   18   18	Winning the trust of customers through the fulfilment of commitments and	2000	2003	2004
Individual customer satisfaction index (%)				• • • • • • • • • • • • • • • • • • • •
Spontaneous awareness index (1st mention, BBVA brand) (%) ™         12.5         12.7         13.8           Providing a proactive and customised service, knowing how to treat each customer in terms of their needs and potential         7,585         7,410         6,668           - Spain         3,635         3,673         3,365         3,678         3,363           - Rest of the world         153         174         180           Staff in management and front-office positions (%)         66         68         67           Countries where the Group operates (No.)         32         31         32           New channels         168         196         79           Calls received and generated by telebanking (millions)         168         196         79           Customers using on-line services (thousands)         4,193         4,013         3,449           ATMs and other seff-service devices (No.)         15,684         14,509         14,231           Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business         15         58         53         43           Public access websites with Group content (No.)         58         53         43         44         46         53         55         5         5         5         5				
Providing a proactive and customised service, knowing how to treat each customer in terms of their needs and potential and protection and p				
Beach customer in terms of their needs and potential   7,885   7,410   6,888   85   7,891   3,635   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,385   3,578   3,578   3,385   3,578   3,578   3,385   3,578		12.5	12.7	13.8
- Spain	each customer in terms of their needs and potential			
The Americas   3,797   3,658   3,303     Rest of the world   153   174   180     Staff in management and front-office positions (%)   666   68   67     Countries where the Group operates (No.)   32   31   32     New channels				
- Rest of the world Staff in management and front-office positions (%) Staff in management and generated by telebanking (millions) Staff in the staff in the staff in staff in the service that goes beyond the purely financial business Staff in the staff				
Staff in management and front-office positions (%)   66   68   67				
Countries where the Group operates (No.)  New channels  - Calls received and generated by telebanking (millions)  - Customers using on-line services (thousands)  - Customers using on-line services (thousands)  - ATMs and other self-service devices (No.)  Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business  Public access websites with Group content (No.)  Separate of Group's correspondent banks abroad (No.)  Scotiery  Encouraging involvement in programmes closely related to social concerns  BBVA Group foundations (No.)  Socially responsible mutual funds (% of the total of investment funds managed)  Community support: funds allocated by the Group and its foundations (million euros)  Socially responsible mutual funds (% of the total of investment funds managed)  Commiss of the Group with Economic Research departments (No.)  Periodical publications issued by the Group's Research departments (No.)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  Acting in the long-term a profitability that betters its benchmarked competitors  Share (millions)  Share (millions)  Affording in the long-term a profitability that b				
New channels - Calls received and generated by telebanking (millions) - Customers using on-line services (thousands) - ATMs and other self-service devices (No.)  Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business  Public access websites with Group content (No.)  Network of Group's correspondent banks abroad (No.)  SOCIETY  Encouraging involvement in programmes closely related to social concerns  BBWA Group foundations (No.)  Quetzal Route participants (cumulative number)  Community support: funds allocated by the Group and its foundations (million euros)  Socially responsible mutual funds (% of the total of investment funds managed)  Contributing to the establishment of stable financial systems in all the markets in which the Group operates  Countries of the Group with Economic Research departments (No.)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  SuppLIERS  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey)  Affording in the long-term a profitability that betters its benchmarked competitors  Sharecholders (thousands)  Sharec (millions)  12 12 12 12 Periodicial publications issued annually for shareholders (No.)  22 21 21 21				
- Calls received and generated by telebanking (millions) 168 196 79 - Customers using on-line services (thousands) 4,193 4,013 3,449 - ATMs and other self-service devices (No.) 15,684 14,509 14,231 Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business Public access websites with Group content (No.) 58 53 43 Network of Group's correspondent banks abroad (No.) 4,104 4,189 4,263 SOCIETY Encouraging involvement in programmes closely related to social concerns  BBVA Group foundations (No.) 5 5 5 SOLESTA Community support: funds allocated by the Group and its foundations (million euros) 56.4 46.5 38.3 Socially responsible mutual funds (96 of the total of investment funds managed) 1.57 1.53 1.83  Contributing to the establishment of stable financial systems in all the markets in which the Group operates Countries of the Group with Economic Research departments (No.) 46 32 49 Expenditure on publications, sponsorship and collaborations with the Group's Economic Research departments (thousand euros) 1,462 963 1,702  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.) 1,937 2,764  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Maintaining a mutually beneficial relationship within the framework of relations Shareholders (thousands) 864 985 1,081 5,081 6,081		32	31	32
- Customers using on-line services (thousands) - ATMs and other self-service devices (No.) - ATMs and other self-service devices (No.) - Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business - Public access websites with Group content (No.) - S8				
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Network of Group's correspondent banks abroad (No.)  SOCIETY  Encouraging involvement in programmes closely related to social concerns  BBVA Group foundations (No.)  Couetzal Route participants (cumulative number)  Community support: funds allocated by the Group and its foundations (million euros)  Socially responsible mutual funds (% of the total of investment funds managed)  Contributing to the establishment of stable financial systems in all the markets in which the Group operates  Countries of the Group with Economic Research departments (No.)  Expenditure on publications, sponsorship and collaborations with the Group's Economic  Research departments (thousand euros)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  SUPPLIERS  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey)  Affording in the long-term a profitability that betters its benchmarked competitors  Shareholders (thousands)  Providing timely, comprehensive and accurate information  Channels available to shareholders (No.)  12 12 12 2 Periodical publications issued annually for shareholders (No.)	that goes beyond the purely financial business			
Encouraging involvement in programmes closely related to social concerns  BBVA Group foundations (No.)  Duetzal Route participants (cumulative number)  Socially responsible mutual funds (% of the total of investment funds analoged)  Community support: funds allocated by the Group and its foundations (million euros)  Socially responsible mutual funds (% of the total of investment funds managed)  Contributing to the establishment of stable financial systems in all the markets in which the Group operates  Countries of the Group with Economic Research departments (No.)  Periodical publications issued by the Group's Research departments (No.)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey)  SHAREHOLDERS  Affording in the long-term a profitability that betters its benchmarked competitors  Sharebolders (thousands)  Sharebolders (thousands)  3,552  3,391  3,391  Providing timely, comprehensive and accurate information  Channels available to shareholders (No.)  22  21  21  22  21  21		58	53	43
Encouraging involvement in programmes closely related to social concerns  BBVA Group foundations (No.)  Duetzal Route participants (cumulative number)  Quetzal Route participants (cumulative number)  Socially responsible mutual funds (%0 of the total of investment funds managed)  Contributing to the establishment of stable financial systems in all the markets in which the Group operates  Countries of the Group with Economic Research departments (No.)  Periodical publications issued by the Group's Research departments (No.)  Periodical publications, sponsorship and collaborations with the Group's Economic Research departments (No.)  Research departments (thousand euros)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Maintaining a mutually beneficial relationship within the framework of relations  With partners, collaborating in the development of their personal and business projects  Maintaining a mutually beneficial relationship within the framework of relations  With partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey)  All - 3.7  SHAREHOLDERS  Affording in the long-term a profitability that betters its benchmarked competitors  Share holders (thousands)  3,552  3,391  3,391  Providing timely, comprehensive and accurate information  Channels a	Network of Group's correspondent banks abroad (No.)	4,104	4,189	4,263
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Community support: funds allocated by the Group and its foundations (million euros) 56.4 46.5 38.3  Socially responsible mutual funds (% of the total of investment funds managed) 1.57 1.53 1.83  Contributing to the establishment of stable financial systems in all the markets in which the Group operates  Countries of the Group with Economic Research departments (No.) 10 10 9  Periodical publications issued by the Group's Research departments (No.) 46 32 49  Expenditure on publications, sponsorship and collaborations with the Group's Economic Research departments (thousand euros) 1,462 963 1,702  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.) 1,937 2,764  SUPPLIERS  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey) 4.1 - 3.7  SHAREHOLDERS  Affording in the long-term a profitability that betters its benchmarked competitors  Shareholders (thousands) 864 985 1,081  Shares (millions) 3,552 3,391 3,391  Providing timely, comprehensive and accurate information  Channels available to shareholders (No.) 12 12 12 12  Periodical publications issued annually for shareholders (No.) 22 21 21	Quetzal Route participants (cumulative number)	9,050	8,700	8,350
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Contributing to the establishment of stable financial systems in all the markets in which the Group operates  Countries of the Group with Economic Research departments (No.) 10 10 9  Periodical publications issued by the Group's Research departments (No.) 46 32 49  Expenditure on publications, sponsorship and collaborations with the Group's Economic Research departments (thousand euros) 1,462 963 1,702  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.) 1,820 1,937 2,764  SUPPLIERS  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey) 4,1 - 3,7  SHAREHOLDERS  Affording in the long-term a profitability that betters its benchmarked competitors  Shares (millions) 3,552 3,391 3,391  Providing timely, comprehensive and accurate information  Channels available to shareholders (No.) 12 12 12 12 Periodical publications issued annually for shareholders (No.) 22 21 21		1.57	1.53	1.83
Periodical publications issued by the Group's Research departments (No.)  Expenditure on publications, sponsorship and collaborations with the Group's Economic Research departments (thousand euros)  Acting in accordance with strict rules of ethical conduct, determining our way of understanding business  Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)  SUPPLIERS  Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey)  Affording in the long-term a profitability that betters its benchmarked competitors  Shareholders (thousands)  Shares (millions)  Providing timely, comprehensive and accurate information  Channels available to shareholders (No.)  22 21 21	Contributing to the establishment of stable financial systems in all the markets in which the Group operates			
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Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects  Supplier satisfaction index (score out of 5, biennial survey) 4.1 - 3.7  SHAREHOLDERS  Affording in the long-term a profitability that betters its benchmarked competitors  Shareholders (thousands) 864 985 1,081  Shares (millions) 3,552 3,391 3,391  Providing timely, comprehensive and accurate information  Channels available to shareholders (No.) 12 12 12  Periodical publications issued annually for shareholders (No.) 22 21 21		1,820	1,937	2,764
Affording in the long-term a profitability that betters its benchmarked competitors  Shareholders (thousands) 864 985 1,081 Shares (millions) 3,552 3,391 3,391  Providing timely, comprehensive and accurate information  Channels available to shareholders (No.) 12 12 12  Periodical publications issued annually for shareholders (No.) 22 21 21	and business projects	4.1	-	3.7
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Number of enquiries attended to by the Shareholders' Office (annual) 11,865 11,697 10,737	Periodical publications issued annually for shareholders (No.)	22	21	21
	Number of enquiries attended to by the Shareholders' Office (annual)	11,865	11,697	10,737

(Continued from page 134)

addition, the premises management processes in Mexico were certified to ISO 9002.

- The supplier satisfaction survey held every two years. Its aim is to know their view of the different aspects of the BBVA procurement process. In this anonymous survey coordinated by the Corporate Quality department, the degree of overall satisfaction reached was 4.1 out of 5.
- The launching of a new system of information and logistic control of documentation and files to improve the process of withdrawal and consultation.

The Premises and Services unit carried out the necessary plans in order to ensure the operative functionality, administration and continuity of over 6,800 buildings for the company's own use, covering an area of over 4.1 million square metres.

In Spain, work has commenced on the refurbishment of 30 offices of the *Plan DUO*, in which Dinero Express and BBVA share premises, differentiating physical spaces and timetables. In addition, the necessary works have been done in order to open over 80 new branches of Commercial Banking. As regards the plans for the remodelling of landmark buildings, worthy of mention is the completion of the integral refurbishment of over 17,000 m<sup>2</sup> in the buildings of the Plaza de Cataluña, 5 in Barcelona and Avenida de la Libertad, 36 in San Sebastián.

In Mexico, particularly noteworthy are the 43 completed projects corresponding to the expansion plan and the refurbishment of the building at Montes Urales, 620 in Mexico DF and the Monterrey and Guadalajara buildings.

In South America, of special significance is the work carried out in Peru, where work was completed on the refurbishment of the interior of the central headquarters of the Banco Continental. In BBVA Colombia, as a consequence of the merger with Granahorrar, measures were taken to standardise internal processes, brand changes in signs, visual merchandising, printed materials and forms, etc., as well as to rationalise surface area.

# Technology and Operations

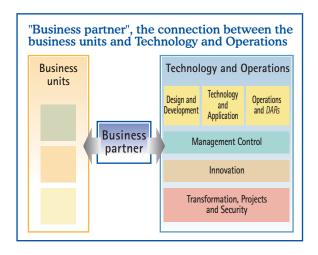
Consistent with BBVA's global strategy for 2006, Technology and Operations underwent a far-reaching restructuring process aimed at making the area a

high-performance business partner, one that provides a competitive edge for the Group and contributes value with its activities while reinforcing its mutual and ongoing collaboration with other business areas. New posts and functions were created in order to assure service quality, prompt meeting of deadlines, short-term cost controls and long-term technological excellence and leadership.

The primary goals – satisfying the needs of the different units and business areas, providing the Group with the best technological infrastructure and supplying all necessary operational support – were achieved.

# New structure and operation model

The new structure included the creation of a new figure – the "business partner" – whose main role is to have ongoing contact with the rest of the Group areas, maintaining direct and streamlined communication channels with the units designing and managing systems. In this way, the role of Technology and Operations as a supplier of technological services and platforms is now augmented by its position as a partner integrated into each business area, in order to serve their needs and provide them with greater autonomy.



In addition to this new figure, several global units were created, including the Design and Development unit, the Technology and Application unit and the Operations unit, all aimed at providing the most appropriate applications and services for the Group strategy in each business area. At the same time, although those responsible for these units and their vision have Group-wide coverage, this structure also reinforces the role of the local units in each country.

## Lines of work

Apart from the structural changes described above, Technology and Operations engaged in the following lines of work in 2006:

- Transformation in the manner of carrying out operations, thus optimising the operating capacities of the operation centres. Applications were developed with the purpose of redesigning and simplifying business processes at branches, such that the manager can quickly identify the customer and their needs and offer them the products that best suit their profile.
- The application of industrial concepts, with the goal of moving from a product-based kind of organisation to one structured according to processes.
- Evolution in computing platforms, working towards the goal of creating a more userfriendly and flexible infrastructure of applications and programmes, one that makes it easier to meet each need while opening up new sources for prevision.

#### Asia

The new branches that the Group is opening in the major Asian countries and financial centres all have the operating, administrative and management support of the Hong Kong branch. A Shared Service Centre has been set up at that branch, a cost-saving measure that has improved efficiency in the Asian network by concentrating operations at a single, centralised centre. Technology and Operations designed the process centralisation model and provided advice in its implementation, identifying many improvements in operation processes and their support systems.

On another front, the agreement reached with the Citic Group called for collaboration among a large, multidisciplinary team. Here, Technology and Operations' participation involved analysing that company's computing systems, with the goal of designing the BBVA Group's technology and systems strategy in Asia, especially in the Chinese market.

This has all been possible thanks to the flexible evolution of BBVA's technology platforms, which in one sense are applicable and homogeneous to the entire Group, but which at the same time contain specific developments adapted to the different regulations and needs of each country.

# Corporate communications network

Great gains were made in 2006 in the improvement, extension, renovation and development of applications and infrastructures essential to the corporate communications network. A number of different projects made it possible to implement broadband service throughout the Spanish branch network, to move services to IP technology, to improve corporate internet connections and to bolster the Group's videoconferencing services. Improvements were also made in the communications and systems infrastructure of the Data Processing Centres, as well as branch network systems – all with the goal of adequately covering business requirements.

# Technological platform in the United States

Work began on integrating the operating networks belonging to the BBVA Group's three banks in Texas (including State National Bank, which joined in January of 2007) into a single technological platform. The three current systems have been analysed in order to correctly identify the differences between the services and products offered at each bank, an analysis that will lead to a later validation and unification of the future system and products.

This process, which is expected to be finished in record time, takes in everything related to the telecommunications network (voice, data and video systems), email, internet access, internal administration and operating systems. It also includes the start-up of two data-processing centres

in the Texas cities of McAllen and Grapevine. All of this amounts to a comprehensive solution in line with BBVA's operational standards, as well as substantial savings in costs and the optimisation of server use.

# Regional Corporate Centre in Mexico

BBVA has heavily invested material, economic and human resources in order to create its Regional Corporate Centre (*CCR*) in Mexico. This centre represents one of the largest technological platforms in Latin America. The Bank has invested 180 million US dollars (91 million of that in 2006) in the Monterrey *CCR* (where BBVA's banking operations in Chile, Colombia, Peru, Puerto Rico and Venezuela are processed), and in the Data Processing Centre located in Mexico City, which processes operations in Mexico. This technological platform makes it possible to process 23 billion instructions per second.

# Technological Innovation

A specific innovation programme was started as part of the strategic plan developed by Technology and Operations. This programme has the aim of analysing different projects, technologies and initiatives that can help the BBVA Group attain the kind of sustainable competitive edge that sets it off from its competitors – all through the ongoing search for new products and services. With this in mind, R+D+I activities have been strengthened through a specialised unit within Technology and Operations. This unit, in addition to determining the actual application possibilities of the new technologies, employs a model that shows the most appropriate place and time for their incorporation. It then sets in motion the activities needed for reviewing the implications, requirements, deadlines and costs for the optimum implementation of that technology.

Transformation and Productivity

At the end of 2005, the BBVA Group launched its Transformation Plan, a project aimed at strengthening the organisation's leadership

position in terms of productivity, efficiency and innovation. The plan is based on a number of

empowerment and value management initiatives, all comprising the management model for each type of unit in the Group, while strengthening the role of the business units as the engines for growth and the generation of value.

The Transformation and Productivity area was created as part of this plan. Its mission is to boost and lead the Group's transformation.

Convinced that such a transformation must arise from within the units themselves, plan directors gave autonomy to those units by means of a change in the ways they manage their processes. At the same time, the area assumed responsibility over the Group's corporate infrastructures, tools and methodologies, internal control and efficiency within a decentralised framework.

The area's initial configuration also includes the Business Continuity, Corporative Organisation, Efficiency, Quality and Productivity units.

# Scope of Transformation

Transformation activities in 2006 were focused on laying the groundwork and creating the needed infrastructures so that the transformation process could move forward smoothly. The main activities in this area included the following:

- New roles. Creation of Production Manager posts in business and support units: the Production Manager is responsible for the transformation, efficiency and internal control of each unit, as well as the optimisation and management of its processes. 30 Production Management posts were created during the year in Europe and in the Americas.
- Transformation Plans: each Group unit has drawn its own Transformation plan, focusing on efficiency, organisational streamlining and service quality. These plans have been presented and discussed in strategic business reviews with the Chief Operating Officer. 2006's most influential Transformation plan was the joint restructuring plan for the Commercial Banking and SMEs and Corporations Banking networks in Spain.

- Process-based management: the Master Plan for implementing a process-based management structure into the BBVA Group was begun – a project with great potential in terms of efficiency, quality and control. This year's focus was on identifying and assigning processes, as well as on choosing the support tools for this management.
- Shared Service Centre Plan: the goal is to regard support areas complying with certain requirements as service centres able to make agreements with their internal customers, as areas subject to standard market ratings

   thus assuring their efficiency. The project's first phase included identifying, cataloguing and quantifying the services rendered be each of these areas in terms of cost, importance and contribution to Group strategy.
- Internal Control Model: the growing level of autonomy granted to each of the units must be accompanied by the corresponding assumption of responsibility of those units in terms of the internal control of their processes and activities. A new internal control model was developed to this end, using Productivity and Process-based Management infrastructures. This model assures that the decentralisation process will be carried out with all necessary guarantees.
- Bank of the Future: this initiative was started in order to frame the Group Transformation Plan within a long-term strategic perspective, the goal being to identify those capabilities that BBVA must develop in order to compete and distinguish itself within the profoundly changing and innovation-charged environment in the global financial industry. This analysis will uncover opportunities for increasing the efficiency of the current model, as well as identify key capacities for development in order to compete in various future scenarios.

#### Sarbanes-Oxley Certification

Since 2004, BBVA has been involved in a project aimed at complying with the requirements laid out in section 404 of the *Sarbanes-Oxley Act* in the United States. This act requires companies registered with the Securities and Exchange Commission (SEC) to set up an effective internal

control model that assures the reliability of the financial information they offer to markets.

All Group levels and units have been involved in this project, which has been treated as an opportunity to improve and perfect the Bank's internal control systems, above and beyond the goal of complying with the requirements of aforementioned law.

The project was carried out in 115 companies in the Group, spread out over 22 countries, through documenting all relevant processes and evaluating their associated risks. This effort led to the implementation of various plans of action for improving control in the Group.

#### **Business Continuity**

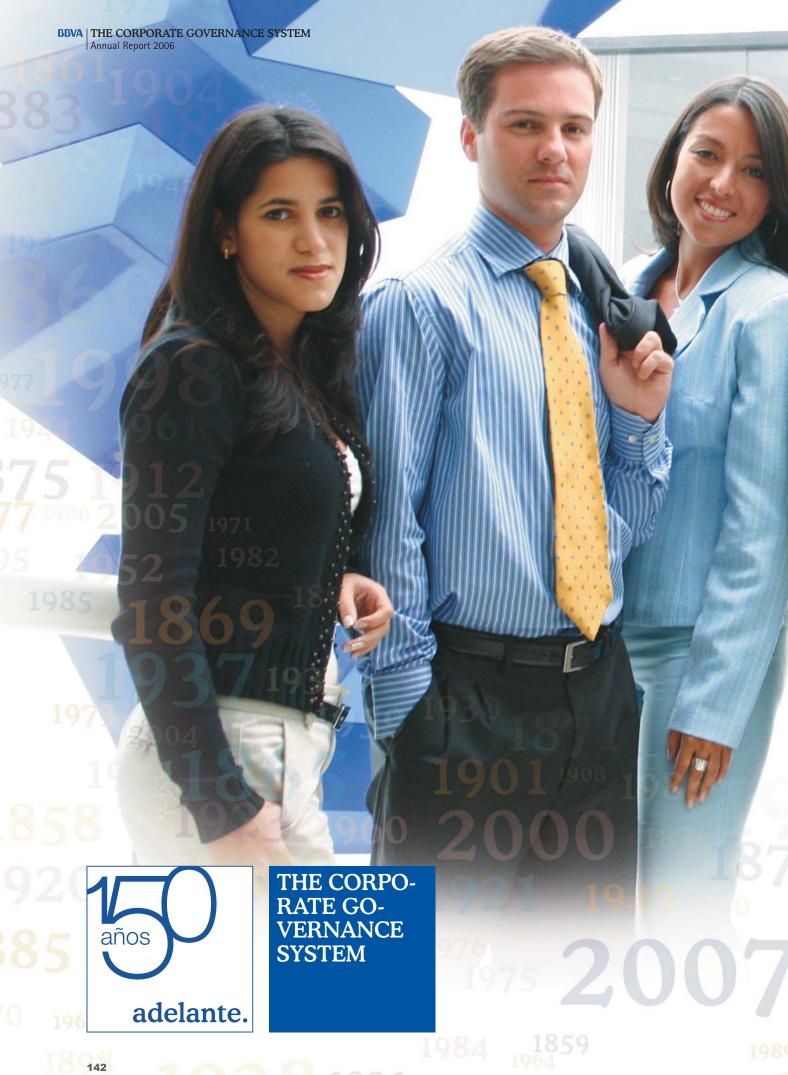
Work continued throughout 2006 on deploying the Master Plan for Business Continuity. Continuity plans were drawn up and applied, with the goal of providing the Group with the proper organs and procedures for managing a crisis caused by possible catastrophe. Work also continued on recovery plans aimed at guaranteeing the continued rendering of critical services and activities under such contingencies. Within this framework, a total of 87 continuity plans were completed in 21 European and American countries.

At the same time, efforts were made to further strengthen those plans. Recovery schemes were drawn up for new crisis scenarios, focused on reducing the level of technical improvisation in these kinds of circumstances. Tests were organised and applied to assure the correct execution of these plans.

#### Customer Care Service (SAC)

In 2006, BBVA Customer Care Service received 6,679 customer complaints, 208 of which were rejected due to incompliance with Ministerial Order ECO/734/2004. 94.4% of these complaints (6,112 proceedings) were resolved and closed during the year, with 359 other procedures were still pending analysis at the close of the year.

2,366 of the procedures were adjudged fully in favour of the customer, 608 partially in favour of the customer, and the remaining 3,138 in favour of the BBVA Group.





### THE CORPORATE GOVERNANCE SYSTEM AT BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

The BBVA board of directors is very conscious of the importance of a good corporate governance system to run the structure and operation of its corporate bodies in the best interests of the company and its shareholders.

The bank's board of directors is subject to regulations that reflect and develop the principles and elements that shape BBVA's system of corporate governance. These comprise standards for the internal regime and operation of the board and its committees, as well as the rights and obligations of directors in pursuit of their duties, which are contained in the directors' charter. Shareholders and investors may find these on the company web site (www.bbva.com).

The Annual General Meeting (AGM) has its own set of regulations on issues such as how it operates and what rights shareholders enjoy regarding AGMs. These establish the possibility of sending votes and proxies over remote communication media.

The board of directors has also approved a report on corporate governance in 2006, according to the guidelines laid down in prevailing disclosure regulations for listed companies. It can be found on the BBVA website.

This site was created to facilitate information and communication with shareholders. It provides special direct access to all information considered relevant to BBVA's corporate governance system, laid out in a clear, readable manner.

#### **Independent Directors**

One of the characteristic elements of the bank's corporate governance system is to have a significant majority of independent directors on its governing bodies, especially on its board of directors and Executive committee.

Requirements regarding independence are in line with international standards, in particular, with the corporate governance rules established by the New York Stock Exchange (NYSE) and approved by the Securities Exchange Commission (SEC) to define when a director can be considered independent.

Thus, article 1 of the board regulations states that external directors can be deemed independent when:

- They do not hold shares in the company or have not been appointed due to a special relationship to a company shareholder, with more than a 3% stake in the share capital with voting rights, in either case.
- They are not legal entities that hold a directorship or persons appointed to represent them.
- They have not been executive director or member of the senior management in the Group or in the auditing company that audits or has audited the Group's accounts, within the last three years.
- They do not have a significant relationship with the company, either directly or as partner, shareholder, manager or employee of other persons or entities that in turn have such a relationship with the Group, when this could diminish their independence.
- There is no family relationship with any of the above persons, or other circumstances that the board of directors considers could undermine their independence.

#### Audit and Compliance Committee

Another essential element in the BBVA corporate governance system is the board's Audit committee. This has appropriate powers and means to carry out the tasks delegated to it by the board regarding supervision of financial statements and oversight for the entire BBVA group.



It complies with the USA Exchange Act requirements regarding its duties, its composition and its characteristics.

The members of this committee have the skills and expertise required to carry out their job. Their chairman must have the qualifications in financial management and accounting procedures required by industry regulators.

The committee has other duties as well. It must enforce legal compliance, especially with respect to the group's ethics. Its mission is to ensure that its internal codes of ethics, general conduct and securities market transactions comply with prevailing standards and are suitable to the Bank. It shall especially oversee the directors' compliance with corporate governance standards.

Following the general principles of corporate governance, the committee selects the external auditor for the bank and its consolidated group, and is involved in the process of hiring the auditing firm and determining its fees. It is also involved in this process for the group's subsidiaries in Spain and in any other countries where they operate. It must ensure the independence of the external audit.

#### **Executive Chairman**

The codes and recommendations on corporate governance posit different governance models. BBVA follows an Executive Chairmanship model. The chairman of the board of directors is thus the bank's Chief Executive Officer (CEO). The board also has an Executive committee with its Chief Operating Officer (COO).

Corporate governance regulations specify that the chairman of the board shall be the chairman of the company, with the attributes established in the bylaws and the board regulations, plus such powers as the board may confer on him/her to steer the company most effectively.

The Executive committee has been delegated all powers of administration, except those that the law or the bylaws declare to be essentially the board's sole responsibility.

The Chief Operating Officer (COO) has been delegated the broadest faculties, with powers of administration and representation of the company inherent to the position. The managers of each of the company's business areas and support areas report to the COO.

The board regulations set a specific age limit of 65 years for performance of executive-committee duties, a different age limit than for directors who only sit on the board.

#### **Appointment of Directors**

The board's Appointments and Remuneration committee is charged with assessing the qualifications of candidates to a bank directorship.

This committee must report to the board of directors on its assessment, focusing on the personal and professional qualities of the candidate and the needs of the company's governing bodies at any time. There are no specific limits preventing people from being appointed to a directorship.

#### Age limit for Directors

The BBVA's corporate governance system imposes an age limit of 70 years on members of the bank's board.

It stipulates that directors must present their resignation on reaching this age, at the first meeting of the bank's board of directors after the AGM is held in which the current year's accounts are approved.

#### **Duties of Directors**

Board members must be loyal and must comply with their duties as defined by legislation and by the bylaws in a manner that is faithful to the interests of the Company.

They participate in deliberations, discussions and debates on business put to their consideration, and dispose of sufficient information to be able to form criteria regarding the questions that the bank's governing bodies are empowered to deal with. They must receive this information within due time in each case, and may request additional information or further clarification after the board has sat. Directors' participation is encouraged in board meetings and deliberations.

Directors may suggest the board engage experts from outside the bank regarding business submitted to their consideration, whose special complexity or importance they deem to require outside help. They may also suggest they require further training to be able to properly pursue their duties.

In particular, independent directors meet, without the executive directors as often as they see fit, usually before meetings of the bank's governing bodies.

#### Remuneration of Board Members

BBVA takes special care with this aspect, through its procedures to determine the remuneration of each and every bank director. As established in the board regulations, the yearly amounts paid to each board member as an individual must be published in the annual information given to the company's shareholders.

The board's Appointments and Remuneration committee also plays an essential role in this, since according to the bylaws, its members must determine the scope and amount of the remuneration, rights and economic rewards for executive directors, so these can be included in a written service

agreement. Within the framework established under the bylaws, the committee proposes the system

of remuneration for the board of directors as a whole, along with its different items, focus and

The remuneration of executive directors has been contractually established in this way, and the committee has proposed the pay system for the other board members. The board of directors has ratified its proposal, which is based on establishing the pay for non-executive members according to principles of responsibility, time availability and incompatibilities, as established in the board regulations.

#### **Conflicts of Interest**

settlement.

The rules comprising the BBVA directors' charter detail different situations in which conflicts of interest could arise between the BBVA group and its directors, their family members and organisations with which they are linked. They establish procedures for such cases, in order to avoid conduct contrary to the company's best interests.

These rules serve as guidelines for the directors' conduct, ensuring it reflects stringent ethical codes in keeping with applicable standards and the core values of the BBVA group.

#### Incompatibilities

Directors are also subject to a strict regime of incompatibilities in sitting on governing bodies of group companies or associated undertakings. Thus, except for executive directors with express authorisation, board members may not take up directorships in subsidiaries or associated undertakings, when the directorship is linked to the group's shareholding in such company.

After ceasing to be director of the bank, the former director may not provide services to another financial institution in competition with the bank or its subsidiaries for two years, except with express authorisation from the board, which it may refuse to give on grounds of the company's best interests.

#### Directors' Resignation

Under circumstances specified in the board regulations, board members must place their directorship at the disposal of the board of directors and accept the board's decision on whether or not they are to continue to sit on it. Should the board decide against their continuity, they are obliged to present their formal resignation. Such circumstances would arise in the following cases:

- When they are subject to incompatibility rules or prohibitions established under prevailing regulations, under the bylaws or under the directors' charter.
- When significant changes occur in the professional situation or character by virtue of which they were appointed to the board.
- When they are in serious dereliction of their duties as directors.
- When the director, acting as such, has caused severe damage to corporate assets or no longer displays the commercial and professional honour required to hold a directorship in the bank.

#### Analysis, Quantification and Approval of Risks

The board of directors holds final responsibility for supervising risk management in the group, periodically reviewing and ratifying the strategy behind the bank's risk policy.

In order to do this, the board has delegated approval of the group's risk strategy and policies to the Executive committee and the board's Risks committee, which periodically analyses and monitors risk management within the scope of the bank's governing bodies' powers.

#### Relations with Shareholders and Markets

The regulations establish that the board shall take suitable measures to ensure that the company discloses all information that may be relevant for investors, according to the principle of transparency that is to govern the company's activities on financial markets. This information must be correct and true.

Directors shall try to ensure that all shareholders have access to information that is substantially the same and within the same amount of time.

#### GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders has its own specific regulations, governing the way it operates and the rights accorded to shareholders by law and under the company bylaws. Shareholders and investors may find these on the company web site (www.bbva.com).

The regulations establish that notice of meeting for the AGM shall state the shareholders' right, as of the date of its publication, to immediately obtain at the registered offices, free of charge, any proposed resolutions, reports and other documents required by law and under the bylaws.

Once notice of meeting has been published, documents relating to the AGM shall be placed on the company website, with information on the agenda, the proposals from the board of directors and any relevant information shareholders may need to issue their vote.

It shall also include necessary details regarding shareholder information services, indicating telephone numbers, email address, offices and opening hours.

The regulations establish the procedures to be followed in the public call for proxies, in compliance with the law and the company bylaws.

They stipulate that the form of proxy must contain or be attached to the agenda, and include a request for voting instructions so that shareholders may stipulate the general way in which their proxy shall vote should no precise instructions be given.

They also determine how directors should formulate the public call for proxy and the way they should exercise the shareholders' representation and vote, with regulations for cases where conflict of interests could arise.

The regulations also establish the most significant aspects related to the operation of the AGM, voting procedures for motions presented to it, how resolutions are to be adopted and other issues related to running an AGM.

The company's AGMs may be attended by anyone owning the minimum stock established in the bylaws, ie, 500 shares, providing that, five days before the date on which the AGM is to be held, their ownership is recorded on the pertinent registers and they retain at least this same number of shares until the AGM is actually held. Holders of fewer shares may group together until achieving the required number, appointing a representative.

The above notwithstanding, if holders of fewer shares than the bylaws establish for entitlement wish to attend, they may apply for an invitation to the AGM through the shareholders helpdesk, the website or any BBVA branch. It will be facilitated to them where the inevitable space constraints in the facilities where AGMs can be held allow this, given the very high number of shareholders in the company.

In accordance with the bylaws, the regulations state that voting rights on proposals regarding agenda items of any kind of general meeting of shareholders may be delegated or exercised by the

shareholder by post, e-mail or any other remote means of communication, provided the voter's identity is duly guaranteed.

Any shareholders entitled to attend may be represented at the AGM by another shareholder, using the form of proxy established by the company for each AGM that will be displayed on the attendance card.

The bank's board of directors, in order to facilitate communication with the company's shareholders regarding the organisation of the AGMs, operates a permanent helpdesk to deal with shareholders' requests for information, clarification and questions.

#### THE BOARD OF DIRECTORS

Strictly speaking the Bank's structure comprises two governing bodies: the board of directors and the Executive committee.

These are helped by other board committees in carrying out their duties, for example the Audit committee, the Compliance committee and the Appointments and Remuneration committee.

In addition, as a financial institution BBVA must give added weight to the board of directors' final responsibility for periodic review of the bank's risk strategies and policies. The board receives specific support in this task from its Risk committee.

The board comprises the number of directors established in the company's bylaws and in any resolution adopted by the AGM.

Directorships can be executive or non-executive. Executive directors have been conferred general powers to represent the company on a permanent basis, while all other board members shall be considered external.

A shareholder-nominated director is an external director designated by virtue of her or his relationship with a party that is a significant shareholder of the company. This shall mean a party with direct or indirect control of at least 5% of the share capital or of the voting rights of the bank or, even when less than 5%, one whose shareholding can exert notable influence on the company. To such effects, BBVA does not have shareholder-nominated directors.

The above criteria – used to determine whether a person is a shareholder-nominated director – shall also apply in the event of agreements or pacts between shareholders that oblige those concerned to take concerted action in using their voting rights, to adopt a common policy in regard to management of the company or whose goal is to influence it in a relevant manner.

Board members are elected for a five-year term.

Directors must leave their posts at the age of 70. The chairman of the company shall stand down as chief executive officer on reaching 65 years, continuing as board member.

The bank's chief operating officer and other executive directors must resign from their executive duties at 62 years of age and follow the same rules regarding the timing of their resignations as established above.

On 31 December 2006, the BBVA board of directors comprised 15 members actively pursuing their duties, of whom 3 were executive directors. The table below identifies the members of the board of directors, the date on which they were appointed and the type of directorship they hold, in accordance with the board regulations:

FULL NAME	Post on board of directors	Tyoe of directorship	Date of appointment	Date of re-election
González Rodríguez, Francisco	Chairman and CEO	Executive	28-01-2000	26-02-2005
Goirigolzarri Tellaeche, José Ignacio	President and COO	Executive	18-12-2001	01-03-2003
Alfaro Drake, Tomás	Director	Independent	18-03-2006	
Álvarez Mezquíriz, Juan Carlos	Director	Independent	28-01-2000	18-03-2006
Breeden, Richard C.	Director	Independent	29-10-2002	28-02-2004
Bustamante y de la Mora, Ramón	Director	Independent	28-01-2000	26-02-2005
Fernández Rivero, José Antonio	Director	Independent	28-02-2004	
Ferrero Jordi, Ignacio	Director	Independent	28-01-2000	26-02-2005
Knörr Borrás, Román	Director	Independent	28-05-2002	01-03-2003
Lacasa Suárez, Ricardo	Director	Independent	28-05-2002	01-03-2003
Loring Martínez de Irujo, Carlos	Director	Independent	28-02-2004	18-03-2006
Maldonado Ramos, José	Director & Secretary	Executive	28-01-2000	28-02-2004
Medina Fernández, Enrique	Director	Independent	28-01-2000	28-02-2004
Rodríguez Vidarte, Susana	Director	Independent	28-05-2002	18-03-2006
Vilá Boix, Ángel (representative of Telefónica de España, S.A.)	Director	External	17-04-2000	26-02-2005

A brief profile of the current members of the BBVA board of directors is given below:

#### FRANCISCO GONZÁLEZ RODRÍGUEZ

Chairman and CFO

Born in Chantada (Lugo) in 1944.

Married

Graduated in Economic and Business Sciences from Universidad Complutense de Madrid.

#### Professional Background:

group of State-owned banks.

Francisco González has been Chairman and CEO of BBVA since January 2000.

Francisco González is the Chairman of the European Financial Services Round Table (EFR), Member of the Board of Directors of The Institute of International Finance (IIF), Member of the Institut International D'Études Bancaires, Member of the Capital Markets Consultative Group of the IMF (CMCG), Member of the Board of Directors of the International Monetary Conference (IMC), Member of the Global Advisory Council of the Conference Board and Member of the International Advisory Committee of the Federal Reserve Bank of New York, among other international fora.

He is also Chairman of the Fundación BBVA and Governor of the Red Cross, Foundation for Help Against Drug Addiction, Foundation for Terrorism Victims, the Guggenheim Museum in Bilbao, Museo de Bellas Artes in Bilbao, Fundación Príncipe de Asturias, Real Instituto Elcano, Fundación Carolina, ESADE, FEDEA, Fundación de Estudios Financieros, Instituto de Estudios Económicos and Institut Europeu de la Mediterránia. Prior to the merger between Banco Bilbao Vizcaya and Argentaria, Francisco González was chairman of Argentaria from 1996 to 1999, when he led the integration, transformation and privatisation of a very diverse

During this period, Francisco González was also director of Endesa, Chairman of Banco Uno-e, Banco Hipotecario de España, Banco Exterior de España, Caja Postal and Banco de Crédito Local.

Before joining Argentaria, Francisco González founded the Securities Firm, FG Inversiones Bursátiles, which became the first independent firm of brokers in Spain, and was later bought out by Merrill Lynch.

Francisco González is also a registered Spanish Stock Broker (ranking first amongst the candidates examined in 1980) and Trader for the Bolsa de Madrid. He was member of the Executive Committee of the Bolsa de Madrid and the Executive Committee of Bancoval.

He began his professional career in 1964 as programmer in an IT company. His ambitions to transform 21st-century banking with the support of new technology dates back to this time.

#### JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE

President and COO

Born in Bilbao (Vizcaya) in 1954.

Married.

Doctor in Economics and Business Science from Universidad de Deusto.

#### **Professional Background:**

His professional career has always been linked to banking, and more specifically, to BBVA, which he joined in 1978, after having taught Strategic Planning at the Universidad Comercial de Deusto.

Main stages in BBVA:

- Joined the Banco de Bilbao in 1978, assigned to the Strategic Planning Area. Member of BBV Holding (company that led the merger between BB and BV).
- In 1992, was appointed General Manager of the BBV.
- From 1993 to 1998, he directed Retail Banking for the BBV Group. From 1995 he has also directed the BBV-Americas Group, coinciding with the BBV Group's expansion in Latin America.
- In 1994 he became a member of the BBVA Management Committee.
- In 1999, BBV and Argentaria announced their merger. José Ignacio Goirigolzarri was appointed member of the BBVA Management Committee and head of the Latin-American businesses.
- Since 2000 has sat on the BBVA Bancomer Board.
- In April 2001, was appointed General Manager of the BBVA Group, in charge of Retail Banking. His responsibilities covered the following areas: Retail Banking in Spain, Retail Banking in the Americas, Pensions, Private Banking and e-Banking.

He was appointed as BBVA's president and chief operating officer on 18th December 2001.

#### TOMÁS ALFARO DRAKE

Born in Madrid in 1951.

Married.

Studied engineering at ICAI.

#### **Professional Background:**

1973–1975 Dimetal, S.A. as systems engineer.

1975-1977 Dimetal, S.A. Sales and marketing manager at industrial automation division.

1979-1981 Johnson Wax Española, S.A. Product manager.

1981-1998 Instituto de Empresa.

Marketing manager.

Director of Master's programme on marketing and commercial management.

Director of studies.

Also lecturer on finance and marketing, a continuous activity in which he is still actively involved.

1981–1998 Consultant in finance and marketing for domestic and multinational companies in various industries, including: financial services, industry, service distribution.

1998 Universidad Francisco de Vitoria.

Director of the degree course on business management and administration.

Director of diploma course on business sciences.

He was appointed to a BBVA directorship on 18th March 2006.

#### D. JUAN CARLOS ÁLVAREZ MEZQUÍRIZ

Director

Born in Crémenes (Leon) in 1959.

Married.

Graduated in economic science from the Universidad Complutense de Madrid.

#### Professional Background:

1988 – Joined Fiseg, Empresa Financiera de Servicios Generales.

1990 - General manager of El Enebro, S.A. (holding company of the Eulen Group).

1993 - Chief financial officer, Eulen, S.A.

2002 - Managing director of Grupo Eulen, S.A.

He was appointed to a BBVA directorship on 28th January 2000.

#### RICHARD C. BREEDEN

Director

Born in the United States of America in 1949.

Married.

Lawyer. Studied at Stanford University and Harvard Law School.

#### Professional Background:

1976–1981; 1985–1988: Lawyer for Cravath, Swaine & Moore, New York, and partner in Baker & Botts, Washington.

1982-1985: Senior Legal Advisor to the Vice-President of the USA and the White House.

1989: Presidential Aide in the White House, USA.

1989-1993: Chairman of the U.S. Securities and Exchange Commission (SEC).

1993-1996: Chairman of Coopers & Lybrand, International Financial Services, LLC.

Since 1996, CEO of Richard C. Breeden & Co., a company specialising in advising companies on business restructuring and strategic consultancy regarding corporate governance, accounts and disclosure requirements. In 2002, the Federal Court of the United States appointed him Corporate Instructor to head the SEC fraud enquiry against WorldCom, Inc. (now known as MCI, Inc.).

Since 1997, has chaired the Audit committee and sat on the Remuneration committee of W.P. Stewart & Co., Ltd. Also chairs the Audit committee for Audio Visual Services Corporation, and is court-appointed member of the MCI, Inc. board of directors and Audit committee.

Was appointed to the BBVA board of directors on 29th October 2002.

#### RAMÓN BUSTAMANTE Y DE LA MORA

Director

Born in Madrid in 1948.

Married.

Graduated in Law and Economic Sciences from Universidad Complutense de Madrid.

#### **Professional Background:**

1972 - Iberia, L.A.E. Research Department.

1975 - Banco Comercial de Cataluña. Accounts Director.

1976 - Banca Garriga Nogués. Madrid Director.

1986 – Banca Garriga Nogués. Deputy General Manager.

1986 – Banesto. Various senior posts and responsibilities: Director of Territorial Norte; (1987) Director O.P. Madrid and Regional Director for Madrid; (1990) Deputy General Manager for Sales and Marketing Strategy; (1992) General Manager and deputy Managing Director; (1993) Managing Director of Bandesco.

1996 – Argentaria. Senior Managing Director and Chairman of the Control Committee; Senior Managing Director of Retail Banking; non-executive Deputy Chairman; (1997) Chairman of Unitaria.

He was appointed to his BBVA directorship on 28th January 2000.

#### JOSÉ ANTONIO FERNÁNDEZ RIVERO

Director.

Born in Gijón (Asturias) in 1949.

Married.

Graduated in Economic Sciences from the Universidad de Santiago.

#### **Professional Background:**

1976 - Joined Arthur Andersen (Systems).

1977 – Joined Banco de Vizcaya, where he was Director of Administration and Control for the International Division.

1986 - Chairman of Management Committee, Banque de Gestion Financière, S.A. (Belgium).

1988–1989 – Deputy Director General for Planning and Control in Commercial Banking, and later Regional Director of Retail Banking.

In 1990 he joined Banco Exterior de España as Comptroller General, occupying the same post in Corporación Bancaria de España (Argentaria) from 1991 to 1995, where he was appointed Director General for Internal Comptrol and Oversight. In 1997 he took over the duties of General Manager for Organisation, Systems, Operations, Human Resources, Procurement and Real Estate.

In 1999, after the merger with BBV, he was appointed General Manager of BBVA Systems and Operations. Was appointed Group General Manager in 2001, with a wide range of responsibilities in different areas. Has represented BBVA on the boards of Telefónica, Iberdrola, Banco de Crédito Local and chairman of Adquira

He was appointed to his BBVA directorship on 28th February 2004. Has been chairman of its Risks committee since 30th March 2004.

#### IGNACIO FERRERO JORDI

Director

Born in Barcelona in 1945.

Married.

Graduated in Law from Universidad de Barcelona.

#### Professional Background:

Chairman of the board of Nutrexpa, S.A., since 7th July 1997.

Chairman of the board of La Piara, S.A., since 10th July 1997.

Deputy chairman of the food and drink federation (Federación de Industrias de Alimentación y Bebidas) since 23rd April 1980.

Deputy chairman of the institute for family-run businesses (Instituto de la Empresa Familiar) since 10th July 2000. Member of management board and of Executive committee of Fomento del Trabajo Nacional, since January 1997

Member of the Managing committee of MAZ (Mutua Accidentes de Zaragoza) since 31st March 2000. Member of Management Board of Spanish commercial coding association, AECOC (Asociación Española de Codificación Comercial) since 25th February 2003.

Member of board of directors of SODIGEI (Lladró), Sociedad de Desarrollo Industrial y Gestión de Inversiones, S.A., since 7th November 2003.

Appointed member of the BBVA board on 28th January 2000.

#### ROMÁN KNÖRR BORRÁS

Director

Born in Sueca (Valencia) in 1939.

Married.

Commercial Management, Marketing and Advertising qualifications from various Institutes in Barcelona and San Sebastian.

#### Professional Background:

1955-1961 Areitio, S.A. Business Group.

1961–1992 KAS Business Group (Head of Advertising and PR; Sales and Marketing Manager; Deputy Chairman of KAS, S.A. and Knörr Elorza, S.A.

Director and Chairman of Zumos de Navarra, S.A.; Director and Chairman of Miko, Avidesa y Castillo de Marcilla; Director of S.A. de Alimentación, Director of Alimentos Naturales, S.A. and Director of Aguas de San Mantín de Veri, S.A.

Also deputy chairman of the Spanish fruit-juice manufacturers' association (Asociación Nacional de Fabricantes de Zumos) and member of management committee of Spanish advertisers' association (Asociación Española de Anunciantes) and of management committee and steering committee of the national soft-drinks manufacturers' association (Asociación Nacional de Fabricantes de Bebidas Refrescantes).

Also Chairman of Consulnor Álava, S.A. and Director of Patrimix Sicav, S.A.

From June 1994 to June 1999 was Chairman of Sindicato Empresarial Alavés.

Was chairman of the Basque Industrial Confederation, (Confederación Empresarial Vasca or CONFEBASK) from July 1999 to July 2005, and member of Executive Committee and Management Board of Spanish Industrial Confederation (CEOE) over the same period.

Is currently on the board of Mediasal 2000, S.A., and chairman of Eurokas Sicav, S.A. and Carbónicas Alavesas, S.A. and joint director of Future Drinks & Foods, S.L.

Chairman of the Official Álava Chamber of Commerce and Industry since March 2006. Full member and chairman of the training committee for the High Council of Chambers. He was appointed to a BBVA directorship on 28th May 2002.

#### RICARDO LACASA SUÁREZ

Director

Born in Zaragoza in 1936.

Married.

Graduated in Industrial Engineering from Escuela de Barcelona.

#### Professional Background:

1962-1970 Consultant Engineer at Bedaux, S.A.E.

Joined Banco Popular Español in 1970.

1970-1973 Systems Department.

1973-1975 IT Manager.

1975-1981 Administrative Departments Manager.

1981-1985 Secretary of Organisation.

1985-1988 Department of Banks and Subsidiaries.

1988-1995 General Management, with responsibilities for banks and specialist companies, trading and markets, international, personnel and media.

1995-1999 Managing Director.

Was appointed Director of BBVA on 28th May 2002. Has been chairman of Audit and Compliance committee since June 2002.

#### CARLOS LORING MARTÍNEZ DE IRUJO

Director

Born in Mieres (Asturias) in 1947.

Married

Graduated in Law from Universidad Complutense de Madrid.

#### **Professional Background:**

In 1971 joined J&A Garrigues, becoming a partner in 1977. Held posts as Director of M&A Department, Director of Banking and Capital Markets, and in charge of advisory services for big public companies. Since 1985, has been member of its Management Committee.

His activity has been focussed on mergers and acquisitions, advising big multinational corporations, and has been intensely involved in the legal coordination of some key global floats and placements, for Spanish and non-Spanish companies, representing arrangers and issuers.

More recently, he has focussed on consultancy services for listed companies in their big corporate operations, providing legal assistance at their Annual General Meetings.

He is a renowned specialist in corporate governance, having helped several public companies to restructure their organisation as new recommendations and regulations on good governance have been published in Spain. Was recently shortlisted by "The International Who's Who of Business Lawyers" as one of the most pre-eminent lawyers in corporate governance.

From 1984 to 1992 was member of the Governing Body of the Colegio de Abogados de Madrid (Madrid Law Association).

Has worked with the Centro de Estudios Garrigues as a member of the Advisory Board for its Masters in Private Banking.

He was appointed to a BBVA directorship on 28th February 2004. Has been chairman of the board's Appointments and Remuneration committee since April 2006.

#### JOSÉ MALDONADO RAMOS

Director and Company Secretary

Born in Madrid in 1952.

Married.

Graduated in Law from Universidad Complutense de Madrid, winning the extraordinary first prize on graduation.

#### Professional Background:

In 1978 passed competitive exam to become a civil-service lawyer (Cuerpo de Abogados del Estado). Was appointed Technical General Secretary to the Ministry of Territorial Administration, then Under-Secretary of the same department in 1982.

Has acted as Legal Secretary for various governing bodies on public companies, including: Astilleros y Talleres del Noroeste, S.A. (ASTANO); Aplicaciones Técnicas Industriales, S.A. (ATEINSA); Oleaginosas Españolas, S.A. (OESA); Camping Gas, S.A. and Aviación y Comercio, S.A. (AVIACO).

Board Secretary and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria Alimentaria, S.A. (ENDIASA); for Astilleros Españoles, S.A.; and for Iberia Líneas Aéreas de España, S.A. Has been Legal Counsel for Banco Exterior, S.A.; Legal Counsel for Banco Internacional de Comercio, S.A. and Banco Central Hispanoamericano S.A., as well as Board Secretary of Sindibank, S.B.

Was appointed Director and Secretary General of Argentaria in April 1997.

Was appointed Director and Company Secretary of Banco Bilbao Vizcaya Argentaria, S.A. on 28th January 2000.

#### ENRIQUE MEDINA FERNÁNDEZ

Director

Born in La Puebla de Montalbán (Toledo) in 1942.

Married.

Graduated in Law from Universidad Complutense de Madrid.

State Advocate on leave of absence.

#### Professional Background:

In 1967 passed competitive civil-service exam to become a State Advocate (Cuerpo de Abogados del Estado). Held posts in the Government's Tax and Courts Service in Cáceres; in the Directorate General for Administrative Judicial Review; and in the Supreme Court.

Has been head of the Technical Personal Staff of the Undersecretary for Finance and Director General for Territorial Planning.

In 1971, was appointed director on the board of Banco de Crédito a la Construcción.

From 1975 to 1981, held the post of Director and Company Secretary for Banco de Progreso.

From 1985 to 1989, held same posts in Corporación Financiera Alba and from 1989 to 1991, in Banco Urquijo.

Deputy Chairman of Ginés Navarro Construcciones until it merged to become the ACS Group.

He was appointed to his BBVA directorship on 28th January 2000.

#### Ms. SUSANA RODRÍGUEZ VIDARTE

Director

Born in Bilbao (Vizcaya) in 1955.

Married.

Doctor in Economic and Business Sciences from Universidad de Deusto.

#### **Professional Background:**

Has mainly worked in the academic world.

Lecturer and researcher at the Management Department in the Economics Sciences and Economics Faculty La Comercial de la Universidad de Deusto.

Held Chair in Business Economics and Management Control, with teaching activities for undergraduate and postgraduate programmes at La Comercialin in Spain, Argentina and Chile.

Since 1996 has been Dean of the Economics and Business Sciences Faculty La Comercial de la Universidad de Deusto and since 2003, Director of Instituto Internacional de Dirección de Empresas. Is currently member of the Executive Committee of the Management Board of the Universidad de Deusto and its Academic

Member of Board of Governor of Fundación Deusto; of Fundación Luis Bernaola and the Management Board of Cluster del Conocimiento en Gestión Empresarial.

Joint Editor of Boletín de Estudios Económicos.

Member of Instituto de Contabilidad y Auditoría de Cuentas (Accountants and Auditors Institute).

She was appointed to her BBVA directorship on 28th May 2002.

#### ÁNGEL VILÁ BOIX

Director

Born in Barcelona in 1964.

Married.

Graduated in Industrial Engineering from Universidad Politécnica de Cataluña.

MBA from Columbia University (New York).

#### **Professional Background:**

Began his career as Financial Analyst at CITIBANK NA.

Consultant at McKinsey & Co.

Involved in business development in the Ferrovial and Pacsa groups.

In January 1997, joined the Telefónica Group as Deputy Comptroller General.

From January to August 1998 was General Manager of Finanzas, Control e Inversiones de Telefónica Internacional.

From September 1998 to September 1999, was General Manager for Corporate Development and Control in Telefónica, S.A.

In October 1999, joined Grupo Planeta as General Business Manager.

Re-joined Telefónica in May 2000 as General Manager of Corporate Development, sitting on the Group's Executive Committee.

Member of the Board of Directors of Endemol.

Was appointed representative of the Telefónica de España, S.A. directorship on the BBVA Board of Directors in March 2001.

The ordinary meetings of the board of directors take place monthly and an annual schedule of the ordinary sessions must be drawn up sufficiently in advance. During 2006 the board of directors met thirteen times, the chairman of the board attending all its sessions.

The board of directors may meet whenever the chairman or the Executive committee deem it advisable, or at the behest of at least one quarter of the board members in office at any time. In such case, the chairman must convene the board within 15 days as of receiving the request to call the meeting.

The board shall also be validly constituted when all its members are present and unanimously resolve to constitute a meeting.

Directors must be provided with any information or clarification they deem necessary or appropriate in connection with the matters to be considered at the meeting. This can be done before or during the meeting.

The chairman encourages the participation of directors in the meetings and deliberations of the Board and puts matters to a vote when he/she considers they have been sufficiently debated.

Group executives and others may join the meetings should the chairman deem their attendance helpful in ensuring proper treatment of the business laid before the board.

Article 48 of the company bylaws establishes that the board of directors, in order to best pursue its duties, may create any committees it deems necessary to help it on issues that fall within the scope of its powers.

The board of directors has constituted the committees listed below, appointing the following members to each of them:

FULL NAME	Executive Committee	Audit and Compliance Committee	Appointments and Remuneration Committee	Risks Committee
González Rodríguez, Francisco	•			• • • • • • • •
Goirigolzarri Tellaeche, José Ignacio	•			
Alfaro Drake, Tomás		•		
Álvarez Mezquíriz, Juan Carlos	•		•	
Breeden, Richard C.				
Bustamante y de la Mora, Ramón		•		•
Fernández Rivero, José Antonio				•
Ferrero Jordi, Ignacio	•		•	
Knörr Borrás, Román	•			
Lacasa Suárez, Ricardo		•		•
Loring Martínez de Irujo, Carlos		•	•	
Maldonado Ramos, José				•
Medina Fernández, Enrique	•			•
Rodríguez Vidarte, Susana		•		

#### **Executive Committee**

In accordance with the company bylaws, the board of directors can appoint an Executive committee, once two-thirds of its members vote for it and it is duly filed at the Company Registry.

The board of directors has constituted an Executive committee, to which it has delegated all its powers of administration, except those that the law and/or bylaws deem undelegatable due to their essential nature.

On 31 December 2006, this committee was made up of six members, of whom two were executive directors and four independent directors. Its composition is as follows:

Chairman
President and COO
Members

Francisco González Rodríguez José Ignacio Goirigolzarri Tellaeche Juan Carlos Álvarez Mezquíriz

Ignacio Ferrero Jordi Román Knörr Borrás Enrique Medina Fernández

The Executive committee deals with those matters that the board of directors has delegated to it in accordance with prevailing legislation or company bylaws.

According to the company bylaws, its faculties include the following: to formulate and propose policy guidelines, the criteria to be followed in the preparation of programmes and to fix goals, to examine the proposals put to it in this regard, comparing and evaluating the actions and results of any direct or indirect activity carried out by the entity; to determine the volume of investment in each individual activity; to approve or reject operations, determining methods and conditions; to arrange inspections and internal or external audits of all areas of operation of the entity; and in general to exercise the faculties delegated to it by the board of directors.

Specifically, the Executive committee is entrusted with evaluation of the bank's system of corporate governance. This shall be analysed in the context of the company's development and of the results it has obtained, taking into account any regulations that may be passed and recommendations made regarding best market practices, adapting these to the company's specific circumstances.

The Executive committee shall hold ordinary meetings twice a month, although the board regulations allow it to meet as often as considered necessary by its chairman or by the person who exercises her/his functions, or at the request of a majority of its members.

During 2006, the Executive committee met 23 times.

#### Audit and Compliance Committee

The BBVA Audit and Compliance committee assists the board of directors in supervising financial statements and the oversight of the BBVA group.

It must have a minimum of four independent directors appointed by the board. One of these shall act as chairman, also appointed by the board.

On 31st December 2006, the BBVA Audit and Compliance Committee comprised the following members:

Chairman Members Ricardo Lacasa Suárez Tomás Alfaro Drake

Ramón Bustamante y de la Mora Carlos Loring Martínez de Irujo Susana Rodríguez Vidarte

The scope of its functions is as follows:

Supervise the internal control systems' sufficiency, appropriateness and efficacy in order to ensure
the accuracy, reliability, scope and clarity of the financial statements of the company and its
consolidated group in their annual and quarterly reports. Also to oversee the accounting and
financial information that the Bank of Spain or other regulators from Spain and abroad may
require.

- Oversee compliance with applicable national and international regulations on matters related to
  money laundering, conduct on the securities markets, data protection and the scope of group
  activities with respect to anti-trust regulations. Also ensure that any requests for information or
  for a response from the competent bodies in these matters are dealt with in due time and in due
  form.
- Ensure that the internal codes of ethics and conduct and securities market operations, as they apply to group personnel, comply with legislation and are properly suited to the bank.
- Especially to enforce compliance with provisions contained in the BBVA directors charter, and
  ensure that directors satisfy applicable standards regarding their conduct on the securities
  markets.

Ensure the accuracy, reliability, scope and clarity of the financial statements. The committee shall constantly monitor the process by which they are drawn up, holding frequent meetings with the bank executives responsible for them and the external auditor.

The committee shall also monitor the independence of external auditors. This entails the following two duties:

- Ensuring that the auditors' warnings, opinions and recommendations cannot be compromised.
- Establishing the incompatibility between the provision of audit services and the provision of consultancy, unless there are no alternatives in the market to the auditors or companies in the auditors' group of equal value in terms of their content, quality or efficiency. In such event, the committee must grant its approval, which can be done in advance by delegation to its chairman.

The committee selects the external auditor for the bank and its group, and for all the group companies. It must verify that the audit schedule is being carried out under the service agreement and that it satisfies the requirements of the competent authorities and the bank's governing bodies.

The Audit and Compliance committee meets as often as necessary to comply with its tasks, although an annual meeting schedule is drawn up in accordance with its duties. During 2006 the Audit and Compliance committee met fifteen times.

Executives responsible for Comptrol, Internal Audit and Standards Compliance are invited to attend the meetings and, at the request of these executives, other staff from these departments who have particular knowledge or responsibility in the matters contained in the agenda, can also be invited when their presence at the meeting is deemed appropriate. However, only the committee members and the secretary shall be present when the results and conclusions of the meeting are evaluated.

The committee may hire external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the group on grounds of specialisation or independence.

Likewise, the committee can call on the personal co-operation and reports of any member of the management team when it considers that this is necessary to carry out its functions with regard to relevant issues.

The committee has its own specific regulations, approved by the board of directors. These are available on the bank's website and, amongst other things, regulate its operation.

#### Appointments and Remuneration Committee

The Appointments and Remuneration committee of the BBVA board of directors helps the board on issues regarding the appointment of bank directors and aspects relating to pay that the board may commend to it, in particular, that of the members of the bank's board of directors.

On 31st December 2006, the composition of the Appointments and Remuneration Committee was as follows:

Chairman Carlos Loring Martínez de Irujo Members Juan Carlos Álvarez Mezquíriz Ignacio Ferrero Jordi

Its duties, apart from the afore-mentioned duty in the appointment of directors, include proposing the remuneration system for the board as a whole, within the framework established in the company bylaws. This entails determination of its items, the amount payable for each item and the settlement of said amount, and, as mentioned above, the scope and amount of the remuneration, rights and economic compensation for the CEO, the COO and the bank's executive directors in order to include these aspects in a written contract. Said duties shall be executed by virtue of the authority conferred on the members of this committee by the board of directors.

The committee analyses proposals regarding reward plans to run over various years for the bank's senior management and issues an opinion on them to the due corporate bodies. It must be aware of the basic principles of the bank's wage policy and especially the average fixed and variable remuneration of the members of the Management committee and any associated annual adjustments.

The committee also analyses the pay policy for directorships in companies in which the bank holds a direct or indirect interest, and examines the remuneration criteria for the boards of companies controlled by the group.

The chairman of the Appointments and Remuneration Committee shall convene it as often as necessary to comply with its functions although an annual meeting schedule shall be drawn up in accordance with its duties. During 2006 the Appointments and Remuneration Committee met 9 times.

In accordance with the BBVA board regulations, the committee may ask members of the group organisation attend its meetings, when their responsibilities relate to its duties. It may also receive any advisory services it requires to inform its criteria on issues falling within the scope of its powers.

#### **Risks Committee**

The Risks committee has been set up to periodically analyse and monitor risk management within the terms and conditions of the bank's governing bodies' powers. It comprises a minimum of three members, the majority of whom are non-executive directors, all appointed by the board of directors, which also appoints its chairman.

On 31st December 2006, the composition of the Risks committee was as follows:

Chairman José Antonio Fernández Rivero Members Ramón Bustamante y de la Mora Ricardo Lacasa Suárez

> José Maldonado Ramos Enrique Medina Fernández

The scope of its functions is as follows:

- Analyse and evaluate proposals related to the group's strategy and risk policies and submit these to the bank's Executive committee for approval.
- Monitor the degree to which actual exposure matches the established profile, as a measure of the bank's risk tolerance and the expected return from risks incurred.
- Approve risk operations under the established system of delegation.
- Check that the group possesses the means, systems, structures and resources benchmarked against best practices to allow implementation of its risk management strategy.
- Submit proposals to the bank's Executive committee as it considers necessary or advisable in order to bring the group's risk management in line with best practice arising from recommendations on corporate governance systems or from supervisory bodies on risk matters.

The committee has specific regulations, approved by the board of directors. These establish that the chairman or his/her substitute under its regulations must convene the committee to meet as often as necessary to comply with its mission. Nonetheless, a meeting schedule is also drawn up in keeping with its tasks. During 2006, the Risks Committee has met 81 times.

#### **COMPLIANCE**

Over recent years the Compliance System function has become one of the key parts of BBVA's institutional commitment to conduct all its activities and businesses according to the strictest standards of ethical behaviour.

In accordance with the standards laid down by the Bank for International Settlements (BIS), the Compliance System function addresses various branches of activity, including:

- The promotion of policies and procedures adapted to the ever-changing regulatory environment.
- To assure that future development in product and business matters is in line with corporate policies and incorporates the necessary elements to identify and assess potential compliance risks.
- Dissemination of information and training in these matters.

The basic principles of action underpinning BBVA's commitment in Compliance issues are laid out in the Group's Code of Conduct (www.bbva.com), compliance with which is compulsory for all its employees. This code defines and develops the foundations of ethical behaviour and guidelines for action to preserve one of BBVA's principal sources of value creation: its corporate integrity.

#### **Rules of Conduct**

The BBVA Code of Conduct represents a key element in its corporate culture. As part of an on-going process for disseminating this culture, 2006 was a year of continued progress in the media and mechanisms for communicating and disseminating the Code and its developments, and for enhancing and improving consistency in its contents and their accessibility, so that all employees, and more especially, those who are newly incorporated, have easy access available, both to the Code of Conduct and to the contents linked to it. Likewise, work continued on the process of incorporating the principles and general guidelines for action contained in the Code of Conduct into the Group's internal procedures.

In the sphere of conduct in securities markets, several different initiatives were undertaken, in order, on the one hand, to enhance the effectiveness of the Group's policies and procedures and on the other, to advance in raising awareness of employees and managerial staff.

To address the first point, BBVA's new Code of Conduct in the Securities Market area was approved in early 2006, adjusting its rules to recent changes in legislation, which basically centre on the new obligations concerning market abuse. This new code was subsequently implemented and the rules and procedures affected by said novelties and modifications were then adapted. 2006 also saw the updating of specific requirements concerning asset management, incorporating the new features deriving from the Collective Investment Institutions Regulations to the codes of conduct of the institutions involved in this activity.

The second group of initiatives, relating to the dissemination of information on these topics, was addressed through an on-line training course on the contents of the new Code of Conduct in the Securities Market area, which places special emphasis on the most recent newly incorporated legal features. The course is open to all the Group's employees, but it is especially targeted at the professionals whose activities are related to securities markets.

Moreover, other specific dissemination actions have been undertaken in order to highlight certain aspects of the new regulations, such as the implications of the recently passed legal obligation to notify operations suspected of constituting market abuse to the supervisory bodies.

#### Privacy and business practices

As far as privacy is concerned, the entities comprising the BBVA Group in Spain comply with the Organic Law on Personal Data Protection (*Ley Orgánica de Protección de Datos - LOPD*), as well as with the Group's own Code of Conduct. In 2006 action plans were developed regarding the processes concerning files and non-automated treatment that existed prior to the publication of the

*LOPD*, in order to assure that these are fully adapted to the principles laid out therein before 24-Oct-07, as dictated in additional disposition number 1 of the aforementioned law.

Furthermore, in compliance with Royal decree 994/99 of 11 June, biennial audits were carried out on the security measures introduced and no deficiencies of any special importance were reported.

As far as business practices are concerned, over the course of 2006 an analysis was made of the impact of the new legal regime in investor protection matters that will come into force on 01-Nov-07, and which is derived from Directive 2004/39/EC on the markets in financial instruments (known as the MiFID Directive). BBVA has also begun the adaptation of its procedures, processes, systems and structures to this regulation, which will entail a reinforcement of the standards of conduct that financial institutions must observe in their relationships with customers when rendering investment services.

#### Prevention of money laundering and financing of terrorist activities

Within the Group's policy framework for preventing its products and services being used for criminal purposes, in 2006 BBVA consolidated its money-laundering risk management model, which is implemented in all the units in the Group. It thus heightened the objective of isolating the resources obtained by criminals and preserving the Group's corporate integrity, and hence the trust of the people and institutions with which it is in daily contact.

Regulations concerning money laundering continued to be issued throughout 2006, with changes in regulations in countries such as Mexico, Chile, the United States and Spain, where the third European Directive (2005/60/EC) will be transposed in 2007.

The Group has continued collaborating with international organisations, government bodies and other institutions in the fight against organised crime, terrorism and other forms of delinquency. Meetings were held with representatives from the World Bank, the Wolfsberg Group and the United States Federal Reserve (FED). Moreover, BBVA has taken part in European Banking Federation meetings on behalf of the Spanish banks, as well as in numerous fora organised by banking associations and government bodies from the different countries in which the Group is physically present.

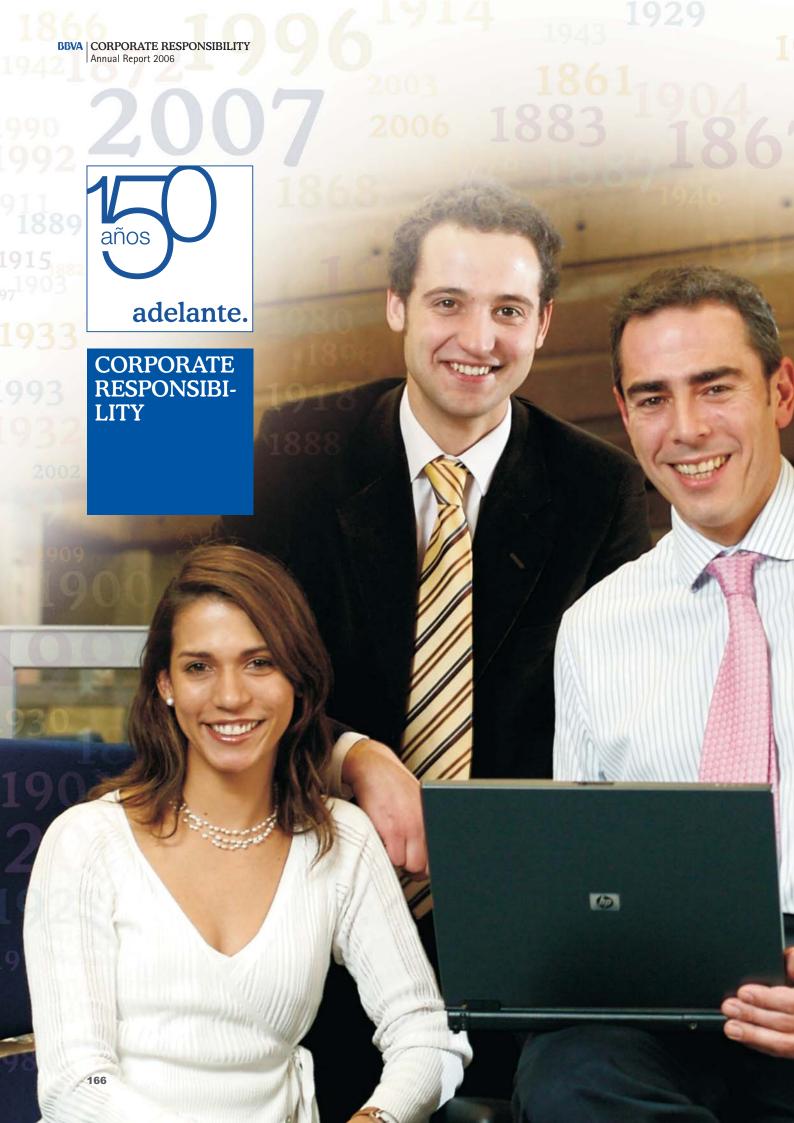
In 2006, there was continued improvement in the monitoring systems, the aim of which is to adjust this kind of tool to the recommendations of the Bank for International Settlements Banking Supervisory Committee. In this line, the implementation work on the new operations monitoring platform was concluded in Spain and Mexico, and this will be extended to Venezuela, Argentina, Chile and Colombia in 2007. The international remittance monitoring tool was likewise fully implemented in all the Group's banking institutions. These improvements in prevention tools and systems involved an investment of some ?6m over the course of the three-year period from 2004 to 2006.

The process, started in 2005, of extending systems for customer identities screening against those held in official census records to the Group's non-banking companies has also concluded, thus reducing the probability of establishing business relations in which coincidence in identity occur. The acquisition of a new tool is programmed, which will enhance detection capacities in screening matters.

There is now a total of 170 specialist staff employed in the prevention of money laundering and financing of terrorist activities assigned to the various Internal Control units. This figure represents a 4.3% increase over the previous year and a rise of 21.4% over 2004. The significant rise produced in the newly acquired units in the United States should also be underlined.

CI : 1 CEO	
Chairman and CEO	
Mr. Francisco González Rodríguez	
President and COO	
Mr. José Ignacio Goirigolzarri Tellaeche	
Other members of the Steering Commit	itee
Mr. Eduardo Arbizu Lostao	Legal Services, Fiscal Matters, Auditing and Compliance
Mr. Juan Asúa Madariaga	Corporate and Business Banking (Spain and Portugal)
Mr. Javier Ayuso Canals	Communication and Image
Mr. José Barreiro Hernández	Global Businesses
Mr. Javier Bernal Dionis	Innovation and Business Development (Spain and Portugal)
Mr. Ángel Cano Fernández	HR, IT & Operations
Mr. Ignacio Deschamps González (2)	Mexico
Mr. José María García Meyer-Dohner	USA
Mr. Manuel González Cid	CF0
Mr. Jaime Guardiola Romojaro	Spain and Portugal
Mr. José Maldonado Ramos	Secretary General
Mr. Vicente Rodero Rodero	Commercial Banking Spain (Spain and Portugal)
Mr. Ignacio Sánchez-Asiaín Sanz	South America
Mr. José Sevilla Álvarez	Risk

Composition at 31 December 2006, according to the new organisational structure approved in December 2006.
 Joined the Committee in December 2006.





### CORPORATE RESPONSIBILITY AT BBVA

The BBVA Group pursues a policy of corporate responsibility that is all-encompassing, designed to provide the utmost value possible to all its direct stakeholders and to society at large, striving to provide the best possible response to their expectations, whilst strictly upholding the letter of the law and the recommendations of regulators.

It is a pledge that the Group understands to be an essential component of its values and culture, and one that implies a balanced consideration of each and every aspect of its operations: economic, legal, human, social and environmental. A pledge, moreover, embedded within its strategy that pervades throughout the organisation and all its lines of business.

A detailed breakdown of the way in which BBVA understands and implements this notion, as well as its main actions in this field in 2006, may be found in the *Corporate Responsibility Report* 2006, published jointly with this report

 both in its abridged form and as a full document – and available on the corporate website (www.bbva.com).

# BASIC COMMITMENTS AND PARAMETERS OF CORPORATE RESPONSIBILITY AT BBVA

Amongst the numerous actions designed to express this integral commitment, the following are worthy of special mention:

- International commitments: BBVA is a signatory of the United Nations Global Compact, of the United Nations Environment Programme Finance Initiative (UNEP-FI) and of the Equator Principles, propounded by the World Bank. It also upholds the Universal Declaration of Human Rights and the Fundamental Principles and Rights of the International Labour Organisation.
- Probity: BBVA has a Code of Conduct for the entire Group designed to ensure probity in all aspects of its operations, as well as a strict

		20	006	20	05	200	)4	
(Scale: 0 to 100)	Dimension	BBVA	Sector average	BBVA	Sector average	BBVA	Sector average	Observation
	Inclusion in indices	Yes		Yes		Yes		DD://
	Economic dimension	85	60	88	62	65	50	BBVA has been included in  BIGL Wardstripes 2001
SAM	Environmental dimension	62	34	48	32	43	28	DJSI World since 2001.
	Social dimension	78	47	80	46	65	43	BBVA has been included in
	Overall score	76	48	75	48	60	42	DJSI STOXX since 2005.
EIRIS	Inclusion in the index	Yes		Yes		Yes		BBVA has been included in FTSE4Good since 2003.
SIRI	Inclusion in the analysis	Yes		Yes		Yes		<ul> <li>Analysis performed in Spain by International Sustainabilit Analysts.</li> </ul>
VIGEO	Inclusion in indices	Yes		Yes		Yes		<ul> <li>BBVA has been included in ASPI Eurozone.</li> <li>BBVA has been included in Ethibel Sustainability Indices (ESI).</li> </ul>
OEKOM	Inclusion in the index	Yes		Yes		Yes		BBVA is rated as "Prime" in the comparison of the world's best banks or "Best in Class".

The data corresponding to the Siri, Vigeo and Oekom agencies, which are contained in the Corporate Responsibility Report 2005, cannot be included in this edition, as the rating corresponding to 2006 had not been notified when this report went to press.

	2006	2005	2004
Economic			
Earnings per share (euros)	1.39	1.12	0.87
Market capitalisation (million euros)	64,788	51,134	44,251
Independent directors (%)	73.3	66.7	66.7
Socially responsible mutual funds with regard to total investment funds managed (%)	1.57	1.53	1.83
Social			
Diversity men-women (%)	53/47	55/45	57/43
Hours of training per employee	39	43	43
Resources allocated to community support over net attributable profit (%)	1.19	1.22	1.31
Customer satisfaction index (%) (1)	70.2	67.9	67.6
Employee satisfaction index (%) <sup>(1) (2)</sup>	-	61.1	_
Environmental			
Electricity consumed per employee (GJ)	23.9	21.2	22.3
Paper consumed per employee (t)	0.13	0.11	0.14
Loans with environmental benefits (million euros)	676.4	301.7	295.7
Progress in the implementation of the Equator Principles	Yes	Yes	No

System of Corporate Governance and an array of specific codes for essential duties.

### MAIN AREAS OF CORPORATE RESPONSIBILITY AT BBVA

There follows an overview of the main lines of action the Group has developed in 2006 in the more significant areas of its corporate responsibility.

#### Shareholders and investors

The creation of sustained value over time for shareholders is framed within a policy governed by strict standards of ethics, transparency and fairness in dealings with shareholders and investors, under the auspices of the Group's Corporate Governance System. The following are amongst the more salient initiatives in 2006:

- Creation of the Shareholders' Management unit, for improving the service provided to individual shareholders.
- Continuity of the Dividend Reinvestment Plan.
- Creation of a specific corporate website with information for shareholders and investors.
- Inclusion of special offers enabling Group employees to acquire BBVA shares, within the

- project *Pasión por las Personas* (Passion for People).
- Increase in the content available on the *Acción BBVA* (BBVA Share) Portal on the Bank's intranet, with a view to improving the service to shareholders and offering them products under the best possible terms.

#### Customers

BBVA maintains that corporate responsibility should be developed most especially through its business operations, by including social, environmental and ethical criteria in its products and services. This sphere features the following highlights:

- Launching of products and services for migrants and low-income groups, designed to facilitate financial integration.
- In Latin America, BBVA has chosen to boost banking usage and access to financial service for vast segments of the population, and a regional unit has been set up specialising in low-income groups.
- Launching of *BBVA Codespa Microfinanzas*, the first Spanish responsible mutual fund designed to further the development of micro-finance in Latin America.

- Concerning project finance, BBVA has ratified the new Equator Principles and has made significant progress in the system for managing social and environmental risk, with over 40 operations analysed.
- Implementation throughout the Group of the risk management model for money laundering.

#### **Employees**

BBVA knows that human capital is a major asset for maintaining a position of leadership. Accordingly, the Group is committed to new management models that abide by the principles and pledges laid down in its corporate culture, with initiatives such as the following:

- Launching of the new Corporate Responsibility (CR) Portal on the intranet.
- Implementation of a management framework for social provision systems at corporate level.
- Development of 150 new schemes within the project *Pasión por las Personas* (Passion for People), targeting employees, especially in Latin America.
- Progress in training, with a budget approaching €36m. The Conoce (Get to know) e-learning channel has become the main avenue of distance learning, with over 130,000 participants. It has been used to introduce a specific course on Corporate responsibility: basic notions.
- Setting-up in Spain of an Equal Opportunities commission, on joint terms between management and all trade union representations, as a result of the subscription in 2005 of an Agreement on Equality and the Reconciliation of Work and Family Life.
- Improvements in the reconciliation of work and family life and equal opportunities, cooperating in the Equal Initiative's Active Diversity project, as well as in the Optima Programme. In addition, BBVA is pursuing an innovative corporate project called *Calidad de Vida en BBVA* (Quality of Life in BBVA), likewise aimed at furthering reconciliation and striking a balance between work and family life for its employees.
- Schemes for promoting the voluntary implication of its employees in causes of social

interest, with such highlights as the *Centros de Capacitación Integral* (Integral Empowerment Centres) of the BBVA Bancomer Foundation, the consolidation of the project *Euro Solidario* (voluntary donations of one euro from each pay packet, with BBVA matching the amount collected, for educational projects in under-privileged communities in Latin America) in Spain, and the approval of a Corporate Voluntary Work Plan for the Group as a whole, which is to begin in 2007.

#### Suppliers

The BBVA Group wants its dealings with suppliers to be ruled by criteria of objectivity, transparency, professionalism, quality and equal opportunities, whilst fostering amongst them the ethical principles and responsibility that underpin its own operations. The following are some of the more noteworthy projects undertaken in 2006:

- Approval of a new ethical code for the Purchases unit (Principles Applicable to Parties Involved in the Procurement Process), which embodies BBVA's pledge to integrity, transparency, confidentiality and corporate responsibility.
- Review of the corporate responsibility criteria in the questionnaire for suppliers' approval in Spain.
- Progress in the development and implementation of electronic tools designed to ensure more efficient and transparent procurement.
- Progress in the implementation of electronic invoicing.

#### **Environment**

For the BBVA Group, its environmental involvement is expressed through two types of impacts: indirect, through its business activity, and direct, caused by the consumption of natural resources. Special note should be made of the following actions occurring in 2006:

- Award of a new environmental management certificate for a singular building as per the requirements of Standard ISO 14001.
- Progress in eco-efficiency plans and objectives in different Group banks in Latin America.

- Analysis of the environmental implications of the credit profiles of BBVA's portfolio of companies in Spain by means of the Ecorating tool.
- Launch of a new investment project in solar energy for large asset holders.
- Financing of photovoltaic panels for SMEs.
- A \$30m credit line subscribed by the International Finance Corporation and BBVA Banco Continental (Peru) for projects of energy efficiency and forestation.
- Credit lines with the European Investment Bank for financing projects involving SMEs and Public Administration investments, including environmental protection.
- Positioning of BBVA as the world's leading bank in the financing of wind farms, according to a report by *Project Finance*.

#### Community support

The BBVA Group pursues a resolute policy in favour of the development of those societies in which it has a significant presence, involving actions with no direct profit. A policy conducted through several instruments and channelled along different paths, with mainstays being its foundations in Spain, Argentina, Mexico, Peru and Venezuela.

There follows a detail of the more prominent schemes within this field in 2006:

- *Plan Familias BBVA* (BBVA Families Plan), with progress made in the three programmes involved:
  - Programa de Financiación Familiar (Family Financing Scheme) (cost-free loans for basic family needs), with the launch of the Préstamo Joven (Youth Loan) and the third edition of the Préstamo Nacimiento (Birth

- Loan). Overall, the year has recorded the granting of 11,000 loans, with an investment approaching €32m.
- *Programa de Mecenazgo Familiar* (Family Patronage Scheme), with highlights being the prizes for teaching work, in cooperation with the *Fundación de Ayuda contra la Drogadicción* Drug Addiction Aid Fund (*FAD*) and the UNESCO.
- *Programa de Empleados* (Employee Scheme), through the *Euro Solidario* project, involving 4,708 employees.
- Holding of the 21st edition of the *Ruta Quetzal BBVA* (BBVA Quetzal Route), with 350 participants from 53 countries taking part.
- Programme of Cultural Activities, with new exhibitions and projects for restoring cultural heritage and promoting music.
- Activity for furthering knowledge undertaken by the BBVA Foundation in the fields of social, environmental and health sciences
- Activity for disseminating information and knowledge on the economy performed by the Group's Economic Research department.
- Master Plan for Social Action in Latin America, approved in 2006 and already under way that year in Mexico. With a priority interest in education and a pledge to allocate at least 0.7% of the Group's profit in the region (almost €15m in 2007), it is being implemented in the ten Latin American countries in which the Group has a banking presence. The Plan has a star programme: the Programa Becas BBVA Integración (BBVA Integration Scholarship Scheme), which in 2007 will be allocated funds exceeding €8m and will provide for over 16,000 scholarships.

(1) The methodology applied in the preparation of these data is explained in the Corporate Res			
TOTAL	56.425	46.486	38.318
Foundations in Latin America	5,001	3,817	3,264
BBVA Foundation (Spain)	20,599	16,970	14,570
BBVA Group in Spain and the rest of the world	24,649	21,081	18,886
BBVA Group in Latin America	6,176	4,618	1,598
	2006	2005	2004
Community support: funds allocated by the E	BVA Group and i	ts ioundati	ons ()









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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (Notes 1 and 62). In the event of a discrepancy, the Spanishlanguage version prevails.

#### AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.:

- 1. We have audited the consolidated financial statements of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (the Bank) and COMPANIES composing the BANCO BILBAO VIZCAYA ARGENTARIA Group (the Group Note 4), which consist of the consolidated balance sheet at 31 December 2006, and the related consolidated income statement, consolidated cash flow statement, consolidated statement of recognized income and expense and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Bank's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
- 2. As required by corporate and commercial law, for comparison purposes the Bank's directors present, in addition to the figures for 2006 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognized income and expense and notes to the consolidated financial statements, the figures for 2005. In addition, voluntarily and also for comparison purposes, the figures for 2004 are presented. The figures for 2004 were restated by applying the International Financial Reporting Standards adopted by the European Union in force at 31 December 2005 for comparison purposes and, accordingly, differ from those contained in the consolidated financial statements for that year, which were prepared in accordance with the accounting principles and standards in force in that year. Our opinion refers only to the consolidated financial statements for 2006. On 13 February 2006, we issued our auditors' report on the consolidated financial statements for 2005, in which we expressed an unqualified opinion. On 3 February 2005, we issued our auditors' report on the consolidated financial statements for 2004 prepared in accordance with the accounting principles and standards in force in that year, in which we expressed a uniformity qualification.
- 3. In our opinion, the accompanying consolidated financial statements for 2006 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group at 31 December 2006, and the consolidated results of its operations, the changes in the consolidated recognized income and expense and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the International Financial Reporting Standards adopted by the European Union which were applied on a basis consistent with that used in the preparation of the financial statements for the preceding two years presented for comparison purposes.
- 4. The accompanying consolidated directors' report for 2006 contains the explanations which the Bank's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2006. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the consolidated companies' accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Francisco Celma February 13, 2007



CONSOLIDA-TED FINANCIAL STATEMENTS

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 62). In the event of a discrepancy, the Spanish-language version prevails.

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

	Thousands of euros				
ASSETS	2006	2005(*)	2004(*)		
CASH AND BALANCES WITH CENTRAL BANKS (Note 10)	12,515,122	12,341,317	10,123,090		
INANCIAL ASSETS HELD FOR TRADING (Note11)	51,835,109	44.011.781	47,036,060		
Loans and advances to credit institutions	-	=			
Money market operations through counterparties	-	_			
Loans and advances to other debtors	-	_			
Debt securities	30,470,542	24,503,507	30,396,57		
Other equity instruments	9,948,705	6,245,534	5,690,88		
Trading derivatives	11,415,862	13,262,740	10,948,59		
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
(Note 12)	977,114	1,421,253	1,059,49		
Loans and advances to credit institutions	-	_			
Money market operations through counterparties	-	_			
oans and advances to other debtors	-	_			
Debt securities	55,542	282,916	58,77		
Other equity instruments	921,572	1,138,337	1,000,71		

		Thousands of euros	
ASSETS (Continuation)	2006	2005(*)	2004(*)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 13)	42,266,774	60,033,988	53,003,545
Debt securities	32,229,459	50,971,978	45,037,228
Other equity instruments	10,037,315	9,062,010	7,966,317
LOANS AND RECEIVABLES (Note 14)	279,855,259	249,396,647	196,892,203
Loans and advances to credit institutions	17,049,692	27.470.224	16,702,957
Money market operations through counterparties	100,052		241,999
Loans and advances to other debtors	256,565,376	216,850,480	172,083,072
Debt securities	77,334	2,291,889	5,497,509
Other equity instruments	6,062,805	2,784,054	2,366,666
HELD-TO-MATURITY INVESTMENTS (Note 15)	5,905,636	3.959.265	2,221,502
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGES	0,000,000	0,000,200	2/221/002
OF INTESREST RATE RISK		_	
HEDGING DERIVATIVES (Note 16)	1,963,320	3,912,696	4,273,450
NON-CURRENT ASSETS HELD FOR SALE (Note 17)	186,062	231,260	159,15
Loans and advances to credit institutions	100,002	-	100,10
Loans and advances to other debtors	-	_	
Debt securities	_	_	
Equity instruments	-	_	
Tangible assets	186,062	231,260	159,15
Other assets	-	-	100,10
NVESTMENTS (Note 18)	888,936	1,472,955	1,399,140
Associates	206,259	945,858	910,09
Jointly controlled entities	682,677	527,097	489.04
NSURANCE CONTRACTS LINKED TO PENSIONS	-	-	
REINSURANCE ASSETS (Note 19)	31,986	235,178	80,26
ANGIBLE ASSETS (Note 20)	4,527,006	4,383,389	3,939,630
Property, plants and equipment	3,816,309	3,840,520	3,337,728
Investment properties	61,082	76,742	162,649
Other assets leased out under an operating lease	649,615	466,127	439,259
NTANGIBLE ASSETS (Note 21)	3,269,265	2,070,049	821,084
Goodwill	2,973,435	1.857.854	710.49
Other intangible assets	295,830	212,195	110,59
AX ASSETS (Note 37)	5,278,197	6,420,745	5,990,69
Current	386,827	254,151	165,95
Deferred	4,891,370	6,166,594	5,824,73
REPAYMENTS AND ACCRUED INCOME (Note 22)	673,818	557,278	717,75
OTHER ASSETS (Note 23)	1,742,703	1,941,693	1,724,082
Inventories	470,137	339,472	279,897
Other	1,272,566	1,602,221	1,444,18
OTAL ACCETO	1,272,000	1,002,221	וודדדוי

The accompanying Notes 1 to 62 and Appendices I to VI are an integral part of the consolidated balance sheet as of December 31, 2006.

411,916,307

392,389,494

329,441,156

TOTAL ASSETS

(\*) Presented for comparison purposes only.

# BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

	Thousands of euros			
LIABILITIES AND EQUITY	2006	2005(*)	2004(*)	
FINANCIAL LIABILITIES HELD FOR TRADING (Note 11)	14,923,534	16,270,865	14,134,41	
Deposits from credit institutions	-	_		
Money market operations through counterparties	-	-		
Deposits from other creditors	-	-		
Debt certificates	-	-		
Trading derivatives	13,218,654	13,862,644	12,802,91	
Short positions	1,704,880	2,408,221	1,331,50	
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
(Note 24)	582,537	740,088	834,35	
Deposits from credit institutions	-	-		
Deposits from other creditors	582,537	740,088	834,35	
Debt certificates	-	-		
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY (Note 25)	-	_		
Deposits from credit institutions	-	_		
Deposits from other creditors	-	_		
Debt certificates	-	_		
FINANCIAL LIABILITIES AT AMORTISED COST (Note 26)	348,444,532	331,589,962	277,857,07	
Deposits from central banks	15,237,435	21,189,193	20,301,10	
Deposits from credit institutions	42,566,999	45,125,943	44,048,11	
Money market operations through counterparties	223,393	23,252	657,99	
Deposits from other creditors	192,373,862	182,635,181	149,891,79	
Debt certificates	77,674,115	62,841,755	45,482,12	
Subordinated liabilities	13,596,803	13,723,262	12,327,37	
Other financial liabilities	6,771,925	6,051,376	5,148,56	
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST				
RATE RISK	_	_	183,20	
HEDGING DERIVATIVES (Note 16)	2,279,740	2,870,086	3,131,57	
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		_		
Deposits from central banks	_	_		
Deposits from credit institutions	_	_		
Deposits from other creditors	_	_		
Debt certificates	_	_		
Other liabilities	_	_		
LIABILITIES UNDER INSURANCE CONTRACTS (Note 27)	10,120,646	10,500,567	8,114,42	
PROVISIONS (Note 28)	8,648,834	8,701,085	8,391,84	
Provisions for pensions and similar obligations	6,357,820	6,239,744	6,304,28	
Provisions for taxes	232,172	146,971	173,22	
Provisions for contingent exposures and commitents	501,933	452,462	348,78	
Other provisions	1,556,909	1,861,908	1,565,55	
AX LIABILITIES (Note 37)	2,369,166	2,100,023	1,620,79	
Current	622,277	598,285	223,65	
Deferred	1,746,889	1,501,738	1,397,13	
ACCRUED EXPENSES AND DEFERRED INCOME (Note 22)	1,509,573	1,709,690	1,265,78	
OTHER LIABILITIES (Note 23)	719,267	605,016	102,43	
TOTAL LIABILITIES	389,597,829	375,087,382	315,635,89	

		Thousands of euros	
LIABILITIES AND EQUITY (Continuation)	2006	2005(*)	2004(*)
MINORITY INTERESTS (Note 30)	768,162	971.490	737.539
VALUATION ADJUSTMENTS	3,340,694	3,294,955	2,106,914
Available-for-sale financial assets	3.355.572	3,002,784	2,320,133
Financial liabilities at fair value through equity	-	-	
Cash flow hedges	16,859	(102,538)	(24,776
Hedges of net investments in foreign operations	(4,576)	(443,561)	282.895
Exchange differences	(27,161)	838,270	(471,338
Non-current assets held for sale	(=:/::::)	-	-
STOCKHOLDER'S EQUITY	18,209,622	13,035,667	10,960,810
Capital (Note 32)	1,740,465	1,661,518	1,661,518
Issued	1,740,465	1,661,518	1,661,518
Unpaid and uncalled (-)		-	-
Share premium (Note 33)	9,579,443	6,658,390	6,682,603
Reserves (Note 34)	3,628,984	2,172,158	745,134
Accumulated reserves (losses)	3,405,655	1,933,243	444,193
Retained earnings			
Reserves (losses) of entities accounted for using the equity method	223,329	238,915	300,941
Associates	38,956	(60,542)	8,153
Jointly controlled entities	184,373	299,457	292,788
Other equity instruments	34,809	141	-
Equity component of compound financial instruments	-	-	-
Other (Note 29)	34,809	141	
Less: Treasury shares (Note 35)	(147,258)	(96,321)	(35,846
Income attributed to the Group	4,735,879	3,806,425	2,922,596
Less: Dividends and remuneration	(1,362,700)	(1,166,644)	(1,015,195
TOTAL EQUITY (Note 31)	22,318,478	17,302,112	13,805,263
TOTAL LIABILITIES AND EQUITY	411,916,307	392,389,494	329,441,156

		Thousands of euros	
MEMORANDUM ITEMS	2006	2005(*)	2004(*)
CONTINGENT EXPOSURES (Note 40)	42,280,698	29,861,597	21,557,649
Financial guarantees	41,448,405	29,176,854	21,102,311
Assets encumbered by third-party obligations	-	-	5,215
Other contingent exposures	832,293	684,743	450,123
CONTINGENT COMMITMENTS (Note 40)	103,221,153	89,498,392	66,762,402
Drawable by third parties	98,226,297	85,001,452	60,716,878
Other commitments	4,994,856	4,496,940	6,045,524
(*) Presented for comparison purposes only.			

The accompanying Notes 1 to 62 and Appendices I to VI are an integral part of the consolidated balance sheet as of December 31, 2006.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 62). In the event of a discrepancy, the Spanish-language version prevails.

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

	Thousands of euros		
	2006	2005(*)	2004(*)
NTEREST AND SIMILAR INCOME (Note 45)	19.210.234	15,847,674	12,352,338
NTEREST EXPENSE AND SIMILAR CHARGES (Note 45)	(11,215,569)	(8,932,200)	(6,447,944
Income on equity having the nature of a financial liability	(,20,000)	-	-
Other	(11,215,569)	(8,932,200)	(6,447,944
NCOME FROM EQUITY INSTRUMENTS (Note 46)	379,473	292,495	255,146
IET INTEREST INCOME	8,374,138	7,207,969	6,159,540
HARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	307,648	121,495	97,040
Associates	49,349	87,491	3,750
lointly controlled entities	258.299	34.004	93,28
EE AND COMMISSION INCOME (Note 47)	5,118,682	4,669,124	4,056,98
EE AND COMMISSION EXPENSES (Note 48)	(783,802)	(729,128)	(643,95
NSURANCE ACTIVITY INCOME (Note 49)	650,431	486.923	390,61
nsurance and reinsurance premium income	2,483,999	2,916,831	2,062,03
Reinsurance premiums paid	(44,167)	(63,403)	(71,93
Benefits paid and other insurance-related expenses	(1,538,896)	(1,785,514)	(1,704,11;
Reinsurance income	75,953	44,228	8,534
Net provisions for insurance contract liabilities	(995,999)	(1,274,283)	(413,74
Finance income	968,057	904,318	708,90
Finance expense	(298,516)	(255,254)	(199,05
AINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 50)	1,655,911	980,164	761,85
Held for trading	715,651	897,484	1,110,55
Other financial instruments at fair value through profit or loss	62,068	33,022	1,29
Available-for-sale financial assets	1,120,591	428,560	974,41
Loans and receivables	77,263	129,203	13,93
Other	(319,662)	(508,105)	(1,338,33
XCHANGE DIFFERENCES (NET)	377,628	287,014	297,97
ROSS INCOME	15,700,636	13,023,561	11,120,049
ALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES (Note 51)	605,227	576,373	468,23
OST OF SALES (Note 51)	(473,869)	(450,594)	(341,74
THER OPERATING INCOME (Note 52)	117,070	134,559	22,30
ERSONNEL EXPENSES (Note 53)	(3,988,585)	(3,602,242)	(3,247,05
THER ADMINISTRATIVE EXPENSES (Note 54)	(2,341,836)	(2,160,478)	(1,850,84
EPRECIATION AND AMORTISATION	(472,198)	(448,692)	(448,20
Tangible assets (Note 20)	(382,890)	(361,042)	(363,31
ntangible assets (Note 21)	(89,308)	(87,650)	(84,89
THER OPERATING EXPENSES (Note 52)	(263,340)	(249,403)	(132,139
IET OPERATING INCOME	8,883,105	6,823,084	5,590,606

4,222

2,135

8,737

(4,712)

622,180

102,874

317,510

201,796

(271,220)

(22,450)

(9,127)

(239,643)

4,136,840

(1,028,631)

3,108,209

3,108,209

(185,613)

0.87

0.87

2,922,596

284,816

107,838

40,157

136,821

(208, 279)

(22,477)

(11,751)

(174,051)

5,591,753

(1,521,181)

4,070,572

4,070,572

3,806,425

(264,147)

1.12

1.12

1,128,628

92,902

934,469

101,257

(142,018)

(20,413)

(121,424)

7,030,336

(2,059,301)

4,971,035

4,971,035

(235, 156)

1.39

1.39

4,735,879

(181)

#### Consolidated income statements for the years ended December, 31, 2006, 2005 and 2004 (Notes 1 to 9) Thousands of euros (Continuation) 2006 2005(\*) 2004(\*) **NET OPERATING INCOME** 8,883,105 6,823,084 5,590,606 IMPAIRMENT LOSSES (NET) (1,503,549)(854,327)(958, 194)Available-for-sale financial assets (Note 13) 19,105 (7,928)55,856 Loans and receivables (Note 14) (1,476,666)(813,080)(783,909) Held-to-maturity investments (Note 15) 422 (1) Non-current assets held for sale (Note 17) (33,159)(34,783)Investments (39,508)Tangible assets (Note 20) 4,827 (1,589)Goodwill (Notes 18 and 21) (12,322)(196,990)Other intangible assets Other assets (4,132)1,430 PROVISION EXPENSE (NET) (Note 28) (454, 182)(850,557)(1,338,205)FINANCE INCOME FROM NON-FINANCIAL ACTIVITIES (Note 55) 57,602 2,467 FINANCE EXPENSES FROM NON-FINANCIAL ACTIVITIES (Note 55) (55,227)(1,826)

(\*) Presented for comparison purposes only.

INCOME ATRIBUTED TO THE GROUP

OTHER GAINS (Note 56)

OTHER LOSSES (Note 56)

INCOME BEFORE TAX

INCOME TAX (Note 37)

Basic earnings per share

Diluted earnings per share

Other

Gains on disposal of tangible assets

Losses on disposal of tangible assets

**INCOME FROM ORDINARY ACTIVITIES** 

INCOME FROM DISCONTINUED OPERATIONS (NET) CONSOLIDATED INCOME FOR THE YEAR

INCOME ATRIBUTED TO MINORITY INTEREST (Note 30)

EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Note 6)

Losses on disposal of investment

Gains on dispoal of investment

The accompanying Notes 1 to 62 and Appendices I to VI are an integral part of the consolidated income statement for the year ended December 31, 2006.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 62). In the event of a discrepancy, the Spanish-language version prevails.

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Consolidated statements of changes in equity - consolidated statements of recognised income and expense for the years ended December 31, 2006, 2005 and 2004

(Notes 1 to 9)

	2000	Thousands of euros	2004(*)
	2006	2005(*)	2004(*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	45,739	1,188,041	415,589
Available-for-sale financial assets	352,788	682,651	642,754
Revaluation gains/losses	1,294,598	1,478,792	1,963,264
Amounts removed to income statement	(1,120,591)	(428,560)	(974,412)
Income tax	178,781	(367,581)	(346,098
Reclassifications	-		
Other financial liabilities at fair value	_	_	
Revaluation gains/losses	_	_	-
Amounts removed to income statement	_	_	
Income tax			
Cash flow hedges	119,397	(77,762)	(38,722
Revaluation gains/losses	181,835	(119,634)	(59,572
Amounts removed to income statement	101,000	(113,034)	
Amounts removed to the initial carrying amount of the hedged items	-		<del>-</del>
······································	(02,420)	41.070	20.050
Income tax	(62,438)	41,872	20,850
Hedges of net investment in foreign operations	438,985	(726,456)	282,895
Revaluation gains/losses	675,864	(1,117,625)	435,223
Amounts removed to income statement	- ()	_	
Income tax	(236,879)	391,169	(152,328
Exchange differences	(865,431)	1,309,608	(471,338
Traslation gains/losses	(1,328,448)	2,014,782	(725,135
Amounts removed to income statement	-		
Income tax	463,017	(705,174)	253,797
Non-current assets held for sale	-	-	-
Revaluation gains	-	-	-
Amounts removed to income statement	-	-	-
Income tax	-	_	-
Reclassifications	-	-	_
CONSOLIDATED INCOME FOR THE YEAR	4,971,035	4,070,572	3,108,209
Published consolidated income for the year	4,971,035	4,070,572	3,108,209
Adjustments due to changes in accounting policy			
Adjustments made to correct errors	_	_	-
TOTAL INCOME AND EXPENSES FOR THE YEAR	5,016,774	5,258,613	3,523,798
Parent entity	4,781,618	4,994,466	3,338,185
Minority interest	235,156	264,147	185,613
MEMORANDUM ITEM: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR YEARS	233,130	204,147	105,015
Due to changes in accounting policies			
Stockholder's Equity			
	-	<del>-</del>	
Valuation adjustments Misority interests	-		
Minority interests	-	-	-
Due to errors	-	-	-
Stockholder's Equity	-	-	
Valuation adjustments	_	_	-
Minority interests	-	-	_
(*) Presented for comparison nurnoses only			

(\*) Presented for comparison purposes only.

The accompanying Notes 1 to 62 and Appendices I to VI are an integral part of the consolidated statement of changes in equity (consolidated statement of recognized income and expense) for the year ended December 31, 2006.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 62). In the event of a discrepancy, the Spanish-language version prevails.

# BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

(Notes 1 to 9)			
		Thousands of euros	
	2006	2005(*)	2004(*)
	• • • • • • • • •	•••••	• • • • • • • • • • • • • • • • • • • •
CASH FLOW FROM OPERATING ACTIVITIES			
Consolidated profit for the year	4,971,035	4,070,572	3,108,209
Adjustment to profit:	4,596,678	4,354,633	3,251,332
Depreciation of tangible assets (+)	382,890	361,042	363,312
Amortisation of intanbigle assets (+)	89,308	87,650	84,894
Impairment losses (net) (+/-)	1,503,549	854,327	958,194
Net provisions for insurance contract liabilities (+/-)	995,999	1,274,283	413,744
Provision expense (net) (+/-)	1,338,205	454,182	850,557
Gains/Losses on disposal of tangible assets (+/-)	(72,489)	(85,361)	(80,424
Gains/Losses on disposal of investment (+/-)	(934,288)	(28,406)	(308,383
Share of profit or loss of entitiees accounted for using the equity method (net of dividends) (+/-)	(307,648)	(121,495)	(97,040
Taxes (+/-)	2,059,301	1,521,181	1,028,631
Other non-monetary items (+/-)	(458,149)	37,230	37,847
Adjusted profit	9,567,713	8,425,205	6,359,541
Net increase/decrease in operating assets	(20,293,306)	(55,959,375)	(30,388,986
Financial assets held for trading	(7,823,349)	3,330,819	(10,299,383
Loans and advances to credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	(5,967,035)	5,893,072	(1,731,181
Other equity instruments	(3,703,192)	(554,470)	(3,661,105
Trading derivatives	1,846,878	(2,007,783)	(4,907,097
Other financial assets at fair value through profit or loss	444,139	(361,763)	(102,013
Loans and advances to credit institutions	-	_	-
Money market operations through counterparties	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	227,374	(224,145)	(58,771
Other equity instruments	216,765	(137,618)	(43,242
Available-for-sale financial assets	18,345,927	(4,024,366)	(271,582
Debt securities	19,006,148	(5,998,254)	2.280.133
Other equity instruments	(660,221)	1,973,888	(2,551,715
Loans and receivables	(34,041,410)	(54,290,431)	(21,282,492
Loans and advances to credit institutions	6,983,780	(10,773,069)	4,206,274
Money market operations through counterparties	(100,052)	241,999	157,998
Loans and advances to other debtors	(40,347,544)	(46,158,632)	(25,208,703
Debt securities	2,214,603	3,204,972	710.578
Other financial assets	(2,792,197)	(805,701)	(1,148,639
Other operating assets	2,781,387	(805,701)	1,566,484

(Notes 1 to 9)			
(Continuation)	2006	Thousands of euros 2005(*)	2004(*)
Net increase/decrease in operating liablities	13,543,414	53,544,980	27,562,514
inancial liabilities held for trading	(1,347,331)	2,136,452	7,786,360
Deposits from credit institutions	(1,5 17,55 1)	-	-
Money market operations through counterparties			
Deposits from other creditors		_	_
Debt certificates		_	
Trading derivatives	(643,990)	1,059,732	7,918,086
Short positions	(703,341)	1,076,720	(131,726
Other financial liabilities at fair value through profit or loss	(157,551)	(94,262)	(123,127
Deposits from credit institutions	(107,001)	(0 1,202)	(120,1127
Deposits from other creditors	(157,551)	(94,262)	(123,127
Debt certificates	(10.100.)	(0 .,2 02)	(.20,.27
Financial liabilities at fair value through equity		_	
Deposits from credit institutions		_	
Deposits from other creditors		_	
Debt certificates		_	-
Financial liabilities measured at amortised cost	17,799,111	51,218,706	22,047,117
Deposits form central banks	(5,976,242)	1,031,331	(723,613
Deposits from credit institutions	(2,682,765)	1,308,632	5,552,861
Money market operations through counterparties	200.000	(634,752)	514,759
Deposits from other creditors	9,694,138	31,823,914	5,315,333
Debt certificates	15,972,773	16,555,131	10,502,918
Other financial liabilities	591,207	1,134,450	884,859
Other operating liabilities	(2,750,815)	284,084	(2,147,836
Total net cash flows from operating activities (1)	2.817.821	6,010,810	3,533,069
CASH FLOWS FROM INVESTING ACTIVITIES	(2,740,766)	(4,190,926)	(2,104,591
nvestment (-)	(5.121.070)	(4,832,207)	(3,363,952
Group entities, jointly controlled entities and associates	(1,708,382)	(84,491)	(403,094
Tangible assets	(1,214,160)	(1,487,654)	(635,335
Intangible assets	(252,580)	(1,375,290)	(99,917
Held-to-maturity investments	(1.945.948)	(1,884,772)	(2,225,606
Other financial assets	-		-
Other assets	-	_	-
Divestments (+)	2,380,304	641,281	1,259,361
Group entities, jointly controlled entities and associates	1,759,082	10,676	488,339
Tangible assets	501,264	509,380	644,861
Intangible assets	119,958	121,225	126,161
Held-to-maturity investments	-	-	
Other financial assets	-	-	_
Other assets	-	-	-
Total net cash flows investing activities (2)	(2,740,766)	(4,190,926)	(2,104,591

## Consolidated cash flow statements for the years ended December 31, 2006, 2005 and 2004 $\,$

(Notes 1 to 9)

		Thousands of euros	
(Continuation)	2006	2005(*)	2004(*)
CASH FLOWS FROM FINANCING ACTIVITIES	887,480	(555,819)	507,462
Issuance/ Redemption of capital (+/-)	2,938,600	-	1,998,750
Acquisition of own equity instruments (–)	(5,677,433)	(3,839,510)	(3,220,752)
Disposal of own equity instruments (+)	5,639,506	3,779,037	3,266,937
Issuance/Redemption of other equity instruments (+/-)	(34,668)	-	-
Issuance/Redemption of subordinated liabilities(+/-)	103,970	1,387,248	1,030,243
Issuance/Redemption of other long-term liabilities (+/–)	-	-	-
Increase/Decrease in minority interest (+/-)	(168,009)	233,951	(1,179,625)
Dividends paid (–)	(1,914,486)	(1,595,222)	(1,349,369)
Other items relating to financig activities (+/-)	-	(521,323)	(38,722)
Total net cash flows from financing activities (3)	887,480	(555,819)	507,462
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	(785,267)	929,971	77,273
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	179,268	2,194,036	2,013,213
Cash or cash equivalents at beginning of year	12,317,126	10,123,090	8,109,304
Cash or cash equivalents at end of year	12,496,394	12,317,126	10,122,517
(0.7)			

<sup>(\*)</sup> Presented for comparison purposes only.

The accompanying Notes 1 to 62 and Appendices I to VI are an integral part of the consolidated cash flow statement for the year ended December 31, 2006.



NOTES TO THE CONSO-LIDATED FINANCIAL STATEMENTS

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 62). In the event of a discrepancy, the Spanish-language version prevails.

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

#### INTRODUCTION, BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

#### 1.1. INTRODUCTION

Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain. The Bank leads its business through branches and offices located throughout Spain and abroad.

The bylaws of association and other public information on the Bank can be consulted both at its registered office (Plaza San Nicolás, 4, Bilbao) and on its official website, www.bbva.com. In addition to the operations carried on directly by it, the Bank is the head of a group of subsidiaries, jointly controlled entities and associates that engage in various business activities and which compose, together with the Bank, the Banco Bilbao Vizcaya Argentaria Group ("the Group" or "BBVA Group"). Therefore, the Bank is obliged to prepare, in addition to its own financial statements, the Group's consolidated financial statements.

As of December 31, 2006 the Group was composed by 304 entities that were fully consolidated, 6 were consolidated by the proportionate method and 58 entities accounted for using the equity method (Notes 4 and 18 and appendix I to III of the present consolidated financial statements).

The Group's consolidated financial statements for 2005 were approved by the shareholders at the Bank's Annual General Meeting on March 18, 2006.

The 2006 consolidated financial statements of the Group and the 2006 financial statements of the Bank and of substantially all the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

## 1.2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Under Regulation (EC) no 1606/2002 of the European Parliament and of the Council of July 19, 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements in conformity with the International Financial Reporting Standards previously adopted by the European Union ("EU-IFRSs"). Therefore, the Group is required to prepare its consolidated financial statements for the year ended December 31, 2006 in conformity with EU-IFRSs.

In order to adapt the accounting system of Spanish credit institutions to the new standards, the Bank of Spain issued Circular 4/2004 of December 22, 2004 on Public and Confidential Financial Reporting Rules and Formats.

The BBVA Group's consolidated financial statements for 2006 were prepared by the Bank's directors (at the Board Meeting on February 12, 2007) in accordance with EU-IFRSs, taking into account best practices of Bank of Spain Circular 4/2004, and by applying the basis of consolidation, accounting policies and measurement bases described in Note 2, so that they present fairly the Group's equity and financial position at 31 December 2006, and the results of its operations, the changes in consolidated equity and the consolidated cash flows in 2006. These consolidated financial statements were prepared on the basis of the accounting records kept by the Bank and by each of the other Group companies and include the adjustments and reclassifications required to unify the accounting policies and measurement bases used by the Group (Note 2.2).

All accounting policies and measurement bases with a significant effect on the consolidated financial statements were applied in their preparation.

#### 1.3. COMPARATIVE INFORMATION

The information relating to 2005 and 2004 contained in these notes to the consolidated financial statements is presented, solely for comparison purposes, with information relating to 2006 and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2005 and 2004.

The consolidated financial statements for the year ended December 31, 2005 were the first to have been prepared in accordance with EU-IFRSs; these standards entail, with respect to the rules in force (Bank of Spain Circular 4/1991) when the Group's consolidated financial statements for 2004 were prepared, significant changes in the accounting policies,

measurement bases and presentation of the financial statements making up the annual financial statements. The main effects of the adaptation to EU-IFRSs and the Bank of Spain Circular 4/2004 are explained in Note 3 and Appendix VI.

## 1.4. RESPONSIBILITY FOR THE INFORMATION AND FOR THE ESTIMATES MADE

The information in these BBVA Group consolidated financial statements is the responsibility of the Group's directors. In preparing these consolidated financial statements estimates were occasionally made by the Bank and the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate mainly to the following:

- The impairment losses on certain financial assets (Notes 13, 14, 15 y 18).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 29).
- The useful life of tangible and intangible assets (Notes 20 and 21).
- The measurement of goodwill arising on consolidation (Notes 18 and 21).
- The fair value of certain unquoted assets (Note 13).

Although these estimates were made on the basis of the best information available as of December 31, 2006 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years.

#### 1.5. ENVIRONMENTAL IMPACT

As of December 31, 2006 the Group's consolidated financial statements did not disclose any item that should be included in the environmental information document envisaged in the related Ministry of the Economy Order dated October 8, 2001.

#### 1.6. DETAIL OF AGENTS OF CREDIT INSTITUTIONS

The detail of BBVA agents required pursuant to Article 22 of Royal Decree 1245/1995 of 14 July of the Ministry of Economy and Finance is disclosed in the BBVA financial statements for the year ended December 31, 2006.

# 1.7. REPORT ON THE ACTIVITY OF THE CUSTOMER CARE DEPARTMENT AND THE CUSTOMER OMBUDSMAN

The report on the activity of the Customer Care
Department and the Customer Ombudsman required pursuant
to Article 17 of Ministry of Economy and Finance Order
ECO/734/2004 of 11 March is included in the management
report accompanying these consolidated financial statements.

#### 1.8. CAPITAL RATIOS

Law 13/1992 of June 1, 1992 and Bank of Spain Circular 5/1993 and subsequent amendments thereto regulate the minimum capital requirements for Spanish credit institutions – both as individual entities and as consolidated groups – and the manner in which these capital requirements are to be calculated.

As of December 31, 2006, 2005 and 2004 the Group's qualifying capital exceeded the minimum required under the aforementioned legislation (Note 36).

#### 2. BASIS OF CONSOLIDATION, ACCOUNTING POLICIES AND MEASUREMENT BASES APPLIED

#### 2.1. BASIS OF CONSOLIDATION

#### a) Subsidiaries

The parent company subsidiaries are included in the BBVA Group consolidated financial statements using the full consolidation method. "Subsidiaries" are defined as entities over which the Group has the capacity to exercise control, taken to be the power to govern the financial and operating policies of an entity so as to obtain profits from its activities, is, in general but not exclusively, presumed to exist when the parent company owns directly or indirectly, more than half of the voting power of the investee or, even if this percentage is lower or zero, when, for example, there are agreements with other shareholders of the investee that give the Group control.

In this connection, there are several companies forming part of the BBVA Banco Continental (Peru) Group which, although less than 50% owned by the Group, are fully consolidated because the agreements entered into with the other shareholders give the Group effective control. Similarly, Banco Provincial Overseas, N.V. is fully consolidated since the Group has effective control due to its 48% ownership interest in Inversiones Banpro International Inc. N.V., which it owns 100% of Banco Provincial Overseas N.V.

For the mentioned entities, the percentage of ownership and voting rights of the Group is as follows as of December 31, 2006:

COMPANY	% voting rights	% Ownership
Banco Continental, S.A.	92.08	46.04
Continental Bolsa, Sociedad Agente		
de Bolsa, S.A.	100	46.04
Continental Sociedad Titulizadora, S.A.	100	46.04
Continental S.A. Sociedad		
Administradora de Fondos	100	46.04
Inmuebles y Recuperaciones		
Continental, S.A.	100	46.04
Banco Provincial Overseas N.V.	100	48.01

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all material balances and effects of the transactions between consolidated companies were eliminated on consolidation. Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements as of December 31, 2006 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

The share of third parties in the Group's equity is presented under the heading "Minority Interests" in the consolidated balance sheet and their share in the profit or loss for the year is presented under the heading "Income Attributed to Minority Interests" in the consolidated income statement (Note 30).

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end, similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Note 4 contains information on the most significant investments and divestments in subsidiaries that took place in 2006, 2005 and 2004.

Appendix I includes the most significant information on these companies.

#### b) Jointly controlled entities

A "Jointly controlled entity" is defined as an entity that, although not been subsidiary, is controlled jointly by two or more unrelated entities ("ventures") that, following the definition of "joint ventures", are bound by a contractual agreement to take on an economic activity by sharing the strategic management tasks (both financial and operational) of the "jointly controlled entity" in order to benefit from its operations. All the strategic financial and operating decisions require the unanimous consent of the ventures.

EU-IFRSs envisage two methods for the recognition of jointly controlled entities: the equity method and the proportionate consolidation method. Under the proportionate consolidation method, the aggregation of balances and subsequent eliminations are only made in proportion to the Group's ownership interest in the capital of these entities. The assets and liabilities assigned by the Group to jointly controlled operations and the Group's share of the jointly controlled assets are recognised in the consolidated balance sheet classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of their nature. As of December 31, 2006 this method was applied to the following entities: Holding de Participaciones Industriales 2000, S.A., PSA Finance Argentina Compañía Financiera, S.A., Ecasa, S.A., Forum Distribuidora, S.A., Darby - BBVA Latin American Investors, Ltd. and Forum Servicios Financieros, S.A.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements as of

December 31, 2006 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

Appendix II includes the most significant information on these companies.

The Group opted to value its ownership interests in certain jointly controlled entities using the equity method, since it considered that this better reflected the financial situation of these holdings. The joint ventures that the Group accounted for using the equity method as of December 31, 2006, are listed in Appendix III.

Had these entities been proportionately consolidated, the Group's total assets as of December 31, 2006, 2005 and 2004, would have increased by approximately €1,017,007 thousand, €777,699 thousand and €727,679 thousand, respectively; this decision did not have a material economic impact on the items in the consolidates income statements for 2006, 2005 and 2004.

#### c) Associates

"Associates" are defined as entities over which the Group is in a position to exercise significant influence, but not control. Significant influence is presumed to exist when the Group owns directly or indirectly 20% or more of the voting power of the investee.

However, certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since it is considered that the Group does not have the capacity to exercise significant influence over these entities. The investments in these entities, which do not represent material amounts for the Group, are classified as available-for-sale investments.

Investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received there from and other equity eliminations.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements as of December 31, 2006 may differ from those used by certain associates, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

Appendix III contains significant information on the associates.

# d) Information about associates and jointly controlled entities by the proportionate consolidation method

The following table provides significant information regarding the most relevant associates and jointly controlled

entities (see Note 18 and Appendix III) as of December 31, 2006, 2005 and 2004:

Thousands of euros				
	2006	2005	2004	
Net sales	276,329	762,674	199,479	
Operating Income	317,492	158,606	331,669	
Net Income	282,393	121,752	274,363	
Current Assets	780,313	2,251,259	7,446,924	
Non-current Assets	432,748	11,815,458	12,557,183	
Current Liabilities	238,033	1,543,243	5,742,964	
Non-current Liabilities	975,029	12,523,475	14,261,143	
(*) Non audited information.				

## 2.2. ACCOUNTING POLICIES AND MEASUREMENT BASES APPLIED

The accounting policies and measurement bases used in preparing these consolidated financial statements were as follows:

#### a) FAIR VALUE

The fair value of an asset or a liability on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, independent parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of an asset or a liability is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, by using mathematical measurement models sufficiently tried and trusted by the international financial community. Such estimates would take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent to the measurement models developed and the possible inaccuracies of the assumptions required by these models may signify that the fair value of an asset or liability that is estimated does not coincide exactly with the price for which the asset or liability could be purchased or sold on the date of its measurement.

#### b) Financial instruments

#### b.1) Classification

Financial assets/liabilities held for trading: these include the financial assets and liabilities acquired with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices.

These headings also include financial derivatives not considered to qualify for hedge accounting and, in the case of financial liabilities held for trading, the financial liabilities arising from the outright sale of financial assets purchased under reverse repurchase agreements or borrowed ("short positions").

Other financial assets and financial liabilities at fair value through profit or loss: this heading include, among others, those are not held for trading but are:

- Assets and liabilities which have the nature of hybrid financial assets and liabilities and contain an embedded derivative whose fair value cannot reliably be determined, or
- Financial assets that are managed jointly with "liabilities under insurance contracts" measured at fair value, with financial derivatives whose purpose and effect is to significantly reduce exposure to changes in fair value, or with financial liabilities and derivatives whose purpose is to significantly reduce overall interest rate risk exposure.

Financial instruments involved in this category are permanently subject to an integrated and consistent system of measuring, managing and controlling risks and profits or loss that enables all the financial instruments involved to be monitored and identified and allows effective reduction of risk to be checked.

These headings include both the investment and customer deposits through life insurance policies in which the policyholder assumes the investment risk (named "Unit-links").

Available-for-sale financial assets: these include debt securities not classified as "held-to-maturity investments" or as "financial assets at fair value through profit or loss", and equity instruments issued by entities other than subsidiaries, associates and those jointly controlled, provided that such instruments have not been classified as "held for trading" or as "other financial assets at fair value through profit or loss".

**Loans and receivables:** this heading relates to the financing granted to third parties, classified on the basis of the nature thereof, irrespective of the nature of the borrower and the form of financing granted, and includes finance leases in which consolidated companies act as lessors.

The consolidated companies generally intend to hold the loans and credits granted by them until their final maturity; therefore, they are presented in the consolidated balance sheet at their amortised cost (which includes any corrections required to reflect the estimated losses on their recovery).

*Held-to-maturity investments:* this heading includes debt securities for which the Group, from inception and at any subsequent date, has the intention to hold until final maturity, since it has the financial capacity to do so.

Financial liabilities at fair value through equity: these include financial liabilities arising as a result of a transfer of financial assets in which the transferor retains its control.

*Financial liabilities at amortised cost:* this heading includes, irrespective of their instrumentation and maturity, the financial liabilities not included in any other heading in the

consolidated balance sheet which relate to the typical deposit-taking activities carried on by financial institutions.

#### b.2) Measurement

All financial instruments are initially recognised at fair value which, in the absence of evidence to the contrary, shall be the transaction price. These instruments will subsequently be measured on the basis of their classification. In the case of quoted financial instruments, fair value will be taken to be their market price. For unquoted financial instruments, fair value will be obtained using the valuation techniques customarily used in the market.

#### Financial assets

Financial assets are measured at fair value, except for:

- Loans and receivables,
- Held-to-maturity investments, and
- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments.

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest rate method. Amortised cost is understood to be the acquisition cost of a financial asset or liability minus principal repayments, plus or minus the systematic amortisation (as reflected in the income statements) of any difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost also includes any value adjustments for impairment.

The effective interest rate is the discount rate that exactly equates the carrying amount of a financial instrument to all its estimated cash flows of all kinds during its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and commissions which, because of their nature, can be equated with a rate of interest. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised for the first time.

Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

#### Financial liabilities

Financial liabilities are measured at amortised cost, except for:

 Those included under the headings "Financial Liabilities Held for Trading", "Financial Liabilities at Fair Value through Profit or Loss" and "Financial Liabilities at Fair Value through Equity" and the financial liabilities designated as hedged items in fair value hedges or as hedging instruments, which are all measured at fair value.

 Financial derivatives that have as their underlying equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments; these derivatives are measured at cost.

#### Measurement of financial instruments at fair value

In 2006 most of the operations of Global Markets were measured at market value using benchmark prices published by independent market data sources, either by using the actual price of the financial instrument or by applying observable market variables to generate the fair value of the financial instruments (assets, liabilities and derivatives).

In most of the cases in which primary variables observed in the market were used rather than a direct observable price, financial models that are generally accepted and used in the markets were applied. In a limited number of cases, more sophisticated models were used, most of whose variables were objectively observable in the market.

In particular, equity and clearing house product prices, spot exchange rates, mutual funds and most fixed-income securities and credit default swaps, inter alia, can be directly observed and captured, whereas other fixed-income products, swaps, forwards, FRAs, etc. are valued by discounting cash flows using quoted interest rate curves.

Most options (financial instruments) are measured by applying commonly used valuation models, in which the observed volatility is included. The most frequently used models for equity and exchange rate options are the Monte Carlo model, the numerical integration method and the Black-Scholes model, whereas in the case of interest rate options, valuers resort mainly to the Black-Derman-Toy (BDT) model. The models are selected and validated by areas separate from the business.

Lastly, in more exceptional circumstances in which it is necessary to use a less clear variable (e.g. correlation), or in the event of scantly deep markets, the variable is inferred on the basis of direct market data in most cases, and of models based indirectly on market data in other cases (e.g. the Libor Market Model). However, the estimate is always made by an area separate from the business.

The following table presents the fair value of the principal financial instruments carried at fair value and the valuation methods used to determine it as of December 31, 2006:

Thousands of euros  Market			
Quoted market price	and non-market observable prices	Total	
•••••	•••••		
37,508,955	14,326,154	51,835,109	
654,131	322,983	977,114	
20.201.000	11 005 724	40 0CC 774	
30,301,030	11,905,724	42,200,774	
_	1 963 320	1 963 320	
	1,000,020	1,000,020	
1,774,552	13,148,982	14,923,534	
_	582,537	582,537	
6,342	2,273,398	2,279,740	
	Quoted market price  37,508,955  654,131  30,361,050  -  1,774,552	Quoted market price         Market and non-market observable prices           37,508,955         14,326,154           654,131         322,983           30,361,050         11,905,724           -         1,963,320           1,774,552         13,148,982           -         582,537	Quoted market price         Market and non-market observable prices         Total           37,508,955         14,326,154         51,835,109           654,131         322,983         977,114           30,361,050         11,905,724         42,266,774           -         1,963,320         1,963,320           1,774,552         13,148,982         14,923,534           -         582,537         582,537

As of December 31, 2006, the percentage of those financial instruments where the fair values were estimated using valuation techniques which are based in full or in part on assumptions that are not supported by observable market prices over total financial instruments' fair value is 0.52%.

The potential effect of using reasonably possible alternative assumptions as inputs to valuation models, relying on non market-observable inputs, has been estimated as plus or minus €1.8 million.

## b.3) Recognition of changes arising from the measurement of financial assets and liabilities

Based on the classification of financial instruments, any changes in the carrying amounts of the financial assets and liabilities classified as "held for trading" and as "other financial assets and liabilities though profit or loss" are recognised with a balancing entry in the consolidated income statement. A distinction is made between the changes resulting from the accrual of interest and similar items, which are recorded under the headings "Interest and Similar Income" or "Interest Expense and Similar Charges", as appropriate, and those arising for other reasons, which are recorded at their net amount under the heading "Gains or Losses on Financial Assets and Liabilities" in the consolidated income statement.

Valuation adjustments arising on available-for-sale financial assets are recognised temporarily under the heading "Valuation Adjustments - Available-for-Sale Financial Assets", unless they relate to exchange differences, in which case they are recognised temporarily under the heading "Valuation Adjustments - Exchange Differences".

The amounts charged or credited to the headings "Valuation Adjustments - Available-for-Sale Financial Assets" and "Valuation Adjustments - Exchange Differences" remain in the Group's consolidated equity until the asset giving rise to them is removed from the consolidated balance sheet, whereupon those amounts are charged or credited to the consolidated income statement.

Valuation adjustments arising on non-current assets held for sale and the liabilities associated with them are recognised with a balancing entry under the heading "Valuation Adjustments - Non-Current Assets Held for Sale".

Valuation adjustments arising on financial liabilities at fair value through equity are recognised with a balancing entry under the heading "Valuation Adjustments - Financial Liabilities at Fair Value through Equity".

In the specific case of financial instruments designated as hedged items or qualifying for hedge accounting (Note 2.2.d), valuation differences are recognised as follows:

- In fair value hedges, the differences arising on both the hedging instruments and the hedged items – with regard to the type of risk being hedged – are recognised directly in the consolidated income statement.
- In cash flow hedges and hedges of net investments in foreign operations, the valuation differences relating to the ineffective portion of the hedging transaction are recognised directly in the consolidated income statement.
- In cash flow hedges, the valuation differences arising on the effective portion of the hedging instruments are recognised temporarily under the heading "Valuation Adjustments - Cash Flow Hedges".
- In hedges of net investments in foreign operations, the valuation differences arising on the effective portion of the hedging instruments are recognised temporarily under the heading "Valuation Adjustments - Hedges of Net Investments in Foreign Operations".

In the two last-mentioned cases, the valuation differences are not recognised in profit or loss until the gains or losses of the hedged item are recognised in the income statement or until the date of maturity of the hedged item.

In fair value portfolio hedges of interest rate risk, the gains or losses that arise on measuring the hedging instruments are recognised directly in the consolidated income statement, with a balancing entry under the heading "Hedging derivatives" on the assets or liability side of the consolidated balance sheet, whereas the gains or losses due to changes in the fair value of the hedged amount are recorded in the consolidated income statement with a balancing entry under the heading "Changes in the Fair Value of the Hedged Items in Portfolio Hedges of Interest Rate Risk" on the asset or liability side of the balance sheet, as appropriate.

In cash flow portfolio hedges of interest rate risk, the effective portion of the change in value of the hedging instrument is recognised temporarily under the heading "Valuation Adjustments - Cash Flow Hedges" until the forecast transactions are performed, at which time it is recorded in the consolidated income statement. The ineffective portion of the change in value of hedging derivatives is recognised directly in the consolidated income statement.

#### b.4) Impairment

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of its impairment – when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to a negative impact on the future cash flows that were estimated at the time the transaction was arranged.
- In the case of equity instruments, mean that the carrying amount of these instruments cannot be recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the year in which the impairment becomes known, and the recoveries of previously recognised impairment losses are recognised in the consolidated income statement for the year in which the impairment is reversed or reduced, with the exception that any recovery of previously recognised impairment losses for an investment in an equity instrument classified as available for sale which are not recognised through consolidated profit or loss but recognised under the heading "Valuation Adjustments - Available for sale Financial Assets" in the consolidated balance sheet.

Balances are considered to be impaired, and accrual of the interest thereon is suspended, when there are reasonable doubts that the balances will be recovered in full and/or the related interest will be collected for the amounts and on the dates initially agreed upon, taking into account the guarantees received by the consolidated entities to assure (in part or in full) the performance of transactions. Amounts collected in relation to impaired loans and receivables are used to recognise the related accrued interest and any excess amount is used to reduce the principal not yet paid.

When the recovery of any recognised amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the consolidated entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.

#### Debt instruments carried at amortised cost

The amount of the impairment losses incurred on these instruments relates to the positive difference between their respective carrying amounts and the present values of their expected future cash flows. However, the market value of

quoted debt instruments is deemed to be a fair estimate of the present value of their future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be obtained over the residual life of the instrument; including, where appropriate, those which may result from the guarantees provided for the instrument (after deducting the costs required for foreclosure and subsequent sale).
- The various types of risk to which each instrument is subject.
- The circumstances in which collections will foreseeable be made.

These cash flows are subsequently discounted using the original effective interest rate. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract.

The possible impairment losses on these assets are determined:

- Individually, for all significant debt instruments and for those which, although not significant, cannot be classified in homogenous groups of instruments of similar characteristics, i.e. by instrument type, debtor's industry and geographical location, type of guarantee, age of past-due amounts, etc.
- Collectively, in all other cases.

Criteria for determining impairment losses resulting from materialization of insolvency risk of the obligors have been established. Under these criteria, a debt instrument is impaired due to insolvency:

- When there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons, and/or
- When country risk materialises; country risk is considered to be the risk associated with debtors resident in a given country due to circumstances other than normal commercial risk.

Similarly, different classifications of transactions have been established on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status, type of associated guarantees, and age of the arrears, establishing for each of these risk groups the minimum impairment losses ("identified losses") that must be recognised in the financial statements of consolidated entities.

In addition to the recognition of identified losses, it requires provisioning for the losses inherent to the risks classified as standard risk for the different categories of debt instruments not measured at fair value through profit or loss and in contingent risks classified as standard, taking into

account the historical experience of impairment and the other circumstances known at the time of the assessment. For these purposes, inherent losses are the losses incurred at the date of the financial statements, calculated using statistical procedures that have not been allocated to specific transactions.

Impairment losses are quantified by applying the parameters established by the Bank of Spain on the basis of its experience and of information on the Spanish banking industry.

#### Other debt instruments

The impairment losses on debt securities included in the available-for-sale financial asset portfolio are equal to the positive difference between their acquisition cost (net of any principal repayment) and their fair value after deducting any impairment loss previously recognised in the consolidated income statement.

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer considered as "Valuation Adjustments - Available-for-Sale Financial Assets" and are recognised in the consolidated income statement. If all or part of the impairment losses are subsequently recovered, the amount is recognised in the consolidated income statement for the year in which the recovery occurred.

Similarly, in the case of debt instruments classified as "non-current assets held for sale", losses previously recorded in equity are considered to be realised – and are recognised in the consolidated income statement – on the date the instruments are so classified.

#### Equity instruments measured at fair value

The criteria for quantifying and recognising impairment losses on equity instruments are similar to those for other debt instruments, with the exception that any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale which are not recognised through profit or loss but recognized under the heading "Valuation Adjustments - Available for sale Financial Assets" in the consolidated balance sheet.

#### Equity instruments measured at cost

The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) for the last approved (consolidated) balance sheet, adjusted for the unrealised gains at the measurement date.

Impairment losses are recognised in the consolidated income statement for the year in which they arise as a direct reduction of the cost of the instrument. These losses may only be reversed subsequently in the event of the sale of the assets.

#### c) RECOGNITION OF INCOME AND EXPENSES

The most significant criteria used by the Group to recognise its income and expenses are summarised as follows:

#### Interest income and expenses and similar items

As a general rule, interest income and expenses and similar items are recognised on the basis of their year of accrual using the effective interest method. Specifically, the financial fees and commissions that arise on the arrangement of loans, basically origination and analysis fees must be deferred and recognised in the income statement over the life of the loan. The direct costs incurred in arranging these transactions can be deducted from the amount thus recognised. Also dividends received from other companies are recognised as income when the consolidated companies' right to receive them arises.

However, when a debt instrument is deemed to be impaired individually or is included in the category of instruments that are impaired because of amounts more than three months past-due, the recognition of accrued interest in the consolidated income statement is interrupted. This interest is recognised for accounting purposes when it is received, as a recovery of the impairment loss.

#### Commissions, fees and similar items

Income and expenses relating to commissions and similar fees are recognised in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are:

- Those relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognised when collected.
- Those arising from transactions or services that are provided over a year of time, which are recognised over the life of these transactions or services.
- Those relating to a single act, which are recognised when the single act is carried out.

#### Non-financial income and expenses

These are recorded for accounting purposes on an accrual basis.

#### Deferred collections and payments

These are recorded for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

#### d) Financial derivatives and hedge accounting

Financial derivatives are instruments that permit the transfer to third parties of all or part of the credit and/or market risks associated with balances and transactions. The underlying used in these derivatives can be interest rates, specific indices, the prices of certain securities, cross-currency exchange rates or other similar references.

The holding of positions in derivatives is the result of the Group's need to manage the risks incurred by it in the course of its normal business activities. Derivatives represent another of the tools available to the Group, and are necessary for the management of:

- Market Risk: Positions taken by the Group mostly in order to satisfy its customers' needs (franchise model). In most cases the derivatives used are: interest-rate derivatives, to manage the risks arising as a result of long and short-term variations in interest rates; exchange-rate derivatives, to mitigate exposure to exchange-rate fluctuations; and equity security derivatives, to manage price risks.
- Structural Interest-Rate Risk: Structural interest-rate
  risk is defined as an entity's exposure to variations in
  market interest rates arising from mismatches in the
  maturity and repricing dates of the entity's assets and
  liabilities, including derivatives. The Asset and Liability
  Committee (ALCO) is the body responsible for actively
  managing BBVA's balance sheet in order to stabilize net
  interest income without prejudice to net asset value.
  Basically, the derivatives used to achieve this goal are
  interest-rate derivatives.
- Structural Exchange-Rate Risk: An entity's structural exchange-rate risk refers to the potential losses in the value of structural positions arising from variations in exchange rates. The Asset and Liability Committee (ALCO) is the body responsible for managing this risk, for which purpose it uses exchange and interest-rate derivatives.

All derivatives are recognised in the balance sheet at fair value from the date of arrangement. If the fair value of a derivative is positive, it is recorded as an asset and if it is negative, it is recorded as a liability. Unless there is evidence to the contrary, it is understood that on the date of arrangement the fair value of the derivatives is equal to the transaction price. Changes in the fair value of derivatives after the date of arrangement are recognised with a balancing entry under the heading "Gains or Losses on Financial Assets and Liabilities" in the consolidated income statement of the period in which the changes occur.

The fair value of the financial derivatives included in the held for trading portfolios is determined by their daily quoted price. If, under exceptional circumstances, their quoted price cannot be established on a given date, these derivatives are measured using methods similar to those used in an unofficial markets to measure over-the-counter ("OTC") derivatives.

The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instrument, discounted at the measurement date ("present value" or "theoretical close"); these derivatives are measured using methods recognised by the financial markets, including the net present value (NPV) method and option price calculation models. Financial derivatives that have as their underlying equity instruments, whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments, are measured at cost.

#### Hedge accounting

The Group, for risk management purposes, applies fair value hedge accounting, cash flow hedge accounting or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

A financial derivative may be considered as qualifying for hedge accounting only if it meets the following three conditions:

- It is designated as hedging item of one of the three types of hedging relationships (fair value hedge, cash flow hedge or net investment in a foreign operation);
- It must effectively eliminate a significant portion of the risk inherent in the hedged item or position over the expected term of the hedge, which means that:
  - At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness") and,
  - There is sufficient evidence that the hedge was fully effective during the whole life of the hedged item or position ("retrospective effectiveness").
- Lastly, there must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and the manner in which this hedge is expected to be achieved (provided that this is in line with the Group's management of own risks).

#### Fair value hedge

The changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized in earnings. This type of hedging relationships hedge changes in the value of assets and liabilities due to fluctuations in the interest rate and/or exchange rate to which the position or balance to be covered.

The main transactions whose risks are hedged by fair value hedge are:

- Available for sale fixed rate debt securities: this risk is hedged using interest-rate derivatives (interest-rate swaps through which the fixed-coupon of the bond is exchanged for a variable return).
- Long term fixed rate debt issued: this risk is hedged using interest-rate derivatives (interest-rate swaps which replicate, on the collection leg, the payment resulting from the issue and transform it into a variable cost for the Bank).
- Available for sale equity securities: this risk is hedged using equity swaps through which the risk of variation

- in the price per books of the portfolio is transferred to the counterparty.
- Fixed rate loans: this risk is hedged using interest-rate derivatives (interest-rate swaps through which the fixed-coupon of the loans is exchanged for a variable return).

#### Cash flow hedge

The effective portions of changes in the fair value of the derivative are recorded in "Valuation adjustments - Cash Flow Hedges" and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. In a cash flow hedge is hedged the changes in the estimated cash flows arising from financial assets and liabilities and highly probable transactions which an entity plans to carry out.

Most of the hedged items are floating interest rate loans: this risk is hedged using currency and interest rate swaps.

#### Net investment in a foreign operation hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The gain or loss on a hedging derivative instrument that is designated as, and is effective as, an economic hedge of the net investment in a foreign operation is reported in the same way as a translation adjustment to the extent it is effective as a hedge. The ineffective portion of net investment hedges is reported in earnings.

Most of the risks hedged are foreign currency of a net investment in a foreign subsidiary: the risk of a net investment in a foreign operation is exchanged for the currency in which the investment is denominated.

#### Portfolio hedge of interest rate risk

A portfolio hedge of interest rate risk is that which hedges the interest rate risk exposure of a certain amount of financial assets or financial liabilities forming part of the overall financial instrument portfolio, but not the interest rate risk exposure of specific instruments. Portfolio hedges can take the form of fair value or cash flow hedges.

The gains or losses arising from changes in the fair value of the interest rate risk of effectively financial instruments are charged or credited, as appropriate, to the heading "Changes in the Fair Value of the Hedged Items in Portfolio Hedges of Interest Rate Risk" on the asset or liability side of the consolidated balance sheet.

As of December 31, 2006 and 2005, the Group had no portfolio hedge of interest rate risk operations.

Note 16 presents additional information relating to hedging derivatives.

### e) Pension commitments and other commitments to employees

Following is a description of the most significant accounting criteria relating to the commitments to employees,

related to post-employment benefits and other commitments, of certain Group companies in Spain and abroad.

## Commitments valuation: assumptions and gains/losses recognition

The present values of the vested obligations are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method, which views each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

Actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred, were recognized in the consolidated income statements. The Group did not use the corridor approach.

#### Post-employment benefits

#### Pensions

Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary rightholders in the event of retirement (except for those hired after 8 March 1980), permanent disability, death of spouse or death of parent.

The employee welfare systems in place at the Group's Spanish banks supersede and improve the terms and conditions of the collective labor agreement for the banking industry; the commitments envisaged in the event of retirement, death and disability cover all employees, including those hired on or after March 8, 1980.

The Spanish banks of the Group externalized all their commitments to serving and retired employees pursuant to Royal Decree 1588/1999 of October 15. These commitments are instrumented in Pension Plans, insurance contracts with a non-Group company and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.94% owned by the Banco Bilbao Vizcaya Argentaria Group. The externalized commitments with this insurance company owned by the Group are recognized in the heading "Provisions -Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets. They are measured using the criteria and assumptions as described in this note. Whereas, the balances of the assets assigned by the insurance company owned by the Group to the funding of commitments are recognized and measured in the accompanying consolidated balance sheets. They are measured using the criteria as described in the note 2.2.b) about "Financial instruments".

On the other hand, the balances of the aforementioned insurance policies which were contracted with non-related insurance companies were disclosed net of the fair value of the assets assigned to the funding of commitments in the accompanying consolidated balance sheets.

Additionally, certain Group companies and some BBVA branches abroad, have post-employment benefit commitments to certain current and/or retired employees.

The previous employee welfare systems include defined contribution and defined obligation commitments.

#### Defined contribution commitments

The amounts of these commitments are determined, on a case-by-case basis, as a percentage of certain remuneration items and/or as a pre-established annual amount. The current contributions made by the Group's companies for defined contribution retirement commitments covering substantially all current employees, which are recognized with a charge to the heading "Personnel Expenses - Contributions to external pension funds" in the accompanying consolidated income statements.

#### Defined benefit commitments

Certain Group's companies have defined benefit commitments for permanent disability and death of current employees and early retirees; for death of certain retired employees; and defined-benefit retirement commitments applicable only to certain groups of serving employees (unvested benefits), or early retired employees (vested benefits) and of retired employees (ongoing benefits). Defined benefit commitments are funded by insurance contracts and internal Group provisions.

The amounts recognized in the heading "Provisions - Funds for Pensions and Similar Obligations" are the differences between the present values of the vested obligations for defined obligation retirement commitments at balance sheet date, adjusted by actuarial gains/losses, the prior service cost and the fair value of assets assigned to the funding of commitments which are to be used directly to settle employee benefit obligations.

The provisions for defined obligation retirement commitments were charged to the heading "Provisions for Pensions and Similar Obligations" in the accompanying consolidated income statements.

The current contributions made by the Group's companies for defined obligation retirement commitments covering current employees are charged to the heading "Personnel Expenses - Transfers to internal pension provisions" in the accompanying consolidated income statements.

#### Early retirements

In 2006, 2005 and 2004, the Group offered certain employees the possibility of taking early retirement before reaching the age stipulated in the collective labor agreement in force. The corresponding provisions by the Group were recognized with a charge to the heading "Provision Expense (Net) - Transfers to Funds for Pensions and Similar Obligations - Early Retirements" in the accompanying consolidated income statements. The present values of the vested obligations are quantified on a case-by-case basis and they are recognized in the heading "Provisions - Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets.

The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the year of early retirement. The commitments relating to this group of employees after they have reached the age of effective retirement are included in the employee welfare system.

#### Post-employment welfare benefits

Certain Group companies have welfare benefit commitments the effects of which extend beyond the retirement of the employees entitled to the benefits. These commitments relate to certain current employees and retirees, depending upon the employee group to which they belong.

The present values of the vested obligations for post-employment welfare benefits are quantified on a case-by-case basis. They are recognized in the heading "Provisions - Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets and they are charged to the heading "Personnel expenses - Other personnel expenses" in the accompanying income statements.

#### Other commitments to employees

#### Compensation in kind

Certain Spanish Group companies are obliged to deliver partially or fully subsidised goods and services under the collective labour agreements applicable to them and/or the related corporate agreements. The most significant employee welfare benefits granted by the Group's Spanish banks, in terms of the type of compensation and the event giving rise to the commitment, are loans to employees, life insurance, study aid and long-service bonuses.

The scope of application of these employee welfare benefits varies from one company to another depending on the specific agreements that govern them. They may also be applied differently to employees of the same company, when different agreements are in force for each of the various employee groups.

Long-service bonuses are a form of long-term compensation, entitlement to which is conditional upon the qualifying beneficiary employees remaining in service for a stipulated number of years (15, 25, 40 or 50 years' effective service in the case of share-based bonuses and 45 years' effective service in the case of cash bonuses).

The present values of the vested obligations for long-service cash bonuses, long-service share-based payment and for the corresponding were quantified on a case-by-case basis. They are recognized in the heading "Provisions - Other provisions" in the accompanying consolidated balance sheets. The cost of the employee welfare benefits provided by the Group's Spanish companies to their current employees are charged to the heading "Personnel expenses - Other personnel expenses" in the accompanying income statements.

Since all other employee welfare benefits for current employees accrue and are settled on a yearly basis, it is not necessary to record a provision in this connection.

## f) Foreign currency transactions and exchange differences

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than

the euro are deemed to be denominated in "foreign currency". Foreign currency balances are translated to euros in two consecutive stages:

- a) Translation of foreign currency to the functional currency of the entities and branches, and
- b) Translation to euros of the balances held in the functional currencies of entities whose functional currency is not the euro.

Translation of foreign currency to the functional currency: foreign currency transactions performed by the consolidated entities and their branches are initially recognised in their respective financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, for the purpose of presentation in their separate financial statements, the consolidated entities translate the foreign currency balances to their functional currencies using the average spot exchange rates at the end of the year.

- Assets and liabilities monetary items are translated using the average spot exchange rates at the end of the year to which the financial statements refer.
- Non-monetary items measured at amortized cost and fair value, are translated at the exchange rate of the date of acquisition and the date of determination of their fair value, respectively.
- 3. The income and expenses are translated at the exchange rate prevailing at the transaction date, with the possibility of using the average exchange rate of the period for all the transactions carried out during it, unless a significant variation in the exchange rate has occurred during the period. The depreciation will be translated at the exchange rate applied to the corresponding assets.

Entities whose functional currency is not the euro: the balances in the financial statements of consolidated entities whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities: at the average spot exchange rates as of December 31, 2006, 2005 and 2004.
- Income and expenses and cash flows: at the average exchange rates for 2006, 2005 and 2004.
- Equity items: at the historical exchange rates.

The exchange differences arising on the translation of foreign currency balances to the functional currency of the consolidated entities and their branches are generally recorded in the consolidated income statement. Exceptionally, the exchange differences arising on non-monetary items whose fair value is adjusted with a balancing item in equity are recorded under the heading "Valuation Adjustments - Exchange Differences".

The exchange differences arising on the translation to euros of balances in the functional currencies of the

consolidated entities whose functional currency is not the euro are recorded under the heading "Valuation Adjustments - Exchange Differences" in the consolidated balance sheet until the item to which they relate is derecognised, at which time they are recorded in the income statement.

The breakdown of the main foreign currency balances in the consolidated balance sheet as of December 31, 2006, 2005 and 2004, based on the nature of the related items, is as follows:

	Thousands of euros				
	2006	2005	2004		
Assets -	126,190,212	117,409,477	86,777,076		
Cash and balances with					
Central Banks	8,857,791	9,091,495	6,176,800		
Fianncial held for traiding	22,398,309	17,137,145	15,637,769		
Available-for-sale financial					
assets	14,800,895	15,476,934	10,587,927		
Loans and receivables	71,727,999	66,632,376	47,381,972		
Investments	66,455	63,267	94,957		
Tangible assets	1,660,901	1,680,676	1,256,658		
Other	6,677,862	7,327,584	5,640,993		
Liabilities-	135,829,166	127,768,806	98,698,453		
Fianncial held for traiding	1,878,775	1,571,117	2,329,659		
Financial liabilities at					
amortised cost	128,154,672	118,665,788	91,845,928		
Other	5,795,719	7,531,901	4,522,866		

Of the foreign currency balances shown in the table above, approximately 64% of the assets and liabilities relate to transactions in Mexican pesos and US dollars.

### g) Entities and Branches Located in Countries with hyperinflationary economies

None of the functional currencies of the consolidated subsidiaries and associates and their branches located abroad relate to hyperinflationary economies as defined by EU-IFRSs. Accordingly, as of December 31, 2006, 2005 and 2004 it was not necessary to adjust the financial statements of any of the consolidated subsidiaries or associates to correct for the effect of inflation.

# h) Non-current assets held for sale and liabilities associated with non-current assets held for sale

The heading "Non-current Assets Held for Sale" reflects the carrying amount of the assets – composing a "disposal group" or forming part of a business unit that the Group intends to sell ("discontinued operations") – which will very probably be sold in their current condition within one year from the date of the consolidated financial statements. Therefore, the carrying amount of these assets – which can be financial or non-financial – will foreseeably be recovered through the price obtained on their sale.

Specifically, the assets received by the consolidated entities from their debtors in full or part settlement of the debtors' payment obligations (foreclosed assets) are treated as non-current assets held for sale, unless the consolidated entities have decided to make continuing use of these assets.

Symmetrically, the heading "Liabilities Associated with Non-current Assets Held for Sale" reflects the balances payable arising on disposal groups and discontinued operations.

### i) SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES

This heading shows the carrying amount of the sales of assets and income from the services provided by the consolidated Group companies that are not financial institutions. In the case of the Group, these companies are mainly real estate and services companies.

#### j) Insurance and reinsurance contracts

In accordance with standard accounting practice in the insurance industry, the consolidated insurance entities credit to the income statement the amounts of the premiums written and charge to income the cost of the claims incurred on final settlement thereof. Insurance entities are therefore required to accrue at year-end the unearned revenues credited to their income statements and the accrued costs not charged to income.

The most significant accruals recorded by the consolidated entities in relation to direct insurance contracts arranged by them relate to the following (Note 27):

Mathematical provisions, which include:

- Life insurance provisions: these represent the value of the life insurance obligations of the insurance companies at year-end, net of the obligations of the policyholder.
- Non-life insurance provisions: provisions for unearned premiums. These provisions are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums accrued in the year that has to be allocated to the period from the reporting date to the end of the policy period.

Provision for claims: this reflects the total amount of the obligations outstanding arising from claims incurred prior to the reporting date. The insurance companies calculate this provision as the difference between the total estimated or certain cost of the claims not yet reported, settled or paid, and the total amounts already paid in relation to these claims.

Provisions for unexpired risks and other provisions, which include:

 Non-life insurance provisions – unexpired risks: the provision for unexpired risks supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered by the insurance companies in the policy period not elapsed at year-end.

- Technical provisions for reinsurance ceded: calculated by applying the criteria indicated above for direct insurance, taking account of the cession conditions established in the reinsurance contracts in force.
- Other technical provisions: the insurance companies have recognised provisions to cover the probable mismatches in the market reinvestment interest rates with respect to those used in the measurement of the technical provisions.
- Provision for bonuses and rebates: this provision includes the amount of the bonuses accruing to policyholders, insureds or beneficiaries and the premiums to be returned to policyholders or insureds, as the case may be, based on the behaviour of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

The Group controls and monitors the exposure of the insurance companies to financial risk and, to this end, uses internal methods and tools that enable it to measure credit risk and market risk and to establish the limits for these risks.

## Reinsurance assets and Liabilities under insurance contracts

The heading "Reinsurance Assets" includes the amounts that the consolidated entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recorded by the consolidated insurance entities (Note 19).

The heading "Liabilities under Insurance Contracts" includes the technical reserves of direct insurance and inward reinsurance recorded by the consolidated entities to cover claims arising from insurance contracts in force at year-end (Note 27).

The income or loss reported by the Group's insurance companies on their insurance activities is recorded under the heading "Insurance Activity Income" in the consolidated income statement (Note 49).

#### k) TANGIBLE ASSETS

#### Non-Current tangible assets for own use

The heading Non-Current Tangible Assets for own use relates to the tangible assets intended to be held for continuing use and the tangible assets acquired under finance leases. It also includes tangible assets received by the consolidated entities in full or part settlement of financial assets representing receivables from third parties, tangible assets acquired under finance leases and those assets expected to be held for continuing use. Non-Current tangible assets for own use are

presented at acquisition cost less any accumulated depreciation and, where appropriate, any estimated impairment losses (net carrying amount higher than fair value).

For this purpose, the acquisition cost of foreclosed assets held for continued use is equal to the carrying amount of the financial assets delivered in exchange for their foreclosure.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The period tangible asset depreciation charge is recognised with a balancing entry in the consolidated income statement and is based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

	Annual percentage	
Buildings for own use	1.33% to 4%	
Furniture	8% to 10%	
Fixtures	6% to 12%	
Office supplies and computerisation	8% to 25%	
Remodelling of rented offices	6%	

At each accounting close, the consolidated entities analyse whether there is any internal or external indication that the net carrying amounts of their tangible assets exceed the related recoverable amounts. If there is such an indication, the carrying amount of the asset in question is reduced to its recoverable amount and the future depreciation charges are adjusted in proportion to the asset's new remaining useful life and / or to its revised carrying amount.

Similarly, if there is any indication that the value of a tangible asset has been recovered, the consolidated entities recognise the reversal of the impairment loss recorded in previous years and, consequently, adjust the future depreciation charges. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

Upkeep and maintenance expenses relating to tangible assets held for continued use are charged to the income statement for the year in which they are incurred.

## Investment property and other assets leased out under an operating lease

The heading "Tangible assets - Investment Property" in the consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation at disposal date.

The criteria used to recognise the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to record the impairment losses thereon are the same as those described in relation to tangible assets for continued use.

#### 1) Business combinations

A business combination is the bringing together of two or more separate entities or businesses into one single entity or group of entities. As a result of a business combination, which is accounted for using the purchase method, the Group obtains control over one or several entities.

The purchase method accounts for business combinations from the perspective of the acquirer. The acquirer must recognise the assets acquired and the liabilities and contingent liabilities assumed, including those not previously recognised by the acquired entity. This method measures the cost of the business combination and the assignation of it, at the date of acquisition, to the identifiable assets, liabilities and contingent liabilities measured at fair value.

In addition, any purchases of minority interests after the date on which the Group obtains control of the acquired are recorded as equity transactions, i.e. the difference between the price paid and the carrying amount of the percentage of minority interests acquired is charged directly to equity.

#### m) INTANGIBLE ASSETS

#### Goodwill

The positive differences between the cost of business combinations and the amount corresponding to the acquired percentage of the net fair value of the assets, liabilities and contingent liabilities of the acquired entity are recorded as goodwill on the asset side of the consolidated balance sheet. Goodwill represents the future economic benefits from assets that cannot be individually identified and separately recognised. Goodwill is not amortised and is subject periodically to an impairment analysis. Any impaired goodwill is written off.

Goodwill is allocated to one or more cash-generating units expected to benefit from the synergies arising from business combinations. The cash-generating units represent the Group's smallest identifiable business and/or geographical segments as managed internally by its directors within the Group.

The cash-generating units to which goodwill has been allocated are tested for impairment based on the carrying amount of the unit including the allocated goodwill. Such testing is performed at least annually and whenever there is an indication of impairment.

For the purpose of determining the impairment of a cash-generating unit to which a part of goodwill has been allocated, the carrying amount of that unit, adjusted by the theoretical amount of the goodwill attributable to the minority interest, shall be compared with its recoverable amount. The

resulting loss shall be apportioned by reducing, firstly, the carrying amount of the goodwill allocated to that unit and, secondly, if there are still impairment losses remaining to be recognised, the carrying amount of the rest of the assets. This shall be done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. It will be taken into account that no impairment of goodwill attributable to the minority interest may be recognised. In any case, impairment losses on goodwill can never be reversed.

#### Other intangible assets

These assets can have an "indefinite useful life" – when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the year over which the asset is expected to generate net cash flows for the consolidated entities – or a "finite useful life", in all other cases.

Intangible assets with indefinite useful life are not amortised, but rather at the end of each reporting period the consolidated entities review the remaining useful life of the assets in order to ensure that they continue to be indefinite or, if this is not the case, to classify them as having a finite useful life. The Group has not recognised any intangible assets with indefinite useful life.

Intangible assets with finite useful life are amortised over those useful lives using methods similar to those used to depreciate tangible assets.

In both cases the consolidated entities recognise any impairment loss on the carrying amount of these assets with charge to the heading "Impairment Losses (Net) - Other Intangible Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are similar to those used for tangible assets.

#### n) INVENTORIES

Inventories are assets, other than financial instruments, that are held for sale in the ordinary course of business, that are in the process of production, construction or development for such sale, or that are to be consumed in the production process or in the rendering of services. The balance of the heading "Other Assets - Inventories" in the accompanying consolidated balance sheet included the land and other property held for sale in the property development business by the Group's real state companies (Note 23).

Inventories are measured at the lower of cost and net realisable value, which is the estimated selling price of inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories, such as that reflecting damage, obsolescence, and reduction of the sale price, to net realisable value and any other losses is recognised as an expense in the year in which the write-down or loss occurs. Subsequent reversal of any write-down is recognised in the consolidated income statement for the year in which it occurs.

When inventories are sold, the carrying amount of those inventories is derecognised and recorded as an expense in the year in which the related revenue is recognised. The expense is included under the heading "Cost of Sales" in the accompanying consolidated income statement (Note 51) when it corresponds to activities relating to the provision of non-financial services, or under the heading "Other Operating Expenses" in other cases (Note 52).

#### o) Tax assets and liabilities

The Spanish corporation tax expense and the expense for similar taxes applicable to the consolidated entities abroad are recognised in the consolidated income statement, except when they result from transactions the profits or losses on which are recognised directly in equity, in which case the related tax effect is also recognised in equity.

The current income tax expense is calculated by aggregating the current tax arising from the application of the related tax rate to the taxable profit (or tax loss) for the year (after deducting the tax credits allowable for tax purposes) and the change in deferred tax assets and liabilities recognised in the income statement.

Deferred tax assets and liabilities include temporary differences, measured at the amount expected to be payable or recoverable on future fiscal years for the differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carry forwards. These amounts are measured applying to each temporary difference the tax rates that are expected to apply in the year when the asset is realised or the liability settled (Note 37).

Deferred tax assets are recognised to the extent that it is considered probable that the consolidated entities will have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

The deferred tax assets and liabilities recognised are reassessed by the consolidated entities at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

Income and expenses recognised directly in equity are recorded as temporary differences.

#### p) FINANCIAL GUARANTEES

"Financial guarantees" are defined as contracts whereby the Group undertakes to make specific payments for a third party if the latter does not do so, irrespective of the various legal forms they may have.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed

periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortised cost, (see section d) of the present Note).

The provisions made for these transactions are recognised under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side of the consolidated balance sheet (Note 28). These provisions are recognised and reversed with a charge or credit, respectively, to "Provisions (Net)" in the consolidated income statement.

#### q) LEASES

Leases are classified as finance from the start of the transaction leases when they transfer substantially the risks and rewards incidental to ownership of the asset forming the subject matter of the contract. Leases other than finance leases are classified as operating leases.

When the consolidated entities act as the lessor of an asset in finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recorded as financing provided to third parties and, therefore, are included under the heading "Loans and Receivables" in the accompanying consolidated balance sheets.

Assets provided under operating leases to other Group entities are treated in the consolidated financial statements as assets held for continued use and in the individual financial statements of the owner as other assets leased out under an operating lease or as investment property.

### r) Provisions, contingent assets and contingent liabilities

Provisions are existing obligations arising from legal or contractual requirements, valid expectations created by Group companies in third parties regarding the assumption of certain types of responsibilities, or virtual certainty as to the future course of regulation in particular respects, especially proposed new legislation that the Group cannot avoid.

Provisions are recognised in the balance sheet when each and every one of the following requirements is met: the Group has an existing obligation resulting from a past event and, at the balance sheet date, it is more likely than not that the obligation will have to be settled; it is probable that to settle the obligation the entity will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible obligations of the Group that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the entity. They include the existing obligations of the entity when it is not probable that an

outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by the occurrence or non-occurrence of, events beyond the control of the Group. Contingent assets are not recognised in the balance sheet or in the income statement; however, they are disclosed in the notes to financial statements, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

### s) Transfers of Financial assets and derecognition of Financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties. If substantially all the risks and rewards are transferred to third parties, the transferred financial asset is derecognised and, at the same time, any right or obligation retained or created as a result of the transfer is recognised.

If substantially all the risks and rewards associated with the transferred financial asset are retained, the transferred financial asset is not derecognised and continues to be measured using the same criteria as those used before to the transfer.

Financial assets are only derecognised when the cash flows they generate have extinguished or when substantially all the risks and rewards incidental to them have been transferred. Similarly, financial liabilities are only derecognised when the obligations they generate have extinguished or when they are acquired (with the intention either settle them or re-sell them).

#### t) Own equity instruments

The balance of the heading "Stockholders' Equity - Treasury Shares" in the accompanying consolidated balance sheets relates mainly to Bank shares held by certain consolidated companies as of December 31, 2006, 2005 and 2004. These shares are carried at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading "Stockholders' Equity - Reserves" in the accompanying consolidated balance sheets (Note 35).

#### u) EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payment transactions, when the instruments granted do not vest until the counterparty completes a specified period of service, shall be accounted for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity. The entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, at grant date.

Market conditions shall be taken into account when estimating the fair value of the equity instruments granted, thus, their evolution will not be reflected on the profit and loss account. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. As a consequence the effect of vesting conditions other than market conditions, will be recognized on the profit and loss account with the corresponding increase in equity.

#### v) Acquire of shares with discount

In the last quarter of 2005, certain Group companies implemented a corporate programme for its permanent employees to enable them to acquire, with a 10% discount, shares of Banco Bilbao Vizcaya Argentaria, S.A. The total number of shares acquired in 2005 as part of this programme amounted to 2.5 million at a market price of €14.68 per share. The possibility of financing the acquisition through a personal loan was offered to the employees. The unamortised balance of the financing granted to employees amounted to €23,722 thousand as of December 31, 2006. Additionally, in 2006 a new phase of this corporate programme has been developed, this time without the possibility of financing for the acquisition of the shares. The total number of shares acquired in this second phase amounted to 578,333.

The total cost of this programme is charged to the heading "Personnel expenses" of the consolidated income statement.

#### w) TERMINATION BENEFITS

Termination benefits must be recognised when the company is committed to severing its contractual relationship with its employees and, to this end, has a formal detailed redundancy plan. There were no redundancy plans, so it is not necessary to recognise a provision for this issue.

#### 3. RECONCILIATION OF THE CLOSING BALANCES FOR 2003 AND 2004 TO THE OPENING BALANCES FOR 2004 AND 2005

EU-IFRS 1 requires that the first consolidated financial statements prepared in accordance with EU-IFRSs include a reconciliation of the closing balances for the immediately preceding year to the opening balances for the year to which these financial statements refer.

The reconciliation of the balances in the consolidated balance sheets and consolidated income statements is shown in Appendixes VI. The definition of certain terms used therein is as follows:

 2003 closing: the balances as of December 31, 2003 in accordance with the standards in force at that date (Bank of Spain Circular 4/1991) applying, as a general rule, the basis of presentation envisaged under the new standards.

- 2004 opening: the balances resulting from considering the effect on the closing balances for the preceding year of the adjustments and reclassifications made under the new standards in force since January 1.
- 2004 closing: the balances as of December 31, 2004 in accordance with Bank of Spain Circular 4/1991 in force at that date applying, as a general rule, the basis of presentation envisaged under the new standards.
- 2005 opening: the balances resulting from considering the effect on the closing balances for the preceding year of the adjustments and reclassifications made under the new standards in force.
- 2004 re-stated balances: balances of year 2004 in accordance with new standards.

## 4. BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) is the Group's parent company. Its individual financial statements are prepared on the basis of the accounting policies and methods contained in Bank of Spain Circular 4/2004. (See Note 1.2)

The Bank represented approximately 65% of the Group's assets and 33% of consolidated profit before tax as of December 31, 2006 (63% and 27%, respectively, as of December 31, 2005 and 63% and 21%, respectively, as of December 31, 2004), after the related consolidation adjustments and eliminations.

Summarised below are the financial statements of Banco Bilbao Vizcaya Argentaria, S.A. as of December 31, 2006, 2005 and 2004:

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. BALANCE SHEETS AS OF DECEMBER 31, 2006, 2005 AND 2004 (SUMMARIZED)

ASSETS	Thousands of euros				
AUULIU	2006	2005(*)	2004(*)		
CASH AND BALANCES WITH CENTRAL BANKS	3,264,155	2,707,634	3,584,389		
FINANCIAL ASSETS HELD FOR TRAIDING	35,899,495	31,223,865	33,786,124		
AVAILABLE-FOR-SALE FINANCIAL ASSETS	17,535,502	32,895,371	27,320,242		
LOANS AND RECEIVABLES	213,027,835	183,250,928	149,381,995		
HELD-TO-MATURITY INVESTMENTS	5,905,636	3,959,264	2,221,502		
HEDGING DERIVATIVES	1,758,932	2,505,102	4,033,289		
Non-Current assets held for sale	26,393	29,722	51,919		
INVESTMENT	14,159,672	13,296,918	12,068,994		
Insurance contracts linked to pensions	2,114,052	2,089,985	2,097,376		
TANGIBLE ASSET	2,093,446	2,060,765	2,034,013		
INTANGIBLE ASSETS	63,055	51,920	37,316		
TAX ASSETS	3,275,977	3,939,982	3,308,695		
ACCRUED INCOME	505,276	512,377	310,954		
OTHER ASSETS	561,914	616,788	426,173		
TOTAL ASSETS	300,191,340	279,140,621	240,662,981		

TOTAL LIABILITIES AND EQUITY	2006	2005(*)	2004(*)
	• • • • • • • • •	• • • • • • • • • • •	• • • • • • • • •
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING	13,658,091	14,579,963	11,735,827
FINANCIAL LIABILITIES AT AMORTISED COST	258,697,166	242,037,543	206,918,252
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	_	_	183,201
HEDGING DERIVATIVES	2,088,420	947,007	2,317,121
PROVISIONS	6,926,134	6,376,428	6,292,468
TAX LIABILITIES	1,249,537	1,579,989	786,274
ACCRUED EXENSES AND DEFERRED INCOME	736,057	762,477	718,074
OTHER LIABILITIES	104,998	7,004	1,262
TOTAL LIABILITIES	283,460,403	266,290,411	228,952,479
EQUITY			
valuation adjustments	2,264,193	1,809,782	933,037
SHAREHOLDER'S EQUITY	14,466,744	11,040,428	10,777,465
Capital	1,740,465	1,661,518	1,661,518
Share premium	9,579,443	6,658,390	6,682,603
Reserves	2,085,465	2,001,854	1,877,718
Other equity instruments	25,874	141	-
Less: Treasury shares	(40,283)	(29,773)	(8,500)
Profit attributed to the Group	2,439,825	1,918,142	1,581,382
Less: Dividends and remuneration	(1,364,045)	(1,169,844)	(1,017,256
TOTAL EQUITY	16,730,937	12,850,210	11,710,502
TOTAL EQUITY AND LIABILITES	300,191,340	279,140,621	240,662,981
(*) Presented for comparison purposes only.			

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004 (SUMMARIZED)

	Thousands of euros			
	2006	2005(*)	2004(*)	
NTEREST AND SIMILAR INCOME	9,556,032	7,169,319	6,382,852	
NTEREST EXPENSE AND SIMILAR CHARGES	(6,976,992)	(4,473,854)	(3,701,087	
NCOME FROM EQUITY INSTRUMENTS	1,528,495	1,056,912	1,091,478	
NET INTEREST INCOME	4,107,535	3,752,377	3,773,243	
EE AND COMMISSION INCOME	2,062,234	1,928,985	1,689,587	
EE AND COMMISSION EXPENSES	(329,939)	(330,718)	(326,743	
Gains/Losses on Financial Assets and Liabilities (Net)	1,246,393	529,671	189,643	
EXCHANGE DIFFERENCES (NET)	235,899	132,573	205,34	
GROSS INCOME	7,322,122	6,012,888	5,531,07	
OTHER OPERATING INCOME	69,826	80,690	80,32	
PERSONNEL EXPENSES	(2,158,072)	(2,014,247)	(1,938,90	
OTHER ADMINISTRATIVE EXPENSES	(849,074)	(804,027)	(757,17	
DEPRECIATION AND AMORTISATION	(200,678)	(196,843)	(207,52	
OTHER OPERATING EXPENSES	(64,906)	(62,807)	(56,64	
NET OPERATING INCOME	4,119,218	3,015,654	2,651,15	
MPAIRMENT LOSSES (NET)	(645,101)	(441,825)	(601,98	
PROVISION EXPENSE (NET)	(1,024,593)	(378,539)	(670,96	
THER GAINS	614,950	107,872	448,36	
OTHER LOSSES	(34,922)	(34,985)	(2,47	
NCOME BEFORE TAX	3,029,552	2,268,177	1,824,10	
NCOME TAX	(589,727)	(350,035)	(242,72	
NCOME FROM ORDINARY ACTIVITIES	2,439,825	1,918,142	1,581,38	
NCOME FROM DISCONTINUED OPERATIONS (NET)	-	-		
NCOME FOR THE YEAR	2,439,825	1,918,142	1,581,38	

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004 (SUMMARIZED)

	2006	2006 2005(*) 20		
• • • • • • • • • • • • • • • • • • • •		• • • • • • • • • •	200.()	
NET INCOME RECOGNISED DIRECTLY IN EQUITY	454,411	876,745	291,581	
Available-for-sale financial assets	453,247	992,180	279,767	
Financial liabilities at fair value through equity	-	-	-	
Cash flow hedges	(29,110)	(65,607)	-	
Hedges of net investments in foreign operations	-	-	-	
Exchange differences	30,274	(49,828)	11,814	
Non-current assets held for sale	-	-	-	
INCOME FOR THE YEAR	2,439,825	1,918,142	1,581,382	
TOTAL INCOME AND EXPENSES FOR THE YEAR	2,894,236	2,794,887	1,872,963	

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004 (SUMMARIZED)

		Thousands of euros	
	2006	2005(*)	2004(*)
CASH FLOW FROM OPERATING ACTIVITIES		• • • • • • • • • • •	• • • • • • • •
Profit for the year	2,439,825	1,918,142	1,581,382
Adjustment to profit:	2,035,759	1,414,257	1,445,596
Adjusted profit	4,475,584	3.332.399	3,026,978
Net increase/decrease in operating assets	(17,526,778)	(35,678,851)	(19,824,84
Financial assets held for trading	(4,675,630)	2,562,259	(4,127,04
Othre financial assets at fair value through profit or loss	15,574,430	(4,130,001)	1,676,829
Available-for-sale financial assets	(30,201,808)	(34,133,846)	(18,220,954
Loans and receivables	1,776,230	22,737	846,324
Net increase/decrease in operating liabilities	15,204,261	35,212,225	22,358,15
Financial liabilities held for trading	(921,872)	2,844,136	1,036,983
Other financial liabilities at fair value through profit or loss	15,833,182	33,983,507	21,055,019
Other operating liabilities	292,951	(1,615,418)	266,149
Total net cash flows from operating activities (1)	2,153,067	2,865,773	5,560,28
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments (-)	(4,455,669)	(2,982,316)	(6,613,83
Divestments (+)	1,689,535	266,755	752,289
Total net cash flows from investing activities (2)	(2,766,134)	(2,715,561)	(5,861,54
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance/Redemption of capital (+/-)	2,960,087	_	1,998,750
Acquisition of own equity instruments (-)	(4,728,219)	(2,619,475)	(2,228,21
Disposal of own equity instruments (+)	4,760,145	2,615,499	2,280,902
Issuance/Redemption of other equity instruments (+/-)	25,733	141	-
Issuance/Redemption of subordinated liabilities (+/-)	63,942	701,763	784,458
Issuance/Redemption of other long-term liabilities (+/-)	-	_	-
Dividends paid (-)	(1,915,831)	(1,600,483)	(1,352,353
Other items relating to financing activities (+/-)	1,164	(115,435)	(14,51)
Total net cash flows from financing activities (3)	1,167,021	(1,017,990)	1,469,02
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR			
CASH EQUIVALENTS (4)	2,495	(1,623)	573
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	556,449	(869,401)	1,168,34
Cash or cash equivalents at beginning of year	2,707,482	3,576,883	2,408,542
Cash or cash equivalents at end of year	3,263,931	2,707,482	3,576,883

The total assets and finance income of the Group's most significant subsidiaries as of December 31, 2006, 2005 and 2004 are as follows:

	Thousands of euros				
	COUNTRY	2006 Total Assets	2005 Total Assets	2004 Total Assets	
Grupo BBVA Bancomer	Mexico	55,992,005	59,219,806	47,641,124	
Grupo BBVA Chile	Chile	6,415,379	6,468,472	5,040,878	
BBVA Puerto Rico	Puerto Rico	4,731,683	5,852,238	3,977,188	
Grupo BBVA Banco Francés	Argentina	4,594,966	4,273,340	3,436,801	
Grupo BBVA Banco Provincial	Venezuela	6,823,833	5,133,080	3,620,137	
Grupo BBVA Continental	Peru	4,463,740	4,555,641	3,133,771	
Grupo BBVA Colombia	Colombia	4,797,426	4,740,948	2,331,336	

	Thousands of euros				
	COUNTRY	2006 Finance income	2005 Finance income	2004 Finance income	
Grupo BBVA Bancomer	Mexico	5,886,223	5,495,088	3,498,240	
Grupo BBVA Chile	Chile	429,156	486,809	323,876	
BBVA Puerto Rico	Puerto Rico	324,647	258,016	196,720	
Grupo BBVA Banco Francés	Argentina	375,889	398,241	285,231	
Grupo BBVA Banco Provincial	Venezuela	572,615	454,128	393,699	
Grupo BBVA Continental	Peru	326,212	251,337	174,526	
Grupo BBVA Colombia	Colombia	436,789	290,508	220,608	

Appendix V includes a detail of the fully consolidated subsidiaries which, based on the information available, were more than 5% owned by non-Group shareholders as of December 31, 2006.

As of December 31, 2006 and 2005, in its capacity as a depository in the ADR programme, Bank of New York, a foreign non-BBVA Group credit institution, held a significant ownership interest in the fully consolidated company A.F.P Próvida.

Additionally, as of December 31, 2004, a non-Group company then, Granahorrar held a significant ownership interest in A.F.P Horizonte Colombia.

The changes in the ownership interests held by the Group in the most significant subsidiaries and the situation of these interests as of December 31, 2006 were as follows:

#### BBVA Bancomer Group (Mexico)

Grupo Financiero BBV-Probursa, S.A. de C.V. and the companies in its group, including most notably Banco Bilbao Vizcaya México, S.A., joined the Group in July 1995. In the first half of 2000, it was resolved to merge Grupo Financiero BBV-Probursa, S.A. de C.V. into Grupo Financiero BBVA Bancomer, S.A. de C.V. Following this merger, which was carried out in July 2000, the Group's ownership interest in Grupo Financiero BBVA Bancomer, S.A. de C.V. was 36.6%.

In the year from 2001 to 2003, the Group acquired various holdings in the share capital of Grupo Financiero BBVA Bancomer, S.A. de C.V., as a result of which its ownership interest was 59.43% as of December 31, 2003.

On March 20, 2004, the BBVA Group completed the tender offer on 40.6% of the share capital of Grupo Financiero BBVA Bancomer, S.A. de C.V. The final number of shares presented in the offer and accepted by BBVA was 3,660,295,210, which represented 39.45% of the share capital of the Mexican entity. Following the acquisition of these shares through the tender offer, the ownership interest held by BBVA in the capital of Grupo Financiero BBVA Bancomer, S.A. de C.V. was 98.88%, which, as a result of the purchase of shares subsisting in the market, increased to 99.70% as of December 31, 2004.

As of December 31, 2006 and 2005, BBVA held an ownership interest of 99.96% in the share capital of Grupo BBVA Financiero Bancomer, S.A.

#### BBVA Banco Francés Group (Argentina)

In December 1996, the Group acquired 30% of BBVA Banco Francés, S.A. (formerly Banco Francés Río de la Plata, S.A.) and assumed its management. Further acquisitions and a capital increase prior to December 31, 2003 brought the Group's ownership interest to 79.6% at that date.

On January 21, 2004, BBVA Banco Francés, S.A. presented the new formulation of the regularization and reorganization plan (which had begun in 2002) requested by the Argentine authorities. The new plan envisaged, mainly, the sale of this company's subsidiary BBVA Banco Francés (Cayman) Ltd. to BBVA, which was carried out on March 18, 2004, and the conversion into equity of a \$78 million loan granted by BBVA to BBVA Banco Francés, S.A.

In compliance with the commitment thus assumed, on April 22, 2004, the Annual General Meeting of BBVA Banco Francés, S.A. authorized a capital increase with a par value of ARP 385 million, which was carried out in October 2004, BBVA subscribed to the capital increase at BBVA Banco Francés, S.A. through the conversion into equity of a \$78 million loan it had granted to this investee. On February 23, 2005, the Superintendant of Financial and Exchange Institutions considered that the regularization and reorganization plan had been completed.

The ownership interest held by the Group as of December 31, 2004 and 2005 was 76.11% and 76.08%, respectively.

The ownership interest held by the Group as of December 31,2006 was 76.07%.

#### BBVA Puerto Rico, S.A.

In July 1998 BBV Puerto Rico absorbed PonceBank, an entity with total assets of \$1,095 million, through a capital increase of \$166 million. Also in 1998, BBV Puerto Rico acquired the assets and liabilities of Chase Manhattan Bank in Puerto Rico for a disbursement of \$50 million.

The ownership interest held by the Group as of December 31, 2006 was 100%.

#### BBVA Chile Group

In September 1998, the Group acquired a 44% holding in Banco BHIF, S.A., currently BBVA Chile, S.A., and assumed the management of the group headed by this Chilean financial institution. In 1999 additional shares were acquired, bringing the Group's total holding in this entity to 53.3% as of December 31, 1999.

As of December 31, 2004, the ownership interest held in BBVA Chile, S.A. was 66.27%, and additional acquisitions of capital in 2005 brought this figure up to 66.62%.

On March 3, 2006, BBVA purchased 0.43% of BBVA Chile's share capital for Chilean pesos 2,318 million (€3.7 million), increasing BBVA's share capital in BBVA Chile to 67.05%. As the share capital of BBVA in BBVA Chile was higher than two thirds of BBVA Chile's total share capital, BBVA in compliance with Chilean legislation launched a public tender offer for all of BBVA Chile's share capital. The public tender offer was effective from April 3, 2006 to May 2, 2006. After the acceptance of the public tender offer by 1.13% of BBVA Chile's outstanding shares, BBVA's share capital in BBVA Chile increased to 68.18%.

The ownership interest held by the Group as of December 31, 2006 was 67.84%.

#### BBVA Banco Provincial Group (Venezuela)

In March 1997, the Group acquired 40% of the share capital of Banco Provincial, S.A. and higher-percentage holdings in the other Provincial Group companies; consequently, it assumed the management of this group. Further acquisitions made in subsequent years raised the Bank's holding in the Provincial Group to 55.60% as of December 31, 2006.

#### BBVA Banco Continental Group (Peru)

In April 1995, the Group acquired 50% of the share capital of Banco Continental, S.A. through Holding Continental, S.A. (50% – owned by the Group) and assumed the management of the financial group headed by Banco Continental, S.A. (Note 2.1.a). The ownership interest held by the Group as of December 31, 2006 was 92.08%.

#### BBVA Colombia Group

In August 1996, the Group acquired 40% of the ordinary shares (equal to 35.1% of the total share capital) of Banco Ganadero, S.A. (currently BBVA Colombia, S.A.). Subsequently, additional holdings were acquired, bringing the ownership interest to 95.37% as of December 31, 2003.

On December 31, 2005, BBVA Colombia acquired 98.78% of Banco Granahorrar, S.A., proceeding to merger both entities on May 2006.

The ownership interest held by the Group as of December 31, 2006 was 95.43%.

#### **CHANGES IN THE GROUP IN 2006**

The most noteworthy acquisitions and sales of subsidiaries in 2006 were as follows:

- On July 28, 2006, Telefónica España, S.A., on behalf of the liquidity mechanism to integrate Uno-E Bank, S.A., as established in the agreement entered into by Terra (subsequently merged into Telefónica España, S.A.) and BBVA, proceeded on January 10, 2003 to start selling to BBVA its 33 % ownership interest in Uno-E Bank, S.A. for an aggregated amount of €148.5 million, reaching BBVA a 100 % ownership of Uno-E Bank, S.A.
- In May 2006 BBVA acquired a 51% ownership interest in Forum, a Chilean company specialising in car purchase financing, through the Chilean entities Forum Distribuidora, S.A. and Forum Servicios Financieros, S.A. (which in turn own all the shares of ECASA, S.A.), giving rise to the incorporation of BBVA Financiamiento Automotriz. The goodwill recognised as of December 31, 2006 amounted €51 million.
- On April 5, 2006 the Group sold its 51% ownership interest in Banc Internacional d'Andorra, S.A. for €395.15 million, which gave rise to a gain of €184 million.

- On November 10, 2006 the Group acquired Texas Regional Bancshares Inc. through the investment of \$2,141 million (€1,674 million). The goodwill recognised as of December 31, 2006 amounted €1,257 million.
- On November 30, 2006 the Group acquired all the shares of the Italian vehicle rental company Maggiore Fleet S.p.A., for €70.2 million, giving rise to goodwill of €35.7 million.
- In January 3, 2007 the acquisition of State National Bancshares Inc. was accomplished (see Note 61).

#### **CHANGES IN THE GROUP IN 2005**

The most noteworthy acquisitions of subsidiaries in 2005 were as follows:

- On 6 January, pursuant to the agreement entered into in September 2004 and after obtaining the mandatory authorisations, the Group, through BBVA Bancomer, acquired all the shares of Hipotecaria Nacional, S.A. de C.V., a Mexican company specialising in the mortgage business. The price paid was MXP 4,121 million (approximately €276 million) and the goodwill recognised amounted to €259 million as of December 31, 2005.
- On 28 April, pursuant to the agreement entered into on September 20, 2004 and after obtaining the mandatory authorisations, BBVA acquired all the shares of Laredo National Bancshares, Inc., a bank holding located in Texas (United States) which operates in the banking business through two independent banks: Laredo National Bank and South Texas National Bank. The price paid was \$859.6 million (approximately €666 million) and the goodwill recognised amounted to €474 million as of December 31, 2005.
- On October 31, 2005, the Guarantee Fund for Colombian Financial Institutions, FOGAFIN, sold by public auction 98.78% of the share capital of Banco Granahorrar, S.A. (a Colombian financial institution) to the BBVA Group's subsidiary in Colombia, BBVA Colombia, S.A. The financial offer made by BBVA Colombia for the acquisition of Banco Granahorrar, S.A. totalled \$423.66 million. This transaction was performed in December 2005 after authorisation had been obtained from the related supervisory and control bodies. The price paid was Colombian pesos 981,572.2 million, approximately €364 million, and the goodwill recognised amounted to €267 million as of December 31, 2005.

#### **CHANGES IN THE GROUP IN 2004**

The most noteworthy transactions in 2004 were as follows:

 On March 31, 2004, Finanzia Renting, S.A. was merged into BBVA Renting, S.A., effective for

- accounting purposes from January 1, 2004. These two companies were wholly-owned investees of BBVA.
- On July 21, 2004, the deed was executed for the merger of Corporación Área Inmobiliaria, S.L. into BBVA Área Inmobiliaria, S.L. through the transfer en bloc of the assets and liabilities of the former to the latter, and the dissolution of the former. On this same date the deed was executed whereby BBVA Área Inmobiliaria, S.L. changed its name to Anida Grupo Inmobiliario, S.L.
- On October 8, 2004, the Group completed the purchase of all the shares of Valley Bank, an entity located in California, for \$16.7 million (€13,130 thousand). This was BBVA's first commercial banking transaction in mainland USA.
- On October 12, 2004, the Group sold the El Salvador welfare business comprising BBVA Crecer AFP and BBVA Seguros, S.A. Seguros de Personas in which BBVA had ownership interests of 62% and 51%, respectively, for \$42.8 million (€32.83 million), giving rise to a gain of €12,287 thousand.

#### **INVESTMENTS ON COURSE**

On November 22, 2006 BBVA reached an agreement with the Chinese banking group CITIC Group to develop a strategic alliance in the Chinese market. In accordance with this agreement, BBVA will acquire a 5% ownership interest in "China Citic Bank" ("CNCB") with a call option to acquire 9.9% of its sharecapital. The price for the initial 5% sharecapital is of approximately €501 million. Additionally BBVA will acquire al 15% ownership interest in the banking entity "Citic International Financial Holdings" ("CIFH"), which develops its activity in Hong Kong, being quoted as well in the Hong Kong Stock Exchange. The price for this 15% sharecapital is of approximately €488 million. Full effect of this transaction is conditional upon the obtainance of the corresponding approvals and registers supervising organisms.

#### 5. DISTRIBUTION OF PROFIT

In 2006 the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. resolved to pay the shareholders three interim dividends out of 2006 profit, amounting to a total of €0.396 gross per share. The aggregate amount of the interim dividends declared as of December 31, 2006, net of the amount collected and to be collected by the consolidable Group companies, was €1,362,700 thousand and is recorded under "Equity - Dividends and Remuneration" in the related consolidated balance sheet (Note 31). The last of the aforementioned interim dividends, which amounted to €0.132 gross per share and was paid to the shareholders on January 10, 2007, was recorded under the heading "Financial Liabilities at Amortised Cost - Other Financial Liabilities" in the consolidated balance sheet as of December 31, 2006 (Note 26).

The provisional accounting statements prepared in 2006 by Banco Bilbao Vizcaya Argentaria, S.A. in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the interim dividends were as follows:

	Thousands of euros 31-05-2006 31-08-2006 30-11-2006			
		Dividend 2		
Interim dividend -		• • • • • • •	• • • • • • •	
Profit at each of				
the dates indicated,				
after the provision	4 505 005	0.070.000	0.044.770	
for income tax  Less -	1,535,235	2,376,266	2,244,779	
Estimated provision for				
Legal Reserve	_	_	(15,789)	
Interim dividends			(,)	
paid	-	(447,592)	(895,184)	
Maximum amount				
distributable	1,535,235	1,928,674	1,333,806	
Amount of proposed				
interim dividend	447,592	447,592	468,861	

The Bank's Board of Directors will propose to the shareholders at the Annual General Meeting that a final dividend of €0.241 per share be paid out of 2006 income. Based on the number of shares representing the share capital as of December 31, 2006 (Note 32), the final dividend would amount to €856,025 thousand and profit would be distributed as follows:

	Thousands of euros
Not one Ct. Com	• • • • • • • • • • • • • • • • • • • •
Net profit for 2006 (Note 4)	2,439,825
Distribution:	
Dividends	
Interim	1,364,045
Final	856,025
Legal reserve	15,789
Voluntary reserves	203,966

The distribution of profit per share during 2006, 2005 and 2004 is as follows:

	First interim	Second interim	Third interim	Final	Total
2004	0.100	0.100	0.100	0.142	0.442
2005	0.115	0.115	0.115	0.186	0.531
2006	0.132	0.132	0.132	0.241	0.637

#### 6. EARNINGS PER SHARE

Basic earnings per share are determined by dividing net profit or losses attributable to the Group in a given period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are determined using a method similar to that used to calculate basic earnings per share; however, the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible debt instruments outstanding at year-end.

The "diluted number" of shares linked to warrants outstanding at year-end is determined in two stages: firstly, the hypothetical liquid amount that would be received on the exercise of these warrants is divided by the annual average price of the share and, secondly, the difference between the amount thus quantified and the present number of potential shares is calculated; this represents the theoretical number of shares issued disregarding the dilutive effect. Profit or loss for the year is not adjusted.

Therefore:

EARNINGS PER SHARE FOR CONTINUING							
OPERATIONS	2006	2005	2004				
Numerator for basic earnings per share:							
Income available to common	4 705 070	2 000 405	0.000.500				
stockholders (thousands of euros)  Numerator for diluted earnings per share:	4,735,879	3,806,425	2,922,596				
Income available to common							
stockholders (thousands of euros)	4,735,879	3,806,425	2,922,596				
Denominator for basic							
earnings per share	2 400	2 201	2.200				
(millions of shares)  Denominator for diluted	3,406	3,391	3,369				
earnings per share							
(millions of shares)	3,406	3,391	3,369				
Basic earnings							
per share							
(euros)	1.39	1.12	0.87				
Diluted earnings							
per share							
(euros)	1.39	1.12	0.87				

As of December 31, 2006, 2005 and 2004, there were neither instruments nor share based payment to employees that could potentially dilute basic earnings per share.

As of December 31, 2006, 2005 and 2004, there were no discontinued operations that affected the earnings per share calculation for periods presented.

#### BASIS AND METHODOLOGY INFORMATION FOR SEGMENT REPORTING

Information by business area is a fundamental tool for monitoring and managing the Group's various businesses. Preparation of this information starts at the lowest-level units, and all the accounting data relating to the business managed by these units are recorded. 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:

- Stockholders' equity: 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.

Stockholders' 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 note 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,
  i.e., 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.

Concerning the structure by segments, the main level is set out by type of business.

The secondary basis of segment reporting relates to geographical segments. Information is prepared for the Group companies located in the Americas, detailing the banking, pension and insurance activities carried on in each of the countries.

This segmentation is based on the current internal organisational structure established by the BBVA Group for the management and monitoring of its business activities in 2006; the arrangement of the areas is different to that in 2005 and reflects the new structure of the Group in effect since January 1, 2006.

Thus the present composition of the Group's main business areas as of December 31, 2006, was as follows:

- Retail Banking in Spain and Portugal: this includes the Financial Services unit, i.e., 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.
- Corporate Activities: This area includes the results of the ALCO unit (the assets and liabilities committee) and Holdings in Industrial and Financial Companies. It also books the costs from central units that have a strictly corporate function and makes allocations to corporate and miscellaneous provisions, e.g., 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.

The figures corresponding to 2005 and 2004 have been calculated following the same criteria and structure used for 2006, in order that 2006, 2005 and 2004 are homogeneous for comparison.

On December 19, 2006 the Board of Directors approved a new organisational structure for the BBVA Group, which became effective on January 1, 2007.

The summarised income statements and main activity ratios by business area are as follows:

	Thousands of euros					
	Retail Banking in Sp	pain and Portugal	Wholesale	lesale Businesses		
	2006	2005	2006	2005		
NET INTEREST INCOME	2,865,005	2,623,068	1,031,627	1,017,415		
Income by the equity method	752	892	283,160	51,115		
Net fee income	1,588,617	1,456,420	491,491	424,980		
Income from insurance activities	375,534	309,317	-	-		
CORE REVENUES	4,829,908	4,389,698	1,806,278	1,493,510		
Gains and losses on fiancial assets and liabilities	72,180	54,777	641,987	447,551		
GROSS INCOME	4,902,088	4,444,474	2,448,265	1,941,061		
Net revenues from non-financial activities	32,347	25,777	104,258	94,853		
Personnel and general administrative expenses	(2,193,474)	(2,091,867)	(643,886)	(581,525)		
Depreciation and amortization	(102,011)	(102,725)	(11,989)	(12,278)		
Other operating income and expenses	13,657	43,274	15,701	28,643		
OPERATING PROFIT	2,652,608	2,318,933	1,912,348	1,470,755		
Impairment losses on financial assets	(355,547)	(328,229)	(322,444)	(269,223)		
- Loan Loss provisions	(356,644)	(330,170)	(322,444)	(269,152)		
- Other	1,097	1,941	-	(71)		
Provisions	(2,617)	(2,281)	(11,272)	5,177		
Other income/losses	16,295	18,353	158,887	31,000		
PRE-TAX PROFIT	2,310,740	2,006,775	1,737,519	1,237,709		
Corporate income tax	(807,891)	(685,515)	(449,417)	(361,334)		
NET PROFIT	1,502,849	1,321,260	1,288,103	876,374		
Minority interests	(4,373)	(4,194)	(5,697)	(3,694)		
NET ATTRIBUTABLE PROFIT	1,498,476	1,317,066	1,282,406	872,680		

	Mexico a	nd USA	Thousand <b>South A</b>		Corporate	Corporate Activities		
	2006	2005	2006	2005	2006	2005		
NET INTEREST INCOME	3.535.013	2,678,277	1,310,464	1.039.113	(367,971)	(149,904)		
Income by the equity method	(2,109)	(24)	2,598	(1,383)	23,247	70,895		
Net fee income	1,389,794	1,211,898	814,943	694,942	50,035	151,755		
Income from insurance activities	304,783	228,671	(5,607)	5,418	(24,279)	(56,483)		
CORE REVENUES	5,227,481	4,118,822	2,122,398	1,738,090	(318,968)	16,264		
Gains and losses on fiancial assets and liabilities	195.966	167.706	282.358	156,573	841.048	440.571		
GROSS INCOME	5,423,447	4,286,528	2,404,756	1,894,663	522,080	456,835		
Net revenues from non-financial activities	(4,178)	(2,595)	82	8,588	(1,151)	(844)		
Personnel and general administrative								
expenses	(1,945,609)	(1,737,009)	(1,103,151)	(932,873)	(444,301)	(419,445)		
Depreciation and amortization	(125,997)	(138,248)	(92,717)	(68,723)	(139,484)	(126,718)		
Other operating income and expenses	(117,008)	(105,586)	(46,133)	(40,395)	(12,487)	(40,780)		
OPERATING PROFIT	3,230,655	2,303,089	1,162,836	861,260	(75,343)	(130,952)		
Impairment losses on financial assets	(685,332)	(314,964)	(149,470)	(79,658)	9,243	137,747		
- Loan Loss provisions	(672,204)	(288,638)	(151,331)	(70,671)	25,956	145,551		
- Other	(13,128)	(26,326)	1,861	(8,987)	(16,713)	(7,804)		
Provisions	(72,680)	(50,646)	(58,722)	(78,025)	(1,192,914)	(328,406)		
Other income/losses	42,734	(7,995)	316	14,110	770,753	21,710		
PRE-TAX PROFIT	2,515,378	1,929,484	954,960	717,687	(488,261)	(299,902)		
Corporate income tax	(738,578)	(556,044)	(229,135)	(165,519)	165,720	247,231		
NET PROFIT	1,776,799	1,373,440	725,825	552,169	(322,541)	(52,671)		
Minority interests	(2,026)	(3,574)	(216,756)	(173,276)	(6,304)	(79,409)		
NET ATTRIBUTABLE PROFIT	1,774,773	1,369,866	509,069	378,893	(328,845)	(132,080)		

	Thousands of euros							
	Retail Banking in	Spain and Portugal	Wholesale Businesses		Mexico and USA		South America	
	2006	2005	2006	2005	2006	2005	2006	2005
Customer lending (1)	118,113,013	99,804,281	90,305,179	76,128,933	31,328,586	25,185,435	17,365,538	15,018,433
Customer deposits (2)	63,479,068	52,701,542	57,230,341	63,789,930	43,306,970	40,969,714	22,772,734	21,022,982
- Deposits	63,444,931	52,637,971	46,831,691	46,838,587	36,791,331	34,910,483	21,666,754	19,864,273
<ul> <li>Assets sold under repurchase agreement</li> </ul>	34,138	63,571	10,398,651	16,951,344	6,515,640	6,059,231	1,105,980	1,158,710
Off-balance-sheet funds	61,407,132	60,961,549	2,248,710	2,154,716	18,477,848	16,977,135	33,446,899	30,978,438
- Mutual funds	44,824,240	45,609,071	2,181,492	2,099,689	9,852,848	8,115,135	1,574,899	1,299,438
- Pension funds	16,582,892	15,352,478	67,218	55,027	8,625,000	8,862,000	31,872,000	29,679,000
Other placements	7,137,102	7,145,773	-	-	3,293,560	2,235,125	-	-
Customer portfolios	19,031,860	15,588,000	491,000	2,909,000	6,941,000	5,713,000	-	-
Total assets (3)	124,292,144	105,383,399	195,049,807	176,939,514	69,288,564	66,983,799	29,390,918	27,349,854
ROE (%)	35.6	34.6	31.8	24.4	46.7	44.2	31.8	30.1
Efficiency ratio (%)	43.4	45.1	24.8	28.0	35.9	40.5	45.9	49.0
Efficiency incl. depreciation and								
amortization (%)	45.4	47.4	25.2	28.6	38.2	43.8	49.7	52.6
NPL ratio (%)	0.67	0.65	0.22	0.29	2.19	2.24	2.67	3.67
Coverage ratio (%)	264.5	275.6	707.9	561.5	248.9	251.3	132.8	109.3

- (2) Includes collection accounts and individual annuities.
  (3) Excluding insurance.

# 8. REMUNERATION OF THE BANK'S DIRECTORS AND SENIOR MANAGEMENT

Remuneration and other provisions for the Board of Directors and members of the Management Committee

#### REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration paid to the non-executive members of the Board of Directors during 2006 is indicated below. The figures are given individually for each non-executive director and itemised in thousand euros:

	Thousands of euros					
	Board	Standing Committee	Audit	Risk	Appointments and Compensation	Tota
Tomás Alfaro Drake	89	-	43	-	-	132
Juan Carlos Álvarez Mezquíriz	119	152	-	-	39	310
Richard C. Breeden	324	-	-	-	-	32
Ramón Bustamante y de La Mora	119	-	65	97	-	28
José Antonio Fernández Rivero (*)	119	-	-	194	-	31:
Ignacio Ferrero Jordi	119	101	22	-	58	30
Román Knörr Borrás	119	152	-	-	-	27
Ricardo Lacasa Suárez	119	-	162	97	-	37
Carlos Loring Martínez de Irujo	119	-	65	-	78	26
Enrique Medina Fernández	119	152	-	97	-	36
Susana Rodríguez Vidarte	119	-	65	-	-	18
Telefónica de España, S.A.	119	-	-	-	-	11
Total (**)	1,603	557	422	485	175	3,24

<sup>(\*)</sup> Mr José Antonio Fernández Rivero, apart from the amounts detailed above, also received a total of €652,000 during 2006 in early retirement payments as a former member of the BBVA management.

# - REMUNERATION OF EXECUTIVE DIRECTORS

The remuneration paid to the executive members of the Board of Directors during 2006 is indicated below. The figures are given individually for each executive director and itemised:

	Thousands of euros				
	Fixed remunerations	Variable remunerations (*)	Total (**)		
Chairman and CEO	1.740	2.744	4.484		
President and COO	1.287	2.304	3.591		
Director and General					
Secretary	581	703	1.284		
Total	3.608	5.751	9.359		

<sup>(\*)</sup> Figures relating to variable remuneration for 2005 paid in 2006.

The executive directors also earned a variable remuneration during 2006, which will be satisfied to them during 2007. The amount earned by the Chairman and CEO was of €3,255 thousand, the President and COO earned €2,730 thousand while the General Secretary earned €794 thousand. These amounts are recognised under the heading "Accrued Expenses and Deferred Income" in the consolidated balance sheet as of December 31, 2006.

# - REMUNERATION OF THE MEMBERS OF THE MANAGEMENT COMMITTEE (\*)

The remuneration paid in 2006 to the members of BBVA's Management Committee, excluding executive directors, comprised €5,763 thousand of fixed remuneration and €11,403 thousand of variable remuneration earned in 2005 and received in 2006.

<sup>(\*\*)</sup> Mr José María San Martín Espinós, who stood down as director at the AGM, 18th March 2006, received €77,000 in 2006 in payment of his membership of the Board of Directors.

<sup>(\*\*)</sup> In addition, the executive directors received remuneration in kind in 2006 totalling €37 thousand, of which €8 thousand relates to Chairman and CEO, €14 thousand relates to President and COO and €15 thousand to General Secretary.

<sup>(\*)</sup> The membership of the Management Committee decreased from 18 to 16 in December 2006. This section includes information relating to all the members of the Management Committee as of December 31, 2006, excluding executive directors.

In addition, the members of the Management Committee, excluding executive directors, received remuneration in kind totalling €526 thousand in 2006.

The members of the Management Committee earned variable remuneration totalling €12,689 thousand in 2006, and this amount, which is recognised under the heading "Accrued Expenses and Deferred Income" in the consolidated balance sheet as of December 31, 2006, will be paid in 2007.

### LONG TERM INCENTIVE PLAN FOR THE PERIOD 2003-2005

The long-term incentive plan for 2003-2005 was settled in 2006. It applied to all the management team, including executive directors and members of the Management committee, and was pegged to the achievement of the long-term targets established at the beginning of the plan (2003) and to the BBVA Group's comparative performance in earnings per share, cost-income ratio and ROE against their benchmark peers at the end of the plan.

This plan was published in the 2005 Annual Report, estimating the settlement figures on the basis of data from 2003 and 2004 and the published information for 2005 available at the time of going to press.

Once the final data required to settle the plan were obtained (ie, once the benchmark peers published their earnings per share, cost-income ratio and ROE figures and BBVA's performance could be ranked against these) the plan was paid out in 2006. The executive directors received the following amounts for the three years (2003, 2004 and 2005): Chairman and CEO, €5,294 thousand; President and COO, €4,438 thousand and General Secretary, €1,351 thousand.

Meanwhile, the members of the Management committee, excluding the executive directors, received the total sum of €13,026 thousand from the plan, for all three years covered under the plan.

#### WELFARE BENEFIT OBLIGATIONS

The provisions recorded at 2006 year-end to cater for welfare benefit obligations to executive directors were as follows:

	Thousands of euros
Chairman and CEO	53,193
President and COO	44,141
Director and General Secretary	7,235
Total	104,569
	_ L _

Of this aggregate amount, €16,795 thousand were charged to 2006 earnings. Most of these commitments were insured under policies with BBVA as beneficiary, underwritten by an insurance company belonging to the Group. These insurance policies were matched to financial assets in compliance with Spanish legal regulations. The internal return on the insurance policies associated to said commitments was €3,946 thousand, which partly offset the amount allocated to provisions during the year.

Also, insurance premiums amounting to €79 thousand were paid on behalf of the non-executive directors members of the Board of Directors.

The provisions charged as of December 31, 2006 for post-employment welfare commitments for the Management committee members, excluding executive directors, amounted to €39,161 thousand. Of these, €11,215 thousand were charged against 2006 earnings. The internal return on the insurance policies associated to said commitments was €1,021 thousand, which partly offset the amount allocated to provisions during the year.

# REMUNERATION SYSTEM FOR NON-EXECUTIVE DIRECTORS WITH DEFERRED DELIVERY OF SHARES

The annual general meeting celebrated on March 18, 2006, under agenda item eight, resolved to establish a remuneration scheme using deferred delivery of shares to the Bank's non-executive directors, to substitute the earlier scheme that had covered these directors.

The new plan assigns 'theoretical' shares each year to non-executive director beneficiaries equivalent to 20% of the total remuneration paid to each in the previous year, using the average of BBVA stock closing prices from the trading sessions prior to the annual general meetings approving the financial statements for the years covered by the scheme as of 2006. These shares, where applicable, are to be delivered when the beneficiaries cease to be directors on any grounds other than serious dereliction of duties.

The Annual General Meeting resolution granted the non-executive directors who were beneficiaries of the earlier scheme the possibility of choosing to convert the amounts to which they were entitled under the previous scheme for non-executive directors into "theoretical shares". These entitlements amounted to a total of €2,228 thousand as of December 31,2006. All the beneficiaries opted for this conversion.

Consequently, the non-executive directors who were beneficiaries of the new system for deferred delivery of shares, approved by the AGM, received the following number of theoretical shares:

DIRECTORS	Theoretical shares
Juan Carlos Álvarez Mezquíriz	16,208
Ramón Bustamante y de la Mora	16,941
José Antonio Fernández Rivero	6,595
Ignacio Ferrero Jordi	16,879
Román Knörr Borrás	12,720
Ricardo Lacasa Suárez	16,004
Carlos Loring Martínez de Irujo	4,906
Enrique Medina Fernández	24,134
Susana Rodríguez Vidarte	8,559

#### SEVERANCE PAYMENTS

The contracts of the Bank's executive directors (Chairman and CEO, President and COO, and General Secretary) recognise their entitlement to be compensated should they leave their post for grounds other than their own decision, retirement, disablement or serious dereliction of duty. These entitlements amount to an aggregate compensation of €141,390 thousand.

In order to receive such compensation, directors must place their directorships at the disposal of the board, resign from any posts that they may hold as representatives of the Bank in other companies, and waive pre-existing employment agreements with the Bank, including any senior management positions and any right to obtain compensation other than that already indicated.

On standing down, they will be rendered unable to provide services to other financial institutions in competition with the Bank or its subsidiaries for two years, as established in the board regulations.

#### 9. RISK EXPOSURE

Activities concerned with financial instruments may involve the assumption or transfer of one or more types of risk by financial entities. The risks associated with financial instruments are:

- Market risks: these arise as a consequence of holding financial instruments whose value may be affected by changes in market conditions; they include three types of risk:
  - · Currency risk: arises as a result of changes in the exchange rate between currencies.
  - · Fair value interest rate risk: arises as a result of changes in market interest rates.
  - Price risk: arises as a result of changes in market prices, due either to factors specific to the individual instrument or to factors that affect all instruments traded on the market.
- Credit risk: this is the risk that one of the parties to the financial instrument agreement will fail to honour its contractual obligations due to the insolvency or

- incapacity of the individuals or legal entities involved and will cause the other party to incur a financial loss.
- Liquidity risk: occasionally referred to as funding risk, this arises either because the entity may be unable to sell a financial asset quickly at an amount close to its fair value, or because the entity may encounter difficulty in finding funds to meet commitments associated with financial instruments.

The Group has developed a global risk management system based on three components: a corporate risk management structure, with segregated functions and responsibilities; a set of tools, circuits and procedures that make up the different risk management systems; and an internal control system. Following is a summary of each of the three components:

#### 1. CORPORATE MANAGEMENT STRUCTURE

The Board of Directors is the body that determines the Group's risk policy. It approves, where appropriate, any non-delegated financial transactions or programmes involving credit risk, with no restrictions as to the amount. It also authorises the operating limits and the delegation of powers relating to credit risk, market risk and structural risk.

These tasks are performed by the Standing Committee, which reports to the Board.

The Board has a Lending Committee, a specialized body whose functions include, inter alia: assessment of the Group's risk management in terms of risk profile and capital map, broken down by business and area of activity; evaluation of the general risk policies and establishment of limits by type of risk or business, and of management resources, procedures and systems, structures and processes; approval of individual or group risks that may affect the Bank's solvency, in keeping with the established delegation system; analysis and approval, where appropriate, of credit risks in terms of maximum customer or group exposure; monitoring of the Group's various risks, ensuring they comply with the profile defined by the Group; ensuring compliance with the recommendations of regulatory and supervisory bodies, and implementation of these recommendations in the Group's risk management model; and analysis of the Group's risk control systems.

The Asset-Liability Committee (ALCO) is the body responsible for actively managing the Group's structural liquidity, interest rate and currency risks, and its core capital.

The Internal Risk Committee, which is composed of the persons responsible for Group risk management at corporate level, develops and implements the risk management model at the Group and ensures that the risks assumed by the Group are in line with the target risk profile defined by the governing bodies.

The Technical Transactions Committee analyses and approves, where appropriate, the financial transactions and programmes that are within its level of authorisation, and refers any transactions exceeding the scope of its delegated powers to the Lending Committee.

#### 2. TOOLS, CIRCUITS AND PROCEDURES

The Group has implemented an integral risk management system designed to cater for the needs arising in relation to the various types of risk; this prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the appropriate circuits and procedures, which are reflected in manuals that also include management criteria. Specifically, the main risk management activities performed are as follows: calculation of the risk exposures of the various portfolios, considering any related mitigating factors (netting, collateral, etc.); calculation of the probability of default (PD), loss severity and expected loss of each portfolio, and assignment of the PD to the new transactions (ratings and scorings); measurement of the values-at-risk of the portfolios based on various scenarios using historical and Monte Carlo simulations; establishment of limits to the potential losses based on the various risks incurred; determination of the possible impacts of the structural risks on the income statement; setting of limits and alerts to safeguard the Group's liquidity; identification and quantification of operational risks by business line to enable the mitigation of these risks through corrective measures; and definition of efficient circuits and procedures which contribute to the achievement of the targets set.

# 3. INTERNAL CONTROL - RISK MAPS

The Group has an independent function which, in keeping with the recommendations of the regulators, draws up Risk Maps identifying any gaps in the Group's risk management and the best practices, and establishes working plans with the various business areas to remedy these gaps.

### a) MARKET RISK MANAGEMENT

#### a.1) Market Risk in market areas

The BBVA Group manages together credit and market risks in the market and treasury areas through their Central Risk Unit.

The detail, by instrument, of the risk exposure as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros				
	2006	2005	2004		
Credit institutions	17,149,744	27,470,224	16,702,957		
Fixed-income securities	68,737,919	82,009,555	83,211,589		
Derivatives	6,195,150	8,525,664	7,607,036		
Total	92,082,813	118,005,443	107,521,582		

In the market areas the Group has legal compensation rights and contractual compensation agreements which give rise to a reduction of  $\in$ 9,142 million in credit risk exposure as of December 31, 2006.

With regard to market risk (including interest rate risk, currency risk and equity price risk), BBVA's limit structure

determines an overall VaR limit for each business unit and specific sublimits by type of risk, activity and desk. The Group also has in place limits on losses and other control mechanisms such as delta sensitivity calculations, which are supplemented by a range of indicators and alerts which automatically activate procedures aimed at addressing any situations that might have a negative effect on the activities of the business area.

The market risk profile as of December 31, 2006, 2005 and 2004 was as follows:

2006	2005	2004
7,405	11,284	12,322
5,531	3,343	3,967
727	1,717	1,216
5,756	2,024	2,261
4,928	4,443	3,904
2,968	1,817	1,986
	5,531 727 5,756 4,928	5,531 3,343 727 1,717 5,756 2,024 4,928 4,443

#### a.2) Structural interest rate risk

The aim of on-balance-sheet interest rate risk management is to maintain the BBVA Group's exposure to market interest rate fluctuations at levels in keeping with its risk strategy and profile. To this end, the ALCO actively manages the balance sheet through transactions intended to optimize the level of risk assumed in relation to the expected results, thus enabling the Group to comply with the tolerable risk limits.

The ALCO bases its activities on the interest rate risk measurements performed by the Risk Area. Acting as an independent unit, the Risk Area periodically quantifies the impact of interest rate fluctuations on the BBVA Group's net interest income and economic value.

In addition to measuring sensitivity to 100-basis-point changes in market interest rates, the Group performs probabilistic calculations to determine the economic capital for structural interest rate risk in the BBVA Group's banking activity (excluding the Treasury Area) based on interest rate curve simulation models.

All these risk measurements are subsequently analysed and monitored, and the levels of risk assumed and the degree of compliance with the limits authorised by the Standing Committee are reported to the various managing bodies of the BBVA Group.

Following is a detail in millions of euros of the average interest rate risk exposure levels of the main financial institutions of the BBVA Group in 2006:

ENTITIES		Average Impact on Net Interest Income			
	Euro	Dollar	Other	Total	Total
BBVA	-141	+15	-1	-127	+144
Other Europe	+1	-	-	+1	-1
BBVA Bancomer	-	+23	+58	+81	-81
BBVA Puerto Rico	=	-4	-	-4	-
BBVA Chile	-	-1	-3	-4	+4
BBVA Colombia	-	-	+6	+6	-6
BBVA Banco Continental	-	+1	+4	+5	-6
BBVA Banco Provincial	-	+1	+10	+11	-11
BBVA Banco Francés	_	-	-2	-2	+3

		Average Impact on Economic Value				
ENTITIES		100 basis-points increase			100 basis-point decrease	
	Euro	Dollar	Other	Total	Total	
BBVA	+450	+3	-5	+448	-490	
Other Europe	-26	-	-	-26	+28	
BBVA Bancomer	-	+18	-195	-177	+174	
BBVA Puerto Rico	-	-17	-	-17	+3	
BBVA Chile	-	-	-45	-45	+32	
BBVA Colombia	-	-	-6	-6	+7	
BBVA Banco Continental	-	-12	-	-12	+13	
BBVA Banco Provincial	-	-	+12	+12	-12	
BBVA Banco Francés	-	-	-42	-42	+47	

As part of the measurement process, the Group established the assumptions regarding the evolution and behaviour of certain items, such as those relating to products with no explicit or contractual maturity. These assumptions are based on studies that estimate the relationship between the interest rates on these products and market rates and enable specific balances to be classified into trend-based balances maturing at long term and seasonal or volatile balances with short-term residual maturity.

The average annual interest rate of the debt securities included in the "financial assets held for trading" heading during 2006 was of 3.94% (5.29% and 7.02% during 2005 and 2004, respectively).

#### a.3) Structural currency risk

Structural currency risk derives mainly from exposure to exchange rate fluctuations arising in relation to the Group's foreign subsidiaries and from the endowment funds of the branches abroad financed in currencies other than the investment currency.

The ALCO is responsible for arranging hedging transactions to limit the net worth impact of fluctuations in exchange rates, based on their projected trend, and to guarantee the equivalent euro value of the foreign currency earnings expected to be obtained from these investments.

Structural currency risk management is based on the measurements performed by the Risk Area. These measurements use an exchange rate scenario simulation model which quantifies possible changes in value with a confidence interval of 99% and a pre-established time horizon. The Standing Committee limits the economic capital or unexpected loss arising from the currency risk of the foreign-currency investments.

As of December 31, 2006, the coverage of structural currency risk exposure stood at 34%.

# a.4) Structural equity price risk

The BBVA Group's exposure to structural equity price risk derives mainly from investments in industrial and financial companies with medium- to long-term investment horizons. It is reduced by the net short positions held in derivative instruments on the same underlyings in order to limit the sensitivity of the portfolio to possible falls in prices. As of December 31, 2006 the aggregate sensitivity of the Group's equity positions to a 1% fall in the price of the shares amounted to €75 million, 73% of which is concentrated in highly liquid European Union equities. This figure is determined by considering the exposure on shares measured at market price or, in the absence thereof, at fair value, including the net positions in equity swaps and options on the same

underlyings in delta equivalent terms. Treasury Area portfolio positions are not included in the calculation.

The Risk Area measures and effectively monitors the structural equity price risk. To this end, it estimates the sensitivity figures and the capital required to cover the possible unexpected losses arising from fluctuations in the value of the companies in the investment portfolio, with a confidence interval equal to the entity's target rating, taking into account the liquidity of the positions and the statistical behaviour of the assets under consideration. These measurements are supplemented by periodic stress- and back-testing and scenario analyses.

#### B) CREDIT RISK MANAGEMENT

#### Loans and receivables

The detail, by nature of the related financial instrument, of the carrying amounts of the financial assets included under "Loans and Receivables" in the accompanying consolidated balance sheets as of December 31, 2006, 2005 and 2004, is shown in Note 14.

The detail, by heading, of the Group's maximum credit risk exposure as of December 31, 2006, 2005 and 2004 is as follows:

Thousands of euros					
	2006	2005	2004		
Gross credit risk (amount	• • • • • • •		• • • • • • •		
drawn down)	305,249,671	252,274,622	198,230,469		
Loans and receivables	262,968,973	222,413,025	176,672,820		
Contingent liabilities	42,280,698	29,861,597	21,557,649		
Market activities	92,082,813	118,005,443	107,533,914		
Drawable by third parties	98,226,297	85,001,452	60,716,878		
Total	495,558,781	455,281,517	366,481,261		

The detail, by geographical area, of the Gross credit risk (amount drawn down) of the foregoing detail as of December 31, 2006, 2005 and 2004 is as follows:

Thousands of euros				
	2006	2005	2004	
Spain	243,366,824	199,043,387	163,821,433	
Other European countries	6,120,288	6,462,795	5,721,920	
The Americas	55,762,559	46,768,440	28,687,116	
Mexico	27,728,518	24,499,054	14,714,176	
Puerto Rico	3,247,768	3,293,317	2,484,770	
Chile	6,263,848	5,918,357	3,941,860	
USA	5,050,880	1,797,094	56,691	
Argentina	2,203,496	2,109,233	1,695,668	
Peru	3,665,819	2,846,359	1,959,688	
Colombia	3,310,663	2,845,845	1,446,183	
Venezuela	3,139,140	2,397,018	1,543,935	
Other	1,152,427	1,062,163	844,145	
Total	305,249,671	252,274,622	198,230,469	

As of December 31, 2006, 104 corporate groups had drawn down loans of more than €200 million, which taken together constitute a total risk exposure of 19% of the total for the Group as of December 31, 2006. 90% of these corporate groups have an investment grade rating. The breakdown, based on the geographical area in which the transaction was originated, is as follows: 69% in Spain, 22% in the Bank's branches abroad, and 9% in Latin America (7% in Mexico alone). The detail, by sector, is as follows: Institutional (19%), Real Estate and Construction (27%), Electricity and Gas (12%), Consumer Goods and Services (11%), and Telecommunications (10%).

The parent and subsidiaries business activity exposure to the private sector in Spain, is of very high credit quality as evidenced by the fact that as of December 31, 2006, 76.9% of the portfolio is rated BBB– (investment grade) or higher, and 59.3% is rated A or higher, as indicated in the following table as of December 31, 2006:

	% of total exposure
AAA/AA	29.5%
Α	29.8%
BBB+	5.2%
BBB	6.6%
BBB-	5.8%
BB+	6.3%
ВВ	5.5%
BB-	5.2%
B+	3.3%
В	2.1%
B-	0.7%

#### Loans and advances to other debtors

The detail, by transaction type, status, sector and geographical area, of the carrying amounts of the financial assets included under "Loans and Advances to Other Debtors" in the accompanying consolidated balance sheets as of December 31, 2006, 2005 and 2004, disregarding the impairment losses, is shown in Note 14.3.

The Group's lending to the private sector resident in Spain totalled €167 billion. Its risk exposure is highly diversified between financing provided to individuals and businesses, and there are no significant concentrations in the sectors that are more sensitive to the current economic scenario.

Non-performing assets (past-due and overdrawn amounts and overruns) included in "Receivable on Demand and Other" amounted to €1,804 million as of December 31, 2006 (€1,023 million and €946 million as of December 31, 2005 and 2004, respectively).

#### Impaired assets

The detail, by nature of the related financial instrument, of the carrying amounts of the financial assets included under the heading "Impaired loans and advances to other debtors" in the accompanying consolidated balance sheets as of December 31, 2006, 2005 and 2004 is shown in Note 14.4. Additionally, as of December 31, 2006 the substandard contingent liabilities amounted to €40 million (€36 million and €46 million as of December 31, 2005 and 2004 respectively).

The detail, by geographical area, of the headings "impaired loans and advances to other debtors" and "Substandard contingent liabilities" as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros				
	2006	2005	2004		
Spain	1,174,294	1,051,072	1,169,599		
Other European countries	42,055	37,419	33,708		
The Americas	1,315,061	1,293,838	1,044,746		
Mexico	611,986	573,004	433,314		
Puerto Rico	66,962	71,482	62,102		
Chile	194,366	234,513	172,190		
USA	110,128	18,576	-		
Argentina	25,950	38,464	71,892		
Peru	76,571	82,139	66,498		
Colombia	169,136	223,041	160,548		
Venezuela	38,469	15,795	22,588		
Other	21,493	36,824	55,614		
Total	2,531,410	2,382,329	2,248,053		

The changes in 2006, 2005 and 2004 in "Impaired loans and advances to other debtors" and "Substandard contingent liabilities" in the foregoing detail are as follows:

	Thousands of euros					
	2006	2005	2004			
Balance at the beginning of	• • • • • • •	• • • • • • •	• • • • • • •			
the period	2,382,329	2,248,053	3,028,121			
Additions	2,741,853	1,942,774	1,987,574			
Recoveries	(1,829,894)	(1,531,039)	(1,574,475)			
Transfers to write-off	(707,451)	(666,534)	(713,188)			
Exchange differences and others	(55,427)	389,075	(479,979)			
Balance at the end of						
the period	2,531,410	2,382,329	2,248,053			

The changes in 2006, 2005 and 2004 impaired loans and advances to other debtors heading are detailed in Note 14.4.

As of December 31, 2006, 2005 and 2004, the detail of the headings "Impaired loans and advances to other debtors" and "Substandard contingent liabilities" of the various business segments were as follows:

	Thousands of euros						
	2006	2006 2005 2004					
Retail Banking Spain and			•••••				
Portugal	824,689	672,418	740,253				
Wholesale and Investment							
Banking	277,838	303,365	369,646				
Mexico and USA	789,076	663,062	495,416				
The Americas	525,985	630,776	549,330				
Corporate Activities	113,822	112,708	93,408				
Total	2,531,410	2,382,329	2,248,053				

#### Impairment losses

The changes in the balance of the provisions for impairment losses on the assets included under the heading "Loans and Receivables" are shown in Note 14.4.

In addition, as of December 31, 2006, the provisions for impairment losses on off-balance-sheet items amounted to €501,993 thousand (€452,462 thousand and €348,782 thousand as of December 31, 2005 and 2004, respectively) (see Note 28).

#### c) Liquidity risk

The aim of liquidity risk management and control is to ensure that the Bank's payment commitments can be met without having to resort to borrowing funds under onerous conditions.

The Group's liquidity risk is monitored using a dual approach: the short-term approach (90-day time horizon), which focuses basically on the management of payments and collections of Treasury and Markets, ascertains the Bank's possible liquidity requirements; and the structural, medium- and long-term approach, which focuses on the financial management of the balance sheet as a whole, with a minimum monitoring time frame of one year.

The Risk Area performs a control function and is totally independent of the management areas of each of the approaches and of the Group's various units. Each of the risk areas, which are independent from each other, complies with the corporative principles of liquidity risk control that are established by the Market Risk Central Unit (UCRAM) – Structural Risks.

For each entity, the management areas request an outline of the quantitative and qualitative limits and alerts for short, medium- and long-term liquidity risk, which is authorized by the Standing Committee. Also, the Risk Area performs periodic (daily and monthly) risk exposure measurements, develops the related valuation tools and models, conducts periodic stress tests, measures the degree of concentration on interbank counterparties, prepares the policies and procedures manual, and monitors the authorised limits and alerts, which are reviewed al least one time every year.

The liquidity risk data are sent periodically to the Group's ALCO and to the management areas involved. As established in the Contingency Plan, the Technical Liquidity Group (GTL), in the event of an alert of a possible crisis, conducts an initial analysis of the Bank's short- and long-term liquidity situation. The GTL comprises personnel from the Short-Term Cash Desk, Financial Management and the Market Area Risk Unit (UCRAM - Structural Risk). If the alert is serious, the GTL reports the matter to the Liquidity Committee, which is composed of the managers of the related areas. The Liquidity Committee is responsible, in situations requiring urgent attention, for calling a meeting of the Crisis Committee chaired by the CEO.

# 10. CASH AND BALANCES WITH CENTRAL BANKS

The breakdown of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros					
	2006 2005 2004					
Cash	2,756,458	2,408,841	1,790,632			
Balances at the Bank of Spain	2,704,792	2,381,328	3,139,819			
Balances at other central						
banks	7,035,144	7,526,957	5,192,066			
Valuation adjustments (*)	18,728	24,191	573			
Total	12,515,122	12,341,317	10,123,090			
(*) Valuation adjustments include	accrued interes	ts.				

# 11. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

#### 11.1.BREAKDOWN OF THE BALANCE

The breakdown of the balances of these headings in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

Thousands of euros							
	20	06	20	005	20	004	
	Receivable	Payable	Receivable	Payable	Receivable	Payable	
Debt securities	30,470,542	-	24,503,507	-	30,396,579	-	
Other equity instruments	9,948,705	-	6,245,534	-	5,690,885	-	
Trading derivatives	11,415,862	13,218,654	13,262,740	13,862,644	10,948,596	12,802,912	
Short positions	-	1,704,880	-	2,408,221	-	1,331,501	
Total	51,835,109	14,923,534	44,011,781	16,270,865	47,036,060	14,134,413	

### 11.2.DEBT SECURITIES

The breakdown of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros					
	2006 2005 2004					
Issued by central banks	623,017	141,820	294,242			
Spanish government bonds	3,345,024	2,501,499	6,906,877			
Foreign government bonds	16,971,034	13,132,841	14,654,416			
Issued by Spanish financial						
institutions	1,572,260	923,835	747,864			
Issued by foreign financial						
institutions	4,779,493	5,022,035	4,879,106			
Other debt securities	3,179,714	2,780,373	2,914,074			
Securities lending	-	1,104	-			
Total	30,470,542	24,503,507	30,396,579			

The detail, by geographical area, of the balance of Debt Securities is as follows:

	Thousands of euros					
	2006	2006 2005 2004				
Europe	10,509,316	9,331,740	16,795,670			
United States	3,597,575	3,187,479	2,394,949			
Latin America	15,662,674	11,518,730	10,826,552			
Rest of the world	700,977	465,558	379,408			
Total	30,470,542	24,503,507	30,396,579			

# 11.3.OTHER EQUITY INSTRUMENTS

The breakdown of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros					
	2006	2006 2005				
Shares of Spanish			• • • • • • •			
companies	5,196,520	3,326,259	2,998,917			
Credit institutions	671,594	502,968	272,833			
Other	4,524,926	2,823,291	2,726,084			
Shares of foreign						
companies	1,955,920	1,273,550	1,493,200			
Credit institutions	526,694	140,167	86,741			
Other	1,429,226	1,133,383	1,406,459			
Share in the net assets of						
mutual funds	2,796,265	1,645,725	1,198,768			
Total	9,948,705	6,245,534	5,690,885			

#### 11.4.TRADING DERIVATIVES

The detail, by transaction type and market, of the balances of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

			Th	nousands of euro	S		
2006	Currency risk	Interest rate risk	Equity price risk	Commodities risk	Credit risk	Other risks	Total
Organised markets	(747,483)	(11)	270,441	1,587	_	878	(474,588
Financial futures	13,157	_	1,162	-	-	-	14,319
Options	(760,640)	(11)	269,279	1,587	-	878	(488,907
Other products	-	-	-	-	-	_	-
OTC markets	(239,459)	586,992	(1,654,265)	4,842	(3,863)	(22,451)	(1,328,204
Credit institutions	(266,228)	(296,607)	(637,446)	635	(8,669)	(22,551)	(1,230,866
Forward transactions	8,559	-	-	635	-	-	9,194
Future rate agreements (FRAs)	-	43,791	-	-	-	-	43,791
Swaps	(269,231)	(176,475)	(23,929)	-	-	-	(469,635
Options	(5,552)	(164,042)	(613,517)	-	(8,669)	(22,551)	(814,331
Other products	(4)	119	-	-	-	-	115
Other financial Institutions	(5,094)	952,973	(569,798)	_	3,157	_	381,238
Forward transactions	(3,345)	-	-	-	-	-	(3,345
Future rate agreements (FRAs)	-	(9)	-	-	-	-	(9
Swaps	-	1,045,435	7,068	-	-	-	1,052,503
Options	(1,749)	(92,453)	(576,866)	-	3,157	-	(667,911
Other products	-	-	-	-	-	-	-
Other sectors	31,863	(69,374)	(447,021)	4,207	1,649	100	(478,576
Forward transactions	1,576	-	-	-	-	-	1,576
Future rate agreements (FRAs)	-	(133)	-	-	-	-	(133
Swaps	1	(346,393)	(395,711)	4,207	-	100	(737,796
Options	30,286	277,440	(51,310)	-	1,649	-	258,065
Other products	-	(288)	-	-	-	-	(288
<b>Total</b>	(986,942)	586,981	(1,383,824)	6,429	(3,863)	(21,573)	(1,802,792
of which: Asset Trading Derivatives	468,913	8,518,060	2,262,409	34,650	81,054	50,776	11,415,862
of which: Liability Trading Derivatives	(1,455,855)	(7,931,079)	(3,646,233)	(28,221)	(84,917)	(72,349)	(13,218,654

			Thousands	s of euros		
2005	Currency risk	Interest rate risk	Equity price risk	Credit risk	Other risks	Total
Organised markets	• • • • • • • • • • •	• • • • • • • • •	• • • • • • • • •	• • • • • • • • •	• • • • • • • • •	• • • • • • • • •
Financial futures	4,069	(5,833)	(53)	39,747	10,724	48,654
Options	(299)	(279)	253,062	-	-	252,484
Other products	-	593	-	-	_	593
OTC markets						
Credit institutions						
Forward transactions	107,695	128,384	(7,614)	_	_	228,465
Future rate agreements (FRAs)	-	20	-	_	_	20
Swaps	(7,656)	(78,072)	29,639	(1,896)	-	(57,985
Options	(92,819)	154,547	(189,327)	-	(4,132)	(131,731
Other products	(2,276)	(235,129)	-	-	_	(237,405
Other financial Institutions						
Forward transactions	(25,389)	-	-	-	-	(25,389
Future rate agreements (FRAs)	-	(68)	-	-	-	(68
Swaps	-	(108,432)	(4,830)	(592)	-	(113,854
Options	(31,527)	(177,943)	(40,845)	-	-	(250,315
Other products	(262)	54,917	-	-	-	54,655
Other sectors						
Forward transactions	(168,653)	-	214	-	-	(168,439
Future rate agreements (FRAs)	-	1,736	-	-	-	1,736
Swaps	-	421,392	(346,225)	(1,471)	-	73,696
Options	(12,434)	294,900	(557,431)	-	-	(274,965
Other products	(56)	-	-	-	-	(56)
Total	(229,607)	450,733	(863,410)	35,788	6,592	(599,904)
of which: Asset Trading Derivatives	1,301,581	9,836,714	1,921,374	98,444	104,627	13,262,740
of which: Liability Trading Derivatives	(1,531,188)	(9,385,981)	(2,784,784)	(62,656)	(98,035)	(13,862,644)

			Thousands of euros		
2004	Currency risk	Interest rate risk	Equity price risk	Credit risk	Total
Organised markets					
Options	4,434	(18)	(56,911)	-	(52,495)
OTC markets					
Credit institutions					
Forward transactions	(58,944)	865	-	-	(58,079)
Future rate agreements (FRAs)	_	(1,829)	_	_	(1,829)
Swaps	(7,521)	(631,399)	(15,728)	(331)	(654,979)
Options	31,208	(29,367)	(176,823)	-	(174,982)
Other financial Institutions					
Forward transactions	(110,128)	-	-	-	(110,128)
Future rate agreements (FRAs)	-	(47)	-	-	(47)
Swaps	(14,052)	(382,059)	(5,094)	(287)	(401,492)
Options	1,068	(36,310)	13,356	_	(21,886)
Other sectors					
Forward transactions	(737,767)				(737,767)
Future rate agreements (FRAs)		677		_	677
Swaps	(94,137)	530,896	(15,768)	(721)	420,270
Options	36,108	(25,765)	(71,922)	_	(61,579)
Total	(949,731)	(574,356)	(328,890)	(1,339)	(1,854,316)
of which: Asset Trading Derivatives	2,030,065	8,611,741	285,815	20,975	10,948,596
of which: Liability Trading Derivatives	(2,979,796)	(9,186,097)	(614,705)	(22,314)	(12,802,912)

# 12. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004, based on the nature of the related transactions, is as follows:

	Thousands of euros					
	2006	2006 2005 2004				
Debt securities	55,542	282,916	58,771			
Unit-Linked products	55,542	282,916	58,771			
Other equity instruments	921,572	1,138,337	1,000,719			
Other securities	449,759	264,249	241,618			
Unit-Linked products	471,813	874,088	759,101			
Total	977,114	1,421,253	1,059,490			

Life insurance policies where the risk is borne by the policyholder, are policies in which the funds constituting the insurance technical provisions, are invested in the name of the insurer in units in collective investment undertaking and other financial assets selected by the policyholder, who ultimately bears the investment risk.

# 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

# 13.1.BREAKDOWN OF THE BALANCE

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004, based on the nature of the related transactions, is as follows:

	Thousands of euros				
	2006 2005 2004				
Avaliable-for-sale financial assets					
Debt securities	32,229,459	50,971,978 45,037,228			
Other equity instruments	10,037,315	9,062,010 7,966,317			
Total	42,266,774	60,033,988 53,003,545			

The detail of the balance of the heading "Debt securities" as of December 31, 2006, 2005 and 2004, based on the nature of the related transactions, is as follows:

	Thousands of euros		
	2006	2005	2004
Debt securities	• • • • • • •	• • • • • • •	• • • • • • •
Issued by central banks	189,370	514,633	450,698
Spanish government			
bonds	6,818,343	14,277,305	16,318,064
Foreign government			
bonds	10,955,143	21,919,543	16,137,449
of which: doubtfully			
receivable from foreign			
general government	2,929	3,056	346,484
Issued by credit			
institutions	9,199,471	9,523,871	7,149,153
Resident	1,034,586	773,652	608,017
Non resident	8,164,885	8,750,219	6,541,136
of which: doubtfully			
receivable from foreign			
general government	-	81	
Other debt securities	4,916,735	4,496,245	4,758,913
Resident	1,480,788	1,583,903	2,001,701
Non resident	3,435,947	2,912,342	2,757,212
of which: doubtfully			
receivable from non			
residents	-	-	1,030
Other	-	-	-
Total gross	32,079,062	50,731,597	44,814,277
Impairments losses	(31,036)	(64,526)	(99,409)
Accrued expenses and			
adjustments for hedging			
derivatives	181,433	304,907	322,360
Total net	32,229,459	50,971,978	45,037,228

As of December 31, 2006, 2005 and 2004 the amount of gains/losses net from tax recognised in equity from the heading "Debt securities" under Available-for-sale financial assets amounted to €702,139 thousand, €1,056,638 thousand and €893,141 thousand, respectively.

The breakdown of the balance of the heading "Other equity instruments" by nature of the operations as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros			
	2006	2005	2004	
Other equity			•••••	
instruments	3,312,018	3,774,323	6,080,784	
Shares of Spanish				
companies	-	16,587	18,803	
Credit institutions	-	-	2,216	
Quoted	-	16,587	16,587	
Unquoted	3,312,018	3,757,736	6,061,981	
Other	3,261,123	3,665,876	5,969,084	
Quoted	50,895	91,860	92,897	
Unquoted	686,565	730,524	1,026,635	
Shares of foreign				
companies	345,084	272,256	260,399	
Credit institutions	320,455	236,847	245,747	
Quoted	24,629	35,409	14,652	
Unquoted	341,481	458,268	766,236	
Other	284,386	391,200	487,185	
Quoted	57,095	67,068	279,051	
Unquoted	1,962,589	1,480,271	875,367	
Shares in the net assets of				
mutual funds				
Total gross	5,961,172	5,985,118	7,982,786	
Valuation adjustments and				
adjustments for hedging	4.070.4.40		(40,400)	
derivatives	4,076,143	3,076,892	(16,469)	
Total net	10,037,315	9,062,010	7,966,317	

As of December 31, 2006, 2005 and 2004 the amount of gains/losses net from tax recognised in equity from the heading "Other equity instruments" under Available-for-sale financial assets amounted to €2,653,433 thousand, €1,946,146 thousand and €1,426,992 thousand, respectively.

In 2006, 2005 and 2004, €1,120,591 thousand, €428,560 thousand and €974,412 thousand, respectively, were debited to "Valuation Adjustments" and recorded under "Gains/Losses on Financial Assets and Liabilities" in the consolidated income statements for 2006, 2005 and 2004. These amounts correspond to debt securities and other equity instruments (See Note 50)

As of December 31, 2006, most of our unrealised losses of "Available-for-sale assets" registered in equity correspond to "Debt securities". This unrealised are considered temporary because they have mainly arisen in a period shorter than one year.

The detail, by geographical area, of this heading, disregarding accruals and impairment losses, is as follows:

Thousands of euros				
	2006	2006 2005 2004		
Europe	24,258,081	42,174,090	41,377,085	
United States	5,637,656	4,129,727	1,575,299	
Latin America	6,677,481	9,820,752	9,000,123	
Rest of the world	1,517,669	665,919	894,549	
Total	38,090,887	56,790,488	52,847,056	

#### 13.2.IMPAIRMENT LOSSES

Following is a summary of the changes in 2006, 2005 and 2004 in the impairment losses on available-for-sale financial assets:

	Thousands of euros		
	2006	2005	2004
Balance at beginning	• • • • • • •	• • • • • • •	
of year	138,299	149,402	192,797
Increase in impairment			
losses charged to income	5,647	8,183	_
Decrease in impairment			
losses credited to income	(24,752)	(27,615)	(68,815)
Elimination of impaired			
balance due to transfer of			
asset to write-off	(16,641)	(17,161)	_
Transfers	(771)	1,501	_
Exchange differences	(20,093)	23,989	25,420
Balance at end			
of year	81,689	138,299	149,402
Of which:			
<ul> <li>Determined individually</li> </ul>	56,710	83,928	85,782
- Determined collectively	24,979	54,371	63z620

As of December 31, 2006, 2005 and 2004, the balances of the individually determined impairment losses related in full to debt securities from countries belonging to the Latin America geographical area.

# 14. LOANS AND RECEIVABLES

### 14.1.BREAKDOWN OF THE BALANCE

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004, based on the nature of the related financial instrument, is as follows:

Thousands of euros			
	2006	2005	2004
Loans and advances to credit institutions	17,049,692	27,470,224	16,702,957
Money market operations through counterparties	100,052		241,999
Loans and advances to other			
debtors	256,565,376	216,850,480	172,083,072
Debt securities	77,334	2,291,889	5,497,509
Other financial assets	6,062,805	2,784,054	2,366,666
Total	279,855,259	249,396,647	196,892,203

#### 14.2.LOANS AND ADVANCES TO CREDIT INSTITUTIONS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2005 and 2004, based on the nature of the related financial instrument, is as follows:

	Thousands of euros			
	2006 2005 200			
Reciprocal accounts	131,153	379,827	396,719	
Deposits with agreed maturity	9,469,423	13,202,414	9,429,882	
Demand deposits	438,892	540,982	342,951	
Other accounts	1,460,477	791,623	443,547	
Reverse repurchase				
agreetments	5,490,240	12,459,111	5,990,595	
Total gross	16,990,185	27,373,957	16,603,694	
Valuation adjustments	59,507	96,267	99,263	
Total	17,049,692	27,470,224	16,702,957	

#### 14.3. LOANS AND ADVANCES TO OTHER DEBTORS

The detail, by loan type and status, of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004, disregarding the balance of the impairment losses, is as follows:

	Thousands of euros			
	2006	2005	2004	
Financial paper	9,084	6,566	48,540	
Commercial credit	22,453,040	20,101,790	12,289,969	
Secured loans	116,737,348	101,527,208	77,221,112	
Credit accounts	21,699,873	19,312,007	17,028,327	
Other loans	77,748,275	61,671,944	53,703,804	
Reverse repurchase agreements	1,526,211	1,176,327	719,798	
Receivable on demand				
and other	11,658,109	8,716,758	6,595,709	
Finance leases	8,053,327	7,138,174	5,784,623	
Impaired assets	2,488,670	2,343,812	2,201,614	
Total gross	262,373,937	221,994,586	175,593,496	
Valuation adjustments (*)	(5,808,561)	(5,144,106)	(3,510,424	
Total	256,565,376	216,850,480	172,083,072	

<sup>(\*)</sup> Includes accrued interests of impaired assets that amounted to €3,020 thousand and €2,260 thousand in 2006 and 2005, respectively.

Through several of its financial institutions the Group finances the acquisition by its customers of both personal and real property through finance lease contracts which are recorded under this heading. As of December 31, 2006, approximately €4,700 million related to finance lease contracts for personal property and €3,353 million related to finance lease contracts for real property. Of the total finance leases as of December 31, 2006, 90% are floating rate finance leases and the remaining 10% are fixed rate finance leases.

The breakdown, by borrower sector, of the balance of this heading as of December 31, 2006, 2005 and 2004 was as follows:

	Thousands of euros			
	2006	2005	2004	
Public Sector	21,193,915	22,125,331	20,345,386	
Agriculture	3,132,919	2,504,423	1,607,838	
Industry	24,730,676	17,929,750	16,714,665	
Real estate and construction	41,501,749	36,561,531	25,232,071	
Trade and finance	38,910,058	36,194,157	17,703,404	
Loans to individuals	103,918,072	82,583,257	70,613,169	
Leases	7,692,088	6,725,825	6,340,870	
Other	21,294,460	17,370,312	17,036,093	
Valuation adjustments	(5,808,561)	(5,144,106)	(3,510,424)	
Total	256,565,376	216,850,480	172,083,072	

The detail, by geographical area, of this heading as of December 31, 2006, 2005 and 2004, disregarding valuation adjustments, is as follows:

	Thousands of euros			
	2006 2005 200			
Europe	201,229,765	170,789,741	144,332,632	
United States	9,596,951	6,196,086	3,043,899	
Latin America	49,157,570	43,490,220	27,099,398	
Rest of the world	2,389,651	1,518,539	1,117,567	
Total	262,373,937	221,994,586	175,593,496	

Of the total balance of "Loans and Advances to Other Debtors", €9,055,899 thousand, €5,468,142 thousand and €1,972,784 thousand relate to securitised loans as of December 31, 2006, 2005 and 2004, respectively. Since the Group retains the risks and rewards of these loans, they cannot be derecognised unless they meet the requirements to do so. The breakdown of these securitised loans, based on the nature of the related financial instrument and of their status (recognised or derecognised), is as follows (see Note 44):

Thousands of euros			
	2006	2005	2004
Derecognised on the balance sheet	1,058,132	1,587,209	2,096,440
Securitised mortgage assets	209,368	376,180	387,855
Other securitised assets	848,764	1,211,029	1,708,585
Retained on the balance sheet	9,055,899	5,468,142	1,972,784
Securitised mortgage assets	2,320,363	2,249,752	579,351
Other securitised assets	6,735,536	3,218,390	1,393,433
Retained partially on the balance sheet	65	-	-
Total	10,114,096	7,055,351	4,069,224

# 14.4.IMPAIRED ASSETS AND IMPAIRMENT LOSSES

The changes in 2006, 2005 and 2004 in the heading "Impaired Assets of Loans and advances to other debtors" of the foregoing detail, are as follows:

	Thousands of euros			
	2006 2005 2004			
Balance at beginning of year	2,346,072	2,201,614	2,923,849	
Additions	2,709,656	1,939,737	2,004,660	
Recoveries	(1,805,252)	(1,527,040)	(1,559,012)	
Transfers to writte-off	(707,451)	(666,534)	(713,188)	
Exchange differences and other	(51,335)	398,295	(454,695)	
Balance at end of year	2,491,690	2,346,072	2,201,614	

Following is a detail of the financial assets classified as "Loans and receivables to other debtors" and considered to be impaired due to credit risk as of December 31, 2006 and 2005, broken down on the basis of the time elapsed from the due date of the oldest amount outstanding of each transaction or from the date on which the transaction was considered to be impaired:

	Thousands of euros			
	2006 2005			
Between 3-6 months	1,101,018	961,827		
Between 6-12 months	352,009	256,805		
Between 12-18 months	320,105	106,178		
Between 18-24 months	94,779	89,946		
More than 24 months	623,779	931,315		
Total	2,491,690	2,346,071		

As of 31 December 2006 and 2005, the financial assets classified as loans and receivables which, although not considered to be impaired, had amounts past due at these dates, amounted to €2,021,752 thousand and €893,080 thousand, respectively.

The changes during 2006 in the impaired financial assets derecognised in balance for considering remote its possibility of recovery was as follows:

	Thousands of euro
	Total
Delever of the heating of the year	0.400.504
Balance at the beginning of the year	6,186,524
Increase:	639,034
Assets of remote collectability	472,352
Products overdue not collected	166,682
Decrease:	(596,316)
Cash recovery	(462,849)
Foreclosed assets	(4,736)
Other causes	(128,731)
Net Exchange differences	(109,712)
Balance at the end of the year	6,119,530

The changes in the impairment losses during 2006, 2005 and 2004 on the assets included under the heading "Loans and Receivables" are as follow:

	Thousands of euros				
	2006	2005	2004		
Balance at beginning of year	5,586,656	4,621,654	5,045,608		
Increase in impairment losses					
charged to income	2,107,162	1,418,758	1,724,056		
Decrease in impairment losses	(	(	(		
credited to income	(444,839)	(422,554)	(574,998)		
Acquisition of subsidiaries in	01 177	145.004	1.005		
the year Disposal of entities in	91,177	145,884	1,095		
the year	(22,231)	(2,034)			
Recovery of fixed-income	(22,231)	(2,034)	<del>-</del>		
security provisions	(1,620)	_	_		
Based on the nature of	(.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
the asset	(545,823)	(666,534)	(713,188)		
Transfers to written-off loans	(1,751)	2,960	(21,226)		
Exchange differences	(332,489)	370,128	(146,401)		
Other	(18,813)	118,394	(693,292)		
Balance at end of year	6,417,429	5,586,656	4,621,654		
Of which:					
- Determined	1 000 054	0.044.570	1 007 005		
individually - Determined	1,930,254	2,041,573	1,867,695		
collectively	4,487,175	3,545,083	2,753,959		
Of which:	T,107,173	3,373,003	2,7 33,333		
Based on the nature of					
the asset covered:	6,417,429	5,586,656	4,621,654		
Loans and advances to credit					
institutions	6,603	17,423	31,860		
Loans and advances to other					
debtors	6,403,597	5,562,545	4,589,748		
Debt securities	600	648	-		
Other financial assets Of which:	6,629	6,040	46		
By geographical area:	C 417 420	E EOC CEC	4 CO1 CE4		
Europe	<b>6,417,429</b> 3,785,061	<b>5,586,656</b> 3,179,172	<b>4,621,654</b> 2,783,002		
United States	198,570	39,444	1,169		
Latin America	2,433,282	2,350,656	1,821,313		
Rest of the world	516	17,384	16,170		

Recoveries if assets written off in 2006, 2005 and 2004 amounted to €184,037 thousand, €183,124 thousand and €365,149 thousand, respectively, and are deducted from the balance of the heading "Impairment losses (net) - Loans and receivables" in the accompanying consolidated income statements.

As of December 31, 2006, 2005 and 2004, financial income amounting to €1,106,513 thousand, €1,051,687 thousand and €750,018 thousand had accrued, respectively, but was not recorded in the consolidated income statements because there were doubts regarding its collection.

# 15. HELD-TO-MATURITY INVESTMENTS

As of December 31, 2006, 2005 and 2004, the detail of the balance of this heading in the consolidated balance sheets was as follows:

	Thousands of euros			
	2006	2005	2004	
Quoted Spanish government			•••••	
bonds	1,416,607	363,022	337,435	
Quoted foreign government				
bonds	3,023,259	2,272,187	1,297,558	
Issued by Spanish credit				
institutions	344,186	264,150	154,065	
Issued by foreign credit				
institutions	478,508	481,940	325,191	
Debentures and bonds	647,767	583,080	111,357	
Issued by other resident				
sectors	647,767	583,080	111,357	
Total gross	5,910,327	3,964,379	2,225,606	
Impairment losses	(4,691)	(5,114)	(4,104)	
Total	5,905,636	3,959,265	2,221,502	

All these balances are in Europe.

The gross changes in 2006, 2005 and 2004 in the balance of this heading in the consolidated balance sheets are summarised as follows:

	Thousands of euros				
	2006	2005	2004		
Balance at beginning of year	3,964,379	2,225,606	-		
Acquisitions	2,210,483	1,884,773	2,225,606		
Redemptions	(274,000)	(146,000)	-		
Other	9,465	-	-		
Balance at end of year	5,910,327	3,964,379	2,225,606		

Following is a summary of the gross changes in 2006, 2005 and 2004 in the impairment losses on held-to-maturity investments:

	Thousands of euros			
	2006	2005	2004	
Balance at beginning of year	5,114	4,104	-	
Increase in impairment losses charged to income	-	1,008	4,106	
Decrease in impairment losses credited to income	(422)	-	_	
Other	(1)	2	(2)	
Balance at end of year	4,691	5,114	4,104	
- Determined collectively	4,691	5,114	4,104	

# 16. HEDGING DERIVATIVES (RECEIVABLE AND PAYABLE)

The detail of the fair value of the hedging derivatives held by the Group as of December 31, 2006, 2005 and 2004 and recognised in the consolidated balance sheets is as follows:

	Thousands of euros			
2006	Interest rate risk	Equity price risk	Total	
Non organised markets		•		
Credit institutions	(381,889)	(115,557)	(497,446)	
Fair value micro-hedge	(404,296)	(115,557)	(519,853)	
Cash flow micro-hedge	22,407	-	22,407	
Micro-hedges of net investments in foreign operations	-	-	-	
Other financial institutions	178,127	(2,909)	175,218	
Fair value micro-hedge	126,340	(2,909)	123,431	
Cash flow micro-hedge	51,787	-	51,787	
Other sectors	9,354	(3,546)	5,808	
Fair value micro-hedge	9,354	(3,546)	5,808	
Cash flow micro-hedge	-	-	-	
Micro-hedges of net investments in foreign operations	-	-	-	
Total	(194,408)	(122,012)	(316,420)	
of which: Asset Hedging Derivatives	1,915,623	47,697	1,963,320	
of which: Liability hedging Derivatives	2,110,031	169,709	2,279,740	

As of December 31, 2006, the interest rate risk was hedged in its majority by interest swaps while the equity price risk was hedged in its majority by equity swaps.

	Thousands of euros			
2005	Exchange risk	Interest rate risk	Equity price risk	Total
Organised Markets				•
Fair value micro-hedge	-	(8,067)	(2,377)	(10,444)
Non organised markets				
Credit institutions				
Fair value micro-hedge	(1,715,271)	740,877	31,370	(943,024)
Cash flow micro-neage	1,599,175	(150,024)	-	1,449,151
iviloro-neages of her investments in foreign operations	(35)	-	-	(35)
Other financial institutions				
Fair value micro-hedge	_	194,522	(307)	194,215
Other sectors				
Fair value micro-hedge	_	355,317	(2,832)	352,484
Cash flow micro-hedge	_	227	-	227
Micro-hedges of net investments in foreign operations	35	_	_	35
Total	(116,096)	1,132,851	25,854	1,042,609
of which: Asset Hedging Derivatives	1,599,176	2,281,663	31,857	3,912,696
of which: Liability hedging Derivatives	(1,715,271)	(1,148,812)	(6,003)	(2,870,086)

	Thousands of euros			
2004	Interest rate risk	Equity price risk	Total	
Non organised markets				
Credit institutions				
Fair value micro-hedge	761,929	(235,013)	526,916	
Cash flow micro-hedge	(34,210)	-	(34,210)	
Fair value macro-hedge	118,290	-	118,290	
Other financial institutions				
Fair value micro-hedge	72,339	163	72,502	
	15,369	-	15,369	
Other sectors				
Fair value micro-hedge	391,957	-	391,957	
Cash flow micro-hedge	1,512	-	1,512	
Fair value macro-hedge	49,542	-	49,542	
Total	1,376,728	(234,850)	1,141,878	
of which: Asset Hedging Derivatives	3,834,083	439,367	4,273,450	
of which: Liability hedging Derivatives	(2,457,355)	(674,217)	(3,131,572)	

The Group has hedged the following forecast cash flows. These cash flows are expected to impact the income statement in the following periods:

			Thousands of eu	ros	
	3 months or less	More than 3 months but less than 1 year	From 1 to 5 years	More than 5 years	Total
Cash inflows from assets	76,701	197,846	316,457	46,644	637,647
Cash outflows from liabilities	(104,609)	(315,111)	(347,330)	(136,855)	(903,905)

The amounts that were so recognized in equity during the period and the amounts that were removed from equity and included in profit or loss for the period are showed in the "Consolidated Statement of changes in equity - Consolidated Statements of recognized income and expense".

As of December 31, 2006, 2005 and 2004, there were not amounts that were removed from equity during the periods and included in the initial measurement of the acquisition cost or other carrying amount of a non financial asset or non financial liability in a hedged highly probable forecast transaction.

# 17. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The balance of "Non-Current Assets Held for Sale" relates in full to foreclosed assets.

The changes in 2006, 2005 and 2004 in the balance of this heading in the consolidated balance sheets were as follows:

	Thousands of euros			
	2006	2006 2005		
Revalued cost -			••••	
Balance beginning				
of year	401,283	338,860	385,620	
Additions	278,947	122,438	84,968	
Retirements	(370,136)	(212,304)	(170,986)	
Acquisition of subsidiaries				
in the year	16,746	90,903	7,409	
Transfers	13,153	8,431	37,630	
Exchange difference and other	(72,167)	52,955	(5,781)	
Balance at end of year	267,826	401,283	338,860	
Impairment -				
Balance beginning of year	170,023	179,705	202,448	
Additions	60,365	31,093	51,529	
Retirements	(104,966)	(51,533)	(61,567)	
Acquisition of subsidiaries in				
the year	486	28,205	-	
Transfers	6,258	4,084	(250)	
Exchange difference and				
other	(50,402)	(21,531)	(12,455)	
Balance at end of year	81,764	170,023	179,705	
Balance total at end of year	186,062	231,260	159,155	

As of December 31, 2006, 2005 and 2004, there were no liabilities associated with non-current assets held for sale.

Most of the non-current assets held for sale recorded as assets in the consolidated balance sheets as of December 31, 2006 relate to properties. These properties classified as "non-current assets held for sale" are assets available for sale, which is considered highly probable. The sale of most of these assets is expected to be completed within one year of the date on which they are classified as "non-current assets held for sale".

The fair value of these items was determined by reference to appraisals performed by companies registered as valuers in each of the geographical areas in which the assets are located.

The independent valuation and appraisal companies entrusted with the appraisal of these assets were Eurovaloraciones, S.A., Valtecnic, S.A., General de Valoraciones, S.A., Krata, S.A., Tinsa, S.A., Alia Tasaciones, S.A., Ibertasa, S.A., Tasvalor, S.A. y Gesvalt, S.A. (these companies are registers in the official register of the Bank of Spain).

#### 18. INVESTMENTS

#### 18.1. INVESTMENTS IN ASSOCIATES

The most significant investment in associates as of 31 December 2006, 2005 and 2004 was that held in Tubos Reunidos, S.A.

The gross changes in 2006, 2005 and 2004 in this heading of the consolidated balance sheets were as follows:

	Thousands of euros			
	2006 2005 200			
Balance at beginning of year	945,858	910,096	1,186,154	
Acquisitions	28,116	9,647	212,281	
Disposals	(801,521)	(10,676)	(307,505)	
Transfers	33,806	36,791	(180,834)	
Balance at end of year	206,259	945,858	910,096	

The changes in 2006 include the disposal of the ownership interest in Banca Nazionale del Lavoro, S.p.A. and the disposal of the long-term investment in Técnicas Reunidas, S.A., carrying amounts of which totaled €751,544 thousand and €17,615 thousand, respectively.

# 18.2. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

As of December 31, 2006, 2005 and 2004, the holdings included under the heading "Investments - Jointly controlled entities" were accounted using the equity method, as described in Note 2.1.b

The most significant entity included in this heading is Corporación IBV Participaciones Empresariales, S.A., which reflects a balance of €564,762 thousand and €251,246 thousand in the heading "Income from equity investments" of the consolidated income statement of 2006.

The most significant changes during 2006 include the acquisition of Telepeaje Electrónico S.A. de C.V. and the recognition of Camarote Golf, S.A., Hestenar, S.L. and Hesteralia Málaga, S.L. as jointly controlled entities (previously recognised as associates).

# 18.3. NOTIFICATIONS OF THE ACQUISITION OF INVESTMENTS

Appendix IV lists the Group's acquisitions and disposals of holdings in associates or jointly controlled entities and the notification dates thereof, in compliance with Article 86 of the Spanish Corporations Law and Article 53 of Securities Market Law 24/1988.

#### 18.4. IMPAIRMENT

December 31, 2006.

During 2006, the goodwill in jointly controlled entities has registered an impairment of €6,162 thousand.

#### 19. REINSURANCE ASSETS

The most representative companies composing the insurance business of the consolidated Group are as follows: BBVA Seguros, S.A., Seguros Bancomer, S.A., BBVA Seguros de Vida, S.A. and Consolidar Group's insurance companies.

As of December 31, 2006, 2005 and 2004, the detail of the balance of this heading in the consolidated balance sheets is as follows:

	Thousands of euros			
2006 2		2005	2004	
Reinsurance assets	31,986	223,276	80,245	
Reinsurer's share of				
technical provisions	31,986	223,276	80,245	
Debtors arising from				
insurance and reinsurance				
operations (*)	-	11,902	23	
Total	31,986	235,178	80,268	

# **20. TANGIBLE ASSETS**

The detail of the changes in 2006, 2005 and 2004 in this heading in the consolidated balance sheets, based on the nature of the related items, is as follows:

			Thousan	ds of euros		
	Propert	ty, plants and equ	uipment			
			Furniture,		Assets leased out	
	Land and	Work in	fixtures and	Investment	under an	
2006	buildings	progress	vehicles	properties	operating lease	Total
Revalued cost -		• • • • • • • • •				
Balance at 1 January 2006	3,152,321	19,107	4,976,346	93,151	629,922	8,870,847
Additions	57,773	31,925	436,030	775	304,124	830,627
Retirements	(14,155)	(14,638)	(195,376)	(5,343)	(186,652)	(416,164
Acquisition of subsidiaries						
in the year	127,438	1,860	32,145	_	149,602	311,045
Disposal of entities in the year	(47,362)	(780)	(36,709)	(249)	-	(85,100
Transfers	(17,635)	(6,680)	4,841	(1,466)	-	(20,940
Exchange difference and other	(170,031)	(6,749)	(243,217)	(11,354)	(16,081)	(447,432
Balance at 31 December 2006	3,088,349	24,045	4,974,060	75,514	880,915	9,042,883
Accumulated depreciation -						
Balance at 1 January 2006	(796,955)	_	(3,482,086)	(15,028)	(163,795)	(4,457,864
Additions	(67,535)	-	(266,502)	(1,174)	(47,679)	(382,890
Retirements	12,930	-	160,171	1,112	12,544	186,757
Acquisition of subsidiaries						
in the year	(638)	_	(9,383)	_	(48,451)	(58,472
Disposal of entities in the year	2,992	-	34,969	94		38,055
Transfers	7,230	-	1,108	321	-	8,659
Exchange difference and other	43,799	-	116,708	1,329	16,081	177,917
Balance at 31 december 2006	(798,177)		(3,445,015)	(13,346)	(231,300)	(4,487,838
Impairment –						
Balance at 1 January 2006	(28,213)	_	_	(1,381)	_	(29,594
Additions	(3,563)	-	-		_	(3,563
Retirements	8,095	-	-	295	_	8,390
Acquisition of subsidiaries						
in the year	16	_	_		_	16
Exchange difference and other	(3,288)	-	-		_	(3,288
Balance at 31 December 2006	(26,953)	-	_	(1,086)	_	(28,039
Net tangible assets –	V1/					,,
Balance at 1 January 2006	2,327,153	19,107	1,494,260	76,742	466,127	4,383,389
Balance at 31 December 2006	2,263,219	24,045	1,529,045	61.082	649,615	4,527,006

			Thousan	ds of euros		
	Proper	ty, plants and eq	uipment			
			Furniture,		Assets leased out	
	Land and	Work in	fixtures and	Investment	under an	
2005	buildings	progress	vehicles	properties	operating lease	Total
Revalued cost –		• • • • • • • •	• • • • • • • • • • • • • • • • • • • •	• • • • • • • • • •	• • • • • • • • • • • • • • • • • • • •	• • • • • • •
Balance at 1 January 2005	2,765,508	9,068	4,357,093	194.518	566.386	7,892,573
Additions	109.089	19.351	374.831	5.094	239,553	747,918
Retirements	(148.671)	(6.758)	(159.614)	(38,868)	(113,749)	(467,660
Acquisition of subsidiaries						
in the year	158,848	10,102	124,147	_	-	293,097
Disposal of entities in the year	(5,594)	(462)	(3.531)	_	_	(9,587
Transfers	2,844	(7,512)	6,912	(34,377)	_	(32,133
Exchange difference and other	270,297	(4,682)	276.508	(33,216)	(62,268)	446,639
Balance at 31 December 2005	3,152,321	19,107	4,976,346	93.151	629,922	8,870,847
Accumulated depreciation –	-1.5-1		.,,• .•	1	,	-10111
Balance at 1 January 2005	(663,965)	(897)	(3,013,054)	(31,869)	(127,127)	(3,836,912
Additions	(52.348)		(218.681)	(1,389)	(88.624)	(361,042
Retirements	41,417	1.011	142.521	4,294	53,717	242,960
Acquisition of subsidiaries						
in the year	(28,631)	_	(79,702)	_	_	(108,333
Disposal of entities in the year	119	_	2.254	1,083	_	3,456
Transfers	(10,131)	_	4,422	5,709	-	-
Exchange difference and other	(83,416)	(114)	(319,846)	7,144	(1,761)	(397,993
Balance at 31 december 2005	(796,955)		(3.482.086)	(15,028)	(163.795)	(4.457.864
Impairment -	(,)		(-11000)	(10-0)	()	
Balance at 1 January 2005	(116,025)	_	_	_	_	(116,025
Additions	(2.176)	_	_	(1,375)	-	(3,551
Retirements	9,515	_	_	-	-	9,515
Acquisition of subsidiaries	0,010					- Cjore
in the year	(1,855)	_	_	_	_	(1,855
Exchange difference and other	82,328	_	_	(6)	-	82,322
Balance at 31 December 2005	(28,213)	_	_	(1,381)	_	(29,594
Net tangible assets –	(-5/-10)			(-,,		(,00
Balance at 1 January 2005	1,985,518	8,171	1,344,039	162,649	439,259	3,939,636
Balance at 31 December 2005	2,327,153	19,107	1,494,260	76.742	466.127	4,383,389

The net tangible asset impairment losses recoveries with credit to the accompanying consolidated income statements for 2006 and 2004 amounted to €4,827 thousand and €2,135 thousand, respectively.

The net tangible asset impairment losses charged to the consolidated income statements for 2005 amounted to €1,589 thousand.

The gains and losses on tangible asset disposals amounted to €92,902 thousand and €20,413 thousand in 2006 (€107,838 thousand and €22,477 thousand, respectively in 2005 and €102,874 thousand and €22,450 thousand, respectively in 2004) and are presented under the headings "Others Gains and Others Losses" the accompanying consolidated income statements (Note 56).

The carrying amount as of December 31, 2006, 2005 and 2004 of the tangible assets relating to foreign subsidiaries was €1,857,383 thousand, €1,825,050 thousand and €1,457,362 thousand, respectively. Also, the amount of the assets held under finance leases on which the purchase option is expected to be exercised is not material as of December 31, 2006, 2005 and 2004.

The main real estate companies forming part of the consolidated Group are as follows: Anida Desarrollos Inmobiliarios, S.L., Montealiaga, S.A. and Desarrollo Urbanístico de Chamartín S.A.

The contribution of these companies to the consolidated income statement is recorded under "Sales and Income from the Provision of Non-Financial Services" (Note 51).

The main consolidated Group companies engaging in operating leases are: Finanzia Autorenting, S.A., Automercantil-Comercio e Aluger de Vehículos Autom., Lda. and Maggiore Fleet, S.p.A.

The Group conducts its business mainly through a branch network, as shown in the following table:

	Number of branches				
	2006	2005	2004		
Spain	3,635	3,578	3,385		
America (*)	3,797	3,658	3,303		
Rest of the world	153	174	180		
Total	7,585	7,410	6,868		

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

As of 31 December 2006, 2005 and 2004, 46.9%, 47.9% and 47.2%, respectively, of the branches in Spain were leased from third parties. As of 31 December 2006 and 2005, 60% and 58.69%, respectively, of the branches in America were leased from third parties.

# **21. INTANGIBLE ASSETS**

# 21.1. GOODWILL

The detail, by company, of the changes in 2006, 2005 and 2004 in the balance of this heading in the consolidated balance sheets is as follows:

				Thousands of	euros		
2006	Balance at beginn of year	ning Additions	Other	Reclassifications	Exchange differences	Impairment	Balance at
Texas Regional Bancshares, Inc.	-	1,294,351	-	-	(37,385)	-	1,256,966
Grupo Financiero BBVA Bancomer, S.A. de C.V.	617,101	-	-	-	(72,695)	-	544,406
Grupo Laredo	473,941	-	(2,783)	-	(49,354)	-	421,804
Hipotecaria Nacional, S.A. de C.V.	259,112	-	10,438	-	(30,306)	-	239,244
Grupo BBVA Colombia	266,862	-	(34,984)	-	(19,375)	-	212,503
BBVA Pensiones Chile	104,139	-	-	-	(14,344)	-	89,795
Forum Servicios Financieros, S.A.	-	50,814	-	-	(1,459)	-	49,355
Maggiore Fleet, S.p.A.	-	35,696	-	-	-	-	35,696
Banco BHIF	40,532	-	-	-	(5,608)	-	34,924
BBVA Puerto Rico, S.A.	39,034	-	-	-	(4,068)	-	34,966
AFP Provida	26,059	-	-	-	(3,590)	-	22,469
BBVA Portugal, S.A.	15,914	-	-	-	-	-	15,914
Finanzia, Banco de Crédito	5,163	-	-	-	-	-	5,163
BBVA Bancomer USA (*)	5,091	-	-	-	(531)	-	4,560
BBVA Finanzia, S.p.A.	-	3,804	-	-	-	-	3,804
Forum Distribuidora, S.A.	_	1,921	_	_	(55)	_	1,866
Invesco Management No 1	_	6,160	_	_	_	(6,160)	_
Other companies	4,906	3,362	1,000	(9,268)	-	-	-
TOTAL FULLY CONSOLIDATED COMPANIES	1,857,854	1,396,108	(26,329)	(9,268)	(238,770)	(6,160)	2,973,435

		Thousands of euros					
2005	Balance at beginning of year	Additions	Other	Exchange differences	Balance at end of year		
Grupo Financiero BBVA Bancomer, S.A. de C.V.	513,589	-	-	103,513	617,102		
Grupo Laredo	-	433,250	-	40,691	473,941		
Grupo BBVA Colombia (*)	-	266,862	-	-	266,862		
Hipotecaria Nacional, S.A. de C.V.	-	223,902	-	35,209	259,111		
Grupo Provida	104,047	-	-	26,151	130,198		
BBVA Chile, S.A.	32,349	-	195	7,988	40,532		
BBVA Puerto Rico, S.A.		-	-	5,293	39,034		
BBVA (Portugal), S.A.	15,914	-	-	-	15,914		
Finanzia, Banco de Crédito, S.A.	5,163	-	-	-	5,163		
/alley Bank		-	(975)	376	5,091		
	-	4,906	-	-	4,906		
TOTAL FULLY CONSOLIDATED COMPANIES	710,493	928,920	(780)	219,221	1,857,854		

Thousands of euros						
2004	Balance at beginning of year	Additions	Other	Exchange differences	Balance at end of year	
Grupo Financiero BBVA Bancomer, S.A. de C.V.	549,574	-	-	(35,985)	513,589	
BBVA Pensiones Chile, S.A.	84,423	-	-	(1,200)	83,223	
Grupo Provida	54,144	-	-	(971)	53,173	
BBVA Puerto Rico, S.A.	36,457	-	_	(2,716)	33,741	
BBVA (Portugal), S.A.	15,914	-	_	-	15,914	
Finanzia, Banco de Crédito, S.A.	5,163	-	_	-	5,163	
Valley Bank	-	6,085	-	(395)	5,690	
Other companies	-	-	-	-	-	
TOTAL FULLY CONSOLIDATED COMPANIES	745,675	6,085	_	(41,267)	710,493	

Based on the estimates and projections available to the Bank's directors, the forecast revenues of these companies attributable to the Group support perfectly the carrying amount of the goodwill recorded.

On November 10, 2006 the Group acquired Texas Regional Bancshares Inc. through the investment of \$2,141 million (€1,674 million). The goodwill recognised as of December 31, 2006 amounted €1,257 million.

On October 31, 2005, the Guarantee Fund for Colombian Financial Institutions, FOGAFIN, sold by public auction 98.78% of the share capital of Banco Granahorrar, S.A. (a Colombian financial institution) to the BBVA Group's subsidiary in Colombia, BBVA Colombia, S.A. The financial offer made by BBVA Colombia for the acquisition of Banco Granahorrar, S.A. totalled \$423.66 million. This transaction was performed in December 2005 after authorisation had been obtained from the related supervisory and control bodies. The price paid was Colombian pesos 981,572.2 million, approximately €364 million, and the goodwill recognised amounted to €267 million as of December 31, 2005.

On 28 April, pursuant to the agreement entered into on September 20, 2004 and after obtaining the mandatory authorisations, BBVA acquired all the shares of Laredo National Bancshares, Inc., a bank holding located in Texas (United States) which operates in the banking business through two independent banks: Laredo National Bank and South

Texas National Bank. The price paid was \$859.6 million (approximately €666 million) and the goodwill recognised amounted to €474 million as of December 31, 2005.

The breakdown of the acquisition cost of the companies foregoing indicated, gross of tax, which, according to the purchase method, has been assigned to the headings financial asset and liabilities, tangible assets and other intangible assets, is as follows:

	Thousands of euros					
	Texas Regional Bancshares	Banco Granahorrar	Laredo Nationa Bancshares			
Financial assets and liabilities	(16,855)	-	-			
Tangible assets	30,039	-	33,778			
Other intangible assets	73,191	31,077	42,251			
Total	86,375	31,077	76,029			

No gains or losses were allocated to assets or liabilities with respect to the other acquisitions made in 2006.

# 21.2. OTHER INTANGIBLE ASSETS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

Thousands of euros					
2006	2005	2004	Average useful life (years)		
56,199	44,972	23,438	5		
116,175	80,312	48,865	5		
131,437	92,011	38,287	5		
(7,981)	(5,100)	-			
295,830	212,195	110,590			
	116,175 131,437 (7,981) <b>295,83</b> 0	2006     2005       56,199     44,972       116,175     80,312       131,437     92,011       (7,981)     (5,100)       295,830     212,195	2006         2005         2004           56,199         44,972         23,438           116,175         80,312         48,865           131,437         92,011         38,287           (7,981)         (5,100)         -           295,830         212,195         110,590		

The changes in 2006, 2005 and 2004 in this heading are as follow:

Thousands of euros						
2006	2005	2004				
212,195	110,591	101,653				
171,254	227,929	86,415				
(89,308)	(87,650)	(84,894)				
4,570	(33,575)	7,417				
(2,881)	(5,100)	-				
295,830	212,195	110,591				
	2006 212,195 171,254 (89,308) 4,570 (2,881)	2006         2005           212,195         110,591           171,254         227,929           (89,308)         (87,650)           4,570         (33,575)           (2,881)         (5,100)				

# 22. PREPAYMENTS AND ACCRUED INCOME AND ACCRUED EXPENSES AND DEFERRED INCOME

The detail of the balance of these headings in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

	1	housands of euro	OS
	2006	2005	2004
Assets -		• • • • • • • • • • • • • • • • • • • •	•••••
Prepaid			
expenses	278,778	199,111	149,532
Other prepayments and			
accrued income	395,040	358,167	568,223
Total	673,818	557,278	717,755
Liabilities -			
Unmatured accrued			
expenses	1,168,427	1,146,815	867,228
Other accrued expenses			
and deferred income	341,146	562,875	398,552
Total	1,509,573	1,709,690	1,265,780

# 23. OTHER ASSETS AND LIABILITIES

The detail of the balances of these headings in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 was as follows:

	Thousands of euros						
	2006	2006 2005 20					
Assets -	• • • • • • •	• • • • • • •	• • • • • •				
Inventories (*)	470,137	339,472	279,897				
Transactions in transit	106,273	8,787	25,065				
Hacienda Pública	62,292	101,197	266,673				
Other	1,104,001	1,492,237	1,152,447				
Total	1,742,703	1,941,693	1,724,082				
Liabilities -							
Transactions in transit	139,904	24,211	16,019				
Other	579,363	580,805	86,411				
Total	719,267	605,016	102,430				

(\*) The balance of the heading Inventories in the consolidated financial statements relates basically to the following companies: Anida Desarrollos Inmobiliarios, S.L., Montealiaga, S.A. y Desarrollo Urbanístico Chamartín, S.A.

# 24. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance of this heading in the consolidated balance sheet as of December 31, 2006, 2005 and 2004 amounted to €582,537 thousand, €740,088 thousand and €834,350 thousand, respectively, and related to deposits from other creditors through the so-called unit-linked life insurance policies (in which the policyholder bears the risk).

# 25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY

As of December 31, 2006, 2005 and 2004 there were no financial liabilities at fair value through equity.

# 26. FINANCIAL LIABILITIES AT AMORTISED COST

The detail of the items composing the balances of this heading in the accompanying consolidated balance sheets is as follows:

	Thousands of euros					
	2006	2005	2004			
Deposits from central banks	15,237,435	21,189,193	20,301,105			
Deposits from credit institutions	42,566,999	45,125,943	44,048,115			
Money markets operations	223,393	23,252	657,997			
Deposits from other creditors	192,373,862	182,635,181	149,891,799			
Debt certificates (including bonds)	77,674,115	62,841,755	45,482,121			
Subordinated liabilities	13,596,803	13,723,262	12,327,377			
Other financial liabilities (*)	6,771,925	6,051,376	5,148,561			
Total	348,444,532	331,589,962	277,857,075			

(\*) Includes tax collection accounts that amounted to €2,226,874 thousand, €2,084,712 thousand and €2,273,548 thousand, as of December 31, 2006, 2005 and 2004, respectively.

# 26.1. DEPOSITS FROM CENTRAL BANKS

The breakdown of the balance of this heading in the consolidated balance sheets is as follows:

	Thousands of euros			
	2006	2005	2004	
Bank of Spain	7,943,687	16,139,044	15,770,750	
Credit account drawdowns	4,688,790	6,822,123	11,066,829	
Other State debt and Treasury bills under repurchase agreement	-	385,791	222,092	
Other assets under repurchase agreement	3,254,897	8,931,130	4,481,829	
Other central banks	7,247,430	5,028,315	4,365,278	
Valuation adjustments	46,318	21,834	165,077	
Total	15,237,435	21,189,193	20,301,105	

As of December 31, 2006, 2005 and 2004, the financing limit assigned to the Group by the Bank of Spain and other central banks was €8,136,222 thousand, €10,003,353 thousand and €13,932,391 thousand, respectively, of which

€4,533,323 thousand, £6,822,123 thousand and £11,249,454 thousand had been drawn down.

# **26.2 DEPOSITS FROM CREDIT INSTITUTIONS**

The breakdown of the balance of this heading in the consolidated balance sheets, based on the nature of the related transactions, is as follows:

	Thousands of euros			
	2006	2005	2004	
Reciprocal accounts	77,840	271,075	62,231	
Deposits with agreed maturity	27,016,079	28,807,457	25,958,006	
Demand deposits	1,781,744	1,053,651	938,790	
Other accounts	392,884	1,113,102	353,452	
Repurchase agreements	13,017,158	13,723,185	16,347,359	
Valuation adjustments	281,294	157,473	388,277	
Total	42,566,999	45,125,943	44,048,115	

The detail, by geographical area, of this heading as of December 31, 2006, 2005 and 2004 disregarding valuation adjustments is as follows:

		Thousa	nds of euros	
2006	Demand deposits	Deposits with agree maturity	Funds received under financial asset transfers	Total
Europe	1,449,542	17,639,571	6,304,235	25,393,348
United States	109,607	2,653,129	796,604	3,559,340
Latin America	239,202	3,166,308	5,916,319	9,321,829
Rest of the world	61,233	3,949,955	_	4,011,188
Total	1,859,584	27,408,963	13,017,158	42,285,705

		Thousa	nds of euros	
2005	Demand deposits	Deposits with agree maturity	Funds received under financial asset transfers	Total
Europe	1,033,225	14,814,501	8,255,127	24,102,853
United States	68,568	3,670,356	1,649,995	5,388,919
Latin America	1,289,817	2,643,338	3,818,063	7,751,218
Rest of the world	46,218	7,679,262	-	7,725,480
Total	2,437,828	28,807,457	13,723,185	44,968,470

		Thousands of euros				
2004	Demand deposits	Deposits with agree maturity	Funds received under financial asset transfers	Total		
Europe	888,625	17,896,390	11,110,293	29,895,308		
United States	625	173,143	602,011	775,779		
Latin America	350,798	2,149,208	4,635,055	7,135,061		
Rest of the world	114,425	5,739,265	-	5,853,690		
Total	1,354,473	25,958,006	16,347,359	43,659,838		

# 26.3 DEPOSITS FROM OTHER CREDITORS

The breakdown of the balance of this heading in the accompanying consolidated balance sheets, based on the nature of the related transactions, is as follows:

	Thousands of euros				
	2006	2005	2004		
General Government (*)	14,170,556	17,673,354	11,193,877		
Spanish	7,123,828	9,753,109	4,861,198		
Foreign	7,046,728	7,920,245	6,332,679		
Other resident sectors	94,392,548	79,754,851	74,857,893		
Current accounts	25,345,848	20,644,607	21,293,205		
Savings accounts	22,460,077	20,628,845	18,235,544		
Fixed-term deposits	27,681,607	20,435,029	19,537,882		
Reverse repos	9,080,811	12,029,507	12,503,084		
Other accounts	9,112,210	5,381,823	2,000,023		
Valuation adjustments	711,995	635,040	1,288,155		
Non-resident sectors	83,810,758	85,206,976	63,840,029		
Current accounts	19,043,024	18,717,430	14,203,508		
Savings accounts	13,635,966	11,370,344	7,374,054		
Fixed-term deposits	40,906,369	45,266,207	37,894,962		
Repurchase agreements	9,554,904	9,215,471	3,981,250		
Other accounts	110,331	76,512	23,284		
Valuation adjustments	560,164	561,012	362,971		
Total	192,373,862	182,635,181	149,891,799		
Of which:					
In euros	108,312,891	100,623,473	88,987,322		
In foreign currency	84,060,971	82,011,708	60,904,477		

<sup>(\*)</sup> As of December 31, 2006 and 2005, the balance of general government includes valuation adjustments of accrued interests that amounted to €23,827 and €55,418, respectively.

The detail, by geographical area, of this heading as of December 31, 2006, 2005 and 2004 disregarding valuation adjustments is as follows:

Demand deposits	Saving deposits	Deposits with agreed maturity	Repos	Total
33,652,676	23,574,543	44,151,489	10,751,014	112,129,722
1,419,538	2,018,588	10,528,592	57,183	14,023,901
17,816,513	11,465,943	22,504,665	9,064,320	60,851,441
794,650	402,644	2,875,518	-	4,072,812
53,683,377	37,461,718	80,060,264	19,872,517	191,077,876
	deposits 33,652,676 1,419,538 17,816,513	deposits         deposits           33,652,676         23,574,543           1,419,538         2,018,588           17,816,513         11,465,943	Demand deposits         Saving deposits         Deposits with agreed maturity           33,652,676         23,574,543         44,151,489           1,419,538         2,018,588         10,528,592           17,816,513         11,465,943         22,504,665	deposits         deposits         agreed maturity         Repos           33,652,676         23,574,543         44,151,489         10,751,014           1,419,538         2,018,588         10,528,592         57,183           17,816,513         11,465,943         22,504,665         9,064,320

2005	Demand deposits	Saving deposits	Thousands of euros  Deposits with  agreed maturity	_	Total
Europe	30,293,574	21,676,353	36,343,595	17,145,239	105,458,761
United States	1,007,038	354,345	10,371,430	135,121	11,867,934
Latin America	17,040,525	10,163,779	22,967,518	7,983,395	58,155,217
Rest of the world	775,467	518,216	4,608,067	49	5,901,750
Total	49,116,604	32,712,693	74,290,610	25,263,804	181,383,711

2004	Demand deposits	Saving deposits	Thousands of euros Deposits with agreed maturity	Repos	Total
Europe	29,745,644	18,560,468	27,155,322	13,697,251	89,158,685
United States	648,658	468,762	6,734,521	156	7,852,097
Latin America	13,114,743	6,962,493	22,137,721	3,839,588	46,054,545
Rest of the world	197,899	43,044	4,934,403	-	5,175,346
Total	43,706,944	26,034,767	60,961,967	17,536,995	148,240,673

# 26.4. DEBT CERTIFICATES (INCLUDING BONDS)

The breakdown of the balance of this heading in the accompanying consolidated balance sheets is as follows:

	Thousands of euros 2006 2005 2004				
Promissory notes and bills	7,555,766	7,417,516	6,372,310		
Bonds and debentures issued:	70,118,349	55,424,239	39,109,811		
Mortgage-backed securities	36,028,808	26,926,995	19,036,759		
Other non-convertible securities	33,276,013	26,542,102	18,793,732		
Valuation adjustments	813,528	1,955,142	1,279,320		
Total	77,674,115	62,841,755	45,482,121		

# 26.4.1. Promissory notes and bills

These promissory notes were issued mainly by Banco de Financiación, S.A., and the detail thereof, by currency, is as follows:

	Thousands of euros				
	2006 2005 2004				
In euros	6,670,764	6,724,347	5,458,822		
In other currencies	885,002	693,169	913,488		
Total	7,555,766	7,417,516	6,372,310		

# 26.4.2. Bonds and debentures issued

The detail of the balance of this account in the accompanying consolidated balance sheets, based on the currency in which the bonds and debentures are issued, and of the related interest rates is as follows:

	Thousands of euros			
	2006	2005	2004	
In euros –		• • • • • • •		
Non-convertible bonds and				
debentures at				
floating interest rates	18,345,909	18,488,246	13,732,198	
Non-convertible bonds and				
debentures	6,437,879	5,213,827	4,266,690	
Covered bonds	35,808,166	26,683,165	18,811,281	
Valuation adjustments	734,015	1,939,639	1,265,560	
In foreign currencies -				
Non-convertible bonds and				
debentures at				
floating interest rates	7,865,859	2,613,766	405,956	
Non-convertible bonds and				
debentures	626,366	226,263	388,705	
Covered bonds	220,642	243,830		
Valuation adjustments	79,513	15,503		
Total	70,118,349	55,424,239	39,109,811	

As of December 31, 2006, the (weighted average) interest rate relating to fixed and floating rate issues in euros was 3.83% and 3.67%, respectively. The (weighted average) interest rate relating to fixed and floating rate issues in foreign currencies at that date was 5.34% and 5.25%, respectively.

The valuation adjustments caption mainly include adjustments for accrued interest, hedging transactions and issuance fees.

Most of the foreign-currency issues are denominated in U.S. dollars.

The accrued interests on promissory notes, bills and debentures in 2006, 2005 and 2004 amounted to  $\leq$ 2,820,536 thousand,  $\leq$ 1,898,396 thousand and  $\leq$ 1,374,631 thousand, respectively (Note 45.2).

#### **26.5. SUBORDINATED LIABILITIES**

The detail, by company, of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros				
	2006	2005	2004		
Subordinated debt	9,385,347	9,178,935	8,100,383		
Preference shares	4,025,002	4,127,786	3,808,893		
Valuation adjustments	186,454	416,541	418,101		
Total	13,596,803	13,723,262	12,327,377		

In 2006, 2005 and 2004 the subordinated debt and preference shares bore interest of  $\le$ 567,195 thousand,  $\le$ 556,121 thousand and  $\le$ 539,027 thousand, respectively (see Note 45.2).

# 26.5.1. Subordinated debt

These issues are non-convertible subordinated debt and, accordingly, for debt seniority purposes, they rank behind ordinary debt.

The detail, disregarding valuation adjustments, of the balance of this heading in the accompanying consolidated balance sheets, based on the related issue currency and interest rate, is as follows:

			The	ousands of euros		
ISSUER	Currency	2006	2005	2004	Prevailing interest rate 2006	Maturity date
COLEC IN FUDOC	• • • • • •	• • • • • • • • • • • • • • • • • • • •	• • • • • • • •	• • • • • • • •	••••••	•••••
SSUES IN EUROS						
BBVA	TIID		70.007	04.140	0.220/	00 1 00
july-96	EUR	-	79,307	84,142	9.33%	22-dec-06
july-96	EUR	27,332	27,332	27,947	9.37%	22-dec-16
february-97	EUR	60,101	60,101	60,101	6.97%	18-dec-07
september-97	EUR	36,061	36,061	36,061	6.65%	17-dec-07
december-01	EUR	1,500,000	1,500,000	1,500,000	3.50%	01-jan-17
july-03	EUR	600,390	600,390	600,000	2.54%	17-jul-13
november-03	EUR	749,782	749,782	750,000	4.50%	12-nov-15
october-04	EUR	991,101	992,000	1,000,000	4.37%	20-oct-19
BBVA CAPITAL FUNDING, LTD.						
september-95	EUR	-	-	13,613	3.10%	05-sep-05
march-97	EUR	45,735	45,735	45,735	2.71%	20-mar-07
october-97	EUR	76,694	76,694	76,694	2.38%	08-oct-07
october-97	EUR	228,672	228,588	228,616	6.00%	24-dec-09
july-99	EUR	73,000	73,000	73,000	6.35%	16-oct-15
february-00	EUR	498,668	500,002	500,000	6.38%	25-feb-10
december-00 (*)	EUR	-	-	750,000	2.71%	04-dec-10
july-01 (*)	EUR	-	500,002	500,000	5.50%	04-jul-11
october-01	EUR	60,000	60,000	60,000	5.73%	10-oct-11
october-01	EUR	40,000	40,000	40,000	6.08%	10-oct-16
october-01	EUR	50,000	50,000	50,000	2.79%	15-oct-16
november-01	EUR	55,000	55,000	55,000	2.96%	02-nov-16
december-01	EUR	56,002	56,002	56,000	3.18%	20-dec-16
BBVA SUBORDINATED CAPITAL, S.A.U.						
may-05	EUR	496,783	480,444	_	2.74%	23-may-17
october-05	EUR	150,000	150,000	_	2,49%	13-oct-20
october-05	EUR	250,000	250,000	_	2.44%	20-oct-17
october-06	EUR	1,000,000	-	_	3.82%	24-oct-16
SSUES IN FOREIGN CURRENCY						
BBVA PUERTO RICO, S.A.						
september-04	USD	37,965	42,384	36,708	4.20%	23-sep-14
september-06	USD	28,094	_	_	5.76%	29-sep-16
september-06	USD	22,779	-	-	6.00%	29-sep-16
BBVA BANCO FRANCÉS, S.A.						
may-05 (*)	USD	_	_	4,118	7.07%	04-oct-20
BBVA GLOBAL FINANCE, LTD.						
july-95	USD	_		110,124	6.88%	01-jul-05
july-95	USD			36,708	2.36%	15-jan-05
december-95	USD	151,860	169,535	146,832	7.00%	01-dec-25
december-95	USD	131,000	63,575	55,062	4.48%	09-may-06
december-95	USD		03,373		2.45%	
	CLP	276 406	172 OE2	55,062		11-may-05
BANCO BILBAO VIZCAYA ARGENTARIA, CHILE	CLF	276,496	172,053	93,552	Varios	Varios
BBVA BANCOMER, S.A. de C.V.	MANIV		107.050	157.400	0.440/	00 00
november-98	MNX	-	197,853	157,406	9.44%	28-sep-06
july-05	USD	377,259	420,809		7.38%	22-jul-15
september-06	MNX	174,545	-	-	7.62%	18-sep-14

			In	ousands of euros		
ISSUER (continuation)	Currency	2006	2005	2004	Prevailing interest rate 2006	Maturity date
SSUES IN FOREIGN CURRENCY	• • • • • • • • • •		• • • • • • • •	• • • • • • • • •	• • • • • • • • • • • • • • • • • • • •	• • • • • • • •
BBVA CAPITAL FUNDING, LTD.						
august-95 (*)	JPY	-	-	21,480	3.45%	09-aug-10
october-95	USD	-	-	71,600	5.40%	26-oct-05
october-95	JPY	63,700	72,000	110,124	6.00%	26-oct-15
february-96	USD	-	211,918	183,540	6.38%	14-feb-06
november-96	USD	-	169,535	146,832	4.89%	27-nov-06
BBVA BANCOMER CAPITAL TRUST, INC.						
february-01 (*)	USD	-	423,837	364,326	10.50%	16-feb-11
LNB CAPITAL TRUST I						
november-01 (*)	USD	-	17,800	-	6.44%	08-dec-31
LNB STATUTORY TRUST I						
december-01 (*)	USD	-	25,430	-	6.64%	18-dec-31
BBVA SUBORDINATED CAPITAL, S.A.U.						
october-05	JPY	127,400	144,000	-	2.75%	22-oct-35
october-05	GBP	446,760	437,766	-	4.79%	21-oct-15
march-06	GBP	446,760	-	-	5.00%	31-mar-16
RIVERWAY HOLDING CAPITAL TRUST I						
march-01	USD	8,646	-	-	10.18%	08-jun-31
RIVERWAY HOLDING CAPITAL TRUST II						
july-01	USD	3,797	_	_	9.30%	25-jul-31
TEXAS REGIONAL STATUTORY TRUST I						
february-04	USD	37,965	_		8.21%	17-mar-34
BBVA COLOMBIA, S.A.						
august-06	СОР	136,000	_	_	9.50%	28-aug-11
TOTAL		9,385,347	9,178,935	8,100,383		

The issues of BBVA Capital Funding, LTD. and BBVA Global Finance, LTD. are guaranteed (secondary liability) by the Bank, and the issue of BBVA Bancomer Capital Trust, Inc. is guaranteed (secondary liability) by BBVA Bancomer, S.A de C.V.

#### **26.5.2.** Preference shares

The detail, by company, of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros				
	2006	2005	2004		
BBVA International, Ltd. (1)	1,000,002	1,340,000	1,341,230		
BBVA Preferred Capital, Ltd. (2)	-	203,447	176,198		
BBVA Privanza International (Gibraltar), Ltd. (2)		59,339	51.646		
BBVA Capital Finance, S.A.	1,975,000	1,975,000	1,980,966		
BBVA Capital Funding, Ltd. BBVA International	-	-	258,853		
Preferred, S.A.U.	1,050,000	550,000	-		
Total	4,025,002	4,127,786	3,808,893		

<sup>(1)</sup> Listed on the Spanish AIAF market as well as in the stock exchange markets of Luxembourg, Frankfurt and Amsterdam.

The foregoing balances include several issues of non-cumulative non-voting preference shares guaranteed by Banco Bilbao Vizcaya Argentaria, S.A., the detail being as follows:

2006	Currency	Amount issued (Millions)	Fixed annual dividend
BBVA International, Ltd.			
March 2002	EUR	500	3.50%
December 2002	EUR	500	3.41%
BBVA Capital Finance, S.A.			
December 2003	EUR	350	3.41%
July 2004	EUR	500	3.41%
December 2004	EUR	1,125	3.41%
BBVA International			
Preferred, S.A.U.			
September 2005	EUR	550	3.80%
September 2006	EUR	500	4.95%

<sup>(2)</sup> Listed in New York Stock Exchange.

2005	Currency	Amount issued (Millions)	Fixed annua dividend
DD/(A.D.;   1 ( ';	• • • • • • •	• • • • • • • • • • • • • • • • • • • •	• • • • • •
BBVA Privanza International			
(Gibraltar), Ltd.			
June 1997	USD	70	7.76%
BBVA International, Ltd.			
April 2001	EUR	340	7.00%
March 2002	EUR	500	3.50%
December 2002	EUR	500	3.25%
BBVA Preferred Capital, Ltd.			
June 2001	USD	240	7.75%
BBVA Capital Finance, S.A.			
December 2003	EUR	350	2.75%
July 2004	EUR	500	3.00%
December 2004	EUR	1,125	3.00%
BBVA International			
Preferred, S.A.U.			
September 2005	EUR	550	3.80%

2004	Currency	Amount issued (Millions)	Fixed annual dividend
BBVA Privanza International (Gibraltar), Ltd.	•••••		
June 1997	USD	70	7.76%
BBVA International, Ltd.			
April 2001	EUR	340	7.00%
March 2002	EUR	500	3.50%
December 2002	EUR	500	3.25%
BBVA Capital Funding, Ltd.			
April 1998	EUR	256	6.36%
BBVA Preferred Capital, S.A.			
June 2001	USD	240	7.75%
BBVA Capital Finance, S.A.			
December 2003	EUR	350	2.75%
July 2004	EUR	500	3.00%
December 2004	EUR	1,125	3.00%

The option to redeem the preference share issues launched by BBVA Preferred Capital, Ltd. (€203 million), BBVA Privanza Internacional (Gibraltar), Ltd. (€59 million) and BBVA Internacional, Ltd. (€340 million) was exercised in 2006.

These issues were subscribed by third parties outside the Group and are wholly or partially redeemable at the Company's option after five or ten years from the issue date, depending on the terms of each issue.

# 27. LIABILITIES UNDER INSURANCE CONTRACTS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros				
	2006	2005	2004		
Technical provisions for:			•••••		
Mathematical reserves	8,677,303	9,023,585	7,026,605		
Provision for unpaid claims					
reported	655,048	419,123	125,682		
Other insurance technical					
provisions	788,295	1,057,859	962,142		
Total	10,120,646	10,500,567	8,114,429		

# 28. PROVISIONS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2006, 2005 and 2004 is as follows:

Thousands of euros				
2006	2005	2004		
6 357 820	6 239 744	6,304,284		
232,172	146,971	173,229		
501.933	452.462	348,782		
1,556,909	1,861,908	1,565,553		
8,648,834	8,701,085	8,391,848		
	6,357,820 232,172 501,933 1,556,909	2006 2005 6,357,820 6,239,744 232,172 146,971 501,933 452,462 1,556,909 1,861,908		

The changes in 2006, 2005 and 2004 in the balances of this heading in the accompanying consolidated balance sheets were as follows:

	Thousands of euros  Provisions for pensions and similar obligation				
	2006	2005	2004		
Balance at beginning of	6,239,744	6,304,284	6,481,288		
year Add -	0,233,744	0,304,204	0,401,200		
Year provision with a charge					
to income for the year	1,410,275	646,948	883,638		
Transfers and other changes	-	97,630	4,714		
Less -					
Payments	(1,208,127)	(777,746)	(658,904)		
Amount use and other					
variations	(84,072)	(31,372)	(406,452)		
Balance at end of year	6,357,820	6,239,744	6,304,284		

The year provisions for pensions charged to income in 2006 under the heading "Provisions for pensions and similar obligations" registered as "interest expenses and similar charges", "personal expenses" and "provision expenses" in the consolidated income statement amounted to €254,548, €74,281 and €1,081,446 thousand. The amount charged in this respect in 2005 was €255,370, €68,893 y €322,685 thousand, respectively. The amount charged in this respect in 2004 was €210,342, €58,982 y €614,314 thousand, respectively (Note 29).

C	Thousands of euros  Commitments and contingent risks provisions					
	2006	2005	2004			
Balance at beginning of year Add -	452,462	348,782	279,708			
Year provision with a charge to income for the year	73,487	114,028	126,173			
Transfers and other Changes Less –	4,726	9,566	1,412			
Available funds Payments	(16,700) -	(12,378) -	(12,673) -			
Amount use and other variations Transfers	(11,070)	(7,536)	(45,802) (36)			
Disposal of subsidiaries  Balance at end	(972)		(30)			
of year	501,933	452,462	348,782			

	Thousands of euros  Provisions for taxes and other provisions				
Balance at beginning of year Add -	2006	2005	2004		
	2,008,879	1,738,782	1,874,006		
Year provision with a charge to income for the year	353,038	278,249	424,578		
Adquisition of subsidiaries Transfers and	4,415	42,355	497		
other Changes Less -	100,611	317,849	330,248		
Available funds Amount use and other	(50,913)	(160,048)	(153,465)		
variations Transfers	(608,170) -	(204,761) -	(649,401) (87,474)		
Disposal of subsidiaries  Balance at end  of year	(18,779) 1, <b>789,08</b> 1	(3,547) <b>2,008,87</b> 9	(207) 1, <b>738,782</b>		

# 29. COMMITMENTS WITH PERSONNEL

As of December 31, 2006, 2005 and 2004, the commitments to Group employees were as follows:

	Commitments in Spain (Note 29.1)		Thousands of euros Commitments abroad (Note 29.2)			Total			
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Post-employment benefits	3,386,448	3,442,986	3,471,738	955,582	966,125	746,893	4,342,030	4,409,111	4,218,631
Early retirement	3,185,500	2,582,567	2,656,743	-	-	-	3,185,500	2,582,567	2,656,743
Post-employment welfare benefits	222,688	210,610	203,893	422,302	436,434	324,043	644,990	647,044	527,936
Long-service cash bonuses	31,781	30,033	31,590	-	-	-	31,781	30,033	31,590
Long-service share-based bonuses	48,677	45,550	32,614	-	-	-	48,677	45,550	32,614
Total	6,875,094	6,311,746	6,396,578	1,377,884	1,042,559	1,070,936	8,252,978	7,714,305	7,467,514

These commitments were funded as follows:

	Commitments in Spain (Note 29.1)		Thousands of euros Commitments abroad (Neta 29.2)			Total			
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Insurance contracts coverage	• • • • • •	• • • • • •		• • • • • • •		• • • • • •	• • • • • •		• • • • • • •
Post-employment benefits	569,492	626,966	645,501	-	-	-	569,492	626,966	645,501
	569,492	626,966	645,501	-	-	-	569,492	626,966	645,501
Assets assigned to the funding of commitments									
Post-employment benefits	-	-	-	879,176	687,039	514,835	879,176	687,039	514,835
Post-employment welfare benefits	-	-	-	367,927	84,973	40,122	367,927	84,973	40,122
	-	-	-	1,247,103	772,012	554,957	1,247,103	772,012	554,957
Internal provisions (Note 28)									
Funds for Pensions and Similar Obligations									
Post-employment benefits	2,816,956	2,816,020	2,826,237	76,406	279,086	232,058	2,893,362	3,095,106	3,058,295
Early retirement	3,185,500	2,582,567	2,656,743	-	-	-	3,185,500	2,582,567	2,656,743
Post-employment welfare benefits	222,688	210,610	203,893	54,375	351,461	283,921	277,063	562,071	487,814
	6,225,144	5,609,197	5,686,873	130,781	630,547	515,979	6,355,925	6,239,744	6,202,852
Other provisions									
Long-service cash									
bonuses	31,781	30,033	31,590	-	-	-	31,781	30,033	31,590
Long-service share-based									
bonuses	48,677	45,550	32,614	-	-	-	48,677	45,550	32,614
	80,458	75,583	64,204	-	-	_	80,458	75,583	64,204
Subtotal	6,305,602	5,684,780	5,751,077	130,781	630,547	515,979	6,436,383	6,315,327	6,267,056
Total	6,875,094	6,311,746	6,396,578	1,377,884	1,402,559	1,070,936	8,252,978	7,714,305	7,467,514

The aforementioned insurance contracts were contracted with non-related insurance companies and the balances of these insurance policies were disclosed net of the balances of the assets assigned to the funding of commitments in the accompanying consolidated balance sheets.

On the other hand, the aforementioned internal provisions includes insurance contracts were contracted with insurance companies owned by the Group (Note 2.2.e) and, therefore, the balances of these insurance policies are disclosed in the heading "Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets. Whereas, the balances of the assets assigned to the funding of commitments are disclosed in the corresponding heading of asset depending on the classification of the financial instruments.

#### 29.1. COMPANIES IN SPAIN

#### 29.1.1. POST-EMPLOYMENT BENEFITS

#### 29.1.1.1. Pensions

The most significant actuarial assumptions used to quantify these vested obligations in 2006, 2005 and 2004, were as follows:

Mortality tables	PERM/F 2000P
Discount rate (cumulative	
annual)	4%/ AA corporate bond yield curve
Consumer price	
index	1.5%
Salary growth	at least 2.5% (depending on
rate	employee)
Retirement ages	First date at which the employees

The defined benefit commitments and their coverage as of December 31, 2006, 2005 and 2004 were as follows:

	Thousands of euros				
	2006	2005	2004		
Pension commitments to retired employees Pension contingencies in	3,186,706	3,202,581	3,244,431		
respect of current employees	199,742 <b>3,386,448</b>	240,405 <b>3,442,986</b>	227,307 <b>3,471,738</b>		
Coverage at end of each year:					
Internal provisions Insurance contracts with unrelated insurance	2,816,956	2,816,020	2,826,237		
companies	569,492	626,966	645,501		
Total	3,386,448	3,442,986	3,471,738		

The internal provisions showed above were recognised with a charge to the heading "Provision Expense (Net) - Transfers to Funds for Pensions and Similar Obligations" in the accompanying consolidated income statements, and these provisions are recognised in the heading "Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets (Note 28).

The changes in 2006, 2005 and 2004 in the present value of the vested obligation for defined benefit commitments covered by the Group's internal provisions were as follows:

	Thousands of euros				
	2006	2005	2004		
Present actuarial value at beginning of the year	2,816,020	2,826,237	3,240,686		
+ Interest cost	110,021	106,926	112,988		
+ Normal cost for the year (current services costs)	22,510	19,440	(100)		
- Payments made	(158,938)	(145,347)	(135,676)		
+/- Other	11,142	1,635	(359,041)		
+/- Actuarial losses (gains)	16,201	7,129	(32,620)		
Present actuarial value at end of the year	2,816,956	2,816,020	2,826,237		

# 29.1.1.2. Early retirements

In 2006, 2005 and 2004, the Group offered certain employees the possibility of taking early retirement before reaching the age stipulated in the collective labour agreement in force. This offer was accepted in 2006, 2005 and 2004 by 1,887, 677 and 1,372 employees, respectively.

The most significant actuarial assumptions used to quantify these vested obligations in 2006, 2005 and 2004, were as follows:

Mortality tables	PERM/F 2000P
Discount rate (cumulative annual)	4%/ AA corporate bond yield curve
Consumer price index	1.5%
Retirement ages	Date agreed contractually for each individual employee at which the employee are entitled to retire

The total cost of these agreements amounts to €1,019,494 thousand, €286,279 thousand and €571,628 thousand as of December 31, 2006, 2005 and 2004, respectively, and the corresponding provisions were recognised with a charge to the heading "Provision Expense (Net) - Transfers to Funds for Pensions and Similar Obligations - Early Retirements" in the accompanying consolidated income statements, and these provisions are recognised in the heading "Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets statements (Note 28).

The changes in 2006, 2005 and 2004 in the present value of the vested obligation for commitments to early retirees in Spain were as follows:

	Thousands of euros				
	2006	2005	2004		
Present actuarial value at		• • • • • • • • • • • • • • • • • • • •			
beginning of the year	2,582,567	2,656,743	2,461,263		
+ Interest cost	91,550	94,528	86,904		
+ Early retirements in					
the year	1,019,494	286,279	571,628		
- Payments made	(504,857)	(477,197)	(466,413)		
+/- Other changes	(2,482)	5,929	(3,068)		
+/- Actuarial losses (gains)	(772)	16,285	6,429		
Present actuarial value at end of the year	3,185,500	2,582,567	2,656,743		

#### 29.1.1.3. Post-employment welfare benefits

The most significant actuarial assumptions used to quantify these vested obligations in 2006, 2005 and 2004, were as follows:

		•
Mortality tables	PERM/F 2000P	
Discount rate (cumulative annual)	4%/ AA corporate bond yield curve	ľ
Consumer price index	1.5%	
Retirement ages	First date at which the employees are entitled to retire	ľ

The detail of these commitments as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros				
	2006	2005	2004		
Post-employment welfare benefit commitments to retired employees	168,710	158,889	155,786		
Vested post-employment welfare benefit contingencies in respect of current employees	53,978	51,721	48,107		
Total:	222,688	210,610	203,893		
Coverage at end of each year:					
Internal provisions	222,688	210,610	203,893		

The changes in 2006, 2005 and 2004 in the present value of the vested obligation for post-employment welfare benefit commitments were as follows:

	Thousands of euros				
	2006	2005	2004		
Present actuarial value at the beginning of the year	210,610	203,893	202,217		
+ Interest cost	8,512	8,227	7,857		
+ Normal cost for the year (current services costs)	2,405	2,165	2,051		
- Payments made	(13,440)	(12,193)	(11,566)		
+/- Other movements	6,541	(362)	-		
+/- Actuarial losses (gains)	8,060	8,880	3,334		
Present actuarial value at the end of the year	222,688	210,610	203,893		

# 29.1.1.4. Summary of post-employment compensation commitments in Spanish companies

Following is the impacton on profit or loss of the charges recorded in the 2006, 2005 and 2004 consolidated income statements for the post-employment compensation commitments of Group companies in Spain:

	Thousands of euros				
	2006 2005		2004		
Interest expense and similar charges:					
Interest cost of pension funds	210,083	210,999	208,977		
Personnel expenses:					
Social attentions	2,247	2,165	2,051		
Transfers to pension plans	59,318	61,019	44,286		
Provision expense (net):					
Transfers to funds for pensions and similar obligations					
Pension funds	23,489	33,426	(29,720)		
Early retirement	1,019,494	286,279	571,628		
Total	1,314,631	593,888	797,222		

The current contributions made by the Group's Spanish companies for defined contribution retirement commitments were charged to the heading "Personnel Expenses - Transfers to Pension Plans" in the accompanying consolidated income statements, amounted to €32,486 thousand, €38,099 thousand and €42,503 thousand in 2006, 2005 and 2004, respectively.

As of December 31, 2006, 2005 and 2004 all actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used, were charged to the heading "Personnel Expenses - Transfers to Pension Plans" in the accompanying consolidated income statements.

# 29.1.2. OTHER COMMITMENTS TO EMPLOYEES IN SPANISH COMPANIES

### 29.1.2.1. Compensation in kind

The present values of the vested obligations for long-service cash bonuses and for the gifts relating to long-service share-based bonuses (the treatment applicable to share-based payment is summarised in section below) was quantified on a case-by-case basis using the projected unit credit valuation method. The main actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in 2006, 2005 and 2004 were as follows:

PERM/F 2000P
IASS – 90 (reflecting the experience of the Spanish Social Security authorities)
4%/ AA Corporate bonds
First date at which the employees are entitled to retire

The changes in 2006, 2005 and 2004 in the present value of the vested obligation for these commitments were as follows:

	Thousands of euros		
	2006	2005	2004
Present actuarial value at	• • • • • • •	• • • • • • • •	• • • • •
beginning of the year	30,033	31,590	30,693
+ Interest cost	1,265	1,318	1,228
+ Normal cost for the year	1,200	1,310	1,220
(current services costs)	1,594	1,377	1,323
- Payments made	(532)	(545)	(735)
- Cash settlements for	(332)	(343)	(733)
long-service bonus			
redemptions due to early			
retirement	(643)	(2,464)	(570)
+/- Actuarial losses (gains)	64	(1,243)	(349)
Present actuarial value at		(1,210)	(0.10)
end of the year	31,781	30,033	31,590
Coverage at end of each			
year:			
Internal provisions (*)	31,781	30,033	31,590

(\*) The internal provisions showed above were recognised in the heading "Provisions - Other provisions" in the accompanying consolidated balance sheets (Note 28).

Since all other employee welfare benefits for current employees accrue and are settled on a yearly basis, it is not necessary to record a provision in this connection.

The total cost of the employee welfare benefits provided by the Group's Spanish companies to their current employees in the 2006, 2005 and 2004 was €33,941 thousand, €29,723 thousand and €34,746 thousand, respectively, and these amounts were recognised with a charge to "Personnel Expenses - Other personnel expenses" in the accompanying consolidated income statements.

# 29.1.2.2. Bank share-based compensation system

However, as mentioned previously, the Bank is obliged, under the related corporate agreement, to deliver shares of Banco Bilbao Vizcaya Argentaria, S.A. to certain of its employees when they complete a given number of years of effective service:

	Number of shares
15 years	180
25 years	360
40 years	720
50 years	900

The present values of the vested obligation as of December 31, 2006, 2005 and 2004, in terms of the probable number of shares, were quantified on a case-by-case basis using

the projected unit credit method. The main actuarial assumptions used in quantifying this obligation are summarised as follows:

	• • • • • • • • • • • • • • • • • • • •
Mortality tables	PERM/F 2000P.
Disability tables	IASS – 90 (reflecting the experience of the Spanish Social Security authorities)
Retirement ages	First date at which the employees are entitled to retire

The changes in 2006, 2005 and 2004 in the present value of the vested obligation of the probable number of shares due to the no-target-based compensation plans were as follows:

	Number of shares		
	2006	2005	2004
Present actuarial value at the beginning of the year	6,946,467	6,658,067	6,932,004
+ Year accrual	407,487	399,753	385,661
- Deliveries made	(186,480)	(269,100)	(305,100)
+/- Actuarial losses (gains)	(628,526)	157,747	(354,498)
Present actuarial value at the end of year	6,538,948	6,946,467	6,658,067

In March 1999, pursuant to a resolution adopted by the Bank's shareholders at the Annual General Meeting on February 27, 1999, 32,871,301 new shares were issued at a price of €2.14 per share (similar to the average reference price of the share-based commitments to Group employees existing at that date which the new shares were assigned to fund). These shares were subscribed and paid by a non-Group company and, simultaneously, the Bank acquired a call option on these shares which can be exercised on any date, at one or several times, prior to December 31, 2011, at an exercise price equal to the share issue price, adjusted on the basis of the related antidilution clauses. Since 1999 the call option has been partially exercised to meet share-based commitments to Group employees, for a total of 28,500,236 shares, which means that on December 31, 2006, the Bank still held an option on a total of 4,371,065 shares at a price of €2.09 per share (4,557,545 and 4,826,645 shares as of December 31, 2005 and 2004). In addition, it had arranged a futures transaction with a non-Group entity on a total of 2,167,883 shares at an exercise price of €18.24 per share (2,388,922 shares at an exercise price of 15.06 per share and 1,831,422 shares at an exercise price of €12.30 per share as of December 31, 2005 and 2004).

The changes in 2006, 2005 and 2004 in the related internal provisions, which take into account the present value of the vested obligation, at any given date, in terms of the probable number of shares and the instruments assigned to the commitment, were as follows:

Thousands of euros			
	2006	2005	2004
Internal provision at			
beginning of year	45,550	32,614	33,692
+ Normal cost for the year			
(current services costs)	6,787	5,879	4,389
- Payments relating to partial			
exercises of the call option			
(Settlement of long-service			
bonuses when they fall due)	(390)	(562)	(638)
+/- Collections/(Payments)			
due to quarterly settlements			
of futures transactions	(783)	5,244	1,685
+/- Actuarial losses (gains)	(2,487)	2,375	(6,514)
Internal provision at end of			
year (*)	48,677	45,550	32,614

<sup>(\*)</sup> The internal provisions showed above were recognised in the heading "Provisions -Other provisions" in the accompanying consolidated balance sheets (Note 28).

#### 29.2. COMPANIES ABROAD

#### 29.2.1. Pension benefit supplement

The main commitments abroad are related to Mexico and Portugal.

# Mexico

The main actuarial assumptions used in quantifying the commitments of BBVA Bancomer, S.A. de C.V. as of December 31, 2006,2005 and 2004 are summarised as follows:

	2006	2005	2004
Mortality tables	EMSSA 97	EMSSA 97	EMSSA 97
Discount rate (cumulative			
annual)	9.0%	9.20%	10.25%
Consumer price			
index	3.5%	4.00%	5.00%
Salary growth			
rate	6.0%	6.60%	7.63%
Expected rate of return on			
plan assets	9.0%	9.20%	10.25%

The changes in 2006, 2005 and 2004 in the present value of the vested obligations of Bancomer, S.A. de C.V., and in the value of the assets assigned to fund these commitments (fair value of plan assets) are as follows:

Thousands of euros			5
	2006	2005	2004
Present actuarial value at beginning of the year	632,783	478,478	466,516
Value of the assets assigned to funding of commitments (fair value of plan assets)	(465,664)	(330,509)	(324,318)
Balance at beginning of year	167,119	147,969	142,198
Present actuarial value at end of year	623,418	632,783	478,478
Value of assets assigned to funding of commitments	(623,418)	(465,664)	(330,509)
Balance at end of year	-	167,119	147,969

The aforementioned assets assigned to the funding of commitments are the assets that are to be used directly to settle employee benefit obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities. The balances of the vested obligations related to the previously mentioned commitments were disclosed net of the balances of the aforementioned assets assigned to the funding of commitments in the accompanying consolidated balance sheets.

The changes in 2006, 2005 and 2004, in the balances of "Provisions - Provisions for Pensions and Similar Obligations" relating to BBVA Bancomer, S.A. de C.V. are as follows:

	Thousands of euros		
	2006	2005	2004
Balance at beginning of	• • • • • • • • • • • • • • • • • • • •		• • • • • •
year	167,119	147,969	142,198
+ Finance expenses	51,609	47,187	44,814
- Finance Income	(38,375)	(33,326)	(32,753)
+ Normal cost for the year			
(current services costs)	21,295	22,711	16,327
+/- Payments made and			
other net variations	(173,645)	(36,569)	(12,077)
+/- Exchange differences	(2,666)	29,097	(10,540)
+/- Actuarial losses (gains)	(25,337)	(9,950)	-
Balance at end			
of year	-	167,119	147,969

#### Portugal

The main actuarial assumptions used in quantifying the commitments of BBVA Portugal, S.A. as of December 31, 2006, 2005 and 2004 are summarised as follows:

	2006	2005	2004
Mortality tables	TV 88/90	TV88/90	TV88/90
Disability tables	50% EKV 80	50% EKV 80	50% EKV 80
Turnover tables	50% M	50% MSSL employees before 1995	
Discount rate (cumulative annual)	4.75%	4.50%	4.50%
Consumer price index	2.00%	2.00%	2.00%
Salary growth rate	3.00%	3.00%	3.00%
Expected rate of return on plan assets	4.50%	4.50%	4.50%

The changes in 2006, 2005 and 2004 in the present value of the vested obligations of BBVA Portugal, S.A., and in the value of the assets assigned to fund these commitments (fair value of plan assets) are as follows:

Thousands of euros			;
	2006	2005	2004
Present actuarial value at beginning of the year	262,153	268,415	249,438
Value of the assets assigned to funding of commitments (fair value of plan assets)	(221,375)	(184,326)	(175,897)
Balance at beginning of year	40,778	84,089	73,541
Present actuarial value at end of year	295,473	262,153	268,415
Value of assets assigned to funding of commitments			
Balance at end of year	(255,758) <b>39,715</b>	(221,375) <b>40,778</b>	(184,326) <b>84,089</b>
	00,710		0.,000

The aforementioned assets assigned to the funding of commitments are the assets that are to be used directly to settle employee benefit obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities. The balances of the vested obligations related to the previously mentioned commitments were disclosed net of the balances of the aforementioned assets assigned to the funding of commitments in the accompanying consolidated balance sheets.

The internal provisions showed above were recognised in the heading "Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets (Note 28). The changes in 2006, 2005 and 2004 in this heading related to BBVA Portugal, S.A., are as follows:

Thousands of euros			
	2006	2005	2004
Balance at beginning of		• • • • • • •	• • • • • •
year	40,778	84,089	73,541
+ Finance expenses	11,538	8,437	10,458
- Finance Income	(11,521)	(9,930)	(9,334)
+ Normal cost for the year (current services costs)	39.059	3,985	14.375
+/- Payments made and			
other net variations	(40,879)	(48,987)	(10,242)
+/- Actuarial losses (gains)	740	3,184	5,291
Balance at end of year	39,715	40,778	84,089

#### 29.2.2. Post-employment welfare benefits

BBVA Bancomer, S.A. de C.V.'s accrued liability for defined benefit commitments to current and former employees, net of the specific assets assigned to fund them, amounted to €54,375 thousand, €351,461 thousand and €283,921 thousand as of December 31, 2006, 2005 and 2004, respectively and is included under the heading "Provisions - Provisions for Pensions and Similar Obligations" in the accompanying consolidated balance sheets.

The main actuarial assumptions used to quantify the current values of the commitments accrued in connection with the aforementioned commitment, as of December 31, 2006, 2005 and 2004, are as follows:

	2006	2005	2004
Mortality tables	EMSSA 97	EMSSA 97	EMSSA 97
Discount rate (cumulative			
annual)	9.0%	9.20%	10.25%
Consumer price			
index	3.5%	4.00%	5.00%
Medical cost trend			
rates	6.0%	6.08%	7.10%
Expected rate of return on plan			
assets	9.0%	9.20%	10.25%

The changes in 2006, 2005 and 2004 in the present value of the vested obligations are as follows:

Thousands of euros						
	2006	2005	2004			
Present actuarial value at beginning of the year	436,434	324,043	319,885			
Value of the assets assigned to funding of commitments (fair value of plan assets)	(84,973)	(40,122)	(22,887)			
Balance at beginning of year Present actuarial value at end	351,461	283,921	296,998			
of year	422,302	436,434	324,043			
Value of assets assigned to funding of commitments	(367,927)	(84,973)	(40,122)			
Balance at end of year	54,375	351,461	283,921			

The aforementioned assets assigned to the funding of commitments are the assets that are to be used directly to settle employee benefit obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities. The balances of the vested obligations related to the previously mentioned commitments were disclosed net of the balances of the aforementioned assets assigned to the funding of commitments in the accompanying consolidated balance sheets.

The internal provisions showed above were recognised in the heading "Other provisions" in the accompanying consolidated balance sheets (Note 28). The changes in 2006, 2005 and 2004 in this heading related to BBVA Bancomer, S.A. de C.V., are as follows:

	Thousands of euros						
	2006	2005	2004				
Balance at beginning of	• • • • • • • •		• • • • • •				
year	351,461	283,921	296,998				
+ Finance expenses	36,436	32,953	30,288				
- Finance Income	(6,862)	(3,896)	(2,692)				
+ Normal cost for the year							
(current services costs)	11,290	9,001	1,759				
+/- Payments made and							
other net variations	(312,066)	(40,771)	(22,465)				
+/- Exchange differences	(41,373)	57,925	(19,967)				
+/- Actuarial losses							
(gains)	15,489	12,328	-				
Balance at end of year	54,375	351,461	283,921				

As of December 31, 2006, the sensitivity analysis for changes in assumed medical cost trend rates of BBVA Bancomer S.A. de C.V. is as follow:

	Thousand	s of euros
	1%	1%
	increase	decrease
Increase/Decrease in Current Services Cost and Interest Cost	12,827	(9,694)
Increase/Decrease in defined benefit	12,027	(9,094)
obligation	88,960	(68,537)

29.2.3. Summary of impact of profit or loss of post-employment benefit commitments of Group companies abroad

The charges recorded in the 2006, 2005 and 2004 consolidated income statements for the post-employment benefit commitments of Group companies abroad totalled €139,410 thousand, €110,550 thousand and €82,787 thousand, respectively.

As of December 31, 2006, 2005 and 2004, all actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used, were charged to the accompanying consolidated income statements.

### **30. MINORITY INTERESTS**

The detail, by consolidated company, of the balance of the heading "Minority Interests" is as follows:

	Thousands of euros						
	2006	2005	2004				
BBVA Colombia Group	18,336	16,467	14,059				
BBVA Chile Group	94,829	120,998	87,615				
BBVA Banco Continental							
Group	234,657	222,304	171,035				
BBVA Banco Provincial Group	223,546	203,860	165,485				
Provida Group	66,220	70,544	52,921				
Banc Internacional							
d'Andorra, S.A.	-	185,713	142,677				
Other companies	130,574	151,604	103,747				
Total	768,162	971,490	737,539				

The detail of the changes in the foregoing balances, which are due to the share of minority interests in income for the year (Note 4), is as follow:

	Thousands of euros						
	2006	2005	2004				
BBVA Colombia Group	3,470	4,166	2,943				
BBVA Chile Group	2,573	13,526	4,829				
BBVA Banco Continental							
Group	66,989	59,689	39,721				
BBVA Banco Provincial Group	68,944	47,279	65,834				
Provida Group	24,970	18,169	8,831				
Banc Internacional							
d'Andorra, S.A. (*)	8,306	41,607	34,264				
Other companies	59,904	79,711	29,191				
Total	235,156	264,147	185,613				

(\*) Accumulated minority until the date of its sale (See Note 4).

### 31. CHANGES IN TOTAL EQUITY

The changes in equity in the years ended December 31, 2006, 2005 and 2004 were as follows:

2006	Share capital (Note 32)	Reserves (Notes 33 and 34)	Profit for the year	Treasury shares and other equity instruments	Valuation adjustments (*)	Minority interest (Note 30)	Interim dividends (Note 5)	Total equity
Balance at beginning of year	1,661,518	8,830,548	3,806,425	(96,180)	3,294,955	971,490	(1,166,644)	17,302,112
Valuation adjustments	-	-	-	-	472,185	(3,185)	-	469,000
Distribution of prior Years' profit	-	2,010,936	(2,010,936)	-	-	-	-	-
Dividends	-	-	(1,795,489)	-	-	(16,818)	1,166,644	(645,663)
Gains or losses on transactions involving treasury shares and other equity instruments	-	17,131	_	(16,269)	-	-	-	862
Increase of capital	78,947	2,921,053	-	-	-	-	-	3,000,000
Profit for the year			4,735,879	_	-	-	(1,362,700)	3,373,179
District and a second of the second or a second or a late or a				-	-	(86,957)	-	(86,957)
Changes in the composition of the Group			-	-	_	(279,386)	-	(334,384)
Exchange differences			-	-	(426,446)	(62,301)	-	(488,747)
Share of minority interests in profit for the year	-	-	-	-	-	235,156	-	235,156
Other	-	(516,243)	-	-	-	10,163	-	(506,080)
Balance at end of year	1,740,465	13,208,427	4,735,879	(112,449)	3,340,694	768,162	(1,362,700)	22,318,478

				Thousan	ds of euros			
2005	Share capital (Note 32)	Reserves (Notes 33 and 34)	Profit for the year	Treasury shares and other equity instruments (Note 35)	Valuation adjustments (*)	Minority interest (Note 30)	Interim dividends (Note 5)	Total equity
Balance at beginning of year	1,661,518	7,427,737	2,922,596	(35,846)	2,106,914	737,539	(1,015,195)	13,805,263
Valuation adjustments	_	_	_	-	604,889	2569	-	607,458
Distribution of prior Years' profit				-	-	-	-	-
Dividends			(1,495,431)	-	-	(9,312)	1,015,195	(489,548)
Gains or losses on transactions involving treasury shares and other equity instruments			_	(60,334)	_	(626)	_	(26,867)
Profit for the year					_		(1,166,644)	2,639,781
Dividends paid to minority shareholders	-	-	-	_	-	(55,010)	-	(55,010)
Changes in the composition of the Group	-	-	-	-	-	(7,612)	-	(7,612)
Exchange differences	-	-	-	-	583,152	42,750	-	625,902
Share of minority interests in profit for the year	-	-	-	-	-	264,147	-	264,147
Other	-	(58,447)	-	-	-	(2,955)	-	(61,402)
Balance at end of year	1,661,518	8,830,548	3,806,425	(96,180)	3,294,955	971,490	(1,166,644)	17,302,112

2004	Share capital (Note 32)	Reserves (Notes 33 and 34)	Profit for the year	Treasury shares and other equity instruments	ds of euros  Valuation adjustments (*)	Minority interest (Note 30)	Interim dividends (Note 5)	Total equity
Balance at beginning of year	1,565,968	5,780,075	2,226,701	(82,001)	1,691,325	1,917,164	(859,896)	12,239,336
Valuation adjustments	-	-	-	-	604,032	9,154	-	613,186
Distribution of prior Years' profit	-	977,264	(977,264)	-	-	-	-	-
Dividends			(1,249,437)	-	-	(48,621)	859,896	(438,162
Gains or losses on transactions involving				4C 1FF				4C 1FF
treasury shares and other equity instruments	<del>-</del>		2 022 506	40,100	-	<del>-</del>	(1.015.105)	46,155
Profit for the year Capital increases and reductions Dividends paid to minority shareholders	- 05 550	1 000 000	2,922,596	<del>-</del>	<del>-</del>	<del>-</del>	(1,015,195)	1,907,401
Capital increases and reductions	95,550	1,903,200	<del>-</del>	<del>-</del>	<del>-</del>	(02.074)	<del>-</del>	2,010,306
Observed in the account the state of the Country	-	(1 275 000)			-	(63,074)		(63,074
Changes in the composition of the Group Exchange differences	- -	(1,3/5,898)	- -		(188,443)	(1,224,655) 23,716	- -	(2,600,553 (164,727
Share of minority interests in profit								
for the year	-	-	-	-	-	185,613	-	185,613
Other Balance at end of year	-	143,096	-	-	-	(61,758)	-	69,782
Balance at end of year	1,661,518	7,427,737	2,922,596	(35,846)	2,106,914	737,539	(1,015,195)	13,805,263

### 32. CAPITAL STOCK

As of December 31, 2006, the capital of Banco Bilbao Vizcaya Argentaria, S.A. amounted to €1,740,464,869.29, and consisted of 3,551,969,121 fully subscribed and paid registered shares of €0.49 par value each.

All the shares of BBVA carry the same voting and dividend rights and no single shareholder enjoys special voting rights.

All the shares represent an interest in the Bank's capital.

In November 2006 capital was increased through the issuance of 161,117,078 new shares with a par value of €0.49 each and a share premium of €18.13 per share. In 2005 there were no variations in the share capital. In February 2004 capital was increased through the issuance of 195,000,000 shares, with a price per share of €10.25 (consisting of a par value of €0.49 and additional paid-in capital of €9.76).

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are quoted on the computerized trading system of the Spanish stock exchanges and on the New York, Frankfurt, London, Zurich, Milan and Mexico stock market.

American Depositary Shares (ADSs) quoted in New York are also traded on the Lima (Peru) Stock Exchange, by virtue of an exchange agreement entered into between these two markets.

Also, as of December 31, 2006, the shares of BBVA Banco Continental, S.A., Banco Provincial C,A., BBVA Colombia, S.A., BBVA Chile, S.A., BBVA Banco Francés, S.A. and AFP Provida were quoted on their respective local stock markets and, in the case of the last two entities, on the New York Stock

Exchange. BBVA Banco Francés, S.A. is listed on the Latin-American market of the Madrid Stock Exchange.

As of December 31, 2006, no individual shareholder owned more than 5% of the capital of the Bank. However, at the date of filing of this registration document, Chase Nominees Ltd. And State Street Bank and Trust Co., in their capacity as international depositary banks, held more than 5%.

BBVA is not aware of any direct or indirect interests through which ownership or control of the Bank may be exercised.

BBVA has not been notified of the existence of any side agreements that regulate the exercise of voting rights at the Bank's General Meetings, or which restrict or place conditions upon the free transferability of BBVA shares. Neither is the Bank aware of any agreement that might result in changes in the control of the issuer.

The BBVA Group has not issued any convertible and/or exchangeable debentures or any warrants on BBVA shares.

At the Annual General Meeting celebrated on February 28, 2004 the shareholders resolved to delegate to the Board of Directors, in accordance with Article 153.1.b) of the Spanish Corporations Law, the power to increase capital, on one or several occasions, by a maximum par value equal to 50% of the Company's subscribed and paid capital at the date of the resolution, i.e. €830,758,750.54. The legally stipulated year within which the directors can carry out this increase is five years.

In addition to the aforementioned resolutions, at the Annual General Meetings held in February 2005 and in February 2004, the shareholders authorized the Board of Directors, for a year of five years, to issue fixed-income securities of any class or type, up to a maximum of €121,750 million.

As of December 31, 2006, there were no significant capital increases in progress at any of the Group companies.

### 33. SHARE PREMIUM

The balance of this heading in the consolidated balance sheet amounts to  $\[ \in \]$ ,579,443 thousand and includes, inter alia, the amounts of the share premiums arising from the capital increases, in particular the capital increase in 2006 for an amount of  $\[ \in \]$ 2,921,053 thousand (see Note 31), as well as the surpluses arising from the merger of Banco Bilbao, S.A. and Banco Vizcaya, S.A., amounted to  $\[ \in \]$ 641,142 thousand.

The revised Spanish Corporations Law expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

#### 34. RESERVES

The breakdown of the balance of this heading in the accompanying consolidated balance sheets is as follows:

	Thousands of euros					
	2006	2006 2005				
Legal reserve	332,303	332,303	313,194			
Restricted reserve for retired capital	87,918	87,918	87,918			
Restricted reserve for Parent Company						
shares	814,870	356,821	20,826			
Restricted reserve for redenomination of						
capital in euros	1,861	1,861	1,861			
Revaluation Royal						
Decree-Law 7/1996	176,281	176,281	176,281			
Voluntary reserves	672,232	1,046,670	1,277,638			
Consolidation reserves attributed to the Bank						
and dependents companies	1,543,519	170,304	(1,132,584)			
Total	3,628,984	2,172,158	745,134			

#### 34.1. LEGAL RESERVE

Under the revised Corporations Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches 20% of capital. This limit had already been reached by Banco Bilbao Vizcaya Argentaria, S.A. as of December 31, 2006, after deliberation on the 2006 income application proposal (Note 5). The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of capital, it can only be used to offset losses,

provided that sufficient other reserves are not available for this purpose.

#### 34.2. RESTRICTED RESERVES

Pursuant to the Consolidated Spanish Companies Law, the respective restricted reserves were recorded in relation to the reduction of the par value of each share in April 2000, the treasury shares held by the bank at each year-end, and the customer loans outstanding at those dates that were granted for the purchase of, or are secured by, Bank shares.

Pursuant to Law 46/1998 on the introduction of the euro, the respective restricted reserves were recorded in relation to the redenomination of capital in euros.

## 34.3. REVALUATION ROYAL DECREE-LAW 7/1996 (ASSET REVALUATIONS)

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the asset revaluation provisions of the applicable enabling legislation. In addition, on December 31, 1996, the Bank revalued its tangible assets pursuant to Royal Decree-Law 7/1996 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing measurements. The resulting increases in the cost and accumulated depreciation of tangible assets and, where appropriate, in the cost of equity securities, were allocated as follows:

	Thousands of euros
	2006
Legal revaluations of tangible assets:	
Cost	186,692
Less -	
Single revaluation tax (3%)	(5,601)
Balance as of December 31, 1999	181,091
Adjustment as a result of review by the tax authorities in 2000	(4,810)
Total	176,281

Following the review of the balance of the account Revaluation Reserve Royal Decree-Law 7/1996 by the tax authorities in 2000, this balance can only be used, free of tax, to offset recorded losses and to increase capital until January 1, 2007. From that date, the remaining balance of this account can also be taken to unrestricted reserves, provided that the surplus has been depreciated or the revalue assets have been transferred or derecognised. If this balance were used in a manner other than that described above, it would be subject to

## 34.4 RESERVES AND LOSSES AT CONSOLIDATED COMPANIES

The breakdown, by company or corporate group, of the balances of these headings in the accompanying consolidated balance sheets is as follows:

	1	Thousands of euro	ς
	2006	2005	2004
• • • • • • • • • • • • • • • •	• • • • • •	• • • • • • •	• • • • • • •
Fully and proportionately			
consolidated companies	6,926,696	5,382,488	4,102,068
Grupo BBVA Bancomer	2,911,082	2,228,304	1,752,690
Grupo BBVA Continental	94,727	84,936	66,868
Grupo Provida	259,236	231,836	235,555
Grupo BBVA Colombia	235,725	181,438	159,783
Grupo BBVA Banco Francés	578,527	367,701	338,750
Grupo BBVA Chile	3,398	(2,849)	1,439
Grupo BBVA Banco Provincial	199,074	146,566	102,756
Grupo Laredo	(12,971)	_	_
Grupo BBVA Uruguay, S.A.	(2,615)	(464)	2,538
BBVA International			
Investment Corporation	(425,719)	(432,772)	(423,816)
Banc Internacional			
d'Andorra, S.A.	-	141,733	103,257
Ancla Investments S.A.	-	10,850	5,813
Grupo BBVA Portugal	(105,362)	(100,472)	(106,397)
Grupo BBVA Puerto Rico	205,161	183,272	168,651
BBVA Suiza (BBVA			
Switzerland)	171,366	145,860	121,679
BBVA Seguros, S.A.	485,794	230,428	70,024
Banco de Promoción de			
Negocios	16,580	16,649	16,584
Finanzia, Banco de			
Crédito, S.A.	105,673	71,880	61,212
Banco Industrial de			
Bilbao, S.A.	31,982	87,067	85,101
Banco Depositario BBVA	(6,987)	(12,907)	(17,553)
BBVA Trade, S.A.	19,283	14,793	6,740
BBVA Gestión, SGIIC, S.A.	(1,777)	8,223	16,137
BBVA Privanza Bank			
(Jersey), Ltd.	75,720	66,957	64,787
BBVA Luxinvest, S.A.	932,453	699,585	688,489
Cía. de Cartera e			
Inversiones, S.A.	(34,360)	238,309	44,361
Corporación General			
Financiera, S.A.	605,683	458,307	393,429
Corporación Industrial y			
Servicios, S.L.	1,663	27,948	110,150
Cidessa UNO, S.L.	213,198	67,362	71,002
BBVA Ireland, P.L.C.	73,873	71,071	61,917
Bilbao Vizcaya América, B.V.	(230,645)	(266,936)	(217,321)
BBVA Cartera de Inversiones,			
S.I.C.A.V., S.A.	60,239	58,220	56,405
Anida Grupo Inmobiliario	212,688	189,292	184,575
BBVA Pensiones, S.A.	13,157	13,139	(53,619)
Compañía Chilena de			
Inversiones, S.L.	(61,592)	(61,423)	(68,710)
BBVA Puerto Rico Holding			
Corporation	(165,328)	(165,288)	(165,264)

	Thousands of euros					
	2006	2005	2004			
SEAF, Sociedad de Estudios y		• • • • • • •	•••••			
Análisis Financieros, S.A.	69,012	59,648	59,129			
BBV América, S.L.	228,071	247,958	161,748			
Bilbao Vizcaya Holding, S.A.	34,526	24,096	9,269			
BBVA Renting, S.A.	59,946	49,557	38,715			
BBVA Factoring E.F.C., S.A.	59,355	44,576	33,441			
BBVA Patrimonios Gestora,						
SGIIC, S.A.	27,813	19,447	10,609			
Almacenes generales de						
Depósitos, S.A.E. DE	83,174	82,195	26,175			
Banco de Crédito Local, S.A.	(269,090)	(263,601)	(267,153)			
BBVA Participaciones						
Internacional, S.L.	46,461	42,829	37,726			
Anida Desarrollos						
Inmobiliarios, S.L.	56,254	22,427	(37,731)			
Ibernegocio de Trade, S.L.	(28,767)	(53,960)	(41,948)			
Other	101,015	108,701	134,076			
For using the equity						
method:	223,329	238,915	300,941			
Onexa, S.A. de C.V.	-	(324)	(21,006)			
Banca Nazionale del						
Lavoro, S.p.A.	-	(124,882)	66,084			
Corporación IBV						
Participaciones						
Empresariales, S.A.	176,131	298,098	197,603			
Part. Servired, Sdad. Civil	8,273	8,308	7,946			
Tubos Reunidos, S.A.	54,519	49,653	47,964			
Other	(15,594)	8,062	2,350			
Total	7,150,025	5,621,403	4,403,009			

For the purpose of allocating the reserves and accumulated losses at consolidated companies shown in the foregoing table, the transfers of reserves arising from the dividends paid and the writedowns or transactions between these companies are taken into account in the period in which they took place.

In the individual financial statements of the subsidiaries giving rise to the balances recorded under the "Reserves and Losses at Consolidated Companies—Fully and Proportionately Consolidated Companies" shown in the foregoing table, as of December 31, 2006, 2005 and 2004, €1,743,236 thousand, €1,556,797 thousand and €1,162,989 thousand were treated as restricted reserves, all of which are reflected as restricted reserves for Parent Company shares.

### **35. TREASURY SHARES**

In 2006, 2005 and 2004 the Group companies performed the following transactions involving Bank shares:

	Number of shares	Thousands euros
Balance as of January 1, 2004	7,493,411	82,001
+ Purchases	277,652,703	3,213,465
- Sales	(282,272,150)	(3,266,937)
+/- Other	-	7,853
- Derivatives over BBVA shares	-	(536)
Balance as of December 31, 2004	2,873,964	35,846
+ Purchases	279,496,037	3,839,510
- Sales	(274,760,734)	(3,756,669)
+/- Other	-	(5,976)
- Derivatives over BBVA shares	-	(16,390)
Balance as of December 31, 2005	7,609,267	96,321
+ Purchases	338,017,080	5,677,431
- Sales	(337,319,748)	(5,639,506)
+/- Other	(394)	(1,361)
- Derivatives over BBVA shares	-	14,373
Balance as of December 31, 2006	8,306,205	147,258

The average purchase price of the Bank's shares in 2006 was €16.80 per share and the average selling price of the Bank's shares in 2006 was €16.77 per share.

The net gains or losses on transactions with shares issued by the Bank were recognised in equity under the heading "Stockholders' Equity - Reserves" of the consolidated balance sheet. As of December 31, 2006, the gains on transactions involving treasury shares amounted to €17,131 thousand.

The Bank and certain consolidated instrumentality companies held 8,306,205, 7,609,267 and 2,873,964 shares of Banco Bilbao Vizcaya Argentaria S.A. as of December 31, 2006, 2005 and 2004, respectively, representing 0.234%, 0.2244% and 0.0848% of share capital outstanding in 2006, 2005 and 2004, respectively. The carrying amount of these shares was €147 million, €96 million and €36 million as of December 31, 2006, 2005 and 2004, respectively. In 2006 the Group's treasury shares ranged between a minimum of 0.020% and a maximum of 0.858% of share capital (between 0.07% and 0.66% in 2005 and between 0.08% and 0.58% in 2004).

Date	Entity	Number of shares	% capital
	BBVA	2,462,171	0.069%
	Corporación General Financiera	5,827,394	0.164%
	Other	16,640	0.000%
December 31, 2006	Total	8,306,205	0.234%
	BBVA	3,099,470	0.091%
	Corporación General Financiera	4,420,015	0.130%
	Other	89,782	0.003%
December 31, 2005	Total	7,609,267	0.224%
	BBVA	654,051	0.193%
	Corporación General Financiera	2,208,628	0.065%
	Other	11,285	0.000%
December 31, 2004	Total	2.873.964	0.258%

### **36. CAPITAL RATIO**

Bank of Spain Circular 5/1993, of March 26, as amended by Bank of Spain Circular 2/2006, of June 30, implementing Law 13/1992, of June 1, on the capital and supervision on a consolidated basis of financial institutions, stipulates that consolidable groups of credit institutions must at all times have a capital ratio of no less than 8% of the weighted credit risk of their assets and liabilities, commitments and other memorandum items, and of no less than 8% of the exchange risk exposure of their net global foreign currency positions and of their weighted held-for-trading and derivatives positions.

The amounts used to calculate the capital ratio are as follows:

Millions of euros			
2006	2005	2004	
18,313	15,352	14,329	
12,344	7,520	6,726	
(1,223)	(2,023)	(940)	
980	1,048	4	
30,414	21,897	20,119	
21.047		15.495	
	18,313 12,344 (1,223) 980	2006         2005           18,313         15,352           12,344         7,520           (1,223)         (2,023)           980         1,048           30,414         21,897	

#### **37. TAX MATTERS**

### A) CONSOLIDATED TAX GROUP

Pursuant to current legislation, the Consolidated Tax Group includes Banco Bilbao Vizcaya Argentaria, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated income of corporate groups.

The Group's other banks and subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

## B) YEARS OPEN FOR REVIEW BY THE TAX AUTHORITIES

As of December 31, 2006, 2005 and 2004, the Consolidated Tax Group had 2001 and subsequent years open for review by the tax authorities for the main taxes applicable to it

In general, the other Spanish consolidated companies, except for those at which the statute-of-limitations year has been interrupted by the commencement of a tax audit, have the last four years open for review by the tax authorities for the main taxes applicable to them.

In 2005, as a result of the tax audit conducted by the tax authorities, tax assessments were issued against several Group companies for the years up to and including 2000, some of which were signed on a contested basis. After considering the temporary nature of certain of the items assessed, the amounts, if any, that might arise from these assessments were provisioned in full in at 2006 year-end.

Also, in 2005 and 2006, notification was received of the commencement of tax audits for 2001 to 2003 for the main taxes to which the Tax Group is subject. These tax audits had not been completed at 2006 year-end.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Banks' Board of Directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise there from would not materially affect the Group's consolidated financial statements.

### C) RECONCILIATION

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the corporation tax expense recognised is as follows:

	T	housands of euro	S
	2006	2005	2004
Corporation tax		• • • • • • • • • • • • • • • • • • • •	•••••
at 35%	2,460,618	1,957,114	1,447,894
Decreases due to permanent differences:			
Tax credits and tax relief at consolidated			
Companies	(352,679)	(360,446)	(501,273)
Other items net	(150,611)	10,837	250,572
Net increases (decreases) due to temporary			
differences	(38,047)	(263,481)	80,231
Charge for income tax and other			
taxes	1,919,281	1,344,024	1,277,424
Deferred tax assets and liabilities recorded			
(utilised)	38,047	263,481	(80,231)
Income tax and other taxes accrued			
in the year	1,957,328	1,607,505	1,197,193
Adjustments to prior years' income tax and			
other taxes	101,973	(86,324)	(168,562)
Income tax and other taxes	2,059,301	1,521,181	1,028,631

The effective tax rate is as follows:

	Thousands of euros				
	2006	2005	2004		
Consolidated Tax Group	3,376,315	2,771,398	2,651,930		
Other Spanish entities	102,236	56,277	54,593		
Foreign entities	3,551,785	2,764,078	1,430,317		
	7,030,336	5,591,753	4,136,840		
Income tax	2,059,301	1,521,181	1,028,631		
Effective tax rate	29.29%	27.20%	24.87%		
	L _				

### D) TAX RECOGNISED IN EQUITY

In addition to the income tax recognised in the consolidated income statements, in 2006, 2005 and 2004 the Group recognised the following amounts in consolidated equity:

	Thousands of euros			
	2006	2005	2004	
Charges to equity				
Debt securities	(290,853)	(179,245)	(197,278)	
Equity instruments	(1,105,495)	(1,018,056)	(881,992)	
Credits to equity				
Other	40,824	55,796	-	
Total	(1,1355,524)	(1,141,505)	(1,079,270)	

### E) DEFERRED TAXES

The balance of the heading "Tax Assets" in the consolidated balance sheets includes the tax receivables relating to deferred tax assets; in turn, the balance of the heading "Tax Liabilities" includes the liability relating to the Group's various deferred tax liabilities.

As a result of the tax reforms enacted in Spain in 2006, including, inter alia, the modification of the standard income tax rate, which was set at 32.5% for 2007 and at 30% for 2008 and subsequent years, Spanish companies have adjusted their deferred tax assets and liabilities on the basis of tax rates that are expected to apply when they are recovered or settled.

As of December 31, 2006 the Group has registered the effects of this regulation with charge to the heading "Income tax" (€379,656 thousand) in the consolidated income statement and the heading "Reserves" (€105,022 thousand) in the consolidated balance sheet and with credit to the heading "Valuation Adjustments" (€200,607 thousand) in the consolidated balance sheet.

The detail of these balances is as follows:

	Thousands of euros			
	2006	2005	2004	
Deferred tax assets:	5,278,197	6,420,745	5,590,696	
Of which:				
Pensions commitments	1,639,834	1,645,126	1,289,825	
Securities	672,289	1,129,248	1,196,557	
Loan loss provisions	1,464,314	1,195,382	1,431,655	
Tax losses and other	926,960	1,300,780	1,657,077	
Deferred tax liabilities	2,369,166	2,100,023	1,620,795	
Of which:				
Free depreciation				
and other	(1,769,252)	(1,218,567)	(1,170,362)	

## F) TAX ASSESSMENTS ISSUED TO BBVA SEGUROS, S.A. AND SENORTE VIDA Y PENSIONES, S.A.

In 1990, 1994 and 1995, tax assessments for 1986 to 1990 were issued to BBVA Seguros, S.A. (formerly Euroseguros, S.A.) and Senorte Vida y Pensiones, S.A. totalling €88,066 thousand of principal and €39,072 thousand of late-payment interest, plus €66,057 thousand of penalties, after correction pursuant to the revised General Tax Law. The companies filed pleadings and appeals against the assessments and several administrative decisions and court rulings were handed down in 1997 through 2000. As a result of application of the criteria set forth in these court rulings, some of which have been appealed against by the Group and by the Spanish tax authorities, the tax debts would be reduced to €50,677 thousand of principal and €19,851 thousand of interest. In order to file these appeals, the Bank provided guarantees totalling €97,876 thousand to the tax authorities. In 2003 further court rulings were handed down, which have been appealed against. However, the Bank's directors and legal advisers consider that, in any case, the possible effects of these rulings would not materially affect the consolidated financial statements and, additionally, in accordance with the accounting principle of prudence, adequate provisions have been recorded therefore. Lastly, in 2005 the check relating to Senorte Vida y Pensiones was completed with no material effect on the Group.

## 38. RESIDUAL MATURITY OF TRANSACTIONS

A detail, by maturity, of the balances of certain headings in the consolidated balance sheets as of December 31, 2006, disregarding valuation adjustments, is as follows:

				Thousands of euro	S		
2006	Total	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
ASSETS -	• • • • • • • •	• • • • • • • •	• • • • • • • •	• • • • • • • •	• • • • • • • • •	• • • • • • • • • •	• • • • • • • •
Cash and balances with central banks	12,496,394	12,445,976	49,978	-	275	-	165
Loans and advances to credit institutions	16,990,185	2,210,723	8,622,454	1,229,446	2,064,912	2,241,461	621,189
Loans and advances to other debtors	262,373,937	1,816,980	22,812,143	21,553,498	37,291,557	71,381,946	107,517,813
Money market operations through							
counterparties	100,052	-	100,052	-	-	-	
Debt securities	68,593,407	379,463	1,273,263	16,223,863	7,077,518	16,482,273	27,157,02
Other assets	6,076,462	3,596,968	985,798	59,721	145,530	1,282,103	6,34
OTC derivatives	10,300,483	-	314,304	331,390	704,215	3,130,358	5,820,21
Liabilities-							
Deposits from central banks	15,191,117	1,802,152	11,040,714	1,850,162	498,089	-	
Deposits from credit institutions	42,285,705	2,529,383	22,017,266	5,267,898	5,967,747	4,460,057	2,043,35
Money market operations through counterparties	223,393		223,000			393	
Deposits from other creditors	191.660.412	81,106,847	48,362,407	12,888,611	17 177 770	29,354,181	2 770 E0
Debt certificates	191,000,412	01,100,047	40,302,407	12,000,011	17,177,776	29,304,101	2,770,59
(including bonds)	76,860,587	179	3,551,101	2,469,899	9,223,318	39,993,783	21,622,30
Subordinated liabilities	13,410,349	-	-	559,675	631,214	3,434,905	8,784,55
Other financial liabilities	6,771,925	4,551,644	1,596,472	262,410	210,385	146,939	4,07
OTC Derivatives	11,628,687	-	222.770	439.410	1.002.044	5.468.474	4,495,98

## 39. FAIR VALUE OF ASSETS AND LIABILITIES

Following is a comparison of the carrying amounts of the Group's financial assets and liabilities and their respective fair values at year-end 2006, 2005 and 2004:

	Thousand	ls of euros
2006	Book value	Fair value
Assets		
Cash and balances with central banks	12,515,122	12,515,122
Financial assets held for trading	51,835,109	51,835,109
Other financial assets at fair value		
through profit or loss	977,114	977,114
Available-for-sale		
financial assets	42,266,774	42,266,774
Loans and receivables	279,855,259	287,590,187
Held-to-maturity investments	5,905,636	5,757,246
Hedging derivatives	1,963,320	1,963,320
Liabilities		
Financial liabilities held for trading	14,923,534	14,923,534
Other financial liabilities at fair value		
through profit or loss	582,537	582,537
Financial liabilities at amortised cost	348,444,532	347,557,024
Hedging derivatives	2,279,740	2,279,740

	Thousands of euros	
2005	Book value	Fair value
Assets		
Cash and balances with central banks	12,341,317	12,341,317
Financial assets held for trading	44,011,781	44,011,781
Other financial assets at fair value		
through profit or loss	1,421,253	1,421,253
Available-for-sale		
financial assets	60,033,988	60,033,988
Loans and receivables	249,396,647	249,514,581
Held-to-maturity investments	3,959,265	4,035,248
Hedging derivatives	3,912,696	3,912,696
Liabilities		
Financial liabilities held for trading	16,270,865	16,270,865
Other financial liabilities at fair value		
through profit or loss	740,088	740,088
Financial liabilities at amortised cost	329,505,250	323,015,482
Hedging derivatives	2,870,086	2,870,086

	Thousand	ds of euros
2004	Book value	Fair value
Assets		
Cash and balances with central banks	10,123,090	10,123,090
Financial assets held for trading	47,036,060	47,036,060
Other financial assets at fair value		
through profit or loss	1,059,490	1,059,490
Available-for-sale financial assets	53,003,545	53,003,545
Loans and receivables	196,892,203	197,226,006
Held-to-maturity investments	2,221,502	2,264,421
Hedging derivatives	4,723,450	4,723,450
Liabilities		
Financial liabilities held for trading	14,134,413	14,134,413
Other financial liabilities at fair value		
through profit or loss	834,350	834,350
Financial liabilities at amortised cost	275,583,527	274,821,153
Hedging derivatives	3,131,572	3,131,572

The fair value of "Cash and Balances with Central Banks" is the same that the book value because it is short-terms operations. The fair value of the "Held-to-Maturity Investments" corresponds with the quoted market price. The fair value of "Loans and Receivables" and "Financial Liabilities at Amortised Cost" was estimated by discounting the expected cash flows using the markets interest rates at each year-end.

## 40. FINANCIAL GUARANTEES AND DRAWABLE BY THIRD PARTIES

The memorandum items "Contingent Exposures" and "Contingent Commitments" in the consolidated balance sheets include the amounts that would be payable by the consolidated entities on behalf of third parties if the parties originally obliged to pay fail to do so, in connection with the commitments assumed by those entities in the course of their ordinary business.

The breakdown of the balances of these items as of December 31, 2006, 2005 and 2004 is as follows:

	Thousands of euros				
	2006 2005 2004				
Contingent exposures -		• • • • • • •	• • • • • • •		
Collateral, bank guarantees and indemnities	37,001,563	25,789,616	17,573,555		
Rediscounts, endorsements					
and acceptances	43,641	41,742	38,921		
Other	5,235,494	4,030,239	3,945,173		
	42,280,698	29,861,597	21,557,649		
Contingent commitments -					
Drawable by third parties:	98,226,297	85,001,452	60,716,878		
Credit institutions	4,355,567	2,816,351	2,665,031		
General government sector	3,122,379	3,127,773	1,637,821		
Other resident sectors	43,730,259	36,062,799	29,617,468		
Non-resident sector	47,018,092	42,994,529	26,796,558		
Other commitments	4,994,856	4,496,940	6,045,524		
	103,221,153	89,498,392	66,762,402		

Since a significant portion of these amounts will reach maturity without any payment obligation materializing for the consolidated companies, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Group to third parties.

Income from the guarantee instruments is recorded under the heading "Fee and Commission Income" in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 47).

### 41. ASSETS ASSIGNED TO OTHER OWN AND THIRD-PARTY OBLIGATIONS

As of December 31, 2006, 2005 and 2004, the face amount of the assets owned by the consolidated entities pledged as security for own transactions, amounted to €45,774,143 thousand, €64,440,394 thousand and €52,768,086 thousand, respectively, and related basically to the pledge of certain assets as security for financing liabilities with the Bank of Spain and to a portion of the assets assigned to mortgage bond issues, which pursuant to the Mortgage Market Law are admitted as security for obligation to third parties.

As of December 31, 2006 and 2005, there were no assets assigned to third-party obligations. As of December 31, 2004, the balance of this caption amounted to €5,215 thousand.

### **42. OTHER CONTINGENT ASSETS**

As of December 31, 2006, 2005 and 2004, there were no significant contingent assets registered in the consolidated financial statements attached.

### 43. PURCHASE AND SALE COMMITMENTS

The financial instruments sold with a commitment to subsequently repurchase them are not derecognized from the consolidated balance sheets and the amount received from the sale is considered financing from third parties.

As of December 31, 2006, 2005 and 2004, the consolidated entities had sold financial assets totalling  $\in$ 36,139,119 thousand,  $\in$ 48,311,628 thousand and  $\in$ 37,836,241 thousand, respectively, with a commitment to subsequently repurchase them, and had purchased financial assets totalling  $\in$ 7,017,393 thousand,  $\in$ 13,636,016 thousand and  $\in$ 6,718,828 thousand, respectively, with a commitment to subsequently resell them.

Following is a breakdown of the maturity of future payment obligations from December 31, 2006:

			Thousands of euro	OS	
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial leases	82,967	1,148,436	1,051,899	5,314,864	7,598,166
Operational leases	133,754	386,871	144,294	502,217	1,167,136
Purchase commitments	22,518	501	-	-	23,019
Technology and systems projects	8,499	-	-	-	8,499
Organizational projects	-	_	-	-	-
Other projects	2,260	_	-	-	2,260
Tangible assets acquisition	11,759	501	-	_	12,260
Credit institutions	11,759	501	-	-	12,260
Total	239,239	1,535,808	1,196,193	5,817,081	8,788,321

## 44. TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

As of December 31, 2006, 2005 and 2004, the detail of the most significant items composing this heading is as follows:

	Thousands of euros				
	2006	2005	2004		
Financial instruments	• • • • • • •	• • • • • • •	• • • • • •		
entrusted by third parties	524,151,036	502.274.442	448,515,742		
Asset transfers (see Note	02 11.0 11000				
14.3)	10,114,096	7,055,351	4,069,224		
Derecognised in full from					
the balance sheet	1,058,132	1,587,209	2,096,440		
Retained in full on the					
balance sheet	9,055,899	5,468,142	1,972,784		
Retained in part on the					
balance sheet	65	-	_		
Conditional bills and other					
securities received for					
collection	3,640,337	3,765,253	3,879,312		
Securities received in credit	00.747				
Off-balance-sheet customer	69,747	-			
funds Managed by the					
Group	142,064,178	1/12 000 172	124,498,577		
- Investment companies	172,007,170	173,000,172	127,730,377		
and mutual funds (*)	58,452,427	59 002 787	51,040,176		
- Pension funds (*)	57,147,044	53,958,782			
- Customer portfolios					
managed on a					
discretionary basis	26,464,707	30,926,603	31,968,000		
Total	680,039,394	656,983,218	580,962,855		
(*) Nearly all of the off halves all		C da	d & a & d a		
(*) Nearly all of the off balance sh commercialised by the Group.	ieet customer i	iunus correspon	a to tunas		

## 45. INTEREST INCOME AND EXPENSE AND SIMILAR ITEMS

### 45.1. INTEREST AND SIMILAR INCOME

The breakdown of the most significant interest and similar income earned by the Group in 2006, 2005 and 2004 is as follows:

	I	housands of eur	ros			
	2006 2005 2004					
Central Banks	444,177	458,272	275,282			
Loans and advances to credit						
institutions	957,670	713,779	747,330			
Loans and advances to other						
debtors	13,598,673	10,190,534	7,809,691			
General government	538,818	436,905	393,969			
Resident sector	6,394,199	4,852,472	4,298,604			
Non resident sector	6,665,656	4,901,157	3,117,118			
Debt securities	3,196,493	3,624,304	3,310,590			
Rectification of income as a						
result of hedging						
transactions	684,410	530,136	(31,843)			
Other income	328,811	330,649	241,288			
Total	19,210,234	15,847,674	12,352,338			

### 45.2. INTEREST EXPENSE AND SIMILAR CHARGES

The breakdown of the balance of this heading in the accompanying consolidated income statements is as follows:

	T	housands of euro	)S
	2006	2005	2004
Bank of Spain and other	• • • • • • •	• • • • • • •	• • • • • •
central banks	299,879	288,006	287,884
Deposits from credit			
institutions	2,343,395	1,985,215	1,499,735
Deposits from other creditors	5,038,002	4,070,843	2,962,928
Debt certificates	3,387,731	2,454,517	1,913,658
Promissory notes, bills and			
debt securities	2,820,536	1,898,396	1,374,631
Subordinated liabilities	567,195	556,121	539,027
Rectification of expenses as a result of hedging transactions	(230,617)	(303,826)	(546,747)
Cost attributable	(230,017)	(303,020)	(310,717)
to pension funds			
(Note 29)	254,548	255,370	210,342
Other charges	122,631	182,075	120,144
Total	11,215,569	8,932,200	6,447,944

## 45.3. AVERAGES RETURN ON INVENSTMENTS AND AVERAGE BORROWING COST

The detail of the average return on investments in 2006 and 2005 is as follows:

			Inousan	ds of euros		
ASSETS	Average balances	2006 Income and expenses	Interest rates (%)	Average balances	2005 Income and expenses	Interest rates (%
Cash and balances with central banks	11,902,549	444,177	3.73	10,493,669	458,272	4.37
Securities portfolio and derivatives	103,386,608	4,155,734	4.02	116,372,745	4,328,062	3.72
Loans and advances to credit institutions	23,671,225	991,397	4.19	20,599,821	767,267	3.72
Euros	14,090,224	451,660	3.21	10,652,534	276,258	2.59
Foreign currency	9,581,001	539,737	5.63	9,947,287	491,009	4.94
Loans and advances to customers	232,791,867	13,800,243	5.93	192,920,262	10,404,017	5.39
Euros	177,330,701	7,365,539	4.15	150,358,110	5,698,769	3.79
Foreign currency	55,461,166	6,434,704	11.60	42,562,153	4,705,248	11.06
Other finance income	-	198,156	-	-	182,551	
Other assets	24,197,741	-	-	23,668,878	-	-
ASSETS/FINANCE INCOME	395,949,989	19,589,707	4.95	364,055,375	16,140,169	4.43

The average borrowing cost in 2006 and 2005 was as follows:

			Thousar	nds of euros		
LIABILITIES	Average balances	2006 Income and expenses	Interest rates (%)	Average balances	2005 Income and expenses	Interest rates (%)
Deposits from central banks and						
credit institutions	63,730,498	2,420,401	3.80	64,804,285	2,175,694	3.36
Euros	34,550,341	983,559	2.85	36,452,664	796,742	2.19
Foreign currency	29,180,157	1,436,842	4.92	28,351,621	1,378,952	4.86
Customer deposits	177,927,164	5,391,797	3.03	159,103,045	4,432,818	2.79
Euros	99,148,191	1,736,101	1.75	87,418,240	1,077,653	1.23
Foreign currency	78,778,973	3,655,696	4.64	71,684,805	3,355,165	4.68
Marketable securities and subordinated						
liabilities	87,526,176	3,026,192	3.46	68,924,553	1,886,243	2.74
Euros	77,482,812	2,506,358	3.23	64,188,180	1,573,252	2.45
Foreign currency	10,043,364	519,834	5.18	4,736,371	312,991	6.61
Other finance expenses	-	377,179	-	-	437,445	-
Other liabilities	47,978,991	-	-	55,543,874	-	-
Equity	18,787,160	-	-	15,679,619	-	-
LIABILITIES + EQUITY/ FINANCE EXPENSE	395,949,989	11,215,569	2.83	364,055,375	8,932,200	2.45

The year-on-year changes (2006/2005) resulted from the price effect and the effect of the changes in business volume, as detailed below:

		Thousands of euros		
		Volume Price-Effect		
	Volume effect <sup>(1)</sup>	Price effect <sup>(2)</sup>	Total effect	
Cash and balances with central banks	61,528	(75,623)	(14,095	
Securities portfolio and derivatives	(482,972)	310,644	(172,328	
Loans and advances to credit institutions	114,398	109,732	224,130	
Euros	89,151	86,251	175,402	
Foreign currency	(18,080)	66,808	48,728	
Loans and advances to customers	2,150,240	1,245,986	3,396,226	
Euros	1,022,296	644,474	1,666,770	
Foreign currency	1,425,987	303,469	1,729,456	
Other financial income	-	15,605	15,60	
FINANCE INCOME	1,414,028	2,035,510	3,449,538	
Deposits from central banks and credit institutions	(36,051)	280,758	244,70	
Euros	(41,579)	228,396	186,81	
Foreign currency	40,298	17,592	57,890	
Customer deposits	524,464	434,515	958,979	
Euros	144,602	513,846	658,44	
Foreign currency	332,038	(31,507)	300,53	
Marketable securities and subordinated liabilities	509,067	630,882	1,139,94	
Euros	325,851	607,255	933,10	
Foreign currency	350,699	(143,856)	206,84	
Other finance expense	-	(60,266)	(60,26	
Finance expense	782,543	1,500,826	2,283,369	
NET INTEREST INCOME	631,485	534,684	1,166,169	

<sup>(2)</sup> The price effect is calculated by multiplying the average balance for the second year by the difference between the interest rates for the two years.

### 46. INCOME FROM EQUITY INSTRUMENTS

The amount recorded under this heading relates in full to dividends from other shares and equity instruments. The breakdown is as follows:

	Thousands of euros				
	2006 2005 2004				
Dividends from other shares and other equity instrument			•		
Held for investment	258,584	222,217	202,507		
Held for trading	120,889	70,278	52,639		
Total	379,473	292,495	255,146		

### 47. FEE AND COMMISSION INCOME

The breakdown of the balance of this heading in the accompanying consolidated statements of income is as follows:

	ī	housands of euro	)S
	2006	2005	2004
Commitment fees	55,951	50,130	40,875
Contingent liabilities	203,960	176,745	159,484
Documentary credits	33,272	31,418	26,875
Bank and other guarantees	170,688	145,327	132,609
Arising from exchange of foreign			
currencies and banknotes	19,993	17,752	16,589
Collection and payment services	2,274,436	2,018,500	1,732,119
Securities services	2,016,566	1,947,746	1,739,055
Counselling on and management			
of one-off transactions	14,410	16,423	14,906
Financial and similar counselling			
services	18,471	10,790	6,482
Factoring transactions	19,448	18,815	17,041
Non-banking financial products sales	79,426	40,424	46,388
Other fees and commissions	416,021	371,799	284,042
Total	5,118,682	4,669,124	4,056,981

### **48. FEE AND COMMISSION EXPENSES**

The breakdown of the balance of this heading in the accompanying consolidated income statements is as follows:

	Thousands of euros					
	2006	2005	2004			
Brokerage fees on lending and deposit transactions	10,858	12,843	8,449			
Fees and commissions assigned to third parties	560,369	519,302	429,884			
Other fees and commissions	212,575	196,983	205,626			
Total	783,802	729,128	643,959			

### 49. INSURANCE ACTIVITY INCOME

This heading in the accompanying consolidated income statement reflects the contribution of the consolidated insurance and reinsurance companies to the Group's gross income. The detail of the balance of this heading is as follows:

	T	housands of euro	S
	2006	2005	2004
Premium income	2,483,999	2,916,831	2,062,030
Reinsurance			
premiums paid	(44,167)	(63,403)	(71,931)
Benefits paid and			
other insurance-related			
expenses	(1,538,896)	(1,785,514)	(1,704,113)
Reinsurance Income	75,953	44,228	8,534
Net provisioning			
expense	(995,999)	(1,274,283)	(413,744)
Finance increase	968,057	904,318	708,901
Finance expense	(298,516)	(255,254)	(199,059)
Total	650,431	486,923	390,618

Following is a breakdown of the balances of the insurance activity as of December 31, 2006, 2005 and 2004, distinguishing between "life" and "non-life" insurance:

## 50. GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The detail of the balance of this heading in the accompanying consolidated income statements is as follows:

	Thousands of euros					
	2006	2005	2004			
Financial assets held for trading	715,651	897,484	1,110,551			
Other financial assets at fair value through profit or loss	62,068	33,022	1,296			
Available-for-sale financial assets (*)	1,120,591	428,560	974,412			
Loans and receivables	77,263	129,203	13,932			
Other	(319,662)	(508,105)	(1,338,334)			
Total	1,655,911	980,164	761,857			

(\*) In 2006 it includes €522,287 thousand from the gains obtained in the disposal of the interest ownership in Repsol-YPF, S.A.

The breakdown, by type, of the financial instruments that gave rise to the above balances is as follows:

	1	Thousands of euros	;		
	2006	2005	2004		
Debt instruments	79,319	48,354	346,232		
Equity instruments	2,604,056	1,111,223	817,505		
Loans and advances to other					
debtors	113,431	193,399	-		
Derivatives	(1,178,012)	(415,128)	(455,172)		
Deposits from other creditors	-	(318)	-		
Other	37,117	42,634	53,292		
Total	1,655,911	980,164	761,857		

				TI	housands of eu	ros			
		2006			2005			2004	
• • • • • • • • • • • • • • • • • • • •	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Premium income	1,897,034	586,965	2,483,999	2,047,326	869,505	2,916,831	1,614,189	447,841	2,062,030

# 51. SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES AND COST OF SALES

These headings of the accompanying consolidated statements of income show, respectively, sales of assets and income from the provision of services that constitute the typical activity of non-financial consolidated entities forming part of the Group and the related costs of sales. The main lines of business of these entities are as follows:

			Thousand	s of euros		
		2006	20	05	2004	
	Sales/ Income	Cost of Sales	Sales/ Income	Cost of Sales	Sales/ Income	Cost of Sales
Real estate	333,540	230,944	285,323	214,763	226,296	132,455
Services and other	271,687	242,925	291,050	235,831	241,940	209,290
Total	605,227	473,869	576,373	450,594	468,236	341,745

## 52. OTHER OPERATING INCOME AND EXPENSES

As of December 31, 2006, the balance of the heading "Other Operating Expenses" relates mostly to the contribution to the Deposit Guarantee Fund, amounted to €214,582 thousand. The balance of the heading "Other Operating products" includes among others the rents collected from leases.

### 53. PERSONNEL EXPENSES

The detail of the balance of this heading in the accompanying consolidated income statements is as follows:

	1	housands of eur	OS .
	2006	2005	2004
Wages and salaries	3,011,963	2,743,684	2,459,582
Social security costs	503,766	471,799	436,651
Transfers to internal pension			
provisions (Note 29)	74,281	68,893	58,982
Contributions to external			
pension funds (Note 29)	52,637	55,813	57,419
Other personnel expenses	345,938	262,053	234,416
Total	3,988,585	3,602,242	3,247,050

The average number of employees in the Group in 2006, 2005 and 2004, by professional category and country is as follows:

	No	umber of employe	es
	2006	2005	2004
Spanish banks			• • • • • •
Executives	1,104	1,087	1,054
Other line personnel	21,818	21,807	21,427
Clerical staff	7,141	7,429	7,954
Abroad branches	676	674	662
	30,739	30,997	31,097
Companies abroad			
Mexico	25,157	24,721	24,688
Venezuela	5,555	5,568	5,779
Argentina	3,604	3,428	3,396
Colombia	5,155	3,487	3,327
Peru	2,705	2,358	2,308
Other	6,175	5,561	4,483
	48,351	45,123	43,981
Pension fund			
managers	8,297	7,078	5,415
Other non-banking			
companies	8,351	7,546	4,211
Total	95,738	90,744	84,704

### EQUITY-INSTRUMENT-BASED EMPLOYEE REMUNERATION

At the Annual General Meeting held on 18 March 2006, the Bank's shareholders approved a long-term share-based remuneration plan for the members of the Group's management team ("the Plan"). The Plan has a term of three years from 1 January 2006 and will be settled in the first half of 2009.

Under this Plan the Bank promises to deliver ordinary shares of BBVA to the members of the Group's management team (including executive directors and management committee members). A number of "theoretical shares" will be allocated to the beneficiaries based on the annual variable remuneration earned by each member in the last three years and on their level of responsibility. This number will serve as the basis for the calculation of the BBVA shares that will be delivered, as the case may be, when the Plan expires. The specific number of BBVA shares to be delivered to each beneficiary on expiry of the Plan will be calculated by multiplying the number of "theoretical shares" allocated by a coefficient ranging from 0 to 2. The value of the coefficient established by comparing the performance of the Total Shareholder Return (TSR) - share appreciation plus dividends - of the Bank over the term of the Plan with the performance of the same indicator for 14 leading European banks. The amount of the obligation that will be registered in the consolidated financial statements will be determined by multiplying the number of the shares by the estimated average price at the moment of the liquidation of the Plan. (€15.02 at the moment of approved the Plan).

Both TSR and estimated average price per share were considered market variations at the moment of calculated the cost of the Plan when the Plan was initiated (Note 2.u). The value of the TSR (0.896) was calculated by Montecarlo simulations. The estimated average price (15.02) was calculated by the future price.

As of December 31, 2006, the estimated number of theoretical shares for the Group as a whole, including executive directors and BBVA's Management Committee members (see Note 8), was 9,998,202, representing 0.281% of the Bank's share capital.

As of December 31, 2006, the total accrued amount during the Plan's life is €134,555 thousand.

As of December 31, 2006, the expense recognized in this period amounted to €44,852 thousand (€3,095 thousand corresponding to executive directors) and was recognised under "Personnel Expenses - Other" in the Group's consolidated income statement with a charge to "Equity - Other equity instrument - Rest" in the consolidated balance sheet as of December 31, 2006, net of tax.

## 54. OTHER GENERAL ADMINISTRATIVE EXPENSES

The breakdown of the balance of this heading in the consolidated income statements is as follows:

	T	housands of eur	OS
	2006	2005	2004
Technology and systems	495,563	434,274	411,524
Communications	217,734	202,578	182,552
Advertising	207,175	211,677	143,706
Property, fixtures and materials	450,814	415,421	361,368
Taxes other than income tax	202,861	213,210	152,775
Other expenses	767,689	683,318	598,920
Total	2,341,836	2,160,478	1,850,845

The heading "Property, Fixtures and Materials" includes expenses relating to operating leases of buildings amounting to €172,675 thousand, €157,804 thousand and €139,241 thousand in 2006, 2005 and 2004, respectively. The consolidated companies do not expect to terminate the lease contracts early.

## 55. FINANCE INCOME AND EXPENSES FROM NON-FINANCIAL ACTIVITIES

The amounts recorded under these headings relates in full to finance income and expenses from the Group's real estate and renting companies, net amounted to  $\leq$ 2,375 thousand,  $\leq$ 641 thousand and  $\leq$ 4,025 thousand as of December 31, 2006, 2005 and 2004, respectively.

### 56. OTHER GAINS AND OTHER LOSSES

The breakdown of the balances of these headings in the accompanying consolidated income statements is as follows:

	1	housands of euros	
	2006	2005	2004
Gains		• • • • • • •	• • • • • •
Gains from tangible assets disposal (Note 20)	92,902	107,838	102,874
Gains on sale of long-term investment (*)	934,469	40,157	317,510
Income from the provision of non-typical services	4,213	3,852	4,733
Other income	97,044 <b>1,128,628</b>	132,969 <b>284,816</b>	197,063 <b>622,180</b>
Losses on fixed asset			
disposals (Note 20)	20,413	22,477	22,450
Losses on sale of investments	181	11,751	9,127
Other losses	121,424	174,051	239,643
Total	142,018	208,279	271,220

(\*) The balance in 2006 corresponds mainly to the gains obtained in the sale of the ownership interest in Banca Nazionale del Lavoro, S.p.A., Banc Internacional d'Andorra and Técnicas Reunidas, S.A. (see Notes 4 and 18).

#### **57. RELATED PARTY TRANSACTIONS**

#### 57.1. TRANSACTIONS WITH BBVA GROUP

The balances of the main aggregates in the consolidated financial statements arising from the transactions carried out by the Group with associated and jointly controlled companies (Note 2.1.b-c), which consist of ordinary business and financial transactions carried out on an arm's-length basis, in 2006, 2005 and 2004 are as follows:

	Thousands of euros						
	2006	2005	2004				
Assets:							
Due from credit							
institutions	-	4,636	594				
Total net lending	374,156	267,654	227,206				
Liabilities:							
Due to credit							
institutions	-	1,966	134				
Deposits	82,791	19,070	47,208				
Debt certificates	463,249	256,881	82,363				
Memorandum accounts:							
Contingent liabilities	23,316	35,218	97,694				
Commitments and							
contingents liabilities	457,161	44,133	96,439				
Statement of income:							
Financial Revenues	12,484	7,745	6,230				
Financial Expenses	13,482	5,569	1,705				

There are no other material effects on the financial statements of the Group arising from dealings with these companies, other than the effects arising from using the equity method (Note 2.1.-c), and from the insurance policies to cover pension or similar commitments (Note 29).

As of December 31, 2006, 2005 and 2004, the notional amount of the futures transactions arranged by the Group with the main related companies amounted to approximately  $\[ \in \]$ 9,112 thousand,  $\[ \in \]$ 7,619,019 thousand and  $\[ \in \]$ 5,047,704 thousand, respectively.

In addition, as part of its normal activity, the Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the consolidated financial statements.

### 57.2. TRANSACTIONS WITH KEY ENTITY PERSONNEL

The information on the remuneration of key personnel (members of the Board of Directors of BBVA and of the Management Committee) is included in Note 8.

As of December 31, 2006 the Group had not granted any loans or provided any guarantees to members of the Board of Directors of BBVA.

The loans granted as of December 31, 2006, to 16 members of the Management Committee, excluding the executive directors, amounted to €2,355 thousand. As of December 31, 2006, guarantees provided on behalf of members of the Management Committee amounted to €12 thousand.

As of December 31, 2006, the loans granted to parties related to key personnel (the aforementioned members of the Board of Directors of BBVA and of the Management Committee) totalled €12,676 thousand. As of December 31, 2006, the other exposure to parties related to key personnel (guarantees, finance leases and commercial loans) amounted to €14,545 thousand.

The demand and time deposits held on an arm's length basis as part of BBVA's ordinary banking business by directors, Management Committee members and their related parties totalled €15,467 thousand as of December 31, 2006.

In addition, BBVA and other Group companies, in the normal course of their business and in their capacity as financial institutions, habitually perform transactions with members of the Board of Directors of BBVA and of the Management Committee and their respective related parties. All these transactions, which are scantly material, are conducted on an arm's length basis.

### 57.3. TRANSACTIONS WITH OTHER RELATED PARTIES

There are no other material transactions with other related parties.

### 58. ACCOUNTANTS FEES AND SERVICES

The detail of the fees for the services provided to the Group companies by their respective accountants in 2006 is as follows:

	Thousands of euros
Audits of the companies audited by firms belonging to the Deloitte worldwide organisation	9,051
Fees for audits conducted by other firms	2,539
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organisation	6,508

The detail of the other services provided to the various Group companies in 2006 is as follows:



The services provided by our accountants meet the independence requirements established in Law 44/2002, of 22 November, on Measures Reforming the Financial System and in the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC), and accordingly they did not include the performance of any work that is incompatible with the auditing function.

#### 59. OTHER INFORMATION

On March 22, 2002, BBVA notified the supervisory authorities of the stock markets on which its shares are listed that the Bank of Spain had commenced a proceeding against BBVA and 16 of its former directors and executives. These proceedings arose as a result of the existence of funds belonging to BBV that were not included in the entity's financial statements until they were voluntarily regularized by being recorded in the 2000 consolidated income statement as extraordinary income, for which the related corporation tax was recorded and paid. These funds totalled Ptas. 37,343 million (approximately €225 million) and arose basically from the gains on the sale of shares of Banco de Vizcaya, S.A. and Banco Bilbao Vizcaya, S.A. from 1987 to 1992, and on the purchase and sale by BBV of shares of Argentaria, Caja Postal and Banco Hipotecario, S.A. in 1997 and 1998.

After dissolving the legal vehicles where the unrecorded funds were located and including the funds in its accounting records, BBVA notified the Bank of Spain of these matters on January 19, 2001. The Bank of Spain's supervisory services commenced an investigation into the origin of the funds, their use and the persons involved, the findings of which were included in the supervisory services' report dated March 11, 2002. On March 15, 2002, the Bank of Spain notified the Bank of the commencement of a proceeding relating to these events.

On May 22, 2002, the Council of the Spanish National Securities Market Commission (CNMV) commenced a proceeding against BBVA for possible contravention of the

Securities Market Law (under Article 99 ñ) thereof) owing to the same events as those which gave rise to the Bank of Spain's proceeding.

Since various court proceedings are in progress to determine the possible criminal liability of the persons involved in the aforementioned events, the conduct of the two administrative proceedings was stayed until the final court decision is handed down.

At the date of preparation of these consolidated financial statements, none of the persons party to the proceedings or prosecuted in relation to the events referred to above was a member of the Board of Directors or the Management Committee or held executive office at BBVA, BBVA is not party to the criminal proceedings and no charges or claim for liability have been levelled against the Bank.

The proceedings DP 161/00 initiated in 2000 relating to the alleged participation of certain BBVA Privanza Bank employees in purported tax offences resulting from the marketing of BBVA Privanza Jersey fiduciary products, as well as to the purported tax offence by BBVA for not including in its balance sheet the net assets of Canal Trust Company (a wholly-owned subsidiary of BBVA Privanza) are still at the initial investigative stage.

The Group's legal advisers do not expect the aforementioned administrative and criminal proceedings to have any material impact on the Bank.

### 60. DETAIL OF THE DIRECTORS' HOLDINGS IN COMPANIES WITH SIMILAR BUSINESS ACTIVITIES

As of December 31, 2006 pursuant to Article 127 third section of the Spanish Corporations Law, introduced by Law 26/2003 of July 17, amending Securities Market Law 24/1988 of July 28, and the revised Corporations Law, in order to reinforce the transparency of listed companies, set forth below are the companies engaging in an activity that is identical, similar or complementary to that which constitutes the corporate purpose of BBVA, in which the members of the Board of Directors have a direct or indirect ownership interest. None of the directors discharge executive or administrative functions at these companies.

		Investments				
Surname(s) and First Name	Company	Number of shares	Type of ownership interest			
Alfaro Drake, Tomás	-	-	-			
Álvarez Mezquíriz, Juan Carlos	-	-	-			
Breeden, Richard C.	-	-	-			
Bustamante y de la Mora, Ramón	-	-	-			
Fernández Rivero, José Antonio	-	-	-			
Ferrero Jordi, Ignacio	Santander Central Hispano	9,940	Indirect			
	Banco Popular Español	2,490	Indirect			
Goirigolzarri Tellaeche, José Ignacio	-	-	-			
González Rodríguez, Francisco	Bancoval	76,040	Indirect			
Knörr Borrás, Román	-	-	-			
Lacasa Suárez, Ricardo	Banco Popular Español	91,440	Direct			
Loring Martínez de Irujo, Carlos	-	-	-			
Maldonado Ramos, José	-	-	-			
Medina Fernández, Enrique	Banco Español de Crédito	482.88	Indirect			
	Banco Popular Español	863.95	Indirect			
	Bankinter	268.96	Indirect			
	BNP Paribas	94.96	Indirect			
	Royal Bank of Scotland	349.35	Indirect			
	Santander Central Hispano	1.618.26	Indirect			
	Standard Chartered	245.70	Indirect			
Rodríguez Vidarte, Susana	-	-	-			
Vilá Boix, Ángel (representant of Telefónica	Banco Sabadell	3,125	Direct			
de España, S.A.)	BNP Paribas	500	Direct			

### **61. SUBSEQUENT EVENTS**

### Acquisition of State National Bancshares Inc.

On 12 July, 2006, BBVA entered into an agreement to purchase the US banking group, State National Bancshares, Inc., which is domiciled and conducts its main business activity in the State of Texas. Once the approval of the General Meeting of this company has been obtained together with the necessary administrative authorisations, the transaction was concluded on 3 January 2007. The agreed purchase price was \$484 million (approximately €368 million at this date).

## 62. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRSs, as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

### **APPENDIX I**

Additional information on consolidated subsidiar	ies composing the Ba	nco Bilbao Vizcaya
Argentaria Group	0/ 5 11 111	TI 1 C (*)

			% of voting rights controlled by the Banl		ights ne Bank		Ihous	ands of eur		
				nica by ti	ic barik	- Net		Investe Liabilities	e uata	Profi
						carrying	Assets as of	as of	Equity 31-12-06	
ompany	Location	Activity	Direct	Indirect	Total	amount	31-12-06	31-12-06	31-12-06	200
ASA) AG. DE SEGUROS DE ARGENTARIA, S.A.	SPAIN	SERVICES	100.00	_	100.00	1,368	7,600	5,375	1,949	27
DMINISTRAD. DE FONDOS PARA EL RETIRO-										
BANCOMER, S.A. DE C.V.	MEXICO	PENSIONS	17.50	82.50	100.00	358,061	203,769	46,748	105,890	51,13
DMINISTRADORA DE FONDOS DE PENSIONES	OLULE.	DENIGLONIO	40.70	=4.40				44=00=		
PROVIDA (AFP PROVIDA)	CHILE	PENSIONS	12.70	51.62	64.32	204,805	410,196	117,337	226,639	66,2
FP GÉNESIS ADMINISTRADORA DE FONDOS, S.A.	ECUADOR	PENSIONS	_	100.00	100.00	1,928	3,436	1,508	616	1,3
FP HORIZONTE, S.A.	PERU	PENSIONS	24.85	75.15	100.00	26,618	41,789	16,030	15,678	10,0
FP PREVISIÓN BBV-ADM. DE FONDOS DE	DOLIVIA	DENICIONIC	75.00	F 00	00.00	0.070	0.1//	0.405	0 / 45	2.0
PENSIONES, S.A.	BOLIVIA	PENSIONS	75.00	5.00	80.00	2,063	9,166	3,425	2,645	3,0
LMACENADORA FINANCIERA PROVINCIAL	VENEZUELA	SERVICES	-	100.00	100.00	1,197	1,463	267	877	3
LMACENES GENERALES DE DEPÓSITO, S.A.E. DE	SPAIN	PORTFOLIO	83.90	16.10	100.00	12,649	100,377	3,037	94,312	3,0
LTITUDE INVESTMENTS LIMITED	UNITED KINGDOM	FINANCIAL SERV.	51.00		51.00	225	1,971	1,246	721	
ltura markets, a.v., s.a.	SPAIN	SECURUTIES	50.00		50.00	5,000	787,877	764,434	12,041	11,4
NIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	_	100.00	100.00	112,477	329,735	111,694	167,426	50,6
NIDA GRUPO INMOBILIARIO, S.L.	SPAIN	PORTFOLIO	100.00		100.00	198,357	509,943	62,396	410,625	36,9
NIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	PORTFOLIO	<u>-</u>	100.00	100.00	55,199	52,615	23	53,994	(1,4
NIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL EST. INSTR.		100.00	100.00	51,990	52,457	467	53,029	(1,0
NIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL EST. INSTR.		100.00	100.00	451	1,587	1,157	833	(4)
PLICA SOLUCIONES ARGENTINAS, S.A.	ARGENTINA	SERVICES	-	100.00	100.00	1,209	1,232	61	1,232	(
PLICA TECNOLOGÍA AVANZADA	MEXICO	SERVICES	100.00		100.00	4	47,725	46,160	581	9
POYO MERCANTIL, S.A. DE C.V.	MEXICO	REAL EST. INSTR.		100.00	100.00	2,070	11,721	9,651	1,826	2
ragón capital, s.l.	SPAIN	PORTFOLIO	99.90	0.10	100.00	37,925	30,948	_	29,191	1,7
RGENTARIA SERVICIOS, S.A.	CHILE	SERVICES	100.00	_	100.00	676	1,360	7	1,249	1
SERLOCAL, S.A.	SPAIN	SERVICES	-	100.00	100.00	32	32	-	43	(
SSUREX, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	68	458	392	62	
Tuel Fideicomisos, S.A.	ARGENTINA	SERVICES	_	100.00	100.00	4,954	5,117	163	3,241	1,7
UTOMERCANTIL-COMERCIO E ALUGER DE										
VEICULOS AUTOM., LDA.	PORTUGAL	FINANCIAL SERV.	_	100.00	100.00	17,217	67,403	57,489	9,711	2
AHÍA SUR RESORT, S.C.	SPAIN	REAL ESTATE	99.95	_	99.95	1,436	1,438	15	1,423	
anco bilbao vizcaya argentaria (panamá), s.a.	PANAMA	BANKING	54.12	44.81	98.93	19,464	852,708	722,400	106,770	23,5
anco bilbao vizcaya argentaria (portugal), s.a.	PORTUGAL	BANKING	9.52	90.48	100.00	278,916	5,285,506	5,052,258	264,100	(30,8
anco bilbao vizcaya argentaria Chile, S.A.	CHILE	BANKING	60.92	6.92	67.84	273,426	6,534,127	6,113,769	377,009	43,3
ANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO	PUERTO RICO	BANKING	-	100.00	100.00	105,348	4,797,356	4,402,685	372,231	22,4
anco bilbao vizcaya argentaria uruguay, s.a.	URUGUAY	BANKING	100.00	_	100.00	17,049	354,457	328,550	21,261	4,6
ANCO CONTINENTAL, S.A.	PERU	BANKING	-	92.08	92.08	374,183	4,426,905	4,020,555	287,599	118,7
anco de Crédito Local, S.A.	SPAIN	BANKING	100.00	-	100.00	509,597	11,563,355		239,410	40,9
ANCO DE PROMOCIÓN DE NEGOCIOS, S.A.	SPAIN	BANKING	_	99.81	99.81	15,149	32,608	247	31,791	5
ANCO DEPOSITARIO BBVA, S.A.	SPAIN	BANKING	_	100.00	100.00	1,595	1,219,922	1,169,201	167	50,5
ANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	_	99.93	99.93	97,218	281,609	26.342	176,465	78,8
ANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	15,512	16,667	787	15,345	5
ANCO PROVINCIAL OVERSEAS N.V.	NETHERLANDS ANTILI		_	100.00	100.00	30,135	411,944	381,809	23,126	7,0
ANCO PROVINCIAL S.A BANCO UNIVERSAL	VENEZUELA	BANKING	1.85	53.75	55.60	162,180	6,561,057	6,085,778	330,112	
ANCO UNO-E BRASIL, S.A.	BRAZIL	BANKING	100.00	-	100.00	16,166	31,661	4,523	25,082	2,0
ANCOMER ASSET MANAGEMENT INC.	UNITED STATES	FINANCIAL SERV.	_	100.00	100.00	2	2	-	2	-,0
ANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERV.	_	100.00	100.00	3,812	4,342	529	4,193	(3
ANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERV.	_	100.00	100.00	3,191	4,136	945	2,451	7
ANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERV.		100.00	100.00	11	17	6	16	
ANCOMER TRANSFER SERVICES, INC.	UNITED STATES	FINANCIAL SERV.		100.00	100.00	34,013	109,047	75,034	20,908	13,1
ANCOMERCIO SEGUROS, S.A. AGENCIA DE SEGUROS	SPAIN	SERVICES	99.99	0.01	100.00	60	81	10,004	20,700	10,1
ANKERS INVESTMENT SERVICES, INC.	UNITED STATES	FINANCIAL SERV.	77.77	100.00	100.00	651	693	41	880	(2
BV AMÉRICA, S.L.	SPAIN	PORTFOLIO	100.00	100.00	100.00	479,328	472,590		491,627	(19,0
BV SECURITIES HOLDINGS, S.A.	SPAIN	PORTFOLIO	99.86	0.14	100.00	19,550	53,493	33,943	30,561	(19,0
BVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SPAIN	SECURUTIES	70.00		70.00					
				100.00		1,331	8,142	5,077	2,399	2.6
BVA ADMINISTRADORA GENERAL DE FONDOS, S.A. BVA AMERICA FINANCE, S.A.	CHILE SPAIN	FINANCIAL SERV. FINANCIAL SERV.	100.00	100.00	100.00	16,597 60	16,949 52,274	343 52,221	13,910 56	2,6
			10111111	_	11/11/11/11	DU	7///4	3////	חר	

## Additional information on consolidated subsidiaries composing the Banco Bilbao Vizcaya Argentaria Group

riigontum Group			% 0	f voting r	rights		Thou	sands of eu	ros (*)	
			contro	olled by th	ne Bank	_		Investe	e data	
						Net carrying	Assets as of	Liabilities as of	Equity	Profit (loss)
Company	Location	Activity	Direct	Indirect	Total	amount	31-12-06	31-12-06	31-12-06	2006
BBVA BANCO DE FINANCIACIÓN S.A.	SPAIN	BANKING	_	100.00	100.00	64,200	7,452,455	7,383,045	68,581	829
BBVA BANCO FRANCÉS, S.A.	ARGENTINA	BANKING	45.65	30.44	76.09	46,534	4,176,363	3,695,871	434,097	46,395
BBVA BANCOMER FINANCIAL HOLDINGS, INC.	UNITED STATES	PORTFOLIO	-	100.00	100.00	42,554	60,680	17,875	40,541	2,264
BBVA BANCOMER GESTIÓN, S.A. DE C.V.	MEXICO	FINANCIAL SERV.		99.99	99.99	19,252	35,796	16,540	6,739	12,517
BBVA BANCOMER HOLDING CORPORATION	UNITED STATES	PORTFOLIO	-	100.00	100.00	4,876	4,876	_	3,539	1,337
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2,912	455,026	452,114	1,761	1,151
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A.										
DE C.V.	MEXICO	FINANCIAL SERV.		100.00	100.00	708	8,917	8,210	462	245
BBVA BANCOMER SERVICIOS, S.A.	MEXICO	BANKING		100.00	100.00	401,963	417,752		321,698	80,266
BBVA BANCOMER USA	UNITED STATES	BANKING	-	100.00	100.00	12,833	84,000	71,103	19,695	(6,798)
BBVA BANCOMER, S.A. DE C.V.	MEXICO	BANKING		100.00	100.00	4,889,024	54,058,936	49,166,559	3,583,706	1,308,6/1
BBVA BROKER, CORREDURÍA DE SEGUROS Y	SPAIN	SERVICES		100.00	100.00	227	7 200	1 / 1 0	2 201	2 204
REASEGUROS, S.A. BBVA CAPITAL FINANCE, S.A.	SPAIN	FINANCIAL SERV.	100.00	100.00	100.00	337 60	7,290 1,992,153	1,615	3,281 145	2,394
BBVA CAPITAL FINANCE, S.A. BBVA CAPITAL FUNDING, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00		100.00	-	1,281,682	1,279,763	1,804	115
BBVA CARTERA DE INVERSIONES, SICAV, S.A.	SPAIN	PORTFOLIO	92.25		92.25	46,876	119,377	1,277,703	115,479	3,728
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	76.20	19.23	95.43	265,946	4,764,806	4,327,516	353,968	83,322
BBVA CONSOLIDAR SALUD S.A.	ARGENTINA	INSURANCE	15.35	84.65	100.00	13,361	39,598	26,075	10,479	3,044
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCE	87.78	12.22	100.00	5,946	24,997	13,047	10,477	1,272
BBVA CORREDORA TÉCNICA DE SEGUROS BHIF LTDA.	CHILE	SERVICES	-	100.00	100.00	15,500	16,849	1,342	11,539	3,968
BBVA CORREDORES DE BOLSA, S.A.	CHILE	SECURUTIES	-	100.00	100.00	20,544	290,060	269,341	19,583	1,136
BBVA CORREDURÍA TÉCNICA ÁSEGURADORA, S.A.	SPAIN	SERVICES	99.94	0.06	100.00	297	16,566	6,040	6,237	4,289
BBVA CRECER AFP, S.A.	DOMINICAN REPUBLIC	FINANCIAL SERV.	35.00	35.00	70.00	1,982	7,933	2,518	5,850	(435)
BBVA DINERO EXPRESS, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	2,186	8,064	5,233	2,257	574
BBVA E-COMMERCE, S.A.	SPAIN	SERVICES	100.00	_	100.00	30,879	34,420	224	35,429	(1,233)
BBVA FACTORING E.F.C., S.A.	SPAIN	FINANCIAL SERV.	-	100.00	100.00	126,447	5,467,812	5,262,341	185,802	19,669
BBVA FIDUCIARIA , S.A.	COLOMBIA	FINANCIAL SERV.	-	99.99	99.99	8,036	8,689	536	6,694	1,459
BBVA FINANCE (DELAWARE) INC.	UNITED STATES	FINANCIAL SERV.	100.00	-	100.00	110	380	-	380	-
BBVA FINANCE (UK), LTD.	UNITED KINGDOM	FINANCIAL SERV.	_	100.00	100.00	3,324	27,186	13,939	12,936	311
BBVA FINANCE S.P.A.	ITALY	FINANCIAL SERV.	100.00		100.00	4,648	6,018	1,060	4,946	12
BBVA FINANCIAMIENTO AUTOMOTRIZ, S.A.	CHILE	PORTFOLIO	_		100.00	83,054	83,054	_	76,971	6,083
BBVA FINANZIA, S.P.A	ITALY	FINANCIAL SERV.	50.00	50.00	100.00	19,214	286,466	271,331	15,858	(723
BBVA FUNDOS, S.G. DE FUNDOS DE PENSOES, S.A.	PORTUGAL	FINANCIAL SERV.		100.00	100.00	998	5,712	483	3,750	1,479
BBVA GEST, S.G. DE FUNDOS DE INVESTIMENTO	DODTHOM	FINIANIOIAL CEDV		100.00	100.00	000	7.010	(01	4.004	0.001
MOBILIARIO, S.A.	PORTUGAL	FINANCIAL SERV.	17.00	100.00	100.00	998	7,813	621	4,901	2,291
BBVA GESTIÓN, SOCIEDAD ANÓNIMA, SGIIC	SPAIN CAVAAAN ISLANDS	FINANCIAL SERV.	17.00	83.00	100.00	11,436	245,160	154,143	9,659	81,358
BBVA GLOBAL FINANCE LTD. BBVA HORIZONTE PENSIONES Y CESANTÍAS, S.A.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00		100.00	- 25 /0/	1,750,748	1,746,903	3,612	233
	COLOMBIA	PENSIONS	78.52	21.43	99.95	35,696	60,193	10,115	36,206	13,872
BBVA INMOBILIARIA E INVERSIONES, S.A. BBVA INSERVEX, S.A.	CHILE SPAIN	REAL EST. INSTR. SERVICES	100.00		68.11 100.00	4,870 1,205	24,260 3,327	17,110	7,892 2,875	(742)
BBVA INTERNATIONAL INVESTMENT CORPORATION	PUERTO RICO	FINANCIAL SERV.	100.00			2,769,952	2,265,049	4	1,981,286	202 744
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.	100.00		100.00	2,709,932	1,009,727	1,006,220	2,829	678
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERV.	100.00		100.00	60	1,059,300	1,059,228	63	9
BBVA INVESTMENTS, INC.	UNITED STATES	FINANCIAL SERV.	- 100.00	100.00	100.00	5,410	6,705	1,037,220	3,926	1,486
BBVA IRELAND PUBLIC LIMITED COMPANY	IRELAND	FINANCIAL SERV.	100.00	-	100.00	180,381	4,346,978	4,062,078		11,965
BBVA LUXINVEST, S.A.	LUXEMBOURG	PORTFOLIO	36.00	64.00	100.00	255,843	1,429,887		950,890	
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00	-	100.00	200,010	1,127,007	- 00,002	1	120,010
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	99.99	_	99.99	22,598	330,011	289,562	28,318	12,131
BBVA PARTICIPACIONES INTERNACIONAL, S.L.	SPAIN	PORTFOLIO	92.69	7.31	100.00	273,366	326,951	1,459		5,790
BBVA PATRIMONIOS GESTORA SGIIC, S.A.	SPAIN	FINANCIAL SERV.	99.99	0.01	100.00	3,907	42,630	2,554	31,804	8,272
BBVA PENSIONES CHILE, S.A.	CHILE	PENSIONS	32.23		100.00	281,182	348,823	4,814	309,071	34,938
BBVA PENSIONES, S.A., ENTIDAD GESTORA DE FONDOS										
DE PENSIONES	SPAIN	PENSIONS	100.00	-	100.00	12,922	68,619	30,883	25,938	11,798
BBVA PLANIFICACIÓN PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERV.	80.00	20.00	100.00	1	512	40	455	17
BBVA PREFERRED CAPITAL, LTD.	CAYMAN ISLANDS	NO ACTIVITY	100.00	_	100.00	1	1,066	_	941	125
Information on foreign companies at exchange rate on 31-12-06.										

## Additional information on consolidated subsidiaries composing the Banco Bilbao Vizcaya Argentaria Group

			% 0	f voting r	ights		Thou	sands of eur	. ,	
			contro	lled by th	ie Bank	- Mot		Investe Liabilities	e data	Profit
2	Lecation	A - 11: -11 .	D'1	las all const	Talal	Net carrying	Assets as of	as of	Equity 31-12-06	(loss)
Company	Location	Activity	Direct	Indirect	Total	amount	31-12-06			
BBVA PRIVANZA (JERSEY), LTD.	CHANNEL ISLANDS	NO ACTIVITY	_	100.00		20,610	106,854		101,693	4,672
BBVA PUERTO RICO HOLDING CORPORATION	PUERTO RICO	PORTFOLIO	100.00	-	100.00	255,804	105,966	6	106,017	(57)
BBVA RE LIMITED	IRELAND	INSURANCE		100.00	100.00	656	39,127	28,952	7,991	2,184
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERV.	- 00.00	100.00	100.00	20,976	574,743	483,232	80,922	10,589
BBVA RESEARCH, S.A.	SPAIN LINITED KINCDOM	FINANCIAL SERV.	99.99	0.01	100.00	501	3,475	2,713	674	(217)
BBVA SECURITIES HOLDINGS (UK) LIMITED	UNITED KINGDOM	FINANCIAL SERV.	-	100.00	100.00	75	6,307	6,259	364	(316)
BBVA SECURITIES INC. BBVA SECURITIES LTD.	UNITED KINGDOM	FINANCIAL SERV.	-	100.00	100.00	31,750	29,407	4,058	27,932	(2,583)
BBVA SECURITIES CID.  BBVA SECURITIES OF PUERTO RICO, INC.	UNITED KINGDOM PUERTO RICO	FINANCIAL SERV. FINANCIAL SERV.	100.00	100.00	100.00	3,315	9,464 4,830	2,658 396	3,548 4,601	3,258 (167)
BBVA SEGUROS COLOMBIA COMPAÑÍA DE SEGUROS, S.A.		INSURANCE	94.00	6.00	100.00	4,726 9,174	30,979	20,371	10,500	108
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	13,207	105,066	78,002	20,003	7,061
BBVA SEGUROS DE VIDA COLONIDIA, S.A.	CHILE	INSURANCE	94.00		100.00	24,832	191,974	167,141	20,003	4,061
BBVA SEGUROS INC.	PUERTO RICO	SERVICES		100.00	100.00	190	3,377	542	1,858	977
BBVA SEGUROS, S.A.	SPAIN	INSURANCE	94.30	5.64	99.94	414,519	12,284,726		702,149	
BBVA SEGUROS, S.A. (DOMINICAN REPUBLIC)	DOMINICAN REPUBLIC	INSURANCE	74.30	99.98	99.98	1,556	4,259	2,686	552	1,021
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERV.	100.00		100.00	1,330	17,911,860		141	201
BBVA SERVICIOS, S.A.	SPAIN	SERVICES	100.00	100.00	100.00	354	1,052	21	956	75
BBVA SOCIEDAD LEASING HABITACIONAL BHIF	CHILE	FINANCIAL SERV.	-	97.48	97.48	8,906	28,943	19,833	8,906	204
BBVA SUBORDINATED CAPITAL, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	77.40		130	2,954,128	2,953,928	73	127
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SWITZERLAND	BANKING	39.72	60.28	100.00	54,024	538,897		222,630	23,730
BBVA TRADE. S.A.	SPAIN	SERVICES	57.12	100.00	100.00	6,379	22,162	19,428	17,492	(14,758)
BBVA U.S.SENIOR, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	132	4,031,854	4,031,813	132	(91)
BBVA USA BANCSHARES OF DELAWARE, INC.	UNITED STATES	PORTFOLIO	-	100.00	100.00	679,265	679,267		664,000	15,267
BBVA USA BANCSHARES, INC.	UNITED STATES	PORTFOLIO	100.00	-	100.00	695,628	687,402	12,203	661,433	13,766
BBVA USA, INC.	UNITED STATES	SERVICES	-	100.00	100.00	4,566	6,705	1,626	8,735	(3,656)
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA		FINANCIAL SERV.	_	100.00	100.00	3,208	3,321	109	2,765	447
BBVA, INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERV.	_		100.00	40,417	301,104	269,408	29,213	2,483
BCL INTERNATIONAL FINANCE, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	_	100.00	100.00	_	160,565	160,537	51	(23)
BCL PARTICIPACIONES, S.L.	SPAIN	PORTFOLIO	_	100.00	100.00	1,565	1,565	_	1,908	(343)
BEX AMERICA FINANCE INCORPORATED	UNITED STATES	NO ACTIVITY	100.00	_	100.00	-	1	1	-	
BEXCARTERA, SICAV S.A.	SPAIN	PORTFOLIO	_	80.84	80.84	9,341	13,500	64	12,947	489
BHIF ASESORÍAS Y SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERV.	_	98.60	98.60	12,548	13,789	1,064	7,807	4,918
BIBJ MANAGEMENT, LTD.	CHANNEL ISLANDS	NO ACTIVITY	-	100.00	100.00	_	-	_	-	-
BIBJ NOMINEES, LTD.	CHANNEL ISLANDS	NO ACTIVITY	-	100.00	100.00	_	-	-	-	-
Bilbao vizcaya américa B.V.	NETHERLANDS	PORTFOLIO	-	100.00	100.00	348,940	348,960	20	331,644	17,296
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	PORTFOLIO	89.00	11.00	100.00	34,771	123,740	534	58,724	64,482
BILBAO VIZCAYA INVESTMENT ADVISORY COMPANY S.A.	LUXEMBOURG	FINANCIAL SERV.	100.00	-	100.00	77	27,820	1,444	11,144	15,232
Brookline investments, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	33,969	32,395	475	32,001	(81)
Canal Company, Ltd.	CHANNEL ISLANDS	NO ACTIVITY	-	100.00	100.00	37	1,058	20	1,199	(161)
Canal International Holding (Netherlands) bv.	NETHERLANDS	NO ACTIVITY	_	100.00	100.00	494	87	22	38	27
Cartera e inversiones s.a., cía. de	SPAIN	PORTFOLIO	100.00	-	100.00	60,541	506,982	443,482	(52,122)	115,622
casa de Bolsa BBVA Bancomer, S.A. de C.V.	MEXICO	FINANCIAL SERV.	-	100.00	100.00	49,932	74,777	24,842	23,672	26,263
casa de cambio multidivisas, s.a de c.v.	MEXICO	NO ACTIVITY	-	100.00	100.00	191	191	1	188	2
cia. Global de mandatos y representaciones, s.a.	URUGUAY	NO ACTIVITY	-	100.00	100.00	108	190	2	188	-
CIDESSA DOS, S.L.	SPAIN	PORTFOLIO	<b>–</b>	100.00	100.00	11,243	11,435	191	11,183	61
CIDESSA UNO, S.L.	SPAIN	PORTFOLIO	_	100.00	100.00	4,754	285,293	88,213	68,229	128,851
CIERVANA, S.L.	SPAIN	PORTFOLIO	100.00		100.00	53,164	54,968	178	54,320	470
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	PORTFOLIO	100.00	_	100.00	232,976	173,294	2,088	171,594	(388)
Consolidar A.F.J.P., S.A.	ARGENTINA	PENSIONS	46.11	53.89	100.00	61,784	94,401	28,112	66,266	23
CONSOLIDAR ASEGURADORA DE RIESGOS DEL	ADOSNITINA	INOURANCE		40 = 0	100.00	00.105	400.00=	07.10	07.000	F
TRABAJO, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	33,490	129,937	87,400	37,089	5,448
Consolidar CIA. De seguros de retiro, S.A.	ARGENTINA	INSURANCE	33.33	66.67	100.00	10,649	459,959	443,989	12,326	3,644
Consolidar Cia. De Seguros de Vida, S.A. Consolidar Comercializadora, S.A.	ARGENTINA	INSURANCE	34.04	65.96	100.00	21,147	78,082	45,389	20,300	12,393
	ARGENTINA	SERVICES	_	100.00	100.00	298	3,074	2,776	81	217

# Additional information on consolidated subsidiaries composing the Banco Bilbao Vizcaya Argentaria Group % of voting rights Thousands of euros (\*)

	% of voting rigi controlled by the			ignis		Thousands of euros (*)				
			contro	illed by th	ne Bank	-		Investe	e data	
ompany	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets as of 31-12-06	Liabilities as of 31-12-06	Equity 31-12-06	Profit (loss) 2006
ONSULTORES DE PENSIONES BBV, S.A.	SPAIN	PENSIONS	• • • • • •				• • • • • • •	31 12 00	829	
	PERU	SECURUTIES	<del>-</del>	100.00	100.00	175 3,023	781	1 027	1,967	1.05
ontinental Bolsa, Sdad. Agente de Bolsa S.A. Ontinental S.A. Sociedad administradora	PEKU	SECUKUTIES		100.00	100.00	3,023	4,950	1,927	1,907	1,050
DE FONDOS	PERU	FINANCIAL SERV.	_	100.00	100.00	3,236	3,482	245	3,084	153
	PERU	SERVICES		100.00	100.00	717	719	243	700	1
ONTRATACIÓN DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES		100.00	100.00	126	9,757	9,632	5	12
Orporación de l'existial, s.a. de c.v. Orporación de Alimentación y Bebidas, s.a.	SPAIN	PORTFOLIO		100.00	100.00	138,508	154,585	1,214	150,575	2.79
ORPORACIÓN DE ALIMENTACION Y DEDIDAS, S.A.	SPAIN	PORTFOLIO	100.00	-	100.00	452,431	1,164,306	18,167		251,75
Orporación industrial y de servicios, s.L.	SPAIN	PORTFOLIO	100.00	100.00	100.00	1,251	5,552	806	2,914	1,83
Orporativo vitamédica, s.a. de c.v.	MEXICO	SERVICES		99.98	99.98	1,231	1,431	1,234	190	1,00
	MEXICO	REAL EST. INSTR.	·····	100.00	100.00	83	37	1,234	40	(-
ESARROLLO URBANÍSTICO DE CHAMARTÍN, S.A.	SPAIN	REAL ESTATE	<del>-</del>	72.50	72.50	30,535	61,743	19,592	42,448	(29
	MEXICO	SERVICES		100.00	100.00	1,479	1,587	17,372	1,394	8
EUSTO, S.A. DE INVERSIÓN MOBILIARIA	SPAIN	PORTFOLIO		100.00	100.00	11,005	1,005	110	11,203	(198
INERO EXPRESS SERVICIOS GLOBALES, S.A.	SPAIN	FINANCIAL SERV.	100.00	100.00	100.00	13,138	17,942	4,714	17,987	(4,75
L ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	100.00	98.76	98.76	5,130	9,269	4,714	6,052	
L CASIS DE LAS RAMBLAS, S.L.	SPAIN	REAL ESTATE	<del>-</del>	70.00	70.00	140	9,209	4,06 <i>1</i> 527		(87)
LOASIS DE LAS RAIVIDLAS, S.L. LANCHOVE, S.A.	SPAIN	PORTFOLIO	100.00		100.00	1,500	3,853		(1,182) 2,457	
MPRESA INSTANT CREDIT, C.A.	VENEZUELA	NO ACTIVITY	100.00	100.00	100.00	1,300	3,003	1,403	2,437	(
SPANHOLA COMERCIAL E SERVIÇOS, LTDA.	BRAZIL	FINANCIAL SERV.	100.00					100	4 200	/2.01
STACIÓN DE AUTOBUSES CHAMARTÍN, S.A.	SPAIN	SERVICES	100.00	- E1 00	100.00	31	671	189	4,399	(3,91
uropea de Titulización, S.A., Sdad. Gest.	SPAIN	SERVICES	<del>-</del>	51.00	51.00	31	31		31	
DE FDOS. DE TITUL.	SPAIN	FINANCIAL SERV.	82.97	_	82.97	1,506	5,654	553	3,096	2,00
URORISK, S.A.	SPAIN	SERVICES	02.77	100.00	100.00	60	70,679	69,220	1,041	41
XPLOTACIONES AGROPECUARIAS VALDELAYEGUA, S.A.	SPAIN	REAL ESTATE		100.00	100.00	10,000	9,989	(6)	9,990	
DEICOMISO 29763-0 SOCIO LIQUIDADOR OP. FINAN.	MEXICO	FINANCIAL SERV.		100.00	100.00	14,721	14,831	110		
DEICOMISO 29764-8 SOCIO LIQUIDADOR POSICIÓN	IVILAIGU	I IIVAINGIAL SERV.	<del>-</del>	100.00	100.00	14,721	14,031	110	12,588	2,13
	MEXICO	FINANCIAL SERV.	_	100.00	100.00	32,342	32,810	468	28,653	3,68
DEICOMISO 474031 MANEJO DE GARANTÍAS	MEXICO	SERVICES		100.00	100.00	3	3	-	3	0,00
DEICOMISO BANCO FRANCÉS	ARGENTINA	FINANCIAL SERV.	100.00	-	100.00		1,197	903	497	(20
DEICOMISO CENTRO CORPORATIVO REGIONAL F/47433-8		SERVICES	-	100.00	100.00	21,656	35,042	13,386	13,658	7,99
DEICOMISO INGRAL	COLOMBIA	SERVICES		100.00	100.00	21,000	44	2	813	(77
DEICOMISO INVEX 228	MEXICO	FINANCIAL SERV.		100.00	100.00		49,784	49,783	1	
	MEXICO	FINANCIAL SERV.		100.00	100.00		39,964	39,964	<u>-</u>	
DEICOMISO INVEX 393	MEXICO	FINANCIAL SERV.		100.00	100.00	_	37,390	37,390		
DEICOMISO INVEX 411	MEXICO	FINANCIAL SERV.		100.00	100.00		35,460	35,460	-	
NANCEIRA DO COMERCIO EXTERIOR S.A.R.	PORTUGAL	SERVICES	100.00	- 100.00	100.00	- 51	45	33,700	46	(
NANCIERA ESPAÑOLA, S.A.	SPAIN	PORTFOLIO	85.85	14.15	100.00	4,522	4,879		5,370	(49
NANZIA AUTORENTING, S.A.	SPAIN	SERVICES	- 00.00	85.00	85.00	14,369	614,129	585,289	26,820	2,02
NANZIA, BANCO DE CRÉDITO, S.A.	SPAIN	BANKING		100.00	100.00	56,203		3,412,676	140,405	20,06
ORO LOCAL, S.L.	SPAIN	SERVICES		60.13	60.13	2	13	7	6	20,00
rancés administradora de Inversiones, S.A.	3171111	JERVIOLO		00.13	00.13					
G.F.C. INVERS.	ARGENTINA	FINANCIAL SERV.	_	100.00	100.00	4,469	8,243	3,773	2,743	1,72
rancés valores sociedad de Bolsa, S.A.	ARGENTINA	FINANCIAL SERV.		100.00	100.00	1,476	1,835	358	1,750	(27
UTURO FAMILIAR, S.A. DE C.V.	MEXICO	INSURANCE		100.00	100.00	151	307	155	122	3
ENERAL DE PARTICIPACIONES EMPRESARIALES, S.L.	SPAIN	PORTFOLIO	65.68	34.32	100.00	1,215	2,116	-	2,081	3
	CHILE	FINANCIAL SERV.	-	100.00	100.00	140	1,913	1,772	144	(
estión de previsión y pensiones, s.a.	SPAIN	PENSIONS	60.00	-	60.00	8,830	25,892	2,246	20,551	3,09
ESTIÓN Y ADMINISTRACIÓN DE RECIBOS, S.A.	SPAIN	SERVICES	-	100.00	100.00	150	1,069	354	623	9
	SPAIN	SERVICES		100.00	100.00	1,335	1,886	549	1,512	(17
RAN JORGE JUAN, S.A.	SPAIN	NO ACTIVITY	100.00	-	100.00	10,115	10,293	175	10,113	(17
RANFIDUCIARIA	COLOMBIA	FINANCIAL SERV.	100.00	90.00	90.00	10,113	321	112	135	7
	SPAIN	PORTFOLIO		100.00	100.00	4,329	4,330	- 112	4,216	11.
	JI AIIV	I OINTI OLIO	<del>.</del>				4,000	<del>.</del>	4,210	
RELAR GALICIA, S.A. RUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	48.96	51.00	40 00	6,171,072	6,242,893	1 605	4,662,032 1	570 17

Additional information on c	onsolidated subsidiaries	composing	the Banco B	Silbao Vizcaya
Argentaria Group				

			% C contro	f voting i lled by tl	rignts he Bank		Inous	ands of eur Investe	. ,	
						- Net		Liabilities		Profit
'amana	Location	Anthritu	Direct	Indicat	Total	carrying	Assets as of	as of	Equity 31-12-06	(loss) 2006
Company	Location	Activity	Direct	Indirect	Total	amount	31-12-06	31-12-06		
HIPOTECARIA NACIONAL MEXICANA INCORPORATED	UNITED STATES	REAL EST. INSTR.		100.00	100.00	126	182	8	169	
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERV.		100.00	100.00	224,503	720,772	496,270	148,947	75,55
HOLDING CONTINENTAL, S.A.	PERU	PORTFOLIO	50.00		50.00	123,019	402,492	10		114,70
HOMEOWNERS LOAN CORPORATION	UNITED STATES	FINANCIAL SERV.		100.00	100.00	5,576	7,809	2,222	15,116	(9,52
HYDROX HOLDINGS, INC.	UNITED STATES	NO ACTIVITY	_	100.00	100.00	_	_	_	_	
Berdrola Servicios financieros, e.f.C, s.a.	SPAIN	FINANCIAL SERV.	_	84.00	84.00	7,290	9,279	162	9,043	7.
Bernegocio de Trade, S.L.	SPAIN	SERVICES		100.00	100.00	615	31,139	18,998	9,047	3,09
NENSUR BRUNETE, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	23,745	82,332	85,283	(2,443)	(50
ngeniería empresarial multiba	MEXICO	SERVICES	-	99.99	99.99	-	-	-	-	
NICIATIVAS RESIDENCIALES EN INTERNET, S.A.	SPAIN	SERVICES	_	100.00	100.00	2	1,156	1,189	1,519	(1,55
nmobiliaria asudi, s.a.	SPAIN	REAL EST. INSTR.	_	100.00	100.00	2,886	2,998	42	2,872	8
NMOBILIARIA BILBAO, S.A.	SPAIN	REAL EST. INSTR.	_	100.00	100.00	3,514	3,551	36	3,438	7
NMUEBLES Y RECUPERACIONES CONTINENTAL, S.A.	PERU	REAL EST. INSTR.	-	100.00	100.00	18,035	18,316	281	13,502	4,53
NVERAHORRO, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	474	491	2	480	
nversiones aldama, c.a.	VENEZUELA	NO ACTIVITY		100.00	100.00		-	<del>-</del> -	-	
NVERSIONES BANPRO INTERNATIONAL INC. N.V.	NETHERLANDS ANTILLES		48.01	-	48.01	11,390	31,996	72	24,829	7,09
NVERSIONES BAPROBA, C.A.	VENEZUELA	SERVICES	100.00	_	100.00	1,307	1,663	48	1,507	10
NVERSIONES MOBILIARIAS, S.L.	SPAIN	PORTFOLIO	100.00	-		660	693			1
NVERSIONES P.H.R.4, C.A.	VENEZUELA	NO ACTIVITY	100.00	60.46	60.46	-	53		53	
NVERSIONES T. C.A.	VENEZUELA	NO ACTIVITY		100.00	100.00				_	
nversora otar, s.a.	ARGENTINA	PORTFOLIO		99.96	99.96	4,077	49,783	4,128	41,295	4,36
NVESCO MANAGEMENT Nº 1, S.A.	LUXEMBOURG	FINANCIAL SERV.	<del>-</del>	99.90	99.90	11,656	16,070	261	15,809	4,30
NVESCO MANAGEMENT № 1, S.A.  NVESCO MANAGEMENT № 2, S.A.			<del>-</del>		96.88	31				
	LUXEMBOURG	FINANCIAL SERV.		96.88			12,555	23,732	(8,749)	(2,42
ARDINES DE SARRIENA, S.L.	SPAIN	REAL ESTATE		85.00	85.00	255	997	611	(2,342)	2,72
AREDO NATIONAL BANK	UNITED STATES	BANKING	<del>-</del>	100.00	100.00	674,695	3,389,411	2,714,544	655,945	18,92
EASIMO - SOCIEDADE DE LOCAÇÃO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERV.		100.00	100.00	11,576	71,960	60,533	10,701	72
MAGGIORE FLEET, S.P.A.	ITALY	SERVICES	-	100.00	100.00	70,191	136,769	102,508	34,495	(23
MARQUÉS DE CUBAS 21, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	2,869	7,552	5,223	2,465	(13
MEDITERRANIA DE PROMOCIONS I GESTIONS	CDAINI	NO ACTIVITY		100.00	100.00	70/	0 / 10	1 000	/50	7
INMOBILIARIES, S.A.	SPAIN	NO ACTIVITY		100.00	100.00	726	2,610	1,882	650	7
MERCURY TRUST LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.		100.00	100.00	4,019	4,148	105	3,989	5
MILANO GESTIONI, SRL.	ITALY	REAL EST. INSTR.		100.00	100.00	46	4,384	4,012	328	4
MIRADOR DE LA CARRASCOSA, S.L.	SPAIN	REAL ESTATE		55.90	55.90	9,724	26,467	9,399	17,071	(
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERV.		100.00	100.00	8,305	9,586	2	8,541	1,04
MONESTERIO DESARROLLOS, S.L.	SPAIN	REAL ESTATE	_	100.00	100.00	19,990	54,432	34,610	19,805	1
Montealiaga,s.a.	SPAIN	REAL ESTATE		100.00	100.00	21,154	77,331	61,689	9,932	5,71
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	SERVICES		100.00	100.00	7,364	13,864	5,440	7,182	1,24
MULTIVAL, S.A.	SPAIN	PORTFOLIO	_	100.00	100.00	71	178	107	78	(
DCCIVAL, S.A.	SPAIN	NO ACTIVITY	100.00	-	100.00	8,211	9,171	8	8,907	25
DPCIÓN VOLCÁN, S.A.	MEXICO	REAL EST. INSTR.	-	100.00	100.00	57,643	67,114	9,471	52,214	5,42
PARTICIPACIONES ARENAL, S.L.	SPAIN	NO ACTIVITY	-	100.00	100.00	6,270	7,451	1,179	6,150	12
ENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	-	100.00	100.00	87,022	1,276,431	1,189,406	70,085	16,94
PERI 5.1 SOCIEDAD LIMITADA	SPAIN	REAL ESTATE	-	54.99	54.99	1	1	_	1	
ORT ARTHUR ABSTRACT & TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	_	100.00	100.00	1,827	2,069	243	1,811	1
Premexsa, S.A. de C.V.	MEXICO	FINANCIAL SERV.	_	100.00	100.00	507	519	7	541	(2
PREVENTIS, S.A.	MEXICO	INSURANCE	-	75.01	75.01	3,541	11,392	6,671	5,508	(78
PRO-SALUD, C.A.	VENEZUELA	SERVICES		58.86	58.86	-		1	(1)	
Promoción empresarial XX, S.A.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	1,522	2,075	31	1,998	4
PROMOTORA DE RECURSOS AGRARIOS, S.A.	SPAIN	SERVICES	100.00		100.00	1,322	146	J1	1,770	(
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	SPAIN	REAL ESTATE	100.00	58.50	58.50	318	1,611	1,068	574	(3
PROVIDA INTERNACIONAL, S.A.	CHILE	PENSIONS		100.00	100.00	54,464	54,908	244	48,034	6,63
Provincial de Valores Casa de Bolsa, C.A.	VENEZUELA	FINANCIAL SERV.	<del>-</del>		90.00					0,03 79
	VLINLZULLA	THVANCIAL SERV.		90.00	70.00	4,437	6,324	851	4,683	19
PROVINCIAL SDAD. ADMIN. DE ENTIDADES DE INV. COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERV.		100.00	100.00	1,553	1,823	276	1,264	28
COLLOTIVA, C.A.	VLINLLULLA	THINDINGIAL JERV.	_	100.00	100.00	1,000	1,023	270	1,204	20

Additional information on consolidated subsidiaries	composin	g the Banco	Bilbao	Vizo	caya
Argentaria Group	-				(4)

			% 0 contro	f voting r lled by th	ignis ne Bank		Inous	ands of eur Investe		
				-,		– Net		Liabilities	o uata	Profit
						carrying	Assets as of	as of	Equity	(loss)
ompany	Location	Activity	Direct	Indirect	Total	amount	31-12-06	31-12-06	31-12-06	2006
ROVIVIENDA, ENTIDAD RECAUDADORA Y ADMIN.										
DE APORTES, S.A.	BOLIVIA	PENSIONS	_	100.00	100.00	288	1,648	1,345	208	9
róxima alfa investments, sgiic s.a.	SPAIN	FINANCIAL SERV.	51.00	_	51.00	5,100	13,301	1,928	10,000	1,37
ROYECTO MUNDO AGUILÓN, S.L	SPAIN	REAL ESTATE	-	100.00	100.00	9,317	32,219	9,621	19,720	2,87
ROYECTOS EMPRESARIALES CAPITAL										
RIESGO I,S.C.R.SIMP., S.A.	SPAIN	FINANCIAL SERV.	100.00		100.00	1,200	11,697	10,510	1,200	(1
ROYECTOS EMPRESARIALES CAPITAL RIESGO,										
S.G.E.C.R.,S.A.	SPAIN	FINANCIAL SERV.	100.00		100.00	1,200	1,345	49	1,195	10
ROYECTOS INDUSTRIALES CONJUNTOS, S.A. DE	SPAIN	PORTFOLIO	-	100.00	100.00	3,148	3,484	_	3,481	
ESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE		100.00	100.00	10,265	14,847	5,123	10,283	(55
IVERWAY HOLDINGS CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	235	7,877	7,640	234	
IVERWAY HOLDINGS CAPITAL TRUST II	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	118	4,076	3,953	121	
. GESTORA FONDO PUBL. REGUL. MERCADO										
HIPOTECARIO, S.A.	SPAIN	FINANCIAL SERV.	77.20	_	77.20	138	217	67	152	
Caldis Finance, S.A.	BELGIUM	PORTFOLIO	-	100.00	100.00	3,416	3,625	135	3,486	
EGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	24.99	75.01	100.00	253,739	912,179	775,039	60,174	76,96
EGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCE	-	100.00	100.00	5,895	21,321	15,396	930	4,99
ERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	_	100.00	100.00	130	9,040	8,910	287	(15
ERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	_	100.00	100.00	121	3,698	3,602	105	X
ERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A										
DE C.V.	MEXICO	SERVICES	_	100.00	100.00	1,741	6,575	4,834	1,461	28
ERVICIOS TECNOLÓGICOS SINGULARES, S.A.	SPAIN	SERVICES	99.99	0.01	100.00	60	7,329	7,228	95	
ervicios vitamédica, s.a. de c.v.	MEXICO	SERVICES		99.98	99.98	116	755	640	47	6
OCIEDAD DE ESTUDIOS Y ANÁLISIS FINANC., S.A.	SPAIN	PORTFOLIO	100.00	-	100.00	114,518	188,113	65	183,555	4,49
OCIEDAD PARA LA PRESTACIÓN DE SºS	0171114	TOTTIOLIO	100.00			111,010	100,110		100,000	!/.!/
ADMINISTRATIVOS, S.A.	SPAIN	SERVICES	_	100.00	100.00	100	1,237	961	100	17
OCIETÉ INMOBILIERE BBV D'ILBARRIZ	FRANCE	REAL ESTATE	_	100.00	100.00	91	113	31	155	(7
OUTHEAST TEXAS INSURANCE SERVICES	1101110	NEAL COINTE			100.00					
HOLDINGS, L.L.C.	UNITED STATES	NO ACTIVITY	_	100.00	100.00	_	_	_	_	
OUTHEAST TEXAS INSURANCE SERVICES, L.P.	UNITED STATES	INSURANCE	-	100.00	100.00	363	358	(5)	358	
OUTHEAST TEXAS TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	_	100.00	100.00	693	1,051	358	683	
PORT CLUB 18, S.A.	SPAIN	PORTFOLIO	100.00	- 100.00	100.00	23,745	41,115	17,844	23,744	(47
Exas international insurance group, inc.	UNITED STATES	SERVICES	100.00	100.00	100.00	374	385	17,044	340	(7)
EXAS REGIONAL BANCSHARES, INC.	UNITED STATES	PORTFOLIO	100.00	100.00		1,673,906	1,637,086		1,619,943	11,35
EXAS REGIONAL DELAWARE, INC.	UNITED STATES	PORTFOLIO		100.00		1,604,875				
EXAS REGIONAL DELAWARE, INC. EXAS REGIONAL STATUTORY TRUST I	UNITED STATES		-				1,658,834		1,593,469	11,40
		FINANCIAL SERV.		100.00	100.00	1,175	39,265	38,086	1,165	11 70
EXAS STATE BANK	UNITED STATES	BANKING		100.00		1,646,080		4,861,385		11,75
RANSITORY CO	PANAMA	REAL EST. INSTR.	-	100.00	100.00	216	5,383	5,167	312	(0
SB PROPERTIES, INC.	UNITED STATES	REAL EST. INSTR.	-	100.00	100.00	(1,500)	805	2,304	(1,499)	
SB SECURITIES, INC.	UNITED STATES	FINANCIAL SERV.	<b></b>	100.00	100.00	276	302	26	272	
inicom telecomunicaciones S. de R.L. de C.V.	MEXICO	SERVICES		99.98	99.98	(12)	12	23	(9)	
INIDAD DE AVALUOS MÉXICO S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	90.00	90.00	672	1,207	459	631	11
INISEAR INMOBILIARIA, S.A.	SPAIN	REAL ESTATE		100.00	100.00	15,626	18,630	703	16,822	1,10
INITARIA GESTIÓN DE PATRIMONIOS INMOBILIARIOS, S.A.	SPAIN	SERVICES	-	100.00	100.00	2,410	2,471	8	2,421	4
INIVERSALIDAD "E5"	COLOMBIA	FINANCIAL SERV.	-	100.00	100.00	-	11,175	11,175	-	
INIVERSALIDAD - BANCO GRANAHORRAR	COLOMBIA	FINANCIAL SERV.	-	100.00	100.00	-	19,689	22,147	(1,875)	(58
INO-E BANK, S.A.	SPAIN	BANKING	67.35	32.65	100.00	174,751	1,427,998	1,291,599	126,079	10,32
IRBANIZADORA SANT LLORENC, S.A.	SPAIN	REAL ESTATE	60.60	-	60.60	-	108	-	108	
ALLEY MORTGAGE COMPANY, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	9,692	13,789	4,096	9,494	19
ISACOM, S.A. DE C.V.	MEXICO	SERVICES		100.00	100.00	352	353	1	591	(23
ITAMÉDICA S.A. DE C.V.	MEXICO	INSURANCE		50.99	50.99	2,914	8,893	3,179	5,777	(6

### APPENDIX II

## Additional information on jointly controlled companies proportionately consolidated in the Banco Bilbao Vizcaya Argentaria Group

			% 0	f voting ri	ghts .		Thius	ands of eur	os (*)	
			contro	l voling ri lled by th	e Bank			Investe	ee data	
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets 31-12-06	Liabilities 31-12-06	Equity 31-12-06	Profit (loss) 2006
DARBY-BBVA LATIN AMERICAN INVESTORS, LTD	CAYMAN ISLANDS	FINANCIAL SERV.	50.00	-	50.00	-	2,490	1,358	410	722
ECASA, S.A.	CHILE	FINANCIAL SERV.	_	51.04	51.04	1,770	3.893	359	2,304	1.230
FORUM DISTRIBUIDORA, S.A.	CHILE	SERVICES	-	51.04	51.04	5,612	32,698	25,306	6,160	1,232
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERV.	-	51.00	51.00	77,441	326,269	268,502	47,073	10,694
HOLDING DE PARTICIPACIONES INDUSTRIALES 2000, S.A.	SPAIN	PORTFOLIO	-	50.00	50.00	1,518	4,180	-	4,094	86
PSA FINANCE ARGENTINA COMPAÑÍA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.	_	50.00	50.00	3.331	26,910	20.210	5.924	776
Information on foreign companies at exchange rate on 31-12-06. (*) Unaudited data.										

### **APPENDIX III**

# Additional information on investments and jointly controlled companies accounted for using the equity method in the Banco Bilbao Vizcaya Argentaria Group (Includes the most significant companies which, taken as a whole, represent 98% of the total investment in this respect)

Company   Location   Activity   Direct   Indirect   Total   amount   Assis   Lebilities   Equity   Orango   Regular				% 0	f voting rig	ıhts		Thousa	nds of euros	s (*)	
Dompany   Dompany   Dompany   Dompany   Dompany   Direct   Indirect   Total   ambuin   Assets   Itabilities   Equity   (total   Company   Compan									Inves	tee data	
ALDOURA ESPAÑA, S.A.  ALDOURA ESPAÑA, S.A.  COLOMBIA  SERVICES  - 35.38  35.38  59.35  21,778  48.09  8.665  21  8.04 49.00  4.339  11,924  3.049  8.665  21  8.04 49.00  4.339  11,924  3.049  8.665  21  8.04 49.00  4	Company	Location	Activity	Direct	Indirect	Total		Assets	Liabilities	Equity	Profit (loss)
ALIMAGRARIO S.A  COLOMBIA  SERVICES  - 35.38  35.38  5.985  21,778  48.09  16.286  68. 48. 40,700  CUBA  REALESTAITE  - 49.00  4	ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	-	40.00	40.00	2,669	16,041	10,260	8,134	(2,353)
AUDEA, SA. (CUBA) BENA EICANO EMPRESARIAL II, S.C.R. S.A SPAIN FINANCIAL SERV. 45.00 - 45.00 29.342 3,416 2,260 1,200 (4 8BAV. EICANO EMPRESARIAL, S.C.R. S.A SPAIN FINANCIAL SERV. 45.00 - 45.00 29.347 3,928 2,772 1,200 (4 200 200 200 200 200 200 200 200 200 20	ALMAGRARIO, S.A.	COLOMBIA		_	35.38	35.38		21,778	4.809		683
BBVA ELCANÓ EMPRESARIAL I, S.C.R., S.A. SPAIN FINANCIAL SERV. 45.00 - 45.00 29.347 3.416 2.260 1.200 (4 5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	AUREA, S.A. (CUBA)			_							210
BBNA ELCANO EMPRESARIAL, S.C.R., S.A. SPAIN FINANCIAL SERV. 45.00 - 45.00 29.347 3.928 2.772 1.200 (4. CAMARATE GOLF, S.A. (7) SPAIN REAL ESTATE - 26.00 26.00 4.625 66.968 49.041 17.971 (4. COMPAÑIA ESPANOLA DE FINANCIACIÓN DEL DESARROLLO S.A. SPAIN SERVICES 21.82 - 21.82 10.673 59.574 12.455 46.048 1.07 (2. COMPAÑIA ESPANOLA DE PROCESAMIENTO, S.A. DE CV. MEXICO SERVICES - 50.00 50.00 3.088 7.846 1.896 9.321 (3.37 COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE CV. MEXICO SERVICES - 50.00 50.00 564.762 1.236.368 303.371 869.472 (3.37 EMPRESARIALES, S.A. (7) SPAIN SERVICES - 20.00 20.00 6.361	BBVA ELCANO EMPRESARIAL II. S.C.R., S.A.		FINANCIAL SERV.	45.00		45.00					(44)
CAMMARIA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLOS A.  SPAIN SERVICES 21.82 - 21.82 10.673 59.574 12.455 46.048 1.07 COMPANÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLOS A.  SPAIN SERVICES - 50.00 50.00 3.088 7.846 1.896 9.321 (3.37 COMPANÍA) MEXICOAND DE PROCESSAMIENTO, S.A DE C.V.  COMPANÍA MEXICOAND AC PROCESSAMIENTO, S.A DE C.V.  MEXICO SERVICES - 50.00 50.00 564,762 1.236.368 303.371 869.472 63.52 EMPRESARIALES, S.A. (*)  SPAIN PORTFOLIO - 50.00 50.00 564,762 1.236.368 303.371 869.472 63.52 EMPRESARIALES, S.A. (*)  SPAIN SERVICES - 20.00 20.00 6.361											(44)
COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO S.A. SPAÍN SERVICES 21.82 — 21.82 10.673 59.574 12.455 46.048 1.07 DESARROLLO S.A. SPAÍN SERVICES — 50.00 50.00 3.088 7.846 1.896 9.321 (3.37 CORPORACIÓN IBV PARTICIPACIONES — 50.00 50.00 564,762 1.236,368 303,371 869,472 63,52 EMPRESARIALES, S.A. (*) SPAÍN SERVICES — 20.00 20.00 6,361 — — — — FERROMÓVIL 3000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 3000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 3000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 9000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 9000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 9000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 9000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 9000, S.L. SPAÍN SERVICES — 20.00 20.00 4,155 — — — — FERROMÓVIL 9000, S.L. SPAÍN SERVICES — 44.39 44.39 4,406 24.490 14.937 8,616 93 HESIENAR, S.L. (*) SPAÍN REAL ESTATE — 43.34 43.34 7,835 26,577 20,668 5,942 (3.3 MOBILIARIA DAS AVENIDAS NOVAS, S.A. PORTUGAL REAL ESTATE — 43.34 43.34 7,835 26,577 20,668 5,942 (3.3 MOBILIARIA DOUGL DE ÁVILA, S.A. (*) PORTUGAL REAL ESTATE — 43.34 43.34 7,835 26,577 20,668 5,942 (3.3 MOBILIARIA DOUGL DE ÁVILA, S.A. (*) PORTUGAL REAL ESTATE — 50.00 50.00 4,725 26,171 16,323 7,771 2,07 (3.4 MOBILIARIA DOUGL DE ÁVILA, S.A. (*) PORTUGAL REAL ESTATE — 50.00 50.00 4,725 26,171 16,323 7,771 2,07 (3.4 MOBILIARIA DOUGLE DE ÁVILA, S.A. (*) SPAÍN REAL ESTATE — 50.00 50.00 2,999 36,607 32,504 3,999 11 LA ESMERALDA DESARROLLOS, S.L. (*) SPAÍN REAL ESTATE — 50.00 50.00 15,817 73,616 41,707 31,979 (7.4 MOBIPAY INTERNATIONAL, S.A. (*) SPAÍN REAL ESTATE — 50.00 50.00 15,817 73,616 41,707 31,979 (7.4 MOBIPAY INTERNATIONAL, S.A. (*) SPAÍN REAL ESTATE — 50.00 50.00 15,817 73,616 41,707 31,979 (7.4 MOBIPAY INTERNATIONAL, S.A. (*) SPAÍN REAL ESTATE — 50.00 50.00 15,817 73,616 41,707 31,979 (7.4 MOBIPAY INTERNATIONAL, S.A. (*) SPAÍN REAL ESTATE — 50.00 50.00 15,817 73,616 41,707 31,979 (7.4 MOBIPAY INTERNAT				-	26.00						(44)
DESARROLIO S.A C. SPAIN SERVICES 21.82 - 21.82 10.673 59.574 12,455 46,048 1.07 COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V. MEXICO SERVICES - 50.00 50.00 3.088 7.846 1.896 9.321 (3.37 COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V. MEXICO SERVICES - 50.00 50.00 564,762 1.236,368 303,371 869,472 63,52 FERROMÓVIL 3000, S.L. SPAIN SERVICES - 20.00 20.00 6.361 FERROMÓVIL 3000, S.L. SPAIN SERVICES - 20.00 20.00 4.155 FERROMÓVIL 9000, S.L. SPAIN SERVICES - 20.00 20.00 4.155 FERROMÓVIL 9000, S.L. SPAIN SERVICES - 20.00 20.00 4.155 FERROMÓVIL 9000, S.L. SPAIN SERVICES - 20.00 20.00 4.155 FERROMÓVIL 9000, S.L. SPAIN SERVICES - 20.00 20.00 4.155 FERROMÓVIL 9000, S.L. SPAIN SERVICES - 20.00 25.00 12.213 FERROMÓVIL 9000, S.L. SPAIN SERVICES - 20.00 25.00 12.213 FERROMÓVIL 9000, S.L. SPAIN SERVICES - 44.39 44.39 4.406 24.490 14.937 8.616 93 81.655 (1.20 S.M. SERVICES - 44.39 44.39 4.406 24.490 14.937 8.616 93 81.655 (1.20 S.M. SERVICES - 44.39 44.39 4.406 24.490 14.937 8.616 93 81.655 (1.20 S.M. SERVICES - 43.34 43.34 7.835 26.577 20.668 5.942 (3.3 MOBILARIA DAS AVENIDAS NOVAS, S.A. PORTUGAL REAL ESTATE - 49.97 49.97 2.603 5.767 450 5.560 (24.400) 14.000 14.000 15	COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL										
CORPORACIÓN IBV PARTICIPACIONES EMPRESARIALES, SA. (*)  SPAIN  SPAIN  SERVICES  - 20.00  20.00  6.361	DESARROLLO S.A.	SPAIN	SERVICES	21.82	-	21.82	10,673	59,574	12,455	46,048	1,071
CORPORACIÓN IBV PARTICIPACIONES EMPRESARIALES, S.A. (*)  SPAIN  SERVICES  - 20.00  20.00  6,361	Compañía mexicana de procesamiento, s.a. de c.v.	MEXICO	SERVICES	_	50.00	50.00	3,088	7,846	1,896	9,321	(3,371)
FERROMOVIL 3000, S.L.  SPAIN  SERVICES  - 20.00  20.00  4.155	CORPORACIÓN IBV PARTICIPACIONES										
FERROMOVIL 9000, S.L.  SPAIN SERVICES - 20.00 20.00 4,155	EMPRESARIALES, S.A. (*)			-				1,236,368	303,371	869,472	63,525
FIDEICOMISO 70191-2 PUEBLA (*)  MEXICO REAL ESTATE - 25.00 25.00 12,213 GRUPO PROFESIONAL PLANEACION Y PROYECTOS, S.A.  DE C.V. (*)  MEXICO SERVICES - 44.39 44.39 4,406 24,490 14,937 8,616 93  MESTENAR, S.L. (*)  SPAIN REAL ESTATE - 43.34 43.34 7,835 26,577 20,668 5,942 (3)  MIMOBILIARIA DAS AVENIDAS NOVAS, S.A.  PORTUGAL REAL ESTATE - 49,97 49,97 2,603 5,767 450 5,560 (24)  MIMOBILIARIA DUQUE DE ÁVILA, S.A. (*)  PORTUGAL REAL ESTATE - 50.00 50.00 4,725 26,171 16,323 7,771 2,07  MIMUBELES MADARIJAGA PROMOCIONES, S.L. (*)  SPAIN REAL ESTATE - 50.00 50.00 3,123 8,072 1,745 6,354 (2)  ARAPINES DEL RUBIN, S.A. (*)  SPAIN REAL ESTATE - 50.00 50.00 2,999 36,607 32,504 3,990 11.  LA ESMERALDA DESARROLLOS, S.L. (*)  SPAIN REAL ESTATE - 50.00 50.00 15,817 73,616 41,707 31,979 (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN REAL ESTATE - 50.00 50.00 15,817 73,616 41,707 31,979 (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN REAL ESTATE - 50.00 50.00 15,817 73,616 41,707 31,979 (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN REAL ESTATE - 50.00 50.00 15,817 73,616 41,707 31,979 (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN REAL ESTATE - 50.00 50.00 15,817 73,616 41,707 31,979 (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN REAL ESTATE - 50.00 50.00 15,817 73,616 41,707 31,979 (7)  MORIFALMENARA GOLIF, S.L. (*)  SPAIN REAL ESTATE - 50.00 50.00 15,813 49,326 33,720 15,663 (5)  PARQUE REFORMA SANTA FE, S.A. DE C.V.  MEXICO REAL ESTATE - 50.00 50.00 10,000 7,00				-		20.00	6,361	-	-	-	_ (
GRUPO PROFESIONAL PLANEACIÓN Y PROYECTOS, S.A. DE CV. (*) DE CV. (*) DE CV. (*) DE CV. (*) SPAIN REAL ESTATE  - 44.39 44.39 44.39 4.406 24.490 14.937 8.616 93 HESTENAR, S.L. (*) SPAIN REAL ESTATE  - 49.97 49.97 49.97 2.603 5.767 450 5.500 2.6577 2.668 5.942 3.100		SPAIN		-		20.00	4,155	-	-	-	_ (
DE CV. (*)  MEXICO SERVICES — 44.39 44.39 4.406 24.490 14.937 8.616 93  HESTENAR, S.L. (*)  SPAIN REAL ESTATE — 43.34 43.34 7.835 26.577 20.668 5.942 (3)  MOBILIARIA DAS AVENIDAS NOVAS, S.A. PORTUGAL REAL ESTATE — 49.97 49.97 2.603 5.767 450 5.560 (24)  IMOBILIARIA DUQUE DE ÁVILA, S.A. (*)  PORTUGAL REAL ESTATE — 50.00 50.00 4,725 26.171 16.323 7,771 2,07  NMUEBLIS MADARIAGA PROMOCIONES, S.L. (*)  SPAIN REAL ESTATE — 50.00 50.00 2,999 36.607 32.504 3,990 11  LA ESMERALDA DESARROLLOS, S.L. (*)  SPAIN REAL ESTATE — 50.00 50.00 2,999 36.607 32.504 3,990 11  LA ESMERALDA DESARROLLOS, S.L. (*)  SPAIN REAL ESTATE — 50.00 50.00 15.817 73.616 41,707 31.979 (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN REAL ESTATE — 50.00 50.00 15.817 73.616 41,707 31.979 (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN SERVICES — 50.00 50.00 15.873 49.326 33,720 15.663 (5)  PARQUE REFORMA SANTA FE, S.A. DE C.V. MEXICO REAL ESTATE — 30.00 30.00 4.652 30,368 11,309 19,736 (67)  PARTS SERVIRED, SDAD. CIVIL  SPAIN REAL ESTATE — 50.00 50.00 9,067 73.644 56,091 19,007 (1,45)  ROMBO COMPANÍA FINANCIERA, S.A. ARGENTINA FINANCIAL SERV. — 40.00 40.00 3,285 32,736 24,314 8,481 (5)  SERVICES — 45.98 45.98 45.68 45.69 33,518 19,007 (1,45)  ROMBO COMPANÍA FINANCIERA, S.A. BREAL ESTATE — 50.00 50.00 10,747 69,686 70,935 2,330 (3,57)  TIELEFÓNICO S ELECTRÓNICO, S.A. DE C.V. MEXICO SERVICES — 50.00 50.00 10,747 69,686 70,935 2,330 (3,57)  TIELEFONICO, S.A. DE C.V. MEXICO SERVICES — 50.00 50.00 10,747 69,686 70,935 2,330 (3,57)  TIELEFONICO, S.A. DE C.V. MEXICO SERVICES — 50.00 50.00 10,747 69,686 70,935 2,330 (3,57)  TIELEFONICO, S.A. DE C.V. (*)  MEXICO SERVICES — 50.00 50.00 10,747 69,686 70,935 2,330 (3,57)  TIBLOS REUNIDOS, S.A. SPAIN INDUSTRIAL 0.01 24.26 24.27 69,284 578,059 333,518 212,419 32,12  DIRAS SOCIEDADES		MEXICO	REAL ESTATE	-	25.00	25.00	12,213	-	-	-	_ (
HESTENAR, S.L. (*)  SPAIN  REAL ESTATE  - 43.34  43.34  7,835  26,577  20,668  5,942  (3)  MOBILIARIA DAS AVENIDAS NOVAS, S.A.  PORTUGAL  REAL ESTATE  - 49.97  49.97  2,603  5,767  450  5,560  (24)  MOBILIARIA DUQUE DE ÁVILA, S.A. (*)  PORTUGAL  REAL ESTATE  - 50.00  50.00  4,725  26,171  16,323  7,771  20,71  20,688  24,317  16,323  7,771  20,688  24,317  16,323  7,771  20,688  24,317  16,323  7,771  20,688  24,317  16,323  7,771  20,688  24,318  16,323  7,771  20,688  24,318  16,323  7,771  20,688  24,318  16,323  7,771  20,688  26,577  20,668  5,942  (3)  MOBILIARIA DUQUE DE ÁVILA, S.A. (*)  PORTUGAL  REAL ESTATE  - 50.00  50.00  3,123  8,072  1,745  6,354  (2)  JARDINIES DEL RUBIN, S.A. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  2,999  36,607  32,504  3,990  11  LA ESMERALDA DESARROLLOS, S.L. (*)  SPAIN  REAL ESTATE  - 45.00  45.00  8,948	GRUPO PROFESIONAL PLANEACIÓN Y PROYECTOS, S.A.										
MOBILIARIA DAS AVENIDAS NOVAS, S.A.   PORTUGAL   REAL ESTATE   - 49.97   49.97   2,603   5,767   450   5,560   (24   MOBILIARIA DUQUE DE ÁVILA, S.A. (*)   PORTUGAL   REAL ESTATE   - 50.00   50.00   4,725   26,171   16,323   7,771   2,07	DE C.V. (*)										937
MOBILIARIA DUQUE DE ÁVILA, S.A. (*)   PORTUGAL   REAL ESTATE   - 50.00   50.00   4,725   26,171   16,323   7,771   2,07     INMUEBLES MADARIAGA PROMOCIONES, S.L. (*)   SPAIN   REAL ESTATE   50.00   - 50.00   3,123   8,072   1,745   6,354   (2)     JARDINES DEL RUBIN, S.A. (*)   SPAIN   REAL ESTATE   - 50.00   50.00   2,999   36,607   32,504   3,990   11     LA ESMERALDA DESARROLLOS, S.L. (*)   SPAIN   REAL ESTATE   - 45.00   45.00   8,948       LAS PEDRAZAS GOLF, S.L. (*)   SPAIN   REAL ESTATE   - 50.00   50.00   15,817   73,616   41,707   31,979   (7)     MOBIPAY INTERNATIONAL, S.A. (*)   SPAIN   SERVICES   - 50.00   50.00   2,403   6,214   341   8,243   (2,37)     MONTEALMENARA GOLF, S.L. (*)   SPAIN   REAL ESTATE   - 50.00   50.00   15,893   49,326   33,720   15,663   (5)     PARQUE REFORMA SANTA FE, S.A. DE C.V.   MEXICO   REAL ESTATE   - 50.00   50.00   4,652   30,368   11,309   19,736   (67)     PART. SERVIRED, SDAD. CIVIL   SPAIN   SERVICES   20.50   0.92   21.42   10,615   53,084   3,713   49,346   2,700     PROMOTORA METROVACESA S.L. (*)   SPAIN   REAL ESTATE   - 50.00   50.00   9,067   73,644   56,091   19,007   (1,45   56,000   10,45   56,000				_							(33)
INMUEBLES MADARIAGA PROMOCIONES, S.L. (*)   SPAIN   REAL ESTATE   50.00   - 50.00   3,123   8,072   1,745   6,354   (2)   JARDINES DEL RUBIN, S.A. (*)   SPAIN   REAL ESTATE   - 50.00   50.00   2,999   36,607   32,504   3,990   11   1.4 ESMERALDA DESARROLLOS, S.L. (*)   SPAIN   REAL ESTATE   - 45.00   45.00   8,948       -   -     1.4 ESMERALDA DESARROLLOS, S.L. (*)   SPAIN   REAL ESTATE   - 50.00   50.00   15,817   73,616   41,707   31,979   (7)   (7)   (7)   (7)   (7)   (8)   (8)   (8)   (1)											(243)
JARDINES DEL RUBIN, S.A. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  2,999  36,607  32,504  3,990  11  LA ESMERALDA DESARROLLOS, S.L. (*)  SPAIN  REAL ESTATE  - 45.00  45.00  8,948					50.00						2,077
LA ESMERALDA DESARROLLOS, S.L. (*)  SPAIN  REAL ESTATE  - 45.00  45.00  8,948		SPAIN		50.00			3,123				(27)
LAS PEDRAZAS GOLF, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  15,817  73,616  41,707  31,979  (7)  MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN  SERVICES  - 50.00  50.00  2,403  6,214  341  8,243  (2,37)  MONTEALMENARA GOLF, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  15,893  49,326  33,720  15,663  (5)  PARQUE REFORMA SANTA FE, S.A. DE C.V.  MEXICO  REAL ESTATE  - 30.00  30.00  4,652  30,368  11,309  19,736  (67)  PART. SERVIRED, SDAD. CIVIL  SPAIN  SERVICES  20.50  0,92  21,42  10,615  53,084  3,713  49,346  2  PROMOTORA METROVACESA, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  9,067  73,644  56,091  19,007  (1,45)  ROMBO COMPAÑIÁ FINANCIERA, S.A.  ARGENTINA  FINANCIAL SERV.  - 40.00  40.00  3,285  32,736  24,314  8,481  (5)  SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.  MEXICO  SERVICES  - 45,98  45,98  4,680  21,577  10,748  10,433  39  TELEFÓNICA FACTORING, E.F.C., S.A.  SPAIN  FINANCIAL SERV.  30.00  - 30.00  2,839  95,422  85,761  6,905  2,75  TELEPEAJE ELECTRÓNICO, S.A.  SPAIN  INDUSTRIAL  0.01  24,26  24,27  69,284  578,059  333,518  212,419  32,12  OTRAS SOCIEDADES	JARDINES DEL RUBIN, S.A. (*)	SPAIN		_				36,607	32,504	3,990	113
MOBIPAY INTERNATIONAL, S.A. (*)  SPAIN  SERVICES  - 50.00  50.00  2,403  6,214  341  8,243  (2,37  MONTEALMENARA GOLF, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  15,893  49,326  33,720  15,663  (5)  PARQUE REFORMA SANTA FE, S.A. DE C.V.  MEXICO  REAL ESTATE  - 30.00  30.00  4,652  30,368  11,309  19,736  (67)  PART. SERVIRED, SDAD. CIVIL  SPAIN  SERVICES  20.50  0,92  21,42  10,615  53,084  3,713  49,346  2  PROMOTORA METROVACESA, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  9,067  73,644  56,091  19,007  (1,45)  ROMBO COMPAÑIÁ FINANCIERA, S.A.  ARGENTINA  FINANCIAL SERV.  - 40.00  40.00  3,285  32,736  24,314  8,481  (5)  SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.  MEXICO  SERVICES  - 45,98  45,98  4,680  21,577  10,748  10,433  39  TELEFÓNICA FACTORING, E.F.C., S.A.  SPAIN  FINANCIAL SERV.  30.00  - 30.00  2,839  95,422  85,761  6,905  2,75  TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*)  MEXICO  SERVICES  - 50.00  50.00  10,747  69,686  70,935  2,330  3,577  TUBOS REUNIDOS, S.A.  SPAIN  INDUSTRIAL  0.01  24,26  24,27  69,284  578,059  333,518  212,419  32,12  OTRAS SOCIEDADES				_			8,948		_	-	_ '
MONTEALMENARA GOLF, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  15,893  49,326  33,720  15,663  (5  PARQUE REFORMA SANTA FE, S.A. DE C.V.  MEXICO  REAL ESTATE  - 30.00  30.00  4,652  30,368  11,309  19,736  (67)  PART. SERVIRED, SDAD. CIVIL  SPAIN  SERVICES  20.50  0.92  21.42  10,615  53,084  3,713  49,346  2  PROMOTORA METROVACESA, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  9,067  73,644  56,091  19,007  (1,45)  ROMBO COMPAÑIÁ FINANCIERA, S.A.  ARGENTINA  FINANCIAL SERV.  - 40.00  40.00  3,285  32,736  24,314  8,481  (5)  SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.  MEXICO  SERVICES  - 45,98  45,98  4,680  21,577  10,748  10,433  39  TELEFÓNICA FACTORING, E.F.C., S.A.  SPAIN  FINANCIAL SERV.  30.00  - 30.00  2,839  95,422  85,761  6,905  2,75  TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*)  MEXICO  SERVICES  - 50.00  50.00  10,747  69,686  70,935  2,330  3,577  TUBOS REUNIDOS, S.A.  SPAIN  INDUSTRIAL  0.01  24,26  24,27  69,284  578,059  333,518  212,419  32,12  OTRAS SOCIEDADES				_							(70)
PARQUE REFORMA SANTA FE, S.A. DE C.V. MEXICO REAL ESTATE - 30.00 30.00 4,652 30,368 11,309 19,736 (67. PART. SERVIRED, SDAD. CIVIL SPAIN SERVICES 20.50 0.92 21.42 10,615 53,084 3,713 49,346 2 PROMOTORA METROVACESA, S.L. (*) SPAIN REAL ESTATE - 50.00 50.00 9,067 73,644 56,091 19,007 (1,45 ROMBO COMPAÑÍA FINANCIERA, S.A. ARGENTINA FINANCIAL SERV 40.00 40.00 3,285 32,736 24,314 8,481 (5. SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V. MEXICO SERVICES - 45,98 45,98 4,680 21,577 10,748 10,433 39 TELEFÓNICA FACTORING, E.F.C., S.A. SPAIN FINANCIAL SERV. 30.00 - 30.00 2,839 95,422 85,761 6,905 2,75 TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*) MEXICO SERVICES - 50.00 50.00 10,747 69,686 70,935 2,330 (3,57) TUBOS REUNIDOS, S.A. SPAIN INDUSTRÍAL 0.01 24,26 24,27 69,284 578,059 333,518 212,419 32,12 OTRAS SOCIEDADES					50.00	50.00	2,403	6,214	341	8,243	(2,370)
PARQUE REFORMA SANTA FE, S.A. DE C.V. MEXICO REAL ESTATE — 30.00 30.00 4,652 30,368 11,309 19,736 (67. PART. SERVIRED, SDAD. CIVIL SPAIN SERVICES 20.50 0.92 21.42 10,615 53,084 3,713 49,346 2 PROMOTORA METROVACESA, S.L. (*) SPAIN REAL ESTATE — 50.00 50.00 9,067 73,644 56,091 19,007 (1,45 ROMBO COMPAÑÍA FINANCIERA, S.A. ARGENTINA FINANCIAL SERV. — 40.00 40.00 3,285 32,736 24,314 8,481 (5 SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V. MEXICO SERVICES — 45.98 45.98 4,680 21,577 10,748 10,433 39 TELEFÓNICA FACTORING, E.F.C., S.A. SPAIN FINANCIAL SERV. 30.00 — 30.00 2,839 95,422 85,761 6,905 2,75 TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*) MEXICO SERVICES — 50.00 50.00 10,747 69,686 70,935 2,330 (3,57) TUBOS REUNIDOS, S.A. SPAIN INDUSTRIAL 0.01 24.26 24.27 69,284 578,059 333,518 212,419 32,12 OTRAS SOCIEDADES	MONTEALMENARA GOLF, S.L. (*)	SPAIN	REAL ESTATE	-	50.00	50.00	15,893	49,326	33,720	15,663	(57)
PROMOTORA METROVACESA, S.L. (*)  SPAIN  REAL ESTATE  - 50.00  50.00  9,067  73,644  56,091  19,007  (1,45  ROMBO COMPAÑÍA FINANCIERA, S.A.  ARGENTINA  FINANCIAL SERV.  - 40.00  40.00  3,285  32,736  24,314  8,481  (5)  SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.  MEXICO  SERVICES  - 45,98  45,98  46,80  21,577  10,748  10,433  39  TELEFÓNICA FACTORING, E.F.C., S.A.  SPAIN  FINANCIAL SERV.  30.00  - 30.00  2,839  95,422  85,761  6,905  2,75  TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*)  MEXICO  SERVICES  - 50.00  50.00  10,747  69,686  70,935  2,330  (3,57)  TUBOS REUNIDOS, S.A.  SPAIN  INDUSTRÍAL  0.01  24,26  24,27  69,284  578,059  333,518  212,419  32,12  OTRAS SOCIEDADES	Parque reforma santa fe, s.a. de c.v.	MEXICO	REAL ESTATE	-	30.00	30.00	4,652	30,368	11,309	19,736	(678)
ROMBO COMPAÑÍA FINANCIERA, S.A. ARGENTINA FINANCIAL SERV 40.00 40.00 3,285 32,736 24,314 8,481 (5 SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V. MEXICO SERVICES - 45.98 45.98 4,680 21,577 10,748 10,433 39 TELEFÓNICA FACTORING, E.F.C., S.A. SPAIN FINANCIAL SERV. 30.00 - 30.00 2,839 95,422 85,761 6,905 2,75 TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*) MEXICO SERVICES - 50.00 50.00 10,747 69,686 70,935 2,330 (3,57 TUBOS REUNIDOS, S.A. SPAIN INDUSTRIAL 0.01 24.26 24.27 69,284 578,059 333,518 212,419 32,12 OTRAS SOCIEDADES 27,506	PART. SERVIRED, SDAD. CIVIL			20.50		21.42	10,615	53,084	3,713	49,346	25
SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.         MEXICO         SERVICES         — 45.98         45.98         4,680         21,577         10,748         10,433         39           TELEFÓNICA FACTORING, E.F.C., S.A.         SPAIN         FINANCIAL SERV.         30.00         — 30.00         2,839         95,422         85,761         6,905         2,75           TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*)         MEXICO         SERVICES         — 50.00         50.00         10,747         69,686         70,935         2,330         (3,57           TUBOS REUNIDOS, S.A.         SPAIN         INDUSTRIAL         0.01         24.26         24.27         69,284         578,059         333,518         212,419         32,12           OTRAS SOCIEDADES         27,506	Promotora metrovacesa, S.L. (*)		REAL ESTATE	-	50.00	50.00	9,067	73,644	56,091	19,007	(1,454)
SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.         MEXICO         SERVICES         — 45.98         45.98         46.80         21,577         10,748         10,433         39           TELEFÓNICA FACTORING, E.F.C., S.A.         SPAIN         FINANCIAL SERV.         30.00         — 30.00         2,839         95,422         85,761         6,905         2,75           TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*)         MEXICO         SERVICES         — 50.00         50.00         10,747         69,686         70,935         2,330         (3,57           TUBOS REUNIDOS, S.A.         SPAIN         INDUSTRIAL         0.01         24.26         24.27         69,284         578,059         333,518         212,419         32,12           OTRAS SOCIEDADES         27,506	ROMBO COMPAÑÍA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.	-	40.00	40.00	3,285	32,736	24,314	8,481	(59
TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*) MEXICO SERVICES - 50.00 50.00 10,747 69,686 70,935 2,330 (3,57) TUBOS REUNIDOS, S.A. SPAIN INDUSTRIAL 0.01 24.26 24.27 69,284 578,059 333,518 212,419 32,12  OTRAS SOCIEDADES 27,506	SERVICIOS ELECTRÓNICOS GLOBALES, S.A. DE C.V.		SERVICES	-	45.98	45.98	4,680	21,577	10,748	10,433	397
TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*) MEXICO SERVICES - 50.00 50.00 10,747 69,686 70,935 2,330 (3,57) TUBOS REUNIDOS, S.A. SPAIN INDUSTRIAL 0.01 24.26 24.27 69,284 578,059 333,518 212,419 32,12  OTRAS SOCIEDADES 27,506	TELEFÓNICA FACTORING, E.F.C., S.A.	SPAIN	FINANCIAL SERV.	30.00	-	30.00	2,839	95,422	85,761	6,905	2,756
TUBOS REUNIDOS, S.A.         SPAIN         INDUSTRIAL         0.01         24.26         24.27         69.284         578,059         333,518         212,419         32,12           OTRAS SOCIEDADES         27,506	TELEPEAJE ELECTRÓNICO, S.A. DE C.V. (*)	MEXICO		_	50.00						(3,579)
	TUBOS REUNIDOS, S.A.			0.01							
TOTAL 888,936 2,639,260 1,148,697 1,401,073 89,490	OTRAS SOCIEDADES						27,506				
	TOTAL						888,936	2,639,260	1,148,697	1,401,073	89,490

Data relating to the lastest financial statements (generally for 2005) approved at the date of preparation of these notes to the consolidated financial statements. For the companies abroad the exchange rates ruling at the reference date are applied,

(1) Consolidated data.
(2) Company incorporated in 2006.
(3) Jointly controlled entitles accounted for using the equity method.

### **APPENDIX IV**

		% of owner	rship	
Comapany	Activity	Net % acquired (sold) in the year	Percentage at year-end	Date of notification to investee
Acquisitions made until December 31, 2005				
Franquicia Textura, S.A. (1)	INDUSTRIAL	100.00	_	March 10, 2005
NICIATIVAS RESIDENCIALES EN INTERNET, S.A.	SERVICES	50.00	100.00	March 10, 2005
Montealiaga, S.A.	REAL ESTATE	40.00	100.00	March 10, 2005
TEXTIL TEXTURA, S.L.	INDUSTRIAL	64.50	64.50	March 10, 2005
Textura globe, s.a. (2)	INDUSTRIAL	100.00	_	March 10, 2005
Acquisitions made until December 31, 2006				
BBVA CARTERA DE INVERSIONES SICAV, S.A.	PORTFOLIO	17.40	92.25	January 9, 2007
HESTENAR, S.L.	REAL ESTATE	3.34	43.34	January 18, 2007
NENSUR BRUNETE, S.L.	REAL ESTATE	50.00	100.00	October 20, 2006
TÉCNICAS REUNIDAS, S.A.	SERVICES	(15.23)	10.16	June 26, 2006
UNO-E BANK, S.A.	BANKING	33.00	100.00	August 10, 2006

### **APPENDIX V**

by non-Group sȟareholders		% of voting rights controlled by the Bank					
Company	Activity	Direct	Indirect	Other	Total		
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA (AFP PROVIDA)	PENSIONS	12.70	51.62	-	64.32		
AFP PREVISIÓN BBV-ADM.DE FONDOS DE PENSIONES, S.A.	PENSIONS	75.00	5.00	-	80.00		
ALTITUDE INVESTMENTS LIMITED	FINANCIAL SERV.	51.00	-	-	51.00		
ALTURA MARKETS, A.V., S.A.	SECURITIES	50.00	-	-	50.00		
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	BANKING	60.92	6.92	-	67.84		
BANCO PROVINCIAL S.A BANCO UNIVERSAL	BANKING	1.85	53.75	-	55.60		
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SECURITIES	70.00	-	-	70.00		
BBVA CARTERA DE INVERSIONES, SICAV, S.A.	PORTFOLIO	92.25	-	-	92.25		
BBVA CRECER AFP, S.A.	FINANCIAL SERV.	35.00	35.00	-	70.00		
BBVA INMOBILIARIA E INVERSIONES, S.A.	real estate	-	68.11	-	68.11		
DESARROLLO URBANÍSTICO DE CHAMARTÍN, S.A.	real estate	-	72.50	-	72.50		
EL OASIS DE LAS RAMBLAS, S.L.	REAL ESTATE	-	70.00	-	70.00		
ESTACIÓN DE AUTOBUSES CHAMARTÍN, S.A.	SERVICES	_	51.00	-	51.00		
FINANZIA AUTORENTING, S.A.	SERVICES		85.00		85.00		
FORO LOCAL, S.L.	SERVICES	_	60.13	-	60.13		
GESTIÓN DE PREVISIÓN Y PENSIONES, S.A.	PENSIONS	60.00	<b>–</b>		60.00		
HOLDING CONTINENTAL, S.A.	PORTFOLIO	50.00		_	50.00		
BERDROLA SERVICIOS FINANCIEROS, E.F.C., S.A.	FINANCIAL SERV.		84.00	<u> </u>	84.00		
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	PORTFOLIO	48.01			48.01		
IARDINES DE SARRIENA, S.L.	REAL ESTATE		85.00		85.00		
MIRADOR DE LA CARRASCOSA, S.L.	REAL ESTATE	_	55.90	_	55.90		
PERI 5.1 SOCIEDAD LIMITADA	REAL ESTATE		54.99	_	54.99		
Preventis, S.A.	INSURANCE		75.01	_	75.01		
PRO-SALUD, C.A.	SERVICES	_	58.86	-	58.86		
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	REAL ESTATE	_	58.50	-	58.50		
PROVINCIAL DE VALORES CASA DE BOLSA	FINANCIAL SERV.	_	90.00	-	90.00		
Próxima alfa investments, sgiic s.a.	FINANCIAL SERV.	51.00	-	_	51.00		
unidad de avaluos méxico s.a. de c.v.	FINANCIAL SERV.	_	90.00	-	90.00		
vitamédica s.a. de c.v.	INSURANCE	-	50.99	_	50.99		

# APPENDIX VI. Reconciliation of the closing balances for 2003 and 2004 to the opening balances for 2004 and 2005

EU-IFRS 1 requires that the first consolidated financial statements prepared in accordance with EU-IFRSs include a reconciliation of the closing balances for the immediately

preceding year to the opening balances for the year to which these financial statements refer.

ASSETS			
CASH AND BALANCES WITH CENTRAL BANKS	Closing balances for 2003 8,109,875	Differences —	Opening balances for 200 8,109,875
FINANCIAL ASSETS HELD FOR TRADING (c)	27,381,896	8,605,568	35,987,464
Loans and advances to credit institutions	_	-	_
Money market operations through counterparties	-	_	-
Loans and advances to other debtors	-	-	-
Debt securities	25,630,096	3,035,302	28,665,398
Other equity instruments	2,029,414	-	2,029,414
Trading derivatives (g)	(277,614)	5,570,266	5,292,652
Memorandum item: Loaned or advanced as collateral	-	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (c)	-	957,477	957,477
Loans and advances to credit institutions	-	-	-
Money market operations through counterparties	-	_	_
Loans and advances to other debtors	-	_	_
Debt securities	_	_	_
Other equity instruments	_	957,477	957,477
Memorandum item: Loaned or advanced as collateral	_	_	_
AVAILABLE-FOR-SALE FINANCIAL ASSETS (c)	38,605,149	14,201,885	52,807,034
Debt securities	37,542,499	9,820,921	47,363,420
Other equity instruments	1,062,650	4,380,964	5,443,614
Memorandum item: Loaned or advanced as collateral	-	-	_
LOANS AND RECEIVABLES (d)	180,568,400	(463,192)	180,105,208
Loans and advances to credit institutions	20,907,129	_	20,907,129
Money market operations through counterparties	399,997	-	399,997
Loans and advances to other debtors	150,818,244	-	150,818,244
Debt securities	6,671,421	(463,192)	6,208,229
Other financial assets	1,771,609	_	1,771,609
Memorandum item: Loaned or advanced as collateral	-	-	-
HELD-TO-MATURITY INVESTMENTS (c)	1,567,535	(1,567,535)	-
Memorandum item: Loaned or advanced as collateral	=	_	-
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTER	EST RATE RISK –	_	-
HEDGING DERIVATIVES (q)	-	5,255,417	5,255,417
NON-CURRENT ASSETS HELD FOR SALE	183,172	-	183,172
Loans and advances to credit institutions	-	_	_
Loans and advances to other debtors	_	_	_
Debt securities		_	_
Equity instruments	_	-	_
Tangible assets	183,172	-	183,172
Other assets	_	_	
INVESTMENTS (a)	7,703,617	(6,219,232)	1,484,385
Associates	7,703,617	(6,517,463)	1,186,154
Jointly controlled entities		298,231	298,231
INSURANCE CONTRACTS LINKED TO PENSIONS (f)	4,629	(4,629)	
REINSURANCE ASSETS (a)	1,027	21,369	21,369

	Closing balances for 2003	Differences	Opening balances for 200
TANGIBLE ASSETS (i)	3,608,109	190,398	3,798,507
For own use	3,462,320	(113,993)	3,348,327
Investment property	145,789	-	145,789
Other assets leased out under an operating lease	-	304,391	304,391
Assigned to welfare projects	_	-	-
Memorandum item: Acquired under a finance lease	_	-	-
intangible assets	3,012,917	(2,165,589)	847,328
Goodwill (b)	2,650,889	(1,905,214)	745,675
Other intangible assets	362,028	(260,375)	101,653
tax assets	3,558,055	1,636,595	5,194,650
Current	110,021	-	110,021
Deferred	3,448,034	1,636,595	5,084,629
Prepayments and accrued income	1,411,919	(715,000)	696,919
OTHER ASSETS	6,706,528	(3,812,477)	2,894,051
Inventories	3,682	277,000	280,682
Other	6,702,846	(4,089,477)	2,613,369
TOTAL ASSETS	282,421,801	15,921,055	298,342,856

LIABILITIES	Closing balances for 2003	Difformene	Opening balances for 200
FINANCIAL LIABILITIES HELD FOR TRADING (c)	1,463,227	4,884,826	6,348,053
Deposits from credit institutions	-	+,00+,020 -	-
Money market operations through counterparties			_
Deposits from other creditors			
Debt certificates including bonds			
Trading derivatives (g)		4,884,826	4,884,826
Short positions	1,463,227	1,001,020	1,463,227
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (c)	1,703,227	957,477	957,477
Deposits from credit institutions	_	-	-
Deposits from other creditors	_	957,477	957.477
Debt certificates including bonds		707,117	707,177
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY			
Deposits from credit institutions			
Deposits from other creditors			
Debt certificates including bonds			
FINANCIAL LIABILITIES AT AMORTISED COST	247,096,917	3,776,495	250,873,412
Deposits from central banks	20,924,211	J,110,473	20.924.211
Deposits from credit institutions	39,182,350		39,182,350
Money market operations through counterparties	143,238		143,238
Deposits from other creditors	142,954,661	(114,599)	142,840,062
Debt certificates including bonds	34,469,312	(114,377)	34,469,312
Subordinated liabilities	7,399,613	3,891,094	11,290,707
Other financial liabilities	2,023,532	3,071,074	2,023,532
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES	Z,UZJ,UJZ		2,023,332
OF INTEREST RATE RISK (g)	_	114,599	114,599
HEDGING DERIVATIVES (g)		3,970,012	3,970,012
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		- 0,770,012	5,770,012
Deposits from central banks			
Deposits from credit institutions			
Deposits from other creditors			
Debt certificates including bonds			
Other liabilities			
LIABILITIES UNDER INSURANCE CONTRACTS (a)		8,112,411	8,112,411
PROVISIONS	4,941,987	3,693,015	8,635,002
Provisions for pensions and similar obligations (f)	3,031,913	3,449,375	6,481,288
Provisions for taxes	J <sub>1</sub> 031 <sub>1</sub> 710	86,645	86,645
Provisions for contingent exposures and commitments	209,270	70,438	279,708
Other provisions	1,700,804	86,557	1,787,361
TAX LIABILITIES	320,512	1,154,225	1,474,737
Current	105,716	1,104,223	1,474,737
Deferred	214,796	1,154,225	1,369,021
ACCRUED EXPENSES AND DEFERRED INCOME	1,299,472	1,104,220	1,299,472
OTHER LIABILITIES	8,633,291	(4,314,946)	4,318,345
Welfare fund	0,033,271	(4,314,740)	4,310,343
Other	0 622 201	(4 214 044)	4 210 24E
EQUITY HAVING THE NATURE OF A FINANCIAL LIABILITY	8,633,291	(4,314,946)	4,318,345
TOTAL LIABILITIES	263,755,406	22,348,114	286,103,520

	Closing balances for 2003	Differences	Opening balances for 200
MINORITY INTERESTS	5,853,458	(3,936,294)	
VALUATION ADJUSTMENTS	(2,211,849)	3,903,175	1,691,326
Available-for-sale financial assets (c)	=	1,677,380	1,677,380
Financial liabilities at fair value through equity	-	_	-
Cash flow hedges (g)	-	13,946	13,946
Hedges of net investments in foreign operations	-	-	-
Exchange differences (k)	(2,211,849)	2,211,849	-
Non-current assets held for sale	-	-	-
SHAREHOLDER'S EQUITY	15,024,786	(6,393,940)	8,630,846
Capital	1,565,968	-	1,565,968
Issued	1,565,968	-	1,565,968
Unpaid and uncalled (-)	-	-	_
Share premium	6,273,901	(469,083)	5,804,818
Reserves	5,884,171	(5,908,915)	(24,744)
Accumulated reserves (losses)	4,636,173	(5,248,473)	(612,300)
Retained earnings	-	-	-
Reserves (losses) of entities accounted for using the equity method	1,247,998	(660,442)	587,556
Associates	1,247,998	(660,442)	587,556
Jointly controlled entities	-	-	-
Other equity instruments	-	-	-
Equity component of compound financial instruments	-	-	-
Other	-	-	-
Treasury shares (I)	(66,059)	(15,942)	(82,001)
Income attributed to the Group	2,226,701	-	2,226,701
Dividends and remuneration	(859,896)	-	(859,896)
TOTAL EQUITY	18,666,395	(6,427,059)	12,239,336
TOTAL LIABILITIES AND EQUITY	282,421,801	15,921,055	298,342,856

ASSETS	Closing balances for 2004	Differences	Opening balances for 200
CASH AND BALANCES WITH CENTRAL BANKS	10,122,238	852	10,123,090
FINANCIAL ASSETS HELD FOR TRADING	30,426,845	16,609,215	47,036,060
Loans and advances to credit institutions			
Money market operations through counterparties		_	_
Loans and advances to other debtors		_	_
Debt securities	27,498,188	2,898,391	30,396,579
Other equity instruments	2,928,657	2,762,228	5,690,885
Trading derivatives		10,948,596	10,948,596
Memorandum item: Loaned or advanced as collateral			_
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	1,059,490	1,059,490
Loans and advances to credit institutions	_	_	-
Money market operations through counterparties	-	-	-
Loans and advances to other debtors	-	_	-
Debt securities	-	58,771	58,771
Other equity instruments	-	1,000,719	1,000,719
Memorandum item: Loaned or advanced as collateral	-	_	_
AVAILABLE-FOR-SALE FINANCIAL ASSETS	37,180,593	15,822,952	53,003,545
Debt securities	33,843,746	11,193,482	45,037,228
Other equity instruments	3,336,847	4,629,470	7,966,317
Memorandum item: Loaned or advanced as collateral	_	-	_
LOANS AND RECEIVABLES	202,396,432	(5,504,229)	196,892,203
Loans and advances to credit institutions	16,958,178	(255,221)	16,702,957
Money market operations through counterparties	241,999	_	241,999
Loans and advances to other debtors	172,105,016	(21,944)	172,083,072
Debt securities	5,960,701	(463,192)	5,497,509
Other financial assets	7,130,538	(4,763,872)	2,366,666
Memorandum item: Loaned or advanced as collateral	-	_	_
HELD-TO-MATURITY INVESTMENTS	3,546,759	(1,325,257)	2,221,502
Memorandum item: Loaned or advanced as collateral	_	_	_
Changes in the fair value of the hedged items in Portfolio Hedges of interest R.	ATE RISK –	_	_
HEDGING DERIVATIVES	_	4,273,450	4,273,450
NON-CURRENT ASSETS HELD FOR SALE	164,136	(4,981)	159,155
Loans and advances to credit institutions	-	-	_
Loans and advances to other debtors	-	-	-
Debt securities	-	-	-
Equity instruments	-	-	-
Tangible assets	164,136	(4,981)	159,155
Other assets	-	-	-
INVESTMENTS	7,147,077	(5,747,937)	1,399,140
Associates	7,147,077	(6,236,981)	910,096
Jointly controlled entities		489,044	489,044
INSURANCE CONTRACTS LINKED TO PENSIONS	3,852	(3,852)	_
REINSURANCE ASSETS	-,	80,268	80,268

	Closing balances for 2004	Differences	Opening balances for 200
TANGIBLE ASSETS	3,619,223	320,413	3,939,636
For own use	3,510,789	(173,061)	3,337,728
Investment property	108,434	54,215	162,649
Other assets leased out under an operating lease	-	439,259	439,259
Assigned to welfare projects	-	-	-
Memorandum item: Acquired under a finance lease	-	-	-
ntangible assets	4,806,817	(3,985,733)	821,084
Goodwill	4,435,851	(3,725,358)	710,493
Other intangible assets	370,966	(260,375)	110,591
tax assets	3,533,107	2,457,589	5,990,696
Current	85,965	79,994	165,959
Deferred	3,447,142	2,377,595	5,824,737
PREPAYMENTS AND ACCRUED INCOME	1,433,354	(715,599)	717,755
OTHER ASSETS	2,660,825	(936,743)	1,724,082
Inventories	3,344	276,553	279,897
Other	2,657,481	(1,213,296)	1,444,185
TOTAL ASSETS	307,041,258	22,399,898	329,441,156

• • • • • • • • • • • • • • • • • • • •	Closing balances for 2004	Differences	Opening balances for 200
FINANCIAL LIABILITIES HELD FOR TRADING	1,331,501	12,802,912	14,134,413
Deposits from credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Deposits from other creditors	_	_	-
Debt certificates including bonds	_	_	_
Trading derivatives	_	12,802,912	12,802,912
Short positions	1,331,501		1,331,501
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	_	834,350	834,350
Deposits from credit institutions	-	-	-
Deposits from other creditors	-	834,350	834,350
Debt certificates including bonds	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	_	-	-
Deposits from credit institutions	-	-	-
Deposits from other creditors	-	-	-
Debt certificates including bonds	-	_	_
FINANCIAL LIABILITIES AT AMORTISED COST	271,183,419	4,400,108	275,583,527
Deposits from central banks	15,643,831	4,657,274	20,301,105
Deposits from credit institutions	48,174,366	(4,126,251)	44,048,115
Money market operations through counterparties	657,997	-	657,997
Deposits from other creditors	149,460,946	430,853	149,891,799
Debt certificates including bonds	44,413,762	1,068,359	45,482,121
Subordinated liabilities	8,107,752	4,219,625	12,327,377
Other financial liabilities	4,724,765	(1,849,752)	2,875,013
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES			
OF INTEREST RATE RISK	-	183,201	183,201
HEDGING DERIVATIVES	-	3,131,572	3,131,572
IABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-	_
Deposits from central banks	-	-	-
Deposits from credit institutions	-	-	-
Deposits from other creditors	-	-	-
Debt certificates including bonds	-	-	_
Other liabilities	_	-	_
Liabilities under insurance contracts	_	8,114,429	8,114,429
PROVISIONS	5,321,141	3,070,707	8,391,848
Provisions for pensions and similar obligations	3,275,995	3,028,289	6,304,284
Provisions for taxes	55,243	117,986	173,229
Provisions for contingent exposures and commitments	230,496	118,286	348,782
Other provisions	1,759,407	(193,854)	1,565,553
TAX LIABILITIES	323,200	1,297,595	1,620,795
Current	80,286	143,370	223,656
Deferred	242,914	1,154,225	1,397,139
ACCRUED EXPENSES AND DEFERRED INCOME	1,275,000	(9,220)	1,265,780
OTHER LIABILITIES	6,922,278	(4,546,300)	2,375,978
Welfare fund	-	_	-
Other	6,922,278	(4,546,300)	2,375,978
EQUITY HAVING THE NATURE OF A FINANCIAL LIABILITY			_
TOTAL LIABILITIES	- 286,356,539	29,279,354	315,635,893

	Closing balances for 2004	Differences	Opening balances for 200
MINORITY INTERESTS	4,609,521	(3,871,982)	737,539
/ALUATION ADJUSTMENTS	(2,308,236)	4,415,150	2,106,914
Available-for-sale financial assets	_	2,320,133	2,320,133
Financial liabilities at fair value through equity	_	- (0.1.774)	
Cash flow hedges	-	(24,776)	(24,776)
Hedges of net investments in foreign operations	-	282,895	282,895
Exchange differences	(2,308,236)	1,836,898	(471,338)
Non-current assets held for sale	_		_
SHAREHOLDER'S EQUITY	18,383,434	(7,422,624)	10,960,810
Capital	1,661,518		1,661,518
Issued	1,661,518		1,661,518
Unpaid and uncalled (-)	-		_
Share premium	8,177,101	(1,494,498)	6,682,603
Reserves	6,776,473	(6,031,339)	745,134
Accumulated reserves (losses)	5,800,494	(5,356,301)	444,193
Retained earnings	-		-
Reserves (losses) of entities accounted for using the equity method	975,979	(675,038)	300,941
Associates	975,979	(967,826)	8,153
Jointly controlled entities	-	292,788	292,788
Other equity instruments	-	_	-
Equity component of compound financial instruments	-	-	-
Other	_	-	_
<i>Treasury</i> shares	(18,370)	(17,476)	(35,846)
Income attributed to the Group	2,801,904	120,692	2,922,596
Dividends and remuneration	(1,015,192)	(3)	(1,015,195)
OTAL EQUITY	20,684,719	(6,879,456)	13,805,263
OTAL LIABILITIES AND EQUITY	307,041,258	22,399,898	329,441,156
MEMORANDUM ITEMS			
CONTINGENT EXPOSURES	21,652,940	(95,291)	21,557,649
Financial guarantees	21,202,083	(99,772)	21,102,311
Assets earmarked for third-party obligations	734	4,481	5,215
Other contingent exposures	450,123	-	450,123
CONTINGENT COMMITMENTS	66,884,166	(121,764)	66,762,402
Drawable by third parties	60,833,853	(116,975)	60,716,878

	2004	Differences	Re-expresed 2004
IINTEREST AND SIMILAR INCOME (e)	12,466,255	(113,917)	12,352,338
interest expense and similar charges (e) (h)	(6,100,675)	(347,269)	(6,447,944)
Remuneration of capital having the nature of a financial liability	-	-	-
Other	(6,100,675)	(347,269)	(6,447,944)
INCOME FROM EQUITY INSTRUMENTS (a)	703,729	(448,583)	255,146
A) NET INTEREST INCOME	7,069,309	(909,769)	6,159,540
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD (c)	359,992	(262,952)	97,047
Associates	359,992	(356,239)	3,753
Jointly controlled entities	-	93,287	93,287
FEE AND COMMISSION INCOME (e)	4,159,344	(102,363)	4,056,981
FEE AND COMMISSION EXPENSES (e)	(780,075)	136,116	(643,959)
INSURANCE ACTIVITY INCOME	(682)	391,300	390,618
Insurance and reinsurance premium income	-	2,062,030	2,062,030
Reinsurance premiums paid	-	(71,931)	(71,931)
Benefits paid and other insurance-related expenses	-	(1,704,113)	(1,704,113)
Reinsurance income	_	8,534	8,534
Net provisions for insurance contract liabilities	(682)	(413,062)	(413,744)
Finance income	_	708,901	708,901
Finance expense	_	(199,059)	(199,059)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	311,253	450,604	761,857
Held for trading (g)	1,295,873	(185,322)	1,110,551
Other financial instruments at fair value through profit or loss	_	1,296	1,296
Available-for-sale financial assets (c)	353,502	620,910	974,412
Loans and receivables	_	13,932	13,932
Other	(1,338,122)	(212)	(1,338,334)
EXCHANGE DIFFERENCES (NET)	312,504	(14,532)	297,972
B) GROSS INCOME	11,431,645	(311,596)	11,120,049
SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES	_	468,236	468,236
COST OF SALES	-	(341,745)	(341,745)
OTHER OPERATING INCOME	18,307	3,999	22,306
Personnel expenses (f)	(3,184,102)	(62,948)	(3,247,050)
OTHER ADMINISTRATIVE EXPENSES	(1,779,139)	(71,706)	(1,850,845)
DEPRECIATION AND AMORTISATION	(453,436)	5,230	(448,206)
Tangible assets	(361,212)	(2,100)	(363,312)
Intangible assets	(92,224)	7,330	(84,894)
OTHER OPERATING EXPENSES	(215,697)	83,558	(132,139)
C) NET OPERATING INCOME	5,817,578	(226,972)	5,590,606

C) NET OPERATING INCOME	Cierre 2004 5,817,578	Diferencias (226,972)	Saldos reexpresados 2004 5,590,606
MPAIRMENT LOSSES (NET)	(1,518,679)	560,485	(958,194)
Available-for-sale financial assets	(18,713)	74,569	55,856
Loans and receivables (d)	(930,727)	146,818	(783,909)
Held-to-maturity investments	-	-	-
Non-current assets held for sale	-	4,222	4,222
Investments	-	(39,508)	(39,508)
Tangible assets	12,453	(10,318)	2,135
Goodwill (b)	(581,692)	384,702	(196,990)
Other intangible assets	-	-	
Other assets	_	-	_
PROVISION EXPENSE (NET)	(844,336)	(6,221)	(850,557)
FINANCE INCOME FROM NON-FINANCIAL ACTIVITIES	=	8,737	8,737
FINANCE EXPENSES FROM NON-FINANCIAL ACTIVITIES	-	(4,712)	(4,712)
OTHER GAINS	1,060,783	(438,603)	622,180
Gains on disposal of tangible assets	96,535	6,339	102,874
Gains on disposal of investments	625,650	(308,140)	317,510
Other	338,598	(136,802)	201,796
OTHER LOSSES	(365,874)	94,654	(271,220)
Losses on disposal of tangible assets	(20,571)	(1,879)	(22,450)
Losses on disposal of investments	(36,254)	27,127	(9,127)
Other	(309,049)	69,406	(239,643)
D) INCOME BEFORE TAX	4,149,472	(12,632)	4,136,840
INCOME TAX	(957,004)	(71,627)	(1,028,631)
MANDATORY TRANSFER TO WELFARE FUNDS	_	_	_
E) INCOME FROM ORDINARY ACTIVITIES	3,192,468	(84,259)	3,108,209
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (NET)	_	_	-
F) CONSOLIDATED INCOME FOR THE PERIOD	3,192,468	(84,259)	3,108,209
NCOME ATTRIBUTED TO MINORITY INTERESTS	390,564	(204,951)	185,613
G) INCOME ATTRIBUTED TO THE GROUP	2,801,904	120,692	2,922,596

# MAIN EFFECTS OF ADAPTATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The estimated main effects of adaptation to the new standards are as follows:

### A) BASIS OF CONSOLIDATION

The entry into force of EU-IFRSs led to a change in the basis of consolidation for certain companies (Note 2.1). The effects of this change were as follows:

• The companies over which the Group exercises control, regardless of their business activity, were fully consolidated; the greatest economic impact resulting

from this change was that relating to insurance companies and real estate companies, and

 Certain investments were considered to be available-for-sale assets, since the Group could not demonstrate that it exercised significant influence over the investees.

### B) GOODWILL

Under the new standards goodwill is defined as the difference between the cost and the net fair value of the assets, liabilities and contingent liabilities acquired.

The main change is that goodwill is no longer amortised and is tested for impairment at least annually. In addition, goodwill must be stated in local currency, although that

arising prior to January 1, 2004 can continue to be expressed in euros. The Group decided to initially recalculate in local currency the goodwill existing at January 1, 2004, the date of transition to EU-IFRSs.

Investments acquired subsequent to the obtainment of control over a company (i.e. transactions involving the purchase of equity interests from minority shareholders) were treated as "equity transactions". The goodwill recorded on the transactions performed after control was obtained were written off against the heading Minority Interests and the surplus amount against the heading Reserves.

### C) FINANCIAL INSTRUMENTS

In accordance with the new standards, financial assets and liabilities held for trading are measured at fair value through profit or loss. Also, the gains and losses on the available-for-sale securities portfolio are recorded, net of their tax effect, in the equity account Valuation Adjustments.

As regards the classification of equity securities portfolios, under IFRSs significant influence is presumed to exist when an ownership interest of 20% is held in an investee. The Group classified Banca Nazionale del Lavoro, S.p.A. (BNL) as an associate, i.e. a company over which significant influence is exercised, since it considered that, although its equity interest is less than 20% (general criterion), the current shareholders' agreement gives it significant influence over the management of this entity. The entities classified as associates under the previous accounting standards and in which the Group has an ownership interest of less than 20% were reclassified to the available-for-sale portfolio (except for BNL), since it is considered that the Group does not exercise significant influence over them (Note 2.1). Therefore, in accordance with the new standards in force, the goodwill of these entities was derecognised, their accumulated prior years' profits or losses accounted for by the equity method were eliminated from reserves and, in addition, the differences relating from measuring these investments at market value were recorded under the heading Valuation Adjustments.

The recognition, measurement and disclosure criteria included in IASs 32 and 39, were applied retrospectively to January 1, 2004.

January 1, 2004 was considered to be the date of application of the rules on the derecognition of financial instruments, Transactions which on or after that date met the recognition and derecognition requirements included in IASs 32 and 39 were removed from the balance sheet (Note 14.3). However, the securitization funds created subsequent to January 1, 2004 through the transfer of derecognised loans, of which the Group retains certain of the risks or rewards, were included in the consolidated financial statements.

### D) LOAN PORTFOLIO PROVISIONING

The BBVA Group estimated the impact of recording the provisions for the loan portfolio using the methods described

in Note 2.2.c for estimating the impairment of financial instruments.

### E) LOAN ARRANGEMENT FEES

As a result of the application of the new accounting treatment for these fees (Note 2.2.d), the BBVA Group estimated the impact of reversing the fees and commissions credited to income in prior years with a charge to equity, using as a balancing entry the item "Accrued Expenses and Deferred Income". With regard to 2004, the portion of these fees and commissions relating to that year were recognised in the income statement.

### F) PENSIONS

Under EU-IFRSs the assumptions used to measure defined benefit pension commitments must be unbiased and mutually compatible, and the market interest rate relating to high quality assets must be used for discounting purposes, IFRSs also stipulate that, for employees subject to Spanish labour legislation, the actuarial assumptions to be used must be based on the applicable Spanish legislation and the actuarial assumptions published by the Directorate-General of Insurance and Pension Funds (DGSFP).

Also noteworthy in this connection is the treatment of the risks insured with Group companies pursuant to Royal Decree 1588/1999 on Externalisation as internal provisions (and their measurement as such) in the consolidated financial statements. The assets assigned are measured independently on the basis of their nature.

As a result of the application of these criteria, the Group reviewed all its actuarial assumptions for existing commitments and funded all the deficits relating to externalised commitments existing at January 1, 2004, the date of transition to EU-IFRSs.

All cumulative actuarial losses at January 1, 2004 were recognised with a charge to reserves.

### **G) DERIVATIVES**

Under EU-IFRSs all derivatives are measured at fair value through profit or loss. Hedging transactions require greater documentation and yearic monitoring of their effectiveness. In fair value hedges, changes in the fair value of the hedged item are recognised in income, and the related carrying amount is adjusted. The BBVA Group's review of the validity of the transactions classified as hedges demonstrated that most of the hedges were highly effective.

The most significant impacts of EU-IFRSs are the recognition in reserves of the unrealised gains existing at the date of transition (January 1, 2004) and the recognition in profit or loss of the changes in the unrealised gains or losses for the year.

In the case of transactions that were designated as subject to hedge accounting at January 1, 2004 but which did not

comply with the conditions of IAS 39 to be so designated, hedge accounting was discontinued. Net positions designated as hedged items under the previous standards and rules were replaced as hedged items at January 1, 2004 by an amount of assets or liabilities of the net positions.

Transactions initiated before January 1, 2004 were not designated as hedges retrospectively.

### H) PREFERENCE SHARES

Preference shares that do not comply with Rule Fifty-Four of Bank of Spain Circular 4/2004 are classified under the heading Equity Having the Nature of a Financial Liability on the liability side of the balance sheet.

This reclassification has no effect on the calculation of eligible equity for the purposes of Bank of Spain Circular 5/1993, since these preference shares are still included in tier-one capital.

### I) TANGIBLE ASSETS

In the case of tangible assets, the Group used as attributed cost on the revaluation date the amounts revalued prior to January 1, 2004, on the basis of the legislation then in force. In this connection, the revaluations performed under Spanish law and the adjustments for inflation made by subsidiaries in countries with inflation accounting were considered to be valid.

Also, certain tangible asset items were recognised at fair value and, therefore, this value was used as attributed cost at January 1, 2004.

### J) EQUITY-INSTRUMENT-BASED EMPLOYEE COMPENSATION

As permitted by IFRS 1 and Transitional Provision One of Bank of Spain Circular 4/2004, IFRS 2 were not applied to the equity instruments granted to employees before 7 November 2002 title to which had not yet passed to these employees on January 1, 2005.

### K) CUMULATIVE EXCHANGE DIFFERENCES

The cumulative exchange differences at January 1, 2004 of all businesses abroad were definitively charged or credited to reserves. Consequently, the exchange gains or losses arising on the subsequent sale or disposal by other means of businesses abroad relate only to the exchange differences that arose after January 1, 2004.

### L) TRANSACTIONS INVOLVING OWN EQUITY INSTRUMENTS

The gains or losses obtained on transactions involving treasury shares are recognised as changes in equity and these shares continue to be carried at their acquisition cost. Under the previous accounting standards, these gains or losses were recognised in the income statement.





MANAGE-MENT REPORT

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

### MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2006

### THE BBVA GROUP

Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain and is the Parent of the finance group which engages in the direct or indirect performance of activities, transactions, agreements and services relating to banking. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The BBVA Group ("the Group") is an internationally diversified finance group with a significant presence in traditional retail banking, asset management, private banking and wholesale banking.

### **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 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-terms 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 2006 the US dollar depreciated against the euro, dragging most Latin-American currencies with it. This had a negative effect on year-on-year comparisons on the Group's balance sheet as of December 31, 2006. 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, as is shown in the table below:

	Average exchange rates 2006 2005		Year-end exchange rates 2006 2005	
Mexican peso	13.6923	13.5575	14.3230	12.6357
Venezuelan Bolivar	2,695.42	2,617.8	2,824.86	2,531.65
Colombian peso	2,958.58	2,890.17	2,941.18	2,695.42
Chilean peso	666.22	696.86	703.73	606.80
Peruvian new sol	4.1111	4.0976	4.2098	4.0434
Argentine peso	3.8806	3.6382	4.0679	3.5907
U.S. dollar	1.2556	1.2441	1.3170	1.1797

### COMPARATIVE INFORMATION

The financial information included in this management report is presented in accordance with the criteria established by the International Financial Reporting Standards (IFRSs) approved by the European Union and taking into account best practices of Bank of Spain Circular 4/2004.

# SELECTED HISTORICAL FINANCIAL INFORMATION ON THE BBVA GROUP FOR 2006 AND 2005

The selected financial information for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
BALANCE SHEET (million euros)		•••••
Total assets	411,916	392,389
Total lending (gross)	262,374	221,995
Deposits from other creditors	192,374	182,635
Debt certificates (including bonds)	77,674	62,842
Subordinated liabilities	13,597	13,723
Equity	22,318	17,302
Shareholders' funds	18,210	13,036
INCOME STATEMENT (million euros)		
Net interest income	8,374	7,208
Core revenues	15,701	13,024
Ordinary revenues	8,883	6,823
Pre-tax profit	7,030	5,592
Net attributable profit	4,736	3,806
DATA PER SHARE AND MARKET		
CAPITALISATION		
Share price	18.24	15.08
Market capitalisation (million euros)	64,788	51,134
Net attributable profit	1.39	1.12
Diluted stockholders' equity per share	1.39	1.12
Book value	5.13	3.84
Dividend	- 0.10	0.53
PER (Price/earnings ratio; times)	13.70	13.40
P/BV (Price/book value; times)	3.60	3.90
SIGNIFICANT RATIOS (%)		
Operating profit/ ATA	2.24	1.87
ROE (Net attributable profit/		
Average equity)	37.6	37.0
ROA (Net profit/ATA)	1.26	1.12
RORWA (Net profit/		
Risk weighted average assets)	2.12	1.91
Efficiency ratio	39.6	43.2
Efficiency ratio including depreciation		10.2
and amortization	42.6	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
The Americas (1)	66,146	61,604
Rest of the world	1,825	1,923
Number of branches	7,585	7,410
Spain	3,635	3,578
The Americas (1)	3,797	3,658
Rest of the world	153	174

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

### CONSOLIDATED INCOME STATEMENT

The Group's consolidated income statements for 2006 and 2005 are as follows:

Thousands of euros		
	2006	2005
Core net interest income	7,994,665	6,915,474
Dividends	379,473	292,495
NET INTEREST INCOME	8,374,138	7,207,969
Income by the equity method	307,648	121,495
Net fee income	4,334,880	3,939,996
Income from insurance activities	650,431	486,923
CORE REVENUES	13,667,097	11,756,383
Net trading income	2,033,539	1,267,178
ORDINARY REVENUES	15,700,636	13,023,561
Net revenues from non-financial activities	131,358	125,779
Personnel costs	(3,988,585)	(3,602,242)
General expenses	(2,341,836)	(2,160,478)
Depreciation and amortization	(472,198)	(448,692)
Other operating income and expenses	(146,270)	(114,844)
OPERATING PROFIT	8,883,105	6,823,084
Impairment losses on financial assets	(1,503,549)	(854,327)
Loan loss provisions	(1,476,666)	(813,080)
Other	(26,883)	(41,247)
Provisions	(1,338,205)	(454,182)
Other income/ losses	988,985	77,178
From disposal of equity holdings	934,288	28,534
Other	54,697	48,644
PRE-TAX PROFIT	7,030,336	5,591,753
Corporate income tax	(2,059,301)	(1,521,181)
NET PROFIT	4,971,035	4,070,572
Minority interests	(235,156)	(264,147)
NET ATTRIBUTABLE PROFIT	4,735,879	3,806,425

In 2006 the Group recorded a series of singular items, which gave rise to net attributed profit of €156 million: €1,274 million relating to the gains on the sale of the ownership interests in Repsol YPF, S.A., Banca Nazionale del Lavoro, S.p.A. and Banc Internacional d'Andorra, €777 million relating to additions to provisions for early retirements in connection with the restructuring of networks in Spain and Portugal and the design of the new organizational structure, and €341 million of additional charges to the provision for income tax, which arose due to the extraordinary tax cost of the aforementioned items and, basically, the new income tax legislation. The new legislation has reduced the tax rate for future years, as a result of which the Group's deferred tax assets and liabilities had to be adjusted this year.

Net attributable profit for the whole year is €4,736 million, an increase of 24.4% compared to 2005 (€3,806millions. Excluding these €156 million of non-recurrent events, net attributable profit would be €4,580 million with an increase of 20.3%. At constant exchange rates, the increase is slightly greater (21.0%) because the impact of exchange rates on the Group's income statement for the year is slightly negative.

Once again, the main factor behind profit was the trend in recurrent earnings, which grew at a higher rate than expenses, thus leading to a further enhancement of efficiency and to an improved net operating income figure, which absorbed the increase in loan writedowns resulting from the substantial growth in loans and advances to customers.

Net interest income came to  $\le 8,374$  million, an increase of 16.2% over the  $\le 7,208$  million obtained in 2005 (16.9% at constant exchange rates). Of this amount, dividends accounted for  $\le 379$  million (up 29.7%) and thus net interest income without dividends was  $\le 7,995$  million (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, 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 or 3.69% in the fourth quarter of 2005) whereas the cost of deposits rose more gradually to 1.64% (compared 1.13% in the last quarter of 2005). For the entire year, customer spreads were 2.75 points (12 basis points higher than 2.63% a year earlier).

In Mexico, interest rates in the fourth quarter remained at the same level from April, but 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% in the fourth quarter of 2005, to 12.50% in the fourth quarter of 2006. 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 fee income contributed €4,335 million in 2006 (up 10.0% year-on-year). Insurance business added €650 million (up 33.6%) and this brought the total to €4,985 million. This figure is 12.6% higher than the €4,427 million obtained in 2005 (13.2% higher at constant exchange rates). All the Group's business areas recorded year-on-year increases of two-figures.

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

Net trading income in 2006 contributed  $\leq 2,034$  million. Of this figure,  $\leq 523$  million were capital gains booked in the second quarter following the sale of the Group's interest in Repsol YPF, S.A. Excluding these, net trading income came to  $\leq 1,511$  million, some 19.2% higher than the  $\leq 1,267$  million 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 €15,701 million in 2006. After discounting the capital gains, ordinary revenues were €15,178 million, up 16.5% compared to €13,024 million in 2005. Adding €131 millions of net gains on non-financial activities (up 4.4% from €126 million in 2005), which is mainly real estate business managed by Anida, the Group's total operating revenues in 2006 came to €15,309 million without non-recurrent items. The year-on-year increase was 16.4% (20.4% with the Repsol YPF, S.A. capital gains).

Once again, operating expenses (€6,803 million including depreciation) increased more slowly than revenues, a rise of 9.5% year-on-year (personnel costs were up 10.7%, general expenses 8.4% and depreciation increased 5.2%.) In a year in which the Group achieved significantly higher business volumes in the main markets in which it operates and devoted major efforts to its commercial activities, 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 Regional Bancshares, Inc. is excluded).

The Group ended 2006 with 98,553 employees During the year, numbers fell slightly in Spain and increased in the Americas (affected by the purchase of Texas Regional Bancshares Inc. (2,009 employees) and 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 Banc Internacional d'Andorra easily offset the expansion in Asia. As of December 31, 2006, there were 7,585 branches, including 73 from Texas Regional Bancshares Inc.. Other notable items include the expansion of Dinero Express in Spain and the extension of the network in Chile and Mexico.

The Group also improved its long-established leadership in operating efficiency. Excluding the Repsol YPF, S.A. 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.

The good performance of revenues and expenses led to stronger operating profit. For 2006, the figure is €8,360

million without the Repsol YPF, S.A. capital gains. This amount is 22.5% higher than the €6,823 million obtained in 2005 (23.2% higher at constant rates). After adding Repsol YPF, S.A. capital gains, operating profit rose 30.2% year-on-year to €8,883 million (30.9% at constant rates). All business areas contributed significantly with increases.

In 2006, the Group set aside €1,477 million for loan-loss provisions. This was 81.6% more than the €813 million 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 €1,051 million, compared to €646 million in 2005.

Furthermore, other provisions made in 2006 came to €1,338 million, compared to €454 million in 2005. The biggest item is the provision of €1,054 million for early retirements (€288 million in 2005). This is because the costs associated with the network transformation plan in Spain. 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 €777 million.

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 €29 millions. However, in 2006 there were €934 millions in capital gains, the most important of which were the sale of Banca Nazionale del Lavoro, S.p.A. (€568 millions and Banc Internacional d'Andorra (€183 million).

Pre-tax profit for 2006 came to  $\[ \in \]$ 7,030 million. Excluding non-recurrent items the figure is  $\[ \in \]$ 6,533 million, compared to  $\[ \in \]$ 5,592 million in 2005. Of the  $\[ \in \]$ 2,059 million provided for corporate income tax,  $\[ \in \]$ 341 million 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 €379 million related to the new tax rules less the net result of tax charges and adjustments associated with the Repsol YPF, S.A., BNL and Banc Internacional d'Andorra capital gains, together with provisions for non-recurrent early retirements.

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

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).

### **BALANCE SHEET AND BUSINESS ACTIVITY**

The Group's consolidated balance sheets as of December 31, 2006 and 2005 are as follows:

	Thousa	nds of euros
ASSETS	2006	2005
CASH AND BALANCES WITH CENTRAL BANKS	12,515,122	12,341,317
FINANCIAL ASSETS HELD FOR TRADING	51,835,109	44.011.781
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	977,114	1,421,253
AVAILABLE FOR SALE FINANCIAL ASSETS	42,266,774	60,033,988
LOANS AND RECEIVABLES	279,855,259	249,396,647
HELD-TO-MATURITY INVESTMENTS	5,905,636	3,959,265
HEDGING DERIVATIVES	1,963,320	3,912,696
NON-CURRENT ASSETS HELD FOR SALE	186,062	231,260
INVESTMENTS	888,936	1,472,955
REINSURANCE ASSETS	31,986	235,178
TANGIBLE ASSETS	4,527,006	4,383,389
INTANGIBLE ASSETS	3,269,265	2,070,049
TAX ASSETS	5,278,197	6,420,745
PREPAYMENTS AND ACCRUED INCOME AND ACCRUED EXPENSES AND DEFERRED INCOME	673,818	557,278
OTHER ASSETS	1,742,703	1,941,693
TOTAL ASSETS	411,916,307	392,389,494

Thousands of		nds of euros
TOTAL EQUITY AND LIABILITIES	2006	2005
LIABILITIES	• • • • • • • • • • • • • • • • • • • •	• • • • • • • • •
FINANCIAL LIABILITIES HELD FOR TRADING	14,923,534	16,270,865
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	582.537	740.088
FINANCIAL LIABILITIES AT AMORTISED COST	348,444,532	329,505,250
HEDGING DERIVATIVES	2,279,740	2,870,086
LIABILITIES UNDER INSURANCE CONTRACTS	10,120,646	10,500,567
PROVISIONS	8,648,834	8,701,085
TAX LIABILITIES	2,369,166	2,100,023
ACCRUED EXPENSE AND DEFERRED INCOME	1,509,573	1,709,690
OTHER LIABILITIES	719,267	2,689,728
TOTAL LIABILITIES	389,597,829	375,087,382
EQUITY		
MINORITY INTERESTS	768,162	971,490
VALUATION ADJUSTMENTS	3,340,694	3,294,955
SHAREHOLDER EQUITY	18,209,622	13,035,667
Capital or endowment fund	1,740,465	1,661,518
Share premium	9,579,443	6,658,390
Reserves	3,628,984	2,172,158
Other equity instruments	34,809	141
Less: Treasury shares	(147,258)	(96,321)
Profit of the period attributed to the Group	4,735,879	3,806,425
Less: Dividends and remuneration	(1,362,700)	(1,166,644)
TOTAL EQUITY	22,318,478	17,302,112
TOTAL EQUITY AND LIABILITIES	411,916,307	392,389,494

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. This distorts year-on-year comparisons, therefore percentages for the main figures are also stated at constant exchange rates.

At the end of 2006, lending to customers came to €263 billion, rising 18.2% compared to €222 billion as of December 31, 2005. 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 as of December 31, 2005 (€139 billion). In previous years, growth was mainly associated with secured loans but in 2006, it was more evenly spread. In fact, secured loans grew to nearly €91 billion as of December 31, 2006, 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 as of December 31, 2005). 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.

In effect, the intense growth in lending to customers in 2006 did not lead to a reduction in the quality of the loan portfolio, which continues to be excellent and once again proved to be one of the strengths of the BBVA Group when compared to the other major European banking groups.

Total customer lending (including off-balance sheet risks) amounted to €305 billion at 2006 year-end, up 21.0% from the €252 billion reported as of December 31, 2005. It should

be noted that the growth in lending in 2006, in both Spain and the Americas, was particularly buoyant with respect to consumer loans, credit cards and SME financing. These products, despite being more profitable, have a potentially higher level of default than mortgage loans, which experienced a slight slowdown in Spain.

In spite of the foregoing, doubtful loans rose from €2,382 million at 2005 year-end to €2,531 million, an increase of 6.3%, far below that recorded for total lending. As a result of this trend in total lending and doubtful loans, the Group's NPL ratio fell from 0.94% at 2005 year-end to 0.83% as of December 31, 2006.

The growth in lending continues to influence period loan writedowns, which rose sharply (due to the impact of the writedowns calculated collectively), as a result of which the balance of the loan loss allowances totaled €6,905 million at 2006 year-end, up 14.8% on the €6,015 million as of December 31, 2005. Of this balance, the allowances calculated collectively rose by 24.8% to €4,952 million in 2006, thus gaining in relative importance, and now account for 71.7% of the total. Comparison of the loan loss allowances with the doubtful loans results in a coverage ratio of 272.8%, an improvement on the already high level of 252.5% recorded in 2005.

Total customer funds, on and off the balance sheet, came to €426 billion as of December 31, 2006, 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 as of December 31, 2005 (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. As of December 31, 2006 they came to €142 billion, which was a 0.5% 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 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 d'Andorra. As of December 31, 2005, this bank contributed €7,382 millions 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 as of December 31, 2006, affected negatively by the amounts allocated in the Treasury's liquidity auctions. Excluding these amounts, the level is similar to the one in 2005.

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  $\leq$ 134 billion, which was similar to December 31, 2005. 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  $\leq$ 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.

### **EXCEPTIONAL FACTORS**

No exceptional factors shaped or conditioned the BBVA Group's main businesses or markets. No unusual events of significance had a material impact on the BBVA's annual accounts in 2006 or 2005.

### BUSINESS PERFORMANCE / NEW PRODUCTS AND SERVICES

The breakdown of attributable net profit in 2006 by business segment is as follows: Retail Banking Spain and Portugal contributed €1,498 millions (up 13.8% on 2005), Wholesale Businesses, €1,282 millions (up 47.0%), Mexico and USA, €1,775 millions (up 29.6% in euros and 30.8% at constant exchange rates) with South America accounting for €509 millions (+34.4% at nominal exchange rates and 37.0% at constant rates). Corporate Activities accounted for losses of €329 millions (compared to losses of €132 millions in 2005).

### RETAIL BANKING IN SPAIN AND PORTUGAL

Thousands of euros Retail Banking in Spain and Portugal			
	2006 2005		
NET INTEREST INCOME	2,865,005	2,623,068	
Income by the equity method	752	892	
Net fee income	1,588,617	1,456,420	
Income from insurance activities	375,534	309,317	
CORE REVENUES	4,829,908	4,389,698	
Net trading income	72,180	54,777	
ORDINARY REVENUES	4,902,088	4,444,474	
Net revenues from non-financial activities	32,347	25,777	
Personnel and general administrative			
expenses	(2,193,474)	(2,091,867)	
Depreciation and amortization	(102,011)	(102,725)	
Other operating income and expenses	13,657	43,274	
OPERATING PROFIT	2,652,608	2,318,933	
Impairment losses on financial assets	(355,547)	(328,229)	
Loan loss provisions	(356,644)	(330,170)	
Other	1,097	1,941	
Provisions	(2,617)	(2,281)	
Other income/losses	16,295	18,353	
PRE-TAX PROFIT	2,310,740	2,006,775	
Corporate income tax	(807,891)	(685,515)	
NET PROFIT	1,502,849	1,321,260	
Minority interests	(4,373)	(4,194)	
NET ATTRIBUTABLE PROFIT	1,498,476	1,317,066	

Thousands of euros			
	Retail Banking in Spain and Portugal		
	2006	2005	
Customer lending (1)	118,113,013	99,804,281	
Customer deposits (2)	63,479,068	52,701,542	
Deposits	63,444,931	52,637,971	
Assets sold under repurchase			
agreement	34,138	63,571	
Off-balance-sheet funds	61,407,132	60,961,549	
Mutual funds	44,824,240	45,609,071	
Pension funds	16,582,892	15,352,478	
Other placements	7,137,102	7,145,773	
Customer portfolios	19,031,860	15,588,000	
Total assets (3)	124,292,144	105,383,399	
ROE (%)	35.6	34.6	
Efficiency ratio (%)	43.4	45.1	
Efficiency incl. depreciation and			
amortization (%)	45.4	47.4	
NPL ratio (%)	0.67	0.65	
Coverage ratio (%)	264.5	275.6	
(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) Excluding insurance.			

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 and was the main driver of net attributable profit, which came to €1,498 millions (up 13.8%). ROE stands at 35.6% (34.6% in 2005).

By year-end, lending to customers had grown 18.3% to €118,113 millions, 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% as of December 31, 2005) and coverage is high, at 264.5% (275.6% as of December 31, 2005).

Customer funds came to €131,989 millions 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 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 €2,865 millions (up 9.2%). Other revenues rose 11.9%. Net fee income was up 9.1% to €1,589m, insurance revenues increased 21.4% to €376 millions and net trading income rose 31.8%. As a result, ordinary revenues grew 10.3% to €4,902millions.

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). As well, the evolution of income and expenses increases the operating profit by 14.4% up to €2,653 millions. Loan-loss provisions increased 8.0% and the main component was generic provisions related to higher lending.

During the fourth quarter the Group implemented a new structure in the retail banking branch network. The new structure consists of 7 regional departments and is designed to bring decision-making closer to the customer, to simplify intermediate and central structures and to strengthen sales management.

Retail customers were targeted through a series of new products. Housing access was facilitated by making the conditions of the *Hipoteca Fácil* (Easy Mortgage) more flexible and adapting them for the youth and immigrant segments. The range of consumer loans was strengthened with the *Préstamo Inmediato* PIDE (Immediate Loan ASK, available 24 hours a day through alternative channels such as ATMs, telephone banking and internet banking), the new *Crédito Fácil* (Easy Loan, approved quickly) and *Credinómina* (Payroll-loan), an interest-free loan granted immediately and free of commissions tied to the Payroll Campaign. The BlueBBVA Program targeting young people was renewed (with offers such as the Youth Loan carrying zero interest). Marketing of new services such as BBVA health insurance, real estate, travel and hotel reservations services, among others, was initiated as part of the new business model development program.

Noteworthy developments in deposits include the two *Quincenas del Ahorro* (Savings Fortnights), *Depósitos Crecientes* (Growing Deposits), *Triple 6* and *Triple 10*. On the investment fund side we would highlight the managed fund portfolios and the ongoing renewal of the range of new funds on offer, including *BBVA Consolida Garantizado* (BBVA Guaranteed), *Garantizado Doble 10*, (Double 10 Guaranteed), *106 Doble 10* (106 Double 10), *Extra 10, 110 Ibex* and *105 Ibex*. In addition, BBVA was the first entity to be granted a regulatory permit to market the new product families approved in the last few months of 2006: traded funds (ETFs) on the Ibex 35, the Euro Stoxx 50 and the FTSE Latibex Top (in collaboration with the Wholesale Businesses

In the business segment, we highlight the *ICO Pymes* 2006 SME line of financing, the 3x3 Business Campaign (marketing a range of credit accounts, leasing products, loans of various maturities and trade financing at competitive prices), the *Préstamo Bienvenida* (Welcome Loan) for new customers, the range of products designed to hedge interest rate risk (StockPyme) and the Business Pack (a transactional services package launched in November).

area), hedge funds (*BBVA Codespa Microfinanzas FIL*) and venture capital funds of funds (*BBVA Capital Privado*).

On another front, during the third quarter Telefónica, S.A. left the shareholder ranks of Uno-e, in accordance with existing agreements.

### WHOLESALE BUSINESSESS

	Thousands of euros Wholesale and Investment Banking		
	2006	2005	
NET INTEREST INCOME	1,031,627	1,017,415	
Income by the equity method	283,160	51,115	
Net fee income	491,491	424,980	
Income from insurance activities	-	-	
CORE REVENUES	1,806,278	1,493,510	
Net trading income	641,987	447,551	
ORDINARY REVENUES	2,448,265	1,941,061	
Net revenues from non-financial activities	104,258	94,853	
Personnel and general administrative			
expenses	(643,886)	(581,525)	
Depreciation and amortization	(11,989)	(12,278)	
Other operating income and expenses			
OPERATING PROFIT	15,701	28,643	
Impairment losses on financial assets	1,912,348	1,470,755	
Loan loss provisions	(322,444)	(269,223)	
Other	(322,444)	(269,152)	
Provisions	_	(71)	
Other income/losses	(11,272)	5,177	
PRE-TAX PROFIT	158,887	31,000	
Corporate income tax	1,737,519	1,237,709	
NET PROFIT	(449,417)	(361,334)	
Minority interests	1,288,103	876,374	
NET ATTRIBUTABLE PROFIT	(5,697)	(3,694)	
	1,282,406	872,680	

	Thousands of euros Wholesale and Investment Banking		
	2006	2005	
Customer lending (1)	90,305,179	76,128,933	
Customer deposits (2)	57,230,341	63,789,930	
Deposits	46,831,691	46,838,587	
Assets sold under repurchase			
agreement	10,398,651	16,951,344	
Off-balance-sheet funds	2,248,710	2,154,716	
Mutual funds	2,181,492	2,099,689	
Pension funds	67,218	55,027	
Other placements	-	-	
Customer portfolios	491,000	2,909,000	
Total assets	195,049,807	176,939,514	
ROE (%)	31.8	24.4	
Efficiency ratio (%)	24.8	28.0	
Efficiency incl. depreciation and			
amortization (%)	25.2	28.6	
NPL ratio (%)	0.22	0.29	
Coverage ratio (%)	707.9	561.5	
(1) Gross lending excluding NPLs. (2) Includes collection accounts.			

In 2006 this area consolidated a business model that successfully provides it with steadily growing revenues. These helped to generate net attributable profit of €1,282 millions, 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 €90,305 millions as of December 31, 2006 with solid contributions from all units, especially global businesses. Deposits stand at €46,832 millions, 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 €2,448 millions.

Operating profit grew faster than this, climbing 30.0% to €1,912 millions, because operating expenses including depreciation increased at a considerably lower pace (10.5%) than ordinary 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 €53 millions 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 €1,738 millions (up 40.4% compared to 2005).

A new Corporate Banking business model was introduced to meet the needs of Spanish SMEs, large companies and institutions. The new model marks a simplification of the central structure, the creation of 7 new regional departments and the addition of 26 new offices to the branch network (6 in corporate and 20 in institutions). In 2006, the Group led the market again by marketing the *ICO-Pymes* line of financing for small businesses. It formalised two new lines with the European Investment Bank (€200 millions apiece to finance SME and regional government investment projects) as well as launching the BEC Markets Plan to reinforce the sale of cash management and capital markets products to network clients. The BBVA net cash electronic banking system was also extended to the branch offices abroad.

In Global Businesses, the business continues to be increasingly international. The foreign network made a greater overall contribution as did international customers. The Group played a noteworthy role worldwide in infrastructure financing and trade finance. In domestic cash management businesses, the Group was a pioneer in the Spanish market when it was the first to launch traded funds (ETFs) on national and international indices. It also led the IPO league tables thanks to its role as global coordinator of the Bolsas y Mercados Españoles, Técnicas Reunidas and Vocento IPOs. BBVA extended its product range targeted at institutional customers with the addition of hedge funds thanks to the creation of Próxima Alfa (51% – owned by BBVA).

As part of the Group's strategy to increase its presence in Asia, it reached an agreement to acquire 5% of China Citic Bank (CNCB), headquartered in Beijing and 15% of Citic International Financial Holdings, headquartered in Hong Kong. The bank also opened a branch in Singapore and agency offices in Taipei, Seoul and Sydney and struck agreements with banks in China, India and the Philippines to carry emigrant money transfers.

On another front the Business Projects unit was transformed into a venture capital manager operating under the Valanza brand. During the year it began operations in Mexico.

### **MEXICO AND USA**

	Thousands of euros Mexico and USA		
	2006	2005	
NET INTEREST INCOME	3,535,013	2,678,277	
Income by the equity method	(2,109)	(24)	
Net fee income	1,389,794	1,211,898	
Income from insurance activities	304,783	228,671	
CORE REVENUES	5,227,481	4,118,822	
Net trading income	195,966	167,706	
ORDINARY REVENUES	5,423,447	4,286,528	
Net revenues from non-financial activities	(4,178)	(2,595)	
Personnel and general administrative			
expenses	(1,945,609)	(1,737,009)	
Depreciation and amortization	(125,997)	(138,248)	
Other operating income and expenses	(117,008)	(105,586)	
OPERATING PROFIT	3,230,655	2,303,089	
Impairment losses on financial assets	(685,332)	(314,964)	
Loan loss provisions	(672,204)	(288,638)	
Other	(13,128)	(26,326)	
Provisions	(72,680)	(50,646)	
Other income/losses	42,734	(7,995)	
PRE-TAX PROFIT	2,515,378	1,929,484	
Corporate income tax	(738,578)	(556,044)	
NET PROFIT	1,776,799	1,373,440	
Minority interests	(2,026)	(3,574)	
NET ATTRIBUTABLE PROFIT	1,774,773	1,369,866	

	Thousands of euros Mexico and USA		
	2006	2005	
Customer lending (1)	31,328,586	25,185,435	
Customer deposits (2)	43,306,970	40,969,714	
Deposits	36,791,331	34,910,483	
Assets sold under repurchase			
agreement	6,515,640	6,059,231	
Off-balance-sheet funds	18,477,848	16,977,135	
Mutual funds	9,852,848	8,115,135	
Pension funds	8,625,000	8,862,000	
Other placements	3,293,560	2,235,125	
Customer portfolios	6,941,000	5,713,000	
Total assets (3)	69,288,564	66,983,799	
ROE (%)	46.7	44.2	
Efficiency ratio (%)	35.9	40.5	
Efficiency incl. depreciation and	20.0	40.0	
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.			

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.

The area generated an attributable profit of €1,775 millions in 2006, 30.8% up on the previous year, and a return on equity of 46.7% (as against 44.2% ROE in 2005).

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  $\le 5,423$  millions (+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 €3,231millions.

The ratio for non-performing loans stood at 2.19% on December 31, 2006 (2.24% a year earlier) with 248.9% coverage. However, the aforementioned increase in lending activity drove a 135.2% increase in loan-loss provisions to €672 millions, influenced by those calculated collectively as since July 2005 the Group has been provisioning for its consumer and mortgage loan portfolios on the basis of expected losses.

In Mexico, the Group invested to expand its branch network, ATMs and point of sale terminals. Other projects were designed to increase service quality and enabled a reduction in customer waiting time. All this boosted commercial productivity.

In retail banking the number of different kinds of loans was noteworthy. Almost 4 million new credit cards were issued by BBVA Bancomer and Finanzia. New credit card products were introduced such as the Bancomer platinum card, marketed to VIP clients, and the Tarjeta 40, the first prepaid card to be marketed to young people. In consumer lending, the marketing of car loans, the Creditón Nómina (Payroll Loan) and the Crédito Inmediato Bancomer (Bancomer Immediate Loan) at retail establishments is worth highlighting. In mortgage lending, the Group cemented its leadership position by continuing to innovate. For example, it introduced products such as the Hipoteca Binacional (Bi-national Mortgage) in collaboration with the Laredo National Bank, the Hipoteca Cambio de Casa (Change House Mortgage) and two programs together with the Mexican Institute of Workers' (ISSSTE) Housing Fund.

The *Libretón* (Savings Book) stands out in the low-cost deposit segment. The Special Anniversary Fortnight marked the celebrations of its 10-year launch anniversary. Meanwhile, investment funds performed well, underpinned by distribution through the retail network and the design of special new products.

In the SME business, the number of customers taking out loans increased thanks to enhanced service and more flexible

loan granting by delegating greater approval autonomy to the branch level. The Group continued to raise money for large companies in the fixed income markets (with BBVA Bancomer acting as lead placement agent) and through derivative products.

The Group made progress on its strategy of establishing a franchise in the US with the incorporation of the Texas Regional Bancshares Inc. in November and the State National Bank at the beginning of 2007. In the US, the Group is structured into five lines of business: banking in Texas through Laredo National, Texas National and State National; banking in Puerto Rico via BBVA Puerto Rico; money transfers through Bancomer Transfer Services (BTS), the leader in transfers between the US and Mexico, a service which has now been extended to the rest of Latin America, China, India and the Philippines; BBVA Bancomer USA, a bank franchise in California targeting first generation immigrants with basic products and services, and BBVA Finanzia USA, a business unit specialised in consumer financing and credit card issuance.

### **SOUTH AMERICA**

	Thousands of euros South America			
	2006 2005			
NET INTEREST INCOME	1,310,464	1,039,113		
Income by the equity method	2,598	(1,383)		
Net fee income	814,943	694,942		
Income from insurance activities	(5,607)	5,418		
CORE REVENUES	2,122,398	1,738,090		
Net trading income	282,358	156,573		
ORDINARY REVENUES	2,404,756	1,894,663		
Net revenues from non-financial activities	82	8,588		
Personnel and general administrative				
expenses	(1,103,151)	(932,873)		
Depreciation and amortization	(92,717)	(68,723)		
Other operating income and expenses	(46,133)	(40,395)		
OPERATING PROFIT	1,162,836	861,260		
Impairment losses on financial assets	(149,470)	(79,658)		
Loan loss provisions	(151,331)	(70,671)		
Other	1,861	(8,987)		
Provisions	(58,722)	(78,025)		
Other income/losses	316	14,110		
PRE-TAX PROFIT	954,960	717,687		
Corporate income tax	(229,135)	(165,519)		
NET PROFIT	725,825	552,169		
Minority interests	(216,756)	(173,276)		
NET ATTRIBUTABLE PROFIT	509,069	378,893		

	Thousands of euros South America		
	2006	2005	
Customer lending (1)	17,365,538	15,018,433	
Customer deposits (2)	22,772,734	21,022,982	
Deposits	21,666,754	19,864,273	
Assets sold under repurchase			
agreement	1,105,980	1,158,710	
Off-balance-sheet funds	33,446,899	30,978,438	
Mutual funds	1,574,899	1,299,438	
Pension funds	31,872,000	29,679,000	
Other placements	-	-	
Customer portfolios	_	_	
Total assets (3)	29,390,918	27,349,854	
ROE (%)	31.8	30.1	
Efficiency ratio (%)	45.9	49.0	
Efficiency incl. depreciation and			
amortization (%)	49.7	52.6	
NPL ratio (%)	2.67	3.67	
Coverage ratio (%)	132.8	109.3	
(1) Gross lending excluding NPLs.     (2) Including marketable debt securities.     (3) Excluding insurance.			

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, as does the depreciation of the Latin American currencies vis-à-vis the euro in 2006, with a greater impact on the balance sheet than on the income statement. As a result, in the analysis provided below all the year-on-year percentages are presented in constant currency terms.

Net attributable profit came to  $\leq$ 509 millions, rising 37.0% compared to the previous year. As a result, ROE (return on equity) now stands at 31.8% (30.1% at the end of 2005).

Lending was particularly positive and 2006 ended with total loans of €17,366 millions, 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%. Deposits (customer deposits and investment funds) reached €24,348millions, up 21.0% year-on-year, with noteworthy growth in lower cost products, where the bank had placed the spotlight in an attempt to shore up spreads.

The higher level of business had an extremely positive effect on volumes. Thus in 2006, net interest income increased 28.4% to €1,310 millions. Together, they rose 17.2% year-on-year to €809 millions. The stability in the financial markets had a positive impact on net trading income, which jumped 85.5% to €282 millions. Because of this strong performance, ordinary revenues rose to €2,405 millions (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 €1,163 millions.

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 (€151 millions 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% as of December 31, 2006 (109.3% a year earlier).

Looking at the main banking entities in the region, BBVA Banco Francés reduced its exposure to the public sector in Argentina, focusing its lending activity on the private sector, particularly retail loans. BBVA Chile launched the new 2006-2009 "CxC" strategic plan. Under the framework of this plan, the bank's positioning in the consumer lending segment was reinforced with the expansion of the BBVA Express network and the acquisition of 51% of Forum, an entity specialised in car loans.

In Colombia, we would highlight the merger between BBVA Colombia and Granahorrar undertaken at the beginning of May and completed at the operating level in November, reinforcing the Group's position in the mortgage market. The growth in all lines of lending and in lower cost deposits was noteworthy in BBVA Banco Continental de Perú, while at Banco Provincial de Venezuela the lending portfolio was diversified to prioritize the retail business, particularly consumer lending and credit cards with products such as the Instant Payroll Loan, a first of its kind in Venezuela.

In the actuarial business, the intense level of competition in most countries with the advent of new competitors triggered increases in sales forces and downward pressure on income at the pension managers. It was a better year for insurance and progress was made in all business lines, especially in the banc assurance segment.

### **CORPORATE ACTIVITIES**

	Thousands of euros Corporate Activities			
	2006 2005			
NET INTEREST INCOME	(367,971)	(149,904)		
Income by the equity method	23,247	70.895		
Net fee income	50,035	151,755		
Income from insurance activities	(24,279)	(56,483)		
CORE REVENUES	(318,968)	16,264		
Net trading income	841,048	440,571		
ORDINARY REVENUES	522,080	456,835		
Net revenues from non-financial activities	(1,151)	(844)		
Personnel and general administrative				
expenses	(444,301)	(419,445)		
Depreciation and amortization	(139,484)	(126,718)		
Other operating income and expenses	(12,487)	(40,780)		
OPERATING PROFIT	(75,343)	(130,952)		
Impairment losses on financial assets	9,243	137,747		
Loan loss provisions	25,956	145,551		
Other	(16,713)	(7,804)		
Provisions	(1,192,914)	(328,406)		
Other income/losses	770,753	21,710		
PRE-TAX PROFIT	(488,261)	(299,902)		
Corporate income tax	165,720	247,231		
NET PROFIT	(322,541)	(52,671)		
Minority interests	(6,304)	(79,409)		
NET ATTRIBUTABLE PROFIT	(328,845)	(132,080)		

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, S.p.A. in May lowered the total figure booked under the equity method. Net trading income (€841 millions) notably includes the €523 millions capital gains from disposal of the Repsol YPF, S.A. holding. All income and expense lines items are also affected by the sale of the Group's stake in the Banc Internacional d'Andorra in April. All this led to a negative operating profit of −€75 millions in 2006 as against the −€131millions from 2005.

Below the operating-profit line, allocations to provisions were raised by higher charges for early retirements, which includes a special charge of €777 millions 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 €1,054 millions over the year, as against €288 millions in 2005. Also significant was the rise in Other income/losses. These included earnings from the sale of holdings in Banca Nazionale del Lavoro, S.p.A. (€568 millions) and Banc Internacional d'Andorra (€183 millions) in 2006, whereas in 2005 no significant disposals were booked to this item.

Apart from the tax impact of these disposals, an extraordinary €457 millions 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%. Currently, the corporation tax rates is 35%. The area's net attributable profit in 2006 thus came down to negative –€329 millions, as against –€132 millions in 2005.

### SIGNIFICANT CONTRACTS

The Group is not aware of the signature of any material contracts other than those executed during the Bank's ordinary course of business during the two years immediately ending December 31, 2006.

Nor is the Group aware that the Bank or any of the Group's subsidiaries have entered into contracts that could give rise to material liabilities for the Group.

### DEPENDENCE ON PATENTS, LICENSES OR SIMILAR

At the time of preparing the accompanying consolidated annual accounts, the BBVA Group is not materially dependent on the issuance of patents, licences, industrial, mercantile or financial contracts or on new manufacturing processes in carrying out its business purpose.

### **GROUP CAPITAL**

According to the rules of the Bank for International Settlements (BIS), the capital base of the BBVA Group at the end of 2006 was €30,164 millions an increase of 15.8% compared to 2005. Risk-weighted assets increased16.4% in 2006 to €252,373 millions. Therefore, the capital base surplus, in excess of the 8% of risk-weighted assets required by the rules, was €9,974 millions, an increase of 14.7% since the end of 2005.

This means the BIS ratio stands at 12.0%, in December 2005.

In November, the BBVA Group increased share capital by €3,000 millions, 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.

As of December 31, 2006, core capital stands at €15,549 millions, after increasing 28.0% during the 2006. This is 6.2% of risk-weighted assets, compared to 5.6% as of December 31, 2006.

After adding preference shares, Tier I capital came to €19,574 millions at the end of 2006. This amount is 7.8% of risk-weighted assets (7.5% as of December 31, 2005). The

ratio of preference shares to core equity, in accordance with the BIS rules, fell to 20.6% (25.4% as of December 31, 2005)

Other eligible capital, which mainly consists of subordinate debt and revaluation reserves, amounted to €10,591 millions. Thus, Tier II came to 4.2% (4.5% as of December 31, 2005).

	Millions	Millions of euros		
	2006	2005		
CAPITAL (TIER I)	19,573	16,279		
Capital	1,740	1,662		
Reserves	13,694	9,517		
Minority interests	705	889		
Deductions	(5,327)	(3,723)		
Net attributable profit	4,736	3,806		
Preference shares	4,025	4,128		
OTHER ELIGIBLE CAPITAL (TIER II)	10,591	9,766		
Subordinated debt	8,783	7,996		
Valuation adjustments and other	1,842	2,563		
Deductions	(34)	(793)		
CAPITAL BASE (TIER I + TIER II) (a)	30,164	26,045		
Minimum capital requirement				
(BIS Regulation)	20,190	17,351		
CAPITAL SURPLUS	9,974	8,694		
MEMORANDUM				
Risk weighted assets (b)	252,373	216,890		
BIS RATIO (%) (a)/(b)	12.0	12.0		
CORE CAPITAL	6.2	5.6		
TIER I (%)	7.8	7.5		
TIER II (%)	4.2	4.5		

### CAPITAL STOCK AND TREASURY SHARES

As of December 31, 2006, the capital of Banco Bilbao Vizcaya Argentaria, S.A. amounted to  $\leqslant$ 1,740,464,869.29, and consisted of 3,551,969,121 fully subscribed and paid registered shares of  $\leqslant$ 0.49 par value each.

All the shares of BBVA, S.A. carry the same voting and dividend rights and no single shareholder enjoys special voting rights.

All the shares represent an interest in the Bank's capital.

In November 2006 capital was increased through the issuance of 161,117,078 new shares with a par value of €0.49 each and a share premium of €18.13 per share.

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are quoted on the computerized trading system of the Spanish stock exchanges and on the New York, Frankfurt, London, Zurich, Milan and Mexico stock market.

BBVA Banco Francés, S.A. is listed on the Latin-American market of the Madrid Stock Exchange. American Depositary Shares (ADSs) quoted in New York are also traded on the Lima (Peru) Stock Exchange, by virtue of an exchange agreement entered into between these two markets.

Also, as of December 31, 2006, the shares of BBVA Banco Continental, S.A., Banco Provincial C,A., BBVA Colombia, S.A., BBVA Chile, S.A., BBVA Banco Francés, S.A. and AFP Provida were quoted on their respective local stock markets and, in the case of the last two entities, on the New York Stock Exchange.

As of December 31, 2006, no individual shareholder owned more than 5% of the capital of the Bank. However, at the date of filing of this registration document, Chase Nominees Ltd. And State Street Bank and Trust Co., in their capacity as international depositary banks, held more than 5%.

BBVA is not aware of any direct or indirect interests through which ownership or control of the Bank may be exercised.

BBVA has not been notified of the existence of any side agreements that regulate the exercise of voting rights at the Bank's General Meetings, or which restrict or place conditions upon the free transferability of BBVA shares. Neither is the Bank aware of any agreement that might result in changes in the control of the issuer.

The BBVA Group has not issued any convertible and/or exchangeable debentures or any warrants on BBVA shares.

At the Annual General Meeting on February 28, 2004 the shareholders resolved to delegate to the Board of Directors, in accordance with Article 153.1.b) of the Spanish Corporations Law, the power to increase capital, on one or several occasions, by a maximum par value equal to 50% of the Company's subscribed and paid capital at the date of the resolution, i.e. €830,758,750.54. The legally stipulated year within which the directors can carry out this increase is five years.

In addition to the aforementioned resolutions, at the Annual General Meetings held in February 2005 and in February 2004, the shareholders authorized the Board of Directors, for a year of five years, to issue fixed-income securities of any class or type, up to a maximum of €121,750 million.

As of December 31, 2006, there were no significant capital increases in progress at any of the Group companies.

In 2006 and 2005 the Group companies performed the following transactions involving Bank shares:

	Number of shares	Thousands of euros
Balance as of December 31, 2004	2,873,964	35,846
+ Purchase	279,496,037	3,839,510
- Sales	(274,760,734)	(3,756,669)
+/- Others	-	(5,976)
- Derivatives over BBVA shares	-	(16,390)
Balance as of December 31, 2005	7,609,267	96,321
+ Purchase	338,017,080	5,677,431
- Sales	(337,319,748)	(5,639,506)
+/- Others	(394)	(1,361)
- Derivatives over BBVA shares	-	14,373
Balance as of December 31, 2006	8,306,205	147,258
		_

The average purchase price of the Bank's shares in 2006 was €16.80 per share and the average selling price of the Bank's shares in 2006 was €16.77 per share.

The net gains or losses on transactions with shares issued by the Bank were recognised in equity under the heading "Stockholders' Equity - Reserves" of the consolidated balance sheet. As of December 31, 2006, the gains on transactions involving treasury shares amounted to €17,131 thousand.

The Bank and certain consolidated instrumentality companies held 8,306,205, and 7,609,267 shares of Banco Bilbao Vizcaya Argentaria S.A. as of December 31, 2006 and 2005, respectively, representing 0.234% and 0.2244% of share capital outstanding in 2006 and 2005, respectively. The carrying amount of these shares was €147 million and €96 million as of December 31, 2006 and 2005, respectively. In 2006 the Group's treasury shares ranged between a minimum of 0.020% and a maximum of 0.858% of share capital (between 0.07% and 0.66% in 2005).

DATE	ENTITY		% TREASURY SHARES
	BBVA	2,462,171	0.069%
	Corporación General Financiera	5,827,394	0.164%
	Others	16,640	0.000%
December 31, 2006	Total	8,306,205	0.234%
	BBVA	3,099,470	0.091%
	Corporación General Financiera	4,420,015	0.130%
	Others	89,782	0.003%
December 31, 2005	Total	7,609,267	0.224%

# SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND OF THE MANAGEMENT COMMITTEE

DIRECTORS	Direc	Direct shares		Indirect shares		TOTAL	
Name	Number	%/ Capital	Number	%/ Capital	Number	%/ Capital	
Francisco González Rodríguez	2,336	0.0001	1,376,814	0.0388	1,379,150	0.0388	
José Ignacio Goirigolzarri Tellaeche	480	0.0000	434,680	0.0122	435,160	0.0123	
Tomás Alfaro Drake	7,800	0.0002	-	0.0000	7,800	0.0002	
Juan Carlos Álvarez Mezquíriz	30,530	0.0009	-	0.0000	30,530	0.0009	
Richard C. Breeden	30,000	0.0008	-	0.0000	30,000	0.0008	
Ramón Bustamante y de la Mora	10,139	0.0003	_	0.0000	10,139	0.0003	
José Antonio Fernández Rivero	50,000	0.0014	_	0.0000	50,000	0.0014	
Ignacio Ferrero Jordi	2,566	0.0001	51,300	0.0014	53,866	0.0015	
Román Knörr Borrás	26,500	0.0007	4,500	0.0001	31,000	0.0009	
Ricardo Lacasa Suárez	8,928	0.0003	-	0.0000	8,928	0.0003	
Carlos Loring Martínez de Irujo	9,149	0.0003	_	0.0000	9,149	0.0003	
José Maldonado Ramos	11,537	0.0003	-	0.0000	11,537	0.0003	
Enrique Medina Fernández	28,391	0.0008	1,065	0.0000	29,456	0.0008	
Susana Rodríguez Vidarte	10,838	0.0003	2,088	0.0001	12,926	0.0004	
Telefónica de España, S.A.	_	0.0000	36,215,330	1.0196	36,215,330	1.0196	
Total	229,194	0.0065	38,085,777	1.0722	38,314,971	1.0788	

DIRECTORS	Direc	t shares	Indirect shares		TOTAL	
Name	Number	%/ Capital	Number	%/ Capital	Number	%/ Capital
Eduardo Arbizu Lostao	4,000	0.00011	-	-	4,000	0.00011
Juan Asúa Madariaga	7,104	0.00020	118,086	0.00332	125,190	0.00352
Javier Ayuso Canals	1,223	0.00003	-	_	1,223	0.00003
José Andrés Barreiro Hernández	6,463	0.00018	-	_	6,463	0.00018
Javier Bernal Dionis	1,180	0.00003	-	_	1,180	0.00003
Ángel Cano Fernández	67,058	0.00189	-	_	67,058	0.00189
Ignacio Deschamps	2,000	0.00010	_	_	2,000	0.00010
José María García Meyer-Dohner	10,495	0.00030	-	_	10,495	0.00030
Manuel González Cid	13,249	0.00037	_	_	13,249	0.00037
Jaime Guardiola Romojaro	360	0.00001	_	_	360	0.00001
José Maldonado Ramos	11,537	0.00032	_	_	11,537	0.00032
Vicente Rodero Rodero	34,547	0.00097	300	0.00001	34,847	0.00098
Ignacio Sánchez-Asiain Sanz	43,476	0.00122	-	_	43,476	0.00122
José Sevilla Álvarez	6,350	0.00018	610	0.00002	6,960	0.00020
Total	209,042	0.00583	118,996	0.00335	328,038	0.00918

### DISTRIBUTION OF PROFIT

In 2006 the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. resolved to pay the shareholders three interim dividends out of 2006 profit, amounting to a total of €0.396 gross per share. The aggregate amount of the interim dividends declared as of December 31, 2006, net of the amount collected and to be collected by the consolidable Group companies, was €1,362,700 thousand and is recorded under "Equity - Dividends and Remuneration" in the related consolidated balance sheet. The last of the aforementioned interim dividends, which amounted to €0.132 gross per share and was paid to the shareholders on January 10, 2007, was recorded under the heading "Financial Liabilities at Amortised Cost - Other Financial Liabilities" in the consolidated balance sheet as of December 31, 2006

The provisional accounting statements prepared in 2006 by Banco Bilbao Vizcaya Argentaria, S.A. in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the interim dividends were as follows:

Thousands of euros			
	31-05-2006 Dividen 1	31-08-2006 Dividend 2	30-11-2006 Dividend 3
Interim dividend -		• • • • • • •	
Profit at each of the dates indicated, after the			
provision for income tax	1,535,235	2,376,266	2,244,779
Less -			
Estimated provision for Legal			
Reserve	-	-	(15,789)
Interim dividends paid	-	(447,592)	(895,184)
Maximum amount			
distributable	1,535,235	1,928,674	1,333,806
Amount of proposed			
interim dividend	447,592	447,592	468,861

The Bank's Board of Directors will propose to the shareholders at the Annual General Meeting that a final dividend of €0.241 per share be paid out of 2006 income. Based on the number of shares representing the share capital as of December 31, 2006, the final dividend would amount to €856,025 thousand and profit would be distributed as follows:

	Thousands of euros
Net profit for 2006	
(Note 4)	2,439,825
Distribution:	
Dividends	
- Interim	1,364,045
- Final	856,025
Legal reserve	15,789
Voluntary reserves	203,966

The distribution of profit per share during 2006 and 2005 is as follows:

• • • • •	First interim	Second interim	Third interim	Final	Total
2005	0.115	0.115	0.115	0.186	0.531
2006	0.132	0.132	0.132	0.241	0.637

### RISK MANAGEMENT

### THE RISK MANAGEMENT SYSTEM AT BBVA

The BBVA Group considers risk management to be an intrinsic part of the banking business and a source of its competitive advantage. In a diversified, internationally active group, the appropriate identification, measurement and valuation of the various types of risk is of key importance if it is to expand its business in keeping with the desired risk profile and guarantee the sustainability thereof in the medium and long term.

The basic objectives of the BBVA Group risk management system are to cater for the specific needs of customers and to assure the Group's solvency, in keeping with the expectations of the risk profile approved as part of its business strategy.

#### **BASEL II**

In tandem with the process of integrating further the risk management and business decision-making functions, the Group is entering into the final stage of adaptation to Basel II. From the outset, the Group has opted to use the most advanced models for both credit and operational risk (it already has an internal market risk model to calculate capital utilization which has been approved by the Bank of Spain).

In accordance with timetable established by the regulators, in 2006 the Group submitted the mandatory documentation on the models being presented by it for validation.

In this matter the Group is collaborating actively with the supervisors in general, especially with the Bank of Spain and the National Banking and the Securities Commission of Mexico (CNBV for its initials in Spanish) to make consistent and coordinated progress on the process of validating advanced models in accordance with timeframe set forth and due for completion by December 2007.

### CREDIT RISK MANAGEMENT

### EVOLUTION OF CREDIT RISK EXPOSURE AND QUALITY

As of December 31, 2006, the Group's maximum credit risk exposure was €495,559 million, 8.8% higher than at year-end 2005. By business segment, 32.9% of exposure was concentrated in Retail Banking Spain and Portugal, 44.6% in Wholesale Businesses, 16.8% in Mexico and USA and 5.8% in South America.

Customer lending risk exposure (61.6% of the total, including contingent liabilities) and third-party liabilities (19.8%) increased by 21.0% and 15.6%, respectively, while the potential exposure to lending risk in market activities, including potential exposure from derivatives, which accounts for 18.6% of the total, fell by 22.0%.

	Thousands of euros			
2006 2005				
Retail Banking in Spain and Portugal	122,764,069	103,715,767		
Wholesale and Investment Banking	128,773,501	103,458,782		
Mexico and USA	36,027,166	29,589,465		
South America	19,735,393	17,178,975		
Subtotal Areas	307,300,129	253,942,989		
Corporate Activities	(2,050,458)	(1,668,367)		
Total	305,249,671	252,274,622		

During the year the Group's geographic risk exposure was affected by the depreciation of the Latin American currencies relative to the euro and the incorporation of the Texas Regional

Bancshares Inc.. The combined effect of these two factors together with that of organic growth was to leave the geographic breakdown of risk exposure similar in 2006 to that of 2005: Spain (including foreign branches, essentially in Europe) accounted for 79.7% of total exposure while the rest of Europe accounted for 2.0% (very evenly broken down between the wholesale and retail businesses), while exposure to the Americas represented 18.3%, of which the vast majority (75.8%) was accounted for by investment grade countries.

Throughout 2006 BBVA remained vigilant in its efforts to drive down the volume of doubtful loans (€2,531 millions as of December 31, 2006, of which €40 millions relate to doubtful contingent exposures). As a result, and despite the sharp growth in lending, doubtful loans rose by just 6.3% without an accompanying increase in the flow of loans becoming non-performing, which fell to 13.9% of critical mass (doubtful balances plus new entries for the year), compared to 15.9% in 2005.

By business area, doubtful loans fell in Wholesale Businesses and South America, underpinned by the performance of net entries. Mexico was affected by the sharp increases in consumer lending and credit card issuance which, albeit profitable, are characterized by higher default rates. Doubtful loans in Retail Banking in Spain and Portugal rose as a result of the sharp increases in risk exposure recorded in all segments, most notably consumer lending products.

The Group's NPL ratio was cut by 11 basis points in 2006 to 0.83%, the result of the strong growth in credit risk offset by the containment of doubtful balances. The NPL ratio in South America fell a noteworthy 100 basis points (to 2.67%). The NPL ratio in Mexico and USA, although affected by the consolidation of the Texas Regional Bancshares and by sharp growth in consumer lending and credit card volumes, also fell 5 basis points (to 2.19%), while the NPL in Wholesale Businesses fell 7 basis points (to an historic low of 0.22%). Retail Banking in Spain and Portugal, despite the shift in the structure of investment, managed to post a virtually flat NPL ratio.

Provisioning for credit risk in the consumer lending portfolio rose 14.8% to €6,905 millions reflecting an increase in generic provisioning triggered by the sharp growth in lending. The increase in provisioning was uniform across all business areas resulting in an improvement in the BBVA Group's coverage ratio (to 272.8%) with strong ratios across all the board as depicted in the table below:

	Thousands Provisioning f 2006	
	2000	2003
Retail Banking in Spain and Portugal	2,181,396	1,852,917
Wholesale and Investment Banking	1,966,907	1,703,393
Mexico and USA	1,963,722	1,666,197
South America	698,578	689,390
Corporate Activities	94,855	103,097
Total	6,905,458	6,014,994

### MARKET RISK MANAGEMENT

#### RISK MANAGEMENT IN MARKET AREAS

In 2006 the BBVA Group's market exposure continued to fall to very moderate levels and ended the third quarter with weighted average utilisation of limits of 39%.

The monthly evolution of market risk in 2006 was as follows:



By geographical area, at 2006 year-end 68.3% of the market risk related to banking in Europe and the United States and 31.7% to the Group's Latin-American banks. Of this latter figure, 21.2% is concentrated in Mexico and 10.4% in the BBVA Group's other Latin-American banks.

The back-testing performed using management results for the BBVA, S.A.'s market risk in 2006, which consisted of comparing for each day the results on the positions with the level of risk estimated by the model, confirms the correct functioning of the risk management model.

### **OPERATIONAL RISK**

In 2006, BBVA made significant progress in rolling out its operational risk tools in order to qualify for the advanced management model as defined by Basel convergence criteria.

### **CORPORATE GOVERNANCE**

BBVA complies with prevailing Spanish legislation in corporate governance matters. So, in accordance with the provisions of article 116 of the Spanish Securities Market Law, enacted by Law 26/2003, dated July 17, the Group has prepared a corporate governance report for 2006 following the content guidelines set down in Order ECO 3722/2003 dated December 26 and in CNMV (Spanish securities regulator) Circular 1/2005, dated March 17, including a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain.

In addition, all the disclosure required by article 117 of the Spanish Securities Market Law, as enacted by Law 26/2003 and by Order ECO 3722/2003 dated December 26 can be accessed on BBVA's webpage (www.bbva.es) in the section entitled "Corporate Governance"

The following information, among other items, can be viewed on the BBVA webpage:

- The BBVA Corporate Bylaws.
- The General Shareholders' Meeting Regulations.
- The Board of Directors Regulations.
- The Audit and Compliance Committee Regulations.
- The Risk Committee Regulations.
- Annual reports.
- The Securities Markets Code of Conduct.
- Corporate Governance Annual Reports.
- Documentation related to the ordinary and extraordinary general meetings of BBVA.
- Significant events.

### RESEARCH AND DEVELOPMENT

Innovation is one of the key ways in which BBVA differentiates itself and is the means to accessing new segments, tapping new financial solutions and entering into related non-financial businesses.

BBVA's approach to innovation was marked in 2006 by the development of a decentralized model that empowers the individual business units with spearheading their innovation strategies and endows them with total autonomy to execute the resulting programs.

As a result of the new organizational Group structure defined at the end of 2006, BBVA set up a corporate "Innovation and Development" department with the aim of designing a corporate framework to guide the business units' strategies in innovation. The new unit has defined two new lines of activity: customer and market analysis and business development leveraging the network. The idea is to get closer to our customers, based on technical analysis of trends and behavior.

In addition, BBVA has set up a top-level Innovation Committee with the aim of promoting the innovation and transformation strategy throughout the Group. The launch of this committee, a first in the banking sector, represents a new step forward for the Group in its strategy of getting closer to the end customer by garnering more in-depth knowledge of his or her present and future needs.

### **ENVIRONMENTAL INFORMATION**

The environmental impacts of a financial services group such as BBVA are basically of two kinds:

- Direct impacts: arising from the consumption of energy and raw materials (paper consumption, air-conditioning systems in buildings, waste management, etc.).
- Indirect impacts: resulting from the Group's risk policy (granting of loans to projects that might damage the environment) and the creation and marketing of products and services.

The Environmental Policy approved by the Group in 2003 addresses both direct and indirect impacts. This policy is implemented through an advanced Environmental Management System which, based on ISO 14001, promotes an integral mechanism for ongoing improvement that is applicable to the entire Group in all the activities carried on by it in all the countries in which it operates.

The key aspects of this policy are:

- Fulfillment of prevailing legislation in all the Group's operating markets.
- Efficient use of natural resources.
- Incorporation of environmental criteria in financial transaction risk analysis.
- Development of products and services that are environmentally friendly.
- Exercising a positive influence on the environmental behavior of stakeholders.
- Promotion of internal training and awareness in environmental matters.
- Support for social initiatives with a beneficial impact on the environment.

The Department of Corporate Responsibility and Reputation, which reports to the Communication and Image Department since 2005 is responsible for coordinating this policy.

The Group's environmental activities in 2006 included most notably:

- Adoption of the new and revised Equator Principles. The Equator Principles (sponsored by the World Bank's International Finance Corporation) are a group of guidelines for the management of environmental and social risks implicit in project financing transactions greater than US\$10 millions in size. As of year-end 2006, BBVA was the only Spanish bank to have adopted these principles.
- Extension of ISO 14001 certification to specific Group buildings in Spain housing 7% of all employees. In 2006 one of BBVA's main headquarters in Bilbao was certified.
- 3) Commitment by Anida (BBVA's real estate entity) to demanding sustainability criteria in all of its activities; 0.7% of net profit is allocated to corporate responsibility initiatives, with a special focus on environmental patronage.

- Participation in the Clean Development Mechanisms provided for in the Kyoto Treaty to reduce carbon emissions in Central America.
- 5) Financing of projects with a positive environmental impact, with a special focus on renewable energies, most notably wind farms: according to Project Finance International, BBVA was the largest financer of wind farms in 2006.
- 6) Signature by BBVA Banco Continental (Peru) of a US\$30 millions credit facility with the International Finance Corporation to enable the Bank to extend its portfolio of loans to SMEs that invest in businesses that promote the efficient use of energy and/or sustainable forestation.
- 7) Progress on the development of the so-called "Ecorating" tool designed to evaluate the environmental risk of loan portfolios.
- 8) Numerous public acts and intense publishing activity under the auspices of the BBVA Foundation's Environmental Program, designed to promote excellence in investigation and the dissemination of environmental knowledge and awareness. Among the many initiatives undertaken in 2006, we would highlight the second edition of the BBVA Foundation Prizes for the Preservation of Biodiversity, the fourth edition of the grants for environmental investigation, the development of environmental investigation centre activity promoted by the Cap Salines Foundation (Balearic Islands), the Proyecto Felinos Sudamericanos (the South American Felines Project in collaboration with the Instituto de Biología y Medicina Experimental or Institute for Biology and Experimental Medicine, the Consejo Superior de Investigaciones Científicas - the "CSIC" or the Superior Council of Scientific Investigation - and the University of Castile-La Mancha) and the project for preserving the protected nature park at Doñana in collaboration with the CSIC.

At 31 December 2006, there were no items in the Group's consolidated financial statements that warranted inclusion in the separate environmental information document envisaged in the Ministry of the Economy Order dated October 8, 2001.

# REPORT ON THE ACTIVITY OF THE CUSTOMER CARE AND CUSTOMER OMBUDSMAN DEPARTMENT

In Spain the BBVA Group has a Customer Care Service in place to manage customer complaints and grievances. In addition, if a customer were unsatisfied with the solution proposed by the Customer Care Service, he or she has a second line of defense in the Customer Ombudsman.

In accordance with the stipulations of article 17 of the Ministry for the Economy Order ECO/734, dated March 11 regarding customer care and consumer ombudsman departments at financial institutions, and in line with the BBVA Group's "Internal Regulations for Customer Protection in Spain" approved by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. in its session of July 23, 2004, the following is a summary of related activities in 2006:

### REPORT ON THE ACTIVITY OF THE CUSTOMER CARE DEPARTMENT IN 2006

# A) STATISTICAL SUMMARY OF THE GRIEVANCES AND COMPLAINTS HANDLED BY BBVA'S CUSTOMER CARE SERVICE IN 2006

The number of customer complaints received by BBVA's Customer Care Service in 2006 was 6,679, of which 208 were ultimately not processed because they did not comply with the requirements of Ministry of the Economy Order ECO/734/2004. 94.4% of the complaints (6,112 files) were resolved in the year and 359 complaints had not yet been analysed at 31 December 2006.

The complaints managed can be classified as follows:

	Percentage of complaints
Commission and expenses	19.6%
Operations	17.6%
Assets products	14.9%
Customer information	11.6%
Collection and payment services	8.8%
Financial and welfare products	8.0%
Other complaints	19.5%

The detail of the complaints handled in 2006, by the nature of their final resolution, is as follows:

	Number of complaints
In favor of the person submitting the complaint	2,366
Partially in favor of the person submitting the complaint	608
In favor of the BBVA Group	3,138

The principles and methods used by the Customer Care Service to resolve complaints are based on the application of the rules on transparency and customer protection and best banking practices. The Service adopts its decisions independently, notifying the various units involved of any actions, which require review or adaptation to the related regulations.

# B) RECOMMENDATIONS OR SUGGESTIONS DERIVING FROM YOUR EXPERIENCE, WITH A VIEW TO BETTER ATTAINING THE AIMS OF YOUR WORK.

In 2006 the Customer Care Service encouraged the use of the branch network to resolve a large number of complaints through closer contact with customers. This facilitated the obtainment of amicable agreements, which without doubt resulted in a greater perception of quality by customers.

Various recommendations were implemented which led to a series of initiatives designed to improve banking practices at the companies subject to banking industry regulations. We would highlight that as a result of the strategic and operational improvements implemented at this unit, in continuation of the effort begun in 2005, the number of complaints presented before the various public supervisory entities fell again in 2006. During 2006 the number of complaints lodged with the Bank of Spain and referred to BBVA totalled 237 (including the matters detailed below in the report on the activity of the customer ombudsman), representing a 15.4% decline year-on-year.

### REPORT ON THE ACTIVITY OF THE CONSUMER OMBUDSMAN OF BBVA

# a) Statistical summary of the grievances and complaints handled by $BBV\!A's$ Consumer Ombudsman in 2006

The number of customer complaints received by BBVA's Consumer Ombudsman in 2006 was 1,441 of which 45 were ultimately not processed because they did not comply with the requirements of Ministry of the Economy Order ECO/734. 93.82% of the complaints (1,352 files) were resolved in the year and 44 complaints had not yet been analysed at 31 December 2006.

The grievances and complaints handled are classified in the table below in line with the criteria established by the Claims Service of the Bank of Spain in its half-yearly data compilations:

	Number of complaints	
Assets operations	183	ľ
Liabilities operations	234	
Other banking products (Cash, Automated teller)	116	
Collection and payment services	84	
Investment services	228	
Insurance and welfare products	441	
Other complaints	66	

The final outcome of the 1,352 files resolved in 2006 can be classified as follows:

	Number of complaints	
In favor of the person submitting the complaint	196	
Partially in favor of the person submitting the complaint	493	
In favor of the BBVA Group	663	

Based on the above, over 50% of the customers bringing a complaint before the BBVA Consumer Ombudsman, were in some way satisfied.

The Ombudsman issues its verdicts based on prevailing legislation, the contractual relationships in place among the parties, current standards on transparency and customer protection on best banking practices and, especially, on the principle of equality.

The independent nature of the role of the Consumer Ombudsman is vital and is a requirement to earn the trust of the institution's clientele. Verdicts handed down by the Ombudsman in favour of the customer are binding on the affected Group entity.

# B) RECOMMENDATIONS OR SUGGESTIONS FROM YOUR EXPERIENCE, WITH A VIEW TO BETTER ATTAINING THE AIMS OF YOUR WORK.

Among the various initiatives implemented by the Entity at the behest of the Ombudsman in 2006, we would highlight the following:

- Certain contracts were modified to increase the size of the font setting forth the terms of the contract to 1.5 mm, the mandatory font size in certain Spanish autonomous regions: the immediate loan policy, "Pide" (Ask).
- The Ombudsman had the opportunity to work with BBVA Seguros in order to make the wording of the surrender provision in the BBVA Rentas product clearer.
- The Values Department opted, in light of studies carried out at the behest of the Ombudsman, to provide assistance cards to general meetings of companies with registered shares, something not done in the past.

We would highlight that the number of complaints brought before the various public supervisory entities, after being handled by the Consumer Ombudsman, fell again in 2006. In 2006, the number of complaints brought before the Bank of Spain, the CNMV and the Spanish General Directorate of Insurance and referred on to BBVA, after being handled by the Consumer Ombudsman, totalled 102 compared to 171 in 2005, i.e., a reduction of 40.35%.

This is a very significant decline, all the more remarkable considering that the total number of cases handled by the Consumer Ombudsman increased by 144, or 11.10%, year-on-year.

### **FUTURE OUTLOOK**

Against a scenario of world economic growth of around 5%, 2006 represented the continuation of the expansionary phase that began in 2003. World trade increased substantially and the European Union achieved robust economic growth.

In 2006 the Spanish economy grew two-tenths of a percentage point more than in 2005 to record its highest level of growth in the last six years: 3.7%.

The forecasts for 2007 continue to signal a moderation in growth, albeit less drastic than that expected in previous years.

The world today is marked by increasingly rapid, constant change and expansion. Fully aware that these changes create opportunities for growth, BBVA is currently implementing a unique project that sets it apart from its competitors. By harnessing these opportunities, anticipating change and adapting to it, BBVA aims to offer its customers an entirely "new form of banking".

#### PLANS BY BUSINESS AREA

At the end of 2006, the BBVA Group approved a new organizational structure which, scheduled to come into force in 2007, will represent a further step towards implementing BBVA's strategy, by streamlining its corporate structure and giving greater weight and autonomy to its Business Units. The aim pursued is to discover new talent, step up the pace of growth and transform BBVA into a truly global banking group. The Group will focus its operations on four major business areas: Spain and Portugal; Global Business; South America and Mexico and the United States.

The triangle formed by the Business Banking, Corporate Banking and Institutional Banking units, also known as "BEC", will be included in the Spain and Portugal area and the Asset Management unit will form part of the new Global Business area.

### RETAIL BANKING SPAIN AND PORTUGAL

In 2006 the Retail Banking Spain and Portugal area continued to manage, with a highly differentiated commercial product offering and a high level of personal attention, the Individuals segment (Solutions for Individuals) and the small-sized enterprise, professional, self-employed, business and agricultural customer groups (Solutions for Business). It also included Consumer Finance operations, conducted through Finanzia and Uno-e, Asset Management and Private Banking, the European Insurance business and BBVA Portugal.

The Group's burgeoning business activity and commercial productivity, coupled with the development of new business lines, the achievement of cost control through the optimization of structures and the implementation of an adequate pricing policy in an environment of rising interest rates, led to a steady improvement in the income statement. All business margins rose sharply, albeit not to the detriment of the area's basic aggregates, which remained sound.

In 2007 the Retail Banking Spain and Portugal businesses, with the exception of Asset Management and Private Banking, which are to form part of Global Business, will compose, together with Business Banking and Corporate Banking, the new area called Spain and Portugal. This unit will encompass all the Group's business in Spain and Portugal through a segmented, specialist network that will enable BBVA to provide a more highly personalized service when catering for the needs of the various customer types. In short, the Group will foster a more customer-centric modus operandi and implement a strategy underpinned by innovation and transformation.

Once again in 2007, the Spain and Portugal area faces an ever-changing, fiercely competitive environment, one in which it must demonstrate its ability to respond quickly to any challenge and to adapt to market conditions.

Against this backdrop, the area's growth strategy for 2007 will have a three-fold approach: products, channels and segments. Specific plans will be implemented for segments which, due to their immense potential, are deemed to be of strategic importance. To this end, the area will provide a continuous offering of innovative, high value-added products and services, and will promote the use of multiple channels as a means of reaching, and conducting its business with, the various customer groups.

This major endeavor will result in a fully customer-oriented organization capable of offering a differentiated value proposal for each customer type. This will enable Spain and Portugal to continue to grow in 2007 and will ensure its success in overcoming any future challenges.

#### GLOBAL BUSINESS

The Global Business area combines the asset management and private banking business, all global market and customer activities in Europe, the Americas and Asia, investment banking, and the Group's business and real estate activities.

This newly-structured area, in force since the beginning of 2007, will enable the Group to progress toward a more global structure, in keeping with its expansion into new geographical markets and the far-reaching transformation that it is currently undergoing.

The area's strategy for 2007 will focus on the following main targets: to develop our cross-selling model to promote synergies and exploit high value-added products, to build customer loyalty and to penetrate new markets. The lines of action defined for the area's main business units are as follows:

- Global Markets and Distribution: to develop the Group's business in Europe, which will enable us to access new markets and customers, through the development of new products; in the Americas, to finally consolidate our customer-oriented business model, using a franchise model aimed at generating recurring income; and to explore new potential openings in Asia.
- Investment Banking: to bolster business through our commercial networks worldwide, by developing cross-selling models to facilitate the sale of high value-added products.
- Global Customers: to boost our global dimension, by including the Latin-American business in the global customer management, with a view to facilitating integral customer management by harnessing our product capacities and our extensive presence worldwide.
- Asia: to consolidate the agreement entered into with the CITIC Group, which will enable us to take full advantage of the competitive edge that the group's strong presence in Latin America represents, of its wholesale product capacity and its efficient retail distribution model.
- Business and Real Estate Projects: to create value in the medium and long term through the active management of the investee portfolio, based on profitability, efficiency and rotation criteria.

### Mexico

### **Attraction of funds**

Bancomer continues to focus its efforts on attracting low-cost funds. To this end, it will continue to promote products such as the "*Libretón*" savings account, in which customers' savings are rewarded in the form of various gift articles. An average of 130,000 accounts are opened each month. Also, it will continue to encourage the sale of investment funds at branches, using products specifically designed for middle-income-bracket segments.

### Lending

Lending will be boosted by financing provided for individuals and medium-sized enterprises.

In 2007 consumer lending will be channeled through products such as pre-approved personal loans and loans linked to payroll payments made through Bancomer. Vehicle-purchase loans will continue to be a profitable product and the challenge for Bancomer this year will be to retain its position as market leader. A steady rate of growth is expected to be maintained in the credit card business through multichannel distribution and the design of products to target non-accountholder segments.

As regards mortgage loans, Bancomer will once again target penetration of the middle-income-bracket residential segment in order to increase the amount requested per mortgage and will continue to innovate in terms of the products offered. Lastly, the aim in lending to medium-sized enterprises will be to increase the customers' use of credit facilities by providing greater effectiveness in the solution provided.

### Increasing the role of banks

One of the strategic approaches for 2007 will be that of reaching segments currently outside the influence of banks. In Mexico it is calculated that only one half of the active working population, i.e. 22 million people, has any relationship with banks. Consequently, there is considerable growth potencial for lending. For the purpose of catering for the needs of the population segment in the medium and medium-to-low income brackets, Bancomer has designed a series of tailor-made products, such as "frozen" and prepaid credit cards and the cards it offers through commercial partners at self-service stores.

### Focus on customers with payrolls

One third of the bank's customers receive payment of their salaries through Bancomer, and around 30% have a payroll-based loan. The challenge facing the bank will be to increase to number of loans granted to this customer base.

### Service

Providing quality of service will continue to be a key factor in setting the bank apart from its rivals in a fiercely competitive market. To this end, in 2007 Group plans to extend the Bancomer Guarantee program to include not only individual customers but also corporate customers. Under this program, Bancomer will continue to promise to provide certain services within a given horizon period and to compensate the customer if the promise is not kept. Also, it intends to further implement its project to expedite customer service at branches through more efficient queuing systems, giving priority service to high-yield customers (such as personal wealth and preferential customers) and the migration of transactions to other service channels.

### UNITED STATES

BBVA USA, the term used to refer to the all Group's businesses in the United States, consolidated its position in 2006. It has virtually quadrupled its assets since the USA project was launched in early 2004 through BBVA Puerto Rico and the BTS Money transfer unit. By 2006 year-end, BBVA USA had achieved a very considerable presence through

the addition of Laredo National Bank, Texas Regional Bancshares Inc., BBVA Bancomer USA and the consumer finance project Finanzia USA. Furthermore, in January 2007 it acquired State National Bank, which is based in Dallas, Texas.

The acquisition of the two new banks in Texas has secured BBVA USA a leading position and has bolstered the Group's banking project in this State, where it aims to cater for customers of all kinds, both individuals and businesses. BBVA USA's branch network in Texas now comprises more than 160 offices, with almost four thousand employees.

Texas Regional Bancshares will supplement the businesses already carried on by the Group in Texas. It will extend BBVA USA's branch network by a further 72 offices and two thousand employees and will contribute a high-quality portfolio to its business.

2006 was the first full year in which Laredo National Bank was part of the BBVA Group. During the year LNB developed new products for individual customers, such as mortgage loans, personal loans, demand deposit accounts with competitive interest, and investment products for both US national and foreign customers. At the same time, in the commercial banking sector LNB set up a foreign trade area with the aim of providing a more comprehensive service to enterprises.

Consumer lending was also promoted through the Finanzia USA pilot project. Finanzia USA, a business division of Laredo National Bank, focused its activities in 2006 on the placement of credit cards through LNB stands at supermarkets and through direct selling.

Despite the worsening economic climate in Puerto Rico, in 2006 the measures adopted at BBVA Puerto Rico in order to counteract the situation facing the island have placed it ahead of its immediate rivals, with a healthy balance sheet and sound capacity for growth.

BTS, the money transfer business, further expanded its distribution network by clinching new alliances and opening up new channels. In 2006, as a result of the alliance with a leading Chinese bank and the focus on expanding toward new remittance brokers, money transfers from USA to Asia commenced.

In California, BBVA Bancomer USA completed the first stage of its development, finishing the year with 32 branches. Its target is to provide basic banking services to first- and second-generation Hispanic customers and to offer them additional products, such as telephone cards, and check exchange and money transfer services.

### **SOUTH AMERICA**

2006 was a successful year in which the overall targets set for South America were achieved.

In 2006 BBVA's banks in South America placed particular emphasis on continuing to implement the Group's consumer finance strategy, through both the regional credit card project (the credit card is the financing instrument par excellence in the Americas) and the creation of a Consumer Finance unit for this area, which focused on managing loans to individuals in the lowest income bracket.

One of the noteworthy developments in 2006, in addition to the acquisition of Forum, the leading Chilean vehicle financing company, was the successful completion of the merger of Granahorrar and BBVA Colombia. As regards the mortgage loan market, the other BBVA banks in South America continued to improve their performance due to the economic stability of the area and their enhanced commercial product offering.

The favorable economic climate in South America is also contributing to growth in new customer funds. As a result, the banks have diversified their range of investment products on the basis of the "value offering" method, which they adapt to the local situation prevailing in each country.

BBVA South America's value contribution to the BBVA Group in 2007 will result from stepping up the projects already in progress, albeit with a new "distribution" perspective. Our total distribution capacity in the region constitutes a competitive advantage that must be fully harnessed. Future plans for South America envisage improved productivity and new infrastructures to enable us to develop new customer service channels and create synergies that will ensure our growth in terms of value throughout the region.

The main lines of action designed to give a further boost to the "segment/product/channel" approach are as follows:

- To optimize the extension of banking services to the low-income segment of the population: throughout the region, the Group will strive to create value for segments with the lowest purchasing power. Targeting both BBVA customers and people who do not bank with us, this will be achieved by providing point-of-sale financing, mainly through credit cards. The objective of the region's Consumer Finance unit is to develop this line of action.
- To consolidate the VIP Project throughout the region as a BBVA Group method for services to high-income customers, and to customize our approach and improve our product offering for the middle-income segment.
- To continue to develop local strategies to encourage closer contacts with SMEs, businesses and individuals engaging in business activities.
- To become the leading bank for businesses and institutions in South America and to serve as a benchmark in Foreign Trade in the medium term.

All the projects in South America are clearly defined on the basis of the local situation. By exchanging best practices, we will be able to perfect our strategies and optimize the tactical measures adopted by the banks and other Group companies in the region. The result will be the creation of the synergies characteristic of a major international group.

Also in 2007, the BBVA Group expects to maintain its leading position in the Pensions and Insurance businesses in many South American countries.

### FINANCING OUTLOOK

BBVA's financing needs are determined by the maturity schedule of its wholesale financing and the new requirements arising

from growth in business. The Group's issues in this connection include most notably debentures, mainly mortgage bonds (cédulas hipotecarias) and territorial bonds (cédulas territoriales), which account for 31% of the total, followed by deposits, basically notes, which represent approximately 46% of the total balance. The remaining amount relates to preference share and subordinated debt issues, which together account for 15% of the total.

Within the framework of the policy implemented in recent years to strengthen its net worth position, the BBVA Group will at all times adopt the decisions it deems advisable to maintain a high degree of capital solvency. In particular, at the Annual General Meetings held on March 18, 2006, February 28, 2004, March 1, 2003, and March 9, 2002, the shareholders resolved to authorize a comprehensive program of capital increases and debt security issues. The related resolutions can be summarized as follows:

- To confer upon the Board of Directors, subject to the applicable legal provisions and to the obtainment of the required authorizations, the authority to issue, within the five-year maximum period stipulated by law, on one or several occasions, directly or through subsidiaries, with the full guarantee of the Bank, any type of debt instruments, documented in obligations, bonds of any kind, promissory notes, cédula-type bonds and warrants, that are totally or partially exchangeable for shares already issued by the Company or another company, or which can be settled in cash, or any other fixed-income securities, in euros or any other currency, that can be subscribed in cash or in kind, registered or bearer, unsecured or secured by any kind of collateral, including a mortgage guarantee, with or without incorporation of rights to the securities (warrants), subordinate or otherwise, for a limited or indefinite period of time, up to a maximum amount of €105,000 millions. This resolution was adopted at the Annual General Meeting on March 18, 2006.
- To confer upon the Board of Directors, pursuant to Article 153.1.b) of the Spanish Companies Law (*Ley de Sociedades Anónimas*), the authority to increase the share capital, within the five-year period stipulated by law, on one or several occasions, by an amount (par value) not exceeding 50% of the Bank's share capital subscribed and paid at the date of this authorization, through the issuance of new ordinary shares, preference shares, redeemable shares or any other kind of shares permitted by Law,

- carrying voting rights or otherwise, with or without pre-emptive subscription rights. In this last-mentioned case the shares are to be issued at an issue price equal to their actual value, as required by law and the provisions of Article 161.1 of the Spanish Companies Law. This resolution was adopted at the Annual General Meeting on February 28, 2004. Based on these resolutions, the Bank could issue ordinary shares for an amount of up to €830,758,750.54.
- To confer upon the Board of Directors the authority to issue, within the five-year period stipulated by law, for an amount of up to €1,500 millions, warrants on the Company's shares, so that that they may be fully or partially exchangeable for or convertible into Company shares. The Board of Directors is hereby also authorized to decide upon the disapplication of pre-emptive subscription rights on these securities, in which case the number of shares required to meet the resulting obligations will be issued, at an issue price, fixed or variable, that must not be lower than the actual value of the share, as required by law and the provisions of Article 161.1 of the Spanish Companies Law. The Board of Directors is furthermore authorized to determine the terms and methods for the conversion or exchange, as the case may be, and to increase capital by the required amount and to amend, as appropriate, Article 5 of the Bank's bylaws, fixed-income securities convertible into and/or exchangeable for shares of Banco Bilbao Vizcaya Argentaria, S.A. with disapplication of pre-emptive subscription rights. This resolution was adopted at the Annual General Meeting on March 9, 2002 and will expire on March 9, 2007.
- To confer upon the Board of Directors, for a period of five years, the authority to issue debentures convertible into and/or exchangeable for shares of the Company, for up to a maximum amount of €6,000 millions. The Board shall approve the rules governing the placement of these debentures and is furthermore authorized to decide upon the disapplication or otherwise of pre-emptive subscription rights, as provided for in Article 159.2 of the Spanish Companies Law; to determine the terms and methods of the conversion; and to increase capital by the required amount. This resolution was adopted at the Annual General Meeting on March 1, 2003.

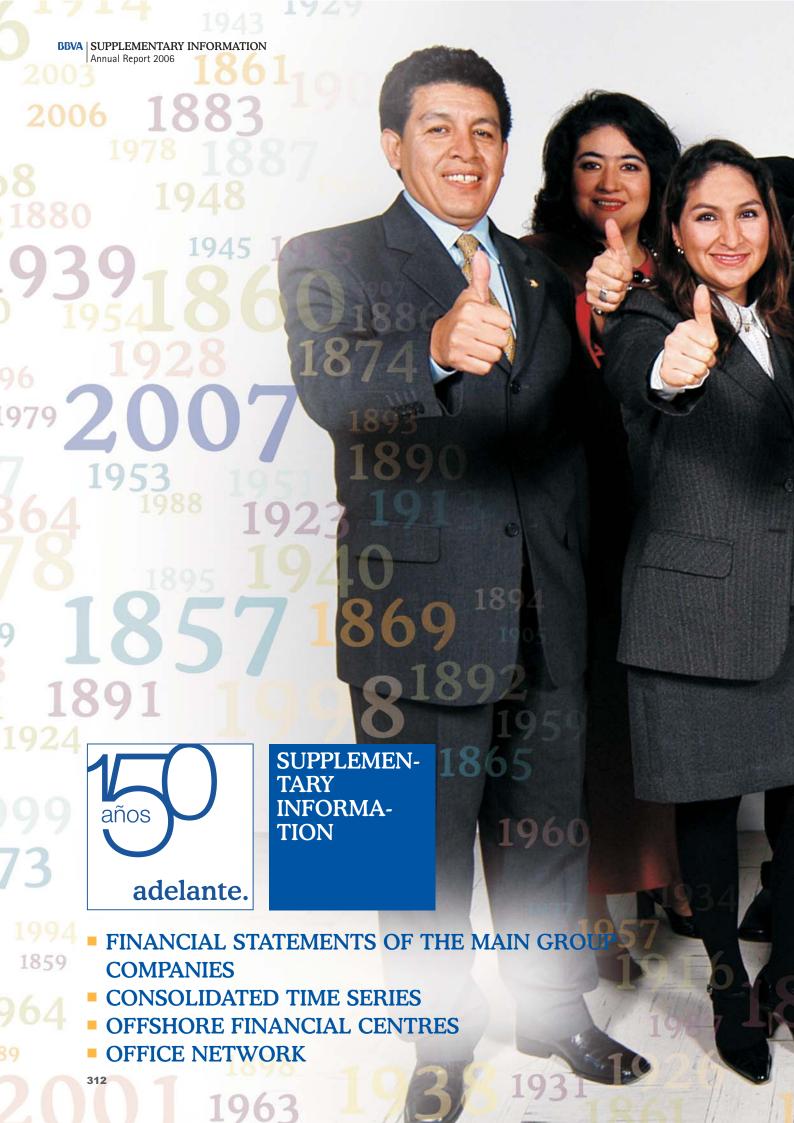
SECURITIES CLASS	Millions of euros
BBVA Shares <sup>(1)</sup>	831
Debt securities	105,000
Warrants on BBVA shares (1)	1,500
Convertible bonds (1)	6,000
(1) Resolution adopted on the Annual General Meetings celebrated on February 28, 2004, March 1, 2003 and March 9, 2002, that delegates to the board of directors the power to issue shares that could a Group.	

### SUBSEQUENT EVENTS

### ACQUISITION OF STATE NATIONAL BANCSHARES INC.

On 12 July, 2006, BBVA entered into an agreement to purchase the US banking group, State National Bancshares, Inc.,

which is domiciled and conducts its main business activity in the State of Texas. Once the approval of the General Meeting of this company has been obtained together with the necessary administrative authorisations, the transaction was concluded on 3 January 2007. The agreed purchase price was \$484 million (approximately €368 million at this date).





### FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (I)

### **Income statements**

(Million euros)

		BBVA		Banco	o de Crédito	Local		Finanzia	
	2006	$\Delta$ %	2005	2006	$\Delta \%$	2005	2006	Δ%	2005
NET INTEREST INCOME	4,108	9.5	3,752	75	(0.2)	75	92	2.5	90
Net fee income and insurance activities	1,732	8.4	1,598	2	14.9	1	14	150.9	5
CORE REVENUES	5,840	9.1	5,351	77	(0.2)	77	106	10.9	96
Net trading income	1,482	123.8	662	1	(71.3)	5	-	-	-
ORDINARY REVENUES	7,322	21.8	6,013	78	(4.2)	81	106	10.9	96
General administrative expenses	(3,007)	6.7	(2,818)	(5)	(10.2)	(5)	(55)	19.8	(46)
Depreciation, amortization and others	(196)	9.4	(179)	1	7.7	1	(1)	42.0	(1)
OPERATING PROFIT	4,119	36.6	3,016	74	(3.7)	77	50	2.1	49
Loan-loss provisions	(625)	48.3	(421)	2	7.5	2	(23)	(18.8)	(28)
Other income/losses (net)	(465)	42.5	(326)	(9)	n.m.	(1)	9	(37.4)	15
PRE-TAX PROFIT	3,030	33.6	2,268	67	(13.1)	78	36	2.6	35
Corporate income tax	(590)	68.5	(350)	(26)	(2.5)	(27)	(16)	76.2	(9)
NET PROFIT	2,440	27.2	1,918	41	(18.8)	50	20	(23.0)	26
Minority interests	-	-	-	-	-	-	-	_	-
NET ATTRIBUTABLE PROFIT	2,440	27.2	1,918	41	(18.8)	50	20	(23.0)	26
***************************************			T						

<sup>(1)</sup> Contribution to the consolidated financial statements.

### **Balance sheets**

(Million euros)

(immorr curios)		BBVA		Ranco	de Crédit	o Local		Finanzia	
Ī	31-12-06	Δ%	31-12-05	31-12-06		31-12-05	31-12-06	Δ%	31-12-05
Cash and balances at Central Banks	3,264	20.6	2,708	223	(33.2)	335	-	140.9	-
Financial assets	73,500	(9.7)	81,375	2,651	(7.9)	2,877	95	13.6	83
Loans and receivables	213,028	16.2	183,251	8,465	(3.6)	8,779	3,442	14.5	3,005
Due from banks	24,565	(16.0)	29,233	41	(68.3)	130	246	16.6	211
• Loans to customers	183,853	20.5	152,538	8,423	(2.6)	8,649	3,195	14.4	2,794
• Other	4,610	211.6	1,480	1	n.m.	-	-	0.5	-
Property, plant and equipment	2,093	1.6	2,061	26	(2.7)	26	4	(5.6)	4
Other assets	8,306	(14.8)	9,746	198	(21.3)	251	32	26.5	25
TOTAL ASSETS / LIABILITIES AND EQUITY	300,191	7.5	279,141	11,563	(5.7)	12,268	3,573	14.6	3,118
Deposits by Central Banks and banks	54,389	(10.5)	60,783	2,380	(22.2)	3,060	3,359	15.1	2,918
Due to customers	146,892	13.0	129,982	2,507	8.0	2,321	3	10.0	2
Marketable debt securities	39,859	17.0	34,079	5,965	(1.6)	6,061	-	-	-
Subordinated debt	12,464	0.6	12,393	-	-	-	6	(0.5)	6
Other liabilities	29,856	2.8	29,053	431	(17.9)	525	45	(12.6)	51
Minority interests	-	-	-	-	-	-	-	-	-
Shareholders' funds	16,731	30.2	12,850	280	(6.6)	300	160	14.1	141

<sup>(1)</sup> Contribution to the consolidated financial statements. (2) At constant exchange rate.

<sup>(2)</sup> At constant exchange rate.

	l	Jno-e Bank		PORTUGAL BBVA Portugal (1)			BBVA E	ARGENTINA BBVA Banco Francés <sup>(1)</sup>						
	2006	Δ%	2005	2006 Δ% 2005			2006 Δ% Δ% <sup>(2)</sup> 2005				2006 Δ% Δ <sup>(2)</sup>			2005
	66	19.9	55	66	22.5	54	3,259	32.3	33.7	2,463	228	4.0	11.0	220
•••••	16	23.6	13	37	(5.7)	39	1,194	19.4	20.6	1,000	106	7.5	14.6	98
	81	20.5	67	103	10.7	93	4,453	28.6	29.9	3,462	334	5.1	12.1	318
	1	n.m.	-	3	2.3	3	166	3.2	4.3	161	143	129.5	144.8	62
	82	21.9	67	105	10.5	95	4,619	27.5	28.8	3,624	477	25.5	33.9	380
	(44)	5.5	(42)	(74)	8.4	(69)	(1,571)	10.5	11.6	(1,422)	(175)	14.2	21.8	(153)
	(2)	37.1	(1)	(4)	(8.4)	(5)	(168)	(9.8)	(8.9)	(186)	(14)	(10.8)	(4.8)	(15)
	36	49.1	24	27	21.0	22	2,880	42.9	44.4	2,015	288	36.4	45.5	211
	(14)	22.8	(12)	(11)	63.8	(7)	(633)	149.8	152.3	(254)	(8)	n.m.	n.m.	3
	(2)	n.m.	-	-	n.m.	(4)	(49)	(41.2)	(40.6)	(83)	(26)	(49.8)	(46.4)	(51)
	20	61.9	13	16	39.1	11	2,198	31.0	32.3	1,678	255	56.5	66.9	163
	(10)	97.6	(5)	(6)	99.8	(3)	(645)	32.7	34.1	(486)	(75)	57.9	68.4	(48)
	10	37.5	8	10	18.1	9	1,552	30.2	31.5	1,192	179	55.9	66.2	115
	-	-	-	-	-	-	(1)	(37.7)	(37.1)	(1)	(43)	68.0	79.2	(25)
	10	37.5	8	10	18.4	9	1,552	30.3	31.6	1,191	136	52.4	62.5	90

U	no-e Bar	<u>ık</u>	BB'	VA Portug	jal <sup>(1)</sup>	BBVA I	Bancomer	Banking G	roup (1)	BB	VA Banco	Francés	(1)
 31-12-06	Δ%	31-12-05	31-12-06	$\Delta$ %	31-12-05	31-12-06	$\Delta$ %	$\Delta$ 0/0 $^{(2)}$	31-12-05	31-12-06	Δ%	$\Delta$ % $^{ ext{(2)}}$	31-12-05
22	12.0	20	59	(4.9)	62	5,853	(7.4)	5.0	6,321	595	40.4	59.0	424
282	(40.3)	474	376	23.8	304	17,538	11.1	25.9	15,787	869	5.9	19.9	821
1,065	25.4	849	4,570	15.5	3,958	27,058	(10.6)	1.3	30,269	2,173	14.3	29.5	1,901
168	6.2	158	359	(24.2)	473	1,491	(71.4)	(67.6)	5,216	223	76.5	100.0	127
897	29.8	691	4,151	21.3	3,422	25,225	12.6	27.7	22,398	1,893	7.2	21.4	1,766
-	-	-	60	(4.9)	63	343	(87.1)	(85.4)	2,655	57	n.m.	n.m.	8
1	2.7	1	60	(8.0)	61	823	(10.4)	1.6	918	94	(6.3)	6.1	100
58	93.0	30	296	61.4	184	1,896	(46.2)	(39.0)	3,523	165	(58.2)	(52.7)	396
 1,428	4.0	1,373	5,362	17.4	4,568	53,170	(6.4)	6.1	56,819	3,897	7.0	21.2	3,642
145	28.9	113	3,180	43.2	2,220	7,294	(17.7)	(6.8)	8,868	177	58.2	79.2	112
1,132	1.3	1,117	1,653	(18.1)	2,020	36,127	(1.6)	11.6	36,705	3,109	3.7	17.4	3,000
-	-	-	-	-	-	190	n.m.	n.m.	-	61	(23.2)	(13.0)	80
-	-	-	185	107.9	89	561	(47.8)	(40.9)	1,076	-	-	-	-
14	(15.6)	17	150	83.7	82	5,626	(19.3)	(8.5)	6,972	163	1.8	15.3	161
-	-	-	-	-	-	2	(68.8)	(64.6)	8	52	73.5	96.5	30
136	8.1	126	194	22.7	158	3,369	5.6	19.7	3,190	333	28.2	45.3	260

### FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (II)

### Income statements (1)

(Million euros)

(Willion Euros)			HILE A Chile						
	2006	Δ%	Δ0/0 (2)	2005	2006	Δ%	Δ0/0 (2)	2005	
NET INTEREST INCOME	168	13.7	8.7	148	268	49.4	52.9	179	,
Net fee income and insurance activities	46	(13.8)	(17.6)	53	97	50.2	53.8	64	
CORE REVENUES	214	6.4	1.7	201	365	49.6	53.1	244	
Net trading income	15	n.m.	n.m.	3	4	(48.1)	(46.8)	8	
ORDINARY REVENUES	229	12.1	7.2	204	369	46.6	50.0	252	
General administrative expenses	(126)	20.5	15.2	(104)	(196)	46.1	49.6	(134)	•••••
Depreciation, amortization and others	(13)	3.1	(1.5)	(13)	(37)	52.2	55.8	(24)	
OPERATING PROFIT	90	3.4	(1.2)	87	135	45.7	49.2	93	
Loan-loss provisions	(67)	97.8	89.1	(34)	(25)	51.6	55.2	(17)	••••••
Other income/losses (net)	(6)	(1.5)	(5.9)	(6)	(7)	(47.7)	(46.5)	(13)	
PRE-TAX PROFIT	17	(64.4)	(65.9)	47	103	63.3	67.2	63	
Corporate income tax	(8)	13.0	8.1	(7)	(3)	(75.6)	(75.0)	(12)	***************************************
NET PROFIT	9	(77.5)	(78.5)	40	101	95.7	100.3	51	
Minority interests	(2)	(87.9)	(88.4)	(13)	(5)	123.8	129.1	(2)	
NET ATTRIBUTABLE PROFIT	7	(72.4)	(73.6)	27	96	94.5	99.1	49	

<sup>(1)</sup> Contribution to the consolidated financial statements.

### Balance sheets (1)

(Million euros)

(William Caros)		BBVA	Chile			BBVA Colombia (3)				
	31-12-06	Δ%	$\Delta$ % $^{(2)}$	31-12-05	31-12-0	δ Δ%	$\Delta$ % $^{(2)}$	31-12-05		
Cash and balances at Central Banks	106	(34.6)	(24.1)	162	268	(3.2)	5.7	277		
Financial assets	512	25.7	45.8	407	1,029	(30.6)	(24.3)	1,483		
Loans and receivables	5,804	4.7	21.4	5,543	3,047	17.6	28.4	2,590		
• Due from banks	304	37.8	59.9	220	23	(47.1)	(42.2)	44		
• Loans to customers	5,398	3.9	20.5	5,194	3,012	18.9	29.8	2,533		
• Other	102	(20.2)	(7.5)	128	12	(13.1)	(5.2)	14		
Property, plant and equipment	74	(14.6)	(0.9)	87	105	0.4	9.5	104		
Other assets	317	15.3	33.7	275	358	172.5	197.3	132		
TOTAL ASSETS / LIABILITIES AND EQUITY	6,812	5.2	22.0	6,473	4,807	4.8	14.4	4,586	•••••	
Deposits by Central Banks and banks	961	68.8	95.8	570	234	(53.3)	(49.0)	500		
Due to customers	4,583	(5.1)	10.1	4,828	3,758	5.1	14.7	3,574		
Marketable debt securities	329	32.5	53.6	248	-	n.m.	n.m.	(3)		
Subordinated debt	300	65.1	91.5	182	140	n.m.	n.m.	-		
Other liabilities	298	0.1	16.1	297	323	84.4	101.2	175		
Minority interests	96	(21.2)	(8.6)	122	18	11.5	21.7	16		
Shareholders' funds	246	8.0	25.3	227	334	3.3	12.7	323		

<sup>(1)</sup> Contribution to the consolidated financial statements.
(2) At constant exchange rate.
(3) Including Granahorrar.

<sup>(2)</sup> At constant exchange rate.

<sup>(3)</sup> Including Granahorrar.

			TED STATE ational Ba	-	USA Texas State Bank	BE		RU Contine	ntal		PUERTO BBVA Pu	O RICO erto Rico		BBV	VENEZ A Banco	ZUELA o Provinc	cial
2	2006	Δ%	$\Delta$ 0% $^{(2)}$	2005	2006	200	Δ%	$\Delta^{0}\!/_{\!0}$ (2)	2005	2006	Δ%	$\Delta$ 0% (2)	2005	2006	Δ%	$\Delta$ % (2)	2005
1	105	55.1	56.5	68	32	213	19.3	19.7	178	140	(2.3)	(1.4)	143	356	43.8	48.0	248
	33	30.6	31.8	25	9	74	15.0	15.4	65	21	5.6	6.6	20	103	28.8	32.6	80
1	138	48.5	49.9	93	40	287	18.1	18.5	243	161	(1.4)	(0.5)	163	458	40.1	44.3	327
	2	n.m.	n.m.	-	-	32	0.9	1.2	32	(2)	(81.3)	(81.1)	(9)	37	80.7	86.1	21
1	140	51.1	52.5	93	41	319	16.1	16.5	275	159	3.1	4.1	154	496	42.5	46.8	348
	(80)	37.5	38.8	(58)	(16)	(107	) 12.2	12.6	(96)	(86)	1.6	2.6	(85)	(238)	14.2	17.6	(209)
	(16)	42.6	43.9	(11)	(4)	(16	) 27.5	27.9	(12)	(6)	(37.3)	(36.8)	(10)	(43)	75.4	80.6	(24)
	45	88.4	90.1	24	20	197	17.5	17.9	167	67	11.7	12.7	60	215	87.1	92.6	115
	(5)	10.5	11.5	(5)	(5)	(16	33.1	33.5	(12)	(29)	(5.4)	(4.6)	(30)	(33)	129.4	136.2	(14)
	5	297.4	n.m.	1	-	1	n.m.	n.m.	(4)	(3)	(4.4)	(3.5)	(3)	(10)	n.m.	n.m.	(1)
	44	120.0	122.0	20	16	181	19.8	20.2	151	36	32.6	33.8	27	172	73.4	78.5	99
	(14)	101.2	103.0	(7)	(5)	(61	) 18.2	18.6	(51)	(10)	98.1	100.0	(5)	(24)	n.m.	n.m.	1
	30	130.1	132.2	13	10	121	20.6	21.0	100	25	16.6	17.7	22	148	48.5	53.0	100
	-	(24.6)	(23.9)	-	-	(65	) 20.7	21.1	(54)	-	-	-	-	(66)	47.1	51.5	(45)
	30	131.5	133.6	13	10	56	20.5	20.9	47	25	16.6	17.7	22	82	49.7	54.2	55

L	aredo Na	ational B	ank <u>1</u>	Texas State Bank	_	BBVA	Banco	Contine	ntal	B	BVA Pue	rto Rico	<u> </u>	BBV	A Banc	o Provir	ncial
31-12-06	Δ%	$\Delta$ % $^{(2)}$	31-12-05	31-12-06		31-12-06	Δ%	$\Delta$ % $^{(2)}$	31-12-05	31-12-06	Δ%	$\Delta$ 0% $^{(2)}$	31-12-05	31-12-06	Δ%	Δ0/0 (2)	31-12-0
36	-	11.7	36	46		697	(33.2)	(30.4)	1,042	17	(9.9)	0.6	19	1,086	69.6	89.2	641
975	25.5	40.1	777	1,472		508	(44.1)	(41.8)	908	1,378	(35.1)	(27.5)	2,123	471	(48.5)	(42.6)	915
1,832	(8.2)	2.5	1,996	3,465		3,076	24.9	30.0	2,463	3,284	(10.4)	0.1	3,663	5,283	42.9	59.4	3,697
99	(60.1)	(55.4)	249	219		87	(54.4)	(52.5)	191	204	(58.8)	(54.0)	494	2,541	48.6	65.8	1,710
1,659	(1.1)	10.5	1,677	3,169		2,948	31.3	36.7	2,245	3,046	(2.9)	8.4	3,136	2,556	35.8	51.5	1,882
74	4.3	16.4	71	78		41	52.9	59.2	27	34	1.1	12.8	34	185	77.0	97.5	105
90	(22.0)	(12.9)	115	145		65	(0.2)	3.9	65	45	(13.7)	(3.6)	52	67	19.4	33.2	56
459	(16.1)	(6.3)	547	1,371		115	56.0	62.4	74	117	(0.6)	11.0	118	55	30.1	45.1	42
3,392	(2.3)	9.1	3,471	6,499		4,460	(2.0)	2.0	4,552	4,840	(19.0)	(9.6)	5,974	6,962	30.1	45.2	5,351
34	26.8	41.5	27	156		568	21.7	26.7	467	944	(54.7)	(49.4)	2,084	624	164.6	195.3	236
2,661	0.6	12.3	2,645	4,612		3,165	(8.0)	(4.2)	3,439	2,385	(8.0)	2.8	2,591	5,519	23.9	38.3	4,454
-	-	-	-	-		85	44.0	49.9	59	885	27.7	42.5	693	-	-	-	-
1	(97.3)	(97.0)	43	169		-	-	-	-	89	109.6	134.0	42	-	-	-	-
583	(8.0)	2.7	633	1,353		232	12.1	16.7	207	302	(3.1)	8.1	312	379	36.9	52.7	277
	(100.0)	(100.0)	1	-		232	7.0	11.4	217	-	-	-	-	221	9.5	22.2	202
-			•	•							(6.3)		•				183

# FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (III) PENSION FUND MANAGERS IN THE AMERICAS

(Million euros)			XICO ancomer			CH AFP Pr				ARGEN Consolid		
	2006	Δ%	$\Delta$ 0% $^{(2)}$	2005	2006	Δ%	$\Delta$ % $^{(2)}$	2005	2006	$\Delta\%$	$\Delta$ 0% $^{(2)}$	Δ2005
FUNDS UNDER MANAGEMENT	8,625	(2.7)	10.3	8,862	20,559	5.7	22.6	19,456	4,099	15.3	30.6	3,554
CORE REVENUES	164	(14.5)	(13.7)	192	120	9.5	4.7	110	49	16.8	24.5	42
Of which: Net fee income	162	(13.7)	(12.9)	188	122	9.9	5.1	111	41	16.2	23.9	35
ORDINARY REVENUES	180	(11.2)	(10.3)	203	153	22.4	17.0	125	51	11.4	18.8	46
OPERATING PROFIT	90	(24.8)	(24.0)	120	88	36.6	30.6	65	13	18.9	26.8	11
PRE-TAX PROFIT	91	(21.8)	(21.0)	117	87	43.0	36.7	61	11	7.1	14.3	11
NET PROFIT	66	(22.0)	(21.2)	84	69	39.4	33.2	49	2	(78.6)	(77.2)	7
NET ATTRIBUTABLE PROFIT	65	(21.8)	(21.0)	83	43	40.8	34.6	31	1	(79.0)	(77.6)	6

### CONSOLIDATED TIME SERIES

		IFRS				Bank of S	pain's Circul	ar 4/1991		
• • • • • • • • • • • • • • • • •	2006	2005	2004	2004	2003	2002	2001	2000	1999	1998
Net interest income	8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995	5,760	5,516
Core revenues	13,667	11,756	10,060	10,448	10,004	11,476	12,862	10,364	8,467	7,857
Ordinary revenues	15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143	9,108	8,374
Operating profit	8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376	3,457	3,120
Pre-tax profit	7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876	2,902	2,374
Net profit	4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914	2,168	1,785
Net attributable profit	4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232	1,746	1,424

		IFRS				Bank of S	pain's Circul	ar 4/1991		
	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99	31-12-98
Loans to customers	256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467	113,607	99,907
Total assets	411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145	238,166	202,911
On-balance-sheet customer funds	283,645	259,200	207,701	199,485	182,832	180,570	199,486	185,718	139,934	119,941
Due to customers	192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146	105,077	99,351
Marketable debt securities	77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460	31,552	17,562
Subordinated debt	13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112	3,305	3,028
Other customer funds	142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831	102,677	74,221
Total customer funds	425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549	242,611	194,162

		IFRS				Bank of S	pain's Circul	ar 4/1991		
	31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99	31-12-98
Dividends (million euros)	2,220	1,801	1,499	1,499	1,247	1,109	1,222	1,123	854	699
Number of shareholders (thousands)	864	985	1,081	1,081	1,159	1,179	1,204	1,300	1,268	1,338
Number of shares (millions) (1)	3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196	2,931	2,861
Number of employees	98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082	88,556	86,349
• Spain	30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733	37,052	37,847
Abroad	67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349	51,504	48,502
Number of branches	7,585	7,410	6,868	6,848	6,924	7,504	7,988	8,946	7,491	7,226
• Spain	3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864	4,336	4,495
Abroad	3,950	3,832	3,483	3,473	3,553	4,090	4,368	5,082	3,155	2,731

### OFFSHORE FINANCIAL CENTRES

### BBVA Group establishments in offshore financial centres

The BBVA Group is in agreement with the Bank of Spain's approach (see the Banking Supervision Report 2003) regarding reputational risks for financial institutions that, in developing their strategies, blind themselves to the implications associated with the localisation of their business, and with the kind of activities that may eventually be carried out in offshore financial centres and especially those that have come to be known as tax havens.

As a result of the aforesaid, in 2004, the BBVA Group stated its policy on activities with establishments permanently registered in offshore financial centres. At the same time, it issued a plan for reducing to three the number of offshore financial centres from which the BBVA Group would expect to be operating by the end of 2006 (see *Corporate Social Responsibility Report 2004*).

By the close of 2006, the measures deriving from the said plan had led to the removal of 33 permanent establishments. In addition, as is pointed out in the Appendix I of the chapter "Legal Documentation" of this annual report (additional information on consolidated subsidiaries composing the BBVA Group),

4 companies were in the process of liquidation and another 7 had ceased all business activity as a preliminary step to the said process. Of the latter, 5 show liabilities with securities issued, and the time of their effective liquidation will depend on the repurchase and/or amortization process. The accompanying table shows detail of the issues existing as at 31-Dec-06 and 31-Dec-05.

At the close of 2006, the BBVA Group's permanent establishments with some sort of business activity registered in offshore financial centres that are considered tax havens by the OECD can be classified in three groups:

- Branches of the BBVA Group's banks in the Cayman Islands and the Netherlands Antilles
- 2. Business in Panama
- 3. BBVA Group's holding in Inversiones
  Banpro Internacional Inc. N.V. (Netherlands
  Antilles)

### Branches of the BBVA Group's banks in the Cayman Islands and the Netherlands Antilles

The BBVA Group has two bank branches registered in the Cayman Islands and one in the Netherlands Antilles. The activities and business of these branches are developed under the strictest compliance to applicable

		Prefe	rence sha	ares (1)	Subor	dinated (	debt <sup>(1)</sup>	Other fixed	-income	securities
lssuer	Country	31-12-0	δ Δ%	31-12-05	31-12-06	Δ%	31-12-05	31-12-06	$\Delta$ %	31-12-05
BBVA International LTD	Cayman Islands	1,000	(25.4)	1,340						
BBVA Capital Funding LTD	Cayman Islands				1,249	(41.6)	2,139			
BBVA Global Finance LTD	Cayman Islands				152	(34.8)	233	1,464	(35.3)	2,261
BCL International Finance TLD	Cayman Islands							147	(20.4)	185
Mercury Trust LTD (2)	Cayman Islands							216	(14.8)	253
BBVA Preferred Capital LTD	Cayman Islands	-	(100.0)	203						
BBVA Privanza International LTD	Gibraltar	-	(100.0)	59						
TOTAL		1,000	(37.6)	1,602	1,401	(41.0)	2,372	1,827	(32.3)	2,699

laws, in both the jurisdictions in which they are registered and in those in which their operations are effectively administered. The accompanying tables show the type of business or main activity of these branches (which does not include the rendering of private banking services) and their balance sheets, including the main headings at the close of 2006 and 2005.

BBVA Group by		in offshoı	e:e
	Banco Bilbao Vizcaya Argentaria	BBVA	Banco Provincial
OFC in wich the permanent establishment is domicilied	Cayman Islands	Cayman Islands	Netherlands Antilles
Jurisdictions in wich transactions are effectively administered	USA	Mexico	Venezuela
Main activity or business	Corporate banking	Financial and balance-sheet risks managemer	

(Milliion euros)			n Islands Inch (Spai	n)	BBVA B	Cayman ancomer		Mexico)		Netherlan rovincial b		-
	31-12-06	Δ%	$\Delta$ % $^{(1)}$	31-12-05	31-12-06	Δ%	Δ‰ (1)	31-12-05	31-12-06	Δ%	Δ% (1)	31-12-05
Total net lending	5,351	33.3	48.8	4,015	549	(48.3)	(42.3)	1,062	6	(22.2)	(13.1)	8
Securities portfolio	15	(35.9)	(28.5)	24	1,207	(52.3)	(46.7)	2,529	4	74.5	94.8	2
Liquid assets	-	-	-	-	5	(99.0)	(98.9)	452	34	(42.7)	(36.0)	60
Property and equipment and intangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	38	21.8	36.0	31	14,192	(11.8)	(1.5)	16,085	-	(40.8)	(33.9)	-
TOTAL ASSETS	5,404	32.8	48.2	4,070	15,952	(20.7)	(11.5)	20,129	44	(36.9)	(29.6)	70
Deposits	5,249	32.9	48.4	3,949	396	(56.7)	(51.7)	915	40	(42.5)	(35.8)	69
Equity	109	27.1	41.9	86	104	n.m.	n.m.	(41)	4	392.8	450.2	1
Liquid liabilities	-	-	-	-	402	(28.4)	(20.1)	562	-	-	-	-
Other liabilities	45	28.0	42.9	35	15,050	(19.5)	(10.1)	18,693	-	(6.9)	3.9	1
TOTAL LIABILITIES AND EQUITY	5,404	32.8	48.2	4,070	15,952	(20.7)	(11.5)	20,129	44	(37.0)	(29.6)	70
Memorandum accounts	1,476	n.m.	n.m.	1	91,440	55.8	74.0	58,684	357	(29.9)	(21.7)	509
Bonds, guarantees and cautions	1,476	n.m.	n.m.	1	-	-	-	-	-	-	-	-
Other transactions	-	-	-	-	91,440	55.8	74.0	58,684	357	(29.9)	(21.7)	509

### 2) Business in Panama

The BBVA Group has the following permanent establishments in Panama: a subsidiary bank, Banco Bilbao Vizcaya Argentaria (Panamá), S.A., which in turn, owns a company for holding foreclosed assets, Transitory Co. These establishments limit their activities to what is strictly related to the development of commercial banking business, basically domestic, which does not include the rendering of private banking services. In general, Banco Bilbao Vizcaya

Argentaria (Panamá), S.A. restricts the admission of business relations with non-resident individuals (irrespective of whether they are recorded as holders of the business relation or as economic beneficiaries of the same, when its holder is a corporate entity) and with companies registered in other jurisdictions to cases where the business relation is a consequence of commercial activities known and developed in Panama. In any event, any exception to the general

			ama p (Panama)	
	31-12-06	Δ%	$\Delta$ % $^{(1)}$	31-12-05
Total lending	742	8.0	20.5	687
Securities portfolio	14	20.1	34.1	12
Liquid assets	68	79.7	100.7	38
Property and equipment and intangible assets	8	(18.8)	(9.3)	9
Other assets	21	5.2	17.5	20
TOTAL ASSETS	853	11.3	24.3	766
Deposits	638	19.5	33.5	534
Equity	130	(4.2)	6.9	136
Liquid liabilities	55	(21.0)	(11.8)	70
Other liabilities	29	10.2	23.0	26
TOTAL LIABILITIES AND EQUITY	853	11.3	24.3	766
Memorandum accounts	344	n.m.	n.m.	107
Bonds, guarantees and cautions	28	(25.0)	(16.2)	38
Other transactions	316	n.m.	n.m.	69

criteria would call for the application of reinforced procedure on customer knowledge as well as on their approval. The table attached includes the condensed balance sheets of the BBVA Panama financial group.

### BBVA Group's holding in Inversiones Banpro Internacional Inc. N.V. (Netherlands Antilles)

The BBVA Group owns 48% of the share capital of Inversiones Banpro Internacional Inc. N.V., a company registered in the Netherlands Antilles whose sole asset is its ownership of all of the shares of Banco Provincial Overseas, N.V., a bank registered in the same country, where it has the necessary resources to manage and administer its operations. Banco Provincial Overseas, N.V. limits its activities (which do not include the rendering of private banking services) to providing transactional services and the issue of guarantees, fundamentally for companies. These activities are complemented by a limited range of US dollar-denominated

savings products for both companies and individuals. The attached table includes the condensed balance sheets of the Banco Provincial Overseas, N.V.

# Supervision and control of the permanent establishments of the BBVA Group in offshore financial centres

BBVA has defined the same risk management criteria and policies for all its permanent establishments in offshore financial centres as for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of its permanent establishments in offshore financial centres, BBVA's corporate Internal Audit department checks to ensure: the coincidence of their activities with the definition of their corporate purpose, compliance with corporate policies and procedures in matters relating to customer knowledge and prevention of money laundering, the veracity of the information submitted to the parent company and compliance with tax obligations. In addition,

			ds Antilles icial Overseas	
	31-12-06	Δ%	Δ% (1)	31-12-05
Total lending	2	(63.0)	(58.7)	6
Securities portfolio	77	n.m.	n.m.	21
Liquid assets	332	(2.0)	9.4	339
Property and equipment and intangible assets	1	(15.0)	(5.1)	1
Other assets	-	-	-	-
TOTAL ASSETS	412	12.2	25.2	367
Deposits	366	11.4	24.3	328
Equity	30	0.6	12.4	30
Liquid liabilities	6	58.7	77.1	4
Other liabilities	10	n.m.	n.m.	5
TOTAL LIABILITIES AND EQUITY	412	12.2	25.2	367
Memorandum accounts	236	n.m.	n.m.	24
Bonds, guarantees and cautions	41	67.6	87.1	24
Other transactions	195	n.m.	n.m.	_

every year a special review is performed on Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centres. In 2006, BBVA's corporate Internal Control and Compliance departments supervised the plans of action deriving from the Audit Reports on each one of the establishments. On an annual basis, conclusions deriving therefrom are submitted for consideration to the Audit and Compliance Committee, which in turn, submits the corresponding report to the BBVA board of directors.

As far as external audits are concerned, one of the functions of the Audit and Compliance

Committee is to select an external auditor for the consolidated group and for all the companies forming the same. The selection criterion is to designate the same auditing firm for all BBVA Group's permanent establishments in offshore financial centres, unless, for reasons which the committee will appreciate, this is not possible or fitting. For 2006, all of the BBVA Group's permanent establishments registered in offshore financial centres have the same external auditor – Deloitte –, except for the BBVA Group's companies established in the Netherlands Antilles whose external auditor is PricewaterhouseCoopers.

2007

THE BBVA
GROUP'S
NETWORK OF
OFFICES
•IN SPAIN

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