BBVA

150 años adelante.

QUARTERLY REPORT

# January-September 2007

BBVA 150 años adelante.

QUARTERLY REPORT

# January-September 2007

## BBVA Group Highlights

(Consolidated figures)

| | 30-09-07 | 30-09-07 excluding one-offs [1] | Δ% [2] | 30-09-06 excluding one-offs [1] | 31-12-06 | 31-12-06 excluding one-offs [1] |
|---|---|---|---|---|---|---|
| **BALANCE SHEET (million euros)** | | | | | | |
| Total assets | 492,674 | | 22.2 | 403,184 | 411,916 | |
| Total lending (gross) | 309,164 | | 24.4 | 248,606 | 262,969 | |
| On-balance sheet customer funds | 339,820 | | 24.9 | 272,072 | 283,645 | |
| Other customer funds | 153,562 | | 12.6 | 136,351 | 142,064 | |
| Total customer funds | 493,382 | | 20.8 | 408,423 | 425,709 | |
| Equity | 27,594 | | 43.2 | 19,271 | 22,318 | |
| Shareholders' funds | 24,040 | | 50.6 | 15,967 | 18,210 | |
| **INCOME STATEMENT (million euros)** | | | | | | |
| Net interest income | 7,025 | 7,025 | 15.5 | 6,084 | 8,374 | 8,374 |
| Core revenues | 11,162 | 11,162 | 11.8 | 9,987 | 13,667 | 13,667 |
| Ordinary revenues | 13,494 | 12,647 | 13.5 | 11,140 | 15,701 | 15,178 |
| Operating profit | 8,042 | 7,195 | 18.2 | 6,087 | 8,883 | 8,360 |
| Pre-tax profit | 6,608 | 5,688 | 19.5 | 4,758 | 7,030 | 6,533 |
| Net attributable profit | 4,756 | 3,962 | 20.1 | 3,300 | 4,736 | 4,580 |
| **DATA PER SHARE AND MARKET CAPITALISATION** | | | | | | |
| Share price | 16.44 | | (9.9) | 18.25 | 18.24 | |
| Market capitalisation (million euros) | 61,617 | | (0.4) | 61,883 | 64,788 | |
| Net attributable profit per share (euros) | 1.34 | 1.12 | 14.6 | 0.97 | 1.39 | 1.35 |
| Book value | 6.41 | | 36.2 | 4.71 | 5.13 | |
| PER (Price/earnings ratio; times) | 9.9 | | | 13.1 | 13.7 | |
| P/BV (Price/book value; times) | 2.6 | | | 3.9 | 3.6 | |
| **SIGNIFICANT RATIOS (%)** | | | | | | |
| Operating profit/ATA | 2.40 | 2.15 | | 2.08 | 2.24 | 2.11 |
| ROE (Net attributable profit/Average equity) | 35.6 | 31.0 | | 35.8 | 37.6 | 36.4 |
| ROA (Net profit/ATA) | 1.39 | 1.21 | | 1.20 | 1.26 | 1.22 |
| RORWA (Net profit/Risk weighted average assets) | 2.30 | 2.00 | | 2.03 | 2.12 | 2.05 |
| Efficiency ratio | 36.9 | 39.4 | | 41.2 | 39.6 | 40.9 |
| Efficiency ratio including depreciation and amortization | 39.8 | 42.5 | | 44.3 | 42.6 | 44.0 |
| NPL ratio | 0.88 | | | 0.82 | 0.83 | |
| NPL coverage ratio | 234.1 | | | 275.8 | 272.8 | |
| **CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)** | | | | | | |
| Total | 10.8 | | | 11.5 | 12.0 | |
| Core capital | 5.4 | | | 6.0 | 6.2 | |
| TIER I | 6.8 | | | 7.7 | 7.8 | |
| **OTHER INFORMATION** | | | | | | |
| Number of shares (million) | 3,748 | | | 3,391 | 3,552 | |
| Number of shareholders | 885,131 | | | 896,103 | 864,226 | |
| Number of employees | 111,409 | | | 96,369 | 98,553 | |
| • Spain | 31,016 | | | 31,230 | 30,582 | |
| • America | 78,443 | | | 63,424 | 66,146 | |
| • Rest of the world | 1,950 | | | 1,715 | 1,825 | |
| Number of branches | 7,971 | | | 7,372 | 7,499 | |
| • Spain | 3,606 | | | 3,631 | 3,635 | |
| • America | 4,222 | | | 3,616 | 3,742 | |
| • Rest of the world | 143 | | | 125 | 122 | |

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

(1) In 2007, capital gains on Iberdrola in the first quarter, charge for the contribution to the BBVA Microcredit Foundation in the second quarter and capital gains on the sale of buildings in the second and third quarters. In 2006, capital gains on BNL, Repsol and Andorra and non-recurrent charges for early retirements and corporate income tax booked in the second and fourth quarters.

(2) Percentage changes in the profit and loss and earnings per share excluding the one-off operations.

# Relevant events

The **third quarter** of 2007 was marked by turbulence on the financial markets. Yet the BBVA Group once again proved its capacity to recurrently obtain excellent earnings even in this difficult scenario. The Group's strength is founded on: the sales capacity of each of its units, that together consistently generate growth in business volumes and revenues; continuous improvements in efficiency; and skilful management to limit the Group's exposure to credit, market and liquidity risk.

The most relevant aspects of the Group's financial performance and strategy are given below, with reference to the third quarter and the first nine months of 2007:

- The sale of Group buildings under plans to create a new corporate centre generated €44m in attributable profit. The proceeds were added to the €750m already booked under **one-off transactions** during the first half of the year (capital gains from Iberdrola plus property sales minus the charge for endowment of the BBVA Microfinance Foundation). The sale of holdings in Repsol, BNL and Andorra generated €1,157m in attributable profit during the first nine months of 2006. Unless expressly indicated otherwise, all comments herein refer to figures **without these one-off transactions.** This is the best way to understand the Group's core performance.

- In the **third quarter** of 2007, the BBVA Group obtained net attributable profit of €1,339m excluding one-offs, growing 19.5% year on year (24.3% at constant exchange rates). This profit flows down from the operating profit, which reached €2,323m, 14.1% higher than in the third quarter of 2006 (up 18.6% at constant rates). The impact of the **exchange rate** continued to be negative with the depreciation of American currencies against the dollar. However, it was mitigated by the Group's active management of structural exchange-rate risk.

- Thus, year-to-date **attributable profit** for the **first nine months** rose to €3,962m, 20.1% up against the same period of the previous year (24.8% at constant exchange rates). **Earnings per share** increased 14.6% year on year to €1.12 while **ROE** stood at 31.0%. Both these items were affected by the capital increases from November 2006 and September 2007. Including one-off earnings, attributable profit was €4,756m, earnings per share €1.34 and ROE 35.6%.

- Profit growth continued to be driven by higher **revenues:** ordinary profit increased 13.5% during the first nine months of 2006, while net interest income showed 15.5% growth, fuelled by higher business volumes and excellent spread performance.

- Operating costs increased less than revenues (8.8%), such that **efficiency** improved further to 42.5% as against the 44.3% recorded from January to September 2006.

- This fed into the Group's **operating profit**, which reached €7,195m to September, with a year-on-year increase of 18.2% (22.9% at constant exchange rates).

- An amount comparable to the previous quarters was booked to the third quarter **loan-loss provisions** and no charges were taken against assets due to instability on the financial markets.

- Although the environment was somewhat more complex, BBVA's loanbook maintained its high quality. The **NPL ratio** stood at 0.88%, only slightly above the 0.82% recorded to 30-Sep-06, despite the larger share of business in consumer finance, credit cards and SMEs. The **coverage ratio** remained high, at 234.1% on 20-Sep-07, due to loan-loss provisions of €7,618m, of which €5,474m were generic (€4,642m on 30-Sep-06).

- The second 2007 **interim dividend** was paid out on 10th October, for the same gross amount as on 10th

July, ie, €0.152 per share. This was 15.2% more than the second interim dividend charged against 2006 results.

- The acquisition of **Compass Bancshares Inc.** was completed, ranking the BBVA Group 24th bank in the United States by assets and making it regional market leader in the Sunbelt. Compass brought with it €18,072m in loans and €17,151m in deposits and from 7th September, when it was incorporated onto the Group's books, it contributed €30m to the area's operating profit and €18m to its attributable profit.

- On 10th September 2007 BBVA issued 196m shares at an issue price of €16.77 per share to finance part of this acquisition under the EGM resolution passed by shareholders on 21st June 2007. This was a **capital increase** of 5.5%. The previous Compass shareholders were paid the remaining €3,376m in cash. The total cost of the transaction was €6,663m, significantly below the €7,400m estimated when the takeover bid was announced.

- After incorporating Compass, **core capital** stood at 5.4% on 30-Sep-2007. This was in line with the capital ratios estimated when the bid was launched. The BIS ratio was 10.8% and Tier I was 6.8%.

- Despite generally bearish stock markets during the third quarter, the Group reported **unrealised capital gains** of €5,495 m on its industrial and financial holdings portfolios to 30th September. This was €763 m higher than on 30-Jun-07.

- Net interest income in **Spain and Portugal** improved 14.4% against the first three quarters of 2006, due to higher lending volumes (up 13.8%) and customer funds (up 4.2%) as well as better spreads. Other revenues grew 10.2% while expenses only went up 2.8%. This enhanced both the operating profit (up 20.6% year on year) and the cost-income ratio. Along with less demanding provisioning allocations, it enabled the Group to report attributable profit of €1,803m, 28.4% higher than the year-to-date figure at the end of September 2006.

- Market turbulence in the third quarter did not affect the **Global Businesses** area, whose business model based mostly on the customer continued to bring in recurrent revenues: Ordinary profit for the first nine months of 2007 was up 23.8% year on year. Operating profit rose 25.3%. And lending and customer funds grew. The attributable profit (€653m) increased less: 3.0%. This was because more equity divestments had been booked to 2006 in the same period.

- Business volumes grew in **Mexico and the USA**. Lending rose 28.7% and customer funds 9.9% in local currency and with a constant perimeter. This and firm defence of spreads continued to drive the net interest income and other revenue items upwards, feeding into the operating profit of €2,758m, up 25.3% year on year (21.2% in Bancomer's banking business). Allocations to provisions in the third quarter were at similar levels to previous quarters, such that year-to-date attributable profit rose to €1,555m by the end of September (up 23.9% year on year at constant exchange rates).

- Intense sales activity in all units in the **South America** area were reflected in higher business volumes, with lending up 35.0% and customer funds up 23.2% year on year in local currency. This fuelled net interest income growth (30.7% year on year at constant exchange rates). Fee and insurance income also rose 15.9%. At constant exchange rates, operating profit increased 28.3% and attributable profit 23.6% to €492m.

## Economic environment

The third quarter of 2007 witnessed periods of considerable instability in the financial markets. The slowdown in the US economy led to increased defaults on high-risk mortgages and this affected the value of financial products that were exposed to such mortgages and had been sold to investors in various countries. There was considerable uncertainty, which increased risk aversion and liquidity requirements. This, in turn, had a negative effect on stock exchanges, particularly in the financial and property sectors. Intervention by central banks increased liquidity, which helped to normalise the situation.

The European Union's economy is slowing gradually but there have been no problems in the mortgage markets,

## Interest rates

(Quarterly averages)

| | 2007 | | | 2006 | | | |
|---|---|---|---|---|---|---|---|
| | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q |
| Official ECB rate | 4.00 | 3.82 | 3.57 | 3.30 | 2.91 | 2.57 | 2.33 |
| Euribor 3 months | 4.49 | 4.07 | 3.82 | 3.59 | 3.22 | 2.90 | 2.61 |
| Euribor 1 year | 4.65 | 4.38 | 4.09 | 3.86 | 3.62 | 3.32 | 2.95 |
| Spain 10 year bond | 4.47 | 4.39 | 4.06 | 3.80 | 3.89 | 3.98 | 3.51 |
| USA 10 year bond | 4.73 | 4.84 | 4.68 | 4.62 | 4.89 | 5.06 | 4.56 |
| USA Federal rates | 5.18 | 5.25 | 5.25 | 5.25 | 5.25 | 4.90 | 4.44 |
| TIIE (Mexico) | 7.71 | 7.63 | 7.44 | 7.32 | 7.31 | 7.38 | 8.02 |

including Spain where growth is levelling out. The emerging economies demonstrated their strength. They were hardly affected by the crisis and those in Asia (especially China) and Latin America continued to thrive.

In the United States the Federal Reserve lowered **interest rates** 50 basis points to 4.75%. This affected exchange rates, although liquidity problems offset the impact on short-term rates. In the euro zone the European Central Bank held rates at 4% and the yield curve had a reverse slope at August. Up to one-year, rates are very high due to tight liquidity conditions. Long-term rates are slightly below those of June as the market does not expect new increases in central-bank rates. Mexico's interbank rate remained stable throughout the quarter, at around 7.70%.

The **exchange rates** of the dollar and those Latin-American currencies with significant impact on BBVA's financial statements fell against the euro in the third quarter. In fact, depreciations have predominated in the last 12 months: the Mexican peso fell 9.7% against the euro, the US dollar fell 10.7%, the Argentine peso 12.8%, the Venezuelan bolivar 10.9%, the Peruvian sol 6.5% and the Chilean peso 6.1%. At 30-Sep-07 these changes had a negative effect on year-on-year comparisons of the Group's balance sheet.

The widespread depreciation also affected **average exchange rates** used to convert the income statement to euros. Compared to the same period last year these average rates have changed as follows during the first nine months of 2007: the Mexican peso fell 7.8% against the euro, the US dollar 7.4%, the Argentine peso 8.8%, the Venezuelan bolivar 7.5%, and the Chilean peso 6.9% although the Colombian peso gained 5%. As a result the BBVA Group's income statement is negatively affected in its year-on-year comparisons by more than four percentage points (an amount similar to the first half).

## Exchange rates [(1)]

| | Year-end exchange rates | | | | Average exchange rates | |
|---|---|---|---|---|---|---|
| | 30-09-07 | Δ% on 30-09-06 | Δ% on 30-06-07 | Δ% on 31-12-06 | Jan.-Sep. 07 | Δ% on Jan.-Sep. 06 |
| Mexican peso | 15.4840 | (9.7) | (5.9) | (7.5) | 14.7234 | (7.8) |
| Argentine peso | 4.5284 | (12.8) | (7.5) | (10.2) | 4.2144 | (8.8) |
| Chilean peso | 725.69 | (6.1) | (1.9) | (3.0) | 710.73 | (6.9) |
| Colombian peso | 2,857.14 | 6.1 | (7.4) | 2.9 | 2,816.90 | 5.0 |
| Peruvian new sol | 4.4033 | (6.5) | (2.8) | (4.4) | 4.2636 | (3.9) |
| Venezuelan bolivar | 3,048.78 | (10.9) | (4.9) | (7.3) | 2,890.17 | (7.5) |
| U.S. dollar | 1.4179 | (10.7) | (4.8) | (7.1) | 1.3443 | (7.4) |

(1) Expressed in currency/euro.

# Earnings

The year-on-year comparisons of the BBVA Group's earnings in the first nine months of 2007 are affected by the following **non-recurrent operations:**

- In the third quarter the Group booked €44m in attributable profit in addition to those in the second quarter. They were generated by the sale of buildings associated with the new corporate headquarters.
- In the second quarter of 2007 there were €235m of gross capital gains from the sale of buildings and a €200m charge for contributions to the BBVA Microcredit Foundation. Together, these operations resulted in net attributable profit of €54m.
- In the first quarter of 2007, €847m of net trading income was capital gains on the sale of the Group's holding in Iberdrola (€696m after tax).
- In the second quarter of 2006, the Group obtained capital gains on the sale of holdings in Repsol (€523m of net trading income), BNL and Andorra. After deducting the corresponding tax charges, these operations contributed €1,157m of additional net attributable profit.

## Consolidated income statement

(Million euros)

| | | | | Excluding one-offs [1] | | | |
|---|---|---|---|---|---|---|---|
| | Jan.-Sep. 07 | Δ% | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Δ% at constant exchange rates | Jan.-Sep. 06 |
| Core net interest income | 6,797 | 16.0 | 5,861 | 6,797 | 16.0 | 20.9 | 5,861 |
| Dividends | 228 | 2.0 | 224 | 228 | 2.0 | 2.1 | 224 |
| **NET INTEREST INCOME** | **7,025** | **15.5** | **6,084** | **7,025** | **15.5** | **20.2** | **6,084** |
| Income by the equity method | 160 | (27.6) | 222 | 160 | (27.6) | (27.8) | 222 |
| Net fee income | 3,453 | 8.0 | 3,198 | 3,453 | 8.0 | 11.8 | 3,198 |
| Income from insurance activities | 524 | 8.5 | 483 | 524 | 8.5 | 12.3 | 483 |
| **CORE REVENUES** | **11,162** | **11.8** | **9,987** | **11,162** | **11.8** | **16.0** | **9,987** |
| Net trading income | 2,331 | 39.1 | 1,676 | 1,484 | 28.7 | 32.3 | 1,153 |
| **ORDINARY REVENUES** | **13,494** | **15.7** | **11,663** | **12,647** | **13.5** | **17.7** | **11,140** |
| Net revenues from non-financial activities | 139 | 59.4 | 87 | 139 | 59.4 | 59.8 | 87 |
| Personnel costs | (3,146) | 6.8 | (2,945) | (3,146) | 6.8 | 9.8 | (2,945) |
| General expenses | (1,943) | 12.2 | (1,732) | (1,943) | 12.2 | 16.7 | (1,732) |
| Depreciation and amortization | (393) | 13.4 | (347) | (393) | 13.4 | 16.6 | (347) |
| Other operating income and expenses | (109) | (6.5) | (116) | (109) | (6.5) | - | (116) |
| **OPERATING PROFIT** | **8,042** | **21.7** | **6,610** | **7,195** | **18.2** | **22.9** | **6,087** |
| Impairment losses on financial assets | (1,341) | 26.1 | (1,063) | (1,341) | 26.1 | 30.9 | (1,063) |
| • Loan loss provisions | (1,318) | 26.1 | (1,045) | (1,318) | 26.1 | 30.8 | (1,045) |
| • Other | (23) | 25.8 | (18) | (23) | 25.8 | 34.3 | (18) |
| Provisions | (180) | (62.6) | (481) | (180) | (62.6) | (61.8) | (481) |
| Other income/losses | 87 | (91.0) | 966 | 14 | (93.5) | (93.4) | 215 |
| • From disposal of equity holdings | (5) | n.m. | 939 | (5) | n.m. | n.m. | 187 |
| • Other | 92 | 233.8 | 28 | 19 | (30.6) | (30.0) | 28 |
| **PRE-TAX PROFIT** | **6,608** | **9.5** | **6,032** | **5,688** | **19.5** | **24.5** | **4,758** |
| Corporate income tax | (1,626) | 17.6 | (1,383) | (1,500) | 18.5 | 23.6 | (1,266) |
| **NET PROFIT** | **4,981** | **7.2** | **4,648** | **4,188** | **19.9** | **24.8** | **3,491** |
| Minority interests | (225) | 17.6 | (192) | (225) | 17.6 | 24.8 | (192) |
| **NET ATTRIBUTABLE PROFIT** | **4,756** | **6.7** | **4,457** | **3,962** | **20.1** | **24.8** | **3,300** |
| **EARNINGS PER SHARE CALCULATION** | | | | | | | |
| Average ordinary shares in circulation (million) | 3,547 | 4.7 | 3,386 | 3,547 | 4.7 | | 3,386 |
| Basic earnings per share (euros) | 1.34 | 1.9 | 1.32 | 1.12 | 14.6 | | 0.97 |
| Diluted earnings per share (euros) | 1.34 | 1.9 | 1.32 | 1.12 | 14.6 | | 0.97 |

(1) In 2007, capital gains on Iberdrola in the first quarter, charge for the contribution to the BBVA Microcredit Foundation in the second quarter and capital gains on the sale of buildings in the second and third quarters. In 2006, capital gains on BNL, Repsol and Andorra and non-recurrent charges for early retirements and corporate income tax booked in the second and fourth quarters.

## Consolidated income statement(1): quarterly evolution

(Million euros)

| | 2007 | | | 2006 | | | |
|---|---|---|---|---|---|---|---|
| | 3Q | 2Q | 1Q | 4Q | 3Q | 2Q | 1Q |
| Core net interest income | 2,381 | 2,217 | 2,199 | 2,134 | 1,999 | 1,928 | 1,933 |
| Dividends | 30 | 163 | 35 | 156 | 35 | 172 | 17 |
| **NET INTEREST INCOME** | **2,411** | **2,380** | **2,233** | **2,290** | **2,034** | **2,100** | **1,950** |
| Income by the equity method | 57 | 77 | 26 | 86 | 152 | 29 | 41 |
| Net fee income | 1,168 | 1,152 | 1,133 | 1,137 | 1,048 | 1,042 | 1,108 |
| Income from insurance activities | 183 | 170 | 171 | 167 | 186 | 148 | 149 |
| **CORE REVENUES** | **3,819** | **3,780** | **3,564** | **3,680** | **3,420** | **3,320** | **3,248** |
| Net trading income | 402 | 535 | 547 | 358 | 319 | 422 | 412 |
| **ORDINARY REVENUES** | **4,221** | **4,315** | **4,110** | **4,038** | **3,739** | **3,741** | **3,659** |
| Net revenues from non-financial activities | 26 | 61 | 52 | 44 | 12 | 56 | 19 |
| Personnel costs | (1,079) | (1,032) | (1,035) | (1,043) | (993) | (963) | (989) |
| General expenses | (665) | (650) | (628) | (610) | (570) | (574) | (588) |
| Depreciation and amortization | (147) | (127) | (120) | (125) | (115) | (104) | (128) |
| Other operating income and expenses | (34) | (45) | (30) | (30) | (38) | (41) | (38) |
| **OPERATING PROFIT** | **2,323** | **2,522** | **2,349** | **2,273** | **2,035** | **2,116** | **1,936** |
| Impairment losses on financial assets | (459) | (509) | (372) | (441) | (408) | (358) | (297) |
| • Loan loss provisions | (452) | (498) | (367) | (432) | (395) | (357) | (293) |
| • Other | (7) | (11) | (5) | (9) | (13) | (1) | (4) |
| Provisions | (11) | (46) | (123) | (80) | (139) | (207) | (135) |
| Other income/losses | 16 | (15) | 13 | 23 | 69 | 124 | 22 |
| • From disposal of equity holdings | - | (1) | (4) | (4) | 50 | 118 | 20 |
| • Other | 16 | (15) | 18 | 27 | 19 | 6 | 2 |
| **PRE-TAX PROFIT** | **1,869** | **1,952** | **1,867** | **1,776** | **1,557** | **1,676** | **1,526** |
| Corporate income tax | (455) | (504) | (541) | (452) | (377) | (461) | (429) |
| NET PROFIT | **1,414** | **1,447** | **1,327** | **1,323** | **1,180** | **1,215** | **1,097** |
| Minority interests | (75) | (78) | (72) | (43) | (59) | (55) | (77) |
| **NET ATTRIBUTABLE PROFIT** | **1,339** | **1,369** | **1,254** | **1,280** | **1,121** | **1,159** | **1,020** |

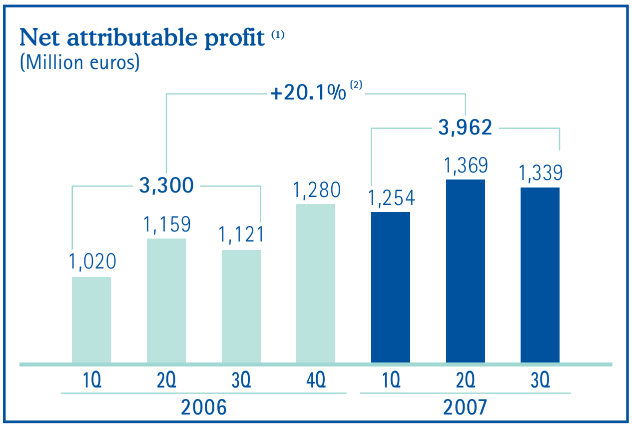
(1) Excluding the one-off operations.

The table shows the income statement **without** the impact of these **non-recurrent** operations and all the following remarks (unless otherwise stated) refer to these figures because they are more relevant when analysing the Group's performance.

In the **third quarter** of 2007 the BBVA Group generated net attributable profit of €1,339m, an increase of 19.5% over the €1,121m obtained in the same period last year. After eliminating the effect of variations in exchange rates the increase is 24.3%.

The main support of net attributable profit continues to be operating profit. It increased 14.1% to €2,323m in the quarter, compared to €2,035m in the same period last year (up 18.6% at constant exchange rates). The incorporation of **Compass** on 7th September contributed €30m to operating profit and €18m to net attributable profit.

As a result, net attributable profit for the first **nine months** comes to €3,962m, rising 20.1% over the €3,300m obtained in the same period last year. At constant exchange rates the increase would be 24.8% because their overall impact on the first nine months was negative. Operating profit came to €7,195m, increasing 18.2% over the €6,087m obtained in the first nine months of 2006 (up 22.9% at constant exchange rates). Revenues (ordinary revenues rose 13.5%) increased faster than expenses and this led to a further improvement in the cost/income ratio.




(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +24.8%.

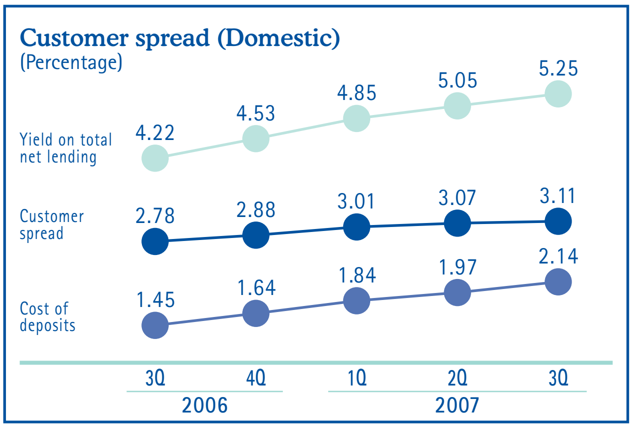
The improvements in the Group's earnings in the first nine months were based on organic growth. Changes in the Group's composition accounted for less than 2 percentage points of the increases in operating profit and net attributable profit.

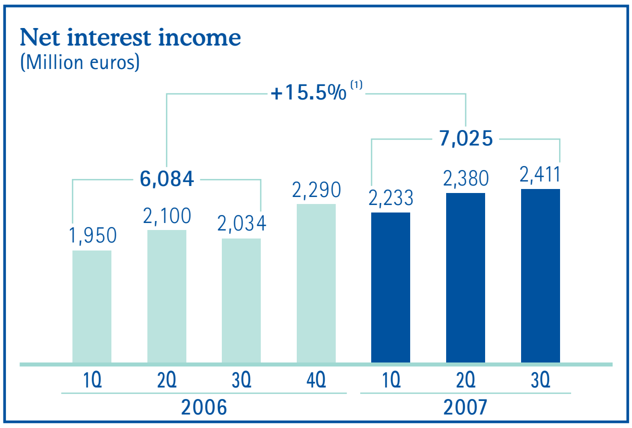
## Net interest income

Net interest income in the **third quarter** of 2007 came to €2,411m. This is a new quarterly record for the Group and an increase of 18.6% compared to the third quarter of 2006 (up 23.2% at constant exchange rates). Of this amount, dividends accounted for €30m and thus net interest income without dividends was €2,381m (another record high).

In the **first nine months** net interest income came to €7,025m, an increase of 15.5% compared to €6,084m in the same period last year. At constant exchange rates the rise is 20.2%. In both cases the percentage increases are greater than those reported at the half-year. Excluding dividends of €228m, the net figure is €6,797m, an increase of 16.0% year-on-year (20.9% at constant rates). It was supported by the positive volume effect, by improved customer spreads in Spain and by defence of the high spreads in Mexico.

In **Spain** higher interest rates led to an increase in the yield on loans to domestic customers. In the third quarter this yield grew to 5.25% (20 basis points more than 5.05% in second quarter). This was greater than the increase in the cost of deposits, which stands at 2.14% (up 17 basis points from 1.97% in the second quarter due to the growing importance of time deposits). Thus customer spreads rose four basis points to 3.11% in the third quarter, compared to 3.07% in the second quarter and 2.78% in the third quarter last year. This extended the upward trend to seven quarters. Thanks to this and the greater volume of business, the Spain & Portugal Area increased net interest income 14.4% year-on-year.




(1) At constant exchange rates: +20.2%.

In **Mexico** interest rates have remained stable in recent months (the interbank rate has been around 7.7% since May). In this context the yield on loans fell to 14.9% in the third quarter (from 15.2% in the second quarter) due to the change of mix: lower proportion of consumer and credit card finance and higher for mortgages and lending to small companies. The cost of deposits increased slightly to 2.6% (from 2.5% in the second quarter). Despite these effects, customer spreads remained high at 12.3% (compared to 12.7% in the previous quarter and 12.6% in the third quarter last year). This development and the growing

## Breakdown of yields and costs

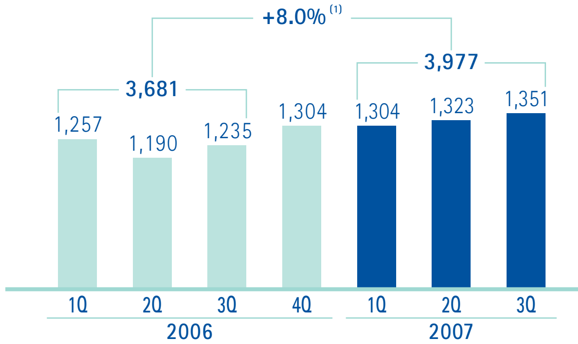
| | 3rd Quarter 07 | | 2nd Quarter 07 | | 1st Quarter 07 | | 4th Quarter 06 | |
|---|---|---|---|---|---|---|---|---|
| | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost | % of ATA | % Yield/Cost |
| Cash and balances at Central Banks | 3.7 | 2.67 | 3.4 | 3.10 | 3.5 | 2.94 | 3.0 | 3.50 |
| Financial assets and derivatives | 22.7 | 3.42 | 23.2 | 3.85 | 23.6 | 3.39 | 24.0 | 4.13 |
| • Fixed-income securities | 17.9 | 4.19 | 18.3 | 4.07 | 19.0 | 4.04 | 18.7 | 4.50 |
| - Euros | 10.3 | 2.55 | 10.8 | 2.48 | 11.0 | 2.46 | 11.3 | 2.43 |
| - Foreign currencies | 7.6 | 6.43 | 7.6 | 6.33 | 8.0 | 6.22 | 7.4 | 7.66 |
| • Equity securities | 4.8 | 0.54 | 4.8 | 3.03 | 4.6 | 0.71 | 5.3 | 2.84 |
| Due from banks | 7.2 | 5.97 | 7.3 | 5.26 | 6.5 | 5.84 | 6.7 | 4.24 |
| • Euros | 4.9 | 6.00 | 4.9 | 4.82 | 4.3 | 4.73 | 4.3 | 3.25 |
| • Foreign currencies | 2.3 | 5.91 | 2.5 | 6.14 | 2.2 | 7.97 | 2.4 | 6.05 |
| Loans to customers | 60.7 | 7.00 | 60.7 | 6.73 | 60.8 | 6.48 | 60.8 | 6.21 |
| • Euros | 44.8 | 5.30 | 45.6 | 5.08 | 45.7 | 4.87 | 45.9 | 4.54 |
| - Domestic | 41.8 | 5.25 | 42.5 | 5.05 | 42.7 | 4.85 | 42.8 | 4.53 |
| - Other | 3.1 | 6.00 | 3.1 | 5.51 | 3.0 | 5.18 | 3.1 | 4.68 |
| • Foreign currencies | 15.8 | 11.78 | 15.1 | 11.74 | 15.1 | 11.32 | 14.9 | 11.40 |
| Other assets | 5.8 | 0.91 | 5.5 | 0.60 | 5.6 | 0.87 | 5.5 | 1.07 |
| **TOTAL ASSETS** | **100.0** | **5.60** | **100.0** | **5.50** | **100.0** | **5.27** | **100.0** | **5.22** |
| Deposits by Central Banks and banks | 13.6 | 5.16 | 13.6 | 5.02 | 13.9 | 4.71 | 14.7 | 4.24 |
| • Euros | 5.5 | 4.06 | 5.7 | 3.97 | 6.2 | 3.60 | 7.0 | 3.24 |
| • Foreign currencies | 8.1 | 5.91 | 7.8 | 5.79 | 7.7 | 5.60 | 7.7 | 5.16 |
| Due to customers | 47.7 | 3.55 | 47.8 | 3.36 | 46.9 | 3.13 | 46.3 | 3.07 |
| • Euros | 27.8 | 3.18 | 27.0 | 2.73 | 26.4 | 2.56 | 26.3 | 2.12 |
| - Domestic | 17.5 | 2.14 | 17.6 | 1.97 | 18.0 | 1.84 | 18.3 | 1.64 |
| - Other | 10.3 | 4.94 | 9.4 | 4.13 | 8.3 | 4.14 | 8.0 | 3.21 |
| • Foreign currencies | 19.9 | 4.07 | 20.8 | 4.19 | 20.6 | 3.85 | 20.0 | 4.33 |
| Marketable debt securities and subordinated debt | 22.0 | 4.86 | 22.2 | 4.43 | 22.4 | 4.19 | 22.3 | 3.91 |
| • Euros | 18.1 | 4.50 | 18.6 | 4.20 | 19.4 | 4.00 | 19.5 | 3.73 |
| • Foreign currencies | 3.9 | 6.54 | 3.5 | 5.66 | 3.0 | 5.43 | 2.8 | 5.12 |
| Other liabilities | 11.4 | 0.79 | 11.3 | 0.82 | 11.4 | 0.78 | 11.5 | 0.80 |
| Equity | 5.3 | - | 5.1 | - | 5.3 | - | 5.1 | - |
| **TOTAL LIABILITIES AND EQUITY** | **100.0** | **3.55** | **100.0** | **3.37** | **100.0** | **3.15** | **100.0** | **3.01** |

volume of business, especially lending, led to a 20.8% rise (pesos) in net interest income for the first nine months. In the South America Area net interest income grew faster (30.7% at constant exchange rates), supported by the higher volume of lending and deposits.

## Ordinary revenues

In the first nine months of 2007 **net fee income** contributed revenues of €3,453m, rising 8.0% year-on-year (up 11.8% at constant exchange rates). It continues to be affected by commissions on mutual and pension funds (down 0.8%) due to a preference for time deposits in Spain and the entry of new competitors in the pension business in the Americas. **Insurance business** contributed €524m, which was 8.5% more than the same period last year (up 12.3% at constant rates). Therefore **net fee income plus insurance**

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



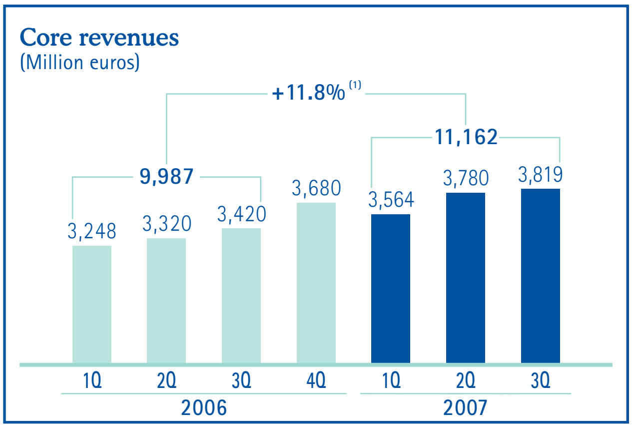

(1) At constant exchange rates: +11.9%.

**business** came to €3,977m, rising 8.0% over the €3,681m for the first nine months of last year (up 11.9% at constant rates).

By business area, fee income and insurance revenues rose 8.4% in Spain & Portugal, 19.2% in Wholesale Businesses and (at constant rates), 18.5% in Mexico & USA and 15.9% in South America.

Net income from companies calculated by the **equity method** came to €160m for the first nine months. Since March this includes income from CIFH in Hong Kong (€21m). In the same period last year this item came to €222m, due to BNL and a bigger contribution from Corporación IBV.

**Core revenues**, which comprise net interest income, net fee income, insurance and equity-accounted income, came to €3,819m in the third quarter (a new record for BBVA) and to €11,162m for the first nine months. The latter figure was 11.8% higher than the €9,987m generated in the same period last year. At constant exchange rates the increase was 16.0%.

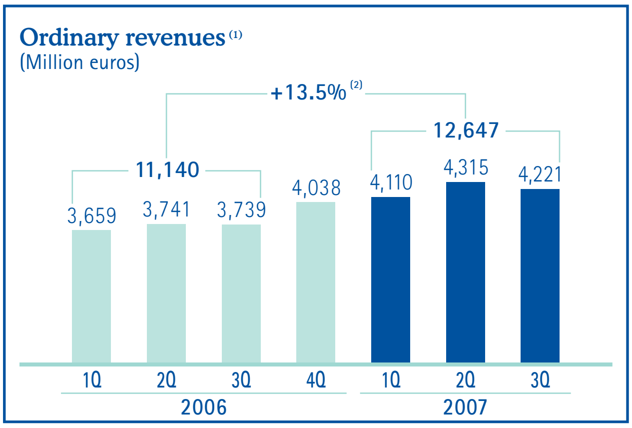



Core revenues
(Million euros)

(1) At constant exchange rates: +16.0%.

**Net trading income** contributed €402m in the third quarter and €1,484m for the first nine months. This was 28.7% higher than the same period last year. If capital gains (€847m from Iberdrola in the first quarter of 2007 and €523m from Repsol in the second quarter of 2006) are taken into account, net trading income comes to €2,331m for the first nine months compared to €1,676m a year earlier.

Core revenues and net trading income resulted in **ordinary revenues** of €4,221m in the third quarter



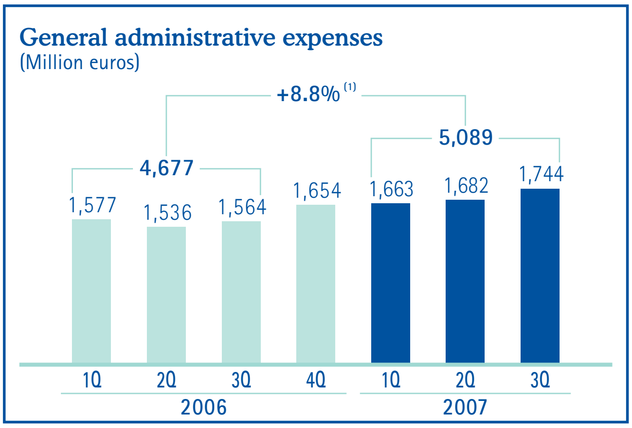

Ordinary revenues (1)
(Million euros)

(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +17.7%.

and €12,647m for the first nine months. The latter amount was up 13.5% compared to €11,140m for the same period last year (up 17.7% at constant exchange rates). Net gains on non-financial activities contributed €139m, increasing 59.4% year-on-year. This was mainly related to real estate business. As a result the Group's **total operating revenues** rose 13.9% to €12,786m (up 18.1% at constant exchange rates).

## Operating profit

Once again **operating expenses** rose more slowly than revenues despite new growth projects and intense marketing activity this year. In the year to September personnel costs were up 6.8% and other overheads were up 12.2%. As a result, cumulative costs came to €5,089m, a rise of 8.8% year-on-year. In the Spain & Portugal Area, expenses rose 2.8% due to growth projects (expenses in the branch network increased only 0.1%). In the Americas expenses rose



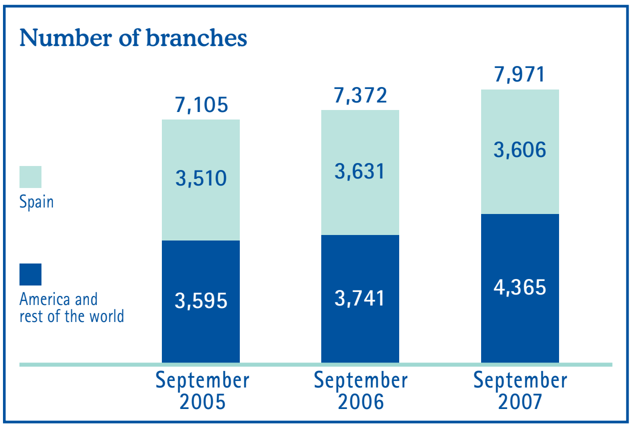

General administrative expenses
(Million euros)

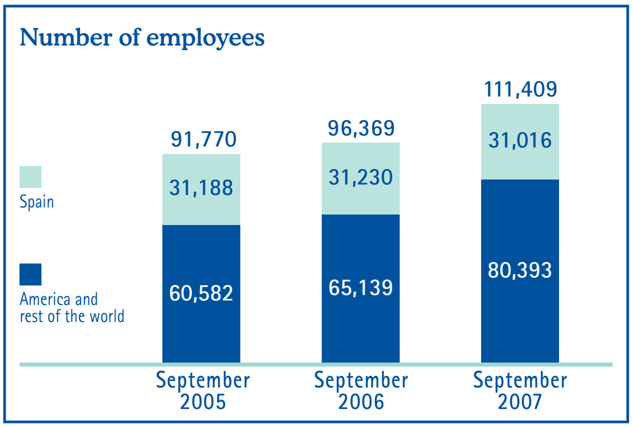
(1) At constant exchange rates: +12.3%.

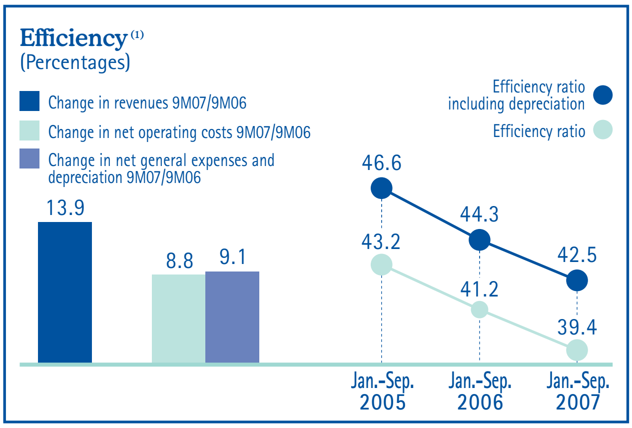
11.1% (18.9% at constant exchange rates) due to an increase in the sales force, higher marketing costs, inflation in some countries and to the incorporation of new banks.

At the end of September the Group had 111,409 **employees**, including 8,864 in Compass. It now has 7,971 **branches** (420 added by Compass).

BBVA has improved its **cost/income ratio** to 42.5% (44.3% at the same point last year). As mentioned above, operating revenues grew 13.9% whereas costs (net of recuperated expenses and depreciation) increased by only 9.1%.



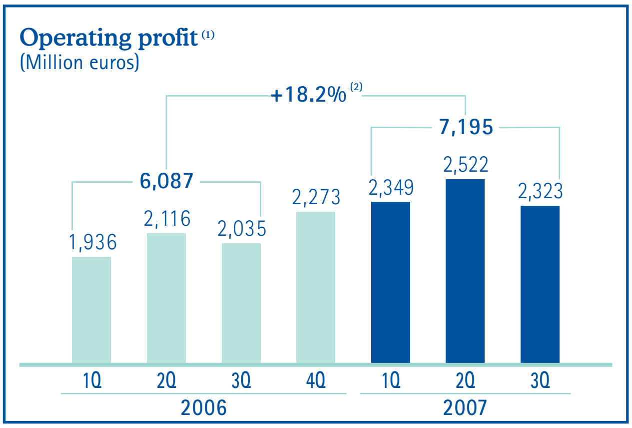

(1) Excluding results of one-off transactions.

## Efficiency (1)
(Million euros)

| | Jan.-Sep. 07 | Δ% | Jan.-Sep. 06 | 2006 |
|---|---|---|---|---|
| Ordinary revenues | 12,647 | 13.5 | 11,140 | 15,178 |
| Net revenues from non-financial activities | 139 | 59.4 | 87 | 131 |
| **TOTAL REVENUES** | **12,786** | **13.9** | **11,227** | **15,309** |
| Personnel costs | (3,146) | 6.8 | (2,945) | (3,989) |
| General expenses | (1,943) | 12.2 | (1,732) | (2,342) |
| Recovered expenses | 54 | 12.9 | 48 | 65 |
| **GENERAL ADMINISTRATIVE EXPENSES (NET)** | **(5,035)** | **8.8** | **(4,629)** | **(6,265)** |
| **EFFICIENCY RATIO (Costs/revenues, %)** | **39.4** | | **41.2** | **40.9** |
| Depreciation and amortization | (393) | 13.4 | (347) | (472) |
| **GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION** | **(5,428)** | **9.1** | **(4,976)** | **(6,737)** |
| **EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION** | **42.5** | | **44.3** | **44.0** |

(1) Excluding the one-off operations.

These changes in revenues and expenses determine the strength of the Group's **operating profit**. In the third quarter operating profit increased 14.1% to €2,323m, compared to €2,035m in the same period last year (18.6% at constant exchange rates). The cumulative figure for the first nine months came to €7,195m, up 18.2% over last year's €6,087m (up 22.9% at constant exchange rates). Including capital gains (Iberdrola in 2007 and Repsol in 2006), operating profit comes to €8,042m, an increase of 21.7% over the €6,610m obtained in the first nine months of last year (up 26.1% at constant rates). All business areas contributed significantly with increases of 20.6% in Spain & Portugal, 25.3% in Global Businesses, 15.6% in Mexico & USA (25.3% at constant exchange rates) and 21.2% in South America (28.3% at constant rates).




(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +22.9%.

## Provisions and others

**Loan-loss provisions** in the first nine months of 2007 increased 26.1% to €1,318m, compared to €1,045m for the same period last year. Generic provisions associated with the growth of lending to customers in the Spanish market and in the Americas continue to play a major role.

Transfers to **other provisions** came to €180m for the first nine months, a year-on-year decline of 62.6% compared to the €481m set aside last year. These figures include provisions for early retirements: €151m in the first nine months of this year and €261m last year.

There were no significant **disposals of equity holdings** so far in 2007. Last year the Group recorded gains of €187m under this item and there were non-recurrent gains from the sale of BNL (€568m) and Banc Internacional de Andorra (€183m). **Other items** of a non-recurrent nature in the third quarter include a capital gain of €38m on the sale of buildings (in connection with the new corporate headquarters). This complements the €235m obtained in similar operations in the second quarter (which also included a €200m charge for contributions to the BBVA Microcredit Foundation).

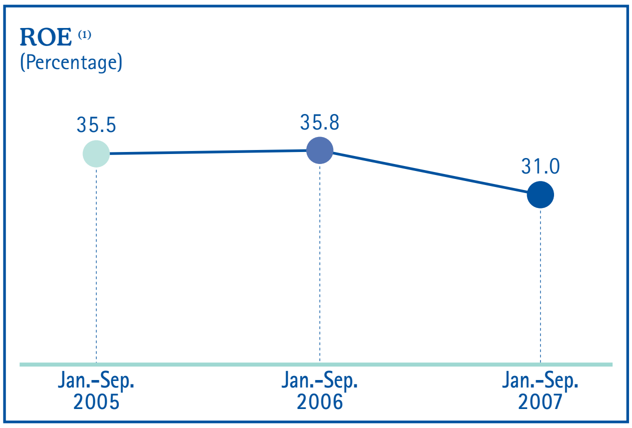
## Attributable profit

As a result of the above, **pre-tax profit** came to €5,688m for the first nine months, an increase of 19.5% over the €4,758m obtained in the same period last year. Following provisions for corporate tax, which benefits from a reduction in the tax rate to 32.5% in Spain, net profit comes to €4,188m compared to €3,491m for the first nine months of last year. After deducting €225m for minority interests, the **net profit attributable to the Group** in the first nine months of 2007 is €3,962m. This figure is 20.1% higher than the €3,300m obtained in the same period last year (24.8% higher at constant exchange rates).

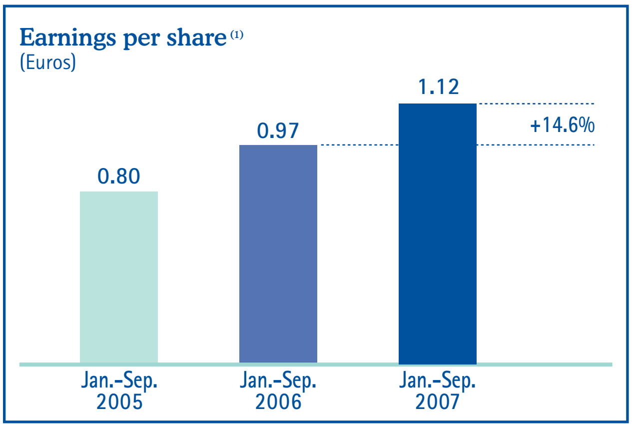
In the breakdown by business areas, Spain & Portugal obtained €1,803m (up 28.4% year-on-year), Global Businesses €653m (up 3.0%), Mexico & USA €1,555m (up 14.3% at current exchange rates and 23.9% at constant rates), South America €492m (up 18.0% in euros and 23.6% at constant rates).

If non-recurrent items are included (€794m of net attributable profit in the first nine months of 2007 and €1,157m in the same period last year), net attributable profit for the year to September is €4,756m, compared to €4,457m in 2006. In this case the year-on-year increase is 6.7% (9.8% at constant exchange rates).

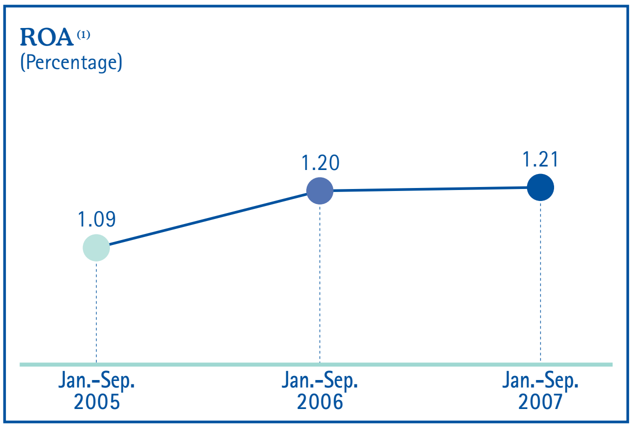
Following the capital increase in November 2006, the average number of shares in the first nine months of both years increased 4.7%. Therefore the increase in **earnings per share** is slightly less than the rise in net attributable profit. Without non-recurrent items, cumulative earnings per share in the year to September came to €1.12, an increase of 14.6% over the €0.97 obtained in the same period last year. Including non-recurrent items the figures are €1.34 for 2007 and €1.32 for 2006. The increase in share capital also affects return on equity (**ROE**), which now stands at 31.0% compared to 35.8% at the same point last year. Book-value per share is €6.41, an increase of 36.2% over the €4.71 recorded at 30-Sep-06. The return on total average assets (**ROA**) comes to 1.21% (similar to the 1.20% of the same period last year).



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

**Compass Bank** became part of the BBVA Group in September. It contributes €25 billion in assets, €18 billion in customer loans, €17 billion in deposits and €5 billion in customer funds that are not reported on the balance sheet. For this reason the comparisons of key figures are presented on a like-for-like basis, ie, excluding Compass as well as Texas State Bank and State National, which were also added in the last 12 months.

In terms of **organic growth**, lending increased significantly in Spain and in the Americas. In both cases the growth extended to all forms of lending. In Spain

## Consolidated balance sheet

(Million euros)

| | 30-09-07 | Δ% | 30-09-06 | 30-06-07 | 31-12-06 |
|---|---|---|---|---|---|
| Cash and balances at Central Banks | 17,678 | 80.2 | 9,811 | 17,242 | 12,515 |
| Financial assets held for trading | 57,663 | 26.7 | 45,505 | 59,195 | 51,835 |
| Other financial assets at fair value | 878 | (12.5) | 1,004 | 905 | 977 |
| Financial assets available for sale | 45,790 | 6.6 | 42,950 | 40,540 | 42,267 |
| Loans and receivables | 338,543 | 21.0 | 279,685 | 322,452 | 279,855 |
| • Due from banks | 28,966 | (9.0) | 31,846 | 36,806 | 17,050 |
| • Loans to customers | 302,040 | 24.5 | 242,565 | 278,548 | 256,565 |
| • Other | 7,537 | 42.9 | 5,273 | 7,098 | 6,240 |
| Held to maturity investments | 5,573 | (5.1) | 5,872 | 5,706 | 5,906 |
| Investments in associates | 1,552 | 51.2 | 1,026 | 1,423 | 889 |
| Property, plant and equipment | 5,210 | 22.2 | 4,262 | 4,816 | 4,527 |
| Intangible assets | 8,513 | n.m. | 1,906 | 3,474 | 3,269 |
| Other assets | 11,275 | 1.0 | 11,163 | 10,689 | 9,876 |
| **TOTAL ASSETS** | **492,674** | **22.2** | **403,184** | **466,443** | **411,916** |
| Financial liabilities held for trading | 19,169 | 37.4 | 13,953 | 17,919 | 14,924 |
| Other financial liabilities at fair value | 496 | (24.2) | 654 | 517 | 583 |
| Financial liabilities at amortised cost | 417,452 | 21.4 | 343,739 | 396,566 | 348,445 |
| • Deposits by Central Banks and banks | 70,367 | 7.0 | 65,774 | 63,591 | 57,804 |
| • Due to customers | 240,094 | 29.9 | 184,888 | 223,793 | 192,374 |
| • Marketable debt securities | 83,595 | 12.3 | 74,449 | 85,887 | 77,674 |
| • Subordinated debt | 16,132 | 26.7 | 12,735 | 14,957 | 13,597 |
| • Other | 7,264 | 23.3 | 5,893 | 8,338 | 6,995 |
| Liabilities under insurance contracts | 10,062 | (0.7) | 10,134 | 10,084 | 10,121 |
| Other liabilities | 17,901 | 16.0 | 15,433 | 17,653 | 15,527 |
| **TOTAL LIABILITIES** | **465,080** | **21.1** | **383,913** | **442,738** | **389,598** |
| Minority interests | 854 | 9.9 | 777 | 797 | 768 |
| Valuation adjustments | 2,701 | 6.9 | 2,527 | 2,832 | 3,341 |
| Shareholders' funds | 24,040 | 50.6 | 15,967 | 20,076 | 18,210 |
| **EQUITY** | **27,594** | **43.2** | **19,271** | **23,705** | **22,318** |
| **TOTAL LIABILITIES AND EQUITY** | **492,674** | **22.2** | **403,184** | **466,443** | **411,916** |
| **MEMORANDUM ITEM:** | | | | | |
| Contingent liabilities | 60,623 | 59.7 | 37,969 | 52,633 | 42,281 |
| **MEMORANDUM ITEM:** | | | | | |
| Average total assets | 447,707 | 14.7 | 390,447 | 437,735 | 395,950 |
| Average risk-weighted assets | 270,660 | 17.8 | 229,784 | 264,116 | 234,370 |
| Average shareholders' funds | 17,105 | 38.8 | 12,321 | 16,777 | 12,594 |

increase in customer funds centred on types that are included on the balance sheet, whereas in the Americas, all lines reported a strong performance.

However **exchange rates** had a negative effect on year-on-year comparisons of the balance sheet and earnings. The US dollar and most Latin-American currencies have depreciated against the euro in the last 12 months. The Mexican peso fell 9.7% against the euro, the US dollar fell 10.7%, the Argentine peso 12.8%, the Venezuelan bolivar 10.9%, the Peruvian sol 6.5% and the Chilean peso 6.1%. Therefore year-on-year comparisons of the main figures are also stated at constant exchange rates to provide a clearer picture of business developments.

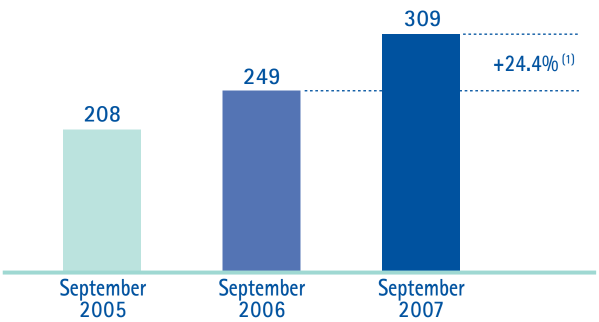
The Group's **total assets** at 30-Sep-07 came to €493 billion, compared to €403 billion at the same point last year. This was an increase of 22.2% (14.5% on a like-for-like basis). Both lending and deposits are growing faster than other items on the balance sheet and therefore their relative importance is increasing.

## Lending to customers

At the end of September lending to customers stood at €309 billion, up 24.4% compared to €249 billion recorded at the same date last year. At constant exchange rates the increase is 26.4% and, after eliminating Compass Bank, Texas State Bank and State National Bank (on a like-for-like basis and at constant exchange rates), the increase is 17.2%. It should be noted that only 4.8% of the Group's lending is located in Latin-American countries that have no investment grade.

Of this amount, lending to the Spanish public sector accounted for €16 billion, an increase of 5.6% compared to 30-Sep-06. Lending to **other domestic sectors** in Spain rose 14.6% to €182 billion. Secured loans increased

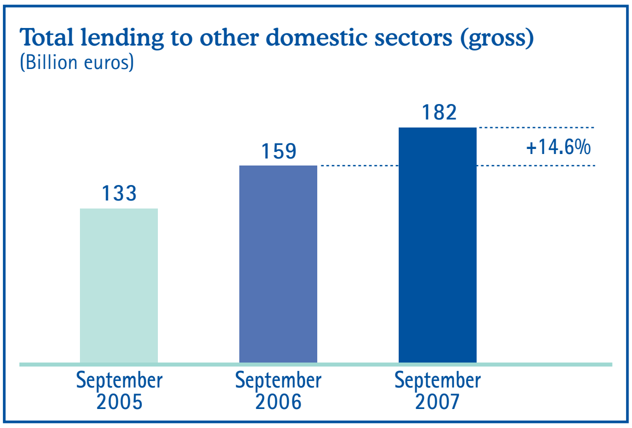
**Total lending (gross)**
(Billion euros)

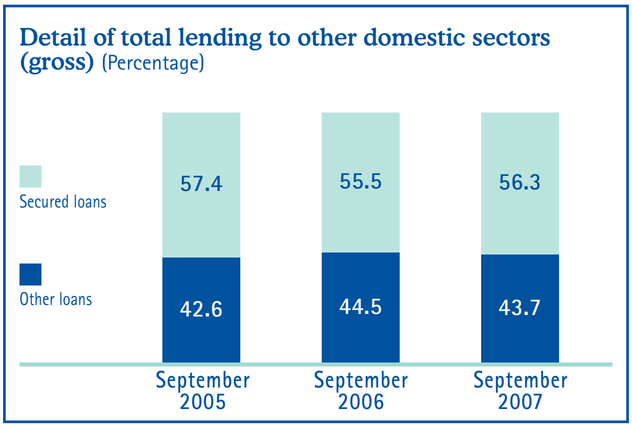



(1) At constant exchange rates: +26.4%.

**Total lending**
(Million euros)

| | 30-09-07 | Δ% | 30-09-06 | 30-06-07 | 31-12-06 |
|---|---|---|---|---|---|
| Public sector | 15,847 | 5.6 | 15,005 | 16,240 | 15,942 |
| Other domestic sectors | 182,318 | 14.6 | 159,092 | 179,392 | 166,375 |
| • Secured loans | 102,593 | 16.2 | 88,319 | 98,281 | 90,649 |
| • Commercial loans | 12,633 | 0.5 | 12,565 | 12,740 | 13,286 |
| • Financial leases | 7,568 | 10.2 | 6,869 | 7,477 | 6,997 |
| • Other term loans | 54,978 | 15.4 | 47,627 | 55,952 | 51,241 |
| • Credit card debtors | 1,431 | 18.1 | 1,211 | 1,682 | 1,506 |
| • Other | 3,115 | 24.6 | 2,500 | 3,261 | 2,695 |
| Non-domestic sector | 107,788 | 49.3 | 72,179 | 86,943 | 78,160 |
| • Secured loans | 30,509 | 35.6 | 22,501 | 26,205 | 25,492 |
| • Other loans | 77,278 | 55.6 | 49,678 | 60,738 | 52,669 |
| Non-performing loans | 3,212 | 37.8 | 2,331 | 2,881 | 2,492 |
| • Public sector | 126 | (2.5) | 129 | 135 | 127 |
| • Other domestic sectors | 1,230 | 37.8 | 893 | 1,171 | 953 |
| • Non-domestic sectors | 1,856 | 41.8 | 1,309 | 1,575 | 1,411 |
| **TOTAL LENDING (GROSS)** | **309,164** | **24.4** | **248,606** | **285,456** | **262,969** |
| Loan loss provisions | (7,124) | 17.9 | (6,041) | (6,908) | (6,404) |
| **TOTAL NET LENDING** | **302,040** | **24.5** | **242,565** | **278,548** | **256,565** |




16.2% to nearly €103 billion, particularly residential mortgages which rose 15.5%, confirming the gradual slowdown in the property market. Consumer finance and lending to SMEs and small businesses continue to grow strongly as shown by the increase in "Other term loans" (up 15.4%) and "Credit card debtors" (up 18.1%).

Lending to **non-resident** customers rose 49.3% year-on-year to €108 billion (up 57.7% at constant rates and up 24.9% on a like-for-like basis and at constant rates). All the Group's major units contributed to the rise with increases of more than 30% in local currencies in Mexico, Colombia, Peru and Venezuela and in the wholesale business in Asia.

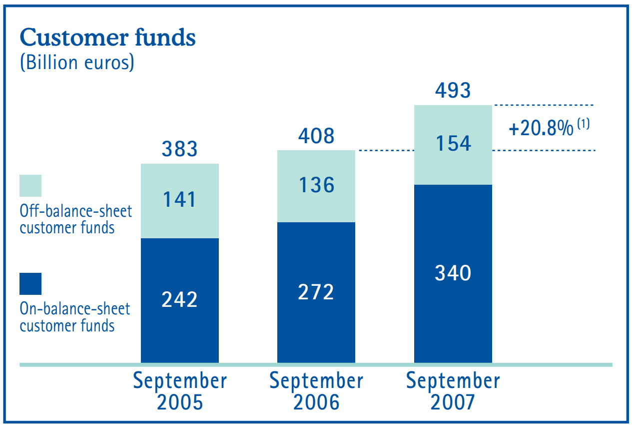
Non-performing loans came to €3.2 billion. These are dealt with in the chapter on risk management.

## Customer funds

Total customer funds, on and off the balance sheet at 30-Sep-07, including those contributed by the

### Customer funds
(Million euros)

| | 30-09-07 | Δ% | 30-09-06 | 30-06-07 | 31-12-06 |
|---|---|---|---|---|---|
| **ON-BALANCE-SHEET CUSTOMER FUNDS** | **339,820** | **24.9** | **272,072** | **324,636** | **283,645** |
| **DEPOSITS** | **240,094** | **29.9** | **184,888** | **223,793** | **192,374** |
| Public sector | 17,111 | 28.0 | 13,370 | 15,303 | 7,124 |
| Other domestic sectors | 107,552 | 26.1 | 85,259 | 107,267 | 94,393 |
| • Current and savings accounts | 43,875 | (7.7) | 47,519 | 46,689 | 47,806 |
| • Time deposits | 33,019 | 40.0 | 23,592 | 29,860 | 27,682 |
| • Assets sold under repurchase agreement | 9,402 | 28.9 | 7,294 | 9,742 | 9,081 |
| • Other | 21,256 | 210.1 | 6,854 | 20,976 | 9,824 |
| Non-domestic sector | 115,431 | 33.8 | 86,259 | 101,223 | 90,857 |
| • Current and savings accounts | 49,397 | 49.4 | 33,070 | 38,654 | 37,699 |
| • Time deposits | 57,219 | 29.6 | 44,148 | 53,911 | 42,910 |
| • Assets sold under repurchase agreement and other accounts | 8,815 | (2.5) | 9,040 | 8,658 | 10,249 |
| **MARKETABLE DEBT SECURITIES** | **83,595** | **12.3** | **74,449** | **85,887** | **77,674** |
| Mortgage bonds | 39,585 | 19.7 | 33,074 | 40,357 | 36,029 |
| Other marketable securities | 44,010 | 6.4 | 41,375 | 45,530 | 41,645 |
| **SUBORDINATED DEBT** | **16,132** | **26.7** | **12,735** | **14,957** | **13,597** |
| **OTHER CUSTOMER FUNDS** | **153,562** | **12.6** | **136,351** | **149,313** | **142,064** |
| Mutual funds | 59,481 | 1.6 | 58,546 | 60,669 | 58,452 |
| Pension funds | 60,553 | 13.2 | 53,500 | 61,206 | 57,147 |
| Customer portfolios | 33,528 | 37.9 | 24,306 | 27,438 | 26,465 |
| **TOTAL CUSTOMER FUNDS** | **493,382** | **20.8** | **408,423** | **473,949** | **425,709** |




(1) At constant exchange rates: +23.7%.

recently acquired US banks, stand at €493 billion, compared to €408 billion at the same date last year. This was an increase of 20.8% (23.7% at constant exchange rates and 16.4% if the like-for-like basis is also applied).

**Customer funds on the balance sheet** continued to perform well. They rose 24.9% to €340 billion (up 27.4% at constant exchange rates). Of this figure, customer deposits contributed €240 billion (up 29.9%), marketable debt securities accounted for €84 billion (up 12.3%) and subordinate liabilities (subordinate debt and preference securities) represented €16 billion (up 26.7%).

Customer funds **off the balance sheet** comprise mutual funds, pension funds and customers' portfolios (including €6.9 billion from Compass added in this quarter and the Group's other banks in Texas). At 30-Sep-07 these funds came to €154 billion, rising 12.6% compared to €136 billion at the same date last year (up 16.1% at constant exchange rates). In Spain customer funds increased 1.5% to €77 billion, supported by customers' portfolios (up 8.2%) and pension funds (up 7.1%). Outside Spain these funds rose 26.4% to €77 billion (up 35.6% at constant exchange rates). The advance was widespread: mutual funds increased 16.4%, pension funds 15.7% and customers' portfolios 76.8%.

## Other customer funds

(Million euros)

| | 30-09-07 | Δ% | 30-09-06 | 30-06-07 | 31-12-06 |
|---|---|---|---|---|---|
| **SPAIN** | **76,574** | **1.5** | **75,431** | **77,474** | **76,080** |
| **MUTUAL FUNDS** | **45,056** | **(2.4)** | **46,154** | **45,788** | **45,491** |
| Mutual Funds (ex Real Estate) | 42,558 | (3.4) | 44,047 | 43,172 | 43,273 |
| • Monetary and short term fixed-income | 15,745 | 1.1 | 15,567 | 15,208 | 15,496 |
| • Long-term fixed income | 1,824 | (8.1) | 1,985 | 2,054 | 1,783 |
| • Balanced | 1,624 | (5.3) | 1,714 | 1,715 | 1,577 |
| • Equity | 4,073 | 3.3 | 3,942 | 4,453 | 4,182 |
| • Guaranteed | 17,069 | (1.2) | 17,273 | 17,008 | 17,094 |
| • Global | 2,222 | (37.7) | 3,566 | 2,733 | 3,142 |
| Real Estate investment trusts | 2,374 | 12.7 | 2,107 | 2,493 | 2,218 |
| Private equity funds | 124 | n.m. | - | 124 | - |
| **PENSION FUNDS** | **16,604** | **7.1** | **15,499** | **16,463** | **16,291** |
| Individual pension plans | 9,394 | 9.2 | 8,599 | 9,313 | 9,249 |
| Corporate pension funds | 7,211 | 4.5 | 6,900 | 7,149 | 7,042 |
| **CUSTOMER PORTFOLIOS** | **14,913** | **8.2** | **13,778** | **15,224** | **14,298** |
| **REST OF THE WORLD** | **76,988** | **26.4** | **60,920** | **71,839** | **65,984** |
| Mutual funds and investment companies | 14,425 | 16.4 | 12,391 | 14,881 | 12,961 |
| Pension funds | 43,949 | 15.7 | 38,001 | 44,744 | 40,856 |
| Customer portfolios | 18,614 | 76.8 | 10,528 | 12,215 | 12,167 |
| **OTHER CUSTOMER FUNDS** | **153,562** | **12.6** | **136,351** | **149,313** | **142,064** |

In the **Spanish market** the figure that best represents customer funds is the aggregate of current and savings accounts, the time deposits of other domestic sectors, mutual funds and pension funds. At 30-Sep-07 they came to €139 billion, rising 4.4% in the last 12 months.

In the present economic situation, with rising interest rates and instability in stock markets, customers are showing a strong preference for time deposits to the detriment of options such as mutual funds. Due to these facts and to the Group's strategy, time deposits increased 40.0% to €33 billion whereas current and savings accounts fell 7.7% to €44 billion and mutual funds declined 2.4% to €45 billion. Pension funds grew 7.1% to nearly €17 billion, particularly individual plans (up 9.2%).

**Public sector** deposits in Spain rose 28.0% to €17 billion at 30-Sep-07. Excluding amounts allocated in the Treasury's liquidity auctions, the balance rose 9.8% to €6.6 billion.

In the case of **non-resident** customers, the aggregate figure used above (current and savings accounts, time deposits, mutual and pension funds) rose 29.3% year-on-year to €165 billion (up 37.9% at constant exchange rates and up 19.2% on a like-for-like basis and constant exchange rates). As in previous quarters current and savings accounts led the way, rising 49.4% to €49 billion (up 60.7% at constant rates). Stable funds at 30-Sep-07 were up 22.3% to €116 billion (up 30.0% at constant exchange rates). At constant rates time deposits gained 36.0% to €57 billion, pension funds were up 23.9% to €44 billion and mutual funds increased 26.5% to €14 billion.

## Statement of changes in equity
(Million euros)

| | Capital | Reserves | Profit for the year | Treasury shares | Valuation adjustments | Minority interests | Paid dividends | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 31-12-05** | **1,662** | **8,831** | **3,806** | **(96)** | **3,295** | **971** | **(1,167)** | **17,302** |
| Valuation adjustments | | | | | (768) | (6) | | (774) |
| Profit retained | | 2,011 | (2,011) | | | | | - |
| Dividends | | | (1,795) | | | (103) | 272 | (1,626) |
| Shares issued | | | | | | | | - |
| Treasury shares | | | | 26 | | | | 26 |
| Profit for the year | | | 4,457 | | | 192 | | 4,648 |
| Other | | (60) | | 32 | | (277) | | (306) |
| **BALANCE AT 30-09-06** | **1,662** | **10,781** | **4,457** | **(38)** | **2,527** | **777** | **(895)** | **19,271** |
| | | | | | | | | |
| **BALANCE AT 31-12-06** | **1,740** | **13,208** | **4,736** | **(112)** | **3,341** | **768** | **(1,363)** | **22,318** |
| Valuation adjustments | | | | | (640) | (53) | | (693) |
| Profit retained | | 2,525 | (2,525) | | | | | - |
| Dividends | | | (2,210) | | | (105) | 259 | (2,056) |
| Shares issued | 96 | 3,191 | | | | | | 3,287 |
| Treasury shares | | (51) | | (156) | | | | (207) |
| Profit for the year | | | 4,756 | | | 225 | | 4,981 |
| Other | | (54) | | | | 18 | | (37) |
| **BALANCE AT 30-09-07** | **1,837** | **18,820** | **4,756** | **(268)** | **2,701** | **854** | **(1,104)** | **27,594** |

# Capital base



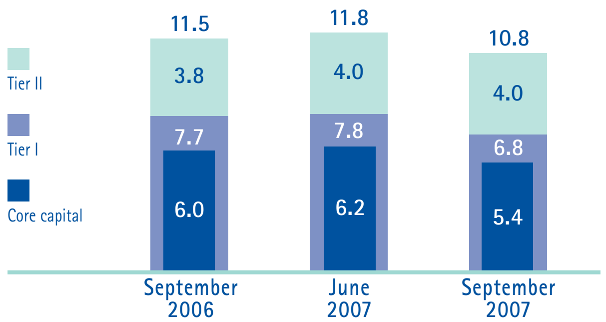
The acquisition of **Compass** in the third quarter meant the incorporation of €21,604m in risk-weighted assets, of €4,666m in goodwill and of Compass's capital issues, which come to €677m and which will be included in the Group's capital base under Tier II. In addition the Group increased its capital by 196 million shares associated with the operation, at an issue price of €16.77 and amounting to €3,287m.

Therefore, according to the rules of the Bank for International Settlements (BIS), the **capital base** of the BBVA Group at 30-Sep-07 comes to €32,631m, which is similar to 30-Jun-07. Risk-weighted assets increased 8.9% in the third quarter to €302,128m. Thus the capital base surplus, in excess of the 8% of risk-weighted assets required by the above rules, was €8,461m.

At 30-Sep-07 **core capital** stood at €16,171m, which is 5.4% of risk-weighted assets. This is in line with the Group's forecast made when the Compass operation was announced. At 30-Jun-07 the figure was 6.2% and at 30-Sep-06 it was 6.0%.

### Capital base: BIS ratio

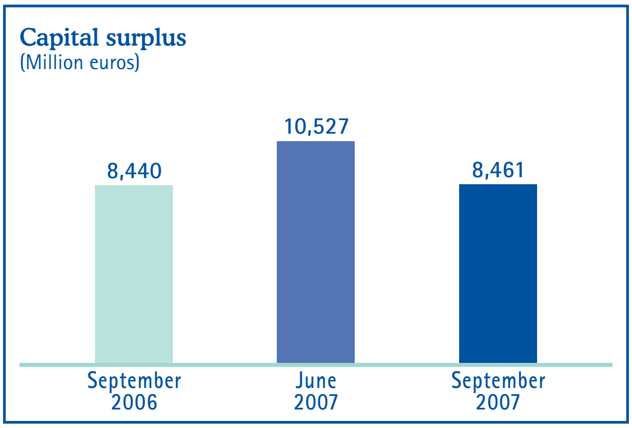
(Percentage)




### Capital base (BIS Regulation)

(Million euros)

| | 30-09-07 | 30-06-07 | 31-12-06 | 30-09-06 |
|---|---|---|---|---|
| Called-up share capital | 1,837 | 1,740 | 1,740 | 1,662 |
| Reserves | 18,504 | 16,007 | 13,694 | 10,913 |
| Minority interests | 775 | 756 | 705 | 698 |
| Deductions | (9,680) | (4,596) | (5,327) | (3,146) |
| Net attributable profit | 4,736 | 3,374 | 4,736 | 4,457 |
| **CORE CAPITAL** | **16,171** | **17,282** | **15,549** | **14,584** |
| Preference shares | 4,518 | 4,436 | 4,025 | 4,025 |
| **CAPITAL (TIER I)** | **20,689** | **21,718** | **19,574** | **18,609** |
| Subordinated debt | 10,345 | 9,732 | 8,783 | 7,534 |
| Valuation adjustments and other | 2,014 | 1,675 | 1,842 | 1,697 |
| Deductions | (417) | (396) | (34) | (36) |
| **OTHER ELIGIBLE CAPITAL (TIER II)** | **11,942** | **11,011** | **10,591** | **9,195** |
| **CAPITAL BASE** | **32,631** | **32,729** | **30,164** | **27,804** |
| Minimum capital requirement (BIS Regulation) | 24,170 | 22,202 | 20,190 | 19,364 |
| **CAPITAL SURPLUS** | **8,461** | **10,527** | **9,974** | **8,440** |
| **RISK-WEIGHTED ASSETS** | **302,128** | **277,529** | **252,373** | **242,045** |
| **BIS RATIO (%)** | **10.8** | **11.8** | **12.0** | **11.5** |
| **CORE CAPITAL (%)** | **5.4** | **6.2** | **6.2** | **6.0** |
| **TIER I (%)** | **6.8** | **7.8** | **7.8** | **7.7** |
| **TIER II (%)** | **4.0** | **4.0** | **4.2** | **3.8** |




During the third quarter the Group amortised a €500m issue of preference securities by BBVA International Ltd and issued GBP400m with an early redemption option from the fifth year onwards. Following these two operations Tier I came to €20,689m, which is 6.8% of risk-weighted assets, compared to 7.8% at 30-Jun-07 and 7.7% at 30-Sep-06. Preference securities account for 21.8% of **Tier I**.

Other eligible capital (Tier II), which includes subordinated debt and latent capital gains, came to €11,942m. As a result **Tier II** stands at 4.0% of risk-weighted assets (4.0% at 30-Jun-07 and 3.8% at 30-Sep-06).

Thus the **BIS ratio** stands at 10.8%, compared to 11.8% at 30-Jun-07 and 11.5% at 30-Sep-06.

## Ratings

During the third quarter of 2007 Standard & Poor's changed its outlook on BBVA Bancomer's rating (which is BBB+) from *stable* to *positive*. The rating agency is reflecting the improvement in Bancomer's credit profile, its high liquidity, its strong competitive position and the promising trend of its results. In addition Fitch has improved its long-term rating of BBVA Bancomer from A– to A. Apart from the improvement in Mexico's sovereign rating (from BBB to BBB+), this change is due to the better operating environment and the strength of the bank's financial profile.

### Ratings

| | Long term | Short term | Financial strength | Outlook |
|---|---|---|---|---|
| Moody's | Aa1 | P-1 | B | Stable outlook |
| Fitch | AA– | F-1+ | A/B | Positive outlook |
| Standard & Poor's | AA– | A-1+ | - | Positive outlook |

# The BBVA share

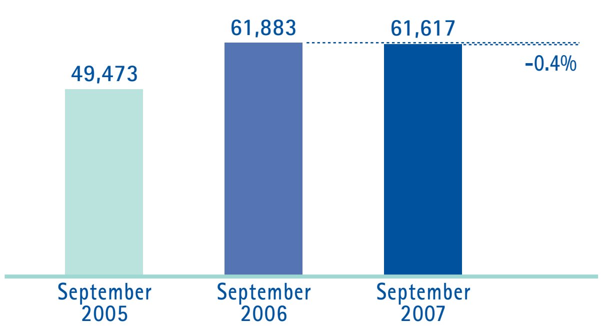
In the **third quarter** of 2007 the sub-prime crisis in the USA extended to a number of structured finance vehicles associated with this type of business. The main consequences were severe constraints in the debt markets (which play a key role in financing some structured products) and in short-term markets in general. Furthermore doubts have arisen regarding the value of credit derivatives and the ratings of securitized assets. These events led, in turn, to increases in lending spreads and volatility; stock exchanges fell, interest rates on public sector debt declined and there was a sharp correction in the yield curves. Aversion to risk increased and central banks were forced to intervene.

Despite the market's recovery at the end of September, the overall performance of the main European indices in the third quarter has been negative. The Stoxx 50 fell 3.2% and in Spain the IBEX 35 dropped 2.1%. As a result, expectations of growth in the **banking sector** have diminished and investors are further underweighting the sector. The Stoxx Bank index fell 9.7% and banks with a greater exposure to markets suffered more. During the quarter, **BBVA**'s share price moved in line with the rest of the sector (dropping 9.7%).

Analysts viewed the Group's second quarter results positively. In general they were somewhat better than expected, highlighting the strength of the Group's operations. The growth trend remains intact.

The acquisition of **Compass** was concluded in the first week of September. As the operation was structured in shares and cash, the Group issued 196 million new shares with the same rights as existing ones. They were admitted to trading on 11-Sep-07. Following this operation, BBVA's weight in the Ibex 35 increases to 12.2% and to 8.4% in the Euro Stoxx Banks.

**Market capitalisation**
(Million euros)




**Share price index**
(29-12-06=100)

## The BBVA share

| | 30-09-07 | 30-06-07 | 31-12-06 | 30-09-06 |
|---|---|---|---|---|
| Number of shareholders | 885,131 | 881,519 | 864,226 | 896,103 |
| Number of shares issued | 3,747,969,121 | 3,551,969,121 | 3,551,969,121 | 3,390,852,043 |
| Daily average number of shares traded | 49,784,590 | 48,948,822 | 34,457,769 | 32,555,339 |
| Daily average trading (million euros) | 903 | 907 | 593 | 541 |
| Maximum price (euros) | 20.28 | 20.28 | 20.26 | 18.37 |
| Minimum price (euros) | 15.40 | 17.35 | 14.78 | 14.78 |
| Closing price (euros) | 16.44 | 18.20 | 18.24 | 18.25 |
| Book value per share (euros) | 6.41 | 5.65 | 5.13 | 4.71 |
| Market capitalisation (million euros) | 61,617 | 64,646 | 64,788 | 61,883 |

## Share performance ratios

| | 30-09-07 | 30-06-07 | 31-12-06 | 30-09-06 |
|---|---|---|---|---|
| Price/Book value (times) | 2.6 | 3.2 | 3.6 | 3.9 |
| PER (Price/Earnings; times) (1) | 9.9 | 10.5 | 13.7 | 13.1 |
| Yield (Dividend/Price; %) (2) | 4.53 | 4.12 | 3.49 | 3.49 |

(1) The 30-9-07 P/E is calculated taking into consideration the median of the analysts' estimates (October 2007).
(2) Dividend yield at 30-9-07 is calculated taking into consideration the median of analysts' estimates (October 2007).

In the third quarter BBVA's shares traded between €15.40 and €18.66. They closed at €16.44 on 28th September, indicating a market capitalisation of €61,617m. Average daily turnover was 51 million shares with a value of €894m. Both figures are similar to the second quarter this year.

The first and second interim **dividends** against 2007 earnings were paid on 10th July and 10th October, respectively. In both cases the gross amount was €0.152 per share (up 15.2% compared to 2006).

# Risk management

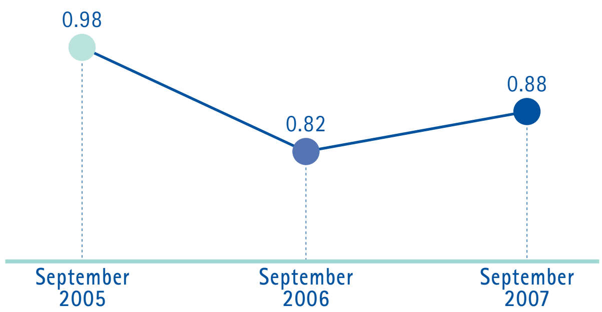
## Credit risk

The BBVA Group's loan-book maintained its high asset quality, its NPL ratio remained low and coverage high. **Compass Bank** joined the Group in the third quarter, with total risks of €19,316m and non-performing assets of €284m, such that its NPL ratio was 1.47%. Its loan-loss provisions (€349m) cover 122.9% of its doubtful loans. Compass does not generate business related to sub-prime mortgages.

At 30th September 2007, the Group had **total exposure with customers** of €370 bn with its customers (including contingent liabilities), 29% up on the €287 bn booked to the same date of the previous year (22.3% without Compass). In both Spain and the USA this increase was especially marked over the last two quarters in consumer loans, cards and SME finance. These products produce higher returns on the greater risk. However, fewer new mortgages are being granted in Spain.

At the end of 3Q07, non-performing assets stood at €3,255m (€2,971m without Compass), as against €2,362m one year earlier. This brought the **NPL ratio** up to 0.88%, slightly above the Sept-06 figure of 0.82% or the 0.86% at 30-6-07. The NPL ratio in the Spain & Portugal area was 0.65% (0.54% at 31-09-06), and even lower on its mortgage portfolio (0.33%). The mortgage portfolio mainly comprises owner-occupier mortgages, with a low percentage of developer loans. In Global Businesses, the ratio is virtually zero to just 0.02% (0.03% in Sept-06). In Mexico & the USA it was 2.00%. The structural effect of incorporating

### Non-performing loan ratio
(Percentage)




### Credit risk management
(Million euros)

| | 30-09-07 | ∆% | 30-09-06 | 30-06-07 | 31-12-06 |
|---|---|---|---|---|---|
| **TOTAL RISK EXPOSURE** (1) | | | | | |
| Non-performing assets | 3,255 | 37.9 | 2,361 | 2,918 | 2,531 |
| Total risks | 369,787 | 29.0 | 286,576 | 338,089 | 305,250 |
| Provisions | 7,618 | 17.0 | 6,510 | 7,407 | 6,905 |
| • Specific | 1,976 | 13.0 | 1,749 | 1,939 | 1,842 |
| • Generic and country-risk | 5,642 | 18.5 | 4,761 | 5,468 | 5,063 |
| NPL ratio (%) | 0.88 | | 0.82 | 0.86 | 0.83 |
| NPL coverage ratio (%) | 234.1 | | 275.8 | 253.8 | 272.8 |
| **MEMORANDUM ITEM:** | | | | | |
| Foreclosed assets (2) | 254 | (14.0) | 295 | 256 | 250 |
| Foreclosed asset provisions | 89 | (31.6) | 130 | 72 | 82 |
| Coverage (%) | 35.1 | | 44.2 | 27.9 | 32.8 |

(1) Including contingent liabilities. (2) Including goods recovered from leasing agreements.

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

| | 2007 | | | 2006 | |
|---|---|---|---|---|---|
| | 3Q | 2Q | 1Q | 4Q | 3Q |
| **BEGINNING BALANCE** | **2,918** | **2,693** | **2,531** | **2,361** | **2,240** |
| **Net variation** | **337** | **225** | **162** | **170** | **121** |
| Entries | 1,108 | 1,049 | 947 | 821 | 715 |
| Outflows | (557) | (567) | (583) | (507) | (433) |
| Write-offs | (428) | (265) | (224) | (198) | (191) |
| Exchange rate differences and other | 214 | 8 | 22 | 54 | 30 |
| **PERIOD-END BALANCE** | **3,255** | **2,918** | **2,693** | **2,531** | **2,361** |
| **MEMORANDUM ITEM:** | | | | | |
| • Non-performing loans | 3,212 | 2,881 | 2,655 | 2,492 | 2,331 |
| • Non-performing contingent liabilities | 43 | 37 | 38 | 40 | 30 |

Compass was the main reason behind its improvement from 2.16% twelve months before. In South America it went down to 2.44% from 2.92% at 30-9-06.

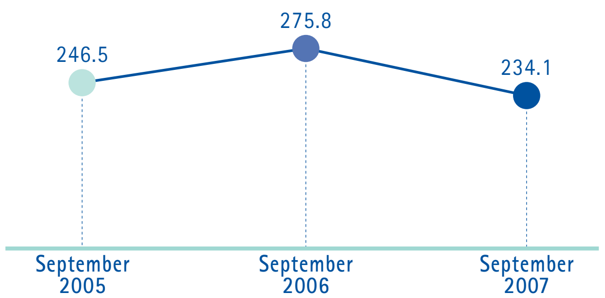
The increase in **loan-loss provisions** reflected consistent high growth in lending, which automatically entails generic provisions. Thus, loan-loss provisions stood at €7,618m at the end of September 2007, with a year-on-year increase of 17%, as against €6,510m on the same date of the previous year. Of this amount, 71.9% were generic provisions, ie, €5,474m, up 17.9% on the previous year. The coverage ratio on non performing assets remained high, at 234.1% for the Group as a whole, as for the different business areas: 263.2% in Spain & Portugal; over 5,000% in Global Businesses; 194.2% in Mexico & the United States, and 132.4% in South America.

## Market risk

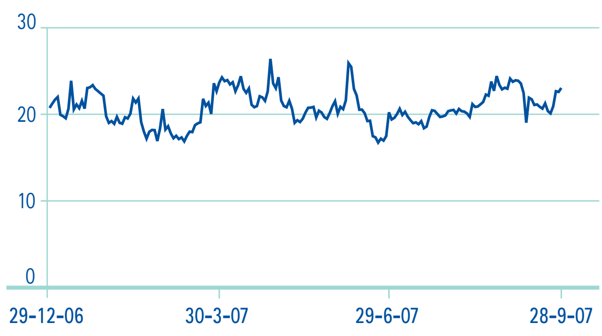
High market volatility as of the end of July has not significantly impacted the BBVA Group's market risk, which accounts for only 3.8% of its economic risk capital. Market exposure measured by value-at-risk (without exponential flattening) stood at an average of €21m in the third quarter, similar to the end of the second quarter. At 30-9-07, VaR was €23m and weighted average consumption of limits remained at a comfortable 46%. Compass' market risk in its trading activity is immaterial given the minimal VaR of its market position.

By **geographic area**, Europe and the USA increased their relative share of the total, accounting for 82.1% of the Group's average market exposure. Latam market risk remains concentrated in Mexico, which accounts for 11.4% of the total.

### Coverage ratio
(Percentage)




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

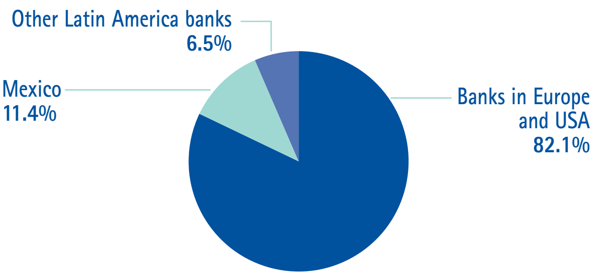


## Market risk by risk factors
(Third Quarter 2007. Million euros)

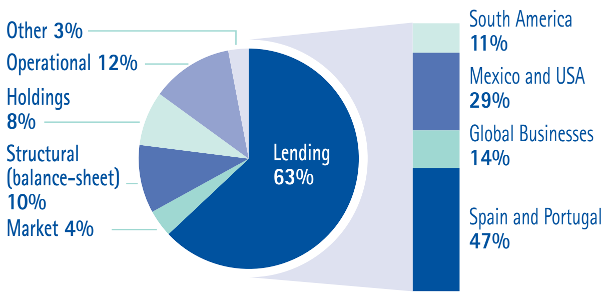
| Risk | 30-09-07 | Daily VaR Average | Daily VaR Maximum | Daily VaR Minimum |
|---|---|---|---|---|
| Interest [1] | 12.4 | 11.6 | 15.7 | 8.2 |
| Exchange rate [1] | 1.8 | 1.6 | 2.9 | 0.6 |
| Equity [1] | 3.8 | 4.2 | 5.9 | 3.3 |
| Vega and correlation | 9.3 | 7.8 | 9.3 | 6.7 |
| Diversification effect | (4.2) | (4.1) | - | - |
| **TOTAL** | **23.0** | **21.0** | **24.4** | **18.4** |

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

## Market risk by geographical areas
(Average third quarter 2007)




## BBVA Group economic risk capital Distribution by risk type
(Data in attributable terms, 30-9-07)




Interest-rate exposure is the predominant risk, accounting for 45% of total risk, including spread risk. The second biggest risk type was exposure to market volatility on optional positions (vega, 22%). Equity risk came down to 12% of total exposure and correlation risk to 9%, while exchange risk rose to 8%. The diversification effect on risk factors stood at 15%.

## Economic capital

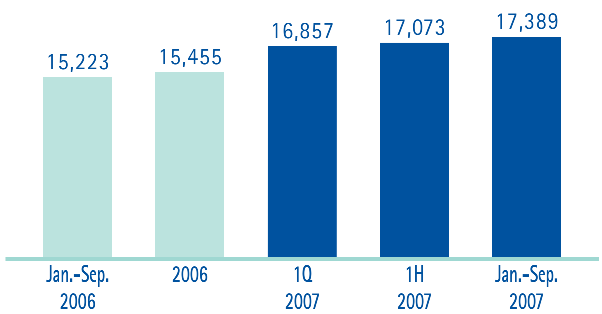
The Group's consumption of attributable economic risk capital (ERC) reached €18,781m at the end of September, after year-on-year growth of 21.1%. The incorporation of Compass increased Mexico & the United States' share of total ERC consumption from 23.3% in June to 27.2 % at the end of September. Like for like, without Compass, year-on-year ERC growth was 14.9%, and quarter-on-quarter growth 2.7%.

Credit risk represented 63% of total ERC, having grown 15.3% since December 2006, mainly due to Compass (without which it increased 10%) but also to the increase in Mexico and SME and Corporate Banking in Spain.

Active balance-sheet management helped bring down the percentage of structural balance-sheet risk in total ERC to 9.5%. The ERC associated to shareholdings accounted for 8.4% of the total, having grown 13.4% year to date, mainly due to the holdings acquired in Asia.

The percentage of market risk in the total remained low, at 3.8%, with a year-to-date increase of 8.2%. Operational risk grew 16.1% (6.1% without Compass) to account for 11.7% of the total.

## BBVA Group economic risk capital
(Average balances (accumulated). Million euros)



# Economic profit & risk adjusted return on economic capital

The figures for economic profit (EP) and risk-adjusted return on capital (RAROC) form part of an array of elements that BBVA uses to manage its value-creation metrics more efficiently. Economic profit is the additional income earned over and above the cost of capital employed. It is calculated according to the following formula:

Economic profit (EP) = profit – (ERC x cost of capital)

Profit is obtained by making mainly three types of adjustment to attributable profit:

- Substituting generic provisions in most business units with an allocation based on expected losses. The metric thus replaces a figure reflecting an accounting requirement with another reflecting the best estimate of real risk incurred.
- Adjusting for changes in unrealised capital gains on BBVA, S.A.'s available-for-sale equity portfolio. This means recognising capital gains in the results when they are generated rather than when they are realised.
- Adjusting the difference of all the accounting positions of Global Markets to their market value.

The required economic capital for each business unit (average economic risk capital over the period) is then multiplied by the percentage of the cost of capital and deducted from the profit. This cost is calculated using market information extracted from the analysts' consensus. Different costs are used for each business unit and business area.

RAROC measures the return earned by each business unit adjusted to the risks it bears. It reflects the difference between the annualised economic profit and the average ERC for the period:

$$\text{Risk-adjusted return on economic capital (RAROC)} = \frac{\text{Annualised profit}}{\text{ERC}} \times 100$$

These calculations are tracked over time. In the medium and long term, they are very useful in determining the intrinsic value of a business. However, in the short term they may be temporarily distorted by market volatility. The Bank therefore also calculates a RAROC based on the ongoing performance of the Group's recurrent businesses. This mainly reflects business with customers. It is obtained by excluding those business units whose earnings are affected by changes in capital gains on their portfolios. These are basically Global Businesses, Business and Real-Estate Projects and, in Asia, the holdings in CITIC; also Corporate Activities, Financial Management and Industrial and Financial Holdings.

## Economic profit and risk adjusted return on economic capital

(Million euros)

| | Jan.-Sep. 07 | Δ% | Jan.-Sep. 06 |
|---|---|---|---|
| **NET ATTRIBUTABLE PROFIT** | **4,756** | **6.7** | **4,457** |
| Adjustments | 789 | 245.2 | 229 |
| **ADJUSTED NET ATTRIBUTABLE PROFIT (A)** | **5,545** | **18.3** | **4,685** |
| Average economic risk capital (ERC) **(B)** | 17,389 | 14.2 | 15,223 |
| **RISK ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100 (1)** | **42.6** | | **41.2** |
| ERC x cost of capital **(C)** | 1,377 | 10.7 | 1,245 |
| **ECONOMIC PROFIT (EP) = (A) – (C)** | **4,167** | **21.1** | **3,441** |

(1) Percentage annualized.

## EP and RAROC by business area

(January-September 2007. Million euros and percentage)

| | Average economic risk capital (ERC) | Adjusted net attributable profit | RAROC (% annualized) | Recurrent RAROC (% annualized) | Economic profit (EP) |
|---|---|---|---|---|---|
| Spain and Portugal | 6,514 | 1,867 | 38.3 | 38.3 | 1,418 |
| Global Businesses | 2,659 | 1,066 | 53.6 | 34.5 | 856 |
| Mexico and the United States | 4,087 | 1,491 | 48.8 | 48.8 | 1,146 |
| South America | 1,865 | 489 | 35.1 | 35.1 | 307 |
| Corporate Activities | 2,264 | 632 | 37.3 | - | 440 |
| **TOTAL BBVA GROUP** | **17,389** | **5,545** | **42.6** | **34.9** | **4,167** |

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

The breakdown by business area starts at the lowest level where all the initial accounting data for the business in question are collected. Management groups the data from these units in a predefined manner to arrive at the picture for the main units and, finally, for the business areas themselves. Likewise, the Group's subsidiaries are also assigned to particular business areas according to their type of activity. If a company's activities do not match a single area, the Group allocates these and the corresponding earnings to a number of relevant units.

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

- **Capital:** the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. 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 have 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 ERC calculation combines lending risk, market risk, 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 concept for the overall Group. However, for the purpose of allocating capital to business areas the Bank prefers ERC. It is risk-sensitive and thus linked to the management policies of 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 they will make it easier to compare profitability across units.

- **Internal transfer prices:** the Bank uses rates adjusted for maturity to calculate the net interest income for each business. It also examines the interest rates for the different assets and liabilities that make up each unit's balance sheet. In cases where there are revenue-generating units as well as distribution units (eg, asset management products), it divides the earnings according to market prices.

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

- **Cross-business register:** as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused by cross-marketing incentives.

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

- **Business in Spain and Portugal:**
  - Financial services
  - Corporate & business banking
- **Global businesses:**
  - Global markets and customers
  - Asset management and private banking
- **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 business areas have another unit that groups other business as well as eliminations and unassigned items.

The **Corporate Activities** area handles the Group's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity issues and shareholders' funds. The management of structural risks related to interest rates in currencies other than the euro is handled by the corresponding areas. This area also includes the industrial portfolio management unit and financial shareholdings.

The **second level** is geographic. The Group provides a breakdown by region for total assets and for the major figures on the income statement (ordinary revenues, operating profit and attributable profit). These are calculated by assigning the corresponding amounts generated by Global Businesses and Corporate Activities to each geographic area. Furthermore for the Mexico & USA area, we provide a complete separate income statement for Mexico, covering Bancomer and the pension and insurance businesses in that country. And for the South America area we show operating profit and net attributable profit by country (including banking, pension and insurance activities in each case). These figures are not the same as those given for the geographic breakdown because they do not include global businesses or corporate activities.

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

**Spain & Portugal:** this includes the financial services unit (individual customers, small companies and businesses in the domestic market, plus consumer finance provided by Finanzia and Uno-e), the corporate & business banking unit (SMEs, large companies and institutions in the domestic market, which were joined by wholesale businesses in 2006), the insurance business and BBVA Portugal.

**Global Businesses:** consisting of global customers & markets (the global customers unit, investment banking, trading floor business, distribution and the Group's activities in Asia), the mutual and pension fund managers in Spain, and domestic and international private banking (reported under Retail Banking in Spain & Portugal in 2006). And finally, it includes business and real estate projects, which the Group manages through Valanza and Anida.

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

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

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

The figures for 2006 were prepared using the same criteria and area structure as this year and therefore provide a uniform year-on-year comparison. As usual, in the case of units in the Americas, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

## Operating profit and net attributable profit by business area

(Million euros)

| | Operating profit | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| | Jan.-Sep. 07 | Δ% | Δ% at constant exchange rates | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Δ% at constant exchange rates | Jan.-Sep. 06 |
| Spain and Portugal | 3,081 | 20.6 | 20.6 | 2,554 | 1,803 | 28.4 | 28.4 | 1,404 |
| Global Businesses | 932 | 25.3 | 25.3 | 743 | 653 | 3.0 | 3.0 | 634 |
| Mexico and the United States | 2,758 | 15.6 | 25.3 | 2,385 | 1,555 | 14.3 | 23.9 | 1,360 |
| South America | 1,063 | 21.2 | 28.3 | 877 | 492 | 18.0 | 23.6 | 417 |
| Corporate Activities | 208 | n.m. | n.m. | 50 | 253 | (60.6) | (60.6) | 642 |
| **BBVA GROUP** | **8,042** | **21.7** | **26.1** | **6,610** | **4,756** | **6.7** | **9.8** | **4,457** |
| **BBVA GROUP EXCLUDING ONE-OFFS** | **7,195** | **18.2** | **22.9** | **6,087** | **3,962** | **20.1** | **24.8** | **3,300** |

## ROE and efficiency

(Percentage)

| | ROE | | Efficiency including depreciation and amortization | |
|---|---|---|---|---|
| | Jan.-Sep. 07 | Jan.-Sep. 06 | Jan.-Sep. 07 | Jan.-Sep. 06 |
| Spain and Portugal | 37.0 | 30.5 | 37.5 | 41.2 |
| Global Businesses | 32.8 | 42.2 | 28.9 | 28.8 |
| Mexico and the United States | 50.9 | 48.9 | 38.2 | 38.1 |
| South America | 35.3 | 35.4 | 45.9 | 49.0 |
| **BBVA GROUP (1)** | **31.0** | **35.8** | **42.5** | **44.3** |

(1) Excluding the one-off operations.

## Income statement

(Million euros)

| | Spain and Portugal | | | Memorandum item: Financial Services | | | Memorandum item: Corporate and Business Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan.-Sep. 07 | Δ% | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Jan.-Sep. 06 |
| **NET INTEREST INCOME** | **3,155** | **14.4** | **2,758** | **2,347** | **13.5** | **2,069** | **798** | **18.7** | **672** |
| Income by the equity method | 1 | n.m. | - | - | (68.5) | 1 | 1 | n.m. | (1) |
| Net fee income | 1,258 | 5.4 | 1,193 | 1,164 | 7.5 | 1,083 | 228 | 7.0 | 213 |
| Income from insurance activities | 339 | 21.3 | 279 | - | - | - | - | - | - |
| **CORE REVENUES** | **4,752** | **12.3** | **4,230** | **3,512** | **11.4** | **3,152** | **1,026** | **16.0** | **884** |
| Net trading income | 191 | 27.6 | 150 | 39 | 15.4 | 34 | 139 | 30.1 | 107 |
| **ORDINARY REVENUES** | **4,943** | **12.9** | **4,380** | **3,551** | **11.5** | **3,186** | **1,166** | **17.6** | **992** |
| Net revenues from non-financial activities | 39 | 63.8 | 24 | 22 | 3.9 | 21 | - | - | - |
| Personnel and general administrative expenses | (1,837) | 2.8 | (1,786) | (1,474) | 0.9 | (1,461) | (236) | 2.7 | (230) |
| Depreciation and amortization | (86) | 10.2 | (78) | (70) | 10.7 | (63) | (6) | 12.1 | (5) |
| Other operating income and expenses | 22 | 48.2 | 15 | 17 | 49.3 | 11 | 1 | (65.1) | 4 |
| **OPERATING PROFIT** | **3,081** | **20.6** | **2,554** | **2,045** | **20.8** | **1,694** | **925** | **21.7** | **760** |
| Impairment losses on financial assets | (421) | 3.2 | (408) | (247) | (3.0) | (255) | (154) | 3.4 | (149) |
| • Loan loss provisions | (414) | 1.9 | (406) | (246) | (2.4) | (252) | (153) | 3.1 | (149) |
| • Other | (7) | n.m. | (1) | (1) | (59.3) | (3) | - | n.m. | - |
| Provisions | (5) | n.m. | (1) | 1 | n.m. | (1) | (3) | n.m. | - |
| Other income/losses | 7 | (56.1) | 17 | 11 | (21.1) | 14 | 4 | 13.2 | 4 |
| **PRE-TAX PROFIT** | **2,662** | **23.1** | **2,163** | **1,810** | **24.7** | **1,452** | **773** | **25.7** | **615** |
| Corporate income tax | (859) | 13.6 | (757) | (586) | 15.7 | (506) | (251) | 16.9 | (214) |
| **NET PROFIT** | **1,803** | **28.2** | **1,406** | **1,224** | **29.5** | **945** | **522** | **30.4** | **401** |
| Minority interests | - | (96.6) | (2) | - | n.m. | (2) | - | - | - |
| **NET ATTRIBUTABLE PROFIT** | **1,803** | **28.4** | **1,404** | **1,224** | **29.8** | **943** | **522** | **30.4** | **401** |

## Balance sheet

(Million euros)

| | Spain and Portugal | | | Memorandum item: Financial Services | | | Memorandum item: Corporate and Business Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | 30-09-07 | Δ% | 30-09-06 | 30-09-07 | Δ% | 30-09-06 | 30-09-07 | Δ% | 30-09-06 |
| Cash and balances at Central Banks | 2,075 | 8.3 | 1,916 | 1,516 | 11.5 | 1,360 | 495 | (0.8) | 499 |
| Financial assets | 13,624 | (10.8) | 15,265 | 233 | (58.0) | 555 | 2,948 | (13.9) | 3,423 |
| Loans and receivables | 200,882 | 13.8 | 176,565 | 123,945 | 15.9 | 106,915 | 70,905 | 9.8 | 64,564 |
| • Due from banks | 4,955 | 2.6 | 4,831 | 1,311 | n.m. | 16 | 2,369 | (38.7) | 3,861 |
| • Loans to customers | 194,347 | 13.6 | 171,052 | 122,132 | 14.7 | 106,516 | 68,293 | 13.0 | 60,450 |
| • Other | 1,580 | 131.8 | 681 | 502 | 30.9 | 383 | 243 | (4.0) | 254 |
| Inter-area positions | - | - | - | - | - | - | - | - | - |
| Property, plant and equipment | 1,443 | 14.3 | 1,263 | 1,111 | 3.6 | 1,072 | 57 | (18.5) | 70 |
| Other assets | 2,811 | 13.6 | 2,474 | 968 | 19.2 | 812 | 308 | 59.2 | 194 |
| **TOTAL ASSETS / LIABILITIES AND EQUITY** | **220,835** | **11.8** | **197,483** | **127,702** | **15.3** | **110,713** | **74,784** | **8.8** | **68,751** |
| Deposits by Central Banks and banks | 13,620 | 22.1 | 11,155 | 5,013 | 46.4 | 3,424 | 4,563 | (8.7) | 4,998 |
| Due to customers | 86,073 | 12.2 | 76,706 | 60,315 | 13.0 | 53,397 | 23,954 | 12.2 | 21,357 |
| Marketable debt securities | 7,392 | 11.0 | 6,662 | 104 | 84.8 | 56 | 7,288 | 10.3 | 6,606 |
| Subordinated debt | 3,973 | 15.3 | 3,446 | 2,132 | 8.2 | 1,970 | 1,336 | 13.8 | 1,173 |
| Inter-area positions | 81,705 | 12.4 | 72,698 | 50,382 | 17.9 | 42,729 | 31,976 | 7.6 | 29,715 |
| Other liabilities | 21,324 | 3.0 | 20,700 | 5,974 | 5.8 | 5,644 | 3,293 | 16.9 | 2,817 |
| Minority interests | 6 | (8.2) | 6 | 6 | 0.4 | 6 | - | (100.0) | - |
| Economic capital allocated | 6,742 | 10.4 | 6,109 | 3,777 | 8.3 | 3,488 | 2,372 | 13.8 | 2,084 |

## Relevant business indicators
(Million euros and percentages)

| | Spain and Portugal | | | Memorandum item: Financial Services | | | Memorandum item: Corporate and Business Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | 30-09-07 | ∆% | 30-09-06 | 30-09-07 | ∆% | 30-09-06 | 30-09-07 | ∆% | 30-09-06 |
| Customer lending (1) | 195,250 | 13.8 | 171,540 | 122,734 | 14.5 | 107,215 | 68,602 | 13.9 | 60,233 |
| Customer deposits (2) | 91,006 | 10.8 | 82,128 | 62,657 | 11.0 | 56,447 | 26,401 | 11.7 | 23,629 |
| • Deposits | 90,893 | 10.8 | 82,051 | 62,590 | 10.9 | 56,426 | 26,355 | 11.8 | 23,573 |
| • Assets sold under repurchase agreement | 114 | 46.9 | 77 | 67 | 224.7 | 21 | 46 | (18.1) | 57 |
| Off-balance-sheet funds | 51,598 | (1.9) | 52,614 | 48,677 | (1.8) | 49,556 | 1,901 | (6.1) | 2,026 |
| • Mutual funds | 41,958 | (4.2) | 43,790 | 39,450 | (4.0) | 41,114 | 1,834 | (6.4) | 1,960 |
| • Pension funds | 9,640 | 9.2 | 8,824 | 9,227 | 9.3 | 8,442 | 68 | 2.6 | 66 |
| Other placements | 5,237 | (26.2) | 7,094 | 5,206 | (26.5) | 7,085 | 31 | 226.2 | 9 |
| Customer portfolios | 9,966 | 34.6 | 7,404 | 9,966 | 34.6 | 7,404 | - | - | - |
| Risk-weighted assets (3) | 84,276 | 10.4 | 76,367 | 47,208 | 8.3 | 43,602 | 29,656 | 13.8 | 26,053 |
| ROE (%) | 37.0 | | 30.5 | 44.3 | | 36.8 | 31.2 | | 24.4 |
| Efficiency ratio (%) | 35.8 | | 39.5 | 40.0 | | 44.3 | 19.5 | | 22.4 |
| Efficiency incl. depreciation and amortization (%) | 37.5 | | 41.2 | 41.9 | | 46.3 | 20.0 | | 22.9 |
| NPL ratio (%) | 0.65 | | 0.54 | 0.82 | | 0.65 | 0.34 | | 0.36 |
| Coverage ratio (%) | 263.2 | | 324.4 | 208.7 | | 271.8 | 494.0 | | 485.6 |

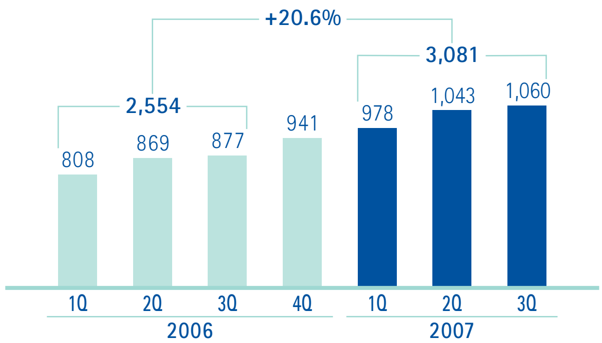
(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) According to ERC methodology.

Through its financial services unit the Spain and Portugal area handles the retail customer segment (financial services for private individuals). It also manages business with small companies, professional practices, the self-employed, retailers and the farming community (which are known as ‘financial services for small businesses’) and consumer finance through Finanzia and Uno-e. In addition, the area contains the corporate and business banking unit, which deals with SMEs, large companies, subsidiaries of multinationals and public and private institutions. The insurance unit (Seguros Europa) and BBVA Portugal are other parts of the area.

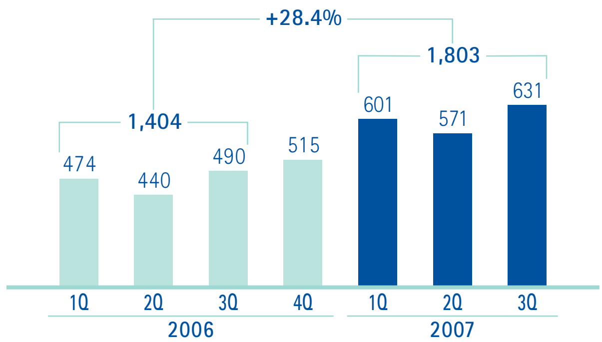
The third quarter saw the end of the upward trend in interest rates in the domestic market, which started in December 2005. Growth of lending and fund-gathering slowed for the banking system as a whole. In this context the area increased operating profit 20.6% for the first nine months of 2007 thanks to the higher productivity of the network which continues to drive business volume and other revenues. As a result, **net attributable profit** rose 28.4% to €1,803m and ROE improved to 37.0% (30.5% last year).

At 30-Sep-07 the balance of **lending to customers** stood at €195,250m, following an increase of 13.8%. This was the result of good performances in all main business lines. Lending by the financial services unit rose 14.5% to €122,734m, supported by the private-individual segment and by small businesses and the self-employed. Corporate

### Spain and Portugal. Operating profit
(Million euros)




### Spain and Portugal. Net attributable profit
(Million euros)



and business banking (CBB) increased lending 13.9% to €68,602m with rises in all segments.

**Total customer funds** (deposits, mutual and pension funds and other placements) increased 4.2% to €147,728m. Customer funds on the balance sheet were up 10.8% and, in particular, time deposits rose 40.1%. In recent quarters BBVA has increased its market share of these deposits. In contrast, the demand for transactional deposits (current and savings accounts) and mutual funds fell in the entire sector. Their respective balances came to €41,528m and €41,958m (€42,559m and €43,790m at 30-Sep-06).

The structure of customer funds on the balance sheet, with a high proportion of liquid deposits and appropriate price management in the different customer segments, helped to improve spreads. Together with the higher business volume this lifted **net interest income** to €3,155m for the first nine months. The rate of growth increased to 14.4%, extending its upward trend in recent quarters.

**Other sources of income** rose 10.2%. Net fee income increased 5.4% to €1,258m and fee income related to business activity rose whereas fee income associated with mutual and pension funds held steady. Insurance income increased 21.3% to €339m and net trading income was up 27.6% to €191m. This brought **ordinary revenues** to €4,943m, a year-on-year increase of 12.9%.

Operating expenses were almost flat (up 0.1%) in the Spanish networks (retail banking and CBB) owing to rationalisation efforts in 2006. For the entire area expenses rose 2.8% due to “growth projects”. Cost controls and higher revenues meant the **cost/income ratio** improved 3.7 percentage points to 37.5% (from 41.2% at the same point last year). Thus **operating profit** grew 20.6% to €3,081m.

Net transfers to **loan-loss provisions** increased slightly by 1.9%, to €414m. Most of these are generic (or non-specific) provisions. The NPL ratio was 0.65% at 30-Sep-07. It remains low and is now lower than the sector average in the private individual and SME segments (based on the latest available data). However, it is slightly higher than the figure of 0.54% at 30-Sep-06 due to a bigger proportion of consumer finance, cards and SMEs in the loan portfolio mix. The quality of mortgage loans is still high. The coverage ratio also remains high (263.2%).

## Financial Services

This unit covers business with private individuals and small businesses, and the consumer finance unit. In the first nine months lending rose 14.5% and customer funds on the balance sheet increased 10.9% (total customer funds under management rose 3.0%). Helped by widening spreads and further improvements in the cost/income ratio, this boosted operating profit 20.8% to €2,045m and net attributable profit rose 29.8% to €1,224m.

### Financial Services for Individuals

The 13.9% increase in marketing productivity (to a monthly average of 45.7 products per account manager) at this unit reflects the buoyant level of business. This is supported by constant renewal of the product range, customised offers for each segment and specialised guidance for customers.

The balance of **consumer finance** at 30-Sep-07 stood at €9,512m, up 7.3% year-on-year on cumulative sales of €3,514m (up 4.3%). Some of the main contributors were the *Crédito Fácil* loan, which increased 40%, and the *PIDE* loan (25.7% of total sales).

At 30-Sep-07 **mortgage loans** for the purchase of owner-occupier housing were up 15.5% to €79,959m.

For the second year running BBVA focused its **fund-gathering activities** on time deposits and similar types included on the balance sheet. The area extended its already-wide range of products in 2007 by adding new ones (*Multi-Depósito BBVA, Depósito Creciente BBVA and Depósito Extra*) to capture new money. Up to 30-Sep-07 this brought in €5,618m in new time deposits, which increased 38.4% on the balance sheet, and confirms the bank’s increase in market share over the last two years. These products are very competitive from the point of view of return and customers prefer them at the expense of mutual funds whose assets fell to €39,394m (€41,035m at 30-Sep-06). Pension funds rose 9.3%. The aggregate of time deposits, mutual and pension funds plus other placements came to €81,293m at 30-Sep-07 (up 6.4%).

In the first nine months **Dinero Express**, a unit that specialises in the immigrant segment, handled 936,000 money transfers (remittances) worth €364m. This was double the figure for the same period last year. About 55% of these transactions took place in Dinero Express branches and the rest in BBVA branches.

## Financial Services for Small Businesses

This segment consists of professional practices, the self-employed, retailers, the farming community and companies with a turnover of less than €2m. **Lending** at 30-Sep-07 stands at €20,441m, up 14.0% compared to the same date last year. This was supported by various actions in the third quarter, including a small-business finance campaign, which brought in 51% more than a similar campaign last year (including 3,900 new customers).

It should be noted that BBVA intermediated €410m in the government's ICO funds and that discounted bills also performed well through products such as factoring and confirming. These are designed to finance working capital and they rose 5% compared to the first nine months of 2006. A wider range of hedging products increased interest-rate hedges to 9,335 operations for the period. They now account for 50.3% of the unit's total contracts.

The new feature that allows **retailers**' customers to pay in the currency associated with their credit card was well received and card invoicing rose 20%. Consumer finance via Soluciones BBVA also performed well. As a result business with the retailer segment climbed 96%.

The total stock of **insurance** policies for small businesses rose 25.2%. The number of policies increased 30% and premiums were up 25.2%. Lastly, a new range of **transaction services** led to a significant improvement in customer bundling, with a 12% increase in products placed.

## Consumer Finance

This unit manages online banking, consumer finance, cards and leasing plans with maintenance, which are conducted via Uno-e, Finanzia and other companies in Spain, Portugal and Italy. In the first nine months it obtained operating profit of €94m (up 15.0%) on higher business activity. Net attributable profit came to €32m (€36m in the same period last year).

**Lending** increased 40.0% to €5,221m at 30-Sep-07 and sales in the first nine months came to €3,948m (up 31%). In the vehicle prescription business, sales of €1,425m lifted total stock to €2,800m (up 48%) despite a 2.8% drop in the registration of private cars. This boosted market share to 8.99% (up 92 basis points for the year to date). Equipment finance increased 41% to €1,406m (sales were up 34%) and equipment leasing rose 36% to €635m (after sales of €237m in the year to September). The number of vehicles in leasing plans with maintenance increased 13% to 39,291. At Uno-e lending increased 35% to €1,128m, helped by the launch of *Doble Tipo* – a new loan aimed at retailers of furniture, motorcycles and house improvements.

**Customer funds** (managed or brokered) rose 20.4% to €1,695m. In July Uno-e launched a new deposit that offers a high return at six months (APR of more than 6%).

In **Portugal**, BBVA Finanziamento invoiced €143m in the year to September, bringing the total stock of vehicle finance to €378m (up 10%). Furthermore, the leasing plan companies in **Italy** (acquired last year) increased their fleet to 15,195 vehicles.

## Corporate & Business Banking

The corporate and business banking unit (CBB) handles SMEs, large companies and institutions in the Spanish domestic market through three specialised networks. In the first nine months it generated net attributable profit of €522m (up 30.4% year-on-year). Lending rose 13.9% to €68,602m and customer funds were up 10.5% to €28,287m. In both cases there were increases in all three segments. This increase in business volume, together with the defence of spreads, net fee income and the distribution of hedging instruments (*Riskpyme* project) brought ordinary revenues to €1,166m (up 17.6%). Costs were kept under control and thus operating profit rose to €925m (up 21.7%).

CBB is the Group's unit that handles most of the finance made available under the government's ICO scheme and this came to €619m of a total of €1,077m. Cross-selling was highly positive in all product lines, especially derivatives, with an increase of 75% compared to last year. Higher bundling, together with an 18% rise in the capture of new customers, helped to sustain the business growth. Thus BBVA held its position as a leading player in a market where there are more competitors every year.

In the **SME** segment, lending stands at €33,449m and customer funds at €8,924m. These are up 11.6% and 0.7%, respectively. Cumulative operating profit for the year to date came to €583m (up 17.3%) and net attributable profit was €326m (up 35.7%).

Lending to **large companies** or their subsidiaries on the Iberian Peninsula came to €15,807m (up 33.0%) and customer funds were €4,933m (up 10.8%). Operating profit came to €210m (up 32.7%) but higher generic loan-loss provisions, linked to increased volume, reduced net attributable profit to €107m (up 15.4%).

In the third quarter BBVA provided Red Eléctrica de España and Maxam with commodity hedging of copper and lead to limit possible variations in their cost. The bank also carried out an innovative operation entailing factoring of an L/C with delayed payment, for Gamesa Eólica. After each shipment (presentation of documents) in compliance with the L/C terms, this is converted into a forfaiting and the risk, initially borne by the customer, passes to the bank that issued the L/C, thus guaranteeing payment.

The portfolio of loans to public and private **institutions** stands at €19,211m (up 5.3%) and customer funds are €14,429m (up 17.4%). For the first nine months operating profit came to €149m (up 30.8%) and net attributable profit was €100m (up 33.2%).

Other relevant operations during the quarter include BBVA's winning tender to manage the accounts of the judicature system (*Mutualidad General Judicial*). This means it will pay the pensions of nearly 50,000 members and provide them with other services.

At the end of the first nine months the **transaction services** unit had a user-base of 74,000 SMEs, institutions and large companies for its electronic banking services in Spain. During the period, it handled more than 154 million payments and collections. The volume of foreign trade payments and collections handled by BBVA grew more than 19%. The bank also developed a product that automatically advances refunds of VAT, IGIC and corporate tax.

## European Insurance

This unit handles insurance business in Spain and Portugal. In the first nine months of 2007 it contributed income of €362m to the area's income statement. Of this amount its own policies accounted for €339m (up 21.3%) and brokerage fees on the policies of other companies contributed €23m. Net attributable profit came to €168m (up 25.8%).

In the year to September it issued €933m in premiums. Of this amount, risk premiums (life and non-life) accounted for €515m (up 15%), generating underwriting margins of 69.7%. The rest came from private policies and group schemes. BBVA Seguros continues to lead in individual life insurance policies in Spain with a 16.9% market share at June 2007 (the latest figure available).

In the third quarter the unit launched several important initiatives. They include the new Keyman range of products, which meet the demands of SMEs with more flexible minimum requirements, a simpler approval procedure and an option to finance the policy's cost. It also launched a repatriation policy aimed at immigrants and non-residents. This is sold through BBVA's ordinary branches as well as Dinero Express outlets.

## BBVA Portugal

In the first nine months the net interest income generated by this unit increased 10.2% following an increase in lending to customers. Important contributions came from private individuals (mortgages rose 17.4% and consumer finance 7.2%) and from an increase in spreads. Together with a 15.3% increase in net fee income and a 7.7% reduction in operating expenses, operating profit came to €32m (up 64.9%). Net attributable profit came to €12m, up 30.1% after higher generic provisions linked to the increase in business.

## Income statement
(Million euros)

| | Global Businesses | | | Memorandum item: Global Customers and Markets | | | Memorandum item: Asset Management and Private Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan.-Sep. 07 | ∆% | Jan.-Sep. 06 | Jan.-Sep. 07 | ∆% | Jan.-Sep. 06 | Jan.-Sep. 07 | ∆% | Jan.-Sep. 06 |
| **NET INTEREST INCOME** | **21** | **(82.9)** | **124** | **37** | **(65.4)** | **108** | **31** | **53.0** | **21** |
| Income by the equity method | 159 | (20.2) | 199 | 21 | n.m. | - | - | (100.0) | - |
| Net fee income | 386 | 19.2 | 324 | 189 | 23.3 | 153 | 223 | 14.6 | 195 |
| Income from insurance activities | - | - | - | - | - | - | - | - | - |
| **CORE REVENUES** | **566** | **(12.5)** | **647** | **247** | **(5.2)** | **261** | **255** | **18.2** | **216** |
| Net trading income | 649 | 93.8 | 335 | 683 | 87.8 | 364 | 3 | (60.9) | 7 |
| **ORDINARY REVENUES** | **1,215** | **23.8** | **982** | **930** | **48.9** | **625** | **258** | **15.6** | **223** |
| Net revenues from non-financial activities | 91 | 43.8 | 64 | - | (92.2) | 1 | - | - | - |
| Personnel and general administrative expenses | (370) | 26.6 | (292) | (270) | 29.6 | (208) | (76) | 11.1 | (68) |
| Depreciation and amortization | (8) | (5.0) | (9) | (3) | 4.5 | (3) | (5) | (1.9) | (5) |
| Other operating income and expenses | 3 | n.m. | (1) | (2) | 195.4 | (1) | (1) | 51.3 | - |
| **OPERATING PROFIT** | **932** | **25.3** | **743** | **655** | **58.5** | **414** | **177** | **18.1** | **150** |
| Impairment losses on financial assets | (79) | (37.5) | (126) | (71) | (40.5) | (119) | (8) | 6.2 | (7) |
| • Loan loss provisions | (79) | (37.8) | (126) | (71) | (40.5) | (119) | (8) | 6.2 | (7) |
| • Other | - | n.m. | - | - | - | - | - | - | - |
| Provisions | 1 | (90.3) | 10 | - | (74.7) | 2 | - | (75.2) | - |
| Other income/losses | 8 | (95.0) | 151 | 3 | n.m. | (1) | - | n.m. | (2) |
| **PRE-TAX PROFIT** | **861** | **10.7** | **778** | **588** | **99.0** | **295** | **169** | **20.6** | **140** |
| Corporate income tax | (201) | 43.9 | (140) | (160) | 97.5 | (81) | (52) | 12.4 | (47) |
| **NET PROFIT** | **660** | **3.4** | **638** | **427** | **99.6** | **214** | **116** | **24.7** | **93** |
| Minority interests | (7) | 64.3 | (4) | (4) | 113.6 | (2) | (2) | 144.9 | (1) |
| **NET ATTRIBUTABLE PROFIT** | **653** | **3.0** | **634** | **423** | **99.4** | **212** | **114** | **23.4** | **92** |

## Balance sheet
(Million euros)

| | Global Businesses | | | Memorandum item: Global Customers and Markets | | | Memorandum item: Asset Management and Private Banking | | |
|---|---|---|---|---|---|---|---|---|---|
| | 30-09-07 | ∆% | 30-09-06 | 30-09-07 | ∆% | 30-09-06 | 30-09-07 | ∆% | 30-09-06 |
| Cash and balances at Central Banks | 1,054 | 28.9 | 818 | 1,033 | 28.5 | 804 | 21 | 51.6 | 14 |
| Financial assets | 47,536 | 30.3 | 36,471 | 45,288 | 29.8 | 34,893 | 336 | 7.9 | 311 |
| Loans and receivables | 54,027 | 11.8 | 48,319 | 50,206 | 10.6 | 45,377 | 3,287 | 25.2 | 2,625 |
| • Due from banks | 18,748 | (1.2) | 18,974 | 16,989 | (2.6) | 17,450 | 1,419 | 12.6 | 1,260 |
| • Loans to customers | 32,176 | 17.0 | 27,492 | 30,334 | 16.1 | 26,129 | 1,841 | 34.9 | 1,365 |
| • Other | 3,104 | 67.5 | 1,853 | 2,884 | 60.3 | 1,798 | 27 | n.m. | 1 |
| Inter-area positions | - | (100.0) | 5,803 | - | (100.0) | 7,352 | - | - | - |
| Property, plant and equipment | 33 | - | 33 | 9 | (12.1) | 11 | 12 | (19.1) | 14 |
| Other assets | 1,903 | 3.2 | 1,844 | 1,540 | 25.2 | 1,230 | 134 | 56.1 | 86 |
| **TOTAL ASSETS / LIABILITIES AND EQUITY** | **104,553** | **12.1** | **93,288** | **98,077** | **9.4** | **89,667** | **3,789** | **24.2** | **3,051** |
| Deposits by Central Banks and banks | 24,487 | (28.5) | 34,235 | 23,759 | (29.5) | 33,696 | 353 | 5.6 | 335 |
| Due to customers | 51,871 | 30.5 | 39,755 | 50,394 | 30.2 | 38,690 | 1,351 | 27.3 | 1,061 |
| Marketable debt securities | (32) | n.m. | 27 | (44) | n.m. | (1) | 12 | (55.6) | 27 |
| Subordinated debt | 1,695 | 39.4 | 1,216 | 1,277 | 49.8 | 852 | 122 | 5.7 | 116 |
| Inter-area positions | 3,262 | n.m. | - | 943 | n.m. | - | 1,337 | 37.2 | 974 |
| Other liabilities | 20,221 | 27.3 | 15,885 | 19,466 | 30.4 | 14,929 | 390 | 21.6 | 321 |
| Minority interests | 38 | (3.4) | 40 | 12 | (7.0) | 13 | 6 | (42.7) | 11 |
| Economic capital allocated | 3,010 | 41.2 | 2,132 | 2,269 | 52.6 | 1,487 | 217 | 5.7 | 206 |

## Relevant business indicators
(Million euros and percentages)

| | | | | Memorandum item: | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Global Businesses | | | Global Customers and Markets | | | Asset Management and Private Banking | | |
| | 30-09-07 | Δ% | 30-09-06 | 30-09-07 | Δ% | 30-09-06 | 30-09-07 | Δ% | 30-09-06 |
| Customer lending (1) | 32,825 | 17.0 | 28,067 | 30,957 | 16.0 | 26,687 | 1,866 | 35.2 | 1,380 |
| Customer deposits (2) | 51,366 | 31.2 | 39,154 | 49,791 | 31.0 | 38,013 | 1,430 | 28.0 | 1,117 |
| • Deposits | 31,138 | 34.0 | 23,232 | 29,579 | 33.8 | 22,107 | 1,413 | 28.4 | 1,101 |
| • Assets sold under repurchase agreement | 20,229 | 27.0 | 15,923 | 20,212 | 27.1 | 15,906 | 16 | 0.6 | 16 |
| Off-balance-sheet funds | 12,044 | 10.3 | 10,922 | 340 | 167.1 | 127 | 11,703 | 8.4 | 10,795 |
| • Mutual funds | 4,734 | 20.4 | 3,931 | 340 | 167.1 | 127 | 4,393 | 15.5 | 3,804 |
| • Pension funds | 7,310 | 4.6 | 6,991 | - | - | - | 7,310 | 4.6 | 6,991 |
| Customer portfolios | 10,047 | (13.2) | 11,580 | 124 | (89.4) | 1,172 | 9,923 | (4.7) | 10,408 |
| Risk-weighted assets (3) | 37,628 | 41.2 | 26,651 | 28,358 | 52.6 | 18,585 | 2,719 | 5.7 | 2,572 |
| ROE (%) | 32.8 | | 42.2 | 27.9 | | 20.9 | 69.7 | | 62.6 |
| Efficiency ratio (%) | 28.3 | | 27.9 | 29.0 | | 33.3 | 29.5 | | 30.7 |
| Efficiency incl. depreciation and amortization (%) | 28.9 | | 28.8 | 29.3 | | 33.8 | 31.3 | | 32.8 |
| NPL ratio (%) | 0.02 | | 0.03 | 0.02 | | 0.03 | - | | 0.01 |
| Coverage ratio (%) | n.m. | | n.m. | n.m. | | n.m. | n.m. | | n.m. |

(1) Gross lending excluding NPLs. (2) Includes collection accounts. (3) According to ERC methodology.

The Global Businesses Area includes the following units: global markets and customers (comprising the global customers & investment banking unit, the global markets & distribution unit and Asia); asset management and private banking; and operations associated with business and real estate projects (which the Group manages under the Valanza and Anida brands).

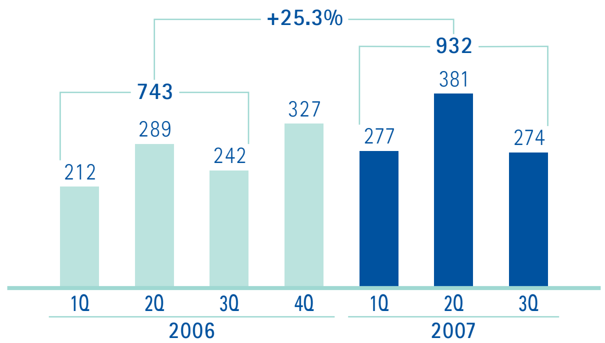
The mortgage and liquidity crisis, which has widened spreads and led to a general decline in the markets, has no significant impact on the area. Diversification, the absence of direct exposure to sub-prime mortgages and a strong customer focus (via the franchise model) has allowed us to minimise the impact of the crisis.

Therefore in the **third quarter** of 2007 the previous level of business was largely unchanged. Ordinary revenues and operating profit were in-line with the same quarter last year, with good results in net fee income and net trading income.

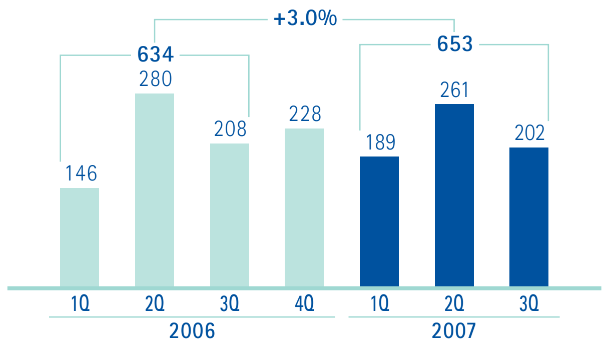
As regards **activity**, at the end of September lending to customers had risen 17.0% year-on-year to €32,825m and customer funds (deposits plus mutual and pension funds) were up 26.4% to €43,182m.

**Ordinary revenues** is the figure that best represents this area's income because the compensations required when booking many market operations affect net interest income (which bears the cost of financing the positions) and net trading income (which records their revenues). During the first nine months ordinary revenues rose 23.8% year-on-year to €1,215m. The aggregate of net interest income and net trading income was up 46.0% to €670m, net fee income increased 19.2% to €386m (helped by good results from the

### Global Businesses. Operating profit
(Million euros)




### Global Businesses. Net attributable profit
(Million euros)



global markets and distribution unit) and equity-accounted results fell to €159m (a 20.2% decline compared to the same period last year which included big contributions from Corporación IBV on the sale of its holding in Gamesa). Furthermore net sales of non-financial services (mainly Anida's real estate businesses) rose 43.8% to €91m.

In the first nine months **operating profit** increased 25.3% to €932m after deducting €370m in operating expenses. These expenses have risen owing to the expansion in Asia and growth plans for the global markets and distribution unit.

Non performing loans are virtually zero so the **non-performing loan ratio** has fallen even further from levels that were already extremely low. At 30-Sep-07 it stood at a record 0.02%. Therefore cumulative loan-loss provisions for the year to date are generic, reflecting the increase in lending. Loan-loss provisions to the end of September fell 37.8% to €79m. As a result the coverage ratio is extremely high (above 5,000%).

Finally, **net attributable profit** for the first nine months came to €653m, an increase of 3.0% over the €634m obtained in the same period last year (which included strong contributions from the sale of equity holdings).

## Global Customers & Markets

This unit combines the management, origination and distribution of products of investment banking and the markets unit with services for large international companies. It also co-ordinates the corporate banking and markets business in Mexico and South America although these earnings are recorded under the corresponding areas.

The unit produced excellent results in the first nine months of the year. Ordinary revenues rose 48.9% to €930m, operating profit was up 58.5% to €655m and net attributable profit jumped 99.4% to €423m.

### Global Customers & Investment Banking

This unit handles the global, domestic and international business of large companies through special offices in Europe and New York. It also contains the structured-finance product teams, corporate finance, origination of equities and trade finance.

At 30-Sep-07 lending to customers increased 16.7% year-on-year to €26,817m and deposits were up 18.5% to €8,516m. The growth carried over to revenues: ordinary revenues for the year to date came to €352m, up 21.3% year-on-year and, as expenses hardly rose, operating profit increased 27.3% to €274m. Despite the increase in business, loan-loss provisions were considerably lower than last year and this lifted net attributable profit 164.5% to €167m.

All product lines of the **investment banking** unit grew. It continued to lead the market in bond issues for Spanish savings banks. Furthermore BBVA acted as mandated lead arranger and bookrunner in a significant number of syndicated loans, such the one for Eroski's acquisition of Caprabo, or those for NH and Cementos Portland.

The unit also arranged project finance for the AES Cartagena combined-cycle power plant, for Acciona's solar energy plant in Nevada (USA) and for Qatargas IV in Qatar. In addition the real-estate team structured and completed an operation for Telefónica's corporate university and another for the Jinamar shopping and leisure complex in Gran Canaria, apart from other operations. The Group was also active in financing large takeovers such as the acquisition of Avanza by Doughty Hanson, Hochtief by ACS and WRG by FCC.

BBVA was appointed global co-ordinator for the Iberenova IPO. This operation, involving Iberdrola's renewable energy subsidiary, will be one of the biggest of its kind ever in Spain. It also provided corporate finance for the acquisition of Eusebio Calvo y Cia (a distributor of steel sections). Lastly, global trade-finance operations included the first one in the Philippines (structured prefinance of mining exports) and the pledging of sugar cane exports as surety with limited recourse for Equipav in Brazil.

### Global Markets & Distribution

This unit consists of the trading rooms in Europe and New York, distribution of fixed-income securities and equities, custodial services, origination of equities, syndicated loans and relations with financial institutions.

Helped by a third quarter that was much better than last year, ordinary revenues for the year to September came to €562m, a jump of 67.0% year-on-year. These excellent results were achieved at a time of considerable uncertainty in the markets, thanks to recurrent revenues on business with customers (80% of revenues come from customer related business) and expertise in managing risks. Costs are growing as expected, based on current expansion plans. Thus operating profit jumped 80.6% to €381m and net attributable profit climbed 61.3% to €269m.

Despite tension in the markets during the last three months, the global market unit's **growth plan** remains on track. Forecasts of business and results for the rest of the year are unchanged thanks to the high proportion of customers in the business model. One of the pillars of the growth plan is the new trading room in Hong Kong. It started operating in the third quarter, serving customers in the area and making Asian investment products available to BBVA customers around the world. Furthermore BBVA is setting up a regional derivatives centre in Mexico. It will function as a central trading unit, facilitating the distribution of derivatives to customers in the Americas.

The notable turbulence in international securities markets generated a wave of trading operations, which accounted for 43% of total operations with customers in all global markets during the quarter. In a context of rising interest rates the bank's mortgage-hedging product (*IRS Cuota Segura*) performed extremely well.

### Asia

The first-half results of the companies in which BBVA holds an interest topped analysts' best forecasts. CNBC lifted profit after tax 82% compared to the first half last year and CIFH tripled attributable profit to HK$1,510m. In September BBVA signed a co-operation agreement with Kookmin Bank (the top Korean private bank), which will allow better and greater access to that country's markets.

## Asset Management and Private Banking

This unit designs and manages the products that are marketed through the Group's different branch networks. It also directly manages the high-net-worth segment of retail customers through BBVA Patrimonios and the international private banking unit.

In the first nine months, operating profit rose 18.1% year-on-year to €177m and net attributable profit increased 23.4% to €114m. Total assets under management at the end of September came to €80,093m (up 2.8%).

At 30-Sep-07 assets managed by the Group's **mutual funds** in Spain stood at €45,056m, a year-on-year decline of 2.4% due to an increased demand for time deposits. Of this amount, traditional funds account for €42,558m (down 3.4%), real estate funds are €2,374m (up 12.7%) and the remaining €124m are new private equity funds. In addition the platform for third-party funds (**Quality Funds**) now handles €12,651m in assets, a year-on-year increase of 14.4%.

During the third quarter BBVA was the first bank in Spain to launch two exchange-traded funds (ETFs) which track Latin-American indices (*Acción FTSE Latibex Top ETF* and *Acción FTSE Latibex Brasil ETF*). BBVA is now the EFT leader in Spain with four such funds and it has approval to launch three more in the coming months. Moreover BBVA has used its strategic alliance with CITIC Group, anticipating the market with a Chinese fund (*BBVA Bolsa China FI*). This is the first fund that invests directly in the main companies in China and its area of influence.

Total assets in the **pension funds** managed by the Group in Spain rose 7.1% to €16,604m at 30-Sep-07. Of this amount individual plans account for €9,394m (up 9.2%) and employee and associate schemes account for €7,211m (up 4.5%).

In the private banking business in Spain, **BBVA Patrimonios** has increased the number of its customer groups by 14% in the last 12 months. In the same period, funds under management rose 11.5% to €12,274m. BBVA has also started a new project to allow private individuals to invest in photovoltaic solar energy. At the end of September the **international private banking** unit managed assets of €6,126m (up 0.4% on September 2006).

## Business and Real Estate Projects

This unit contains two businesses. The first is business projects, which includes management of direct and private-equity holdings. In this case the Group operates under the Valanza brand. And the second business is real estate projects through Anida (BBVA's property developer) and the Duch Project.

### Valanza

This unit's portfolio is widely diversified by sectors and it contains latent capital gains close to €1 billion. In the first nine months of 2007 it obtained net attributable profit of €125m, whereas in the same period last year, net attributable profit was €304m following a big contribution from Corporación IBV (on the sale of part of its interest in Gamesa) and Técnicas Reunidas' PSO. Valanza recently acquired 60.7% of Occidental Hoteles for €212m.

### Anida

Anida has a land bank with planning permission for more than 3 million square metres of construction. In the first nine months this unit generated net attributable profit of €58m, a decline of 8.5% compared to the €63m obtained in the same period last year.

# Mexico and the United States

## Income statement
(Million euros)

| | Jan.-Sep. 07 | ∆% | ∆% at constant exchange rate | Jan.-Sep. 06 |
|---|---|---|---|---|
| **NET INTEREST INCOME** | **3,053** | **19.8** | **29.9** | **2,548** |
| Income by the equity method | 2 | n.m. | n.m. | (4) |
| Net fee income | 1,150 | 11.1 | 20.4 | 1,035 |
| Income from insurance activities | 232 | 1.2 | 9.7 | 230 |
| **CORE REVENUES** | **4,438** | **16.5** | **26.3** | **3,809** |
| Net trading income | 169 | (9.4) | (1.8) | 186 |
| **ORDINARY REVENUES** | **4,606** | **15.3** | **25.0** | **3,995** |
| Net revenues from non-financial activities | 3 | n.m. | n.m. | (2) |
| Personnel and general administrative expenses | (1,630) | 13.9 | 23.4 | (1,431) |
| Depreciation and amortization | (129) | 42.4 | 54.3 | (90) |
| Other operating income and expenses | (92) | 8.1 | 17.2 | (85) |
| **OPERATING PROFIT** | **2,758** | **15.6** | **25.3** | **2,385** |
| Impairment losses on financial assets | (666) | 51.0 | 63.7 | (441) |
| • Loan loss provisions | (656) | 51.2 | 63.9 | (434) |
| • Other | (10) | 41.0 | 52.9 | (7) |
| Provisions | 56 | n.m. | n.m. | (72) |
| Other income/losses | 5 | (86.4) | (85.2) | 38 |
| **PRE-TAX PROFIT** | **2,153** | **12.7** | **22.2** | **1,910** |
| Corporate income tax | (596) | 8.9 | 18.0 | (548) |
| **NET PROFIT** | **1,556** | **14.3** | **23.9** | **1,362** |
| Minority interests | (1) | (37.3) | (32.0) | (2) |
| **NET ATTRIBUTABLE PROFIT** | **1,555** | **14.3** | **23.9** | **1,360** |

## Balance sheet
(Million euros)

| | 30-09-07 | ∆% | ∆% at constant exchange rate | 30-09-06 |
|---|---|---|---|---|
| Cash and balances at Central Banks | 5,519 | 0.4 | 11.1 | 5,498 |
| Financial assets | 29,256 | 64.4 | 82.3 | 17,794 |
| Loans and receivables | 59,603 | 67.5 | 85.8 | 35,578 |
| • Due from banks | 4,195 | (29.9) | (22.3) | 5,987 |
| • Loans to customers | 54,589 | 90.0 | 110.7 | 28,734 |
| • Other | 819 | (4.5) | 5.9 | 858 |
| Inter-area positions | - | - | - | - |
| Property, plant and equipment | 1,540 | 56.7 | 73.8 | 983 |
| Other assets | 3,121 | (16.2) | (7.0) | 3,722 |
| **TOTAL ASSETS / LIABILITIES AND EQUITY** | **99,038** | **55.8** | **72.7** | **63,574** |
| Deposits by Central Banks and banks | 18,708 | 94.7 | 115.9 | 9,609 |
| Due to customers | 59,466 | 52.1 | 68.6 | 39,109 |
| Marketable debt securities | 2,688 | 191.4 | 226.0 | 922 |
| Subordinated debt | 3,239 | 56.9 | 73.8 | 2,065 |
| Inter-area positions | 7 | (35.4) | (28.4) | 11 |
| Other liabilities | 9,807 | 21.9 | 35.2 | 8,042 |
| Minority interests | 20 | 154.7 | 181.9 | 8 |
| Economic capital allocated | 5,103 | 34.0 | 48.5 | 3,808 |

## Relevant business indicators
(Million euros and percentages)

| | 30-09-07 | Δ% | Δ% at constant exchange rate | 30-09-06 |
|---|---|---|---|---|
| Customer lending [1] | 53,163 | 97.0 | 118.5 | 26,993 |
| Customer deposits [2] | 55,742 | 57.5 | 74.6 | 35,385 |
| • Deposits | 50,359 | 75.1 | 94.2 | 28,755 |
| • Assets sold under repurchase agreement | 5,383 | (18.8) | (10.1) | 6,631 |
| Off-balance-sheet funds | 19,796 | 13.2 | 25.3 | 17,482 |
| • Mutual funds | 10,935 | 17.0 | 29.5 | 9,345 |
| • Pension funds | 8,861 | 8.9 | 20.5 | 8,137 |
| Other placements | 3,471 | 37.0 | 51.6 | 2,534 |
| Customer portfolios | 13,514 | 153.9 | 181.1 | 5,322 |
| Risk-weighted assets [3] | 63,792 | 34.0 | 48.5 | 47,602 |
| ROE (%) | 50.9 | | | 48.9 |
| Efficiency ratio (%) | 35.4 | | | 35.9 |
| Efficiency incl. depreciation and amortization (%) | 38.2 | | | 38.1 |
| NPL ratio (%) | 2.00 | | | 2.16 |
| Coverage ratio (%) | 194.2 | | | 258.2 |

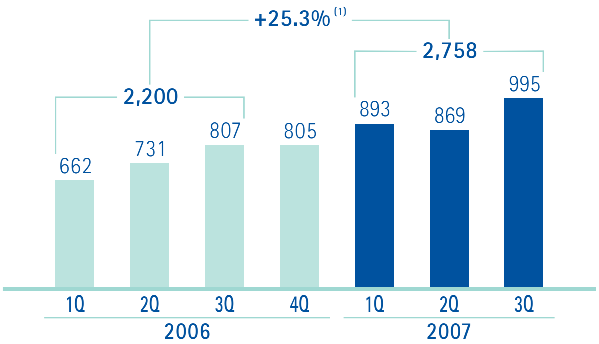
(1) Gross lending excluding NPLs and Bancomer's old mortgage portfolio. (2) Excluding deposits and repos issued by Bancomer's Markets unit and Puerto Rico. (3) According to ERC methodology.

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

Year-on-year comparison of the areas 07 and 06 financial statements is still distorted by the depreciation of the Mexican peso and the US dollar against the euro. The tables below include the year-on-year change at **constant exchange rates**. All comments refer to these, as they are most significant when analysing the management. **Compass** was incorporated onto the books in September, making a significant contribution to the balance sheet but little impact on this quarter's earnings. Details are given in the section on the United States.

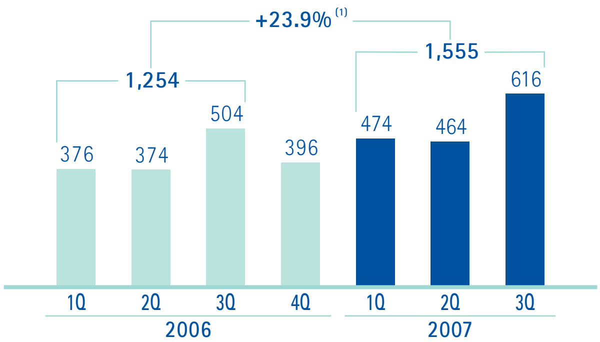
In the first nine months of 2007, the area generated €1,555m in **attributable profit**, which grew 23.9% year on year (48.9% in the same period of 2006). Net interest income is the main driver behind this growth, up 29.9% due to strong increases in business volumes and a policy to maintain spreads. Adding insurance and fee income (up 18%) to net interest income, year-to-date ordinary revenues rises to €4,606m, 25% more than from January-September 2006. Higher costs are the outcome of increased activity and the incorporation of new companies in the United States that are less cost-efficient than Bancomer. This also has a structural impact on the year-on-year cost-income ratio comparison for the area as a whole: 38.2% in the first nine months of 2007 against 38.1% for 9M06, despite the fact that the ratio improved 1.4 percentage points in Mexico and 6.4 points in the USA. **Operating profit** rose 25.3% to €2,758m.

### Mexico and the United States. Operating profit
(Million euros at constant exchange rates)




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

### Mexico and the United States. Net attributable profit
(Million euros at constant exchange rates)




(1) At current exchange rates: +14.3%.

Intensive growth in the consumer finance and card business has required more additions to loan-loss **provisions** (based on expected losses) and led to a slight increase in the NPL ratio. Even so, third-quarter provisions have remained at similar levels to the last few quarters. The NPL ratio stood at 2.00% on 30-Sep-07, as against 2.28% at 30-Jun-07 and 2.16% at September 2006. Its improvement was aided by the incorporation of Compass. The coverage ratio remained high (194.2% at the end of September).

## Banking businesses

The banking businesses generated €1,448m in attributable profit during the first three quarters of 2007, 25.7% up on the same period in 2006. The performance of the different business units is described below.

### BBVA Bancomer

Sound domestic demand pushing forward the **Mexican economy** continues to offset the impact of sluggish foreign demand from the United States. The approval of tax reforms, the stronger political framework and skilful management of foreign-market volatility in the third quarter led Fitch Ratings to upgrade Mexico's sovereign rating and country ceiling to A and BBB+, respectively. Recognising BBVA Bancomer's sound financial situation, Fitch also upgraded the bank's long-term foreign and local currency IDR from A– to A.

**Customer lending** in BBVA Bancomer rose to €26,605m at 30th September 2007. This 32.9% year-on-year growth was fuelled by various modalities: housing finance grew 47.2% to €7,772m; consumer credit (credit cards, personal loans, payroll and car finance) grew 26.6% to €8,105m; corporates grew 30.9% and SMEs 40.3%. BBVA Bancomer thus maintained its leadership in all its business lines, with market shares of over 30% in the different modalities and even more in the mortgage market, where it accounted for 39.1% of new originations to August (latest available data), 5 percentage points up on the first eight months of 2006.

**Customer funds** (deposits, mutual funds, investment companies and other intermediation products) reached €43,948m to the end of September, 12.8% up on the same date in 2006. Current accounts performed especially well, increasing 14.8%, as did mutual funds and investment companies (up 29.5%). BBVA Bancomer took 26.5% of total customer funds raised in the Mexican market to 30-9-2007, 2 percentage points higher than its share a year earlier.

Spread performance remained strong despite business growth, with a 12.3% customer spread in the third quarter, as against 12.7% in 2Q07 . Thus, **net interest income** rose to €2,631m in the first nine months of 2007, a year-on-year increase of 20.8%. Fee income contributed €946m (up 15.4%), driven once again by credit cards and investment companies, while net trading income contributed €143m (down 8.8%). This generated ordinary revenues of €3,722m, growing 18.1% year on year.

Operating costs grew 13.6% year to date, up to €1,209m. This further improved the efficiency ratio, which reached 34.4%, as against 35.8% in the same nine months of 2006. **Operating profit** rose 21.2% year on year to €2,388m. Strong growth in lending continued to swell loan-loss provisions, which increased 64.9%, €622m euros year to date. However, the amount earmarked to third-quarter provisions is similar to the amounts in previous quarters. The non-performing loan ratio stood at 2.32% at 30-Sep-07. Its rise against the 2.16% recorded on the same day of 2006 was due to more consumer credit and card business. Coverage ratios remained high (250.4% in September 2007).

In the first nine months of 2007, **attributable profit** rose to €1,318m, growing 18.4% year on year, while ROE reached 56.9% as compared with 51.1% in the same period of 2006.

Between January and September 2007, the **Retail Banking** unit opened 616,000 new savings (Libretón) accounts, bringing their total number to over 9 million. 550,000 payroll loans were underwritten (record placement in the third quarter); 63,500 car-purchase loans granted and 2 million credit cards issued. During the third quarter, two new kinds of credit cards were issued, providing customised credit and instant credit, with immediate authorisation from branch offices.

Business with **companies** and the **Government** has increased apace with the number of branches empowered

## Income statement

(Million euros)

| Memorandum item: | Banking businesses | | | | Of which: BBVA Bancomer | | | | Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan.-Sep. 07 | Δ% | Δ% (1) | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Δ% (1) | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Δ% (1) | Jan.-Sep. 06 |
| **NET INTEREST INCOME** | **3,055** | **19.7** | **29.7** | **2,553** | **2,631** | **11.4** | **20.8** | **2,362** | **2** | **22.8** | **33.1** | **2** |
| Income by the equity method | 2 | n.m. | n.m. | (4) | 2 | n.m. | n.m. | (4) | - | n.m. | n.m. | - |
| Net fee income | 1,103 | 14.2 | 23.7 | 966 | 946 | 6.4 | 15.4 | 889 | 104 | (20.2) | (13.5) | 130 |
| Income from insurance activities | - | - | - | - | - | - | - | - | 184 | 2.4 | 11.1 | 180 |
| **CORE REVENUES** | **4,160** | **18.3** | **28.3** | **3,516** | **3,578** | **10.2** | **19.5** | **3,247** | **290** | **(6.8)** | **1.0** | **311** |
| Net trading income | 161 | (9.9) | (2.4) | 179 | 143 | (15.9) | (8.8) | 170 | 7 | 4.4 | 13.2 | 7 |
| **ORDINARY REVENUES** | **4,321** | **17.0** | **26.8** | **3,695** | **3,722** | **8.9** | **18.1** | **3,417** | **298** | **(6.6)** | **1.3** | **318** |
| Net revenues from non-financial activities | 8 | n.m. | n.m. | - | 8 | n.m. | n.m. | - | (5) | 154.2 | 175.6 | (2) |
| Personnel and general administrative expenses | (1,534) | 16.0 | 25.7 | (1,322) | (1,209) | 4.7 | 13.6 | (1,154) | (133) | (10.7) | (3.1) | (149) |
| Depreciation and amortization | (127) | 44.1 | 56.1 | (88) | (73) | 3.1 | 11.8 | (71) | (2) | (17.8) | (10.9) | (2) |
| Other operating income and expenses | (59) | 3.0 | 11.7 | (57) | (61) | 6.9 | 15.9 | (57) | 14 | (34.3) | (28.8) | 21 |
| **OPERATING PROFIT** | **2,609** | **17.2** | **27.0** | **2,227** | **2,388** | **11.8** | **21.2** | **2,136** | **172** | **(7.9)** | **(0.2)** | **186** |
| Impairment losses on financial assets | (666) | 51.0 | 63.7 | (441) | (632) | 51.8 | 64.6 | (416) | - | - | - | - |
| • Loan loss provisions | (656) | 51.2 | 63.9 | (434) | (622) | 52.1 | 64.9 | (409) | - | - | - | - |
| • Other | (10) | 41.0 | 52.9 | (7) | (9) | 35.1 | 46.5 | (7) | - | - | - | - |
| Provisions | 56 | n.m. | n.m. | (72) | 56 | n.m. | n.m. | (70) | - | 22.2 | 32.0 | - |
| Other income/losses | 4 | (88.3) | (87.4) | 35 | (1) | n.m. | n.m. | 34 | 1 | (50.3) | (46.1) | 2 |
| **PRE-TAX PROFIT** | **2,003** | **14.5** | **24.1** | **1,750** | **1,811** | **7.5** | **16.5** | **1,684** | **173** | **(8.4)** | **(0.7)** | **189** |
| Corporate income tax | (554) | 10.8 | 20.1 | (500) | (492) | 3.1 | 11.8 | (477) | (50) | (13.0) | (5.7) | (57) |
| **NET PROFIT** | **1,449** | **15.9** | **25.7** | **1,250** | **1,319** | **9.2** | **18.4** | **1,207** | **123** | **(6.4)** | **1.5** | **131** |
| Minority interests | (1) | (19.8) | (13.1) | (1) | (1) | (7.1) | 0.7 | (1) | (1) | (45.4) | (40.8) | (1) |
| **NET ATTRIBUTABLE PROFIT** | **1,448** | **16.0** | **25.7** | **1,249** | **1,318** | **9.2** | **18.4** | **1,207** | **122** | **(5.9)** | **2.0** | **130** |

(1) At constant exchange rate.

## Balance sheet

(Million euros)

| Memorandum item: | Banking businesses | | | | Of which: BBVA Bancomer | | | | Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 |
| Cash and balances at Central Banks | 5,519 | 0.4 | 11.1 | 5,498 | 5,107 | (6.3) | 3.7 | 5,448 | - | (4.9) | 5.2 | - |
| Financial assets | 26,929 | 69.2 | 87.7 | 15,911 | 18,287 | 37.3 | 52.0 | 13,314 | 2,761 | 17.2 | 29.8 | 2,355 |
| Loans and receivables | 59,527 | 67.4 | 85.6 | 35,562 | 31,425 | 5.0 | 16.2 | 29,942 | 168 | 202.5 | 234.9 | 56 |
| • Due from banks | 4,221 | (29.4) | (21.7) | 5,979 | 3,538 | (32.8) | (25.7) | 5,269 | 66 | 38.6 | 53.5 | 47 |
| • Loans to customers | 54,589 | 90.0 | 110.7 | 28,734 | 27,875 | 16.3 | 28.7 | 23,966 | - | n.m. | n.m. | - |
| • Other | 717 | (15.6) | (6.4) | 850 | 12 | (98.3) | (98.1) | 708 | 102 | n.m. | n.m. | 8 |
| Inter-area positions | 7 | 11.9 | 23.9 | 7 | 7 | 11.4 | 23.3 | 6 | - | - | - | - |
| Property, plant and equipment | 1,535 | 57.4 | 74.5 | 975 | 788 | (4.2) | 6.0 | 823 | 4 | (35.5) | (28.6) | 6 |
| Other assets | 2,595 | 16.3 | 29.1 | 2,232 | 1,513 | (5.1) | 5.0 | 1,594 | 49 | (69.7) | (66.5) | 162 |
| **TOTAL ASSETS / LIABILITIES AND EQUITY** | **96,111** | **59.7** | **77.1** | **60,184** | **57,128** | **11.7** | **23.7** | **51,127** | **2,982** | **15.6** | **28.0** | **2,579** |
| Deposits by Central Banks and banks | 18,708 | 94.7 | 115.8 | 9,610 | 13,078 | 59.8 | 76.9 | 8,184 | - | (100.0) | (100.0) | - |
| Due to customers | 59,562 | 52.1 | 68.6 | 39,153 | 32,253 | (4.9) | 5.2 | 33,923 | - | - | - | - |
| Marketable debt securities | 2,688 | 191.4 | 226.0 | 922 | 1,726 | n.m. | n.m. | 109 | - | - | - | - |
| Subordinated debt | 2,740 | 286.4 | n.m. | 709 | 1,484 | 157.7 | 185.3 | 576 | - | - | - | - |
| Inter-area positions | - | - | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | 7,544 | 21.7 | 35.0 | 6,197 | 5,312 | 4.0 | 15.1 | 5,109 | 2,725 | 15.3 | 27.6 | 2,363 |
| Minority interests | 19 | n.m. | n.m. | 2 | - | (81.7) | (79.8) | 2 | - | (97.1) | (96.8) | 6 |
| Economic capital allocated | 4,852 | 35.1 | 49.8 | 3,590 | 3,274 | 1.6 | 12.4 | 3,224 | 257 | 22.8 | 35.9 | 210 |

(1) At constant exchange rate.

## Relevant business indicators

(Million euros and percentages)

| Memorandum item: | Banking businesses | | | | Of which: BBVA Bancomer | | | | Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 |
| Customer lending (2) | 53,163 | 97.0 | 118.5 | 26,993 | 26,605 | 20.1 | 32.9 | 22,153 | - | - | - | - |
| Customer deposits (3) | 55,742 | 57.5 | 74.6 | 35,385 | 29,541 | (5.4) | 4.7 | 31,233 | - | - | - | - |
| • Deposits | 50,359 | 75.1 | 94.2 | 28,755 | 24,158 | (1.8) | 8.7 | 24,602 | - | - | - | - |
| • Assets sold under repurchase agreement | 5,383 | (18.8) | (10.1) | 6,631 | 5,383 | (18.8) | (10.1) | 6,631 | - | - | - | - |
| Off-balance-sheet funds | 10,935 | 17.0 | 29.5 | 9,345 | 10,935 | 17.0 | 29.5 | 9,345 | 8,861 | 8.9 | 20.5 | 8,137 |
| • Mutual funds | 10,935 | 17.0 | 29.5 | 9,345 | 10,935 | 17.0 | 29.5 | 9,345 | - | - | - | - |
| • Pension funds | - | - | - | - | - | - | - | - | 8,861 | 8.9 | 20.5 | 8,137 |
| Other placements | 3,471 | 37.0 | 51.6 | 2,534 | 3,471 | 37.0 | 51.6 | 2,534 | - | - | - | - |
| Customer portfolios | 13,514 | 153.9 | 181.1 | 5,322 | 6,573 | 23.5 | 36.7 | 5,322 | - | - | - | - |
| Risk-weighted assets (4) | 60,648 | 35.1 | 49.8 | 44,879 | 40,927 | 1.6 | 12.4 | 40,300 | 3,217 | 22.8 | 35.9 | 2,620 |
| ROE (%) | 50.3 | | | 47.3 | 56.9 | | | 51.1 | 67.2 | | | 91.7 |
| Efficiency ratio (%) | 35.4 | | | 35.8 | 32.4 | | | 33.8 | 45.4 | | | 47.0 |
| Efficiency incl. depreciation and amortization (%) | 38.4 | | | 38.2 | 34.4 | | | 35.8 | 46.0 | | | 47.7 |
| NPL ratio (%) | 2.00 | | | 2.16 | 2.32 | | | 2.16 | - | | | - |
| Coverage ratio (%) | 194.2 | | | 258.2 | 250.4 | | | 284.1 | - | | | - |

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

to authorise credit. Productivity increased 48% and service-level perception improved significantly.

In the first three quarters of 2007, **Mortgage Banking** originated 53,000 new individual loans, 24% up on the same period of 2006. It also granted developer loans for 80,000 new homes (up 26%). A special mortgage product for young people was launched in the quarter, providing 28% more finance and low monthly instalments for up to 20 years. Standard and Poor's upgraded the BBVA Bancomer mortgage business to "excellent", giving it the best rating amongst any of the banks in the country.

During these three months, **Corporate Banking** led the syndicated loan and senior debt transaction for 15.3 billion dollars to finance expansion in a Mexican cement company. Working with the BBVA trade finance offices in Asia, it also financed a Mexican group to the tune of 15.6 million dollars to buy a specialist oil-rig servicing vessel. In the wholesale markets, Investment Banking was hired as lead arranger in a 900 million dollar transaction to finance construction of a hydro-electricity plant in La Yesca, and to raise 600 million dollars to refit the Laguna Verde nuclear-power plant.

## United States

**Compass Bank** was incorporated into BBVA USA on 7th September. This will help drive strong growth for the Group in the United States. Compass Bank brings with it 420 branches, 8,864 employees and over 1.5 million customers, filling gaps in the Group's operation in Texas, Alabama, Arizona, Florida, Colorado and New Mexico, with little overlap in the already existing branch network. Compass added €18,072m to the loanbook, with an NPL ratio of 1.47% and no activity in the origination of sub-prime mortgages; €17,151m to customer funds and €5,048 to off-balance-sheet customer funds. Its contribution to the third quarter earnings were €30m to operating profit and €18m to net attributable profit.

Following the incorporation of Compass, **BBVA USA** had a total lending business worth €26,559m, customer deposits worth €26,201m and off-balance customer funds of €6,941m on 30th September 2007. It generated an operating profit of €213m and an attributable profit of €125m in the first nine months of the year, compared to €74m and €32m respectively in the same period of 2006.

The combined business of Laredo National Bank, Texas State Bank and State National Bank in Texas recorded an attributable profit of €91m over the first nine months of

2007, with loans of €5,522m and a customer deposits of €7,655. **Laredo National Bank** accounted for €29m of attributable profit, up 82.1%% on the previous year. At €1,756m its loanbook grew 12.8% year on year (11.1% in commercial lending, 16.1% in consumer loans and 15.7% in mortgages). It had €2,493m in deposits (up 7.6%). **Texas State Bank** contributed its €48m-profit, with €3,027m in loans and €4,217m in deposits. And **State National Bank** booked a profit of €14m, with €739m in loans and €945m in deposits.

**BBVA Puerto Rico** brought €19m to the area's attributable profit to September (down 1.9%). Its loans rose 7.9% against 30-Sep-06 to €2,938m (9% companies and 25.6% mortgages), while customer funds went down 0.4% to €1,327m due to economic uncertainty on the island.

**BTS** made 19.6 million transfers from January to September, with year-on-year growth at 17.5% as it accumulated an attributable profit of €8m.

## Pensions and Insurance

The insurance companies generated €122m in attributable profit in the first nine months of 2007. This was 2% up on the same period of 2006.

Excellent sales performance in the **Bancomer Afore** boosted the total assets under management by 20.5% in the pension business in Mexico, and increased its share of contributors in this market over the year, despite tough competition. However, the review of the fee structure at the end of 2006 reduced commissions, which impacted the company's revenues. This was why year-to-date attributable profit stood at €31m to the end of the third quarter, 33.5% below the attributable profit of the same period in 2006.

The Group's three **insurance** companies in Mexico obtained a total attributable profit of €90m, with a year-on-year increase of 24.7%. This was driven by the ongoing commercial dynamism they have shown over the last few years, with a 13.5% year-on-year increase in premiums.

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

(Million euros)

| | Jan.-Sep. 07 | Δ% | Δ% at constant exchange rate | Jan.-Sep. 06 |
|---|---|---|---|---|
| **NET INTEREST INCOME** | **2,630** | **11.6** | **21.0** | **2,357** |
| Income by the equity method | 2 | n.m. | n.m. | (4) |
| Net fee income | 991 | 3.7 | 12.5 | 955 |
| Income from insurance activities | 232 | 1.2 | 9.7 | 230 |
| **CORE REVENUES** | **3,855** | **8.9** | **18.1** | **3,538** |
| Net trading income | 151 | (15.1) | (7.9) | 177 |
| **ORDINARY REVENUES** | **4,005** | **7.8** | **16.9** | **3,716** |
| Net revenues from non-financial activities | 3 | n.m. | n.m. | (2) |
| Personnel and general administrative expenses | (1,295) | 3.6 | 12.3 | (1,251) |
| Depreciation and amortization | (74) | 2.6 | 11.2 | (73) |
| Other operating income and expenses | (94) | 10.7 | 20.0 | (85) |
| **OPERATING PROFIT** | **2,545** | **10.4** | **19.7** | **2,305** |
| Impairment losses on financial assets | (632) | 51.8 | 64.6 | (416) |
| • Loan loss provisions | (622) | 52.1 | 64.9 | (409) |
| • Other | (9) | 35.1 | 46.5 | (7) |
| Provisions | 56 | n.m. | n.m. | (70) |
| Other income/losses | - | n.m. | n.m. | 36 |
| **PRE-TAX PROFIT** | **1,969** | **6.1** | **15.0** | **1,856** |
| Corporate income tax | (537) | 1.6 | 10.1 | (529) |
| **NET PROFIT** | **1,432** | **7.9** | **16.9** | **1,327** |
| Minority interests | (1) | (34.6) | (29.1) | (2) |
| **NET ATTRIBUTABLE PROFIT** | **1,430** | **7.9** | **17.0** | **1,325** |

# South America

## Income statement
(Million euros)

| | South America | | | | Memorandum item: Banking businesses | | | | Memorandum item: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan.-Sep. 07 | Δ% | Δ% (1) | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Δ% (1) | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Δ% (1) | Jan.-Sep. 06 |
| **NET INTEREST INCOME** | **1,192** | **25.1** | **30.7** | **953** | **1,188** | **25.8** | **31.4** | **945** | **7** | **(22.0)** | **(15.8)** | **8** |
| Income by the equity method | 1 | (54.7) | (58.2) | 3 | 1 | (61.7) | (63.2) | 4 | - | (79.8) | (78.3) | (1) |
| Net fee income | 683 | 13.3 | 19.3 | 603 | 386 | 20.4 | 25.8 | 320 | 200 | 3.7 | 9.0 | 193 |
| Income from insurance activities | (26) | 296.1 | n.m. | (6) | - | - | - | - | 76 | (12.8) | (6.3) | 88 |
| **CORE REVENUES** | **1,851** | **19.3** | **24.9** | **1,552** | **1,575** | **24.2** | **29.7** | **1,269** | **283** | **(1.7)** | **4.0** | **288** |
| Net trading income | 171 | (26.1) | (20.2) | 231 | 133 | (35.7) | (30.4) | 207 | 38 | 56.0 | 65.2 | 24 |
| **ORDINARY REVENUES** | **2,022** | **13.4** | **19.2** | **1,783** | **1,708** | **15.8** | **21.5** | **1,476** | **321** | **2.7** | **8.8** | **312** |
| Net revenues from non-financial activities | - | (96.5) | (96.2) | 4 | - | n.m. | n.m. | - | - | (96.6) | (96.2) | 4 |
| Personnel and general administrative expenses | (861) | 6.2 | 11.0 | (811) | (671) | 5.2 | 9.8 | (638) | (176) | 12.5 | 19.1 | (156) |
| Depreciation and amortization | (66) | 1.5 | 5.9 | (65) | (62) | 8.7 | 13.1 | (57) | (4) | (46.6) | (43.5) | (8) |
| Other operating income and expenses | (31) | (8.8) | (6.2) | (34) | (33) | 2.3 | 5.4 | (32) | 5 | n.m. | n.m. | 1 |
| **OPERATING PROFIT** | **1,063** | **21.2** | **28.3** | **877** | **943** | **25.9** | **32.9** | **749** | **145** | **(4.9)** | **0.9** | **153** |
| Impairment losses on financial assets | (150) | 89.6 | 101.0 | (79) | (150) | 89.7 | 101.2 | (79) | - | (100.0) | (100.0) | - |
| • Loan loss provisions | (144) | 84.6 | 94.4 | (78) | (144) | 84.6 | 94.4 | (78) | - | - | - | - |
| • Other | (6) | n.m. | n.m. | (1) | (6) | n.m. | n.m. | (1) | - | (100.0) | (100.0) | - |
| Provisions | (15) | (68.4) | (65.6) | (47) | (18) | (51.2) | (47.0) | (38) | 4 | n.m. | n.m. | (9) |
| Other income/losses | (15) | 258.1 | 255.8 | (4) | (14) | n.m. | n.m. | 1 | (2) | (70.8) | (67.9) | (6) |
| **PRE-TAX PROFIT** | **883** | **18.2** | **24.9** | **747** | **760** | **20.1** | **26.6** | **633** | **147** | **6.7** | **12.7** | **138** |
| Corporate income tax | (173) | 10.7 | 18.2 | (157) | (146) | 11.7 | 19.3 | (131) | (35) | 2.4 | 7.7 | (34) |
| **NET PROFIT** | **710** | **20.2** | **26.6** | **591** | **614** | **22.3** | **28.5** | **502** | **112** | **8.1** | **14.4** | **104** |
| Minority interests | (217) | 25.4 | 33.9 | (173) | (187) | 25.8 | 34.2 | (149) | (31) | 23.4 | 32.4 | (25) |
| **NET ATTRIBUTABLE PROFIT** | **492** | **18.0** | **23.6** | **417** | **428** | **20.9** | **26.2** | **354** | **81** | **3.2** | **8.8** | **79** |

(1) At constant exchange rate.

## Balance sheet
(Million euros)

| | South America | | | | Memorandum item: Banking businesses | | | | Memorandum item: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 |
| Cash and balances at Central Banks | 3,007 | 25.3 | 36.8 | 2,401 | 3,007 | 25.3 | 36.8 | 2,401 | - | 7.0 | 16.3 | - |
| Financial assets | 4,183 | 9.4 | 16.3 | 3,824 | 3,403 | 9.7 | 16.2 | 3,103 | 978 | 1.8 | 9.9 | 961 |
| Loans and receivables | 23,471 | 18.5 | 26.7 | 19,813 | 22,973 | 17.9 | 26.1 | 19,478 | 585 | 34.7 | 49.4 | 435 |
| • Due from banks | 2,649 | (23.9) | (15.8) | 3,480 | 2,378 | (28.0) | (20.3) | 3,303 | 308 | 21.1 | 31.4 | 254 |
| • Loans to customers | 20,246 | 28.2 | 36.0 | 15,791 | 20,082 | 28.4 | 36.1 | 15,644 | 189 | 12.1 | 28.5 | 169 |
| • Other | 576 | 6.1 | 17.4 | 542 | 513 | (3.5) | 6.7 | 531 | 88 | n.m. | n.m. | 12 |
| Inter-area positions | - | - | - | - | 11 | n.m. | n.m. | 2 | - | - | - | - |
| Property, plant and equipment | 472 | (0.4) | 5.6 | 474 | 398 | (0.7) | 5.0 | 401 | 74 | 0.5 | 8.5 | 73 |
| Other assets | 1,975 | (5.2) | (2.2) | 2,082 | 985 | (13.9) | (10.5) | 1,145 | 203 | (20.8) | (14.1) | 256 |
| **TOTAL ASSETS / LIABILITIES AND EQUITY** | **33,108** | **15.8** | **23.6** | **28,594** | **30,777** | **16.0** | **23.9** | **26,529** | **1,840** | **6.7** | **16.0** | **1,725** |
| Deposits by Central Banks and banks | 2,253 | 15.9 | 22.9 | 1,944 | 2,233 | 16.4 | 23.5 | 1,918 | 44 | (9.9) | (3.9) | 49 |
| Due to customers | 23,137 | 13.7 | 21.7 | 20,341 | 23,175 | 13.3 | 21.2 | 20,452 | - | - | - | - |
| Marketable debt securities | 603 | 45.7 | 56.0 | 414 | 603 | 43.7 | 53.5 | 420 | - | - | - | - |
| Subordinated debt | 1,317 | 40.9 | 42.9 | 934 | 519 | 147.5 | 163.7 | 210 | - | - | - | - |
| Inter-area positions | 14 | (37.4) | (37.7) | 22 | - | - | - | - | - | - | - | - |
| Other liabilities | 3,333 | 27.1 | 36.8 | 2,622 | 2,163 | 38.5 | 47.3 | 1,562 | 1,424 | 7.3 | 17.2 | 1,327 |
| Minority interests | 488 | (28.6) | (22.4) | 683 | 425 | (29.9) | (23.7) | 607 | 64 | (16.3) | (10.6) | 76 |
| Economic capital allocated | 1,963 | 20.2 | 27.4 | 1,633 | 1,658 | 21.9 | 28.8 | 1,360 | 308 | 13.0 | 21.7 | 273 |

(1) At constant exchange rate.

## Relevant business indicators

(Million euros and percentages)

| | South America | | | | Memorandum item: Banking businesses | | | | Memorandum item: Pensions and Insurance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 | 30-09-07 | Δ% | Δ% (1) | 30-09-06 |
| Customer lending (2) | 20,468 | 27.3 | 35.0 | 16,080 | 20,468 | 27.3 | 35.0 | 16,080 | - | - | - | - |
| Customer deposits (3) | 24,216 | 15.1 | 23.1 | 21,043 | 24,216 | 15.1 | 23.1 | 21,043 | - | - | - | - |
| • Deposits | 23,351 | 12.9 | 20.7 | 20,685 | 23,351 | 12.9 | 20.7 | 20,685 | - | - | - | - |
| • Assets sold under repurchase agreement | 865 | 141.6 | 169.9 | 358 | 865 | 141.6 | 169.9 | 358 | - | - | - | - |
| Off-balance-sheet funds | 36,472 | 17.6 | 25.0 | 31,019 | 1,730 | 17.6 | 24.8 | 1,471 | 34,743 | 17.6 | 25.0 | 29,548 |
| • Mutual funds | 1,730 | 17.6 | 24.8 | 1,471 | 1,730 | 17.6 | 24.8 | 1,471 | - | - | - | - |
| • Pension funds | 34,743 | 17.6 | 25.0 | 29,548 | - | - | - | - | 34,743 | 17.6 | 25.0 | 29,548 |
| Customer portfolios | - | - | - | - | - | - | - | - | - | - | - | - |
| Risk-weighted assets (4) | 24,534 | 20.2 | 27.4 | 20,414 | 20,728 | 21.9 | 28.8 | 17,004 | 3,852 | 13.0 | 21.7 | 3,410 |
| ROE (%) | 35.3 | | | 35.4 | 36.5 | | | 36.2 | 36.1 | | | 39.2 |
| Efficiency ratio (%) | 42.6 | | | 45.4 | 39.3 | | | 43.2 | 54.8 | | | 49.4 |
| Efficiency incl. depreciation and amortization (%) | 45.9 | | | 49.0 | 42.9 | | | 47.0 | 56.2 | | | 52.0 |
| NPL ratio (%) | 2.44 | | | 2.92 | 2.46 | | | 2.95 | - | | | - |
| Coverage ratio (%) | 132.4 | | | 120.5 | 132.4 | | | 120.5 | - | | | - |

(1) At constant exchange rate. (2) Gross lending excluding NPLs. (3) Including marketable debt securities. (4) According to ERC methodology.

The South America Area manages the banking, pension and insurance business conducted by the BBVA Group in that region.

Generally speaking the **economic situation** in the region remains stable despite considerable turbulence in most of the world's financial markets. The strength of the main macroeconomic factors, healthy fiscal balances, moderate inflation and high commodity prices continue to support this stability. In fact, expectations remain positive for the medium term.

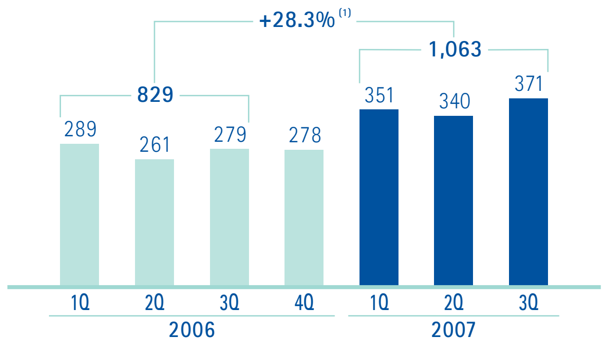
In the third quarter Latin-American **currencies** continued to slide against the euro and this had a negative impact on the area's financial statements. The attached tables contain columns with the year-on-year changes **at constant exchange rates**. Unless otherwise indicated, the following remarks refer to these figures because they provide a better picture of management's performance.

Against the favourable economic backdrop the level of business activity and area's earnings continued the positive trend of recent quarters. This is demonstrated by **net attributable profit** of €492m for the first nine months, an increase of 23.6% year-on-year (up 18.0% at current exchange rates), and return on equity (ROE) stands at 35.3%.

As in previous quarters the key factor behind these results is the sharp rise in business with customers and this is true of all units in the region. The greater volume of business was particularly evident in **lending to customers** which

### South America. Operating profit

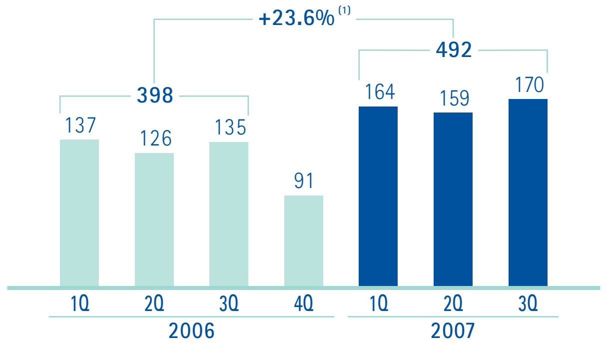
(Million euros at constant exchange rates)




(1) At current exchange rates: +21.2%.

### South America. Net attributable profit

(Million euros at constant exchange rates)




(1) At current exchange rates: +18.0%.

rose to €20,468m for the first nine months. This was a year-on-year increase of 35.0% (lending to retail customers was up 41.1% and loans to companies rose 34.6%). **Customer funds** (including deposits and mutual funds) ended September at €25,945m (up 23.2%) and assets under management in **pension funds** increased 25.0% to €34,743m despite negative sentiment caused by recent market volatility.

The buoyant level of business continues to have a highly positive volume effect. Aided by the area's policy for defending spreads at all units, this boosted earnings from recurrent revenues, especially **net interest income**. In the first nine months it rose 30.7% year-on-year to €1,192m with important gains in all units. The higher level of business also favoured net fee and insurance income which increased 15.9% to €658m. Net trading income contributed €171m in the first nine months, a drop of 20.2% compared to the same period in 2006 (which included high capital gains on divestments from the investment securities portfolio). As a result, **ordinary revenues** for the year to date climbed 19.2% to €2,022m.

Operating expenses rose 11.0% year-on-year due to the higher level of activity, which led to an increase in the sales force. Furthermore inflation is running high in Venezuela and Argentina. As in previous quarters the increase in revenues substantially outpaced expenses, lowering the **cost/income ratio** to 45.9% (compared to 49.0% for the same period last year). Thus **operating profit** climbed 28.3% to €1,063m.

The area's rigorous **risk management** policy helped to stop the increase in lending affecting asset quality. This is demonstrated by a fresh improvement in non-performing loans (NPLs), which stand at 2.44% at the end of September (2.92% at the same point last year). Despite the lower rate of NPLs, the sharp increase in lending is generating greater generic provisions. On one hand this explains the high rise in loan-loss provisioning and, on the other, it means that coverage rose to 132.4% at 30-Sep-07 (120.5% a year ago).

## Banking businesses

The area's banks generated net attributable profit of €428m for the first nine months (up 26.2%). Brief comments on the performance of the main units are given below.

Net attributable profit at **BBVA Banco Francés** in Argentina rose 28.5% to €127m for the first nine months. Once again the main contributor was lending (especially in the retail-banking segment). It continues to grow in importance on the balance sheet and is driving the increase in recurrent revenues. This is demonstrated by the 15.3% rise in core revenues. On the other hand net trading income fell significantly compared to 2006. This was due to the lower amount of capital gains arising on sales of public-sector assets and to interest-rate fluctuations in July and August. As a result, operating profit came to €182m - somewhat lower than the previous year.

**BBVA Chile** also recorded buoyant demand in retail banking, a segment in which its market share is growing. It was helped by Forum, the car finance company acquired in 2006, which continues to expand. The volume effect arising from the 23.1% growth in lending and a 22.9% rise in customer funds, helped net interest income to increase 22.1% to €143m. The higher volume of business activity led to a rebound in operating expenses and to greater generic provisioning. Despite this, net attributable profit jumped to €33m, 43.9% higher than the first three quarters of 2006.

Retail banking activity was also strong at **BBVA Colombia**, which increased lending 31.9% year-on-year (consumer finance was up 59.5%). This offset the negative effect of tighter spreads caused by regulatory changes and intense competition in Colombia's financial sector. Net interest income therefore rose 15.4% and, following a 8.7% decline in operating expenses, operating profit jumped 57.8% to €172m. Tax payments increased as the bank exhausted its 2006 fiscal credits. This prevented the rise in pre-tax profit (up 30.1%) from carrying over to net attributable profit (up 5.9% to €91m).

**BBVA Banco Continental** in Peru obtained net attributable profit of €44m for the first nine months. This was an increase of 12.0% and advances were recorded in all revenue streams. Successful marketing, with high growth in lending (up 31.8%) and customer funds (up 25.5%), combined with a defensive strategy in respect of spreads, boosted recurrent earnings and lifted operating profit 29.2% to €177m.

In the first nine months **BBVA Banco Provincial** de Venezuela generated net attributable profit of €97m. This was 63.7% higher than the same period last year. As in prior quarters this result was driven by a sharp increase in lending (up 86.8%), especially lending to private individuals and small businesses, and by an improvement in spreads. As a result, net interest income climbed 71.4% year-on-year. Greater business volume also boosted net fee income and pushed up operating expenses (also influenced by inflation). This brought operating profit to €283m, more than double the figure for the same period last year.

In the first nine months of the year the other banks in the area performed as follows: **BBVA Panamá** obtained net attributable profit of €18m (up 12.7%), **BBVA Paraguay** €13m (up 24.6%) and **BBVA Uruguay** €5m (down 27.8%).

## Pensions and Insurance

The pension fund managers and insurance companies in the South America Area generated €81m of net attributable profit in the year to September. This was 8.8% more than the same period last year. **Pension business** contributed €60m, up 24.5% on higher activity, stronger fee income and better financial revenues despite difficult market conditions in July and August. The **insurance business** contributed net attributable profit of €22m with important progress in the marketing of premiums. Significant events at the main units are detailed below.

In the year to September **AFP Provida** in Chile obtained net attributable profit of €37m (up 32.7% year-on-year). The main factor was the increase in business volume, which produced a significant rise in revenues and consequently in net fee income. As a result ordinary revenues rose 20.5% despite market turbulence.

The **Consolidar Group** in Argentina (pension fund manager and insurance companies) achieved net attributable profit of €22m in the first nine months (up 14.7%). Revenues at the pension fund manager (AFJP) rose 24.7% and assets under management increased 14.3%. This led to a 23.5% increase in net fee income despite the negative impact of new legislation (*Ley de Reforma Previsional*). The unit's insurance companies also performed well, with an increase of 36.5% in written premiums.

Regarding the other pension fund managers, **AFP Horizonte de Colombia** obtained net attributable profit of €9m. This was less than last year, due mainly to the poor performance of Colombian financial markets, which had a negative effect on the performance of the funds under management. However, **AFP Horizonte de Perú** generated net attributable profit of €7m (up 48.5% year-on-year), boosted by improvements in all revenue streams.

### South America. Data per country (banking business, pensions and insurance)

(Million euros)

| | Operating profit | | | | Net attributable profit | | | |
|---|---|---|---|---|---|---|---|---|
| Country | Jan.-Sep. 07 | Δ% | Δ% at constant exchange rate | Jan.-Sep. 06 | Jan.-Sep. 07 | Δ% | Δ% at constant exchange rate | Jan.-Sep. 06 |
| Argentina | 214 | (26.8) | (19.8) | 293 | 149 | 15.2 | 26.3 | 130 |
| Chile | 153 | 11.3 | 19.6 | 138 | 69 | 16.3 | 25.0 | 59 |
| Colombia | 188 | 51.3 | 44.1 | 124 | 102 | 6.5 | 1.4 | 96 |
| Panama | 26 | 3.5 | 11.8 | 25 | 18 | 4.4 | 12.7 | 17 |
| Paraguay | 15 | 39.8 | 34.1 | 11 | 13 | 29.9 | 24.6 | 10 |
| Peru | 190 | 23.3 | 28.3 | 154 | 52 | 11.4 | 16.0 | 46 |
| Uruguay | 6 | 1.9 | 9.6 | 6 | 5 | (32.9) | (27.8) | 7 |
| Venezuela | 292 | 97.8 | 113.8 | 148 | 100 | 51.9 | 64.2 | 66 |
| Other countries (1) | (20) | (1.1) | (2.4) | (21) | (14) | 10.9 | 9.3 | (13) |
| **TOTAL** | **1,063** | **21.2** | **28.3** | **877** | **492** | **18.0** | **23.6** | **417** |

(1) Bolivia, Ecuador and Dominican Republic. Additionally, it includes eliminations and other charges.

# Corporate Activities

## Income statement
(Million euros)

| | Jan.-Sep. 07 | Δ% | Jan.-Sep. 06 |
|---|---|---|---|
| **NET INTEREST INCOME** | **(397)** | **33.1** | **(299)** |
| Income by the equity method | (2) | n.m. | 24 |
| Net fee income | (24) | n.m. | 43 |
| Income from insurance activities | (21) | 12.1 | (19) |
| **CORE REVENUES** | **(445)** | **77.3** | **(251)** |
| Net trading income | 1,152 | 48.8 | 774 |
| **ORDINARY REVENUES** | **707** | **35.1** | **524** |
| Net revenues from non-financial activities | 6 | n.m. | (2) |
| Personnel and general administrative expenses | (391) | 9.7 | (356) |
| Depreciation and amortization | (105) | (0.4) | (105) |
| Other operating income and expenses | (10) | (0.6) | (10) |
| **OPERATING PROFIT** | **208** | **n.m.** | **50** |
| Impairment losses on financial assets | (24) | 184.1 | (9) |
| • Loan loss provisions | (24) | n.m. | - |
| • Other | - | (97.5) | (9) |
| Provisions | (217) | (41.7) | (372) |
| Other income/losses | 82 | (89.3) | 765 |
| **PRE-TAX PROFIT** | **48** | **(88.9)** | **434** |
| Corporate income tax | 204 | (6.3) | 217 |
| **NET PROFIT** | **252** | **(61.3)** | **651** |
| Minority interests | 1 | n.m. | (10) |
| **NET ATTRIBUTABLE PROFIT** | **253** | **(60.6)** | **642** |

## Balance sheet
(Million euros)

| | 30-09-07 | Δ% | 30-09-06 |
|---|---|---|---|
| Cash and balances at Central Banks | 6,022 | n.m. | (821) |
| Financial assets | 16,858 | (26.7) | 23,003 |
| Loans and receivables | 560 | n.m. | (591) |
| • Due from banks | (1,581) | 10.8 | (1,426) |
| • Loans to customers | 683 | n.m. | (504) |
| • Other | 1,458 | 8.9 | 1,339 |
| Inter-area positions | - | n.m. | (5,803) |
| Property, plant and equipment | 1,722 | 14.1 | 1,509 |
| Other assets | 9,978 | 238.6 | 2,947 |
| **TOTAL ASSETS / LIABILITIES AND EQUITY** | **35,140** | **73.6** | **20,245** |
| Deposits by Central Banks and banks | 11,300 | 28.0 | 8,831 |
| Due to customers | 19,547 | 117.7 | 8,977 |
| Marketable debt securities | 72,943 | 9.8 | 66,424 |
| Subordinated debt | 5,908 | 16.4 | 5,075 |
| Inter-area positions | (84,989) | 16.9 | (72,732) |
| Other liabilities | 3,859 | 62.0 | 2,382 |
| Minority interests | 301 | n.m. | 40 |
| Valuation adjustments | 2,701 | 6.9 | 2,527 |
| Shareholders' funds | 20,388 | 64.4 | 12,405 |
| Economic capital allocated | (16,818) | 22.9 | (13,683) |

This area includes the results of two units: Financial Planning 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, eg, for early retirement.

The year-on-year comparative figures for the area's core revenues are skewed by Banc Internacional de Andorra's contribution to net interest and fee income in the first quarter of 2006, prior to its divestment and by the earnings booked under the equity method for the Bank's holding in Banca Nazionale del Lavoro before it was sold off in the second quarter of 2006.

In the third quarter, the area generated €35m in net trading income (NTI) from existing exchange-rate hedges, partly offset by the negative results of hedges on the value of industrial holdings. However, these have gathered €800m more in unrealised capital gains than they had to 30-6-07. To September 2007, of the €1,152m NTI earned year to date, €847m came from one-off capital gains on the sale of the holding in Iberdrola, whilst of the €763m of the same period of 2006, €523m came from one-off capital gains on the sale of the holding in Repsol YPF. Excluding one-off capital gains from the **operating profit** (€208m in the first nine months of 2007), the underlying figure is –€639m (–€473m in the same period of 2006).

Below the line, allocations to provisions includes €151m earmarked for early retirement, as against €261m from January to September 2006. Other profits and losses is impacted by one-off transactions made in 2007 and 2006: in 2007, buildings owned by the Group were sold off as part of the project to establish a new corporate centre, generating €273m in capital gains and a €200m charge was made to cover commitments to the BBVA microfinance foundation. In the first three quarters of 2006, there were capital gains on the divestment of holdings in BNL (€568m) and Banc Internacional de Andorra (€183m).

The area's year-to-date **attributable profit** reached €253m to September 2007. However, excluding all the one-offs mentioned above and their tax impact, the attributable profit is –€541m (–€515m in the same period of the previous year).

## Financial Planning

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

Actively managing **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) helps BBVA to preserve its capital ratios and bring stability to the Group's income statement whilst controlling impacts on reserves and the cost of this risk management. At the end of the third quarter, BBVA was pursuing an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. Additionally, the Group manages the exchange-rate exposure on expected earnings from the Americas. At present, approximately 70% of 2007 expected earnings are hedged, significantly mitigating the impact of the American currencies' depreciation against the euro. Meanwhile, much of 2008 expected earnings are already hedged.

The Financial Planning unit also actively manages the Group's **structural interest-rate exposure** on its balance sheet. This guarantees sustainable growth of net interest income in both the short and the medium term, however interest rates behave. Hedging strategies to cope with a less positive economic scenario in Europe have been implemented during the third quarter. The risk on the Mexico and USA balance sheets stands well within the area's comfort zone. Hedging derivatives and balance-sheet instruments are used to manage such exposure. On 30th September 2007, the unit had asset portfolios denominated in euros, US dollars and Mexican pesos.

Managing **structural liquidity** helps to fund recurring growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to several alternative sources of finance. The Group encourages its American subsidiaries to be financially independent. During the first nine months of the year, nearly all the funding expected to be raised in 2007 had been completed. There will be no sizeable wholesale funding maturities over the next few quarters. Given the high volatility on wholesale markets in August and

September 2007, BBVA has maintained a clear-cut position of net liquidity and has not raised any funding through the European Central Bank special auctions.

The BBVA Group's **capital management** pursues two key goals: to maintain capital levels in keeping with the Group's business targets in all the countries where it operates while at the same time maximising returns on shareholder funds through efficient capital allocation to the different businesses, active management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity: shares, preferred securities and subordinate debt. Current capital levels enable the Group to comply with these goals.

## Holdings in Industrial and Financial Companies

This unit manages the Group's investment portfolio in industrial and financial companies, applying strict criteria for risk-control, economic capital consumption and return on investment, with diversification over different industries. It also applies dynamic monetisation and coverage management strategies to holdings.

At the end of September 2007, the market value of the industrial and financial holdings portfolio stood at €6,419m. It had €3,438m in unrealised capital gains before tax. This is €811m more than on 30th June 2007 and also above the figure from 31st December 2006, despite the divestments made this year, including the above-mentioned sale of the Iberdrola holding.

# Information by secondary segments

## January-September 2007
(Million euros)

| Geographical zone | Ordinary revenues | Operating profit | Net attributable profit | Total assets |
|---|---|---|---|---|
| Spain | 6,718 | 4,244 | 2,724 | 289,304 |
| United States | 646 | 218 | 117 | 64,955 |
| Mexico | 3,860 | 2,400 | 1,358 | 60,350 |
| South America | 1,972 | 1,010 | 466 | 33,144 |
| Other | 298 | 169 | 92 | 44,921 |
| **TOTAL** | **13,494** | **8,042** | **4,756** | **492,674** |

## January-September 2006
(Million euros)

| Geographical zone | Ordinary revenues | Operating profit | Net attributable profit | Total assets |
|---|---|---|---|---|
| Spain | 5,785 | 3,433 | 2,751 | 257,233 |
| United States | 333 | 87 | 37 | 28,293 |
| Mexico | 3,523 | 2,116 | 1,192 | 54,673 |
| South America | 1,726 | 816 | 373 | 28,627 |
| Other | 296 | 159 | 103 | 34,358 |
| **TOTAL** | **11,663** | **6,610** | **4,457** | **403,184** |

The significant events related to the Group's corporate responsibility in the third quarter of 2007 were as follows:

**Responsible business.** In Spain the bank started providing "PROFIT" loans under the Spanish government's plan for organisations associated with R&D in technology. In addition its insurance subsidiary in Venezuela (Seguros Provincial) focused development on the needs of users in the lower and middle-class segments. BBVA, in conjunction with the OECD and World Bank, is assessing the financial performance of privately managed pension funds in several countries. It is also co-operating with the Chinese authorities on a system to regulate such funds in that country. BBVA Bancomer and other institutions have set up a Mexican association to encourage better mortgage practices and to lobby for structural and regulatory reform.

**The BBVA Microcredit Foundation.** The foundation commenced activities in Peru by acquiring majority stakes in the microcredit operations of Caja Sur and Caja Nor. In Colombia it set up a microcredit entity with Corporación Mundial de la Mujer de Colombia y de Medellín.

**Employees.** In September the bank celebrated the *BBVA 150 Years Popular Races* in 20 cities of 10 countries. Some 35,000 runners took part. BBVA Banco Continental launched its first volunteer programme to promote reading in Peru.

**Education.** As part of its integration programme, the BBVA Bancomer Foundation (Mexico) granted 5,600 scholarships to the children of immigrants. BBVA Banco Francés's activities under the same programme received national recognition by the Argentine Ministry of Education, Science & Technology. In conjunction with the Claritas Foundation, BBVA Banco Francés supported an initiative for training NGO staff and business people who work in the social sector. The BBVA Provincial Foundation (Venezuela) announced the winners in its writing competition for children.

**Community support.** BBVA Banco Continental and AFP Horizonte sent food and other items to help victims of the Peru earthquake. They also developed a plan to finance total or partial reconstruction of housing. Meanwhile in Spain an aid campaign raised €237,436 thanks to support from private individuals. BBVA employees contributed €29,272 through the Euro Solidarity campaign and a further $300,000 was contributed by the BBVA Group. In addition Dinero Express offered free money transfers and phone calls to Peru. BBVA Banco Francés (Argentina) organised the BBVA UNICEF Golf Tour to raise funds for improving children's quality of life.

**Art and culture.** BBVA has renewed its commitment to the Prado Museum in Madrid. It will continue as a patron until 2011 and as the sponsor of an exhibition of 19th century art at the museum. The bank has also arranged an exhibition containing important works from its Latin-American collection. BBVA Bancomer celebrated 75 years of banking with concerts in various Mexican cities. Furthermore the Antioquia Museum (Medellín) opened an exhibition (*XV Salón de Arte*) that will tour Colombian cities.

**Social science, health and the environment.** Among other works, the BBVA Foundation published an annual survey called *Transatlantic Trends* on public opinion in the USA and 12 European countries, as well as studies on young men and paternity and on the social attitudes of Spaniards. As a member of the Spanish Leasing Association, BBVA also helped to produce and distribute a book on the importance of leasing in the Spanish economy and its research department published other works (*Situació Catalunya* and a report on Spain's position in the debt crisis). In Madrid David Gross, who won the Nobel Physics Prize in 2004, addressed more than 500 physicists from around the world. And BBVA, Economists without Borders and the Spanish Open University organised a course on finance and sustainable development.

**Climate change commitment.** BBVA is the first Spanish bank to adopt the *Concerned on Climate Change* declaration, which calls for business leadership. It is backed by the UN Environment Programme, the UN Global Compact and the World Business Council for Sustainable Development.

**Recognition.** BBVA has improved its rating in the Dow Jones Sustainability Index thus reinforcing its presence among leading companies in terms of corporate responsibility at international level. Furthermore, in a ranking prepared by *Latin Finance* the Group's banks in Peru, Venezuela and Mexico were among the top ten in sustainability, corporate governance and social responsibility in Latin America. BBVA was also among the top 100 respected companies in the last reputation survey conducted by *Barron's*.

## INVESTOR RELATIONS


- MADRID 28046 - Pº Castellana, 81 - 19th floor
  Tel: 34-91 374 62 01
  Fax: 34-91 537 85 12
  e-mail: inversoresbbva@grupobbva.com

- NEW YORK - 1345 Av. of the Americas, 45th floor, NY 10105
  Tel: 1-212-728 16 60 - Fax: 1-212-333 29 05
  e-mail: ricardo.marine@bbvany.com


**INTERNET INFO (http://www.bbva.com)**

BBVA

150 años

adelante.