



QUARTERLY REPORT

January-June 2007

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BBVA Group Highlights

(Consolidated figures)

	30-06-07	30-06-07 excluding one-offs ⁽¹⁾	Δ% ⁽²⁾	30-06-06 excluding one-offs ⁽¹⁾	31-12-06	31-12-06 excluding one-offs ⁽¹⁾
BALANCE SHEET (million euros)						
Total assets	466,443		19.5	390,235	411,916	
Total lending (gross)	285,456		20.9	236,156	262,969	
On-balance sheet customer funds	324,636		24.0	261,868	283,645	
Other customer funds	149,313		14.6	130,332	142,064	
Total customer funds	473,949		20.8	392,200	425,709	
Equity	23,705		35.2	17,528	22,318	
Shareholders' funds	20,076		31.9	15,222	18,210	
INCOME STATEMENT (million euros)						
Net interest income	4,613	4,613	13.9	4,051	8,374	8,374
Core revenues	7,343	7,343	11.8	6,567	13,667	13,667
Ordinary revenues	9,272	8,425	13.8	7,401	15,701	15,178
Operating profit	5,719	4,872	20.2	4,052	8,883	8,360
Pre-tax profit	4,701	3,819	19.3	3,201	7,030	6,533
Net attributable profit	3,374	2,624	20.4	2,179	4,736	4,580
DATA PER SHARE AND MARKET CAPITALISATION						
Share price	18.20		13.2	16.08	18.24	
Market capitalisation (million euros)	64,646		18.6	54,525	64,788	
Net attributable profit per share (euros)	0.95	0.74	14.9	0.64	1.39	1.34
Book value	5.65		25.9	4.49	5.13	
PER (Price/earnings ratio; times) ⁽³⁾	10.5			11.5	13.7	
P/BV (Price/book value; times)	3.2			3.6	3.6	
SIGNIFICANT RATIOS (%)						
Operating profit/ATA	2.63	2.24		2.10	2.24	2.11
ROE (Net attributable profit/Average equity)	36.0	31.5		35.8	37.6	36.4
ROA (Net profit/ATA)	1.45	1.28		1.20	1.26	1.22
RORWA (Net profit/Risk weighted average assets)	2.40	2.12		2.06	2.12	2.05
Efficiency ratio	35.2	38.7		41.2	39.6	40.9
Efficiency ratio including depreciation and amortization	37.9	41.6		44.3	42.6	44.0
NPL ratio	0.86			0.82	0.83	
NPL coverage ratio	253.8			275.1	272.8	
CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)						
Total	11.8			11.3	12.0	
Core capital	6.2			6.0	6.2	
TIER I	7.8			7.6	7.8	
OTHER INFORMATION						
Number of shares (million)	3,552			3,391	3,552	
Number of shareholders	881,519			926,768	864,226	
Number of employees	101,401			95,464	98,553	
• Spain	30,829			31,507	30,582	
• America ⁽⁴⁾	68,762			62,241	66,146	
• Rest of the world	1,810			1,716	1,825	
Number of branches	7,526			7,397	7,499	
• Spain	3,615			3,635	3,635	
• America ⁽⁴⁾	3,768			3,639	3,742	
• Rest of the world	143			123	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) Capital gains on Iberdrola in the first quarter 2007 and capital gains on the sale of buildings and a charge for the contribution to the BBVA Microcredit Foundation in the second quarter of 2007. Capital gains on BNL, Repsol and Andorra and non-recurrent charges for early retirements and corporate income tax booked in the second and fourth quarters of 2006.

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

(3) The 2007 P/E is calculated taking into consideration the median of the analysts' estimates (July 2006).

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

Relevant events

In the **second quarter** of 2007 the business volumes and earnings of the BBVA Group maintained their high cruising speed. Strong marketing at all units resulted in higher volumes of business and sharp growth in recurrent revenues. This further improved the cost/income ratio and was the main driver of operating profit and net attributable profit.

The most relevant financial aspects of the Group's performance and strategy in the second quarter and first half of 2007 are summarised below:

- The extraordinary general meeting of shareholders, held in Bilbao on 21st June, approved a capital increase by issuing 196 million new ordinary shares to be used for the **acquisition of Compass Bancshares Inc.** The operation has been authorised by the US Federal Reserve, by the State of Alabama and by the Bank of Spain. Furthermore on 8th August, Compass will hold its annual general meeting at which its board of directors will propose acceptance of BBVA's offer.
- The BBVA Group announced a **strategic innovation and transformation plan**. Under the slogan "Something new every day" it plans to create value through innovation, distinguishing the Group from its competitors in all the markets in which it operates. The plan will finish in 2010 and the main goals are expansion of the customer base and improvements in productivity and efficiency.
- **China CITIC Bank** (CNCB) has been listed on the stock exchange at a price higher than the cost of BBVA's 4.83% holding. At the end of June, the Group enjoys capital gains of €400 million in its investments in CITIC Group.
- BBVA will own a new **corporate headquarters** in Madrid. From 2010 onwards it will house 6,500 employees who are presently dispersed in ten separate buildings, improving efficiency. The project entails the sale of four buildings owned by BBVA and the second quarter profit and loss account includes €235m capital gains.
- The quarter's accounts contain a €200m charge for the promised contributions to the **BBVA Microcredit Foundation**. Its goal is to promote accesses to credit to the under-developed communities of Latin America.
- The net effect of the **non-recurrent items** mentioned in the last two points is additional net attributable profit of €54m in the second quarter of 2007. This complements €696m of capital gains from Iberdrola obtained in the first quarter. Furthermore in the second quarter of 2006 capital gains from the sale of holdings in Repsol, BNL and Andorra contributed €1,157m of net attributable profit after tax. The remarks below **exclude these one-time operations** unless otherwise stated because that provides a better picture of the Group's underlying performance.
- Despite BBVA's active management of structural exchange-rate risk, the effect of variations in **exchange rates** in the Americas against the euro was negative. However, their impact was less than the first quarter (as foreseen in the previous quarterly report).
- **Net attributable profit in the second quarter** of 2007 came to €1,369m (excluding non-recurrent items), rising 18.1% over last year's figure of €1,159m for the same period. The increase would be 20.0% at constant exchange rates. This result is supported by operating profit, which grew 19.2% to €2,522m (up 21.7% at constant rates).
- It should be noted that in the second quarter of 2007 all the main margins and the profit figures on the income statement set **new all-time records**.
- As a result **net attributable profit for the first half** came to €2,624m, an increase of 20.4% over last year's €2,179m for the same period (up 25.0% at

constant exchange rates). **Earnings per share** came to €0.74, a rise of 14.9% compared to €0.64 for the first half of 2006, and **ROE** stands at 31.5% (lower than the 35.8% in the same period of last year due to the November capital increase). Including non-recurrent items, net attributable profit is €3,374m, earnings per share are €0.95 and ROE is 36.0%.

- The increase in net profit is the result of solid **operating profit**. In the year to June it grew 20.2% to €4,872m (up 25.1% at constant exchange rates). The impact of items on the lower part of the income statement was negligible.
- Operating profit was supported, in turn, by the growth of **recurrent income**. Net interest income was up 13.9% (thanks to higher volume and to widening spreads). Net fee income and insurance income rose 7.4% and ordinary revenues increased 13.8%.
- Operating expenses including depreciation grew more slowly, at 7.4%, and therefore the **cost/income ratio** improved to 41.6% (44.3% in the first half last year). This ratio improved in all business areas.
- The quality of BBVA's loan portfolio remains high. The **non-performing loan ratio** stands at 0.86%, compared to 0.82% at the same point last year. The slight rise is due to the greater weight of consumer finance, credit cards and SMEs because this type of lending is more profitable but more susceptible to default. The **coverage ratio** remains high, at 253.8%. At 30-Jun-07 total coverage funds amount to €7,407m, of which €5,310m are generic provisions (€4,305m a year earlier).
- The Group's **capital base** continues to reflect the high level of capital adequacy. Core capital stands at 6.2% (6.2% at 31-Mar-07 and 6.0% at 30-Jun-06), Tier I capital is 7.8% and the BIS ratio is 11.8%.
- On 10th July a first **interim dividend** of €0.152 per share was paid against 2007 results. This is an increase of 15.2% compared to the first interim dividend paid in 2006.
- In the **Spain and Portugal Area** lending rose 15.5% and customer funds increased 7.1%. Helped by the

improvement in spreads, net interest income increased 13.7%. Other revenues also performed well, the recent innovative products in particular (insurance, derivatives, etc), and expenses remained under control (up 2.1%). This led to a new improvement in the cost/income ratio and operating profit rose 20.6%. Net attributable profit gained 28.3% to €1,172m.

- Earnings in the **Global Businesses Area** were also based on strong revenues. The figure that best reflects this area's performance is ordinary revenues, which increased 28.6% year-on-year (with high growth in lending and customer funds). Operating profit rose 31.2%. Net attributable profit came to €451m (up only 5.7% year-on-year due to sale of equity holdings in 2006).
- In the **Mexico and USA Area**, the dominant factor was net interest income. At constant exchange rates, this grew 29.8%, helped by increases in lending and customer funds (up 39.5% and 21.9%, respectively, in local currencies). The improvement in customer spreads also contributed. After adding other income, ordinary revenues rose 24.2%, outpacing the rise in expenses, and thus the cost/income ratio improved and operating profit increased 26.5%. This offset higher provisions linked to the increase in lending and net attributable profit thus came to €949m for the first half (up 25.0% at constant exchange rates).
- In the **South America Area**, business grew faster (loans were up 35.2% and customer funds increased 23.1% in local currencies). This helped net interest income to rise 28.3% at constant rates. Aided by net fee and insurance income (up 16.3%), it pushed operating profit up 25.7% and net attributable profit grew 22.7% to €326m.

Economic environment

In the second quarter of 2007 the world's economy remained strong. Indicators of activity in the USA continue to be moderately positive and the European Union extended the encouraging performance of recent quarters. The Spanish economy did likewise and its GDP grew at around 4%. Latin America also grew at a good pace as did other emerging economies, especially China.

Interest rates

(Quarterly averages)

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

Interest rates remain stable in the US where the Federal Reserve has not modified the benchmark rate of 5.25%. Long-term rates, however, rebounded in the second quarter and the yield curve recovered a normal slope. The European Central Bank lifted its rates a quarter point in June, to 4.0%. This was quickly echoed by market rates for the short and medium terms (one-year euribor exceeded 4.5%) and especially in long-term market rates (which narrowed the gap with US rates). Interest rates in Mexico had remained at 7% since May 2006 (the end of the downward cycle) but they have now risen to 7.25% and the interbank rate (TIIE) has increased to 7.7%.

During the quarter the US dollar and most Latin-American **currencies** moved in a small range against the euro. In the last 12 months, most currencies with a significant effect on the BBVA Group's financial statements, depreciated against the euro. The Mexican

peso fell 0.6%, the US dollar and the Argentine peso 5.9%, etc. Conversely, the Colombian peso rose 14.2%. The evolution of the end-of-period exchange rates had a small negative effect on the year-on-year comparisons of the Group's balance sheet, although this was smaller than at the end of March.

Average exchange rates, which are used for the conversion of the profit and loss account, have mainly deteriorated in the first half of 2007 compared to those in the same period last year. The Mexican peso fell 8.0% against the euro, the Chilean peso 8.6%, the Argentine peso 8.4%, the Venezuelan bolivar 7.7% and the US dollar 7.5%. Whereas the Colombian peso rose 2.3%. The overall result is that the negative effect of exchange rates on the Group's income statement was more than 4 percentage points in the first half, compared to more than 7 points in the first quarter.

Exchange rates ⁽¹⁾

	Year-end exchange rates				Average exchange rates	
	30-06-07	Δ% on 30-06-06	Δ% on 31-03-07	Δ% on 31-12-06	1H 07	Δ% on 1H 06
Mexican peso	14.5753	(0.6)	1.0	(1.7)	14.5518	(8.0)
Argentine peso	4.1882	(5.9)	(0.7)	(2.9)	4.1352	(8.4)
Chilean peso	712.25	(2.3)	0.9	(1.2)	709.22	(8.6)
Colombian peso	2,645.50	14.2	8.6	11.2	2,816.90	2.3
Peruvian new sol	4.2784	(3.0)	(0.9)	(1.6)	4.2275	(3.5)
Venezuelan bolivar	2,898.55	(5.7)	(1.4)	(2.5)	2,857.14	(7.7)
U.S. dollar	1.3505	(5.9)	(1.4)	(2.5)	1.3291	(7.5)

(1) Expressed in currency/euro.

The year-on-year comparisons of the BBVA Group's earnings in the first half of 2007 are affected by a series of **non-recurrent operations**:

- In the second quarter of 2007, the Group generated €235m gross capital gains from the sale of buildings. This was related to plans for a new corporate headquarters. A gross charge of €200m was recorded to cover promised contributions to the BBVA Microcredit Foundation. The goal of this institution is to promote access to microcredit in poor areas of Latin America. The net effect of these operations was an attributable profit of €54m.
- The first quarter of 2007 included capital gains on the sale of the Group's interest in Iberdrola. This was recorded as €847m of net trading income (€696m after tax).
- In the second quarter of 2006, the Group obtained capital gains on the sale of its 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)

	1 st Half 07	Δ%	1 st Half 06	Excluding one-offs ⁽¹⁾			
				1 st Half 07	Δ%	Δ% at constant exchange rates	1 st Half 06
Core net interest income	4,416	14.3	3,862	4,416	14.3	19.4	3,862
Dividends	198	4.7	189	198	4.7	4.7	189
NET INTEREST INCOME	4,613	13.9	4,051	4,613	13.9	18.7	4,051
Income by the equity method	103	47.5	70	103	47.5	46.7	70
Net fee income	2,286	6.3	2,150	2,286	6.3	10.4	2,150
Income from insurance activities	341	14.9	297	341	14.9	18.7	297
CORE REVENUES	7,343	11.8	6,567	7,343	11.8	16.3	6,567
Net trading income	1,929	42.2	1,356	1,082	29.8	33.2	834
ORDINARY REVENUES	9,272	17.0	7,924	8,425	13.8	18.2	7,401
Net revenues from non-financial activities	113	50.8	75	113	50.8	51.2	75
Personnel costs	(2,067)	5.9	(1,952)	(2,067)	5.9	9.0	(1,952)
General expenses	(1,278)	10.0	(1,161)	(1,278)	10.0	14.7	(1,161)
Depreciation and amortization	(247)	6.1	(232)	(247)	6.1	9.4	(232)
Other operating income and expenses	(75)	(4.2)	(78)	(75)	(4.2)	2.8	(78)
OPERATING PROFIT	5,719	25.0	4,575	4,872	20.2	25.1	4,052
Impairment losses on financial assets	(881)	34.6	(655)	(881)	34.6	40.3	(655)
• Loan loss provisions	(865)	33.1	(650)	(865)	33.1	38.6	(650)
• Other	(16)	212.9	(5)	(16)	212.9	287.9	(5)
Provisions	(169)	(50.6)	(342)	(169)	(50.6)	(49.5)	(342)
Other income/losses	33	(96.3)	897	(2)	n.m.	n.m.	146
• From disposal of equity holdings	(5)	n.m.	889	(5)	n.m.	n.m.	138
• Other	38	n.m.	8	3	(66.4)	(64.6)	8
PRE-TAX PROFIT	4,701	5.0	4,475	3,819	19.3	24.1	3,201
Corporate income tax	(1,177)	16.9	(1,007)	(1,045)	17.5	22.4	(890)
NET PROFIT	3,524	1.6	3,469	2,774	20.0	24.8	2,312
Minority interests	(150)	13.6	(132)	(150)	13.6	20.7	(132)
NET ATTRIBUTABLE PROFIT	3,374	1.1	3,336	2,624	20.4	25.0	2,179
EARNINGS PER SHARE CALCULATION							
Average ordinary shares							
in circulation (million)	3,552	4.8	3,391	3,552	4.8		3,391
Basic earnings per share (euros)	0.95	(3.5)	0.98	0.74	14.9		0.64
Diluted earnings per share (euros)	0.95	(3.5)	0.98	0.74	14.9		0.64

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

Consolidated income statement: quarterly evolution

(Million euros)

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

(1) Excluding the one-off operations.

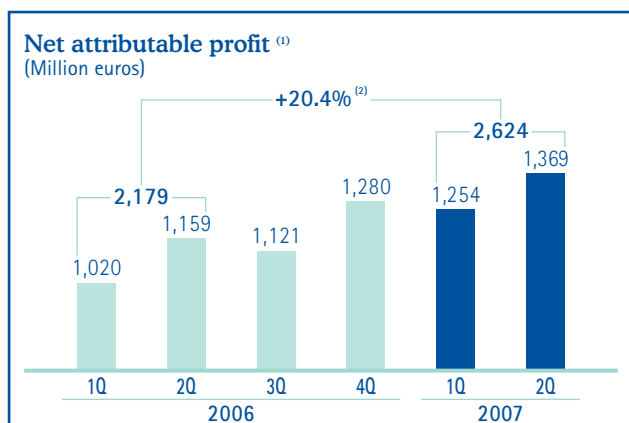
The table shows the income statement **without** the impact of these **non-recurrent** operations and all the following remarks (unless otherwise stated) refer to these figures because they are more relevant when analysing the Group's performance.

In the **second quarter** of 2007 the BBVA Group obtained net attributable profit of €1,369m. This was 18.1% higher than the €1,159m obtained in the same period last year. At constant exchange rates this figure would be 20.0% because exchange rates continued to have a negative effect in this quarter (although the impact was less than in the first quarter).

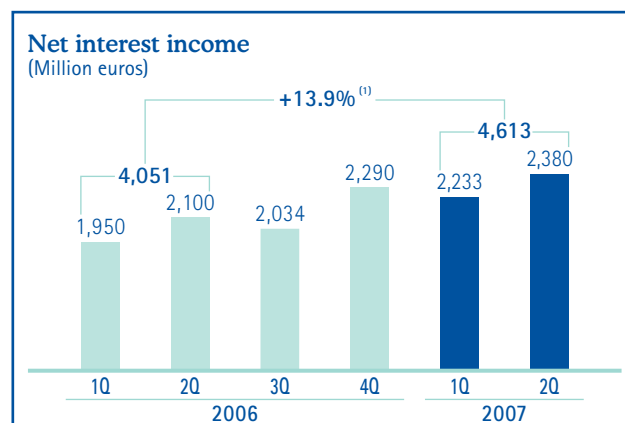
As usual in recent years, the increase in net attributable profit was supported by operating profit which came to €2,522m. This was an increase of 19.2% over the

€2,116m obtained in the second quarter of 2006 (up 21.7% at constant exchange rates). It should be noted that all the main lines on the income statement and the amount of net attributable profit set new quarterly records for the Group (before non-recurrent items).

The cumulative net attributable profit for the **first half** comes to €2,624m with year-on-year growth of 20.4% over the €2,179m obtained last year. At constant exchange rates the growth is 25.0% (owing to the negative effect of exchange rates in the first six months). Recurrent earnings increased faster than expenses (ordinary revenues were up 13.8%) and this led to a further improvement in the cost/income ratio. As a result operating profit was €4,872m, a rise of 20.2% over the €4,052m obtained in the first half of 2006 (25.1% at constant exchange rates).



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +25.0%.



(1) At constant exchange rates: +18.7%.

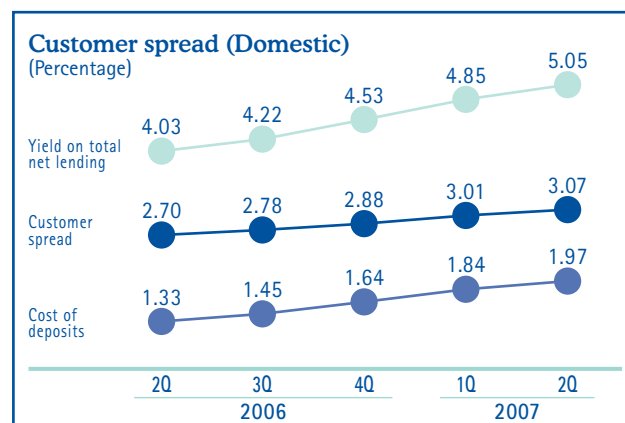
The overall impact of items on the lower part of the income statement is neutral. The higher loan-loss provisions (up 33.1% year-on-year to €865m) continue to reflect significant generic provisions related to lending growth. However these and the lower capital gains on the sale of major holdings are offset by lower provisions and lower taxes.

Furthermore the Group's earnings growth in the first half is basically organic in nature. Recent acquisitions account for only one percentage point of the increase in operating profit and an even smaller proportion of net attributable profit.

quarter they reached 3.07%, up 6 basis points over the first quarter (3.01%). This is because the increase in market rates is largely added to the yield on loans, which rose to 5.05% in the second quarter, 19 basis points higher than the first quarter (4.85%). However, the cost of deposits (1.97%) rose only 13 basis points compared to the first quarter (1.84%). This helped net interest income in the Spain and Portugal Area to grow 13.7%.

Net interest income

Net interest income is the main source of the rise in the Group's income in the **second quarter** of 2007. It came to €2,380m, which is 13.3% greater than the same quarter last year (up 15.7% at constant exchange rates). Excluding €163m in dividends, net interest income comes to €2,217m, setting new quarterly records before and after dividends. Net interest income for the **first half** amounts to €4,613m, an increase of 13.9% compared to the €4,051m obtained in the same period last year (up 18.7% at constant exchange rates). After deducting dividends of €198m, the net figure is €4,416m and the year-on-year increase is 14.3% in euros (19.4% at constant rates). This was mainly owed to the increase in lending and in customer funds at all units, and to customer spreads in Spain (where they improved) and in Mexico (where they remained high).



In fact, in business conducted with resident customers in **Spain**, spreads continue to widen and in the second

In **Mexico** interest rates rebounded slightly in the second quarter (the average TIIE was 7.63% compared to 7.44% in the first quarter of 2007). Despite this the yield on loans declined slightly to 15.20% (15.37% in the first quarter) because consumer finance and cards declined in relative terms. The cost of deposits partially reflected the increase in rates, climbing slightly to 2.48% (2.40% in the first quarter of 2007). As a result the customer spread stands at 12.72% compared to 12.97% in the first quarter of 2007 (but still higher than 12.17% in the second quarter of 2006). This means increases in business volume carried over to net

Breakdown of yields and costs

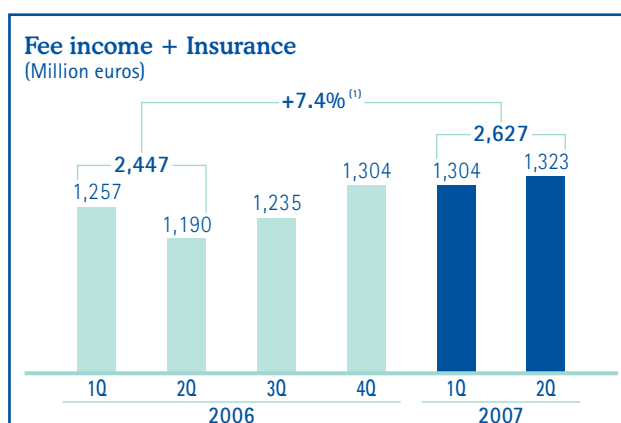
	2 nd Quarter 07		1 st Quarter 07		4 th Quarter		3 rd Quarter 06	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances at Central Banks	3.4	3.10	3.5	2.94	3.0	3.50	2.6	4.23
Financial assets and derivatives	23.2	3.85	23.6	3.39	24.0	4.13	25.4	3.75
• Fixed-income securities	18.3	4.07	19.0	4.04	18.7	4.50	20.6	4.47
- Euros	10.8	2.48	11.0	2.46	11.3	2.43	13.7	2.44
- Foreign currencies	7.6	6.33	8.0	6.22	7.4	7.66	6.8	8.57
• Equity securities	4.8	3.03	4.6	0.71	5.3	2.84	4.9	0.72
Due from banks	7.3	5.26	6.5	5.84	6.7	4.24	6.2	4.07
• Euros	4.9	4.82	4.3	4.73	4.3	3.25	3.8	3.17
• Foreign currencies	2.5	6.14	2.2	7.97	2.4	6.05	2.4	5.47
Loans to customers	60.7	6.73	60.8	6.48	60.8	6.21	59.9	5.98
• Euros	45.6	5.08	45.7	4.87	45.9	4.54	45.8	4.18
- Domestic	42.5	5.05	42.7	4.85	42.8	4.53	42.9	4.22
- Other	3.1	5.51	3.0	5.18	3.1	4.68	2.9	3.47
• Foreign currencies	15.1	11.74	15.1	11.32	14.9	11.40	14.1	11.85
Other assets	5.5	0.60	5.6	0.87	5.5	1.07	5.9	1.34
TOTAL ASSETS	100.0	5.50	100.0	5.27	100.0	5.22	100.0	4.97
Deposits by Central Banks and banks	13.6	5.02	13.9	4.71	14.7	4.24	16.6	3.83
• Euros	5.7	3.97	6.2	3.60	7.0	3.24	9.6	2.88
• Foreign currencies	7.8	5.79	7.7	5.60	7.7	5.16	7.0	5.13
Due to customers	47.8	3.36	46.9	3.13	46.3	3.07	44.5	3.07
• Euros	27.0	2.73	26.4	2.56	26.3	2.12	25.2	1.79
• Domestic	17.6	1.97	18.0	1.84	18.3	1.64	18.5	1.45
• Other	9.4	4.13	8.3	4.14	8.0	3.21	6.7	2.73
• Foreign currencies	20.8	4.19	20.6	3.85	20.0	4.33	19.3	4.75
Marketable debt securities and subordinated debt	22.2	4.43	22.4	4.19	22.3	3.91	22.4	3.56
• Euros	18.6	4.20	19.4	4.00	19.5	3.73	19.6	3.30
• Foreign currencies	3.5	5.66	3.0	5.43	2.8	5.12	2.8	5.38
Other liabilities	11.3	0.82	11.4	0.78	11.5	0.80	11.7	1.06
Equity	5.1	-	5.3	-	5.1	-	4.8	-
TOTAL LIABILITIES AND EQUITY	100.0	3.37	100.0	3.15	100.0	3.01	100.0	2.92

interest income, which increased 23.3% in pesos compared to the first half of 2006. Net interest income in **South America** grew faster (28.3% at constant exchange rates) thanks largely to significant increases in lending and customer funds.

Ordinary revenues

In the first half of 2007 net fee income came to €2,286m, up 6.3% compared to the same period last year (an increase of 10.4% at constant exchange rates). Fees from mutual and pension fund business (up 0.5%) continue to affect the overall figure. In Spain, time deposits still account for most of the growth in customer funds whereas in the Americas greater competition is affecting the pension business. The

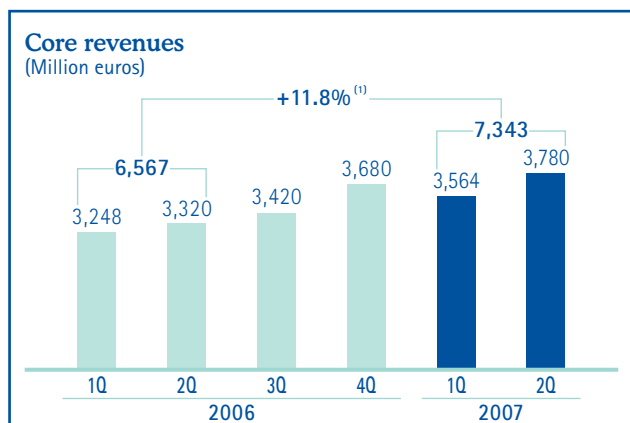
insurance business contributed €341m, rising 14.9% (18.7% at constant rates). Thus **fee income plus insurance** business generated €2,627m in the first half.



This was 7.4% higher than the €2,447m obtained in the first half of 2006 (up 11.4% at constant exchange rates). By business area the growth was 7.6% in Spain & Portugal, 24.6% in Global Businesses and, at constant exchange rates, 15.7% in Mexico & USA and 16.3% in South America.

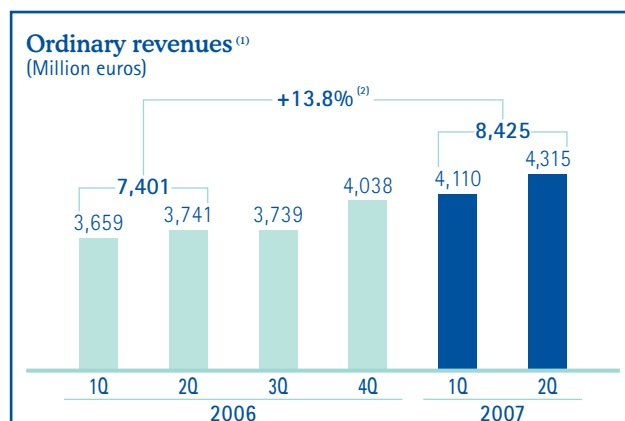
Net income from companies carried by the **equity method** came to €103m in the first half, including contributions from Corporación IBV (€78m) and CITIC International Financial Holdings in Hong Kong (€9m). In the first half of 2006 the figure was €70m of which €25m came from Banca Nazionale del Lavoro.

Core revenues, which consist of net interest income, net fee income, insurance and equity-accounted income, came to €3,780m in the second quarter of 2007 (a new record for BBVA) and to €7,343m in the first half. The latter figure was 11.8% higher than the €6,567m generated in the same period last year. At constant rates the increase was 16.3%.



Net trading income contributed €535m in the second quarter and €1,082m in the half-year. This was 29.8% more than the first half of 2006 (up 33.2% at constant rates). If non-recurrent capital gains (€847m from Iberdrola in the first quarter of 2007 and €523m from Repsol in the second quarter of 2006) are included, net trading income comes to €1,929m for the half-year compared to €1,356m a year earlier.

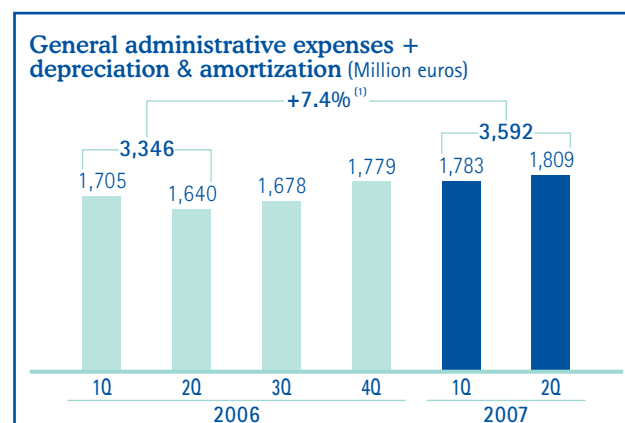
Core revenues and net trading income resulted in **ordinary revenues** of €4,315m in the second quarter



and €8,425m for the first half, up 13.8% over the €7,401m obtained in the first half of 2006 (up 18.2% at constant exchange rates). Net gains on non-financial activities contributed €113m, compared to €75m in the same period last year. This was mainly related to real estate business. As a result total revenues rose 14.2% to €8,539m (up 18.5% at constant exchange rates).

Operating profit

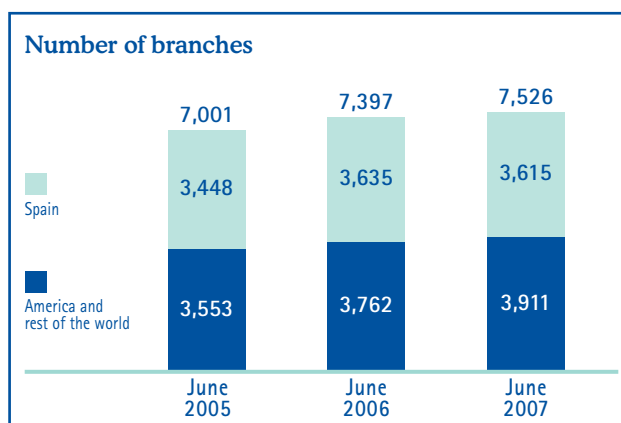
Operating expenses reflect the greater level of business activity and the resources set aside for growth projects but they are still increasing at a far slower rate than revenues. Personnel costs were up 5.9%, other overheads 10.0% and depreciation increased 6.1%. As a result, cumulative expense for the first half came to €3,592m, a rise of 7.4% year-on-year (11.0% at constant rates). In the Spain & Portugal Area expenses rose 2.1% due to growth projects. In the different



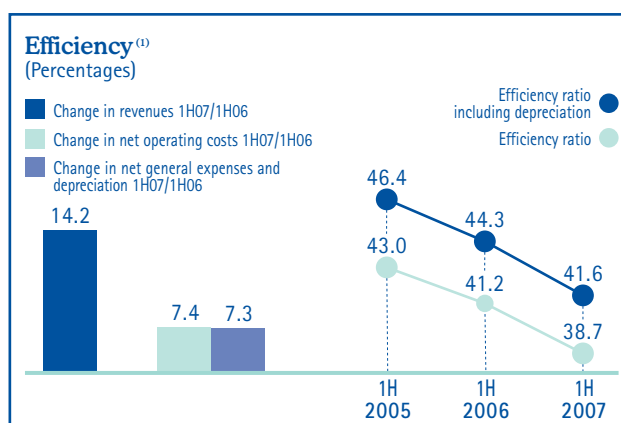
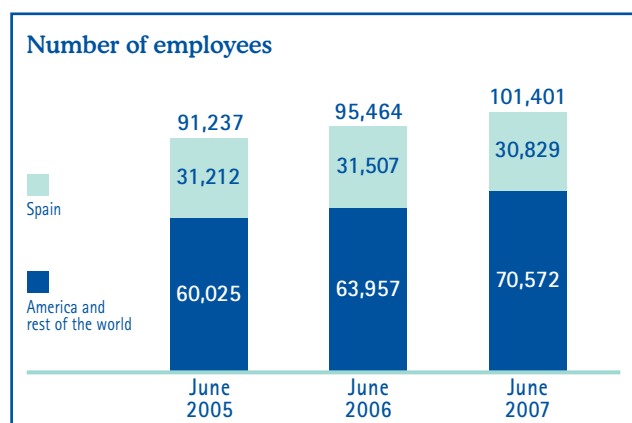
networks in Spain they declined 0.7% following restructuring in 2006. In the Americas expenses rose 9.1% (17.2% at constant exchange rates) due to intense business activity and to inflation in some countries.

At the end of June 2007 the Group had 101,401 **employees**. In the second quarter the number was stable in Spain and increased slightly in the Americas. The BBVA Group now has 7,526 **branches** worldwide, with no significant change over the previous quarter.

As the above increase of 14.2% in operating revenues was greater than the 7.3% rise in administration expenses (net of recuperated expenses and depreciation), the **cost/income ratio** improved to



41.6% compared to 44.3% in the first half of 2006 – with advances in all areas.

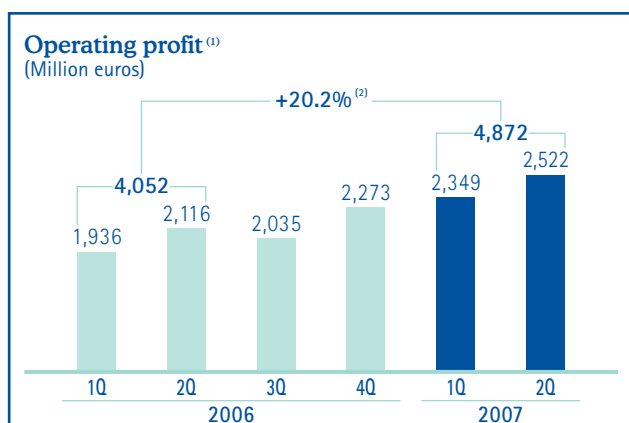


(1) Excluding results of one-off transactions.

Efficiency ⁽¹⁾ (Million euros)	1 st Half 07	Δ%	1 st Half 06	2006
Ordinary revenues	8,425	13.8	7,401	15,178
Net revenues from non-financial activities	113	50.8	75	131
TOTAL REVENUES	8,539	14.2	7,476	15,309
Personnel costs	(2,067)	5.9	(1,952)	(3,989)
General expenses	(1,278)	10.0	(1,161)	(2,342)
Recovered expenses	38	16.7	33	65
GENERAL ADMINISTRATIVE EXPENSES (NET)	(3,307)	7.4	(3,081)	(6,265)
EFFICIENCY RATIO (Costs/revenues, %)	38.7		41.2	40.9
Depreciation and amortization	(247)	6.1	(232)	(472)
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION	(3,554)	7.3	(3,313)	(6,737)
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	41.6		44.3	44.0

(1) Excluding the one-off operations.

These changes in revenues and expenses also helped **operating profit** to maintain a high rate of growth. In the second quarter operating profit came to €2,522m, a new quarterly record with a rise of 19.2% over the €2,116m obtained a year earlier. The cumulative amount for 2007 came to €4,872m (up 20.2% compared to €4,052m for the same period in 2006). At constant exchange rates the rise is 25.1%. Including one-off capital gains (Iberdrola in 2007 and Repsol in 2006), operating profit is €5,719m and the year-on-year increase is 25.0% (29.5% at constant rates). It should be noted that operating profit was up strongly in all business areas. The individual figures were 20.6% in Spain & Portugal, 31.2% in Global Businesses, 16.4% in Mexico & USA (26.5% at constant exchange rates) and 18.1% in South America (25.7% at constant rates).



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +25.1%.

Provisions and others

Loan-loss provisions rose 33.1% year-on-year to €865m for the first half. This was caused by the growth of lending in the Group's main markets, which continues to require higher generic reserves.

Transfers to other **provisions** came to €169m for the half-year, a year-on-year decline of 50.6% compared to the €342m set aside in the same period last year. These figures include provisions for early retirement: €81m in the first half this year and €177m last year.

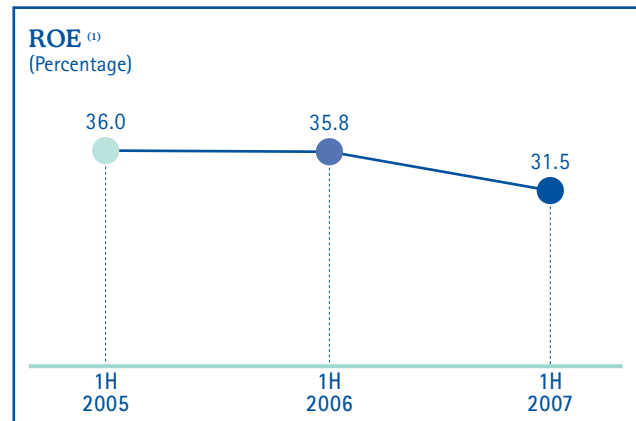
There are no significant **disposals of equity holdings** to report so far this year. Last year the Group booked €138m in the first half, and moreover, there were one-off capital gains from the sale of holdings in BNL (€568m) and in Banc Internacional de Andorra (€183m). **Other items** of a non-recurrent nature in the second quarter include €235m of capital gains on the sale of buildings (in connection with the new corporate headquarters) and a charge for the €200m which will be contributed to the BBVA Microcredit Foundation.

Attributable profit

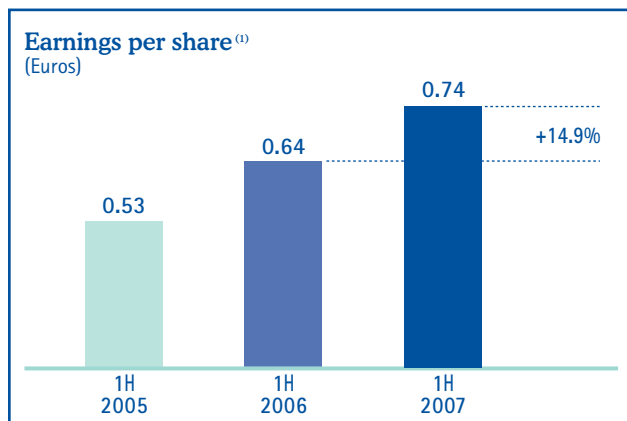
The effect of the items mentioned in the previous section, on the income statement before non-recurrent items, is not significant. As a result operating profit is largely the same as **pre-tax profit**: €3,819m for the first half, 19.3% more than the €3,201m obtained in the same period last year. Following provisions for corporate tax (affected by a reduction in the tax rate from 35% to 32.5%) and after deducting €150m for minority interests, the Group's **net attributable profit** for the year to June comes to €2,624m. This figure is 20.4% higher than the €2,179m obtained in the same period last year (25.0% higher at constant exchange rates).

If non-recurrent items are included (€750m after tax in the first half of 2007 and €1,157m in the same period in 2006), net attributable profit for the year to June comes to €3,374m in 2007 and €3,336m in 2006. In this case the year-on-year increase is 1.1% in euros and 3.6% at constant exchange rates. The breakdown by business area is as follows: Spain & Portugal contributed €1,172m (up 28.3% year-on-year), Global Businesses €451m (up 5.7%), Mexico & USA €949m (up 15.1% in euros and 25.0% at constant exchange rates), South America €326m (up 16.0% at current exchange rates and 22.7% at constant rates) and Corporate Activities €475m (a loss of €275m before non-recurrent items, similar to the loss of €267m in the same period of 2006).

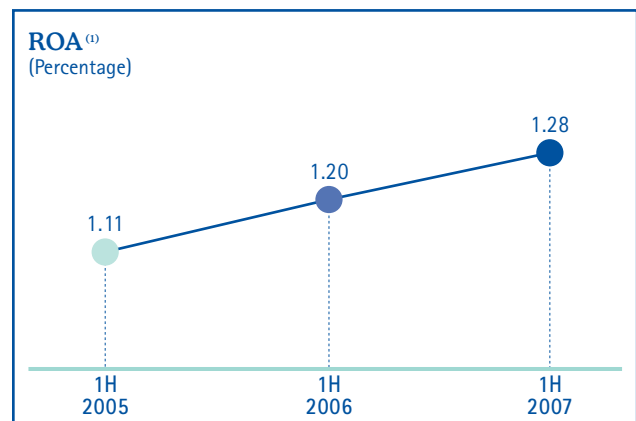
Earnings per share before non-recurrent items were €0.39 in the second quarter and €0.74 in the first half (€0.95 with non-recurrent items). They rose 14.9% over the €0.64 obtained in the same period last year. This is slightly less than the increase in net attributable profit owing to the capital increase in November 2006. The capital increase also affects the return on equity (**ROE**) which now stands at 31.5% compared to 35.8% at the same point last year. The return on total average assets (**ROA**) comes to 1.28% (1.20% for the first half of 2006).



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

At the end of the first half the BBVA Group continues to record significant year-on-year increases in business volumes. These increases are particularly strong in lending to customers in Spain (all types of lending) and in most countries in the Americas (where loans to

individuals and SMEs are the principal contributors). In terms of customer funds, there was notable growth in deposits on the balance sheet in Spain. And in the Americas all deposits performed well (current and savings accounts, time deposits and mutual and pension funds).

Consolidated balance sheet

(Million euros)

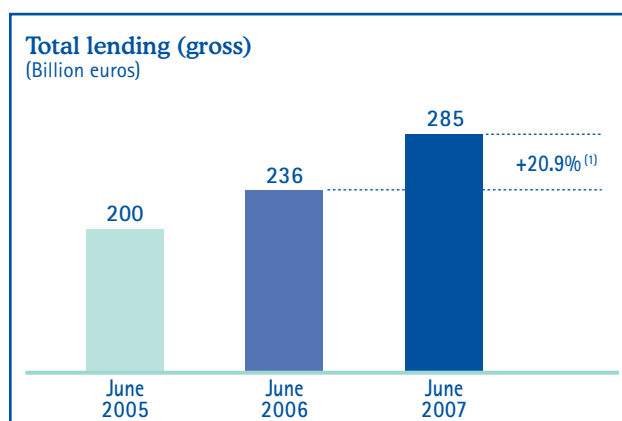
	30-06-07	Δ%	30-06-06	31-03-07	31-12-06
Cash and balances at Central Banks	17,242	68.6	10,224	15,571	12,515
Financial assets held for trading	59,195	34.5	44,017	51,906	51,835
Other financial assets at fair value	905	2.2	886	957	977
Financial assets available for sale	40,540	(23.0)	52,643	40,369	42,267
Loans and receivables	322,452	24.9	258,199	312,523	279,855
• Due from banks	36,806	84.3	19,973	42,575	17,050
• Loans to customers	278,548	20.9	230,467	264,898	256,565
• Other	7,098	(8.5)	7,759	5,051	6,240
Held to maturity investments	5,706	(5.2)	6,018	5,680	5,906
Investments in associates	1,423	84.5	772	1,343	889
Property, plant and equipment	4,816	13.7	4,235	4,621	4,527
Intangible assets	3,474	85.6	1,872	3,490	3,269
Other assets	10,689	(6.0)	11,370	10,386	9,876
TOTAL ASSETS	466,443	19.5	390,235	446,848	411,916
Financial liabilities held for trading	17,919	33.9	13,379	15,478	14,924
Other financial liabilities at fair value	517	(20.2)	648	539	583
Financial liabilities at amortised cost	396,566	18.9	333,585	382,585	348,445
• Deposits by Central Banks and banks	63,591	(2.7)	65,339	56,441	57,804
• Due to customers	223,793	29.1	173,402	220,284	192,374
• Marketable debt securities	85,887	13.5	75,686	85,303	77,674
• Subordinated debt	14,957	17.0	12,779	13,977	13,597
• Other	8,338	30.7	6,378	6,580	6,995
Liabilities under insurance contracts	10,084	4.0	9,701	10,138	10,121
Other liabilities	17,653	14.7	15,394	15,763	15,527
TOTAL LIABILITIES	442,738	18.8	372,707	424,504	389,598
Minority interests	797	4.1	766	785	768
Valuation adjustments	2,832	83.8	1,540	2,684	3,341
Shareholders' funds	20,076	31.9	15,222	18,876	18,210
EQUITY	23,705	35.2	17,528	22,345	22,318
TOTAL LIABILITIES AND EQUITY	466,443	19.5	390,235	446,848	411,916
MEMORANDUM ITEM:					
Contingent liabilities	52,633	46.0	36,040	47,424	42,281
MEMORANDUM ITEM:					
Average total assets	437,735	12.5	388,949	427,784	395,950
Average risk-weighted assets	264,116	16.8	226,101	258,305	234,370
Average shareholders' funds	16,777	36.5	12,292	16,663	12,594

Over the last 12 months the Mexican peso fell 0.6% against the euro, the Argentine peso and the US dollar fell 5.9%, the Venezuelan bolivar fell 5.7%, the Peruvian sol fell 3% and the Chilean peso 2.3%. The Colombian peso rose 14.2%. These changes had a slightly negative impact on the balance sheet and on the Group's business figures. This can be seen in the year-on-year comparisons at constant exchange rates, which are provided for the main figures.

The Group's **total assets** came to €466 billion at 30-Jun-07, an increase of 19.5% over €390 billion a year earlier. Loans and deposits are growing faster and therefore their relative importance on the balance sheet is increasing.

Lending to customers

At the end of June 2007 lending to customers came to €285 billion. This was an increase of 20.9% over the €236 billion a year earlier (at constant exchange rates the increase is 21.1%). These figures were hardly affected by recent acquisitions. The most relevant addition since June 2006 was the incorporation of Texas State Bank and State

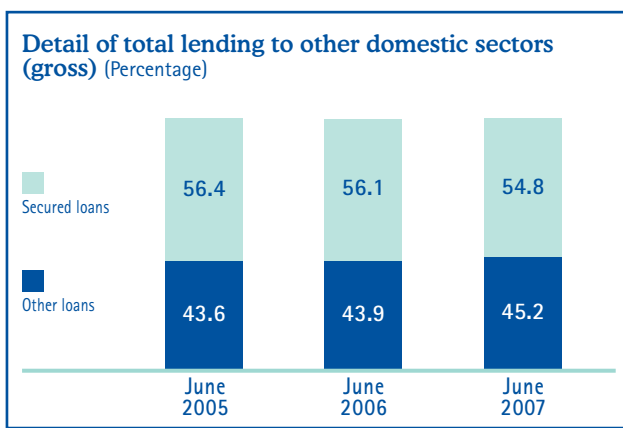
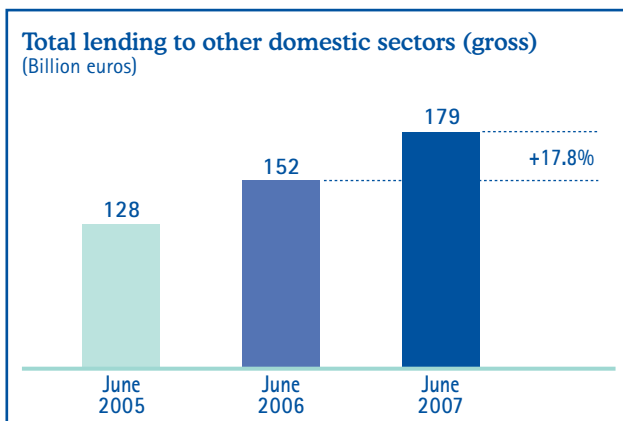


(1) At constant exchange rates: +21.1%.

National Bank, which added €4 billion in loans at 30-Jun-07.

Of total lending, the domestic public sector in Spain accounts for €16 billion (up 5.1% year-on-year). Lending to **other resident sectors** in Spain came to €179 billion, an increase of 17.8% compared to the €152 billion recorded at 30-Jun-06, supported by all main forms. Thus secured loans grew 15.1% to €98 billion, particularly residential mortgages, which increased

Total lending (Million euros)	30-06-07	Δ%	30-06-06	31-03-07	31-12-06
	Public sector	16,240	5.1	15,448	15,763
Other domestic sectors	179,392	17.8	152,252	170,708	166,375
• Secured loans	98,281	15.1	85,367	93,916	90,649
• Commercial loans	12,740	6.7	11,937	11,977	13,286
• Financial leases	7,477	10.0	6,796	7,244	6,997
• Other term loans	55,952	27.3	43,946	53,981	51,241
• Credit card debtors	1,682	26.2	1,332	1,291	1,506
• Other	3,261	13.5	2,873	2,299	2,695
Non-domestic sector	86,943	31.2	66,243	82,362	78,160
• Secured loans	26,205	25.4	20,898	26,764	25,492
• Other loans	60,738	33.9	45,344	55,599	52,669
Non-performing loans	2,881	30.1	2,214	2,655	2,492
• Public sector	135	12.4	120	131	127
• Other domestic sectors	1,171	41.0	830	1,031	953
• Non-domestic sectors	1,575	24.7	1,264	1,493	1,411
TOTAL LENDING (GROSS)	285,456	20.9	236,156	271,488	262,969
Loan loss provisions	(6,908)	21.4	(5,689)	(6,590)	(6,404)
TOTAL NET LENDING	278,548	20.9	230,467	264,898	256,565



17.5%. This confirms the gradual slowdown in the property market. Other term loans rose 27.3% and credit cards increased 26.2%, reflecting the growth in consumer credit and in finance for SMEs and small businesses.

Lending to **non-resident** customers in Spain jumped 31.2% to €87 billion compared to €66 billion a year earlier (up 32.3% at constant exchange rates). All the Group's major units contributed. Mexico grew more than 20%, as did Chile, Colombia, Peru and Venezuela. The USA benefited from the addition of Texas State Bank and State National Bank and international wholesale banking continued to grow strongly, especially in Asia.

Non-performing loans account for the remaining €2.9 billion. These are dealt with in the chapter on risk management.

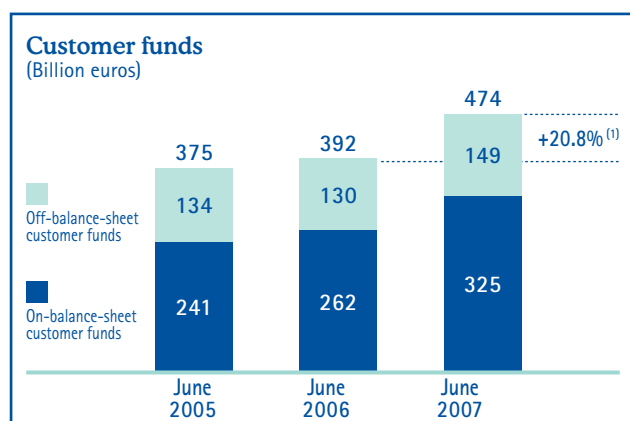
Customer funds

Total customer funds, on and off the balance sheet at 30-Jun-07, stand at €474 billion, an increase of

Customer funds

(Million euros)

	30-06-07	Δ%	30-06-06	31-03-07	31-12-06
ON-BALANCE-SHEET CUSTOMER FUNDS	324,636	24.0	261,868	319,564	283,645
DEPOSITS	223,793	29.1	173,402	220,284	192,374
Public sector	15,303	147.3	6,189	20,357	7,124
Other domestic sectors	107,267	30.2	82,409	97,868	94,393
• Current and savings accounts	46,689	3.5	45,094	44,509	47,806
• Time deposits	29,860	34.7	22,160	27,733	27,682
• Assets sold under repurchase agreement	9,742	19.2	8,175	8,791	9,081
• Other	20,976	200.6	6,979	16,835	9,824
Non-domestic sector	101,223	19.4	84,805	102,058	90,857
• Current and savings accounts	38,654	19.5	32,352	38,714	37,699
• Time deposits	53,911	37.8	39,135	55,185	42,910
• Assets sold under repurchase agreement and other accounts	8,658	(35.0)	13,317	8,159	10,249
MARKETABLE DEBT SECURITIES	85,887	13.5	75,686	85,303	77,674
Mortgage bonds	40,357	22.7	32,880	38,661	36,029
Other marketable securities	45,530	6.4	42,807	46,642	41,645
SUBORDINATED DEBT	14,957	17.0	12,779	13,977	13,597
OTHER CUSTOMER FUNDS	149,313	14.6	130,332	143,235	142,064
Mutual funds	60,669	6.4	57,020	58,494	58,452
Pension funds	61,206	20.5	50,776	58,368	57,147
Customer portfolios	27,438	21.8	22,536	26,374	26,465
TOTAL CUSTOMER FUNDS	473,949	20.8	392,200	462,800	425,709



(1) At constant exchange rates: +21.3%.

20.8% over the €392 billion a year earlier (21.3% at constant exchange rates). Of this amount only €5.5 billion comes from Texas State Bank and State National Bank and therefore the growth of customer funds is fundamentally organic.

Customer funds on-balance sheet (€325 billion at the end of the half-year) account for the biggest advance, growing 24.0% over the €262 billion at 30-Jun-06

(24.3% at constant exchange rates). Of this figure, customer deposits contributed €224 billion (up 29.1%), marketable debt securities accounted for €86 billion (up 13.5%) and subordinate liabilities (subordinate debt and preference securities) represented €15 billion (up 17.0%).

Customer funds **off-balance sheet** consist of mutual funds, pension funds and customers' portfolios. They came to €149 billion, which was a year-on-year increase of 14.6% over the €130 billion in June 2006 (up 15.1% at constant exchange rates). In Spain these funds increased 5.8% to more than €77 billion. Customers' portfolios (up 21.9%) and pension funds (up 9.2%) accounted for most of the growth. Mutual funds remain stable because customers are more interested in time deposits. Outside Spain these funds rose 25.8% to €72 billion (up 27.0% at constant exchange rates). The advance was widespread: mutual funds increased 30.7%, pension funds 25.4% and customer portfolios 21.6%. This represents a rebound after various quarters in which they were negatively impacted by exchange rates and the divestment of Banc Internacional de Andorra.

Other customer funds (Million euros)		30-06-07	Δ%	30-06-06	31-03-07	31-12-06
SPAIN		77,474	5.8	73,207	76,013	76,080
MUTUAL FUNDS		45,788	0.3	45,631	45,013	45,491
Mutual Funds (ex Real Estate)		43,172	(1.0)	43,617	42,616	43,273
• Monetary and short term fixed-income		15,208	(2.1)	15,531	15,237	15,496
• Long-term fixed income		2,054	12.4	1,828	2,050	1,783
• Balanced		1,715	(5.3)	1,812	1,653	1,577
• Equity		4,453	20.2	3,705	4,191	4,182
• Guaranteed		17,008	2.2	16,640	16,653	17,094
• Global		2,733	(33.3)	4,100	2,831	3,142
Real Estate investment trusts		2,493	23.7	2,015	2,397	2,218
Private equity funds		124	n.m.	-	-	-
PENSION FUNDS		16,463	9.2	15,082	16,296	16,291
Individual pension plans		9,313	11.6	8,348	9,257	9,249
Corporate pension funds		7,149	6.2	6,735	7,039	7,042
CUSTOMER PORTFOLIOS		15,224	21.9	12,493	14,704	14,298
REST OF THE WORLD		71,839	25.8	57,126	67,223	65,984
Mutual funds and investment companies		14,881	30.7	11,389	13,481	12,961
Pension funds		44,744	25.4	35,693	42,072	40,856
Customer portfolios		12,215	21.6	10,043	11,669	12,167
OTHER CUSTOMER FUNDS		149,313	14.6	130,332	143,235	142,064

In **Spain** the figure that best represents customer funds is the aggregate of current and savings accounts, time deposits from the domestic private sector, plus mutual and pension funds.

At the end of the first half this came to €139 billion, a rise of 8.5% compared to a year earlier. Of this amount transactional deposits account for €47 billion (up 3.5%), affected by a greater demand for time deposits in view of the rise in interest rates. This applies to the Spanish market in general. Stable funds account for the remaining €92 billion, with an increase of 11.1%. Time deposits jumped 34.7% to €30 billion, mutual funds remained unchanged at €46 billion and pension funds rose 9.2% to €16 billion (private plans were up 11.6%).

Public sector deposits in Spain jumped 147.3% year-on-year to more than €15 billion. Excluding amounts allocated in the Treasury's liquidity auctions, which were extremely high at the end of the first half, the balance rose 22.4% to €6 billion.

Regarding the funds of **non-resident** customers, the aggregate of deposits excluding repurchase agreements and other such accounts, plus mutual and pension funds, climbed 28.4% to €152 billion (up 29.4% at constant exchange rates). Transactional deposits are of particular interest owing to their lower cost. They rose 19.5% to nearly €39 billion. Stable funds came to nearly €114 billion (up 31.7%). Time deposits accounted for €54 billion (up 37.8%), pension funds €45 billion (up 25.4%) and mutual funds €15 billion (up 30.7%).

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					(1,754)	(7)		(1,762)
Profit retained		2,011	(2,011)					-
Dividends			(1,795)			(85)	720	(1,160)
Shares issued								-
Results of treasury shares traded				(92)				(92)
Profit for the year			3,336			132		3,469
Other		(5)		23		(246)		(229)
BALANCE AT 30-06-06	1,662	10,836	3,336	(166)	1,540	766	(447)	17,528
BALANCE AT 31-12-06	1,740	13,208	4,736	(112)	3,341	768	(1,363)	22,318
Valuation adjustments					(509)	(79)		(587)
Profit retained		2,519	(2,519)					-
Dividends			(2,217)			(108)	824	(1,501)
Shares issued								-
Results of treasury shares traded		(3)		(92)				(95)
Profit for the year			3,374			150		3,524
Other		(34)		15		65		46
BALANCE AT 30-06-07	1,740	15,690	3,374	(189)	2,832	797	(539)	23,705

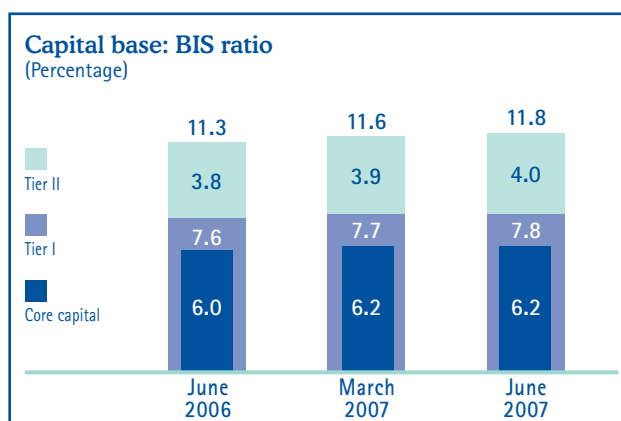
At the end of the second quarter the BBVA Group's capital base, calculated in accordance with the criteria of the Bank for International Settlements (BIS), came to €32,729m. This is 8.3% higher than at 31-Mar-07. As risk-weighted assets increased at a slower pace during the quarter (up 6.8% to €277,529m), the **BIS ratio** increased to 11.8% (11.6% at 31-Mar-07 and 11.3% at 30-Jun-06). The capital base surplus, in excess of the 8%-level of risk-weighted assets required by BIS rules, came to €10,527m, a rise of 11.5% compared to 31-Mar-07.

During the second quarter the Group **securitized** €4,800m in assets. This helped to slow the growth of risk-weighted assets during the period.

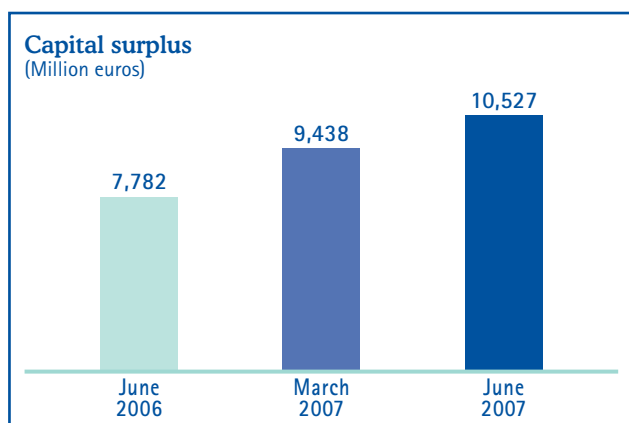
Of the above capital base, **core capital** accounted for €17,282m at 30-Jun-07 after growing 8.1% in the second quarter. It therefore stands at 6.2% of

risk-weighted assets (similar to March 2007 and higher than the 6.0% in June 2006).

Tier I (the sum of preference securities and core capital) came to €21,718m, which is 7.8% of risk-weighted assets. This figure is higher than 31-Mar-07 (7.7%) and 30-Jun-06 (7.6%).



Capital base (BIS Regulation) (Million euros)				
	30-06-07	31-03-07	31-12-06	30-06-06
Called-up share capital	1,740	1,740	1,740	1,662
Reserves	16,007	15,990	13,694	10,832
Minority interests	756	724	705	761
Deductions	(4,596)	(4,425)	(5,327)	(2,751)
Net attributable profit	3,374	1,950	4,736	3,336
CORE CAPITAL	17,282	15,980	15,549	13,840
Preference shares	4,436	4,001	4,025	3,714
CAPITAL (TIER I)	21,718	19,981	19,574	17,554
Subordinated debt	9,732	9,082	8,783	7,788
Valuation adjustments and other	1,675	1,541	1,842	1,112
Deductions	(396)	(382)	(34)	(76)
OTHER ELIGIBLE CAPITAL (TIER II)	11,011	10,241	10,591	8,823
CAPITAL BASE	32,729	30,221	30,164	26,377
Minimum capital requirement (BIS Regulation)	22,202	20,784	20,190	18,595
CAPITAL SURPLUS	10,527	9,438	9,974	7,782
RISK-WEIGHTED ASSETS	277,529	259,794	252,373	232,436
BIS RATIO (%)	11.8	11.6	12.0	11.3
CORE CAPITAL (%)	6.2	6.2	6.2	6.0
TIER I (%)	7.8	7.7	7.8	7.6
TIER II (%)	4.0	3.9	4.2	3.8



During the second quarter the Group issued \$600m in preference securities with an early redemption option from 2017 onwards. Following this, the ratio of preference securities to Tier I came to 20.4%.

Other eligible capital, which includes subordinate debt and eligible latent capital gains, amounted to €11,011m. As a result **Tier II** rose to 4.0% (3.9% in March 2007 and 3.8% in June 2006).

In the second quarter of 2007 there were two issues of subordinate debt: an issue of €750m for public

institutions, which matures in March 2017 with an early redemption option in 2012 and a fixed coupon of 50 basis points; and an issue of €100m for private institutions maturing in 2022. Two issues made by BBVA Bancomer, with an equivalent value of €972m, and an issue by BBVA Banco Continental, with an equivalent value of €9m, also count as Tier II in the Group's capital base. An issue of €1,500m of subordinated debt was amortised in April.

Ratings

In the second quarter of 2007 BBVA has had its ratings improved or confirmed. Moody's revised its rating for BBVA after implementing a new methodology (Joint Default Analysis). This lifted the long-term rating from Aa2 to Aa1. Fitch modified its rating outlook from AA- *stable* to AA- *positive*. This also affects BCL's rating. The agency does not dismiss the possibility of a higher rating if the Bank maintains its solid performance and healthy asset quality in the medium term, the strength of its franchise in the strategic markets (Spain and Mexico), the high asset quality and appropriate capitalisation.

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

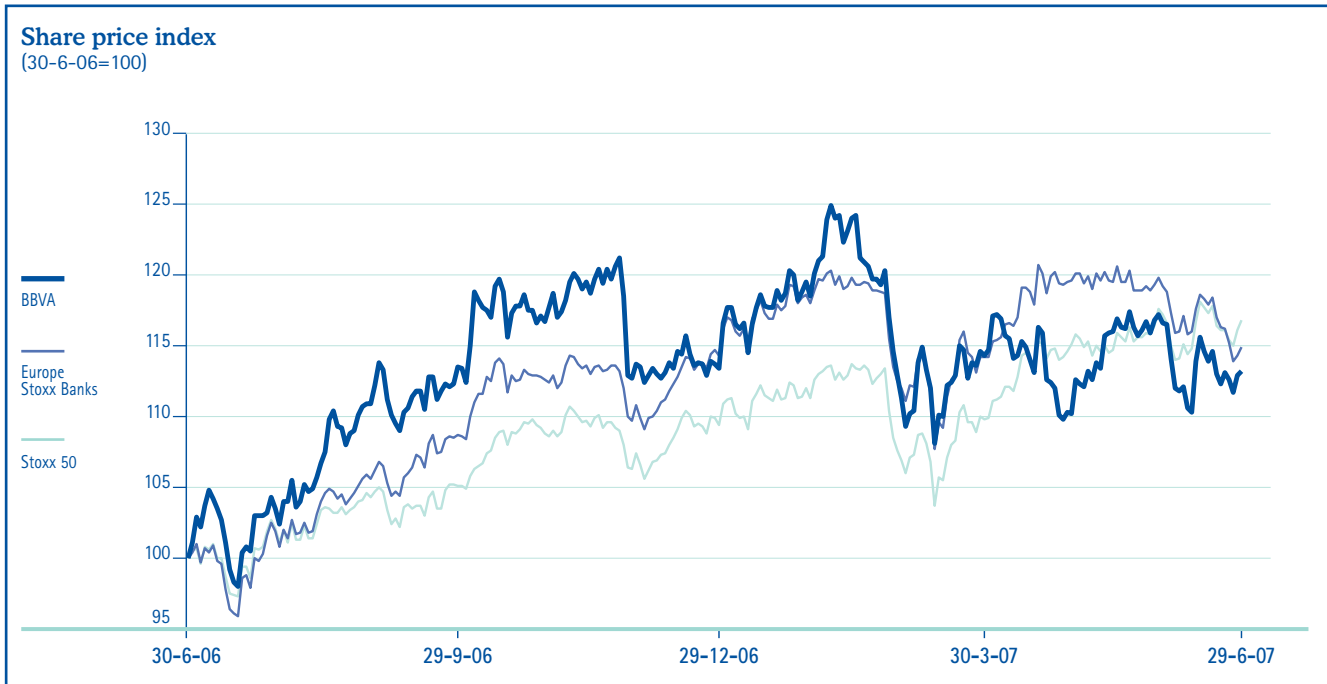
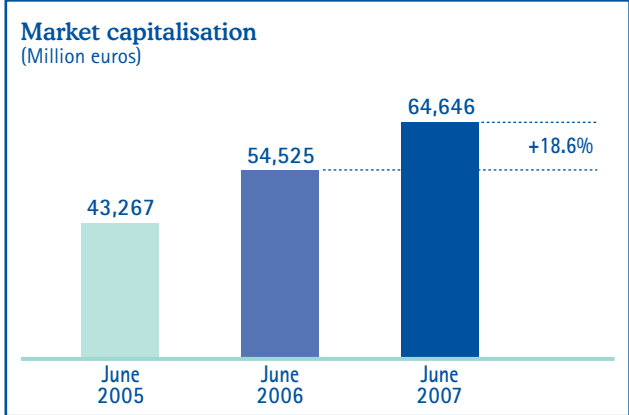
The BBVA share

In the **second quarter** of 2007 the global economy continued growing. However, investors were focused on interest rate forecasts (particularly the rise of long-term rates), worries over a pick-up in inflation and the widening of lending spreads. In this context, the Stoxx 50 index which went up sharply in the beginning of the quarter has been damaged since mid-May by the worsening of credit markets (as a result of the *subprime* crisis in the USA), and by the upward trend of interest rates and oil prices. Thus, the trend has turned bearish at the end of June. All in all, the Stoxx 50 index rose 6.4% in the second quarter and the S&P 500 gained 5.8%. The Ibex 35, however, rose only 1.7% in the quarter, penalised by uncertainty in the Spanish real estate sector.

In a situation that did not particularly favour the European banking sector or the Spanish market in relative terms, **BBVA** did better than other Spanish banks, falling 1.0% during the quarter. Over the last twelve months its share price has risen 13.2% and this is in line with the European banking sector.

Analysts viewed the Group’s first quarter results positively and found them to be generally in line with forecasts. Following the results release they maintained their buy recommendations and target prices. Analysts were encouraged by higher earnings in all the business areas and by the quality of the Group’s fundamentals.

European banks underperformed the market in the second quarter of 2007 (the Stoxx bank index rose 0.6%). Following moderate gains in the first part of the quarter the sector suffered a correction at the end of May caused by the factors mentioned in the previous paragraph. The positive factors in the period included possible mergers and –to a lesser extent– the recovery of the German economy and considerable activity in capital markets. Spanish banks have been hurt by uncertainty surrounding the real estate market and the British banks by an anticipated decline in the UK economy.



The BBVA share

	30-06-07	31-03-07	31-12-06	30-06-06
Number of shareholders	881,519	878,899	864,226	926,768
Number of shares issued	3,551,969,121	3,551,969,121	3,551,969,121	3,390,852,043
Daily average number of shares traded	48,948,822	47,089,576	34,457,769	32,338,859
Daily average trading (million euros)	907	882	593	531
Maximum price (euros)	20.28	20.28	20.26	17.75
Minimum price (euros)	17.35	17.35	14.78	14.78
Closing price (euros)	18.20	18.38	18.24	16.08
Book value per share (euros)	5.65	5.31	5.13	4.49
Market capitalisation (million euros)	64,646	65,285	64,788	54,525

Share performance ratios

	30-06-07	31-03-07	31-12-06	30-06-06
Price/Book value (times)	3.2	3.5	3.6	3.6
PER (Price/Earnings; times) ⁽¹⁾	10.5	11.7	13.7	11.5
Yield (Dividend/Price; %) ⁽²⁾	4.12	4.05	3.49	3.96

(1) The 30-6-07 P/E is calculated taking into consideration the median of the analysts' estimates (July 2007).

(2) Dividend yield at 30-6-07 is calculated taking into consideration the median of analysts' estimates (July 2007).

During the second quarter BBVA's share price varied between €17.47 and €18.92, closing at €18.20 on 29-Jun-07. As a result the Group's market capitalisation has risen to €64,646m, an increase of 18.6% compared to the same date a year earlier. Average daily turnover was 51m shares and the average value traded daily was €934m. Both figures are higher than the first quarter this year.

Concerning **shareholder remuneration**, on 10th April the bank paid a final dividend of €0.241 per share against 2006 earnings. This brought total dividends for 2006 to €0.637 per share (20.0% higher than 2005). On 10th July a first interim dividend of €0.152 per share was paid against 2007 earnings. This is an increase of 15.2% compared to the first interim dividend in 2006.

Risk management

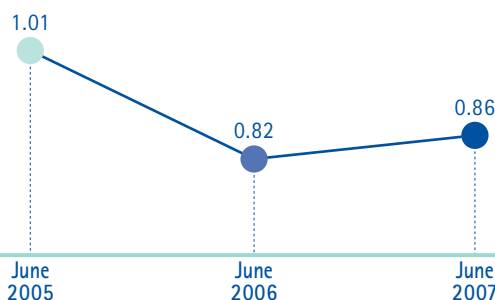
Credit risk

The asset quality on the BBVA Group's loan book remains excellent. Its non-performing loan (NPL) ratio is close to the record lows achieved in mid-2006 and with high coverage.

Total exposure with customers (including contingent liabilities) came to €338 billion at 31-Jun-07, an increase of 24.2% over the €272 billion booked to the same date in 2006. During the semester in Spain and the Americas, lending grew especially strongly in products such as consumer finance, credit cards and SME lending. Although these entail a potentially higher level of default than products such as mortgages or lending to large corporations and institutions, their higher yield make them more profitable overall.

Non-performing assets reached €2,918m at the end of June, as against €2,240m on 30-Jun-06, pushing the Group's **non-performing-loan ratio** up slightly to 0.86% on 30th June 2007 from 0.82% on the same date of 2006 and 0.84% on 31-3-07. By business areas, the NPL ratio for Spain and Portugal was 0.63% (0.52% at 30-Jun-06), 0.03% for Global Businesses (unchanged against twelve

Non-performing loan ratio
(Percentage)



months earlier) and 2.28% for Mexico and the United States (2.21% at the end of June 2006); while in South America it went down to 2.51% from 3.15% a year ago.

Allocations to provisions continued to include a large component of generic provisioning directly linked to high lending growth. They have increased **coverage** funds to €7,407m, 20.2% up on the €6,161m in June 2006. Generic funds increased 23.4% over the last twelve months to €5,310m, now accounting for 71.7% of the total. The Group's coverage (ratio of coverage

Credit risk management

(Million euros)

	30-06-07	Δ%	30-06-06	31-03-07	31-12-06
TOTAL RISK EXPOSURE⁽¹⁾					
Non-performing assets	2,918	30.3	2,240	2,693	2,531
Total risks	338,089	24.2	272,196	318,913	305,250
Provisions	7,407	20.2	6,161	7,093	6,905
• Specific	1,939	10.7	1,752	1,892	1,842
• Generic and country-risk	5,468	24.0	4,409	5,201	5,063
NPL ratio (%)	0.86		0.82	0.84	0.83
NPL coverage ratio (%)	253.8		275.1	263.4	272.8
MEMORANDUM ITEM:					
Foreclosed assets ⁽²⁾	256	(13.0)	295	242	250
Foreclosed asset provisions	72	(43.3)	126	89	82
Coverage (%)	27.9		42.9	36.6	32.8

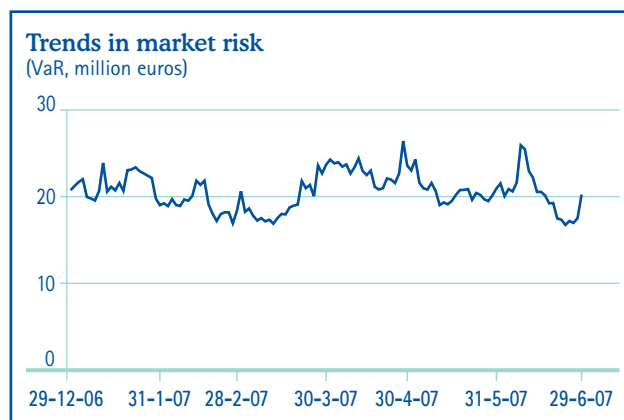
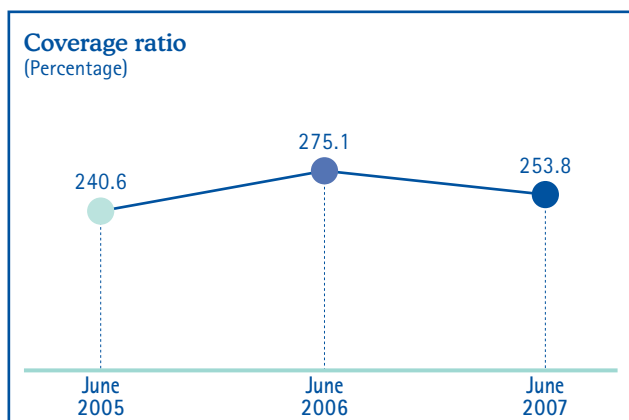
(1) Including contingent liabilities. (2) Including goods recovered from leasing agreements.

Variations in non-performing assets

(Million euros)

	2007		2006		
	2Q	1Q	4Q	3Q	2Q
BEGINNING BALANCE ⁽¹⁾	2,693	2,531	2,361	2,240	2,325
Net variation	225	162	170	121	(85)
Entries	1,049	947	821	715	607
Outflows	(567)	(583)	(507)	(433)	(454)
Write-offs	(265)	(224)	(198)	(191)	(163)
Exchange rate differences and other	8	22	54	30	(75)
PERIOD-END BALANCE ⁽¹⁾	2,918	2,693	2,531	2,361	2,240
MEMORANDUM ITEM:					
• Non-performing loans	2,881	2,655	2,492	2,331	2,214
• Non-performing contingent liabilities	37	38	40	30	26

(1) Including contingent liabilities.



funds to non-performing assets) remained at a comfortable 253.8% for the Group as a whole (275.1% a year earlier) while all business areas maintained high levels: 278.2% in Spain and Portugal; over 4,400% in Global Businesses; 233.0% in Mexico and the United States and 130.8% in South America.

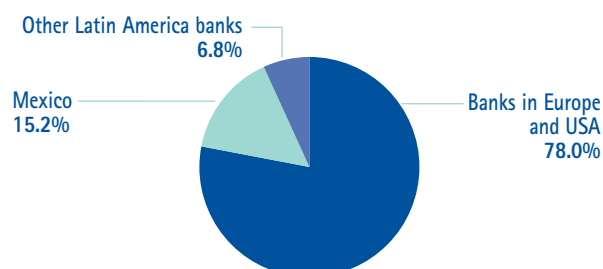
The average relative importance of risk in mature markets rose against the previous quarter to account for 78% of total exposure. These markets showed a significant reduction in interest-rate risk but were more exposed to lending spreads, equity prices and volatility. The percentage of exposure held in Latin America

Market risk

Market exposure measured by value-at-risk (without exponential flattening) stood at an average of €21.1m during the second quarter of 2007 in the BBVA Group markets areas, which account for scarcely 4% of the Group's total economic risk capital. This is slightly higher than the €20m recorded in the first quarter of 2007. At the end of June, the VaR was brought down to €20.2m, way below the quarterly maximum of €26.4m recorded in April. Average weighted consumption of limits remained at moderate levels, similar to the end of March (46%).

Market risk by geographical areas

(Average second quarter 2007)



Market risk by risk factors

(Second Quarter 2007. Million euros)

Risk	30-06-07	Daily VaR		
		Average	Maximum	Minimum
Interest ⁽¹⁾	10.5	12.3	17.9	8.4
Exchange rate ⁽¹⁾	0.8	1.3	2.6	0.5
Equity ⁽¹⁾	5.2	5.3	7.1	3.8
Vega and correlation	7.9	6.8	7.9	5.7
Diversification effect	(4.2)	(4.6)	-	-
TOTAL	20.2	21.2	26.4	16.7

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

meanwhile dropped to 22%, concentrated in Mexico (at 15.2%, stable on average but with higher variability over the quarter) and, albeit less so, in Chile and Peru. These two countries reflected the overall patterns of risk throughout Latam as their levels went down to around 25-30%, having mitigated exposure with hedging strategies.

Although interest-rate risk and lending-spread risk accounted for the largest proportion of total market exposure, their percentage of this total went down to 43%, without considering the diversification effect. The risk of volatility from optional positions (vega, up to 27%), stock exchange risk (19%) and correlation risk (11%) increased their share of the total, while exchange-rate risk has reduced its share to 3%.

Economic capital

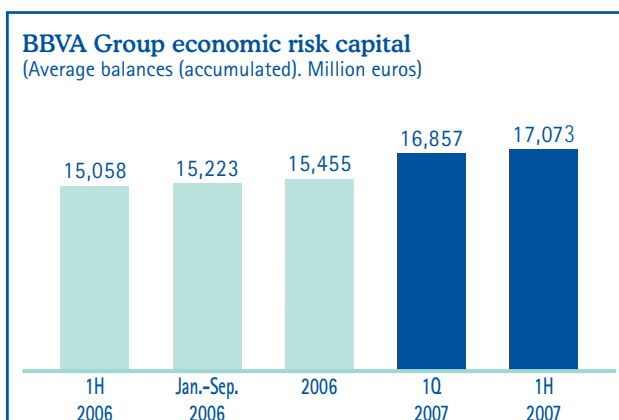
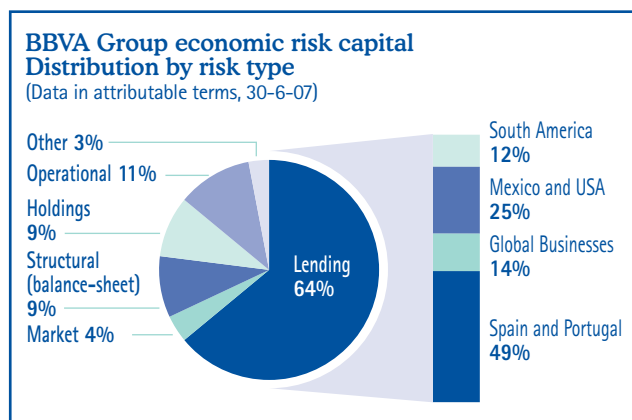
Consumption of economic risk capital (ERC) in the BBVA Group, in attributable terms, stood at

€17,356m to 30-Jun-07¹. In like-for-like terms this was 14.3% higher than June 2006 and 5.1% higher than the end of December 2006.

The largest item is credit-risk ERC, which accounts for 64% of the total. This has increased by 7.8% during the semester, mainly driven by Global Businesses and South America.

The percentage of structural balance-sheet risk in total ECR has gone down from 9.5% in December to 9% in June. The ECR associated to equity participations accounted for 9% of the total, having grown 8.6% over the last six months. Excluding the effect of holdings bought in Asia, this figure has dropped 9.3%.

The percentage of market risk to total exposure remains at 4%, with a slight 1.8% rise since 31-12-06. Operational risk grew over the year by 3%, reaching 11% of the total.



⁽¹⁾ This figure includes the yearly effects of the review and fine-tuning of the models implemented in January 2007; like for like, the closing figure for December would be €16,517m (against the €17,308m published before)

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:

$$\text{Economic profit (EP)} = \text{profit} - (\text{ERC} \times \text{cost of capital})$$

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 actual 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)

	1 st Half 07	Δ%	1 st Half 06
NET ATTRIBUTABLE PROFIT	3,374	1.1	3,336
Adjustments	372	283.0	97
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	3,746	9.1	3,434
Average economic risk capital (ERC) (B)	17,073	13.4	15,058
RISK ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100⁽¹⁾	44.2		46.0
ERC x cost of capital (C)	896	9.8	816
ECONOMIC PROFIT (EP) = (A) - (C)	2,850	8.9	2,618

(1) Percentage annualized.

EP and RAROC by business area

(1st Half 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	6,421	1,239	38.9	38.9	945
Global Businesses	2,523	865	69.1	34.9	733
Mexico and the United States	3,905	909	46.9	46.9	690
South America	1,824	328	36.2	36.2	209
Corporate Activities	2,400	406	34.1	-	273
TOTAL BBVA GROUP	17,073	3,746	44.2	33.6	2,850

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.

Net attributable profit by business area

(Million euros)

	1 st Half 07	Δ%	1 st Half 06
Spain and Portugal	1,172	28.3	914
Global Businesses	451	5.7	426
Mexico and the United States	949	15.1	825
South America	326	16.0	281
Corporate Activities	475	(46.6)	890
BBVA GROUP NET ATTRIBUTABLE PROFIT	3,374	1.1	3,336

ROE and efficiency

(Percentage)

	ROE		Efficiency including depreciation and amortization	
	1 st Half 07	1 st Half 06	1 st Half 07	1 st Half 06
Spain and Portugal	36.8	29.7	37.4	41.4
Global Businesses	35.4	44.3	28.1	28.2
Mexico and the United States	49.0	45.3	38.1	39.1
South America	36.1	36.8	45.8	48.6
BBVA GROUP ⁽¹⁾	31.5	35.8	41.6	44.3

(1) Excluding the one-off operations.

Spain and Portugal

Income statement

(Million euros)

	Spain and Portugal		
	1H 07	Δ%	1H 06
NET INTEREST INCOME	2,057	13.7	1,809
Income by the equity method	-	n.m.	-
Net fee income	835	4.0	803
Income from insurance activities	224	23.1	182
CORE REVENUES	3,116	11.6	2,793
Net trading income	131	40.3	93
ORDINARY REVENUES	3,247	12.5	2,886
Net revenues from non-financial activities	23	51.3	15
Personnel and general administrative expenses	(1,207)	2.1	(1,183)
Depreciation and amortization	(54)	3.7	(52)
Other operating income and expenses	13	28.4	10
OPERATING PROFIT	2,021	20.6	1,677
Impairment losses on financial assets	(291)	2.7	(283)
• Loan loss provisions	(289)	1.5	(284)
• Other	(2)	n.m.	1
Provisions	-	n.m.	1
Other income/losses	6	(55.3)	13
PRE-TAX PROFIT	1,736	23.3	1,407
Corporate income tax	(564)	14.7	(491)
NET PROFIT	1,172	28.0	916
Minority interests	-	(94.0)	(2)
NET ATTRIBUTABLE PROFIT	1,172	28.3	914

Memorandum item:

Financial Services		Corporate and Business Banking			
1H 07	Δ%	1H 06	1H 07	Δ%	1H 06
1,536	13.0	1,359	513	17.0	438
-	n.m.	-	-	n.m.	(1)
770	6.5	723	153	7.0	143
-	-	-	-	-	-
2,305	10.7	2,082	666	14.7	580
24	11.7	22	97	46.2	66
2,329	10.7	2,104	763	18.0	647
15	7.7	14	-	-	-
(970)	0.1	(969)	(154)	1.6	(152)
(43)	3.1	(42)	(4)	2.1	(4)
9	24.8	7	1	(41.1)	3
1,340	20.3	1,113	606	22.8	494
(170)	(1.5)	(172)	(111)	(0.7)	(112)
(169)	(1.5)	(172)	(111)	(1.1)	(112)
-	(4.9)	-	-	n.m.	-
1	n.m.	(2)	1	59.3	1
9	(13.3)	11	2	(11.0)	2
1,180	24.2	950	498	29.6	385
(382)	15.3	(332)	(162)	20.7	(134)
798	29.0	619	336	34.3	250
-	n.m.	(2)	-	-	-
798	29.5	616	336	34.3	250

Balance sheet

(Million euros)

	Spain and Portugal		
	30-06-07	Δ%	30-06-06
Cash and balances at Central Banks	2,144	22.4	1,751
Financial assets	13,945	(8.4)	15,228
Loans and receivables	195,966	14.2	171,570
• Due from banks	3,175	(31.2)	4,614
• Loans to customers	191,673	15.3	166,277
• Other	1,118	64.8	678
Inter-area positions	-	-	-
Property, plant and equipment	1,450	16.4	1,246
Other assets	2,670	37.8	1,938
TOTAL ASSETS / LIABILITIES AND EQUITY	216,175	12.7	191,732
Deposits by Central Banks and banks	11,548	15.9	9,968
Due to customers	83,944	15.0	73,015
Marketable debt securities	7,522	(4.3)	7,858
Subordinated debt	3,885	4.2	3,730
Inter-area positions	81,633	15.9	70,415
Other liabilities	21,048	4.1	20,214
Minority interests	6	(88.3)	50
Economic capital allocated	6,587	1.6	6,481

Memorandum item:

Financial Services		Corporate and Business Banking			
30-06-07	Δ%	30-06-06	30-06-07	Δ%	30-06-06
1,496	13.7	1,316	590	52.5	387
255	(58.0)	607	2,849	(13.9)	3,309
121,674	17.7	103,365	68,916	9.1	63,153
1,214	n.m.	81	880	(73.1)	3,274
119,814	16.4	102,903	67,837	13.8	59,624
646	69.9	380	200	(21.4)	254
-	-	-	-	-	-
1,118	6.6	1,049	58	(24.5)	77
783	26.7	618	387	n.m.	(9)
125,327	17.2	106,955	72,800	8.8	66,916
4,632	38.6	3,342	3,256	(21.3)	4,136
60,499	15.8	52,223	21,732	16.0	18,730
45	(3.6)	46	7,477	(4.3)	7,812
2,100	3.6	2,027	1,284	(3.1)	1,325
48,434	20.5	40,188	33,905	12.6	30,107
5,892	7.4	5,488	2,867	16.9	2,453
6	(88.3)	49	-	(100.0)	-
3,719	3.6	3,590	2,280	(3.1)	2,353

Relevant business indicators

(Million euros and percentages)

	Spain and Portugal			Memorandum item:					
	30-06-07	Δ%	30-06-06	Financial Services			Corporate and Business Banking		
	30-06-07	Δ%	30-06-06	30-06-07	Δ%	30-06-06	30-06-07	Δ%	30-06-06
Customer lending ⁽¹⁾	192,292	15.5	166,496	120,651	16.4	103,651	67,621	14.5	59,074
Customer deposits ⁽²⁾	89,794	13.2	79,356	63,482	13.6	55,889	24,453	15.0	21,271
• Deposits	89,678	13.1	79,291	63,419	13.5	55,876	24,400	15.0	21,219
• Assets sold under repurchase agreement	117	78.4	65	63	n.m.	13	54	2.4	52
Off-balance-sheet funds	52,662	1.8	51,735	49,503	1.8	48,642	2,090	0.1	2,087
• Mutual funds	43,099	(0.2)	43,196	40,352	(0.3)	40,469	2,023	(0.1)	2,024
• Pension funds	9,563	12.0	8,539	9,151	12.0	8,173	67	6.7	63
Other placements	5,622	(20.9)	7,111	5,595	(21.2)	7,102	27	199.9	9
Customer portfolios	9,994	50.0	6,664	9,994	50.0	6,664	-	-	-
Risk-weighted assets ⁽³⁾	82,334	1.6	81,016	46,488	3.6	44,879	28,500	(3.1)	29,416
ROE (%)	36.8		29.7	44.2		36.4	30.9		22.3
Efficiency ratio (%)	35.8		39.6	40.0		44.5	19.5		22.6
Efficiency incl. depreciation and amortization (%)	37.4		41.4	41.9		46.5	20.0		23.2
NPL ratio (%)	0.63		0.52	0.77		0.61	0.37		0.36
Coverage ratio (%)	278.2		339.6	229.4		292.1	458.2		475.4

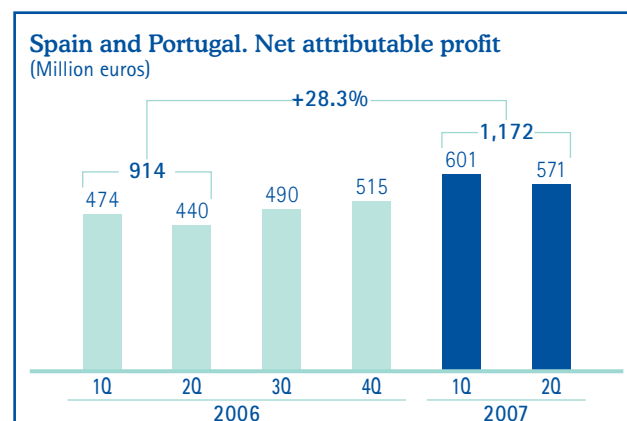
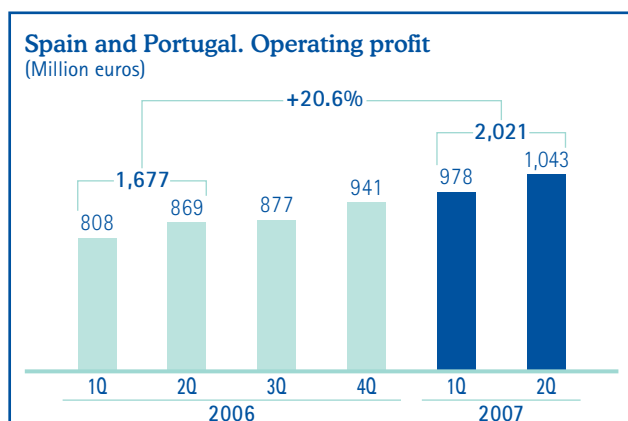
(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) According to ERC methodology.

Through its financial services unit the Spain and Portugal Area handles the retail customer segment (Financial services for private individuals). The unit also manages business with small companies, professional practices, the self-employed, retailers and the farming community (Financial services for small businesses) and consumer finance through Finanzia and Uno-e. In addition the area contains the corporate & 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.

In Spain economic growth is exceeding initial estimates and interest rates continue to rise. The area's growing productivity (which continues to drive business volumes

and other revenues), a new improvement in customer spreads and cost constraints helped operating profit to rise 20.6% year-on-year. These recurrent earnings are the basis of the increase in **net attributable profit** which rose 28.3% to €1,172m in the first half and of the increase in ROE which stands at 36.8% – compared to 29.7% a year earlier.

At end of the first half, **lending to customers** stands at €192,292m, an increase of 15.5% year-on-year. Of this amount, the financial services unit manages €120,651m (up 16.4%) with good performance in the private individuals segment, small businesses and the self-employed. Corporate & business banking (CBB) manages €67,621m (up 14.5% with rises in its three segments).



Total **customer funds** (deposits, mutual funds, pension funds and other placements) increased 7.1% to €147,962m. The higher profitability of time deposits following the increase in interest rates means they are in demand by customers at the expense of transactional deposits and mutual funds. In this context customer funds on the balance sheet are up 13.1% and time deposits have increased 34.9%, outperforming the banking sector average. Transactional deposits increased 4.9% and mutual funds are practically unchanged (down 0.2%).

The higher business volumes, together with the improvement in customer spreads (thanks to pricing policies) helped **net interest income** to increase progressively (€1,053m in the second quarter of 2007 and €1,004m in the first). This continues an upward trend in quarterly figures that has now lasted ten quarters. The amount for the first half came to €2,057m, an increase of 13.7% over the same period last year.

Other sources of income increased 10.4%. Net fee income contributed €835m (up 4.0% with mutual funds stable and positive results in fees related to activity). Insurance business continued to do well (up 23.1% to €224m) and so did net trading income (up 40.3% to €131m helped by the distribution of derivatives via the branch network). Together, these items brought **ordinary revenues** to €3,247m (up 12.5%), extending its upward trend for the last ten quarters.

Operating expenses were kept under control, rising 2.1% year-on-year. The increase was mainly due to “growth projects” because in the branch networks in Spain (retail banking and CBB) expenses fell 0.7% thanks to rationalisation of networks and middle management in 2006. Higher revenues and the contained expenses meant the **cost/income** ratio improved 4 percentage points to 37.4% (41.4% a year earlier). As a result **operating profit** rose 20.6% to €2,021m in the first half and completed ten quarters of steady growth.

Net transfers to **loan-loss provisions** are €289m, up by only 1.5% year on year and mostly generic in nature. This is a consequence of the strict risk controls established for the underwriting of new business, that enable BBVA to maintain a low NPL ratio, below the sector's average (according to the latest public data): 0.63% at the end of June, somewhat higher than 0.52%

a year earlier. This is due to the change in the mix of the loan portfolio, with increased weighting of consumer and credit cards as well as SME lending. The coverage ratio, however, remains high at 278.2%.

Financial Services

Financial services cover business with private individuals and small businesses, and the consumer finance unit. In the year to June the unit increased lending 16.4% and customer funds under management 6.2% (customer funds on the balance sheet were up 13.5%). Helped by widening spreads and the improvement in efficiency, this enabled operating profit to rise 20.3% to €1,340m and produced net attributable profit of €798m (up 29.5%).

Financial Services for Individuals

Business in this segment continues to be very strong, aided by a 12.9% increase in **marketing productivity**. This improved to 48.7 products per month per account manager, boosted by constant innovation, diversification of the product range and the quality of advice given to customers.

The **consumer finance** portfolio stands at €9,839m, which is 12.1% higher than at 30-Jun-06, with an upward trend in profitability. In the first half, sales increased 5.2% year-on-year to €2,482m. The PIDE loan performed well. This product was launched in 2006 and now accounts for a quarter of sales (€599m) thanks in part to assigning PIDE limits to 450,000 new customers in May and June.

Residential **mortgages** rose 17.5% to €78,117m at June 2007. New operations closed during the first half increased 13.1% to €15,290m, boosted by new products such as bridging finance (*Cambio de Casa*), the blueBBVA Mortgage and the Universal Mortgage.

Customer funds were helped by a **new savings campaign** which, by means of 500,000 gifts, lifted savings accounts €1,465m. This campaign included the Blue and Másblue accounts (from the young-customer segment).

For the third year running, time deposits (up 35.5%) dominated the gathering of **stable deposits**. This is mainly explained by the persistently wide range of products and

the launch of new highly competitive ones (*MultiDepósito BBVA* and *Depósito Creciente BBVA*). New time deposits in the first half came to €3,410m. The high demand for time deposits, in which BBVA has constantly increased its market share despite broad competition, means that mutual funds remain at the same level as 30-Jun-06. Pension funds rose 11.9%. The aggregate of time deposits, mutual and pension funds, and other placements rose 8.0% to €80,023m at 30-Jun-07.

In the first half **Dinero Express**, a custom chain of branches for the immigrant segment, made 309,000 money transfers and intervened in another 285,000 coming from BBVA branches. The combined value of operations was €229m and it added 42,000 new remittance customers.

Financial Services for Small Businesses

This segment consists of small companies, retailers, professional practices, the self-employed and the farming community. At the end of the first half **lending** came to €20,324m, a rise of 17.1%. It was helped by a finance campaign launched in May, which added more than 14,000 loan accounts (*Cuenta de Crédito Triple Cero Plus*). Under the BBVA ICO-Pyme 2007 campaign customers requested €775m in funds and this provided a further contribution. Discounted bills continued to perform well. Products such as factoring and confirming increased 40% compared to the first half of 2006.

The new line of *Stockpyme hedging* products targets individuals engaged in business activities (the self-employed, retailers and professional practices) as well as companies. This boosted new contracts in the first half to 6,500.

Business **insurance** increased 31% in terms of policies and premiums. This confirms the market's acceptance of such products.

A new **transaction services** product (*Pack Negocios*) achieved important advances in bundling (lifting product placement 32%) and raising customer balances 13%. The PAC campaign in the **farming segment** ended on 15th April. Some 46,500 farmers arranged direct deposit of their grants (*Ayudas de Pago Único*) worth €224m.

Consumer Finance

This unit manages online banking, consumer finance and vehicle loans, credit card distribution and leasing plans (with maintenance), which are conducted via Uno-e, Finanzia and other companies in Spain, Portugal and Italy. Thanks to the high level of business activity, the unit's operating profit rose 21.7% in the first half to €66m and net attributable profit was up 14.5% to €27m.

The **loan portfolio** at 30-Jun-07 stood at €4,862m (up 33.8%) and sales in the first half came to €2,625m (up 30%). In the vehicle prescription business sales came to €936m bringing the balance in the portfolio to €2,534m (up 36%) and in vehicle leasing plans the fleet rose 14% to 37,734 units. Equipment finance increased 38% to €706m (sales were up 27%) and equipment leasing plans rose 27% to €582m (€167m added in the first half). Lending at Uno-e stands at €1,077m, an increase of 38% compared to June 2006 and customer funds (managed or brokered) rose 9% to €1,610m.

In **Portugal**, the balance of vehicle finance provided by BBVA Finanziamento came to €375m (up 12%) with sales of €98m in the year to June. Furthermore the leasing plan companies in **Italy** (acquired last year) ended June with a fleet of 13,022 vehicles.

Corporate & Business Banking

In the first half the Corporate and Business Banking unit (CBB), which manages SMEs, large companies and institutions in the Spanish market through three specialised networks, obtained net attributable profit of €336m (up 34.3%). The loan portfolio increased 14.5% to €67,621m and customer funds were up 13.7% to €26,517m. The higher volume of business, appropriate price management and income from fees and the distribution of hedging products, helped ordinary revenues to rise 18.0% to €763m in the year to June. These revenues, together with cost control, improved the cost/income ratio 3.2 points to 20.0% and lifted operating profit 22.8% to €606m.

In the **SME** and **large corporations** segments, and Iberian subsidiaries of multinationals, lending increased 18.4%

year on year to €47,693m and customer funds grew 7.1% to €14,100m. The positive volume effect, the wider spreads, the higher net trading income from the distribution of hedging products (the *Riskpyme* project) and cost control helped operating profit to rise 21.7% to €520m in the first half. Net attributable profit rose 34.9% to €277m.

New developments in this segment include leasing plans with no principal sum, turnkey projects and products with a grace period for principal and interest, applicable to plant and equipment as well as fixed assets.

Significant operations in the second quarter for Corporate Banking included €3,600m in finance to ONO for acquiring its own cable network and for virtual mobile telephony.

In business with public and private **institutions**, lending was up 5.9% to €19,783m and customer funds rose 22.3% to €12,412m. Operating profit came to €96m (up 32.3%) and net attributable profit was €64m (up 28.5%).

In the second quarter BBVA won a competition for a pension plan for members of the upper and lower houses of the Spanish parliament. It was also entrusted with a €300m bond issue for the Madrid regional government and with management of 30% of the total business of the Catalan regional government.

CBB strives for leadership and continues to bring out new products that add value for its customers. During the quarter they included leasing with confirmed payment which replaces bills of exchange with *confirming* notes. This increases lending by making the total amount available and by including the deposit on the confirmed payment.

European Insurance

This unit handles insurance business in Spain and Portugal. In the first half, it contributed €240m to the area's income statement. Of this amount €224m came from policies issued by the Group (up 23.1%) and €16m was brokerage fees on the policies of other companies. Net attributable profit in the year to June increased 23.7% to €112m.

Total premiums in the first half came to €664m of which risk premiums (life and non-life) accounted for €366m (up 11.4%), generating underwriting margins of 69.6%. Private policies and group schemes account for the remainder. BBVA Seguros continues to lead in individual life insurance policies in Spain with a 15.7% market share at March 2007 (the latest figure available).

In the first half the unit launched several important initiatives. These include new forms of guaranteed income, which are part of the scheme for senior citizens. The new additions allow BBVA to respond to customers' needs in terms of the sum payable on death, constant or indexed pensions, or the possibility of reversion. Furthermore, the unit has simplified the process for issuing life insurance policies associated with mortgages and for information on a customer's overall insurance position. These are producing improvements in productivity and customer service.

BBVA Portugal

Lending by this unit rose 19% year-on-year. Mortgages were up 21% and consumer finance rose 29%. Together with appropriate pricing, this helped net interest income to increase 14.4%. Net fee income rose 16.5% and expenses fell 8.6%, boosting operating profit 85.5%. Net attributable profit was down 7.0% to €8m in the year to June owing to higher generic provisions linked to the increase in lending.

Income statement

(Million euros)

	Global Businesses			Memorandum item:					
	1H 07	Δ%	1H 06	Global Customers and Markets			Asset Management and Private Banking		
				1H 07	Δ%	1H 06	1H 07	Δ%	1H 06
NET INTEREST INCOME	25	(75.6)	102	35	(59.8)	86	20	39.1	14
Income by the equity method	103	119.5	47	9	n.m.	-	-	(100.0)	-
Net fee income	266	24.6	214	131	25.2	104	152	19.9	127
Income from insurance activities	-	-	-	-	-	-	-	-	-
CORE REVENUES	394	8.6	363	175	(8.2)	190	172	21.8	141
Net trading income	430	54.6	278	449	57.9	285	2	(69.1)	6
ORDINARY REVENUES	824	28.6	641	624	31.4	475	173	18.3	147
Net revenues from non-financial activities	87	47.6	59	-	(100.0)	1	-	-	-
Personnel and general administrative expenses	(251)	30.9	(191)	(183)	34.7	(136)	(52)	17.4	(44)
Depreciation and amortization	(5)	(7.8)	(6)	(2)	9.8	(2)	(3)	(6.0)	(3)
Other operating income and expenses	3	n.m.	(1)	(1)	165.2	-	-	79.3	-
OPERATING PROFIT	658	31.2	502	438	29.8	337	118	19.3	99
Impairment losses on financial assets	(60)	(33.6)	(90)	(54)	(37.5)	(86)	(6)	29.3	(5)
• Loan loss provisions	(60)	(33.9)	(90)	(54)	(37.5)	(86)	(6)	29.3	(5)
• Other	-	n.m.	-	-	-	-	-	-	-
Provisions	1	(76.7)	5	1	(67.9)	2	-	(88.0)	-
Other income/losses	7	(95.3)	141	2	n.m.	(1)	-	n.m.	(2)
PRE-TAX PROFIT	605	8.8	557	387	53.3	253	112	21.1	92
Corporate income tax	(151)	19.3	(126)	(113)	51.6	(75)	(34)	13.7	(30)
NET PROFIT	455	5.7	430	274	54.0	178	77	24.8	62
Minority interests	(4)	1.9	(4)	(2)	11.0	(2)	(2)	145.3	(1)
NET ATTRIBUTABLE PROFIT	451	5.7	426	272	54.5	176	75	23.4	61

Balance sheet

(Million euros)

	Global Businesses			Memorandum item:					
	30-06-07	Δ%	30-06-06	Global Customers and Markets			Asset Management and Private Banking		
				30-06-07	Δ%	30-06-06	30-06-07	Δ%	30-06-06
Cash and balances at Central Banks	1,136	73.2	656	1,119	74.1	643	17	27.6	14
Financial assets	48,128	37.9	34,900	45,949	36.7	33,625	364	24.0	294
Loans and receivables	63,466	67.6	37,867	59,657	69.9	35,112	3,239	34.1	2,416
• Due from banks	29,417	145.3	11,991	27,644	161.6	10,567	1,412	22.4	1,154
• Loans to customers	30,829	30.8	23,579	29,043	30.1	22,319	1,778	40.9	1,261
• Other	3,219	40.2	2,297	2,971	33.5	2,226	50	n.m.	1
Inter-area positions	-	(100.0)	12,440	-	(100.0)	13,789	-	-	-
Property, plant and equipment	33	5.5	32	10	(2.9)	10	12	(18.4)	15
Other assets	1,871	1.9	1,835	1,555	18.9	1,308	88	(18.6)	108
TOTAL ASSETS / LIABILITIES AND EQUITY	114,634	30.7	87,730	108,290	28.2	84,487	3,720	30.7	2,846
Deposits by Central Banks and banks	29,664	(14.2)	34,586	29,082	(14.9)	34,164	354	18.3	299
Due to customers	53,445	51.7	35,226	52,022	52.1	34,195	1,280	25.1	1,023
Marketable debt securities	(19)	n.m.	2	(32)	n.m.	(2)	13	228.5	4
Subordinated debt	1,596	33.8	1,193	1,237	56.5	790	123	7.7	115
Inter-area positions	7,456	n.m.	-	4,908	n.m.	-	1,351	51.4	892
Other liabilities	19,626	34.6	14,579	18,871	35.4	13,935	374	24.5	301
Minority interests	31	(13.1)	35	6	(46.3)	11	6	(33.7)	9
Economic capital allocated	2,835	34.5	2,109	2,197	57.6	1,394	219	7.7	204

Relevant business indicators

(Million euros and percentages)

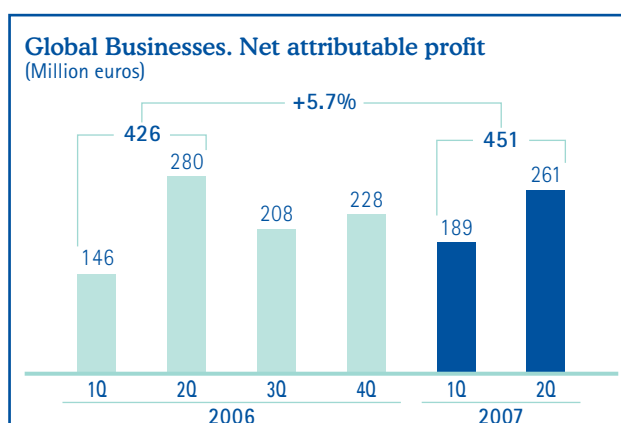
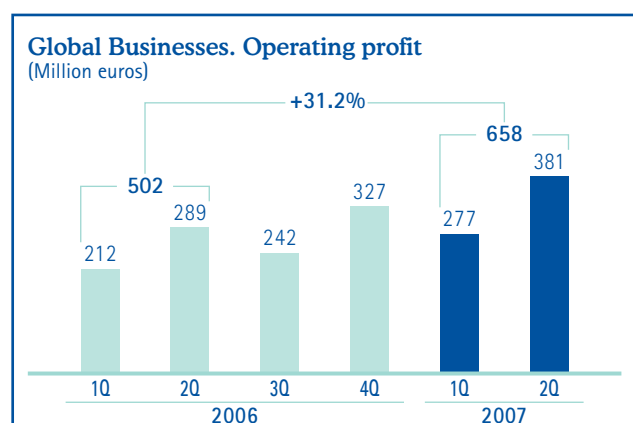
	Global Businesses			Memorandum item:					
	30-06-07	Δ%	30-06-06	Global Customers and Markets			Asset Management and Private Banking		
	30-06-07	Δ%	30-06-06	30-06-07	Δ%	30-06-06	30-06-07	Δ%	30-06-06
Customer lending ⁽¹⁾	31,485	30.4	24,149	29,672	29.7	22,875	1,802	41.5	1,274
Customer deposits ⁽²⁾	52,838	52.0	34,759	51,271	52.5	33,624	1,373	25.5	1,094
• Deposits	33,123	57.4	21,046	31,582	58.5	19,927	1,347	24.8	1,079
• Assets sold under repurchase agreement	19,715	43.8	13,713	19,689	43.7	13,698	26	72.3	15
Off-balance-sheet funds	11,603	6.8	10,862	356	n.m.	29	11,247	3.8	10,833
• Mutual funds	4,358	8.5	4,016	356	n.m.	29	4,002	0.4	3,986
• Pension funds	7,245	5.8	6,847	-	-	-	7,245	5.8	6,847
Customer portfolios	10,580	(1.8)	10,770	124	(88.6)	1,085	10,456	8.0	9,685
Risk-weighted assets ⁽³⁾	35,441	34.5	26,359	27,458	57.6	17,425	2,742	7.7	2,546
ROE (%)	35.4		44.3	28.2		27.5	69.5		63.2
Efficiency ratio (%)	27.5		27.3	29.3		28.5	30.1		30.3
Efficiency incl. depreciation and amortization (%)	28.1		28.2	29.7		29.0	31.8		32.5
NPL ratio (%)	0.03		0.03	0.03		0.03	-		-
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 global customers and markets unit, which is the equivalent of “global businesses” reported in 2006. It comprises global customers, investment banking, global markets and distribution and Asia. The area also contains the asset management and private banking unit (which was reported under Retail Banking in Spain and Portugal up to 2006) plus business projects and real estate operations (managed under the Valanza and Anida brands).

The **second quarter** of 2007 set a new record for this unit in ordinary revenues and operating profit thanks to a good performance in banking business and an increase in net trading income from market products and from the unit’s own activities. At 30-Jun-07 lending to customers came to €31,485m, up 30.4% year-on-year. Customer funds (deposits and mutual and pension funds) stood at €44,726m (up 40.2%).

The area’s income statement for the **first half** of 2007 was supported by solid income, generated mainly from business with customers. **Ordinary revenues** is the figure that best represents this area’s income because of compensations produced in booking many market operations and affecting net interest income (which bears the cost of financing of the positions) and net trading income (which registers their revenues). In the first half, ordinary revenues rose 28.6% to €824m on good performances of all its components: the addition of net interest income and net trading income was up 19.7%, net fee income (up 24.6%), and equity-accounted results up 119.5% (Valanza and the incorporation of CITIC International Financial Holdings). Furthermore an increase in net sales of non-financial services (contributed mainly by Anida) offset lower gains from the sale of holdings in other companies (€25m from Urbaplan and Dilsa in the first half of 2006).



Operating expenses rose due to the expansion in Asia and growth plans for Global Markets and Distribution but the increase was still less than rise in total revenues. Thus the **cost/income** ratio including depreciation improved slightly to 28.1%, compared to 28.2% for the first half of 2006.

Operating profit climbed 31.2% to €658m.

The **non-performing loan ratio** remains at minimum levels (0.03% and unchanged since 30-Jun-06). This allowed loan-loss provisions to fall to €60m (down 33.9%). Moreover most of these provisions are generic, linked to the increase in lending. As a result the coverage ratio is extremely high (above 4,400%). The year-on-year drop in **Other income/losses** is due to the sale of holdings in other companies. Apart from the capital gains of Anida in 2006 mentioned above, the flotation of Técnicas Reunidas in the second quarter last year contributed a further €111m.

As a result **net attributable profit** for the first half came to €451m, up 5.7% from last year's €426m, and ROE stands at 35.4%.



Global Customers & Markets

This unit combines the 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 its earnings are recorded under the corresponding areas.

In the first half of 2007 ordinary revenues rose 31.4% to €624m, operating profit was up 29.8% to €438m and net attributable profit jumped 54.5% to €272m.

Global Customers and 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.

In the first half, ordinary revenues rose 28.9% year-on-year to €236m, supported by the high level of business. Lending increased 27.1% to €25,773m and deposits were up 7.1% to €8,569m. Expenses remained under control, so operating profit jumped 37.7% to €184m. Loan-loss provisions continue to be lower than 2006 and this boosted net attributable profit 83.4% to €104m.

The investment-banking unit continued to be very active, working with customers and increasing its presence in bond issues for savings banks. BBVA also continues to strengthen its position in brokering trade flows between Latin America and Asia, completing the Group's first international structured-trade operation in India. The unit participates actively in financing infrastructure. Recent deals included a new waste treatment plant for Tirme SA in Palma de Mallorca, which makes BBVA one of the most active banks in environmental matters.

BBVA advised the Eroski group on the acquisition of a controlling interest (initially 75% with the possibility of 100%) in the Caprabo self-service retail chain. BBVA also acted as manager in ENEL's recent operation to refinance the acquisition of Endesa. Demand was more than twice greater than the final amount of €5,000m.

Global Markets and Distribution

This unit contains 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.

The best indicator of this unit's performance is ordinary revenues. In the first half it rose 29.9% to €379m and continue to be supported by income arising from business with customers. The unit's expansion plans had an effect on expenses although operating profit rose 20.9% to €255m. Net attributable profit increased 36.1% year-on-year to €177m.

In a poll organised by *Risk España*, BBVA was the top bank in risk management, derivative operations, structured products, interest-rate hedging and exchange-rate derivatives.

The global markets unit launched an ambitious **growth plan** in Europe and Asia to double earnings within three years. This plan entails the addition of 240 new staff of which 170 were hired in the first half of 2007. As a result there are 742 staff in the trading rooms in Madrid, Milan, London, Paris, Lisbon and Hong Kong. The latter opened in July to serve customers in that region and to generate Asian investment products which the Group will market worldwide.

Business with customers has been extremely positive, especially with derivatives for SMEs, allowing them access to a high-level product for managing their financial risks in an efficient manner. During the quarter the unit made other sophisticated products available to a wider range of customers

by launching two linked to interest rates, for retail customers. They were a mortgage payments hedge (*IRS Cuota Segura*) which is suitable in periods when rates are rising and a deposit that tracks daily euribor (*Climber de Inversión*).

Asia

After a successful flotation in Hong Kong and Shanghai, China Citic Bank (CNCB), in which BBVA is the main foreign partner, has commenced negotiations on plans that will create value for both entities by combining BBVA's expertise with CNCB's experience in the increasingly important Chinese market. The partners have set up a co-operation committee and are exploring the possibility of areas such as vehicle finance, global markets and trade finance. The stake in CITIC International Financial Holdings has begun to consolidate by the equity method, increasing revenues in this caption by €9m. The representative office in Mumbai (India) was opened at the start of April.

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.

Total funds under management by the unit grew 6.9% to €81,428m at 30-Jun-07. Operating profit came to €118m (up 19.3%) and net attributable profit was €75m (up 23.4%).

At 30-Jun-07 assets managed by the Group's **mutual funds** in Spain stood at €45,788m, increasing just 0.3% year-on-year. They remain affected by the popularity of time deposits. Of this amount, traditional funds account for €43,172m (down 1.0%), real estate funds account for €2,493m (up 23.7%) and the remaining €124m are new private equity funds.

In the second quarter the unit demonstrated its ability to innovate by announcing a private equity fund (*BBVA Capital Privado*) with initial capital of €123m. It started trading on the Spanish secondary market (MAB) at the end of June, making BBVA the pioneer in this type of product. In addition it launched a fund of hedge funds (*Altitude Teide*) under the new guidelines for mutual funds and two new guaranteed equity funds (*BBVA Europa Máximo* with more than €150m in assets

and *BBVA Garantizado 5 x 5 II*). Lastly, guaranteed fixed-income funds remain popular, rising €100m in the quarter. This also applies to exchange-traded funds, in which BBVA is recognised at international level. *Financial News* included BBVA in its ranking of the top ten issuers of such funds in Europe.

Assets in the **pension** funds managed by the Group in Spain grew 9.2% year-on-year to €16,463m. Of this amount, individual plans account for €9,313m (up 11.6%) and employee and associate schemes account for €7,149m (up 6.2%).

In the **private banking** business in Spain, BBVA Patrimonios managed funds of €12,923m (up 27% year-on-year). During the quarter the Group finalised the marketing of three real estate investment companies which BBVA Patrimonios offers customers (*Real Estate México I, II y III*). Furthermore new real estate operations were concluded in Germany through an existing company (*Real Estate Alemania I*). Lastly, the international private banking unit manages €6,378m in assets (up 10% on June 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 acts 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 manages venture capital and the acquisition, management and sale of holdings. The portfolio is extensively diversified, with latent capital gains of more than €950m. During the first half it generated net attributable profit of €81m, compared to €146m in the same period last year (when the sale of a 13.9% stake in Técnicas Reunidas during its flotation generated €111m in capital gains). In the first half Valanza signed a purchase commitment for the acquisition of Occidental Hotels.

Anida

In the year to June the Group's real estate activities via its subsidiary, Anida, generated net attributable profit of €60m. This is similar to the first half of 2006 (€61m) despite the capital gains of €25m generated last year from the sale of holdings in Urbaplan and Dilsa.

Income statement

(Million euros)

	1H 07	Δ%	Δ% at constant exchange rate	1H 06
NET INTEREST INCOME	1,989	19.5	29.8	1,664
Income by the equity method	1	n.m.	n.m.	(2)
Net fee income	750	7.7	17.0	697
Income from insurance activities	146	0.6	9.3	145
CORE REVENUES	2,886	15.3	25.2	2,504
Net trading income	96	(8.3)	(0.4)	105
ORDINARY REVENUES	2,982	14.3	24.2	2,609
Net revenues from non-financial activities	(3)	148.8	170.4	(1)
Personnel and general administrative expenses	(1,061)	10.6	20.2	(959)
Depreciation and amortization	(74)	22.7	33.2	(60)
Other operating income and expenses	(61)	8.3	17.7	(56)
OPERATING PROFIT	1,783	16.4	26.5	1,531
Impairment losses on financial assets	(453)	53.5	66.7	(295)
• Loan loss provisions	(443)	54.6	68.0	(287)
• Other	(10)	14.4	24.4	(8)
Provisions	(13)	(74.8)	(72.6)	(53)
Other income/losses	(2)	n.m.	n.m.	-
PRE-TAX PROFIT	1,315	11.1	20.8	1,183
Corporate income tax	(365)	2.1	11.0	(357)
NET PROFIT	950	15.0	25.0	826
Minority interests	(1)	(25.5)	(19.1)	(1)
NET ATTRIBUTABLE PROFIT	949	15.1	25.0	825

Balance sheet

(Million euros)

	30-06-07	Δ%	Δ% at constant exchange rate	30-06-06
Cash and balances at Central Banks	5,546	5.6	6.2	5,254
Financial assets	24,878	40.9	42.8	17,653
Loans and receivables	40,838	23.9	25.7	32,948
• Due from banks	4,590	59.8	62.5	2,873
• Loans to customers	35,738	34.2	36.3	26,622
• Other	510	(85.2)	(85.1)	3,453
Inter-area positions	-	-	-	-
Property, plant and equipment	1,136	19.5	21.2	951
Other assets	2,419	(41.2)	(40.4)	4,116
TOTAL ASSETS / LIABILITIES AND EQUITY	74,816	22.8	24.5	60,922
Deposits by Central Banks and banks	13,759	61.3	63.7	8,528
Due to customers	44,489	14.4	15.8	38,893
Marketable debt securities	1,630	81.2	92.5	900
Subordinated debt	2,201	11.5	12.4	1,973
Inter-area positions	5	(19.0)	(18.0)	7
Other liabilities	8,679	23.0	24.7	7,054
Minority interests	2	(65.4)	(65.2)	7
Economic capital allocated	4,050	13.8	15.0	3,560

Relevant business indicators

(Million euros and percentages)

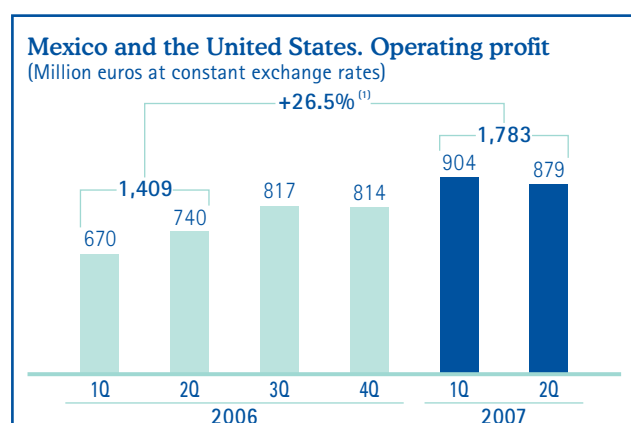
	30-06-07	Δ%	Δ% at constant exchange rate	30-06-06
Customer lending ⁽¹⁾	34,265	37.3	39.5	24,956
Customer deposits ⁽²⁾	40,893	15.3	16.7	35,462
• Deposits	35,344	23.3	24.9	28,671
• Assets sold under repurchase agreement	5,548	(18.3)	(17.8)	6,790
Off-balance-sheet funds	20,389	26.9	27.6	16,063
• Mutual funds	11,193	31.9	32.7	8,484
• Pension funds	9,196	21.3	22.0	7,579
Other placements	3,432	65.6	66.6	2,072
Customer portfolios	6,864	34.5	35.3	5,103
Risk-weighted assets ⁽³⁾	50,620	13.8	15.0	44,496
ROE (%)	49.0			45.3
Efficiency ratio (%)	35.6			36.8
Efficiency incl. depreciation and amortization (%)	38.1			39.1
NPL ratio (%)	2.28			2.21
Coverage ratio (%)	233.0			250.3

(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.

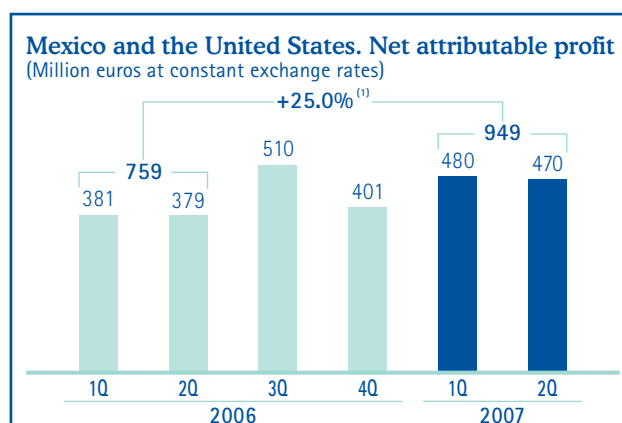
This area covers the banking, pension and insurance businesses in Mexico and the United States (including Puerto Rico).

As discussed in the chapter on Relevant Events, the depreciating Mexican peso and US dollar have a negative impact on year-on-year comparisons in the area's results when stated in euros. The impact is not so big on the balance sheet as on the income statement, although in both cases it is still down from the first quarter. The tables below show year-on-year changes at **constant exchange rates**. All comments refer to these figures, as the most significant indicators of performance over time. The addition of earnings from the banks recently acquired in Texas must also be taken into account, as explained in the section on the United States.

In the first half of 2007, the area earned an **attributable profit** of €949m, 25.0% up on the previous half-year. Its return on equity was 49.0% as against 45.3% in the same period of 2006. Intense activity in the branch network lay behind this growth: Lending went up 39.5% year on year, and customer funds 21.9%, without impinging on the high customer spread. This has pushed net interest income up by 29.8%. With revenues from fees and insurance rising 15.7% and net trading income stable, ordinary profit reached €2,982m, 24.2% higher than in the first half of last year. More activity meant higher costs, albeit the 20.9% increase in costs including depreciation was not proportionally as high as the increase in revenues. This helped the efficiency ratio to reach 38.1% (from 39.1% in the first half of 2006) while **operating profit** rose to €1,783m (up 26.5%).



(1) At current exchange rates: +16.4%.



(1) At current exchange rates: +15.1%.

Allocations to **loan-loss provisions** stood at €443m in the first half of 2007. As these were calculated against expected losses, the above-mentioned increase in lending pushed them up 68% higher than in the same period of 2006. The 2.28% NPL ratio at 30-6-2007 was only slightly above the 2.21% from twelve months earlier, despite the greater weight of consumer lending and cards in Mexico, whose strong returns more than offset their increased default risk. Coverage remained high, at 233% on 30th June.

Banking businesses

Net attributable profit from the banking business in the area came to €885m, an increase of 28% over the figure reported in June 2006. The most relevant aspects in the different units' performance are discussed below.

BBVA Bancomer

Mexican economic growth dipped slightly as foreign demand flattened out on signs of sluggishness in the US market. However, Mexican Central-Bank estimates suggest it may recover in the second half to reach an end-of-year figure of around 3.2%. Inflation has come down in the second quarter, bringing it closer into line with the upper limit of the central bank's target range (4%).

Short-term interest rates rose slightly in response to price indices and the central bank's decision to increase reference rates by one quarter of a point at the end of April. However, foreign investors' appetite for the local debt market, the rating agencies' decision to upgrade Mexican sovereign debt and expectations of flat or falling inflation continue to hold long-term rates and the peso-dollar exchange rate stable.

The **loan portfolio** reached €25,499m at the end of June 2007, up 26.9% on 30-6-06. Residential mortgages accounted for much of this, increasing 53.5% year on year, to €7.76 bn. Consumer credit (which includes credit cards, personal loans, car finance and payroll borrowing) grew 31.6% to €8,067m as 1.5 million new credit cards were issued, 337,000 payroll loans granted, and 43,000 car-finance agreements signed. In respect of lending to companies, SMEs stand out rising 40.9% as branches used their greater discretionary powers to grant such loans. BBVA Bancomer thus maintained its leadership in all its business lines. Its share in the mortgage market grew significantly, with new originations rising 42.6% (more than 8 percentage points up on the first half of 2006).

Customer funds (customer deposits, mutual funds and other intermediation products) reached €45,994m, increasing 10.2% year on year. Current accounts performed especially well, 11.9% up on last year. This and a 32.7% increase in mutual funds and investment companies kept BBVA Bancomer in the lead with a total market share of 26.5% in customer funds, 2 percentage points higher than in June 2006. The two-week Libreton-savings campaign raised over 4,300m pesos, 106% more account openings than last year's initiative.

Growth in business volumes and stable spreads (12.72% in 2Q07 compared to 12.17% in the equivalent period of 2006 and 12.97% in the first quarter of 2007) pushed **net interest income** up to €1,744m during the first half of 2007, with a year-on-year rise of 23.3%. Fee income rose 16.8% to €638m, driven by credit cards and investment companies, while net trading income contributed €79m (down 11.3%). All these generated ordinary revenues of €2,462m, 20.2% up on the January-June period in 2006.

Growth in operating costs and depreciation slowed down to 12.8%, bringing these items to €856m. This further improved the efficiency ratio, which reached 34.8% over the first six months of 2007, as against 37.1% in the same period of the previous year. **Operating profit** rose 24.9% year on year, to €1,566m. Higher lending volumes, especially in consumer finance and cards, impacted the NPL ratio (2.36% at the end of the second quarter, as against 2.25% in June 2006), while loan-loss provisioning level, at €418m was 68.3% higher than in the first half of 2006. Coverage thus remained high (263% at 30-6-07).

Net **attributable profit** was €814m at the end of the first half of 2007, 22.9% above the previous year, bringing ROE up to 54.3% as compared with 46.6% in the first half of 2006.

In the second quarter, the **retail-banking unit** launched a savings account, *Winner Card*, targeted at the under-21 age-bracket. Young account-holders can receive scheduled transfers from their parents, developing a savings habit early on in life. A Libreton savings account in dollars has been designed for people living on the northern border of Mexico. It is linked to an international debit card.

Income statement

(Million euros)

Memorandum item:	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
	1H 07	Δ%	Δ% ⁽¹⁾	1H 06	1H 07	Δ%	Δ% ⁽¹⁾	1H 06	1H 07	Δ%	Δ% ⁽¹⁾	1H 06
NET INTEREST INCOME	1,990	19.4	29.7	1,667	1,744	13.4	23.3	1,538	1	19.5	29.9	1
Income by the equity method	1	n.m.	n.m.	(2)	1	n.m.	n.m.	(2)	-	n.m.	n.m.	-
Net fee income	724	11.6	21.3	649	638	7.5	16.8	593	65	(25.9)	(19.5)	87
Income from insurance activities	-	-	-	-	-	-	-	-	114	(0.7)	8.0	114
CORE REVENUES	2,715	17.4	27.5	2,314	2,383	11.9	21.7	2,129	180	(11.3)	(3.6)	203
Net trading income	89	(12.6)	(5.0)	102	79	(18.4)	(11.3)	97	7	151.5	173.4	3
ORDINARY REVENUES	2,805	16.1	26.1	2,416	2,462	10.6	20.2	2,226	186	(9.2)	(1.3)	205
Net revenues from non-financial activities	-	n.m.	n.m.	-	-	n.m.	n.m.	-	(3)	214.9	242.3	(1)
Personnel and general administrative expenses	(997)	11.6	21.2	(894)	(809)	3.9	13.0	(778)	(90)	(2.5)	6.0	(92)
Depreciation and amortization	(73)	24.8	35.5	(59)	(47)	0.8	9.5	(47)	(1)	(61.0)	(57.6)	(1)
Other operating income and expenses	(38)	1.2	9.9	(38)	(39)	4.7	13.8	(38)	10	(26.6)	(20.2)	13
OPERATING PROFIT	1,696	19.0	29.3	1,425	1,566	14.9	24.9	1,363	103	(17.0)	(9.8)	124
Impairment losses on financial assets	(453)	53.5	66.7	(295)	(428)	53.4	66.8	(279)	-	-	-	-
• Loan loss provisions	(443)	54.6	68.0	(287)	(418)	54.8	68.3	(270)	-	-	-	-
• Other	(10)	14.4	24.4	(8)	(9)	9.3	18.8	(8)	-	-	-	-
Provisions	(13)	(74.8)	(72.7)	(53)	(14)	(73.3)	(71.0)	(52)	-	n.m.	n.m.	-
Other income/losses	(3)	n.m.	n.m.	(1)	(5)	147.6	169.1	(2)	1	103.4	121.1	1
PRE-TAX PROFIT	1,227	13.9	23.8	1,077	1,119	8.7	18.1	1,030	104	(16.5)	(9.2)	125
Corporate income tax	(341)	4.9	14.0	(325)	(304)	(1.6)	7.0	(309)	(29)	(24.1)	(17.5)	(38)
NET PROFIT	886	17.8	28.0	752	815	13.1	22.9	720	75	(13.1)	(5.5)	87
Minority interests	-	(12.9)	(5.4)	-	-	28.5	39.7	-	(1)	(32.0)	(26.1)	(1)
NET ATTRIBUTABLE PROFIT	885	17.8	28.0	751	814	13.1	22.9	720	75	(12.9)	(5.3)	86

(1) At constant exchange rate.

Balance sheet

(Million euros)

Memorandum item:	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06
Cash and balances at Central Banks	5,545	5.6	6.2	5,253	5,357	2.9	3.5	5,205	-	(87.4)	(87.4)	1
Financial assets	22,542	40.6	42.6	16,037	18,593	38.5	39.2	13,427	2,791	41.2	42.0	1,976
Loans and receivables	40,737	23.7	25.5	32,938	31,225	13.5	14.1	27,518	149	128.3	130.0	65
• Due from banks	4,594	60.1	62.8	2,870	3,990	75.6	76.6	2,272	44	(24.5)	(23.9)	58
• Loans to customers	35,738	34.2	36.3	26,622	27,021	23.3	24.0	21,907	-	-	-	-
• Other	406	(88.2)	(88.1)	3,446	214	(93.6)	(93.5)	3,339	105	n.m.	n.m.	7
Inter-area positions	5	(9.3)	(8.7)	5	4	(11.1)	(10.6)	5	-	-	-	-
Property, plant and equipment	1,131	19.8	21.5	945	810	2.3	2.8	792	4	(19.6)	(19.1)	5
Other assets	1,964	(26.6)	(25.3)	2,677	1,572	(23.3)	(22.8)	2,048	73	(46.0)	(45.6)	135
TOTAL ASSETS / LIABILITIES AND EQUITY	71,924	24.3	26.0	57,855	57,561	17.5	18.1	48,995	3,018	38.3	39.0	2,183
Deposits by Central Banks and banks	13,759	61.7	64.0	8,510	12,784	79.4	80.4	7,125	-	(100.0)	(100.0)	-
Due to customers	44,542	14.4	15.8	38,950	33,873	0.2	0.7	33,822	-	-	-	-
Marketable debt securities	1,630	81.2	92.5	900	808	n.m.	n.m.	-	-	-	-	-
Subordinated debt	1,798	176.2	179.6	651	1,505	163.3	164.8	571	-	-	-	-
Inter-area positions	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,399	17.2	19.0	5,461	5,456	22.6	23.2	4,452	2,756	37.9	38.7	1,999
Minority interests	1	(46.4)	(46.1)	2	-	(83.9)	(83.8)	2	-	(93.7)	(93.7)	5
Economic capital allocated	3,794	12.2	13.5	3,381	3,135	3.7	4.3	3,022	261	45.7	46.6	179

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentages)

Memorandum item:	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06
Customer lending ⁽²⁾	34,265	37.3	39.5	24,956	25,499	26.2	26.9	20,202	-	-	-	-
Customer deposits ⁽³⁾	40,893	15.3	16.7	35,462	31,369	(0.1)	0.5	31,403	-	-	-	-
• Deposits	35,344	23.3	24.9	28,671	25,821	4.9	5.5	24,612	-	-	-	-
• Assets sold under repurchase agreement	5,548	(18.3)	(17.8)	6,790	5,548	(18.3)	(17.8)	6,790	-	-	-	-
Off-balance-sheet funds	11,193	31.9	32.7	8,484	11,193	31.9	32.7	8,484	9,196	21.3	22.0	7,579
• Mutual funds	11,193	31.9	32.7	8,484	11,193	31.9	32.7	8,484	-	-	-	-
• Pension funds	-	-	-	-	-	-	-	-	9,196	21.3	22.0	7,579
Other placements	3,432	65.6	66.6	2,072	3,432	65.6	66.6	2,072	-	-	-	-
Customer portfolios	6,864	34.5	35.3	5,103	6,864	34.5	35.3	5,103	-	-	-	-
Risk-weighted assets ⁽⁴⁾	47,426	12.2	13.5	42,257	39,189	3.7	4.3	37,776	3,262	45.7	46.6	2,239
ROE (%)	48.6			43.5	54.3			46.6	64.4			91.5
Efficiency ratio (%)	35.6			37.0	32.9			35.0	48.8			44.9
Efficiency incl. depreciation and amortization (%)	38.2			39.4	34.8			37.1	49.1			45.6
NPL ratio (%)	2.28			2.21	2.36			2.25	-			-
Coverage ratio (%)	233.0			250.3	263.0			273.9	-			-

(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.

In **companies and government** business there are more than 4,600 customers holding loans, an increase of 17% over December 2006. As an initiative to improve customer service, the Bancomer Guarantees Program has been added to this unit. It will increase the speed in payments collection coming from abroad.

The **mortgage-banking unit** has continued to roll out its retail sales drive, with 31% more residential mortgage loans in the first semester than in 1H06, as 35,000 new loans were granted. The number of housing starts that developers are financing with the bank grew 38% to more than 54,000 from January to June 2007.

The specialist **asset-management** unit launched a private-equity real-estate investment fund, administering an initial 2.25 billion pesos for private investors. Its objective is to boost the property market in Mexico by offering developers alternative sources of finance.

In May, Bancomer placed a 15-year **capital-notes** issue on international markets. Its tier-I tranche was for 500m US dollars at 15 years with an initial coupon of 6%, and its tier-II tranche for €600m at 10 years with an initial coupon of 4.8%. As over 100 institutional investors in the USA and Europe competed for the

issue, demand was 3.6 times higher than this sum for the dollar tranche and 1.8 times higher for the euro tranche.

United States

At 30-6-07, BBVA USA's loanbook stood at €8,767m and its customer funds at €9,523m. It generated an operating profit of €124m and an attributable profit of €67m in the first semester, compared to €52m and €25m respectively in the same period of 2006.

Integration has been taken a step further, and as of 31st May, the holding companies of the three banks in Texas have merged into a single holding company denominated BBVA USA Bancshares, Inc. Half-yearly attributable profit from these Texan businesses stood at €58m, with balances of €5,694m in loans and €8,063m in customer deposits at the end of June.

Laredo National Bank accounted for €15m of this attributable profit, up 39% on the previous year. At €1,784m, its loanbook grew 12.1% year on year (17.4% in SME lending, 11.9% in consumer loans and 19.7% in mortgages). It had €2,551m in deposits (up 7.5% on 1H06). **Texas State Bank** contributed with €32m profit, and €3,151m in loans and €4,547m in deposits. **State**

National Bank booked a profit of €11m, with €759m in loans and €965m in deposits.

In **BBVA Puerto Rico**, attributable profit for the semester stood at €12m. This was 30.1% down on the same period of 2006, due to an 86.6% rise in loan-loss provisions required in view of the economic situation in the island. Its loan book showed a balance of €3,041m, 7.3% higher than in June 2006 (5.6% increase in SMEs and 20.5% in mortgages). Customer deposits ended the period at €1,390m, growing 0.2% year on year, improving on the -4.7% recorded at the end of March.

BTS made 12.5 million transfers over the first six months, with year-on-year growth of 17.2% and accumulated an attributable profit of €6m (up 8.9%).

Pensions and Insurance

These businesses have contributed €75m to the area's attributable profit in the first half of 2007. This is 5.3% below the figure for the same period in 2006.

In 2007, the pension business is shaping up more favourably in Mexico than over the last two years. However the economy's sound economic performance is not yet fully reflected in its labour market. Strong competition among pension managers led **Afore Bancomer** to restructure its fee schedule in the last months of 2006 and increase its sales force, as reported at the time. Both measures helped it to recover a significant part of market share in the first quarter of 2007, but then triggered copycat responses from its competitors. It reported an attributable profit of €19m over the semester, 41.7% down on the same period of 2006.

The Mexican insurance industry is still very buoyant with growing sales in all business lines, especially bancassurance and savings products. This helped the three BBVA Group companies (**Seguros Bancomer, Pensiones Bancomer y Preventis**) to write 7.5% more premiums than in the first half of 2006. The attributable profit for all three reached €56m over these six months, up 20.1% year on year.

Mexico (banking business, pensions and insurance)

Income statement

(Million euros)

	1H 07	Δ%	Δ% at constant exchange rate	1H 06
NET INTEREST INCOME	1,742	13.5	23.4	1,535
Income by the equity method	1	n.m.	n.m.	(2)
Net fee income	663	3.6	12.6	640
Income from insurance activities	146	0.6	9.3	145
CORE REVENUES	2,552	10.1	19.7	2,317
Net trading income	86	(13.8)	(6.3)	100
ORDINARY REVENUES	2,638	9.2	18.6	2,417
Net revenues from non-financial activities	(3)	165.1	188.2	(1)
Personnel and general administrative expenses	(866)	3.6	12.6	(836)
Depreciation and amortization	(48)	(1.0)	7.6	(48)
Other operating income and expenses	(62)	10.7	20.3	(56)
OPERATING PROFIT	1,659	12.4	22.2	1,476
Impairment losses on financial assets	(428)	53.4	66.8	(279)
• Loan loss provisions	(418)	54.8	68.3	(270)
• Other	(9)	9.3	18.8	(8)
Provisions	(14)	(73.3)	(71.0)	(52)
Other income/losses	(4)	165.3	188.4	(2)
PRE-TAX PROFIT	1,213	6.1	15.4	1,143
Corporate income tax	(330)	(4.0)	4.4	(344)
NET PROFIT	883	10.5	20.1	799
Minority interests	(1)	(15.0)	(7.6)	(1)
NET ATTRIBUTABLE PROFIT	882	10.5	20.1	798

Income statement

(Million euros)

	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	1H 07	Δ%	Δ% ⁽¹⁾	1H 06	1H 07	Δ%	Δ% ⁽¹⁾	1H 06	1H 07	Δ%	Δ% ⁽¹⁾	1H 06
NET INTEREST INCOME	765	21.9	28.3	627	761	22.4	28.7	622	5	(20.1)	(13.6)	6
Income by the equity method	-	(91.7)	(92.3)	2	-	(86.7)	(87.1)	3	-	(73.7)	(71.2)	(1)
Net fee income	449	10.9	17.8	405	251	14.9	20.9	219	134	5.8	12.5	126
Income from insurance activities	(17)	44.8	73.8	(12)	-	-	-	-	51	(0.5)	7.0	51
CORE REVENUES	1,197	17.0	23.3	1,023	1,013	20.0	26.2	844	189	3.6	10.6	182
Net trading income	136	(19.1)	(12.3)	169	107	(32.7)	(27.0)	159	30	197.2	221.3	10
ORDINARY REVENUES	1,333	11.9	18.4	1,191	1,119	11.7	18.0	1,002	218	13.7	21.4	192
Net revenues from non-financial activities	-	(99.4)	(99.4)	3	-	n.m.	n.m.	-	-	n.m.	n.m.	3
Personnel and general administrative expenses	(568)	5.9	11.6	(537)	(440)	3.2	8.7	(426)	(118)	19.3	27.1	(99)
Depreciation and amortization	(43)	(2.5)	2.6	(44)	(40)	6.6	11.9	(38)	(2)	(62.6)	(59.9)	(6)
Other operating income and expenses	(23)	4.7	8.8	(22)	(22)	7.0	11.2	(21)	1	53.7	88.7	1
OPERATING PROFIT	699	18.1	25.7	592	617	19.2	26.5	517	99	8.8	16.7	91
Impairment losses on financial assets	(73)	58.4	69.6	(46)	(73)	58.3	69.5	(46)	-	117.5	137.4	-
• Loan loss provisions	(69)	49.4	58.7	(46)	(69)	49.4	58.7	(46)	-	-	-	-
• Other	(4)	n.m.	n.m.	-	(4)	n.m.	n.m.	-	-	117.5	137.4	-
Provisions	(20)	(46.2)	(41.3)	(37)	(21)	(22.1)	(15.5)	(27)	1	n.m.	n.m.	(10)
Other income/losses	(9)	100.1	82.2	(4)	(8)	112.5	94.3	(4)	(1)	(5.3)	(12.2)	(1)
PRE-TAX PROFIT	597	18.3	25.8	505	515	16.8	23.8	441	99	23.8	32.4	80
Corporate income tax	(123)	15.0	23.2	(107)	(105)	14.6	22.4	(92)	(23)	10.4	17.3	(21)
NET PROFIT	474	19.2	26.5	398	410	17.4	24.2	349	76	28.6	37.8	59
Minority interests	(148)	27.0	36.0	(116)	(127)	24.6	33.2	(102)	(21)	44.0	56.3	(15)
NET ATTRIBUTABLE PROFIT	326	16.0	22.7	281	283	14.5	20.5	247	55	23.6	31.9	45

(1) At constant exchange rate.

Balance sheet

(Million euros)

	South America				Memorandum item:							
					Banking businesses				Pensions and Insurance			
	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06
Cash and balances at Central Banks	2,768	20.2	23.7	2,304	2,768	20.1	23.7	2,304	-	n.m.	n.m.	-
Financial assets	4,095	(2.6)	(3.6)	4,205	3,260	(7.9)	(9.3)	3,540	1,023	15.7	17.9	885
Loans and receivables	23,358	26.1	28.1	18,519	22,832	25.3	27.2	18,223	595	50.9	55.9	394
• Due from banks	3,040	(8.1)	(3.2)	3,307	2,756	(12.7)	(7.9)	3,155	307	33.8	35.5	230
• Loans to customers	19,770	33.9	34.8	14,763	19,595	34.0	34.8	14,623	200	24.7	32.5	160
• Other	548	21.9	27.0	450	482	8.2	12.7	445	88	n.m.	n.m.	4
Inter-area positions	-	-	-	-	9	n.m.	n.m.	1	-	-	-	-
Property, plant and equipment	500	7.2	7.3	466	425	7.3	6.9	396	75	6.6	9.0	70
Other assets	1,775	(11.1)	(11.8)	1,996	834	(25.4)	(27.0)	1,118	162	(35.7)	(34.2)	252
TOTAL ASSETS / LIABILITIES AND EQUITY	32,496	18.2	19.5	27,491	30,128	17.8	19.0	25,581	1,855	15.9	18.6	1,601
Deposits by Central Banks and banks	2,365	5.5	5.9	2,241	2,327	5.7	6.0	2,201	62	0.6	3.0	62
Due to customers	23,055	19.0	20.3	19,375	23,079	18.4	19.7	19,491	-	n.m.	n.m.	-
Marketable debt securities	457	10.7	13.3	413	457	10.7	13.3	413	-	-	-	-
Subordinated debt	1,309	50.6	51.4	870	517	157.2	163.2	201	-	-	-	-
Inter-area positions	7	(54.2)	(54.3)	15	-	-	-	-	-	-	-	-
Other liabilities	2,918	22.7	24.7	2,379	1,724	21.4	22.8	1,420	1,421	19.0	22.0	1,194
Minority interests	442	(30.2)	(27.7)	634	386	(31.8)	(29.2)	566	62	(8.7)	(6.5)	68
Economic capital allocated	1,943	24.1	23.8	1,566	1,639	27.1	26.3	1,289	309	11.8	13.4	277

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentages)

	South America				Memorandum item:							
	Banking businesses		Pensions and Insurance		Banking businesses				Pensions and Insurance			
	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06	30-06-07	Δ%	Δ% ⁽¹⁾	30-06-06
Customer lending ⁽²⁾	20,011	34.4	35.2	14,888	20,011	34.4	35.2	14,888	-	-	-	-
Customer deposits ⁽³⁾	23,969	20.1	21.5	19,953	23,969	20.1	21.5	19,953	-	-	-	-
• Deposits	23,054	21.6	22.7	18,966	23,054	21.6	22.7	18,966	-	-	-	-
• Assets sold under repurchase agreement	915	(7.4)	(2.0)	988	915	(7.4)	(2.0)	988	-	-	-	-
Off-balance-sheet funds	37,135	27.5	26.1	29,136	1,933	45.9	47.6	1,325	35,202	26.6	25.1	27,811
• Mutual funds	1,933	45.9	47.6	1,325	1,933	45.9	47.6	1,325	-	-	-	-
• Pension funds	35,202	26.6	25.1	27,811	-	-	-	-	35,202	26.6	25.1	27,811
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets ⁽⁴⁾	24,290	24.1	23.8	19,577	20,484	27.1	26.3	16,118	3,866	11.8	13.4	3,459
ROE (%)	36.1			36.8	37.2			39.1	37.4			33.8
Efficiency ratio (%)	42.6			44.9	39.3			42.5	53.9			50.6
Efficiency incl. depreciation and amortization (%)	45.8			48.6	42.9			46.3	54.9			53.6
NPL ratio (%)	2.51			3.15	2.54			3.18	-			-
Coverage ratio (%)	130.8			115.4	130.8			115.4	-			-

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

The South America area handles the Group's banking, pension and insurance businesses in this region.

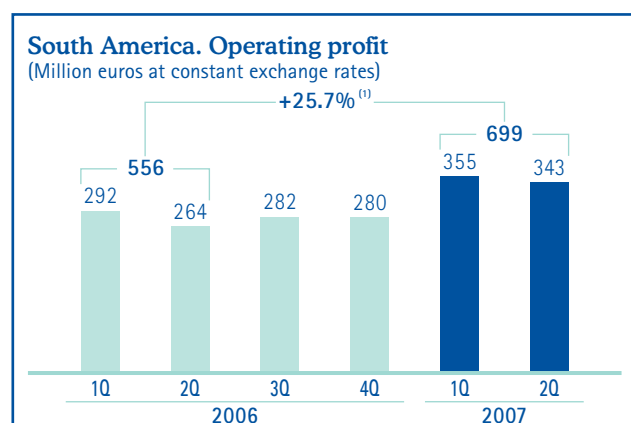
Economic stability has become a constant over recent times. It continued in the second quarter of this year with buoyant growth in practically all the countries auguring well for the end-of-year figures. Key macroeconomic variables behaved in a very positive manner. Despite high commodity prices, inflation remained reasonably low in most countries and interest rates have been on the rise. All this is good for the banking business, as reflected in the strong growth of lending in the majority of the South-American countries.

Latam **currencies** weakened against the euro over the first half of 2007, with the exception of the Colombian peso. Overall, the impact on the area's financial statements was

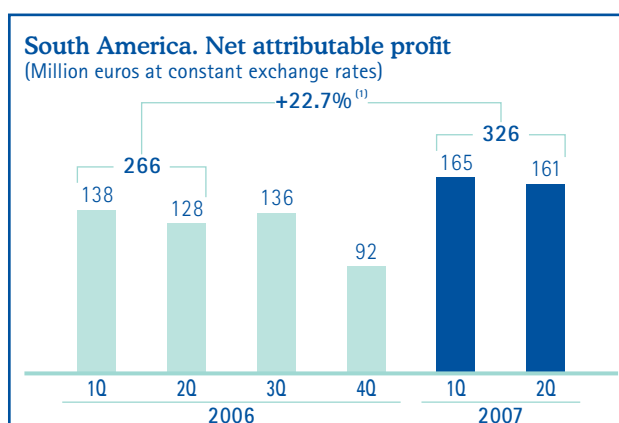
negative. This was noticeable in the balance sheet, but more particularly in the income statement. The tables in this report include a column with year-on-year changes at **constant exchange rates**. Unless expressly stated otherwise, the following remarks refer to these figures, which are the best indicator of management quality.

Against this positive economic backdrop, the South America area has upheld its sound track record from earlier years. It achieved an **attributable profit** of €326m in the first semester, with a year-on-year increase of 22.7% (or 16% using current exchange rates). This has driven return on equity (ROE) to 36.1% compared to a similar 36.8% in the first half of 2006.

Higher earnings in the area are still driven by growing business with customers, something that all the units have



(1) At current exchange rates: +18.1%.



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

been focusing on. **Lending to customers** showed a balance of €20,011m at 30th June 2007. This reflects year-on-year growth of 35.2%, with a big push in the products for the segment of private individuals: residential mortgages, consumer loans, cards and loans to small businesses achieved an overall year-on-year increase of 47%.

Customer funds also performed well. At the end of June 2007, customer deposits and mutual funds reported a balance of €25,901m, 23.1% up on June 2006, while the assets under management in **pension funds** stood at €35,202m (up 25.1%).

Flourishing activity had a positive effect on volumes and all banks pursued a policy of defending spreads, so that the half-year **net interest income** rose to €765m, growing 28.3% year on year, with every single unit reporting growth. Fee income increased significantly in cards, guarantees, effects/cheques and securities. These, along with revenues from insurance services accounted for €432m, a year-on-year increase of 16.3%. Net trading income, at €136m, went down 12.3% against the first half of 2006, when capital gains on disposals from the securities portfolio plumped up the figures, especially in Argentina. This strong performance has driven up **ordinary revenues** to €1,333m, 18.4% up on the figure obtained from January to June 2006.

Operating expenses (including depreciation) increased 10.9% year on year. This increase was moderate, given various factors that are still pushing them higher: marketing and sales costs have increased, banks and pension managers have engaged additional sales representatives, while inflation was high in Venezuela and, albeit less so, in Argentina. The combined performance of income and costs further enhanced the **efficiency ratio**, bringing it down to 45.8% over the six-month period, as against 48.6% in the first half of 2006. **Operating profit** was up 25.7% to €699m.

High growth in lending entailed higher generic provisioning, boosting total loan-loss provisions to €69m (up 58.7% year on year). However, the area's prudent **risk management** further improved asset quality. Its non-performing loan ratio stood at 2.51% at the end of the semester, compared to 3.15% at 30-6-06, while coverage reached 130.8%, significantly higher than the 115.4% reported a year earlier.

Banking businesses

In the first half of the year, banks in this area achieved attributable net income of €283m. This was up

20.5% on 1H07. The key elements in the different units' performance is as follows:

BBVA Banco Francés in Argentina obtained an attributable profit of €95m over the first half, up 20.8% year on year. Buoyant activity, especially in the retail business, has driven up recurring revenues. These are accounting for an increasingly weighty percentage within the unit's total structure. Public-sector lending has been brought down to all-time lows after sales of such assets in 2006 and in 1Q07. More activity meant higher net interest income and fee income, which hit record highs. Expenses grew in line with inflation, but lower net trading income from sales of public-sector assets, left operating profit at €148m, 15.8% down on the first half of 2006.

BBVA Chile has continued rolling out its plan to expand its customer base and boost sales, which should significantly increase its market share in consumer lending over the next three years. In 2006, this included the purchase of the car-finance company, Forum, now bringing in record revenues in 2007, despite fierce competition in this market segment. The higher level of activity (with lending up 27% and customer funds 22.8%) has pushed net interest income up to €85m (15.5% up against the same period of 2006). It has also had an impact on expenses (up 19.4%) and increased the bank's provisioning requirements by a further €24m, above all generic provisions. The unit thus obtained a half-year attributable profit of €15m, similar to that booked for January-June 2006.

BBVA Colombia has also been working on its marketing activity. Lending grew 41.1% year on year and customer funds were up 23.4%. Consumer lending did especially well following the bank's campaign in February, March and April. Changes in Colombian regulations and tougher competition narrowed lending spreads. But net interest income still grew as higher volumes more than offset tighter spreads. Focussed management kept costs below the previous year, which meant higher net interest income fed directly into the operating profit, pushing it up by 39.7% to €104m. Attributable profit was affected by higher taxes, as the unit's tax shield expired in 2006. At €54m the figure was similar to the half-year attributable profit reported a year earlier.

In the first half of the year, **BBVA Banco Continental** of Peru achieved an attributable net profit of €30m, an increase of 19.0% against 1H06. The improvement stemmed from strong growth in both lending (up 31.1%

year on year) and customer funds (up 28.7%). Commercial activity focused on enhancing spreads with more retail lending and transactional deposits. This raised growth on both fee income and net interest income. Strong recurring revenues, growing faster than expenses, led to a €115m operating profit, 30.3% up against the previous half year.

BBVA Banco Provincial in Venezuela continued to display sound growth, above all in lending to individuals and small businesses, as it improved its spreads and optimised its funding costs. Both these factors have helped net interest income to rise 78.1% against the first half of 2006. Fee income grew too, especially in credit cards, while expenses went up 16%. Given the country's inflation rate, this was within acceptable limits. Operating profit thus reached €178m, more than double the 1H06 figure, and attributable profit rose to €67m.

The rest of the banks in the area also performed well. **BBVA Panama** reported a half-year attributable profit of €12m (up 14.2 year on year), **BBVA Paraguay** €8m (up 11.8%) and **BBVA Uruguay** €3m, somewhat lower than in the first semester of 2006.

Pensions and Insurance

In the first half of the year, the Pensions and Insurance unit in South America achieved attributable net profit of €55m, up 31.9% year on year. **Insurance** business accounted for €16m of this figure, 5.7% more

than in the first half of 2006, with commercial activity growing briskly in all business lines. **Pension** business showed some improvement in activity and a good first half for financial results and fee income. The unit as a whole generated a profit of €39m, 46.3% higher than in the same period of 2006. The main companies in it performed as follows:

Higher sales activity over the semester in **AFP Provida** in Chile raised its earnings and fee income by 12.3% year on year. Good market performance boosted both net trading income and regulatory reserve requirements. In the first half of the year, attributable net profit reached €22m. This was up 47.1% on 1H06.

In Argentina, **Grupo Consolidar** (pension fund and insurance company) ended the semester with a net attributable profit of €15m. This was up 23.5% on the same period for 2006. A sales drive pushed up pension business revenues and increased fee income by 35.1% year on year, despite the negative impact of recent pension reforms. Insurance companies underwrote 34.6% more business than in the first half of 2006.

During these six months, **AFP Horizonte Colombia** reported a €6m attributable profit from its pension business. With volatile interest rates working against it, this was 7.3% down on the same period in 2006. However, the pension business in Peru, **AFP Horizonte Peru**, doubled its attributable profit to €6m as all revenue lines grew apace.

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

(Million euros)

Country	Operating profit				Net attributable profit			
	1H 07	Δ%	Δ% at constant exchange rate	1H 06	1H 07	Δ%	Δ% at constant exchange rate	1H 06
Argentina	169	(25.0)	(18.1)	225	109	10.9	21.1	98
Chile	92	6.5	16.6	87	38	4.6	14.4	36
Colombia	113	34.7	31.7	84	62	0.6	(1.7)	61
Panama	16	6.9	15.6	15	12	5.7	14.2	11
Paraguay	10	39.5	31.9	7	8	18.3	11.8	7
Peru	125	26.8	31.4	98	36	24.0	28.5	29
Uruguay	4	1.1	9.6	4	3	(30.8)	(25.1)	5
Venezuela	184	111.3	128.9	87	69	58.2	71.3	44
Other countries ⁽¹⁾	(14)	(8.8)	(9.6)	(15)	(10)	5.5	4.5	(9)
TOTAL	699	18.1	25.7	592	326	16.0	22.7	281

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

This area includes the results of two units: Financial Management and Planning and Holdings in Industrial and Financial Companies. It also books the costs from headquarter

units that have a strictly corporate function and makes allocations to corporate and miscellaneous provisions, eg, for early retirement.

Income statement

(Million euros)

	1H 07	Δ%	1H 06
NET INTEREST INCOME	(222)	46.4	(151)
Income by the equity method	(1)	n.m.	24
Net fee income	(15)	n.m.	31
Income from insurance activities	(12)	(35.5)	(19)
CORE REVENUES	(250)	117.1	(115)
Net trading income	1,136	59.6	712
ORDINARY REVENUES	886	48.5	597
Net revenues from non-financial activities	6	n.m.	(1)
Personnel and general administrative expenses	(257)	6.1	(243)
Depreciation and amortization	(71)	0.3	(71)
Other operating income and expenses	(6)	(27.3)	(9)
OPERATING PROFIT	558	103.8	274
Impairment losses on financial assets	(5)	n.m.	60
• Loan loss provisions	(5)	n.m.	58
• Other	-	(95.9)	2
Provisions	(137)	(47.0)	(259)
Other income/losses	31	(95.8)	748
PRE-TAX PROFIT	447	(45.7)	823
Corporate income tax	25	(66.4)	76
NET PROFIT	473	(47.4)	899
Minority interests	2	n.m.	(9)
NET ATTRIBUTABLE PROFIT	475	(46.6)	890

Balance sheet

(Million euros)

	30-06-07	Δ%	30-06-06
Cash and balances at Central Banks	5,649	n.m.	259
Financial assets	16,725	(48.3)	32,349
Loans and receivables	(1,175)	(56.6)	(2,705)
• Due from banks	(3,416)	21.5	(2,812)
• Loans to customers	538	n.m.	(775)
• Other	1,703	93.2	881
Inter-area positions	-	n.m.	(12,440)
Property, plant and equipment	1,695	10.1	1,540
Other assets	5,430	61.8	3,356
TOTAL ASSETS / LIABILITIES AND EQUITY	28,323	26.7	22,360
Deposits by Central Banks and banks	6,255	(37.6)	10,016
Due to customers	18,860	173.6	6,893
Marketable debt securities	76,296	14.7	66,513
Subordinated debt	5,965	19.0	5,013
Inter-area positions	(89,101)	26.5	(70,437)
Other liabilities	5,074	21.8	4,164
Minority interests	316	n.m.	40
Valuation adjustments	2,832	83.8	1,540
Shareholders' funds	17,241	39.8	12,332
Economic capital allocated	(15,415)	12.4	(13,716)

The year-on-year comparative figures for the area's core revenues are skewed by the divestment of Banc Internacional de Andorra, whose earnings were booked to this area until April 2006. This mainly impacts the net interest income and fee income. The divestment of the Bank's holding in Banca Nazionale del Lavoro, also in 2006, had its impact on the year-on-year comparison of earnings booked under the equity method.

Net trading income stood at €1,136m in the first semester. €847m correspond to one-off capital gains from the sale of the Iberdrola holding. (By way of comparison, €523m of the €712m net trading income in the first half of 2006 came from one-off capital gains from the sale of the Bank's Repsol YPF stake). **Operating profit** generated to the end of June 2007 stood at €558m and to –€289m excluding the aforementioned one-off capital gains (–€249m in the same period of 2006).

Allocations to provisions includes €81m earmarked for early retirement charges, as against €177m in the first half of 2006. Other Profits and Losses includes the following one-off transactions: sale of properties owned by the Group, generated €235m in capital gains as part of the project to establish a new corporate centre and a €200m charge was made to cover commitments to the BBVA microfinance foundation. In the first half of 2006, there were capital gains on the divestment of the holdings in BNL (€568m) and Banc Internacional de Andorra (€183m).

The area's **net attributable profit** reached €475m in the first half of 2007. Excluding the one-off transactions mentioned, the figure is –€275m. This is very much in line with the –€267 booked to the same period of 2006.

Financial Management and Planning

The Assets and Liabilities Committee (ALCO) administers the Group's interest- and exchange-rate structure as well as its overall liquidity and shareholders' funds.

Actively managing **exchange-rate exposure** on its long-term investments (basically stemming from its 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 costs from this risk management. At the end of June 2007, the Group was pursuing an active policy to protect its investments in Mexico, Chile, Peru and the dollar area, with aggregate hedging of close to 50% of total investments. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. The

exchange-rate exposure on expected earnings from the Group's franchise in South America is managed in the same way. At present, more than 50% of 2007 expected earnings are hedged. This has mitigated the impact of the slide in American currencies against the euro. Hedging instruments are already being negotiated for 2008 earnings.

The Financial Management and 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, regardless of how interest rates behave. Interest income on BBVA's balance sheet has a positive sensitivity to higher interest rates over 12 to 24 months. The unit uses hedging derivatives and balance-sheet instruments to manage such exposure. At 30th June 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 range of instruments that provide access to a large number of alternative sources of finance. 70% of the total expected funding requirements for the year already raised during the first half of the year. Group policy encourages its subsidiaries in the Americas to be financially independent, as reflected in recent issues in Mexico, Peru and Chile.

BBVA's **capital management** pursues two key goals: To maintain capital levels in keeping with the Group's business targets in all the countries in which 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 capitalisation 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 30th-June 2007, the market value of the industrial and financial holdings portfolio stood at €5,541m, with unrealised capital gains of €2,627m before tax.

1st Half 2007

(Million euros)

Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	4,857	3,253	2,140	288,399
United States	374	126	57	40,231
Mexico	2,539	1,561	814	60,733
South America	1,300	662	300	32,531
Other	202	116	64	44,550
TOTAL	9,272	5,719	3,374	466,443

1st Half 2006

(Million euros)

Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	4,055	2,515	2,278	254,678
United States	227	56	23	24,919
Mexico	2,281	1,340	703	52,133
South America	1,152	550	251	27,522
Other	209	114	82	30,982
TOTAL	7,924	4,575	3,336	390,235

The following is a review of the most significant events related to the Group's corporate responsibility in the second quarter of 2007.

Responsible business. In Spain the bank launched the fourth campaign for its New Baby Loan (as much as €3,000 over 3 years at 0% interest and no fees). From the initial launch in 2004 until the end of June 2007, BBVA has granted 38,841 such loans with a total value of €115m. The European Investment Bank chose BBVA to market bonds to finance renewable energy and energy efficiency. The Group also participated in a conference on socially responsible investment organised by the CNMV (Spanish stock exchange commission).

The BBVA Microcredit Foundation. The Group handed over the first €50m of the promised €200m for the BBVA Microcredit Foundation. This institution focuses on co-operation, and economic and social development through microcredit, mainly in Latin America.

Employees. The BBVA Games to celebrate 150 years since the bank's foundation ended in June. They took place simultaneously in 20 countries and more than 20,000 employees participated. Furthermore prizes were awarded in the international photography contest for employees in the *Solidarity* and *Innovation-Transformation* categories.

The corporate volunteer plan. The aim of this plan is to promote the participation of current and retired employees in social projects. It is run through the Volunteers Office and the BBVA volunteers web site. Employees submit their own projects and, if chosen, these receive financial support and publicity.

Education. As part of the Group's integration scholarship programme, the Banco Provincial Foundation and the Venezuelan Catholic Education Association handed out 200 study grants to young people in poor areas. BBVA Banco Francés awarded 144 integration scholarships and the BBVA Bancomer Foundation gave 160 scholarships to students to help them finish their technical studies. In Spain the BBVA Foundation and the Ministry of Education and Science announced this year's Francisco Giner de los Ríos prizes.

Community support. Actions in this area included flood victims in Uruguay, and a donation of teaching materials and 1,454 study and food grants, both in Colombia. The Group also supported the Accenture Solidarity Marathon in Argentina, organised by Consolidar

Salud to raise funds for two infant hospitals. The BBVA Banco Continental Foundation and the Nuevo Pachacútec Comprehensive Development Foundation agreed to help young people with limited resources to learn about the creation of micro-firms.

Art and culture. There were several important events. In Madrid these included the Sebastiao Salgado *África* exhibition in the PhotoEspaña 2007 contest and the spring cycle of concerts in conjunction with the Albéniz Foundation. In Argentina the façade of BBVA Banco Francés's head office (a building dating back to the beginning of the 20th century) was restored. In China the Group sponsored an exhibition of works from the Prado Museum. Furthermore the BBVA Foundation presented *Sibila*, a magazine on art, music and literature, and Casa América announced a short story contest for young Latin-Americans.

Social science, health and the environment. The BBVA Foundation awarded prizes for the conservation of biodiversity and made decisions regarding its chairs of biomedicine. The Barcelona Biomed Forum opened. This is a joint effort with the Biomedicine Research Institute (Barcelona) to support cancer research. The BBVA chair of global economics announced the fifth conference on climate change and future challenge, directed by Prof Dieter Helm. And *Diario Médico*, together with the BBVA Foundation, published a series of interviews in homage to outstanding doctors. BBVA and the Spanish Red Cross launched their third joint publication (a manual on enhancing environmental awareness at SMEs).

Transparency of information. BBVA Banco Continental published its second corporate responsibility report and BBVA Banco Francés was the first Argentine bank to obtain a SOX certificate for increasing the transparency and reliability of financial information under the Sarbanes-Oxley Act.

Recognition. BBVA Bancomer was recognised for the fourth year running as a socially responsible company by the Mexican Centre for Philanthropy. In addition the Prince Felipe prizes also confirmed BBVA as one of the Spanish companies that best manage their brands, following a project called the *BBVA Experience*. Moreover the Group reconfirmed its membership of the Footsie4Good index and BBVA was ranked best bank for corporate responsibility in Spain and third in Europe by Deloitte in its *Good Company Ranking*.

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1996 1861 1904 1957 1910
1910 1867 1941 2003 1883 1904 1910
1990 1879 2006 1887 1857 1957
1992 1942 1925 1978 1887 1857 1957
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