



QUARTERLY REPORT

Results 2007



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BBVA Group Highlights

(Consolidated figures)

	31-12-07	Δ%	31-12-06	Excluding one-offs ⁽¹⁾		
				31-12-07	Δ%	31-12-06
BALANCE SHEET (million euros)						
Total assets	502,204	21.9	411,916			
Total lending (gross)	317,998	20.9	262,969			
On-balance sheet customer funds	334,844	18.1	283,645			
Other customer funds	150,777	6.1	142,064			
Total customer funds	485,621	14.1	425,709			
Equity	27,943	25.2	22,318			
Shareholders' funds	24,811	36.3	18,210			
INCOME STATEMENT (million euros)						
Net interest income	9,769	16.7	8,374	9,769	16.7	8,374
Core revenues	15,463	13.1	13,667	15,463	13.1	13,667
Ordinary revenues	18,133	15.5	15,701	17,286	13.9	15,178
Operating profit	10,545	18.7	8,883	9,698	16.0	8,360
Pre-tax profit	8,495	20.8	7,030	7,675	17.5	6,533
Net attributable profit	6,126	29.4	4,736	5,403	18.0	4,580
DATA PER SHARE AND MARKET CAPITALISATION						
Share price	16.76	(8.1)	18.24			
Market capitalisation (million euros)	62,816	(3.0)	64,788			
Net attributable profit per share (euros)	1.70	22.4	1.39	1.50	11.6	1.35
Book value	6.62	29.1	5.13			
PER (Price/earnings ratio; times)	10.3		13.7			
P/BV (Price/book value; times)	2.5		3.6			
SIGNIFICANT RATIOS (%)						
Operating profit/ATA	2.28		2.24	2.10		2.11
ROE (Net attributable profit/Average equity)	34.2		37.6	30.2		36.4
ROA (Net profit/ATA)	1.39		1.26	1.23		1.22
RORWA (Net profit/Risk weighted average assets)	2.29		2.12	2.03		2.05
Efficiency ratio	38.1		39.6	39.9		40.9
Efficiency ratio including depreciation and amortization	41.3		42.6	43.2		44.0
NPL ratio	0.89		0.83			
NPL coverage ratio	224.8		272.8			
CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)						
Total	10.7		12.0			
Core capital	5.3		6.2			
TIER I	6.8		7.8			
OTHER INFORMATION						
Number of shares (million)	3,748		3,552			
Number of shareholders	889,734		864,226			
Number of employees	111,913		98,553			
• Spain	31,106		30,582			
• America	78,805		66,146			
• Rest of the world	2,002		1,825			
Number of branches	8,028		7,499			
• Spain	3,595		3,635			
• America	4,291		3,742			
• Rest of the world	142		122			

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

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

Relevant events

2007 was an especially complex year for the international financial-services industry. BBVA nonetheless maintained its upward growth curve of the last several years, proving its commercial management skills and its ability to deal with the different risks inherent to its activity. It could thus report positive and recurrent earnings.

Intense sales activity in all the Group units once again led to higher business volumes and higher revenues, feeding into the operating profit and attributable profit. Further gains were made in efficiency whilst maintaining excellent asset quality on the loanbook and high profitability. The non-performing loan ratio remained low and coverage high. Meanwhile, the Group sustained a comfortable situation in its liquidity and capital ratios.

The highlights of the Group's performance in the fourth quarter and for 2007 as a whole are given below:

- BBVA held its first **Investor Day** ever on 15th and 16th November. It reaffirmed its targets for growth and returns despite the new financial environment. The different areas gave details of their plans and objectives for 2008-2010.
- In the **fourth quarter**, attributable profit reached €1,370m. This brought the Group's total **2007** attributable profit up to €6,126m, 29.4% higher than the €4,736m it obtained in 2006 (or 34.4% at constant exchange rates).
- These figures included several **one-off transactions**: in 2007, a total of €724m from capital gains on the divestment of the Iberdrola holding and sale of properties (as part of the project for a new corporate centre) minus the charge for the endowment to the BBVA microfinance foundation and the provisions for early retirement under the transformation plan announced on Investor Day. In 2006, the divestment of holdings in BNL, Repsol and Andorra minus charges made for extraordinary early-retirement provisions and changes in company-tax regulations generated €156m in capital gains. Unless expressly indicated otherwise, all comments herein refer to figures **without these one-off transactions**. This is the best way to understand the Group's core performance.
- **Attributable profit** without these one-offs was €5,403m in 2007, growing 18% over the €4,580m reported the previous year (22.8% without exchange-rate impact).
- **Earnings per share** increased slightly less, 11.6%, reaching €1.50. This was due to the capital issues made in November 2006 and September 2007. These also impacted **ROE**, which stood at 30.2% for the year (36.4% in 2006). Meanwhile, **ROA** remained stable at 1.23% (1.22% in 2006). Including one-offs, earnings per share were €1.70; ROE 34.2% and ROA 1.39%.
- The Group's trading results were marked by their high quality. Earnings stemmed from a healthy **operating profit** that grew 16% to €9,698m. At constant exchange rates, this figure is 21%. In turn, the operating profit was based on increasing business volumes and improved spreads. These helped net interest income to rise 16.7% year on year and, along with other income streams, pushed up ordinary revenues by 13.9%.
- The **cost-income ratio** improved yet further, reaching 43.2% (42.4% without Compass), compared to 44% the previous year, as costs increased more slowly than revenues.
- Loan-loss **provisions** continued to include generic allocations linked to a growing loanbook. The BBVA Group did not have any writedowns deriving from instability on the financial markets.
- Growth in customer lending was compatible with a low **NPL ratio**. At 0.89% at year-end 2007, this ratio was slightly above the 0.83% reported on 31-Dec-2006, which had been a record low. **The**

coverage ratio continued to be very high (224.8%), with coverage funds of €7,662m of which €5,660m were generic.

- On 10th January 2008, the third **interim dividend** against 2007 accounts was paid out for a gross amount equal to the July and October payout, ie, €0.152 per share. This was a 15.2% increase on the corresponding 2006 dividends.
- In terms of the **capital base**, on 31-12-2007, core capital stood at 5.3%; Tier I at 6.8% and the BIS ratio at 10.7%.
- At the end of 2007 the Group had **unrealised capital gains** of €5,527m on its portfolios of equity holdings. This was €877m more than one year earlier, despite divestments during the year, of which Iberdrola was the largest.
- **Spain and Portugal** completed one of their best years ever. Higher business volumes, especially in lending (up 11.5% year on year), along with better spreads, pushed net interest income up 14.6%. Other revenues grew 7.8% and costs 2.8% (0.5% in the Spanish branch networks), such that the cost-income ratio improved; operating profit went up 18.8% and attributable profit rose to €2,397m, 24.9% more than in 2006.
- **Global Businesses** demonstrated its capacity to generate recurring revenues even in such a complex environment by leveraging its business model. This is based on operating with BBVA's global customers worldwide. The area's ordinary revenues grew 20.8% year on year; its operating profit 18.8% and its customer funds and loans over 20%. Lower earnings from divestments limited the upside of attributable profit to 5.4%, reaching €909m.
- **Mexico and the United States** generated large increases in their business volumes this year: lending rose 22.9% and customer funds 10.5% in local currency within a like-for-like perimeter (without reflecting the incorporation of Compass and State National Bank). Its growth, along with the maintenance of spreads, drove up net interest income, the mainstay of operating profit. This increased 28.5%, while attributable profit rose to €2,084m, growing 28.4% in 2007 at constant exchange rates.
- In **South America**, rising lending and customer funds (up 33.5% and 18.8% respectively, year on year in local currencies) fuelled higher net interest income, which went up 33.2%. As income from fees and insurance also grew, this raised year-on-year increases in operating profit to 33.3% and in attributable profit to 29.3%, bringing it up to €623m (all figures at constant exchange rates).
- In December, BBVA surpassed further milestones in implementing its **transformation plan in Spain**. It integrated the regional management of branch networks for banking individuals, SME's, corporations and institutions under just seven regional headquarters. This meant furthering a project it launched in July 2006 to simplify organisation and strengthen commercial management.
- The functional integration of the business units of the different banks in the **United States** continued in the fourth quarter. An ambitious timeline was established to bring about the legal and operational mergers of the four operations during 2008.

Economic environment

In **2007** the world's economy grew at an estimated 5% extending the expansion to five years. However as the year went by, growth in developed countries eased noticeably whereas emerging economies continued to contribute strongly to global activity.

Financial markets took centre-stage in 2007. During the first few months of the year long-term interest rates increased and stock markets gained ground. Nonetheless by June the market had begun to question the quality of some loan-based derivatives and this sparked a liquidity crisis. Interbank rates climbed and the flow of commercial paper and bonds started to slow. This was accompanied by a significant change in assessments of the risk attached to a considerable number of assets and by a fall on stock markets. At the same time the increased price of crude oil and basic farming products caused inflation to rebound. In view of the deteriorating circumstances central banks intervened to increase liquidity. However during this process financial markets in emerging economies performed relatively well.

Interest rates

(Quarterly averages)

	2007				2006			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	4.00	4.00	3.82	3.57	3.30	2.91	2.57	2.33
Euribor 3 months	4.72	4.49	4.07	3.82	3.59	3.22	2.90	2.61
Euribor 1 year	4.68	4.65	4.38	4.09	3.86	3.62	3.32	2.95
Spain 10 year bond	4.35	4.47	4.39	4.06	3.80	3.89	3.98	3.51
USA 10 year bond	4.26	4.73	4.84	4.68	4.62	4.89	5.06	4.56
USA Federal rates	4.53	5.18	5.25	5.25	5.25	5.25	4.90	4.44
TIIE (Mexico)	7.86	7.71	7.63	7.44	7.32	7.31	7.38	8.02

By year-end the **United States**' economy had grown about 2% despite the slowdown in housing. The Federal Reserve held rates at 5.25% until September when it began a series of rate cuts to finish the year at 4.25%.

Europe grew about 2.6% in 2007 based on domestic demand and the high level of investment. The European Central Bank continued to raise rates until they reached 4% in June and held them at this level until year-end. The **Spanish economy** did well. Overall growth was roughly 3.8% although signs of a slowdown were more apparent as the year progressed – especially in the housing sector.

Growth in **Latin America** was surprisingly strong helped by high commodity prices, buoyant world trade, internal demand and because many economies in the region have started to diversify growth. In **Mexico** growth reached 3% supported by strong domestic demand which offset the impact of the US slowdown. In fact the Bank of Mexico twice lifted rates a quarter point bringing them to 7.5% in order to contain inflation.

Exchange rates: in the fourth quarter the US dollar fell 3.7% against the euro, dragging down most Latin-American currencies. This confirmed the overall depreciation of those that have most impact on the BBVA Group's financial statements. Thus, for the year ending 31-Dec-07 the Mexican peso fell 10.8%, the US dollar 10.5%, the Argentine peso 12.9%, the Venezuelan bolivar 10.7%, the Peruvian sol 4.5% and the Chilean peso 3.8%. This has a negative impact on the year-on-year comparisons of the Group's balance sheet.

The effect on the income statement is also negative because it depends on the difference in **average exchange rates** for 2007 and 2006. These also reveal depreciations: the Mexican peso fell 8.6% against the euro, the US dollar and the Venezuelan bolivar fell 8.4%, the Argentine peso 10%, the Chilean peso 6.9% and the Peruvian sol 4.1%. The Colombian peso moved in the opposite direction, gaining 4.1%. Overall, the negative impact on the Group's income statement in 2007 is approximately five percentage points.

Exchange rates ⁽¹⁾

	Year-end exchange rates			Average exchange rates	
	31-12-07	Δ% on 31-12-06	Δ% on 30-09-07	2007	Δ% on 2006
Mexican peso	16.0521	(10.8)	(3.5)	14.9730	(8.6)
U.S. dollar	1.4721	(10.5)	(3.7)	1.3705	(8.4)
Argentine peso	4.6684	(12.9)	(3.0)	4.3111	(10.0)
Chilean peso	731.53	(3.8)	(0.8)	715.31	(6.9)
Colombian peso	2,967.36	(0.9)	(3.7)	2,840.91	4.1
Peruvian new sol	4.4060	(4.5)	(0.1)	4.2856	(4.1)
Venezuelan bolivar	3,164.56	(10.7)	(3.7)	2,941.18	(8.4)

(1) Expressed in currency/euro.

Year-on-year comparisons of the BBVA Group's earnings in 2007 are affected by a series of **one-off operations**:

- In **2007** included €847m of gross capital gains on the sale of the Group's interest in Iberdrola (booked as trading income), and €273m of gross capital gains from the sale of buildings in connection with the new corporate headquarters. Additionally, €200m were charged for the endowment of the BBVA Microcredit Foundation and, in the fourth quarter, the Group set aside provisions of €100m for early retirements

under the transformation plan announced during its recent *Investor Day*.

- In **2006**, the Group obtained €523m of gross capital gains on the sale of its interest in Repsol (booked as trading income), and €751m of gross capital gains on the sale of its interests in BNL and Andorra. That year, the Group charged €777m for early retirement associated with the restructuring of branch networks in Spain and the new organisational structure, as well as setting aside additional provisions for corporate tax (mainly the result of the new tax code).

Consolidated income statement

(Million euros)

	2007	Δ%	2006	Excluding one-offs ⁽¹⁾			
				2007	Δ%	Δ% at constant exchange rates	2006
Core net interest income	9,422	17.8	7,995	9,422	17.8	23.5	7,995
Dividends	348	(8.4)	379	348	(8.4)	(8.3)	379
NET INTEREST INCOME	9,769	16.7	8,374	9,769	16.7	22.0	8,374
Income by the equity method	242	(21.5)	308	242	(21.5)	(21.6)	308
Net fee income	4,723	9.0	4,335	4,723	9.0	13.3	4,335
Income from insurance activities	729	12.0	650	729	12.0	16.5	650
CORE REVENUES	15,463	13.1	13,667	15,463	13.1	17.9	13,667
Net trading income	2,670	31.3	2,034	1,823	20.7	23.9	1,511
ORDINARY REVENUES	18,133	15.5	15,701	17,286	13.9	18.5	15,178
Net revenues from non-financial activities	188	43.0	131	188	43.0	42.6	131
Personnel costs	(4,335)	8.7	(3,989)	(4,335)	8.7	12.0	(3,989)
General expenses	(2,718)	16.1	(2,342)	(2,718)	16.1	21.4	(2,342)
Depreciation and amortization	(577)	22.2	(472)	(577)	22.2	26.2	(472)
Other operating income and expenses	(146)	0.1	(146)	(146)	0.1	8.7	(146)
OPERATING PROFIT	10,545	18.7	8,883	9,698	16.0	21.0	8,360
Impairment losses on financial assets	(1,938)	28.9	(1,504)	(1,938)	28.9	34.9	(1,504)
• Loan loss provisions	(1,902)	28.8	(1,477)	(1,902)	28.8	34.8	(1,477)
• Other	(36)	32.7	(27)	(36)	32.7	40.1	(27)
Provisions	(210)	(84.3)	(1,338)	(110)	(80.4)	(80.0)	(561)
Other income/losses	98	(90.1)	989	25	(89.6)	(89.4)	238
• From disposal of equity holdings	11	(98.8)	934	11	(94.0)	(93.9)	183
• Other	87	58.8	55	14	(74.6)	(74.1)	55
PRE-TAX PROFIT	8,495	20.8	7,030	7,675	17.5	22.6	6,533
Corporate income tax	(2,080)	1.0	(2,059)	(1,983)	15.4	21.0	(1,718)
NET PROFIT	6,415	29.0	4,971	5,691	18.2	23.2	4,815
Minority interests	(289)	22.8	(235)	(289)	22.8	31.2	(235)
NET ATTRIBUTABLE PROFIT	6,126	29.4	4,736	5,403	18.0	22.8	4,580
EARNINGS PER SHARE CALCULATION							
Average ordinary shares							
in circulation (million)	3,594	5.7	3,401	3,594	5.7		3,401
Basic earnings per share (euros)	1.70	22.4	1.39	1.50	11.6		1.35
Diluted earnings per share (euros)	1.70	22.4	1.39	1.50	11.6		1.35

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

Consolidated income statement⁽¹⁾: quarterly evolution

(Million euros)

	2007				2006			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Core net interest income	2,625	2,381	2,217	2,199	2,134	1,999	1,928	1,933
Dividends	120	30	163	35	156	35	172	17
NET INTEREST INCOME	2,745	2,411	2,380	2,233	2,290	2,034	2,100	1,950
Income by the equity method	81	57	77	26	86	152	29	41
Net fee income	1,270	1,168	1,152	1,133	1,137	1,048	1,042	1,108
Income from insurance activities	205	183	170	171	167	186	148	149
CORE REVENUES	4,301	3,819	3,780	3,564	3,680	3,420	3,320	3,248
Net trading income	339	402	535	547	358	319	422	412
ORDINARY REVENUES	4,640	4,221	4,315	4,110	4,038	3,739	3,741	3,659
Net revenues from non-financial activities	49	26	61	52	44	12	56	19
Personnel costs	(1,189)	(1,079)	(1,032)	(1,035)	(1,043)	(993)	(963)	(989)
General expenses	(775)	(665)	(650)	(628)	(610)	(570)	(574)	(588)
Depreciation and amortization	(184)	(147)	(127)	(120)	(125)	(115)	(104)	(128)
Other operating income and expenses	(37)	(34)	(45)	(30)	(30)	(38)	(41)	(38)
OPERATING PROFIT	2,503	2,323	2,522	2,349	2,273	2,035	2,116	1,936
Impairment losses on financial assets	(597)	(459)	(509)	(372)	(441)	(408)	(358)	(297)
• Loan loss provisions	(584)	(452)	(498)	(367)	(432)	(395)	(357)	(293)
• Other	(13)	(7)	(11)	(5)	(9)	(13)	(1)	(4)
Provisions	70	(11)	(46)	(123)	(80)	(139)	(207)	(135)
Other income/losses	11	16	(15)	13	23	69	124	22
• From disposal of equity holdings	16	-	(1)	(4)	(4)	50	118	20
• Other	(5)	16	(15)	18	27	19	6	2
PRE-TAX PROFIT	1,987	1,869	1,952	1,867	1,776	1,557	1,676	1,526
Corporate income tax	(483)	(455)	(504)	(541)	(452)	(377)	(461)	(429)
NET PROFIT	1,504	1,414	1,447	1,327	1,323	1,180	1,215	1,097
Minority interests	(63)	(75)	(78)	(72)	(43)	(59)	(55)	(77)
NET ATTRIBUTABLE PROFIT	1,440	1,339	1,369	1,254	1,280	1,121	1,159	1,020

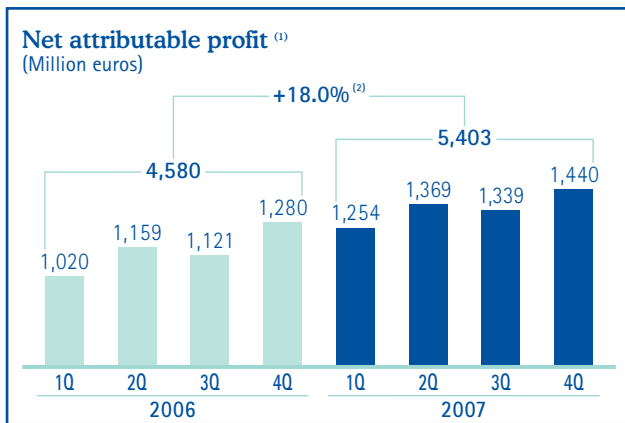
(1) Excluding the one-off operations.

The combined effect of all these operations, net of taxes, was additional net attributable profit of €724m in 2007 and €156m in 2006. 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 give a better picture of the Group's performance.

In the **fourth quarter** of 2007 the BBVA Group generated net attributable profit of €1,440m. This was 12.5% higher than the €1,280m obtained in the same period of 2006. At constant exchange rates (that is, without the deterioration in exchange rates) the growth would be

17.7%. Like previous quarters, net profit was mainly supported by operating profit, which rose 10.1% to €2,503m compared to €2,273m generated in the same quarter of 2006 (up 16.1% at constant exchange rates).

As a result, net attributable profit for the **whole of 2007** without non-recurrent items came to €5,403m. This set a new record for the Group, rising 18.0% over the €4,580m obtained in 2006. At constant exchange rates the increase would be 22.8%. This figure is higher than the improvement recorded in 2006 although the negative impact of exchange rates was greater in 2007. The increase in recurrent income (ordinary revenues were up



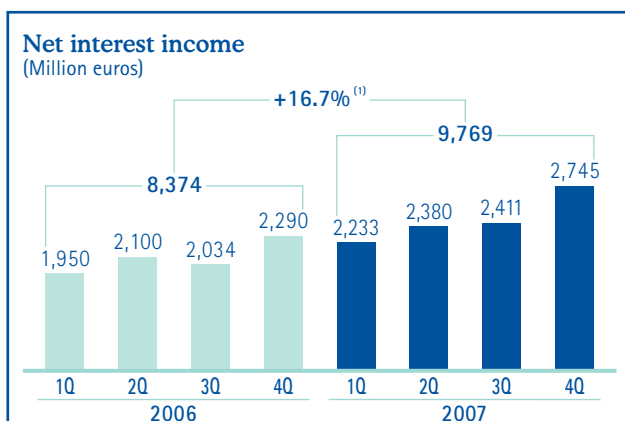
(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +22.8%.

13.9%) outpaced the rise in expenses, leading to a new improvement in efficiency. Consequently operating profit rose 16.0% to €9,698m, compared to €8,360m in 2006 (up 21.0% at constant exchange rates).

The growth in earnings was basically **organic**. Changes in the Group's structure accounted for only 2.0 percentage points of the increase in operating profit and 1.3 points in the case of net attributable profit. These contributions are mainly due to **Compass** which, since its incorporation on 07-Sep-07, has provided €138m to operating profit and €70m to net attributable profit.

Net interest income

In the **fourth quarter** net interest income was the main source of the increase in the Group's revenues. It came to €2,745m, up 19.9% year-on-year. Without dividends of €120m the amount would be €2,625m

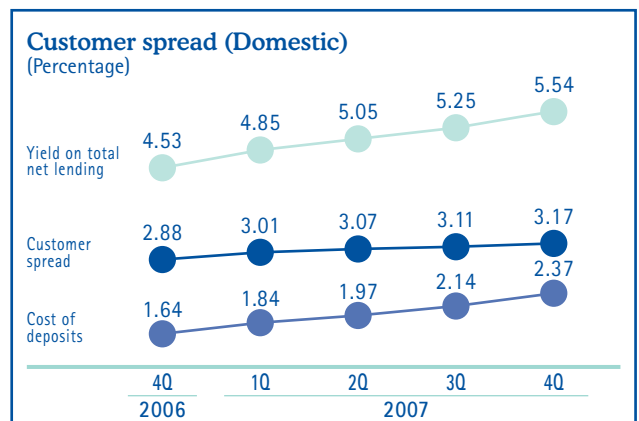


(1) At constant exchange rates: +22.0%.

(up 23.0%). Both figures – with and without dividends – set new group records for a single quarter. Net interest income for the **full year** came to €9,769m, which was 16.7% higher than the €8,374m obtained in 2006 (up 22.0% at constant rates). If dividends of €348m are deducted, net interest income rose 17.8% year-on-year to €9,422m (up 23.5% at constant rates). The improvement was due to the higher volume of business and to wider spreads on operations with customers.

In the **domestic market**, customer spreads widened throughout the year. In fact, they have improved over eight consecutive quarters to 3.17% in the fourth quarter with an increase of 6 basis points compared to the third quarter (3.11%) and 29 basis points compared to the fourth quarter of 2006 (2.88%). In the current volatile interest-rate environment the yield on loans rose to 5.54% in the fourth quarter, increasing 29 basis points over the third quarter. The cost of deposits is 2.37% but the increase (23 basis points compared to 2.14% in the third quarter) is lower than the rise in yields, due mainly to the growth in time deposits. The overall result means that in 2007 the average customer spread was 3.10%, compared to 2.75% in 2006. The improved margin plus the higher volume of business helped the Spain and Portugal Area to lift net interest income 14.6% year-on-year.

In **Mexico**, interest rates have rebounded in recent months. The average TIIE in the fourth quarter was 7.86%, up slightly compared to previous level of 7.7%, which had stood since May. These movements in interest rates partially offset the negative effect of a fall



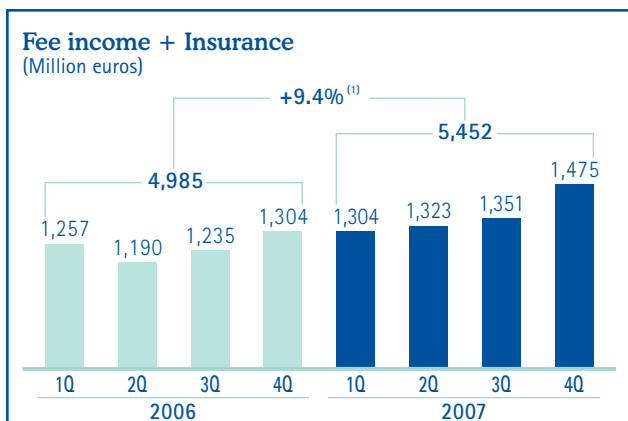
Breakdown of yields and costs

	4 th Quarter 07		3 rd Quarter 07		2 nd Quarter 07		1 st Quarter 07	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances at Central Banks	3.3	2.75	3.7	2.67	3.4	3.10	3.5	2.94
Financial assets and derivatives	23.5	4.06	22.7	3.42	23.2	3.85	23.6	3.39
• Fixed-income securities	19.0	4.51	17.9	4.19	18.3	4.07	19.0	4.04
- Euros	10.7	3.01	10.3	2.55	10.8	2.48	11.0	2.46
- Foreign currencies	8.3	6.45	7.6	6.43	7.6	6.33	8.0	6.22
• Equity securities	4.5	2.12	4.8	0.54	4.8	3.03	4.6	0.71
Due from banks	6.0	5.81	7.2	5.97	7.3	5.26	6.5	5.84
• Euros	4.3	5.88	4.9	6.00	4.9	4.82	4.3	4.73
• Foreign currencies	1.7	5.65	2.3	5.91	2.5	6.14	2.2	7.97
Loans to customers	60.8	7.23	60.7	7.00	60.7	6.73	60.8	6.48
• Euros	42.5	5.58	44.8	5.30	45.6	5.08	45.7	4.87
- Domestic	39.5	5.54	41.8	5.25	42.5	5.05	42.7	4.85
- Other	3.0	6.13	3.1	6.00	3.1	5.51	3.0	5.18
• Foreign currencies	18.3	11.06	15.8	11.78	15.1	11.74	15.1	11.32
Other assets	6.4	0.83	5.8	0.91	5.5	0.60	5.6	0.87
TOTAL ASSETS	100.0	5.84	100.0	5.60	100.0	5.50	100.0	5.27
Deposits by Central Banks and banks	15.8	5.10	13.6	5.16	13.6	5.02	13.9	4.71
• Euros	6.3	4.24	5.5	4.06	5.7	3.97	6.2	3.60
• Foreign currencies	9.5	5.68	8.1	5.91	7.8	5.79	7.7	5.60
Due to customers	47.8	3.70	47.7	3.55	47.8	3.36	46.9	3.13
• Euros	26.0	3.44	27.8	3.18	27.0	2.73	26.4	2.56
- Domestic	16.4	2.37	17.5	2.14	17.6	1.97	18.0	1.84
- Other	9.6	5.26	10.3	4.94	9.4	4.13	8.3	4.14
• Foreign currencies	21.9	4.01	19.9	4.07	20.8	4.19	20.6	3.85
Marketable debt securities and subordinated debt	19.9	5.13	22.0	4.86	22.2	4.43	22.4	4.19
• Euros	16.0	4.96	18.1	4.50	18.6	4.20	19.4	4.00
• Foreign currencies	3.9	5.82	3.9	6.54	3.5	5.66	3.0	5.43
Other liabilities	10.9	0.75	11.4	0.79	11.3	0.82	11.4	0.78
Equity	5.6	-	5.3	-	5.1	-	5.3	-
TOTAL LIABILITIES AND EQUITY	100.0	3.68	100.0	3.55	100.0	3.37	100.0	3.15

in consumer finance and cards. The yield on loans rose to 15.05% in the fourth quarter (up from 14.90% in the third quarter). The cost of funds rose only one basis point to 2.62% and therefore customer spreads improved to 12.43% in the fourth quarter from 12.29% in the third quarter and 12.50% a year earlier. The improvement in spreads, together with a strong increase in business, helped to lift net interest income 18.6% in local currency terms. Furthermore in **South America** the sharp increase in business volume – especially in lending – boosted net interest income 33.2% at constant exchange rates.

Ordinary revenues

In the year to December **net fee income** came to €4,723m, up 9.0% compared to 2006 (up 13.3% at constant exchange rates). During the year fees on mutual and pension fund business fell 2.1% because time deposits still account for most of the growth in customer funds and because the Group faces stiffer competition in the Mexican pension business. **Insurance business** generated €729m for the full year (up 12.0%). Therefore **net fee income plus insurance** rose 9.4% to €5,452m, compared to €4,985m a year earlier (up 13.7% at constant rates).

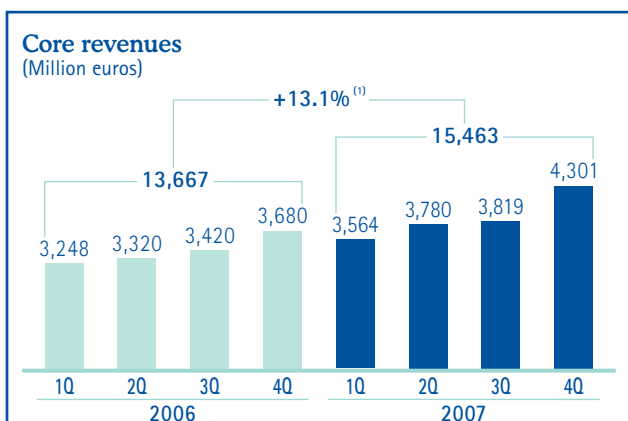


(1) At constant exchange rates: +13.7%.

All business areas reported significant improvements in this aggregate. In Spain and Portugal it rose 6.8% and in Global Businesses 15.2%. At constant exchange rates it increased 24.8% in Mexico & USA, and 18.8% in South America.

Net income from companies calculated by the **equity method** came to €242m. Corporación IBV accounted for most of this (€209m). In 2006 this item came to €308m, based on contributions from Corporación IBV (€251m) and BNL (€25m).

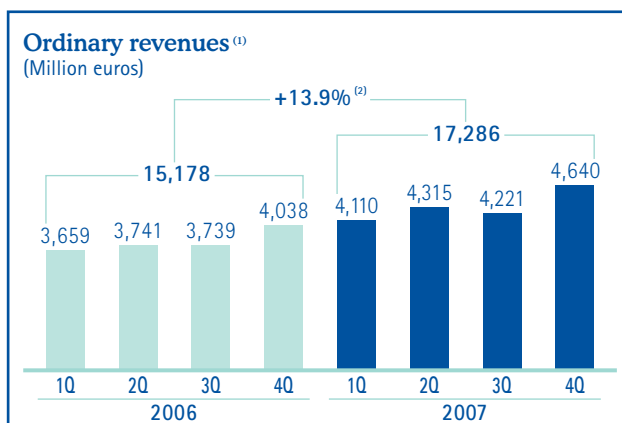
Core revenues, which consist of net interest income, net fee income, insurance and equity-accounted income, came to €4,301m in the fourth quarter (a new record for BBVA) and to €15,463m for the full year. The latter figure was 13.1% higher than the €13,667m generated in 2006 (up 17.9% at constant rates).



(1) At constant exchange rates: +17.9%.

Net trading income contributed €339m in the fourth quarter. This was slightly less than previous quarters owing to the weaker conditions which have led to a slowdown in market operations with customers. For the full year these revenues rose 20.7% to €1,823m, compared to €1,511m in 2006 (up 23.9% 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 in 2007 comes to €2,670m (€2,034m in 2006).

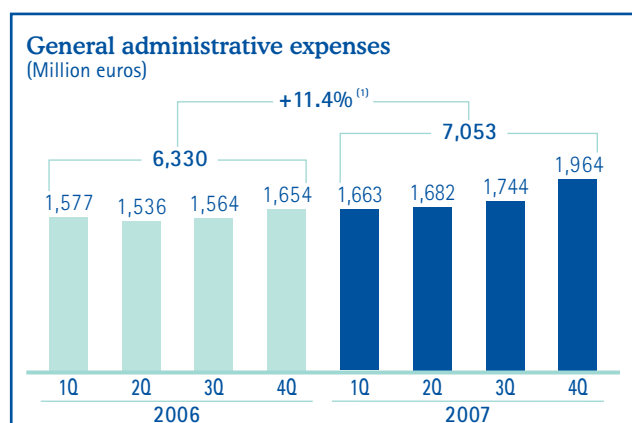
Ordinary revenues are the sum of core revenues and net trading income. In the fourth quarter they came to €4,640m, bringing the total for the year to €17,286m. This is 13.9% more than the €15,178m obtained in 2006 (up 18.5% at constant exchange rates). Net gains on non-financial activities, which are mainly related to real estate business, increased 43.0% to €188m (€131m in 2006). As a result the Group's **total operating revenues** rose 14.1% year-on-year to €17,474m (up 18.8% at constant exchange rates).



(1) Excluding results of one-off transactions.
(2) At constant exchange rates: +18.5%.

Operating profit

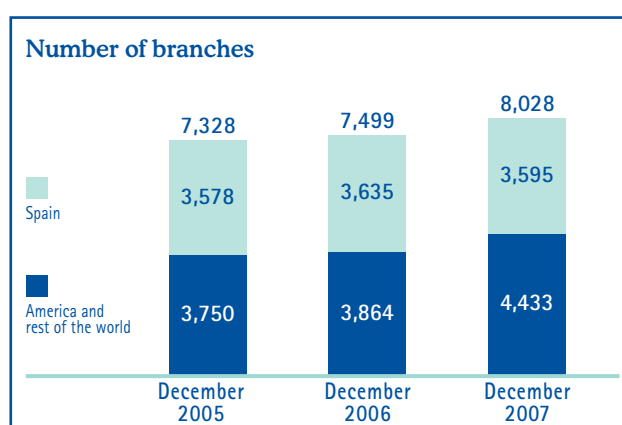
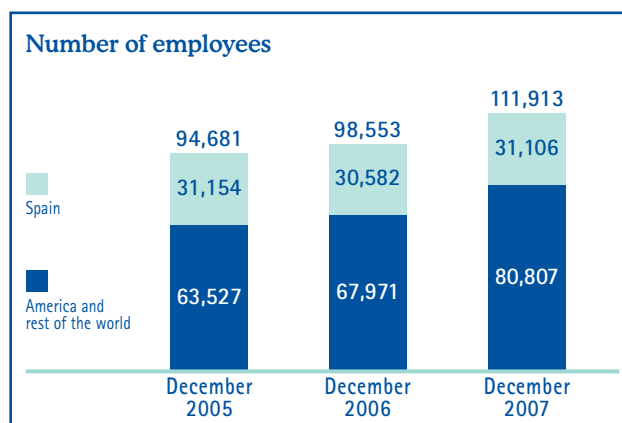
Operating expenses reflected the greater level of business activity, investments in growth projects and the effect of recent acquisitions but they are still increasing more slowly than revenues. General administration costs were up 11.4% to €7,053m for the year. Personnel



(1) At constant exchange rates: +15.5%.

costs rose 8.7% and other overheads climbed 16.1%. In the Spain & Portugal Area expenses increased 2.8% due to new projects (expenses in the Spanish branch network were practically flat). Expenses in the Americas rose 16.1% (25.2% at constant rates) owing to recent acquisitions and to increases in the branch networks and sales force in some countries.

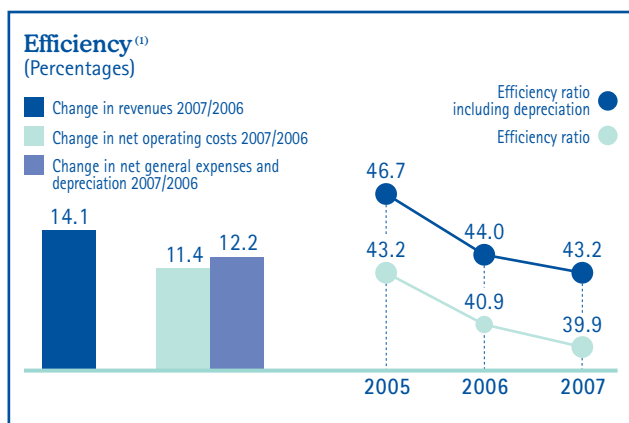
At the end of 2007 the Group had 111,913 **employees**. During the year their number increased in the Americas following the addition of 8,864 employees from Compass and 595 from State National Bank. The total number of **branches** at year-end came to 8,028 after incorporating Compass (420), State National (43) and the expansion of networks in Mexico, Chile and Peru.



As the increase in operating income (up 14.1%) exceeded that of expenses net of recuperated expenses and depreciation (up 12.2%), the **cost/income ratio** in

Efficiency ⁽¹⁾ (Million euros)	2007	Δ%	2006
Ordinary revenues	17,286	13.9	15,178
Net revenues from non-financial activities	188	43.0	131
TOTAL REVENUES	17,474	14.1	15,309
Personnel costs	(4,335)	8.7	(3,989)
General expenses	(2,718)	16.1	(2,342)
Recovered expenses	73	11.0	65
GENERAL ADMINISTRATIVE EXPENSES (NET)	(6,980)	11.4	(6,265)
EFFICIENCY RATIO (Costs/revenues, %)	39.9		40.9
Depreciation and amortization	(577)	22.2	(472)
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION	(7,557)	12.2	(6,737)
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	43.2		44.0

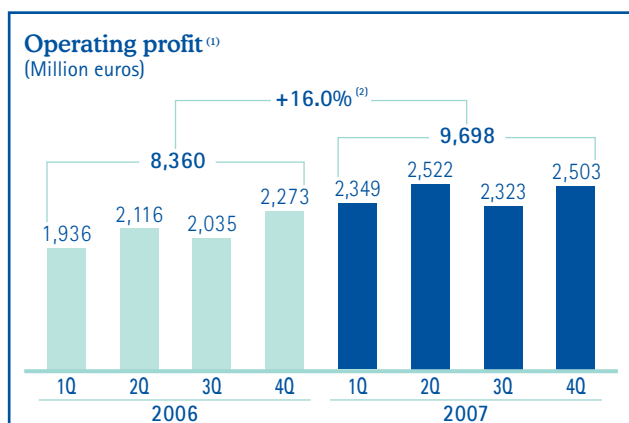
(1) Excluding the one-off operations.



(1) Excluding results of one-off transactions.

2007 improved to 43.2% (from 44.0% in 2006). Without Compass the improvement would have been even better (42.4%).

These changes also helped **operating profit** to maintain a high growth rate. It came to €2,503m in the fourth quarter bringing the total for 2007 to €9,698m. This was an increase of 16.0% compared to the €8,360m obtained in 2006 (up 21.0% at constant exchange rates). Including the effect of one-off capital gains (Iberdrola in 2007 and Repsol in 2006), operating profit increased 18.7% to €10,545m (23.5% at constant rates). It should be noted that all business areas recorded growth of more than 17% in operating profit. It was up 18.8% in Spain & Portugal, 18.8% in Global Businesses, 17.5% in Mexico & USA (28.5% at constant exchange rates) and 25.1% in South America (33.3% at constant rates).



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

Provisions and others

In 2007 the Group set aside €1,902m for **loan-loss provisions**. This amount was 28.8% higher than the provisions of €1,477m in 2006. The increase was due to the growth of lending in all the Group's markets, which continue to require higher generic provisions.

Transfers to **other provisions** came to €110m for the year (€561m in 2006). This amount includes €212m for early retirements and an additional €100m in the fourth quarter related to the transformation plan announced during the bank's recent Investor Day presentation. In 2006 ordinary early retirement provisions came to €277m and non-recurrent ones (linked to the restructuring of branch networks and new organizational structure) came to €777m.

The **sale of equity holdings** contributed only €11m in 2007 and the main item was €13m from the sale of a pension fund manager and an insurance company in the Dominican Republic (booked in the fourth quarter). In 2006 this item came to €183m, which was complemented by non-recurrent capital gains on the sale of holdings in BNL (€568m) and Banc Internacional de Andorra (€183m). **Other items** of a singular nature in 2007 include €273m in capital gains from the sale of buildings in connection with the new corporate headquarters and a €200m charge for endowment of the BBVA Microcredit Foundation.

Attributable profit

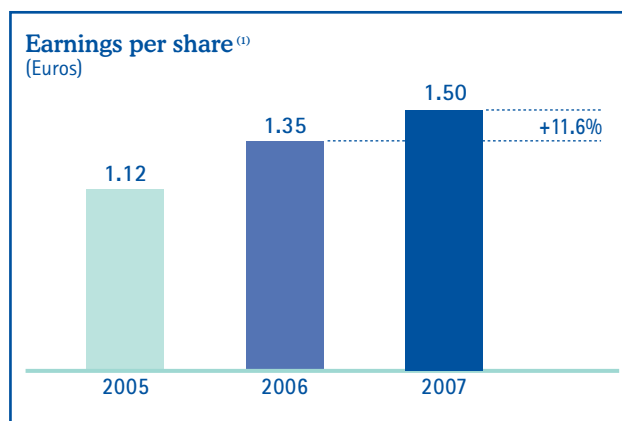
The combined impact of the items in the previous section on the income statement before non-recurrent items is practical zero. Therefore the increase in operating profit carries through to **pre-tax profit**, which rose 17.5% to €7,675m (€6,533m in 2006). The corporate tax rate in Spain was lowered to 32.5% in 2007 and thus provisions for this item are also lower. In 2006 the new tax code generated a one-time charge to adjust deferred tax credits to the new rates.

Net profit after tax came to €5,691m (€4,815m in 2006). After deducting €289m for minority interests, the **net profit attributable** to the Group in 2007 is €5,403m. This figure is 18.0% higher than the €4,580m obtained in 2006 (22.8% higher at constant exchange rates).

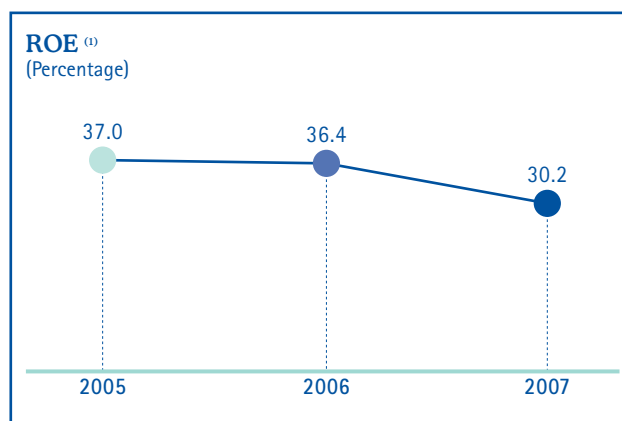
In the breakdown of the above figure by business area Spain & Portugal contributed €2,397m (up 24.9%), Global Businesses €909m (up 5.4%), Mexico & USA €2,084m (up 17.4% in euros and 28.4% at constant exchange rates) and South America €623m (up 22.4% in euros and 29.3% at constant rates).

If non-recurrent items (€724m of attributable profit in 2007 and €156m in 2006) are included, the total net attributable profit for 2007 rose 29.4% year-on-year to €6,126m (€4,736m in 2006). Without the effect of exchange rates the increase was 34.4%.

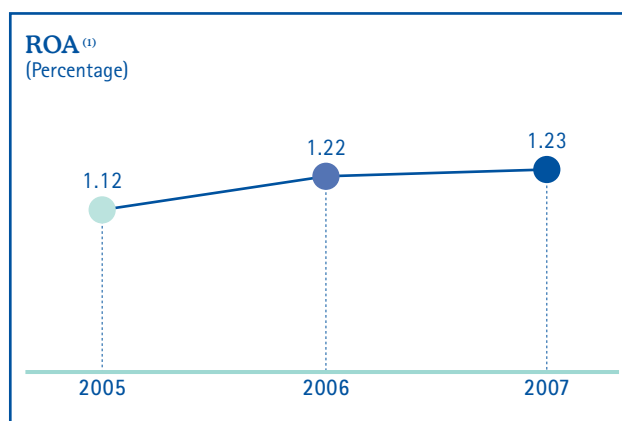
Without non-recurrent items, **earnings per share** (EPS) in 2007 came to €1.50, an increase of 11.6% compared to the €1.35 obtained in 2006. Reported EPS in 2007 was €1.70, up 22.4% over €1.39 in 2006. It rose somewhat less than net attributable profit owing to an increase in the number of shares following capital increases in September 2007 and November 2006. These capital increases enlarge shareholder's funds, altering **book value** per share, which rises 29.1% to €6.62. The return on equity (**ROE**) is also affected coming down to 30.2% in 2007 from 36.4% in 2006. The return on total average assets (**ROA**) stands at 1.23%, which is similar to the 1.22% in 2006. Including non-recurrent earnings, ROE is 34.2% and ROA is 1.39%.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

During 2007 lending to customers in Spain continued to slow and growth in customer funds centred on those types that are included on the balance sheet. In the Americas both lending and customer funds of all kinds are growing at a fast pace.

The **Compass** group became part of BBVA in September and **State National Bank** in January. Together at year-end they contributed €27 billion in assets, €19 billion in loans, €17 in deposits and €5 billion in funds reported off the balance sheet. For this reason the comparisons of

Consolidated balance sheet

(Million euros)

	31-12-07	Δ%	31-12-06	30-09-07
Cash and balances at Central Banks	22,582	80.4	12,515	17,678
Financial assets held for trading	62,336	20.3	51,835	57,663
Other financial assets at fair value	1,167	19.4	977	878
Financial assets available for sale	48,432	14.6	42,267	45,790
Loans and receivables	338,492	21.0	279,855	338,543
• Due from banks	20,997	23.2	17,050	28,966
• Loans to customers	310,882	21.2	256,565	302,040
• Other	6,613	6.0	6,240	7,537
Held to maturity investments	5,584	(5.4)	5,906	5,573
Investments in associates	1,542	73.5	889	1,552
Property, plant and equipment	5,238	15.7	4,527	5,210
Intangible assets	8,244	152.2	3,269	8,513
Other assets	8,588	(13.0)	9,876	11,275
TOTAL ASSETS	502,204	21.9	411,916	492,674
Financial liabilities held for trading	19,273	29.1	14,924	19,169
Other financial liabilities at fair value	449	(22.9)	583	496
Financial liabilities at amortised cost	429,204	23.2	348,445	417,452
• Deposits by Central Banks and banks	88,098	52.4	57,804	70,367
• Due to customers	236,183	22.8	192,374	240,094
• Marketable debt securities	82,999	6.9	77,674	83,595
• Subordinated debt	15,662	15.2	13,597	16,132
• Other	6,262	(10.5)	6,995	7,264
Liabilities under insurance contracts	9,997	(1.2)	10,121	10,062
Other liabilities	15,338	(1.2)	15,527	17,901
TOTAL LIABILITIES	474,261	21.7	389,598	465,080
Minority interests	880	14.6	768	854
Valuation adjustments	2,252	(32.6)	3,341	2,701
Shareholders' funds	24,811	36.3	18,210	24,040
EQUITY	27,943	25.2	22,318	27,594
TOTAL LIABILITIES AND EQUITY	502,204	21.9	411,916	492,674
MEMORANDUM ITEM:				
Contingent liabilities	65,845	55.7	42,281	60,623
MEMORANDUM ITEM:				
Average total assets	461,668	16.6	395,950	447,707
Average risk-weighted assets	279,697	19.3	234,370	270,660
Average shareholders' funds	17,901	42.1	12,594	17,105

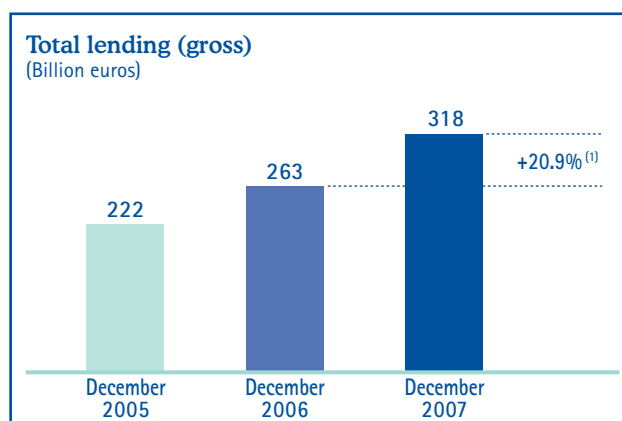
key figures are generally presented on a like-for-like basis, ie, excluding Compass and State National. This gives a better picture of the BBVA Group's organic growth.

Furthermore any examination of the Group's balance sheet must take account of movements in the **exchange-rate** of those currencies that have a major impact on its financial statements. Between 31-Dec-06 and 31-Dec-07 most of these fell against the euro, especially the Mexican and Argentine pesos, the US dollar and the bolivar (which all declined more than 10%). This has a negative effect on year-on-year comparisons of the balance sheet. Therefore the growth rates quoted below exclude the effect of exchange rates on the key figures.

At 31-Dec-07 the **total assets** of the BBVA Group stood at €502 billion, rising 21.9% compared to €412 billion a year earlier (up 15.5% on a like-for-like basis).

Lending to customers

By the end of 2007 lending to customers had risen 20.9% to €318 billion (€263 billion at 31-Dec-06). At constant exchange rates the increase is 23.2% and if it is calculated on a like-for-like basis (excluding Compass and State National) the increase in lending is 15.8%.

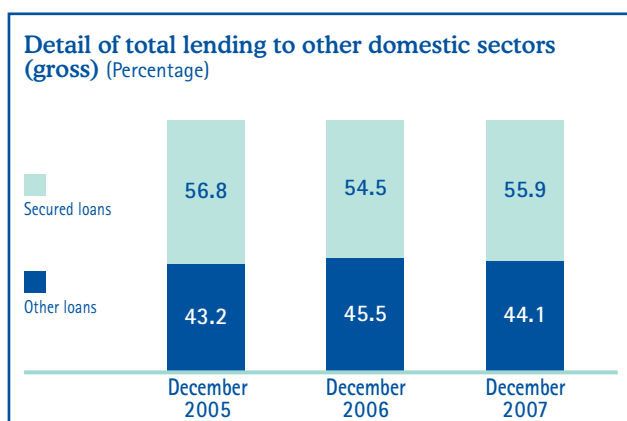
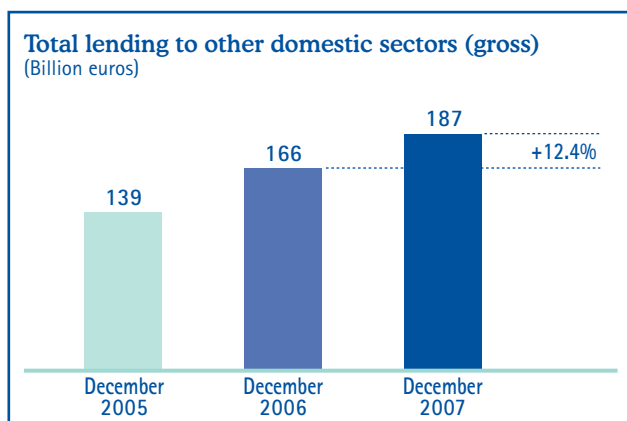


(1) At constant exchange rates: +23.2%.

Only 4.9% of the Group's lending is located in Latin-American countries that are below investment grade. Investment grade Latin-American countries account for 11.4%, America accounts for 10.3% and Spain plus the rest of the world accounts for 73.4%.

Of the loans extended to domestic customers in Spain, those of the **public sector** were stable during the year, at €16 billion. However lending to the **domestic private sector** rose 12.4% to €187 billion (€166 billion a year earlier). Residential mortgage business continued to slow gradually and this is reflected in the total for secured loans, which rose 15.4% to nearly €105 billion.

Total lending (Million euros)	31-12-07	Δ%	31-12-06	30-09-07
	Public sector	15,960	0.1	15,942
Other domestic sectors	187,049	12.4	166,375	182,318
• Secured loans	104,567	15.4	90,649	102,593
• Commercial loans	12,767	(3.9)	13,286	12,633
• Financial leases	7,774	11.1	6,997	7,568
• Other term loans	57,159	11.5	51,241	54,978
• Credit card debtors	1,975	31.1	1,506	1,431
• Other	2,808	4.2	2,695	3,115
Non-domestic sector	111,631	42.8	78,160	107,788
• Secured loans	30,695	20.4	25,492	30,509
• Other loans	80,936	53.7	52,669	77,278
Non-performing loans	3,358	34.8	2,492	3,212
• Public sector	116	(8.6)	127	126
• Other domestic sectors	1,435	50.6	953	1,230
• Non-domestic sectors	1,807	28.0	1,411	1,856
TOTAL LENDING (GROSS)	317,998	20.9	262,969	309,164
Loan loss provisions	(7,117)	11.1	(6,404)	(7,124)
TOTAL NET LENDING	310,882	21.2	256,565	302,040



The increase in consumer finance and lending to SMEs and small businesses had an effect on various items such as “Credit card debtors” (up 31.1%), “Other term loans” (up 11.5%) and “Financial leases” (up 11.1%).

Lending to the **non-domestic sector** jumped 42.8% to €112 billion (€78 billion at 31-Dec-06). Without the impact of exchange rates and on a like-for-like basis, the increase is 26.0%. This was the result of good performances by most of the Group’s units, especially Mexico, Colombia, Peru, Venezuela and the wholesale business in Asia, with growth in local currency well above 25%.

Non-performing loans came under €3.4 billion at year-end. These are dealt with in the chapter on risk management.

Customer funds

Total customer funds, on and off the balance sheet, came to €486 billion at 31-Dec-07, an increase of

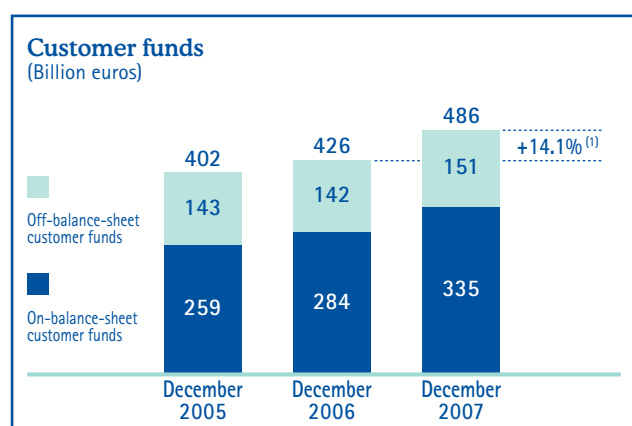
Customer funds

(Million euros)

	31-12-07	Δ%	31-12-06	30-09-07
ON-BALANCE-SHEET CUSTOMER FUNDS	334,844	18.1	283,645	339,820
DEPOSITS	236,183	22.8	192,374	240,094
Public sector	6,853	(3.8)	7,124	17,111
Other domestic sectors	107,416	13.8	94,393	107,552
• Current and savings accounts	44,187	(7.6)	47,806	43,875
• Time deposits	33,781	22.0	27,682	33,019
• Assets sold under repurchase agreement	8,785	(3.3)	9,081	9,402
• Other	20,664	110.3	9,824	21,256
Non-domestic sector	121,913	34.2	90,857	115,431
• Current and savings accounts	50,836	34.8	37,699	49,397
• Time deposits	61,670	43.7	42,910	57,219
• Assets sold under repurchase agreement and other accounts	9,407	(8.2)	10,249	8,815
MARKETABLE DEBT SECURITIES	82,999	6.9	77,674	83,595
Mortgage bonds	39,730	10.3	36,029	39,585
Other marketable securities	43,269	3.9	41,645	44,010
SUBORDINATED DEBT	15,662	15.2	13,597	16,132
OTHER CUSTOMER FUNDS	150,777	6.1	142,064	153,562
Mutual funds	57,932	(0.9)	58,452	59,481
Pension funds	60,909	6.6	57,147	60,553
Customer portfolios	31,936	20.7	26,465	33,528
TOTAL CUSTOMER FUNDS	485,621	14.1	425,709	493,382

14.1% compared to €426 billion at the end of 2006 (up 17.1% at constant exchange rates and 11.7% on a like-for-like basis).

Customer funds on the balance sheet grew faster, rising 18.1% to €335 billion (up 20.8% at constant rates). Of this amount, customer deposits contributed €236 billion (up 22.8%), marketable debt securities



accounted for €83 billion (up 6.9%) and subordinate liabilities represented €16 billion (up 15.2%).

Customer funds **off the balance sheet**, which comprise mutual funds, pension funds and customers' portfolios, grew more slowly. By year-end they had risen 6.1% to €151 billion compared to €142 billion a year earlier (up 9.6% at constant exchange rates). Of this amount Spain accounts for €74 billion, a decrease of 2.2% year-on-year owing to customers' preference for time deposits rather than mutual funds. Outside Spain these funds rose 15.7% to €76 billion (up 24.2% at constant exchange rates) and the advance was widespread.

In Spain the figure that best represents customer funds is the aggregate of current and savings accounts, time deposits from the domestic private sector, mutual funds and pension funds. At 31-Dec-07 these came to €138 billion with an increase of 0.7% during the year (up 2.3% excluding the eurodeposits' volatile balances accounted in the markets unit).

Other customer funds

(Million euros)

	31-12-07	Δ%	31-12-06	30-09-07
SPAIN	74,401	(2.2)	76,080	76,574
MUTUAL FUNDS	43,258	(4.9)	45,491	45,056
Mutual Funds (ex Real Estate)	40,876	(5.5)	43,273	42,558
• Monetary and short term fixed-income	15,180	(2.0)	15,496	15,745
• Long-term fixed income	1,644	(7.8)	1,783	1,824
• Balanced	1,493	(5.3)	1,577	1,624
• Equity	3,620	(13.4)	4,182	4,073
• Guaranteed	17,068	(0.1)	17,094	17,069
• Global	1,871	(40.4)	3,142	2,222
Real Estate investment trusts	2,258	1.8	2,218	2,374
Private equity funds	124	n.m.	-	124
PENSION FUNDS	17,068	4.8	16,291	16,604
Individual pension plans	9,806	6.0	9,249	9,394
Corporate pension funds	7,262	3.1	7,042	7,211
CUSTOMER PORTFOLIOS	14,075	(1.6)	14,298	14,913
REST OF THE WORLD	76,376	15.7	65,984	76,988
Mutual funds and investment companies	14,674	13.2	12,961	14,425
Pension funds	43,841	7.3	40,856	43,949
Customer portfolios	17,861	46.8	12,167	18,614
OTHER CUSTOMER FUNDS	150,777	6.1	142,064	153,562

In 2007 higher interest rates further increased the attractiveness of time deposits to the detriment of current and savings accounts (whose cost of opportunity is now greater) and mutual funds (affected by market turbulence). BBVA has been catering for this trend in recent years with a customer-fund policy that boosts time deposit gathering. Consequently in 2007, the growth in customer funds in Spain opted mainly for this type of deposit which increased 22.0% to €34 billion (39.4% excluding the above mentioned eurodeposits). This also explains why current and savings accounts fell 7.6% to €44 billion and why mutual funds declined 4.9% to €43 billion. In the latter case the fall is less than average for the Spanish banking sector and BBVA thus increased its market share in this segment. Furthermore pension funds rose 4.8% to €17 billion, especially individual plans (up 6.0%).

Public sector deposits in Spain fell 3.8% to €7 billion. Excluding amounts allocated in the Treasury's liquidity auctions, they increased 8.5%.

In the case of the **non-domestic sector** the aggregate of current and savings accounts, time deposits, mutual funds and pension funds rose 27.2% to €171 billion (up 36.3% at constant exchange rates and up 22.4% on a like-for-like basis). Current and savings accounts grew sharply to €51 billion, an increase of 34.8% (up 47.1% at constant rates).

At year-end stable funds amounted to €120 billion, rising 24.3% year-on-year (up 32.2% at constant rates). At constant exchange rates all types grew strongly. Time deposits gained 51.4% to €62 billion, pension funds were up 14.2% to €44 billion and mutual funds increased 24.2% to almost €15 billion.

Statement of changes in equity

(Million euros)

	Capital	Reserves	Profit for the year	Treasury shares	Valuation adjustments	Minority interests	Paid dividends	TOTAL EQUITY
BALANCE AT 31-12-05	1,662	8,831	3,806	(96)	3,295	971	(1,167)	17,302
Valuation adjustments					46	(3)		43
Profit retained		2,011	(2,011)					-
Dividends			(1,795)			(104)	(196)	(2,095)
Shares issued	79	2,921						3,000
Treasury shares				(51)				(51)
Profit for the year			4,736			235		4,971
Other		(554)		35		(332)		(851)
BALANCE AT 31-12-06	1,740	13,208	4,736	(112)	3,341	768	(1,363)	22,318
BALANCE AT 31-12-06	1,740	13,208	4,736	(112)	3,341	768	(1,363)	22,318
Valuation adjustments					(1,089)	(67)		(1,156)
Profit retained		2,525	(2,525)					-
Dividends			(2,210)			(108)	(298)	(2,616)
Shares issued	96	3,191						3,287
Treasury shares		(26)		(209)				(235)
Profit for the year			6,126			289		6,415
Other		(68)				(2)		(70)
BALANCE AT 31-12-07	1,837	18,830	6,126	(321)	2,252	880	(1,661)	27,943

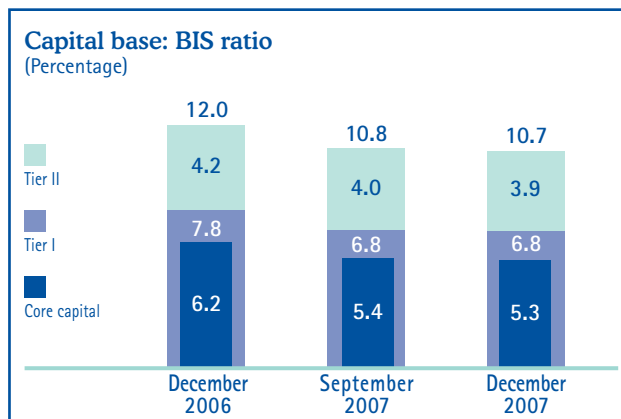
Capital base

In accordance with the rules of the Bank for International Settlements (BIS) the capital base of the BBVA Group at the end of 2007 was €32,452m – similar to 30-Sep-07. Risk-weighted assets rose 0.7% in the fourth quarter to €304,327m. Therefore the capital base surplus (in excess of the 8% of risk-weighted assets required by the rules) was €8,106m.

Core capital came to €16,120m, which is 5.3% of risk-weighted assets, compared to 5.4% at 30-Sep-07 (when the Group's accounts reflected the impact of the Compass acquisition) and 6.2% at 31-Dec-06.

After adding preference securities to core capital, **Tier I** stands at €20,659m, which is 6.8% of risk-weighted

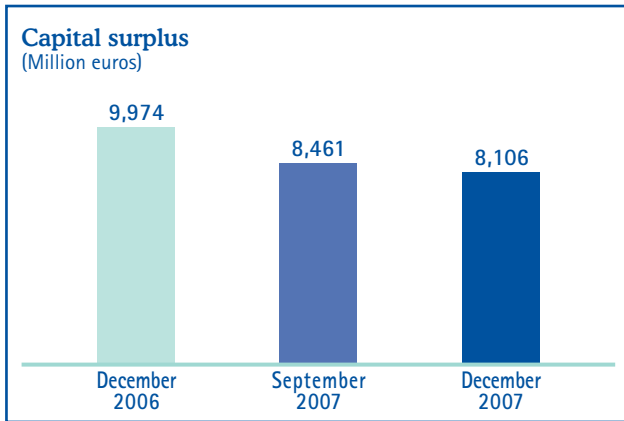
assets (6.8% at 30-Sep-07 and 7.8% at 31-Dec-06). Preference securities currently account for 22.0% of Tier I capital.



Capital base (BIS Regulation)

(Million euros)

	31-12-07		
Called-up share capital	1,837	1,837	1,740
Reserves	18,045	18,504	13,694
Minority interests	763	775	795
Deductions	(10,533)	(9,680)	(5,327)
Net attributable profit	6,008	4,736	4,736
CORE CAPITAL	16,120	16,171	15,549
Preference shares	4,540	4,518	4,025
CAPITAL (TIER I)	20,659	20,689	19,574
Subordinated debt	10,072	10,345	8,783
Valuation adjustments and other	2,076	2,014	1,842
Deductions	(355)	(417)	(34)
OTHER ELIGIBLE CAPITAL (TIER II)	11,792	11,942	10,591
CAPITAL BASE	32,452	32,631	30,164
Minimum capital requirement (BIS Regulation)	24,346	24,170	20,190
CAPITAL SURPLUS	8,106	8,461	9,974
RISK-WEIGHTED ASSETS	304,327	302,128	252,373
BIS RATIO (%)	10.7	10.8	12.0
CORE CAPITAL (%)	5.3	5.4	6.2
TIER I (%)	6.8	6.8	7.8
TIER II (%)	3.9	4.0	4.2



During the fourth quarter Banco Continental issued 50 million Peruvian soles in subordinate debt (€11.4m), which are included at group level. In the same period Compass Bank redeemed two issues with a total value of US\$400m (€274m) which were also part of the Group's total subordinate debt. Therefore at the end of the quarter other eligible capital (**Tier II**), which mainly consists of subordinated debt and latent capital gains, came to €11,792m. This is 3.9% of risk-weighted assets (4.0% at 30-Sep-07 and 4.2% at 31-Dec-06).

As a result at 31-Dec-07 the **BIS ratio** of total capital stands at 10.7% (10.8% at 30-Sep-07 and 12.0% at 31-Dec-06).

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

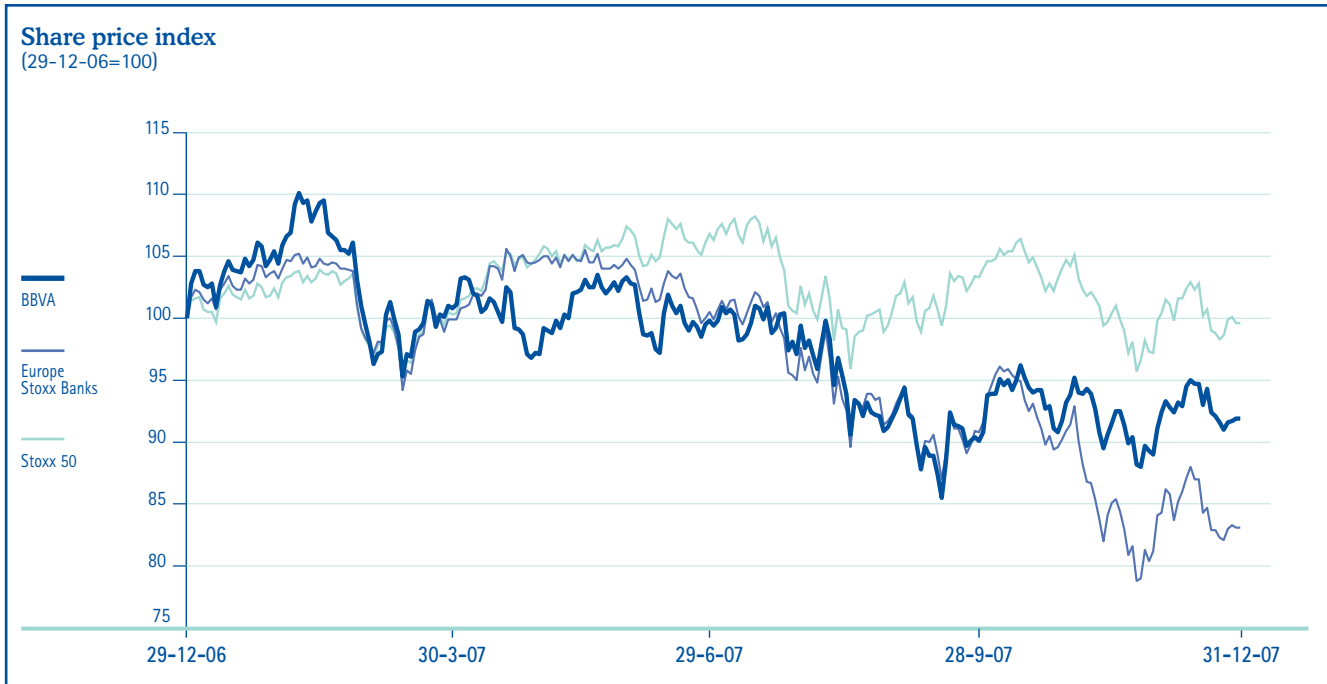
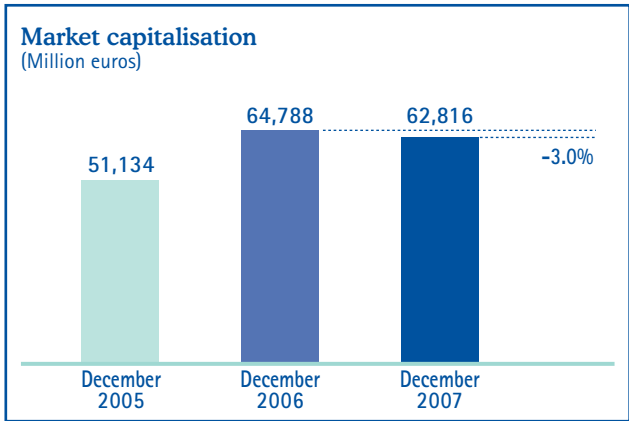
The BBVA share

The **fourth quarter** of 2007 was marked by continued weakness in the US real-estate market and uncertainty regarding the effect this might have on lending and bank solvency, and by the possibility of the financial crisis spreading to the economy. Stock markets were affected by the prospect of a slowdown in the American economy and by the reduced outlook for European growth. Other negative factors included the quarterly profits from European and US investment banks, which were much lower than expected (following substantial provisions associated with the crisis and sharp drops in earnings), the strong euro and the high price of oil. However, the reduction of US and UK interest rates, the strength of emerging markets and an agreement among the main central banks to co-ordinate their actions helped to restore confidence. Despite this, risk premiums continue at high levels, liquidity was generally in short supply and lending spreads widened further (above all in the financial sector).

The performance of European **stock market indices** was mixed. The Stoxx 50 fell 3.6% while in Spain the strong momentum of larger companies pushed the Ibex 35 up 4.2%. The **banking sector** continued to suffer, particularly banks with greater exposure to market operations (the Stoxx Banks index was

down 8.4%). Nonetheless **BBVA's shares** outperformed the sector significantly during the quarter, gaining 1.9%.

Analysts' reactions to **BBVA's third quarter results** were positive. Earnings were generally in line with expectations, emphasising their consistent stability, the long-term growth potential and the positive performance of all business areas. Various analysts noted that BBVA had been largely untouched by market turbulence, confirming its low risk profile and considerable ability to generate recurrent profits.



The BBVA share

	31-12-07	30-09-07	31-12-06
Number of shareholders	889,734	885,131	864,226
Number of shares issued	3,747,969,121	3,747,969,121	3,551,969,121
Daily average number of shares traded	50,958,752	49,784,590	34,457,769
Daily average trading (million euros)	908	903	593
Maximum price (euros)	20.28	20.28	20.26
Minimum price (euros)	15.40	15.40	14.78
Closing price (euros)	16.76	16.44	18.24
Book value per share (euros)	6.62	6.41	5.13
Market capitalisation (million euros)	62,816	61,617	64,788

Share performance ratios

	31-12-07	30-09-07	31-12-06
Price/Book value (times)	2.5	2.6	3.6
PER (Price/Earnings; times)	10.3	10.1	13.7
Yield (Dividend/Price; %)	4.37	4.46	3.49

BBVA held its **Investor Day** on 15th and 16th November. This was well received by analysts and the consensus confirmed the favourable outlook for the Group.

During the fourth quarter the share price fluctuated between €15.99 and €17.54, closing on 28-Dec-07 at €16.76. This brought market capitalisation to €62,816m. The average daily turnover was 55 million

shares with an average value of €923m. Both figures were somewhat higher than the previous quarter.

The second and third interim **dividends** against 2007 earnings were paid on 10th October 2007 and 10th January 2008, respectively. Both dividends were €0.152 per share (gross amount). This is 15.2% higher than the equivalent gross dividends paid against 2006 earnings (€0.132).

Risk management

Credit risk

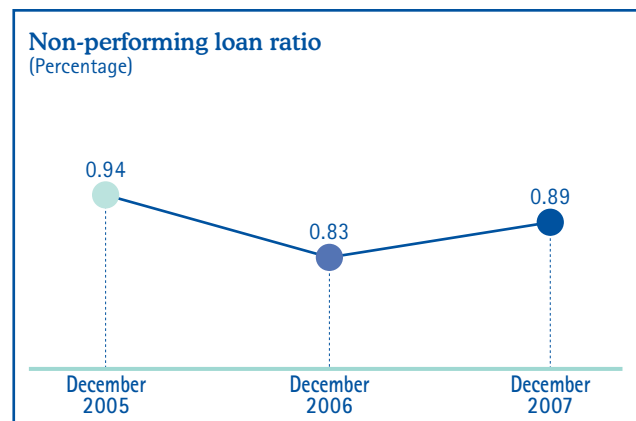
Despite a complex environment in the second half of the year, the BBVA Group maintained asset quality on its loanbook, keeping the non-performing loan (NPL) ratio low and under control while coverage remained high.

Total risk exposure (including contingent risks) rose to €383,843m on 31-Dec-2007. This was a 25.7% increase on the €305.25 bn recorded on the same date in 2006 (up 19.5% without Compass exposure).

Non-performing assets accounted for €3,408m at the year-end, although without Compass, the figure is €3,085m. The 21.9% growth over the €2,531m recorded on 31-Dec-2006 was due to the aforementioned rise in total risk, the product-mix shift towards higher-yield products and a less favourable economic environment.

The Group's **NPL ratio** reached 0.89% on 31-Dec-2007, as compared to 0.83% on the same date of 2006 and 0.88% at the end of September 2007. It can be broken down by business area as follows: The NPL ratio for

Spain and Portugal was 0.73% (0.55% on 31-Dec-06) and even lower on the residential mortgage portfolio for individuals and developers (0.42%), where most lending was in owner-occupier mortgages which have a moderate loan-to-value ratio. Latest available data shows that the NPL ratio in Spain remains below the industry average. Global Businesses achieved an all-time low NPL ratio of 0.02% (0.04% one year earlier). Mexico & the United States has brought its ratio down to 1.97% (from 2.19% in December 2006), while South America has improved its ratio to 2.14% from 2.67% twelve months previously.



Credit risk management

(Million euros)

	31-12-07	Δ%	31-12-06	30-09-07
TOTAL RISK EXPOSURE ⁽¹⁾				
Non-performing assets	3,408	34.6	2,531	3,255
Total risks	383,843	25.7	305,250	369,787
Provisions	7,662	11.0	6,905	7,618
• Specific	1,868	1.4	1,842	1,976
• Generic and country-risk	5,794	14.4	5,063	5,642
NPL ratio (%)	0.89		0.83	0.88
NPL coverage ratio (%)	224.8		272.8	234.1
MEMORANDUM ITEM:				
Foreclosed assets ⁽²⁾	237	(5.1)	250	254
Foreclosed asset provisions	96	17.4	82	89
Coverage (%)	40.5		32.8	35.1

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

Variations in non-performing assets

(Million euros)

	2007				2006
	4Q	3Q	2Q	1Q	4Q
BEGINNING BALANCE	3,255	2,918	2,693	2,531	2,361
Net variation	153	337	225	162	170
Entries	1,297	1,108	1,049	947	821
Outflows	(659)	(557)	(567)	(583)	(507)
Write-offs	(465)	(428)	(265)	(224)	(198)
Exchange rate differences and other ⁽¹⁾	(20)	214	8	22	54
PERIOD-END BALANCE	3,408	3,255	2,918	2,693	2,531
MEMORANDUM ITEM:					
• Non-performing loans	3,358	3,212	2,881	2,655	2,492
• Non-performing contingent liabilities	49	43	37	38	40

(1) Includes Compass' non-performing asset balance flows.

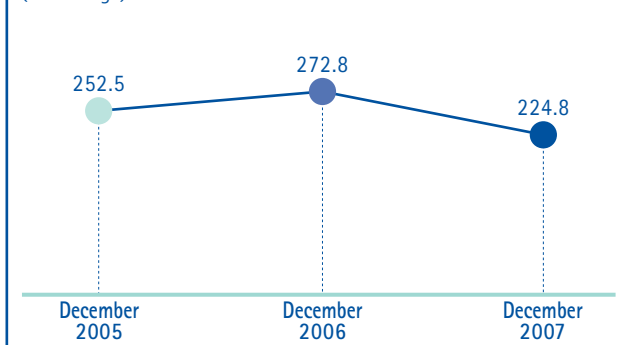
Allocations to loan-loss provisions continued to be impacted by higher lending volumes requiring more generic provisioning. **Coverage funds** reached €7,662m on 31-Dec-2007. This was 11.0% up from the €6,905m provisions on 31-Dec-2006. They included generic funds of €5,660m, 14.3% up on the 4,952m recorded in December 2006. Their weighting in total coverage rose to 73.9% (71.7% on 31-Dec-2006). The **coverage ratio** is calculated by dividing coverage funds by non-performing assets. This ratio remained high for the Group as a whole, at 224.8% on 31-Dec-2007 (272.8% on the same date of the previous year). It was also high for all the business areas: 231.2% in Spain & Portugal; over 4,400% in Global Businesses; 189.1% in Mexico & the United States and 145.6% in South America.

Market risk

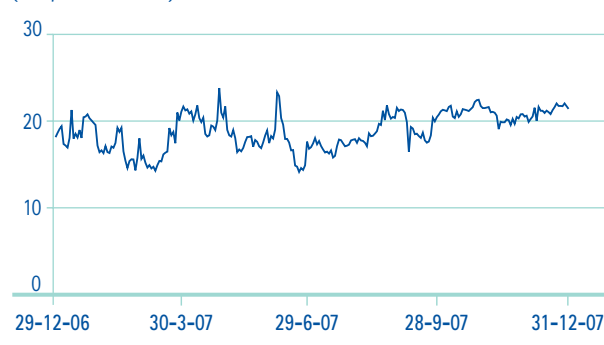
BBVA market exposure continued to account for scarcely 4% of the Group's economic-capital exposure. Measured by value at risk (without exponential flattening), it amounted to an average of €23.6m during 4Q07, reaching €24m on 31-Dec-2007. Average weighted consumption of limits remained moderate, at 52%.

By **geographical regions**, market risk was still concentrated in Europe and the United States, which on average accounted for 79.5% of the total during 4Q07. Mexico accounted for 13.8% and the rest of Latin America for just 6.7% of the total.

Coverage ratio
(Percentage)



Trends in market risk
(VaR, million euros)



Market risk by risk factors

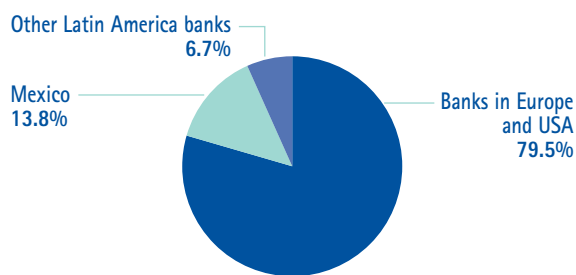
(Fourth Quarter 2007. Million euros)

Risk	31-12-07	Daily VaR		
		Average	Maximum	Minimum
Interest ⁽¹⁾	12.2	12.3	14.0	10.8
Exchange rate ⁽¹⁾	2.4	1.9	2.7	1.1
Equity ⁽¹⁾	6.3	5.2	6.8	4.2
Vega and correlation	8.8	9.0	9.8	8.2
Diversification effect	(5.7)	(4.8)	-	-
TOTAL	24.0	23.6	25.1	21.7

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

Market risk by geographical areas

(Average fourth quarter 2007)



By **risk type**, the biggest risk on 31-Dec-2007 was interest-rate risk (including spread-risk). This accounted for 41% of total exposure. It was followed by volatility risk on optional positions (vega, 25%) and equity risk (18%), which slightly increased its weighting in total exposure, whilst correlation risk (8%) and exchange-rate risk (7%) stayed stable.

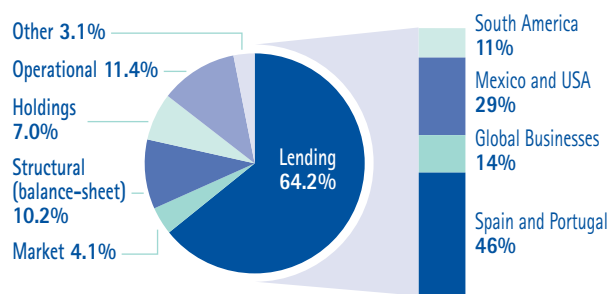
Economic capital

Attributable economic risk capital (ERC) consumption stood at €19,398m on 31-Dec-2007. This was 17.4% higher than on the same date of the previous year (10.1%, without Compass).

During the fourth-quarter, ERC had an overall increase of 3.3%. ERC related to credit-risk increased by 5% and that related to market-risk increased moderately (1.2%). ERC related to operational-risk was stable.

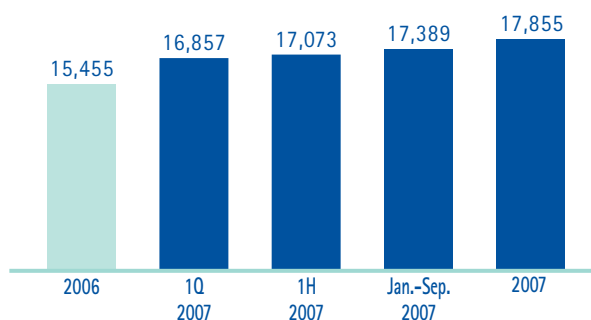
BBVA Group economic risk capital

(Data in attributable terms, 31-12-07)



BBVA Group economic risk capital

(Average balances (accumulated). Million euros)



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 best estimate of real risk incurred.
- Adjusting for changes in unrealised capital gains on BBVA, S.A.'s available-for-sale equity portfolio. This means recognising capital gains in the results when they are generated rather than when they are realised.
- Adjusting the difference of all the accounting positions of Global Markets to their market value.

The required economic capital for each business unit (average economic risk capital over the period) is then

multiplied by the percentage of the cost of capital and deducted from the profit. This cost is calculated using market information extracted from the analysts' consensus. Different costs are used for each business unit and business area.

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

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

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

Economic profit and risk adjusted return on economic capital

(Million euros)

	2007	Δ%	2006
NET ATTRIBUTABLE PROFIT	6,126	29.4	4,736
Adjustments	577	4.4	553
ADJUSTED NET ATTRIBUTABLE PROFIT (A)	6,703	26.7	5,289
Average economic risk capital (ERC) (B)	17,855	15.5	15,455
RISK ADJUSTED RETURN ON ECONOMIC CAPITAL (RAROC) = (A)/(B) * 100	37.5		34.2
ERC x cost of capital (C)	1,889	11.8	1,689
ECONOMIC PROFIT (EP) = (A) - (C)	4,814	33.7	3,599

EP and RAROC by business area

(2007. Million euros and percentage)

	Average economic risk capital (ERC)	Adjusted net attributable profit	RAROC (%)	Recurrent RAROC (%)	Economic profit (EP)
Spain and Portugal	6,583	2,459	37.4	37.4	1,853
Global Businesses	2,754	1,122	40.8	30.2	832
Mexico and the United States	4,377	1,988	45.4	45.4	1,498
South America	1,901	616	32.4	32.4	367
Corporate Activities	2,240	518	23.1	-	264
TOTAL BBVA GROUP	17,855	6,703	37.5	34.0	4,814

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

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

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

- **Capital:** the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets have two levels: the first is core equity, which determines the allocated capital. The Bank uses this amount as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinate debt and preference shares. The ERC calculation combines lending risk, market risk, structural risk associated with the balance sheet and equity positions, operational risk and fixed asset and technical risks in the case of insurance companies.
- **Shareholders' equity,** as calculated under BIS rules, is an extremely important concept for the overall Group. However, for the purpose of allocating capital to business areas the Bank prefers ERC. It is risk-sensitive and thus linked to the management policies of individual businesses and the business portfolio. This procedure anticipates the approach likely to be adopted by the future Basel II rules on capital. These provide an equitable basis for assigning capital to businesses according to the risks incurred and they will make it easier to compare profitability across units.
- **Internal transfer prices:** the Bank uses rates adjusted for maturity to calculate the net interest income for each business. It also examines the interest rates for the different assets and liabilities that make up each unit's balance sheet. In cases where there are revenue-generating units as well as distribution units (eg, asset management products), it divides the earnings according to market prices.
- **Assignment of operating expenses:** the Bank assigns direct and indirect costs to business areas except where there is no closely defined relationship, ie, when they are of a clearly corporate or institutional nature for the entire Group.
- **Cross-business register:** as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused by cross-marketing incentives.

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

- **Business in Spain and Portugal:**
 - Financial services
 - Corporate & business banking
- **Global businesses:**
 - Global markets and customers
 - Asset management and private banking
- **Businesses in Mexico and the United States:**
 - Banking businesses
 - Pensions and insurance
- **Businesses in South America:**
 - Banking businesses
 - Pensions and insurance

Apart from the above units, all business areas have another unit that groups other business as well as eliminations and unassigned items.

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

The **second level** is geographic. The Group provides a breakdown by region for total assets and for the major figures

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

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

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

Global Businesses: consisting of global customers & markets (the global customers unit, investment banking, trading floor business, distribution and the Group's activities in Asia), the mutual and pension fund managers in Spain, and domestic and international private banking (reported

under Retail Banking in Spain & Portugal in 2006). And finally, it includes business and real estate projects, which the Group manages through Valanza and Anida.

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

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

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

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

Operating profit and net attributable profit by business area

(Million euros)

	Operating profit				Net attributable profit			
	2007	Δ%	Δ% at constant exchange rates	2006	2007	Δ%	Δ% at constant exchange rates	2006
Spain and Portugal	4,151	18.8	18.8	3,495	2,397	24.9	24.9	1,919
Global Businesses	1,271	18.8	18.8	1,070	909	5.4	5.4	862
Mexico and the United States	3,797	17.5	28.5	3,231	2,084	17.4	28.4	1,775
South America	1,454	25.1	33.3	1,163	623	22.4	29.3	509
Corporate Activities	(129)	71.1	71.1	(75)	113	n.m.	n.m.	(329)
BBVA GROUP	10,545	18.7	23.5	8,883	6,126	29.4	34.4	4,736
BBVA GROUP EXCLUDING ONE-OFFS	9,698	16.0	21.0	8,360	5,403	18.0	22.8	4,580

ROE and efficiency

(Percentage)

	ROE		Efficiency including depreciation and amortization	
	2007	2006	2007	2006
Spain and Portugal	36.4	31.1	37.6	41.0
Global Businesses	33.0	41.8	29.7	28.7
Mexico and the United States	47.6	46.7	39.7	38.2
South America	32.8	31.8	46.0	49.7
BBVA GROUP ⁽¹⁾	30.2	36.4	43.2	44.0

(1) Excluding the one-off operations.

Spain and Portugal

Income statement

(Million euros)

	Spain and Portugal			Memorandum item:					
				Financial Services			Corporate and Business Banking		
	2007	Δ%	2006	2007	Δ%	2006	2007	Δ%	2006
NET INTEREST INCOME	4,295	14.6	3,747	3,135	13.1	2,772	1,146	20.5	951
Income by the equity method	-	(49.7)	1	-	n.m.	1	1	n.m.	-
Net fee income	1,679	3.2	1,627	1,555	5.5	1,473	312	6.9	292
Income from insurance activities	460	22.5	376	-	-	-	-	-	-
CORE REVENUES	6,435	11.9	5,751	4,689	10.4	4,246	1,459	17.4	1,243
Net trading income	235	9.2	215	44	(9.6)	48	175	15.5	152
ORDINARY REVENUES	6,670	11.8	5,966	4,733	10.2	4,294	1,634	17.2	1,395
Net revenues from non-financial activities	51	57.9	32	29	2.5	28	-	-	-
Personnel and general administrative expenses	(2,487)	2.8	(2,419)	(1,965)	0.5	(1,955)	(345)	4.5	(330)
Depreciation and amortization	(110)	5.7	(104)	(89)	5.0	(84)	(8)	12.5	(7)
Other operating income and expenses	26	32.7	20	15	2.0	15	6	32.6	5
OPERATING PROFIT	4,151	18.8	3,495	2,723	18.5	2,298	1,287	21.2	1,062
Impairment losses on financial assets	(604)	9.3	(552)	(374)	11.1	(337)	(191)	(6.9)	(206)
• Loan loss provisions	(595)	7.5	(554)	(371)	10.5	(336)	(191)	(7.1)	(206)
• Other	(9)	n.m.	1	(4)	181.2	(1)	-	n.m.	-
Provisions	(3)	(11.3)	(3)	1	n.m.	(2)	(3)	n.m.	-
Other income/losses	9	(57.7)	22	10	(47.5)	19	3	(17.9)	4
PRE-TAX PROFIT	3,553	20.0	2,962	2,359	19.3	1,978	1,097	27.4	861
Corporate income tax	(1,157)	11.2	(1,040)	(771)	10.9	(695)	(356)	18.0	(302)
NET PROFIT	2,397	24.7	1,922	1,589	23.8	1,283	741	32.5	559
Minority interests	1	n.m.	(3)	1	n.m.	(3)	-	-	-
NET ATTRIBUTABLE PROFIT	2,397	24.9	1,919	1,589	24.1	1,280	741	32.5	559

Balance sheet

(Million euros)

	Spain and Portugal			Memorandum item:					
				Financial Services			Corporate and Business Banking		
	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06
Cash and balances at Central Banks	2,231	1.2	2,204	1,557	4.5	1,489	586	(9.6)	649
Financial assets	13,528	(5.6)	14,327	240	(27.0)	329	3,018	6.5	2,833
Loans and receivables	206,789	12.5	183,753	124,358	13.8	109,269	76,105	10.7	68,777
• Due from banks	6,678	38.5	4,821	1,496	n.m.	153	3,547	(0.1)	3,551
• Loans to customers	199,320	11.8	178,307	122,512	12.4	108,994	72,361	11.2	65,050
• Other	791	26.3	626	350	187.3	122	197	12.1	176
Inter-area positions	-	-	-	-	-	-	-	-	-
Property, plant and equipment	1,449	13.6	1,275	1,119	3.4	1,083	57	(18.9)	70
Other assets	1,934	18.5	1,632	977	7.1	912	359	44.8	248
TOTAL ASSETS / LIABILITIES AND EQUITY	225,930	11.2	203,192	128,250	13.4	113,082	80,125	10.4	72,577
Deposits by Central Banks and banks	15,559	48.6	10,470	5,565	54.1	3,612	5,611	52.0	3,691
Due to customers	87,796	10.7	79,321	60,319	8.2	55,742	25,755	19.4	21,574
Marketable debt securities	6,712	(15.4)	7,937	59	0.5	59	6,660	(15.3)	7,865
Subordinated debt	4,085	12.0	3,648	2,131	3.6	2,056	1,418	18.0	1,202
Inter-area positions	84,213	12.0	75,213	49,947	19.7	41,710	34,881	5.2	33,156
Other liabilities	20,629	1.8	20,262	6,451	3.1	6,255	3,283	11.0	2,956
Minority interests	5	(14.8)	6	5	(13.4)	6	-	(100.0)	-
Economic capital allocated	6,930	9.4	6,334	3,774	3.6	3,642	2,518	18.0	2,134

Relevant business indicators

(Million euros and percentages)

	Spain and Portugal			Memorandum item:					
	31-12-07	Δ%	31-12-06	Financial Services			Corporate and Business Banking		
	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06
Customer lending ⁽¹⁾	199,929	11.5	179,370	123,330	12.3	109,814	72,588	11.0	65,368
Customer deposits ⁽²⁾	91,928	7.8	85,309	62,624	6.0	59,070	27,463	12.4	24,444
• Deposits	91,862	7.8	85,245	62,599	6.0	59,054	27,423	12.4	24,395
• Assets sold under repurchase agreement	66	2.6	64	25	63.2	15	41	(16.7)	49
Off-balance-sheet funds	50,088	(4.6)	52,477	47,133	(3.9)	49,062	1,988	(14.7)	2,331
• Mutual funds	40,024	(6.9)	43,006	37,456	(6.3)	39,962	1,968	(15.1)	2,319
• Pension funds	10,064	6.3	9,471	9,678	6.3	9,100	20	62.4	12
Other placements	5,217	(26.7)	7,117	5,119	(27.0)	7,010	98	(8.2)	107
Customer portfolios	9,817	20.0	8,181	9,817	20.0	8,181	-	-	-
Risk-weighted assets ⁽³⁾	86,625	9.4	79,180	47,169	3.6	45,526	31,481	18.0	26,669
ROE (%)	36.4		31.1	43.0		36.9	32.3		25.8
Efficiency ratio (%)	35.9		39.2	40.0		44.0	20.4		22.9
Efficiency incl. depreciation and amortization (%)	37.6		41.0	41.8		45.9	20.9		23.3
NPL ratio (%)	0.73		0.55	0.95		0.70	0.37		0.32
Coverage ratio (%)	231.2		315.7	175.5		250.4	460.2		532.9

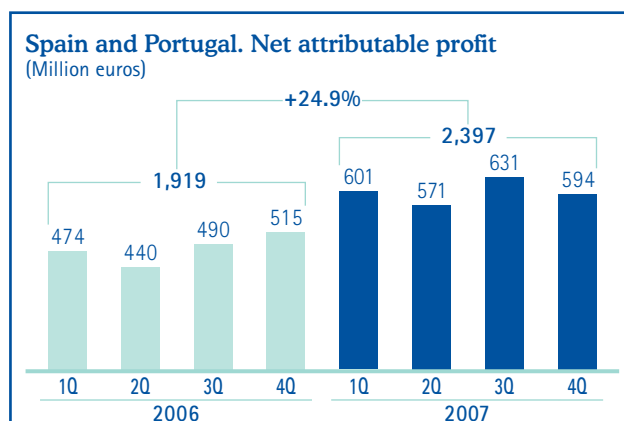
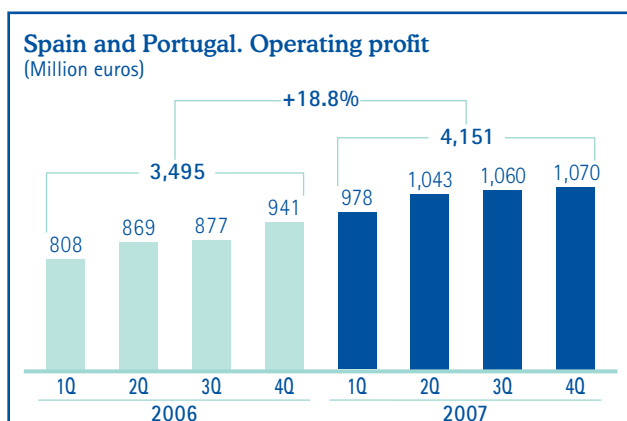
(1) Gross lending excluding NPLs. (2) Includes collection accounts and individual annuities. (3) According to ERC methodology.

Through its financial services unit the Portugal & Spain Area handles the retail customer segment (financial services for private individuals). It also manages business with small companies, professional practices, the self-employed, retailers and the farming community (which is known as '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 the fourth quarter business with customers was marked by a slowdown in lending in the entire banking system although

growth remained high. Time deposits and other funds recorded on the balance sheet grew faster whereas the demand for liquid deposits and mutual funds declined. At the same time interest rates in the interbank market were pushed up by a lack of confidence at the international level. The area responded with an appropriate pricing policy to improve spreads and with new improvements in marketing productivity and in the cost/income ratio. As a result, the 2007 results are some of the best in recent years. Operating profit grew 18.8% and **net attributable profit** was up 24.9% to €2,397m, bringing ROE to 36.4% (31.1% in 2006).

The area also reorganised its internal structure with the aim of providing customers with better service. It transferred some



customers to other units, mainly from retail banking (financial services for small businesses) to CBB (corporate business banking). The 2006 figures for the units affected were recalculated so that all the year-on-year comparisons are on a like-for-like basis.

At 31-Dec-07 the Spain & Portugal Area managed a **loan portfolio** of €199,929m (up 11.5% year-on-year). The increase was supported by the main units: lending by the financial services unit was up 12.3% and in corporate & business banking it rose 11.0%.

Total **customer funds** under management (deposits, mutual and pension funds, and other placements) came to €147,167m (up 1.6%). Those reported on the balance sheet increased 7.8%, especially time deposits which jumped 33.4% to €30,980m. For the second year running, growth outpaced the banking system average (based on the latest available figures), leading to a further increase in market share. In mutual funds the year-on-year variation in assets managed by BBVA was also better than the system average and this helped to regain market share (assets managed by the area came to €40,024m). Transactional deposits (current and savings accounts) came to €40,632m (€44,083m at 31-Dec-06) and pension funds rose 6.3% to €10,064m.

Selective lending and control of the cost of funds led to a new advance in customer spreads, corroborating the profitable growth policy. **Net interest income** rose 14.6% to €4,295m, growing progressively faster quarter-by-quarter.

Other sources of income rose 7.8%. Net fee income increased 3.2% to €1,679m (fees on banking services compensated the slowdown in mutual and pension funds). Income from the insurance business rose 22.5% to €460m, net trading income was up 9.2% to €235m and net sales of non-financial services jumped 57.9% to €51m. Consequently **ordinary revenues** grew 11.8% to €6,670m.

The rationalisation of the internal structure in 2006, the creation of 'DUO' branches (shared by retail banking and Dinero Express) and active management of outlets (new outlets in areas of high potential) helped to keep **expenses** under control. In the case of Spanish networks they rose 0.5% and the total for the whole area increased only 2.8% (less than inflation). The higher revenues and cost containment led to a new improvement of 3.4 percentage

points in the **cost/income ratio** (from 41.0% in 2006 to 37.6%). Thus **operating profit** increased 18.8% to €4,151m.

Net **loan-loss provisions** were up 7.5% to €595m. They are still mainly generic in nature because the non-performing loan ratio in the area remains low: 0.73% at 31-Dec-07. In fact, this figure is lower than the average for both individuals and SME loans in the Spanish financial sector and it increased less during 2007 (based on latest available data). The NPL ratio is particularly low in residential mortgages and developers (0.42%). Consequently the coverage ratio remains high (231.2%). Like other Spanish banks, these figures compare favourably with those of many other countries.

Financial Services

This unit uses its extensive product range and expertise to service the needs of households, professional practices, retailers and small businesses. It also incorporates the specialised consumer finance unit. An increase in business volume and marketing productivity, its assets and liabilities pricing policy (which led to wider spreads) and a new advance in the cost/income ratio boosted operating profit 18.5% to €2,723m and net attributable profit rose 24.1% to €1,589m.

Financial Services for Individuals

This unit increased **marketing productivity** 22.2%, lifting the average number of products sold per account manager to 47.9 per month.

In the **consumer finance** business the stock at the end of 2007 stood at €10,258m, up 6.5% on total sales of €4,732m in the year. Higher business volume was compatible with a new improvement of the spread, up 30 basis points. In particular, pre-approved loans (*PIDEs*) performed well, invoicing €1,240m (25% of the newly defined consumer operation), following customer approval of the innovations incorporated during the year.

The stock of **mortgage loans** on owner-occupier dwellings at 31-Dec-07 was €81,910m. This was an increase of 13.0% due mainly to €26,160m in new operations concluded during the year. In the fourth quarter the unit launched several products, including a home-equity loan for those over 65 (*Hipoteca Bienestar*) providing them with an annuity. It also launched two other types of mortgage (*Hipoteca Fácil Básica* and *Hipoteca Rentas Altas Básica*) and a product feature campaign to attract holders of non-BBVA mortgages.

During the fourth quarter the bank conducted its regular 14-day savings promotion (*Quincena del Libretón*) entailing more than 500,000 gifts, which captured more than €1,300m in **customer funds**. Time deposits ended the year up 33.7% at €28,664m. The bank overcame considerable competition in this segment thanks to its product range, which was extended in 2007 with several highly competitive options (*Multidepósito BBVA*, *Depósito Creciente BBVA* and *Depósito Extra*). Conversely, the demand for mutual funds continues to fall although the decline was less than the banking sector average. At year-end the unit managed assets of €37,405m (€39,893m a year earlier). Pension funds increased 6.3%. Consequently stable customer funds (time deposits, mutual and pension funds, and other placements) rose 4.4% to €80,853m at 31-Dec-07. In addition the area placed €800m of Iberdrola Renovables' IPO. This made BBVA the clear leader with a considerable gap to the next competitor.

Dinero Express is a unit that specialises in the immigrant sector. In 2007 it extended its network to 130 outlets of which 33 are DUOs (sharing premises with BBVA). It also conducted various promotions that helped it exceed 114,000 active customers in just over two years and to double the volume of its main business lines. During 2007 it handled more than 1,420,000 money transfers worth €566m (54% through its own network and 46% via BBVA branches).

Financial Services for Small Businesses

This segment consists of professional practices, the self-employed, retailers, the farming community and companies with a turnover of less than €2m. Business in the fourth quarter remained buoyant, boosted by an innovative product with considerable added value (*Plan Comercios*). This captured close to 4,000 customers who signed up for more than 40,000 products, thus adding to customer bundling by 16%. One particular product (*Cuenta de Crédito Comercios Triple Cero*) accounted for 57% of lending during the period, two other products (*Pack Negocios* and *Cuenta Total Comercios*) generated almost 34,000 new operations, and the new *Quality Commitment for POS* terminals produced 10,000 new shop numbers.

The value of new operations concluded by this unit came to €26,964m (compared to €25,200m in 2006) including items such as lending, financial leasing and other finance, which rose more than 9%. As a result the **loan portfolio** at 31-Dec-07 came to €18,155m, an increase of 11.4%.

Other significant items include 12,313 risk **hedging** operations conducted by the unit, a 21% increase in the stock of **insurance policies** in the small-business segment (the number of policies was up 18% and premiums were up 21%) and the launch of a special deposit (*Depósito PAC*) for farmers who have domiciled their EU subsidies.

Consumer Finance

This unit manages online banking, consumer finance, cards and leasing plans that include maintenance. These activities are conducted via Uno-e, Finanzia and other companies in Spain, Portugal and Italy. Operating profit in 2007 came to €115m and net attributable profit was €25m.

The **loan portfolio** rose 36.1% during the year to €5,539m on invoicing of €5,368m (up 28%). In the vehicle prescription business, sales of €1,944m in the year lifted total stock to €3,070m (up 52%) despite a 6.0% drop in the registration of private cars. This boosted market share to 13.13% (up 166 basis points). Invoicing of equipment finance climbed 40% and the stock rose 46% to €805m. Investment in equipment leasing plans increased 33% to €698m. The unit has a centralised channel for minor office equipment. One of its products (*Agiliza*) increased 53% and the Vendor office network rose 34%. The fleet of vehicles in leasing plans with maintenance increased 9% to 38,979 units. At Uno-e lending increased 27% to €1,178m and **customer funds** (managed or brokered) grew 11% to €1,669m.

In **Portugal** BBVA Finanziamento invoiced €203m in the year, bringing the stock of vehicle finance to €394m (up 11%). Furthermore the leasing plan companies in **Italy** (which became part of the Group in 2007) now have a fleet of 12,701 vehicles.

Corporate & Business Banking

The corporate & business banking unit (CBB) handles SMEs, large companies and institutions in the Spanish domestic market through three specialised networks. By the end of 2007 its loan portfolio had risen 11.0% to €72,588m and customer funds were €29,509m (up 10.0%). These considerable achievements were complemented by action to defend spreads, higher fee income and the sale of hedging instruments. Together they helped to lift ordinary revenues 17.2% to €1,634m. The cost/income ratio improved even further, falling 2.4 full percentage points to 20.9%. Consequently operating profit was up 21.2% to €1,287m and net attributable profit climbed 32.5% to €741m.

Following the government's decision to raise the special finance line for SMEs (*Línea ICO PYME 2007*) BBVA increased the amount it signed to €1,291m. The unit's products include the sale of derivatives, which rose 113% compared to 2006. And the remaining products (financial leasing, insurance, etc) grew more than 10%. The 18% increase in new customers and the greater degree of bundling are boosting this unit's business and consolidating its position in an increasingly competitive market.

In the **SME** segment, lending increased 9.1% to €36,274m at year-end and customer funds were €9,459m. Operating profit came to €835m (up 17.1% year-on-year) and net attributable profit was €481m (up 32.8%).

The fourth quarter saw the signing of the bank's first multipurpose leasing operation with a balloon payment. It provides €24m for construction of a hotel. In addition the unit signed its first comprehensive property leasing plan worth €24m over 10 years. This will finance a hotel that is in operation and the plan has a 70% residual value guaranteed by Anida. It also provided accounts payable financing (known as *confirming* in Spanish) linked to a real-estate financial leasing operation. This adds to cross-selling and improves risk monitoring of an asset under construction. It is treated as an operational rather than a lending risk because it is associated with the value of a financial lease.

In the segment of **large companies** or their subsidiaries on the Iberian Peninsula, lending increased to €16,866m (up 29.8%) and customer funds were €5,084m (up 3.1%). Operating profit came to €286m (up 31.0%). After an increase in generic loan-loss provisions on higher lending, net attributable profit came to €144m (up 22.6%).

Significant operations in the fourth quarter included €3m in loans associated with the Spanish ministry of industry's R&D plan (*PROFIT*) over 10 to 15 years and €8m in accounts payable financing for a dairy group. In the latter case BBVA pays farmers at 120 days and the customer receives a prompt payment discount. The unit also acted as underwriter and arranger for €25m of finance over six years that enabled Nazca Capital to acquire a stake in Élogos (an e-learning company).

In the public and private **institutions** segment lending was up 1.7% to €19,170m and customer funds were up 26.3% to €14,941m. A strong level of business and greater efficiency lifted operating profit to €207m (up 37.1%) and net attributable profit climbed 50.8% to €145m.

BBVA won a competition to handle salary payments for the Spanish ministry of industry, tourism and trade. This will provide the bank with access to 3,500 government employees. It also signed an agreement with the provincial authorities in Seville to finance part of the construction materials needed for an employment programme in the agricultural sector and it provided the regional government of Asturias with €70m in finance. The latter operation confirms BBVA as that region's top supplier of finance and its number two provider of services. Lastly, BBVA Gobernalia completed a new web site for the Prado Museum in Madrid.

At year-end the **transaction services** unit had a user-base of 75,000 SMEs, institutions and large companies for its electronic banking services in Spain. In 2007 it handled more than €205m in payments and collections. The volume of foreign trade payments and collections handled by BBVA grew more than 18%.

European Insurance

This unit handles insurance business in Spain and Portugal and in 2007 it contributed earnings of €486m to the area's income statement. Of this amount its own policies accounted for €460m (up 22.5%) and brokerage fees on the policies of other companies contributed €26m. Net attributable profit increased 26.7% year-on-year to €229m.

Premiums issued during the year came to €1,182m of which risk premiums (life and non-life) accounted for €656m (up 9%), generating underwriting margins of 70%. The rest came from private policies and group schemes. BBVA Seguros continues to lead in individual life insurance policies in Spain with a 16.8% market share at September 2007 (latest available figures).

BBVA Portugal

This unit increased net interest income 8.9% in 2007 supported by higher lending – especially mortgages (up 12.4%) and spreads. In particular it was able to maintain its 7.2% market share in the large-company segment. A good performance in net fee income (up 12.2%) and a 10.9% drop in expenses boosted operating profit 61.6% to €43m. Following higher loan-loss provisions caused by the increase in lending (the non-performing loan ratio is at a minimum level), net attributable profit rose 45.1% to €15m.

Income statement

(Million euros)

	Global Businesses			Memorandum item:					
	2007	Δ%	2006	Global Customers and Markets			Asset Management and Private Banking		
				2007	Δ%	2006	2007	Δ%	2006
NET INTEREST INCOME	124	(17.4)	150	141	10.9	127	40	38.4	29
Income by the equity method	239	(15.7)	283	7	n.m.	-	-	(100.0)	-
Net fee income	521	15.2	453	256	21.0	212	298	9.9	271
Income from insurance activities	-	-	-	-	-	-	-	-	-
CORE REVENUES	884	(0.2)	886	404	19.2	339	339	12.6	301
Net trading income	789	58.2	499	729	31.6	554	4	(53.1)	9
ORDINARY REVENUES	1,673	20.8	1,384	1,133	26.9	893	343	10.8	309
Net revenues from non-financial activities	130	25.0	104	-	(94.2)	1	-	-	-
Personnel and general administrative expenses	(524)	25.5	(418)	(388)	28.4	(302)	(104)	9.6	(95)
Depreciation and amortization	(11)	8.8	(10)	(4)	1.5	(4)	(6)	27.0	(5)
Other operating income and expenses	4	(59.6)	9	(1)	43.2	(1)	(1)	33.9	(1)
OPERATING PROFIT	1,271	18.8	1,070	739	26.1	586	232	10.9	209
Impairment losses on financial assets	(127)	1.3	(126)	(118)	0.7	(117)	(9)	6.7	(9)
• Loan loss provisions	(127)	1.1	(126)	(118)	0.7	(117)	(9)	6.7	(9)
• Other	-	n.m.	-	-	-	-	-	-	-
Provisions	4	n.m.	(11)	1	n.m.	(19)	1	116.0	1
Other income/losses	13	(91.2)	153	3	n.m.	(1)	1	n.m.	(2)
PRE-TAX PROFIT	1,162	7.0	1,087	626	39.2	450	225	13.1	199
Corporate income tax	(243)	12.0	(217)	(172)	26.1	(137)	(70)	6.4	(66)
NET PROFIT	919	5.7	869	453	44.8	313	155	16.4	133
Minority interests	(10)	39.3	(7)	(7)	61.8	(5)	(3)	71.6	(2)
NET ATTRIBUTABLE PROFIT	909	5.4	862	446	44.6	309	152	15.7	132

Balance sheet

(Million euros)

	Global Businesses			Memorandum item:					
	31-12-07	Δ%	31-12-06	Global Customers and Markets			Asset Management and Private Banking		
				31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06
Cash and balances at Central Banks	1,162	24.5	933	1,139	23.9	920	23	68.4	14
Financial assets	46,014	18.9	38,684	43,853	18.0	37,176	302	(18.0)	369
Loans and receivables	48,358	12.3	43,057	44,714	12.7	39,692	3,114	4.8	2,970
• Due from banks	9,452	(20.8)	11,930	7,840	(24.1)	10,333	1,253	(4.9)	1,318
• Loans to customers	35,377	24.3	28,470	33,532	24.1	27,015	1,842	26.5	1,456
• Other	3,529	32.8	2,656	3,342	42.5	2,345	19	(90.2)	196
Inter-area positions	318	(58.9)	774	2,812	11.0	2,533	-	-	-
Property, plant and equipment	55	63.0	34	10	(10.0)	11	11	(15.1)	13
Other assets	1,507	(15.9)	1,793	1,161	(5.7)	1,232	138	81.2	76
TOTAL ASSETS / LIABILITIES AND EQUITY	97,414	14.2	85,274	93,689	14.9	81,564	3,589	4.3	3,442
Deposits by Central Banks and banks	28,744	(1.0)	29,030	28,163	(1.2)	28,501	341	1.2	337
Due to customers	43,210	19.5	36,174	42,025	20.0	35,012	1,121	(2.8)	1,153
Marketable debt securities	194	n.m.	14	167	n.m.	10	27	n.m.	4
Subordinated debt	1,714	34.7	1,272	1,323	51.6	872	124	6.0	117
Inter-area positions	-	-	-	-	-	-	1,384	6.4	1,301
Other liabilities	20,478	24.0	16,512	19,658	25.7	15,638	362	17.1	309
Minority interests	41	(12.2)	47	15	(5.8)	16	7	(41.1)	12
Economic capital allocated	3,033	36.3	2,225	2,339	54.3	1,515	221	6.0	208

Relevant business indicators

(Million euros and percentages)

	Global Businesses			Memorandum item:					
				Global Customers and Markets			Asset Management and Private Banking		
	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06
Customer lending ⁽¹⁾	35,848	23.4	29,049	33,973	23.2	27,571	1,870	26.6	1,477
Customer deposits ⁽²⁾	42,742	20.7	35,400	41,474	21.4	34,173	1,192	(0.2)	1,195
• Deposits	33,517	33.9	25,032	32,267	35.4	23,823	1,175	(0.1)	1,176
• Assets sold under repurchase agreement	9,225	(11.0)	10,369	9,207	(11.0)	10,350	17	(7.1)	19
Off-balance-sheet funds	12,229	9.4	11,179	659	193.7	224	11,571	5.6	10,954
• Mutual funds	4,859	21.5	4,000	659	193.7	224	4,200	11.2	3,775
• Pension funds	7,371	2.7	7,179	-	-	-	7,371	2.7	7,179
Customer portfolios	9,200	(18.9)	11,342	125	(74.6)	491	9,075	(16.4)	10,851
Risk-weighted assets ⁽³⁾	37,914	36.3	27,817	29,232	54.3	18,942	2,760	6.0	2,604
ROE (%)	33.0		41.8	21.3		22.0	69.6		66.1
Efficiency ratio (%)	29.1		28.1	34.3		33.8	30.3		30.6
Efficiency incl. depreciation and amortization (%)	29.7		28.7	34.7		34.3	32.2		32.2
NPL ratio (%)	0.02		0.04	0.02		0.05	-		0.01
Coverage ratio (%)	n.m.		n.m.	n.m.		n.m.	n.m.		n.m.

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

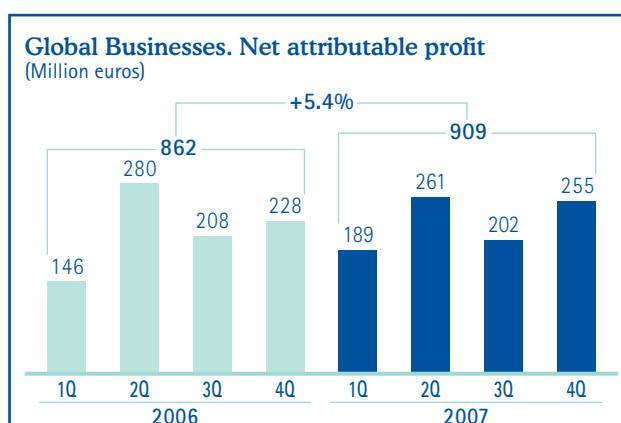
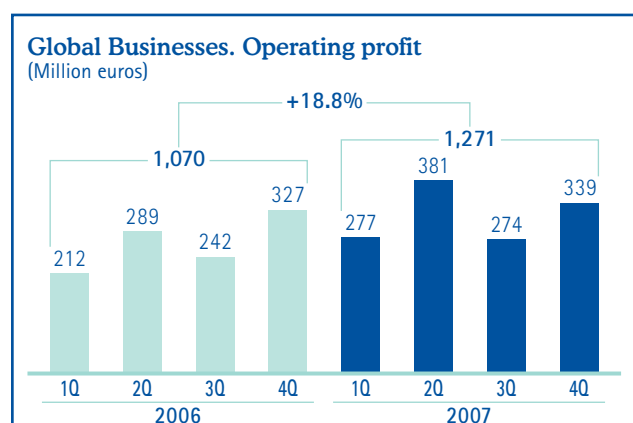
The Global Businesses Area includes global markets and customers (comprising the global customers & investment banking unit, the global markets & distribution unit and Asia); asset management and private banking; and operations associated with business and real estate projects (which the Group manages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

In the **fourth quarter** the area continued to perform well with ordinary revenues, operating profit and net attributable profit all higher than the same quarter a year earlier. The slowdown in market operations with customers was offset by good results from the investment banking unit and by Valanza's trading income.

At 31-Dec-07 the area managed €35,848m in **loans** (up 23.4% year-on-year) and **customer funds** (deposits, mutual funds and pension funds) of €45,746m (up 26.3%).

For the full year, **ordinary revenues** rose 20.8% to €1,673m. Some 55% of this amount is net interest income and net trading income (which are best viewed jointly owing to cross-compensation). Together they rose 40.7%, supported mainly by the operations of the markets unit and by earnings on divestments by Valanza. Net fee income accounts for 31% of ordinary revenues, rising 15.2% year-on-year with particular support from the asset management and private banking unit and the global markets and distribution unit. Lastly, earnings booked via the equity method (mainly related to Valanza's operations) declined 15.7%, which is explained by the increase in divestments mentioned above.

Ordinary revenues were complemented by €130m of net sales from non-financial activities, which are mainly related to Anida's real estate operations. These grew 25.0%. General



expenses increased 25.5% to €524m owing to the Asian expansion and related investment strategies and to the growth plans of the global markets and distribution unit. Therefore **operating profit** for 2007 rose 18.8% to €1,271m.

The quality of the area's loan portfolio is excellent. The **non-performing loan ratio** stands at 0.02% (an all-time low) compared to 0.04% at 31-Dec-06. This means loan-loss provisions are stable and almost exclusively of a generic nature. As a result the coverage ratio is extremely high (above 4,400%).

In addition, the year-on-year comparison of "other gains and losses" is affected by substantial earnings in 2006 on the sale of holdings. As a result, net attributable profit for the full year came to €909m, up 5.4% from last year's €862m.

Global Customers & Markets

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

In 2007 the ordinary revenues of this unit climbed 26.1% to €1,133m. Operating profit was €739m (up 26.1%) and net attributable profit came to €446m (up 44.6%).

Global Customers & Investment Banking

The global customers unit services large international companies via expert teams with offices in Spain, in the main European centres, New York, Asia and in BBVA's franchise in Latin America. The investment banking unit includes the structured-finance product teams (project finance, real estate, acquisition finance, etc), corporate finance, equity origination and global trade finance.

At the end of 2007, lending to customers stood at €29,387m (up 21.5% year-on-year) and deposits were €9,026m (up 7.3%). The bigger volume of business boosted income and ordinary revenues rose 22.3% to €491m. Expenses increased more slowly and thus operating profit grew 26.0% to €374m. With non-performing loans at record lows, net loan-loss provisions were far less than 2006 and therefore net attributable profit came to €213m – more than double the previous year.

The **global customers unit** continued to increase its profitable operations. The fourth quarter included an equity swap entailing

Union Fenosa shares for ACS and financing for the acquisition of part of a US company that specialises in environmental services by FCC. The unit also led the demerger of the Acciona Group's wind power activities in Italy and provided finance to Enel Unión Fenosa Renovables for wind farms.

At the **investment banking unit** all product lines continued to enjoy intense activity. **Project finance** operations included structuring and leading the financing arrangements of \$185m over 15 years for Mount Storm, a 164MW wind farm for Shell and Dominion in West Virginia. This was the first financing of a US wind farm by a Spanish bank and BBVA's first mandate as bookrunner for a non-Spanish customer in that country.

Equity origination acted as bookrunner in Spain's biggest-ever IPO, entailing a market capitalisation of €23 billion for Iberdrola Renovables. In addition the **acquisition finance** team structured and was the sole underwriter of €25m in finance for an equity holding by Nazca Capital (a venture capital fund) in Élogos (a company that specialises in developing continuous training programmes).

Corporate finance received a mandate from a biotech company (CRB) for placement of a capital increase with private investors. Lastly, **global trade finance** provided Renault France with a no-recourse discount covering €86m of invoices on importers in different countries.

Global Markets & Distribution

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

In the unit's **franchise model** revenues are mainly linked to existing customers and only a minority of operations are leveraged. This helped to maintain growth in 2007 despite uncertainty in the markets. The unit's ordinary revenues rose 29.4% to €642m. Expenses were up 36.4%, in line with an increase in staff needed for the **global expansion plan**. During the year it opened trading rooms in Hong Kong and Düsseldorf and a regional derivatives centre in Mexico. Operating profit for the year jumped 25.3% to €387m and net attributable profit was up 17.6% to €275m.

In terms of products, *IRS Cuota Segura* (a hedging product for mortgage repayments) and equity trades are growing strongly because of persistent volatility in international equity markets.

Despite the current crisis in the debt market, the **fixed-income origination** team led the following issues during the quarter: €1,000m of five-year senior debt for KBC which was placed throughout Europe and heavily oversubscribed; a €200m five-year floating-rate issue for the regional government of Galicia; and a three-year fixed-rate issue of €91m for the regional government of Madrid.

Syndicated loans acted as mandated lead arranger and underwriter in the following operations: \$2.5 billion for Areva in its acquisition of Uramin (in which BBVA was the only international bank) and €3 billion for Iberdrola. It also acted alone in arranging €275m for Laboratorios Almirall in its takeover of Hermall (Reckitt Benckiser's skincare division) and a portfolio of pharma products for Shire.

Asia

BBVA and CITIC have agreed to extend the date for agreeing the main lines of their strategic alliance by six months. The parties have considered the possibility of BBVA increasing its shareholding in CIFH and/or its presence on the board. CITIC Ka Wah Bank Ltd (CKWB) and BBVA have carried out due diligence prior to setting up a joint business. The plan is for CKWB to be the future basic banking platform for Asian business. Nonetheless, during an initial transition period BBVA will run its Asian operations, handling customers and specific products wherever its platform is necessary for signing contracts and executing operations.

Asset Management & Private Banking

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

In 2007 operating profit came to €232m (up 10.9%) and net attributable profit was €152m (up 15.7%). Total assets under management at 31-Dec-07 came to €78,388m, falling only 1.2% despite difficult market conditions.

In its **mutual fund business** in Spain the Group managed assets of €43,258m at 31-Dec-07. This fell 4.9% during the year as a result of the rise in time deposits (although the reduction is lower than the banking sector average). Of this amount traditional funds accounted for €40,876m, real estate funds were €2,258m and the new private-equity funds €124m.

In the fourth quarter, BBVA demonstrated its ability to innovate by expanding its presence in the ETF market. It launched a new fund that tracks the Ibox Top Dividendo as well as the first ETFs based on fixed-income (*AFI Monetario Euro ETF* and *AFI Bonos Medio Plazo Euro ETF*). These replicate indices containing public euro-bond issues that are more liquid. The Group therefore has the widest range of this type of fund in the Spanish financial sector: seven different ETFs.

Assets in the **pension funds** managed by the Group in Spain grew 4.8% year-on-year to €17,068m. Of this amount, individual plans account for €9,806m (up 6.0%) and employee and associate schemes account for €7,262m (up 3.1%).

In the private banking business in Spain, **BBVA Patrimonios** managed customer funds of €11,352m (down 5.3%) although the number of customer groups increased 13.6%. The fourth quarter saw the opening of a solar photovoltaic power plant (La Ginetá in Albacete) which has been developed by BBVA Patrimonios as an exclusive investment opportunity for its customers.

Lastly, **international private banking** is managing €5,788m in funds (down 6.2% year-on-year). The Group has decided to concentrate all such activity in BBVA Switzerland. Therefore in December it reached an agreement to sell its business in Miami.

Business & Real Estate Projects

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

Valanza

This unit's portfolio is widely diversified by sectors and it contains latent capital gains of more than €700m greater than those of a year earlier despite a number of divestments. Net attributable profit for the year was €301m (€385m in 2006). It was mainly generated by divestments of a 2.77% stake in Gamesa, 1.84% of Técnicas Reunidas and 7% of Iberia. In terms of investments Valanza acquired 60.7% of Occidental Hoteles for €212m.

Anida

After spending more than €120m on acquisitions in 2007, Anida now has a portfolio of land with planning permission for more than 3 million square metres. Net attributable profit came to €86m (€94m in 2006).

Income statement

(Million euros)

	2007	Δ%	Δ% at constant exchange rate	2006	Memorandum item: Compass 2007
NET INTEREST INCOME	4,304	21.7	33.1	3,535	292
Income by the equity method	3	n.m.	n.m.	(2)	-
Net fee income	1,621	16.6	27.5	1,390	142
Income from insurance activities	313	2.7	12.4	305	-
CORE REVENUES	6,241	19.4	30.5	5,227	434
Net trading income	254	29.8	41.9	196	14
ORDINARY REVENUES	6,495	19.8	30.9	5,423	448
Net revenues from non-financial activities	7	n.m.	n.m.	(4)	-
Personnel and general administrative expenses	(2,359)	21.2	32.5	(1,946)	(238)
Depreciation and amortization	(225)	78.2	94.8	(126)	(73)
Other operating income and expenses	(121)	3.7	13.4	(117)	-
OPERATING PROFIT	3,797	17.5	28.5	3,231	138
Impairment losses on financial assets	(930)	35.7	48.4	(685)	(38)
• Loan loss provisions	(919)	36.7	49.5	(672)	(38)
• Other	(11)	(14.4)	(6.4)	(13)	-
Provisions	21	n.m.	n.m.	(73)	(5)
Other income/losses	(9)	n.m.	n.m.	43	3
PRE-TAX PROFIT	2,879	14.5	25.2	2,515	99
Corporate income tax	(794)	7.5	17.5	(739)	(29)
NET PROFIT	2,085	17.4	28.3	1,777	70
Minority interests	(1)	(28.0)	(21.2)	(2)	-
NET ATTRIBUTABLE PROFIT	2,084	17.4	28.4	1,775	70

Balance sheet

(Million euros)

	31-12-07	Δ%	Δ% at constant exchange rate	31-12-06	Memorandum item: Compass 31-12-07
Cash and balances at Central Banks	6,058	1.7	14.0	5,955	344
Financial assets	34,863	48.6	66.4	23,465	4,814
Loans and receivables	58,376	62.6	82.1	35,901	18,471
• Due from banks	3,465	61.5	80.8	2,146	309
• Loans to customers	54,168	63.5	83.1	33,136	17,951
• Other	742	19.9	34.2	619	211
Inter-area positions	-	-	-	-	-
Property, plant and equipment	1,501	33.9	50.0	1,121	424
Other assets	3,261	(39.5)	(32.2)	5,388	1,066
TOTAL ASSETS / LIABILITIES AND EQUITY	104,059	44.9	62.3	71,830	25,118
Deposits by Central Banks and banks	22,596	167.6	199.8	8,445	5,435
Due to customers	61,362	33.9	50.0	45,832	16,537
Marketable debt securities	2,756	156.5	186.9	1,074	220
Subordinated debt	2,947	28.2	43.7	2,298	850
Inter-area positions	7	(54.9)	(49.4)	16	-
Other liabilities	9,087	(8.9)	2.0	9,975	868
Minority interests	2	(75.1)	(72.0)	8	-
Economic capital allocated	5,301	26.8	42.1	4,181	1,207

Relevant business indicators

(Million euros and percentages)

	31-12-07	Δ%	Δ% at constant exchange rate	31-12-06	Memorandum item: Compass 31-12-07
Customer lending ⁽¹⁾	53,052	68.7	88.9	31,449	17,795
Customer deposits ⁽²⁾	56,820	37.5	54.1	41,309	16,514
• Deposits	51,358	47.2	64.9	34,879	16,514
• Assets sold under repurchase agreement	5,463	(15.0)	(4.8)	6,430	-
Off-balance-sheet funds	19,862	7.5	20.5	18,478	-
• Mutual funds	11,214	13.8	27.6	9,853	-
• Pension funds	8,648	0.3	12.4	8,625	-
Other placements	3,127	(5.0)	6.4	3,294	-
Customer portfolios	12,919	86.1	108.6	6,941	4,883
Risk-weighted assets ⁽³⁾	66,263	26.8	42.1	52,258	15,085
ROE (%)	47.6			46.7	19.3
Efficiency ratio (%)	36.3			35.9	53.0
Efficiency incl. depreciation and amortization (%)	39.7			38.2	69.2
NPL ratio (%)	1.97			2.19	1.70
Coverage ratio (%)	189.1			248.9	105.8

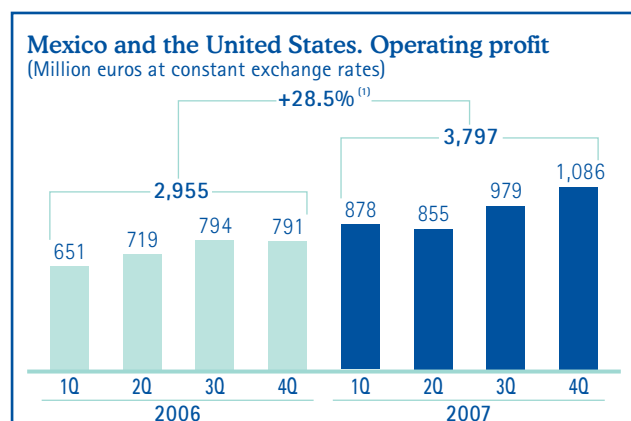
(1) Gross lending excluding NPLs and Bancomer's old mortgage portfolio. (2) Excluding deposits and repos issued by Bancomer's Markets unit and Puerto Rico. (3) According to ERC methodology.

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

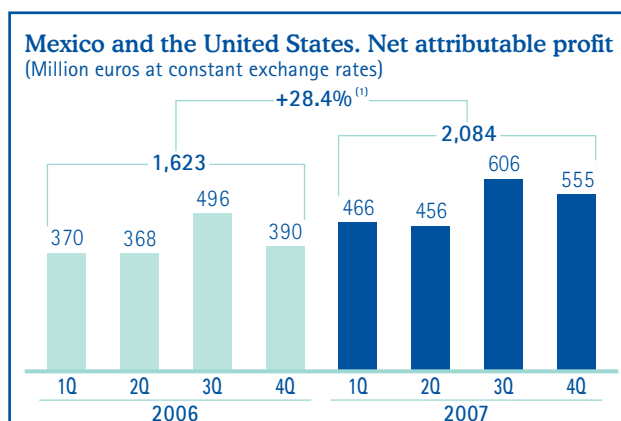
During 2007, the Mexican peso and the US dollar depreciated against the euro, producing a negative impact on the area's balance sheet and its aggregate earnings to December. This is why all year-on-year comparisons refer to **constant exchange rates**, listed in a column of the accompanying tables, as they are most significant when analysing management performance. The incorporation of **Compass** within the Group in September 2007 must also be taken into account. Details are given in the tables and section on the United States.

At year end, the area showed high year-on-year growth in business volumes. This and a high customer spread pushed net

interest income up 33.1% over the year to €4,304m and was the main driving force behind the area's earnings. Income from fees and insurance grew 24.8% and net trading income 41.9%. These figures plus the afore-mentioned net interest income growth led to ordinary revenues of €6,495, up 30.9% year on year. Personnel and general administrative costs subtracted €2,359m. They rose due to increased sales activity, expansion of the branch network and the banks bought in the United States. Because these banks' cost-income ratios are not as good as Bancomer's, incorporating them into the structure brought the area's overall cost-income ratio up to 39.7% in 2007, compared to 38.2% in 2006. Nonetheless, Mexico improved its cost-income ratio by 1.5% and the United States by 2.4%. Meanwhile, **operating profit** reached €3,797m. This was 28.5% higher than in 2006.



(1) At current exchange rates: +17.5%.



(1) At current exchange rates: +17.4%.

Increased loan-loss provisioning continued to reflect strong lending growth, as provisions are made against expected loss. The non-performing loan ratio (NPL) was checked further, at 1.97% compared with 2.19% in December 2006. And the coverage ratio remained high at 189.1%. Finally, **net attributable profit** reached €2,084m, increasing 28.4% year on year, while return on equity was 47.6% (ROE was 46.7% in 2006).

Banking businesses

The area's banking businesses generated €1,932m in attributable profit during 2007, 30.0% more than in 2006. Highlights of the different units' performance are given below.

BBVA Bancomer

During 4Q07, indicators in the Mexican domestic economy remained strong. Private consumption and ongoing job creation were especially positive. Given upward price pressure, the Bank of Mexico decided to increase reference rates by one quarter of a point, to 7.5%. Despite the volatility observed on international financial markets, there was no widespread withdrawal of investment from local market portfolios. This helped the dollar exchange rate to remain stable and limited the rise in long-term interest rates.

At year-end 2007, Bancomer's **loanbook** was worth €26,967m, up 28.7% from December 2006. The main factor behind this increase was housing loans, whose balance reached €7,955m, increasing 37.7% year on year. The commercial loanbook grew 34.3% to €8,240m, driven by dynamic demand from SMEs and corporate businesses, whose borrowing increased 34.7% and 21.7% respectively. The consumer loanbook, which includes credit cards, loans to individuals, car finance and payroll loans, reached €8,186m. This was 22.2% higher than in December 2006. Thus, Bancomer maintained its market leadership with 35.4% of the housing-loan market (balance excluding UDIs from the old mortgage portfolio) and 33.8% of the credit-card and consumer-finance market.

Customer funds (including customer deposits, mutual funds, investment companies and other funds and intermediation products) reached €45,751m on 31-Dec-07, a year-on-year increase of 12.1%. Mutual funds were the main driving factor in raising customer funds. Their balance grew 27.6% to €11,214m as they were distributed through the retail-branch network. Current accounts were also an important factor, increasing 18%

to €15,594m. Bancomer maintained its leadership in total customer funds, with a market share of 27.0%.

This growth in business volumes and high customer spread (12.4% in 4Q07 compared to 12.3% in 3Q07 or 12.5% in 4Q06) pushed **net interest income** up to €3,535m during 2007, with a year-on-year rise of over 18.6%. Fee income rose 14%, reaching €1,246m, fuelled by investment companies and credit and debit cards. Meanwhile, net trading income reached €210m (up 37.9%), generating ordinary revenues of €4,994m, 18.2% more than in 2006.

Personnel and general administrative costs stood at €1,634m. The 13.7% increase year-on-year was due to higher business volumes and the expansion of the distribution network. 106 new branches were opened in 2007 while 483 ATMs and over 20,000 POS terminals were installed.

As revenue growth outstripped costs, the cost-income ratio improved 1.5 percentage points, reaching 34.6% in 2007, as compared with 36.1% the previous year. This allowed **operating profit** to rise 21.3% to €3,195m. Higher lending continued to require higher provisioning, which went up 44.0% to €834m. Quarterly allocations remained relatively stable from 4Q06 on, as total lending relied less on consumer-finance and cards (which have higher expected-loss ratios than housing and SME lending). The NPL ratio did not alter significantly over the year, ending at 2.15% (2.21% at year-end 2006). The coverage ratio remained high (254.6% in December 2007).

Net attributable profit was €1,720m in 2007, 21.2% above the previous year, bringing ROE up to 54.9%, compared with 48.5% in 2006.

During the last quarter of 2007, Bancomer made its first **securitization** issue against its mortgage portfolio, for 2,540 million pesos, using an instrument known as Borhi (an acronym for mortgage-secured bonds). These have a tenor of 20.5 years and a coupon of 9.05%. Moody's, S&P and Fitch gave the issue a triple-A rating. The securitised portfolio comprises over 2,400 mortgage loans originated between January 2003 and January 2007, all in pesos at a fixed interest rate.

Retail Banking This unit sold nearly 3 million credit cards in 2007 and granted over 880,000 consumer loans (car purchase and payroll lending as well as loans to individuals). During 4Q07, the traditional campaign to promote savings with the

Income statement

(Million euros)

Memorandum item:	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
	2007	Δ%	Δ% ⁽¹⁾	2006	2007	Δ%	Δ% ⁽¹⁾	2006	2007	Δ%	Δ% ⁽¹⁾	2006
NET INTEREST INCOME	4,305	21.5	32.9	3,542	3,535	8.4	18.6	3,259	3	60.1	75.0	2
Income by the equity method	3	n.m.	n.m.	(2)	3	n.m.	n.m.	(2)	-	n.m.	n.m.	-
Net fee income	1,559	19.4	30.5	1,306	1,246	4.2	14.0	1,196	137	(17.0)	(9.3)	165
Income from insurance activities	-	-	-	-	-	-	-	-	250	2.2	11.7	245
CORE REVENUES	5,866	21.0	32.4	4,846	4,784	7.4	17.5	4,453	390	(5.2)	3.7	412
Net trading income	246	36.8	49.6	180	210	26.1	37.9	166	8	(50.0)	(45.3)	16
ORDINARY REVENUES	6,113	21.6	33.0	5,026	4,994	8.1	18.2	4,619	398	(6.9)	1.8	428
Net revenues from non-financial activities	14	n.m.	n.m.	-	14	n.m.	n.m.	-	(7)	82.4	99.4	(4)
Personnel and general administrative expenses	(2,237)	23.8	35.4	(1,807)	(1,634)	4.0	13.7	(1,571)	(176)	(12.9)	(4.8)	(202)
Depreciation and amortization	(222)	80.5	97.3	(123)	(99)	4.7	14.5	(95)	(2)	(19.3)	(11.7)	(3)
Other operating income and expenses	(77)	4.8	14.6	(73)	(80)	9.2	19.4	(73)	20	(20.9)	(13.5)	25
OPERATING PROFIT	3,590	18.8	29.9	3,023	3,195	10.9	21.3	2,880	234	(4.5)	4.5	245
Impairment losses on financial assets	(930)	35.7	48.4	(685)	(844)	30.6	42.8	(646)	-	-	-	-
• Loan loss provisions	(919)	36.7	49.5	(672)	(834)	31.7	44.0	(633)	-	-	-	-
• Other	(11)	(14.4)	(6.4)	(13)	(10)	(19.7)	(12.2)	(13)	-	-	-	-
Provisions	21	n.m.	n.m.	(73)	28	n.m.	n.m.	(70)	-	(64.5)	(61.3)	-
Other income/losses	(10)	n.m.	n.m.	40	(17)	n.m.	n.m.	34	2	(26.9)	(20.0)	3
PRE-TAX PROFIT	2,671	15.9	26.7	2,305	2,361	7.4	17.5	2,198	236	(4.7)	4.2	247
Corporate income tax	(738)	8.6	18.8	(679)	(640)	(0.8)	8.5	(645)	(65)	(9.5)	(1.0)	(72)
NET PROFIT	1,933	18.9	30.0	1,626	1,721	10.9	21.2	1,552	171	(2.8)	6.3	176
Minority interests	(1)	(26.4)	(19.5)	(1)	(1)	(8.2)	0.4	(1)	(1)	(29.1)	(22.5)	(1)
NET ATTRIBUTABLE PROFIT	1,932	18.9	30.0	1,625	1,720	10.9	21.2	1,552	170	(2.6)	6.5	174

(1) At constant exchange rate.

Balance sheet

(Million euros)

Memorandum item:	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Cash and balances at Central Banks	6,058	1.7	14.0	5,955	5,540	(5.4)	6.1	5,853	-	(2.5)	9.2	-
Financial assets	32,449	51.5	69.7	21,422	24,012	36.9	53.4	17,538	2,839	12.3	25.8	2,529
Loans and receivables	58,489	63.3	82.9	35,808	30,812	13.9	27.6	27,058	158	42.5	59.7	111
• Due from banks	3,669	71.2	91.7	2,143	2,663	78.6	100.1	1,491	68	245.5	287.1	20
• Loans to customers	54,168	63.5	83.1	33,136	27,907	10.6	24.0	25,225	-	66.7	86.8	-
• Other	652	23.4	38.1	529	243	(29.1)	(20.6)	343	90	(1.3)	10.6	91
Inter-area positions	8	(5.4)	6.0	8	8	(3.9)	7.7	8	-	-	-	-
Property, plant and equipment	1,495	34.3	50.4	1,113	789	(4.2)	7.4	823	5	(27.3)	(18.5)	7
Other assets	2,704	(30.1)	(21.7)	3,866	1,391	(26.3)	(17.5)	1,888	82	16.9	31.0	70
TOTAL ASSETS / LIABILITIES AND EQUITY	101,203	48.5	66.3	68,172	62,551	17.6	31.8	53,170	3,084	13.5	27.2	2,717
Deposits by Central Banks and banks	22,596	167.6	199.8	8,445	15,855	117.4	143.6	7,294	-	(100.0)	(100.0)	-
Due to customers	61,643	34.4	50.6	45,851	35,302	(2.3)	9.5	36,127	-	-	-	-
Marketable debt securities	2,756	156.5	186.9	1,074	1,845	n.m.	n.m.	190	-	-	-	-
Subordinated debt	2,453	199.1	232.6	820	1,466	161.1	192.6	561	-	-	-	-
Inter-area positions	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,697	(16.7)	(6.7)	8,037	4,849	(13.8)	(3.4)	5,626	2,830	14.5	28.3	2,471
Minority interests	1	(49.2)	(43.1)	2	-	(79.1)	(76.5)	2	-	n.m.	n.m.	6
Economic capital allocated	5,057	28.3	43.7	3,941	3,234	(4.0)	7.6	3,369	254	6.0	18.8	240

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentages)

Memorandum item:	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Customer lending ⁽²⁾	53,052	68.7	88.9	31,449	26,967	14.9	28.7	23,480	-	-	-	-
Customer deposits ⁽³⁾	56,820	37.5	54.1	41,309	31,410	(3.6)	8.0	32,595	-	-	-	-
• Deposits	51,358	47.2	64.9	34,879	25,947	(0.8)	11.1	26,165	-	-	-	-
• Assets sold under repurchase agreement	5,463	(15.0)	(4.8)	6,430	5,463	(15.0)	(4.8)	6,430	-	-	-	-
Off-balance-sheet funds	11,214	13.8	27.6	9,853	11,214	13.8	27.6	9,853	8,648	0.3	12.4	8,625
• Mutual funds	11,214	13.8	27.6	9,853	11,214	13.8	27.6	9,853	-	-	-	-
• Pension funds	-	-	-	-	-	-	-	-	8,648	0.3	12.4	8,625
Other placements	3,127	(5.0)	6.4	3,294	3,127	(5.0)	6.4	3,294	-	-	-	-
Customer portfolios	12,919	86.1	108.6	6,941	6,237	(10.1)	0.7	6,941	-	-	-	-
Risk-weighted assets ⁽⁴⁾	63,210	28.3	43.7	49,262	40,431	(4.0)	7.6	42,115	3,175	6.0	18.8	2,996
ROE (%)	46.7			45.1	54.9			48.5	69.0			88.6
Efficiency ratio (%)	36.5			35.9	32.6			34.0	45.0			47.7
Efficiency incl. depreciation and amortization (%)	40.1			38.4	34.6			36.1	45.5			48.3
NPL ratio (%)	1.97			2.19	2.15			2.21	-			-
Coverage ratio (%)	189.1			248.9	254.6			287.7	-			-

(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.

Libretón passbook handed out over 500,000 prizes to customers for the first time. 127,000 new accounts were opened as part of the nine day campaign, gathering more than 3 billion pesos with customer-fund retention of 76%.

Business with **Companies and Government** showed a 42% increase in the number of borrowers. This reflected the bank's strategy of cutting back-office costs in branches while increasing their sales activity and empowerment to approve loans. It also furthered its policy of increasing the offering of more sophisticated, high-value products. In 4Q07 it launched a product enabling SMEs to enter into the Mexican derivatives market and trade with commodities and other generic goods.

Banca Hipotecaria continued to actively increase volumes. In 2007 it granted 72,045 mortgages to home-buyers, 15% more than in 2006, raising the balance on its home-owners mortgage portfolio 28% year on year. At the same time, it financed 102,153 housing units with loans to developers. This reflected a year-on-year increase of 16%.

United States

In 4Q07, the BBVA operation in the USA took a further step forward in its integration plans, merging Compass Bank, Texas State Bank, State National Bank and Laredo National Bank under Compass Bancshares.

At the end of the year, **BBVA USA** had over 2.5 million customers; a total loanbook of €26,085m; €25,411m in deposits and €6,683m in off-balance-sheet funds. Its business is distributed over Texas, Alabama, Arizona, Florida, Colorado, New Mexico, California and Puerto Rico. It produced an operating profit of €383m in 2007 as against €118m in 2006 (using like-for-like exchange rates). Its attributable profit was €203m, up from €59m in 2006.

Slightly over one third of these earnings are originated by **Compass Bank**. Since it joined the Group in September, it has contributed an operating profit of €138m and a net attributable profit of €70m. Excluding the amortization of the intangible assets generated by the acquisition, these would have been €193m and €109m respectively. Additionally, at 31-Dec-07 Compass showed €17,795m in loans and €16,514m in deposits.

The combined business of Laredo National Bank, Texas State Bank and State National Bank in Texas recorded an attributable profit of €117m, with a lending balance of €5,364m and a customer-deposit balance of €7,551m at year-end 2007. **Laredo National Bank** accounted for €36m of this attributable profit, up 31.9% from the previous year. At €1,744m, its loanbook grew 15.7% year on year (21.0% in mortgages, 14.3% in commercial lending and 12.1% in

consumer loans). It had €2,539m in deposits, which rose 10.4%. **Texas State Bank** contributed its €62m attributable profit, with €2,870m in loans and €4,086m in deposits. And **State National Bank** booked an attributable profit of €18m, with €750m in loans and €925m in deposits.

BBVA Puerto Rico has obtained an attributable profit of €23m during the year, 4.2% down on 2006 due to the economic conditions of the island. Its year-end loanbook was €2,901m, having grown 6.5% from 2006 to 2007 (up 10.1% in SME lending and up 14% in mortgages) and €1,279m in customer deposits (down 1.6%).

BTS made 26.3 million transfers during the year (up 17.2% on 2006). Of these, 21.4 million were to Mexico (up 12.7%) and 4.9 million elsewhere (up 42.2%). The unit's net attributable profit was €12 million (down 7.8%).

Pensions and Insurance

The Group's pensions and insurance business in Mexico and Puerto Rico generated net attributable profit of €170m in 2007. This was 6.5% more than the previous year.

This year, the pension business performed better than in earlier years in Mexico, aided by a more favourable economic environment, the recovery of its labour market and the relatively insignificant impact of market volatility over the last quarters. **Afore Bancomer** was the second biggest Mexican pension-fund manager in terms of assets under management and number of unit-holders. Its drive to boost volumes was reflected in the 12.4% year-on-year increase of assets under management and the notable recovery in its share of contributors despite a fiercely competitive market. It obtained a net attributable profit of €44m for the year. This was 25.7% lower than in 2006, due to the new system of commissions it introduced in 2006 to tackle increasingly aggressive competition in the pension-fund industry.

The Group's insurance business in Mexico also boosted its sales figures. **Seguros Bancomer** increased its underwriting volume by 14.0%, making significant progress in products linked to the banking activity as well as savings products and all other business lines. The joint attributable profit of the Group's Mexican companies was €125m. This figure represented a year-on-year increase of 25.5%.

Mexico (banking business, pensions and insurance)

Income statement

(Million euros)

	2007	Δ%	Δ% at constant exchange rate	2006
NET INTEREST INCOME	3,533	8.6	18.8	3,252
Income by the equity method	3	n.m.	n.m.	(2)
Net fee income	1,306	2.3	11.9	1,277
Income from insurance activities	313	2.7	12.4	305
CORE REVENUES	5,156	6.7	16.7	4,832
Net trading income	218	19.5	30.7	182
ORDINARY REVENUES	5,374	7.2	17.2	5,014
Net revenues from non-financial activities	7	n.m.	n.m.	(4)
Personnel and general administrative expenses	(1,741)	2.8	12.4	(1,694)
Depreciation and amortization	(102)	4.0	13.8	(98)
Other operating income and expenses	(124)	6.4	16.4	(117)
OPERATING PROFIT	3,414	10.1	20.4	3,102
Impairment losses on financial assets	(844)	30.6	42.8	(646)
• Loan loss provisions	(834)	31.7	44.0	(633)
• Other	(10)	(19.7)	(12.2)	(13)
Provisions	28	n.m.	n.m.	(70)
Other income/losses	(15)	n.m.	n.m.	36
PRE-TAX PROFIT	2,583	6.6	16.6	2,422
Corporate income tax	(701)	(1.3)	8.0	(710)
NET PROFIT	1,882	9.9	20.2	1,713
Minority interests	(2)	(21.6)	(14.2)	(2)
NET ATTRIBUTABLE PROFIT	1,880	9.9	20.2	1,711

Income statement

(Million euros)

	South America			
	2007	Δ%	Δ% ⁽¹⁾	2006
NET INTEREST INCOME	1,657	26.4	33.2	1,310
Income by the equity method	2	(29.4)	(34.1)	3
Net fee income	920	12.9	19.5	815
Income from insurance activities	(11)	103.6	148.2	(6)
CORE REVENUES	2,567	20.9	27.6	2,122
Net trading income	201	(28.7)	(22.5)	282
ORDINARY REVENUES	2,768	15.1	21.9	2,405
Net revenues from non-financial activities	-	185.4	217.0	-
Personnel and general administrative expenses	(1,181)	7.1	12.8	(1,103)
Depreciation and amortization	(93)	0.2	4.9	(93)
Other operating income and expenses	(40)	(12.4)	(9.3)	(46)
OPERATING PROFIT	1,454	25.1	33.3	1,163
Impairment losses on financial assets	(269)	80.3	90.8	(149)
• Loan loss provisions	(258)	70.6	80.0	(151)
• Other	(11)	n.m.	n.m.	2
Provisions	(65)	11.2	21.3	(59)
Other income/losses	(18)	n.m.	n.m.	-
PRE-TAX PROFIT	1,102	15.4	23.0	955
Corporate income tax	(197)	(14.2)	(7.5)	(229)
NET PROFIT	905	24.7	32.4	726
Minority interests	(282)	30.1	39.8	(217)
NET ATTRIBUTABLE PROFIT	623	22.4	29.3	509

(1) At constant exchange rate.

Memorandum item:

Banking businesses				Pensions and Insurance			
2007	Δ%	Δ% ⁽¹⁾	2006	2007	Δ%	Δ% ⁽¹⁾	2006
1,650	26.8	33.5	1,301	10	(3.5)	5.4	11
2	(50.1)	(51.5)	4	-	(97.3)	(97.1)	(1)
523	20.4	26.8	434	267	3.3	8.9	259
-	-	-	-	124	2.5	11.3	121
2,175	25.0	31.6	1,739	402	3.2	9.9	389
161	(32.2)	(26.0)	238	40	(10.2)	(4.6)	45
2,336	18.2	24.9	1,977	442	1.8	8.4	434
-	-	-	-	-	185.4	217.0	-
(917)	5.4	10.9	(870)	(237)	13.2	20.5	(210)
(84)	3.1	7.7	(82)	(9)	(21.3)	(16.4)	(11)
(45)	0.2	3.9	(45)	8	230.0	275.8	2
1,290	31.6	39.9	980	204	(5.6)	0.7	216
(269)	80.9	91.5	(149)	-	(100.0)	(100.0)	(1)
(258)	71.1	80.6	(151)	-	(100.0)	(100.0)	-
(11)	n.m.	n.m.	2	-	(100.0)	(100.0)	-
(65)	27.0	37.7	(51)	(1)	(92.1)	(91.0)	(8)
(30)	n.m.	n.m.	-	12	n.m.	n.m.	(1)
927	18.7	26.2	781	215	3.8	10.3	207
(163)	(9.0)	(1.8)	(179)	(46)	(25.6)	(20.7)	(62)
764	26.9	34.4	602	169	16.4	23.5	145
(238)	32.2	42.0	(180)	(44)	19.7	28.8	(36)
525	24.6	31.2	422	125	15.2	21.8	109

Balance sheet

(Million euros)

	South America			
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Cash and balances at Central Banks	4,016	39.0	51.2	2,889
Financial assets	4,532	7.4	14.8	4,218
Loans and receivables	24,048	14.2	22.1	21,058
• Due from banks	2,059	(42.5)	(36.6)	3,583
• Loans to customers	21,570	26.8	34.5	17,014
• Other	419	(9.2)	(0.8)	461
Inter-area positions	-	-	-	-
Property, plant and equipment	457	(6.3)	0.1	488
Other assets	1,637	(11.1)	(8.1)	1,842
TOTAL ASSETS / LIABILITIES AND EQUITY	34,690	13.8	21.5	30,496
Deposits by Central Banks and banks	2,763	4.3	11.0	2,650
Due to customers	24,018	13.0	21.0	21,252
Marketable debt securities	870	85.7	95.8	468
Subordinated debt	1,137	2.2	3.4	1,112
Inter-area positions	28	(6.5)	(6.9)	30
Other liabilities	3,316	27.4	37.6	2,604
Minority interests	537	(22.7)	(17.0)	695
Economic capital allocated	2,021	20.0	28.5	1,684

(1) At constant exchange rate.

Memorandum item:

Banking businesses				Pensions and Insurance			
31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
4,015	39.0	51.2	2,889	1	(3.7)	1.7	1
3,703	6.1	13.1	3,491	1,040	8.1	16.6	962
23,574	14.3	22.1	20,629	566	3.4	13.7	547
1,836	(45.4)	(39.7)	3,364	281	(3.0)	4.5	290
21,382	26.8	34.5	16,861	189	8.7	24.7	174
356	(11.8)	(3.9)	404	95	14.3	24.2	83
12	294.5	n.m.	3	-	-	-	-
392	(5.9)	0.5	417	65	(9.1)	(2.6)	71
935	(9.5)	(5.0)	1,034	167	(1.2)	7.1	169
32,631	14.6	22.6	28,463	1,838	5.0	14.0	1,750
2,759	4.8	11.6	2,632	5	(86.3)	(85.7)	39
24,077	12.7	20.7	21,356	-	-	-	-
870	83.2	93.1	475	-	-	-	-
595	34.9	38.9	441	-	(100.0)	(100.0)	-
-	-	-	-	-	-	-	-
2,160	41.3	50.9	1,529	1,448	6.3	16.0	1,363
461	(25.7)	(20.0)	621	69	(6.8)	(2.4)	74
1,709	21.2	29.6	1,410	315	15.2	23.6	274

Relevant business indicators

(Million euros and percentages)

	South America				Memorandum item:							
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	Banking businesses				Pensions and Insurance			
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Customer lending ⁽²⁾	21,839	25.8	33.5	17,366	21,839	25.8	33.5	17,366	-	-	-	-
Customer deposits ⁽³⁾	25,310	11.1	19.0	22,773	25,310	11.1	19.0	22,773	-	-	-	-
• Deposits	24,545	13.3	21.0	21,667	24,545	13.3	21.0	21,667	-	-	-	-
• Assets sold under repurchase agreement	766	(30.8)	(22.6)	1,106	766	(30.8)	(22.6)	1,106	-	-	-	-
Off-balance-sheet funds	36,551	9.3	14.9	33,447	1,725	9.5	15.9	1,575	34,826	9.3	14.8	31,872
• Mutual funds	1,725	9.5	15.9	1,575	1,725	9.5	15.9	1,575	-	-	-	-
• Pension funds	34,826	9.3	14.8	31,872	-	-	-	-	34,826	9.3	14.8	31,872
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets ⁽⁴⁾	25,263	20.0	28.5	21,046	21,358	21.2	29.6	17,624	3,940	15.2	23.6	3,422
ROE (%)	32.8			31.8	32.8			31.8	41.2			40.0
Efficiency ratio (%)	42.7			45.9	39.2			44.0	53.7			48.3
Efficiency incl. depreciation and amortization (%)	46.0			49.7	42.8			48.1	55.7			50.9
NPL ratio (%)	2.14			2.67	2.16			2.69	-			-
Coverage ratio (%)	145.6			132.8	145.6			132.8	-			-

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

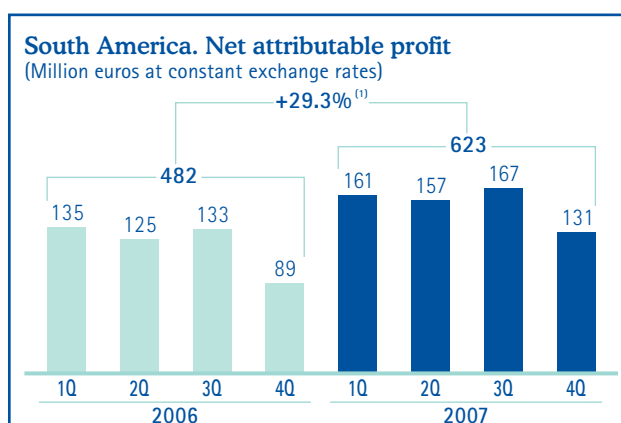
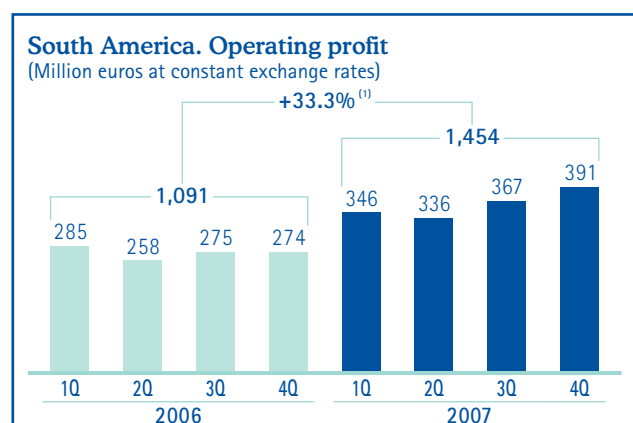
The South America area handles the BBVA Group's banking, pension and insurance businesses in this region. In the fourth quarter of 2007 the Group has sold its stakes in AFP Crecer and BBVA Seguros, both in the Dominican Republic.

During 2007, the Latam **economy** grew over 4% for the fifth year running. It benefited from high commodity prices and the reforms enacted in many countries which have boosted macroeconomic stability. A buoyant real economy went hand in hand with more prudent tax management, generating a significant current-account surplus for most countries. More orthodox monetary policies helped stabilise inflation rates and reduce uncertainty, stimulating growth in domestic demand both for consumption and investment. The region's strength

became even more evident as the financial crisis of the second half of 2007 failed to have a significant impact on it. The most dynamic economies were Argentina, Colombia, Peru and Venezuela.

In 2007, most Latam **currencies** weakened against the euro. This reflected negatively on the area's balance sheet and 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.

Booming domestic demand in all the region's countries enabled them to substantially improve key variables in the



Latin-American financial-services industry, most notably profitability and solvency. Against this positive backdrop, the South America area has presented its best annual results ever. It obtained €623m in **attributable profit**, 29.3% up on 2006 (or 22.4% using current exchange rates) and a return on equity of 32.8% (ROE was 31.8% in 2006).

A sales drive in all the area's units produced strong growth in customer business, especially in **lending**, which reported a balance of € 21,839m at the end of December, growing 33.5% year on year. This rise in lending was seen both in loans to individuals, which grew 41.2% and to SMEs (up 33.3%). **Customer funds** (including mutual funds) also rose significantly (up 18.8%), reaching €27,035m. **Pension funds** were up 14.8% on the 2006 figure, with €34,826m under management at the end of the year.

This positive performance was further fuelled by the maintenance of spreads in all the companies, which pushed **net interest income** up to €1,657m, ie, 33.2% higher than the previous year. **Fee income** and revenues from **insurance** activity benefited from the sales drive, jointly rising 18.8% against 2006, reaching €908m. Net trading income was affected by the unstable market situation in the last quarters and recorded lower capital gains than in 2006 due to lower equity-portfolio sales. This all fed into **ordinary revenues** of €2,768m, up 21.9% year on year.

General administrative costs showed lower growth than revenues, increasing 12.8% in 2007, despite considerable marketing activity and high inflation in Venezuela and Argentina. This meant the **cost-income ratio** improved further, reaching 46.0% for the year, as against 49.7% in 2006. **Operating profit** rose €1,454m, 33.3% more than the previous year.

Risk management remained strict, allowing the area to continue improving its asset quality: The non-performing loan ratio stood at 2.14% on 31-Dec-07, down from 2.67% at year-end 2006. Nonetheless, more lending meant higher generic provisioning, which led to a strong year-on-year increase in loan-loss provisions and raised the coverage ratio to 145.6% in December 2007, as against 132.8% one year earlier.

□ Banking businesses

The banks generated a net attributable profit of €525m during the year, 31.2% more than in 2006. The most relevant points of each bank's performance are highlighted below.

BBVA Banco Francés in Argentina obtained a net attributable profit of €147m, 19.7% higher than in 2006. Its performance was driven by growing core revenues (up 15.9%), bolstered by rising business volumes, higher returns on the loanbook mix, a more cost-efficient funding structure and stronger fee income. Net trading income (NTI) went down in 2007 due to lower capital gains on the sale of public assets. This affected the operating profit, which ended below 2006, at €221m. However, lower NTI was offset by lower loan-loss provisioning requirements and lower tax.

BBVA Chile's retail business boomed this year, thanks to the marketing drive which produced record annual figures for the bank and for Forum, the Group's automobile-finance company in the country. Strong year-on-year growth in business volumes (up 23.7% in lending and 20.7% in customer funds) fed into the net interest income, which was 27.6% higher than in 2006, although it also led to higher costs. It generated an operating profit of €113m, up 35.5% year on year, and an attributable profit of €37m, compared to €7m in 2006.

BBVA Colombia also focused on selling. Retail lending, and especially consumer lending, boosted its loanbook significantly (up 27.9% on 2006) and so did customer funds (up 24.2%). This was positive for net interest income, which increased 17.5% year on year, while costs went down 7.3%. Thus, operating profit rose to €232m, 64.6% higher than the previous year. This increase did not flow down into attributable profit (€107m and 7.3% up on 2006) due to higher taxes after the credit shield was used up in 2006.

BBVA Banco Continental in Peru generated an attributable profit of €63m in 2007, up 17.2% on 2006. Growth in both lending (30.3% year on year) and in customer funds (up 26.9%) boosted core revenues, which rose 22.9% over the year. A tight rein on operating costs meant the cost-income ratio improved (34.4% in 2007 as against 37.1% in 2006). Operating profit increased 28.8% over the previous year, reaching €243m.

In a complex environment, **BBVA Banco Provincial** in Venezuela had an excellent year, achieving an operating profit of €418m, more than double the 2006 figure. Its attributable profit stood at €124m (up 65.2%). Earnings were pushed up by improved spreads and the strong increase in business volumes, especially in lending to individuals, which fed into the net interest income (up 70.0% year on year) and fee income (up 65.6%). This easily offset higher costs due to high inflation in the country, and the costs of implementing the new currency.

Meanwhile, **BBVA Panama** generated net attributable profit of €23m, 15.6% up on 2006 and **BBVA Paraguay** €18m (up 25.5%) and **BBVA Uruguay** €6m (down 23.9%).

Pensions and Insurance

The Pensions & Insurance unit in South America achieved an attributable net profit of €125m in 2007. This was 21.8% up on the previous year. Of this figure, €73m were generated in the **pension business** (up 12.9% against 2006), with fund managers intensifying their sales performance while obtaining sound financial earnings despite market turbulence in the second half of the year. The remaining €52m (up 36.7%) came from the **insurance business**, where sales were also higher in all the companies. As mentioned in the beginning of this chapter, the Group has sold its stakes in AFP Crecer and BBVA Seguros, both in the Dominican Republic, generating a capital gain of

€13m. The performance of the main companies comprising this unit is described below.

AFP Provida is the biggest pension manager in Latin America. In 2007 it boosted its revenues by 14.4% and its funds under management by 16.6%. This strong performance was reflected in its €126m in fee income (up 10.8% from 2006) and its ordinary profit (up 8.8%). Attributable profit reached €48m, 19.5% higher than the previous year.

In Argentina, **Grupo Consolidar** ended the year with a net attributable profit of €30m. This was up 28.6% from 2006. The sales drive pushed up revenues in the insurance business (which wrote 42.2% more premiums) and the pension business, where revenues increased (up 25.2%) and so did funds under management (up 3.6%), bringing fee income to rise by 17.1%, despite the negative impact of the new pension regulations.

AFP Horizonte Peru generated an attributable profit of €7m in a competitive environment. This was 30.4% higher than 2006, largely due to growth in funds under management (up 25.5%) and the favourable performance of all the income lines. The year was not so favourable for **AFP Horizonte Colombia**, which obtained an attributable profit of €11m, 22.4% down on 2006. The financial markets in the country did not perform well and this had a negative effect on returns on funds under management and, consequently, in asset volumes.

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

(Million euros)

Country	Operating profit				Net attributable profit			
	2007	Δ%	Δ% at constant exchange rate	2006	2007	Δ%	Δ% at constant exchange rate	2006
Argentina	270	(23.4)	(14.9)	353	177	9.0	21.1	163
Chile	213	14.4	22.8	186	103	84.4	98.0	56
Colombia	257	55.6	49.4	165	122	3.8	(0.3)	117
Panama	34	5.6	15.2	33	23	5.9	15.6	22
Paraguay	21	43.3	39.4	15	18	29.1	25.5	14
Peru	257	22.8	28.0	209	70	13.6	18.5	62
Uruguay	8	3.8	10.4	7	6	(28.5)	(23.9)	8
Venezuela	428	92.9	110.5	222	128	51.1	64.9	85
Other countries ⁽¹⁾	(34)	25.0	23.0	(27)	(24)	40.0	37.6	(17)
TOTAL	1,454	25.1	33.3	1,163	623	22.4	29.3	509

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

Income statement

(Million euros)

	2007	Δ%	2006
NET INTEREST INCOME	(610)	65.8	(368)
Income by the equity method	(2)	n.m.	23
Net fee income	(18)	n.m.	50
Income from insurance activities	(33)	36.9	(24)
CORE REVENUES	(663)	107.9	(319)
Net trading income	1,190	41.5	841
ORDINARY REVENUES	527	1.0	522
Net revenues from non-financial activities	(1)	(45.6)	(1)
Personnel and general administrative expenses	(502)	12.9	(444)
Depreciation and amortization	(139)	(0.4)	(139)
Other operating income and expenses	(15)	18.7	(12)
OPERATING PROFIT	(129)	71.1	(75)
Impairment losses on financial assets	(7)	n.m.	9
• Loan loss provisions	(3)	n.m.	26
• Other	(4)	(77.3)	(17)
Provisions	(167)	(86.0)	(1,193)
Other income/losses	101	(86.9)	771
PRE-TAX PROFIT	(202)	(58.6)	(488)
Corporate income tax	311	87.5	166
NET PROFIT	109	n.m.	(323)
Minority interests	5	n.m.	(6)
NET ATTRIBUTABLE PROFIT	113	n.m.	(329)

Balance sheet

(Million euros)

	31-12-07	Δ%	31-12-06
Cash and balances at Central Banks	9,115	n.m.	534
Financial assets	20,125	(5.0)	21,179
Loans and receivables	921	n.m.	(3,913)
• Due from banks	(657)	(87.9)	(5,430)
• Loans to customers	446	n.m.	(361)
• Other	1,133	(39.7)	1,878
Inter-area positions	(318)	(58.9)	(774)
Property, plant and equipment	1,776	10.4	1,610
Other assets	8,492	241.1	2,489
TOTAL ASSETS / LIABILITIES AND EQUITY	40,111	89.9	21,125
Deposits by Central Banks and banks	18,436	155.7	7,209
Due to customers	19,796	102.1	9,795
Marketable debt securities	72,467	6.3	68,180
Subordinated debt	5,781	9.8	5,266
Inter-area positions	(84,249)	11.9	(75,260)
Other liabilities	2,274	4.8	2,170
Minority interests	295	n.m.	12
Valuation adjustments	2,252	(32.6)	3,341
Shareholders' funds	20,345	37.1	14,836
Economic capital allocated	(17,285)	19.8	(14,424)

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

The year-on-year comparison of the area's net interest income was impacted by higher wholesale-funding costs and the finance for the Compass acquisition, especially in the last months of the year. Net interest and fee income figures are affected by the inclusion of Banc Internacional de Andorra revenues prior to its sale in April 2006. The divestment of the holding in Banca Nazionale del Lavoro in the second quarter of 2006 also brought down earnings booked under the equity method.

For the year as a whole, net trading income stood at €1,190m. €847m of these were one-off capital gains from the sale of the Iberdrola holding, whereas in 2006 €841m one-off capital gains were generated, €523m of which came from the divestment of the Repsol YPF holding. **Operating profit** for 2007 was –€129m, compared against the –€75m from the previous year. Subtracting the said one-off capital gains gives an operating profit of –€976m (–€598m in 2006).

€312m were set aside to provision for early retirements, of which €100m were one-off provisions linked to the transformation plan announced on the Investor Day. In 2006, the early-retirement provisions had been €1,054m, of which €777m were one-offs linked to the branch-network restructuring in Spain and the Group's new organisational structure. Other profits and losses also includes the following one-offs in 2007: a net of €73m coming from capital gains from properties sold off as part of the project for a new corporate centre (€273m) and the endowment to the BBVA microfinance foundation (a charge of €200m). In 2006, €751m had been booked for capital gains on the divestment of the holdings in BNL (€568m) and Banc Internacional de Andorra (€183m).

In 4Q06, an extraordinary charge of €457m impacted the figure for taxes on earnings, as the Group's deferred taxes were adjusted to the lower rate established under new regulations (32.5% in 2007 and 30% as of 2008, as compared with the earlier 35% rate). The area's net **attributable profit** for 2007 was €113m (€329m down on

the previous year). However, excluding all the one-offs mentioned above and their tax impact, the attributable profit was –610m (–€485m in 2006).

Financial Planning

The Financial Planning unit, through the Assets and Liabilities committee (ALCO), administers the Group's structural interest- and exchange-rate positions 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 cost of this risk management. At the end of the 2007, BBVA was pursuing an active policy to hedge its investments in Mexico, Chile, Peru and the dollar area. Its aggregate hedging was close to 50%. Apart from corporate-level hedging, some subsidiary banks hold dollar positions at local level. The exchange-rate exposure on expected earnings from the Group's franchise in America is similarly managed. On average, approximately 60% of 2007 earnings were hedged, mitigating the impact of the slide in American currencies against the euro. Much of the hedging for 2008 expected earnings has already been put in place.

The Financial Planning unit also actively manages the **structural interest-rate exposure** on the Group's balance sheet. This guarantees sustainable growth of net interest income in the short and the medium term, however interest rates behave. During the second half of 2007, strategies have been oriented towards hedging a less positive economic scenario in Europe for 2008-2009. The risk on balance sheets in Mexico & the USA is at comfortable levels. Risk management uses hedging derivatives (caps, floors, swaps, forward rate agreements, etc) and balance-sheet instruments. At the end of 2007, the unit had asset portfolios denominated in euros, US dollars and Mexican pesos. The portfolio of dollar-denominated assets has no exposure to sub-prime risk and contains unrealised capital gains.

Managing **structural liquidity** helps to fund recurring growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to several alternative sources of finance. The Group encourages its American arms to be financially independent. During 2007, BBVA has actively managed liquidity risk, hedging nearly all

the customer funds it expected to raise in the entire year during the first seven months. Despite extremely volatile wholesale markets in the second half of 2007, BBVA has maintained sound liquidity. It is one of the most liquid European banks, acting as a significant lender on the interbank market. In 2008, there is a limited amount of debt maturing, and far more liquidity will be generated than drained.

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

Holdings in Industrial and Financial Companies

This unit manages the Group's investment portfolio in industrial and financial companies with strict criteria for risk-control, economic-capital consumption and returns. Its investment strategy is diversified over different industries and applies dynamic monetisation and coverage management strategies to holdings.

At 31-Dec-07, the market value of the industrial and financial holdings portfolio stood at €7,104m. The portfolio contained €4,013m in unrealised capital gains before tax, €575m more than on 30-Sep-07 and €624m more than the €3,389m on 31-Dec-06, despite divestments made during the year, the most significant of which was Iberdrola.

Information by secondary segments

2007

(Million euros)

Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	8,664	5,326	3,520	288,165
United States	1,201	412	193	64,033
Mexico	5,185	3,227	1,750	65,925
South America	2,700	1,381	570	34,726
Other	383	199	93	49,355
TOTAL	18,133	10,545	6,126	502,204

2006

(Million euros)

Geographical zone	Ordinary revenues	Operating profit	Net attributable profit	Total assets
Spain	7,722	4,587	2,541	251,592
United States	475	135	66	33,943
Mexico	4,769	2,859	1,539	56,986
South America	2,327	1,080	450	30,528
Other	407	222	139	38,867
TOTAL	15,701	8,883	4,736	411,916

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

Responsible business. BBVA launched a "Dependency" loan in Spain with 0% interest and no fees, for people of 65 and over and for certain other dependants. This product is joined by a new mortgage (*Hipoteca Bienestar*) that supplements pensions. In Mexico, BBVA Bancomer rolled out a new card (*Tarjeta Paisano*) to foster a banking culture among immigrants who deposit money in the USA and to persuade the families who receive it to open accounts. It also launched a web site for SMEs in conjunction with the Monterrey Institute of Technology. Bancomer extended its commitment to microcredit organisations by signing a loan agreement with Corporación Andina de Fomento. Furthermore BBVA Banco Continental (Peru) granted a loan to the Inter-American Investment Corporation. The Group's banks in Latin America joined a programme run by the Inter-American Development Bank (IDB) to encourage foreign trade.

The BBVA Microcredit Foundation. The foundation signed a co-operation agreement with IDB to boost the microcredit industry in Latin America.

The corporate volunteer plan. BBVA's Volunteer Office in Spain has awarded nine prizes to projects proposed by employees and promoted several conferences on reforestation. Volunteers from BBVA Banco Francés (Argentina) worked on reducing drop-out rates at schools and those from BBVA Banco Continental (Peru) have been promoting reading skills.

Employees. The bank has initiated a "quality of life" project to address the balance between work and the private life of all the Group's employees. It signed an agreement with unions to extend social benefits to the entire payroll.

Education. Several new initiatives were associated with BBVA's integration programme. BBVA Puerto Rico provided youths with financial guidance (*Programa Impacta*), BBVA Chile launched a plan to improve education quality (*Niños adelante*) and BBVA Banco Francés set up a scholarship fund to be managed by the Claritas Foundation. BBVA Bancomer rolled out a programme to educate children and youths about the dangers of addiction. In addition BBVA Uruguay participated in a programme on sustainable social development at state schools (*Programa Huerta Orgánica*) and in Spain the Teacher Action Prizes, sponsored by BBVA, were awarded during the quarter.

Community support. BBVA and Bancomer jointly donated one million dollars to help rebuild schools affected by the floods in Tabasco (Mexico). In Peru, Banco Continental and Caritas signed an agreement on the rebuilding of schools destroyed by the recent earthquake. This is in addition to the public housing programme (*Techo Propio*) for poor families. Furthermore Anida earmarked €250,000 for adapting the homes of handicapped people and the Banco Francés Foundation made an important donation to a programme (*Jug-Arte*) that sets up creative workshops for children in hospital. It also donated 37 wheelchairs.

Art and culture. BBVA sponsored an exhibition at the Bilbao Fine Arts Museum (*Adquisiciones 02-07*) and another at the Miró Foundation in Barcelona (*Un cuerpo sin límites*). The BBVA Banco Continental Foundation and the National Library signed an agreement to promote reading and the BBVA Banco Francés Foundation organised a free course on 20th-century art.

Social science, health and the environment. The bank presented its Frontiers of Knowledge Awards. These annual awards have a total value of €3.2 million and cover eight categories (including climate change and co-operative development). They are likely to become some of the most important international prizes of their kind. In addition, the BBVA Foundation conducted an aid campaign for research on migration between Mexico and USA. It also arranged a meeting in Barcelona of leading scientists working on tumour stem cells. The foundation has published a number of studies including: *Las balanzas fiscales de las comunidades autónomas con la Administración Pública Central, 1991-2005* and *Actividad y territorio: Un siglo de cambios*. BBVA, the Codespa Foundation and MicroRate issued their second annual report on microcredit in Latin America. And the foundation held a series of conferences on the global challenges posed by poverty.

Climate change. BBVA has signed the Bali conference communiqué on climate change. And in Spain it joined the voluntary blackout to raise energy awareness and installed solar panels on its headquarters building in Madrid.

Recognition. BBVA won a Latin-American prize for corporate responsibility awarded by Foro Ecueménico Social and another prize for Ruta Quetzal as the best communication solution in the social responsibility area. The latter prize was organised by CSR Europe and Fonética. BBVA was the runner-up in a competition for the best sustainability report by a Spanish company in 2006, awarded by AECA and ICJCE, although it won this prize in 2004 and 2005.

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