

FINANCIAL REPORT



- **EARNINGS**
- **BALANCE SHEET AND BUSINESS ACTIVITY**
- **CAPITAL BASE**
- **THE BBVA SHARE**



● ECONOMIC ENVIRONMENT

The global economy has continued to grow in 2005. This positive trend was nearly interrupted on several occasions as a result of the increase in oil prices, which was steeper than expected. The perception of a narrow margin between offer and demand in this market, as well as specific factors, such as the hurricanes affecting the Gulf of Mexico or the periods of political instability in the Middle East, put a strain on the price throughout the year, which added uncertainty to the evolution of business activity in those economies relying heavily on oil imports. Nevertheless, in the end the global economy showed considerable resilience to the hike in oil prices, growing by more than 4%.

At the same time, although rising oil prices accelerated the growth rate of the energy component in price indices and led to more pessimistic short-term inflation forecasts, the underlying inflation component remained fairly stable and, in general, there was no deterioration in the medium and long-term outlook on inflation in oil-importing countries.

As economic expansion became consolidated and the risk of inflation grew, the US Federal Reserve gradually raised its official interest rates, from the minimum level they recorded in June 2004 to 4.25% at year-end 2005. On 1-Dec-05, the European Central Bank also

indicated that the upward cycle in interest rates was underway, setting its official rate at 2.25% after two and a half years with interest rates at 2%.

Despite this move towards the normalisation of extremely relaxed monetary conditions, it should be noted that long-term interest rates remained at very low levels. On average, the 10-year rate in 2005 was the same as the preceding year in the US, whereas in the EMU it was almost 70 basis points lower. Therefore, in spite of the rise in official interest rates in the US and marginally so in Europe, the climate of extremely high liquidity conditions prevailed in the global economy, with flatter interest rate curves.

Another significant feature of 2005 was the evolution of the dollar. Although forecasts pointed to depreciation in the US currency, in response to the country's high current account deficit, the interest rate differential favoured the currency, which strengthened after recording its lowest levels against the euro in March.

The economy's performance in 2005 also reflected the ever-increasing process of globalisation in business activity and capital flows. The growing involvement of large-scale economies with a significant share of the world's population – such as China – in market production systems, has led to a significant dynamism in trade flows between countries and an increase in the price of raw materials such as

INTEREST RATES

(Quarterly average)

	2005				2004			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Official ECB rate	2.08	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Euribor 3 months	2.34	2.13	2.12	2.14	2.16	2.12	2.08	2.06
Euribor 1 year	2.63	2.20	2.19	2.33	2.31	2.35	2.29	2.14
Spain 10 year bond	3.38	3.23	3.36	3.64	3.79	4.15	4.31	4.14
USA 10 year bond	4.48	4.20	4.15	4.29	4.16	4.29	4.58	3.99
USA Federal rates	3.97	3.43	2.92	2.45	1.95	1.43	1.00	1.00
TIIE (Mexico)	9.10	9.88	10.05	9.40	8.54	7.45	6.73	5.90

oil and metals. Furthermore, the interest shown by these countries in upholding their competitiveness led them to amass major reserve funds, which in China's case reached record levels.

When this macroeconomic context is combined with high global liquidity, it comes as no surprise to learn that capital flows recorded a new maximum, with greater movement in portfolio flows than in direct foreign investment. This trend in capital flows has meant that doubts over the financing of the US current account deficit have been largely dismissed, and it has provided support for certain emerging markets, such as Latin America, which had not recorded positive portfolio flows since 2000.

Latin America was undoubtedly one of the regions favoured by the prevailing climate, growing more than 4% in 2005. This was the third year in succession of significant growth, underpinned by the fact it extended to all the countries in the region. Increases in the price of raw materials also worked in favour of the region, which overall recorded a current account surplus for the first time during a period of expansion. This factor, together with high levels of international liquidity, have brought about a significant improvement in nominal exchange rates and a considerable reduction in risk premiums, which the region has exploited to cover a large part of its financing needs in 2006. There are a few exceptions to the appreciation in certain countries in which the movement of exchange rates has been restricted through the accumulation of reserves. The trend in exchange rates conditioned the performance of monetary policies in the different countries, despite the fact that many of them have adopted explicit inflation targets. In certain cases, exchange rate appreciation helped to delay interest rate rises in economies that recorded significant growth in domestic demand. In others, such as Mexico and Brazil, which raised their interest rates during the first half of the year, highly restrictive monetary conditions were forthcoming with a potential bearing on business activity, which led to a

reduction in interest rates in the final months of the year.

Thus, Mexican interest rates peaked in May and began to fall off towards the end of August. The peso gained ground throughout the whole year, strengthening from 11.2 pesos to the dollar at the beginning of the year to 10.7 in December, which kept inflation at record lows, standing at an annual average of 3.9%.

Within this global context, the European economy grew less than in 2004. However, the Spanish economy was up 3.4% (three-tenths of a percent more than in 2004) driven by strong domestic demand from consumers, the housing market and SMEs. Consumer demand and investment in housing rode on the back of a greater number of households and their increased spending power, as well as on soaring levels of financial and real estate wealth. In short, household spending was driven by higher employment, by over 3%, and by the "permanent" drop recorded in interest rates since entry into the EMU: negative in real terms since 2002 and with a moderate upturn expected in the foreseeable future.

The five-point contribution made by domestic demand was partially offset by the foreign sector's negative growth contribution of two percentage points. This stems from the concurrence of a demand differential with our main trading partners that is approaching its highest level ever and to the ongoing increases in relative prices in Spain, in addition to the effect of higher energy costs. In terms of the current account balance, the deficit amounts to approximately 8.0% of the GDP, a reflection of the increase in investment, installations and housing, whilst saving in the economy remains virtually unchanged.

Inflation in consumer prices in 2005 stood at 3.4%, 1.2 points higher than for the EMU as a whole and 0.1 points greater than the average differential for the period 2001-04. Nevertheless, as in all other countries, the acceleration in prices in 2005 focused on one of their more volatile components, energy, as the inflationary trend remained at the 2.6% recorded in 2004.

EXCHANGE RATES ⁽¹⁾

	Year-end exchange rates			Average exchange rates		
	31-12-05	Δ%	31-12-04	2005	Δ%	2004
Mexican peso	12.6357	20.2	15.1823	13.5575	3.5	14.0382
Argentine peso	3.5907	12.8	4.0488	3.6382	0.8	3.6664
Chilean peso	606.80	25.1	759.30	696.86	8.7	757.58
Colombian peso	2,695.42	18.9	3,205.13	2,890.17	12.7	3,257.33
Peruvian new sol	4.0434	10.7	4.4745	4.0976	3.5	4.2399
Venezuelan bolivar	2,531.65	3.1	2,610.97	2,617.80	(10.5)	2,341.92
US dollar	1.1797	15.5	1.3621	1.2441	-	1.2438

(1) Expressed in currency/euro.

Regarding those currencies with the greatest impact on the BBVA Group's financial statements, the accompanying table provides details of exchange rates at 31-Dec-05 and 31-Dec-04 (used to convert the balance sheets and business aggregates of BBVA Group affiliates in the Americas from the local currency into euros) and the average exchange rates for each of the last two years (used to convert the aggregates on income statements).

In contrast to prior years, the euro fell against the dollar and most Latin-American currencies in 2005, with a positive exchange rate effect on the Group's balance sheet at year-end 2005 and on year-on-year comparisons. Accordingly, the corresponding sections refer to the variations in constant exchange rate in those cases in which they are significant.

Regarding average exchange rates during the year, the overall impact is positive for the first time in many years, albeit only very moderately so. The Mexican peso appreciated 3.5% against the euro, the Colombian peso 12.7%, the Chilean peso 8.7% and the Peruvian sol 3.5%. The dollar rate remained at a similar level to 2004 and the Venezuelan bolivar fell 10.5%. In order to facilitate an analysis of the trend in the different line items on the income statement without the effect of exchange rate fluctuations, the corresponding chapters include columns with the year-on-year variation rates at a constant exchange rate, resulting from the application of average exchange rates in 2005 to the 2004 results.

● APPLICATION OF NEW ACCOUNTING STANDARDS

In pursuance of the regulations approved by the European Union, the BBVA Group's consolidated financial statements corresponding to 2005 have been drawn up in accordance with International Financial Reporting Standards adopted by the European Union and taking into account the Bank of Spain's Circular 4/2004, which has adapted the accounting system for Spanish credit institutions to the new standards.

The new standards involve significant changes in accounting policies, measurement bases and the way of presenting the financial statements with regard to those in force when drawing up the consolidated financial statements for 2004 (Bank of Spain's Circular 4/1991). Accordingly, the information relating to 2004 contained in this Annual Report, which is presented for comparative purposes, has been prepared with the same criteria as for 2005 and is, therefore, homogenous.

This report's chapter on Legal Documentation provides a detailed explanation of the basis of consolidation, accounting policies and measurement bases applied (Notes 1 and 2 to the consolidated financial statements, as well as the main impacts of the adjustment to the new standards and the reconciliation of the final balances for 2003 and 2004 under the previous standards and the beginning balances for 2004 and 2005 applying the new standards (Note 3 and Annexes VI, VII and VIII).

● Earnings



- Net interest income
- Ordinary revenues
- Operating profit
- Provisions and others
- Profit and its distribution



The BBVA Group recorded significant progress in terms of the main management indicators in 2005 which already showed significantly high levels in the international context. The sharp growth in business in all segments and geographical areas was compatible with additional improvements in quality and hedging, and resulted in record-high earnings in the history of BBVA. With the increments achieved in earnings in the year from shares, efficiency, return on equity and return on assets as well as in the quality of risks, BBVA was consolidated in the top positions among the large European finance groups.

The net attributable profit of the Group for 2005 came to €3,806 m, which is the highest figure to be reached by BBVA and is 30% up on the €2,923 m obtained in 2004.

Earnings per share stood at €1.12, up 29.5% on the €0.87 in 2004, and return on equity (ROE) reached 37%, against 33.2% in 2004.

Unlike the case in former years, the impact of the variation in average exchange rates of Latin American currencies on the Group's earnings was negligible. In fact, the net attributable profit grew by 29% at a constant exchange rate. Consequently, there shall be scarcely any reference to fluctuations at constant rates. However, the table provided includes an additional column on the same.

During the year, all sources of revenue, without exception, performed positively. This highlights the quality of the results and is the greatest factor contributing to profit growth. Increases in revenue outstripped cost increases and thus the Group once again improved in efficiency. Operating profit advanced significantly by 22% compared to 2004.

Besides the strength of recurrent revenue, the other feature contributing to the quality of 2005 results was the largely neutral effect of line items on the profit and loss account between operating profit and net profit. The differences between the two years offset each other. In the comparison with 2004, reductions in provisions and other adjustments were offset by lower capital gains on sale of holdings.

CONSOLIDATED INCOME STATEMENT

(Million euros)

	2005	Δ%	2004	Memorandum item: Δ% at constant exchange rate
Core net interest income	6,915	17.1	5,904	15.7
Dividends	292	14.6	255	14.5
NET INTEREST INCOME	7,208	17.0	6,160	15.7
Net income by the equity method	121	25.2	97	25.4
Net fee income	3,940	15.4	3,413	13.7
Income from insurance activities	487	24.7	391	22.4
CORE REVENUES	11,756	16.9	10,060	15.4
Net trading income	1,267	19.6	1,060	19.0
ORDINARY REVENUES	13,024	17.1	11,120	15.7
Net revenues from non-financial activities	126	(0.6)	126	(0.7)
Personnel costs	(3,602)	10.9	(3,247)	9.8
General expenses	(2,160)	16.7	(1,851)	15.2
Depreciation and amortization	(449)	0.1	(448)	(1.7)
Other operating income and expenses (net)	(115)	4.6	(110)	1.2
OPERATING PROFIT	6,823	22.0	5,591	20.7
Impairment losses on financial assets (net)	(854)	(10.8)	(958)	(12.4)
• Loan loss provisions	(813)	3.7	(784)	1.6
• Other	(41)	(76.3)	(174)	(76.3)
Provisions (net)	(454)	(46.6)	(851)	(46.8)
Other income/losses (net)	77	(78.3)	355	(78.2)
• From disposal of equity holdings	29	(90.7)	308	(90.8)
• Other	49	4.4	47	9.0
PRE-TAX PROFIT	5,592	35.2	4,137	33.8
Corporate income tax	(1,521)	47.9	(1,029)	45.5
NET PROFIT	4,071	31.0	3,108	29.9
Minority interests	(264)	42.3	(186)	44.7
NET ATTRIBUTABLE PROFIT	3,806	30.2	2,923	29.0

Another relevant feature of the Group's 2005 results was their steady climb. The year-on-year increases for all revenues and profit figures are progressively higher when expressed at either current or constant exchange rates. The rate of growth of operating profit accelerated, rising

from 14.3% in the first quarter, to 17.1% for the first half, to 19.5% for the first nine months and to the above figure of 22.0% for the full year. Net attributable profit was up 18.0% in March, 20.1% by June, 24.9% in September and 30.2% for the full year.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION

(Million euros)

	2005				2004			
	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
Core net interest income	1,890	1,785	1,701	1,539	1,516	1,485	1,463	1,440
Dividends	109	41	121	22	89	22	116	29
NET INTEREST INCOME	1,999	1,826	1,822	1,561	1,605	1,507	1,579	1,469
Net income by the equity method	43	28	28	23	27	26	22	22
Net fee income	1,065	1,022	954	899	872	861	848	833
Income from insurance activities	138	130	123	96	95	102	95	98
CORE REVENUES	3,245	3,006	2,926	2,579	2,599	2,495	2,544	2,422
Net trading income	372	255	341	299	289	228	302	240
ORDINARY REVENUES	3,617	3,261	3,267	2,878	2,888	2,723	2,847	2,662
Net revenues from non-financial activities	15	43	40	28	51	21	37	18
Personnel costs	(982)	(910)	(872)	(838)	(849)	(793)	(797)	(808)
General expenses	(599)	(551)	(532)	(479)	(501)	(447)	(451)	(452)
Depreciation and amortization	(125)	(117)	(105)	(102)	(110)	(114)	(111)	(113)
Other operating income and expenses (net)	(49)	(27)	(9)	(31)	(26)	(24)	(27)	(32)
OPERATING PROFIT	1,878	1,699	1,789	1,457	1,453	1,366	1,497	1,275
Impairment losses on financial assets (net)	(296)	(234)	(202)	(123)	(362)	(183)	(183)	(230)
• Loan loss provisions	(282)	(227)	(187)	(118)	(189)	(183)	(187)	(225)
• Other	(14)	(7)	(15)	(5)	(173)	-	4	(6)
Provisions (net)	(125)	(75)	(123)	(131)	(137)	(199)	(226)	(289)
Other income/losses (net)	5	15	57	(1)	32	20	18	284
• From disposal of equity holdings	10	3	13	4	25	21	22	240
• Other	(5)	13	45	(4)	6	-	(4)	44
PRE-TAX PROFIT	1,461	1,406	1,522	1,203	986	1,004	1,107	1,040
Corporate income tax	(315)	(418)	(451)	(337)	(204)	(277)	(237)	(310)
NET PROFIT	1,147	988	1,070	866	782	726	870	730
Minority interests	(68)	(73)	(72)	(50)	(44)	(52)	(51)	(39)
NET ATTRIBUTABLE PROFIT	1,079	914	998	815	739	674	819	691

Similarly, given that all the revenues of the income statement showed an increase above the 13.1% by which average total assets (ATA) rose, the ratio with respect to assets managed by the Group rose with respect to 2004 in all of

them. Thus, operating profit implied 1.87% of the ATAs (1.74% in the previous year) and ROA (net profit on ATAs) reached 1.12%, as against 0.97% in 2004.

CONSOLIDATED INCOME STATEMENT

(Expressed as a % of ATA)

	2005	2004
Core net interest income	1.90	1.83
Dividends	0.08	0.08
NET INTEREST INCOME	1.98	1.91
Net income by the equity method	0.03	0.03
Net fee income and insurance activities	1.22	1.18
CORE REVENUES	3.23	3.13
Net trading income	0.35	0.33
ORDINARY REVENUES	3.58	3.46
General administrative expenses	(1.58)	(1.58)
Depreciation, amortization and others	(0.12)	(0.13)
OPERATING PROFIT	1.87	1.74
Impairment losses on financial assets (net)	(0.23)	(0.30)
Provisions (net)	(0.12)	(0.26)
Other income/losses (net)	0.02	0.11
PRE-TAX PROFIT	1.54	1.29
Corporate income tax	(0.42)	(0.32)
NET PROFIT	1.12	0.97
Minority interests	(0.07)	(0.06)
NET ATTRIBUTABLE PROFIT	1.05	0.91
MEMORANDUM ITEM:		
Average total assets (million euros)	364,055	321,827

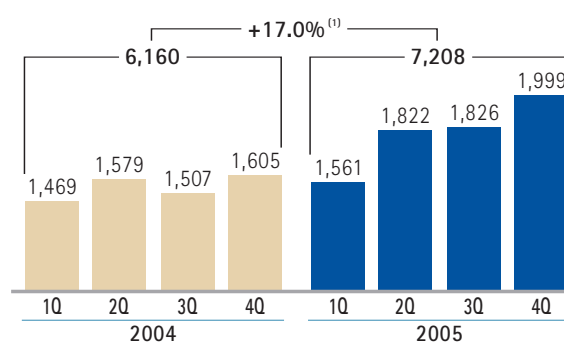
● NET INTEREST INCOME

Net interest income for the year came to €7,208m, up 17% from the €6,160m recorded in 2004. Excluding dividends, net interest income for the year grew 17.1% (6.9% in the first quarter, 11.6% for the first half and 14.5% for the first nine months) to €6,915m. Dividends accounted for €292m, an increase of 14.6%, with higher levels in the second and fourth quarters in both years.

In the domestic market, low interest rates led to a reduction in the customer spread (yield on loans less cost of deposits) over the first three quarters, during which, whereas the cost of deposits remained relatively stable at around 1.10%, yield on loans fell slightly. However, the

Net interest income

(Million euros)

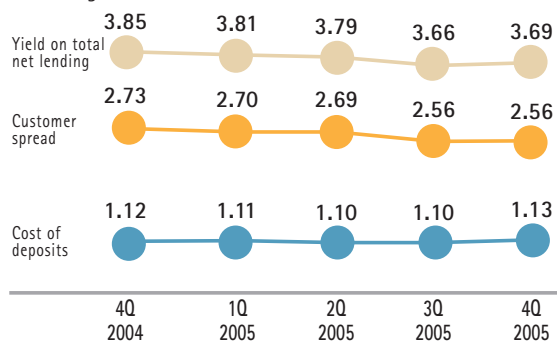


(1) At constant exchange rates: +15.7%.

customer spread in the fourth quarter was 2.56%, which was unchanged from the previous quarter. The higher average cost of

Customer spread (Domestic)

(Percentage)



deposits (due to a greater amount in time deposits) absorbed the higher yield on loans following a rebound in interest rates. In terms of the whole year, the decline in customer spreads fell from 2.81% for the whole of 2004 down to 2.63% in 2005.

In this context, the Retail Banking in Spain and Portugal business area and the units making up Wholesale Banking (Global Corporate Banking and Institutional Banking) offset the narrowing of profit margins with growth in lending and fund volume (17.6% and 4.5% for loans and deposits from other resident sectors respectively) and active price management, which resulted in increases in net interest income of 5.6% in Retail Banking and 4.6% in Wholesale Banking.

Spreads increased in the Americas. This was especially true of Mexico, where the difference between yield on loans and cost of deposits in pesos grew from 11.22% in the fourth quarter of 2004, and continued to grow by 11.87% in the last quarter of 2005. This was a consequence, on the one hand, of the climbing trends of interest rates during 2004 and the first half of 2005, which resulted in average rates being higher throughout 2005 than in the previous year (9.6% in the TIIE, as opposed to 7.2% in 2004), and, on the other, of price management, which meant customer spreads could continue to rise in the second half of 2005, despite the drop in interest rates after August. In consequence and with the significant growth in business, concentrated in the more profitable forms (consumer loans

and credit cards and cash and cash equivalents), BBVA Bancomer showed an increase in net interest income of 34.9% in pesos (+39.7% in euro). In the Group's other banks in the Americas, net interest income rose by 22.2%, and the whole of the area recorded a growth of 32.6% (29.4% at constant exchange rates).

● ORDINARY REVENUES

Net fee income in 2005 was €3,940m, up 15.4% on the €3,413 m of the previous year, while insurance business yielded another €487m, up 24.7% on the €391 m of 2004. Together, these two items came to €4,427m in 2005, a year-on-year increase of 16.4%, after tracing an upward curve throughout the year.

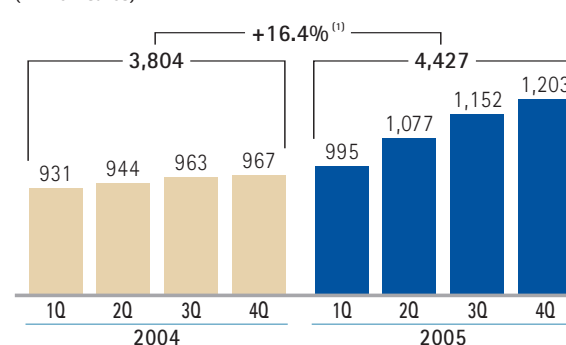
The three business areas showed favourable trends in this aspect, as a consequence of the higher levels of activity recorded in all of them. Thus, fee income and insurance rose to 10.2% in Retail Banking in Spain and Portugal, 19.2% in Wholesale and Investment Banking (with positive trends in both wholesale business and markets business) and 20.5% in the Americas, with Mexico's growth of 26.1% being of particular significance.

Net income by the equity method, mainly from Banca Nazionale del Lavoro (BNL) and Corporación IBV, came to €121m, an increase of 25.2% on the €97m obtained in 2004.

Core revenues, which are the aggregate of net interest income, net fee income and

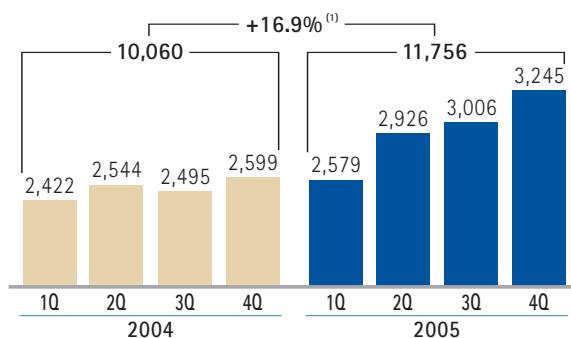
Fee income + Insurance

(Million euros)



(1) At constant exchange rates: +14.6%.

Core revenues
(Million euros)



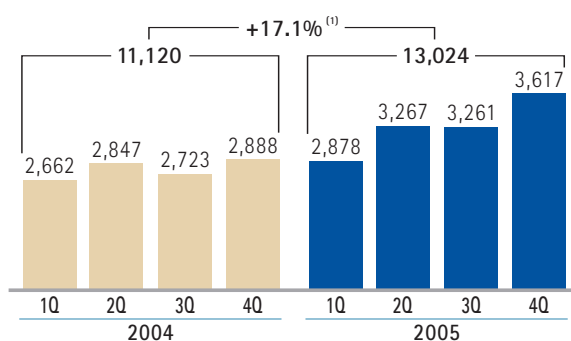
(1) At constant exchange rates: +15.4%.

insurance and net income by the equity method, came to €11,756m for the year. This is a year-on-year increase of 16.9%.

Net trading income in 2005 came to €1,267m, an increase of 19.6% on the previous year. The main contributions came from the Markets unit, the Americas (mainly Mexico and Argentina), Industrial and Financial holdings, and from the Retail and Wholesale and Investment banking areas following greater efforts in the distribution of cash management products.

Core revenues and net trading income make up the ordinary revenues, which come to €13,024m, a year-on-year increase of 17.1%, a rate that followed an upward curve throughout the year, just like the other revenues, from 8.1% in the first quarter, rising to 11.6% in the first half and finally reaching 14.3% in the first nine months of the year.

Ordinary revenues
(Million euros)



(1) At constant exchange rates: +15.7%.

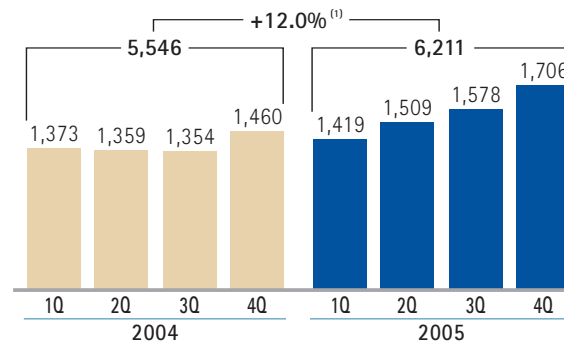
After adding €126m of net sales from non-financial activities, among which of particular relevance are those generated by the real estate business in the Wholesale and Investment Banking area, the Group's total revenues came to €13,149m, an increase of 16.9% on 2004.

OPERATING PROFIT

Compared to the increase in ordinary revenues, operating expenses advanced more moderately. Including depreciation, expenses came to €6,211m in 2005, which was 12.0% more than 2004 (personnel costs were up 10.9%, general expenses 16.7% and depreciation 0.1%), although this falls to 8.4% on a like-for-like basis (ie, excluding Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar). If the impact of exchange rates is taken into account, the figure would be 7.1%. Aggregate costs for domestic businesses increased 3.8% despite opening new offices and, in the Americas, they recorded an increase of 22.3%, being just 14.2% without the said additions and 11.1% on a like-for-like basis and at constant exchange rates. This was due to a significant increase in marketing activity in all countries.

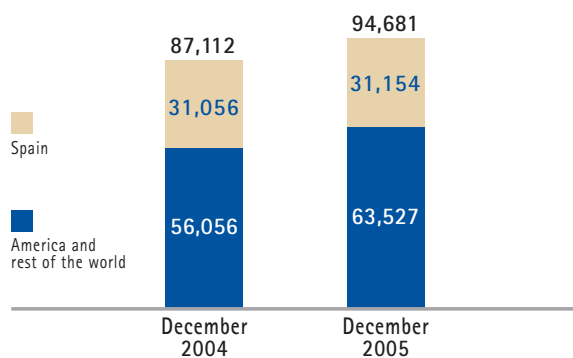
At the end of the year the Group's staff numbered 94,681, up 8.7% with 7,569 new employees. In Spain, the size of the workforce remained relatively stable, recording a net growth of 98 people with the hiring during the year of young graduates, partly linked to the plan for the opening of offices, to fewer

General administrative expenses + depreciation & amortization (Million euros)

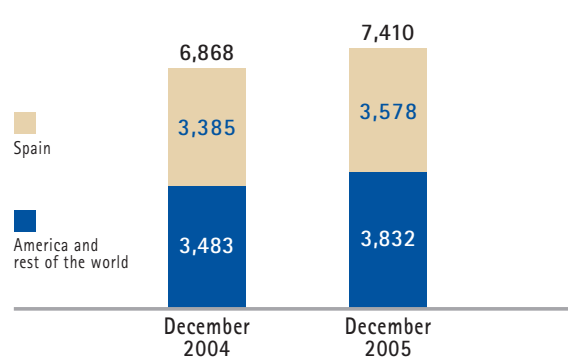


(1) At constant exchange rates: +10.7%.

Number of employees



Number of branches



discharges than in 2004, and fewer early retirements. The rise in staff numbers was therefore concentrated in the Americas and was mainly due to the new admissions to Grupo de Hipotecaria Nacional in Mexico, Laredo National Bancshares in the United States and Granahorrar in Colombia, which accounted for 5,489 new employees, as well as to greater marketing activity recorded in the region.

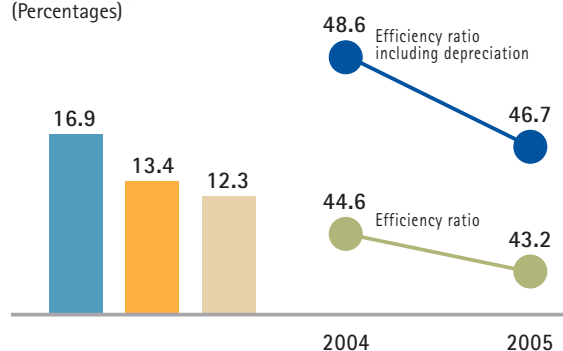
It must not be forgotten, however, that, with the application of International Financial Reporting Standards, companies formerly accounted for by the equity method, as well as other companies that were not included in the perimeter of consolidation due to their business activity, are now consolidated using the global integration method. This group of companies, whose income and running costs are listed, in accordance with current regulations, under their respective headings in the income statement, had a total of 2,974 employees as at 31-Dec-04 and 3,055 as at 31-Dec-05.

The Group's branch network likewise recorded an increase in size during the year, reaching a total of 7,410 outlets as at 31-Dec-05, as opposed to 6,868 offices at the close of 2004. 3,578 branches are in Spain, where there was a net increase of 193 over the entire year due to the expansion of Retail Banking and Dinero Express, 3,658 are in the Americas (355 more, which include the 308 offices of Hipotecaria Nacional, Laredo and Granahorrar added during the year) and 174 in the rest of the world.

As the 16.9% increase in operating revenues (ordinary revenues plus non-financial activities) exceeds the increase of 13.4% in administrative expenses net of recovered costs, the cost/income ratio improved to 43.2% (44.6% in 2004). Including depreciation (the usual procedure in international comparisons), the increase in costs is 12.3% and the cost/income ratio, 46.7%. This is an improvement of 1.9 percentage points over the 2004 ratio of 48.6%. With the efficiency ratio reached in the year, BBVA once again proves to be the most efficient of the large financial groups in the euro zone.

It should be noted that in 2005 all the Group's business areas improved their efficiency ratios. In effect, including depreciation, Retail Banking in Spain and Portugal showed a ratio of 43.3%, an improvement of 2.3 percentage points on the 45.6% of 2004, Wholesale and Investment Banking reached 29.7% (3.5 percentage points up on the 33.2% of the previous year) and the Americas recorded

Efficiency (Percentages)



Change in revenues 2005/2004 Change in operating costs 2005/2004 Change in general expenses and depreciation 2005/2004

EFFICIENCY

(Million euros)

	2005	Δ%	2004
Ordinary revenues	13,024	17.1	11,120
Net revenues from non-financial activities	126	(0.6)	126
TOTAL REVENUES	13,149	16.9	11,247
Personnel costs	(3,602)	10.9	(3,247)
General expenses	(2,160)	16.7	(1,851)
Recovered expenses	76	(9.7)	84
GENERAL ADMINISTRATIVE EXPENSES (NET)	(5,687)	13.4	(5,014)
EFFICIENCY RATIO (Costs/revenues, %)	43.2		44.6
Depreciation and amortization	(449)	0.1	(448)
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION	(6,135)	12.3	(5,462)
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	46.7		48.6

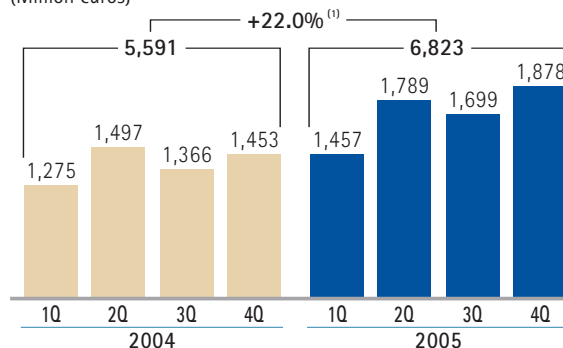
46.4%, improving 2.3 percentage points with respect to the 48.7% of 2004 (40.6% in Mexico, showing an advance of 3.7 percentage points).

After deducting expenses (including depreciation) and the net cost of other products and charges from ordinary revenues, in 2005 operating profit came to €6,823m and this was a year-on-year increase of 22.0% compared to €5,591m recorded in 2004. Operating profit showed a clear upward trend throughout the year, as a year-on-year increase of 14.3% was recorded in the first quarter, the year-on-year growth in the second slack quarter was 19.5%, for the third quarter it was 24.4% and for the fourth, 29.3%.

All three business areas recorded notable increases: 13.1% in Retail Banking in Spain and Portugal, 33.9% in Wholesale and Investment Banking, and 35.4% in the Americas (46.2% in Mexican banking).

After eliminating the impact of exchange rates, not so significant as in former years, operating profit for the Group climbed 20.7% (31.9% in the Americas). On a like-for-like basis (ie, excluding contributions from Laredo National Bancshares, Hipotecaria Nacional, BBVA Bancomer USA and Granahorrar) the increases would be 20.7% for the combined

Operating profit



(1) At constant exchange rates: +20.7%.

Group and 32.3% for the Americas (19.3% and 28.8%, respectively, at constant exchange rates). In all cases growth was substantial, reflecting the considerable strength of BBVA's recurrent earnings.

● PROVISIONS AND OTHERS

€813m was set aside for loan provisioning for the whole year, 3.7% more than in 2004. In the domestic market, total provisions fell and they now mainly consist of generic provisions, given the low level of non-performing loans. Generic provisions continue at the maximum level that was reached at the end of 2004. The increase in

the Americas was 15.7% (9.8% at constant exchange rates). It rose steadily during the year, commensurate with the high rate of growth in lending. Furthermore, other provisions for asset impairment declined significantly compared to 2004 (when the entire goodwill of €193m associated with BNL was written off in the fourth quarter).

Transfers to provisions for the full year were €454m. This was 46.6% less than in 2004, due basically to lower early retirement costs (€286 m in 2005 as opposed to €572 m in 2004).

Finally, the net result of other gains and losses contributed €77m, compared to €355m in 2004. The decrease arises mainly in the sale of holdings. In 2005, which saw no significant disposals, this item contributed €29m against the €308m obtained in 2004. The latter figure was generated by capital gains on the sale of BBVA's interest in Banco Atlántico (€218m), Direct Seguros (€26m), Grubarges (€19m), Vidrala (€20m), the Crecer pension manager and insurance companies in El Salvador (€14m).

● PROFIT AND ITS DISTRIBUTION

After deducting provisions and similar items from operating profit, pre-tax profit in 2005 came to €5,592m with a year-on-year increase of 35.2% on the €4,137m obtained in 2004. After deducting €1,521m for corporate tax, net profit was €4,071m, an increase of 31.0%. Of

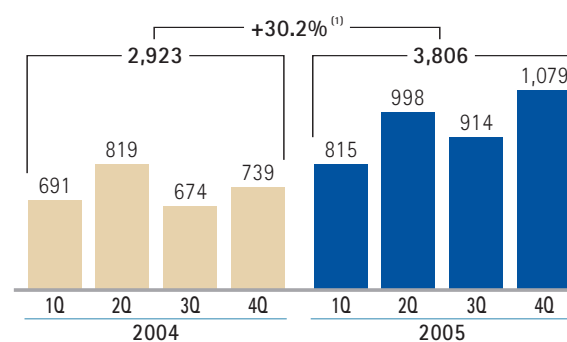
this amount, €264m corresponds to minority interests (€186m in 2004).

Thus, the net attributable profit for the Group came to €3,806m, an increase of 30.2% on the €2,923m obtained in 2004. This figure is the highest ever obtained by BBVA and is the result of growing trends throughout the year. Indeed, profit in the first quarter showed a year-on-year increase of 18%, that of the second quarter recorded was 21.8%, that of the third quarter, 35.7% and that of the fourth quarter amounted €1,079m. Moreover, this last quarter was up 46% on that of 2004, and recorded the highest figure in the history of BBVA, topping the €1 billion mark for the first time.

Just as can be appreciated in the operating profit, the three business areas made a significant contribution to the Group's net attributable profit and to its growth in the year. Retail Banking in Spain and Portugal

Net attributable profit

(Million euros)



(1) At constant exchange rates: +29.0%.

NET ATTRIBUTABLE PROFIT

(Million euros)

	2005	Δ%	2004
PRE-TAX PROFIT	5,592	35.2	4,137
Corporate income tax	(1,521)	47.9	(1,029)
NET PROFIT	4,071	31.0	3,108
Minority interests	(264)	42.3	(186)
NET ATTRIBUTABLE PROFIT	3,806	30.2	2,923
Dividends	1,801	20.1	1,499
Reserves	2,006	40.9	1,424

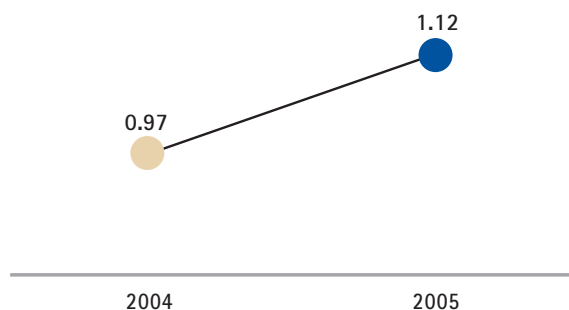
contributed €1,614m, showing a 13.1% year-on-end increase. Wholesale and Investment Banking contributed €592m (up 46.4%) and the Americas, €1,820m (up 52.3%), of which €1,191m corresponded to the banking business in Mexico (up 63.1%) and €629m to the rest of the region (up 35.4%). The increase in profit in the Americas was 48.7% (57.5% in Mexico and 34.5% in the rest of the region) at constant exchange rates. When also taking into account the impact of new additions to the Group, that is, on a like-for-like basis and at constant exchange rates, the increase was of 42%. Last of all, the Corporate Activities area recorded a loss of €219 m, as opposed to the €102m of 2004.

Earnings per share for 2005 came to €1.12, the highest figure ever obtained by BBVA and implying a rise of 29.5% on the €0.87 per share of 2004. This rise is slightly lower than that recorded by net attributable profit, as the share average for 2004 was affected by the share capital increase worth €1,999m carried out in February of the same year in order to finance the Bancomer takeover bid.

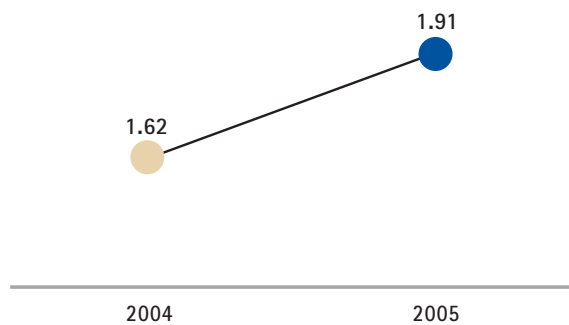
Return on equity (ROE) for the year rose to 37.0% compared to 33.2% in 2004, placing BBVA at the head of European financial groups in this profitability index. The return on total assets (ROA) also improved to 1.12% (0.97% in 2004) and the return on risk-weighted average assets (RORWA) was 1.91% (1.62% in 2004).

The dividend to be paid against the 2005 profit that the board of directors proposes for its approval by the General Shareholders

ROA
(Percentage)

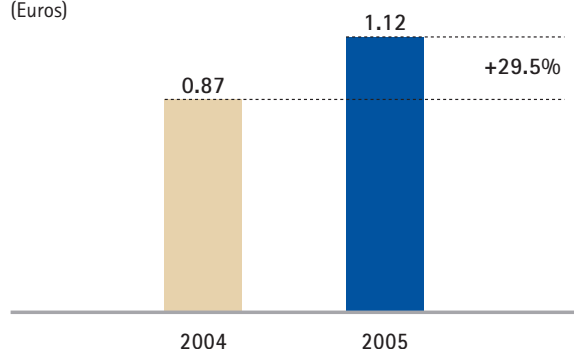


RORWA
(Percentage)

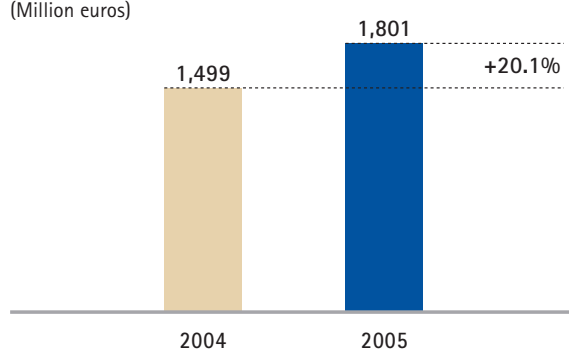


Meeting amounts to €0.531 per share, implying an increase of 20.1% on the €0.442 paid against the 2004 profit. This dividend per share figure means that the total amount to be distributed to the shareholders is €1,800.5m (a 20.1% increase on the 2004 figure of €1,499m). The pay-out ratio thus stands at 47.3%, while the remaining €2,006m in net attributable profit will be earmarked for reserves.

Earnings per share
(Euros)



Total dividends
(Million euros)



● Balance sheet and business activity



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



Throughout 2005, the BBVA Group has confirmed the acceleration in business volume and growth observed the prior year in both Spain and the Americas. Coupled with an exchange rate effect that has been positive for the first time in recent years, this has meant significant year-on-year growth in the main business indicators: 25.9% in customer lending and 22.4% in customer funds, rates that have likewise recorded growth from one quarter to the next.

Lending in Spain has been extremely vigorous throughout the year, driven by mortgages and the SME and retailer segments, whilst growth in customer funds has been based largely on mutual and pension funds.

High growth rates in lending have also been recorded in all the other countries in which the Group is active, even when allowance is made for exchange rates and the enlargement of the perimeter; whereas the most active sources of customer funds have been current and savings accounts and mutual and pension funds.

As in previous years, another significant feature has been the improvement in asset quality, in both Spain and the Americas. This, together with an increase in investment, has meant an evolution in non-performing loans that has led to a further reduction in the NPL ratio, with a corresponding increase in the NPL coverage level.

As mentioned earlier, after several years in which the depreciation of currencies in the Americas against the euro had a negative bearing on the statement in euros of the main business aggregates for Latin American subsidiaries (especially so in 2002 and 2003, albeit more moderately in 2004), in 2005 it was the euro that depreciated against the main currencies in the Americas: 20.2% against the Mexican peso, 25.1% against the Chilean peso, 18.9% against the Colombian peso, 15.5% against the US dollar, 12.8% against the Argentinean peso and 10.7% against the Peruvian sol. Accordingly, the observations made forthwith refer to variations at a constant exchange rate in those cases in which it is significant.

CONSOLIDATED BALANCE SHEET

(Million euros)

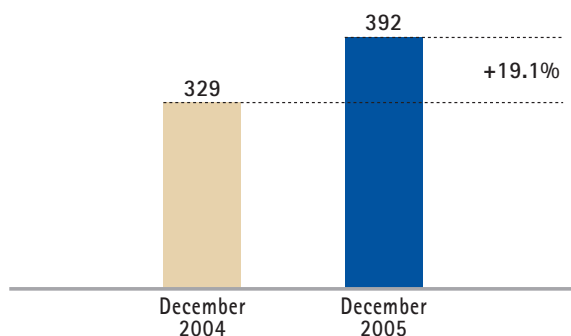
	31-12-05	Δ%	31-12-04
Cash and balances at Central Banks	12,341	21.9	10,123
Financial assets held for trading	44,012	(6.4)	47,036
Other financial assets at fair value	1,421	34.1	1,059
Financial assets available for sale	60,034	13.3	53,004
Loans and receivables	249,397	26.7	196,892
• Due from banks	27,470	64.5	16,703
• Loans to customers	216,850	26.0	172,083
• Other	5,076	(37.4)	8,106
Held to maturity investments	3,959	78.2	2,222
Investments in associates	1,473	5.3	1,399
Property, plant and equipment	4,383	11.3	3,940
Intangible assets	2,070	152.1	821
Other assets	13,299	2.7	12,945
TOTAL ASSETS	392,389	19.1	329,441
Financial liabilities held for trading	16,271	15.1	14,134
Other financial liabilities at fair value	740	(11.3)	834
Financial liabilities at amortised cost	329,505	19.6	275,584
• Deposits by Central Banks and banks	66,315	3.1	64,349
• Due to customers	182,635	21.8	149,892
• Marketable debt securities	62,842	38.2	45,482
• Subordinated debt	13,723	11.3	12,327
• Other	3,990	12.9	3,533
Liabilities under insurance contracts	10,501	29.4	8,114
Other liabilities	18,071	6.5	16,969
TOTAL LIABILITIES	375,087	18.8	315,636
Minority interests	971	31.7	738
Valuation adjustments	3,295	56.4	2,107
Shareholders' funds	13,036	18.9	10,961
EQUITY	17,302	25.3	13,805
TOTAL LIABILITIES AND EQUITY	392,389	19.1	329,441
MEMORANDUM ITEM:			
Contingent liabilities	29,862	38.5	21,558

The BBVA Group's assets at year-end 2005 stood at €392 billion, 19.1% up on the €329 billion at year-end 2004.

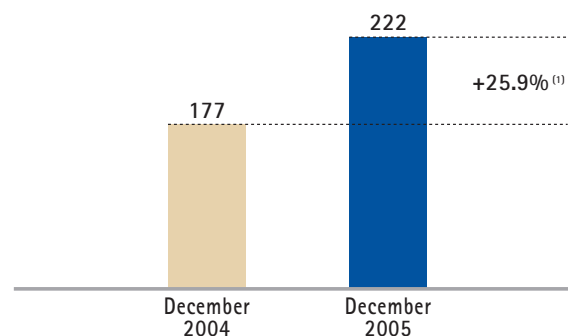
Business volume, calculated as the sum of gross lending and total customer funds, approached €626 billion at year-end 2005, 23.6% up on the €506 billion recorded at

year-end 2004. The depreciation of the euro against currencies in the Americas meant that, at constant exchange rates, the increase amounted to 18.5%. Within this aggregate, customer lending increased 25.9% (22.5% at constant exchange rates) and total customer funds, including on-balance-sheet customer

Total assets (Billion euros)

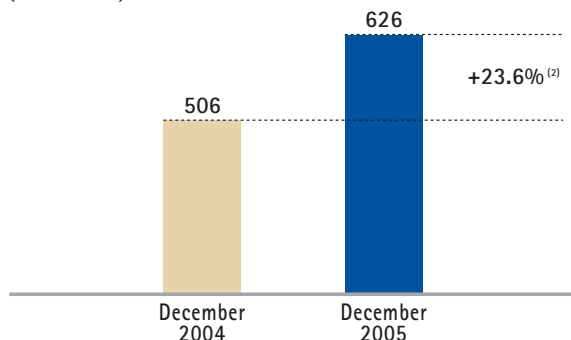


Total lending (gross) (Billion euros)



(1) At constant exchange rates: +22.5%.

Business volume⁽¹⁾ (Billion euros)



(1) Total gross lending plus total customer funds.
(2) At constant exchange rates: +18.5%.

funds, mutual and pension funds and customer portfolios, rose 22.4% (16.4% at constant rates).

● LENDING TO CUSTOMERS

At year-end 2005, total lending amounted to €222 billion, recording a 25.9% increase over the €177 billion at year-end 2004. The pace of year-on-year growth accelerated throughout the year: by the end of March lending had risen by 18.8%, the figure stood at 22.7% by the end of June and at 23.7% by the end of September, finally recording the aforementioned figure of 25.9% in December. The same trend has been recorded at constant rates: 19.6% in March, 21.5% in June, 22.2% in September and 22.5% at year-end 2005.

Given that lending to customers has grown more sharply than the total balance sheet, its weight on the same has risen to 55.3% at year-end 2005, as opposed to 52.2% at year-end 2004.

In accordance with new accounting standards, this line item on the balance sheet has again recorded the balances of the two securitisation operations undertaken in the fourth quarter of 2004, and removal has not been made of the balances securitised in 2005. The outstanding balance of these operations at year-end 2005 was €5,468m, being included in all the figures mentioned in this section. The only items that remain off the balance sheet, and are not included in the accompanying tables, are securitisations prior to 2004, whose balance at year-end 2005 was €1,587m.

Total lending of €222 billion at year-end 2005 was distributed as follows: €16 billion corresponded to the resident public sector, a segment in which the Group is the market leader in Spain, with a 4.3% increase over year-end 2004; €139 billion to other resident sectors, with year-on-year growth of 17.6%; €65 billion to non-residents with an increase of 59.4% in euros and 43.0% at constant rates; and the remaining €2 billion to non-performing loans, with a 6.6% increase that becomes a 1.5% drop at constant exchange rate.

The strengthening of currencies in the Americas, the new acquisitions made (Hipotecaria Nacional in Mexico, Laredo National Bancshares in the United States and Granahorrar in Colombia), the sharp growth in lending in Mexico and other Latin American countries, within the framework of a more favourable economic climate in the region, and the major growth in the international corporate banking business, have meant that non-resident

TOTAL LENDING

(Million euros)

	31-12-05	Δ%	31-12-04
Public sector	16,088	4.3	15,425
Other domestic sectors	139,232	17.6	118,421
• Secured loans	79,128	22.5	64,617
• Commercial loans	12,671	37.3	9,231
• Other term loans	38,273	6.2	36,036
• Credit card debtors	1,237	16.0	1,067
• Other	1,694	(25.8)	2,284
• Financial leases	6,229	20.1	5,186
Non-domestic sector	64,747	59.4	40,625
• Secured loans	21,824	77.8	12,272
• Other loans	42,923	51.4	28,353
Nonperforming loans	2,346	6.6	2,202
• Public sector	121	13.5	107
• Other domestic sectors	795	(9.7)	880
• Non-domestic sectors	1,430	17.7	1,215
TOTAL LENDING (GROSS)	222,413	25.9	176,673
Loan loss provisions	(5,563)	21.2	(4,590)
TOTAL NET LENDING	216,850	26.0	172,083

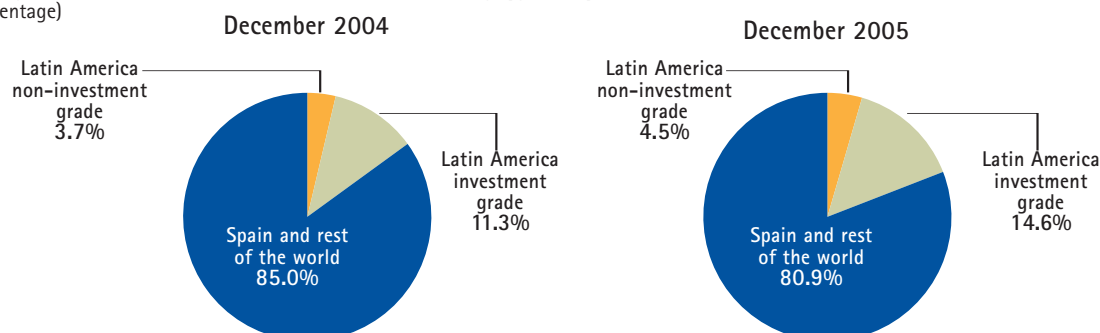
loans, which had been losing ground in the Group's overall total in recent years, increased their share. At year-end 2005, they accounted for 29.8% of total lending (against 23.7% at year-end 2004). Resident loans (public sector and other sectors) accounted for the remaining 70.2% (76.3% at year-end 2004).

At year-end 2005, lending in Latin American countries amounted to 19.1% of the Group's total, as opposed to the 15.0% recorded at

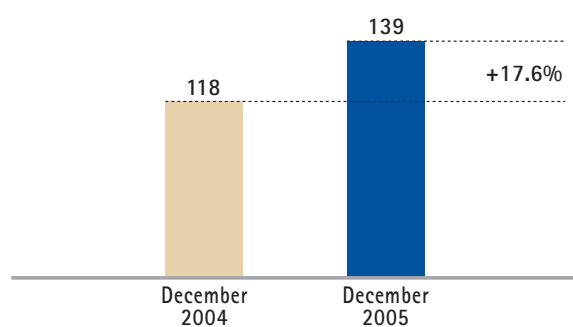
year-end 2004. Given that the greater share corresponded to Mexico, Chile and Puerto Rico – investment grade countries – accounting for 14.6% of the total (11.3% at year-end 2004), only 4.5% of the Group's lending was located in countries with a below investment grade rating at year-end 2005 (3.7% at year-end 2004). Lending in Spain and the rest of the world accounted for 80.9% of the total at year-end 2005 (85% one year earlier).

Geographical breakdown of total lending (gross)

(Percentage)



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

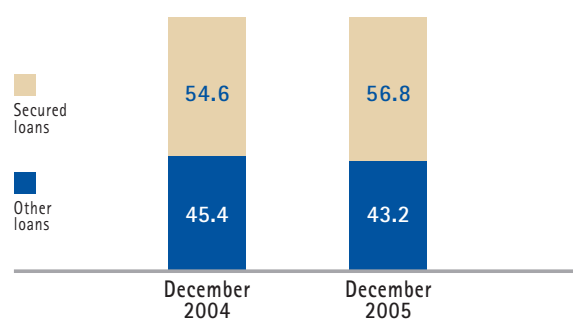


Lending to other resident sectors, which have maintained steady growth throughout the year, recorded a balance at year-end 2005 of €139 billion, 17.6% up on the €118 billion at year-end 2004.

As in prior years, the main source of growth has been secured loans, amounting to €79 billion, an annual increase of 22.5%, in turn supported by open-market home buyers, rising at levels close to 23%. The figure for Vivienda de Protección Oficial (subsidised housing programmes) remained virtually unchanged. This trend means that secured loans increased their share of total lending in detriment to other resident sectors, accounting for 56.8%, as opposed to the 54.6% recorded at year-end 2004.

There has also been a significant trend in retail credit (up 37.3%) and leasing (up 20.1% in 2005, thereby recording four years in a row of above 20% growth). This reflects the high level of lending to SMEs and small businesses by the retail banking area (up by more than

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



22%), which has become the other driving force, together with mortgage loans, behind the growth in resident lending. Regarding all other types of lending, other term loans were up 6.2% and credit card loans increased 16.0%.

Non-resident loans surged to €65 billion at year-end, 59.4% up on the €41 billion recorded at year-end 2004. Even without the exchange rate effect, the increase is 43.0%. On a like-for-like basis, ie, deducting the €6 billion contributed by Hipotecaria Nacional, Laredo National Bancshares and Granahorrar, which joined the Group in 2005, the increases are 43.9% at current exchange rates and 29.1% at constant rates. There has been an upward trajectory throughout the year, as by the end of March the increases were 18.8% in euros and 22.3% at constant rates.

These developments are the result of the good performances by international corporate banking, up 65.7%, and the significant growth in the majority of the subsidiary banks in Latin America, within a favourable economic environment. Lending in Mexico rose 50.2% in pesos (21.8% without Hipotecaria Nacional), driven by consumer finance, credit cards, housing loans and lending to SMEs. Highlights elsewhere in Latin America were the increases, in local currency, of 64.1% in Venezuela, 33.2% in Peru, 21.8% in Colombia (without Granahorrar), 19.2% in Chile and 18.5% in Puerto Rico.

The major growth recorded in lending in 2005 had no negative bearing on asset quality, which has meant further improvements in NPL and coverage rates, both in the Group as a whole and in all its business areas, consolidating the BBVA Group's leadership amongst major European banks in these two indices.

The figure for NPL at year-end 2005 stood at €2,346m, up 6.6% on the €2,202m recorded at year-end 2004, although at a constant exchange rate it fell by 1.5%. Including contingent liabilities, total NPL amounted to €2,382m, up 6.0% on the €2,248m recorded at year-end 2004. Nonetheless, if account is taken of the incorporation impacts of Hipotecaria Nacional,

VARIATIONS IN NON-PERFORMING ASSETS

(Million euros)

	4Q 05	3Q 05	2Q 05	1Q 05	4Q 04
BEGINNING BALANCE⁽¹⁾	2,299	2,264	2,219	2,248	2,436
Net variation	83	35	45	(29)	(188)
• Entries	622	520	406	395	481
• Outflows	(455)	(357)	(340)	(379)	(394)
• Write-offs	(228)	(155)	(133)	(151)	(181)
• Exchange rate differences and other	144	27	112	106	(94)
PERIOD-END BALANCE⁽¹⁾	2,382	2,299	2,264	2,219	2,248
MEMORANDUM ITEM:					
• Non-performing loans	2,346	2,256	2,215	2,179	2,202
• Non-performing contingent liabilities	36	43	49	40	46

(1) Including contingent liabilities.

Laredo National Bancshares and Granahorrar and the appreciation of currencies in the Americas against the euro, the net variation in NPL on a like-for-like basis and at constant exchange rate recorded a significant decrease. By business areas, NPL decreased in Retail Banking in Spain and Portugal, in Wholesale and Investment Banking and in the Americas (on a like-for-like basis and at constant exchange rate).

This trend in NPL, combined with a 27.3% year-on-year growth in total risk exposure

(including contingent liabilities), up to €252 billion, means that the Group's doubtful loans ratio, defined as doubtful loans (+ doubtful contingent liabilities) to total gross loans exposure, fell to 0.94% at year-end 2005, as opposed to the 1.13% recorded at year-end 2004, after a downward evolution from one quarter to the next. This, in turn, was a follow-on from prior years. The NPL ratio, defined as doubtful loans to total gross loans, has fallen to 1.05%, as opposed to 1.25% at year-end 2004, and in Spain there has also been

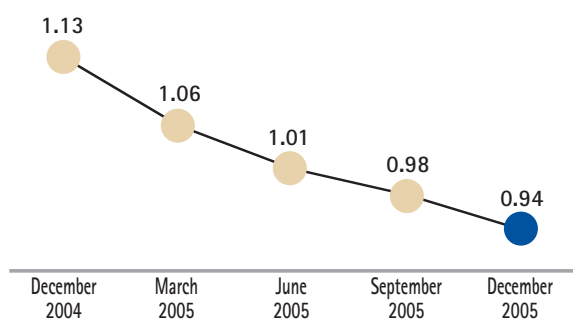
CREDIT RISK MANAGEMENT

(Million euros)

	31-12-05	Δ%	31-12-04
TOTAL RISK EXPOSURE⁽¹⁾			
Non-performing assets	2,382	6.0	2,248
Total risks	252,274	27.3	198,230
Provisions	6,015	21.8	4,939
NPL ratio (%)	0.94		1.13
NPL coverage ratio (%)	252.5		219.7
MEMORANDUM ITEM:			
Foreclosed assets	363	12.2	324
Foreclosed asset provisions	170	(2.0)	173
Coverage (%)	46.8		53.6

(1) Including contingent liabilities.

Non-performing loan ratio (Percentage)

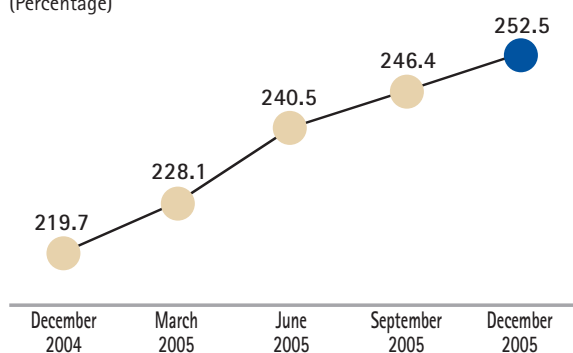


a reduction of 0.57% in lending to other resident sectors at year-end 2004, as opposed to 0.74% at year-end 2004.

All business areas, by combining growth in lending with a reduction in NPL (except for the increase in the Americas for the aforementioned reasons), record drops in the NPL ratio, which at year-end 2005 stood at 0.62% in Retail Banking in Spain and Portugal (0.82% the previous year), 0.18% in Wholesale and Investment Banking (0.30% at year-end 2004) and 2.67% in the Americas (3.44% at year-end 2004). This was due to a 2.34% drop in Mexico and 3.26% in the remainder of banks in the region (2.94% and 4.43%, respectively, the prior year).

Loan loss provision amounted to €6,015m at year-end 2005, recording a year-on-year increase of 21.8%. This was far higher than the growth in NPL, whereby the NPL coverage ratio stood at 252.5%, as opposed to 219.7% at year-end 2004. Maximum generic coverage (1.25 alfa), reached at year-end 2004, was

Coverage ratio (Percentage)



maintained through to the end of 2005. All business areas recorded increases in the NPL coverage rate, to 315.7% in Retail Banking in Spain and Portugal (249.1% at year-end 2004), 728.7% in Wholesale and Investment Banking (480.2%) and 183.8% in the Americas (173.5% the previous year).

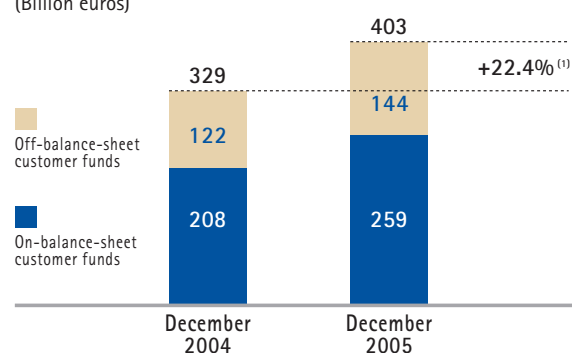
CUSTOMER FUNDS

Total customer funds managed by the Group, including funds both on and off the balance sheet (mutual funds, pension funds and customer portfolios), amounted to €403 billion at year-end 2005, 22.4% up on the €329 billion at year-end 2004. Following a similar pattern to lending, year-on-year growth grew from one quarter to the next (8.2% at 31-Mar-05, 18.6% at 30-Jun-05 and 19.4% at 30-Sep-05). At a constant exchange rate, the annual increase stood at 16.4%, whereas by the end of March the increase was 9.6%.

On-balance-sheet funds amounted to €259 billion, 24.8% up on the €208m at year-end 2004 (19.8% at constant exchange rates), and off-balance-sheet funds accounted for the remaining €144 billion, an increase of 18.4% over the €122 billion at year-end 2004 (10.7% at constant exchange rates).

Amongst on-balance-sheet funds, customer deposits accounted for €183 billion, recording a year-on-year increase of 21.8%. Within this aggregate, public sector debits approached €10 billion, doubling the figure for year-end 2004. Without considering the amounts assigned in Treasury liquidity auctions, the increase in this

Customer funds (Billion euros)



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

CUSTOMER FUNDS

(Million euros)

	31-12-05	Δ%	31-12-04
ON-BALANCE-SHEET CUSTOMER FUNDS	259,200	24.8	207,701
DEPOSITS	182,635	21.8	149,892
Public sector	9,753	100.6	4,861
Other domestic sectors	79,755	6.5	74,858
• Current accounts	20,645	(3.0)	21,293
• Savings accounts	20,629	13.1	18,236
• Time deposits	20,435	4.6	19,538
• Assets sold under repurchase agreement	12,029	(3.8)	12,503
• Other	6,017	83.0	3,288
Non-domestic sector	93,127	32.7	70,173
• Current and savings accounts	35,118	36.1	25,812
• Time deposits	47,814	19.7	39,942
• Assets sold under repurchase agreement and other accounts	10,195	130.7	4,419
MARKETABLE DEBT SECURITIES	62,842	38.2	45,482
Mortgage bonds	26,927	41.4	19,037
Other marketable securities	35,915	35.8	26,445
SUBORDINATED DEBT	13,723	11.3	12,327
OTHER CUSTOMER FUNDS	143,887	18.4	121,553
Mutual funds	59,002	15.5	51,083
Pension funds	53,959	30.1	41,490
Customer portfolios	30,926	6.7	28,980
TOTAL CUSTOMER FUNDS	403,087	22.4	329,254

line was limited to 65.7%. Debits to other resident sectors amounted to €80 billion (up 6.5%), of which €62 billion corresponded to deposits (up 4.5%), €12 billion to assets sold under repurchase agreements (down 3.8%) and €6 billion to counterparty deposits for asset securitisations and valuation adjustments. Debits to non-residents accounted for the remaining €93 billion (up 32.7%).

Marketable debt securities amounted to €63 billion, up 38.2% on the €45 billion at year-end 2004. Of this amount, €27 billion corresponded to mortgage bonds, which increased 41.4% through the mortgage-covered bonds issued during the year, and €36 billion to all other marketable securities (up 35.8%). Finally, subordinated debt (a line item that

includes subordinated debt itself and preferred shares) was close to €14 billion, with a year-on-year increase of 11.3%.

Off-balance-sheet funds (mutual funds, pension funds and customer portfolios) amounted to €144 billion, with a year-on-year increase of 18.4% (10.7% at a constant exchange rate). Of this amount, €76 billion corresponded to Spain (up 9.8% on the €69 billion at year-end 2004), with €46 billion in mutual funds (up 9.8%), €15 billion in pension funds (up 11.8%) and the remaining €14 billion in customer portfolios (up 8.1%). The funds gathered in other countries amounted to €68 billion, following a 29.6% increase at current exchange rates (11.8% at constant rates), broken down as follows: €39 billion in

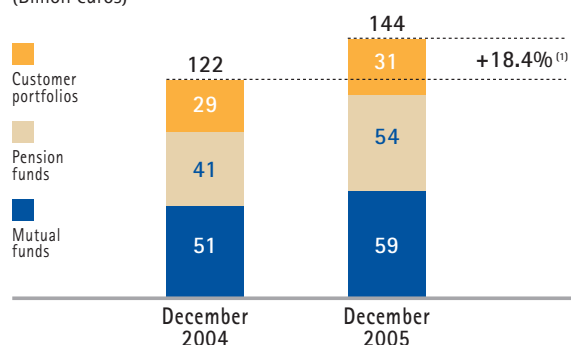
OTHER CUSTOMER FUNDS

(Million euros)

	31-12-05	Δ%	31-12-04
SPAIN	75,799	9.8	69,006
MUTUAL FUNDS	46,340	9.8	42,212
Mutual Funds (ex Real Estate)	44,507	8.4	41,070
• Money market	13,871	15.4	12,019
• Fixed-income	14,138	4.0	13,592
Of which: Guaranteed	7,765	(2.5)	7,963
• Balanced	2,064	(15.6)	2,444
• Equity	13,586	7.8	12,606
Of which: Guaranteed	9,960	3.7	9,606
• Global	848	107.5	409
Real Estate investment trusts	1,833	60.5	1,142
PENSION FUNDS	15,091	11.8	13,501
Individual pension plans	8,395	14.7	7,320
Corporate pension funds	6,696	8.3	6,181
CUSTOMER PORTFOLIOS	14,368	8.1	13,293
REST OF THE WORLD	68,088	29.6	52,547
Mutual funds	12,662	42.7	8,871
Pension funds	38,868	38.9	27,989
Customer portfolios	16,558	5.6	15,687
OTHER CUSTOMER FUNDS	143,887	18.4	121,553

Other customer funds

(Billion euros)



(1) At constant exchange rates: +10.7%.

pension funds (up 38.9%), €16.6 billion in customer portfolios (up 5.6%) and €12.7 billion in mutual funds (up 42.7%).

There follows an analysis of the trend in the funds managed in the main markets in which

the Group is active. In the Spanish market, the aggregate consisting of the deposits from other resident sectors (excluding assets sold under repurchase agreements and other similar accounts) plus mutual and pension funds amounted to €123 billion at year-end 2005, with a year-on-year increase of 7.3%, driven mainly by mutual and pension funds.

Deposits grew 4.5% in the year, amounting to almost €62 billion. Current and savings accounts grew 4.4%, to €41.3 billion (€20.6 billion in current accounts and a similar figure in savings accounts), while time deposits grew 4.6%, amounting to €20.4 at year-end 2005.

When mutual and pension funds gathered in Spain are added to this figure for time deposits, stable funds amount to almost €82 billion, up 8.8% on year-end 2004.

Mutual funds grew 9.8% to €46.3 billion, of which €44.5 billion are financial (up 8.4%) and €1.8 billion belong to *BBVA Propiedad* real estate funds (up 60.5%). BBVA was the fund manager with the highest net subscriptions to funds in 2005, with highlights being the launch of *Carteras Gestionadas*, attracting over 24,000 customers, with assets of €1.4 billion in mutual funds.

Finally, in pension funds, a business in which BBVA upheld its leadership in Spain with a market share of 18.9% at year-end 2005, the total sum of assets managed amounted to €15 billion, with a year-on-year increase of 11.8%. Private plans accounted for €8.4 billion, growing by 14.7% thanks to the widespread popularity of the *BBVA Protección* pension plans launched in 2004. Corporate pension funds accounted for the remaining €6.7 billion, with a year-on-year increase of 8.3%.

In the non-resident sector, the sum of deposits (excluding assets sold under repurchase agreements and similar accounts) plus mutual and pension funds amounted to €134 billion, with year-on-year increases of 31.0% at current exchange rates and 14.7% at constant rates. On a like-for-like basis (excluding the funds contributed by Laredo National Bancshares, Hipotecaria Nacional and Granahorrar, accounting for €3.8 billion at year-end 2005), the increases were 27.4% at current rates and 11.5% at constant rates.

Current and savings accounts performed well during the year, amounting to €35 billion, following growth of 36.1% at current exchange rates and 19.5% at constant rates. These increases were especially significant given the contribution these lower-cost funds make to earnings. The different forms of stable funds performed as follows: time deposits accounted for €48 billion, with increases of 19.7% and 8.9% at current and constant exchange rates, respectively; pension funds, a business in which the BBVA Group leads the market in Latin America with a 25.1% market share, according to the latest data available,

rose to €39 billion (up 38.9% and 14.8%); with mutual funds accounting for the remaining €13 billion, recording major growth in 2005, rising by 42.7% in euros and 25.8% in local currencies.

By countries, the funds managed by BBVA Bancomer in Mexico (deposits, network repos and mutual funds) rose 9.9% in pesos. Highlights elsewhere were the increases in local currency in Venezuela (40.9%), Peru (25.0%), Colombia (23.2% without Granahorrar) and Argentina (18.5%).

● OTHER BALANCE-SHEET ITEMS

At the year-end, financial assets available for sale recorded growth of 13.3% due largely to the higher balance in ALCO portfolios, to the effect of currency appreciation against the euro and to the increased market value of equity portfolios. ALCO portfolios included under this heading grew €3,138m during the year, recording a balance of €26,412m in the year, with their purpose being to provide interest-rate risk hedging in the euro zone and in Mexico. The equity portfolio amounted to €9,062m, €1,096m up on year-end 2004, basically due to its greater market value, accounting for a large part of the growth in the line item for valuation adjustments included in equity.

Held-to-maturity investments consist of ALCO fixed-income portfolios over and above those mentioned above, with their purpose being interest-rate risk hedging.

The item of property, plant and equipment increased by 11.3% (below the 19.1% increase in total assets), due largely to the companies joining the Group during the year and to exchange rate differences.

Regarding intangible assets, the main item is goodwill, which at year-end 2005 amounted to €1,858m, €1,147m up on year-end 2004, of which €1 billion corresponded to the acquisitions made in the year and the remainder to the exchange rate effect on figures stated in currencies.

● Capital base

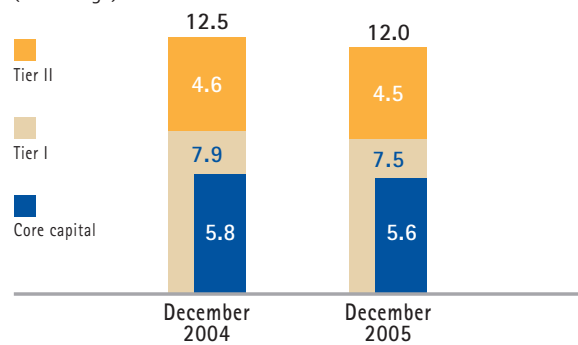


BBVA's management of its capital base in financial year 2005 has enabled the Group to provide itself with the resources required to fund the growth of its business and the major investments made.

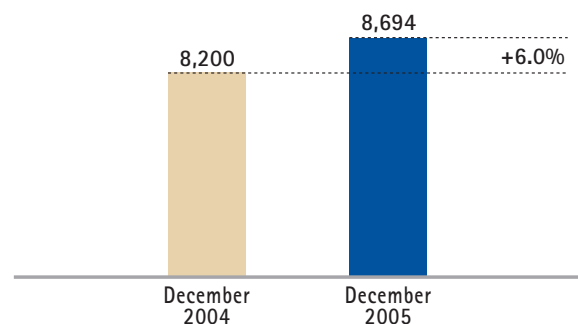
At the end of 2005 the BBVA Group's capital base came to €26,045m, calculated in accordance with the criteria of the Bank for International Settlements (BIS). This is 14.2% higher than at 31-Dec-04. After deducting base capital required under the above criteria (8% of risk-weighted assets) the surplus came to €8,694m (up 6.0% on 2004). Core capital accounts for 5.6% of risk-weighted assets and Tier 1 assets for 7.5%. The BIS ratio is 12.0%

Risk-weighted assets in 2005 were up 18.7% on the figure for year-end 2004. This is due partly to considerable growth in the business of the Group and partly to the impact of the appreciation of Latin American currencies against the euro. Between them these factors led to an increase of 17% in risk-weighted assets.

Capital base: BIS ratio
(Percentage)



Capital surplus
(Million euros)



CAPITAL BASE (BIS REGULATION)

(Million euros)

	31-12-05	Δ%	31-12-04
Called-up share capital	1,662	-	1,662
Reserves	9,517	25.9	7,560
Minority interests	889	22.1	728
Deductions	(3,723)	64.7	(2,261)
Net attributable profit	3,806	30.2	2,923
CORE CAPITAL	12,151	14.5	10,612
Preference shares	4,128	8.4	3,809
CAPITAL (TIER I)	16,279	12.9	14,421
Subordinated debt	7,996	13.0	7,077
Valuation adjustments and other	2,563	26.8	2,022
Deductions	(793)	12.3	(706)
OTHER ELIGIBLE CAPITAL (TIER II)	9,766	16.4	8,393
CAPITAL BASE	26,045	14.2	22,814
Minimum capital requirement (BIS Regulation)	17,351	18.7	14,614
CAPITAL SURPLUS	8,694	6.0	8,200
MEMORANDUM ITEM:			
Risk-weighted assets	216,890	18.7	182,683
BIS RATIO (%)	12.0		12.5
CORE CAPITAL (%)	5.6		5.8
TIER I (%)	7.5		7.9
TIER II (%)	4.5		4.6

Furthermore, the acquisitions made during the year gave rise to new capital requirements. The addition to the Group of Hipotecaria Nacional in Mexico in January, Laredo National Bancshares in the USA in May and Banco Granahorrar in Colombia in December generated a €3,126m increase in risk-weighted assets and goodwill to the tune of €1 billion.

Net attributable profit in 2005 was up 30.2% year-on-year, enabling the Group to provide itself with the capital needed to offset its new capital requirements. This is compatible with the maintaining for another year of the upward trend in dividend per share, which is up 20.1% on the dividend distributed against

profits in 2004. This puts dividend yield at 3.5%, and the pay-out at 47.3%.

Core capital came to €12,151m, a year-on-year increase of 14.5%. This was less than the 18.7% growth in risk-weighted assets and thus the ratio is now 5.6% compared to the figure of 5.8% recorded in December 2004. Excluding the acquisitions of the year which take out 0.6 points, core capital would stand at 6.2%. After adding preferred shares to core capital, Tier I rose to €16,279m, a year-on-year increase of 12.9%, accounting for 7.5% of risk-weighted assets (as compared to 7.9% at 31-Dec-04).

Other eligible capital, which mainly consists of subordinated debt and revaluation reserves,

was €9,766m at the end of 2005, a year-on-year increase of 16.4%. Thus Tier II was 4.5%, compared to 4.6% at 31-Dec-04. The BIS Ratio thus stands at 12.0%, compared to 12.5% at 31-Dec-04.

To optimise the structure and cost of the capital base, numerous amortisations were made, along with new issues of instruments eligible for the Group's capital base. In regard to preferred shares, April saw the early amortisation of series D preferred shares in BBVA Capital Funding (€256m, with a 6.35% coupon, originally 500 million Deutschmarks). In September BBVA International Preferred, a wholly-owned subsidiary of the Group, issued preferred shares to the tune of €550m for institutional investors in Europe. With these operations preferred shares at 31-Dec-05 account for 25.4% of the capital base, 1% up on 31-Dec-04.

Regarding subordinated debt, an issue of €13.6m (originally 30 million Dutch Guilder) matured during the year, as did a total of US\$425m from four issues. Given market conditions, early cancellation was made of two further issues amounting to €750m and 3 billion Japanese yen. On the other hand, 2005 saw five new issues of subordinated debt for institutional investors in Europe: €500m maturing in October 2017, €150m maturing in October 2020, £300m maturing in October 2015 and 20 billion Japanese yen maturing in October 2035. BBVA Bancomer also issued capital notes for a face value of US\$500m maturing in July 2015, with characteristics that, under BIS criteria, allow them to be classed as Tier II in the BBVA Group's capital base.

The number of shares in circulation did not change over the course of the year. On 14th June the Shareholders' General Meeting agreed to increase share capital by issuing a maximum of 531,132,133 shares to be handed over in consideration of the shares in BNL acquired via

the takeover bid announced by BBVA on 29th March 2005. This increase fell through following BBVA's announcement on 22nd July that it was dropping its bid. 30th September 2005 saw the end of the programme for the buy-back of BBVA shares announced on 29th March to coincide with the takeover bid for BNL. This programme envisaged the acquisition of up to 3.5% of share capital via the company Corporación Industrial y de Servicios, SL, for a purchase price no higher than €14.5 per share. On completion of the programme, the said company had no shares left in its portfolio, so the amortisation of shares envisaged in the terms and conditions of the programme as per EC Regulation 2273/2003 did not go ahead.

Ratings

BBVA's ratings with the leading agencies were confirmed in 2005, so the Group continues to maintain one of the best ratings of any large Spanish bank or indeed any front-line bank in Europe.

The various agencies hold a positive opinion of the Group, and highlight the following as elements that support their ratings: BBVA's major franchise in Spain and Mexico, its financial strength and high levels of efficiency, yield, asset quality and solvency, and the prudence with which the Group is managed. They also place positive emphasis on the Group's risk profile and increasing capacity for generating recurrent results.

RATINGS

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

● The BBVA share



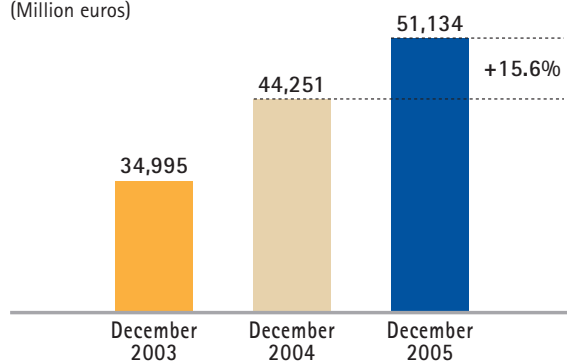
The BBVA share price has appreciated by 15.6% in 2005, whereby it now accumulates three consecutive years of extremely positive gains (19.2% in 2004 and 20.1% in 2003), which testifies to the market's recognition and trust regarding BBVA's profitable growth strategy. The 65.4% gain recorded by BBVA over the past three years compares favourably with the Europe Stoxx Banks (62.0%) and the Stoxx 50 (39.1%). The share price of €15.08 at year-end 2005 means BBVA's market capitalisation amounted to €51,134m, a figure that is €6,883m up on year-end 2004.

Despite the uncertainty caused by the trend in oil prices, the global economy continued to grow at a rapid pace in 2005, which has meant that the world's major stock markets ended the year with gains, albeit with different performances depending on the geographical region. The best performances have been recorded in emerging countries (MSCI Emerging Markets was up 30.3%), the European market (the Stoxx 50 gained 20.7%, with an 18.2% rise in the Ibex 35) and Japan (the Nikkei was up 40.2%), whereas the US market has performed somewhat more weakly (a 3% rise in the S&P 500).

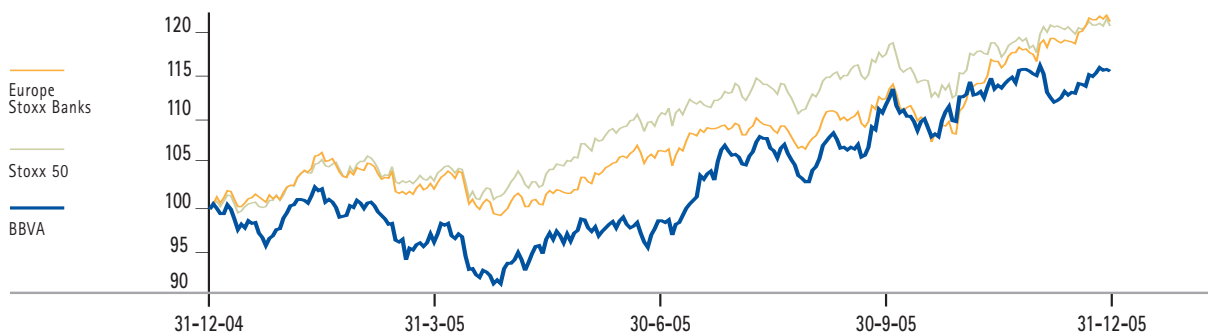
The doubts that were expressed at the beginning of the year regarding the trend in earnings in the European banking industry have been assuaged throughout the year following the posting of positive results. This has led to a noticeable recovery in the sector during the second half of the year. Nevertheless, there has been a significant polarisation in the share prices of different banks, with a marked

Market capitalization

(Million euros)



Share price index
(31-12-04=100)



difference between the gains recorded by banks with the best performance and those with a less favourable one. Investors have looked favourably upon cases of restructuring, exposure to growth markets and the potential goals of corporate operations. Special mention should be made accordingly of the major gains made in 2005 by small banks as the potential targets of possible take-overs (Italian banks) or those exposed to growth markets (Greece or Ireland).

A highlight within this context has been the positive performance of the Spanish economy in 2005, growing by 2 points more than the European average, driven by the trend in business activity, employment and the increased wealth of companies and households alike.

Within this favourable scenario, the BBVA share benefited from the Group's continued progress in all its businesses, as reflected in the

ever-higher earnings reported each quarter. Investors and analysts took a very favourable view of the quality and recurrence of BBVA's results and its risk control. They were especially positive about the Group's position in fast-growing markets such as Spain and Latin America. BBVA's cost-income ratio, asset quality, profitability and growth have made it one of the market's preferred European-bank investments. This has led analysts to significantly hike up their profit estimates and the target price for the share during this period, with the majority of the main market analysts issuing "buy" recommendations on BBVA.

Earnings per share have risen to €1.12 in 2005, with year-on-year growth of 29.5%. With a year-end closing price of €15.08 per share, the price-to-earnings ratio is 13.4 times. In turn, the book value per share amounts to €3.84 at year-end 2005 (as opposed to €3.23

THE BBVA SHARE

	31-12-05	31-12-04
Number of shareholders	984,891	1,081,020
Number of shares issued	3,390,852,043	3,390,852,043
Daily average number of shares traded	31,672,354	36,013,282
Daily average trading (million euros)	423.86	403.45
Maximum price (euros)	15.22	13.11
Minimum price (euros)	11.87	10.15
Closing price (euros)	15.08	13.05
Book value per share (euros)	3.84	3.23
Market capitalization (million euros)	51,134	44,251

SHARE PERFORMANCE RATIOS

	31-12-05	31-12-04
Price/Book value (times)	3.9	4.0
PER (Price/Earnings; times)	13.4	15.1
Yield (Dividend/Price; %)	3.52	3.39

twelve months earlier), whereby the price/book multiple stands at 3.9 times.

As regards shareholder remuneration, distribution has been made, and posted against earnings for 2005, of three interim dividends of €0.115 each per share, paid out in July and October 2005 and January 2006. If we add to this the supplementary dividend of €0.186 per share, which is to be submitted for approval by the AGM, the total dividend that shareholders are to receive, posted against earnings for 2005, amounts to €0.531 per share. In short, the

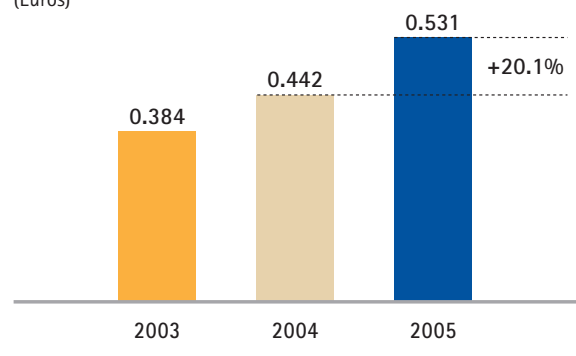
Bank's excellent results allow for a proposed dividend increase of 20.1% over the €0.442 distributed against earnings for 2004. This figure means that the pay-out stands at 47.3%, with dividend yield, calculated on the share price at 31-Dec-05, at 3.52%.

On a medium and long-term investment horizon, BBVA continues to stand out as one of the companies with greater capacity for value creation for shareholders, as is emphasised in the accompanying table, which shows the earnings obtained by investors in BBVA shares over the past ten years for each entry and exit date (considering the fluctuation in market price, the reinvestment of dividends and the paybacks). For the 1996-2005 period overall, the average annual earnings of the BBVA share have stood at 19.7%. This means that someone investing in BBVA shares on 31-Dec-95 would have increased their capital six-fold by year-end 2005, whereas, in the same period, the Ibx 35, with a 196% appreciation, only records a three-fold increase.

At year-end 2005, there were 984,891 BBVA shareholders. The shareholder structure is

Dividend per share

(Euros)



TOTAL SHAREHOLDERS' RETURN ON BBVA SHARE

(1996-2005)⁽¹⁾

Acquisition year (31-12)	Average annual return at the end of each period (%)										Δ% cumulative 2005
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
1995	50.6	74.0	63.4	47.4	40.1	30.1	18.7	19.4	19.7	19.7	502.9
1996		97.6	69.6	46.0	37.4	26.2	14.0	15.3	16.3	16.6	297.6
1997			47.1	26.1	22.1	13.1	2.3	5.6	7.9	9.3	103.2
1998				8.1	11.3	3.6	(6.6)	(1.2)	2.5	4.7	38.1
1999					14.5	1.5	(11.0)	(3.4)	1.4	4.2	27.7
2000						(10.1)	(21.6)	(8.7)	(1.6)	2.2	11.6
2001							(31.6)	(7.9)	1.4	5.5	24.1
2002								23.9	23.4	22.0	81.4
2003									22.9	21.0	46.4
2004										19.2	19.2

(1) Considering share price variations, reinvestment of dividends and nominal refunds.

SHAREHOLDER STRUCTURE

(31-12-05)

Number of shares	Shareholders		Shares	
	Number	%	Number	%
Up to 150	370,602	37.6	29,836,497	0.9
151 to 450	289,457	29.4	76,196,386	2.2
451 to 1,800	212,990	21.6	185,991,459	5.5
1,801 to 4,500	62,464	6.3	175,361,825	5.2
4,501 to 9,000	24,483	2.5	153,654,255	4.5
9,001 to 45,000	20,822	2.1	370,873,878	10.9
More than 45,001	4,073	0.4	2,398,937,743	70.7
TOTAL	984,891	100.0	3,390,852,043	100.0

highly diversified, with no individual holdings equalling or exceeding 5% of the share capital. 95.0% of shareholders own fewer than 4,501 shares, representing 13.7% of the capital, and the average holding per shareholder is 3,443 shares, which means an average sum, at the year-end price, of €51,920.

39.8% of the capital is held by private investors, 59.1% corresponds to institutional investors and the remaining 1.1% is held by the board of directors. Non-resident shareholders together account for 49.2% of the share capital, a similar percentage to year-end 2004.

BBVA shares are traded on the Spanish electronic market and on other major European markets (London, Frankfurt, Milan and Zurich), on the New York Stock Exchange (as ADSs represented by ADRs) and, since 19-Aug-2005, on the Mexican Stock Market, thereby confirming the Group's steadfast commitment to Mexico, as it is the first major European financial group to be listed in that country. The BBVA share is listed in the Ibex 35 and Euro

Stoxx 50 reference indices, with weightings of 12.4% in the former and 2.8% in the latter.

The BBVA share is characterised by its high liquidity, being traded on each one of the 257 days that make up the 2005 stock exchange calendar. A total of 8,110 million shares swapped hands during the year, representing 239% of the share capital. The daily average trading volume was 32 million shares (0.9% of the share capital) for a cash sum of €424m, a 5.1% increase on 2004.

BBVA has a shareholders' office, a permanent channel of communication between the Group and its shareholders, which may be contacted by telephone (902 200 902), e-mail (clubaccion@grupobbva.com) or post (Apartado de Correos 21, E-48080 Bilbao - Spain), and which attends to all nature of enquiries, suggestions and opinions on share-related issues and shareholder dealings. In addition, the Major Investors' Management Unit upholds a direct, specialised and personalised relationship with almost 3,000 distinctive shareholders. By means of 57 meetings held in as many Spanish cities in 2005, it has maintained contact with over 7,000 people (over 50% of whom were potential shareholders). In addition, the Chairman and the Chief Operating Officer appeared before an audience of 2,200 people in a further 16 meetings, thereby revealing the importance the Group's senior management attributes to investor relations. The Annual Corporate Responsibility Report 2005 provides further information on the actions undertaken by these two units.

Shareholder structure

(31-12-05)

