

**ANNEX I**

**ANNUAL REPORT ON CORPORATE GOVERNANCE**

**LISTED COMPANIES**

**DATA IDENTIFYING ISSUER**

FISCAL YEAR **2006**

TAX ID NUMBER  
A-48265169

**Registered name:**

**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

**Registered offices: Plaza de San Nicolás, 4.**

**Bilbao  
Vizcaya  
48005  
Spain**

**A OWNERSHIP STRUCTURE**

**A.1. Fill in the following tables on the company's share capital:**

<b>Latest date of any change</b>	<b>Share Capital (€)</b>	<b>Number of shares</b>
28-Nov-2006	1,740,464,869.29	3,551,969,121

**If there are different classes of shares, indicate this in the following box:**

<b>Class</b>	<b>Number of shares</b>	<b>Nominal unit value</b>

**A.2. List the direct and indirect holders of significant shareholdings in your organisation at the end of its financial year, excluding members of its Board:**

<b>Name of shareholder</b>	<b>Number of shares held directly</b>	<b>Number of shares held indirectly (*)</b>	<b>% Total/equity</b>
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(\*) Through:

<b>Name of shareholder</b>	<b>Number of shares held directly</b>	<b>% Equity</b>
<b>Total:</b>		

**Indicate the most significant movements in shareholding structure during the financial year:**

<b>Name of shareholder</b>	<b>Transaction Data</b>	<b>Description</b>

**A.3. Fill in the following tables on company directors holding company shares:**

<b>Name of director</b>	<b>Date first appointed</b>	<b>Date last appointed</b>	<b>Number of shares held directly</b>	<b>Number of shares held indirectly *</b>	<b>% Total/equity</b>
FRANCISCO GONZÁLEZ RODRIGUEZ	28-01-2000	26-02-2005	2,336	1,376,814	0.039
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	18-12-2001	01-03-2003	480	434,680	0.012
JOSÉ MALDONADO RAMOS	28-01-2000	28-02-2004	11,537	0	0.000

TÓMAS ALFARO DRAKE	18-03-2006	18-03-2006	7,800	0	0.000
JUAN CARLOS ÁLVAREZ MEZQUÍRIZ	28-01-2000	18-03-2006	30,530	0	0.001
RICHARD C. BREEDEN	29-10-2002	28-02-2004	30,000	0	0.001
RAMÓN BUSTAMANTE Y DE LA MORA	28-02-2000	26-02-2005	10,139	0	0,000
JOSÉ ANTONIO FERNÁNDEZ RIVERO	28-02-2004	28-02-2004	50,000	0	0.001
IGNACIO FERRERO JORDI	28-01-2000	26-02-2005	2,566	51,300	0.002
ROMÁN KNÖRR BORRÁS	28-05-2002	01-03-2003	26,500	4,500	0.001
RICARDO LACASA SUÁREZ	28-05-2002	01-03-2003	8,928	0	0.000
CARLOS LORING MARTÍNEZ DE IRUJO	28-02-2004	18-03-2006	9,149	0	0.000
ENRIQUE MEDINA FERNÁNDEZ	28-01-2000	28-02-2004	28,391	1,065	0.001
SUSANA RODRÍGUEZ VIDARTE	28-05-2002	18-03-2006	10,838	2,088	0.000
TELEFÓNICA DE ESPAÑA, S.A.	17-04-2000	26-02-2005	0	36,215,330	1.020

\* Through:

Name of direct holder	Number of shares held directly
BELEGAR INVERSIONES, S.L.	1,376,814
AZATRA, S.L.	434,680
LEMPIRA SIMCAV, S.A.	28,000
ESEO 20, S.L.	23,300
DOÑA PILAR ALONSO VERASTEGUI	3,800
RETAIL STORES, S.L.	700
DESPACHO LEGAL, S.L.	695
DOÑA HORTENSIA MALO GONZALEZ	370
DON BORJA LIZARRAGA RODRIGUEZ	522
DOÑA PATRICIA LIZARRAGA RODRIGUEZ	522
DON JAIME LIZARRAGA RODRIGUEZ	522
DOÑA ROCIO LIZARRAGA RODRIGUEZ	522
TELEFÓNICA, S.A.	36,215,330
<b>Total:</b>	<b>38,085,777</b>

% of equity held by directors	1.078
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Fill in the following tables on company directors holding company share options:

Name of director	Number of options directly held	Number of options indirectly held	Equivalent number of shares	% Total/ equity
DON FRANCISCO GONZÁLEZ RODRÍGUEZ	600,000	0	600,000	0.017
DON FRANCISCO GONZÁLEZ RODRÍGUEZ	320,000	0	0	0.000
DON JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	270,000	0	0	0.000
DON JOSÉ MALDONADO RAMOS	100,000	0	0	0.000

**A.4. Where applicable, indicate any family, commercial, contractual or corporate relations between owners of significant share-holdings, as far as the company knows, unless of little relevance or ensuing from ordinary trading or exchange:**

Name of shareholder	Relationship	Description

**A.5. Where applicable, please indicate any commercial, contractual or corporate relations between owners of significant share-holdings and the company, unless of little relevance or ensuing from ordinary trading or exchange:**

Name of shareholder	Relationship	Description

**A.6. Indicate any shareholders agreements that have been reported to the company:**

Participant Shareholders agreements	% Equity	Description

**Indicate any concerted actions among company shareholders known to the company:**

Participant concerted actions	% Equity	Description

**Expressly indicate any change in or break-up of said concerted actions or agreements.**

**A.7. Indicate whether any person or organisation exercises or may exercise control over the company pursuant to article 4 of the Securities Market Act:**

Name

Observations

**A.8. Fill in the following tables on the company's treasury stock:**

**At year end:**

Number of shares held directly	Number of shares held indirectly *	% Total/equity

2,462,171	5,844,034	0.234
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\* Through:

Name of direct holder	Number of shares held directly
CORPORACIÓN GENERAL FINANCIERA, S.A.	5,827,394
PROVINCIAL VALORES CASA DE BOLSA	722
CONTINENTAL BOLSA	916
BBVA SEGUROS, S.A.	15,002
<b>Total:</b>	<b>5,844,034</b>

List any significant variations that have occurred during the year, according to Royal Decree 377/1991:

Date	Number of shares held directly	Number of shares held indirectly	% equity
05-01-2006	4,545,920	4,188,869	0.258
10-02-2006	6,721,166	5,842,827	0.371
31-03-2006	3,671,048	563,190	0.125
03-05-2006	5,167,177	469,164	0.166
05-06-2006	17,347,817	4,694,417	0.650
06-07-2006	5,488,672	4,739,484	0.302
01-09-2006	4,669,307	2,004,178	0.197
20-10-2006	4,260,492	1,601,959	0.173
27-11-2006	6,710,522	514,204	0.213
29-12-2006	5,112,171	5,841,598	0.308

<b>Earnings from treasury-stock operations over the year</b>	<b>Value (€000)</b> <i>0</i>
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**A.9 Detail the term(s) and conditions of any authorisation(s) conferred by the AGM to the board of directors to purchase and/or transfer the treasury stock described in section A.8 above.**

The Annual General Meeting of Banco Bilbao Vizcaya Argentaria S.A., 18th March 2006, at second summons, approved agenda item four as follows:

“1. Repealing the resolution adopted at the Annual General Meeting, 26th February 2005, under agenda item four, insofar as it was not implemented, to authorise the company such that, directly or through any of its subsidiaries, during a maximum period of eighteen months as of the date of this present AGM, it may purchase Banco Bilbao Vizcaya Argentaria, S.A. shares at any time and as many times as it considers appropriate, by any means permitted under law, including charging them to the year's profits and/or unrestricted reserves, as well as to dispose of them or redeem them at a later date, all in accordance with article 75 and others of the Company Act.

2. To approve the limits or requirements on these acquisitions, which shall be as follows:

- That the nominal value of the shares purchased, added to those already in possession of the Bank and its subsidiaries shall at no time exceed five per cent of the share capital of Banco Bilbao Vizcaya Argentaria, S.A., always respecting any limitations on the purchase of treasury stock established by the regulatory authorities governing the markets on which Banco Bilbao Vizcaya Argentaria, S.A. securities are listed.
- That the bank's balance sheet provision a restricted reserve, under Liabilities, equivalent to the sum of treasury stock calculated under Assets. This reserve must be held until the disposal or redemption of the shares.
- That the shares acquired be fully paid up.
- That the purchase price will not be below the nominal price nor over 20% above the listed price or any other price associated to the stock on the date of purchase or, in the case of derivatives, on the date of the call contract. Operations to purchase treasury stock will respect the rules and customs of securities markets.

3. Express authorisation is given for stock purchased by the bank or any of its subsidiaries under this authorisation to be wholly or partly assigned to workers, employees or directors of the bank when they have an acknowledged right, either directly or as a result of exercising any option rights they may hold, as established in the final paragraph of article 75, section 1 of the Company Act.

4. To reduce share capital in order to redeem such treasury stock as the bank may hold on its balance sheet, charging this to profits or free reserves and for the amount which is appropriate or necessary at any time, to the maximum value of the treasury stock existing at any time .

5. To authorise the board, in accordance with article 30 c) of the company's bylaws, to implement the above resolution to reduce share capital, either all at once or on several occasions and within the maximum period of eighteen months from the date of this AGM, undertaking such procedures, arrangements and authorisations as necessary or as required by the Company Act and other applicable provisions. Specifically, the board is delegated, within the time and limits established for the afore-mentioned execution, to establish the date(s) of each capital reduction, its/their timeliness and appropriateness, taking into account market conditions, listed price, the bank's economic and financial position, its cash position, reserves and corporate performance and any other factor relevant to the decision; specifying the amount of the capital reduction; determining where the sum of the reduction be assigned, either to a restricted or unrestricted reserves, providing the necessary guarantees and complying with legally established requirements; adapting article 5 of the corporate bylaws to reflect the new figure for share capital; requesting de-listings of the redeemed stock and, in general, adopting any resolutions necessary to be able to able to redeem or reduce capital as resolved, designating the people able to formalise these actions."

**A.10 Indicate any restrictions under law or the bylaws on exercising voting rights and any legal restrictions on the acquisition and/or transfer of company stock.**

1. Legal and bylaw restrictions on exercising voting rights:

There are no legal or bylaw restrictions on exercising voting rights:

However, article 44.1 of the Company Act establishes that “Shareholders in arrears on the payment of calls for capital may not exercise their voting rights. The amount of their shares shall be deducted from share capital when determining the quorum”. This is reflected in article 9 of the company bylaws.

2. Restrictions under law or the company bylaws on the acquisition and/or transfer of company stock.

There are no legal restrictions on the acquisition and/or transfer of company stock.

However, article 56 and following in Act 26/1988, on Discipline and Oversight in Financial Institutions, requires the Bank of Spain be informed prior to the acquisition or divestment of significant holdings in Spanish credit institutions. The Bank of Spain may oppose the planned acquisition or divestment.

## **B** STRUCTURE OF CORPORATE ADMINISTRATION

### **B.1. Board of Directors:**

- B.1.1. Detail the maximum and minimum number of directorships established under the bylaws:**

<b>Maximum number of Directors</b>	<b>16</b>
<b>Minimum number of Directors</b>	<b>9</b>

- B.1.2. Fill in the following table with the board members and their details.**

<b>Name of director</b>	<b>Represented by</b>	<b>Seat on the Board</b>	<b>Date first appointed</b>	<b>Date last appointed</b>	<b>Election procedure</b>
FRANCISCO GONZÁLEZ RODRIGUEZ	--	CHAIRMAN AND CEO	28-01-2000	26-02-2005	Annual General Meeting
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	--	PRESIDENT AND COO	18-12-2001	01-03-2003	AGM
JOSÉ MALDONADO RAMOS	--	DIRECTOR / COMPANY SECRETARY	28-01-2000	28-02-2004	AGM
TOMÁS ALFARO DRAKE	--	DIRECTOR	18-03-2006	18-03-2006	AGM
JUAN CARLOS ALVAREZ MEZQUÍRIZ	--	DIRECTOR	18-01-2000	18-03-2006	AGM
RICHARD C. BREEDEN	--	DIRECTOR	29-10-2002	28-02-2004	AGM
RAMÓN BUSTAMANTE Y DE LA MORA	--	DIRECTOR	28-01-2000	26-02-2005	AGM
JOSÉ ANTONIO FERNÁNDEZ RIVERO	--	DIRECTOR	28-02-2004	28-02-2004	AGM
IGNACIO FERRERO JORDI	--	DIRECTOR	28-01-2000	26-02-2005	AGM
ROMÁN KNÖRR BORRÁS	--	DIRECTOR	28-05-2002	01-03-2003	AGM

Name of director	Represented by	Seat on the Board	Date first appointed	Date last appointed	Election procedure
RICARDO LACASA SUÁREZ	--	DIRECTOR	28-05-2002	01-03-2003	AGM
CARLOS LORING MARTÍNEZ DE IRUJO	--	DIRECTOR	28-02-2004	18-03-2006	AGM
ENRIQUE MEDINA FERNÁNDEZ	--	DIRECTOR	28-01-2000	28-02-2004	AGM
SUSANA RODRÍGUEZ VIDARTE	--	DIRECTOR	28-05-2002	18-03-2006	AGM
TELFÓNICA, SPAIN, S.A.	ANGEL VILÁ BOIX	DIRECTOR	17-04-2000	26-02-2005	AGM

Total number of directors	15
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**Indicate any members leaving the board during this period:**

Name of director	Date of leaving
JOSÉ MARÍA SAN MARTIN ESPINOS	18-03-2006

**B.1.3. Fill in the following table on the board members and their different conditions:**

### **EXECUTIVE DIRECTORS**

Name of director	Commission proposing appointment	Post within company organisation
FRANCISCO GONZÁLEZ RODRIGUEZ	APPOINTED BY THE MERGER BOARDS OF BBV AND ARGENTARIA (18-12-1999). HIS RE-ELECTION IN 2005 TOOK PLACE BY VIRTUE OF THE PROVISIONS OF THE TRANSITORY PROVISION OF THE BYLAWS APPROVED BY THE MERGER BOARDS.	CHAIRMAN AND CEO
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	SEE B.1.14.	PRESIDENT AND COO
JOSÉ MALDONADO RAMOS	APPOINTED BY THE MERGER BOARDS OF BBV AND ARGENTARIA (18-12-1999). SEE B.1.14.	DIRECTOR AND COMPANY SECRETARY

### **EXTERNAL SHAREHOLDER-NOMINATED DIRECTORS**

Name of director	Commission proposing appointment	Name of the significant shareholder who this person represents, or who proposed the appointment

## **EXTERNAL INDEPENDENT DIRECTORS**

Name of director	Commission proposing appointment	Profile
TOMÁS ALFARO DRAKE	APPOINTED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE. SEE B.1.14	ENGINEERING GRADUATE. CONSULTANT ON FINANCE AND MARKETING FOR DOMESTIC AND MULTINATIONAL COMPANIES. DIRECTOR OF GRADUATIONS, BUSINESS ADMINISTRATION (DIPLOMA AND GRADUATE COURSE) AT THE FRANCISCO DE VITORIA UNIVERSITY SINCE 1998.
JUAN CARLOS ALVAREZ MEZQUÍRIZ	APPOINTED BY THE MERGER BOARDS OF BBV AND ARGENTARIA (18-12-1999). PROPOSED FOR RE-ELECTION IN 2006 BY THE APPOINTMENTS AND REMUNERATION COMMITTEE. SEE B.1.14	GRADUATE IN ECONOMICS AND BUSINESS ADMINISTRATION. OTHER RELEVANT POSTS: MANAGING DIRECTOR OF THE EULEN GROUP
RICHARD C. BREEDEN	SEE B.1.14	LAWYER. OTHER RELEVANT POSTS: AIDE TO THE PRESIDENT OF THE UNITED STATES OF AMERICA AT THE WHITE HOUSE. CHAIRMAN OF THE SEC; OF INTERNATIONAL FINANCIAL SERVICES, COOPERS & LYBRAND, LLC. CHAIRMAN OF RICHARD C. BREEDEN & CO., AND DESIGNATED BY THE COURTS AS RECEIVER FOR WORLDCOM., INC.
RAMÓN BUSTAMANTE Y DE LA MORA	APPOINTED BY THE MERGER BOARDS OF BBV AND ARGENTARIA (18-12-1999). SEE B.1.14.	GRADUATE IN ECONOMICS AND BUSINESS ADMINISTRATION. OTHER RELEVANT POSTS: HAS HELD DIFFERENT POSTS OF RESPONSIBILITY IN BANESTO. WAS MANAGING DIRECTOR AND LATER NON-EXECUTIVE DEPUTY CHAIRMAN OF ARGENTARIA, AND CHAIRMAN OF UNITARIA.
JOSÉ ANTONIO FERNÁNDEZ RIVERO	SEE B.1.14.	GRADUATE IN ECONOMICS. OTHER RELEVANT POSTS INCLUDE: GENERAL MANAGER OF THE BBVA GROUP. WAS BBVA'S DIRECTOR ON THE BOARDS OF TELEFÓNICA, IBERDROLA, BANCO DE CRÉDITO LOCAL, AND CHAIRMAN OF ADQUIRA. CHAIRMAN OF THE BOARD'S RISK COMMITTEE.
IGNACIO FERRERO JORDI	APPOINTED BY THE MERGER BOARDS OF BBV AND ARGENTARIA (18-12-1999). SEE B.1.14.	LAW GRADUATE. OTHER RELEVANT POSTS: CHAIRMAN OF NUTREXPA AND LA PIARA.
ROMÁN KNÖRR BORRÁS	SEE B.1.14.	GRADUATE IN COMMERCIAL MANAGEMENT, MARKETING AND ADVERTISING. OTHER RELEVANT POSTS: WAS CHAIRMAN OF THE BASQUE INDUSTRIAL CONFEDERATION, (CONFEDERACIÓN EMPRESARIAL VASCA OR CONFEBASK) AND MEMBER OF EXECUTIVE COMMITTEE AND MANAGEMENT BOARD OF SPANISH INDUSTRIAL CONFEDERATION (CEOE). CURRENTLY CHAIRMAN OF ALAVA CHAMBER OF COMMERCE. MEMBER OF THE PLENARY AND CHAIRMAN OF THE TRAINING COMMITTEE OF THE BOARD OF GOVERNORS OF CHAMBERS OF COMMERCE.
RICARDO LACASA SUÁREZ	SEE B.1.14.	DOCTORATE IN INDUSTRIAL ENGINEERING. OTHER RELEVANT POSTS: WORKED AT BANCO POPULAR

		ESPAÑOL, WHERE HE BECAME MANAGING DIRECTOR. IS CHAIR OF THE AUDIT AND COMPLIANCE COMMITTEE.
CARLOS LORING MARTÍNEZ DE IRUJO	PROPOSED FOR RE-ELECTION IN 2006 BY THE APPOINTMENTS AND REMUNERATION COMMITTEE. SEE B.1.14	LAW GRADUATE. OTHER RELEVANT POSTS: WAS PARTNER AT THE ABOGADOS GARRIGUES LAW FIRM. SPECIALIST IN CORPORATE GOVERNANCE. IS ALSO CHAIR OF THE BOARD'S APPOINTMENTS AND REMUNERATION COMMITTEE.
ENRIQUE MEDINA FERNÁNDEZ	APPOINTED BY THE MERGER BOARDS OF BBV AND ARGENTARIA (18-12-1999). SEE B.1.14.	LAW GRADUATE. HE IS A STATE ATTORNEY. OTHER RELEVANT POSTS: HAS HELD POSTS IN DIFFERENT FINANCIAL INSTITUTIONS. WAS DEPUTY CHAIRMAN OF GINÉS NAVARRO CONSTRUCCIONES UNTIL IT BECAME PART OF THE ACS GROUP.
SUSANA RODRÍGUEZ VIDARTE	PROPOSED FOR RE-ELECTION IN 2006 BY THE APPOINTMENTS AND REMUNERATION COMMITTEE. SEE B.1.14	DOCTORATE IN ECONOMICS AND BUSINESS ADMINISTRATION. OTHER RELEVANT POSTS: DEAN OF THE 'LA COMERCIAL' ECONOMICS AND BUSINESS ADMINISTRATION FACULTY, DEUSTO, AND MEMBER OF THE INSTITUTE OF ACCOUNTING AND AUDITING.

### **OTHER EXTERNAL DIRECTORS**

<b>Name of director</b>	<b>Commission proposing appointment</b>
TELEFÓNICA, SPAIN, S.A.	SEE B.1.14.

#### **List the reasons why they cannot be considered independent or shareholder-nominated:**

Telefónica de España S.A. is not have a shareholder-nominated or institutional directorship, since the Telefónica group's holding in the company is below 5%. Nor can it be considered independent, according to article 1 of the Board Regulations, as it is a company.

#### **Indicate any variations that have occurred in the type of each director:**

<b>Name of director</b>	<b>Date of change</b>	<b>Previous capacity</b>	<b>Current capacity</b>
JOSÉ ANTONIO FERNÁNDEZ RIVERO	01-01-2006	OTHER EXTERNAL DIRECTOR	EXTERNAL INDEPENDENT DIRECTOR

#### **B.1.4. Indicate whether the classification of directors made in the previous point corresponds to the distribution established in the Board Regulations.**

The above classification corresponds to the criteria stemming from article 1 of the BBVA Board Regulations.

“Directors can be executive or non-executive directors. Executive Directors have been delegated general powers to represent the company in a permanent manner and all other board members shall be considered external.

At any time at least two-thirds of the board shall consist of independent directors. These are external directors who are not any of the following:

- A shareholder of the company or a director appointed by virtue of a special connection with a shareholder, when the holding in either case is greater than 3% of shares in capital stock with voting rights.
- Organisations that are directors of the bank or individuals who such organisations have designated as their representatives.
- A person who has been an executive director, or member of the Group's senior management, or a member of the auditor firm that is or has been the Company's auditors, within the last three years.
- Any party with a significant relationship to the company, either directly or as a partner, shareholder, manager or employee of a party that has such a relationship with the Group, where this could influence that person's independence.
- When there is a family relationship with any of the individuals mentioned above or any other circumstance which, in the judgement of the board of directors might compromise that person's independence.

Independent directors must comprise a majority of the bank's executive committee and are the only directors entitled to sit on the Audit and Compliance Committee and the Appointments and Remuneration Committee.

A shareholder-nominated director is an external director designated by virtue of her or his relationship with a party that is a significant shareholder of the company. A significant shareholder shall mean a party with direct or indirect control of at least 5% of the share capital or of the voting rights of the bank or, even when less than 5%, one whose shareholding can exert notable influence on the Company.

The above criterion –used to determine whether a person is a shareholder-nominated director– shall also apply in the event of agreements or pacts between shareholders that oblige those concerned, by means of concerted action entailing voting rights, to adopt a common policy in regard to management of the company or whose goal is to influence it in a relevant manner.”

**B.1.5. Indicate any powers delegated to the chief operating officer(s):**

Name of director	Brief description
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FRANCISCO GONZÁLEZ RODRIGUEZ	HAS BROAD-RANGING POWERS OF REPRESENTATION AND ADMINISTRATION IN KEEPING WITH THE CHARACTERISTIC NEEDS OF THE POST OF EXECUTIVE CHAIRMAN OF THE COMPANY THAT HE HOLDS.
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	HAS BROAD-RANGING POWERS OF REPRESENTATION AND ADMINISTRATION IN KEEPING WITH THE CHARACTERISTIC NEEDS OF THE POST OF CHIEF OPERATING OFFICER OF THE COMPANY THAT HE HOLDS.

**B.1.6. Identify any board members in senior management or directorships in other companies forming part of the listed company's group:**

Name of director	Name of the undertaking within your group	Post
FRANCISCO GONZÁLEZ RODRIGUEZ	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR
FRANCISCO GONZÁLEZ RODRIGUEZ	BBVA BANCOMER, S.A.	DIRECTOR
FRANCISCO GONZÁLEZ RODRIGUEZ	BBVA BANCOMER SERVICIOS, S.A. (MÉXICO)	DIRECTOR
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	DIRECTOR
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	BBVA BANCOMER, S.A.	DIRECTOR
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	BBVA BANCOMER SERVICIOS, S.A. (MÉXICO)	DIRECTOR

**B.1.7. List any company board members also members of the board(s) of directors of other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:**

Name of director	Listed company	Post

**B.1.8 Fill in the following tables regarding the accrued aggregate remuneration of directors during the year:**

**a) In the company subject to this report:**

Remuneration item	€000
Fixed pay	6,930
Variable pay	5,751
Expenses	0
Token payments	0
Share options and/or other financial instruments	0
Others	11,851

<b>TOTAL:</b>	<b>24,532</b>
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<b>Other benefits</b>	<b>€000</b>
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	0
Pension Plans and Funds: Obligations contracted	105,689
Life insurance premiums	1
Guarantees constituted by company in favour of directors	0

**b) For directors belonging to other boards of directors and/or senior management of group companies:**

<b>Remuneration item</b>	<b>€000</b>
Fixed pay	0
Variable pay	0
Expenses	0
Token payments	0
Share options and/or other financial instruments	0
Others	0
<b>TOTAL:</b>	<b>0</b>

<b>Other benefits</b>	<b>€000</b>
Advances	0
Loans granted	0
Pension Plans and Funds: Contributions	0
Pension Plans and Funds: Obligations contracted	0
Life insurance premiums	0
Guarantees constituted by the company in favour of directors	0

**c) Total remuneration by type of directorship:**

<b>Type of director</b>	<b>By company</b>	<b>By group</b>
<b>Executives</b>	20,479	0
<b>External institutional directors</b>	0	0
<b>External independent directors</b>	3,934	0
<b>Other external directors</b>	119	0
<b>Total</b>	<b>24,532</b>	<b>0</b>

**d) Regarding the attributable profit of the controlling company:**

<b>Total directors' remuneration (€000)</b>	24,532
<b>Total directors' remuneration/ attributable profit of controlling company (as %)</b>	1.005

**B.1.9. Identify members of senior management that are not also executive directors and indicate total remuneration accruing to them during the year:**

<b>Name</b>	<b>Post</b>
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EDUARDO ARBIZU LOSTADO	LEGAL AFFAIRS, TAXATION, AUDITING AND COMPLIANCE
ANGEL CANO FERNÁNDEZ	HUMAN RESOURCES AND SERVICES
MANUEL GONZÁLEZ CID	FINANCE DEPARTMENT
JOSÉ SEVILLA ÁLVAREZ	RISKS
IGNACIO DESCHAMPS GONZÁLEZ	MEXICO
IGNACIO SÁNCHEZ-ASIAÍN SANZ	SOUTH AMERICA
JAVIER AYUSO CANALS	CORPORATE COMMUNICATIONS
JAVIER BERNAL DIONIS	BUSINESS DEVELOPMENT - SPAIN AND PORTUGAL
JOSÉ MARÍA GARCÍA MEYER-DOHNER	USA
JAIME GUARDIOLA ROMOJARO	SPAIN AND PORTUGAL
JUAN ASUA MADARIAGA	CORPORATE AND BUSINESS – SPAIN AND PORTUGAL
JOSE BARREIRO HERNÁNDEZ	GLOBAL OPERATIONS
VICENTE RODERO RODERO	COMMERCIAL BANKING SPAIN

<b>Total remuneration of senior management (€000)</b>	30,717
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**B.1.10 Identify in aggregate terms any guarantee or ‘golden parachute’ clauses benefiting senior managers (including executive directors) of the company and/or its group, that cover possible dismissal or changes of control. Indicate whether these contracts must be reported to and/or approved by the governing bodies of the company and/or its group:**

<b>Number of beneficiaries</b>	<b>16</b>
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	<b>Board of Directors</b>	<b>Annual General Meeting</b>
<b>Body authorising the clauses</b>	X	

	<b>YES</b>	<b>NO</b>
<b>Is the AGM informed of the clauses?</b>	X	

**B.1.11 Indicate the process for establishing board members’ pay and any relevant clauses from the bylaws regarding said pay.**

The BBVA company bylaws, as drawn up by BBVA’s AGM on 18th March 2006, under article 53, “*Application of earnings*”, establish:

*“Of the products obtained during the year, to obtain the cash profit, all overhead costs, interest, gratifications and taxes shall be deducted, plus any quantities that should be allocated to provisioning and amortization.*

*The profit established after making such deductions shall be distributed in the following order:*

- a) *Allocation to reserves and contingency funds required by prevailing legislation and, where applicable, the minimum dividend mentioned in article 13 of these bylaws.*
- b) *Four percent of the paid up capital, as a minimum, in the form of a dividend to shareholders, pursuant to article 130 of the Company Act.*
- c) *Four percent to pay the services of the board of directors and the executive committee, unless the board itself resolves to reduce this percentage in the years it considers appropriate. The resulting figure shall be made available to the board of directors to distribute amongst its members at the time and in the manner and proportion that the board may determine. Payment of the resulting amount can be made in cash or, following a prior resolution adopted by the AGM in accordance with the Company's Act, by means of shares, share options or considerations related to the value of the shares.*

*This sum may only be subtracted after having recognised the shareholders' right to a minimum dividend of four percent mentioned above."*

The board of directors is empowered to approve the system of pay for the board members for their directorships, at the proposal of the appointments and remuneration committee, composed solely of independent directors.

The board of directors adopted a remuneration system on these bases that is not applicable to executive directors. It covers the determination of a fixed amount attributed to each directorship, according to principles of responsibility, time availability and incompatibilities, and another fixed amount for the members of the different board committees, also according to principles of responsibility, time availability and incompatibilities, giving greater weighting to the chairman's duties in each committee.

Furthermore, the AGM held on 18th March 2006 approved a remuneration system based on deferred delivery of BBVA shares. This system consists of an annual allocation of a number of theoretical BBVA shares to non-executive directors. The number of shares will be equal to 20% of their total remuneration during the previous year, calculated in accordance with the average closing price during the 60 trading days immediately prior to the date of the AGM that approves the corresponding financial statements for the years concerned.

Article 50 b of the BBVA company bylaws establishes the following regarding the bank's executive directors:

"Article 50 b:

Directors attributed with executive duties in the company, whatever the nature of their legal relationship with said company, shall be entitled to receive remuneration for providing their services, which shall consist of: a fixed amount, matched to the services and responsibilities assumed, a supplementary variable amount and the incentive schemes that may be established on general terms for the bank's senior management, which may be the allocation of shares or share options or share-performance-indexed remuneration subject to the requirements established under prevailing legislation at any time; also a part including any insurance and benefits schemes deemed appropriate and social

security. In the event of severance not due to breach of duties, they shall be entitled to compensation.”

According to the BBVA board regulations, the appointments and remuneration committee is to determine, in compliance with the company bylaws, the extent and amount of remuneration, rights and economic rewards for the executive directors, in order to instrument these through a service-level contract.

In this way, the remuneration of the executive directors for pursuit of their duties has been established contractually with each of them by the independent directors, members of the board’s appointments and remuneration committee, by virtue of a joint and several proxy conferred on it by the BBVA board of directors.

Moreover, the appointments and remuneration committee, comprising solely independent directors, establishes the targets for the chairman of the board in order to determine his/her variable pay.

**B.1.12 Identify the identity of any board members that also sit on board(s) of directors or hold directive posts in companies holding significant stock in the listed company and/or its group companies:**

Name of Director	Name significant Shareholder	Occupation

**Detail any relevant relations other than those given in the previous point that may link any board members with significant shareholders and/or their group companies:**

Name of Director	Name significant Shareholder	Description

**B.1.13 Indicate any changes brought into the Board Regulations during the year:**

In 2006, the BBVA board regulations, which are available on the company’s website, were not amended.

**B.1.14 Indicate any procedures for appointment, re-election, assessment and removal of directors. List the competent bodies, the steps to be followed and the criteria to be employed in each of the procedures.**

Directors are appointed to the board by the Annual General Meeting without detriment to the faculty of the board to co-opt members in the event of a vacancy.

In any event, candidates for appointment as directors must meet the requirements of applicable legislation in regard to the special code for financial institutions, and the provisions of the company's bylaws.

There are no other limits on appointment to directorships than those established by law and by the company bylaws. The board may not establish specific additional requirements.

The qualifications of candidates to sit on the board of directors shall be judged by the appointments and remuneration committee. The committee shall take into account the personal and professional characteristics of the candidates and the current needs of the company's governing bodies and convey its opinion in this respect to the board.

In 2006, the appointments and remuneration committee proposed Tomás Alfaro Drake as a director at the AGM, 18th March 2006. It also proposed the re-election of Juan Carlos Alvarez Mezquiriz, Carlos Loring Martínez de Irujo and Susana Rodríguez Vidarte as directors of the board. All these are independent directors.

The term of office of directors shall be the time defined by the company's annual general meeting (AGM) in accordance with the company bylaws. If they have been appointed by co-option, their term of office shall be the remaining term of office of the director whose vacancy they have covered in this manner, unless the AGM fixes a greater length of time when ratifying the appointment made by the board.

#### **Re-election of Directors**

With regard to proposals for the re-election of directors, the bank's board of directors assesses the performance of the directors in question, their dedication and any other circumstance that influences the advisability or otherwise of their re-election.

The board's decisions on these matters and the corresponding deliberations shall not take place in the presence of the director whose re-election is proposed. If this person is present, she or he must leave the meeting.

#### **Resignation of Directors**

Directors shall resign their office when the term for which they were appointed has expired, unless they are re-elected.

Directors must tender their resignation to the board and accept its decision regarding their continuity in office or not. Should the board resolve they leave, they are obliged to formalise the corresponding severance, in the events established under B.1.15 below.

In all cases, directors shall resign their position on reaching 70 years of age. They must present their resignation at the first meeting of the board of directors that takes place after the AGM that approves the accounts for the year in which they reach this age.

The chief operating officer and other executive directors of the bank shall resign their executive functions at 62 years of age and follow the same rules regarding the timing of their resignation as established in the previous paragraph. When they cease to hold office as executive directors, for whatever reason, they must offer to resign as ordinary members of the board of directors. The bank, however, may allow them to continue as directors.

The chairman of the board shall cease to hold this position at 65 years of age, continuing as an ordinary member of the board. She or he must present the corresponding resignation at the first meeting of the bank's board of directors that takes place after the AGM that approves the accounts for the period in she or he reached this age.

**B.1.15 Indicate under what circumstances directors are obliged to resign:**

In compliance with the provisions of article 12 of the BBVA board regulations:

“Directors must tender their resignation to the board and accept its decision regarding their continuity in office or not. Should the board resolve they leave, they are obliged to formalise the corresponding severance, in the following events:

- When they are affected by circumstances of incompatibility or prohibition as defined in current legislation, in the company bylaws or in the director's charter.
- When significant changes occur in the professional situation or character by virtue of which they were appointed to the board.
- When they are in serious dereliction of their duties as directors.
- When the director, acting as such, has caused severe damage to corporate assets or no longer displays the commercial and professional honour required to hold a directorship in the bank.”

**B.1.16 Explain whether the duties of chief executive officer fall to the chairman of the Board. Indicate any measures taken to limit the risks of one single person accumulating powers:**

YES  NO

According to the provisions of the company bylaws, the chairman holds the highest-level powers of representation in the company and, in pursuit of his or her duties, also those to which the law entitles him or her.

However, according to article 45 of the company bylaws, the company has an executive committee, consisting of a majority of independent directors, which article 46 of said bylaws grants the following powers:

“To formulate and propose general policy guidelines, the criteria to be followed in the preparation of programmes and to fix goals, examining the proposals put to it in this regard, comparing and evaluating the actions and results of any direct or indirect activity carried out by the company; to determine the volume of investment in each individual activity; to

approve or reject operations, determining methods and conditions; to arrange inspections and internal or external audits of all areas of operation of the company; and in general to exercise the faculties delegated to it by the board of directors.”

Likewise, and also as established in the company bylaws under article 49, the company has a chief operating officer with the broadest powers delegated by the board, since he or she has powers of administration and representation of the company inherent to this post, to whom the general managers of each of the company’s business areas and support areas report.

Additionally, the board regulations, in article one, establish that: “At any time at least two-thirds of the board shall consist of independent directors.”

Finally, the company governance has, in order to better perform its functions, support from the different committees comprising solely non-executive directors in the case of the audit and compliance and appointments and remuneration committees, and which, in the case of the risks committee, comprise a majority of non-executive directors, who assist the board regarding the issues that fall within the scope of their powers.

**B.1.17 Are reinforced majorities required, other than the legally stipulated ones, for any kind of decision?:**

YES  NO

**Indicate how the board of directors adopts resolutions, including at least the minimum quorum of attendees and the kind of majorities required to pass resolutions:**

Adopting resolutions		
Description of resolution	Quorum	Type of majority

**B.1.18 Explain if there are specific requirements, other than those for directors, for being appointed chairman:**

YES  NO

Description of requirements

**B.1.19 Indicate whether the chairman has the casting vote:**

YES  NO

Subjects for which there is a casting vote

**B.1.20 Indicate whether the bylaws or the board regulations establish any age limit for directors:**

YES  NO

Age limit for the chairman	65
Age limit for COO	62
Age limit for directors	70

**B.1.21 Indicate whether the bylaws or the board regulations establish any limit on the term of office for independent directors:**

YES  NO

Maximum number of years in office	0
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**B.1.22 Indicate whether there are any formal processes for proxy voting in the board of directors. If so, briefly describe them.**

The BBVA board regulations establish that all directors are obliged to attend the meetings of corporate bodies and the meetings of the board committees, except in the event of a justifiable reason. They shall participate in the deliberations, discussions and debates on matters submitted for their consideration.

However, article 22 of the board regulations establishes that a director can be represented at board meetings by another director without limitation. This proxy must be notified specifically for each session by letter, fax, telegram or electronic mail addressed to the chairman. Such notification can be channelled through the secretary of the board.

**B.1.23 Indicate the number of meetings the board of directors has held during the year. Indicate the number of times, if any, on which the board has met in the absence of its chairman:**

Number of board meetings	13
Number of board meetings held in the absence of the chairman	0

**Indicate the number of board committee meetings held over the year:**

Number of executive committee meetings	23
Number of audit committee meetings	15
Number of appointments and remuneration committee meetings	9
Number of strategy and investment committee meetings	0
Number of risk committee meetings	81

**B.1.24 Indicate whether the individual and consolidated annual accounts presented for Board approval are certified beforehand:**

YES  NO

**If so, identify the person(s) certifying the individual and consolidated annual accounts presented for the Board to file:**

Name	Post

**B.1.25 Explain any mechanisms the board of directors may have established to avoid individual and consolidated accounts that it has filed being presented to the annual general meeting with a qualified auditor's report.**

The BBVA audit and compliance committee regulations establish, under article two, that this committee, formed exclusively by independent directors, has the task of assisting the board of directors in the supervision of accounts and in exercising control of the BBVA Group. In this sense, the scope of its duties covers the following functions: To supervise the extent, adequacy and effectiveness of the internal control systems and to ensure the accuracy, reliability, sufficiency and clarity of the financial statements of the company and its consolidated group in the annual and quarterly reports. This also applies to the accounting and financial information required by the Bank of Spain or other regulatory bodies including those of countries where the Group operates.

The committee shall know of any infractions, systems making adjustments necessary, or anomalies that may be detected during the external audit, that are of relevance. Those that, on their own or jointly, may originate significant material damage or impact on the Group's net worth or reputation shall be considered of relevance. This shall be decided at the discretion of the external auditor who, in the event of doubts, shall opt for communication.

The committee shall also verify that the audit schedule is being carried out under the service level agreement, with suitable periodicity, and that it satisfies the requirements of the competent authorities –in particular the Bank of Spain- and the bank's governing bodies. It shall also periodically require the auditors – at least once a year- assess the quality of the Group's internal control procedures.

**B.1.26 List measures adopted to ensure that information disclosed to the securities markets is transmitted equitably and symmetrically.**

According to the BBVA board regulations, the board of directors recognises the principle of transparency that must govern the actions of the company on financial markets. It must establish suitable arrangements to ensure that the Company discloses all information that may be relevant to investors, and that this information be correct and true.

To such end, its website shall publish any relevant events that may have a significant influence over the listed price of BBVA stock and other information whose dissemination is required by applicable rules and standards or that the company deems appropriate in order to best comply with the objectives mentioned above.

BBVA presents its quarterly and half-year information to its shareholders and investors in compliance with the legal requirements and informs the CNMV of this information using the official forms approved in the format required.

The company websites likewise make available to its shareholders and investors not just the above-mentioned quarterly and half-yearly information, but all kinds of financial information (information on the stock, analysts presentations, ratings, information on issues, etc.) and information on relevant events in the company, these being understood as any event or information that may have a discernable effect on share performance.

Moreover, the BBVA's code of conduct for securities market operations, which is applicable to members of the Group and members of the company's board of directors establishes, under Part IV, procedures to control information. One of its objectives is to prevent the uncontrolled flow of confidential and insider information between the different areas comprising the BBVA Group. It also establishes that the CNMV be notified of relevant events before they are communicated to any other person or media.

**B.1.27 Is the secretary of the board also a director?**

YES  NO

**B.1.28 Indicate the mechanisms, if any, established by the company to preserve the independence of the auditor, the financial analysts, the investment banks and the rating agencies.**

Under the BBVA audit and compliance committee's regulations, this committee's functions include monitoring the independence of external auditors. This entails two main aspects:

- ensuring that the auditors' warnings, opinions and recommendations cannot be compromised.

- establishing the incompatibility between the provision of audit services and the provision of consultancy, unless there are no alternatives in the market to the auditors or companies in the auditors' group of equal value in terms of their content, quality or efficiency. In such event, the committee must grant its approval, which can be done in advance by delegation to its chairman.

This matter is the subject of special attention from the audit committee which, during the year holds periodic meetings with the external auditor, to discover the details of the progress and quality of the external audit work. It monitors the hiring of consultancy services to ensure compliance with the committee's regulations and the applicable legislation in order to safeguard the independence of the auditor.

Moreover, since BBVA is listed on the New York stock exchange, it is subject to compliance with the standards established under the Sarbanes Oxley Act and the regulations emanating from it.

**B.1.29 Indicate whether the audit firm carries out other jobs for the company and/or its group apart from the audit. If so, declare the fees it receives for said jobs and what percentage these are of the total fees it bills to the company and/or its group.**

YES  NO

	Company	Group	Total
Value of work other than audit (€000)	6,404	9,101	15,505
Value of work other than audit / total amount billed (%)	62.960	50.330	54.877

**B.1.30 Indicate the number of consecutive years the current audit firm has audited the annual accounts of the company and/or its group. Express the number of years the current audit firm has audited the accounts as a percentage of the total number of years the annual accounts have been audited:**

	Company	Group
Number of consecutive years	4	4

	Company	Group
No. of years audited by current firm / No. of years accounts audited (%)	66.667%	66.667%

**B.1.31 List the company directors' stock holdings in other companies with the same, analogous or complementary kind of activity as constitutes the corporate objective of the company and/or its group, that have been reported to the company. Indicate the positions or duties they hold in said companies:**

Name of director	Name of company in which shares are held	% holding	Post or duties
FRANCISCO GONZÁLEZ RODRIGUEZ	BANCOVAL	3.042	
IGNACIO FERRERO JORDI	BANCO SANTANDER CENTRAL HISPANO	0.000	
IGNACIO FERRERO JORDI	BANCO POPULAR ESPAÑOL	0.000	
RICARDO LACASA SUÁREZ	BANCO POPULAR ESPAÑOL	0.008	
ENRIQUE MEDINA FERNÁNDEZ	BANCO EXPANOL DE CREDITO	0.000	
ENRIQUE MEDINA FERNÁNDEZ	BANCO POPULAR ESPAÑOL	0.000	
ENRIQUE MEDINA FERNÁNDEZ	BANKINTER	0.000	
ENRIQUE MEDINA FERNÁNDEZ	BNP PARIBAS	0.000	
ENRIQUE MEDINA FERNÁNDEZ	ROYAL BANK OF SCOTLAND	0.000	

ENRIQUE MEDINA FERNÁNDEZ	BANCO SANTANDER CENTRAL HISPANO	0.000	
ENRIQUE MEDINA FERNÁNDEZ	STANDARD CHARTERED	0.000	

**B.1.32 Indicate whether there are procedures for directors to receive external advice:**

YES  NO

Details of the procedure
<p>Article 7 of the BBVA board regulations expressly recognises that directors can ask the board to engage help from experts unrelated to the bank's services in connection with matters submitted for their consideration that, in their judgement, require such help because of their special complexity or importance. This shall be without detriment to the provisions in this regard in the bylaws of the board's committees. They can also ask for any further training that may be necessary for the performance of their duties.</p> <p>Article 31 of the audit and compliance committee regulations establishes that the committee may engage external consultants for relevant matters when it considers that, for reasons of specialisation or independence, these services cannot be provided by group experts or technical staff.</p> <p>Under article 34 of the board regulations, the appointments and remuneration committee may request advice as necessary to establish criteria related to its business and this shall be done through the board secretary.</p>

**B.1.33 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies.**

YES  NO

Details of the procedure
<p>Under article 7 of the board of directors' regulations: "Directors shall be given sufficient information to form an opinion on questions posed to the bank's corporate bodies and this information shall be provided sufficiently in advance.</p> <p>The right to information shall be channelled through the chairman or secretary of the board of directors. These parties shall attend to requests by providing the information directly or by establishing suitable channels within the organisation for this purpose, unless a specific procedure has been established in the rules of the board's committees.</p> <p>Directors may suggest the board engage experts from outside the bank regarding business submitted to their consideration, whose special complexity or importance they deem require outside help [...]."</p> <p>The same article establishes that directors shall receive any further training they require in order to appropriately acquit their responsibilities.</p>

**B.1.34 Indicate whether any insurance policy covers the company's directors' liability**

YES  NO

**B.2. Board of directors' committees:**

**B.2.1. List the governing bodies:**

Name of committee	Number of members	Duties
Executive Committee	6	See B.2.3.1.
Audit and Compliance Committee	5	See B.2.3.2.
Appointments and Remuneration Committee	3	See B.2.3.3.
Risks Committee	5	See B.2.3.4.

**B.2.2. List the Board Committees and their members:**

**EXECUTIVE COMMITTEE**

Name	Post
FRANCISCO GONZÁLEZ RODRIGUEZ	CHAIRMAN
JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ	MEMBER
JUAN CARLOS ÁLVAREZ MEZQUÍRIZ	MEMBER
IGNACIO FERRERO JORDI	MEMBER
ROMÁN KNÖRR BORRÁS	MEMBER
ENRIQUE MEDINA FERNÁNDEZ	MEMBER

**AUDIT COMMITTEE**

Name	Post
RICARDO LACASA SUÁREZ	CHAIRMAN
TOMÁS ALFARO DRAKE	MEMBER
RAMÓN BUSTAMANTE Y DE LA MORA	MEMBER
CARLOS LORING MARTÍNEZ DE IRUJO	MEMBER
SUSANA RODRÍGUEZ VIDARTE	MEMBER

**APPOINTMENTS AND RENUMERATION COMMITTEE**

Name	Post
CARLOS LORING MARTÍNEZ DE IRUJO	CHAIRMAN
JUAN CARLOS ÁLVAREZ MEZQUÍRIZ	MEMBER

IGNACIO FERRERO JORDI	MEMBER
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### INVESTMENT AND STRATEGY COMMITTEE

Name	Post

### RISKS COMMITTEE

Name	Post
JOSE ANTONIO FERNANDEZ RIVERO	CHAIRMAN
RAMÓN BUSTAMANTE Y DE LA MORA	MEMBER
RICARDO LACASA SUÁREZ	MEMBER
JOSE MALDONADO RAMOS	MEMBER
ENRIQUE MEDINA FERNANDEZ	MEMBER

### **B.2.3. Describe the organisational and functional rules and the responsibilities attributed to each of the board committees.**

#### **B.2.3.1 Executive Committee**

Article 26 of the board of directors' regulations establishes the following:

"In accordance with the company bylaws, the board of directors, following a favourable vote of two-thirds of its members and the corresponding entry in the Company Registry, can appoint an executive committee consisting of directors of the company of which half plus one must be independent directors.

The executive committee shall be chaired by the chairman of the board of directors, or in her or his absence, by the deputy chairman or deputy chairmen of the board who form part of this committee, in the order established by the committee or otherwise, by a member chosen by those participating in the meeting.

The secretary shall be the secretary of the board who, if absent, can be substituted by a person designated by participants at the meeting in question."

Likewise, article 27 of said regulations establishes the duties of the executive committee within the company, in the following manner:

"The executive committee shall deal with those matters which the board of directors, in accordance with current legislation or with the company's Bylaws, has delegated.

According to the company's bylaws, its faculties include the following: formulate and propose policy guidelines, the criteria to be followed in the preparation of programmes and to fix goals, to examine the proposals put to it

in this regard, comparing and evaluating the actions and results of any direct or indirect activity carried out by the entity; to determine the volume of investment in each individual activity; to approve or reject operations, determining methods and conditions; to arrange inspections and internal or external audits of all areas of operation of the entity; and in general to exercise the faculties delegated to it by the board of directors.

Specifically, the executive committee is entrusted with evaluating the bank's system of corporate governance. This shall be analysed in the context of the company's development and of the results obtained during such development and taking into account any rules that have been established or recommendations made regarding best market practice, adapted to its real corporate circumstances."

Additionally, article 28 of the board of directors' regulations establishes the following regarding the rules of organisation and operation for this committee:

"The executive committee shall hold ordinary meetings twice a month and it shall establish an annual calendar of these meetings.

However, it shall meet as often as considered necessary by its chairman or by the person who exercises her or his functions, or at the request of a majority of its members.

With regard to quorums, the system of adopting resolutions and other details, the provisions made for the board of directors in articles 21 to 25 of these regulations and article 47 of the company bylaws shall apply."

### **B.2.3.2 Audit and Compliance Committee**

The board of directors' regulations establishes the following:

"Article 29. Composition

The BBVA audit and compliance committee shall be formed exclusively by independent directors who are not members of the bank's executive committee. Their task shall be assisting the board of directors in overseeing accounts and exercising control of the BBVA Group.

It shall have a minimum of four directors appointed by the board. One of these shall act as chairman, also appointed by the board.

Members of the committee do not necessarily have to be experts in financial matters but they must understand the nature of the Group's businesses and the basic risks associated therewith. It is also essential that they be prepared to apply their judgement, derived from their professional experience, with an independent and critical attitude. In any event, the committee chairman shall have experience in financial management and shall understand the standards and accounting procedures required by the regulating bodies for the banking sector.

When the chairman may not be present, his/her duties shall be performed by the most senior member of the committee, and, where more than one person of equal seniority are present, by the oldest.

The committee shall appoint a secretary who need not necessarily be a member of the committee but cannot be an executive director.

#### Article 30. Object.

It will have the powers established under the company bylaws, with the following scope:

- To supervise the extent, adequacy and effectiveness of the internal control systems and to ensure the accuracy, reliability, scope and clarity of the financial statements of the company and its consolidated group in the annual and quarterly reports. This also applies to the accounting and financial information required by the bank of Spain or other regulatory bodies including those of countries where the Group carries out its activities.
- To monitor compliance with applicable domestic and/or international standards regarding money laundering, conduct in the securities markets, data protection and the scope of the Group's activities related to competition. It shall also ensure timely and suitable compliance with requests for information or action by official organisations with authority in these matters.
- To ensure that the internal codes of ethics and conduct and securities market operations, as they apply to group personnel, comply with legislation and are adequate for the bank's purposes.
- To carefully monitor compliance with the provisions of the BBVA Directors' Charter and ensure directors comply with the applicable standards of conduct in the securities markets.

Furthermore, as part of this scope the board shall detail the duties of the committee by means of specific regulations that establish the procedures associated with the achievement of its tasks, in a complementary manner to the provisions of the present regulations.

#### Article 31. Rules of organisation and operation

The audit and compliance committee shall meet as often as necessary to comply with its functions although an annual calendar of meetings shall be drawn up in accordance with its duties.

The officers responsible for the Oversight, Internal Audit and Standards Compliance areas may be invited to attend committee meetings, who may request other staff from their areas who have particular knowledge or responsibility in the matters contained in the agenda, be invited when their presence at the meeting is deemed advisable. However, only the committee members and the secretary shall be present when the results and conclusions of the meeting are evaluated.

The committee may engage external consultants for relevant matters when it considers that, for reasons of specialisation or independence, these services cannot be provided by group experts or technical staff.

The committee may also request personal help and reports from any member of the management team when these are deemed necessary to comply with its

functions in relevant matters. The usual channel for a request of this nature shall be through the hierarchy of the company. However, in exceptional cases the request can be notified directly to the person in question.

The system of convening meetings, quorums, the approval of resolutions and other details of its system of operation shall be governed by the provisions of these regulations for the board of directors insofar as they are applicable and by any specific regulations that might be established for this committee.

### **B.2.3.3 Appointments and Remuneration Committee**

The board of directors' regulations establish that the appointments and remuneration committee is entrusted with helping the board on issues that the board may put to it regarding the appointment of bank directors under the terms of the BBVA Principles of Corporate Governance. It shall also deal with aspects of pay that these Principles may commend to it, in particular, the pay for members of the bank's board of directors.

On this matter, the board of directors' regulations establishes the following:

#### **"Article 32. Composition**

The appointments and remuneration committee shall consist of at least three members. They must be independent directors appointed by the board of directors which will also appoint the committee chairman.

In the absence of the chairman, the sessions shall be chaired by the longest-serving member of the committee and in the event of senior members with equal service, by the oldest.

#### **Article 33. Duties**

The functions of the appointments and remuneration committee shall be as follows:

- 1) To evaluate candidates who have been proposed for appointment as members of the board of directors. Such appointment must be made at the AGM or, in the case of a vacancy, by the board itself. The committee shall take into account the personal and professional characteristics of the candidates and the current needs of the Company's governing bodies.
- 2) To propose the system of remuneration for the entire board of directors in accordance with the principles established in the company's bylaws. This system shall deal with the concepts, the amounts and the method of payment.
- 3) To determine in accordance with the company's bylaws, the extent and amount of the remuneration, rights and other economic rewards of the chairman, the managing director and other executive directors of the bank. These decisions will be incorporated in the corresponding contracts by virtue of the delegation of committee members by the board of directors.

- 4) To analyse proposals for multi-year incentive plans that affect the bank's senior management and to give its opinion on these to the corresponding corporate bodies.
- 5) To be aware of the basic principles of the bank's salary policy and especially the average fixed and variable remuneration of the members of the management committee and any associated annual adjustments.
- 6) To evaluate the remuneration policy for executive officers in companies in which the bank holds a direct or indirect interest. To examine the remuneration criteria for the boards of companies controlled by the bank.

#### Article 34. Rules of organisation and operation

The appointments and remuneration committee shall meet as often as necessary to carry out its functions, convened by its chairman or by the person who substitutes the chairman in accordance with article 32 above. It shall set up a calendar of sessions appropriate for its duties.

The committee may request the attendance at its sessions of persons with positions in the Group that are related to the committee's functions. It can also obtain advice as necessary to establish criteria related to its business and this shall be done through the committee secretary.

The system of convening meetings, quorums, the approval of resolutions and other details of its operations shall be in accordance with the provisions of these regulations for the board of directors, where applicable.”

#### **B.2.3.4 Risks Committee**

The board of directors' regulations establishes the following:

“Following the Basel committee recommendations, oversight and supervision of risk management in financial institutions is commended to the board of directors, which holds final responsibility for the periodic review and approval of the bank's risk policies, reflecting its risk tolerance and the expected return levels.

In order to do so, the board has an executive committee, to which it has delegated the approval of the Group's risk policies and strategy, in accordance with its strategic objectives, in terms of the expected loss and capital at risk.

However, the growing complexity of risk management at financial entities requires them to adopt a risk profile that matches their strategic goals. They should advance gradually, as circumstances permit, towards a model that establishes a system of delegation based on amounts and ratings. This also applies to active tracking of exposure to quantifiable risks by mapping risk capital, expected losses and control of non-quantifiable risk.

Thus the periodic analysis and monitoring of risk management within the scope of the board's delegated powers entails having a specific board committee which can put the necessary amount of time and expertise into its duties, the treatment of risk within the Group as a whole.

#### Article 35. Composition

The risk committee shall comprise a majority of non-executive directors, with a minimum of three members, appointed by the board of directors, which shall also appoint its chairman.

If the chairman is absent, the sessions shall be chaired by the longest-serving member of the committee and, in the event of more than one person with equal seniority, by the oldest.

#### Article 36. Object

The functions of the bank's board risk committee shall be as follows:

- To analyse and evaluate proposals related to the Group's strategy and risk policies and submit these to the executive committee of the bank for approval.
- To monitor the degree of adequacy of the risk assumed compared to the established profile, as a measure of the bank's risk tolerance and the expected return in regard to the risks taken.
- To approve risk operations under the established system of delegation.
- To check that the Group possess the means, systems, structures and resources benchmarked against best practices to allow implementation of its strategy in risk management.
- To submit proposals to the bank's executive committee as it considers necessary or advisable in order to bring the Group's risk management in line with best practice arising from recommendations on the corporate governance system or from the supervisory bodies on risk matters.

#### Article 37. Rules of organisation and operation

The risks committee shall meet as often as necessary to comply with its functions, convened by its chairman or by the person who substitutes her or him in accordance with the provisions of the previous item although an annual calendar of meetings shall be drawn up in accordance with its duties.

The system of convening meetings, quorums, the approval of resolutions and other details of its procedures shall be governed by the provisions defined in these regulations for the board of directors insofar as they are applicable to the committee and by any specific regulations that might be established."

#### **B.2.4. Indicate any advisory and consultancy powers and, where applicable, proxies assigned to each committee:**

<b>Name of committee</b>	<b>Brief description</b>
EXECUTIVE COMMITTEE	SEE B.2.3.1 AND B.2.6
AUDIT AND COMPLIANCE COMMITTEE	SEE B.2.3.2

Name of committee	Brief description
APPOINTMENTS AND REMUNERATION COMMITTEE	SEE B.2.3.3
RISKS COMMITTEE	SEE B.2.3.4

**B.2.5 Indicate any regulations that may cover the board committees; where they are available for consultation, and any changes that may have been made during the year. Indicate whether any annual report has been voluntarily drawn up on the activities of each committee.**

The audit and compliance committee and the risk committee each have their own specific regulations, approved by the board of directors. These, amongst other things, regulate its procedures and powers. Both sets of regulations are available on the company website.

In 2006 no changes were made to the regulations of the BBVA risk committee or the audit and compliance committee.

The audit committee presented the board of directors with a report on its activities, giving information regarding the committee's work related to the financial statements of the bank and its group, its work with the Group's external auditor and the basic guidelines of the external audit plan for 2006.

The appointments and remuneration committee also presented the BBVA's board of directors a report regarding its activities during 2006. This included the tasks the committee had carried out with respect to executive directors' remuneration, analysis of the general salary policy and the remuneration system for the board.

The risk committee submitted a report to the board on the significant aspects of its work in 2006. This included an analysis and assessment of the Group's strategies and policies on risk; the overall risk map; monitoring of the risks assumed by the bank and how they compare to the defined risk profile; and checking the suitable measures, systems and structures for implementing its risk management strategy.

**B.2.6 If there is an executive committee, explain the degree of powers and independence it has to adopt resolutions on the company's administration and management in pursuit of its duties.**

In compliance with article 45 of the company bylaws, BBVA has an executive committee, to which it has delegated all its powers of administration, except those that the law and/or the bylaws state that the board may not delegate due to their essential nature.

Pursuant to article 46 of the company bylaws:

"The executive committee shall meet as often as its chairman or acting chairman deems appropriate or at the petition of the majority of its members, to deal with those matters which the board of directors, in accordance with prevailing

legislation or with the company bylaws, has delegated. Such matters include, but are not restricted to, the following:

To formulate and propose policy guidelines, the criteria to be followed in the preparation of programmes and to fix goals, to examine the proposals put to it in this regard, comparing and evaluating the actions and results of any direct or indirect activity carried out by the entity; to determine the volume of investment in each individual activity; to approve or reject operations, determining methods and conditions; to arrange inspections and internal or external audits of all areas of operation of the entity; and in general to exercise the faculties delegated to it by the board of directors.”

Furthermore, all investment or divestment operations of more than €50m must be submitted to the Executive committee for approval.

Additionally, the duties to be carried out by this committee are detailed in B.2.3.1 above.

**B.2.7 Indicate whether the composition of the executive committee reflects the different directors’ participation in the board as a function of their category:**

YES  NO

If negative, explain composition of Executive Committee

**B.2.8 If there is an appointments committee, indicate whether all its members are external directors:**

YES  NO

**C ASSOCIATED OPERATIONS**

**C.1. List any relevant operations entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:**

Tax ID of significant shareholder	Name of significant shareholder	Tax ID of the company or its group company	Name of the company or its group company	Nature of the relationship	Type of operation	Value (€000)

**C.2. List any relevant operations entailing a transfer of resources or obligations between the company or its group companies and the company's managers and directors:**

Tax ID no. of directors or senior managers	Name of directors or senior managers	Tax ID of the company or its group company	Name of the company or its group company	Nature of the operation	Type of operation	Value (€000)

**C.3. List any relevant operations made by the company with other companies belonging to the same group, that are not eliminated in the process of drawing up the consolidated financial statements and whose object and conditions set them apart from the habitual trading of the company:**

Tax ID code	Name of the group company	Brief description of the operation	Value (€000)

**C.4. Identify any conflicts of interest affecting company directors, pursuant to article 127 of the Company Act.**

Any one-off situations of conflicts of interest that may have arisen have been resolved in compliance with the procedure established in C.5. below.

**C.5. List the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/or significant shareholders.**

**Directors**

Article 10 of the board of directors' regulations establishes the following:

"Directors shall abstain from attending and participating in cases from which a conflict of interest with the Company may ensue.

They shall not be present in the deliberations of the corporate organs they sit on when these relate to affairs in which they may have a direct or indirect interest or which may affect persons to whom they are related in legally established terms.

Furthermore, a director may not either directly or indirectly conduct personal, professional or commercial transactions with the company or group companies other than customary banking transactions unless these are subject to a procedure which ensures their transparency with simultaneous bidding and at market prices.

A director must also abstain from taking a direct or indirect interest in operations or companies in which bank or companies of its group hold an interest, unless such interest was held prior to her or his appointment as a director or prior to the Group's interest in such enterprise, or unless such companies are listed on domestic or international stock exchanges, or unless authorised by the board of directors.

Directors shall not use their position in the company to obtain a capital gain or a direct or indirect advantage for themselves, or persons to whom they are legally related, with respect to any business opportunity that they have learned of as a result of their position as director of the bank, unless this opportunity had been previously offered to the bank and it had decided not to take it up and the action of the director has been authorised by the board.

In any event directors must comply with the applicable provisions of the BBVA Group code of conduct with regard to stock exchanges, with legislation and with any other internal codes that apply to requests for loans, bank bonds and guarantees from the financial subsidiaries of the BBVA Group. They must also abstain from conducting or from suggesting to any party, a transaction involving shares of the company and its subsidiaries, or companies that are affiliates or associates when they have privileged or confidential information by virtue of their position, before such information is known to the public.”

Moreover, since BBVA is a financial institution, subject to the provisions of Act 31/1968 on incompatibilities and limitations of chairmen, directors and senior executives in private banking, by virtue of which chairmen, deputy chairmen, directors and general managers, or similar in the private banks operating in Spain may not obtain loans, bank bonds nor guarantees from the bank in whose management or direction they participate, except with express authorisation from the Bank of Spain.

Likewise, all members of the board and all members of the senior management are subject to the provisions of the company’s code of conduct with regard to securities market operations.

The BBVA Group’s code of conduct with regard to securities market operations establishes that, in order to control possible conflicts of interest, all persons subject to the code of conduct must inform the head of their area and the regulatory compliance unit before they carry out any operation or conclude the business involved, of any situations that could potentially and under each specific circumstance entail the appearance of conflicts of interest that could compromise their impartial behaviour.

Without detriment to the above, persons subject to the code shall have a statement permanently formulated before the regulatory compliance unit, which they shall keep up to date. This shall follow a form that is facilitated to them, in which to declare certain economic and family relations specified under said code.

In case of doubt regarding the existence of a conflict of interest, the persons subject to the code should adopt a criterion of maximum prudence, informing their superior and the regulatory compliance unit of the specific circumstances surrounding the case, so that these may form a reasoned judgement of the situation.

## **D** RISK CONTROL SYSTEMS

### **D.1 Give a general description of risk policy in the company and/or its group, listing and evaluating the risks hedged by the system, along with an explanation of how far these systems match the profile of each type of risk.**

BBVA believes that excellence in the management of risk is an essential part of its competitive strategy.

The Group sees risk and its global dimensions as a cornerstone for creating value in the banking business. Therefore its internal decision mechanisms use metrics that quantify the different risks in a uniform and consistent manner. These metrics require suitable identification, measurement and evaluation of the different risk types, together with comprehensive and unified control in accordance with a global risk management system.

The system has four basic parts:

- \* Established measurement tools for the types of risk implicit in each of the Group's businesses. In recent years, the bank has invested considerable effort in developing tools that incorporate methodologies for risk measurement.
- \* Databases and information systems that feed the various measurement systems with expected losses and economic capital figures at the different levels of decision.
- \* Procedures, circuits and management criteria, that incorporate the risk management model for decision processes, whether strategic or tactical, affecting the Group's daily operations.
- \* An expert and highly qualified team that handles the risk management function.

One of the basic aspects of the Group's management policies is the maintenance of a suitable balance between return and risk in the development and implementation of business plans for its units.

Based on corporate strategy, the Group's board of directors sets the general principles that define the target risk profile. It also approves the infrastructure necessary to manage risk, the delegation of responsibility and the system of limits that allow the business to be run in accordance with the profile on a daily basis.

The evaluation of the impact of stress scenarios was one of the most important aspects of development in 2006. Definition of adverse circumstances (from the macroeconomic and market points of view) and a meticulous study of their impact on the Group's businesses at global level, is one of the basic concerns of management.

## **PRINCIPLES OF RISK MANAGEMENT AT BBVA**

The risk management model at BBVA is based on the following four basic principles:

- A risk function that is independent of decision-making.
- Uniform systems for measuring and evaluating risk.
- Uniform structures, processes and operations at the units responsible for the Group's management.
- A global approach to risk management.

### **Principle of independence**

In the BBVA Group, the central risk area performs its duties in an independent manner, reporting to the chief operating officer, the risk committee, the executive committee and the board.

Independence of the risk function is achieved through specific procedures. Risk managers in the individual business areas report to the central risk area although, in terms of organisation, they come under the business manager of their particular area. Therefore they apply risk criteria based on the admission, tracking and control policies, and they use corporate management tools for this purpose.

This system of control follows recommendations by supervisory and watchdog organisations as well as those of leading expert groups (Garp).

### **Principle of Consistency**

The principle of consistency is ensured by a common measurement for quantifying risk in all the Group's companies and by the uniform risk-evaluation methods.

The BBVA Group ensures a consistent and uniform method of integrated management for all risks that affect its ordinary operations (lending, markets and operations). This entails their quantification and uniform management based on a common measurement – economic capital allocation. This is an estimate of the unexpected loss that can be incurred in different risk activities at a certain level of statistical confidence.

The concept of economic capital is a key factor in evaluation of the Group's global risk profile. It allows capital to be attributed to the different businesses and activities depending on the different levels of risk and the corresponding amount.

Thus, an estimate of risk capital provides a more accurate calculation of the risk-weighted return of the different business lines. It furnishes a comparison between earnings obtained and the risk capital effectively consumed.

In addition, BBVA uses uniform methods, as explained in detail in section D.2 of this report, for valuing, controlling and managing the different risks that might arise in its ordinary operations. These types of risk can be divided into four general categories: (i) lending risk, (ii) market risk, (iii) structural risk and (iv) operational risk.

### **Principle of uniformity**

The principle of uniformity basically refers to common corporate criteria for risk management for the entire Group. It covers policies, tools and systems, circuits and processes, structures and models.

In this manner the risk area can exercise control of the entire risk cycle throughout the BBVA Group. In the case of lending risk, this control is exercised in the risk admission function, the tracking function and in eventual recovery functions while such risk exists. Loans are qualified as non-performing/bad or, where indicated, as insolvent. In the case of market risk and operational risk, the risk area also monitors the entire risk cycle, through policies, structures, processes, systems and methodologies.

The BBVA Group has a uniform risk management model that allows risk to be accepted, tracked and recovered in a uniform manner regardless of the details of the business in question, of the geographic area or of the customer segments in which it operates.

Further development of the uniformity principle is based on a centralised definition of structures, tools and the risk culture (vision), combined with decentralisation of decisions.

Decentralisation of decisions is aided by a corporate-defined structure of limits related to market risks and delegation rules for lending risk.

The delegated limit at a particular level is the maximum aggregate of limits and risk that can be granted to a specific customer at that level. Operations that, due to the amount, type or maturity, cannot be authorised at a specific level or that are related to customers that are not delegated, are passed to a higher level.

The various decision levels for lending risk, in order from highest to lowest, are as follows: the board of directors, the executive committee, the risk committee, the technical operations committee, the risk committee of the central lending-risk unit and the area committee of the central lending-risk unit.

Operations associated with customers with a public presence or those linked to such customers, or their subsidiary banks, are subject to stricter criteria.

### **Principle of globality**

The importance of the global aspect in risk management stems from the nature of BBVA as a financial conglomerate that incurs many different types of risk in different geographic areas, with different customer profiles via a wide range of products and financial services.

The global aspect of risk has two important parts. First, a global vision of risk that, heeding the different needs of a financial entity, allows risk to be grouped under different business and management headings (customer, product, country, business unit, risk type, etc). And second, the conviction that risk and return must be analysed jointly in a consistent manner.

The ultimate goal is a form of risk management that is aligned with the strategic objectives of the bank, that fosters the creation of value and that ensures capital adequacy in terms of the target rating.

The present philosophy at BBVA holds that an integrated risk system must be simple, attainable and controllable. It must be capable of being understood and developed by the company without difficulty, simultaneously fostering a risk culture. It is therefore the bank's firm goal to make these principles known and valued by all those who are in some way a stakeholder.

## **D.2 Indicate the control systems established to assess, mitigate and reduce the main risks of the company and its group**

### **Methodology and quantification of lending risk**

The lending risk profile is quantified via two measurements: expected loss and economic capital (the latter is related to unexpected loss). The Group has numerous loan classification tools and a database system, which provide a suitable estimate of the inputs needed to calculate expected loss and capital. These metric

models, combined with information on cost and profitability, facilitate better management of internal risk. The process is based on the creation of value, facilitating compliance with regulatory requirements.

### **Probability of default**

The evaluation tools (scorings and ratings), which are used in the entire Group, help to organise the lending quality of operations or customers. They do this through the so-called probabilities of default. The Group uses internal databases of past records to study the aspects that determine this probability (for example, the points assigned by these tools and the age of an operation).

### **Scorings**

These tools evaluate retail operations (consumer finance, mortgages, credit cards, small businesses, etc).

This type of scoring is known as reactive (evaluation tools used to determine the approval of new operations based on information unrelated to the customer's behaviour). Behaviour scorings are another analysis tool used by the Group. They take into account past behaviour of the product and the customer in terms of different variables such as the number of bad debt cycles in recent periods or the number of consecutive increases in a customer's salary.

### **Ratings**

The Group has different tools for rating different customer segments. These tools do not classify operations, but customers.

The probability of default assigned by the evaluation tool is adjusted for the economic cycle. It takes into account past rates as well as expectations related to the economic cycle. The probability is linked to the BBVA master scale so that all the Group's operations are assigned an internal rating.

### **Severity**

Severity (loss given default, LGD) is defined as the percentage of exposure that the bank does not expect to recover in the event of default.

The main method used to calculate severity is called Workout LGD. This is based on discounting the flows from impaired loans as a result of recovery efforts.

In low-default portfolios, additional methods are used. These include external data sources of market severity rates for similar cases.

Like the calculation of probabilities, databases of past records help to establish the severity associated with operations or customers and to determine their underlying nature (bi-modal distribution, seniority, etc).

### **Cyclical adjustment**

This is a key factor in estimating expected loss and stable capital throughout an economic cycle. The conditions existing at the time the data was collected are matched against the average structural and cyclical situation expected in the future to calculate the cyclical adjustment coefficients.

The bank complements this method with a stress analysis of estimates. The underlying risk factors for the different types of lending risk are stressed. This way it explores how scenarios such as economic slowdowns, high interest rates or corrections in the property market (in the case of mortgage portfolios) might affect future losses.

### **Exposure at time of default**

This is another essential variable in the calculation of expected loss and economic capital for the Group's operations. We arrive at the conversion factors used to determine exposure at the time of default, from the same data used in estimating other risk parameters. This ensures the procedures for determining the inputs are consistent with best market practice. The estimates obtained from internal data are added to the databases and this helps to improve internal estimates of expected loss and economic capital for positions that are not reported on the balance sheet.

### **Methodology and systems for quantifying market risk**

In BBVA's market units, lending and market risks are managed by limits that depend on the particular activities of each trading floor. The system forecasts the impact of negative developments in the market on the unit's positions. This is done for normal circumstances and for situations in which the risk factors are less favourable. The executive committee approves the global VaR limits for each unit in accordance with its particular risks. It takes into account the types of risk, the business activities and the organisational structure of each unit.

Negative results of business units during the year can trigger reductions in the approved VaR limits. The system also incorporates loss limits and alerts, which automatically trigger procedures to handle situations that might have a negative effect on the area's business.

The model used is Value-at-Risk (VaR). It uses a covariance matrix with a 99% confidence level and one-day timeline. Base, spread and convexity risk and other risks associated with options and structured products are also considered. VaR predicts the maximum loss in portfolios as a result of changes in the equities markets and in interest and exchange rates, as well as in loan markets via the net interest spread on lending.

We conduct periodic analyses to evaluate impacts in markets that are shallow or less liquid. These consider the different liquidity conditions that affect financial markets in combination with economic capital and VaR limits under stress. They take into account the impact of past financial crises and scenarios that might arise in the future. Finally, the management model for market risk uses back-testing or hindsight comparisons. These check the accuracy of the risk system by comparing daily results at different levels of aggregation with the corresponding VaR values.

The Group has already implemented the new risk measurement platform in Spain and Mexico, and is now extending it to Latin-American units. This will

provide a more accurate and flexible measurement system with VaR based on hindsight simulations and Monte Carlo. In the future, the platform will integrate market and lending risk within the entire perimeter of the Advanced Internal Model for assigning capital costs.

## **Methodology and systems for quantifying structural risk**

### **Exposure to interest rates**

In accordance with the recommendations of the Basel Banking Supervision Committee, the BBVA Group has an appropriate organisation for managing and controlling structural interest-rate risk. This ensures the necessary independence of these functions. The assets and liabilities committee (ALCO) manages the structural balance (which excludes the activities of the markets or trading areas) in accordance with the risk profile defined by the Group's governing bodies. ALCO relies on input from the risk area, which functions as an independent unit. This area designs the systems for measurement, tracking, information and control, together with the limit policies.

The effects of structural interest-rate risk can be analysed from the point of view of their short and medium-term impact on the income statement or the impact on value in the longer term. Thus BBVA also uses various indicators to evaluate the consequences of variations in interest rates on net interest income over one and two-year timeframes.

The gaps analysis provides a simplified view of the balance sheet structure and this is useful to provide an idea of the impact of movements in interest rates. The table below shows the gaps in BBVA's structural balance sheet in euros, calculated according to the due dates and adjusted values of the main items that are sensitive to variations in the interest rate, distinguishing between operations at fixed and variable rates.

In addition, the risk area calculates the sensitivity of net interest income to parallel displacement of the yield curve. Although we examine different degrees of parallel displacement, positive and negative, BBVA's standard shock is 100 basis points.

Apart from calculating sensitivity, BBVA uses simulations to evaluate non-parallel movements such as changes of slope and curvature in yield curves. The estimated impact of these curves helps to determine the maximum loss that the Group might incur for a given level of confidence and a given period, in terms of net interest income. The maximum loss of value at 99% confidence is the economic capital for structural interest-rate risk. These calculations are complemented by the evaluation of forecast scenarios and stress scenarios. These are periodically updated according to the economic and financial situation.

### **Exposure to exchange rates**

Structural exchange-rate risk refers to the effect of exchange rates on the strategic or permanent positions of a bank. At BBVA, this risk is mainly

associated with its banks in the Americas. Variations in exchange rates affect the euro value of its investments and impact the Group's assets. Furthermore, net revenues in foreign currency from these banks are also exposed to currency variations.

BBVA segregates management and monitoring of structural exchange-rate risk, assigning these functions to ALCO and the risk area, respectively. The latter measures the risk, assessing its impact on the Group's assets and income statement, using exchange-rate simulations for this purpose. These consider past behaviour and possible future developments in accordance with market expectations and the likelihood of currency crises.

Economic capital for structural exchange-rate risk is calculated from these simulations, using the maximum loss in the Group's assets caused by changes in exchange rates at 99% confidence. This approach is also used to estimate the impact on the income statement. We determine the contribution of each currency to the risk assumed and this allows us to identify the more relevant exposures.

### **Exposure of equity positions**

According to the bank's corporate governance scheme, the executive committee establishes the general policies and procedures for the management of this risk and determines the maximum tolerance for the main portfolios. The risk area is responsible for identification, measurement and monitoring of the risks inherent in these investments. Moreover, it must keep senior management informed about these aspects, anticipating where possible any deviation compared to the original strategy. For this purpose it uses a series of risk and result indicators.

The corporate risk model provides conservative estimates of potential losses based on statistical models for the holdings portfolio, including derivative positions on underlying values of this nature. The market figures used are significant for the risk profile of the positions in the portfolio. They reflect a relatively long sampling period to capture the different phases of the cycle, consistent with the medium or long-term nature of the investments. We compare these estimates against the real outcome in the same period to verify their accuracy. We also conduct stress and sensitivity checks in different scenarios for the relevant risk factors. We base these on forecasts by the research department and other analysts and this helps to provide a deeper analysis of the risk profile.

Apart from other parameters, the model calculates the economic capital allocated to these investments for a one-year period at the confidence level implicit in the bank's objective rating (as a uniform basis for the Group's global risk map). We also use these estimates to evaluate the performance of the equities portfolio via measurements of profitability and value creation, adjusted for risk.

### **Liquidity Risk**

Measurement and tracking of liquidity risk at BBVA is carried out by the risk area and its daily management is the job of the markets area. Liquidity is tracked in the medium term by the finance management unit, which executes the decisions taken by ALCO in its monthly meetings.

The measurements used to control liquidity risk are mainly the daily tracking of short-term liquidity (disbursements and collections related to trading activity and other important activities). The timeframe is 1 to 90 days. Monthly structural liquidity is also tracked by forecasting liquidity gaps for the next 12 months, according to the bank's finance planning.

The measurement, whether short or medium term, is taken from the different quantitative indicators, for which we establish limits and/or alerts. These limits are diverse. They cover different aspects susceptible to control, ranging from liquidity gaps to the possibility of market calls, or the degree of concentration. We also monitor qualitative indicators that can affect liquidity, such as the perception of the market or of rating agencies. The system of limits is approved annually by the executive committee.

BBVA has a contingency plan, whose goal is to define the lines of action in the event of a liquidity crisis. This plan contains details of duties, the steps to be taken and the line of action in different scenarios or types of crisis. Stress analyses, distinguishing between in-house and banking system crises, are carried out as part of the liquidity analysis.

### **Methodology and systems for quantifying operational risk**

The Group has designed and implemented tools that take into account the qualitative and quantitative aspect of operational risk. They identify risk even if the event has not yet occurred. Risk is identified by its consequences (impact on the accounts). These tools also classify operational risk in the different categories established by Basel II (procedures, fraud, technology, human resources, commercial practice and disasters).

Management of operational risk in the business and support units is conducted by the operational risk committees. These comprise the officers responsible for management of the procedures and who have the capacity to change them. Each area contains a function, known as internal control or operational risk manager. This person co-ordinates all these tasks.

### **The Group's management tools are as follows:**

Ev-Ro: a basic qualitative tool to identify and evaluate the operational risk factors by business and support area, and by class of risk. A risk factor is any circumstance that might arise as an operational risk event. For example, a control weakness or a lack of training plans. The Ev-Ro tool is used in practically all the Group's business and support units.

The operational risk tools provide information on the level of risk in each unit. Therefore, they are the primary source of information for preparing offsetting measures. The committees also track the progress of these measurements

and they add new risk factors that have been discovered or have recently appeared.

TransVaR: this is a operational risk management tool that uses indicators. These are generated by the processes that manage the units. They can be divided into two classes: production (reflecting the volume of transactions) and quality (measuring the effectiveness of controls and process quality). TransVaR is one of the 22 common indicators for the entire Group. These can be broken down by type of risk and by country.

SIRO: is a large corporate database which, since January 2002, contains all the operational risk events that caused a loss or cost to the Group. The events are classified by business lines and class of risk. Each country has a local SIRO that transmits data to the main system in Spain each month.

SIRO is complemented by external data. This is provided by the ORX (Operational Risk Exchange) consortium. This association was set up in 2001 by 12 international banks, including BBVA. At the present time it has 30 members. Information from ORX has two uses: it complements BBVA's database for risk capital calculations and it provides a comparison with the rest of the sector.

### **Reputational risk**

The Group has a tool called RepTool for qualitative measurement of reputational risk. At BBVA, this is defined as the uncertainty of results arising from the perception of certain stakeholders regarding our brand image. The most important stakeholders are customers, shareholders, employees and the banking sector regulators. Reputational risk is always the result of other types of risk and perhaps operational risk is the greatest component.

### **Capital assigned to operational risk**

OpVision has been used to estimate the capital required for operational risk in Spain and Mexico in accordance with the Basel II advanced model (AMA). Specifically, this entails the LDA (Loss Distribution Approach) methodology, which attempts to estimate the distribution of losses caused by operational events. This is based on the two factors that determine distribution: the frequency and impact of the events. The figures are based on five years of records and come from three sources: a) the Group's internal database, b) external data from ORX and c) simulated events from the Ev-Ro tool.

## **D.3 If any of the risks facing the company and/or its group have materialized, indicate the circumstances and whether the control systems worked properly**

As we said before, risk is inherent in financial activities and therefore the materialisation of risk, to a greater or lesser degree, is absolutely unavoidable. However in BBVA losses arising from risks that have materialised have not been important. It should be noted that the Group's non-performing loan ratio at the end of 2006 continues the trend of improvement with regard to 2005.

These low levels of materialised risk are the result of risk containment and of mechanisms and systems that limit the eventual maximum impact of risks.

Among others these additional mechanisms include the following:

### **1. Market risk**

Apart from the limits on market risk the Group uses stop-loss limits. This means that managers are obliged to unwind their positions if the amount of loss exceeds a specific threshold, thus limiting their eventual extent.

### **2. Lending risk**

Management of lending risk is not confined to the acceptance process but entails tracking throughout the life of the loan, facilitating action at any time there is a deterioration in credit-worthiness of the individual exposures or of the portfolio. The possibility of incurring losses is therefore enormously reduced.

### **3. Operational risk**

The quantitative and qualitative management tools for lending risk are accompanied by mitigation of credit risk that act on the causes of operational risk, limiting its potentially adverse effect.

## **D.4 Indicate whether there is any committee or other governing body in charge of establishing and supervising these control systems and give details of what their duties are**

According to the recommendations of the Basel Committee, monitoring and supervision of risk management at financial entities is the duty of the board of directors which is the ultimate body responsible for approval and periodic review of the bank's strategies and policies on risk, reflecting its risk tolerance and the expected level of return.

In order to perform this duty, the board has an executive committee to which it delegates approval of the Group's strategy and risk policies in accordance with its strategic goals, in terms of expected loss and risk capital.

However, the growing complexity of risk management at financial entities requires them to define a risk profile that matches their strategic goals. They must advance gradually, as circumstances permit, towards a model that establishes a system of delegation based on amounts and ratings. This also applies to active tracking of exposure to quantifiable risks by means of a map of risk capital, expected losses and control on non-quantifiable risks.

Thus analysis and periodic tracking of risk management with regard to the attributes of the administrative bodies of the bank, made it advisable to set up a specific board committee for this purpose. Within the scope of its defined functions, this committee should apply the necessary dedication to analyse the way risk is handled in the entire Group.

Consequently, the risk committee of the board was set up with the following goals:

- To analyse and evaluate proposals related to the Group's strategy and risk policies and to submit these to the executive committee of the bank for approval.
- To monitor the degree to which the risks assumed match the established profile, as a measure of the bank's tolerance to risk and the expected returns commensurate with the risks taken.
- To approve risk operations through an established system of delegation.
- To check that the Group possesses the means, systems, structures and resources in line with best practice and that will allow implementation of its risk management strategy.
- To submit proposals to the bank's executive committee as it considers necessary or advisable, in order to bring the Group's risk management procedures into line with best practice (as defined through recommendations on the corporate governance system or as established by supervisory bodies on risk matters).

The functions of BBVA's risk committee, as contained in its particular bylaws, shall be as follows:

1. To assess the Group's strategy and general risk policies in terms of limits by risk type and business type, broken down by business lines and areas of activity (including credit risk, market risk and structural risk in terms of liquidity risk, interest rate risk and exchange rate risk) in order to make the corresponding proposals to the executive committee.
2. To analyse and evaluate the Group's risk management in terms of risk profile (expected loss), profitability and capital map (risk capital), and to analyse the Group's exposure by type of business, country, customer segment and incumbent sector leaders.
3. To make proposals to the executive committee regarding delegation of the authority to approve different types of risk where this authority is currently held by the executive committee or the risk committee.
4. To analyse the Group's risk control systems, ensuring that they:
  - Ensure sufficient information to obtain a precise idea of risk exposure in the case of decisions.
  - Ensure appropriate operation of policies and procedures that mitigate operational risk.
5. To analyse and approve lending risk proposals, in accordance with the established rules of delegation, evaluating maximum exposure by customer or group, as well as those that might compromise the Group's capital adequacy in view of their size or might entail operational or reputation risk or exceed the established limits.

This does not include risks whose approval is reserved for another department of the bank.

6. To encourage alignment of the Group's risk management with an advanced model that allows definition of a risk profile in accordance with the strategic objectives and tracking of the degree of suitability of the risks assumed in terms of this profile.

For this purpose it must track the preparation of recommendations for the Bank of Spain, for other regulatory bodies and for the Basel Committee as well as their implementation in the Group's risk management model.

#### **D.5 Identify and describe the compliance processes for the regulations and standards affecting the company and/or its group**

There are two basic mechanisms that guarantee compliance with the different regulations that affect the Group's companies. These are based on the controls that are applied by the following areas.

The internal audit area monitors compliance with internal procedures and their adaptation to regulatory requirements.

The purpose of the compliance area is to ensure global compliance with legal requirements that affect the Group.

Parallel to greater integration between risk management and business decisions, particularly in the risk management area, the Group is tackling the final stage of the adaptation process for Basel II. From the beginning, it has decided on the advanced model for lending and operational risks. (It already has an internal model approved by the supervisor to calculate the capital consumed by market risk.)

In accordance with the calendars drawn up by the regulators, in 2006 the bank provided the relevant information on the models which it is presenting for validation.

The Group is actively co-operating with the supervisors in general but especially with the Bank of Spain and the Mexican Banking and Securities Commission to move forward in a consistent and co-ordinated fashion with validation of the advanced models according to the calendar in the agreement, which concludes in December 2007.

### **E GENERAL MEETING OF SHAREHOLDERS**

- E.1. State how many attendees constitute a quorum for the Annual General Meeting (AGM) according to the bylaws Describe any differences from the regime of minimums under the Company Act.**

Under article 25 of the BBVA company bylaws, annual and extraordinary general meetings shall be validly constituted with the minimum quorum required by the

prevailing law at any time, according to the nature of the different business included on the agenda.

The above notwithstanding, a reinforced quorum of two thirds of subscribed capital is required at first summons and of 60% of said capital at second summons, in order for the following resolutions to be validly adopted: substitution of the corporate object, transformation, total break-up, winding-up of the company and amendment of the article in the bylaws establishing this reinforced quorum.

**E.2 Explain the rules governing adoption of corporate resolutions. Describe any differences from the guidelines established under the Company Act.**

Article 31 of the BBVA company bylaws establishes that the resolutions of ordinary and extraordinary general meetings shall be adopted with the majorities demanded under the Company Act.

**E.3 List all shareholders' rights regarding the general meetings other than those established under the Company Act.**

For the company, there are no shareholders' rights other than those established under the Company Act with respect to AGMs.

Shareholders' rights in this respect are also shown in detail in the general meeting regulations, which are publicly available on the company website

**E.4. Indicate measures adopted, if any, to encourage shareholder participation at AGMs**

BBVA, in order to encourage the participation of its wide base of shareholders in its AGMs, apart from establishing all the information channels required by law, also sends an attendance card to the domicile of all shareholders with the right to attend. This includes the agenda and information on the date, time and place where the AGM is to be held.

It also posts information regarding the AGM on its website, with the agenda, details on its arrangements, the proposed resolutions that the board of directors will put to it and the channels of communication between the company and its shareholders, via which shareholders may apply for further details on the AGM.

To facilitate our shareholders' participation in the AGMs, a procedure has been established, in compliance with Act 26/2003, 17th July, to enable shareholders that are not planning to attend the AGM to vote by proxy or remotely.

In this manner, and in accordance with the Company Act and the bylaws, voting rights on proposals regarding agenda items may be delegated or exercised by the shareholder by post, e-mail or any other remote means of communication, provided the voter's identity is duly guaranteed.

Votes and proxies can also be sent via electronic mail, through the bank's website (www.bbva.com) following the instructions given there.

**E.5. Indicate whether the AGM is chaired by the chairman of the board of directors. List measures, if any, adopted to guarantee the independence and correct operation of the AGM:**

YES  NO

Details of the measures
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Article 26 of the company bylaws establishes that: "The chairman of the AGM shall be chairman of the board of directors. When there is no such or he/she is absent, the AGM shall be chaired by the deputy chairman. (...)."

The correct operation of the AGM is guaranteed under the AGM Regulations approved by the company shareholders at the AGM, February 2004.

The AGM shall be convened at the initiative and according to the agenda determined by the board of directors. The board must necessarily convene a general meeting when so requested by a shareholders representing a minimum of five percent of the share capital. Should the board of directors call the AGM for within the following thirty days as of the date on which required to do so by notarised document, it shall mention its compliance with this requirement in the notice convening it. The notice shall cover the matters that said notarised document puts forward as grounds for holding the meeting.

Annual and extraordinary general meetings must be called by notices that the board of directors or its agents shall publish in the Official Gazette of the Companies Registry and in one of the highest-readership daily newspapers in the province of its registered offices, at least one month before the date established for the meeting, pursuant to the Company Act, in compliance with the amendment that Act 19/2005 introduced on European companies domiciled in Spain.

The notice shall state on which date the AGM is to meet at first summons and all the business it will deal with. It must contain all references stipulated under the Company Act. It must also state the date on which the AGM will be held at second summons. Shareholder representing at least five percent of the share capital may request a supplement to the notice of meeting be published adding one or more agenda items.

The notice of meeting for the AGM shall state the shareholders' right, as of the date of its publication, to immediately obtain at the registered offices any proposed resolutions, reports and other documents required by law and by the bylaws, free of charge.

It shall also include necessary details regarding shareholder information services, indicating telephone numbers, email address, offices and opening hours. The company website shall contain documents related to the AGM, with information on the agenda, the proposals from the board of directors, and any relevant information shareholders may need to issue their vote. Where applicable, information shall be provided on how to follow the AGM from a remote location employing duly established broadcast systems. Information on anything else considered useful or convenient for the shareholders for such purposes shall be included.

Until the seventh day before the AGM date, shareholders may ask the board for information or clarification, or send in written questions regarding agenda items and information available to the public that the company may have furnished to the CNMV (the Spanish exchange authorities) since the last general meeting was held. After this deadline, shareholders have the right to request information and clarification or ask questions during the AGM as established under article 18 of the AGM regulations.

The right to information may be exercised through the company website, which shall publish the lines of communication open between the company and its shareholders and explain how shareholders may exercise their right. It shall indicate the postal and email addresses to which shareholders may address their requests and queries.

The company's AGMs may be attended by anyone owning the minimum number of shares established in the bylaws, providing that, five days before the date on which the meeting is to be held, their ownership is recorded on the corresponding company ledgers and they retain at least this same number of shares until the meeting is actually held. Holders of fewer shares may group together until achieving the required number, appointing a representative.

In accordance with the bylaws, shareholders may vote on proposals regarding agenda items at any kind of general meeting by proxy or by post, e-mail or any other remote means of communication, provided the voter's identity is duly guaranteed in the manner described in sections E.4, E.9 and E.10 of this report and articles 8 to 10 of the AGM Regulations. The AGMs shall be arranged in order to guarantee shareholders may participate and exercise their voting rights. The Company shall take any measures it deems necessary to preserve due order at the AGM.

When each general meeting is to be held, proper means of surveillance, protection and law enforcement shall be established. These will include entrance control and identification systems deemed suitable at any time in view of the circumstances under which the meetings are held.

The AGM Regulations include details as to how the attendance list is to be drawn up, the meetings be run and the proposed resolutions voted in order to properly expedite the meetings.

**E.6. Indicate any changes brought into the AGM Regulations during the year.**

There have been no changes to the AGM Regulations during 2006.

**E.7. Give attendance data on the general meetings held during the year to which this report refers:**

**Attendance figures**

Date of general meeting	% attending in person	% by proxy	% remote voting	Total %
18-03-2006	4,110	33,520	18,350	55,980

**E.8. Briefly indicate the resolutions adopted at the general meetings held during the year and the percentage of votes by which each resolution was passed:**

A summary is given below of the resolutions adopted at the AGM, 18<sup>th</sup> March 2006, along with the percentage of votes by which each was passed.

ITEM ONE.- Examination and approval, where forthcoming, of the annual accounts and management report for Banco Bilbao Vizcaya Argentaria, S.A. and its consolidated financial group. Application of earnings; dividend payout. Approval of corporate management. All these refer to the year ended 31st December 2006.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,864,143,984
- Number of votes against: 566,858
- Number of abstentions: 33,465,573.

Resolution One adopted by a 98.21% margin.

ITEM TWO.- Adoption, where forthcoming, of the following resolutions on the appointment and ratification of board members:

- 2.1.- Appointment of Mr Tomás Alfaro Drake
- 2.2.- Re-election of Mr Juan Carlos Álvarez Mezquíriz
- 2.3.- Re-election of Mr Carlos Loring Martínez de Irujo
- 2.4.- Re-election of Ms Susana Rodríguez Vidarte

Consequently, pursuant to paragraph 2 of article 34 of the company bylaws, to set the number of directors at 15.

- Number of votes cast on resolution 2.1:1,898,176,415
- Number of votes in favour: 1,895,184,009
- Number of votes against: 407,743
- Number of abstentions: 2,584,663.

Resolution 2.1 adopted by a 99.84% margin.

- Number of votes cast on resolution 2.2:1,898,176,415
- Number of votes in favour: 1,897,457,567
- Number of votes against: 388,081
- Number of abstentions: 330,767.

Resolution 2.2 adopted by a 99.96% margin.

- Number of votes cast on resolution 2.3:1,898,176,415
- Number of votes in favour: 1,897,357,357
- Number of votes against: 388,699
- Number of abstentions: 430,359.

Resolution 2.3 adopted by a 99.96% margin.

- Number of votes cast on resolution 2.4:1,898,176,415
- Number of votes in favour: 1,897,289,803
- Number of votes against: 343,172
- Number of abstentions: 543,440.

Resolution 2.4 adopted by a 99.95% margin.

ITEM THREE.- Authorise the board of directors to issue fixed-yield securities, of any class or kind, including exchangeable and redeemable securities, non-convertible in equity, to a maximum nominal sum of €105 bn (105,000,000,000. euros), repealing the unused part of the authorisation conferred at the BBVA AGM, 26<sup>th</sup> February 2005 and maintaining it in force for the part already drawn down.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,892,336,016
- Number of votes against: 5,417,888
- Number of abstentions: 422,511

Resolution three adopted by a 99.69% margin.

ITEM FOUR.- Authorisation for the Company to acquire treasury stock directly or through Group companies, pursuant to article 75 of the Consolidated Text of the Companies Act, establishing the limits and requirements for these acquisitions, with express powers to reduce the Company's share capital to redeem treasury stock. Granting necessary authority to the board of directors to implement the resolutions passed by the AGM in this respect, repealing the authorisation conferred by the AGM, 26th March 2005.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,897,457,839
- Number of votes against: 612,387
- Number of abstentions: 106,189.

Resolution four adopted by a 99.96% margin.

ITEM FIVE.- Re-election of the firm, DELOITTE, S.L. as auditors for the 2006 accounts of Banco Bilbao Vizcaya Argentaria, S.A. and its consolidated financial group.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,894,326,607
- Number of votes against: 613,947
- Number of abstentions: 3,235,861.

Resolution five adopted by a 99.80% margin.

ITEM SIX.- Approval, for application by the Bank and its subsidiaries, of a long-term BBVA stock remuneration plan for members of the management team, including the executive directors and members of the Management committee, which entails delivering BBVA shares to its beneficiaries.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,882,944,961
- Number of votes against: 15,049,179
- Number of abstentions: 182,275.

Resolution six adopted by a 99.20% margin.

ITEM SEVEN.- Amendment of article 53, "Application of earnings" in the company bylaws in order to establish the possibility of remunerating members of the board of directors by giving them shares or options on shares or sums indexed to the share value.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,856,597,573
- Number of votes against: 41,474,809
- Number of abstentions: 104,033.

Resolution seven adopted by a 97.81% margin.

ITEM EIGHT.- Approve, for application by the Bank, a deferred remuneration system for its non-executive directors, under which they would be given Banco Bilbao Vizcaya Argentaria, S.A. shares.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,841,523,995
- Number of votes against: 50,509,123
- Number of abstentions: 6,143,297.

Resolution eight adopted by a 97.02% margin.

ITEM NINE.- Conferral of authority to the Board of Directors, which may in turn delegate said authority, to formalise, correct, interpret and implement the resolutions adopted by the AGM.

- Number of votes cast: 1,898,176,415
- Number of votes in favour: 1,897,025,077
- Number of votes against: 1,042,158
- Number of abstentions: 109,180.

Resolution nine adopted by a 99.94% margin.

**E.9. Indicate the number of shares, if any, that are required to be able to attend the AGM and whether there are any restrictions on such attendance in the bylaws.**

Article 23 of the company bylaws establishes that: The company's annual and extraordinary general meetings may be attended by anyone holding 500 or more shares, providing that, at least five days before the date on which the AGM is to be held, their ownership is recorded on the corresponding company ledgers, in compliance with the Securities Market Act and other applicable provisions, and they retain at least this same number of shares until the general meeting is actually held.

Holders of fewer shares may group together until achieving at least the required number, appointing a representative.

Each shareholder entitled to attend who so requests will be given a card with their name on it, indicating how many shares they hold [...]."

The above notwithstanding, so that holders of fewer shares than the minimum established in the bylaws may attend if they so wish, they may apply for an invitation to the AGM through the shareholders helpdesk, the website or any BBVA branch. It will be facilitated to them, after taking due account of inevitable space constraints in the facilities where AGMs can be held and the very high number of shareholders in the company.

**E.10. Indicate and explain the policies pursued by the company with reference to proxy voting at the AGM**

As indicated above, any shareholders entitled to attend may be represented at the AGM by another shareholder, using the form of proxy established by the Company for any AGM, that will be displayed on the attendance card. No shareholder may be represented at the AGM by more than one proxy.

Representation conferred to someone not eligible at law to act as proxy shall neither be valid nor effective. Proxies conferred by holders in trust or in agency may be rejected

Proxies wishing to vote remotely shall be conferred authority in writing or by remote means of communication in compliance with the requirements of article 105 in the Companies Act, and other applicable legislation. Rights of proxy shall be specific to each AGM.

Representation shall always be revocable. Should the shareholder represented attend the AGM in person, his/her representation shall be deemed null and void.

**E.11. Indicate whether the company is aware of the institutional investors' policy regarding whether or not to participate in the company's decision making:**

YES  NO

Describe the policy
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**E.12. Indicate the address and mode of access to the content on corporate governance on your web-site:**

The content that must be published pursuant to Act 26/2003, 17th July, on the transparent governance of listed companies, in ramification of ECO/3722/2003, 26th December, and the content required under CNMV Circular 1/2004, 17th March, on the annual report on corporate governance of listed companies, are directly accessible at [www.bbva.com](http://www.bbva.com)

**F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

**Indicate how far the company has complied with existing recommendations on corporate governance or, where applicable, has not followed said recommendations**

**Should the company not have complied with any of them, explain the recommendations, standards, practices and/or criteria that the company does apply.**

**Until the single document referred to in the ECO/3722/2003, 26th December, is completed, the recommendations of the Olivencia Report and the Aldama Report should be used as reference when filling out this part.**

On the date when the BBVA board of directors approves this 2006 annual report on corporate governance the CNMV board has approved the unified code of recommendations on corporate governance. Nonetheless, this establishes that it should be used as the benchmark standard for listed companies in the annual report on corporate governance for 2007.

Therefore, although amendments during 2007 will be resolved in order to comply with the recommendations of said code, below we list the recommendations on corporate governance included in the Olivencia report, which have been updated in the Aldama report, and describe our compliance with them:

Recommendation 1, Functions of the Board of Directors

“The board of directors shall expressly recognise the general function of supervision as its core mission. It shall exercise the responsibilities this entails without delegating them and establish a catalogue of the matters reserved for it to monitor.”

We comply with this.

In accordance with the company's bylaws, the board of directors of Banco Bilbao Vizcaya Argentaria S.A. is the natural organ of representation, administration, management and control of the Company. It is responsible for examining and guiding corporate strategy, for

major action plans, risk policies, annual plans and budgets, establishing goals, ensuring their implementation and compliance at corporate level, and for supervising the principle allocations of capital, divestments and acquisitions. It also is responsible for those other powers conferred on it under the provisions of the law, the company's bylaws and article 17 of the Board Regulations.

#### Recommendation 2. Independence of the Board of Directors

"The board of directors shall include a reasonable number of independent directors, with a profile of professional prestige without any affiliation with the management team or significant shareholders."

We comply with this.

According to article 1 of the Board Regulations, transcribed in section B.1.4. herein, the board of directors shall be composed such that at least two thirds of its members are independent directors. Independent directors shall always be a majority on the Executive committee.

Detailed profiles of the directors are included in section B.1.3.

#### Recommendation 3. Composition of the board of directors

" In the composition of the board of directors, external directors (shareholder-nominated and independent directors) shall constitute a borad majority over executive directors. The proportion between shareholder-nominated and independent directos shall be established bearing in mind the relationship between the capital consisting of significant holdings and the rest."

We comply with this.

As mentioned above, the BBVA board has a broad majority of external directors, namely of its 15 current members, 12 are external directors and 3 executive directors.

#### Recommendation 4. Size of the Board of Directors

" The board of directors should be sized in order to ensure its operates in the most efficient and participative manner." In principle, the suitable size may vary between five and fifteen members."

We comply with this.

The BBVA board of directors has 15 members, who are listed in section B.1.2. of this report.

#### Recommendation 5. De-concentration of power.

" Should the board opt for the formula of accumulating the powers of chairman with those of chief executive, it should adopt necessary safeguards to reduce the risks of concentrating power in one single person."

We comply with this.

See section E.5 of this report.

#### Recommendation 6. Normative guarantee

“ The post of board secretary shall be imbued with maximum relevance; its independence and stability shall be reinforced and its function of overseeing the formal and material legality of everything the board does must be emphasised.”

We comply with this.

The secretary of the board is a director and the company secretary of the Bank and legal advisor to the board.

#### Recommendation 7. Composition of the Executive committee

“The composition of the executive committee, where it exists, shall reflect the same balance as there is on the board between the different categories of directors. The relations between both bodies shall be informed by the principle of transparency, such that the board has comprehensive knowledge of the business dealt with and the resolutions that the committee has adopted.”

We comply with this.

The executive committee, in compliance with article 26 of the BBVA board regulations transcribed in B.2.3.1 herein, shall comprise members of the board of directors, of which half plus one shall be independent directors. The current composition of the executive committee is given in B.2.2. herein.

#### Recommendation 8. Board of Directors' Committees

“The board of directors should establish committees in which to delegate control, comprising exclusively external directors, with respect to accounts control and information (Audit); the selection of directors and senior managers (Appointments); determination and review of remuneration policy (remuneration); and evaluation of the governance system (Compliance).”

We comply with this.

B.2.3.1, B.2.3.2 and B.2.3.3. contain the fundamental rules of operation and the competences of the BBVA board committees. B.2.2. shows the current composition of each of them.

BBVA has an executive committee which, in compliance with article 6 of the board regulations, comprises directors of whom half plus one must be independent. It also has audit and compliance, and appointments and remuneration committees, also comprising exclusively independent directors, pursuant to the regulations.

Article 27 of the board regulations establishes that the executive committee should specifically be entrusted with evaluating the bank's corporate governance system. This shall be analysed as a function of the way the company develops, the results generated

by its implementation, any regulations that may be established, and recommendations on best market practices tailored to the realities of the company.

#### Recommendation 9. Directors' Information

"Due arrangements shall be taken to ensure that the directors can obtain sufficient information, specifically elaborated and oriented to prepare board meetings, in sufficient time. Except in exceptional circumstances, the importance or reserved nature of the information cannot be argued as grounds not to do so."

We comply with this.

B.1.33 herein includes information on the procedures by which directors may request the information they need and which enables them to form sound criteria regarding the matters submitted to their consideration.

#### Recommendation 10. Frequency of Board Meetings

"To ensure the board operates correctly, its meetings shall be held as often as necessary to comply with its mission. The chairman shall encourage all the directors to take part and freely adopt positions. Special care shall be taken in drawing up the minutes. The quality and efficiency of its operations shall be reviewed at least once a year."

We comply with this.

In accordance with article 18 of the board regulations, the board shall meet in ordinary session once a month. A yearly schedule shall be drawn up sufficiently in advance for its ordinary meetings.

Moreover, the board of directors shall meet whenever the chairman or the executive committee considers this appropriate, or at the request of directors representing at least one quarter of the board members appointed at any time.

The board meeting, 30<sup>th</sup> September 2003, established a charter with specific rules of operation, including the recurrent appearance of the chairs of its committees before the board to present the matters and issues dealt with in their sessions and report on their activities.

#### Recommendation 11. Appointments Policy

"The intervention of the board in the selection and re-election of its members shall respect a formal, transparent procedure, based on a reasonably argued proposal from the appointments committee."

We comply with this.

The board's appointments and remuneration committee, exclusively made up of independent directors, is attributed with the duties of evaluating the qualifications of persons who could be appointed members of the bank's board of directors. B.1.14. herein indicates the procedure for the appointment and re-election of directors that the company follows.

#### Recommendation 12. Unmovable External Directors

"Companies shall include in their regulations, an obligation by which directors must resign under circumstances that could have a negative impact on the operation of the board and/or the credibility and reputation of the company."

We comply with this.

The circumstances under which BBVA directors must tender their resignation to the board of directors and accept its decision regarding whether or not they should continue to sit on it, are given in B.1.15 herein:

#### Recommendation 13. Directors' Age

"A maximum age shall be established for those holding directorships, which could be sixty-five to seventy years for executive directors and the chairman, and somewhat more flexible for the rest of the members."

We comply with this.

As indicated in B.1.14 herein, according to the BBVA board regulations, directors shall leave their directorship at the age of 70 years, and the chairman shall stand down as CEO at the age of 65, remaining as member of the board. The bank's chief operating officer and the executive directors shall stand down at 62.

#### Recommendation 14. Appropriate Information and Advisory Services

"The right of all directors to gather and obtain the necessary information and advice to pursue their oversight duties shall be formally recognised. Suitable arrangements shall be made for this right to be exercised, including the engagement of external experts under special circumstances."

We comply with this.

In compliance with article 7 of the board regulations, directors may request the board to engage experts from outside the bank on those matters submitted to their consideration, whose special complexity or importance leads them to deem it necessary. They may also request any necessary further training in order to be able to carry out their duties.

B.1.32 includes information on the procedure by which directors can engage external advisory services.

#### Recommendation 15. Directors' Remuneration

"The remuneration policy for the directors, which shall be reviewed and evaluated by the remuneration committee, shall respect the following criteria: moderation, linking pay to the performance of the company and detailed, individualised information."

We comply with this.

The board appointments and remuneration committee has powers under the company bylaws to determine the scope and amount of the remuneration, economic compensation and entitlements for executive directors in order to include these aspects in a written

contract. The committee proposes, within the framework established under the bylaws, the system of remuneration for the board of directors as a whole, and its different items, how these should be broken down and the settlement system.

B.1.9. and G herein include details of how the directors' pay is established and the itemised remuneration received by each director during 2006.

#### Recommendation 16. Directors' Loyalty

"The internal regulations of the company shall list the obligations emanating from directors' general duties of diligence and loyalty. They shall, in particular, envisage the possibility of conflicts of interest arising, the duty of confidentiality, the exploitation of business opportunities and the use of corporate assets."

We comply with this.

In compliance with article 7 of the BBVA board regulations, members of the bank's board of directors shall exercise the duties corresponding with the respective posts they occupy on the board and on the board committees that they sit on, in accordance with the law, the company bylaws, the bank's rules on corporate governance, and any resolutions adopted in this respect by the company's governing bodies.

This same article establishes that directors are bound to be loyal, complying with duties imposed by laws and by the bylaws and displaying loyalty towards corporate interests, understood as the company's best interests.

Regarding issues of conflict of interests, article 10 of the regulations covers in detail the different situations in which possible conflicts of interest could arise with the company, and C.5 herein cites the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and its directors, managers and/or significant shareholders

#### Recommendation 17. Extension of the Duties of Loyalty to Significant Shareholders and Senior Management.

"The board of directors shall foster the adoption of due arrangements to extend the duties of loyalty to significant shareholders, establishing, especially, safeguards for transactions made between such shareholders and the company."

We comply with this.

In compliance with A.2 herein, BBVA is not aware of any shareholders with a significant holding as of 31st December 2006.

#### Recommendation 18. General Shareholders Meeting

“Measures shall be established aimed at making the mechanism of proxy voting more transparent and to encourage greater communication between the company and its shareholders, in particular, institutional investors.”

We comply with this.

Any shareholders entitled to attend may be represented at the AGM by another shareholder, using the proxy form established by the company for each general meeting that will be displayed on the attendance card. No shareholder may be represented at the AGM by more than one proxy.

E.10 herein cites the applicable rules with respect to proxies and B.1.26 includes additional references to the matter.

#### Recommendation 19. Transparent Information

“The board of directors, over and above the requirements imposed by prevailing regulations, shall be responsible for supplying the markets with rapid, exact, reliable information, especially with respect to the shareholding structure, substantial changes in the rules of governance, related-party transactions of special relevance or treasury stock operations.”

We comply with this.

In compliance with article 38 of the BBVA board regulations, the board recognises the principle of transparency that must govern the actions of the company on financial markets. It must establish due means to ensure that the company discloses all information that may be relevant to shareholders and investors, and that this information is correct and true.

B.1.26 herein lists the mechanisms adopted so that the information disseminated to the markets be transmitted on a symmetrical, equitable basis

#### Recommendation 20. Periodic Financial Information

“All periodic financial information furnished to the markets, over and above the annual information, shall be drawn up according to the same professional practices and principles as the annual accounts. Before being published, it shall be checked by the audit committee.”

We comply with this.

The board of directors has an audit committee to supervise both the financial statements and the exercise of its oversight duties. It is empowered to ensure the sufficiency, adequacy and effectiveness of the internal control systems and to ensure the accuracy, reliability, scope and clarity of the financial statements of the company and its consolidated group in the annual and quarterly reports. This also applies to the accounting and financial information these contain. B.2.3.2 includes comprehensive information on both the audit committee and its duties.

#### Recommendation 21. Independence of the external auditor

“The board of directors and the audit committee shall oversee situations that could jeopardize the independence of the company’s external auditors. Specifically, they shall verify the fees paid for all items as a percentage of the audit firm’s total revenues, and provide public information on fees paid for professional services other than auditing.”

We comply with this.

The BBVA audit and compliance committee oversees the independence of the external auditor. B.1.28 herein contains reference to the mechanisms the company has established to safeguard the independence of the external auditor.

#### Recommendation 22. On Qualifications in the Auditors’ Report

“The board of directors shall try to avoid the accounts it has filed being presented to the AGM with reservations and qualifications. When this is not possible, both the board and the auditors must clearly explain the content and scope of discrepancies to the markets and shareholders.”

We comply with this.

Article 2 of the BBVA audit and compliance committee’s regulations establishes that the committee, consisting exclusively of independent directors, shall have the task of assisting the board of directors in supervising the BBVA Group’s financial statements and the exercise of oversight.

#### Recommendation 23. Information on Corporate Governance

“The board of directors shall include in its published annual report information on its rules of governance, explaining those that do not follow the recommendations of this code.”

We comply with this.

## **G** OTHER INFORMATION OF INTEREST

**List and explain below the contents of any relevant principles or aspects of corporate governance applied by the company that have not been covered by this report.**

**This section may include any other relevant but not re-iterative information, clarification or detail related to previous sections of the report.**

**Specifically indicate whether the company is subject to corporate governance legislation from any country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report**

- Further to section A.2 we point out that at 31-Dec-06 no individual holdings in BBVA's capital exceeded 5%. However, at that date Chase Nominees Ltd and State Street Bank and Trust Co., in their capacity as international custodians and nominees, held

202,919,115 shares or 8.63% and 220,919,115 shares or 6.22%, respectively, of the banks capital.

- Further to section A.8 we point out, in regard to earnings on treasury stock, that rule 21 of circular 4/2004 and NIC 32 (paragraph 33) expressly state that earnings or losses on transactions involving the company's own capital instruments, including their issue and redemption, shall not be recognised in the income statement. Such earnings or losses shall be recorded directly against the company's net equity.

- Apart from the persons listed in B.1.5 of this report, the general secretary and director has wide powers of general representation to perform his company duties.

The board has also delegated powers to the Appointments and Remuneration committee such that its members can jointly agree the financial compensation and entitlements of executive directors to be reflected in their contracts on behalf of the bank.

- Further to sections B.1.8 and B.1.11 an itemised list of remuneration for each of BBVA's directors in 2006, is given below, together with the welfare-benefit obligations agreed for them.

- Remuneration of non-executive directors

The remuneration paid to the non-executive members of the board of directors during 2006 is indicated below. The figures are broken down per individual and itemised:

DIRECTOR	<u>BoD</u>	<u>Exec.</u>	<u>Audit</u>	<u>Risks</u>	<u>App&amp;Rem</u>	<u>TOTAL</u>
Tomás Alfaro Drake	89	0	43	0	0	132
Juan Carlos Alvarez Mezquiriz	119	152	0	0	39	310
Richard C. Breeden	324	0	0	0	0	324
Ramón Bustamante y de La Mora	119	0	65	97	0	281
José Antonio Fernández Rivero (*)	119	0	0	194	0	313
Ignacio Ferrero Jordi	119	101	22	0	58	300
Román Knörr Borrás	119	152	0	0	0	271
Ricardo Lacasa Suárez	119	0	162	97	0	378
Carlos Loring Martínez de Irujo	119	0	65	0	78	262
Enrique Medina Fernández	119	152	0	97	0	368
Susana Rodríguez Vidarte	119	0	65	0	0	184
Telefónica Spain, S.A	119	0	0	0	0	119
<b>T O T A L(**)</b>	<b>1,603</b>	<b>557</b>	<b>422</b>	<b>485</b>	<b>175</b>	<b>3,242</b>

(\*) Mr José Antonio Fernández Rivero, apart from the amounts detailed above, also received a total of €652,000 during 2006 in early retirement payments as a former member of the BBVA management.

(\*\*) Mr José María San Martín Espinós, who stood down as director at the AGM, 18th March 2006, received €77,000 in 2006 in payment of his membership of the board of directors.

- Remuneration of executive directors

The remuneration paid to the executive members of the board of directors during 2006 is indicated below. The figures are given individually for each executive director and itemised:

	FIXED PAY	VARIABLE PAY(*)	TOTAL(**)
Chairman and CEO:	1,740	2,744	4,484
President and COO	1,287	2,304	3,591
Company Secretary	581	703	1,284
TOTAL	3,608	5,751	9,359

\* Figures for the variable pay from 2005 received in 2006.

\*\* As a whole, the executive directors received payment in kind worth €37,000 during 2006. Of this, the chairman and CEO received €8,000; the president and COO, €14,000 and the company secretary, €15,000.

The executive directors accrued variable pay during 2006 that will be paid to them in 2007. This totalled €3,255,000, of which the chairman and CEO accrued €3,255,000; the president and COO, €2,730,000 and the company secretary, €794,000.

- Remuneration of Management committee members (\*)

In 2006, members of the BBVA Management committee, excluding executive directors, were paid a total of €5,763,000 in fixed pay and €11,403,000 in variable pay from 2005 paid in 2006.

The Management committee as a whole received payment in kind worth €526,000 during 2006.

The members of the Management committee also accrued variable pay during 2006 that will be paid to them in 2007. This totalled €12,689.

(\*) The number of Management committee members went down from 18 to 16 in December 2006. This section includes information on all non-executive directors who were members of the committee on 31st December 2006.

- 2003-2005 long-term incentive plan

The long-term incentive plan for 2003-2005 was paid out in 2006. It applied to the management team, including executive directors and members of the Management committee, according to their achievement of the long-term targets established at the beginning of the plan (2003) and according to the BBVA Group's performance in earnings per share, cost-income ratio and ROE comparative to their benchmark peers at the end of the plan.

This plan was published in the 2005 Annual Report, estimating the settlement figures on the basis of data from 2003 and 2004 and the published information to the time of going to press for 2005.

Once the final data required to settle the plan were obtained (ie, once the benchmark peers published their earnings per share, cost-income ratio and ROE figures and BBVA's performance could be ranked against these) the plan was paid out in 2006. The executive directors received the following amounts for the three years (2003, 2004 and 2005): Chairman and CEO, €5,294,000; President and COO, €4,438,000 and Company Secretary, €1,351,000.

Meanwhile, the members of the Management committee, excluding the executive directors, received the total sum of €13,026 from the plan, for all three years covered under the plan.

- Welfare-benefit obligations

At the end of 2006, the following amounts were booked as welfare-benefit commitments for executive directors:

Thousand euros	
Chairman and CEO:	53,193
President and COO:	44,141
Company Secretary	7,235
Total	104,569

Of this aggregate amount, €16,795,000 were charged to 2006 earnings. Most of these commitments were insured under policies with BBVA as beneficiary underwritten by an insurance company belonging to the Group. These insurance policies were matched to financial assets in compliance with Spanish legal regulations. The internal return on the insurance policies associated with said commitments was €3,946,000, which partly offset the allocation made during the year.

A further €79,000 were paid in insurance premiums in the name of non-executive members of the Board of Directors.

The provisions charged to 31-Dec-06 for post-employment welfare commitments for the Management committee members, excluding executive directors, amounted to €39,161,000. Of these, €11,215,000 were charged against 2006 earnings. The internal return on the insurance policies associated to said commitments was €1,021,000, which partly offset the allocation made to provisions during the year.

- Remuneration system for non-executive directors using deferred delivery of shares

The annual general meeting, 18th March 2006, under agenda item eight, resolved to establish a remuneration scheme using deferred delivery of shares to the Bank's non-executive directors, to substitute the earlier scheme that had covered these directors.

The new plan assigns 'theoretical' shares each year to non-executive director beneficiaries equivalent to 20% of the total remuneration paid to each in the previous year, using the average of BBVA stock closing prices from the trading sessions prior to the annual general meetings approving the financial statements for the years covered by the scheme as of 2006. Where applicable, these shares are to be delivered when the beneficiaries cease to be directors on any grounds other than severe dereliction of duties.

The AGM resolution gave non-executive directors who were beneficiaries of the earlier scheme the possibility of choosing to convert the amounts to which they were entitled under the previous scheme for non-executive directors into “theoretical shares”. These entitlements amounted to a total of €2,228,000 to 31st December 2006. All the beneficiaries opted for this conversion.

Consequently, the non-executive directors who were beneficiaries of the new system for deferred delivery of shares, approved by the AGM, received the following number of theoretical shares:

DIRECTORS	Theoretical Shares
JUAN CARLOS ÁLVAREZ MEZQUIRIZ	16,208
RAMÓN BUSTAMANTE Y DE LA MORA	16,941
JOSÉ ANTONIO FERNÁNDEZ RIVERO	6,595
IGNACIO FERRERO JORDI	16,879
ROMÁN KNÖRR BORRÁS	12,720
RICARDO LACASA SUAREZ	16,004
CARLOS LORING MARTÍNEZ DE IRUJO	4,906
ENRIQUE MEDINA FERNÁNDEZ	24,134
SUSANA RODRÍGUEZ VIDARTE	8,559

- Severance payments

The contracts of the Bank’s executive directors (Chairman and CEO, President and COO, and Company Secretary) recognise their entitlement to be compensated should they leave their post for grounds other than their own decision, retirement, disablement or serious dereliction of duty. These entitlements amount to an aggregate compensation of €141,390,000.

In order to receive such compensation, directors must place their directorships at the disposal of the board, resign from any posts they may hold as representatives of the Bank in other companies, and waive pre-existing employment agreements with the Bank, including any senior management positions and any right to obtain compensation other than that already indicated.

On standing down, they will be rendered unable to provide services to other financial institutions in competition with the Bank or its subsidiaries for two years, as established in the board regulations.

- Further to section B.1.9, we point out that Ignacio Deschamps González was appointed member of the Management committee, 19<sup>th</sup> December 2006, when a vacancy was left on the committee by the departure of José María Abril and Manuel Méndez del Río and Vitalino Nafría Aznar. Thus, the number of Management committee members went down from 18 to 16 during 2006. This report includes information on all the 16 members who sat on the committee to 31st December 16, excluding the executive directors.

- Regarding the content of B.1.10 herein, we point out that the severance clauses for executive directors were agreed in the contracts signed with the members of the Appointments and Remuneration committee with due powers of proxy. The amounts for

the severance pay are determined by the Appointments and Remuneration committee and approved by the board of directors.

- Five years after the end of the transition period established in the transition clause of the company bylaws, the provisions of paragraph four of section seven of said clause are no longer in force.

- Further to the information in section B.1.20, we point out that article six of the board regulations states that the president and COO and other executive directors in the Bank shall stand down from their executive responsibilities at the age of 62.

- With respect to the information requested in section B.1.24 above, regarding the certification of the annual accounts, we point out that pursuant to Spanish law, the accounts are filed by the board of directors and approved by the AGM. However, the board of directors has an Audit committee to supervise both the financial statements and the exercise of its oversight duties. This committee is empowered to ensure the sufficiency, adequacy and effectiveness of the internal control systems and to ensure the accuracy, reliability, scope and clarity of the financial statements of the company and its consolidated group in the annual and quarterly reports and the accounting and financial information these contain. All this is arranged in compliance with article 30 of the board regulations.

Article 2 of the BBVA Audit and Compliance committee's regulations establishes that the committee, consisting exclusively of independent directors, shall assist the board of directors in supervising the BBVA Group's financial statements and the exercise of oversight. Thus, the committee's tasks include: supervising the sufficiency, adequacy and effectiveness of the internal control systems and to ensure the accuracy, reliability, scope and clarity of the financial statements of the Company and its consolidated Group in the annual and quarterly reports. This also applies to the accounting and financial information required by the Bank of Spain or other regulatory bodies of countries where the group operates.

Regarding the 2006 annual financial statements, we point out that the Audit and Compliance committee has constantly monitored their preparation during the year. It has been in direct contact with the Bank executives tasked with these accounts and with the external auditor. Prior to formal approval of the statements by the board, the committee checked the accounts of the bank and its group. The chairman of the audit committee reported on this to the board in the meeting at which the statements were approved.

In addition, it should be pointed out that BBVA is traded in the USA and is thus subject to supervision of the Securities Exchange Comisión (SEC) and to compliance with the Sarbanes Oxley Act. Each year the chairman and CEO, president and COO and the executive tasked with preparing the accounts sign and submit the certificates described in sections 302 and 906 of this act, related to the content of the annual accounts. These certificates are contained in the annual registration statement (20-F) the company files with this authority for the official record.

- Regarding section B.1.29, the regulations of the Audit and Compliance committee say it will work to ensure the independence of the external auditor, establishing that audit services are not compatible with consulting services unless alternatives of equal content, quality and efficiency are unavailable in the market. In such event, this requires the

approval of the committee, which may be given in advance by the committee chairman if so delegated.

In this manner, consulting services that may be required from the external auditor under exceptional circumstances, are approved in advance by the committee chairman, who later provides the Audit and Compliance committee with full details.

- Further to B.1.31, we point out that the representative of TELEFONICA SPAIN, S.A., the BBVA board member, Mr Angel Vilá Boix hold the following shares in companies working in the same or similar line of activity as BBVA: 0.001% in Banco Sabadell and 0.000% in BNP Paribas.

- Section C: Related-party transactions.

\* Significant transactions with other Group companies

All transactions carried out by BBVA with other companies in its group form part of the company's usual business and were conducted under normal market terms and conditions.

However, for information purposes the details of the main items in the consolidated accounts, arising from group transactions with the associated companies and with jointly-controlled companies in 2006, are given below. These form part of ordinary trading and portfolio turnover and were carried out under normal market terms and conditions during 2006.

ITEMS	Thousand euros	
	2006	2005
Assets:		
Deposits in other banks	--	4,636
Loans to customers	374,156	267,654
Liabilities:		
Deposits in other banks	--	1,966
Loans to customers	82,791	19,070
Marketable debt securities	463,249	256,881
Memorandum accounts:		
Contingent liabilities		
Contingent risks and commitments	457,161	44,133
Net income/(loss) for the year:		
Interest income	12,484	7,745
Interest expenses	13,482	5,569

At 31st December 2006 the notional value of futures operations between the Group and the main companies mentioned above, came to about €9,112,000. In 2005 and 2004 they were €7,619,019 and €5,047,704, respectively.

In addition and as part of its usual activities, the group has various agreements and commitments with affiliates and associate companies, which have no significant impact on the annual accounts.

\* Operations with key company personnel

All transactions conducted by BBVA and/or other companies in its group with its officers and managers form part of the company's usual business.

At 31st December 2006, loans to members of BBVA S.A.'s board, including executive directors, came to €90,000. At 31st December 2006 there were no bonds or guarantees to their account.

At 31st December 2006, loans to members of BBVA S.A.'s Management committee, (16 members) excluding executive directors, came to €2.355m. At 31st December 2006 €12,000 were granted to members of the bank's Management committee in bonds or guarantees.

At 31st December 2006 loans granted to parties related to key staff (members of the BBVA's board and the aforementioned members of the management committee) came to €12,676,000. At 31st December 2006 there were other risks of €14,545,000 granted to parties related to key staff in guarantees, leasing contracts and commercial loans.

At 31st December 2006 directors, members of the management committee and related parties held €15,467,000 in current accounts and term deposits with the bank as part of its ordinary activities.

Furthermore, BBVA and the other companies in its group, in their condition as financial institutions, maintain the usual relationships as part of their ordinary activities, with members of the board of directors of BBVA S.A., with members of the management committee and with parties related to both groups. All these are conducted under market terms and conditions and are of little relevance.

Transactions with other related parties

There were no other significant transactions with other related parties.

- Further to the information given in E.1 and E.2, we point out that five years after the end of the transition period established in the transition clause of the company bylaws, the provisions of section eight of said clause are no longer in force.

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**This annual report on corporate governance has been approved by the company's board of directors, 12-Feb-2007**