

BBVA

Annual Report 2007

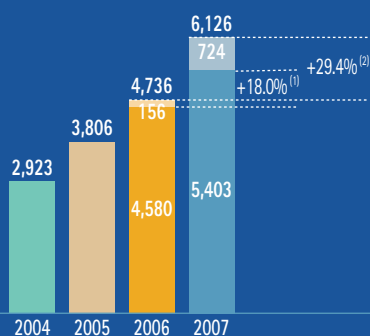


Highlights

Annual Report 2007

Net attributable profit

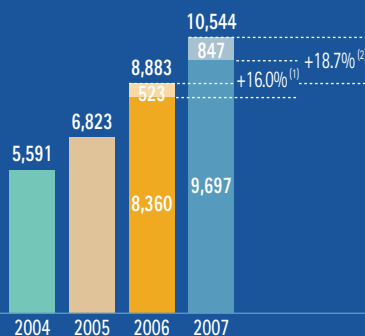
(Million euros)



(1) Excluding results of one-off transactions.
At constant exchange rates: +22.8%.
(2) At constant exchange rates: +34.4%.

Operating profit

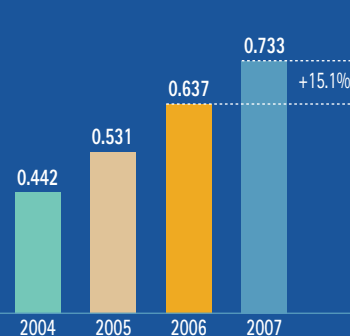
(Million euros)



(1) Excluding results of one-off transactions.
At constant exchange rates: +21.0%.
(2) At constant exchange rates: +23.5%.

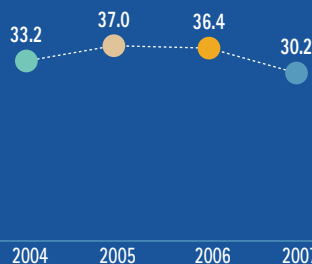
Dividend per share

(Euros)



ROE ⁽¹⁾

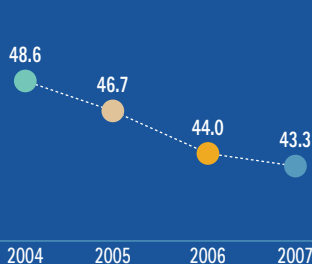
(Percentage)



(1) Excluding results of one-off transactions.

Efficiency ratio including depreciation ⁽¹⁾

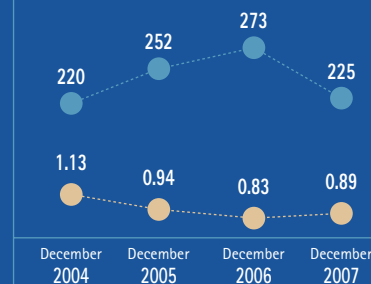
(Percentage)



(1) Excluding results of one-off transactions.

NPL ratio and coverage

(Percentage)



● Coverage ratio ● Non-performing loan ratio

BBVA Group Highlights

(Consolidated figures)

31-12-07 Δ% 31-12-06 31-12-05

Excluding one-offs⁽¹⁾

31-12-07 Δ% 31-12-06

BALANCE SHEET (million euros)

Total assets	502,204	21.9	411,916	392,389		
Total lending (gross)	317,998	20.9	262,969	222,413		
On-balance sheet customer funds	334,844	18.1	283,645	259,200		
Other customer funds	150,777	6.1	142,064	142,707		
Total customer funds	485,621	14.1	425,709	401,907		
Equity	27,943	25.2	22,318	17,302		
Shareholders' funds	24,811	36.3	18,210	13,036		

INCOME STATEMENT (million euros)

Net interest income	9,769	16.7	8,374	7,208	9,769	16.7	8,374
Core revenues	15,463	13.1	13,667	11,756	15,463	13.1	13,667
Ordinary revenues	18,133	15.5	15,701	13,024	17,286	13.9	15,178
Operating profit	10,544	18.7	8,883	6,823	9,697	16.0	8,360
Pre-tax profit	8,495	20.8	7,030	5,592	7,675	17.5	6,533
Net attributable profit	6,126	29.4	4,736	3,806	5,403	18.0	4,580

DATA PER SHARE AND SHARE PERFORMANCE RATIOS

Share price	16.76	(8.1)	18.24	15.08		
Market capitalisation (million euros)	62,816	(3.0)	64,788	51,134		
Net attributable profit per share (euros)	1.70	22.4	1.39	1.12	1.50	11.6 1.35
Dividend per share (euros)	0.733	15.1	0.637	0.531		
Book value per share (euros)	6.62	29.1	5.13	3.84		
P/BV (Price/book value; times)	2.5		3.6	3.9		
PER (Price/earnings ratio; times)	10.3		13.7	13.4		
Yield (Dividend/Price; %)	4.37		3.49	3.52		

SIGNIFICANT RATIOS (%)

Operating profit/Average total assets	2.28	2.24	1.87	2.10	2.11
ROE (Net attributable profit/Average equity)	34.2	37.6	37.0	30.2	36.4
ROA (Net profit/Average total assets)	1.39	1.26	1.12	1.23	1.22
RORWA (Net profit/Risk-weighted average assets)	2.29	2.12	1.91	2.03	2.05
Efficiency ratio	38.1	39.6	43.2	39.9	40.9
Efficiency ratio including depreciation and amortization	41.3	42.6	46.7	43.3	44.0
NPL ratio	0.89	0.83	0.94		
NPL coverage ratio	224.8	272.8	252.5		

CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)

Total	10.7		12.0	12.0		
Core capital	5.3		6.2	5.6		
Tier I	6.8		7.8	7.5		

OTHER INFORMATION

Number of shares (million)	3,748		3,552	3,391		
Number of shareholders	889,734		864,226	984,891		
Number of employees	111,913		98,553	94,681		
• Spain	31,106		30,582	31,154		
• The Americas	78,805		66,146	61,604		
• Rest of the world	2,002		1,825	1,923		
Number of branches	8,028		7,499	7,328		
• Spain	3,595		3,635	3,578		
• The Americas	4,291		3,742	3,618		
• Rest of the world	142		122	132		

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

"BBVA has celebrated
its 150th anniversary
with record earnings
allowing us to
increase shareholder
remuneration"

FRANCISCO GONZÁLEZ
CHAIRMAN AND CEO

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Letter from the Chairman

Dear Shareholder

2007 has been yet another year of record earnings for BBVA, and this is even more commendable when we consider the highly complex context of the international financial system. Net attributable profit in 2007 rose sharply to €6,126m, 29.4% up on 2006. In turn, earnings per share increased by 22.4%. Excluding one-off results, the Group has recorded an 18% growth in profits (22.8% without the exchange rate effect).

Our earnings are of the highest calibre, the result of a positive trend overall in our business areas (operating profit in all of them has risen by more than 18%, in constant euros), and based on the more recurrent income.

Within a turbulent environment, BBVA has maintained its solid fundamentals, involving profitability, efficiency and credit risk management, thereby placing us at the forefront of large financial groups in the European Union. Moreover, BBVA pre-empted the difficulties in the environment through a hands-on management of the balance sheet that today informs our strong liquidity position and suitable capital ratios.

All in all, this allows us to continue applying a significant increase to shareholder remuneration. The board of directors is therefore submitting a proposal to the Annual General Meeting for a dividend corresponding to 2007 of €0.733 per share, 15.1% up on the prior year.

BBVA has reported record results in a year that has also been an historic one for other reasons: in 2007, BBVA celebrated its 150th anniversary. To mark the occasion, and amongst numerous other activities, we have organised a season of lectures, sporting events and popular road races, art exhibitions and, furthermore, we have published a book on our Group's history to commemorate this milestone. Yet above all, we have saluted this milestone by driving forward in two of our main strategic lines.

On the one hand, we have taken a significant step forward in our strategy of expansion into high-growth markets. The purchase of Compass in the United States is the largest operation of this nature the Group has ever undertaken, and in Asia we have consummated our strategic alliance with China's CITIC Group.



On the other hand, 2007 has also seen the launch of our Innovation and Transformation Plan, which provides for actions focusing both on business and stimulating revenue (Innovation) and on improving infrastructures and processes (Transformation). The outcome of these actions will be to improve our efficiency ratio, taking it down to below 35% by 2010.

Furthermore, we have made outstanding progress in our business areas. We have redesigned our branch network in Spain and Portugal, which is now organised into seven geographical areas that provide banking services for the retail segment, SMEs, corporations and institutions. We have continued to promote our customer-focused franchise model in Global Businesses and have taken major steps forward in Mexico and South America in the process of banking penetration and fostering SME banking.

In 2007, BBVA has once again shown that it stands apart from its competitors. These differences begin with its very foundations, as our project is built upon three pillars: Principles, Innovation and People.

Firstly, our Principles; our management model does not simply rely on risk-adjusted return (RAR) as the tool by which to measure value creation. At BBVA we go that much further: we always proceed according to the strictest ethical principles. We believe this to be the mainstay of our stakeholders' trust and a

core premise for the long-term creation of sustainable value. In short, for BBVA profitability needs to be adjusted to its Principles.

Secondly, Innovation, as a way of providing our customers with more and enhanced solutions. At BBVA, we have been pioneers in innovation, and we are now beginning to reap the first rewards of this commitment with the launch of the Innovation and Transformation Plan. Furthermore, in this field we are exploring new paths or nascent concepts in marketing and communication, digital business and in-house co-operation.

Last but not least, People; BBVA is made up of people who work for people. Without this pillar, the other two would be rendered meaningless. The human element at BBVA is vital, and the management of talent is a key competitive advantage.

Standing tall on these pillars, BBVA has raised an attractive corporate positioning. We operate in those markets with the highest growth and return, and in all of them we have robust franchises, occupying the foremost market positions.

As a result, BBVA has clearly differentiated strengths. We are a bank with one foot in retail banking and the other in the wholesale segment, with a customer-based franchise model. We are pace-setters in efficiency, with enormous

"Our project is built upon three pillars that make us different: Principles, Innovation and People"

strength in terms of both solvency and liquidity, whilst recording a low risk profile.

It is precisely due to its low-risk management policy that BBVA is not involved in any of the instruments and operations that have posed so many problems for a number of financial institutions in recent months. Each and every one of our franchises is operating to its full capacity, even in the United States, where we enjoy a position of absolute privilege.

2008 is set to be a challenging year. The financial environment has changed and we are facing an economic slowdown. All this will have a negative impact for the financial sector in terms of operations, results, capital and dividends.

Nevertheless, BBVA is very strong, and well-prepared for this new scenario. We have a differentiated starting point, a clear strategy and spectacular strengths that will enable us to continue concentrating on the implementation of our plan, focusing on both Customers and Shareholders.

Above all, we have a remarkable team of more than 111,000 dedicated staff throughout the world, whom I should like to thank for their

enthusiasm and endeavour throughout such a difficult year as 2007. I know they will make that extra effort to deal with 2008, which poses an even greater challenge; yet for that very reason it will be a year full of opportunities, enabling BBVA to forge still further ahead as it continues to make a much greater difference.

I should like to conclude by thanking you all, our shareholders, for your unwavering support and trust in BBVA from one year to the next. You may rest assured that in 2008 we shall continue to put all our energy and more, if possible, into creating the utmost value for you all.

3 March 2008
Francisco González Rodríguez





Ready for the future



150 years... still looking ahead

In 2007 the BBVA Group passed a milestone few corporations can match: its **150th anniversary**. In 1857 an enterprising group of Basque businessmen and shopkeepers, all members of the Bilbao Board of Commerce, founded the Banco de Bilbao, the senior member of the BBVA Group. Today, BBVA is a dynamic, youthful group, which has a reputation throughout the global financial industry for efficiency, profitability and capacity to grow by creating value.

Over recent years, the Group has set itself a major new management challenge, embarking on a fresh dynamic of **profitable growth and value creation**. This has involved: a change in the way the Group is managed, aligning all procedures with value creation and the creation of total return for shareholders; changing the relationship between the corporate centre and the business units, which now enjoy greater independence of movement in order to encourage growth; changing the model and instruments of management, setting medium and long-term targets and applying new metrics for monitoring them; and bringing in a new incentivisation scheme, that will align the interests of management with the interests of shareholders.

BBVA's **strategy** is based on five key points:

1. Very attractive corporate positioning with financial discipline
2. Very strong businesses with growth levered by innovation
3. Continuous improvement in efficiency
4. A highly committed management team
5. Delivery of short, medium and long-term results with a strong focus on value creation.

Arising out of this strategy, the Group has developed a number of **competitive advantages**:

- Excellent retail banking franchise
- A customer-based model in corporate and investment banking
- Best in class efficiency
- Excellent solvency and liquidity on the balance sheet

- Excellent risk management, with a low risk profile.

One of the key features of BBVA's strategy is innovation, which is a way of offering solutions for customers and society at large. In this area, the main targets of the **Innovation and Transformation Plan**, launched in 2007, are to significantly increase the customer portfolio and business, to extend the offer to new financial and non-financial products and services, as well as improving productivity and efficiency. The plan will enable the BBVA Group to meet the major challenges the financial system is now facing.

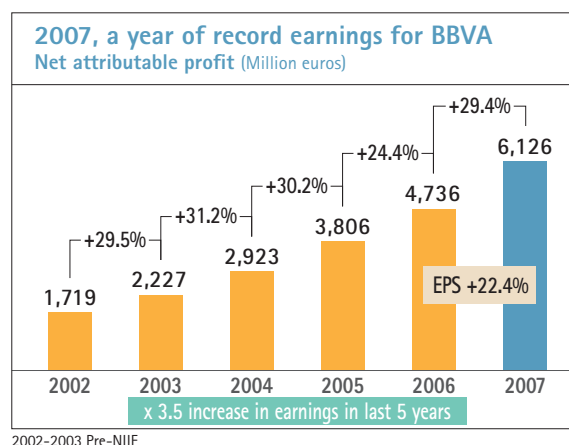
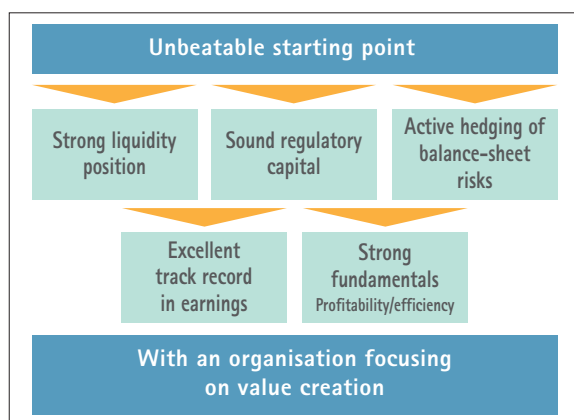
With the experience garnered over 150 years in business, BBVA looks to the **future** with confidence and ambition, and hopes to continue playing a major role in the search for the best solutions in people's lives.

BBVA starts from an excellent position

In 2007, the banking sector went from a situation of strong overall growth and ample liquidity to a new position, characterised mainly by a liquidity squeeze and widespread forecasts of the beginning of a cyclical slowdown in growth in 2008, the extent of which will be conditioned by an uncertain financial context.

Against this backdrop, the BBVA Group maintained the **upward trends** of recent years, demonstrating once again its capacity for foresight and good management – both in commercial terms and in dealing with the risks inherent to the business. As a result it was again able to post positive and recurring earnings. The Group's strategy of foresight in active management of its balance sheet has given it a comfortable liquidity, with good capital adequacy ratios, upward trends in earnings and solid fundamentals. To sum up, BBVA ended 2007 and began 2008 in an **excellent starting situation**, and a position of strength founded on a successful business and risk management model and on its capacity to generate recurring earnings.

For BBVA, 2007 saw the emergence of a new future, reaffirmed in its targets for growth and



returns and its dividends policy, through a differential strategy based on transformation, innovation and profitable growth. The Group's top priority is to maximise **total shareholder return** (TSR). To help achieve this, the Innovation and Transformation Plan will be fully rolled out in Spain, Latin America and Mexico, with integration of the different franchises in the US. In this way, BBVA aspires to set itself apart from other banks, achieving an efficiency ratio of under 35% by 2010.

BBVA GROUP

2007 saw record **earnings** for the BBVA, thanks to the excellent performance of the different business areas and the Group's continued position as a leader in efficiency and profitability.

In a complex context, the Group has continued to deliver solid earnings combined with excellent risk management. Operating profit was up 18.7% on 2006, while **net attributable profit** rose 29.4%, to €6,126m. Even excluding one-off earnings, the operating profit was up 16.0% and net attributable profit 18.0%, or at constant exchange rates 21.0% and 22.8% respectively. BBVA has therefore maintained the upward trends of recent years, with profits growing threefold in the last five years.

One of the Group's distinguishing features, its **risk management**, has proved particularly important at this time of uncertainty, allowing BBVA to maintain its leadership among major European financial groups, with an excellent 0.89% NPL ratio, high coverage (225%), and generic funds of €5,660m.

The BBVA Group also enjoyed **zero exposure** to conduit vehicles or subprime assets. Its strong forward-looking focus in the management of its balance sheet has allowed it to maintain a sound position of liquidity and solid solvency, with a core capital ratio of 5.3% and a major volume of unrealised capital gains in its portfolios of holdings.

Another important feature of the Group is its excellent **efficiency** ratios. BBVA stands at the forefront of the major European financial institutions with an efficiency ratio excluding one-offs of 43.3%. All this has been made possible thanks to the Group's capacity for recurrently generating higher increases in earnings (with growing commercial productivity) than in spending (where the new structure of the distribution networks has left a positive mark).

Despite the Group's strong growth over recent years, this improved efficiency and good risk management made BBVA **the most profitable** of the large financial groups in Europe in 2007, with an ROE of 30.2% excluding one-offs. This has been further helped by a capacity to generate earnings and advances in management competencies – which will continue to be developed in the coming years, as the Innovation and Transformation Plan is rolled out.

These excellent results have made it possible once again to increase shareholders remuneration. At the AGM, the board will be proposing a **dividend** of €0.733 per share, up 15.1% on the €0.637 figure paid out charged to earnings in 2006.

BBVA completes another excellent year

Thanks to an ideal combination of strategy and execution ...

... delivering growing earnings to the market, every quarter

And strong capacity to create value even in a complex environment

Allowing a proposed 15% increase in dividends

SPAIN AND PORTUGAL

Spain and Portugal had their best year of recent times. Despite the uncertain context from the second half of the year on, this area has effectively handled a deceleration in activity with an innovative and selective offer. Year-on-year growth in lending stood at 11.5%, with funds growing by 1.6%. It was also a year of excellent price management, with a growing customer spread over the year pushing **net interest income** up to €4,295m, 14.6% higher than in 2006.

In addition, application of the Transformation Plan has resulted in a major containment of expenses, which rose by only 2.8%, bringing a 3.4 percentage-point improvement in the **efficiency ratio** down to 37.6%. Finally, but no less importantly, good **risk** management was maintained, with an NPL ratio of 0.73% and a coverage of 231%. All this led to a **net attributable profit** of €2,397m, 24.9% up on 2006.

GLOBAL BUSINESSES

2007 was an excellent year for the area, which has demonstrated its capacity to generate recurring income, even in a complicated environment, with a business model based especially on customer operations. **Ordinary revenues** came to €1,673m, an increase of 20.8% on 2006. This has been passed on to the operating profit, which rose 18.8% to €1,271m. Strong earnings in 2006 resulting from the disposal of holdings, left little room for any major increase in 2007 in **net attributable profit**, which nonetheless rose 5.4% to €909m in 2007. The year saw a further improvement in the NPL ratio, which fell to minimum levels of 0.02%.

These results are due to excellent performance by the individual units. In **Global Customers and Investment Banking**, a firm upward trend in business volumes, with year-on-year growth of 21.5% in lending and 7.3% in funds, was passed on to earnings. Moreover, in a more complex environment, **Global Markets and Distribution** enjoyed optimal earnings thanks to a well diversified business model based on customer franchising.

MEXICO AND THE UNITED STATES

In the Mexico and the United States area, a major increase in business pushed **net interest income** to €4,304m, a year-on-year increase of 33.1% at constant exchange rates, while operating profit rose to €3,797m, 28.5% up on 2006. The NPL ratio continued to fall, ending the year at 1.97%. The net result was a **net attributable profit** of €2,084m, 28.4% up on the previous year at constant exchange rates.

In **Mexico**, the strong increase in activity continued in 2007, both in the banking business and in pensions and insurance. At constant exchange rates, lending grew 28.7%, with alterations to the portfolio mix as growth was recorded in mortgages and SMEs rather than in consumer finance and cards. Funds went up 12.1%. Net interest income stood at €3,533m, with a year-on-year increase of 18.8% and, with higher net fee income and net trading income, ordinary revenues came to €5,374m (+17.2%). The increase in costs was lower, despite strong marketing dynamism and an expansion in the distribution network, leading to an operating profit for the year of €3,414m, a 20.4% increase on the previous year. Net attributable profit came to €1,880m, with a year-on-year growth of 20.2% at constant rates.

At the close of 2007, **BBVA USA** took a further step in its business integration plan. As a result, it ended the year with over 2.5 million customers, loans worth €26,085m, deposits of €25,411m and off-balance-sheet funds of €6,683m, distributed in Texas, Alabama, Arizona, Florida, Colorado, New Mexico, California and Puerto Rico. The operating profit

stood at €383m, up from €118m in the previous year (using like-for-like exchange rates), with a net attributable profit of €203m, as compared to €59m in 2006.

SOUTH AMERICA

With a favourable economic environment in 2007, South America saw excellent business performance (lending rose 33.5% year on year in local currencies, while funds grew 18.8%). These figures were passed on to earnings. At constant exchange rates, there was strong growth in **net interest income** (up 33.2% to €1,657) and in operating profit, which rose 33.3% to €1,454m, thanks to a significant improvement in the **efficiency ratio**, which stood at 46.0% at year-end.

Good **credit quality** was reflected in a further reduction in the NPL ratio over the year, to 2.14% at December 2007, and an increase in the NPL coverage ratio to 146%. All told, the **net attributable profit** reached €623m, 29.3% up on 2006 with significant diversification by country and business.

In the area of **banking business**, important advances were achieved in lending, especially consumer finance where the banking penetration project has tapped into an important potential market, given that only 25% of customers held credit products. In addition, the increase in the number of customers in all countries led to solid increases in transactional deposits. The **pension business** saw a continued upward trend in terms of both the assets managed and the number of subscribers.

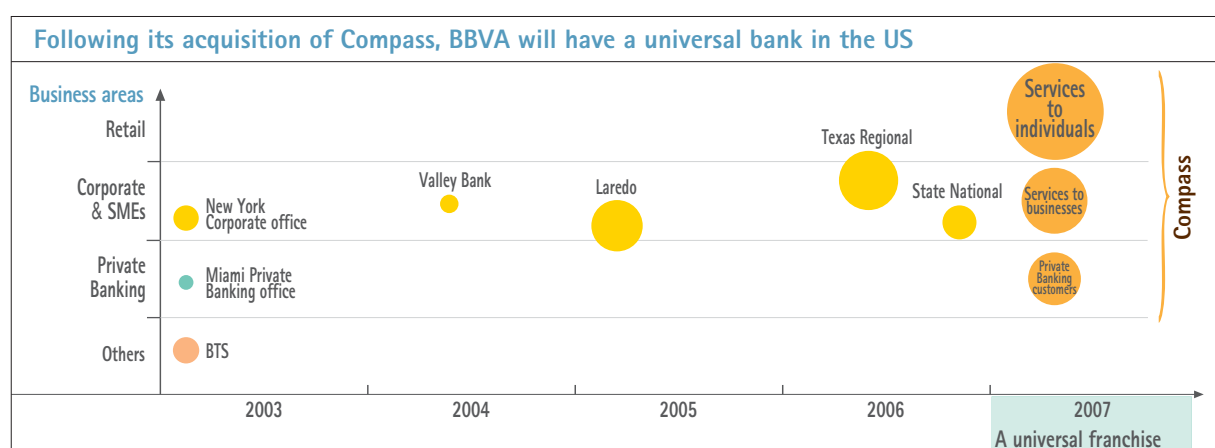
Acquisition of Compass

The acquisition of Compass Bank marked a decisive step in BBVA's strategy of expanding on the US market, tying in with its goal of becoming a financial services company with a strong presence on growth markets. Since 7 September, BBVA has owned 100% of Compass Bancshares as a result of the largest investment the Group has ever undertaken, to the value of €6,672m (\$9,115m).

Compass is one of the largest banks in the Sunbelt, a strip running across the southern United States, which is the country's most attractive area in terms of economic and demographic growth, and which the Group considers to be strategically important for further expansion.

Compass's activities fit within BBVA's strategy, with a focus on retail banking, where it has a high-quality loan portfolio with no positions in the subprime business. Compass offers a wide range of products and services through its five lines of business: Retail Banking, Corporate Banking, Community Banking, Asset Banking and Consumer Finance Banking.

Compass is the latest in a line of BBVA acquisitions in the US that include Laredo National Bank, Texas State Bank and State National Bank, which all operate in Texas and New Mexico. This combination of the four banks places BBVA in a prime position in the Sunbelt, especially in Texas, where it has a strong presence in metropolitan areas and heads the field along



the border with Mexico. Texas, considered to be the world's tenth largest economy, enjoys strong economic and demographic growth, above the US average.

Altogether, at the end of 2007, BBVA was among the 25 largest banks in the US in terms of volume of assets, with a franchise of over 650 branches and 14,000 employees. It is the regional leader in Texas, Alabama, Arizona and New Mexico, and also has a significant presence in Florida and Colorado, with a potential market of 100 million people.

Innovation and Transformation Plan

BBVA has created a customer-focused management model, aligned with society, with a number of well defined features, such as innovation and growth. Arising out of this model, the Group has launched its Innovation and Transformation Plan, in order to set the Group apart from its competitors, using innovation as a lever, placing it at the head of the world banking industry and turning it into a major provider of global services, financial and non-financial. Another lever of distinction is transformation, which will allow an increase in productivity and efficiency in all the Group's actions.

INNOVATION

In this field, the Plan defines the ambitious targets BBVA has set itself for the next three years. Progress is being made to improve the offer to customers in two ways:

1. **Democratisation** of the offer: allowing access to banking services to be extended to new unbanked segments.
2. **Extension of the relationship** with customers: offering them new financial products and non-financial solutions.

Achieving success in these areas will require considerable work in identifying trends and changes on the market, technified analysis of consumer behaviour and discovering new ways of applying technology. The objective of all of this

work must be to improve the business proposal, building new, simple, customer-tailored solutions.

To coordinate all these actions, a new **Innovation and Development** unit has been set up, to ensure common and uniform actions by all units – through the Innovation Committee – and to back the development of strategic and corporate plans.

Within this unit, a **Corporate Consumer Insight** unit was created in 2007, as a key element in understanding the consumer, and on which the various initiatives taken within the Innovation and Development unit and the rest of the Group are levered and fostered. The ultimate aim of the Consumer Insight unit is to provide a 360° view of the consumer in three dimensions:

- Present and future needs
- Needs of customers and non-customers
- Financial and non financial needs.

This will turn BBVA into a market benchmark and give it a sustainable competitive edge. To this end, the unit acts as a centre of excellence, promoting collaboration and understanding between business areas in customer-related fields, developing new methodologies and tools for understanding the consumer, detecting and sharing opportunities, providing tools and systems for measurement and in general, giving general backing to the units in all customer- and consumer-related fields.

The **actions of Innovation and Development** centre essentially on three lines of action:

1. **Research and development of new forms of marketing and communication:** BBVA has implemented a plan to establish new models for relating with its customers. In addition, the digital revolution has made it possible to use information as a raw material for generating business and work is now being carried out on a project to use information to make personalised offers.
2. **Research and Development of new digital business:** in some sectors, data digitalisation and greater connectivity – especially over the Internet – are enabling new business to be created and existing business to be redefined.

Lines of action in Innovation and Development



Thus, the opportunities afforded by these technologies are used as a lever to develop various initiatives such as the improvement of intranets.

3. Research and development of new procedures to **share information**: the aim is to incorporate new tools and forms of internal relationship to improve the Group's efficiency and foster teamwork and communication. This is best demonstrated by the launch of two initiatives: the incorporation of the Google search engine to internal information; and the creation of an external innovation network, through a series of exclusive agreements with universities, business schools, etc., to ensure that relevant information makes its way into the Group.

All of these initiatives are carried out on a continuous basis. In this sense, it is worth mentioning that BBVA became the first financial institution to participate at the **SIMO** technology fair, last November in Madrid.

Another project which has already been completed, and which consolidates the Group's growth strategy was the investment of €24m in **MyStrands**, a leader in social recommendation technology. The initiative turned BBVA into the largest shareholder in the company.

This type of operation highlights BBVA's determined commitment to new technology, innovation and support for the information society as well as to innovation as an

intrinsic component of its strategy and a key factor to ongoing delivery of solutions to its customers.

The BBVA Group was also the first financial institution to launch its own **blogosphere** (*Blogsfera BBVA*). The aims are: to expand knowledge and innovation in the Group; to foster talent and detect opportunities; and to encourage dialogue and collaboration. With this project, BBVA wants to evolve towards a distributed knowledge and experience network, in order to share these amongst all its components.

All of these measures are helping the Group plan ahead of the future, with important strategy plans and initiatives that have already begun to reap positive results. BBVA has tapped the changes and turned them into answers and, through the **Innovation Committee**, where the plans from the different units come together, it encourages the strategy of innovation and transformation throughout the entire Group.

TRANSFORMATION

2007 saw the launch of the BBVA Group's **Global Transformation Plan**, as well as individual transformation plans in all areas. The aim of this plan is to act as a framework for mobilisation, identifying projects that will increase productivity and efficiency in the Group's activities. It contains three essential components:

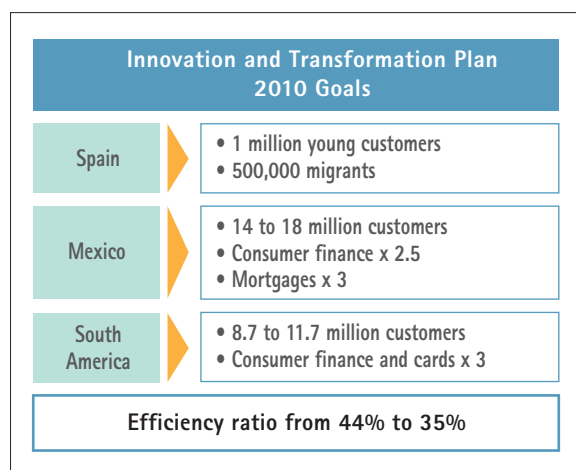
1. Centring on an analysis of basic models: commercial, servicing, production, support, corporate functions, etc.
2. Developing theories for these models and for all the functional areas that implement them.
3. Quantifying the potential for improvement in all of them.

In order to implement the plan properly, each area has to identify with it, complete it and qualify it with their own plans, in order to draw up the Group's own Transformation Plan. This means that the entire organisation is committed to a corporate goal of transformation, and a first-tier monitoring forum has been created to ensure that achievement of the plan (Production Committee).

With implementation of some of these plans, some relevant projects have now been set underway which will be complicated to introduce, such as the integration of networks in Spain, the integration of the bank, insurance and AFP platforms in South America and the centralisation of operations in Malaga and Lima. Finally, BBVA is going to commit major investment to technology that will provide its employees with an excellent tool to help them know customers better, with savings in time and procedures, as well as upgrading operating platforms to give greater flexibility in production processes.

2010 GOALS

Alongside the Growth and Innovation Plans, the Transformation Plan will make it possible to achieve the ambitious goals the Group has set itself for 2010:



Management priorities of the business areas

SPAIN AND PORTUGAL

In late 2007, Spain and Portugal announced a new advance in its Transformation Plan with the integration of retail banking, SMEs, corporate and institutions networks under seven regional head offices. This means aligning organisation of the sales network with a segment-based management with specialist services, greater customer proximity to decision-making and better achievement of cost and income synergies. In short, it will capitalise on the capacities of the different banks and further strengthen and extend differential management by segments.

The area's strategy for 2008 is founded on two essential pillars, which will enable it make continued progress in the sustainable creation of competitive advantage. On the one hand, **innovation**, which means extending customer accessibility and insight and offering a tailored service through low-cost distribution. This approach will mean developing new and better solutions for all customer segments with the support of specialist networks and managers, as well as a multi-channel approach, offering solutions and extending the area of the customer relationship beyond purely financial needs. The second pillar is a profound and continuous process of **transformation**, which requires a continuous review of commercial processes and structures in order to reduce the administrative burden and increase resources assigned to selling – all to offer customers a better service.

Once again this year, the area is operating in a context of constant change, in which the launch of new business plans, improvement in commercial productivity, increase in cross-sale of higher value added products, control of costs compatible with projects of growth and quality of assets will allow it achieve its primary aspiration: to consolidate and increase profitable growth leadership in all business areas in which BBVA operates.

In addition, special emphasis will be placed on the small business and personal banking segments, where it enjoys an excellent position, and on

consolidating its leadership in the SME, corporate and institutions segments, extending its relationship with customers beyond the strictly financial sphere. In short, the Spain and Portugal area has taken the necessary steps to close a good year in 2007, and to face 2008 with a more customer-focused organisation, with greater differentiated management capacities for each customer.

Consistently with BBVA's decentralised management model, the business units are also responsible for their own innovation plans. Spain and Portugal's **Innovation and Transformation Plan** revolves around five axes: accessibility, customised service, understanding of the customer, low-cost distribution and extension of the relationship. In this area, the primary targets for 2010 are:

- To bring in one million young customers
- To bring in 500,000 migrant customers
- To transform 50% of branch offices to new formats (*Duo*, multi-product point, multi-store, multi-office, ...).
- To reach two million transactions of non-financial products and services between individual customers and SMEs, so that 10% of the growth of the operating profit comes from non-financial products and services.

GLOBAL BUSINESSES

At the end of 2007, changes were made to the structure of the Global Businesses area, with a view to tapping into organisational and geographical synergies, boosting business opportunities across the board and identifying new opportunities for growth by both geography and product. The main lines of action for 2008 of the various business units in the area are listed below:

In **Global Customers and Investment Banking**, the combination of the complete product catalogue with specialist industry banking will consolidate its leadership in Spain and Latin America, while at the same time undertaking selective penetration among customers in Europe and Asia.

Global Markets, for its part, will focus on exporting its successful franchising model to other

markets, implementing new initiatives for fostering growth.

The new structure of **Asset Management** includes three types of activities, each of which has separate objectives:

- Traditional asset management will centre on promoting functional and geographical integration of its business model, and on structuring the processes of investment.
- Alternative asset management will work on developing the product catalogue, which already offers the best alternative investment in Spain.
- Valanza, the Group's private equity unit, is working towards an institutional private equity business model, defining policies and procedures and consolidating the business platform in Mexico.

In **Asia**, importation of expertise and know-how developed in Europe and Latin America will allow us to offer the Group's products and services to new customer segments in the region.

Finally, the main aims of the **Own Project Management Unit** are to contribute diversification to businesses in the area, and create medium and long-term value through active management of the industrial holdings portfolio, based on criteria of profitability, efficiency and rotation.

MEXICO

In 2008, Bancomer will continue its **banking penetration** strategy, allowing it to increase the size of the customer base while at the same time expanding business with existing customers. To achieve this, in the area of **fund** gathering, it will continue innovation in low-cost products and products for differentiated segments, while a growth in the number of payroll accounts will provide a significant customer base for bundling with more profitable products.

Financing for individuals, which includes housing and consumer goods, will be one of the main strategic focuses in 2008. Mortgage loans offer great potential in Mexico, due to the structure of the population, the rapid growth in the number of households and the fact that the government is prioritising the construction of

housing. The consumer finance strategy will focus on maintaining leadership and growing compatibly with appropriate risk management. In credit cards (a key product for "mass-bancarisation" of retail segments), we will continue to offer new services, backed by a solid technological platform and extensive presence on the local market. Major help will be offered to the business of micro, small and medium-sized **enterprises**, by offering specific products for each segment, with the challenge of increasing lending penetration among Bancomer customers using profitable cross-sale strategies.

Another goal is to continue improving **quality** rates through new services, to help increase the efficiency of the network and of the payments system in the country, as well as continuing to fulfil service guarantees with the *Garantías* Bancomer project and the automatic queuing system in branch offices.

As part of its **Innovation and Transformation Plan**, Mexico wants to ensure accessibility in order to speed up banking penetration. It will do this through four lines: awarding credit, self-service of payment channels, payment solutions for remittances and quality and differentiation of service. These four pillars will help achieve the **targets** set for 2010:

- To bring in four million new customers, raising the number from 14 million to 18 million
- To multiply consumer finance by 2.5 and mortgages by 3
- To triple the number of small businesses and SMEs from 50,000 to 150,000
- To increase the network of branches from 1,765 to 2,010
- To increase the number of ATMs from 4,876 to 7,500.

UNITED STATES

In January 2008, in order to accelerate the process of integrating the three Texas banks into Compass, and developing the BBVA franchise in the United States, the management team was unified and a **new organisation** was established, integrating the following areas: Compass and the three Texan banks, BBVA Puerto Rico and

Bancomer Financial Holding, which includes Bancomer Transfer Services (BTS) and BBVA Bancomer USA. Three units have also been created in the new unified organisation to support corporate strategy and facilitate alignment of the operations of BBVA USA with the Group: Transformation & Productivity, Innovation & Development and Communication & Image.

The management priority for 2008 is **integration** of the Texan banks (Laredo National Bank, Texas State Bank and State National Bank) into the Compass structure and business, and the creation of **synergies** out of this process. Planning for this process began in 2007. Throughout 2008 the platforms of the four banks will be integrated, as will their business lines, and support and supervision functions.

In parallel with this process, work will begin in 2008 to plan the best way of integrating Compass into the BBVA Group, importing best practice and capacities, aligning the supervision and support structures and adapting the BBVA Group's corporate principles and culture.

In **Puerto Rico**, the priorities for 2008 are to continue improving efficiency, control spending and manage risk appropriately for current conditions.

BTS's priorities are on the one hand, to maintain its leadership position in transfers between the US and Mexico, and to increase its market share in transfers sent to Latin America. **BBVA Bancomer USA** is still at pilot stage, with 32 offices in the state of California and a supply of banking and para-banking products and services targeted at first-generation Hispanic migrants.

SOUTH AMERICA

The **Transformation Plan**, begun in 2007, is intended to optimise operations in each country and make them more efficient. It will provide support for all actions planned for the period 2007-2010 in the different business units. This plan seeks to implement the BBVA Group model through organisational integration of the bank, pension manager and insurance companies in each country, and is expected to increase productivity – and thus efficiency – throughout the region.

With a favourable macroeconomic climate, the growth strategy for 2008 in **private individual banking** is based on consumer finance, optimising

the customer base and selectively incorporating new customers, as a result of growth in the middle classes in several countries. In the field of **small and medium enterprises** and the self-employed, the goal is to encourage access to financial services among new SME segments, and the priorities are to grow in finance products, make day-to-day operations more efficient, promote multi-channelling and generate specific products for this type of customer, based on customer understanding and encouraging synergies with other units.

Plans for 2008 include actions for profitable expansion of the **SME banking** business, optimising the management model and improving the offer of financial products to this sector, to turn the BBVA Group into the leader in SME banking in the region. In the field of **corporations** and large companies, joint lines of work are being opened up between South American countries and Asia, a niche market with a great potential. It is also planned to invest heavily in the area of infrastructure improvement. In the area of foreign trade, the BBVA Group's banking companies are already a market benchmark and e-commerce pioneers.

In the **pension business**, the strategic lines are geared towards increasing the value of the franchise based on synergies between the banks and the AFPs, through the development of new business and strengthening the institutional presence.

In the **Innovation and Transformation Plan**, South America has set itself a strategy that centres on three basic actions: banking penetration, microfinance and the Community Investment

Plan, which will allocate 0.7% of the profit from each country to education among the most underprivileged sectors. This strategy has a number of associated targets for 2010:

- To bring in 3 million customers (rising from 8.7 to 11.7 million)
- To triple the balance of lending in credit cards and consumer finance
- To increase the number of ATMs by 2,000, from 3,600 units to 5,600 units
- To increase the number of offices, from 1,360 to 1,600.

CONCLUSION

The BBVA Group's attractive corporate positioning, in which financial discipline combines with solid business, and innovation acts as a lever of growth, with continuous improvement in efficiency and a determined commitment by management to value creation, offer an ideal structure with which to face the coming year.

2007, a year of record earnings for BBVA





Financial report



Earnings
Balance sheet and activity
Capital base
The BBVA share

Economic environment

In 2007 the world's economy grew again by an estimated 5%, extending the expansion to five years. However, growth in developed countries eased up noticeably as the year went by, whereas emerging economies continued to contribute strongly to global activity. Once again, this activity was highlighted by the notable increase in world trade.

Financial markets took centre stage in 2007, showing two quite distinct modes of behaviour. During the first few months of the year, except for a singular volatility episode in February, long-term interest rates increased and stock markets gained ground, reaching yearly highs as summer approached. Beginning in June, the credit markets headed into uncertainty regarding the valuation of a large number of assets and this sparked a liquidity crisis in developed countries – lasting longer and having more serious consequences than was expected. This was accompanied by a significant appreciation of the risk attached to a considerable number of assets, leading to substantial drops in public debt interest rates, especially short-term, and accordingly, to a notable steepening trend in debt curves. However, during this process financial markets in emerging economies performed relatively well.

From a macroeconomic perspective, the first half of the year saw a continued slowdown in the **United States housing sector**, causing uncertainty as to its impact on the rest of the economy, especially in light of certain signs of moderation in other investment spending. However, the economy, with substantial support, remained relatively dynamic in terms of the labour market, which helped maintain household disposable income at healthy levels. Significant improvement was also seen in the foreign trade sector, favoured by the accumulated depreciation of the dollar over previous years. **Federal Reserve interest rates**, which stopped their upward trend in June of 2006, remained stable at 5.25% through the first half-year, although the market discounted rate cuts at different levels over that period.

While this was occurring in the US, the rest of the world economy remained quite dynamic, showing surprising growth rates in the emerging countries and Europe. The **European Central Bank** continued to raise rates until they reached 4% in June; at that point the market was discounting further rate hikes for the coming quarters. As a result of this divergence in expectations regarding interest rates set by the Federal Reserve and the European Central Bank, the dollar fell against the euro.

Financial markets entered a volatile period at the end of February, mainly due to possible regulatory changes in the Chinese stock market, along with further doubts about growth in the United States economy. This led to higher volatility and an adjustment in stock prices for a short period of time. This did not last long, however, and at no time did it produce doubts as to the high level of liquidity in the world market.

This situation changed substantially in summer. By June the market had begun to question the quality of some credit derivatives, and whether certain excesses had been committed in the process of financial innovation. Many who had invested in these products ran into difficulties when searching for financing through the issue of commercial paper. Suddenly, the beginning of August saw a **notable liquidity shortage**, leading to significant increases in interbank rates, a slowdown in the flow of commercial paper and bonds, and a sharp change in the risk valuation of many assets.

At that point the central banks took on the role of liquidity providers. However, it quickly became evident that, faced with such a rapid change in the liquidity situation, their actions were not enough to return the markets to normal. With this situation, the economies would most likely have to confront a change in credit terms rather than returning to their previous, financially comfortable state.

At the same time that this financial storm was taking place, **oil prices** rose dramatically. By the end of the year, the price for Brent crude oil had almost reached 100 dollars per barrel, due to increased demand, contained supply, geopolitical

instability and the use of oil as an alternative investment asset.

The **price for agricultural commodities** also rose substantially at this time. This caused inflation rates to rise throughout the world, creating a relative dilemma for some central banks: confronting the risk of falling growth called for a drop in interest rates, yet rising inflation implied at least a short term increase in those rates. In the medium term, it was reasonable to expect that the first of these factors would prevail. In emerging economies, meanwhile, due to the greater weight food has in their CPI basket, price increases led to interest rate hikes, in a scenario of strong growth in domestic demand which left the central banks free from this dilemma.

By the end of the year, the **U.S. economy had grown** by 2.2%, and the Federal Reserve began to drop interest rates after the summer. In September, it made the surprising move of lowering rates by fully half a point to 4.75%. Two later cuts placed the year-end rate at 4.25%.

Stock markets, which reached their highs in summer, retreated over the remaining months of the year, remaining practically stable overall. In Spain, the Ibex increased by 7.3%.

Europe grew about 2.7% in 2007 based on domestic demand and the high level of investment. The European Central Bank kept interest rates at 4% from June onwards. Their comments, while focused on inflation increases, encouraged markets not to discount drops in the interest rate. This was expected to remain stable

for the time being. During this time, the euro continued to rise, reaching historical highs of almost 1.5 dollars per euro.

In this international context, the **Spanish economy** did quite well. Growth in 2007 was 3.8%, only a tenth of a percentage point below the 2006 figure – one more year of growth rates beyond those forecasted. The economy did, however, begin to show signs of entering into a cyclical adjustment, signs that became clearer as the year wore on. While the economy grew by 4% in the first quarter, in the second quarter the average growth stood at 3.6%. Household spending had been slowing down since 2006, while investment other than that in housing continued at a dynamic rate.

The housing sector clearly took centre stage, as it showed the most obvious signs of a slowdown. The slow drop in demand that had begun in 2006 combined with an adjustment in the supply, which had reached record levels the previous year. The number of housing starts in Spain reached 911,000 in 2006 – a high figure that was influenced by the new building technical code. This figure dropped to 675,000 housing starts in 2007, a figure more in line with the actual housing demand in Spain. Investment in housing thus grew by only 3.1%, in comparison to the 6.4% figure from 2006.

The adjustment in the real-estate offer in 2007 helped make the slowdown in housing prices a gradual process. The housing price

Interest rates										
(Annual and quarterly average)	Year 2007	4Q	2007			Year 2006	4Q	2006		
			3Q	2Q	1Q			3Q	2Q	1Q
Official ECB rate	3.85	4.00	4.00	3.82	3.57	2.78	3.30	2.91	2.57	2.33
Euribor 3 months	4.28	4.72	4.49	4.07	3.82	3.08	3.59	3.22	2.90	2.61
Euribor 1 year	4.45	4.68	4.65	4.38	4.09	3.44	3.86	3.62	3.32	2.95
Spain 10-year bond	4.32	4.35	4.47	4.39	4.06	3.79	3.80	3.89	3.98	3.51
USA 10-year bond	4.63	4.26	4.73	4.84	4.68	4.78	4.62	4.89	5.06	4.56
USA Federal rates	5.05	4.53	5.18	5.25	5.25	4.96	5.25	5.25	4.90	4.44
TIIE (Mexico)	7.66	7.86	7.71	7.63	7.44	7.51	7.32	7.31	7.38	8.02

increase for 2007 was 5.8%, compared with 10.4% in 2006.

Growth in **Latin America** was surprisingly strong, helped by high commodity prices and buoyant world trade. Other factors behind this good showing were a strong internal demand and the fact that many economies in the region have started to diversify growth – creating a more favourable framework. After the summer, it was interesting to see the limited effect that the financial turbulences in the developed countries were having on the emerging markets – markets that have historically tended to overreact to international financial volatility.

The strength shown by **Mexico's** domestic demand is a key element in that country's ability to limit the effects of the slowdown in the USA. Growth in 2007 was about 3.3%, with domestic demand increasing at a rate above 4%. Two issues stood out in 2007. On the one hand, advances were made in certain reforms in the pension and tax systems, an important event after a long period of little change. These reforms have set the basis for greater medium-term growth in the Mexican economy. On the other hand, food-based inflation shot up, passing the limit set by the Bank

of Mexico, ie, 4%. Attempting to avoid the spreading of this rise into economic expectations and salaries, the central bank strengthened their hawkish statements and increased the rates by 25 basis points on two occasions – in April and October, finally reaching 7.5%.

Exchange rates: all of the most important currencies that have the greatest impact on the BBVA Group's financial statements depreciated against the euro in 2007. Thus, between 31-Dec-06 and the end of 2007, the Mexican peso fell 10.8%, the US dollar 10.5%, the Argentinean peso 12.9%, the Venezuelan bolivar 10.7%, the Peruvian sol 4.5% and the Chilean peso 3.8%. This has had a negative impact on the year-on-year comparisons of the Group's balance sheet.

The effect on the income statement is also negative because it depends on the variation in **average exchange rates** for 2007 and 2006. These also reveal depreciations: the Mexican peso fell 8.6% against the euro, the US dollar and the Venezuelan bolivar fell 8.4%, the Argentine peso 10.0%, the Chilean peso 6.9% and the Peruvian sol 4.1%. The Colombian peso moved in the opposite direction, gaining 4.1%.

Exchange rates ⁽¹⁾								
	Year-end exchange rates				Average exchange rates			
	31-12-07	Δ% on 31-12-06	31-12-06	Δ% on 31-12-05	2007	Δ% on 2006	2006	Δ% on 2005
Mexican peso	16.0521	(10.8)	14.3230	(11.8)	14.9730	(8.6)	13.6923	(1.0)
U.S. dollar	1.4721	(10.5)	1.3170	(10.4)	1.3705	(8.4)	1.2556	(0.9)
Argentine peso	4.6684	(12.9)	4.0679	(11.7)	4.3111	(10.0)	3.8806	(6.2)
Chilean peso	731.53	(3.8)	703.73	(13.8)	715.31	(6.9)	666.22	4.6
Colombian peso	2,967.36	(0.9)	2,941.18	(8.4)	2,840.91	4.1	2,958.58	(2.3)
Peruvian new sol	4.4060	(4.5)	4.2098	(4.0)	4.2856	(4.1)	4.1111	(0.3)
Venezuelan bolivar	3,164.56	(10.7)	2,824.86	(10.4)	2,941.18	(8.4)	2,695.42	(2.9)

(1) Expressed in currency/euro.



Earnings

Net interest income
Ordinary revenues
Operating profit
Provisions and others
Net attributable profit
Economic profit and risk-adjusted return on economic capital

In 2007, a particularly complicated year for the international financial sector, BBVA has continued with its growth of recent years, once again proving its commercial management skills and its ability to deal with the different risks inherent in its activity; it could thus report positive and recurrent earnings.

The intense marketing activity undertaken in each of the Group's units has led to yet a further increase in business volume and a rise in revenues, feeding into the operating and attributable profit. Further gains were made in efficiency whilst maintaining excellent asset quality on the loan portfolio and high profitability. The non-performing loan ratio remained low and coverage high. Meanwhile, the Group sustained a comfortable situation in its liquidity and capital ratios.

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

- 2007 included €847m of gross capital gains on the sale of the Group's interest in Iberdrola (booked as trading income), and €273m of gross capital gains from the sale of buildings in connection with the new Corporate Headquarters. Additionally, €200m were charged for endowment of the BBVA Microfinance Foundation and, in the fourth quarter, the Group set aside provisions of €100m for early retirements under the Transformation Plan announced during its recent Investor Day.
- In 2006, the Group obtained €523m of gross capital gains on the sale of its interest in Repsol (booked as trading income), and €751m of gross capital gains on the sale of its interests in BNL and Andorra. That year, the Group charged €777m for early retirement associated with the restructuring of its branch networks in Spain and the new organisational structure, and also set aside additional provisions for corporate tax under the new tax code.

Consolidated income statement								
(Million euros)					Excluding one-offs ⁽¹⁾			
	2007	Δ%	2006	2005	2007	Δ%	Δ% at constant exchange rates	2006
Core net interest income	9,422	17.8	7,995	6,915	9,422	17.8	23.5	7,995
Dividends	348	(8.4)	379	292	348	(8.4)	(8.3)	379
NET INTEREST INCOME	9,769	16.7	8,374	7,208	9,769	16.7	22.0	8,374
Income by the equity method	242	(21.5)	308	121	242	(21.5)	(21.6)	308
Net fee income	4,723	9.0	4,335	3,940	4,723	9.0	13.3	4,335
Income from insurance activities	729	12.0	650	487	729	12.0	16.5	650
CORE REVENUES	15,463	13.1	13,667	11,756	15,463	13.1	17.9	13,667
Net trading income	2,670	31.3	2,034	1,267	1,823	20.7	23.9	1,511
ORDINARY REVENUES	18,133	15.5	15,701	13,024	17,286	13.9	18.5	15,178
Net revenues from non-financial activities	188	43.0	131	126	188	43.0	42.6	131
Personnel costs	(4,335)	8.7	(3,989)	(3,602)	(4,335)	8.7	12.0	(3,989)
General expenses	(2,718)	16.1	(2,342)	(2,160)	(2,718)	16.1	21.4	(2,342)
Depreciation and amortization	(577)	22.2	(472)	(449)	(577)	22.2	26.2	(472)
Other operating income and expenses	(146)	0.1	(146)	(115)	(146)	0.1	8.7	(146)
OPERATING PROFIT	10,544	18.7	8,883	6,823	9,697	16.0	21.0	8,360
Impairment losses on financial assets	(1,938)	28.9	(1,504)	(854)	(1,938)	28.9	34.9	(1,504)
• Loan-loss provisions	(1,902)	28.8	(1,477)	(813)	(1,902)	28.8	34.8	(1,477)
• Other	(36)	32.7	(27)	(41)	(36)	32.7	40.1	(27)
Provisions	(210)	(84.3)	(1,338)	(454)	(110)	(80.4)	(80.0)	(561)
Other income/losses	98	(90.1)	989	77	25	(89.5)	(89.3)	238
• From disposal of equity holdings	11	(98.8)	934	29	11	(94.0)	(93.9)	183
• Other	87	59.2	55	49	14	(74.3)	(73.7)	55
PRE-TAX PROFIT	8,495	20.8	7,030	5,592	7,675	17.5	22.6	6,533
Corporate income tax	(2,080)	1.0	(2,059)	(1,521)	(1,983)	15.4	21.0	(1,718)
NET PROFIT	6,415	29.0	4,971	4,071	5,691	18.2	23.2	4,815
Minority interests	(289)	22.8	(235)	(264)	(289)	22.8	31.2	(235)
NET ATTRIBUTABLE PROFIT	6,126	29.4	4,736	3,806	5,403	18.0	22.8	4,580
EARNINGS PER SHARE CALCULATION								
Average ordinary shares in circulation (million)	3,594	5.7	3,401	3,384	3,594	5.7		3,401
Basic earnings per share (euros)	1.70	22.4	1.39	1.12	1.50	11.6		1.35
Diluted earnings per share (euros)	1.70	22.4	1.39	1.12	1.50	11.6		1.35

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

The combined effect of all these operations, net of taxes, was additional net attributable profit of €724m in 2007 and €156m in 2006. The

accompanying table shows a breakdown of the income statement **without** the impact of these **non-recurrent** operations and all the following

Consolidated income statement ⁽¹⁾ : quarterly evolution								
(Million euros)	2007				2006			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Core net interest income	2,625	2,381	2,217	2,199	2,134	1,999	1,928	1,933
Dividends	120	30	163	35	156	35	172	17
NET INTEREST INCOME	2,745	2,411	2,380	2,233	2,290	2,034	2,100	1,950
Income by the equity method	81	57	77	26	86	152	29	41
Net fee income	1,270	1,168	1,152	1,133	1,137	1,048	1,042	1,108
Income from insurance activities	205	183	170	171	167	186	148	149
CORE REVENUES	4,301	3,819	3,780	3,564	3,680	3,420	3,320	3,248
Net trading income	339	402	535	547	358	319	422	412
ORDINARY REVENUES	4,639	4,221	4,315	4,110	4,038	3,739	3,741	3,659
Net revenues from non-financial activities	49	26	61	52	44	12	56	19
Personnel costs	(1,189)	(1,079)	(1,032)	(1,035)	(1,043)	(993)	(963)	(989)
General expenses	(775)	(665)	(650)	(628)	(610)	(570)	(574)	(588)
Depreciation and amortization	(184)	(147)	(127)	(120)	(125)	(115)	(104)	(128)
Other operating income and expenses	(37)	(34)	(45)	(30)	(30)	(38)	(41)	(38)
OPERATING PROFIT	2,503	2,323	2,522	2,349	2,273	2,035	2,116	1,936
Impairment losses on financial assets	(597)	(459)	(509)	(372)	(441)	(408)	(358)	(297)
• Loan-loss provisions	(584)	(452)	(498)	(367)	(432)	(395)	(357)	(293)
• Other	(13)	(7)	(11)	(5)	(9)	(13)	(1)	(4)
Provisions	70	(11)	(46)	(123)	(80)	(139)	(207)	(135)
Other income/losses	11	16	(15)	13	23	69	124	22
• From disposal of equity holdings	16	-	(1)	(4)	(4)	50	118	20
• Other	(5)	16	(15)	18	27	19	6	2
PRE-TAX PROFIT	1,987	1,869	1,952	1,867	1,776	1,557	1,676	1,526
Corporate income tax	(483)	(455)	(504)	(541)	(452)	(377)	(461)	(429)
NET PROFIT	1,504	1,414	1,447	1,327	1,323	1,180	1,215	1,097
Minority interests	(63)	(75)	(78)	(72)	(43)	(59)	(55)	(77)
NET ATTRIBUTABLE PROFIT	1,440	1,339	1,369	1,254	1,280	1,121	1,159	1,020

(1) Excluding the one-off operations.

remarks (unless otherwise stated) refer to these figures because they offer a truer picture of the Group's performance.

Furthermore, an analysis of earnings requires the fluctuation in average **exchange rates** be taken into account. These have fallen by somewhere in the region of five percentage points, thus above that experienced in 2006. In order to be able to evaluate this effect, a column has been included in

the income statement without non-recurrent operations, showing the variations at constant exchange rates.

Net attributable profit for 2007 as a whole, without considering non-recurrent items, came to €5,403m. This sets a new record for the Group and an increase of 18.0% over the €4,580m reported the previous year. At constant exchange rates this increase is levered to 22.8%, above the

21.0% shown in 2006. Likewise, the rise in the most recurrent income (ordinary revenues were up 13.9%) above that of expenses evidences a further improvement in efficiency and enabled **operating profit** to reach a figure of €9,697m, ie, a 16.0% rise compared to €8,360m turned in the previous year (up 21.0% at constant exchange rates).

The growth in the Group's earnings for the year was basically **organic**, as changes in the perimeter only accounted for a 2.0% increase in operating profit and 1.3% in net attributable

profit. The changes in perimeter were, on the one hand, the incorporations of Forum and Texas State Bank in 2006 and those of State National Bank, Compass Bank and the interest in CITIC during 2007; and on the other, the sale of Banc Internacional de Andorra in 2006 and the divestments in the holdings portfolio (Repsol, BNL and Iberdrola). The most significant of these changes is that of **Compass Bank**, which has contributed €138m to operating profit and €70m to net attributable profit since it joined the Group on 7-Sept-07.

Consolidated income statement ⁽¹⁾			
(Expressed as a % of average total assets (ATA))	2007	2006	2005
Core net interest income	2.04	2.02	1.90
Dividends	0.08	0.10	0.08
NET INTEREST INCOME	2.12	2.11	1.98
Income by the equity method	0.05	0.08	0.03
Net fee income and insurance activities	1.18	1.26	1.22
CORE REVENUES	3.35	3.45	3.23
Net trading income	0.39	0.38	0.35
ORDINARY REVENUES	3.74	3.83	3.58
Net revenues from non-financial activities	0.04	0.03	0.03
General administrative expenses	(1.53)	(1.60)	(1.58)
Depreciation and amortization	(0.13)	(0.12)	(0.12)
Other operating income and expenses	(0.03)	(0.04)	(0.03)
OPERATING PROFIT	2.10	2.11	1.87
Impairment losses on financial assets	(0.42)	(0.38)	(0.23)
Provisions	(0.02)	(0.14)	(0.12)
Other income/losses	0.01	0.06	0.02
PRE-TAX PROFIT	1.66	1.65	1.54
Corporate income tax	(0.43)	(0.43)	(0.42)
NET PROFIT	1.23	1.22	1.12
Minority interests	(0.06)	(0.06)	(0.07)
NET ATTRIBUTABLE PROFIT	1.17	1.16	1.05
MEMORANDUM ITEM:			
Average total assets (million euros)	461,668	395,950	364,055
(1) Excluding the one-off operations.			

It should be underlined that the high rates of year-on-year growth attained by the main types of profit, amid a complex 2007, have been obtained using a very high starting point for comparison, as 2006 was one of the most expansive years in the Group's history, with growth rates of 16.2% in net interest income (without non-recurrent items), of 22.5% in operating profits and 20.3% in net attributable profit over 2005.

In 2007, the Group's **average total assets** (ATA) grew year-on-year at a rate of 16.6%, due, amongst other reasons, to the incorporation of Compass Bank assets as of September. This increase was in line with the main income statement items, which enabled the Group to maintain high ratios of returns on the assets it manages. More specifically, net interest income on ATAs stood at 2.12%, up on the 2006 figure of 2.11% and the 1.98% recorded in 2005; operating profit without non-recurrent items on ATAs stood at 2.10% in 2007 (2.11% in 2006 and 1.87% in 2005) and the ROA (after-tax net profit on ATAs) improved slightly to 1.23% as opposed to 1.22% and 1.12% in 2006 and 2005, respectively.

Net interest income

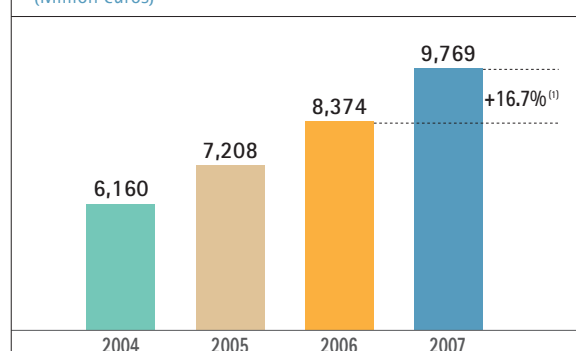
In 2007, the main driving force of the Group's revenues was the **net interest income**, which stood at €9,769m, a figure which represents a 16.7% increase over the €8,374m recorded in 2006 (up 22.0% at constant exchange rates). If dividends of €348m are excluded, net interest income rose

17.8% year on year to €9,422m, which is levered to 23.5% at constant exchange rates. The improvement was due to the higher volume of business and to wider spreads on operations with customers.

In the **domestic market**, customer spreads widened throughout the year. In fact, they have improved over eight consecutive quarters to reach 3.17% in the fourth quarter of 2007 with an increase of 29 basis points compared to the same period of 2006 (2.88%). In a volatile interest-rate environment, the yield on loans rose to 5.54% in the fourth quarter as opposed to 4.53% recorded in the last quarter of 2006. The cost of deposits lay at 2.37% but the increase (73 basis points compared to 1.64% in the fourth quarter of 2006) is lower than the rise in yields, due mainly to the growth in time deposits. The overall result means that in 2007 the **average customer spread** was 3.10%, compared to 2.75% in 2006.

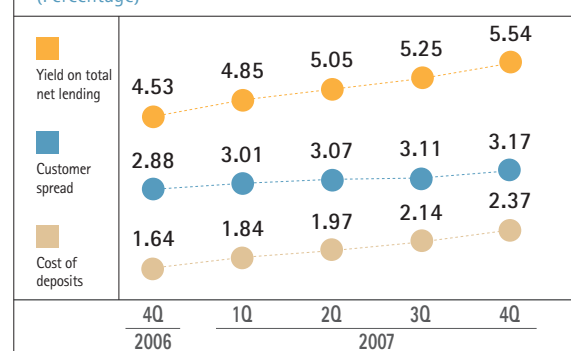
This improvement in the spreads in the domestic sector helped the rises in business volumes to be converted into higher net interest income growth. Hence, in the Spain and Portugal area the net interest income stood at 14.6% year on year, well above the 9.3% recorded in 2006. In Global Businesses, the variation rate is not representative because it was affected by the imbalance between this line item and net trading income, caused by the valuation criteria for market positions, notwithstanding that in the Global Customers and Investment Banking unit, not affected by this circumstance, the net interest income rose by 38.1%.

Net interest income (Million euros)



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

Customer spread (Domestic) (Percentage)



Breakdown of yields and costs						
	2007		2006		2005	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Cash and balances at Central Banks	3.5	2.86	3.0	3.73	2.9	4.37
Financial assets and derivatives	23.2	3.69	26.1	4.02	32.0	3.72
• Fixed-income securities	18.6	4.22	21.2	4.50	27.4	4.05
– Euros	10.7	2.64	13.8	2.42	17.4	2.14
– Foreign currencies	7.9	6.36	7.4	8.40	9.9	7.39
• Equity securities	4.7	1.61	4.9	1.94	4.6	1.75
Due from banks	6.7	5.72	6.0	4.19	5.7	3.72
• Euros	4.6	5.39	3.6	3.21	2.9	2.59
• Foreign currencies	2.2	6.39	2.4	5.63	2.7	4.94
Loans to customers	60.7	6.88	58.8	5.93	53.0	5.39
• Euros	44.6	5.22	44.8	4.15	41.3	3.79
– Domestic	41.5	5.18	41.9	4.17	38.8	3.74
– Other	3.0	5.74	2.9	3.92	2.5	4.63
• Foreign currencies	16.2	11.45	14.0	11.60	11.7	11.06
Other assets	5.8	0.81	6.1	0.82	6.5	0.78
TOTAL ASSETS	100.0	5.57	100.0	4.95	100.0	4.43
Deposits by Central Banks and banks	14.3	5.01	16.1	3.80	17.8	3.36
• Euros	5.9	3.98	8.7	2.85	10.0	2.19
• Foreign currencies	8.3	5.75	7.4	4.92	7.8	4.86
Due to customers	47.6	3.45	44.9	3.03	43.7	2.79
• Euros	26.8	3.00	25.0	1.75	24.0	1.23
– Domestic	17.3	2.09	17.8	1.42	16.9	1.11
– Other	9.4	4.67	7.2	2.57	7.1	1.53
• Foreign currencies	20.8	4.03	19.9	4.64	19.7	4.68
Marketable debt securities and subordinated debt	21.6	4.66	22.1	3.46	18.9	2.74
• Euros	18.0	4.41	19.6	3.23	17.6	2.45
• Foreign currencies	3.6	5.91	2.5	5.18	1.3	6.61
Other liabilities	11.3	0.78	12.1	0.79	15.3	0.79
Equity	5.3	-	4.7	-	4.3	-
TOTAL LIABILITIES AND EQUITY	100.0	3.45	100.0	2.83	100.0	2.45
NET INTEREST INCOME/ATA		2.12		2.11		1.98

In Mexico, interest rates have shown a slight upward trend over the year. The average TIIE for 2007 was 7.7%, as opposed to 7.5% in 2006. These movements in interest rates partially offset the negative effect of a fall in consumer finance and cards, whereby the yield on loans rose to 15.05% in the fourth quarter of 2007 up from 14.92% for the same period a year earlier. The

cost of funds also mirrored the effect of rising exchange rates, rising to 2.62% in the last quarter of 2007 (versus 2.43% reported between October and December 2006), and therefore customer spreads remained at a high level: 12.43% in the fourth quarter of 2007, similar to the 12.50% reached in the same period 2006. This good performance of spreads in Mexico,

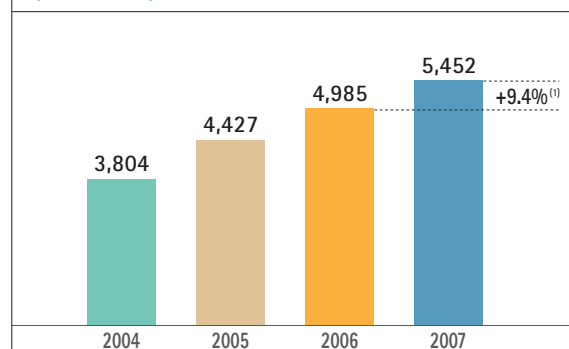
together with a strong increase in business, helped to lift net interest income 18.6% in local currency terms.

Likewise, in **South America** the sharp increase in business volume – especially in lending – was passed on to net interest income, boosting its growth to 33.2% at constant exchange rates.

Ordinary revenues

Net fee income in 2007 came to €4,723m, a 9.0% increase compared to 2006 (up 13.3% at constant exchange rates). Its performance was affected by fees on mutual and pension funds (down 2.1%), since time deposits account for most of the growth in customer funds and because the Group faces stiffer competition in the Mexican pensions business. **Insurance business** generated €729m showing a 12.0% year-on-year increase. Therefore, **net fee income plus insurance** rose 9.4% to €5,452m, compared to €4,985m reported a year earlier (up 13.7% at constant rates)

Fee income + Insurance (Million euros)



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

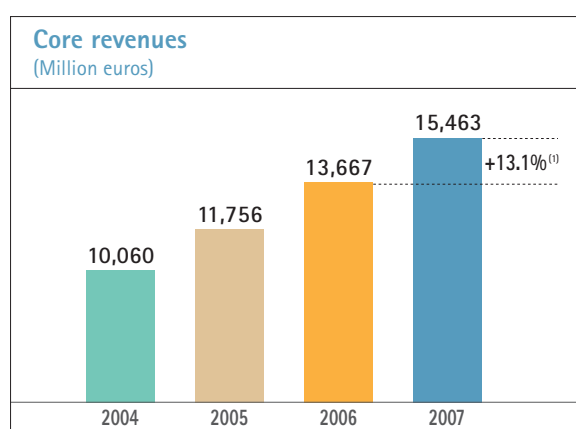
All business areas reported significant improvements in this aggregate: in Spain and Portugal it rose 6.8% and in Global Businesses 15.2%, while at constant exchange rates it increased 24.8% in Mexico and the United States, and 18.8% in South America.

Net income from companies calculated by the **equity method** came to €242m for the year, mainly fed by the Corporación IBV's contribution of €209m. In 2006 this item came to €308m,

Net fee income and insurance				
(Million euros)	2007	Δ%	2006	2005
Collection and payment services	2,066	14.7	1,801	1,565
• Credit and debit cards	1,019	9.1	934	733
• Other collection and payment services	1,047	20.8	867	832
Asset management	1,418	1.8	1,393	1,373
• Mutual and pension funds	1,244	(2.1)	1,270	1,212
• Managed portfolios	175	41.6	123	161
Other securities services	615	7.8	570	518
• Purchase/sale of securities	211	16.3	181	162
• Underwriting and placement	67	7.9	62	60
• Administration and custody services	337	3.0	327	295
Other fees	624	9.5	570	485
NET FEE INCOME	4,723	9.0	4,335	3,940
Income from insurance activities	729	12.0	650	487
NET FEE INCOME AND INSURANCE	5,452	9.4	4,985	4,427

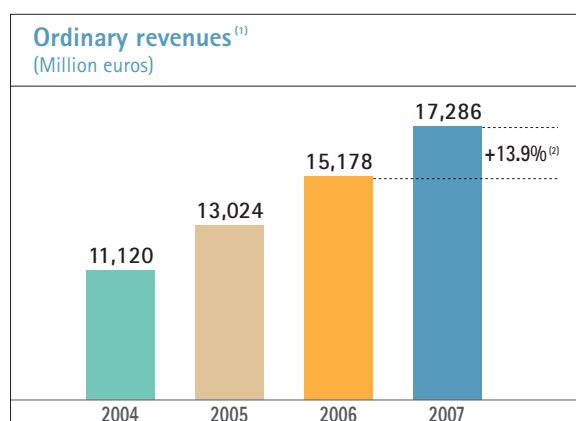
based on contributions from Corporación IBV (€251m) and BNL (€25m).

Core revenues, which consist of net interest income, net fee income, income from insurance activities and income by the equity method, came to €15,463m for the year overall. The latter figure was 13.1% higher than the €13,667m generated in 2006 (up 17.9% at constant rates) and quarterly figures underwent increases throughout the year.



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

Net trading income stood at €1,823m, with year-on-year growth of 20.7% over the 2006 figure of €1,511m (23.9% at constant exchange rates), despite the slowdown in market operations in the last quarter due to weaker conditions. If non-recurrent capital gains (€847m from Iberdrola in the first quarter of 2007 and €523m from Repsol YPF in the second quarter of 2006) are included, net trading income for 2007 and 2006 came to €2,670m and €2,034m, respectively.



(1) Excluding results of one-off transactions.

(2) At constant exchange rate: +18.5%.

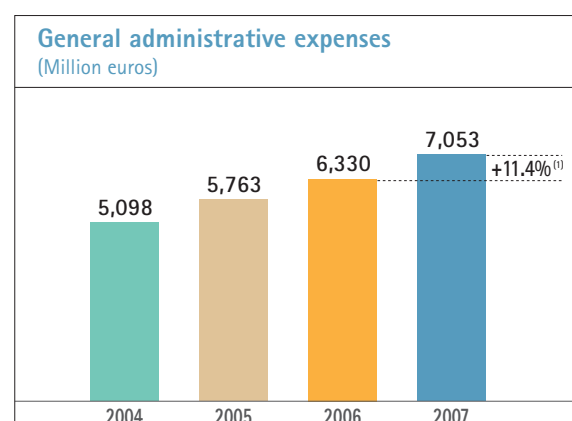
The sum of core revenues and net trading income gives an **ordinary revenues** figure of €17,286m, up 13.9% on the €15,178m of 2006 (18.5% at constant exchange rates).

Net revenues on non-financial activities, forthcoming mainly from the real estate business, increased 43.0% to €188m (€131m in 2006).

As a result, the Group's **total operating revenues** rose 14.1% year on year to €17,474m (up 18.8% at constant exchange rates).

Operating profit

Operating expenses reflected the greater level of marketing activity, investments in growth projects and the effect of recent acquisitions, but nevertheless they are still increasing more slowly than revenues. General administrative expenses were up 11.4% to €7,053m for the year, up 11.4% on 2006 (personnel costs rose 8.7% and other overheads climbed 16.1%). In the Spain and Portugal area expenses increased 2.8% due to the implementation of new projects, whereas expenses in the Spanish branch network were practically flat. Expenses in the Americas rose 16.1% (25.2% at constant rates) owing to recent acquisitions and to increases in the branch networks and sales force in some countries.



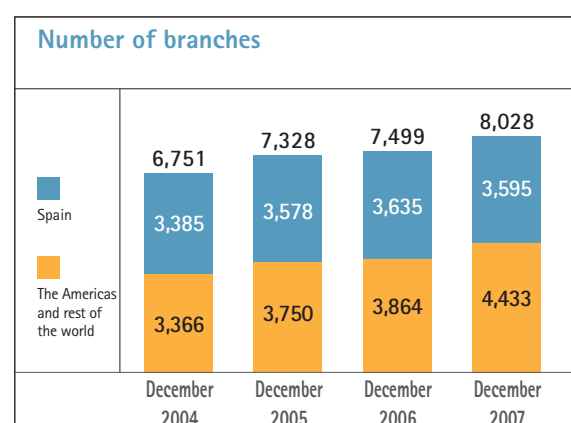
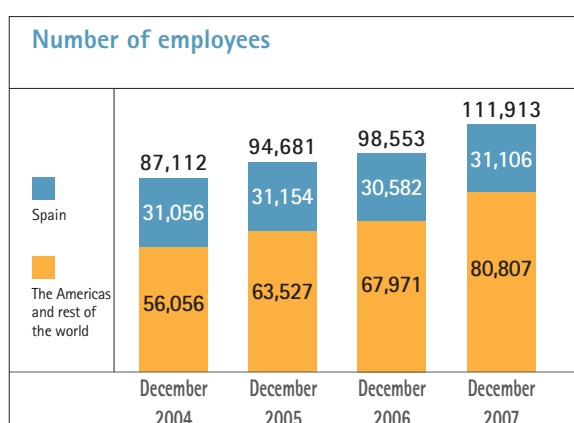
(1) At constant exchange rate: +15.5%.

General administrative expenses and depreciation

(Million euros)	2007	Δ%	2006	2005
PERSONNEL COSTS	4,335	8.7	3,989	3,602
Wages and salaries	3,297	9.5	3,012	2,744
• Fixed compensation	2,455	8.8	2,255	2,109
• Variable compensation	842	11.3	757	635
Employee welfare expenses	660	4.6	631	597
• Of which: pension funds	113	(10.6)	127	125
Training expenses and other	379	9.4	346	262
GENERAL EXPENSES	2,718	16.1	2,342	2,160
Premises	520	15.3	451	415
IT	539	8.8	496	434
Communications	236	8.3	218	203
Advertising and publicity	248	19.9	207	212
Corporate expenses	105	12.6	93	88
Other expenses	812	20.4	674	596
Levies and taxes	257	26.9	203	213
GENERAL ADMINISTRATIVE EXPENSES	7,053	11.4	6,330	5,763
DEPRECIATION AND AMORTIZATION	577	22.2	472	449
GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION & AMORTIZATION	7,630	12.2	6,803	6,211

The Group ended 2007 with a workforce of 111,913 employees. The most outstanding aspect of the year was the increase in the Americas, due, in the main, to the addition of 8,864 employees from Compass and 595 employees from State National Bank.

The Group's **branch** network had a total of 8,028 outlets at December 2007, with the most noteworthy points being the inclusion of the 420 Compass branches and the 43 State National branches and the expansion of networks in Mexico, Chile and Peru, while Spain continued the trend of optimising its existing network.



Efficiency ⁽¹⁾				
(Million euros)	2007	Δ%	2006	2005
Ordinary revenues	17,286	13.9	15,178	13,024
Net revenues from non-financial activities	188	43.0	131	126
TOTAL REVENUES	17,474	14.1	15,309	13,149
Personnel costs	(4,335)	8.7	(3,989)	(3,602)
General expenses	(2,718)	16.1	(2,342)	(2,160)
Recovered expenses	73	11.0	65	76
GENERAL ADMINISTRATIVE EXPENSES (NET)	(6,980)	11.4	(6,265)	(5,687)
EFFICIENCY RATIO (Costs/revenues, %)	39.9		40.9	43.2
Depreciation and amortization	(577)	22.2	(472)	(449)
GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION	(7,557)	12.2	(6,737)	(6,135)
EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION	43.3		44.0	46.7

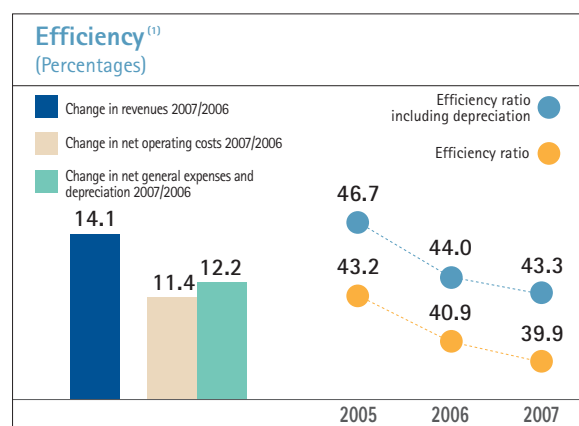
(1) Excluding the one-off operations.

As the increase in operating income (up 14.1%) exceeded that of general administrative expenses net of recuperated expenses and depreciation (up 12.2%), the **efficiency ratio** in 2007 improved to 43.3% from 44.0% in 2006. Without the effect of Compass the improvement would have been even better (42.4%). The BBVA Group therefore continued the trend of recent years of improving its efficiency (in 2006 an advance of 2.7 points was recorded over the 2005 figure of 46.7%), which positions BBVA ahead of the large European financial groups in this important indicator.

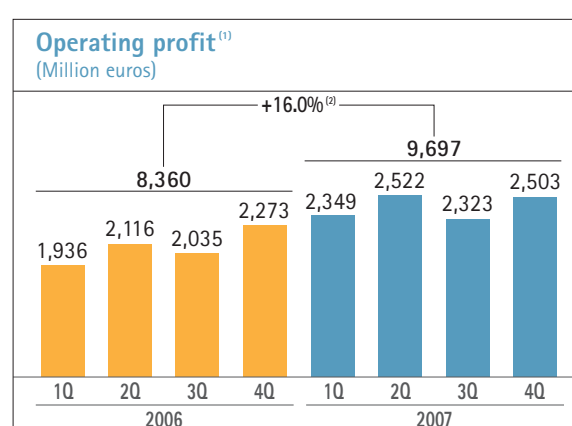
This positive trend in the Group's income also helped **operating profit** to maintain a high growth rate, bringing the aggregate total for 2007 to

€9,697m. This was an increase of 16.0% compared to the €8,360m obtained in 2006 (up 21.0% at constant exchange rates). Including the effect of one-off capital gains (Iberdrola in 2007 and Repsol in 2006), operating profit saw a year-on-year 18.7% increase to €10,544m (23.5% at constant rates).

It should be noted that all business areas recorded growth in operating profit in excess of 17%. Both Spain and Portugal and Global Businesses experienced increases of 18.8%, in Mexico and the United States this rise was 17.5% (28.5% at constant exchange rates) and in South America it reached 25.1% (33.3% at constant rates).



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

(2) At constant exchange rate: +21.0%.

Provisions and others

In 2007 €1,902m were set aside for **loan-loss provisions**, an amount 28.8% higher than in 2006 (€1,477m). This increase in provisions was due to the growth in lending in all the Group's markets, which continued to require generic provisions, whereby said funds came to a total balance of €5,660m at 31-Dec-07. This figure represents a 14.3% increase over that of the previous year (€4,952m) and it now accounts for 73.9% of the coverage funds total.

The balance of "**provisions**" stood at €110m at 31-Dec-07 (€561m in 2006). This amount includes €212m for early retirements and an additional €100m in the fourth quarter related to the Transformation Plan announced during the Bank's recent Investor Day presentation. In 2006 ordinary early retirement provisions stood at €277m and non-recurrent provisions (linked to the restructuring of branch networks and the new organisational structure) came to €777m.

The **disposal of equity holdings** contributed only €11m in 2007 and the main item was €13m from the sale of a pension fund manager and an insurance company in the Dominican Republic (booked in the fourth quarter). In 2006 this item came to €183m, largely due to Técnicas Reunidas. This was supplemented by non-recurrent capital gains on the sale of holdings in Banca Nazionale del Lavoro (€568m) and Banc Internacional de Andorra (€183m).

The **Other items** heading in 2007 reports €73m in net non-recurrent earnings: €273m in capital gains from the sale of buildings in connection with the new corporate headquarters project (in the second and third quarters) minus a €200m charge in the second quarter for endowment of the BBVA Microfinance Foundation.

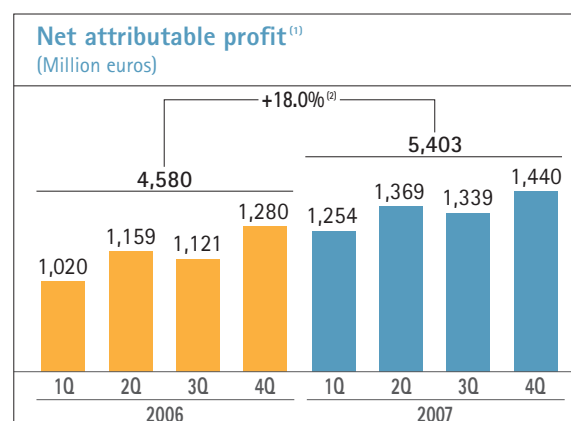
Net attributable profit

The combined effect of the aforementioned items on the income statement without non-recurrent items is practical zero. Therefore the increase in operating profit carries through to **pre-tax profit**, which rose 17.5% to €7,675m (€6,533m in 2006). The corporate tax rate in Spain was lowered to 32.5% in 2007, hence provisions for this item have been lowered accordingly. However, in 2006 the new tax code generated a one-time charge to adjust deferred tax credits to the new rates.

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

The impact of perimeter variations was of little significance, as net attributable profit at **constant perimeter** would register increases of 16.7% in euro and 21.5% at constant exchange rates.

The breakdown of the net attributable profit figure by **business area** is as follows: Spain and Portugal contributed €2,397m (up 24.9% year on year), Global Businesses €909m (up 5.4%), Mexico and the United States €2,084m (up 17.4% in euro and 28.4% at constant exchange rates) and South America €623m (up 22.4% in euro and 29.3% at constant rates).



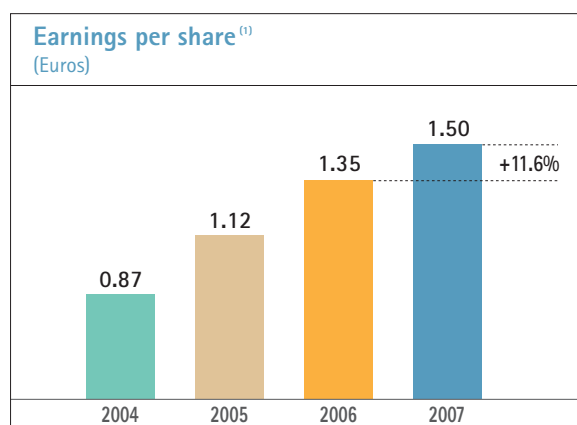
(1) Excluding results of one-off transactions.

(2) At constant exchange rate: +22.8%.

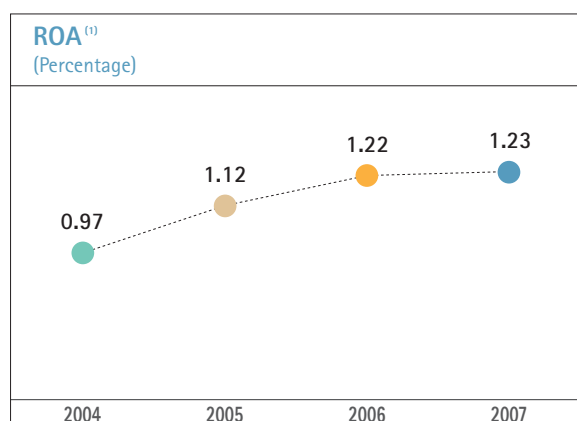
If **non-recurrent items** (€724m of attributable profit in 2007 and €156m in 2006) are **included**, the total net attributable profit at 31-Dec-07 rose 29.4% year on year to €6,126m as opposed to €4,736m in 2006. Without the effect of exchange rates the increase was 34.4%.

Without non-recurrent items, **earnings per share (EPS)** in 2007 came to €1.50, an increase of 11.6% compared to the €1.35 obtained in 2006. Reported earnings per share in 2007 were €1.70, up 22.4% over €1.39 in 2006. EPS rose somewhat less than net attributable profit owing to an increase in the average number of shares following capital increases in September 2007 and November 2006.

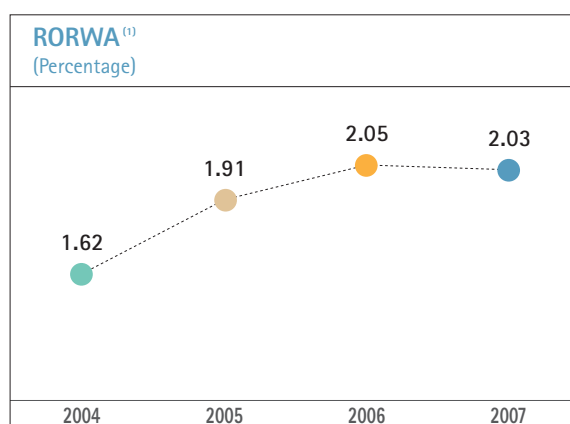
These capital increases enlarge shareholder's funds, thus both altering **book value** per share, which rose 29.1% to €6.62 and the return on equity (**ROE**), which, while falling to 30.2% in 2007 from 36.4% in 2006, still places BBVA ahead of the major European finance groups.



(1) Excluding results of one-off transactions.



(1) Excluding results of one-off transactions.

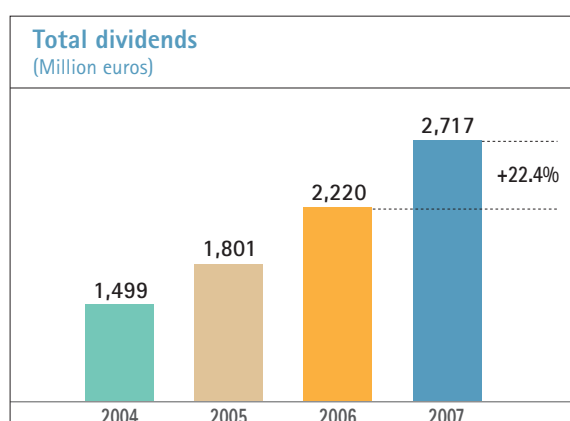


(1) Excluding results of one-off transactions.

The return on total average assets (**ROA**) stood at 1.23%, very similar to the 2006 figure of 1.22%, and the return on average risk-weighted assets (**RORWA**) stood at 2.03% (2.05% in 2006).

Including non-recurrent earnings, ROE lay at 34.2%, ROA at 1.39% and RORWA at 2.29%.

The **dividend** proposed by the board of directors for approval by the Annual General Meeting and to be posted against earnings for 2007 amounts to €0.733 per share, registering an increase of 15.1% on the €0.637 charged against earnings the previous year. Considering the effect of the capital increase in September 2007, the total amount to be distributed to shareholders will be €2,717m, a figure 22.4% up on the €2,220m recorded in 2006. The remaining €3,409m of net attributable profit will be earmarked for reserves (35.5% up on the €2,516m of 2006). This means that the **pay-out** stands at 44.4%; this is lower than the 46.9% distribution of 2006.



Economic profit and risk-adjusted return on economic capital

This Annual Report is the first to contain economic profit (EP) and risk-adjusted return on capital (RAROC) figures. These concepts form part of an array of elements used by BBVA to manage its value-creation metrics more efficiently. For this reason, we will explain how they fit in with the Group's **value-based management** model and how they are calculated.

BBVA has adopted a multi-year corporate goal based on **total shareholder return** (TSR), measured against that of a peer group of entities, where TSR is the increase in the share price plus dividend yield. In order to focus the Group on this objective, management patterns have been developed based on economic value, the aim being to align managers' incentives with those of BBVA shareholders.

The best internal reference for BBVA's share Stock value is **economic value**. This is calculated for each business and activity by adding capital employed (economic risk capital, or ERC) to the value added (which represents the expectation that the return on capital will exceed its cost).

In this context, **value added** is calculated as the value discounted, at the cost of business capital, from the economic profit (projected forward). Therefore EP reflects the balance between earnings generation and the cost of the capital used to

obtain them and EP growth over time is directly linked to increases in shareholder value.

The **economic profit** (EP) is the profit generated over and above the cost of capital employed, and it is calculated by applying the formula below:

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

In this formula, **economic profit** is obtained by making mainly three types of **adjustments** to attributable profit:

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

In 2007 these adjustments came to a total of €577m which, added to the €6,126m net attributable profit figure, gave an economic profit of €6,703m, €26.7% above that of 2006.

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

The required economic capital for each business unit (average economic risk capital over the period, €17,855m for 2007) is then multiplied by the percentage of the **cost of capital** (10.6% in 2007) and deducted from the adjusted net attributable profit. This cost is calculated using market information drawn from analysts' consensus. Different rates are used for each business area and business unit.

Therefore, economic profit (EP) recorded by the BBVA Group in 2007 came to €4,814m, an increase of 33.7% over the previous year (€3,599m).

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

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

In 2007 the ratio between the adjusted net attributable profit of €6,703m and an average ERC of €17,855m produced a RAROC of 37.5%, which is above the 34.2% reported in 2006.

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

In the year being reported, the recurrent RAROC reached 34.0%, likewise above the 31.6% figure of 2006.

BBVA's combination of growth and high profitability brings in recurrent EP and therefore sustained generation of economic value for shareholders. Empirical evidence and our own data for recent years indicate a very high correlation between the evolution of the sum of the economic value of BBVA's businesses and its share price, although it may be temporarily affected by market volatility.



Balance sheet and business activity

Lending to customers
Customer funds
Other balance-sheet items

During 2007 **lending to customers** in Spain underwent a gentle slowdown (it nevertheless reported growth in excess of 11%) whereas all the countries in the Americas continued to evidence significant growth. These increases have been compatible with a high quality lending portfolio, which once again showed a low, controlled non-performing loan ratio and a high coverage ratio.

For its part, growth in **funds** has centred on types included on the balance sheet in the home market, while all the main types have contributed to the increase reported in the Americas.

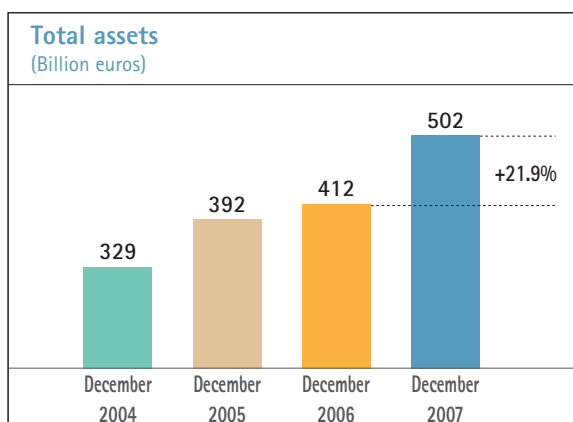
Compass Bank joined BBVA in September and **State National Bank** in January, thus extending the Group's franchise in the United States. At year-end 2007, they had jointly contributed €26 billion in assets, €19 billion in

loans, €17 billion in deposits and €5 billion in funds reported off the balance sheet. Hence, in order to be better able to analyse organic growth in the BBVA Group, the year-on-year comparisons of the key figures are generally presented on a like-for-like basis, ie, excluding Compass and State National.

Likewise, any analysis of the Group's balance sheet must take account of movements in the **exchange rates** of the currencies that have a major bearing on its financial statements. Between 31-Dec-06 and 31-Dec-07 the majority of these fell against the euro, particularly the Mexican and Argentine pesos, the US dollar and the bolivar, which all depreciated by over 10%. This has had a negative effect on year-on-year balance sheet comparisons, therefore the growth figures quoted below exclude the effect of exchange rates on the main figures.

Consolidated balance sheet

(Million euros)	31-12-07	Δ%	31-12-06	31-12-05
Cash and balances at Central Banks	22,582	80.4	12,515	12,341
Financial assets held for trading	62,336	20.3	51,835	44,012
Other financial assets at fair value	1,167	19.4	977	1,421
Financial assets available for sale	48,432	14.6	42,267	60,034
Loans and receivables	338,492	21.0	279,855	249,397
• Due from banks	20,997	23.2	17,050	27,470
• Loans to customers	310,882	21.2	256,565	216,850
• Other	6,613	6.0	6,240	5,076
Held to maturity investments	5,584	(5.4)	5,906	3,959
Investments in associates	1,542	73.5	889	1,473
Property, plant and equipment	5,238	15.7	4,527	4,383
Intangible assets	8,244	152.2	3,269	2,070
Other assets	8,588	(13.0)	9,876	13,299
TOTAL ASSETS	502,204	21.9	411,916	392,389
Financial liabilities held for trading	19,273	29.1	14,924	16,271
Other financial liabilities at fair value	449	(22.9)	583	740
Financial liabilities at amortised cost	429,204	23.2	348,445	331,590
• Deposits by Central Banks and banks	88,098	52.4	57,804	66,315
• Due to customers	236,183	22.8	192,374	182,635
• Marketable debt securities	82,999	6.9	77,674	62,842
• Subordinated debt	15,662	15.2	13,597	13,723
• Other	6,262	(10.5)	6,995	6,075
Liabilities under insurance contracts	9,997	(1.2)	10,121	10,501
Other liabilities	15,338	(1.2)	15,527	15,986
TOTAL LIABILITIES	474,261	21.7	389,598	375,087
Minority interests	880	14.6	768	971
Valuation adjustments	2,252	(32.6)	3,341	3,295
Shareholders' funds	24,811	36.3	18,210	13,036
EQUITY	27,943	25.2	22,318	17,302
TOTAL LIABILITIES AND EQUITY	502,204	21.9	411,916	392,389
MEMORANDUM ITEM:				
Contingent liabilities	65,845	55.7	42,281	29,862
MEMORANDUM ITEM:				
Average total assets	461,668	16.6	395,950	364,055
Average risk-weighted assets	279,697	19.3	234,370	199,189
Average shareholders' funds	17,901	42.1	12,594	10,300



At 31-Dec-07, the **total assets** of the BBVA Group stood at €502 billion, a 21.9% increase compared with the €412 billion reported one year earlier (up 15.5% on a like-for-like basis). Lending to customers continue to predominate assets in the balance sheet structure, and customer funds in the liabilities, which stay at a similar relative weight to that achieved in 2006.

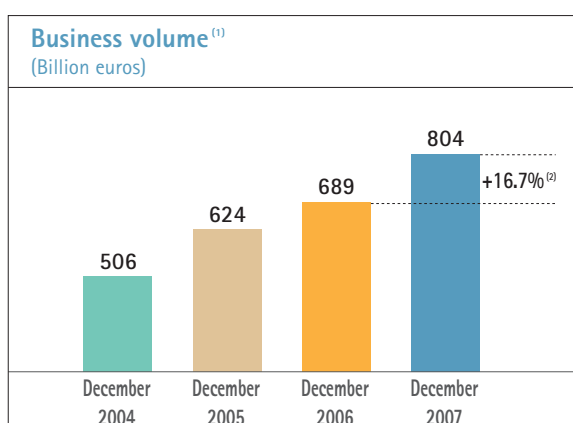
Business volume, calculated as the sum of gross lending (€318 billion) plus total customer funds including on-balance-sheet customer funds, mutual and pension funds and customer portfolios (€486 billion), approached a figure of €804 billion at 31-Dec-07, 16.7% up on the €689 billion recorded for the previous year (13.3% at constant exchange rates and on a like-for-like basis). This growth is the outcome of the year-on-year increases in lending and in funds of 20.9% and 14.1%, respectively.

Lending to customers

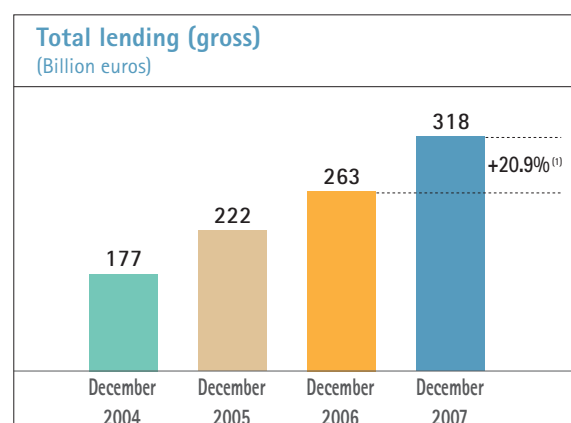
As was mentioned in the previous paragraph, at year-end 2007, lending to customers stood at €318 billion, an increase of 20.9% over the €263 billion reported at 31-Dec-06. At constant exchange rates the increase is 23.2% and if calculated on a like-for-like basis (excluding Compass and State National) the increase in lending stands at 15.8%.

Pursuant to accounting standards applied since 2005, these figures include the **balances of the securitisation operations** between 2004 and 2007, which at year-end 2007 come to an outstanding balance of €28,221m. The only items remaining off the balance sheet are the securitisations prior to 2004, the balance for which lay at €758m at 31-Dec-07; they are not included in the accompanying tables.

Regarding the breakdown of the Group's lending by **geographic area**, most worthy of mention is that the incorporation of Compass Bank has levered the relative weight of the United States to 10.3% of the total overall at 31-Dec-07, as opposed to its 4.8% the previous year. Hence the weight of the Latin American countries fell to 16.3% (17.0% at 31-Dec-06) wherein the investment grade countries (Mexico and Chile) accounted for 11.4% while those countries whose rating does not reach investment grade barely accounted for 4.9%. The weight of lending in Spain and the rest of the world also dropped to



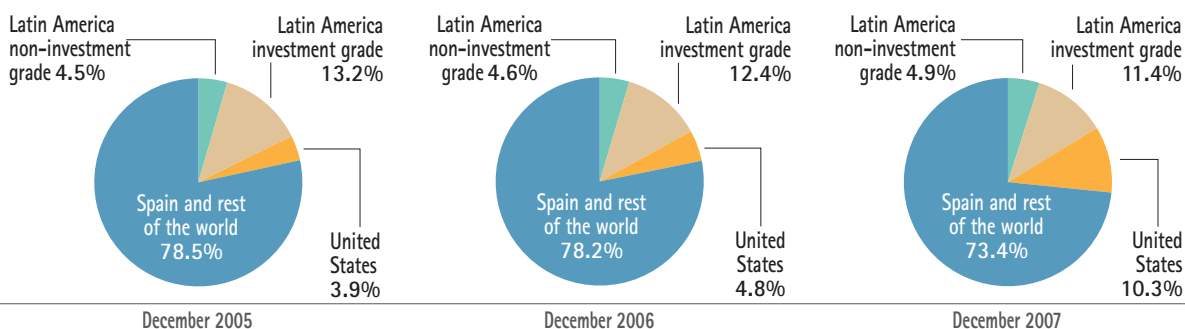
(1) Total gross lending plus total customer funds.
(2) At constant exchange rate: +19.4%.



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

Geographical breakdown of total lending (gross)

(Percentage)

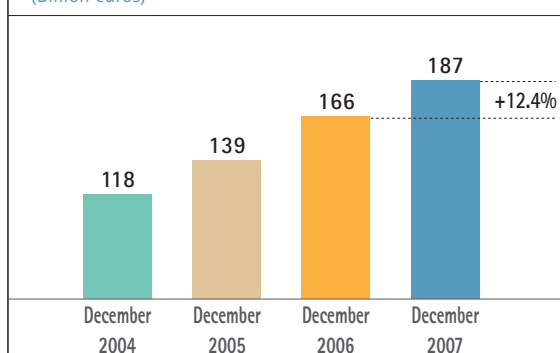


stand at 73.4%, versus the 78.2% reported at year-end 2006.

Of the loans extended to domestic customers in Spain, those to the **Public Sector**, a segment in which the Group retains its leadership, recorded a figure of €16 billion, a level similar to that at year-end 2006. Lending to **other domestic sectors** reached €187 billion at 31-Dec-07, after a 12.4% rise over the €166 billion of one year earlier.

Total lending to other domestic sectors (gross)

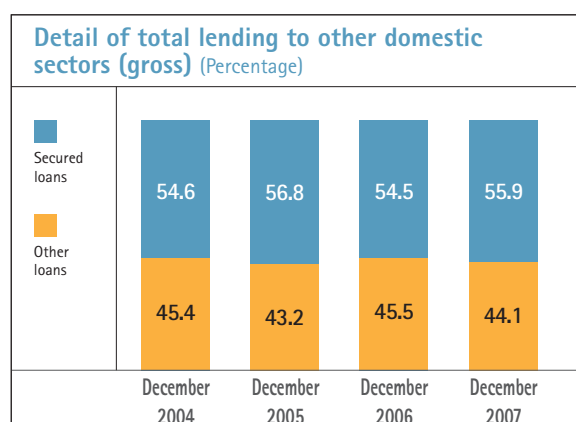
(Billion euros)



Total lending

(Million euros)

	31-12-07	Δ%	31-12-06	31-12-05
Public sector	15,960	0.1	15,942	16,088
Other domestic sectors	187,049	12.4	166,375	139,232
• Secured loans	104,567	15.4	90,649	79,128
• Commercial loans	12,767	(3.9)	13,286	12,671
• Financial leases	7,774	11.1	6,997	6,229
• Other term loans	57,159	11.5	51,241	38,273
• Credit card debtors	1,975	31.1	1,506	1,237
• Other	2,808	4.2	2,695	1,695
Non-domestic sector	111,631	42.8	78,160	64,747
• Secured loans	30,695	20.4	25,492	21,824
• Other loans	80,936	53.7	52,669	42,923
Non-performing loans	3,358	34.8	2,492	2,346
• Public sector	116	(8.6)	127	121
• Other domestic sectors	1,435	50.6	953	795
• Non-domestic sectors	1,807	28.0	1,411	1,430
TOTAL LENDING (GROSS)	317,998	20.9	262,969	222,413
Loan-loss provisions	(7,117)	11.1	(6,404)	(5,563)
TOTAL NET LENDING	310,882	21.2	256,565	216,850



Under this heading, residential mortgages continued to slow gradually and this is mirrored in the total for secured loans, which shows a year-on-year rise of 15.4% to almost €105 billion. The increase in consumer finance and lending to SMEs and small businesses had an effect on various items such as “credit card debtors” (up 31.1%), “other term loans” which include consumer finance and most company finance (up 11.5%) and “financial leases” (up 11.1%).

Lending to the **non-domestic sector** jumped 42.8% to €112 billion compared with the €78 billion reported at 31-Dec-06. Without the impact

of exchange rates and on a like-for-like basis, the increase stands at 26.0%. This was the result of good performance by most of the Group’s units, particularly Mexico with a 28.7% increase in pesos, Argentina, Chile, Colombia, Peru and Venezuela showing growth of over 20% in local currency and the wholesale business in Asia (up 80.4%).

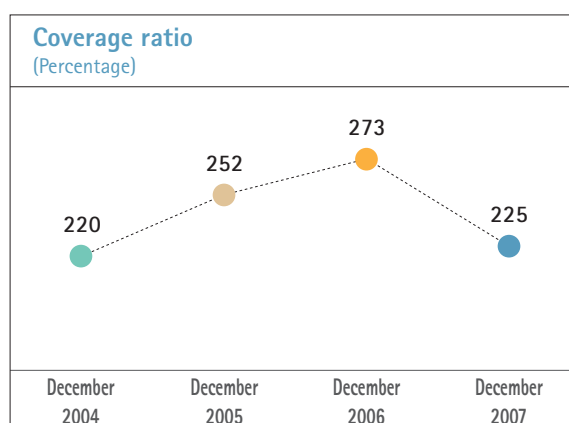
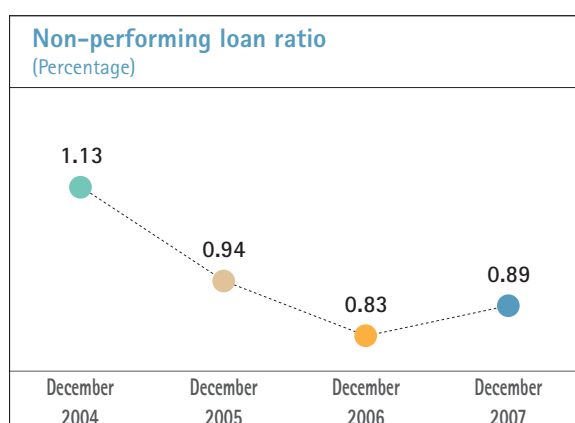
If we add contingent liabilities (€66 billion) to the figure for lending to customers (€318 billion), the **total risk exposure** with customers at 31-Dec-07 came to €384 billion, an increase of 25.7% over the €305 billion of twelve months earlier at year-end 2006 (up 19.5% if we exclude Compass Bank risks).

At year-end 2007, **non-performing assets** accounted for €3,408m, however excluding Compass Bank the figure stands at €3,085m, 21.9% up on the €2,531m reported at 31-Dec-06. This was due to the aforementioned increase in total risk, a change in the product mix towards those offering higher returns and a less propitious macroeconomic environment.

The Group’s **NPL ratio** at 31-Dec-07 therefore remained low at 0.89%, versus the figure of 0.83% reported one year before. By business area, Spain and Portugal showed an NPL ratio of

Credit risk management				
(Million euros)	31-12-07	Δ%	31-12-06	31-12-05
TOTAL RISK EXPOSURE ⁽¹⁾				
Non-performing assets	3,408	34.6	2,531	2,382
Total risks	383,843	25.7	305,250	252,275
Provisions	7,662	11.0	6,905	6,015
• Specific	1,868	1.4	1,842	1,971
• Generic and country-risk	5,794	14.4	5,063	4,044
NPL ratio (%)	0.89		0.83	0.94
NPL coverage ratio (%)	224.8		272.8	252.5
MEMORANDUM ITEM:				
Foreclosed assets	237	(5.1)	250	375
Foreclosed asset provisions	96	17.4	82	170
Coverage (%)	40.5		32.8	45.3
(1) Including contingent liabilities.				

Variations in non-performing assets						
(Million euros)	4Q	3Q	2007	2Q	1Q	2006
						4Q
BEGINNING BALANCE	3,255	2,918		2,693	2,531	2,361
Net variation	153	337		225	162	170
Entries	1,501	1,108		1,049	947	821
Outflows	(710)	(557)		(567)	(583)	(507)
Write-offs	(581)	(428)		(265)	(224)	(198)
Exchange rate differences and other	(57)	214		8	22	54
PERIOD-END BALANCE	3,408	3,255		2,918	2,693	2,531
MEMORANDUM ITEM:						
• Non-performing loans	3,358	3,212		2,881	2,655	2,492
• Non-performing contingent liabilities	49	43		37	38	40



0.73% (0.55% at 31-Dec-06), which was even lower in the private individual and developer housing finance portfolio (0.42%), largely comprising owner-occupier mortgages (with a moderate loan to value). Likewise, **according to the latest available information**, the NPL ratio in Spain stayed below the sector average. In Global Businesses, moreover, the NPL ratio reached historic lows at 0.02% (0.04% at year-end 2006), and fell to 1.97% in Mexico and the United States (2.19% in December 2006), while it once again improved in South America to stand at 2.14% from the 2.67% recorded twelve months earlier.

Loan-loss provisions continued to be affected by the high growth in lending, which again

demand generic provisions. **Coverage funds** therefore stood at €7,662m at year-end 2007, a figure 11,0% up on the €6,905m reported at 31-Dec-06. The generic funds therein amounted to €5,660m; this represented a 14.3% increase over the €4,952m of December 2006 and an increase in their relative weight to account for 73.9% of the total (71.7% at 31-Dec-06).

The ratio of provisions to non-performing assets gives the **coverage ratio**, which remained high both at Group level, and stood at 225% at 31-Dec-07 (273% one year before) and in all the business areas: in Spain and Portugal it stood at 231%, in Global Businesses it lay above 4,400%, in Mexico and the United States it reached 189% and in South America 146%.

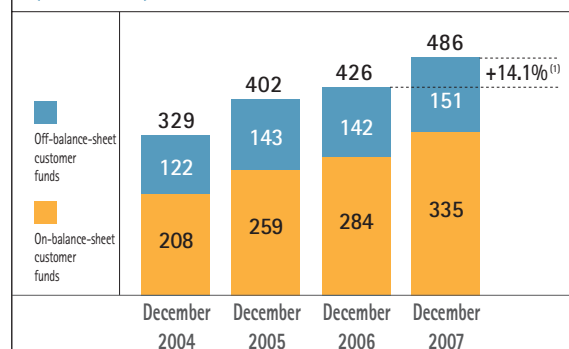
Customer funds

Total customer funds, including funds both on and off the balance sheet, came to €486 billion at 31-Dec-2007, showing an increase of 14.1% over the €426 billion turned in at year-end 2006 (up 17.1% at constant exchange rates and up 11.7% if we compare the figures on a like-for-like basis).

Customer funds on the balance sheet have, for yet another year, accounted for a sizeable part of this growth, rising 18.1% over the €284 billion turned in at 31-Dec-06 to stand at €335 billion (up 20.8% at constant rates and 14.5% if we exclude the takeovers of Compass Bank and State National Bank).

Within the on-balance-sheet funds, **customer deposits** contributed €236 billion, representing a

Customer funds (Billion euros)



(1) At constant exchange rate: +17.1%.

year-on-year increase of 22.8% over the €192 billion reported at year-end 2006. Under this heading, Public Sector deposits approached a figure of €7 billion, a year-on-year decrease of 3.8% which, if we do not take account of the

Customer funds

(Million euros)	31-12-07	Δ%	31-12-06	31-12-05
ON-BALANCE-SHEET CUSTOMER FUNDS	334,844	18.1	283,645	259,200
DEPOSITS	236,183	22.8	192,374	182,635
Public sector	6,853	(3.8)	7,124	9,753
Other domestic sectors	107,416	13.8	94,393	79,755
• Current and savings accounts	44,187	(7.6)	47,806	41,273
• Time deposits	33,781	22.0	27,682	20,435
• Assets sold under repurchase agreement	8,785	(3.3)	9,081	12,030
• Other	20,664	110.3	9,824	6,017
Non-domestic sector	121,913	34.2	90,857	93,127
• Current and savings accounts	50,836	34.8	37,699	35,118
• Time deposits	61,670	43.7	42,910	47,814
• Assets sold under repurchase agreement and other accounts	9,407	(8.2)	10,249	10,195
MARKETABLE DEBT SECURITIES	82,999	6.9	77,674	62,842
Mortgage bonds	39,730	10.3	36,029	26,927
Other marketable securities	43,269	3.9	41,645	35,915
SUBORDINATED DEBT	15,662	15.2	13,597	13,723
OTHER CUSTOMER FUNDS	150,777	6.1	142,064	142,707
Mutual funds	57,932	(0.9)	58,452	59,002
Pension funds	60,909	6.6	57,147	53,959
Customer portfolios	31,936	20.7	26,465	29,746
TOTAL CUSTOMER FUNDS	485,621	14.1	425,709	401,907

balances assigned in Treasury liquidity auction, reverts to an increase of 8.5%. Debits to other domestic sectors increased 13.8% to reach €107 billion. Of these items, deposits accounted for €78 billion, €9 billion corresponded to assets sold under repurchase agreements and €21 billion to other creditors. This last item grew quite significantly as it is here where counterparty deposits for asset securitisations and valuation adjustments are booked, and during 2007 several large transactions of this kind were carried out. The remaining €122 billion correspond to deposits from non-domestic sectors which underwent a year-on-year rise of 34.2%.

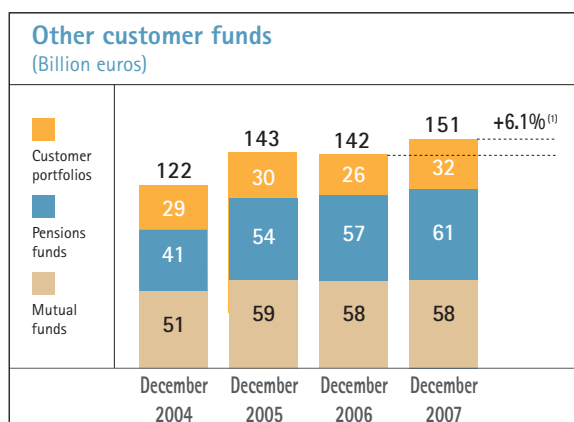
Marketable debt securities grew by 6.9% from a figure of €78 billion at year-end 2006 to €83 billion at 31-Dec-07. A breakdown shows that mortgage bonds account for €40 billion (up 10.3%) while €43 billion correspond to other marketable securities. On-balance-sheet funds are completed by **subordinated liabilities**, which recorded a 15.2% increase to reach €16 billion.

Customer funds off the balance sheet, which comprise mutual funds, pension funds and customer portfolios, showed more moderate growth rates. By year-end 2007 this aggregate had risen 6.1% to €151 billion compared to the €142 billion figure reported one year earlier (up 9.6% at constant exchange rates).

Of this amount the **domestic market** accounted for €74 billion at 31-Dec-07, a year-on-year decrease of 2.2% owing to customers' preference for time deposits rather than mutual funds. Mutual funds actually turned in a fall of 4.9% to stand at €43 billion, whereas pension funds rose 4.8% to reach €17 billion and customer portfolios remained at a similar level to 2006 at around €14 billion.

In the **other countries** in which the Group operates outside Spain, these funds underwent a year-on-year rise of 15.7% to €65 billion (up 24.2% at constant exchange rates) and the advance was widespread. Mutual funds and investment companies stood at €15 billion, increasing 13.2%

Other customer funds				
(Million euros)	31-12-07	Δ%	31-12-06	31-12-05
SPAIN	74,401	(2.2)	76,080	74,619
MUTUAL FUNDS	43,258	(4.9)	45,491	46,340
Mutual funds (ex Real estate)	40,876	(5.5)	43,273	44,507
• Monetary and short term fixed-income	15,180	(2.0)	15,496	18,353
• Long-term fixed income	1,644	(7.8)	1,783	1,891
• Balanced	1,493	(5.3)	1,577	2,064
• Equity	3,620	(13.4)	4,182	3,626
• Guaranteed	17,068	(0.1)	17,094	17,725
• Global	1,871	(40.4)	3,142	848
Real estate investment trusts	2,258	1.8	2,218	1,833
Private equity funds	124	n.m.	-	-
PENSION FUNDS	17,068	4.8	16,291	15,091
Individual pension plans	9,806	6.0	9,249	8,395
Corporate pension funds	7,262	3.1	7,042	6,697
CUSTOMER PORTFOLIOS	14,075	(1.6)	14,298	13,188
REST OF THE WORLD	76,376	15.7	65,984	68,088
Mutual funds and investment companies	14,674	13.2	12,961	12,662
Pension funds	43,841	7.3	40,856	38,867
Customer portfolios	17,861	46.8	12,167	16,558
OTHER CUSTOMER FUNDS	150,777	6.1	142,064	142,707



over the figure turned in at year-end 2006, pension funds grew by 7.3% to €44 billion and customer portfolios by 46.8% to €18 billion.

Another way of assessing customer funds in Spain is to analyse the aggregate of current and savings accounts, time deposits from other domestic sectors, and mutual and pension funds. At 31-Dec-2007 this figure came to €138 billion with a 0.7% increase during the year (up 2.3% if the volatile balances in euro-deposits accounted in the markets unit are excluded).

In 2007 higher interest rates further increased the attractiveness of time deposits to the detriment of current and savings accounts, whose opportunity cost is now higher, and mutual funds, affected by market turbulence. BBVA has been anticipating this trend in recent years with a funds policy that is boosting time deposit gathering. Therefore, the growth of customer funds in Spain has been most notable in this kind of deposits in 2007, which increased by 22.0% to stand at €34 billion (up 39.4% if we exclude the aforementioned fluctuation in euro-deposits).

This also explains why current and savings accounts fell 7.6% to €44 billion and why mutual funds declined 4.9% to €43 billion. In the latter case the fall is less than average for the Spanish system and BBVA thus increased its market share in this segment. Furthermore, pension funds experienced a year-on-year rise of 4.8% to €17 billion, and more particularly in individual pension plans which were up 6.0%.

As for **non-domestic customer funds**, the aggregate of current accounts and savings accounts, time deposits and mutual and pension

funds rose 27.2% to conclude the year at €171 billion (up 36.3% at constant exchange rates and 22.4% on a like-for-like basis). Due to their lower cost, the growth recorded by current and savings accounts continued to be outstanding. They turned in a figure approaching €51 billion, an increase of 34.8% over that reported at 31-Dec-06 (up 47.1% at constant rates).

At year-end 2007, the most stable funds amounted to €120 billion, rising 24.3% year on year (up 32.2% at constant rates). All the fund types showed strong increases; at constant exchange rates time deposits rose 51.4% to €62 billion, pension funds grew by 14.2% to €44 billion and mutual funds and investment companies by 24.2% to near €15 billion.

Other balance-sheet items

At year-end 2007, **financial assets available for sale** reported a year-on-year increase of 14.6%, due to the positive impact of the Compass Bank and State National Bank incorporations and the holding in China CITIC Bank. Said increase was further enhanced by the effect rising stock market prices had on the equity portfolio market value, minus the negative impact caused by the sale of the holding in Iberdrola and the weakening of currencies against the euro.

The **investments** item at 31-Dec-07 stood at €1,542m, recording year-on-year growth of 73.5%. This was largely due to the investment made in CITIC International Financial Holdings in Hong Kong.

The item of **property, plant and equipment** showed an increase of 15.7% for the year, in the main due to the incorporations of Compass Bank and State National Bank and, to a lesser extent, to the new corporate headquarters project in Madrid which, although having prompted the withdrawal of some of the Bank's properties, has also led to the entry of other assets.

The year-on-year evolution of **intangible assets** is underpinned by goodwill, its main component, which at 31-Dec-07 came to €7,435m (€2,973m one year earlier) of which €4,785m correspond to the takeovers of Compass Bank and State National Bank made during the year.



Capital base

The sharp increase in net attributable profit in 2007 in comparison with the previous year (up 29.4%) has financed the Group's organic growth and has enabled the **dividend** per share to be raised 15.1% with respect to that posted against earnings in 2006. At year-end 2007 **dividend yield** stood at 4.4% and **pay-out** at 44.4%.

As far as **investments** are concerned, the main operation in 2007 was the announcement and conclusion of the takeover of Compass Bank in the United States. The payment offered to Compass shareholders comprised two parts, a cash component on the one hand and BBVA shares on the other. Therefore, as a consequence of this operation, a share capital increase of 196 million shares was made, at an issue price of €16.77 per share, which came to a total of €3,287m. Moreover, coinciding with the announcement of the aforementioned operation, in February the Group sold off its holding in Iberdrola.

The first quarter of 2007 also witnessed the acquisitions of State National Bank and interests

in China CITIC Bank (CNBC) and CITIC International Financial Holdings (CIFH) announced in 2006, as part of the Group's expansion plan in the USA and Asia.

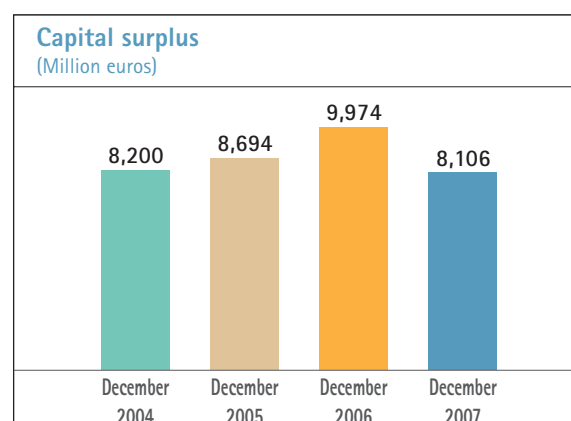
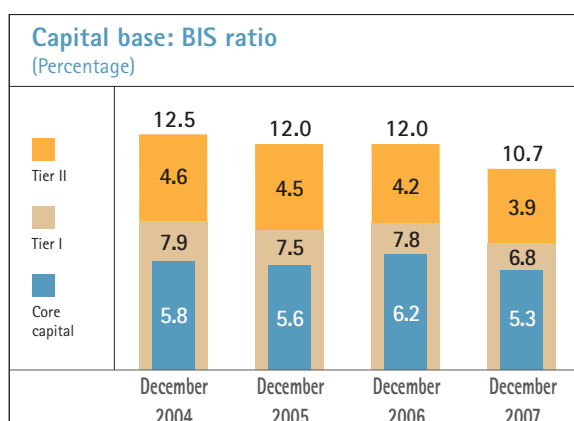
These acquisitions implied an increase of the Group's **risk-weighted assets (RWA)**. At the time of purchase Compass Bank contributed €21,604m, State National €1,111m and the CITIC holding €505m. These amounts, together with the Group's organic growth have prompted a 20.6% increase in risk-weighted assets for 2007, which reached €304,327m at the close of the year.

In accordance with the criteria of the Bank for International Settlements (BIS) the **capital base** of the BBVA Group at 31-Dec-07 was €32,452m, that is 7.6% above the figure reported at year-close 2006. Hence the **BIS ratio** of total capital stood at 10.7% of the RWA at the close of 2007, versus the 12.0% recorded one year before, and the **capital surplus** required by the aforementioned criteria (8% of risk-weighted assets) came to €8,106m, 33.3% above the minimum requirement.

Capital base (BIS Regulation)				
(Million euros)	31-12-07	Δ%	31-12-06	31-12-05
Called-up share capital	1,837	5.5	1,740	1,662
Reserves	18,045	31.8	13,694	9,517
Minority interests	763	8.3	705	889
Deductions	(10,533)	97.7	(5,327)	(3,722)
Net attributable profit	6,008	26.9	4,736	3,806
CORE CAPITAL	16,120	3.7	15,549	12,151
Preference shares	4,540	12.8	4,025	4,128
CAPITAL (TIER I)	20,659	5.5	19,574	16,279
Subordinated debt	10,072	14.7	8,783	7,996
Valuation adjustments and other	2,076	12.8	1,842	2,564
Deductions	(355)	n.m.	(34)	(793)
OTHER ELIGIBLE CAPITAL (TIER II)	11,792	11.3	10,591	9,766
CAPITAL BASE	32,452	7.6	30,164	26,045
Minimum capital requirement (BIS Regulation)	24,346	20.6	20,190	17,351
CAPITAL SURPLUS	8,106	(18.7)	9,974	8,694
RISK-WEIGHTED ASSETS	304,327	20.6	252,373	216,890
BIS RATIO (%)	10.7		12.0	12.0
CORE CAPITAL (%)	5.3		6.2	5.6
TIER I (%)	6.8		7.8	7.5
TIER II (%)	3.9		4.2	4.5

Core capital at 31-Dec-07 was €16,120m, showing a year-on-year increase of 3.7% whereby it accounts for 5.3% of risk-weighted assets

(6.2% in December 2006). On adding preference shares to core capital, Tier I capital came to €20,659m, a 5.5% rise for the year, and it



represented 6.8% of RWA (7.8% at year-close 2006).

The Group's **Tier II**, which includes subordinated debt and eligible latent capital gains, rose 11.3% in 2007 to reach €11,792m and account for 3.9% of RWA (4.2% at 31-Dec-06).

In the course of the year there were several redemptions and new issues of instruments eligible for the Group's capital base were made in order to optimise its structure and cost.

As regards **preference shares**, two issues were made by BBVA International Preferred, a subsidiary wholly owned by the Group and whose corporate headquarters are in Spain. In April, it issued the C Series worth US\$600m, followed in July by the D Series worth £400m. July also saw the redemption of an issue by BBVA International Ltd of €500m. Through these operations, the weight of preference shares over capital base stood at 22.0% at 31-Dec-07, 1.4% percentage points above that recorded twelve months earlier.

As far as **subordinated debt** is concerned, four issues matured during the year for a total of €219m, which were not included in the capital base. In April, moreover, early redemption was made of a BBVA issue of €1,500m. Alternatively, in the course of 2007 there were four issues of subordinated debt addressed at European institutional investors, three of which were denominated in euro (€300m in February and in April €750m and €100m); the other (£250m) was made in March.

With regard to the **Group's subsidiaries**, October saw Compass redeem two issues with a total of US\$400m which comprised part of the Group's Tier II capital. Several issues were also made: BBVA Bancomer concluded two issues in May, one for €600m and the other US\$500m; Compass made an issue of US\$350m in September; Banco Continental made five issues between May and November, three of which were denominated in Peruvian soles (40, 55 and 50 million respectively) and two in dollars (US\$20m each); and Banco Provincial completed two issues in bolivares (150,000 and 58,267 million respectively). Under BIS criteria, the characteristics of these 10 issues enabled them to be included as Tier II of the BBVA Group's capital base.

RATINGS

After the takeover of Compass was announced, the three main agencies (S&P, Moody's and Fitch) confirmed their long-term ratings for BBVA.

In April **Moody's** published the results deriving from the application of its new rating methodology, JDA (Joint Default Analysis). The outcome was that the BBVA rating improved from Aa2 to Aa1.

In June, **Fitch** changed the outlook of its rating for BBVA (AA-) from stable to positive. The agency does not rule out upgrading the rating if, in the medium-term, the Bank maintains its sound profitability, the strength of its franchise in the strategic Spanish and Mexican markets, its healthy asset quality and its appropriate capitalisation. Likewise, **Standard and Poor's** have retained their positive outlook for the BBVA rating since December 2006.

The various agencies hold a positive view of the Group, highlighting the soundness of its retail franchise, its growing capacity for generating recurrent profits, its excellent asset quality, its high liquidity and its sensible Group management.

As far as the Group's entities in Latin America are concerned, Fitch improved its rating of **BBVA Bancomer** from A- to A. For its part, Standard & Poor's changed the outlook of its rating (BBB+) from stable to positive. Both agencies coincided in highlighting the strength of its financial profile, its high liquidity and its sound competitive position.

Likewise, **BBVA Banco Continental** in Peru managed to achieve investment grade classification by Standard & Poor's, which assigned the entity a rating of BBB-. Fitch, alternatively changed the outlook of its rating (BBB-) from stable to positive. These ratings reflect the strength of its competitive position in the Peruvian financial system, the soundness of the management team and the importance of the support afforded by a stable and committed shareholder base.

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



The performance of **equity markets** in 2007 was marked by the subprime mortgage crisis in the US and by the spread of the problems arising there to numerous structured financing instruments linked to subprime products. The year began in a benign macroeconomic climate, but from the second quarter onwards factors began to emerge that were to prove determinant in obtaining an understanding of subsequent market performance. Uncertainty in the face of mortgage risk in the US was compounded in this period by rising oil prices and the marked weakness of the dollar. In combination with the rising trend in interest rates, these factors increased market volatility.

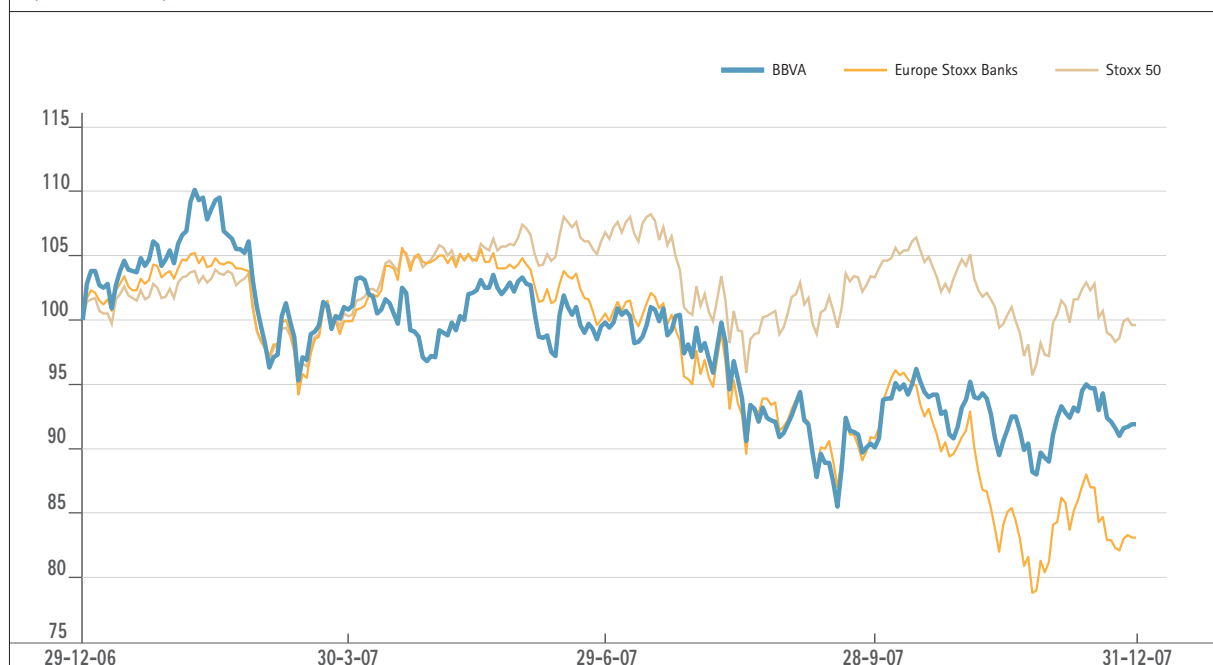
The picture changed sharply from late July onwards, when the problems in the US mortgage business spread to structured finance products. Several banks began to announce losses from structured credit positions held directly or through investment vehicles. The negative reaction of the market resulted in a major widening in

credit spreads, falling stock markets and sharp upturns in rate curves. This led to increased risk aversion and a significant liquidity crisis, which obliged central banks to intervene. Towards the end of the year, factors such as major injections of liquidity in many developed countries, cuts in US and UK interest rates and the strength of emerging markets eased the falls somewhat. However, uncertainty remained as to the overall effect of the US real estate crisis and its potential transfer to the real economy.

In this context, the S&P 500 gained 3.5% over the course of 2007, and the Stoxx 50 fell by 0.4%. On the other hand, the Ibex 35 finished the year on a positive note (+7.3%) as factors such as the good macroeconomic environment, consolidation premiums in some sectors and a comparatively better performance of companies with significant weight within the index offset the increasing uncertainty associated with the Spanish real estate market.

Share price index

(29-12-06=100)



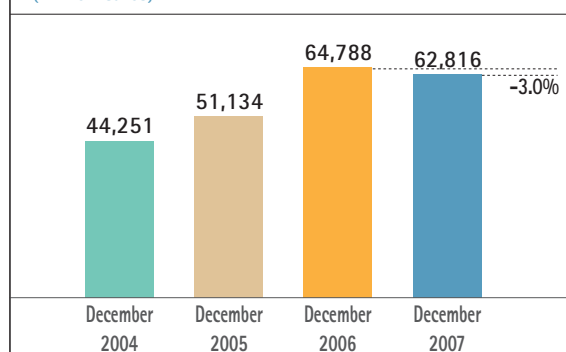
In this global environment, the **European banking sector** began the year in a moderately rising market. However, from June onwards the factors mentioned above led to a significant correction in the sector, which was accentuated as losses announced by European and US investment banks began to mount up. In spite of some signs of recovery, volatility was the dominant trait over the second half of the year, and the final balance was negative: the Stoxx Banks index fell by 16.9% in 2007.

With a fall of 8.1%, the **BBVA share** performed comparatively better than its peers in the context of European bank shares, but the share price was also affected by the generalised correction in the banking sector. BBVA's **market capitalisation** at 31-Dec-07 stood at €62,816m, down by €1,972m on the closing figure for 2006.

BBVA's results throughout 2007 were well received by analysts, who continued to highlight the solidity of their figures and their long-term growth potential. Various analysts noted that BBVA's business had been largely untouched by market turbulence, confirming its low risk

Market capitalisation

(Million euros)



profile and considerable ability to generate recurrent revenue and profits. Also well received was the strategically significant acquisition of the US bank Compass, which will enable the Group to reinforce its presence in Texas and build up a powerful franchise in the Southern states.

At year-end 2007 the closing price per BBVA share stood at €16.76 and the **PER** was 10.3 times, compared to 13.7 in December 2006. The

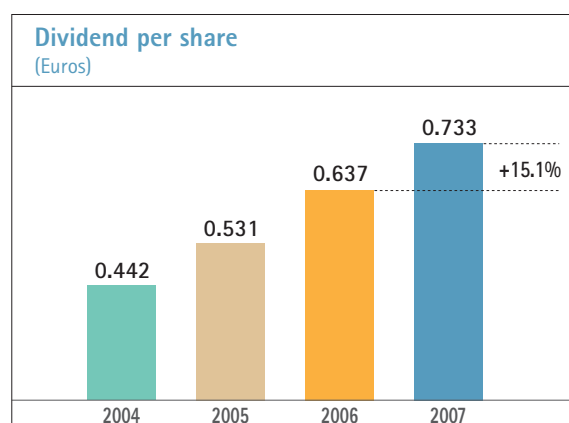
The BBVA share			
	31-12-07	31-12-06	31-12-05
Number of shareholders	889,734	864,226	984,891
Number of shares issued	3,747,969,121	3,551,969,121	3,390,852,043
Daily average number of shares traded	50,958,752	34,457,769	31,672,354
Daily average trading (million euros)	908	593	424
Maximum price (euros)	20.28	20.26	15.22
Minimum price (euros)	15.40	14.78	11.87
Closing price (euros)	16.76	18.24	15.08
Book value per share (euros)	6.62	5.13	3.84
Market capitalisation (million euros)	62,816	64,788	51,134

book value per share stood at €6.62, 29.1% up on the figure of €5.13 recorded on 31-Dec-06, giving a price/book multiple of 2.5 times.

Earnings per share in 2007 totalled €1.70, an increase of 22.4% on the previous year (11.6% excluding one-offs).

As regards **shareholder remuneration**, 3 interim dividends of €0.152 per share each were issued against earnings for 2007, paid out in July and October 2007 and January 2008. If we add to this the supplementary dividend of €0.277 per share which is to be submitted for approval by the Annual General Meeting, the total dividend that shareholders will receive against earnings for 2007 will be €0.733 per share. This is an increase of 15.1% over the €0.637 paid out against earnings for 2006. This means that the pay-out stands at 44.4% and **dividend yield** calculated on the year-end closing share price stands at 4.37%, compared to 3.49% at 31-Dec-06.

On the **medium- and long-term investment** horizon, BBVA continues to stand out for its



ability to create value for its shareholders. This can be seen in the accompanying table, which shows the earnings obtained by investors in BBVA shares in recent years for each entry and exit date, considering share price fluctuations, dividend reinvestments and paybacks. For the 1997-2007 period as a whole, the average annual earnings of the BBVA share stand at 15.3%, which means

Share performance ratios			
	31-12-07	31-12-06	31-12-05
Price/Book value (times)	2.5	3.6	3.9
PER (Price/Earnings; times)	10.3	13.7	13.4
Yield (Dividend/Price; %)	4.37	3.49	3.52

Total shareholder return on BBVA share														
(1997-2007) ⁽¹⁾		1997	1998	1999	Average annual return at the end of each period (%)								Δ% cumulative 2007	
Acquisition year (31-12)	1996	116.8	72.9	47.9	38.7	27.2	14.6	16.0	16.9	17.2	17.9	15.3	376.8	
	1997		37.9	22.1	19.5	11.3	0.9	4.5	7.0	8.5	10.2	8.2	119.9	
	1998			8.2	11.3	3.7	(6.7)	(1.1)	2.6	4.9	7.1	5.3	59.5	
	1999				14.5	1.5	(11.2)	(3.3)	1.5	4.4	7.0	5.0	47.4	
	2000					(10.1)	(21.8)	(8.7)	(1.5)	2.4	5.8	3.7	28.7	
	2001						(31.9)	(7.9)	1.6	5.8	9.3	6.2	43.2	
	2002								24.6	24.0	22.6	23.0	16.0	110.4
	2003									23.5	21.6	22.5	14.0	68.8
	2004										19.8	22.0	11.0	36.4
	2005											24.2	6.8	14.1
2006												(8.1)	(8.1)	

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

that a unit of capital invested in BBVA shares on 31-Dec-96 would have increased more than four-fold by 31-Dec-07, whereas over the same period the Ibex 35 index appreciated by an average of 10.3%, equivalent to an increase of around three-fold.

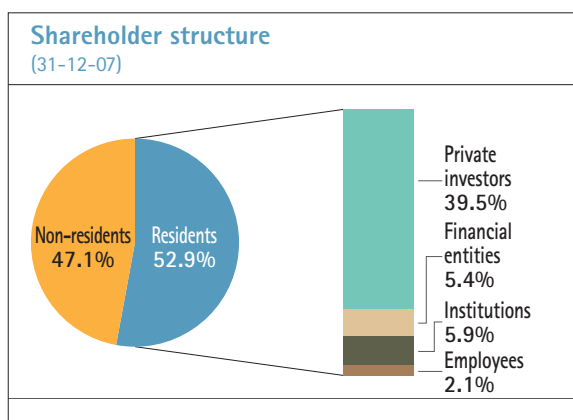
At the close of 2007, BBVA had a total of 889,734 **shareholders**, compared to 864,226 at the same time in 2006. The shareholder base is highly diversified, and the only individual holding of 5% or more of the share capital is that held by Mr. Manuel Jove Capellán, who on 31-Dec-07 owned a significant stake of 5.010% of the share

capital. 94.3% of shareholders own less than 4,501 shares, representing 11.9% of the capital. The average holding per shareholder is 4,212 shares, which, at the year-end closing price, means an average sum of €70,601.

Private investors own 39.5% of the capital, 2.1% is held by employees and the remaining 58.4% by institutional investors. The capital held by non-resident shareholders accounts for 47.1% of the total, a little less than in December 2006.

BBVA shares are **traded** on the Spanish continuous market, on other major European markets and on the New York Stock Exchange (as

Shareholder structure				
(31-12-07)		Shareholders		Shares
Number of shares		Number	%	
Up to 150		322,874	36.3	24,946,772
151 to 450		251,964	28.3	66,812,466
451 to 1,800		201,849	22.7	178,615,804
1,801 to 4,500		62,250	7.0	174,995,040
4,501 to 9,000		25,204	2.8	158,355,044
9,001 to 45,000		21,351	2.4	382,473,910
More than 45,001		4,242	0.5	2,761,770,085
TOTAL		889,734	100.0	3,747,969,121
				100.0



ADSs represented by ADRs). The BBVA share is listed on the Ibex 35 and Euro Stoxx 50 reference indices with weightings of 12.0% and 2.7% respectively.

The BBVA share is characterised by its high **liquidity**. It was traded on all 253 trading days in the 2007 stock exchange calendar. The volume traded on the continuous market was 12,893 million shares, an increase of 47.3% on 2006, representing 344.0% of the share capital at year-end. The average daily trading volume was 51 million shares, 1.36% of the Bank's share capital, which represents a daily cash sum of €908m, 53.2% up on the previous year.



Risk management



Overall risk profile
Credit risk management
Risk management in
market areas
Structural risks
Operational risk
Risk management in
non-banking activities

In BBVA there is a series of **principles** that act as guidelines for defining and monitoring risk profile, which we shall now proceed to describe.

- The **risks assumed** must be **compatible** with the Group's **capital**, in keeping with its target in terms of solvency level.

To this end, risks are quantified in homogenous economic capital terms, with a confidence level that is consistent with the Bank's rating, to assure that the level of risks incurred is covered by the economic capital available.

This evaluation is made both for the central scenario and for different risk scenarios, in order to guarantee the necessary slack to maintain the target solvency level and to adapt risk policies wherever required.

- The Group's **earnings generation** should have a high **recurrence** level.

The aim, in addition to maintaining high profitability and growth standards, is to keep volatility in earnings within the medium-low range of the benchmark competitor group.

To achieve these objectives, different macroeconomic and financial scenarios are analysed and they are classified according to the probability they have of occurring and their bearing on earnings and other management indicators. Likewise, there are measurements of earnings at risk for each of the Group's businesses, quantified as maximum loss with a 10% probability ("1 in 10"). Lastly, stress-testing is undertaken for all risks.

- **Limitation** of risk factors that imply **concentrations** and which endanger solvency and recurrence targets.

In keeping with the above, in the markets area, the board's Risk Committee annually approves ceilings for trading risks, structural interest-rate risks, structural exchange-rate risks, equity risks and liquidity risks, both for the banking units and the asset management and pensions & insurance units. These ceilings

combine different variables, including economic capital and earnings volatility; they have early warning systems and are supplemented by a stop-losses scheme.

For credit risk, maximum exposure ceilings are set per customer as well as regarding country risk, together with generic maximum exposure frameworks for certain operations or products. Credit admission authority depends on isorisk curves, based on the sum of expected loss and economic capital, and their equivalence at nominal exposure according to the rating. Operations with customers or groups which represent an expected loss plus capital above €18m are top level decisions which are taken by the board's Risk Committee. For reference, in terms of exposure, this is equivalent to 10% of the capital qualifying for an AAA credit rating and 1% for a BB rating, which implies that the most significant concentrations of individual risk require monitoring by the top risk governance bodies, depending on their credit quality.

There is likewise a maximum concentration threshold of 10% of capital, and up to that level, operations depend on having thorough insight into the customer, the markets they are associated with and the sectors in which they operate.

In retail portfolios, an assessment is made of potential geographic concentrations or specific risk profiles in terms of total risk and earnings at risk. If necessary, the appropriate measures are established through scoring tool cut-off points, recovery management, mitigating through pricing or other means.

- All risks must be **identified, measured and assessed; monitoring** and management **procedures** must likewise be in place.

The established market trend towards increasingly more sophisticated activities, means that special attention must be paid to these processes, both when operating on our own behalf and when investing on behalf of third parties. A key element to achieving this aim is the existence of pluri-disciplinary new product committees in all the areas.

In general, new products are considered to be those that involve a new type of risk, hitherto unidentified, unassessed and uncontrolled, or alternatively, one involving risks already typified by the organisation but where said risks appear in a new or different way and therefore require new assessment and control techniques.

Lastly, we should mention that there is an independent valuating unit within the Risk area, and that no significant valuation risk exists, given how the units in BBVA operate.

- The existence of sound **control and mitigation mechanisms** for **operational and reputational risks**.

Management of operational risk is based on controlling processes and mitigation areas, which enable it to be retained at low levels.

There are certain types of operational risk which the Group is particularly reluctant to take, either due to their consequences on direct losses or losses in reputation. There are two types of mitigating measures applied in these circumstances. Some are aimed at reducing the frequency at which said events occur, and others at reducing their impact. There are various units in the Group that manage or adopt mitigating measures: Legal & Tax Services, Compliance, Internal Control, Logic Security, etc.

Alternatively, due to their potential bearing on our reputation, decisions concerning certain operations are taken by the board of directors. These may include risks with people having a high public profile, risks with holdings in industrial and financial companies or with the Group's directors or general managers, for example. BBVA likewise has an environment policy which affects all its entities and activities, and it is committed to the Equator Principles in funding large projects.

- The **business areas** are responsible for **proposing and maintaining their risk profile**, within their independence and the corporate action framework, whether this is within the budgeting process or *ad hoc* for new plans.

The budgets of the businesses and incentives therefore include economic profit, a metric that

fully includes risk cost, both in terms of expected loss and the cost of capital at risk. This is aligned with the corporate total shareholder return (TSR) target.

Therefore, for activities that come within the previously described limits of the corporate risk framework, the key factor defining their fit within the risks profile is value creation, with a suitable breakdown of the cost of the risk incurred.

- The **risks infrastructure** should be **appropriate** for offering dynamic support to all the above, in terms of tools, databases, IT systems, procedures and people.

BBVA understands risk management as a strategic and differential capacity in the medium and long term, and it is therefore investing in provision of a top line infrastructure in all these spheres.

People management is an essential hub for achieving the target of becoming a benchmark in risk management. Therefore, the risk function comprises highly competent and qualified teams, and it pays great attention to their recruitment, retention and professional development.

NEW CAPITAL ACCORD (BASEL II)

BBVA Group opted to implement **advanced credit and operational risk models** in **Spain** and **Mexico**, which are contemplated in the new Basel Accord. These models are in the last phase of their approval process by the corresponding regulators.

For the remainder of the Group's important subsidiaries, an agreement has been reached with the Supervisor for a gradual implementation process.

During 2007, the calculations were made using the current method as well as that required under the new regulations. In 2008, as soon as the legal development process of the new Accord is concluded, BBVA will begin to report its capital in keeping with the new regulations.

BBVA already applies the internal capital model for calculating market risks in the parent company.

Overall risk profile

In attributable terms, **economic risk capital (ERC)** stood at €19,398m at year-end 2007. The increase for 2007 (17.4%)¹ was highly affected by the acquisitions in Asia and the United States, without which the increase would have been 9%.

The **Spain and Portugal** area reported ERC growth of 10.2%. **Global Businesses** went up 39.9%, gaining weight within the Group as a result of the acquisitions in Asia, the transfer of Próxima Alfa positions, which were booked in Corporate Activities, and the 19% increase in the Global Customers and Investment Banking unit.

In **Mexico**, the ERC rose 7.7%. This was below the growth reported in local business activity, due to: the exchange-rate effect (the ERC in local currency increased by 20.7%); the change in the growth mix, with greater weight on

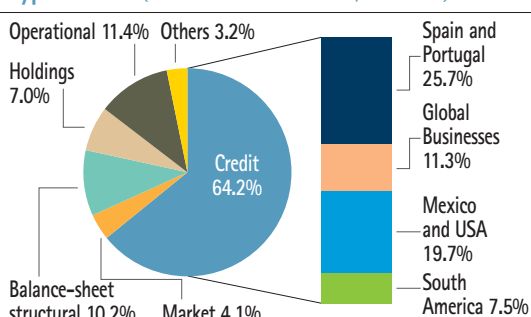
segments such as mortgages and SMEs which are less intensive in capital consumption; and the management policies applied in the credit cards segment during 2007.

At year-end 2007 the ERC in the **United States** stood at €1,818m, a threefold rise over December 2006, largely due to the Compass Bank acquisition. It hence reached a weight of 9.4% within the Group over the total ERC.

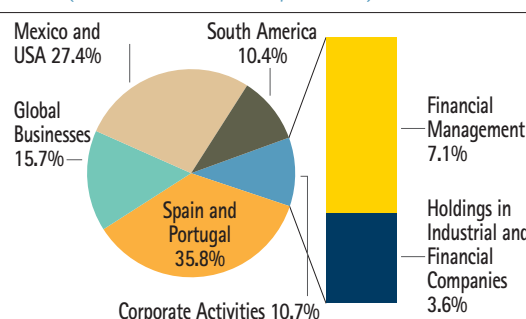
ERC in **South America** was up 19.5%, somewhat below growth in activity, favoured by generalised improvements in the region's risk level.

Lastly, the ERC for **Corporate Activities** fell by 17.3%, due to the aforementioned transfer of Próxima Alfa to Global Businesses and to a fall of 21.6% in the Holdings in Industrial and Financial Companies unit, product of divestments made in 2007 (leaving its weight at less than 4% in the Group as a whole), and to the 5.7%

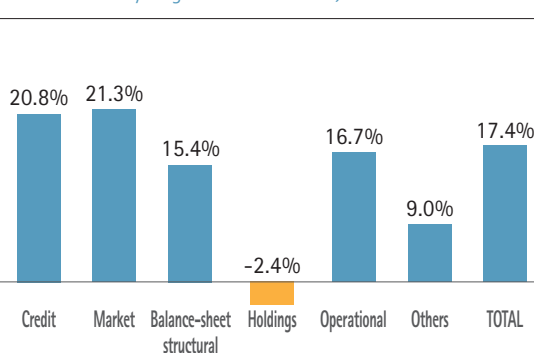
Map of the BBVA Group's ERC. Distribution by type of risk (Data in attributable terms, 31-12-07)



Map of the BBVA Group's ERC, by business area (Data in attributable terms, 31-12-07)

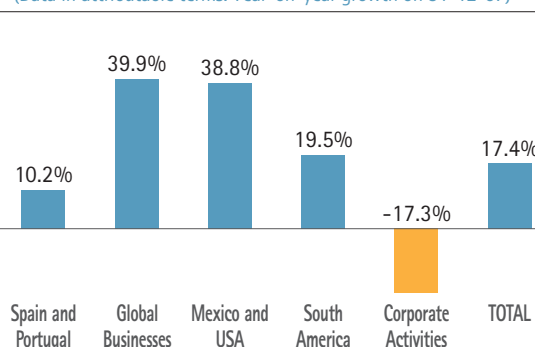


ERC growth, by type of risk. (Data in attributable terms. Year-on-year growth on 31-12-07)



ERC growth, by business area

(Data in attributable terms. Year-on-year growth on 31-12-07)



(1) The growth rates given are based on the homogenous close of December 2006 (€16,517m) which included the effects for the year of recalibrating and reviewing the models implemented in January 2007, versus the figure published in the Annual Report 2006, which was €17,308m.

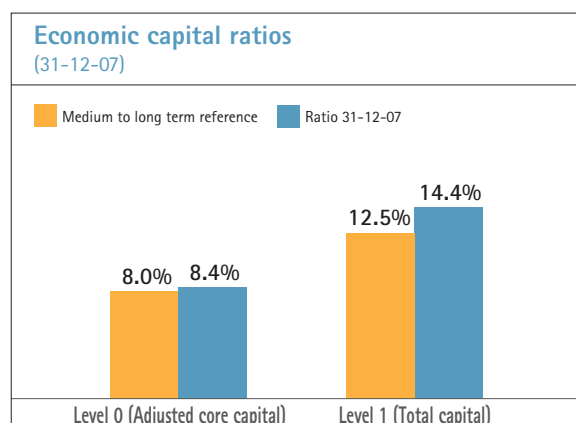
decrease in the Financial Management unit, fruit of the active management policies undertaken during the year.

The ERC figures shown do not reflect the impact of the recalibration of credit and operational risk parameters which will be implemented as of January 2008.

The Group's recurrent **risk-adjusted return on economic capital (RAROC)**, ie, that generated from customer business and excluding one-off operations, stood at 34%, reaching high levels in all the business areas. The correct combination of risk-adjusted return on economic capital and growth is a key competitive factor in BBVA.



The comparison of capital consumptions according to risk and availability of economic capital, reflected the comfortable situation the Group was in at year-end 2007, as is shown in its capital adequacy.



During 2007 work continued on **assessment of the recurrence** of economic and accounting earnings and the strength of the solvency ratios.

The Global Risk Committee revises different global and local **risk scenarios** on a monthly basis, and it analyses their potential impact on earnings and solvency by business, portfolio and risk type. This committee also monitors a selection of indicators that enable it to assess how the probability that said scenarios will occur is evolving.

Some examples of the risk scenarios analysed in 2007 included: a recession of the Spanish economy in an environment of rising interest rates in Europe, an oil price shock, a slowdown in the US economy, an adjustment of the Spanish property market, or a global credit crunch.

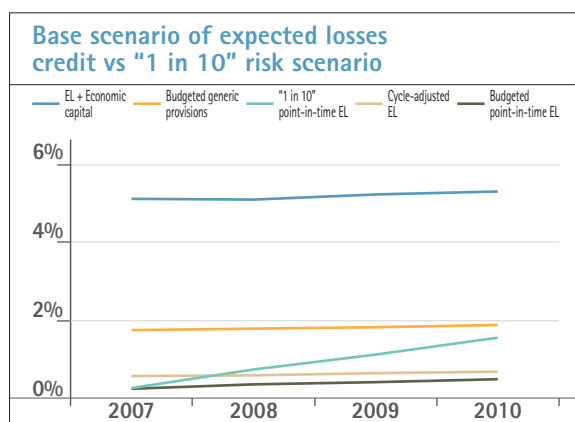
There are likewise **earnings-at-risk measurements** available by business, risk factor and portfolio. These measurements reflect, with a 10% probability, the maximum impact on economic and accounting earnings and on solvency ratios for an eight-quarter horizon. This gives an estimate of a hypothetical worst scenario in a management horizon covering approximately an economic cycle.

The calculations of risk scenario impact, earnings at risk and solvency ratio recurrence incorporate credit risk (specific and generic loss provisioning), market risk, structural balance-sheet risk (interest-rate, exchange-rate and equity) and business (volumes and margins).

The most outstanding **conclusions** were the notable strength of the capital adequacy ratios, an estimated volatility for the Group's earnings in the low range of the available benchmark entities and the significant relative weight of business risk on earnings.

The recurrence of the capital adequacy ratios and of earnings generation is based on a low credit profile which is highly diversified, with controlled loan-loss provisions, even in risk scenarios, slight exposure to market risks and a sound liquidity position.

In the base scenario, which contemplates a slight slowdown in the economy, the point-in-time expected losses (EL) are expected to stabilise around those of mid-cycle. The generic provisions fund set up is sufficient to cover risk scenarios with a highly limited occurrence probability (around 10%) in which a sharp rise in loan-loss provisions would take place.



Credit risk management

METHODOLOGIES FOR CREDIT RISK QUANTIFICATION

The BBVA Group has developed a **model** for integrating the different types of risk in order to measure total economic capital more precisely. This measurement must take account of the **diversification and concentration effects** between the different types of risk according to their global risk profile.

The model is an extension of the portfolio model for credit risk. Whereas the portfolio model enables to exploit the effects that geographic diversification and the possible concentration existing in certain credit exposures have on credit risk, by integrating risks we aim to capture the dependency structure between the different risk types and the impact their different levels of relative importance (sizes) have on the previously mentioned global profile for the Group.

The distribution of global losses is constructed based on individual loss distributions for each risk type, taking into account their mutual interdependencies. Once this distribution has been obtained, it is possible to calculate the global economic capital at a certain confidence level.

The results from this model allow diversification factors to be estimated which will be applied to the individual capital of the different risk types, calculated at a consistent confidence level.

In this framework, **sensitivity analyses** have been carried out on the total diversification achieved under different correlation assumptions

between the underlying risks. The diversification level of each of the risks depends, above all, on the relative size of the risk against global risk, as well as on the correlation hypotheses and the characteristics of individual loss distributions.

The calculation of the **credit risk profile** is essential when it comes to setting the Group's targets. The two main types of metrics used are **expected loss (EL)** and **economic capital (EC)**, the latter being what is deemed necessary to cover unexpected losses. Numerous credit classification **systems** (ratings and scorings) are used to calculate both metrics. They are based on a historic risk information infrastructure and enable us to make appropriate estimates of the inputs needed to carry out said calculations: probability of default, loss given default and exposure at default. In addition to data on costs and returns, the estimated models are decisive for internal risk management and for compliance with the regulatory requirements established under Basel II.

As far as management is concerned, these systems are a fundamental element in a **value-creation-based management** framework, providing evaluation criteria for the return-risk binomial. These systems have a wide range of uses, spanning from strategic business decision-making to the admission of individual operations. Specifically, they are used in performance metrics management, where expected loss, economic capital and risk-adjusted return are taken into account, thus enabling pricing, evaluations of portfolios in default, etc. to be made.

Alternatively, the development of the internal RAROC infrastructure (support for the internal risks model), has fostered the creation of **databases** which allow to accurately estimate the necessary risk parameters so as to obtain expected loss and capital, heading best practices in the market and in line with Basel II directives.

GROUP MASTER SCALE

BBVA has a master scale designed to facilitate homogenous classification of the Group's various risk portfolios. This scale has two different versions: the first, the **short** version, classifies outstanding risks into 17 groups. As this version does not carry out a sufficiently detailed

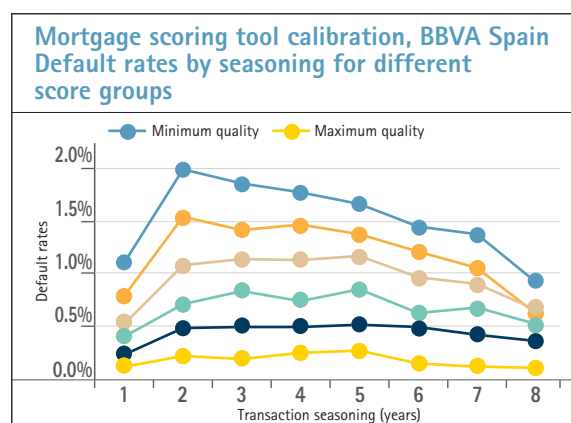
classification to represent the heterogeneity of the BBVA portfolio, a **long** version with a breakdown of 34 degrees was introduced. This version takes account of geographic diversification and the various risk levels existing in the different portfolios of the countries where the Group operates.

BBVA master scale (Long version)			
Master scale rating	Default probability (in basis points)		
	Average	Minimum from >=	Maximum to <
AAA	1	0	2
AA+	2	2	3
AA	3	3	4
AA-	4	4	5
A+	5	5	6
A	8	6	9
A-	10	9	11
BBB+1	12	11	14
BBB+2	15	14	17
BBB1	18	17	20
BBB2	22	20	24
BBB-1	27	24	30
BBB-2	34	30	39
BB+1	44	39	50
BB+2	58	50	67
BB1	78	67	90
BB2	102	90	116
BB-1	132	116	150
BB-2	166	150	194
B+1	204	194	226
B+2	250	226	276
B+3	304	276	335
B1	370	335	408
B2	450	408	490
B3	534	490	581
B-1	633	581	689
B-2	750	689	842
B-3	945	842	1,061
CCC+	1,191	1,061	1,336
CCC	1,500	1,336	1,684
CCC-	1,890	1,684	2,121
CC+	2,381	2,121	2,673
CC	3,000	2,673	3,367
CC-	3,780	3,367	4,243

PROBABILITY OF DEFAULT

BBVA has classification systems (scorings and ratings) which allow operation or customer creditworthiness to be assessed, based on the scores attained and how they correspond to the so-called probability of default (PD). In order to study how this probability varies with the scores assigned by said systems and other possible relevant factors, the Bank has historical databases which store internal information.

Scoring. A scoring system is a decision model which helps in granting and managing retail loans (consumer finance, mortgages, credit cards to individuals, etc.). Scoring is the basic system for deciding who to grant a loan to, how much to lend and which strategies can contribute to making greater profit on a loan, as it is an algorithm that puts into order operations or customers according to their creditworthiness. The score produced by scoring systems is increasingly being used as a support tool, particularly when it comes to establishing prices. The accompanying graph shows default rates at one year of one of the systems the Group uses.



We can see that both the loan seasoning and the scoring can serve to assess the creditworthiness of a retail type operation. In particular, the point in time at which the maximum probability of default is reached, is called **peak-seasoning**.

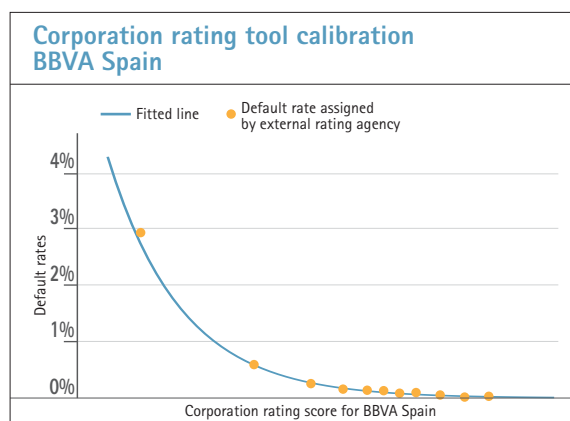
In addition to these models called **application scoring** (assessment systems used to determine whether new operations will be granted based on information unrelated to the customer's

behaviour), there are also other types available. On the one hand we have **behavioural scorings**, which take into account the internally available variables inherent to the operation and to the customer, and more specifically variables that refer to the behaviour a particular product has shown in the past (delays in payment, default, etc.) and the customers' behaviour with the entity (average balance on accounts, directly debited bills, etc.). This type of scoring is used for reviewing credit card limits, risk monitoring, etc. On the other, **proactive scorings** take into account the same variables as behavioural scorings, but their purpose is different since they are used to offer the customer new products. By way of an example, they have been used in Spain to undertake campaigns of pre-granted loans to individual customers.

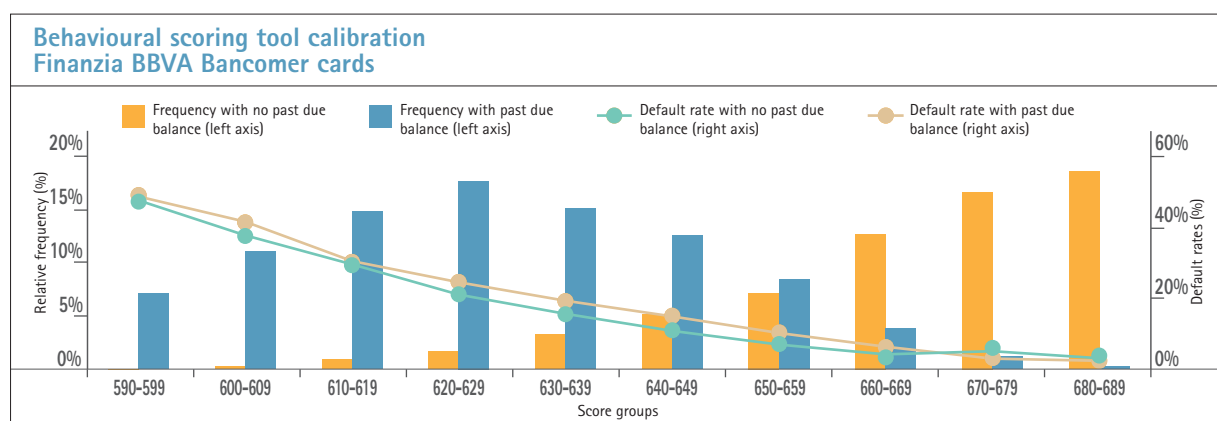
For credit cards, the set of behaviour systems are employed to differentiate between customers who are or are not in default by score for contract groups that have behaved similarly. In BBVA Bancomer, creditworthiness and seasoning are taken especially into account. There therefore exist behavioural scorings for cards depending on the number of defaults, and whether the cards were issued recently or some time ago. The accompanying graph shows the calibration of Finanzia's systems, both designed for cards in operation for over 12 months. It shows calibration curves for cards with no past due balance and cards with past due balance. Given that scores are comparable by virtue of how they are constructed, the PD curves are similar. We can, however, see how the distribution of the

number of contracts moves to higher scores (indicating better creditworthiness) in the case of cards with no past due balance, unlike the distribution of cards with a past due balance, which lie further to the left.

Rating. Unlike scoring, this system only classifies **customers**. The Group has different systems to classify different customer segments: SMEs, companies, corporations, the public sector, etc. In those wholesale portfolios where the number of defaults is very low (sovereign risks, corporations, financial entities) internal information is supplemented by benchmarkings from external rating agencies. As an example, we have presented here the default probabilities from the corporations system in view of the internal rating score assigned.



Once the probability of default is obtained and the cycle has been adjusted to take account of the future evolution of the business cycle, this probability is linked to the BBVA master scale.



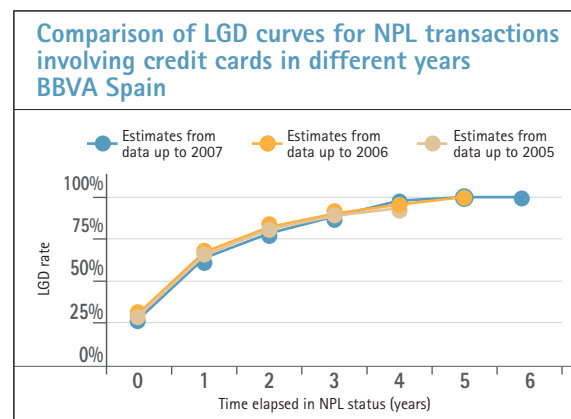
LOSS GIVEN DEFAULT (LGD)

Loss given default (LGD) is defined as the percentage of risk exposure that is not expected to be recovered in the event of default, and it is one of the key factors used in quantitative risk analysis. The Group continues exploring and broadening its insight into the LGD of its portfolios, both for retail portfolios (consumer finance, credit cards for individuals, home-buyer mortgages, etc.) and for others (companies, corporations, sovereign portfolios, etc.).

The **method** the BBVA Group uses, in the main, to calculate loss given default is termed “Workout LGD”. It is based on discounting the flows of the defaulted exposure that have been collected at different times as a result of the recovery process. However, there are portfolios in which, given their creditworthiness, there are few defaults. These are known as low default portfolios (LDP). In these cases, as there is not sufficient internal data to obtain reliable estimations using the Workout LGD method, it is necessary to resort to external sources, which are combined with internal data to obtain an appropriate rate of loss given default for the portfolio.

The accompanying graph shows the distribution of LGD in the BBVA Spain consumer finance portfolio. We can see that the LGD shows a **bimodal behaviour**: in a sizeable part of the operations practically all the outstanding debt is recovered, as over 65% of the cases show LGD in the range of 0% to 5%, whereas there are fewer cases in which recovery is small (the case in which LGD lies between 95% and 100%). Although this bimodal behaviour is quite usual, it does not always appear in all the portfolios.

Stability analyses have been made to see how LGD is evolving in the Group over time. The accompanying graph shows, by way of an example, the LGD estimations for past due credit card transactions in Spain.

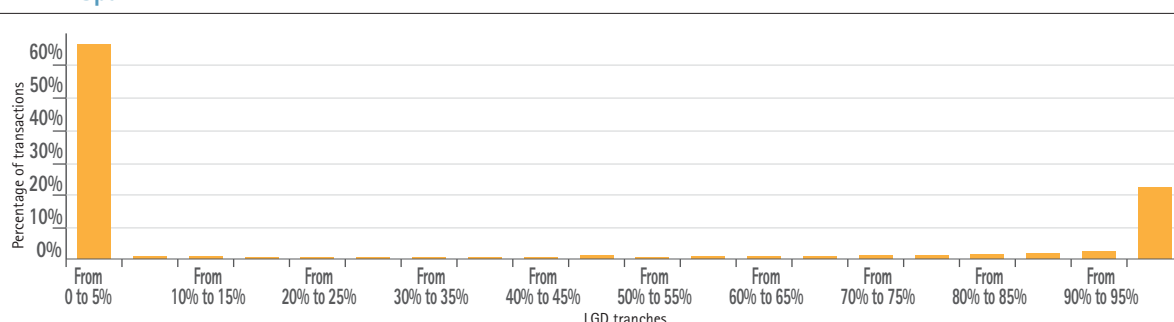


Results are highly solid because, even when a further year's information is added, there are no substantial changes in the conclusions that were reached in previous years. The graph also shows that LGD is clearly dependent on the **time** that an operation is in **non-performing status**. The longer the time, the higher is the LGD over the debt outstanding at each moment in time. We can therefore deduce that time elapsed in non-performing status is an important variable for calculating LGD. For defaulted transactions, there are other variables that enable us to differentiate the LGD level, depending on the features shown by non-defaulted transactions or customers.

For illustration purpose, some **relevant factors** are described below:

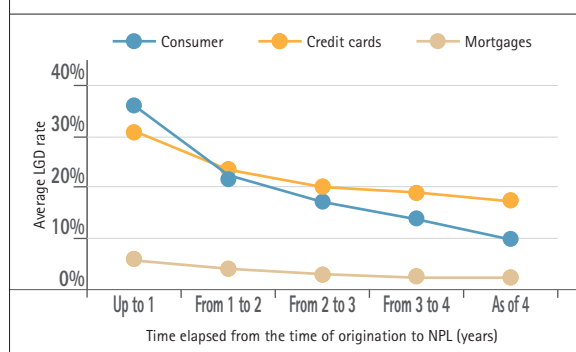
- a) **Seasoning**: one of the factors determining LGD is the period that elapses from the time of

Bimodal behaviour of consumer with personal guarantee BBVA Spain



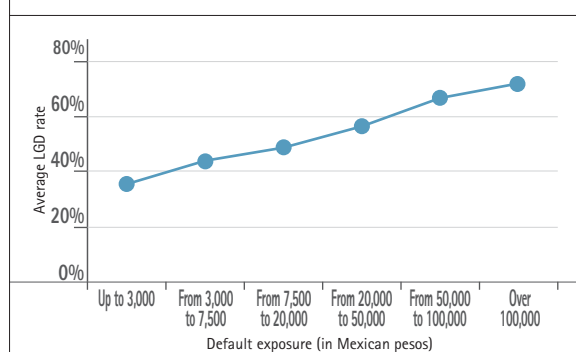
origination to default. The higher the seasoning, the lower the LGD, as is shown in the accompanying graph, in which average LGD rates vary significantly from portfolio to portfolio. The rates of BBVA Spain's consumer finance with personal guarantee portfolio and its credit cards for individuals portfolio are higher than that for its home-buyer mortgage portfolio.

LGD comparison. BBVA Spain



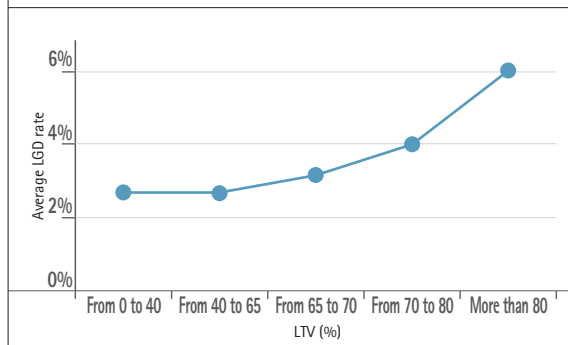
- b) **Exposure at default (EAD):** this is another discriminating factor in some portfolios from different countries, such as the case of BBVA Bancomer credit cards. A growing correlation is observed between this variable and loss given default for this product.

BBVA Bancomer LGD in bank cards



- c) **Loan/value ratio:** internal surveys show that LGD depends on the relationship between the amount of the loan and the value of the property (loan to value, LTV), a characteristic feature of the mortgage portfolio. LGD growth depends on this ratio, although the relationship is not so evident among mortgages with an LTV above 85%, due to selection biases, together with the presence of guarantors or additional guarantees.

LGD for mortgage loans
BBVA Spain

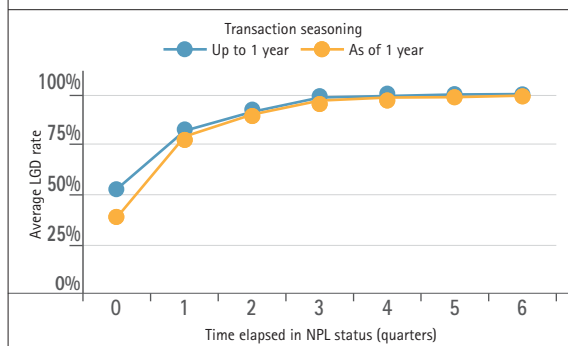


- d) **Customer size:** in the specific case of products for companies, the company size has proven to be a relevant factor, therefore an estimation has been obtained using this variable, which allows LGD to be assigned differentially depending on company type, in terms of sales volume. Thus, LGD rates for corporations, companies, SMEs, and so on, are obtained.

In the BBVA group, different LGD rates are attributed to the outstanding portfolio (defaulted or non-defaulted), according to the combination of the aforementioned significant factors, depending on the features of each product and customer.

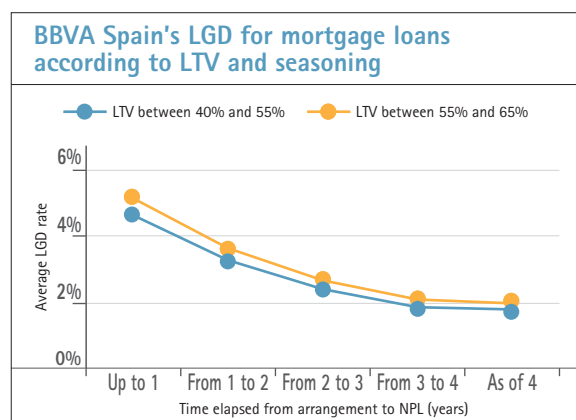
To illustrate this point, some examples of combinations of different factors have been included. The accompanying graph shows LGD as a function of time elapsed in default, differentiated according to the time elapsed from arrangement to default. We may observe that the expected trend for both variables holds true, as

Variation over time in LGD for BBVA Bancomer bank cards



the curves rise according to the time elapsed in default, and in turn, the lower seasoning curve (up to 1 year) lies above the higher seasoning curve (over 1 year).

The following graph shows another kind of factor combination: BBVA Spain's average mortgage portfolio LGD for different LTV brackets according to the time elapsed between arrangement and NPL status. Two trends can be seen: firstly, that both curves fall as time elapses, and secondly that LGD grows depending on LTV, as the higher LTV curve (between 55% and 65%) lies above the lower LTV curve (between 40% and 55%).



BBVA makes internal estimations of the **Downturn LGD (DLGD)**, ie, the loss given default that would be observed at the worst moment of a business cycle. As LGD, these estimates are made at portfolio level.

As well as being employed in expected loss and capital calculations, LGD estimates have other uses for internal management, such as determining the value of past due receivables.

EXPOSURE AT DEFAULT

Like the two previous parameters, exposure at default (**EAD**) is another necessary input for calculating expected loss and capital. A contract's exposure usually coincides with its outstanding balance. However, this is not true in all cases. For example, for products with explicit limits, such as credit cards or credit lines, exposure should include the potential increase in drawn amounts that may occur prior to default.

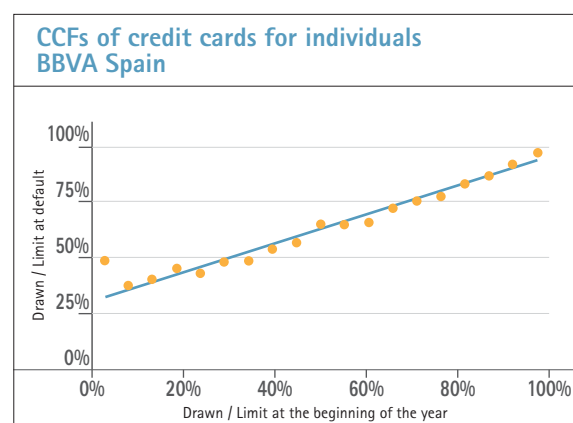
The Basel II capital regulations lay down that EAD estimates for this type of products cannot be constrained to the amount a customer has drawn at any particular moment, but rather they must also include potential additional withdrawals prior to default.

In keeping with Basel II requirements, the following model has been proposed:

$$\text{EAD} = \text{Drawn amount} + \text{CCF} \times \text{Undrawn amount}$$

Where CCF is defined as the percentage of the undrawn amount that is expected to be used before default. The general equation above is the simplest model and depending on the EAD behaviour of the transactions, in some cases it is further refined by incorporating other variables.

The accompanying graph shows the relationship between the drawn amount ratio at the beginning of the year against the limit and the drawn amount ratio at the time of default against the limit. We can see that for credit cards for individuals in BBVA Spain, withdrawals tend to increase when they are getting near to default.



As was mentioned in the section on loss given default, there are portfolios known as “low default portfolios”, in which there are few defaults (sovereign risks, corporations, etc.). In order to obtain CCF estimations for these portfolios, it is necessary to resort to external surveys or, assuming behaviours similar to that of other portfolios, they are alternatively assigned the same CCF value.

Maximum exposure to credit risk								
	31-12-07					31-12-06	31-12-05	
	Spain and Portugal	Global Businesses	Mexico and USA	South America	Corporate Activities	GROUP TOTAL	GROUP TOTAL	GROUP TOTAL
Gross credit risk (Drawn)	218,272	82,504	58,250	24,947	(129)	383,843	305,250	252,275
Loans and receivables	202,872	36,236	56,240	22,328	322	317,998	262,969	222,413
Contingent liabilities	15,399	46,269	2,009	2,618	(451)	65,845	42,281	29,862
Trading activity	13,278	34,116	37,746	6,919	18,663	110,721	92,083	118,005
Credit entities	434	9,862	3,390	1,808	5,502	20,997	17,150	27,470
Fixed income	12,843	18,389	33,634	3,767	13,161	81,794	68,738	82,010
Derivatives	-	5,865	722	1,344	-	7,931	6,195	8,526
Third-party liabilities	42,598	32,438	20,893	2,249	3,265	101,444	98,226	85,001
TOTAL	274,147	149,059	116,889	34,114	21,799	596,008	495,559	455,282

CREDIT RISK IN 2007

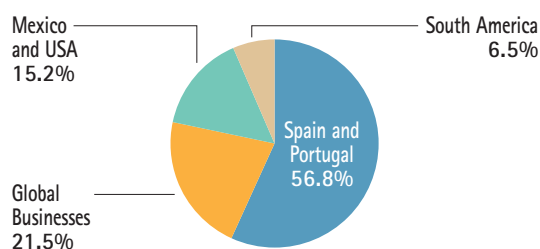
The Group's **maximum exposure** to credit risk stood at €596,008m at 31-Dec-07, increasing 20.3% over year-end 2006. By business area, Spain and Portugal accounted for 46.0% of exposure, Global Businesses for 25.0%, Mexico and the United States for 19.6% and South America 5.7%.

Rises were recorded across all credit risk types: customer credit risks (64.4% overall, including contingent liabilities) rose 25.7% and potential exposure to credit risk in market activities (18.6% overall, including potential exposure for derivatives) grew by 20.2%, whereas third-party liabilities (which accounted for 17.0%) underwent a more moderate increase of 3.3%.

The changes in the consolidation perimeter, fundamentally the incorporation of Compass Bank in the United States, and the depreciation of American currencies against the euro, have

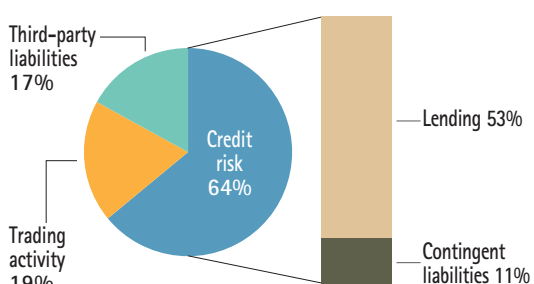
modified the **geographic distribution** of credit risk over the year. Hence, if we consider both effects and organic growth, the Americas increased their weight to 21.7% (versus the 18.3% recorded at year-end 2006), of which a large majority, 79.1%, (against 75.8% in 2006) was located in investment grade countries.

Exposure. Gross credit risk Distribution by business area



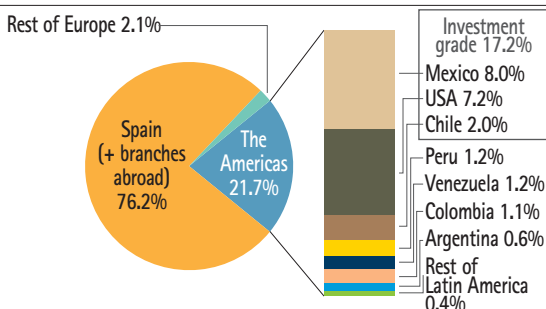
Risk: €383,843m

Maximum exposure to credit risk Distribution by type of risk (31-12-07)



Exposure: €596,008m

Exposure. Gross credit risk Geographical distribution



Risk: €383,843m

A breakdown of customer lending by sector at 31-Dec-07 is given in the accompanying table. Lending to the Spanish domestic private sector stood at €188 billion, and the risks were highly diversified by counterparty type and sector.

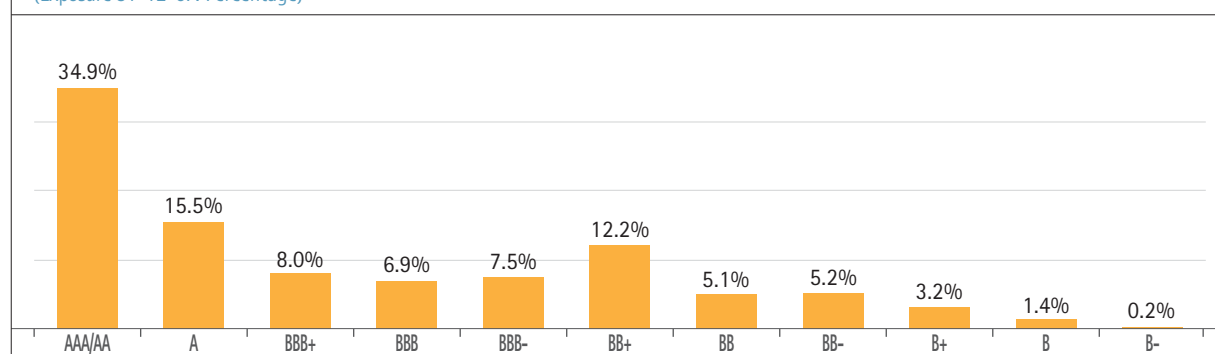
Exposure distribution by rating, which comprises companies, financial entities,

institutions and sovereign borrowers, shows that 51% of the exposure concentrates in customers with an A rating or above.

If sovereign risks are excluded, 44% continues to hold an A rating and over 69% has a rating equal to or above BBB-.

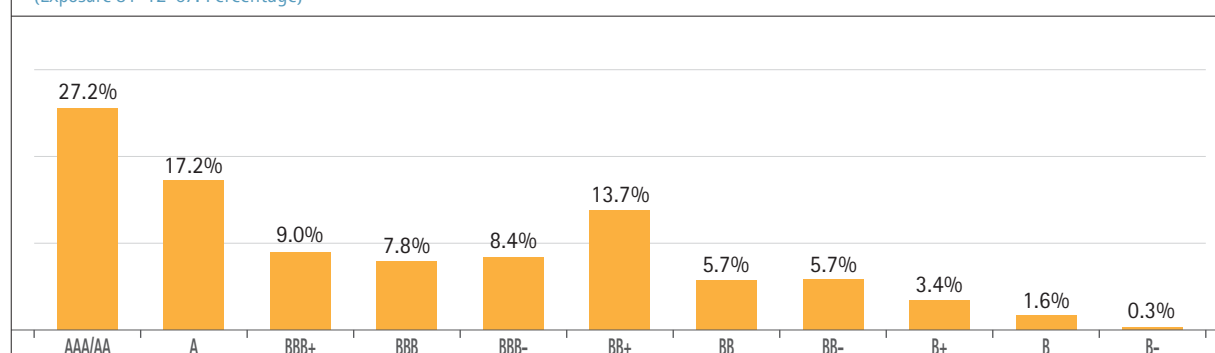
Customer lending by sector					
(Million euros)	Residents	31-12-07 Non-residents	TOTAL	31-12-06 TOTAL	31-12-05 TOTAL
Public sector	16,013	5,052	21,065	21,194	22,125
Agriculture	1,987	1,750	3,737	3,133	2,505
Industry	18,404	21,518	39,922	24,731	17,930
Real estate and construction	36,261	18,895	55,156	41,502	36,562
Commercial and financial	15,220	21,151	36,371	38,910	36,194
Loans to individual customers	88,853	32,609	121,462	103,918	82,583
Leasing	7,698	1,450	9,148	7,692	6,726
Others	19,875	10,616	30,491	21,294	17,370
SUBTOTAL	204,311	113,041	317,352	262,374	221,995
Interest, fees and others	249	397	646	595	418
TOTAL	204,560	113,438	317,998	262,969	22,413

Distribution by rating⁽¹⁾
(Exposure 31-12-07. Percentage)



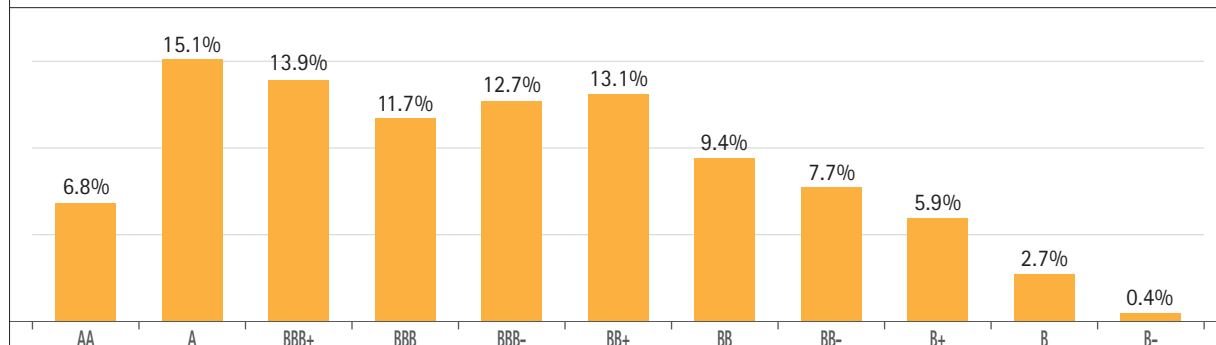
(1) Activities of the parent bank and subsidiaries in Spain. Companies, financial entities, institutions and sovereign risks.

Distribution by rating excluding sovereign risks⁽¹⁾
(Exposure 31-12-07. Percentage)



(1) Activities of the parent bank and subsidiaries in Spain. Companies, financial entities and institutions.

Distribution by rating. Companies and developers⁽¹⁾
(Exposure 31-12-07. Percentage)



(1) Activities of the parent bank and subsidiaries in Spain. It includes only the Banking Book.

The distribution is likewise included for the company and developer segments for the parent bank and its subsidiaries in Spain.

EXPECTED LOSSES

The expected loss in the non-doubtful portfolio, expressed in attributed terms and adjusted to business cycle average, stood at €2,143m at 31-Dec-07. The increase over year-end 2006 in homogenous figures was 15.2% (8.9% if

we exclude the effect of the Compass acquisition).

The main portfolios of the BBVA Group experienced use of expected loss and economic capital as shown in the accompanying table.

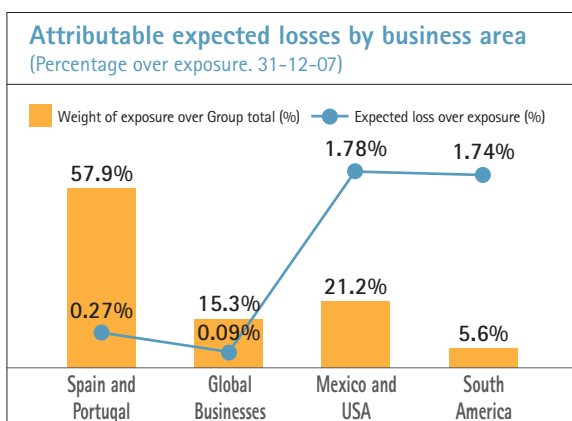
The corresponding graph shows the use of attributable expected losses by business area. Spain and Portugal, with an exposure accounting for 57.9% of the total, had an expected loss to exposure ratio of 0.27%. Global Businesses

Risk statistics for the main portfolios

Portfolios	Exposure ⁽¹⁾	Expected loss		Economic capital	
	Million euros	Million euros	%	Million euros	%
Mortgages					
Spain	73,348	95	0.13%	1,171	1.60%
Mexico	7,710	113	1.47%	421	5.46%
Others	10,623	75	0.70%	415	3.91%
TOTAL	91,681	283	0.31%	2,006	2.19%
Other retail portfolios					
Spain	46,904	432	0.92%	1,840	3.92%
Mexico	10,820	482	4.46%	931	8.61%
Others	4,455	142	3.19%	303	6.80%
TOTAL	62,179	1,056	1.70%	3,074	4.94%
Companies and institutions					
Spain	170,895	240	0.14%	3,820	2.24%
Mexico	16,430	126	0.77%	582	3.54%
Others	66,226	340	0.51%	1,577	2.38%
TOTAL	253,551	706	0.28%	5,979	2.36%

(1) Includes off-balance-sheet positions to which the corresponding conversion factors are applied.

Segmentation according to portfolio.



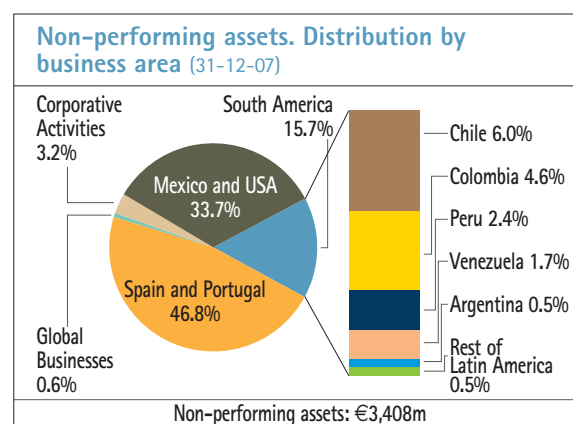
accounted for 15.3% of exposure, with a ratio of expected loss to exposure of 0.09%, whereas Mexico and the United States had a weight of 21.2% with an expected loss ratio of 1.78%.

CONCENTRATION

At 31-Dec-07, there were 121 company groups in the BBVA Group (104 on the same date 2006) with credit risk exposure (investment plus guarantees) exceeding €200m, of which 90% held investment grade rating. These groups' risk overall accounted for 18% of the of the total risk for the Group (19% in 2006) and was geographically broken down according to where the transaction originated, as follows: 66% in Spain, 25% in the Bank's branches abroad, and 9% in the Americas, of which Mexico accounted for 6%. The risk was spread over the main activity sectors. Those with the most important relative weights were: real estate and construction (26%), institutional (18%), consumer and services (13%), industry (13%) and utilities (12%).

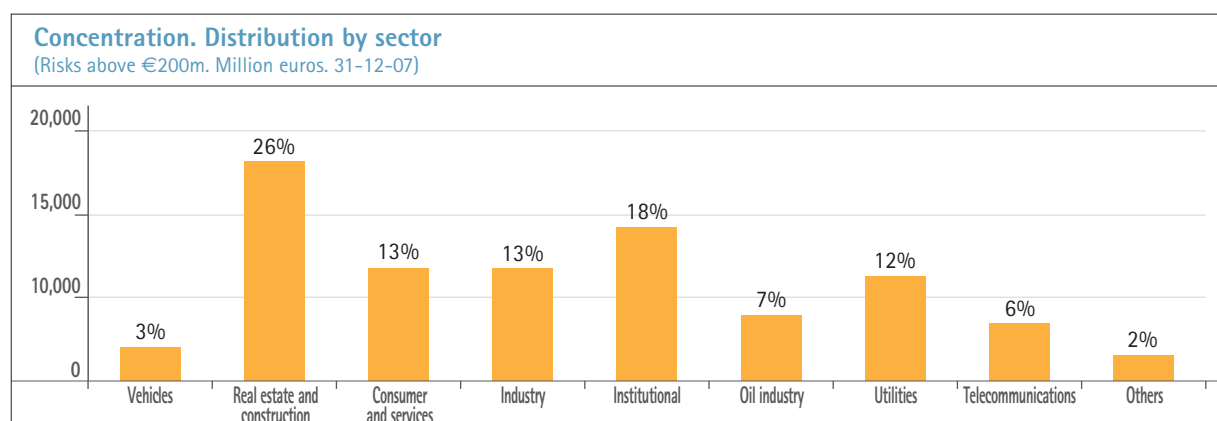
NON-PERFORMING ASSETS AND RISK PREMIUM

At year-end 2007, the volume of **non-performing assets** lay at €3,408m, of which €49m corresponded to non-performing contingent liabilities. This represents a rise of 34.6% over the non-performing assets figure recorded twelve months earlier (€2,531m). Excluding the perimeter enlargement in the USA and the variation in the exchange rate, the increase would drop to 26.5%. This was due to growing credit risk (up 22.1% excluding the change in perimeter and at constant exchange rates), to the change in the product mix in favour of those offering higher profitability and lastly to the less propitious macroeconomic environment (rising interest rates in the euro zone).



The tables on the next page show the **movements** recorded in the period running from 1-Jan-07 to 31-Dec-07 for non-performing loans and non-performing contingent liabilities.

The Group's **NPL ratio** rose by 6 basis points in the year to stand at 0.89%, fruit of the previously mentioned increase in non-performing



Non-performing assets trend by business area

(Million euros)	Spain and Portugal		Global Businesses		Mexico and USA		South America	
	2007	2006	2007	2006	2007	2006	2007	2006
BEGINNING BALANCE	1,078	911	25	65	789	663	526	631
NET ENTRY	901	357	10	(24)	1,096	512	190	59
Transfers to write-offs	(394)	(191)	(6)	(11)	(932)	(406)	(170)	(99)
Exchange differences and others	12	1	(9)	(5)	194	20	(11)	(65)
FINAL BALANCE	1,597	1,078	20	25	1,147	789	535	526

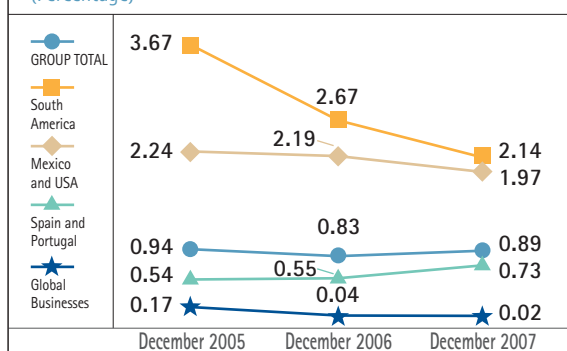
Non-performing assets trend. Group total

(Million euros)	2007	2006	2005
BEGINNING BALANCE	2,531	2,382	2,248
Entries	4,606	2,742	1,943
Recoveries	(2,418)	(1,830)	(1,531)
NET ENTRY	2,188	912	412
Transfers to write-offs	(1,497)	(707)	(667)
Exchange differences and others	186	(56)	389
FINAL BALANCE	3,408	2,531	2,382

assets, but it still remains very contained, showing the high quality of the loan portfolio.

Analysing by **business area**, there was a noteworthy decrease in South America, which went from 2.67% at year-end 2006 to 2.14% in December 2007, despite the increase in consumer finance, credit cards and SME finance operations. The Mexico and USA area also recorded falls (1.97% against the 2.19% reported at 31-Dec-06) after the incorporation of Compass Bank; it should here be underlined that in Compass no programme exist or has ever existed addressed at the subprime segment of the mortgage portfolio. The Spain and Portugal area showed a very low NPL ratio (0.73% as against 0.55% at year-end 2006), which was below the average for Spanish banks and savings banks (*cajas de ahorros*) and even an increase in its positive gap. The NPL ratio on products intended for financing mortgages to individuals and developers was lower still (0.42%) and, in the case of loans to individuals, largely employed for owner-occupier mortgages, with a low loan-to-value, NPL ratio was slightly above 50%. In Global Businesses the ratio

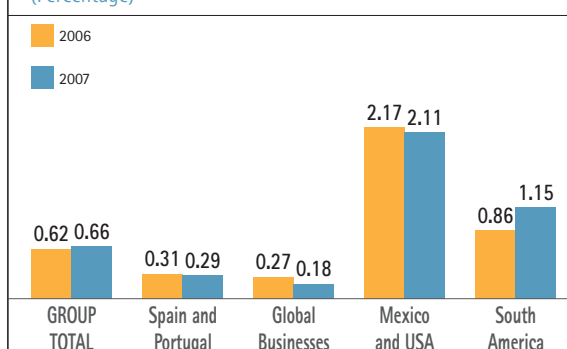
NPL rates (Percentage)



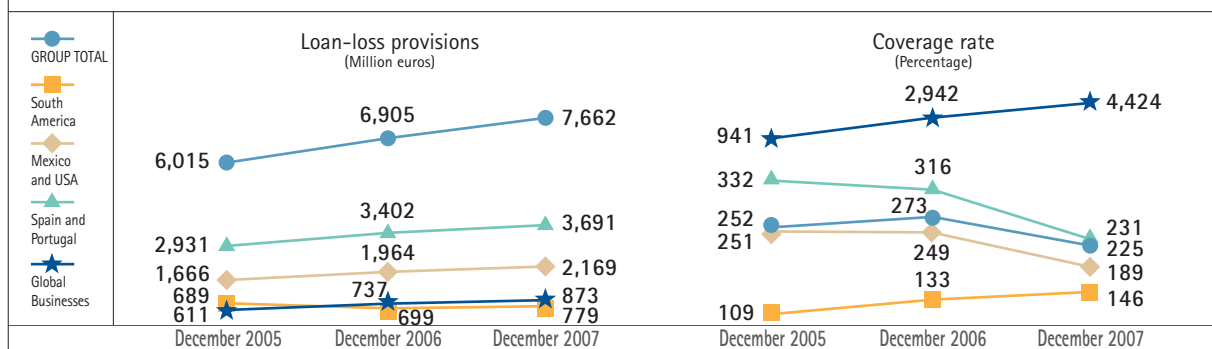
continued to lie practically at zero (0.02% versus the 0.04% of the previous year).

The Group's **risk premium** measures the charge against earnings made for net loss provisioning per lending unit. This remained virtually stable during 2007 at a figure of 0.66% (compared with 0.62% in 2006). By business area, premiums fell in Spain and Portugal (2 basis points to 0.29%), in Mexico and the United States (6 basis points to 2.11%) and in Global Businesses (9 basis points to 0.18%). The risk premium only rose in South America, due to the aforementioned change in its loan structure.

Risk premiums (Percentage)



Coverage



Provisioning for insolvency risk in the customer lending portfolio increased by 11.0%, to reach €7,662m. An analysis of the distribution between generic and specific provisions showed a rise in the weight of generic provisions to account for 73.9% of total provisions (71.7% in 2006). The **coverage ratio** (224.8%) continued to show a very high degree of capital strength.

Risk management in market areas

During 2007, the policies and tools the BBVA Group uses for managing its risk in market areas were consolidated and strengthened. This process included innovations such as the development of a mixed credit and market risk control framework for issuer risk in the trading book, a new methodology for analysing impacts in a crisis situation and the introduction of economic capital measurements for newer businesses.

The joint management of credit and market risks in each of the trading floors has been adapted to the new corporate **limits framework**, through an effective set of measurements and indicators to pre-empt the impacts of the evolution of market risk factors in each of the business units.

The Executive Committee passes global VaR and economic capital limits for each unit, assessing the identification of specific risks by type, activity and trading desk. The market risk units keep consistency between global and specific limits on the one hand, and between VaR and delta sensitivity limits on the other,

supplemented by analyses of impacts on the income statement when risk factors enter a stress situation.

In order to assess business unit performance over the year, the accrual of negative earnings is linked to the reduction of the VaR limits set. To anticipate these new circumstances and to offset the effect of these adverse situations, the established structure is supplemented by limits on loss and alert signals that automatically trigger off procedures designed to cope with situations which might compromise business area activities.

The basic measurement model used is **Value-at-Risk (VaR)**, with which we also assess basis risk, spread, convexity and other risks associated to embedded options and structured products. The VaR provides a forecast of the maximum loss that portfolios could incur, on a one-day time horizon with a 99% probability, stemming from fluctuations recorded in the equity market and in interest and exchange rates, as well as in credit markets through the credit spread.

In order to assess impacts on less liquid markets or those with a higher probability of transitory liquidity constriction, periodical analyses are carried out taking into account the different liquidity conditions affecting the financial markets. These analyses are likewise combined with economic capital and VaR limits in stress situations, considering the impact of past financial crises and foreseeable future scenarios. The market risk measurement model lastly includes back-testing (ex-post comparison) which helps to refine the accuracy of the risk measurements, comparing day-on-day

management results at different levels with their corresponding VaR measurements.

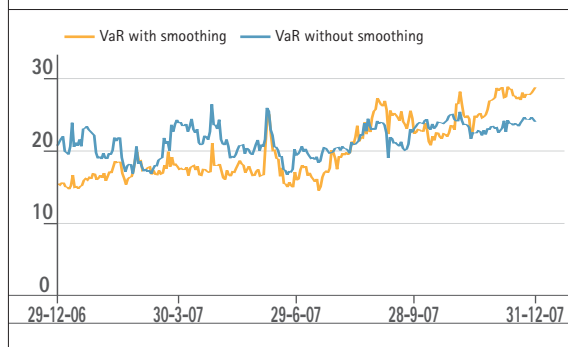
2007 saw the start-up of a new regulatory revalidation process of the **advanced internal model** for attributing capital cost from risk measurements based on historic simulation, which as a whole account for over 90% of the BBVA trading book market risk.

The current enlargement of the new risk measurement platform (Algorithmics) – already implemented in Spain and Mexico – to all the BBVA Group's Latin American units, will provide a more accurate and powerful measurement based on the VaR metric through historical and Monte Carlo simulation, applying full-valuation to optional products. The new platform will, in the future, enable a better integration of market and credit risk for the entire perimeter of the advanced internal model.

MARKET RISK IN 2007

BBVA's market risk showed an upward trend over the year, which started in the second quarter, and was particularly evident after volatility invaded the markets, prompted by the subprime crisis. Although initially said increase in volatilities spread to the Latin American markets due to their aversion towards instruments with additional risk premiums, the effect on the risk of Latin American trading portfolios was very short-lived, despite the elections held in several countries. The higher volatility in risk factors, however, was less fleeting in mature markets, leveraging the exposure in these markets, predominant in the Group's trading book, to higher risk levels.

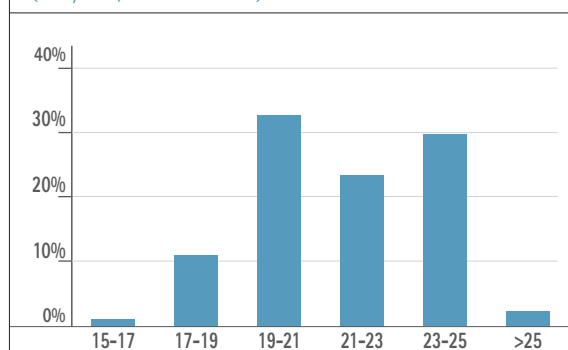
Trends in market risk
(VaR, in million euros)



In 2007 BBVA's market risk stood at an average of €21.5m (VaR without smoothing). The VaR figures were more widely dispersed than in previous years, grouping at the highest levels in the last quarter of the year, as market volatility continued.

If we analyse **risk factors**, the most important was interest-rate risk (41% of the total at 31-Dec-07), which includes systematic risk and specific risk linked to spreads. Vega risk and equity

Distribution of market risk frequencies in 2007
(Daily VaR, in million euros)



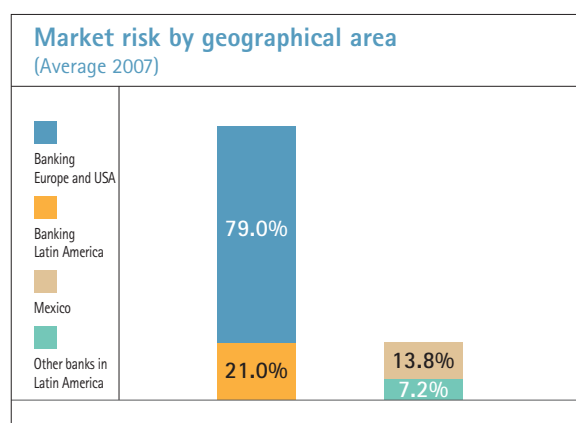
Market risk by risk factor in 2007

(Million euros) RISK	31-12-07	Average	Daily VaR Maximum	Minimum
Interest ⁽¹⁾	12.2	11.7	17.9	7.1
Exchange rate ⁽¹⁾	2.4	1.6	5.2	0.5
Equity ⁽¹⁾	6.3	5.1	8.5	3.3
Vega and correlation	8.8	7.3	9.8	4.7
Diversification effect	(5.7)	(4.2)	-	-
TOTAL	24.0	21.5	26.4	16.7

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

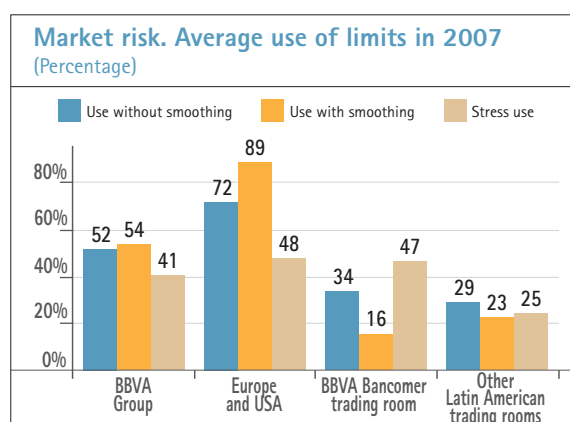
risk accounted for 25% and 18%, respectively, gaining weight in the volatile environment that characterised the second half of the year. The risk profile is rounded up with the contributions of correlation risk (8%) and FX risk (7%).

By **geographical area**, 79% of the market risk corresponded to banks in Europe and the United States and 21% to the Group's Latin American banks, of which 13.8% was concentrated in Mexico. We can see that the general trend in 2007 was one of a higher risk concentration in mature markets and greater diversification in the Americas.



The **average VaR limits use** on a daily basis by the Group's main business units stood at 52% when calculated without exponential smoothing (54% with exponential smoothing). It was, however, more intensive in mature markets, where it reached 72% (89% with exponential smoothing).

The **back-testing** comparison performed with market risk management results for the parent company (following the principles laid out in the

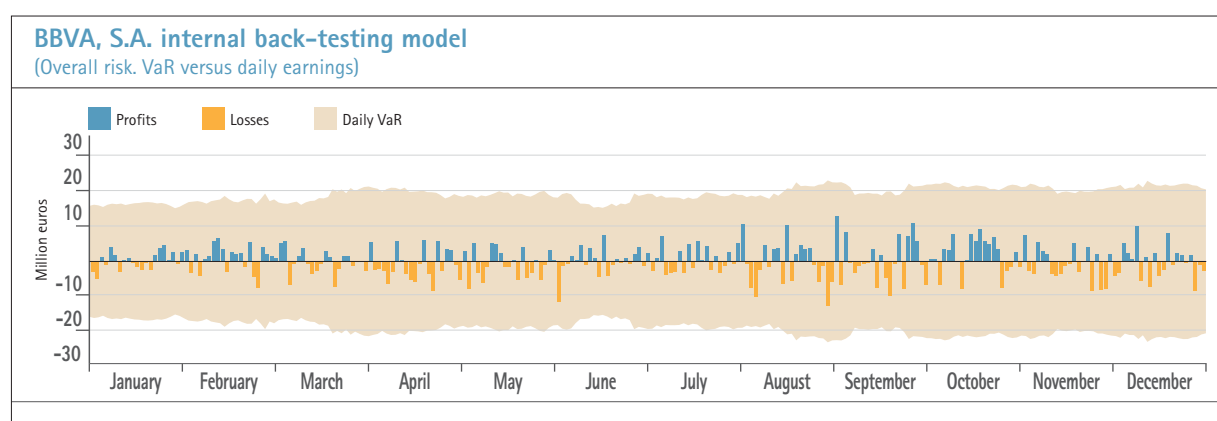


Basel Accord), which makes a day-on-day comparison between earnings and the risk level estimated by the model, confirmed once again that the said risk management model was working correctly throughout 2007.

CREDIT RISK IN MARKET ACTIVITIES

The credit risk in OTC financial instruments is measured by means of a Monte Carlo simulation which enables calculation not only of the current exposure value of each of the counterparties, but also their possible future evolution under fluctuations in market variables.

The simulation model incorporates: a) the term effect (the exposure deriving from the various operations presents potential maximum values at different points in time); b) the correlation effect (the exposures of the various transactions normally present correlations different to 1 according to the correlations between the market factors they depend on); c) the existence of legal netting and collateral agreements.



The **equivalent maximum credit risk exposure** to counterparties at 31-Dec-07 stood at €16,597m, a figure 23% up on that reported on 31-Dec-06. The overall reduction in terms of exposure due to netting and collateral agreements subscribed was €9,480m.

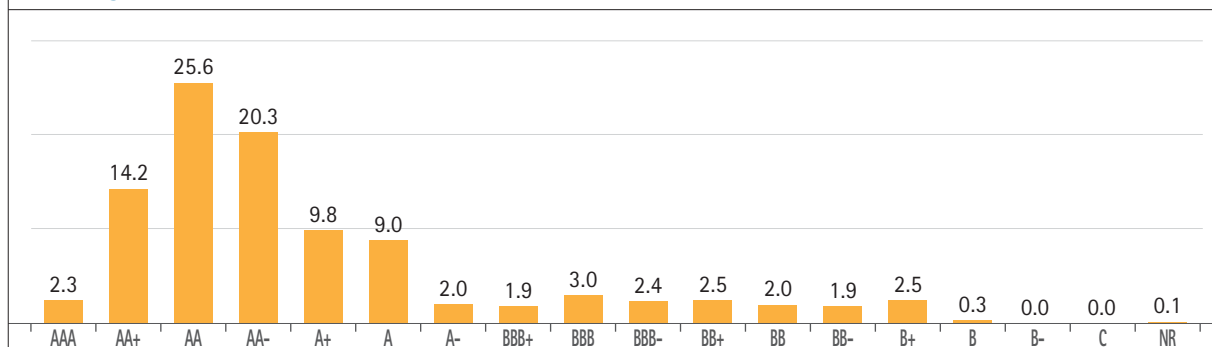
The **net market value** of the instruments mentioned in the portfolio on 31-Dec-07 date was -€2,650m, with a 67-month average residual term. The replacement value, in gross terms, stood at €13,836m.

The accompanying table shows the **distribution by maturity** of the equivalent maximum exposure amounts with OTC financial instruments.

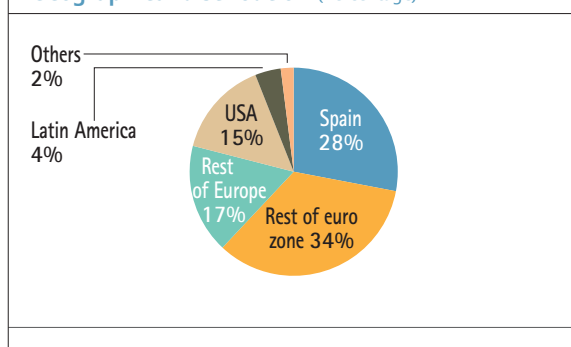
The **counterparty risk** assumed in this activity involved entities with a high credit rating, equal to or above A- in 83% of the cases. Exposure was concentrated in financial entities (83%) and the remainder (17%) in corporations and obligors, and was suitably diversified.

OTC derivatives. Equivalent maximum exposure				
(Million euros)	Gross replacement value	Net replacement value	Equivalent maximum exposure	Weighted average term (months)
OTC financial instruments				
IRS	12	(763)	10,560	63
FRAs	484	1	19	12
Interest rate options		(317)	481	40
OTC interest rate diversification			(19)	
TOTAL OTC INTEREST RATE	9,811	(1,079)	11,040	62
Forward FX	789	(851)	1,245	19
Currency swaps	854	(208)	1,435	56
Currency options	320	110	344	34
OTC exchange rate diversification			(332)	
TOTAL OTC EXCHANGE RATE	1,963	(949)	2,693	51
OTC equity	1,071	(858)	2,065	23
Fixed income and others	991	236	1,087	113
Commodities			70	
OTC equity and others diversification			(3)	
TOTAL OTC EQUITY AND OTHERS	2,061	(622)	3,218	97
TOTAL DIVERSIFICATION			(355)	
TOTAL	13,836	(2,650)	16,597	67

Distribution by maturity. Maximum exposure in OTC financial instruments								
(Million euros)	2007							
Type of product	Up to 6 months	Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Up to 15 years	Up to 25 years	As of 25 years
OTC interest rate	11,040	11,011	9,916	6,541	4,136	1,736	1,522	1,172
OTC exchange rate	2,693	2,087	1,688	1,022	551	147	64	10
OTC equity and others	3,218	2,954	2,775	1,211	684	460	364	110
Total diversification	(355)							
TOTAL	16,597	16,052	14,378	8,774	5,371	2,343	1,950	1,291

Equivalent maximum exposure. Distribution by rating
(Percentage)

By **geographical area**, the highest concentration lay in Europe (79%) and North America (15%), which together accounted for 94% of the total.

Equivalent maximum exposure
Geographical distribution (Percentage)

Structural risks

STRUCTURAL INTEREST RATE RISK

Within the BBVA Group, it is the Assets and Liabilities Committee (ALCO) in each entity that is responsible for management of the interest rate risk of its balance-sheet structural positions, and the BBVA ALCO is the body that lays down the guidelines for said management in keeping with the risk profile defined for the Group by the Executive Committee.

The separation of risk management and control, made possible by the Group's organisational structure, complies with the recommendation of the Basel Committee on Banking Supervision, in order to assure the necessary independence in undertaking said

functions. While the management aim of the ALCO is to maximise economic profit (EP) and preserve earnings recurrence (net interest income), the Risk area designs the measurement and control systems, sets the interest rate risk limits policy and controls compliance of the limits set.

In order to clarify responsibilities in the risk and return obtained on the banking balance sheet, the asset and liability management activity is separated from the banking business. The interest rate risk produced by the banking activity is transferred to the ALCO books applying a transfer price system, ALCO being the body responsible for its management. Balance-sheet interest rate risk comes from the investment of the Bank's own funds and from the fact that assets and liabilities produced by banking activity are not generally repriced simultaneously; therefore they have different financial durations.

The **gap analysis** shown in the table on next page provides a simplified view of balance-sheet exposure to variations in market interest rates.

BBVA uses a variety of **indicators and metrics** to monitor said risk, both from the short-term or net interest income viewpoint and from the long-term or economic value perspective. The two most important measurements for this are earning at risk (EaR) and value at risk or economic capital (EC), which are probability estimations of worst case impacts for a pre-defined confidence level.

In order to be able to evaluate the impacts of interest rate movements on both measurement variables, **models** are required that characterise the behaviour of all the financial products. On the BBVA balance sheet, deposits and savings

Matrix of maturities and repricing dates of BBVA's structural balance sheet in euros

(Million euros)	Balance	1 month	1-3 months	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	+ 5 years
ASSETS									
Money market	31,783	14,126	10,296	4,371	1,215	819	413	218	326
Lending	182,016	42,488	46,199	76,607	4,092	3,030	2,697	2,034	4,870
Securities portfolio	12,931	552	391	834	1,392	1,036	2,749	839	5,137
Other sensitive assets	29,317	27,618	265	192	645	202	3	303	88
Derivatives	54,436	3,473	812	3,407	6,190	7,370	4,822	3,363	24,999
TOTAL SENSITIVE ASSETS	310,483	88,258	57,963	85,410	13,533	12,457	10,685	6,757	35,420
LIABILITIES									
Money market	19,082	13,584	2,209	2,873	19	4	3	303	88
Customer funds	91,021	22,583	7,687	25,979	6,658	2,668	1,470	15,871	8,105
Wholesale financing	90,455	14,954	30,783	759	5,296	6,061	4,638	3,350	24,613
Other sensitive liabilities	58,017	36,456	6,246	5,309	966	612	1,349	1,201	5,878
Derivatives	66,142	30,086	32,727	2,812	250	27	9	1	230
TOTAL SENSITIVE LIABILITIES	324,716	117,662	79,652	37,733	13,188	9,371	7,469	20,726	38,914
GAPS	(14,233)	(29,405)	(21,690)	47,678	345	3,086	3,216	(13,969)	(3,495)

accounts in liabilities and mortgages in assets are especially important and require constant analysis and research by the Risk area to anticipate customer behaviour before fluctuations in the financial environment. Said area therefore employs and analyses several methods in order to characterise their behaviour in the most suitable way possible. All the models regularly undergo ex-post testing and are submitted to the corresponding ALCO.

Furthermore, it is necessary to assess possible future movements in the interest rate curves. These movements are characterised using the historic fluctuations observed in each of the currencies. We can observe that movements other than parallel shifts in the curves, such as changes in curvature and gradient, are continually taking place in the markets and they may significantly affect risk measurements. In a financial group exposed to several currencies, like BBVA, joint currency movements are another relevant factor prompting constant analysis of the methods used to generate curve scenarios.

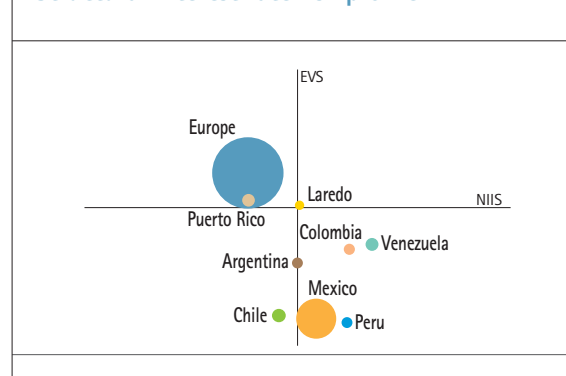
The EaR measures the impact on or variation in finance income caused by interest rate curve variations over a one-year horizon. The annual finance income forecasts take account of expected

balance sheet increases, in order to align earnings with expectations.

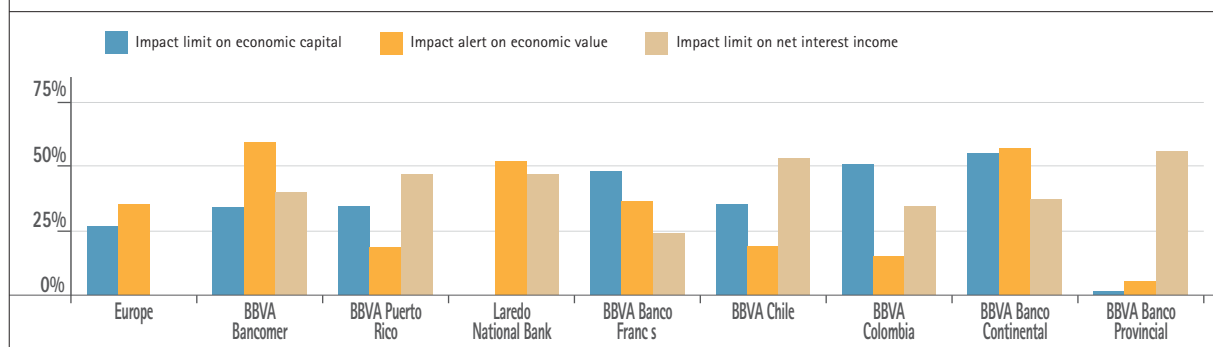
The economic capital based on structural interest rate risk measures the impact or variation of the entity's economic value before movements in interest rate curves to which its balance sheet is exposed. In this variable, the risk measurement does not take expected increases in the current balance sheet structure into consideration.

The accompanying graph shows the variation impact caused on net interest income and economic value by instantaneous 1% shifts in the interest rate curves to which the Group's banking entities are exposed.

Structural interest rate risk profile



NIIS: Net interest income sensitivity (%)
EVS: Economic value sensitivity (%)

Structural interest rate risk. Average use of limits in 2007

These EaR and EC measurements are supplemented by an impact evaluation of hypothetical, foreseeable and stress scenarios, which are periodically updated in accordance with the evolution of the economic and financial environment. These scenarios are also discussed and assessed in the Global Risk Committee in order to assess the overall impacts for the Group and the possible coverage effects on the other risks to which it is exposed.

The graph above shows **average limits use** by structural interest rate in 2007. It should be underlined that, despite the financial turbulence the markets experienced, fruit of the subprime crisis, there was no exceeding of limits thanks to the balance sheet management and its consequent positioning.

STRUCTURAL EXCHANGE RATE RISK

This risk refers to the effects that variations in exchange rates can have on a banking institution's strategic positions, and which in BBVA stems basically from its holdings in the Americas. Exchange rate variations affect both the value in euro of the investments as well as the earnings in foreign currencies they contribute to the Group.

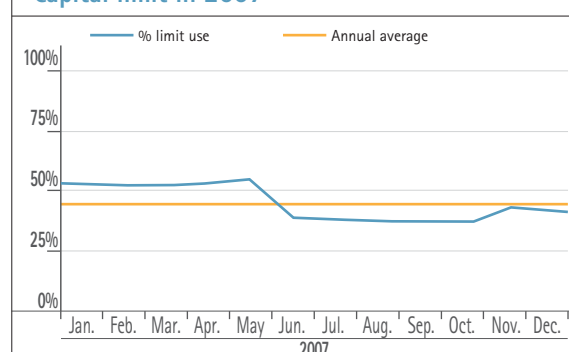
It is the BBVA's ALCO that is responsible for **managing** balance-sheet structural exchange rate risk, and the Risk area for the **control** function, ie, the latter has to measure the risk, by assessing its impact on the Group's equity value and on its income statement and also monitoring its effect on solvency.

Exchange rate simulation **models** are used to monitor and measure this risk. Said models consider its historical behaviour and its possible future variations, in line with market forecasts and

macroeconomic analyses which include the possibility of exchange rate crises arising.

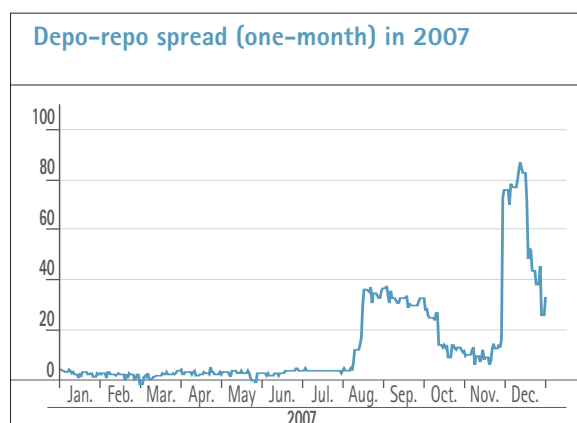
The good performance of the Latin American currencies against the dollar was a characteristic feature of 2007, while the strengthening of the euro, which began in early 2006, continued. Financial Management's **active management** of the FX exposure enabled hedging of the book value of the Group's holdings in foreign currency to remain in keeping with BBVA's desired risk profile. As far as solvency is concerned, the impact exchange rates had on BBVA's equity value was offset by the impact of risk-weighted assets, and there were no significant changes in its capital ratios. Likewise, there was permanent management of FX risk associated to earnings in foreign currencies until high hedging levels were achieved, both on earnings for 2007 and for 2008.

These policies allowed use of the structural exchange rate risk **limit** to be kept at moderate levels, and prevented the uncertainty prompted in the markets by the subprime crisis from producing any significant stress, as can be seen in the accompanying graph.

Structural exchange rate risk. Use of economic capital limit in 2007

LIQUIDITY RISK

The **financial turbulence** of summer 2007 proved the importance of correct liquidity risk management and control. In effect, as of August some financial entities found themselves with difficulties to meet their payment obligations, which prompted a sudden and important rise in the differentials demanded on the interbank market, or a disappearance of supply, difficult access to wholesale issuer markets (especially for more exotic or structured products), and a persistent increase in the differentials demanded on the credit markets. The accompanying graph shows the differential between deposits and derivatives, both with a one-month horizon.

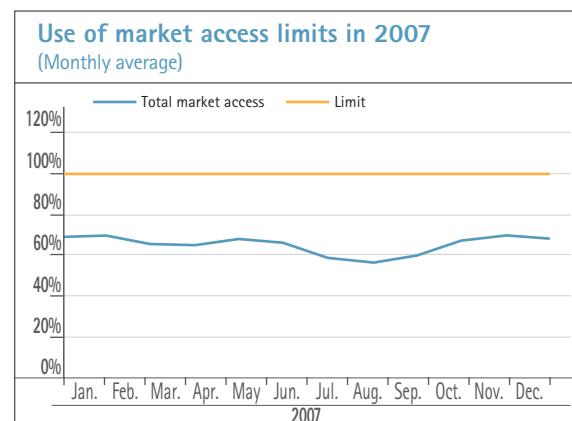
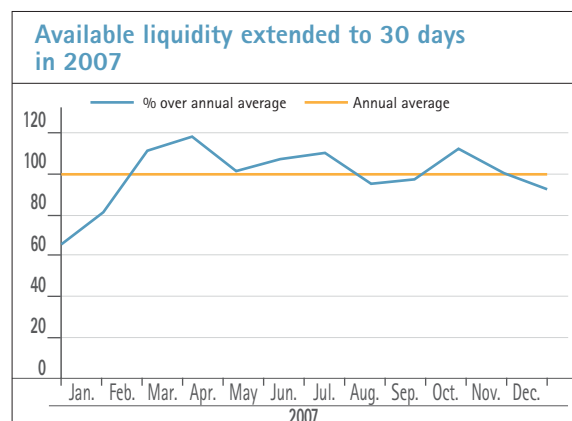


In this environment, **BBVA** was favoured by its proper solvency and liquidity, its non-exposure to the North American subprime market and its non-usage of liquidity lines for conduits and structured investment vehicles (SIV), which represent a contingent liquidity risk. It was these credit lines, committed with vehicles that issued asset-backed commercial paper (ABCP), which triggered off the liquidity needs of many of the main counterparties on the interbank market.

In BBVA the Risk area undertakes independent **measurement** and **control** of liquidity risk indicators, while overall liquidity management is performed by the ALCO.

BBVA's short- and medium-term **liquidity position** has been comfortable at all times, as is shown by the use of limits reported in the year.

This was achieved through prudent management of positions and wholesale issues. Both qualitative and quantitative liquidity indicators were kept firmly under control, all being subjected to limits and alerts annually approved by the Executive Committee. The accompanying graphs show the evolution of the entity's global liquidity position and the use of market access limits in the year.



In response to the August systemic crisis, the **BBVA Contingency Plan** was activated at the beginning of the month. This implied co-ordinated analysis and action by the areas involved in liquidity management and control. There was, however, no need to resort to the ECB extraordinary auctions at any time, and BBVA continued to pursue its prudent liquidity risk management.

In 2007, BBVA made **wholesale issues** to a value in excess of €37 billion, with widely diversified instruments and investors. Of said

issues, over €20 billion were formalised as securitisations, because this instrument offers a relative advantage over others, in that it totally eradicates the liquidity risk associated with the securitized balance.

Continuing its diversification policy regarding fund gathering, a commercial paper programme was successfully opened in London in October, which offered investors an alternative combining high solvency with the product's simplicity.

As it did prior to the aforementioned financial turbulence, BBVA continued to perform a variety of **stress analyses**, at least on a monthly basis, in which assumptions are made regarding theoretical asset and liability behaviours which would undermine the entity's liquidity position, either through non-renewal of liabilities or through use of available assets. Said analyses have shown the strength of the Group's position at all times.

STRUCTURAL RISK MANAGEMENT IN THE EQUITY PORTFOLIO

This risk is related to the potential loss in value of the interests held in capital of other companies (finance entities and industrial enterprises) with medium- and long-term investment horizons, deriving from a negative variation in their market prices. For these purposes, BBVA considers exposure to be not only the equity risk of a fall in capital gains by holdings classified as available for sale, but also the possible decrease in unrealised capital gains in which they are involved through the method of investment in associates.

The Risk area monitors sensitivity figures and the capital it estimates is necessary to hedge the possible unexpected losses due to value variations in associate companies, by assessing market price statistical behaviour. These figures, supplemented by stress comparisons and back-testing, analyses of scenarios and earnings volatility, are monitored to assure they are kept at levels in keeping with the limits set and the risk profile defined by Senior Management.

Operational risk

Certification Process in Basel II advanced approaches (AMA). Since BBVA created its Central Operational Risk Unit in the year 2000, steps have been taken throughout the Group to implement a methodology that now enables this kind of risk to be identified, measured and evaluated. The ultimate aim is to achieve the Basel advanced level, which enables any bank in the Group adopting it to use internal capital calculation models, as in credit risk.

During 2007, BBVA started on the AMA (Advanced Measurements Approaches) certification process, in collaboration with the Bank of Spain, initially for Spain and Mexico, which account for over 70% of the Group in ordinary revenue terms. This process will last for most of 2008.

Operational risk management. The tools that have been implemented cover both qualitative and quantitative aspects of operational risk. These are classified according to Basel categories: processes, fraud, technology systems, human resources, commercial practices and disasters.

It is the Risk areas of each bank in the Group that are responsible for implementing the tools and for complying with Basel standards, while the business and support units manage this through their Operational Risk Committees. In each area there is a CIRO (Internal and Operational Risk Controller) who co-ordinates all these tasks. Management involves comprehensive monitoring of the data supplied by the tools and implementing mitigation measures.

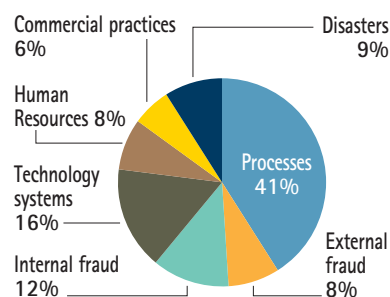
BBVA uses the following **management tools**:

Ev-Ro: This is a tool for identifying and quantifying operational risk factors and estimating their frequency and impact on business or support areas. The impact is evaluated from three viewpoints: direct cost, indirect cost (inefficiency) and loss of profit. The tool is implemented throughout the Group and regularly updated.

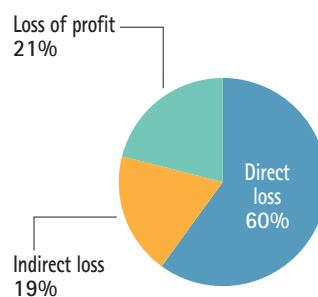
Ev-ro identifies the high priority risk factors, which account for 80% of quantified risk, and

Risk assessed with Ev-Ro

(BBVA Group total. 31-12-07)



Distribution by risk type



Distribution by type of loss

which logically, occupy a sizeable part of Operational Risk Committees' time. The Group's situation is shown in the accompanying graph.

TransVaR: To complete the information provided by Ev-Ro, BBVA uses an indicator-based operational risk management tool. An indicator can be defined here as a variable associated to a process that measures production and its quality, and it therefore also measures operational risk. The fundamental purpose of TransVaR is to show how operational risk is developing and to set up alert signals.

There is always a link between TransVaR indicators and the causes of operational risk; therefore they can be used for making forecasts. The most important indicators are volumes of processed transactions, systems availability, accounts balancing and the manual nature of processes.

SIRO: When operational risk events occur, the Group records them on databases that have been

set up in each bank. The information is, in turn, downloaded each month onto a central database. This process began in 2002; therefore it holds six years' historical data.

Internal data is completed by external data from the ORX (Operational Risk Exchange) consortium, a not-for-profit association founded in 2001 which currently has 40 members. ORX data comprises operational risk events of over €20,000 each and it currently holds records of over 75,000 events, coming to a total of over €25 billion. ORX information serves a dual purpose: it complements the BBVA database for making risk capital calculations, and it allows comparisons to be made with the rest of the sector.

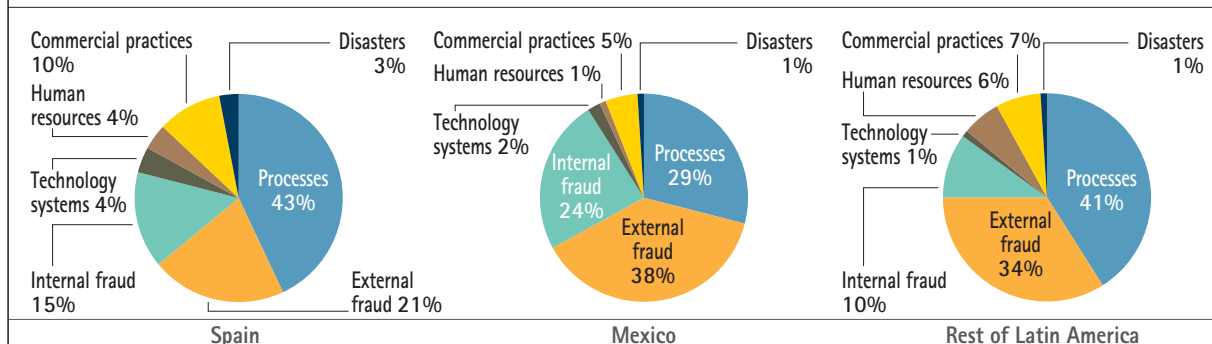
The accompanying graph shows the most significant losses the Group underwent during 2007.

It is also important to be aware of the historical loss distribution by geographical area and risk type, as well as how it has evolved in comparison with the Group's ordinary revenues, (a downward trend).

Operational risk events above €20,000 From 1-10-06 to 30-9-07 (last 4 quarters)

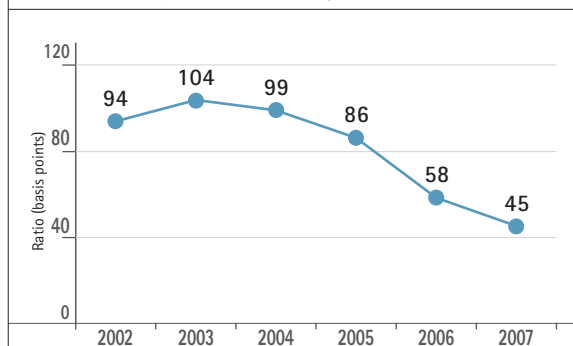
(Amount in million euros) Type of risk	Spain and Portugal		Global Businesses		Mexico		Rest of Latin America	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Processes	28	4.3	26	3.5	34	5.5	27	2.6
External fraud	41	2.2	-	-	25	5.6	17	1.6
Internal fraud	5	1.1	-	-	5	2.9	1	1.8
Others	10	3.5	6	1.1	1	0.1	8	1.3
TOTAL	84	11.1	32	4.6	65	14.1	53	7.3

Past distribution of losses by type of risk



Operational events ratio

(Costs / Ordinary revenues, in basis points)



Reputational risk. This is the risk deriving from the perception certain stakeholders (customers, shareholders, employees, etc.) may have of the Group and its component brands. It is always an outcome of other types of risk, but perhaps operational risk is the greatest source.

This risk is managed locally in each business line, and globally in the Corporate Responsibility and Reputation unit. BBVA has created a tool (RepTool) to help in identifying reputational risk factors. Said tool is gradually being implemented

throughout Spain and it will soon be extended to all the other countries.

Operational risk capital. In keeping with its commitment with the Bank of Spain, operational risk capital estimations have been made following AMA models for the Spain and Mexico perimeters. There is a range of approaches available and BBVA has opted for the Loss Distribution Approach (LDA) methodology, which aims to estimate the spread of losses by operational events, adjusting their two component factors (event frequency and impact). To do so, BBVA uses Opvision, the calculation engine it developed jointly with Risklab and Indra.

Capital estimations use three sources of information: the Group's internal database (SIRO), external data from ORX and events simulated using Ev-Ro information.

The LDA methodology is included as part of the Basel II AMA models (advanced models). Capital calculations for Spain and Mexico give the following results:

Operational risk capital

(Million euros)	Standardised Approach Capital ⁽¹⁾	AMA Capital ⁽²⁾	AMA Capital ⁽³⁾
Spain	925	880	374
Mexico	475	433	239

⁽¹⁾ Under the standardised approach, capital is calculated by multiplying the ordinary revenue for each business line by a pre-determined percentage (between 12% and 18%).
⁽²⁾ This AMA method does not include the diversification effect.
⁽³⁾ This AMA method includes the diversification effect.

Risk management in non-banking activities

INSURANCE

Risk management in insurance serves a three-fold purpose:

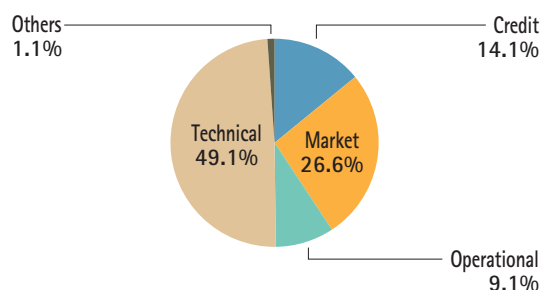
- 1) Identification, evaluation and measurement of the risks of currently catalogued products, together with new ones as they arise, using a methodology with corporate validation and including risk cost into product prices.
- 2) Setting of limits and controls in keeping with the Group's risk appetite.
- 3) Risk vision taking account of the business units' information requirements and those of the different Regulators.

Under this three-pronged approach, work has continued on attaining a better insight into the star pension insurance product – life annuities, and this will be continued in coming years. Hence our analyses and measurement have gradually adapted to the regulatory changes that have taken place in certain countries (Argentina) or to new market sensitivities (Spain). In this second case, we have constructed a tool to price the risk of a new product, the reverse mortgage. Said tool takes account of the target risk-adjusted return using a pluri-disciplinary approach, including credit, technical, market and operational risks due both to the loan component and to the insurance component. The future of dependency-coverage product generation will be based on a correct characterisation of the risk incurred and the price assigned.

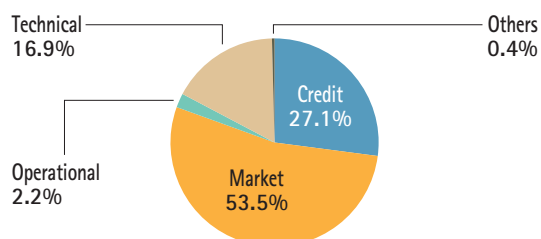
Likewise, progress has been made in appropriately evaluating risk in new, non-life assurance businesses (such as vehicle insurance in Spain).

Economic capital in insurance activity grew by 7.2%, which is in line with its business development, going from €666m in December 2006 to €714m in December 2007. Capital of a purely technical nature accounted for 33.6% of the total, market capital for 39.5%, loan capital for 20.4% and operational capital for 5.8%.

European Insurance. Economic capital distribution by type of risk (31-12-07. Total capital: €370m)



Insurance in the Americas. Economic capital distribution by type of risk (31-12-07. Total capital: €344m)



ASSET MANAGEMENT

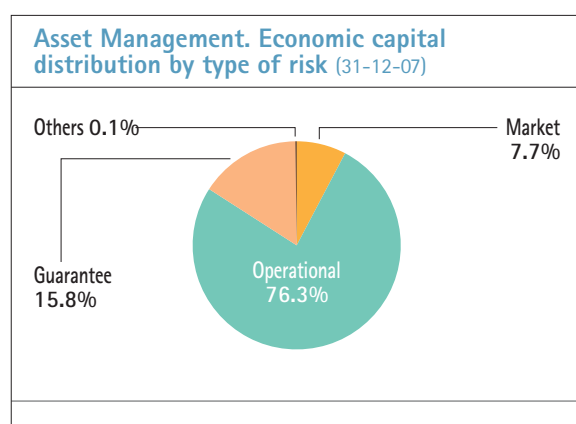
The developments that have taken place in recent years both in so-called “traditional” and in “alternative” investment, have increasingly tended to blur the border between risks coming from either side. This has validated the pluri-disciplinary approach used in BBVA for analysing risks inherent in third-party asset management, be it in segregated portfolio, mutual fund or pension fund format. This approach comprises pluri-disciplinary teams analysing different risks and taking their interactions into account.

Our deep commitment to our duty as trustees for our customers, and only assuming risks in third-party portfolios that can be correctly identified, measured and evaluated, has meant that the subprime crisis and its effect on funds in entities from other countries (such as the North American monetary funds) have had almost no effect on the third-party portfolios BBVA manages in the various countries in which it operates.

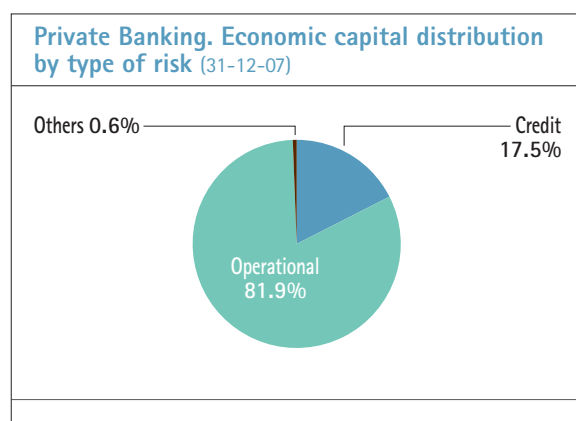
2007 saw the set up of new products in hedge fund format in Spain, and in Latin America more

highly differentiated pension funds were created according to the type of investment involved, in which correct risk evaluation and measurement were essential requirements.

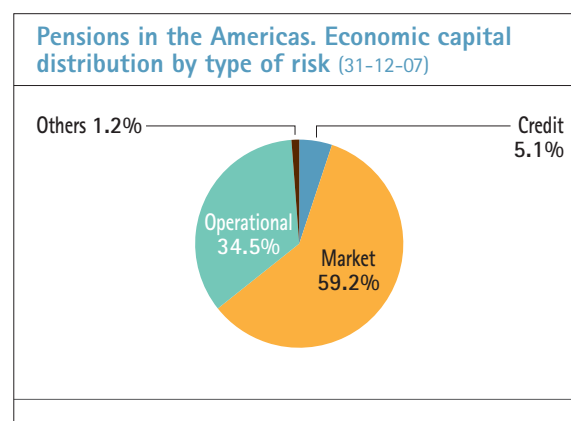
Economic capital in the **Asset Management** unit went from €52m in 2006 to €57m in 2007, showing growth of 9.7%; operational risk accounted for 76% of the 2007 figure.



In line with its activity level, **Private Banking** underwent a 5.8% rise, rising from €156m in 2006 to €165m at year-end 2007, of which 82% corresponded to operational risk.



In **Pensions in the Americas**, the €300m recorded at 31-Dec-07 represent an 11% rise over the €271m of one year earlier, mirroring growth in the funds managed.



MANAGEMENT MODEL

BBVA has continued to use a model combining monitoring and control for its business units, coexisting with a central unit that standardises policies, processes, tools and calculations, providing an overall view with the Group's other risks. This has enabled risks to be correctly calculated for such complex products as the reverse mortgage or the guaranteed funds

Nevertheless, as in previous years, the New Products Committee, which operates at company level in each country, has enabled the target of accepting only those risks that can be identified, measured, evaluated and, of course, managed to be attained, both for the Group's own portfolios and for those belonging to third parties.



Business areas



Spain and Portugal
Global Businesses
Mexico and the United States
South America
Corporate Activities

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

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

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

- **Capital:** the Group allocates economic risk capital (ERC) commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets have two levels: the first is core equity, which determines the allocated capital. This amount is used as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinated debt and preference shares. The ERC calculation combines lending risk, market risk, structural risk associated with the balance sheet and equity positions, operational risk and fixed asset and technical risks in the case of insurance companies. Shareholders' equity, as calculated under BIS rules, is an extremely important referent for the overall Group. However, for the purpose of allocating capital to business areas the Bank prefers ERC. It is risk-sensitive and thus linked to the management policies of individual

businesses and the business portfolio. This procedure anticipates the approach likely to be adopted by the future Basel II rules on capital. These provide an equitable basis for assigning capital to businesses according to the risks incurred and make it easier to compare returns across units.

- **Internal transfer prices:** rates adjusted for maturity are used to calculate the net interest income for each business. It also examines the interest rates for the different assets and liabilities that make up each unit's balance sheet. The distribution of earnings in cases where there are revenue-generating units as well as distribution units (eg, asset management products), is carried out at market prices.
- **Assignment of operating expenses:** direct and indirect costs are assigned to the business areas except where there is no closely defined relationship, ie, when they are of a clearly corporate or institutional nature for the entire Group.
- **Cross-business register:** as a result of the correct assignment of earnings, in some cases consolidation adjustments are required to eliminate duplicate accounting entries caused by cross-marketing incentives.

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

- **Businesses in Spain and Portugal:**
 - Financial Services
 - Corporate & Business Banking
- **Global Businesses:**
 - Global Customers and Markets
 - Asset Management and Private Banking
- **Businesses in Mexico and the United States:**
 - Banking businesses
 - Pensions and Insurance
- **Businesses in South America:**
 - Banking businesses
 - Pensions and Insurance

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

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

The **second level** is geographic. For the Mexico and the United States area, we provide a complete separate income statement for Mexico, covering Bancomer and the pension and insurance businesses in that country. And for the South America area we show operating profit and net attributable profit by country (including banking, pension and insurance activities in each case).

The composition of the Group's main business areas in 2007 is as follows:

- **Spain & Portugal:** this includes the Financial Services unit (individual customers, small companies and businesses in the domestic market, plus consumer finance provided by Finanzia and Uno-e), the Corporate & Business Banking unit (SMEs, large companies and institutions in the domestic market, which were joined by wholesale businesses in 2006), the insurance business and BBVA Portugal.
- **Global Businesses:** consisting of Global Customers & Markets (the global customers unit, investment banking, treasury management, distribution and the Group's activities in Asia),

the mutual and pension fund managers in Spain, and domestic and international private banking (reported under Retail Banking in Spain & Portugal in 2006). And finally, it includes business and real estate projects, which the Group manages through Valanza and Anida.

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

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

The figures for 2006 and 2005 were prepared using the same criteria and area structure as for 2007 and therefore provide a uniform year-on-year comparison. As usual, in the case of units in the Americas, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

Operating profit and net attributable profit by business area

(Million euros)	Operating profit Δ% at constant exchange rate					Net attributable profit Δ% at constant exchange rate				
	2007	Δ%		2006	2005	2007	Δ%		2006	2005
Spain and Portugal	4,151	18.8	18.8	3,495	3,057	2,397	24.9	24.9	1,919	1,692
Global Businesses	1,271	18.8	18.8	1,070	733	909	5.4	5.4	862	497
Mexico and the United States	3,797	17.5	28.5	3,231	2,303	2,084	17.4	28.4	1,775	1,370
South America	1,454	25.1	33.3	1,163	861	623	22.4	29.3	509	379
Corporate Activities	(129)	71.4	71.4	(75)	(131)	113	n.m.	n.m.	(329)	(132)
BBVA GROUP	10,544	18.7	23.5	8,883	6,823	6,126	29.4	34.4	4,736	3,806
BBVA GROUP EXCLUDING ONE-OFFS	9,697	16.0	21.0	8,360	6,823	5,403	18.0	22.8	4,580	3,806

ROE and efficiency

(Percentage)	ROE			Efficiency including depreciation and amortization		
	2007	2006	2005	2007	2006	2005
Spain and Portugal	36.4	31.1	30.3	37.6	41.0	42.8
Global Businesses	33.0	41.8	27.6	29.7	28.7	34.9
Mexico and the United States	47.6	46.7	44.2	39.7	38.2	43.8
South America	32.8	31.8	30.1	46.0	49.7	52.6
BBVA GROUP ⁽¹⁾	30.2	36.4	37.0	43.3	44.0	46.7

(1) Excluding one-off operations.

EP and RAROC by business area

(2007. Million euros and percentage)	Average economic risk capital (ERC)	Adjusted net attributable profit	RAROC (%)	Recurrent RAROC (%)	Economic profit (EP)
Spain and Portugal	6,583	2,459	37.4	37.4	1,853
Global Businesses	2,754	1,122	40.8	30.2	832
Mexico and the United States	4,377	1,988	45.4	45.4	1,498
South America	1,901	616	32.4	32.4	367
Corporate Activities	2,240	518	23.1	-	264
TOTAL BBVA GROUP	17,855	6,703	37.5	34.0	4,814



Spain and Portugal

Financial Services

- Financial Services for Individuals
- Financial Services for Small Businesses
- Consumer Finance

Corporate and Business Banking

European Insurance

BBVA Portugal

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

The area handles the distribution as well as the development and launching of new products and services, responding to overall demand (financial and non-financial) and to customer needs with innovative, customised and specialised service for each segment. Staff comes to 25,607 people and the network includes 3,704 branches, of which 109 are located in Portugal.

Business with customers was marked by a slowdown in lending throughout the sector, although growth remained high. Time deposits and other funds recorded on the balance sheet grew faster, whereas the demand for liquid deposits and mutual funds declined. At the same time, interest rates in the interbank market were pushed up in the fourth quarter by a lack of confidence at an international level.

The area responded with an appropriate pricing policy – that enabled further improvement in spreads – and with a higher marketing productivity and new improvements in the efficiency ratio. As a result, the 2007 results are some of the best in recent years. Operating profit grew 18.8% and **net attributable profit** was up 24.9% to €2,397m, bringing ROE to 36.4% (31.1% in 2006).

In the latter months of the year, the area also reorganised its internal structure with the aim of providing customers with better service. It transferred some customers to other units, mainly from Commercial Banking (Financial Services for

Income statement

(Million euros)	2007	Spain and Portugal			Memorandum item:					
		Δ%	2006	2005	Financial Services	Δ%	2006	Corporate and Business Banking	Δ%	2006
NET INTEREST INCOME	4,295	14.6	3,747	3,429	3,135	13.1	2,772	1,146	20.5	951
Income by the equity method	-	(49.7)	1	-	-	n.m.	1	1	n.m.	-
Net fee income	1,679	3.2	1,627	1,496	1,555	5.5	1,473	312	6.9	292
Income from insurance activities	460	22.5	376	309	-	-	-	-	-	-
CORE REVENUES	6,435	11.9	5,751	5,234	4,689	10.4	4,246	1,459	17.4	1,243
Net trading income	235	9.2	215	152	44	(9.6)	48	175	15.5	152
ORDINARY REVENUES	6,670	11.8	5,966	5,386	4,733	10.2	4,294	1,634	17.2	1,395
Net revenues from non-financial activities	51	57.9	32	26	29	2.5	28	-	-	-
Personnel and general administrative expenses	(2,487)	2.8	(2,419)	(2,303)	(1,965)	0.5	(1,955)	(345)	4.5	(330)
Depreciation and amortization	(110)	5.7	(104)	(103)	(89)	5.0	(84)	(8)	12.5	(7)
Other operating income and expenses	26	32.7	20	51	15	2.0	15	6	32.6	5
OPERATING PROFIT	4,151	18.8	3,495	3,057	2,723	18.5	2,298	1,287	21.2	1,062
Impairment losses on financial assets	(604)	9.3	(552)	(489)	(374)	11.1	(337)	(191)	(6.9)	(206)
• Loan-loss provisions	(595)	7.5	(554)	(491)	(371)	10.5	(336)	(191)	(7.1)	(206)
• Other	(9)	n.m.	1	2	(4)	181.2	(1)	-	n.m.	-
Provisions	(3)	(11.3)	(3)	-	1	n.m.	(2)	(3)	n.m.	-
Other income/losses	9	(57.7)	22	22	10	(47.5)	19	3	(17.9)	4
PRE-TAX PROFIT	3,553	20.0	2,962	2,589	2,359	19.3	1,978	1,097	27.4	861
Corporate income tax	(1,157)	11.2	(1,040)	(894)	(771)	10.9	(695)	(356)	18.0	(302)
NET PROFIT	2,397	24.7	1,922	1,695	1,589	23.8	1,283	741	32.5	559
Minority interests	1	n.m.	(3)	(3)	1	n.m.	(3)	-	-	-
NET ATTRIBUTABLE PROFIT	2,397	24.9	1,919	1,692	1,589	24.1	1,280	741	32.5	559

Balance sheet

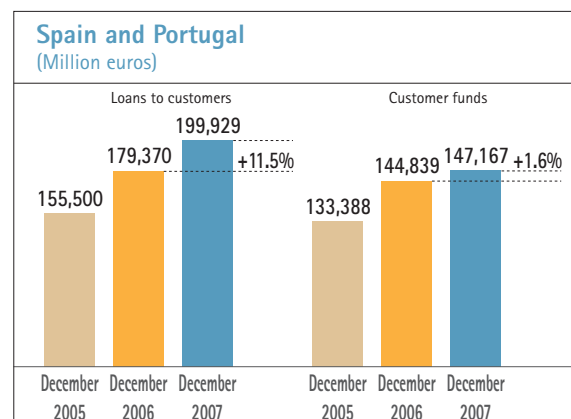
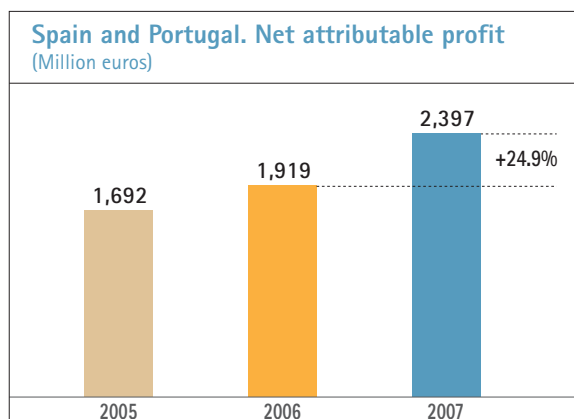
(Million euros)	31-12-07	Spain and Portugal			Memorandum item:					
		Δ%	31-12-06	31-12-05	Financial Services	Δ%	31-12-06	Corporate and Business Banking	Δ%	31-12-06
Cash and balances at Central Banks	2,231	1.2	2,204	2,019	1,557	4.5	1,489	586	(9.6)	649
Financial assets	13,528	(5.6)	14,327	15,756	240	(27.0)	329	3,018	6.5	2,833
Loans and receivables	206,789	12.5	183,753	159,552	124,358	13.8	109,269	76,105	10.7	68,777
• Due from banks	6,678	38.5	4,821	4,538	1,496	n.m.	153	3,547	(0.1)	3,551
• Loans to customers	199,320	11.8	178,307	154,928	122,512	12.4	108,994	72,361	11.2	65,050
• Other	791	26.3	626	86	350	187.3	122	197	12.1	176
Inter-area positions	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	1,449	13.6	1,275	1,185	1,119	3.4	1,083	57	(18.9)	70
Other assets	1,934	18.5	1,632	1,984	977	7.1	912	359	44.8	248
TOTAL ASSETS / LIABILITIES AND EQUITY	225,930	11.2	203,192	180,496	128,250	13.4	113,082	80,125	10.4	72,577
Deposits by Central Banks and banks	15,559	48.6	10,470	9,355	5,565	54.1	3,612	5,611	52.0	3,691
Due to customers	87,796	10.7	79,321	68,198	60,319	8.2	55,742	25,755	19.4	21,574
Marketable debt securities	6,712	(15.4)	7,937	7,771	59	0.5	59	6,660	(15.3)	7,865
Subordinated debt	4,085	12.0	3,648	3,314	2,131	3.6	2,056	1,418	18.0	1,202
Inter-area positions	84,213	12.0	75,213	65,729	49,947	19.7	41,710	34,881	5.2	33,156
Other liabilities	20,629	1.8	20,262	20,188	6,451	3.1	6,255	3,283	11.0	2,956
Minority interests	5	(14.8)	6	48	5	(13.4)	6	-	(100.0)	-
Economic capital allocated	6,930	9.4	6,334	5,894	3,774	3.6	3,642	2,518	18.0	2,134

Relevant business indicators										
(Million euros and percentages)	31-12-07	Spain and Portugal			Memorandum item:					
		Δ%	31-12-06	31-12-05	Financial Services		Corporate and Business Banking			
					31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06
Customer lending ⁽¹⁾	199,929	11.5	179,370	155,500	123,330	12.3	109,814	72,588	11.0	65,368
Customer deposits ⁽²⁾	91,928	7.8	85,309	73,450	62,624	6.0	59,070	27,463	12.4	24,444
• Deposits	91,862	7.8	85,245	73,378	62,599	6.0	59,054	27,423	12.4	24,395
• Assets sold under repurchase agreement	66	2.6	64	71	25	63.2	15	41	(16.7)	49
Off-balance-sheet funds	50,088	(4.6)	52,477	52,881	47,133	(3.9)	49,062	1,988	(14.7)	2,331
• Mutual funds	40,024	(6.9)	43,006	44,294	37,456	(6.3)	39,962	1,968	(15.1)	2,319
• Pension funds	10,064	6.3	9,471	8,587	9,678	6.3	9,100	20	62.4	12
Other placements	5,217	(26.7)	7,117	7,128	5,119	(27.0)	7,010	98	(8.2)	107
Customer portfolios	9,817	20.0	8,181	5,608	9,817	20.0	8,181	-	-	-
Risk-weighted assets ⁽³⁾	86,625	9.4	79,180	73,676	47,169	3.6	45,526	31,481	18.0	26,669
ROE (%)	36.4		31.1	30.3	43.0		36.9	32.3		25.8
Efficiency ratio (%)	35.9		39.2	40.9	40.0		44.0	20.4		22.9
Efficiency incl. depreciation and amortization (%)	37.6		41.0	42.8	41.8		45.9	20.9		23.3
NPL ratio (%)	0.73		0.55	0.54	0.95		0.70	0.37		0.32
Coverage ratio (%)	231.2		315.7	321.8	175.5		250.4	460.2		532.9

(1) Gross lending excluding NPLs.

(2) Includes collection accounts and individual annuities.

(3) According to ERC methodology.



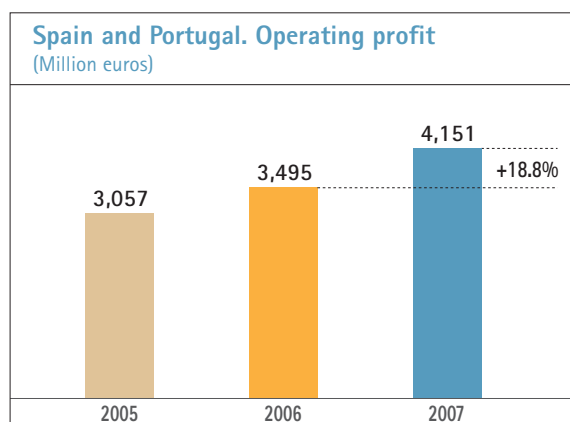
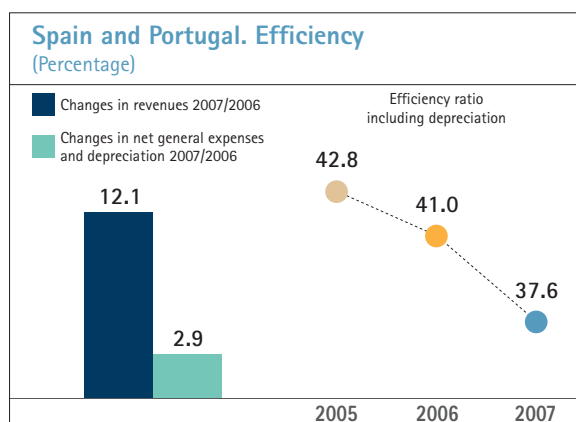
Small Businesses) to CBB (Corporate & Business Banking). The 2006 figures for the units affected were recalculated so that all the year-on-year comparisons are on a like-for-like basis.

At 31-Dec-07 the Spain and Portugal area managed a **loan portfolio** of €199,929m (up 11.5% year on year). The increase was supported by the main units: lending by the Financial Services unit was up 12.3% and in Corporate & Business Banking it rose 11.0%.

Total **customer funds** under management (deposits, mutual and pension funds, and other placements) came to €147,167m (up 1.6% on 31-Dec-06). Those reported on the balance sheet

increased 7.8%, especially time deposits which jumped 33.4% year on year to €30,980m. For the second year running, growth outpaced the banking industry average, leading to a further increase in market share. In mutual funds the year-on-year variation in assets managed by BBVA was also better than the industry average and this helped to regain market share (assets managed by the area came to €40,024m). Transactional deposits (current and savings accounts) came to €40,632m (€44,083m at 31-Dec-06) and pension funds rose 6.3% to €10,064m.

Selective loan offering and control of the cost of funds led to a new advance in customer spreads,



corroborating the profitable growth policy. **Net interest income** thus rose 14.6% to €4,295m, growing progressively faster quarter-by-quarter, and thereby becoming the main engine behind the area's earnings increase.

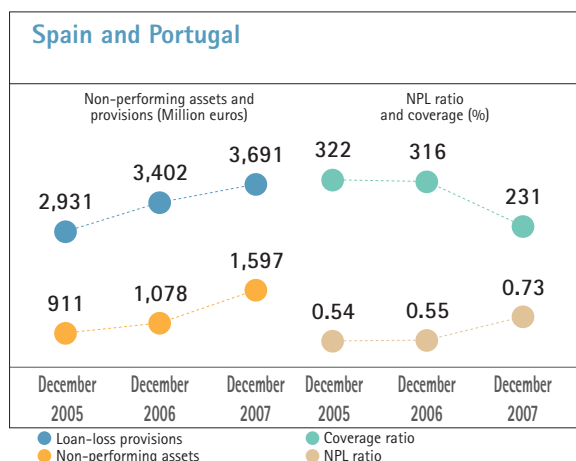
Other sources of income rose 7.8%. Net fee income increased 3.2% to €1,679m (fees on banking services compensated the slowdown in mutual and pension funds). Income from insurance activities rose 22.5% to €460m, net trading income was up 9.2% to €235m and net revenues from non-financial activities – which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

The rationalisation of the internal structure in 2006, the creation of *DUO* branches (shared by Commercial Banking and *Dinero Express*) and active management of outlets (new outlets in areas of high potential) helped to keep personnel and

general administrative **expenses** under control. In the case of Spanish networks, they rose 0.5% and the total for the whole area increased only 2.8% (less than inflation).

The higher revenues and cost containment led to a new improvement of 3.4 percentage points in the **efficiency ratio** (from 41.0% in 2006 to 37.6%). Thus **operating profit** increased 18.8% to €4,151m.

Net loan-loss provisions were up 7.5% to €595m. They are still mainly generic in nature because the non-performing loan ratio in the area remains low: 0.73% at 31-Dec-07. In fact, this figure is lower than the average for both households and SME loans in the Spanish financial sector and it increased less during 2007 (based on latest available data). The NPL ratio is particularly low in residential mortgages and developers (0.42%). Consequently the coverage ratio remained high (231%). Like other Spanish banks, these figures compare favourably with those of many other countries.



Key factors in Spain and Portugal in 2007

- Earnings growth based on proper volume and price management (net interest income)
- Spending held in check through the Transformation Plan: improvement in efficiency
- Increase in profitability (ROE)
- Progress in management by segment: SMEs, corporations, institutions, personal banking, ...
- Customer-focused organisation: customised offering and guidance
- Innovation in products and supply of non-financial services

AREA STRATEGY AND MEDIUM-TERM GOALS

Spain and Portugal bases its leadership on two strategic drivers: innovation and transformation.

Innovation implies the use of services particularly adapted to different customer segments, together with a distinct approach to management and a wide range of specific products that reach beyond strictly financial needs. It also includes a multi-channel strategy that makes possible a more comprehensive relation with customers. This is all supported by the use of technology in attaining more profound knowledge of customers, knowledge that is used in coming up with services that are better suited to their needs.

Transformation takes in several concepts. On the one hand, it means continual improvement in sales structures, such as those seen at the end of 2007, when advances made in segment-specialised management led to closer relations with customers, and at the same time better income and cost synergies in the branch network. Similarly, sales processes and tools are being streamlined, while low added-value operations are being moved into more efficient channels. The goal is to increase the resources used in sales while offering customers better service.

Spain and Portugal enter into 2008 with a more efficient organisation centred even more strongly on the customer, ever more capable of offering comprehensive and distinct services to each customer segment. As such, the area is confident in reaching the goals that have been set for the years 2008 to 2010:

- 1 million new young customers
- 500,000 new migrant customers
- 10% of the increase in operating profit coming from net revenues from non-financial activities
- An increase in attributable profit for the 2008-2010 period above that of the 15% accumulative yearly figure.

Financial Services

This unit uses its extensive product range, diversified offering and expertise to service the

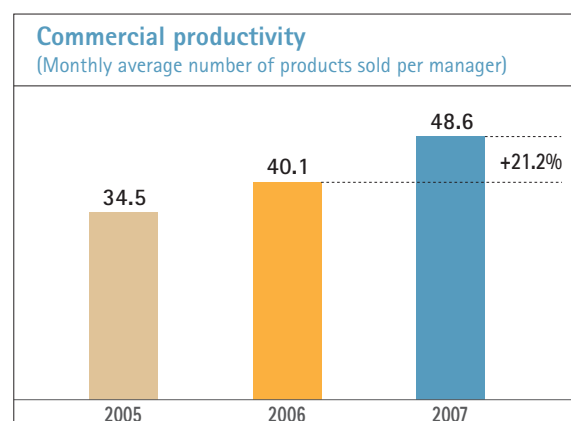
needs of households, professional practices, retailers and small businesses. It also incorporates the specialised Consumer Finance unit. An increase in business volume and marketing productivity, a new assets and liabilities pricing policy (which led to wider spreads) and a new advance in the efficiency ratio boosted operating profit 18.5% year on year to €2,723m and net attributable profit rose 24.1% to €1,589m.

FINANCIAL SERVICES FOR INDIVIDUALS

Throughout 2007, business with individuals continued at a robust pace, as shown in **marketing productivity**, which rose 21.2% in the year, reaching an average number of products sold per manager of 48.6 per month. Sales were up in all the major lines of business.

This increase is due to demand for the assets and liabilities products distributed by the unit. Regarding the loan portfolio, in the **consumer finance** business the stock at the end of 2007 stood at €10,258m, up 6.5% on total sales of €4,732m in the year. Higher business volume was compatible with a new improvement in the spread, up 30 basis points. In particular, pre-approved loans (*PIDEs*) performed well, invoicing €1,240m (25% of the newly defined consumer operation), following customer approval of the innovations incorporated during the year.

Residential mortgages on owner-occupier dwellings came to a total of €81,910m at 31-Dec-07. This was a year-on-year increase of 13.0% due mainly to €26,160m in new operations closed during the year – a year when



market demand dropped. Nevertheless, BBVA took on this challenge by launching products specially tailored to different customer segments. These included *Hipoteca blueBBVA* for young people, *Hipoteca Universal* (Universal Mortgage) for migrants, *Hipoteca Cambio de Casa* (Moving Home Mortgage), *IRS Cuota Segura BBVA* (a hedging product for mortgage repayments), *Hipoteca Bienestar* (reverse mortgage) – a home-equity loan for those over 65 providing them with an annuity, the *Hipoteca Fácil Básica* (Basic Easy Mortgage) and the *Hipoteca Rentas Altas Básica* (Basic High-Income Mortgage). Finally, the area launched the “*Ven a Casa*” (Come Home) campaign, a differentiated value product to attract holders of non-BBVA mortgages.

As far as **customer fund** gathering is concerned, for the second straight year BBVA closed out the year with a significant increase in stable on-balance sheet funds. **Time deposits** grew by 33.7% to €28,664m, continuing on the previous year’s surge of 35.7%. This was achieved through clear anticipation of market demand with the launching of a complete new line of products starting in the second half of 2006, a line that was increased in 2007 with several highly competitive options such as the *Multidepósito BBVA*, the *Depósito Creciente BBVA* (Growing Deposit) and *Depósito Extra* intended to gather new funds.

Changes in customer preferences led to a lower demand for **mutual funds** in 2007, an area in which BBVA showed weaker results than the sector average. Assets managed by the unit reached €37,405m, compared to €39,893m at 31-Dec-06. However, **pension funds** were up by 6.3% over the year. BBVA’s traditional market leader role in corporate pension plans combined with its top showing in individual plans.

All in all, the different types of **stable customer funds** (time deposits, mutual and pension funds and other placements) rose to €80,853m, for a year-on-year increase of 4.4%. Moreover, the area placed €800m of Iberdrola Renovables’ IPO. This made BBVA the clear leader with a considerable gap to the next competitor.

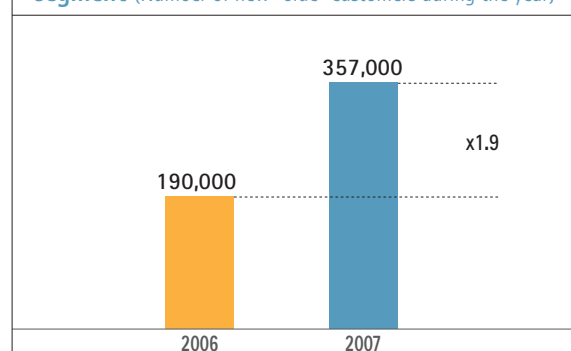
In terms of **transactional deposits**, improved average base rates in the market realigned

customer preferences towards other, more profitable products. For example, the two *Quincenas del ahorro* (fortnight savings campaigns) helped gather over €2,700m, with the handing out of a million gifts, while the payroll campaigns launched during the year managed to win 44,500 payrolls.

BBVA works within a business framework characterised by a customer-tailored offer and specialised treatment for each customer segment. With this in mind, it is worth noting the changes made in the bank’s **Personal Banking** management model, which is focused on discovering customers’ needs through their relation with their personal advisor. New products were launched throughout the year, highlighted by the *Solución Transaccional BP* (Transactional Personal Banking Service), which offers a free personal banking credit card, along with the usual products and services. Another was the *Movilización de Valores* (Securities Mobilisation) service, allowing the customer to operate in markets through different channels, along with the *Cuenta de Crédito BP* (a personal banking credit account) and the special *BBVA Bolsa Broker* (BBVA Stock Broker) fee that BBVA offers for online transactions. The success of these actions is shown by the 14.6% increase in customers included in this group.

2007 also saw large campaigns focused on the **young people’s segment**, with the launching of such products as the *Hipoteca Blue* and *Blue BBVA* car loans, both of which helped to almost double the number of new customers attracted.

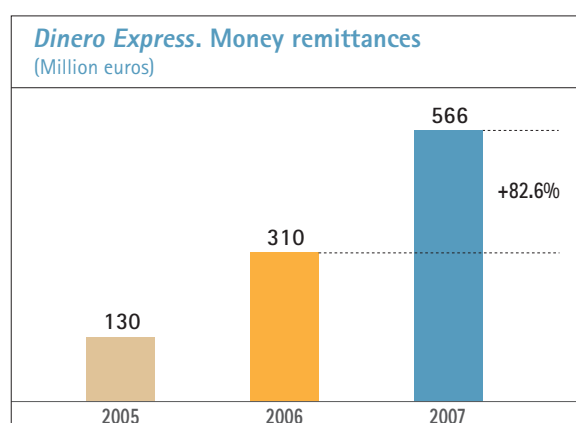
Customer attraction in the young people segment (Number of new “blue” customers during the year)



The **New Business Models** unit greatly expanded its non-financial product list in 2007, meeting the goal of transforming BBVA from a financial services bank to a general services bank. This was achieved by concentrating on responding to overall customer demands. With this purpose in mind, marketing activities were carried out in five areas: *BBVA Hogar* (Household), for the purchase and fitting out of a home, *BBVA Salud* (Health) medical insurance, *BBVA Motor* and *BBVA Viajes*, which afford the possibility to purchase vehicles and book hotels and trips at advantageous prices, and finally *Mi Tienda BBVA*, (My BBVA Shop), which offers interest-free eighteen-month financing for lasting consumer products. In 2007, the number of transactions performed was 210,000, to a value of €129m, with 175,000 customers and a repeat rate of close to 20%.

Dinero Express, the BBVA Group network dedicated to the migrant population segment, extended its network in 2007 to 130 outlets, of which 33 are *DUOs* (sharing premises with BBVA). It also conducted various campaigns that helped it exceed 114,000 active customers in just over two years and to double the turnover of its main business lines. During 2007 it handled more than 1,420,000 money remittances worth €566m (54% through its own network and 46% via BBVA branches).

As for **payment channels**, the number of BBVA cards was up 3.5% to 6.9 million. At the same time, the number of retailers with point-of-sale terminals rose by 12%, and sales were up 16.6% on 2006.



Online services for individual customers (**BBVAnet**) reported a 16.1% increase in transactions, reaching an average of 28 million operations and consultations per month. *Global Finance* magazine once again chose BBVAnet as the best internet banking service in Spain.

As regards the **telephone channel**, *Línea BBVA* dealt with 3.9 million calls and processed over 5.9 million transactions. In addition, 364,000 products were sold through this channel, including 131,000 insurance policies.

FINANCIAL SERVICES FOR SMALL BUSINESSES

This unit generates and structures proposals of value for the **small business segment**, focusing on continual innovation and offering a comprehensive and specialised range of services for each specific group: professional practices, the self-employed, retailers, the farming community and companies with a turnover of under €2m.

New management models were implemented in 2007. At the same time, new direct marketing channels and support tools were used. All of this led to a higher level of efficiency in customer management, doubling the success rate for marketing activities.

The year also saw the launching of a strategic plan for the **retailer segment** – the marketing of the Financial Services for Retailers (*Soluciones Comercio*) pack. This pack combines a new focus on point of sale with a transactional and financing offer, the emphasis always being on customer bundling. This three-month customer-gathering and retailer-reactivating campaign managed to attract 4,000 new customers, firmly establishing the *Pack Negocios* (Business Pack) as the segment's distinguishing transactional offer, with over 30,000 contracts and 3,900 new customers.

On another front, a financing campaign for **SMEs** was carried out from May to August, issuing in 65,000 implemented loan transactions. This represented a 50% jump over the results from a similar campaign a year before.

In the **farming** sector, the bank managed and registered European Union Farm Support subsidies for 46,000 farmers, for €224m, as well as carrying out two crop financing campaigns in

spring and autumn, strongly improving customer bundling in this segment.

Other non-financial products completed the value offering to this segment (*BBVA Soluciones*) in 2007, including such services as account management, occupational hazard prevention and health insurance for companies.

This intense commercial activity helped increase the unit's **loan portfolio** by 11.4% to €18,155m. There were 12,313 risk hedging transactions, by means of the *Riskpyme* and *Stockpyme* products, which showed year-on-year increases of 240% and 366%, respectively. The unit also helped BBVA win a leadership position in the distribution of ICO funds, while increasing the number of insurance policies by 21% – thanks to a growth rate of 18% in the number of policies and 21% in premiums. The unit also moved over 40,000 transactional products in the *Pack Negocios*.

CONSUMER FINANCE

This unit manages online banking, consumer finance and vehicle loans, card distribution and leasing plans. These activities are conducted via Uno-e, Finanzia, Finanzia Autorenting and other subsidiaries in Portugal and Italy, with a total workforce of 1,201 employees.

All activity indicators recorded growth in 2007 and the unit showed an operating profit of €115m and net attributable profit of €25m.

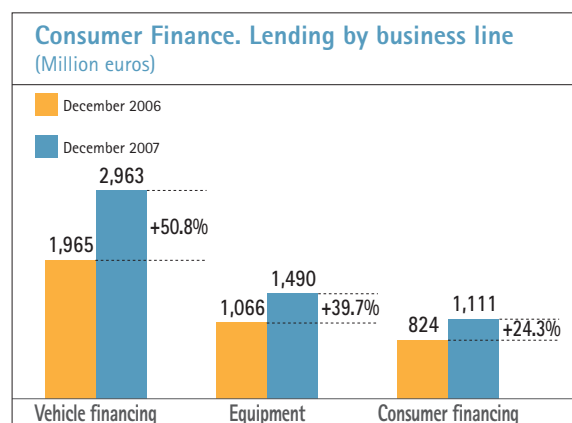
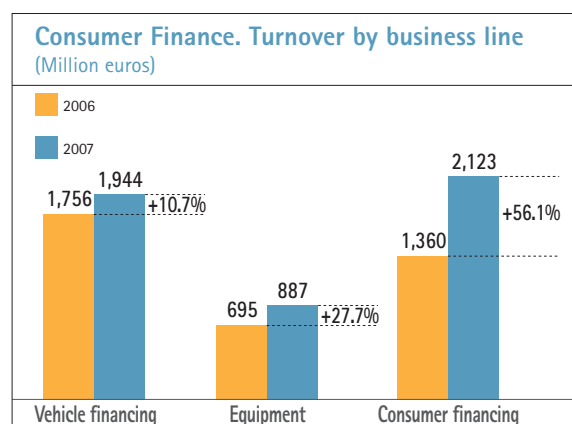
2007 was the first complete year after the Transformation Plan and the merger of the vehicle prescription businesses were fully implemented. This was positively reflected in the year's figures, as well as in the point-of-sale car finance market share. Lending in business equipment leasing plans also recorded important gains, the result of commercial agreements with BBVA's Corporate & Business Banking networks.

Lending rose 36.1% during the year to €5,539m on invoicing of €5,367m (up 27.5%) for the year. In the vehicle prescription business, sales of €1,944m in the year lifted total stock to €2,963m (up 50.8%), a 10.7% increase in turnover in spite of a drop in the registration of private cars. This allowed BBVA Finanzia to assume second place in Spain in terms of vehicle

financing volume. Invoicing for equipment finance rose by 39.7%, while the balance increased by 46.4% to €797m. Meanwhile, lending in equipment leasing plans increased by 32.7% to €692m (invoicing up 12.9%). Sales of vehicle leasing plans stood at €270m, for an increase of 4.2% as the fleet grew to 38,979 units (up 8.9%).

At Uno-e lending increased 24.3% to €1,111m. Two advances are particularly noteworthy: a 28.6% rise in private cards was boosted by a new agreement signed in 2006 with a leading operator in the food sector, while a 30.9% increase in Visa cards was attributable to consumer finance at the point of sale – generating a turnover of €184m, a 20.1% rise over 2006. Finally, there was a 50.7% jump in mortgages, the fruit of several online sales campaigns for this product.

In Portugal BBVA Finanziamento invoiced €203m in the year, bringing the stock of vehicle finance to €388m (up 10.8%). Furthermore the



leasing plan companies in **Italy** (which became part of the Group in 2007) now have a fleet of 12,701 vehicles.

Customer funds under direct management or brokered, grew 10.5% over the previous year's figure to €1,669m, led by an increase in deposits (up 56.7%). The year was highlighted by the launching of the *Depósitos 10* and *15* (10 and 15 Deposits) as well as by a rise in pension funds (up 41.3%), both well above the market average. As such, the unit attained an average increase of 12% in off-balance-sheet products (funds and plans), this in a year when such products saw a general downturn in the system due to market instability and strong competition from deposits.

Corporate and Business Banking

The Corporate & Business Banking unit (CBB) handles SMEs, large companies and institutions in the Spanish domestic market through three specialised networks. The unit has become a benchmark in the market within its areas of activity. Seeking to further consolidate its leadership position, the unit presented a new model aimed at streamlining the internal organisation, forging closer ties to customers and improving its business offers to specific segments with specialised services. The overall goal was to advance towards a segment-based customer management organisation.

As such, customers represent the centre of attention at CBB, which manages their needs by generating value and responding comprehensively to their demands, by means of segment specialisation. **Medium-term goals** revolve around three large parameters: growth (expanding the customer base and developing new products that offer them high added value), innovation in financial and non-financial services, and finally, transformation.

With 1,247 managers and a 277-branch network (209 of which serve the companies segment, 58 cater for institutions and 10 specialise in Corporate Banking), BBVA is at the top in terms of **positioning** (companies that claim to be BBVA customers), with 40.3%, and second

Corporate & Business Banking. Positioning

(Percentage of companies saying they are BBVA customers.

Source: FRS (Inmark) 2007)

			Ranking	
			1 st supplier	Total
SMEs ⁽¹⁾	13% 1 st sup.	38%	1 st	1 st
Large companies ⁽²⁾	28% 1 st supplier	72%	1 st	1 st
Corporations	53% 1 st supplier	93%	1 st	1 st
Institutions	12% 1 st sup.	53%	1 st	1 st

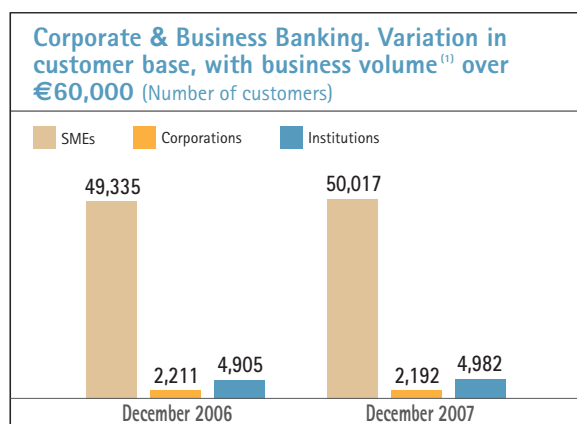
(1) SMEs: over 10 employees and turnover of less than €50m.
(2) Large companies: turnover of between €50m and €100m.

in terms of **loyalty** (the percentage of customers that regard BBVA as their main supplier out of the customer total), with 37%. These figures are for companies with a turnover of under €100m. This high penetration level is still more impressive among the more sophisticated corporate and institutional groups.

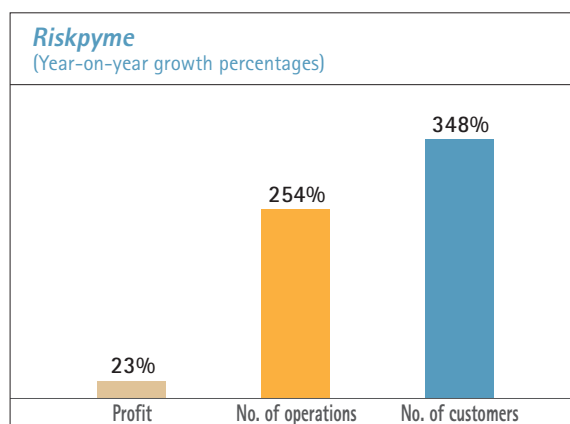
By the end of 2007, the unit's loan portfolio had risen 11.0% to €72,588m and customer funds were €29,509m (up 10.0%). Noteworthy figures include the rise in commercial productivity, which marked an average of 5.5 products per customer, as well as an improvement of 19 basis points in the net interest income over average total assets, between the last quarter of 2006 and the same period in 2007.

This increase in profit, along with higher fee income and a boost in other lines of activity such as the sale of hedging instruments through the network, helped lift ordinary revenues 17.2% to €1,634m, while improving the efficiency ratio (which fell 2.4 percentage points to 20.9%). Consequently, **operating profit** was up 21.2% to €1,287m.

Loan-loss provisions fell off by 7.1%, mostly corresponding to generic provisions related to growth in this activity, given that the non-performing loans ratio remained low (0.37% in December, 2007). In this way, **net attributable profit** reached €741m, up 32.5% on the previous year's figure. These earnings figures show that CBB met all its objectives for 2007: a larger customer base, increases in crossed sales that boosted activity, more efficient business management and advances in risk control.

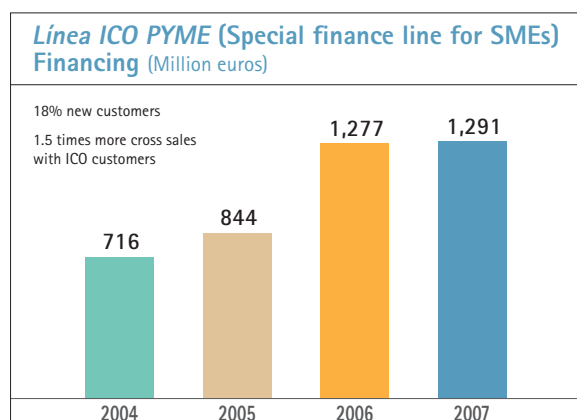


(1) Total business volume (assets + liabilities).



CBB has expanded and diversified its **commercial product offering**, launching new products and making improvements that have led to higher levels of value for the customer in areas such as leasing, factoring, accounts payable financing, tax management, insurance, real estate leasing, etc. BBVA has also established itself as a leader in **ICO Fund** brokering, reaching €1,291m in 2007. For the third year running, it retained its top position in the marketing of **derivatives** (*Riskpyme* project), which increased its weight by 4 percentage points in net trading income.

Market share in “-ing” products (September 2007. Percentage)	
	Market share
Confirming	32.5%
Factoring	25.5%
Leasing	23.6%



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

A number of operations involving different units were carried out in 2007 that, due to their level of **innovation** and value creation, are worthy of special mention. The first involved a multipurpose leasing operation with a balloon payment – a programme aimed at multi-use property, which seeks to relax the terms of intermediate instalments in return for a higher final payment. Another involved the bank’s first property leasing plan for financing a hotel in operation, with 70% residual value guaranteed by Anida. Finally, there was an accounts payable financing (known as *confirming* in Spanish) linked to a real-estate financial leasing operation. This added to cross-selling and improved risk monitoring of an asset under construction. It was treated as an operational rather than a lending risk because it is associated with the value of a financial lease.

In the segment of **large companies** and subsidiaries of multinational companies on the Iberian Peninsula, lending increased to €16,866m (up 29.8%) and customer funds were €5,084m (up 3.1%). The 32.8% year-on-year increase in the net interest income, which reached €207m, along with fee income and earnings from the distribution of derivatives that together saw an 18.7% jump, produced ordinary revenues of €324m, recording a 27.7% increase which is much higher than that of costs. This allowed for an advance in the

efficiency level, boosting operating profit by 31.0% to €286m, and net attributable profit by 22.6% to €144m.

The year's **significant operations** included acting as an underwriter and arranger for €25m of finance that enabled Nazca Capital to acquire a stake in Élogos (an e-learning company). The unit was involved in a factoring assignment for a deferred collection documentary credit which, after each shipment and in accordance with the letter of credit terms, converted into a forfaiting advance – thus moving the risk to the bank issuing said letter of credit, when at the start of the transaction this would relapse to the customer. It also performed a real-estate financial leasing operation in the sale and lease-back mode, for the amount of €140m, syndicated at 50%. The unit made PROFIT loans (loans associated with the Spanish ministry of industry's R&D plan) over 10 to 15 years, while entering into an accounts payable financing for a dairy group. Here, BBVA paid farmers at 120 days, while the customer received a prompt payment discount.

Institutional Banking renders services to public and private institutions through BBVA and the Banco de Crédito Local (BCL), an institution specialising in the long-term financing of regional administrations. By year's end, lending was up 1.7% to €19,170m, while customer funds were up 26.3% to €14,941m. Robust business and greater efficiency lifted operating profit to €207m (up 37.1%) and net attributable profit climbed 50.8% to €145m.

Over the year, BBVA won several **tender competitions**. One was a three-year, renewable contract to handle salary payments for the Spanish ministry of industry, tourism and trade, providing the bank with access to 3,500 government employees. Another involved the administration and management of the accounts of the *Mutualidad General Judicial* (MUGEJU, a mutual insurance company serving civil servants), in which the bank will make pension and other benefits payments to approximately 50,000 members. The unit is also handling the retirement plan for members of Parliament, as well as managing the treasury for the Armed Forces Housing Institute. Finally, BBVA is handling the overall management of the Presidential Ministry accounts.

BBVA also carried out a number of other noteworthy **operations**, including the non-recourse factoring of an old €324m debt of a regional government's Health Department, the signing of an agreement with the provincial authorities in Seville to finance part of the construction materials needed for an employment programme in the agricultural sector (PFEA), and providing the regional government of Asturias with €70m in finance. The latter confirmed BBVA as that region's top supplier of finance and its number two provider of services. Lastly, **BBVA Gubernalia** completed a new web site for the Prado Museum in Madrid.

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

Other business activities worthy of note included the development of a product for automatically anticipating returns from VAT, IGIC (Canary Islands Indirect Taxes) and Corporate Taxes. The unit also developed an innovative account centralisation and spending control system, which made it possible to handle the tender for managing 30% of total business for the Catalan Regional Government over four years, as well as the payment operations for Imserio (Institute for the Senior Citizens and Social Services) travel bookings.

BBVA net cash was chosen as the best online bank for companies, institutions and corporations in Portugal. It won the tender for the issuing of corporate credit cards for the Irish multinational company Icon Plc., which joined a long list of other such corporations working with BBVA in the area of GCPS (Global Commercial Payment Solution): Alcatel-Lucent, Sanofi-Aventis, Marsh & McLennan, Faurecia, VF Corporation, Syngenta Agro, PerkinElmer and Lilly.

European Insurance

European Insurance comprises several companies which handle the insurance business in Spain and Portugal. Striving towards establishing itself as a point of reference in the insurance business among

BBVA's different customer segments, the unit manages direct insurance, underwriting and brokerage. These companies also market, through their different networks, a wide range of products adapted to the needs of individual customers, SMEs, retailers, professional practices and the self-employed.

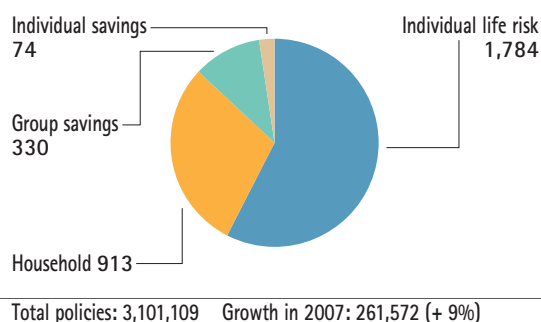
In 2007 the unit contributed **earnings** of €487m to the area's income statement. Of this amount, its own policies accounted for €460m (up 22.5%), while brokerage fees on the policies of other companies contributed €28m. Net attributable profit for European Insurance increased 26.7% year on year, above the 20% growth rates shown over recent years and stood at €229m at 31-Dec-07. This was the result of healthy behaviour of all spreads, and of the implementation of a conservative risk policy. Thus, ordinary revenues increased by 20.4%, while operating profit rose 22% to €338m.

Premiums issued during the year came to €1,182m, of which individual risk premiums (life and non-life) accounted for €622m (up 9.7% year on year). The rest came from private policies and group schemes. BBVA Seguros continued to lead in individual life risk policies in Spain with a 16.8% market share (latest available figures), managing 1.8 million customers, many of whom hold payment protection policies associated with a mortgage or consumer loan. The volume of **managed funds** in savings insurance policies reached €8,933m: 39% with individual customers and the rest with corporate pension plans.

In addition to the unit's own policies, it acted as **broker** for premiums totalling €202m, the most noteworthy being lending insurance and that linked to the construction sector.

BBVA Seguros firmly confirmed its leading position in the **individual** customer segment in 2007 and met the target it had set to maintain its position as a benchmark in pension management into the coming years. This was made possible by the launching of new annuity plans and coverage related to the *Hipoteca Bienestar* (reverse mortgage), as well as by an effort to streamline the processes for the arrangement of insurance policies related to mortgage finance. Moreover, the unit designed an insurance service for new residents, including a range of repatriation policies. This area

BBVA Seguros. Breakdown of total number of policies (Thousands of policies. 31-12-07)



will be expanded in 2008, with policies covering such specific items as remittances, credits cards, etc.

The service offer for the **SME** segment was improved by a new line of Keyman insurance policies. Meanwhile, *BBVA Correduría's* (brokering) activities in Spain were strengthened, with the goal of better tailoring services to the needs of large- and medium-size companies in Spain.

All told, BBVA Seguros surpassed the figure of 3.1 million **customers**, adding 260,000 to the 2006 figure. It also improved service **quality**, as shown by the fact that 97% of life insurance claims filed were handled in a manner fully satisfactory to the customer, leading to no complaints. This figure went up to 99% for household insurance. Periodic independent customer surveys gave BBVA Seguros a score of 7.9 out of 10 in terms of customer service in the case of a household insurance policy claim.

BBVA Portugal

This unit continued implementing a marketing policy based on a high level of personalisation and customer guidance, along with proposing innovative, distinct and competitive asset and liability products.

Lending to customers grew by 19.3%.

Mortgage finance saw a 12.4% increase, thanks to the launching of new products and the application of terms better suited to customer demands. The unit boosted unsecured products for the individual customer segment, while maintaining a high market share in the large company segment (7.2%).

Regarding **funds**, the line was expanded for all types of products, highlighted by the launching of different deposits for more conservative customers as well as others for the higher risk profile segment. Three new pension funds were also launched with an attractive level of profitability. All of these products helped in gathering €180m over the course of the year, raising the deposit total to €1,695m and that of pension funds to €367m (both up on the 2006 figures of €1,643m and €359m respectively).

Working in an environment in which **mutual funds** have shown a downturn due to volatile and uncertain markets, BBVA Portugal launched the BBVA *Europa Máximo* fund, with guaranteed

capital, thus reinforcing the bank's competitive edge in this area. Two other mutual funds were offered for less risk-averse customers. The unit managed to gather €274m over the year, with assets managed reaching €600m (compared to €725m at 31-Dec-06).

In 2007, BBVA Portugal increased net interest income 8.9%, supported by higher lending and spreads. Growth in net fee income (+12.2%) and a 10.9% drop in expenses boosted operating profit 61.6% to €43m. Following higher generic provisions caused by the increase in lending (the non-performing loan ratio remained at the low level of 0.72%), **net attributable profit** rose 45.1% on 2006 to €15m.



Global Businesses

Global Customers and Markets

- Global Customers and Investment Banking
- Global Markets and Distribution
- Asia

Asset Management and Private Banking Business and Real Estate Projects

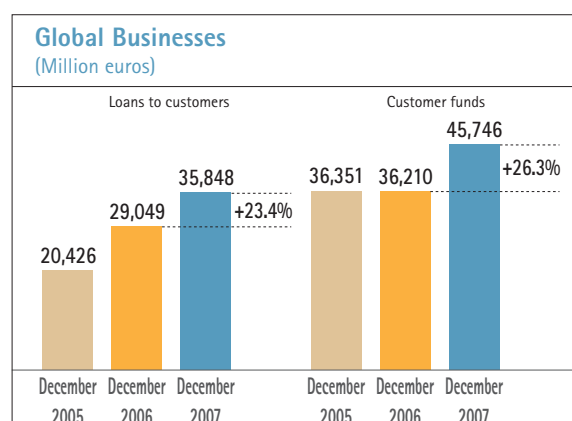
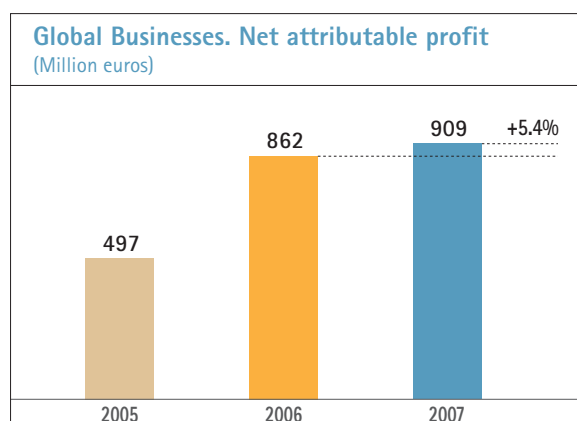
- Valanza
- Anida

The Global Businesses area encompasses the following units: Customers and Global Markets, made up of Global Customers and Investment Banking; Global Markets & Distribution and Asia; Asset Management and Private Banking; and Business and Real Estate Projects, which the Group manages through the Valanza and Anida brands.

Global Businesses obtained solid results in 2007 in each of its business units, despite the

environment of growing turbulence in the credit and securities markets that characterised the second half of the year, and has negatively affected the performance of many a competitor.

At 31-Dec-07, the area was managing €35,848m in loans to customers, up 23.4% on the figure for the same date in 2006, and customer funds (deposits, mutual funds and pension funds) of €45,746m (up 26.3%).



Income statement

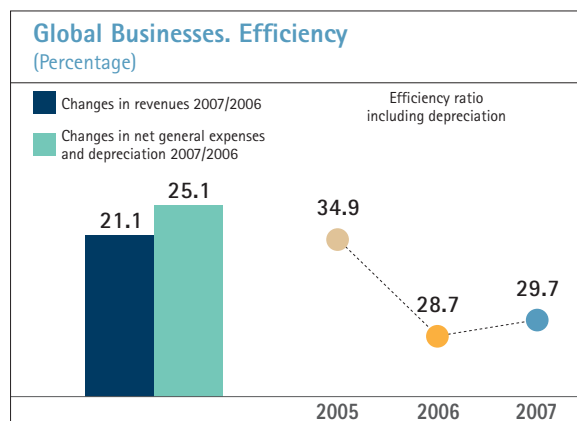
(Million euros)	Global Businesses				Memorandum item:					
	2007	Δ%	2006	2005	Global Customers and Markets	Δ%	2006	Asset Management and Private Banking	Δ%	2006
NET INTEREST INCOME	124	(17.4)	150	212	141	10.9	127	40	38.4	29
Income by the equity method	239	(15.7)	283	52	7	n.m.	-	-	(100.0)	-
Net fee income	521	15.2	453	385	256	21.0	212	298	9.9	271
Income from insurance activities	-	-	-	-	-	-	-	-	-	-
CORE REVENUES	884	(0.2)	886	649	404	19.2	339	339	12.6	301
Net trading income	789	58.2	499	351	729	31.6	554	4	(53.1)	9
ORDINARY REVENUES	1,673	20.8	1,384	999	1,133	26.9	893	343	10.8	309
Net revenues from non-financial activities	130	25.0	104	95	-	(94.2)	1	-	-	-
Personnel and general administrative expenses	(524)	25.5	(418)	(371)	(388)	28.4	(302)	(104)	9.6	(95)
Depreciation and amortization	(11)	8.8	(10)	(12)	(4)	1.5	(4)	(6)	27.0	(5)
Other operating income and expenses	4	(59.6)	9	21	(1)	43.2	(1)	(1)	33.9	(1)
OPERATING PROFIT	1,271	18.8	1,070	733	739	26.1	586	232	10.9	209
Impairment losses on financial assets	(127)	1.3	(126)	(108)	(118)	0.7	(117)	(9)	6.7	(9)
• Loan-loss provisions	(127)	1.1	(126)	(108)	(118)	0.7	(117)	(9)	6.7	(9)
• Other	-	n.m.	-	-	-	-	-	-	-	-
Provisions	4	n.m.	(11)	3	1	n.m.	(19)	1	116.0	1
Other income/losses	13	(91.2)	153	28	3	n.m.	(1)	1	n.m.	(2)
PRE-TAX PROFIT	1,162	7.0	1,087	655	626	39.2	450	225	13.1	199
Corporate income tax	(243)	12.0	(217)	(153)	(172)	26.1	(137)	(70)	6.4	(66)
NET PROFIT	919	5.7	869	502	453	44.8	313	155	16.4	133
Minority interests	(10)	39.3	(7)	(5)	(7)	61.8	(5)	(3)	71.6	(2)
NET ATTRIBUTABLE PROFIT	909	5.4	862	497	446	44.6	309	152	15.7	132

Balance sheet

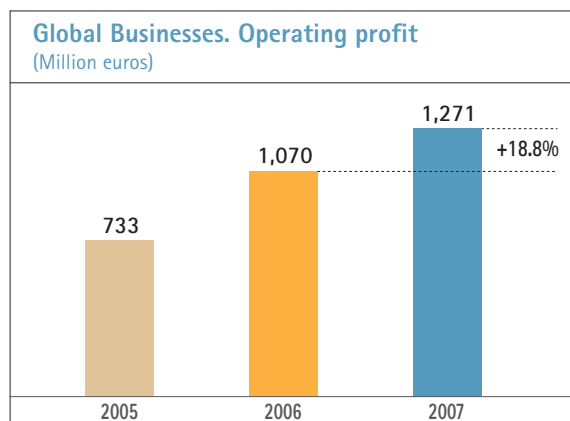
(Million euros)	Global Businesses				Memorandum item:					
	31-12-07	Δ%	31-12-06	31-12-05	Global Customers and Markets	Δ%	31-12-06	Asset Management and Private Banking	Δ%	31-12-06
Cash and balances at Central Banks	1,162	24.5	933	809	1,139	23.9	920	23	68.4	14
Financial assets	46,014	18.9	38,684	33,292	43,853	18.0	37,176	302	(18.0)	369
Loans and receivables	48,358	12.3	43,057	36,977	44,714	12.7	39,692	3,114	4.8	2,970
• Due from banks	9,452	(20.8)	11,930	16,339	7,840	(24.1)	10,333	1,253	(4.9)	1,318
• Loans to customers	35,377	24.3	28,470	20,052	33,532	24.1	27,015	1,842	26.5	1,456
• Other	3,529	32.8	2,656	586	3,342	42.5	2,345	19	(90.2)	196
Inter-area positions	318	(58.9)	774	28,144	2,812	11.0	2,533	-	-	-
Property, plant and equipment	55	63.0	34	33	10	(10.0)	11	11	(15.1)	13
Other assets	1,507	(15.9)	1,793	2,861	1,161	(5.7)	1,232	138	81.2	76
TOTAL ASSETS / LIABILITIES AND EQUITY	97,414	14.2	85,274	102,115	93,689	14.9	81,564	3,589	4.3	3,442
Deposits by Central Banks and banks	28,744	(1.0)	29,030	37,411	28,163	(1.2)	28,501	341	1.2	337
Due to customers	43,210	19.5	36,174	43,560	42,025	20.0	35,012	1,121	(2.8)	1,153
Marketable debt securities	194	n.m.	14	(32)	167	n.m.	10	27	n.m.	4
Subordinated debt	1,714	34.7	1,272	937	1,323	51.6	872	124	6.0	117
Inter-area positions	-	-	-	-	-	-	-	1,384	6.4	1,301
Other liabilities	20,478	24.0	16,512	18,537	19,658	25.7	15,638	362	17.1	309
Minority interests	41	(12.2)	47	37	15	(5.8)	16	7	(41.1)	12
Economic capital allocated	3,033	36.3	2,225	1,666	2,339	54.3	1,515	221	6.0	208

Relevant business indicators										
(Million euros and percentages)	Global Businesses				Memorandum item:					
	31-12-07	Δ%	31-12-06	31-12-05	Global Customers and Markets	Δ%	31-12-06	Asset Management and Private Banking	Δ%	31-12-06
Customer lending ⁽¹⁾	35,848	23.4	29,049	20,426	33,973	23.2	27,571	1,870	26.6	1,477
Customer deposits ⁽²⁾	42,742	20.7	35,400	43,042	41,474	21.4	34,173	1,192	(0.2)	1,195
• Deposits	33,517	33.9	25,032	26,099	32,267	35.4	23,823	1,175	(0.1)	1,176
• Assets sold under repurchase agreement	9,225	(11.0)	10,369	16,944	9,207	(11.0)	10,350	17	(7.1)	19
Off-balance-sheet funds	12,229	9.4	11,179	10,252	659	193.7	224	11,571	5.6	10,954
• Mutual funds	4,859	21.5	4,000	3,432	659	193.7	224	4,200	11.2	3,775
• Pension funds	7,371	2.7	7,179	6,820	-	-	-	7,371	2.7	7,179
Customer portfolios	9,200	(18.9)	11,342	12,889	125	(74.6)	491	9,075	(16.4)	10,851
Risk-weighted assets ⁽³⁾	37,914	36.3	27,817	20,821	29,232	54.3	18,942	2,760	6.0	2,604
ROE (%)	33.0		41.8	27.6	21.3		22.0	69.6		66.1
Efficiency ratio (%)	29.1		28.1	33.8	34.3		33.8	30.3		30.6
Efficiency incl. depreciation and amortization (%)	29.7		28.7	34.9	34.7		34.3	32.2		32.2
NPL ratio (%)	0.02		0.04	0.17	0.02		0.05	-		0.01
Coverage ratio (%)	n.m.		n.m.	940.7	n.m.		n.m.	n.m.		n.m.

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



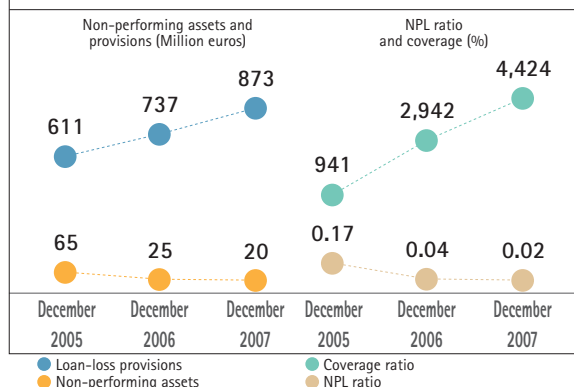
In the Global Businesses unit, the item line that best illustrates the evolution in income was **ordinary revenues**, due to cross-compensation generated by the interest rate environment between net interest income, which includes the cost of financing positions, and net trading income, in which part of the income is booked. In 2007, ordinary revenues rose by 20.8% with respect to those of 2006, running to €1,673m. Of this figure, 55% corresponds to the sum of net interest income and net trading income, recording a year-on-year growth of 40.7%, resulting mainly from operations by Global Markets & Distribution and by earnings on divestments by Valanza.



Net fee income, accounting for 31% of ordinary revenues, up 15.2%, the upward trend recorded by Asset Management & Private Banking and the Global Markets & Distribution units being of particular significance. Lastly, earnings booked via the equity method, coming in the main from Valanza, were down 15.7%, which was compensated by increased earnings resulting from the abovementioned divestments.

Ordinary revenues were complemented by €130m of net revenues from non-financial activities, which mainly correspond to Anida's real estate operations. They were up 25.0%. Personnel and general administrative expenses

Global Businesses



increased to €524m, up 25.5% on 2006 owing to investment strategies and Asian expansion, and to the growth plans of the Global Markets & Distribution unit. Thus, **operating profit** for 2007 rose to €1,271m, recording a year-on-year growth of 18.8%.

The quality of the area's loan portfolio was excellent. The **non-performing loan ratio** stood at only 0.02%, an all-time low, compared to 0.04% at 31-Dec-06. This meant that loans-loss provisions were stable and were almost exclusively of a generic nature. As a result the **NPL coverage ratio** was extremely high, over 4,400%.

In addition, the year-on-year comparison of "other income/losses" was affected by substantial earnings in 2006 from the sale of holdings. Consequently, 2007 ended with a **net attributable profit** of €909m, up 5.4% from the previous year's €862m

Key factors in Global Businesses in 2007

- Strong growth in revenues despite market turbulence
- Consolidation of the customer-focused business model: earnings recurrence
- Excellent credit and market risk management
- World leader in trade finance
- Growth Plan in Global Markets
- Expansion in Asia
- Market share gain in mutual funds
- Best private banking in Spain

AREA STRATEGY AND MEDIUM-TERM GOALS

In 2007, Global Businesses made further progress with the implementation of its **strategic plan**, aimed at shaping the area as an integrated provider of high value-added products for BBVA's large corporate and institutional customers. Furthermore, and through its different collaboration programmes for cross-selling, these products are likewise distributed to companies and retail investors who work with the Group's different networks.

The said strategic plan is based on **three** fundamental **pillars** for the development of the different business units:

- A clear **customer** focus, seeking a recurrence of income as well as an increase in their return, through the growing added value provided.
- Investment in **talent** and in **technology**, basic aspects for reaching the targets for growth and cost control.
- Discipline in **risk management**, optimising the use of capital and ensuring the sustainability of the business in a demanding market environment.

These elements are levers for placing the area in a sound position in order to guarantee recurring growth and sustained value creation.

Global Businesses has set itself ambitious **goals** for the coming years. Among them particularly significant is the Global Markets and Distribution's objective to double its earnings in the next three years, as a result of the development of its Strategic Plan for Growth. In addition, one of the goals set by Global Customers & Investment Banking is to increase revenues from its BIBEC Project by €100m between 2006 and 2009. This project entails developing investment banking business with the Corporate & Business Banking unit's customers in Spain and Portugal.

Global Customers and Markets

This unit combines the origination, distribution and management of corporate and investment banking products and market products, and

provides services to a broad European and Asian customer base made up of large multinational corporations and institutional investors. It is likewise in charge of coordinating this business in Mexico and South America, although its earnings are booked in the corresponding areas.

In 2007 its ordinary revenues ran to €1,133m, up 26.9% on those of 2006, its operating profit was €739m (up 26.1%) and its net attributable profit came to €446m (44.6%).

GLOBAL CUSTOMERS AND INVESTMENT BANKING

This unit coordinates a combination of an integrated range of products (trade finance, structured financing, corporate finance and equity capital markets) with specialised coverage according to sector (industry bankers), allowing it to strengthen its leadership in Spain and Latin America while carrying out a selective penetration in customers in Europe and Asia.

By year-end 2007, customer lending stood at €29,387m, with a year-on-year growth of 21.5%, and deposits were €9,026m (up 7.3%). This increased activity boosted income, and ordinary revenues rose 22.3% to €491m. The increase in expenses was proportionally lower and thus, operating profit rose by 26% to €374m. With non-performing loans at record lows, net loan-loss provisions were far less than in 2006, resulting in net attributable profit of €213m, over twice that for the previous year.

2007 saw advances in the selective quest for customers with greater potential. There was a clear focus on cross-selling, with the emphasis on greater mutual value-added operations and cross-border operations. This strategy led BBVA, once again, to be ranked among the top positions in its key markets.

As far as **trade finance** activity is concerned, worthy of mention is the healthy performance in the Asian region, where the Group was consolidated in the oil import and export brokerage market, with the main oil companies of the region as customers. In addition, it penetrated the Indian market with the signing of contracts with leading companies (Essar, Reliance, Indian Oil and Bharat Petroleum) and the first operational agreement with CITIC for refinancing its customers' imports, to an expected total of \$100m.

In Europe, further progress was made to attract business in the import-export flows of the region and in its relations with Latin America and Asia, and there was a rise in the number of operations in the Russian market. In Spain, leadership in operations with *CESCE* coverage was maintained and, in the rest of the world, relations with the main export credit agencies were improved.

As a consequence of this excellent year, for the first time, the Group was ranked first worldwide (aircraft and shipping financing excluded) and, for the third year running, BBVA was placed first in the Latin American and Asia-Pacific (excluding Japan) regions (Source: Dealogic). Furthermore, the sector acknowledged BBVA's leadership position with five "Deal of the Year" awards to the following operations: Indian Oil (*Trade Finance Magazine* and *Global Trade Review*), Zucarmex (*Trade Finance Magazine* and *Trade & Forfaiting Review*) and Laguna Verde (*Trade Finance Magazine*).

The **Structured Finance** unit's activity consolidated BBVA as one of Spain's model companies in this business. In the field of acquisition finance, of particular importance were operations such as Enel's and Acciona's financing in the takeover bid for Endesa, ACS's financing in its purchase of Unión Fenosa, Hochtief and Iberdrola's block of shares, National Express' financing in its purchase of Continental Auto and of FCC's financing in its purchase of the British company WRG (Waste Recycling Group).

Project finance deals included the financing of a waste treatment plant by TIRME in Palma de Mallorca, Eufer's development of nine new wind farms, within the Third Framework Agreement (*Acuerdo Marco III*), as well as the structuring of several major financing arrangements: the Pozuelo Light Rail System in Madrid, a shopping centre developed by Eroski and Cointe in Las Palmas de Gran Canaria, the Euroscut Açores motorway in Portugal, the purchase of Budapest airport by Hochtief and different port terminals in Taiwan, the USA and Japan, by Macquarie from Korean logistics operator, Hanjin Shipping.

Corporate Finance acted as financial advisor in some major operations in the Iberian market, providing advisory services to the Alfonso Gallardo Group in the purchases of the German company

Trade Finance, Structured Finance, Corporate Finance & Equity Capital Markets

The most significant transactions in 2007

Deal of the Year 2007		Deal of the Year 2007	
<p>February 2007 Mexico</p> <p>EUR 34,290,100</p> <p>ZUCARMEX CESCE</p> <p>Trade Finance ECA Backed Facility</p> <p>Sole Arranger</p>	<p>May 2007 India</p> <p>USD 200,000,000</p> <p>Reliance Industries Limited</p> <p>Trade Finance Buyer's Credit Facility</p> <p>Sole Arranger</p>	<p>June 2007 India</p> <p>USD 300,000,000</p> <p>IndianOil</p> <p>Trade Finance Revolving Credit Facility</p> <p>Sole Arranger</p>	<p>September 2007 Brazil</p> <p>USD 200,000,000</p> <p>Petrobras Netherlands B.V.</p> <p>Trade Finance Letters of Credit Revolving Facility</p> <p>Sole Arranger</p>
<p>January 2007 Portugal</p> <p>EUR 356,000,000</p> <p>euroscut açores</p> <p>Infrastructure Finance Euroscut Açores</p> <p>Mandated Lead Arranger & Bookrunner</p>	<p>March 2007 Spain</p> <p>EUR 2,818,500,000</p> <p>ACS</p> <p>Acquisition Finance Acquisition of Iberdrola shares</p> <p>Mandated Lead Arranger & Bookrunner</p>	<p>July 2007 Spain</p> <p>EUR 144,000,000</p> <p>El Mirador Parque Marítimo</p> <p>Project Finance Shopping Centre Development</p> <p>Mandated Lead Arranger & Bookrunner</p>	<p>July 2007 Spain</p> <p>EUR 580,000,000</p> <p>TIRME</p> <p>Project Finance Waste to Energy</p> <p>Mandated Lead Arranger & Bookrunner</p>
<p>March 2007 Spain-Germany</p> <p>EUR 591,000,000</p> <p>GRUPO INDUSTRIAL ALFONSO GALLARDO</p> <p>Financial advisor in the acquisition of SWT to</p> <p>arcelor MITTAL</p>	<p>April 2007 Mexico</p> <p>EUR 1,095,000,000</p> <p>arcelor MITTAL</p> <p>Financial advisor in the acquisition of 100% stake of</p> <p>SICARTSA Grupo Villacero</p>	<p>September 2007 Spain</p> <p>GRUPO EROSKI</p> <p>Financial advisor in the acquisition of</p> <p>caprabo</p>	<p>December 2007 Spain</p> <p>EUR 4,474,941,050</p> <p>IBERDROLA RENOVABLES</p> <p>IPO</p> <p>Global Coordinator</p>

SWT and the Spanish Papresa; to the Eroski Group in its purchase of Caprabo, and participating in the purchase of Occidental Hoteles. In the international arena, worthy of mention are the advisory services to Aguas de Portugal in the sale of its Brazilian subsidiary Prolagos, and the advisory services to Arcelor Mittal in the purchase of the Mexican company Sicartsa (Villacero Group).

In **Equity Capital Markets**, BBVA was the only Spanish company to participate as a global coordinator in Iberdrola Renovables' IPO which, with a figure of €4,475m, was the largest carried out in the year in Spain and the second largest in Europe. Ten companies went public in Spain in 2007, to the sum of over €10,300m. BBVA's share as global coordinator came to 26.9% of the total volume issued (Source: Dealogic).

GLOBAL MARKETS AND DISTRIBUTION

It covers the trading floors located in Europe, New York and Hong Kong, fixed-income and equity

distribution, debt capital markets, syndicated loans and custodial services as well as relations with financial institutions. Moreover, it coordinates Mexican and South American trading activities, although the figures are reported in their respective geographical areas.

The **market environment** became increasingly complicated in the second half of the year, with the credit market crunch, and underwent significant spread widening together with liquidity shortage as well as a crisis in market prices for subprime-asset related references. This situation has negatively affected trading returns and slowed down customer business.

In this context, Global Markets & Distribution, which is not exposed to subprime assets, obtained a **net attributable profit** of €275m in 2007, reporting a year-on-year growth of 18%. The good performance of income – ordinary revenues rose to €642m, up 29.4% on 2006 – deriving from customer business, reflects the success of the

growth plans that the unit started to implement during the course of the year, and helped offset the major investment effort associated with the said plans. Consequently, operating profit increased by 25.3% to €387m, and efficiency levels are still under comparables, with an efficiency ratio of 39.6% including depreciation and amortisation.

The unit's main objective is to satisfy customers' needs with an innovative offer of financial products. The business model is **customer-focused**, and thus affords the income statement greater stability and recurrence.

An ambitious **growth plan** was kicked off in 2007, with an aim to doubling the activity's earnings worldwide for 2010. The plan is based on making the most of BBVA's competitive edge in the distribution of financial products and the capacity to create innovative solutions for customers.

Four of the most important projects within the framework of the plan are: a) the distribution of equity derivatives in Europe; b) extension to Latin America of the distribution of derivatives to companies and individuals through the network, successfully applied in Spain; c) creation of a Regional Derivatives Centre in Mexico, in order to generate products in Latin America; d) implementation of a platform for the distribution

of products to Asian customers in Hong Kong. The unit's workforce was increased by 11% year on year in order to undertake these projects.

In 2007, BBVA was granted two major **prizes**: that awarded by the magazine *Risk España* to the best bank in the derivatives market according to Spanish customers, for the third year running, and the award from the magazine *Structured Products* to the best company in Spain in the distribution of derivatives.

Furthermore, BBVA has consistently been the absolute leader in the **debt capital market and syndicated loans**, considered jointly, in Spain (Source: GBA). The Group has made a major qualitative and quantitative leap in the **debt capital market**, in a difficult context, and managed to grow by 20% in volume, thus climbing six positions in the rankings of the European markets. Of particular significance is its leadership in the Spanish financial market, as far as leading its own operations and those of other Banks (such as Ibercaja and Caja Vital) is concerned, together with its presence in the public and corporate sector, with issues for the Kingdom of Spain, Regional Government of Galicia, Autonomous Community of Madrid, Telefónica and Repsol. In Europe, the Group played an increasingly important role, having led operations

Debt Capital Markets: Bonds and Syndicated Loans The most significant transactions in 2007

<p>January 2007 Spain</p> <p>EUR 1,500,000,000</p> <p>Telefonica</p> <p>Bonds</p> <p>Joint Bookrunner</p>	<p>March 2007 United Kingdom</p> <p>EUR 1,000,000,000 Retaping EUR 250 Mn</p> <p>nationalgrid</p> <p>Bonds</p> <p>Joint Bookrunner</p>	<p>April 2007 Spain</p> <p>EUR 350,000,000</p> <p>iberCaja</p> <p>Bonds</p> <p>Joint Bookrunner</p>	<p>June 2007 Spain</p> <p>EUR 4,000,000,000</p> <p></p> <p>Kingdom of Spain</p> <p>Bonds</p> <p>Joint Bookrunner</p>
<p>February 2007 Spain</p> <p>EUR 9,000,000,000</p> <p>CEMEX ESPAÑA</p> <p>Syndicated Loan</p> <p>Mandated Lead Arranger & Bookrunner</p>	<p>November 2007 Spain</p> <p>EUR 1,716,000,000</p> <p>GRUPO EROSKI</p> <p>Syndicated Loan</p> <p>Mandated Lead Arranger & Bookrunner</p>	<p>March 2007 Spain</p> <p>EUR 819,700,000 GBP 200,000,000</p> <p>FCC</p> <p>Syndicated Loan</p> <p>Mandated Lead Arranger & Bookrunner</p>	<p>November 2007 France</p> <p>USD 2,500,000,000</p> <p>AREVA</p> <p>Syndicated Loan</p> <p>Mandated Lead Arranger & Bookrunner</p>

for top ranking companies like Enel and National Grid and, in the financial sector, the most important regional operation undertaken to date (Danske Bank) and the first floating-rate operation on the market in the second half of the year (KBC).

BBVA held onto its position as leader in the Spanish **syndicated loans** market in 2007. A large part of the volume of operations resulted from corporate movements and, to a lesser extent, from operations for the refinancing of company debt. For example, it led operations for companies like Cemex España, Eroski, Acciona, FCC, MAPFRE, Cementos Portland, Enel-Viesgo, Maxam, Sol Meliá, Almirall, Iberdrola and Celsa. On a European scale, BBVA played an important role in operations for Suez, Enel, Areva, Danone, ASM Brescia, Saint-Gobain and Christian Dior.

ASIA

Lending stood at €2,553m at 31-Dec-07, a year-on-year increase of 80.4%, contingent liabilities rose by 136% to €1,124m and deposits by 124.1%, to €409m.

Taking each business separately, **corporate banking** attracted more customers in Asia, by availing of the Group's knowledge and capabilities and franchise in Latin America. As for **trade finance**, BBVA was the leading bank in Asia (Japan excluded) in structuring operations. Furthermore, in 2007, the **markets** operating system got underway with the opening of a trading and distribution floor in Hong Kong, allowing BBVA to cover international markets 24-hours a day.

The plan for new openings having concluded with the representative office in Mumbai, BBVA continued its expansion in Asia with collaboration **agreements** with other entities, such as those entered into with Kookmin Bank, the first private Korean bank, and with Korea Eximbank to capture import-export operations in the short and long term.

As for its presence in China, agreements have been signed with the **CITIC Group**, with the purchase of a stake in the Chinese China CITIC Bank (CNCB) and in CITIC International Financial Holdings of Hong Kong (CIFH). Collaboration programmes are currently being entered into with the Chinese bank in areas of common interest.

Asset Management and Private Banking

This unit designs and manages mutual and pension funds, marketed through the Group's different networks. It also directly manages the high-net-worth segment of individual customers through *BBVA Patrimonios* and International Private Banking.

At year-end, the **volume managed** by the unit totalled €77,465m, with a year-on-year decrease of 3.1%. Operating profit rose to €232m, up 10.9% on 2006, and net attributable profit reached €152m, implying an increase of 15.7%.

The assets managed by the Group's **mutual funds** in Spain stood at €43,258m at 31-Dec-07, recording a drop of 4.9%. Of these, €40,876m corresponded to mutual funds (ex-real estate) which went down 5.5%, with average fees of 1.163%, improving on the sector average by 3.1 basis points. As for the assets of real estate funds, they recorded a growth of 1.8% to reach €2,258m, and the new private-equity fund reached €124m.

This decrease in volume, largely due to the market situation and to an increased demand for deposits, was lower than that of the industry in general, and BBVA's market share yet increased by 16 basis points, narrowing the gap on its main competitor by over 200 basis points.

The Group continued to innovate in 2007 and ended the year with the greatest **range of products** for asset management on the market with the launch of: *BBVA Capital Privado*, the first private equity fund to trade on the Spanish Stock Exchange; the *Altitude Teide* and *BBVA Propiedad Global* hedge funds; ten new guaranteed equity funds (such as *BBVA Europa Máximo* and *BBVA Garantizado 5x5 II*) and eight guaranteed fixed-income funds (four of them with a one-year maturity and the rest under the *Planes Renta* scheme); the *Quality Cartera* (portfolio) range, aimed at the private banking network and offering three funds, according to investor's profile; and *BBVA Bolsa China FI*, the first fund to invest directly in the main companies in China and its area of influence, a consequence of the strategic alliance with CITIC.

Moreover, the Group continued to add to its range of **exchange-traded funds (ETFs)**, with the launch of two funds linked to Latin American equity indexes (*Acción FTSE Latibex Top ETF* and *Acción FTSE Latibex Brasil ETF*), two fixed-income funds (*AFI Monetario Euro ETF* and *AFI Bonos Medio Plazo Euro ETF*) and one using the *Ibex Top Dividendo* as underlying.

Quality Funds was consolidated as a platform for third parties' funds, with agreements signed with international fund managers increasing in 2007, and turnover reached €11,331m

As far as the **pension** business in Spain is concerned, BBVA is still the undisputed leader, with a market share of 17.9% and assets under management totalling €17,068m at 31-Dec-07 (up 4.8% year on year), of which €9,806m (an increase of 6.0%) corresponded to individual pension plans, and €7,262m (an increase of 3.1%) to corporate pension plans. It is noteworthy that BBVA was leader in individual pension plans, with a market share of 15.5%, as well as holding onto its leadership in corporate pension plans, with a share of 22.7%. Likewise, it renewed its ISO-9001-2000 certification of pension fund managers for a further three-year period and, for the third year running, there were found to be no "non-conformities" in quality management.

As regards private banking in Spain, **BBVA Patrimonios** consolidated its value-added offer, based on global, personalised guidance as a key differentiating factor in its service to its customers. Although funds under management dropped 5.3% to €11,352m, net capture totalled €764m in the year and the number of customer groups was up by 13.6%.

During the course of the year, marketing of the **real estate investment companies** was completed. These are offered to **BBVA Patrimonios** private banking customers, with *Real Estate México I, II and III*, accounting for a capital of €150m, and join the real estate investment companies already existing in Spain (*Real Estate Deal I and II*) and the investment project in Germany (*Real Estate Alemania I*). In addition, a new project in photovoltaic **solar energy** was started up in collaboration with Gamesa Solar, as an exclusive investment opportunity for **BBVA Patrimonios** customers.

Consequently, **BBVA Patrimonios** was ranked as the best private banking unit in Spain in the 2008 edition of the **prizes** that *Euromoney* magazine awards to companies specialising in large assets.

Last of all, the **International Private Banking** unit managed €5,788m in funds (down 6.2% year on year) and gathered funds worth €65m in the year. From the point of view of strategy, the Group decided to concentrate all such activity in Switzerland, and reached an agreement in December to sell its business in Miami.

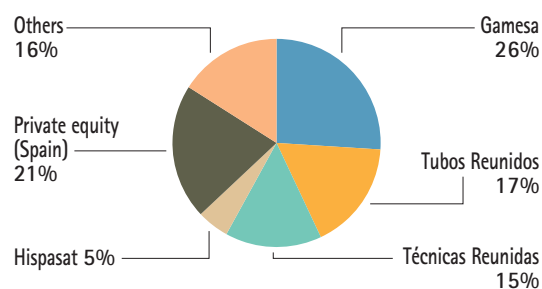
Business and Real Estate Projects

The unit is composed of two businesses. The first is Business Projects which includes the management of direct and private-equity holdings. In this case, the Group operates under the Valanza brand. The second business is Real Estate Projects, operating under Anida, BBVA's property developer, and the Duch Project.

VALANZA

This unit manages a portfolio of over 50 holdings, which do business in highly diverse sectors. Worthy of particular mention are Corporación IBV, Técnicas Reunidas and Tubos Reunidos. The market value of the portfolio at 31-Dec-07 was in the region of €1,800m, with unrealised capital gains of around €800m, higher than those recorded at year-end 2006 despite considerable capital gains realised during the year.

Valanza. Breakdown of the portfolio
(31-12-07)



In 2007 it generated **net attributable profit** of €301m (€385m in 2006). It mainly derived from a divestment of stakes of 2.8% in Gamesa, 1.8% in Técnicas Reunidas and 7% in Iberia. In terms of **investments**, of particular significance is the acquisition of a stake in Occidental Hoteles' share capital to a value of €212m, through the private equity companies Elcano I, Elcano II and Proyectos Empresariales Capital Riesgo I.

In addition, the business launched in 2006 in **Mexico** continued, recording increased investment in the engineering firm PYPESA and in the Milano clothes stores chain. **International funds** likewise recorded intense activity, and, via Palladium, €18m were invested in a number of companies such as RMC finance company, the fresh cheese manufacturer Castro Cheese, and the company involved in the media industry, Todobebé. Through

Darby, €4.5m were invested in the purchase of an ice manufacturer in Mexico.

ANIDA

The activity of BBVA's real estate subsidiary in 2007 should be considered within the framework of the property slowdown, which intensified in the second half of the year, due basically to the liquidity shortage as a result of the decline in financial markets. Within these parameters, Anida generated capital gains of €152m and **net attributable profit** of €86m (€94m in 2006).

Investment in new land development and building projects, particularly in Mexico, and the completion of already existing projects meant that 2007 closed with **land portfolio** worth approximately €1,250m and with estimated unrealised capital gains of €376m.

Significant rankings in 2007

No. 1 Trade finance (MLA) ⁽¹⁾	World-wide (Dealogic)
No. 1 Trade finance (MLA) ⁽²⁾	Asia-Pacific (Dealogic)
No. 1 Trade finance (MLA)	Latin America (Dealogic)
No. 2 Project finance (MLA)	Spain (Dealogic)
No. 1 Fixed-income origination and syndicated loans	Spain (GBA)
No. 1 Euro-dollar market	Spain (Bank of Spain)
No. 1 Short-term derivatives	Spain (Bank of Spain)
No. 1 Exchange-traded funds (ETFs)	Spain (BME)
No. 2 Trading on Spanish stock exchanges	Spain (BME)
Top 6 Fixed-income market	Spain (AIAF)
Top 6 Treasury bills	Spain (Senaf)
Top 6 Spanish public debt	Spain (Senaf)

(1) Excluding aircraft and shipping.

(2) Excluding Japan.



Mexico and the United States

Banking businesses

- BBVA Bancomer
- The United States

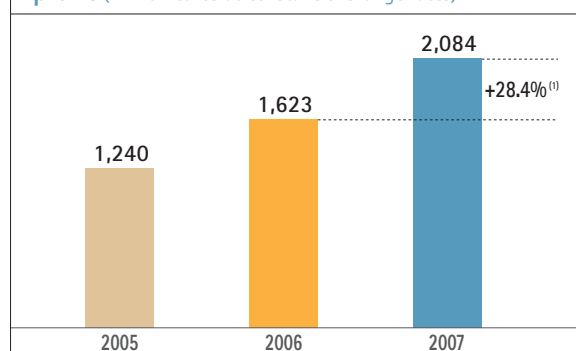
Pensions and Insurance

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

In 2007, both the Mexican peso and the US dollar depreciated against the euro, which produced a significant negative impact on the area's balance sheet and on aggregate earnings to December. This is why all the comments on

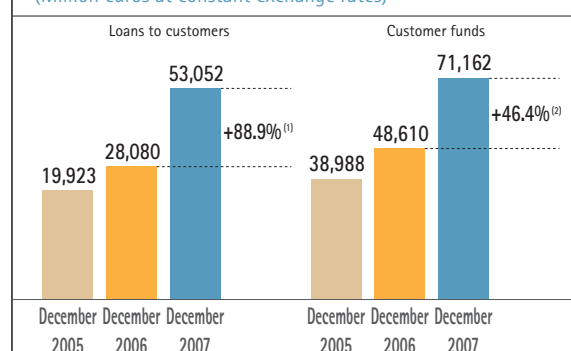
year-on-year comparisons below refer to **constant exchange rates**, which are listed in a column of the accompanying tables, as they are most significant when analysing business performance. The incorporation of **Compass** into the Group in September 2007 must also be taken into account. Details are given in the tables and in the section on the United States.

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



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

Mexico and the United States (Million euros at constant exchange rates)



(1) At current exchange rates: +68.7%.

(2) At current exchange rates: +30.7%.

Income statement

(Million euros)	2007	Δ%	Δ% at constant exchange rate	2006	2005	Memorandum item: Compass 2007
NET INTEREST INCOME	4,304	21.7	33.1	3,535	2,678	292
Income by the equity method	3	n.m.	n.m.	(2)	-	-
Net fee income	1,621	16.6	27.5	1,390	1,212	142
Income from insurance activities	313	2.7	12.4	305	229	-
CORE REVENUES	6,241	19.4	30.5	5,227	4,119	434
Net trading income	254	29.8	41.9	196	168	14
ORDINARY REVENUES	6,495	19.8	30.9	5,423	4,287	448
Net revenues from non-financial activities	7	n.m.	n.m.	(4)	(3)	-
Personnel and general administrative expenses	(2,359)	21.2	32.5	(1,946)	(1,737)	(238)
Depreciation and amortization	(225)	78.2	94.8	(126)	(138)	(73)
Other operating income and expenses	(121)	3.7	13.4	(117)	(106)	-
OPERATING PROFIT	3,797	17.5	28.5	3,231	2,303	138
Impairment losses on financial assets	(930)	35.7	48.4	(685)	(315)	(38)
• Loan-loss provisions	(919)	36.7	49.5	(672)	(289)	(38)
• Other	(11)	(14.4)	(6.4)	(13)	(26)	-
Provisions	21	n.m.	n.m.	(73)	(51)	(5)
Other income/losses	(9)	n.m.	n.m.	43	(8)	3
PRE-TAX PROFIT	2,879	14.5	25.2	2,515	1,929	99
Corporate income tax	(794)	7.5	17.5	(739)	(556)	(29)
NET PROFIT	2,085	17.4	28.3	1,777	1,373	70
Minority interests	(1)	(28.0)	(21.2)	(2)	(4)	-
NET ATTRIBUTABLE PROFIT	2,084	17.4	28.4	1,775	1,370	70

Balance sheet

(Million euros)	31-12-07	Δ%	Δ% at constant exchange rate	31-12-06	31-12-05	Memorandum item: Compass 31-12-07
Cash and balances at Central Banks	6,058	1.7	14.0	5,955	6,380	344
Financial assets	34,863	48.6	66.4	23,465	20,407	4,814
Loans and receivables	58,376	62.6	82.1	35,901	36,092	18,471
• Due from banks	3,465	61.5	80.8	2,146	6,048	309
• Loans to customers	54,168	63.5	83.1	33,136	27,277	17,951
• Other	742	19.9	34.2	619	2,767	211
Inter-area positions	-	-	-	-	-	-
Property, plant and equipment	1,501	33.9	50.0	1,121	1,100	424
Other assets	3,261	(39.5)	(32.2)	5,388	5,168	1,066
TOTAL ASSETS / LIABILITIES AND EQUITY	104,059	44.9	62.3	71,830	69,147	25,118
Deposits by Central Banks and banks	22,596	167.6	199.8	8,445	10,985	5,435
Due to customers	61,362	33.9	50.0	45,832	42,001	16,537
Marketable debt securities	2,756	156.5	186.9	1,074	693	220
Subordinated debt	2,947	28.2	43.7	2,298	1,987	850
Inter-area positions	7	(54.9)	(49.4)	16	25	-
Other liabilities	9,087	(8.9)	2.0	9,975	9,678	868
Minority interests	2	(75.1)	(72.0)	8	10	-
Economic capital allocated	5,301	26.8	42.1	4,181	3,769	1,207

Relevant business indicators						
(Million euros and percentages)	31-12-07	Δ%	Δ% at constant exchange rate	31-12-06	31-12-05	Memorandum item: Compass 31-12-07
Customer lending ⁽¹⁾	53,052	68.7	88.9	31,449	25,222	17,795
Customer deposits ⁽²⁾	56,820	37.5	54.1	41,309	39,104	16,514
• Deposits	51,358	47.2	64.9	34,879	33,180	16,514
• Assets sold under repurchase agreement	5,463	(15.0)	(4.8)	6,430	5,924	-
Off-balance-sheet funds	19,862	7.5	20.5	18,478	16,977	-
• Mutual funds	11,214	13.8	27.6	9,853	8,115	-
• Pension funds	8,648	0.3	12.4	8,625	8,862	-
Other placements	3,127	(5.0)	6.4	3,294	2,235	-
Customer portfolios	12,919	86.1	108.6	6,941	5,713	4,883
Risk-weighted assets ⁽³⁾	66,263	26.8	42.1	52,258	47,107	15,085
ROE (%)	47.6			46.7	44.2	19.3
Efficiency ratio (%)	36.3			35.9	40.5	53.0
Efficiency incl. depreciation and amortization (%)	39.7			38.2	43.8	69.2
NPL ratio (%)	1.97			2.19	2.24	1.70
Coverage ratio (%)	189.1			248.9	251.3	105.8

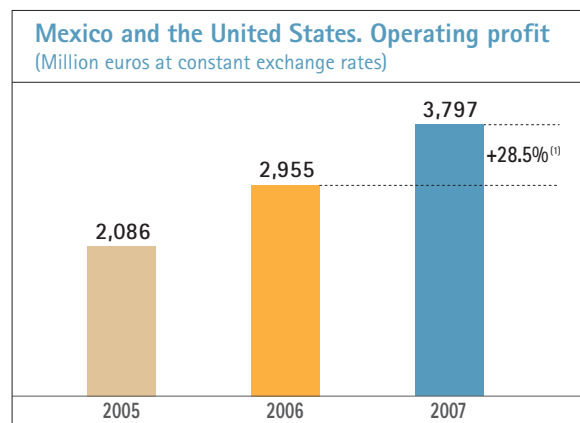
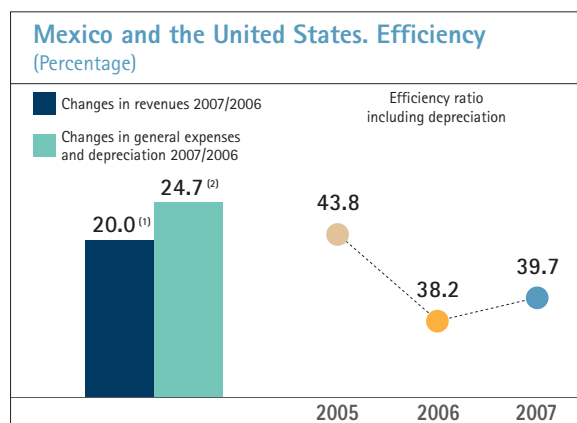
(1) Gross lending excluding NPLs and Bancomer's old mortgage portfolio.
(2) Excluding deposits and repos issued by Bancomer and Puerto Rico's Markets units.
(3) According to ERC methodology.

At year-end, the area maintained high year-on-year growth in **business volumes**: on a like-for-like basis, ie, excluding the data from Compass and State National Bank, the increase was 22.9% in lending and 10.5% in customer funds.

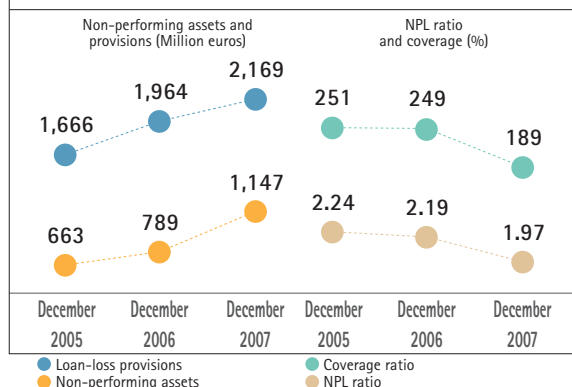
These increases, together with high levels in customer spreads, pushed **net interest income** up to €4,304m in 2007, 33.1% more than the previous year, making this the main driver for revenues in this area. Together with net fee income and income from insurance activities (up by 24.8%) and net trading income (up by 41.9%), this provided ordinary revenues of €6,495m, a 30.9%

year-on-year increase. Personnel and general administrative expenses subtracted €2,359m, and rose due to increased marketing activity, expansion of the branch network and the banks bought in the United States.

Because these banks' efficiency ratios are not as good as that of Bancomer, incorporating them into the structure took the area's overall efficiency ratio to 39.7% in 2007, compared to 38.2% in 2006. Nonetheless, Mexico improved its efficiency ratio by 1.5% and the United States by 2.4%. Meanwhile, **operating profit** rose to €3,797m, 28.5% up on 2006.



Mexico and the United States



Increased loan-loss provisioning continued to reflect strong lending growth, as provisions are made against expected loss. The non-performing loan ratio (NPL) was held in check at 1.97%, compared to 2.19% in December 2006, and the coverage ratio remained high at 189%. Finally, **net attributable profit** rose to €2,084m, with year-on-year growth of 28.4%, while ROE was 47.6% (compared to 46.7% in 2006).

Banking businesses

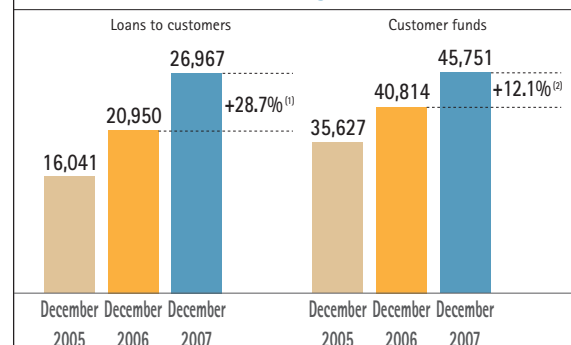
The area's banking businesses turned in an operating profit of €3,590m in 2007, a rise of 29.9% on the previous year. Net attributable profit was €1,932m, 30.0% up on 2006. Highlights of the performances of the various units are given below.

BBVA BANCOMER

At the end of 2007, the **Mexican economy** showed signs of moderation, reflecting the less dynamic performance of the US economy. In spite of this, and in spite of increasing uncertainty on world markets, increases in employment and investment in the Mexican economy put estimated growth in GDP in 2007 at 3.3%. Moreover, despite the volatility observed on financial markets there was no widespread withdrawal of investment from local market portfolios. This helped the dollar exchange rate to

BBVA Bancomer

(Million euros at constant exchange rates)



remain stable. The main country risk indicator (EMBI*) fell to a low of 71 basis points in the year.

Long-term **interest rates** remained fairly stable, closing the year at 8.2%. By contrast, the central bank raised short-term interest rates by 50 basis points to 7.5% to hold down inflation, which fell to 3.8% in December 2007 from 4.1% in 2006.

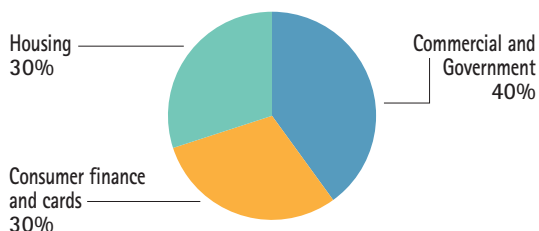
Against this background **BBVA Bancomer**, which celebrated its 75th anniversary in 2007, has strengthened its competitive position thanks to increases in its market share in all strategic business lines.

At the close of 2007 **customer lending** (excluding NPLs and the old mortgage portfolio) stood at €26,967m, 28.7% higher than in December 2006. The main driving factor for growth was housing loans, which reached €7,955m, with year-on-year growth of 37.7%. The commercial loan portfolio grew 34.3% to €8,240m, driven by dynamic demand from SMEs and corporate businesses, whose borrowing increased 34.7% and 21.7% respectively. The consumer loan portfolio, which includes credit cards, loans to individuals, vehicle finance and payroll loans, reached €8,186m, 22.2% higher than in December 2006.

As a result, the loan portfolio showed a balanced **distribution**. The increased contribution of housing loans is noteworthy at 30% of the total, while the contribution of consumer finance and credit cards fell to 30%. The commercial and

Distribution of the loan portfolio

(31-12-07. Percentage)



Government loan portfolio held steady at 40%, though the contribution of corporate and SME loans within it increased.

Strong growth in the loan portfolio led to further increases in **market share** for housing loans of 300 basis points to 35.4% by the end of the year, and in consumer finance (up 60 basis points to 34.2%), and helped maintain leadership in credit cards with a share of 33.6%. Thus, Bancomer consolidated its overall leadership in loans with a market share of 30.5% at year-end, 51 basis points higher than in 2006.

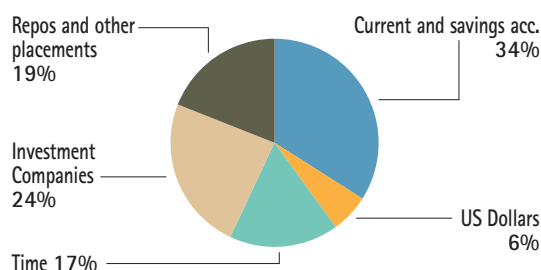
Customer funds (including customer deposits, mutual funds, investment companies and other intermediation products) stood at €45,751m on 31-Dec-07, a year-on-year increase of 12.1%.

One of the main strategies in 2007 was to maintain growth in **current accounts** which rose by 18.0% over the year to €15,594m, bringing their contribution to total funds up to 34%. The policy of offering customers more sophisticated investment options such as **mutual funds** distributed through the retail network resulted in a 27.6% increase in the balance for this item, to €11,214m. The weight of total funds accounted for by investment companies thus increased by 300 basis points to 24% by the end of 2007.

Bancomer maintained its leadership in total customer funds managed, with a **market share** of 27.0% and increases of 76 basis points to 30.5% in its share of current accounts and of 100 basis

Distribution of customer funds

(31-12-07. Percentage)



points to 22% in funds gathered through investment companies.

This growth in business volumes and high customer spread (12.4% in 4Q07 compared to 12.5% in 4Q06) pushed **net interest income** up to €3,535m in 2007, a year-on-year rise of 18.6%. Fee income rose by 14.0% to €1,246m, fuelled by investment companies and credit and debit cards. Meanwhile, net trading income rose by 37.9% to €210m, generating ordinary revenues of €4,994m, 18.2% more than in 2006.

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

As revenue growth outstripped costs, the efficiency ratio improved by 1.5 percentage points to 34.6% in 2007, compared to 36.1% the previous year. This allowed **operating profit** to rise 21.3% to €3,195m.

In line with this higher lending, provisioning increased by 44.0% to €834m. Quarterly allocations remained relatively stable from 4Q06 onwards due to the decreased weight of consumer finance and cards (which have higher expected-loss ratios than housing and SME lending). The **NPL ratio** did not vary significantly over the year, ending at 2.15% (2.21% at year-end 2006). The coverage ratio remained high at 255% in December 2007.

Income statement						Memorandum item:							
(Million euros)	2007	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
		Δ%	Δ% ⁽¹⁾	2006	2005	2007	Δ%	Δ% ⁽¹⁾	2006	2007	Δ%	Δ% ⁽¹⁾	2006
NET INTEREST INCOME	4,305	21.5	32.9	3,542	2,679	3,535	8.4	18.6	3,259	3	60.1	75.0	2
Income by the equity method	3	n.m.	n.m.	(2)	-	3	n.m.	n.m.	(2)	-	n.m.	n.m.	-
Net fee income	1,559	19.4	30.5	1,306	1,105	1,246	4.2	14.0	1,196	137	(17.0)	(9.3)	165
Income from insurance activities	-	-	-	-	-	-	-	-	-	250	2.2	11.7	245
CORE REVENUES	5,866	21.0	32.4	4,846	3,783	4,784	7.4	17.5	4,453	390	(5.2)	3.7	412
Net trading income	246	36.8	49.6	180	157	210	26.1	37.9	166	8	(50.0)	(45.3)	16
ORDINARY REVENUES	6,113	21.6	33.0	5,026	3,941	4,994	8.1	18.2	4,619	398	(6.9)	1.8	428
Net revenues from non-financial activities	14	n.m.	n.m.	-	-	14	n.m.	n.m.	-	(7)	82.4	99.4	(4)
Personnel and general administrative expenses	(2,237)	23.8	35.4	(1,807)	(1,619)	(1,634)	4.0	13.7	(1,571)	(176)	(12.9)	(4.8)	(202)
Depreciation and amortization	(222)	80.5	97.3	(123)	(137)	(99)	4.7	14.5	(95)	(2)	(19.3)	(11.7)	(3)
Other operating income and expenses	(77)	4.8	14.6	(73)	(72)	(80)	9.2	19.4	(73)	20	(20.9)	(13.5)	25
OPERATING PROFIT	3,590	18.8	29.9	3,023	2,113	3,195	10.9	21.3	2,880	234	(4.5)	4.5	245
Impairment losses on financial assets	(930)	35.7	48.4	(685)	(315)	(844)	30.6	42.8	(646)	-	-	-	-
• Loan-loss provisions	(919)	36.7	49.5	(672)	(289)	(834)	31.7	44.0	(633)	-	-	-	-
• Other	(11)	(14.4)	(6.4)	(13)	(26)	(10)	(19.7)	(12.2)	(13)	-	-	-	-
Provisions	21	n.m.	n.m.	(73)	(51)	28	n.m.	n.m.	(70)	-	(64.5)	(61.3)	-
Other income/losses	(10)	n.m.	n.m.	40	(8)	(17)	n.m.	n.m.	34	2	(26.9)	(20.0)	3
PRE-TAX PROFIT	2,671	15.9	26.7	2,305	1,740	2,361	7.4	17.5	2,198	236	(4.7)	4.2	247
Corporate income tax	(738)	8.6	18.8	(679)	(504)	(640)	(0.8)	8.5	(645)	(65)	(9.5)	(1.0)	(72)
NET PROFIT	1,933	18.9	30.0	1,626	1,236	1,721	10.9	21.2	1,552	171	(2.8)	6.3	176
Minority interests	(1)	(26.4)	(19.5)	(1)	(1)	(1)	(8.2)	0.4	(1)	(1)	(29.1)	(22.5)	(1)
NET ATTRIBUTABLE PROFIT	1,932	18.9	30.0	1,625	1,235	1,720	10.9	21.2	1,552	170	(2.6)	6.5	174

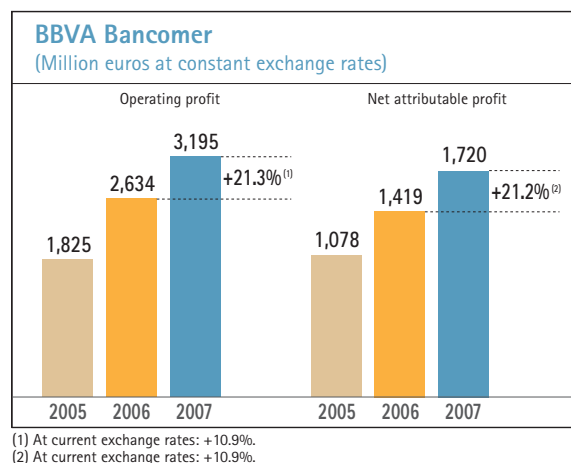
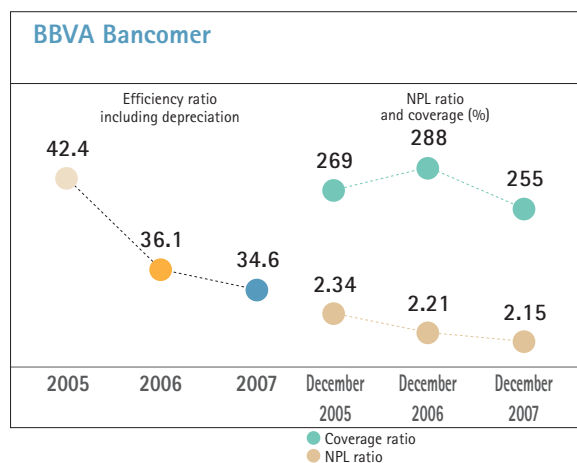
(1) At constant exchange rate.

Balance sheet						Memorandum item:							
(Million euros)	31-12-07	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
		Δ%	Δ% ⁽¹⁾	31-12-06	31-12-05	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Cash and balances at Central Banks	6,058	1.7	14.0	5,955	6,380	5,540	(5.4)	6.1	5,853	-	(2.5)	9.2	-
Financial assets	32,449	51.5	69.7	21,422	18,659	24,012	36.9	53.4	17,538	2,839	12.3	25.8	2,529
Loans and receivables	58,489	63.3	82.9	35,808	36,082	30,812	13.9	27.6	27,058	158	42.5	59.7	111
• Due from banks	3,669	71.2	91.7	2,143	6,046	2,663	78.6	100.1	1,491	68	245.5	287.1	20
• Loans to customers	54,168	63.5	83.1	33,136	27,276	27,907	10.6	24.0	25,225	-	66.7	86.8	-
• Other	652	23.4	38.1	529	2,760	243	(29.1)	(20.6)	343	90	(1.3)	10.6	91
Inter-area positions	8	(5.4)	6.0	8	1	8	(3.9)	7.7	8	-	-	-	-
Property, plant and equipment	1,495	34.3	50.4	1,113	1,093	789	(4.2)	7.4	823	5	(27.3)	(18.5)	7
Other assets	2,704	(30.1)	(21.7)	3,866	4,206	1,391	(26.3)	(17.5)	1,888	82	16.9	31.0	70
TOTAL ASSETS / LIABILITIES AND EQUITY	101,203	48.5	66.3	68,172	66,422	62,551	17.6	31.8	53,170	3,084	13.5	27.2	2,717
Deposits by Central Banks and banks	22,596	167.6	199.8	8,445	10,979	15,855	117.4	143.6	7,294	-	(100.0)	(100.0)	-
Due to customers	61,643	34.4	50.6	45,851	42,006	35,302	(2.3)	9.5	36,127	-	-	-	-
Marketable debt securities	2,756	156.5	186.9	1,074	693	1,845	n.m.	n.m.	190	-	-	-	-
Subordinated debt	2,453	199.1	235.0	820	1,162	1,466	161.1	192.6	561	-	-	-	-
Inter-area positions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	6,697	(16.7)	(6.7)	8,037	7,994	4,849	(13.8)	(3.4)	5,626	2,830	14.5	28.3	2,471
Minority interests	1	(49.2)	(43.1)	2	8	-	(79.1)	(76.5)	2	-	n.m.	n.m.	6
Economic capital allocated	5,057	28.3	43.7	3,941	3,579	3,234	(4.0)	7.6	3,369	254	6.0	18.8	240

(1) At constant exchange rate.

Relevant business indicators						Memorandum item:							
(Million euros and percentages)	31-12-07	Banking businesses				Of which: BBVA Bancomer				Pensions and Insurance			
		Δ%	Δ% ⁽¹⁾	31-12-06	31-12-05	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Customer lending ⁽²⁾	53,052	68.7	88.9	31,449	25,222	26,967	14.9	28.7	23,480	-	-	-	-
Customer deposits ⁽³⁾	56,820	37.5	54.1	41,309	39,104	31,410	(3.6)	8.0	32,595	-	-	-	-
• Deposits	51,358	47.2	64.9	34,879	33,180	25,947	(0.8)	11.1	26,165	-	-	-	-
• Assets sold under repurchase agreement	5,463	(15.0)	(4.8)	6,430	5,924	5,463	(15.0)	(4.8)	6,430	-	-	-	-
Off-balance-sheet funds	11,214	13.8	27.6	9,853	8,115	11,214	13.8	27.6	9,853	8,648	0.3	12.4	8,625
• Mutual funds	11,214	13.8	27.6	9,853	8,115	11,214	13.8	27.6	9,853	-	-	-	-
• Pension funds	-	-	-	-	-	-	-	-	-	8,648	0.3	12.4	8,625
Other placements	3,127	(5.0)	6.4	3,294	2,235	3,127	(5.0)	6.4	3,294	-	-	-	-
Customer portfolios	12,919	86.1	108.6	6,941	5,713	6,237	(10.1)	0.7	6,941	-	-	-	-
Risk-weighted assets ⁽⁴⁾	63,210	28.3	43.7	49,262	44,736	40,431	(4.0)	7.6	42,115	3,175	6.0	18.8	2,996
ROE (%)	46.7			45.1	42.8	54.9			48.5	69.0			88.6
Efficiency ratio (%)	36.5			35.9	41.1	32.6			34.0	45.0			47.7
Efficiency incl. depreciation and amortization (%)	40.1			38.4	44.5	34.6			36.1	45.5			48.3
NPL ratio (%)	1.97			2.19	2.24	2.15			2.21	-			-
Coverage ratio (%)	189.1			248.9	251.3	254.6			287.7	-			-

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



Net attributable profit thus rose to €1,720m in 2007, a 21.2% rise on the previous year, bringing ROE up to 54.9%, compared with 48.5% in 2006.

BBVA Bancomer's Fitch rating was raised from A- to A. Standard & Poor's also changed the outlook in its rating (BBB+) from "stable" to "positive". Both agencies continued to highlight the strength of the organisation's financial profile, its high liquidity and its sound competitive position.

Bancomer issued capital notes on international markets for over \$1,000m, with a demand of 3.6 times that amount. In the fourth quarter it also made its first securitisation issue against its mortgage portfolio, for 2,540 million pesos, using an instrument known as Borhi (mortgage-secured bonds). These have a tenor of 20.5 years and a coupon of 9.05%, representing a spread of 98 basis points over average base rates. Moody's, S&P and Fitch all gave the issue a triple-A rating.

Key factors in Mexico in 2007

- Enlargement of the customer base by 1 million customers
- Market share increases in total lending, housing and consumer finance
- Market share increases in current accounts and investment companies
- Growth in earnings leveraged by revenues
- Improved efficiency, fall in NPL and increased profitability (ROE)

STRATEGY IN MEXICO AND MEDIUM-TERM GOALS

BBVA Bancomer's main **strategic lines** are the following:

- Promoting the **spread of banking**, penetrating previously unbanked segments by offering simple, adaptable products
- Use of its in-depth knowledge of customers' behaviour to **segment** the customer base and design tailored products
- Encouragement of **cross selling** to focus on high-value products
- Priority on **loans to individuals**, including mortgages, consumer finance and credit cards, without compromising asset quality, with innovation and service as key elements to maintain leadership in this segment and increase market presence
- Growth in lending to **SMEs** as a high-potential segment, with specialist attention and continuous improvement in loan-approval models and proximity to customers
- Use of technology and market expertise to help deliver more efficient **payment systems** in Mexico.

Bancomer has announced ambitious business goals for the next three years, including the following:

- To expand its **customer base** by 4 million to a total of 18 million by 2010
- To increase its **consumer finance** portfolio 2.5-fold and its **mortgage** portfolio balance 3-fold

- To increase penetration with **SMEs** via 2.5-fold loan portfolio growth by the end of 2010.

BUSINESS UNITS

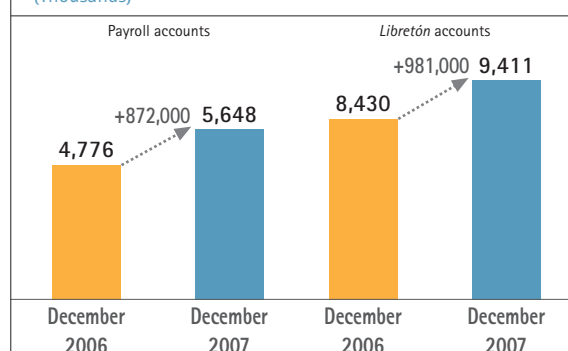
The highlights of 2007 for the various business units are outlined below.

In **Commercial Banking** 143 new branches were opened in 2007, bringing the total to 1,841 outlets and 2.97 million new credit cards were sold in the year, bringing the total stock to 13.3 million by the year-end. More than 723,000 payroll loans, 86,000 vehicle loans and 161,000 personal loans were also formalised. The number of payroll accounts increased by 872,000 (18%) to break through the 5.6 million barrier, and the number of *El Libretón* (Passbook) accounts increased by 981,000 to 9.4 million. In the two editions of the *Quincena del Ahorro* (Fortnight Savings campaign), over one million prizes – more than ever before – were handed out and funds in excess of 6,000 million pesos (almost €400m) were gathered.

A campaign aimed at SMEs was also staged to promote the *Crédito Redondo Negocios* (Business Loan), for up to 7.8 million pesos, and the area of Commercial Banking centred on high-net-worth customers saw an increase in equity funds gathered of 13,000 million pesos, which represents year-on-year growth of 118%.

Institutional Banking increased its loan portfolio balance by 25.9%, and achieved an increase of 483,000 payroll accounts in the year. This contributed significantly to the increase in the overall stock mentioned above. Special mention must be made of an operation to refinance the

Number of payroll and *Libretón* accounts
(Thousands)



liabilities of the Federal District Government, carried out in co-operation with Global Markets, involving more than 8,000 million pesos.

In **SME Banking**, the number of customers with credit increased by 44% in the year to 5,670, an increase in credit penetration from 14% of the customer base in 2006 to 19% in 2007. The strategy of cutting back-office costs and increasing the credit admission authority of executives in the branch network proved successful, with a 65% increase in productivity over the year. Excellent results were also obtained in the *RiskPyme* project, with year-on-year growth in income of 194%. The customer base was also doubled. 2007 also saw the launch, in co-operation with one of the country's leading universities, of *Portal de Capacitación y Desarrollo PYME* (SME Empowerment and Development Portal), the first online training programme designed to help make SMEs more competitive.

Bancomer's **Mortgage Banking** unit continued to lead the market in terms of loans granted to home-buyers, with a 15.1% increase in mortgages in 2007. This brought the total to 72,045, with a 240 basis point increase in market share for mortgage loans to individuals. In developer finance, 102,153 mortgage loans were also granted, 16.3% more than in 2006. Bancomer was awarded the *Premio Nacional de Vivienda* (National Housing Prize) for its efforts in helping Mexican families and housing developers and its contribution to growth in the sector. Also worthy of mention is the decision by Standard & Poor's to award the organisation a rating of "excellent" for asset management: the first time that this rating has been granted to a financial institution.

In **Corporate Banking** the portfolio balance rose by 25.9%. Among the operations undertaken during the year, a loan of 524 million pesos for the construction of a hospital to serve 5 million people in the city of León (Guanajuato) stands out. This is the first health sector project in the country to be funded jointly by public and private sector investment.

Stand-out operations in **Investment Banking** include the following: joint leading placement agent in the IPO of a construction company, involving the issue of capital to the tune of \$280m; joint leading placement agent in the biggest issue of

mortgage-secured bonds (Borhis) on the local market for a mortgage SOFOL (Limited Purpose Financial Corporation); and leading placement agent for Mexico in the biggest IPO of 2007, worth \$367m, for a communications company.

Asset Management maintained its leadership in terms of the number of customers with mutual funds, with a total of over 505,000 and a market share of 30.6%. The year saw the launch of three mutual funds offering investments in the USA, Europe, the Asia-Pacific region and the global market, along with hedging options in dollars and euro, providing the biggest range of international funds on the market. Also noteworthy was the launch of *Fondo Privado de Inversión Inmobiliaria*, a private equity fund aimed at International Private Banking customers, which invests in the housing and tourism sectors in Mexico. The fund has assets of €150m.

By means of structured finance operations, the **Global Markets** unit helped Corporate Banking customers to change their loan profiles and thus obtain significant savings and improved risk management. The principal operations undertaken include a cross currency swap with Mexico's biggest telephone company for \$100m, and the restructuring of three loans with a medical services group involving a total of \$260m. Finally, operations on the market for structured notes in pesos, with a 16.2% share, enabled a four-fold increase in income to be achieved.

THE UNITED STATES

BBVA USA manages the Group's banking business in the United States, in the states of Texas, Alabama, Arizona, Florida, Colorado, New Mexico, California and Puerto Rico. In California, the Group's entity is BBVA Bancomer USA, a pilot-phase unit targeting the Hispanic population, and in Puerto Rico it is BBVA Puerto Rico, which mainly offers its customers banking and insurance services. Lastly, it is present in the other states, known altogether as the Sunbelt, through Laredo National Bank, State National Bank, Texas State Bank and, more recently, with Compass Bank after its acquisition in September 2007.

The **economic environment** in the United States deteriorated throughout 2007, with a GDP increase of 2.2% for the year, whereas in 2006 it had

reached 2.9%. Likewise, general inflation rose in the last quarter of the year to leave year-on-year inflation in December at a figure of 4.1%. Against such a backdrop, the Federal Reserve reduced the interest rate from 5.25% at the start of the year to a year-end figure of 4.25%. Lastly, the dollar weakened considerably against the euro, affecting the United States earnings on the Group's financial statements.

Due to this rather unfavourable environment, the **banking institutions** present in the United States were seriously hit in 2007. Loan portfolios saw their risk quality generally impaired, fund gathering was affected by trying to retain customers who early in the year were receiving higher returns, hence banking institutions' net interest incomes suffered as a consequence of the combined effect of all the aforementioned factors.

Nevertheless, the **Group strategy** enabled the negative impact of said environment to be held in check, concentrating its expansion drive in one of the regions showing greatest economic and demographic growth in the country. The Group's risk management, moreover, had allowed the necessary loan reserves to be generated, which avoided the need to report extraordinary loss provisioning charges against earnings for 2007.

The United States business took a further step forward in its **integration** process in the fourth quarter of 2007 when Compass Bank, Texas State Bank, State National Bank and Laredo National Bank were brought together under Compass Bancshares. During 2008, the last three component banks are expected to join Compass Bank and its five business lines: Retail Banking, which at year-end 2007 accounted for 16% of Compass Bank's lending and 57% of its deposits; Corporate Banking, with 46% and 19%, respectively; Community Banking, with 11% and 5%; Asset Banking with 7% and 6%; and finally Consumer Finance Banking with 22% of loans, the remainder being wholesale deposits and those coming from Treasury. Likewise, 2008 expects to see the alignment of Compass Bank corporate practices with those of the BBVA Group.

At year-end 2007, **BBVA USA** had over 650 bank branches, 14,000 employees and more than 2.5 million customers, ranking among the top 25 United States banks in terms of total assets. Loans

Key factors in the United States in 2007

- Good earnings in a complex environment
- Incorporation of State National Bank in January 2007
- Incorporation of Compass Bank in September 2007
- Progress in the integration process of the four banks: Compass Bank, Laredo National Bank, State National Bank and Texas State Bank
- Definition of business strategy for 2008

stood at €26,085m, deposits at €25,411m and off-balance-sheet funds at €6,683m.

The **loan** portfolio showed a 70% distribution in commercial loans, 16% in consumer finance and 14% in mortgages, whereas **deposits** showed a breakdown of 61% in transactional accounts to 39% in term accounts.

BBVA USA's contribution to ordinary revenues rose from €375m in 2006 (at like-for-like exchange rates) to €1,121m in 2007, while expenses (including depreciation and amortisation) did likewise, going from €257m to €741m. This evolution led to improvements in the **efficiency** ratio, which went from 68.5% to 66.1% (despite 2007 having the costs deriving from the Compass Bank acquisition and integration), and in the recurrence index, with fee income in 2007 accounting for 42% of expenses, instead of the 40% reported in 2006. In 2007 **operating profit** reached €383m, versus the previous year's €118m.

As far as **risks** were concerned, the year-end NPL ratio stood at 1.77%, with a coverage rate of 101%. Lastly, BBVA USA booked a **net attributable profit** of €203m in 2007, as against the €59m of 2006.

Somewhat over a third of these earnings were originated by **Compass Bank**, which, since it joined the Group in September, contributed €138m in operating profit and €70m in net attributable profit. If we exclude depreciation and amortisation of intangible assets generated by the acquisition, these figures would lie at €193m and €109m, respectively. At 31-Dec-07, Compass Bank showed balances of €17,795m in loans and €16,514m in deposits.

The combined **Texas** business (Laredo National Bank, Texas State Bank and State National Bank) obtained a net attributable profit in the year of

€117m, with €5,364m in loans and €7,551m in customer deposits at year-end 2007. Of said banks, **Laredo National Bank** reported a net attributable profit of €36m (up 31.9%, year on year), €1,744m in loans with an overall growth of 15.7% (21.0% in mortgages, 14.3% in commercial lending and 12.1% in consumer finance) and €2,539m in deposits (up 10.4%). Furthermore, it recorded an efficiency improvement, going from 68.4% in 2006 down to 64.8% in 2007. As for **Texas State Bank**, it contributed profit amounting to €62m, with €2,870m in loans and €4,086m in deposits, while **State National Bank** contributed €18m to profit, €750m in loans and €925m in deposits.

BBVA Puerto Rico, which continues to be affected by the island's economic situation, obtained a net attributable profit of €22m, 5.1% down on the figure reported in 2006. At year-end 2007, loans stood at €2,901m, showing year-on-year growth of 6.5% (with loans to SMEs and mortgages rising 10.1% and 14.0%, respectively), and €1,279m customer deposits (down 1.6%). In 2008, the strategy in Puerto Rico will be one of growth based on its strengthened balance sheet, keeping the focus on holding down spending and on risk management.

During 2007, **BTS** forged alliances with banks belonging to the Group and other local banks in the Americas, Eastern Europe and Asia, in order to extend its money transfer network. **BTS** made 26.3 million money transfers during the year (up 17.2%, year on year) of which 21.4% were to Mexico (up 12.7%) and 4.9 million to other countries (up 42.2%). The unit reported a net attributable profit of €12m, a 7.8% fall on the previous year. **BBVA Bancomer USA** recorded a 14% rise in deposits for 2007, opening over 28,000 new accounts and it made 540,000 money transfers, cashed 68,000 cheques and sold 118,000 telephone cards. In 2008, the strategy will be to combine the management of **BTS** with that of **BBVA Bancomer USA**, given that they both target the Hispanic customer base, thus enabling them to focus more on launching new products.

BBVA USA's strategic plan for 2008 largely consists of building a unified management team, replicating some support areas available in other units in the Group but which do not exist in the

United States, such as Transformation & Productivity, Innovation & Development and Communication & Image. Likewise, the medium-term goals set (presented on Investor Day in November 2007), consist of achieving an efficiency ratio of 48% at year-end 2010 and a 17% aggregate growth rate in pre-tax profit from 2008 to 2010.

These targets are based on **opportunities** that exist:

- To improve customer loyalty and to increase the number of products per customer through better online services, higher product sales via remote channels and more detailed customer knowledge.
- To achieve **BBVA** efficiency and productivity levels, improving information systems and through increased process streamlining and automation.
- To exploit the potential of the Hispanic market by combining **BTS** and **BBVA Bancomer USA**, both having a differentiated promotional launch and the Group's presence in the Sunbelt region.
- To convert **Compass Bank** into part of a global Group, which will enable it to offer better services and products in global markets, in corporate and investment banking businesses, as well as in asset management and to exploit the transnational opportunities that exist with Mexico.

Pensions and Insurance

In **Mexico** the **BBVA** Group operates in the pensions business through **Afore Bancomer**, in insurance through **Seguros Bancomer**, in annuities through **Pensiones Bancomer** and in health through **Preventis**, while in **Puerto Rico** it works in insurance through **BBVA Seguros Inc.** The **net attributable profit** from these five companies in 2007 totalled €170m, 6.5% up on 2006.

In 2007 the **pension business** performed better than in earlier years in Mexico, aided by a more favourable economic environment, the recovery of its labour market and the relatively low impact of market volatility over the last quarters. **Afore Bancomer** was Mexico's second biggest pension fund

manager in terms of assets under management and number of unit holders. Its drive to boost volumes was reflected in its 12.4% year-on-year increase in assets under management (to €8,648m at 31-Dec-07) and the notable recovery in its share of contributors, despite a fiercely competitive market. Tougher competition had indeed forced the company to readjust its rates and increase its sales force at the end of 2006, which limited increases in income from fees and pushed expenses up in 2007. This explains why the **net attributable profit** of Afore Bancomer fell year on year by 25.7% to €44m.

The **insurance business** in Mexico again enjoyed a highly favourable year, characterised by high levels of activity in all business lines. BBVA Bancomer was a highly active participant, becoming the biggest

player in the country's bancassurance market, with a share of 35.5%, and the fifth biggest player in the Mexican insurance sector.

In 2007, **Seguros Bancomer** increased its underwriting volume by 14.0% on the previous year, to €731m, with significant progress in bancassurance products (thanks to the good performance by insurance products in the retail network), as well as in savings and life assurance products. Similar growth can be observed in **Pensiones Bancomer**, which issued premiums worth €181m in the year: double the volume for 2006. This performance resulted in the insurance business in Mexico contributing a **net attributable profit** to the Group of €125m, 25.5% more than the previous year.

Mexico (banking business, pensions and insurance) Income statement					
(Million euros)	2007	Δ%	Δ% at constant exchange rate	2006	2005
NET INTEREST INCOME	3,533	8.6	18.8	3,252	2,462
Income by the equity method	3	n.m.	n.m.	(2)	-
Net fee income	1,306	2.3	11.9	1,277	1,104
Income from insurance activities	313	2.7	12.4	305	229
CORE REVENUES	5,156	6.7	16.7	4,832	3,795
Net trading income	218	19.5	30.7	182	172
ORDINARY REVENUES	5,374	7.2	17.2	5,014	3,966
Net revenues from non-financial activities	7	n.m.	n.m.	(4)	(3)
Personnel and general administrative expenses	(1,741)	2.8	12.4	(1,694)	(1,525)
Depreciation and amortization	(102)	4.0	13.8	(98)	(116)
Other operating income and expenses	(124)	6.4	16.4	(117)	(106)
OPERATING PROFIT	3,414	10.1	20.4	3,102	2,218
Impairment losses on financial assets	(844)	30.6	42.8	(646)	(280)
• Loan-loss provisions	(834)	31.7	44.0	(633)	(254)
• Other	(10)	(19.7)	(12.2)	(13)	(26)
Provisions	28	n.m.	n.m.	(70)	(48)
Other income/losses	(15)	n.m.	n.m.	36	(10)
PRE-TAX PROFIT	2,583	6.6	16.6	2,422	1,880
Corporate income tax	(701)	(1.3)	8.0	(710)	(542)
NET PROFIT	1,882	9.9	20.2	1,713	1,338
Minority interests	(2)	(21.6)	(14.2)	(2)	(3)
NET ATTRIBUTABLE PROFIT	1,880	9.9	20.2	1,711	1,334



South America

Banking businesses

- Argentina
- Chile
- Colombia
- Panama
- Paraguay
- Peru
- Uruguay
- Venezuela

Pensions and Insurance

The South America area handles the BBVA Group's banking, pension and insurance businesses in Argentina, Bolivia, Chile, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. In 2007 the Group sold its interests in AFP Crecer and BBVA Seguros, both in the Dominican Republic.

At year-end 2007, the area managed a **business volume** of €83,700m, which represents an increase of 20.5% (at constant exchange rates) over the same date in 2006, through a network of 1,584 **branches** and 29,614 **employees**.

During 2007, the Latin American economy grew by over 4% for the fifth year running. It benefited from high commodity prices and the reforms undertaken in many countries which enhanced macroeconomic stability. A buoyant real economy went hand in hand with wiser tax management, generating a significant current-account surplus for most countries. More orthodox monetary policies, furthermore, helped

BBVA's presence in South America

(31-12-07)	Banks	Pension funds managers	Insurance companies
Argentina	•	•	•
Bolivia		•	
Chile	•	•	•
Colombia	•	•	•
Ecuador		•	
Panama	•		
Paraguay	•		
Peru	•	•	
Uruguay	•		
Venezuela	•		•

stabilise inflation rates and reduce uncertainty, stimulating growth in domestic demand both for consumption and investment. The region's strength became evident as the financial crisis of the second half of 2007 failed to have any

Income statement

(Million euros)	South America					Memorandum item:							
	2007	Δ%	Δ% ⁽¹⁾	2006	2005	Banking businesses				Pensions and Insurance			
	2007	Δ%	Δ% ⁽¹⁾	2006	2005	2007	Δ%	Δ% ⁽¹⁾	2006	2007	Δ%	Δ% ⁽¹⁾	2006
NET INTEREST INCOME	1,657	26.4	33.2	1,310	1,039	1,650	26.8	33.5	1,301	10	(3.5)	5.4	11
Income by the equity method	2	(29.4)	(34.1)	3	(1)	2	(50.1)	(51.5)	4	-	(97.3)	(97.1)	(1)
Net fee income	920	12.9	19.5	815	695	523	20.4	26.8	434	267	3.3	8.9	259
Income from insurance activities	(11)	103.6	148.2	(6)	5	-	-	-	-	124	2.5	11.3	121
CORE REVENUES	2,567	20.9	27.6	2,122	1,738	2,175	25.0	31.6	1,739	402	3.2	9.9	389
Net trading income	201	(28.7)	(22.5)	282	157	161	(32.2)	(26.0)	238	40	(10.2)	(4.6)	45
ORDINARY REVENUES	2,768	15.1	21.9	2,405	1,895	2,336	18.2	24.9	1,977	442	1.8	8.4	434
Net revenues from non-financial activities	-	185.4	217.0	-	9	-	-	-	-	-	185.4	217.0	-
Personnel and general administrative expenses	(1,181)	7.1	12.8	(1,103)	(933)	(917)	5.4	10.9	(870)	(237)	13.2	20.5	(210)
Depreciation and amortization	(93)	0.2	4.9	(93)	(69)	(84)	3.1	7.7	(82)	(9)	(21.3)	(16.4)	(11)
Other operating income and expenses	(40)	(12.4)	(9.3)	(46)	(40)	(45)	0.2	3.9	(45)	8	230.0	275.8	2
OPERATING PROFIT	1,454	25.1	33.3	1,163	861	1,290	31.6	39.9	980	204	(5.6)	0.7	216
Impairment losses on financial assets	(269)	80.3	90.8	(149)	(80)	(269)	80.9	91.5	(149)	-	(100.0)	(100.0)	(1)
• Loan-loss provisions	(258)	70.6	80.0	(151)	(71)	(258)	71.1	80.6	(151)	-	(100.0)	(100.0)	-
• Other	(11)	n.m.	n.m.	2	(9)	(11)	n.m.	n.m.	2	-	(100.0)	(100.0)	-
Provisions	(65)	11.2	21.3	(59)	(78)	(65)	27.0	37.7	(51)	(1)	(92.1)	(91.0)	(8)
Other income/losses	(18)	n.m.	n.m.	-	14	(30)	n.m.	n.m.	-	12	n.m.	n.m.	(1)
PRE-TAX PROFIT	1,102	15.4	23.0	955	718	927	18.7	26.2	781	215	3.8	10.3	207
Corporate income tax	(197)	(14.2)	(7.5)	(229)	(166)	(163)	(9.0)	(1.8)	(179)	(46)	(25.6)	(20.7)	(62)
NET PROFIT	905	24.7	32.4	726	552	764	26.9	34.4	602	169	16.4	23.5	145
Minority interests	(282)	30.1	39.8	(217)	(173)	(238)	32.2	42.0	(180)	(44)	19.7	28.8	(36)
NET ATTRIBUTABLE PROFIT	623	22.4	29.3	509	379	525	24.6	31.2	422	125	15.2	21.8	109

(1) At constant exchange rate.

Balance sheet

(Million euros)	South America					Memorandum item:							
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-05	Banking businesses				Pensions and Insurance			
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-05	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Cash and balances at Central Banks	4,016	39.0	51.2	2,889	2,698	4,015	39.0	51.2	2,889	1	(3.7)	1.7	1
Financial assets	4,532	7.4	14.8	4,218	5,061	3,703	6.1	13.1	3,491	1,040	8.1	16.6	962
Loans and receivables	24,048	14.2	22.1	21,058	17,866	23,574	14.3	22.1	20,629	566	3.4	13.7	547
• Due from banks	2,059	(42.5)	(36.6)	3,583	2,844	1,836	(45.4)	(39.7)	3,364	281	(3.0)	4.5	290
• Loans to customers	21,570	26.8	34.5	17,014	14,726	21,382	26.8	34.5	16,861	189	8.7	24.7	174
• Other	419	(9.2)	(0.8)	461	296	356	(11.8)	(3.9)	404	95	14.3	24.2	83
Inter-area positions	-	-	-	-	-	12	294.5	n.m.	3	-	-	-	-
Property, plant and equipment	457	(6.3)	0.1	488	516	392	(5.9)	0.5	417	65	(9.1)	(2.6)	71
Other assets	1,637	(11.1)	(8.1)	1,842	2,107	935	(9.5)	(5.0)	1,034	167	(1.2)	7.1	169
TOTAL ASSETS / LIABILITIES AND EQUITY	34,690	13.8	21.5	30,496	28,248	32,631	14.6	22.6	28,463	1,838	5.0	14.0	1,750
Deposits by Central Banks and banks	2,763	4.3	11.0	2,650	1,978	2,759	4.8	11.6	2,632	5	(86.3)	(85.7)	39
Due to customers	24,018	13.0	21.0	21,252	20,357	24,077	12.7	20.7	21,356	-	-	-	-
Marketable debt securities	870	85.7	95.8	468	383	870	83.2	93.1	475	-	-	-	-
Subordinated debt	1,137	2.2	3.4	1,112	839	595	34.9	38.9	441	-	(100.0)	(100.0)	-
Inter-area positions	28	(6.5)	(6.9)	30	29	-	-	-	-	-	-	-	-
Other liabilities	3,316	27.4	37.6	2,604	2,503	2,160	41.3	50.9	1,529	1,448	6.3	16.0	1,363
Minority interests	537	(22.7)	(17.0)	695	669	461	(25.7)	(20.0)	621	69	(6.8)	(2.4)	74
Economic capital allocated	2,021	20.0	28.5	1,684	1,491	1,709	21.2	29.6	1,410	315	15.2	23.6	274

(1) At constant exchange rate.

Relevant business indicators

(Million euros and percentages)	South America					Memorandum item:							
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-05	Banking businesses				Pensions and Insurance			
						31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06
Customer lending ⁽²⁾	21,839	25.8	33.5	17,366	15,018	21,839	25.8	33.5	17,366	-	-	-	-
Customer deposits ⁽³⁾	25,310	11.1	19.0	22,773	21,023	25,310	11.1	19.0	22,773	-	-	-	-
• Deposits	24,545	13.3	21.0	21,667	19,864	24,545	13.3	21.0	21,667	-	-	-	-
• Assets sold under repurchase agreement	766	(30.8)	(22.6)	1,106	1,159	766	(30.8)	(22.6)	1,106	-	-	-	-
Off-balance-sheet funds	36,551	9.3	14.9	33,447	30,978	1,725	9.5	15.9	1,575	34,826	9.3	14.8	31,872
• Mutual funds	1,725	9.5	15.9	1,575	1,299	1,725	9.5	15.9	1,575	-	-	-	-
• Pension funds	34,826	9.3	14.8	31,872	29,679	-	-	-	-	34,826	9.3	14.8	31,872
Customer portfolios	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk-weighted assets ⁽⁴⁾	25,263	20.0	28.5	21,046	18,638	21,358	21.2	29.6	17,624	3,940	15.2	23.6	3,422
ROE (%)	32.8			31.8	30.1	32.8			31.8	41.2			40.0
Efficiency ratio (%)	42.7			45.9	49.0	39.2			44.0	53.7			48.3
Efficiency incl. depreciation and amortization (%)	46.0			49.7	52.6	42.8			48.1	55.7			50.9
NPL ratio (%)	2.14			2.67	3.67	2.16			2.69	-			-
Coverage ratio (%)	145.6			132.8	109.3	145.6			132.8	-			-

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

significant impact on it. This year, the countries showing most outstanding growth were Argentina, Colombia, Peru and Venezuela.

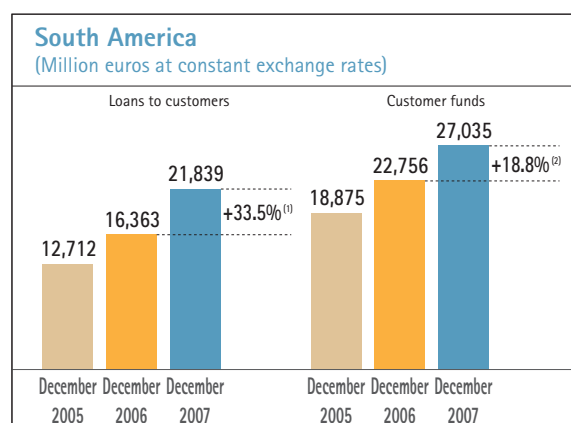
Booming domestic demand in the region in 2007 led to substantial improvements in key performance indicators in the Latin-American **financial industry**, most notably its profitability and solvency.

In 2007, most of the Latin American **currencies** weakened against the euro, which had a negative bearing on the area balance sheet and earnings. The accompanying tables contain a column with year-on-year fluctuations **at constant exchange rates**, and all the comments that follow refer to these unless otherwise indicated, because they give a truer picture of how the business has evolved.

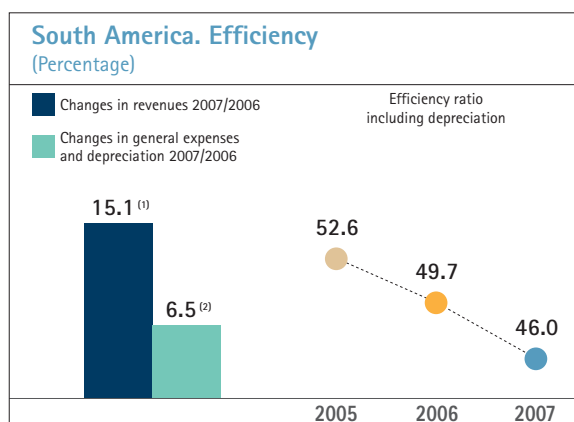
Against this positive macroeconomic backdrop, the important **marketing effort** undertaken in all the entities in the **area** gave rise to sharp growth rates in customer business. The figure for **lending** is particularly noteworthy, closing the year with a balance of €21,839m, 33.5% up for the year. This rise in lending was seen both in loans to individuals, which grew year on year 41.2% and to SMEs with an increase of 33.3%.

Customer funds (including mutual funds) also rose significantly, reaching €27,035m at 31-Dec-07, 18.8% above the figure reported at year-end 2006. Current and savings accounts performed outstandingly, recording a 21.6% increase for the year.

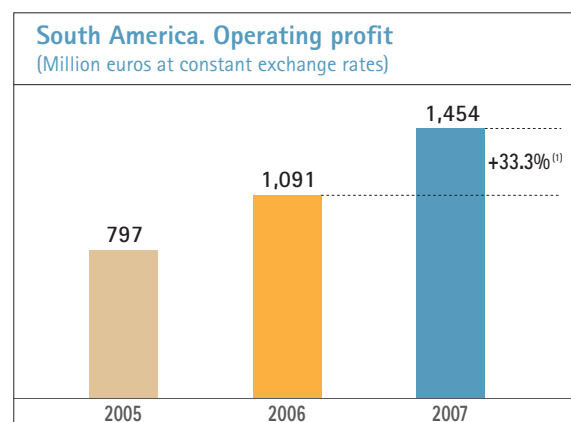
For the **pension funds business**, 2007 was also a positive year, in which it recovered its pace of activity, despite the negative effects caused by changes in legislation in some countries and fierce competition. Pension fund assets managed by the area closed the year at €34,826m, 14.8% over the



(1) At current exchange rates: +25.8%.
(2) At current exchange rates: +11.0%.



(1) At constant exchange rates: +21.9%.
(2) At constant exchange rates: +12.2%.



(1) At current exchange rates: +25.1%.

2006 figure. The **insurance business** maintained its upward trend of recent years, evolving positively not only in bancassurance products, but also in its other lines of business.

This good performance was further fuelled by a spreads maintenance policy, which pushed **net interest income** up to €1,657m, 33.2% higher than the previous year. **Net fee income** and net income from **insurance** activity benefited from the sales drive, jointly rising 18.8% over 2006, to reach €908m. Net trading income was affected by the unstable market situation in the second half of the year and by capital gains that were down on 2006 due to lower equity-portfolio sales. This all fed into **ordinary revenues** of €2,768m, up 21.9% year on year.

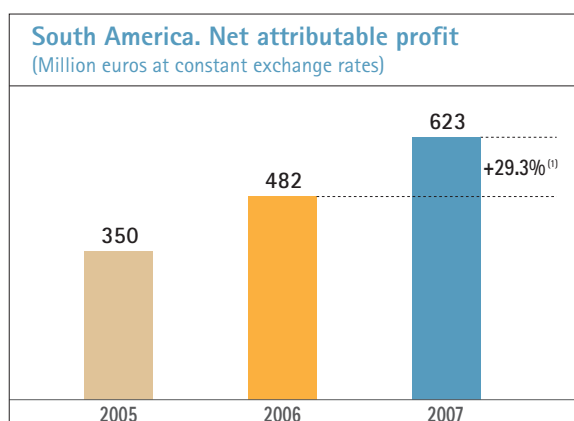
Personnel and general administrative costs reported more moderate growth than revenues, increasing 12.8% compared to 2006, despite considerable marketing activity and high inflation

in Venezuela and Argentina. This led the **efficiency ratio** to make further improvements, reaching 46.0% for the year, as against 49.7% in 2006.

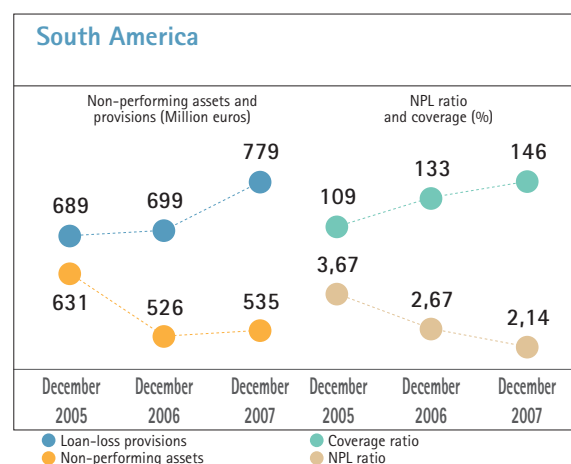
Operating profit at €1,454m, stood 33.3% higher than the previous year.

Risk management remained strict, enabling the area to carry on reducing its NPL ratio, which stood at 2.14% at 31-Dec-07, down from 2.67% recorded at the close of 2006. Nevertheless, growth in lending meant higher generic provisioning, which led to a strong year-on-year increase in loan-loss provisions and levered the coverage ratio to 146% at year-end 2007, as against 133% one year earlier.

The outcome of this situation as a whole was that the area recorded its highest ever **net attributable profit** in 2007, with a figure of €623m and growth over 2006 of 29.3% (22.4% at current exchange rates) and a return on equity (ROE) of 32.8% (31.8% in 2006).



(1) At current exchange rates: +22.4%.



Key factors in South America in 2007

- Positive macroeconomic environment in the whole region
- Buoyant marketing activity in all the units in the area, particularly focusing on retail products
- Earnings growth based on sharp increase in the most recurrent earnings
- Improvement in efficiency, fall in NPLs and increased profitability (ROE)
- Launch of transformation and banking penetration plans throughout the units as the growth strategy for coming years

AREA STRATEGY AND MEDIUM-TERM GOALS

The forecasts for Latin America are good and BBVA is firmly committed to the region. The goal is to continue as leader in the region in terms of size, strength and efficiency, as well as market position and footprint, both in banking and in pensions and insurance activities.

To achieve this objective, on occasion of the Investor Day held last November, the following goals were proposed for the area for the period 2008-2010.

In the individuals segment:

- Growth of the **customer base** from the 8.7 million recorded in April 2007 to 11.7 million by the end of 2010
- Increase in customers whose **salary** is credited through a bank account from 1.8 million in April 2007 to 3.2 million by the end of 2010
- Increase in the **consumer finance and credit card balance**, from €3,676m in April 2007 to €9,000m in December 2010
- Increase in the percentage of customers holding credit cards, from the current figure of 19.4% to 33% in 2010, and of the percentage with consumer finance products from the current 11.3% to 19% in 2010.

In the SME segment:

- Growth of the customer base by 52% over its current level (a rise of 15% a year)
- 75% increase in the lending volume (20% a year).

In **pension fund management**, the goal is to:

- Increase assets managed by 18% a year
- Increase their profit contribution by 15% a year
- And to grow 5% a year in the number of subscribers.

Furthermore, investments totalling €175m will be made in **technology** for the 2008-2010 period as a whole.

Banking businesses

The banks generated a net attributable profit of €525m during the year, 31.2% up on 2006.

Details of the most relevant points of each bank's performance are given below.

ARGENTINA

The **Argentine economy** maintained a rate of growth in excess of 8%, fuelled by the expansion of private consumption, which benefited from improvements in employment, in real salaries, in retirement conditions and tax reductions. In the **financial system**, the ongoing process of improving balance-sheet quality continued, with an increasing weight of business with the private sector, especially of the loans to individuals segment, despite which the default level was kept low. Deposits continued to perform well, with a rise in those denominated in foreign currencies in the latter part of the year, due to the international liquidity crisis.

BBVA Banco Francés, leader in deposits among the private banking entities in Argentina, and ranked second in lending, concentrated its marketing strategy in 2007 on increasing its customer base. As a result, last year was a record year, with 38.3% growth in **loans** to the private sector and sharp rises in personal loans, secured personal loans and credit cards. Within this latter category, the launch of the Blue segment, targeting younger customers and the Visa Platinum and MasterCard Black for high-income segments, were all worthy of mention. In the SME segment the most outstanding growth

operations were advances, trade discount and foreign trade operations, together with the launch of the *Riskpyme* model (hedging derivatives for SMEs). The public risk portfolio dropped 23.1%, whereby its weight on the balance sheet has continued to fall.

Customer funds grew by 13.9%, in a year in which the marketing activity concentrated on attracting retail funds, in order to attain a more stable structure at lower costs. On this front, we should underline the launch of the *Plazo Fijo Renta Asegurada* (Fixed-Term Guaranteed Income) deposit.

BBVA Banco Francés obtained a **net attributable profit** of €147m, 19.7% higher than in 2006. Its good performance was driven by growing **core revenues**, which rose 15.9%, bolstered by the previously mentioned rising business volumes, higher returns on the loan mix, a more cost-efficient funding structure and a good fee income performance. Net trading income went down during the year due to lower capital gains on the sale of public assets. This had a negative effect on **operating profit**, which ended below 2006, at €221m. However, this effect was offset by lower loan-loss provisioning requirements and lower tax pressure.

CHILE

In 2007, the **Chilean economy** grew by over 5%, thanks to its booming domestic demand, and despite the difficulties that arose in the second half of the year, particularly in the industrial sector, due to the increase in costs deriving from rising energy prices and a dynamic labour market. The resulting leap in inflation to levels approaching 8%, led the central bank to raise the official money rate to 6%, its highest level in two years, which slowed sales activity in the second half of the year. The **financial system** continued to show great drive in 2007, with strong competition and aggressive marketing that have been its defining features over recent years.

In the second year of its strategic programme, **BBVA Chile** kicked off a series of expansion projects, with the aim of positioning itself among the country's top

financial groups. In particular, the year saw the reconfiguration of SME Banking, the creation of a new factoring company, the start-up of sales of derivative products for SMEs (*Riskpyme*) and the boosting of the asset management business. Likewise, some transformation plans were undertaken, involving a far-reaching, organisational restructuring and a new distribution networks configuration, in order to improve sales capacity and achieve greater presence in the individuals segment.

The effects of these initiatives were already felt in 2007, with a 23.7% increase in **lending**, due to the good performance turned in by all the business lines, including Forum Servicios Financieros, leader in vehicle finance in Chile, which funded 40,486 loans for vehicle purchases coming to total of €330m (33.2% up on 2006).

Customer funds rose 20.7%, of which we should highlight current accounts which turned in a year-on-year increase of 18.6%. Likewise, bank and subordinated bonds totalling almost €200m were placed on the Chilean market, in addition to five-year institutional financing arranged, all in order to reduce the entity's structural risks.

This sharp rise in business played a key role in the strong leverage of its **net interest income** figure, which was up 27.6% over that obtained in 2006. The expansion projects in its branch network and in other alternative sales channels, largely explain the increase in operating expenses (up 16.1%). Nevertheless, **operating profit** stood at €113m, showing year-on-year growth of 35.5%. This good performance was passed on to **net attributable profit**, which reached €37m, a figure well ahead of the €7m reported in 2006.

COLOMBIA

Economic development in Colombia in 2007 was good, with growth in the region of 7%, on a par with the figure for 2006 (6.8%). The key to this increase was domestic demand, thanks to rises in investment, in private consumption, and the stable macroeconomic environment. The latter was due, in part,

to the anti-inflationary measures taken by the central bank in the second half of the year which led to an upward trend in interest rates. This environment favoured the Colombian **financial system**, with increased business, strengthened assets and improvements in efficiency in most entities, despite the return of intense competition.

In the first year of the *Plan Podium*, BBVA Colombia received a strong boost in sales, with 27.9% growth of its **loan portfolio** over 2006, which was evidenced across all its loan types. Thus, lending to individuals rose 39.6%, turning in outstanding performances in consumer finance, mortgage portfolio (including a new 20-year maturity product), loans to small businesses and credit cards. Loans to SMEs also evolved soundly, reporting annual growth of 18.1% and a notable increase in the number of customers. The application of effective monitoring and risk admission policies brought the NPL ratio down to 3.72%, from the 5.11% at year-end 2006.

Customer funds increased 24.2%, with growth both in current and savings accounts and in time deposit certificates. During the year, it issued bonds indexed to the DTF rate, for the sum of 0.5 billion Colombian pesos, in order to streamline its balance sheet.

The high growth rates in loans and funds helped revenue evolution, and **net interest income** in particular, which rose 17.5% year on year. This increase in revenues was accompanied by austerity in expenses, which fell 7.3% in the year. Altogether, this took **operating profit** 64.6% up on the previous year to stand at €232m, an increase which did not flow down to **net attributable profit** (€107m, up 7.3% year on year), due to the increase in tax after the credit shield was used up in 2006.

The good performance turned in by BBVA Colombia in 2007 was acknowledged by prestigious international publications, such as *The Banker*, from which it received the “Bank of the year in Colombia 2007” award, and *Latin Finance*, which acknowledged it as the “Top bank in the country in sustainability”.

PANAMA

Panama ended what was a year of strong **economic growth** with a rise of around 10% in its Gross Domestic Product (GDP), the main drivers of which were the Canal enlargement project, the real estate boom, expansion of port activity and trade from the Colon Free Zone.

BBVA Panamá had a very good year, with increases both in lending and customer funds (26.1% and 31.0%, respectively). In the second half of the year, the entity put its **Banking Penetration Plan** under way. This Plan represents its growth strategy for the coming years, based on the creation of new products and a widening of its points-of-sale network. Its strict risk management and the buoyant economic backdrop forced its NPL ratio down to 0.92%, from 1.21% in December 2006.

Growth in business led to year-on-year increases in its net interest income of 18.3% and of 22.5% in fee income. Personnel and general administrative expenses rose 12.4% due to costs arising from the aforementioned Banking Penetration Plan; nevertheless this proved no impediment to its efficiency ratio which improved to stand at 24.2% in 2007. It reported an operating profit of €34m, 15.2% above the figure of the previous year, and **net attributable profit** of €23m (up 15.6%).

PARAGUAY

The Paraguayan **economy** performed very strongly over the year, reporting a 6.4% rise in its GDP, thanks to the dynamism of the agricultural sector, which likewise helped exports, despite the negative effect of the strengthening of the guarani against the US dollar.

BBVA Paraguay had a brilliant year, showing high growth rates both in lending (46.9%) and in customer funds (44.2%). Priority was given to the retail business, with highly significant increases in consumer finance, credit cards and mortgages, for which it opened a new branch and enlarged its sales force. This evolution in business, together with advantageous price management, produced a

28.3% year-on-year rise in net interest income. Fee income likewise rose (34.5%) and this increase in recurring revenues overall was passed on to the operating profit, which reached of €21m, up 39.4% over 2006, and to **net attributable profit**, which surpassed €18m (up 25.5%).

In recognition of this good performance, BBVA Paraguay was named “Best bank in Paraguay 2007” by *The Banker* magazine.

PERU

The Peruvian **economy** reported an 8.5% rise in its GDP for 2007, one of the highest growth rates in the region, due to a positive evolution in all its production sectors, and inflation being kept under control, to close the year at 3.9%. This favourable economic climate helped the **financial industry** to a good year, in which, despite the fierce competition, it recorded sharp increases in customer business, particularly in retail segments.

BBVA Banco Continental had a superb year, with strong growth in its business variables, helped, moreover, by its Expansion Plan, which led to the creation of 20 new branches and 455 ATMs in the year. **Lending** grew by 30.3% year on year, with special emphasis on the retail business, and consumer finance and credit cards, where the entity raised its market share by over 100 basis points, whereas mortgages were helped by the financing agreement subscribed with the Banco Interamericano de Desarrollo. Lending grew over 30% in the SME segment, highlighting increases in financial leases, commercial and syndicated loans, foreign trade finance and the marketing of hedging derivatives for SMEs (*Riskempresa*).

Customer funds, which grew 26.9% in 2007, focused on attracting payroll accounts and new customers, which translated into a 25.0% rise in current and savings accounts. The increase in mutual funds was also outstanding (57.1%), despite the volatile market conditions in the latter months of the year. Lastly, we should highlight that the capitals markets unit structured the first residential mortgage-backed securities

programme in BBVA Banco Continental, which was also the first ever to be undertaken in Peru.

Net attributable profit stood at €63m in 2007, which represents a year-on-year increase of 17.2%. The excellent business activity performance translated into a 22.5% increase in **ordinary revenues**, a rate significantly above that of operating expenses, thus leading to an improvement in its efficiency ratio (34.4% in 2007, versus 37.1% in 2006) and boosting operating profit to a 28.8% rise over 2006, to stand at €243m.

The entity was awarded several important prizes in 2007, including: The distinction of “Best Bank in Peru”, “Best Internet Consumer Bank” and “Best Corporate Website in Latin America” awarded by *Global Finance* magazine; and “Best bank in Peru in Ethics, Corporate Governance, Transparency, Sustainability and Corporate Social Responsibility” by *Latin Finance*. Likewise, the entity holds investment grade qualification for its long-term deposits and debentures in local currency, awarded by Fitch and Standard & Poor’s.

URUGUAY

The positive trend shown by the Uruguayan **economy** in 2007 was in line with its growth rates of recent years.

The year in **BBVA Uruguay** was marked by the launch of its Banking Penetration Plan, in the same direction as other units in the area. This plan involved a refocusing of its activity to give priority to the retail business. On this front, it began marketing mortgage loans, credit cards and new types of consumer finance, while in customer funds it launched deposits in indexed units. In all, this led to a rise in business volume, especially in loans (up 18.7%), which was transferred to **net interest income**, which were up 16.3% in comparison to 2006. The increase in costs, however, deriving from its Banking Penetration Plan, together with higher tax pressure (after the tax shield was used up the previous year), had a negative bearing on **net attributable profit**, which fell 23.9% in the year, to stand at €6m.

VENEZUELA

2007 was a good year for the **economy** in Venezuela; its GDP rose 8.4%, fuelled by growth in domestic demand, due both to private consumption and to gross investment and public sector spending, although the latter was more constrained than in previous years. However, inflation went up and closed the year at 22.5%. The fast economic pace favoured the **banking sector**, with strong rises in loans and more moderate rises in customer funds, affected by the fall in the system's liquidity in the latter months of the year.

Against this backdrop, **BBVA Banco Provincial** continued to pursue its strategy laid out in 2006, based on profitable growth, austerity and service quality. To achieve this, it implemented measures such as boosting alternative channels and restructuring its points of sale in order to improve service quality, and broadening its product range, particularly in credit cards, products for micro-entrepreneurs and bancassurance.

All of these actions were felt in its business activity, especially in **lending**, which reported a 78.9% increase for the year, highlighting consumer finance (in which the entity continues as absolute leader in vehicle finance, with a market share of over 30%) and credit cards, where the Blue Programme, launched in July to target the younger population segment, had a positive effect. Customer funds increased 9.6%, affected by the aforementioned lower level of liquidity in the system. In order to support the entity's growth plans, in the last quarter of the year it structured a preference share issue for a total of 200,000 million Venezuelan bolivars.

In 2007, BBVA Banco Provincial contributed an operating profit of €418m, over double the figure achieved in 2006, and a **net attributable profit** of €124m (up 65.2%). Apart from the fast pace of activity, these results were also influenced by the improvement in spreads, which pushed ordinary revenues up by 70.0%. This large increase in revenues more than offset the increase in costs prompted by the rising inflation and higher marketing activity, as well as the costs of introducing the new

currency. This enabled the Bank to improve its efficiency level to 39.3%, from the previous year's 53.0%.

During 2007, the entity received numerous acknowledgements: "Best bank in Venezuela" and "Best Internet Corporate and Institutional Bank", both awarded by *Global Finance* magazine; it was named "Best Bank in Venezuela", by *Euromoney*; "Bank of the Year" by *The Banker*; "Best Bank in Corporate Governance in Venezuela" by *Latin Finance* and *Management Excellence*; and lastly *IT Manager* placed it in Venezuela's top 10 High Tech enterprises.

Pensions and Insurance

The Pensions and Insurance unit achieved a net attributable profit of €125m in 2007, 21.8% above that of one year earlier. As was mentioned at the beginning of the chapter, the fourth quarter saw the sale of the Group's holding in AFP Crecer and in BBVA Seguros, both in the Dominican Republic, which produced capital gains of €13m.

PENSIONS

The **pension business** had a more positive year than in more recent times, due to the dynamism shown by the activity and improvements in the region's labour markets, although it did have to overcome legislative reforms in several of the countries in which the Group operates.

In this environment, **managed assets** closed the year at a figure of €34,826m, showing annual growth of 14.8%, despite market turbulence towards the end of the year. **Aggregate revenues** came to €2,684m, a sum that is 20.0% higher than that of 2006, while the number of **subscribers** closed the year at almost 9.6 million.

AFP BBVA Provida remained, for yet another year, the region's most important pension fund manager, handling assets totalling €23,060m, 16.6% up on 2006, and a market share of 30.9%. **BBVA Consolidar AFJP** achieved a 3.6% increase in the assets it manages, despite the impact of changes in regulations, including the

Pensions Reform Law, closing the year with a market share of 18.4%. BBVA Horizonte Perú managed €3,108m (25.5% more than in December 2006) and a market share of 22.7%, while BBVA Horizonte Colombia reached an asset figure of €3,808m (up 17.5%) and a 17.0% share.

These increases in business activity were only passed on in part to fees, which grew by 8.8% year on year, due to the negative effect of changes in pension regulations and to the reduction of the net fee income in Argentina, in particular. The year was propitious for financial results, which remained practically on a par with the previous year's high figure, despite market volatility in the second half of the year. Overall, pension fund managers in the area contributed **net attributable profit** amounting to €73m (a 12.9% increase over 2006), of which AFP BBVA Provida accounted for €48m, BBVA Horizonte Colombia for €11m, BBVA Horizonte Perú for €7m and BBVA Consolidar AFJP for €4m.

INSURANCE

The **insurance business** has confirmed its upward trend of recent years, with activity forging ahead in all the countries. The insurance companies in the area reported considerable increases in sales, not only in products more closely linked to banking activities, but also in the other product lines, which translated into a year-on-year increase of 36.2% in premiums issued, to reach €550m in 2007. Furthermore, growth in claims was contained and the positive evolution shown by financial results pushed **net attributable profit** up to €52m, which represents a 36.7% increase.

Within this total, we should underline the performance of the insurance companies belonging to the **Consolidar Group** in Argentina; they obtained a net attributable profit of €26m, 15.4% up on 2006, and a 42.2% year-on-year increase in premiums issued. Also worthy of mention were the contributions from the two companies in Chile (€18m), the company in Venezuela (€4m) and the two in Colombia (€3m).

South America. Data per country (banking business, pensions and insurance)										
(Million euros)			Operating profit			Net attributable profit				
Country	2007	Δ%	Δ% at constant exchange rate	2006	2005	2007	Δ%	Δ% at constant exchange rate	2006	2005
Argentina	270	(23.4)	(14.9)	353	250	177	9.0	21.1	163	119
Chile	213	14.4	22.8	186	158	103	84.4	98.0	56	62
Colombia	257	55.6	49.4	165	128	122	3.8	(0.3)	117	66
Panama	34	5.6	15.2	33	28	23	5.9	15.6	22	19
Paraguay	21	43.3	39.4	15	11	18	29.1	25.5	14	10
Peru	257	22.8	28.0	209	194	70	13.6	18.5	62	59
Uruguay	8	3.8	10.4	7	-	6	(28.5)	(23.9)	8	(2)
Venezuela	428	92.9	110.5	222	120	128	51.1	64.9	85	57
Other countries ⁽¹⁾	(34)	25.0	23.0	(27)	(27)	(24)	40.0	37.6	(17)	(11)
TOTAL	1,454	25.1	33.3	1,163	861	623	22.4	29.3	509	379

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



Corporate Activities

Financial Management

Holdings in Industrial and Financial Companies

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

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

For the year as a whole, net trading income stood at €1,190m, of which €847m were one-off capital gains from the sale of the Iberdrola

holding, while in 2006 €841m non-recurrent capital gains were generated, €523m coming from the sale of the Repsol YPF holding.

Operating profit for 2007 was –€129m, compared against the –€75m from the previous year. If the aforementioned non-recurrent capital gains are subtracted, the outcome is an operating profit of –€976m (–€598m in 2006).

Under provisions, €312m were set aside for early retirements in Spain, of which €100m were one-off provisions linked to the Transformation Plan announced during Investor Day. In 2006, the early retirement provisions had been €1,054m, of which €777m were linked to the branch-network restructuring in Spain and the Group's new organisational structure and hence were non-recurrent. Other profits and losses also included the following one-offs in 2007: a net of €73m coming from capital gains from properties sold off as part of the new Corporate Headquarters project (€273m) and the endowment to the BBVA

Income statement

(Million euros)	2007	Δ%	2006	2005
NET INTEREST INCOME	(610)	65.8	(368)	(150)
Income by the equity method	(2)	n.m.	23	71
Net fee income	(18)	n.m.	50	152
Income from insurance activities	(33)	36.9	(24)	(56)
CORE REVENUES	(663)	107.9	(319)	16
Net trading income	1,190	41.5	841	441
ORDINARY REVENUES	527	0.9	522	457
Net revenues from non-financial activities	(1)	(45.6)	(1)	(1)
Personnel and general administrative expenses	(502)	12.9	(444)	(420)
Depreciation and amortization	(139)	(0.4)	(139)	(127)
Other operating income and expenses	(15)	18.7	(12)	(41)
OPERATING PROFIT	(129)	71.4	(75)	(131)
Impairment losses on financial assets	(7)	n.m.	9	138
• Loan-loss provisions	(3)	n.m.	26	146
• Other	(4)	(77.3)	(17)	(8)
Provisions	(167)	(86.0)	(1,193)	(328)
Other income/losses	101	(86.9)	771	22
PRE-TAX PROFIT	(202)	(58.6)	(488)	(300)
Corporate income tax	311	87.5	166	248
NET PROFIT	109	n.m.	(323)	(53)
Minority interests	5	n.m.	(6)	(79)
NET ATTRIBUTABLE PROFIT	113	n.m.	(329)	(132)

Balance sheet

(Million euros)	31-12-07	Δ%	31-12-06	31-12-05
Cash and balances at Central Banks	9,115	n.m.	534	435
Financial assets	20,125	(5.0)	21,179	36,383
Loans and receivables	921	n.m.	(3,913)	(1,090)
• Due from banks	(657)	(87.9)	(5,430)	(2,299)
• Loans to customers	446	n.m.	(361)	(133)
• Other	1,133	(39.7)	1,878	1,341
Inter-area positions	(318)	(58.9)	(774)	(28,144)
Property, plant and equipment	1,776	10.4	1,610	1,549
Other assets	8,492	241.1	2,489	3,249
TOTAL ASSETS / LIABILITIES AND EQUITY	40,111	89.9	21,125	12,383
Deposits by Central Banks and banks	18,436	155.7	7,209	6,586
Due to customers	19,796	102.1	9,795	8,520
Marketable debt securities	72,467	6.3	68,180	54,027
Subordinated debt	5,781	9.8	5,266	6,646
Inter-area positions	(84,249)	11.9	(75,260)	(65,782)
Other liabilities	2,274	4.8	2,170	1,306
Minority interests	295	n.m.	12	208
Valuation adjustments	2,252	(32.6)	3,341	3,295
Shareholders' funds	20,345	37.1	14,836	10,396
Economic capital allocated	(17,285)	19.8	(14,424)	(12,819)

Microfinance Foundation (a charge of €200m). In 2006, €751m had been booked for capital gains on the divestment of the holdings in BNL (€568m) and Banc Internacional de Andorra (€183m).

In the fourth quarter of 2006, an extraordinary charge of €457m affected the figure for taxes on earnings, as the Group's deferred taxes were adjusted to the lower rate established under new regulations (32.5% in 2007 and 30% as of 2008, as opposed to the earlier rate of 35%). Lastly, the area turned in a **net attributable profit** for 2007 of €113m (–€329m in 2006). However, excluding all the non-recurrent items mentioned above and their corresponding tax effect, attributable profit stood at –€610m (–€485m in 2006).

Financial Management

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

Actively managing **exchange-rate exposure** on its long-term investments (basically stemming from its franchises in the Americas) helps BBVA to preserve its capital ratios and bring stability to the Group's income statement whilst controlling impacts on reserves and the costs involved in managing this risk. At year-end 2007, BBVA was pursuing an active hedge policy on its investments in Mexico, Chile, Peru and the dollar area, with an aggregate hedge approaching 50%. In addition to corporate-level hedging, some subsidiary banks held local-level dollar positions. The exchange-rate exposure on expected earnings from the Group's franchise in the Americas is similarly managed. On average, approximately 60% of 2007 earnings were hedged, thus mitigating the impact of the slide of the American currencies against the euro. Much of the hedging for expected earnings in 2008 has already been put in place.

The Financial Management unit also actively manages the **structural interest-rate exposure** on

the Group's balance sheet, in order to guarantee sustainable growth of net interest income in the short and the medium term, irrespective of interest rates fluctuations. During the second half of 2007, strategies were focused on hedging a less positive economic scenario in Europe for 2008-2009, whereas balance-sheet risk in the United States and Mexico lay at very comfortable levels. This kind of risk management uses both hedging derivatives (caps, floors, swaps, forward rate agreements, etc) and balance-sheet instruments; at year-end 2007, the unit had asset portfolios denominated in euros, US dollars and Mexican pesos. The portfolio of dollar-denominated assets had no exposure to subprime risk and contained unrealised capital gains.

The aim of managing **structural liquidity** is to fund recurring growth in the banking business at suitable costs and maturities, using a wide range of instruments that provide access to numerous alternative sources of finance. The Group likewise encourages its subsidiaries in the Americas to be financially independent. During 2007, BBVA actively managed liquidity risk, whereby during the first seven months it had hedged nearly all the customer funds it expected to raise over the entire year. Despite the extremely volatile conditions seen in wholesale markets in the second half of 2007, BBVA maintained sound liquidity and it is one of the most liquid European financial entities, acting as a significant lender on the interbank market. In 2008, there will only be a limited amount of wholesale debt maturing, and far more liquidity will be generated than drained.

The BBVA Group's **capital management** pursues a dual goal: to maintain capital levels in keeping with the Group's business targets in all the countries in which it operates, while at the same time maximising returns on shareholders' funds through efficient capital allocation to the different businesses, active management of the balance sheet and proportionate use of the different instruments that comprise the Group's equity (shares, preference securities and subordinated debt). Its current capital levels enable the Group to achieve these targets.

Holdings in Industrial and Financial Companies

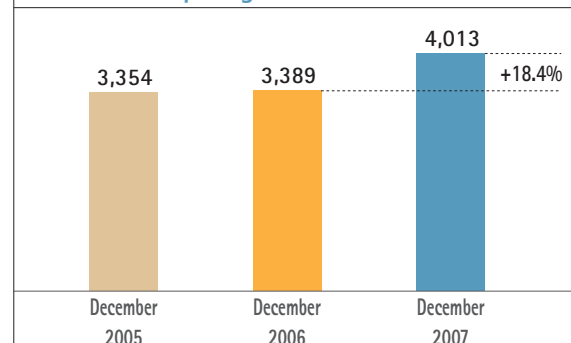
The Holdings in Industrial and Financial Companies unit, which belongs to BBVA's Finance Division, manages the Group's investment and holdings portfolio in equity in sectors such as telecommunications, media, electricity, oil and gas, as well as in the financial industry.

The portfolio of holdings in industrial and financial companies is managed under strict criteria for risk control, economic-capital consumption and returns. Its investment strategy is diversified over different industries and it applies dynamic monetisation and hedging management strategies to said holdings.

From an accounting viewpoint, all the holdings are considered to be financial assets available for sale. These holdings therefore represent a capital reserve to support growth in the banking business, the Group's core business.

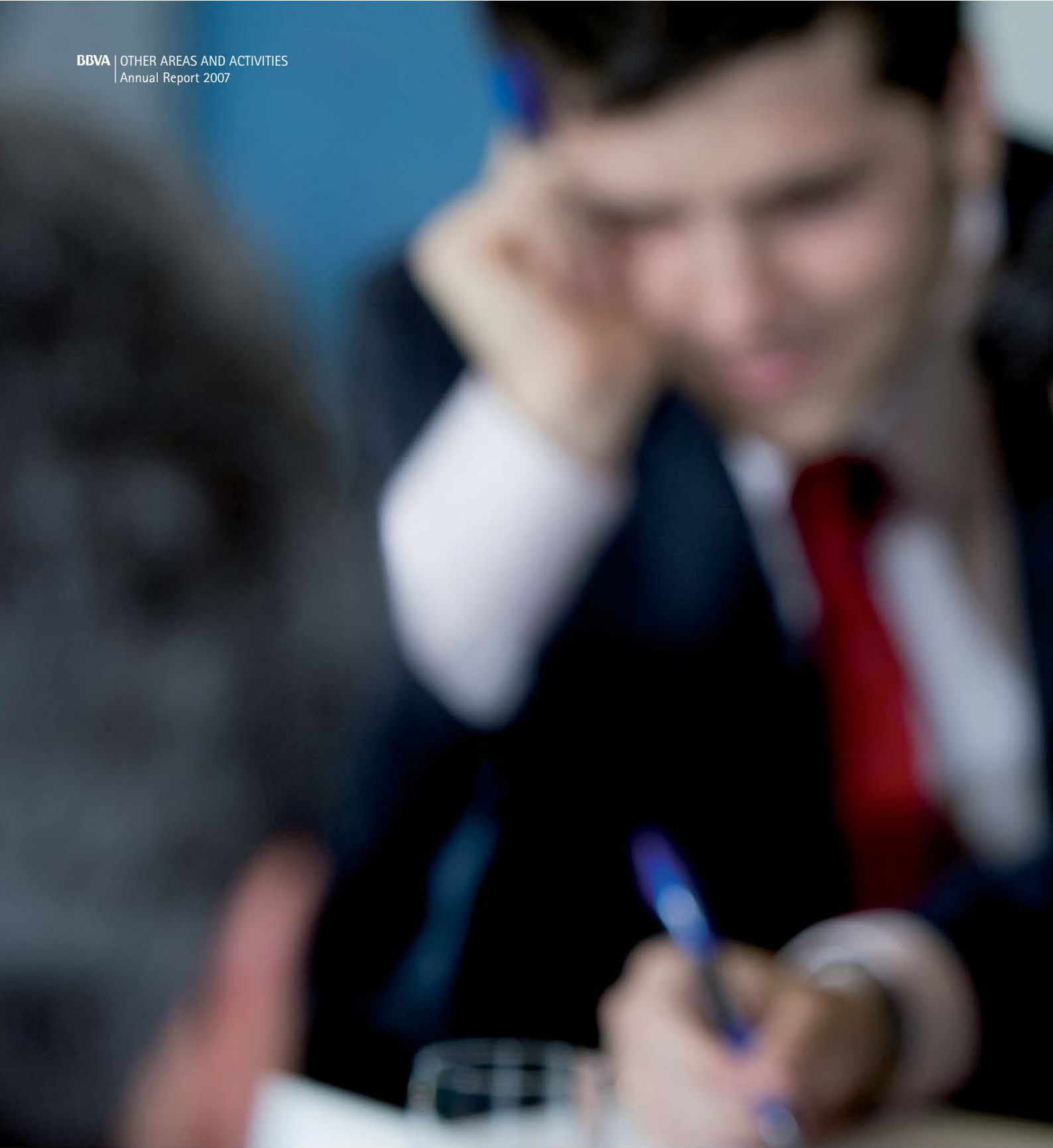
Under the aforementioned rotation policy, during 2007, **investments** were made in this

Holdings in Industrial and Financial Companies Unrealised capital gains (Million euros)



portfolio amounting to €599m, whereas **divestments** came to €2,672m, the most outstanding being the sale of the Group's interests in Iberdrola.

At 31-Dec-07, the **market value** of the industrial and financial holdings portfolio stood at €7,104m. The portfolio contained €4,013m in **unrealised capital gains** before tax, €624m up on the €3,389m reported at 31-Dec-06, despite the divestments made during the year.



Other areas and activities



Human Resources
Intellectual capital
Technology and Operations
Procurements, Premises
and Services
Transformation
and Productivity
Compliance

Human Resources

The BBVA Human Resources model can be summed up by the following features:

- Combining the **global quality** that results from the Group's international presence with specific **local adaptations** in each country, all aimed at producing the most appropriate solutions for successfully competing in each of BBVA's markets and business areas.
- Using **competency-based management** as the basis for identifying all job posts and profiles needed for the most appropriate performance of each activity and, as a consequence, the activity of the Group as a whole.
- And lastly, maintaining a state of **ongoing evolution**, in order to best respond at all times to business challenges as they arise.

Human Resources model



In short, the Human Resources model contributes to the generation of value, providing the Group with the kinds of policies and tools that can assure competitiveness and the full development of its professionals.

THE BASES FOR ACTION THROUGHOUT 2007

Over the year, lines of work in Human Resources operations basically focused on three different areas of activity:

- Engaging** the different units in meeting challenges, and supporting them in their work. Involving those units in people management processes.

- Boosting **transformation** within the HR area in order to increase efficiency.
- Reinforcing mutual commitment** between the Organisation and people.

The mentioned bases for action issued in 10 specific work plans, which in turn led to 24 different projects that were carried out over the year.

ENGAGING

CULTIVATING TEAM TALENT

Human Resources provides the tools and means so that each particular unit may make direct use of the different people management models. In this way, each unit acts as the true manager of its own staff.

Estilo BBVA (BBVA Style), a project designed to enhance all aspects of the leadership skills of team heads – especially those related to people management – was launched in 2007. *Estilo BBVA* is a comprehensive project that includes five initiatives. The first is called *Nuestro Estilo de Dirección* (Our Management Style), which brings together the kinds of behavioural characteristics that are useful for team leaders. There are two innovative training programmes: the *Plan de Acciones de Desarrollo* (Development Actions Plan) and the *Catálogo de Habilidades Directivas* (Executive Skills Catalogue). Finally, a *Manual de Políticas de RRHH* (Human Resources Policy Manual) acts as a basic tool in people management, while *Indicadores de Dirección y Desarrollo* (Management and Development Indicators) represents a measurement system open to opinions within the team, one that is used for assessing achievements attained according to those indicators.

Here it is worth mentioning that BBVA was recognised by *Fortune* magazine as the leading Spanish company, the second-ranking in Europe and ninth worldwide in terms of business leader training. This appeared in the magazine's *The top companies for Leaders 2007* ranking, which identifies those companies that best direct the professional careers of their executives. The ranking uses the criteria of reputation, leadership culture, values, performance or talent management. The Spanish business magazine *Actualidad Económica* used similar criteria when choosing BBVA as *The best company to work for* in 2007.



*The top companies
for Leaders 2007*



*The best company
to work for*

BBVA views **training** as a commitment to its teams, as an element that distinguishes the Group from its competitors while assuring its present and future success. With over 40 hours of training time per employee and an investment of more than €40m each year, the training plans aim at meeting the Group's strategic goals, as well as covering the needs of the different BBVA units and those of individuals working in the Group, to foster their **professional development**. By continually updating employees' knowledge and strengthening the skills they need in carrying out their duties, training heightens performance at each job position as well as helping each employee attain their individual objectives.

The **biennial Competencies Assessment Process** (which looks at skills and knowledge) was carried out on all Group units in 2007. This process uncovers each person's possible areas for improvement, along with his or her evolution from previous years, making it possible to prepare – together with the employee's hierarchical superior – an **Individual Development Plan** focused on the required knowledge and skills. Over 72,500 people have seen their **Competencies Report**, helping them to set up 54,500 Individual Development Plans encompassing 207,000 training activities.

Executive Team training is based on individual needs as identified in the Competencies Assessment Process, along with the needs of the area in which each executive operates. Training also responds to the strategic needs of the Group in terms of such issues as leadership, innovation and global orientation, among others.

Executive Team training activities are mostly carried out in the **Management School** in Aranjuez. The main goal is to instil in the executives a

comprehensive view of the Group, along with a deep understanding of the competitive context within which it operates. 2007 also saw the opening of the BBVA Bancomer Management School in Cuernavaca, Mexico, set up to increase and reinforce the training possibilities offered there.

The Management School organised 35 programmes over the course of the year, in collaboration with the most prestigious business schools. These were highlighted by the following:

- The **Value-Based Management** programme was aimed at deepening the executive team's knowledge of the principles and practices of this management tool.
- The **Development Actions Plan**, through the use of an innovative methodology, offered executives comprehensive practice in developing skills highly relevant to talent management and team leadership.
- The **Competencies Catalogue** was a training programme structured on, and consistent with, over 45 programmes from the finest business schools, all of which address each of the 12 skills as set forth in the competency-based management model.

The Competencies Assessment Process also made it possible to identify over 3,000 profiles and close to 9,100 professionals needing **language** training. A language Training Catalogue has been drawn up, with a standardised follow-up and certification outline for the entire Group.

Talent management would make little sense without a prior process aimed at identifying the finest candidates available in the labour market, as well as those professionals within the organisation showing the most potential. BBVA is present in different labour markets, and has established an **international image as an employer**. Its ability to attract potential employees is amply demonstrated by the over 272,000 CVs received during 2007 (compared to approximately 184,000 in 2006), which led to the Group hiring close to 5,000 over the year.

2007 was also the year in which BBVA consolidated its **incentive boosting model**. This management tool, which is based on providing incentive for the creation of value by each unit, allows the heads of each area to recognise and

reward members of their respective teams for the results achieved – either individually or as a group. This follows an outline that aligns a person's results with those of his or her unit, and, in turn, those of the unit with the Group as a whole.

TRANSFORMING

FOSTER THE TRANSFORMATION OF HUMAN

RESOURCES UNITS IN ORDER TO INCREASE EFFICIENCY

Working within the framework of the BBVA Group Global Transformation Plan, Human Resources carried out an exhaustive analysis of the operational models under which it renders its services. Projects in the Transformation Plan include:

- The introduction of **ARISTOS**, a technological platform that backs up different Human Resources processes, into Mexico and other South American units. This platform was already operating in Spain.
- The extension of the **Employee Care Service (SAE)** into South America. The programme, which celebrated its 5th anniversary in Spain, offers a number of different channels (call centre, email, portals, etc.) where employees may enquire about or comment on the various Human Resources policies.
- Along the line of extending self-services, the **Partner Report** was created for Spain and the Global Areas. This gives a team head access to available information concerning members of his or her team (professional career, documented training, languages, courses taken, etc.), in order to help in furthering that employee's development.

REINFORCING COMMITMENT

PASSION FOR PEOPLE

The **Beneficios Personales** (Personal Benefits) programme was launched at the beginning of 2007 – one of several Passion for People initiatives. This programme, a pioneering effort in the Spanish banking industry, complements BBVA's remunerative policy, allowing the employee to adjust his or her remuneration to their personal and family situation. Elements include:

- Flexible remuneration system, functioning as a remuneration formula for the entire staff, adapted to the tax situation of each country.

- Discounted products and services – a wide ranging catalogue of initiatives at special prices.
- General benefits, constituted by the banking conditions offered to the person as a BBVA employee.

The Group took a big step forward in 2007 in terms of activities aimed at fostering a balance between the work and personal life of its employees. These were organised under the rubric of the *Calidad de Vida* (Quality of Life) project.

Finally, worth mentioning are the activities organised for the staff in celebration of the Group's **150th Anniversary**:

150th Anniversary Commemoration		
Sporting Games 20,000 employees 3,000 teams 4 sports 550 finalists	Open-entry Races 20 cities 10 countries 30,000 runners 1 single blue t-shirt	Knowledge Games 4,487 participants 5 knowledge tests about the BBVA Group

Intellectual capital

BBVA understands the quantification of its intangible assets to be an essential factor in value creation and, by extension, a competitive advantage of the highest order. The main indicators of intellectual capital are presented each year to allow the market to assess certain aspects that, given their special nature, are not covered by the purely financial report.

The aforementioned indicators are grouped into three main blocks: **human capital**, which refers to the knowledge of the individuals and teams working in the Group; **relational capital**, which gathers those indicators on the ability to relate to major stakeholders (customers, shareholders, suppliers and society); and finally, **structural capital**, which concerns structured knowledge, that is, information and management systems, available technology, corporate culture and communication channels, amongst others.

Human capital indicators			
	2007	2006	2005
EMPLOYEES			
Managing diversity as a competitive advantage, ensuring equal opportunities and respect for all individuals			
Employees (No.)	111,913	98,553	94,681
• Spain	31,106	30,582	31,154
• The Americas	78,805	66,146	61,604
• Rest of the world	2,002	1,825	1,923
Average age of workforce	37.6	37.6	38.1
• Spain	41.4	41.3	41.9
• The Americas	35.7	35.5	35.7
Men/women ratio (%)	51/49	53/47	55/45
• Spain	59/41	59/41	62/38
• The Americas	48/52	49/51	51/49
University graduates (%)	58	58	49
• Spain	63	61	50
• The Americas	56	56	49
Average number of years of service of workforce	11.2	12.3	13.2
• Spain	17.1	17.5	18.5
• The Americas	8.3	9.4	9.8
People who work in a country other than their own (Expatriates) (No.)	224	220	227
Women in management team (Corporate managers) (%)	9.2	8.5	4.7
Women in management team (Executive level) (%)	17.4	16.6	15.8
Promoting personal and professional development, reconciling the Group's and individuals' interests			
CVs processed in the recruiting process (No.)	272,080	183,683	156,867
People for whose position a functional profile has been defined (%)	98	98	98
Managers who have undergone 180° assessment (%)	100	100	100
Employees who have carried out self-assessment of their knowledge (%)	88.8	79.6	77.6
Investment in training (thousand euros)	43,882	35,549	34,302
Hours of training given (thousands)	3,980	3,821	4,082
• Spain	1,279	1,287	1,760
• The Americas	2,701	2,534	2,323
Hours of training per employee	39	39	43
• Spain	39	42	56
• The Americas	39	38	38
Managers trained in the School of Management (cumulative number)	2,999	2,315	1,720
Steering Committee members committed to Management School training (%)	100	100	100
Professionals who have worked as internal monitors in the training of employees (No.)	480	470	420
Evaluation of satisfaction with training (score out of 5)	4.4	4.4	4.2
Recognising merit, measured by achievement of results, customer service and overall vision of the Group			
Individuals promoted (% of total headcount)	23.1	17.4	11.9
Individuals with variable remuneration (%)	73	56	53
Variable remuneration out of total remuneration (%)	17	13	12

Relational capital indicators

	2007	2006	2005
CUSTOMERS			
Winning the trust of customers through the fulfilment of commitments and ethical and transparent conduct			
Customers (millions)	47	42	38
Individual customer satisfaction index (%) ⁽¹⁾	70.9	70.2	67.9
Spontaneous awareness index (1 st mention, BBVA brand) (%) ⁽¹⁾	12.3	12.5	12.7
Providing a proactive and customised service, knowing how to treat each customer in terms of their needs and potential			
Branches (No.)	8,028	7,499	7,328
• Spain	3,595	3,635	3,578
• The Americas	4,291	3,742	3,618
• Rest of the world	142	122	132
Countries where the Group operates (No.)	31	32	31
New channels			
• Calls received and generated by telebanking (millions)	137	168	196
• Customers using online services (thousands)	4,412	4,193	4,013
• ATMs and other self-service devices (No.)	17,136	15,684	14,509
Offering the best advice and the most efficient solutions with a service that goes beyond the purely financial business			
Public access websites with Group content (No.)	61	58	53
Network of Group's correspondent banks abroad (No.)	4,156	4,104	4,189
SOCIETY			
Encouraging involvement in programmes closely related to social concerns			
BBVA Group foundations (No.)	6	5	5
Children awarded a scholarship under the <i>BBVA Integración</i> scheme in Latin America (No.)	17,920	-	-
Community support: funds allocated by the Group and its foundations (million euros)	69.0	56.4	46.5
Socially responsible mutual funds (% of the total of mutual funds managed)	1.38	1.57	1.53
Contributing to the establishment of stable financial systems in all the markets in which the Group operates			
Countries of the Group with Economic Research departments (No.)	9	10	10
Periodical publications issued by the Group's Research departments (No.)	42	46	32
Expenditure on publications, sponsorship and collaborations with the Group's Economic Research departments (thousand euros)	1,315	1,462	963
Acting in accordance with strict rules of ethical conduct, determining our way of understanding business			
Full audits of branch network for verifying compliance with standards and money-laundering preventing procedures (No.)	1,639	1,820	1,937
SUPPLIERS			
Maintaining a mutually beneficial relationship within the framework of relations with partners, collaborating in the development of their personal and business projects			
Supplier satisfaction index (score out of 5, biennial survey)	-	4.1	-
SHAREHOLDERS			
Affording in the long-term a profitability that better its benchmarked competitors			
Shareholders (thousands)	890	864	985
Shares (millions)	3,748	3,552	3,391
Providing timely, comprehensive and accurate information			
Channels available to shareholders (No.)	13	12	12
Periodical publications issued annually for shareholders (No.)	26	22	21
Number of enquiries attended to by the Shareholders' Office (annual)	27,055	11,865	11,697

(1) Source: FRS Individuals, referring to Spain.

Structural capital indicators			
	2007	2006	2005
EMPLOYEES			
Creating a climate of trust based on an open relationship, team support and transparent communications			
Corporate culture fora on <i>La Experiencia BBVA</i> (No. sessions)	64	75	54
Participants in <i>La Experiencia BBVA</i> fora (No.)	763	715	1,504
Internal communication channels in Spain (No. annual communications)	1,486	303	271
• <i>Buenos días</i> (daily)	1,257	262	256
• <i>Actividad</i> (monthly)	11	11	11
• <i>Adelante</i> (quarterly)	4	5	4
• IP TV	184	-	-
• Other channels	30	25	-
Stimulating the generation of ideas and the capacity to implement them			
Daily corporate intranet users (No.)	81,965	15,300	14,400
Corporate intranet pages viewed daily (thousands)	2,293	2,026	2,083
Documents stored on the intranet (thousands)	1,947	1,654	995
People contributing to development and maintenance of intranet content (No.)	314	379	264
Intranetised processes (cumulative number)	347	298	237
Intranet projects (No.)	628	551	388
Encouraging teamwork within the framework of personal accountability which favours initiative and decision making by individuals			
Meeting rooms equipped with videoconference technology (No.)	547	361	293
Videoconferences (No.)	8,993	6,213	3,668
Banks and fund managers having implemented internal customer survey (%)	100	100	100
Virtual work fora in operation (No.)	856	790	796
Professionals making up the management team (No.)	1,970	2,006	1,771

Technology and Operations

In BBVA, technology is not understood merely as a concept, neither is it an end in itself, but rather it is an instrument that helps and makes people's lives easier. Technological changes and advances are modifying their behaviours and preferences (more people, with more specific and personalised needs, requirements and wishes, want to gain access to financial services and they are increasingly better informed). This at the same time brings forth big, new business opportunities, given that said technological advances enable us to offer better solutions to this new demand.

This whole change process is broached under the BBVA Innovation and Transformation Plan, put under way throughout 2007, and which places special emphasis on the Group's technology and back office, in order to achieve strong increases in productivity.

THE TECHNOLOGY AND OPERATIONS STRATEGIC PLAN

The Technology and Operations Strategic Plan has set this unit the ambitious objective of increasing its productivity by 30% during the period 2007-2010. To achieve this target a wide range of projects and lines of work have been planned that will be implemented throughout this period.

During 2007, three of these were especially worthy of mention:

- **The Group Platform Project:** begun in 2007, its central aim is to assure that the information systems Technology and Operations provides to the Group as a whole include the functionalities required by each of the business units to enable them to attain competitive edge, by providing them with the necessary infrastructure to do so. The technical architecture is based on four fundamental principles to provide the support the business needs: process and service focus, construction in independent layers, reuse of components and implementation speed. Moreover, said architecture has to fulfil three basic axioms: a) an information model with integrated, customer-focused vision, enhancing commercial intelligence and customised and automatic marketing systems; b) valid for all scopes, facilitating organic and non-organic growth, which enables internal developments to be integrated with other standard market options, attaining a dual advantage of specificity or rapid market access depending on which is required at any particular time; c) to facilitate task automation to the maximum, self-service for users and customers and the control of the Group's government.
- **The Morfeo Project:** BBVA is in the process of renewing the technological equipment in its branch network in Spain, in order to raise their efficiency and cover the requirements of the programmes and systems included in the aforementioned Group Platform Project. Furthermore, this new equipment has been procured under *renting* (a leasing system which includes maintenance), whereby its global renewal is assured every 3-4 years and thus, the technology available to the marketing networks will always be the most modern and advanced on the market. During the first three quarters of 2007, work was carried out on defining and testing the equipment base for the network (3,680 offices, 19,400 employees and over 67,000 hardware units) to be upgraded with new units. This, in addition to preparing the infrastructure for future requirements, offers substantial advantages to the branches in the performance

of their daily tasks. Mass installation began in September and it will conclude in March 2008.

- **OpPlus, the High Value Operations Centre:** BBVA announced the creation of this centre in the month of July. Sited in the Andalusia Technology Park (Malaga), with an initial investment of €5m and the creation of 200 direct, qualified and stable jobs in 2007, it agglutinates the Group's high-value operations in Spain. With this project, BBVA will enhance marketing relations in its branches and boost a much more customer-focused operations model, to thus progress in the compliance of its productivity and efficiency improvement targets. The creation of OpPlus represents a far-reaching change in banking operations, because under this new model the branch marketing structure requires fewer operative staff. Only the activities needing to be carried out in the customer's presence are performed in the branch itself while the more complex processes requiring more highly qualified professionals are attended in OpPlus, whereas the most simple tasks are performed under a highly industrialised operations model. To make this possible and to enable these tasks to be performed remotely, a new image processing system has been put under way, which allows digitalised documents to be sent between branches and OpPlus.

SINGLE EURO PAYMENTS AREA (SEPA)

Another of the lines of work Technology and Operations pursues is the adaptation of the Group's computing systems to the legally stipulated regulatory requirements. Under this heading in 2007, we should highlight the technological adaptation undertaken in view of the kick-off of the Single Euro Payments Area (SEPA) in January 2008.

This self-regulation process in the banking sector began in 2002 with the aim of standardising payment instruments within Europe. The SEPA will give rise to a domestic European market in which there will be a single method of payment (by transfers, direct debits and cards) in 31 countries: the 27 member states of the European Union, plus Iceland, Norway, Liechtenstein and Switzerland. This system implies the most important change in financial services since the introduction of the euro, and has required a

European Directive be published and adaptation of national and European payments infrastructures: in Spain the National Electronic Clearing System and in Europe the Euro Banking Association.

BBVA has had to adapt its internal computing systems to the requirements of these new payment instruments while meeting its commitment before the aforementioned bodies (and to its customers) that SEPA products and services will be available within the forecast time-frame. This was evidenced in September 2007 when SWIFT (Society for Worldwide Interbank Financial Telecommunications) officially notified BBVA that it was the first financial entity in the world to successfully pass the compliance test of the requirements set for implementing SEPA, in the transfers section.

TECHNOLOGICAL INNOVATION NETWORK

2007 saw contacts set up and agreements signed with the main innovation focal points in different countries: BBVA was the first financial entity to forge an alliance with the University of Stanford International Institute for Innovation (SRI International), together with the ILP (Industrial Liaison Program), a prestigious international programme that provides technological solutions and tools to MIT (Massachusetts Institute of Technology) collaborator companies. Furthermore, the German company Fraunhofer-Gesellschaft joined the BBVA technology innovation network to undertake a variety of projects.

Foundations have also been laid for collaboration with two prestigious Finnish innovation centres (TEKES and VTT), devoted to the promotion and funding of applied research and technological development. In Japan, contacts have been made with AIST (the National Institute of Advanced Industrial Science and Technology) and with ITPA (the Information-Technology Promotion Agency). These two organisations investigate technological solutions to cover social and economic needs.

Lastly, we should mention that the companies belonging to the BBVA technological innovation network and currently working in conjunction with the Group on various technological projects, are some of the most outstanding companies in their respective sectors. They include, inter alia, IBM, Microsoft, Cisco Systems, Nokia, Fujitsu, Hewlett-Packard and Telefónica.

Procurements, Premises and Services

The **Procurements, Premises and Services** unit implemented a new Group-wide organisational model during 2007, structured around corporate and country functions, which is enabling it to carry on increasing its contribution to the business and improving the service level it provides to the Organisation.

Corporate functions continued their **process-based** management drive, undertaking new transformation plans aimed at the simplification and automation of said processes. On another front, projects were launched, the object of which being to implement tools with functional and geographic scalability.

The Group has implemented the **Principles** applicable to those parties involved in the BBVA Procurement Process, the document which lays down the standards and guidelines now included in the BBVA Group Code of Conduct. These principles are specifically applicable to those persons taking part in the procurement process across all the functions.

The increase in the use of **electronic negotiation** tools likewise continued, expanding its geographic scope of use, as did the negotiated procurement categories through this platform, whereby, in 2007, over 40% of negotiations were carried out online. We should also highlight the capitalisation of the **synergies** that is being achieved by agglutinating the different areas' procurement needs in order to reduce costs.

Premises and Services kicked off its premises streamlining project in **Spain**, which will culminate with the construction of the new **Corporate Headquarters**, located in Las Tablas, a large development area in the north of Madrid. It is a project that will produce an improvement in work space use and usage, as well as providing employees with a more easily accessible location, which is efficient from the economic and environmental viewpoint and flexible in real estate terms, offering total liquidity.

Other projects concluded in 2007 included, in Madrid, the equipment of the new technological buildings in Las Tablas, the enlargement of the treasury desk in Hortaleza, and refurbishment and a

new work space layout in the building in Goya street, where the Spain and Portugal area is located. The new OpPlus High Value Operations Centre, located in the Campanillas Technology Park in Malaga, was likewise equipped, as was the Düsseldorf treasury desk. Refurbishment work was also started on the Paris, Brussels and New York branches.

Important projects were also undertaken in Mexico. They include:

- Kick-off of the real estate project (known as “Aurora”), the aim of which is to rationalise the use of the BBVA Group Bancomer buildings in Mexico City, including its headquarters. This real estate strategy will improve work space usage and it will reduce the costs of the properties currently managed in this city.
- Attainment of ISO 9001-2000 certifications for all the processes involved in the Procurements, Premises, Insurance and Travel areas, and the Mexico City Staff Canteens Service obtained “*Distintivo H*” certification, which assures the highest quality standards.

In South America, construction began on a new building for the Centro Hipotecario in Bogotá, and the relocation and improvement project of the BBVA Paraguay headquarters in Asunción was put under way.

As far as the various activities that the different Premises units have performed in the Group’s **branch network**, most noteworthy were the 271 works completed for equipping premises (relocations and new openings), as well as the 258 new refurbishment works.

Transformation and Productivity

SCOPE OF TRANSFORMATION

2007 was the year of consolidation of the Group Transformation Plan. Production managers were appointed in all the units, and there are Transformation Plans in all the areas as well as a Global Transformation Plan that acts as a conceptual outline and specific financial reference for all of them.

The **Global Transformation Plan** was conceived as a mobilisation framework to identify plans or

projects that will increase productivity and efficiency, and it has three main basic components: it focuses on the analysis of basic models such as sales, servicing, production, support services and corporate functions; it develops theories for these models and for all the functional areas undertaking them; and it quantifies improvement potentials for all of them.

The starting point for its design was an analysis of the Group’s value chain, the resource consumption of each of its links, the production functions and inter-area relations. Once the value chain had been understood and quantified, and based on a review of best practices or industry benchmarks for each of its components, opportunities for substantial improvement were identified in these areas, and hence for the Group as a whole.

The outcome of this process was that a general structured framework was set up, containing all the transformation initiatives already under way as well as the area plans. This framework therefore engages the entire organisation in the Group Transformation Plan, and a first-level monitoring forum (Production Committee) was created to assure the aforementioned plans and initiatives are successfully brought to conclusion.

The **Plan 2008-2010** includes projects from all the **areas** in the Group, from which the following are particularly noteworthy:

- In Spain and Portugal: sales productivity, a new operations model, servicing automation and network integration.
- Centralisation of operations in Global Businesses.
- In Mexico: a new network model, customer insight, an SME network, a centralised collection factory, lean operations and logistics.
- In South America: a new organisation model (country manager) and servicing, sales productivity and industrialisation of operations models.
- Technological platform and operations centralised in Technology and Operations.

This Transformation Plan, together with the Growth and Innovation Plans will enable the Group to achieve the ambitious **goals** it has set itself for **2010**: a 15% improvement in productivity and to achieve an efficiency ratio under 35%.

BANK OF THE FUTURE

2007 saw the conclusion of this project, launched with the aim of identifying and assessing the incidence of emerging trends on society and on industry, to then map out their implications in terms of strategic options, core competencies, and value chain and organisational models. This analysis gave rise to a number of future scenarios and structured a proposed action plan.

BUSINESS CONTINUITY

The roll-out of the Master Plan for Business Continuity continued during 2007, reaching a total of 118 continuity plans in 22 countries throughout Europe, the Americas and Asia. In preparation for expected regulation of this aspect, BBVA has actively participated in the constitution of the Spanish Business Continuity Consortium (CECON), as a forum, initially for the financial industry, to facilitate the exchange of good practices and standards.

CORPORATE QUALITY AND THE CUSTOMER CARE SERVICE (SAC)

During 2007, **Corporate Quality** kicked off a number of projects aimed fundamentally at enhancing the model for dealing with complaints within the Group. These included drawing up the first Corporate Report on Complaints, which covered the management models in the main countries in which BBVA operates, redesigning the complaints process using internet, and projects to attain a better insight into the reasons behind customer dissatisfaction.

For its part, the **Customer Care Service (SAC)** manages customer complaints against any of the Group's 22 companies in Spain, as per the dispositions in BBVA's Customer Protection Charter in Spain, to which all of them have adhered.

By virtue of its experience and its outward image, this Service was selected by the Bank of Spain Complaints Service to collaborate on a pilot scheme in the financial sector, the aim of which is to introduce a new telematic system for transmitting files between the Commissioner's Office and financial entities. Said system would offer an outstanding improvement in proceedings, reducing times and advancing in the digital security of the information afforded.

INTERNAL CONTROL

In accordance with international best practices, the Group understands internal control as a set of systems, policies, procedures and processes aimed at reasonably assuring operations effectiveness, the reliability of financial information, risk systems effectiveness and compliance with legislation and internal policies.

Processes are the hub of the BBVA system, hence the responsibility for internal control activities fall on the managers of the units that act on the processes supporting their activities. The model is broad in scope and it is not constrained merely to activities concerned with the generation of financial information. Another of its features is its comprehensive documentation; it has spread to over one hundred companies within the Group and the methodology it employs serves to identify critical processes, their inherent risks and controls to offset said risks. There are 10,700 sub-processes, 16,700 risks and 32,300 controls documented within the Group.

MiFID

The European Union Markets in Financial Instruments Directive (MiFID), which came into force on 1-Nov-07, lays down a series of requirements for financial entities when selling investment products. They must classify customers into three categories (retail clients, professional clients or eligible counterparties); identify their products subject to MiFID (and differentiate between complex and non-complex products); and they must establish policies for "best execution", "conflict of interest", and so on.

The BBVA Group's adaptation plan to the MiFID comprised 238 tasks, which were successfully implemented, thanks to:

- **The project organisation**, which was structured into three levels. The tasks were undertaken by pluri-disciplinary work groups, composed of people from the affected areas and co-ordinated by Internal Control. The decisions taken were then assessed and approved by two high-level committees and the entire process was supervised by the Steering Committee and the Audit and Compliance Committee.
- The wide-reaching **training** effort, in which over 15,000 people took part in online courses, and

over 13,000 customer managers were involved in in-house courses.

- **Systems developments:** classification of all customers and communication with each and every one; design, development and publication of a portal in the Group's intranet, with information addressed at the entire workforce and modification of 35 computer applications as well as the creation of 6 new ones.

PRIVACY

Throughout 2007, different work was undertaken on processes concerning files and non-automated processing that existed prior to the publication of the Organic Law on Personal Data Protection (*LOPD*), the final outcome of which was their complete adaptation to its principles before 24-Oct-07, hence fully complying with additional disposition number 1 of the aforementioned law.

Compliance

In accordance with the standards laid down by the Bank for International Settlements (BIS), the **Compliance function** addresses various branches of activity, including:

- The promotion of policies and procedures adapted to the ever-changing regulatory environment.
- Ensuring that future developments in matters relating to products and businesses are in line with corporate policies and incorporate the necessary elements to identify and assess potential compliance risks.
- Dissemination of information and training in subjects relating to compliance.

The **basic principles** of action underpinning BBVA's commitment in Compliance are laid out in the Group's Code of Conduct (www.bbva.com), compliance with which is compulsory for all its employees. This code defines and develops the foundations of ethical behaviour and the guidelines for action needed to preserve one of BBVA's principal sources of value creation: its corporate integrity.

CONDUCT IN BUSINESS

Development of the general guidelines outlined in the BBVA Group's **Code of Conduct** continued in 2007, with the undertaking of a specific public commitment to the promotion of, and respect for, human rights, which applies to the entire BBVA Group (<http://rrc.bbva.com>).

The Compliance function continued to check the alignment of policies and procedures of conduct on a continuous basis in the business of the different **companies becoming part** of the BBVA Group.

As far as conduct in the **securities market** is concerned, among the different projects carried out in 2007, worthy of note is the active participation of the Compliance function in the implementation of the BBVA Plan of Adaptation to the **Markets in Financial Instruments Directive (MiFID)**.

Compliance has focused on ensuring the Group's adaptation to the new standards of conduct in relations with customers, through its participation in the different working groups created for such purpose. To be precise, Compliance collaborated in defining the new framework for relations with customers arising from MiFID which called for:

- The adaptation of the offer of investment products and services to the customer's situation and circumstances.
- Compliance with the requisites for optimum fulfilment in the markets of the customers' instructions.
- Review of the procedures ensuring fair treatment of customers' instructions.
- Adaptation of the policy for the prevention and management of conflicts of interest with an aim to ensuring the independence and objectivity of the employees carrying out investment activities.

Likewise, BBVA's efforts to inform about and disseminate the new regulatory regime laid down by the MiFID to all employees affected by the new regulations were actively supported.

Moreover, it helped define the criteria for interpreting and applying the MiFID, by participating in the different working groups that have been formed within the professional associations to which the Group belongs (AEB, INVERCO, amongst others).

PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORIST ACTIVITIES

BBVA has a **Corporate Model** for Managing Money-laundering Risk which significantly strengthens the Group's different units and reinforces the objective stated in the Code of Conduct:

“As a financial group providing services to millions of people and conducting its activities in different social environments to whose well-being it is committed, BBVA cooperates fully with governmental bodies, international agencies and other organisations in the fight against drug trafficking, terrorist activities and other forms of organised crime.”

In 2007, the model further evolved, **with the adjustment** of policies and procedures to the changes in regulations in countries in which the BBVA Group operates, such as Chile, Colombia, Spain, the United States and Mexico, and with a view to incorporating the best international banking practices in the prevention of money-laundering and the financing of terrorist activities.

Within the framework of the BBVA Group's commitment regarding **collaboration with international organisations**, government bodies and other institutions in the fight against organised crime, terrorism and other forms of delinquency, co-operation continued in the shape of meetings with representatives of the Bank of Spain, Indonesia's Central Bank and its Anti-corruption Agency, the European Banking Federation and different regulatory bodies of the countries in which the Group operates. It likewise took part in

different fora organised by international bodies such as the Bank for International Settlements (BIS) in Basel and the Centre for Latin American Monetary Studies (CEMLA), to present the Corporate Money-laundering Risk Management Model of the BBVA Group.

In 2007 too, work on the **improvement** of computer **systems** and applications continued, in order to raise the Model's efficiency. In this respect, the new computer tools for monitoring operations and screening customers in Spain were fully implemented in Chile, Paraguay, Tokyo, Singapore, France, the United Kingdom and Belgium, and their installation was started in Colombia, Venezuela and Peru, a process which will be completed in 2008.

Another key element in the BBVA Model is the **training** of its employees and management staff to ensure the efficient performance of their functions in matters relating to money laundering and the financing of terrorist activities. In 2007, 45,905 employees were trained (41% of the total workforce) in the BBVA Group, confirming the efforts made by the Group with an aim to guaranteeing continuous training for all its employees and management staff, with special attention being paid to groups working in areas of greatest risk.

Last of all, the Group's total **workforce** employed full-time in activities aimed at the prevention of money laundering and financing of terrorist activities at December 07 was 250 employees, implying an increase of 47% on the previous year, due to the incorporation of specialists in this field of the banks acquired by the BBVA Group in the United States (Compass Bank, Texas State Bank and State National Bank).



The Corporate Governance System



The Corporate Governance System at Banco Bilbao Vizcaya Argentaria, S.A.

The principles and elements comprising the Bank's corporate governance are set forth in its board regulations, which govern the internal procedures and the operation of the board and its committees and directors' rights and duties as described in their charter.

Originally approved in 2004, these regulations were recently amended in December 2007 to reflect the latest recommendations on corporate governance, accommodating them to reflect the actual circumstances under which the Bank operates.

BBVA's corporate governance system is based on the distribution of functions between the board, the Executive committee and the other board committees, namely: the Audit & Compliance committee; the Appointments & Remuneration committee; and the Risks committee. All the board committee seats are occupied by directors.

The Executive committee is authorised to execute the board's powers of administration over the Company, except where prevailing legislation or the Bank's own bylaws or board regulations reserve such powers to the board.

The chairman of the board of directors is also the chief executive officer of the Bank, unless the board resolves otherwise, in compliance with its regulations, and reasons of corporate interest make it advisable to separate the posts of chairman and CEO.

The board of directors has approved the corporate governance report for 2007, pursuant to the regulations regarding disclosure standards for listed companies. It has also approved the report on board remuneration presented by the board's Appointments & Remuneration committee.

Shareholders can find all these documents (the board regulations, the corporate governance report and the report on directors' remuneration) on the Bank's website at www.bbva.com, created to facilitate information and communication with shareholders. There is a special direct link to provide easy access to any information considered relevant regarding BBVA's corporate governance system.

INDEPENDENT DIRECTORS

The board regulations establish that the board shall be composed in such a way as to ensure that external directors represent an ample majority over the executive directors, and that independent directors occupy at least one third of the total number of seats.

At present, independent directors hold an ample majority of the board seats, since eleven of the current fourteen board members are independent.

To such end, the board regulations determine what makes a director independent. These requirements reflect those recommended in the *Código Unificado de Buen Gobierno* (the unified code of good governance) and are in line with international standards, in particular those issued by the New York stock exchange (NYSE), pursuant to the indications of the Securities & Exchange Commission (SEC) in the United States.

Pursuant to article one of the board regulations, independent directors are those external directors who have been appointed in view of their personal and professional qualifications and can carry out their duties without being compromised by their relationships with the Company, its significant shareholders or its senior managers. Independent directors may not:

- a) Have been executive director or employees in the Group within the last three or five years, respectively.
- b) Receive from the Bank or companies in its Group, any amount or benefit for an item other than remuneration for their directorship, except where the sum is insignificant.

For the effects of this section, this does not include either dividends or pension supplements that directors receive due to their earlier professional or employment relationship, provided these are



unconditional and, consequently, the company paying them may not at its own discretion, suspend, amend or revoke their accrual without alleging breach of duties.

- c) Be or have been in the last 3 years, partners of the external auditor or in charge of the audit report, when the audit in question was carried out during said 3-year period in the Bank or any of its Group companies.
- d) Be executive directors or senior managers of another company on which a Bank executive director or senior manager is an external director.
- e) Maintain or have maintained over the last year any important business relationship with the Company or with any Group company, either in their own name or as a significant shareholder, director or senior manager of a company that maintains or has maintained such a relationship.
Business relationships means relationships as supplier of goods or services, including financial goods and services, as advisor or consultant.

- f) Be significant shareholders, executive directors or senior managers of any entity that receives, or has received over the last three years, significant donations from the Bank or its Group.
Those who are merely trustees in a foundation receiving donations shall not be deemed to be included under this letter.
- g) Be spouses, persons linked by a similar relationship, or related up to second degree to an executive director or senior manager of the Bank.
- h) Have not been proposed either for appointment or renewal by the Appointments & Remuneration committee.
- i) Be related to any significant shareholder or shareholder represented on the board under any of the circumstances described under letters a), e), f) or g) of this section. In the event of family relationships mentioned in letter g), the limitation shall not just be applicable with respect to the shareholder, but also with respect to their shareholder-nominated directors in the Bank.

Directors who hold an interest in the Company's share capital may be considered independent if they meet the above conditions and their shareholding is not considered legally significant.

According to the latest recommendations on corporate governance, the board has established a limit on how long a director may remain independent. Directors may not remain on the board as independent directors after having sat on it as such for more than twelve years running.

APPOINTMENT OF DIRECTORS

The proposals that the board submits to the Company's AGM for the appointment or re-election of directors and the resolutions to co-opt directors made by the board of directors shall be approved at the proposal of the Appointments & Remuneration committee in the case of independent directors and on the basis of a report from said committee in the case of all other directors.

To such end, the committee assesses the skills, knowledge and experience required on the board and the capacities the candidates must offer to cover any vacant seats. It evaluates how much time and work members may need to carry out their duties properly as a function of the needs that the Company's governing bodies may have at any time.

AGE LIMIT FOR DIRECTORS

BBVA's corporate governance system establishes an age limit for sitting on the Bank's board. Directors must present their resignation at the first board meeting after the AGM approving the accounts of the year in which they reach the age of seventy.

DUTIES OF DIRECTORS

Board members must comply with their duties as defined by legislation and by the bylaws in a manner that is faithful to the interests of the Company.

They shall participate in the deliberations, discussions and debates arising on matters put to their consideration and shall have sufficient information to be able to form a sound opinion on the questions corresponding to the Bank's governing bodies. They may request additional information and advice if they so require in order to perform their duties. Their participation in the board's meetings and deliberations shall be encouraged.

The directors may also request help from experts outside the Bank services in business submitted to their consideration whose complexity or special importance makes it advisable.

REMUNERATION OF BOARD MEMBERS

The members of the Appointments & Remuneration committee determine the extent and amount of the remuneration, rights and other economic rewards of the chairman & CEO, the president & COO and other executive directors of the Bank. Its conclusions are put to the board as proposals that can then be incorporated in the corresponding contracts. The committee also proposes the remuneration system for the board of directors as a whole, within the framework established under the Bank's bylaws.

BBVA pursues a policy of absolute transparency. Its annual report publishes an itemised breakdown of the remuneration received by each member of the board every year. This is made available to the shareholders for the General Meeting. It also gives detailed information on the remuneration policy for board members, to which all shareholders also have access.

CONFLICTS OF INTEREST

The rules comprising the BBVA directors' charter detail different situations in which conflicts of interest could arise between directors, their family members and/or organisations with which they are linked, and the BBVA Group. They establish procedures for such cases, in order to avoid conduct contrary to the Company's best interests.

These rules help ensure Directors' conduct reflect stringent ethical codes, in keeping with applicable standards and according to core values of the BBVA Group.

INCOMPATIBILITIES

Directors are also subject to a regime of incompatibilities, which places strict constraints on holding posts on governing bodies of Group companies or companies in which the Group has a holding. Non-executive directors may not sit on the boards of subsidiary or related companies because of the Group's holding in them, whilst executive directors may only do so if they have express authority.

Directors who cease to be members of the Bank's board may not offer their services to any other financial institution competing with the Bank or of its subsidiaries for two years after leaving, unless expressly authorised by the board. Such authorisation may be denied on the grounds of corporate interest.

DIRECTORS' RESIGNATION

Furthermore, in the following circumstances, reflected in the board regulations, directors must tender their resignation to the Board and accept its decision regarding their continuity in office (formalising said resignation when the board so resolves):

- When barred (on grounds of incompatibility or other) under prevailing legal regulations, under the bylaws or under the directors' charter.
- When significant changes occur in their professional situation or that may affect the condition 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 the Company's assets or its reputation or credit, and/or no longer displays the commercial and professional honour required to hold a Bank directorship.

RELATIONS WITH SHAREHOLDERS AND MARKETS

The principle of transparency informs everything the Bank does on the financial markets. The board regulations establish that the board shall disclose any information that may be relevant to investors, and that the information is correct and true. The board shall ensure that all shareholders have access to information that is substantially the same, within the same amount of time.

General Meeting of Shareholders (AGM)

Issues relating to how the General Meeting is run and to shareholders' rights are covered in the BBVA General Meeting regulations, which shareholders and investors can consult on the Bank's website, www.bbva.com.

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

They will also find documents relating to the AGM on the website, with information on the agenda, the proposals from the board of directors and any relevant information shareholders may need to vote. It shall also include necessary details regarding shareholder information services, indicating telephone numbers, email address, branch offices and opening hours.

The regulations establish the procedures to be followed in the public call for proxies, in compliance with the law and the Company bylaws.

They stipulate that the form of proxy must contain or be attached to the agenda, and include a request for voting instructions so that shareholders may stipulate the general way in which their proxy shall vote should no precise instructions be given.

They also determine how directors should formulate the public call for proxy and the way they should exercise the shareholders' representation and vote, with rules covering possible conflict of interests.

They also establish the most significant aspects related to the operation of the AGM, voting procedures for motions presented to it, how resolutions are to be adopted and other issues related to running an AGM.

Under the Company bylaws, the Company's AGMs may be attended by anyone owning 500 shares or more, providing that, five days before the date on which the AGM is to be held, their ownership is recorded on the pertinent registers and they retain at least this same number of shares until the AGM is actually held. Holders of fewer shares may group together until achieving the required number, appointing a representative.

The above notwithstanding, if holders of fewer shares than the bylaws establish for entitlement wish to attend, 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 where the inevitable space constraints in the facilities where AGMs can be held allow this, given the very high number of shareholders in the company.

In accordance with the bylaws, the regulations state that shareholders may delegate their voting rights on motions regarding agenda items of any kind of General Meeting or exercise them by post, e-mail or any other remote means of communication, provided the voter's identity is duly guaranteed.

Any shareholders entitled to attend may be represented at the AGM by another shareholder, using the form of proxy the Company establishes for each AGM, which will be displayed on the attendance card.

To facilitate communication with the Company's shareholders regarding the organisation of the AGMs, the Bank's board of directors operates a permanent helpdesk to deal with shareholders' requests for information, clarification and questions.

The Board of Directors

The board will have the number of directors established in the company's bylaws and in any resolution adopted by the AGM.

Bank directorships may be executive or external. Executive directors have been conferred general powers to represent the Company on a permanent basis; they perform senior-management duties or are employees of the Company or its Group companies. All other board members shall be considered external.

Shareholder-nominated directors are external directors who directly or indirectly hold shares representing at least 5% of the Company's capital and voting rights and who represent such shareholders. For such purposes, a director is deemed to represent a shareholder when: they have been appointed to exercise proxy rights; they are a director, senior manager, employee or non-occasional service provider to said shareholder and/or to companies belonging to its group; corporate documents show that the shareholder deems the director to represent or have been nominated by said shareholder; they are married to or bound by equivalent emotional relationship, or related by up to second-degree family ties to a significant shareholder. BBVA does not have shareholder-nominated directors.

The above criteria – 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 to take concerted action in using their 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.

In compliance with the most stringent international corporate governance practices, the board of directors has resolved to put a motion to the AGM to change the Company bylaws. If passed, it would reduce the term of office for directors to three years, as against the current five years. Directors could be re-elected for one or more terms of the same maximum duration.

The BBVA board of directors, at 31st December, comprised fourteen directors actively performing their duties, of which three were executive directors. The attached chart shows the names of the board members, the date they were appointed, and the kind of directorship they have, pursuant to the Bank's board of directors' regulations:

Board of Directors				
Full name	Post on Board of directors	Type of directorship	Date of appointment	Date of re-election
González Rodríguez, Francisco	Chairman & CEO	Executive	28-Jan-2000	26-Feb-2005
Goirigolzarri Tellaache, José Ignacio	President & COO	Executive	18-Dec-2001	01-Mar-2003
Alfaro Drake, Tomás	Director	Independent	18-Mar-2006	
Álvarez Mezquíriz, Juan Carlos	Director	Independent	28-Jan-2000	18-Mar-2006
Bermejo Blanco, Rafael	Director	Independent	16-Mar-2007	
Breeden, Richard C.	Director	Independent	29-Oct-2002	28-Feb-2004
Bustamante y de la Mora, Ramón	Director	Independent	28-Jan-2000	26-Feb-2005
Fernández Rivero, José Antonio	Director	Independent	28-Feb-2004	
Ferrero Jordi, Ignacio	Director	Independent	28-Jan-2000	26-Feb-2005
Knörr Borrás, Román	Director	Independent	28-May-2002	01-Mar-2003
Loring Martínez de Irujo, Carlos	Director	Independent	28-Feb-2004	18-Mar-2006
Maldonado Ramos, José	Director & Secretary	Executive	28-Jan-2000	28-Feb-2004
Medina Fernández, Enrique	Director	Independent	28-Jan-2000	28-Feb-2004
Rodríguez Vidarte, Susana	Director	Independent	28-May-2002	18-Mar-2006

Mr FRANCISCO GONZÁLEZ RODRÍGUEZ

Chairman & CEO

Born in Chantada (Lugo) in 1944.

Francisco González has been chairman & CEO of BBVA since January 2000.

Francisco González is member and chairman of the European Financial Services Roundtable (EFR), board member of the Institute for International Finance (IIF), member of the Institut Européen d'Études Bancaires (IIEB), board member of the IMF Capital Markets Consultative Group, board member of the International Monetary Conference, Global Counsellor of the Conference Board and member of the international advisory committee for the New York Federal Reserve, as well as other international fora.

He is also chairman of the Fundación BBVA and governor of the Red Cross, Foundation for Help Against Drug Addiction, Foundation for Terrorism Victims, the Guggenheim Museum in Bilbao, Museo de Bellas Artes in Bilbao, Fundación Príncipe de Asturias, Real Instituto Elcano, Fundación Carolina, ESADE, FEDEA, Fundación de Estudios Financieros, Instituto de Estudios Económicos and Institut Europeu de la Mediterrània.

Prior to the merger between Banco Bilbao Vizcaya and Argentaria, Francisco González was chairman of Argentaria from 1996 to 1999, when he led the integration, transformation and privatisation of a very diverse group of State-owned banks. During this period, Francisco González was also director of Endesa, Chairman of Banco Uno-e, Banco Hipotecario de España, Banco Exterior de España, Caja Postal and Banco de Crédito Local.

Before joining Argentaria, Francisco González founded the securities firm, FG Inversiones Bursátiles, which became the first independent firm of brokers in Spain, and was later bought out by Merrill Lynch.

Francisco González is also a registered Spanish Stock Broker (the highest-scoring candidate examined in 1980) and Trader for the Bolsa de Madrid. He has sat on the Executive committee of the Bolsa de Madrid and the Executive committee of Bancovál. He began his professional career in 1964 as programmer in an IT company. He dates his mission to transform 21st-century banking through the application of new technologies back to this period.

Graduated in Economic and Business Sciences from Universidad Complutense de Madrid.

Mr JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE

President & COO

Born in Bilbao (Vizcaya) in 1954.

He was appointed as BBVA's president & chief operating officer on 18th December 2001.

His professional career has always been linked to banking, and more specifically, to BBVA, which he joined in 1978, after having taught Strategic Planning at the Universidad Comercial de Deusto.

Main stages in BBVA:

- Joined the Banco de Bilbao in 1978, assigned to the Strategic Planning Area. Member of BBV Holding (company that led the merger between BB and BV).
- In 1992, was appointed BBV General Manager.
- From 1993 to 1998, he directed Retail Banking for the BBV Group. From 1995 he also directed the BBV-Americas Group, coinciding with the BBV Group's expansion in Latin America.
- In 1994 he became a member of the BBV Management Committee.
- In 1999, BBV and Argentaria announced their merger. José Ignacio Goirigolzarri was appointed member of the BBVA Management committee and head of all its Latin-American businesses.
- Since 2000 has sat on the BBVA Bancomer board.
- In April 2001, was appointed General Manager of the BBVA Group, in charge of Retail Banking. His responsibilities covered the following areas: Retail Banking in Spain, Retail Banking in the Americas, Pensions, Private Banking and e-Banking.

Director of CITIC-BANK and Spanish chairman of the Spain-USA "Consejo España-Estados Unidos" Foundation.

Doctor in Economics and Business Science from Universidad de Deusto.

Mr TOMÁS ALFARO DRAKE

Director

Born in Madrid in 1951.

He was appointed to a BBVA directorship on 18th March 2006.

1973–1975 DIMETAL, S.A. as systems engineer.

1975–1977 DIMETAL, S.A. Sales and marketing manager at industrial automation division.

1979–1981 JOHNSON WAX ESPAÑOLA, S.A. Product manager.

1981–1998 Instituto de Empresa.

Marketing manager.

Director of Master's programme on marketing and commercial management.

Director of studies.

Also lectured on finance and marketing, a teaching activity in which he is still actively involved.

1981–1998 Consultant in finance and marketing for domestic and multinational companies in various industries, including: financial services, industry, service distribution.

1998 Universidad Francisco de Vitoria.

Director of the degree course on business management and administration.

Director of diploma course on business sciences.

Studied engineering at ICAI.

Mr JUAN CARLOS ÁLVAREZ MEZQUÍRIZ

Director

Born in Crémenes (Leon) in 1959.

Appointed to BBVA directorship on 28th January 2000.

1988 – Joined FISEG, Empresa Financiera de Servicios Generales.

1990 – General manager of EL ENEBRO, S.A. (holding company of the Eulen Group).

1993 – Chief financial officer, EULEN, S.A.

2002 – Managing director of GRUPO EULEN, S.A.

Graduated in economic science from the Universidad Complutense de Madrid.

Mr RAFAEL BERMEJO BLANCO

Director

Born in Madrid in 1940

He was appointed to a BBVA directorship on 16th March 2007. Has been chairman of its Audit & Compliance committee since 28th March 2007.

1966 – Sema – Metra. Analyst for investment projects.

1971 – Banco Popular. Investment Division head of sector. Special Risks Officer.

1978 – Ministry of Economics and Finance. Director General for Planning.

Instituto Nacional de Industria. Member of the board of directors.

1978 – Instituto de Crédito Oficial. Chairman.

1982 – Fondo de Garantía de Depósitos. Director. World Bank consultant (Argentine banking system).

1989–2004 Banco Popular.

Member of General Management committee (1991–2004).

Branch network manager (1991–1995).

Comptroller General (1995–1999).

Technical general secretary in charge of consolidated financial information, reporting to the Banking of Spain and management of the Group's equity (1991-2004).

Member of the Steering Committee of the Spanish banking association (AEB) and trustee of the Universidad Complutense's Colegio Universitario de Estudios Financieros (CUNEF).

Studied industrial engineering at the school of industrial engineering in Madrid (ETS).

Mr RICHARD C. BREEDEN

Director

Born in the United States of America in 1949.

He was appointed to a BBVA directorship on 29th October 2002

1976-1981; 1985-1988: Lawyer for Cravath, Swaine & Moore, New York, and partner in Baker & Botts, Washington.

1982-1985: Senior Legal Advisor to the Vice-President of the USA and the White House.

1989: Presidential Aide in the White House, USA.

1989-1993: Chairman of the U.S. Securities & Exchange Commission (SEC).

1993-1996: Chairman of Coopers & Lybrand, International Financial Services, LLC.

Since 1996, CEO of Richard C. Breeden & Co., a company specialising in advising companies on business restructuring and strategic consultancy regarding corporate governance, accounts and disclosure requirements. In 2002, the Federal Court of the United States appointed him Corporate Instructor to head the SEC fraud enquiry against WorldCom, Inc. (now known as MCI, Inc.).

Since 1997, has chaired the Audit committee and sat on the Remuneration committee of W.P. Stewart & Co., Ltd. Also chairs the Audit committee for Audio Visual Services Corporation, and is court-appointed member of the MCI, Inc. board of directors and Audit committee.

Read law at the Harvard Law School and at Stanford University.

Mr RAMÓN BUSTAMANTE Y DE LA MORA

Director

Born in Madrid in 1948.

Appointed to BBVA directorship on 28th January 2000.

1972 – IBERIA, L.A.E. Research Department.

1975 – BANCO COMERCIAL DE CATALUÑA. Accounts Director.

1976 – BANCA GARRIGA NOGUÉS. Madrid Director.

1986 – BANCA GARRIGA NOGUÉS. Deputy General Manager.

1986 – BANESTO. Various senior posts and responsibilities: Director of Territorial Norte; (1987) Director O.P. Madrid and Regional Director for Madrid; (1990) Deputy General Manager for Sales and Marketing Strategy; (1992) General Manager and deputy to the Managing Director; (1993) Managing Director of Bandesco.

1996 – ARGENTARIA. Senior Managing Director and Chairman of the Control Committee; Senior Managing Director of Retail Banking; Non-executive Deputy Chairman; (1997) Chairman of Unitaria.

Graduated in Law and Economic Sciences from Universidad Complutense de Madrid.

Mr JOSÉ ANTONIO FERNÁNDEZ RIVERO

Director

Born in Gijón (Asturias) in 1949.

He was appointed to his BBVA directorship on 28th February 2004. Has been chairman of its Risks committee since 30th March 2004.

1976 – Joined Arthur Andersen (Systems).

1977 – Joined Banco de Vizcaya, where he was Director of Administration and Control for the International Division.

1986 – Chairman of Management Committee, Banque de Gestion Financière, S.A. (Belgium).

1988-1989 – Deputy Director General for Planning and Control in Commercial Banking, and later Regional Director of Retail Banking.

In 1990 he joined Banco Exterior de España as Comptroller General, occupying the same post in Corporación Bancaria de España (Argentaria) from 1991 to 1995, where he was appointed Director General for Internal Control and Oversight. In 1997 he took over the duties of General Manager for Organisation, Systems, Operations, Human Resources, Procurement and Real Estate.

In 1999, after the merger with BBV, he was appointed General Manager of BBVA Systems & Operations.

Was appointed Group General Manager in 2001, with duties in several areas.

Director representing BBVA on the boards of: Telefónica, Iberdrola, Banco de Crédito Local, and chairman of Adquiria.

Graduated in Economic Sciences from the Universidad de Santiago.

Mr IGNACIO FERRERO JORDI

Director

Born in Barcelona in 1945.

He was appointed to his BBVA directorship on 28th January 2000.

Chairman of the board and managing director of NUTREXPA

Chairman of the board and managing director of LA PIARA.

Deputy chairman of the food and drink federation (FEDERACIÓN DE INDUSTRIAS DE ALIMENTACIÓN Y BEBIDAS) since 23rd April 1980.

Deputy chairman of the institute for family-run businesses (INSTITUTO DE LA EMPRESA FAMILIAR) since 10th July 2000.

Member of management board and of the executive committee for FOMENTO DEL TRABAJO NACIONAL, since January 1997.

Member of the managing committee of MAZ (Mutua Accidentes de Zaragoza) since 31st March 2000.

Member of Management Board of Spanish commercial coding association, AECOC (Asociación Española de Codificación Comercial) since 25th February 2003.

Graduated in Law from Universidad de Barcelona.

Mr ROMÁN KNÖRR BORRÁS

Director

Born in Sueca (Valencia) in 1939.

He was appointed to a BBVA directorship on 28th May 2002

1955-1961 AREITIO, S.A. Business Group

1961-1992 KAS Business Group (Head of Advertising and PR; Sales and Marketing Manager; Deputy Chairman of KAS, S.A. and KNÖRR ELORZA, S.A.

Director and Chairman of ZUMOS DE NAVARRA, S.A.; Director and Chairman of MIKO, AVIDESA and CASTILLO DE MARCILLA; Director of S.A. DE ALIMENTACIÓN, Director of ALIMENTOS NATURALES, S.A. and Director of AGUAS DE SAN MARTÍN DE VERI, S.A.

Also deputy chairman of the Spanish fruit-juice manufacturers' association (ASOCIACIÓN NACIONAL DE FABRICANTES DE ZUMOS) and member of management committee of Spanish advertisers' association (ASOCIACIÓN ESPAÑOLA DE ANUNCIANTES) and of management committee and steering committee of the national soft-drinks manufacturers' association (ASOCIACIÓN NACIONAL DE FABRICANTES DE BEBIDAS REFRESCANTES).

Also Chairman of CONSULNOR ALAVA, S.A. and Director of PATRIMIX SICAV, S.A.

From June 1994 to June 1999 was Chairman of SINDICATO EMPRESARIAL ALAVÉS.

Was chairman of the Basque Industrial Confederation (Confederación Empresarial Vasca or CONFEBASK) from July 1999 to July 2005, and member of Executive Committee and Management Board of Spanish Industrial Confederation (CEOE) over the same period.

Is currently on the board of MEDIASAL 2000, S.A., and chairman of EUROKAS SICAV, S.A. and CARBONICAS ALAVESAS, S.A. and joint director of FUTURE DRINKS & FOODS, S.L.

Chairman of the Official Alava Chamber of Commerce and Industry since March 2006.

Full member and chairman of the training committee for the High Council of Chambers of Commerce.

Chairman of the Basque chambers of commerce, CAMARAS DE COMERCIO VASCAS- EUSKO GANBERAK.

Member of the management board of the Basque innovation agency, INNOBASQUE, Agencia Vasca de la Innovación.

Studied Commercial Management, Marketing and Advertising at various teaching institutions in Barcelona and San Sebastian.

Mr CARLOS LORING MARTÍNEZ DE IRUJO

Director

Born in Mieres (Asturias) in 1947.

He was appointed to his BBVA directorship on 28th February 2004. Has been chairman of the board's Appointments & Remuneration committee since April 2006.

In 1971 joined J&A Garrigues, becoming a partner in 1977. Held posts as Director of the M&A Department, Director of Banking and Capital Markets, and in charge of advisory services for big public companies. Since 1985, has been member of its Management Committee.

His activity has been focussed on mergers and acquisitions, advising large multinational corporations; he has been intensely involved in the legal coordination of some key global IPOs and placements, for Spanish and non-Spanish companies, representing arrangers and issuers

More recently, he has focussed on consultancy services for listed companies in their big corporate operations, providing legal assistance at their Annual General Meetings.

He is a renowned specialist in corporate governance, having helped several public companies to restructure their organisation as new recommendations and regulations on good governance have been published in Spain. Was recently shortlisted by the International Who's Who of Business Lawyers as one of the most pre-eminent lawyers in corporate governance.

From 1984 to 1992 was member of the board of governors of the Colegio de Abogados de Madrid (Madrid Law Association).

Has worked with the teaching arm of the Garrigues lawfirm, as a member of the Advisory Board for its Masters in Private Banking.

Read law at the Universidad Complutense de Madrid.

Mr JOSÉ MALDONADO RAMOS

Director & Company Secretary

Born in Madrid in 1952.

Was appointed Director & Company Secretary of BBVA on 28th January 2000.

In 1978 passed competitive exam to become a civil-service lawyer (Cuerpo de Abogados del Estado).

Was appointed Technical General Secretary to the Ministry of Territorial Administration, then Under-Secretary of the same department in 1982.

Has acted as Legal Secretary for various governing bodies on public companies, including: Astilleros y Talleres del Noroeste, S.A. (ASTANO); Aplicaciones Técnicas Industriales, S.A. (ATEINSA); Oleaginosas Españolas, S.A. (OESA); Camping Gas, S.A. and Aviación y Comercio, S.A. (AVIACO).

Board Secretary and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria Alimentaria, S.A. (ENDIASA); for Astilleros Españoles, S.A.; and for Iberia Líneas Aéreas de España, S.A.

Has been Legal Counsel for Banco Exterior, S.A.; Legal Counsel for Banco Internacional de Comercio, S.A. and Banco Central Hispanoamericano S.A., as well as Company Secretary of Sindibank, S.B.

Was appointed Director & Company Secretary of ARGENTARIA in April 1997.

Read Law at Universidad Complutense de Madrid, winning the extraordinary first prize on graduation.

Mr ENRIQUE MEDINA FERNÁNDEZ

Director

Born in La Puebla de Montalbán (Toledo) in 1942.

He was appointed to his BBVA directorship on 28th January 2000.

In 1967 passed competitive exam to become a civil-service lawyer (Cuerpo de Abogados del Estado).

Took up a post in the Cáceres regional tax and court department (Delegación de Hacienda y Tribunales de Cáceres);

Directorate General for Administrative-Contentious Law; and the Supreme Court.

Was head of the technical staff of the undersecretary for the Spanish treasury and the Director General for territorial planning.

In 1971 was appointed to director of Banco de Crédito a la Construcción.

From 1975 to 1981, was director and company secretary for Banco de Progreso.

From 1985 to 1989, he held similar posts in Corporación Financiera Alba and from 1989 to 1991, in Banco Urquijo.

Deputy chairman of Ginés Navarro Construcciones until its merger within the new ACS Group.

Read law at the Universidad Complutense de Madrid.

Ms. SUSANA RODRÍGUEZ VIDARTE

Director

Born in Bilbao (Vizcaya) in 1955.

She was appointed to her BBVA directorship on 28th May 2002.

Has mainly worked in the academic world.

Lecturer and researcher at the Management Department in the Economics Sciences and Economics Faculty La Comercial de la Universidad de Deusto.

Held the chair in Business Economics and Management Control, with teaching activities for undergraduate and postgraduate programmes at La Comercial in Spain, Argentina and Chile.

Since 1996, has been dean of the Business and Economics department La Comercial de la Universidad de Deusto and since 2003, Director of the international business management institute, Instituto Internacional de Dirección de Empresas. Is currently member of the Executive Committee of the Management Board of the Universidad de Deusto and its Academic Committee.

Trustee of the Luis Bernaldo de Quirós Foundation and the Management Board of the business management cluster, Cluster del Conocimiento en Gestión Empresarial.

Joint Editor of Boletín de Estudios Económicos.

Member of Instituto de Contabilidad y Auditoría de Cuentas (Accountants and Auditors Institute).

Doctor in Economic and Business Sciences from Universidad de Deusto.

The ordinary meetings of the board of directors take place monthly and an annual schedule of the ordinary sessions is drawn up sufficiently in advance. During 2007 the board of directors met fifteen times, the chairman of the board attending all its sessions.

The board of directors shall meet whenever its chairman or the Executive committee deem it advisable, or at the behest of at least one quarter of the board members in office at any time.

The board may also meet when all its members are present and unanimously resolve to constitute a meeting.

The agenda shall include the matters determined by the chairman of the board, either at his/her own initiative or at the suggestion of any director, deemed to be advisable for the Company's best interests.

Directors shall be provided with any information or clarification they deem necessary or appropriate in connection with the business to be considered at the meeting. This can be done before or during the meetings.

The chairman shall encourage the participation of directors in the meetings and deliberations of the Board and shall put matters to a vote when he/she considers they have been sufficiently debated.

Group executives and other persons may join the meetings should the chairman deem their attendance advisable in light of the business laid before the board.

Article 48 of the company bylaws establishes that the board of directors, in order to best perform its duties, may create any committees it deems necessary to help it on issues that fall within the scope of its powers. A description of the composition of the board's committees is given below.

Board Committees				
Full name	Executive Committee	Audit and Compliance	Appointments and Remuneration	Risks
González Rodríguez, Francisco	•			
Goirigolzarri Tellaeche, José Ignacio	•			
Alfaro Drake, Tomás		•		
Álvarez Mezquiriz, Juan Carlos	•		•	
Bermejo Blanco, Rafael		•		•
Breeden, Richard C.				
Bustamante y de la Mora, Ramón		•		•
Fernández Rivero, José Antonio				•
Ferrero Jordi, Ignacio	•		•	
Knörr Borrás, Román	•			
Loring Martínez de Irujo, Carlos		•	•	
Maldonado Ramos, José				•
Medina Fernández, Enrique	•			•
Rodríguez Vidarte, Susana		•	•	

THE EXECUTIVE COMMITTEE

In accordance with Company bylaws, the board of directors may appoint an Executive committee, once two-thirds of its members vote for it. It shall try to ensure that it has a majority of external directors to executive directors and that independent directors occupy at least one third of the total seats.

The board of directors has constituted an Executive committee, to which it has delegated all its powers of administration, except those that the law and/or bylaws deem undelegatable due to their essential nature.

On 31st December 2007, this committee was made up of six members, of whom two were executive directors and four independent directors. Its composition was as follows:

Chairman: Mr Francisco González Rodríguez
President & COO: Mr José Ignacio Goirigolzarri Tellaeche
Members: Mr Juan Carlos Álvarez Mezquíriz
Mr Ignacio Ferrero Jordi
Mr Román Knörr Borrás
Mr Enrique Medina Fernández

The Executive committee deals with those matters that the board of directors has delegated to it in accordance with prevailing legislation or company bylaws.

According to the company bylaws, its faculties include the following: to formulate and propose policy guidelines, the criteria to be followed in the preparation of programmes and to fix targets, 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 operational areas 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 evaluation of the bank's system of corporate governance. This shall be analysed in the context of the company's development and of the results it has obtained, taking into account any regulations that may be passed and/or recommendations made regarding best market practices, adapting these to the company's specific circumstances.

The Executive committee shall meet on the dates indicated in the annual calendar of meetings and when the chairman or acting chairman so decides.

During 2007, the Executive committee met 22 times.

AUDIT & COMPLIANCE COMMITTEE

This committee shall perform the duties attributed it under laws, regulations and bylaws. Essentially, it has authority from the board to supervise the financial statements and the oversight of the BBVA Group.

The board regulations establish that the Audit & Compliance committee shall have a minimum of four members appointed by the board in the light of their know-how and expertise in accounting, auditing and/or risk management. They shall all be independent directors, one of whom shall act as chairman, also appointed by the board.

On 31st December 2007, the BBVA Audit & Compliance Committee comprised the following members:

Chairman: Mr Rafael Bermejo Blanco
Members: Mr Tomás Alfaro Drake
Mr Ramón Bustamante y de la Mora
Mr Carlos Loring Martínez de Irujo
Ms Susana Rodríguez Vidarte

The scope of its functions is as follows:

- Supervise the internal control systems' sufficiency, appropriateness and efficacy in order to ensure the accuracy, reliability, scope and clarity of the financial statements of the company and its consolidated group in their annual and quarterly reports. Also to oversee the accounting and financial information that the Bank of Spain or other regulators from Spain and abroad may require.
- Oversee compliance with applicable national and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to anti-trust regulations. Also ensure that any requests for information or for a response from the competent bodies in these matters are dealt with in due time and in due form.
- Ensure that the internal codes of ethics and conduct and securities market operations, as they apply to Group personnel, comply with regulations and are properly suited to the Bank.
- Especially to enforce compliance with provisions contained in the BBVA directors charter, and ensure that directors satisfy applicable standards regarding their conduct on the securities markets.

Ensure the accuracy, reliability, scope and clarity of the financial statements. The committee shall constantly monitor the process by which they are drawn up, holding frequent meetings with the Bank executives and the external auditor responsible for them.

The committee shall also monitor the independence of external auditors. This entails the following two duties:

- Ensuring that the auditors' warnings, opinions and recommendations cannot be compromised.
- Establishing the incompatibility between the provision of audit and the provision of consultancy services, 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.

The committee selects the external auditor for the Bank and its Group, and for all the Group companies. It must verify that the audit schedule is being carried out under the service agreement and that it satisfies the requirements of the competent authorities and the Bank's governing bodies. The committee will also require the auditors, at least once each year, to assess the quality of the Group's internal oversight procedures.

The Audit & Compliance committee meets as often as necessary to comply with its tasks, although an annual meeting schedule is drawn up in accordance with its duties. During 2007 the Audit & Compliance committee met thirteen times.

Executives responsible for Accounting & Consolidation, Internal Audit and Regulatory Compliance can be invited to attend its meetings and, at the request of these executives, other staff from these departments who have particular knowledge or responsibility in the matters contained in the agenda, can also be invited when their presence at the meeting is deemed appropriate. 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 advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

Likewise, the committee can call on the personal co-operation and reports of any member of the management team when it considers that this is necessary to carry out its functions with regard to relevant issues.

The committee has its own specific regulations, approved by the board of directors. These are available on the bank's website and, amongst other things, regulate its operation.

APPOINTMENTS & REMUNERATION COMMITTEE

The Appointments & Remuneration Committee is tasked with assisting the board on issues related to the appointment and re-election of board members, and determining the directors' remuneration.

This committee shall comprise a minimum of three members who shall be external directors appointed by the board, which shall also appoint its chairman. However, the chairman and the majority of its members must be independent directors, in compliance with the board regulations.

On 31st December 2007, the BBVA Appointments & Remuneration Committee comprised the following members:

Chairman: Mr Carlos Loring Martínez de Irujo
Members: Mr Juan Carlos Álvarez Mezquíz
Mr Ignacio Ferrero Jordi
Ms Susana Rodríguez Vidarte

Its duties, apart from the afore-mentioned duty in the appointment of directors, include proposing the remuneration system for the board as a whole, within the framework established in the company bylaws. This entails determination of its items, the amount payable for each item and the settlement of said amount, and, as mentioned above, the scope and amount of the remuneration, rights and economic compensation for the CEO, the COO and the bank's executive directors in order to include these aspects in a written contract.

This committee shall also:

- Should the chairmanship of the Board or the post of chief executive officer fall vacant, examine or organise, in the manner it deems suitable, the succession of the chairman and/or chief executive officer and put corresponding proposals to the Board for an orderly, well-planned succession.
- Submit an annual report on the directors remuneration policy to the board of directors.
- Report the appointments and severances of senior managers and propose senior-management remuneration policy to the board, along with the basic terms and conditions for their contracts.

The chairman of the Appointments & Remuneration Committee shall convene it as often as necessary to comply with its mission, although an annual meeting schedule shall be drawn up in accordance with its duties. During 2007 the Appointments & Remuneration Committee met 7 times.

In accordance with the BBVA board regulations, the committee may ask members of the Group organisation to attend its meetings, when their responsibilities relate to its duties. It may also receive any advisory services it requires to inform its criteria on issues falling within the scope of its powers.

RISKS COMMITTEE

The board's Risks committee is tasked with analysis of issues related to the Group's risk management and control policy and strategy. It assesses and approves any risk transactions that may be significant.

The Risk committee shall have a majority of external directors, with a minimum of three members, appointed by the Board of Directors, which shall also appoint its chairman.

On 31st December 2007, the composition of the Risks committee was as follows:

Chairman: Mr José Antonio Fernández Rivero
Members: Mr Rafael Bermejo Blanco
Mr Ramón Bustamante y de la Mora
Mr José Maldonado Ramos
Mr Enrique Medina Fernández

Under the board regulations, it has the following duties:

- Analyse and evaluate proposals related to the Group's risk management and oversight policies and strategy. In particular, these shall identify:
 - a) The risk map;
 - b) The setting of the level of risk considered acceptable according to the risk profile (expected loss) and capital map (risk capital) broken down by the Group's businesses and areas of activity;
 - c) The internal information and oversight systems used to oversee and manage risks;
 - d) The measures established to mitigate the impact of risks identified should they materialise.
- Monitor the match between risks accepted and the profile established.
- Assess and approve, where applicable, any risks whose size could compromise the Group's capital adequacy or recurrent earnings, or that present significant potential operational or reputational risks.
- Check that the Group possesses the means, systems, structures and resources benchmarked against best practices to allow implementation of its risk management strategy.

The committee meets as often as necessary to best perform its duties, usually once a week. In 2007, it held 74 meetings.

Steering Committee ⁽¹⁾

Chairman and CEO

Mr Francisco González Rodríguez

President and COO

Mr José Ignacio Goirigolzarri Tellaeche

Other members of the Steering Committee

Mr Eduardo Arbizu Lostao	Legal Services, Fiscal Matters, Auditing and Compliance
Mr Xavier Argenté Ariño	Spanish Banking Business (Spain and Portugal)
Mr Juan Asúa Madariaga	Spain and Portugal
Mr Javier Ayuso Canals	Communication and Image
Mr José Barreiro Hernández	Global Businesses
Mr Javier Bernal Dionis	Innovation and Business Development (Spain and Portugal)
Mr Ángel Cano Fernández	HR, IT & Operations
Mr Ignacio Deschamps González	Mexico
Mr José María García Meyer-Dohner	USA
Mr Manuel González Cid	CFO
Mr José Maldonado Ramos	Secretary General
Mr Vicente Rodero Rodero	South America
Mr José Sevilla Álvarez	Risk

(1) Composition at 31 December 2007.



Corporate
responsibility



CORPORATE RESPONSIBILITY AT BBVA

BBVA understands corporate responsibility to be a wholehearted commitment to providing the utmost value possible in a balanced manner to all its direct stakeholders – shareholders, customers, employees and suppliers – and to the sum of societies in which it operates.

The main **aim** of the Group's corporate responsibility policy is to outline the commitments and drive the processes that will lead to the creation of value for both stakeholders (social value) and BBVA itself (reputational value and direct economic value).

Accordingly, it is essential for such commitments and processes to simultaneously express BBVA's vision and principles, respond in the best possible way to stakeholder expectations and reinforce the company's business strategy.

The prevailing **commitments** that the Group seeks to fulfil through its corporate responsibility (CR) policy are as follows:

- Uphold excellence at all times in our core business operations

- Minimize the negative impacts caused by our business activity
- Develop "social business opportunities" that generate both social value and value for BBVA
- Invest in those societies in which the Group is present through support for social projects, especially those involving education.

The **Corporate Responsibility and Reputation (CRR) committee** is the body charged with driving the integration of CR criteria, processes and policies throughout the Group's business and support areas. In 2007, this body, comprising representatives from the main business and support areas and coordinated by the Corporate Responsibility and Reputation department, has embarked upon the necessary procedures to develop the BBVA Group's **Strategic CRR Plan**, with this work scheduled for completion in the first half of 2008. In addition, one of the committee's main achievements in 2007 has been the formal assumption of CR policy by the board of directors, which therefore means the

Key indicators of corporate responsibility

	2007	2006	2005
Economic			
Earnings per share (euros)	1.70	1.39	1.12
Market capitalisation (million euros)	62,816	64,788	51,134
Independent directors (%)	78.6	73.3	66.7
Economic value added (EVA) for stakeholders (million euros) ⁽¹⁾	27,850	21,882	18,062
Socially responsible mutual funds over total mutual funds managed (%)	1.38	1.57	1.53
Social			
Average number of days taken to resolve a complaint (SAC)	20	18	15
Women in senior management (Steering committee and corporate managers/Managers) (%)	8.8/17.4	8.5/16.6	4.7/15.8
Ratio of men to women (%)	51/49	53/47	55/45
Hours of training per employee	39	39	43
Resources allocated to community support over net attributable profit (%)	1.13	1.19	1.22
Supplier satisfaction index (scale: 1 to 5) ^{(2) (3)}	-	4.1	-
Customer satisfaction index (%) ⁽³⁾	78.6	78.5	76.3
Employee satisfaction index (%) ^{(3) (4)}	-	-	61.1
Environmental			
Total CO ₂ emitted per employee (kg)	3.0	3.2	2.9
Direct energy consumed per employee (GJ)	24.2	24.6	21.9
Paper consumed per employee (t)	0.12	0.13	0.11
Water consumed per employee (m ³)	25.5	29.2	38.6
Scope of ISO 14001 over total workforce (%)	4.0	2.1	1.8

Scope: BBVA Group

(1) Calculation based on the methodology developed in the SPI-Finance 2002 project.

(2) Biennial survey.

(3) Data for Spain.

(4) The work climate survey (biennial) has been postponed until 2008, due to the introduction of improvements.

definitive consolidation and integration of corporate responsibility within the Group's strategy.

The main **international agreements** in the field of CR to which the Group adheres are the United Nations Global Compact, the United Nations Environment Programme – Finance Initiative (UNEP–FI) and the Equator Principles. BBVA also upholds the UN's Universal Declaration of Human Rights and the Fundamental Principles and Rights of the International Labour Organisation.

BBVA likewise has a Code of Conduct for the Group as whole, designed to ensure probity in all facets of its operations, as well as a strict System of Corporate Governance and an array of specific codes for essential duties.

MAIN AREAS OF CORPORATE RESPONSIBILITY AT BBVA

Ever since the Corporate Responsibility and Reputation (CRR) department was set up, BBVA has sought to define a CR policy that follows a process of free-flowing dialogue to allow for a more accurate and ongoing definition of **priority lines of action** in this field.

In 2007, and in step with the initial stages for drawing up the Group's Strategic CRR Plan, a definition has been made of those relevant issues that the BBVA Group should address through its corporate responsibility policy. The main focus areas are therefore as follows:

STAKEHOLDER ENGAGEMENT

Listening to the priorities and opinions of stakeholders (shareholders, customers, employees, suppliers and society at large) in each and every country constitutes a priority, as does improving the channels of dialogue and the ensuing integration of their expectations in management. Accordingly, the following are the main developments recorded in 2007:

- Extending the perimeter of consultation on the Corporate Responsibility Report and materiality in Latin America
- Implementing the reputation supervisory structure at Group level and in Spain, Mexico and Latin America
- Introducing new channels of dialogue with **shareholders**, with a high-point being, amongst others, the holding of the first Investor Day

- Launching of new channels of communication with **employees**, such as IP TV.

CUSTOMER FOCUS

Customers give meaning to everything that BBVA does. Our pledge is to provide them with a quality service to accompany them through the main stages of their lives, providing the finest solutions on a timely basis. The following are the main achievements in 2007:

- Consolidation of the levels of **quality** in the service provided to retail customers in BBVA's main operating countries
- Implementation of EU Directive 2004/39EC on Markets in Financial Instruments (**MiFID**), with an intensive training plan for the Group's staff in Spain
- Greater use of the **Internet**, extending to over four and half million Group customers in Spain.

FINANCIAL INCLUSION

BBVA is working to provide new segments of the population with access to financial services, with the following major projects seeing the light in 2007:

- Creation of the **BBVA Microfinance Foundation**, with an endowment of €200m, to drive microfinance through partnerships and holdings involving microfinance entities with a proven local track-record and solvency in the management of such resources, especially in Latin America. The first operations have already been arranged in 2007 in Colombia and Peru, with over 200,000 beneficiaries.
- Launch of the **Banking Penetration Plan**, as a project that seeks to further access to financial products and services by new segments of the population in Latin America. Innovation and the use of new technologies render this possible thanks to the development of new business models, such as "*El Banco en la tarjeta*" (The Bank on a card), which allows for reducing costs and developing other channels for customer dealings.
- Consolidation of the **Dinero Express** business model for migrants in Spain, cornering a 22.5% share of the market through 130 operating branches.

RESPONSIBLE FINANCE

For BBVA, the sustainability of the financial business involves paying attention to the social and environmental impacts of customers' operations, as well as improving the model for preventing money laundering. The following are the highlights within this area:

- Implementation in Spain of **Ecorating** as a model for including environmental risks in the loan portfolio
- Significant progress made in the training of specialists in the prevention of both **money laundering** and the financing of terrorist activities.

PROVISION OF OTHER RESPONSIBLE PRODUCTS AND SERVICES

For BBVA, corporate responsibility should be pursued most especially through its business operations, with products and services being exposed to social, environmental and ethical criteria. The following are the most significant advances in 2007:

- Development of what is referred to as **Socially Responsible Investment**. Major inroads are planned for 2008 in the definition of the investment policy for the Group's staff pension plan.
- Launch of the fourth edition of the *préstamo nacimiento* (birth loan), with another 9,802 mothers benefiting, as well as the *préstamo dependencia* (dependency loan), with 4,141 beneficiaries.
- Leadership in the Spanish market in the financing of projects involving **renewable energy sources**.

RESPONSIBLE MANAGEMENT OF HUMAN RESOURCES

The attraction and retaining of talent, diversity, the reconciliation of work and family life and equal opportunities are all challenges that BBVA seeks to respond to in the most effective manner possible in order to be the best place to work. The following are the main projects in 2007:

- Launching of the *Plan Calidad de Vida* (Quality of Life Plan), whose overriding aim is to improve the balance between work and family life for Group staff.
- Endorsement of **social benefits** for employees of BBVA Spain.

- Advances in **training**, with a budget of close to €44m and involving 75% of the Group's employees.
- Development of the Joint Committee for **Equal Opportunities and Reconciliation**, which has monitored the agreement subscribed with trade union delegates on equal opportunities and the reconciliation of work and family life, as well as the status of the workforce in terms of gender.

RESPONSIBLE PROCUREMENT

A major company needs to foster and spread corporate responsibility amongst all the firms and entities with which it has dealings. The BBVA pledge is to steadily apply sustainability criteria in purchase management throughout the Group:

- Inclusion of social, environmental and ethical criteria in the questionnaires for **supplier approval** in Spain
- Dissemination of the Global Compact amongst the majority of suppliers in Spain
- Encourage the contracting of special Job Centres.

ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE

There has been a shift in awareness regarding humanity's responsibility towards our planet. BBVA strives to cut the direct environmental impacts of its operations to a minimum and lends active support the fight against climate change. The major developments in this area are:

- Progressive implementation of ISO 14001 **environmental management systems**, which now extend to a total of eight sites. By the end of 2007, the overall number of Group staff working in sites certified to this recognised seal of environmental management amounts to 4.0%, as opposed to 2.1% in 2006.
- Reduction by 6% in total CO₂ emissions into the atmosphere per employee between 2006 and 2007.
- Reduction by 13% in the total **water** consumed per employee in 2007.
- Positioning of BBVA as the global leader in the financing of **wind farms**.

COMMUNITY INVOLVEMENT

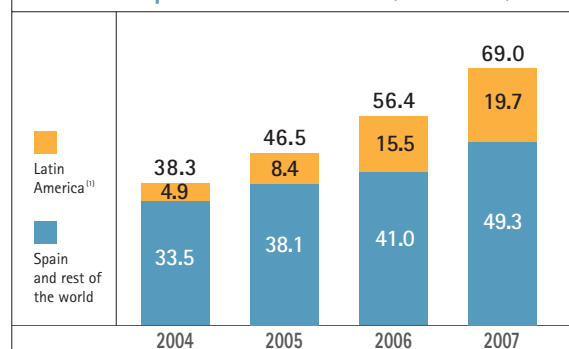
A commitment to the quality of life and the development of those communities in which it is

present is one of BBVA's corporate principles. The Group's main contribution to society is made through its normal business activity. This involves the products and services it provides, which have a positive bearing on society in general and on certain under-protected groups in particular, and all the Group's activities in favour of financial inclusion designed to facilitate access to financial products and services by new segments of the population.

In addition to this, the Group channels its community involvement through a far-reaching policy of community support, with specific not-for-profit actions intended to directly contribute to public welfare and to satisfying basic needs. The foremost schemes and data for 2007 are as follows:

- BBVA has allocated a total of €69m to **community support**, which amounts to 1.13% of the Group's net attributable profit. This figure is 22% up on 2006.
- Implementation of the **Community Investment Plan in Latin America**, with an investment of €13.8m focusing on the provision of basic education for underprivileged children. The **BBVA Integración scholarships** scheme has helped almost 18,000 children in Latin America.
- Launch of the BBVA Foundation Awards **Fronteras del Conocimiento** (Frontiers of Knowledge), with an annual allocation of €3.2m, which places it right behind the Nobel Prize in monetary terms.
- Holding of the 22nd edition of the **Ruta Quetzal** BBVA, with the participation of 350 expeditionaries from 55 countries.

Community support: funds allocated by the BBVA Group and its foundations (Million euros)



(1) In 2006 and 2007, it includes the contributions made by each Latin American country and those made directly from Spain in favour of these countries.

- Programme of **Cultural Activities**, with new exhibitions and activities for preserving artistic heritage and advancing music.
- Diffusion of socio-economic information undertaken by the Group's **Economic Research Department**.

CORPORATE VOLUNTEER WORK

BBVA is committed to providing the conditions that will enable its employees' joint efforts leave their mark and make the difference. 2007 has witnessed the launch of the *Plan de Voluntariado Corporativo* (Corporate Volunteering Plan), in which 3,083 volunteers have taken part, especially in Spain, Mexico, Chile, Peru, Paraguay, Puerto Rico and the United States.

More information is available in the *Corporate Responsibility Report 2007*, which accompanies this Report and is also available on the website (www.bbva.com).

Main sustainability indexes



- The BBVA Group has been included in DJSI World since 2001
- The BBVA Group has been included in DJSI STOXX since 2005



- The BBVA Group has been included in FTSE4Good since 2005



- Included in the AIS analysis
- BBVA has been included in KLD Global Sustainability Indexes since their launch in October 2007



- BBVA has been included in ASPI Eurozone
- BBVA has been included in Ethibel Sustainability indexes and in 2007, for the first time, in the Ethibel Excellence Index



Legal documentation



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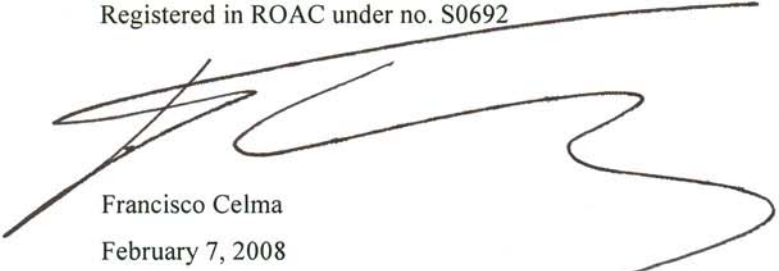
Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (Notes 1 and 62). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Banco Bilbao Vizcaya Argentaria, S.A.:

1. We have audited the consolidated financial statements of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (the Bank) and COMPANIES composing the BANCO BILBAO VIZCAYA ARGENTARIA Group (the Group – Note 3), which consist of the consolidated balance sheet at 31 December 2007, and the related consolidated income statement, consolidated cash flow statement, consolidated statement of recognized income and expense and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Bank's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. As required by corporate and commercial law, for comparison purposes the Bank's directors present, in addition to the figures for 2007 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognized income and expense and notes to the consolidated financial statements, the figures for 2006. In addition, voluntarily and also for comparison purposes the figures for 2005 are presented. On 13 February 2007 and 2006, we issued our auditors' reports on the consolidated financial statements for 2006 and 2005, in which we expressed unqualified opinions.
3. In our opinion, the accompanying consolidated financial statements for 2007 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group at 31 December 2007, and the consolidated results of its operations, the changes in the consolidated recognized income and expense and its consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the International Financial Reporting Standards adopted by the European Union applied on a basis consistent with that of the preceding two years.
4. The accompanying consolidated directors' report for 2007 contains the explanations which the Bank's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2006. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the consolidated companies' accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Francisco Celma
February 7, 2008



Consolidated financial statements

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 63). In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Consolidated balance sheets as of December 31, 2007, 2006 and 2005

(Notes 1 to 5)

ASSETS

	2007	Millions of euros 2006 (*)	2005 (*)
CASH AND BALANCES WITH CENTRAL BANKS (Note 8)	22,581	12,515	12,341
FINANCIAL ASSETS HELD FOR TRADING (Note 9)	62,336	51,835	44,013
Loans and advances to credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	38,392	30,470	24,504
Other equity instruments	9,180	9,949	6,246
Trading derivatives	14,764	11,416	13,263
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 10)	1,167	977	1,421
Loans and advances to credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	421	56	283
Other equity instruments	746	921	1,138

(*) Presented for comparison purposes only.

Consolidated balance sheets as of December 31, 2007, 2006 and 2005

(Notes 1 to 5)

ASSETS (Continuation)	2007	Millions of euros 2006 (*)	2005 (*)
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 11)	48,432	42,267	60,034
Debt securities	37,336	32,230	50,972
Other equity instruments	11,096	10,037	9,062
LOANS AND RECEIVABLES (Note 12)	338,492	279,855	249,396
Loans and advances to credit institutions	20,997	17,050	27,470
Money market operations through counterparties	-	100	-
Loans and advances to other debtors	310,882	256,565	216,850
Debt securities	60	77	2,292
Other equity instruments	6,553	6,063	2,784
HELD-TO-MATURITY INVESTMENTS (Note 13)	5,584	5,906	3,959
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
HEDGING DERIVATIVES (Note 14)	1,050	1,963	3,913
NON-CURRENT ASSETS HELD FOR SALE (Note 15)	240	186	231
Loans and advances to credit institutions	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	-	-	-
Equity instruments	-	-	-
Tangible assets	240	186	231
Other assets	-	-	-
INVESTMENTS (Note 16)	1,542	889	1,473
Associates	846	206	946
Jointly controlled entities	696	683	527
INSURANCE CONTRACTS LINKED TO PENSIONS	-	-	-
REINSURANCE ASSETS (Note 17)	43	32	235
TANGIBLE ASSETS (Note 18)	5,238	4,527	4,384
Property, plants and equipment	4,437	3,816	3,841
Investment properties	82	61	77
Other assets leased out under an operating lease	719	650	466
INTANGIBLE ASSETS (Note 19)	8,244	3,269	2,070
Goodwill	7,436	2,973	1,858
Other intangible assets	808	296	212
TAX ASSETS (Note 35)	4,958	5,278	6,421
Current	433	387	254
Deferred	4,525	4,891	6,167
PREPAYMENTS AND ACCRUED INCOME (Note 20)	604	674	557
OTHER ASSETS (Note 21)	1,693	1,743	1,941
Inventories	457	470	339
Other	1,236	1,273	1,602
TOTAL ASSETS	502,204	411,916	392,389

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 63 and Appendices I to V are an integral part of the consolidated balance sheet as of December 31, 2007.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Consolidated balance sheets as of December 31, 2007, 2006 and 2005

(Notes 1 to 5)

LIABILITIES AND EQUITY	2007	Millions of euros 2006 (*)	2005 (*)
FINANCIAL LIABILITIES HELD FOR TRADING (Note 9)	19,273	14,923	16,271
Deposits from credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Deposits from other creditors	-	-	-
Debt certificates	-	-	-
Trading derivatives	17,540	13,218	13,863
Short positions	1,733	1,705	2,408
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Note 22)	449	582	740
Deposits from credit institutions	-	-	-
Deposits from other creditors	449	582	740
Debt certificates	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY (Note 23)	-	-	-
Deposits from credit institutions	-	-	-
Deposits from other creditors	-	-	-
Debt certificates	-	-	-
FINANCIAL LIABILITIES AT AMORTISED COST (Note 24)	429,204	348,445	331,590
Deposits from central banks	27,326	15,238	21,190
Deposits from credit institutions	60,772	42,567	45,126
Money market operations through counterparties	23	223	23
Deposits from other creditors	236,183	192,374	182,635
Debt certificates	82,999	77,674	62,842
Subordinated liabilities	15,662	13,597	13,723
Other financial liabilities	6,239	6,772	6,051
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
HEDGING DERIVATIVES (Note 14)	1,807	2,280	2,870
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE (Note 15)	-	-	-
Deposits from central banks	-	-	-
Deposits from credit institutions	-	-	-
Deposits from other creditors	-	-	-
Debt certificates	-	-	-
Other liabilities	-	-	-
LIABILITIES UNDER INSURANCE CONTRACTS (Note 25)	9,997	10,121	10,500
PROVISIONS (Note 26)	8,342	8,649	8,701
Provisions for pensions and similar obligations	5,967	6,358	6,240
Provisions for taxes	225	232	147
Provisions for contingent exposures and commitments	546	502	452
Other provisions	1,604	1,557	1,862

(*) Presented for comparison purposes only.

Consolidated balance sheets as of December 31, 2007, 2006 and 2005

(Notes 1 to 5)

LIABILITIES AND EQUITY *(Continuation)*

Millions of euros

	2007	2006 (*)	2005 (*)
TAX LIABILITIES (Note 35)	2,817	2,369	2,100
Current	582	622	598
Deferred	2,235	1,747	1,502
ACCRUED EXPENSES AND DEFERRED INCOME (Note 20)	1,820	1,510	1,710
OTHER LIABILITIES (Note 21)	552	719	605
TOTAL LIABILITIES	474,261	389,598	375,087
MINORITY INTERESTS (Note 28)	880	768	971
VALUATION ADJUSTMENTS	2,252	3,341	3,295
Available-for-sale financial assets (Note 11)	3,596	3,356	3,003
Financial liabilities at fair value through equity	-	-	-
Cash flow hedges	(49)	17	(102)
Hedges of net investments in foreign operations	350	(5)	(444)
Exchange differences	(1,645)	(27)	838
Non-current assets held for sale	-	-	-
STOCKHOLDER'S EQUITY	24,811	18,209	13,036
Capital (Note 30)	1,837	1,740	1,662
Issued	1,837	1,740	1,662
Unpaid and uncalled (-)	-	-	-
Share premium (Note 31)	12,770	9,579	6,658
Reserves (Note 32)	6,060	3,629	2,172
Accumulated reserves (losses)	5,609	3,268	2,343
Retained earnings	-	-	-
Reserves (losses) of entities accounted for using the equity method	451	361	(171)
Associates	35	26	(465)
Jointly controlled entities	416	335	294
Other equity instruments	68	35	-
Equity component of compound financial instruments	-	-	-
Other	68	35	-
Less: Treasury shares (Note 33)	(389)	(147)	(96)
Income attributed to the Group	6,126	4,736	3,806
Less: Dividends and remuneration	(1,661)	(1,363)	(1,166)
TOTAL EQUITY (Note 29)	27,943	22,318	17,302
TOTAL LIABILITIES AND EQUITY	502,204	411,916	392,389

(*) Presented for comparison purposes only.

MEMORANDUM ITEMS

Millions of euros

	2007	2006 (*)	2005 (*)
CONTINGENT EXPOSURES (Note 38)	65,845	42,281	29,862
Financial guarantees	61,891	41,449	29,177
Assets encumbered by third-party obligations	-	-	-
Other contingent exposures	3,954	832	685
CONTINGENT COMMITMENTS (Note 38)	106,940	103,221	89,498
Drawable by third parties	101,444	98,226	85,001
Other commitments	5,496	4,995	4,497

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 63 and Appendices I to V are an integral part of the consolidated balance sheet as of December 31, 2007.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Consolidated income statements for the years ended December 31, 2007, 2006 and 2005

(Notes 1 to 5)

	2007	Millions of euros	
		2006 (*)	2005 (*)
INTEREST AND SIMILAR INCOME (Note 43)	25,352	19,210	15,848
INTEREST EXPENSE AND SIMILAR CHARGES (Note 43)	(15,931)	(11,215)	(8,932)
Income on equity having the nature of a financial liability	-	-	-
Other	(15,931)	(11,215)	(8,932)
INCOME FROM EQUITY INSTRUMENTS (Note 44)	348	379	292
NET INTEREST INCOME	9,769	8,374	7,208
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD (Note 16)	242	308	121
Associates	25	50	87
Jointly controlled entities	217	258	34
FEE AND COMMISSION INCOME (Note 45)	5,592	5,119	4,669
FEE AND COMMISSION EXPENSES (Note 46)	(869)	(784)	(729)
INSURANCE ACTIVITY INCOME (Note 47)	729	650	487
Insurance and reinsurance premium income	2,405	2,484	2,917
Reinsurance premiums paid	(46)	(44)	(63)
Benefits paid and other insurance-related expenses	(1,674)	(1,539)	(1,786)
Reinsurance income	32	76	44
Net provisions for insurance contract liabilities	(697)	(996)	(1,274)
Finance income	993	968	904
Finance expense	(284)	(299)	(255)
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 48)	2,261	1,656	980
Held for trading	597	716	897
Other financial instruments at fair value through profit or loss	44	62	33
Available-for-sale financial assets	1,537	1,121	429
Loans and receivables	63	77	129
Other	20	(320)	(508)
EXCHANGE DIFFERENCES (NET)	409	378	287
GROSS INCOME	18,133	15,701	13,023
SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES (Note 49)	788	605	576
COST OF SALES (Note 49)	(601)	(474)	(451)
OTHER OPERATING INCOME (Note 50)	240	117	135
PERSONNEL EXPENSES (Note 51)	(4,335)	(3,989)	(3,602)
OTHER ADMINISTRATIVE EXPENSES (Note 52)	(2,718)	(2,342)	(2,160)
DEPRECIATION AND AMORTISATION	(577)	(472)	(449)
Tangible assets (Note 18)	(426)	(383)	(361)
Intangible assets (Note 19)	(151)	(89)	(88)
OTHER OPERATING EXPENSES (Note 50)	(386)	(263)	(249)
NET OPERATING INCOME	10,544	8,883	6,823

(*) Presented for comparison purposes only.

Consolidated income statements for the years ended December 31, 2007, 2006 and 2005

(Notes 1 to 5) (Continuation)	Millions of euros		
	2007	2006 (*)	2005 (*)
NET OPERATING INCOME	10,544	8,883	6,823
IMPAIRMENT LOSSES (NET)	(1,937)	(1,504)	(855)
Available-for-sale financial assets (Note 11)	(1)	19	(8)
Loans and receivables (Note 12)	(1,902)	(1,477)	(813)
Held-to-maturity investments (Note 13)	-	-	-
Non-current assets held for sale (Note 15)	(21)	(35)	(33)
Investments	-	-	-
Tangible assets (Note 18)	(12)	5	(2)
Goodwill (Notes 16 and 19)	-	(12)	-
Other intangible assets	(1)	-	-
Other assets	-	(4)	1
PROVISION EXPENSE (NET) (Note 26)	(210)	(1,338)	(454)
FINANCE INCOME FROM NON-FINANCIAL ACTIVITIES (Note 53)	2	58	2
FINANCE EXPENSES FROM NON-FINANCIAL ACTIVITIES (Note 53)	(1)	(55)	(2)
OTHER GAINS (Note 54)	496	1,128	285
Gains on disposal of tangible assets	389	93	108
Gains on disposal of investment	18	934	40
Other	89	101	137
OTHER LOSSES (Note 54)	(399)	(142)	(208)
Losses on disposal of tangible assets	(22)	(21)	(22)
Losses on disposal of investment	(7)	-	(12)
Other	(370)	(121)	(174)
INCOME BEFORE TAX	8,495	7,030	5,591
INCOME TAX (Note 35)	(2,080)	(2,059)	(1,521)
INCOME FROM ORDINARY ACTIVITIES	6,415	4,971	4,070
INCOME FROM DISCONTINUED OPERATIONS (NET)	-	-	-
CONSOLIDATED INCOME FOR THE YEAR	6,415	4,971	4,070
INCOME ATTRIBUTED TO MINORITY INTEREST (Note 28)	(289)	(235)	(264)
INCOME ATTRIBUTED TO THE GROUP	6,126	4,736	3,806
EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Note 5)			
Basic earnings per share	1.70	1.39	1.12
Diluted earnings per share	1.70	1.39	1.12

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 63 and Appendices I to V are an integral part of the consolidated income statement for the year ended December 31, 2007.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Consolidated statements of recognized income and expense for the years ended December 31, 2007, 2006 and 2005

(Notes 1 to 5)

Millions of euros

	2007	2006 (*)	2005 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	(1,092)	46	1,188
Available-for-sale financial assets	237	353	683
Revaluation gains/losses	1,875	1,295	1,479
Amounts removed to income statement	(1,537)	(1,121)	(428)
Income tax	(101)	179	(368)
Reclassifications	-	-	-
Other financial liabilities at fair value	-	-	-
Revaluation gains/losses	-	-	-
Amounts removed to income statement	-	-	-
Income tax	-	-	-
Cash flow hedges	(66)	119	(78)
Revaluation gains/losses	(94)	181	(120)
Amounts removed to income statement	-	-	-
Amounts removed to the initial carrying amount of the hedged items	-	-	-
Income tax	28	(62)	42
Hedges of net investment in foreign operations	355	439	(727)
Revaluation gains/losses	507	676	(1,118)
Amounts removed to income statement	-	-	-
Income tax	(152)	(237)	391
Exchange differences	(1,618)	(865)	1,310
Translation gains/losses	(2,311)	(1,328)	2,015
Amounts removed to income statement	-	-	-
Income tax	693	463	(705)
Non-current assets held for sale	-	-	-
Revaluation gains	-	-	-
Amounts removed to income statement	-	-	-
Income tax	-	-	-
Reclassifications	-	-	-
CONSOLIDATED INCOME FOR THE YEAR	6,415	4,971	4,070
Published consolidated income for the year	6,415	4,971	4,070
Adjustments due to changes in accounting policy	-	-	-
Adjustments made to correct errors	-	-	-
TOTAL INCOME AND EXPENSES FOR THE YEAR	5,323	5,017	5,258
Parent entity	5,038	4,782	4,994
Minority interest	285	235	264
MEMORANDUM ITEM: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR YEARS	-	-	-
Due to changes in accounting policies	-	-	-
Stockholder's Equity	-	-	-
Valuation adjustments	-	-	-
Minority interests	-	-	-
Due to errors	-	-	-
Stockholder's Equity	-	-	-
Valuation adjustments	-	-	-
Minority interests	-	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 63 and Appendices I to V are an integral part of the consolidated statement of recognized income and expense for the year ended December 31, 2007.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Consolidated cash flow statements for the years ended December 31, 2007, 2006 and 2005

(Notes 1 to 5)

Millions of euros

	2007	2006 (*)	2005 (*)
CASH FLOW FROM OPERATING ACTIVITIES	17,142	2,818	6,011
Consolidated profit for the year	6,415	4,971	4,070
Adjustment to profit:	4,785	4,597	4,356
Depreciation of tangible assets (+)	426	383	361
Amortisation of intangible assets (+)	151	89	88
Impairment losses (net) (+/-)	1,937	1,504	855
Net provisions for insurance contract liabilities (+/-)	697	996	1,274
Provision expense (net) (+/-)	210	1,338	454
Gains/Losses on disposal of tangible assets (+/-)	(368)	(72)	(85)
Gains/Losses on disposal of investment (+/-)	(11)	(934)	(28)
Share of profit or loss of entities accounted for using the equity method (net of dividends) (+/-)	(15)	(307)	(121)
Taxes (+/-)	2,080	2,059	1,521
Other non-monetary items (+/-)	(322)	(459)	37
Adjusted profit	11,200	9,568	8,426
Net increase/decrease in operating assets	(73,691)	(20,293)	(55,960)
Financial assets held for trading	(10,489)	(7,823)	3,331
Loans and advances to credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	(7,910)	(5,967)	5,893
Other equity instruments	768	(3,703)	(554)
Trading derivatives	(3,347)	1,847	(2,008)
Other financial assets at fair value through profit or loss	148	444	(362)
Loans and advances to credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Loans and advances to other debtors	-	-	-
Debt securities	(28)	227	(224)
Other equity instruments	176	217	(138)
Available-for-sale financial assets	(5,635)	18,346	(4,024)
Debt securities	(4,929)	19,006	(5,998)
Other equity instruments	(706)	(660)	1,974
Loans and receivables	(58,756)	(34,041)	(54,291)
Loans and advances to credit institutions	(3,872)	6,984	(10,773)
Money market operations through counterparties	100	(100)	242
Loans and advances to other debtors	(54,496)	(40,348)	(46,159)
Debt securities	17	2,215	3,205
Other financial assets	(505)	(2,792)	(806)
Other operating assets	1,041	2,781	(614)

(*) Presented for comparison purposes only.

Consolidated cash flow statements for the years ended December 31, 2007, 2006 and 2005

(Notes 1 to 5) (Continuation)	2007	Millions of euros	
		2006 (*)	2005 (*)
Net increase/decrease in operating liabilities	79,633	13,543	53,545
Financial liabilities held for trading	4,350	(1,347)	2,137
Deposits from credit institutions	-	-	-
Money market operations through counterparties	-	-	-
Deposits from other creditors	-	-	-
Debt certificates	-	-	-
Trading derivatives	4,321	(644)	1,060
Short positions	29	(703)	1,077
Other financial liabilities at fair value through profit or loss	(134)	(158)	(94)
Deposits from credit institutions	-	-	-
Deposits from other creditors	(134)	(158)	(94)
Debt certificates	-	-	-
Financial liabilities at fair value through equity	-	-	-
Deposits from credit institutions	-	-	-
Deposits from other creditors	-	-	-
Debt certificates	-	-	-
Financial liabilities measured at amortised cost	76,608	17,799	51,218
Deposits from central banks	12,065	(5,976)	1,031
Deposits from credit institutions	18,109	(2,683)	1,309
Money market operations through counterparties	(200)	200	(635)
Deposits from other creditors	41,352	9,694	31,824
Debt certificates	5,815	15,973	16,555
Other financial liabilities	(533)	591	1,134
Other operating liabilities	(1,191)	(2,751)	284
Total net cash flows from operating activities (1)	17,142	2,818	6,011
CASH FLOWS FROM INVESTING ACTIVITIES	(8,451)	(2,741)	(4,191)
Investment (-)	(10,228)	(5,121)	(4,832)
Group entities, jointly controlled entities and associates	(7,772)	(1,708)	(84)
Tangible assets	(2,322)	(1,214)	(1,488)
Intangible assets	(134)	(253)	(1,375)
Held-to-maturity investments	-	(1,946)	(1,885)
Other financial assets	-	-	-
Other assets	-	-	-
Divestments (+)	1,777	2,380	641
Group entities, jointly controlled entities and associates	238	1,759	11
Tangible assets	1,072	501	509
Intangible assets	146	120	121
Held-to-maturity investments	321	-	-
Other financial assets	-	-	-
Other assets	-	-	-
Total net cash flows investing activities (2)	(8,451)	(2,741)	(4,191)

(*) Presented for comparison purposes only.

Consolidated cash flow statements for the years ended December 31, 2007, 2006 and 2005

(Notes 1 to 5)	Millions of euros		
	2007	2006 (*)	2005 (*)
CASH FLOWS FROM FINANCING ACTIVITIES	2,607	887	(556)
Issuance/ Redemption of capital (+/-)	3,263	2,939	-
Acquisition of own equity instruments (-)	(16,182)	(5,677)	(3,840)
Disposal of own equity instruments (+)	16,041	5,639	3,779
Issuance/Redemption of other equity instruments (+/-)	(33)	(35)	-
Issuance/Redemption of subordinated liabilities(+/-)	1,984	104	1,387
Issuance/Redemption of other long-term liabilities (+/-)	-	-	-
Increase/Decrease in minority interest (+/-)	(108)	(168)	234
Dividends paid (-)	(2,424)	(1,915)	(1,595)
Other items relating to financing activities (+/-)	66	-	(521)
Total net cash flows from financing activities (3)	2,607	887	(556)
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	(1,233)	(785)	930
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	10,065	179	2,194
Cash or cash equivalents at beginning of year	12,496	12,317	10,123
Cash or cash equivalents at end of year	22,561	12,496	12,317

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 63 and Appendices I to V are an integral part of the consolidated cash flow statement for the year ended December 31, 2007.



Notes to the consolidated financial statements

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with EU-IFRSs, as adopted by the European Union (See Note 1 and 63). In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

1. INTRODUCTION, BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

1.1. INTRODUCTION

Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain. The Bank leads its business through branches and offices located throughout Spain and abroad.

The bylaws of association and other public information on the Bank can be consulted both at its registered office (Plaza San Nicolás, 4, Bilbao) and on its official website, www.bbva.com.

In addition to the operations carried on directly by it, the Bank is the head of a group of subsidiaries, jointly controlled

entities and associates that engage in various business activities and which compose, together with the Bank, the Banco Bilbao Vizcaya Argentaria Group ("the Group" or "BBVA Group"). Therefore, the Bank is obliged to prepare, in addition to its own financial statements the Group's.

As of December 31, 2007 the Group was composed by 362 entities that were fully consolidated, 6 were consolidated by the proportionate method and 68 entities accounted for using the equity method (Notes 3 and 16 and appendix I to III of the present consolidated financial statements).

The Group's consolidated financial statements as of December 31, 2006 were approved by the shareholders at the Bank's Annual General Meeting on March 16, 2007.

The 2007 consolidated financial statements of the Group and the 2007 financial statements of the Bank and of

substantially all the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Under Regulation (EC) no 1606/2002 of the European Parliament and of the Council of July 19, 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements in conformity with the International Financial Reporting Standards previously adopted by the European Union ("EU-IFRSs").

In order to adapt the accounting system of Spanish credit institutions to the new standards, the Bank of Spain issued Circular 4/2004 of December 22, 2004 on Public and Confidential Financial Reporting Rules and Formats.

The BBVA Group's consolidated financial statements for 2007 were prepared by the Bank's directors (at the Board Meeting on February 5, 2008) in accordance with the EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004, and by applying the basis of consolidation, accounting policies and measurement bases described in Note 2, so that they present fairly the Group's equity and financial position in 2007, and the results of its operations, the changes in the consolidated statements of recognised income and expense and consolidated cash flows. These consolidated financial statements were prepared on the basis of the accounting records kept by the Bank and by each of the other Group companies and include the adjustments and reclassifications required to unify the accounting policies and measurement bases used by the Group (Note 2.2).

All accounting policies and measurement bases with a significant effect on the consolidated financial statements were applied in their preparation.

Due to the fact that the numerical information contained in the consolidated financial statements is expressed in million of euros, except in certain cases where it is necessary to lower unit, certain captions that do not present any balance in the consolidated statements may present balance in euros. In addition, information regarding period-to-period changes is based on numbers not rounded.

1.3. COMPARATIVE INFORMATION

The information relating to 2006 and 2005 contained in these notes to the consolidated financial statements is presented, solely for comparison purposes, with information relating to 2007.

1.4. RESPONSIBILITY FOR THE INFORMATION AND FOR THE ESTIMATES MADE

The information in these BBVA Group consolidated financial statements is the responsibility of the Group's directors. In preparing these consolidated financial statements estimates were occasionally made by the Bank and the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate mainly to the following:

1. The impairment losses on certain financial assets (Notes 11, 12, 13 and 16).
2. The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 27).
3. The useful life of tangible and intangible assets (Notes 18 and 19).
4. The measurement of goodwill arising on consolidation (Notes 16 and 19).
5. The fair value of certain unlisted assets (Note 11).

Although these estimates were made on the basis of the best information available as of December 31, 2007 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years.

1.5. ENVIRONMENTAL IMPACT

As of December 31, 2007 the Group's consolidated financial statements did not have any environmental impact that should be included in the environmental information document envisaged in the related Ministry of the Economy Order dated October 8, 2001.

1.6. DETAIL OF AGENTS OF CREDIT INSTITUTIONS

The detail of BBVA agents required pursuant to Article 22 of Royal Decree 1245/1995 of 14 July of the Ministry of Economy and Finance is disclosed in the BBVA financial statements for the year ended December 31, 2007.

1.7. REPORT ON THE ACTIVITY OF THE CUSTOMER CARE DEPARTMENT AND THE CUSTOMER OMBUDSMAN

The report on the activity of the Customer Care Department and the Customer Ombudsman required pursuant to Article 17 of Ministry of Economy and Finance Order ECO/734/2004 of 11 March is included in the management report accompanying these consolidated financial statements.

2. BASIS OF CONSOLIDATION, ACCOUNTING POLICIES AND MEASUREMENT BASES APPLIED AND IFRS RECENT PRONOUNCEMENTS

2.1. BASIS OF CONSOLIDATION

The accounting policies and measurement bases used in preparing the Group's consolidated financial statements as of December 31, 2007 may differ from those used by certain Group companies. For this reason, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

The results of subsidiaries acquired during the period are included in the consolidated income statement from the date of acquisition to period-end, similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

a) METHODS OF CONSOLIDATION

Full consolidation method

In the "full consolidation method", the assets and liabilities of the Group entities are, after prior reconciliation, included line by line in the consolidated balance sheet and, subsequently, intragroup debit and credit balances are eliminated.

The income and expenses in the income statement of the Group entities are included in the consolidated income statement. Previously, the income and expenses relating to intragroup transactions and the gain or loss generated by such transactions have been eliminated.

Proportionate consolidation method

Under the proportionate consolidation method, the aggregation of balances and subsequent eliminations are only made in proportion to the Group's ownership interest in the capital of these entities.

The assets and liabilities assigned by the Group to jointly controlled operations and the Group's share of the jointly controlled assets are recognized in the consolidated balance sheet classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognized in the consolidated income statement on the basis of their nature.

Equity method

Under the equity method, the interest ownerships are recorded at the date of acquisition value and then by the fraction of its equity representing the Group's holding, once considered the dividends earned and other eliminations.

b) CONSOLIDABLE ENTITIES

Subsidiaries

"Subsidiaries" are defined as entities over which the Group has the capacity to exercise control.

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity when there is:

- a) power over more than half of the voting rights by virtue of an agreement with other investors;
- b) power to govern the financial and operating policies of the entity under a statute or an agreement;
- c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body

The financial statements of the subsidiaries are fully consolidated with those of the Bank.

The share of minority shareholders of the subsidiaries in the Group's net consolidated equity is presented under the heading "Minority Interests" in the consolidated balance sheet and their share in the profit or loss for the year is presented under the heading "Income Attributed to Minority Interests" in the consolidated income statement (Note 28).

Note 3 contains information on the most significant investments and divestments in subsidiaries that took place as of December 31, 2007.

Appendix I includes the most significant information on these companies.

Jointly controlled entities

A "Jointly controlled entity" is defined as an entity that, although not being a subsidiary, is controlled jointly by two or more unrelated entities ("ventures") that, following the definition of "joint ventures", are bound by a contractual agreement to take on an economic activity by sharing the strategic management tasks (both financial and operational) of the "jointly controlled entity" in order to benefit from its operations. All the strategic financial and operating decisions require the unanimous consent of the ventures.

EU-IFRSs envisage two methods for the recognition of jointly controlled entities: the equity method and the proportionate consolidation method.

The Group opted to value its ownership interests in certain jointly controlled entities using the equity method (see Note 16.2) since it considered that this better reflected the financial situation of these holdings. Appendix III includes the most significant information on these companies.

Appendix II includes a breakdown of jointly controlled entities consolidated in the Group by the proportionate consolidation method and the most significant information on these companies.

Associates

“Associates” are defined as entities over which the Group is in a position to exercise significant influence, but not control. Significant influence is presumed to exist when the Group owns directly or indirectly 20% or more of the voting power of the investee.

However, certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since it is considered that the Group does not have the capacity to exercise significant influence over these entities. The investments in these entities, which do not represent material amounts for the Group, are classified as available-for-sale investments.

Investments in associates are accounted for using the equity method. Appendix III includes the most significant information on these companies.

2.2. ACCOUNTING POLICIES AND MEASUREMENT BASES APPLIED

The accounting policies and measurement bases used in preparing these consolidated financial statements were as follows:

2.2.1. MEASUREMENT BASES

The criteria for the valuation of assets and liabilities in the accompanying consolidated balance sheets were as follows:

– FAIR VALUE

The fair value of an asset or a liability on a given date is the amount for which it could be exchanged or settled, respectively, between two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of an asset or a liability is the price that would be paid for it on an organised, transparent and active market (“quoted price” or “market price”).

If there is no market price for a given asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, by using mathematical measurement models

sufficiently tried and trusted by the international financial community. Such estimates would take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent to the measurement models developed and the possible inaccuracies of the assumptions required by these models may signify that the fair value of an asset or liability that is estimated does not coincide exactly with the price for which the asset or liability could be exchanged or settled on the date of its measurement.

– AMORTIZED COST

Amortized cost is understood to be the acquisition cost of a financial asset or liability minus principal repayments, plus or minus the systematic amortization (as reflected in the income statements) of any difference between the initial cost and the maturity amount.

In the case of financial assets, amortized cost also includes any value adjustments for impairment.

In the case of financial instruments, the systematic amortization reflected in the income statement is recognized by the effective interest rate method. The effective interest rate is the discount rate that exactly equates the carrying amount of a financial instrument to all its estimated cash flows of all kinds during its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and commissions which, because of their nature, can be equated with a rate of interest. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised for the first time.

– ACQUISITION COST ADJUSTED

Acquisition cost adjusted means the transaction cost for the acquisition of assets adjusted, where appropriate, by any related impairment loss.

2.2.2. FINANCIAL INSTRUMENTS

a) CLASSIFICATION

Financial instruments are classified in the accompanying consolidated financial statements in the following categories:

Financial assets/liabilities held for trading: These headings in the accompanying consolidated balance sheets include the financial assets and liabilities acquired with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices.

These headings also include financial derivatives not considered to qualify for hedge accounting and, in the case of financial liabilities held for trading, the financial liabilities arising from the outright sale of financial assets purchased

under reverse repurchase agreements or borrowed ("short positions").

Other financial assets and financial liabilities at fair value through profit or loss: These headings in the accompanying consolidated balance sheets include, among others, those are not held for trading but are:

- Assets and liabilities which have the nature of hybrid financial assets and liabilities and contain an embedded derivative whose fair value cannot reliably be determined.
- Financial assets that are managed jointly with "liabilities under insurance contracts" measured at fair value, with financial derivatives whose purpose and effect is to significantly reduce exposure to changes in fair value, or with financial liabilities and derivatives whose purpose is to significantly reduce overall interest rate risk exposure.

These headings include both the investment and customer deposits through life insurance policies in which the policyholder assumes the investment risk (named "Unit-links").

Available-for-sale financial assets: these include debt securities not classified as "held-to-maturity investments" or as "financial assets at fair value through profit or loss", and equity instruments issued by entities other than subsidiaries, associates and those jointly controlled, provided that such instruments have not been classified as "held for trading" or as "other financial assets at fair value through profit or loss".

Loans and receivables: this heading relates to the financing granted to third parties, classified on the basis of the nature thereof, irrespective of the nature of the borrower and the form of financing granted, and includes finance leases in which consolidated companies act as lessors.

The consolidated companies generally intend to hold the loans and credits granted by them until their final maturity; therefore, they are presented in the consolidated balance sheet at their amortized cost (which includes any corrections required to reflect the estimated losses on their recovery).

Held-to-maturity investments: this heading includes debt securities for which the Group, from inception and at any subsequent date, has the intention to hold until final maturity, since it has the financial capacity to do so.

Financial liabilities at fair value through equity: These include all financial liabilities associated with available-for-sale financial assets arising as a result of a transfer of financial assets in which the Group retains the control and are valued at fair value through equity.

Financial liabilities at amortized cost: this heading includes, irrespective of their instrumentation and maturity, the financial liabilities not included in any other heading

in the consolidated balance sheet which relate to the typical deposit-taking activities carried on by financial institutions.

Hedging derivatives: this heading includes financial derivatives designated as hedging items. The hedge accounting can be of three types:

- Fair value hedge: This type of hedging relationships hedge changes in the value of assets and liabilities due to fluctuations in the interest rate and/or exchange rate to which the position or balance to be covered.
- Cash flow hedge: In a cash flow hedge is hedged the changes in the estimated cash flows arising from financial assets and liabilities and highly probable transactions which an entity plans to carry out.
- Net investment in a foreign operation hedge: hedges changes in exchange rates for foreign investments made in foreign currency.

b) MEASUREMENT OF FINANCIAL INSTRUMENTS AND RECOGNITION OF CHANGES ARISING FROM THE MEASUREMENT

All financial instruments are initially recognized at fair value which, in the absence of evidence to the contrary, shall be the transaction price. These instruments will subsequently be measured on the basis of their classification. The recognition of changes arising subsequent to the initial recognition is described below:

The change produced during the year arising from the accrual of interests and similar items are recorded under the headings "Interest and Similar Income" or "Interest Expense and Similar Charges", as appropriate, in the consolidated income statement of this period. The dividends accrued in the period are recorded under the heading "Income from equity instruments" in the consolidated income statement.

The changes in the measurements after the initial recognition, for reasons other than those of the preceding paragraph, are described below according to the categories of financial assets and liabilities:

- **"Financial assets held for trading" and "Financial assets and liabilities at fair value through profit or loss"**

Assets and liabilities recognized in these headings in the accompanying consolidated balance sheets are valued at fair value.

Changes arising from the valuation to fair value (gains or losses) are recognized under the heading "Gains or losses on financial assets and liabilities (net)" in the accompanying consolidated income statements. On the other hand, Valuation adjustments by changes in foreign exchange rates are recognized under the

heading “Exchange Differences (net)” in the consolidated income statements.

The fair value of the standard financial derivatives included in the held for trading portfolios is equal to their daily quoted price. If, under exceptional circumstances, their quoted price cannot be established on a given date, these derivatives are measured using methods similar to those used to measure over-the-counter (“OTC”) derivatives.

The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instrument, discounted at the measurement date (“present value” or “theoretical close”); these derivatives are measured using methods recognized by the financial markets, including the net present value (NPV) method and option price calculation models (see Note 7.2).

Financial derivatives that have as their underlying equity instruments, whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments, are measured at cost.

– *“Available-for-Sale Financial Assets” and “Financial liabilities at fair value through equity”*

Assets and liabilities recognized in these headings in the accompanying consolidated balance sheets are valued at fair value.

Changes arising from the valuation to fair value (gains or losses) are recognized temporarily, net amount, under the heading “Valuation Adjustments - Available-for-Sale Financial Assets” or “Valuation Adjustments - Financial liabilities at fair value through equity” in the accompanying consolidated balance sheets.

Valuation adjustments arising from “Available-for-Sale Financial Assets - Other equity instruments” by changes in foreign exchange rates are recognized temporarily under the heading “Valuation Adjustments - Exchange Differences” in the consolidated balance sheets. Valuation adjustments arising from “Available-for-Sale Financial Assets - Debt securities” by changes in foreign exchange rates are recognized under the heading “Exchange Differences” in the consolidated income statements.

The amounts recognized in the headings “Valuation Adjustments - Available-for-Sale Financial Assets”, “Valuation Adjustments - Financial liabilities at fair value through equity” and “Valuation Adjustments - Exchange Differences” remain in the Group’s consolidated equity until the asset is derecognized from the consolidated balance sheet, at which time those amounts are recognized under the headings “Gains or

losses on financial assets and liabilities” or “Exchange Differences” in the consolidated income statements.

On the other hand, the impairment losses (net) in the available-for-sale financial assets during the period are recognized under the heading “Impairment losses (net) - Available-for-sale financial assets” in the consolidated income statements.

– *“Loans and receivables”, “Held-to-maturity investments” and “Financial liabilities at amortised cost”*

Assets and liabilities recognized in these headings in the accompanying consolidated balance sheets are measured at “amortized cost” using the “effective interest rate” method.

Impairment losses (net) arising in the period are recognized under the heading “Impairment losses (net) - Loans and receivables” or “Impairment losses (net) - Held-to-maturity investments” in the consolidated income statements.

– *“Hedging derivatives”*

Assets and liabilities recognized in these headings in the accompanying consolidated balance sheets are valued at fair value.

Changes produced subsequent to the designation in the valuation of financial instruments designated as hedged items as well as financial instruments designated as hedging items are recognized based on the following criteria:

- In the fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized in the heading “Gains or losses on financial assets and liabilities (Net)” in the consolidated income statement.
- In the cash flow hedges and net investments in a foreign operation hedges, the differences produced in the effective portions of hedging items are recognized temporarily under the heading “Valuation adjustments - Cash flow hedges” and “Valuation adjustments - Hedges of net investments in foreign operations” respectively. These valuation changes are recognized in the heading “Gains or losses on financial assets and liabilities (Net)” in the consolidated income statement in the same period or periods during which the hedged instrument affects profit or loss, when forecast transaction occurs or at the maturity date of the item hedged.

Differences in valuation of the hedging item for ineffective portions of cash flow hedges and net

investments in a foreign operation hedges are recognized directly in the heading "Gains or losses on financial assets and liabilities (Net)" in the consolidated income statement.

– Other financial instruments

In relation to the aforementioned general criteria, we must highlight the following exceptions:

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.
- Valuation adjustments arising on non-current assets held for sale and the liabilities associated with them are recognized with a balancing entry under the heading "Valuation Adjustments - Non-Current Assets Held for Sale" of the consolidated balance sheet.

c) IMPAIRMENT FINANCIAL ASSETS

Definition

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of its impairment – when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to a negative impact on the future cash flows that were estimated at the time the transaction was arranged.
- In the case of equity instruments, mean that the carrying amount of these instruments cannot be recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the year in which the impairment becomes known, and the recoveries of previously recognized impairment losses are recognized in the consolidated income statement for the year in which the impairment is reversed or reduced, with the exception that any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale which are not recognized through consolidated profit or loss but recognized under the heading "Valuation Adjustments - Available for sale Financial Assets" in the consolidated balance sheet.

Balances are considered to be impaired, and accrual of the interest thereon is suspended, when there are reasonable doubts that the balances will be recovered in full and/or the related interest will be collected for the amounts and on the dates

initially agreed upon, taking into account the guarantees received by the consolidated entities to assure (in part or in full) the performance of transactions. Amounts collected in relation to impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the principal not yet paid.

When the recovery of any recognized amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the consolidated entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.

Calculation of impairment financial assets

The impairment on financial assets is determined by type of instrument and the category where is recognized, as follows:

Impairment of debt instruments carried at amortized cost:

Impairment losses determined individually

The quantification of impairment losses of the assets classified as impaired is done on an individual basis in which customers in the amount of their operations is equal to or exceeds €1 million.

The amount of the impairment losses incurred on these instruments relates to the positive difference between their respective carrying amounts and the present values of their expected future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be obtained over the residual life of the instrument; including, where appropriate, those which may result from the guarantees provided for the instrument (after deducting the costs required for foreclosure and subsequent sale).
- The various types of risk to which each instrument is subject.
- The circumstances in which collections will foreseeable be made.

These cash flows are discounted using the original effective interest rate. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As an exception to the rule described above, the market value of quoted debt instruments is deemed to be a fair estimate of the present value of their future cash flows.

Impairment losses determined collectively

The quantification of impairment losses is determined on a collective basis in the following two cases:

- Assets classified as impaired of customers in which the amount of their operations is less than €1 million.
- Asset portfolio not impaired but which presents an inherent loss.

To estimate the collective loss of credit risk corresponding to operations with resident in Spain (approximately 66% on Loans and receivables of the Group as of December 31, 2007), the BBVA Group uses the parameters set by Annex IX of the Circular 4/2004 from Bank of Spain on the base of its experience and the Spanish banking sector information in the quantification of impairment losses and provisions for insolvencies for credit risk. These parameters will be used until the Bank of Spain validates internal models based on historical experience of the Group.

To estimate the collective loss of credit risk corresponding to operations with nonresident in Spain registered in foreign subsidiaries, we apply methods and similar criteria, taking as reference the Bank of Spain parameters but adapting the default's calendars to the particular circumstances of the country. However, in Mexico for consumer loans, credit cards and mortgages portfolios, as well as for credit investment maintained by the Group in the United States are using internal models for calculating the impairment losses based on historical experience of the Group (approximately 16% of the Loans and Receivables of the Group as of December 31, 2007).

Calculation in Spain

Following is a description of the methodology to estimate the collective loss of credit risk corresponding to operations with resident in Spain:

1. Specific allowance or provision for insolvency risk of the portfolio doubtful

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that have past-due amounts of more than three months, shall be analyzed individually, taking into account the age of the past-due amounts, the guarantees or collateral provided and the economic situation of the customer and the guarantors.

In the case of unsecured transactions and taking into account the age of the past-due amounts, the allowance percentages are as follow:

Age of the past-due amount	Allowance percentage
Up to 6 months	Between 4.5% and 5.3%
Over 6 months and up to 12 months	Between 27.4% and 27.8%
Over 12 months and up to 18 months	Between 60.5% and 65.1%
Over 18 months and up to 24 months	Between 93.3% and 95.8%
Over 24 months	100%

In the case of transactions secured by completed houses when the total exposure is equal or exceeds 80% of the value of the guarantee or collateral and taking into account the age of the past-due amounts, the allowance percentages are as follow:

Age of the past-due amount	Allowance percentage
Less than 3 years	2%
Over 3 years and up to 4 years	25%
Over 4 years and up to 5 years	50%
Over 5 years and up to 6 years	75%
Over 6 years	100%

In the rest of transactions secured by real property taking into account the age of the past-due amounts, the allowance percentages are as follow:

Age of the past-due amount	Allowance percentage
Up to 6 months	Between 3.8% and 4.5%
Over 6 months and up to 12 months	Between 23.3% and 23.6%
Over 12 months and up to 18 months	Between 47.2% and 55.3%
Over 18 months and up to 24 months	Between 79.3% and 81.4%
Over 24 months	100%

Debt instruments classified as doubtful for reasons other than customer arrears shall be analyzed individually.

2. General allowance or provision of the portfolio into force

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that do not have individually objective of impairment are collectively assessed, including the assets in a group with similar credit risk characteristics, sector of activity of the debtor or the type of guarantee.

The allowance percentages of hedge are as follows:

- Negligible risk: 0%
- Low risk: 0.20% - 0.75%
- Medium-low risk: 0.50% - 1.88%
- Medium risk: 0.59% - 2.25%
- Medium-high risk: 0.66% - 2.50%
- High risk: 0.83% - 3.13%

3. Country Risk Allowance or Provision

Country risk is understood as the risk associated with customers resident in a specific country due to circumstances other than normal commercial risk. Country risk comprises sovereign risk, transfer risk and other risks arising from international financial activity.

On the basis of the economic performance, political situation, regulatory and institutional framework, and payment capacity and record, the Group classifies the transactions in different groups, assigning to each group the provisions for insolvencies percentages, which are derived from those analyses.

However, due to the dimension of the Group, and to risk-country management, the provision levels are not significant in relation to the balance of the provisions by constituted insolvencies (As of December 31, 2007, this provision represents a 1.75% in the provision for insolvencies of the Group).

Impairment of other debt instruments

The impairment losses on debt securities included in the "Available-for-sale financial asset" portfolio are equal to the difference between their acquisition cost (net of any principal repayment) and their fair value after deducting any impairment loss previously recognized in the consolidated income statement.

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer considered as "Valuation Adjustments - Available-for-Sale Financial Assets" and are recognized in the consolidated income statement. If all or part of the impairment losses is subsequently recovered, the amount is recognized in the consolidated income statement for the year in which the recovery occurred.

Similarly, in the case of debt instruments classified as "non-current assets held for sale", unrealized losses previously recorded in equity are considered to be realised – and are recognized in the consolidated income statement – on the date the instruments are so classified.

Impairment of equity instruments

The amount of the impairment in the equity instruments is determined by the category where is recognized:

a. Equity instruments measured at fair value: The criteria for quantifying and recognising impairment losses on equity instruments are similar to those for other debt instruments, with the exception that any recovery of previously unrealised losses for an investment in an equity instrument classified as available for sale which are not recognized through profit or loss but recognized under the heading "Valuation Adjustments – Available for sale Financial Assets" in the consolidated balance sheet.

b. Equity instruments measured at cost: The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) for the last approved (consolidated) balance sheet, adjusted for the unrealised gains at the measurement date.

Impairment losses are recognized in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses may only be reversed subsequently in the event of the sale of the assets.

2.2.3. RECOGNITION OF INCOME AND EXPENSES

The most significant criteria used by the Group to recognize its income and expenses are summarised as follows:

Interest income and expenses and similar items

As a general rule, interest income and expenses and similar items are recognized on the basis of their period of accrual using the effective interest rate method. Specifically, the financial fees and commissions that arise on the arrangement of loans, basically origination and analysis fees must be deferred and recognized in the income statement over the life of the loan. The direct costs incurred in arranging these transactions can be deducted from the amount thus recognized, as incurred. Also dividends received from other companies are recognized as income when the consolidated companies' right to receive them arises.

However, when a debt instrument is deemed to be impaired individually or is included in the category of instruments that are impaired because of amounts more than three months past-due, the recognition of accrued interest in the consolidated income statement is interrupted. This interest is recognized for accounting purposes when it is received.

Commissions, fees and similar items

Income and expenses relating to commissions and similar fees are recognized in the consolidated income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are:

- Those relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected.
- Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.

- Those relating to a single act, which is recognized when the single act is carried out.

Non-financial income and expenses:

These are recorded for accounting purposes on an accrual basis.

Deferred collections and payments:

These are recorded for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.2.4. POST-EMPLOYMENT BENEFITS AND OTHER LONG TERM COMMITMENTS TO EMPLOYEES

Following is a description of the most significant accounting criteria relating to the commitments to employees, related to post-employment benefits and other long term commitments, of certain Group companies in Spain and abroad (Note 27).

Commitments valuation: assumptions and gains/losses recognition

The present values of the commitments are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method, which views each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

In adopting the actuarial assumptions, it is taken into account that:

- They are unbiased, in that they are neither imprudent nor excessively conservative.
- They are mutually compatible, reflecting the economic relationships between factors such as inflation, rates of salary increase, discount rates and expected return of assets. The expected return of plan assets in the post-employment benefits is estimated taking into account the market expectations and the distribution of such assets in the different portfolios.
- The future levels of salaries and benefits are based on market expectations at the balance sheet date for the period over which the obligations are to be settled.
- The discount rate used is determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred, were recognized in the consolidated income statements. The Group did not use the “corridor approach”.

Post-employment benefits

– Pensions

Post-employment benefits include defined contribution and defined obligation commitments.

– Defined contribution commitments:

The amounts of these commitments are determined, on a case-by-case basis, as a percentage of certain remuneration items and/or as a pre-established annual amount. The current contributions made by the Group's companies for defined contribution retirement commitments, are recognized with a charge to the heading “Personnel Expenses – Contributions to external pension funds” in the accompanying consolidated income statements (Notes 27 and 51).

– Defined benefit commitments:

Certain Group's companies have defined benefit commitments for permanent disability and death of current employees and early retirees; for death of certain retired employees; and defined-benefit retirement commitments applicable only to certain groups of serving employees (unvested benefits), or early retired employees (vested benefits) and of retired employees (ongoing benefits). Defined benefit commitments are funded by insurance contracts and internal Group provisions.

The amounts recognized in the heading “Provisions - Funds for Pensions and Similar Obligations” (Note 26) are the differences between the present values of the vested obligations for defined obligation retirement commitments at balance sheet date, adjusted by actuarial gains/losses, the prior service cost and the fair value of plan assets, if it is the case, which are to be used directly to settle employee benefit obligations.

The provisions for defined obligation retirement commitments were charged to the heading “Provisions expense (net)” in the accompanying consolidated income statements (Note 51).

The current contributions made by the Group's companies for defined obligation retirement commitments covering current employees are charged to the heading “Personnel Expenses – Transfers to internal pension provisions” in the accompanying consolidated income statements.

– Early retirements

In 2007, the Group offered certain employees in Spain the possibility of taking early retirement before the age stipulated in the collective labor agreement in force. The corresponding provisions by the Group were recognized with a charge to the heading “Provision Expense (Net) - Transfers to Funds for Pensions and Similar Obligations - Early Retirements” in the accompanying consolidated income statements (Note 27). The present values are quantified on a case-by-case basis and they are recognized in the heading “Provisions - Funds for Pensions and Similar Obligations” in the accompanying consolidated balance sheets (Note 27).

The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the year of early retirement. The commitments relating to this group of employees after they have reached the age of effective retirement are included in the employee welfare system.

– Post-employment welfare benefits

Certain Group companies have welfare benefit commitments the effects of which extend beyond the retirement of the employees entitled to the benefits. These commitments relate to certain current employees and retirees, depending upon the employee group to which they belong.

The present values of the vested obligations for post-employment welfare benefits are quantified on a case-by-case basis. They are recognized in the heading “Provisions - Funds for Pensions and Similar Obligations” in the accompanying consolidated balance sheets (Note 26) and they are charged to the heading “Personnel expenses – Other personnel expenses” in the accompanying income statements (Note 51).

Other long term commitments to employees

Certain Group companies are obliged to deliver partially or fully subsidised goods and services. The most significant employee welfare benefits granted, in terms of the type of compensation and the event giving rise to the commitments are: loans to employees, life insurance, study aid and long-service bonuses.

The present values of the vested obligations for commitments with personnel are quantified on a case-by-case basis. They are recognized in the heading “Provisions - Funds for Pensions and Similar Obligations” in the accompanying consolidated balance sheets (see Note 26).

The post-employment welfare benefits delivered by the Spanish companies to active employees are recognized in the heading “Personnel expenses – Other personnel expenses” in the accompanying income statements (see Note 51).

Other commitments for current employees are accrued and settled on a yearly basis, and thus it is not necessary to record a provision in this regard.

2.2.5. FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE DIFFERENCES

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in “foreign currency”. The balances in the financial statements of consolidated entities whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities: at the average spot exchange rates as of December 31, 2007, 2006 and 2005.
- Income and expenses and cash flows: at the average exchange rates as of December 31, 2007, 2006 and 2005.
- Equity items: at the historical exchange rates.

The exchange differences arising on the translation of foreign currency balances to the functional currency of the consolidated entities and their branches are generally recorded in the consolidated income statement, except for the exchange differences arising on non-monetary items whose fair value is adjusted with a balancing item in equity that are recorded under the heading “Valuation Adjustments - Exchange Differences” of the consolidated balance sheet.

The exchange differences arising on the translation to euros of balances in the functional currencies of the consolidated entities whose functional currency is not the euro are recorded under the heading “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet until the item to which they relate is derecognized, at which time they are recorded in the income statement.

The breakdown of the balances in foreign currency of the consolidated balance sheet as of December 31, 2007, 2006 and 2005, based on the nature of the related items, was as follows:

	Millions of euros		
	2007	2006	2005
Assets –	168,983	126,190	117,409
Cash and balances with Central Banks	10,097	8,858	9,091
Financial held for trading	28,561	22,398	17,137
Available-for-sale financial assets	21,159	14,801	15,477
Loans and receivables	102,987	71,728	66,632
Investments	523	66	63
Tangible assets	2,026	1,661	1,681
Other	3,630	6,678	7,328
Liabilities–	189,683	135,829	127,769
Financial held for trading	1,893	1,879	1,571
Financial liabilities at amortised cost	181,611	128,154	118,666
Other	6,179	5,796	7,532

The breakdown in foreign currencies of the balances in the most significant foreign currency of the consolidated balance sheet as of December 31, 2007, was as follows:

	Millions of euros			
	USD	Mexican Pesos	Other foreign	TOTAL
Assets -	73,296	58,449	37,238	168,983
Cash and balances with Central Banks	1,785	5,459	2,853	10,097
Financial held for trading	5,963	20,203	2,395	28,561
Available-for-sale financial assets	10,477	5,227	5,455	21,159
Loans and receivables	52,311	26,436	24,240	102,987
Investments	5	72	446	523
Tangible assets	737	823	466	2,026
Other	2,018	229	1,383	3,630
Liabilities-	95,939	53,021	40,723	189,683
Financial held for trading	1,441	18	434	1,893
Financial liabilities at amortised cost	93,835	49,647	38,129	181,611
Other	663	3,356	2,160	6,179

In 2006 the balances held in foreign currency, approximately 64% of assets and 64% of liabilities were related to transactions in pesos and US dollars.

2.2.6. ENTITIES AND BRANCHES LOCATED IN COUNTRIES WITH HYPERINFLATIONARY ECONOMIES

None of the functional currencies of the consolidated subsidiaries and associates and their branches located abroad relate to hyperinflationary economies as defined by EU-IFRSs. Accordingly, as of December 31, 2007, 2006 and 2005 it was not necessary to adjust the financial statements of any of the consolidated subsidiaries or associates to correct for the effect of inflation.

2.2.7. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The heading “Non-current Assets Held for Sale” in the accompanying consolidated balance sheets reflects the carrying amount of the assets – composing a “disposal group” or forming part of a business unit that the Group intends to sell (“discontinued operations”) – which will very probably be sold in their current condition within one year from the date on which are classified as such. Therefore, the carrying amount of these assets – which can be financial or non-financial – will foreseeably be recovered through the price obtained on their sale.

Specifically, the assets received by the consolidated entities from their debtors in full or part settlement of the debtors’ payment obligations (foreclosed assets) are treated as non-current assets held for sale, unless the consolidated entities have decided to make continuing use of these assets.

Symmetrically, the heading “Liabilities Associated with Non-current Assets Held for Sale” in the accompanying consolidated balance sheets reflects the balances payable arising on disposal groups and discontinued operations.

2.2.8. SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES

This heading shows the carrying amount of the sales of assets and income from the services provided by the consolidated Group companies that are not financial institutions. In the case of the Group, these companies are mainly real estate and services companies.

2.2.9. INSURANCE AND REINSURANCE CONTRACTS

In accordance with standard accounting practice in the insurance industry, the consolidated insurance entities credit to the income statement the amounts of the premiums written and charge to income the cost of the claims incurred on final settlement thereof. Insurance entities are therefore required to accrue at period-end the unearned revenues credited to their income statements and the accrued costs not charged to income.

The most significant accruals recorded by the consolidated entities in relation to direct insurance contracts arranged by them relate to the following (Note 25):

- Mathematical provisions, which include:
 - Life insurance provisions: these represent the value of the life insurance obligations of the insurance companies at period-end, net of the obligations of the policyholder.

- Non-life insurance provisions: provisions for unearned premiums. These provisions are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums accrued in the year that has to be allocated to the period from the reporting date to the end of the policy period.
- Provision for claims: this reflects the total amount of the obligations outstanding arising from claims incurred prior to the reporting date. The insurance companies calculate this provision as the difference between the total estimated or certain cost of the claims not yet reported, settled or paid, and the total amounts already paid in relation to these claims.
- Provisions for unexpired risks and other provisions, which include:
 - Non-life insurance provisions – unexpired risks: the provision for unexpired risks supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered by the insurance companies in the policy period not elapsed at period-end.
 - Technical provisions for reinsurance ceded: calculated by applying the criteria indicated above for direct insurance, taking account of the cession conditions established in the reinsurance contracts in force.
 - Other technical provisions: the insurance companies have recognized provisions to cover the probable mismatches in the market reinvestment interest rates with respect to those used in the measurement of the technical provisions.
 - Provision for bonuses and rebates: this provision includes the amount of the bonuses accruing to policyholders, insureds or beneficiaries and the premiums to be returned to policyholders or insureds, as the case may be, based on the behaviour of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

The Group controls and monitors the exposure of the insurance companies to financial risk and, to this end, uses internal methods and tools that enable it to measure credit risk and market risk and to establish the limits for these risks.

Reinsurance assets and Liabilities under insurance contracts

The heading “Reinsurance Assets” in the accompanying consolidated balance sheets includes the amounts that the consolidated entities are entitled to receive under the reinsurance contracts entered into by them with third parties

and, more specifically, the share of the reinsurer in the technical provisions recorded by the consolidated insurance entities (Note 17).

The heading “Liabilities under Insurance Contracts” in the accompanying consolidated balance sheets includes the technical reserves of direct insurance and inward reinsurance recorded by the consolidated entities to cover claims arising from insurance contracts in force at period-end (Note 25).

The income or loss reported by the Group’s insurance companies on their insurance activities is recorded under the heading “Insurance Activity Income” in the consolidated income statement (Note 47).

2.2.10. TANGIBLE ASSETS

Non-Current tangible assets for own use

The heading Non-Current Tangible Assets for own use relates to the tangible assets intended to be held for continuing use and the tangible assets acquired under finance leases. It also includes tangible assets received by the consolidated entities in full or part settlement of financial assets representing receivables from third parties, tangible assets acquired under finance leases and those assets expected to be held for continuing use. Non-Current tangible assets for own use are presented at acquisition cost less any accumulated depreciation and, where appropriate, any estimated impairment losses (net carrying amount higher than fair value).

For this purpose, the acquisition cost of foreclosed assets held for continued use is equal to the carrying amount of the financial assets delivered in exchange for their foreclosure.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The period tangible asset depreciation charge is recognized with a balancing entry in the consolidated income statement and is based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

	Annual Percentage
Buildings for own use	1.33% a 4%
Furniture	8% to 10%
Fixtures	6% to 12%
Office supplies and computerisation	8% to 25%

At each accounting close, the consolidated entities analyse whether there is any internal or external indication that the net carrying amounts of their tangible assets exceed the related recoverable amounts. If there is such an indication, the carrying amount of the asset in question is reduced to its recoverable

amount and the future depreciation charges are adjusted in proportion to the asset's new remaining useful life and / or to its revised carrying amount.

Similarly, if there is any indication that the value of a tangible asset has been recovered, the consolidated entities recognize the reversal of the impairment loss recorded in previous periods and, consequently, adjust the future depreciation charges. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior periods.

Upkeep and maintenance expenses relating to tangible assets held for continued use are charged to the income statement for the period in which they are incurred.

Investment property and other assets leased out under an operating lease:

The heading "Tangible assets - Investment Property" in the consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation at disposal date.

The criteria used to recognize the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to record the impairment losses thereon are the same as those described in relation to tangible assets for continued use.

2.2.11. BUSINESS COMBINATIONS

A business combination is the bringing together of two or more separate entities or businesses into one single entity or group of entities. As a result of a business combination, which is accounted for using the purchase method, the Group obtains control over one or several entities.

The purchase method accounts for business combinations from the perspective of the acquirer. The acquirer must recognize the assets acquired and the liabilities and contingent liabilities assumed, including those not previously recognized by the acquired entity. This method measures the cost of the business combination and the assignment of it, at the date of acquisition, to the identifiable assets, liabilities and contingent liabilities measured at fair value.

In addition, any purchases of minority interests after the date on which the Group obtains control of the acquired are recorded as equity transactions, i.e. the difference between the price paid and the carrying amount of the percentage of minority interests acquired is charged directly to equity.

2.2.12. INTANGIBLE ASSETS

Goodwill

The positive differences between the cost of business combinations and the amount corresponding to the acquired

percentage of the net fair value of the assets, liabilities and contingent liabilities of the acquired entity are recorded as goodwill on the asset side of the consolidated balance sheet. Goodwill represents the future economic benefits from assets that cannot be individually identified and separately recognized. Goodwill is not amortized and is subject periodically to an impairment analysis. Any impaired goodwill is written off.

Goodwill is allocated to one or more cash-generating units expected to benefit from the synergies arising from business combinations. The cash-generating units represent the Group's smallest identifiable business and/or geographical segments as managed internally by its directors within the Group.

The cash-generating units to which goodwill has been allocated are tested for impairment based on the carrying amount of the unit including the allocated goodwill. Such testing is performed annually or whenever there is an indication of impairment.

For the purpose of determining the impairment of a cash-generating unit to which a part of goodwill has been allocated, the carrying amount of that unit, adjusted by the theoretical amount of the goodwill attributable to the minority interest, shall be compared with its recoverable amount. The resulting loss shall be apportioned by reducing, firstly, the carrying amount of the goodwill allocated to that unit and, secondly, if there are still impairment losses remaining to be recognized, the carrying amount of the rest of the assets. This shall be done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. It will be taken into account that no impairment of goodwill attributable to the minority interest may be recognized. In any case, impairment losses on goodwill can never be reversed.

Other intangible assets

These assets can have an "indefinite useful life" – when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the consolidated entities – or a "finite useful life", in all other cases.

The Group has not recognized any intangible assets with indefinite useful life.

Intangible assets with finite useful life are amortized over those useful lives using methods similar to those used to depreciate tangible assets.

In both cases the consolidated entities recognize any impairment loss on the carrying amount of these assets with charge to the heading "Impairment Losses (Net) - Other Intangible Assets" in the consolidated income statement. The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior periods are similar to those used for tangible assets.

2.2.13. INVENTORIES

Inventories are assets, other than financial instruments, that are held for sale in the ordinary course of business, that are in the process of production, construction or development for such sale, or that are to be consumed in the production process or in the rendering of services. The balance of the heading "Other Assets – Inventories" in the accompanying consolidated balance sheet included the land and other property held for sale by the development business entities of the Group's real state companies (Note 21).

Inventories are measured at the lower of cost and net realisable value, which is the estimated selling price of inventories in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories, such as that reflecting damage, obsolescence, and reduction of the sale price, to net realisable value and any other losses is recognized as an expense in the period in which the write-down or loss occurs. Subsequent reversal of any write-down is recognized in the consolidated income statement for the period in which it occurs.

When inventories are sold, the carrying amount of those inventories is derecognised and recorded as an expense in the period in which the related revenue is recognized. The expense is included under the heading "Cost of Sales" in the accompanying consolidated income statement (Note 49) when it corresponds to activities relating to the provision of non-financial services, or under the heading "Other Operating Expenses" in other cases (Note 50).

2.2.14. TAX ASSETS AND LIABILITIES

The Spanish corporation tax expense and the expense for similar taxes applicable to the consolidated entities abroad are recognized in the consolidated income statement, except when they result from transactions the profits or losses on which are recognized directly in equity, in which case the related tax effect is also recognized in equity.

The current income tax expense is calculated by aggregating the current tax arising from the application of the related tax rate to the taxable profit (or tax loss) for the period (after deducting the tax credits allowable for tax purposes) and the change in deferred tax assets and liabilities recognized in the income statement.

Deferred tax assets and liabilities include temporary differences, measured at the amount expected to be payable or recoverable on future fiscal years for the differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carry forwards. These amounts are measured applying to each temporary difference the tax rates that are expected to apply in the period when the asset is realised or the liability settled (Note 35).

Deferred tax assets are recognized to the extent that it is considered probable that the consolidated entities will have sufficient taxable profits in the future against which the deferred tax assets can be utilized.

The deferred tax assets and liabilities recognized are reassessed by the consolidated entities at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

2.2.15. FINANCIAL GUARANTEES

"Financial guarantees" are defined as contracts whereby the Group undertakes to make specific payments for a third party if the latter does not do so, irrespective of the various legal forms they may have.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost, (see Note 2.2.2).

The provisions made for these transactions are recognized under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side in the accompanying consolidated balance sheet (Note 26). These provisions are recognized and reversed with a charge or credit, respectively, to "Provisions (Net)" in the consolidated income statement.

2.2.16. LEASES

Leases are classified as finance from the start of the transaction leases when they transfer substantially the risks and rewards incidental to ownership of the asset forming the subject matter of the contract. Leases other than finance leases are classified as operating leases.

When the consolidated entities act as the lessor of an asset in finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recorded as financing provided to third parties and, therefore, are included under the heading "Loans and Receivables" in the accompanying consolidated balance sheets.

Assets provided under operating leases to other Group entities are treated in the consolidated financial statements as assets held for continued use and in the individual financial statements of the owner as other assets leased out under an operating lease or as investment property.

**2.2.17. PROVISIONS, CONTINGENT ASSETS
AND CONTINGENT LIABILITIES**

Provisions are existing obligations arising from legal or contractual requirements, valid expectations created by Group companies in third parties regarding the assumption of certain types of responsibilities, or virtual certainty as to the future course of regulation in particular respects, especially proposed new legislation that the Group cannot avoid.

Provisions are recognized in the balance sheet when each and every one of the following requirements is met: the Group has an existing obligation resulting from a past event and, at the balance sheet date, it is more likely than not that the obligation will have to be settled; it is probable that to settle the obligation the entity will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible obligations of the Group that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the entity. They include the existing obligations of the entity when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by the occurrence or non-occurrence of, events beyond the control of the Group. Contingent assets are not recognized in the balance sheet or in the income statement; however, they are disclosed in the notes to financial statements, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

**2.2.18. TRANSFERS OF FINANCIAL ASSETS AND
DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES**

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties. If substantially all the risks and rewards are transferred to third parties, the transferred financial asset is derecognised and, at the same time, any right or obligation retained or created as a result of the transfer is recognized.

If substantially all the risks and rewards associated with the transferred financial asset are retained, the transferred financial asset is not derecognised and continues to be measured using the same criteria as those used before to the transfer.

Financial assets are only derecognised when the cash flows they generate have extinguished or when substantially all the risks and rewards incidental to them have been transferred. Similarly, financial liabilities are only derecognised when the obligations

they generate have extinguished or when they are acquired (with the intention either settle them or re-sell them).

2.2.19. OWN EQUITY INSTRUMENTS

The balance of the heading "Stockholders' Equity - Treasury Shares" in the accompanying consolidated balance sheets relates mainly to Bank shares held by certain consolidated companies as of December 31, 2007, 2006 and 2005. These shares are carried at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading "Stockholders' Equity-Reserves" in the accompanying consolidated balance sheets (Note 33).

**2.2.20. EQUITY-SETTLED SHARE-BASED PAYMENT
TRANSACTIONS**

Equity-settled share-based payment transactions, when the instruments granted do not vest until the counterparty completes a specified period of service, shall be accounted for those services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity. The entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, at grant date.

Market conditions shall be taken into account when estimating the fair value of the equity instruments granted, thus, their evolution will not be reflected on the profit and loss account. Vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognized for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. As a consequence the effect of vesting conditions other than market conditions, will be recognized on the profit and loss account with the corresponding increase in equity.

2.2.21. TERMINATION BENEFITS

Termination benefits must be recognized when the company is committed to severing its contractual relationship with its employees and, to this end, has a formal detailed redundancy plan. There were no redundancy plans in the Group entities, so it is not necessary to recognize a provision for this issue.

2.2.22. CONSOLIDATED CASH FLOW STATEMENTS

For the preparation of the consolidated cash flow statement has been used the indirect method has been used. This method

starts from the entity's consolidated profit or loss and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

For the preparation of cash flow statements is taken into consideration the following concepts:

- a) Cash flows: Inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to a low risk of changes in value, such as balances with central banks, short-term Treasury bills and notes, and demand balances with other credit institutions.
- b) Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investing or financing activities.
- c) Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- d) Financing activities: Activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities.

2.3. IFRS RECENT PRONOUNCEMENTS

a) STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE PRESENT PERIOD

In the current fiscal year, the Group has adopted the IFRS 7 "Financial Instruments: Disclosures" which is effective for annual periods beginning on or after 1 January 2007, as well as the changes made to IAS 1 "Presentation of Financial Statements" in connection with the capital disclosures.

As a result of the adoption of IFRS 7 and the amendments to IAS 1, the qualitative and quantitative disclosures of the consolidated financial statements relating to financial instruments and capital management detailed in the Notes 7, 12 and 14, have been extended.

Moreover, they have also been effective for the first time this year the following interpretations: IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial reporting in Hyperinflationary Economies", IFRIC 8 "Scope of IFRS 2," IFRIC 9 "Reassessment of Embedded Derivatives" and IFRIC 10 "Financial Reporting and Impairment". The application of this interpretation had no impact on consolidated financial statements of the Group.

b) NEW STANDARDS AND INTERPRETATIONS ISSUED

At the date of preparation of the consolidated financial statements new IFRS's (International Financial and Reporting Standards) and interpretations (IFRIC's) have been issued, which

are not required to be applied as of December 31, 2007, although in some cases earlier application is encouraged. The Group has not yet applied any of the following Standards to its consolidated financial statements.

IFRS 8 "Operating Segments"

It will be effective for annual periods beginning on or after 1 January 2009.

This new standard replaces IAS 14 "Segment Reporting". The main novelty is the adoption of an approach to management reporting business segments. The information reported will be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. In the information to present, the segments identified and the criteria used to identify the segments, will coincide with those used internally by the management, even though they do not meet the criteria IFRS of the financial statements.

This standard will not have an impact on balance sheet and/or income statement, but will affect the breakdown of the information by segments of the Report.

IFRIC 11 "IFRS 2—Group and Treasury Share Transactions"

It will be effective for annual periods beginning on or after 1 March 2007, early application is permitted.

This interpretation discusses how to apply IFRS 2 Share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. The IFRIC indicates that the transactions for which payment has been agreed in shares of the entity or other entity of the group are treated as if they were to be settled with equity company's own, regardless of how they are to obtain the necessary equity instruments.

The Group does not anticipate that adoption of IFRIC 11 will have any effects on its financial position, results of operations or cash flows.

IAS 23 "Borrowing Costs"

It will be effective for annual periods beginning on or after 1 January 2009, early application is permitted.

The revision to IAS 23 removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset.

The Group does not anticipate that adoption of IAS 23 will have any effects on its financial position, results of operations or cash flows.

IFRIC 13 “Customer Loyalty Programmes”

It will be effective for annual periods beginning on or after 1 July 2008, early application is permitted.

This IFRIC 13 establishes the accounting procedure for the customer loyalty programmes used by entities to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (often described as “points”). The customer can redeem the award credits for awards such as free or discounted goods or services. The entity may operate the customer loyalty programme itself or participate in a programme operated by a third party.

The interpretation requires entities to allocate part of income of the initial sale to exchangeable bond, recognizing them as income only when they have fulfilled their obligations by providing such awards or paying third parties to do so.

The Group does not anticipate that adoption of IFRIC 13 will have any effects on its financial position, results of operations or cash flows.

IAS 1 Revised - Presentation of Financial Statements

The revised standard will come into effect for the annual periods beginning on or after 1 January 2009, but early adoption is permitted.

The main changes from the previous version are to require that an entity must:

- The “statement of changes in equity” will present the amounts of transactions with owners in their capacity as owners, such as equity contributions, reacquisition of the entity’s own equity instruments and dividends.
- Present all non-owner changes in equity (that is, ‘comprehensive income’) either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity.

Also, introduce new disclosures requirements when the entity applies an accounting policy retrospectively or makes a restatement of the previous Financial Statement. The names of some Financial Statements are change to reflect more clearly its function. (i.e. the Balance Sheet is renamed as Statement of Financial Position).

No material effects are expected with the application of this Standard in the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

It will be effective for annual periods beginning on or after 1 January 2008, early application is permitted.

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognized as an asset. It also explains how pension assets or liabilities are affected when an statutory or contractual minimum funding requirement exists, establishing the requirement of recognizing an additional liability only to the extent that the contributions payable will not be available as a refund or reduction in future contributions.

The Group does not anticipate that adoption of this IFRIC will have any effects on its financial statements.

IFRS 3 Revised – Business Combinations – and modification of IAS 27 - Consolidated and Separate Financial Statements

These standards will be effective for annual periods beginning on or after 1 January 2009. An entity shall apply them prospectively from the period beginning after 30 June 2007.

IFRS 3 (Revised) and the modifications of IAS 27 represent some significant changes in various aspects related to the accounting for Business Combinations that, in general, make more emphasis in the use of the fair value. Some of the main changes are: the acquisition costs, which will be registered as expense compared to current treatment of increasing the cost of the business combination; acquisitions achieved in stages, in which at the time the acquirer held the control, re-measured at fair value the ownership interest; or the existence of the option to measure at fair value the minority interests in the acquired, compared to current treatment of measuring its proportional share at fair value of the net assets acquired.

The Group still has not evaluated the possible impact that the application of this standard might have on the future business combinations and its respective effects in the consolidated financial statements.

IFRS 2 Revised - Share-based Payment

The amendment will apply for annual periods beginning on or after 1 January 2009, with earlier application permitted.

The amendment clarifies that vesting conditions are service conditions and performance conditions only, and that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

No material effects are expected with the application of this standard in the Group.

IFRIC 12 Service Concession Arrangements

This Interpretation will be applied for annual periods beginning on or after 1 January 2008 with earlier application permitted.

The service concessions are agreements in which a government or other public entity awarded contracts for

providing of public services to private sector operators. The control of the assets remains in government hands, but the private operator is responsible for construction activities as well as management and maintenance of public infrastructure. IFRIC 12 gives guidance on how concession entities must apply IFRS in accounting for the rights and obligations in such agreements.

The Group does not anticipate that adoption of this IFRIC will have a significant effect on its financial statements.

The Bank represented approximately 62% of the Group's assets and 46% of consolidated profit before tax as of December 31, 2007 (65% of the assets and 33% of consolidated profit before tax as of December 31, 2006 and 63% of the assets and 27% of the profits as of December 31, 2005), after the related consolidation adjustments and eliminations.

Summarised below are the financial statements of BBVA as of December 31, 2007, 2006 and 2005:

3. BANCO BILBAO VIZCAYA ARGENTARIA GROUP

Banco Bilbao Vizcaya Argentaria, S.A. is the Group's parent company. Its individual financial statements are prepared on the basis of the accounting policies and methods contained in Bank of Spain Circular 4/2004. (See Note 1.2)

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2007, 2006 and 2005 (summarized)

ASSETS	Millions of euros		
	2007	2006 (*)	2005 (*)
CASH AND BALANCES WITH CENTRAL BANKS	12,216	3,264	2,708
FINANCIAL ASSETS HELD FOR TRADING	41,180	35,899	31,224
AVAILABLE-FOR-SALE FINANCIAL ASSETS	18,709	17,536	32,895
LOANS AND RECEIVABLES	246,722	213,028	183,251
HELD-TO-MATURITY INVESTMENTS	5,584	5,906	3,959
HEDGING DERIVATIVES	779	1,759	2,505
NON-CURRENT ASSETS HELD FOR SALE	49	26	30
INVESTMENT	21,668	14,160	13,297
INSURANCE CONTRACTS LINKED TO PENSIONS	2,004	2,114	2,090
TANGIBLE ASSET	1,870	2,093	2,061
INTANGIBLE ASSETS	90	63	52
TAX ASSETS	3,227	3,276	3,940
ACCRUED INCOME	328	505	512
OTHER ASSETS	440	562	617
TOTAL ASSETS	354,866	300,191	279,141

(*) Presented for comparison purposes only.

Balance sheets as of December 31, 2007, 2006 and 2005 (summarized)

TOTAL LIABILITIES AND EQUITY	Millions of euros		
	2007	2006 (*)	2005 (*)
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING	18,545	13,658	14,580
FINANCIAL LIABILITIES AT AMORTISED COST	303,629	258,697	242,038
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
HEDGING DERIVATIVES	1,765	2,088	947
PROVISIONS	6,637	6,926	6,376
TAX LIABILITIES	1,715	1,250	1,580
ACCRUED EXPENSES AND DEFERRED INCOME	867	736	763
OTHER LIABILITIES	103	105	7
TOTAL LIABILITIES	333,261	283,460	266,291
EQUITY			
VALUATION ADJUSTMENTS	2,888	2,264	1,810
SHAREHOLDER'S EQUITY	18,717	14,467	11,040
Capital	1,837	1,740	1,662
Share premium	12,770	9,579	6,658
Reserves	2,257	2,086	2,002
Other equity instruments	49	26	-
Less: Treasury shares	(129)	(40)	(30)
Profit attributed to the Group	3,612	2,440	1,918
Less: Dividends and remuneration	(1,679)	(1,364)	(1,170)
TOTAL EQUITY	21,605	16,731	12,850
TOTAL EQUITY AND LIABILITIES	354,866	300,191	279,141

(*) Presented for comparison purposes only.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**Income statement for the years ended December 31, 2007, 2006 and 2005 (summarized)**

	Millions of euros		
	2007	2006 (*)	2005 (*)
INTEREST AND SIMILAR INCOME	13,785	9,556	7,169
INTEREST EXPENSE AND SIMILAR CHARGES	(10,933)	(6,977)	(4,474)
INCOME FROM EQUITY INSTRUMENTS	1,810	1,529	1,057
NET INTEREST INCOME	4,662	4,108	3,752
FEE AND COMMISSION INCOME	2,174	2,062	1,929
FEE AND COMMISSION EXPENSES	(381)	(330)	(331)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	1,706	1,246	530
EXCHANGE DIFFERENCES (NET)	266	236	133
GROSS INCOME	8,427	7,322	6,013
OTHER OPERATING INCOME	77	70	81
PERSONNEL EXPENSES	(2,238)	(2,158)	(2,014)
OTHER ADMINISTRATIVE EXPENSES	(982)	(849)	(804)
DEPRECIATION AND AMORTISATION	(209)	(201)	(197)
OTHER OPERATING EXPENSES	(78)	(65)	(63)
NET OPERATING INCOME	4,997	4,119	3,016
IMPAIRMENT LOSSES (NET)	(621)	(645)	(442)
PROVISION EXPENSE (NET)	(287)	(1,024)	(379)
OTHER GAINS	394	615	108
OTHER LOSSES	(236)	(35)	(35)
INCOME BEFORE TAX	4,247	3,030	2,268
INCOME TAX	(635)	(590)	(350)
INCOME FROM ORDINARY ACTIVITIES	3,612	2,440	1,918
INCOME FROM DISCONTINUED OPERATIONS (NET)	-	-	-
INCOME FOR THE YEAR	3,612	2,440	1,918

(*) Presented for comparison purposes only.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of recognised income and expense for the years ended December 31, 2007, 2006 and 2005 (summarized)

	Millions of euros		
	2007	2006 (*)	2005 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	624	454	877
Available-for-sale financial assets	583	453	992
Financial liabilities at fair value through equity	-	-	-
Cash flow hedges	15	(29)	(65)
Hedges of net investments in foreign operations	-	-	-
Exchange differences	26	30	(50)
Non-current assets held for sale	-	-	-
INCOME FOR THE YEAR	3,612	2,440	1,918
TOTAL INCOME AND EXPENSES FOR THE YEAR	4,236	2,894	2,795

(*) Presented for comparison purposes only.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Cash flow statements for the years ended December 31, 2007, 2006 and 2005 (summarized)

	Millions of euros		
	2007	2006 (*)	2005 (*)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year	3,612	2,440	1,918
Adjustment to profit:	1,543	2,036	1,414
Adjusted profit	5,155	4,476	3,332
Net increase/decrease in operating assets	(38,241)	(17,527)	(35,679)
Financial assets held for trading	(5,280)	(4,676)	2,562
Available-for-sale financial assets	(343)	15,574	(4,130)
Loans and receivables	(34,030)	(30,201)	(34,134)
Other operating assets	1,412	1,776	23
Net increase/decrease in operating liabilities	48,399	15,204	35,213
Financial liabilities held for trading	4,887	(922)	2,844
Financial liabilities at amortised cost	44,203	15,833	33,984
Other operating liabilities	(691)	293	(1,615)
Total net cash flows from operating activities (1)	15,313	(2,153)	2,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments (-)	(8,208)	(4,456)	(2,982)
Divestments (+)	990	1,690	267
Total net cash flows from investing activities (2)	(7,218)	(2,766)	(2,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance/Redemption of capital (+/-)	3,263	2,960	-
Acquisition of own equity instruments (-)	(12,001)	(4,728)	(2,619)
Disposal of own equity instruments (+)	11,888	4,760	2,615
Issuance/Redemption of other equity instruments (+/-)	23	26	-
Issuance/Redemption of subordinated liabilities (+/-)	72	64	702
Issuance/Redemption of other long-term liabilities (+/-)	-	-	-
Dividends paid (-)	(2,434)	(1,916)	(1,601)
Other items relating to financing activities (+/-)	41	1	(115)
Total net cash flows from financing activities (3)	852	1,167	(1,018)
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	5	2	(2)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	8,952	556	(869)
Cash or cash equivalents at beginning of year	3,264	2,708	3,576
Cash or cash equivalents at end of year	12,216	3,264	2,707

(*) Presented for comparison purposes only.

The total assets of the Group's most significant subsidiaries as of December 31, 2007, 2006 and 2005 are as follows:

Country	Millions of euros		
	2007	2006	2005
Mexico	65,556	55,992	59,220
USA & Puerto Rico	44,358	14,682	9,388
Chile	8,835	6,415	6,468
Venezuela	7,156	6,824	5,133
Colombia	5,922	4,797	4,741
Peru	5,650	4,464	4,556
Argentina	4,798	4,595	4,273

The finance income of the Group's most significant subsidiaries as of December 31, 2007, 2006 and 2005 are as follows:

Country	Millions of euros		
	2007	2006	2005
Mexico	6,083	5,886	5,495
USA & Puerto Rico	1,476	566	379
Chile	776	429	487
Venezuela	770	573	454
Colombia	589	437	291
Peru	395	326	251
Argentina	390	376	398

The appendices I to III provide relevant information as of December 31, 2007 on the consolidated entities in the Group, as well as those accounted for using the equity method.

Following is the detail of companies forming part of the BBVA Banco Continental (Peru) Group and BBVA Banco Provincial (Venezuela) which, although less than 50% owned by the Group, as of December 31, 2007, are fully consolidated because the agreements entered into with the other shareholders give the Group effective control (Note 2.b):

Company	% Voting Rights	% Ownership
Banco Continental, S.A.	92.08	46.04
Continental Bolsa, Sociedad Agente de Bolsa, S.A.	100	46.04
Continental Sociedad Titulizadora, S.A.	100	46.04
Continental S.A. Sociedad Administradora de Fondos	100	46.04
Inmuebles y Recuperaciones Continental, S.A.	100	46.04
Banco Provincial Overseas N.V.	100	48.01

Appendix V includes a detail of the fully consolidated subsidiaries which, based on the information available, were more than 5% owned by non-Group shareholders as of December 31, 2007.

The changes in the ownership interests held by the Group in the most significant subsidiaries and the situation of these interests as of December 31, 2007 were as follows:

– Mexico

The presence of the BBVA Group in Mexico began in July 1995 when the Grupo Financiero BBV-Probursa, S.A. de C.V. and the companies in its group, joined the Group. In July 2000, it was carried out to merge Grupo Financiero BBV-Probursa, S.A. de C.V. into Grupo Financiero Bancomer, S.A. de C.V., which placed the Group's holding in Grupo Financiero Bancomer in a 36.6%.

After successive acquisitions of share capital of Grupo financiero Bancomer, in 2004 BBVA Group carried out a tender offer (OPA) on the part of the share capital of Grupo Financiero BBVA Bancomer, S.A. de C.V., which was not owned by the bank, to reach 99.70%.

As of December 31, 2007 BBVA held an ownership interest of 99.97% in the share capital of Grupo BBVA Financiero Bancomer, S.A. de C.V.

– United States

In recent years, the Group has expanded its presence in the United States through the acquisition of several financial groups operating in various states:

- BBVA Bancomer USA, (formerly Valley Bank) located in California in October 2004.
- Laredo National Bancshares, Inc., located in Texas; in April 2005.
- Texas Regional Bancshares Inc. located in Texas; in November 2006.

In 2007 the Group has expanded its presence in the United States through the acquisition of 100% of share capital of Compass Bancshares Inc. and State National Bancshares Inc. taking control of these entities and the companies of their groups.

In 2007 was the integration of holding companies of the three financial groups located in Texas (Laredo National Bancshares Inc., Texas Regional Bancshares Inc. and State National Bancshares Inc.) with the holding Compas Bancshares Inc., in a single company called BBVA USA Bancshares, Inc.

– Chile

The presence of the BBVA Group in Chile began in September 1998 when the Group acquired a 44% stake in Banco BHIF, S.A. (currently BBVA Chile, S.A.) and assumed the management of the group headed by this Chilean financial institution, increasing its stake in successive acquisitions.

On March 3, 2006, BBVA purchased 0.43% of BBVA Chile's share capital for €3.7 million, increasing BBVA's share capital in BBVA Chile to 67.05%. As the share capital of BBVA in BBVA Chile was higher than two thirds of BBVA Chile's total share capital, BBVA in compliance with Chilean legislation launched a public tender offer for all of BBVA Chile's share capital. After the acceptance of the public tender offer, BBVA's share capital in BBVA Chile has increased to 68.17%, which is maintained as of December 31, 2007.

As of December 31, 2007, Bank of New York, a foreign non-BBVA Group credit institution, in its capacity as a depository in the American Depositary Receipts (ADR's) programme, held a significant ownership interest of 15.59% in the fully consolidated company Administrador de Fondos de Pensiones AFP Provida. The ownership interest held by the BBVA Group in AFP Provida as of December 31, 2007 was 64.32%.

– Venezuela

In March 1997, the Group acquired 40% of the share capital of Banco Provincial, S.A. and higher-percentage holdings in the other Provincial Group companies; consequently, it assumed the management of this group. Further acquisitions made in subsequent years raised the Bank's holding in the Provincial Group to 55.60% as of December 31, 2007.

– Colombia

In August 1996, the Group acquired 40% of the ordinary shares (equal to 35.1% of the total share capital) of Banco Ganadero, S.A. (currently BBVA Colombia, S.A.) assuming the management of it and its group of companies.

On December 31, 2005, BBVA Colombia acquired 98.78% of Banco Granahorrar, S.A., proceeding to merger both entities on May 2006.

The ownership interest held by the Group as of December 31, 2007 was 95.43%.

– Peru

The presence of the BBVA Group in Peru began in April 1995, date on which the Group acquired 50% of the share capital of Holding Continental, S.A. and assumed the management of the financial group headed by Banco Continental, S.A. The ownership interest held by the Group as of December 31, 2007 was 92.08%.

– Argentina

The presence of the BBVA Group in Argentina began in December 1996, when the Group acquired 30% of BBVA Banco Francés, S.A. (formerly Banco Francés Río de la Plata, S.A.) assuming the management of the company and its affiliates (including as insurance companies of Consolidar Group). Subsequent acquisitions of market and capital increases have lifted, as of December 31, 2007, the percentage of participation up to 76.06%.

As indicated in Note 1, the main activity carried out by the Group, is the financial activity. However, the Group has developed other activities, including real estate management, insurances and operating leases. Following is the detail of contribution to the total assets as of December 31, 2007 and consolidated income of the Group of those companies that develop non-financial activities.

	Millions of euros			
	Total assets contributed to the Group	% of the total assets of the Group	Total income of the period contributed to the Group	% of the total income of the Group
Insurance Entities	14,663	2.92	508	8.29
Operating lease Entities	1,667	0.33	3	0.05
Real Estate Entities	1,102	0.22	80	1.30

The most noteworthy acquisitions and sales of subsidiaries in 2007, 2006 and 2005 were as follows:

Changes in the Group in 2007

- On January 3, 2007 the Group closed the transaction to purchase State National Bancshares Inc. with an investment of 488 million dollars (€378 million), generating a goodwill of €270 million. (Note 19).
- Compass Bancshares Inc. acquisition.

On September 7, 2007 the Group acquired 100% of the share capital of Compass Bancshares Inc., ("Compass") a U.S. banking Group quoted in NASDAQ, which conducts

its main business activity in the states of Alabama, Texas, Florida, Arizona, Colorado and New Mexico.

The consideration paid to former Compass stockholders for the acquisition was \$9,115 million, (€6,672 million). The Group paid \$4,612 million (€3,385 million) in cash and delivered 196 million of shares issued, which represent 5.5% of the current share capital of BBVA.

The General Shareholder's meeting celebrated on June 21, 2007 approved the transaction and the consequent capital stock increase. This capital increase took place on September 10, 2007 at an issuance rate of €16.77 per share, the closing market price of the BBVA's shares at

September 6, 2007, in accordance with the resolutions adopted by the BBVA's general shareholders' meeting (Note 30).

BBVA financed the cash consideration in this transaction with internal resources, among which are the funds raised through the sale of its 5.01% stake in Iberdrola, S.A. in February 2007 (Note 48), which represented a net capital gain of €696 million.

The expenses directly attributable to the acquisition amounted to €21 million. The goodwill estimated at the time of purchase was €4,901 million euros.

The provisional goodwill as of December 31, 2007 was €4,548 million and their change from the date of acquisition are shown in Note 19.

Total assets and liabilities of Compass as of December 31, 2007 amounted to €31,210 and €23,174 million, respectively, and represent a 6.2% and 4.9% of the total assets and liabilities of the Group.

The Compass Group contribution to the consolidated income statement of BBVA Group from September 7, 2007 to December 31, 2007 was €70 million, a 1.1% of total profit and loss of the Group as of December 31, 2007. If the business combination had been the beginning of 2007, would have meant an increase of €124 million in the consolidated income statement of the BBVA Group in 2007, after making the corresponding homogenization and consolidation adjustments.

Changes in the Group in 2006

The most noteworthy acquisitions and sales of subsidiaries in 2006 were as follows:

- On July 28, 2006, Telefónica España, S.A., on behalf of the liquidity mechanism to integrate Uno-E Bank, S.A., as established in the agreement entered into by Terra (subsequently merged into Telefónica España, S.A.) and the Group BBVA, proceeded on January 10, 2003 to start selling to BBVA its 33% ownership interest in Uno-E Bank, S.A. for an aggregated amount of €148.5 million, reaching BBVA a 100% ownership of Uno-E Bank, S.A.
- In May 2006 BBVA acquired a 51% ownership interest in Forum, a Chilean company specialising in car purchase financing, through the Chilean entities Forum Distribuidora, S.A. and Forum Servicios Financieros, S.A. (which in turn own all the shares of ECASA, S.A.), giving rise to the incorporation of BBVA Financiamiento Automotriz. The goodwill recognised as of December 31, 2006 amounted to €51 million.
- On April 5, 2006 the Group sold its 51% ownership interest in Banc Internacional d'Andorra, S.A. for €395 million, which gave rise to a gain of €184 million.

- On November 10, 2006 the Group acquired Texas Regional Bancshares Inc. through the investment of \$2,141 million (€1,674 million). The goodwill recognised as of December 31, 2006 amounted to €1,257 million.
- On November 30, 2006 the Group acquired all the shares of the Italian vehicle rental company Maggiore Fleet S.p.A., for €70.2 million, giving rise to goodwill of €35.7 million.

Changes in the Group in 2005

- On January 6, 2005 pursuant to the agreement entered into in September 2004 and after obtaining the mandatory authorisations, the Group, through BBVA Bancomer, acquired all the shares of Hipotecaria Nacional, S.A. de C.V., a Mexican company specialising in the mortgage business. The price paid was MXP 4,121 million (approximately €276 million) and the goodwill recognised, amounted to €259 million as of December 31, 2005.
- On 28 April, 2005, pursuant to the agreement entered into on September 20, 2004 and after obtaining the mandatory authorisations, BBVA acquired all the shares of Laredo National Bancshares, Inc., a bank holding located in Texas (United States) which operates in the banking business through two independent banks: Laredo National Bank and South Texas National Bank. The price paid was \$859.6 million (approximately €666 million) and the goodwill recognised amounted to €474 million as of December 31, 2005.
- On October 31, 2005, the Guarantee Fund for Colombian Financial Institutions, FOGAFIN, sold by public auction 98.78% of the share capital of Banco Granahorrar, S.A. (a Colombian financial institution) to the BBVA Group's subsidiary in Colombia, BBVA Colombia, S.A. This transaction was performed in December 2005 after authorisation had been obtained from the related supervisory and control bodies. The price paid was Colombian pesos 981,572.2 million, approximately €364 million, and the goodwill recognised amounted to €267 million as of December 31, 2005.

4. DISTRIBUTION OF PROFIT

In 2007 the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. resolved to pay the shareholders three dividends out of 2007 profit, amounting to a total of €0.456 gross per share. The aggregate amount of the dividends declared as of December 31, 2007, net of the amount collected and to be collected by the consolidable Group companies, was €1,661 million and was recorded under "Equity-Dividends and Remuneration" in the related consolidated balance sheet (Note 29). The last of the aforementioned dividends, which amounted to €0.152 gross per share and was paid to the shareholders on January 10, 2008, was recorded under the heading "Financial Liabilities at Amortised Cost – Other

Financial Liabilities”, in the consolidated balance sheet as of December 31, 2007 (Note 24).

The provisional accounting statements prepared in 2007, by Banco Bilbao Vizcaya Argentaria, S.A. in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividends were as follows:

	Millions of euros		
	31-05-2007 Dividend 1	31-08-2007 Dividend 2	30-11-2007 Dividend 3
Interim dividend -			
Profit at each of the dates indicated, after the provision for income tax	1,301	3,088	3,426
Less -			
Estimated provision for Legal Reserve	-	(19)	(19)
Interim dividends paid	-	(539)	(1,109)
Maximum amount distributable	1,301	2,530	2,298
Amount of proposed interim dividend	539	570	570

The Bank's Board of Directors will propose to the shareholders at the Annual General Meeting that a final dividend of €0.277 per share be paid out of 2007 net profit. Based on the number of shares representing the share capital as of December 31, 2007 (Note 30), the final dividend would amount to €1,038 million and profit would be distributed as follows:

	Millions of euros
Net profit for 2007 (Note 3)	3,612
Distribution:	
Dividends	
- Interim	1,679
- Final	1,038
Legal reserve	19
Voluntary reserves	876

The distribution of profit per share during 2007, 2006 and 2005 was as follows:

	First interim	Second interim	Third interim	Final	Total
2005	0.115	0.115	0.115	0.186	0.531
2006	0.132	0.132	0.132	0.241	0.637
2007	0.152	0.152	0.152	0.277	0.733

5. EARNINGS PER SHARE

Basic earnings per share are determined by dividing net profit or losses attributable to the Group in a given period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are determined using a method similar to that used to calculate basic earnings per share; however, the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible debt instruments outstanding at period-end.

The “diluted number” of shares linked to warrants outstanding at period-end is determined in two stages: firstly, the hypothetical liquid amount that would be received on the exercise of these warrants is divided by the annual average price of the share and, secondly, the difference between the amount thus quantified and the present number of potential shares is calculated; this represents the theoretical number of shares issued disregarding the dilutive effect. Profit or loss for the period is not adjusted.

As of December 31, 2007, 2006 and 2005, there were neither instruments nor share based payment to employees that could potentially dilute basic earnings per share.

Therefore:

Earnings per share for continuing operations	2007	2006	2005
Numerator for basic earnings per share:			
Income available to common stockholders (millions of euros)	6,126	4,736	3,806
Numerator for diluted earnings per share:			
Income available to common stockholders (millions of euros)	6,126	4,736	3,806
Denominator for basic earnings per share (millions of shares)	3,594	3,406	3,391
Denominator for diluted earnings per share (millions of shares)	3,594	3,406	3,391
Basic earnings per share (euros)	1.70	1.39	1.12
Diluted earnings per share (euros)	1.70	1.39	1.12

As of December 31, 2007, 2006 and 2005, there were no discontinued operations that affected the earnings per share calculation for periods presented.

6. BASIS AND METHODOLOGY INFORMATION FOR SEGMENT REPORTING

Information by business area is a fundamental tool for monitoring and managing the Group's various businesses. Preparation of this information starts at the lowest-level units, and all the accounting data relating to the business managed by these units are recorded. Management classifies and combines data from these units in accordance with a defined structure by the Group to arrive at the picture for the principal units and, finally, for the entire area itself. Likewise, the Group's individual companies also belong to different business areas according to their type of activity. If a company's activities do not match a single area, the Group assigns them and its earnings to a number of relevant units.

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

- **Stockholders' equity:** the Group allocates economic capital commensurate with the risks incurred by each business (CER). This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. These targets are applied at two levels: the first is core equity, which determines the allocated capital. The Bank uses this amount as a basis for calculating the return generated on the equity in each business (ROE). The second level is total capital, which determines the additional allocation in terms of subordinate debt and preference shares. The CER calculation combines lending risk, market risk (including structural risk associated with the balance sheet and equity positions), operational risk and fixed asset and technical risks in the case of insurance companies.
- Stockholders' equity, as calculated under BIS rules, is an extremely important reference to the entire Group. However, for the purpose of allocating capital to business areas the Bank prefers CeR. It is risk-sensitive and thus linked to the management policies for the individual businesses and the business portfolio. This procedure anticipates the approach likely to be adopted by the future Basel II rules on capital. These provide an equitable basis for assigning capital to businesses according to the risks incurred and make it easier to compare returns.
- **Internal transfer prices:** management uses rates adjusted for maturity to calculate the margins for each business. It also revises the interest rates for the different assets and liabilities that make up each unit's balance sheet.
- **Assignment of operating expenses:** the Bank assigns direct and indirect costs to the business areas except for those where there is no close and defined relationship, i.e., when they are of a clearly corporate or institutional nature for the entire Group.

- **Cross-business register:** in some cases, and for the correct assignment of results, consolidation adjustments are done to eliminate double accounting produced by the incentives given to boost cross-business between units.

Concerning the structure by segments, the main level is set out by type of business. As of December 19, 2006, the Group adopted a new organizational structure that it has been implemented in January 2007, which is designed to streamline the Group's corporate structure and give greater weight and autonomy to its business units. The financial information for our business areas for 2006 and 2005 has been prepared on a uniform basis, consistent with our organizational structure in 2007.

The secondary basis of segment reporting relates to geographical segments.

Thus the present composition of the Group's main business areas as of December 31, 2007, was as follows:

- **Spain and Portugal:** this includes the Financial Services unit, i.e., individual customers, small companies and businesses in the domestic market, plus consumer finance provided by Finanzia and Uno-e; the Corporate and Business unit manages SMEs, companies and institutions in the domestic market; the insurance business and BBVA Portugal.
- **Global Businesses:** consisting of Global Customers and Markets with the global customers unit, investment banking, trading floor business, distribution and the Group's activities in Asia; the mutual and pension fund managers in Spain, and domestic and international private banking. And finally, it includes business and real estate projects.
- **Mexico and the United States:** this area includes the banking, insurance and pension businesses in Mexico and the United States (including Puerto Rico).
- **South America:** this consists of banking, insurance and pension businesses in South America.
- **Corporate Activities:** The Corporate Activities area handles the Group's general management functions. These mainly consist of structural positions for interest rates associated with the euro balance sheet and exchange rates, together with liquidity issues and shareholders' funds. The management of structural risks related to interest rates in currencies other than the euro is handled by the corresponding areas. This area also includes the industrial portfolio management unit and financial shareholdings. It also books the costs from central units that have a strictly corporate function and makes allocations to corporate and miscellaneous provisions, e.g., for early retirement.

The summarized income statements and main activity ratios by business area in 2007, 2006 and 2005 are as follows:

	Millions of euros					
	Spain and Portugal			Global Businesses		
	2007	2006	2005	2007	2006	2005
NET INTEREST INCOME	4,295	3,747	3,429	124	150	212
Income by the equity method	-	1	-	239	283	52
Net fee income	1,679	1,627	1,496	521	453	385
Income from insurance activities	461	376	309	-	-	-
CORE REVENUES	6,435	5,751	5,234	884	886	649
Gains and losses on financial assets and liabilities	235	215	152	789	498	350
GROSS INCOME	6,670	5,966	5,386	1,673	1,384	999
Net revenues from non-financial activities	51	32	26	130	104	95
Personnel and general administrative expenses	(2,487)	(2,419)	(2,303)	(525)	(418)	(371)
Depreciation and amortization	(109)	(104)	(103)	(11)	(10)	(12)
Other operating income and expenses	26	20	51	4	10	22
OPERATING PROFIT	4,151	3,495	3,057	1,271	1,070	733
Impairment losses on financial assets	(604)	(552)	(489)	(127)	(125)	(108)
- Loan Loss provisions	(595)	(553)	(491)	(127)	(125)	(108)
- Other	(9)	1	2	-	-	-
Provisions (net)	(3)	(3)	-	5	(11)	3
Other income/losses (net)	9	22	21	13	153	27
PRE-TAX PROFIT	3,553	2,962	2,589	1,162	1,087	655
Corporate income tax	(1,156)	(1,040)	(894)	(243)	(218)	(153)
NET PROFIT	2,397	1,922	1,695	919	869	502
Minority interests	-	(3)	(3)	(10)	(7)	(5)
NET ATTRIBUTABLE PROFIT	2,397	1,919	1,692	909	862	497

	Millions of euros								
	Mexico and USA			South America			Corporate Activities		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
NET INTEREST INCOME	4,304	3,535	2,678	1,657	1,310	1,039	(610)	(368)	(150)
Income by the equity method	3	(2)	-	2	3	(1)	(2)	23	71
Net fee income	1,621	1,390	1,212	919	815	695	(18)	50	152
Income from insurance activities	313	304	229	(11)	(6)	5	(33)	(24)	(57)
CORE REVENUES	6,241	5,227	4,119	2,567	2,122	1,738	(663)	(319)	16
Gains and losses on financial assets and liabilities	254	196	168	201	283	157	1,190	841	441
GROSS INCOME	6,495	5,423	4,287	2,768	2,405	1,895	527	522	457
Net revenues from non-financial activities	7	(4)	(3)	-	-	8	(1)	(1)	(1)
Personnel and general administrative expenses	(2,359)	(1,945)	(1,737)	(1,181)	(1,103)	(933)	(502)	(444)	(419)
Depreciation and amortization	(225)	(126)	(138)	(93)	(93)	(69)	(139)	(139)	(127)
Other operating income and expenses	(121)	(117)	(106)	(40)	(46)	(40)	(14)	(13)	(41)
OPERATING PROFIT	3,797	3,231	2,303	1,454	1,163	861	(129)	(75)	(131)
Impairment losses on financial assets	(930)	(685)	(315)	(269)	(149)	(79)	(7)	9	138
- Loan Loss provisions	(919)	(672)	(289)	(258)	(151)	(70)	(3)	26	146
- Other	(11)	(13)	(26)	(11)	2	(9)	(4)	(17)	(8)
Provisions (net)	21	(73)	(51)	(65)	(59)	(78)	(167)	(1,193)	(329)
Other income/losses (net)	(9)	42	(8)	(18)	-	14	101	771	22
PRE-TAX PROFIT	2,879	2,515	1,929	1,102	955	718	(202)	(488)	(300)
Corporate income tax	(794)	(738)	(556)	(197)	(229)	(166)	311	165	247
NET PROFIT	2,085	1,777	1,373	905	726	552	109	(323)	(53)
Minority interests	(1)	(2)	(3)	(282)	(217)	(173)	4	(6)	(79)
NET ATTRIBUTABLE PROFIT	2,084	1,775	1,370	623	509	379	113	(329)	(132)

The relevant business indicators as of December 31, 2007, 2006 and 2005 were as follows:

	Millions of euros											
	Spain and Portugal			Global Businesses			Mexico and USA			South America		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Customer lending ⁽¹⁾	199,929	179,370	155,500	35,848	29,049	20,426	53,052	31,449	25,222	21,839	17,366	15,018
Customer deposits ⁽²⁾	91,928	85,309	73,450	42,742	35,400	43,042	56,820	41,309	39,104	25,310	22,773	21,023
- Deposits	91,862	85,245	73,378	33,517	25,031	26,099	51,358	34,879	33,180	24,545	21,667	19,864
- Assets sold under repurchase agreement	66	64	72	9,225	10,369	16,943	5,462	6,430	5,924	765	1,106	1,159
Off-balance-sheet funds	50,088	52,477	52,881	12,229	11,179	10,252	19,862	18,478	16,977	36,551	33,447	30,978
- Mutual funds	40,024	43,006	44,294	4,859	4,000	3,432	11,214	9,853	8,115	1,725	1,575	1,299
- Pension funds	10,064	9,471	8,587	7,370	7,179	6,820	8,648	8,625	8,862	34,826	31,872	29,679
Other placements	5,217	7,117	7,128	-	-	-	3,127	3,294	2,235	-	-	-
Customer portfolios	9,817	8,181	5,608	9,200	11,342	12,889	12,919	6,941	5,713	-	-	-
Total assets	225,930	203,192	180,496	97,414	85,274	102,115	104,059	71,830	69,147	34,690	30,496	28,248
ROE (%)	36.4	31.1	30.3	33.0	41.8	27.6	47.6	46.7	44.2	32.8	31.8	30.1
Efficiency ratio (%)	35.9	39.2	40.9	29.1	28.1	33.8	36.3	35.9	40.5	42.7	45.9	49.0
Efficiency incl. depreciation and amortization (%)	37.6	41.0	42.8	29.7	28.7	34.9	39.7	38.2	43.8	46.0	49.7	52.6
NPL ratio (%)	0.73	0.55	0.5	0.02	0.04	0.17	1.97	2.19	2.24	2.14	2.67	3.67
Coverage ratio (%)	231.2	315.7	321.8	n.m.	n.m.	940.7	189.1	248.9	251.3	145.6	132.8	109.3

⁽¹⁾ Gross lending excluding NPLs. Mexico and the United States exclude Bancomer's old mortgage portfolio.

⁽²⁾ Spain and Portugal and Global Businesses include collection accounts and individual annuities. South America includes marketable debt securities. Mexico and the United States exclude deposits and repos issued by Bancomer's Markets unit and Puerto Rico.

7. RISK EXPOSURE

Activities concerned with financial instruments may involve the assumption or transfer of one or more types of risk by financial entities. The risks associated with financial instruments are:

- Market risks: these arise as a consequence of holding financial instruments whose value may be affected by changes in market conditions, following is a summary of each of the three components:
 - Currency risk: arises as a result of changes in the exchange rate between currencies.
 - Fair value interest rate risk: arises as a result of changes in market interest rates.
 - Price risk: arises as a result of changes in market prices, due either to factors specific to the individual instrument or to factors that affect all instruments traded on the market.
- Credit risk: this is the risk that one of the parties to the financial instrument agreement will fail to honour its contractual obligations due to the insolvency or incapacity of the individuals or legal entities involved and will cause the other party to incur a financial loss.
- Liquidity risk: occasionally referred to as funding risk, this arises either because the entity may be unable to sell

a financial asset quickly at an amount close to its fair value, or because the entity may encounter difficulty in finding funds to meet commitments associated with financial instruments.

The Group has developed a global risk management system based on three components: a corporate risk management structure, with segregated functions and responsibilities; a set of tools, circuits and procedures that make up the different risk management systems; and an internal control system.

CORPORATE MANAGEMENT STRUCTURE

The Board of Directors is the body responsible for setting risk policies. The Board hence establishes the general principles defining the target risk profile for the Group. Likewise, it approves the infrastructure required for risk management, the delegation framework and the ceilings system that enable the business to develop in keeping with this risk profile in day-to-day decision-making.

The Lending Committee undertakes periodic analysis and monitoring of risk management within the various levels of delegation of the Bank's administration bodies. The scope of its functions comprises:

- Analysing and assessing proposals for Group risk strategy and policies in order to submit them to the Bank's Standing Committee for approval.

- Monitoring the degree to which the risks assumed are in line with the specified profile, as a reflection of the Bank's risk tolerance and expected earnings in view of the risk exposure.
- Approval of risk operations within the established delegation system.
- Verification that the Group is provided with the means, systems, structures and resources in line with best practices, to enable it to implement its risk management strategy.
- Submission of the proposals it considers necessary or appropriate to the Bank's Standing Committee so that risk management adapts to best practices arising from recommendations on corporate governance or from risk supervisory bodies.

The Group's risk management system is managed by an independent risk area, which combines a view by risk types with a global view. The Risk Area assures that the risks tools, metrics, historical databases and information systems are in line and uniform. It likewise sets the procedures, circuits and general management criteria.

The Global Risk Committee – composed by those in charge of the group's risk management- has as main tasks the development and implementation of the Group's risk management model as well as the correct integration of the risk's costs in the different decision-making processes. The Global Risk Committee assesses the global risk profile of the Group and the coherence between the risk policies and objective risk profile; identifies global risk concentrations and mitigation techniques; monitors the macroeconomic environment and the performance of entities in the sector quantifying global sensitivity and the expected impact of different scenarios of risk positioning.

The Technical Transactions Committee analyses and approves, where appropriate, the financial transactions and programmes that are within its level of authorisation, and refers any transactions exceeding the scope of its delegated powers to the Lending Committee.

The New Products Committee is responsible for studying and, if necessary, for approving the introduction of new products before the activities begin. The Committee is also responsible for controlling and monitoring the new products, and for promoting business in an orderly way, and allows them to develop in a controlled environment.

The Asset-Liability Committee (ALCO) is the body responsible for actively managing the Group's structural liquidity, interest rate and currency risks, and its core capital.

TOOLS, CIRCUITS AND PROCEDURES

The Group has implemented an integral risk management system designed to cater for the needs arising in relation to the various types of risk; this prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the

appropriate circuits and procedures, which are reflected in manuals that also include management criteria.

Specifically, the main risk management activities performed are as follows: calculation of the risk exposures of the various portfolios, considering any related mitigating factors (netting, collateral, etc.); calculation of the probability of default (PD), loss severity and expected loss of each portfolio, and assignment of the PD to the new transactions (ratings and scorings); measurement of the values-at-risk of the portfolios based on various scenarios using historical and Monte Carlo simulations; establishment of limits to the potential losses based on the various risks incurred; determination of the possible impacts of the structural risks on the income statement; setting of limits and alerts to safeguard the Group's liquidity; identification and quantification of operational risks by business line to enable the mitigation of these risks through corrective measures; and definition of efficient circuits and procedures which contribute to the achievement of the targets set.

7.1. CREDIT RISK

The detail, by heading, of the Group's maximum credit risk exposure as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Gross credit risk (amount drawn down)	383,843	305,250	252,275
Loans and advances to other debtors	317,998	262,969	222,413
Contingent liabilities	65,845	42,281	29,862
Market activities	110,721	92,083	118,005
Drawable by third parties	101,444	98,226	85,001
Total	596,008	495,559	455,281

The distribution of exposure by ratings, which comprehends companies, financial entities and public institutions (excluding sovereign risk), is of a very high credit quality as evidenced by the fact that as of December 31, 2007, 44% of the portfolio is rated A or higher, and 69% has a rating same or higher to BBB-, as shown in the following table as of December 31, 2007.

	% of Total Exposure
AAA/AA	27%
A	17%
BBB+	9%
BBB	8%
BBB-	8%
BB+	14%
BB	6%
BB-	6%
B+	3%
B	2%
B-	0%

The detail, by geographical area, of the Gross credit risk (amount drawn down) of the foregoing detail as of December 31, 2007, 2006 and 2005 was as follows:

Millions of euros			
	2007	2006	2005
Spain	292,442	243,367	199,043
Other European countries	8,206	6,120	6,463
The Americas	83,195	55,763	46,769
Mexico	30,555	27,729	24,499
Puerto Rico	3,110	3,248	3,294
Chile	7,567	6,264	5,918
USA (*)	24,584	5,051	1,797
Argentina	2,392	2,203	2,109
Perú	4,584	3,666	2,847
Colombia	4,242	3,311	2,846
Venezuela	4,789	3,139	2,397
Other	1,372	1,152	1,062
Total	383,843	305,250	252,275

(*) The change in 2007 is due to, basically, to the incorporation of Compass Group.

As of December 31, 2007, 121 corporate groups (104 in 2006) had drawn down loans of more than €200 million, the 90% of these corporate groups have an investment grade rating. The total risk of these groups represents 18% of total risk Group (19% in 2006). By geographical area in which the transaction was originated, is as follows: 66% in Spain, 25% in the Bank's branches abroad, and 9% in Latin America (6% in Mexico alone). The detail, by sector, is as follows: Real Estate and Construction (26%), Institutional (18%), Consumer Goods and Services (13%), Manufactured (13%) and Electricity and Gas (12%).

In market areas, the detail, by instrument, of the credit risk exposure as of December 31, 2007 and December 31, 2006 and December 31, 2005 was as follows:

Millions of euros			
	2007	2006	2005
Credit institutions	20,997	17,150	27,470
Fixed-income securities	81,794	68,738	82,010
Derivatives	7,930	6,195	8,526
Total	110,721	92,083	118,006

In the market areas the Group has legal compensation rights and contractual compensation agreements which give rise to a reduction of €9,480 million in credit risk exposure as of December 31, 2007.

Impaired assets and Impairment losses

The detail, by nature of the related financial instrument, of the carrying amounts of the financial assets included under the heading "Impaired loans and advances to other debtors" in the accompanying consolidated balance sheets as of December 31, 2007, 2006 and 2005 is shown in Note 12.4. Additionally, as of December 31, 2007 the substandard contingent liabilities amounted to €50 million (€39 million and €36 million as of December 31, 2006 and 2005 respectively).

The detail, by geographical area, of the headings "impaired loans and advances to other debtors" and "Substandard contingent liabilities" as of December 31, 2007, 2006 and 2005 was as follows:

Millions of euros			
	2007	2006	2005
Spain	1,663	1,174	1,051
Other European countries	63	42	37
The Americas	1,682	1,315	1,294
Mexico	659	612	573
Puerto Rico	59	67	71
Chile	203	194	235
USA	431	110	19
Argentina	16	26	38
Peru	82	77	82
Colombia	158	169	223
Venezuela	57	38	16
Other	17	22	37
Total	3,408	2,531	2,382

The changes in 2007, 2006 and 2005 in "Impaired loans and advances to other debtors" and "Substandard contingent liabilities" in the foregoing detail were as follows:

Millions of euros			
	2007	2006	2005
Balance at the beginning of the year	2,531	2,382	2,248
Additions	4,605	2,742	1,943
Recoveries	(2,418)	(1,830)	(1,531)
Transfers to write-off	(1,497)	(708)	(667)
Exchange differences and others	187	(55)	389
Balance at the end of the year	3,408	2,531	2,382

As of December 31, 2007, 2006 and 2005, the detail of the headings "Impaired loans and advances to other debtors" and "Substandard contingent liabilities" of the various business segments were as follows:

	Millions of euros		
	2007	2006	2005
Spain and Portugal	1,597	824	672
Global Businesses	20	278	303
Mexico and USA	1,146	789	663
South America	535	526	631
Corporate Activities	110	114	113
Total	3,408	2,531	2,382

The changes in the balance of the provisions for impairment losses on the assets included under the heading “Loans and Receivables” are shown in Note 12.4.

In addition, as of December 31, 2007, 2006 and 2005 the provisions for impairment losses on off-balance-sheet items amounted to €546 million, €502 million and €452 million, respectively (see Note 26).

7.2. MARKET RISK

Determining the fair value of financial instruments

The valuation of financial instruments at fair value for 2007 was performed using observable variables obtained from independent sources and referring to active markets, either by employing the actual price of the financial instrument or by applying market-corroborated inputs to widely accepted models.

The inputs considered directly observable and capturable are equity and organized market products, spot exchange rates, or investment funds, together with a sizeable part of fixed income securities. The remaining fixed income products, swaps, forward agreements, credit default swaps (CDS), etc. are valued by cash flow discounts using market quoted interest-rate curves and spread curves.

Alternatively, options are valued using generally accepted valuation models, which include the implied volatility detected. The most frequently used models for equity and exchange-rate options are Monte Carlo, numerical integration and Black-Scholes, whereas Black 76, Hull and White or Black-Derman-Toy are largely used for interest-rate options. Each business area chooses and validates the models it uses independently.

In the case of correlation-sensitive products, a comparison is made between the results obtained by the valuation model and market-corroborated inputs.

Synthetic credit instruments such as mortgage basket securities (MBS) or credit default options (CDO) are calculated with models that use inputs directly or indirectly observed in the market, such as default rates, credit risk, loss severity or prepayment speed.

There are certain financial instruments that are valued by models using data that is not directly observable in the market, such as derivatives of interest rates on outstanding balances; these are valued using the Libor Market model, one of whose inputs is correlation decay which is not directly observable in the market. In this case, the sensitivity to a 1% movement in correlation decay is a negative sum of 372,000 euros and the uncertainty regarding that parameter does not exceed that 1%.

Likewise, credit market evolution in 2007 has prompted positions in certain instruments, such as cash CDOs, for which there was previously an active market and observable prices, to become illiquid to the point that, at the close of the year, it was impossible to find a price for them. It has therefore been necessary to resort to valuing them by use of models, some of the inputs for which have had to be inferred.

The following table presents the fair value of the principal financial instruments carried at fair value and the valuation methods used to determine it as of December 31, 2007:

	Millions of euros			2007
	Financial instruments which fair value is determined by published price quotations	Financial instruments which fair value is determined for using valuation technique based on assumptions that are supported by prices from observable current market transactions	Financial instruments which fair value is determined for using valuation technique based on assumptions that are not supported by prices from observable current market transactions	Total
Financial assets				
Financial assets held for trading (Note 9)	44,879	17,247	210	62,336
Other financial assets at fair value through profit and loss (Note 10)	1,116	51	-	1,167
Available-for-sale financial assets (Note 11)	37,590	10,445	397	48,432
Hedging derivatives (Note 14)	389	661	-	1,050
Financial liabilities				
Financial assets held for trading (Note 9)	1,506	17,691	76	19,273
Other financial liabilities at fair value through profit or loss (Note 22)	449	-	-	449
Hedging derivatives (Note 14)	502	1,306	-	1,808

The impact on the consolidated income statements for the assets and liabilities valued with no observable market price amounted to 47 million as of December 31, 2007.

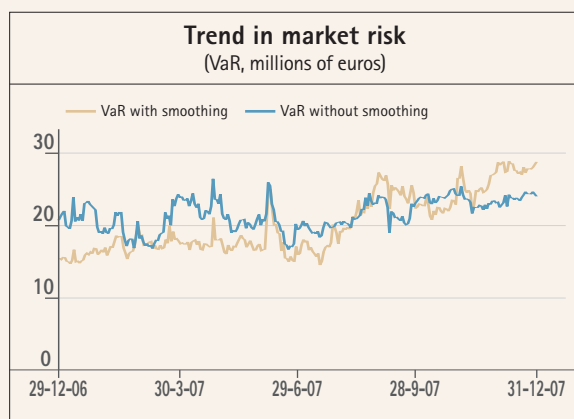
As of December 31, 2006, the percentage of those financial instruments where the fair values were estimated using valuation techniques which are based in full or in part on assumptions that are not supported by observable market prices over total financial instruments' fair value is 0.52%.

Market risk exposure and management

a) MARKET RISK

With regard to market risk (including interest rate risk, currency risk and equity price risk), BBVA's limit structure determines an overall VaR limit for each business unit and specific sublimits by type of risk, activity and desk. The Group also has in place limits on losses and other control mechanisms such as delta sensitivity calculations, which are supplemented by a range of indicators and alerts which automatically activate procedures aimed at addressing any situations that might have a negative effect on the activities of the business area.

During 2007, the BBVA Group market risk rose in comparison to previous years, particularly from the third quarter, coinciding with the increased volatility in all markets. The market risk profile as of December 31, 2007, 2006 and 2005 for the parametric VaR calculations without smoothing with a 99% confidence interval and a 1-day horizon were as follows:



	Millions of euros		
	2007	2006	2005
Interest risk	7	7	11
Spread risk	7	5	3
Currency risk	2	1	2
Stock-market risk	6	6	2
Vega risk	9	5	4
Correlation risk	3	3	2

b) STRUCTURAL INTEREST RATE RISK

The aim of on-balance-sheet interest rate risk management is to maintain the BBVA Group's exposure to market interest rate fluctuations at levels in keeping with its risk strategy and profile. To this end, the ALCO actively manages the balance sheet through transactions intended to optimize the level of risk assumed in relation to the expected results, thus enabling the Group to comply with the tolerable risk limits.

The ALCO bases its activities on the interest rate risk measurements performed by the Risk Area. Acting as an independent unit, the Risk Area periodically quantifies the impact of interest rate fluctuations on the BBVA Group's net interest income and economic value.

In addition to measuring sensitivity to 100-basis-point changes in market interest rates, the Group performs probabilistic calculations to determine the economic capital for structural interest rate risk in the BBVA Group's banking activity (excluding the Treasury Area) based on interest rate curve simulation models.

All these risk measurements are subsequently analysed and monitored, and the levels of risk assumed and the degree of compliance with the limits authorised by the Standing Committee are reported to the various managing bodies of the BBVA Group.

Following is a detail in millions of euros of the average interest rate risk exposure levels of the main financial institutions of the BBVA Group in 2007:

Entities	Average Impact on Net Interest Income				
	100 Basis-Point Increase				100 Basis-Point Decrease
	Euro	Dolar	Other	Total	Total
Europe	-15.1	+13.4	+0.5	-1.9	+37.5
BBVA Bancomer	-	+16.8	+34.0	+50.8	-50.8
BBVA Puerto Rico	-	-5.5	-	-5.5	+1.6
Laredo National Bank	-	-4.8	-	-4.8	-0.5
BBVA Chile	-	+1.0	+1.0	+2.0	+2.2
BBVA Colombia	-	+0.1	+8.5	+8.6	-8.6
BBVA Banco Continental	-	+0.7	+4.4	+5.1	-5.1
BBVA Banco Provincial	-	+1.4	+11.0	+12.4	-12.4
BBVA Banco Francés	-	-0.2	+1.1	+0.9	-0.9

Entities	Average Impact on Economic Value				
	100 Basis-Point Increase				100 Basis-Point Decrease
	Euro	Dolar	Other	Total	Total
Europe	+423.0	+6.4	-1.9	+428.1	-480.4
BBVA Bancomer	-	+18.6	-322.7	-304.1	+300.4
BBVA Puerto Rico	-	-10.7	-	-10.7	-8.7
BBVA Chile	-	+4.2	-30.8	-26.6	+12.7
BBVA Colombia	-	-0.5	-8.6	-9.0	+10.5
BBVA Banco Continental	-	+16.8	-3.4	-20.2	+21.2
BBVA Banco Provincial	-	-3.5	-0.6	-2.9	+3.6
BBVA Banco Francés	-	-0.0	-15.2	-15.3	+16.6

As part of the measurement process, the Group established the assumptions regarding the evolution and behaviour of certain items, such as those relating to products with no explicit or contractual maturity. These assumptions are based on studies that estimate the relationship between the interest rates on these products and market rates and enable specific balances to be classified into trend-based balances maturing at long term and seasonal or volatile balances with short-term residual maturity.

The average annual interest rate of the debt securities included in the “financial assets held for trading” heading during 2007 was of 4.27% (3.94% and 5.29% during 2006 and 2005, respectively).

c) STRUCTURAL CURRENCY RISK

Structural currency risk derives mainly from exposure to exchange rate fluctuations arising in relation to the Group's foreign subsidiaries and from the endowment funds of the branches abroad financed in currencies other than the investment currency.

The ALCO is responsible for arranging hedging transactions to limit the net worth impact of fluctuations in exchange rates, based on their projected trend, and to guarantee the equivalent euro value of the foreign currency earnings expected to be obtained from these investments.

Structural currency risk management is based on the measurements performed by the Risk Area. These measurements use an exchange rate scenario simulation model which quantifies possible changes in value with a confidence interval of 99% and a pre-established time horizon. The Standing Committee limits the economic capital or unexpected loss arising from the currency risk of the foreign-currency investments.

As of December 31, 2007, the coverage of structural currency risk exposure stood at 37%. The aggregate figure of asset exposure sensitivity to a 1% depreciation in exchange rates stood, as of December, 31 2007, at €76 million. Said sensitivity derives largely from exposure in Mexican pesos, showing a high level of diversification among the other main Latin American currencies and the U.S. dollar.

d) STRUCTURAL EQUITY PRICE RISK

The BBVA Group's exposure to structural equity price risk derives mainly from investments in industrial and financial companies with medium- to long-term investment horizons. It is reduced by the net short positions held in derivative instruments on the same underlyings in order to limit the sensitivity of the portfolio to possible falls in prices. As of December 31, 2007 the aggregate sensitivity of the Group's equity positions to a 1% fall in the price of the shares amounted to €105 million, 62% of which is concentrated in highly liquid European Union equities. This figure is determined by considering the exposure on shares measured at market price or, in the absence thereof, at fair value, including the net positions in equity swaps and options on the same underlyings in delta equivalent terms. Treasury Area portfolio positions are not included in the calculation.

The Risk Area measures and effectively monitors the structural equity price risk. To this end, it estimates the sensitivity figures and the capital required to cover the possible unexpected losses arising from fluctuations in the value of the companies in the investment portfolio, with a confidence interval equal to the entity's target rating, taking into account the liquidity of the positions and the statistical behaviour of the assets under consideration. These measurements are supplemented by periodic stress- and back-testing and scenario analyses.

7.3. LIQUIDITY RISK

The aim of liquidity risk management and control is to ensure that the Bank's payment commitments can be met without having to resort to borrowing funds under onerous conditions, or damaging the image and reputation of the institution.

The Group's liquidity risk is monitored using a dual approach: the short-term approach (90-day time horizon), which focuses basically on the management of payments and collections of Treasury and Markets, ascertains the Bank's possible liquidity requirements; and the structural, medium- and long-term approach, which focuses on the financial management of the balance sheet as a whole, with a minimum monitoring time frame of one year.

The assessment of asset liquidity risk is based on whether or not they are eligible for rediscounting before the corresponding central bank. For normal situations, both in the short and medium term, those assets that are on the eligible list published by the European Central Bank (ECB) or the corresponding monetary authority are considered to be liquid. Non-eligible assets, quoted or non-quoted, are considered to represent a second line of liquidity for the entity when analysing crisis situations.

The Risk Area performs a control function and is totally independent of the management areas of each of the approaches and of the Group's various units. Each of the risk areas, which are independent from each other, complies with

the corporative principles of liquidity risk control that are established by the Market Risk Central Unit (UCRAM) – Structural Risks.

For each entity, the management areas request an outline of the quantitative and qualitative limits and alerts for short-, medium- and long-term liquidity risk, which is authorized by the Standing Committee. Also, the Risk Area performs periodic (daily and monthly) risk exposure measurements, develops the related valuation tools and models, conducts periodic stress tests, measures the degree of concentration on interbank counterparties, prepares the policies and procedures manual, and monitors the authorised limits and alerts, which are reviewed at least one time every year.

The liquidity risk data are sent periodically to the Group's ALCO and to the management areas involved. As established in the Contingency Plan, the Technical Liquidity Group (TLG), in the event of an alert of a possible crisis, conducts an initial analysis of the Bank's short- and long-term liquidity situation. The TLG comprises personnel from the Short-Term Cash Desk, Financial Management and the Market Area Risk Unit (UCRAM-Structural Risk). If the alert is serious, the TLG reports the matter to the Liquidity Committee, which is composed of the managers of the related areas. The Liquidity Committee is responsible, in situations requiring urgent attention, for calling a meeting of the Crisis Committee chaired by the CEO.

8. CASH AND BALANCES WITH CENTRAL BANKS

The breakdown of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Cash	2,938	2,756	2,409
Balances at the Bank of Spain	11,543	2,705	2,381
Balances at other central banks	8,080	7,035	7,527
Total gross	22,561	12,496	12,317
Valuation adjustments (*)	20	19	24
Total	22,581	12,515	12,341

(*) Valuation adjustments include accrued interests.

9. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

9.1. BREAKDOWN OF THE BALANCE

The breakdown of the balances of these headings in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros					
	2007		2006		2005	
	Receivable	Payable	Receivable	Payable	Receivable	Payable
Debt securities	38,392	-	30,470	-	24,504	-
Other equity instruments	9,180	-	9,949	-	6,246	-
Trading derivatives	14,764	17,540	11,416	13,218	13,263	13,863
Short positions	-	1,733	-	1,705	-	2,408
Total	62,336	19,273	51,835	14,923	44,013	16,271

9.2. DEBT SECURITIES

The breakdown by type of instrument of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Issued by central banks	208	623	142
Spanish government bonds	5,043	3,345	2,502
Foreign government bonds	22,709	16,971	13,133
Issued by Spanish financial institutions	1,436	1,572	924
Issued by foreign financial institutions	4,584	4,779	5,022
Other fixed debt securities	4,412	3,180	2,781
Total	38,392	30,470	24,504

The detail, by geographical area, of this heading as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Spain	7,193	5,553	4,097
Rest of Europe	6,449	4,956	5,235
United States	2,612	3,597	3,187
Latin America	21,083	15,663	11,519
Rest of the world	1,055	701	466
Total	38,392	30,470	24,504

9.3. OTHER EQUITY INSTRUMENTS

The breakdown of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Shares of Spanish companies	2,688	5,197	3,326
Credit institutions	237	672	503
Other	2,451	4,525	2,823
Shares of foreign companies	2,959	1,956	1,274
Credit institutions	601	527	140
Other	2,358	1,429	1,134
Share in the net assets of mutual funds	3,533	2,796	1,646
Total	9,180	9,949	6,246

9.4. TRADING DERIVATIVES

The trading derivatives portfolio arises from the Group's need to manage the risks incurred by it in the course of its normal business activity, mostly for the positions held with customers.

The detail, by transaction type and market, of the balances of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows shown the organized markets and non organized markets:

2007	Millions of euros						Total
	Currency Risk	Interest Rate Risk	Equity Price Risk	Commodities Risk	Credit Risk	Other Risks	
Organised markets	(1)	1	214	1	-	-	215
Financial futures	-	-	2	-	-	-	2
Options	(1)	-	212	1	-	-	212
Other products	-	1	-	-	-	-	1
OTC markets	(1,762)	764	(2,063)	2	50	18	(2,997)
Credit institutions	(1,672)	(417)	(1,140)	2	115	15	(3,103)
Forward transactions	(1,379)	-	-	-	-	-	(1,379)
Future rate agreements (FRAs)	-	70	-	-	-	-	70
Swaps	(343)	(328)	(287)	2	-	-	(956)
Options	50	(149)	(853)	-	-	9	(943)
Other products	-	(10)	-	-	115	-	105
Other financial Institutions	(160)	1,716	(840)	-	91	-	807
Forward transactions	(161)	-	(2)	-	-	-	(163)
Future rate agreements (FRAs)	-	-	-	-	-	-	-
Swaps	-	1,695	22	-	-	-	1,717
Options	1	21	(860)	-	-	-	(838)
Other products	-	-	-	-	91	-	91
Other sectors	70	(535)	(83)	-	(156)	3	(701)
Forward transactions	27	-	(1)	-	-	-	26
Future rate agreements (FRAs)	-	-	-	-	-	-	-
Swaps	(1)	(646)	(251)	-	-	-	(898)
Options	44	111	169	-	-	3	327
Other products	-	-	-	-	(156)	-	(156)
Total	(1,763)	765	(1,849)	3	50	18	(2,782)
of which: Asset Trading Derivatives	2,038	9,866	2,497	21	307	35	14,764
of which: Liability Trading Derivatives	(3,800)	(9,101)	(4,345)	(18)	(258)	(23)	(17,540)

2006	Millions of euros						
	Currency Risk	Interest Rate Risk	Equity Price Risk	Commodities Risk	Credit Risk	Other Risks	Total
Organised markets	(747)	-	270	2	-	1	(474)
Financial futures	13	-	1	-	-	-	14
Options	(760)	-	269	2	-	1	(488)
Other products	-	-	-	-	-	-	-
OTC markets	(240)	587	(1,654)	5	(4)	(22)	(1,328)
Credit institutions	(267)	(297)	(637)	1	(9)	(22)	(1,231)
Forward transactions	8	-	-	1	-	-	9
Future rate agreements (FRAs)	-	44	-	-	-	-	44
Swaps	(269)	(177)	(24)	-	-	-	(470)
Options	(6)	(164)	(613)	-	(9)	(22)	(814)
Other products	-	-	-	-	-	-	-
Other financial Institutions	(5)	953	(570)	-	3	-	381
Forward transactions	(3)	-	-	-	-	-	(3)
Future rate agreements (FRAs)	-	-	-	-	-	-	-
Swaps	-	1,045	7	-	-	-	1,052
Options	(2)	(92)	(577)	-	3	-	(668)
Other products	-	-	-	-	-	-	-
Other sectors	32	(69)	(447)	4	2	-	(478)
Forward transactions	2	-	-	-	-	-	2
Future rate agreements (FRAs)	-	-	-	-	-	-	-
Swaps	-	(346)	(396)	4	-	-	(738)
Options	30	277	(51)	-	2	-	258
Other products	-	-	-	-	-	-	-
Total	(987)	587	(1,384)	7	(4)	(21)	(1,802)
of which: Asset Trading							
Derivatives	469	8,518	2,262	35	81	51	11,416
of which: Liability Trading							
Derivatives	(1,456)	(7,931)	(3,646)	(28)	(85)	(72)	(13,218)

2005	Millions of euros					
	Currency Risk	Interest Rate Risk	Equity Price Risk	Credit Risk	Other Risks	Total
Organised markets	4	(6)	253	40	11	302
Financial futures	4	(6)	-	40	11	49
Options	-	-	253	-	-	253
Other products	-	-	-	-	-	-
OTC markets	(233)	456	(1,117)	(4)	(4)	(902)
Credit institutions	5	(31)	(167)	(2)	(4)	(199)
Forward transactions	108	128	(8)	-	-	228
Future rate agreements (FRAs)	-	-	-	-	-	-
Swaps	(8)	(78)	30	(2)	-	(58)
Options	(93)	154	(189)	-	(4)	(132)
Other products	(2)	(235)	-	-	-	(237)
Other financial Institutions	(57)	(231)	(46)	-	-	(334)
Forward transactions	(25)	-	-	-	-	(25)
Future rate agreements (FRAs)	-	-	-	-	-	-
Swaps	-	(108)	(5)	-	-	(113)
Options	(32)	(178)	(41)	-	-	(251)
Other products	-	55	-	-	-	55
Other sectors	(181)	718	(904)	(2)	-	(369)
Forward transactions	(169)	-	-	-	-	(169)
Future rate agreements (FRAs)	-	2	-	-	-	2
Swaps	-	421	(346)	(2)	-	73
Options	(12)	295	(558)	-	-	(275)
Other products	-	-	-	-	-	-
Total	(229)	450	(864)	36	7	(600)
of which: Asset Trading Derivatives	1,302	9,837	1,921	98	105	13,263
of which: Liability Trading Derivatives	(1,531)	(9,386)	(2,785)	(63)	(98)	(13,863)

10. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005, based on the nature of the related transactions, was as follows:

	Millions of euros		
	2007	2006	2005
Debt securities	421	56	283
Unit-Linked products	421	56	283
Government	41	40	66
Credit Institutions	36	10	89
Rest	344	6	128
Other equity instruments	746	921	1,138
Other securities	417	449	264
Unit-Linked products	329	472	874
Total	1,167	977	1,421

Life insurance policies where the risk is borne by the policyholder, are policies in which the funds constituting the insurance technical provisions, are invested in the name of the insurer in units in collective investment undertaking and other financial assets selected by the policyholder, who ultimately bears the investment risk.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

11.1. BREAKDOWN OF THE BALANCE

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005, based on the nature of the related transactions, was as follows:

	Millions of euros		
	2007	2006	2005
Available-for-sale financial assets			
Debt securities	37,336	32,230	50,972
Other equity instruments	11,096	10,037	9,062
Total	48,432	42,267	60,034

The detail of the balance of the heading “Debt securities” as of December 31, 2007, 2006 and 2005, based on the nature of the related transactions, was as follows:

2007	Millions of euros		
	Unrealized Gains	Unrealized Losses	Fair Value
Domestic	150	(77)	10,161
Spanish Government and other Spanish Government securities	79	(31)	5,274
Other debt securities	71	(46)	4,887
International	737	(287)	27,175
United States	50	(45)	9,056
Government securities	6	(2)	579
US Treasury and other US Government agencies	1	-	61
States and political subdivisions	5	(2)	518
Other securities	44	(43)	8,477
Other Countries	687	(242)	18,119
Securities of other foreign Governments	562	(128)	11,278
Other debt securities	125	(114)	6,841
TOTAL	887	(364)	37,336

2006	Millions of euros		
	Unrealized Gains	Unrealized Losses	Fair Value
Domestic	291	(18)	9,506
Spanish Government and other Spanish Government securities	279	(16)	6,859
Other debt securities	12	(2)	2,647
International	852	(130)	22,724
United States	13	(21)	5,506
Government securities	3	(2)	653
US Treasury and other US Government agencies	3	(2)	343
States and political subdivisions	-	-	310
Other securities	10	(19)	4,853
Other Countries	839	(109)	17,218
Securities of other foreign Governments	588	(60)	10,386
Other debt securities	251	(49)	6,832
Total net	1,143	(148)	32,230

2005	Millions of euros		
	Unrealized Gains	Unrealized Losses	Fair Value
Domestic	887	-	16,705
Spanish Government and other Spanish Government securities	784	-	14,274
Other debt securities	103	-	2,431
International	1,023	(52)	34,267
United States	17	(21)	3,989
Government securities	1	(14)	3,009
US Treasury and other US Government agencies	1	(14)	2,958
States and political subdivisions	-	-	51
Other securities	16	(7)	980
Other Countries	1,006	(31)	30,278
Securities of other foreign Governments	935	(27)	21,793
Other debt securities	71	(4)	8,485
Total net	1,910	(52)	50,972

Impairment losses as of December 31, 2007, 2006 and 2005 of debt securities available for sale amounted to €29, €31 and €65 million, respectively.

The breakdown of the balance of the heading “Other equity instruments” by nature of the operations as of December 31, 2007, 2006 and 2005 was as follows:

2007	Millions of euros		
	Unrealized Gains	Unrealized Losses	Fair Value
Other equity instruments listed	4,449	(24)	10,797
Shares of Spanish companies	3,322	-	7,032
Credit institutions	4	-	35
Other	3,318	-	6,997
Shares of foreign companies listed	1,127	(24)	3,765
United States	-	(1)	419
Other countries	1,127	(23)	3,346
Other equity instruments unlisted	52	(5)	299
Shares of Spanish companies	64	(5)	132
Credit institutions	-	-	2
Other	64	(5)	130
Shares of foreign companies unlisted	(12)	-	167
United States	-	-	70
Other countries	(12)	-	97
TOTAL	4,501	(29)	11,096

2006	Millions of euros		
	Unrealized Gains	Unrealized Losses	Fair Value
Other equity instruments listed	3,628	(15)	9,867
Shares of Spanish companies	2,817	-	7,342
Shares of foreign companies listed	811	(15)	2,525
United States	1	-	28
Other countries	810	(15)	2,497
Other equity instruments unlisted	-	-	170
Shares of Spanish companies	-	-	39
Shares of foreign companies unlisted	-	-	131
United States	-	-	26
Other countries	-	-	105
TOTAL	3,628	(15)	10,037

2005	Millions of euros		
	Unrealized Gains	Unrealized Losses	Fair Value
Other equity instruments listed	2,980	(20)	8,935
Shares of Spanish companies	2,230	-	7,324
Shares of foreign companies listed	750	(20)	1,611
United States	2	(4)	40
Other countries	748	(16)	1,571
Other equity instruments unlisted	63	-	127
Shares of Spanish companies	63	-	72
Shares of foreign companies unlisted	-	-	55
United States	-	-	10
Other countries	-	-	45
TOTAL	3,043	(20)	9,062

As of December 31, 2007, 2006 and 2005 the accumulated amount of gains/losses net from tax recognized in equity from the heading "Valuation Adjustments – Available-for-Sale Financial Assets" amounted to €3,596 million, €3,356 million and €3,003 million, respectively.

The amount gains/losses of "Available-for-sale financial assets" recognised in the consolidated statements of changes in equity in 2007 was €1,875 million (€1,295 million in 2006 and €1,479 in 2005).

For December 31, 2007, 2006 and 2005, €1,537 million, €1,121 million and €428 million, respectively, were debited to "Valuation Adjustments" and recorded under "Gains/Losses on Financial Assets and Liabilities – Available-for-Sale Financial Assets" in the consolidated income statements for December 31, 2007, 2006 and 2005 (See Note 48).

As of December 31, 2007, most of our unrealised losses of "Available-for-sale assets" registered in equity correspond to "Debt securities". This unrealised are considered temporary because they have mainly arisen in a period shorter than one year.

11.2. IMPAIRMENT LOSSES

Following is a summary of the changes for December 31, 2007, 2006 and 2005 in the impairment losses on available-for-sale financial assets:

	Millions of euros		
	2007	2006	2005
Balance at beginning of year	82	138	149
Increase in impairment losses charged to income	7	6	8
Decrease in impairment losses credited to income	(6)	(25)	(28)
Elimination of impaired balance due to transfer of asset to write-off	(1)	(17)	(17)
Transfers	-	-	2
Exchange differences and others	(28)	(20)	24
Balance at end of year	54	82	138
Of which:			
- For impaired portfolio	32	57	84
- For current portfolio non impaired	22	25	54

As of December 31, 2007, 2006 and 2005, the balances of the individually determined impairment losses related in full to debt securities from countries belonging to the Latin America geographical area and issuers equity instruments in Europe.

12. LOANS AND RECEIVABLES

12.1. BREAKDOWN OF THE BALANCE

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005, based on the nature of the related financial instrument, is as follows:

	Millions of euros		
	2007	2006	2005
Loans and advances to credit institutions	20,997	17,050	27,470
Money market operations through counterparties	-	100	-
Loans and advances to other debtors	310,882	256,565	216,850
Debt securities	60	77	2,292
Other financial assets	6,553	6,063	2,784
Total	338,492	279,855	249,396

12.2. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005, based on the nature of the related financial instrument, was as follows:

	Millions of euros		
	2007	2006	2005
Reciprocal accounts	138	131	380
Deposits with agreed maturity	9,388	9,470	13,202
Demand deposits	833	439	541
Other accounts	1,080	1,460	792
Reverse repurchase agreements	9,423	5,490	12,459
Total gross	20,862	16,990	27,374
Valuation adjustments	135	60	96
Total	20,997	17,050	27,470

12.3. LOANS AND ADVANCES TO OTHER DEBTORS

The detail, by loan type and status, of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005, was as follows:

	Millions of euros		
	2007	2006	2005
Financial paper	387	9	6
Commercial credit	36,108	22,453	20,102
Secured loans	135,557	116,738	101,527
Credit accounts	23,835	21,700	19,312
Other loans	93,624	77,748	61,672
Reverse repurchase agreements	2,000	1,526	1,176
Receivable on demand and other	13,341	11,658	8,717
Finance leases	9,148	8,053	7,138
Impaired assets	3,358	2,492	2,346
Total gross	317,358	262,377	221,996
Valuation adjustments	(6,476)	(5,812)	(5,146)
Total	310,882	256,565	216,850

The guarantees taken to ensure the recovery of those transactions included under the line "Secured loans" are mortgage guarantees, financial or other as the pledging of securities. As of December 31, 2007, the fair value of the guarantees taken was over assets hedged. In the case of mortgage guarantees, the average of the amount of outstanding loans for the recovery was 50% of the fair value of mortgage guarantees.

Through several of its financial institutions the Group finances the acquisition by its customers of both personal and real property through finance lease contracts which are

recorded under this heading. As of December 31, 2007, approximately €5,982 million related to finance lease contracts for personal property and €3,166 million related to finance lease contracts for real property. Of the total finance leases as of December 31, 2007, 72.25% are floating rate finance leases and the remaining 27.75% are fixed rate finance leases. As of December 31, 2006, approximately €4,700 million related to finance lease contracts for personal property and €3,353 million related to finance lease contracts for real property. Of the total finance leases as of December 31, 2006, 90% are floating rate finance leases and the remaining 10% are fixed rate finance leases.

The breakdown, by borrower sector, of the "Loans and advances to other debtors" balance of this heading as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Public Sector	21,065	21,194	22,125
Agriculture	3,737	3,133	2,504
Industry	39,922	24,731	17,930
Real estate and construction	55,156	41,502	36,562
Trade and finance	36,371	38,913	36,194
Loans to individuals	121,462	103,918	82,583
Leases	9,148	7,692	6,726
Other	30,497	21,294	17,372
Total gross	317,358	262,377	221,996
Valuation adjustments	(6,476)	(5,812)	(5,146)
Total	310,882	256,565	216,850

The detail, by geographical area, of this heading as of December 31, 2007, 2006 and 2005, disregarding valuation adjustments, was as follows:

	Millions of euros		
	2007	2006	2005
Spain	204,311	183,231	156,127
Rest of Europe	22,966	17,999	14,663
United States	28,766	9,597	6,196
Latin America	57,060	49,160	43,491
Rest of the world	4,255	2,390	1,519
Total	317,358	262,377	221,996

Of the balance of the heading "Loans and advances to other debtors", €28,221, €9,056 and €5,468 million as of December 31, 2007, 2006 and 2005, respectively, corresponds to securitised loans that can not be derecognised on the balance sheet, because the Group maintains inherent risks associated with such loans.

Following is the breakdown of securitised loans, derecognised and retained on the balance sheet, depending on if they fulfill the conditions required for its derecognised, based on the nature of the financial instrument in which they have their origin.

	Millions of euros		
	2007	2006	2005
Derecognised on the balance sheet	758	1,058	1,587
Securitised mortgage assets	173	209	376
Other securitised assets	585	849	1,211
Retained on the balance sheet	28,221	9,056	5,468
Securitised mortgage assets	17,214	2,320	2,250
Other securitised assets	11,007	6,736	3,218
Total	28,979	10,114	7,055

The liabilities associated with assets retained in the balance sheets are recognized under the heading "Financial liabilities at amortised cost – Deposits from other creditors" in the accompanying consolidated balance sheets. As of December 31, 2007, 2006 and 2005 amounted to €19,707 million, €9,061 million and €5,434 million, respectively.

12.4. IMPAIRED ASSETS AND IMPAIRMENT LOSSES

The changes for the December 31, 2007, 2006 and 2005 in the heading "Impaired Assets of Loans and advances to other debtors" were as follows:

	Millions of euros		
	2007	2006	2005
Balance at beginning of year	2,492	2,346	2,202
Additions	4,568	2,710	1,940
Recoveries	(2,398)	(1,805)	(1,527)
Transfers to write-off	(1,497)	(708)	(667)
Exchange differences and other	193	(51)	398
Balance at end of year	3,358	2,492	2,346

Following is a detail of the financial assets classified as "Loans and receivables to other debtors" and considered to be impaired due to credit risk as of December 31, 2007, and of the assets which, although not considered to be impaired, include any past-due amount at that date, classified by geographical location of risk and by age of the oldest past-due amount:

	Millions of euros						
	Amounts less than three months past-due	Impaired assets of loans and advances to other debtors					Total
		3 to 6 months	6 to 12 months	12 to 18 months	18 to 24 months	More than 24 months	
Spain	1,015	594	409	212	110	295	1,620
Rest of Europe	7	37	7	3	2	14	63
Latin America	405	808	104	12	8	312	1,244
United States	527	189	230	-	-	12	431
Total	1,954	1,628	750	227	120	633	3,358

As of December 31, 2007 the amounts for rescheduled debt, for which additional effective guarantees have been pledged and therefore have not been included in the impaired portfolio, are not significant with respect to the total amount of loans and receivables.

The changes during 2007 and 2006 of the transfers to write-offs (financial impairment assets removed from balance because the recovery was considered remote) were as follows:

	Millions of euros	
	2007	2006
Balance at the beginning of year	6,120	6,187
Increase:		
Assets of remote collectability	1,895	472
Products overdue not collected	217	167
Decrease:		
Cash recovery	(237)	(463)
Foreclosed assets	(5)	(5)
Other causes	(2,455)	(129)
Net Exchange differences	87	(109)
Balance at the end of year	5,622	6,120

Decreases by other causes shown in the table above include sales to non Group third parties of the portfolio of write-offs during 2007.

The changes in the impairment losses for the December 31, 2007, 2006 and 2005 on the assets included under the heading "Loans and Receivables" were as follow:

	Millions of euros		
	2007	2006	2005
Balance at beginning of year	6,417	5,586	4,622
Increase in impairment losses charged to income	2,455	2,107	1,419
Decrease in impairment losses credited to income	(327)	(445)	(422)
Acquisition of subsidiaries in the year	276	91	146
Disposal of subsidiaries in the year	(26)	(22)	(2)
Transfers to written-off loans	(1,296)	(546)	(666)
Exchange differences	(420)	(333)	370
Other	56	(21)	119
Balance at end of year	7,135	6,417	5,586
Of which:			
Based on determination form:	7,135	6,417	5,586
- For impaired portfolio	1,967	2,026	2,129
- For current portfolio non impaired	5,168	4,391	3,457
Based on the nature of the asset covered:	7,135	6,417	5,586
Loans and advances to credit institutions	9	7	17
Loans and advances to other debtors	7,117	6,403	5,563
Debt securities	1	-	-
Other financial assets	8	7	6
By geographical area:	7,135	6,417	5,586
Spain	3,459	3,785	3,179
Rest	3,676	2,632	2,407

Recoveries of assets written off for the December 31, 2007, 2006 and 2005 amounted to €226 million, €184 million and €183 million, respectively, and are deducted from the balance of the heading “Impairment losses (net) – Loans and receivables” in the accompanying consolidated income statements.

As of December 31, 2007, 2006 and 2005, financial income amounting to €880 million, €1,107 million and €1,052 million

had accrued, respectively, which was not recorded in the consolidated income statements because there were doubts regarding its collection.

13. HELD-TO-MATURITY INVESTMENTS

As of December 31, 2007, 2006 and 2005, the detail of the balance of this heading in the consolidated balance sheets was as follows:

2007	Millions of euros			
	Amortised Cost	Unrealized Gains	Unrealized Losses	Fair Value
Domestic	2,402	-	(131)	2,271
Spanish Governments and other Spanish Governments securities	1,417	-	(68)	1,349
Other debt securities	985	-	(63)	922
International	3,182	-	(119)	3,063
United States	-	-	-	-
Other countries	3,182	-	(119)	3,063
Securities of other foreign Governments	2,707	-	(106)	2,601
Other debt securities	475	-	(13)	462
Total	5,584	-	(250)	5,334

2006	Millions of euros			
	Amortised Cost	Unrealized Gains	Unrealized Losses	Fair Value
Domestic	2,404	2	(69)	2,337
Spanish Governments and other Spanish Governments securities	1,417	1	(40)	1,378
Other debt securities	987	1	(29)	959
International	3,502	5	(86)	3,421
TOTAL	5,906	7	(155)	5,758

2005	Millions of euros			
	Amortised Cost	Unrealized Gains	Unrealized Losses	Fair Value
Domestic	1,205	33	(1)	1,237
Spanish Governments and other Spanish Governments securities	363	12	-	375
Other debt securities	842	21	(1)	862
International	2,754	45	(1)	2,798
TOTAL	3,959	78	(2)	4,035

The foreign securities by the Group as of December 31, 2007, 2006 and 2005 in the held to maturity portfolio corresponds to European issuers.

In 2007 there have been no sales in the held-to-maturity investments of the Group, so there was no impact on results for this concept.

The gross changes for December 31, 2007, 2006 and 2005 in the balance of this heading in the consolidated balance sheets were summarised as follows not considering impairment losses:

	Millions of euros		
	2007	2006	2005
Balance at beginning of year	5,911	3,964	2,225
Acquisitions	-	2,211	1,885
Redemptions	(300)	(274)	(146)
Other	(22)	10	-
Balance at end of year	5,589	5,911	3,964

Following is a summary of the gross changes in 2007, 2006 and 2005 in the impairment losses on held-to-maturity investments and the impact on income statement for that concept:

	Millions of euros		
	2007	2006	2005
Balance at beginning of year	5	5	4
Increase in impairment losses charged to income	-	-	1
Balance at end of year	5	5	5
- For non impaired portfolio	5	5	5

14. HEDGING DERIVATIVES (RECEIVABLE AND PAYABLE)

As of December 31, 2007, 2006, 2005, the main positions hedged by the Group and the derivatives assigned to hedge those positions are:

- Fair value hedge:
 - Available for sale fixed rate debt securities: this risk is hedged using interest-rate derivatives (fixed- variable swaps).
 - Long term fixed rate debt issued by Group: this risk is hedged using interest-rate derivatives (fixed- variable swaps).
 - Available for sale equity securities: this risk is hedged using equity swaps.
 - Fixed rate loans: this risk is hedged using interest-rate derivatives (fixed- variable swaps).
- Cash flow hedge: Most of the hedged items are floating interest rate loans: this risk is hedged using currency and interest rate swaps.
- Net investment in a foreign operation hedge: Most of risks hedged are investments in foreign currency in foreign subsidiaries. This risk is hedged mainly with exchange rate options.

The Note 2.2.2.a describes the aforementioned hedges.

The Note 7 analyses the nature of the main risks of the Group that are hedged.

The detail of the fair value of the hedging derivatives held by the Group as of December 31, 2007, 2006 and 2005 recognized in the consolidated balance sheets was as follows:

2007	Millions of euros			
	Exchange Risk	Interest Rate Risk	Equity Price Risk	Total
Organised Markets				
Fair value hedge	(1)	-	-	(1)
Non organised markets				
Credit institutions	18	(719)	(72)	(773)
Fair value hedge	-	(693)	(72)	(765)
Cash flow hedge	-	(26)	-	(26)
Net investment in a foreign operation hedge	18	-	-	18
Other financial institutions	8	144	(135)	17
Fair value hedge	-	100	(135)	(35)
Cash flow hedge	-	44	-	44
Net investment in a foreign operation hedge	8	-	-	8
Total	25	(575)	(207)	(757)
of which: Asset Hedging Derivatives	35	1,015	-	1,050
of which: Liability hedging Derivatives	(10)	(1,590)	(207)	(1,807)

2006	Millions of euros		
	Interest Rate Risk	Equity Price Risk	Total
Non organised markets			
Credit institutions	(382)	(116)	(498)
Fair value hedge	(404)	(116)	(520)
Cash flow hedge	22	-	22
Other financial institutions	178	(3)	175
Fair value hedge	126	(3)	123
Cash flow hedge	52	-	52
Other sectors	9	(3)	6
Fair value hedge	9	(3)	6
Total	(195)	(122)	(317)
of which: Asset Hedging Derivatives	1,915	48	1,963
of which: Liability hedging Derivatives	(2,110)	(170)	(2,280)

2005	Millions of euros			
	Exchange Risk	Interest Rate Risk	Equity Price Risk	Total
Organised Markets				
Fair value hedge	-	(8)	(2)	(10)
Non organised markets				
Credit institutions				
Fair value hedge	(1,715)	741	31	(943)
Cash flow hedge	1,599	(150)	-	1,449
Other financial institutions				
Fair value hedge	-	195	-	195
Other sectors				
Fair value hedge	-	355	(3)	352
Total	(116)	1,133	26	1,043
of which: Asset Hedging Derivatives	1,599	2,282	32	3,913
of which: Liability hedging Derivatives	(1,715)	(1,149)	(6)	(2,870)

The most significant forecasted cash flows that the Group has hedged, being its impact on the income statement expected in the following periods:

	Millions of euros			
	3 months or less	More than 3 months but less than 1 year	From 1 to 5 years	More than 5 years
Cash inflows from assets	187	488	377	144
Cash outflows from liabilities	144	304	341	213

The amounts that were so recognized in equity during the period and the amounts that were removed from equity and included in profit or loss for the period are showed in the "Consolidated Statement recognized income and expense".

As of December 31, 2007, 2006 and 2005 there were no hedges of highly probable forecast transaction in the Group.

In 2007, in relation to the fair value hedges, €789 million were recognized in the consolidated income statement by gains on hedging items and €793 million by the losses on the hedged items attributable to the risk hedged.

As of December 31, 2007, the amounts recorded in profit and loss account by ineffective portion in cash flow hedge were not significant.

15. NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale recorded as assets in the consolidated balance sheets as of December 31, 2007 related to properties from the award for carrying out the guarantee to ensure the recovery of loans. These properties are assets available for sale, which is considered highly probable. The sale of most of these assets is expected to be completed within one year of the date on which they are classified as “non-current assets held for sale”.

The changes for the year ended December 31, 2007, 2006 and 2005 in the balance of this heading in the consolidated balance sheets were as follows:

	Millions of euros		
	2007	2006	2005
Revalued cost -			
Balance beginning of year	268	401	339
Additions	487	279	122
Retirements	(744)	(370)	(212)
Acquisition of subsidiaries in the year	15	17	91
Disposal of subsidiaries in the year	-	-	-
Transfers	265	13	8
Exchange difference and other	15	(72)	53
Balance at end of year	306	268	401
Impairment -			
Balance beginning of year	82	170	180
Additions	38	61	31
Retirements	(43)	(105)	(52)
Acquisition of subsidiaries in the year	-	-	28
Transfers	8	6	4
Exchange difference and other	(19)	(50)	(21)
Balance at end of year	66	82	170
Balance total at end of year	240	186	231

In 2007, the Group BBVA reached an agreement with the Group GMP to sell them the four buildings from BBVA, located in Castellana 81, Goya 14, Hortaleza-Vía de los Poblados and Alcalá 16 (all of them in Madrid). The Group transferred from “Tangible assets – Property, plants and equipment” to “Non-current assets held for sale” an amount of €257 million. Once the sale was completed, that amount was derecognised on the heading “Non-current assets held for sale”, as shown in the table above. The amount of the sale of the buildings indicated above was €579 million.

This sale has generated gains of €279 million recognized in the heading “Other gains on disposal of tangible assets” in the accompanying consolidated income statement (Note 54). Those sales have been made without any financing to GMP by the Group.

The fair value of the items included in non current assets held for sale was determined by reference to appraisals performed by companies registered as valuers in each of the geographical areas in which the assets are located.

The independent valuation and appraisal companies entrusted with the appraisal of these assets were Valtecnic, S.A., General de Valoraciones, S.A., Krata, S.A., Tinsa, S.A., Alia Tasaciones, S.A., Ibertasa, S.A., Tasvalor, S.A. and Gesvalt, S.A.

As of December 31, 2007, 2006 and 2005, there were no liabilities associated with non-current assets held for sale.

16. INVESTMENTS

16.1. INVESTMENTS IN ASSOCIATES

The following table shows the detail of the most significant Group’s investments in associates as of December 31, 2007, 2006 and 2005:

	Millions of euros		
Investments in Associates	2007	2006	2005
Citic International Financial Holdings Limited CIFH	432	-	-
Metropolitan Participaciones, S.L.	131	-	-
Tubos Reunidos, S.A.	85	69	58
BBVA Elcano Empresarial II, S.C.R., S.A.	57	31	-
BBVA Elcano Empresarial, S.C.R., S.A.	57	31	-
Banca Nazionale del Lavoro, S.p.A.	-	-	727
Técnicas Reunidas, S.A.	-	-	39
Rest of companies	84	75	122
Total	846	206	946

Appendix III includes the most significant information about associates.

The gross changes in 2007, 2006 and 2005 in this heading of the consolidated balance sheets were as follows:

	Millions of euros		
	2007	2006	2005
Balance at beginning of year	206	946	910
Acquisitions	626	28	10
Disposals	-	(802)	(11)
Transfers and others	14	34	37
Balance at end of year	846	206	946

The acquisitions in 2007 were: CITIC International Financial Holdings (CIFH) with an investment of €483 million (the ownership interest held by the Group as of March 2007 was 14.58%) and Metropolitan Participations, S.L., with an investment of €142 million euros (the ownership interest held by the Group as of September 2007 was 40.67%).

The investment in CIFH, despite is less than 20%, accounted for using the equity method because it has a significant influence under the strategic agreement with the Chinese banking group CITIC. Because of these agreement, the Group acquired in March 2007, 4.83% of China Citic Bank (CNCB), with an investment of €719 million (Note 11). The latter investment was recognized in the heading "Available-for-sale financial assets" in the consolidated balance sheets as of December 31, 2007 (Note 11). The Group also maintains a purchase option that allows reach 9.9% of the capital of that bank.

In 2007 there have been no significant sales of ownership interest in associates. The most significant sales in 2006 were Banca Nazionale del Lavoro, S.p.A and Técnicas Reunidas, S.A.

The goodwill of associates accounted in this heading as of December 31, 2007 amounted to €119 million, of which €115 million related to CITIC International Financial Holdings.

The results on the consolidated income statements in 2007 were recognized in the heading "Share of profit or loss of entities accounted for using the equity method" and the contribution of the most significant associates: Tubos Reunidos, Metropolitan Particip, S.A. and CIFH, amounted to €20 million, €6 million, €7 million, respectively.

The following table shows the book value and the fair value as of December 31, 2007 calculated on the base of its official listed of associates accounted for using the equity method:

Company	Millions of euros	
	Book value	Fair value
Citic International Financial Holdings Limited	432	355
Tubos Reunidos, S.A.	85	241

16.2. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The societies that the Group has considered, because reflect the economic reality of such holdings, must be accounted by the "equity method" are registered with the basis of consolidation of Note 2.1.b. The balance as of December 31, 2007, 2006 and

2005 amounted to €696 million, €683 million and €527 million, respectively.

The most significant investments included was Corporación IBV Participaciones Empresariales, S.A. with a balance a contribution of €574 million to the total assets of the consolidated balance sheet as of December 31, 2007 and €209 million to the consolidated income statement under the heading "share of profit or loss of entities accounted for using the equity method" for the year that ended December 31, 2007.

If aforementioned entities had been consolidated by the proportionate consolidation method the total assets of the Group as of December 31, 2007, 2006 and 2005 would have experienced an increase of €1,009 million, €1,017 million and €778 million, respectively. The economic impact on the margins of the accounts of consolidated results for the period that ended December 31, 2007 there had not been significant.

The goodwill of the jointly controlled entities registered in this heading as of December 31, 2007 amounted to €6 million, of which €4 million related to Grupo Profesional Planeación y Proyectos, S.A. de C.V.

Appendix III includes the most significant information about jointly controlled entities accounted for using the equity method.

16.3. INFORMATION ABOUT ASSOCIATES AND JOINTLY CONTROLLED ENTITIES BY THE PROPORTIONATE CONSOLIDATION METHOD

The following table provides relevant information of the balance sheet and income statement of associates and jointly controlled entities by the proportionate consolidation method as of December 31, 2007, 2006 and 2005 (see Appendix III).

	Millions of euros		
	2007 ^(*)	2006 ^(*)	2005 ^(*)
Net sales	290	276	763
Operating Income	104	317	159
Net Income	250	282	122
Current Assets	1,102	780	2,251
Non-current Assets	2,446	433	11,815
Current Liabilities	585	238	1,543
Non-current Liabilities	2,963	975	12,523

(*) Non audited information.

16.4. NOTIFICATIONS ABOUT ACQUISITION OF HOLDINGS

The notifications on the acquisition and disposal of holdings in associates or jointly controlled, in compliance with Article 86 of the Spanish Corporations Law and Article 53 of the Securities Market Law 24/1988, are listed in Appendix IV.

16.5. IMPAIRMENT

During 2007, the good will in associates and jointly controlled entities has not registered an impairment.

During 2006, the good will in jointly controlled entities registered an impairment of €6 million.

17. REINSURANCE ASSETS

This heading of the consolidated balance sheets reflects the amounts to receive from consolidated entities whose origins are reinsurance contracts with third parties.

As of December 31, 2007, 2006 and 2005, the detail of the balance of this heading in the consolidated balance sheets was as follows:

	Millions of euros		
	2007	2006	2005
Reinsurance assets	43	32	235
Reinsurer's share of technical provisions	43	32	223
Debtors arising from insurance and reinsurance operations (*)	-	-	12
Total	43	32	235

(*) This caption is included in the heading "Loans and Receivables" as of December 31, 2007 and 2006.

18. TANGIBLE ASSETS

As of December 31, 2007, 2006 and 2005, the detail and the change of the balance of this heading in the consolidated balance sheets based on the nature of the related items, were as follows:

2007	Millions of euros					
	Property, plants and equipment			Investment Properties	Assets Leased out under an Operating Lease	Total
	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles			
Revalued cost -						
Balance at 1 January 2007	3,088	24	4,974	76	881	9,043
Additions	501	138	577	38	213	1,467
Retirements	(116)	(29)	(165)	(2)	(16)	(328)
Acquisition of subsidiaries in the year	388	32	65	-	57	542
Disposal of entities in the year	-	-	(19)	(16)	(160)	(195)
Transfers	(272)	(8)	(174)	1	-	(453)
Exchange difference and other	(174)	(6)	(234)	(1)	(9)	(424)
Balance at 31 December 2007	3,415	151	5,024	96	966	9,652
Accumulated depreciation -						
Balance at 1 January 2007	(798)	-	(3,445)	(14)	(231)	(4,488)
Additions	(54)	-	(340)	(3)	(79)	(476)
Retirements	6	-	114	-	77	197
Acquisition of subsidiaries in the year	(8)	-	(4)	-	(21)	(33)
Disposal of entities in the year	-	-	24	-	-	24
Transfers	65	-	81	-	-	146
Exchange difference and other	64	-	168	4	9	245
Balance at 31 December 2007	(725)	-	(3,402)	(13)	(245)	(4,385)
Impairment						
Balance at 1 January 2007	(27)	-	-	(1)	-	(28)
Additions	(6)	-	(5)	-	-	(11)
Retirements	3	4	-	-	-	7
Acquisition of subsidiaries in the year	-	-	-	-	(2)	(2)
Exchange difference and other	9	(4)	-	-	-	5
Balance at 31 December 2007	(21)	-	(5)	(1)	(2)	(29)
Net tangible assets -						
Balance at 1 January 2007	2,263	24	1,529	61	650	4,527
Balance at 31 December 2007	2,669	151	1,617	82	719	5,238

2006	Millions of euros					
	Property, plants and equipment				Assets Leased out under an Operating Lease	Total
	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Investment Properties		
Revalued cost -						
Balance at 1 January 2006	3,153	19	4,976	93	630	8,871
Additions	58	32	436	-	304	830
Retirements	(14)	(15)	(195)	(5)	(187)	(416)
Acquisition of subsidiaries in the year	127	2	32	-	150	311
Disposal of entities in the year	(47)	-	(37)	-	-	(84)
Transfers	(18)	(7)	5	(1)	-	(21)
Exchange difference and other	(171)	(7)	(243)	(11)	(16)	(448)
Balance at 31 December 2006	3,088	24	4,974	76	881	9,043
Accumulated depreciation -						
Balance at 1 January 2006	(796)	-	(3,483)	(15)	(164)	(4,458)
Additions	(68)	-	(266)	(1)	(48)	(383)
Retirements	13	-	160	1	13	187
Acquisition of subsidiaries in the year	-	-	(9)	-	(48)	(57)
Disposal of entities in the year	3	-	35	-	-	38
Transfers	7	-	1	-	-	8
Exchange difference and other	43	-	117	1	16	177
Balance at 31 December 2006	(798)	-	(3,445)	(14)	(231)	(4,488)
Impairment -						
Balance at 1 January 2006	(28)	-	-	(1)	-	(29)
Additions	(4)	-	-	-	-	(4)
Retirements	8	-	-	-	-	8
Acquisition of subsidiaries in the year	-	-	-	-	-	-
Exchange difference and other	(3)	-	-	-	-	(3)
Balance at 31 December 2006	(27)	-	-	(1)	-	(28)
Net tangible assets -						
Balance at 1 January 2006	2,329	19	1,493	77	466	4,384
Balance at 31 December 2006	2,263	24	1,529	61	650	4,527

	Millions of euros					
	Property, plants and equipment					
	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Investment Properties	Assets Leased out under an Operating Lease	Total
2005						
Revalued cost -						
Balance at 1 January 2005	2,766	8	4,357	195	566	7,892
Additions	109	19	375	4	240	747
Retirements	(148)	(6)	(160)	(39)	(114)	(467)
Acquisition of subsidiaries in the year	159	10	124	-	-	293
Disposal of entities in the year	(6)	-	(4)	-	-	(10)
Transfers	3	(7)	7	(34)	-	(31)
Exchange difference and other	270	(5)	277	(33)	(62)	447
Balance at 31 December 2005	3,153	19	4,976	93	630	8,871
Accumulated depreciation -						
Balance at 1 January 2005	(664)	(1)	(3,013)	(32)	(127)	(3,837)
Additions	(52)	-	(219)	(1)	(89)	(361)
Retirements	41	1	143	4	54	243
Acquisition of subsidiaries in the year	(29)	-	(80)	-	-	(109)
Disposal of entities in the year	-	-	2	1	-	3
Transfers	(10)	-	4	6	-	-
Exchange difference and other	(82)	-	(320)	7	(2)	(397)
Balance at 31 December 2005	(796)	-	(3,483)	(15)	(164)	(4,458)
Impairment -						
Balance at 1 January 2005	(116)	-	-	-	-	(116)
Additions	(2)	-	-	(1)	-	(3)
Retirements	10	-	-	-	-	10
Acquisition of subsidiaries in the year	(2)	-	-	-	-	(2)
Exchange difference and other	82	-	-	-	-	82
Balance at 31 December 2005	(28)	-	-	(1)	-	(29)
Net tangible assets -						
Balance at 1 January 2005	1,986	7	1,344	163	439	3,939
Balance at 31 December 2005	2,329	19	1,493	77	466	4,384

The Group BBVA purchased, through a Real Estate company of the Group and in accordance with an agreement signed on June 19, 2007 with the "Group Gmp" (GMP), the "Parque Empresarial Foresta" located in a development area in the north of Madrid, where the new Corporate Headquarter will be build. This project has meant to the BBVA Group an investment of €430 million, recognized, as of December 31, 2007, in the headings "Land and Buildings" and "works in progress" for an amount of €352 million and €78 million, respectively.

The main activity of the Group is carried out through a network of banking offices located geographically as shown in the following table:

	Number of branches		
	2007	2006	2005
Spain	3,595	3,635	3,578
United States(*)	4,291	3,742	3,618
Rest of the world	142	122	132
Total	8,028	7,499	7,328

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

As of December 31, 2007, 2006 and 2005, 47.3%, 46.9% and 47.9%, respectively, of the branches in Spain were leased from third parties. As of December 31, 2007, 2006 and 2005, 56.7%, 60% and 58.69%, respectively, of the branches in Latin-American were leased from third parties.

The gains and losses from the sale of tangible assets are presented under the heading "Other Gains" and "Other Losses" in the accompanying consolidated income statements (Note 54).

In 2007 the net tangible assets impairment losses charged to the consolidated income statement amounted to €12 million. In 2006 the net recoveries of impairment for tangible assets amounted to €5 million. In 2005 the net tangible assets impairment losses charged to the consolidated income statement amounted to €2 millions. The changes were registered under the heading "Impairment Losses-Tangible Assets".

The net book value as of December 31, 2007, 2006 and 2005 of tangible assets for foreign subsidiaries amounted to €2,284 million, €1,857 million and €1,825 million, respectively.

Moreover, the amount of tangible assets under finance leases on which it is expected the purchase option was not significant as of December 31, 2007, 2006 and 2005.

19. INTANGIBLE ASSETS

19.1. GOODWILL

As of December 31, 2007, 2006 and 2005, the detail of the balance of this heading and the changes, according to the companies that originated them, was as follows:

2007	Millions of euros						
	Balance at beginning of year	Additions	Other	Retirements	Exchange Differences	Impairment	Balance at end of year
BBVA USA Bancshares, Inc. of which:	1,679	5,171	(27)	-	(558)	-	6,265
<i>Laredo National Bank</i>	422	-	-	-	(43)	-	379
<i>Texas Regional Bank</i>	1,257	-	(27)	-	(129)	-	1,101
<i>State National Bank</i>	-	270	-	-	(33)	-	237
<i>Compass Bank</i>	-	4,901	-	-	(353)	-	4,548
Grupo Financiero Bancomer, S.A. de C.V.	544	-	-	-	(59)	-	485
Hipotecaria Nacional S.A. C.V.	239	-	-	-	(26)	-	213
BBVA Colombia, S.A.	213	-	(8)	-	(1)	-	204
BBVA Pensiones Chile, S.A.	90	-	-	-	(3)	-	87
Maggiore Fleet, S.p.A.	36	-	(2)	-	-	-	34
BBVA Chile, S.A.	35	-	-	-	(1)	-	34
BBVA Puerto Rico, S. A.	35	-	-	-	(4)	-	31
FORUM Servicios Financieros, S.A.	49	-	(20)	-	(1)	-	28
AFP Provida, S.A.	22	-	-	-	(1)	-	21
BBVA Portugal, S.A.	16	-	-	-	-	-	16
Finanzia, Banco de Crédito, S.A.	5	-	-	-	-	-	5
BBVA Finanzia S.p.A.	4	-	-	-	-	-	4
BBVA Bancomer USA	4	-	-	-	-	-	4
BBVA Renting S.p.A.	-	1	2	-	-	-	3
FORUM Distribuidora, S.A.	2	-	-	-	-	-	2
TOTAL	2,973	5,172	(55)	-	(654)	-	7,435

2006	Millions of euros						
	Balance at beginning of year	Additions	Other	Retirements	Exchange Differences	Impairment	Balance at end of year
Texas Regional Bancshares, Inc.	-	1,294	-	-	(37)	-	1,257
Grupo Financiero BBVA Bancomer, S.A. de C.V.	617	-	-	-	(73)	-	544
Grupo Laredo	474	-	(3)	-	(49)	-	422
Hipotecaria Nacional, S.A. de C.V.	259	-	10	-	(30)	-	239
Grupo BBVA Colombia	267	-	(35)	-	(19)	-	213
BBVA Pensiones Chile, S.A.	104	-	-	-	(14)	-	90
Forum Servicios Financieros, S.A.	-	51	-	-	(2)	-	49
Maggiore Fleet, S.p.A.	-	36	-	-	-	-	36
BBVA Chile, S.A.	41	-	-	-	(6)	-	35
BBVA Puerto Rico, S.A.	39	-	-	-	(4)	-	35
AFP Provida	26	-	-	-	(4)	-	22
BBVA Portugal, S.A.	16	-	-	-	-	-	16
Finanzia, Banco de Crédito, S.A.	5	-	-	-	-	-	5
BBVA Bancomer USA (*)	5	-	-	-	(1)	-	4
BBVA Finanzia, S.p.A.	-	4	-	-	-	-	4
Forum Distribuidora, S.A.	-	2	-	-	-	-	2
Invesco Management N°1	-	6	-	-	-	(6)	-
Other companies	5	3	1	(9)	-	-	-
FULLY CONSOLIDATED COMPANIES	1,858	1,396	(27)	(9)	(239)	(6)	2,973

(*) Former Valley Bank.

2005	Millions of euros				
	Balance at beginning of year	Additions	Other	Exchange Differences	Balance at end of year
Grupo Financiero BBVA Bancomer, S.A. de C.V.	513	-	-	104	617
Grupo Laredo	-	433	-	41	474
Grupo BBVA Colombia (*)	-	267	-	-	267
Hipotecaria Nacional, S.A. de C.V.	-	224	-	35	259
Grupo Provida	104	-	-	26	130
BBVA Chile, S.A.	32	-	-	8	40
BBVA Puerto Rico, S.A.	34	-	-	5	39
BBVA (Portugal), S.A.	16	-	-	-	16
Finanzia, Banco de Crédito, S.A.	5	-	-	-	5
Valley Bank	6	-	-	-	6
Other companies	-	5	-	-	5
FULLY CONSOLIDATED COMPANIES	710	929	-	219	1,858

(*) Goodwill of Banco Granahorrar, S.A.

Annually an impairment test is carried out for each company that generates goodwill. This test compares the present value of future cash flows that are expected to be obtained by each company with its book value and goodwill, in order to determine whether or not its value is impaired. As of December 31, 2007, as a result of the impairment tests carried out, there were no losses due to impairments in the value of these companies.

In 2007, the Group acquired 100% of the capital shares of State National Bancshares Inc. and Compass Bancshares Inc.

The detail of the book value of the consolidated assets and liabilities of Compass Bancshares Inc. and State National Bancshares, Inc. previous to its acquisition and the corresponding acquisition costs, gross of tax, which according to the acquisition method have been provisionally allocated at the moment of purchase, were as follows:

Acquisition cost of Compass Bancshares, Inc.	Millions of euros	
	Book value	Fair Value
Compass Bancshares, Inc. value at the date of acquisition		6,693
Cash	426	426
Loans and receivables	18,610	18,221
Financial assets	5,692	5,631
Tangible assets	443	514
Intangible assets obtained from previous business combinations	560	2
Intangible assets identified at the date of the business combination (*)	-	545
Other assets	390	391
Financial liabilities	(23,521)	(23,518)
Other liabilities	(378)	(402)
Recognised contingent liabilities	-	-
Deferred tax	-	(18)
Total Equity	2,222	1,792
Goodwill		4,901

(*) The intangible assets amount identified at the acquisition date, corresponds principally to gains assigned to "core deposits" and amounted to €466 million.

Millions of euros		
Acquisition cost of State National Bancshares, Inc.		378
State National Bancshares, Inc. value at the date of acquisition	Book value	Fair Value
Cash	82	82
Loans and receivables	899	884
Financial assets	207	204
Tangible assets	45	47
Intangible assets obtained from previous business combinations	88	-
Intangible assets identify at the date of the business combination	-	28
Other assets	8	7
Financial liabilities	(1,145)	(1,146)
Other liabilities	(5)	(7)
Recognised contingent liabilities	-	-
Deferred tax	-	9
Total Equity	179	108
Goodwill		270

The valuations were conducted by an independent expert, applying different valuation methods on the basis of each asset and liability. The methods used are based on the present value of the cash flows that business or asset is expected to generate in the future, the Market Transaction Method and the Cost Method.

During 2007 there have not been effects of gains, losses, error corrections and other significant adjustments in relation

with assets, liabilities and contingent liabilities in the acquired entities in 2007 or prior periods.

19.2. OTHER INTANGIBLE ASSETS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros			Average Useful Life (years)
	2007	2006	2005	
Computer software acquisition expense	42	56	45	5
Other deferred charges	202	116	80	5
Other intangible assets	571	132	92	5
Impairment	(7)	(8)	(5)	
Total	808	296	212	

The changes in 2007, 2006 y 2005 in this heading were as follows:

	Millions of euros		
	2007	2006	2005
Balance at beginning of year	296	212	111
Additions	134	171	228
Year amortisation	(151)	(89)	(88)
Exchange differences and other (*)	530	5	(34)
Impairment	(1)	(3)	(5)
Balance at end of year	808	296	212

(*) The heading "Exchange differences and other" as of December 31, 2007 includes €500 million the acquisition to incorporation of Compass in September 2007.

20. PREPAYMENTS AND ACCRUED INCOME AND ACCRUED EXPENSES AND DEFERRED INCOME

The detail of the balance of these headings in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Assets -			
Prepaid expenses	359	279	199
Other prepayments and accrued income	245	395	358
Total	604	674	557
Liabilities -			
Unmatured accrued expenses	1,381	1,169	1,147
Other accrued expenses and deferred income	439	341	563
Total	1,820	1,510	1,710

21. OTHER ASSETS AND LIABILITIES

The detail of the balances of these headings in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Assets -			
Inventories (*)	457	470	339
Transactions in transit	203	106	9
Public Treasury	-	63	101
Other	1,033	1,104	1,492
Total	1,693	1,743	1,941
Liabilities -			
Transactions in transit	54	140	24
Other	498	579	581
Total	552	719	605

(*) The balance of the heading Inventories in the consolidated financial statements relates basically to the following companies: Inensur Brunete, S.L., Anida Desarrollos Inmobiliarios, Monasterio Desarrollo, S.L., Montealiaga, S.A. and Desarrollo Urbanístico Chamartín, S.A.

22. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance of this heading in the consolidated balance sheet as of December 31, 2007, 2006 and 2005 amounted to €449 million, €582 million and €740 million, respectively, and related to deposits from other creditors through the so-called unit-linked life insurance policies (in which the policyholder bears the risk).

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY

As of December 31, 2007, 2006 and 2005 there were no financial liabilities at fair value through equity.

24. FINANCIAL LIABILITIES AT AMORTIZED COST

The detail of the items composing the balances of this heading in the accompanying consolidated balance sheets was as follows:

	Millions of euros		
	2007	2006	2005
Deposits from central banks	27,326	15,238	21,190
Deposits from credit institutions	60,772	42,567	45,126
Money markets operations	23	223	23
Deposits from other creditors	236,183	192,374	182,635
Debt certificates (including bonds)	82,999	77,674	62,842
Subordinated liabilities	15,662	13,597	13,723
Other financial liabilities (*)	6,239	6,772	6,051
Total	429,204	348,445	331,590

(*) As of December 31, 2007, 2006 and 2005, Other Financial Liabilities included €570 million, €469 million and €390 million, respectively, relating to the third dividend (Note 4).

24.1. DEPOSITS FROM CENTRAL BANKS

The breakdown of the balance of this heading in the consolidated balance sheets was as follows:

	Millions of euros		
	2007	2006	2005
Bank of Spain	19,454	7,265	16,139
Credit account drawdowns	8,209	4,010	6,822
Other State debt and Treasury bills under repurchase agreement	-	-	386
Other assets under repurchase agreement	11,245	3,255	8,931
Other central banks	7,802	7,927	5,028
Total gross	27,256	15,192	21,167
Valuation adjustments	70	46	23
Total	27,326	15,238	21,190

As of December 31, 2007, 2006 and 2005, the financing limit assigned to the Group by the Bank of Spain and other central banks was €10,320 million, €8,136 and €10,003 million, respectively, of which €8,053 million, €4,535 and €6,822 million had been drawn down, respectively.

24.2. DEPOSITS FROM CREDIT INSTITUTIONS

The breakdown of the balance of this heading in the consolidated balance sheets, based on the nature of the related transactions, was as follows:

	Millions of euros		
	2007	2006	2005
Reciprocal accounts	3,059	78	271
Deposits with agreed maturity	33,576	27,016	28,807
Demand deposits	1,410	1,782	1,054
Other accounts	362	393	1,113
Repurchase agreements	21,988	13,017	13,723
Total gross	60,395	42,286	44,968
Valuation adjustments	377	281	158
Total	60,772	42,567	45,12

The detail, by geographical area, of this heading as of December 31, 2007, 2006 and 2005 disregarding valuation adjustments was as follows:

2007	Millions of euros			
	Demand Deposits	Deposits with Agree Maturity	Funds Received Under Financial Asset Transfers	Total
Spain	790	5,247	3,239	9,276
Rest of Europe	231	13,126	3,943	17,300
United States	3,077	6,853	881	10,811
Latin America	331	3,962	13,925	18,218
Rest of the world	40	4,750	-	4,790
Total	4,469	33,938	21,988	60,395

2006	Millions of euros			
	Demand Deposits	Deposits with Agree Maturity	Funds Received Under Financial Asset Transfers	Total
Spain	807	5,001	1,683	7,491
Rest of Europe	642	12,640	4,621	17,903
United States	110	2,653	797	3,560
Latin America	239	3,166	5,916	9,321
Rest of the world	61	3,950	-	4,011
Total	1,859	27,410	13,017	42,286

2005	Millions of euros			
	Demand Deposits	Deposits with Agree Maturity	Funds Received Under Financial Asset Transfers	Total
Spain and rest of Europe	1,033	14,815	8,255	24,103
United States	69	3,670	1,650	5,389
Latin America	1,290	2,643	3,818	7,751
Rest of the world	46	7,679	-	7,725
Total	2,438	28,807	13,723	44,968

24.3. DEPOSITS FROM OTHER CREDITORS

The breakdown of the balance of this heading in the accompanying consolidated balance sheets, based on the nature of the related transactions, was as follows:

	Millions of euros		
	2007	2006	2005
General Government	16,372	14,171	17,673
Spanish	6,844	7,109	9,742
Foreign	9,512	7,038	7,876
Valuation adjustments	16	24	55
Other resident sectors -	107,417	94,393	79,756
Current accounts	22,798	25,346	20,645
Savings accounts	21,389	22,460	20,629
Fixed-term deposits	33,781	27,682	20,435
Reverse repos	8,785	9,081	12,030
Other accounts	19,825	9,112	5,382
Valuation adjustments	839	712	635
Non-resident sectors	112,394	83,810	85,206
Current accounts	25,453	19,043	18,717
Savings accounts	19,057	13,636	11,370
Fixed-term deposits	58,492	40,906	45,266
Repurchase agreements	8,544	9,555	9,215
Other accounts	186	110	77
Valuation adjustments	662	560	561
Total	236,183	192,374	182,635
Of which:			
In euros	123,924	108,313	100,623
In foreign currency	112,259	84,061	82,012

The detail, by geographical area, of this heading as of December 31, 2007, 2006 and 2005 disregarding valuation adjustments was as follows:

	Millions of euros				
2007	Demand Deposits	Saving Deposits	Deposits with Agreed Maturity	Repos	Total
Spain	28,339	21,468	54,417	9,199	113,423
Rest of Europe	3,055	312	12,555	10	15,932
United States	6,996	7,877	22,964	148	37,985
Latin America	18,677	9,445	21,874	8,392	58,388
Rest of the world	1,657	2,842	4,439	-	8,938
Total	58,724	41,944	116,249	17,749	234,666

	Millions of euros				
2006	Demand Deposits	Saving Deposits	Deposits with Agreed Maturity	Repos	Total
Spain	30,907	22,525	36,907	10,303	100,642
Rest of Europe	2,746	1,050	7,244	448	11,488
United States	1,419	2,019	10,529	57	14,024
Latin America	17,816	11,466	22,505	9,064	60,851
Rest of the world	795	403	2,875	-	4,073
Total	53,683	37,463	80,060	19,872	191,078

	Millions of euros				
2005	Demand Deposits	Saving Deposits	Deposits with Agreed Maturity	Repos	Total
Spain and rest of Europe	30,294	21,676	36,344	17,145	105,459
United States	1,007	354	10,372	135	11,868
Latin America	17,041	10,164	22,968	7,983	58,156
Rest of the world	775	518	4,608	-	5,901
Total	49,117	32,712	74,292	25,263	181,384

24.4. DEBT CERTIFICATES (INCLUDING BONDS)

The breakdown of the balance of this heading in the accompanying consolidated balance sheets was as follows:

	Millions of euros		
	2007	2006	2005
Promissory notes and bills	5,759	7,556	7,418
Bonds and debentures issued:	77,240	70,118	55,424
Mortgage-backed securities	39,730	36,029	26,927
Other non-convertible securities	37,137	33,276	26,542
Valuation adjustments	373	813	1,955
Total	82,999	77,674	62,842

24.4.1. PROMISSORY NOTES AND BILLS

These promissory notes were issued mainly by Banco de Financiación, S.A., and the detail thereof, by currency, was as follows:

	Millions of euros		
	2007	2006	2005
In euros	4,902	6,671	6,725
In other currencies	857	885	693
Total	5,759	7,556	7,418

24.4.2. BONDS AND DEBENTURES ISSUED:

The detail of the balance of this account in the accompanying consolidated balance sheets, based on the currency in which the bonds and debentures are issued, and of the related interest rates was as follows:

	Millions of euros		
	2007	2006	2005
In euros -			
Non-convertible bonds and debentures at floating interest rates	18,955	18,346	18,488
Non-convertible bonds and debentures	6,154	6,438	5,214
Covered bonds	38,680	35,808	26,683
Valuation adjustments	252	734	1,940
In foreign currencies -			
Non-convertible bonds and debentures at floating interest rates	10,707	7,866	2,614
Non-convertible bonds and debentures	1,322	626	226
Covered bonds	1,049	221	244
Valuation adjustments	121	79	15
Total	77,240	70,118	55,424

As of December 31, 2007, the (weighted average) interest rate relating to fixed and floating rate issues in euros was 3.87% and 4.68%, respectively. As of December 31, 2007, the (weighted average) interest rate relating to fixed and floating rate issues in foreign currencies at that date was 5.12% and 5.97%, respectively.

The valuation adjustments caption mainly includes adjustments for accrued interest, hedging transactions and issuance fees.

Most of the foreign-currency issues are denominated in U.S. dollars.

The accrued interests on promissory notes, bills and debentures for December 31, 2007, 2006 and 2005 amounted to €3,658 million, €2,821 million and €1,899 million, respectively (Note 43.2).

24.5. SUBORDINATED LIABILITIES

The detail, by company, of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Subordinated debt	10,834	9,385	9,179
Preference shares	4,562	4,025	4,128
Total gross	15,396	13,410	13,307
Valuation adjustments	266	187	416
Total	15,662	13,597	13,723

As of December 31, 2007, 2006 and 2005 the subordinated debt and preference shares bore interest of €868 million, €567 million and €556 million, respectively (see Note 43.2).

24.5.1. SUBORDINATED DEBT

These issues are non-convertible subordinated debt and, accordingly, for debt seniority purposes, they rank behind ordinary debt.

The detail, disregarding valuation adjustments, of the balance of this heading in the accompanying consolidated balance sheets, based on the related issue currency and interest rate, was as follows:

Issuer	Currency	Millions of euros				Maturity Date
		2007	2006	2005	Prevailing Interest Rate June 07	
ISSUES IN EUROS						
BBVA						
July-96	EUR	-	-	79	-	December 22, 2006
July-96	EUR	27	27	27	9.37%	December 22, 2016
February-97	EUR	-	60	60	6.97%	December 18, 2007
September-97	EUR	-	36	36	6.65%	December 17, 2007
December-01 (*)	EUR	-	1,500	1,500	3.50%	January 1, 2017
July-03	EUR	600	600	600	4.32%	July 17, 2013
November-03	EUR	750	750	750	4.50%	November 12, 2015
October-04	EUR	992	991	992	4.37%	October 20, 2019
February-07	EUR	297	-	-	4.50%	February 16, 2022
BBVA CAPITAL FUNDING, LTD.						
March-97	EUR	-	46	46	2.71%	March 20, 2007
October-97	EUR	-	77	77	4.10%	October 8, 2007
October-97	EUR	229	229	228	6.00%	December 24, 2009
July-99	EUR	73	73	73	6.35%	October 16, 2015
February-00	EUR	497	498	500	6.38%	February 25, 2010
July-01 (*)	EUR	-	-	500	-	July 4, 2011
October-01	EUR	60	60	60	5.73%	October 10, 2011
October-01	EUR	40	40	40	6.08%	October 10, 2016
October-01	EUR	50	50	50	5.33%	October 15, 2016
November-01	EUR	55	55	55	5.30%	November 2, 2016
December-01	EUR	56	56	56	5.58%	December 20, 2016
BBVA SUBORDINATED CAPITAL, S.A.U.						
May-05	EUR	497	497	480	4.95%	May 23, 2017
October-05	EUR	150	150	150	5.03%	October 13, 2020
October-05	EUR	250	250	250	4.90%	October 20, 2017
October-06	EUR	1,000	1,000	-	4.93%	October 24, 2016
April-07	EUR	750	-	-	5.01%	April 3, 2017
April-07	EUR	100	-	-	4.34%	April 4, 2022
BBVA BANCOMER, S.A. de C.V.						
May-07	EUR	596	-	-	4.80%	May 17, 2017
ALTURA MARKETS A.V., S.A.						
November-07	EUR	3	-	-	6.72%	November 29, 2017
ISSUES IN FOREIGN CURRENCY						
BBVA PUERTO RICO, S.A.						
September-04	USD	34	38	42	4.20%	September 23, 2014
September-06	USD	25	28	-	5.76%	September 29, 2016
September-06	USD	21	23	-	5.39%	September 29, 2016
BBVA GLOBAL FINANCE, LTD.						
December-95	USD	136	152	170	7.00%	December 1, 2025
December-95	USD	-	-	64	-	May 9, 2006
BANCO BILBAO VIZCAYA ARGENTARIA, CHILE	CLP	283	276	172	Various	Various
BBVA BANCOMER, S.A. de C.V.						
November-98		-	-	198	-	September 28, 2006
July-05	USD	340	377	421	5.38%	July 22, 2015
September-06	MXN	156	174	-	8.23%	September 18, 2014
May-07	USD	340	-	-	6.01%	May 17, 2022

(Continuation)		Millions of euros				
Issuer	Currency	2007	2006	2005	Prevailing Interest Rate June 07	Maturity Date
BBVA CAPITAL FUNDING, LTD.						
October-95	JPY	60	64	72	6.00%	October 26, 2015
February-96	USD	-	-	212	-	February 14, 2006
November-96	USD	-	-	170	-	November 27, 2006
BBVA BANCOMER CAPITAL TRUST, INC.						
February-01(*)	USD	-	-	424	-	February 16, 2011
LNB CAPITAL TRUST I						
November-01(*)	USD	-	-	18	-	December 8, 1931
LNB STATUTORY TRUST I						
December-01(*)	USD	-	-	25	-	December 18, 1931
BBVA SUBORDINATED CAPITAL, S.A.U.						
October-05	JPY	122	127	144	2.75%	October 22, 1935
October-05	GBP	409	447	438	6.48%	October 21, 2015
March-06	GBP	409	447	-	5.00%	March 31, 2016
March-07	GBP	343	-	-	5.75%	March 11, 2018
RIVERWAY HOLDING CAPITAL TRUST I						
March-01	USD	7	9	-	10.18%	June 8, 1931
RIVERWAY HOLDING CAPITAL TRUST II						
July-01 (*)	USD	-	4	-	9.30%	July 25, 1931
February-04	USD	34	38	-	7.84%	March 17, 1934
COMPASS BANCSHARES INC						
July-01	USD	2	-	-	10.18%	July 31, 1931
STATE NATIONAL CAPITAL TRUST I						
July-03	USD	10	-	-	7.88%	September 30, 1933
STATE NATIONAL STATUTORY TRUST II						
March-04	USD	7	-	-	7.78%	March 17, 1934
TEXASBANC CAPITAL TRUST I						
July-04	USD	17	-	-	7.75%	July 23, 1934
COMPASS BANK						
August-99	USD	124	-	-	7.75%	September 15, 2009
April-99	USD	69	-	-	6.45%	May 1, 2009
March-05	USD	188	-	-	5.50%	April 1, 2020
March-06	USD	175	-	-	5.90%	April 1, 2026
Sep-07	USD	236	-	-	6.40%	February 1, 2017
BBVA COLOMBIA, S.A.						
August-06	COP	135	136	-	11.54%	August 28, 2011
BANCO CONTINENTAL, S.A.						
December-06	USD	20	-	-	6.65%	December 16, 2016
May-07	PEN	9	-	-	5.85%	May 7, 2022
May-07	USD	14	-	-	6.00%	May 14, 2027
June-07	PEN	12	-	-	3.47%	June 18, 1932
September-07	USD	14	-	-	6.26%	September 24, 2017
November-07	PEN	11	-	-	3.56%	June 18, 1932
TOTAL		10,834	9,385	9,179		

(*) Issuances cancelled before their maturity date.

The issues of BBVA Capital Funding, LTD., BBVA Subordinated Capital, S.A.U. and BBVA Global Finance, LTD. are guaranteed (secondary liability) by the Bank.

24.5.2. PREFERENCE SHARES

The detail, by company, of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
BBVA Internacional, Ltd. ⁽¹⁾	500	1,000	1,341
BBVA Preferred Capital, Ltd. ⁽²⁾	-	-	203
BBVA Privanza Internacional (Gibraltar), Ltd.	-	-	59
BBVA Capital Finance, S.A.	1,975	1,975	1,975
Banco Provincial, S.A.	66	-	-
BBVA International Preferred, S.A.U. ⁽³⁾	2,003	1,050	550
Tucson Loan Holdings, Inc.	18	-	-
Total	4,562	4,025	4,128

(1) Listed on the Spanish AIAF market.
(2) Listed in New York Stock Exchange.
(3) Listed in London Stock Exchange.

The foregoing balances include several issues of non-cumulative non-voting preference shares and stakes of BBVA International Ltd., BBVA Capital Finance, S.A. y BBVA Intenational Preferred, S.A.U. guaranteed by Banco Bilbao Vizcaya Argentaria, S.A., the detail was as follows:

2007	Currency	Amount Issued (Millions)	Fixed Annual Dividend
BBVA International, Ltd.			
December 2002	EUR	500	4.800%
BBVA Capital Finance, S.A.			
December 2003	EUR	350	4.806%
July 2004	EUR	500	4.806%
December 2004	EUR	1,125	4.809%
BBVA International Preferred, S.A.U.			
September 2005	EUR	550	3.80%
September 2006	EUR	500	4.94%
April 2007	USD	600	5.92%
July 2007	GBP	400	7.09%
Banco Provincial, S.A. - Banco Universal			
October 2007	BS	150,000	12.00%
November 2007	BS	58,000	12.00%
Tucson Loan Holdings Inc.			
November 1997	USD	28	9.875%

2006	Currency	Amount Issued (Millions)	Fixed Annual Dividend
BBVA International, Ltd.			
March 2002	EUR	500	3.50%
December 2002	EUR	500	3.41%
BBVA Capital Finance, S.A.			
December 2003	EUR	350	3.41%
July 2004	EUR	500	3.41%
December 2004	EUR	1,125	3.41%
BBVA International Preferred, S.A.U.			
September 2005	EUR	550	3.80%
September 2006	EUR	500	4.95%

2005	Currency	Amount Issued (Millions)	Fixed Annual Dividend
BBVA Privanza Internacional (Gibraltar), Ltd.			
June 1997	USD	70	7.76%
BBVA International, Ltd.			
April 2001	EUR	340	7.00%
March 2002	EUR	500	3.50%
December 2002	EUR	500	3.25%
BBVA Preferred Capital, Ltd.			
June 2001	USD	240	7.75%
BBVA Capital Finance, S.A.			
December 2003	EUR	350	2.75%
July 2004	EUR	500	3.00%
December 2004	EUR	1,125	3.00%
BBVA International Preferred, S.A.U.			
September 2005	EUR	550	3.80%

These issues were subscribed by third parties outside the Group and are wholly or partially redeemable at the issuer company's option after five or ten years from the issue date, depending on the terms of each issue.

25. LIABILITIES UNDER INSURANCE CONTRACTS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Technical provisions for:			
Mathematical reserves	8,977	8,678	9,023
Provision for unpaid claims reported	580	655	419
Other insurance technical provisions	440	788	1,058
Total	9,997	10,121	10,500

26. PROVISIONS

The detail of the balance of this heading in the consolidated balance sheets as of December 31, 2007, 2006 and 2005 was as follows:

Millions of euros			
	2007	2006	2005
Provisions for pensions and similar obligations (Note 27)	5,967	6,358	6,240
Provisions for taxes	225	232	147
Provisions for contingent exposures and commitments (Note 7)	546	502	452
Other provisions	1,604	1,557	1,862
Total	8,342	8,649	8,701

The changes in 2007, 2006 and 2005 in the balances of this heading in the accompanying consolidated balance sheets were as follows:

Provisions for Pensions and similar obligation			
Millions of euros			
	2007	2006	2005
Balance at beginning of the year	6,358	6,240	6,304
Add -			
Year provision with a charge to income for the year	417	1,410	647
Transfers and other changes	(4)	-	98
Less -			
Payments	(843)	(1,208)	(778)
Amount use and other variations	39	(84)	(31)
Balance at end of the year	5,967	6,358	6,240

The year provisions for pensions charged to income in 2007 under the heading "Provisions for pensions and similar obligations" registered as "interest expenses and similar charges", "personal expenses" and "provision expenses" in the consolidated income statement amounted to €242, €71 and €104 million. The amount charged in this respect in 2006 was €254, €74 y €1,081 million, respectively. The amount charged in this respect in 2005 was €255, €69 y €323 million, respectively.

Commitments and contingent risks provisions			
Millions of euros			
	2007	2006	2005
Balance at beginning of the year	502	452	349
Add -			
Year provision with a charge to income for the year	93	74	114
Transfers and other Changes	-	5	9
Less -			
Available funds	(46)	(17)	(12)
Amount use and other variations	(3)	(12)	(8)
Balance at end of the year	546	502	452

Provisions for taxes and other provisions			
Millions of euros			
	2007	2006	2005
Balance at beginning of the year	1,789	2,009	1,739
Add -			
Year provision with a charge to income for the year	275	353	278
Adquisition of subsidiaries	56	4	42
Transfers and other Changes	14	101	318
Less -			
Available funds	(140)	(51)	(160)
Amount use and other variations	(165)	(608)	(205)
Disposal of subsidiaries	-	(19)	(3)
Balance at end of the year	1,829	1,789	2,009

27. COMMITMENTS WITH PERSONNEL

As described in note 2.2.4, the Group holds the following commitments with personnel:

27.1. COMMITMENTS WITH PERSONNEL FOR POST-EMPLOYMENT DEFINED CONTRIBUTION PLANS

The commitments with personnel for post-employment defined contribution plans have no impact in the accompanying consolidated balance sheets (Note 2.2.4). In 2007, the Group has made contributions to the defined contribution plans with a charge to the consolidated income statement amounted to €58 million of which €40 million are related to commitments of the Group in Spain and €18 million are related to abroad commitments of the Group (in 2006 and 2005 the contributions amounted to €53 million and €56 million, respectively).

27.2. COMMITMENTS FOR POST-EMPLOYMENT DEFINED BENEFIT PLANS AND OTHER LONG-TERM POST-EMPLOYMENT BENEFITS

The commitments for defined contributions plans as well as the rest of long-term post-employment benefits were recognized as provisions on the accompanying consolidated

balance sheets (Note 26), net insurance contracts or other assets to those commitments, as follows:

	Millions of euros								
	Commitments in Spain			Commitments abroad			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Post-employment benefits									
Post-employment benefits	3,115	3,386	3,443	1,097	956	966	4,212	4,342	4,409
Early retirement	2,950	3,186	2,583	-	-	-	2,950	3,186	2,583
Post-employment welfare benefits	234	223	211	420	422	436	654	645	647
Total	6,299	6,795	6,237	1,517	1,378	1,402	7,816	8,173	7,639
Insurance contracts coverages									
Post-employment benefits	467	569	627	-	-	-	467	569	627
	467	569	627	-	-	-	467	569	627
Other plan assets									
Post-employment benefits	-	-	-	1,062	879	687	1,062	879	687
Post-employment welfare benefits	-	-	-	354	368	85	354	368	85
	-	-	-	1,416	1,247	772	1,416	1,247	772
Net commitments of plan assets	5,832	6,226	5,610	101	131	630	5,933	6,357	6,240
of which:									
Net assets	-	-	-	(34)	-	-	(34)	-	-
Net liabilities (*)	5,832	6,226	5,610	135	131	630	5,967	6,357	6,240

(*) Recorded under the heading "Provisions- Funds for Pensions and Similar Obligations".

Other commitments with personnel for long service bonuses were recognized under the heading "Other provisions" of the accompanying consolidated balance sheets (Note 26) and amounted to €40 million as of December 31, 2007, €18 million due to Spanish companies and €22 million due to abroad companies.

27.2.1. COMMITMENTS IN SPAIN

The most significant actuarial assumptions used as of December 31, 2007, 2006 and 2005, to quantify these commitments were as follows:

	2007	2006	2005
Mortality tables	PERM/F 2000P.	PERM/F 2000P.	PERM/F 2000P.
Discount rate (cumulative annual)	4.5%/AA corporate bond yield curve	4%/AA corporate bond yield curve	4%/AA corporate bond yield curve
Consumer price index (cumulative annual)	2.0%	1.5%	1.5%
Salary growth rate (cumulative annual)	At least 3% (depending on employee)	At least 2.5% (depending on employee)	At least 2.5% (depending on employee)
Retirement ages	First date at which the employees are entitled to retire or contractually agreed at the individual level in the case of early retirements		

The disclosure of the different commitments with personnel in Spain is as follows:

Pension commitments

The situation of pension commitments in defined benefit plans as of December 31, 2007, 2006 and 2005 was as follows:

Millions of euros			
	2007	2006	2005
Commitments to retired employees	2,733	3,187	3,203
Vested contingencies in respect of current employees	382	200	240
Total commitments	3,115	3,387	3,443
Insurance contracts assigned to the funding of commitments	467	569	627
Net commitments(*)	2,648	2,818	2,816
(*) Recorded in the heading "Funds for Pensions and Similar Obligations" (Note 26).			

To cover certain pension commitments, insurance contracts have been contracted with insurance companies not related to the group. These commitments are covered by assets and therefore are presented in the accompanying consolidated balance sheets for the net amount commitment less plan assets. As of December 31, 2007, 2006 and 2005, the amount of the plan assets to the mentioned insurance contracts (shown in the previous table under the heading "Plan Insurance contracts") equalled the amount of the commitments covered, therefore its net value was zero in the accompanying consolidated balance sheets.

On the other hand, the rest of commitments mentioned in the previous table include commitments by defined benefit for which insurance contracts have been contracted with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.94% owned by the Group. The assets in which the insurance company has invested the amount of the contracts can not be considered plan assets according to IAS 19 and are presented in the accompanying consolidated balance sheets in different headings of Assets depending on the classification of financial instruments that corresponds. The commitments are recognized under the heading "Funds for pensions and similar obligations" of the accompanying consolidated balance sheets (Note 26).

The changes of these commitments net of plan insurance contracts, contracted with insurance companies related to the group, were as follows:

Millions of euros			
	2007	2006	2005
Balance at beginning of the year	2,817	2,816	2,826
+ Interest cost	109	110	107
+ Current services cost	18	23	19
- Payments made	(163)	(159)	(145)
+/- Other changes	1	11	2
+/- Actuarial losses (gains)	(134)	16	7
Balance at end of the year	2,648	2,817	2,816

The estimated amount of commitments in million of euros for the next 10 years was as follows:

Year	Pensions
2008	169
2009	172
2010	176
2011	176
2012	175
2013-2017	851

Early retirements

In 2007 the Group offered to certain employees the possibility of taking early retirement before the age stipulated in the collective labour agreement in force. This offer was accepted by 575 employees (1,887 and 677 employees in 2006 and 2005, respectively).

The early retirements commitments in Spain as of December 31, 2007, 2006 and 2005 were recognised as provisions in the heading "Funds for Pensions and Similar Obligations" (Note 26) in the accompanying consolidated balance sheets amounted to €2,950 million, €3,186 million and €2,583 million, respectively.

The changes in 2007, 2006 and 2005 for all Group's companies in Spain, were as follows:

Millions of euros			
	2007	2006	2005
Balance at beginning of the year	3,186	2,583	2,657
+ Interest cost	112	92	95
+ Early retirements in the year	294	1,019	286
- Payments made	(587)	(505)	(477)
+/- Other movements	-	(3)	6
+/- Actuarial losses (gains)	(55)	-	16
Balance at end of the year	2,950	3,186	2,583

The cost of the early retirements in 2007 were recognised in the heading "Provision Expense (Net) – Transfers to funds for pensions and similar obligations – Early retirements" in the accompanying consolidated income statements, respectively.

The estimated amount of commitments in million of euros for the next 10 years was as follows:

Year	Pensions
2008	524
2009	469
2010	430
2011	391
2012	353
2013-2017	1,103

Other long-term commitments with personnel

As of October 18, 2007, the Bank has signed an Agreement Approval of Benefits for their employees in Spain. The agreement implies the standardization of the existing welfare benefits for every group of employees, and in some cases in which a service is provided, its quantification in an annual amount in cash. These welfare benefits include post-employment welfare benefits and other commitments with personnel.

Post-employment welfare benefits

The detail of these commitments as of December 31, 2007, 2006 and 2005 were as follows:

Millions of euros			
	2007	2006	2005
Post-employment welfare benefit commitments to retired employees	192	169	159
Vested post-employment welfare benefit contingencies in respect of current employees	42	54	52
Total(*)	234	223	211
(*) Recognized in the heading "Funds for Pensions and Similar Obligations"			

The changes in 2007, 2006 and 2005, for all Group's companies in Spain, to the consolidated income statements were as follows:

Millions of euros			
	2007	2006	2005
Balance at beginning of the year	223	211	204
+ Interest cost	9	9	8
+ Current service cost	(12)	(13)	(12)
- Payments made			
+ Prior service cost or changes in the plan	8	-	-
	3	6	-
+/- Other movements			
+/- Actuarial losses (gains)	1	8	9
Balance at end of the year	234	223	211

The estimated amount of commitments in million of euros for the next 10 years was as follows:

Year	Pensions
2008	45
2009	17
2010	16
2011	16
2012	15
2013-2017	72

Summary on the consolidated income statements by defined contribution plans commitments

Following is a summary of the charges to the consolidated income statements in 2007, 2006 and 2005 for post-employment benefits commitments of companies in Spain:

Millions of euros			
	2007	2006	2005
Interest expense and similar charges			
Interest cost of pension funds	230	210	211
Personnel expenses			
Transfers to pension plans	18	27	23
Social attentions	2	2	2
Provision expense (net)			
Transfers to fund for pensions and similar obligations			
Pension funds	(180)	23	33
Early retirement	294	1,019	286
Total	364	1,281	555

Other commitments with personnel

Long-service cash bonuses

In addition to the aforementioned post-employment welfare benefits, the Group maintained certain commitments in Spain with certain employees, called "Long-service bonuses". These commitments were both in the payment of a certain amount in cash and in the delivery of shares from Banco Bilbao Vizcaya Argentaria S.A., when they complete a given number of years of effective service.

The aforementioned Agreement Approval of Benefits established that the Long-service bonuses ended as of December 31, 2007. Such employees are entitled to receive, to the date of seniority established, only the value of the accrued commitment until December 31, 2007.

In November 2007, the Group in Spain has offered to those employees the option to redeem the accrued value of such share benefits prior to the date of seniority established. The offer has been accepted by most of employees and the settlement (by delivery of shares or cash) has taken place in the month of December 2007.

The accrued value of the long-service bonuses until December 31, 2007 for employees, who have not opted for early settlement, is recognized under the heading "Provisions – Other provisions" of the accompanying consolidated balance sheets and amounted to €18 million.

Following is the detail of the commitments recognised as of December 31, 2007, 2006 and 2005 under these headings:

	Millions of euros		
	2007	2006	2005
Other commitments to employees (Note 26)			
Long-service cash bonuses	8	32	30
Long-service share-based bonuses	10	49	46
Total	18	81	76

The changes as of December 31, 2007, 2006 and 2005 in the present value of the long-service bonuses commitments, both in cash and in shares, were as follows:

	Millions of euros		
	2007	2006	2005
Balance at beginning of the year	81	76	64
Interest cost	1	1	1
Current service cost	8	8	7
Payments made and settlements	(16)	-	(2)
Effect of reduction and settlements	(26)	-	-
Other movements	(26)	(2)	5
Actuarial losses (gains)	(4)	(2)	1
Balance at end of the year	18	81	76

As of December 31, 2007, 2006 and 2005 the changes, in the probable number of shares to be delivered due to the long-service bonuses, were as follows:

	Number of shares		
	2007	2006	2005
Shares at beginning of the year	6,538,948	6,946,467	6,658,067
Current service cost	413,680	407,487	399,753
Payments made and settlements	(4,122,739)	(186,480)	(269,100)
Effect of reduction and settlements	(1,818,683)	-	-
Actuarial losses (gains)	(173,738)	(628,526)	157,747
Shares at end of year	837,468	6,538,948	6,946,467

In March 1999, 32,871,301 new shares were issued at a price of €2.14 per share. These shares were subscribed and paid by a company not related to the Group and, simultaneously, the Bank acquired an option to purchase them. Since 1999, the purchase option has been exercised several times, remaining as of December 31, 2007 the purchase option for a total of 248,326 shares at a price of €2.09 per share. Additionally, the Bank has arranged a forward transaction with an entity not related to the Group of a total of 589,142 shares at an exercise price of €16.64 per share.

Other commitments with personnel

Since all other employee welfare benefits for current employees accrue and are settled on a yearly basis, it is not necessary to record a provision in this connection. The total cost of the employee welfare benefits amounted to €40 million, €34 million and €30 million as of December 31, 2007, 2006 and 2005, respectively, and these amounts were recognised with a charge to "Personnel Expenses - Other personnel expenses" in the accompanying consolidated income statements.

27.2.2. COMMITMENTS ABROAD

The main commitments with personnel abroad are related to Mexico, Portugal and United States, which jointly represent 95.9% of the total amount of commitments with personnel abroad as of December 31, 2007 and 18,6% of the total of the commitments with personnel of BBVA Group as of December 31, 2007.

As of December 31, 2007 the details by countries of the various commitments with personnel of Group BBVA abroad are as follows:

	Millions of euros		
	Commitments	Plan Assets	Net Commitments
Post-employment benefits			
Pension commitments			
Mexico	584	572	12
Portugal	295	292	3
United States	159	166	(7)
Rest	59	32	27
	1,097	1,062	35
Post-employment welfare benefits			
Mexico	416	354	62
Portugal	-	-	-
United States	-	-	-
Rest	4	-	4
	420	354	66
Total Commitments	1,517	1,416	101

As of December 31, 2006 and 2005, the main commitments with personnel abroad are related to Mexico and Portugal, which jointly represent 66.6% and 85.8%, respectively of the total amount of commitments with personnel abroad and 11.1% and 11.6%, respectively of the total of the commitments with personnel of BBVA Group.

27.2.2.1. COMMITMENTS WITH PERSONNEL IN MEXICO

In Mexico, the main actuarial assumptions used in quantifying the commitments with personnel as of December 31, 2007, 2006 and 2005, were as follows:

	2007	2006	2005
Mortality tables	EMSSA 97	EMSSA 97	EMSSA 97
Discount rate (cumulative annual)	8.8%	9.0%	9.2%
Consumer price index (cumulative annual)	3.6%	3.5%	4.0%
Salary growth rate (cumulative annual)	4.5%	6.0%	6.1%
Expected rate of return on plan assets	8.8%	9.0%	9.2%
Medical cost trend rates	5.5%	5.5%	6.1%

Pension commitments

Plan assets are those assets that are to be used directly to settle the vested obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities. The return of plan assets amounts to €41 million. The vested obligations related to these commitments were disclosed net of the balances of the aforementioned plan assets in the accompanying consolidated balance sheets.

As of December 31, 2007 the plan assets to these commitments relate in full to debt securities.

The changes of these commitments and plan assets in 2007, for all Group's companies in Mexico, were as follows:

	2007		
	Millions of euros		
	Commitments	Plan assets	Net commitments
Balance at beginning of the year	623	623	-
Finance expenses	53	-	53
Finance Income	-	52	(52)
Current service cost	17	-	17
Prior service cost or changes in the plan	3	-	3
Acquisitions or divestments made	-	-	-
Effect of reductions or settlement	(6)	-	(6)
Payments	(31)	(31)	-
Exchange difference	(69)	(68)	(1)
Actuarial losses (gains)	(11)	(11)	-
Contributions	-	5	(5)
Other movements	5	2	3
Balance at end of the year	584	572	12

As of December 31, 2006 and 2005 the commitments net of plan assets amounted to €0 and €166 million, respectively.

The commitments net of the aforementioned Plan assets were recognized in the heading “Funds for Pensions and Similar Obligations” in the accompanying consolidated balance sheets (Note 26).

The estimated payments for commitments in million of euros for the next 10 years were as follows:

Year	Pensions
2008	30
2009	29
2010	30
2011	31
2012	32
2013-2017	197

Following is a detail of the charges of these commitments, for all Group's companies in Mexico, on the consolidated income statements corresponding to 2007:

Millions of euros 2007	
Interest expense and similar charges	1
Personnel expenses	17
Provision expense (net)	(3)
Total	15

Post-employment welfare benefits

The commitments for post-employment welfare benefits are related to medical care Mexico.

The accrued liability, correspondent to Mexico, for the post-employment medical care benefits acquired with employees still active or already retired, net of plan assets amounts to €62 million, €54 million and €351 million as of December 31, 2007, 2006 and 2005, respectively and are recognised in the heading “Provisions-Provisions for Pensions and Similar Obligations” of the consolidated financial statements attached.

Plan assets are used directly to settle the vested obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities. The return of plan assets of post-employment welfare benefits commitments amounts to €25 million. The vested obligations related to these commitments were disclosed net of the balances of the aforementioned plan assets in the accompanying consolidated balance sheets.

As of December 31, 2007 the plan assets to these commitments relate in full to debt securities.

The commitments net of the aforementioned plan assets were recognized in the heading “Provisions-Provisions for Pensions and Similar Obligations” in the accompanying consolidated balance sheets (Note 26).

The changes of these commitments and plan assets in 2007, for all Group's companies in Mexico, were as follows:

	2007		
	Millions of euros		
	Commitments	Plan assets	Net commitments
Balance at beginning of the year	422	368	54
Finance expenses	36	-	36
Finance Income	-	31	(31)
Current service cost	16	-	16
Prior service cost or changes in the plan	-	-	-
Acquisitions or divestments made	-	-	-
Effect of reductions or settlement	(9)	-	(9)
Payments	(18)	(18)	-
Exchange difference	(48)	(41)	(7)
Actuarial losses (gains)	16	(6)	22
Contributions	(1)	19	(20)
Other movements	2	1	1
Balance at end of the year	416	354	62

As of December 31, 2006 and 2005 the commitments net of plan assets amounted to €54 million and €351 million.

Following is a detail of the charges of these commitments, for all Group's companies in Mexico, on the consolidated income statements corresponding to 2007:

Millions of euros 2007	
Interest expense and similar charges	5
Personnel expenses	16
Provision expense (net)	13
Total	34

The sensibility analysis to changes in rates in 2007 trend in the growth of medical care costs of BBVA Bancomer, S.A. was as follows:

	1% Increase	1% Decrease
Increase/Decrease in Current Services Cost and Interest Cost	10	(10)
Increase/Decrease in commitments	69	(66)

27.2.2.2. PENSION COMMITMENTS IN PORTUGAL

In Portugal, the main actuarial assumptions used in quantifying the commitments as of December 31, 2007, 2006 and 2005, were as follows:

	2007	2006	2005
Mortality tables	TV88/90	TV88/90	TV88/90
Discount rate (cumulative annual)	5.3%	4.8%	4.5%
Consumer price index (cumulative annual)	2.0%	2.0%	2.0%
Salary growth rate (cumulative annual)	3.0%	3.0%	3.0%
Expected rate of return on plan assets	4.6%	4.5%	4.5%

Plan assets are assets that are to be used directly to settle the vested obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities. The return of plan assets of pension commitments amounts to -€4 million. The vested obligations related to these commitments were disclosed net of the balances of the aforementioned plan assets in the accompanying consolidated balance sheets.

The distribution of the mainly category of plan assets was as follows:

2007	
Equity securities	13.0%
Debt securities	83.5%
Property, Land and Buildings	0.3%
Cash	0.8%
Other investments	2.4%

The changes of these commitments and plan assets in 2007, for all Group's companies in Portugal, were as follows:

2007			
Millions of euros			
	Commitments	Plan assets	Net commitments
Balance at beginning of the year	295	256	40
Finance expenses	14	-	14
Finance Income	-	12	(12)
Current service cost	5	-	5
Prior service cost or changes in the plan	5	-	5
Acquisitions or divestments made	-	-	-
Effect of reductions or settlement	11	-	11
Payments	(14)	(14)	-
Exchange difference	-	-	-
Actuarial losses (gains)	(22)	(16)	(5)
Contributions	-	54	(54)
Other movements	-	1	(1)
Balance at end of the year	295	292	3

As of December 31, 2006 and 2005 the commitments net of plan assets amounted to €39 million and €41 million.

The commitments net of the aforementioned plan assets were recognized in the heading "Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets (Note 26).

The estimated amount of commitments in million of euros for the next 10 years was as follows:

Year	Pensions
2008	14
2009	15
2010	15
2011	15
2012	15
2013-2017	75

Following is a detail of the changes on the consolidated income statements corresponding to 2007 for the commitments for pensions in Portuguese entities:

Millions of euros	
2007	
Interest expense and similar charges	2
Personnel expenses	5
Provision expense (net)	11
Total	18

27.2.2.3. PENSION COMMITMENTS IN UNITED STATES

In United States, the main actuarial assumptions used in quantifying the commitments as of December 31, 2007, were as follows:

2007	
Mortality table	RP 2000 Projected
Discount rate (cumulative annual)	6.6%
Consumer price index (cumulative annual)	2.5%
Salary growth rate (cumulative annual)	4.0%
Expected rate of return on plan assets	7.5%
Medical Care Growth rate	n/a

Plan assets are the assets that are to be used directly to settle the vested obligations and which meet the following conditions: they are not owned by the Group entities; they are available only to pay post-employment benefits; and they cannot be returned to the Group entities. The return of plan assets of pension commitments amounts to €7 million. The vested obligations related to these commitments were disclosed net of the balances of the aforementioned plan assets in the accompanying consolidated balance sheets.

The distribution of the mainly category of plan assets is as follows:

2007	
Equity securities	59.2%
Debt securities	39.9%
Property, Land and Buildings	0.0%
Cash	0.0%
Other investments	0.0%

The changes of these commitments and plan assets in 2007, for all Group's companies in United States, were as follows:

	2007		
	Millions of euros		
	Commitments	Plan assets	Net commitments
Balance at beginning of the year	17	8	9
Finance expenses	4	-	4
Finance Income	-	4	(4)
Current service cost	2	-	2
Prior service cost or changes in the plan	-	-	-
Acquisitions or divestments made	156	165	(9)
Effect of reductions or settlement	(3)	(2)	(1)
Payments	(2)	(2)	-
Exchange difference	(13)	(13)	-
Actuarial losses (gains)	(2)	3	(5)
Contributions	-	2	(2)
Other movements	-	1	(1)
Balance at end of the year	159	166	(7)

The commitments net of the aforementioned plan assets were recognized in the heading "Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets (Note 26).

The estimated amount of commitments in million of euros for the next 10 years was as follows:

Year	Pensions
2008	5
2009	6
2010	7
2011	7
2012	8
2013-2017	55

Following is a detail of the charges on the consolidated income statements corresponding to 2007 for all Group's companies in United States:

Millions of euros 2007	
Interest expense and similar charges	-
Personnel expenses	2
Provision expense (net)	(6)
Total	(4)

27.2.2.4. COMMITMENTS WITH PERSONNEL IN REST OF COUNTRIES

In rest of countries, the commitments for post-employment defined contribution plans and other post-employment benefits as of December 31, 2007 amounted to €59 million and €4 million, respectively.

Following is a detail of the charges on the consolidated income statements corresponding to 2007 for all Group's companies in rest of countries:

Millions of euros 2007	
Interest expense and similar charges	3
Personnel expenses	3
Provision expense (net)	5
Total	11

28. MINORITY INTERESTS

The detail, by consolidated company, of the balance of the heading "Minority Interests" was as follows:

Millions of euros			
	2007	2006	2005
BBVA Colombia Group	23	18	16
BBVA Chile Group	116	95	121
BBVA Banco Continental Group	246	235	222
BBVA Banco Provincial Group	267	224	204
Provida Group	79	66	70
BBVA Banco Francés Group	87	52	17
Other companies	62	78	321
Total	880	768	971

Following is the amount of the share of profit in 2007, 2006 and 2005 of the minority group. These amounts are recognized in the heading "Minority interests":

	Millions of euros		
	2007	2006	2005
BBVA Colombia Group	5	3	4
BBVA Chile Group	15	3	14
BBVA Banco Continental Group	76	67	60
BBVA Banco Provincial Group	106	69	47
Provida Group	28	25	18
BBVA Banco Francés Group	36	43	63
Other companies	23	25	58
Total	289	235	264

29. CHANGES IN TOTAL EQUITY

The changes in equity for December 31, 2007, 2006 and 2005 were as follows:

	Millions of euros							
	Share Capital (Note 30)	Reserves (Note 31 & 32) (*)	Profit for the year	Treasury shares and other equity instruments (Note 33)	Valuation Adjustments (**)	Minority Interest (Note 28)	Interim Dividends	Total Equity
2007								
Balance at beginning of the year	1,740	13,208	4,736	(112)	3,341	768	(1,363)	22,318
Valuation adjustments	-	-	-	-	174	(12)	-	162
Distribution of prior Years' profit	-	2,525	(2,525)	-	-	-	-	-
Dividends	-	-	(2,211)	-	-	-	1,363	(848)
Gains or losses on transactions involving treasury shares and other equity instruments	-	(26)	-	(209)	-	-	-	(235)
Profit for the year	-	-	6,126	-	-	-	(1,661)	4,465
Increase of capital	97	3,191	-	-	-	-	-	3,288
Dividends paid to minority shareholders	-	-	-	-	-	(108)	-	(108)
Changes in the composition of the Group	-	-	-	-	-	(1)	-	(1)
Exchange differences	-	-	-	-	(1,263)	(55)	-	(1,318)
Share of minority interests in profit for the year	-	-	-	-	-	288	-	288
Other	-	(68)	-	-	-	-	-	(68)
Balance at end of the year	1,837	18,830	6,126	(321)	2,252	880	(1,661)	27,943
(*) The amounts recognised under the heading Reserves include the amounts of the headings "Reserves" and "Share premium" of the consolidated balance sheet.								
(**) See the consolidated statements of recognised income and expense.								

2006	Millions of euros							
	Share Capital (Note 30)	Reserves (Note 31 & 32) (*)	Profit for the year	Treasury shares and other equity instruments (Note 33)	Valuation Adjustments (**)	Minority Interest (Note 28)	Interim Dividends	Total Equity
Balance at beginning of the year	1,662	8,830	3,806	(96)	3,295	971	(1,167)	17,301
Valuation adjustments	-	-	-	-	472	(3)	-	469
Distribution of prior Years' profit	-	2,011	(2,011)	-	-	-	-	-
Dividends	-	-	(1,795)	-	-	(17)	1,167	(645)
Gains or losses on transactions involving treasury shares and other equity instruments	-	17	-	(16)	-	-	-	1
Profit for the year	-	-	4,736	-	-	-	(1,363)	3,373
Increase of capital	78	2,921	-	-	-	-	-	2,999
Dividends paid to minority shareholders	-	-	-	-	-	(87)	-	(87)
Changes in the composition of the Group	-	(55)	-	-	-	(279)	-	(334)
Exchange differences	-	-	-	-	(426)	(62)	-	(488)
Share of minority interests in profit for the year	-	-	-	-	-	235	-	235
Other	-	(517)	-	-	-	10	-	(507)
Balance at end of the year	1,740	13,208	4,736	(112)	3,341	768	(1,363)	22,317
(*) The amounts recognised under the heading Reserves include the amounts of the headings "Reserves" and "Share premium" of the consolidated balance sheet.								
(**) See the consolidated statements of recognised income and expense.								

2005	Millions of euros							
	Share Capital (Note 30)	Reserves (Note 31 & 32) (*)	Profit for the year	Treasury shares and other equity instruments (Note 33)	Valuation Adjustments (**)	Minority Interest (Note 28)	Interim Dividends	Total Equity
Balance at beginning of the year	1,662	7,428	2,923	(36)	2,107	738	(1,015)	13,807
Valuation adjustments	-	-	-	-	605	2	-	607
Distribution of prior Years' profit	-	1,427	(1,427)	-	-	-	-	-
Dividends	-	-	(1,496)	-	-	(9)	1,015	(490)
Gains or losses on transactions involving treasury shares and other equity instruments	-	34	-	(60)	-	-	-	(26)
Profit for the year	-	-	3,806	-	-	(1)	(1,167)	2,638
Increase of capital	-	-	-	-	-	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-	(55)	-	(55)
Changes in the composition of the Group	-	-	-	-	-	(8)	-	(8)
Exchange differences	-	-	-	-	583	43	-	626
Share of minority interests in profit for the year	-	-	-	-	-	264	-	264
Other	-	(58)	-	-	-	(3)	-	(61)
Balance at end of the year	1,662	8,830	3,806	(96)	3,295	971	(1,167)	17,302
(*) The amounts recognised under the heading Reserves include the amounts of the headings "Reserves" and "Share premium" of the consolidated balance sheet.								
(**) See the consolidated statements of recognised income and expense.								

30. CAPITAL STOCK

As of December 31, 2007, the capital of Banco Bilbao Vizcaya Argentaria, S.A. amounted to €1,836,504,869.29, and consisted of 3,747,969,121 fully subscribed and paid registered shares of €0.49 par value each.

As of June 21, 2007 the Extraordinary General Meeting of Shareholders approved a capital increase, carried out as of September 10, 2007. This increase involves the issue of 196,000,000 shares to acquire 100% of the share capital of Compass Bancshares Inc. (Note 3). As of December 31, 2007, there were no significant capital increases in progress at any of the Group companies.

All the shares of BBVA carry the same voting and dividend rights and no single shareholder enjoys special voting rights. All the shares represent an interest in the Bank's capital.

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are quoted on the computerized trading system of the Spanish stock exchanges and on the New York, Frankfurt, London, Zurich, Milan and Mexico stock market.

American Depositary Shares (ADSs) quoted in New York are also traded on the Lima (Peru) Stock Exchange, by virtue of an exchange agreement entered into between these two markets.

Also, as of December 31, 2007, the shares of BBVA Banco Continental, S.A., Banco Provincial C.A., BBVA Colombia, S.A., BBVA Chile, S.A., BBVA Banco Frances, S.A. and AFP Provida were quoted on their respective local stock markets, being the last two quoted as well on the New York Stock Exchange. As well, BBVA Banco Frances, S.A. is listed on the Latin-American market of the Madrid Stock Exchange.

As of December 31, 2007, BBVA had no news of the existence of its share capital in any significant ownership interest with the exception of Mr. Manuel Jove Capellán, who had a significant ownership interest of 5.010% of the capital stock of BBVA through the companies: IAGA Gestión de Inversiones, S.L., Bourdet Inversiones, SICAV, S.A. and Doniños de Inversiones, SICAV, S.A. In addition, the Bank of New York International Nominees, Chase Nominees Ltd and State Street Bank and Trust Co., in their capacity as international depositary banks hold a 4.16%, 5.76% and 5.90% of the capital stock of BBVA, respectively.

BBVA is not aware of any direct or indirect interests through which ownership or control of the Bank may be exercised.

BBVA has not been notified of the existence of any side agreements that regulate the exercise of voting rights at the Bank's General Meetings, or which restrict or place conditions upon the free transferability of BBVA shares. Neither is the Bank aware of any agreement that might result in changes in the control of the issuer.

At the Annual General Meeting celebrated on February 28, 2004 the shareholders resolved to delegate to the Board of Directors, in accordance with Article 153.1.b) of the Spanish Corporations Law, the power to increase capital, on one or several occasions, by a maximum par value equal to 50% of the Company's subscribed and paid capital at the date of the resolution, i.e. €830,758,750.54. The legally stipulated year within which the directors can carry out this increase is five years. The only disposition done by BBVA under this authorization was made in November 2006 by an amount of €78,947,368.22 euros.

At the Annual General Meeting celebrated on March 18, 2006, the shareholders resolved to delegate to the Board of Directors the right to issue fixed-income securities of any kind, including redeemable and exchangeable bonds, non-convertible into equity. This increase is subject to applicable legal regulations and obtaining the required authorisations. The Board of Directors has a maximum legal period of five years as of said date to issue, on one or several occasions, directly or through subsidiary companies fully underwritten by the Bank, any kind of debt instruments, documented in debentures, any class of bonds, promissory notes, any class of mortgage bonds, warrants, totally or partially exchangeable for equity that the Company or another company may already have issued, or via contracts for difference (CD's), or any other senior or secured nominative or bearer fixed-income securities (including covered bonds) in euros or any other currency that can be subscribed in cash or kind, with or without the incorporation of rights to the securities (warrants), subordinated or not, with a limited or open-ended term. The total maximum nominal amount authorised is €105,000 million, this amount was increased by €30,000 million by the Ordinary General Meeting celebrated on March 16, 2007.

On the other hand, at the Annual General Meeting celebrated on March 1, 2003 the shareholders resolved to delegate to the Board of Directors the right to issue bonds, convertible and/or exchangeable into Company shares, within the five year period as of the date of the resolution. The amount maximum total approved was €6,000 million. The delegation has the power to exclude the preferential subscription rights of shareholders or convertible and/or exchangeable bonds holders, whenever it is necessary to raise capital on international markets or if corporate interests require so. BBVA no issued convertible bonds.

31. SHARE PREMIUM

The balance of this heading in the consolidated balance sheet amounts to €12.770 million and includes, inter alia, the amounts of the share premiums arising from the capital increases, in particular the capital increase in 2007 for an amount of €3,191 million (see Note 29), as well as the surpluses arising from the merger of Banco Bilbao, S.A. and Banco Vizcaya, S.A., amounted to €641 million.

The revised Spanish Corporations Law expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

32. RESERVES

The breakdown of the balance of this heading in the accompanying consolidated balance sheets was as follows:

	Millions of euros		
	2007	2006	2005
Legal reserve	348	332	332
Restricted reserve for retired capital	88	88	88
Restricted reserve for Parent Company shares	912	815	357
Restricted reserve for redenomination of capital in euros	2	2	2
Revaluation Royal Decree-Law 7/1996	85	176	176
Voluntary reserves	822	672	1,047
Consolidation reserves attributed to the Bank, dependents consolidated companies	3,803	1,544	171
Total	6,060	3,629	2,173

32.1. LEGAL RESERVE

Under the revised Corporations Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches 20% of capital. This limit had already been reached by Banco Bilbao Vizcaya Argentaria, S.A. as of December 31, 2007 once considered the proposal application of profit and loss account in 2007 (Note 4). The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

32.2. RESTRICTED RESERVES

Pursuant to the Consolidated Spanish Companies Law, the respective restricted reserves were recorded in relation to the reduction of the par value of each share in April 2000, the treasury shares held by the bank at each period-end, and the customer loans outstanding at those dates that were granted for the purchase of, or are secured by, Bank shares.

Pursuant to Law 46/1998 on the introduction of the euro, the respective restricted reserves were recorded in relation to the redenomination of capital in euros.

32.3. REVALUATION ROYAL DECREE-LAW 7/1996 (ASSET REVALUATIONS AND REGULARISATIONS)

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the asset revaluations and regularisations provisions of the applicable enabling legislation. In addition, on December 31, 1996, the Banco Bilbao Vizcaya revalued its tangible assets pursuant to Royal Decree-Law 7/1996 by applying the maximum coefficients

authorized, up to the limit of the market value arising from the existing measurements. The resulting increases in the cost and accumulated depreciation of tangible assets and, where appropriate, in the cost of equity securities, were allocated as follows:

	Millions of euros 2007
Legal revaluations and regularisations of tangible assets:	
Cost	187
Less:	
Single revaluation tax (3%)	(6)
Balance as of December 31, 1999	181
Adjustment as a result of review by the tax authorities in 2000	(5)
Transfer to voluntary reserves	(91)
Total	85

Following the review of the balance of the account Revaluation Reserve Royal Decree-Law 7/1996 by the tax authorities in 2000, this balance can only be used, free of tax, to offset recorded losses and to increase capital until January 1, 2007. From that date, the remaining balance of this account can also be taken to unrestricted reserves, provided that the surplus has been depreciated or the revalue assets have been transferred or derecognised.

32.4. RESERVES AND LOSSES AT CONSOLIDATED COMPANIES

The breakdown, by company or corporate group, of the balances of these headings in the accompanying consolidated balance sheets was as follows:

	Millions of euros		
	2007	2006	2005
Fully and proportionately consolidated companies	5,548	3,594	1,963
BBVA Bancomer Group	2,782	2,187	1,379
Provida Group	264	214	187
BBVA Banco Provincial Group	84	35	(9)
BBVA Continental Group	79	58	50
BBVA Puerto Rico Group	43	38	15
BBVA USA Bancshares Group	23	2	2
BBVA Chile Group	(109)	(102)	(101)
BBVA Portugal Group	(236)	(207)	(222)
BBVA Colombia Group	(313)	(341)	(388)
BBVA Banco Francés Group	(441)	(602)	(817)
BBVA Luxinvest, S.A.	1,295	999	780
Corporacion General Financiera, S.A.	965	701	546
BBVA Seguros, S.A.	681	485	281
Anida Grupo Inmobiliario, S.L.	296	218	194
Cidessa Uno, S.L.	197	73	77
BBVA Suiza, S.A.	197	171	146
Finanzia, Banco de Crédito, S.A.	139	115	89
Bilbao Vizcaya Holding, S.A.	104	54	46
Banco de Crédito Local, S.A.	(243)	(249)	(250)
BBVA International Investment Corporation	(424)	(424)	(424)
Other	165	169	382
For using the equity method:	451	360	(171)
Corp. IBV Participaciones Empresariales, S.A.	428	326	298
Part. Servired, Sdad.Civil	8	8	8
Tubos Reunidos, S.A.	66	56	50
Tribugest, S.L.	(17)	(12)	(12)
Banca Nazionale de Lavoro S.p.A.	-	-	(458)
Other	(34)	(18)	(57)
Total	5,999	3,954	1,792

For the purpose of allocating the reserves and accumulated losses at consolidated companies shown in the foregoing table, the transfers of reserves arising from the dividends paid and the writedowns or transactions between these companies are taken into account in the period in which they took place.

As of December 31, 2007, 2006 and 2005, in the individual financial statements of the subsidiaries giving rise to the balances recorded under the “Reserves and Losses at Consolidated Companies—Fully and Proportionately Consolidated Companies”

shown in the foregoing table, €1,706 million, €1,743 million and €1,557 million were treated as restricted reserves, all of which are reflected as restricted reserves for Parent Company shares.

33. TREASURY SHARES

As of December 31, 2007, 2006 and 2005 the shares of Banco Bilbao Vizcaya Argentaria S.A. held by the Bank and certain consolidated companies, were as follows:

Company	2007		2006		2005	
	Number of Shares	% capital	Number of Shares	% capital	Number of Shares	% capital
BBVA	291,850	0,008	2,462,171	0,069	3,099,470	0,091
Corporación General Financiera	15,525,688	0,414	5,827,394	0,164	4,420,015	0,130
Other	19,154	0,001	16,640	0,000	89,782	0,003
Total	15,836,692	0,423	8,306,205	0,233	7,609,267	0,224

In 2007, 2006 and 2005 the Group companies performed the following transactions involving Bank shares:

	2007		2006		2005	
	Number of shares	Millions of euros	Number of shares	Millions of euros	Number of shares	Millions of euros
Balance as of January 1, 2007	8,306,205	147	7,609,267	96	2,873,964	36
+ Purchases	921,700,213	16,156	338,017,080	5,677	279,496,037	3,839
- Sales	(914,169,726)	(16,041)	(337,319,748)	(5,639)	(274,760,734)	(3,757)
+/- Other	-	(1)	(394)	(1)	-	(6)
- Derivatives over BBVA shares	-	128	-	14	-	(16)
Balance as of December 31, 2007	15,836,692	389	8,306,205	147	7,609,267	96

The average purchase price of the Bank's shares in 2007 was €17.53 per share and the average selling price of the Bank's shares in 2007 was €17.51 per share.

The net gains or losses on transactions with treasury shares were recognized in equity under the heading "Stockholders' Equity-Reserves" of the consolidated balance sheet. During 2007, the transactions involving treasury shares amounted a loss of €26 million.

In 2007 the Group's treasury shares ranged between a minimum of 0.136% and a maximum of 1.919% of share capital (between 0.020% and 0.858% in 2006 and between 0.07% and 0.66% in 2005).

The number of shares of Banco Bilbao Vizcaya Argentaria S.A. accepted in pledge as of December 31, 2007, 2006 and 2005 were 96,613,490, 74,453,876 and 21,779,750, respectively. The nominal value per share was €0.49, representing the 2.58%, 2.10% and 0.64% of share capital as of December 31, 2007, 2006 and 2005, respectively.

The number of shares of Banco Bilbao Vizcaya Argentaria S.A. property of third parties that are managed by Group companies as of December 31, 2007, 2006 and 2005 was 105,857,665, 99,849,614 and 140,357,341, respectively. The nominal value per share was €0.49, representing the 2.8%, 2.8% and 4.1% of share capital as of December 31, 2007, 2006 and 2005. The Note 42 – Transactions for the account of third parties- shows the portfolio managed by Group companies.

34. CAPITAL RATIO

Bank of Spain Circular 5/1993, of March 26, as amended by Bank of Spain Circular 2/2006, of June 30, implementing Law 13/1992, of June 1, on the capital and supervision on a consolidated basis of financial institutions, stipulates that consolidable groups of credit institutions must at all times have a capital ratio of no less than 8% of the weighted credit risk of their assets and liabilities, commitments and other

memorandum items, and of no less than 8% of the exchange risk exposure of their net global foreign currency positions and of their weighted held-for-trading and derivatives positions.

As of December 31, 2007, 2006 and 2005, the capital of the Group exceeded the minimum level required by the aforementioned rules, as shown below:

	Millions of euros		
	2007	2006	2005
Basic equity	19,115	18,313	15,352
Additional equity	13,147	12,344	7,520
Other deductions	(1,786)	(1,223)	(2,023)
Additional Capital due to mixed Group	1,160	980	1,048
Total Equity	31,636	30,414	21,897
Minimum equity required	25,496	21,047	18,420

35. TAX MATTERS

A) CONSOLIDATED TAX GROUP

Pursuant to current legislation, the Consolidated Tax Group includes Banco Bilbao Vizcaya Argentaria, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated income of corporate groups.

The Group's other banks and subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

B) YEARS OPEN FOR REVIEW BY THE TAX AUTHORITIES

As of December 31, 2007, the Consolidated Tax Group had 2001 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

In general, the other Spanish consolidated companies, except for those at which the statute-of-limitations year has been interrupted by the commencement of a tax audit, have the last four years open for review by the tax authorities for the main taxes applicable to them.

In 2005, as a result of the tax audit conducted by the tax authorities, tax assessments were issued against several Group companies for the years up to and including 2000, some of which were signed on a contested basis. After considering the temporary nature of certain of the items assessed, the amounts, if any, that might arise from these assessments were provisioned.

Also, in 2006 and 2005, notification was received of the commencement of tax audits for 2001 to 2003 for the main taxes

to which the Tax Group is subject. These tax audits had not been completed as of December 31, 2007.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Banks' Board of Directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise there from would not materially affect the Group's consolidated financial statements.

C) RECONCILIATION

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the corporation tax expense recognized was as follows:

	Millions of euros		
	2007	2006	2005
Corporation tax (*)	2,761	2,461	1,957
Decreases due to permanent differences:			
Tax credits and tax relief at consolidated Companies	(439)	(353)	(361)
Other items net	(229)	(151)	11
Net increases (decreases) due to temporary differences	(262)	(38)	(263)
Charge for income tax and other taxes	1,831	1,919	1,344
Deferred tax assets and liabilities recorded (utilised)	262	38	263
Income tax and other taxes accrued in the year	2,093	1,957	1,607
Adjustments to prior years' income tax and other taxes	(13)	102	(86)
Income tax and other taxes	2,080	2,059	1,521

(*) Tax rate 32.5% as of December 31, 2007, 35% as of December 31, 2006 and 2005.

The effective tax rate was as follows:

	Millions of euros		
	2007	2006	2005
Consolidated Tax Group	4,422	3,376	2,771
Other Spanish entities	3	102	56
Foreign entities	4,069	3,552	2,764
	8,494	7,030	5,591
Income tax	2,080	2,059	1,521
Effective tax rate	24.49%	29.29%	27.20%

D) TAX RECOGNIZED IN EQUITY

In addition to the income tax recognized in the consolidated income statements during 2007, 2006 and 2005, the Group recognized the following amounts in consolidated equity:

	Millions of euros		
	2007	2006	2005
Charges to equity net			
Debt securities	(36)	(291)	(179)
Equity instruments	(1,373)	(1,105)	(1,018)
Credits to equity net			
Other	22	41	56
Total	(1,387)	(1,355)	(1,141)

E) DEFERRED TAXES

The balance of the heading "Tax Assets" in the consolidated balance sheets includes the tax receivables relating to deferred tax assets; in turn, the balance of the heading "Tax Liabilities" includes the liability relating to the Group's various deferred tax liabilities.

As a result of the tax reforms enacted in Spain in 2006, including, inter alia, the modification of the standard income tax rate, which was set at 32.5% for 2007 and at 30% for 2008 and subsequent years, Spanish companies have adjusted their deferred tax assets and liabilities on the basis of tax rates that are expected to apply when they are recovered or settled.

The Group has registered the effects in 2006 of this regulation with charge to the heading “Income tax” (€380 million) in the consolidated income statement and the heading

“Reserves” (€105 million) in the consolidated balance sheet and with credit to the heading “Valuation Adjustments” (€ 201 million) in the consolidated balance sheet.

Also, the calculated effect of this regulation is recorded under the heading “Income tax” in the consolidated income statement as of December 31, 2007 is €9 million approximately.

The detail of deferred tax assets and liabilities was as follows:

	2007	Millions of euros 2006	2005
Deferred tax assets:	4,958	5,278	6,421
Of which:			
Pensions commitments	1,519	1,640	1,645
Portfolio	587	672	1,129
Loan loss provisions	1,400	1,464	1,195
Tax losses and other	805	927	1,301
Deferred tax liabilities	2,817	2,369	2,100
Of which:			
Free depreciation and other	(2,235)	(1,769)	(1,219)

36. FAIR VALUE OF ASSETS AND LIABILITIES

Following is a comparison of the carrying amounts of the Group's financial assets and liabilities and their respective fair values as of December 31, 2007, 2006 and 2005:

	Millions of euros					
	2007		2006		2005	
	Book Value	Fair value	Book value	Fair value	Book value	Fair value
Assets						
Cash and balances with central banks	22,581	22,581	12,515	12,515	12,341	12,341
Financial assets held for trading	62,336	62,336	51,835	51,835	44,013	44,013
Other financial assets at fair value through profit or loss	1,167	1,167	977	977	1,421	1,421
Available-for-sale financial assets	48,432	48,432	42,267	42,267	60,034	60,034
Loans and receivables	338,492	345,505	279,855	287,590	249,396	249,515
Held-to-maturity investments	5,584	5,334	5,906	5,757	3,959	4,035
Hedging derivatives	1,050	1,050	1,963	1,963	3,913	3,913
Liabilities						
Financial liabilities held for trading	19,273	19,273	14,923	14,923	16,271	16,271
Other financial liabilities at fair value through profit or loss	449	449	582	582	740	740
Financial liabilities at amortised cost	429,204	425,265	348,445	347,557	329,590	323,015
Hedging derivatives	1,807	1,807	2,280	2,280	2,870	2,870

The fair value of “Cash and Balances with Central Banks” is the same that the book value because it is short-term operations. The fair value of the “Held-to-Maturity Investments” corresponds with the quoted market price. The

fair value of “Loans and Receivables” and “Financial Liabilities at Amortized Cost” was estimated by discounting the expected cash flows using the markets interest rates at each year-end.

37. RESIDUAL MATURITY OF TRANSACTIONS

A detail, by maturity, of the balances of certain headings in the consolidated balance sheets as of December 31,

2007 and 2006, disregarding valuation adjustments, was as follows:

2007	Millions of euros						
	Total	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
ASSETS -							
Cash and balances with central banks	22,561	22,532	29	-	-	-	-
Loans and advances to credit insititutions	20,862	3,219	10,473	2,155	1,968	2,312	735
Loans and advances to other debtors	317,358	7,168	30,121	23,603	45,888	86,760	123,818
Debt securities	81,715	516	1,719	24,726	8,964	20,884	24,906
Other assets	6,561	2,197	684	52	2,944	567	117
OTC derivatives	13,797	-	724	415	1,222	5,024	6,412
LIABILITIES-							
Deposits from central banks	27,256	117	25,013	1,435	691	-	-
Deposits from credit institutions	60,395	6,696	36,665	4,063	5,258	5,657	2,055
Money market operations through counterparties	23	-	23	-	-	-	-
Deposits from other creditors	235,115	80,602	56,817	17,098	38,974	38,894	2,730
Debt certificates (including bonds)	82,627	-	2,269	2,941	12,361	39,798	25,257
Subordinated liabilities	15,396	1,200	495	15	582	2,722	10,382
Other financial liabilities	6,238	3,810	1,372	182	450	371	53
OTC derivatives	16,791	-	1,263	692	2,076	6,818	5,942

2006	Millions of euros						
	Total	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
ASSETS –							
Cash and balances with central banks	12,496	12,446	50	-	-	-	-
Loans and advances to credit insititutions	16,989	2,211	8,622	1,229	2,065	2,241	621
Loans and advances to other debtors	262,374	1,817	22,812	21,553	37,292	71,382	107,518
Money market operations through counterparties	100	-	100	-	-	-	-
Debt securities	62,593	379	1,273	16,224	7,078	16,482	21,157
Other assets	6,077	3,597	986	60	146	1,282	6
OTC derivatives	10,299	-	314	331	704	3,130	5,820
LIABILITIES–							
Deposits from central banks	15,191	1,802	11,041	1,850	498	-	-
Deposits from credit institutions	42,285	2,529	22,017	5,268	5,968	4,460	2,043
Money market operations through counterparties	223	-	223	-	-	-	-
Deposits from other creditors	191,661	81,107	48,362	12,889	17,178	29,354	2,771
Debt certificates (including bonds)	76,860	-	3,551	2,470	9,223	39,994	21,622
Subordinated liabilities	13,411	-	-	560	631	3,435	8,785
Other financial liabilities	6,771	4,552	1,596	262	210	147	4
OTC derivatives	11,628	-	223	439	1,002	5,468	4,496

38. FINANCIAL GUARANTEES AND DRAWABLE BY THIRD PARTIES

The memorandum items "Contingent Exposures" and "Contingent Commitments" in the consolidated balance sheets include the amounts that would be payable by the consolidated

entities on behalf of third parties if the parties originally obliged to pay fail to do so, in connection with the commitments assumed by those entities in the course of their ordinary business.

The breakdown of the balances of these items as of December 31, 2007, 2006 and 2005 was as follows:

	Millions of euros		
	2007	2006	2005
Contingent exposures –			
Collateral, bank guarantees and indemnities	56,983	37,002	25,790
Rediscounts, endorsements and acceptances	58	44	42
Other	8,804	5,235	4,030
	65,845	42,281	29,862
Contingent commitments –			
Drawable by third parties:	101,444	98,226	85,001
Credit institutions	2,619	4,356	2,816
General government sector	4,419	3,122	3,128
Other resident sectors	42,448	43,730	36,063
Non-resident sector	51,958	47,018	42,994
Other commitments	5,496	4,995	4,497
	106,940	103,221	89,498

Since a significant portion of these amounts will reach maturity without any payment obligation materializing for the consolidated companies, the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Group to third parties.

Income from the guarantee instruments is recorded under the heading “Fee and Commission Income” in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 45).

39. ASSETS ASSIGNED TO OTHER OWN AND THIRD-PARTY OBLIGATIONS

As of December 31, 2007, 2006 and 2005, the face amount of the assets owned by the consolidated entities pledged as security for own transactions, amounted to €58,406 million, €45,774 million and €64,440 million, respectively, and related basically to the pledge of certain assets as security for financing liabilities with the Bank of Spain (Note 24.1) and to a portion of the assets assigned to mortgage bond issues (Note 24.4.2), which pursuant to the Mortgage Market Law are admitted as security for obligation to third parties.

As of December 31, 2007, 2006 and 2005, there were no additional assets assigned to own or third-party obligations to those described in the different headings of these financial statements.

40. OTHER CONTINGENT ASSETS

As of December 31, 2007, 2006 and 2005, there were no significant contingent assets registered in the financial statements attached.

41. PURCHASE AND SALE COMMITMENTS

The financial instruments sold with a commitment to subsequently repurchase them are not derecognized from the consolidated balance sheets and the amount received from the sale is considered financing from third parties. As of December 31, 2007, 2006 and 2005, the consolidated entities had sold financial assets totalling €50,982 million, €36,139 million and €48,312 million, respectively, with a commitment to subsequently repurchase them.

The financial instruments acquired with a commitment to subsequently resell them are not recognized in the consolidated balance sheets and the amount paid for the sale is considered credit given to third parties. As of December 31, 2007, 2006 and 2005, the consolidated entities had purchased financial instruments totalling €11,423 million, €7,018 million and €13,636 million, respectively, with a commitment to subsequently resell them.

Following is a breakdown of the maturity of other future payment obligations from December 31, 2007:

	Millions of euros				
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial leases	-	1	1	9	11
Operational leases	29	66	68	269	432
Purchase commitments	47	-	-	-	47
Technology and systems projects	42	-	-	-	42
Other projects	5	-	-	-	5
Total	76	67	69	278	490

42. TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

As of December 31, 2007, 2006 and 2005, the detail of the most significant items composing this heading was as follows:

	2007	Millions of euros 2006	2005
Financial instruments entrusted by third parties	567,263	524,151	502,274
Conditional bills and other securities received for collection	20,824	3,640	3,765
Securities received in credit	632	70	-

As of December 31, 2007, 2006 and 2005, the off balance sheet customer funds was as follows:

	2007	Millions of euros 2006	2005
The off balanced sheet customer funds	165,314	157,550	152,977
- Commercialised by the Group			
- Investment companies and mutual funds	63,487	62,246	61,412
- Pension funds	59,143	55,505	51,061
- Saving insurance contracts	10,437	13,104	9,441
- Customer portfolios managed on a discretionary basis (*)	31,936	26,465	30,927
- Commercialised by the Group managed by third parties outside the Group			
- Investment companies and mutual funds	156	115	68
- Pension funds	128	97	56
- Saving insurance contracts	27	18	12

(*) The amounts for customer portfolios managed on a discretionary basis in 2007 and 2006 were €18,904 and €13,995 million respectively.

Additionally, the Group has marketed and managed securitization funds and companies amounted to €65,569 million as of December 31, 2007.

43. INTEREST INCOME AND EXPENSE AND SIMILAR ITEMS

43.1. INTEREST AND SIMILAR INCOME

The breakdown of the most significant interest and similar income earned by the Group in 2007, 2006 and 2005 was as follows:

	2007	Millions of euros 2006	2005
Central Banks	458	444	458
Loans and advances to credit institutions	1,664	958	714
Loans and advances to other debtors	19,207	13,599	10,190
General government	668	539	437
Resident sector	9,280	6,394	4,852
Non resident sector	9,259	6,666	4,901
Debt securities	3,472	3,196	3,624
Trading	2,028	1,363	1,454
Investment	1,444	1,833	2,170
Rectification of income as a result of hedging transactions	177	684	530
Other income	374	329	332
Total	25,352	19,210	15,848

43.2. INTEREST EXPENSE AND SIMILAR CHARGES

The breakdown of the balance of this heading in the accompanying consolidated income statements was as follows:

	Millions of euros		
	2007	2006	2005
Bank of Spain and other central banks	365	300	288
Deposits from credit institutions	3,119	2,343	1,985
Deposits from other creditors	7,839	5,038	4,071
Debt certificates (Note 24)	4,526	3,388	2,455
Promissory notes, bills and debt securities	3,658	2,821	1,899
Subordinated liabilities	868	567	556
Rectification of expenses as a result of hedging transactions	(326)	(231)	(304)
Cost attributable to pension funds (Note 27)	241	254	255
Other charges	167	123	182
Total	15,931	11,215	8,932

43.3. AVERAGES RETURN ON INVESTMENTS AND AVERAGE BORROWING COST

The detail of the average return on investments in 2007, 2006 and 2005 was as follows:

Assets	Millions of euros								
	2007			2006			2005		
	Average Balances	Income	Interest Rates (%)	Average Balances	Income	Interest Rates (%)	Average Balances	Income	Interest Rates (%)
Cash and balances with central banks	16,038	458	2.86	11,903	444	3.73	10,494	458	4.37
Securities portfolio and derivatives (*)	107,236	3,961	3.69	103,387	4,156	4.02	116,373	4,328	3.72
Loans and advances to credit institutions	31,084	1,776	5.72	23,671	992	4.19	20,600	767	3.72
Euros	21,097	1,138	5.39	14,090	452	3.21	10,653	276	2.59
Foreign currency	9,987	638	6.39	9,581	540	5.63	9,947	491	4.94
Loans and advances to customers	280,459	19,288	6.88	232,792	13,801	5.93	192,920	10,404	5.39
Euros	205,857	10,747	5.22	177,331	7,366	4.15	150,358	5,699	3.79
Foreign currency	74,602	8,541	11.45	55,461	6,435	11.60	42,562	4,705	11.06
Other finance income	-	217	-	-	196	-	-	183	-
Other assets	26,851	-	-	24,198	-	-	23,669	-	-
ASSETS/FINANCE INCOME	461,668	25,700	5.57	395,951	19,589	4.95	364,056	16,140	4.43

(*) Include the income from equity instruments (Note 44).

The average borrowing cost in 2007, 2006 and 2005 was as follows:

Liabilities	Millions of euros								
	2007			2006			2005		
	Average Balances	Expenses	Interest Rates (%)	Average Balances	Expenses	Interest Rates (%)	Average Balances	Expenses	Interest Rates (%)
Deposits from central banks and credit institutions	65,822	3,298	5.01	63,730	2,420	3.80	64,804	2,176	3.36
Euros	27,388	1,090	3.98	34,550	983	2.85	36,453	797	2.19
Foreign currency	38,434	2,208	5.75	29,180	1,437	4.92	28,351	1,379	4.86
Customer deposits	219,732	7,584	3.45	177,927	5,392	3.03	159,103	4,433	2.79
Euros	123,597	3,706	3.00	99,148	1,736	1.75	87,418	1,078	1.23
Foreign currency	96,135	3,878	4.03	78,779	3,656	4.64	71,685	3,355	4.68
Marketable securities and subordinated liabilities	99,539	4,642	4.66	87,526	3,026	3.46	68,925	1,886	2.74
Euros	82,905	3,659	4.41	77,483	2,506	3.23	64,188	1,573	2.45
Foreign currency	16,634	983	5.91	10,043	520	5.18	4,737	313	6.61
Other finance expenses	-	407	-	-	377	-	-	437	-
Other liabilities	51,960	-	-	47,979	-	-	55,544	-	-
Equity	24,615	-	-	18,787	-	-	15,680	-	-
LIABILITIES + EQUITY/ FINANCE EXPENSE	461,668	15,931	3.45	395,949	11,215	2.83	364,056	8,932	2.45

The variation on finance income, on income from equity instruments (Note 44) and on financial costs in 2007 with respect to 2006, that is determined by the variation in prices

(price effect) and the variation in the volume of activity (volume effect), was as follows:

	Millions of euros		
	Volume Price-Effect 2007/2006		
	Volume Effect ⁽¹⁾	Price Effect ⁽²⁾	Total Effect
Cash and balances with central banks	154	(140)	14
Securities portfolio and derivatives	155	(349)	(194)
Loans and advances to credit institutions	310	475	785
Euros	224	462	686
Foreign currency	23	76	99
Loans and advances to customers	2,826	2,662	5,488
Euros	1,185	2,197	3,382
Foreign currency	2,221	(114)	2,107
Other financial income	-	18	18
FINANCE INCOME + INCOME FROM EQUITY INSTRUMENTS	3,251	2,859	6,111
Deposits from central banks and credit institutions	80	798	878
Euros	(204)	310	106
Foreign currency	456	316	772
Customer deposits	1,267	925	2,192
Euros	428	1,542	1,970
Foreign currency	805	(583)	222
Marketable securities and subordinated liabilities	416	1,200	1,616
Euros	175	977	1,152
Foreign currency	341	122	463
Other finance expense	-	30	30
FINANCE EXPENSE	1,862	2,854	4,716
NET INTEREST INCOME			1,395

(1) The volume effect is calculated by multiplying the interest rate for the first year by the difference between the average balances for the two years.

(2) The price effect is calculated by multiplying the average balance for the second year by the difference between the interest rates for the two years.

44. INCOME FROM EQUITY INSTRUMENTS

The amount recorded under this heading in the accompanying consolidated income statements relates in full to dividends from other shares and equity instruments. The breakdown was as follows:

	Millions of euros		
	2007	2006	2005
Dividends from other shares and other equity instrument			
Held for investment	227	258	222
Held for trading	121	121	70
Total	348	379	292

45. FEE AND COMMISSION INCOME

The breakdown of the balance of this heading in the accompanying consolidated statements of income was as follows:

	Millions of euros		
	2007	2006	2005
Commitment fees	55	56	50
Contingent liabilities	229	204	176
Documentary credits	38	33	31
Bank and other guarantees	191	171	145
Arising from exchange of foreign currencies and banknotes	24	20	18
Collection and payment services	2,567	2,274	2,019
Securities services	2,089	2,017	1,948
Counselling on and management of one-off transactions	16	14	16
Financial and similar counselling services	23	19	11
Factoring transactions	25	20	19
Non-banking financial products sales	87	79	40
Other fees and commissions	477	416	372
Total	5,592	5,119	4,669

46. FEE AND COMMISSION EXPENSES

The breakdown of the balance of this heading in the accompanying consolidated income statements was as follows:

	Millions of euros		
	2007	2006	2005
Brokerage fees on lending and deposit transactions	7	11	13
Fees and commissions assigned to third parties	612	560	519
Other fees and commissions	250	213	197
Total	869	784	729

47. INSURANCE ACTIVITY INCOME

This heading in the accompanying consolidated income statement reflects the contribution of the consolidated insurance and reinsurance companies to the Group's gross income. The detail of the balance of this heading was as follows:

	Millions of euros		
	2007	2006	2005
Premium income	2,405	2,484	2,917
Reinsurance premiums paid	(46)	(44)	(63)
Benefits paid and other insurance-related expenses	(1,674)	(1,539)	(1,786)
Reinsurance Income	32	76	44
Net provisioning expense	(697)	(996)	(1,274)
Finance increase	993	968	904
Finance expense	(284)	(299)	(255)
Total	729	650	487

As of December 31, 2007, 2006 and 2005 the detail of the balance of Premium income that corresponds to "life" insurance activity is €1,788 million, €1,897 million and €2,047 million, respectively, and "non life" €618 million, €587 million and €869 million, respectively.

48. GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The detail of the balance of this heading in the accompanying consolidated income statements was as follows:

	Millions of euros		
	2007	2006	2005
Financial assets held for trading	597	716	897
Other financial assets at fair value through profit or loss	44	62	33
Available-for-sale financial assets (Note 11)	1,537	1,121	429
Loans and receivables	63	77	129
Other	20	(320)	(508)
Total	2,261	1,656	980

The heading "Available-for-sale financial assets" in 2007, of the prior table, includes €883 million from the gains obtained in the disposal of the interest ownership in Iberdrola, S.A. This heading as of December 31, 2006 includes €522 million from the gains obtained in the disposal of the interest ownership in Repsol-YPF, S.A.

The breakdown, by type, of the financial instruments that gave rise to the above balances was as follows:

Millions of euros			
	2007	2006	2005
Debt instruments	(89)	80	48
Equity instruments	1,826	2,604	1,111
Loans and advances to other debtors	89	113	193
Derivatives	407	(1,178)	(415)
Deposits from other creditors	-	-	-
Other	28	37	43
Total	2,261	1,656	980

49. SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES AND COST OF SALES

These headings of the accompanying consolidated statements of income show, respectively, sales of assets and income from the provision of services that constitute the typical activity of non-financial consolidated entities forming part of the Group and the related costs of sales. The main lines of business of these entities are as follows:

	Millions of euros					
	2007		2006		2005	
	Sales/ Income	Cost of Sales	Sales/ Income	Cost of Sales	Sales/ Income	Cost of Sales
Real estate	412	282	333	231	285	215
Services and other	376	319	272	243	291	236
Total	788	601	605	474	576	451

50. OTHER OPERATING INCOME AND EXPENSES

In 2007, 2006 and 2005, the balance of the heading "Other operating expenses" includes the contribution in Spain to the Deposits Guarantee Fund, amounted to €225, €215 and €202 million, respectively. In 2007, 2006 and 2005 the heading "Other operating products" includes among others the rents collected from leases.

51. PERSONNEL EXPENSES

The detail of the balance of this heading in the accompanying consolidated income statements was as follows:

	Millions of euros		
	2007	2006	2005
Wages and salaries	3,297	3,012	2,743
Social security costs	546	504	472
Transfers to internal pension provisions (Note 27)	56	74	69
Contributions to external pension funds (Note 27)	58	53	56
Other personnel expenses	378	346	262
Total	4,335	3,989	3,602

In 2007, 2006 and 2005, certain Group companies implemented corporate programs for the acquisition of shares with discount of Banco Bilbao Vizcaya Argentaria S.A. The cost of these programs is recognised under the heading "Other personnel expenses".

The detail, by professional category and by geographical area, of the average number of employees in 2007, 2006 and 2005, was as follows:

	Average number of employees		
	2007	2006	2005
Spanish banks			
Executives	1,102	1,104	1,087
Other line personnel	21,672	21,818	21,807
Clerical staff	6,849	7,141	7,429
Abroad branches	745	676	674
	30,368	30,739	30,997
Companies abroad			
Mexico	26,568	25,157	24,721
Venezuela	5,793	5,555	5,568
Argentina	3,955	3,604	3,428
Colombia	4,639	5,155	3,487
Peru	3,349	2,705	2,358
United States	6,767	1,685	933
Other	4,780	4,490	4,628
	55,851	48,351	45,123
Pension fund managers	8,969	8,297	7,078
Other non-banking companies	9,327	8,351	7,546
Total	104,515	95,738	90,744

The detail, by professional category and by gender, of the average number of employees in 2007, was as follows:

	Average number	
	Men	Women
Executives	1,667	318
Other line personnel	24,506	16,337
Clerical staff	28,993	32,694
Total	55,166	49,349

Equity-instrument-based employee remuneration

At the Annual General Meeting held on March 18, 2006, the Bank's shareholders approved a long-term share-based remuneration plan for the members of the Group's management team ("the Plan"). The Plan has a term of three years from 1 January 2006 and will be settled in the first half of 2009.

Under this Plan the Bank promises to deliver ordinary shares of BBVA to the members of the Group's management team (including executive directors and management committee members of BBVA). A number of "theoretical shares" will be allocated to the beneficiaries based on the annual variable remuneration earned by each member in the last three years and on their level of responsibility. This number will serve as the basis for the calculation of the BBVA shares that will be delivered, as the case may be, when the Plan expires. The specific number of BBVA shares to be delivered to each

beneficiary on expiry of the Plan will be calculated by multiplying the number of "theoretical shares" allocated by a coefficient ranging from 0 to 2. The value of the coefficient established by comparing the performance of the Total Shareholder Return (TSR) - share appreciation plus dividends - of the Bank over the term of the Plan with the performance of the same indicator for 14 leading European banks. The amount of the obligation that will be registered in the consolidated financial statements will be determined by multiplying the number of the shares by the estimated average price at the moment of the liquidation of the Plan. (€15.02 at the moment of approved the Plan).

Both TSR and estimated average price per share were considered market variations at the moment of calculated the cost of the Plan when the Plan was initiated (Note 2.2.20). The value of the TSR calculated by Montecarlo simulations was €0.896, while the calculation of the estimated average price was of €15.02.

As of December 31, 2007, the estimated number of theoretical shares for the Group as a whole, including executive directors and BBVA's Management Committee members (see Note 58), was 9,833,185, representing 0.262 % of the Bank's share capital.

As of December 31, 2007, the total accrued amount during the Plan's life is €132 million. During 2007 the expense amounted to €46 million and was recognized under the heading "Personnel Expenses - Other" in the Group's consolidated income statement with charge to "Equity-Other equity instrument-Rest" in the consolidated balance sheet as of December 31, 2007, net of tax effect.

52. OTHER GENERAL ADMINISTRATIVE EXPENSES

The breakdown of the balance of this heading in the consolidated income statements was as follows:

	Millions of euros		
	2007	2006	2005
Technology and systems	539	495	434
Communications	236	218	203
Advertising	249	207	212
Property, fixtures and materials	520	451	415
Taxes other than income tax	257	203	213
Other expenses	917	768	683
Total	2,718	2,342	2,160

The heading "Property, Fixtures and Materials" includes expenses relating to operating leases of buildings amounting to €205 million, €173 million and €158 million in 2007, 2006 and 2005, respectively. The consolidated companies do not expect to terminate the lease contracts early.

53. FINANCE INCOME AND EXPENSES FROM NON-FINANCIAL ACTIVITIES

The amounts recorded under these headings relates in full to finance income and expenses from the Group's real estate and renting companies.

54. OTHER GAINS AND OTHER LOSSES

The breakdown of the balances of these headings in the accompanying consolidated income statements was as follows:

	Millions of euros		
	2007	2006	2005
Gains			
Gains from tangible assets disposal	389	93	108
Gains on sale of long-term investment	18	934	40
Income from the provision of non-typical services	5	4	4
Other income	84	97	133
	496	1,128	285
Losses			
Losses on fixed asset disposals	22	21	22
Losses on sale of investments	7	-	12
Other losses	370	121	174
Total	399	142	208

In 2007 the balance in the heading "Gains on disposal of tangible assets" includes €279 million that were already recognized on the consolidated income statement as capital gains on the sale of buildings to GMP (Note 15).

In 2007, the balance in the heading "Gains on disposal of investment" includes €18 million from the gains obtained in the sale of the ownership interest held by the Group in AFP Crecer.

In 2007, the balance in the heading "Losses on disposal of investment" includes €5 million from losses in the sale of BBVA Preferred Capital and BBVA Seguros, S.A. (Dominican Republic).

In 2006 the balance of the heading "Gains on disposal of investment", corresponds mainly to the gains obtained in the sale of the ownership interest in Banca Nazionale del Lavoro, S.p.A.

In 2007 the balance under the heading "Other losses" includes €200 million corresponding to BBVA's contributions (to non-recoverable fund) to Fundación BBVA para las Microfinanzas (a microcredit Foundation), based on agreement reached in the Annual General Meeting Celebrated on March 16, 2007. The Foundation has been formed as an entity of public interest, non-profit organization and it is subject to the protectorate of the Ministry of Labour and Social Affairs of Spain. BBVA as founder only has the ability to appoint the board of trustees, and therefore neither managed nor responsible for the Foundation activity or financial institutions that it acquires for fulfilling their purposes, which is not part of the Consolidated Group.

55. CONSOLIDATED CASH FLOW STATEMENTS

The cash flows from operating activities have changed in 2007 amounted to €17,142 million, compared to €2,818 million in 2006. The most significant changes are in the headings loans and receivables and deposits from other creditors.

The cash flows from financing activities have changed in 2007 amounted to €8,451 million, compared to €2,741 million in 2006. The most significant change is in the heading Investment – Group entities, jointly controlled entities and associates.

The cash flows from investing activities have changed in 2007 amounted to €2,607 million, compared to €887million in 2006. The most significant change is in the heading Issuance/Redemption of subordinated liabilities.

56. ACCOUNTANTS FEES AND SERVICES

The detail of the fees for the services provided to the Group companies by their respective accountants in 2007 was as follows:

Millions of euros	
Audits of the companies audited by firms belonging to the Deloitte worldwide organisation	10.6
Fees for audits conducted by other firms	2.7
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organisation	5.1

The detail of the other services provided to the various Group companies in 2007 was as follows:

Millions of euros	
Firms belonging to the Deloitte worldwide organisation	1.6
Other firms	8.4

The services provided by our accountants meet the independence requirements established in Law 44/2002, of 22 November, on Measures Reforming the Financial System and in the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC), and accordingly they did not include the performance of any work that is incompatible with the auditing function.

57. RELATED PARTY TRANSACTIONS

57.1. SIGNIFICANT TRANSACTIONS WITH SHAREHOLDERS

As of December 31, 2007, the balances of transactions held with significant shareholders (see Note 30) correspond to "Deposits from other creditors" amounted to €8.7 million.

57.2. TRANSACTIONS WITH BBVA GROUP

As of December 31, 2007, the balances of the main aggregates in the consolidated financial statements arising from the transactions carried out by the Group with associated and jointly controlled companies accounted for using the equity method (Note 2.1. b), which consist of ordinary business and financial transactions carried out on an arm's-length basis, as of December 31, 2007, 2006 and 2005 are as follows:

Millions of euros			
	2007	2006	2005
Assets:			
Due from credit institutions	-	-	5
Total net lending	610	374	268
Liabilities:			
Due to credit institutions	(32)	-	2
Deposits	55	83	19
Debt certificates	440	463	257
Memorandum accounts:			
Contingent risks	129	23	35
Commitments contingents	443	457	44

The balances of the main aggregates in the consolidated income statements resulting from transactions with associated and jointly controlled entities that consolidated by the equity method as of December 31, 2007, 2006 and 2005, were as follows:

Millions of euros			
	2007	2006	2005
Statement of income:			
Financial Revenues	33	12	8
Financial Expenses	18	13	6

There are no other material effects on the consolidated financial statements of the Group arising from dealings with these companies, other than the effects arising from using the equity method (Note 2.1), and from the insurance policies to cover pension or similar commitments (Note 27).

As of December 31, 2007, 2006 and 2005, the notional amount of the futures transactions arranged by the Group with the main related companies amounted to approximately €74 million, €9 million and €8 million, respectively.

In addition, as part of its normal activity, the Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the consolidated financial statements.

57.3. TRANSACTIONS WITH KEY ENTITY PERSONNEL

The information on the remuneration of key personnel (members of the Board of Directors of BBVA and of the Management Committee) is included in Note 58.

As of December 31, 2007, the amount disposed of the loans granted to members of Board of Directors totalled €65 thousand.

The amount disposed of the loans granted as of December 31, 2007 to the Management Committee, excluding the executive directors, amounted to €3,352 thousand. As of December 31, 2007, guarantees provided on behalf of members of the Management Committee amounted to €13 thousand.

As of December 31, 2007, the amount disposed of the loans granted to parties related to key personnel (the aforementioned members of the Board of Directors of BBVA and of the Management Committee) totalled €12,954 thousand. As of December 31, 2007, the other exposure to parties related to key personnel (guarantees, finance leases and commercial loans) amounted to €19,383 thousand.

The demand and time deposits held on an arm's length basis as part of BBVA's ordinary banking business by directors, Management Committee members and their related parties totalled €7,590 thousand as of December 31, 2007.

In addition, BBVA and other Group companies, in the normal course of their business and in their capacity as financial institutions, habitually perform transactions with

members of the Board of Directors of BBVA and of the Management Committee and their respective related parties. All these transactions, which are scanty material, are conducted on an arm's-length basis.

57.4. TRANSACTIONS WITH OTHER RELATED PARTIES

There are no other material transactions with other related parties.

58. REMUNERATION OF THE BANK'S DIRECTORS AND SENIOR MANAGEMENT

Remuneration and other provisions for the Board of Directors and members of the Management Committee.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration paid to the non-executive members of the Board of Directors during 2007 is indicated below. The figures are given individually for each non-executive director and itemised in thousand euros:

	Thousands of euros					
	Board	Standing Committee	Audit	Risk	Appointments and Compensation	Total
Tomás Alfaro Drake	124	-	68	-	-	192
Juan Carlos Álvarez Mezquíriz	124	159	-	-	41	324
Rafael Bermejo Blanco	104	-	130	78	-	312
Richard C. Breeden	337	-	-	-	-	337
Ramón Bustamante y de La Mora	124	-	68	102	-	294
José Antonio Fernández Rivero (*)	124	-	-	204	-	328
Ignacio Ferrero Jordi	124	159	-	-	41	324
Román Knörr Borrás	124	159	-	-	-	283
Carlos Loring Martínez de Irujo	124	-	68	-	102	294
Enrique Medina Fernández	124	159	-	102	-	385
Susana Rodríguez Vidarte	124	-	68	-	31	223
Total (**)	1,557	636	402	486	215	3,296

(*) Mr José Antonio Fernández Rivero, apart from the amounts detailed above, also received a total of €652 thousand during 2007 in early retirement payments as a former member of the BBVA management.

(**) Mr Ricardo Lacasa Suárez and Telefónica de España, S.A., who stood down as directors at the Annual General Meeting in March 2007, received €95 thousand and €30 thousand, respectively, in 2007 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 2007 is indicated below. The figures are given individually for each executive director and itemised in thousand euros:

	Thousands of euros		
	Fixed remunerations	Variable remunerations (*)	Total (**)
Chairman & CEO	1,827	3,255	5,082
President & COO	1,351	2,730	4,081
Company Secretary	622	794	1,416
Total	3,800	6,779	10,579

(*) Figures relating to variable remuneration for 2006 paid in 2007.

(**) In addition, the executive directors received remuneration in kind during 2007 totalling €33 thousand, of which €8 thousand relates to Chairman & CEO, €14 thousand relates to President & COO and €11 thousand to Company Secretary.

The executive directors also earned a variable remuneration during 2007, which will be satisfied to them during 2008. The amount earned by the Chairman & CEO was of €3,802 thousand, the President & COO earned €3,183 thousand while the Company Secretary earned €886 thousand. These amounts are recognised under the heading "Accrued Expenses and Deferred Income" in the accompanying consolidated balance sheet as of December 31, 2007.

REMUNERATION OF THE MEMBERS OF THE MANAGEMENT COMMITTEE

The remuneration paid during 2007 to the members of BBVA's Management Committee, excluding executive directors, comprised €6,245 thousand in fixed remuneration and €11,439 thousand in variable remuneration accrued in 2006 and paid in 2007.

In addition, the members of the Management Committee, excluding executive directors, received remuneration in kind totalling €594 thousand in 2007.

This paragraph includes information on the members of the Management committee on 31st December 2007, excluding the executive directors.

PENSION COMMITMENTS

The provisions to cater for pension and similar commitments to executive directors in 2007 were as follows:

Thousands of euros	
Chairman & CEO	61,319
President & COO	46,400
Company Secretary	7,714
Total	115,433

Of this aggregate amount, €12,504 thousand were charged to 2007. 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 to said commitments was €4,837 thousand, which partly offset the amount allocated to provisions during the year.

Insurance premiums amounting to €86 thousand were paid on behalf of the non-executive directors on the Board of Directors.

The provisions charged as of December 31, 2007 for post-employment commitments for the Management committee members, excluding executive directors, amounted to €35,345 thousand. Of these, €6,374 thousand were charged against 2007 earnings. The internal return on the insurance policies associated to said commitments was €782 thousand, which partly offset the amount allocated to provisions during the year.

LONG-TERM PLAN FOR REMUNERATION WITH SHARES (2006-2008)
FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE MANAGEMENT COMMITTEE

The AGM, 18th March 2006, approved a long-term plan for remuneration of executives with shares for the period 2006-2008. The plan was for members of the management team, including the executive directors and members of the Management committee and will be paid out in the second half of 2009.

The plan allocated each beneficiary a certain number of theoretical shares as a function of their variable pay and their level of responsibility. At the end of the plan, the theoretical shares are used as a basis to allocate BBVA shares to the beneficiaries, should the initial requirements be met.

The number of shares to be delivered to each beneficiary is determined by multiplying the number of theoretical shares allocated to them by a coefficient of between 0 and 2. This coefficient reflects the relative performance of BBVA's total shareholder value (TSR) during the period 2006-2008 compared against the TSR of its European peer group.

The number of theoretical shares allocated to executive directors under the AGM resolution is as follows:

Theoretical shares	
Chairman & CEO	320,000
President & COO	270,000
Company Secretary	100,000

The total number of theoretical shares allocated to the members of the Management committee on 31st December 2007, excluding the executive directors, is 1,124,166.

SCHEME FOR REMUNERATION OF NON-EXECUTIVE DIRECTORS WITH 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 meeting approving the financial statements for the years covered by the scheme as of 2007. These shares, where applicable, are to be delivered when the beneficiaries cease to be directors on any grounds other than serious dereliction of duties.

The AGM resolution granted the non-executive directors who were beneficiaries of the earlier scheme the possibility of converting their entitlements under the previous scheme for non-executive directors into theoretical shares. 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	Accumulated theoretical shares
Tomás Alfaro Drake	1,407	1,407
Juan Carlos Álvarez Mezquíriz	3,283	19,491
Ramón Bustamante y de la Mora	2,982	19,923
José Antonio Fernández Rivero	3,324	9,919
Ignacio Ferrero Jordi	3,184	20,063
Román Knörr Borrás	2,871	15,591
Carlos Loring Martínez de Irujo	2,778	7,684
Enrique Medina Fernández	3,901	28,035
Susana Rodríguez Vidarte	1,952	10,511
Total	25,682	132,624

SEVERANCE PAYMENTS

The Chairman of the board will be entitled to retire as an executive director at any time after his 65th birthday and the President & COO and the Company Secretary after their 62nd birthday. They will all be entitled to the maximum percentage established under their contracts for retirement pension, and vesting their right to the pension once they reach said ages will render the indemnity agreed under their contracts null and void.

The contracts of the Bank's executive directors (Chairman & CEO, President & 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. Had this occurred during 2007, they would have received the following amounts: €70,513 thousand for the Chairman & CEO; €57,407 thousand for the President & COO, and €13.460 thousand for the Company Secretary.

In order to receive such compensation, directors must place their directorships at the disposal of the board, resign from any posts that they may hold as representatives of the Bank in other companies, and waive prior 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.

59. SHARES OF BBVA, S.A. HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND OF THE MANAGEMENT COMMITTEE

As of December 31, 2007 the shares held by members of the Board of Directors and of the management Committee were as follows:

Directors Name	Direct shares		Indirect shares		Total	
	Number	%/Capital	Number	%/Capital	Number	%/Capital
Francisco González Rodríguez	2,394	0.0001	1,411,265	0.0377	1,413,659	0.0377
José Ignacio Goirigolzarri Tellaeche	496	0.0000	444,635	0.0119	445,131	0.0119
Tomás Alfaro Drake	7,856	0.0002	-	0.0000	7,856	0.0002
Juan Carlos Álvarez Mezquiriz	30,530	0.0008	-	0.0000	30,530	0.0008
Rafael Bermejo Blanco	11,000	0.0003	-	0.0000	11,000	0.0003
Richard C. Breeden	32,001	0.0009	-	0.0000	32,001	0.0009
Ramón Bustamante y de la Mora	10,139	0.0003	-	0.0000	10,139	0.0003
José Antonio Fernández Rivero	50,000	0.0013	325	0.0000	50,325	0.0013
Ignacio Ferrero Jordi	2,647	0.0001	51,300	0.0014	53,947	0.0014
Román Knörr Borrás	34,329	0.0009	6,773	0.0002	41,102	0.0011
Carlos Loring Martínez de Irujo	9,149	0.0002	-	0.0000	9,149	0.0002
José Maldonado Ramos	11,621	0.0003	-	0.0000	11,621	0.0003
Enrique Medina Fernández	29,285	0.0008	1,100	0.0000	30,385	0.0008
Susana Rodríguez Vidarte	11,179	0.0003	2,156	0.0001	13,335	0.0004
Total	242,626	0.0065	1,917,554	0.0512	2,160,180	0.0576

Directors Name	Direct shares		Indirect shares		Total	
	Number	%/Capital	Number	%/Capital	Number	%/Capital
Eduardo Arbizu Lostao	4,000	0.0001	-	0.0000	4,000	0.00011
Francisco Javier Argente Ariño	27,618	0.0007	-	0.0000	27,618	0.00074
Juan Asua Madariaga	7,104	0.0002	118,086	0.0032	125,190	0.00334
Javier Ayuso Canals	2,441	0.0001	-	0.0000	2,441	0.00007
José Andrés Barreiro Hernández	6,463	0.0002	-	0.0000	6,463	0.00017
Javier Bernal Dionis	7,120	0.0002	-	0.0000	7,120	0.00019
Ángel Cano Fernández	67,058	0.0018	-	0.0000	67,058	0.00179
Ignacio Deschamps González	2,618	0.0001	-	0.0000	2,618	0.00010
José María García Meyer-Dohner	10,495	0.0003	-	0.0000	10,495	0.00028
Manuel González Cid	13,666	0.0004	-	0.0000	13,666	0.00036
Vicente Rodero Rodero	27,047	0.0007	300	0.0000	27,347	0.00073
José Sevilla Álvarez	100	0.0000	7,057	0.0002	7,157	0.00019
Total	175,730	0.0047	125,443	0.0033	301,173	0.0081

60. DETAIL OF THE DIRECTORS' HOLDINGS IN COMPANIES WITH SIMILAR BUSINESS ACTIVITIES

As of December 31, 2007 pursuant to Article 127 third section of the Spanish Corporations Law, introduced by Law 26/2003 of 17 July amending Securities Market Law 24/1988 of 28 July, and the revised Corporations Law, in order to reinforce

the transparency of listed companies, set forth below are the companies engaging in an activity that is identical, similar or complementary to that which constitutes the corporate purpose of BBVA, in which the members of the Board of Directors have a direct or indirect ownership interest. None of the directors discharge executive or administrative functions at these companies.

Surname (s) and First Name	Company	Investments	
		Number of Shares	Type of Ownership Interest
Alfaro Drake, Tomás	-	-	-
Alvarez Mezquiriz, Juan Carlos	-	-	-
Bermejo Blanco, Rafael	Banco Santander	7,400	Direct
	Banco Crédito Balear	1,000	Direct
	Banco Popular Español	13,880	Direct
Breeden, Richard C.	-	-	-
Bustamante y de la Mora, Ramón	Royal Bank of Scotland	7,350	Indirect
	Banesto	4,560	Indirect
	Banco Popular Español	5,700	Indirect
	Banco Santander	7,540	Indirect
	Bankinter	3,000	Indirect
Fernández Rivero, José Antonio	-	-	-
Ferrero Jordi, Ignacio	Banco Santander	9,940	Indirect
	Banco Popular Español	2,490	Indirect
	Royal Bank of Scotland	12,911	Indirect
Goirigolzarri Tellaeche, José Ignacio	-	-	-
González Rodríguez, Francisco	RBC Dexia Investors Services España, S.A.	76,040	Indirect
Knörr Borrás, Román	-	-	-
Loring Martínez de Irujo, Carlos	-	-	-
Maldonado Ramos, José	-	-	-
Medina Fernández, Enrique	Bankinter	0.052	Indirect
	KBC Groep NV	0.466	Indirect
	Royal Bank	3.080	Indirect
	Standard Chartered	5.878	Indirect
	Unicredito Italiano	0.027	Indirect
Rodríguez Vidarte, Susana	-	-	-

61. OTHER INFORMATION

On March 22, 2002, BBVA notified the supervisory authorities of the stock markets on which its shares are listed that the Bank of Spain had commenced a proceeding against BBVA and 16 of its former directors and executives. These proceedings arose as a result of the existence of funds (approximately €225 million) belonging to BBV that were not included in the entity's financial statements until they were voluntarily regularized by being recorded in the 2000 consolidated income statement as extraordinary income, for which the related corporation tax was recorded and paid. BBVA notified the Bank of Spain of these matters on January 19, 2001. The Bank of Spain's supervisory services commenced an investigation into the origin of the funds, their use and the persons involved, the findings of which were included in the supervisory services' report dated March 11, 2002. On March 15, 2002, the Bank of Spain notified the Bank of the commencement of a proceeding relating to these events.

On May 22, 2002, the Council of the Spanish National Securities Market Commission (CNMV) commenced a proceeding against BBVA for possible contravention of the Securities Market Law (under Article 99 ñ) thereof) owing to the same events as those which gave rise to the Bank of Spain's proceeding.

The commencement of proceedings to determine an eventual criminal liability of the individuals involved in those events triggered the suspension of the above mentioned proceedings until a definitive criminal resolution was issued. These criminal proceedings finished by definitive court resolutions on 2007 without criminal liability for any person involved in them. The end of these criminal

proceedings has allowed the re-opening of the proceedings: on 13 June, 2007 the Bank of Spain, and on 26 July 2007 the Spanish National Securities Market Commission (CNMV), notified the end of the proceeding development suspension.

At the date of preparation of these consolidated financial statements, none of the persons party to the proceedings or prosecuted in relation to the events referred to above was a member of the Board of Directors or the Management Committee or held executive office at BBVA.

The Group's legal advisers do not expect the aforementioned administrative and criminal proceedings to have any material impact on the Bank.

62. SUBSEQUENT EVENTS

From January 1, 2008 until the date of preparation of these consolidated financial statements, there have no been other significant events affecting the income and equity statement of the Group.

63. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of IFRS's, as adopted by the European Union. Certain accounting practices applied by the Group that conform with EU-IFRS's may not conform with other generally accepted accounting principles.

APPENDIX I

Additional information on consolidated subsidiaries composing the Banco Bilbao Vizcaya Argentaria Group

Company	Location	Activity	% of Voting Rights Controlled by the Bank			Thousands of euros (*)				
			Direct	Indirect	Total	Net Carrying Amount	Investee Data			
							Assets as of 31-12-07	Liabilities as of 31-12-07	Equity 31-12-07	Profit (Loss) for the Period ended 31-12-07
AAI HOLDINGS, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
ADMINISTRAD. DE FONDOS PARA EL RETIRO-BANCOMER,S.A DE C.V.	MEXICO	PENSIONS	17.50	82.50	100.00	332,125	170,243	34,134	102,166	33,943
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA (AFP PROVIDA)	CHILE	PENSIONS	12.70	51.62	64.32	222,505	422,738	98,353	261,210	63,175
AFP GENESIS ADMINISTRADORA DE FONDOS, S.A.	ECUADOR	PENSIONS	-	100.00	100.00	2,105	4,268	2,162	617	1,489
AFP HORIZONTE, S.A.	PERU	PENSIONS	24.85	75.15	100.00	34,833	54,088	16,870	27,285	9,933
AFP PREVISION BBV-ADM.DE FONDOS DE PENSIONES S.A.	BOLIVIA	PENSIONS	75.00	5.00	80.00	2,063	7,301	3,623	2,589	1,089
ALMACENADORA FINANCIERA PROVINCIAL S.A.	VENEZUELA	SERVICES	-	100.00	100.00	210	371	161	46	164
ALMACENES GENERALES DE DEPOSITO, S.A.E. DE ALTITUDE INVESTMENTS LIMITED	SPAIN	PORTFOLIO	83.90	16.10	100.00	12,649	106,971	4,073	97,340	5,558
ALTURA MARKETS, A.V., S.A.	UNITED KINGDOM	FINANCIAL SERV.	51.00	-	51.00	225	2,750	1,615	691	444
ALTURA MARKETS, A.V., S.A.	SPAIN	SECURITIES	50.00	-	50.00	5,000	740,241	712,117	12,041	16,083
ANIDA DESARROLLOS INMOBILIARIOS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	112,477	318,156	73,541	178,041	66,574
ANIDA GERMANIA IMMOBILIEN ONE, GMBH	ALEMANIA	REAL EST.INSTR.	-	100.00	100.00	(127)	23,568	23,695	25	(152)
ANIDA GERMANIA IMMOBILIEN THREE, GMBH	ALEMANIA	REAL EST.INSTR.	-	100.00	100.00	25	23	11	25	(13)
ANIDA GERMANIA IMMOBILIEN TWO, GMBH	ALEMANIA	REAL EST.INSTR.	-	100.00	100.00	25	23	11	25	(13)
ANIDA GRUPO INMOBILIARIO, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	198,357	576,146	75,912	447,547	52,687
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	PORTFOLIO	-	100.00	100.00	71,944	69,026	461	67,286	1,279
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL EST.INSTR.	-	100.00	100.00	68,013	77,999	9,985	66,735	1,279
ANIDA SERVICIOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL EST.INSTR.	-	100.00	100.00	404	1,152	769	393	(10)
APLICA SOLUCIONES ARGENTINAS, S.A.	ARGENTINA	SERVICES	-	100.00	100.00	1,445	4,923	3,365	993	565
APLICA SOLUCIONES GLOBALES, S.L.	SPAIN	SERVICES	94.98	5.02	100.00	57	42,673	42,494	60	119
APLICA TECNOLOGIA AVANZADA, S.A. DE C.V.	MEXICO	SERVICES	100.00	-	100.00	4	45,780	42,640	713	2,427
APOYO MERCANTIL S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	3,228	72,942	69,714	1,822	1,406
ARAGON CAPITAL, S.L.	SPAIN	PORTFOLIO	99.90	0.10	100.00	37,925	31,855	18	30,947	890
ARGENTARIA SERVICIOS, S.A.	CHILE	SERVICES	100.00	-	100.00	676	1,277	5	1,400	(128)
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	598,695	605,573	3,669	595,071	6,833
ARIZONA KACHINA HOLDINGS, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
ASSUREX, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	67	372	262	54	56
ATREA HOMES IN SPAIN LTD	UNITED KINGDOM	NO ACTIVITY	-	100.00	100.00	-	31	371	(166)	(174)
ATREA INICIATIVAS RESIDENCIALES EN INTERNET, S. A.	SPAIN	SERVICES	-	100.00	100.00	735	1,719	940	1,735	(956)
ATUEL FIDEICOMISOS, S.A.	ARGENTINA	SERVICES	-	100.00	100.00	5,938	6,079	140	4,184	1,755
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM., LDA.	PORTUGAL	SERVICES	-	100.00	100.00	7,209	58,502	49,053	9,914	(465)
BAHIA SUR RESORT, S.C.	SPAIN	NO ACTIVITY	99.95	-	99.95	1,436	1,438	15	1,423	-
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.	PANAMA	BANKING	54.11	44.81	98.92	19,464	964,245	844,211	97,967	22,067
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	9.52	90.48	100.00	278,916	6,189,940	5,950,880	218,251	20,809
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	CHILE	BANKING	58.36	9.81	68.17	289,697	7,963,538	7,460,901	458,131	44,506
BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO	PUERTO RICO	BANKING	-	100.00	100.00	94,248	4,465,911	4,108,457	333,800	23,654
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	-	100.00	17,049	340,515	307,906	27,037	5,572
BANCO CONTINENTAL, S.A.	PERU	BANKING	-	92.08	92.08	415,213	5,623,724	5,172,811	312,486	138,427
BANCO DE CREDITO LOCAL, S.A.	SPAIN	BANKING	100.00	-	100.00	509,595	13,087,488	12,798,671	239,141	49,676
BANCO DE PROMOCION DE NEGOCIOS, S.A.	SPAIN	BANKING	-	99.82	99.82	15,128	33,455	267	32,360	828
BANCO DEPOSITARIO BBVA, S.A.	SPAIN	BANKING	-	100.00	100.00	1,595	1,986,276	1,894,994	43,758	47,524
BANCO INDUSTRIAL DE BILBAO, S.A.	SPAIN	BANKING	-	99.93	99.93	97,219	327,169	38,652	271,811	16,706
BANCO OCCIDENTAL, S.A.	SPAIN	BANKING	49.43	50.57	100.00	15,812	17,004	572	15,880	552
BANCO PROVINCIAL OVERSEAS N.V.	NETHERLANDS ANTILLES	BANKING	-	100.00	100.00	25,030	353,545	328,518	20,142	4,885
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.85	53.75	55.60	145,846	6,935,275	6,316,583	342,895	275,797
BANCOMER FINANCIAL SERVICES INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	3,508	3,721	212	3,404	105
BANCOMER FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	3,730	4,707	977	2,790	940
BANCOMER PAYMENT SERVICES INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	39	48	8	44	(4)
BANCOMER TRANSFER SERVICES, INC	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	30,507	86,507	55,835	18,913	11,759
BANKERS INVESTMENT SERVICES, INC	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	595	634	39	582	13
BBV AMERICA, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	479,328	508,546	-	472,589	35,957

(*) Information on foreign companies at exchange rate on 31-12-07.

Additional information on consolidated subsidiaries composing the Banco Bilbao Vizcaya Argentaria Group

Company	Location	Activity	% of Voting Rights Controlled by the Bank			Thousands of euros (*)				
			Direct	Indirect	Total	Net Carrying Amount	Assets as of 31-12-07	Investee Data		
								Liabilities as of 31-12-07	Equity 31-12-07	Profit (Loss) for the Period ended 31-12-07
BBV SECURITIES HOLDINGS, S.A.	SPAIN	PORTFOLIO	99.86	0.14	100.00	15,230	48,809	32,815	20,933	(4,939)
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SPAIN	SECURITIES	70.00	-	70.00	1,331	8,168	4,002	3,142	1,024
BBVA ADMINISTRADORA GENERAL DE FONDOS S.A.	CHILE	FINANCIAL SERV.	-	100.00	100.00	18,881	31,452	12,611	17,120	1,721
BBVA AMERICA FINANCE, S.A.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	100	50,030	49,985	92	(47)
BBVA ASESORIAS FINANCIERAS, S.A.	CHILE	FINANCIAL SERV.	-	98.60	98.60	14,954	15,908	772	13,109	2,027
BBVA BANCO DE FINANCIACION S.A.	SPAIN	BANKING	-	100.00	100.00	64,200	5,630,789	5,559,981	69,410	1,398
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	45.65	30.41	76.06	42,268	4,129,684	3,689,099	386,063	54,522
BBVA BANCOMER ASSET MANAGEMENT INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	1	1	-	1	-
BBVA BANCOMER FINANCIAL HOLDINGS, INC.	UNITED STATES	PORTFOLIO	-	100.00	100.00	41,261	58,411	17,192	37,844	3,375
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	99.99	99.99	20,089	38,744	18,653	5,930	14,161
BBVA BANCOMER HOLDINGS CORPORATION	UNITED STATES	PORTFOLIO	-	100.00	100.00	6,955	6,955	-	4,171	2,784
BBVA BANCOMER OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	10,134	241,076	230,941	82,791	(72,656)
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	100.00	100.00	696	718	22	652	44
BBVA BANCOMER SERVICIOS, S.A.	MEXICO	BANKING	-	100.00	100.00	438,405	454,780	16,377	367,504	70,899
BBVA BANCOMER USA	UNITED STATES	BANKING	-	100.00	100.00	14,213	85,894	71,789	23,025	(8,920)
BBVA BANCOMER, S.A. DE C.V.	MEXICO	BANKING	-	100.00	100.00	4,878,589	62,313,768	57,435,158	3,569,607	1,309,003
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	SPAIN	SERVICES	99.94	0.06	100.00	297	26,179	11,073	10,526	4,580
BBVA CAPITAL FINANCE, S.A.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	60	1,999,018	1,998,817	172	29
BBVA CAPITAL FUNDING, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	-	100.00	0	1,155,982	1,154,288	1,614	80
BBVA CARTERA DE INVERSIONES, SICAV, S.A.	SPAIN	VARIABLE CAPITAL	100.00	-	100.00	118,445	113,320	137	109,903	3,280
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	76.20	19.23	95.43	262,058	5,897,729	5,390,318	394,944	112,467
BBVA COMERCIALIZADORA LTDA.	CHILE	SERVICES	-	100.00	100.00	7	149	142	150	(143)
BBVA CONSOLIDAR SALUD S.A.	ARGENTINA	INSURANCE	15.35	84.65	100.00	14,179	40,029	25,537	11,561	2,931
BBVA CONSOLIDAR SEGUROS, S.A.	ARGENTINA	INSURANCE	87.78	12.22	100.00	5,954	22,919	10,900	10,283	1,736
BBVA CORREDORA TECNICA DE SEGUROS BHIF LTDA.	CHILE	SERVICES	-	100.00	100.00	20,550	22,356	1,846	15,921	4,589
BBVA CORREDORES DE BOLSA, S.A.	CHILE	SECURITIES	-	100.00	100.00	23,411	300,841	277,329	21,370	2,142
BBVA DINERO EXPRESS, S.A.U	SPAIN	FINANCIAL SERV.	100.00	-	100.00	2,186	9,658	6,213	2,832	613
BBVA E-COMMERCE, S.A.	SPAIN	SERVICES	100.00	-	100.00	30,879	33,015	14	33,916	(915)
BBVA FACTORING E.F.C., S.A.	SPAIN	FINANCIAL SERV.	-	100.00	100.00	126,447	6,748,544	6,518,236	205,470	24,838
BBVA FACTORING LIMITADA	CHILE	FINANCIAL SERV.	-	100.00	100.00	3,519	3,864	350	3,903	(389)
BBVA FIDUCIARIA, S.A.	COLOMBIA	FINANCIAL SERV.	-	99.99	99.99	8,284	9,304	877	6,588	1,839
BBVA FINANCE (UK), LTD.	UNITED KINGDOM	FINANCIAL SERV.	-	100.00	100.00	3,324	25,104	12,434	12,093	577
BBVA FINANCE SPA.	ITALY	FINANCIAL SERV.	100.00	-	100.00	4,648	5,805	800	4,958	47
BBVA FINANCIAMIENTO AUTOMOTRIZ, S.A.	CHILE	PORTFOLIO	-	100.00	100.00	86,170	86,171	-	77,906	8,265
BBVA FINANZIA, S.P.A	ITALY	FINANCIAL SERV.	50.00	50.00	100.00	36,465	371,712	344,827	32,155	(5,270)
BBVA FUNDOS, S.G. DE FUNDOS DE PENSOES, S.A.	PORTUGAL	FINANCIAL SERV.	-	100.00	100.00	998	3,851	558	1,738	1,555
BBVA GEST, S.G. DE FUNDOS DE INVESTIMENTO MOBILIARIO, S.A.	PORTUGAL	FINANCIAL SERV.	-	100.00	100.00	998	6,107	1,130	2,443	2,534
BBVA GESTION, SOCIEDAD ANONIMA, SGIC	SPAIN	FINANCIAL SERV.	17.00	83.00	100.00	11,436	222,714	133,331	3,659	85,724
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	-	100.00	-	1,391,951	1,388,503	3,225	223
BBVA HORIZONTE PENSIONES Y CESANTIAS, S.A.	COLOMBIA	PENSIONS	78.52	21.43	99.95	36,406	63,495	10,003	40,738	12,754
BBVA INMOBILIARIA E INVERSIONES S.A.	CHILE	REAL EST. INSTR.	-	68.11	68.11	4,893	25,668	18,486	7,968	(786)
BBVA INSERVEL, S.A.	SPAIN	SERVICES	100.00	-	100.00	1,205	3,574	53	3,166	355
BBVA INSTITUICAO FINANCEI.CREDITO, S.A.	PORTUGAL	FINANCIAL SERV.	-	100.00	100.00	43,626	345,313	310,757	31,608	2,948
BBVA INTERNATIONAL INVESTMENT CORPORATION	PUERTO RICO	FINANCIAL SERV.	100.00	-	100.00	2,769,952	2,026,747	32	1,478,608	548,107
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.	100.00	-	100.00	1	509,592	506,635	2,529	428
BBVA INTERNATIONAL PREFERRED, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	60	2,034,784	2,034,658	71	55
BBVA INVERSIONES CHILE, S.A.	CHILE	PENSIONS	33.31	66.69	100.00	287,107	396,010	6,357	357,431	32,222
BBVA INVESTMENTS, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	7,721	10,236	2,515	4,627	3,094
BBVA IRELAND PUBLIC LIMITED COMPANY	IRELAND	FINANCIAL SERV.	100.00	-	100.00	180,381	3,633,062	3,332,288	284,900	15,874
BBVA LEASIMO - SOCIEDADE DE LOCACAO FINANCEIRA, S.A.	PORTUGAL	FINANCIAL SERV.	-	100.00	100.00	11,576	55,374	45,152	9,427	795
BBVA LUXINVEST, S.A.	LUXEMBOURG	PORTFOLIO	36.00	64.00	100.00	255,843	1,565,479	67,703	1,379,235	118,541

(*) Information on foreign companies at exchange rate on 31-12-07.

Additional information on consolidated subsidiaries composing the Banco Bilbao Vizcaya Argentaria Group

Company	Location	Activity	% of Voting Rights Controlled by the Bank			Thousands of euros (*)				
			Direct	Indirect	Total	Investee Data				Profit (Loss) for the Period ended 31-12-07
						Net Carrying Amount	Assets as of 31-12-07	Liabilities as of 31-12-07	Equity 31-12-07	
BBVA NOMINEES LIMITED	UNITED KINGDOM	SERVICES	100.00	-	100.00	-	1	-	1	-
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	99.99	-	99.99	22,598	461,538	416,917	28,835	15,786
BBVA PARTICIPACIONES INTERNACIONAL, S.L.	SPAIN	PORTFOLIO	92.69	7.31	100.00	273,365	333,220	1,431	325,493	6,296
BBVA PATRIMONIOS GESTORA SGIIC, S.A.	SPAIN	FINANCIAL SERV.	99.98	0.02	100.00	3,907	51,232	2,502	40,142	8,588
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSIONS	100.00	-	100.00	12,922	73,153	33,156	25,938	14,059
BBVA PLANIFICACION PATRIMONIAL, S.L.	SPAIN	FINANCIAL SERV.	80.00	20.00	100.00	1	491	5	472	14
BBVA PRIVANZA (JERSEY), LTD.	CHANNEL ISLANDS	NO ACTIVITY	-	100.00	100.00	20,610	23,815	34	19,261	4,520
BBVA PUERTO RICO HOLDING CORPORATION	PUERTO RICO	PORTFOLIO	100.00	-	100.00	255,804	94,749	4	94,799	(54)
BBVA RE LIMITED	IRELAND	INSURANCE	-	100.00	100.00	656	43,237	30,190	10,163	2,884
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERV.	-	100.00	100.00	20,976	760,048	669,250	81,980	8,818
BBVA RENTING, SPA	ITALY	SERVICES	-	100.00	100.00	9,745	68,417	64,370	11,266	(7,219)
BBVA RESEARCH, S.A.	SPAIN	FINANCIAL SERV.	99.99	0.01	100.00	501	4,240	3,314	816	110
BBVA SECURITIES HOLDINGS (UK) LIMITED	UNITED KINGDOM	NO ACTIVITY	-	100.00	100.00	-	5,339	5,604	64	(329)
BBVA SECURITIES INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	30,102	24,062	4,321	22,895	(3,154)
BBVA SECURITIES LTD.	UNITED KINGDOM	NO ACTIVITY	-	100.00	100.00	2,966	8,651	2,710	6,101	(160)
BBVA SECURITIES OF PUERTO RICO, INC.	PUERTO RICO	FINANCIAL SERV.	100.00	-	100.00	4,726	6,269	1,737	3,926	606
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	9,259	35,361	23,674	10,783	904
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	13,242	116,141	86,469	26,652	3,020
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCE	-	100.00	100.00	27,781	240,267	212,486	25,709	2,072
BBVA SEGUROS INC.	PUERTO RICO	SERVICES	-	100.00	100.00	170	3,273	576	1,629	1,068
BBVA SEGUROS, S.A.	SPAIN	INSURANCE	94.30	5.64	99.94	414,520	11,620,427	10,670,871	717,214	232,342
BBVA SENIOR FINANCE, S.A.U.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	60	17,575,744	17,575,365	341	38
BBVA SERVICIOS, S.A.	SPAIN	SERVICES	-	100.00	100.00	354	8,765	1,985	1,184	5,596
BBVA SOCIEDAD LEASING HABITACIONAL BHIF	CHILE	FINANCIAL SERV.	-	97.48	97.48	9,779	34,819	24,835	9,437	547
BBVA SUBORDINATED CAPITAL S.A.U.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	130	4,093,376	4,093,051	200	125
BBVA SUIZA, S.A. (BBVA SWITZERLAND)	SUIZA	BANKING	39.72	60.28	100.00	53,121	530,336	266,107	239,059	25,170
BBVA TRADE, S.A.	SPAIN	SERVICES	-	100.00	100.00	4,910	24,726	19,822	2,513	2,391
BBVA U.S.SENIOR S.A.U.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	132	5,649,735	5,649,551	40	144
BBVA USA BANCSHARES, INC	UNITED STATES	PORTFOLIO	100.00	-	100.00	9,428,287	9,126,996	1,544	8,958,711	166,741
BBVA USA, INC.	UNITED STATES	SERVICES	-	100.00	100.00	10,483	13,004	2,520	18,143	(7,659)
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES	-	100.00	100.00	3,386	4,119	593	2,742	784
BCL INTERNATIONAL FINANCE, LTD.	CAYMAN ISLANDS	FINANCIAL SERV.	-	100.00	100.00	-	127,447	127,432	24	(9)
BEX AMERICA FINANCE INCORPORATED	UNITED STATES	NO ACTIVITY	100.00	-	100.00	-	1	1	-	-
BEXCARTERA, SICAV S.A.	SPAIN	NO ACTIVITY	-	80.78	80.78	9,352	13,526	72	13,454	-
BIBJ MANAGEMENT, LTD.	CHANNEL ISLANDS	NO ACTIVITY	-	100.00	100.00	-	-	-	-	-
BIBJ NOMINEES, LTD.	CHANNEL ISLANDS	NO ACTIVITY	-	100.00	100.00	-	-	-	-	-
BILBAO VIZCAYA AMERICA B.V.	NETHERLANDS	PORTFOLIO	-	100.00	100.00	380,203	380,227	850	327,130	52,247
BILBAO VIZCAYA HOLDING, S.A.	SPAIN	PORTFOLIO	89.00	11.00	100.00	34,771	172,212	528	123,208	48,476
BLUE INDICO INVESTMENTS, S.L.	SPAIN	PORTFOLIO	99.99	0.01	100.00	18,214	56,266	6,400	2,116	47,750
BLUE VISTA PLATAFORMA DE EMISION DE NUEVOS MEDIOS, S.L.	SPAIN	SERVICES	-	70.00	70.00	161	289	73	230	(14)
BROOKLINE INVESTMENTS, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	33,969	32,395	497	31,919	(21)
C B TRANSPORT, INC.	UNITED STATES	SERVICES	-	100.00	100.00	11,573	14,232	2,658	11,965	(391)
CANAL COMPANY, LTD.	CHANNEL ISLANDS	NO ACTIVITY	-	100.00	100.00	34	1,005	10	960	35
CANAL INTERNATIONAL HOLDING (NETHERLANDS) BV.	NETHERLANDS	NO ACTIVITY	-	100.00	100.00	494	54	1	65	(12)
CAPITAL INVESTMENT COUNSEL, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	15,434	18,031	2,596	15,031	404
CARTERA E INVERSIONES S.A., CIA DE	SPAIN	PORTFOLIO	100.00	-	100.00	60,541	108,835	44,342	63,500	993
CASA DE BOLSA BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	100.00	100.00	53,529	62,907	9,376	22,354	31,177
CASA DE CAMBIO MULTIDIVISAS, S.A. DE C.V.	MEXICO	NO ACTIVITY	-	100.00	100.00	172	172	-	170	2
CENTRAL BANK OF THE SOUTH	UNITED STATES	BANKING	-	100.00	100.00	1,079	3,484	2,405	1,053	26
CIA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.	URUGUAY	NO ACTIVITY	-	100.00	100.00	108	170	2	168	0
CIDESSA DOS, S.L.	SPAIN	PORTFOLIO	-	100.00	100.00	11,554	11,716	114	11,243	359
CIDESSA UNO, S.L.	SPAIN	PORTFOLIO	-	100.00	100.00	4,754	397,056	108	197,077	199,871

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			Direct	Indirect	Total	Investee Data				Profit (Loss) for the Period ended 31-12-07
						Net Carrying Amount	Assets as of 31-12-07	Liabilities as of 31-12-07	Equity 31-12-07	
CIERVANA, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	53,164	56,826	189	54,797	1,840
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERV.	-	99.99	99.99	8	44	37	115	(108)
COMPASS ARIZONA ACQUISITION, CORP.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
COMPASS ASSET ACCEPTANCE COMPANY, LLC	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	308,448	308,801	128	311,748	(3,075)
COMPASS AUTO RECEIVABLES CORPORATION	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	2,841	2,942	101	2,842	(1)
COMPASS BANCSHARES, INC.	UNITED STATES	PORTFOLIO	-	100.00	100.00	9,094,107	9,407,985	303,916	8,931,451	172,618
COMPASS BANK	UNITED STATES	BANKING	-	100.00	100.00	6,567,403	30,907,692	24,325,856	6,511,757	70,079
COMPASS BROKERAGE, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	17,199	19,235	2,036	15,809	1,390
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	4,774,478	4,774,479	-	4,715,514	58,965
COMPASS CONSULTING & BENEFITS, INC.	UNITED STATES	SERVICES	-	100.00	100.00	10,899	11,212	312	10,599	301
COMPASS CUSTODIAL SERVICES, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
COMPASS FIDUCIARY SERVICES, LTD., INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	9	11	2	9	-
COMPASS FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	8,412	49,424	41,013	8,891	(480)
COMPASS GP, INC.	UNITED STATES	PORTFOLIO	-	100.00	100.00	30,083	38,234	8,152	29,793	289
COMPASS INDEMNITY CORPORATION	UNITED STATES	SERVICES	-	100.00	100.00	61,940	62,574	544	61,372	658
COMPASS INSURANCE AGENCY, INC.	UNITED STATES	SERVICES	-	100.00	100.00	102,831	120,547	17,716	101,078	1,753
COMPASS INVESTMENTS, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	PORTFOLIO	-	100.00	100.00	4,145,699	4,145,777	77	4,093,857	51,843
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	52,215	53,941	1,727	51,824	390
COMPASS MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	1,682,285	1,683,514	1,229	1,659,817	22,468
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	24	24	-	24	-
COMPASS MULTISTATE SERVICES CORPORATION	UNITED STATES	SERVICES	-	100.00	100.00	2,548	2,856	309	2,547	-
COMPASS SECURITIES, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
COMPASS SOUTHWEST, LP	UNITED STATES	BANKING	-	100.00	100.00	3,390,171	3,421,433	24,532	3,354,708	42,193
COMPASS TEXAS ACQUISITION CORPORATION	UNITED STATES	PORTFOLIO	-	100.00	100.00	1,538	1,555	17	1,538	-
COMPASS TEXAS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	24	24	-	24	-
COMPASS TRUST I	UNITED STATES	NO ACTIVITY	-	100.00	100.00	-	-	-	32	(32)
COMPASS TRUST III	UNITED STATES	NO ACTIVITY	-	100.00	100.00	-	-	-	91	(91)
COMPASS UNDERWRITERS, INC.	UNITED STATES	INSURANCE	-	100.00	100.00	134	137	3	133	1
COMPASS WEALTH MANAGERS COMPANY	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
COMPANIA CHILENA DE INVERSIONES, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	232,977	173,294	2,180	171,206	(92)
CONSOLIDAR A.F.J.P., S.A.	ARGENTINA	PENSIONS	46.11	53.89	100.00	58,524	81,540	22,257	56,503	2,780
CONSOLIDAR ASEGURADORA DE RIESGOS DEL TRABAJO, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	33,253	148,289	107,295	36,741	4,253
CONSOLIDAR CIA. DE SEGUROS DE RETIRO, S.A.	ARGENTINA	INSURANCE	33.33	66.67	100.00	12,639	478,538	459,584	13,498	5,456
CONSOLIDAR CIA. DE SEGUROS DE VIDA, S.A.	ARGENTINA	INSURANCE	34.04	65.96	100.00	27,285	71,785	29,109	27,311	15,365
CONSOLIDAR COMERCIALIZADORA, S.A.	ARGENTINA	SERVICES	-	100.00	100.00	112	2,483	2,372	271	(160)
CONSULTORES DE PENSIONES BBV, S.A.	SPAIN	PENSIONS	-	100.00	100.00	175	811	-	781	30
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA S.A.	PERU	SECURITIES	-	100.00	100.00	3,058	5,972	2,913	1,973	1,086
CONTINENTAL S.A. SOCIEDAD ADMINISTRADORA DE FONDOS	PERU	FINANCIAL SERV.	-	100.00	100.00	5,140	5,719	577	4,554	588
CONTINENTAL SOCIEDAD TITULIZADORA, S.A.	PERU	SERVICES	-	100.00	100.00	705	728	22	685	21
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	587	7,810	7,224	82	504
CORPORACION DE ALIMENTACION Y BEBIDAS, S.A.	SPAIN	PORTFOLIO	-	100.00	100.00	138,508	159,075	1,588	153,370	4,117
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	PORTFOLIO	100.00	-	100.00	452,432	1,310,595	30,193	1,076,009	204,393
CORPORACION INDUSTRIAL Y DE SERVICIOS, S.L.	SPAIN	PORTFOLIO	-	100.00	100.00	1,251	5,436	566	4,746	124
DESARROLLADORA Y VENDEDORA DE CASAS, S.A. DE C.V.	MEXICO	REAL EST. INSTR.	-	100.00	100.00	26	30	4	33	(7)
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	SPAIN	REAL ESTATE	-	72.50	72.50	29,673	60,060	17,893	42,151	16
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1,401	1,481	80	1,368	33
DEUSTO, S.A. DE INVERSION MOBILIARIA	SPAIN	PORTFOLIO	-	100.00	100.00	11,491	11,492	-	11,005	487
DINERO EXPRESS SERVICIOS GLOBALES, S.A.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	10,421	20,925	14,519	13,228	(6,822)
EL ENCINAR METROPOLITANO, S.A.	SPAIN	REAL ESTATE	-	98.90	98.90	5,525	9,264	3,526	5,181	557
EL OASIS DE LAS RAMBLAS, S.L.	SPAIN	REAL ESTATE	-	70.00	70.00	167	691	553	128	10
ELANCHOVE, S.A.	SPAIN	PORTFOLIO	100.00	-	100.00	1,500	3,878	1,464	2,450	(36)

(*) Information on foreign companies at exchange rate on 31-12-07.

Additional information on consolidated subsidiaries composing the Banco Bilbao Vizcaya Argentaria Group

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			Direct	Indirect	Total	Net Carrying Amount	Investee Data			
							Assets as of 31-12-07	Liabilities as of 31-12-07	Equity 31-12-07	Profit (Loss) for the Period ended 31-12-07
EMPRESA INSTANT CREDIT, C.A.	VENEZUELA	NO ACTIVITY	-	100.00	100.00	-	-	-	-	-
ESPANHOLA COMERCIAL E SERVIÇOS, LTDA.	BRAZIL	FINANCIAL SERV.	100.00	-	100.00	-	881	1,639	3,651	(4,409)
ESTACION DE AUTOBUSES CHAMARTIN, S.A.	SPAIN	SERVICES	-	51.00	51.00	31	31	-	31	-
EUROPEA DE TITULIZACION, S.A., SDAD.GEST.DE FDOS.DE TITUL.	SPAIN	FINANCIAL SERV.	82.97	0.00	82.97	1,506	6,941	779	3,096	3,066
EURORISK, S.A.	SPAIN	FINANCIAL SERV.	-	100.00	100.00	60	82,948	76,972	1,459	4,517
EXPLOTACIONES AGROPECUARIAS VALDELEYGUA, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	9,383	9,357	(4)	9,995	(634)
FIDEICOMISO 29764-8 SOCIO LIQUIDADOR POSICION DE TERCEROS	MEXICO	FINANCIAL SERV.	-	100.00	100.00	18,501	18,691	190	17,035	1,466
FIDEICOMISO 474031 MANEJO DE GARANTIAS	MEXICO	SERVICES	-	100.00	100.00	2	2	-	2	-
FIDEICOMISO BBVA BANCOMER SERVICIOS N° F/47433-8, S.A.	MEXICO	SERVICES	-	100.00	100.00	29,583	50,478	20,895	19,372	10,211
FIDEICOMISO INVEX 1° EMISION	MEXICO	FINANCIAL SERV.	-	100.00	100.00	-	165,724	167,963	161	(2,400)
FIDEICOMISO INVEX 228	MEXICO	FINANCIAL SERV.	-	100.00	100.00	-	20,200	20,199	1	-
FIDEICOMISO INVEX 367	MEXICO	FINANCIAL SERV.	-	100.00	100.00	-	35,245	35,245	-	-
FIDEICOMISO INVEX 393	MEXICO	FINANCIAL SERV.	-	100.00	100.00	-	32,117	32,118	(1)	-
FIDEICOMISO INVEX 411	MEXICO	FINANCIAL SERV.	-	100.00	100.00	-	20,912	20,912	-	-
FIDEICOMISO N° 402900-5 ADMINISTRACION DE INMUEBLES	MEXICO	SERVICES	-	100.00	100.00	689	-	-	-	-
FIDEICOMISO SOCIO LIQUIDADOR DE OP.FINANC.DERIVADAS	MEXICO	FINANCIAL SERV.	-	100.00	100.00	12,187	12,306	121	10,903	1,282
FINANCEIRA DO COMERCIO EXTERIOR S.A.R.	PORTUGAL	NO ACTIVITY	100.00	-	100.00	51	44	-	45	(1)
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	FINANCIAL SERV.	-	100.00	100.00	2,900	3,181	281	3,218	(318)
FINANCIERA ESPAÑOLA, S.A.	SPAIN	PORTFOLIO	85.85	14.15	100.00	4,522	6,613	-	4,879	1,734
FINANZIA AUTORENTING, S.A.	SPAIN	SERVICES	-	88.32	88.32	22,561	670,226	640,224	37,032	(7,030)
FINANZIA, BANCO DE CREDITO, S.A.	SPAIN	BANKING	-	100.00	100.00	56,203	6,356,261	6,190,607	160,470	5,184
FIRS TIER CORPORATION	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
FRANCES ADMINISTRADORA DE INVERSIONES, S.A. G.F.C.INVERS.	ARGENTINA	FINANCIAL SERV.	-	100.00	100.00	5,534	9,237	3,701	3,762	1,774
FRANCES VALORES SOCIEDAD DE BOLSA, S.A.	ARGENTINA	FINANCIAL SERV.	-	100.00	100.00	2,002	2,769	767	1,228	774
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	178	406	229	137	40
FW CAPITAL I	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
GENTE BBVA, S.A.	CHILE	FINANCIAL SERV.	-	100.00	100.00	15	6,544	6,529	148	(133)
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSIONS	60.00	-	60.00	8,830	27,692	2,043	20,861	4,788
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	SPAIN	SERVICES	-	100.00	100.00	150	1,711	529	715	467
GOBERNALIA GLOBAL NET, S.A.	SPAIN	SERVICES	99.94	0.06	100.00	1,250	2,471	1,074	1,345	52
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	-	100.00	110,115	511,514	409,598	110,119	(8,203)
GRANFIDUCIARIA	COLOMBIA	FINANCIAL SERV.	-	90.00	90.00	-	289	124	208	(43)
GRELAR GALICIA, S.A.	SPAIN	PORTFOLIO	-	100.00	100.00	4,500	4,499	-	4,330	169
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	48.97	51.00	99.97	5,934,377	6,298,856	324	4,714,467	1,584,065
HIPOTECARIA NACIONAL MEXICANA INCORPORATED	UNITED STATES	REAL EST.INSTR.	-	100.00	100.00	95	112	17	143	(48)
HIPOTECARIA NACIONAL, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	100.00	100.00	279,123	511,609	232,486	137,229	141,894
HOLDING CONTINENTAL, S.A.	PERU	PORTFOLIO	50.00	-	50.00	122,985	447,310	6	314,640	132,664
HOLDING DE PARTICIPACIONES INDUSTRIALES 2000, S.A.	SPAIN	PORTFOLIO	-	100.00	100.00	3,618	4,322	-	4,178	144
HOMEOWNERS LOAN CORPORATION	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	5,530	5,694	148	4,966	580
HUMAN RESOURCES PROVIDER	UNITED STATES	SERVICES	-	100.00	100.00	1,325,439	1,325,524	85	1,304,784	20,655
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	1,324,307	1,334,459	10,151	1,303,712	20,596
HYDROX HOLDINGS, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	-	-	-	-	-
IBERDROLA SERVICIOS FINANCIEROS, E.F.C, S.A.	SPAIN	FINANCIAL SERV.	-	84.00	84.00	7,290	9,449	115	9,117	217
IBERNEGOCIO DE TRADE, S.L.	SPAIN	SERVICES	-	100.00	100.00	615	24,599	12,390	11,058	1,151
INENSUR BRUNETE, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	23,745	139,844	143,115	(2,951)	(320)
INGENIERIA EMPRESARIAL MULTIBA, S.A. DE C.V.	MEXICO	SERVICES	-	99.99	99.99	-	-	-	-	-
INMOBILIARIA ASUDI, S.A.	SPAIN	REAL EST.INSTR.	-	100.00	100.00	2,886	3,106	15	2,955	136
INMOBILIARIA BILBAO, S.A.	SPAIN	REAL EST.INSTR.	-	100.00	100.00	3,646	3,659	-	3,515	144
INMUEBLES Y RECUPERACIONES CONTINENTAL, S.A.	PERU	REAL EST.INSTR.	-	100.00	100.00	9,563	9,824	261	4,613	4,950

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			Direct	Indirect	Total	Net Carrying Amount	Assets as of 31-12-07	Investee Data		Profit (Loss) for the Period ended 31-12-07
								Liabilities as of 31-12-07	Equity 31-12-07	
INVERAHORRO, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	474	504	2	489	13
INVERSIONES ALDAMA, C.A.	VENEZUELA	NO ACTIVITY	-	100.00	100.00	-	-	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	NETHERLANDS ANTILLES	PORTFOLIO	48.00	-	48.00	11,390	28,111	844	22,280	4,987
INVERSIONES BAPROBA, C.A.	VENEZUELA	SERVICES	100.00	-	100.00	1,307	683	28	558	97
INVERSIONES MOBILIARIAS, S.L.	SPAIN	PORTFOLIO	100.00	-	100.00	660	4,471	4,346	693	(568)
INVERSIONES P.H.R.4, C.A.	VENEZUELA	NO ACTIVITY	-	60.46	60.46	-	47	-	47	-
INVERSIONES T, C.A.	VENEZUELA	NO ACTIVITY	-	100.00	100.00	-	-	-	-	-
INVERSORA OTAR, S.A.	ARGENTINA	PORTFOLIO	-	99.96	99.96	3,769	42,833	28	39,101	3,704
INVESCO MANAGEMENT N° 1, S.A.	LUXEMBOURG	FINANCIAL SERV.	-	99.99	99.99	10,975	16,070	392	15,809	(131)
INVESCO MANAGEMENT N° 2, S.A.	LUXEMBOURG	FINANCIAL SERV.	-	96.88	96.88	31	12,138	23,865	(11,177)	(550)
JARDINES DE SARRIENA, S.L.	SPAIN	REAL ESTATE	-	85.00	85.00	255	517	148	354	15
LIQUIDITY ADVISORS, L.P.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	787,584	787,715	131	777,544	10,040
MAGGIORE FLEET, S.P.A.	ITALY	SERVICES	-	100.00	100.00	67,785	148,300	113,109	34,359	832
MARQUES DE CUBAS 21, S.L.	SPAIN	REAL ESTATE	100.00	-	100.00	2,869	7,546	5,441	2,329	(224)
MB CAPITAL I	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
MEDITERRANEA DE PROMOCIONS I GESTIONS INMOBILIARIAS, S.A.	SPAIN	NO ACTIVITY	-	100.00	100.00	775	2,662	1,882	727	53
MEGABANK FINANCIAL CORPORATION	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
MERCURY TRUST LIMITED	CAYMAN ISLANDS	FINANCIAL SERV.	-	100.00	100.00	3,655	3,745	93	3,616	36
MILANO GESTION I, SRL	ITALY	REAL EST.INSTR.	-	100.00	100.00	46	4,177	3,827	371	(21)
MIRADOR DE LA CARRASCOSA, S.L.	SPAIN	REAL ESTATE	-	55.90	55.90	9,344	26,243	9,181	17,068	(6)
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	100.00	100.00	7,735	18,788	11,723	7,982	(917)
MONESTERIO DESARROLLOS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	18,663	54,869	35,219	19,822	(172)
MONTEALIAGA, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	21,154	100,912	78,144	14,038	8,730
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	7,218	13,499	5,036	7,769	694
MULTIVAL, S.A.	SPAIN	PORTFOLIO	-	100.00	100.00	67	179	112	71	(4)
OCCIVAL, S.A.	SPAIN	NO ACTIVITY	100.00	-	100.00	8,211	9,523	28	9,163	332
OPCION VOLCAN, S.A.	MEXICO	REAL EST.INSTR.	-	100.00	100.00	55,430	60,815	5,383	53,243	2,189
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100.00	-	100.00	1,067	4,161	3,187	1,066	(92)
PALADIN BROKERAGE SOLUTIONS, INC	UNITED STATES	SERVICES	-	100.00	100.00	7,915	8,535	621	7,881	33
PARTICIPACIONES ARENAL, S.L.	SPAIN	NO ACTIVITY	-	100.00	100.00	6,456	7,670	1,212	6,271	187
PENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	-	100.00	100.00	94,760	1,344,099	1,249,334	79,450	15,315
PERI 5.1 SOCIEDAD LIMITADA	SPAIN	REAL ESTATE	-	54.99	54.99	1	-	-	1	(1)
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	704,425	722,841	18,415	686,766	17,660
PI HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	50	70	20	50	-
PI HOLDINGS NO. 4, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	1	1	-	1	-
PI HOLDINGS NO.1, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	1,637	2,023	386	1,637	-
PORT ARTHUR ABSTRACT & TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	2,149	2,354	205	1,597	552
PREMEXA, S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	100.00	100.00	375	399	20	464	(85)
PREVENTIS, S.A.	MEXICO	INSURANCE	-	75.01	75.01	2,049	11,318	8,585	4,385	(1,652)
PRO-SALUD, C.A.	VENEZUELA	SERVICES	-	58.86	58.86	-	-	-	-	-
PROMOCION EMPRESARIAL XX, S.A.	SPAIN	FINANCIAL SERV.	100.00	-	100.00	1,522	2,132	32	2,045	55
PROMOTORA DE RECURSOS AGRARIOS, S.A.	SPAIN	SERVICES	100.00	-	100.00	139	126	0	146	(20)
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	SPAIN	REAL ESTATE	-	58.50	58.50	318	978	415	543	20
PROVIDA INTERNACIONAL, S.A.	CHILE	PENSIONS	-	100.00	100.00	50,924	52,292	1,363	42,681	8,248
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	VENEZUELA	FINANCIAL SERV.	-	90.00	90.00	6,423	13,282	4,901	5,438	2,943
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA, C.A.	VENEZUELA	FINANCIAL SERV.	-	100.00	100.00	2,319	2,527	276	1,587	664
PROVIENDA, ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSIONS	-	100.00	100.00	319	1,760	1,421	269	70
PROXIMA ALFA INVESTMENTS (IRELAND) LIMITED	IRELAND	FINANCIAL SERV.	-	100.00	100.00	125	125	-	125	-
PROXIMA ALFA INVESTMENTS (UK) LLP	UNITED KINGDOM	FINANCIAL SERV.	-	51.00	51.00	0	1,899	1,842	(4)	61
PROXIMA ALFA INVESTMENTS, SGIIC S.A.	SPAIN	FINANCIAL SERV.	51.00	-	51.00	5,100	22,410	9,126	10,866	2,418
PROXIMA ALFA SERVICES LTD.	UNITED KINGDOM	FINANCIAL SERV.	-	100.00	100.00	2,292	2,422	271	2,142	9

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			Direct	Indirect	Total	Net Carrying Amount	Investee Data			
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PROYECTO MUNDO AGUILON, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	9,317	35,186	6,747	22,612	5,827
PROYECTOS EMPRESARIALES CAPITAL RIESGO I.S.C.R.SIMP., S.A.	SPAIN	CAPITAL VENTURE	100.00	-	100.00	155,700	153,678	1,004	155,670	(2,996)
PROYECTOS INDUSTRIALES CONJUNTOS, S.A. DE	SPAIN	PORTFOLIO	-	100.00	100.00	3,148	5,561	2,154	3,485	(78)
RESIDENCIAL CUMBRES DE SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	10,904	14,841	4,418	9,080	1,343
RIVER OAKS BANK BUILDING, INC.	UNITED STATES	REAL EST.INSTR.	-	100.00	100.00	13,735	14,649	914	13,590	145
RIVER OAKS TRUST CORPORATION	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
RIVERWAY HOLDINGS CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	211	7,047	6,836	188	23
S.GESTORA FONDO PUBL.REGUL.MERCADO HIPOTECARIO, S.A.	SPAIN	FINANCIAL SERV.	77.20	-	77.20	138	215	67	150	(2)
SCALDIS FINANCE, S.A.	BELGIUM	PORTFOLIO	-	100.00	100.00	3,416	3,653	140	3,490	23
SEGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	24.99	75.01	100.00	279,858	1,212,417	1,040,455	75,692	96,270
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCE	-	100.00	100.00	11,986	26,002	13,990	4,777	7,235
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	3	7,883	7,880	124	(121)
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	204	4,115	3,921	96	98
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	2,122	5,570	3,448	1,576	546
SERVICIOS TECNOLOGICOS SINGULARES, S.A.	SPAIN	SERVICES	99.99	0.01	100.00	60	6,946	6,843	100	3
SNB-WP, LP	UNITED STATES	FINANCIAL SERV.	-	51.00	51.00	736	5,392	3,950	1,568	(126)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANC.S.A.	SPAIN	COMERCIAL	100.00	-	100.00	114,518	192,253	714	187,950	3,589
SOCIETE IMMOBILIERE BBV D'ILBARRIZ	FRANCIA	REAL ESTATE	-	100.00	100.00	1,589	1,621	31	80	1,510
SOPORTE OPERATIVO PERU, S.A.C.	PERU	SERVICES	-	100.00	100.00	160	609	456	195	(42)
SOUTHEAST TEXAS INSURANCE SERVICES HOLDINGS, L.L.C.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	-	-	-	-	-
SOUTHEAST TEXAS INSURANCE SERVICES, L.P.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	393	491	98	320	73
SOUTHEAST TEXAS TITLE COMPANY	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	821	1,450	632	603	215
SPORT CLUB 18, S.A.	SPAIN	PORTFOLIO	100.00	-	100.00	21,923	40,552	18,753	23,270	(1,471)
ST. JOHNS INVESTMENTS MANAGMENT CO.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	3,365	3,612	247	3,334	31
STATE NATIONAL BANK (SNB)	UNITED STATES	BANKING	-	100.00	100.00	358,135	1,330,594	972,458	340,371	17,765
STATE NATIONAL CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	319	10,509	10,190	290	29
STATE NATIONAL PROPERTIES LLC	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	15	16	-	17	(1)
STATE NATIONAL STATUTORY TRUST II	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	211	7,026	6,816	192	18
STAVIS MARGOLIS ADVISORY SERVICES, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	18,283	19,088	805	17,649	634
TARUS, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
TEXAS INTERNATIONAL INSURANCE GROUP, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	361	368	7	333	28
TEXAS LOAN SERVICES, LP.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	781,001	781,251	250	771,028	9,973
TEXAS REGIONAL STATUTORY TRUST I	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	1,054	35,130	34,077	959	94
TEXAS STATE BANK	UNITED STATES	BANKING	-	100.00	100.00	1,541,553	5,782,484	4,240,929	1,478,818	62,737
TEXASBANC CAPITAL TRUST I	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	533	17,772	17,239	531	2
THE LAREDO NATIONAL BANK	UNITED STATES	BANKING	-	100.00	100.00	628,966	3,298,592	2,669,630	598,229	30,733
TRANSITORY CO	PANAMA	REAL EST.INSTR.	-	100.00	100.00	147	2,777	2,630	197	(50)
TSB PROPERTIES, INC.	UNITED STATES	REAL EST.INSTR.	-	100.00	100.00	(1,342)	720	2,062	(1,342)	-
TSB SECURITIES, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	286	308	22	284	2
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	599,124	599,893	770	585,354	13,769
TWOENC, INC	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	(338)	265	603	(244)	(94)
UNICOM TELECOMUNICACIONES S.DE R.L. DE C.V.	MEXICO	SERVICES	-	99.98	99.98	(12)	10	21	(11)	-
UNIDAD DE AVALUOS MEXICO S.A. DE C.V.	MEXICO	FINANCIAL SERV.	-	90.00	90.00	734	1,420	607	680	133
UNITARIA GESTION DE PATRIMONIOS INMOBILIARIOS, S.A.	SPAIN	SERVICES	-	100.00	100.00	2,410	2,536	11	2,463	62
UNIVERSALIDAD "E5"	COLOMBIA	FINANCIAL SERV.	-	100.00	100.00	-	5,143	5,141	2	-
UNIVERSALIDAD - BANCO GRANAHORRARR	COLOMBIA	FINANCIAL SERV.	-	100.00	100.00	-	10,606	12,829	(2,446)	223
UNO-E BANK, S.A.	SPAIN	BANKING	67.35	32.65	100.00	174,751	1,684,958	1,532,927	134,745	17,286
UNO-E BRASIL BANCO DE INVESTIMENTOS, S.A.	BRAZIL	BANKING	100.00	-	100.00	16,166	35,363	4,685	29,132	1,546
URBANIZADORA SANT LLORENC, S.A.	SPAIN	NO ACTIVITY	60.60	-	60.60	-	108	-	108	-
VALANZA CAPITAL RIESGO S.G.E.C.R. S.A. UNIPERSONAL	SPAIN	CAPITAL VENTURE	100.00	-	100.00	1,200	5,988	1,787	1,305	2,896
VALLEY MORTGAGE COMPANY, INC.	UNITED STATES	FINANCIAL SERV.	-	100.00	100.00	1	1	-	1	-
VISACOM, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	450	451	1	407	43
WESTERN BANCSHARES OF ALBUQUERQUE, INC.	UNITED STATES	NO ACTIVITY	-	100.00	100.00	1	1	-	1	-
WESTERN MANAGEMENT CORPORATION	UNITED STATES	NO ACTIVITY	-	100.00	100.00	-	1	1	-	1

(*) Information on foreign companies at exchange rate on 31-12-07.

APPENDIX II

Additional information on jointly controlled companies proportionately consolidated in the Banco Bilbao Vizcaya Argentaria Group

Company	Location	Activity	% of Voting Rights Controlled by the Bank			Thousands of euros (*)				
						Investee Data				Profit (Loss) for the Period
			Direct	Indirect	Total	Net Carrying Amount	Assets 31-12-07	Liabilities 31-12-07	Equity 31-12-07	
DARBY-BBVA LATIN AMERICAN INVESTORS, LTD	CAYMAN ISLAND	FINANCIAL SERV	50.00	-	50.00	40	2,070	914	935	221
ECASA, S.A.	CHILE	FINANCIAL SERV	-	100.00	100.00	4,111	5,166	1,055	(395)	4,506
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERV	-	51.04	51.04	5,694	20,309	13,569	5,451	1,289
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERV	-	51.00	51.00	48,008	463,190	396,657	45,176	21,357
INVERSIONES PLATCO, C.A.	VENEZUELA	FINANCIAL SERV	-	50.00	50.00	948	1,897	-	1,897	-
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV	-	50.00	50.00	3,167	56,836	50,500	5,764	572

(*) Information on foreign companies at exchange rate on 31-12-.

APPENDIX III

Additional information on investments and jointly controlled companies accounted for using the equity method in the Banco Bilbao Vizcaya Argentaria Group

(Includes the most significant companies which, taken as a whole, represent 97% of the total investment in this respect)

Company	Location	Activity	% of Voting Rights Controlled by the Bank			Thousands of euros				
						Investee Data				Profit (Loss) for the Period
			Direct	Indirect	Total	Net Carrying Amount	Assets	Liabilities	Equity	
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	-	40.00	40.00	3,248	21,889	15,215	5,781	893
ALMAGRARIO, S.A.	COLOMBIA	SERVICES	-	35.38	35.38	6,694	21,991	5,530	16,101	359
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	3,933	10,062	1,261	7,692	1,109
BBVA ELCANO EMPRESARIAL II, S.C.R., S.A.	SPAIN	FINANCIAL SERV.	45.00	-	45.00	57,166	33,439	184	32,656	599
BBVA ELCANO EMPRESARIAL, S.C.R., S.A.	SPAIN	FINANCIAL SERV.	45.00	-	45.00	57,167	33,441	184	32,656	601
CAMARATE GOLF, S.A.(*)	SPAIN	REAL ESTATE	-	26.00	26.00	4,623	68,873	50,992	17,927	(46)
CITIC INTERNATIONAL FINANCIAL HOLDINGS LIMITED	HONG-KONG	BANKING	14.53	-	14.53	432,379	9,974	7,998	1,860	116
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	SPAIN	SERVICES	21.82	-	21.82	10,926	59,982	11,733	47,119	1,129
COMPANIA MEXICANA DE PROCESAMIENTO, S.A. DE C.V.	MEXICO	SERVICES	-	50.00	50.00	3,325	7,983	1,832	8,913	(2,762)
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A.(*)	SPAIN	PORTFOLIO	-	50.00	50.00	573,588	1,533,561	375,735	630,641	527,185 ⁽¹⁾
FERROMOVIL 3000, S.L.(*)	SPAIN	SERVICES	-	20.00	20.00	6,236	348,157	318,179	31,806	(1,828)
FERROMOVIL 9000, S.L.(*)	SPAIN	SERVICES	-	20.00	20.00	3,951	280,371	261,599	20,773	(2,001)
FIDEICOMISO HARES BBVA BANCOMER F/47997-2 (*)	MEXICO	REAL ESTATE	-	50.00	50.00	10,834	11,899	798	10,767	334
FIDEICOMISO 70191-2 PUEBLA(*)	MEXICO	REAL ESTATE	-	25.00	25.00	10,310	49,890	2,417	48,205	(732)
GRUPO PROFESIONAL PLANEACION Y PROYECTOS, S.A. DE C.V.(*)	MEXICO	SERVICES	-	44.39	44.39	6,851	21,241	11,904	9,160	177 ⁽¹⁾
HESTENAR, S.L.(*)	SPAIN	REAL ESTATE	-	43.34	43.34	7,816	27,835	21,969	5,909	(43)
IMOBILIARIA DAS AVENIDAS NOVAS, S.A.	PORTUGAL	REAL ESTATE	-	49.97	49.97	2,612	5,647	411	5,317	(81)
IMOBILIARIA DUQUE DE AVILA, S.A.(*)	PORTUGAL	REAL ESTATE	-	50.00	50.00	4,993	26,138	16,504	9,848	(214)
INMUEBLES MADARIAGA PROMOCIONES, S.L.(*)	SPAIN	REAL ESTATE	50.00	-	50.00	7,127	7,196	884	6,327	(15)
JARDINES DEL RUBIN, S.A.(*)	SPAIN	REAL ESTATE	-	50.00	50.00	4,828	44,451	38,551	4,103	1,797
LA ESMERALDA DESARROLLOS, S.L.(*)	SPAIN	REAL ESTATE	-	25.00	25.00	4,997	56,571	36,571	20,000	0
LAS PEDRAZAS GOLF, S.L.(*)	SPAIN	REAL ESTATE	-	50.00	50.00	15,813	75,014	43,177	31,910	(73)
METROPOLITAN PARTICIPACIONES, S.L.	SPAIN	PORTFOLIO	-	40.67	40.67	131,114	861,387	536,098	336,135	(10,846) ⁽²⁾
MONTEALMENARA GOLF, S.L.(*)	SPAIN	REAL ESTATE	-	50.00	50.00	2,934	86,561	51,518	15,606	19,437
PARQUE REFORMA SANTA FE, S.A. DE C.V.	MEXICO	REAL ESTATE	-	30.00	30.00	5,589	51,784	30,946	18,038	2,800
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCIAL SERV.	-	40.00	40.00	7,006	66,702	58,491	7,397	815
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE C.V.	MEXICO	SERVICES	-	46.14	46.14	4,436	20,613	10,216	9,930	466
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERV.	20.50	0.93	21.43	10,638	52,992	3,598	49,371	23
TELEFONICA FACTORING, S.A.	SPAIN	FINANCIAL SERV.	30.00	-	30.00	2,942	115,918	106,503	6,905	2,510
TUBOS REUNIDOS, S.A.	SPAIN	INDUSTRIAL	-	24.26	24.26	84,754	634,707	339,202	235,098	60,407
VITAMEDICA S.A. DE C.V.(*)	MEXICO	INSURANCE	-	50.99	50.99	2,666	9,244	3,307	5,760	177
OTRAS SOCIEDADES						50,462				
TOTAL						1,541,958	4,655,513	2,363,508	1,689,712	602,293

Data relating to the latest financial statements (generally for 2004) approved at the date of preparation of these notes to the consolidated financial statements.

For the companies abroad the exchange rates ruling at the reference date are applied,

(1) Consolidated data

(2) Company incorporated in 2007

(*) Jointly controlled entities accounted for using the equity method.

APPENDIX IV

Notifications of acquisitions/disposals of interest ownership in investees of the Group

Company	Activity	% of Ownership		Date of Notification to Investee
		Net % Acquired (Sold) in the Year	% at Year-End	
Acquisitions made until December 31, 2006				
BBVA CARTERA DE INVERSIONES SICAV, S.A.	PORTFOLIO	17.40	92.25	January 9, 2007
HESTENAR, S.L.	REAL ESTATE	3.34	43.34	January 18, 2007
INENSUR BRUNETE, S.L.	REAL ESTATE	50.00	100.00	October 20, 2006
TECNICAS REUNIDAS, S.A.	SERVICES	(15.23)	10.16	June 26, 2006
UNO-E BANK, S.A.	BANKING	33.00	100.00	August 10, 2006
Acquisitions made until December 31, 2007				
FORO LOCAL, S.L.	SERVICES	39.87	100.00	July 13, 2007
HOLDING DE PARTICIPACIONES INDUSTRIALES 2000, S.A.	PORTFOLIO	50.00	100.00	June 13, 2007
ECONTA GESTION INTEGRAL, S.L.	SERVICES	60.00	60.00	August 9, 2007
METROPOLITAN PARTICIPATIONS, S.L.	PORTFOLIO	40.67	40.67	October 11, 2007

APPENDIX V

Subsidiaries fully consolidated as of December 31, 2007 with more than 5% owned by non-group shareholders

Company	Activity	% of Voting rights Controlled by the bank		
		Direct	Indirect	Total
ALTITUDE INVESTMENTS LIMITED	FINANCIAL SERV.	51.00	-	51.00
ALTURA MARKETS, A.V., S.A.	SECURITIES	50.00	-	50.00
BANCO BILBAO VIZCAYA ARGENTARIA CHILE, S.A.	BANKING	58.36	9.81	68.17
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	BANKING	1.85	53.75	55.60
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SECURITIES	70.00	-	70.00
BBVA INMOBILIARIA E INVERSIONES S.A.	REAL ESTATE	-	68.11	68.11
BLUE VISTA PLATAFORMA DE EMISIÓN EN NUEVOS MEDIOS, S.L.	SERVICES	-	70.00	70.00
DESARROLLO URBANISTICO DE CHAMARTÍN, S.A.	REAL ESTATE	-	72.50	72.50
EL OASIS DE LAS RAMBLAS, S.L.	REAL ESTATE	-	70.00	70.00
ESTACIÓN DE AUTOBUSES CHAMARTÍN, S.A.	SERVICES	-	51.00	51.00
FINANZIA AUTORENTING, S.A.	SERVICES	-	88.32	88.32
GESTIÓN DE PREVISIÓN Y PENSIONES, S.A.	PENSIONS	60.00	-	60.00
HOLDING CONTINENTAL, S.A.	PORTFOLIO	50.00	-	50.00
IBERDROLA SERVICIOS FINANCIEROS, E.F.C, S.A.	FINANCIAL SERV.	-	84.00	84.00
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	PORTFOLIO	48.00	-	48.00
JARDINES DE SARRIENA, S.L.	REAL ESTATE	-	85.00	85.00
MIRADOR DE LA CARRASCOSA, S.L.	REAL ESTATE	-	55.90	55.90
PERI 5.1 SOCIEDAD LIMITADA	REAL ESTATE	-	54.99	54.99
PREVENTIS, S.A.	INSURANCES	-	75.01	75.01
PROMOTORA RESIDENCIAL GRAN EUROPA, S.L.	REAL ESTATE	-	58.50	58.50
PRO-SALUD, C.A.	SERVICES	-	58.86	58.86
PROVINCIAL DE VALORES CASA DE BOLSA, C.A.	FINANCIAL SERV.	-	90.00	90.00
PROXIMA ALFA INVESTMENTS (UK) LLP	FINANCIAL SERV.	-	51.00	51.00
PROXIMA ALFA INVESTMENTS, SGIIC, S.A.	FINANCIAL SERV.	51.00	-	51.00
SNB-WP, LP	FINANCIAL SERV.	-	51.00	51.00
UNIDAD DE AVALUOS MEXICO S.A. DE C.V.	FINANCIAL SERV.	-	90.00	90.00



Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2007

THE BBVA GROUP

Banco Bilbao Vizcaya Argentaria, S.A. (“the Bank” or “BBVA”) is a private-law entity governed by the rules and regulations applicable to banks operating in Spain and is the Parent of the finance group which engages in the direct or indirect performance of activities, transactions, agreements and services relating to banking. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The Banco Bilbao Vizcaya Argentaria Group (“the Group or BBVA Group”) is an internationally diversified finance group with a significant presence in traditional retail banking, asset management, private banking and wholesale banking.

The financial information included in this management report is presented in accordance with the criteria established by

the International Financial Reporting Standards (IFRSs) approved by the European Union and taking into account Bank of Spain Circular 4/2004.

ECONOMIC ENVIRONMENT

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

Financial markets took centre-stage in 2007. During the first few months of the year long-term interest rates increased and stock markets gained ground. Nonetheless by June the market had begun to question the quality of some loan-based derivatives and this sparked a liquidity crisis. Interbank rates

climbed and the flow of commercial paper and bonds started to slow. This was accompanied by a significant change in assessments of the risk attached to a considerable number of assets and by a fall on stock markets. At the same time the increased price of crude oil and basic farming products caused inflation to rebound. In view of the deteriorating circumstances central banks intervened to increase liquidity. However during this process financial markets in emerging economies performed relatively well.

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

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

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

Exchange rates: in the fourth quarter the US dollar fell 3.7% against the euro, dragging down most Latin-American currencies. This confirmed the overall depreciation of those that have most impact on the BBVA Group's financial statements. Thus, as of December 31, 2007 the Mexican peso fell 10.8%, the US dollar 10.5%, the Argentine peso 12.9%, the Venezuelan bolivar 10.7%, the Peruvian sol 4.5% and the Chilean peso 3.8%. This has a negative impact on the year-on-year comparisons of the Group's balance sheet.

The effect on the income statement is also negative because it depends on the difference in average exchange rates for 2007 and 2006. These also reveal depreciations: the Mexican peso fell

8.6% against the euro, the US dollar and the Venezuelan bolivar fell 8.4%, the Argentine peso 10%, the Chilean peso 6.9% and the Peruvian sol 4.1%. The Colombian peso moved in the opposite direction, gaining 4.1%. Overall, the negative impact on the Group's income statement in 2007 is approximately five percentage points.

	Average Exchange Rates		Year-end Exchange rates	
	2007	2006	2007	2006
Mexican peso	14.9730	13.6923	16.0521	14.3230
Venezuelan bolivar	2,941.18	2,695.42	3,164.56	2,824.86
Colombian peso	2,840.91	2,958.58	2,967.36	2,941.18
Chilean peso	715.31	666.22	731.53	703.73
Peruvian new sol	4.2856	4.1111	4.4060	4.2098
Argentine peso	4.3111	3.8806	4.6684	4.0679
U.S. dollar	1.3705	1.2556	1.4721	1.3170

SELECTED HISTORICAL FINANCIAL INFORMATION ON THE BBVA GROUP FOR 2007 AND 2006

The selected financial information as of December 31, 2007 and 2006 is as follows:

	2007	2006
BALANCE SHEET (Millions of euros)		
Total assets	502,204	411,916
Total lending (gross)	317,358	262,377
Deposits from other creditors	236,183	192,374
Debt certificates (including bonds)	82,999	77,674
Subordinated liabilities	15,662	13,597
Equity	27,943	22,318
Shareholders' funds	24,811	18,209
INCOME STATEMENT (Million of euros)		
Net interest income	9,769	8,374
Core revenues	18,133	15,701
Ordinary revenues	10,544	8,883
Pre-tax profit	8,495	7,030
Net attributable profit	6,126	4,736
DATA PER SHARE AND MARKET CAPITALIZATION		
Share price (euros)	16.76	18.24
Market capitalization (million of euros)	62,816	64,788
Basic earnings per share (euros)	1.70	1.39
Diluted earnings per share (euros)	1.70	1.39
Book value (euros)	6.62	5.13
Dividend (euros)	0.73	0.64
PER (Price/earnings ratio; times)	10.3	13.7
P/BV (Price/book value; times)	2.5	3.6
SIGNIFICANT RATIOS (%)		
Operating profit/ ATA	2.28	2.24
ROE (Net attributable profit/ Average equity)	34.2	37.6
ROA (Net profit/ATA)	1.39	1.26
RORWA (Net profit/ Risk weighted average assets)	2.29	2.12
Efficiency ratio (Gross income+sales and income from the provision of non-financial services+other operating income/Cost of sales+ personnel expenses+other administrative expenses+other operating expenses)	38.1	39.6
Efficiency ratio including depreciation and amortization	41.3	42.6
NPL ratio	0.89	0.83
NPL coverage ratio	224.8	272.8
CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)		
Total	10.7	12.0
Core capital	5.3	6.2
TIER I	6.8	7.8
OTHER INFORMATION		
Number of shares (million euros)	3,748	3,552
Number of shareholders	889,734	864,226
Number of employees	111,913	98,553
Spain	31,106	30,582
America ⁽¹⁾	78,805	66,146
Rest of the world	2,002	1,825
Number of branches	8,028	7,499
Spain	3,595	3,635
America ⁽¹⁾	4,291	3,742
Rest of the world	142	122
⁽¹⁾ Includes those related to the BBVA Group's banking, pension fund managers and insurance companies in all the American countries in which it is present.		

CONSOLIDATED INCOME STATEMENT

The Group's consolidated income statements for 2007 and 2006 are as follows:

	Millions of euros	
	2007	2006
Core net interest income	9,421	7,995
Dividends	348	379
NET INTEREST INCOME	9,769	8,374
Income by the equity method	242	308
Net fee income	4,723	4,335
Income from insurance activities	729	650
CORE REVENUES	15,463	13,667
Net trading income and exchange differences	2,670	2,034
ORDINARY REVENUES	18,133	15,701
Net revenues from non-financial activities	187	131
Personnel costs	(4,335)	(3,989)
General expenses	(2,718)	(2,342)
Depreciation and amortization	(577)	(472)
Other operating income and expenses	(146)	(146)
OPERATING PROFIT	10,544	8,883
Impairment losses on financial assets	(1,937)	(1,504)
Loan loss provisions	(1,902)	(1,477)
Other	(35)	(27)
Finance income from non financial activities	1	3
Provisions	(210)	(1,338)
Other income/ losses (net)	97	989
Disposal of tangible assets	367	72
From disposal of equity holdings	11	934
Other	(281)	(20)
PRE-TAX PROFIT	8,495	7,030
Corporate income tax	(2,080)	(2,059)
NET PROFIT	6,415	4,971
Minority interests	(289)	(235)
NET ATTRIBUTABLE PROFIT	6,126	4,736

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

- 2007 included €883 million of gross capital gains on the sale of the Group's interest in Iberdrola (booked as trading income) of which €847 million are considered one capital gains, and €273 million of gross capital gains from the sale of buildings in connection with the new corporate headquarters. Additionally, €200 million were charged for the endowment of the BBVA Microcredit Foundation and, in the fourth quarter, the Group set aside provisions of €100 million for early retirements under the Transformation Plan.
- In 2006, the Group obtained €523 million of gross capital gains on the sale of its interest in Repsol (booked as trading income), and €751 million of gross

capital gains on the sale of its interests in BNL and Andorra. That year, the Group charged €777 million for early retirement associated with the restructuring of branch networks in Spain and the new organisational structure, as well as setting aside additional provisions for corporate tax (mainly the result of the new tax code).

The combined effect of all these operations, net of corresponding taxes, was additional net attributable profit of €724 million in 2007 and €156 million in 2006.

Net attributable profit for the whole year is €6,126 million, an increase of 29.4% compared to 2006 (€4,736 million). At constant exchange rates, the increase is 34.4%, as the impact of the variation of exchange rates on the income statement for 2007 is negative (about 5 percentage points). The increase in recurrent income (ordinary revenues were up 15.5%) outpaced the rise in expenses, leading to a new improvement in efficiency. Consequently operating profit rose 18.7% to €10,544 million, compared to €8,883 million in 2006 (up 23.5% at constant exchange rates).

Excluding non-recurrent events, net attributable profit came to €5,403 million with an increase of 18.0% over the €4,580 million obtained in 2006 (22.8% at constant exchange rates). Consequently operating profit rose 16.0% to €9,698 million, compared to €8,360 million in 2006 (up 21.0% at constant exchange rates).

The growth in earnings was basically organic. Changes in the Group's structure accounted for only 2.0 percentage points of the increase in operating profit and 1.3 points in the case of net attributable profit. These contributions are mainly due to Compass which, since its incorporation on September 7, 2007, has provided €138 million to operating profit and €70 million to net attributable profit.

In 2007, net interest income was the main source of the increase in the Group's revenues. It came to €9,769 million, an increase of 16.7% over the €8,374 million obtained in 2006 (+22.0% at constant exchange rates). If dividends of €348 million are deducted, net interest income rose 17.8% year-on-year to €9,421 million (up 23.5% at constant rates). The improvement was due to the higher volume of business and to wider spreads on operations with customers.

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

Net fee income came to €4,723 million, up 9.0% compared to 2006 (up 13.3% at constant exchange rates). During the year fees on mutual and pension fund business fell 2.1% because time deposits still account for most of the growth in customer funds and because the Group faces stiffer competition in the Mexican pension business.

Insurance business generated €729 million for the full year (up 12.0%). Therefore net fee income plus insurance rose 9.4% to €5,452 million, compared to €4,985 million a year earlier (up 13.7% at constant rates).

Net trading income and exchange differences in 2007 rose 31.3% to €2,670 million, compared to €2,034 million in 2006. If non-recurrent capital gains are not included, these revenues rose 20.7% to €1,823 million, compared to €1,511 million in 2006.

As a result, ordinary revenues came to €18,133 million in 2007. This is 15.5% more than the €15,701 million obtained in 2006. Net gains on non-financial activities, which are mainly related to real estate business, increased 43.0% to €187 million (€131 million in 2006). As a result the Group's total operating revenues rose 15.7% year-on-year to €18,321 million.

Operating expenses reflected the greater level of business activity, investments in growth projects, new banks incorporated and the expansion of the network of offices and the sales force in some American countries but they are still increasing more slowly than revenues. General administration costs were up 11.4% to €7,053 million for the year. Personnel costs rose 8.7% and other overheads climbed 16.1%.

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

As the increase in operating income (up 15.7%) exceeded that of expenses net of recuperated expenses and depreciation (up 12.2%), the cost/income ratio in 2007 improved to 41.3% (from 42.6% in 2006). Excluding non-recurrent events, this ratio is 43.2% (44.0% in 2006).

These changes also helped operating profit to improve to €10,544 million in 2007. This was an increase of 18.7% compared to the €8,883 million obtained in 2006 (up 23.5% at constant exchange rates). Excluding the effect of one-off capital gains (Iberdrola in 2007 and Repsol in 2006), operating profit increased 16.0% to €9,698 million (21.0% at constant rates compared to the 8,360 million obtained in 2006).

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

Transfers to other provisions came to €210 million for the year (€1,338 million in 2006). This amount includes €312 million for early retirements and an additional €100 million related to the Transformation Plan. In 2006 ordinary early

retirement provisions came to €1,054 million and non-recurrent ones (linked to the restructuring of branch networks and new organizational structure) came to €777 million.

The sale of equity holdings contributed only €11 million in 2007 and the main item was €13 million from the sale of a pension fund manager and an insurance company in the Dominican Republic. In 2006 this item came to €934 million, which was complemented by non-recurrent capital gains on the sale of holdings in BNL (€568 million) and Banc Internacional de Andorra (€183 million). Other items of a singular nature in 2007 include €279 million in capital gains from the sale of buildings in connection with the new corporate headquarters and a €200 million charge for endowment of Fundación BBVA para las Microfinanzas (microcredit Foundation).

Therefore pre-tax profit rose 20.8% to €8,495 million (€7,030 million in 2006). The corporate tax rate in Spain was lowered to 32.5% in 2007 and thus provisions for this item are also lower (€2,080 million). In 2006 the new tax code generated a one-time charge to adjust deferred tax credits to the new rates.

Net profit after tax came to €6,415 million (€4,971 million in 2006). After deducting €289 million for minority interests, the net profit attributable to the Group in 2007 is €6,126 million. This figure is 29.4% higher than the €4,736 million obtained in 2006 (34.4% higher at constant exchange rates).

If non-recurrent items (€724 million of attributable profit in 2007 and €156 million in 2006) are included, the total net attributable profit for 2007 rose 18.0% year-on-year to €5,403 million (€4,580 million in 2006). Without the effect of exchange rates the increase was 22.8%.

Earnings per share (EPS) in 2007 came to €1.70, an increase of 22.4% compared to the €1.39 obtained in 2006 (without non-recurrent items €1.50, and increase of 11.6% compared to €1.35 in 2006). It rose somewhat less than net attributable profit owing to an increase in the number of shares following capital increases in September 2007 and November 2006. These capital increases enlarge shareholder's funds, altering book value per share, which rises 29.1% to €6.62. The return on equity (ROE) is also affected coming down to 34.2% in 2007 from 37.6% in 2006. The return on total average assets (ROA) stands at 1.39%, which is higher to the 1.26% in 2006. Excluding non-recurrent earnings, ROE is 30.2% and ROA is 1.23% (36.4% and 1.22% respectively in 2006).

BUSINESS ACTIVITY

The Group's consolidated balance sheets as of December 31, 2007 and 2006 are as follows:

ASSETS	Millions of euros	
	2007	2006
CASH AND BALANCES WITH CENTRAL BANKS	22,581	12,515
FINANCIAL ASSETS HELD FOR TRADING	62,336	51,835
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	1,167	977
AVAILABLE FOR SALE FINANCIAL ASSETS	48,432	42,267
LOANS AND RECEIVABLES	338,492	279,855
HELD-TO-MATURITY INVESTMENTS	5,584	5,906
HEDGING DERIVATIVES	1,050	1,963
NON-CURRENT ASSETS HELD FOR SALE	240	186
INVESTMENTS	1,542	889
REINSURANCE ASSETS	43	32
TANGIBLE ASSETS	5,238	4,527
INTANGIBLE ASSETS	8,244	3,269
TAX ASSETS	4,958	5,278
PREPAYMENTS AND ACCRUED INCOME AND ACCRUED EXPENSES AND DEFERRED INCOME	604	674
OTHER ASSETS	1,693	1,743
TOTAL ASSETS	502,204	411,916

TOTAL EQUITY AND LIABILITIES	Millions of euros	
	2007	2006
LIABILITIES		
FINANCIAL LIABILITIES HELD FOR TRADING	19,273	14,923
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	449	582
FINANCIAL LIABILITIES AT AMORTISED COST	429,204	348,445
HEDGING DERIVATIVES	1,807	2,280
LIABILITIES UNDER INSURANCE CONTRACTS	9,997	10,121
PROVISIONS	8,342	8,649
TAX LIABILITIES	2,817	2,369
ACCRUED EXPENSE AND DEFERRED INCOME	1,820	1,510
OTHER LIABILITIES	552	719
TOTAL LIABILITIES	474,261	389,598
EQUITY		
MINORITY INTERESTS	880	768
VALUATION ADJUSTMENTS	2,252	3,341
SHAREHOLDER EQUITY	24,811	18,209
Capital or endowment fund	1,837	1,740
Share premium	12,770	9,579
Reserves	6,060	3,629
Other equity instruments	68	35
Less: Treasury shares	(389)	(147)
Profit of the period attributed to the Group	6,126	4,736
Less: Dividends and remuneration	(1,661)	(1,363)
TOTAL EQUITY	27,943	22,318
TOTAL EQUITY AND LIABILITIES	502,204	411,916

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

The Compass group became part of BBVA in September and State National Bank in January. Together at year-end they contributed €26 billion in assets, €19 billion in loans, €17 billion in deposits and €5 billion in funds reported off the balance sheet. For this reason the comparisons of key figures are generally presented on a like-for-like basis, ie, excluding Compass and State National. This gives a better picture of the BBVA Group's organic growth.

Furthermore any examination of the Group's balance sheet must take account of movements in the exchange-rate of those currencies that have a major impact on its financial statements. From December 31, 2006 to December 31, 2007 most of these fell against the euro, especially the Mexican and Argentine pesos, the US dollar and the bolivar (which all declined more than 10%). This has a negative effect on year-on-year comparisons of the balance sheet. Therefore the growth rates quoted below exclude the effect of exchange rates on the key figures.

As of December 31, 2007 the total assets of the BBVA Group stood at €502 billion, rising 21.9% compared to €412 billion a year earlier (up 15.5% on a like-for-like basis).

By the end of 2007 lending to customers had risen 20.9% to €318 billion (€263 billion as of December 31, 2006). At constant exchange rates the increase is 23.2% and if it is calculated on a like-for-like basis (excluding Compass and State National) the increase in lending is 15.8%.

Of the loans extended to domestic customers in Spain, those of the public sector were stable during the year, at €16 billion. However lending to the domestic private sector rose 12.4% to €187 billion (€166 billion a year earlier). Residential mortgage business continued to slow gradually and this is reflected in the total for secured loans, which rose 15.4% to nearly €105 billion. The increase in consumer finance and lending to SMEs and small businesses had an effect on various items such as "Credit card debtors" (up 31.1%), "Other term loans" (up 11.5%) and "Financial leases" (up 11.1%).

Lending to the non-domestic sector jumped 42.8% to €112 billion (€78 billion as of December 31, 2006). Without the impact of exchange rates and on a like-for-like basis, the increase is 26.0%. This was the result of good performances by most of the Group's units, especially Mexico, Colombia, Peru, Venezuela and the wholesale business in Asia, with growth in local currency well above 25%.

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

Total customer funds, on and off the balance sheet, came to €486 billion as of December 31, 2007, an increase of 14.1% compared to €426 billion at the end of 2006 (up 17.1% at constant exchange rates and 11.7% on a like-for-like basis).

Customer funds on the balance sheet grew faster, rising 18.1% to €335 billion (up 20.8% at constant rates). Of this amount, customer deposits contributed €236 billion (up 22.8%), marketable debt securities accounted for €83 billion (up 6.9%) and subordinate liabilities represented €16 billion (up 15.2%).

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

In Spain the figure that best represents customer funds is the aggregate of current and savings accounts, time deposits from the domestic private sector, mutual funds and pension funds. As of December 31, 2007 these came to €138 billion with an increase of 0.7% during the year (up 2.3% excluding the eurodeposits' volatile balances accounted in the markets unit).

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

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

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

and savings accounts grew sharply to €51 billion, an increase of 34.8% (up 47.1% at constant rates).

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

EXCEPTIONAL FACTORS

No exceptional factors shaped or conditioned the BBVA Group's main businesses. No unusual events of significance had a material impact on the BBVA's consolidated annual accounts in 2007 or 2006.

BUSINESS PERFORMANCE / NEW PRODUCTS AND SERVICES

The breakdown of attributable net profit in 2007 by business segment is as follows: Retail Banking Spain and Portugal contributed €2,397 million (up 24.9% on 2006), Global Businesses, €909 million (up 5.4%), Mexico and USA, €2,084 million (up 17.4% in euros and 28.4% at constant exchange rates) with South America accounting for €623 million (+22.4% at nominal exchange rates and 29.3% at constant rates). Corporate Activities accounted for gains of €113million (compared to losses of €329 million in 2006).

SPAIN AND PORTUGAL

Spain and Portugal	Millions of euros	
	2007	2006
NET INTEREST INCOME	4,295	3,747
Income by the equity method	-	1
Net fee income	1,679	1,627
Income from insurance activities	461	376
CORE REVENUES	6,435	5,751
Net trading income	235	215
ORDINARY REVENUES	6,670	5,966
Net revenues from non-financial activities	51	32
Personnel and general administrative expenses	(2,487)	(2,419)
Depreciation and amortization	(109)	(104)
Other operating income and expenses	26	20
OPERATING PROFIT	4,151	3,495
Impairment losses on financial assets	(604)	(552)
Loan loss provisions	(595)	(553)
Other	(9)	1
Provisions (net)	(3)	(3)
Other income/losses (net)	9	22
PRE-TAX PROFIT	3,553	2,962
Corporate income tax	(1,156)	(1,040)
NET PROFIT	2,397	1,922
Minority interests	-	(3)
NET ATTRIBUTABLE PROFIT	2,397	1,919

marketing productivity and in the cost/income ratio. As a result, net attributable profit was up 24.9% to €2,397 million compared to €1,919 million in 2006 bringing ROE to 36.4% (31.1% in 2006).

As of December 31, 2007, the Spain & Portugal Area managed a loan portfolio of €199,929 million (up 11.5% year-on-year). Total customer funds under management (deposits, mutual and pension funds, and other placements) came to €147,167 million (up 1.6%). Those reported on the balance sheet increased 7.8%, especially time deposits which jumped 33.4% to €30,980 million. Transactional deposits (current and savings accounts) came to €40,632 million (€44,083 million as of December 31, 2006), mutual funds came to €40,024 million (€43,006 million as of December 31, 2006) and pension funds rose 6.3% to €10,064 million.

Selective lending and control of the cost of funds led to a new advance in customer spreads, corroborating the profitable growth policy. Net interest income rose 14.6% to €4,295 million in 2007.

Other sources of income rose 7.8%. Net fee income increased 3.2% to €1,679 million (fees on banking services compensated the slowdown in mutual and pension funds). Income from the insurance business rose 22.5% to €461 million, net trading income was up 9.2% to €235 million and net sales of non-financial services jumped 57.9% to €51 million. Consequently ordinary revenues grew 11.8% to €6,670 million.

The rationalisation of the internal structure in 2006, the creation of 'DUO' branches (shared by retail banking and Dinero Express) and active management of outlets (new outlets in areas of high potential) helped to keep expenses under control. In the case of Spanish networks they rose 0.5% and the total for the whole area increased only 2.8% (less than inflation). The higher revenues and cost containment led to a new improvement of 3.4 percentage points in the cost/income ratio (from 41.0% in 2006 to 37.6%). Thus operating profit increased 18.8% to €4,151 million.

Net loan-loss provisions were up 7.5% to €595 million. They include provisions calculated collectively on impaired current assets because the non-performing loan ratio in the area remains low: 0.73% as of December 31, 2007. The coverage ratio remains high (231.2%).

With a view to providing customers with a better service, a reorganization process has been undertaken during the latter months of the year, which has involved transferring customers between different area units, mainly from Commercial Banking (Financial Services for Small Businesses) to CBB (Corporate & Business Banking). Likewise, December 2007 saw the grouping into only seven territorial head-offices of the two networks – individuals and SMEs, corporations and institutions – as a measure that constitutes a further step forward in the project launched in July 2006 for streamlining the organization and reinforcing commercial management.

Within the sphere of finance products designed for individual customers, new segments have been targeted with

Spain and Portugal	Millions of euros	
	2007	2006
Customer lending ⁽¹⁾	199,929	179,370
Customer deposits ⁽²⁾	91,928	85,309
Deposits	91,862	85,245
Assets sold under repurchase agreement	66	64
Off-balance-sheet funds	50,088	52,477
Mutual funds	40,024	43,006
Pension funds	10,064	9,471
Other placements	5,217	7,117
Customer portfolios	9,817	8,181
Total assets	225,930	203,192
ROE (%)	36.4	31.1
Efficiency ratio (%)	35.9	39.2
Efficiency incl. depreciation and amortization (%)	37.6	41.0
NPL ratio (%)	0.73	0.55
Coverage ratio (%)	231.2	315.7

(1) Gross lending excluding NPLs.
(2) Includes collection accounts and individual annuities..

Business with customers was marked by a slowdown in lending in the entire banking system. Time deposits grew faster whereas the demand for liquid deposits and mutual and pension funds declined. The area responded with an appropriate pricing policy to improve spreads and with new improvements in

offers of consumer loans with a pre-approved limit (*PIDE*), and the range of mortgage loans has been extended with the *Hipoteca BlueBBVA* for young people, the *Hipoteca Universal* (Universal Mortgage) for migrants, the *Hipoteca Cambio de Casa* (Moving Home Mortgage), the *Hipoteca Bienestar* (home equity loan) for those aged over 65, the *Hipoteca Fácil Básica* (Basic Easy Mortgage) and the *Hipoteca Rentas Altas Básica* (Basic High-Income Mortgage).

As regards deposits, special mention should be made of the following: in transactional deposits, the two *Quincenas del Libretón* (Passbook Fortnights); in time deposits, the *Multidepósito BBVA*, the *Depósito Creciente* (Growing Deposit) BBVA and the *Depósito Extra* for attracting new funds; and, in mutual funds and exchange-traded funds (ETFs), the roll-outs detailed in the area of Global Businesses.

Several campaigns have been launched for the small businesses segment, involving such innovative products as the *Préstamo Flexible Negocios* (Flexible Business Loan), the *Cuenta de Crédito Triple Cero Plus* (Triple Zero Plus Credit Account) and the *Pack Negocios* (Business Pack). The offer has been extended in risk hedging products (*Stockpyme*) and launch has been made of *Soluciones BBVA* (non-financial services for SMEs). Furthermore, the *Plan Comercios* for retailers has included products such as the *Cuenta Total Comercios* (Comprehensive Retailers Account), the *Cuenta de Crédito Comercios Triple Cero* (Triple Zero Retailers Credit Account), the *Pack Negocios* and the *Compromiso de Calidad* (Quality Commitment) for POS terminals. The farming sector has been catered for through the PAC Campaign and the launch of the new *Depósito PAC*.

Mention should be made in Consumer Finance of the purchase of Intesa Renting S.p.A., an Italian fleet management company, and the roll-out of *Depósito 15 Uno-e*.

Highlights within the sphere of Corporate & Business Banking are the special finance line for SMEs *Línea ICO PYME 2007*, the enlargement of the product offer catering for risk hedging (*Riskpyme*), a new product for advancing the reimbursement of VAT, IGIC (Canary Islands) and Corporate Tax, as well as new formulas, such as operating renting, the factoring of subsidies, leasing with exemption of capitals, leasing with confirmed payment, multipurpose leasing operation with a balloon payment, real estate renting, or confirming associated with a real estate leasing.

Finally an agreement has been reached in European Insurance with MAPFRE for the roll-out and marketing of car insurance, and new formats of *Rentas Aseguradas* (Guaranteed Incomes) have been launched within the *Plan Mayores* for senior citizens, as well as a new range of Keyman insurances and repatriation insurance for migrants and non-residents.

GLOBAL BUSINESSES

Millions of euros		
Global Businesses	2007	2006
NET INTEREST INCOME	124	150
Income by the equity method	239	283
Net fee income	521	453
Income from insurance activities	-	-
CORE REVENUES	884	886
Net trading income	789	498
ORDINARY REVENUES	1,673	1,384
Net revenues from non-financial activities	130	104
Personnel and general administrative expenses	(525)	(418)
Depreciation and amortization	(11)	(10)
Other operating income and expenses	4	10
OPERATING PROFIT	1,271	1,070
Impairment losses on financial assets	(127)	(125)
Loan loss provisions	(127)	(125)
Other	-	-
Provisions	5	(11)
Other income/losses	13	153
PRE-TAX PROFIT	1,162	1,087
Corporate income tax	(243)	(218)
NET PROFIT	919	869
Minority interests	(10)	(7)
NET ATTRIBUTABLE PROFIT	909	862

Millions of euros		
Global Businesses	2007	2006
Customer lending ⁽¹⁾	35,848	29,049
Customer deposits ⁽²⁾	42,742	35,400
Deposits	33,517	25,031
Assets sold under repurchase agreement	9,225	10,369
Off-balance-sheet funds	12,229	11,179
Mutual funds	4,859	4,000
Pension funds	7,370	7,179
Other placements	-	-
Customer portfolios	9,200	11,342
Total assets	97,414	85,274
ROE (%)	33.0	41.8
Efficiency ratio (%)	29.1	28.1
Efficiency incl. depreciation and amortization (%)	29.7	28.7
NPL ratio (%)	0.02	0.04
Coverage ratio (%)	n.s.	n.s.

(1) Gross lending excluding NPLs.
(2) Includes collection accounts.

As of December 31, 2007 the area managed €35,848 million in loans (up 23.4% year-on-year) and customer funds (deposits, mutual funds and pension funds) of €45,746 million (up 26.3%).

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

Ordinary revenues were complemented by €130 million of net sales from non-financial activities, which are mainly related to Anida's real estate operations. These grew 25.0%. General expenses increased 25.5% to €525 million owing to the Asian expansion and related investment strategies and to the growth plans of the global markets and distribution unit. Therefore operating profit for 2007 rose 18.8% to €1,271 million.

The quality of the area's loan portfolio is excellent. The non-performing loan ratio stands at 0.02% (an all-time low) compared to 0.04% as of December 31, 2006. This means loan-loss provisions are stable and almost exclusively calculated collectively. As a result the coverage ratio is extremely high (above 4,400%).

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

Global Markets has pursued a growth plan that has seen the opening of trading floors in Hong Kong and Düsseldorf and the *Centro Regional de Derivados* (Regional Derivatives Centre) in Mexico, for the distribution of products in Asia, Europe and Latin America, respectively, as well as for generating products in those zones that might do business with the Group throughout the world. Launch has likewise been made of *IRS Cuota Segura*, a timely hedging product for mortgage repayments within a scenario of interest rate rises, and the range of hedging derivatives that the networks in Spain and Portugal offer their customers has been expanded (within the *Riskpyme* and *Stockpyme* projects), as has the offer in commodities, inflation and alternative investment derivatives.

In Asia, as part of the strategic alliance with the CITIC Group, the planned investment has been made in China CITIC Bank (CNBC) and in CITIC International Financial Holdings (CIFH), and progress has been made in identifying opportunities for co-operation in different lines of business. Agreements have also been signed with the Korean banks Korea Eximbank and Kookmin Bank, and a representative office has been opened in Mumbai (India).

In Asset Management and Private Banking, special note should be taken of the following launches: *BBVA Capital Privado*, private equity fund; *Altitude Teide* and *BBVA Propiedad Global*, hedge funds; new guaranteed mutual funds, both in equity, such as *BBVA Europa Máximo* and *BBVA Garantizado 5 x 5 II*, and in fixed-income; the *BBVA Bolsa China* (China Stock Market); five exchange-traded funds, in equity (*Acción BBVA FTSE Latibex Top ETF* and *Acción FTSE Latibex Brasil ETF*), fixed-income (*AFI Monetario Euro ETF* and *AFI Bonos Medio Plazo ETF*), with the *Ibex Top Dividendo* as underlying; and, for private banking customers, the property investment firms Real Estate México I, II and III and a photovoltaic solar energy project in La Gineta (Albacete- Spain).

Finally, regarding the activity in business projects, a sell-off has been made of the investment in Iberia and of part of the stock held in Gamesa and Técnicas Reunidas and a shareholding has been taken up in Occidental Hoteles, through the new risk capital fund PECE I.

MEXICO AND USA

Mexico and USA	Millions of euros	
	2007	2006
NET INTEREST INCOME	4,304	3,535
Income by the equity method	3	(2)
Net fee income	1,621	1,390
Income from insurance activities	313	304
CORE REVENUES	6,241	5,227
Net trading income	254	196
ORDINARY REVENUES	6,495	5,423
Net revenues from non-financial activities	7	(4)
Personnel and general administrative expenses	(2,359)	(1,945)
Depreciation and amortization	(225)	(126)
Other operating income and expenses	(121)	(117)
OPERATING PROFIT	3,797	3,231
Impairment losses on financial assets	(930)	(685)
Loan loss provisions	(919)	(672)
Other	(11)	(13)
Provisions	21	(73)
Other income/losses	(9)	42
PRE-TAX PROFIT	2,879	2,515
Corporate income tax	(794)	(738)
NET PROFIT	2,085	1,777
Minority interests	(1)	(2)
NET ATTRIBUTABLE PROFIT	2,084	1,775

Mexico and USA	Millions of euros	
	2007	2006
Customer lending ⁽¹⁾	53,052	31,449
Customer deposits ⁽²⁾	56,820	41,309
Deposits	51,358	34,879
Assets sold under repurchase agreement	5,462	6,430
Off-balance-sheet funds	19,862	18,478
Mutual funds	11,214	9,853
Pension funds	8,648	8,625
Other placements	3,127	3,294
Customer portfolios	12,919	6,941
Total assets	104,059	71,830
ROE (%)	47.6	46.7
Efficiency ratio (%)	36.3	35.9
Efficiency incl. depreciation and amortization (%)	39.7	38.2
NPL ratio (%)	1.97	2.19
Coverage ratio (%)	189.1	248.9
(1) Gross lending excluding NPLs and Bancomer's old mortgage portfolio.		
(2) Excluding deposits and repos issued by Bancomer's Markets unit and Puerto Rico.		

During 2007, the Mexican peso and the US dollar depreciated against the euro, producing a negative impact on the area's balance sheet and its aggregate earnings to December. This is why all year-on-year comparisons refer to constant exchange rates, as they are most significant when analysing management performance. The incorporation of Compass within the Group in September 2007 has contributed an operating profit of €138 million and a net attributable profit of €70 million. As of December 31, 2007 Compass showed €17,795 million in loans and €16,514 million in deposits.

At year-end 2007, the area manages loans and advances to other debtors valued at €53,052 million with an increase of 88.9% (+28.7% in BBVA Bancomer), funds (customer deposits, mutual funds, investment companies and intermediation products) of €71,162 million (+46.4% year on year, which is a 12.1% in BBVA Bancomer) and pension funds of €8,648 million (+12.4% year on year).

This increased activity and a high customer spread pushed net interest income up 33.1% over the year to €4,304 million and was the main driving force behind the area's earnings. Income from fees and insurance grew 24.8% to €1,934 million and net trading income 41.9% to €254 million. These figures plus the afore-mentioned net interest income growth led to ordinary revenues of €6,495 million, up 30.9% year on year.

Personnel and general administrative costs subtracted €2,359 million. They rose due to increased sales activity, expansion of the branch network in México (branches, ATMs and POS terminals) and the banks bought in the United States. Because these banks' cost-income ratios are not as good as Bancomer's, incorporating them into the structure brought the area's overall cost-income ratio up to 39.7% in 2007, compared to 38.2% in 2006. Nonetheless, Mexico improved its cost-

income ratio by 1.5% and the United States by 2.4%. Meanwhile, operating profit reached €3,797 million. This was 28.5% higher than in 2006.

Increased loan-loss provisioning continued to reflect strong lending growth, as provisions are made against expected loss. The non-performing loan ratio (NPL) was checked further, at 1.97% compared with 2.19% in December 2006. And the coverage ratio remained high at 189.1%.

Finally, net attributable profit reached €2,084 million, increasing 28.4% year on year, while return on equity was 47.6% (ROE was 46.7% in 2006).

In Mexico, expansion has been made of the branch, ATM and point-of-sale terminal networks and further inroads have been made in extending banking usage, with a view to enlarging the customer base.

Within the sphere of Commercial Banking, new *Quincenas del Ahorro* (Savings Fortnights) have been arranged with *El Libretón* (Passbook) and new products have been rolled out for retail customers, such as Winner Card, a savings account for children and young people, *El Libretón Dólares*, associated with an international debit card, the credit cards *Tarjeta a tu Medida* (Customized Card) and *Tarjeta Instantánea* (Instant Card), with immediate approval in branch offices, a new card for family members receiving remittances from the United States and a new public liability insurance for trips to the USA. In addition, a campaign has been held for small enterprises involving the business loan *Crédito Redondo Negocios* (Business Loan). In turn, Banca Hipotecaria has launched the *Hipoteca Joven* (Young Persons Mortgage), which offers greater financing, a low monthly rate and a 20-year repayment period.

Asset Management has seen the launch of the *Fondo Privado de Inversión Inmobiliaria*, a private equity fund designed to drive the housing sector, as well as a new range of international funds. Likewise, in Companies and Government, credit admission powers have been extended in branch offices to improve both commercial performance and the service rendered to customers, and the distribution of derivatives to customers has begun (*Riskpyme* project).

In the USA, in January 2007, State National Bank joined the Group and progress has been made in the process of integrating the operations of the three banks in Texas (Laredo National Bank, Texas State Bank and State National Bank). September saw the completion of the process of purchasing Compass Bank and, at the end of the year, a new organizational structure has been put in place for BBVA USA, with an ambitious calendar for the legal and operating integration of the above four banks throughout 2008.

SOUTH AMERICA

South America	Millions of euros	
	2007	2006
NET INTEREST INCOME	1,657	1,310
Income by the equity method	2	3
Net fee income	919	815
Income from insurance activities	(11)	(6)
CORE REVENUES	2,567	2,122
Net trading income	201	283
ORDINARY REVENUES	2,768	2,405
Net revenues from non-financial activities	-	-
Personnel and general administrative expenses	(1,181)	(1,103)
Depreciation and amortization	(93)	(93)
Other operating income and expenses	(40)	(46)
OPERATING PROFIT	1,454	1,163
Impairment losses on financial assets	(269)	(149)
Loan loss provisions	(258)	(151)
Other	(11)	2
Provisions	(65)	(59)
Other income/losses	(18)	-
PRE-TAX PROFIT	1,102	955
Corporate income tax	(197)	(229)
NET PROFIT	905	726
Minority interests	(282)	(217)
NET ATTRIBUTABLE PROFIT	623	509

South America	Millions of euros	
	2007	2006
Customer lending ⁽¹⁾	21,839	17,366
Customer deposits ⁽²⁾	25,310	22,773
Deposits	24,545	21,667
Assets sold under repurchase agreement	765	1,106
Off-balance-sheet funds	36,551	33,447
Mutual funds	1,725	1,575
Pension funds	34,826	31,872
Other placements	-	-
Customer portfolios	-	-
Total assets	34,690	30,496
ROE (%)	32.8	31.8
Efficiency ratio (%)	42.7	45.9
Efficiency incl. depreciation and amortization (%)	46.0	49.7
NPL ratio (%)	2.14	2.67
Coverage ratio (%)	145.6	132.8
(1) Gross lending excluding NPLs.		
(2) Includes marketable debt securities.		

In 2007, most Latam currencies weakened against the euro. This reflected negatively on the area's balance sheet and income statement. Therefore, the growth rates at all following comments are at constant exchange rates, which are the best indicator of management quality.

Booming domestic demand in all the region's countries enabled them to substantially improve key variables in the Latin-American financial-services industry, most notably profitability and solvency. Against this positive backdrop, the South America area has obtained €623 million in attributable profit, 29.3% up on 2006 and a return on equity of 32.8% (ROE was 31.8% in 2006).

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

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

General administrative costs showed lower growth than revenues, increasing 12.8% in 2007, despite considerable marketing activity and high inflation in Venezuela and Argentina. This meant the cost-income ratio improved further, reaching 46.0% for the year, as against 49.7% in 2006. Operating profit rose €1,454 million, 33.2% more than the previous year.

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

Marketing activity in all countries throughout the year has continued to be focused on a policy of encouraging banking usage, with the aim being to enlarge the customer base.

Amongst the new products launched by BBVA Banco Francés in Argentina, special mention should be made of the deposit *Plazo Fijo Renta Asegurada* (Fixed-Term Guaranteed Income), the Visa Platinum card, MasterCard Black for the high-income bracket, the offer of loans through ATMs, several ground-breaking solutions in the real-estate market, the creation of the Blue segment (with cards and other benefits for young people) or the adoption of the *Riskpyme* model, which will make market products available to customers.

BBVA Chile has continued to expand its BBVA Express branch network and, through Forum, an entity devoted to vehicle finance acquired in 2006, it has extended its lending offer in this segment. In turn, BBVA Colombia has launched *Generación XXI*, a program for young people, and new loans for car purchases that finance 100% of the amount over 76 months in 12 or 14 installments per year.

BBVA Banco Continental in Peru has subscribed an agreement with the IFC (World Bank) for financing mortgages and SMEs and receives funding from the IDB in support of the housing sector. It has launched a new payment system for online shopping and has begun to market hedge derivatives for SMEs (*Riskempresa*). Banco Provincial in Venezuela has also rolled out the Blue Program for young people and new lines of instant finance through credit cards and for companies via e-banking.

In the pensions and insurance business, the year has also been characterized by intensive marketing activity, including the design of new products, the reinforcement of alternative sales channels and the search for opportunities in new markets. This has all taken place within a changing regulatory environment, especially in the pension business. In the fourth quarter of 2007 the Group has sold its stakes in AFP Crecer and BBVA Seguros, both in the Dominican Republic.

CORPORATE ACTIVITIES

Corporate Activities	Millions of euros	
	2007	2006
NET INTEREST INCOME	(610)	(368)
Income by the equity method	(2)	23
Net fee income	(18)	50
Income from insurance activities	(33)	(24)
CORE REVENUES	(663)	(319)
Net trading income	1.190	841
ORDINARY REVENUES	527	522
Net revenues from non-financial activities	(1)	(1)
Personnel and general administrative expenses	(502)	(444)
Depreciation and amortization	(139)	(139)
Other operating income and expenses	(14)	(13)
OPERATING PROFIT	(129)	(75)
Impairment losses on financial assets	(7)	9
Loan loss provisions	(3)	26
Other	(4)	(17)
Provisions	(167)	(1.193)
Other income/losses	101	771
PRE-TAX PROFIT	(202)	(488)
Corporate income tax	311	165
NET PROFIT	109	(323)
Minority interests	4	(6)
NET ATTRIBUTABLE PROFIT	113	(329)

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

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

€312 million were set aside to provision for early retirements in Spain, of which €100 million were one-off provisions linked to the Transformation Plan. In 2006, the early-retirement provisions had been €1,054 million, of which €777 million were one-offs linked to the branch-network restructuring in Spain and the Group's new organisational structure. Other profits and losses also includes the following one-offs in 2007: a net of €73 million coming from capital gains from properties sold off as part of the project for a new corporate centre (€279 million) and the endowment to the BBVA microfinance foundation (a charge of -€200 million). In 2006, €751 million had been booked for capital gains on the divestment of the holdings in BNL (€568 million) and Banc Internacional de Andorra (€183 million).

In the fourth quarter of 2006, an extraordinary charge of €457 million impacted the figure for taxes on earnings, as the Group's deferred taxes were adjusted to the lower rate established under new regulations (32.5% in 2007 and 30% as of 2008, as compared with the earlier 35% rate). The area's net attributable profit for 2007 was €113 million (-€329 million down on the previous year). However, excluding all the one-offs mentioned above and their tax impact, the attributable profit was -€610million (-€485 million in 2006).

SIGNIFICANT CONTRACTS

The Group is not aware of the signature of any material contracts other than those executed during the Bank's ordinary course of business during the two years immediately ending December 31, 2007, except those aforementioned in the accompanying consolidated financial statements.

Nor is the Group aware that the Bank or any of the Group's subsidiaries have entered into contracts that could give rise to material liabilities for the Group.

DEPENDENCE ON PATENTS, LICENSES OR SIMILAR

At the time of preparing the accompanying consolidated annual accounts, the BBVA Group is not materially dependent on the issuance of patents, licences, industrial, mercantile or financial contracts or on new manufacturing processes in carrying out its business purpose.

GROUP CAPITAL

In accordance with the rules of the Bank for International Settlements (BIS) the capital base of the BBVA Group at the end of 2007 was €32,452 million (+7.6% for the same period in 2006). Risk-weighted assets rose 20.6% in 2007 to €304,327 million. Therefore the capital base surplus (in excess of the 8% of risk-weighted assets required by the rules) was €8,106 million.

Core capital came to €16,119 million, which is 5.3% of risk-weighted assets, compared to 6.2% as of December 31, 2006.

After adding preference securities to core capital, Tier I stands at €20,659 million, which is 6.8% of risk-weighted assets (7.8% as of December 31, 2006). Preference securities currently account for 22.0% of Tier I capital.

Other eligible capital (Tier II), which mainly consists of subordinated debt and latent capital gains, came to €11,793 million. This is 3.9% of risk-weighted assets (4.2% as of December 31, 2006).

As a result as of December 31, 2007 the BIS ratio of total capital stands at 10.7% (12.0% as of December 31, 2006).

	Millions of euros	
	2007	2006
CAPITAL (TIER I)	20,659	19,573
Capital	1,837	1,740
Reserves	18,045	13,694
Minority interests	763	705
Deductions	(10,534)	(5,327)
Net attributable profit	6,008	4,736
Preference securities	4,540	4,025
OTHER ELIGIBLE CAPITAL (TIER II)	11,793	10,591
Subordinated debt	10,072	8,783
Valuation adjustments and other	2,076	1,842
Deductions	(355)	(34)
CAPITAL BASE (TIER I + TIER II) (a)	32,452	30,164
Minimum capital requirement (BIS Regulation)	24,346	20,190
CAPITAL SURPLUS	8,106	9,974
MEMORANDUM		
Risk weighted assets (b)	304,327	252,373
BIS RATIO (%) (a)/(b)	10.7	12.0
CORE CAPITAL	5.3	6.2
TIER I (%)	6.8	7.8
TIER II (%)	3.9	4.2

CAPITAL STOCK AND TREASURY SHARES

In compliance with article 116 bis of the Law on the Securities Market Act, this report has been drawn up on the aspects listed below:

- The capital structure, including securities not traded on the EC regulated markets, with indication of different classes of shares and, for each class, the rights and obligations they confer and the percentage of share capital that they represent:

At 31st December 2007, the share capital of Banco Bilbao Vizcaya Argentaria, S.A. stood at €1,836,504,869.29. This comprised 3,747,969,121 nominative shares with a face value of €0.49 each, fully subscribed and paid up.

All the shares in BBVA's share capital bear the same voting and economic rights.

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are listed on the Spanish continuous market and in Mexico (Bolsa Mexicana de Valores) and on the stock exchanges in New York, Frankfurt, London, Zurich and Milan.

BBVA Banco Francés, S.A. is listed on the Latin-American market of the Bolsa de Madrid. BBVA's American Depositary Shares (ADS) are listed on the New York exchange and traded on the Bolsa de Lima (Peru) under an agreement between both markets.

At 31st December 2007, the shares of BBVA Banco Continental, S.A., Banco Provincial C.A., BBVA Colombia, S.A., BBVA Chile, S.A., BBVA Banco Francés, S.A. and AFP Provida

were trading on the local exchanges within their different countries. BBVA Banco Francés, S.A. and AFP Provida were also trading on the New York Stock Exchange.

The BBVA has no debt issues that can be converted into and/or swapped for BBVA shares.

On 10th September 2007, BBVA made a capital increase, approved by the Extraordinary General Meeting (EGM), 21st June 2007. It comprised an issue of 196,000,000 ordinary shares to use as the consideration for the takeover of the entire share capital of Compass Bancshares, Inc.

The AGM, 28th February 2004, conferred authority on the Board of Directors, pursuant to article 153.1.b) of the Companies Act, to resolve to increase the capital on one or several occasions, up to the maximum nominal amount representing 50% of the Company's share capital subscribed and paid up on the date when the resolution is adopted, ie, €830,758,750.54. The directors have the legally established time period during which to increase the capital, ie, five years. The only amount that BBVA has drawn down against this authorisation so far is the capital issue it made in November 2006 for € 78,947,368.22.

Apart from the aforementioned resolutions, it is reported that the AGM, 18th March 2006, resolved to confer on the Board of Directors the authority to issue, within the maximum period of five years, on one or several occasions, directly or through subsidiary companies with full guarantee from the Bank, all kinds of debt instruments, documented as debentures, bonds of any class, promissory notes, warrants of any class, totally or partially exchangeable for shares already issued by the Company itself or by another company or as futures payable by cash settlement, or any other fixed-income securities, in euros or in any other currency, to be subscribed in cash or in kind, nominative or made out to the bearer, senior or secured by any kind of guarantee, including mortgage-backed securities, with or without the incorporation of warrants, subordinate or not, with a time limit or open-ended term. The total maximum nominal amount authorised is €105,000 million, this amount was increased by €30,000 million by the Ordinary General Meeting held on March 16, 2007, reaching an aggregate limit set €135,000 million.

At 31st December 2007, there were no significant capital issues in the pipeline amongst the companies of the Financial Group.

During 2007 and 2006, the Group companies have carried out the following transactions with shares issued by the Bank:

	Number of shares	Millions of euros
Balance as of January 1, 2006	7,609,267	96
+ Purchase	338,017,080	5,677
- Sales	(337,319,748)	(5,639)
+/- Others	(394)	(1)
- Derivatives over BBVA shares	-	14
Balance as of December 31, 2006	8,306,205	147
+ Purchase	921,700,213	16,156
- Sales	(914,169,726)	(16,041)
+/- Others	-	(1)
- Derivatives over BBVA shares	-	128
Balance as of December 31, 2007	15,836,692	389

The average purchase price for the shares in 2007 was €17.53 per share and the average selling price for the shares in 2007 was €17.51 per share.

Net trading income generated by these shares issued by the Bank were booked under net assets under "Equity and Reserves". At 31st December 2007, said income was a negative amount of €26m.

The Bank and some of its nominee companies held 15,836,692 and 8,306,205 Banco Bilbao Vizcaya Argentaria S.A. shares respectively at year-end 2007 and year-end 2006. These represented 0.423% and 0.233% of the share capital in circulation in 2007 and 2006, respectively. The book value of these shares was €389m and €147m at 31-Dec-07 and 31-Dec-06, respectively. During 2007, the percentage of shares the Group had in its treasury stock varied between a minimum of 0.136% and 1.919% of its capital (between 0.020% and 0.858% during 2006).

Date	Entity	Number of shares	% treasury shares
December 31, 2007	BBVA	291,850	0.008%
	Corporación General Financiera	15,525,688	0.414%
	Others	19,154	0.001%
	Total	15,836,692	0.423%
	BBVA	2,462,171	0.069%
December 31, 2006	Corporación General Financiera	5,827,394	0.164%
	Others	16,640	0.000%
	Total	8,306,205	0.233%

- **Significant direct and/or indirect holdings in the share capital**

As of December 31, 2007, BBVA had not been informed of any significant holding in its share capital, except the holding owned by Mr Manuel Jove Capellán who, on said date, owned a significant holding of 5.010% of the BBVA share capital through the companies, IAGA Gestión de Inversiones, S.L., Bourdet Inversiones, SICAV, S.A. and Doniños de Inversiones, SICAV, S.A.. Moreover, the Bank of New York International Nominees, Chase Nominees Ltd and State Street Bank & Trust Co, as international custodians and deposit banks, respectively held 4.16%; 5.76% and 5.90% in the BBVA share capital.

- **Any restriction on the transferability of securities**

There are no restrictions under law or under the Company bylaws on the free acquisition and transfer of shares. However, articles 56 and following in Act 26/1988, on July 29, on discipline and control in financial institutions, established the need to notify the Bank of Spain before buying or selling significant shareholdings in Spanish financial institutions.

- **Any restriction on voting rights**

There are no restrictions under law or under the Company bylaws on the exercise of voting rights.

- **Agreements that regulate the exercise of voting rights**

BBVA has not been notified of the existence of any side agreements that regulate the exercise of voting rights at the Bank's General Meetings, or which restrict or place conditions upon the free transferability of BBVA shares.

DISTRIBUTION OF PROFIT

In 2007 the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. resolved to pay the shareholders three interim dividends out of 2007 profit, amounting to a total of €0.456 gross per share. The aggregate amount of the interim dividends declared as of December 31, 2007, net of the amount collected and to be collected by the consolidable Group companies, was €1,661 million and is recorded under "Equity-Dividends and Remuneration" in the related consolidated balance sheet. The last of the aforementioned interim dividends, which amounted to €0.152 gross per share and was paid to the shareholders on January 10, 2008, was recorded under the heading "Financial Liabilities at Amortised Cost – Other Financial Liabilities" in the consolidated balance sheet as of December 31, 2007.

The provisional accounting statements prepared in 2007 by Banco Bilbao Vizcaya Argentaria, S.A. in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the interim dividends were as follows:

Millions of euros			
	31-05-2007 Dividend 1	31-08-2007 Dividend 2	30-11-2007 Dividend 3
Interim dividend –			
Profit at each of the dates indicated, after the provision for income tax	1,301	3,088	3,426
Less –			
Estimated provision for Legal Reserve	-	(19)	(19)
Interim dividends paid	-	(539)	(1,109)
Maximum amount distributable	1,301	2,530	2,298
Amount of proposed interim dividend	539	570	570

The Bank's Board of Directors will propose to the shareholders at the Annual General Meeting that a final dividend of €0.277 per share be paid out of 2007 income. Based on the number of shares representing the share capital as of December 31, 2007, the final dividend would amount to €1,038 million and profit would be distributed as follows:

Millions of euros	
Net profit for 2007	3,612
Distribution:	
Dividends	
- Interim	1,679
- Final	1,038
Legal reserve	19
Voluntary reserves	876

The distribution of profit per share during 2007 and 2006 is as follows:

	First interim	Second interim	Third interim	Final	Total
2006	0.132	0.132	0.132	0.241	0.637
2007	0.152	0.152	0.152	0.277	0.733

RISK MANAGEMENT

THE RISK MANAGEMENT SYSTEM AT BBVA

The BBVA Group considers risk management to be an intrinsic part of the banking business and a source of its competitive advantage. In a diversified, internationally active group, the appropriate identification, measurement and valuation of the various types of risk is of key importance if it is to expand its business in keeping with the desired risk profile and guarantee the sustainability thereof in the medium and long term.

The basic objectives of the BBVA Group risk management system are to cater for the specific needs of customers and to assure the Group's solvency, in keeping with the expectations of the risk profile approved as part of its business strategy.

Basel II

In tandem with the process of integrating further the risk management and business decision-making functions, the Group is entering into the final stage of adaptation to Basel II. From the outset, the Group has opted to use the most advanced models for both credit and operational risk (it already has an internal market risk model to calculate capital utilization which has been approved by the Bank of Spain).

In accordance with timetable established by the regulators, in 2007 the Group submitted the mandatory documentation on the models being presented by it for validation.

In this matter the Group is collaborating actively with the supervisors in general, especially with the Bank of Spain and the National Banking and the Securities Commission of Mexico (CNBV for its initials in Spanish) to make consistent and coordinated progress on the process of validating advanced.

CREDIT RISK MANAGEMENT

EVOLUTION OF CREDIT RISK EXPOSURE AND QUALITY

As of December 31, 2007, the Group's maximum credit risk exposure was €596,008 million, 20.26% higher than at year-end 2006.

Customer lending risk exposure (64.4% of the total, including contingent liabilities) and third-party liabilities (17.02%) increased by 25.74% and 3.27%, respectively, while the potential exposure to lending risk in market activities, including potential exposure from derivatives, which accounts for 18.57% of the total, increased by 20.24%.

During the year, the distribution of credit risk with customers was affected by the depreciation of the Latin American currencies relative to the euro and the incorporation of the Compass Bancshares, Inc. The combined effect of these two factors together with that of organic growth was to leave the geographic breakdown of risk exposure similar in 2007 to that of 2006: Spain (including foreign branches, essentially in Europe) accounted for 76.18% of total exposure while the rest of Europe accounted for 2.13%, while exposure to the Americas represented 21.67%.

As of December 31, 2007 doubtful loans amounted to €3,408 million, a 34.6% increase from 2006, of which €50 million related to doubtful contingent exposures. The flow of loans becoming non-performing rose to 20.9% of critical mass (doubtful balances plus new entries for the year), compared to 13.9% in 2006.

The Group's NPL ratio reached 0.89% as of December 31, 2007, as compared to 0.83% on the same date of 2006. It can be broken down by business area as follows: The NPL ratio for Spain and Portugal was 0.73% (0.55% as of December 31, 2006) and even lower on the residential mortgage portfolio for individuals and developers (0.42%), where most lending was in owner-occupier mortgages which have a moderate loan-to-value ratio. Latest available data shows that the NPL ratio in Spain remains below the industry average. Global Businesses achieved an all-time low NPL ratio of 0.02% (0.04% as of December 31, 2006). Mexico & the United States has brought its ratio down to 1.97% (from 2.19% in December 2006), while South America has improved its ratio to 2.14% from 2.67% as of December 31, 2006.

Provisioning for credit risk in the consumer lending portfolio rose 11% to €7,662 million due to an increase in provisions calculated collectively on impaired current assets triggered by the sharp growth in lending. The increase in provisioning was uniform across all business areas resulting in an improvement in the BBVA Group's coverage ratio (to 224.8%) with strong ratios across all the board: Spain and Portugal is 231.2%, Global Businesses is higher than 4.400%, Mexico and the United States is 189.1% and South America is 145.6%.

MARKET RISK MANAGEMENT

RISK MANAGEMENT IN MARKET AREAS

In 2007 the BBVA Group's market exposure continued to fall to very moderate levels and ended the fourth quarter with weighted average utilisation of VaR limits of 52%.

By geographical area, at 2007 year-end 79.5% of the market risk related to banking in Europe and the United States, 13.8% is concentrated in Mexico and 6.7% in the other Latin-American banks.

The back-testing performed using management results for the BBVA, S.A.'s market risk in 2007, which consisted of comparing for each day the results on the positions with the level of risk estimated by the model, confirms the correct functioning of the risk management model.

OPERATIONAL RISK

In 2007, BBVA made significant progress in rolling out its operational risk tools in order to qualify for the advanced management model as defined by Basel convergence criteria.

CORPORATE GOVERNANCE

In accordance with the provisions of article 116 of the Spanish Securities Market Law, enacted by Law 26/2003, dated July 17, the Group has prepared a corporate governance report for 2007 following the content guidelines set down in Order ECO 3722/2003 dated December 26 and in CNMV (Spanish securities regulator) Circular 1/2005, dated March 17, including a section detailing the degree to which the Bank is compliant with existing corporate governance recommendations in Spain.

In addition, all the disclosure required by article 117 of the Spanish Securities Market Law, as enacted by Law 26/2003 and by Order ECO 3722/2003 dated December 26 can be accessed on BBVA's webpage (www.bbva.es) in the section entitled "Corporate Governance"

In compliance with article 116 b of the Securities Market Act, the Group includes the information detailed as follows:

REGULATIONS APPLICABLE TO APPOINTMENTS AND SUBSTITUTION OF MEMBERS OF GOVERNING BODIES AND THE AMENDMENT OF COMPANY BYLAWS

Pursuant to the Bank's Board Regulations, directors shall be appointed to the Board by the General Meeting without detriment to the faculty of the Board to co-opt members in the event of a vacancy.

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

The Board of Directors shall put its proposals to the General Meeting of the Bank's shareholders in such a way that, if approved, the Board would contain an ample majority of external directors over executive directors and at least one third of the seats would be occupied by independent directors.

The proposals that the Board submits to the Bank's General Meeting for the appointment or re-election of directors and the resolutions to co-opt directors made by the Board of Directors shall be approved at the proposal of the Appointments & Remuneration committee in the case of independent directors and on the basis of a report from said committee in the case of all other directors.

The Board's resolutions and deliberations shall take place in the absence of the director whose re-election is proposed. If the director is at the meeting, she/he must leave the room.

AMENDMENT OF THE BANK BYLAWS

Article 30 of the BBVA Bank bylaws establishes that the General Meeting of shareholders has the power to amend the Bank bylaws and/or confirm and rectify the interpretation of said bylaws by the Board of Directors.

This shall be subject to the regulations established under articles 144 and following of the Companies Act.

The above notwithstanding, in order to adopt resolutions for substituting the corporate object, transforming, breaking up or winding up the company and amending this second paragraph of the present article, the General Meeting on first summons must be attended by two thirds of the subscribed capital with voting rights and on second summons, 60% of said capital.

POWERS OF THE BOARD MEMBERS AND, IN PARTICULAR, POWERS TO ISSUE AND/OR BUY BACK SHARES

The executive directors shall hold broad-ranging powers of representation and administration in keeping with the requirements and characteristics of the posts they occupy.

With respect to the Board of Directors' capacity to issue BBVA shares, the AGM, 28th February 2004, resolved to confer authority on the Board of Directors, pursuant to article 153.1.b) of the Companies Act, to resolve to increase the capital on one or several occasions up to the maximum nominal amount representing 50% of the Company's share capital that is subscribed and paid up on the date on which the resolution is adopted, ie, €830,758,750.54. The directors have the legally established time period during which to increase the capital, ie, five years. The only amount that BBVA has drawn down against this authorisation so far is the capital issue it made in November 2006 for €78,947,368.22.

Likewise, the AGM, 16th March 2007, pursuant to article 75 of the Spanish Companies Act, authorised the Company, directly or through any of its subsidiary companies, for a maximum of eighteen months, to buy Banco Bilbao Vizcaya Argentaria, S.A. shares at any time and as often as deemed timely, by any means accepted by law.

SIGNIFICANT RESOLUTIONS THAT THE COMPANY MAY HAVE PASSED THAT COME INTO FORCE, ARE AMENDED OR CONCLUDE IN THE EVENT OF ANY CHANGE OF CONTROL OVER THE COMPANY FOLLOWING A PUBLIC TAKEOVER BID, AND WHOSE EFFECTS, EXCEPT WHEN SUCH DISCLOSURE MAY BE SERIOUSLY DAMAGING FOR THE COMPANY THIS EXCEPTION SHALL NOT BE APPLICABLE WHEN THE COMPANY IS LEGALLY OBLIGED TO DISCLOSE THIS INFORMATION

BBVA is not aware of any resolution that could give rise to changes in the control over the issuer.

AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS, MANAGERS OR EMPLOYEES ESTABLISHING INDEMNITY PAYMENTS WHEN THEY RESIGN OR ARE DISMISSED WITHOUT DUE CAUSE OR IF THE EMPLOYMENT CONTRACT EXPIRES DUE TO A TAKEOVER BID

The Bank's executive directors (the chairman & CEO, the president & COO and the company secretary) are entitled under their contracts to receive indemnity should they leave on grounds other than their own will, retirement, invalidity or dereliction of duty. The amount, terms and conditions of this indemnity are detailed in Note 57 of the annual report.

The Bank recognised the entitlement of some members of its management team, 59 senior managers, to be paid indemnity should they leave on grounds other than their own will, retirement, invalidity or dereliction of duty. The amount of this indemnity will be calculated in part as a function of their annual remuneration and the number of years they have worked for the Company and in part as a function of the amounts due to them under the passive rights they may have accumulated.

The Bank has agreed clauses with some staff (50 technical and specialist employees) to indemnify them in the case of dismissal without due cause. The amounts agreed are calculated as a function of the professional and wage conditions of each employee.

RESEARCH AND DEVELOPMENT

BBVA views innovation as a strategic priority and a vital element for its growth and differentiation. It has therefore launched an ambitious Innovation and Transformation Plan, the driving force of which is innovation.

In BBVA, it is the business units that are responsible for developing their innovation plans. Moreover, an Innovation and Development unit has been set up which is undertaking projects coming under three lines of activity:

1. New ways of marketing and communication: Through identifying the changes that are taking place in society, BBVA has put under way a plan to establish new relationship and communication models with its customers.

2. New digital businesses: BBVA is developing new services that will enable it to extend its relationship with consumers. In order to develop these, we are essentially applying two methods: On the one hand, extending our internal capacities, and on the other, building on the attributes and values linked to our brand.
3. New ways of internal collaboration: The aim is to incorporate new tools and ways of internal relations to improve Group efficiency and to pave the way for teamwork and foster communication.

ENVIRONMENTAL INFORMATION

The environmental impacts of a financial services group such as BBVA are basically of two kinds:

- Direct impacts: arising from the consumption of energy and raw materials.
- Indirect impacts: resulting from the Group's risk policy and the creation and marketing of products and services.

The Environmental Policy approved by the Group in 2003 addresses both kind of impact being applicable to the all the activities and all the countries where the Group operates.

The key aspects of this policy are:

- Efficient use of natural resources.
- Compliance with prevailing legislation.
- Incorporation of environmental criteria in financial transaction risk analysis.
- Development of products and services that are environmentally friendly.
- Exercising a positive influence on the environmental behavior of stakeholders.

The Department of Corporate Responsibility and Reputation, which reports to the Communication and Image Department since 2005, is responsible for coordinating this policy.

The Group's environmental activities in 2007 included most notably:

1. Adhesion to two voluntary declarations against global warming:
 - "Concerned on climate change: Entrepreneur leadership platform".
 - Bali Statement.
2. Continuity in the inclusion process of the Equator Principles, after their review in 2006, for project financing transactions greater than US\$10 million in size.
3. Extension of ISO 14001 certification to specific Group buildings.

4. Commitment by Anida (BBVA's real estate entity) for following strict sustainability criteria in all of its activities; assigning 0.7% of its net profit to corporate responsibility initiatives, with a special focus on environmental patronage.
5. Participation in the Clean Development Mechanisms provided for in the Kyoto Treaty to reduce carbon emissions in Central America.
6. Financing of projects with a positive environmental impact, focusing on renewable energies with special significance of wind power.
7. Progress on the implementation of the so-called "Ecorating" tool designed to evaluate the environmental risk of loan portfolios.
8. BBVA Foundation's Environmental Program, designed to promote excellence in investigation and the dissemination of environmental knowledge and awareness. Among the many initiatives undertaken in 2007, we would highlight the BBVA Foundation Prizes for the Frontier in Knowledge, which includes categories such as ecology and biology of preservation or climate change.

As of December 31, 2007, there were no items in the Group's consolidated financial statements that warranted inclusion in the separate environmental information document envisaged in the Ministry of the Economy Order dated October 8, 2001.

REPORT ON THE ACTIVITY OF THE CUSTOMER CARE AND CUSTOMER OMBUDSMAN DEPARTMENT

In Spain the BBVA Group has a Customer Care Service in place to manage customer complaints and grievances. In addition, if a customer were unsatisfied with the solution proposed by the Customer Care Service, he or she has a second line of defense in the Customer Ombudsman.

In accordance with the stipulations of article 17 of the Ministry for the Economy Order ECO/734/2004, dated March 11 regarding customer care and consumer ombudsman departments at financial institutions, and in line with the BBVA Group's "Internal Regulations for Customer Protection in Spain" approved by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. in its session of July 23, 2004, the following is a summary of related activities in 2007:

REPORT ON THE ACTIVITY OF THE CUSTOMER CARE DEPARTMENT IN 2007

- a) Statistical summary of the grievances and complaints handled by BBVA's Customer Care Service in 2007,

The number of customer complaints received by BBVA's Customer Care Service in 2007 was 8,430, of which 399 were ultimately not processed because they did not comply with the requirements of Ministry of the Economy Order ECO/734/2004. 93.5% of the complaints (7,509 files) were resolved in the year and 522 complaints had not yet been analysed as of December 31, 2007.

The complaints managed can be classified as follows:

	Percentage of Complaints
Commission and expenses	17.6%
Operations	17.2%
Insurances	16.7%
Assets products	15.6%
Customer information	14.5%
Collection and payment services	8.9%
Financial and welfare products	6.3%
Other complaints	3.2%

The detail of the complaints handled in 2007, by the nature of their final resolution, is as follows:

	Number of Complaints
In favour of the person submitting the complaint	3,079
Partially in favour of the person submitting the complaint	838
In favour of the BBVA Group	3,592

The principles and methods used by the Customer Care Service to resolve complaints are based on the application of the rules on transparency and customer protection and best banking practices. The Service adopts its decisions independently, notifying the various units involved of any actions which require review or adaptation to the related regulations.

- b) Recommendations or suggestions deriving from your experience, with a view to better attaining the aims of your work.

In 2007 the Customer Care Service encouraged the use of the branch network to resolve a large number of complaints through closer contact with customers. This facilitated the obtainment of amicable agreements, which without doubt resulted in a greater perception of quality by customers.

Various recommendations were implemented which led to a series of initiatives designed to improve banking practices at the companies subject to banking industry regulations.

We would highlight that as a result of the strategic and operational improvements implemented at this unit, in continuation of the effort begun in 2006, the number of complaints presented before the various public supervisory entities fell again in 2007. During 2007 the number of complaints lodged with the Bank of Spain and referred to BBVA totaled 229 (including the matters detailed below in the report on the activity of the customer ombudsman), representing a 3.4% decline year-on-year.

REPORT ON THE ACTIVITY OF THE CONSUMER OMBUDSMAN OF BBVA

- a) Statistical summary of the grievances and complaints handled by BBVA's Consumer Ombudsman in 2007.

The number of customer complaints received by BBVA's Consumer Ombudsman in 2007 was 1,780 of which 74 were ultimately not processed because they did not comply with the requirements of Ministry of the Economy Order ECO/734/2004. 93.82% of the complaints (1,670 files) were resolved in the year and 36 complaints had not yet been analysed as of December 31, 2007.

The grievances and complaints handled are classified in the table below in line with the criteria established by the Claims Service of the Bank of Spain in its half-yearly data compilations:

	Number of Complaints
Assets operations	237
Liabilities operations	221
Other banking products (Cash, Automated teller...)	92
Collection and payment services	92
Investment services	275
Insurance and welfare products	587
Other complaints	166

The detail of the files resolved in 2007, according to its final resolution, was as follows:

	Number of Complaints
In favour of the person submitting the complaint	168
Partially in favour of the person submitting the complaint	830
In favour of the BBVA Group	672

Based on the above, over 60% of the customers bringing a complaint before the BBVA Consumer Ombudsman, were in some way satisfied, either as a consequence of the final resolution of the Ombudsman or because of its role as middleman in favor of the person submitting the claim.

The Ombudsman issues its verdicts based on prevailing legislation, the contractual relationships in place among the parties, current standards on transparency and customer protection on best banking practices and, especially, on the principle of equality.

The independent nature of the role of the Consumer Ombudsman is vital and is a requirement to earn the trust of the institution's clientele. Verdicts handed down by the Ombudsman in favour of the customer are binding on the affected Group entity.

- b) Recommendations or suggestions derived from the experience acquired by the ombudsman activity, with a view to better attaining the aims of its work.

Among the various initiatives implemented by the Entity at the behest of the Ombudsman in 2007, we would highlight the following:

- The Consumer Ombudsman has always exposed various recommendations in its successive annual reports, like urging the bank to adopt appropriate measures to make it easier to conclude the inheritance procedures of those goods deposited under the name of a deceased client, in favour of those who will inherit them.

During 2007 the Ombudsman was informed that the bank had started a testamentary management center in order to speed up those procedures.

- Following a proposal made by the Ombudsman and the Customer care service, the form used in foreign checks deposit in accounts transactions has been modified in order to make sure that the client is informed that the deposit is done under the clause "under good end, provisional" so that the client understands it can be returned by the other credit institution because of fraud or manipulation.
- Finally, at joint behest of the Ombudsman, the Internal quality department and the customer care department, a meeting of the managers and personnel of those units took place in November with the objective of analyzing the management of claims and the improvement measures that can be implemented.

Clients not satisfied with the resolution of the Consumer Ombudsman, can take them before the Bank of Spain, the Spanish National Securities Market Commission and the Spanish General Directorate of Insurance. The Ombudsman always notifies this to the clients.

In 2007, the percentage of complaints examined or resolved by the Consumer Ombudsman that were afterward presented by the client before the abovementioned organisms was 6.40% in comparison to 7.08% during 2006.

FUTURE OUTLOOK

With Global growth in the region of 4.8%, 2007 has been a prolongation to the economic expansion phase of the begun in 2003. In general terms, a certain slowdown was observed in the industrialised countries. It was most significant in the United States, which grew at a rate of 2.1% as compared to 2.9%

achieved in 2006. The European Monetary Union, experienced a sound pace of activity expansion, with a 2.6% growth rate, just two tenths below that recorded in 2006. China and other emerging markets kept up their dynamism, going on to take on an even more outstandingly predominant role, if possible, in Global growth. Spanish economy kept showing remarkable drive, with 2007 growth at 3.8%, very similar figure to 2006, and significantly above the EMU average.

A cyclical moderation in the growth rate is expected for 2008, the intensity of which will be conditioned by the uncertain financial environment. This factor is compounded by the continued increase in oil prices, which again reached record highs in 2007. However, It seems reasonable to expect that the emerging economies, based on the foundations they have laid in recent years and the strength of their internal demands, will not be so significantly affected and will continue to be the driving forces of Global growth.

BBVA Group has a very sound business model that responds correctly to these changes, targeting new kind of consumers and benefiting from the information technologies revolution. In this situation, BBVA Group is confident to be in an optimal position concerning risk management, compared to other competitors. From this position, BBVA is committed to continue delivering sound returns and dividends, through a differential strategy based on transformation, innovation and profitable growth.

BUSINESS AREA PLANS

At the end of 2007 BBVA Group continues with its Transformation Plan, by integrating 7 Regional Head Offices from the individuals, SMEs, corporate and institutions banking networks into the Spain and Portugal business area. The aim of this new structure is to simplify the organisation, and in short, provide it with enhanced strength for commercial management. The final objective of this restructuring is to take advantage of the existing synergies among the various banking networks and to achieve enhanced proximity to its customers.

There have also been changes in Global Businesses aimed at adapting this area to the new market reality and being more customer-focused. For this purpose, a Global Corporate & Investment Banking unit has been created.

In Mexico we have continued pursuing an innovation strategy in low-cost fund gathering products and for differentiated segments, which keep us on the path of profitable growth.

In the USA, the acquisition of Compass Bank represented a decisive step in BBVA's growth strategy in the United States in 2007, and in its objective of becoming a finance services company with global reach.

In South America, 2007 has seen the start of the Transformation Plan which includes the implementation of BBVA Group model through the organisational integration of the Bank, Pension Fund Managers and insurance companies in each country, thus leading to an increase in productivity and hence in efficiency in the whole region.

As a result, BBVA Group is beginning 2008 with the ideal structure to face the new year in the best possible circumstances.

SPAIN AND PORTUGAL

Throughout 2007, Spain and Portugal has managed the individuals segment (Solutions for Individuals) and the small businesses, professional practices, the self-employed, retailers and farmers (Solutions for Small Businesses) with a widespread commercial offering and high degree of personalisation. Likewise, it has also integrated the Corporate and Business Banking unit (BEC), servicing the SMEs, Iberian corporations and Iberian subsidiaries of foreign multinationals and public and private institutions segments, together with its Consumer Finance activity, through Finanzia and Uno-e, the European Insurance business and BBVA Portugal.

In 2007, Spain and Portugal continued with its Transformation Plan, with the integration of the individuals, SMEs, corporate and institutions banking networks into 7 Regional Head Offices, which implies closer proximity to the customer and improved segment focus with specialised services. In short, an enhancement of the synergies existing among the various banking systems and greater strength and depth in differential management by segments, in particular in the Businesses and Personal Banking segments.

The area strategy for 2008 is based on two pillars which will foster advances in the sustainable generation of competitive advantages: Innovation and Transformation:

- Innovation means developing competitiveness in terms of accessibility and customer knowledge to offer them a tailored service through low-cost distribution. To achieve this we are committed to a multiple-channel approach which broadens our relationship space with our customers beyond their financial needs.
- We are also embarking on a far-reaching and continuing Transformation process involving a permanent review of our processes and commercial structure, in order to reduce the administrative burden, and to reinforce the resources devoted to sales. All of this with the aim of providing our customers with a better a service.

This strategic approach implies developing new and improved accessible solutions for all our customer segments with the support of specialised networks and managers, the deepening of our relationship beyond financial needs, and the improvement of commercial productivity and operating efficiency in our various sales channels.

In 2008, Spain and Portugal will face a highly competitive and changing environment, in which the launching new business plans, the improvement of commercial productivity, the increase cross-selling of higher value-added products and cost control compatible with projects involving growth and quality assets, will all lead to success in our main target: To bolster and increase our leadership in profitable growth in all the business spheres where we are present.

In summary, the Spain and Portugal area has taken the necessary steps to close a brilliant performance in 2007 and to face 2008 with a more customer-focused organisation, more capable of differentiated management for each of the segments, which is compatible with an integrated matrix structure that will allow higher earnings and better cost control.

GLOBAL BUSINESSES

The Global Businesses area is organised around three large business units: Global Corporate and Investment Banking, Global Markets and Asset Management, which address our customer base's various needs. Global Businesses is hence set up as an integrated provider of value-added products for BBVA customers globally.

The end of 2007 saw changes take place in the area structure in order to capitalise on organisational and geographic synergies, to enhance business opportunities across the organisation and to identify new opportunities for growth, both in geographical and product terms. The area's various business lines core action plans for 2008 are as follows:

In **Global Corporate and Investment Banking**, the combination of an integrated product range plus specialised coverage via industry bankers will enable us to consolidate our leading position in Spain and Latin America while continuing our selective penetration in European and Asian corporate clients. Strengthening current business with other BBVA commercial networks and seizing our global reach will be key to keep developing cross-selling models and to provide corporate clients with an integrated coverage.

Global Markets will focus on exporting its successful client-driven business model to other markets, while undertaking new initiatives to keep driving growth. An example of these is the development of the international business in Europe and America, with the consolidation of client-driven business model to enhance recurrence, and its export to Asia, which will allow us to explore new possibilities.

Asset Management integrates three kinds of activities into a new structure with differentiated objectives:

- Traditional asset management, will concentrate on integrating both its functional and geographic business models and on the structuring of the investment process.
- Alternative Investment management, will continue developing its product catalogue, to complete what is already the best alternative investment offering in Spain.
- Valanza, the Group's private equity unit, will continue its transformation towards an institutional private-equity business model, defining policies and procedures and consolidating the business platform in Mexico.

In short, a new Asset Management business model that improves our positioning to face the new market trends including

open architecture and a greater demand for alternative investment management products.

In Asia, exporting the expertise and know-how developed in Europe and Latin America will enable us to offer our products and services to new client segments in the region.

Additionally, the Industrial & Real Estate Holdings unit will keep contributing to Global Businesses revenue diversification and value creation in the medium and long term, through active investment management of the industrial holdings portfolio based on profitability, efficiency and rotation criteria.

MEXICO

Bancomer will maintain its innovation strategy in low-cost fund gathering products and for differentiated segments. The growth in the number of salary accounts will continue to be a core component not only for funds gathering but also because it represents an important customer base for the sale of more profitable products.

Financing to individuals including home and consumer finance will be one of the main strategic focal points in 2008. Mortgage lending offers great potential, underpinned by demographic structure, its fast and numerous household formation and the government's housing building priority. Alternatively, Bancomer's consumer finance strategy will be focused on retaining its leadership and growth, leveraging its experience in proper risk management.

In credit cards, it will continue innovating, based on a sound technology platform and its broad experience in the local market. The opportunity of this market is upheld by the fact that it represents a key product for mass- bancarisation to retail segments.

The drive in the micro, small and medium-size enterprise business will be maintained, addressing these niches through the offering specific products for each segment. The challenge will lie in increasing lending penetration with our own customers through profitable, cross-selling strategies.

Bancomer will continue penetrating in segments not yet incorporated into the banking system through a detailed bancarisation strategy, which will enable it to expand its business with existing customers while at the same time increasing the size of its customer base.

The challenge will lie in continuing to improve its quality indices using innovation as the foundation for increasing the network and payments system in the country. Its commitment to its customers is illustrated by its service guarantees compliance promise through the *Garantías Bancomer* project and with the automatic queuing system implemented in branch offices to achieve shorter waiting times while offering our customers differentiated and preferential attention.

UNITED STATES

Through its acquisition of Compass Bank, 2007 saw BBVA take a decisive step in its growth strategy in the United States,

and in its objective of becoming a financial services company with global reach. On September 7, BBVA became the 100% owner of Compass Bancshares, after making a €6,665 million (\$9,115 million) investment, the largest ever in BBVA history. Compass is one of the main banks in the so-called "Sun Belt", the region stretching across the south of the United States from California to Florida. By virtue of its economic and demographic growth it is the most attractive area in the country, and is defined by the Group as strategic for its expansion. Its activity, BBVA's, focuses on commercial and retail banking; the bank holds a high quality loan portfolio and does not participate in the subprime business.

The takeover of Compass joins those of the Laredo National Bank, Texas State Bank and the State National Bank, entities which operate in Texas and New Mexico, the aim being to exploit business opportunities in the SMEs and individuals banking segments.

The combination of these four banks provides BBVA with an outstanding position on the Sun Belt, and in particular in Texas, which accounts for 61% of its deposits and accounts, with a market share of 5.8%. Texas is a privileged state due to its attractive economic and demographic growth above the US average. Despite the slump in the US real estate sector, this sector in Texas has undergone reasonable growth and is proving to be stable.

A very important step forward and the management priority for 2008 is the integration of the Texas banks, Laredo National Bank, Texas State Bank and State National Bank into Compass. 2007 saw the start of the integration planning process. In the next 12 months the platforms of the 4 banks will be merged, and their business lines, support and control functions will be aligned with the BBVA Group.

In Puerto Rico, the economic environment began to deteriorate in 2006 and this situation has continued throughout 2007, although the measures taken in BBVA Puerto Rico in order to overcome the situation on the island, placed it ahead of its competitors with a strong balance sheet and growth capacity.

The money transfers business continues increasing its strategic origination network, with over 40,000 sales points in the USA and over 5,000 in Europe through Dinero Express. In Latin America this has been achieved through BBVA banking subsidiaries and other alliances with local banks, in Eastern Europe through the Dinero Express network and in Asia again through alliances with local banks.

Overall, at the closing of 2007, BBVA USA ranked among the top 25 US banks in terms of asset volumes, with 666 branches, 13,347 employees, loans amounting to \$38,400 million and deposits of \$40,900 million.

SOUTH AMERICA

Once again and continuing with the trend started in 2004, the South America Business area has closed the year with substantial growth in earnings and relevant improvements in all its indicators.

Concerning the achievements of the 8 BBVA banks in the region during 2007, the rising progression in lending should be underlined. This was especially notable in consumer finance, where, the Bancarisation project led to management of an important potential market, in which only 25% of customers held loan products; moreover, there have also been strong increases in transactional products. Both headings go hand in hand with the growth in customer numbers in all the countries.

In the Pensions business, the figures continued their upward trend, both in assets under management and numbers of members.

In order to fine tune the units in each country and make them more efficient, a Transformation Plan was begun in 2007 which aims at supporting all the actions planned for the period 2007-2010 in the various Business areas. This plan foresees the implementation of the BBVA Finance Group model through the organisational integration of the Bank, Pension Fund Managers and insurance companies in each country, thus achieving an increase in productivity and hence in the efficiency across the region.

In view of the favourable macroeconomic outlook for the region, as far as Individuals Banking is concerned, the unit is basing its growth strategy for 2008 on the consumer finance business, optimising the Group's customer base and selectively incorporating new customers based on the onset of the growth of middle classes in the different countries.

All of the above involves an enhancement of the three-pronged approach of product, channel and segment, on which we have been working, and applying to this purpose the customer knowledge tools that have been developed in recent years.

Thus a new business model is defined, based on "easy access to finance", "transactional solutions on the card and alternative technological channels, independent from the office network" and "risk-adjusted returns".

The prospects for the business world are likewise of growth and expansion, whereby the activities of the region's banks also include various lines of work in this sphere. On the one hand, and from the corporate and large companies viewpoint, work areas are already being opened between South American countries and Asia, a high potential market niche. Furthermore, strong investments are expected in the region for infrastructure improvements. In the field of Foreign Trade, the BBVA banks in the region are already a market benchmark, as pioneers in e-commerce on COMEX. Plans for 2008 include actions to undertake a profitable expansion of the SME Banking business, perfecting the management model and improving our offering of financial products to this segment, all aiming at positioning BBVA Group in the region as leader in Corporate banking.

As regards SMEs and the self-employed, our project is to foster access to financial services among new SME segments. The priorities to be broached with these clients are to grow in finance products, to make day-to-day operations more efficient, to boost

the multiple channel aspect and to generate specific products for this segment, based on our client knowledge and fostering synergies with other Banking systems.

With regard to the Social Forecast Business, the activity drive will continue in the region. Our Pension Fund Managers manage a large part of the savings of these countries, which requires an intensive use of sales forces and customer management. This approach gives rise to important spin-off businesses. Therefore the strategic lines of the Pensions area are aimed towards increasing franchise value based on the synergies between the Bank and Pension Fund Managers through the development of new businesses and strengthening our institutional presence.

The final aim of all the plans and lines of work outlined herein and already started in 2007, with targets budgeted for the end of 2010, is none other than to position BBVA in South America as the leader in Banking and Pensions in terms of size, organisational capacity, soundness and efficiency.

FINANCING OUTLOOK

BBVA's financing needs are determined by the maturity schedule of its wholesale financing and the new requirements arising from growth in business. The Group's issues in this connection include most notably debentures, mainly mortgage bonds (*cédulas hipotecarias*) and territorial bonds (*cédulas territoriales*), which account for 31% of the total, followed by deposits, basically notes, which represent approximately 46% of the total balance. The remaining amount relates to preference share and subordinated debt issues, which together account for 15% of the total.

Within the framework of the policy implemented in recent years to strengthen its net worth position, the BBVA Group will at all times adopt the decisions it deems advisable to maintain a high degree of capital solvency. In particular, at the Annual General Meetings held on March 18, 2006, February 28, 2004, March 1, 2003, and March 9, 2002, the shareholders resolved to authorize a comprehensive program of capital increases and debt security issues. The related resolutions can be summarized as follows:

- To confer upon the Board of Directors, subject to the applicable legal provisions and to the obtainment of the required authorizations, the authority to issue, within the five-year maximum period stipulated by law, on one or several occasions, directly or through subsidiaries, with the full guarantee of the Bank, any type of debt instruments, documented in obligations, bonds of any kind, promissory notes, *cédula*-type bonds and warrants, that are totally or partially exchangeable for shares already issued by the Company or another company, or which can be settled in cash, or any other fixed-income securities, in euros or any other currency, that can be subscribed in cash or in kind, registered or bearer, unsecured or secured by any kind of collateral, including a mortgage guarantee, with or without incorporation of rights to the securities (warrants), subordinate or otherwise, for a limited or indefinite period of time, up to a maximum amount of €105,000 million. This resolution was adopted at the Annual General Meeting on March 18, 2006. This amount was increased by €30,000 million by the Ordinary General Meeting held on March 16, 2007, reaching an aggregate limit set €135,000 million.
- To confer upon the Board of Directors, pursuant to Article 153.1.b) of the Combined Text of Spanish Companies Law (Texto Refundido de la *Ley de Sociedades Anónimas*), the authority to increase the share capital, within the five-year period stipulated by law, on one or several occasions, by an amount (par value) not exceeding 50% of the Bank's share capital subscribed and paid at the date of this authorization, through the issuance of new ordinary shares, preference shares, redeemable shares or any other kind of shares permitted by Law, carrying voting rights or otherwise, with or without pre-emptive subscription rights. In this last-mentioned case the shares are to be issued at an issue price equal to their actual value, as required by law and the provisions of Article 161.1 of the Spanish Companies Law. This resolution was adopted at the Annual General Meeting on February 28, 2004. Based on these resolutions, the Bank could issue ordinary shares for an amount of up to €830,758,750.54. The only disposition done by BBVA under this authorization was the capital increase made in November 2006 by an amount of €78,947,368.22.
- To confer upon the Board of Directors the authority to issue, within the five-year period stipulated by law, for an amount of up to €1,500 million, warrants on the Company's shares, so that that they may be fully or partially exchangeable for or convertible into Company shares. The Board of Directors is hereby also authorized to decide upon the disapplication of pre-emptive subscription rights on these securities, in which case the number of shares required to meet the resulting obligations will be issued, at an issue price, fixed or variable, that must not be lower than the actual value of the share, as required by law and the provisions of Article 161.1 of the Spanish Companies Law. The Board of Directors is furthermore authorized to determine the terms and methods for the conversion or exchange, as the case may be, and to increase capital by the required amount and to amend, as appropriate, Article 5 of the Bank's bylaws, fixed-income securities convertible into and/or exchangeable for shares of Banco Bilbao Vizcaya Argentaria, S.A. with disapplication of pre-emptive subscription rights. This resolution was adopted at the Annual General Meeting on March 9, 2002 and will expire on March 9, 2007.
- To confer upon the Board of Directors, for a period of five years, the authority to issue debentures convertible into and/or exchangeable for shares of the Company, for up to a maximum amount of €6,000 million. The Board shall approve the rules governing the placement of these debentures and is furthermore authorized to decide upon

the disapplication or otherwise of pre-emptive subscription rights, as provided for in Article 159.2 of the Spanish Companies Law; to determine the terms and

methods of the conversion; and to increase capital by the required amount. This resolution was adopted at the Annual General Meeting on March 1, 2003.

Securities class	Millions of euros
BBVA Shares ⁽¹⁾	831
Debt securities	135,000
Warrants on BBVA shares ⁽¹⁾	1,500
Convertible bonds ⁽¹⁾	6,000
⁽¹⁾ Resolution adopted on the Annual General Meetings celebrated on February 28, 2004, March 1, 2003 and March 9, 2002, that delegates to the board of directors the power to issue shares that could affect the capital of the Group.	

SUBSEQUENT EVENTS

From January 1, 2008 until the date of preparation of the consolidated financial statements, there have no been other significant events affecting the income and equity statement of the Group.



BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND MEMBERS OF THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

REPORT EXPLAINING THE MANAGEMENT REPORT ON THE FINANCIAL YEAR ENDING 31ST DECEMBER 2007

In compliance with article 116 b of the Securities Market Act, this explanatory report has been drawn up on the aspects listed below:

- a) The capital structure, including securities not traded on the EC regulated markets, with indication of different classes of shares and, for each class, the rights and obligations they confer and the percentage of share capital that they represent:

At 31st December 2007, the share capital of Banco Bilbao Vizcaya Argentaria, S.A. stood at €1,836,504,869.29. This comprised 3,747,969,121 nominative shares with a face value of €0.49 each, fully subscribed and paid up.

All the shares in BBVA's share capital bear the same voting and economic rights.

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are listed on the Spanish continuous market and in Mexico (Bolsa Mexicana de Valores) and on the stock exchanges in New York, Frankfurt, London, Zurich and Milan.

BBVA Banco Francés, S.A. is listed on the Latin-American market of the Bolsa de Madrid. BBVA's American Depositary Shares (ADS) are listed on the New York exchange and traded on the Bolsa de Lima (Peru) under an agreement between both markets.

At 31st December 2007, the shares of BBVA Banco Continental, S.A., Banco Provincial C.A., BBVA Colombia, S.A., BBVA Chile, S.A., BBVA Banco Francés, S.A. and AFP Provida were trading on the local exchanges within their different countries. BBVA Banco Francés, S.A. and AFP Provida were also trading on the New York Stock Exchange.

The BBVA has no debt issues that can be converted into and/or swapped for BBVA shares.

On 10th September 2007, BBVA made a capital increase, approved by the Extraordinary General Meeting (EGM), 21st June 2007. It comprised an issue of 196,000,000 ordinary shares to use as the consideration for the takeover of the entire share capital of Compass Bancshares, Inc. The AGM, 28th February 2004, conferred authority on the Board of Directors, pursuant to article 153.1.b) of the Companies Act, to resolve to increase the capital on one or several occasions, up to the maximum nominal amount representing 50% of the Company's share capital subscribed and paid up on the date when the resolution is adopted, ie, €830,758,750.54. The directors have the legally established time period during which to increase the capital, ie, five years. The only amount that BBVA has drawn down against this authorisation so far is the capital issue it made in November 2006 for €78,947,368.22.

Apart from the aforementioned resolutions, it is reported that the AGM, 18th March 2006, resolved to confer on the Board of Directors the authority to issue, within the maximum period of five years, on one or several occasions, directly or through subsidiary companies with full guarantee from the Bank, all kinds of debt instruments, documented as debentures, bonds of any class, promissory notes, warrants of any class, totally or partially exchangeable for shares already issued by the Company itself or by another company or as futures payable by cash settlement, or any other fixed-income securities, in euros or in any other currency, to be subscribed in cash or in kind, nominative or made out to the bearer, senior or secured by any kind of guarantee, including mortgage-backed securities, with or without the incorporation of warrants, subordinate or not, with a time limit or open-ended, to a total maximum sum of €105 bn, this amount having been increased by €30 bn at the Annual General Meeting, 16th March 2007, so that together the total amount for the prevailing limit is €135 bn (135,000,000,000 euros).

At 31st December 2007, there were no significant capital issues in the pipeline amongst the member companies of the Financial Group.

During 2007 and 2006, the Group companies have carried out the following transactions with shares issued by the Bank:

	Number of shares	Millions of euros
Balance as of December 31, 2005	7,609,267	96
+ Purchase	338,017,080	5,677
- Sales	(337,319,748)	(5,639)
+/- Others	(394)	(1)
- Derivatives over BBVA shares	-	14
Balance as of December 31, 2006	8,306,205	147
+ Purchase	921,700,213	16,156
- Sales	(914,169,726)	(16,041)
+/- Others	-	(1)
- Derivatives over BBVA shares	-	128
Balance as of December 31, 2007	15,836,692	389

The average purchase price for the shares in 2007 was €17.53 per share and the average selling price for the shares in 2007 was €17.51 per share.

Net trading income generated by these shares issued by the Bank were booked under net assets under "Equity and Reserves". At 31st December 2007, said income was a negative amount of -€26m.

The Bank and some of its nominee companies held 15,836,692 and 8,306,205 Banco Bilbao Vizcaya Argentaria S.A. shares respectively at year-end 2007 and year-end 2006. These represented 0.423% and 0.233% of the share capital in circulation in 2007 and 2006, respectively. The book value of these shares was €389m and €147m at 31-Dec-07 and 31-Dec-06, respectively. During 2007, the percentage of shares the Group had in its treasury stock varied between a minimum of 0.136% and 1.919% of its capital (between 0.020% and 0.858% during 2006).

Date	Entity	Number of shares	% treasury shares
December 31, 2007	BBVA	291,850	0.008%
	Corporación General Financiera	15,525,688	0.414%
	Others	19,154	0.001%
	Total	15,836,692	0.423%
	BBVA	2,462,171	0.069%
December 31, 2006	Corporación General Financiera	5,827,394	0.164%
	Others	16,640	0.000%
	Total	8,306,205	0.233%

b) Any restriction on the transferability of securities

There are no restrictions under law or under the Company bylaws on the free acquisition and transfer of shares. However, articles 56 and following in Act 26/1988, 29th July, on discipline and control in financial institutions, established the need to notify the Bank of Spain before buying or selling significant shareholdings in Spanish financial institutions.

c) Significant direct and/or indirect holdings in the share capital

At 31st December 2007, BBVA had not been informed of any significant holding in its share capital, except the holding owned by Mr Manuel Jove Capellán who, on said date, owned a significant holding of 5.010% of the BBVA share capital through the companies, IAGA Gestión de Inversiones, S.L., Bourdet Inversiones, SICAV, S.A. and Doniños de Inversiones, SICAV, S.A.. Moreover, the Bank of New York International Nominees, Chase Nominees Ltd and State Street Bank & Trust Co, as international custodians and deposit banks, respectively held 4.16%; 5.76% and 5.90% in the BBVA share capital.

d) Any restriction on voting rights

There are no restrictions under law or under the Company bylaws on the exercise of voting rights.

e) Shareholder agreements

BBVA has not received any information of shareholder agreements including any rules concerning the exercise of voting rights at its General Meetings or restricting and/or placing conditions over the free transferability of BBVA shares.

f) Regulations applicable to appointments and substitution of members of governing bodies and the amendment of company bylaws

Pursuant to the Company's Board Regulations, directors shall be appointed to the Board by the General Meeting without detriment to the faculty of the Board to co-opt members in the event of a vacancy.

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

The Board of Directors shall put its proposals to the General Meeting of the Company's shareholders in such a way that, if approved, the Board would contain an ample majority of external directors over executive directors and at least one third of the seats would be occupied by independent directors.

The proposals that the Board submits to the Company's General Meeting for the appointment or re-election of

directors and the resolutions to co-opt directors made by the Board of Directors shall be approved at the proposal of the Appointments & Remuneration committee in the case of independent directors and on the basis of a report from said committee in the case of all other directors.

The Board's resolutions and deliberations shall take place in the absence of the director whose re-election is proposed. If the director is at the meeting, she/he must leave the room

Amendment of the Company bylaws

Article 30 of the BBVA Company bylaws establishes that the General Meeting of shareholders has the power to amend the Company bylaws and/or confirm and rectify the interpretation of said bylaws by the Board of Directors.

This shall be subject to the regulations established under articles 144 and following of the Companies Act.

The above notwithstanding, in order to adopt resolutions for substituting the corporate object, transforming, breaking up or winding up the company and amending this second paragraph of the present article, the General Meeting on first summons must be attended by two thirds of the subscribed capital with voting rights and on second summons, 60% of said capital.

g) Powers of the board members and, in particular, powers to issue and/or buy back shares

The executive directors shall hold broad-ranging powers of representation and administration in keeping with the requirements and characteristics of the posts they occupy.

With respect to the Board of Directors' capacity to issue BBVA shares, the AGM, 28th February 2004, resolved to confer authority on the Board of Directors, pursuant to article 153.1.b) of the Companies Act, to resolve to increase the capital on one or several occasions up to the maximum nominal amount representing 50% of the Company's share capital that is subscribed and paid up on the date on which the resolution is adopted, ie, €830,758,750.54. The directors have the legally established time period during which to increase the capital, ie, five years. The only amount that BBVA has drawn down against this authorisation so far is the capital issue it made in November 2006 for €78,947,368.22.

Likewise, the AGM, 16th March 2007, pursuant to article 75 of the Spanish Companies Act, authorised the Company, directly or through any of its subsidiary companies, for a maximum of eighteen months, to buy Banco Bilbao Vizcaya Argentaria, S.A. shares at any time and as often as deemed timely, by any means accepted by law.

- h) Significant resolutions that the company may have passed that come into force, are amended or conclude in the event of any change of control over the company following a public takeover bid, and whose effects, except when such disclosure may be seriously damaging for the company. This exception shall not be applicable when the company is legally obliged to disclose this information

BBVA is not aware of any resolution that could give rise to changes in the control over the issuer.

- i) Agreements between the company and its directors, managers or employees establishing indemnity payments when they resign or are dismissed without due cause or if the employment contract expires due to a takeover bid

The Bank's executive directors (the chairman & CEO, the president & COO and the company secretary) are entitled under their contracts to receive indemnity should they leave

on grounds other than their own will, retirement, invalidity or dereliction of duty. The amount, terms and conditions of this indemnity are detailed in Note 57 of the annual report.

The Bank recognised the entitlement of some members of its management team, 59 senior managers, to be paid indemnity should they leave on grounds other than their own will, retirement, invalidity or dereliction of duty. The amount of this indemnity will be calculated in part as a function of their annual remuneration and the number of years they have worked for the Company and in part as a function of the amounts due to them under the passive rights they may have accumulated.

The Bank has agreed clauses with some staff (50 technical and specialist employees) to indemnify them in the case of dismissal without due cause. The amounts agreed are calculated as a function of the professional and wage conditions of each employee.



Supplementary information



Financial statements
of the main Group
companies
Consolidated
time series
Offshore Financial Centres
Office network

FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (I)

Income statements ⁽¹⁾								
(Million euros)	BBVA, S.A.			PORTUGAL BBVA Portugal			USA Compass Bank 2007	
	2007	Δ%	2006	2007	Δ%	2006	2007	
NET INTEREST INCOME	4,662	13.5	4,108	72	8.9	66	292	
Net fee income and insurance activities	1,793	3.5	1,732	41	12.2	37	142	
CORE REVENUES	6,455	10.5	5,840	113	10.1	103	434	
Net trading income	1,972	33.0	1,482	1	(72.5)	3	14	
ORDINARY REVENUES	8,427	15.1	7,322	114	8.1	105	448	
General administrative expenses	(3,220)	7.1	(3,007)	(66)	(10.9)	(74)	(238)	
Depreciation, amortization and others	(209)	7.0	(196)	(4)	2.6	(4)	(72)	
OPERATING PROFIT	4,997	21.3	4,119	43	61.6	27	138	
Loan-loss provisions	(602)	(3.7)	(625)	(25)	125.5	(11)	(38)	
Other income/losses (net)	(148)	(68.2)	(465)	(3)	n.m.	-	(2)	
PRE-TAX PROFIT	4,247	40.2	3,030	15	(3.8)	16	99	
Corporate income tax	(635)	7.7	(590)	(1)	(89.0)	(6)	(29)	
NET PROFIT	3,612	48.0	2,440	15	46.1	10	70	
Minority interests	-	-	-	-	n.m.	-	-	
NET ATTRIBUTABLE PROFIT	3,612	48.0	2,440	15	45.1	10	70	

(1) Contribution to the consolidated financial statements. (2) At constant exchange rate.

Balance sheets ⁽¹⁾								
(Million euros)	BBVA, S.A.			BBVA Portugal			Compass Bank 31-12-07	
	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06	31-12-07	
Cash and balances at Central Banks	12,216	274.2	3,264	79	33.1	59	344	
Financial assets	87,142	18.6	73,500	278	(26.0)	376	4,814	
Loans and receivables	246,722	15.8	213,028	5,545	21.3	4,570	18,471	
• Due from banks	32,547	32.5	24,565	554	54.4	359	309	
• Loans to customers	209,603	14.0	183,853	4,954	19.3	4,151	17,951	
• Other	4,572	(0.8)	4,610	37	(38.5)	60	211	
Property, plant and equipment	1,870	(10.7)	2,093	60	(0.1)	60	424	
Other assets	6,916	(16.7)	8,306	343	15.9	296	1,066	
TOTAL ASSETS / LIABILITIES AND EQUITY	354,866	18.2	300,191	6,306	17.6	5,362	25,118	
Deposits by Central Banks and banks	69,836	28.4	54,389	3,916	23.1	3,180	5,435	
Due to customers	172,807	17.6	146,892	1,710	3.4	1,653	16,537	
Marketable debt securities	44,248	11.0	39,859	(7)	-	-	220	
Subordinated debt	12,593	1.0	12,464	301	62.7	185	850	
Other liabilities	33,777	13.1	29,856	167	10.8	150	868	
Minority interests	-	-	-	-	(54.7)	-	-	
Shareholders' funds/Economic capital allocated	21,605	29.1	16,731	220	13.4	194	1,207	

(1) Contribution to the consolidated financial statements. (2) At constant exchange rate.

UNITED STATES OF AMERICA Laredo National Bank					USA State National Bank	UNITED STATES OF AMERICA Texas State Bank				PUERTO RICO BBVA Puerto Rico				
2007	Δ%	Δ% ⁽²⁾	2006		2007	2007	Δ%	Δ% ⁽²⁾	2006	2007	Δ%	Δ% ⁽²⁾	2006	
	102	(3.2)	5.7	105		52	194	n.m.	n.m.	32	125	(10.7)	(2.6)	140
	36	9.8	19.8	33		13	55	n.m.	n.m.	9	21	(0.7)	8.4	21
	138	(0.1)	9.0	138		66	249	n.m.	n.m.	40	146	(9.4)	(1.1)	161
	-	n.m.	n.m.	2		2	1	n.m.	n.m.	-	4	n.m.	n.m.	(2)
	138	(1.5)	7.5	140		67	250	n.m.	n.m.	41	150	(5.8)	2.8	159
	(74)	(6.5)	2.1	(80)		(40)	(116)	n.m.	n.m.	(16)	(79)	(8.5)	(0.1)	(86)
	(15)	(7.7)	0.7	(16)		(2)	(24)	n.m.	n.m.	(4)	(5)	(9.6)	(1.3)	(6)
	49	9.4	19.4	45		26	110	n.m.	n.m.	20	66	(2.0)	7.0	67
	1	n.m.	n.m.	(5)		-	(15)	209.2	237.4	(5)	(33)	15.5	26.1	(29)
	4	(12.3)	(4.3)	5		1	(3)	n.m.	n.m.	-	(2)	(19.9)	(12.6)	(3)
	55	22.7	33.9	44		27	93	n.m.	n.m.	16	30	(14.8)	(7.0)	36
	(18)	27.4	39.1	(14)		(9)	(31)	n.m.	n.m.	(5)	(8)	(19.0)	(11.6)	(10)
	36	20.5	31.5	30		18	62	n.m.	n.m.	10	22	(13.1)	(5.1)	25
	-	(100.0)	(100.0)	-		-	-	-	-	-	-	-	-	-
	36	20.8	31.9	30		18	62	n.m.	n.m.	10	22	(13.1)	(5.1)	25

Laredo National Bank					State National Bank	Texas State Bank				BBVA Puerto Rico			
31-12-07	Δ%	Δ% ⁽²⁾	31-12-06	31-12-07		Δ%	Δ% ⁽²⁾	31-12-06	31-12-07	Δ%	Δ% ⁽²⁾	31-12-06	
	41	13.5	26.9	36	58	42	(7.8)	3.0	46	31	79.4	100.5	17
	888	(8.9)	1.8	975	183	1,457	(1.0)	10.6	1,472	1,033	(25.0)	(16.2)	1,378
	1,925	5.0	17.4	1,832	805	3,027	(12.7)	(2.4)	3,465	3,299	0.5	12.3	3,284
	122	22.7	37.2	99	31	62	(71.6)	(68.3)	219	362	77.6	98.6	204
	1,730	4.3	16.5	1,659	747	2,895	(8.6)	2.1	3,169	2,915	(4.3)	7.0	3,046
	73	(1.0)	10.6	74	27	70	(10.5)	0.1	78	22	(34.4)	(26.7)	34
	71	(20.5)	(11.2)	90	42	123	(15.3)	(5.3)	145	38	(16.0)	(6.1)	45
	33	(92.7)	(91.9)	459	36	82	(94.0)	(93.3)	1,371	74	(36.5)	(29.0)	117
	2,959	(12.8)	(2.5)	3,392	1,124	4,731	(27.2)	(18.6)	6,499	4,475	(7.5)	3.3	4,840
	18	(46.7)	(40.4)	34	41	14	(91.1)	(90.0)	156	1,217	28.9	44.1	944
	2,628	(1.3)	10.4	2,661	921	4,155	(9.9)	0.7	4,612	2,031	(14.8)	(4.8)	2,385
	-	-	-	-	-	-	-	-	-	691	(21.9)	(12.7)	885
	-	(100.0)	(100.0)	1	17	41	(75.9)	(73.0)	169	79	(10.5)	(0.0)	89
	194	(66.8)	(62.9)	583	83	316	(76.6)	(73.9)	1,353	238	(21.3)	(12.1)	302
	-	-	-	-	1	-	-	-	-	-	-	-	-
	120	6.0	18.5	113	60	205	(2.3)	9.2	210	219	(7.3)	3.6	236

FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (II)

Income statements ⁽¹⁾								
(Million euros)	MEXICO BBVA Bancomer Banking Group				ARGENTINA BBVA Banco Francés			
	2007	Δ%	Δ% ⁽²⁾	2006	2007	Δ%	Δ% ⁽²⁾	2006
NET INTEREST INCOME	3,535	8.4	18.6	3,259	237	3.8	15.3	228
Net fee income and insurance activities	1,249	4.6	14.4	1,194	112	5.5	17.2	106
CORE REVENUES	4,784	7.4	17.5	4,453	349	4.3	15.9	334
Net trading income	210	26.1	37.9	166	70	(50.9)	(45.4)	143
ORDINARY REVENUES	4,994	8.1	18.2	4,619	419	(12.2)	(2.5)	477
General administrative expenses	(1,634)	4.0	13.7	(1,571)	(184)	5.2	16.9	(175)
Depreciation, amortization and others	(165)	(1.7)	7.5	(168)	(14)	2.4	13.7	(14)
OPERATING PROFIT	3,195	10.9	21.3	2,880	221	(23.5)	(15.0)	288
Loan-loss provisions	(834)	31.7	44.0	(633)	4	n.m.	n.m.	(8)
Other income/losses (net)	-	n.m.	n.m.	(49)	(32)	23.1	36.7	(26)
PRE-TAX PROFIT	2,361	7.4	17.5	2,198	193	(24.3)	(15.9)	255
Corporate income tax	(640)	(0.8)	8.5	(645)	1	n.m.	n.m.	(75)
NET PROFIT	1,721	10.9	21.2	1,552	194	8.3	20.3	179
Minority interests	(1)	(8.2)	0.4	(1)	(47)	10.0	22.2	(43)
NET ATTRIBUTABLE PROFIT	1,720	10.9	21.2	1,552	147	7.7	19.7	136

(1) Contribution to the consolidated financial statements. (2) At constant exchange rate.

Balance sheets ⁽¹⁾								
(Million euros)	BBVA Bancomer Banking Group				BBVA Banco Francés			
	31-12-07	Δ%	Δ% ⁽²⁾	31-12-06	31-12-07	Δ%	Δ% ⁽²⁾	31-12-06
Cash and balances at Central Banks	5,540	(5.4)	6.1	5,853	633	6.3	22.0	595
Financial assets	24,012	36.9	53.4	17,538	748	(13.9)	(1.2)	869
Loans and receivables	30,812	13.9	27.6	27,058	2,429	11.8	28.3	2,173
• Due from banks	2,663	78.6	100.1	1,491	282	26.2	44.8	223
• Loans to customers	27,907	10.6	24.0	25,225	2,069	9.3	25.5	1,893
• Other	243	(29.1)	(20.6)	343	77	36.6	56.7	57
Property, plant and equipment	789	(4.2)	7.4	823	86	(8.1)	5.5	94
Other assets	1,398	(26.3)	(17.4)	1,896	191	15.4	32.4	165
TOTAL ASSETS / LIABILITIES AND EQUITY	62,551	17.6	31.8	53,170	4,086	4.9	20.4	3,897
Deposits by Central Banks and banks	15,855	117.4	143.6	7,294	171	(3.4)	10.8	177
Due to customers	35,302	(2.3)	9.5	36,127	3,250	4.5	19.9	3,109
Marketable debt securities	1,845	n.m.	n.m.	190	-	(99.3)	(99.2)	61
Subordinated debt	1,466	161.1	192.6	561	-	-	-	-
Other liabilities	4,849	(13.8)	(3.4)	5,626	198	21.1	39.0	163
Minority interests	-	(79.1)	(76.5)	2	52	0.2	15.0	52
Economic capital allocated	3,234	(4.0)	7.6	3,369	415	24.6	42.9	333

(1) Contribution to the consolidated financial statements. (2) At constant exchange rate.

CHILE BBVA Chile				COLOMBIA BBVA Colombia				PERU BBVA Banco Continental				VENEZUELA BBVA Banco Provincial			
2007	Δ%	Δ% ⁽²⁾	2006	2007	Δ%	Δ% ⁽²⁾	2006	2007	Δ%	Δ% ⁽²⁾	2006	2007	Δ%	Δ% ⁽²⁾	2006
200	18.9	27.6	168	328	22.3	17.5	268	253	18.9	24.0	213	554	55.8	70.0	356
48	5.8	13.5	46	109	12.4	7.9	97	86	14.9	19.8	74	156	51.7	65.6	103
248	16.1	24.6	214	437	19.7	14.9	365	338	17.9	22.9	287	710	54.9	69.0	458
15	(3.7)	3.4	15	19	n.m.	n.m.	4	37	14.7	19.6	32	16	(57.2)	(53.3)	37
263	14.8	23.2	229	456	23.6	18.7	369	376	17.5	22.5	319	726	46.4	59.8	496
(140)	11.3	19.5	(126)	(189)	(3.4)	(7.3)	(196)	(117)	8.7	13.3	(107)	(257)	7.9	17.7	(238)
(9)	(30.4)	(25.2)	(13)	(34)	(8.2)	(11.8)	(37)	(16)	3.0	7.3	(16)	(51)	20.3	31.3	(43)
113	26.2	35.5	90	232	71.4	64.6	135	243	23.5	28.8	197	418	94.3	112.0	215
(58)	(13.0)	(6.5)	(67)	(56)	120.6	111.8	(25)	(41)	155.7	166.6	(16)	(101)	208.8	237.0	(33)
(2)	(64.2)	(61.6)	(6)	(31)	n.m.	n.m.	(7)	(1)	n.m.	n.m.	1	(39)	280.4	n.m.	(10)
53	215.8	239.0	17	146	40.7	35.1	103	200	10.4	15.1	181	278	61.5	76.2	172
(2)	(80.4)	(78.9)	(8)	(33)	n.m.	n.m.	(3)	(65)	7.7	12.3	(61)	(54)	127.1	147.9	(24)
51	n.m.	n.m.	9	112	11.8	7.3	101	135	11.7	16.5	121	224	50.9	64.7	148
(14)	n.m.	n.m.	(2)	(5)	11.2	6.8	(5)	(72)	11.2	15.9	(65)	(100)	50.4	64.1	(66)
37	n.m.	n.m.	7	107	11.8	7.3	96	63	12.4	17.2	56	124	51.4	65.2	82

BBVA Chile				BBVA Colombia				BBVA Banco Continental				BBVA Banco Provincial			
31-12-07	Δ%	Δ% ⁽²⁾	31-12-06	31-12-07	Δ%	Δ% ⁽²⁾	31-12-06	31-12-07	Δ%	Δ% ⁽²⁾	31-12-06	31-12-07	Δ%	Δ% ⁽²⁾	31-12-06
280	163.9	174.4	106	570	112.5	114.4	268	972	39.5	46.0	697	1,405	29.3	44.8	1,086
736	43.8	49.4	512	978	(4.9)	(4.1)	1,029	695	36.8	43.2	508	436	(7.3)	3.8	471
6,746	16.2	20.8	5,804	3,920	28.6	29.8	3,047	3,771	22.6	28.3	3,076	5,257	(0.5)	11.5	5,283
210	(30.8)	(28.0)	304	38	64.0	65.5	23	75	(14.0)	(9.9)	87	1,054	(58.5)	(53.5)	2,541
6,386	18.3	23.0	5,398	3,877	28.7	29.9	3,012	3,671	24.5	30.3	2,948	4,120	61.2	80.6	2,556
149	46.2	51.9	102	5	(60.5)	(60.1)	12	25	(39.1)	(36.3)	41	83	(55.0)	(49.6)	185
75	1.8	5.9	74	90	(13.8)	(13.0)	105	66	2.1	6.9	65	62	(8.5)	2.5	67
365	15.4	19.9	317	145	(59.5)	(59.2)	358	133	15.5	20.9	115	86	57.2	76.1	55
8,203	20.4	25.2	6,812	5,703	18.6	19.7	4,807	5,636	26.4	32.3	4,460	7,246	4.1	16.6	6,962
937	(2.5)	1.3	961	337	44.3	45.6	234	1,118	96.7	105.9	568	95	(84.8)	(83.0)	624
5,359	16.9	21.6	4,583	4,482	19.3	20.3	3,758	3,643	15.1	20.5	3,165	5,929	7.4	20.4	5,519
578	76.1	83.0	329	163	n.m.	n.m.	-	115	35.5	41.9	85	13	-	-	-
307	2.2	6.3	300	140	(0.5)	0.4	140	81	-	-	-	67	-	-	-
706	137.3	146.7	298	171	(47.2)	(46.7)	323	304	31.1	37.2	232	658	73.4	94.3	379
50	(47.4)	(45.3)	96	16	(13.2)	(12.4)	18	171	(26.3)	(22.8)	232	171	(22.6)	(13.3)	221
264	7.7	11.9	246	394	18.1	19.2	334	205	14.4	19.7	179	313	42.9	60.1	219

**FINANCIAL STATEMENTS OF THE MAIN GROUP COMPANIES (III)
PENSION FUND MANAGERS IN THE AMERICAS**

Funds under management and income statements ⁽¹⁾								
(Million euros)	MEXICO				CHILE			
	2007	Afore Δ%	Bancomer Δ% ⁽²⁾	2006	2007	AFP Δ%	Provida Δ% ⁽²⁾	2006
FUNDS UNDER MANAGEMENT	8,648	0.3	12.4	8,625	23,060	12.2	16.6	20,559
CORE REVENUES	138	(16.0)	(8.2)	164	126	4.6	12.3	120
Of which: Net fee income	135	(16.9)	(9.1)	162	126	3.2	10.8	122
ORDINARY REVENUES	146	(19.0)	(11.4)	180	155	1.3	8.8	153
OPERATING PROFIT	62	(31.5)	(25.1)	90	86	(2.1)	5.1	88
PRE-TAX PROFIT	62	(32.5)	(26.2)	91	92	5.7	13.5	87
NET PROFIT	45	(31.6)	(25.2)	66	76	11.1	19.3	69
NET ATTRIBUTABLE PROFIT	44	(32.0)	(25.7)	65	48	11.3	19.5	43

(1) Contribution to the consolidated financial statements.
(2) At constant exchange rate.

CONSOLIDATED TIME SERIES

Income statement										
(Million euros)	2007	IFRS			Bank of Spain's Circular 4/1991					
		2006	2005	2004	2004	2003	2002	2001	2000	1999
Net interest income	9,769	8,374	7,208	6,160	7,069	6,741	7,808	8,824	6,995	5,760
Core revenues	15,463	13,667	11,756	10,060	10,448	10,004	11,476	12,862	10,364	8,467
Ordinary revenues	18,133	15,701	13,024	11,120	11,053	10,656	12,241	13,352	11,143	9,108
Operating profit	10,544	8,883	6,823	5,591	5,440	4,895	5,577	5,599	4,376	3,457
Pre-tax profit	8,495	7,030	5,592	4,137	4,149	3,812	3,119	3,634	3,876	2,902
Net profit	6,415	4,971	4,071	3,108	3,192	2,897	2,466	3,009	2,914	2,168
Net attributable profit	6,126	4,736	3,806	2,923	2,802	2,227	1,719	2,363	2,232	1,746

Balance sheet and business activity										
(Million euros)	31-12-07	IFRS			Bank of Spain's Circular 4/1991					
		31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99
Loans to customers	310,882	256,565	216,850	172,083	170,248	148,827	141,315	150,220	137,467	113,607
Total assets	502,204	411,916	392,389	329,441	311,072	287,150	279,542	309,246	296,145	238,166
On-balance-sheet customer funds	334,844	283,645	259,200	207,701	199,485	182,832	180,570	199,486	185,718	139,934
• Due to customers	236,183	192,374	182,635	149,892	147,051	141,049	146,560	166,499	154,146	105,077
• Marketable debt securities	82,999	77,674	62,842	45,482	44,326	34,383	27,523	25,376	26,460	31,552
• Subordinated debt	15,662	13,597	13,723	12,327	8,108	7,400	6,487	7,611	5,112	3,305
Other customer funds	150,777	142,064	142,707	121,553	121,553	113,074	108,815	124,496	118,831	102,677
Total customer funds	485,621	425,709	401,907	329,254	321,038	295,906	289,385	323,982	304,549	242,611

Additional information										
	31-12-07	IFRS			Bank of Spain's Circular 4/1991					
		31-12-06	31-12-05	31-12-04	31-12-04	31-12-03	31-12-02	31-12-01	31-12-00	31-12-99
Dividends (million euros)	2,717	2,220	1,801	1,499	1,499	1,247	1,109	1,222	1,123	854
Number of shareholders (thousands)	890	864	985	1,081	1,081	1,159	1,179	1,204	1,300	1,268
Number of shares (millions) ⁽¹⁾	3,748	3,552	3,391	3,391	3,391	3,196	3,196	3,196	3,196	2,931
Number of employees	111,913	98,553	94,681	87,112	84,117	86,197	93,093	98,588	108,082	88,556
• Spain	31,106	30,582	31,154	31,056	30,765	31,095	31,737	31,686	33,733	37,052
• Abroad	80,807	67,971	63,527	56,056	53,352	55,102	61,356	66,902	74,349	51,504
Number of branches	8,028	7,499	7,328	6,751	6,848	6,924	7,504	7,988	8,946	7,491
• Spain	3,595	3,635	3,578	3,385	3,375	3,371	3,414	3,620	3,864	4,336
• Abroad	4,433	3,864	3,750	3,366	3,473	3,553	4,090	4,368	5,082	3,155

(1) The data for the period from 1998 to 1999 were re-calculated based on the share exchange ratio (5 BBV shares for 3 Argentaria shares).

Offshore Financial Centres

BBVA GROUP ESTABLISHMENTS IN OFFSHORE FINANCIAL CENTRES

The BBVA Group is in agreement with the **Bank of Spain's** approach (see the Banking Supervision Report 2003) regarding reputational risk for financial institutions that, in developing their strategies, blind themselves to the implications associated either with the localisation of their business or with the kind of activities that are or may at some time be carried out in offshore financial centres, and especially in those that have come to be known as tax havens.

As a result of the aforesaid, in 2004, the **BBVA Group** stated its **policy** on activities with establishments permanently registered in offshore financial centres. At the same time, it issued a **plan for reducing** to three the number of offshore financial centres (see *Corporate Social Responsibility Report 2004*).

At year-end 2007, the measures deriving from the said plan had led to the removal of 35 permanent establishments. In addition, 3 companies were in the process of liquidation and another 6 had ceased all business activity as a preliminary step to the said process (as listed in Appendix I to the chapter "Legal Documentation" in this annual report - Additional information on consolidated subsidiaries composing the BBVA Group). Of the latter, 5 show liabilities with securities issued, and the time of their effective

liquidation will depend on the repurchase and/or amortisation process. The accompanying table presents a comparative list of the issues existing as at 31-Dec-07 and 31-Dec-06.

At year-end 2007, the BBVA Group's permanent establishments with some sort of business activity registered in offshore financial centres that are considered tax havens by the OECD can be classified as follows:

1. Branches of the BBVA Group's banks in the Cayman Islands and the Netherlands Antilles.
2. Business in Panama.
3. The BBVA Group's holding in Inversiones Banpro Internacional Inc. N.V. (Netherlands Antilles.)

1) Branches of the BBVA Group's banks in the Cayman Islands and the Netherlands Antilles

At year-end 2007, the BBVA Group has three bank branches registered in the Cayman Islands (one of them as a result of the acquisition of Compass Bancshares, Inc. in 2007) and another one in the Netherlands Antilles. The activities and business of these branches are pursued under the strictest compliance to applicable laws.

The tables on the next page include information on the type of business or main activity of these branches (which does not include the rendering of private banking services) and their balance sheets, including the main headings as at 31-Dec-07 and 31-Dec-06.

Issues										
(Million euros)		Preference shares ⁽¹⁾			Subordinated debt ⁽¹⁾			Other fixed-income securities		
Issuer	Country	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06	31-12-07	Δ%	31-12-06
BBVA International LTD	Cayman Islands	500	(50.0)	1,000						
BBVA Capital Funding LTD	Cayman Islands				1,123	(10.1)	1,249			
BBVA Global Finance LTD	Cayman Islands				136	(10.4)	152	1,072	(26.8)	1,464
BCL International Finance LTD	Cayman Islands							117	(20.5)	147
Mercury Trust LTD ⁽²⁾	Cayman Islands							148	(31.5)	216
TOTAL		500	(50.0)	1,000	1,259	(10.1)	1,401	1,337	(26.8)	1,827

(1) Securities issued before enactment of 19/2003 Act, of 4 July.
(2) Issues of securitisation bonds for the flows generated by credit cards issued by BBVA Bancomer.

BBVA Group branches in offshore financial centres				
	Banco Bilbao Vizcaya Argentaria	BBVA Bancomer	Banco Provincial	Compass Bank
OFC in which the permanent establishment is domiciled	Cayman Islands	Cayman Islands	Netherlands Antilles	Cayman Islands
Main activity or business	Corporate Banking	Financial and balance-sheet risks management	Commercial Banking	Corporate Banking

Balance sheets													
(Million euros)	Cayman Islands BBVA branch (Spain)				Cayman Islands BBVA Bancomer branch (Mexico)				Netherlands Antilles Banco Provincial branch (Venezuela)				Cayman Islands Compass Bank branch (EEUU)
	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	31-12-07	Δ%	Δ% ⁽¹⁾	31-12-06	
Total net lending	6,303	17.8	31.7	5,351	336	(38.8)	(31.6)	549	5	(25.5)	(16.7)	6	569
Securities portfolio	1	(93.4)	(92.6)	15	866	(28.2)	(19.8)	1,207	-	(97.7)	(97.4)	4	-
Liquid assets	-	-	-	-	75	n.m.	n.m.	5	55	59.1	77.8	34	-
Property and equipment and intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	(100.0)	(100.0)	38	1,795	(87.4)	(85.9)	14,192	-	13.0	26.3	-	-
TOTAL ASSETS	6,304	16.7	30.4	5,404	3,072	(80.7)	(78.5)	15,952	59	34.4	50.2	44	569
Deposits	6,140	17.0	30.7	5,249	1,314	232.2	271.3	396	30	(24.9)	(16.0)	40	596
Equity	164	49.8	67.4	109	220	111.1	136.0	104	10	143.1	171.7	4	(27)
Liquid liabilities	-	-	-	-	700	73.9	94.4	402	19	n.m.	n.m.	-	-
Other liabilities	-	(100.0)	(100.0)	45	839	(94.4)	(93.8)	15,050	-	(39.7)	(32.6)	-	-
TOTAL LIABILITIES AND EQUITY	6,304	16.7	30.4	5,404	3,072	(80.7)	(78.5)	15,952	59	34.4	50.2	44	569
Memorandum accounts	2,249	52.4	70.3	1,476	128,389	40.4	56.9	91,440	217	(39.1)	(32.0)	357	-
Bonds, guarantees and cautions	2,249	52.4	70.3	1,476	-	-	-	-	-	-	-	-	-
Other transactions	-	-	-	-	128,389	40.4	56.9	91,440	217	(39.1)	(32.0)	357	-

(1) At constant exchange rate.

(1) At constant exchange rate.

2) Business in Panama

The BBVA Group has the following permanent establishments in Panama: a subsidiary bank, Banco Bilbao Vizcaya Argentaria, S.A. (Panamá), which in turn owns a company for holding foreclosed assets, Transitory Co. These establishments limit their activities to what is strictly related to the development of **commercial banking** business, basically domestic, which does not include the rendering of private banking services.

In general, Banco Bilbao Vizcaya Argentaria, S.A. (Panamá) restricts the admission of business relations with non-resident individuals (irrespective of whether they are

recorded as holders of the business relation or as economic beneficiaries of the same, when its holder is a corporate entity) and with companies registered in other jurisdictions to cases where the business relation is a consequence of commercial activities known and developed in Panama. In any event, any exception to the general criteria would require the application of reinforced procedures on customer knowledge and approval.

The table shown on the next page includes the condensed balance sheets of the BBVA Panama financial group as at 31-Dec-07 and 31-Dec-06.

Balance sheets				
(Million euros)	31-12-07	Panama BBVA Group (Panama)		31-12-06
		Δ%	Δ% ⁽¹⁾	
Total lending	835	12.5	25.8	742
Securities portfolio	3	(75.4)	(72.5)	14
Liquid assets	91	33.4	49.1	68
Property and equipment and intangible assets	6	(19.2)	(9.6)	8
Other assets	28	31.7	47.2	21
TOTAL ASSETS	963	13.0	26.3	853
Deposits	748	17.2	31.0	638
Equity	120	(7.7)	3.1	130
Liquid liabilities	71	28.3	43.5	55
Other liabilities	24	(15.9)	(5.9)	29
TOTAL LIABILITIES AND EQUITY	963	13.0	26.3	853
Memorandum accounts	329	(4.4)	6.9	344
Bonds, guarantees and cautions	35	24.9	39.6	28
Other transactions	293	(7.0)	4.0	316

(1) At constant exchange rate.

3) The BBVA Group's holding in Inversiones Banpro Internacional Inc. N.V. (Netherlands Antilles)

The BBVA Group owns 48% of the share capital of Inversiones Banpro Internacional Inc. N.V., a company registered in the Netherlands Antilles whose sole asset is its ownership of all of the shares of Banco Provincial Overseas, N.V., a bank registered in the same country, where it has the necessary resources to manage and administer its operations. **Banco Provincial Overseas, N.V.** limits its activities (which do not include the rendering of private banking services) to providing transactional services and the issue of guarantees, fundamentally for companies. These activities are complemented by a limited range of US dollar-denominated savings products for both companies and individuals. The table shown on the next page includes the condensed balance sheets of Banco Provincial Overseas, N.V.

SUPERVISION AND CONTROL OF THE PERMANENT ESTABLISHMENTS OF THE BBVA GROUP IN OFFSHORE FINANCIAL CENTRES

BBVA applies risk management criteria and policies to all its permanent establishments in offshore financial centres that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of its permanent establishments in offshore financial centres, BBVA's corporate **Internal Audit** department verifies the following: the coincidence of their activities with the definition of their corporate purpose, compliance with corporate policies and procedures in matters relating to customer knowledge and prevention of money laundering, the veracity of the information submitted to the parent company and compliance with tax obligations. In addition, every year a special review is performed on Spanish legislation

Balance sheets				
(Million euros)	31-12-07	Netherlands Antilles Banco Provincial Overseas		31-12-06
		Δ%	Δ% ⁽¹⁾	
Total lending	2	(1.7)	9.9	2
Securities portfolio	28	(62.8)	(58.5)	77
Liquid assets	322	(3.0)	8.4	332
Property and equipment and intangible assets	1	(15.0)	(5.0)	1
Other assets	-	-	-	-
TOTAL ASSETS	353	(14.2)	(4.1)	412
Deposits	314	(14.1)	(4.0)	366
Equity	25	(16.9)	(7.2)	30
Liquid liabilities	5	(16.9)	(7.1)	6
Other liabilities	9	(6.2)	4.8	10
TOTAL LIABILITIES AND EQUITY	353	(14.2)	(4.1)	412
Memorandum accounts	329	39.6	56.1	236
Bonds, guarantees and cautions	99	143.1	171.7	41
Other transactions	230	18.0	31.9	195

(1) At constant exchange rate.

applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centres.

Furthermore, in 2007, BBVA's corporate **Compliance** department supervised the action plans deriving from the Audit Reports on each one of the establishments. On an annual basis, conclusions deriving therefrom are submitted for consideration to the **Audit and Compliance Committee**, which in turn submits the corresponding report to the BBVA board of directors.

As far as **external audits** are concerned, one of the functions of the Audit and Compliance

Committee is to select an external auditor for the consolidated group and for all the companies forming the same. The selection criterion is to designate the same auditing firm for all the BBVA Group's permanent establishments in offshore financial centres, unless, for reasons which the committee will appreciate, this is not possible or fitting. For 2007, all of the BBVA Group's permanent establishments registered in offshore financial centres have the same external auditor – Deloitte –, except for the BBVA Group's companies established in the Netherlands Antilles, whose external auditor is PricewaterhouseCoopers.

OFFICE NETWORK

The BBVA Group's network of offices – In Spain

THE BBVA GROUP'S HEAD OFFICES

Bilbao

Gran Vía, 1
E-48001 Bilbao
Tel.: +34 94 487 60 00
Fax: +34 94 487 61 61

Madrid

Paseo de la Castellana, 81
E-28046 Madrid
Tel.: +34 91 374 60 00
Fax: +34 91 374 62 02
Paseo de Recoletos, 10
E-28001 Madrid
Tel.: +34 91 374 60 00
Fax: +34 91 374 62 02

REGIONAL HEAD OFFICES

Head Office Catalonia

Plaza Cataluña, 5
3ª planta
E-08002 Barcelona
Tel.: +34 93 404 38 18
Fax: +34 93 404 38 83

Canary Islands - Regional

Albareda, 6 - 5ª planta
E-35008 Las Palmas
Tel.: +34 928 45 15 00
Fax: +34 928 27 14 11

Catalonia - Regional

Plaza Cataluña, 5
5ª planta
E-08002 Barcelona
Tel.: +34 93 401 45 00
Fax: +34 93 401 45 55

Central Spain - Regional

Alcalá, 16 - 6ª planta
E-28014 Madrid
Tel.: +34 91 537 59 81
Fax: +34 91 537 59 68

Eastern Spain - Regional

Pl. Ayuntamiento, 9
3ª planta
E-46002 Valencia
Tel.: +34 96 388 00 00
Fax: +34 96 388 00 42

North-western Spain Regional

Cantón Pequeño, 18-21
2ª planta
E-15003 A Coruña
Tel.: +34 981 18 85 00
Fax: +34 981 18 86 30

Northern Spain - Regional

Gran Vía, 1 - 5ª planta
E-48001 Bilbao
Tel.: +34 94 487 50 00
Fax: +34 94 487 52 41

Southern Spain - Regional

Avda. de la Palmera, 61-63
2ª planta
E-41013 Sevilla
Tel.: +34 95 455 90 00
Fax: +34 95 455 92 99

DOMESTIC BANKS

Banco de Crédito Local

Plaza Santa Bárbara, 2
E-28004 Madrid
Tel.: +34 91 374 60 00
Fax: +34 91 374 62 02

BBVA Finanzia

Julián Camarillo, 4
Edificio C
E-28037 Madrid
Tel.: +34 91 374 39 16
Fax: +34 91 374 78 68

Uno-e Bank

Julián Camarillo, 4
E-Edificio C
28037 Madrid
Tel.: +34 91 453 61 00
Fax: +34 91 453 61 01

The BBVA Group's network of offices – Abroad

MAIN BRANCHES ABROAD

Belgium

Brussels

Avenue des Arts, 43
B-1040 Bruxelles
Tel.: +32 2/5123262
Fax: +32 2/5129318

China

Hong Kong

33/F Two International
Finance Centre
8 Finance Street
Central, Hong Kong
Tel.: +852/25823201
Fax: +852/25823155

France

Paris

29 Avenue de l'Opéra
75017 Paris CEDEX 01
Tel.: +33 1/44868300
Fax: +33 1/44868489

Italy

Milan

Via Cino del Duca, 8
20122 Milano
Tel.: +39 02/762961
Fax: +39 02/762962

Japan Tokio

Fukoku Seimei Bldg.
12th floor
2-2-2 Uchisaiwai-cho
Chiyoda-ku
(100 - 0011 Tokyo)
Tel.: +81 3/35011076
Fax: +81 3/35970249

United Kingdom

London

108 Cannon Street
London EC4N 6EU
Tel.: +44 207/6233060
Fax: +44 207/6238456

United States of America

Miami

One Biscayne Tower
2 South Biscayne Blvd.,
Suite 3301
Miami FL 33131
Tel.: +1 305/3717544
Fax: +1 305/5774811

New York

1345 Av. of the Americas,
45th floor
New York NY 10105
Tel.: +1 212/7281500
Fax: +1 212/3332906



Singapore

Singapore

UOB Plaza, 1
55-02 floor,
80 Raffles Place
Singapore 048624
Tel.: +65 63036980
Fax: +65 63036968

REPRESENTATIVE OFFICES

Australia

Sydney

Grosvenor Place
225 George Street
NSW 2000, Sydney
Tel.: +61 2/82724706
Fax: +61 2/92416023

Brazil

São Paulo

Rua Campos Bicudo, 98
15º - cj 152
Jardim Europa
04536-010 São Paulo
Tel.: +55 11/37093500
Fax: +55 11/37093506

China

Beijing

Room 618, Tower 2
Bright China Chang and
Building
No. 7 Jianguomen Nei Avenue
Dongcheng District, Beijing
100005
Tel.: +86 10/65170939
Fax: +86 10/65170936

Shanghai

2906 Jin Mao Tower,
88 Century Boulevard
Pudong New Area,
Shanghai 200121
Tel.: +86 21/61048931
Fax: +86 21/51048999

Cuba

Havana

5ª Avenida 4205 e/42 y 44
Miramar - La Habana
Tel.: +53 7/2049278
Fax: +53 7/2049279

India

Mumbai

Milton Towers - Room nº 1131
Nariman Point
Mumbai 400021
Tel.: +91 22/66308731
Fax: +91 22/66308732

Russia

Moscow

Bolshoy Gnezdnikovsky
Pereulok 1/2; 5th floor
103 009 Moscow
Tel.: +7 095/7972415
Fax: +7 095/7972413

South Korea

Seoul

4th floor, Seoul Finance Center
84, Taepyungro 1-Ga,
Jung-Gu,
Seoul 100-768, Korea
Tel.: +82 2/7559700
Fax: +82 2/7559768

Taiwan

Taipei

Unit A, Level 46, Taipei 101
Tower, nº 7, Sec. 5
Sinyi Road, Sinyi District,
Taipei City,
11049 Taiwan R.O.C.
Tel.: +886 281010162/3
Fax: +886 281010128

FOREIGN BANKS

Argentina

BBVA Banco Francés

Reconquista, 199
D.P. C1003 ABC Buenos Aires
Tel.: +54 11/43464000
Fax: +54 11/43345618

Chile

BBVA Chile

Pedro Valdivia, 100
Comuna Providencia
Santiago de Chile
Tel.: +56 2/6791000
Fax: +56 2/6792200

Colombia

BBVA Colombia

Carrera Novena, nº 72-21
Apdo. 53851/859
DC Bogotá
Tel.: +57 1/3124666
Fax: +57 1/3215800

Mexico

BBVA Bancomer

Avda. Universidad, 1200
Colonia Xoco
CP 03339 México D.F.
Tel.: +52 5/55-6213434
Fax: +52 5/55-6216161

Panama

BBVA Panamá

Av. Balboa esq. Calles 42 y 43
Apdo. 0816-03396
República de Panamá
Tel.: +507/2072100
Fax: +507/2072200

Paraguay

BBVA Paraguay

Yegros 435 esquina 25 de
Mayo
Asunción
Tel.: +595 21/4176000
Fax: +595 21/448103

Peru

BBVA Banco Continental

Avda. República de Panamá,
3055
San Isidro - Lima 27
Tel.: +51 1/2111000
Fax: +51 1/2112428

Portugal

BBVA Portugal

Avda. da Liberdade, 222
1250-148 Lisboa
Tel.: +351/213117200
Fax: +351/213117500

Puerto Rico

BBVA Puerto Rico

Torre BBVA, piso 15
254 Ave. Muñoz Rivera
San Juan, PR 00918
Tel.: +1 787/7772000
Fax: +1 787/7772999

Switzerland

BBVA Suiza

Zeltweg, 63
Postfach 8021
8023 Zürich
Tel.: +41 1/2659511
Fax: +41 1/2519014

United States of America

BBVA Bancomer USA

21700 East Copley Dr., Suite 300
Diamond Bar, CA 91765
Tel.: +1 909/3486400
Fax: +1 909/3486401

Compass Bank

701 South 20th Street
Birmingham, Alabama 35233
Tel.: +1 205/2973000
Fax: +1 205/2977661

Laredo National Bank

700 San Bernardo Av.
Laredo, TX 78040
Tel.: +1 956/7231151
Fax: +1 956/7641528

State National Bank

1400 W. 7th Street, Suite 100
Fort Worth, TX 76102
Tel.: +1 817/3332790
Fax: +1 817/3480812

Texas State Bank

3900 North Tenth Street
McAllen, TX 78501
Tel.: +1 956/6315400
Fax: +1 956/6315450

Uruguay

BBVA Uruguay

25 de Mayo, 401 esquina
Zabala
11000 Montevideo
Tel.: +598/29161444
Fax: +598/29165131

Venezuela

BBVA Banco Provincial

Centro Financiero Provincial
Avda. Este 0.
Urb. San Bernardino
1011 Caracas
Tel.: +58 212/5045111
Fax: +58 212/5041765

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INVESTOR RELATIONS

- Paseo de la Castellana, 81 – Planta 19
E-28046 MADRID - SPAIN
Phone: +34 913 746 201
Fax: +34 915 378 512
e-mail: inversoresbbva@grupobbva.com
- 1345 Av. of the Americas, 45th floor
NEW YORK NY 10105 - USA
Phone: (+1 212) 728 16 60
Fax: (+1 212) 333 29 05
e-mail: ricardo.marine@bbvany.com

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