BBVA Factoring, Establecimiento Financiero Crédito, S.A.

Financial Statements
for the year ended 31 December 2006
and Directors' Report, together with
Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

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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 financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
BBVA Factoring, Establecimiento Financiero Crédito, S.A.:

1. We have audited the financial statements of BBVA Factoring E.F.C., S.A. (a Banco Bilbao Vizcaya Argentaria Group company - Note 1) comprising the balance sheet at 31 December 2006 and the related income statement, cash flow statement, statement of changes in equity and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the 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 financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As required by Spanish corporate and commercial law, for comparison purposes the Company's directors present, in addition to the 2006 figures for each item in the balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements, the figures for 2005. Our opinion refers only to the financial statements for 2006. On 3 April 2006, we issued our auditors' report on the 2005 financial statements.

3. As indicated in Note 1, the Company's transactions are carried out as part of the management of the Banco Bilbao Vizcaya Argentaria Group, giving rise to the balances and transactions with related companies detailed in Note 28. The accompanying financial statements, which are presented in compliance with current legislation, should be interpreted in this context.

4. In our opinion, the accompanying financial statements for 2006 present fairly, in all material respects, the equity and financial position of the Company at 31 December 2006, and the results of its operations, the changes in equity and its cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the accounting principles and rules contained in Bank of Spain Circular 4/2004 applied on a basis consistent with that of the preceding year.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, Tomo 13.650, folio 188, sección 8, hoja M-54414, inscripción 96, C.I.F.: B-79104469. Domicilio Social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso - 28020 Madrid

5. The accompanying directors' report for 2006 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2006. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Miguel Antonio Pérez

29 March 2007

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, E.F.C., S.A.

BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005 (NOTES 1, 2 AND 3)

(Thousands of Euros)

ASSETS	31/12/06	31/12/05 (*)
CASH AND BALANCES WITH CENTRAL BANKS (Note 6)	32	32
FINANCIAL ASSETS HELD FOR TRADING	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:		
Debt instruments	-	-
Other equity instruments (Note 8)	203	203
	203	203
LOANS AND RECEIVABLES (Note 7):		
Loans and advances to credit institutions	62	1,141
Money market transactions through counterparty entities	-	-
Loans and advances to customers	5,408,884	5,337,122
Debt instruments	-	-
Other financial assets	15	14
	5,408,961	5,338,277
HELD-TO-MATURITY INVESTMENTS	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-
INVESTMENTS:		
Jointly-controlled entities	-	-
Subsidiaries	-	-
Associates	-	-
	-	-
INSURANCE CONTRACTS LINKED TO PENSIONS (Note 2-d)	216	223
TANGIBLE ASSETS (Note 9):		
Property, plant and equipment for own use	77	100
Investment property	-	-
Other assets leased out under an operating lease	-	-
	77	100
INTANGIBLE ASSETS	-	-
TAX ASSETS (Note 17):		
Current	-	-
Deferred	17,392	19,230
	17,392	19,230
PREPAYMENTS AND ACCRUED INCOME (Note 10)	2,465	2,513
OTHER ASSETS	123	68
TOTAL ASSETS	5,429,469	5,360,646
Transactions for the account of third parties (Note 28)	3,179,822	2,496,846
Other memorandum items (Note 28)	4,345,842	2,855,803

LIABILITIES	31/12/06	31/12/05 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-
FINANCIAL LIABILITIES AT AMORTISED COST (Note 11):		
Deposits from central banks	-	-
Deposits from credit institutions	5,045,737	5,014,806
Money market transactions through counterparties	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Subordinated liabilities	-	-
Other financial liabilities	165,269	145,937
	5,211,006	5,160,743
HEDGING DERIVATIVES	-	-
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
PROVISIONS (Note 13):		
Provisions for pensions and similar obligations	356	328
Provisions for taxes	-	-
Provisions for contingent liabilities and commitments	-	-
Other provisions	4,075	4,075
	4,431	4,403
TAX LIABILITIES (Note 17):		
Current	1,133	3,042
Deferred	-	-
	1,133	3,042
ACCRUED EXPENSES AND DEFERRED INCOME (Note 10)	7,429	6,657
OTHER LIABILITIES	-	-
EQUITY HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-
TOTAL LIABILITIES	5,223,999	5,174,845
EQUITY		
VALUATION ADJUSTMENTS	-	-
OWN FUNDS		
Capital (Note 14)	26,874	26,874
Share premium (Note 15)	53,180	53,180
Reserves (Note 16)	105,747	90,972
Profit for the year	19,669	14,775
	205,470	185,801
TOTAL EQUITY	205,470	185,801
TOTAL LIABILITIES AND EQUITY	5,429,469	5,360,646

The accompanying Notes 1 to 29 are an integral part of the balance sheet at 31 December 2006.

(*) Presented for comparison purposes only.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, E.F.C., S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (NOTES 1, 2 AND 3)

(Thousands of Euros)

	Income/(Expenses)	
	2006	2005 (*)
INTEREST AND SIMILAR INCOME (Note 21)	145,962	106,437
INTEREST EXPENSE AND SIMILAR CHARGES (Note 22)	(113,096)	(79,190)
INCOME FROM EQUITY INSTRUMENTS (Note 23)	169	81
NET INTEREST INCOME	33,035	27,328
FEE AND COMMISSION INCOME (Note 24)	19,336	18,461
FEE AND COMMISSION EXPENSE (Note 24)	(417)	(618)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	-	-
EXCHANGE DIFFERENCES	-	-
GROSS INCOME	51,956	45,171
OTHER OPERATING INCOME	-	-
PERSONNEL EXPENSES (Note 25)	(5,900)	(4,764)
OTHER GENERAL ADMINISTRATIVE EXPENSES (Note 26)	(3,114)	(2,791)
DEPRECIATION AND AMORTISATION (Note 9)	(38)	(48)
OTHER OPERATING EXPENSES	(1)	-
NET OPERATING INCOME	42,903	37,568
IMPAIRMENT LOSSES (Note 7.4)	(8,310)	(14,878)
PROVISIONS (NET) (Note 12)	(25)	1
OTHER GAINS (Note 27)	1	40
OTHER LOSSES (Note 27)	-	(10)
PROFIT BEFORE TAX	34,569	22,721
INCOME TAX (Note 17)	(14,900)	(7,943)
PROFIT FROM ORDINARY ACTIVITIES	19,669	14,778
PROFIT/LOSS FROM DISCONTINUED OPERATIONS	-	-
PROFIT FOR THE YEAR	19,669	14,778

The accompanying Notes 1 to 29 are an integral part of the income statement for the year ended 31 December 2006.

(*) Presented for comparison purposes only.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, E.F.C., S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (NOTES 1, 2 AND 3)

(Thousands of Euros)

	2006	2005 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY:		
Available-for-sale financial assets:	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Deferred income tax	-	-
Reclassifications	-	-
Other financial liabilities at fair value through equity:	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Cash flow hedges:	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred at the initial carrying amount of hedged items	-	-
Income tax	-	-
Reclassifications	-	-
Non-current assets held for sale:	-	-
Revaluation gains/loses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
PROFIT FOR THE YEAR:	19,659	14,778
Published profit	19,659	14,778
TOTAL INCOME AND EXPENSES FOR THE YEAR	19,659	14,778
MEMORANDUM ITEMS		
EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR PERIODS:	-	-
Effect of changes in accounting policies	-	-
Own funds	-	-
Valuation adjustments	-	-
Effects of errors	-	-
Own funds	-	-
Valuation adjustments	-	-

The accompanying Notes 1 to 29 are an integral part of the statement of changes in equity for 2006.

(*) Presented for comparison purposes only.

BBVA FACTORING, E.F.C., S.A.

Translation of financial statements originally issued in Spanish and prepared in accordance generally accepted accounting principles in Spain (see Note 29). In the event of a discrepancy, the Spanish-language version prevails.

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005 (NOTES 1, 2 AND 3)

(Thousands of Euros)

	31/12/06	31/12/05 (*)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	19,669	14,778
Adjustments to profit:	23,273	22,868
- Depreciation of tangible assets (+)	38	48
- Amortisation of intangible assets (+)		
- Impairment losses (Net) (+/-)	8,310	14,876
- Provisions (Net) (+/-)	25	(1)
- Gains/losses on disposal of tangible assets (+/-)	-	-
- Taxes (+/-)	14,900	7,943
- Other non-monetary items (+/-)		
Adjusted profit	**42,942**	**37,646**
Net increase/decrease in operating assets	**78,233**	**623,532**
- Financial assets held for trading	-	-
- Trading derivatives	-	-
- Available-for-sale financial assets	-	-
- Debt instruments	-	-
- Other equity instruments	-	-
- Loans and receivables	79,671	621,100
- Loans and advances to credit institutions	(2)	(68)
- Loans and advances to customers	79,672	621,162
- Other financial assets	1	6
- Other operating assets	(1,438)	2,432
Net increase/decrease in operating liabilities	**34,229**	**581,380**
- Financial liabilities held for trading	-	-
- Trading derivatives	-	-
- Financial liabilities at amortised cost	50,263	588,984
- Deposits from credit institutions	30,851	583,789
- Customer deposits	-	-
- Other financial liabilities	19,412	5,195
- Other operating liabilities	(16,034)	(7,604)
Total net cash flows from operating activities (1)	**(1,062)**	**(4,506)**
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (-)	**(15)**	**(19)**
- Tangible assets	(15)	(19)
- Intangible assets	-	-
Divestments	-	-
- Tangible assets	-	-
- Intangible assets	-	-
Total net cash flows from investing activities (2)	**(15)**	**(19)**
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/Redemption of capital or endowment fund (+/-)	-	-
Dividends/interest paid (-)	-	-
Total net cash flows from financing activities (3)	-	-
4. EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	-
5. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(1,077)**	**(4,525)**
Cash and cash equivalents at beginning of year	1,171	5,696
Cash and cash equivalents at end of year	94	1,171

The accompanying Notes 1 to 29 are an integral part of the consolidated cash flow statement for 2006.

(*) Presented for comparison purposes only.

BBVA Factoring,
Establecimiento Financiero de Crédito, E.F.C., S.A.

Notes to the financial statements for the year ended 31 December 2006

1. Introduction, basis of presentation of the financial statements and other information.

1.1. Introduction -

BBVA Factoring, Establecimiento Financiero de Crédito, S.A. ("the Company") was incorporated in Bilbao under the name of Sociedad de Financiación de Ventas a Plazo, S.A. (SOFIVENSA) in March 1969. In May 1987 the Company's name was changed to B.B. Factoring, S.A. In 1988, after the Banco Bilbao Vizcaya Group was created, the Company became BBV Factoring, S.A. In 2000 Argentaria Factoring, E.F.C., S.A. and Catalana de Factoring S.A., E.F.C. were merged into BBV Factoring, S.A., E.F.C. with the dissolution without liquidation of the first two companies. The name of the post-merger company was BBVA Factoring, E.F.C., S.A. The transactions performed by Argentaria Factoring, E.F.C., S.A. and Catalana de Factoring, S.A., E.F.C. were deemed to be performed for the account of the Company for accounting purposes from 1 January 2000.

The Company is regulated by the Spanish Companies Law 3/1994, of 14 April, which adapted Spanish credit institution legislation to the Second Banking Coordination Directive and introduced other amendments to the financial system, by Royal Decree 692/1996, of 26 April, on the legal regime applicable to credit finance establishments (EFCs) and by other provisions applicable to it.

As required by the aforementioned Royal Decree 692/1996, on 23 October 1996, the Company was registered in the Bank of Spain's Special Register of EFCs.

The bylaws and other public information on the Company can be consulted at its registered office at c/ Almogávares 185, 1º, Barcelona. Its company object, per its bylaws, is to engage in recourse or non-recourse factoring transactions and in complementary activities such as investigating and classifying its clientele, recording accounts receivable and, generally, any other activity that facilitates the administration, evaluation, security and financing of the receivables arising from domestic and international commercial transactions that may be assigned to it.

The Company belongs to the Banco Bilbao Vizcaya Argentaria Group (Note 14). The operating branches perform all the transactions relating to business attracted through the Banco Bilbao Vizcaya Argentaria Group's branch network.

The Company's financial statements for 2005 were approved by the shareholders at the Annual General Meeting of the Company on 29 June 2006. The 2006 financial statements of the Company have not yet been approved by its shareholders at the Annual General Meeting. However, the Company's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2. Basis of presentation of the financial statements -

On 22 December 2004, the Bank of Spain issued Circular 4/2004 on Public and Confidential Financial Reporting Rules and Formats.

The purpose of the new accounting Circular is to modify the accounting system of Spanish credit institutions and to adapt it to the new accounting framework arising from the adoption by the European Union, through various EU Regulations, of the International Financial Reporting Standards (EU-IFRSs) in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The Company's financial statements for 2006 were prepared by its directors (at the Board meeting on 28 March 2007) from the Company's accounting records and are presented in accordance with the formats established by Bank of Spain Circular 4/2004, of 22 December, and, accordingly, they present fairly the Company's equity and financial position at 31 December 2006, and the results of its operations, the changes in equity and the cash flows in 2006.

All accounting policies and measurement bases with a material effect on the financial statements were applied in their preparation.

1.3. Comparative information -

The information relating to 2005 contained in these notes to the financial statements is presented with the information relating to 2006 for comparison purposes only, and, accordingly, it does not constitute the Company's statutory financial statements for 2005.

1.4. Responsibility for the information and use of estimates -

The information in these financial statements is the responsibility of the Company's directors. In the financial statements for 2006 estimates were occasionally made by the Company in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (Note 7).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 2-d).
- The useful life of the tangible assets (Note 9).
- The fair value of certain unquoted assets.

These estimates were made on the basis of the best information available at 31 December 2006 on the events analysed. However, future events might make it necessary to change these estimates (upwards or downwards) in coming years.

1.5. Environmental impact -

At 31 December 2006, the Company's financial statements did not disclose any item that should be included in the environmental information document envisaged in the related Ministry of Economy Order dated 8 October 2001.

1.6. Report on the activity of the Customer Care Department and the Customer Ombudsman -

In conformity with Ministry of Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and Customer Ombudsman of Financial Institutions, and because the Company belongs to the Banco Bilbao Vizcaya Argentaria Group, the Bank adhered to the Regulations on the Customer Ombudsman and the Customer Care Department of Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and designates as customer ombudsman the ombudsman appointed by BBVA at any time.

1.7. Minimum capital requirements -

Law 13/1992, of 1 June, and Bank of Spain Circular 5/1993 and subsequent amendments thereto, regulate the minimum capital requirements for Spanish credit institutions –both at entity level and at consolidated group level– and the manner in which these capital requirements are to be calculated.

At 31 December 2006 and 2005, the Company's eligible capital exceeded the minimum requirements under the aforementioned regulations.

1.8. Subsequent events -

In the period from 1 January 2007 to the date when these financial statements were authorised for issue no events took place having a material effect on the financial statements.

2. Accounting policies and measurement bases

Accounting policies and measurement bases -

The accounting policies and measurement bases applied in preparing the Company's financial statements for 2006 were as follows:

a) Investments

This item in the accompanying balance sheets includes the Company's ownership interest in the share capital of Telefónica Factoring Do Brasil, Ltda. (Note 8).

This investment is measured at acquisition cost, net of impairment losses, if any.

Pursuant to Bank of Spain Circular 4/2004, of 22 December, when there is evidence of impairment of investments, the impairment amount is estimated as the negative difference between the recoverable amount (calculated as the higher of fair value of the investment less costs to sell or value in use; value in use is defined as the present value of the cash flows expected to be received from the investment in the form of dividends and those resulting from its sale or other disposal) and the carrying amount. Impairment losses on these investments and reversals of impaiment losses are charged and credited, respectively, to "Impairment Losses (Net)" in the income statement.

Dividends accrued in the year on these investments are recognised under "Income from Equity Instruments" in the accompanying income statements.

b) Financial instruments

Initial recognition of financial instruments

Financial instruments are initially recognised in the balance sheet when the Company becomes a party to the contract, in accordance with the contractual conditions, and, in the case of the Company and in view of its company object, the contract is based on the assignment of trade receivables under factoring arrangements and complementary activities. Specifically, debt instruments, such as loans, are recognised from the time that a legal right to receive cash arises.

Derecognition of financial instruments

A financial asset is derecognised when any of the following conditions are met:

1. The contractual rights to the cash flows from the financial asset expire; or

2. The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred.

Financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are acquired, with the intention either to resell them or to cancel them.

Fair value and amortised cost of financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal repayments and interest payments and the cumulative amortisation charged to the income statement by the effective interest method of the difference between the initial cost and the maturity amount of the financial instruments. In the case of financial assets, amortised cost also includes any reductions for impairment.

For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date. In the case of floating rate financial instruments, the effective interest rate is estimated as for fixed rate transactions and is re-calculated on each repricing date on the basis of the changes in future cash flows arising therefrom.

Classification and measurement of financial assets and liabilities

Financial instruments are classified in the Company's balance sheet into the following categories:

1. Loans and receivables: this category includes financing granted to third parties in connection with ordinary lending activities carried out by the Company and the "unfinanced, non-recourse" credit risk.

The financial assets included in this category are initially recognised at fair value, adjusted by the amount of the fees and commissions and transaction costs directly attributable to the acquisition of the financial asset, which are charged to the income statement on a straight-line basis until maturity. These assets are subsequently measured at amortised cost.

Assets acquired at a discount are measured at the cash amount paid and the difference between their repayment value and the cash amount paid is recognised as finance income on a straight-line basis over the remaining term to maturity.

The "recourse" transactions relate to debts for which the Company does not bear the risk of nonpayment. Conversely, in the "non-recourse" transactions, the Company bears any bad debt risk that may arise (a default by a debtor arising from trade disputes between the debtor and the assignor or from breach of the contractual terms agreed upon by them is not deemed to be a bad debt risk).

The "non-recourse" accounts receivable, which are recorded at the full amount of the unmatured remittances delivered by the assignors and approved by the Company, are included under "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" (Note 7.3). The undrawn portion of the amount payable to the assignors is recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" (Note 11) in the accompanying balance sheets. In contrast, in "recourse" transactions, "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" reflects the portion of the unmatured delivered remittances that has been paid to the assignor. Also, pursuant to Bank of Spain regulations, the unmatured remittances delivered by the assignors relating to unfinanced recourse factoring transactions, which amounted to EUR 126,907 thousand at 31 December 2006 (31 December 2005: EUR 102,660 thousand), are included as an off-balance-sheet item under "Drawable by Third Parties" (Note 20).

In addition, the Company performed reverse (supplier) factoring ("confirming") transactions in which the debt, on which the Company bears the bad debt risk, takes the form of invoices approved by the debtor and advanced in full to the assignor. The aforementioned transactions are recorded under "Loans and Receivables - Loans and Advances to Customers - Reverse Factoring Transactions" (Note 7.3). Reverse factoring remittances which are not advanced are recognised as off-balance-sheet items and amounted to EUR 2,266,590 thousand at 31 December 2006 (31 December 2005: EUR 1,762,770 thousand) (Note 20). Certain reverse factoring contracts give the debtor the option of repurchasing his own factored receivables and of sharing through allowances the revenues from the factored remittances. These allowances were recognised under "Interest Expense and Similar Charges" in the accompanying income statements (Note 20).

Additionally, the Company performs factoring transactions known as "overall factoring", which is characterised mainly by the establishment of an overall limit per assignor, taking on board the receivables on which the Company bears the bad debt risk or makes advances on account and the establishment of a threshold below which this risk will not be covered. These transactions are recognised under "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" (Note 7.3).

Since the Company generally has the intention to hold these transactions to final maturity, they are recognised at amortised cost in the balance sheet.

Interest earned on these assets, which is calculated using the effective interest method as defined above, is recognised under "Interest and Similar Income" in the accompanying income statements. The exchange differences on securities included in this category denominated in currencies other than the euro are recognised as set forth in Note 2-e.

2. Financial liabilities at amortised cost: this category includes the financial liabilities not included under Financial Liabilities Held for Trading or under Other Financial Liabilities at Fair Value through Profit or Loss or through Equity.

When funds are advanced, the advance amount is paid directly to the customer and the applicable interest and factoring fees, if any, can be deducted. However, if the Company does not advance any funds, the transaction amount is recognised under "Financial Liabilities at Amortised Cost" in the accompanying balance sheets until it is paid to the customer when collected (Note 11).

Additionally, "Financial Liabilities at Amortised Cost" in the accompanying balance sheets includes the amount payable to assignors in respect of the stipulated contractual deposit or of the unused portion.

Interest accrued on these liabilities, which is calculated using the effective interest method as defined above, is recognised under "Interest Expense and Similar Charges" in the accompanying income statements. The exchange differences on securities included in this category denominated in currencies other than the euro are recognised as set forth in Note 2-e.

Impairment

A financial asset is considered to be impaired –and, therefore, its carrying amount is adjusted to reflect the effect of impairment– when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans), 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 income statement for the period in which the impairment becomes known, and the reversals of previously recognised impairment losses, if any, are recognised in the income statement for the period in which the impairment is reversed or reduced.

When the recovery of any recognised amount is considered to be remote, this amount is removed from the balance sheet, without prejudice to any actions that the Company may initiate to seek collection of the amount receivable until its contractual rights are extinguished by expiry of the statute-of-limitations period, forgiveness or any other cause.

As regards specific impairment losses arising from the materialisation of the insolvency risk of the obligors (credit risk), a debt instrument is deemed to be impaired due to insolvency when there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons.

The possible impairment losses on these assets are assessed:

1. Individually, for all impaired debt instruments.

2. Collectively: the Company recognises an overall impairment loss on risks classified as standard –and, therefore, not specifically identified ("general allowance"). This loss is quantified by application of the parameters established by the Bank of Spain based on experience and on the information available to it on the Spanish banking industry. These parameters are modified when the circumstances so advise.

Impairment losses on equity instruments carried at cost are calculated as the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities. This calculation is based on the investee's equity per the latest approved balance sheet.

c) Recognition of income and expenses

The most significant criteria used by the Company to recognise its income and expenses are summarised as follows:

Interest income, interest expenses and similar items:

As a general rule, interest income, interest expenses and similar items are recognised on the basis of their period of accrual. Specifically, dividends received from other companies are recognised as income when the Company's right to receive them arises.

However, when a debt instrument is deemed to be impaired individually or is included in a group of instruments that are impaired because they have payments more than three months past due, the recognition of accrued interest in the income statement is suspended. This interest is recognised as income, when collected, as a reversal of the related impairment losses.

Commissions, fees and similar items:

Fee and commission income and expenses are recognised in the income statement using criteria that vary according to their nature. The most significant fee and commission items are as follows:

- Those arising from transactions or services that are provided over a period of time, which are recognised over the life of these transactions or services.

- Those relating to a service provided in a single act, which are recognised when the single act is carried out.

Non-finance income and expenses:

These are recognised for accounting purposes on an accrual basis.

d) Pension commitments and other commitments to employees

1) Post-employment benefits

Following is a description of the most significant accounting criteria and the salient data relating to the post-employment benefit obligations of the Company. These commitments include supplementary public social security benefits in the event of retirement, permanent disability or death, and post-employment welfare benefits.

1.1) Supplementary public social security benefits

Certain employees are eligible for the benefits supplementary to the social security benefits established in the collective labour agreement for private-sector banks. These commitments are covered by the Banco Bilbao Vizcaya Argentaria Group's employee welfare system which is basically instrumented in defined contribution pension plans.

The current contributions made by the Company for defined contribution obligations are recognised with a charge to "Personnel Expenses - Contributions to Pension Plans" in the accompanying income statements and amounted to EUR 76 thousand in 2006 and EUR 61 thousand in 2005 (Note 25).

The Company also assumed a defined benefit obligation arising from the absorption of a company in 2000. This obligation was externalised, as required by Royal Decree 1588/1999, of 15 October, and was instrumented in an insurance contract with BBVA Seguros, S.A. de Seguros y Reaseguros, a 99.94% subsidiary of the Banco Bilbao Vizcaya Argentaria Group.

The present values of the vested defined benefit obligations are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately. The actuarial assumptions used in quantifying these obligations in 2006 and 2005 are unbiased and mutually compatible, the most significant being as follows:

- Mortality tables: PERM/F 2000 P
- Cumulative annual discount rate: 4%/AA corporate bond curve
- Cumulative annual consumer price index: 1.5%
- Cumulative annual salary growth rate: at least 2.5% (depending on employee group)
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire

The defined benefit obligations at 31 December 2006 and 2005 were as follows:

	Thousands of Euros	
	2006	2005
Pension obligations to retired employees	-	-
Vested pension contingencies in respect of current employees	216	223
Funding		
Insurance contracts with unrelated insurance companies (Note 12)	216	223
Unfunded obligations	-	-

1.2) Post-employment welfare benefits

The Company has welfare benefit obligations 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. The valuation method used for current employees is the projected unit credit method. The actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible. The most significant actuarial assumptions used in 2006 and 2005 were as follows:

- Mortality tables: PERM/F 2000 P
- Cumulative annual discount rate: 4%/AA corporate bond curve
- Cumulative annual consumer price index: 1.5%
- Cumulative annual salary growth rate: at least 2.5% (depending on employee group)
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire

The detail of these obligations at 31 December 2006 and 2005 is as follows:

	Thousands of Euros	
	2006	2005
Post-employment welfare benefit obligations	1	1
Vested post-employment welfare benefit contingencies in respect of current employees	139	104
	140	**105**
Funding		
Internal provisions	**140**	**105**
Unfunded obligations	-	-

The changes in 2006 and 2005 in the present value of the vested post-employment welfare benefit obligations were as follows:

	Thousands of Euros	
	2006	2005
Actuarial value at beginning of year	**105**	**97**
+ Interest cost	4	4
+ Normal cost for the year	5	5
- Payments made	-	-
+/- Actuarial losses (gains)	26	(1)
Actuarial value at end of year	**140**	**105**

1.3) Summary

Following is a summary of the charges to the 2006 and 2005 income statements for post-employment benefit obligations:

	Thousands of Euros	
	2006	2005
Interest and similar charges:		
Interest cost of pension funds (Notes 12 and 22)	4	4
Personnel expenses:		
Welfare benefits	5	5
Contributions to pension plans	76	61
Provisions (net):		
Charge to provisions for pensions and similar obligations (Note 12)	25	(1)
	110	**69**

At 31 December 2006 and 2005, there were no unfunded actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used.

2) Other commitments to employees:

2.1.) Compensation in kind

The Company has undertaken to deliver partially or fully subsidised goods and services. The most significant employee welfare benefits granted by the Company, in terms of the type of remuneration and the event giving rise to the commitment, are loans to employees and Christmas gifts. The scope of application of these employee welfare benefits varies for each employee group. These benefits, for the portion relating to current employees, are accrued and settled annually and, therefore, no provision is required.

The total cost of the employee welfare benefits provided by the Company to its current employees was EUR 101 thousand in 2006 and EUR 100 thousand in 2005, and these amounts were recognised with a charge to "Personnel Expenses - Other Personnel Expenses" in the accompanying income statements.

2.2.) Share-based payments

In 2006 and 2005 the Company had no target-based remuneration plans involving the delivery of stock options or shares of the Company or of Banco Bilbao Vizcaya Argentaria, S.A.

In the last quarter of 2005, certain Group companies in Spain implemented a corporate scheme aimed at permanent employees for the discount purchase of 10% of Banco Bilbao Vizcaya Argentaria, S.A shares. In 2006 the Company's employees acquired a total of 4,114 shares under this scheme at a market price of EUR 14.68 per share. The Company offered the possibility of financing in this period. At 31 December 2006, the outstanding balance relating to this financing amounted to EUR 41 thousand. Also, in 2006 a new phase of the scheme was carried out, without the possibility of financing, and a further 1,750 shares were acquired. The cost of this scheme was recognised with a charge to "Personnel Expenses" in the income statement.

e) Translation differences

Functional currency:

The Company'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 detail at 31 December 2006 and 2005 of the equivalent euro value of the main asset and liability balances denominated in foreign currency, by item, is as follows:

	Equivalent Euro Value (in Thousands)	
	2006	2005
ASSETS		
Loans and receivables	1,434	622
Pound sterling	151	232
US dollar	958	202
Yen	325	188
Mexican peso	-	-
Available-for-sale financial assets	247	247
Brazilian real	247	247
LIABILITIES		
Financial liabilities at amortised cost	1,434	622
Pound sterling	151	232
US dollar	958	202
Yen	325	188
Mexican peso	-	-

Translation of foreign currency balances:

Foreign currency transactions performed by the Company are initially recognised in the financial statements at the equivalent euro value, translated using the exchange rates prevailing at the transaction date. Subsequently, the Company translates the foreign currency monetary balances to its functional currency using the closing exchange rates.

Exchange rates

For the purpose of preparing the financial statements, foreign currency balances were translated to euros, taking into account the aforementioned criteria, at the exchange rates published by the European Central Bank.

f) Tangible assets

Property, plant and equipment for own use includes assets held by the Company for current or future use which are expected to be used over more than one year. Property, plant and equipment for own use is presented in the balance sheet at acquisition cost –the fair value of any consideration given plus the aggregate cash payments made or committed–, less:

1. The related accumulated depreciation, and

2. Any estimated impairment losses (net carrying amount higher than recoverable amount).

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 tangible asset depreciation charge is recognised in the income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Rates
Buildings and structures	2%
Furniture and other fixtures	10%
Computer hardware	25%

The Company assesses at the reporting date whether there is any internal or external indication that a tangible asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the new remaining useful life and/or to the revised carrying amount.

Similarly, if there is an indication of a recovery in the value of a tangible asset, the Company recognises the reversal of the impairment loss recognised in prior periods and adjusts the future depreciation charges accordingly. 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 recognised in prior years.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognised as an expense in the year in which they are incurred.

g) Tax assets and liabilities

The income tax expense is recognised in the income statement, except when it results from transactions the gains or losses on which are recognised directly in equity, in which case the income tax is also recognised in equity.

The current income tax expense is calculated as the sum of the current tax resulting from application of the appropriate tax rate to the taxable profit for the year (net of any deductions allowable for tax purposes), and of the changes in deferred tax assets and liabilities recognised in the income statement.

On 29 November 2006, Law 35/2006 on Personal Income Tax and Partially Amending the Corporation Tax, Non-Resident Income Tax and Wealth Tax Laws was published. This Law, which will come into effect on 1 January 2007, establishes, inter alia, a reduction in the standard tax rate for corporation tax purposes to 32.5% for tax periods beginning on or after 1 January 2007 and to 30% for tax periods beginning on or after 1 January 2008.

"Income Tax" includes the amounts charged and credited to the income statement in connection with the income taxes accrued in the current year and arising from adjustments to the amounts recognised in prior years.

Deductible temporary differences, arising from differences between the carrying amount and the tax base of an asset or liability item, and tax credit and tax loss carryforwards give rise to deferred tax assets or liabilities. Deferred tax assets and liabilities are calculated by applying to the temporary difference or to the related tax credit and tax loss carryforward the tax rates at which they are expected to be recovered or settled.

The deferred tax assets and liabilities recognised are reassessed periodically in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

h) Provisions

Provisions are present obligations arising from a legal or contractual requirement, from valid expectations created by the Company in third parties regarding the assumption of certain types of responsibilities or from the virtual certainty as to the future course of regulation in particular respects, especially proposed new legislation that the Company cannot avoid.

Provisions are recognised in the balance sheet when each and every one of the following requirements is met: the Company has a present 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 Company will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

i) Termination benefits

Termination benefits must be recognised when the Company has undertaken to terminate the labour employment of employees under a formal detailed employee termination plan. There are no redundancy plans making it necessary to recognise a provision in this connection.

j) Cash flow statement

The following terms are used in the cash flow statements with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: typical credit institution activities and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

3. Distribution of net profit

The proposed distribution of net profit for 2006 that will be submitted for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
2006 net profit	**19,669**
Distribution to:	
Legal reserve	529
Voluntary reserve	19,140

4. Remuneration of directors and senior executives

Remuneration of directors -

In 2006 and 2005 the Company's Board members did not earn or receive any salaries, attendance fees or other remuneration and the Company did not grant any advances or loans or have any pension or life insurance commitments to current or former Board members, except for a loan granted by the Company to one of the Board members in 2003. At 31 December 2006 the loan had been repaid, whereas at 31 December 2005 the outstanding amount of the loan was EUR 29 thousand and it earned interest at 3.414% at that date.

Remuneration of senior executives -

The salary received in 2006 by the Company's senior executive officer amounted to EUR 75 thousand.

Detail of the directors' investments in companies with similar business activities and performance by directors, as independent professionals or as employees, of similar activities.

Pursuant to Article 127.3 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amends Securities Market Law 24/1988, of 28 July, and the Spanish Consolidated Companies Law, in order to reinforce the transparency of listed companies, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of the Company and of the Banco Bilbao Vizcaya Argentaria Group, in which the members of the Board of Directors own, directly or indirectly, equity interests.

Owner	Investee	Activity	Ownership Interest	Functions
Javier Virgilio Estévez Zurita	BBVA	Banking	11,854	Officer
Elías Soler Vives	BBVA	Banking	7,679	-
Vicente de la Parra Gómez	BBVA	Banking	7,261	Officer
Luis Fernando Ferreres Crespo	BBVA	Banking	16,777	-
José María Ruiz de Velasco Martínez de Ercilla	BBVA	Banking	5,792	-

Owner	Investee	Activity	Ownership Interest	Functions
Emilio Rodríguez Sánchez	BBVA	Banking	2,712	Officer
Antonio Uguina Zamorano	BBVA	Banking	17,450	Officer
	Banco Popular	Banking	2,000	-
	BSCH	Banking	9,252	-
Mª del Mar Rodrigo Casanova	BBVA	Banking	1,525	Officer
Rafael Varela Martínez	BBVA	Banking	30,860	Officer
María del Carmen Cuerel Baeza	BBVA	Banking	1,569	Officer
Emiliano Salcines Zugasti	BBVA	Banking	1,200	Officer
Emilio de la Heras Muela	BBVA	Banking	21,209	Officer
Fernando Colomina Barrueco	BBVA	Banking	3,444	-

Also, pursuant to the aforementioned Law, set forth below are the activities carried on, as independent professionals or as employees, by the various members of the Board of Directors that are identical, similar or complementary to the activity that constitutes the company object of the Company:

Owner	Entity	Function or Position
Javier Virgilio Estévez Zurita	BBVA	Officer
Vicente de la Parra Gómez	BBVA BCL	Officer Director
Emilio Rodríguez Sánchez	BBVA	Officer
Antonio Uguina Zamorano	BBVA	Officer
Mª del Mar Rodrigo Casanova	BBVA	Officer
Rafael Varela Martínez	BBVA	Officer
María del Carmen Cuerel Baeza	BBVA	Officer
Emiliano Salcines Zugasti	BBVA	Officer
Emilio de la Heras Muela	BBVA	Officer

5. Risk exposure

5.1. Interest rate risk management -

The Company actively manages its interest rate risk in order to minimise, and in certain cases eliminate, the possible impact of changes in market interest rates on its investment and, therefore, on the net interest income reported in the income statement.

For this purpose several clearly differentiated measures are taken, namely:

1. For certain transactions, the funds required for payments to customers are raised through the BBVA Treasury Department rather than using the central account (average of 30-day Euribor).

   The Company requests the funds required from the Treasury Department for the time required for the transaction concerned, thereby closing the transaction price and, therefore, fully eliminating any possible interest rate risk which might arise.

   The parameters giving rise to this measure are as follows: a) very tight spreads, b) very long financing periods for certain transactions, and c) very large amount investments. Obviously, these parameters are considered provided that the financing method is not payment in arrears and that their reference rate is the central account, since in this case there would be no risk in this connection.

2. Daily assessment of the interest rate performance. Follow-up of the European Central Bank's expectations in respect of the foreseeable short- and medium-term interest rate policy. Monthly analysis of the Company's average spread on its contracts.

3. On the basis of the foregoing, the Company considers the possibility of borrowing funds from BBVA's Treasury Department in order to eliminate the possible interest rate risk on certain of the Company's investment aggregates, divided into 15-day tranches once the weighted average interest rate applied to customers has been calculated for these figures.

The Company has an outstanding credit facility through BBVA with a limit of EUR 2,500,000 thousand for these transactions. The balance drawn down at 31 December 2006 amounted to EUR 1,309,330 thousand.

5.2. Credit risk exposure -

The Company's maximum credit risk exposure amounted to EUR 5,410,203 thousand at 31 December 2006, up 0.94% on 2005 year-end. The breakdown of these figures between the two products managed for the BBVA Group shows that the decrease in reverse factoring with respect to 2005 was 3.99% –this product concentrates 42.41% of the total risk–, whereas factoring –which accounts for 57.59% of the total– increased by 4.91%.

The customer credit risk is broken down as follows:

Thousands of Euros			
Reverse Factoring Risk		Factoring Risk	
2006	2005	2006	2005
2,294,531	2,390,005	3,115,672	2,969,870

At 31 December 2006, the total past-due balance amounted to EUR 62,536 thousand as a result of the special features of the products managed by the Company and of the Bank of Spain regulations in this connection, which affect the recording of provisions. A distinction must be drawn between past-due balances receivable from the private sector and those receivable from the public sector. The former must be provisioned on the basis of the age of the past-due balances (based on the schedule set by the regulator), whereas those relating to the public sector are not provisioned. Therefore, the detail of the aforementioned past-due balance is as follows:

	Thousands of Euros			
	Past-Dues		Provision	
	2006	2005	2006	2005
Private sector	**8,681**	**7,056**	**2,403**	**3,927**
Public sector	**53,855**	**47,947**		
Central government	991	564	-	-
Autonomous community governments	48,181	44,110	-	-
Local governments	4,189	3,273	-	-
Social security	494	-	-	-
Total	**62,536**	**55,003**	-	-

However, these past-dues can be deemed to be technical non-performance since they arise mainly from the long payment periods of the public sector rather than from an actual non-performance which may entail a loss for the Company.

Noteworthy is the large amount of the past-dues from autonomous community governments which arises from the factoring transactions performed on various autonomous community agencies managing the public health care system. The past-dues relate mainly to the long payment periods of some of these agencies. The reasons are multiple depending on the autonomous community concerned, but they are summarised as follows:

- Long internal administrative processes at each health agency, which means that the invoice accounting period is between 90 and 180 days.
- Once the invoice has been accounted for it must be approved and the approval period is quite long (between 90 and 360 days).
- Finally, a budget item must be assigned to the expenditure, and funds must be available to make the related payments.

Consequently, the total past-due ratio was 1.12% at 31 December 2006, whereas that relating only to the private sector was 0.16%. This gave rise to an increase with respect to 2005, when the past-due ratio was 1.00% and that of the private sector was 0.13 %.

The total specific provisions for credit risk recognised by the Company amounted to EUR 2,403 thousand (27.68% of which relate to past-dues from the private sector).

6. Cash and balances with central banks

The breakdown of the balance of "Cash and Balances with Central Banks" in the balance sheets at 31 December 2006 and 2005 is as follows:

	Thousands of Euros	
	2006	2005
Cash	2	2
Balances with the Bank of Spain (*)	30	30
	32	**32**

(*) Including demand accounts.

7. Loans and receivables

7.1. Breakdown

The breakdown, by type of financial instrument, of the balance of "Loans and Receivables" in the balance sheets at 31 December 2006 and 2005 is as follows:

	Thousands of Euros	
	2006	2005
Loans and advances to credit institutions (*)	62	1,141
Loans and advances to customers	5,509,790	5,433,244
Other financial assets	15	14
	5,509,867	**5,434,399**
Less- Impairment losses	(101,306)	(96,122)
	5,408,561	**5,338,277**

(*) Including demand accounts.

7.2. Loans and advances to credit institutions

The breakdown, by type of financial instrument, of the balance of "Loans and Advances to Credit Institutions" in the balance sheets at 31 December 2006 and 2005 is as follows:

	Thousands of Euros	
	2006	2005
Time deposits	-	2
Demand	62	1,139
	62	**1,141**
Less- Impairment losses	-	-
	62	**1,141**

7.3. Loans and advances to customers

The breakdown, by loan type and status, of the balance of "Loans and Advances to Customers" in the balance sheets at 31 December 2006 and 2005, disregarding the balance of impairment losses, is as follows:

	Thousands of Euros	
	2006	2005
By loan type and status		
Factoring and reverse factoring transactions	5,410,203	5,359,875
Other term loans	1,342	1,139
Receivable on demand and other	73,247	33,672
Impaired assets	62,536	55,003
	5,547,328	**5,449,689**
Less- Valuation adjustments- Accrued interest	(37,538)	(16,445)
	5,509,790	**5,433,244**

The breakdown, by type of risk and transaction type, of the "Factoring and Reverse Factoring Transactions" account in the foregoing detail at 31 December 2006 is as follows:

	Thousands of Euros	
	2006	2005
Type of risk-		
Recourse transactions	243,885	258,981
Non-recourse transactions-		
In euros	5,164,884	5,100,281
In foreign currency	1,434	613
	5,410,203	5,359,875
Transaction type-		
Factoring	2,679,524	2,841,990
Reverse factoring	2,294,531	2,390,005
Overall factoring	436,148	127,880
	5,410,203	5,359,875

The breakdown, by activity sector of the borrower, of "Loans and Advances to Customers" at 31 December 2006, disregarding valuation adjustments, is as follows:

	Thousands of Euros		
	Resident Borrowers	Non-Resident Borrowers	Total
Public sector	966,852	-	966,852
Manufacturing	1,221,226	151,780	1,373,006
Real estate and construction	1,596,692	-	1,596,692
Retailing and financial services	735,013	-	735,013
Other	875,765	-	875,765
	5,395,548	151,780	5,547,328

The breakdown, by activity sector of the borrower, of "Loans and Advances to Customers" at 31 December 2005, disregarding valuation adjustments, is as follows:

	Thousands of Euros		
	Resident Borrowers	Non-Resident Borrowers	Total
Public sector	1,295,197	-	1,295,197
Manufacturing	1,459,781	68,885	1,528,666
Real estate and construction	1,042,459	-	1,042,459
Retailing and financial services	621,777	-	621,777
Other	960,444	1,146	961,590
	5,379,658	70,031	5,449,689

The breakdown, by geographical area, of "Loans and Advances to Customers" at 31 December 2006 and 2005, disregarding valuation adjustments, is as follows:

	Thousands of Euros	
	2006	2005
Europe	5,515,525	5,447,991
United States	28,645	531
Latin America	1,634	500
Rest of the world	1,524	667
	5,547,328	5,449,689

Note 18 to the financial statements contains a detail of the scheduled maturities of these assets at 2006 and 2005 year-end.

7.4. Impaired assets and impairment losses

The changes in 2006 and 2005 in "Loans and Advances to Customers - Impaired Assets" were as follows:

	Thousands of Euros	
	2006	2005
Balance at beginning of year	**55,003**	**36,353**
Additions	202,441	2,497,163(*)
Reversals	(191,781)	(2,478,199) (*)
Written-off assets	(3,127)	(314)
Balance at end of year	**62,536**	**55,003**

(*) Accumulative data.

The changes in the balance of the allowance for impairment losses on "Loans and receivables" were as follows:

	Thousands of Euros	
	2006	2005
Balance at beginning of year	**96,122**	**80,984**
Additional impairment charged to income statement	11,511	22,670
Reversal of impairment charged to income statement	(3,200)	(8,013)
Write-off - Use of provision	(3,128)	(9)
Other changes	1	490
Balance at end of year	**101,306**	**96,122**
Of which:		
Individually assessed	*2,403*	*3,927*
Collectively assessed	*98,903*	*92,195*
Of which:		
By asset covered		
Loans and advances to customers	*101,306*	*96,122*
Of which:		
By geographical area		
Europe	*101,306*	*96,122*
	101,306	**96,122**

The recoveries of balances previously written off amounted to EUR 1 thousand in 2006 and EUR 84 thousand in 2005 and are presented as a deduction of the balance of "Impairment Losses (Net) - Loans and Receivables" in the accompanying income statements.

Financial assets written off in 2006 because their recovery was deemed to be remote amounted to EUR 3,127 thousand in 2006 (2005: EUR 314 thousand).

No interest income was earned at 31 December 2006 (31 December 2005: EUR 1 thousand).

8. Available-for-sale financial assets

Other equity instruments

The balance of "Available-for-Sale Financial Assets - Other Equity Instruments" in the accompanying balance sheets at 31 December 2006 and 2005 related to a 10.25% interest in the share capital of Telefónica Factoring do Brasil, Ltda. These securities are not listed.

The detail, by listing status, of "Available-for-Sale Financial Assets – Other Equity Instruments" in the accompanying balance sheet is as follows:

	Thousands of Euros	
	2006	2005
By listing status		
Unlisted	247	247
Less- Impairment loss	(44)	(44)
	203	**203**

9. Tangible assets

The changes in 2006 and 2005 in "Tangible Assets" in the accompanying balance sheets, itemised by type of asset, were as follows:

	Thousands of Euros			
	Computer	Furniture and	Buildings and	Total
Cost, net of allowance-				
Balance at 1 January 2005	**484**	**299**	-	**783**
Additions	17	2	-	19
Disposals	-	-	-	-
Balance at 31 December 2005	**501**	**301**		**802**
Additions	15	-		15
Disposals		-		
Balance at 31 December 2006	**516**	**301**	**0**	**817**
Accumulated depreciation-				
Balance at 1 January 2005	**(411)**	**(243)**	-	**(654)**
Charge for the year	(38)	(10)	-	(48)
Disposals	-	-	-	-
Balance at 31 December 2005	**(449)**	**(253)**		**(702)**
Charge for the year	(29)	(9)		(38)
Disposals	-	-		
Balance at 31 December 2006	**(478)**	**(262)**	**0**	**(740)**
Net balance at 31 December 2006	**38**	**39**	**0**	**77**

Fully depreciated assets amounted to EUR 530 thousand at 31 December 2006 (31 December 2005: EUR 429 thousand). The Company carries on its business activities basically in properties owned by Banco Bilbao Vizcaya Argentaria, S.A., and a rental expense of EUR 129 thousand was recognised in this respect in 2006 (31 December 2005: EUR 124 thousand).

10. Prepayments and accrued income and Accrued expenses and deferred income

The breakdown of the balances of "Prepayments and Accrued Income" and "Accrued Expenses and Deferred Income" in the accompanying balance sheets was as follows:

	Thousands of Euros	
	2006	2005
Prepayments and accrued income:		
Prepayments	44	44
Other accruals	2,821	2,469
	2,865	**2,513**
Accrued expenses and deferred income:		
Accrued expenses	1,059	921
Other accruals	6,370	5,746
	7,429	**6,667**

11. Financial liabilities at amortised cost

The breakdown of the balances of "Financial Liabilities at Amortised Cost" in the accompanying balance sheets is as follows:

	Thousands of Euros	
	2006	2005
Deposits from credit institutions	5,045,737	5,014,886
Other financial liabilities		
Factoring payables	165,100	143,896
Reverse factoring payables	124	1,831
Other items	45	130
	165,269	145,857
	5,211,006	**5,160,743**

11. 1. Deposits from credit institutions -

The breakdown, by type of transaction, of the balances of "Deposits from Credit Institutions" in the accompanying balance sheets is as follows:

	Thousands of Euros	
	2006	2005
Time deposits	5,015,629	4,991,771
Other deposits	17,449	12,186
Valuation adjustments	12,659	10,929
	5,045,737	**5,014,886**

The detail of the balance of "Time Deposits" in the foregoing table is as follows:

	Thousands of Euros (Balance Drawn Down)			
	2006	2005	Limit	Maturity
Financing account with Banco Bilbao Vizcaya Argentaria, S.A.	3,706,299	2,987,527	Undefined	Undefined
Credit facility with separate drawdowns from Banco Bilbao Vizcaya Argentaria, S.A.	1,309,330	2,004,244	EUR 2,500,000	June 11
	5,015,629	**4,991,771**		

The financing account and the credit facilities shown in the foregoing table bear interest at floating rates tied to Euribor, ranging from 2.4% to 3.6% at 31 December 2006 (31 December 2005: from 2.1% to 2.4%).

The balance of "Other Deposits" relates in full to deposits placed by customers resident in Spain.

12. Provisions

The breakdown of the balance of "Provisions" in the balance sheets at 31 December 2006 and 2005 is as follows:

	Thousands of Euros	
	2006	2005
Provisions for pensions and similar obligations (Note 2-c)	356	328
Other provisions	4,075	4,075
	4,431	**4,403**

"Provisions - Other Provisions" includes the amount recognised to meet probable or certain liabilities arising from litigation in progress of undetermined amount.

The Company's directors consider that there were no material contingencies at 31 December 2006 that might affect the Company's equity or net profit.

The changes in 2006 and 2005 in the balances of "Provisions for Pensions and Similar Obligations" and of "Other Provisions" in the accompanying balance sheet were as follows:

	Thousands of Euros		
	Provisions for Pensions and Similar Obligations	**Other Provisions**	**Total**
Balance at 1 January 2005	**528**	**4,565**	**5,093**
Charges to the income statement:			
Additional provisions	(1)	-	(1)
Interest expense and similar charges (Notes 2-d and 22)	4	-	4
Personnel expenses	5	-	5
Transfer to bad debts	-	(490)	(490)
Other changes	(208)	-	(208)
Balance at 31 December 2005	**328**	**4,075**	**4,403**
Charges to the income statement:		-	
Additional provisions	25	-	25
Interest expense and similar charges (Notes 2-d and 22)	4	-	4
Personnel expenses	-	-	-
Transfer to bad debts	-	-	-
Other changes	(1)	-	(1)
Balance at 31 December 2006	**356**	**4,075**	**4,431**
Of which:			
Provisions for off-balance-sheet risks	-	-	-
Other provisions	*356*	*4,075*	*4,431*
	356	**4,075**	**4,431**

The charges to the income statement relating to "Provisions for Pensions and Similar Obligations" are recognised under "Interest Expense and Similar Charges", "Personnel Expenses" and "Provisions (Net)" in the income statement for 2006 and amounted to EUR 4 thousand, zero and EUR 25 thousand, respectively (2005: EUR 4 thousand, EUR 5 thousand and EUR (1) thousand, respectively).

13. Changes in equity

	Thousands of Euros				
	Share Capital	Share Premium	Reserves	Profit for the Year	Equity
Balance at 1 January 2005	**26,874**	**93,180**	**41,249**	**9,720**	**171,023**
Appropriation of prior years' profit	-	-	9,720	(9,720)	-
Profit for the year	-	-	-	14,778	14,778
Balance at 31 December 2005	**26,874**	**93,180**	**50,969**	**14,778**	**185,801**
Appropriation of prior years' profit	-	-	14,778	(14,778)	-
Profit for the year	-	-	-	19,669	19,669
Balance at 31 December 2006	**26,874**	**93,180**	**65,747**	**19,669**	**205,470**

14. Share capital

At 31 December 2006 and 2005, the Company's share capital amounted to EUR 26,874,439.23 and consisted of 7,444,443 registered shares of EUR 3.61 par value each, all with the same rights, fully subscribed and paid by Corporación General Financiera, S.A., except for one share held by Cidessa UNO, S.L. (both Banco Bilbao Vizcaya Argentaria Group companies).

15. Share premium

The Consolidated Companies Law expressly permits the use of the share premium account balance to increase capital and establishes no specific restrictions as to its use.

16. Reserves

The breakdown of "Reserves" in the accompanying balance sheets is as follows:

	Thousands of Euros			
	Share Premium	Legal Reserve	Voluntary Reserve	Total
Balance at 1 January 2005	**93,180**	**2,616**	**38,633**	**134,429**
2004 profit	-	752	8,968	9,720
Balance at 31 December 2005	**93,180**	**3,368**	**47,601**	**144,149**
2005 profit	-	1,478	13,300	14,778
Balance at 31 December 2006	**93,180**	**4,846**	**60,901**	**158,927**

16.1. Legal reserve:

Under the Consolidated Companies Law, entities must transfer 10% of net profit for each year to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

17. Tax matters

The Company files consolidated tax returns as part of the consolidated tax group nº 2/82, the Parent of which is Banco Bilbao Vizcaya Argentaria, S.A. On 30 December 2002, the appropriate notification was submitted to the Ministry of Economy and Finance to extend indefinitely the Company's taxation under the consolidated taxation regime in accordance with current regulations.

Additionally, at 31 December 2006, the Company had 2003, 2004, 2005 and 2006 open for review by the tax authorities for the main taxes applicable to it.

The reconciliation of the income tax charge, calculated from accounting profit before tax, to the tax expense recognised for the period from 1 January 2006 to 31 December 2006, is as follows:

	Thousands of Euros
Accounting profit before tax	34,569
Decrease due to permanent differences	(150)
Increases (decreases) due to temporary differences:	
Arising in the current year	2,317
Arising in prior years	
Taxable profit	**36,736**

The balance of "Tax Liabilities - Current" in the accompanying balance sheets includes the liability relating to the various applicable taxes, including EUR 442 thousand of 2006 income tax payable on 2006 profit, net of the prepayments and withholdings made in the year (EUR 12,415 thousand).

Pursuant to Bank of Spain Circular 4/2004 and related provisions, the deferred tax assets are recognised under "Tax Assets" in the accompanying balance sheets and amounted to EUR 17,392 thousand and EUR 19,230 thousand at 31 December 2006 and 2005, respectively. Deferred tax assets arose mainly from the period provision for bad debts and from the adaptation to the new accounting rules and standards. As a result of the tax adjustment (Note 2-g), the Company recognised a charge of EUR 2,856 thousand under "Income Tax" in the accompanying income statement.

The varying interpretations which can be made of the tax regulations applicable to the operations performed by the banking industry in the open years might give rise to certain contingent tax liabilities that are not susceptible to objective quantification. However, the Company's directors and its tax advisors consider that the likelihood of these contingent liabilities materialising is remote and that, in any event, the tax debt which might arise therefrom would not materially affect these financial statements.

18. Residual maturity periods

The breakdown, by maturity, of the balances of certain items in the balance sheets at 31 December 2006 is as follows:

	Thousands of Euros						
	Demand	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
ASSETS							
Cash and balances with central banks	32	-	-	-	-	-	32
Loans and receivables							
Loans and advances to credit institutions (*)	62	-	-	-	-	-	62
Loans and advances to customers	188,637	1,498,401	2,042,762	1,608,953	189,921	18,654	5,547,328
Investments	-	-	-	-	-	-	-
LIABILITIES							
Financial liabilities at amortised cost							
Deposits from credit institutions (**)	3,723,748	355,264	364,869	414,599	163,713	10,885	5,033,078
Other financial liabilities	165,177	1,225	-	-	-	-	166,402
Other asset items less liability items	(3,700,194)	1,141,912	1,677,893	1,194,354	26,208	7,769	347,942

(*) Including demand accounts.

(**) Including credit financing accounts.

The breakdown, by maturity, at 31 December 2005 is as follows:

	Thousands of Euros						
	Demand	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
ASSETS							
Cash and balances with central banks	32	-	-	-	-	-	32
Loans and receivables							
Loans and advances to credit institutions (*)	1,141	-	-	-	-	-	1,141
Loans and advances to customers	53,306	1,696,953	1,654,111	1,868,639	112,032	64,648	5,449,689
Investments	-	-	-	-	-	-	-
LIABILITIES							
Financial liabilities at amortised cost							
Deposits from credit institutions (**)	2,999,714	824,921	266,571	822,558	83,709	6,484	5,003,957
Other financial liabilities	148,889	-	-	-	-	-	148,889
Other asset items less liability items	244,171	-	-	-	-	-	244,171

(*) Including demand accounts.

(**) Including credit financing accounts.

19. Fair value of financial assets and liabilities

Following is a comparison of the carrying amounts of the Company's financial assets and liabilities and their respective fair values at year-end:

	Thousands of Euros			
	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Cash and balances with central banks (*)	32	32	32	32
Loans and receivables	5,408,561	5,408,561	5,338,277	5,338,277
LIABILITIES				
Financial liabilities at amortised cost	5,212,139	5,212,139	5,163,775	5,163,775

(*) Including demand accounts.

20. Other significant information

20.1. Transactions for the account of third parties

The breakdown of "Transactions for the Account of Third Parties" is as follows:

	Thousands of Euros	
	2006	2005
Conditional bills and other securities received for collection	3,179,622	2,496,846
Commercial bills received for collection	786,044	631,388
Other securities received for collection	2,393,578	1,865,458
Unfunded factoring amount	126,907	102,660
Reverse factoring transactions	2,266,590	1,762,770
Other	81	28
	3,179,622	2,496,846

20.2. Other off-balance-sheet items

The breakdown of "Other Off-Balance-Sheet Items" is as follows:

	Thousands of Euros	
	2006	2005
Write-off assets	18,135	15,007
Past-due income on doubtful assets	-	1
Conditional bills and other securities received for collection	1,155	82,789
Documents securing transactions	133,236	10,756
Deposit accounts	93,969	58,885
Guarantees received	112,723	67,084
Registration accounts (unrestricted)	3,776,157	2,410,819
Control accounts	9,667	9,662
	4,145,042	2,655,003

21. Interest and similar income

The breakdown of the main items of interest and similar income earned by the Company in 2006 and 2005 is as follows:

	Thousands of Euros	
	2006	2005
Loans and advances to customers:		
Public sector	16,898	17,578
Resident sector	127,644	88,338
Non-resident sector	1,420	521
	145,962	**106,437**

The detail, by type of transaction, of "Interest and Similar Income" in the accompanying income statements for 2006 and 2005 is as follows:

	Thousands of Euros	
	2006	2005
Factoring transactions-		
Public sector	1,437	623
Resident sector	64,718	48,719
Non-resident sector	894	521
Reverse factoring transactions-		
Public sector	15,460	16,944
Resident sector	62,921	39,552
Non-resident sector	526	-
Other	6	78
	145,962	**106,437**

22. Interest and similar charges

The detail of the balance of this heading in the consolidated income statement is as follows:

	Thousands of Euros	
	2006	2005
Deposits from credit institutions (*)	113,092	79,186
Cost allocable to provisions for pensions (Note 12)	4	4
Other interest expense	-	-
	113,096	**79,190**

(*) Relates to demand accounts.

23. Income from equity instruments

The balance of "Income from Equity Instruments" in the income statement for 2006 relates to the dividends received from the investment in Telefónica Factoring do Brasil, Ltda.

24. Fee and commission income and expense

The breakdown of "Fee and Commission Income" and of "Fee and Commission Expense" in the accompanying income statements is as follows:

	Thousands of Euros	
	2006	2005
Fee and commission income		
Factoring transactions	9,747	10,535
Reverse factoring transactions	9,541	7,874
Other fees and commissions	50	52
	19,338	**18,461**
Fee and commission expense		
Fees assigned to third parties	285	401
Other fees and commissions	132	217
	417	**618**

25. Personnel expenses

The detail of "Personnel Expenses" in the accompanying income statements is as follows:

	Thousands of Euros	
	2006	2005
Wages and salaries	4,741	3,833
Social security costs	896	740
Contributions to external pension funds (Note 2-d)	76	61
Termination benefits	-	-
Other personnel expenses	187	130
	5,900	**4,764**

The average number of employees in the Company, by professional category, in 2006 and 2005 was as follows:

	Average Number of Employees	
	2006	2005
Managers	6	6
Supervisors	10	7
Clerical staff	80	68
	96	**81**

26. Other general administrative expenses

The breakdown of the balance of "Other General Administrative Expenses" in the income statement is as follows:

	Thousands of Euros	
	2006	2005
Technology and systems	862	881
Communications	31	24
Advertising	0	1
Outsourced administrative services	1,462	1,335
Property, fixtures and supplies	226	198
Taxes other than income tax	6	(58)
Other administrative expenses	527	410
	3,114	**2,791**

The balance of "Other Administrative Expenses" includes the fees paid by the Company to its auditors, which amounted to EUR 65 thousand in 2006.

27. Other gains and Other losses

The balance of "Other Gains" and "Other Losses" in the accompanying income statement at 31 December 2006 relates to the regularisation of prior years' balances.

28. Transactions with Group entities

The balances of the main aggregates in the financial statements arising from the transactions carried out by the Company with Banco Bilbao Vizcaya Argentaria Group companies in 2006, which consist of ordinary business and financial transactions carried out on an arm's-length basis, are as follows:

	Thousands of Euros	
	2006	2005
BALANCE SHEET:		
Assets-		
Loans and advances to credit institutions	62	1,141
Liabilities-		
Deposits from credit institutions (Note 11)	5,045,737	5,014,886
Income tax payable to BBVA (Note 17)	442	2,407
INCOME STATEMENT:		
Debit-		
Interest expense and similar charges (Note 22)	113,096	79,190
Property rental expense (Note 26)	129	124

29. Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

BBVA FACTORING, E.F.C., S.A.

DIRECTORS' REPORT FOR 2006

BUSINESS PERFORMANCE

In 2006 BBVA Factoring, as in prior years, continued to increase its business. Total assignments amounted to EUR 20,366 million, up 8.63% on 2005.

Accordingly, the Company obtained a market share of 30.50% –29.07% in factoring products, 41.72% in export factoring and 32.55% in reverse factoring–, thus consolidating its position as industry leaders.

TARGETS FOR 2007

BBVA Factoring will continue to develop and strengthen its factoring and reverse factoring products throughout the BBVA Group's areas of business.

The basic objective for 2007 for BBVA Factoring continues to be the use of new technologies and distribution channels, the BBVA Group's branch network and its customers and suppliers.

The search for new markets and products, international business expansion and improving efficiency are the other priorities for the year.

OUTLOOK FOR 2007

As in prior years, we consider that the volume of assignments of receivables will continue to grow significantly in 2007, thereby consolidating the factoring and reverse factoring products as one of the most efficient means of financing the working capital of Spanish companies and institutions.

RISK EXPOSURE

Credit risk management

BBVA Factoring's maximum credit risk exposure amounted to EUR 5,410,203 thousand at 31 December 2006, up 0.94% on 2005 year-end. The breakdown of these figures by product (factoring and reverse factoring) shows that reverse factoring has decreased with respect to 2005 by 3.99% –this product concentrates 42.41% of the total risk–, whereas factoring –which accounts for 57.59% of the total– increased by 4.91%.

At 31 December 2006, total past-due balances amounted to EUR 62,536 thousand, of which EUR 8,681 thousand were attributable to the private sector and EUR 53,855 thousand to the public sector.

However, these past-dues can be deemed to be technical non-performance since they arise mainly from the long payment periods of the public sector rather than from an actual non-performance which may entail a loss for the Company.

Noteworthy is the large amount of the past-dues from autonomous community governments which arises from the factoring transactions performed on various autonomous community agencies managing the public health care system.

The total past-due ratio was 1.12% at 31 December 2006, whereas that relating only to the private sector was 0.16 %.

Interest rate risk management

BBVA Factoring performs active interest rate risk management for the purpose of minimising, and in certain cases eliminating, the possible impact of changes in market rates on its investment and, consequently, on the net interest income shown in the income statement.

Several clearly differentiated actions are taken to achieve this goal: 1) to obtain the funds required for certain transactions from the BBVA's Treasury Department; 2) to monitor the changes in interest rates by following up the expectations of the European Central Bank with respect to the foreseeable interest rate policy at short and medium term; and 3) to consider the possibility of requesting funds from the BBVA's Treasury Department for certain balances which, because of the term or price applied to customers, might be affected by the estimated interest rates.

REPORT ON THE ACTIVITY OF THE CUSTOMER CARE AND CUSTOMER OMBUDSMAN DEPARTMENT

Ministry of Economy (currently Ministry of Economy and Finance) Order ECO/734/2004, of 11 March, (Official State Gazette (BOE) no. 72 of 24 March 2004) came into force on 24 July.

Article 5 of the BBVA Group's Rules on Customer Ombudsmen in Spain, which were approved by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A –the parent of the BBVA Group– on 23 July 2004, and to which BBVA Factoring E.F.C., S.A. has adhered by ratification of its Board and in its capacity as a Banco Bilbao Vizcaya Argentaria, S.A. consolidated Group entity, reads as follows (in translation):

1. The Customer Care Service and the Customer Ombudsman shall submit to the governing body of each entity concerned, within the first quarter of each year, an explanatory report on their service performance in the preceding year, addressing the matters to be reported by each entity.

   This report, a summary of which shall be included in the annual report of the entity, shall contain at least the following items:

a) A statistical summary of the claims and complaints handled, disclosing the number of claims and complaints received, the number processed and the reasons for rejecting them, matters raised and grounds for the claims and complaints, and amounts involved.

b) Summary of the final resolutions, indicating whether the complaints were resolved in favour of or against the person submitting them and the cases in which information or clarifications were simply provided.

c) General grounds for the resolutions.

d) Recommendations or suggestions deriving from the Department's experience, with a view to better attaining the aims of its work.

2. Additionally, the Customer Care Service and the Customer Ombudsman shall submit to the Board of Directors of BBVA, within the first quarter of each year, a joint explanatory report on all the BBVA Group entities containing the information set forth in paragraphs a), c) and d) and statistical information on the resolutions in favour of and against the person submitting them.

3. As required by the aforementioned Article, the Manager of the Customer Care Service submits to the Board of BBVA the following activity report.

ACTIVITY REPORT

The purpose of this report on the activity of the Customer Care Service is to report on the complaints handled in the period from 1 January to 31 December 2006.

Without prejudice to the functional activity relating to the processing and handling of claims and complaints that may have been performed by BBVA's internal units or departments, whose activity is not included in the scope of this report, at 8 January 2007 (the closing date for consolidated data on the activity of the Customer Care Service of the BBVA Group) no complaints had been submitted by customers to BBVA Factoring E.F.C., S.A. related to the functions discharged by this Service.

Since there were no complaints relating to BBVA Factoring E.F.C., S.A., this Customer Care Service cannot provide any detail thereof and, therefore, no recommendations on good banking practice principles or criteria can be made.

Consequently, the absence of claims or complaints submitted to this Customer Care Service against BBVA Factoring E.F.C., S.A. can only be assessed positively in the sense that its customers felt no need to file possible claims or complaints with this Department.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2006 the Company did not perform any research and development activities.

TREASURY SHARE TRANSACTIONS

The Company did not perform any treasury share transactions in 2006.

BBVA Factoring, Establecimiento Financiero Crédito, S.A.

Financial Statements
for the Year Ended December 31, 2007
and Directors' Report, together with
Auditor's Report

BAR0365002OC07-819

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

5/6/08