Banco de Crédito Local de España, S.A.

Financial Statements
for the Year Ended
31 December 2007
and Directors' Report,
together with Independent
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 40). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

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 40). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
Banco de Crédito Local de España, S.A.:

1. We have audited the financial statements of Banco de Crédito Local de España, S.A. (the Bank) comprising the balance sheet at 31 December 2007, 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 Bank'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, 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 Bank's directors present, in addition to the figures for 2007 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 2006. Our opinion refers only to the financial statements for 2007. On 19 March 2007, we issued our auditors' report on the Bank's 2006 financial statements, in which we expressed an unqualified opinion.

3. The Bank's operations are performed under the management of the Banco Bilbao Vizcaya Argentaria Group, giving rise to the balances and transactions with related companies that are indicated in the notes to the financial statements. The accompanying financial statements, which are presented in compliance with current regulations, should be interpreted in this context.

4. In our opinion, the accompanying financial statements for 2007 present fairly, in all material respects, the equity and financial position of the Bank at 31 December 2007, and the results of its operations, the changes in its 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 standards contained in Bank of Spain Circular 4/2004, which were applied on a basis consistent with that of the preceding year.

5. The accompanying directors' report for 2007 contains the explanations which the directors consider appropriate about the Bank'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 2007. 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 Bank's accounting records.

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

Francisco Celma
21 February 2008

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.

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 40). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006 (Notes 1 to 3)

- Thousands of Euros -

ASSETS	2007	2006
CASH AND BALANCES WITH CENTRAL BANKS (Note 5)	100,073	223,3
FINANCIAL ASSETS HELD FOR TRADING (Note 6)	57,377	30,2
Loans and advances to credit institutions	-	
Money market operations through counterparties	-	
Loans and advances to customers	-	
Debt instruments	-	
Other equity instruments	-	
Trading derivatives	57,377	30,2
Memorandum item: Loaned or advanced as collateral	-	
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	
Loans and advances to credit institutions	-	
Money market operations through counterparties	-	
Loans and advances to customers	-	
Debt instruments	-	
Other equity instruments	-	
Memorandum item: Loaned or advanced as collateral	-	
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7)	2,678,927	2,619,3
Debt instruments	2,678,927	2,619,3
Other equity instruments	-	
Memorandum item: Loaned or advanced as collateral	301,163	19,3
LOANS AND RECEIVABLES (Note 8)	10,019,655	8,465,0
Loans and advances to credit institutions	2,227,978	41,2
Money market operations through counterparties	-	
Loans and advances to customers	7,791,677	8,423,3
Debt instruments	-	
Other financial assets	-	5
Memorandum item: Loaned or advanced as collateral	-	
HELD-TO-MATURITY INVESTMENTS	-	
Memorandum item: Loaned or advanced as collateral	-	
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	
HEDGING DERIVATIVES (Note 9)	182,052	164,4
NON-CURRENT ASSETS HELD FOR SALE	-	
Loans and advances to credit institutions	-	
Loans and advances to customers	-	
Debt instruments	-	
Equity instruments	-	
Tangible assets	-	
Other assets	-	

(*) Presented for comparison purposes only.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

Financial Statements
for the Year Ended 31 December 2007

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 IFRSs, as adopted by the European Union (Notes 1.2 and 40). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006 (Notes 1 to 3)

- Thousands of Euros -

- Thousands of Euros -

LIABILITIES AND EQUITY	2007	2006 (*)
LIABILITIES		
FINANCIAL LIABILITIES HELD FOR TRADING (Note 6)	47,524	15,895
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	47,524	15,895
Short positions	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT AMORTISED COST (Note 14)	12,469,314	10,893,681
Deposits from central banks	4,186,355	1,800,738
Deposits from credit institutions	259,120	579,206
Money market operations through counterparties	-	-
Customer deposits	2,019,027	2,506,539
Debt certificates (including bonds)	5,948,638	5,965,217
Subordinated liabilities	-	-
Other financial liabilities	56,174	41,981
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES (Note 9)	254,172	338,070
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
Customer deposits	-	-
Other liabilities	-	-
PROVISIONS (Note 15)	27,053	29,950
Provisions for pensions and similar obligations	23,141	27,348
Provisions for taxes	-	-
Provisions for contingent liabilities and commitments	143	136
Other provisions	3,769	2,466
TAX LIABILITIES (Note 21)		3,841
Current	-	3,841
Deferred	-	-
ACCRUED EXPENSES AND DEFERRED INCOME (Note 12)	604	1,362
OTHER LIABILITIES (Note 13)	4	223
EQUITY HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-
TOTAL LIABILITIES	12,798,671	11,283,022

(*) Presented for comparison purposes only.

	2007	2006 (
INVESTMENTS (Note 10)	-	1,9
Associates	-	3
Jointly controlled entities	-	
Subsidiaries	-	1,5
INSURANCE CONTRACTS LINKED TO PENSIONS (Note 16)	5,711	6,3
TANGIBLE ASSETS (Note 11)	25,143	25,6
For own use	10,638	10,9
Investment property	14,505	14,6
Other assets leased out under an operating lease	-	
Memorandum item: Acquired under a finance lease	-	
INTANGIBLE ASSETS	-	
Goodwill	-	
Other intangible assets	-	
TAX ASSETS (Note 21)	18,211	21,7
Current	-	
Deferred	18,211	21.7
PREPAYMENTS AND ACCRUED INCOME (Note 12)	295	3
OTHER ASSETS (Note 13)	43	4,9
TOTAL ASSETS	13,087,487	11,563,3

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 40 are an integral part of the balance sheet at 31 December 2007.

EQUITY	2007	2006 (*)
VALUATION ADJUSTMENTS	(7,147)	(6,877)
Available-for-sale financial assets	(7,147)	(6,877)
Financial liabilities at fair value through equity	-	-
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
OWN FUNDS (Note 17)	295,963	287,209
Capital or endowment fund (Note 18)	151,043	151,043
Issued	151,043	151,043
Unpaid and uncalled (-)	-	-
Share premium (Note 19)	10,662	10,662
Reserves (Note 20)	84,582	84,582
Accumulated reserves (losses)	84,582	84,582
Retained earnings	-	-
Other equity instruments	-	-
Equity component of compound financial instruments	-	-
Other	-	-
Less: Treasury shares	-	-
Profit for the year	49,676	40,922
Less: Dividends and remuneration	-	-
TOTAL EQUITY (Note 17)	288,816	280,332
TOTAL LIABILITIES AND EQUITY	13,087,487	11,563,354
MEMORANDUM ITEMS		
CONTINGENT LIABILITIES (Note 24)	683,557	696,578
Financial guarantees	683,557	696,578
Assets earmarked for third-party obligations	-	-
Other contingent liabilities	-	-
CONTINGENT COMMITMENTS (Note 24)	1,047,442	890,539
Drawable by third parties	1,047,442	890,539
Other commitments	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 40 are an integral part of the balance sheet at 31 December 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 40). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (Notes 1 to 3)
- Thousands of Euros -

	2007	2006 (*)
INTEREST AND SIMILAR INCOME (Note 29)	492,987	390,842
INTEREST EXPENSE AND SIMILAR CHARGES (Note 30)	(421,141)	(315,799)
Return on equity having the substance of a financial liability	-	-
Other	(421,141)	(315,799)
INCOME FROM EQUITY INSTRUMENTS	-	-
Investments in associates	-	-
Investments in jointly controlled entities	-	-
Investments in subsidiaries	-	-
Other equity instruments	-	-
NET INTEREST INCOME	**71,846**	**75,043**
FEE AND COMMISSION INCOME (Note 31)	1,918	1,774
FEE AND COMMISSION EXPENSE (Note 32)	(193)	(216)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 33)	243	1,304
Held for trading	1,620	3,635
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	(1,377)	(2,331)
Loans and receivables	-	-
Other	-	-
EXCHANGE DIFFERENCES (NET)	3	5
GROSS INCOME	**73,817**	**77,910**
OTHER OPERATING INCOME	1,371	1,343
PERSONNEL EXPENSES (Note 34)	(610)	(2,366)
OTHER ADMINISTRATIVE EXPENSES (Note 35)	(2,111)	(2,337)
DEPRECIATION AND AMORTISATION	(707)	(721)
Tangible assets (Note 11)	(707)	(721)
Intangible assets	-	-
OTHER OPERATING EXPENSES	(30)	(47)
NET OPERATING INCOME	**71,730**	**73,782**
IMPAIRMENT LOSSES (NET)	1,479	(3,417)
Available-for-sale financial assets	-	-
Loans and receivables (Note 8)	1,934	2,363
Held-to-maturity investments	-	-
Non-current assets held for sale	-	-
Investments (Note 10)	(455)	(5,780)
Tangible assets	-	-
Goodwill	-	-
Other intangible assets	-	-
Other assets	-	-
PROVISIONS (NET) (Note 15)	(1,466)	(2,359)
OTHER GAINS (Note 36)	1,644	-
Gains on disposal of tangible assets	-	-
Gains on disposal of investments	-	-
Other	1,644	-
OTHER LOSSES (Note 36)	-	(626)
Losses on disposal of tangible assets	-	-
Losses on disposal of investments	-	-
Other	-	(626)
PROFIT BEFORE TAX	**73,387**	**67,380**
INCOME TAX (Note 21)	(23,711)	(26,458)
PROFIT FROM ORDINARY ACTIVITIES	**49,676**	**40,922**
PROFIT FROM DISCONTINUED OPERATIONS (NET)	-	-
PROFIT FOR THE YEAR	**49,676**	**40,922**

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 40 are an integral part
of the income statement for the year ended 31 December 2007.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (Notes 1 to 3)
- Thousands of Euros –

	2007	2006 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	**(270)**	**(10,404)**
Available-for-sale financial assets	(270)	(10,404)
Revaluation gains/losses	991	(14,662)
Amounts transferred to income statement	(1,377)	(588)
Income tax	116	4,846
Reclassifications	-	-
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	-	-
Hedges of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Exchange differences	-	-
Translation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
PROFIT FOR THE YEAR	**49,676**	**40,922**
Published profit for the year	49,676	40,922
Adjustments due to changes in accounting policy	-	-
Adjustments made to correct errors	-	-
TOTAL INCOME AND EXPENSES FOR THE YEAR	**49,406**	**30,518**
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	-	-

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 40 are an integral part
of the statement of changes in equity for the year ended 31 December 2007.

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 40)). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (Notes 1 to 3)

- Thousands of Euros –

	2007	2006 (*)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**49,676**	**40,922**
Adjustments to profit:	25,145	34,680
Depreciation of tangible assets (+)	707	721
Amortisation of intangible assets (+)	-	-
Impairment losses (net) (+/-)	(1,479)	3,417
Provisions (net) (+/-)	1,466	2,359
Gains/Losses on disposal of tangible assets (+/-)	-	-
Gains/Losses on disposal of investments (+/-)	-	-
Taxes (+/-)	23,711	26,458
Other non-monetary items (+/-)	740	1,725
Adjusted profit	**74,821**	**75,602**
Net increase/decrease in operating assets	**(1,648,992)**	**578,584**
Financial assets held for trading	(27,134)	(2,669)
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Trading derivatives	(27,134)	(2,669)
Other financial assets at fair value through profit or loss	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Available-for-sale financial assets	(184,206)	353,014
Debt instruments	(184,206)	353,014
Other equity instruments	-	-
Loans and receivables	(1,542,081)	337,772
Loans and advances to credit institutions	(2,183,456)	88,827
Money market operations through counterparties	-	-
Loans and advances to customers	640,845	249,470
Debt instruments	-	-
Other financial assets	532	(525)
Other operating assets	104,429	(109,533)
Net increase/decrease in operating liabilities	**1,490,479**	**(710,031)**
Financial liabilities held for trading	31,629	(5,285)
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	31,629	(5,285)
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-

(*) Presented for comparison purposes only.

	2007	2006 (*)
Financial liabilities at fair value through equity	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Financial liabilities measured at amortised cost	1,571,460	(599,296)
Deposits from central banks	2,380,000	(100,000)
Deposits from credit institutions	(319,414)	(579,390)
Money market operations through counterparties	-	-
Customer deposits	(481,608)	179,715
Debt certificates (including bonds)	(21,711)	(106,575)
Other financial liabilities	14,193	6,954
Other operating liabilities	(112,610)	(105,450)
Total net cash flows from operating activities (1)	**(83,692)**	**(55,845)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (-)	(164)	(5,012)
Subsidiaries, jointly controlled entities and associates	-	(5,000)
Tangible assets	(164)	(12)
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Divestments (+)	1,478	-
Subsidiaries, jointly controlled entities and associates	1,478	-
Tangible assets	-	-
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Total net cash flows from investing activities (2)	**1,314**	**(5,012)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/Redemption of capital or endowment fund (+/-)	-	-
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	-
Issuance/Redemption of non-voting equity units (+/-)	-	-
Issuance/Redemption of other equity instruments (+/-)	-	-
Issuance/Redemption of equity having the substance of a financial liability (+/-)	-	-
Issuance/Redemption of subordinated liabilities (+/-)	-	-
Issuance/Redemption of other long-term liabilities (+/-)	-	-
Dividends/interest paid (-)	(40,922)	(50,393)
Other items related to financing activities (+/-)	-	
Total net cash flows from financing activities (3)	**(40,922)**	**(50,393)**
Effect of exchange rates changes on cash and cash equivalents (4)	-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)	**(123,300)**	**(111,250)**
Cash and cash equivalents at beginning of year	**223,373**	**334,623**
Cash and cash equivalents at end of year	**100,073**	**223,373**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 40 are an integral part
of the cash flow statement for the year ended 31 December 2007.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

Notes to the Financial Statements for the Year Ended 31 December 2007

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

1.1. Introduction

Banco de Crédito Local de España, S.A. ("the Bank") is a private-law entity, incorporated on 23 July 1925, subject to the rules and regulations applicable to banks operating in Spain and is part of the Banco Bilbao Vizcaya Argentaria Group (the "BBVA Group").

The bylaws and other public information on the Bank can be consulted at its registered office (Plaza de Santa de Bárbara nº 2, Madrid).

The financial statements must be interpreted within the context of the Group within which the Bank carries on its business activities.

The Bank's financial statements for 2006 were approved by the shareholders at the Annual General Meeting of the Bank on 29 May 2007. The 2007 financial statements of the bank have not yet been approved by its shareholders at the Annual General Meeting. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

The Bank's business activities are conducted as part of the institutional business of the BBVA Group focus mainly on the financing of Spanish public-sector entities and their dependent agencies or entities, through 55 branch offices located in the main cities of the autonomous communities in Spain and included in BBVA's commercial network.

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 this new accounting Circular is to modify the accounting system of Spanish credit institutions by adapting it to the new accounting environment arising from the adoption by the European Union, through several EC Regulations, of the International Financial Reporting Standards ("EU- IFRSs") under 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 Bank's financial statements of 2007 were prepared by the Bank's directors (at the Board Meeting on February 20, 2008) on the basis of the accounting records kept by the Bank in accordance with Bank of Spain Circular 4/2004, representing fairly the bank's equity and financial position at December 31, 2007, and the results of its operations, the changes in equity and the cash flows in 2007.

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 2006 contained in these notes to the 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 financial statements is the responsibility of the Bank's directors. In preparing these financial statements estimates were occasionally made by the Bank in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate mainly to the following:

- The impairment losses on certain assets.
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments.
- The useful life of tangible assets.
- The fair value of certain unquoted assets.

Although these estimates were made on the basis of the best information available at 31 December 2007 on the events analysed, events that might take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years.

1.5. Environmental impact

At 31 December 2007 the Bank's financial statements did not disclose any item that should be included in the environmental information document envisaged in the related Ministry of the Economy Order dated 8 October 2001.

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

As required by the Ministry of Economy Order ECO/734/2004, of 11 March 2004, on customer care departments and services and customer ombudsmen at financial institutions and since the Bank belongs to the Banco Bilbao Vizcaya Argentaria Group, the Bank adhered to the BBVA's Rules on Customer Care Department and Customer Ombudsman and appointed as Customer Ombudsman the individual appointed by BBVA at any given 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 as individual entities and as consolidated groups – and the criteria for calculating the capital ratio.

At 31 December 2007 and 2006, the Bank's eligible capital exceeded the minimum required under the aforementioned regulations.

2. Accounting policies and measurement bases

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

a) Measurement bases

The criteria for the valuation of assets and liabilities in the accompanying balance sheets were as follows:

- Fair Value

The fair value of an asset or 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 deep 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 an trusted by the international financial community. Such estimates would take into consideration the specific features of 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 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 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 kids 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 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 adquisition of assets adjusted, where appropriate, by any related impairment loss.

b) Financial Instruments

b.1) Classification

Financial instruments are classified in the accompanying financial statements in the following categories:

- Financial assets / liabilities held for trading: These headings in the accompanying balance sheet 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 an sale prices.

These headings also include financial derivatives not considered to qualify for hedge accounting.

- 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 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 the Bank act as lessors.

The bank generally intends to hold the loans and credits granted by him until their final maturity; therefore, they are presented in the balance sheet at their amortized cost (which includes any corrections required to reflect the estimated losses on their recovery).

- 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 balance sheet which relate to the typical deposit-taking activities carried on by financial institutions.

- Hedging derivatives: include financial derivatives designated as hedging items. All the accounting hedges performed by the Bank are fair value hedges, which hedge changes in the fair value of assets and liabilities arising from fluctuations in the interest rate and/or exchange rates designated as the hedged risk.

b.2) Measurement of financial instruments and recognition of changes arising from 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 interest and similar items are recorded under the headings "Interest and Similar Income" or "Interest Expense and Similar Charges", as appropriate, in the income statement of this period. The dividend accrued in the period are recorded under the heading "Income from equity instruments" in the 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 an liabilities:

- "Financial assets held for trading"

Assets and liabilities recognized in these headings in the accompanying 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 income statements. On the other hand , Valuation adjustments by changes in foreign exchange rates are recognized under heading "Exchange Differences (net)" in the 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...

Financial derivatives that have as their underlying equity instruments, whose fair value cannot be determined in a sufficiently objective manner and era settled by delivery of those instruments, are measured at cost.

- *"Available-for-Sale Financial Assets"*

Assets and liabilities recognized in these headings in the accompanying balance sheets are valued at fair value.

Changes arising from the valuation to fair value (gains or losses) are recognized temporally, net amount, under the heading "Valuation Adjustments – Available-for Sale Financial Assets" in the accompanying balance sheets.

Valuation adjustments arising from "Available-for-Sale Financial Assets – Other equity instruments" by changes in foreign exchange rates are recognized temporarily under heading "Valuation Adjustments – Exchange Differences" in the balance statements. Valuations adjustments arising from "Available-for-Sale Financial Assets – Debt securities" by changes in foreign exchange rates are recognized under the heading "Exchange Differences (net)" in the income statements.

The amounts recognized in the heading "Valuation Adjustment – Available-for-Sale Financial Assets" remain in the equity until the asset is derecognized from the balance sheet, at which time those amounts are recognized under the heading "Gains or losses on financial assets and liabilities (net)" in the 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 income statements.

- *"Held-to-maturity investments" and "Financial liabilities at amortised cost"*

Assets and liabilities recognized in these headings in the accompanying 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 income statements.

- *"Hedging derivatives"*

The assets and liabilities recognised under these items in the accompanying balance sheets are measured at fair value.

The changes arising in the measurement of the financial instruments designated as hedged items subsequent to the designation of the hedge and the financial instruments qualifying for hedge accounting are recognised directly under "Gains/Losses on Financial Assets and Liabilities (Net)" in the 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 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 liabilities associated with them are recognized with a balancing entry under heading "Valuation Adjustments – Non-Current Assets Held for Sale" of the balance sheet.

b.3) 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 income statement for the year in which the impairment becomes known, and the recoveries of previously recognized impairment losses are recognized in the income statement for the year in which the impairment is reversed or reduced, with the exception that any recovery of previously recognized through profit or loss but recognized under the heading "Valuation Adjustments – Available for sale Financial Assets" in the 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 entity to assure (in part or in full) the performance of transactions. Amounts collected in relations 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 remote, this amount is removed from the balance sheet, without prejudice to any actions taken by the entity 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 assts 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 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, the BBVA 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 as far as the Bank of Spain validates internal models based on historical experience of the Bank.

Following is a description of the methodology to estimate the collective loss of credit risk:

<u>1. Specific allowance or provision for insolvency risk of the portfolio doubtful</u>

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that have past-due amounts with 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%

Debt instruments classified as doubt 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 assesses, 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%

Other debt instruments:

The impairment losses on debt instruments included in the available-for-sale financial asset portfolio is the positive difference between their acquisition cost (net of any principal repayment or amortization) and their fair value less any impairment loss previously recognized in the 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 classified as "Valuation Adjustments – Available-for-Sale Financial Assets" and are recognized in the income statement. If all or parts of the impairment losses are subsequently reversed, the reversed amount would be recognized in the income statement for the period in which the reversal occurred.

c) Recognition of income and expenses

The most significant criteria used by the Bank to recognize its income and expenses are summarized as follows:

Interest income, interest expenses and similar items:

As a general rule, interest income, interest expenses and similar items are recognized on the basis of their period of accrual using the effective interest method. Specifically, dividends recived from other companies are recognized as income when the companies' right them arises.

Specifically, loan arrangement fees, basically loan origination and application fees, are 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. Bank of Spain Circular 4/2004 stipulates that, in the absence of cost accounting to determine direct costs, these costs may be offset against the arrangement fee by up to 0.4% of the loan principal, subject to a limit of EUR 400 per transaction; this amount is credited to the income statement when the loan is arranged and reduces the aforementioned deferred fees.

However, when a debt instrument is deemed to be impaired individually or is included in a group of instruments that are impaired because of amounts more than three months past-due, the recognition of accrued interest in the income statement is suspended. This interest is recognized for accounting when collected, as a reversal of the impairment loss.

Commissions, fees and similar items:

Fee and commission income and expenses are recognized 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 recognized over the life of these transactions or services.
- Those relating to a single act, which are recognized when the single act is carried out.

Non-finance income and expenses:

These are recognized for accounting purposes on an accrual basis.

Deferred collections and payments:

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

d) Post-employment benefits and other 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 commitments, of the Bank and branch abroad (Note 16).

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 and discount rates.
- 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 income statements. The bank did not use the "corridor approach".

Post-employment benefits

- Pensions

Post-employment benefits include defined contribution and defined obligation commitments.

- <u>Defined contribution commitments</u>

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 Bank for defined contribution retirement commitments, which are recognized with a charge to the heading "Personnel Expenses – Contributions to external pension funds" in the accompanying income statements (notes 16 and 34)

- <u>Defined benefit commitments</u>

The Bank has 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 provisions.

Entities that have covered their pension commitments with insurance policies written by entities forming part of the group shall recognize those commitments as follows:

(i) Pension commitments to employees shall be recorded as pension provisions.

(ii) The insurance policy shall be recorded on the asset side as an insurance contract linked to pensions.

(iii) The expense for the period shall be recorded in the item "personnel expenses" net of the amount relating to the insurance contracts.

- Early retirements

Previous years, the Bank 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 ank were recognized with a charge to the heading "Provision Expense (Net) – Transfers to Funds for Pensions and Similar Obligations – Early Retirements" in the accompanying income statements (Note 16). The present values are quantified on case-by-case basis and they are recognized in the heading "Provisions – Funds for Pensions and Similar Obligations" in the accompanying balance sheets (Note 16).

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-employments welfare benefits

The Bank has 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 a case-by-case basis. They are recognized in the heading "Provisions – Funds for Pensions and Similar Obligations" in the accompanying balance sheets (Note 15) and they are charged to the heading "Personnel expenses – Other personnel expenses" in the accompanying income statements (Note 34).

- Other commitments to employees

The Bank is obliged to deliver partially or fully subsidized 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 balance sheets (see Note 15). The post-employments welfare benefits delivered by the Bank to active employees are recognized in the heading "Personnel Expenses – Other personnel expenses" in the accompanying income statements (see Note 34).

Other commitments for current employees accrue and are settled on a yearly basis, it is not necessary to record a provision in this connection.

e) Foreign currency transactions and exchange differences

Assets, liabilities and futures transactions

The assets and liabilities in foreign currencies, including those of branches abroad, and the unmatured hedging forward foreign currency purchase and sale transactions were translated to euros at the average exchange rates on the Spanish spot currency market (or based on the price of the U.S. dollar on local markets for the currencies not listed on this market) at the end of each period, with the exception of unmatured forward foreign currency purchases and sales not arranged for hedging purposes, which were valued at the exchange rates ruling on the forward foreign exchange market at year-end, published by the Bank of Spain to this end.

The breakdown of the main foreign currency balances in the balance sheet at 31 December 2007 and 2006, based on the nature of the related items, is as follows:

2007	Equivalent Value in Thousands of Euros	
	Assets	Liabilities
Financial assets/liabilities held for trading	-	-
Available-for-sale financial assets	195,336	-
Loans and receivables	16	-
Other	766	23,505
Total	196,118	23,505

2006	Equivalent Value in Thousands of Euros	
	Assets	Liabilities
Financial assets/liabilities held for trading	347	347
Available-for-sale financial assets	183,079	-
Loans and receivables	54	-
Other	1,324	22,764
Total	184,804	23,111

f) Tangible Assets

Tangible assets for own use:

Functional tangible assets –including tangible assets received by the Bank in full or partial satisfaction of financial assets representing receivables from third parties which are intended to e held for continuing use and tangible assets acquired under finance leases- are presented at acquisition cost less the related accumulated depreciation, and any estimated impairment losses (net carrying amount higher than related fair value).

Depreciation is calculated by 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 recognized 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):

	Annual Rate
Buildings for own use	1.33% to 4%
Furniture	8% to 10%
Fixtures	6% to 12%
Office and automation equipment	8% to 25%

The Bank assess at the reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). In this 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 to the revised carrying amount.

Similarly, if there is an indication of a recovery in the value of a tangible asset, the Bank recognizes the reversal of the impairment loss recognized in prior periods and, consequently, adjusts 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 years.

Upkeep and maintenance expenses relating to tangible assets for own use are recognized as an expense in the period in which they are incurred.

g) Tax assets and liabilities

The corporation tax expense is recognized in the income statement, except when it results form a transaction 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 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 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 at the tax rates that are expected to apply in the period when the asset is realized or the liability settled.

Deferred tax assets are recognized to the extent that it is considered probable that there will be sufficient taxable profits in the future against which the deferred tax assets can be utilized.

The deferred tax asset and liabilities recognized are reassessed at each reporting 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.

h) Leases

Leases are classified as finance 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 Bank act as the lesser of an asset in finance leases, the aggregate present values of the lease payments receivable form 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 balance sheets.

i) Provisions, contingent assets and contingent liabilities

Provisions are existing obligations arising from legal or contractual requirements, valid expectations created by Bank 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 Bank cannot avoid.

Provisions are recognized in the balance sheet when each and every one of the following requirements is met: the Bank 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 five 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 Bank 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.

j) 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 derecognized 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 derecognized and continues to be measured using the same criteria as those used before to the transfer.

Financial assets are only derecognized 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 derecognized when the obligations they generate have extinguished or when they are acquired (with the intention either settle them or re-sell them)

k) Own equity instruments

At 31 December 2007 and 2006, the Bank did not hold any treasury shares.

l) Termination Benefits

There were no redundancy plans in the Bank, so it is not necessary to recognize a provision for this issue.

3. Distribution of profit

The distribution of the Bank's net profit for 2007 that will be proposed by the Board of Directors for approval by the shareholders at the Annual General Meeting is to pay a dividend for the whole profit amount, i.e. EUR 49,676 thousand.

4. Risk exposure

Transactions with financial instruments may involve the assumption or transfer of one or more types of risk by financial institutions. The risks associated with financial instruments are:

a) Market risks: these arise as a consequence of holding financial instruments whose value may be affected by changes in market conditions; they include three types of risk:

   (i) Foreign currency risk, which arises as a result of changes in the exchange rate between currencies.

   (ii) Fair value interest rate risk, which arises as a result of changes in market interest rates.

   (iii) Price risk, which 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.

b) 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.

c) 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 Bank, as a member of the BBVA Group, participates in the Group's global risk management system which is based on three components: a corporate risk management structure; a set of tools, circuits and procedures that make up the different risk management systems; and an internal control system. Following is a summary of the three components:

Corporate risk 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 Bank. 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 the Bank risk strategy and policies in order to submit to the Bank's Standing Committee for approval.
- Monitoring the degree to which the risk 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 operation within the established delegation system.
- Verification that the Bank is provide 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 Bank' 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 risk 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 bank' s risk management – has as main tasks that development and implementation of the Bank' 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 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 pf 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 allow them to develop in a controlled environment.

The Asset-Liability Committee (ALCO) is the body responsible for actively managing the Bank' s structural liquidity, interest rate and currency risks, and its core capital.

Tools and circuits

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.

a) STRUCTURAL INTEREST RATE RISK

The aim of on-balance-sheet interest rate risk management is to maintain the Bank'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 optimise the level of risk assumed in relation to the expected results, thus enabling the Bank 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 Bank's net interest income and economic value.

In addition to measuring sensitivity to 100-basis-point changes in market interest rates, the Bank performs probabilistic calculations to determine the economic capital for structural interest rate risk in the Bank's banking activity 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 BBVA's Standing Committee are reported to the various managing and governing bodies of the Bank.

The average sensitivity of the net interest margin to 100-basis-point changes in interest rates is EUR -1.1 million.

The impact of 100-basis-point changes on the Bank's economic value is EUR 2.9 million. Economic capital at the 99.9% percentile for structural interest rate risk is EUR 1.8 million.

As part of the measurement process, the Bank 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.

b) CREDIT RISK MANAGEMENT

Development of exposure and quality of credit risk

BCL's maximum exposure to credit risk amounted to EUR 14,463 million at 31 December 2007, 13.8% lower than at 2006 year-end.

Credit risk with customers (59% of the total exposure, including off-balance-sheet items) totalled EUR 8,509 million and decreased by 7%, whereas balances drawable by third parties (7% of the total exposure) amounted to EUR 1,047 million and increased by 17.6%. Other exposure (loans and advances to credit institutions and other fixed income securities) represented 34% of the total.

In 2007 the risk quality indicators remained at levels similar to 2006. Thus, doubtful balances amounted to EUR 40,651 thousand and the non-performing loans ratio stood at 0.48%.

The allowance for credit risk on loans and advances to customers decreased by EUR 1.9 million in 2007 to EUR 33.9 million; impairment losses collectively assessed declined by EUR 1.2 million and impairment losses individually assessed fell by EUR 0.8 million. The non-performing loans coverage ratio in 2007 was 83%.

c) LIQUIDITY RISK MANAGEMENT

The Bank aims to orderly replace its existing liabilities upon maturity, while minimising variations in wholesale funding. Accordingly, in 2007, the Bank took several actions aimed at extending and diversifying its funding sources.

Every month, the ALCO reviews liquidity gaps and compliance with the established short-term limits, and ensures that medium- and long-term funding needs in the wholesale markets are compatible with the Bank's capacity to raise funding in the capital markets. Additionally, the Bank is included in the BBVA Group's liquidity risk measurement systems, and follows the guidelines laid down by the Group in this area.

The most significant event in terms of wholesale financing was the 18-month senior debt issue of EUR 1,000 million.

The range of guarantees accepted for Bank of Spain monetary policy transactions was extended and access to privileged funding sources with new guarantee structures was maximized (EIB, Council Europe, ...)

The Bank's maturity matrixes in euros at 31 December 2007 are as follows:

Maturity matrix in euros. Sensitive assets

2007	Thousands of Euros						
	Balance	On Demand	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	+ 5 Years
Money market	2,324,619	100,089	2,113,330	-	-	91,200	20,000
Investment securities	2,556,526	-	37,000	4,165	135,341	419,737	1,960,283
Loans and receivables	7,729,861	-	106,265	203,977	203,111	2,861,344	3,626,164
Total	**12,611,006**	**100,089**	**2,256,595**	**208,142**	**1,067,452**	**3,372,281**	**5,606,447**

Maturity matrix in euros. Sensitive liabilities

2007	Thousands of Euros						
	Balance	On Demand	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	+ 5 Years
Money market	4,287,244	87,411	4,199,832	-	-	-	-
Customer deposits	1,907,205	1,681,162	193,034	25,194	7,815	-	-
Wholesale funding	6,149,683	-	-	1,011,249	51,363	4,750,328	336,743
Total	**12,344,132**	**1,768,573**	**4,392,866**	**1,036,443**	**59,178**	**4,750,328**	**336,743**
GAPS	266,874	(1,668,484)	(2,136,272)	(828,301)	1,008,274	(1,378,048)	5,269,704

5. Cash and balances with central banks

The breakdown of the balance of this heading in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Balances with the Bank of Spain	100,073	223,373
Total	**100,073**	**223,373**

6. Financial assets and liabilities held for trading

The breakdown of the balances of these headings in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros			
	2007		2006	
	Financial Assets Held for Trading	Financial Liabilities Held for Trading	Financial Assets Held for Trading	Financial Liabilities Held for Trading
Trading derivatives	57,377	47,524	30,243	15,895
Total	**57,377**	**47,524**	**30,243**	**15,895**

The breakdown, by type of transaction, of the balances of these headings in the balance sheets at 31 December 2007 and 2006 is as follows:

2007	Thousands of Euros			
	Foreign Currency Risk	Interest Rate Risk	Equity Price Risk	Total
	Currencies			
OTC markets				
Credit institutions	**5,280**	**(10,254)**	**4,041**	**(933)**
Forward transactions	5,280	-	-	5,280
Swaps	-	15,595	-	15,595
Options	-	(25,849)	4,041	(21,808)
Other sectors	-	**14,827**	**(4,041)**	**10,786**
Swaps	-	2,925	-	2,925
Options	-	11,902	(4,041)	7,861
Total	**5,280**	**4,573**	-	**9,853**
Classification by residual maturity of trading derivatives				
Within 1 month	5,280	-	-	5,280
1 to 3 months	-	(27)	-	(27)
3 months to 1 year	-	(1)	-	(1)
1 to 2 years	-	(6)	-	(6)
2 to 3 years	-	(71)	-	(71)
3 to 4 years	-	49	-	49
4 to 5 years	-	375	-	375
After 5 years	-	4,254	-	4,254
Total	**5,280**	**4,573**	-	**9,853**
Of which:				
Asset trading derivatives	**6,844**	**46,492**	**4,041**	**57,377**
Liability trading derivatives	**(1,564)**	**(41,919)**	**(4,041)**	**(47,524)**

2006	Thousands of Euros			
	Foreign Currency Risk	Interest Rate Risk	Interest Rate Risk	Total
	Currencies			
OTC markets				
Credit institutions	**4,229**	**8,049**	**-**	**12,278**
Forward transactions	4,229	-	-	4,229
Swaps	-	19,255	-	19,255
Options	-	(11,206)	-	(11,206)
Other sectors	**-**	**2,070**	**-**	**2,070**
Swaps	-	1,465	-	1,465
Options	-	605	-	605
Total	**4,229**	**10,119**	**-**	**14,348**
Classification by residual maturity of trading Derivatives				
Within 1 month	-	-	-	-
1 to 3 months	4,229	-	-	4,229
3 months to 1 year	-	1	-	1
1 to 2 years	-	2	-	2
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
4 to 5 years	-	-	-	-
After 5 years	-	10,116	-	10,116
Total	**4,229**	**10,119**	**-**	**14,348**
which:				
Asset trading derivatives	**4,239**	**26,004**	**-**	**30,243**
Liability trading derivatives	**(10)**	**(15,885)**	**-**	**(15,895)**

7. Available-for-sale financial assets

The detail, by type of transaction, of the balance of this heading in the balance sheets at 31 December 2007 and 2006, is as follows:

	Thousands of Euros	
	2007	2006
Debt instruments		
Spanish government debt securities	495,361	623,712
Foreign government debt securities	1,390,855	1,135,006
Issued by credit institutions	248,121	117,122
Resident	4,145	23,781
Non-resident	243,976	93,341
Other fixed-income instruments	465,963	572,449
Resident (*)	417,568	498,031
Non-resident	48,395	74,418
Valuation adjustments (**)	78,627	171,034
Total	**2,678,927**	**2,619,323**

(*) Includes asset-backed bonds amounting to EUR 382,050 thousand and EUR 462,481 thousand, respectively (Note 8.3).

(**) The valuation adjustments shown above relate to hedging derivatives associated with available-for-sale financial assets.

In 2007 and 2006, €1,377 thousand and €2,331 thousands, respectively, were debited to Valuation Adjustments and recorded under Gains/Losses on Financial Assets and Liabilities in the income statements for 2007 and 2006 (Note 33).

The detail, by geographical area, of the debt securities and other equity instruments included under this heading, disregarding impairment losses, is as follows:

	Thousands of Euros	
	2007	2006
Europe	2,513,196	2,352,139
United States	34,199	38,226
Rest of the world	52,905	57,924
Total	**2,600,300**	**2,448,289**

Losses net of tax and hedging derivatives associated with the portfolio recognised in equity at 31 December 2007 amounted to EUR 7,147 thousand (at 31 December 2006, such net losses amounted to EUR 6,877 thousand).

8. Loans and receivables

8.1. Breakdown

The detail, by type of financial instrument, of the balance of this heading in the balance sheets at 31 December 2007 and 2006, is as follows:

	Thousands of Euros	
	2007	2006
Loans and advances to credit institutions	2,227,978	41,202
Loans and advances to customers	7,825,621	8,459,237
Other financial assets	-	532
Gross total	**10,053,599**	**8,500,971**
Less: Impairment losses	(33,944)	(35,880)
Net total	**10,019,655**	**8,465,091**

8.2. Loans and advances to credit institutions

The detail, by type of financial instrument, of the balance of this heading in the balance sheets at 31 December 2007 and 2006, is as follows:

	Thousands of Euros	
	2007	2006
Time deposits	2,224,546	40,784
Other accounts	-	304
Gross total	**2,224,546**	**41,088**
Valuation adjustments (*)	3,432	114
Net total	**2,227,978**	**41,202**

(*) The valuation adjustments shown above relate to the accrual of interest and similar income.

8.3. Loans and advances to customers

The detail, by loan type and status, of the balance of this heading in the balance sheets at 31 December 2007 and 2006, is as follows:

	Thousands of Euros	
	2007	2006
Commercial credit	-	15,840
Secured loans	331,255	677,348
Credit accounts	7,298,609	7,575,246
Other loans	31,226	96,072
Receivable on demand and other	1,063	-
Impaired assets	40,651	40,668
Gross total	**7,802,804**	**8,405,174**
Valuation adjustments (*)	(11,127)	18,183
Net total	**7,791,677**	**8,423,357**

(*) The valuation adjustments shown above relate to the accrual of interest and similar income, to fee and commission value adjustments, to micro-hedge transaction value adjustments and to the value adjustments for asset impairment on loans and advances to customers.

The breakdown, by borrower sector, of the balance of this heading at 31 December 2007 and 2006, disregarding valuation adjustments, is as follows:

2007	Thousands of Euros		
	Residents	Non-Residents	Total
Public sector	7,451,370	-	7,451,370
Agriculture	307	-	307
Manufacturing	2,007	-	2,007
Real estate and construction	15,105	-	15,105
Trade and finance	320	-	320
Loans to individuals	698	-	698
Other	266,327	66,670	332,997
Total	**7,736,134**	**66,670**	**7,802,804**

2006	Thousands of Euros		
	Residents	Non-Residents	Total
Public sector	7,914,708	-	7,914,708
Agriculture	278	-	278
Manufacturing	73	-	73
Real estate and construction	20,811	-	20,811
Trade and finance	360	-	360
Loans to individuals	1,182	-	1,182
Other	333,542	134,220	333,542
Total	**8,270,954**	**134,220**	**8,405,174**

The detail, by geographical area, of this heading at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Europe	7,736,134	8,270,954
United States	66,670	134,220
Total	**7,802,804**	**8,405,174**

At 31 December 2007 and 2006, there were no loans securitised through securitisation special purpose vehicles that could not be derecognised.

However, in 2000 the Bank securitised loans in the Loans and Advances to Customers portfolio which were derecognised since the requirements for derecognition were met (Note 2-j). At 31 December 2007 and 2006, the securitised loans amounting to EUR 355,246 thousand and EUR 440,827 thousand, respectively, were derecognised (Note 28).

At 31 December 2007 and 2006, the balance of asset-backed bonds acquired in full by the Bank amounted to EUR 382,050 thousand and EUR 462,481 thousand, respectively, and are included under "Available-for-Sale Financial Assets" (Note 7).

8.4. Impaired assets and impairment losses

The changes in 2007 and 2006 in "Loans and Advances to Customers – Impaired Assets" were as follows:

	Thousands of Euros	
	2007	2006
Balance at the beginning of the year	**40,668**	**40,669**
Changes	1	-
Reversals	(18)	(1)
Balance at the end of the year	**40,651**	**40,668**

The changes in the balance of the impairment losses on "Loans and Receivables" were as follows.

	Thousands of Euros	
	2007	2006
Balance at the beginning of the year	**35,880**	**38,243**
Increase in impairment losses charged to income	116	30
Decrease in impairment losses credited to income	(2,050)	(2,393)
Others	(2)	-
Balance at the end of the year	**33,944**	**35,880**
Of which:		
Individually assessed	32,330	33,113
Collectively assessed	1,614	2,767
Of which:		
By asset covered:		
Loans and advances to customers	33,944	35,880
	33,944	**35,880**
Of which:		
By geographical location of risk:	**33,944**	**35,880**
Europe	33,444	34,873
United States	500	1,007

At 31 December 2007 and 2006, there were no recoveries of write-off assets.

At 31 December 2007 and 2006, the accrued interest on impaired assets amounted to EUR 81,205 thousand and EUR 114,303 thousand, respectively, although it was not recognised in the related income statements because there were doubts as to its collectibility.

All assets impaired due to their credit risk at 31 December 2007 related to loans granted in Spain and were more than 24 months past-due with respect to the maturity of the oldest past-due amount or the date on which they were considered to be impaired.

9. Hedging derivatives (receivable and payable)

As of December 31, 2007 and 2006 the main positions hedge by the Bank and the derivatives assigned to hedge those positions are:

- Fair value hedge:

- Available for sale fixed rate debt securities: this risk is hedge using interest – rate derivatives (fixed – variable swaps).
- Long term rate debt issued by Bank this is hedge using interest – rate derivatives (fixed – variable swaps).
- Fixed rate loans: this risk is hedged using interest – rate derivatives (fixed – variable swaps).

The detail of the fair value of interest rate risk hedging derivatives held by the Bank and recognised in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
OTC markets		
Credit institutions	**(72,122)**	**(176,778)**
Fair value micro-hedges	(72,122)	(176,778)
Other sectors	**2**	**3,115**
Fair value micro-hedges	2	3,115
Total	**(72,120)**	**(173,663)**
Of which:		
Asset hedging derivatives	**182,052**	**164,407**
Liability hedging derivatives	**(254,172)**	**(338,070)**

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk assumed by the Bank, since the net position in these financial instruments is the result of offsetting and/or combining them.

As regards fair value hedges, EUR 22,784 thousand relating to the correction of income (Note 29) and EUR 20,313 thousand relating to losses on hedging instruments (Note 30) were recognised in the income statement for 2007.

10. Investments

10.1. Investments in associates

The changes in the balance of this item in 2007 and 2006, disregarding impairment losses, were as follows:

	Thousands of Euros	
	2007	2006
Balance at the beginning of the year	**5,762**	**762**
Capital increases and purchases	-	5,000
- Sales	**5,762**	-
Balance at the end of the year	**-**	**5,762**

The balance of impairment losses amounted to EUR 5,426 thousand at 31 December 2006.

On 21 December 2007, the Bank sold all of its holding in Tribugest Gestión de Tributos, S.A. to Ciérvana, S.L. (a BBVA Group company) for its carrying amount at the disposal date.

10.2. Investments in subsidiaries

The balance of this item in the accompanying balance sheets includes the carrying amounts of the shares of BBVA Group companies.

Relevant information on these investments at 31 December 2007 is as follows:

Company	Location	Business Activity	Percentage of Ownership Interest			Thousands of Euros				
			Direct	Indirect	Total	Carrying Amount	Assets 31/12/07	Liabilities 31/12/07	Equity 31/12/07	Loss for the Year at 31/12/07 (*)
BCL International Finance, Ltd.	Grand Cayman	Financial services	100%	-	100%	(*)	127,447	127,432	24	(9) (**)

(*) The share capital of this company is USD 100, which coincides with its carrying amount.
(**) Provisional loss pending authorisation for issue by the relevant governing bodies, and unaudited at that date.

The changes in the balance of this item in 2007 and 2006, disregarding impairment losses, were as follows:

	Thousands of Euros	
	2007	2006
Balance at the beginning of the year	**2,216**	**2,216**
- Sales	(2,216)	-
Balance at the end of the year	**-**	**2,216**

The balance of impairment losses amounted to EUR 619 thousand at 31 December 2006.

In June 2007, the Bank sold all of its holdings in BCL Participaciones, S.L. and Aserlocal, S.A. to Ciérvana, S.L. (a BBVA Group company) for their carrying amounts at the disposal date.

10.3. Impairment losses

The changes in impairment losses on investments in 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	2006
Balance at the beginning of the year	**6,045**	**265**
Net charges for the year	455	5,780
Impairment losses charged to income	551	6,008
Impairment losses reversed	(96)	(228)
- Sales	(6,500)	-
Balance at the end of the year	**-**	**6,045**

11. Tangible assets

The detail, by class of asset, of the changes in 2007 and 2006 in this heading in the balance sheets, is as follows:

2007	Thousands of Euros			
	For Own Use		Investment Property	Total
	Land and Buildings	Furniture, Fixtures and Other		
Revalued cost-				
Balances at 1 January 2007	**9,081**	**6,303**	**16,847**	**32,231**
Additions	51	28	84	163
Disposals	-	-	-	-
Balances at 31 December 2007	**9,132**	**6,331**	**16,931**	**32,394**
Accumulated depreciation-				
Balances at 1 January 2007	**1,202**	**3,185**	**2,157**	**6,544**
Additions	146	292	269	707
Disposals	-	-	-	-
Balances at 31 December 2007	**1,348**	**3,477**	**2,426**	**7,251**
Impairment losses-				
Balances at 1 January 2007	-	-	-	-
Balances at 31 December 2007	-	-	-	-
Net tangible assets-				
Balances at 1 January 2007	**7,879**	**3,118**	**14,690**	**25,687**
Balances at 31 December 2007	**7,784**	**2,854**	**14,505**	**25,143**

2006	Thousands of Euros			
	For Own Use		Investment Property	Total
	Land and Buildings	Furniture, Fixtures and Other		
Revalued cost-				
Balances at 1 January 2006	**9,081**	**6,291**	**16,847**	**32,219**
Aditions	-	12	-	12
Disposals	-	-	-	-
Balances at 31 December 2006	**9,081**	**6,303**	**16,847**	**32,231**
Accumulated depreciation-				
Balances at 1 January 2006	**1,057**	**2,880**	**1,886**	**5,823**
Aditions	145	305	271	721
Disposals	-	-	-	-
Balances at 31 December 2006	**1,202**	**3,185**	**2,157**	**6,544**
Impairment losses-				
Balances at 1 January 2006	-	-	-	-
Balances at 31 December 2006	-	-	-	-
Net tangible assets-				
Balances at 1 January 2006	**8,024**	**3,411**	**14,960**	**26,395**
Balances at 31 December 2006	**7,879**	**3,118**	**14,690**	**25,687**

At 31 December 2007 and 2006, no net impairment losses on tangible assets had been charged to the income statement.

At 31 December 2007 and 2006, fully depreciated tangible assets amounted to EUR 1,384 thousand and EUR 1,324 thousand, respectively.

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

The detail of the balances of these headings in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Assets -		
Prepayments	1	1
Accrued income	294	305
Total	**295**	**306**
Liabilities -		
Accrued expenses	604	1,362
Total	**604**	**1,362**

13. Other assets and liabilities

The detail of the balances of these headings in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Other assets -		
Transactions in transit (*)	-	4,940
Other	43	-
Total	**43**	**4,940**
Liabilities		
Transactions in transit	4	223
Total	**4**	**223**

(*) Includes, at 31 December 2006, fixed-income coupons receivable and the reversal of a payment for EUR 5 million.

14. Financial liabilities at amortised cost

The breakdown of the balance of this heading in the accompanying balance sheets is as follows:

	Thousands of Euros	
	2007	2006
Deposits from central banks	4,186,355	1,800,738
Deposits from credit institutions	259,120	579,206
Customer deposits	2,019,027	2,506,539
Debt certificates (including bonds)	5,948,638	5,965,217
Other financial liabilities	56,174	41,981
Total	**12,469,314**	**10,893,681**

14.1. Deposits from central banks

The breakdown of the balance of this heading in the accompanying balance sheets is as follows:

	Thousands of Euros	
	2007	2006
Bank of Spain		
Credit account drawdowns	3,897,799	1,800,00
Repurchase agreements	282,201	-
Valuation adjustments (*)	6,355	738
Net Total	**4,186,355**	**1,800,738**

(*) Includes accruals.

At 31 December 2007 and 2006, the financing limit assigned to the Bank by the Bank of Spain and other central banks was EUR 3,919,281 thousand and EUR 2,749,937 thousand, respectively, of which EUR 3,897,799 thousand and EUR 1,800,000 thousand had been drawn down.

14.2. Deposits from credit institutions

The breakdown, by type of transaction, of the balance of this heading in the accompanying balance sheets, is as follows:

	Thousands of Euros	
	2007	2006
Time deposits	236,935	556,252
Repurchase agreements	18,962	19,343
Other accounts	2,425	2,141
Gross Total	**258,322**	**577,736**
Valuation adjustments (*)	798	1,470
Net Total	**259,120**	**579,206**

(*)Includes accruals.

The balance of this item in the balance sheet relates in full to transactions in Europe.

14.3. Customer deposits

The breakdown, by type of transaction, of the balance of this heading in the accompanying balance sheets, is as follows:

	Thousands of Euros	
	2007	2006
Public sector		
Spanish	1,804,709	2,239,246
	1,804,709	**2,239,246**
Other resident sectors		
Current accounts	45,304	34,837
Time deposits	1,444	8,670
	46,748	**43,507**
Non-residents		
Time deposits	117,028	147,197
	117,028	**147,197**
Valuation adjustments (*)	50,542	76,589
Net Total	**2,019,027**	**2,506,539**
Of which:		
In euros	2,019,027	2,506,539

(*) The valuation adjustments shown above relate to the accrual of interest and similar income and to valuation adjustments to hedging derivatives associated with customer deposits.

The balance of "Customer Deposits - Non-Residents – Time Deposits" in the balance sheets, at 31 December 2007 and 2006, includes deposits amounting to EUR 117,028 thousand and EUR 147,197 thousand, respectively, taken from BCL International Finance Ltd., a company wholly owned by the Bank (Note 10-2), which engages in the raising of funds in the international markets for subsequent lending to the Bank. At 31 December 2007 and 2006, the outstanding balance of the Euro Medium Term Note Programme amounted to EUR 117,028 thousand and EUR 147,197 thousand, respectively. The issues outstanding under this programme are unconditionally and irrevocably guaranteed by the Bank and were launched in various currencies, at implicit and explicit fixed and floating interest rates.

The detail, by geographical area, of the heading at 31 December 2007 and 2006 is as follows:

2007	Thousands of Euros		
	Demand deposits	Deposits with agreed Maturity	Total
Europe	1,625,415	226,042	1,851,457
Rest of the world	-	117,028	117,028
Total	**1,625,415**	**343,070**	**1,968,485**

2006	Thousands of Euros		
	Demand deposits	Deposits with agreed Maturity	Total
Europe	2,127,198	155,555	2,282,753
Rest of the world	-	147,197	147,197
Total	**2,127,198**	**302,752**	**2,429,950**

14.4. Debt certificates (including bonds)

The breakdown of the balance of this heading in the accompanying balance sheets is as follows:

	Thousands of Euros	
	2007	2006
Bonds and debentures outstanding:		
Other non-convertible securities	5,889,961	5,890,928
Gross total	**5,889,961**	**5,890,928**
Valuation adjustments (*)	58,677	74,289
Net total	**5,948,638**	**5,965,217**

(*) Includes accruals, issue costs and valuation adjustments for micro-hedging transactions.

The detail, by currency and interest rate, of the balance of this heading in the accompanying balance sheets, disregarding valuation adjustments, is as follows:

	Thousands of Euros	
	2007	2006
In euros		
Non-convertible bonds and territorial bonds at floating rates	1,420,553	1,420,083
Non-convertible bonds and territorial bonds at fixed rates	4,469,408	4,470,845
Total	**5,889,961**	**5,890,928**

The item "Non-Convertible Bonds and Territorial Bonds at Floating Rates" includes:

- EUR 1,000,000 thousand issue made in July 2007 and maturing in February 2009, with nominal interest rate of three month EURIBOR plus 4 basis points.

- Issue subscribed exclusively by the European Investment Bank as security for the financing facilities arranged by the Bank with it. One issue was made in July 2004 and amounted to EUR 150,000 thousand and two issues were launched in September 2004, amounting to EUR 120,000 thousand and EUR 149,932 thousand, respectively. These issues mature in March 2016, September 2010 and September 2013, respectively, and bear interest that will be the lower of the EIB rate and 3-month EURIBOR plus 13 basis points.

The item "Non-Convertible Bonds and Territorial Bonds at Fixed Rates" includes:

- EUR 1,500,000 thousand issue of territorial bonds made by the Bank in April 2003, which bear fixed annual interest of 3.75% until their final redemption in April 2010.

- EUR 1,000,000 thousand issue of territorial bonds made by the Bank in June 2004, which bear fixed annual interest of 3.75% until their final redemption in June 2009.

- EUR 1,000,000 thousand issue of territorial bonds made by the Bank in March 2005, which bear fixed annual interest of 2.75% until their final redemption in March 2008.

- EUR 1,000,000 thousand issue made by the Bank in October 2006, which bear fixed annual interest of 3.75% until their final redemption in March 2011.

- Several issues with final maturity in 2012, all bearing interest at 4%.

The interest accrued on marketable debt securities in 2007 and 2006 amounted to EUR 225,322 thousand and EUR 196,861 thousand, respectively, excluding the corrections due to hedging transactions (Note 30).

15. Provisions

The detail of the balance of this heading in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Provisions for pensions and similar obligations	23,141	27,348
Provisions for contingent liabilities and commitments	143	136
Other provisions	3,769	2,466
Total	27,053	29,950

The changes in 2007 and 2006 in the balances of this item in the accompanying balance sheets were as follows:

	Thousands of Euros		
	Provisions for Pensions and Similar Obligations	Provisions for Contingent Liabilities and Commitments	Other Provisions
Balances at the beginning of 2006	**29,357**	**120**	**1,535**
Add-			
Additions charged to income for the year	3,136	16	-
Other			931
Less-			
Reversals	-	-	-
Payments to early retirees (Note 17)	(4,557)	-	-
Amount used	(588)	-	-
Balances at the end of 2006	**27,348**	**136**	**2,466**
Add-			
Additions charged to income for the year	604	7	1,595
Less-			
Payments to early retirees (Note 17)	(4,179)	-	-
Amount used	(632)	-	(292)
Balances at the end of 2007	**23,141**	**143**	**3,769**

The year provisions for pensions charged to income in 2007 under the headings "Interest expenses and similar charges", "Personal expenses" in the income statement amounted to €739 million, €1 and €(136) thousand, respectively (€792 million, €1 million and 2,344 thousand respectively in 2006). (Note 16)

Period provisions relating to the heading "Provisions for contingent exposures and commitments" were recorded under the heading "Provisions Expense (Net)" of the income statements.

Also, period provisions totaling €1,595 relating to the heading "Provisions – Other Provisions" were recorded in 2007 under the headings "Provisions Expense (Net)" (€ 931 thousand in 2006).

16. Commitments with personnel

Under the collective labour agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary rightholders in the event of retirement (except for those hired after 8 March 1980), permanent disability, death of spouse or death of parent.

The employee welfare system in place at the Bank supersede and improve the terms and conditions of the collective labour agreement for the banking industry; the commitments envisaged in the event of retirement, death and disability cover all employees, including those hired after 8 March 1980. The Bank externalized all its commitments to serving and retired employees pursuant to Royal Decree 1588/1999. These commitments are instruments in pensions plans, insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99,94% owned by the Banco Bilbao Vizcaya Argentaria Group. This employee welfare system includes define contribution commitments, the amounts of which are determined, on a case-by-case basis, as a percentage of certain compensation and/or as a pre-established fixed amount. Defined benefit commitments are funded by insurance contracts.

16.1 Commitments in Spain

The commitments with personnel for post-employment defined contribution plans have no impact in the accompanying balance sheets (Note 2.d). In 2007, the Bank has made contributions to the defined contribution plans with a charge to the income statement amounted to €25 thousand (in 2006 the contributions amounted €41thousand)

16.2. Post-Employment benefit

The most significant actuarial assumptions used as of December 31, 2007 and 2006, for the quantification of these commitments are as follows:

	2007	2006
Mortality tables	PERM/F 200P	PERM/F 200P
Discount rate (cumulative annual)	4,5%/AA corporate bond yield curve 2,0%	4% /AA corporate bond yield curve 2,0%
Consumer price index (cumulative annual)	2,0%	2,0%
Salary growth rate (cumulative annual)	At least 3% (depending on employee)	At least 2,5% (depending on employee)
Retirements ages	First date at which the employees are entitled to retire or contractually agreed at the individual level the case of early retirement	

16.2.1. Public social security system benefit supplement

The Bank has defined benefit commitments for permanent disability and death af current employees and early retirees; for death of certain retired employees; and for retirement of certain specific groups of current employees, early retirees and retired employees (benefits in progress). These commitments are hedged through insurance contracts and internal funds.

The defined benefit commitments as of December 31. 2007 and 2006 were as follows:

	Thousand of Euros	
	2007	2006
Pension commitments to retired employees	5,645	5,644
Pension contingences in respect of current employees	66	699
	5,711	**6,343**
Coverage at end of each year:		
Insurance contracts with related insurance companies (*)	5,711	6,343
Insurance with unrelated insurance companies	-	-
Total	**5,711**	**6,343**

To cover pension commitments detailed in the previous table, insurance contracts have been contracted with insurance companies related to the Group. These commitments are covered by assets and therefore are presented in the accompanying balance sheets. The commitments are recognized in the caption "Provision for pension and similar obligations" and amount of the plan assets to the mentioned insurance contracts in the caption " Insurance contract link to pensions" of the balance sheet.

In 2007 the Bank did not make any contributions relating to its defined benefit retirement obligations. In 2006 these contributions amounted to EUR 6 thousand and were recognised with a charge to "Personnel Expenses – Contributions to External Pension Funds" the income statement for that year.

16.2.2. Early Retirements

The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period 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.

In 2007 no Bank employees retired early. In 2006 the Bank offered certain employees the possibility of taking early retirement before reaching the age stipulated in the collective labour agreement in force, and five employees accepted this offer in 2006. The total cost of these agreements was EUR 2,473 thousand, and the related provisions were recognised with a charge to "Provisions (Net) – Additions to Provisions for Pensions and Similar Obligations – Early Retirements" in the income statement for 2006.

The changes in 2007 end 2006 in the present value of the vested obligations for comitments to early retirees were as follow:

	Thousand of Euros	
	2007	2006
Present actuarial value at beginning of the year	**20,863**	**22,255**
+ Interest cost	733	785
+ Early retirements in the year	-	2,473
- Payments made	(4,153)	(4,452)
+/- Other Cahnges	-	(1)
+/- Actuarial losses (gains)	(223)	(197)
Present actuarial value at end of the year	**17,220**	**20,863**
Internal provisions (*)	17,220	20,863

16.2.3. Post-employment welfare benefits

The Bank has welfare benefit obligations the effects of which extend beyond the retirement of the employees entitled to the benefits. These obligations include certain current employees and retirees, depending upon the employee group to which they belong.

The detail of these obligations at 31 December 2007 and 2006 is as follow:

	Thousands of Euros	
	2007	2006
Post-employment welfare benefit obligations to retired employees	203	118
Vested post-employment welfare benefit contingencies in respect of current employees	7	24
	210	**142**
Funding at the end of each year:		
Internal provisions (Note 18)	210	142
	210	**142**

The changes in 2007 and 2006 in the present value of the vested obligation for post-employement welfare benefit obligations were as follows:

	Thousands of Euros	
	2007	2006
Present actuarial value at the beginning of the year	**142**	**171**
+ Interest cost	6	7
+ Normal cost for the year	1	2
- Payments made	(26)	(106)
+ Otros movimientos	-	1
+/- Actuarial losses (gains)	87	67
Present actuarial value at the end of the year	**210**	**142**

16.3. Summary

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

	Thousands of Euros	
	2007	2006
Interest expense and similar charges:		
Interest cost of pension funds	739	792
Personnel expenses:		
Welfare benefits	1	1
Contributions to pension funds	25	47
Provisions (net):		
Transfers to provisions for pensions and similar obligations		
Provisions for pensions	(136)	(130)
Early retirement	-	2,473
	629	3,183

At December 2007 and 2006 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.

16.4. Other commitments with personnel

Other benefits for active employees are earned and settled annually, not being necessary some provision. The total cost of the employee welfare benefits provided by the Bank to its current employees in the 2007 and 2006 was €124 thousand and €92 million, respectively, and these amounts were recognized with a charge to "Personnel Expenses – Other in the accompanying income statements".

17. Changes in equity

The changes in equity in the 2007 and 2006 were as follows:

2007	Thousands of Euros							
	Share Capital (Note 18)	Reserves (*)(Note 19 & 20)	Other Equity Instruments	Treasury Shares	Profit	Dividends Distributed	Valuation Adjustment	Total
Balances at 1 January 2007	151,043	95,244	-	-	40,922	-	(6,877)	280,332
Revaluation gains (losses)	-	-	-	-	-	-	991	991
Transfers to income statement	-	-	-	-	-	-	(1,377)	(1,377)
Income tax	-	-	-	-	-	-	116	116
Profit for the year	-	-	-	-	49,676	-	-	49,676
Distribution of profit	-	-	-	-	(40,922)	-	-	(40,922)
Balances at 31 December 2007	151,043	95,244	-	-	49,676	-	(7,147)	288,816

(*)The balance of Reserves includes the amounts reported under "Reserves" and "Share Premium" in the accompanying balance sheets.

2006	Thousands of Euros							
	Share Capital (Note 18)	Reserves (*) (Note 19 & 20)	Other Equity Instruments	Treasury Shares	Profit	Dividends Distributed	Valuation Adjustment	Total
Balances at 1 January 2006	151,043	95,244	-	-	50,393	-	3,527	300,207
Revaluation gains (losses)	-	-	-	-	-	-	(17,281)	(17,281)
Transfers to income statement	-	-	-	-	-	-	-	-
Income tax	-	-	-	-	-	-	6,877	6,877
Profit for the year	-	-	-	-	40,922	-	-	40,922
Distribution of profit	-	-	-	-	(50,393)	-	-	(50,393)
Balances at 31 December 2006	151,043	95,244	-	-	40,922	-	6,877	280,332

(*) The balance of Reserves includes the amounts reported under "Reserves" and "Share Premium" in the accompanying balance sheets.

18. Share capital

At 31 December 2007 and 2006, the Bank's share capital amounted to EUR 151,042,983.44 and consisted of 25,131,944 fully subscribed and paid registered shares of EUR 6.01 par value each.

There were no changes in share capital in 2007.

At 31 December 2007, the detail of the Bank's shareholder structure was as follows:

	% of Ownership
Banco Bilbao Vizcaya Argentaria, S.A.	99.9996
Cidessa Uno, S.L.	0.0004
	100

19. Share premium

The balance of this heading in the balance sheet at 31 December 2007 and 2006 amounted to EUR 10,662 thousand.

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

20. Reserves

The breakdown of the balance of this heading in the accompanying balance sheets is as follows:

	Thousands of Euros	
	2007	**2006**
Restricted reserves:		
Legal reserve	30,209	30,209
Restricted reserve for redenomination of capital in euros	3	3
Unrestricted reserves:		
Voluntary and other reserves	54,370	54,370
Total	**84,582**	**84,582**

20.1. Legal reserve

Under the Companies Law, Spanish 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, a limit which had been reached by the Bank at 31 December 2007. The legal reserve can be used to increase share 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 capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

21. Tax matters

The Bank filed individual corporation tax returns for the years ended 31 December 2001 and 2000. However, on 10 January 2001, Banco Bilbao Vizcaya Argentaria, S.A. acquired the remaining 40% of the Bank's capital, thereby increasing its holding in the Bank to 100%. Accordingly, from 2002 onwards, the Bank and its subsidiaries have filed consolidated tax returns as companies in the Group of which the Parent is Banco Bilbao Vizcaya Argentaria, S.A. On 30 December 2002, the Bank made the relevant notification to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation.

The balance of "Tax Liabilities" in the accompanying balance sheets includes the liability for the various taxes applicable to the Bank, including corporation tax on the profit for the year net of the corporation tax withholdings and prepayments made in each period. If the provision for corporation tax on profit for the year, less corporation tax withholdings and prepayments made and tax refundable from prior years gives a net balance receivable by the Bank, it is included under "Tax Assets" on the asset side of the accompanying balance sheets.

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the corporation tax expense recognised is as follows:

	Thousands of Euros	
	2007	2006
Corporation tax at 35%	23,851	23,583
Effect of permanent differences and other	52	2,911
Adjustment to prior years' corporation tax expense	(192)	(36)
Corporation tax expense	23,711	26,458

The Bank has 2001 and subsequent years open for review by the tax inspection authorities for the main taxes applicable to it.
Corporation tax and the other taxes relating to 1991, 1992, 1993 and 1994 were regularised following acceptance in 1997 of the tax assessments issued by the tax authorities as a result of the review performed by them. For the contested tax assessments, a specific provision of EUR 696 thousand (Note 15), representing 100% of their amount, was recorded and included under "Other Provisions – Provisions" in the accompanying balance sheets.

Also, in 2002 tax assessments were issued for 1996 and 1997 when the Bank filed consolidated tax returns as part of the former Argentaria Group. For the contested tax assessments, once the timing nature of some of the assessments had been taken into account, and in accordance with the accounting principle of prudence, a provision of EUR 1,770 thousand (Note 15) was recorded at 2007 year-end in the accompanying financial statements for the amounts which might arise from these assessments .

On 27 February 2006 the Bank was notified of the initiation of a tax audit by the tax authorities of the various taxes to which its business activity is subject and for which the statute of limitations period has not expired at that date, basically, corporation tax, value added tax, personal income tax or corporation tax withholdings and the obligation to declare transactions with third parties relating to 2001, 2002 and 2003.

In view of the varying interpretations which can be made of the tax regulations, the outcome of any future tax audits of the open years might give rise to certain contingent tax liabilities that cannot be objectively quantified. However, the Bank's Board of Directors and its tax advisors consider that the possibility of these contingent liabilities becoming actual liabilities is remote and that, in any event, the tax charge which might arise therefrom would not materially affect the Bank's financial statements.

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. As a result of the tax reform the expenses tax increase in € 52 thousand.

In addition to the income tax recognised in the income statements, in 2007 and 2006 the Bank recognised EUR 3,063 thousand and EUR 2,947 thousand, respectively, in equity.

"Deferred Tax Assets" amounted to EUR 18,211 thousand in 2007 and EUR 21,708 thousand in 2006.

22. Residual maturity of transactions

Following is a detail, by maturity, of the balances of certain headings in the balance sheet at 31 December 2007:

2007	Thousands of Euros						
	Demand	Within 1 Month	1 to 3 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
ASSETS							
Cash and balances with central banks	100,073	-	-	-	-	-	100,073
Loans and advances to credit institutions	-	2,180,016	-	-	3,550	40,980	2,224,546
Loans and advances to customers	322	39,560	203,992	932,162	2,928,284	3,698,384	7,802,604
Debt instruments	-	-	42,889	133,302	424,016	2,000,093	2,600,300
Other held-to-maturity assets	-	-	-	-	-	-	-
LIABILITIES							
Deposits from central banks	-	4,180,000	-	-	-	-	4,180,000
Deposits from credit institutions	2,425	104,043	16,333	8,942	114,720	11,859	258,322
Customer deposits	1,625,416	193,032	25,194	75,843	47,500	1,500	1,968,485
Debt certificates (including bonds)	-	-	996,830	-	4,593,198	299,933	5,889,961
Other liabilities with maturity	-	56,174	-	-	-	-	56,174

23. Fair value of financial assets and liabilities

Following is a comparison of the carrying amounts of the Bank's financial assets and liabilities and their respective fair values at 2007 year-end.

	Thousands of Euros	
	Carrying Amount	Fair Value
ASSETS		
Cash and balances with central banks	100,073	100,073
Trading portfolio	57,377	57,377
Available-for-sale financial assets	2,678,927	2,678,927
Loans and receivables	10,019,655	10,088,632
Hedging derivatives	182,052	182,052
LIABILITIES		
Financial liabilities held for trading	47,524	47,524
Financial liabilities at amortised cost	12,469,314	11,359,031
Hedging derivatives	254,172	254,172

The fair value of "Cash and Balances with Central Banks" is the same that the book value because it is short-terms 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 Amortised Cost" was estimated by discounting the expected cash flows using the markets interest rates at each year-end.

24. Financial guarantees and drawable by third parties

The memorandum items "Contingent Liabilities" and "Contingent Commitments" in the accompanying balance sheets include the amounts that would be payable by the Bank on behalf of third parties as a result of the commitments assumed by the Bank in the course of its ordinary business if the parties originally obliged to pay fail to do so.

The breakdown of the balances of these items at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	**2006**
Contingent liabilities-		
Collateral, bank guarantees and indemnities	683,557	696,578
	683,557	**696,578**
Contingent commitments-		
Drawable by third parties:		
Public sector	993,638	849,567
Other resident sectors	53,804	40,972
	1,047,442	**890,539**

Since a significant portion of these amounts will reach maturity without any payment obligation materialising for the Bank, and therefore the aggregate balance of these commitments cannot be considered as an actual future requirement for financing or liquidity to be provided by the Bank to third parties.

Income from guarantee instruments is recognised under "Fee and Commission Income" in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

25. Assets earmarked for other own and third-party obligations

At 31 December 2007 and 2006, the assets owned by the Bank earmarked for own obligations amounted to EUR 4,367,601 thousand and EUR 2,737,839 thousand, respectively. These amounts related mainly to assets provided as security for credit facilities assigned to the Bank by the Bank of Spain.

26. Other contingent assets and liabilities

At 31 December 2007 and 2006 the Bank had no other contingent assets or liabilities.

27. Purchase and sale commitments

The financial instruments sold with a repurchase agreement are not derecognised from the balance sheets and the proceeds from the sale are considered financing from third parties.

At 31 December 2007 and 2006, the Bank had neither financial assets sold with a repurchase agreement nor financial assets purchased under a resale agreement.

28. Transactions for the account of third parties

The detail of the most significant items composing this heading is as follows:

	Thousands of Euros	
	2007	2006
Asset transfers	355,246	440,827
Derecognised in full from the balance sheet	355,246	440,827
Conditional bills and other securities received for collection	21	21
Total	355,267	440,848

29. Interest and similar income

The breakdown of the most significant interest and similar income earned by the Bank in 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Central banks	2,152	1,887
Loans and advances to credit institutions	22,444	6,422
Loans and advances to customers:	360,195	309,942
Public sector	338,739	288,044
Resident sector	17,423	18,182
Non-resident sector	4,033	3,716
Debt instruments	130,111	147,419
Rectification of income as a result of hedge accounting	(22,784)	(76,004)
Other income	869	1,176
Total	492,987	390,842

30. Interest expense and similar charges

The breakdown of the balance of this heading in the accompanying income statements is as follows:

	Thousands of Euros	
	2007	2006
Bank of Spain and other central banks	99,723	76,051
Deposits from credit institutions	22,249	29,099
Customer deposits	52,791	37,989
Debt certificates (including bonds) (Note 14)	225,322	196,861
Rectification of expenses as a result of hedge accounting (Note 9	20,313	(25,924)
Cost attributable to pension funds (Note 16)	739	792
Other charges (Note 15)	4	931
Total	421,141	315,799

31. Fee and commission income

The breakdown of the balance of this heading in the accompanying statements of income is as follows:

	Thousands of Euros	
	2007	2006
Commitment fees	34	26
Contingent liabilities	1,667	1,581
Bank and other guarantees	1,667	1,581
Collection and payment services	69	71
Marketing of non-banking financial products	4	9
Other fees and commissions	144	87
Total	1,918	1,774

32. Fee and commission expenses

The breakdown of the balance of this heading in the accompanying income statements is as follows:

	Thousands of Euros	
	2007	2006
Brokerage fees on lending and deposit transactions	21	25
Fees and commissions assigned to third parties	107	131
Other fees and commissions	65	60
Total	193	216

33. Gains / losses on financial assets and liabilities

The detail, by item, of the balance of this heading in the accompanying income statements, is as follows:

	Thousands of Euros	
	2007	2006
Net gains or losses on sale or measurement of assets		
Financial assets held for trading	1,620	3,635
Available-for-sale financial assets	(1,377)	(2,331)
Total	243	1,304

The breakdown, by financial instrument, is as follows:

	Thousands of Euros	
	2007	2006
Debt instruments	(1,377)	(2,331)
Derivatives	1,620	3,635
Total	243	1,304

34. Personnel expenses

The detail of the balance of this heading in the accompanying income statements is as follows:

	Thousands of Euros	
	2007	2006
Wages and salaries	112	1,812
Social security costs	311	328
Contributions to pension funds (Note 17)	25	47
Other personnel expenses	162	179
Total	**610**	**2,366**

In 2007 and 2006, certain BBVA Group companies implemented various corporate programmes for discounted purchases of shares of Banco Bilbao Vizcaya Argentaria, S.A. The cost of these programmes is recognised with a charge to "Personnel Expenses – Other Personnel Expenses".

In 2007 the Bank's personnel was integrated into BBVA's workforce. Consequently, at 31 December 2007 the Bank had only one employee.

In 2006 a long-term share-based remuneration plan was implemented at the BBVA Group aimed at the Group's management team. At 31 December 2007, in the case of the Bank, the total cost of the plan to be accrued over the term thereof (three years) is not material. The cost relating to 2006 is recognised under "Personnel Expenses – Other Expenses" in the income statement.

35. Other administrative expenses

The breakdown of the balance of this heading in the income statements is as follows:

	Thousands of Euros	
	2007	2006
Technology and systems	530	539
Communications	27	22
Advertising	121	65
Property, fixtures and supplies	10	65
Taxes other than income tax	50	43
Other administrative expenses	1,373	1,603
Total	**2,111**	**2,337**

At 31 December 2007, the heading "Other Administrative Expenses" of the foregoing detail included EUR 39 thousand, relating to fees paid to the Bank's auditor for the audit of the 2007 financial statements.

Also, the Bank has engaged the external auditor to provide other services amounting to EUR 7 thousand.

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.

36. Other gains and other losses

The breakdown of the balances of these headings in the accompanying income statements is as follows:

	Thousands of Euros	
	2007	2006
Losses		
Other losses	-	626
	-	626
Gains		
Other gains	1,644	-
Total	1,644	-

In June 2007, as a result of a Supreme Court decision in favour of the Bank, a credit was made for EUR 1,595 thousand in relation to a guarantee; however, since the definitive decision has not yet been handed down, the Bank has recognised a provision for the same amount under "Provisions" in the accompanying balance sheets (Note 15).

37. Related-party transactions

37.1. Transactions with Subsidiaries

The balances of the main aggregates in the financial statements arising from the transactions carried out in 2007 and 2006 by the Bank with Group companies, which consist of ordinary business and financial transactions carried out on an arm's-length basis, are as follows:

	Thousands of Euros	
	2007	2006
Assets		
Loans and advances to credit institutions	2,206,955	3,950
Available-for-sale financial assets	4,145	11,474
Derivatives	93,936	67,660
	2,305,036	**83,094**
Liabilities		
Deposits from credit institutions	165,073	473,878
Customer deposits	166,646	219,972
Derivatives	127,300	128,354
Other liabilities	353	-
	459,019	**822,204**
Off-balance-sheet items		
Contingent liabilities	623,797	631,639
	623,797	**631,639**
Income statement		
Income	30,863	41,337
Expenses	51,031	23,572

At 31 December 2007 and 2006, the notional amount of the futures transactions arranged by the Bank with the main Group companies mentioned above amounted to EUR 7,192,252 thousand and EUR 7,139,528 thousand, respectively.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

37.2. Transactions with key personnel of the Bank

The information on the remuneration payable to key members of the Bank's Board of Directors and the Group's Management Committee is detailed in Note 38.

At 31 December 2007 and 2006 no credits or loans had been granted to the members of the Bank's Board of Directors.

At 31 December 2007, the accounts payable to the Bank's directors amounted to EUR 14 thousand.

37.3. Other related-party transactions

There were no other significant related-party transactions.

38. Remuneration of the Bank's Directors and Senior Management

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.

	Charge	Concept	Amonunt
José Ramón Gueredlaga Mendiola (**)	President	-	-
Rita Barberá Nolla	Director	Attendance fees	10
Luis Escauriaza Ibañez (**)	Director	-	-
Pedro Fontana Garcia (*)	Director	-	-
Ignacio Marco-Gardoqui Ibañez	Director	Attendance fees	10
Ramón Herrera Otal (*)	Director	-	-
Alvaro Aresti Aldasoro (*)	Director	-	-
Rafael Varela Martinez (*)	Director	-	-
Total			20

(*) Members of the management team of Banco Bilbao Vizcaya Argentaria, S.A. They do not earn any remuneration in their capacity as directors of Banco de Crédito Local de España, S.A.

(**) Members of the management team of Banco Bilbao Vizcaya Argentaria, S.A. who took early retirement. They do not earn any remuneration in their capacity as directors of Banco de Crédito Local de España, S.A.

At 31 December 2007 and 2006 the Bank did not have any pension or life insurance obligations to the members of the Board of Directors.

39. Detail of the Directors' Holdings in Companies with similar business activities

Pursuant to Article 127 of the Spanish Corporations Law introduced by Law 26/2003 of July amending Securities Market Law 24/1988 of 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 constitutes the corporate purpose of the Bank, 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.

Director	Ownership Interest			
	Company	Number of Shares	Type of Ownership Interest	Position or Function
D. Ignacio Marco-Gardoqui	SCH	26,266	DIRECT	-
	POPULAR	800	DIRECT	-
	BBVA	367,313	DIRECT	-
D. Álvaro Aresti Aldasoro	BBVA	118,853	DIRECT	
	BBVA	3,742	INDIRECT	Executive
D. Luis Escauriaza Ibañez	BBVA	12,800	DIRECT	-
	SCH	12,950	DIRECT	-
	BNP	1,500	DIRECT	-
D. Ramón Herrera Otal	BBVA	52,121	DIRECT	Executive
D. Pedro Fontana García	BBVA	15,675	DIRECT	Executive
	BBVA	250,000	INDIRECT	
Dª. Rita Barberá Nolla	SCH	6	DIRECT	-
	BCO. VALENCIA	453	DIRECT	-
	BBVA	1,022	DIRECT	-
D. Rafael Varela Martinez	BBVA	33,106	DIRECT	-
D. José Ramón Guerediaga Mendiola	BBVA	12,000	DIRECT	-
	BBVA	330,000	INDIRECT	

Also, in accordance with the above mentioned 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 corporate purpose of Banco de Crédito Local de España, S.A..

Director	Activity Carried On	Company Through Which the Activity Is Carried On	Position or Function at the Company Concerned
José Ramón Guerediaga Mendiola	Director	BBVA Bancomer (*)	Director

(*) BBVA Group company

40. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs, as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

DIRECTORS' REPORT FOR 2007

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INTRODUCTION

Banco de Crédito Local de España, S.A. ("the Bank" or "BCL") is a private-law entity, integrated in the Banco Bilbao Vizcaya Argentaria Group ("the BBVA Group"). Both are subject to the rules and regulations applicable to banks operating in Spain.

The Bank is included in the Institutional Banking Unit of the BBVA Group and focuses mainly on providing financing to the public sector in Spain and to the agencies and subsidiaries thereof, for which end it has a network of 55 branches integrated in the BBVA commercial network located in the major cities of the autonomous communities in Spain.

However, in view of the nature of its business and the characteristics of its loans, the Bank performs the functions of financial management and management of structural on-balance-sheet risks independently from its parent bank. This organisation enables the Bank to be more highly specialised as a provider of long-term finance to local and autonomous governments within a model of integral relationship banking with customers, without foregoing the advantages of funding in capital markets contributed by the quality of its assets.

The financial information included in this directors' report is presented in accordance with the criteria set forth in Bank of Spain Circular 4/2004.

ECONOMIC CLIMATE IN 2007

In 2007 global growth stood at around 5%, which represents the fifth successive year of expansion. However, as the year passed the moderate growth of the developed countries became evident, while the emerging economies maintained solid growth rates, increasing their contribution to the dynamism of global business activity.

The financial markets played a leading role in 2007. In the first few months of the year long-term interest rates increased and the stock markets performed positively. However, as from June the quality of certain credit derivatives began to be questioned, leading to a credit squeeze, which resulted in a hike in interbank rates, a drop in the volume of commercial paper and bond issues, a significant change in the assessment of the risk of numerous assets and falls on the stock markets. Also, the rise in the price of oil and agricultural raw materials set inflation on an upward trend. Against this backdrop, the central banks took measures by providing liquidity to the system. Of particular note throughout the process was the relatively sound performance of the financial markets of the emerging countries.

In the US, despite the downturn in the residential sector, year-end growth attained levels of around 2%. Official interest rates held steady at 5.25% until September and, following successive drops, bottomed out at 4.25% in December.

In Europe economic growth stood at around 2.6% in 2007, based on internal demand and dynamic investing. The European Central Bank continued to raise interest rates to achieve a rate of 4% in June which was then maintained until the end of the year. In such a context, the Spanish economy performed notably well, with growth at around 3.8%, although signs of a slowdown did appear and became more obvious as the year progressed, especially in the housing market.

LENDING TO AUTONOMOUS COMMUNITY AND LOCAL AUTHORITIES

According to the latest available data (at 30 September 2007), the overall indebtedness of Autonomous Community governments decreased by 1.26% in the first nine months of 2007 to EUR 57.05 billion at 30 September 2007, compared with growth of 3.50% for the year-ago period. Lending to local government corporations was lower at EUR 28.76 billion at 30 September 2007, 6.43% up on the previous year.

FINANCIAL LIABILITIES OF REGIONAL AND LOCAL GOVERNMENTS	30 September 2007		30 September 2006	
	Amount	% Variation '06	Amount	% Variation '05
Local governments	28.76	6.4	27.02	8.8
Autonomous community governments	57.05	1.5	56.23	3.5
TOTAL	85.81	3.1	83.25	5.2

Source: Bank of Spain Statistical Gazette, Figures in tables 13-B and 13-C in billions of euros.

There are many reasons for this situation, the most noteworthy being as follows:

1. The trend in recent years in Spain's economic situation, with a significant increase in local and regional government savings, boosted autonomous community and local government finances.

2. The Budget Consolidation Plans between the central government and each autonomous community government continue to follow a zero deficit policy, although the continuing need of the autonomous communities to finance their health systems somewhat increased the use of credit facilities.

3. The financial regulatory framework applicable to local government corporations contributed to the containment of their overall indebtedness.

As regards competition in this market, the macroeconomic environment once again had a significant effect. In 2007 low interest rates continued to put pressure on margins; in addition, the increase in lending flows from financial institutions to local governments, - which are lower risk -, continued to be conspicuous, bringing with it a sharp increase in competition for awards of transactions for financing investments in the sector.

MARKET SHARE	Billions of Euros			
	30 September 2007		30 September 2006	
	Volume	%	Volume	%
COMMERCIAL BANKS	21.8	42.1	22.2	44.0
SAVINGS BANKS	12.3	23.8	11.8	23.4
ICO AND OTHERS	1.6	3.0	1.4	2.8
OTHER	16.1	31.1	15.0	29.8
Total	51.8	100.0	50.4	100.0

Source: Bank of Spain Statistical Gazette.

ACTIVITY OF BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. IN 2007

INSTITUTIONAL BUSINESS

Loans and receivables

Total loans and credits to the sector amounted to EUR 1,504 million. 64.8% of this amount related to long-term loans.

Customer flows and funds

The average balances of depositors grew by 5.4% compared with 2006 to EUR 2,006.8 million, of which EUR 226 million were time deposits.

FINANCIAL MANAGEMENT

In 2007, BCL's financial management was a basic pillar of the Bank's activities, both for its contribution to raising financing and for its contribution to the generation of earnings through the management of the Bank's monetary assets portfolio.

Due to the nature of its business, the structure of BCL's balance sheet requires a significant volume of wholesale funding. The customer segment the Bank serves mainly requires loans and credits and holds scant amounts on deposit. Accordingly, other funds must be attracted through funding in the capital markets and for this purpose BCL has a Fixed-Income Securities Programme for EUR 4,000 million. This programme has been individually rated by the main rating agencies, which granted it the same ratings as those granted to BBVA (Aa1 from Moody's, AA- from S&P and AA- from Fitch).

VARIATION IN SOURCES OF FUNDING	Millions of Euros		Variation	
	2007	2006	Absolute	%
Credit institutions:				
BBVA Group	164.51	472.59	(308.07)	(65.19)
Instituto de Crédito Oficial	16.50	17.83	(1.33)	(7.46)
Bank of Spain	4,180.00	1,800.00	2,380.00	132.22
EIB and EUSF	56.43	67.33	(10.90)	(16.19)
Other	20.87	19.98	0.89	4.46
Valuation adjustments	7.15	2.21	4.94	223.53
Debt certificates (including bonds):				
Bonds and debentures outstanding	5,889.96	5,890.93	(0.97)	(0.02)
Valuation adjustments	58.68	74.29	(15.61)	(21.01)
Customer deposits:				
BCL International Finance Ltd.	117.03	147.20	(30.17)	(20.50)
Other customer deposits	1,851.46	2,282.75	(431.29)	(18.89)
Valuation adjustments	50.57	76.59	(26.02)	(33.97)

Noteworthy in terms of wholesale financing in 2007 was the 19-month term senior debt issue launched in July 2007 amounting to EUR 1,000 million which was admitted to trading on the Spanish AIAF Fixed-Income Securities Market.

BCL is the only recurring issuer of this type of bond in Spain, and has become a benchmark in the European covered bonds market. In view of the demand for these securities and the levels of funding that are obtained, territorial bonds will continue to be in the future one of the basic pillars of BCL's long-term stable funding policy.

For short-term financing, the Bank continued to participate in the European Central Bank's periodic monetary policy transactions and actively managed the portfolio of assets eligible to be used as security for these transactions. At 31 December 2007, the total amount of assets eligible to be used as security was approximately EUR 4,200 million.

RISK MANAGEMENT

BCL's risk management is considered an intrinsic part of its banking business and a source of its competitive advantage.

The risk function has been designed as a supplier of management models that enable the Bank to reach the necessary balance between the assumption of risk and the expected return on the business, and is aimed at maximising shareholder return and value creation.

The Bank, as a member of the BBVA Group, participates in the Group's global risk management system which is based on three components: a corporate risk management structure; a set of tools, circuits and procedures that make up the different risk management systems; and an internal control system. Following is a summary of each one of them:

Corporate risk management structure.

The Bank is integrated in the same structure as the BBVA Group, which is summarised as follows:

- The Board of Directors of BBVA is the most senior body that determines the Bank's risk policy and approves any non-delegated transactions.
- The Lending Committee, which reports to the Board of Directors of BBVA, is a specialised body whose functions include, inter alia: evaluation of the general risk policies and establishment of limits by type of risk, management resources, procedures and systems, structures and processes; approval of individual or group risks that may affect the Bank's solvency, in keeping with the established delegation system.
- 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 Asset-Liability Committee (ALCO) is the body responsible for actively managing the Bank's structural liquidity and interest rate risks, and its core capital.

Tools and circuits.

The Bank has provided itself with a customer rating tool, Territorial Institutions Ratings. This tool, developed on the basis of well-founded criteria, knowledge, experience and statistics, is the cornerstone of the risk acceptance process. It is applied to all customers and transactions in the segment from the branches that make up the Bank's network.

In addition, the risk acceptance areas of the regional offices have been strengthened through the provision of suitable means to carry out risk acceptance tasks. Delegation of powers is carried out on the basis of the isorisk curve, i.e. on the basis of the rating assigned to the customer.

As regards the structural liquidity and interest rates risks, limits have been set to potential losses on the basis of the various risks incurred; determination of possible impacts of the structural risks on the income statement and setting of limits and alerts that ensure the Bank's liquidity.

Asset and liability management

As a general principle BCL manages its assets and liabilities autonomously and focuses its efforts on the attainment of various targets: stable financing of the balance sheet by expanding and diversifying its funding sources, minimising calls for financing from the Parent bank, maintaining its credit ratings and minimising the cost of financing.

The Bank's asset and liability management is carried out within the framework of the criteria and exposure limits set for interest rate and liquidity risk exposure by the Bank's Board of Directors. The Asset-Liability Committee (ALCO) is responsible for the management of the Bank's assets and liabilities.

The Committee meets every month to review the Bank's exposure to these risks and makes the decisions considered appropriate at any given time based on expected trends in market variables.

Liquidity risk

The Bank aims to orderly replace its existing liabilities upon maturity, while minimising variations in wholesale funding. Accordingly, in 2007 the Bank took several actions aimed at extending and diversifying its funding sources.

Every month the ALCO reviews liquidity gaps and compliance with the established short-term limits and ensures that medium- and long-term funding needs in the wholesale markets are compatible with the Bank's capacity to raise funding in the capital markets. Also, the Bank is included in the BBVA Group's liquidity risk measurement systems and follows the guidelines laid down by the Group in this area.

The range of guarantees accepted in Bank of Spain monetary policy transactions was extended and access to privileged funding sources with new guarantee structures was maximised (EIB, Council of Europe ...)

Interest rate risk

Interest rate risk limits are established in terms of the impact that an adverse variation in interest rates might have on the economic value of the Bank and of the effect that such variation would have on the Bank's net interest income in the following twelve months.

Both limits are set so that an unexpected adverse variation in interest rates would only have a limited material impact on the profit and market value of equity of the Bank.

Foreign currency risk

Given the purely domestic nature of its business, it is Bank policy not to hold open foreign currency risk positions.

Credit risk in market activity

Credit risk arising on transactions with other financial institutions is measured differently depending on whether on- or off-balance-sheet transactions are involved. BCL is included in the BBVA Group's systems for measuring risks arising from both types of transaction, whereby the overall risk to each counterparty, the distribution by Group unit and the risk assumed on each transaction are determined in a centralised way.

BALANCE SHEET

The Bank's balance sheets at 31December 2007 and 2006, are as follows (in millions of euros):

BALANCE SHEET	2007	2006	Variation Absolute	%
Cash and balances with central banks	100.073	223,373	(123.300)	(55.20)
Financial assets held for trading	57.377	30.243	27.134	89.72
Available-for-sale financial assets	2,678.927	2,619.323	59.604	2.28
Loans and receivables	10,019.655	8,465.091	1,554.564	18.36
Loans and advances to credit institutions	*2,227.978*	*41.202*	*2,186.776*	-
Loans and advances to customers	*7,791.677*	*8,423.357*	*(631.680)*	*(7.50)*
Other financial assets	-	*0.532*	*(0.532)*	*(100.00)*
Hedging derivatives	164.407	164.407	17.645	10.73
Non-current assets held for sale				
Investments	-	1.913	(1.933)	(100.00)
Insurance contracts linked to pensions	5.711	6.343	(0.632)	(9,96)
Tangible assets	25.143	25.687	(0.544)	(2.12)
Tax assets	18.211	21.708	(3.497)	(16.11)
Prepayment and accrued income	0.295	0.306	(0.11)	(3.59)
Other assets	0.043	4.940	(4.897)	(99.13)
Total assets = liabilities	**13,087.487**	**11,563.354**	**1,524.133**	**13.18**
Financial liabilities held for trading	47.524	15.895	31.629	198.99
Financial liabilities at amortised cost	12,469.314	10,893.681	1,575.633	14.46
Hedging derivatives	254.172	338.070	(83.898)	(24.82)
Provisions	27.053	29.950	(2.897)	(9.67)
Tax liabilities	-	3.841	(3.841)	(100.00)
Accrued expenses and deferred income	0.604	1.362	(0.758)	(55.65)
Other liabilities	0.004	0.223	(0.219)	-
Valuation adjustments	(7.147)	(6.877)	(0.270)	(3.93)
Capital and reserves	246.287	246.287	-	-
Profit	49.676	40.992	8.754	21.39

The Bank's Total Assets at 31 December 2007 amounted to EUR 13,087 million, a increase of EUR 1,524 million with respect to 2006, due mainly to the increase in lending However, business volume, i.e. the sum of loans and total customer funds managed amounted to EUR 15,759 million.a decrase of 6.7% compared with 2006.

The main caption of the balance sheet, Loans and receivables amounted to EUR 7,792 million, a decrease of EUR 632 millions with respect last year amount.

As regards liabilities, on-balance-sheet funds relating to the business with customers amounted to EUR 1,852 million, a decrease of 19% with respect last year.

Funds from wholesale funding obtained on capital markets, i.e. the sum of non-resident sector deposits and debt certificates (including bonds), amounted to EUR 6,116 million a similar figure to that of 2006.

(Amounts in millions of euros)

	DEC 07	DEC 06	% variation
FINANCIAL LIABILITIES AT AMORTISED COST	12,469	10,894	14.5%
Central banks and credit institutions	4,445	2,380	86.8%
Resident sector deposits	1,852	2,287	-19.0%
Non-resident sector deposits	167	220	-24.1%
Debt certificates (including bonds)	5,949	5,965	-0.3%
Other financial liabilities	56	42	33.8%
Memorandum items:			
Activity with customers	1,852	2,287	-19.0%
Wholesale funding	6,116	6,185	-1.12%

CAPITAL REQUIREMENTS

CAPITALISATION	Millions of Euros		Variation	
	2007	2006	Absolute	%
BANK OF SPAIN REQUIREMENTS				
Risk-weighted assets	2,561.55	2,337.61	223.95	9.58
Eligible capital	240.75	242.18	(1.43)	(0.59)
Cushion	138.29	148.67	(10.38)	(6.98)
BANK OF SPAIN RATIO	9.33	10.23	(0.90)	(8.80)
TIER I	9.33	10.23	(0.90)	(8.80)
BIS RATIO	9.39	10.35	(0.96)	(9.23)

At 31 December 2007, the Bank's capital ratio calculated by Bank for International Settlements (BIS) rules was 9.39% compared with 10.35% at 2006 year-end. Tier I capital was 9.33% compared with the 10.23% of the previous year.

The Bank's eligible capital at 31December 2007, was EUR 240.75 million. This amount represents a cushion of EUR 138.29 million with respect to minimum capital requirements.

At 31 December 2007, the Bank had no treasury shares or shares of its Parent, Banco Bilbao Vizcaya Argentaria, S.A., and had not performed any treasury share transactions in the year.

EARNINGS

INCOME STATEMENT	Millions of Euros		Variation	
	2007	2006	Absolute	%
INTEREST AND SIMILAR INCOME	492.987	390.842	102.145	26.13
INTEREST EXPENSE AND SIMILAR CHARGES	(421.141)	(315.799)	105.342	33.36
NET INTEREST INCOME	71.846	75.043	(3.197)	(4.26)
FEE AND COMMISSION INCOME	1.918	1.774	0.144	8.12
FEE AND COMMISSION EXPENSE	(0.193)	(0.216)	0.023	(10.65)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES	0.243	1.304	(1.061)	(81.37)
EXCHANGE DIFFERENCES	0.003	0.005	(0.002)	(40.00)
GROSS INCOME	73.817	77.910	(4.093)	(5.25)
OTHER OPERATING INCOME	1.371	1.343	0.028	2.08
ADMINISTRATIVE EXPENSES	(2.721)	(4.703)	1.982	(42.14)
DEPRECIATION AND AMORTISATION AND WRITE-DOWN OF ASSETS	(0.707)	(0.721)	0.014	(1.94)
OTHER OPERATING EXPENSES	(0.030)	(0.047)	0.017	(36.17)
NET OPERATING INCOME	71.730	73.782	2.052	(2.78)
IMPAIRMENT LOSSES	1.479	(3.417)	4.896	(143.28)
- Loans and receivables	1.934	2.363	(0.429)	(18.15)
- Investments	(0.455)	(5.780)	5.325	(92.13)
EXTRAORDINARY PROFIT (net)	1.644	(0.626)	2.270	(362.62)
PROVISIONS (net)	(1.466)	(2.359)	0.893	(37.86)
PROFIT BEFORE TAX	73.387	67.380	6.007	8.92
INCOME TAX	(23.711)	(26.458)	2.747	(10.38)
PROFIT FOR THE YEAR	49.676	40.922	8.754	21.39

In 2007 net interest income amounted to EUR 71.846 million a decrease of 4.26% compared with the previous year.

Profit before tax amounted to EUR 73.387 million, which represents a decrease of 8.92% as compared with 2006. Net of the estimated corporation tax, profit for the year amounted to EUR 49.676 million, 21.39% down on 2006.

With these results, the return on average total assets (ROA) was 0.42% and the return on average equity (ROE) was 20,2%.

ORGANISATION AND RESOURCES

Structures and organisation

In order to ensure the uniformity of administrative support procedures, under the Wholesale Banking Project the administration of BCL's loan transactions was included in the new Madrid Operating Centre, thereby supporting operational risk control through the incorporation of task- or function-based processes.

As a result of the inclusion of the derivatives and options trading operations in the ABACO application, the integration of all the Treasury Department's back-office operations in the BBVA Group's information systems was substantially completed, including automation of the existing manual interfaces and automatic adaptation of the accounting information generated to the new standards in force.

Similarly, in keeping with the Group's new organisation, management of BCL's Operational Risk tools was integrated in the Business and Corporate Banking Division.

OUTLOOK

The Bank will focus its strategy for the coming years on increasing specialisation in its segments and diversifying the products and services to be sold to its traditional customer segment and related groups through BBVA and the single network. This will generate new revenue flows supplementing those derived from lending to local and regional government, through which the Bank expects to obtain growth exceeding that from the pure lending business, which is currently subject to budget control measures affecting the public sector.

RESEARCH AND DEVELOPMENT

The BBVA Group considers innovation to be a strategic priority and a key to growth and differentiation. Accordingly, it has launched an ambitious Innovation and Transformation Plan of which innovation is the driving force.

The BBVA Group's business units are responsible for implementing their innovation plans and a unit for Innovation and Development was created that is developing projects based on three lines of activity:

1. New methods of marketing and communication: as a result of identifying the changes that are taking place in society, the BBVA Group has initiated a plan to establish new customer relationship and communication models.
2. New digital businesses: the BBVA Group is developing new services that will enable it to extend its relationship with consumers. To implement the new services, emphasis is being placed on two channels: on the one hand, extending the Bank's internal capacities and, on the other, building on the attributes and values associated with our brand.
3. New methods of internal cooperation: the objective is to include new tools and modes of internal relationship to improve the Bank's efficiency and benefit teamwork and communication.

ENVIRONMENTAL IMPACT

At 31 December 2007, the Bank's financial statements did not present any item that should be included in the environmental information report required by Ministry of Economy and Finance Order of 8 October 2001.

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

Pursuant to Ministry of Economy and Finance Order ECO/734/2004, of 11 March 2004, on customer care and customer ombudsman departments and services at financial institutions and as a member of the Banco Bilbao Vizcaya Argentaria Group, the Bank formalised its adhesion to the Rules on Consumer Ombudsman and the Customer Care Service of BBVA, and appointed as Customer Ombudsman the same person as that designated by BBVA at any given time.

The 2007 Activity Report evidences the absence of complaints or claims identified in this Customer Care Service, and this fact is valued positively as it is construed that customers had no need to make use of this service.

Banco de Crédito Local de España, S.A.

Cuentas Anuales e Informe de Gestión correspondientes al ejercicio finalizado el 31 de diciembre de 2006 junto con el Informe de Auditoria Independiente

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

INFORME DE AUDITORÍA DE CUENTAS ANUALES

A los Accionistas de
Banco de Crédito Local de España, S.A.:

1. Hemos auditado las cuentas anuales de Banco de Crédito Local de España, S.A. (en lo sucesivo, "el Banco"), que comprenden el balance de situación al 31 de diciembre de 2006 y la cuenta de pérdidas y ganancias, el estado de flujos de efectivo, el estado de cambios en el patrimonio neto y la memoria correspondientes al ejercicio anual terminado en dicha fecha, cuya formulación es responsabilidad de los Administradores del Banco. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales en su conjunto, basada en el trabajo realizado de acuerdo con las normas de auditoría generalmente aceptadas, que requieren el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales y la evaluación de su presentación, de los principios contables aplicados y de las estimaciones realizadas.

2. De acuerdo con la legislación mercantil, los Administradores del Banco presentan, a efectos comparativos, con cada una de las partidas del balance de situación, de la cuenta de pérdidas y ganancias, del estado de flujos de efectivo, del estado de cambios en el patrimonio neto y de la memoria, además de las cifras del ejercicio 2006, las correspondientes al ejercicio anterior. Con fecha 30 de marzo de 2006 emitimos nuestro informe de auditoría acerca de las cuentas anuales del ejercicio 2005, en el que expresamos una opinión favorable.

3. Las operaciones del Banco se efectúan dentro de la gestión del Grupo Banco Bilbao Vizcaya Argentaria, originándose los saldos y transacciones con sociedades vinculadas que se indican en la memoria. Las cuentas anuales adjuntas, que se presentan en cumplimiento de la normativa vigente, deben interpretarse en este contexto.

4. En nuestra opinión, las cuentas anuales del ejercicio 2006 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Banco al 31 de diciembre de 2006 y de los resultados de sus operaciones, de los cambios en su patrimonio neto y de sus flujos de efectivo, correspondientes ejercicio anual terminado en dicha fecha y contienen la información necesaria y suficiente para su interpretación y comprensión adecuada, de conformidad con los principios y normas contables contenidos en la Circular 4/2004, que guardan uniformidad con los aplicados el ejercicio anterior.

5. El informe de gestión adjunto del ejercicio 2006 contiene las explicaciones que los Administradores consideran oportunas sobre la situación del Banco, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2006. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables del Banco.

DELOITTE
Inscrita en el R.O.A.C. Nº S0692

Francisco Celma
19 de marzo de 2007