Finanzia Banco de Crédito, S.A.

Financial Statements for the Year Ended 31 December 2007 and Directors´ Report, together with Independent Auditors´Report

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

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

AUDIT REPORT OF ANNUAL ACCOUNTS

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

1. We have audited the annual accounts of Finanzia Banco de Crédito, S.A. (hereinafter, "the Bank"), which include the balance sheet as of 31 December 2007 and the income statement, cash flow statement, statement of changes in equity and the report corresponding to the tax year ending on said date, for which the Bank's Administrators are responsible. Our responsibility is to express an opinion on said annual accounts as a whole, based on the work carried out according to generally accepted auditing regulations, which includes examining, based on selective testing, evidence supporting the annual accounts, and assessing their presentation, the accounting principles applied and the estimations carried out.

2. In accordance with commercial law, the Bank's Administrators present, for comparative purposes, with each one of the balance sheet headings, of income statement, of the cash flow statement, of the statement of changes in equity and the report, as well as the figures for the tax year 2007, those for the previous tax year. We issued our audit report on 27 March 2007 for the financial statements of the tax year 2006, in which we express a favourable opinion.

3. The Bank's operations are managed by the Banco Bilbao Vizcaya Argentaria Group. These operations have produced the balances and transactions with affiliate companies stated in the report. The attached annual accounts, which are presented in compliance with current legislation, must be interpreted in this context. As stated in Note 1, the Bank has not formulated consolidated annual accounts in the tax year 2007 because it is exempt from that obligation as the group is part of the consolidation of a larger group (Banco Bilbao Vizcaya Argentaria Group), whose dominant company is governed by Spanish law. The effect of the consolidation, carried out based on the accounting records of the companies that make up the Finanzia Group, compared to the attached individual annual accounts, entails, on 31 December 2007, an increase in net reserves and assets of 17.506 and 22.629, respectively, and a decrease in net profits of 1.73 billion euros.

4. In our opinion, the annual accounts for the tax year 2007 present fairly, in all material respects, the equity and the financial situation of the Bank on 31 December 2007 and the results of its operations, the changes in its equity and its cash flow, for the tax year ending on said date, and contain sufficient information to be interpreted and understood correctly, in accordance with the accounting principles and regulations set out in Circular 4/2004, which are the same as those applied in the previous tax year.

5. The attached management report for the tax year 2007 includes explanations that the Administrators deem convenient on the situation of the Bank, the evolution of its business and other matters, and are not an integral part of the annual accounts. We have verified that the accounting information in said management report coincides with the information in the financial statements for the tax year 2007. Our job as auditors is to verify the management report with the scope mentioned in this paragraph and does not include checking information other than that obtained from the Bank's accounting records.

DELOITTE, S.L.
Registered in the Official Registry of Auditors. No. S0692

Francisco Celma
31 march 2008

Deloitte S.L. Registered in the Register of Companies of Madrid, volume 13,650, sheet 188, section 8, page M-54414, entry 96, Tax Code B-79104469. Registered Address: Plaza Pablo Ruiz Picasso, 1 - Torre Picasso, 28020 Madrid

Member of
Deloitte Touche Tohmatsu

FINANZIA BANCO DE CRÉDITO, S.A.

Financial statements for the year ended December 31, 2007

FINANZIA BANCO DE CRÉDITO, S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

	Thousand euros	
ASSETS	**2007**	**2006 (*)**
CASH AND BALANCES WITH CENTRAL BANKS (Note 5)	**91**	**159**
FINANCIAL ASSETS HELD FOR TRADING	**-**	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
Memorandum item: Loaned or advanced as collateral	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE CHARGED TO PROFIT AND LOSS	**-**	**-**
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 6)	**201**	**152**
Debt securities	-	-
Other equity instruments	201	152
Memorandum item: Loaned or advanced as collateral	-	-
LOANS AND RECEIVABLES (Note 7)	**6.194.644**	**3.441.749**
Loans and advances to credit institutions	1.633.014	245.954
Money market operations through counterparties	-	-
Loans and advances to customers	4.555.132	3.195.392
Debt securities	-	-
Other financial assets	6.498	403
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 HEDGE	**-**	**-**
HEDGING DERIVATIVES (Note 8)	**11.492**	**558**
NON-CURRENT ASSETS HELD FOR SALE (Note 9)	**357**	**430**
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt securities	-	-
Equity instruments	-	-
Tangible assets	357	430
Other assets	-	-
EQUITY HOLDINGS (Note 10)	**101.332**	**94.622**
Associates	137	107
Jointly controlled entities	-	-
Group companies	101.195	94.515
INSURANCE POLICIES LINKED TO PENSIONS	**-**	**-**
TANGIBLE ASSETS (Note 11)	**4.105**	**4.229**
For own use	4.105	4.229
Investment properties	-	-
Other assets leased out under an operating lease	-	-
Memorandum item: Acquired under financial leasing	-	-

(*) Presented for comparison purposes only.

ASSETS (*Continued*)	Thousand euros 2007	2006 (*)
INTANGIBLE ASSETS (Note 12)	**3.764**	**4.065**
Goodwill	-	-
Other intangible assets	3.764	4.065
TAX ASSETS (Note 22)	**30.236**	**21.932**
Current	-	-
Deferred	30.236	21.932
ACCRUALS AND PREPAYMENTS (note 13)	**9.759**	**4.966**
OTHER ASSETS (Note 14)	**280**	**284**
TOTAL ASSETS	**6.356.261**	**3.573.146**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2007.

FINANZIA BANCO DE CRÉDITO, S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

Thousand euros

LIABILITIES AND NET EQUITY	2007	2006 (*)
FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Trading derivatives	-	-
Short positions	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE CHARGED TO PROFIT AND LOSS	**-**	**-**
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH NET EQUITY CHANGES	**-**	**-**
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST (Note 15)	**6.154.556**	**3.377.318**
Deposits from central banks	-	-
Deposits from credit institutions	5.380.188	3.359.415
Money market operations through counterparties		-
Customer deposits	760.132	2.612
Marketable debt securities	-	-
Subordinated liabilities	6.029	6.025
Other financial liabilities	8.207	9.266
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF IN	**-**	-
HEDGING DERIVATIVES (Note 8)	**9.799**	-
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	-
Customer deposits	-	-
Other Liabilities	-	-
PROVISIONS (Note 16)	**11.394**	**12.018**
Provisions for pensions and similar obligations	6.715	8.015
Provisions for taxes	-	-
Provisions for contingent exposures and commitments	2.165	1.489
Other provisions	2.514	2.514
TAX LIABILITIES (Note 22)	**3.814**	**7.723**
Current	2.651	6.010
Deferred	1.163	1.713
ACCRUALS AND PREPAYMENTS (note 13)	**9.566**	**11.794**
OTHER LIABILITIES (Note 14)	**1.478**	**3.823**
CAPITAL WITH THE NATURE OF A FINANCIAL LIABILITY	**-**	**-**
TOTAL LIABILITIES	**6.190.607**	**3.412.676**

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (*Continued*)	Thousand euros 2007	2006 (*)
VALUATION ADJUSTMENTS	**-**	-
Available-for-sale financial assets	-	**-**
Other financial liabilities at fair value through net equity	-	-
Cash flow hedging	-	-
Hedges of net investment in foreign operations	-	**-**
Exchange Differences	-	-
Non-current assets held for sale	-	-
SHAREHOLDERS' FUNDS	**165.654**	**160.470**
Capital or allocation fund (Note 19)	**14.983**	**14.983**
Issued	14.983	14.983
Uncalled share capital (-)	-	-
Share premium (Note 20)	**27.818**	**27.818**
Reserves (Note 21)	**117.669**	**97.604**
Accumulated reserves (losses)	117.669	97.604
Remainder	-	-
Other equity instruments	**-**	**-**
Equity component of compound financial instruments	-	-
Rest	-	-
Less: Treasury shares	**-**	**-**
Net attributable profit	**5.184**	**20.065**
Less: Dividends and remuneration	**-**	**-**
TOTAL NET EQUITY (Note 18)	**165.654**	**160.470**
TOTAL NET EQUITY AND LIABILITIES	**6.356.261**	**3.573.146**

PRO-MEMORIA	Miles de euros 2007	2006 (*)
RIESGOS CONTINGENTES (Nota 25)	**96.170**	**66.017**
Garantías financieras	96.170	66.017
Activos afectos a otras obligaciones de terceros	-	-
Otros riesgos contingentes	-	-
COMPROMISOS CONTINGENTES (Nota 25)	**21.568**	**16.688**
Disponibles por terceros	10.568	16.638
Otros compromisos (Nota 10.2)	11.000	50

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2007.

FINANZIA BANCO DE CRÉDITO, S.A.

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

	Thousand euros	
	2007	2006 (*)
INTEREST AND SIMILAR INCOME (Note 27)	284.225	174.341
INTEREST EXPENSE AND SIMILAR CHARGES (Note 28)	(188.612)	(81.872)
Remuneration of capital with the nature of a financial liability	-	-
derivatives	(188.612)	(81.872)
INCOME FROM EQUITY INSTRUMENTS (Note 29)	725	-
Equity holdings in associates	-	-
Equity holdings in jointly controlled entities	-	-
Equity holdings in group entities	725	-
Other equity instruments	-	-
NET INTEREST INCOME	**96.338**	**92.469**
FEE AND COMMISSION INCOME (Note 30)	31.774	18.237
FEE AND COMMISSION EXPENSES (Note 31)	(8.962)	(4.548)
GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 32)	(5.287)	-
Financial assets held for trading	(86)	-
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	(1)	-
Loans and receivables	-	-
derivatives	(5.200)	-
EXCHANGE DIFFERENCES (NET)	-	-
ORDINARY REVENUES	**113.863**	**106.158**
OTHER OPERATING INCOME	656	284
PERSONNEL EXPENSES (Note 33)	(40.149)	(33.947)
OTHER GENERAL ADMINISTRATIVE EXPENSES (Note 34)	(25.141)	(21.095)
DEPRECIATION AND AMORTIZATION	(1.771)	(1.136)
Tangible assets (Note 11)	(761)	(706)
Intangible assets (Note 12)	(1.010)	(430)
OTHER OPERATING EXPENSES	(1.186)	(327)
OPERATING PROFIT	**46.272**	**49.937**
IMPAIRMENT LOSSES ON ASSETS (NET)	(66.740)	(23.354)
Available-for-sale financial assets (Note 6)	-	(167)
Loans and receivables (Note 7)	(56.510)	(23.032)
Held-to-maturity investments	-	-
Non-current assets held for sale (Note 9)	(222)	(155)
Equity holdings (Note 10)	(10.008)	-
Tangible assets	-	-
Goodwill	-	-
Other intangible assets	-	-
Other assets	-	-
PROVISIONS MADE (Note 16)	(306)	(3.069)
OTHER GAINS (Note 35)	29.761	12.521
Gains on sales of tangible assets	533	311
Gains on the sale of equity holdings	17.056	-
Other	12.172	12.210
OTHER LOSSES (Note 35)	(136)	(16)
Losses on sales of tangible assets	(9)	(14)
Losses on disposal of equity holdings	-	-
Other	(127)	(2)
INCOME BEFORE TAX	**8.851**	**36.019**
INCOME TAX (Note 22)	(3.667)	(15.954)
OPERATING PROFIT/LOSS	**5.184**	**20.065**
INCOME FROM DISCONTINUED OPERATIONS (NET)	-	-
RESULT FOR THE YEAR	**5.184**	**20.065**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the income statement for the year ended December 31, 2007.

FINANZIA BANCO DE CRÉDITO, S.A.

CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Notes 1 to 3)

	Thousand euros	
	2007	**2006 (*)**
NET REVENUE RECOGNIZED DIRECTLY IN NET EQUITY	**-**	**(202)**
Available-for-sale financial assets	-	-
Valuation gains/(losses)	-	-
Amounts removed to income statement	-	-
Corporate tax	-	-
Reclassifications	-	-
Other financial assets at fair value	-	-
Valuation gains/(losses)	-	-
Amounts removed to income statement	-	-
Corporate tax	-	-
Reclassifications	-	-
Cash flow hedges	-	(202)
Valuation gains/(losses)		(311)
Amounts removed to income statement	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-
Corporate tax	-	109
Reclassifications	-	-
Hedges of net investment in foreign operations	-	-
Valuation gains/(losses)	-	-
Amounts removed to income statement	-	-
Corporate tax	-	-
Exchange Differences	-	-
Conversion gains/(losses)	-	-
Amounts removed to income statement	-	-
Corporate tax	-	-
Non-current assets held for sale	-	-
Valuation gains	-	-
Amounts removed to income statement	-	-
Corporate tax	-	-
Reclassifications	-	-
RESULT FOR THE YEAR	**5.184**	**20.065**
Published result	5.184	20.065
Effects of changes in accounting policies	-	-
Effects of error correction	-	-
TOTAL REVENUE AND EXPENSES FOR THE PERIOD	**5.184**	**19.863**
MEMORANDUM ITEM: CHANGES TO NET EQUITY IMPUTABLE TO PRIOR YEARS	**-**	**-**
Effect of changes in accounting policies	-	-
Shareholders' funds	-	-
Valuation adjustments	-	-
Effects of errors	-	-
Shareholders' funds	-	-
Valuation adjustments	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the statement of changes in total equity for the year ended December 31, 2007.

FINANZIA BANCO DE CRÉDITO, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

	Thousand euros	
	2007	**2006 (*)**
CASH FLOW FROM OPERATING ACTIVITIES		
Result for the year	**5.184**	**20.065**
Adjustments to result	55.211	43.440
Depreciation of tangible assets (+)	761	706
Amortization of intangible assets (+)	1.010	430
Net impairment losses on assets (+/-)	66.740	23.354
Provisions made (+/-)	306	3.069
Gains/Losses on sales of tangible assets (+/-)	(524)	(297)
Gains/Losses on sales of equity holdings (+/-)	-17.056	-
Taxes (+/-)	3.667	15.954
Other non-monetary items (+/-)	307	224
Adjusted result	**60.395**	**63.505**
Net increase/decrease in operating assets	**(2.833.631)**	**(468.200)**
Financial assets held for trading	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
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 securities	-	-
Other equity instruments	-	-
Available-for-sale financial assets	(49)	(151)
Debt securities	-	-
Other equity instruments	(49)	(151)
Loans and receivables	(2.783.429)	(462.752)
Loans and advances to credit institutions	(1.377.523)	(35.032)
Money market operations through counterparties	-	-
Loans and advances to customers	(1.399.811)	(427.718)
Debt securities	-	-
Other financial assets	(6.095)	(2)
Other operating assets	(50.153)	(5.297)

(*) Presented for comparison purposes only.

(*Continued*)	2007	2006 (*)
	Thousand euros	
Net increase/decrease in operating liabilities	**2.773.651**	**421.454**
Financial assets held for trading	-	-
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Customer deposits		-
Marketable debt securities	-	-
Trading derivatives	-	-
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Other financial liabilities at fair value through net equity	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Financial liabilities at amortized cost	2.793.063	423.355
Deposits from central banks	-	-
Deposits from credit institutions	2.038.665	418.336
Money market operations through counterparties	-	-
Customer deposits	755.457	193
Marketable debt securities	-	-
Other financial liabilities	-1.059	4.826
Other operating liabilities	(19.412)	(1.901)
Net cash flow from operating activities (1)	**415**	**16.759**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Investments (-)	(18.253)	(16.776)
Group, jointly-controlled and associate companies	(16.849)	(11.350)
Tangible assets	(695)	(981)
Intangible assets	(709)	(4.445)
Held-to-maturity investments	-	-
Other financial assets	-	-
Other Assets	-	-
Disposals (+)	17.770	312
Group, jointly-controlled and associate companies	17.187	-
Tangible assets	583	312
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other Assets	-	-
Net cash flow on investment activity (2)	**(483)**	**-16.464**

(*) Presented for comparison purposes only.

(*Continued*)	2007	2006 (*)
	Thousand euros	
CASH FLOW FROM FINANCIAL ACTIVITIES	**-**	**-**
Issue/amortization of capital or allocation fund (+/-)	-	-
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	-
Issue/Amortization of preference shares (+/-)	-	-
Issue/Amortization of other equity instruments (+/-)	-	-
Issue/Amortization of capital with the nature of a financial liability (+/-)	-	-
Issue/Amortization of subordinate liabilities (+/-)	-	-
Issue/Amortization of other non-current liabilities (+/-)	-	-
Dividends (-)	-	-
Other items relating to financing activities (+/-)	-	(202)
Net cash flow on financing activity (3)	-	**(202)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS (4)	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(68)**	**93**
Cash or cash equivalents at beginning of year	**159**	**66**
Cash or cash equivalents at end of year	**91**	**159**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the statement of cash flow for the year ended December 31, 2007.

FINANZIA BANCO DE CRÉDITO, S.A.

Financial statements for the year ended December 31, 2007

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

1.1. Introduction

Finanzia Banco de Crédito, S.A. (hereinafter, the Bank) is a private-law entity, founded on 1 September 1949 and subject to the rules and regulations governing banking institutions operating in Spain, and forming part of the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the BBVA Group).

The financial statements are to be interpreted in the context of the Group in which the Bank operates and not as an independent entity.

The Bylaws and other public information about the Bank are available for consultation at its registered address (Calle Julián Camarillo nº4, Madrid).

The Bank's financial statements for 2006 were approved by the Bank's General Shareholders' Meeting on 22 June 2007. The 2007 financial statements of the Bank are pending approval at the General Shareholders' Meeting. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

The principal activity of the Bank fundamentally consists in financing consumption and equipment good operations. The Bank conducts its business through 33 commercial offices located throughout the national territory.

1.2. Basis of presentation of the annual financial statements

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

Circular 4/2004 modifies the accounting policies of Spain's credit institutions to adapt them to the new accounting scenario established by the adoption by the European Union, with the legislation of several regulations, of the International Financial Reporting Standards ("EU-IFRS") following stipulations established under Regulation (EC) no, 1606/2002 of the European Parliament and of the Council of July 19, 2002, relative to –International Accounting Standards.

The Bank's financial statements of 2008 were prepared by the Bank's directors (at the Board Meeting on March 28, 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 as of December 31, 2007, and the results of its operations, the changes in equity and the cash flows in 2007.

In keeping with current legislation, the Bank has not prepared consolidated annual financial statements because it is exempt from this obligation, as the Bank and its subsidiaries are integrated within the Banco Bilbao Vizcaya Argentaria Group. As of 31 December 2007, the estimated effect of consolidation, compared with the individual annual accounts, resulted in an increase in the total reserves and assets of €17,506,000 and €22,629,000, respectively, and a decrease in net profit of €1,730,000.

All accounting policies and valuation criteria with a significant 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 presented in these annual 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 (Notes 6 and 7).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 17)

- The useful life of tangible and intangible assets (Note 11 and 12).
- The fair value of certain unlisted assets (Note 10).

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

1.5. Environmental impact

As of December 31, 2007, there were no items in the Bank's financial statements that warranted inclusion in the separate environmental information document set out in the Ministry of the Economy Order dated October 8, 2001.

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

The report on the activity of the Customer Care Department and the Customer Ombudsman required pursuant to Article 17 of Ministry of Economy and Finance Order ECO/734/2004 of March 11 is included in the management report accompanying these financial statements.

1.7. Minimum capital requirements

Law 13/1992, dated 1 July, and Circular 5/1993 of the Bank of Spain together with its subsequent amendments regulate minimum equity requirements for Spanish credit entities–both individually and as consolidated groups–and the manner in which equity is to be calculated.

As of December 31, 2007 and 2006, the Bank's capital exceeded the minimum level required by the mentioned regulation.

On 16 February 2008, Royal Decree 216/2008, dated 15 February, on the equity of financial entities was published. Furthermore, a number of amendments have been introduced to Law 13/1985, dated 25 May, covering investment coefficients, equity, and mandatory disclosures on financial intermediaries. These new regulations mainly aim to incorporate into Spanish law EC Directives 2006/48/CE and 2006/49/CE, which in turn incorporate the New Basil Agreement ("Basil II") into European Law.

Therefore the Bank will be subject during 2008 to the calculation of equity requirements pursuant to the aforementioned regulations. These changes to the manner in which entities must calculate their minimum equity requirements include new risks such as operational risk implying further capital allocations, as well as new methodology and calculation methods to be employed by entities, as well as new requirements involving validation methods and public domain information to be released to the markets.

The BBVA Group, to which the Bank belongs, is implementing the necessary changes to its policies and processes to comply with the stipulations of the aforementioned norms. Therefore, as part of the general adherence effort to Basil II made over recent years, advanced management tools are being introduced for risk measurement (scoring systems, Value at Risk [VaR], operational risk measurement, among others) incorporating as a fundamental variable within models the analysis of equity requirements and impacts of decisions by the BBVA Group. In any case, it is estimated by the Bank's Managers that the entry into vigor of the aforementioned regulation will not have significant impacts.

2. Accounting policies and measurement bases applied

The accounting policies and valuation criteria used in preparing these financial statements of the Bank were as follows:

a) Assessment criteria

Assets and liabilities recognized in the accompanying balance sheets are valued as follows:

- FAIR VALUE

The fair value of an asset or a liability on a given date is the amount for which it could be exchanged or settled, respectively, between two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of an asset or a liability is the price that would be paid for it on an organized, 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 valuation models sufficiently tried and trusted by the international financial community. The estimates used in such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent to the valuation models developed and the possible inaccuracies of the assumptions required by these models may signify that the fair value of an asset or liability that is estimated does not coincide exactly with the price for which the asset or liability could be exchanged or settled on the date of its valuation.

- AMORTIZED COST

"Amortized cost" is understood as the acquisition cost of a financial asset or liability less the repayments of the principal and corrected (by more or by less as per the instance) by the part systematically charged to the income statement of the difference between the initial cost and the corresponding maturity value.

For financial assets, the amortized cost also includes the corrections to value due to their impairment.

The part of financial instruments systematically charged to the consolidated income statement is calculated using the effective interest rate method. The effective interest rate is the discount rate that exactly equals the value of a financial instrument with the cash flows estimated for all concepts over the expected remaining life of the instrument. For financial instruments with fixed interest rate, the effective rate coincides with the interest established contractually at the time of their purchase, adjusted according to any transaction costs by nature treated in the same way as interest rates. For variable interest rate financial instruments, the effective rate coincides with the yield rate in vigor for all items up to the first revision of the reference rate used.

- ADJUSTED ACQUISITION COST

Adjusted acquisition cost is defined as the cost of the transaction for the acquisition of the asset, adjusted if applicable for any impairment loss occurred.

b) Financial Instruments

b.1) Classification of financial instruments

The financial assets in the accompanying financial statements are classified into the following categories:

Available-for-sale (AFS) financial assets: these are debt certificates that are not classified as held-to-maturity investments or as financial assets at fair value through profit or loss (FVTPL) and equity instruments that are not subsidiaries, associates or jointly controlled entities and have not been designated as at FVTPL.

Loans and receivables: these include financing extended to third parties, classified according to their nature, irrespective of the borrower type and the instrumentation of the financing extended, including finance lease arrangements where the consolidated subsidiaries act as lessors.

In general, the Bank aims to hold loans and receivables to maturity,

- Financial liabilities at "amortized cost": This includes financial liabilities that do not fall under other headings of the balance sheets and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.

- Hedging derivatives: This includes the financial derivatives designated as accounting hedges. Accounting hedges can be of two types:

- Fair value hedges: Derivatives that hedge the exposure of the fair value of assets and liabilities to movements in interest rates and/or exchange rates designated as a hedged risk.
- Cash flow hedges: Derivatives that hedge fluctuations in the estimated cash flows of financial assets as well as liabilities and transactions considered highly likely to occur by the entity.

b.2) Valuation of financial instruments and recognition of changes in valuations

All financial instruments are initially accounted for at fair value which, unless there is evidence to the contrary, shall be the transaction price. These instruments will subsequently be valued on the basis of their classification. The recognition of changes arising subsequent to the initial recognition is described below.

The change produced during the year arising from the accrual of interests and similar items are recorded under the headings "Interest and Similar Income" or "Interest Expense and Similar Charges", as appropriate, in the income statement of this period. The dividend accrued in the period are recorded in the heading "Income from equity instruments" in the income statement for said period.

The changes in the valuations after the initial recognition, for reasons other than those of the preceding paragraph, are described below according to the categories of financial assets and liabilities:

- "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 valuation at fair value (gains or losses) are recognized temporarily, for the net amount, in the headings "Valuation adjustments–Available-for-sale financial assets" or "Valuation adjustments–Financial liabilities at fair value through net equity," in the accompanying balance sheets.

Changes arising from "Available-for-sale financial assets–other equity instruments" originating in exchange rate differences are temporarily recognized in the heading "Valuation adjustments–Exchange differences" in the accompanying balance sheets. Valuation changes from "Available-for-sale financial assets–debt securities" resulting from exchange differences are recognized in the heading "Net exchange differences" in the accompanying income statements.

The amounts recognized in the heading "Valuation Adjustments - Available-for-Sale Financial Assets" remain in the equity until the asset from which they are derived is derecognized from the balance sheet. At that time these amounts are derecognized in the headings "Net income from financial operations" in the income statement for the year in which the derecognition from the balance sheet takes place.

On the other hand, net impairment losses on available-for-sale financial assets having taken place this year are listed in the heading "Impairment losses on financial assets–Available-for-sale financial assets" in the financial statement for the year.

- "Loans and receivables" and "Financial liabilities at amortized cost"

Assets and liabilities recognized in these headings in the accompanying consolidated balance sheets are measured at "amortized cost" using the "effective interest rate" method.

Impairment losses on financial assets in these headings and having taken place this year are listed in the heading "Impairment losses on financial assets (net) – Loans and receivables" in the financial statement for the year.

-"Hedging derivatives"

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

Changes produced subsequent to the designation of hedging in the valuation of financial instruments designated as hedged items as well as financial instruments under hedge accounting are recognized according to the following criteria:

- In the fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized in the heading "Gains or losses on financial assets and liabilities (Net)" in the income statement.
- In cash flow hedges, the differences in valuation in the effective hedging of hedging items are recognized temporarily in the heading "Valuation adjustments – Cash flow hedging". These valuation changes are recognized in the heading "Gains or losses on financial assets and liabilities (Net)" in the income statement in the same period or periods during which the hedged instrument affects profit or loss, when forecast transaction occurs, at the maturity date of the item hedged.

  Differences in valuation of the hedging item for ineffective portions of cash flow hedges are recognized directly in the heading "Gains or losses on financial assets and liabilities (Net)" in the income statement.

- "Other financial instruments"

The following exceptions have to be highlighted with respect to the above general criteria:

- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying asset and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, for any impairment loss.

- Valuation adjustments arising from non-current assets held for sale and the liabilities associated with them are recognized with a balancing entry in the heading "Valuation adjustments - Non-current assets held for sale" on the balance sheet.

b.3) Impairment on financial assets

Definition of impaired financial assets

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 formalized.
- 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 any 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 of any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale which are not recognized through profit or loss but recognized in 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 Bank to guarantee (in part or in full) the performance of transactions. Amounts collected in relation to impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the principal not yet paid.

When the recovery of any recognized amount is considered to be remote, this amount is removed from the balance sheet, notwithstanding any actions taken by the entity in order to collect the amount until their rights expire in full through expiry, forgiveness or for other reasons.

Calculation of impairment on financial assets

Impairment on financial assets is determined by the type of instrument and the category in which they are recognized, as described below.

Impairment of debt certificates evaluated at amortized cost:

Impairment losses determined individually

The quantification of impairment losses on assets classified as impaired is done on an individual basis in connection with customers whose operations are equal to or exceed €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 collaterals 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 foreseeably 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:

- The assets classified as impaired of customers for whom the sum of their operations is less than €1 million
- The portfolio of live assets that are not impaired but which involves an inherent loss

To estimate the collective loss of credit risk, the Bank 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.

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

1. Impaired financial assets

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that have past-due amounts with more than three months, 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 APPLIED
Up to 6 months	between 4.5% and 5.3%
Over 6 months and up to 12 months	between 27.4% and 27.8%
Over 12 months and up to 18 months	between 60.5% and 65.1%
Over 18 months and up to 24 months	between 93.3% and 95.8%
Over 24 months	100%

In the case of transactions secured by completed houses when the total exposure is equal or inferior 80% of the value of the guarantee or collateral and taking into account the age of the past-due amounts, the allowance percentages are as follow:

AGE OF THE PAST-DUE AMOUNT	ALLOWANCE PERCENTAGE APPLIED
Less than 3 years	2%
Over 3 years and up to 4 years	25%
Over 4 years and up to 5 years	50%
Over 5 years and up to 6 years	75%
Over 6 years	100%

In the rest of transactions secured by real property in which the entity has began the process to take possession of the pledge and taking into account the age of the past-due amounts, the allowance percentages are as follows:

AGE OF THE PAST-DUE AMOUNT	ALLOWANCE PERCENTAGE APPLIED
Up to 6 months	between 3.8% and 4.5%
Over 6 months and up to 12 months	between 23.3% and 23.6%
Over 12 months and up to 18 months	between 47.2% and 55.3%
Over 18 months and up to 24 months	between 79.3% and 81.4%
Over 24 months	100%

Debt instruments for which, without qualifying as doubtful in terms of criteria for classification as past-due, there is reasonable doubt that they will be recovered on the initially agreed terms, are analyzed individually.

2. Not individually impaired assets

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that do not have individually objective of impairment are collectively assessed, including the assets in a group with similar credit risk characteristics, sector of activity of the debtor or the type of guarantee.

The allowance percentages of hedge are as follows:

- Negligible risk: 0%
- Low risk: 0.20%-0.75%
- Medium-low risk: 0.50% - 1.88%
- Medium risk: 0.59% - 2.25%
- Medium-high risk: 0.66% - 2.50%

- High risk: 0.83% - 3.13%

Impairment of other debt instruments

The impairment losses on debt certificates included in the "Available-for-sale financial asset" portfolio are equal to the difference between their acquisition cost (net of any principal repayment) and their fair value after deducting any impairment loss previously recognized in the income statements.

When there is objective evidence that the negative differences arising on valuation of these assets are due to impairment, they are no longer considered as "Valuation Adjustments - Available-for-Sale Financial Assets" and are recognized in the income statements. If all or part of the impairment losses are subsequently recovered, the amount is recognized in the income statement for the year in which the recovery occurred.

Impairment of equity instruments

The amount of the impairment in the equity instruments is set according to the category where it is recognized:

- ***Equity instruments measured at fair value:****:* The criteria for quantifying and recognizing impairment losses on equity instruments are similar to those for other debt instruments, with the exception that any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale which are not recognized through profit or loss but recognized under the heading "Valuation Adjustments – Available for sale Financial Assets" in the consolidated balance sheet.
- ***Equity instruments measured at cost****:* The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) for the last approved balance sheet, adjusted for the unrealized gains at the valuation date.

  Impairment losses are recognized in the income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses may only be reversed subsequently if the assets are sold.

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 and expenses and similar items:

As a general rule, interest income and expenses and similar items are recognized on the basis of their period of accrual using the effective interest rate method.

Specifically, financial fees and commissions that arise on the arrangement of loans, basically origination and analysis fees, must be deferred and recognized in the income statement over the expected life of the loan. The direct costs incurred in arranging these transactions can be deducted from the amount thus recognized. Bank of Spain's Circular 4/2004 establishes that, when there are no analytic accounting data to determine those direct costs, they can be compensated with the arrangement commission up to a 0.4% of the amount of the loan with a maximum limit of €400 per operation, which will be credited in the date of arrangement to the income statement and that will diminish the accrued commissions mentioned before.

On the other hand, dividends received from other companies are recognized as income when the Bank' right to receive them arises.

When a debt instrument is deemed to be impaired individually or is included in the category of instruments that are impaired because of amounts more than three months past-due, the recognition of accrued interest in the income statement is interrupted. This interest is recognized for accounting purposes when it is received.

Commissions, fees and similar items:

Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant are:

- 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-financial 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 of the Bank to employees, related to post-employment benefits and other commitments (see Note 17).

Calculation of commitments: actuarial 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 or debentures.

The Bank recognizes all actuarial differences from these commitments in the incomes statement for the year in which they come into existence and does not apply the option of differing actuarial profits and losses using a fluctuating band (the so-called corridor approach).

Commitments resulting from post-employment benefits

- Pensions

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

- Defined contribution commitments

The amounts of these commitments are determined, on a case-by-case basis, as a percentage of certain remuneration items and/or as a pre-established annual amount. The current contributions made by the 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 17 and 33).

- Defined-benefit commitments

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.

Pension commitments covered by insurance policies issued by entities belonging to the Group are recognized as follows:

(i) Pension commitments to employees through defined-benefits plans shall be recorded as pension provisions.

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

(iii) (iii) The expense for the period shall be recorded in the heading “Personnel expenses” net of the amount relating to the insurance contracts.

- Early retirements

In previous years, the Bank offered certain employees the possibility of taking early retirement before the age stipulated in the collective labor agreement in force. The corresponding provisions by the Bank were recognized with a charge in the heading “Provision Expense (Net) - Transfers to Funds for Pensions and Similar Obligations—Early Retirements” in the accompanying income statements (see Note 16). The present amounts payable to pre-retired employees are quantified on a case-by-case basis and they are recognized in the heading “Provisions - Pension funds and similar obligations” in the accompanying balance sheets (see Note 16).

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.

- Post-employment 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 on a case-by-case basis. They are recognized in the heading “Provisions - Pension funds and similar obligations” in the accompanying balance sheets (Note 16) and they are charged to the heading “Personnel expenses – Other personnel expenses” in the accompanying income statements (Note 33).

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 commitment, are: loans to employees, life insurance, study aid and long-service bonuses.

The post-employment 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 33).

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

e) Foreign currency transactions and exchange differences

The Bank’s functional currency is the euro. As of 31 December 2007 and 2006 the Bank had no assets or liabilities in currencies other than its functional currency.

f) Non-current assets held for sale

The heading “Non-current Assets Held for Sale” reflects the carrying amount of the assets, individual and making up a “disposal group” or forming part of a business unit that the Group intends to sell (“discontinued operations”), whose sale in their current condition within one year from the date on which are classified as such is highly probable. Therefore, the carrying amount of these assets –which can be financial or non-financial– will foreseeably be recovered through the price obtained on their sale.

Specifically, assets received by the Bank in full or partial settlement of its debtors’ payment obligations (assets foreclosed) are treated as non-current assets held for sale, unless the Bank has decided to make continuing use of these assets.

g) Tangible assets

Tangible assets for own use:

Tangible assets for own use includes tangible assets that the Bank intends to used in a continued manner as well as tangible assets under acquired under lease finance. It also includes tangible assets that the Bank receives in full or part settlement of financial assets representing receivables from third parties and those assets expected to be held for continuing use. Tangible assets – Property, plants and equipment – Own use are presented at acquisition cost less any accumulated depreciation and, where appropriate, any estimated impairment losses (net carrying amount higher than fair value).

To this end, the acquisition cost of foreclosed assets for own use is equal to the net value of the financial assets delivered in exchange for their foreclosure.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The period tangible asset depreciation charge is recognized with a balancing entry in the income statement and is based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

	Annual Percentage
Furniture, fixtures and other	6% to 10%
Office supplies and computerization	10% to 25%

At the close of each accounting period, the Bank analyzes if there is any indication, internal or external, that the net carrying values of tangible assets exceed their recoverable values, in which case the carrying amount of the asset in question is written down to the recoverable amount and depreciation charges going forward are adjusted to reflect the asset's remaining useful life and/or its adjusted carrying value.

Similarly, if there is any indication that the value of a tangible asset has been recovered, the reversal of the impairment loss recorded in previous periods is recognized by the Bank and, consequently, future depreciation charges are adjusted. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have been if no impairment losses had been recognized in prior years.

Upkeep and maintenance expenses relating to tangible assets for own use are recognized as a cost in the financial statement for the period in which they are incurred.

h) Intangible assets

These assets can have an “indefinite useful life” – when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Bank – or a “finite useful life”, in all other cases.

Intangible assets with indefinite useful life are not amortized, while, for each accounting closure, the Bank revised their useful life remaining in order to ensure that they remain undefined or, if not, proceed accordingly.

Intangible assets with a finite useful life are amortized according to this useful life, using methods similar to those used to depreciate tangible assets.

The Bank has not recognized any intangible assets with an indefinite useful life.

In both cases the bank makes an accounting entry for any loss having occurred in the book value of these assets as a result of their impairment, with a charge to the heading “Losses on impaired assets–other intangible assets” in the income statement. The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior periods are similar to those used for tangible assets.

i)

The Spanish corporation tax expense is recognized in the income statement, except when they result from transactions in which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

The income tax expense is calculated by aggregating the current tax arising from the application of the related tax rate to the taxable profit (or tax loss) for the period (after deducting the tax credits allowable for tax purposes) and the change in deferred tax assets and liabilities recognized in the income statements.

Deferred tax assets and liabilities include temporary differences, valued at the amount expected to be payable or recoverable for the differences between the book values of assets and liabilities and their tax bases, and tax loss and tax credit carry forwards. These amounts are valued by applying the tax rates that are expected to apply in the period when the asset is realized or the liability settled to the temporary difference (see Note 22).

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

The recognized deferred tax assets and liabilities are reassessed by the Bank at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyzes performed.

j) Leases

Leases are qualified as financial when they substantially transfer all 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 entity acts as the lessor of an asset in financial leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recorded as financing provided to third parties and, therefore, are included in the heading "Loans and receivables" in the balance sheets.

k) Provisions and contingent liabilities

Provisions are current obligations may raised in connection with legal or contractual provisions, valid expectations that the Bank forms relating to third parties in relation to the assumption of certain responsibilities or virtually certain developments of particular aspects of applicable regulation, specifically draft legislation to which the Bank will certainly be subject.

These provisions are recognized in the balance when all of the following requirements are met: it is a current obligation resulting from a past event and, at the consolidated balance sheet date, it is more likely than not that the obligation will have to be settled; it is probable that to settle the obligation the entity will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are possible Bank obligations 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 Bank. 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.

l) 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 all the risks and rewards are substantially 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.

When the risks and/or benefits associated with the financial asset transferred are substantially retained, the financial asset transferred is not removed from the consolidated balance sheet and continues to be valued according to the same criteria applied prior to the transfer.

The financial assets are derecognized from the balance sheet only if their cash flows have expired or the risks and rewards associated with the financial assets are substantially transferred. Similarly, the financial liabilities are derecognized of the balance sheet only if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

m) Termination benefits

Termination benefits must be recognized when the company is committed to severing its contractual relationship with its employees and, to this end, has a formal detailed redundancy plan. There were no redundancy plans in the Bank, so it is not necessary to recognize a provision for this issue.

3. Allocation of profit or loss

The proposal for the allocation of the net attributable profit of the Bank for the year 2007 that the Board of Directors will submit to the Annual General Meeting (AGM) for approval is as follows:

Items	Thousand euros
Net attributable profit for the year	**5.184**
Allocation -	
Voluntary reserves	5.184

4. Risk exposure

Dealing in financial instruments can entail the assumption or transfer of one or more classes of risk by financial institutions. The risks related to financial instruments are:

a) Market risks: these are defined as the risks arising from the maintenance of financial instruments whose value may be affected by changes in market conditions.

b) Credit risk: this is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation due to the insolvency or incapacity of the natural or legal persons involved.

c) Liquidity risk: at times referred to as financing risk, this is risk occurring either as a result of the entity's inability to sell a financial asset quickly for an amount near its fair value, or as a result of the entity's finding it difficult to find funds to fulfill its commitments related to financial instruments.

Based on the risk policy of the Group to which it belongs, the Bank developed an integral risk management system which comprises three components: a corporate risk governance regime, with separation of functions and responsibilities; a set of tools, circuits and procedures that constitute the various different risk management regimes; and an internal risk control system. Below is a summary of each component:

Corporate governance system

In consort with and under the supervision of the BBVA Group Risk Area, the Bank established its risk in terms of operational limits and the delegation of power for the assessment of credit, market, and structural risks.

The Assets and Liabilities Committee (ALCO) is responsible for actively managing structural liquidity, interest rate and exchange rate risks, together with the Bank's capital resources base.

The Bank's Technical Operations Committee analyzes and approves, if appropriate, transactions and financial programs to the level of its competency, passing on those beyond its scope of power to the corresponding higher office of the BBVA Group.

Tools, circuits, and procedures

The Bank has designed management systems in keeping with the requirements of each risk type.

The consideration of risk management as a continuum has led to the standardization of various risk management processes, using measurement tools for risk acceptance, assessment and monitoring and to the definition of appropriate circuits and procedures, which are reflected in manuals that also include management criteria. For the aforementioned purpose, the Bank carries out the following activities, among others:

- Assess the risk exposure of the portfolios.
- Calculate probabilities of default (PD) scales, severity, and expected loss for each portfolio, giving a PD score to new operations.
- Determine the possible impacts of structural risks in the financial statements.
- Establish limits and alerts guaranteeing the Bank's liquidity
- Identifying and quantifying operational risks by business type and thereby facilitate their mitigation by way of corrective actions.
- Define efficient circuits and procedures to serve the established objectives

In sum, risk management is approached as a whole, and applied by way of an overarching management system.

Internal Control – Risk Maps

The development, implementation, and continuous improvement of a risk management system requires the establishment on checks and indicators to guarantee that the management systems are working properly, and that progress is being made in the development of the management model in keeping with the defined objectives. Furthermore, best practices in risk management are identified and adopted.

To this end, the BBVA Group has an independent remit to develop, pursuant to the recommendations of regulators, Risk Maps to identify existing gaps in risk management and to establish action plans with the business areas to close the aforementioned gaps.

a) MARKET RISK MANAGEMENT

a.1) Market risk by market area

The reserve of the Bank being serving to cover on-balance-sheet risk, market risk is not considered individually, but within the context of Structural Risk Management.

a.2) 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. In pursuance of this, the Bank undertakes active balance sheet management through operations intended to optimize the levels of risk borne according to the expected earnings and enable the maximum levels of accepted risk with which to be complied.

The activity of the Bank is based on the evaluation of interest risk, which are reviewed by the Risk Area of the BBVA Group. Acting as an independent unit, the Risk Area confirms that the Bank's periodic evaluations are correct and endorses the expected 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 and risk factor for structural interest rate risk in the Bank's banking activity based on interest rate curve simulation models.

All these risk valuations are subsequently analyzed and monitored, and the levels of risk assumed and the degree of compliance with the limits authorized by the Standing Committee are reported to the Bank's various managing bodies.

The average sensitivity of the net interest income to market interest rates increases of 100pbs has been €3.3 million in 2007.

The impact of interest rates increases of 100pbs on the economic value of the entity has been €22.8 million euros on average. Economic capital for structural interest risk has been €26 million for 2007.

As part of the valuation process, the Bank established the assumptions regarding the evolution and behavior 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

Evolution of exposure and improved credit risk quality

Taking into consideration financial guarantee amount, the Bank's maximum credit exposure reached €6.312 million on 31 December 2007, or 79% more than a year earlier.

Loans and receivable risks with clients (76% of all exposure including contingent liabilities) increased by 39%.

By business area, credit risk with clients is distributed as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Automobiles	66,04%	61,42%
Equipment	6,50%	8,29%
Rest	27,46%	30,29%
Total	**100%**	**100%**

The "Other" category mainly includes financing for BBVA group subsidiaries.

c) CONTINGENT LIQUIDITY RISK

Liquidity risk management and control ensures that the Bank complies with its payment obligations. The Bank's liquidity is covered by a mutual account with Banco Bilbao Vizcaya Argentaria, S.A. that is renewed on an annual basis. In this way, Banco Bilbao Vizcaya Argentaria, S.A. provides liquidity in case this becomes necessary or pays into the joint account it maintains with the Bank.

At least on a monthly basis studies are carried out of the situation concerning the maturities and renewals of the elements affecting the available funds of the Bank. Furthermore, liability cost studies are carried out providing details of current assets, and their evolution over the following twelve months is forecast. Likewise, current liability positions are studied, with regard to their maturity so that the Bank obtains a calendar of necessary liability provisions resulting from maturities as well as a calendar of additional provisions needed to cover assets increases occurring during the year.

Below are the maturities tables of the Bank as of December 31, 2007, in euros:

Maturities table, in euros. Sensitive assets

	Thousand euros					
2007	**Balance**	**1 month**	**1-3 months**	**3-12 months**	**1 – 5 years**	**over 5 years**
Money Market	1.622.623	676.017	-	-	146.607	800.000
Securities portfolio	-	-	-	-	-	-
Loans and receivables	4.517.482	163.852	328.151	1.148.378	2.297.190	579.911
Total	**6.140.105**	**839.868**	**328.151**	**1.148.378**	**2.443.797**	**1.379.911**

Maturities table, in euros. Sensitive liabilities

	Thousand euros					
2007	**Balance**	**1 month**	**1-3 months**	**3-12 months**	**1 – 5 years**	**over 5 years**
Money Market	5.341.896	1.701.453	254.119	1.209.603	2.082.764	93.957
Client funds	757.686	3.301	-	-	754.385	-
Other Sensitive Liabilities	17.294	5.406	-	457	8.939	2.492
Total	**6.116.876**	**1.710.161**	**254.119**	**1.210.060**	**2.846.087**	**96.449**
GAPS	23.229	(870.292)	74.032	(61.682)	(402.290)	1.283.462

5. Cash and balances with central banks

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

	Thousand euros	
ITEMS	**2007**	**2006**
Cash	2	6
Balances at the Bank of Spain	89	153
Total	**91**	**159**

6. Available-for-sale financial assets

6.1. Breakdown of the balance

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

	Thousand euros	
ITEMS	**2007**	**2006**
Other equity instruments		
Shares of Spanish companies		
Unlisted	1.863	1.814
Impairment losses	(1.662)	(1.662)
Total	**201**	**152**

During 2007 and 2006, no amount was debited from in the heading "Valuation Adjustments" for liabilities on the balance sheets with an entry in the income statements.

6.2. Impairment losses

During 2007 there were no changes in the impairment losses of "Other equity instruments" included in this heading.

In addition, below is a summary of changes occurred over 2006:

	Thousand euros
ITEMS	**2006**
Balance at beginning of year	**1.980**
Increase in impairment losses charged to income	167
derivatives	(485)
Balance at end of year	**1.662**

7. Loans and receivables

7.1. Breakdown of the balance

The breakdown of the balance in this heading in the balance sheets as of December 31, 2007 and 2006, based on the nature of the related financial instrument, was as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Loans and advances to credit institutions	1.633.014	245.954
Loans and advances to customers	4.696.524	3.293.652
Other financial assets	6.498	403
Total gross	**6.336.036**	**3.540.009**
Less: impairment losses	(141.392)	(98.260)
Total net	**6.194.644**	**3.441.749**

7.2. Loans and advances to credit institutions

The breakdown of the balance of this heading in the balance sheets as of December 31, 2007 and 2006, based on the nature of the related financial instrument, was as follows:

ITEMS	2007	2006
	Thousand euros	
Reciprocal accounts	118	128
Deposits with agreed maturity	1.622.535	245.002
Total gross	**1.622.653**	**245.130**
Valuation adjustment (*)	10.361	824
Total	**1.633.014**	**245.954**

(*) The above valuation adjustments relate to interest accrual and similar income

7.3. Loans and advances to customers

The breakdown of the balance of this heading in the balance sheets as of December 31, 2007 and 2006, without taking impairment losses into consideration and based on the mode and location of operations is as follows:

ITEMS	2007	2006
	Thousand euros	
Commercial credit	800	4.072
Secured loans	12	329
Credit accounts	13.972	9.667
Other loans	4.162.656	2.908.910
Receivable on demand and other	5.033	3.824
Financial leases	334.889	285.532
Impaired assets	125.485	60.889
Total gross	**4.642.847**	**3.273.223**
Valuation adjustment (*)	53.677	20.429
Total	**4.696.524**	**3.293.652**

(*) The valuation corrections shown above correspond to interests and similar income, to hedging derivatives associated to customer loan and receivables, to commissions, and to transaction costs.

The detail, by activity, of this heading as of December 31, 2007 and 2006 disregarding valuation adjustments was as follows:

ITEMS	2007	2006
	Thousand euros	
Public sector	2.343	1.639
Agriculture	22.526	17.713
Industrial	75.368	78.229
Real estate and construction	120.905	936.090
Commercial and financial	1.138.949	308.010
Loans to individual customers	2.917.069	1.894.881
derivatives	365.687	36.661
Total	**4.642.847**	**3.273.223**

The Bank provides its customers with financing to purchase real estate assets in the form of the finance lease arrangements recognized under the heading “Customer loans and receivables”.

Nearly all the balance in this heading corresponds to operations with residents of Spain.

As of December 31, 2007, from the total balance in the heading “Loans and advances to customers”, an amount of €754,385,000 (Note 15.2) corresponds to securitized loans in 2007 through the securitization funds of BBVA Finanzia Autos 1 FTA, which cannot be excluded from the balance as risks or rewards are retained on them.

7.4. Impaired assets and impairment losses

The changes in 2007 and 2006 in the "Loans and advances to customers – impaired financial assets" account are as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Balance at beginning of year	**60.889**	**41.534**
Inputs	209.617	104.482
Recoveries	(126.745)	(73.753)
Waivers	(334)	(276)
Transfers to write-off	(17.942)	(11.098)
Balance at year end	**125.485**	**60.889**

The breakdown by maturities of impaired assets and assets not deem as impaired but past-due, as of December 31, 2007 was as follows:

	Millones de euros					
	Activos deteriorados de credito a la clientela					
Importes vencidos hasta 3 meses	**vencidos de 3 a 6 meses**	**vencidos de 8 a 12 meses**	**vencidos de 12 a 18 meses**	**vencidos de 18 a 24 meses**	**vencidos más de 24 meses**	**Total**
5.032	53.127	40.609	19.102	12.495	152	**130.517**

The following shows the changes in impaired financial assets written off from the balance sheet for the years ended December 31, 2007 and 2006 because the possibility of their recovery was deemed remote::

	Thousand euros	
ITEMS	**2007**	**2006**
Balance at beginning of year	**106.610**	**98.651**
Additions due to:	**23.172**	**14.176**
Assets of remote collectability	17.942	11.098
Past-due and not collected	5.230	3.078
Derecognition due to:	**(7.100)**	**(6.217)**
Cash recovery	(5.814)	(5.224)
Foreclosed assets	(75)	(35)
Other changes	(1.211)	(958)
Balance at end of year	**122.682**	**106.610**

Changes in losses from impaired assets included in the "Loans and receivables" heading balance were as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Balance at beginning of year	**98.260**	**82.407**
Increase in impairment losses charged to income	67.126	30.986
Decrease in impairment losses credited to income	(5.944)	(3.955)
Elimination of impaired assets balance by loan loss provisioning	(17.942)	(11.098)
Transfers	(108)	(80)
Balance at end of year	**141.392**	**98.260**
Of which:		
- individually determined	37.996	22.181
- collectively determined	103.396	76.079
Per covered asset type:	**141.392**	**98.260**
Loans and advances to customers	141.392	98.260
By Geographical Area	**141.392**	**98.260**
Spain	140.072	96.956
Rest of Europe	1.320	1.304

Recovery of written-off assets in the years 2007 and 2006 amount to €4,672,000 and €3,999,000 respectively, and are presented by deducting the balance in the heading "Impairment losses on financial assets (net) – Loans and receivables" in the financial statement enclosed.

As of December 2007 and 2006, accumulated financial income from impaired assets was €9,851,000 and €5,168,000 respectively, though those amounts were not registered in the corresponding income statements, due to uncertainty with regard to their collectability.

8. Hedging derivatives (receivable and payable)

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

Thousand euros

	2007	2006
Non-organized markets		
Credit entities	**1.693**	**558**
Fair-value micro-hedge	1.693	558
Total	**1.693**	**558**
of which: Asset hedging derivatives	**11.492**	**558**
of which: Liability hedging derivatives	**(9.799)**	**-**

In 2007, in relation to the fair value hedges, €673,000 were recognized in loss and profit corresponding to hedging instruments and hedged items attributable to covered risk, respectively.

The notional and/or contractual amount of the formalized contracts does not imply the real risk assumed by the Bank, given that the net position in these financial instruments results from their compensation and/or combination.

9. Non-current assets held for sale

The balance of the item "Non-current assets held for sale" in the accompanying consolidated balance sheets corresponds mainly to the recovery of assets resulting from finance leases.

The changes in 2007 and 2006 in the balance of this heading in the balance sheets were as follows:

Thousand euros

ITEMS	2007	2006
Revalued and updated cost -		
Balance at beginning of year	**1.081**	**925**
Additions	2.142	2.069
Withdrawals	(2.144)	(1.913)
Transfers	-	-
derivatives	-	-
Balance at end of year	**1.079**	**1.081**
Impairment -		
Balance at beginning of year	**651**	**558**
Additions	222	155
Transfers	-	80
Uses	(259)	-
derivatives	108	(142)
Balance at end of year	**722**	**651**
Net balance -		
Balance at beginning of year	**430**	**367**
Balance at end of year	**357**	**430**

As of December 31, 2007 and 2006, there were no liabilities associated with non-current assets held for sale.

As of December 31, 2007 and 2006 the Bank has not financed any operations in relation to non-current assets held for sale.

The fair value of these entries has been determined taking into account the market values of similar assets.

Gains and losses generated on the disposal of material assets reached €533,000 and €9,000 in 2007, respectively (€311,000 and €14,000 in 2006, respectively) and are recognized in the headings "Other Gains" and "Other Losses" of the corresponding accompanying income statements (see Note 35).

10. Investments in associates

10.1. Investments in associated entities

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
By currency:		
In euros	137	107
By share price		
Unlisted	137	107
Less -		
Impairment losses	-	-
Total	**137**	**107**

The gross variation in 2007, disregarding impairment losses, was as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Balance at beginning of year	**107**	**107**
Acquisitions	-	-
Transfers (Note 10.2)	30	-
Sales	-	-
Balance at end of year	**137**	**107**

10.2. Investments in group Entities

The heading in the accompanying balance sheets includes the book value of the shares of companies forming part of the Group. The percentages of direct and indirect ownership and other relevant information on these companies are provided in Appendix I.

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
By currency:		
In euros	111.203	94.515
By share price		
Unlisted	111.203	94.515
Less -		
Impairment losses	(10.008)	-
Total	**101.195**	**94.515**

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

ITEMS	2007	2006
	Thousand euros	
Balance at beginning of year	**94.515**	**83.165**
Share capital increases and acquisitions	16.849	11.350
Transfers (Note 10.1)	(30)	-
Sales	(131)	-
Balance at end of year	**111.203**	**94.515**

The most notable transactions performed in 2007 and 2006 were as follows:

2007

On December 27, 2007, BBVA Finanzia, S.p.A. increased the capital stocks by €17,188,000 of which the Bank subscribed 50%, an investment of €8,657,000, including all acquisition expenses.

In June 2007 the company Finanzia Autorenting, S.A. carried out a capital increase for €2,971,000, issuing 33,007 new shares. The Bank subscribed in full to this increase (100%), an investment worth €8,192,000, of which €5,221,000 corresponded to the share premium, amounting to a participation of 88.32%.

The Bank then signed an agreement in which it acquired the remaining 11.68% share of Finanzia Autorenting S.A. that still belonged to a third party, for a purchasing price of €11,000,000. To this end the Bank paid out €4,000,000 as down payment on the non-conventional term purchase. The amount of the aforementioned down payment as well as the purchase commitment were recognized in the headings “Other financial assets” (see Note 7) and “Contingent commitments–Other commitments” (see Note 25), respectively, of the accompanying consolidated balance sheets.

On December 28, 2007, and for the amount of €17,060,000 the Bank sold 100% of its participation in General de Participaciones Empresariales, S.L., to BBVA, S.A. (a BBVA Group company). The Bank held this participation for an amount of €60,000, generating a profit of €17,000 which is recognized in the heading “Other gains–Gains on the sale of stakes” in the 2007 income statements (see Note 35).

In 2007, the Bank sold 69,999 shares of its stake in “Sociedad para la prestación de servicios administrativos, S.A.” for an amount of €126,000, obtaining a benefit of €56,000 which is recognized under the heading “Other gains–Gains on the sale of stakes” in the consolidated income statement for 2007. Following the aforementioned sale, the Bank holds 30,000 shares in the company, representing 30% of the capital. The account balance has been transferred to the heading “Participation in associate entities” in the accompanying consolidated balance sheets.

2006

On 24 March 2006, the corporation “Sociedad para la prestación de servicios administrativos, S.A.” was founded with a share capital of €100,000 divided in 100,000 shares of €1 each for the provision of administrative, organizational, information technology, and commercial services. On 30 March 2006, the Bank acquired 99.99% of said company.

In July 2006, the Bank acquired 50% of the Italian financial company Advera, S.A., a credit company founded in 2004 in which the BBVA Group already held the remaining 50% stake, through a joint venture of the BBVA Group with Banco Nazionale del Lavoro, SpA, for an amount of €6,250,000. From that time, the company changed its name to BBVA Finanzia SpA and, in addition, a capital increase of €10 million was approved, subscribed by Finanzia Banco de Credito by 50%, bringing the total invested amount to €11,250,000.

10.3. Impairment

The breakdown of the changes in impairment losses in 2007 and 2006 in this heading is as follows:

ITEMS	2007	2006
	Thousand euros	
Balance at beginning of year	**-**	**-**
Net provision for the year	10.008	-
Provision listed against results	10.008	-
Balance at end of year	**10.008**	**-**

11. Tangible assets

Changes in 2007 and 2006 in the balances of this heading of the consolidated balance sheets, including furniture, installations, and personal use vehicles, were as follows:

ITEMS	2007	2006
	Thousand euros	
Revalued and updated cost -		
Balance at beginning of year	**16.354**	**15.401**
Additions	695	981
Withdrawals	(98)	(28)
Balance at end of year	**16.951**	**16.354**
Accrued depreciation -		
Balance at beginning of year	**12.125**	**11.432**
Additions	761	706
Withdrawals	(40)	(13)
Balance at end of year	**12.846**	**12.125**
Net tangible assets -		
Balance at beginning of year	**4.229**	**3.969**
Balance at end of year	**4.105**	**4.229**

As of 31 December 2007 and 2006, there are no impairment losses in this heading of the accompanying consolidated balance sheets.

As of December 31, 2007 and 2006, €9,723,000 and €9,158,000 in material assets were in use and fully amortized.

12. Intangible assets

The breakdown of the balance of this heading in the balance sheets as of December 31, 2007 and 2006 corresponds to the net balance of the disbursements made on the acquisition of computer software.

The breakdown of the net changes in 2007 and 2006 in the balance of intangible assets has been as follows:

ITEMS	2007	2006
	Thousand euros	
Balance at beginning of year	**4.065**	**50**
Additions	709	4.445
Year amortization	(1.010)	(430)
Balance at end of year	**3.764**	**4.065**

13. Payable and receivable accrued interest

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

ITEMS	2007	2006
	Thousand euros	
Assets -		
Unmatured accrued expenses	22	13
Other prepayments and accrued income	9.737	4.953
Total	**9.759**	**4.966**
Liabilities -		
Accrued expenses not past-due	8.277	10.919
Accrued expenses and deferred income	1.289	875
Total	**9.566**	**11.794**

The balance of the “Other prepayments and accrued income” heading included on 31 December 2007 and 2006, among others, income due and not received for insurance programs related to credit contracts extended by the Bank.

14. Other assets and liabilities

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

	Thousand euros	
ITEMS	**2007**	**2006**
Assets -		
Transactions in transit	107	202
Other	173	82
Total	**280**	**284**
Liabilities -		
Transactions in transit	1.478	3.823
Accrued expenses not past-due	-	-
Total	**1.478**	**3.823**

15. Financial liabilities at amortized cost

The breakdown of the items making up the balances of this heading in the accompanying balance sheets is as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Deposits from credit institutions	5.380.188	3.359.415
Deposits from other creditors	760.132	2.612
Subordinated liabilities	6.029	6.025
Other financial liabilities	8.207	9.266
Total	**6.154.556**	**3.377.318**

15.1. Deposits from credit institutions

The breakdown of the balance of this heading in the accompanying balance sheets, based on the nature of the related transactions, is as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Deposits with agreed maturity	5.341.913	3.303.248
Valuation adjustment (*)	38.275	56.167
Total net	**5.380.188**	**3.359.415**

(*) The above valuation adjustments mainly to interest accrual,

The balance of this heading relates mainly to the amount of term deposits with Banco Bilbao Vizcaya Argentaria, S.A.. (see Note 1). As of31 December 2007 and 2006 these deposits accrued an average effective interest rate of 4.08% and 2.93%, respectively.

15.2. Deposits from customers

The breakdown of the balance of this heading in the accompanying balance sheets, based on the nature of the related transactions, is as follows:

ITEMS	Thousand euros 2007	2006
Other domestic sectors		
Current accounts	3.301	1.971
Time Deposits	754.724	597
Valuation adjustment (*)	2.107	44
Total	**760.132**	**2.612**

(*) The above valuation adjustments mainly to interest accrual,

The heading “Term deposits” detailed above includes an amount of €754,385, corresponding to the balance of the bonds issued for the securitization fund BBVA Finanzia Autos 1 FTA (see Note 7.3).

The balance in this heading corresponds to operations with residents of Spain.

15.3. Subordinated liabilities

As of December 31, 2007 and 2006 the balance of this heading in the accompanying consolidated balance sheets corresponds to a subordinated loan of €6,010,000 granted by Banco Bilbao Vizcaya Argentaria, S.A. (Note 1) with expiry in December 2011 and the quarterly variable EURIBOR interest rate plus 60 basis points. These issuances are non-convertible subordinated debt and, accordingly, for debt seniority purposes, they rank behind ordinary debt.

In 2007 and 2006 the subordinated debt bore interest amounted to €292,000 and €215,000, respectively (See Note 28).

16. Provisions

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

ITEMS	Thousand euros 2007	2006
Provisions for pensions and similar obligations	6.715	8.015
Provisions for contingent exposures and commitments	2.165	1.489
Other provisions	2.514	2.514
Total	**11.394**	**12.018**

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

ITEMS	Thousand euros Funds for pensions and similar commitments	Provisions for risks and contingent commitments	Other provisions
Balance at the beginning of 2006	**5.549**	**1.285**	**3.331**
Add -			
Contribution charged to profit for the year	3.325	221	1
Less -			
Available funds	(5)	(18)	(232)
Payments to early retirees	(844)	-	-
Amount used and other changes	(10)	1	(586)
Balance at end of 2006	**8.015**	**1.489**	**2.514**
Add -			
Contribution charged to profit for the year	307	676	-
Less -			
Available funds	(370)	-	-
Payments to early retirees	-	-	-
Amount used and other changes	(1.237)	-	-
Balance as of December 31, 2007	**6.715**	**2.165**	**2.514**

The net allowances charged to the income statement under the headings “Provision for pensions and similar obligations”, are recognized in the headings “Interests and similar charges” and “Personnel Costs” for the amounts of €285,000 and €22,000 respectively (€201,000 and €22,000 in 2006). An allocation of €370,000 has been recognized for the above in the heading “Provisions (net)” for 2007 (a provision of €3,097,000 was made in 2006).

Furthermore, the provisions under “Risk and contingent commitments” are recognized in the heading “Provisions (net)” in the corresponding income statements.

Finally, provisions for 2007 and 2006 recognized in “Other provisions” are recognized in the heading “Provisions (net)”, which additionally lists the available funds corresponding to the aforementioned years.

17. Commitments with personnel

Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary right holders 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 labor 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 instrumented in pension plans, insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.94% owned by the BBVA Group. The Employee Welfare System includes defined-contribution commitments and defined-benefit commitments.

17.1. Pension commitments through defined-contribution plans

The commitments with personnel for post-employment defined contribution have no impact in the accompanying balance sheets (Note 2.d). Contributions to the defined contribution plans as of December 31, 2007 amounted to €581,000 (€452,000 as of December 31, 2006).

17.2. Pension commitments through defined-benefit plans and other long-term benefits

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

ITEMS	2007	2006
Mortality tables	PERM/F 2000P.	PERM/F 2000P.
Discount rate (cumulative annual)	4.5%/AA corporate bond yield curve	4%/AA corporate bond yield curve
Consumer price index (cumulative annual)	2,0%	1,5%
Salary growth rate (cumulative annual)	At least 3% (depending on employee)	At least 2,5% (depending on employee)
Retirement ages	Those corresponding to the first date on which one is legally entitled to retirement or the contractually agreed date on an individual level in the case of early retirement	

17.2.1. Public social security system benefit supplement

The Bank has defined benefit commitments for permanent disability and death of 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 euros	
ITEMS	2007	2006
Commitments to retired employees	889	1.077
	889	**1.077**
Hedging at the year-end:		
With insurance contracts with insurance companies not linked to the group	889	1.077
Total	**889**	**1.077**

The insurance contracts contracted with insurance companies not linked to the Group that are shown in the preceding table reflect the sum of the assets they cover. As of December 31, 2007 and 2006, the amount of the commitments to be fulfilled was equal to the affected assets.

The current contributions made by the Bank in relation to defined benefit retirement commitments are recorded with a charge to the "Personnel Expenses – Contributions to pension funds" account of the accompanying income statement and amounted to €65 million and €50 million in 2007 and 2006, respectively.

17.2.2. 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. Los compromisos correspondientes a este colectivo, a partir de la edad de jubilación, están incluidos en el Sistema de Previsión Social.

The changes in 2007 and 2006 in the present value of the vested obligations for commitments to early retirees were as follows:

	Thousand euros	
ITEMS	2007	2006
Current actuarial value at start of year	**7.494**	**5.069**
+ Interest cost	263	181
+ Early retirements in the year	-	3.065
- Payments made	(1.228)	(845)
+/- Actuarial losses (gains)	(185)	37
+/- Other changes	-	(13)
Current actuarial value at end of year	**6.344**	**7.494**
Hedging at the end of each year		
In internal funds	6.344	7.494

17.2.3. Post-employment 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 breakdown of these commitments as of 31 December 2007 and 2006 is as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Post-employment welfare benefits commitments for retired employees.	170	201
Vested contingencies for commitments for post-employment welfare benefits of current employees	201	320
Total:	**371**	**521**
Hedging at the end of each year:		
In internal funds	371	521

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

	Thousand euros	
ITEMS	**2007**	**2006**
Current actuarial value at start of year	**521**	**480**
+ Interest cost	22	20
+ Current service cost	22	22
- Payments made	(9)	(9)
+/- Actuarial losses (gains)	(185)	(5)
+/- Other changes	-	13
Current actuarial value at end of year	**371**	**521**

17.2.4. Summary

Following is a summary of the charges recorded in the 2007 and 2006 income statements for post-employment benefit commitments:

	Thousand euros	
ITEMS	**2007**	**2006**
Interest and similar expenses		
Interest cost of pension funds	285	201
Personnel costs:		
Welfare benefits	22	22
Transfers to pensions plans	646	502
Provisions expense (net):		
Transfers to fund for pension and similar obligations		
Pension Funds	(185)	32
Early retirements	(185)	3.065
Total	**583**	**3.822**

As of 31 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.

17.3. Other commitments to employees

Other benefits for active employees are earned and settled annually, without any provision being necessary. The total cost of the employee welfare benefits as of 31 December 2007 and 2006 was €475,000 and €266,000, respectively, and these amounts were recognized with a charge to “Personnel Expenses – Other” in the accompanying income statements.

18. Other changes in Equity

Changes in net assets for 2007 and 2006 were as follows:

2007	Thousand euros Share capital (Note 19)	Reserves (Nota 20 y 21) (*)	Earnings	Adjustments for rating	Total
Balances at January 1, 2007	**14.983**	**125.422**	**20.065**	**-**	**160.470**
Valuation gains/(losses)	-	-	-	-	-
Corporate tax	-	-	-	-	-
Profit for the year	-	-	5.184	-	5.184
Application of earnings	-	20.065	(20.065)	-	-
Balances at December 31, 2007	**14.983**	**145.487**	**5.184**	**-**	**165.654**

(*) The amount of Reserves includes the amounts of the "Reserves" and "Share premium" headings in the accompanying consolidated balance sheets.

2006	Thousand euros Share capital (Note 19)	Reserves (Note 20 and 21) (*)	Earnings	Adjustments for rating	Total
Balances at January 1, 2006	**14.983**	**99.374**	**26.048**	**202**	**140.607**
Valuation gains/(losses)	-	-	-	(311)	(311)
Corporate tax	-	-	-	109	109
Profit for the year	-	-	20.065	-	20.065
Application of earnings	-	26.048	(26.048)	-	-
Balances at December 31, 2006	**14.983**	**125.422**	**20.065**	**-**	**160.470**

(*) The amount of Reserves includes the amounts of the "Reserves" and "Share premium" headings in the accompanying consolidated balance sheets.

19. Share capital

As of December 31, 2007 and 2006, the common stock of the Bank amounted to €14,982,930, divided into 2,493,000 registered shares with a nominal value of €6.01 each, fully subscribed and paid-up.

In 2007 share capital did not change.

The shareholder structure of the Bank as of 31 December 2007 was as follows:

	% of share
Corporación General Financiera, S.A. (*)	99%
Cidessa Uno, S.L. (*)	1%
Total	**100%**

(*) Entities belonging to the Banco Bilbao Vizcaya Argentaria Group.

20. Share premium

As of 31 December 2007 and 2006, the balance of this heading of the accompanying consolidated balance sheets was €27,818,000.

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

21. Reserves

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

	Thousand euros	
ITEMS	**2007**	**2006**
Restricted reserves:		
Legal reserve	2.997	2.997
Voluntary reserves:		
Voluntary and other	114.672	94.607
Total	**117.669**	**97.604**

Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. This limit had already been reached the 20% by the Bank. as of December 31, 2007. The legal reserve can be used to increase the share capital provided that the remaining reserve balance does not fall below 10% of the increased capital.

To the extent mentioned above, and 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.

22. Tax matters

The Company also files consolidated tax returns included in the 2/82 group with Banco Bilbao Vizcaya Argentaria, S.A. as its Parent Company. On 30 December 2002, the pertinent notification was made 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 the heading "Tax Collection Accounts" in the accompanying balance sheets contains the liability for applicable taxes, including the provision for corporation tax for each year, relative to the income and net of tax withholdings and prepayments in the same period. If any, the net positive balance from the Bank's provision for Corporate Income tax on profit for the year in course, minus withholdings and pre-payments for it as well as amounts to return from previous years is included under "Tax receivables" in the assets section of the accompanying balance sheets.

As a consequence of tax reforms approved in 2006, among which the modification of the general rate of the Corporate Income Tax to 32.5% for 2007 and 30% from 2008 onward, the Bank proceeded to adjust its deferred tax assets and liabilities according to the forecast recovery rate. The effect of the aforementioned regularization has been an increase in Corporate Tax spending by €246,000 approximately.

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

	Thousand euros	
ITEMS	**2007**	**2006**
Corporation tax at 32.5% (35% in 2006)	**2.877**	**12.606**
Effect due to permanent differences and others	547	3.004
Adjustments to prior years' income tax	243	344
Corporate tax	**3.667**	**15.954**

The Bank had 2004 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

On 27 February 2006, the Bank received notification of an inspection by the Tax Authority, covering the various taxes applicable to its activity and still enforceable at the aforementioned date corresponding to business years 2001, 2002, and 2003. As of 31 December 2007 the company inspection at the individual level has been closed, with the BBVA Group results still pending.

In view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax inspections of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the

Banks' Board of Directors and its tax advisers consider that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Bank's financial statements.

Independently from the income tax recognized in the income statements, in 2007 the Bank did not credit any amount to its equity.

The balance of the heading "Tax assets" in the balance sheets includes the tax receivables relating to deferred tax assets; in turn, the balance of the heading "Tax Liabilities" includes the liability relating to the Bank's various deferred tax liabilities.

Deferred tax assets amounted to €22,258,000 and €18,484,000 in 2007 and 2006, respectively.

The amount in "Deferred tax liabilities" amounted to €1,163,000 and €1,713,000 in 2007 and 2006, respectively.

23. Residual Maturity of Transactions

The breakdown, by maturity, of the amounts in key headings of the consolidated balance sheets as of December 31, 2007 and 2006 is as follows:

Thousand euros

2007	Total	At sight	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years old	Over 5 years old
ASSETS -							
Cash and balances with central banks	91	91	-	-	-	-	-
Loans and advances to credit institutions	1.622.653	118	678.838	5.780	26.443	830.209	81.265
Loans and advances to customers	4.642.847	147	139.970	310.368	1.075.975	2.390.786	725.601
Other financial assets	6.498	87	-	4.000	-	2.411	-
LIABILITIES -							
Deposits from credit institutions	5.341.913	-	1.700.159	259.814	1.228.246	2.058.071	95.623
Deposits from other creditors	758.025	3.301	-	-	123	754.601	-
Subordinated liabilities	6.010	-	-	-	-	6.010	-
Other maturing liabilities	8.207	135	6.803	-	-	40	1.229

Thousand euros

2006	Total	At sight	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years old	Over 5 years old
ASSETS -							
Cash and balances with central banks	159	159	-	-	-	-	-
Loans and advances to credit institutions	245.130	128	2	245.000	-	-	-
Loans and advances to customers	3.273.223	42	76.870	239.860	900.620	1.683.500	372.331
Other financial assets	403	-	-	-	-	403	-
LIABILITIES -							
Deposits from credit institutions	3.303.248	-	40.001	305.444	1.852.295	1.100.858	4.650
Deposits from other creditors	2.568	1.971	-	-	308	289	-
Subordinated liabilities	6.010	-	-	-	-	6.010	-
Other maturing liabilities	9.266	1.280	7.472	-	-	63	451

24. Fair value of financial assets and liabilities

Following is a comparison of the book values of the Bank's financial assets and liabilities and their respective fair values as of December 31, 2007.

Thousand euros

2007	Carrying amount	Fair value
workers		
Cash and balances with central banks	91	91
Available-for-sale financial assets	201	201
Loans and receivables	6.194.644	6.192.824
Hedging Derivatives	11.492	11.492
Liabilities		
Financial liabilities at amortized cost	6.154.556	6.196.180

The fair value of "Cash and balances with central banks", being short-term operations, is equivalent to the carrying amount. The fair value of "Loans and receivables" and "Financial liabilities at amortized cost" were estimated by discounting estimated cash flows using the market interest rates prevailing at each year-end.

25. Financial guarantees and drawable by third parties

The memorandum items "Contingent risks" and "Contingent commitments" of the accompanying consolidated balance sheets include the amounts that the Bank will have to pay on the behalf of third parties in case the later do not fulfill their payment obligations, as a result of commitments undertaken by the entity in the course of its normal activity.

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

	Thousand euros	
ITEMS	**2007**	**2006**
Contingent exposures -		
Collateral, bank guarantees and indemnities	96.170	66.017
Total	**96.170**	**66.017**
Contingent commitments -		
Drawable by third parties:		
Other resident sectors	10.568	16.638
Other commitments (Note 10.2)	**11.000**	**50**
Total	**21.568**	**16.688**

Since a significant portion of these amounts will reach maturity without any payment obligation materializing for the Bank, 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 the guarantee instruments is recorded under the heading "Commissions Income" in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

26.

This is the balance in the heading "Transfer of assets maintained in full on the balance sheet", which on 31 December 2007 amounted to €754,385,000 (see Note 7). As of December 31, 2006, the Bank did not maintain a balance for this item.

27. Interest and similar income

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

	Thousand euros	
ITEMS	**2007**	**2006**
Loans and advances to credit institutions	51.319	6.806
Loans and advances to customers	229.611	164.334
Public sector	132	62
Resident sector	224.709	164.052
Non-resident sector	4.770	220
Rectification of income as a result of hedging transactions	375	101
Other income	2.920	3.100
Total	**284.225**	**174.341**

28. Interest and similar expenses

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

	Thousand euros	
ITEMS	**2007**	**2006**
Loans and advances to credit institutions	165.311	80.654
Customer deposits	33.754	14
Subordinated liabilities (Note 15)	292	215
Rectification of expenses as a result of hedging transactions	(11.077)	788
Cost attributable to pension funds (Note 16 and 17)	285	201
Other interest	47	-
Total	**188.612**	**81.872**

29. Income from equity instruments

The balance in this heading of the income statement for 2007 corresponded fully to earnings shown in the heading “States in Group entities”.

30. Fee and commission income

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

	Thousand euros	
ITEMS	**2007**	**2006**
Contingent liabilities	133	86
Bank and other guarantees	133	86
For contingent commitments -	1	4
Collection and payment services	6	6
Non-banking		
financial products sales	22.198	15.563
Other fees and commissions	9.436	2.578
Total	**31.774**	**18.237**

31. Paid commissions

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

	Thousand euros	
ITEMS	**2007**	**2006**
Brokerage fees on lending and deposit transactions	28	43
Fees and commissions assigned to third parties	24	16
Other fees and commissions	8.910	4.489
Total	**8.962**	**4.548**

32. Gains or losses on financial operations

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

	Thousand euros
ITEMS	**2007**
Net result from the sale or evaluation of assets	
Financial assets held for trading	(86)
Available-for-sale financial assets	(1)
derivatives	(5.200)
Total	**(5.287)**

The balance shown under “Others” corresponds to the restructuring of the deposit with BBVA, S.A., and resulting from the securitization operation carried out in 2007 (see Note 26).

33. Personnel expenses

The breakdown of the entries in this heading of the accompanying income statements is:

	Thousand euros	
ITEMS	2007	2006
Wages and salaries	30.866	26.243
Social Security	6.421	5.394
Contributions to external pension funds (Note 17)	646	502
Other personnel expenses	2.216	1.808
Total	**40.149**	**33.947**

In 2007 and 2006, certain BBVA Group companies implemented corporate programs for the acquisition of shares with discount of Banco Bilbao Vizcaya Argentaria, S.A. The cost of these programs is recognized under the heading "Other personnel expenses".

The detail, by professional category and gender, of the average number of employees in 2007, was as follows:

	Average number of employees	
ITEMS	Men	Women
Executives	20	3
Technical personnel	212	77
Administrative personnel	127	206
Total	**359**	**286**

During 2006, the BBVA Group implemented a long-term parent company (BBVA S.A.) share-based remuneration plan for the members of the Group’s management team. As of December 31, 2007, and as concerns the Bank, the total accrued amount during the plan’s life (three years) amounts to €1,761,000 approximately. The corresponding cost for 2007, amounting to €862,000 is recorded in the heading “Personnel Expenses – Other expenses” of the income statement.

34. Other general administrative expenses

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

	Thousand euros	
ITEMS	2007	2006
Technology and systems	3.759	4.307
Communication	2.597	1.872
Advertising	1.209	296
Property, fixtures and materials	5.890	4.676
Taxes	429	454
Other administration expenses	11.257	9.490
Total	**25.141**	**21.095**

In the heading “Real estate, installations, and materials”, spending on the leasing of facilities is included, amounting to €2,930,000 and €2,537,000, respectively, for the years 2007 and 2006. Early cancellation of these agreements is not foreseen by the Bank.

The "Other administrative expenses” balance for 2007 detailed above includes fees paid to the external auditor for the performance of the audit of the Bank, amounting to € 82,000.

Furthermore, the Bank contracted other services during 2007 according to the following breakdown::

ITEMS	Thousand euros
Firms belonging to the Deloitte worldwide organization	22
Other firms	28

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.

35. Other income/losses

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

	Thousand euros	
ITEMS	**2007**	**2006**
Losses	**136**	**16**
Net losses on the disposal of fixed assets (Note 9)	9	14
Other losses	127	2
Gains	**29.761**	**12.521**
Net attributable profit on sales of equity holdings (Note 10-)	17.056	-
Gains on disposal of fixed assets (Note 9)	533	311
Financial income from non-financial services	12.157	12.126
Other products	15	84
Total	**29.625**	**12.505**

The heading "Financial income from atypical services" includes mainly invoicing for the management and administration assistance that the Bank provides to Uno-e Bank, S.A., a Banco Bilbao Vizcaya Argentaria Group company (see Note 1).

36. Related party transactions

36.1. Transactions with Group entities

For 2007 and 2006 the balances of the main aggregates in the financial statements arising from the transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out in normal market conditions, were as follows:

	Thousand euros	
ITEMS	**2007**	**2006**
Assets:	**2.882.187**	**1.205.449**
Loans and advances to credit institutions	1.632.895	245.826
Loans and receivables	1.228.236	959.065
Trading derivatives	11.492	558
Accrual accounts	9.563	-
Other Assets	1	-
Liabilities:	**5.396.530**	**3.365.782**
Deposits from credit institutions	5.380.188	3.359.415
Customer deposits	491	342
Subordinated liabilities	6.010	6.025
Trading derivatives	9.799	-
Accrual accounts	42	-
Memorandum accounts:	**102.439**	**78.393**
Contingent liabilities	96.090	65.936
Commitments and contingent exposures	6.349	12.457
Income statement:	**343.504**	**151.902**
Income	158.998	63.939
Expenses	184.506	87.963

There are no other significant effects on the annual financial statement of the Bank arising from dealings with Group companies, other than those arising from insurance policies to cover pension or similar commitments (see Note 17).

As of December 31, 2007 and 2006, the notional amount of the futures transactions arranged by the Bank with the main aforementioned companies amounted to €846,841,000 and €68,335,000, respectively.

36.2. Transactions with key personnel of the entity

The information on the remuneration of key personnel (members of the Board of Directors of the Bank) is included in Note 37.

The amount of the loans granted to current members of Board of Directors of the Bank as of December 31, 2007 totaled €477,000.

36.3. Transactions with other related parties

There are no other significant transactions with other related parties.

37. Benefits and others for the Board of Directors

The Board of Directors of the Bank is formed by five members, who are members of the Banco Bilbao Vizcaya Argentaria, S.A. management board.

Members of the board do not receive a salary for holding this post. However, as they are all, except Gonzalo Toraño Vallina, members of the Bank's Executive Team, they receive compensation for this post, which in 2007 amounted to €939,000 in fixed and variable remuneration, €103,000 in remuneration in kind, and €4,000 in contributions to the Pensions Plan.

38. Detail of the Director's holdings in companies with similar business activities

Pursuant to Article 127 ter.4 of the Amended Corporations Law, introduced by Act 26/2003 of 17 July which amended Law 24/1988, of 28 July on the Securities Market and the Amended Corporations Law, the companies engaging in an activity that is identical, similar or complementary to that which constitutes the corporate purpose of the Finanzia Banco de Crédito, S.A., in which the members of the Board of Directors have an ownership interest or exercise duties within are listed as follows:

		Share		
Full name	**Company**	**Number of shares**	**Type of investment in entity**	**Post or function:**
Amado Dominguez, Jaime Alfredo	BBVA	1.533	Direct	Executive
Cruz Veira, Javier	BBVA	7.051	Direct	Executive
De Parias Halcon, Cristina	BBVA	17.926	Direct	Directive
Garibi Soga, Pedro	BBVA	1.661	Direct	Executive
Toraño Vallina, Gonzalo	BBVA	42.335	Direct	Executive

Also, in accordance with the aforementioned text, the activities realized, for their own account or that of others, by the members of the Board of Directors, that are identical, similar or complementary to that which constitutes the corporate purpose of the Finanzia Banco de Crédito, S.A. are indicated below:

Full name	**Activity carried out**	**Company through which the activity is carried out**	**Post or function that are held or carried out in the indicated Company**
Amado Dominguez, Jaime Alfredo	Director	Uno-e Bank, S.A.	Director
Cruz Veira, Javier	Director	Uno-e Bank, S.A.	Director
De Parias Halcon, Cristina	Director	Uno-e Bank, S.A.	Director
Garibi Soga, Pedro	Director	Uno-e Bank, S.A.	Director
Sanchez Murillo, Vicente	Director	Uno-e Bank, S.A.	Director
Toraño Vallina, Gonzalo	Chairman and CEO	Uno-e Bank, S.A.	Chairman and CEO

39. Subsequent events

On 19 February 2008, the Bank formalized the acquisition of an 11.68% stake of the share capital of Finanzia Autorenting S.A., a company that does not belong to the BBVA Group, for a price of €10,999,000. The Bank had paid €4,000,000 on 29 June 2007, considered a down payment on the purchase in installments, with this amount recognized in the heading “Other financial assets” as of 31 December 2007 (see Note 7).

Following this purchase, the stake of the Bank in Finanzia Autorenting, S.A. increased to 99.99%. Also, BBVA Renting, S.A. (a BBVA Group company) acquired on 19 February 2008 a share for an amount of €1,000.

APPENDIX I
INVESTMENTS IN SUBSIDIARIES

			% of voting rights controlled by the Bank			Thousands of euros (*)				
							Investee Data			
Company	Location	Operations	Direct	Indirect	Total	Value Net carrying amount	Assets 31.12.07	Liabilities 31.12.07	Equity 31.12.07	Result Year ended December 31, 2007
FINANZIA AUTORENTING, S.A.	SPAIN	SERVICES	88,32		88,32	22.561	670.226	640.224	37.032	(7.030)
BBVA,INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERV.	49,90		49,90	16.268	345.313	310.757	31.608	2.948
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	SPAIN	SERVICES	99,96		99,96	150	1.711	529	715	467
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM., LDA.	PORTUGAL	FINANCIAL SERV.	100,00		100,00	17.217	58.502	49.053	9.914	(465)
UNO-E BANK, S.A.	SPAIN	BANKING	32,65		32,65	35.040	1.684.959	1.532.926	134.747	17.286
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERV.	5,94		5,94	60	760.048	669.250	81.980	8.818
BBVA FINANZIA, S.p.A	ITALY	FINANCIAL SERV.	50,00		50,00	19.907	371.712	344.827	32.155	(5.270)
					TOTAL:	**111.203**				

(*) Non-audited information

The English version is only a translation of the original in Spanish for information purposes In the event of a discrepancy, the Spanish-language version prevails

FINANZIA BANCO DE CRÉDITO, S.A.

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Finanzia Banco de Crédito, S.A. (hereinafter “the Bank”) is a private-law entity founded on 1 September 1949 and governed by the rules and regulations applicable to banks operating in Spain and a part of the Grupo Bilbao Vizcaya Argentaria (hereinafter, BBVA Group), subject to the International Financial Reporting Standards (IFRS-EU) .

The management report of the Bank has been prepared from the accounting and management books with regard to the financial information included herein. It is compliant to the criteria established by Bank of Spain Circular 4/2004.

MINIMUM CAPITAL REQUIREMENTS

Law 13/1992, dated 1 June, and Circular 5/1993 of the Bank of Spain together with its subsequent amendments regulate minimum equity requirements for Spanish credit entities–both individually and as consolidated groups–and the manner in which equity is to be calculated.

As of December 31, 2007 and 2006, the Bank's capital exceeded the minimum level required by the mentioned regulation.

On 16 February 2008, Royal Decree 216/2008, dated 15 February, on the equity of financial entities was published. Furthermore, a number of amendments have been introduced to Law 13/1985, dated 25 May, covering investment coefficients, equity, and mandatory disclosures on financial intermediaries. These new regulations mainly aim to incorporate into Spanish law EC Directives 2006/48/CE and 2006/49/CE, which in turn incorporate the New Basil Agreement (“Basil II”) into European Law.

Therefore the Bank will be subject during 2008 to the calculation of equity requirements pursuant to the aforementioned regulations. These changes to the manner in which entities must calculate their minimum equity requirements include new risks such as operational risk implying further capital allocations, as well as new methodology and calculation methods to be employed by entities, as well as new requirements involving validation methods and public domain information to be released to the markets.

The BBVA Group, to which the Bank belongs, is implementing the necessary changes to its policies and processes to comply with the stipulations of the aforementioned norms. Therefore, as part of the general adherence effort to Basil II made over recent years, advanced management tools are being introduced for risk measurement (scoring systems, Value at Risk [VaR], operational risk measurement, among others) incorporating as a fundamental variable within models the analysis of equity requirements and impacts of decisions by the Group. In any case, it is estimated by the Bank’s Managers that the entry into vigor of the aforementioned regulation will not have significant impacts.

BALANCE SHEET AND BUSINESS

As of December 31, 2007, the Bank's consolidated balance was €6,356,261,000 (€3,573,146,000 in 2006). In 2007, loans and receivables increased by €2,752,895,000, i.e. a 80.0% increase on the previous year.

INCOME STATEMENT

In 2007, the Bank's pre-tax profit was €8,851,000 (€36,019,000 in 2006). Net profit was €5,184,000 (€20,065,000 in 2006).

The interest margin in 2007 financial income minus financial costs, without including profits from equity investments, improved by 3.4% and reached €95,613,000, compared to €92,469,000 in 2006.

The ordinary margin, due to increases in commissions, was for 2007 €113,863,000 compared to €106,158,000 in 2006.

Finally, the result of exploitation activities is €46,272,000 in 2007, compared to €49,937,000 in 2006.

THE RISK MANAGEMENT SYSTEM IN THE BBVA GROUP

The Bank's risk management is integrated in the Group's risk management system.

The task of risk management is to provide supervision means making it possible to achieve the necessary balance between risk taking and expected profitability of the businesses, with the objective of maximizing profits for shareholders while creating value.

The Group has developed a global risk management system comprising three components: a corporate risk governance regime; a set of tools, circuits and procedures; and an internal risk control system.

Corporate governance system

In consort with and under the supervision of the Group's Risk Area, the Bank established its risk in terms of operational limits and the delegation of power for the assessment of credit, market, and structural risks.

The Assets and Liabilities Committee (ALCO) is responsible for actively managing structural liquidity, interest rate and exchange rate risks, together with the Bank's capital resources base.

The Bank's Technical Operations Committee analyzes and approves, if appropriate, transactions and financial programs to the level of its competency, passing on those beyond its scope of power to the corresponding higher office of the Group.

Tools, circuits, and procedures

The Bank has designed management systems in keeping with the requirements of each risk type.

The consideration of risk management as a continuum has led to the standardization of various risk management processes, using measurement tools for risk acceptance, assessment and monitoring and to the definition of appropriate circuits and procedures, which are reflected in manuals that also include management criteria.

For the aforementioned purpose, the following activities are carried out, among others:

- Assess the risk exposure of the portfolios.
- Calculate probabilities of default (PD) scales, severity, and expected loss for each portfolio, giving a PD score to new operations.
- Determine the possible impacts of structural risks in the financial statements.
- Establish limits and alerts guaranteeing the Bank's liquidity.
- Identifying and quantifying operational risks by business type and thereby facilitate their mitigation by way of corrective actions.
- Define efficient circuits and procedures to serve the established objectives.

In sum, risk management is approached as a whole, and applied by way of an overarching management system.

Risk Maps

The development, implementation, and continuous improvement of a risk management system requires the establishment on checks and indicators to guarantee that the management systems are working properly, and that progress is being made in the development of the management model in keeping with the defined objectives. Furthermore, best practices in risk management are identified and adopted.

To this end, the Group has an independent remit to develop, pursuant to the recommendations of regulators, Risk Maps to identify existing gaps in risk management and to establish action plans with the business areas to close the aforementioned gaps.

RESEARCH AND DEVELOPMENT

During 2007, the Group has continued with the development and promotion of the "Transformation Plan" started in 2006, allocations for which are to foster technological advances to create new products or production processes, or substantial improvements that are technologically significant in the area of already existing products or production processes.

The English version is only a translation of the original in Spanish for information purposes In the event of a discrepancy, the Spanish-language version prevails

<u>ENVIRONMENTAL INFORMATION</u>

As of December 31, 2007, there were no items in the Bank's financial statements that warranted inclusion in the separate environmental information document set out in the Ministry of the Economy Order dated October 8, 2001.

<u>REPORT ON THE ACTIVITY OF THE CUSTOMER CARE AND CUSTOMER OMBUDSMAN DEPARTMENT</u>

In Spain the BBVA Group has a Customer Care Service in place to manage customer complaints and grievances. In addition, if a customer is not satisfied with the solution proposed by the Customer Care Service, he or she has a second line of defense in the Customer Ombudsman.

In accordance with the stipulations of Article 17 of the Ministry for the Economy Order ECO/734/2004, dated March 11 regarding customer care and consumer ombudsman departments at financial institutions, and in line with the BBVA Group's "Internal Regulations for Customer Protection in Spain" approved by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. in its meeting of July 23, 2004, the following is a summary of the activities of these departments in 2007:

Report on the activity of the Customer Care Service in 2007

a) Statistical summary of the grievances and complaints handled by the BBVA Group Customer Care Service, presented by customers of Finanzia Banco de Crédito, S.A. in 2007.

The number of customer complaints received by the BBVA Group Customer Care Service and corresponding to Finanzia Banco de Crédito, S.A. in 2007 was 33, all of which were processed as they all complied with the requirements of the Ministerial Order ECO/734. All (100%) of the complaints were resolved within the year, with no case pending further analysis as of December 31, 2007.

The complaints managed can be classified as follows:

ITEMS	Percentage of Complaints
Assets/Loan products	79,0%
Services (receipts, automatic teller machines, transfers)	15,0%
Quality of Service (information to customers, promotions)	3,0%
Insurance	3,0%
Recoveries	-
TOTAL	100,0%

The complaints handled in 2007, broken down by the nature of their final resolution, are as follows:

ITEMS	Number of Complaints
In favor of the person submitting the complaint	24
Partially in favor of the person submitting the complaint	4
In favor of the BBVA Group	5

The principles and methods used by the Customer Care Service to resolve complaints are based on the application of the rules on transparency and customer protection and
good banking practices. The Service adopts its decisions independently, notifying the various units involved of any actions which require review or adaptation to the related regulations.

b) Recommendations or suggestions derived from the experience acquired by the ombudsman's activity, with a view to better meeting its aims.

The English version is only a translation of the original in Spanish for information purposes In the event of a discrepancy, the Spanish-language version prevails

In 2007, the Customer Care Service aided in the resolution of a significant number of claims and encouraged amicable settlements to disputes which, undoubtedly, boost customer satisfaction and perceptions of quality.

The company has applied a number of recommendations with respect to initiatives aimed at improving the banking practice of the different companies subject to the Regulation.

It should be noted that, as a result of strategic and operational improvements achieved in this unit and building upon last year's progress, the Bank of Spain did not inform Finanzia Banco de Credito, S.A. of any matter, a decrease of 100% compared to the previous year.

Report on the activity of the BBVA Customer Ombudsman

a) Statistical summary of the grievances and complaints handled by the BBVA Group Customer Ombudsman, presented by customers of Finanzia Banco de Crédito, S.A. in 2007.

The number of customer complaints forwarded to the Customer Ombudsman for resolution in 2007 was five, of which only two were admitted as they complied with the requirements of the Ministerial Order. ECO/734. Every case was resolved and closed in the year that it was presented.

The grievances and complaints handled are classified in the table below in line with the criteria established by the Claims Service of the Bank of Spain in its half-yearly data compilations:

ITEMS	**Number of Complaints**
Assets operations	2

The 2 cases received in 2007 can be classified according to individual final resolutions by the Ombudsman, as follows:

ITEMS	**Number of Complaints**
Amicable agreement between the customer and the group	2

Based on the above, over 100% of the customers bringing a complaint before the Consumer Ombudsman were in some way satisfied.

The Ombudsman's decisions are based on current legislation, the contractual relationships in place between the parties, current standards on transparency and customer protection on best banking practices and, especially, on the principle of equity.

The independent nature of the role of the Consumer Ombudsman is essential and is a required to earn the trust of the institution's clientele. The decisions handed down by the Ombudsman in favor of the customer are binding on the affected Group entity.

b) Recommendations or suggestions derived from the experience acquired by the ombudsman's activity, with a view to better meeting its aims.

In the report containing the activity of the BBVA Group Customer Ombudsman are some recommendations for all group entities subject to the BBVA Group's Customer Defense Regulation, including:

- Operational recommendations to improve the customer service and defense system, as regards the implementation of the electronic signature.
- Recommendations on information and transparency in operations and products (MiFID): by paying special attention to the information given to clients on risk, liquidity and reimbursement or penalties for the products contracted.

- Recommendation on adjusting the product profile to the client profile
- Recommendations on publicity and advertising messages.
- Recommendations for streamlining the process of wills and testaments.

It should be noted that in 2007 there were no complaints presented to the various public supervisory authorities **that had first been handled by the Office of the Ombudsman**.

FUTURE OUTLOOK

Worldwide growth in 2007 of around 5% has meant that the expansive cycle initiated in 2003 continued. In general, moderate slowdown was observed in industrial countries. The latter was more significant in the US, which grew 2.1% compared to 2.9% in 2006. The European Monetary Union, for its part, saw a solid expansion of activity with a growth of 2.6% compared to just two decimal points lower in 2006. China and other emerging markets maintained their dynamism and began to take an even more prominent position in worldwide growth. The Spanish economy also showed renewed signs of a noteworthy boost: growth in 2007 was 3.8%, a figure very similar to 2006, and which remains significantly higher than the EMU average.

For 2008 a cyclical moderation of growth is expected, the magnitude of which will be conditioned by the uncertain financial climate. Another factor is the rise in the price of oil, which reached new historic records in 2007. However, it is expected that emerging economies, strengthened by the foundations built over recent years and the solidity of their respective internal demands, will not be affected significantly and will continue to drive world growth.

The strategic plan for the Bank in 2008 includes a number of action points: organic growth through the increase of market share, new market development and acquisitions, and the full implementation of the Transformation Plan initiated in 2006.

EVENTS SUBSEQUENT TO 31 DECEMBER 2007

On 19 February 2008, the Bank formalized the acquisition of an 11.68% stake of the share capital of Finanzia Autorenting S.A., a company that does not belong to the BBVA Group, for a price of €10,999,000. The Bank had paid €4,000,000 on 29 June 2007, considered a down payment on the purchase in installments, with this amount recognized in the heading “Other financial assets” as of 31 December 2007.

Following this purchase, the stake of the Bank in Finanzia Autorenting, S.A. increased to 99.99%. Also, BBVA Renting, S.A. (a BBVA Group company) acquired on 19 February 2008 a share for an amount of €1,000.

TREASURY SHARES

The Bank did not carry out treasury shares operations in 2007.