Finanzia Banco de Crédito, S.A.

Financial Statements for the Year Ended 31 December 2008 and Directors´ Report, together with Independent Auditors´Report

The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails.

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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 2008 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 the 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 2008, those for the previous tax year. Our opinion exclusively refers to the annual accounts of the tax year 2008. We issued our audit report on 31 March 2008 for the annual accounts of the tax year 2007, 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 2008 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 2008, an increase in net reserves and

net losses of 2.044 and 22.683 billion euros, and a decrease in assets of 48.836 billion euros, respectively.

4. In our opinion, the annual accounts for the tax year 2008 present fairly, in all material respects, the equity and the financial situation of the Bank on 31 December 2008 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, by the Bank of Spain, which are the same as those applied in the previous tax year.

5. The attached management report for the tax year 2008 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 2008. 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
3 April 2009

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Deloitte Touche Tohmatsu

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FINANZIA BANCO DE CRÉDITO, S.A.

Financial statements for the year ended December 31, 2008

FINANZIA BANCO DE CRÉDITO, S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007 (Notes 1 to 3)

	Thousand euros	
ASSETS	**2008**	**2007 (*)**
CASH AND BALANCES WITH CENTRAL BANKS (Note 6)	**48**	**91**
FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt securities	-	-
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	-	-
Loans and advances to customers	-	-
Debt securities	-	-
Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7)	**201**	**201**
Debt securities	-	-
Equity instruments	201	201
Memorandum item: Loaned or advanced as collateral	-	-
LOANS AND RECEIVABLES (Note 8)	**7.215.614**	**6.180.361**
Loans and advances to credit institutions	2.351.607	1.633.101
Loans and advances to customers	4.864.007	4.547.260
Debt securities	-	-
Memorandum item: Loaned or advanced as collateral	1.293.817	754.385
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 9)	**9.221**	**11.492**
NON-CURRENT ASSETS HELD FOR SALE (Note 10)	**1.789**	**357**
EQUITY HOLDINGS (Note 11)	**127.531**	**101.332**
Associates	137	137
Jointly controlled entities	15.200	-
Group companies	112.194	101.195
INSURANCE POLICIES LINKED TO PENSIONS	**-**	**-**
TANGIBLE ASSETS (Note 12)	**4.953**	**4.105**
Property, plants and equipment	4.953	4.105
For own use	4.953	4.105
Assets leased out under an operating lease	-	-
Investment properties	-	-
Memorandum item: Acquired under financial leasing	-	-
INTANGIBLE ASSETS (Note 13)	**3.796**	**3.764**
Goodwill	-	-
Other intangible assets	3.796	3.764
TAX ASSETS (Note 21)	**25.261**	**30.236**
Current	-	-
Deferred	25.261	30.236
OTHER ASSETS (Note 14)	**14.993**	**10.039**
TOTAL ASSETS	**7.403.407**	**6.341.978**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 34 and Appendices I and II are an integral part of the balance sheet as of December 31, 2008.

The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails.

FINANZIA BANCO DE CRÉDITO, S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007 (Notes 1 to 3)

Thousand euros

LIABILITIES AND NET EQUITY	2008	2007 (*)
FINANCIAL ASSETS HELD FOR TRADING	**62**	**-**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Trading derivatives	62	-
Short positions		-
Other financial liabilities	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE CHARGED TO PROFIT AND LOSS	-	-
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Marketable debt securities	-	-
Subordinated liabilities	-	-
Other financial liabilities	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST (Note 15)	**7.186.560**	**6.140.273**
Deposits from central banks	-	-
Deposits from credit institutions	6.558.869	5.380.188
Customer deposits	615.611	745.849
Marketable debt securities	-	-
Subordinated liabilities	6.024	6.029
Other financial liabilities	6.056	8.207
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF IN	**-**	**-**
HEDGING DERIVATIVES (Note 9)	**26.576**	**9.799**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**-**
PROVISIONS (Note 16)	**19.468**	**11.394**
Provisions for pensions and similar obligations	14.731	6.715
Provisions for taxes	-	-
Provisions for contingent exposures and commitments	2.168	2.165
Other provisions	2.569	2.514
TAX LIABILITIES (Note 21)	**599**	**3.814**
Current	-	2.651
Deferred	599	1.163
OTHER LIABILITIES (Note 14)	**11.844**	**11.044**
TOTAL LIABILITIES	**7.245.109**	**6.176.324**

(*) Presented for comparison purposes only.

	Thousand euros	
LIABILITIES AND EQUITY *(Continued)*	**2008**	**2007 (*)**
SHAREHOLDERS' FUNDS	**161.326**	**165.654**
Capital (Note 18)	**14.983**	**14.983**
Issued	14.983	14.983
Less: Uncalled share capital	-	-
Share premium (Note 19)	**27.818**	**27.818**
Reserves (Note 20)	**122.853**	**117.669**
Other equity instruments	**-**	**-**
Equity component of compound financial instruments	-	-
Rest of equity instruments	-	-
Less: Treasury shares	**-**	**-**
Result for the year	**(4.328)**	**5.184**
Less: Dividends and remuneration	**-**	**-**
VALUATION ADJUSTMENTS (Note 9)	**(3.028)**	**-**
Available-for-sale financial assets	-	-
Cash flow hedging	(3.028)	-
Hedges of net investment in foreign operations	-	-
Exchange Differences	-	-
Non-current assets held for sale	-	-
Other valuation adjustments	-	-
TOTAL EQUITY	**158.298**	**165.654**
TOTAL LIABILITIES AND EQUITY	**7.403.407**	**6.341.978**

MEMORANDUM ITEM	**2008**	**2007 (*)**
CONTINGENT EXPOSURES (Note 22)	**96.240**	**96.170**
CONTINGENT COMMITMENTS (Note 22)	**17.189**	**21.568**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 34 and Appendices I and II are an integral part of the balance sheet as of December 31, 2008.

FINANZIA BANCO DE CRÉDITO, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (Notes 1 to 3)

	Thousand euros	
	2008	**2007 (*)**
INTEREST AND SIMILAR INCOME (Note 24)	379.713	284.225
INTEREST EXPENSE AND SIMILAR CHARGES (Note 24)	(292.423)	(188.612)
INTEREST MARGIN	**87.290**	**95.613**
INCOME FROM EQUITY INSTRUMENTS	-	725
FEE AND COMMISSION INCOME (Note 25)	34.110	31.774
FEE AND COMMISSION EXPENSES (Note 26)	(7.893)	(8.962)
GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 27)	(36)	(5.287)
Financial assets held for trading	(36)	(86)
Other financial assets at fair value through profit or loss	-	-
Other financial instruments not at fair value through profit or loss	-	(5.201)
Other	-	-
EXCHANGE DIFFERENCES (NET)	-	-
OTHER OPERATING INCOME (Note 28)	5.964	12.828
OTHER OPERATING EXPENSES (Note 28)	(2.230)	(1.313)
GROSS MARGIN	**117.205**	**125.378**
ADMINISTRATIVE EXPENSES (Note 29)	(67.491)	(65.290)
Personnel expenses	(38.452)	(40.149)
Other administrative expenses	(29.039)	(25.141)
DEPRECIATION AND AMORTIZATION (Notes 12 and 13)	(1.850)	(1.771)
PROVISIONS MADE (Note 16)	(9.441)	(306)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	(42.416)	(56.510)
Loans and receivables (Note 4)	(42.416)	(56.510)
Other financial instruments not at fair value through profit and profit	-	-
NET OPERATING INCOME	**(3.993)**	**1.501**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	-	(10.008)
Goodwill and other intangible assets	-	-
Other assets (Note 11)	-	(10.008)
GAINS (LOSSES) ON WRITE OFF OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE (Note 11)	-	17.056
NEGATIVE GOODWILL	-	
GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS (Note 30)	554	302
PRE-TAX PROFIT/LOSS	**(3.439)**	**8.851**
INCOME TAX (Note 21)	(889)	(3.667)
PRIOR YEAR INCOME FROM CONTINUING OPERATIONS	**(4.328)**	**5.184**
INCOME FROM DISCONTINUED OPERATIONS (NET)	-	-
INCOME FOR THE YEAR	**(4.328)**	**5.184**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 34 and Appendices I and II are an integral part of the income statement for the year ended December 31, 2008.

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FINANZIA BANCO DE CRÉDITO, S.A.

CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(Notes 1 to 3)

	Thousands of euros								
	Shareholders' Funds								
	Capital (Note 18)	Share premium (Note 19)	Reserves (Note 20)	Other equity instruments	Result for the year	Less: Dividends and remuneration	Total shareholders' funds	Valuation adjustments (Note 9)	Total Net Equity
Balances at January 1, 2007 (*)	**14.983**	**27.818**	**97.604**	-	**20.065**	-	**160.470**	-	**160.470**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Effect of correction of errors	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**14.983**	**27.818**	**97.604**	-	**20.065**	-	**160.470**	-	**160.470**
Total income/expenses recognized	-	-	-	-	**5.184**	-	**5.184**	-	**5.184**
Other changes in equity	-	-	**20.065**	-	**(20.065)**	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-
Increase of other equity instruments	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-
Dividend distribution/Shareholder remuneration	-	-	-	-	-	-	-	-	-
Transactions including treasury shares and other equity instruments (net)	-	-	-	-	-	-	-	-	-
Transfers between net equity entries	-	-	20.065	-	(20.065)	-	-	-	-
Increase/Reductions due to business combinations	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-
Rest of increases/reductions in total equity	-	-	-	-	-	-	-	-	-
Balances at December 31, 2007 (*)	**14.983**	**27.818**	**117.669**	-	**5.184**	-	**165.654**	-	**165.654**

	Thousand euros								
	Shareholders' funds								
	Capital (Note 18)	Share premium (Note 19)	Reserves (Note 20)	Other equity instruments	Result for the year	Less: Dividends and remuneration	Total shareholders' funds	Valuation adjustments (Note 9)	Total Net Equity
Balances at January 1, 2008	**14.983**	**27.818**	**117.669**	-	**5.184**	-	**165.654**	-	**165.654**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-
Effect of correction of errors	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**14.983**	**27.818**	**117.669**	-	**5.184**	-	**165.654**	-	**165.654**
Total income/expenses recognized	-	-	-	-	**(4.328)**	-	**(4.328)**	**(3.028)**	**(7.356)**
Other changes in equity	-	-	**5.184**	-	**(5.184)**	-	-	-	-
Capital increases	-	-	-	-		-	-	-	-
Capital reductions	-	-	-	-		-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-		-	-	-	-
Increase of other equity instruments	-	-	-	-		-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-		-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-		-	-	-	-
Dividend distribution/Shareholder remuneration	-	-	-	-		-	-	-	-
Transactions including treasury shares and other equity instruments (net)	-	-	-	-		-	-	-	-
Transfers between net equity entries	-	-	5.184	-	(5.184)	-	-	-	-
Increase/Reductions due to business combinations	-	-	-	-		-	-	-	-
Payments with equity instruments	-	-	-	-		-	-	-	-
Rest of increases/reductions in total equity	-	-	-	-		-	-	-	-
Balances at December 31, 2008	**14.983**	**27.818**	**122.853**	-	**(4.328)**	-	**161.326**	**(3.028)**	**158.298**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 34 and Appendices I and II are an integral part of the statement of changes in total equity for the year ended December 31, 2008.

CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (Notes 1 to 3)

	Thousand euros	
STATEMENT OF RECOGNIZED INCOME AND EXPENSES	**2008**	**2007 (*)**
INCOME FOR THE YEAR	**(4.328)**	**5.184**
OTHER RECOGNIZED INCOME (EXPENSES)	**(3.028)**	-
Available-for-sale financial assets	-	-
Valuation gains/(losses)	-	-
Amounts removed to income statement	-	-
Other reclassifications	-	-
Cash flow hedging	(4.326)	-
Valuation gains/(losses)	(4.326)	-
Amounts removed to income statement	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-
Other reclassifications	-	-
Hedging of net investment in foreign transactions	-	-
Valuation gains/losses	-	-
Amounts removed to income statement	-	-
Other reclassifications	-	-
Exchange Differences	-	-
Valuation gains/(losses)	-	-
Amounts removed to income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Valuation gains and losses	-	-
Amounts removed to income statement	-	-
Other reclassifications	-	-
Actuarial gains and losses on pension plans	-	-
Rest of recognized income and expenses	-	-
Income tax	1.298	-
TOTAL RECOGNIZED INCOME/EXPENSE	**(7.356)**	**5.184**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 34 and Appendices I and II are an integral part of the statement of changes in total equity for the year ended December 31, 2008.

FINANZIA BANCO DE CRÉDITO, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (Notes 1 to 3)

	Thousand euros	
	2008	**2007 (*)**
CASH FLOW FROM OPERATING ACTIVITIES(1)	**33.724**	**668**
Result for the year	**(4.328)**	**5.184**
Adjustments to obtain the cash flow from operating activities:	**12.022**	**21.006**
Amortization	1.850	1.771
Other adjustments	10.172	19.235
Net increase/decrease in operating assets	**(1.032.961)**	**(2.802.840)**
Financial assets held for trading	-	-
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	-	(49)
Loans and receivables	(1.035.253)	(2.752.895)
Other operating assets	2.292	(49.896)
Net increase/decrease in operating liabilities	**1.058.102**	**2.773.651**
Financial assets held for trading	62	-
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortized cost	1.046.292	2.793.063
Other operating liabilities	11.748	(19.412)
Collection/Payments for income tax	**889**	**3.667**
CASH FLOWS FROM INVESTMENT ACTIVITIES(2)	**(30.734)**	**(740)**
Investments	**35.769**	**(20.395)**
Tangible assets	1.784	(695)
Intangible assets	1.117	(709)
Equity holdings	26.199	(16.849)
Other business units	-	-
Non-current assets and associated liabilities held for sale	6.669	(2.142)
Held-to-maturity investments	-	-
Other payments related to investment activities	-	-
Collections	**5.035**	**19.655**
Tangible assets	152	59
Intangible assets	-	-
Equity holdings	-	17.187
Other business units	-	-
Non-current assets and associated liabilities held for sale	4.883	2.409
Held-to-maturity investments	-	-
Other collections related to investing activities	-	-
CASH FLOW FROM FINANCIAL ACTIVITIES (III) (3)	**(3.033)**	**4**
Payments	**(3.033)**	**-**
Dividends	-	-
Subordinated liabilities	(5)	-
Amortization of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments relating to financing activities	(3.028)	-
Collections	**-**	**4**
Subordinated liabilities	-	4
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other collections relating to financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES (4)	**-**	**-**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS(1+2+3+4)	**(43)**	**(68)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF YEAR	**91**	**159**
CASH OR CASH EQUIVALENTS AT END OF YEAR	**48**	**91**

COMPONENTS OF CASH AND EQUIVALENT AT END OF YEAR	**2008**	**2007 (*)**
Cash	2	**2**
Balance of cash equivalents in central banks	46	89
Other financial assets	-	-
Less: bank overdrafts repayable on demand	-	-
TOTAL CASH OR CASH EQUIVALENTS AT END OF YEAR	**48**	**91**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 34 and Appendices I and II are an integral part of the statements of cash flows for the year ended December 31, 2008.

FINANZIA BANCO DE CRÉDITO, S.A.

Financial statements for the year ended December 31, 2008

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 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.

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 2007 were approved by the Bank's General Shareholders' Meeting on 20 June 2008. The 2008 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.

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.

This circular 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 of Spain issued Circular 6/2008 on November 26, 2008, which modified the aforementioned Circular 4/2004, in order to adapt it to the IFRS-EU requirements.

The Bank's financial statements of 2009 were prepared by the Bank's directors (at the Board Meeting on March 27, 2009) on the basis of the accounting records kept by the Bank in accordance with Bank of Spain Circular 6/2008, of 26 November, representing fairly the Bank's equity and financial position as of December 31, 2008, and the results of its operations, the changes in equity and the cash flows in 2008.

In keeping with current legislation, the Bank has not prepared consolidated annual financial statements because it is exempt from this obligation, as it is integrated within the scope of consolidation of the BBVA Group. As of 31 December 2008, the estimated effect of consolidation, compared with the individual annual accounts, resulted in an increase in the total reserves and net losses of €2,044,000 and €22,638,000, respectively, and a decrease of assets of €48,836,000.

All accounting policies and valuation criteria with a significant effect on the financial statements were applied in their preparation.

Due to the fact that the numerical information contained in these financial statements is expressed in thousands of euros, certain captions that do not present any balance in the condensed statements may present the balance in euros.

1.3. Comparative information

The annual financial statements for the year ended December 31, 2008 were prepared under the financial statements models established in Circular 6/2008 of the Bank of Spain, which represents modifications in the presentation format of the financial statements, and the accompanying notes, with respect to the format of Circular 4/2004 of the Bank of Spain that was used to prepare the financial statements of the Bank for the year 2007

The information relating to 2007 contained in these notes to the financial statements is presented, solely for comparison purposes, with information relating to 2008.

Appendix I includes reconciliation between the financial statements prepared in accordance to the models of Circular 6/2008 of Bank of Spain and the financial statements prepared in accordance with Circular 4/2004 of Bank of Spain for the year 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 7, 8, 10, and 11).
- 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 12 and 13).
- The fair value of certain unquoted assets (Note 11).

Although these estimates were made on the basis of the best information available as of December 31, 2008 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

Given the activities in which the Bank is involved, it has no environmental liabilities, expenses, assets, or provisions or contingencies that could have a significant effect on its equity, financial position and profits. Consequently, as of December 31, 2008 the Group’s consolidated financial statements did not disclose any item that should be included in the environmental information document envisaged in the related Ministry of the Economy Order dated October 8, 2001 and no specific breakdowns in this report with respect to environmental issues.

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. Capital Management and Minimum Capital Requirements.

Equity management within the BBVA group is mainly carried out with the objective of fulfilling the requirements regarding regulatory capital of the Bank of Spain found in Circular 3/2008, of 22 May, on the calculation and control of minimum capital requirements for Spanish credit institutions, in application of the new Basil agreement (BIS-II) of the Bank for International Settlements.

The aforementioned circular establishes that the consolidated groups of credit entities shall maintain at all times a solvency coefficient equal or greater than 8% to the total exposure of the entity not deduced from equity, adjusted for risk, and calculated in accordance to the requirements it stipulates.

As of December 31, 2008, regulatory capital management analyzed the capital base and solvency ratios under criteria of Bank of Spain Circular 3/2008, of May 22.

The Bank, in order to comply with the minimum aforementioned requirements, calculates its equity within that presented by the Group.

During 2008, the Bank requested exemption from the requirement of the presentation of equity on an independent basis given that it met the requirements established in the 5th Stipulation of Circular 3/2008 allowing it to do so. As of 31 December 2008 Banco de España had not yet given its answer, and the Bank issued the necessary powers of attorney for the presentation of the official statements in case of a refusal or absence of decision before the deadline set for their presentation.

1.8. Seasonal nature of income and expenses

The nature of the most significant activities and transactions carried out by the Bank is mainly related to traditional activities carried out by financial institutions that are not affected by seasonal or factors.

1.9. Agency agreements

Neither at the close of 2008 no at any time during the period did the Bank maintain in vigor any "Agency contracts" of the sort stipulated by article 22 of the Royal Decree 1245/1995 of 14 July.

1.10. Equity holdings in Credit Institutions

As of 31 December 2008, the Bank did not have any holding in the equity of other national or foreign credit entities outside the BBVA Group, equal to or greater than 5% of its capital or voting rights.

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:

FINANCIAL INSTRUMENTS

a) 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 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:

- "Financial assets held for trading"

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

Changes arising from the valuation to fair value (gains or losses) are recognized in the heading "Gains or losses on financial assets and liabilities (net)" in the accompanying income statements. On the other hand, Valuation adjustments by changes in foreign exchange rates are recognized in the heading "Exchange Differences (net)" in the income statement for the year.

The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instrument, discounted at the measurement date ("present value" or "theoretical close"); these derivatives are measured using methods recognized by the financial markets, including the net present value (NPV) method and option price calculation models.

- "Available-for-sale financial assets"

Assets recognized in this heading of the accompanying consolidated balance sheets are valued at fair value.

Changes arising from the valuation at fair value (gains or losses) are recognized temporarily, at the net amount, in the heading "Valuation adjustments - Available-for-sale financial assets" in the accompanying balance sheets.

The amounts recognized in the section "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 this amount is cancelled out in the heading "Net income from financial operations" in the income statement for the year in which the derecognition from the balance sheet takes place.

- "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:

1. 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.
2. 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 or 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:

1. 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.
2. Valuation adjustments arising in financial instruments classified at the balance sheet date as 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) 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. The Bank recognizes impairment charges directly against the impaired

asset when the likelihood of recovery is deemed remote, and uses an offsetting or allowance account when it records non-performing loan provisions.

The amount of impairment losses of debt certificates at amortized cost is valued as a function of whether the impairment losses are determined individually or collectively.

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 and other credit enhancements 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:

- Assets classified as impaired of customers in which the amount 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. These parameters will be used as far as the Bank of Spain validates internal models based on the BBVA Group's past experience.

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

<u>1. Impaired financial assets</u>

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 begun 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	0,06%	-	0,75%
Medium-low risk	0,15%	-	1,88%
Medium risk	0,18%	-	2,25%
Medium-high risk	0,20%	-	2,50%
High risk	0,25%	-	3,13%

Impairment of equity instruments

Impairment losses of equity instruments measured at cost are calculated as follows:Losses due to impairment of equity instruments measured at cost are equivalent to the difference between their carrying value and the current value of future expected 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 in the event of the sale of the assets.

2.2. 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, the financial fees and commissions that arise on the arrangement of loans, basically origination and analysis fees, must be deferred and recognized in the income statement over the 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.

However, when a debt instrument is deemed to be impaired individually or is included in the category of instruments that are impaired because of amounts more than three months past-due, the recognition of accrued interest in the 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.

2.3. POST-EMPLOYMENT BENEFITS AND OTHER LONG TERM 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 applies the criteria of recognizing 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 amount of these commitments is determined as a pre-established annual amount. The current contributions made by the Bank for defined contribution retirement commitments, are recognized with a charge to the heading “Personnel Expenses – Contributions to external pension funds” in the accompanying income statements (see Notes 17 and 29).

- Defined-benefit commitments

The Bank has defined benefit commitments for permanent disability and death of current employees and early retirees as well as retirement commitments applicable to a group of employees receiving ongoing benefits.

The ongoing commitments are covered by insurance contracts with company outside of the BBVA Group and therefore are presented in the accompanying consolidated balance sheets for the net amount of the commitment less plan assets.

- Early retirements

In 2008 as 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 Notes 16 and 17). 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 normal retirement age are included in the section on pensions.

- Other 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 acquired obligations for post-employment welfare benefits are quantified on a case-by-case basis. They are recognized in the heading “Provisions – Provision for pensions and similar obligations” in the accompanying consolidated balance sheets (see Notes 16 and 17) and they are charged

to the heading “Personnel expenses – Other personnel expenses” in the accompanying consolidated income statements (see Note 29).

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, and study aids.

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 29).

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.

2.4. FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE DIFFERENCES

The Bank’s functional currency is the euro. As of 31 December 2008 and 2007 the Bank had no assets or liabilities in currencies other than its functional currency.

2.5. 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.

Non-current assets held for sale are generally measured at the lower of fair value less costs to sell and their carrying amount upon classification within this category. Non-current assets held for sale are not depreciated while included in this heading.

As a general rule, gains and losses generated on the disposal of assets and liabilities classified as held for sale, and related impairment losses and subsequent recoveries, where pertinent, are recognized in “Gains/(losses) on non-current assets held for sale not classified as discontinued operations”. The remaining income and expense items associated with these assets and liabilities are classified within the corresponding income statement headings.

2.6. SALES AND INCOME FROM THE PROVISION OF NON-FINANCIAL SERVICES

The heading “Other operating income” includes the book value of the sales of assets and income from the non-financial services that are mainly related to revenue from collaboration in management and administration offered by the bank to Uno-e Bank, S.A. (see Note 28).

2.7. TANGIBLE ASSETS

Tangible assets for own use

Tangible assets for own use are those assets that are expected to be used in the continuing manner. The value of tangible assets for own use is recognized in the accompanying consolidated balance sheet at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing the net value of each item with its corresponding realizable value.

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 is considered to have an indefinite life and is therefore 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
Buildings for own use	1.33% to 4%
Furniture	8% to 10%
Facilities	6% to 12%
Office supplies and computerization	8% 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.

The criteria that the Bank uses to determine their recoverable value is based on independent appraisals performed in the last 3-5 years at the most, unless there are other signs of impairment.

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 recorded 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 period in which they are incurred.

2.8. 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 revises 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 recognizes any impairment loss on the book value of these assets with charge to the heading “Impairment losses on other assets (net) – Goodwill and other intangible assets” in the income statements. The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior periods are similar to those used for tangible assets.

2.9. TAX ASSETS AND LIABILITIES

The Spanish corporation tax expense is recognized in the income statement, except when resulting from a transaction in which the profits or losses are recognized directly in equity, in which case the related tax effect is 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 21).

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.

2.10. FINANCIAL GUARANTEES

Financial guarantees are considered those contracts that oblige their issuer to make specific payments to reimburse the lender for a loss incurred when a specific borrower breaches its payment obligations on the terms – whether original or subsequently modified – of a debt instrument, irrespective of the legal form it may take. These guarantees may take the form of a deposit, financial guarantee, insurance contract or credit derivative, among others.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments measured at amortized cost (see Note 2.1).

The provisions made for financial guarantees classified as substandard are recognized under “Provisions - Provisions for Contingent Liabilities and Commitments” on the liability side in the accompanying balance sheet (Note 16). These provisions are recognized and reversed with a charge or credit, respectively, to “Provisions Expense (net)” in the income statement.

2.11. 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.

2.12. PROVISIONS AND CONTINGENT LIABILITIES

The heading “Provisions” includes amounts earmarked to cover the Bank’s current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date, settlement of which is deemed likely to entail an outflow of resources embodying economic benefits. These obligations may arise 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.

2.13. 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.

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 only derecognized if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

The Bank is considered to have transferred substantially all the risks and rewards if such risks and rewards account for the majority of the risks and rewards incidental to ownership of the securitized assets.

If all the risks and benefits associated with the transferred financial asset are substantially retained:

- The transferred financial asset is not derecognized and continues to be measured using the same criteria as those used before the transfer in the balance sheet.
- A financial liability is recognized in the amount of compensation received, which is subsequently measured at amortized cost and included under “Deposits from customers”. As these liabilities do not constitute a current obligation, when measuring such a financial liability the entity deducts those financial instruments owned by it which constitute financing for the entity to which the financial assets have been transferred, in so far as these instruments are deemed to specifically finance the assets transferred.
- Both the income generated on the transferred (but not derecognized) financial asset and the expenses of the new financial liability are recorded.

Securitization

The Bank has applied the most stringent prevailing criteria in determining whether or not it retains substantially all the risk and rewards incidental to ownership for all securitizations performed since January 1, 2004. As a result of this analysis, the Bank has concluded that none of the securitizations undertaken since that date meet the prerequisites for derecognizing the underlying assets from the accompanying balance sheets (See note 8) as it retains substantially all the risks and benefits embodied by expected loan losses or associated with the possible variation in net cash flows, as it retains the subordinated loans extended by Bank to the same securitization funds.

2.14. TERMINATION BENEFITS

Termination benefits must be recognized when the Bank 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.

2.15. CASH FLOW STATEMENT

For the preparation of the statement of cash flows has been used the indirect method. This method starts from the entity’s profit or loss and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

For these purposes, in addition to cash on hand, cash equivalents include very short term, highly liquid investments subject to very low risk of impairment.

The reconciliation between the various sections in the balance sheet with respect to the cash flow statement is set out following the 2008 and 2007 cash flow statements.

The following definitions apply for the redaction of the statement of cash flows:

a) Cash flows: Inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments subject to a low risk of changes in value, such as balances with central banks, short-term Treasury bills and notes, and demand deposits with other credit institutions.

b) The typical activities of credit institutions and other activities that cannot be classified as investing or financing activities.

c) Investment activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

d) Financing activities: Activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities

2.16. STATEMENT OF CHANGES IN TOTAL EQUITY

In compliance to the new reporting models of Circular 6/2008, the Statement of Changes in Total Equity includes two parts: the Statement of recognized income and expense and Statement of changes in total equity.

- The Statement of recognized income and expense reflects the income and expenses generated in every year, distinguishing the recognized ones as “results“ in the consolidated income statement of the “other income and recognized expenses” straight in equity.

- The Statement of changes in total equity reflects all the movements produced in every year in each of the headings of the consolidated equity including those from transactions carried out with the shareholders when they act as such, and the ones due to changes in accounting criteria and the corrections of errors.

The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as “valuation adjustments”, are included in the total equity of the bank net of tax effect, which has been recognized depending on the case, as deferred tax assets or liabilities.

This statement presents the changes occurred in the “valuation adjustments” for the period detailed by concepts, as well as earnings of the period plus/minus, if applicable, adjustments for changes in accounting principles or for errors of previous periods . The sum of the changes occurred in the heading “valuation adjustments” of the total equity and the income of the period forms the “Incomes and expenses of the period” in the accompanying statement of recognized income and expense.

3. Allocation of profit or loss

The proposal for the allocation of the net profit of the Bank for the year 2009 that the Board of Directors will submit to the Annual General Meeting (AGM) for approval is as follows:

Items	Thousand euros
Losses for the year	**(4.328)**
Allocation -	
Accrued reserves (losses)	(4.328)

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. It includes three types of risk:

i). Exchange risk: this is the risk resulting from changes in the foreign exchange rate for different currencies.

ii). Interest rates fair value risk: this is the risk resulting from variations in market interest rates.

iii). Price risk: this is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on the market.

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.

The Bank, as a member of the BBVA Group, adheres to the global risk management policy of the Group, which comprises three components: a corporate risk governance regime; a set of tools, circuits and procedures that constitute the various different risk management regimes; and an internal risk control system.

PRINCIPLES AND POLICIES

The general guiding principles that the Bank follows to define and monitor its risk profile are set out below:

1. The assumed risks must be aligned with the Bank's regulatory capital in accordance with its target solvency level.
2. Limits must be placed on risk factors that imply concentrations and which endanger solvency, liquidity and recurrence targets.
3. The Bank's endeavours to generate profits must imply a high degree of repeat earnings.
4. Business growth must be financed with prudent liquidity management.
5. All risks must be identified, measured and assessed. Monitoring and management procedures must likewise be in place.
6. The existence of sound control and mitigation mechanisms for operational and reputational risks.
7. It is each business area's responsibility to propose and maintain its own risk profile, within their independence in the corporate action framework.
8. The risk management infrastructure must be sufficient to lend dynamic support to the principles listed above in relation to tools, databases, IT systems, procedures and personnel.

Based on these principles, 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.

In relation to limiting risk concentrations, specifically in the trading area, limits are approved each year by the Board's Risk Committee on exposures to trading, structural interest rate, structural currency, equity and liquidity risk at the banking entities and in the asset management, pension and insurance businesses. These limits factor in many variables, including economic capital and earnings volatility criteria, and are reinforced with alert triggers and a stop-loss scheme.

In relation to credit risk, maximum exposure limits are set by customer. Generic limits are also set for maximum exposure to specific deals and products. Upper limits are allocated based on iso-risk curves, determined as the sum of expected losses and economic capital, and its ratings-based equivalence in terms of gross nominal exposure.

There is also an additional guideline in terms of oversight of maximum risk concentration up to and at the level of 10% of equity: stringent requirements in terms of in-depth knowledge of the counterparty, its operating markets and sectors.

For retail portfolios, potential concentrations of risk are analyzed by geographical area or by certain specific risk profiles in relation to overall risk and earnings volatility; where appropriate, the opportune measures are taken, imposing cut-offs using scoring tools, via recovery management and mitigating exposure using pricing strategy, among other approaches.

Corporate governance system

The Board of Directors is the body responsible for setting the risk policies via the BBVA Group's Standing committee and the Risk committee. The Board hence establishes the general principles defining the target risk profile for the Group. Likewise, it approves the infrastructure required for risk management, the

delegation framework and the ceilings system that enable the business to develop in keeping with this risk profile in day-to-day decision-making.

The BBVA, S.A. Risk Committee undertakes periodic analysis and monitoring of risk management within the various levels of delegation of the Bank's administration bodies. The scope of its functions is as follows:

- To analyze and assess the proposals regarding the Bank's risk strategy and policies and submit them for approval by the BBVA Group's Permanent Delegate Committee.
- To follow up the degree of adaptation of risks taken on to the established profile, as a reflection of the Group's risk tolerance and profitability expectations related to incurred risk.
- To approve risk operations within the delegation system to be established.
- To verify that the Group has top level means, systems, structures and resources to implement its risk management strategy.
- To present the Bank's Permanent Delegate Committee with the proposals deemed necessary or convenient in order to adapt the Group's risk management to the best practices that arise for the recommendations on the corporate governance system or the bodies supervising risk.

The Group's risk management system is managed by an independent risk supervision department, the Corporate Risk Area, which combines the view by risk type with the global view. The Corporate Risk Area ensures that the risks tools, metrics, historical databases and information systems are in line and uniform. It likewise sets the procedures, circuits and general management criteria.

The mission of the Global Risk Committee, made up of the Group's corporate risk managers, is to develop and implement the Group's risk management model in such a way as to ensure that the cost of risk is appropriately integrated into the various decision-making processes. Therefore, it assesses the global risk profile of the Group and the coherence between the risk policies and objective risk profile; identifies global risk concentrations and mitigation techniques; monitors de macroeconomic environment and the performance of entities in the sector quantifying global sensitivity and the expected impact of different scenarios of risk positioning.

The Global Risk Internal Control and Operational risk Committee assesses the main operational risks of the Group and ensures that the units establish the corresponding mitigation plans. As well, they review the internal control annual review that is afterwards approved by the Audit and Compliance Committee.

The Technical Operations Committee analyzes and approves, if appropriate, transactions and financial programs to the level of its competency, scaling up those beyond its scope of power to the Risks Committee.

The functions of the New Products Committee are to assess, and if appropriate to approve, the introduction of new products before the start of activity; to undertake subsequent control and monitoring for newly authorized products; and to foster business in an orderly way to enable it to develop in a controlled environment.

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

Tools, circuits, and procedures

The Group has implemented an integral risk management system designed to cater for the needs arising in relation to the various types of risk. This has prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the appropriate circuits and procedures, which are reflected in manuals that also include management criteria.

Specifically, the Group carries out the following principal activities in the area of risk management: calculation of the risk exposures of the various portfolios, considering any related mitigating factors (netting, collateral, etc.); calculation of the probability of default ("PD"), loss severity and expected loss of each portfolio, and assignment of the PD to the new transactions (ratings and scorings); values-at-risk measurement of the portfolios based on various scenarios using historical and Monte Carlo simulations; establishment of limits to the potential losses based on the various risks incurred; determination of the possible impacts of the structural risks on the income statement; setting of limits and alerts to safeguard the Group's liquidity; identification and quantification of operational risks by business line to enable the mitigation of these risks through corrective measures; and definition of efficient circuits and procedures which contribute to the efficient achievement of the targets set.

4.1. CREDIT RISK

Credit risk 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.

Maximum exposure to credit risk

For the financial assets recognized on the face of the balance sheet, credit risk exposure is equivalent to these assets' carrying amounts. For approved financial guarantees, the maximum exposure to credit risk on financial guarantees is the maximum that the Bank would be liable for if these guarantees were called in.

The Bank's maximum credit risk exposure as of December 31, 2008 and 2007, without recognizing the availability of collateral or other credit enhancements, is broken down by chapters in the table below:

	Thousand euros	
ITEMS	**2008**	**2007**
Loans and receivables (Note 8)	**7.215.614**	**6.180.361**
Loans and advances to credit institutions	2.351.607	1.633.101
Loans and advances to customers	4.864.007	4.547.260
Hedging derivatives (Note 9)	**9.221**	**11.492**
Total balance	**7.224.835**	**6.191.853**
Financial guarantees (Note 22)	96.240	96.170
Other contingent exposures	-	11.000
Drawable by third parties (Note 22)	17.189	10.568
Total off-balance	**113.429**	**117.738**
Maximum credit risk exposure	**7.338.264**	**6.309.591**

Mitigating credit risk: collateral and other credit enhancements

Maximum exposure to credit risk is reduced by collateral, credit enhancements and other actions which mitigate the Bank's exposure. Below is a description for each type of financial instrument:

Financial assets held for sale: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent in the structure of the instrument.

Loans and receivables:

- Loans and advances to credit institutions: They have personal guarantees from the counterparties and, on occasion, an additional guarantee from another credit entity with which a credit derivative has been written.
- Loans and advances to customers: most of these operations are backed by personal guarantees extended by the counterparty. In addition, collateral guarantees are employed to secure loans and advances to customers including cash guarantees and other collateral such as pledged securities. Other credit enhancements can be made, such as letters of credit or credit derivatives...

Trading derivatives: Credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees, depending on counterparty solvency and the nature of the transaction.

Financial guarantees, other contingent risks and undrawn facilities: They have the counterparty's personal guarantee and, in some cases, the additional guarantee from another credit institution with which a derivative has been subscribed.

The following table shows the detail of the Bank's exposure to credit risk with BBVA Group entities:

ITEMS	Thousand euros 2008	2007
Loans and advances to credit institutions (Note 31)	**2.351.488**	**1.632.895**
Loans and advances to customers (Note 31)	**1.187.854**	**1.228.236**
Financial Guarantees		
Risk with the BBVA Group (Note 31)	96.160	96.090
Undrawn facilities		
Risks with the BBVA Group (Note 31)	13.230	6.349
	3.648.732	**2.963.570**
Hedging Derivatives		
Risks with the BBVA Group (Note 31)	9.221	11.492
TOTAL RISK WITH BBVA GROUP ENTITIES	**3.657.953**	**2.975.062**
NET RISK	**3.680.311**	**3.334.529**

Risk from credit operations without considering risk from BBVA Group entities represents 50.15% of the maximum exposure to risk from credit operations.

Policies and procedures for hedging or mitigating risks, including policies governing the taking of collateral.

The Bank applies a credit risk protection and mitigation policy deriving from the banking approach focused on relationship banking. On this basis, the provision of guarantees is a necessary instrument but one that is not sufficient when taking risks; therefore for the Bank to assume risks, it needs to verify the payment or resource generation capacity to comply with repayment of the risk incurred.

This philosophy is distilled in a conservative approach to risk taking policy, in the analysis performed on a transaction's financial risk, based on the creditor's ability to settle or generate cash flow to extinguish its obligations, in taking guarantees in all generally accepted forms (cash collateral, pledged assets, personal guarantees, covenants or hedges) commensurate with the risk assumed, and lastly, in the analysis of the recovery risk assumed (asset liquidity).

Credit quality of financial assets that are neither past due nor impaired

The Bank has ratings tools that enable it to rank the credit quality of its operations and customers based on a scoring system and to map these ratings to probability of default ("PD") scales. To analyze the variation of this probability, the Bank has a series of historical databases that house the pertinent information generated internally.

The Bank maintains a master ratings scale with a view to facilitating the uniform classification of the Bank's various risky asset portfolios.

The table below outlines the distribution of exposure by internal ratings, which comprehends Bank Customers as of December 31, 2008:

Rating	%
AAA/ AA / A	12,27%
BBB / BBB-	13,63%
BB+ / BB / BB-	10,48%
B+	18,91%
L	16,22%
B-	25,06%
C	3,44%
Total	**100,00%**

Risk concentration

The table below depicts the Bank's credit risk concentration by classes of financial instruments and geographic markets as of December 31, 2008:

	Thousand euros		
RISKS ON BALANCE SHEET	**Spain**	**EUROPE except Spain**	**Total**
Loans and receivables	**6.457.709**	**757.905**	**7.215.614**
Loans and advances to credit institutions	1.593.702	757.905	2.351.607
Loans and advances to customers	4.864.007	-	4.864.007
Hedging Derivatives	**9.221**	-	**9.221**
Total	**6.466.930**	**757.905**	**7.224.835**
OFF-BALANCE SHEET RISKS	**Spain**	**EUROPE except Spain**	**Total**
Financial guarantees	**1.276**	**94.964**	**96.240**
Other contingent exposures	**17.189**	-	**17.189**
Total	**18.465**	**-**	**113.429**

Financial assets past due but not impaired

The table below provides disclosure on financial assets past due as of December 31, 2008 but not impaired, including past due amounts classified by class of available financial instrument:

	Thousand euros			
2008	**Under 1 month**	**1 to 2 months**	**2 to 3 months**	**Total**
Loans and advances to customers	2.870	5.041	4.210	**12.121**

Impaired assets and impairment losses.

The changes in 2008 and 2007 in the "Loans and advances to customers – impaired financial assets" account are as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Balance at beginning of year	**125.485**	**60.889**
Inputs	374.001	209.617
Recoveries	(164.218)	(126.745)
Waivers	(475)	(334)
Transfers to write-off	(31.659)	(17.942)
Balance at end of year	**303.134**	**125.485**

The breakdown by maturities of impaired assets as of December 31, 2008 was as follows:

Thousand euros

Impaired assets from loans and advances to customers					
past-due from 3 to 6 months	**past-due from 6 to 12 months**	**past-due from 12 to 18 months**	**past-due from 18 to 24 months**	**past-due by over 24 months**	**Total**
78.079	124.665	69.181	31.167	42	**303.134**

The totality of impaired assets belongs to Spain.

The following shows the changes in impaired financial assets written off from the balance sheet for 2008 and 2007 because the possibility of their recovery was deemed remote:

Thousand euros

ITEMS	2008	2007
Balance at beginning of period	**122.682**	**106.610**
Additions due to:	**41.949**	**23.172**
Assets of remote collectability	31.659	17.942
Past-due and not collected	10.290	5.230
Derecognition due to:	**(5.925)**	**(7.100)**
Cash recovery	(4.787)	(5.814)
Foreclosed assets	(34)	(75)
Other changes	(1.104)	(1.211)
Balance at end of period	**158.706**	**122.682**

The Bank's NPA ratios as of December 31, 2008 and 2007 were:

Miles de euros

CONCEPTOS	2008	2007
Tasa de morosidad	6,00	2,65

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

Thousand euros

ITEMS	2008	2007
Balance at beginning of year	**141.392**	**98.260**
Increase in impairment losses charged to income	111.588	67.126
Decrease in impairment losses credited to income	(65.247)	(5.944)
Elimination of impaired assets balance by loan loss provisioning	(31.659)	(17.942)
Transfers	(608)	(108)
Balance at end of year	**155.466**	**141.392**
Of which:		
- individually determined	110.818	37.996
- collectively determined	44.648	103.396
Per covered asset type:	**155.466**	**141.392**
Loans and advances to customers	155.466	141.392
By Geographical Area	**155.466**	**141.392**
Spain	155.466	140.072
Rest of Europe	-	1.320

The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails.

Recovery of written-off assets in the years 2008 and 2007 amount to €3,925,000 and €4,672,000 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 31 December 2008 and 2007, accumulated financial income from impaired assets was €22,105,000 and €9,851,000 respectively, though those amounts were not registered in the corresponding income statements, due to uncertainty with regard to their collectability.

Renegotiated financial assets

As of December 31, 2008 the carrying amount of renegotiated financial assets stood at €993,000 (1.37% of the total loan book). These operations may have deteriorated and have been classified as non-performing assets, had their conditions not been renegotiated.

4.2 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 BBVA that is renewed on an annual basis. In this way, the BBVA Group provides liquidity in case this becomes necessary or pays into the joint account it maintains with the Bank.

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 that provide details of current assets and a forecast of their evolution over the following twelve months. 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.

A detail, by contractual maturity, of the balances of certain headings in the balance sheets as of December 31, 2008 and 2007, disregarding valuation adjustments, was as follow:

				Thousand euros			
2008	**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	48	48	-	-	-	-	-
Loans and advances to credit institutions	2.340.575	119	581.115	10.723	228.600	1.477.404	42.614
Loans and advances to customers	4.959.072	-	813.417	162.310	876.305	2.495.054	611.986
LIABILITIES -							
Deposits from credit institutions	6.520.691	4	3.155.259	516.204	1.079.706	1.698.138	71.380
Customer deposits	615.160	5.267	-	-	-	609.893	-
Subordinated liabilities	6.010	-	-	-	-	6.010	-
Other maturing liabilities	6.056	2.066	3.990	-	-	-	-

				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	1.622.740	205	678.838	5.780	26.443	830.209	81.265
Loans and advances to customers	4.634.975	147	139.970	314.368	1.075.975	2.378.914	725.601
LIABILITIES -							
Deposits from credit institutions	5.341.913	-	1.700.159	259.814	1.228.246	2.058.071	95.623
Customer deposits	743.742	3.301	-	-	123	740.318	-
Subordinated liabilities	6.010	-	-	-	-	6.010	-
Other maturing liabilities	8.207	135	6.803	-	-	40	1.229

In the wake of the exceptional circumstances unfolding in the international financial markets, notably from the second half of 2008, the European governments committed to taking the opportune measures to try to resolve the issues confronting bank funding and its ramifications on the real economy with a view to safeguarding the stability of the international financial system. The overriding goals underpinning these measures were to ensure sufficient liquidity to enable financial institutions to function correctly, to facilitate the funding of banks, to provide financial institutions with additional capital resources where needed so as to continue to ensure the proper financing of the economy, to ensure that applicable accounting standards are sufficiently flexible to take into consideration current exceptional market circumstances and to reinforce and improve cooperation among European nations.

Framed by this general philosophy, the following measures were passed into law in Spain during 4Q08:

- Royal Decree-Law 6/2008, of October 10, creating the Spanish Financial Asset Acquisition Fund, and Order EHA/3118/2008, dated October 31, enacting this Royal Decree. The purpose of the fund, which is managed by Spain's economy ministry and has an initial endowment of €30 billion, extendable to €50 billion, is to acquire, with public financing and based on market criteria, via auctions, financial instruments issued by the banks and cajas and securitization funds containing Spanish assets, secured by loans extended to individuals, companies and non-financial entities.

- Royal Decree-Law 7/2008, of October 13, on Emergency Economic Measures in connection with the Concerted Euro Area Action Plan, and Order EHA/3364/2008, dated November 21, enacting article 1 of the aforementioned Royal Decree, including the following measures:

  On the one hand, the extension of state guarantees to secure bills, debentures and bonds issued by credit entities resident in Spain since October 14, 2008 meeting the following requirements: be individual operations or issuance programs; not be subordinated or secured by any other class of guarantee; be traded on official Spanish secondary markets; mature within 3 months and 3 years, although this maturity can be extended to 5 years subject to prior notification to the Bank of Spain; be fixed or floating rate, subject to special conditions for floating-rate debt; be repaid in a single installment at maturity; not have any options or other derivatives attached; and, have a nominal value of €10 million or more. The deadline for granting state guarantees is December 31, 2009 and the total amount of guarantees that can be extended in 2008 is €100 billion.

  On the other, authorization, on an exceptional basis, until December 31, 2009, for the Spanish economy ministry to acquire securities, including preferential shares and other non-voting equity instruments, issued by credit entities resident in Spain that need to reinforce their capital and so request.

The Bank is entitled to avail of the aforementioned measures under the umbrella of its risk management policy. However, at the date of preparation of the accompanying financial statements, the Group has not had to resort to using these facilities thanks to its exceptional liquidity management.

4.3. MARKET 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 €4.9 millions in 2008.

The impact of interest rates increases of 100pbs on the economic value of the entity has been €33.8 million euros on average. Economic capital for structural interest risk has been €29.7 million for 2008.

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.

5. Fair value of financial instruments

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 models most frequently use are the present value method, Monte Carlo, and Black-Scholes in the case of options. 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.

Determining the fair value of financial instruments

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, 2008 and 2007:

	Thousand euros			
	2008		2007	
ITEMS	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
workers				
Cash and balances with central banks	48	48	91	91
Available-for-sale financial assets	201	201	201	201
Loans and receivables	7.215.614	7.220.699	6.180.361	6.178.541
Hedging Derivatives	9.221	9.221	11.492	11.492
Liabilities				
Financial assets held for trading	62	62	-	-
Financial liabilities at amortized cost	7.186.560	7.243.501	6.140.273	6.181.897
Hedging Derivatives	26.576	26.576	9.799	9.799

For financial instruments that are not carried at fair value, fair value was calculated in the following manner:

- The fair value of "Cash and balances with central banks", which are short term by their very nature, is equivalent to their carrying amount.
- The fair values 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.

For financial instruments whose carrying amount corresponds to their fair value, the measurement processes used are set forth below:

- Measurement using market observable quoted prices for the financial instrument in question, secured from independent sources and linked to active markets (Level 1). As of 31 December 2008 and 2007, there were no financial instruments classified as Level 1 in the fair value hierarchy.
- Measurement using valuation techniques the inputs for which are drawn from market observable data (Level 2). The Bank includes in this level non-negotiated derivatives traded in organized markets, both for trading and hedging purposes.
- Measurement using valuation techniques, where some of the inputs are not taken from market observable data (Level 3). Equity instruments classified as available for sale and that are valued at cost due to being investments in non-quoted companies whose fair value cannot be estimated reliably are included in this Level.

Model selection and validation is undertaken at the independent business units.

The following table depicts the main financial instruments carried at fair value as of December 31, 2008 and 2007, broken down by the valuation technique level used to determine fair value:

	Thousand euros					
	2008			2007		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Available-for-sale financial assets						
Equity instruments	-	-	201	-	-	201
Hedging Derivatives (Note 9)	-	9.221	-	-	11.492	-
LIABILITIES						
Financial assets held for trading						
Trading derivatives	-	62	-	-	-	-
Hedging Derivatives (Note 9)	-	26.576	-	-	9.799	-

6. Cash and balances with central banks

The breakdown of the balance in this heading in the balance sheets as of December 31, 2008 and 2007 is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Cash	2	2
Balances at the Bank of Spain	46	89
Total	**48**	**91**

7. Financial assets available for sale

The detail, by transaction type, of the balances of this heading in the balance sheet as of December 31, 2008 and 2007 is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Equity instruments		
Shares of Spanish companies		
Unlisted	1.863	1.863
Impairment losses	(1.662)	(1.662)
Total	**201**	**201**

During 2008 and 2007, no amount was debited from in the heading “Valuation Adjustments” for liabilities on the balance sheets with an entry in the income statements.

During 2008 and 2007 there were no changes in the impairment losses of “equity instruments” included in this heading.

8. Loans and receivables

8.1. Breakdown of the balance

The breakdown of the balance in this heading in the balance sheets as of December 31, 2008 and 2007, based on the nature of the related financial instrument, was as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Loans and advances to credit institutions	2.351.607	1.633.101
Loans and advances to customers	5.019.473	4.688.652
Total gross	**7.371.080**	**6.321.753**
Less: impairment losses	(155.466)	(141.392)
Total net	**7.215.614**	**6.180.361**

8.2. Loans and advances to credit institutions

The breakdown of the balance of this heading in the balance sheets as of December 31, 2008 and 2007, based on the nature of the related financial instrument, was as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Reciprocal accounts	118	118
Deposits with agreed maturity	2.340.457	1.622.622
Total gross	**2.340.575**	**1.622.740**
Valuation adjustment (*)	11.032	10.361
Total	**2.351.607**	**1.633.101**

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

8.3. Loans and advances to customers

The breakdown of the balance of this heading in the balance sheets as of December 31, 2008 and 2007, without taking impairment losses into consideration and based on the mode and location of operations is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Commercial credit	653	800
Secured loans	7	12
Credit accounts	10.353	13.972
Other loans	4.314.599	4.148.373
Receivable on demand and other	12.121	5.033
Financial leases	316.475	334.889
Impaired assets	303.134	125.485
Other financial assets	1.730	6.411
Total gross	**4.959.072**	**4.634.975**
Valuation adjustment (*)	60.401	53.677
Impairment losses	(155.466)	(141.392)
Total	**4.864.007**	**4.547.260**

(*) 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, 2008 and 2007 disregarding valuation adjustments was as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Public sector	2.267	2.343
Agriculture	28.119	22.526
Industrial	80.933	75.368
Real estate and construction	132.817	120.905
Commercial and financial	1.122.537	1.138.949
Loans to individual customers	3.270.209	2.917.069
derivatives	322.190	357.815
Total	**4.959.072**	**4.634.975**

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, 2008 and 2007, from the total balance in the heading “Loans and advances to customers”, amounts of €1,293,817,000 and €754,385,000 respectively (Note 23) correspond to securitized loans through the securitization funds of the Bank, which cannot be excluded from the balance as risks or rewards are retained on them.

9. 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, 2008 and 2007 and recognized in the balance sheets is as follows:

	Thousand euros	
	2008	**2007**
Non-organized markets		
Credit entities	**(17.355)**	**1.693**
Fair-value micro-hedge	(1.679)	1.693
Cash flow micro-hedging	(15.676)	-
Total	**(17.355)**	**1.693**
of which: Asset hedging derivatives	**9.221**	**11.492**
of which: Liability hedging derivatives	**(26.576)**	**(9.799)**

As of 31 December 2008 no amounts previously recognized in the Net Equity have been carried to results. Cash flow micro-hedges will be applied to results within two to three years.

In 2008, in relation to the fair value hedges, €3,320,000 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.

10. 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 2008 and 2007 in the balance of this heading in the balance sheets were as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Revalued and updated cost -		
Balance at beginning of year	**1.079**	**1.081**
Additions	6.644	2.142
Withdrawals	(4.953)	(2.144)
derivatives	-	-
Balance at end of year	**2.770**	**1.079**
Impairment -		
Balance at beginning of year	**722**	**651**
Additions	1.662	222
Amounts used	(1.349)	-
derivatives	(54)	(151)
Balance at end of year	**981**	**722**
Net balance -		
Balance at beginning of year	**357**	**430**
Balance at end of year	**1.789**	**357**

As of December 31, 2008 and 2007, there were no liabilities associated with non-current assets held for sale.

During 2008 and 2007 the Bank did 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 €907,000 and €40,000 during 2008, respectively(€533,000 and €9,000 in 2007, respectively) and are recognized in "Gains(losses) on non-current assets held for sale not classified as discontinued operations" in the corresponding consolidated income statements (see Note 30).

11. Investments in associates and jointly controlled entities

11.1. Investments in associated entities

The balance of this heading of the accompanying accounts balances corresponds to investments with non-quoted associate entities whose common stock is in euros.

During 2008 there were no changes in this heading, while in 2007, the only change was that described in Note 11.3, for €30,000.

During 2008 and 2007 there were no impairment losses.

11.2. Investments in jointly controlled entities

The balance in this heading of the accompanying consolidated balance sheets corresponds integrally with the operation carried on 13 May 2008, in which the Bank acquired 42.9% of the Company Distransa Rentrucks, S.A., an unlisted firm whose common stock is in euros. The operation was carried out through an capital increase in which the Bank paid out €47,000 euros for capital and €15,153,000 in share premiums.

The percentages of direct and indirect ownership and other relevant information on this company are provided in Appendix II.

11.3. 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 II.

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

	Thousand euros	
ITEMS	**2008**	**2007**
By currency:		
In euros	122.202	111.203
By share price		
Unlisted	122.202	111.203
Less -		
Impairment losses	(10.008)	(10.008)
Total	**112.194**	**101.195**

The changes in 2008 and 2007 in the balance of this heading, disregarding the balance of the impairment losses, were as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Balance at beginning of year	**111.203**	**94.515**
Share capital increases and acquisitions	10.999	16.849
Transfers	-	(30)
Sales	-	(131)
Balance at end of year	**122.202**	**111.203**

The most notable transactions performed in 2008 and 2007 were as follows:

2008

On 19 February 2008, the Bank implemented the agreement signed in 2007 (and described hereinafter) in which it acquired the remaining 11.68% share of Finanzia Autorenting S.A. for a purchasing price of €10,999,000. After the operation, the percentage of the Bank's investment in the aforementioned company totaled 99.99%.

2007

On March 27, 2007, the partners of BBVA Finanzia, S.p.A. increased the capital stocks in the amount of €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 assets and liabilities" (See Note 14) and "Financial guarantees and drawable by third parties" (see Note 22).

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 was recognized in the heading "Gains (losses) on the derecognition of assets not classified as discontinued operations" in the 2007 income statements.

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 was recognized under the heading "Gains (losses) on the derecognition of assets not classified as discontinued operations" 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 was transferred to the heading "Participation in associate entities" in the accompanying consolidated balance sheets (see Note 11.2).

11.4. Impairment

The breakdown of the changes in impairment losses in 2008 and 2007 in this heading is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Balance at beginning of year	**10.008**	**-**
Net provision for the year	-	10.008
Provision listed against results	-	10.008
Balance at end of year	**10.008**	**10.008**

12. Tangible assets

Changes in 2008 and 2007 in the balances of this heading of the consolidated balance sheets, including furniture, installations, and personal use vehicles, were as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Revalued and updated cost -		
Balance at beginning of year	**16.951**	**16.354**
Additions	1.766	695
Withdrawals	(222)	(98)
Balance at end of year	**18.495**	**16.951**
Accrued depreciation -		
Balance at beginning of year	**12.846**	**12.125**
Additions	765	761
Withdrawals	(69)	(40)
Balance at end of year	**13.542**	**12.846**
Net tangible assets -		
Balance at beginning of year	**4.105**	**4.229**
Balance at end of year	**4.953**	**4.105**

As of 31 December 2008 and 2007, there are no impairment losses in this heading of the accompanying consolidated balance sheets.

As of December 31, 2008 and 2007, €10,721,000 and €9,723,000 in material assets were in use and fully amortized.

13. Intangible assets

The breakdown of the balance of this heading in the balance sheets as of December 31, 2008 and 2007 corresponds to the net balance of the disbursements made on the acquisition of computer software.

The breakdown of the net changes in 2008 and 2007 in the balance of intangible assets has been as follows:

	Million euros	
ITEMS	**2008**	**2007**
Balance at beginning of period	**3.764**	**4.065**
Additions	1.117	709
Year amortization	(1.085)	(1.010)
Balance at end of period	**3.796**	**3.764**

The average life of the Bank's intangible assets is 5 years.

14. Other assets and liabilities

The detail of the balances of these headings in the balance sheets as of December 31, 2008 and 2007 is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Assets -		
Transactions in transit	2.367	107
Accrued interest	12.474	9.759
Unmatured accrued expenses	21	22
Other prepayments and accrued income	12.453	9.737
Other items	152	173
Total	**14.993**	**10.039**
Liabilities -		
Transactions in transit	680	1.478
Accrued interest	11.164	9.566
Accrued expenses not past-due	9.872	8.277
Accrued expenses and deferred income	1.292	1289
Total	**11.844**	**11.044**

The balance of the heading "Other prepayments and accrued income" includes as of 31 December 2008 and 2007, among others, uncollected earned income to be perceived for insurance programs in connection to loans and receivables contracts issued by the Bank; for its part the balance of the heading "Accrued expenses not past-due" mainly included on 31 December 2008 and 2007 due amounts pending expiry for other general administrative expenses.

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	**2008**	**2007**
Deposits from credit institutions	6.558.869	5.380.188
Deposits from other creditors	615.611	745.849
Subordinated liabilities	6.024	6.029
Other financial liabilities	6.056	8.207
Total	**7.186.560**	**6.140.273**

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	**2008**	**2007**
Deposits with agreed maturity	5.939.602	5.341.913
Repurchase agreements	581.085	-
Other accounts	4	-
Valuation adjustment (*)	38.178	38.275
Total	**6.558.869**	**5.380.188**

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

The balance of this heading relates mainly to the amount of term deposits with BBVA (see Note 1). As of 31 December 2008 and 2007 these deposits accrued an average effective interest rate of 4.41% and 3.93%, respectively.

The entire balance in this heading on 31 December 2008 and 2007 corresponds to operations with Spanish credit institutions.

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:

	Thousand euros	
ITEMS	**2008**	**2007**
Other domestic sectors		
Current accounts	5.267	3.301
Term deposits	609.893	740.441
Valuation adjustment (*)	451	2.107
Total	**615.611**	**745.849**

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

The heading "Term deposits" detailed above includes as of 31 December of 2008 and 2007 amounts of €609,760,000 and €740,102,000 corresponding to the balance of the compensation received for the net securitization funds from the effect of the Bank's own stake.

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

15.3. Subordinated liabilities

As of December 31, 2008 and 2007 the balance of this heading in the accompanying consolidated balance sheets corresponds to a subordinated loan of €6,010,000 granted by BBVA, 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 2008 and 2007 the subordinated debt interest amounted to €328,000 and €292,000, respectively (See Note 24).

16. Provisions

The detail of the balance of this heading in the balance sheets as of December 31, 2008 and 2007 is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Provisions for pensions and similar obligations	14.731	6.715
Provisions for contingent exposures and commitments	2.168	2.165
Other provisions	2.569	2.514
Total	**19.468**	**11.394**

The changes in 2008 and 2007 in the balances of the headings in the accompanying balance sheets were as follows:

	Thousand euros		
ITEMS	**Funds for pensions and similar commitments**	**Provisions for risks and contingent commitments**	**Other provisions**
Balance at the beginning of 2007	**8.015**	**1.489**	**2.514**
Add -			
Contribution charged to profit for the year	307	676	-
Less -			
Available funds	(370)	-	-
Payments to early retirees	(1.228)	-	-
Amount used and other changes	(9)	-	-
Balance at end of 2007	**6.715**	**2.165**	**2.514**
Add -			
Contribution charged to profit for the year	9.681	2	60
Less -			
Available funds	-	-	(14)
Payments to early retirees	(1.588)	-	-
Amount used and other changes	(77)	1	9
Balance as of December 31, 2008	**14.731**	**2.168**	**2.569**

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 €274,000 and €14,000 respectively (€285,000 and €22,000 in 2007). An allocation of €9,393,000 has been recognized for the above in the heading "Provisions (net)" for 2008.

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

Finally, provisions for 2008 and 2007 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

As described in Note 2.3, the entity has assumed both defined-benefit and defined-contribution post-employment commitments with its employees.

17.1. Pension commitments through defined-contribution plans

Commitments with personnel for post-employment defined contribution correspond to contributions on behalf of current employees made annually by the entity. These contributions are accrued and charged to the income statement in the relevant financial year (See Note 2.3). No liability is therefore recognized on the accompanying balance sheets.

In 2008, the Bank made contributions to the defined contribution plans amounting to €478,000 (€581,000 in 2007).

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

The following table shows pensions commitments under defined-benefit plans and the long-term post-employment benefits, which are recognized as provisions in the accompanying consolidated balance sheets:

	Thousand euros	
ITEMS	**2008**	**2007**
Post-employment benefits		
Pension commitments	-	-
Early retirements	14.177	6.344
Post-employment welfare benefits	554	371
Total commitments	**14.731**	**6.715**
Net commitments of plan assets	**14.731**	**6.715**
of which:		
Net assets	**-**	-
Net liabilities (*)	14.731	6.715

(*) Recognized under the heading "Provisions – Provisions for pensions and similar obligations" of the accompanying balance sheets.

The most significant actuarial assumptions used as of December 31, 2008 and 2007, for the quantification of these commitments are as follows:

ITEMS	**2008**	**2007**
Mortality tables	PERM/F 2000P.	PERM/F 2000P.
Discount rate (cumulative annual)	4.5%/AA corporate bond yield curve	4.5%/AA corporate bond yield curve
Consumer price index (cumulative annual)	2%	2%
Salary growth rate (cumulative annual)	At least 3% (depending on employee category)	At least 3% (depending on employee category)
Retirement ages	Those corresponding to the first date on which one is legally entitled to retire or the agreed date on an individual level in the case of early retirement	

17.2.1. Pension commitments

The Bank has defined benefit commitments for permanent disability and death of current employees as well as retirement commitments applicable to a group of employees receiving ongoing benefits. Defined benefit commitments are funded by insurance contracts.

The defined benefit commitments as of December 31, 2008 and 2007 were as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Commitments to retired employees	849	889
	849	**889**
Hedging at the year-end:		
With insurance contracts with insurance companies not linked to the group	849	889
Total	**849**	**889**

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, 2008 and 2007, 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 commitments are recorded with a charge to the "Personnel Expenses – Contributions to external pension funds" account of the accompanying income statement and amounted to €34,000 and €65,000 in 2008 and 2007, 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. The commitments relating to this group of employees after they have reached normal retirement age are included in section 17.2.1.

In 2008 the Bank offered certain employees the possibility of taking early retirement before reaching the age stipulated in the collective labor agreement in force. This offer was accepted by 21 employees. The total cost of these agreements amounts to €9,506,000, and the corresponding provisions were recognized with a charge to the heading "Provisioning Expense (Net) - Early Retirements" in the accompanying income statement.

The changes in 2008 and 2007 in the present value of the vested obligations for commitments to early retirees were as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Current actuarial value at start of year	**6.344**	**7.494**
+ Interest cost	257	263
+ Early retirements in the year	9.506	-
- Payments made	(1.588)	(1.228)
+/- Actuarial losses (gains)	(289)	(185)
+/- Other changes	(53)	-
Current actuarial value at end of year	**14.177**	**6.344**
Hedging at the end of each year		
In internal funds	14.177	6.344

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 2008 and 2007 is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Post-employment welfare benefits commitments for retired employees.	284	170
Vested contingencies for commitments for post-employment welfare benefits of current employees	270	201
Total:	**554**	**371**
Hedging at the end of each year:		
In internal funds (*)	554	371

(*) These funds are recognized under the heading "Pensions funds and similar obligations" of the accompanying balance sheets.

The changes in 2008 and 2007 in the present value of the vested obligation for post-employment welfare benefit commitments were as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Balance at the start of the period	**371**	**521**
+ Interest cost	17	22
+ Current service cost	14	22
- Payments made	(77)	(9)
+/- Actuarial losses (gains)	176	(185)
+/- Other changes	53	-
Balance at end of period	**554**	**371**

17.2.4. Summary

Following is a summary of the charges recorded in the 2008 and 2007 income statements for post-employment benefit commitments:

ITEMS	2008	2007
	Thousand euros	
Interest and similar expenses		
Interest cost of pension funds	274	285
Personnel costs:		
Welfare benefits	14	22
Transfers to pensions plans	512	646
Provisions expense (net):		
Transfers to fund for pension and similar obligations		
Pension Funds	(113)	(185)
Early retirements	9.506	(185)
Total	**10.193**	**583**

As of 31 December 2008 and 2007 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 with employees

Other benefits for active employees are earned and settled annually, without any provision being necessary. The total cost of these employee welfare benefits as of 31 December 2008 and 2007 was €435,000 and €475,000, respectively, and these amounts were recognized with a charge to “Personnel Expenses – Other” in the accompanying income statements.

18. Share capital

As of December 31, 2008 and 2007, 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 2008 share capital did not change.

The shareholder structure of the Bank as of 31 December 2008 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.

19. Share premium

As of 31 December 2008 and 2007, 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.

20. Reserves

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

	Thousand euros	
ITEMS	**2008**	**2007**
Restricted reserves:		
Legal reserve	2.997	2.997
Voluntary reserves:		
Voluntary and other	119.856	114.672
Total	**122.853**	**117.669**

Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. These transfers must be made until the reserve reaches 20% of the share capital, a limit reached by the Bank as of December 31, 2008. 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.

21. Tax matters

The Bank files consolidated tax returns included in the 2/82 group with BBVA, 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.

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	**2008**	**2007**
Corporation tax at 30% (32,5% in 2007)	**6.648**	**2.877**
Effect due to permanent differences and others	-	547
Adjustments to prior years' income tax	(5.759)	243
Corporate tax	**889**	**3.667**

The adjustment to tax expenses on previous year results is mainly due to deductions no taken into consideration at the close of 2007.

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. These inspections had not been finalized upon publication of this Annual Statement of Profit and Loss, but a provision is made at the close of 2008 for their possible impact.

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 2008 the Bank added €1,298,000 in 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 €18,160,000 and €22,258,000 in 2008 and 2007, respectively. The main items for which deferred tax assets were recognized are provisions for pension commitments and similar obligations to employees (€4,748,000 and €2,87,000 in 2008 and 2007, respectively) and insolvency provision funds (€7,768,000 and €19,164,000 in 2008 and 2007, respectively).

The amount in “Deferred tax liabilities” amounted to €599,000 and €1,163,000 in 2008 and 2007, respectively.

22. 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, 2008 and 2007 is as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Contingent exposures -		
Collateral, bank guarantees and indemnities	96.240	96.170
Total	**96.240**	**96.170**
Contingent commitments -		
Drawable by third parties:		
Other resident sectors	17.189	10.568
Other commitments (Note 11.3)	-	**11.000**
Total	**17.189**	**21.568**

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.

23.

This is the balance in the heading “Transfer of assets maintained in full on the balance sheet”, which on 31 December 2008 amounted to €1,293,817 and on 31 December 2007 amounted to €754,385 (See Note 8).

24. Similar i

24.1. Interest and similar income

The breakdown of the most significant interest and similar income earned by the Bank in 2008 and 2007 was as follows:

	Thousand euros	
ITEMS	**2008**	**2007**
Central banks	7	-
Loans and advances to credit institutions	89.780	51.319
Loans and advances to customers	283.698	229.611
Public sector	134	132
Resident sector	283.356	224.709
Non resident sector	208	4.770
Rectification of income as a result of hedging transactions	4.217	375
Other income	2.011	2.920
Total	**379.713**	**284.225**

24.2. Interest and similar expenses

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

	Thousand euros	
ITEMS	**2008**	**2007**
Loans and advances to credit institutions	249.042	165.311
Customer deposits	50.800	33.754
Subordinated liabilities	328	292
Rectification of expenses as a result of hedging transactions	(8.021)	(11.077)
Cost attributable to pension funds (Note 17)	274	285
Other interest	-	47
Total	**292.423**	**188.612**

25. Fee and commission income

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

	Thousand euros	
ITEMS	**2008**	**2007**
Contingent liabilities	132	133
Bank and other guarantees	132	133
For contingent commitments	2	1
Collection and payment services	12	6
Sales of products of a financial and non-banking nature	21.261	22.198
Other fees and commissions	12.703	9.436
Total	**34.110**	**31.774**

26. Paid commissions

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

	Thousand euros	
ITEMS	**2008**	**2007**
Brokerage fees on lending and deposit transactions	10	28
Fees and commissions assigned to third parties	26	24
Other fees and commissions	7.857	8.910
Total	**7.893**	**8.962**

27. 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	**2008**	**2007**
Financial assets held for trading	36	86
Financial instruments not valued at fair value with changes in profit or loss	-	5.201
Total	**36**	**5.287**

The balance shown under "Financial instruments not valued at fair value with changes in profit or loss" basically corresponds to the restructuring of the deposit with BBVA, S.A., and resulting from the securitization operation carried out in 2007 (see Note 23).

28. Other operating income and expenses

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

	Thousand euros	
ITEMS	**2008**	**2007**
Real estate income (*)	772	656
Financial income from non-financial services	5.037	12.157
Rest of operating income	155	15
Total	**5.964**	**12.828**

(*) Corresponds to the subletting by the Bank of some of the Julián Camarillo offices which it rents itself from BBVA, S.A.

The heading "Financial income from non-financial services" includes mainly invoicing for the management and administration assistance that the Bank provides to Uno-e Bank, S.A., a BBVA Group company (See Note 1).

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

	Thousand euros	
ITEMS	**2008**	**2007**
Rest of operating expenses	2.230	1.313
Of which:		
Deposits guarantee fund	1	1
Total	**2.230**	**1.313**

29. Administration costs

29.1. Personnel costs

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

	Thousand euros	
ITEMS	**2008**	**2007**
Wages and salaries	30.671	30.866
Social Security	6.312	6.421
Contributions to outside pension funds	512	646
Other personnel expenses	957	2.216
Total	**38.452**	**40.149**

In 2008 and 2007, certain BBVA Group companies including the Bank implemented corporate programs for the acquisition of shares with discount of BBVA, 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 as of 31 December 2008, was as follows:

	Average number of employees	
ITEMS	**Men**	**Women**
Executives	17	2
Technical personnel	188	72
Administrative personnel	124	201
Total	**329**	**275**

During 2006, the BBVA Group implemented a long-term parent company (BBVA S.A.) share-based remuneration plan for the members of the Bank's management team. As of December 31, 2008, and as concerns the Bank, the total accrued amount during the plan's life (three years) amounts to €1,190,000 approximately (€1,761,000 during 2007). The corresponding cost for 2008, amounting to €16,000 (€862,000 in 2007) is recorded in the heading "Personnel Expenses – Other expenses" of the income statement.

29.2. Other general administrative expenses

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

	Thousand euros	
ITEMS	**2008**	**2007**
Technology and systems	4.861	3.759
Communication	2.146	2.597
Advertising	1.070	1.209
Property, fixtures and materials	6.430	5.890
Of which:		
Rent expenses (*)	3.279	2.930
Taxes	508	429
Other administration expenses	14.024	11.257
Total	**29.039**	**25.141**

(*) The Bank does not expect to terminate the lease contracts early.

The "Other administrative expenses" balance for 2008 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 2008 according to the following breakdown::

ITEMS	**Thousand euros**
Firms belonging to the Deloitte worldwide organization	5
Other firms	288

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.

30. Gains and losses in non-current assets held for sale not classified as discontinued operations

	Thousand euros	
ITEMS	**2008**	**2007**
Net real estate gains	867	524
Of which:		
Foreclosed	6	97
Impairment of non-current assets held for sale (Note 10)	(313)	(222)
Total	**554**	**302**

31. Related party transactions

31.1. Transactions with Group entities

For 2008 and 2007 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	**2008**	**2007**
Assets:		
Loans and advances to credit institutions (Note 4)	2.351.488	1.632.895
Loans and advances to customers (Note 4)	1.187.854	1.228.236
Trading derivatives (Note 4)	9.221	11.492
Accrual accounts	12.453	9.563
Other Assets	-	1
Liabilities:		
Deposits from credit institutions	6.558.865	5.380.188
Customer deposits	388	491
Subordinated liabilities	6.010	6.010
Trading derivatives	26.638	9.799
Accrual accounts	409	42
Memorandum accounts:		
Contingent liabilities	96.160	96.090
Commitments and contingent exposures	13.230	6.349
Income statement:		
Income	186.428	158.998
Expenses	263.229	184.506

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, 2008 and 2007, the notional amount of the futures transactions arranged by the Bank with the main aforementioned companies amounted to €1,226,880,000 and €846,841,000, respectively.

31.2. 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 33.

The amount of the loans granted to current members of Board of Directors of the Bank as of December 31, 2008 totaled €183,000.

31.3. Transactions with other related parties

There are no other significant transactions with other related parties.

32. Statement of cash flows

Cash flows from operating activities have varied in 2008 by €33,724,000, compared to the €668,000 variation in 2007. The most significant changes occurred in Loans and receivables and Financial liabilities measured at amortized cost.

Cash flows from investing activities varied in 2008 by –€30,734,000 in 2008, compared to –€740,000 in 2007. The most significant changes occurred in "Investments" (stakes).

Cash flows from financing activities varied in 2008 by €3,033,000, compared to €4,000 in 2007 and correspond to other payments linked to financing activities.

33. Remuneration and other benefits 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 the latter post, which in 2008 amounted to €882,000 in fixed and variable remuneration, €67,000 in remuneration in kind, and €107,000 in contributions to the Pensions Plan.

34. 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	1.829	Direct	Executive
Cruz Veira, Javier	BBVA	8.826	Direct	Executive
	SCH	130	Direct	-
Moliner Robredo, Ignacio	BBVA	9.941	Direct	Executive
De Lapuerta Montoya, Juan	BBVA	1.130	Direct	Executive
	SCH	1.250	Direct	-
Toraño Vallina, Gonzalo	BBVA	30.807	Direct	Executive
	SCH	40.000	Direct	-

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
Moliner Robredo, Ignacio	Director	Uno-e Bank, S.A.	Director
De Lapuerta Montoya, Juan	Director	Uno-e Bank, S.A.	Director
Toraño Vallina, Gonzalo	Chairman and CEO	Uno-e Bank, S.A.	Chairman and CEO

APPENDIX I Reconciliation of the financial statements of the year 2007 elaborated in accordance with the models of Circular 6/2008 of the Bank of Spain with respect to those elaborated in accordance with Bank of Spain Circular 4/2004

The Finanzia Banco de Credito financial statements for 2007, which are presented for comparison purposes only in these financial statements, have been modified with respect to those originally prepared by the Bank at that date and in accordance with the model used in the financial statements for 2007, in order to adapt them to the disclosure and presentation requirements set out in the Circular 6/2008 of the Bank of Spain. This change in format has no effect on the equity or on profit attributable to the Bank.

The main differences between the financial statement models set out in Circular 6/2008 of the Bank of Spain and the formats included in the Bank's financial statements as of December 31, 2007 are as follows:

- ***Balance sheet**: with respect to the model balance sheet used in the Loss and Profit Account as of 31 December 2007, the model balance sheet included in these financial statements:*
  - *Includes "Tangible assets – Tangible fixed assets" which regroups both "Tangible assets – For own use" and "Tangible assets – (leased out under and operating lease)", included in the asset side of the balance sheet forming part of the financial statements for 2007.*
  - *Includes under "Loans and advances to credit institutions" and "Loans and advances to customers" all the amounts previously classified in under "Loans and receivables" in the asset side of balance sheet forming part of the financial statements of the Bank for 2007.*
  - *Includes "Other assets", which combines the captions "Prepayments" and "Other assets" presented in the asset side of the balance sheet forming part of the financial statements of the Bank for 2007.*
  - *Includes on the liability side of the balance sheet the heading "Other liabilities", which combines the "Accrued expenses" and "Other liabilities" headings included on the balance sheet forming part of the annual financial statements as of December 31, 2007.*
- ***Loss and profit account**: with respect to the model Loss and profit account used in the Income Statement as of 31 December 2007, the model Loss and profit account included in these financial statements:*
  - *Does not contemplate "Intermediation margin" instead introducing a new margin called "Net interest income" representing the difference between "Interest and similar income" and "Interest expense and similar charges" and "Income from equity instruments" (this last caption is new with respect to the model income statement used in the annual financial statements of the Bank).*
  - *Includes a new margin called "Gross margin". "Ordinary margin" is no longer included. This new "Gross margin" is similar to the previous "Ordinary margin" except for the fact that it includes other operating income and expense which previously did not form part of the ordinary margin. In addition, the new model includes interest income and charges arising on non-financial activities and comprises other items previously recognized under "Other gains" and "Other losses".*
  - *"Personnel costs" and "General and administrative expenses" include amounts previously recognized under "Other gains" and "Other losses" in the earlier model.*
  - *The balance of the heading "Net asset impairment losses" is now shown in two headings: "Impairment on financial assets (net)", which comprises net impairment on financial assets other than equity instruments classified as shareholdings; and "Impairment losses on other assets (net)", which includes net impairment losses on equity instruments classified as shareholdings and on non-financial assets.*
  - *It eliminates "Operating margin" and creates "Net operating income." These measures of profit mainly differ in that the second includes the provision for net impairment losses on financial instruments and net provisions, as well as the amounts previously recognized under "Other gains" and "Other losses" in the earlier statement format.*
  - *It does not include "Other gains" and "Other losses," However, new headings are included: "Gains/(losses) on derecognized assets not classified as non-current assets held for sale," and "Gains/(losses) on non-current assets held for sale not classified as discontinued*

operations" which comprise, basically, the captions that previously formed part of the two eliminated headings mentioned above.

Below is a reconciliation between the consolidated income statement for 2007, prepared by the Bank in accordance with the model of the Bank of Spain Circular 4/2004 and the model of the Bank of Spain Circular 6/2008.

Thousand euros

Income statement in accordance with Bank of Spain Circular 4/2004	2007	Reconciliation	2007	Income statement in accordance with Bank of Spain Circular 6/2008
1.INTEREST AND SIMILAR INCOME	284.225		284.225	1. Interest and similar income
2.INTEREST EXPENSE AND SIMILAR CHARGES	(188.612)		(188.612)	2. Interest and similar charges
2.1.Remuneration of capital with the nature of a financial liability	-		-	3. Income from equity instruments
2.2.Other interest	(188.612)		(188.612)	
			95.613	A) NET INTEREST INCOME
3.DIVIDEND INCOME	725		725	4. Income from equity instruments
A) INTERMEDIATION MARGIN	96.338			
5.FEE AND COMMISSION INCOME	31.774		31.774	6. Fee and commission income
6. PAID COMMISSIONS	(8.962)		(8.962)	7. Paid commissions
8.NET GAINS/LOSSES ON FINANCIAL OPERATIONS	(5.287)		(5.287)	8. Gains or losses on financial operations (net)
Financial assets held for trading	(86)		(86)	8.1. Financial assets held for trading
Other financial assets at fair value through profit or loss	-		-	8.2 Other financial assets at fair value through profit or loss
8.3. Available-for-sale financial assets	(1)	(5.200)	(5.201)	8.3 Other financial instruments not at fair value through profit or loss
8.4.Loans and receivables	-		-	8.4 Hedging transactions not included in interest
8.5.Other	(5.200)	5.200		
9.EXCHANGE DIFFERENCES (NET)	-		-	9. Exchange differences (net)
B) ORDINARY MARGIN	113.863			
12.OTHER OPERATING INCOME	656	12.172	12.828	10. Other operating income
16.OTHER OPERATING EXPENSES	(1.186)	(127)	(1.313)	11. Other operating expenses
			125.378	B) GROSS INCOME
			(65.290)	12. Administration costs
13.PERSONNEL EXPENSES	(40.149)		(40.149)	12.1 Personnel expenses
14.GENERAL ADMINISTRATIVE EXPENSES	(25.141)		(25.141)	12.2 Other general administrative expenses
15.AMORTIZATION	(1.771)		(1.771)	13. Amortization
15.1.Tangible assets	(761)			
15.2.Intangible assets	(1.010)			
C) OPERATING INCOME	46.272			
18.PROVISIONS (NET)	(306)		(306)	14. Provisions (net)
17.IMPAIRMENT LOSSES ON ASSETS (NET)	(66.740)		(56.510)	15. Impairment losses on financial assets (net)
17.1. Available-for-sale financial assets	-			
17.2. Loans and receivables	(56.510)		(56.510)	15.1.Loans and receivables
17.3. Held-to-maturity investments	-			
17.4. Non-current assets held for sale	(222)	222		
17.5. Equity holdings	(10.008)	10.008		
17.6. Tangible assets	-			
17.7. Goodwill	-			
Other intangible assets	-			
17.9 Other assets	-			
			-	15.2 Other financial instruments not at fair value through profit or loss
			1.501	C) OPERATING INCOME
			(10.008)	16. Impairment losses on other assets (net)
			-	16.1 Goodwill and other intangible assets
		(10.008)	(10.008)	16.2 Other assets
		17.056	17.056	17. Gains (losses) in derecognized assets not classified as non-current assets held for sale
			-	18. Negative goodwill
		302	302	19. Gains and losses on non-current assets held for sale not classified as discontinued transactions
21.OTHER GAINS	29.761			
21.1.Gains on sale of tangible assets	533	(533)		
21.2.Gains on sale of investments in entities	17.056	(17.056)		
21.3.Other items	12.172	(12.172)		
22.OTHER LOSS	(136)			
22.1.Losses on sales of tangible assets	(9)	9		
22.2.Losses on disposal of equity holdings	-			
22.3.Other items	(127)	127		
D) PRE-TAX RESULT	8.851		8.851	D) PRE-TAX RESULT
23.CORPORATE TAX	(3.667)		(3.667)	20. Corporate tax
E) NET INCOME	5.184		5.184	E) CURRENT YEAR INCOME FROM ORDINARY ACTIVITIES
25.INCOME FROM DISCONTINUED TRANSACTIONS (NET)	-		-	22. Income from discontinued transactions (net)
F) PROFIT FOR THE PERIOD (+/-)	5.184		5.184	F) PROFIT FOR THE YEAR

APPENDIX II

SHARES IN JOINTLY CONTROLLED ENTITIES

Company	Location	Operations	% of voting rights controlled by the Bank Direct	Indirect	Total	Thousands of euros (*) Fair Net carrying amount	Investee Data workers 31.12.08	Liabilities 31.12.08	Equity 31.12.08	Result Year ended December 31, 2008
DISTRANSA RENTRUCK, S.A. (*)	SPAIN	CORPORATE	42,90		42,90	15.200	41.454	25.072	16.860	(478)
					TOTAL:	**15.200**				

INVESTMENTS IN GROUP ENTITIES

Company	Location	Operations	% of voting rights controlled by the Bank Direct	Indirect	Total	Thousands of euros (*) Fair Net carrying amount	Investee Data workers 31.12.08	Liabilities 31.12.08	Equity 31.12.08	Result Year ended December 31, 2008
FINANZIA AUTORENTING, S.A.	SPAIN	CORPORATE	99,99		99,99	33.560	651.086	642.804	21.454	(13.172)
BBVA,INSTITUIÇAO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERV.	49,90		49,90	16.268	396.129	359.727	34.556	1.846
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	SPAIN	SERVICES	99,96		99,96	150	2.763	876	1.182	705
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM., LDA.	PORTUGAL	FINANCIAL SERV.	100,00		100,00	7.209	60.301	50.960	9.449	(108)
UNO-E BANK, S.A.	SPAIN	BANKING	32,65		32,65	35.040	1.296.768	1.167.220	142.336	(12.788)
BBVA RENTING, S.A.	SPAIN	FINANCIAL SERV.	5,94		5,94	60	789.704	695.902	90.792	3.010
BBVA FINANZIA, S.p.A	ITALY	FINANCIAL SERV.	50,00		50,00	19.907	447.794	434.679	26.269	(13.154)
					TOTAL:	**112.194**				

(*) Non-audited information

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FINANZIA BANCO DE CRÉDITO, S.A.

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2008

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.

CAPITAL BASE

Equity management within the BBVA group is mainly carried out with the objective of fulfilling the requirements regarding regulatory capital of the Bank of Spain found in Circular 3/2008, of 22 May, on the calculation and control of minimum capital requirements for Spanish credit institutions, in application of the new Basil agreement (BIS-II) of the Bank for International Settlements.

The aforementioned circular establishes that the consolidated groups of credit entities shall maintain at all times a solvency coefficient equal or greater than 8% to the total exposure of the entity not deduced from equity, adjusted for risk, and calculated in accordance to the requirements it stipulates.

As of December 31, 2008, regulatory capital management analyzed the capital base and solvency ratios under criteria of Bank of Spain Circular 3/2008, of May 22.

The Bank, in order to comply with the minimum aforementioned requirements, calculates its equity within that presented by the Group.

During 2008, the Bank requested exemption from the requirement of the presentation of equity on an independent basis given that it met the requirements established in the 5th Stipulation of Circular 3/2008 allowing it to do so. As of 31 December 2008 Banco de España had not yet given its answer, and the Bank issued the necessary powers of attorney for the presentation of the official statements in case of a refusal or absence of decision before the deadline set for their presentation.

BALANCE SHEET AND BUSINESS

As of December 31, 2008, the Bank's consolidated balance was €7,403,407 (€6,341,978,000 in 2007). In 2008, loans and receivables increased by €1,035,253,000, i.e. a 17% increase on the previous year.

INCOME STATEMENT

In 2008, the Bank's pre-tax results were –€3,439,000 (€8,851,000 in 2007). Net losses were –€4,328,000 (€5,184,000 in 2007).

The interest margin in 2009, financial income minus financial costs without including profits from equity investments was €85,012,000 euros, compared to €87,290,000 in 2008.

In 2008 gross income was €117,205,000 versus €125,378,000 in 2007.

Finally, the result of exploitation activities is –€3,993,000 in 2008, compared to €1,501,000 in 2007.

THE RISK MANAGEMENT SYSTEM IN THE BBVA GROUP

The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails.

The Bank's risk management system is described in Note 4 "Risk exposure" of the accompanying annual financial statements.

ORGANIZATION AND PLANNING

Finanzia continues with the policy initiated in previous years of optimizing its organization by leveraging certain structures and services within the central structures of the BBVA Group.

RESEARCH AND DEVELOPMENT

During 2008, important investments have been made in projects involving technological innovation in our area and related to the maintenance of incentive models for the distribution channel and operational efficiency.

ENVIRONMENTAL INFORMATION

As of December 31, 2008, 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.

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

In Spain the BBVA Group has a Customer Care Service in place to manage customer complaints and grievances. In addition, if a customer 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 related activities in 2008:

Report on the activity of the Customer Care Service in 2008

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 2008.

The number of customer complaints received by the BBVA Group Customer Care Service and corresponding to Finanzia Banco de Crédito, S.A. in 2008 was 40, of which only two were finally not processed because they did not comply with the requirements of the Ministerial Order ECO/734. 87.3% of the complaints (8,106 case files) were resolved within the year and 663 complaints had not yet been analyzed as of December 31, 2009.

The complaints managed can be classified as follows:

ITEMS	Percentage of Complaints
Assets/Loan products	71,1%
Services (receipts, automatic teller machines, transfers, etc.)	21,1%
Quality of Service (information to customers, promotions)	2,6%
Insurance	2,6%
Recoveries	2,6%
TOTAL	100,0%

The complaints handled in 2008, broken down by the nature of their final resolution, are as follows:

ITEMS	Number of Complaints
In favor of the person submitting the complaint	21
Partially in favor of the person submitting the complaint	6
In favor of the BBVA Group	11

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.

In 2008, 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 its banking practices.

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 2008.

The number of customer complaints forwarded to the Customer Ombudsman in 2008 was five, all of which 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	5

The 5 cases received in 2008 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
In favor of Finanzia, Banco de Crédito, S.A.	3

Based on the above, over 40% 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 Customer Ombudsman are some recommendations for all group entities subject to the BBVA Group's Customer Defense Regulation for Spain, 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 2008 there were no complaints presented to the various public supervisory authorities that had first been handled by the Office of the Ombudsman.

FUTURE OUTLOOK

The year 2008 has been marked by financial turmoil of considerable seriousness on a global scale. The problems of solvency facing certain financial institutions have helped to accelerate the transfer from financial variables to real ones. This factor, together with the cyclic slowdown already underway in 2007, meant that global economic growth fell from 5% to 3.5% in 2008. In the developed economies,
there was confirmation of the onset of a period of recession. Against this backdrop, the Spanish economy ended 2008 with somewhat higher growth than the economies in its area.

In this environment of high levels of uncertainty, the credit crunch and economic fragility, economic prospects for 2009 will be highly conditioned by the effectiveness of the monetary and fiscal policies that are being implemented. The main scenario, nonetheless, will be characterized by a moderation in world growth to a figure below 2% and a recession in developed economies. The Spanish economy is most likely to perform in line with Europe as a whole. Finally, inflation is expected to fall over the coming year as a result of the weakness of internal demand and the drop in commodity prices.

The general strategy for the Bank in 2009 is based on profitable growth, which implies prioritizing spreads management and asset quality control. The latter will be combined with a greater effort toward the development of efficiency strategies.-

TREASURY SHARES

The Bank did not carry out treasury shares operations in 2008.

EVENTS SUBSEQUENT TO 31 DECEMBER 2008

After 31 December 2008 and up to the preparation of these annual reports, no other events have taken place that significantly affect the accompanying financial statements.