

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**

Financial statements
for the year ended
December 31, 2007

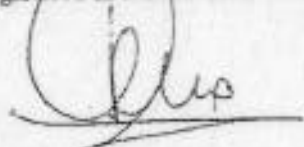
Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 31).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

AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of BBVA Factoring, Establecimiento Financiero de Crédito, S.A. (the Company, a Banco Bilbao Vizcaya Argentaria Group company - Note 16) comprising the balance sheet at 31 December 2007, and the related income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.
2. As required by Spanish corporate and commercial law, for comparison purposes the Company's directors present, in addition to the figures for 2007 for each item in the balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements, the figures for 2006. Our opinion refers only to the financial statements for 2007. On 29 March 2007, we issued our auditors' report on the Bank's 2006 financial statements, in which we expressed an unqualified opinion.
3. As indicated in Note 1, the Company's operations are performed under the management of the Banco Bilbao Vizcaya Argentaria Group, giving rise to the balances and transactions with related companies that are indicated in the Note 30. The accompanying financial statements, which are presented in compliance with current regulations, should be interpreted in this context.
4. In our opinion, the accompanying financial statements for 2007 present fairly, in all material respects, the equity and financial position of BBVA Factoring, Establecimiento Financiero de Crédito, S.A. at 31 December 2007, and the results of its operations, the changes in its equity and its cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the accounting principles and standards contained in Bank of Spain Circular 4/2004, which were applied on a basis consistent with that of the preceding year.
5. The accompanying directors' report for 2007 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2007. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Bank's accounting records.

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



Francisco García-Valdecasas
11 April 2008

COL·LEGI
DE CENSORS JURATS
DE COMPTES
DE CATALUNYA

Membre exercant:
DELOITTE, S.L.

Ay 2008 N.º 207/08/01653
CÒPIA GRATUÏTA

.....
Aquest informe està subjecte a
la taxa aplicable establerta a la
Llei 44/2002 de 22 de novembre.
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Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

ASSETS	Thousands of Euros	
	2007	2006 (*)
CASH AND BALANCES WITH CENTRAL BANKS (Note 6)	31	32
FINANCIAL ASSETS HELD FOR TRADING	-	-
Loans and advances to credit institutions	-	-
Money market transactions through counterparty entities	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
Memorandum item: Loaned and advanced as collateral	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
Loans and advances to credit institutions	-	-
Money market transactions through counterparty entities	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned and advanced as collateral	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7)	203	203
Debt instruments	-	-
Other equity instruments	203	203
Memorandum item: Loaned and advanced as collateral	-	-
LOANS AND RECEIVABLES (Note 8)	6,695,471	5,408,561
Loans and advances to credit institutions	199	62
Money market transactions through counterparty entities	-	-
Loans and advances to customers	6,695,254	5,408,484
Debt instruments	-	-
Other financial assets	18	15
Memorandum item: Loaned and advanced as collateral	-	-
HELD-TO-MATURITY INVESTMENTS	-	-
Memorandum item: Loaned and advanced as collateral	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt instruments	-	-
Equity instruments	-	-
Tangible assets	-	-
Other assets	-	-

(*) Presented for comparison purposes only.

ASSETS (Continuation)	Thousands of Euros	
	2007	2006 (*)
INVESTMENTS (Note 9)	574	-
Associates	574	-
Jointly controlled entities	-	-
Group entities	-	-
INSURANCE CONTRACTS LINKED TO PENSIONS (Note 14)	201	216
TANGIBLE ASSETS (Note 10)	122	77
Property, plant and equipment for own use	122	77
Investment property	-	-
Other assets leased out under an operating lease	-	-
Memorandum item: Loaned and advanced as collateral	-	-
INTANGIBLE ASSETS	-	-
Goodwill	-	-
Other intangible assets	-	-
TAX ASSETS (Note 19)	19,886	17,392
Current	-	-
Deferred	19,886	17,392
PREPAYMENTS AND ACCRUED INCOME (Note 11)	3,090	2,865
OTHER ASSETS	8	123
TOTAL ASSETS	6,719,586	5,429,469

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

	Thousands of Euros	
LIABILITY AND EQUITY	2007	2006 (*)
FINANCIAL LIABILITIES HELD FOR TRADING		-
Money market operations through counterparties	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	-	-
Short positions	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY		-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST (Note 12)	6,476,987	5,211,006
Deposits from central banks	-	-
Deposits from credit institutions	6,105,165	5,045,737
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Subordinated liabilities	-	-
Other financial liabilities	373,822	165,269
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-
HEDGING DERIVATIVES		-
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-
Deposits from other creditors	-	-
Other liabilities	-	-
PROVISIONS (Note 13)	5,593	4,431
Provisions for pensions and similar obligations	305	356
Provisions for taxes	-	-
Provisions for contingent exposures and commitments	-	-
Other provisions	5,288	4,075
TAX LIABILITIES (Note 19)	1,165	1,133
Current	1,165	1,133
Deferred	-	-
ACCRUED EXPENSES AND DEFERRED INCOME (Note 11)	2,449	7,429
OTHER LIABILITIES	1,084	-
CAPITAL HAVING THE NATURE OF FINANCIAL LIABILITY		-
TOTAL LIABILITIES	6,489,278	5,223,999

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Continuation)	Thousands of Euros	
	2007	2006 (*)
VALUATION ADJUSTMENTS		-
Available-for-sale financial assets	-	-
Financial liabilities at fair value through equity	-	-
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
	230,308	205,470
STOCKHOLDER'S EQUITY		
Capital (Note 16)	26,874	26,874
Issued	26,874	26,874
Unpaid and uncalled (-)	-	-
Share premium (Note 17)	93,180	93,180
Reserves (Note 18)	85,416	65,747
Accumulated reserves (losses)	85,416	65,747
Retained earnings	-	-
Other equity instruments	-	-
Equity component of compound financial instruments	-	-
Other	-	-
Less: Treasury shares	-	-
Income attributed to the group	24,838	19,669
Less: Dividends and remuneration	-	-
	230,308	205,470
TOTAL EQUITY		
TOTAL LIABILITIES AND EQUITY	6,719,586	5,429,469

MEMORANDUM ITEMS	Thousands of Euros	
	2007	2006 (*)
CONTINGENT EXPOSURES		-
Financial guarantees	-	-
Assets earmarked for third-party obligations	-	-
Other contingent exposures	-	-
CONTINGENT COMMITMENTS		-
Drawable by third parties	-	-
Other commitments	-	-

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

	Thousands of Euros	
	2007	2006 (*)
INTEREST AND SIMILAR INCOME (Note 23)	216,581	145,962
INTEREST EXPENSE AND SIMILAR CHARGES (Note 24)	(93,458)	(113,096)
Income on equity having the nature of a financial liability	-	-
Other	(173,158)	(113,096)
INCOME FROM EQUITY INSTRUMENTS (Note 25)	240	169
Investments in associates	-	-
Investments in jointly controlled entity	-	-
Investments in group entities	-	-
Other equity investments	240	169
NET INTEREST INCOME	43,645	33,035
FEE AND COMMISSION INCOME (Note 26)	20,729	19,338
FEE AND COMMISSION EXPENSES (Note 26)	(1,578)	(417)
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	-	-
Held for trading	-	-
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	-	-
Loans and receivables	-	-
Other	-	-
EXCHANGE DIFFERENCES (NET)	63,798	51,956
GROSS INCOME	-	-
OTHER OPERATING INCOME	(7,524)	(5,900)
PERSONNEL EXPENSES (Note 27)	(4,275)	(3,114)
OTHER ADMINISTRATIVE EXPENSES (Note 28)	(43)	(38)
DEPRECIATION AND AMORTIZATION	(43)	(38)
Tangible Assets (Note 10)	-	-
Intangible Assets	-	(1)
OTHER OPERATING EXPENSES	51,956	42,903
NET OPERATING INCOME	(15,638)	(8,310)
IMPAIRMENT LOSSES	-	-
Available-for-sale financial assets	-	-
Loans and receivables (Note 8)	(15,638)	(8,310)
Held-to-maturity investments	-	-
Non-current assets held for sale	-	-
Investments	-	-
Tangible assets	-	-
Goodwill	-	-
Other intangible assets	-	-
Other assets	-	-
PROVISION EXPENSE (NET) (Note 13)	(1,161)	(25)
OTHER GAINS	23	1
Gains on disposal of tangible assets	-	-
Gains on disposal of investment	-	-
Other (Note 29)	23	1
OTHER LOSSES	(161)	-
Losses on disposal of tangible assets	-	-
Losses on disposal of investment	-	-
Other (Note 29)	(161)	-
INCOME BEFORE TAX	37,015	34,569
INCOME TAX (Note 19)	(12,177)	(14,900)
INCOME FROM ORDINARY ACTIVITIES	24,838	19,669
INCOME FROM DISCONTINUED OPERATIONS (NET)	-	-
INCOME FOR THE PERIOD	24,838	19,669

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND
2006**

(Notes 1 to 3)

	Thousands of Euros	
	2007	2006 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY		-
Available-for-sale financial assets		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Reclassifications		-
Other financial liabilities at fair value		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Reclassifications		-
Cash flow hedges		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Amounts transferred to the initial carrying amount of the hedged items		-
Income tax		-
Reclassifications		-
Hedges of net investment in foreign operations		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Exchange differences		-
Translation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Non-current assets held for sale		-
Revaluation gains		-
Amounts transferred to income statement		-
Income tax		-
Reclassifications		-
CONSOLIDATED INCOME FOR THE YEAR	24,838	19,669
Published consolidated income for the year	24,838	19,669
Adjustments due to changes in accounting policy		-
Adjustments made to correct errors		-
TOTAL INCOME AND EXPENSES FOR THE YEAR		-
MEMORANDUM ITEM: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR YEARS		-
Due to changes in accounting policies		-
Stockholder's Equity		-
Valuation adjustments		-
Due to errors		-
Stockholder's Equity		-
Valuation adjustments		-

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.

CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Notes 1 to 3)

CASH FLOW STATEMENTS	Thousands of Euros	
	2007	2006 (*)
CASH FLOW FROM OPERATING ACTIVITIES		
Consolidated profit for the year	24,838	19,669
Adjustment to profit:	26,462	23,273
Depreciation of tangible assets (+)	43	38
Amortisation of intangible assets (+)	-	-
Impairment losses (net) (+/-)	13,634	8,310
Provision expense (net) (+/-)	165	25
Gains/Losses on disposal of tangible assets (+/-)	-	-
Gains/Losses on disposal of investment (+/-)	-	-
Taxes (+/-)	12,172	14,800
Other non-monetary items (+/-)	(541)	-
Adjusted profit	51,320	42,942
Net increase/decrease in operating assets	(1,302,462)	78,233
Financial assets held for trading	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
Other financial assets at fair value through profit or loss	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Available-for-sale financial assets	-	-
Debt securities	-	-
Other equity instruments	-	-
Loans and receivables	(1,358,042)	79,871
Loans and advances to credit institutions	(2)	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	(1,358,039)	79,872
Debt securities	-	-
Other financial assets	(3)	1
Other operating assets	55,580	(1,438)

(*) Presented for comparison purposes only.

(Continuation)	Thousands of Euros	
	2007	2006 (*)
Net increase/decrease in operating liabilities	1,251,940	34,229
Financial liabilities held for trading	-	-
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	-	-
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Financial liabilities at fair value through equity	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Financial liabilities measured at amortised cost	1,259,107	50,263
Deposits from central banks	-	-
Deposits from credit institutions	1,050,554	30,851
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Other financial liabilities	1208,553	19,412
Other operating liabilities	(7,167)	(16,034)
Total net cash flows from operating activities (1)	798	(1,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment (-)	(862)	(15)
Group entities, jointly controlled entities and associates	(574)	(15)
Tangible assets	(88)	-
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Divestments (+)	-	-
Group entities, jointly controlled entities and associates	-	-
Tangible assets	-	-
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Total net cash flows investing activities (2)	(662)	(15)

(*) Presented for comparison purposes only.

(Continuation)	Thousands of Euros	
	2007	2006 (*)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/ Redemption of capital (+/-)	-	-
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	-
Issuance/Redemption of non-voting equity units (+/-)	-	-
Issuance/Redemption of other equity instruments (+/-)	-	-
Issuance/Redemption of capital having the nature of a financial liability (+/-)	-	-
Issuance/Redemption of subordinated liabilities (+/-)	-	-
Issuance/Redemption of other long-term liabilities (+/-)	-	-
Dividends/Interest paid (-)	-	-
Other items relating to financing activities (+/-)	-	-
Total net cash flows from financing activities (3)	-	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	136	(1,077)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	94	1,171
Cash or cash equivalents at beginning of year	230	94
Cash or cash equivalents at end of year		

(*) Presented for comparison purposes only.

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

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

BBVA Factoring, Establecimiento Financiero de Crédito, S.A.

Notes to the financial statements for the year ended 31 December 2007

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

1.1. Introduction -

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

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

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

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

The Company belongs to the Banco Bilbao Vizcaya Argentaria Group (Note 16). The operating branches perform all the transactions relating to business attracted through the Banco Bilbao Vizcaya Argentaria Group's branch network.

The Company's financial statements for 2006 were approved by the shareholders at the Annual General Meeting of the Company on 28 June 2007. The 2007 financial statements of the Company have not yet been approved by its shareholders at the Annual General Meeting. However, the Company's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2. Basis of presentation of the financial statements -

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

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

The Company's financial statements for 2007 were prepared by its directors (at the Board meeting on 26 March 2007) from the Company's accounting records and are presented in accordance with the formats established by Bank of Spain Circular 4/2004, of 22 December, and, accordingly, they present fairly the Company's equity and financial position at 31 December 2007, and the results of its operations, the changes in equity and the cash flows in 2007.

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

1.3. Comparative information -

The information relating to 2006 contained in these notes to the financial statements is presented with the information relating to 2007 for comparison purposes only, and, accordingly, it does not constitute the Company's statutory financial statements for 2006.

1.4. Responsibility for the information and use of estimates -

The information in these financial statements is the responsibility of the Company's directors. In the financial statements for 2007 estimates were occasionally made by the Company in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (Note 8).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 2-d y 14).
- The useful life of the tangible assets (Note 10).
- The fair value of certain unquoted assets (Note 7 y 9).

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

1.5. Environmental impact -

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

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

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

1.7. Minimum capital requirements -

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

As of December 31, 2007 and 2006 the Group's qualifying capital exceeded the minimum required under the aforementioned legislation.

The Basel Committee published a new Basel capital accord (also known as Basel II) which has replaced the Basel Accord. A new regulatory framework (Directives 2006/48/EC and 2006/49/EC) was adopted in June 2006.

Royal Decree 216/2008, of 15 February, on capital of financial institutions was published on 16 February 2008. Also, a series of amendments were introduced to Law 13/1985, of 25 May, on investment ratios, capital and reporting requirements of financial intermediaries. The main purpose of these new regulations is to transpose into Spanish law Directive 2006/48/EC and Directive 2006/49/EC which, in turn, transpose into Community law the New Basel Capital Accord (Basel II).

Accordingly, in 2008 the BBVA Group, in which the Company takes part, must calculate its capital requirements in accordance with the aforementioned regulations, which change the way entities must calculate their minimum capital, include new risks that require the use of capital, such as operational risk, and introduce new calculation methodologies and models to be applied by the entities, and new requirements in the form of validation mechanisms and public information to be disclosed to the market. The BBVA Group is performing the necessary adaptations to its policies and processes in order to comply with the aforementioned regulations. In this respect, within the framework of the adaptation to Basel II carried out in recent years, advanced management tools are being implemented for risk measurement (scoring systems, transaction monitoring, Value at Risk (VaR), operational risk measurement, *inter alia*) which include, as a fundamental variable of the models, the analysis of capital requirements and the impacts of the decisions taken by the Group. In any case, the Company's directors consider that the impact of the entry into force of the aforementioned legislation will not be material.

1.8. Subsequent events -

In the period from 1 January 2008 to the date when these financial statements were authorised for issue no events took place having a material effect on the financial statements.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Company's financial statements for 2007 were as follows:

a) Financial instruments

Initial recognition of financial instruments

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

Derecognition of financial instruments

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

1. The contractual rights to the cash flows from the financial asset expire; or
2. The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred.

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

Fair value and amortised cost of financial instruments

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

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

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

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

Classification and measurement of financial assets and liabilities

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

1. Available for sale financial assets: This caption in the accompanying balance sheets includes the equity on Telefónica Factoring Do Brasil, Ltda. That the Company hold on (see Note 7).

This equity is measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

According to Circular 4/2004 of Bank of Spain, when there is an impairment evidence, the impairment losses are equal to the difference between their recoverable amount (Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use: the present value of expected future cash flows discounted at the market rate of return for similar securities) and their carrying amount. 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 unrealised gains at the measurement 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.

The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) for the last approved balance sheet, adjusted for the unrealised gains at the measurement 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.

Accrued Dividends from these equities are recognized as income in the heading "Income from the equity instruments" in the accompanying income statements.

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

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

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

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

The "non-recourse" accounts receivable, which are recorded at the full amount of the unmatured remittances delivered by the assignors and approved by the Company, are included under "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" (Note 8.3). The undrawn portion of the amount payable to the assignors is recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" (Note 12) in the accompanying balance sheets. In contrast, in "recourse" transactions, "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" reflects the portion of the unmatured delivered remittances that has been paid to the assignor. Also, pursuant to Bank of Spain regulations, the unmatured remittances delivered by the assignors relating to unfinanced recourse factoring transactions, which amounted to EUR 184,751 thousand at 31 December 2007 (31 December 2006: EUR 126,907 thousand), are included as an off-balance-sheet item under "Drawable by Third Parties" (Note 22).

In addition, the Company performed reverse (supplier) factoring ("confirming") transactions in which the debt, on which the Company bears the bad debt risk, takes the form of invoices approved by the debtor and advanced in full to the assignor. The aforementioned transactions are recorded under "Loans and Receivables - Loans and Advances to Customers - Reverse Factoring Transactions" (Note 8.3). Reverse factoring remittances which are not advanced are recognised as off-balance-sheet items and amounted to EUR 2,450,572 thousand at 31 December 2007 (31 December 2006: EUR 2,266,590 thousand) (Note 20). Certain reverse factoring contracts give the debtor the option of repurchasing his own factored receivables and of sharing through allowances the revenues from the factored remittances. These allowances were recognised under "Interest Expense and Similar Charges" in the accompanying income statements (Note 24).

Additionally, the Company performs factoring transactions known as "overall factoring", which is characterised mainly by the establishment of an overall limit per assignor, taking on board the receivables on which the Company bears the bad debt risk or makes advances on account and the establishment of a threshold below which this risk will not be covered. These transactions are recognised under "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" (Note 8.3).

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

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

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

When funds are advanced, the advance amount is paid directly to the customer and the applicable interest and factoring fees, if any, can be deducted. However, if the Company does not advance any funds, the transaction amount is recognised under "Financial Liabilities at Amortised Cost" in the accompanying balance sheets until it is paid to the customer when collected (Note 12).

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

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

Impairment financial assets

Definition

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

- In the case of debt instruments (loans and debt securities), give rise to a negative impact on the future cash flows that were estimated at the time the transaction was arranged.
- In the case of equity instruments, mean that the carrying amount of these instruments cannot be recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the year in which the impairment becomes known, and the recoveries of previously recognized impairment losses are recognized in the income statement for the year in which the impairment is reversed or reduced, with the exception that any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale which are not recognized through profit or loss but recognized under the heading "Valuation Adjustments – Available for sale Financial Assets" in the balance sheet.

Balances are considered to be impaired, and accrual of the interest thereon is suspended, when there are reasonable doubts that the balances will be recovered in full and/or the related interest will be collected for the amounts and on the dates initially agreed upon, taking into account the guarantees received by the entity to assure (in part or in full) the performance of transactions. Amounts collected in relation to impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the principal not yet paid.

When the recovery of any recognized amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the entity in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.

Calculation of impairment financial assets

The impairment on financial assets is determined by type of instrument and the category where is recognized, as follows:

Impairment of debt instruments carried at amortized cost:

Impairment losses determined individually

The quantification of impairment losses of the assets classified as impaired is done on an individual basis in which customers in the amount of their operations is equal to or exceeds €1 million.

The amount of the impairment losses incurred on these instruments relates to the positive difference between their respective carrying amounts and the present values of their expected future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be obtained over the residual life of the instrument; including, where appropriate, those which may result from the guarantees provided for the instrument (after deducting the costs required for foreclosure and subsequent sale).
- The various types of risk to which each instrument is subject.
- The circumstances in which collections will foreseeable be made.

These cash flows are discounted using the original effective interest rate. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract.

As an exception to the rule described above, the market value of quoted debt instruments is deemed to be a fair estimate of the present value of their future cash flows.

Impairment losses determined collectively

The quantification of impairment losses is determined on a collective basis in the following two cases:

Assets classified as impaired of customers in which the amount of their operations is less than €1 million.

Asset portfolio not impaired but which presents an inherent loss.

To estimate the collective loss of credit risk corresponding to operations with resident in Spain, the BBVA uses the parameters set by Annex IX of the Circular 4/2004 from Bank of Spain on the base of its experience and the Spanish banking sector information in the quantification of impairment losses and provisions for insolvencies for credit risk. These parameters will be used as far as the Bank of Spain validates internal models based on historical experience of the Bank.

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

1. Specific allowance or provision for insolvency risk of the portfolio doubtful

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that have past-due amounts with more than three months, shall be analyzed individually, taking into account the age of the past-due amounts, the guarantees or collateral provided and the economic situation of the customer and the guarantors.

In the case of unsecured transactions and taking into account the age of the past-due amounts, the allowance percentages are as follow:

Age of the past-due amount	Allowance percentage
Up to 6 months	between 4.5% and 5.3%
Over 6 months and up to 12 months	between 27.4% and 27.8%
Over 12 months and up to 18 months	between 60.5% and 65.1%
Over 18 months and up to 24 months	between 93.3% and 95.8%
Over 24 months	100%

2. General allowance or provision of the portfolio into force

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

The allowance percentages of hedge are as follows:

Negligible risk: 0%
Low risk: 0.20% - 0.75%
Medium-low risk: 0.50% - 1.88%
Medium risk: 0.59% - 2.25%
Medium-high risk: 0.66% - 2.50%
High risk: 0.83% - 3.13%

b) Investments

This item in the accompanying balance sheets includes the Company's ownership interest in the share capital of Telefónica Factoring Mexico, S.A. de C.V. (Note 9).

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

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

c) Recognition of income and expenses

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

Interest income, interest expenses and similar items:

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

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

Commissions, fees and similar items:

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

- Those arising from transactions or services that are provided over a period of time, which are recognised over the life of these transactions or services.
- Those relating to a service provided in a single act, which are recognised when the single act is carried out.

Non-finance income and expenses:

These are recognised for accounting purposes on an accrual basis.

d) Post-employment benefits and other commitments to employees

Following is a description of the most significant accounting criteria relating to the commitments to employees, related to post-employment benefits and other commitments, of the Bank and branch abroad (Note 14).

Commitments valuation: assumptions and gains/losses recognition

The present values of the commitments are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method, which views each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

In adopting the actuarial assumptions, it is taken into account that:

- They are unbiased, in that they are neither imprudent nor excessively conservative.
- They are mutually compatible, reflecting the economic relationships between factors such as inflation, rates of salary increase and discount rates.
- The future levels of salaries and benefits are based on market expectations at the balance sheet date for the period over which the obligations are to be settled.
- The discount rate used is determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred, were recognized in the income statements. The bank did not use the "corridor approach".

Post-employment benefits

- Pensions

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

Defined contribution commitments

the amounts of these commitments are determined, on a case-by-case basis, as a percentage of certain remuneration items and/or as a pre-established annual amount. The current contributions made by the Company for defined contribution retirement commitments, which are recognized with a charge to the heading "Personnel Expenses – Contributions to external pension funds" in the accompanying income statements (Notes 14 and 27).

Defined benefit commitments

The Company has defined benefit commitments for permanent disability and death of current employees and early retirees; for death of certain retired employees; and defined-benefit retirement commitments applicable only to certain groups of serving employees (unvested benefits), or early retired employees (vested benefits) and of retired employees (ongoing benefits). Defined benefit commitments are funded by insurance contracts and internal provisions.

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

- (i) Pension commitments to employees shall be recorded as pension provisions.
- (ii) The insurance policy shall be recorded on the asset side as an insurance contract linked to
- (iii) The expense for the period shall be recorded in the item "personnel expenses" net of the amount relating to the insurance contracts.

- Post-employment welfare benefits

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

The present values of the vested obligations for post-employment welfare benefits are quantified on a case-by-case basis. They are recognized in the heading "Provisions - Funds for Pensions and Similar Obligations" in the accompanying balance sheets (Note 13) and they are charged to the heading "Personnel expenses – Other personnel expenses" in the accompanying income statements (Note 27).

Other commitments to employees

The Bank is obliged to deliver partially or fully subsidised goods and services. The most significant employee welfare benefits granted, in terms of the type of compensation and the event giving rise to the commitments are: loans to employees, life insurance, study aid and long-service bonuses.

The present values of the vested obligations for commitments with personnel are quantified on a case-by-case basis. They are recognized in the heading "Provisions - Funds for Pensions and Similar Obligations" in the accompanying balance sheets (see Note 13). The post-employment welfare benefits delivered by the Bank to active employees are recognized in the heading "Personnel expenses – Other personnel expenses" in the accompanying income statements (see Note 27).

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

e) Translation differences

Functional currency:

The Company's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

The detail at 31 December 2007 and 2006 of the equivalent euro value of the main asset and liability balances denominated in foreign currency, by item, is as follows:

	Thousands of Euros	
	2007	2006
ASSETS		
Loans and receivables	1,622	1,434
Pound sterling	774	151
US dollar	659	958
Yen	189	325
Available-for-sale financial assets	247	247
Brasilian real	247	247
Investments	574	-
Mexican peso	574	-
LIABILITIES		
Financial liabilities at amortised cost	1,622	1,434
Pound sterling	774	151
US dollar	659	958
Yen	189	325

Translation of foreign currency balances:

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

Exchange rates

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

f) Tangible assets

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

1. The related accumulated depreciation, and
2. Any estimated impairment losses (net carrying amount higher than recoverable amount).

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

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

	Rates
Buildings and structures	2%
Computer hardware	25%

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

Similarly, if there is an indication of a recovery in the value of a tangible asset, the Company recognises the reversal of the impairment loss recognised in prior periods and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

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

g) Tax assets and liabilities

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

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

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

"Income Tax" includes the amounts charged and credited to the income statement (see Note 19) in connection with the income taxes accrued in the current year and arising from adjustments to the amounts recognised in prior years.

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

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

h) Provisions

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

Provisions are recognised in the balance sheet when each and every one of the following requirements is met: the Company has a present obligation resulting from a past event and, at the balance sheet date, it is more likely than not that the obligation will have to be settled; it is probable that to settle the obligation the Company will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

i) Termination benefits

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

j) Cash flow statement

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

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: typical credit institution activities and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

3. Distribution of net profit

The proposed distribution of net profit for 2007 that will be submitted for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
2007 net profit	24,838
Distribution to:	
Voluntary reserve	24,838

4. Remuneration of directors and senior executives

Remuneration of directors -

In 2007 and 2006 the Company's Board members did not earn or receive any salaries, attendance fees or other remuneration and the Company did not grant any advances or loans or have any pension or life insurance commitments to current or former Board members.

Remuneration of senior executives -

The salary received in 2007 by the Company's senior executive officer amounted to EUR 78 thousand.

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

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

Owner	Investee	Activity	Ownership Interest	Functions
Javier Virgilio Estévez Zurita	BBVA, S.A.	Banking	14,169	Officer
Carlos Olivares Sánchez	BBVA, S.A.	Banking	2,404	Officer
Jose Ignacio López-Perea Páramo	BBVA, S.A.	Banking	6,141	Officer
Jose Agustín Antón Burgos	BBVA, S.A.	Banking	13,769	
	Banco de Sabadell, S.A.	Banking	2,000	Officer
	Banco Popular, S.A.	Banking	2,000	
	Banesto, S.A.	Banking	2,000	
M ^a del Mar Rodrigo Casanova	BBVA, S.A.	Banking	3,105	Officer
Elias Soler Vives	BBVA, S.A.	Banking	7,679	-
M ^a del Carmen Cuereel Baeza	BBVA, S.A.	Banking	2,134	Officer
Emiliano Salcines Zugasti	BBVA, S.A.	Banking	1,200	Officer
Juan José Moreno Serrano	BBVA, S.A.	Banking	5,539	Officer
Fernando Colomina Barueco	BBVA, S.A.	Banking	3,444	-

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

Owner	Entity	Function or position
Javier Virgilio Estévez Zurita	BBVA, S.A.	Officer
	Telefónica Factoring, S.A.	Director
	Telefónica Factoring, S.A.	Director
Carlos Olivares Sánchez	Telefónica Factoring do Brasil Ltda.	Director
	Telefónica Factoring Mexico, S.A. de C.V.	Director
Jose Ignacio López-Perea Páramo	BBVA, S.A.	Officer
Jose Agustín Antón Burgos	BBVA, S.A.	Officer
M ^a del Mar Rodrigo Casanova	BBVA, S.A.	Officer
M ^a del Carmen Cuereel Baeza	BBVA, S.A.	Officer
Emiliano Salcines Zugasti	BBVA, S.A.	Officer
Juan José Moreno Serrano	BBVA, S.A.	Officer

5. Risk exposure

5.1. Interest rate risk management -

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

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

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

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

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

2. Daily assessment of the interest rate performance. Follow-up of the European Central Bank's expectations in respect of the foreseeable short- and medium-term interest rate policy. Monthly analysis of the Company's average spread on its contracts.
3. On the basis of the foregoing, the Company considers the possibility of borrowing funds from BBVA's Treasury Department in order to eliminate the possible interest rate risk on certain of the Company's investment aggregates, divided into 15-day tranches once the weighted average interest rate applied to customers has been calculated for these figures.

The Company has an outstanding credit facility through BBVA with a limit of EUR 2,500,000 thousand for these transactions. The balance drawn down at 31 December 2007 amounted to EUR 1,288,967 thousand.

5.2. Credit risk exposure -

The Company's maximum credit risk exposure amounted to EUR 6,806,074 thousand at 31 December 2007, up 25.8% on 2006 year-end. The breakdown of these figures between the two products managed for the BBVA Group shows that the decrease in reverse factoring with respect to 2006 was 23.6% -this product concentrates 41.7% of the total risk-, whereas factoring -which accounts for 58.3% of the total- increased by 27.4%.

The customer credit risk is broken down as follows:

Thousands of Euros			
Reverse Factoring Risk		Factoring Risk	
2007	2006	2007	2006
2,438,386	2,294,531	3,969,688	3,115,672

At 31 December 2007, the total past-due balance amounted to EUR 53,479 thousand as a result of the special features of the products managed by the Company and of the Bank of Spain regulations in this connection, which affect the recording of provisions. A distinction must be drawn between past-due balances receivable from the private sector and those receivable from the public sector. The former must be provisioned on the basis of the age of the past-due balances (based on the schedule set by the regulator), whereas those relating to the public sector are not provisioned. Therefore, the detail of the aforementioned past-due balance is as follows:

	Thousands of Euros			
	Past-Dues		Provision	
	2007	2006	2007	2006
Private Sector	5,641	8,681	4,345	2,403
Public Sector	47,838	53,855	2,973	-
Central government	876	991	-	-
Autonomous community governments	43,002	48,181	1,176	-
Local governments	3,913	4,189	1,797	-
Social security	47	494	-	-
Total	53,479	62,536	7,318	2,403

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

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

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

Consequently, the total past-due ratio was 0.77% at 31 December 2007, whereas that relating only to the private sector was 0.11%. This gave rise to an increase with respect to 2006, when the past-due ratio was 1.12% and that of the private sector was 0.13 %.

The total specific provisions for credit risk recognised by the Company amounted to EUR 7,318 thousand, 77% of which relate to past-dues from the private sector and 6.2% relate to past-dues from the public sector.

6. Cash and balances with central banks

The breakdown of the balance of "Cash and Balances with Central Banks" in the balance sheets at 31 December 2007 and 2006 is as follows:

Thousands of Euros		
	2007	2006
Cash	1	2
Balances with the Bank of Spain	30	30
Total	31	32

7. Available-for-sale financial assets

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

Thousands of Euros		
	2007	2006
By listing status		
Unlisted	247	247
Less- Impairment loss	(44)	(44)
	203	203

The balance of "Available-for-Sale Financial Assets - Other Equity Instruments" in the accompanying balance sheets at 31 December 2007 and 2006 related to a 10.25% interest in the share capital of Telefónica Factoring do Brasil, Ltda. These securities are not listed.

The dividend accrued during 2007 is recorded under the heading "Income from equity instruments" in the income statement and amounted to 240 thousand euros.

8. Loans and receivables

8.1. Breakdown

The breakdown, by type of financial instrument, of the balance of "Loans and Receivables" in the balance sheets at 31 December 2007 and 2006 is as follows:

Thousands of Euros		
	2007	2006
Loans and advances to credit institutions	199	62
Loans and advances to customers	6,809,645	5,509,790
Other financial assets	18	15
	6,809,862	5,509,867
Less- Impairment losses	(114,391)	(101,306)
Total	6,695,471	5,408,561

8.2. Loans and advances to credit institutions

The breakdown, by type of financial instrument, of the balance of "Loans and Advances to Credit Institutions" in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Time deposits	-	-
Demand	199	62
	199	62
Less- Impairment losses	-	-
Total	199	62

8.3. Loans and advances to customers

The breakdown, by loan type and status, of the balance of "Loans and Advances to Customers" in the balance sheets at 31 December 2007 and 2006, disregarding the balance of impairment losses, is as follows:

	Thousands of Euros	
	2007	2006
By loan type and status		
Factoring and reserve factoring transactions	6,806,074	5,410,203
Other term loans	1,986	1,342
Receivable on demand and other	43,828	73,247
Impaired assets	53,479	62,536
	6,905,367	5,547,328
Less- Valuation adjustments- Accrued interest	(95,722)	(37,538)
Total	6,809,645	5,509,790

The breakdown, by type of risk and transaction type, of the "Factoring and Reverse Factoring Transactions" account in the foregoing detail at 31 December 2007 is as follows:

	Thousands of Euros	
	2007	2006
Type of risk-		
Recourse transactions	201,435	243,885
Non-recourse transactions-		
In euros	6,603,017	5,164,884
In foreign currency	1,622	1,434
	6,806,074	5,410,203
Transaction type-		
Factoring	3,601,085	2,679,524
Reserve factoring	2,836,386	2,294,531
Overall factoring	368,603	436,148
	6,806,074	5,410,203

The breakdown, by activity sector of the borrower, of "Loans and Advances to Customers" at 31 December 2007 disregarding valuation adjustments, is as follows:

Thousands of Euros			
	Resident Borrowers	Non-Resident Borrowers	Total
Public sector	1,771,954	-	1,771,954
Manufacturing	1,359,511	277,804	1,637,315
Real estate and construction	1,688,333	-	1,688,333
Retailing and financial services	800,203	-	800,203
Other	1,007,562	-	1,007,562
Total	6,627,563	-	6,905,367

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

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

The breakdown, by geographical area, of "Loans and Advances to Customers" at 31 December 2007 and 2006, disregarding valuation adjustments, is as follows:

Thousands of Euros		
	2007	2006
Europe	5,727,317	5,515,525
United States	104,971	28,645
Latin America	6,331	1,634
Rest of the world	67,348	1,524
Total	6,905,967	5,547,328

Note 20 to the financial statements contains a detail of the scheduled maturities of these assets at 2007 and 2006 year-end.

8. 4. Impaired assets and impairment losses

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

	Thousands of Euros	
	2007	2006
Balance at beginning of year	62,536	55,003
Additions	174,264	202,441
Reversals	(182,760)	(191,781)
Written-off assets	(561)	(3,127)
Balance at end of year	53,479	62,536

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

	Thousands of Euros	
	2007	2006
Balance at beginning of year	101,306	96,122
Additional impairment charged to income statement	15,938	11,511
Reversal of impairment charged to income statement	(2,291)	(3,200)
Write-off- Use of provision	(551)	(3,128)
Other changes	(1)	1
Balance at end of year	114,391	101,306
Of which:		
Individually assessed	7,318	2,403
Collectively assessed	107,073	98,903
Of which:		
By asset covered		
Loans and advances to customers	114,391	101,306
Of which:		
By geographical area		
Europe	114,369	101,306
Others	22	-
	114,391	101,306

The recoveries of balances previously written off amounted to EUR 9 thousand in 2007 and EUR 1 thousand in 2006 and are presented as a deduction of the balance of "Impairment Losses (Net) - Loans and Receivables" in the accompanying income statements.

Financial assets written off in 2006 because their recovery was deemed to be remote amounted to EUR 561 thousand in 2007 (3,127 thousand euros in 2006).

As of December 31, 2007 financial income amounting to €1 thousand had accrued, but was not recorded in the income statement because there were doubts regarding its collectability (none interest was not accrued As of December 31, 2006).

9. Investments

This heading in the accompanying balance sheets amounting to 547 thousand euros relates to an 24.33% interest in the share capital of Telefónica Factoring Mexico, S.A. de C.V. acquired on January 10, 2008. These securities are not listed.

There is no impairment losses during 2007.

10. Tangible assets

The changes in 2007 and 2006 in "Tangible Assets" in the accompanying balance sheets, itemised by type of asset, were as follows:

Thousands of Euros			
	Computer	Furniture	Total
Cost, net of allowance-			
Balance at 1 January 2006	501	301	802
Additions	15	-	15
Retirements	-	-	-
Balance at 31 December 2006	516	301	817
Additions	41	47	88
Retirements	-	-	-
Balance at 31 December 2007	557	348	905
Accumulated depreciation-			
Balance at 1 January 2006	(449)	(253)	(702)
Additions	(29)	(9)	(38)
Retirements	-	-	-
Balance at 31 December 2006	(478)	(262)	(740)
Additions	(31)	(12)	(43)
Retirements	-	-	-
Balance at 31 December 2007	(509)	(274)	(783)
Balance at 31 December 2006	38	39	77
Balance at 31 December 2007	48	74	122

Fully depreciated assets amounted to EUR 550 thousand at 31 December 2007 (530 thousand euros as of 31 December, 2006). The Company carries on its business activities basically in properties owned by Banco Bilbao Vizcaya Argentaria, S.A., and a rental expense of EUR 120 thousand was recognised in this respect in 2007 (€129 thousand as of 31 December, 2006).

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

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

	Thousands of Euros	
	2007	2006
Assets -		
Prepaid expenses	77	44
Other prepayments and accrued income	3,013	2,821
Total	3,090	2,865
Liabilities -		
Unmatured accrued expenses	2,050	1,059
Other accrued expenses and deferred income	399	6,370
Total	2,449	7,429

12. Financial liabilities at amortised cost

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

	Thousands of Euros	
	2007	2006
Deposits from credit institutions	6,105,165	5,045,737
Other financial liabilities		
Factoring payables	370,269	165,100
Reverse factoring payables	2,803	124
Other items	750	45
	373,822	165,269
Total	6,478,987	5,211,006

12.1. Deposits from credit institutions -

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

	Thousands of Euros	
	2007	2006
Deposits with agreed maturity	5,924,559	5,015,629
Other accounts	159,073	17,449
Valuation adjustments	21,533	12,659
Total	6,105,165	5,045,737

**BBVA Factoring,
Establecimiento
Financiero Crédito, S.A.**

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

BAR0365002OC07-819

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

BBVA (Spain Corp)	
AP 01/01/08	
AP 02/01/08	No
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27 OCT 2008
Deloitte Barcelona

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**

Financial statements
for the year ended
December 31, 2007

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31), in the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

ASSETS	Thousands of Euros	
	2007	2006 (*)
CASH AND BALANCES WITH CENTRAL BANKS (Note 6)	31	32
FINANCIAL ASSETS HELD FOR TRADING		
Loans and advances to credit institutions	-	-
Money market transactions through counterparty entities	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
Memorandum item: Loaned and advanced as collateral	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Loans and advances to credit institutions	-	-
Money market transactions through counterparty entities	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned and advanced as collateral	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 7)	203	203
Debt instruments	-	-
Other equity instruments	203	203
Memorandum item: Loaned and advanced as collateral	-	-
LOANS AND RECEIVABLES (Note 8)	6,695,471	5,408,561
Loans and advances to credit institutions	199	62
Money market transactions through counterparty entities	-	-
Loans and advances to customers	6,695,254	5,408,484
Debt instruments	-	-
Other financial assets	18	15
Memorandum item: Loaned and advanced as collateral	-	-
HELD-TO-MATURITY INVESTMENTS		
Memorandum item: Loaned and advanced as collateral	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		
HEDGING DERIVATIVES		
NON-CURRENT ASSETS HELD FOR SALE		
Loans and advances to credit institutions	-	-
Loans and advances to other debtors	-	-
Debt instruments	-	-
Equity instruments	-	-
Tangible assets	-	-
Other assets	-	-

(*) Presented for comparison purposes only.

ASSETS (Continuation)	Thousands of Euros	
	2007	2006 (*)
INVESTMENTS (Note 9)	574	-
Associates	574	-
Jointly controlled entities	-	-
Group entities	-	-
INSURANCE CONTRACTS LINKED TO PENSIONS (Note 14)	201	216
TANGIBLE ASSETS (Note 10)	122	77
Property, plant and equipment for own use	122	77
Investment property	-	-
Other assets leased out under an operating lease	-	-
Memorandum item: Loaned and advanced as collateral	-	-
INTANGIBLE ASSETS	-	-
Goodwill	-	-
Other intangible assets	-	-
TAX ASSETS (Note 19)	19,886	17,392
Current	-	-
Deferred	19,886	17,392
PREPAYMENTS AND ACCRUED INCOME (Note 11)	3,090	2,865
OTHER ASSETS	8	123
TOTAL ASSETS	6,719,586	5,429,469

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

	Thousands of Euros	
	2007	2006 (*)
LIABILITY AND EQUITY		
FINANCIAL LIABILITIES HELD FOR TRADING		-
Money market operations through counterparties	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	-	-
Short positions	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY		-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST (Note 12)	8,478,987	5,211,006
Deposits from central banks	-	-
Deposits from credit institutions	3,105,165	5,045,737
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Subordinates liabilities	-	-
Other financial liabilities	373,822	165,269
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-
HEDGING DERIVATIVES		-
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-
Deposits from other creditors	-	-
Other liabilities	-	-
PROVISIONS (Note 13)	5,593	4,431
Provisions for pensions and similar obligations	305	356
Provisions for taxes	-	-
Provisions for contingent exposures and commitments	-	-
Other provisions	5,288	4,075
TAX LIABILITIES (Note 19)	1,165	1,133
Current	1,165	1,133
Deferred	-	-
ACCRUED EXPENSES AND DEFERRED INCOME (Note 11)	2,449	7,429
OTHER LIABILITIES	1,084	-
CAPITAL HAVING THE NATURE OF FINANCIAL LIABILITY		-
TOTAL LIABILITIES	6,489,278	5,223,999

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (Continuation)	Thousands of Euros	
	2007	2006 (*)
VALUATION ADJUSTMENTS		-
Available-for-sale financial assets		-
Financial liabilities at fair value through equity		-
Cash flow hedges		-
Hedges of net investments in foreign operations		-
Exchange differences		-
Non-current assets held for sale		-
	230,308	205,470
STOCKHOLDER'S EQUITY		
Capital (Note 16)		
Issued	26,874	26,874
Unpaid and uncalled (-)		-
Share premium (Note 17)	93,180	93,180
Reserves (Note 18)		
Accumulated reserves (losses)	85,416	65,747
Retained earnings		-
Other equity instruments		-
Equity component of compound financial instruments		-
Other		-
Less: Treasury shares		-
Income attributed to the group	24,838	19,669
Less: Dividends and remuneration		-
	230,308	205,470
TOTAL EQUITY		
TOTAL LIABILITIES AND EQUITY	6,719,586	5,429,469

MEMORANDUM ITEMS	Thousands of Euros	
	2007	2006 (*)
CONTINGENT EXPOSURES		-
Financial guarantees		-
Assets earmarked for third-party obligations		-
Other contingent exposures		-
CONTINGENT COMMITMENTS		-
Drawable by third parties		-
Other commitments		-

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (Notes 1 to 3)

	Thousands of Euros	
	2007	2006 (*)
INTEREST AND SIMILAR INCOME (Note 23)	216,581	145,962
INTEREST EXPENSE AND SIMILAR CHARGES (Note 24)	(173,158)	(113,095)
Income on equity having the nature of a financial liability	(173,158)	(113,095)
Other	56,567	169
INCOME FROM EQUITY INSTRUMENTS (Note 25)	56,567	169
Investments in associates	-	-
Investments in jointly controlled entity	-	-
Investments in group entities	56,567	169
Other equity investments	-	-
NET INTEREST INCOME	43,423	33,035
FEE AND COMMISSION INCOME (Note 26)	20,729	19,338
FEE AND COMMISSION EXPENSES (Note 26)	(578)	(417)
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	-	-
Held for trading	-	-
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	-	-
Loans and receivables	-	-
Other	-	-
EXCHANGE DIFFERENCES (NET)	61,798	51,956
GROSS INCOME	105,149	94,289
OTHER OPERATING INCOME	(2,524)	(5,900)
PERSONNEL EXPENSES (Note 27)	(4,225)	(3,114)
OTHER ADMINISTRATIVE EXPENSES (Note 28)	(43)	(38)
DEPRECIATION AND AMORTIZATION	(43)	(38)
Tangible Assets (Note 10)	-	-
Intangible Assets	-	(1)
OTHER OPERATING EXPENSES	51,856	42,903
NET OPERATING INCOME	(19,689)	(8,310)
IMPAIRMENT LOSSES	-	-
Available-for-sale financial assets	(19,689)	(8,310)
Loans and receivables (Note 6)	-	-
Held-to-maturity investments	-	-
Non-current assets held for sale	-	-
Investments	-	-
Tangible assets	-	-
Goodwill	-	-
Other intangible assets	-	-
Other assets	-	-
PROVISION EXPENSE (NET) (Note 13)	(1,155)	(25)
OTHER GAINS	23	1
Gains on disposal of tangible assets	-	-
Gains on disposal of investment	-	-
Other (Note 29)	23	1
OTHER LOSSES	(161)	-
Losses on disposal of tangible assets	-	-
Losses on disposal of investment	-	-
Other (Note 29)	(161)	-
INCOME BEFORE TAX	37,015	34,569
INCOME TAX (Note 19)	(12,177)	(14,900)
INCOME FROM ORDINARY ACTIVITIES	24,838	19,669
INCOME FROM DISCONTINUED OPERATIONS (NET)	-	-
INCOME FOR THE PERIOD	24,838	19,669

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

**BBVA FACTORING,
ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.**
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND
2006**

(Notes 1 to 3)

	Thousands of Euros	
	2007	2006 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY		-
Available-for-sale financial assets		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Reclassifications		-
Other financial liabilities at fair value		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Reclassifications		-
Cash flow hedges		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Amounts transferred to the initial carrying amount of the hedged items		-
Income tax		-
Reclassifications		-
Hedges of net investment in foreign operations		-
Revaluation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Exchange differences		-
Translation gains/losses		-
Amounts transferred to income statement		-
Income tax		-
Non-current assets held for sale		-
Revaluation gains		-
Amounts transferred to income statement		-
Income tax		-
Reclassifications		-
CONSOLIDATED INCOME FOR THE YEAR	24,838	19,669
Published consolidated income for the year	24,838	19,669
Adjustments due to changes in accounting policy		-
Adjustments made to correct errors		-
TOTAL INCOME AND EXPENSES FOR THE YEAR		-
MEMORANDUM ITEM: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR YEARS		-
Due to changes in accounting policies		-
Stockholder's Equity		-
Valuation adjustments		-
Due to errors		-
Stockholder's Equity		-
Valuation adjustments		-

(*) Presented for comparison purposes only.

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

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 31). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.

CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Notes 1 to 3)

	Thousands of Euros	
CASH FLOW STATEMENTS	2007	2006 (*)
CASH FLOW FROM OPERATING ACTIVITIES		
Consolidated profit for the year	24,838	19,669
Adjustment to profit:	26,482	23,273
Depreciation of tangible assets (+)	43	38
Amortisation of intangible assets (+)	-	-
Impairment losses (net) (+/-)	13,638	8,310
Provision expense (net) (+/-)	1,165	25
Gains/Losses on disposal of tangible assets (+/-)	-	-
Gains/Losses on disposal of investment (+/-)	-	-
Taxes (+/-)	12,177	14,900
Other non-monetary items (+/-)	(541)	-
Adjusted profit	51,320	42,942
Net increase/decrease in operating assets	(1,302,462)	78,233
Financial assets held for trading	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	-	-
Other financial assets at fair value through profit or loss	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to other debtors	-	-
Debt securities	-	-
Other equity instruments	-	-
Available-for-sale financial assets	-	-
Debt securities	-	-
Other equity instruments	-	-
Loans and receivables	(4,358,042)	79,671
Loans and advances to credit institutions	-	(2)
Money market operations through counterparties	-	-
Loans and advances to other debtors	(1,358,039)	79,672
Debt securities	-	-
Other financial assets	(3)	1
Other operating assets	55,580	(1,438)

(*) Presented for comparison purposes only.

(Continuation)	Thousands of Euros	
	2007	2006 (*)
Net increase/decrease in operating liabilities	1,251,940	34,229
Financial liabilities held for trading	-	-
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	-	-
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Financial liabilities at fair value through equity	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Financial liabilities measured at amortised cost	1,259,107	50,263
Deposits from central banks	-	-
Deposits from credit institutions	1,050,554	30,851
Money market operations through counterparties	-	-
Deposits from other creditors	-	-
Debt certificates (including bonds)	-	-
Other financial liabilities	208,553	19,412
Other operating liabilities	(7,167)	(16,034)
Total net cash flows from operating activities (1)	798	(1,062)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
Investment (-)	(562)	(15)
Group entities, jointly controlled entities and associates	(574)	(15)
Tangible assets	(98)	-
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Divestments (+)	-	-
Group entities, jointly controlled entities and associates	-	-
Tangible assets	-	-
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Total net cash flows investing activities (2)	(662)	(15)

(*) Presented for comparison purposes only.

(Continuation)	Thousands of Euros	
	2007	2006 (*)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/ Redemption of capital (+/-)	-	-
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	-
Issuance/Redemption of non-voting equity units (+/-)	-	-
Issuance/Redemption of other equity instruments (+/-)	-	-
Issuance/Redemption of capital having the nature of a financial liability (+/-)	-	-
Issuance/Redemption of subordinated liabilities(+/-)	-	-
Issuance/Redemption of other long-term liabilities (+/-)	-	-
Dividends/Interest paid (-)	-	-
Other items relating to financing activities (+/-)	-	-
Total net cash flows from financing activities (3)	-	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	136	(1,077)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	94	1,171
Cash or cash equivalents at beginning of year	230	94
Cash or cash equivalents at end of year		

(*) Presented for comparison purposes only.

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

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

BBVA Factoring, Establecimiento Financiero de Crédito, S.A.

Notes to the financial statements for the year ended 31 December 2007

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

1.1. Introduction -

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

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

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

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

The Company belongs to the Banco Bilbao Vizcaya Argentaria Group (Note 16). The operating branches perform all the transactions relating to business attracted through the Banco Bilbao Vizcaya Argentaria Group's branch network.

The Company's financial statements for 2006 were approved by the shareholders at the Annual General Meeting of the Company on 28 June 2007. The 2007 financial statements of the Company have not yet been approved by its shareholders at the Annual General Meeting. However, the Company's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2. Basis of presentation of the financial statements -

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

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

The Company's financial statements for 2007 were prepared by its directors (at the Board meeting on 26 March 2007) from the Company's accounting records and are presented in accordance with the formats established by Bank of Spain Circular 4/2004, of 22 December, and, accordingly, they present fairly the Company's equity and financial position at 31 December 2007, and the results of its operations, the changes in equity and the cash flows in 2007.

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

1.3. Comparative information -

The information relating to 2006 contained in these notes to the financial statements is presented with the information relating to 2007 for comparison purposes only, and, accordingly, it does not constitute the Company's statutory financial statements for 2006.

1.4. Responsibility for the information and use of estimates -

The information in these financial statements is the responsibility of the Company's directors. In the financial statements for 2007 estimates were occasionally made by the Company in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (Note 8).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 2-d y 14).
- The useful life of the tangible assets (Note 10).
- The fair value of certain unquoted assets (Note 7 y 9).

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

1.5. Environmental impact -

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

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

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

1.7. Minimum capital requirements -

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

As of December 31, 2007 and 2006 the Group's qualifying capital exceeded the minimum required under the aforementioned legislation.

The Basel Committee published a new Basel capital accord (also known as Basel II) which has replaced the Basel Accord. A new regulatory framework (Directives 2006/48/EC and 2006/49/EC) was adopted in June 2006.

Royal Decree 216/2008, of 15 February, on capital of financial institutions was published on 16 February 2008. Also, a series of amendments were introduced to Law 13/1985, of 25 May, on investment ratios, capital and reporting requirements of financial intermediaries. The main purpose of these new regulations is to transpose into Spanish law Directive 2006/48/EC and Directive 2006/49/EC which, in turn, transpose into Community law the New Basel Capital Accord (Basel II).

Accordingly, in 2008 the BBVA Group, in which the Company takes part, must calculate its capital requirements in accordance with the aforementioned regulations, which change the way entities must calculate their minimum capital, include new risks that require the use of capital, such as operational risk, and introduce new calculation methodologies and models to be applied by the entities, and new requirements in the form of validation mechanisms and public information to be disclosed to the market. The BBVA Group is performing the necessary adaptations to its policies and processes in order to comply with the aforementioned regulations. In this respect, within the framework of the adaptation to Basel II carried out in recent years, advanced management tools are being implemented for risk measurement (scoring systems, transaction monitoring, Value at Risk (VaR), operational risk measurement, inter alia) which include, as a fundamental variable of the models, the analysis of capital requirements and the impacts of the decisions taken by the Group. In any case, the Company's directors consider that the impact of the entry into force of the aforementioned legislation will not be material.

1.8. Subsequent events -

In the period from 1 January 2008 to the date when these financial statements were authorised for issue no events took place having a material effect on the financial statements.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Company's financial statements for 2007 were as follows:

a) Financial instruments

Initial recognition of financial instruments

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

Derecognition of financial instruments

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

1. The contractual rights to the cash flows from the financial asset expire; or
2. The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred.

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

Fair value and amortised cost of financial instruments

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

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

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

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

Classification and measurement of financial assets and liabilities

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

1. Available for sale financial assets: This caption in the accompanying balance sheets includes the equity on Telefónica Factoring Do Brasil, Ltda. That the Company hold on (see Note 7).

This equity is measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

According to Circular 4/2004 of Bank of Spain, when there is an impairment evidence, the impairment losses are equal to the difference between their recoverable amount (Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use: the present value of expected future cash flows discounted at the market rate of return for similar securities) and their carrying amount. 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 unrealised gains at the measurement 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.

The impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are determined taking into account the equity of the investee (except for valuation adjustments due to cash flow hedges) for the last approved balance sheet, adjusted for the unrealised gains at the measurement 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.

Accrued Dividends from these equities are recognized as income in the heading "Income from the equity instruments" in the accompanying income statements.

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

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

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

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

The "non-recourse" accounts receivable, which are recorded at the full amount of the unmatured remittances delivered by the assignors and approved by the Company, are included under "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" (Note 8.3). The undrawn portion of the amount payable to the assignors is recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" (Note 12) in the accompanying balance sheets. In contrast, in "recourse" transactions, "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" reflects the portion of the unmatured delivered remittances that has been paid to the assignor. Also, pursuant to Bank of Spain regulations, the unmatured remittances delivered by the assignors relating to unfinanced recourse factoring transactions, which amounted to EUR 184,751 thousand at 31 December 2007 (31 December 2006: EUR 126,907 thousand), are included as an off-balance-sheet item under "Drawable by Third Parties" (Note 22).

In addition, the Company performed reverse (supplier) factoring ("confirming") transactions in which the debt, on which the Company bears the bad debt risk, takes the form of invoices approved by the debtor and advanced in full to the assignor. The aforementioned transactions are recorded under "Loans and Receivables - Loans and Advances to Customers - Reverse Factoring Transactions" (Note 8.3). Reverse factoring remittances which are not advanced are recognised as off-balance-sheet items and amounted to EUR 2,450,572 thousand at 31 December 2007 (31 December 2006: EUR 2,266,590 thousand) (Note 20). Certain reverse factoring contracts give the debtor the option of repurchasing his own factored receivables and of sharing through allowances the revenues from the factored remittances. These allowances were recognised under "Interest Expense and Similar Charges" in the accompanying income statements (Note 24).

Additionally, the Company performs factoring transactions known as "overall factoring", which is characterised mainly by the establishment of an overall limit per assignor, taking on board the receivables on which the Company bears the bad debt risk or makes advances on account and the establishment of a threshold below which this risk will not be covered. These transactions are recognised under "Loans and Receivables - Loans and Advances to Customers - Factoring Transactions" (Note 8.3).

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

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

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

When funds are advanced, the advance amount is paid directly to the customer and the applicable interest and factoring fees, if any, can be deducted. However, if the Company does not advance any funds, the transaction amount is recognised under "Financial Liabilities at Amortised Cost" in the accompanying balance sheets until it is paid to the customer when collected (Note 12).

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

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

Impairment financial assets

Definition

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

- In the case of debt instruments (loans and debt securities), give rise to a negative impact on the future cash flows that were estimated at the time the transaction was arranged,
- In the case of equity instruments, mean that the carrying amount of these instruments cannot be recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the year in which the impairment becomes known, and the recoveries of previously recognized impairment losses are recognized in the income statement for the year in which the impairment is reversed or reduced, with the exception that any recovery of previously recognized impairment losses for an investment in an equity instrument classified as available for sale which are not recognized through profit or loss but recognized under the heading "Valuation Adjustments – Available for sale Financial Assets" in the balance sheet.

Balances are considered to be impaired, and accrual of the interest thereon is suspended, when there are reasonable doubts that the balances will be recovered in full and/or the related interest will be collected for the amounts and on the dates initially agreed upon, taking into account the guarantees received by the entity to assure (in part or in full) the performance of transactions. Amounts collected in relation to impaired loans and receivables are used to recognize the related accrued interest and any excess amount is used to reduce the principal not yet paid.

When the recovery of any recognized amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the entity in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.

Calculation of impairment financial assets

The impairment on financial assets is determined by type of instrument and the category where is recognized, as follows:

Impairment of debt instruments carried at amortized cost:

Impairment losses determined individually

The quantification of impairment losses of the assets classified as impaired is done on an individual basis in which customers in the amount of their operations is equal to or exceeds €1 million.

The amount of the impairment losses incurred on these instruments relates to the positive difference between their respective carrying amounts and the present values of their expected future cash flows.

The following is to be taken into consideration when estimating the future cash flows of debt instruments:

- All the amounts that are expected to be obtained over the residual life of the instrument; including, where appropriate, those which may result from the guarantees provided for the instrument (after deducting the costs required for foreclosure and subsequent sale).
- The various types of risk to which each instrument is subject.
- The circumstances in which collections will foreseeable be made.

These cash flows are discounted using the original effective interest rate. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective rate determined under the contract.

As an exception to the rule described above, the market value of quoted debt instruments is deemed to be a fair estimate of the present value of their future cash flows.

Impairment losses determined collectively

The quantification of impairment losses is determined on a collective basis in the following two cases:

Assets classified as impaired of customers in which the amount of their operations is less than €1 million.

Asset portfolio not impaired but which presents an inherent loss.

To estimate the collective loss of credit risk corresponding to operations with resident in Spain, the BBVA uses the parameters set by Annex IX of the Circular 4/2004 from Bank of Spain on the base of its experience and the Spanish banking sector information in the quantification of impairment losses and provisions for insolvencies for credit risk. These parameters will be used as far as the Bank of Spain validates internal models based on historical experience of the Bank.

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

1. Specific allowance or provision for insolvency risk of the portfolio doubtful

The debt instruments, whoever the obligor and whatever the guarantee or collateral, that have past-due amounts with more than three months, shall be analyzed individually, taking into account the age of the past-due amounts, the guarantees or collateral provided and the economic situation of the customer and the guarantors.

In the case of unsecured transactions and taking into account the age of the past-due amounts, the allowance percentages are as follow:

Age of the past-due amount	Allowance percentage
Up to 6 months	between 4.5% and 5.3%
Over 6 months and up to 12 months	between 27.4% and 27.8%
Over 12 months and up to 18 months	between 60.5% and 65.1%
Over 18 months and up to 24 months	between 93.3% and 95.8%
Over 24 months	100%

2. General allowance or provision of the portfolio into force

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

The allowance percentages of hedge are as follows:

Negligible risk: 0%
Low risk: 0.20% - 0.75%
Medium-low risk: 0.50% - 1.88%
Medium risk: 0.59% - 2.25%
Medium-high risk: 0.66% - 2.50%
High risk: 0.83% - 3.13%

b) Investments

This item in the accompanying balance sheets includes the Company's ownership interest in the share capital of Telefónica Factoring Mexico, S.A. de C.V. (Note 9).

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

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

c) Recognition of income and expenses

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

Interest income, interest expenses and similar items:

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

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

Commissions, fees and similar items:

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

- Those arising from transactions or services that are provided over a period of time, which are recognised over the life of these transactions or services.
- Those relating to a service provided in a single act, which are recognised when the single act is carried out.

Non-finance income and expenses:

These are recognised for accounting purposes on an accrual basis.

d) Post-employment benefits and other commitments to employees

Following is a description of the most significant accounting criteria relating to the commitments to employees, related to post-employment benefits and other commitments, of the Bank and branch abroad (Note 14).

Commitments valuation: assumptions and gains/losses recognition

The present values of the commitments are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method, which views each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

In adopting the actuarial assumptions, it is taken into account that:

- They are unbiased, in that they are neither imprudent nor excessively conservative.
- They are mutually compatible, reflecting the economic relationships between factors such as inflation, rates of salary increase and discount rates.
- The future levels of salaries and benefits are based on market expectations at the balance sheet date for the period over which the obligations are to be settled.
- The discount rate used is determined by reference to market yields at the balance sheet date on high quality corporate bonds.

Actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred, were recognized in the income statements. The bank did not use the "corridor approach".

Post-employment benefits

- Pensions

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

Defined contribution commitments

the amounts of these commitments are determined, on a case-by-case basis, as a percentage of certain remuneration items and/or as a pre-established annual amount. The current contributions made by the Company for defined contribution retirement commitments, which are recognized with a charge to the heading "Personnel Expenses – Contributions to external pension funds" in the accompanying income statements (Notes 14 and 27).

Defined benefit commitments

The Company has defined benefit commitments for permanent disability and death of current employees and early retirees; for death of certain retired employees; and defined-benefit retirement commitments applicable only to certain groups of serving employees (unvested benefits), or early retired employees (vested benefits) and of retired employees (ongoing benefits). Defined benefit commitments are funded by insurance contracts and internal provisions.

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

- (i) Pension commitments to employees shall be recorded as pension provisions.
- (ii) The insurance policy shall be recorded on the asset side as an insurance contract linked to
- (iii) The expense for the period shall be recorded in the item "personnel expenses" net of the amount relating to the insurance contracts.

- Post-employment welfare benefits

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

The present values of the vested obligations for post-employment welfare benefits are quantified on a case-by-case basis. They are recognized in the heading "Provisions - Funds for Pensions and Similar Obligations" in the accompanying balance sheets (Note 13) and they are charged to the heading "Personnel expenses – Other personnel expenses" in the accompanying income statements (Note 27).

Other commitments to employees

The Bank is obliged to deliver partially or fully subsidised goods and services. The most significant employee welfare benefits granted, in terms of the type of compensation and the event giving rise to the commitments are: loans to employees, life insurance, study aid and long-service bonuses.

The present values of the vested obligations for commitments with personnel are quantified on a case-by-case basis. They are recognized in the heading "Provisions - Funds for Pensions and Similar Obligations" in the accompanying balance sheets (see Note 13). The post-employment welfare benefits delivered by the Bank to active employees are recognized in the heading "Personnel expenses – Other personnel expenses" in the accompanying income statements (see Note 27).

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

e) Translation differences

Functional currency:

The Company's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

The detail at 31 December 2007 and 2006 of the equivalent euro value of the main asset and liability balances denominated in foreign currency, by item, is as follows:

	Thousands of Euros	
	2007	2006
ASSETS		
Loans and receivables	1,622	1,434
Pound sterling	774	151
US dollar	659	958
Yen	189	325
Available-for-sale financial assets	247	247
Brasilian real	247	247
Investments	574	-
Mexican peso	574	-
LIABILITIES		
Financial liabilities at amortised cost	1,622	1,434
Pound sterling	774	151
US dollar	659	958
Yen	189	325

Translation of foreign currency balances:

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

Exchange rates

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

f) Tangible assets

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

1. The related accumulated depreciation, and
2. Any estimated impairment losses (net carrying amount higher than recoverable amount).

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

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

	Rates
Buildings and structures	25%
Computer hardware	25%

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

Similarly, if there is an indication of a recovery in the value of a tangible asset, the Company recognises the reversal of the impairment loss recognised in prior periods and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

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

g) Tax assets and liabilities

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

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

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

"Income Tax" includes the amounts charged and credited to the income statement (see Note 19) in connection with the income taxes accrued in the current year and arising from adjustments to the amounts recognised in prior years.

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

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

h) Provisions

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

Provisions are recognised in the balance sheet when each and every one of the following requirements is met: the Company has a present obligation resulting from a past event and, at the balance sheet date, it is more likely than not that the obligation will have to be settled; it is probable that to settle the obligation the Company will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

i) Termination benefits

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

j) Cash flow statement

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

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: typical credit institution activities and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

3. Distribution of net profit

The proposed distribution of net profit for 2007 that will be submitted for approval by the shareholders at the Annual General Meeting is as follows:

Thousands of Euros	
2007 net profit	24,838
Distribution to:	
Voluntary reserve	24,838

4. Remuneration of directors and senior executives

Remuneration of directors -

In 2007 and 2006 the Company's Board members did not earn or receive any salaries, attendance fees or other remuneration and the Company did not grant any advances or loans or have any pension or life insurance commitments to current or former Board members.

Remuneration of senior executives -

The salary received in 2007 by the Company's senior executive officer amounted to EUR 78 thousand.

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

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

Owner	Investee	Activity	Ownership Interest	Functions
Javier Virgilio Estévez Zurita	BBVA, S.A.	Banking	14,169	Officer
Carlos Olivares Sánchez	BBVA, S.A.	Banking	2,404	Officer
Jose Ignacio López-Perea Páramo	BBVA, S.A.	Banking	6,141	Officer
Jose Agustín Antón Burgos	BBVA, S.A.	Banking	13,769	
	Banco de Sabadell, S.A.	Banking	2,000	Officer
	Banco Popular, S.A.	Banking	2,000	
	Banesto, S.A.	Banking	2,000	
M ^a del Mar Rodrigo Casanova	BBVA, S.A.	Banking	3,105	Officer
Elias Soler Vives	BBVA, S.A.	Banking	7,679	-
M ^a del Carmen Cuerel Baeza	BBVA, S.A.	Banking	2,134	Officer
Emiliano Salcines Zugasti	BBVA, S.A.	Banking	1,200	Officer
Juan José Moreno Serrano	BBVA, S.A.	Banking	5,539	Officer
Fernando Colomina Barueco	BBVA, S.A.	Banking	3,444	-

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

Owner	Entity	Function or position
Javier Virgilio Estévez Zurita	BBVA, S.A.	Officer
	Telefónica Factoring, S.A.	Director
	Telefónica Factoring, S.A.	Director
Carlos Olivares Sánchez	Telefónica Factoring do Brasil Ltda.	Director
	Telefónica Factoring México, S.A. de C.V.	Director
Jose Ignacio López-Perea Páramo	BBVA, S.A.	Officer
Jose Agustín Antón Burgos	BBVA, S.A.	Officer
M ^a del Mar Rodrigo Casanova	BBVA, S.A.	Officer
M ^a del Carmen Cuerel Baeza	BBVA, S.A.	Officer
Emiliano Salcines Zugasti	BBVA, S.A.	Officer
Juan José Moreno Serrano	BBVA, S.A.	Officer

5. Risk exposure

5.1. Interest rate risk management -

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

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

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

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

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

2. Daily assessment of the interest rate performance. Follow-up of the European Central Bank's expectations in respect of the foreseeable short- and medium-term interest rate policy. Monthly analysis of the Company's average spread on its contracts.
3. On the basis of the foregoing, the Company considers the possibility of borrowing funds from BBVA's Treasury Department in order to eliminate the possible interest rate risk on certain of the Company's investment aggregates, divided into 15-day tranches once the weighted average interest rate applied to customers has been calculated for these figures.

The Company has an outstanding credit facility through BBVA with a limit of EUR 2,500,000 thousand for these transactions. The balance drawn down at 31 December 2007 amounted to EUR 1,288,967 thousand.

5.2. Credit risk exposure -

The Company's maximum credit risk exposure amounted to EUR 6,806,074 thousand at 31 December 2007, up 25.8% on 2006 year-end. The breakdown of these figures between the two products managed for the BBVA Group shows that the decrease in reverse factoring with respect to 2006 was 23.6% –this product concentrates 41.7% of the total risk–, whereas factoring –which accounts for 58.3% of the total– increased by 27.4%.

The customer credit risk is broken down as follows:

Thousands of Euros			
Reserve Factoring Risk		Factoring Risk	
2007	2006	2007	2006
2,696,386	2,294,531	6,969,688	3,115,672

At 31 December 2007, the total past-due balance amounted to EUR 53,479 thousand as a result of the special features of the products managed by the Company and of the Bank of Spain regulations in this connection, which affect the recording of provisions. A distinction must be drawn between past-due balances receivable from the private sector and those receivable from the public sector. The former must be provisioned on the basis of the age of the past-due balances (based on the schedule set by the regulator), whereas those relating to the public sector are not provisioned. Therefore, the detail of the aforementioned past-due balance is as follows:

	Thousands of Euros			
	Past-Dues		Provision	
	2007	2006	2007	2006
Private Sector	5,641	8,681	4,345	2,403
Public Sector	47,838	53,855	2,973	-
Central government	876	991	-	-
Autonomous community governments	43,082	48,181	1,175	-
Local governments	3,913	4,189	1,797	-
Social security	247	494	-	-
Total	53,479	62,536	7,318	2,403

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

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

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

Consequently, the total past-due ratio was 0.77% at 31 December 2007, whereas that relating only to the private sector was 0.11%. This gave rise to an increase with respect to 2006, when the past-due ratio was 1.12% and that of the private sector was 0.13 %.

The total specific provisions for credit risk recognised by the Company amounted to EUR 7,318 thousand, 77% of which relate to past-dues from the private sector and 6.2% relate to past-dues from the public sector.

6. Cash and balances with central banks

The breakdown of the balance of "Cash and Balances with Central Banks" in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Cash	1	2
Balances with the Bank of Spain	30	30
Total	31	32

7. Available-for-sale financial assets

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

	Thousands of Euros	
	2007	2006
By listing status		
Unlisted	247	247
Less- Impairment loss	(44)	(44)
	203	203

The balance of "Available-for-Sale Financial Assets - Other Equity Instruments" in the accompanying balance sheets at 31 December 2007 and 2006 related to a 10.25% interest in the share capital of Telefónica Factoring do Brasil, Ltda. These securities are not listed.

The dividend accrued during 2007 is recorded under the heading "Income from equity instruments" in the income statement and amounted to 240 thousand euros.

8. Loans and receivables

8.1. Breakdown

The breakdown, by type of financial instrument, of the balance of "Loans and Receivables" in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Loans and advances to credit institutions	199	62
Loans and advances to customers	6,809,645	5,509,790
Other financial assets	18	15
	6,809,862	5,509,867
Less- Impairment losses	(114,391)	(101,306)
Total	6,695,471	5,408,561

8.2. Loans and advances to credit institutions

The breakdown, by type of financial instrument, of the balance of "Loans and Advances to Credit Institutions" in the balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Time deposits	-	-
Demand	199	62
	199	62
Less- Impairment losses	-	-
Total	199	62

8.3. Loans and advances to customers

The breakdown, by loan type and status, of the balance of "Loans and Advances to Customers" in the balance sheets at 31 December 2007 and 2006, disregarding the balance of impairment losses, is as follows:

	Thousands of Euros	
	2007	2006
By loan type and status		
Factoring and reserve factoring transactions	6,806,074	5,410,203
Other term loans	1,986	1,342
Receivable on demand and other	43,828	73,247
Impaired assets	53,479	62,536
	6,905,367	5,547,328
Less- Valuation adjustments- Accrued interest	(95,722)	(37,538)
Total	6,809,645	5,509,790

The breakdown, by type of risk and transaction type, of the "Factoring and Reverse Factoring Transactions" account in the foregoing detail at 31 December 2007 is as follows:

	Thousands of Euros	
	2007	2006
Type of risk-		
Recourse transactions	201,435	243,885
Non-recourse transactions-		
In euros	6,603,017	5,164,884
In foreign currency	1,622	1,434
	6,806,074	5,410,203
Transaction type-		
Factoring	3,601,085	2,679,524
Reserve factoring	2,836,386	2,294,531
Overall factoring	368,603	436,148
	6,806,074	5,410,203

The breakdown, by activity sector of the borrower, of "Loans and Advances to Customers" at 31 December 2007 disregarding valuation adjustments, is as follows:

Thousands of Euros			
	Resident Borrowers	Non-Resident Borrowers	Total
Public sector	1,771,954	-	1,771,954
Manufacturing	1,359,511	277,804	1,637,315
Real estate and construction	1,688,333	-	1,688,333
Retailing and financial services	800,203	-	800,203
Other	1,007,562	-	1,007,562
Total	6,627,563	-	6,905,367

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

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

The breakdown, by geographical area, of "Loans and Advances to Customers" at 31 December 2007 and 2006, disregarding valuation adjustments, is as follows:

Thousands of Euros		
	2007	2006
Europe	5,727,317	5,515,525
United States	104,371	28,645
Latin America	6,331	1,634
Rest of the world	67,348	1,524
Total	6,905,367	5,547,328

Note 20 to the financial statements contains a detail of the scheduled maturities of these assets at 2007 and 2006 year-end.

8. 4. Impaired assets and impairment losses

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

	Thousands of Euros	
	2007	2006
Balance at beginning of year	62,536	55,003
Additions	174,264	202,441
Reversals	(182,768)	(191,781)
Written-off assets	(561)	(3,127)
Balance at end of year	53,479	62,536

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

	Thousands of Euros	
	2007	2006
Balance at beginning of year	101,306	96,122
Additional impairment charged to income statement	15,938	11,511
Reversal of impairment charged to income statement	(2,291)	(3,200)
Write-off- Use of provision	(561)	(3,128)
Other changes	(1)	1
Balance at end of year	114,391	101,306
Of which:		
Individually assessed	7,318	2,403
Collectively assessed	107,073	98,903
Of which:		
By asset covered		
Loans and advances to customers	114,391	101,306
Of which:		
By geographical area		
Europe	114,369	101,306
Others	22	-
	114,391	101,306

The recoveries of balances previously written off amounted to EUR 9 thousand in 2007 and EUR 1 thousand in 2006 and are presented as a deduction of the balance of "Impairment Losses (Net) - Loans and Receivables" in the accompanying income statements.

Financial assets written off in 2006 because their recovery was deemed to be remote amounted to EUR 561 thousand in 2007 (3,127 thousand euros in 2006).

As of December 31, 2007 financial income amounting to €1 thousand had accrued, but was not recorded in the income statement because there were doubts regarding its collectability (none interest was not accrued As of December 31, 2006).

9. Investments

This heading in the accompanying balance sheets amounting to 547 thousand euros relates to an 24.33% interest in the share capital of Telefónica Factoring Mexico, S.A. de C.V. acquired on January 10, 2008. These securities are not listed.

There is no impairment losses during 2007.

10. Tangible assets

The changes in 2007 and 2006 in "Tangible Assets" in the accompanying balance sheets, itemised by type of asset, were as follows:

Thousands of Euros			
	Computer	Furniture	Total
Cost, net of allowance-			
Balance at 1 January 2006	501	301	802
Additions	15	-	15
Retirements	-	-	-
Balance at 31 December 2006	516	301	817
Additions	41	47	88
Retirements	-	-	-
Balance at 31 December 2007	557	348	905
Accumulated depreciation-			
Balance at 1 January 2006	(449)	(253)	(702)
Additions	(29)	(9)	(38)
Retirements	-	-	-
Balance at 31 December 2006	(478)	(262)	(740)
Additions	(31)	(12)	(43)
Retirements	-	-	-
Balance at 31 December 2007	(509)	(274)	(783)
Balance at 31 December 2006	38	39	77
Balance at 31 December 2007	48	74	122

Fully depreciated assets amounted to EUR 550 thousand at 31 December 2007 (530 thousand euros as of 31 December, 2006). The Company carries on its business activities basically in properties owned by Banco Bilbao Vizcaya Argentaria, S.A., and a rental expense of EUR 120 thousand was recognised in this respect in 2007 (€129 thousand as of 31 December, 2006).

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

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

	Thousands of Euros	
	2007	2006
Assets -		
Prepaid expenses	77	44
Other prepayments and accrued income	3,013	2,821
Total	3,090	2,865
Liabilities -		
Unmatured accrued expenses	2,050	1,059
Other accrued expenses and deferred income	399	6,370
Total	2,449	7,429

12. Financial liabilities at amortised cost

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

	Thousands of Euros	
	2007	2006
Deposits from credit institutions	6,105,165	5,045,737
Other financial liabilities		
Factoring payables	370,269	165,100
Reverse factoring payables	2,803	124
Other Items	750	45
	373,822	165,269
Total	6,479,987	5,211,006

12.1. Deposits from credit institutions -

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

	Thousands of Euros	
	2007	2006
Deposits with agreed maturity	5,924,559	5,015,629
Other accounts	159,073	17,449
Valuation adjustments	21,533	12,659
Total	6,105,165	5,045,737

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

Thousands of Euros (Balance Drawn Down)				
	2007	2006	Limit	Maturity
Financing account with Banco Bilbao Vizcaya Argentaria, S.A.	4,633,592	3,706,299	Undefined	Undefined
Credit facility with separate drawdowns from Banco Bilbao Vizcaya Argentaria, S.A.	1,288,967	1,309,330	2,500,000	June 2011
Total	5,924,559	5,015,629		

The financing account and the credit facilities shown in the foregoing table bear interest at floating rates tied to Euribor, ranging from 4.19% to 4.74% at 31 December 2007 (from 2.4% to 3.6% during 2006).

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

13. Provisions

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

Thousands of Euros		
	2007	2006
Provisions for pensions and similar obligations (Note 14)	305	356
Other provisions	5,288	4,075
Total	5,593	4,431

The changes in 2007 and 2006 in the balances of "Provisions for Pensions and Similar Obligations" and of "Other Provisions" in the accompanying balance sheet were as follows:

Thousands of Euros			
	Provisions for Pensions and similar	Other provisions	Total
Balance at 1 January 2006	328	4,075	4,403
Year provision with a charge to income for the year	-	-	-
Additional provisions	25	-	25
Interest expense and similar charges (Note 14 y 24)	4	-	4
Personnel expenses	-	-	-
Transfer to bad debts	-	-	-
Other Changes	(1)	-	(1)
Balance at 31 December 2006	356	4,075	4,431
Year provision with a charge to income for the year	-	-	-
Additional provisions	(48)	1,213	1,165
Interest expense and similar charges (Note 14 y 24)	6	-	6
Personnel expenses	6	-	6
Transfer to bad debts	-	-	-
Other Changes	(15)	-	(15)
Balance at 31 December 2007	305	5,288	5,593
Of which:			
Provisions for off-balance-sheet risks	-	-	-
Other provisions	305	5,288	5,593
Balance at 31 December 2007	305	5,288	5,593

The charges to the income statement relating to "Provisions for Pensions and Similar Obligations" are recognised under "Interest Expense and Similar Charges", "Personnel Expenses" and "Provisions (Net)" in the income statement for 2007 and amounted to EUR 6 thousand, EUR 6 thousands and EUR (48) thousand, respectively (2006: EUR 4 thousand, zero and EUR 25 thousand, respectively).

The year provisions for "Other provisions" charged to income in 2007 under the heading "Allowance Provision (net)" in the income statement amounted to €1,123 thousand.

The Company's directors consider that there were no material contingencies at 31 December 2007 that might affect the Company's equity or net profit.

14. Commitments to Employees

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

The employee welfare system in place at the Bank supersede and improve the terms and conditions of the collective labour agreement for the banking industry; the commitments envisaged in the event of retirement, death and disability cover all employees, including those hired after 8 March 1980. The Bank externalised all its commitments to serving and retired employees pursuant to Royal Decree 1588/1999. These commitments are instrumented in pension plans, insurance contracts with a non-Group company and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.94% owned by the Banco Bilbao Vizcaya Argentaria Group. This employee welfare system includes defined contribution commitments, the amounts of which are determined, on a case-by-case basis, as a percentage of certain compensation and/or as a pre-established fixed amount. Defined benefit commitments are funded by insurance contracts.

14.1. Commitments in Spain

The commitments with personnel for post-employment defined contribution plans have no impact in the accompanying balance sheets (Note 2.d). In 2007, the Bank has made contributions to the defined contribution plans with a charge to the income statement amounted to €80 million (in 2006 the contributions amounted to €76 (Note 27)).

14.2. Pots-employment benefit

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

	2007	2006
Mortality tables	PERMIS 2000P	PERMIS 2000P
Discount rate (cumulative annual)	4.5%/AA corporate bond yield curve	4%/AA corporate bond yield curve
Consumer price index (cumulative annual)	2.0%	1.5%
Salary growth rate (cumulative annual)	At least 3% (depending on employee)	At least 2.5% (depending on employee)
Retirement ages	First date at which the employees are entitled to retire or contractually agreed at the individual level in the case of early retirements	

14.2.1. Public social security system benefit supplement

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

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

	Thousands of Euros	
	2007	2006
Pension commitments to retired employees	-	-
Pension contingencies in respect of current	201	216
Funding		
Insurance contracts with unrelated insurance companies (Note 13)	201	216
Unfunded obligations	-	-

To cover pension commitments above mentioned, insurance contracts have been contracted with insurance companies with BBVA Seguros, S.A. de Seguros y Reaseguros, which is owned by the BBVA Group. The commitments are registered under the heading "Funds for pensions and similar obligations" of the accompanying balance sheets (Note 13) and the insurance contract assets are recognised in the heading "Insurance contracts linked to pensions".

There is no contributions made by the Company in relation to defined benefit retirement commitments during 2007. During 2006, the contributions made by the Company in relation to defined benefit retirement commitments were recorded with a charge to the "Personnel Expenses – Contributions to external pension funds" account of the income statement and amounted to €6 thousand.

14.2.2. Post-employment welfare benefits

The Company 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 detail of these commitments as of 31 December 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Post-employment welfare benefit commitments to retired employees	1	1
Vested post-employment welfare benefit contingencies in respect of current employees	103	139
		140
Funding		
Internal provisions (Note 13)	104	140
Unfunded obligations	-	-

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

Thousands of Euros		
	2007	2006
Actuarial value at beginning of year	140	105
+ Interest cost (Note 24)	6	4
+ Normal cost for the year (Note 27)	6	5
- Payments made	-	-
+/- Actuarial losses (Gains)	(48)	26
Actuarial value at end of year	104	140

14.3. Summary

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

Thousands of Euros		
	2007	2006
Interest expense and similar charges:		
Interest cost of pension funds (Nota 24)	6	4
Personnel expenses:		
Other personnel expenses (Nota 27)	6	5
Contributions to pension plans (Nota 27)	80	76
Provision expense (net):		
Transfers to funds for pensions and similar obligations	(48)	25
	44	110

As of 31 December 2007 and 2006 there were no unfunded actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used.

14.4. Other commitments with personnel

Other benefits for active employees are earned and settled annually, not being necessary some provision. The total cost of the employee welfare benefits provided by the Bank to its current employees in the 2007 and 2006 was €126 million and €101 million, respectively, and these amounts were recognised with a charge to Personnel Expenses - Other in the accompanying income statements (Nota 27).

15. Changes in total equity

The changes in equity in the years ended December 31, 2007 and 2006 were as follows:

	Thousands of Euros				
	Share capital	Share premium	Reserves	Profit for the year	Equity
Balance at 1 January 2006	26,874	93,180	50,969	14,778	185,801
Appropriation of prior years' profit	-	-	14,778	(14,778)	-
Profit for the year	-	-	-	19,669	19,669
Balance at 31 December 2006	26,874	93,180	65,747	19,669	205,470
Appropriation of prior years' profit	-	-	19,669	(19,669)	-
Profit for the year	-	-	-	24,838	24,838
Balance at 31 December 2007	26,874	93,180	85,416	24,838	230,308

16. Share capital

At 31 December 2007 and 2006, the Company's share capital amounted to EUR 26,874,439.23 and consisted of 7,444,443 registered shares of EUR 3.61 par value each, all with the same rights, fully subscribed and paid by Corporación General Financiera, S.A., except for one share held by Cidessa UNO, S.L. (both Banco Bilbao Vizcaya Argentaria Group companies).

17. Share premium

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

18. Reserves

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

	Thousands of Euros		
	Legal reserve	Voluntary reserve	Total
Balance at 1 January 2006	3,368	47,601	50,969
2005 profit	1,478	13,300	14,778
Balance at 31 December 2006	4,846	60,901	65,747
2006 profit	529	19,140	19,669
Balance at 31 December 2007	5,375	80,041	85,416

18.1. Legal reserve:

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

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

19. Tax matters

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

The Company had 2001 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

The reconciliation of the income tax charge, calculated from accounting profit before tax, to the tax expense recognised for the period from 1 January 2007 to 31 December 2007, is as follows:

Thousands of Euros	
Accounting profit before tax	37,015
Increase due to permanent differences	(225)
Increases (decreases) due to temporary differences:	
Arising in the current year	8,460
Arising in prior years	
Taxable profit	45,250

As a result of the tax reforms enacted in Spain in 2007, including, inter alia, the modification of the standard income tax rate, which was set at 32.5% for 2007 and at 30% for 2008 and subsequent years, Spanish companies have adjusted their deferred tax assets and liabilities on the basis of tax rates that are expected to apply when they are recovered or settled. AS a result of the tax reform the expenses tax increase in €220 thousands in 2007.

The balance of "Tax Liabilities - Current" in the accompanying balance sheets includes the liability relating to the various applicable taxes, including EUR 1,165 thousand of 2007 (442 thousand euros as of 31 December, 2007), income tax payable on 2007 profit, net of the prepayments and withholdings made in the year amounted to EUR 13,541 thousand.

Pursuant to Bank of Spain Circular 4/2004 and related provisions, the deferred tax assets are recognised under "Tax Assets" in the accompanying balance sheets and amounted to EUR 19,886 thousand and EUR 17,392 thousand at 31 December 2007 and 2006, respectively. Deferred tax assets arose mainly from the period provision for bad debts and from the adaptation to the new accounting rules and standards.

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

20. Residual maturity periods

The breakdown, by maturity, of the balances of certain items in the balance sheets at 31 December 2007 is as follows:

2007	Thousands of Euros						Total
	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
ASSETS-							
Cash and balances with central banks	31	-	-	-	-	-	31
Loans and receivables							
Loans and advances to credit institutions	199	-	-	-	-	-	199
Loans and advances to customers	77,057	2,228,325	2,189,747	1,902,019	387,180	148,948	5,234,106
LIABILITIES-							
Financial liabilities at amortised cost							
Deposits from credit institutions	4,794,865	548,295	77,582	301,599	231,244	128,987	5,083,532
Other financial liabilities	373,822	-	-	-	-	-	373,822
Other asset items less liability items	(5,090,370)	1,579,070	2,111,865	1,500,420	155,935	19,951	476,882

The breakdown, by maturity, at 31 December 2006 is as follows:

2006	Thousands of Euros						Total
	Demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	
ASSETS-							
Cash and balances with central banks	32	-	-	-	-	-	32
Loans and receivables							
Loans and advances to credit institutions	62	-	-	-	-	-	62
Loans and advances to customers	188,537	1,495,401	2,042,782	1,608,353	188,921	18,654	5,447,128
LIABILITIES-							
Financial liabilities at amortised cost							
Deposits from credit institutions	3,723,748	355,264	364,869	414,599	163,713	10,885	4,032,278
Other financial liabilities	165,177	1,225	-	-	-	-	166,402
Other asset items less liability items	(3,700,194)	1,141,912	1,677,893	1,194,354	26,208	7,769	347,342

21. Fair value of financial assets and liabilities

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

	Thousands of Euros			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and balances with central banks	31	31	32	32
Loans and receivables	6,695,471	6,695,471	5,408,561	5,408,561
Liabilities				
Financial liabilities at amortised cost	6,478,987	6,478,987	5,212,139	5,212,139

The fair value of "Cash and Balances with Central Banks" is the same that the book value because it is short-term operations. The fair value of the "Held-to-Maturity Investments" corresponds with the quoted market price. The fair value of "Loans and Receivables" and "Financial Liabilities at Amortised Cost" was estimated by discounting the expected cash flows using the markets interest rates at each year-end (Note 2).

22. Other significant information

22.1. Transactions for the account of third parties

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

	Thousands of Euros	
	2007	2006
Conditional bills and other securities received for collection	3,437,020	3,179,622
Commercial bills received for collection	780,698	786,044
Other securities received for collection	2,656,322	2,393,578
General government	164,588	126,907
Resident sector	2,490,572	2,266,590
Non resident sector	165,744	81
Total	3,437,020	3,179,622

22.2. Other off-balance-sheet items

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

	Thousands of Euros	
	2007	2006
Write-off assets	18,685	18,135
Past-due income on doubtful assets	1	-
Conditional bills and other securities received for collection	2,946	1,155
Documents securing transactions	253,917	133,236
Deposit accounts	23,935	93,969
Guarantees received	81,948	112,723
Registration accounts (unrestricted)	2,519,516	3,776,157
Control accounts	10,217	9,667
Total	2,911,265	4,145,042

23. Interest and similar income

The breakdown of the main items of interest and similar income earned by the Company in 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Loans and advances to other debtors		
General government	18,771	18,898
Resident sector	93,219	127,644
Non resident sector	4,571	1,420
Total	216,561	145,962

The detail, by type of transaction, of "Interest and Similar Income" in the accompanying income statements for 2007 and 2006 is as follows:

	Thousands of Euros	
	2007	2006
Factoring transactions-		
General government	3,568	1,437
Resident sector	100,263	64,718
Non resident sector	2,608	894
Reverse factoring transactions-		
General government	14,745	15,460
Resident sector	93,259	62,921
Non resident sector	1,964	526
Other	154	6
Total	216,561	145,962

24. Interest and similar charges

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

	Thousands of Euros	
	2007	2006
Deposits for credit institutions	173,150	113,092
Cost allocable to provisions for pensions (Note 13 y 14)	6	4
Total	173,156	113,096

25. Income from equity instruments

The balance of "Income from Equity Instruments" in the income statement relates to the dividends received from the investment in Telefónica Factoring do Brasil, Ltda. (see Note 7).

26. Fee and commission income and expense

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

	Thousands of Euros	
	2007	2006
Fee and commission income		
Factoring transactions	9,843	9,747
Reverse factoring transactions	10,822	9,541
Other fees and commissions	64	50
	20,729	19,338
Fee and commission expense		
Fees assigned to third parties	235	285
Other fees and commissions	341	132
	576	417

27. Personnel expenses

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

	Thousands of Euros	
	2007	2006
Wages and salaries	6,082	4,741
Social security costs	1,011	895
Contributions to external pension funds (Note 14)	80	76
Termination benefits	125	-
Other personnel expenses	226	187
Total	7,524	5,900

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

The average number of employees in the Company, by professional category, in 2007 and 2006 was as follows:

	Average Number of Employees	
	2007	2006
Executives	7	6
Supervisors	11	10
Administrative staff	82	80
Total	100	96

As of December 31, 2007, the number of employees in the Bank, by professional category and by gender, was as follows:

	Men	Women	Total
Executives	7	1	8
Supervisors	9	2	11
Administrative staff	53	31	84
Total	69	34	103

28. Other general administrative expenses

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

Thousands of Euros		
	2007	2006
Technology and systems	636	862
Communications	62	31
Advertising	-	-
Outsourced administrative services	1,725	1,462
Property, fixtures and materials	221	226
Taxes other than income tax	33	6
Other expenses	548	527
Total	4,275	3,114

The balance of the heading "Other administrative expenses" in the foregoing table includes EUR 39 thousands of the audit fees paid by the Bank to their respective auditors.

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.

29. Other gains and other losses

The balance of "Other Gains" and "Other Losses" in the accompanying income statement at 31 December 2007 relates to the regularisation of prior years' balances.

30. Transactions with Group entities

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

Thousands of Euros		
	2007	2006
BALANCE SHEET:		
Assets-		
Credit institutions	174	62
Liabilities-		
Credit institutions (Note 12)	6,103,122	5,045,737
Income tax payable to BBVA (Note 19)	1,165	442
INCOME STATEMENT:		
Debit-		
Interest expense and similar charges (Note 24)	173,150	113,096
Property rental expense (Note 10)	120	129

31. Explanation added for translation to English

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

BBVA Factoring, Establecimiento Financiero de Crédito, S.A.

Director's report for 2007,

BUSINESS PERFORMANCE

In 2007 BBVA Factoring, as in prior years, continued to increase its business. Total assignments amounted to EUR 23,540 million, up 15.58% on 2006.

Accordingly, the Company obtained a market share of 28.12% -25.72% in factoring products, 42.74% in export factoring and 31.62% in reverse factoring-, thus consolidating its position as industry leaders.

TARGETS FOR 2008

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

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

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

OUTLOOK FOR 2008

As in prior years, we consider that the volume of assignments of receivables will continue to grow significantly in 2008, thereby consolidating the factoring and reverse factoring products as one of the most efficient means of financing the working capital of Spanish companies and institutions.

RISK EXPOSURE

Credit risk management

BBVA Factoring's maximum credit risk exposure amounted to EUR 8,806,074 thousand at 31 December 2007, up 25.8% on 2006 year-end. The breakdown of these figures by product (factoring and reverse factoring) shows that reverse factoring has decreased with respect to 2006 by 23.6% -this product concentrates 41.67% of the total risk-, whereas factoring -which accounts for 58.33% of the total- increased by 27.41%.

At 31 December 2007, total past-due balances amounted to EUR 53,479 thousand, of which EUR 5,641 thousand were attributable to the private sector and EUR 47,838 thousand to the public sector.

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

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

The total past-due ratio was 0.77% at 31 December 2007, whereas that relating only to the private sector was 0.13 %.

Interest rate risk management

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

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

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

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

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

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

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

- a) A statistical summary of the claims and complaints handled, disclosing the number of claims and complaints received, the number processed and the reasons for rejecting them, matters raised and grounds for the claims and complaints, and amounts involved.
 - b) Summary of the final resolutions, indicating whether the complaints were resolved in favour of or against the person submitting them and the cases in which information or clarifications were simply provided.
 - c) General grounds for the resolutions.
 - d) Recommendations or suggestions deriving from the Department's experience, with a view to better attaining the aims of its work.
2. Additionally, the Customer Care Service and the Customer Ombudsman shall submit to the Board of Directors of BBVA, within the first quarter of each year, a joint explanatory report on all the BBVA Group entities containing the information set forth in paragraphs a), c) and d) and statistical information on the resolutions in favour of and against the person submitting them.
 3. As required by the aforementioned Article, the Manager of the Customer Care Service submits to the Board of BBVA the following activity report.

ACTIVITY REPORT

The purpose of this report on the activity of the Customer Care Service is to report on the complaints handled in the period from 1 January to 31 December 2007.

Without prejudice to the functional activity relating to the processing and handling of claims and complaints that may have been performed by BBVA's internal units or departments, whose activity is not included in the scope of this report, 2 complaints had been submitted by customers to BBVA Factoring E.F.C., S.A. related to the functions discharged by this Service. One of the claims has been solved whereas the second one is pending.

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

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

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2007 the Company did not perform any research and development activities.

TREASURY SHARE TRANSACTIONS

The Company did not perform any treasury share transactions in 2007.