For convenience in the analysis of the information, the following tables describe, for the periods and dates indicated, information concerning the noon buying rate for euro, expressed in dollars per €1.00. The term "**noon buying rate**" refers to the rate of exchange for euros, expressed in U.S. dollars per euro, in the City of New York for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes.

Year ended December 31	Average (1)
2003	1.1411
2004	1.2478
2005	1.2400
2006	1.2661
2007	1.3797
2008 (through March 27)	1.5275

(1) The average of the noon buying rates for the euro on the last day of each month during the relevant period.

Month ended	High	Low
September 30, 2007	1.4219	1.3606
October 31, 2007	1.4291	1.4092
November 30, 2007	1.4862	1.4435
December 31, 2007	1.4759	1.4344
January 31, 2008	1.4877	1.4574
February 29, 2008	1.5187	1.4495
March 31, 2008 (through March 27)	1.5798	1.5195

The noon buying rate for euro from the Federal Reserve Bank of New York, expressed in dollars per €1.00, on March 27, 2008, was $1.5798.

As of December 31, 2007, approximately 34% of our assets and approximately 40% of our liabilities were denominated in currencies other than euro (see Note 2.2.5 to our Consolidated Financial Statements).

For a discussion of our foreign currency exposure, please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk in Non-Trading Activities in 2007—Exchange Rate Risk".

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks relating to us

Since our loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on our financial condition.

We historically have developed our lending business in Spain, which continues to be our main place of business. As of December 31, 2007, business activity in Spain accounted for 64.7% of our loan portfolio. See "Item 4. Information on the Company—Selected Statistical Information—Loans by Geographic Area". The Spanish economy has grown rapidly in recent years, with Spanish gross domestic product growing by 3.9% and 3.6% in 2006 and 2005, respectively, according to Bank of Spain. Spanish GDP grew more slowly in 2007, at 3.8%, and is expected to grow at lower rates in 2008 and 2009. Given the concentration of our loan portfolio in Spain, any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on our loan portfolio and, as a result, on our financial condition, results of operations and cash flows.

A substantial percentage of our customer base is particularly sensitive to adverse developments in the economy, which renders our lending activities relatively riskier than if we lent primarily to higher-income customer segments.

Medium- and small-size companies and middle- and lower-middle- income individuals typically have less financial strength than large companies and high-income individuals and accordingly can be expected to be more negatively affected by adverse developments in the economy. As a result, it is generally accepted that lending to these segments of our existing and targeted customer base represents a relatively higher degree of risk than lending to other groups.

A substantial portion of our loan portfolio consists of residential mortgages and consumer loans to middle- and lower-middle-income customers and commercial loans to medium- and small-size companies. Consequently, during periods of slowdown in economic activity we may experience higher levels of past due amounts which could result in higher levels of allowance for loan losses. We cannot assure you that we will not suffer substantial adverse effects on our base loan portfolio to these customer segments in the event of additional adverse developments in the economy.

Increased exposure to real estate in Spain makes us more vulnerable to developments in this market.

The sound economic growth, the strength of the labor market and a decrease in interest rates in Spain caused an increase in the demand for mortgage loans in the last few years. This has had repercussions in housing prices, which rose significantly. After this buoyant period, demand started adjusting a year and a half ago. Over the past few months supply has adjusted more sharply in the residential market in Spain, falling in line with demand. In the next few quarters, housing supply and demand should adjust further, in particular if the current financial situation continues. In addition, in countries where the housing markets have been booming, the ongoing adjustment may intensify. As residential mortgages are one of our main assets, comprising 26%, 26% and 27% of our loan portfolio at December 31, 2007, 2006 and 2005, respectively, we are currently highly exposed to developments in real estate markets. We expect the worsening financial conditions and the deterioration of the economic activity already underway in Spain to cause a gradual adjustment process in the Spanish real estate sector. As a result, housing prices should continue to slow down or they could decline. Adverse changes in the Spanish real estate sector could have a significant impact on our loan portfolio and, as a result, on our financial condition and results of operations.

In addition, a strong increase in interest rates or unemployment in Spain might have a significant negative impact on the mortgage payment delinquency rate, which is already deteriorating. For example, in 2007 in our Spain and Portugal business area our non-performing loan, or NPL, ratio increased 18 basis points to 0.73% as of December 31, 2007 from 0.55% as of December 31, 2006, our write-offs nearly doubled, to €394 million in 2007 from €191 million in 2006, and our coverage ratio declined to 231% as of December 31, 2007 from 316% as of December 31, 2006. An increase in delinquency rates on the non-performing loan portfolio generally or in respect of a business area could have an adverse effect on our business, financial condition, results of operations and cash flow.

Highly-indebted households and corporations could endanger our asset quality and future revenues.

Spanish households and businesses have reached, in recent years, a high level of indebtedness, which represents increased risk for the Spanish banking system. The increase of loans referenced to variable interest rates makes debt service on such loans more vulnerable to changes in interest rates than in the past. In fact, the debt burden of the Spanish households on disposable income has increased substantially from 12.6% in 2003 to 17.2% in 2007. The increase in households' and businesses' indebtedness also limits their ability to incur additional debt; decreasing the number of new products we may otherwise be able to sell them.

A sudden shortage of funds could cause an increase in our costs of funding and an adverse effect on our operating revenues.

Historically, one of our principal sources of funds has been savings and demand deposits. Time deposits represented 26.7%, 23.3% and 25.4% of our total funding at December 31, 2007, 2006 and 2005, respectively. Large-denomination time deposits may, under some circumstances, such as during periods of significant changes in market interest rates for these types of deposit products and resulting increased competition for such funds, be a less stable source of deposits than savings and demand deposits. The liquidity crisis triggered by the United States subprime market has turned out to be deeper and more persistent than expected. Central banks' interventions have had a limited effect so far. New issuances in wholesale markets have been scarce, expensive and restricted to a few countries, and the interbank markets are dried up. In this context, we cannot assure you that we will be able to maintain our current levels of funding without incurring higher funding costs or having to liquidate certain of our assets.

We face increasing competition in our business lines.

The markets in which we operate are highly competitive. Financial sector reforms in the markets in which we operate have increased competition among both local and foreign financial institutions, and we believe that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which we must now compete. This is particularly the case of the consumer credit market, where foreign entrants are operating in the segment of small credits to subprime households.

We also face competition from non-bank competitors, such as:

- department stores (for some credit products);
- leasing companies;
- factoring companies;

- mutual funds;
- pension funds; and
- insurance companies.

We cannot assure you that this competition will not adversely affect our business, financial condition and results of operations.

Our business is particularly vulnerable to volatility in interest rates.

Our results of operations are substantially dependent upon the level of our net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond our control, including deregulation of the financial sectors in the markets in which we operate, monetary policies pursued by the EU and national governments, domestic and international economic and political conditions and other factors.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby negatively affect our results of operations. For example, an increase in interest rates could cause our interest expense on deposits to increase more significantly and quickly than our interest income from loans, resulting in a reduction in our net interest income.

In addition, income from treasury operations is particularly vulnerable to interest rate volatility. Since approximately 74% of our loan portfolio consists of variable interest rate loans maturing in more than one year, rising interest rates may also bring about an increase in the non-performing loan portfolio.

Our financial statements and periodic disclosure under securities laws may not give you the same information as financial statements prepared under U.S. accounting rules and periodic disclosures provided by domestic U.S. issuers.

Publicly available information about public companies in Spain is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States. In addition, although we are subject to the periodic reporting requirements of the United States Securities Exchange Act of 1934 (the "**Exchange Act**"), the periodic disclosure required of foreign issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Finally, we maintain our financial accounts and records and prepare our financial statements in conformity EU-IFRS required to be applied under the Bank of Spain's Circular 4/2004, which differs in certain respects from U.S. GAAP, the financial reporting standard to which many investors in the United States may be more accustomed. See Note 63 of the Consolidated Financial Statements for the presentation of our stockholders' equity and net income reconciled to U.S. GAAP.

We have a substantial amount of commitments with personnel considered wholly unfunded due to the absence of qualifying plan assets.

Our commitments with personnel which are considered to be wholly unfunded are recognized under the heading "Provisions—Funds for Pensions and Similar Obligations" in the accompanying consolidated balance sheets. These amounts include "Post-employment benefits", "Early Retirements" and "Post-employment welfare benefits", which amounted to €2,648 million, €2,950 million and €234 million, respectively, as of December 31, 2007 (€2,817 million, €3,186 million and €223 million, respectively, as of December 31, 2006). These amounts are considered wholly unfunded due to the absence of qualifying plan assets.

We face liquidity risk in connection with our ability to make payments on these unfunded amounts which we seek to mitigate, with respect to "Post-employment benefits", by maintaining insurance contracts which were contracted with insurance companies owned by the Group. The insurance companies have recorded in their balance sheets specific assets (fixed interest deposit and bonds) assigned to the funding of these commitments. The insurance companies also manage derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. We seek to mitigate liquidity risk with respect to "Early Retirements" and "Post-employment welfare benefits" through oversight by the Group's Assets and Liabilities Committee ("ALCO"). The Group's ALCO manages a specific asset portfolio to mitigate the liquidity risk regarding the payments of these commitments. These assets are government and cover bonds (AAA/AA rated) which are issued at fixed interest rates with maturities matching the aforementioned commitments. The Group's ALCO also manages derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments.

BBVA may fail to realize all of the anticipated benefits of the acquisition of Compass.

The success of the Compass acquisition will depend, in part, on BBVA's ability to realize the anticipated benefits from combining the businesses of BBVA and Compass. However, to realize these anticipated benefits, BBVA and Compass must successfully combine their businesses, which are currently principally conducted in different countries by management and employees coming from different cultural backgrounds. If BBVA is not able to achieve these objectives, the anticipated benefits of the transaction may not be realized fully or at all or may take longer to realize than expected.

It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of BBVA and Compass to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the transaction. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Compass and BBVA during the transition period and on the combined company.

See "Item 4. Information on the Company—Business Overview—Mexico and the United States".

Risks Relating to Latin America

Events in Mexico could adversely affect our operations.

Approximately 31% of our income attributed to the Group in 2007 was generated in Mexico. We face several types of risks in Mexico which could adversely affect our banking operations in Mexico or the Group as a whole.

First, the mortgage and especially the consumer loan portfolio could start showing higher delinquency rates if there is a persistent increase in unemployment rates, which could arise if there is a more pronounced slowdown in the United States.

Second, price regulation and competition could squeeze the profitability of our Mexican subsidiary. For example, in order to increase competition and to deepen credit, Mexican financial regulators could elect to introduce price distortions not linked to the true risk premium. In this occurred, the market share of our Mexican subsidiary could decrease given its risk selection standards.

Finally, political instability or social unrest could weigh on the economic outlook, which could increase economic uncertainty and capital outflows.

Any of these risks or other adverse developments in laws, regulations, public polices or otherwise in Mexico may adversely affect the business, financial condition, operating results and cash flows of our Mexican subsidiary or the Group as a whole.

Our Latin American subsidiaries' growth, asset quality and profitability may be affected by volatile macroeconomic conditions, including government default on public debt, in the Latin American countries where they operate.

The Latin American countries in which we operate have experienced significant economic volatility in recent decades, characterized by slow growth, declining investment and significant inflation. In particular, the high inflation rates registered in the area during the last few months have become a serious concern. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect our profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services.

Negative and fluctuating economic conditions in some Latin American countries could result in government defaults on public debt. This could affect us in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is generally high in several Latin American countries in which we operate.

While we seek to mitigate these risks through what we believe to be conservative risk policies and the area is proving to be resilient to current market turbulence, no assurance can be given that our Latin American subsidiaries' growth, asset quality and profitability will not be affected by volatile macroeconomic conditions in the Latin American countries in which we operate.

Latin American economies can be directly and negatively affected by adverse developments in other countries.

Financial and securities markets in Latin American countries in which we operate, are to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition, operating results and cash flows of our subsidiaries in Latin America. In particular, the current international financial crisis could end up having a negative impact on Latin American markets, especially via the real channel if the United States deceleration continues.

We are exposed to foreign exchange and, in some instances, political risks as well as other risks in the Latin American countries in which we operate, which could cause an adverse impact on our business, financial condition and results of operations.

We operate commercial banks in 10 Latin American countries and our overall success as a global business depends, in part, upon our ability to succeed in differing economic, social and political conditions. We are confronted