Banco de Crédito Local de España, S.A.

Financial Statements for the year ended December 31, 2005 together with the Auditor's Report

Deloitte

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

AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of Banco de Crédito Local de España, S.A. (the Bank) comprising the balance sheet at 31 December 2005, and the related income statement, cash flow statement, statement of changes in equity and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Bank's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As indicated in Note 1 to the accompanying financial statements, the accompanying financial statements for 2005 are the first that the Bank has prepared in accordance with Bank of Spain Circular 4/2004, of 22 December, which contains the Public and Confidential Financial Reporting Rules and Formats applicable to Spanish credit institutions. These Rules require, in general, that financial statements present comparative information. In this regard, as required by corporate and commercial law, for comparison purposes the Bank's directors present, in addition to the figures for 2005 for each item in the balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements, the figures for 2004, which were re-calculated by applying the aforementioned Bank of Spain Circular 4/2004. Accordingly, the data for 2004 presented in the accompanying financial statements for 2005 do not constitute the financial statements for 2004, since they differ from those contained in the statutory financial statements for that year, which were prepared in accordance with the accounting principles and standards then in force (Bank of Spain Circular 4/1991) and approved by the shareholders at the Annual General Meeting of the Bank on 11 May 2005. The main effects of the differences between the two sets of standards on the Bank's equity at 1 January 2004 and 31 December 2004, and on the Bank's profit for 2004 are detailed in Note 3 to the accompanying financial statements for 2005. Our opinion refers only to the financial statements for 2005. On 14 March 2005, we issued our auditors' report on the financial statements for 2004, prepared in accordance with the accounting principles and standards in force in that year (Bank of Spain Circular 4/1991), in which we expressed an unqualified opinion.

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

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Member of
Deloitte Touche Tohmatsu

4. In our opinion, the accompanying financial statements for 2005 present fairly, in all material respects, the equity and financial position of the Bank at 31 December 2005, 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. These accounting principles and standards were applied on a basis consistent with that used in the preparation of the financial statements and other information for 2004, which, as indicated in paragraph 2 above, are presented in the accompanying financial statements for 2005 for comparison purposes only.

5. The accompanying directors' report for 2005 contains the explanations which the directors consider appropriate about the Bank's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2005. 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
Registered in ROAC under no. S0692

Francisco Celma

30 March 2006

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

Financial Statements
for the Year Ended 31 December 2005

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 41). In the event of a discrepancy, the Spanish-language version prevails.

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 41). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004 (Notes 1 to 4)

- Thousands of Euros -

A S S E T S	2005	2004 (*)
CASH AND BALANCES WITH CENTRAL BANKS (Note 7)	334,623	208,716
FINANCIAL ASSETS HELD FOR TRADING (Note 8)	27,574	43,433
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Trading derivatives	27,574	43,433
Memorandum item: Loaned or advanced as collateral	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 9)	2,847,155	3,223,401
Debt instruments	2,847,155	3,223,401
Other equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	183,450
LOANS AND RECEIVABLES (Note 10)	8,778,624	9,287,260
Loans and advances to credit institutions	129,948	862,998
Money market operations through counterparties	-	-
Loans and advances to customers	8,648,669	8,424,255
Debt instruments	-	-
Other financial assets	7	7
Memorandum item: Loaned or advanced as collateral	-	-
HELD-TO-MATURITY INVESTMENTS	-	-
Memorandum item: Loaned or advanced as collateral	-	-
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES (Note 11)	221,320	209,027
NON-CURRENT ASSETS HELD FOR SALE (Note 12)	-	215
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Equity instruments	-	-
Tangible assets	-	215
Other assets	-	-

(*) Presented for comparison purposes only.

	2005	2004 (*)
INVESTMENTS (Note 13)	2,713	1,768
Associates	762	762
Jointly controlled entities	-	-
Subsidiaries	1,951	1,006
INSURANCE CONTRACTS LINKED TO PENSIONS	6,931	7,371
TANGIBLE ASSETS (Note 14)	26,395	27,145
For own use	11,435	11,916
Investment property	14,960	15,229
Other assets leased out under an operating lease	-	-
Memorandum item: Acquired under a finance lease	-	-
INTANGIBLE ASSETS (Note 21)	-	-
Goodwill	-	-
Other intangible assets	-	-
TAX ASSETS (Note 23)	22,229	22,100
Current	41	-
Deferred	22,188	22,100
PREPAYMENTS AND ACCRUED INCOME (Note 15)	170	10
OTHER ASSETS (Note 16)	419	1,180
TOTAL ASSETS	12,268,153	13,031,626

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 41 and Appendixes I to III are an integral part of the balance sheet at 31 December 2005.

- Thousands of Euros -

LIABILITIES AND EQUITY	2005	2004 (*)
LIABILITIES		
FINANCIAL LIABILITIES HELD FOR TRADING (Note 8)	21,180	41,799
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	21,180	41,799
Short positions	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
FINANCIAL LIABILITIES AT AMORTISED COST (Note 17)	11,477,677	12,206,371
Deposits from central banks	1,900,381	3,024,503
Deposits from credit institutions	1,159,881	1,471,025
Money market operations through counterparties	-	-
Customer deposits	2,321,289	2,125,809
Debt certificates (including bonds)	6,061,099	5,555,710
Subordinated liabilities	-	-
Other financial liabilities	35,027	29,324
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES (Note 11)	427,777	414,255
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-
Customer deposits	-	-
Other liabilities	-	-
PROVISIONS (Note 18)	31,012	34,201
Provisions for pensions and similar obligations	29,357	32,546
Provisions for taxes	-	-
Provisions for contingent liabilities and commitments	120	120
Other provisions	1,535	1,535
TAX LIABILITIES (Note 23)	8,313	13,135
Current	6,414	6,975
Deferred	1,899	6,160
ACCRUED EXPENSES AND DEFERRED INCOME (Note 15)	1,987	2,331
OTHER LIABILITIES (Note 16)	-	-
EQUITY HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-
TOTAL LIABILITIES	11,967,946	12,712,092

(*) Presented for comparison purposes only.

EQUITY	2005	2004 (*)
VALUATION ADJUSTMENTS (Note 19)	3,527	11,435
Available-for-sale financial assets	3,527	11,435
Financial liabilities at fair value through equity	-	-
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
OWN FUNDS (Note 19)	296,680	308,099
Capital or endowment fund (Note 20)	151,043	151,043
Issued	151,043	151,043
Unpaid and uncalled (-)	-	-
Share premium (Note 21)	10,662	10,662
Reserves (Note 22)	84,582	84,267
Accumulated reserves (losses)	84,582	84,267
Retained earnings	-	-
Other equity instruments	-	-
Equity component of compound financial instruments	-	-
Other	-	-
Less: Treasury shares	-	-
Profit for the year	50,393	62,127
Less: Dividends and remuneration	-	-
TOTAL EQUITY	300,207	319,534
TOTAL LIABILITIES AND EQUITY	12,268,153	13,031,626
MEMORANDUM ITEMS		
CONTINGENT LIABILITIES (Note 26)	578,873	815,447
Financial guarantees	578,873	815,447
Assets earmarked for third-party obligations	-	-
Other contingent liabilities	-	-
CONTINGENT COMMITMENTS (Note 26)	807,772	621,508
Drawable by third parties	807,772	621,508
Other commitments	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 41 and Appendixes I to III are an integral part of the balance sheet at 31 December 2005.

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 41). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (Notes 1 to 4)
- Thousands of Euros -

	2005	2004 (*)
INTEREST AND SIMILAR INCOME (Note 31)	310,957	316,274
INTEREST EXPENSE AND SIMILAR CHARGES (Note 32)	(235,753)	(224,843)
Return on equity having the substance of a financial liability	-	-
Other	(235,753)	(224,843)
INCOME FROM EQUITY INSTRUMENTS	-	-
Investments in associates	-	-
Investments in jointly controlled entities	-	-
Investments in subsidiaries	-	-
Other equity instruments	-	-
NET INTEREST INCOME	**75,204**	**91,431**
FEE AND COMMISSION INCOME (Note 33)	1,495	1,670
FEE AND COMMISSION EXPENSE (Note 34)	(140)	(124)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 35)	4,557	6,997
Held for trading	(5,667)	49
Other financial instruments at fair value through profit or loss	-	-
Available-for-sale financial assets	10,224	6,896
Loans and receivables	-	-
Other	-	52
EXCHANGE DIFFERENCES (NET)	170	2
GROSS INCOME	**81,286**	**99,976**
OTHER OPERATING INCOME	1,327	1,215
PERSONNEL EXPENSES (Note 36)	(2,765)	(2,903)
OTHER ADMINISTRATIVE EXPENSES (Note 37)	(2,468)	(2,083)
DEPRECIATION AND AMORTISATION	(758)	(796)
Tangible assets (Note 14)	(758)	(796)
Intangible assets	-	-
OTHER OPERATING EXPENSES	(34)	(84)
NET OPERATING INCOME	**76,588**	**95,325**
IMPAIRMENT LOSSES (NET)	2,198	(2,088)
Available-for-sale financial assets (Note 9)	-	-
Loans and receivables (Note 10)	2,513	2,079
Held-to-maturity investments	-	-
Non-current assets held for sale	35	(65)
Investments (Note 13)	(350)	(4,102)
Tangible assets (Note 14)	-	-
Goodwill	-	-
Other intangible assets	-	-
Other assets	-	-
PROVISIONS (NET) (Note 18)	(1,261)	822
OTHER GAINS (Note 38)	26	899
Gains on disposal of tangible assets	-	-
Gains on disposal of investments	-	-
Other	26	899
OTHER LOSSES (Note 38)	(24)	719
Losses on disposal of tangible assets	(13)	-
Losses on disposal of investments	-	-
Other	(11)	719
PROFIT BEFORE TAX	**77,527**	**95,677**
INCOME TAX (Note 23)	(27,134)	(33,550)
PROFIT FROM ORDINARY ACTIVITIES	**50,393**	**62,127**
PROFIT FROM DISCONTINUED OPERATIONS (NET)	-	-
PROFIT FOR THE YEAR	**50,393**	**62,127**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 41 and Appendixes I to III are an integral part of the income statement for the year ended 31 December 2005.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (Notes 1 to 4)
- Thousands of Euros -

	2005	2004 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY	**(7,908)**	**(11,146)**
Available-for-sale financial assets	(7,908)	(11,146)
Revaluation gains/losses	(10,564)	(12,424)
Amounts transferred to income statement	(1,602)	(4,724)
Income tax	4,258	6,002
Reclassifications	-	-
Financial liabilities at fair value through equity	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred at the initial carrying amount of hedged items	-	-
Income tax	-	-
Reclassifications	-	-
Hedges of net investments in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Exchange differences	-	-
Translation gains/losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
PROFIT FOR THE YEAR	**50,393**	**62,127**
Published profit for the year	50,393	62,127
Adjustments due to changes in accounting policy	-	-
Adjustments made to correct errors	-	-
TOTAL INCOME AND EXPENSES FOR THE YEAR	**42,485**	**50,981**
MEMORANDUM ITEMS: EQUITY ADJUSTMENTS ALLOCABLE TO PRIOR PERIODS	-	-
Effect of changes in accounting policies	-	-
Own funds	-	-
Valuation adjustments	-	-
Effects of errors	-	-
Own funds	-	-
Valuation adjustments	-	-

(*) Presented for comparison purposes only.
The accompanying Notes 1 to 41 and Appendixes I to III are an integral part of the statement of changes in equity for the year ended 31 December 2005.

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 41). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (Notes 1 to 4)

- Thousands of Euros -

	2005	2004 (*)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**50,393**	**62,127**
Adjustments to profit:	27,864	40,825
Depreciation of tangible assets (+)	758	796
Amortisation of intangible assets (+)	-	-
Impairment losses (net) (+/-)	(2,198)	2,088
Provisions (net) (+/-)	1,261	(822)
Gains/Losses on disposal of tangible assets (+/-)	13	-
Gains/Losses on disposal of investments (+/-)	-	-
Taxes (+/-)	27,134	33,550
Other non-monetary items (+/-)	896	5,213
Adjusted profit	**78,257**	**102,952**
Net increase/decrease in operating assets	**879,505**	**(1,069,708)**
Financial assets held for trading	15,859	234
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Trading derivatives	15,859	234
Other financial assets at fair value through profit or loss	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Loans and advances to customers	-	-
Debt instruments	-	-
Other equity instruments	-	-
Available-for-sale financial assets	359,661	54,489
Debt instruments	359,661	54,489
Other equity instruments	-	-
Loans and receivables	512,025	(1,108,080)
Loans and advances to credit institutions	732,951	(648,930)
Money market operations through counterparties	-	-
Loans and advances to customers	(220,926)	(459,150)
Debt instruments	-	-
Other financial assets	-	-
Other operating assets	(8,040)	(16,351)
Net increase/decrease in operating liabilities	**(768,740)**	**1,200,941**
Financial liabilities held for trading	(20,619)	(19,060)
Deposits from credit institutions	-	-
Money market operations through counterparties	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Trading derivatives	(20,619)	(19,060)
Short positions	-	-
Other financial liabilities at fair value through profit or loss	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-

(*) Presented for comparison purposes only.

	2005	2004 (*)
Financial liabilities at fair value through equity	-	-
Deposits from credit institutions	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Financial liabilities measured at amortised cost	(756,530)	1,233,132
Deposits from central banks	(1,122,628)	1,023,044
Deposits from credit institutions	(310,509)	(706,061)
Money market operations through counterparties	-	-
Customer deposits	194,911	(2,338,585)
Debt certificates (including bonds)	475,993	3,249,164
Other financial liabilities	5,703	5,570
Other operating liabilities	8,409	(13,131)
Total net cash flows from operating activities (1)	**189,022**	**234,185**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (-)	(1,303)	(4,494)
Subsidiaries, jointly controlled entities and associates	(1,295)	(4,482)
Tangible assets	(8)	(12)
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Divestments (+)	-	6
Subsidiaries, jointly controlled entities and associates	-	6
Tangible assets	-	-
Intangible assets	-	-
Held-to-maturity investments	-	-
Other financial assets	-	-
Other assets	-	-
Total net cash flows from investing activities (2)	**(1,303)**	**(4,488)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/Redemption of capital or endowment fund (+/-)	-	-
Acquisition of own equity instruments (-)	-	-
Disposal of own equity instruments (+)	-	-
Issuance/Redemption of non-voting equity units (+/-)	-	-
Issuance/Redemption of other equity instruments (+/-)	-	-
Issuance/Redemption of equity having the substance of a financial liability (+/-)	-	-
Issuance/Redemption of subordinated liabilities (+/-)	-	-
Issuance/Redemption of other long-term liabilities (+/-)	-	-
Dividends/Interest paid (-)	61,812	58,320
Other items related to financing activities (+/-)	-	-
Total net cash flows from financing activities (3)	**(61,812)**	**(58,320)**
Effect of exchange rates changes on cash and cash equivalents (4)	-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)	**125,907**	**171,377**
Cash and cash equivalents at beginning of year	**208,716**	**37,339**
Cash and cash equivalents at end of year	**334,623**	**208,716**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 41 and Appendixes I to III are an integral part of the cash flow statement for the year ended 31 December 2005.

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (Notes 1.2 and 41). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

Notes to the Financial Statements for the Year Ended 31 December 2005

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

1.1. Introduction

Banco de Crédito Local de España, S.A. ("the Bank") is a private-law entity, incorporated on 23 July 1925, subject to the rules and regulations applicable to banks operating in Spain and is part of the Banco Bilbao Vizcaya Argentaria Group (the "BBVA Group") which is subject to the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU- IFRSs).

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

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

The Bank's financial statements for 2004 were approved by the shareholders at the Annual General Meeting of the Bank on 11 May 2005. The 2005 financial statements of the Bank have not yet been approved by its shareholders at the Annual General Meeting. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

The Bank's business activities are conducted as part of the institutional business of the BBVA Group and focus mainly on the financing of Spanish public-sector entities and their dependent agencies or entities, through 33 branch offices located in the main cities of the autonomous communities in Spain and included in BBVA's commercial network.

1.2. Basis of presentation of the financial statements

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

The purpose of this new accounting Circular is to modify the accounting system of Spanish credit institutions by adapting it to the new accounting environment arising from the adoption by the European Union, through several EC Regulations, of the International Financial Reporting Standards ("EU- IFRSs") under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of International Accounting Standards.

The Bank's financial statements were prepared by its directors (at the Board Meeting on 29 March 2006) on the basis of its accounting records and in accordance with the formats established by Bank of Spain Circular 4/2004, of 22 December and, accordingly, they present fairly the Bank's equity and financial position at 31 December 2005, and the results of its operations, the changes in equity and the cash flows in 2005.

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

1.3. Comparative information

The financial statements for the year ended 31 December 2005 are the first to have been prepared in accordance with Circular 4/2004, which entails, with respect to the rules in force (Bank of Spain Circular 4/1991) when the financial statements for 2004 were prepared, significant changes in the accounting policies, measurement bases and presentation of the financial statements making up the annual financial statements. The main effects of adaptation to Bank of Spain Circular 4/2004 are explained in Note 3.

The information relating to 2004 contained in these financial statements is presented with the information relating to 2005 for comparison purposes only and, accordingly, it does not constitute the Bank's statutory financial statements for 2004.

1.4. Responsibility for the information and for the estimates made

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

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

Although these estimates were made on the basis of the best information available at 31 December 2005 on the events analysed, events that might take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years.

1.5. Environmental impact

At 31 December 2005 the Bank's financial statements did not disclose any item that should be included in the environmental information document envisaged in the related Ministry of the Economy Order dated 8 October 2001.

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

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

1.7. Minimum capital requirements

Law 13/1992, of 1 June, and Bank of Spain Circular 5/1993 and subsequent amendments thereto regulate the minimum capital requirements for Spanish credit institutions – both as individual entities and as consolidated groups – and the criteria for calculating the capital ratio.

At 31 December 2005 and 2004, the Bank's eligible capital exceeded the minimum required under the aforementioned regulations

1.8. Subsequent events

On 30 January 2006, the Bank issued nonconvertible bonds amounting to EUR 1,000 million and maturing in July 2007 at nominal interest of three-month Euribor.

2. Accounting policies and measurement bases

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

a) First-time adoption of Bank of Spain Circular 4/2004

Transitional Provision One of Bank of Spain Circular 4/2004 sets forth the criteria that must be adopted when implementing the aforementioned Circular for the first time.

The main criteria used by the Bank in preparing the opening balance sheet are indicated in Note 3.

b) Fair value

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

If there is no market price for a given asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent to the valuation techniques developed and the possible inaccuracies of the assumptions required by these techniques may signify that the fair value of an asset or liability thus estimated does not coincide exactly with the price for which the asset or liability could be purchased or sold on the measurement date.

c) Financial instruments

c.1) Classification

Financial assets/liabilities held for trading: these include the financial assets and liabilities acquired for the purpose of generating a profit in the near term from fluctuations in their prices or from differences between their purchase and sale prices.

These headings also include financial derivatives not considered to qualify for hedge accounting and, in the case of financial liabilities held for trading, financial liabilities arising from the outright sale of financial assets purchased under reverse repurchase agreements or borrowed ("short positions").

Available-for-sale financial assets: this category includes debt instruments not classified as held-to-maturity investments, or as financial assets at fair value through profit or loss and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as financial assets held for trading or as other financial assets at fair value through profit or loss.

Loans and receivables: this category includes financing granted to third parties, based on their nature, irrespective of the type of borrower and the form of financing.

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

Financial liabilities at amortised cost: this category includes the financial liabilities not included in any other category in the balance sheet which arise from the ordinary deposit-taking activities carried on by financial institutions, irrespective of their instrumentation and maturity.

c.2) Measurement

All financial instruments are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. These instruments will subsequently be measured on the basis of their classification. In the case of quoted financial instruments, fair value will be taken to be their market price. For unquoted financial instruments, fair value will be obtained using the valuation techniques customarily used in the market.

Financial assets:

Financial assets are measured at fair value, except for:

- Loans and receivables,
- Held-to-maturity investments, and
- Equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments.

Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method. Amortised cost is understood to be the acquisition cost of a financial asset or liability minus principal repayments, plus or minus, as appropriate, the cumulative amortisation (as reflected in the income statements) of any difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost furthermore includes any reductions for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds during its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, can be equated with a rate of interest. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised again.

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

Financial liabilities:

Financial liabilities are measured at amortised cost, except for:

- Those included under "Financial Liabilities Held for Trading", "Financial Liabilities at Fair Value through Profit or Loss" and "Financial Liabilities at Fair Value through Equity" and the financial liabilities designated as hedged items in fair value hedges or as hedging instruments, which are all measured at fair value, and

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

c.3) Recognition of changes in the measurement of financial assets and liabilities

Based on the classification of financial instruments, any changes in the carrying amounts of the financial assets and liabilities classified as held for trading are recognised with a balancing entry in the income statement. A distinction is made between the changes resulting from the accrual of interest and similar items, which are recognised under "Interest and Similar Income" or "Interest Expense and Similar Charges", as appropriate, and those arising for other reasons, which are recognised at their net amount under "Gains/Losses on Financial Assets and Liabilities" in the income statement.

Valuation adjustments arising on available-for-sale financial assets are recognised temporarily under "Valuation Adjustments - Available-for-Sale Financial Assets", unless they relate to exchange differences, in which case they are recognised temporarily under "Valuation Adjustments - Exchange Differences".

Items charged or credited to "Valuation Adjustments - Available-for-Sale Financial Assets" and "Valuation Adjustments - Exchange Differences" remain in the Bank's equity until the asset giving rise to them is derecognised, at which time they are recognised in the income statement.

Valuation adjustments arising on non-current assets held for sale and the liabilities associated with them are recognised with a balancing entry in "Valuation Adjustments - Non-Current Assets Held for Sale".

In the specific case of financial instruments designated as hedged items or hedging instruments in fair value hedges (Note 2-e), gains and losses arising on both the hedging instruments and the hedged items – attributable to the type of risk being hedged – are recognised directly in the income statement.

c.4) Impairment

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

- In the case of debt instruments (loans and Debt instruments), give rise to a negative impact on the future cash flows that were estimated at the transaction date.

- In the case of equity instruments, mean that their carrying amount cannot be recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the period in which the impairment becomes evident, and the reversal of previously recognised impairment losses is recognised in the income statement for the period in which the impairment ceases to exist or is reduced.

Balances are considered to be impaired, and the interest accrual is suspended, when there are reasonable doubts as to their full recovery and/or the collection of the related interest for the amounts and on the dates initially agreed upon, taking into account the guarantees received by the entities to secure (in part or in full) the collection of the related balances. Amounts collected in relation to impaired loans and receivables are used to recognise the related accrued interest and the remainder, if any, to reduce the principal amount outstanding.

When the recovery of any recognised amount is considered unlikely, the amount of the impairment is derecognised, without prejudice to any actions that the Bank may initiate to seek collection of the amount receivable until its rights are extinguished by expiry of the statute-of-limitations period, forgiveness or any other cause.

Debt instruments measured at amortised cost:

The amount of an impairment loss incurred on a debt instrument measured at amortised cost is equal to the positive difference between its carrying amount and the present value of its estimated future cash flows. However, the market value of quoted debt instruments is deemed to be a reliable estimate of the present value of their future cash flows.

In estimating the future cash flows of debt instruments the following should be taken into account:

- 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 collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral),

- The various types of risk to which each instrument is subject, and

- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual interest rate at the discount date (if it is variable).

Impairment losses on these assets are assessed as follows:

- Individually, for all significant debt instruments and for instruments which, although not material, are susceptible to being classified in homogeneous groups of instruments with similar risk characteristics: instrument type, debtor's industry and geographical location, type of guarantee or collateral, age of past-due amounts, etc.

- Collectively, in all other cases.

Bank of Spain Circular 4/2004 establishes the criteria for determining impairment losses resulting from materialisation of the insolvency risk of the obligors. Under these criteria, a debt instrument is impaired due to insolvency:

- When there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons, and/or

- When country risk materialises; country risk is considered to be the risk associated with debtors resident in a given country arising from circumstances other than normal commercial risk.

Bank of Spain Circular 4/2004 classifies transactions on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status, type of associated guarantees, age of past-dues, etc. For each of these risk groups it establishes the minimum impairment losses ("identified losses") that must be recognised in the financial statements of the entities.

In addition to the recognition of identified losses, Bank of Spain Circular 4/2004 requires provisioning for the losses inherent in debt instruments not measured at fair value through profit or loss and in contingent risks classified as standard, taking into account the historical experience of impairment and the other circumstances known at the time of the assessment. For these purposes, inherent losses are the losses incurred at the date of the financial statements, calculated using statistical procedures that have not been allocated to specific transactions.

Inherent losses are quantified by applying the parameters established by the Bank of Spain on the basis of its experience and of the information available to it on the Spanish banking industry.

Other debt instruments:

The impairment losses on debt instruments included in the available-for-sale financial asset portfolio is the positive difference between their acquisition cost (net of any principal repayment or amortisation) and their fair value less any impairment loss previously recognised in the income statement.

When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are no longer classified as "Valuation Adjustments - Available-for-Sale Financial Assets" and are recognised in the income statement. If all or part of the impairment losses are subsequently reversed, the reversed amount would be recognised in the income statement for the period in which the reversal occurred.

Likewise, in the case of debt instruments classified as non-current assets held for sale, losses previously recognised in the Bank's equity are considered to be realised and are recognised in the income statement on the date the instruments are so classified.

Equity instruments measured at cost:

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

Impairment losses are recognised 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 related assets.

d) Recognition of income and expenses

The most significant criteria used by the Bank 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 using the effective interest method. Specifically, dividends received from other companies are recognised as income when the companies' 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 of amounts more than three months past-due, the recognition of accrued interest in the income statement is suspended. This interest is recognised for accounting purposes when collected, as a reversal of the impairment loss.

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 relating to financial assets and liabilities measured at fair value through profit or loss, which are recognised when collected.
- 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 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.

Deferred collections and payments:

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

Loan arrangement fees:

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

e) Financial derivatives and hedge accounting

Financial derivatives are instruments that permit the transfer to third parties of all or part of the credit and/or market risks associated with balances and transactions, using interest rates, specific indices, equity prices, cross-currency exchange rates or other similar benchmarks as underlyings.

All derivatives are recognised in the balance sheet at fair value from the trade date. If the fair value of a derivative is positive, it is recognised as an asset and if it is negative, it is recognised as a liability. Unless there is evidence to the contrary, the fair value of the derivatives on the trade date is deemed to be equal to the transaction price. Changes in the fair value of derivatives after the trade date are recognised with a balancing entry under "Gains/Losses on Financial Assets and Liabilities" in the income statement. Specifically, the fair value of the standard financial derivatives included in the held for trading portfolios is equal to their daily quoted price. If, for exceptional reasons, their quoted price cannot be determined on a given date, these derivatives are measured using methods similar to those used to measure over-the-counter ("OTC") derivatives.

The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instrument, discounted to present value at the measurement date ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets, including net present value (NPV), option pricing models, etc.

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

Hedge accounting

A financial derivative qualifies for hedge accounting only if it meets all of the following conditions:

- The derivative hedges one of the following three types of exposure:

- Changes in the fair value of assets and liabilities due to fluctuations in the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge"),
- Changes in the estimated cash flows arising from financial assets and liabilities and highly probable forecast transactions ("cash flow hedge"),
- The net investment in a foreign operation ("hedge of a net investment in a foreign operation"), which, in practice, is equivalent to a cash flow hedge.

- It is effective in offsetting a significant portion of the risk inherent in the hedged item or position over the expected term of the hedge, which means that:

- At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").

- There is sufficient evidence that the hedge was fully effective during the whole life of the hedged item or position ("retrospective effectiveness").

- There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this hedge was intended to be achieved (provided that this is consistent with the Bank's management of own risks).

All hedges arranged by the Bank are fair value hedges.

f) Pension and other obligations to employees

1. Post-employment benefits:

Following is a description of the most significant accounting policies and the salient data relating to the post-employment benefit obligations of the Bank. These obligations include the undertaking to supplement the public social security system benefits in the event of retirement, permanent disability or death; remuneration and indemnities payable; and contributions to employee welfare systems for early retirees and post-employment welfare benefits.

1.1. Public social security system benefit supplement

In accordance with the provisions of the former employee welfare regulations, the Bank makes payments to certain retired employees, or to their beneficiary rightholders, to supplement the social security benefits for retirement, permanent disability, death of spouse or death of parent.

As regards current employees, under the collective labour agreement in force, Spanish banks are required to supplement the social security benefits received by their 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 first of these commitments does not apply to any Bank employees who were hired before 8 March 1980, since under the Labour Agreement on Inclusion in the Banking Industry Collective Agreement entered into in February 1999, the Bank's employees maintain only the retirement rights to which they were entitled previously, that is, the defined contribution pension plan governed by the Bank's 19th Collective Agreement and by the Pension Plan Regulations.

Also, the Bank's employee welfare system improves the terms and conditions of the collective labour agreement for the banking industry and recognises defined contribution obligations in the event of retirement for employees hired on or after 8 March 1980.

The Bank externalised all its obligations to current and retired employees pursuant to Royal Decree 1588/1999 of 15 October, which were instrumented in pension plans (defined contribution obligations) and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.93% owned by the Banco Bilbao Vizcaya Argentaria Group (defined benefit obligations).

<u>Defined contribution obligations:</u> the current contributions made by the Bank for defined contribution retirement obligations covering all current employees, which are recognised with a charge to "Personnel Expenses – Contributions to Pension Plans" in the accompanying income statements, amounted to EUR 43 thousand in 2005 and EUR 54 thousand in 2004 (Note 36).

<u>Defined benefit obligations:</u> The Bank has defined benefit obligations for permanent disability and death of current employees and early retirees and for retirement and death of certain retired employees.

The present values of the vested obligations 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. The actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible and comply with Bank of Spain Circular 4/2004. Specifically, the most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Discount rate: 4% (cumulative annual)/AA corporate bond curve
- Consumer price index: 1.5% (cumulative annual)
- Salary growth rate: at least 2.5% (cumulative annual); depending on employee group
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire.

The defined benefit obligations at 31 December 2005 and 2004 were as follows:

	Thousands of Euros	
	2005	2004
Pension obligations to retired employees	860	380
Pension contingencies in respect of current employees	6,071	6,991
	6,931	**7,371**
Funding at the end of each year:		
Insurance contracts with related insurance companies	6,931	7,371
	6,931	**7,371**

The current contributions made by the Bank for defined contribution retirement obligations were recognised with a charge to "Personnel Expenses -- Contributions to Pension Plans" in the accompanying income statements and amounted to EUR 1 thousand in 2005 and EUR 22 thousand in 2004.

1.2. Early retirements

The obligations to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement. The obligations relating to this group of employees after they have reached the age of effective retirement are included in the employee welfare system.

In 2005, the Bank offered certain employees the possibility of taking early retirement before reaching the age stipulated in the collective labour agreement in force. This offer was accepted by 4 employees. The total cost of these agreements amounted to EUR 1,476 thousand (EUR 959 thousand net of the related tax effect) and the corresponding provisions were recognised with a charge to "Provisions (Net)" in the accompanying 2005 income statement. In 2004 no new early retirements were agreed upon.

The present values of the vested obligations are quantified on a case-by-case basis. The actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible and comply with Bank of Spain Circular 4/2004. Specifically, the most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Discount rate: 4% (cumulative annual)/AA corporate bond curve
- Consumer price index: 1.5% (cumulative annual)
- Retirement ages: those agreed upon contractually for each individual employee, relating to the earliest dates at which the employees are entitled to retire

The changes in 2005 and 2004 in the present value of the vested obligation for commitments to early retirees were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at the beginning of the year	**25,015**	**29,222**
+ Interest cost	890	1,050
+ Early retirements in the year	1,476	-
- Payments made	(4,843)	(5,294)
+/- Actuarial losses (gains)	(283)	37
Present actuarial value at the end of the year	**22,255**	**25,015**
Funding at the end of each year:		
Internal provisions (Note 18)	22,255	25,015
	22,255	**25,015**

1.3. Post-employment welfare benefits

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

The present values of the vested obligations for post-employment welfare benefits are quantified on a case-by-case basis. The valuation method used for current employees is the projected unit credit method. The actuarial assumptions used in quantifying these obligations are unbiased and mutually compatible and comply with Bank of Spain Circular 4/2004. Specifically, the most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Discount rate: 4% (cumulative annual)/AA corporate bond curve

- Consumer price index: 1.5% (cumulative annual)
- Retirement ages: those relating to the earliest dates at which the employees are entitled to retire

The detail of these obligations at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Post-employment welfare benefit obligations to retired employees	138	154
Vested post-employment welfare benefit contingencies in respect of current employees	33	6
	171	**160**
Funding at the end of each year:		
Internal provisions (Note 18)	171	160
	171	**160**

The changes in 2005 and 2004 in the present value of the vested obligation for post-employment welfare benefit obligations were as follows:

	Thousands of Euros	
	2005	2004
Present actuarial value at the beginning of the year	160	99
+ Interest cost	6	4
+ Normal cost for the year	1	1
- Payments made	(63)	(6)
+/- Actuarial losses (gains)	67	62
Present actuarial value at the end of the year	171	160

1.4. Summary

Following is a summary of the charges recorded in the 2005 and 2004 income statements for the post-employment benefit obligations:

	Thousands of Euros	
	2005	2004
Interest expense and similar charges:		
Interest cost of pension funds	896	1,054
Personnel expenses:		
Welfare benefits	1	1
Contributions to pension funds (Note 36)	44	76
Provisions (net):		
Transfers to provisions for pensions and similar obligations (Note 18)		
Provisions for pensions	(216)	62
Early retirement	1,476	37
Other losses:		
Extraordinary contributions to pension plans (net)	-	(911)
	2,201	**319**

At 31 December 2005 and 2004 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.

2. Other commitments to employees:

2.1. Remuneration in kind

The Bank is obliged to deliver partially or fully subsidised goods and services under the Banking Industry Collective Labour Agreement and/or the related corporate agreements. The most significant employee welfare benefits, in terms of the type of compensation and the event giving rise to the commitment, are loans to employees, life insurance, and study grants. The scope of application of these employee welfare benefits varies on the basis of the employee group. The current employee welfare benefits are accrued and settled on a yearly basis, and no provision is required in this connection.

The total cost of the employee welfare benefits provided by the Bank to its current employees was EUR 89 thousand in 2005 and EUR 157 thousand in 2004, and these amounts were recognised with a charge to "Personnel Expenses - Other Personnel Expenses" in the accompanying income statements.

2.2. Bank share-based payments

In 2005 and 2004 the Bank had no target-based remuneration plans involving the delivery of stock options or shares of the Bank or of Banco Bilbao Vizcaya Argentaria, S.A.

In the last quarter of 2005, certain Group companies in Spain implemented a corporate scheme aimed at its permanent employees for the discount purchase of Banco Bilbao Vizcaya Argentaria, S.A. shares. The terms of the first phase of the scheme comprise an initial discount of 4% on the employees' initial investment, subject to the purchased shares being held for two years, and the delivery of 3% of the initial investment in the form of shares, after three and five years, respectively, if the shares initially acquired were still held at those dates. In this first phase the Bank offered the possibility of financing the share purchase through a personal loan. A total of 4,840 shares were acquired by the Bank's employees under this scheme at a market price of EUR 14.68 per share. The outstanding balance of the loans granted to employees amounted to EUR 64 thousand at 31 December 2005.

3. Termination benefits

Termination benefits must be recognised when the Bank is committed to terminating contracts with employees and has a formal detailed termination plan. There are no redundancy plans making it necessary to record a provision in this connection.

g) Exchange differences

Assets, liabilities and futures

Assets and liabilities in foreign currencies and unmatured forward foreign currency purchases and sales arranged for hedging purposes have been translated to euros at the average exchange rates in the Spanish spot foreign exchange market (using the dollar exchange rate on local markets for currencies not listed on those markets) at the end of each year, except for:

- non-current investments in securities denominated in foreign currencies and financed in euros or a currency other than investment currency, which were valued at historical exchange rates.

- unmatured forward foreign currency purchases and sales not arranged for hedging purposes, which were valued at the exchange rates ruling on the forward foreign exchange market at year-end, published by the Bank of Spain to this end.

The breakdown of the main foreign currency balances in the balance sheet at 31 December 2005 and 2004, based on the nature of the related items, is as follows:

2005	Equivalent Value in Thousands of Euros	
	Assets	Liabilities
Financial assets/liabilities held for trading	120	120
Available-for-sale financial assets	192,399	-
Loans and receivables	22	-
Other	-	33,090
Total	192,541	33,210

2004	Equivalent Value in Thousands of Euros	
	Assets	Liabilities
Financial assets/liabilities held for trading	1,726	1,726
Available-for-sale financial assets	151,751	-
Loans and receivables	11	-
Other	-	26,620
Non-resident creditors	-	76,089
Total	153,488	104,435

h) Non-current assets held for sale and liabilities associated with non-current assets held for sale

"Non-Current Assets Held for Sale" includes the carrying amount of items –individual items, disposal groups or items forming part of a business unit earmarked for disposal ("discontinued operations")- whose sale in their present condition is highly probable to be completed within one year from the date of the financial statements. Therefore, the carrying amount of these items --which can be of a financial nature or otherwise- will foreseeably be recovered through the proceeds from their disposal.

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

Similarly, "Liabilities Associated with Non-current Assets Held for Sale" includes the balances payable arising from disposal groups and from discontinued operations.

i) Tangible assets

Tangible assets for own use:

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

For this purpose, the acquisition cost of foreclosed assets held for own use is the carrying amount of the financial assets settled through foreclosure.

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

The tangible asset depreciation charge is 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):

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

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

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

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

j) Tax assets and liabilities

The corporation tax expense is recognised in the income statement, except when it results from a transaction recognised directly in equity, in which case the related tax effect is also recognised in equity.

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

Deferred tax assets and liabilities include temporary differences, measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled.

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

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

Income and expenses recognised directly in equity are accounted for as temporary differences.

k) Provisions and contingent liabilities

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

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

Contingent liabilities are possible obligations of the Bank that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events not wholly within the control of the Bank. They include the present obligations of the Bank when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability. Contingent liabilities are reported as off-balance sheet items.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by the occurrence or non-occurrence of events beyond the control of the Bank. Contingent assets are not recognised in the balance sheet or in the income statement; however, they are disclosed in the notes to financial statements, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

l) Transfers of financial assets and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties. If the Bank transfers substantially all the risks and rewards to third parties, the transferred financial asset is derecognised and any right or obligation retained or created as a result of the transfer is recognised simultaneously.

If the Bank retains substantially all the risks and rewards associated with the transferred financial asset, the transferred financial asset is not derecognised and continues to be measured using the same criteria as those used prior to the transfer.

Financial assets are only derecognised when the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred. Similarly, financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are acquired (with the intention either to cancel them or to re-place them).

m) Own equity instruments

At 31 December 2005 and 2004, the Bank did not hold any treasury shares.

3. Conciliation of the opening and closing balances for 2004

Bank of Spain Circular 4/2004 requires that the first financial statements prepared in accordance with such Circular include a reconciliation of the closing balances for the immediately preceding period to the opening balances for the period to which these financial statements refer.

The reconciliation of the balances in the balance sheets and income statements is shown in Appendixes I, II and III. The definition of certain terms used therein is as follows:

- Data per Bank of Spain Circular 1/1991 at 31/12/03: the balances at 31 December 2003 in accordance with the standards in force at that date (Bank of Spain Circular 4/1991), following in general terms the presentation formats of the new Circular.
- Data per Bank of Spain Circular 4/2004 at 01/01/04: the balances resulting from considering the effect on the closing balances for the preceding period of the adjustments and reclassifications made under the new standards in force since 1 January.
- Data per Bank of Spain Circular 1/1991 at 31/12/04: the balances at 31 December 2004 in accordance with Bank of Spain Circular 4/1991 in force at that date, following in general terms the presentation formats of the new Circular.
- Data per Bank of Spain Circular 4/2004 at 01/01/05: the balances resulting from considering the effect on the closing balances for the preceding period of the adjustments and reclassifications made under the new standards in force.

Main effects of adaptation to Bank of Spain Circular 4/2004

The estimated main effects of adaptation to the new Circular are as follows:

a) **Financial instruments**

In accordance with the new Circular, financial assets and liabilities held for trading are measured at fair value through profit or loss. Also, the gains and losses on the available-for-sale financial assets are recognised, net of their tax effect, in equity under "Valuation Adjustments".

The recognition, measurement and presentation criteria included in Bank of Spain Circular 4/2004, were applied retrospectively to 1 January 2004.

The main impact arose from the recognition in reserves of unrealised gains disclosed at the date of transition (1 January 2004) and the recognition in the income statement of changes in unrealised gains and losses for the year.

1 January 2004 was considered to be the date of application of the rules on the derecognition of financial instruments. Transactions which on or after that date met the recognition and derecognition requirements included in the rules of Bank of Spain Circular 4/2004 were removed from the balance sheet (Note 10-3).

b) **Provisions to credit loss allowances**

The Bank estimated the impact of recognising the provisions to credit loss allowances using the criteria described in Note 2-c for estimating the impairment of financial instruments.

c) **Loan arrangement fees**

As a result of the application of the new accounting treatment for loan arrangement fees (Note 2-d), the Bank estimated the impact of reversing the fees credited to income in prior years with a charge to equity and a credit to a deferred income account. The portion of these fees relating to 2004 were recognised in the income statement for that year.

d) **Pensions**

Under Bank of Spain Circular 4/2004 the assumptions used to measure defined benefit pension obligations must be unbiased and mutually compatible, and the discount rate must be determined by reference to market rates on high quality assets. Bank of Spain Circular 4/2004 also stipulates that the actuarial assumptions to be used for employees subject to Spanish labour law must comply with the applicable Spanish legislation, namely the actuarial assumptions published by the Directorate-General of Insurance and Pension Funds (DGSFP).

As a result of the application of these criteria, the Bank reviewed all its actuarial assumptions for existing pension obligations.

All cumulative actuarial losses at 1 January 2004 were recognised with a charge to reserves.

e) **Derivatives**

Under Bank of Spain Circular 4/2004 all derivatives must be measured at fair value through profit or loss. Hedging transactions require greater documentation and periodic monitoring of their effectiveness. In fair value hedges, changes in the fair value of the hedged item are recognised in income and the related carrying amount is adjusted. The Bank's assessment of the validity of the transactions classified as hedges demonstrated that all hedges were highly effective.

The most significant impact arose from the recognition in reserves of the unrealised losses existing at the date of transition (1 January 2004) and the recognition in profit or loss of the changes in the unrealised gains or losses for the period.

Hedge accounting was discontinued in the case of transactions that were designated as subject to hedge accounting at 1 January 2004 but which did not comply with the conditions of Rule Thirty-One of Bank of Spain Circular 4/2004 to be so designated. Net positions designated as hedged items under the previous standards and rules were replaced at 1 January 2004 by an amount of assets or liabilities of the net positions as hedged items.

Transactions initiated before 1 January 2004 were not designated as hedges retrospectively.

f) Tangible assets

In the case of tangible assets, the Bank used as deemed cost at the revaluation date the amounts revalued prior to 1 January 2004, on the basis of the legislation then in force. For these purposes, the revaluations performed under Spanish revaluation laws were considered to be valid.

4. Distribution of profit

The distribution of the Bank's net profit for 2005 that will be proposed by the Board of Directors for approval by the shareholders at the Annual General Meeting is to pay a dividend for the whole profit amount, i.e. EUR 50,393 thousand.

5. Remuneration and other benefits paid to the Bank's directors

Following is an itemised detail of remuneration paid to each member of the Board of Directors in 2005:

(Thousands of Euros)

	POSITION	ITEM	AMOUNT
José Ramón Guerediaga Mendiola (**)	CHAIRMAN	-	-
Carlos Delclaux Zulueta (**)	DEPUTY CHAIRMAN	-	-
Rita Barberá Nolla	DIRECTOR	Attendance fees	9.5
Luis Escauriaza Ibáñez (**)	DIRECTOR	-	-
Pedro Fontana García (*)	DIRECTOR	-	-
Ignacio Marco-Gardoqui Ibáñez	DIRECTOR	Attendance fees	9.5
Ramón Herrera Otal (*)	DIRECTOR	-	-
Vicente de la Parra Gómez (*)	DIRECTOR	-	-
Total			19

(*) Member of the management team of Banco Bilbao Vizcaya Argentaria, S.A. His position as director of Banco de Crédito Local de España, S.A. is not remunerated.

(**)Member of the management team of Banco Bilbao Vizcaya Argentaria, S.A. who took early retirement. His position as director of Banco de Crédito Local de España, S.A. is not remunerated.

At 31 December 2005 and 2004, the Bank had no pension or life insurance obligations to the members of the Board of Directors.

6. Risk exposure

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

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

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

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

   (iii) Price risk, which arises as a result of changes in market prices, due either to factors specific to the individual instrument or to factors that affect all instruments traded on the market.

b) Credit risk: this is the risk that one of the parties to the financial instrument agreement will fail to honour its contractual obligations due to the insolvency or incapacity of the individuals or legal entities involved and will cause the other party to incur a financial loss.

c) Liquidity risk: occasionally referred to as funding risk, this arises either because the entity may be unable to sell a financial asset quickly at an amount close to its fair value, or because the entity may encounter difficulty in finding funds to meet commitments associated with financial instruments.

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

Corporate risk management structure

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

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

Tools and circuits

The Bank has designed risk management systems that address the needs arising from the various types of risk; this prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the appropriate circuits and procedures, which are reflected in manuals that also include management criteria.

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

Internal control

The Bank has implemented a centralised internal control system that ensures both the integrity of the acceptance system and the monitoring of outstanding risk.

Control of the acceptance process is focused mainly on the validation of the quality of information fed into the systems, which leads to the correct assignment of customer ratings, on the suitable use of the level of powers and, in connection with the monitoring of outstanding risk, a proactive monitoring system has been set up which allows the Bank to anticipate irregular events.

a) STRUCTURAL INTEREST RATE RISK

The aim of on-balance-sheet interest rate risk management is to maintain the Bank's exposure to market interest rate fluctuations at levels in keeping with its risk strategy and profile. To this end, the ALCO actively manages the balance sheet through transactions intended to optimise the level of risk assumed in relation to the expected results, thus enabling the Bank to comply with the tolerable risk limits.

The ALCO bases its activities on the interest rate risk measurements performed by the Risk Area. Acting as an independent unit, the Risk Area periodically quantifies the impact of interest rate fluctuations on the Bank's net interest income and economic value.

In addition to measuring sensitivity to 100-basis-point changes in market interest rates, the Bank performs probabilistic calculations to determine the economic capital for structural interest rate risk in the Bank's banking activity based on interest rate curve simulation models.

All these risk measurements are subsequently analysed and monitored, and the levels of risk assumed and the degree of compliance with the limits authorised by the BBVA's Standing Committee are reported to the various managing and governing bodies of the Bank.

The average sensitivity of the net interest margin to 100-basis-point changes in interest rates is EUR -3.1 million.

The impact of 100-basis-point changes on the Bank's economic value is EUR 19.5 million. Economic capital at the 99.9th percentile for structural interest rate risk is EUR 3.2 million.

As part of the measurement process, the Bank established the assumptions regarding the evolution and behaviour of certain items, such as those relating to products with no explicit or contractual maturity. These assumptions are based on studies that estimate the relationship between the interest rates on these products and market rates and enable specific balances to be classified into trend-based balances, maturing at long term, and seasonal or volatile balances, with short-term residual maturity.

b) CREDIT RISK MANAGEMENT

Development of exposure and quality of credit risk

BCL's maximum exposure to credit risk amounted to EUR 13,051 million at 31 December 2005, 6.64% lower than at 2004 year-end.

Credit risk with customers (71% of the total exposure, including off-balance-sheet items) totalled EUR 9,266 million and decreased by 0.06%, whereas balances drawable by third parties (6% of the total exposure) amounted to EUR 808 million and increased by 29.97%. Other exposure (loans and advances to credit institutions and other fixed income securities) represented 23% of the total and fell by 27.14%.

In 2005, loan quality indicators stayed at levels similar to 2004. Doubtful balances fell by EUR 0.62 million, from EUR 41.29 million in 2004 to EUR 40.67 million in 2005, and the non-performing loans ratio decreased by 1 basis point to 0.44% (0.45% in 2004).

The allowance for credit risk on loans and advances to customers decreased by EUR 2.51 million in 2005 to EUR 38.24 million; impairment losses collectively assessed declined by EUR 1.23 million and impairment losses individually assessed fell by EUR 1.27 million. The non-performing loans coverage ratio in 2005 was 94% as compared with 99% in 2004.

c) LIQUIDITY RISK MANAGEMENT

The Bank aims to orderly replace its existing liabilities upon maturity, while minimising variations in wholesale funding. Accordingly, in 2005, the Bank took several actions aimed at extending and diversifying its funding sources.

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

The most significant event concerning wholesale funding was the second issue of territorial bonds launched on the Euromarket. In addition, the medium- and long-term bond and debenture issue programme in the domestic market was maintained.

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

The Bank's maturity matrixes in euros at 31 December 2005 are as follows:

Maturity matrix in euros. Sensitive assets

2005	Thousands of Euros						
	Balance	On Demand	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	+ 5 Years
Money market	464,538	432,718	31,820	-	-	-	-
Investment securities	2,508,818	-	4,016	2,028	313,479	384,490	1,804,805
Loans and receivables	8,538,502	-	40,134	244,983	1,018,189	3,298,546	3,936,650
Total	**11,511,858**	**432,718**	**75,970**	**247,011**	**1,331,668**	**3,683,036**	**5,741,455**

Maturity matrix in euros. Sensitive liabilities

2005	Thousands of Euros						
	Balance	On Demand	Within 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	+ 5 Years
Money market	1,918,005	2,165	1,915,840	-	-	-	-
Customer deposits	2,042,496	1,902,173	126,613	10,392	3,318	-	-
Wholesale funding	7,208,382	-	3,740	321,746	2,548,420	3,928,823	405,653
Total	**11,168,883**	**1,904,338**	**2,046,193**	**332,138**	**2,551,738**	**3,928,823**	**405,653**
GAPS	342,975	(1,471,620)	(1,970,223)	(85,127)	(1,220,070)	(245,787)	5,335,802

7. Cash and balances with central banks

The breakdown of the balance of this heading in the balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Balances with the Bank of Spain	334,623	208,716
Total	**334,623**	**208,716**

8. Financial assets and liabilities held for trading

The breakdown of the balances of these headings in the balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros			
	2005		2004	
	Financial Assets Held for Trading	Financial Liabilities Held for Trading	Financial Assets Held for Trading	Financial Liabilities Held for Trading
Trading derivatives	27,574	21,180	43,433	41,799
Total	**27,574**	**21,180**	**43,433**	**41,799**

The breakdown, by type of transaction, of the balances of these headings in the balance sheets at 31 December 2005 and 2004 is as follows:

2005	Thousands of Euros			
	Foreign Currency Risk	Interest Rate Risk	Equity Price Risk	Total
	Currencies			
OTC markets	(2,420)	8,814	-	6,394
Credit institutions	**(2,420)**	**5,374**	**4,159**	**7,113**
Forward transactions	(2,420)	-	-	(2,420)
Swaps	-	8,280	-	8,280
Options	-	(2,906)	4,159	1,253
Other sectors	**-**	**3,440**	**(4,159)**	**(719)**
Swaps	-	541	-	541
Options	-	2,899	(4,159)	(1,260)
Total	**(2,420)**	**8,814**	**-**	**6,394**
Classification by residual maturity of trading derivatives				
Within 1 month	(2,420)	-	-	(2,420)
1 to 3 months	-	-	-	-
3 months to 1 year	-	-	-	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	(13)	-	(13)
4 to 5 years	-	-	-	-
After 5 years	-	8,827	-	8,827
Total	(2,420)	8,814	-	6,394
Of which:				
Asset trading derivatives	-	21,919	5,655	27,574
Liability trading derivatives	(2,420)	(13,105)	(5,655)	(21,180)

2004	Thousands of Euros			
	Foreign Currency Risk	Interest Rate Risk	Interest Rate Risk	Total
	Currencies			
OTC markets	1,634	-	-	1,634
Credit institutions	1,634	15,646	(3,180)	14,100
Forward transactions	1,634	-	-	1,634
Swaps	-	(641)	-	(641)
Options	-	16,287	(3,180)	13,107
Other sectors	-	(15,646)	3,180	(12,466)
Swaps	-	641	-	641
Options	-	(16,287)	3,180	(13,107)
Total	1,634	-	-	1,634
Classification by residual maturity of trading derivatives				
Within 1 month	1,634	-	-	1,634
1 to 3 months	-	-	-	-
3 months to 1 year	-	-	-	-
1 to 2 years	-	-	-	-
2 to 3 years	-	-	-	-
3 to 4 years	-	-	-	-
4 to 5 years	-	-	-	-
After 5 years	-	-	-	-
Total	1,634	-	-	1,634
which:				
Asset trading derivatives	6,873	33,380	3,180	43,433
Liability trading derivatives	(5,239)	(33,380)	(3,180)	(41,799)

9. Available-for-sale financial assets

The detail, by type of transaction, of the balance of this heading in the balance sheets at 31 December 2005 and 2004, is as follows:

	Thousands of Euros	
	2005	2004
Debt instruments		
Spanish government debt securities	914,830	1,082,556
Foreign government debt securities	870,305	892,113
Issued by credit institutions	58,215	32,599
Resident	18,291	12,241
Non-resident	39,924	20,358
	1,843,350	2,007,268
Other fixed-income instruments	698,917	924,850
Resident (*)	623,478	865,797
Non-resident	75,439	59,053
	2,542,267	2,932,118
Valuation adjustments (**)	304,888	291,283
Total	**2,847,155**	**3,223,401**

(*) Includes asset-backed bonds amounting to EUR 598,183 thousand and EUR 815,121 thousand, respectively (Note 10-3).

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

10. Loans and receivables

10.1. Breakdown

The detail, by type of financial instrument, of the balance of this heading in the balance sheets at 31 December 2005 and 2004, is as follows:

	Thousands of Euros	
	2005	2004
Loans and advances to credit institutions	129,948	862,999
Loans and advances to customers	8,686,912	8,465,010
Other financial assets	7	7
Gross total	**8,816,867**	**9,328,016**
Less: Impairment losses	(38,243)	(40,756)
Net total	**8,778,624**	**9,287,260**

10.2. Loans and advances to credit institutions

The detail, by type of financial instrument, of the balance of this heading in the balance sheets at 31 December 2005 and 2004, is as follows:

	Thousands of Euros	
	2005	2004
Reciprocal accounts	-	2
Time deposits	129,258	862,340
Other accounts	657	524
Gross total	**129,915**	**862,866**
Valuation adjustments (*)	33	133
Net total	**129,948**	**862,999**

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

10.3. Loans and advances to customers

The detail, by loan type and status, of the balance of this heading in the balance sheets at 31 December 2005 and 2004, is as follows:

	Thousands of Euros	
	2005	2004
Commercial credit	17,119	18,333
Secured loans	6,104	7,128
Credit accounts	749,156	692,159
Other loans	7,764,972	7,604,734
Receivable on demand and other	21,810	18,507
Impaired assets	40,669	41,288
Gross total	**8,599,830**	**8,382,149**
Valuation adjustments (*)	48,839	42,106
Net total	**8,648,669**	**8,424,255**

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

The breakdown, by borrower sector, of the balance of this heading at 31 December 2005 and 2004, disregarding valuation adjustments, is as follows:

2005	Thousands of Euros		
	Residents	Non-Residents	Total
Public sector	7,932,609	-	7,932,609
Agriculture	308	-	308
Manufacturing	95	-	95
Real estate and construction	33,408	-	33,408
Trade and finance	401	-	401
Loans to individuals	1,786	-	1,786
Other	485,363	145,860	631,223
Total	**8,453,970**	**145,860**	**8,599,830**

2004	Thousands of Euros		
	Residents	Non-Residents	Total
Public sector	7,617,685	-	7,617,685
Agriculture	338	-	338
Manufacturing	116	-	116
Real estate and construction	68,846	-	68,846
Trade and finance	1,382	-	1,382
Loans to individuals	2,099	-	2,099
Other	578,843	112,840	691,683
Total	**8,269,309**	**112,840**	**8,382,149**

The detail, by geographical area, of this heading at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Europe	8,453,970	8,269,309
United States	145,860	112,840
Total	**8,599,830**	**8,382,149**

At 31 December 2005 and 2004, there were no loans securitised through securitisation special purpose vehicles that could not be derecognised.

However, in 2000 the Bank securitised loans in the Loans and Advances to Customers portfolio which were derecognised since the requirements for derecognition were met (Note 3-a). At 31 December 2005 and 2004, the securitised loans amounting to EUR 558,674 thousand and EUR 760,075 thousand, respectively, were derecognised (Note 30).

At 31 December 2005 and 2004, the balance of asset-backed bonds acquired in full by the Bank amounted to EUR 598,183 thousand and EUR 815,121 thousand, respectively, and are included under "Available-for-Sale Financial Assets" (Note 9).

10.4. Impaired assets and impairment losses

The changes in 2005 and 2004 in "Loans and Advances to Customers – Impaired Assets" were as follows:

	Thousands of Euros	
	2005	2004
Balance at the beginning of the year	41,288	41,304
Changes	33	5
Reversals	(652)	(21)
Balance at the end of the year	40,669	41,288

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

	Thousands of Euros	
	2005	2004
Balance at the beginning of the year	40,756	42,846
Increase in impairment losses charged to income	30	3,994
Decrease in impairment losses credited to income	(2,543)	(6,073)
Other	-	(11)
Balance at the end of the year	**38,243**	**40,756**
Of which:		
Individually assessed	33,936	35,210
Collectively assessed	4,307	5,546
	38,243	**40,756**
Of which:		
By asset covered:		
Loans and advances to credit institutions	-	-
Loans and advances to customers	38,243	40,756
Debt instruments	-	-
	38,243	**40,756**
Of which:		
By geographical location of risk:		
Europe	37,149	39,910
United States	1,094	846
	38,243	**40,756**

At 31 December 2005 and 2004, there were no recoveries of write-off assets.

At 31 December 2005 and 2004, the accrued interest on impaired assets amounted to EUR 111,609 thousand and EUR 108,324 thousand, respectively, although it was not recognised in the related income statements because there were doubts as to its collectibility.

11. Hedging derivatives (assets and liabilities)

The detail of the fair value of the interest rate risk hedging derivatives outstanding recognised in the Bank's balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
OTC markets		
Credit institutions	**(206,623)**	**(205,480)**
Fair value micro-hedges	(206,623)	(205,480)
Other sectors	**166**	**252**
Fair value micro-hedges	166	252
Total	**(206,457)**	**(205,228)**
Of which:		
Asset hedging derivatives	221,320	209,027
Liability hedging derivatives	(427,777)	(414,255)

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

12. Non-current assets held for sale

At 31 December 2004, the balance of this item in the balance sheet was EUR 215 thousand. At 31 December 2005, subsequent to the sale of all these assets, there was no balance for this item.

13. Investments

13.1. Investments in associates

At 31 December 2005 this balance sheet item includes the Bank's investment in the share capital of TRIBUGEST GESTIÓN DE TRIBUTOS, S.A., an unlisted company that does not constitute a decision-making unit but has a lasting relationship with the Bank.

Relevant information on these investments at 31 December 2005 is as follows:

Company	Location	Business Activity	Percentage of Ownership Interest			Thousands of Euros				
			Direct	Indirect	Total	Carrying Amount	Assets 31/12/05	Liabilities 31/12/05	Equity 31/12/05	Profit for the Year at 31/12/05 (*)
Tribugest Gestión de Tributos, S.A.	Madrid	Advisory services to local government	31.61%	8.37%	39.98%	762	41,409	38,920	3.119	1,026

(*) Unaudited profit at that date.

There were no changes in this balance sheet item in 2005.

13.2. Investments in subsidiaries

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

Relevant information on these investments at 31 December 2005 is as follows:

Company	Location	Business Activity	Percentage of Ownership Interest			Thousands of Euros				
			Direct	Indirect	Total	Carrying Amount	Assets 31/12/05	Liabilities 31/12/05	Equity 31/12/05	Loss for the Year at 31/12/05 (*)
BCL International Finance, Ltd.	Grand Cayman	Financial services	100%	-	100%	(*)	194,478	194,423	300	(245) (**)
BCL Participaciones, S.L.	Madrid	Holding company	100%	-	100%	1,908	1,909	-	2,171	(262)
Aserlocal, S.A.	Madrid	Services	100%	-	100%	43	44	1	45	(2)

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

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

	Thousands of Euros	
	2005	2004
By currency:		
In euros	2,216	1,006
In foreign currency	-	-
Total	**2,216**	**1,006**
By listing status:		
Listed	-	-
Unlisted	2,216	1,006
Less-		
Impairment losses	(265)	-
Total	**1,951**	**1,006**

The changes in the balance of this item in 2005 and 2004, disregarding impairment losses, were as follows:

	Thousands of Euros	
	2005	2004
Balance at the beginning of the year	**1,006**	**11,095**
Capital increases and purchases	25	11
Contributions to offset losses	1,271	11
Sales	-	(6)
Transfers	-	(1,549)
Other	(86)	(8,556) (*)
Balance at the end of the year	**2,216**	**1,006**

(*) Includes the write-off, with a reduction of the portfolio balance, of impairment losses disclosed at 31 December 2004.

Following is a summary of the most significant transactions undertaken in 2005:

On 16 May 2005, the Bank made a EUR 1,271 thousand contribution to offset losses at BCL Participaciones, S.L.

Also, the Bank subscribed in full the EUR 25 thousand capital increase carried out at Global Funding N.V. Subsequently, in December 2005, the Bank liquidated this company with no effect on the income statement.

13.3. Impairment losses

The changes in impairment losses on investments in 2005 and 2004 were as follows:

	Thousands of Euros	
	2005	2004
Balance at the beginning of the year	-	**9,701**
Net charges for the year		
Impairment losses charged to income	350	4,135
Impairment losses reversed	-	(33)
Amount used	(85)	-
Other	-	(13,803) (*)
Balance at the end of the year	265	-

(*) The balance of "Other" in the foregoing detail includes the write-off, with a reduction of the portfolio balance, of impairment losses disclosed at 31 December 2004, of which EUR 5,247 thousand relate to investment in associates.

14. Tangible assets

The detail, by class of asset, of the changes in 2005 and 2004 in this heading in the balance sheets, is as follows:

2005	Thousands of Euros			
	For Own Use		Investment Property	Total
	Land and Buildings	Furniture, Fixtures and Other		
Revalued cost-				
Balances at 1 January 2005	9,081	6,291	16,846	32,218
Additions	-	8	-	8
Disposals	-	(8)	-	(8)
Balances at 31 December 2005	9,081	6,291	16,846	32,218
Accumulated depreciation-				
Balances at 1 January 2005	912	2,544	1,617	5,073
Additions	145	344	269	758
Disposals	-	(8)	-	(8)
Balances at 31 December 2005	1,057	2,880	1,886	5,823
Impairment losses-				
Balances at 1 January 2005	-	-	-	-
Balances at 31 December 2005	-	-	-	-
Net tangible assets-				
Balances at 1 January 2005	8,169	3,747	15,229	27,145
Balances at 31 December 2005	8,024	3,411	14,960	26,395

2004	Thousands of Euros			
	For Own Use		Investment Property	Total
	Land and Buildings	Furniture, Fixtures and Other		
Revalued cost-				
Balances at 1 January 2004	9,081	6,280	16,846	32,207
Additions	-	12	-	12
Balances at 31 December 2004	9,081	6,292	16,846	32,219
Accumulated depreciation -				
Balances at 1 January 2004	767	2,164	1,347	4,278
Additions	145	381	270	796
Balances at 31 December 2004	912	2,545	1,617	5,074
Impairment losses-				
Balances at 1 January 2004	-	-	-	-
Balances at 31 December 2004	-	-	-	-
Net tangible assets-				
Balances at 1 January 2004	8,314	4,116	15,499	27,929
Balances at 31 December 2004	8,169	3,747	15,229	27,145

At 31 December 2005 and 2004, no net impairment losses on tangible assets had been charged to the income statement.

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

The detail of the balances of these headings in the balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	**2004**
Assets -		
Prepayments	1	10
Accrued income	169	-
Total	**170**	**10**
Liabilities -		
Accrued expenses	1,987	2,331
Total	**1,987**	**2,331**

16. Other assets and liabilities

The detail of the balances of these headings in the balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	**2004**
Other assets -		
Transactions in transit	373	1,173
Other	46	7
Total	**419**	**1,180**

17. Financial liabilities at amortised cost

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

	Thousands of Euros	
	2005	**2004**
Deposits from central banks	1,900,381	3,024,503
Deposits from credit institutions	1,159,881	1,471,025
Customer deposits	2,321,289	2,125,809
Debt certificates (including bonds)	6,061,099	5,555,710
Other financial liabilities	35,027	29,324
Total	**11,477,677**	**12,206,371**

17.1. Deposits from central banks

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

	Thousands of Euros	
	2005	2004
Bank of Spain		
Credit account drawdowns	1,900,000	2,839,178
Repurchase agreements	-	183,450
Gross Total	**1,900,000**	**3,022,628**
Valuation adjustments (*)	381	1,875
Net Total	**1,900,381**	**3,024,503**

(*) Includes accruals.

At 31 December 2005 and 2004, the financing limit assigned to the Bank by the Bank of Spain and other central banks was EUR 3,145,331 thousand and EUR 3,119,389 thousand, respectively, of which EUR 1,900,000 thousand and EUR 2,838,394 thousand had been drawn down.

17.2. Deposits from credit institutions

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

	Thousands of Euros	
	2005	2004
Time deposits	1,154,961	1,464,595
Other accounts	2,165	3,040
Gross Total	**1,157,126**	**1,467,635**
Valuation adjustments (*)	2,755	3,390
Net Total	**1,159,881**	**1,471,025**

(*)Includes accruals.

17.3. Customer deposits

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

	Thousands of Euros	
	2005	2004
Public sector		
Spanish	1,969,999	1,530,839
Foreign	-	-
	1,969,999	**1,530,839**
Other resident sectors		
Current accounts	72,549	109,019
Savings accounts	-	20
Time deposits	23	23
	72,572	**109,062**
Non-residents		
Time deposits	185,082	409,520
	185,082	**409,520**
Gross Total	**2,227,653**	**2,049,421**
Valuation adjustments (*)	93,636	76,388
Net Total	**2,321,289**	**2,125,809**
Of which:		
In euros	2,321,289	2,049,720
In foreign currency	-	76,089

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

The balance of "Customer Deposits - Non-Residents – Time Deposits" in the balance sheets, at 31 December 2005 and 2004, includes deposits amounting to EUR 185,082 thousand and EUR 409,520 thousand, respectively, taken from BCL International Finance Ltd., a company wholly owned by the Bank (Note 13-2), which engages in the raising of funds in the international markets for subsequent lending to the Bank. At 31 December 2005 and 2004, the outstanding balance of the Euro Medium Term Note Programme amounted to EUR 185,082 thousand and EUR 409,520 thousand, respectively. The issues outstanding under this programme are unconditionally and irrevocably guaranteed by the Bank and were launched in various currencies, at implicit and explicit fixed and floating interest rates.

17.4. Debt certificates (including bonds)

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

	Thousands of Euros	
	2005	2004
Bonds and debentures outstanding:		
Promissory notes and bills	-	18
Other non-convertible securities	5,899,545	5,404,168
Gross total	**5,899,545**	**5,404,186**
Valuation adjustments (*)	161,554	151,524
Net total	**6,061,099**	**5,555,710**

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

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

	Thousands of Euros	
	2005	2004
In euros		
Non-convertible bonds and territorial bonds at floating rates	2,420,563	2,170,495
Non-convertible bonds and territorial bonds at fixed rates	3,478,982	3,233,673
Total	**5,899,545**	**5,404,168**

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

- EUR 1,000,000 thousand issue made in October 2004 and maturing in April 2006, with nominal interest rate of three-month Euribor plus two basis points.

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

- Issue made by the Bank in February 2005, of non-convertible bonds amounting to EUR 1,000,000 thousands with maturity in August 2006. The nominal interest rate of this issue is 3-month EURIBOR.

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

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

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

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

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

18. Provisions

The detail of the balance of this heading in the balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Provisions for pensions and similar obligations	29,357	32,546
Provisions for contingent liabilities and commitments	120	120
Other provisions	1,535	1,535
Total	**31,012**	**34,201**

The changes in 2005 and 2004 in the balances of this item in the accompanying balance sheets were as follows:

	Thousands of Euros		
	Provisions for Pensions and Similar Obligations	Provisions for Contingent Liabilities and Commitments	Other Provisions
Balances at the beginning of 2004	39,107	66	2,510
Add-			
Additions charged to income for the year	1,154	54	-
Less-			
Reversals	-	-	(975)
Payments to early retirees	(5,294)	-	-
Amount used	(6)	-	-
Other changes	(2,415)	-	-
Balances at the end of 2004	32,546	120	1,535
Add-			
Additions charged to income for the year	2,157	-	-
Less-			
Payments to early retirees	(4,843)	-	-
Amount used	(63)	-	-
Other changes	(440)	-	-
Balances at the end of 2005	29,357	120	1,535

The additions to "Provisions for Pensions and Similar Obligations" charged to income are recognised under "Interest Expense and Similar Charges", "Personnel Expenses", and "Provisions (Net)" in the 2005 income statement and amounted to EUR 896 thousand, EUR 1 thousand and EUR 1,260 thousand, respectively (EUR 1,054 thousand, EUR 1 thousand and EUR 99 thousand, respectively, in 2004) (Notes 2-f and 32).

Also, the additions to and reversals of "Provisions for Contingent Liabilities and Commitments" are recognised under "Provisions (Net)" in the income statements.

In 2005 there were no changes in "Provisions-Other Provisions" in the accompanying balance sheet. EUR 975 thousand were reversed in 2004.

19. Changes in equity

The changes in equity in the 2005 and 2004 were as follows:

2005	Thousands of Euros							
	Share Capital	Reserves (*)	Other Equity Instruments	Treasury Shares	Profit	Dividends Distributed	Valuation Adjustment	Total
Balances at 31 December 2004	151,043	94,929	-	-	62,127	-	11,435	319,534
Revaluation gains (losses)	-	-	-	-	-	-	(10,564)	(10,564)
Transfers to income statement	-	-	-	-	-	-	(1,602)	(1,602)
Income tax	-	-	-	-	-	-	4,258	4,258
Profit for the year	-	-	-	-	50,393	-	-	50,393
Distribution of profit	-	315	-	-	(62,127)	-	-	(61,812)
Balances at 31 December 2005	151,043	95,244	-	-	50,393	-	3,527	300,207

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

2004	Thousands of Euros							
	Share Capital	Reserves (*)	Other Equity Instruments	Treasury Shares	Profit	Dividends Distributed	Valuation Adjustment	Total
Balances at 1 January 2004	**151,043**	**94,961**	**-**	**-**	**58,320**	**-**	**22,581**	**326,905**
Revaluation gains (losses)	-	-	-	-	-	-	(12,424)	(12,424)
Transfers to income statement	-	-	-	-	-	-	(4,724)	(4,724)
Income tax	-	-	-	-	-	-	6,002	6,002
Profit for the year	-	-	-	-	62,127	-	-	62,127
Distribution of profit	-	-	-	-	(58,320)	-	-	(58,320)
Other	-	(32)	-	-	-	-	-	(32)
Balances at 31 December 2004	**151,043**	**94,929**	**-**	**-**	**62,127**	**-**	**11,435**	**319,534**

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

20. Share capital

At 31 December 2005 and 2004, the Bank's share capital amounted to EUR 151,042,983.44 and consisted of 25,131,944 fully subscribed and paid registered shares of EUR 6.01 par value each.

There were no changes in share capital in 2005.

At 31 December 2005, the detail of the Bank's shareholder structure was as follows:

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

21. Share premium

The balance of this heading in the balance sheet at 31 December 2005 and 2004 amounted to EUR 10,662 thousand.

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

22. Reserves

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

	Thousands of Euros	
	2005	2004
Restricted reserves:		
Legal reserve	30,209	30,209
Restricted reserve for redenomination of capital in euros	3	3
Unrestricted reserves:		
Voluntary and other reserves	54,370	54,055
Total	**84,582**	**84,267**

22.1. Legal reserve

Under the consolidated Companies Law, Spanish entities must transfer 10% of net profit for each year to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital, a limit which had been reached by the Bank at 31 December 2005. The legal reserve can be used to increase share capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

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

23. Tax matters

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

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

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

	Thousands of Euros	
	2005	**2004**
Corporation tax at 35%	27,134	33,487
Effect of permanent differences and other	35	(1)
Adjustment to prior years' corporation tax expense	(35)	64
Corporation tax expense	27,134	33,550

The Bank has 2001 and subsequent years open for review by the tax inspection authorities for the main taxes applicable to it.

Corporation tax and the other taxes relating to 1991, 1992, 1993 and 1994 were regularised following acceptance in 1997 of the tax assessments issued by the tax authorities as a result of the review performed by them. For the contested tax assessments, a specific provision of EUR 696 thousand (Note 18), representing 100% of their amount, was recorded and included under "Other Provisions – Provisions" in the accompanying balance sheets.

Also, in 2002 tax assessments were issued for 1996 and 1997 when the Bank filed consolidated tax returns as part of the former Argentaria Group. For the contested tax assessments, once the timing nature of some of the assessments had been taken into account, and in accordance with the accounting principle of prudence, a provision of EUR 839 thousand (Note 18) was recorded at 2005 year-end in the accompanying financial statements for the amounts which might arise from these assessments .

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

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

In addition to the income tax recognised in the income statements, in 2005 and 2004 the Bank recognised EUR 1,899 thousand and EUR 6,160 thousand, respectively, in equity.

"Deferred Tax Assets" amounted to EUR 22,188 thousand in 2005 and EUR 22,100 thousand in 2004.

"Deferred Tax Liabilities" amounted to EUR 1,899 thousand in 2005 and EUR 6,160 thousand in 2004.

24. Residual maturity of transactions

Following is a detail, by maturity, of the balances of certain headings in the balance sheet at 31 December 2005:

2005	Thousands of Euros						
	Demand	Within 1 Month	1 to 3 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
ASSETS							
Cash and balances with central banks	334,623	-	-	-	-	-	334,623
Loans and advances to credit institutions	-	129,915	-	-	-	-	129,915
Loans and advances to customers	-	194,876	140,638	518,809	1,601,874	6,143,633	8,599,830
Debt instruments	-	4,011	2,021	320,327	381,959	1,833,949	2,542,267
LIABILITIES							
Deposits from central banks	-	1,900,000	-	-	-	-	1,900,000
Deposits from credit institutions	-	15,840	321,285	515,233	201,405	103,363	1,157,126
Customer deposits	1,902,409	130,678	10,024	94,064	75,178	15,300	2,227,653
Debt certificates (including bonds)	-	-	-	2,000,896	3,595,625	303,024	5,899,545
Other liabilities with maturity	34,026	-	-	-	-	-	34,026

25. Fair value of financial assets and liabilities

Following is a comparison of the carrying amounts of the Bank's financial assets and liabilities and their respective fair values at 2005 year-end.

	Thousands of Euros	
	Carrying Amount	Fair Value
ASSETS		
Cash and balances with central banks (Note 7)	334,623	334,623
Trading portfolio (Note 8)	27,574	27,574
Available-for-sale financial assets (Note 9)	2,847,155	2,847,155
Loans and receivables (Note 10)	8,778,624	8,778,624
Hedging derivatives (Note 11)	221,320	221,320
LIABILITIES		
Financial liabilities held for trading (Note 8)	21,180	21,180
Financial liabilities at amortised cost (Note 17)	11,477,677	11,477,677
Hedging derivatives (Note 11)	427,777	427,777

26. Financial guarantees and drawable by third parties

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

The breakdown of the balances of these items at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Contingent liabilities-		
Collateral, bank guarantees and indemnities	578,873	815,447
	578,873	**815,447**
Contingent commitments-		
Drawable by third parties:		
Public sector	745,379	522,937
Other resident sectors	62,393	98,571
	807,772	**621,508**

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

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

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

At 31 December 2005 and 2004, the assets owned by the Bank earmarked for own obligations amounted to EUR 3,047,156 thousand and EUR 3,032,139 thousand, respectively. These amounts related mainly to assets provided as security for credit facilities assigned to the Bank by the Bank of Spain.

28. Other contingent assets and liabilities

At 31 December 2005 and 2004 the Bank had no other contingent assets or liabilities.

29. Purchase and sale commitments

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

At 31 December 2005, the Bank had neither financial assets sold with a repurchase agreement nor financial assets purchased under a resale agreement. At 31 December 2004, the Bank had sold financial assets with a repurchase agreement amounting to EUR 183,450 thousand.

30. Transactions for the account of third parties

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

	Thousands of Euros	
	2005	2004
Asset transfers	558,674	760,075
Derecognised in full from the balance sheet (Note 10)	558,674	760,075
Conditional bills and other securities received for collection	6,376	115
Total	565,050	760,190

31. Interest and similar income

The breakdown of the most significant interest and similar income earned by the Bank in 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Central banks	1,470	1,576
Loans and advances to credit institutions	10,312	7,247
Loans and advances to customers:	248,270	245,035
Public sector	223,475	219,597
Resident sector	21,632	23,656
Non-resident sector	3,163	1,782
Debt instruments	134,398	151,097
Rectification of income as a result of hedge accounting	(84,586)	(90,546)
Other income	1,093	1,865
Total	310,957	316,274

32. Interest expense and similar charges

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

	Thousands of Euros	
	2005	2004
Bank of Spain and other central banks	36,189	42,051
Deposits from credit institutions	33,466	43,932
Customer deposits	29,431	64,931
Debt certificates (including bonds)	187,714	115,013
Rectification of expenses as a result of hedge accounting	(51,943)	(42,138)
Cost attributable to pension funds (Notes 2-f and 18)	896	1,054
Total	235,753	224,843

33. Fee and commission income

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

	Thousands of Euros	
	2005	2004
Commitment fees	23	25
Contingent liabilities	1,306	1,335
Bank and other guarantees	1,306	1,335
Collection and payment services	62	43
Marketing of non-banking financial products	7	7
Other fees and commissions	97	260
Total	**1,495**	**1,670**

34. Fee and commission expenses

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

	Thousands of Euros	
	2005	2004
Brokerage fees on lending and deposit transactions	39	41
Fees and commissions assigned to third parties	56	41
Other fees and commissions	45	42
Total	**140**	**124**

35. Gains / losses on financial assets and liabilities

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

	Thousands of Euros	
	2005	2004
Net gains or losses on sale or measurement of assets		
Financial assets held for trading	(5,667)	49
Available-for-sale financial assets	10,224	6,896
Other	-	52
Total	**4,557**	**6,997**

The breakdown, by financial instrument, is as follows:

	Thousands of Euros	
	2005	2004
Debt instruments	10,224	6,896
Derivatives	(5,667)	52
Other	-	49
Total	**4,557**	**6,997**

36. Personnel expenses

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

	Thousands of Euros	
	2005	2004
Wages and salaries	2,123	2,131
Social security costs	487	516
Contributions to pension funds (Note 2)	44	76
Other personnel expenses	111	180
Total	2,765	2,903

The average number of employees in the Bank in 2005 and 2004, by professional category, was as follows:

	2005	2004
Executives	2	3
Other line personnel	28	29
Clerical staff	5	5
	35	37

37. Other administrative expenses

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

	Thousands of Euros	
	2005	2004
Technology and systems	423	465
Communications	18	71
Advertising	62	164
Property, fixtures and supplies	76	89
Taxes other than income tax	39	22
Other administrative expenses	1,850	1,272
Total	2,468	2,083

At 31 December 2005 and 2004, the heading "Other Administrative Expenses" of the foregoing detail included EUR 30 thousand and EUR 29 thousand, respectively, relating to fees paid to the Bank's auditor for the audit of the 2005 and 2004 financial statements.

38. Other gains and Other losses

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

	Thousands of Euros	
	2005	2004
Losses		
Net losses on tangible asset disposals (Note 14)	13	-
Other losses	11	(719) (*)
	24	(719)
Gains		
Other gains	26	899
	26	899

(*) Includes EUR 911 thousand collected from the insurance company for rebates and other items.

39. Related-party transactions

39.1. Transactions with Subsidiaries

The balances of the main aggregates in the financial statements arising from the transactions carried out in 2005 and 2004by the Bank with Group companies, which consist of ordinary business and financial transactions carried out on an arm's-length basis, are as follows:

	Thousands of Euros	
	2005	2004
Assets		
Loans and advances to credit institutions	98,100	807,681
Available-for-sale financial assets	6,032	-
Derivatives	62,198	36,483
	166,330	**844,164**
Liabilities		
Deposits from credit institutions	828,651	938,575
Customer deposits	276,326	409,745
Derivatives	179,439	75,139
	1,284,416	**1,423,459**
Off-balance-sheet items		
Contingent liabilities	507,767	737,906
	507,767	**737,906**
Income statement		
Income	(35,961)	(34,496)
Expenses	29,012	64,590

There are no other material effects on the financial statements of the Bank arising from dealings with Group companies, other than the effects arising from using the equity method, and from the insurance policies to cover pension or similar commitments (Note 2-f).

At 31 December 2005 and 2004, the notional amount of the futures transactions arranged by the Bank with the main Group companies mentioned above amounted to EUR 5,924,534 thousand and EUR 4,682,932 thousand, respectively.

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

39.2. Transactions with key personnel of the Bank

The information on the remuneration payable to key members of the Bank's Board of Directors and the Group's Management Committee is detailed in Note 5.

At 31 December 2005 and 2004 no credits or loans had been granted to the members of the Bank's Board of Directors.

At 31 December 2005, the accounts payable to the Bank's directors amounted to EUR 13 thousand.

39.3. Other related-party transactions

There were no other significant related-party transactions.

40. Detail of the directors' investment in companies with similar business activities

Pursuant to Article 127 ter. of the Spanish Companies Law, introduced by Law 26/2003 of 17 July amending Securities Market Law 24/1988 of 28 July, and the consolidated Companies Law, in order to reinforce the transparency of listed companies, following is a detail for 2005 of the companies engaging in an activity that is identical, similar or complementary to the activity that which constitutes the corporate purpose of the Bank, in which the members of the Board of Directors have direct or indirect ownership interests:

Director	Ownership Interest			
	Company	Number of Shares	Type of Ownership Interest	Position or Function
Ignacio Marco-Gardcqui	SCH	26,266	DIRECT	-
	POPULAR	800	DIRECT	-
	BBVA	367,313	DIRECT	-
Vicente de la Parra Gómez	BBVA	9,030	DIRECT	Executive
Luis Escauriaza Ibañez	BBVA	7,522	DIRECT	-
	SCH	1,944	DIRECT	-
Ramón Herrera Otal	BBVA	52,112	DIRECT	Executive
Pedro Fontana García	BBVA	13,265	DIRECT	Executive
	BBVA	250,000	INDIRECT	
Rita Barberá Nolla	SCH	6	DIRECT	-
	BCO, VALENCIA	416	DIRECT	-
	BBVA	1,022	DIRECT	-
José Ramón Guerediaga Mendiola	BBVA	163,148	DIRECT	-
	BBVA	501	INDIRECT	-
	BBVA	328,385	INDIRECT	-
Carlos Delclaux Zulueta	BBVA	182,410	DIRECT	-
	SCH	47,140	DIRECT	-
	BANKINTER	7,500	INDIRECT	-

Also, in accordance with the above-mentioned Law, set forth below are the activities carried on, as independent professionals or as employees, by the various members of the Board of Directors that are identical, similar or complementary to the activity that constitutes the corporate purpose of Banco de Crédito Local de España, S.A.:

Director	Activity Carried On	Company Through Which the Activity Is Carried On	Position or Function at the Company Concerned
José Guerediaga Mendiola	Director	BBVA Bancomer (*)	Director
Vicente de la Parra Gómez	Director	BBVA Factoring (*)	Director
Luis Escauriaza Ibañez	Director	Banco Internacional de Andorra (*)	Director
	Director	Banca Mora (*)	Director

(*) BBVA Group company.

41. Explanation added for translation to English

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

APPENDIX I
RECONCILIATION OF 2003 CLOSING BALANCES TO 2004 OPENING BALANCES

ASSETS	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
1. CASH AND BALANCES WITH CENTRAL BANKS	37,339	-	37,339
2. FINANCIAL ASSETS HELD FOR TRADING	-	43,667	43,667
2.1 Loans and advances to credit institutions	-	-	-
2.2 Money market operations through counterparties	-	-	-
2.3 Loans and advances to customers	-	-	-
2.4 Debt instruments	-	-	-
2.5 Other equity instruments	-	-	-
2.6 Trading Derivatives	-	43,667	43,667
Memorandum item: Loaned or advanced as collateral	-	-	-
3. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
3.1. Loans and advances to credit institutions	-	-	-
3.2. Money market operations through counterparties	-	-	-
3.3. Loans and advances to customers	-	-	-
3.4. Debt instruments	-	-	-
3.5. Other equity instruments	-	-	-
Memorandum item: Loaned or advanced as collateral	-	-	-
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	2,555,829	747,427	3,303,256
4.1. Debt instruments	2,555,829	747,427	3,303,256
4.2. Other equity instruments	-	-	-
Memorandum item: Loaned or advanced as collateral	*314,043*	-	*314,043*
5. LOANS AND RECEIVABLES	8,166,367	7,105	8,173,472
5.1. Loans and advances to credit institutions	214,218	-	214,218
5.2. Money market operations through counterparties	-	-	-
5.3. Loans and advances to customers	7,952,035	7,212	7,959,247
5.4. Debt instruments	-	-	-
5.5. Other financial assets	114	(107)	7
Memorandum item: Loaned or advanced as collateral	-	-	-
6. HELD-TO-MATURITY INVESTMENTS	519,390	(519,390)	-
Memorandum item: Loaned or advanced as collateral	-	-	-
9. CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
10. HEDGING DERIVATIVES	-	90,583	90,583
11. NON-CURRENT ASSETS HELD FOR SALE	-	280	280
11.1. Loans and advances to credit institutions	-	-	-
11.2. Loans and advances to customers	-	-	-
11.3. Debt instruments	-	-	-
11.4. Equity instruments	-	-	-
11.5. Tangible assets	-	280	280
11.6. Other assets	-	-	-

APPENDIX I

ASSETS	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
12. INVESTMENTS	**1,394**	**-**	**1,394**
12.1. Associates	1,394	-	1,394
12.2. Jointly controlled entities	-	-	-
12.3. Subsidiaries	-	-	-
13. INSURANCE CONTRACTS LINKED TO PENSIONS	**-**	**9,786**	**9,786**
15. TANGIBLE ASSETS	**28,209**	**(280)**	**27,929**
15.1. For own use	12,710	(280)	12,430
15.2. Investment property	15,499	-	15,499
15.3. Other assets leased out under an operating lease	-	-	-
15.4. Used for welfare project	-	-	-
Memorandum item: Acquired under a finance lease	-	-	-
16. INTANGIBLE ASSETS	**377**	**(377)**	**-**
16.1. Goodwill	-	-	-
16.2. Other intangible assets	377	(377)	-
17. TAX ASSETS	**10,164**	**432**	**10,596**
17.1. Current	-	-	-
17.2. Deferred	10,164	432	10,596
18. PREPAYMENTS AND ACCRUED INCOME	**59,891**	**(59,868)**	**23**
19. OTHER ASSETS	**50,281**	**(50,181)**	**100**
TOTAL ASSETS	**11,429,241**	**269,184**	**11,698,425**

APPENDIX I

LIABILITIES AND EQUITY LIABILITIES	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
1. FINANCIAL ASSETS HELD FOR TRADING	-	60,859	60,859
1.1. Deposits from credit institutions	-	-	-
1.2. Money market operations through counterparties	-	-	-
1.3. Customer deposits	-	-	-
1.4. Debt certificates (including bonds)	-	-	-
1.5. Trading derivatives	-	60,859	60,859
1.6. Short positions	-	-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
2.1. Deposits from credit institutions	-	-	-
2.2. Customer deposits	-	-	-
2.3. Debt certificates (including bonds)	-	-	-
3. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-	-
3.1. Deposits from credit institutions	-	-	-
3.2. Customer deposits	-	-	-
3.3. Debt certificates (including bonds)	-	-	-
4. FINANCIAL LIABILITIES AT AMORTISED COST	10,933,410	26,054	10,959,464
4.1. Deposits from central banks	2,000,424	-	2,000,424
4.2. Deposits from credit institutions	2,178,464		2,178,464
4.3. Money market operations through counterparties	-	-	-
4.4. Customer deposits	4,427,148	50,380	4,477,528
4.5. Debt certificates (including bonds)	2,303,620	(24,326)	2,279,294
4.6. Subordinated liabilities	-	-	-
4.7. Other financial liabilities	23,754	-	23,754
10. CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
11. HEDGING DERIVATIVES	-	306,491	306,491
12. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-	-
12.1. Customer deposits	-	-	-
12.2. Other liabilities	-	-	-
14. PROVISIONS	31,563	10,120	41,683
14.1. Provisions for pensions and similar obligations	28,858	10,250	39,108
14.2. Provisions for taxes	-	-	-
14.3. Provisions for contingent liabilities and commitments	196	(130)	66
14.4. Other provisions	2,509	-	2,509
15. TAX LIABILITIES	-	-	-
15.1. Current	-	-	-
15.2. Deferred	-	-	-
16. ACCRUED EXPENSES AND DEFERRED INCOME	60,736	(57,718)	3,018
17. OTHER LIABILITIES	75,824	(75,819)	5
17.1. Welfare fund	-	-	-
17.2. Other	75,824	(75,819)	5
18. EQUITY HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-	-
TOTAL LIABILITIES	11,101,533	269,987	11,371,520

APPENDIX I

LIABILITIES AND EQUITY LIABILITIES	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
2. VALUATION ADJUSTMENTS	**-**	**22,581**	**22,581**
2.1. Available-for-sale financial assets	-	22,581	22,581
2.2. Financial liabilities at fair value through equity	-	-	-
2.3. Cash flow hedges	-	-	-
2.4. Hedges of net investments in foreign operations	-	-	-
2.5. Exchange differences	-	-	-
2.6. Non-current assets held for sale	-	-	-
3. OWN FUNDS	**327,708**	**(23,384)**	**304,324**
3.1. Capital or endowment fund	151,043	-	151,043
3.1.1. Issued	151,043	-	151,043
3.1.2. Unpaid and uncalled (-)	-	-	-
3.2. Share premium	10,662	-	10,662
3.3. Reserves	166,003	(23,384)	142,619
3.3.1. Accumulated reserves (losses)	166,003	(23,384)	142,619
3.3.2. Retained earnings	-	-	-
3.4. Other equity instruments	-	-	-
3.4.1. Equity component of compound financial instruments	-	-	-
3.4.2. Other	-	-	-
3.5. Less: Treasury shares	-	-	-
3.6. Non-voting equity units and associated funds (savings banks)	-	-	-
3.6.1. Non-voting equity units	-	-	-
3.6.2. Reserves of holders of non-voting equity units	-	-	-
3.6.3. Stabilisation fund	-	-	-
3.7. Profit for the year	-	-	-
3.8. Less: Dividends and remuneration	-	-	-
TOTAL EQUITY	**327,708**	**(803)**	**326,905**
TOTAL LIABILITIES AND EQUITY	**11,429,241**	**269,184**	**11,698,425**
MEMORANDUM ITEMS			
1. CONTINGENT LIABILITIES	**3,445,106**	**-**	**3,445,106**
1.1. Financial guarantees	3,445,106	-	3,445,106
1.2. Assets earmarked for third-party obligations	-	-	
1.3. Other contingent liabilities	-	-	
2. CONTINGENT COMMITMENTS	**984,158**	**-**	**984,158**
2.1. Drawable by third parties	982,598	-	982,598
2.2. Other commitments	1,560	-	1,560

APPENDIX II

RECONCILIATION OF 2004 CLOSING BALANCES TO 2005 OPENING BALANCES

ASSETS	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
1. CASH AND BALANCES WITH CENTRAL BANKS	208,716	-	208,716
2. FINANCIAL ASSETS HELD FOR TRADING	-	43,433	43,433
2.1 Loans and advances to credit institutions	-	-	-
2.2 Money market operations through counterparties	-	-	-
2.3 Loans and advances to customers	-	-	-
2.4 Debt instruments	-	-	-
2.5 Other equity instruments	-	-	-
2.6 Trading Derivatives	-	43,433	43,433
Memorandum item: Loaned or advanced as collateral	-	-	-
3. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
3.1. Loans and advances to credit institutions	-	-	-
3.2. Money market operations through counterparties	-	-	-
3.3. Loans and advances to customers	-	-	-
3.4. Debt instruments	-	-	-
3.5. Other equity instruments	-	-	-
Memorandum item: Loaned or advanced as collateral	-	-	-
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	2,411,656	811,745	3,223,401
4.1. Debt instruments	2,411,656	811,745	3,223,401
4.2. Other equity instruments	-	-	-
Memorandum item: Loaned or advanced as collateral	*183,450*	-	*183,450*
5. LOANS AND RECEIVABLES	9,273,615	13,645	9,287,260
5.1. Loans and advances to credit institutions	862,998	-	862,998
5.2. Money market operations through counterparties	-	-	-
5.3. Loans and advances to customers	8,410,503	13,752	8,424,255
5.4. Debt instruments	-	-	-
5.5. Other financial assets	114	(107)	7
Memorandum item: Loaned or advanced as collateral	-	-	-
6. HELD-TO-MATURITY INVESTMENTS	508,985	(508,985)	-
Memorandum item: Loaned or advanced as collateral	-	-	-
9. CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
10.HEDGING DERIVATIVES	-	209,027	209,027
11. NON-CURRENT ASSETS HELD FOR SALE	239	(24)	215
11.1. Loans and advances to credit institutions	-	-	-
11.2. Loans and advances to customers	-	-	-
11.3. Debt instruments	-	-	-
11.4. Equity instruments	-	-	-
11.5. Tangible assets	239	(24)	215
11.6. Other assets	-	-	-

APPENDIX II

ASSETS	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
12. INVESTMENTS	**1,768**	**-**	**1,768**
12.1. Associates	762	-	762
12.2. Jointly controlled entities	-	-	-
12.3. Subsidaries	1,006	-	1,006
13. INSURANCE CONTRACTS LINKED TO PENSIONS	**-**	**7,371**	**7,371**
15. TANGIBLE ASSETS	**27,145**	**-**	**27,145**
15.1 For own use	11,916	-	11,916
15.2 Investment property	15,229	-	15,229
15.3 Other assets leased out under an operating lease	-	-	-
15.4 Used for welfare project	-	-	-
Memorandum item: Acquired under a finance lease	-	-	-
16. INTANGIBLE ASSETS	**478**	**(478)**	**-**
16.1 Goodwill	-	-	-
16.2 Other intangible assets	478	(478)	-
17. TAX ASSETS	**8,834**	**13,266**	**22,100**
17.1 Current	-	-	-
17.2 Deferred	8,834	13,266	22,100
18.PREPAYMENTS AND ACCRUED INCOME	**56,541**	**(56,531)**	**10**
19.OTHER ASSETS	**70,020**	**(68,840)**	**1,180**
TOTAL ASSETS	**12,567,997**	**463,629**	**13,031,626**

APPENDIX II

LIABILITIES AND EQUITY	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
LIABILITIES			
1. FINANCIAL ASSETS HELD FOR TRADING	-	41,799	41,799
1.1. Deposits from credit institutions	-	-	-
1.2. Money market operations through counterparties	-	-	-
1.3. Customer deposits	-	-	-
1.4. Debt certificates (including bonds)	-	-	-
1.5. Trading derivatives	-	41,799	41,799
1.6. Short positions	-	-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
2.1. Deposits from credit institutions	-	-	-
2.2. Customer deposits	-	-	-
2.3. Debt certificates (including bonds)	-	-	-
3. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-	-
3.1. Deposits from credit institutions	-	-	-
3.2. Customer deposits	-	-	-
3.3. Debt certificates (including bonds)	-	-	-
4. FINANCIAL LIABILITIES AT AMORTISED COST	**12,141,844**	**64,527**	**12,206,371**
4.1. Deposits from central banks	3,024,503	-	3,024,503
4.2. Deposits from credit institutions	1,471,025	-	1,471,025
4.3. Money market operations through counterparties	-	-	-
4.4. Customer deposits	2,060,577	65,232	2,125,809
4.5. Debt certificates (including bonds)	5,495,569	60,141	5,555,710
4.6. Subordinated liabilities	-	-	-
4.7. Other financial liabilities	90,170	(60,846)	29,324
10. CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
11. HEDGING DERIVATIVES	**-**	**414,255**	**414,255**
12. LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-	-
12.1. Customer deposits	-	-	-
12.2. Other liabilities	-	-	-
14. PROVISIONS	**26,359**	**7,842**	**34,201**
14.1 Provisions for pensions and similar obligations	24,601	7,945	32,546
14.2. Provisions for taxes	-	-	-
14.3. Provisions for contingent liabilities and commitments	223	(103)	120
14.4. Other provisions	1,535	-	1,535
15. TAX LIABILITIES	**-**	**13,135**	**13,135**
15.1. Current	-	6,975	6,975
15.2. Deferred	-	6,160	6,160
16. ACCRUED EXPENSES AND DEFERRED INCOME	**68,594**	**(66,263)**	**2,331**
17. OTHER LIABILITIES	-	-	-
17.1 Welfare fund	-	-	-
17.2. Other	-	-	-
18. EQUITY HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-	-
TOTAL LIABILITIES	12,236,797	475,295	12,712,092

APPENDIX II

LIABILITIES AND EQUITY LIABILITIES	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
2. VALUATION ADJUSTMENTS	**-**	**11,435**	**11,435**
2.1. Available-for-sale financial assets	-	11,435	11,435
2.2. Financial liabilities at fair value through equity	-	-	-
2.3. Cash flow hedges	-	-	-
2.4. Hedges of net investments in foreign operations	-	-	-
2.5. Exchange differences	-	-	-
2.6. Non-current assets held for sale	-	-	-
3. OWN FUNDS	**331,200**	**(23,101)**	**308,099**
3.1. Capital or endowment fund	151,043	-	151,043
3.1.1. Issued	151,043	-	151,043
3.1.2. Unpaid and uncalled (-)	-	-	-
3.2. Share premium	10,662	-	10,662
3.3. Reserves	107,683	(23,416)	84,267
3.3.1. Accumulated reserves (losses)	107,683	(23,416)	84,267
3.3.2. Retained earnings	-	-	-
3.4. Other equity instruments	-	-	-
3.4.1. Equity component of compound financial instruments	-	-	-
3.4.2. Other	-	-	-
3.5. Less: Treasury shares	-	-	-
3.6. Non-voting equity units and associated funds (savings banks)	-	-	-
3.6.1. Non-voting equity units	-	-	-
3.6.2. Reserves of holders of non-voting equity units	-	-	-
3.6.3. Stabilisation fund	-	-	-
3.7. Profit for the year	61,812	315	62,127
3.8. Less: Dividends and remuneration	-	-	-
TOTAL EQUITY	**331,200**	**(11,666)**	**319,534**
TOTAL LIABILITIES AND EQUITY	**12,567,997**	**463,629**	**13,031,626**
MEMORANDUM ITEMS			
1. CONTINGENT LIABILITIES	**815,447**	**-**	**815,447**
1.1. Financial guarantees	815,447	-	815,447
1.2. Assets earmarked for third-party obligations	-	-	-
1.3. Other contingent liabilities	-	-	-
2. CONTINGENT COMMITMENTS	**621,508**	**-**	**621,508**
2.1. Drawable by third parties	621,508	-	621,508
2.2. Other commitments	-	-	-

APPENDIX III

RECONCILIATION OF 2004 INCOME STATEMENT

	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
1. INTEREST AND SIMILAR INCOME	316,741	(467)	316,274
2. INTEREST EXPENSE AND SIMILAR CHARGES	(224,826)	(17)	(224,843)
2.1. Return on equity having the substance of a financial liability	-	-	-
2.2. Other	(224,826)	(17)	(224,843)
3. INCOME FROM EQUITY INSTRUMENTS	-	-	-
3.1. Investments in associates	-	-	-
3.2. Investments in jointly controlled entities	-	-	-
3.3. Investments in subsidiaries	-	-	-
3.4. Other equity instruments	-	-	-
A) NET INTEREST INCOME	91,915	(484)	91,431
5. FEE AND COMMISSION INCOME	1,670	-	1,670
6. FEE AND COMMISSION EXPENSE	(124)	-	(124)
8. GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	6,948	49	6,997
8.1. Held for trading	-	49	49
8.2. Other financial instruments at fair value through profit or loss	-	-	-
8.3. Available-for-sale financial assets	6,896	-	6,896
8.4. Loans and receivables	-	-	-
8.5. Other	52	-	52
9. EXCHANGE DIFFERENCES (NET)	2	-	2
B) GROSS INCOME	100,411	(435)	99,976
12. OTHER OPERATING INCOME	1,087	128	1,215
13. PERSONNEL EXPENSES	(2,859)	(44)	(2,903)
14. OTHER ADMINISTRATIVE EXPENSES	(1,982)	(101)	(2,083)
15. DEPRECIATION AND AMORTISATION	(796)	-	(796)
15.1. Tangible assets	(796)	-	(796)
15.2. Intangible assets	-	-	-
16. OTHER OPERATING EXPENSES	(84)	-	(84)

APPENDIX III

	Data per Bank of Spain Circular 4/1991	Differences	Data per Bank of Spain Circular 4/2004
C) NET OPERATING INCOME	95,777	(452)	95,325
17. IMPAIRMENT LOSSES (NET)	(3,847)	1,759	(2,088)
17.1. Available-for-sale financial assets	-	-	-
17.2. Loans and receivables	296	1,783	2,079
17.3. Held-to-maturity investments	-	-	-
17.4. Non-current assets held for sale	-	(65)	(65)
17.5. Investments	(4,102)	-	(4,102)
17.6. Tangible assets	(41)	41	-
17.7. Goodwill	-	-	-
17.8. Other intangible assets	-	-	-
17.9. Other assets	-	-	-
18. PROVISIONS (NET)	1,645	(823)	822
21. OTHER GAINS	899	-	899
21.1. Gains on disposal of tangible assets	-	-	-
21.2. Gains on disposal of investments	-	-	-
21.3. Other	899	-	899
22. Other losses	719	-	719
22.1. Losses on disposal of tangible assets	-	-	-
22.2. Losses on disposal of investments	-	-	-
22.3. Other	719	-	719
D) PROFIT BEFORE TAX	95,193	484	95,677
23. INCOME TAX	(33,381)	(169)	(33,550)
24. MANDATORY TRANSFER TO WELFARE FUND	-	-	-
E) PROFIT FROM ORDINARY ACTIVITIES	61,812	315	62,127
25. PROFIT FROM DISCONTINUED OPERATIONS (NET)	-	-	-
F) PROFIT FOR THE YEAR	61,812	315	62,127

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A.

DIRECTORS' REPORT FOR 2005

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

INTRODUCTION

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

The Bank is included in the Institutional Banking Unit of the BBVA Group, which includes the institutional business performed by the Parent Bank, Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and that performed by the Bank itself, reporting to a single BBVA Group senior executive and with a coordinated management policy.

Within this management structure, BCL has a network of 33 branches located in all the capital cities of autonomous communities and large cities in Spain, sharing common services with BBVA such as Legal Counseling and Risks.

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

The financial information included in this directors' report is presented in accordance with the criteria set forth in Bank of Spain Circular 4/2004. 2004 data were prepared using the same criteria and, therefore, they are consistent with the data for 2005 and differ from the data published in 2004.

LENDING TO AUTONOMOUS COMMUNITY AND LOCAL AUTHORITIES

According to the latest available data (at 30 September 2005), the overall indebtedness of Autonomous Community governments increased by 3.54% in the first nine months of 2005 to EUR 53.77 billion at 30 September 2004, compared with growth of 2.98% for the year-ago period. Lending to local government corporations was lower at EUR 24.71 billion at 30 September 2005, 2.83% up on the previous year.

FINANCIAL LIABILITIES OF REGIONAL AND LOCAL GOVERNMENTS	30 September 2005		30 September 2004	
	Amount	% Variation '04	Amount	% Variation '03
Local governments	24.71	2.83	23.53	3.13
Autonomous community governments	53.77	3.54	50.45	2.98
TOTAL	78.48	3.31	73.98	3.02

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

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

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

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

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

4. The macroeconomic environment held interest rates at historically low levels, which gave rise to a reduction of the financial burden of the debt.

As regards competition in this market, the macroeconomic environment once again had a significant effect. In 2005 low interest rates continued to put pressure on margins; in addition, the increase in lending flows from financial institutions to local governments, - which are lower risk -, continued to be conspicuous, bringing with it a sharp increase in competition for awards of transactions for financing investments in the sector.

MARKET SHARE	Billions of Euros			
	30 September 2005		30 September 2004	
	Volume	%	Volume	%
COMMERCIAL BANKS	22.4	46.49	19.4	47.55
SAVINGS BANKS	11.6	23.98	11.3	27.70
ICO AND OTHERS	1.3	2.77	1.3	3.19
OTHER	12.9	26.76	8.8	21.57
Total	48.3	100.0	40.8	100.0

Source: Bank of Spain Statistical Gazette.

ACTIVITY OF BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. IN 2005

INSTITUTIONAL BUSINESS

Loans and receivables

Total loans and credits to the sector amounted to EUR 2,458 million. 64% of this amount related to long-term loans.

As far as the flows of the balances of these transactions are concerned, the amounts drawn down on the Bank's long-term loans amounted to EUR 1,601 million.

Special mention must be made of the fact that BCL had a share of approximately 36% in the total number of new long-term loans which came onto the market in 2005, thus maintaining its position as leader in the industry.

The current structural demand from the sector and the new competitive environment led the Bank to undertake permanent changes to improve and expand its product and service offerings to cater for the needs of local and regional government. Increasingly important in this connection is the range of structured products associated with long-term financing transactions: the number of transactions including derivatives doubled in 2005 in comparison with those arranged in 2004.

Customer flows and funds

On the liability side, the flows from customers arising from placements of funds and other transactions at the Bank grew constantly to more than EUR 28 billion. The average balance of customer deposits was EUR 1,705 million, noteworthy being the 16% growth in deposits from autonomous community governments.

The development of electronic banking tools specially tailored to the needs and operations of regional and local governments which utilise latest-generation communications and security technological systems offers customer solutions for the management of cash, loans, collections and payments and tax collection.

The range of electronic banking services on offer is broad, flexible and satisfactorily responds to our customers' usual needs and special requests. Accordingly, in 2005 these services were improved as new Internet online access came into operation such as the "your office" or "international payments and collections" modules in the BCLNet Cash product.

FINANCIAL MANAGEMENT

In 2005, BCL's financial management was a basic pillar of the Bank's activities, both for its contribution to raising financing and for its contribution to the generation of earnings through the management of the Bank's monetary assets portfolio.

Due to the nature of its business, the structure of BCL's balance sheet requires a significant volume of wholesale funding. The customer segment the Bank serves mainly requires loans and credits and holds scant amounts on deposit. Accordingly, other funds must be attracted through funding in the capital markets and for this purpose BCL has a Fixed-Income Securities Programme for EUR 4,000 million. This programme has been individually rated by the main rating agencies, which granted it the same ratings as those granted to BBVA (Aa2 from Moody's, AA- from S&P and AA- from Fitch).

	Millions of Euros		Variation	
VARIATION IN SOURCES OF FUNDING	2005	2004	Absolute	%
Credit institutions:				
BBVA Group	826.32	938.45	(112.12)	(11.95)
Instituto de Crédito Oficial	174.48	340.49	(166.01)	(48.76)
Bank of Spain	1,900.00	3,022.63	(1,122.63)	(37.14)
EIB and EUSF	138.31	165.24	(26.93)	(16.30)
Other	18.01	23.45	(5.44)	(23.22)
Valuation adjustments	3.14	5.27	(2.13)	(40.44)
Debt certificates (including bonds):				
Bonds and debentures outstanding	5,899.55	5,404.19	495.36	9.17
Valuation adjustments	161.55	151.52	10.03	6.62
Customer deposits:				
BCL International Finance Ltd.	185.08	409.52	(224.44)	(54.81)
Other customer deposits	2,042.57	1,639.90	402.67	24.55
Valuation adjustments	93.64	76.39	17.25	22.58

As regards wholesale funding in 2005, special mention should be made of the EUR 1,000 million non-convertible bond issue in February 2005, and of the third public issue of territorial bonds in March 2005, with a face value of EUR 1,000 million and a three-year term. This issue obtained Moody's top credit rating (Aaa) and is listed on the Spanish AIAF fixed-income market.

BCL is the only recurring issuer of this type of bond in Spain, and has become a benchmark in the European covered bonds market.

In view of the demand for these securities and the levels of funding that are obtained, territorial bonds will continue to be in the future one of the basic pillars of BCL's long-term stable funding policy.

For short-term financing, the Bank continued to participate in the European Central Bank's periodic monetary policy transactions and actively managed the portfolio of assets eligible to be used as security for these transactions. At 31 December 2005, the total amount of assets eligible to be used as security was approximately EUR 3,553 million.

RISK MANAGEMENT

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

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

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

Corporate risk management structure.

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

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

Tools and circuits.

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

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

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

Asset and liability management

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

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

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

Liquidity risk

The Bank aims to orderly replace its existing liabilities upon maturity, while minimising variations in wholesale funding. Accordingly, in 2005 the Bank took several actions aimed at extending and diversifying its funding sources.

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

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

Interest rate risk

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

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

Foreign currency risk

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

Credit risk in market activity

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

BALANCE SHEET

The Bank's balance sheets at 31December 2005 and 2004, are as follows (in millions of euros):

BALANCE SHEET	2005	2004	Variation Absolute	%
Cash and balances with central banks	334.623	208.716	125.91	60.3
Financial assets held for trading	27.574	43.433	(15.86)	(36.5)
Available-for-sale financial assets	2,847.155	3,223.401	(376.25)	(11.7)
Loans and receivables	8,778.624	9,287.260	(508.64)	(5.5)
Loans and advances to credit institutions	*129.948*	*862.998*	*(733.050)*	*(84.9)*
Loans and advances to customers	*8,648.*676	*8,424.262*	*224.414*	*2.7*
Hedging derivatives	221.320	209.027	12.29	5.9
Non-current assets held for sale	0	0.215	(0.22)	(100.0)
Investments	2.713	1.768	0.95	53.5
Insurance contracts linked to pensions	6.931	7.371	(0.44)	(6.0)
Tangible assets	26.395	27.145	(0.75)	(2.8)
Tax assets	22.229	22.100	0.13	0.6
Prepayment and accrued income	0.17	0.010	0.16	1,600.0
Other assets	0.419	1.180	(0.76)	(64.5)
Total assets = liabilities	12,268.153	13,031.626	(763.47)	(5.9)
Financial liabilities held for trading	21.180	41.799	(20.62)	(49.3)
Financial liabilities at amortised cost	11,477.677	12,206.371	(728.69)	(6.0)
Hedging derivatives	427.777	414.255	13.52	3.3
Provisions	31.012	34.201	(3.19)	(9.3)
Tax liabilities	8.313	13.135	(4.82)	(36.7)
Accrued expenses and deferred income	1.987	2.331	(0.34)	(14.8)
Valuation adjustments	3.527	11.435	(7.908)	(69.2)
Capital and reserves	246.287	245.972	0.315	0.13
Profit	50.393	62.127	(11.734)	(18.9)

The Bank's Total Assets at 31 December 2005 amounted to EUR 12,268 million, a decrease of EUR 764 million with respect to 2004, due mainly to the fall in interbank market activity. However, business volume, i.e. the sum of loans and total customer funds managed amounted to EUR 17,031 million, up 5.7% on the EUR 16,105 million at 31 December 2004.

The main asset item, "Loans and Advances to Customers", amounted to EUR 8,649 million, which represents an increase of EUR 224 million on the 2004 figure.

As regards liabilities, on-balance-sheet funds relating to the business with customers amounted to EUR 2,045 million, showing a year-on-year increase of 24.7%

Funds from wholesale funding obtained on capital markets, i.e. the sum of non-resident sector deposits and debt certificates (including bonds), amounted to EUR 6,337 million, up 4.9% on the previous year's figure.

(Amounts in millions of euros)

	DEC 05	DEC 04	% variation
FINANCIAL LIABILITIES AT AMORTISED COST	11,477	12,206	-6,0%
Central banks and credit institutions	3,060	4,496	-31.9%
Resident sector deposits	2,045	1,640	24.7%
Non-resident sector deposits	276	485	-43.1%
Debt certificates (including bonds)	6,061	5,556	9.1%
Other financial liabilities	35	29	20.7%
Memorandum items:			
Activity with customers	2,045	1,640	24.7%
Wholesale funding	6,337	6,041	4.9%

CAPITAL REQUIREMENTS

CAPITALISATION	Millions of Euros		Variation	
	2005	2004	Absolute	%
BANK OF SPAIN REQUIREMENTS				
Risk-weighted assets	2,453.53	2,669.37	-215.84	-8.09
Eligible capital	246.29	268.91	-22.62	-8.41
Cushion	148.15	162.14	-13.99	-8.63
BANK OF SPAIN RATIO	10.02	10.1	-0.08	-0.79
TIER I	10.02	10.1	-0.08	-0.79
BIS RATIO	10.2	10.3	-0.10	-0.97

At 31 December 2005, the Bank's capital ratio calculated by Bank for International Settlements (BIS) rules was 10.2% compared with 10.3% at 2004 year-end. Tier I capital was 10.2% compared with the 10.1% of the previous year.

The Bank's eligible capital at 31December 2005, was EUR 246.29 million. This amount represents a cushion of EUR 148.15 million with respect to minimum capital requirements.

At 31 December 2005, the Bank had no treasury shares or shares of its Parent, Banco Bilbao Vizcaya Argentaria, S.A., and had not performed any treasury share transactions in the year.

EARNINGS

INCOME STATEMENT	Millions of Euros 2005	2004	Variation Absolute	%
INTEREST AND SIMILAR INCOME	310.957	316.274	(5.317)	(1.68)
INTEREST EXPENSE AND SIMILAR CHARGES	(235.753)	(224.843)	(10.910)	4.85
NET INTEREST INCOME	75.204	91.431	(16.227)	(17.75)
FEE AND COMMISSION INCOME	1.495	1.670	(0.175)	(10.48)
FEE AND COMMISSION EXPENSE	(0.140)	(0.124)	(0.016)	12.90
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES	4.557	6.997	(2.440)	(34.87)
EXCHANGE DIFFERENCES	0.170	0.002	0.168	N/S
GROSS INCOME	81.286	99.976	(18.690)	(18.69)
OTHER OPERATING INCOME	1.327	1.215	0.112	9.22
ADMINISTRATIVE EXPENSES	(5.233)	(4.984)	(0.247)	4.95
DEPRECIATION AND AMORTISATION AND WRITE-DOWN OF ASSETS	(0.758)	(0.796)	0.038	(4.77)
OTHER OPERATING EXPENSES	(0.034)	(0.084)	0.050	(59.52)
NET OPERATING INCOME	76.588	95.325	(18.737)	(19.66)
IMPAIRMENT LOSSES	2.198	(2.088)	4.286	(205.27)
- Loans and receivables	2.513	2.079	0.434	20.88
- Investments	(0.350)	(4.102)	3.752	(91.47)
- Other	0.035	(0.065)	0.100	(153.85)
EXTRAORDINARY PROFIT (net)	0.002	1.618	(1.616)	(99.88)
PROVISIONS (net)	(1.261)	0.822	(2.083)	(253.41)
PROFIT BEFORE TAX	77.527	95.677	(18.150)	(18.97)
INCOME TAX	(27.134)	(33.550)	6.416)	(19.12)
PROFIT FOR THE YEAR	50.393	62.127	(11.734)	(18.89)

In 2005 net interest income amounted to EUR 75.204 million, which represents a decrease of EUR 16.2 million on the year-ago figure. This reduction in net interest income was due mainly to the competitiveness in the public-sector financing activity, to the high level of maturities in the historical portfolio, of bonds and loans, and to historically low interest rates.

Profit before tax amounted to EUR 77.527 million, which represents a decrease of 18.97% as compared with 2004. Net of the estimated corporation tax, profit for the year amounted to EUR 50.393 million, 18.9% down on 2004.

With these results, the return on average total assets (ROA) was 0.40% and the return on average equity (ROE) was 20.5%.

ORGANISATION AND RESOURCES

Human resources

Human resources management in 2005 was based on a policy of continuity and standardisation established at the BBVA Group, as a bank belonging thereto. As a result, progress was made in the management model which is increasingly focused on the Institutional Banking business unit.

The Bank's headcount at 2005 year-end was 35.

As for training, Individual Development Plans established for each employee and tailored to the characteristics of each post and individual were implemented. Also, participation in corporate training courses was noteworthy, training being one of the cornerstones of the unit's business plan. 25 training courses were given in 2005, involving a total of 1,200 hours of training, an average of 34 hours per employee and participation of 52% of total average headcount.

Structures and organisation

In 2005 the Bank continued to improve the computer support and software at its branches and completed the integration of old applications which make it possible to provide a differentiated service to customers while minimising the operational risk of certain operating processes. By way of an example we may mention the automation of the issue and receipt of interbank transfer orders, as well as the adaptation to the new TARGET rules regarding operations with the Bank of Spain.

Also noteworthy was the migration to new corporate applications for the administration of deposits and bond portfolios in the first few months of the year, which improved control and information of these transactions by avoiding manual processes.

In the area of improvement of administrative quality at branches, the implementation of an automatic follow-up system of the status of their operating quality was consolidated and positive results were obtained for the second consecutive year.

The project to implement the operational risk management model progressed with the incorporation of the TRASVAR tool for the follow-up of measurement indicators and the collection of actual data in SIRO began. Also, certain measures aimed at the reduction of the main risk factors identified in the Bank were taken through the Operational Risk Committee.

OUTLOOK

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

ENVIRONMENTAL IMPACT

At 31 December 2005, the Bank's financial statements did not present any item that should be included in the environmental information report required by Ministry of Economy and Finance Order of 8 October 2001.

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

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

The 2005 Activity Report evidences the absence of complaints or claims identified in this Customer Care Service, and this fact is valued positively as it is construed that customers had no need to make use of this service.

SUBSEQUENT EVENTS

On 30 January 2006, the Bank issued nonconvertible bonds amounting to EUR 1,000 million and maturing in July 2007 at nominal interest of three-month Euribor.