BBVA Factoring, E.F.C., 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 30). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of BBVA FACTORING, E.F.C., S.A. (a Banco Bilbao Vizcaya Argentaria Group company – Note 1) 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 Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.

2. As indicated in Note 1 to the accompanying financial statements, the financial statements for 2005 are the first that the Company 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 Company'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, of 14 June) and approved by the shareholders at the Annual General Meeting of the Company on 20 June 2005. The main effects of the differences between the two sets of standards on the Company's equity at 1 January 2004 and 31 December 2004, and on its 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 13 June 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, in which we expressed an unqualified opinion.

3. As indicated in Note 1, the Company's transactions are carried out as part of the management of the Banco Bilbao Vizcaya Argentaria Group, giving rise to the balances and transactions with related companies detailed in Note 29. The accompanying financial statements, which are presented in compliance with current legislation, should be interpreted in this context.

4. In our opinion, the accompanying financial statements for 2005 present fairly, in all material respects, the equity and financial position of the Company at 31 December 2005, and the results of its operations, the changes in 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 Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 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 Company's accounting records.

DELOITTE
Registered in ROAC under no. S0692

Francisco Celma
3 April 2006

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 1.2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, E.F.C., S.A.

BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004 (NOTES 1, 2, 3 and 4)
(Thousands of Euros)

ASSETS	31/12/05	31/12/04 (*)
CASH AND BALANCES WITH CENTRAL BANKS (Note 7)	32	31
FINANCIAL ASSETS HELD FOR TRADING	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:		
Debt instruments	-	-
Other equity instruments (Note 9)	203	203
	203	203
LOANS AND RECEIVABLES (Note 8):		
Loans and advances to credit institution	1,141	5,735
Money market transactions through counterparty entities	-	-
Loans and advances to customers	5,337,122	4,730,838
Debt instruments	-	-
Other financial assets	14	8
	5,338,277	4,736,581
HELD-TO-MATURITY INVESTMENTS	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
HEDGING DERIVATIVES	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-
INVESTMENTS:		
Jointly controlled entities	-	-
Subsidiaries	-	-
Associates	-	1
	-	1
INSURANCE CONTRACTS LINKED TO PENSIONS (Note 2-m)	223	431
TANGIBLE ASSETS (Note 10):		
For own use	100	129
Investment property	-	-
Other assets leased out under an operating lease	-	-
	100	129
INTANGIBLE ASSETS	-	-
TAX ASSETS (Note 18):		
Current	-	-
Deferred	19,230	16,241
	19,230	16,241
PREPAYMENTS AND ACCRUED INCOME (Note 11)	2,513	2,517
OTHER ASSETS	68	417
TOTAL ASSETS	5,360,646	4,756,346
Transactions for the account of third parties (Note 21)	2,495,846	3,034,553
Other memorandum items (Note 21)	2,258,025	3,424,987

LIABILITIES	31/12/05	31/12/04 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-
FINANCIAL LIABILITIES AT AMORTISED COST (Note 12):		
Deposits from central banks	-	-
Deposits from credit institutions	5,014,886	4,431,097
Money market transactions through counterparties	-	-
Customer deposits	-	-
Debt certificates (including bonds)	-	-
Subordinated liabilities	-	-
Other financial liabilities	145,857	140,602
	5,160,743	4,571,799
HEDGING DERIVATIVES	-	-
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS FOR SALE	-	-
PROVISIONS (Note 13):		
Provisions for pensions and similar obligations	326	528
Provisions for taxes	-	-
Provisions for contingent liabilities and commitments	-	-
Other provisions	4,075	4,565
	4,401	5,093
TAX LIABILITIES (Note 18)		
Current	3,031	1,827
Deferred	-	-
	3,031	1,827
ACCRUED EXPENSES AND DEFERRED INCOME (Note 11)	5,667	7,648
OTHER LIABILITIES	-	-
EQUITY HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-
TOTAL LIABILITIES	5,173,845	4,585,323
EQUITY		
VALUATION ADJUSTMENTS	-	-
OWN FUNDS		
Capital (Note 15)	28,874	28,874
Share premium (Note 16)	93,180	93,188
Reserves (Note 17)	50,869	41,249
Profit for the year	14,778	5,728
	186,801	171,023
TOTAL EQUITY	186,801	171,023
TOTAL LIABILITIES AND EQUITY	5,360,646	4,756,346

The accompanying Notes 1 to 30 and Appendices I, II and III are an integral part of the balance sheet at 31 December 2005.

(*) Presented for comparison purposes only

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 1.2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, E.F.C., S.A.

INCOME STATEMENTS

FOR THE YEARS ENDED

31 DECEMBER 2005 AND 2004 (NOTES 1, 2, 3 and 4)

(Thousands of Euros)

	Revenues (Expenses)	
	2005	2004 (*)
INTEREST AND SIMILAR INCOME (Note 22)	106,437	96,248
INTEREST EXPENSE AND SIMILAR CHARGES (Note 23)	(79,190)	(71,718)
INCOME FROM EQUITY INSTRUMENTS (Note 24)	81	98
NET INTEREST INCOME	27,328	24,628
FEE AND COMMISSION INCOME (Note 25)	18,461	16,440
FEE AND COMMISSION EXPENSE (Note 25)	(618)	(396)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	-	-
EXCHANGE DIFFERENCES	-	-
GROSS INCOME	45,171	40,672
OTHER OPERATING INCOME	-	-
PERSONNEL EXPENSES (Note 26)	(4,764)	(4,496)
OTHER GENERAL ADMINISTRATIVE EXPENSES (Note 27)	(2,791)	(2,093)
DEPRECIATION AND AMORTISATION (Note 10)	(48)	(1,026)
OTHER OPERATING EXPENSES	-	-
NET OPERATING INCOME	37,568	33,057
IMPAIRMENT LOSSES (Note 8.4.)	(14,878)	(17,940)
PROVISIONS (NET) (Note 13)	1	(2,027)
OTHER GAINS (Note 28)	40	1,583
OTHER LOSSES (Note 28)	(10)	(2)
PROFIT BEFORE TAX	22,721	14,671
INCOME TAX (Note 18)	(7,943)	(4,951)
PROFIT FROM ORDINARY ACTIVITIES	14,778	9,720
PROFIT FROM DISCONTINUED OPERATIONS	-	-
PROFIT FOR THE YEAR	14,778	9,720

The accompanying Notes 1 to 30 and Appendixes I, II and III are an integral part of the income statement for 2005.

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BBVA FACTORING, E.F.C., S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (NOTES 1, 2, 3 AND 4)

(Thousands of Euros)

	2005	2004 (*)
NET INCOME RECOGNISED DIRECTLY IN EQUITY:		
Available-for-sale financial assets:	-	-
Revaluation gains/loses	-	-
Amounts transferred to income statement	-	-
Deferred income tax	-	-
Reclassifications	-	-
Other financial liabilities at fair value through equity:	-	-
Revaluation gains/loses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Cash flow hedges:	-	-
Revaluation gains/loses	-	-
Amounts transferred to income statement	-	-
Amounts transferred at the initial carrying amount of hedged items	-	-
Income tax	-	-
Reclassifications	-	-
Non-current assets held for sale:	-	-
Revaluation gains/loses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
PROFIT FOR THE YEAR:	14,778	9,720
Reported profit	14,778	9,720
TOTAL INCOME AND EXPENSES FOR THE YEAR	14,778	9,720
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	-	-

The accompanying Notes 1 to 30 and Appendixes I, II and III are an integral part of the statement of changes in equity for 2005.

(*) Presented for comparison purposes only

Translation of financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 1,2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

BBVA FACTORING, E.F.C., S.A.

CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004 (NOTES 1, 2, 3 and 4)

(Thousands of Euros)

	31/12/05	31/12/04 (*)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year	14,778	8,720
Adjustments to profit for the year:	22,868	25,080
- Depreciation of tangible assets (+)	46	57
- Amortisation of intangible assets (+)	-	1,114
- Impairment losses (net) (+/-)	14,878	17,940
- Provisions (net) (+/-)	(1)	2,027
- Gains/losses on disposal of tangible assets (+/-)	-	(1,006)
- Taxes (+/-)	7,943	4,951
- Other non-monetary items (+/-)	-	-
Adjusted profit for the year	37,646	34,800
Net increase/decrease in operating assets	623,532	877,068
- Financial assets held for trading	-	-
- Trading derivatives	-	-
- Available-for-sale financial assets	-	(8)
- Debt instruments	-	-
- Other equity instruments	-	(8)
- Loans and receivables	621,100	873,163
- Loans and advances to credit institutions	(58)	71
- Loans and advances to customers	621,152	873,098
- Other financial assets	6	(5)
- Other operating assets	2,432	3,914
Net increase/decrease in operating liabilities	581,380	845,447
- Financial liabilities held for trading	-	-
- Trading derivatives	-	-
- Financial liabilities at amortised cost	588,984	850,257
- Deposits from credit institutions	583,789	847,201
- Customer deposits	-	(164)
- Other financial liabilities	5,195	3,220
- Other operating liabilities	(7,604)	(4,810)
Total net cash flows from operating activities (1)	(4,506)	3,182
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (-)	(19)	(1,168)
- Tangible assets	(19)	(54)
- Intangible assets	-	(1,114)
Divestments	-	3,199
- Tangible assets	-	-
- Intangible assets	-	3,199
Total net cash flows from investing activities (2)	(19)	2,031
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance/Redemption of capital or endowment fund (+/-)	-	-
Dividends / interest paid (-)	-	-
Total net cash flows from financing activities (3)	-	-
4. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	-
5. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(4,525)	5,217
Cash and cash equivalents at beginning of year	5,696	479
Cash and cash equivalents at end of year	1,171	5,696

The accompanying Notes 1 to 30 and Appendixes I, II and III are an integral part of the cash flow statement for 2005.

(*) Presented for comparison purposes only

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BBVA Factoring, Establecimiento Financiero de Crédito, E.F.C., 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 -

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

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

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

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

The Company belongs to the Banco Bilbao Vizcaya Argentaria Group (Note 15). The operating branches perform all the transactions relating to business attracted through the Banco Bilbao Vizcaya Argentaria Group's branch network.

The Company's financial statements for 2004 were approved by the shareholders at the Annual General Meeting of the Company on 20 June 2005. The 2005 financial statements of the Company have not yet been approved by its shareholders at the Annual General Meeting. However, the Company's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

1.2. Basis of presentation of the financial statements -

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

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

The Company's financial statements for 2005 were prepared by its directors (at the Board meeting on 29 March 2006) from the Company's accounting records and are presented in accordance with the formats established by Bank of Spain Circular 4/2004, of 22 December, and, accordingly, they present fairly the Company's equity and financial position at 31 December 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 Bank of Spain Circular 4/2004, which entails significant changes in the accounting policies, measurement bases and format of presentation of the financial statements making up the annual financial statements, with respect to the Circular in force when the 2004 financial statements were prepared (Bank of Spain Circular 4/1991). Note 3 contains an explanation of the main effects of the adaptation to Bank of Spain Circular 4/2004.

The information relating to 2004 contained in these notes to the financial statements is presented with the information relating to 2005 for comparison purposes only, and, accordingly, it does not constitute the Company'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 Company's directors. In the financial statements for 2005 estimates were occasionally made by the Company in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (Note 8).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 2.e).
- The useful life of the tangible assets (Note 10).
- 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 Company'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 -

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

1.7. Minimum capital requirements -

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

At 31 December 2005, the Company's eligible capital exceeded the minimum requirements under the aforementioned regulations.

1.8. Subsequent events -

From 1 January 2006 to the date on which these financial statements were authorised for issue there were no events significantly affecting them.

2. Accounting policies and measurement basis

Accounting policies and measurement basis -

The accounting policies and measurement bases applied in preparing the Company's financial statements for 2005 were as follows:

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

Transitional Provision One of Bank of Spain Circular 4/2004 contains the criteria that must be adopted in the first-time application of the Circular.

The main criteria used by the Company in preparing the opening balance sheet are described in Note 3.1 "Main Effects of the Adaptation to Bank of Spain Circular 4/2004".

b) Investments

This item in the accompanying balance sheets includes the Company's ownership interest in the share capital of Telefonica Factoring Do Brasil, Ltda. (Note 9).

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

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

Dividends accrued in the year on these investments are recognised under "Income from Equity Instruments" in the accompanying income statements.

c) Financial instruments

Initial recognition of financial instruments

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

Derecognition of financial instruments

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

1. The contractual rights to the cash flows from the financial asset expire; or

2. The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred.

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

Fair value and amortised cost of financial instruments

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

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

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

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

Classification and measurement of financial assets and liabilities

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

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

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

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

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

The "non-recourse" accounts receivable, which are recorded at the full amount of the unmatured remittances delivered by the assignors and approved by the Company, are included under "Loans and Receivables – Loans and Advances to Customers – Factoring Transactions" (Note 8.3). The undrawn portion of the amount payable to the assignors is recognised under "Financial Liabilities at Amortised Cost – Other Financial Liabilities" (Note 12) in the accompanying balance sheets. In contrast, in "recourse" transactions, "Loans and Receivables – Loans and Advances to Customers – Factoring Transactions" reflects the portion of the unmatured delivered remittances that has been paid to the assignor. Also, pursuant to Bank of Spain regulations, the unmatured remittances delivered by the assignors relating to unfinanced recourse factoring transactions, which amounted to EUR 102,660 thousand at 31 December 2005 (31 December 2004: EUR 67,768 thousand), are included as an off-balance-sheet item under "Drawable by Third Parties" (Note 21).

In addition, the Company performed reverse (supplier) factoring ("confirming") transactions in which the debt, on which the Company bears the bad debt risk, takes the form of invoices approved by the debtor and advanced in full to the assignor. The aforementioned transactions are recorded under "Loans and Receivables – Loans and Advances to Customers – Reverse Factoring Transactions" (Note 8.3). Reverse factoring remittances which are not advanced are recognised as off-balance-sheet items and amounted to EUR 1,762,770 thousand at 31 December 2005 (31 December 2004: EUR 1,369,986 thousand) (Note 21). Certain reverse factoring contracts give the debtor the option of repurchasing his own factored receivables and of sharing through allowances the revenues from the factored remittances. These allowances were recognised under "Interest Expense and Similar Charges" in the accompanying income statements (Note 23).

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

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

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

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

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

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

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

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), give rise to a negative impact on the future cash flows that were estimated at the time the transaction was arranged.

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

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the period in which the impairment becomes known, and the reversals of previously recognised impairment losses, if any, are recognised in the income statement for the period in which the impairment is reversed or reduced.

When the recovery of any recognised amount is considered to be remote, this amount is removed from the balance sheet, without prejudice to any actions that the Company may initiate to seek collection of the amount receivable until its contractual rights are extinguished by expiry of the statute-of-limitations period, forgiveness or any other cause.

As regards specific impairment losses arising from the materialisation of the insolvency risk of the obligors (credit risk), a debt instrument is deemed to be 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.

The possible impairment losses on these assets are assessed:

1. Individually, for all impaired debt instruments.

2. Collectively: the Company recognises an overall impairment loss on risks classified as standard -and, therefore, not specifically identified ("general allowance"). This loss is quantified by application of the parameters established by the Bank of Spain based on experience and on the information available to it on the Spanish banking industry. These parameters are modified when the circumstances so advise.

Impairment losses on equity instruments carried at cost are calculated as the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities. This calculation is based on the investee's equity per the latest approved balance sheet.

d) Recognition of income and expenses

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

Interest income, interest expenses and similar items:

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

- Cumulative annual salary growth rate: at least 2.5% (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	-	-
Pension contingencies in respect of current employees	223	431
Funding		
Insurance contracts with unrelated insurance companies (Note 13)	223	431
Unfunded obligations	-	-

1.2) Post-employment welfare benefits

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

The 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. The most significant actuarial assumptions used in 2005 and 2004 were as follows:

- Mortality tables: PERM/F 2000 P
- Cumulative annual discount rate: 4%/AA corporate bond curve
- Cumulative annual consumer price index: 1.5%
- Cumulative annual salary growth rate: at least 2.5% (depending on employee group)
- 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	1	-
Vested post-employment welfare benefit contingencies in respect of current employees	104	97
	105	97
Funding		
Internal provisions	105	97
Unfunded obligations	-	-

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

	Thousands of Euros	
	2005	2004
Actuarial value at beginning of year	97	78
+ Interest cost	4	3
+ Normal cost for the year	5	3
- Payments made	-	(4)
+/- Actuarial losses (gains)	(1)	17
Actuarial value at end of year	105	97

1.3) Summary

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

	Thousands of Euros	
	2005	2004
Interest expense and similar charges:		
Interest cost of pension funds (Notes 13 and 23)	4	3
Personnel expenses:		
Employee welfare benefits (Note 13)	5	3
Contributions to pension plans	61	62
Provisions (net):		
Charge to provisions for pensions and similar obligations (Note 13)	(1)	17
	69	85

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 Company has undertaken to deliver partially or fully subsidised goods and services. The most significant employee welfare benefits granted by the Company, in terms of the type of remuneration and the event giving rise to the commitment, are loans to employees and Christmas gifts. The scope of application of these employee welfare benefits varies for each employee group. These benefits, for the portion relating to current employees, are accrued and settled annually and, therefore, no provision is required.

The total cost of the employee welfare benefits provided by the Company to its current employees was EUR 100 thousand in 2005 and EUR 105 thousand in 2004, and these amounts were recognised with a charge to "Personnel Expenses – Other Personnel Expenses" in the accompanying income statements.

2.2.) Share-based payments

In 2005 and 2004 the Company had no target-based remuneration plans involving the delivery of stock options or shares of the Company 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 their permanent employees for the discount purchase of Banco Bilbao Vizcaya Argentaria, S.A. shares. The terms for the first phase of the scheme consist of the application of an initial 4% discount on the initial investment made by employees, subject to the purchased shares being held for two years and to the delivery of 3% of the initial investment in the form of shares after three years and after five years if the shares initially purchased were still held at those dates. The Company offered the possibility of financing the share purchase of the first phase through a personal loan. The Company's employees acquired a total of 4,114 shares 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 35 thousand at 31 December 2005.

f) Translation differences

Functional currency:

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

The detail, by type of item, of the equivalent euro value of the total assets and liabilities denominated in foreign currency held by the Company at 31 December 2005 and 2004, is as follows:

	Equivalent Euro Value (in Thousands)	
	2005	2004
ASSETS		
Loans and receivables	622	895
Pound sterling	232	149
US dollar	202	401
Yen	188	305
Mexican peso	-	40
Available-for-sale financial assets	247	247
Brazilian reais	247	247
LIABILITIES		
Financial liabilities at amortised cost	622	963
Pound sterling	232	217
US dollar	202	401
Yen	188	305
Mexican peso	-	40

Translation of foreign currency balances:

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

Exchange rates

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

g) Tangible assets

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

1. The related accumulated depreciation and,

2. Any estimated impairment losses (net carrying amount higher than recoverable amount).

Depreciation is calculated 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):

	Rates
Buildings and structures	2%
Furniture and other fixtures	10%
Computer hardware	25%

The Company assesses 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). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the new remaining useful life and to the revised carrying amount.

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

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

h) Tax assets and liabilities

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

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

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

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

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

i) Provisions

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

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

j) **Termination benefits**

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

k) **Cash flow statement**

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

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: typical credit institution activities and other activities that are not investing or financing activities.

3. Investing activities: the acquisition, sale and disposal by other means of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

3. Reconciliation of closing balances to opening balances for 2004

Bank of Spain Circular 4/2004 requires that the first financial statements prepared in accordance with this 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:

- 2003 closing balances: the balances at 31 December 2003 prepared in accordance with the rules in force at that date, i.e. Bank of Spain Circular 4/1991.

- 2004 opening balances: the balances resulting from considering the effect of the adjustments and reclassifications of Bank of Spain Circular 4/2004 on 1 January on the 2003 closing balances.

- 2004 closing balances: the balances at 31 December 2004 prepared in accordance with Bank of Spain Circular 4/2004 in force at that date.

- 2005 opening balances: the balances resulting from considering the effect of the adjustments and reclassifications of Bank of Spain Circular 4/2004 on 1 January on the 2004 closing balances.

3.1. 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) Allowance for losses on loans and advances

The Company estimated the impact of recording the allowance for losses on loans and advances using the methods described in Note 2.1.c relating to the calculation of the impairment of financial instruments with a credit to equity.

b) **Intangible assets**

The Company's intangible assets have been amortised in full.

4. Distribution of net profit

The proposed distribution of net profit for 2005 that will be submitted for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
2005 net profit	14,778
Distribution to:	
Legal reserve	1,478
Voluntary reserve	13,300

5. Remuneration of directors and senior executives

Remuneration of directors -

In 2005 and 2004 the Company's Board members did not earn or receive any salaries, attendance fees or other remuneration and the Company did not grant any advances or loans or have any pension or life insurance commitments to current or former Board members, except for a loan granted by the Company to one of the Board members in 2003. The outstanding amount of the loan was EUR 29 thousand at 31 December 2005 (31 December 2004: EUR 36 thousand) and it earned interest at 3.414% (31 December 2004: 3.303%).

Remuneration of senior executives -

The salary received in 2005 by the Company's senior executive officer amounted to EUR 97 thousand.

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

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

Director	Investee	Activity	Ownership Interest	Function
Emilio de las Heras Muela	BBVA	Banking	21,099	Officer
Elías Soler Vives	BBVA	Banking	7,679	-
Vicente de la Parra Gómez	BBVA	Banking	9,030	Officer
Luis Fernando Ferreres Crespo	BBVA	Banking	15,358	Officer
José María Ruiz de Velasco Martínez de Ercilla	BBVA	Banking	5,625	Officer
Emilio Rodríguez Sánchez	BBVA	Banking	2,712	Officer
Antonio Uguina Zamorano	BBVA	Banking	17,450	Officer
	Banco Popular	Banking	2,000	-
	BSCH	Banking	9,252	-
Mª del Mar Rodrigo Casanova	BBVA	Banking	2,641	Officer
Fernando Colomina Barrueco	BBVA	Banking	3,444	-
Rafael Fonseca Galán	BBVA	Banking	13,550	Officer

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

Director	Company	Function or Position
Emilio de las Heras Muela	Telefónica Factoring E.F.C., S.A. BBVA	Director Officer
Elías Soler Vives	Telefónica Factoring E.F.C., S.A. Telefónica Factoring Do Brasil	Director Director
Vicente de la Parra Gómez	BBVA BCL	Officer Director
Luis Fernando Ferreres Crespo	BBVA	Officer
José María Ruiz de Velasco Martínez de Ercilla	BBVA	Officer
Emilio Rodríguez Sánchez	BBVA	Officer
Antonio Uguina Zamorano	BBVA	Officer
Mª del Mar Rodrigo Casanova	BBVA	Officer

6. Risk exposure

6.1. Interest rate risk management.-

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

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

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

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

   The parameters giving rise to this measure are as follows: a) very tight spreads, b) long financing periods for certain transactions, and 3) large amount investments. Obviously, these parameters are considered provided that the financing method is not payment in arrears and that their reference rate is the central account, since in this case there would be no risk in this connection.

2. Daily assessment of the interest rate performance. Follow-up of the European Central Bank's expectations in respect of the foreseeable short- and medium-term interest rate policy. Monthly analysis of the Company's average spread on its contracts.

3. On the basis of the foregoing, the Company considers the possibility of borrowing funds from the BBVA's Treasury Department in order to eliminate the possible interest rate risk on certain of the Company's investment aggregates, divided into 15-day tranches once the weighted average interest rate applied to customers has been calculated for these figures.

The Company has an outstanding credit facility with a limit of EUR 2,500,000 thousand for these transactions. The balance drawn down at 31 December 2005, amounted to EUR 2,004,244 thousand.

6.2. Credit risk exposure.-

The Company's maximum credit risk exposure amounted to EUR 5,359,875 thousand at 31 December 2005, up 12.57% on 2004 year-end. The breakdown of this figure between the two products managed for the BBVA Group shows that the increase in reverse factoring with respect to 2004 was 9.93% -this product concentrates 44.59% of the total risk-, whereas factoring -which accounts for 55.41% of the total-increased by 14.79%.

The customer credit risk is broken down as follows:

Thousands of Euros			
Reverse factoring Risk		Factoring Risk	
2005	2004	2005	2004
2,390,005	2,174,001	2,969,870	2,587,184

At 31 December 2005, the total past-due balance amounted to EUR 55,003 thousand as a result of the special features of the products managed by the Company and of the Bank of Spain regulations in this connection, which affect the recording of provisions. A distinction must be drawn between past-due balances receivable from the private sector and those receivable from the public sector. The former must be provisioned on the basis of the age of the past-due balances (based on the schedule set by the regulator), whereas those relating to the public sector are not provisioned. Therefore, the detail of the aforementioned past-due balance is as follows:

	Thousands of Euros			
	Past-Dues		Provision	
	2005	2004	2005	2004
Private sector	7,056	3,768	3,927	2,211
Public sector				
Central government	564	159	-	-
Autonomous Community governments	44,110	30,072	-	-
Local governments	3,273	2,354	-	-
	47,947	32,585	-	-

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

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

- Long internal administrative processes at each health agency which entails that the invoice accounting period takes between 90 and 180 days.

- Once the invoice has been accounted for it must be approved and the approval period is quite long (between 90 and 360 days).

- Finally, a budget item must be assigned to the expenditure, and funds must be available to make the related payments.

Consequently, the total past-due ratio was 1.00% at 31 December 2005, whereas that relating only to the private sector was 0.13%. This gave rise to an increase with respect to 2004, a year in which the past-due ratio was 0.75% and that of the private sector was 0.08%.

These increases were due, in the case of total past-dues, to the rise in the past-due balance receivable from the health agencies of various autonomous communities, mainly of the Andalusia and the Valencia autonomous communities, which account for approximately 95% of the total figure. The size and management of this business can be assessed taking into account three data for 2005 :

- Total receivables assigned for collection from the public health care system: EUR 997,600 thousand.

- Total collections received from the various health care systems to settle the debt for receivables assigned to the Company: EUR 1,025,100 thousand.

- Total balance at 31 December 2005, of receivables assigned to the Company for collection from health care services: EUR 344,500 thousand.

The increase in the past-due balance from the private sector is due to two bankruptcy proceedings for nontraders in which BBVA is also a creditor: Transportes Continuos Interiores, for EUR 3,006 thousand (EUR 2,299 thousand allocable to 2005) and Red Elite Electrodomesticos, for EUR 727 thousand (all the figure is allocable to 2005). A provision of EUR 2,516 thousand has been recorded in connection with the first proceeding, since a portion of the debt may be recovered, and a 100% provision has been recorded for the second proceeding.

The total specific provisions for credit risk recognised by the Company amounted to EUR 3,927 thousand (55.66% of which relate to past-dues from the private sector).

7. Cash and balances with central banks

The breakdown of the balance of "Cash and Balances with Central Banks" in the balance sheets at 31 December 2005 and 2004 is as follows:

	Thousands of Euros	
	2005	2004
Cash	2	1
Balances with the Bank of Spain (*)	30	30
	32	31

(*) Including demand accounts.

8. Loans and receivables

8.1. Breakdown

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

	Thousands of Euros	
	2005	2004
Loans and advances to credit institutions (*)	1,141	5,735
Loans and advances to customers	5,433,244	4,811,822
Other financial assets	14	8
	5,434,399	**4,817,565**
Less – Impairment losses	(96,122)	(80,984)
	5,338,277	**4,736,581**

(*) Including demand accounts.

8.2. Loans and advances to credit institutions

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

	Thousands of Euros	
	2005	2004
Time deposits	2	70
Demand deposits	1,139	5,665
	1,141	**5,735**
Less – Impairment losses	-	-
	1,141	**5,735**

8.3. Loans and advances to customers

The breakdown, by loan type and status, of the balance of this item in the balance sheets at 31 December 2005 and 2004, disregarding the balance of impairment losses, is as follows:

	Thousands of Euros	
	2005	2004
By loan type and status		
Factoring and reverse factoring transactions	5,359,875	4,761,185
Other term loans	1,139	808
Receivable on demand and other	33,672	23,406
Impaired assets	55,003	36,353
	5,449,689	**4,821,752**
Less- Valuation adjustments- Accrued interest	(16,445)	(9,930)
	5,433,244	**4,811,822**

The breakdown, by type of risk and by transaction type, of the "Factoring and Reverse Factoring Transactions" account in the foregoing detail at 31 December 2005, is as follows:

	Thousands of Euros	
	2005	2004
Type of risk-		
Recourse transactions	258,981	115,375
Non-recourse transactions-		
In euros	5,100,281	4,645,038
In foreign currency	613	772
	5,359,875	4,761,185
Transaction type-		
Factoring	2,841,990	2,386,790
Reverse factoring	2,390,005	2,174,001
Overall factoring	127,880	200,394
	5,359,875	4,761,185

The breakdown, by activity sector of the borrower, of "Loans and Advances to Customers" at 31 December 2005, disregarding valuation adjustments, is as follows:

	Thousands of Euros		
	Resident Borrowers	Non-Resident Borrowers	Total
Public sector	1,295,197	-	1,295,197
Manufacturing	1,459,781	68,885	1,528,666
Real estate and construction	1,042,459	-	1,042,459
Retailing and financial services	621,777	-	621,777
Other	960,444	1,146	961,590
	5,379,658	70,031	5,449,689

The breakdown, by activity sector of the borrower, of "Loans and Advances to Customers" at 31 December 2004, disregarding valuation adjustments, is as follows:

	Thousands of Euros		
	Resident Borrowers	Non-Resident Borrowers	Total
Public sector	1,373,940	-	1,373,940
Manufacturing	1,255,198	77,163	1,332,361
Real estate and construction	741,012	-	741,012
Retailing and financial services	635,377	-	635,377
Other	739,062	-	739,062
	4,744,589	77,163	4,821,752

The breakdown, by geographical area, of this item at 31 December 2005 and 2004, disregarding valuation adjustments, is as follows:

	Thousands of Euros	
	2005	2004
Europe	5,447,991	4,819,802
United States	531	309
Latin America	500	1,624
Rest of the world	667	17
	5,449,689	4,821,752

Note 19 to the financial statements contains a detail of the scheduled maturities of these assets at 2005 and 2004 year-ends.

8. 4. Impaired assets and impairment losses

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

	Thousands of Euros	
	2005	2004
Balance at beginning of period	**36,353**	**22,276**
Additions	2,497,163	16,858,668
Reversals	(2,478,199)	(16,844,354)
Written-off assets	(314)	(237)
Balance at end of period	**55,003**	**36,353**

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

	Thousands of Euros	
	2005	2004
Balance at beginning of period	**80,984**	**63,276**
Additional impairment charged to income statement	22,670	25,685
Reversal of impairment charged to income statement	(8,013)	(7,977)
Write-off – Use of provision	(9)	-
Other changes	490	-
Balance at the beginning of period	**96,122**	**80,984**
Of which:		
Individually assessed	*3,927*	*2,211*
Collectively assessed	*92,195*	*78,773*
Of which		
By asset covered		
Loans and advances to customers	*96,122*	*80,984*
Of which		
By geographical area		
Europe	*96,122*	*80,984*
	96,122	**80,984**

The recoveries of balances previously written off amounted to EUR 84 thousand in 2005 and EUR 5 thousand in 2004, and are presented as a deduction of the balance of "Impairment Losses (net) – Loans and Receivables" in the accompanying income statements.

Assets written off in 2005 because their recovery was deemed to be remote amounted to EUR 314 thousand in 2005 (2004: EUR 237 thousand).

At 31 December 2005, there was EUR 1,000 of interest income earned which was not recognised in the income statement because there were doubts as to its collectibility (31 December 2004: nil).

9.- Available-for-sale financial assets

Other equity instruments

The balance of "Available-for-Sale Financial Assets – Other Equity Instruments" in the accompanying balance sheets at 31 December 2005 and 2004, related to a 10.25% interest in the share capital of Telefónica Factoring do Brasil, Ltda. These securities are not listed.

The detail, by listing status, of this item in the accompanying balance sheet is as follows:

	Thousands of Euros	
	2005	2004
By listing status		
Unlisted	247	247
Less – Impairment loss	(44)	(44)
	203	203

10. Tangible assets and Intangible assets

The changes in 2005 and 2004 in "Tangible Assets" in the accompanying balance sheets, itemised by type of asset, were as follows:

	Thousands of Euros			
	Computer Hardware	Furniture and Fixtures	Buildings and Structures	Total
Cost, net of allowance-				
Balance at 1 January 2004	**433**	**296**	**2,663**	**3,392**
Additions	51	3	-	54
Disposals	-	-	(2,663)	(2,663)
Balance at 31 December 2004	**484**	**299**	-	**783**
Additions	17	2	-	19
Disposals	-	-	-	-
Balance at 31 December 2005	**501**	**301**	-	**802**
Accumulated depreciation-				
Balance at 1 January 2004	**(369)**	**(233)**	**(465)**	**(1,067)**
Depreciation charge	(42)	(10)	(5)	(57)
Disposals	-	-	470	470
Balance at 31 December 2004	**(411)**	**(243)**	-	**(654)**
Depreciation charge	(38)	(10)	-	(48)
Disposals	-	-	-	-
Balance at 31 December 2005	**(449)**	**(253)**	-	**(702)**
Net balance at 31 December 2005	**52**	**48**	-	**100**

In 2004 the Company amortised in full the intangible assets acquired in that year amounting to EUR 969 thousand.

Fully depreciated assets amounted to EUR 429 thousand at 31 December 2005 (31 December 2004: EUR 406 thousand). The Company carries on its business activities basically in properties owned by Banco Bilbao Vizcaya Argentaria, S.A., and a rental expense of EUR 124 thousand was recognised in this respect in 2005 (31 December 2004: 113 thousand).

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

The breakdown of the balances of these items in the accompanying balance sheets was as follows:

	Thousands of Euros	
	2005	2004
Prepayments and accrued income:		
Prepayments	44	48
Other accruals	2,469	2,464
	2,513	**2,512**
Accrued expenses and deferred income:		
Accrued expenses	921	936
Other accruals	5,746	6,708
	6,667	**7,644**

12. Financial liabilities at amortised cost

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

	Thousands of Euros	
	2005	2004
Deposits from credit institutions	5,014,886	4,431,097
Other financial liabilities		
Factoring payables	143,896	139,594
Reverse factoring payables	1,831	576
Other items	130	492
	145,857	140,662
	5,160,743	**4,571,759**

12. 1. Deposits from credit institutions -

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

	Thousands of Euros	
	2005	2004
Time deposits	4,991,771	4,422,232
Other deposits	12,186	-
Valuation adjustments	10,929	8,865
	5,014,886	**4,431,097**

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

	Thousands of Euros (Balance Drawn Down)		Limit	Maturity
	2005	2004		
Financing account with Banco Bilbao Vizcaya Argentaria, S.A.	2,987,527	3,015,360	Undefined	Undefined
Credit facility from Banco Bilbao Vizcaya Argentaria, S.A. (*)	9,268	-	25,000	May 2006
Credit facility from Banco Bilbao Vizcaya Argentaria, S.A.(*)	2,918	-	6,010	May 2006
Credit facility with separate drawdowns from Banco Bilbao Vizcaya Argentaria, S.A.	2,004,244	1,406,872	2,500,000	June 2009
	4,991,771	4,422,232		

(*) Banco Bilbao Vizcaya Argentaria, S.A. reserves the right to allow drawings in excess of the credit limit in exchange for additional interest of 2%.

The financing account and the credit facilities shown in the foregoing detail bear interest at floating rates tied to Euribor, ranging from 2.1% to 2.4% at 31 December 2005 (31 December 2004: from 2.04% to 2.17%).

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

13. Provisions

The breakdown of the balance of "Provisions" in the balance sheets at 31 December 2005 and 2004, is as follows:

	Thousands of Euros	
	2005	2004
Provisions for pensions and similar obligations (Note 2-e)	328	528
Other provisions	4,075	4,565
	4,403	5,093

"Provisions – Other Provisions" includes the amount recognised to meet probable or certain liabilities arising from litigation in progress of undetermined amount.

The Company's directors consider that there were no material contingencies at 31 December 2005, that might affect the Company's equity or net profit.

The changes in 2005 and 2004 in the balances of "Provisions for Pensions and Similar Obligations" and of "Other Provisions" in the accompanying balance sheet were as follows:

	Thousands of Euros		
	Provisions for Pensions and Similar Obligations	**Other Provisions**	**Total**
Balance at 1 January 2004	523	2,588	3,111
Charges to the income statement:			
Additional provisions	17	2,490	2,507
Interest expense and similar charges (Notes 2-e and 23)	3	-	3
Personnel expenses	3	-	3
Reversal of provisions with a credit to income statement:			
Reversals	-	(480)	(480)
Amount used	(4)	(33)	(37)
Other changes	(14)	-	(14)
Balance at 31 December 2004	528	4,565	5,093
Charges to the income statement:			
Additional provisions	(1)	-	(1)
Interest expense and similar charges (Notes 2-e. and 23)	4	-	4
Personnel expenses	5	-	5
Transfer to bad debts	-	(490)	(490)
Other changes	(208)	-	(208)
Balance at 31 December 2005	328	4,075	4,403
Of which:			
Provisions for off-balance-sheet risks	-	-	-
Other provisions	328	4,075	4,403
	328	4,075	4,403

The charges to the income statement relating to "Provisions for Pensions and Similar Obligations" are recognised under "Interest Expense and Similar Charges", "Personnel Expenses" and "Provisions (net)" in the income statement for 2005 amounted to EUR 4 thousand, EUR 5 thousand and EUR (1) thousand, respectively (2004: EUR 3 thousand, EUR 3 thousand and EUR 17 thousand, respectively).

14. Changes in equity

	Thousands of Euros				
	Capital	Share Premium	Reserves	Profit for the Year	Equity
Balance at 1 January 2004	**26,874**	**93,180**	**33,432**	**7,817**	**161,303**
Appropriation of prior years' profit	-	-	7,817	(7,817)	-
Profit for the year	-	-	-	9,720	9,720
Balance at 31 December 2004	**26,874**	**93,180**	**41,249**	**9,720**	**171,023**
Appropriation of prior years' profit	-	-	9,720	(9,720)	-
Profit for the year	-	-	-	14,778	14,778
Balance at 31 December 2005	**26,874**	**93,180**	**50,969**	**14,778**	**185,801**

15. Share capital

At 31 December 2005 and 2004, the Company's share capital amounted to EUR 26,874,439.23 and consisted of 7,444,443 registered shares of EUR 3.61 par value each, all with the same rights, fully subscribed and paid by Corporación General Financiera, S.A., except for one share held by Cidessa UNO, S.L. (both Banco Bilbao Vizcaya Argentaria Group companies).

16. Share premium

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

17. Reserves

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

	Thousands of Euros			
	Share Premium	Legal Reserve	Voluntary Reserve	Total
Balance at 1 January 2004	**93,180**	**1,835**	**29,537**	**124,552**
2003 profit	-	781	7,036	7,817
Adjustment due to adaptation to Bank of Spain Circular 4/2004	-	-	2,060	2,060
Balance at 31 December 2004	**93,180**	**2,616**	**38,633**	**134,429**
2004 profit	-	752	8,968	9,720
Balance at 31 December 2005	**93,180**	**3,368**	**47,601**	**144,149**

17.1. Legal reserve:

Under the Consolidated Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches 20% of the share capital. This limit had been reached by BBVA Factoring, E.F.C., S.A. at 31 December 2005. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

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

18. Tax matters

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

Additionally, at 31 December 2005, the Company had 2002, 2003, 2004 and 2005 open for review by the tax inspection authorities with respect to the main taxes applicable to it.

The reconciliation of the income tax charge, calculated from accounting profit before taxes, to the tax expense recognised for the period from 1 January 2005 to 31 December 2005, is as follows:

	Thousands of Euros
Accounting profit before taxes	22,721
Decrease due to permanent differences	(50)
Increases (decreases) due to temporary differences:	
Arising in the current year	7,311
Arising in prior years	(48)
Taxable profit	**29,934**

The Company recognised EUR 8 thousand in 2005 as an increase in the corporation tax expense, relating to the effect on the corporation tax charge for 2004 effectively settled in accordance with the tax system for groups of companies.

The balance of "Tax Liabilities - Current" in the accompanying balance sheets includes the liability relating to the various applicable taxes, including EUR 2,446 thousand of 2005 corporation tax payable on 2005 profit, net of the prepayments and withholdings made during the year (EUR 8,031 thousand).

Pursuant to Bank of Spain Circular 4/2004 and related provisions, the deferred tax assets are recognised under "Tax Assets" in the accompanying balance sheets and amounted to EUR 19,230 thousand and EUR 16,241 thousand at 31 December 2005 and 2004, respectively. Deferred tax assets arose mainly from the period provision for bad debts and from the adaptation to the new accounting rules and standards.

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

19. Residual maturity periods

The breakdown, by maturity, of the balances of certain items in the balance sheets at 31 December 2005, is as follows:

	Thousands of Euros						
	Demand	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
ASSETS							
Cash and balances with central banks	32	-	-	-	-	-	32
Loans and receivables							
Loans and advances to credit institutions (*)	1,141	-	-	-	-	-	1,141
Loans and advances to customers	53,306	1,696,953	1,654,111	1,868,639	112,032	64,648	5,449,689
Investments	-	-	-	-	-	-	-
LIABILITIES							
Financial liabilities at amortised cost							
Deposits from credit institutions (**)	2,999,714	824,921	266,571	822,558	83,709	6,484	5,003,957
Other financial liabilities	148,889	-	-	-	-	-	148,889
Other asset items less liability items	244,171	-	-	-	-	-	244,171

(*) Including demand accounts.

(**) Including credit financing accounts.

The breakdown, by maturity, at 31 December 2004 is as follows:

	Thousands of Euros						
	Demand	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
ASSETS							
Cash and balances with central banks	31	-	-	-	-	-	31
Loans and receivables							
Loans and advances to credit institutions (*)	5,735	-	-	-	-	-	5,735
Loans and advances to customers	22,095	1,274,144	1,536,232	1,854,343	98,584	36,354	4,821,752
Investments	1	-	-	-	-	-	1
LIABILITIES							
Financial liabilities at amortised cost							
Deposits from credit institutions (**)	3,015,360	437,134	273,485	605,375	90,878	-	4,422,232
Other financial liabilities	141,745	-	-	-	-	-	141,745
Other asset items less liability items	240,150	-	-	-	-	-	240,150

(*) Including demand accounts.

(**) Including credit financing accounts.

20. Fair value of financial assets and liabilities

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

	Thousands of Euros			
	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Cash and balances with central banks (*)	32	32	31	31
Loans and receivables	5,338,277	5,338,277	4,736,581	4,736,581
LIABILITIES				
Financial liabilities at amortised cost	5,163,775	5,163,775	4,572,911	4,572,911

(*) Includes demand accounts.

21. Other significant information

21.1. Transactions for the account of third parties

The breakdown of this item is as follows:

	Thousands of Euros	
	2005	2004
Conditional bills and other securities received for collection	2,496,846	2,034,652
Commercial bills received for collection	631,388	596,871
Other securities received for collection	1,865,458	1,437,781
Unfunded factoring amount	102,660	67,768
Reverse factoring transactions	1,762,770	1,369,986
Other	28	27
	2,496,846	2,034,652

21.2. Other off-balance-sheet items

The breakdown of this item is as follows:

	Thousands of Euros	
	2005	2004
Write-off assets	15,007	14,924
Past-due income on doubtful assets	1	-
Conditional bills and other securities received for collection	82,789	102,756
Documents securing transactions	10,756	19,759
Deposit accounts	58,885	13,259
Guarantees received	67,084	102,293
Registration accounts (unrestricted)	2,410,819	2,172,482
Control accounts	9,662	9,494
	2,655,003	2,434,967

22. Interest and similar income

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

	Thousands of Euros	
	2005	2004
Loans and advances to customers:		
Public sector	17,578	18,363
Resident sector	88,338	77,640
Non-resident sector	521	245
	106,437	**96,248**

The detail, by type of transaction, of this item in the accompanying income statements for 2005 and 2004, is as follows:

	Thousands of Euros	
	2005	2004
Factoring transactions-		
Public sector	623	-
Resident sector	48,719	44,922
Non-resident sector	521	246
Reverse factoring transactions-		
Public sector	16,944	18,363
Resident sector	39,552	32,700
Other	78	17
	106,437	**96,248**

23. Interest expense and similar charges

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

	Thousands of Euros	
	2005	2004
Deposits from credit institutions (*)	79,186	71,709
Cost allocable to provisions for pensions (Note 13)	4	3
Other interest expense	-	6
	79,190	**71,718**

(*) Relates to demand accounts.

24. Income from equity instruments

The balance of this caption in the income statement for 2005 relates to the dividends received from the investment in Telefónica Factoring do Brasil, Ltda.

25. Fee and commission income and expense

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

	Thousands of Euros	
	2005	2004
Fee and commission income		
Factoring transactions	10,535	9,542
Reverse factoring transactions	7,874	6,860
Other fees and commissions	52	38
	18,461	16,440
Fee and commission expense		
Fees assigned to third parties	401	395
Other fees and commissions	217	1
	618	396

26. Personnel expenses

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

	Thousands of Euros	
	2005	2004
Wages and salaries	3,833	3,439
Social security costs	740	709
Contributions to external pension funds (Note 2-e)	61	62
Termination benefits	-	177
Other personnel expenses	130	109
	4,764	4,496

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

	Average Number of Employees	
	2005	2004
Managers	6	4
Supervisors	7	10
Clerical staff	68	62
	81	76

27. Other general administrative expenses

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

	Thousands of Euros	
	2005	2004
Technology and systems	881	252
Communications	24	33
Advertising	1	1
Outsourced administrative services	1,335	1,181
Property, fixtures and supplies	198	201
Taxes other than income tax	(58)	24
Other administrative expenses	410	401
	2,791	**2,093**

The balance of "Other Administrative Expenses" includes the fees paid by the Company to its auditors, which amounted to EUR 42 thousand in 2005.

28. Other gains and Other losses

The balance of "Other Gains" and "Other Losses" in the accompanying income statement at 31 December 2005 relates to the regularisation of prior years' balances.

The balance of "Other Gains" at 31 December 2004 includes the gain on the sale of a building on 18 February 2004.

29. Transactions with Group entities

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

	Thousands of Euros	
	2005	2004
BALANCE SHEET:		
Assets-		
Loans and advances to credit institutions	1,141	5,735
Liabilities-		
Deposits from credit institutions (Note 12)	5,014,886	4,431,097
Corporation tax payable to BBVA (Note 18)	2,407	549
INCOME STATEMENT:		
Debit-		
Interest expense and similar charges (Note 23)	79,190	71,718
Property rental expense (Note 27)	124	113

30. 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 Company that conform with IFRSs may not conform with other generally accepted accounting principles.

RECONCILIATION OF CLOSING BALANCES FOR 2003 WITH OPENING BALANCES FOR 2004

ASSETS	CLOSING 2003	DIFFERENCE	OPENING 2004
CASH AND BALANCES WITH CENTRAL BANKS	34	-	34
FINANCIAL ASSETS HELD FOR TRADING	-	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:			
Debt instruments	-	-	-
Other equity instruments	212	-	212
	212	-	212
LOANS AND RECEIVABLES:			
Loans and advances to credit institutions	445	-	445
Money market transactions through counterparties	-	-	-
Loans and advances to customers	3,872,317	3,363	3,875,680
Debt instruments	-	-	-
Other financial assets	13	-	13
	3,872,775	3,363	3,876,138
HELD-TO-MATURITY INVESTMENTS	-	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
HEDGING DERIVATIVES	-	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-	-
INVESTMENTS:			
Jointly controlled entities	-	-	-
Subsidiaries	-	-	-
Associates	1	-	1
	1	-	1
INSURANCE CONTRACTS LINKED TO PENSIONS	-	445	445
TANGIBLE ASSETS:			
For own use	2,327	-	2,327
Investment property	-	-	-
Other assets leased out under an operating lease	-	-	-
	2,327	-	2,327
INTANGIBLE ASSETS	546	(546)	-
TAX ASSETS:			
Current	-	-	-
Deferred	13,730	(804)	12,926
	13,730	(804)	12,926
PREPAYMENTS AND ACCRUED INCOME	2,156	-	2,156
OTHER ASSETS	162	-	162
TOTAL ASSETS	3,891,943	2,458	3,894,401

LIABILITIES	CLOSING 2003	DIFFERENCE	OPENING 2004
FINANCIAL LIABILITIES HELD FOR TRADING	-	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-	-
FINANCIAL LIABILITIES AT AMORTISED COST:			
Deposits from central banks	-	-	-
Deposits from credit institutions	3,583,896	-	3,583,896
Money market transactions through counterparties	-	-	-
Customer deposits	164	-	164
Debt certificates (including bonds)	-	-	-
Subordinated liabilities	-	-	-
Other financial liabilities	137,442	-	137,442
	3,721,502	-	3,721,502
HEDGING DERIVATIVES	-	-	-
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-	-
PROVISIONS:			
Provisions for pensions and similar obligations	-	523	523
Provisions for taxes	-	-	-
Provisions for contingent liabilities and commitments	-	-	-
Other provisions	2,588	-	2,588
	2,588	523	3,111
TAX LIABILITIES:			
Current	2,084	(125)	1,959
Deferred	-	-	-
	2,084	(125)	1,959
ACCRUED EXPENSES AND DEFERRED INCOME	6,526	-	6,526
OTHER LIABILITIES	-	-	-
CAPITAL HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-	-
TOTAL LIABILITIES	3,732,700	398	3,733,098
EQUITY			
VALUATION ADJUSTMENTS	-	-	-
OWN FUNDS:			
Share capital	26,874	-	26,874
Share premium	93,180	-	93,180
Reserves	31,372	2,060	33,432
Profit for the year	7,817	-	7,817
	159,243	2,060	161,303
TOTAL EQUITY	159,243	2,060	161,303
TOTAL LIABILITIES AND EQUITY	3,891,943	2,458	3,894,401

RECONCILIATION OF CLOSING BALANCES FOR 2004 WITH OPENING BALANCES FOR 2005

ASSETS	CLOSING 2004	DIFFERENCE	OPENING 2005
CASH AND BALANCES WITH CENTRAL BANKS	31	-	31
FINANCIAL ASSETS HELD FOR TRADING	-	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:			
Debt instruments	-	-	-
Other equity instruments	203	-	203
	203	-	203
LOANS AND RECEIVABLES:			
Loans and advances to credit institutions	5,735	-	5,735
Money market transactions through counterparties	-	-	-
Loans and advances to customers	4,722,859	7,979	4,730,838
Debt instruments	-	-	-
Other financial assets	8	-	8
	4,728,602	7,979	4,736,581
HELD-TO-MATURITY INVESTMENTS	-	-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	-
HEDGING DERIVATIVES	-	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-	-
INVESTMENTS:			
Jointly controlled entities	-	-	-
Subsidiaries	-	-	-
Associates	1	-	1
	1	-	1
INSURANCE CONTRACTS LINKED TO PENSIONS	-	431	431
TANGIBLE ASSETS:			
For own use	129	-	129
Investment property	-	-	-
Other assets leased out under an operating lease	-	-	-
	-	-	-
	129	-	129
INTANGIBLE ASSETS	1,326	(1,326)	-
TAX ASSETS:			
Current	-	-	-
Deferred	18,661	(2,420)	16,241
	18,661	(2,420)	16,241
PREPAYMENTS AND ACCRUED INCOME	2,512	-	2,512
OTHER ASSETS	417	-	417
TOTAL ASSETS	4,751,882	4,664	4,756,546

LIABILITIES	CLOSING 2004	DIFFERENCE	OPENING 2005
FINANCIAL LIABILITIES HELD FOR TRADING	-	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH EQUITY	-	-	-
FINANCIAL LIABILITIES AT AMORTISED COST:	4,571,759	-	4,571,759
Deposits from central banks	-	-	-
Deposits from credit institutions	4,431,097	-	4,431,097
Money market transactions through counterparties	-	-	-
Customer deposits	-	-	-
Debt certificates (including bonds)	-	-	-
Subordinated liabilities	-	-	-
Other financial liabilities	140,662	-	140,662
HEDGING DERIVATIVES	-	-	-
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	-	-
PROVISIONS:	4,565	528	5,093
Provisions for pensions and similar obligations	-	528	528
Provisions for taxes	-	-	-
Provisions for contingent liabilities and commitments	-	-	-
Other provisions	4,565	-	4,565
TAX LIABILITIES:	1,152	(125)	1,027
Current	1,152	(125)	1,027
Deferred	-	-	-
ACCRUED EXPENSES AND DEFERRED INCOME	7,544	-	7,544
OTHER LIABILITIES	-	-	-
CAPITAL HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY	-	-	-
TOTAL LIABILITIES	4,585,120	403	4,585,523
EQUITY			
VALUATION ADJUSTMENTS	-	-	-
OWN FUNDS:	166,762	4,261	171,023
Share capital	26,874	-	26,874
Share premium	93,180	-	93,180
Reserves	39,189	2,060	41,249
Profit for the year	7,519	2,201	9,720
TOTAL EQUITY	166,762	4,261	171,023
TOTAL LIABILITIES AND EQUITY	4,751,882	4,664	4,756,546

The total past-due ratio was 1.00% at 31 December 2005, whereas that relating only to the private sector was 0.13%.

The increase in the past-due balance from the private sector is due to two bankruptcy proceedings for nontraders in which BBVA is also a creditor: Transportes Continuos Interiores, for EUR 3,006 thousand (EUR 2,299 thousand allocable to 2005) and Red Elite Electrodomésticos, for EUR 727 thousand (all the figure is allocable to 2005). A provision of EUR 2,516 thousand has been recorded in connection with the first proceeding, since a portion of the debt may be recovered, and a 100% provision has been recorded for the second proceeding.

Interest rate risk management

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

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

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

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

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

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

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

a) A statistical summary of the claims and complaints handled, disclosing the number of claims and complaints received, the number processed and the reasons for rejecting them, matters raised and grounds for the claims and complaints, and amounts involved.

b) Summary of the final resolutions, indicating whether the complaints were resolved in favour or against the person submitting them and the cases in which information or clarifications were simply provided.

c) General grounds for the resolutions.

d) Recommendations or suggestions deriving from the Department's experience, with a view to better attaining the aims of its work.

2. Additionally, the Customer Care Service and the Customer Ombudsman shall submit to the Board of Directors of BBVA, within the first quarter of each year, a joint explanatory report on all

the BBVA Group entities containing the information set forth in paragraphs a), c) and d) and statistical information on the resolutions in favour and against the person submitting them.

As required by the aforementioned Article, the Manager of the Customer Care Service submits to the Board of BBVA Factoringthe following activity report.

Activity report

The purpose of this report on the activity of the Customer Care Service is to report on the complaints handled in the period from 1 January to 31 December 2005.

Without prejudice to the functional activity relating the processing and management of claims and complaints that may have been performed by BBVA's internal units or departments, whose activity is not included in the scope of this report, at 11 January 2006 (the closing date for consolidated data on the activity of the Customer Care Service of the BBVA Group) no complaints had been submitted by customers to BBVA Factoring E.F.C., S.A. related to the functions discharged by this Service.

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

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

RESEARCH AND DEVELOPMENT

In 2005 the Company did not perform any research and development activities.

TREASURY SHARE TRANSACTIONS

The Company did not perform any treasury share transactions in 2005.