BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

Financial Statements
for the Year Ended 31 December 2008

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 and 39). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
+34 915 56 74 30
www.deloitte.es

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

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Sole Shareholder of
Banco de Crédito Local de España, S.A. (Sole shareholder company):

1. We have audited the financial statements of Banco de Crédito Local de España, S.A. (sole shareholder company) -the Bank- comprising the balance sheet at 31 December 2008, 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 required by Spanish corporate and commercial law, for comparison purposes the Bank's directors present, in addition to the figures for 2008 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 2007. Our opinion refers only to the financial statements for 2008. On 21 February 2008, we issued our auditors' report on the Bank's 2007 financial statements, in which we expressed an unqualified opinion.

3. As is indicated in the Note 38, the Bank's Directors, in Board meeting held on January 26, 2009, and Banco Bilbao Vizcaya Argentaria, S.A. in its Board meeting of January 27, 2009, approved the proposal to merge the Bank into Banco Bilbao Vizcaya Argentaria, S.A. The merger agreement will be submitted to shareholders for approval in General meeting and Sole shareholder decision, respectively, during the first quarter of the year. Consequently, if all required authorizations are received in order to carried out this merger, these financial statements will be the last ones that will be prepared by the Bank. 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.

4. In our opinion, the accompanying financial statements for 2008 present fairly, in all material respects, the equity and financial position of the Bank at 31 December 2008, and the results of its operations, the changes in its equity and its cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the accounting principles and standards contained in Bank of Spain Circular 4/2004, which were applied on a basis consistent with that of the preceding year.

5. The accompanying directors' report for 2008 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 2008. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Bank's accounting records.

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

Francisco Celma
5 February 2009

INSTITUTO DE
CENSORES JURADOS
DE CUENTAS DE ESPAÑA

Miembro ejerciente:
DELOITTE, S.L.

Año 2009 Nº 01/09/00107

COPIA GRATUITA

Este informe está sujeto a la tasa aplicable establecida en la Ley 44/2002 de 22 de noviembre.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 1 and 39). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

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

	Thousands of Euros	
ASSETS	**2008**	**2007 (*)**
CASH AND BALANCES WITH CENTRAL BANKS (Note 7)	**216,651**	**100,073**
FINANCIAL ASSETS HELD FOR TRADING (Note 8)	**104,439**	**57,377**
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Debt securities	-	-
Other equity instruments	-	-
Trading derivatives	104,439	57,377
Memorandum item: Loaned and advanced as collateral	-	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
Loans and advances to credit institutions	-	-
Money market operations through counterparties	-	-
Debt securities	-	-
Other equity instruments	-	-
Memorandum item: Loaned and advanced as collateral	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 9)	**2,376,983**	**2,678,927**
Debt securities	2,376,983	2,678,927
Other equity instruments	-	-
Memorandum item: Loaned and advanced as collateral	20,057	301,163
LOANS AND RECEIVABLES (Note 10)	**8,278,408**	**10,019,655**
Loans and advances to credit institutions	255,810	2,294,399
Loans and advances to other debtors	8,022,598	7,725,256
Debt securities	-	-
Memorandum item: Loaned and advanced as collateral	-	-
HELD-TO-MATURITY INVESTMENTS	-	-
Memorandum item: Loaned and advanced as collateral	-	-
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGES OF INTESREST RATE RISK	-	-
HEDGING DERIVATIVES (Note 11)	**214,013**	**182,052**
NON-CURRENT ASSETS HELD FOR SALE (Note 12)	**27,400**	-
INVESTMENTS	-	-
Associates	-	-
Jointly controlled entities	-	-
Group entities (Note 13)	-	-
INSURANCE CONTRACTS LINKED TO PENSIONS (Note 18)	**5,477**	**5,711**
TANGIBLE ASSETS (Note 14)	**983**	**25,143**
Property, plants and equipment	983	10,638
For own use	983	10,638
Other assets leased out under an operating lease	-	-
Investment properties	-	14,505
Memorandum item: Loaned and advanced as collateral	-	-
INTANGIBLE ASSETS	-	-
Goodwill	-	-
Other intangible assets	-	-
TAX ASSETS (Note 22)	**86,681**	**18,211**
Current	459	-
Deferred	86,222	18,211
OTHER ASSETS (Note 15)	**861**	**338**
TOTAL ASSETS	**11,311,896**	**13,087,487**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2008.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 1 and 39). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

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

	Thousands of Euros	
LIABILITIES AND EQUITY	**2008**	**2007 (*)**
FINANCIAL LIABILITIES HELD FOR TRADING (Note 8)	**86,186**	**47,524**
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates	-	-
Trading derivatives	86,186	47,524
Short positions	-	-
Other financial liabilities	-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
Deposits from central banks	-	-
Deposits from credit institutions	-	-
Deposits from other creditors	-	-
Debt certificates	-	-
Subordinated liabilities	-	-
Other financial liabilities	-	-
FINANCIAL LIABILITIES AT AMORTISED COST (Note 16)	**10,591,784**	**12,464,760**
Deposits from central banks	-	4,186,355
Deposits from credit institutions	3,369,315	679,053
Deposits from other creditors	2,536,519	2,019,027
Debt certificates	4,626,370	5,528,705
Subordinated liabilities	-	-
Other financial liabilities	59,580	51,620
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN THE PORTFOLIO HEDGES	**-**	**-**
HEDGING DERIVATIVES (Note 11)	**440,308**	**254,172**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	**-**	**-**
PROVISIONS (Note 17)	**22,054**	**27,053**
Provisions for pensions and similar obligations	20,020	23,141
Provisions for taxes	-	-
Provisions for contingent exposures and commitments	264	143
Other provisions	1,770	3,769
TAX LIABILITIES (Note 22)	**17,137**	**4,554**
Current	17,137	4,554
Deferred	-	-
OTHER LIABILITIES (Note 15)	**8,634**	**608**
TOTAL LIABILITIES	**11,166,103**	**12,798,671**

(*) Presented for comparison purposes only.

LIABILITIES AND EQUITY (*Continuation*)	2008	2007 (*)
	Thousands of Euros	
STOCKHOLDER´S EQUITY	**333,175**	**295,963**
Capital (Note 19)	**151,043**	**151,043**
Issued	151,043	151,043
Unpaid and uncalled (-)	-	-
Share premium (Note 20)	**10,662**	**10,662**
Reserves (Note 21)	**84,582**	**84,582**
Other equity instruments	**-**	**-**
Equity component of compound financial instruments	-	-
Other	-	-
Less: Treasury shares	**-**	**-**
Income	**86,888**	**49,676**
Less: Dividends and remuneration	**-**	**-**
VALUATON ADJUSTMENTS	**(187,382)**	**(7,147)**
Available-for-sale financial assets (Note 9)	(187,382)	(7,147)
Cash flow hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current liabilities held-for-sale	-	-
Other valuation adjustments	-	-
TOTAL EQUITY	**145,793**	**288,816**
TOTAL LIABILITIES AND EQUITY	**11,311,896**	**13,087,487**

	2008	2007 (*)
	Thousands of Euros	
CONTINGENT EXPOSURES (Note 23)	**710,293**	**683,557**
CONTINGENT COMMITMENTS (Note 23)	**1,001,006**	**1,047,442**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2008.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 1 and 39). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

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

	Thousands of Euros	
	2008	**2007 (*)**
INTEREST AND SIMILAR INCOME (Note 28)	540,176	492,987
INTEREST EXPENSE AND SIMILAR CHARGES (Note 28)	(448,442)	(421,141)
NET INTEREST INCOME	**91,734**	**71,846**
INCOME FROM EQUITY INSTRUMENTS	-	-
FEE AND COMMISSION INCOME (Note 28)	1,973	1,918
FEE AND COMMISSION EXPENSES (Note 30)	(225)	(193)
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET) (Note 31)	875	243
Held for trading	875	1,620
Other financial instruments at fair value through profit or loss	-	-
Other financial instruments not at fair value through profit or loss	-	(1,377)
Other	-	-
EXCHANGE DIFFERENCES (NET)	-	3
OTHER OPERATING INCOME (Note 38)	1,486	3,015
OTHER OPERATING EXPENSES (Note 38)	(310)	(30)
GROSS INCOME	**95,533**	**76,802**
ADMINISTRATIVE EXPENSES (Note 39)	(1,818)	(2,721)
Personnel expenses	(365)	(610)
Other administrative expenses	(1,453)	(2,111)
AMORTISATION	(171)	(707)
PROVISION EXPENSE (NET) (Note 40)	1,819	(1,466)
IMPAIRMENT LOSSES (NET) (Note 41)	28,791	1,934
Loans and receivables	28,791	1,934
Other financial instruments not at fair value through profit or loss	-	-
NET OPERATING INCOME	**124,154**	**73,842**
IMPAIRMENT LOSSES OF OTHER ASSETS (NET) (Note 42)	-	(455)
Goodwill and other intangible asset (Note 17)	-	-
Other assets (Note 42)	-	(455)
GAINS (LOSSES) IN WRITTEN OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE (Note 43)	-	-
NEGATIVE GOODWILL	-	-
GAINS (LOSSES) IN NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS (Note 44)	-	-
INCOME BEFORE TAX	**124,154**	**73,387**
TAX EXPENSE (INCOME) (Note 27)	(37,266)	(23,711)
INCOME FROM CONTINUED OPERATIONS	**86,888**	**49,676**
INCOME FROM DISCONTINUED OPERATIONS (NET)	-	-
INCOME FOR THE YEAR	**86,888**	**49,676**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2008.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 1 and 39). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

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

	Thousands of Euros									
	Total equity									
	Stockholder's equity								Valuation adjustments (Note 9)	Total equity
	Share Capital (Nota 19)	Share premium (Note 20)	Reserves (Note 21)	Other equity instruments	Less: Treasury shares	Profit for the year	Less: dividend and remunerations	Total Stockholder's equity		
Balance at January 1, 2008	**151,043**	**10,662**	**84,582**	**-**	**40,922**	**-**	**287,209**	**(6,877)**	**280,332**	**21,605**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Effect of correction of errors	-	-	-	-	-	-	-	-	-	-
Adjusted initial balance	**151,043**	**10,662**	**84,582**	**-**	**40,922**	**-**	**287,209**	**(6,877)**	**280,332**	**21,605**
Total income/expense recognized	**-**	**-**	**-**	**-**	**49,676**	**-**	**49,676**	**(270)**	**49,406**	**1,098**
Other changes in equity	**-**	**-**	**-**	**-**	**(40,922)**	**-**	**(40,922)**	**-**	**(40,922)**	**(2,990)**
Increased of capital	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	-
Increase of other equity instruments	-	-	-	-	-	-	-	-	-	22
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(40,922)	-	(40,922)	-	**(40,922)**	2,916
Transactions including treasury shares and other equity instruments (net)	-	-	-	-	-	-	-	-	-	(88)
Transfers between total equity entries	-	-	-	-	-	-	-	-	-	-
Increase/Reduction in business combinations	-	-	-	-	-	-	-	-	-	-
Payments with equity instruments	-	-	-	-	-	-	-	-	-	-
Rest of increase/reductions in total equity	-	-	-	-	-	-	-	-	-	(8)
Balance at December 31, 2008	**151,043**	**10,662**	**84,582**	**-**	**49,676**	**-**	**295,963**	**(7,147)**	**288,816**	**19,713**

	Thousands of Euros									
	Total equity									
	Stockholder's equity								Valuation adjustments (Note 9)	Total equity
	Share Capital (Nota 19)	Share premium (Note 20)	Reserves (Note 21)	Other equity instruments	Less: Treasury shares	Profit for the year	Less: dividend and remunerations	Total Stockholder's equity		
Balance at January 1, 2007	**151,043**	**10,662**	**84,588**	**-**	**49,676**	**-**	**295,963**	**(7,147)**	**288,816**	**16,730**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	**-**
Effect of correction of errors	-	-	-	-	-	-	-	-	-	**-**
Adjusted initial balance	**151,043**	**10,662**	**84,582**	**-**	**49,676**	**-**	**295,963**	**(7,147)**	**288,816**	**16,730**
Total income/expense recognized	**-**	**-**	**-**	**-**	**86,888**	**-**	**86,888**	**(180,235)**	**(93,347)**	**4,236**
Other changes in equity	**-**	**-**	**-**	**-**	**(49,676)**	**-**	**(49,676)**	**-**	**(49,676)**	**639**
Increased of capital	-	-	-	-	-	-	-	-	-	**3,264**
Capital reduction	-	-	-	-	-	-	-	-	-	**-**
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-	**-**
Increase of other equity instruments	-	-	-	-	-	-	-	-	-	**23**
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	**-**
Reclassification of other equity instruments to financial instruments	-	-	-	-	-	-	-	-	-	**-**
Dividend distribution	-	-	-	-	(49,676)	-	(49,676)	-	(49,676)	**2,535**
Transactions including treasury shares and other equity instruments (net)	-	-	-	-	-	-	-	-	-	**(113)**
Transfers between total equity entries	-	-	-	-	-	-	-	-	-	**-**
Increase/Reduction in business combinations	-	-	-	-	-	-	-	-	-	**-**
Payments with equity instruments	-	-	-	-	-	-	-	-	-	**-**
Rest of increase/reductions in total equity	-	-	-	-	-	-	-	-	-	**-**
Balance at December 31, 2007	**151,043**	**10,662**	**84,582**	**-**	**86,888**	**-**	**333,175**	**(187,382)**	**145,793**	**21,605**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2008.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 1 and 39). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

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

	Thousands of Euros	
CHANGES IN TOTAL EQUITY	**2008**	**2007 (*)**
INCOME FOR THE YEAR	**86,888**	**49,676**
OTHER RECOGNIZED INCOME (EXPENSES)	**(180,235)**	**(270)**
Available-for-sale financial assets	(257,479)	(386)
Revaluation gains/losses	(257,479)	991
Amounts transferred to income statement	-	(1,377)
Reclassifications	-	-
Cash flow hedges	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of the hedged items	-	-
Reclassifications	-	-
Hedges of net investment in foreign operations	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Reclassifications	-	-
Exchange differences	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Reclassifications	-	-
Non-current assets held for sale	-	-
Revaluation gains/losses	-	-
Amounts transferred to income statement	-	-
Reclassifications	-	-
Actuarial gains and losses in post-employment plans	-	-
Rest of recognized income and expenses	-	-
Income tax	77,244	116
TOTAL INCOME AND EXPENSES FOR THE YEAR	**(93,347)**	**49,406**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2008.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accounting principles Spain (see Note 1 and 39). In the event of a discrepancy, the Spanish-language version prevails.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

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

	Thousands of Euros	
	2008	2007 (*)
CASH FLOW FROM OPERATING ACTIVITIES (1)	**169,665**	**(83,692)**
Profit for the year	**86,888**	**49,676**
Adjustments to obtain the cash flow from operating activities:	**(258,440)**	**2,986**
Amortisation	171	707
Other adjustments	(258,611)	2,279
Net increase/decrease in operating assets	**1,895,175**	**1,650,544**
Financial assets held for traiding	(47,062)	27,134
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	301,944	59,604
Loans and receivables	1,741,247	1,554,564
Other operating assets	(100,954)	9,242
Net increase/decrease in operating liabilities	**(1,591,224)**	**1,490,479**
Financial liabilities	38,662	31,629
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities measured at amortised cost	(1,872,976)	1,567,129
Other operating liabilities	243,090	(108,279)
Collection/Payments for income tax	**37,266**	**23,711**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**(3,411)**	**1,314**
Investment	**(3,443)**	**(164)**
Tangible assets	(3,443)	(164)
Intangible assets	-	-
Investments	-	-
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	-	-
Held-to-maturity investments	-	-
Other payments related to investing activities	-	-
Divestments	**32**	**1,478**
Tangible assets	32	-
Intangible assets	-	-
Investments	-	1,478
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	-	-
Held-to-maturity investments	-	-
Other collections related to investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**(49,676)**	**(40,922)**
Investment	**(49,676)**	**(40,922)**
Dividends	(49,676)	(40,922)
Subordinated liabilities	-	-
Amortisation of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other items relating to financing activities	-	-
Divestments	**-**	**-**
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other items relating to financing activities	-	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH OR CASH EQUIVALENTS (4)	-	-
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**116,578**	**(123,300)**
CASH OR CASH EQUIVALENTS AT BEGINNING OF YEAR	**100,073**	**223,273**
CASH OR CASH EQUIVALENTS AT END OF YEAR	**216,651**	**100,073**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and Appendix I are an integral part of the balance sheet as of December 31, 2008.

BANCO DE CRÉDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

Notes to the Financial Statements for the Year Ended 31 December 2008

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

1.1. Introduction

Banco de Crédito Local de España, S.A. (Sole Shareholder Company) ("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").

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 2007 were approved by the shareholders at the Annual General Meeting of the Bank on April 29, 2008. The 2008 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 focus mainly on the financing of Spanish public-sector entities and their dependent agencies or entities, through 55 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

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

Circular 4/2004 modifies the accounting policies of Spain's credit institutions to adapt them to the new accounting scenario established by the adoption by the European Union, with the legislation of several regulations, of the International Financial Reporting Standards ("EU-IFRS") following stipulations established under Regulation (EC) no, 1606/2002 of the European Parliament and of the Council of July 19, 2002, relative to –International Accounting Standards.

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

The Bank's financial statements of 2008 were prepared by the Bank's directors (at the Board Meeting on February 4, 2009) on the basis of the accounting records kept by the Bank in accordance with Bank of Spain Circular 4/2004, representing fairly the bank's equity and financial position as of December 31, 2008, and the results of its operations, the changes in equity and the cash flows in 2008.

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

Due to the fact that the numerical information contained in the financial statements is expressed in thousands of euros, except in certain cases where it is necessary to lower unit, certain captions that do not present any balance in the condensed statements may present balance in euros.

1.3. Comparative information

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

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

Appendix I includes reconciliation between the financial statements prepared in accordance to the models of Circular 1/2008 of Bank of Spain and the financial statements prepared in accordance with Circular 4/2004 of Bank of Spain for the year 2007.

1.4. Responsibility for the information and for the estimates made

The information 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 (Note 10).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments (Note 18).
- The useful life of tangible assets (Note 14).
- The fair value of certain unquoted assets (Note 6).

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

Capital management at the BBVA Group is undertaken with the overriding objective of complying with its regulatory capital requirements under Bank of Spain criteria, as set forth in Bank of Spain Circular 3/2008, of May 22, regarding the calculation and oversight of minimum capital requirements at Spanish credit institutions, under the Bank for International Settlements' new Basel Capital Accord (BIS-II).

This circular stipulates that the consolidated groups of credit institutions must at all times maintain a capital adequacy ratio or solvency coefficient of no less than 8% of that entity's risk-weighted assets, measured as set forth in the same circular.

At December 31, 2008, the regulatory capital management function analyzed eligible capital and minimum capital requirements under the Bank of Spain criteria stipulated in Circular 3/2008, of May 22.

The Bank, in compliance with the minimum capital requirements established in that circular, computes its equity within the minimum requirements presented by the Group.

In 2008, the Bank requested exemptions from the separate capital disclosure requirement as it met the circumstances provided for under rule 5 of Circular 3/2008 for qualifying for this exemption. At December 31, 2008, the Bank of Spain had not yet ruled on the matter; meanwhile the Bank is making the necessary arrangements to present its official statements in the event that its request is turned down or it does not hear back before the presentation deadline.

1.8. Seasonal nature of income and expenses

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

1.9. Agency contracts

Neither at year-end 2008, not at any point in time throughout the year, did the Bank enter into "agency contracts" as defined in article 22 of Royal Decree 1245/1995 of July 14.

1.10. Shareholders in credit entities

At December 31, 2008, the Bank did not hold an ownership interest in other credit entities, Spanish or foreign, equivalent to 5% or more of their capital or voting rights.

2. Accounting policies and measurement bases

The accounting policies and measurement bases used in preparing these financial statements were as follows:

2.1. FINANCIAL INSTRUMENTS

a) Measurement of financial instruments and recognition of changes arising from the measurement

All financial instruments are initially recognized at fair value which, in the absence of evidence to the contrary, shall be the transaction price. These instruments will subsequently be measured on the basis of their classification. The recognition of changes arising subsequent to the initial recognition is described below.

The change produced, except for derivatives, during the year arising from the accrual of interests and similar items are recorded under the headings "Interest and Similar Income" or "Interest Expense and Similar Charges", as appropriate, in the income statement of this period.

The changes in the measurements after the initial recognition, for reasons other than those of the preceding paragraph, are described below according to the categories of financial assets and liabilities:

- "Financial assets held for trading"

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

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

The fair value of the standard financial derivatives included in the held for trading portfolios is equal to their daily quoted price in an active market. If, under exceptional circumstances, their quoted price cannot be established 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 at the measurement date ("present value" or "theoretical close"); these derivatives are measured using methods recognized by the financial markets, including the net present value (NPV) method and option price calculation models.

- "Available-for-Sale Financial Assets" and "Financial liabilities at fair value through equity"

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

Changes arising from the valuation to fair value (gains or losses) are recognized temporarily, net amount, under the heading "Valuation Adjustments - Available-for-Sale Financial Assets" in the accompanying balance sheets.

The amounts recognized in the headings "Valuation Adjustments - Available-for-Sale Financial Assets" and "Valuation Adjustments - Exchange Differences" remain in the equity until the asset is derecognized from the balance sheet, at which time those amounts are recognized under the headings "Gains or losses on financial assets and liabilities" or "Exchange Differences (net)" in the income statement.

- "Loans and receivables", "Held-to-maturity investments" and "Financial liabilities at amortized cost"

Assets and liabilities recognized in these headings in the accompanying balance sheets are measured at "amortized cost" using the "effective interest rate" method.

Impairment losses (net) arising in the period are recognized under the heading "Impairment losses (net) – Loans and receivables" in the income statements.

-"Hedging derivatives"

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

Changes produced subsequent to the designation in the valuation of financial instruments designated as hedged items as well as financial instruments designated as hedging items are recognized in the fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized in the heading "Gains or losses on financial assets and liabilities (Net)" in the income statement.

Differences in valuation of the hedging item for ineffective portions of cash flow hedges are recognized directly in the heading "Gains or losses on financial assets and liabilities (Net)" in the income statement.

Other financial instruments

In relation to the aforementioned general criteria, we must highlight the following exceptions:

- Valuation adjustments arising on "Non-current assets held for sale" are recognized with a balancing entry under the heading "Valuation Adjustments - Non-Current Assets Held for Sale" of the balance sheet.

b) Impairment financial assets

Definition

A financial asset (Debt securities – Loans and debt securities) is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of its impairment – when there is objective evidence that events have occurred give rise to a negative impact on the future cash flows that were estimated at the time the transaction was arranged.

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

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

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

Calculation of impairment on financial assets

The impairment on financial assets is determined by type of instrument and the category in which they are recognized, as follow is described.

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

Impairment losses determined individually

The quantification of impairment losses on assets classified as impaired is done on an individual basis in connection with customers whose operations are equal to or exceed €1 million.

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

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

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

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

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

Impairment losses determined collectively

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

- Assets classified as impaired of customers in which the amount of their operations is less than €1 million.
- Asset portfolio not impaired but which presents an inherent loss.

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

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

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

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

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

In the case of transactions secured by completed houses when the total exposure is equal or exceeds 80% of the value of the guarantee or collateral and taking into account the age of the past-due amounts, the allowance percentages are as follow:

Age of the past-due amount	Allowance percentage
Less than 3 years	2%
Over 3 years and up to 4 years	25%
Over 4 years and up to 5 years	50%
Over 5 years and up to 6 years	75%
Over 6 years	100%

In the rest of transactions secured by real property taking into account the age of the past-due amounts, the allowance percentages are as follow:

Age of the past-due amount	Allowance percentage
Up to 6 months	between 3.8% and 4.5%
Over 6 months and up to 12 months	between 23.3% and 23.6%
Over 12 months and up to 18 months	between 47.2% and 55.3%
Over 18 months and up to 24 months	between 79.3% and 81.4%
Over 24 months	100%

Debt instruments for which, without qualifying as doubtful in terms of criteria for classification as past-due, there is reasonable doubt that they will be recovered on the initially agreed terms are analyzed individually.

2. Portfolio into force

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

The allowance percentages of hedge are as follows:

Negligible risk	0%	
Low risk	0.06%	0.75%
Medium-low risk	0.15%	1.88%
Medium risk	0.18%	2.25%
Medium-high risk	0.20%	2.50%
High risk	0.25%	3.13%

Impairment of other debt instruments

The impairment losses on debt securities included in the "Available-for-sale financial asset" portfolio are equal to the positive difference between their acquisition cost (net of any principal repayment) and their fair value after deducting any impairment loss previously recognized 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 considered as "Valuation Adjustments - Available-for-Sale Financial Assets" and are recognized in the income statement. If all or part of the impairment losses are subsequently recovered, the amount is recognized in the income statement for the year in which the recovery occurred.

Similarly, in the case of debt instruments classified as "non-current assets held for sale", losses previously recorded in equity are considered to be realised – and are recognized in the income statement – on the date the instruments are so classified.

2.2 RECOGNITION OF INCOME AND EXPENSES

The most significant criteria used by the Bank to recognize its income and expenses are summarized as follows:

Interest income, interest expenses and similar items:

As a general rule, interest income, interest expenses and similar items are recognized on the basis of their period of accrual using the effective interest method. Specifically, dividends recived from other companies are recognized as income when the companies´ right them arises.

Specifically, loan arrangement fees, basically loan origination and application fees, are deferred and recognized 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 recognized. 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 €400 per transaction; this amount is credited to the income statement when the loan is arranged and reduces the aforementioned deferred fees.

However, when a debt instrument is deerned 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 recognized for accounting when collected.

Commissions, fees and similar items:

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

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

Non-finance income and expenses:

These are recognized for accounting purposes on an accrual basis.

Deferred collections and payments:

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

2.3 POST-EMPLOYMENT BENEFITS AND OTHER LONG TERM COMMITMENTS TO EMPLOYEES

Following is a description of the most significant accounting criteria relating to the commitments to employees, related to post-employment benefits and other commitments, of the Bank and branch abroad (Note 18).

Commitments valuation: assumptions and gains/losses recognition

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

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

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

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

Post-employment benefits

- Pensions

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

- <u>Defined contribution commitments</u>

The amounts of these commitments are determined, on a case-by-case basis, as a percentage of certain remuneration items and/or as a pre-established annual amount. The current contributions made by the Bank for defined contribution retirement commitments, which are recognized with a charge to the heading “Personnel Expenses – Contributions to external pension funds” in the accompanying income statements (Notes 18 and 33)

- <u>Defined benefit commitments</u>

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

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

(i) Pension commitments to employees shall be recorded as pension provisions.

(ii) The insurance policy shall be recorded on the asset side as an insurance contract linked to pensions.

(iii) The expense for the period shall be recorded in the item “personnel expenses” net of the amount relating to the insurance contracts.

- Early retirements

Previous years, the Bank offered certain employees in Spain the possibility of taking early retirement before the age stipulated in the collective labor agreement in force. The corresponding provisions by the ank were recognized with a charge to the corresponding headings in the accompanying income statements. The present values are quantified on case-by-case basis and they are recognized in the heading “Provisions – Funds for Pensions and Similar Obligations” in the accompanying balance sheets (Notes 17 and 18).

The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the year of early retirement. The commitments relating to this group of employees after they have reached the age of effective retirement are included in Pensions.

- Post-employments welfare benefits

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

The present values of the vested obligations for post-employment welfare benefits are quantified a case-by-case basis. They are recognized in the heading "Provisions – Funds for Pensions and Similar Obligations" in the accompanying balance sheets (Notes 17 and 18) and they are charged to the heading "Personnel expenses – Other personnel expenses" in the accompanying income statements (Note 33).

2.4 FOREIGN CURRENCY TRANSACTIONS AND EXCHANGE DIFFERENCES

Assets, liabilities and futures transactions

The assets and liabilities in foreign currencies, including the unmatured hedging forward foreign currency purchase and sale transactions were translated to euros at the average exchange rates on the Spanish spot currency market at the end of each period.

Structural currency positions

The breakdown of the main foreign currency balances in the balance sheet at December 31, 2008 and 2007, based on the nature of the related items, is as follows:

2008	Equivalent Value in Thousands of Euros	
	Assets	Liabilities
Financial assets/liabilities held for trading	210,155	-
Loans and receivables	6	-
Other	-	65,092
Total	**210,161**	**65,092**

2007	Equivalent Value in Thousands of Euros	
	Assets	Liabilities
Financial assets/liabilities held for trading	195,336	-
Loans and receivables	16	-
Other	766	23,505
Total	**196,118**	**23,505**

2.5 NON-CURRENT ASSETS HELD FOR SALE

The heading "Non-current Assets Held for Sale" reflects the carrying amount of the individual assets, integrated in a group ("disposal groups") or which form part of a business unit and are being held for sale ("discontinued operations") and it is highly probable they will be sold in their current condition within one year from the date on which are classified as such. Therefore, the carrying amount of these assets – which can be financial or non-financial– will foreseeably be recovered through the price obtained on their sale.

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

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

2.6 TANGIBLE ASSETS

Tangible assets for own use:

Functional tangible assets which are intended to held for continuing use. Non-Current tangible assets for own use are measured in the balance sheets at acquisition cost less any accumulated depreciation and, where appropriate, any estimated impairment losses (net carrying amount higher than fair value).

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 recognized 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 percentage
Buildings for own use	1.33% a 4%
Furniture	8% a 10%
Fixtures	6% a 12%
Office supplies and computerisation	8% a 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.

The BBVA's criteria for determining the recoverable amount of these assets is based on up-to-date independent appraisals, performed within the last 3-5 years at most, absent other indications of impairment.

Similarly, if there is an indication of a recovery in the value of a tangible asset, the Bank recognizes the reversal of the impairment loss recognized 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 recognized in prior years.

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

2.7. TAX ASSETS AND LIABILITIES

The corporation tax expense is recognized in the income statement, except when it results form a transaction recognized directly in equity, in which case the related tax effect is also recognized 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 recognized 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 carry forwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability settled (Note 22)

Deferred tax assets are recognized 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 utilized.

The deferred tax asset and liabilities recognized 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.

2.8. FINANCIAL GUARANTEES

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

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

The provisions made for financial guarantees classified as substandard are recognized under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side in the accompanying balance sheet (Note 17). These provisions are recognized and reversed with a charge or credit, respectively, to "Provisions Expense" in the income statement.

2.9 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions include amounts recognized to cover the Bank's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date, settlement of which is deemed likely to entail an outflow of resources embodying economic benefits. The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Bank relative to third parties in relation to the assumption of certain responsibilities or virtually certain developments of particular aspects of applicable regulation, specifically draft legislation to which the Bank will certainly be subject.

Provisions are recognized in the balance sheet when each and every one of the following requirements is met: the Bank has an existing 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 entity will have to give up resources embodying economic benefits; and a reliable estimate can be made of the amount of the obligation.

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 recognized 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.

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 beyond the control of the entity. They include the existing obligations of the entity when it is not probable that an outflow of resources embodying economic benefits will be required to settle them or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

These include financial guarantees (such as bank guarantees, pledges, or endorsements) and balances drawable by third parties.

A contingent liability is recognized as a substandard contingent liability when the Group considers that it will have to fulfill the obligation entered into due to the probability of failure by a customer being more likely than not, and the valuation methodology used to determine the extent of impairment is the same used for the valuation of financial assets, as explained in Note 2.1.

2.10. 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 substantially all the risks and rewards are transferred to third parties, the transferred financial asset is derecognized and, at the same time, any right or obligation retained or created as a result of the transfer is recognized.

If substantially all the risks and rewards associated with the transferred financial asset are retained, the transferred financial asset is not derecognized and continues to be measured using the same criteria as those used before to the transfer.

The financial assets are derecognized from the balance sheet only if their cash flows are extinguished or the risks and rewards associated with the financial assets are substantially transferred. Similarly, the financial liabilities are derecognized of the balance sheet only if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

2.11. STATEMENTS OF CASH FLOWS

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

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

The reconciliation between the various headings in the balance sheet respect to the cash flow statement is set out following the 2008 cash flow statement.

For the development of statement of cash flows is taken into consideration the following concepts:

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

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

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

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

2.12. STATEMENT OF CHANGES IN CONSOLIDATED TOTAL EQUITY

The statement of changes in consolidated total equity presents the total changes occurred in the equity in the period. This information consists of two parts: Statement of recognized income and expense and Statement of changes in total equity. Next there are explained the principal characteristics of the information contained in both parts of the statement:

Statement of recognized income and expense

This part of the Statement of changes in consolidated total equity presents the income and expenses generated by the Bank due to its activity in the period, distinguishing the recognized ones as "results" in the income statement of the "other income and recognized expenses" straight in equity.

In this statement is showed:

a) Income of the period.

b) The net amount of income and expenses recognized temporarily as "Valuation adjusments" in equity.

c) The net amount of income and expenses recognized definitely in equity.

d) The income tax incurred by the items indicated in b) and c) above, except for the valuation adjustments arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented net.

e) Total consolidated recognised income and expense, calculated as the sum of the items in a) to d) above, presenting separately the amount attributable to the Parent and the amount relating to minority interests.

The detail of the changes in income and expenses recognised in equity under "Valuation Adjustments" is as follows:

a) Revaluation gains/(losses): includes the amount of the income, net of the expenses incurred in the year, recognised directly in consolidated equity. The amounts recognised under this line item in the year remain there, even if in the same year they are transferred to the consolidated income statement, to the initial carrying amount of other assets or liabilities or are reclassified to another line item.

b) Amounts transferred to income statement: includes the amount of the revaluation gains and losses previously recognised in consolidated equity, albeit in the same year, which are recognised in the consolidated income statement.

c) Amount transferred to the initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognised in consolidated equity, albeit in the same year, which are recognised at the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

The amounts of these items are presented gross and, except as indicated above for the items relating to valuation adjustments of entities accounted for using the equity method, the related tax effect is recognised in this statement under "Income Tax".

Consolidated statement of total changes in equity

This part of the consolidated statement of changes in equity includes all the changes in equity, including those due to changes in accounting policy and those made to correct errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the consolidated equity items, and the changes made are grouped together on the basis of their nature into the following items:

a) **Adjustments due to changes in accounting policy and adjustments made to correct errors:** include the changes in consolidated equity arising as a result of the retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policy or to the correction of errors.

b) **Income and expense recognised in the year:** includes, in aggregate form, the total of the aforementioned items recognised in the consolidated statement of recognised income and expense.

Other changes in equity: includes the remaining items recognised in equity, including, inter alia, increases and decreases in the endowment fund, distribution of profit, transactions involving own equity instruments, equity-instrument-based payments, transfers between equity items and any other increases or decreases in consolidated equity.

3. DISTRIBUTION OF PROFIT

The distribution of the Bank's net profit for 2008 that will be proposed by the Board of Directors for approval by the shareholders at the Annual General Meeting is the following:

	Thousands of Euros
Net profit for 2008	**86,888**
Distribution:	
Dividends	56,874
Voluntary reserves	30,014

4. EARNINGS PER SHARE

Basic earnings per share are determined by dividing net profit or losses in a given period by the weighted average number of shares outstanding during the period. As of December 31, 2008 and 2007, the calculation of earnings per share was €3.4573 and €1.9766.

Diluted earnings per share are determined using a method similar to that used to calculate basic earnings per share; however, the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of share options, warrants and convertible debt instruments outstanding at period-end.

As of December 31, 2008 and 2007 there were share based payment instruments that dilute basic earnings per share for periods presented.

5. 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.

Corporate risk management structure

The Board of Directors of Group BBVA is the body responsible for setting the risk policies via the Bank's Standing committee and the Lending committee. The Board hence establishes the general principles defining the target risk profile for the Group. Likewise, it approves the infrastructure required for risk management, the delegation framework and the ceilings system that enable the business to develop in keeping with this risk profile in day-to-day decision-making.

The Lending Committee undertakes periodic analysis and monitoring of risk management within the various levels of delegation of the Bank's administration bodies. The scope of its functions comprises:

- Analysing and assessing proposals for the Bank risk strategy and policies in order to submit to the Bank´s Standing Committee for approval.
- Monitoring the degree to which the risk assumed are in line with the specified profile, as a reflection of the Bank´ s risk tolerance and expected earnings in view of the risk exposure.
- Approval of risk operation within the established delegation system.
- Verification that the Bank is provide with the means, systems, structures and resources in line with best practices to enable it to implement its risk management strategy.
- Submission of the proposals it considers necessary or appropriate to the Bank´ s Standing Committee so that risk management adapts to best practices arising from recommendations on corporate governance or from risk supervisory bodies.

The Group´ s risk management system is managed by an independent risk area, which combines a view by risk types with a global view. The Risk Area assures that the risk tools, metrics, historical databases and information systems are in line and uniform. It likewise sets the procedures, circuits and general management criteria.

The Global Risk Committee – composed by those in charge of the bank´ s risk management – has as main tasks that development and implementation of the Bank´ s risk management model as well as the correct integration of the risk´ s costs in the different decision-making processes. The Global Risk Committee assesses the global risk concentrations and mitigation techniques; monitors the macroeconomic environment and the performance of entities in the sector quantifying global sensitivity and the expected impact of different scenarios of risk positioning.

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

The Technical 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 pf its delegated powers to the Lending Committee.

The New Products Committee is responsible for studying and, if necessary, for approving the introduction of new products before the activities begin. The Committee is also responsible for controlling and monitoring the new products, and for promoting business in an orderly way, and allow them to develop in a controlled environment.

The Asset-Liability Committee (ALCO) is the body responsible for actively managing the Bank´ s structural liquidity, interest rate and currency risks, and its core capital.

Tools and circuits

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

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

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 €9.41 million.

The impact of 100-basis-point changes on the Bank's economic value is €22.25 million. Economic capital at the 99.9% percentile for structural interest rate risk is €18.29 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 €12,685,142 thousand at 31 December 2008, of which, guaranteed risk or over BBVA Group's entities amounted to €9,820,643 thousand. Therefore, the maximum credit risk exposure, net of guarantees, amounted to €2,864,499 thousand. The detail of this amount is as follow:

	Thousands of Euros	
RISKS ON BALANCE	**2008**	**2007**
Financial assets held for trading (Note 8)	**104,439**	**57,377**
Trading derivatives	104,439	57,377
Available-for-sale financial assets (Note 9)	**2,376,983**	**2,678,927**
Debt securities	2,376,983	2,678,927
Loans and receivables (Note 10)	**8,278,408**	**10,019,655**
Loans and advances to credit institutions	255,810	2,294,399
Loans and advances to other debtors	8,022,598	7,725,256
Hedging derivatives (Note 11)	**214,013**	**182,052**
Total	**10,973,843**	**12,938,011**
Financial guarantees (Note 23)	710,293	683,557
Drawable by third parties (Note 23)	1,001,006	1,047,442
Total off-balances	**1,711,299**	**1,730,999**
Maximum exposure to credit risk	**12,685,142**	**14,669,010**

GUARANTEES	2008	2007
	Thousands of Euros	
Loans and advances to other debtors	**7,976,150**	**7,674,564**
Public Sector	7,976,150	7,674,564
Loans and advances to credit institutions	**255,746**	**2,268,970**
Financial guarantees	**705,739**	**683,557**
Other administrations	46,888	34,208
Risk with the BBVA Group	542,429	491,179
Monetary guarantees	116,423	158,170
Drawable by third parties	**956,870**	**1,002,036**
Spanish authorities in normal situation	944,937	993,638
Public institutions in normal situation	11,933	8,398
	9,638,759	**9,360,157**
Trading derivatives	**88,497**	**50,533**
Local and regional institutions	56,253	22,336
Risk with the BBVA Group	31,988	28,197
Compensation arrangements	255	-
Hedging derivatives	**93,386**	**89,309**
Risk with the BBVA Group	93,386	89,309
TOTAL GUARANTEES	**9,650,948**	**9,499,999**
NET RISK OF GUARANTEES	**2,864,499**	**5,169,011**

The net risk of guarantees represents 22.58% of maximum exposure to credit risk. This risk component is neither past due nor impaired and is rated A- or higher by the Bank's internal credit rating system.

The maximum credit exposure at December 31, 2008, is broken down by financial instruments and geographic area in the table below:

Thousands of Euros

RISKS ON BALANCE	Spain	Europe except Spain	USA	Rest	Total
Financial assets held for trading	**88,241**	**16,198**	-	-	**104,439**
Derivatives	88,241	16,198	-	-	104,439
Available-for-sale portfolio	**813,376**	**1,464,974**	**34,132**	**64,501**	**2,376,983**
Debt securities	813,376	1,464,974	34,132	64,501	2,376,983
Loans and receivables	**8,066,750**	**58,030**	**158,780**	**-**	**8,278,408**
Loans and advances to credit institutions	39,000	58,030	158,780	-	255,810
Loans and advances to other debtors	8,027,750	-	-	-	8,027,750
Hedging derivatives	**96,195**	**117,302**	**516**	**-**	**214,013**
Total	**9,064,562**	**1,656,504**	**193,428**	**64,501**	**10,978,995**

RISKS OFF-BALANCE	Spain	Europe except Spain	USA	Rest	Total
Financial guarantees	593,870	-	-	116,423	710,293
Other contingent exposures	1,001,006	-	-	-	1,001,006
Total	**1,594,876**	**-**	**-**	**116,423**	**1,711,299**

Financial assets past due but not impaired

The table below provides disclosure on financial assets past due at December 31, 2008 but not impaired, specifically an age analysis by class of financial instrument:

Thousands of Euros

	Less than 1 month	1 to 2 months	2 to 3 months
Loans and advances to other debtors			
Spanish public institutions	9,897	598	167
Other resident sectors	491	2	-
Total	**10,388**	**600**	**167**

Impaired assets and impaitment losses

The changes for December 31, 2008 and 2007 in the heading “Loans and advances to other customers - impaired financial assest” were as follow:

	Thousands of Euros	
	2008	2007
Balance at the beginning of the year	**40,651**	**40,668**
Additions	977	1
Recoveries	(118)	(18)
Balance at the end of the year	**41,510**	**40,651**

Bank's NPL ratios as of December 31, 2008 and 2007 were 0.51% and 0.52%, respectively.

The changes of impairment losses of the heading "Loans and advances" were as follows:

	Thousands of Euros	
	2008	2007
Balance at beginning of year	**33,944**	**35,880**
Increase in impairment losses charged to income	1	116
Decrease in impairment losses credited to income	(28,792)	(2,050)
Others	-	(2)
Balance at end of year	**5,153**	**33,944**
Of which:		
determined individually	4,116	32,330
determined collectivily	1,037	1,614
Of which:		
Based on the nature of the asset covered	5,153	33,944
Loans and advances to other debtors	5,153	33,944
Of which:		
By geographical area:	5,153	33,944
Europe	5,153	33,944

As of December 31, 2008 and 2007 there are neither writte-offs nor recovery of write-offs of previous periods.

As of December 31, 2008 and 2007, the accrued interest on impaired financial assets amounted to €71,060 and €81,205 thousand respectively, although it was not recognised in the related income statements because there were doubts as to its collectibility.

All assets impaired due to their credit risk at 31 December 2008 were more than 24 months past-due with respect to the maturity of the oldest past-due amount or the date on which they were considered to be impaired and were related to loans granted to Public Administrations in Spain

As of December 31, 2008 there are not operations that would otherwise be past due or impaired whose terms have been renegotiated.

c) LIQUIDITY RISK MANAGEMENT

The Bank aims to orderly replace its existing liabilities upon maturity, while minimising variations in wholesale funding. Accordingly, in the last period, 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 range of guarantees accepted for Bank of Spain monetary policy transactions was extended.

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

Framed by this general philosophy, the following measures were passed into law in Spain during the fourth quarter of 2008:

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

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

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

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

The Bank is entitled to avail of the aforementioned measures under the umbrella of its risk management policy

Residual maturity of operations

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

			Thousands of Euros				
2008	**Total**	**Demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
ASSETS -							
Cash and balances with central banks	216,651	216,651	-	-	-	-	-
Loans and advances to credit insititutions	255,753	-	232,203	-	-	23,550	-
Loans and advances to other debtors	7,904,829	11,940	230,182	226,408	820,066	2,917,179	3,699,054
Debt securities	2,335,844	-	-	-	135,795	402,288	1,797,761
LIABILITIES-							
Deposits from credit institutions	3,367,828	2,022	2,825,461	50,244	8,930	322,001	159,170
Deposits from other creditors	2,432,128	2,232,899	48,939	43,786	74,985	30,019	1,500
Debt certificates	4,472,423	-	-	1,000,874	996,760	2,474,789	-
Other financial liabilities	59,576	58,909	667	-	-	-	-

			Thousands of Euros				
2007	**Total**	**Demand**	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**
ASSETS -							
Cash and balances with central banks	100,073	100,073	-	-	-	-	-
Loans and advances to credit insititutions	2,291,216	-	2,246,686	-	-	3,550	40,980
Loans and advances to other debtors	7,736,134	322	39,560	137,322	932,162	2,928,384	3,698,384
Debt securities	2,600,300	-	-	42,889	133,302	424,016	2,000,093
Other assets							
LIABILITIES-	4,180,000	-	4,180,000	-	-	-	-
Deposits from credit institutions	678,255	2,425	104,043	16,333	8,942	234,720	311,792
Deposits from other creditors	1,968,485	1,625,416	193,032	25,194	75,843	47,500	1,500
Debt certificates	5,470,028	-	-	996,830	-	4,473,198	-
Other financial liabilities	51,620	-	51,620	-	-	-	-

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of an asset or a liability on a given date is the amount for which it could be exchanged or settled, respectively, between two knowledgeable, willing parties in an arm's length transaction. The most objective and common reference for the fair value of an asset or a liability is the price that would be paid for it on an organized, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, by using mathematical measurement models sufficiently tried and trusted by the international financial community. The models we most frequently use are the present value method, Monte Carlo, and Black-Scholes. The estimates used in such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with the asset or liability. However, the limitations inherent to the measurement models developed and the possible inaccuracies of the assumptions required by these models may signify that the fair value of an asset or liability that is estimated does not coincide exactly with the price for which the asset or liability could be exchanged or settled on the date of its measurement.

Determining the fair value of financial instruments

Following is a comparison of the carrying amounts of the Bank's financial assets and liabilities and their respective fair values as of December 31, 2008:

	Thousands of Euros			
	2008		2007	
	Book value	Fair value	Book value	Fair value
Assets				
Cash and balances with central banks	216,651	216,651	100,073	100,073
Financial assets held for trading	104,439	104,439	57,377	57,377
Available-for-sale financial assets	2,376,983	2,376,983	2,678,927	2,678,927
Loans and receivables	8,278,408	8,293,926	10,019,655	10,088,632
Hedging derivatives	214,013	214,013	182,052	182,052
Liabilities				
Financial assets held for trading	86,186	86,186	47,524	47,524
Financial liabilities at amortised cost	10,591,784	10,547,213	12,464,760	11,354,477
Hedging derivatives	440,308	440,308	254,152	254,152

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

- The fair value of "Cash and balances with central banks", which are short term by their very nature, is equivalent to their carrying amount.
- The fair values of "Loans and receivables" and "Financial liabilities at amortized cost" was estimated by discounting estimated cash flows to present value using the market interest rates prevailing at each year-end.

For financial instruments which are carried at fair value, the measurement processes used are set forth below:

- Measurement using market observable quoted prices for the financial instrument in question, secured from independent sources and linked to active markets (Level 1). This level includes listed debt securities, other listed equity instruments, derivatives in organized markets and mutual funds.
- Measurement using valuation techniques the inputs for which are drawn from market observable data (Level 2). This level includes unlisted debt securities, other unlisted equity instruments and OTC derivatives (swaps, forward contracts, etc). They are measured using discounted cash flow methodology using market observable interest rate and spread curves.
- Measurement using valuation techniques, where some of the inputs are not taken from market observable data (Level 3). Model selection and validation is undertaken at the independent business units.

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

	Thousands of Euros					
	2008			2007		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading						
Trading derivatives (Note 8)	-	104,439	-	-	57,377	-
Available-for-sale financial assets						
Debt securities (Note 9)	2,376,983	-	-	2,678,927	-	-
Hedging derivatives (Nota 11)	-	214,013	-	-	182,052	-
LIABILITIES						
Financial liabilities held for trading						
Trading derivatives (Note 8)	-	86,186	-	-	47,524	-
Hedging derivatives (Note 11)	-	440,308	-	-	254,152	-

7. CASH AND BALANCES WITH CENTRAL BANKS

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

	Thousands of Euros	
	2008	2007
Balances at the Bank of Spain	216,651	100,073
Total	**216,651**	**100,073**

8. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

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

	Thousands of Euros			
	2008		2007	
	Receivable	Payable	Receivable	Payable
Trading derivatives	104,439	86,186	57,377	47,524
Total	**104,439**	**86,186**	**57,377**	**47,524**

The breakdown, by type of transaction, of the balances of these headings in the balance sheets at 31 December 2008 and 2007 is as follows:

	Thousands of Euros			
2008	**Currency risk**	**Interest rate risk**	**Equity price risk**	**Total**
OTC Markets				
Credit instutions	**13,327**	**(15,041)**	**(1,488)**	**(3,202)**
Foward transactions	13,327	-	-	13,327
Swaps	-	25,811	-	25,811
Options	-	(40,852)	(1,488)	(42,340)
Other sectors	**-**	**19,967**	**1,488**	**21,455**
Swaps	-	3,269	-	3,269
Options	-	16,698	1,488	18,186
Total	**13,327**	**4,926**	**-**	**18,253**
of which: Asset Trading Derivatives	**15,942**	**87,009**	**1,488**	**104,439**
of which: Liability Trading Derivatives	**(2,615)**	**(82,083)**	**(1,488)**	**(86,186)**

	Thousands of Euros			
2007	**Currency Risk**	**Interest Rate Risk**	**Equity Price Risk**	**Total**
OTC Markets				
Credit instutions	**5,280**	**(10,254)**	**4,041**	**(933)**
Foward transactions	5,280	-	-	5,280
Swaps	-	15,595	-	15,595
Options	-	(25,849)	4,041	(21,808)
Other sectors	**-**	**14,827**	**(4,041)**	**10,786**
Swaps	-	2,925	-	2,925
Options	-	11,902	(4,041)	7,861
Total	**5,280**	**4,573**	**-**	**9,853**
of which: Asset Trading Derivatives	**6,844**	**46,492**	**4,041**	**57,377**
of which: Liability Trading Derivatives	**(1,564)**	**(41,919)**	**(4,041)**	**(47,524)**

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 2008 and 2007, is as follows:

	Thousands of Euros	
	2008	**2007**
Debt securities		
Spanish government bonds	430,272	495,361
Foreign government bonds	1,328,014	1,390,855
Issued by credit institutions	185,295	248,121
Residents in Spain(*)	-	4,145
Nonresidents in Spain	185,295	243,976
Other fixed debt securities	392,263	465,963
Residents in Spain(*)	333,323	417,568
Nonresidents in Spain	58,940	48,395
Valuation adjustments(**)	41,139	78,627
Total	**2,376,983**	**2,678,927**

(*) Includes securitized bonds amounting to €297,803 and €382,050 thousand, respectively (Note 10.3)

(**) Valuation adjustments shown above are for hedging derivatives associated with available for sale financial assets

In 2008 and 2007, one thousand and €1,377 thousands, respectively, were debited to Valuation Adjustments and recorded under Gains/Losses on Financial Assets and Liabilities in the income statements for 2008 and 2007 (Note 31).

The detail, by geographical area, of this heading, disregarding valuation adjustments, is as follows:

	Thousands of Euros	
	2008	**2007**
Spain	2,251,511	2,513,196
United States	28,965	34,199
Rest of the world	55,368	52,905
Total	**2,335,844**	**2,600,300**

Losses net of tax and hedging derivatives associated with the portfolio recognised in equity at 31 December 2008 amounted to €187,382 thousand (at 31 December 2007, such net losses amounted to €7,147 thousand).

The unrealised losses are considered temporary and therefore have not been recognized in the profit and loss account, as they have arisen in less than one year, due mainly to changes in credit spread and liquidity

The changes of acumulated gains/losses, net of taxes, as of December 31, 2008 and 2007 was as follow:

	Thousands of Euros	
	2008	**2007**
Balance at beginning of year	**(7,147)**	**(6,877)**
Measurement gains and losses	(257,479)	991
Income tax	77,244	116
Amounts transfers to income	-	(1,377)
Balance at end of year	**(187,382)**	**(7,147)**

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 2008 and 2007, is as follows:

	Thousands of Euros	
	2008	**2007**
Loans and advances to credit institutions	255,810	2,294,399
Loans and advances to other debtors	8,027,751	7,759,200
Total gross	**8,283,561**	**10,053,599**
Less: impairment losses	(5,153)	(33,944)
Total	**8,278,408**	**10,019,655**

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 2008 and 2007, was as follows:

	Thousands of Euros	
	2008	2007
Deposits with agreed maturity	53,562	2,224,546
Bonds given in cash	202,190	66,670
Rest	1	-
Total gross	**255,753**	**2,291,216**
Valuation adjustments(*)	57	3,183
Total	**255,810**	**2,294,399**

(*) The valuation adjustments shown above correspond 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 2007 and 2006, is as follows:

	Thousands of Euros	
	2008	2007
Credit accounts	338,656	331,255
Other loans	7,510,137	7,331,939
Receivable on demand and other	12,217	31,226
Finance leases	2,309	1,063
Impaired assets	41,510	40,651
Total gross	**7,904,829**	**7,736,134**
Valuation adjustments	**117,769**	**(10,878)**
Impairment losses	(5,152)	(33,444)
Accrued interests and fees	49,306	64,826
Hedging derivatives and others	73,615	(42,261)
Total	**8,022,598**	**7,725,256**

The breakdown, by borrower sector, of the balance of this heading at 31 December 2008 and 2007, disregarding valuation adjustments, was as follows:

	Thousands of Euros	
	2008	2007
Public Sector	7,655,130	7,451,370
Agriculture	256	307
Industry	1,634	2,007
Real estate and construction	17,293	15,105
Trade and finance	280	320
Loans to individuals	468	698
Other	229,768	266,327
Total	**7,904,829**	**7,736,134**

At 31 December 2008 and 2007, the balance of this epigraph of the balance sheet statement was corresponding entirely to operations in Europe.

At 31 December 2008 and 2007, 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 2-j). At 31 December 2008 and 2007, the securitised loans amounting to €269,007 thousand and €355,246 thousand, respectively, were derecognised (Note 2.11 and 27).

At 31 December 2008 and 2007, the balance of asset-backed bonds acquired in full by the Bank amounted to €297,803 thousand and €382,050 thousand, respectively, and are included under "Available-for-Sale Financial Assets" (Note 9).

11. Hedging derivatives (receivable and payable)

As of December 31, 2008 and 2007 the main positions hedge by the Bank and the derivatives assigned to hedge those positions are:

- Fair value hedge:

- Available for sale fixed rate debt securities: this risk is hedge using interest – rate derivatives (fixed – variable swaps).
- Long term rate debt issued by Bank this is hedge using interest – rate derivatives (fixed – variable swaps).
- Fixed rate loans: this risk is hedged using interest – rate derivatives (fixed – variable swaps).

The detail of the fair value of interest rate risk hedging derivatives held by the Bank and recognised in the balance sheets at 31 December 2008 and 2007 is as follows:

	Thousands of Euros	
2008	**2008**	**2007**
OTC Markets		
Credit institutions	**(225,742)**	**(72,122)**
Fair value micro-hedge	(225,742)	(72,122)
Other financial institutions	**(553)**	**2**
Fair value micro-hedge	(553)	2
Total	**(226,295)**	**(72,120)**
of which: Asset Hedging Derivatives	**214,013**	**182,052**
of which: Liability Hedging Derivatives	**(440,308)**	**(254,172)**

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.

As regards fair value hedges, €16,750 thousand relating to the correction of income (Note 28) and €41,614 thousand relating to losses on hedging instruments (Note 28) were recognised in the income statement for 2008.

12. NON-CURRENT ASSETS HELD FOR SALE

In 2008 the Bank transferred the value of its properties located at Plaza de Santa Bárbara, nos. 1 and 2 in Madrid to this heading from "Property, plant and equipment – Own use" and "Investment properties" within Tangible assets, in the amount of €12,942 thousand and €14,458 thousand, respectively.

These properties classified as "non-current assets held for sale" are assets available for sale, which is considered highly probable. The sale of most of these assets is expected to be completed within one year of the date on which they are classified as "non-current assets held for sale".

The fair value of the properties classified as non-current assets held for sale was calculated as the net carrying amount of the assets transferred from "Tangible assets". Nonetheless, appraisals performed by specialist registered entities reveal no indication of impairment.

13. INVESTMENTS

The balance of the heading "Investments" in the accompanying balance sheets includes the carrying amounts of the shares of BCL Internacional Finance LTD. The share capital of this company is USD 100, which coincides with its carrying amount.

Relevant information on these investments at 31 December 2008 is as follows:

Company	Location	Activity	Direct	Net Carrying Amount	Assets as of 31.12.08	Liabilities as of 31.12.08	Equity 31.12.08	Profit (Loss) for the Period ended 31.12.08
					Thousands of Euros			
BCL Internacional Finance, LTD	Cayman	Financial services	100.00%	-	157,183	157,177	6	(16) (*)

(*) Income pending submission by the governing bodies concerned and the date unaudited.

14. TANGIBLE ASSETS

The detail, by class of asset, of the changes in 2008 and 2007 in this heading in the balance sheets, is as follows:

	Thousands of Euros			
	Property, plants and equipment		Investment Properties	Total
2008	Land and Buildings	Furniture, Fixtures and		
Revalued cost -				
Balance at 1 January 2008	**9,132**	**6,331**	**16,931**	**32,394**
Additions	-	3,443	-	3,443
Retirements	-	(128)	-	(128)
Transfers	(8,858)	(7,071)	(16,931)	(32,860)
Balance at 31 December 2008	**274**	**2,575**	**-**	**2,849**
Accumulated depreciation -				
Balance at 1 January 2008	**1,348**	**3,477**	**2,426**	**7,251**
Additions	29	95	47	171
Retirements	-	(96)	-	(96)
Transfers	(1,293)	(1,694)	(2,473)	(5,460)
Balance at 31 December 2008	**84**	**1,782**	**-**	**1,866**
Impairment -				
Balance at 1 January 2008	-	**-**	**-**	**-**
Balance at 31 December 2008	-	**-**	**-**	**-**
Net tangible assets -				
Balance at 1 January 2008	**7,784**	**2,854**	**14,505**	**25,143**
Balance at 31 December 2008	**190**	**793**	**-**	**983**

2007	Thousands of Euros Property, plants and equipment Land and Buildings	Furniture, Fixtures and	Investment Properties	Total
Revalued cost -				
Balance at 1 January 2007	**9,081**	**6,303**	**16,847**	**32,231**
Additions	51	28	84	163
Retirements	-	-	-	-
Balance at 31 December 2007	**9,132**	**6,331**	**16,931**	**32,394**
Accumulated depreciation -				
Balance at 1 January 2007	**1,202**	**3,185**	**2,157**	**6,544**
Additions	146	292	269	707
Retirements	-	-	-	-
Balance at 31 December 2007	**1,348**	**3,477**	**2,426**	**7,251**
Impairment -				
Balance at 1 January 2007	**-**	-	-	**-**
Balance at 31 December 2007	**-**	**-**	**-**	**-**
Net tangible assets -				
Balance at 1 January 2007	**7,879**	**3,118**	**14,690**	**25,687**
Balance at 31 December 2007	**7,784**	**2,854**	**14,505**	**25,143**

At 31 December 2008 and 2007, no net impairment losses on tangible assets had been charged to the income statement.

At 31 December 2008 and 2007, fully depreciated tangible assets amounted to €1,460 thousand and €1,384 thousand, respectively.

15. OTHER ASSETS AND LIABILITIES

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

	Thousands of Euros 2008	2007
Assets -		
Other concepts	-	43
Prepaid expenses	-	1
Other prepayments	861	294
Total	**861**	**338**
Liabilities -		
Transactions in transit(*)	8,450	4
Unmatured accrued expenses	184	604
Total	**8,634**	**608**

(*) Corresponds mainly to transactions with customers that have been regularized as normal in the early days of 2009.

16. FINANCIAL LIABILITIES AT AMORTISED COST

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

	Thousands of Euros 2008	2007
Deposits from central banks	-	4,186,355
Deposits from credit institutions	3,369,315	679,053
Deposits from other creditors	2,536,519	2,019,027
Debt certificates	4,626,370	5,528,705
Other financial liabilities	59,580	51,620
Total	**10,591,784**	**12,464,760**

16.1. Deposits from central banks

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

	Thousands of Euros	
	2008	**2007**
Bank of Spain		
Credit account drawdowns	-	3,897,799
Other assets under repurchase agreements	-	282,201
Valuation adjustments (*)	-	6,355
Total	**-**	**4,186,355**

(*) includes accruals of interest

At 31 December 2008 and 2007, the financing limit assigned to the Bank by the Bank of Spain and other central banks was €4,809,001 thousand and €3,919,281 thousand, respectively, of which €4,809,001 thousand and €3,897,799 thousand had been drawn down.

16.2. 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	
	2008	**2007**
Demand deposits	2,022	2,425
Deposits with agreed maturity	3,345,749	656,868
Repurchase agreements	20,057	18,962
Subtotal	**3,367,828**	**678,255**
Valuation adjustments (*)	1,487	798
Total	**3,369,315**	**679,053**

(*) includes accruals of interest

The balance of this item in the balance sheet relates in full to transactions in Europe and the mayority are with maturity to short-term (Note 5).

The item "Deposits with agreed maturity" include issuances 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 €150,000 thousand and two issues were launched in September 2004, amounting to €120,000 thousand and €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.

16.3. 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	
	2008	2007
General Government	**2,282,459**	**1,804,709**
Spanish	2,282,459	1,804,709
Other resident sectors	**41,420**	**46,748**
Current accounts	40,995	45,304
Deposits with agreed maturity	425	1,444
Non-resident sectors	**108,249**	**117,028**
Deposits with agreed maturity	108,249	117,028
Valuation adjustments (*)	**104,391**	**50,542**
Total	**2,536,519**	**2,019,027**
Of which:		
In euros	**2,536,519**	**2,019,027**

(*) Represents the accrual of interest and similar income, and valuation adjustments for hedging derivatives associated with deposits from other creditors

The balance of "Customer Deposits - Non-Residents – Time Deposits" in the balance sheets, at 31 December 2008 and 2007, includes deposits amounting to €108,249 thousand and €117,028 thousand, respectively, taken from BCL International Finance Ltd., a company wholly owned by the Bank (Note 13), which engages in the raising of funds in the international markets for subsequent lending to the Bank. At 31 December 2008 and 2007, the outstanding balance of the Euro Medium Term Note Programme amounted to €108,249 thousand and €117,028 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.

The detail, by geographical area, of the heading at 31 December 2008 and 2007 is as follows:

	Thousands of Euros		
2008	**Demand Deposits**	**Deposits with agreed Maturity**	**Total**
Spain	2,232,899	90,980	2,323,879
Rest of the world	-	108,249	108,249
Total	**2,232,899**	**199,229**	**2,432,128**

	Thousands of Euros		
2007	**Demand Deposits**	**Deposits with agreed Maturity**	**Total**
Spain	1,625,415	226,042	1,851,457
Rest of the world	-	117,028	117,028
Total	**1,625,415**	**343,070**	**1,968,485**

16.4. Debt certificates (including bonds)

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

	Thousands of Euros	
	2008	2007
Bonds and debentures issued:		
Other non-convertible securities	4,472,423	5,470,028
Total gross	**4,472,423**	**5,470,028**
Valuation adjustments(*)	153,947	58,677
Total	**4,626,370**	**5,528,705**

(*) Includes accruals, expenses for issuance and valuation adjustments for micro-operations hedge

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	
	2008	2007
Non-convertible bonds and debentures at floating interest rates	1,000,619	1,420,553
Non-convertible bonds and debentures at fixed interest rates	3,471,804	4,469,408
Total	**4,472,423**	**5,889,961**

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

- €1,000,000 thousand issue made in July 2007 and maturing in February 2009, with nominal interest rate of three month EURIBOR plus 4 basis points.

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

- €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.

- €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.

- €1,000,000 thousand issue made by the Bank in October 2006, which bear fixed annual interest of 3.75% until their final redemption in March 2011.

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

The interest accrued on marketable debt securities in 2008 and 2007 amounted to €188,897 thousand and €204,627 thousand, respectively, excluding the corrections due to hedging transactions (Note 28).

17. PROVISIONS

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

	Thousands of Euros	
	2008	2007
Provisions for pensions and similar obligations	20,020	23,141
Provisions for contingent exposures and risks	264	143
Other provisions	1,770	3,769
Total	**22,054**	**27,053**

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

	Thousands of Euros		
	Provisions for Pensions and similar obligation	Commitments and contingent risks provisions	Other provisions
Balance at beginning of 2007	**27,348**	**136**	**2,466**
Add -			
Year provision with a charge to income for the year	604	7	1,595
Other changes	-	-	-
Less -			
Available funds	-	-	-
Payments to early retirees (Note 18)	(4,179)	-	-
Provisions used and other changes	(632)	-	(292)
Balance at end of 2007	**23,141**	**143**	**3,769**
Add -			
Year provision with a charge to income for the year	729	212	-
Less -			
Payments to early retirees (Note 18)	(3,616)	-	-
Available funds	-	(91)	(1,982)
Provisions used and other changes	(234)	-	(17)
Balance at end of 2008	**20,020**	**264**	**1,770**

The year provisions for pensions charged to income in 2008 under the headings “Interest expenses and similar charges” and “Provision expense(net)” in the income statement amounted to €687 thousand and €42 thousand, respectively.

The year provisions for pensions charged to income in 2007 under the headings “Interest expenses and similar charges”, “Personal expenses” and “Provision expense (net) in the income statement amounted to €739 thousand, €1 and €(136) thousand, respectively.

Period provisions relating to the heading “Provisions for contingent exposures and commitments” were recorded under the heading “Provisions Expense (Net)” of the income statements.

Also, period provisions totaling €1,982 relating to the heading “Provisions – Other Provisions” were recorded in 2008 under the headings “Provisions Expense (Net)” (€1,595 thousand in 2007).

18. COMMITMENTS WITH PERSONNEL

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

The employee welfare system in place al the Bank supersede and improve the terms and conditions of the collective labour agreement for the banking industry; the commitments envisaged in the event of retirement, death and disability cover all employees, including those hired after 8 March 1980. The Bank externalized all its commitments to serving and retired employees pursuant to Royal Decree 1588/1999. These commitments are instruments in pensions plans, insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99,94% owned by the Banco Bilbao Vizcaya Argentaria Group. This employee welfare system includes define contribution commitments and define benefit commitments.

18.1 Commitments in Spain

The commitments with personnel for post-employment defined contribution plans have no impact in the accompanying balance sheets (Note 2.3). In 2008, the Bank has made contributions to the defined contribution plans with a charge to the income statement amounted to €22 thousand (in 2007 the contributions amounted €25 thousand)

18.2 Commitments for post-employment defined benefit plans and other long-term post-employment benefits

Following the table shows the commitments for defined benefit plans as well the rest of long-term post-employment benefits, which are recognized as provisions on the accompanying balance sheets.

	Thousands of Euros	
	2008	**2007**
Post-employment benefits		
Post-employment benefits	5,477	5,711
Early retirement	14,365	17,220
Post-employment welfare benefits	178	210
Total	**20,020**	**23,141**
Net commitments of plan assets	**20,020**	**23,141**
of which:		
Net assets	**-**	-
Net liabilities(*)	20,020	23,141

(*) Recorded under the heading "Provisions - Provisions for Pensions and Similar Obligations" of accompanying balance sheets

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

	2008	2007
Mortality tables	PERM/F2000P.	PERM/F 2000P.
Discount rate (cumulative annual)	4.5%/AA corporate bond yield curve	4.5%/AA corporate bond yield curve
Consumer price index (cumulative annual)	2%	2%
Salary growth rate (cumulative annual)	At least 3% (depending on employee)	At least 3% (depending on employee)
Retirement ages	First date at which the employees are entitled to retire or contractually agreed at the individual level in the case of early retirements	

18.2.1. Public social security system benefit supplement

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

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

	Thousands of Euros	
	2008	**2007**
Commitments to retired employees	5,477	5,645
Vested contingencies in respect of current employees	-	66
	5,477	**5,711**
Coverage at end of year:		
Insurance contracts with related insurance companies	5,477	5,711
Total	**5,477**	**5,711**

The commitments mentioned in the previous table include commitments by defined benefit for which insurance contracts have been contracted with BBVA Seguros, S.A. de Seguros y Reaseguros, which is owned by the BBVA Group. The commitments are registered under the heading "Funds for pensions and similar obligations" of the accompanying balance sheets (Note 17) and the insurance contract assets are recognised in the heading “Insurance contracts linked to pensions”.

In 2008 and 2007 the Bank did not make any contributions relating to its defined benefit retirement obligations.

18.2.2. Early retirements

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

In 2008 and 2007 no Bank employees retired early.

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

	Thousands of Euros	
	2008	2007
Balance at beginning of year	**17,220**	**20,863**
+ Interest cost	678	733
+ Early retirements in the year	-	-
- Payments made	(3,596)	(4,153)
+ Other changes	-	-
+/- Actuarial losses (gains)	63	(223)
Balance at end of year	**14,365**	**17,220**
Present actuarial value at end of the year		
Internal provisions	14,365	17,220

18.2.3 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 detail of these obligations at 31 December 2008 and 2007 is as follow:

	Thousands of Euros	
	2008	2007
Post-employment welfare benefit commitments to retired employees	178	203
Vested post-employment welfare benefit contingencies in respect of current employees	-	7
Total:	**178**	**210**
Coverage at end of each year		
Internal provisions	178	210

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

	Thousands of Euros	
	2008	2007
Balance at beginning of year	**210**	**142**
+ Interest cost	9	6
+ Current service cost	-	1
- Payments made	(20)	(26)
+ Other changes	-	-
+/- Actuarial losses (gains)	(21)	87
Balance at end of year	**178**	**210**

18.3. Summary

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

	Thousands of Euros	
	2008	2007
Interest expense and similar charges		
Interest cost of pension funds	687	739
Personnel expenses		
Social attentions	-	1
Transfer to pensions plans	22	25
Provision expense (net)		
Transfer to fund for pension and similar obligations		
Pension funds	42	(136)
Early retirements	-	-
Total	**751**	**629**

At December 2008 and 2007 there were no unfunded actuarial gains or losses arising from differences between the actuarial assumptions and what had actually occurred or, where appropriate, from the effects of changes in the actuarial assumptions used.

19. SHARE CAPITAL

At 31 December 2008 and 2007, the Bank's share capital amounted to €151,042,983.44 and consisted of 25,131,944 fully subscribed and paid registered shares of €6.01 par value each.

There were no changes in share capital in 2008.

At 31 December 2008, 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

(*) Company belonging to Grupo BBVA

20. SHARE PREMIUM

The balance of this heading in the balance sheet at 31 December 2008 and 2007 amounted to €10,662 thousand.

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

21. RESERVES

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

	Thousands of Euros	
	2008	**2007**
Restricted reserves:		
Legal reserve	30,209	30,209
Restricted reserve for retired capital	3	3
Unrestricted reserves:		
Voluntary reserves and other	54,370	54,370
Total	**84,582**	**84,582**

21.1. Legal reserve

Under the 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 2008. 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.

22. 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	
	2008	**2007**
Corporation tax 30% (32.5% in 2007)	**37,246**	**23,851**
Effect of permanent differences and other	8	52
Adjustments to prior years' income tax	12	(192)
Income tax	**37,266**	**23,711**

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

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 €1,770 thousand (Note 15) was recorded at 2007 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 2008 and 2007 the Bank recognised €80,306 thousand and €3,063 thousand, respectively, in equity.

“Deferred Tax Assets” amounted to €5,675 thousand in 2008 and €18,211 thousand in 2007.

23. 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 2008 and 2007 is as follows:

	Thousands of Euros	
	2008	**2007**
Contingent exposures -		
Collateral, bank guarantees and indemnities	710,293	683,557
Total	**710,293**	**683,557**
Contingent commitments -		
Drawable by third parties:		
General government sector	944,937	993,638
Other resident sectors	56,069	53,804
Total	**1,001,006**	**1,047,442**

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.

24. ASSETS EARMARKED FOR OTHER OWN AND THIRD-PARTY OBLIGATIONS

At 31 December 2008 and 2007, the assets owned by the Bank earmarked for own obligations amounted to €9,155,697 thousand and €4,367,601 thousand, respectively. These amounts related mainly to assets provided as security for credit facilities assigned to the Bank by the Bank of Spain.

25. OTHER CONTINGENT ASSETS AND LIABILITIES

At 31 December 2008 and 2007 the Bank had no other contingent assets or liabilities.

26. 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 2008 and 2007, the Bank had neither financial assets sold with a repurchase agreement nor financial assets purchased under a resale agreement.

27. TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

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

	Thousands of Euros	
	2008	2007
Asset transfers	269,007	355,246
Derecognised in full from the balance sheet (Note 10)	269,007	355,246
Conditional bills and other securities received for collection	13	21
Total	**269,020**	**355,267**

28. INTEREST AND SIMILAR INCOME AND INTEREST EXPENSE AND SIMILAR CHARGES

28.1 Interest and similar income

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

	Thousands of Euros	
	2008	2007
Central Banks	2,267	2,152
Loans and advances to credit institutions	15,619	26,477
Loans and advances to other debtors	383,329	356,162
General government	367,329	338,739
Resident sector	16,000	17,423
Debt securities	121,467	130,111
Rectification of income as a result of hedging transactions (Note 11)	16,750	(22,784)
Other income	744	869
Total	**540,176**	**492,987**

28.2. Interest expense and similar charges

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

	Thousands of Euros	
	2008	2007
Bank of Spain and other central banks	93,922	99,723
Deposits from credit institutions	66,564	42,944
Deposits from other creditors	56,758	52,791
Debt certificates (Note 16)	188,897	204,627
Rectification of expenses as a result of hedging transactions (Note 11)	41,614	20,313
Cost attributable to pension funds (Note 17 and 18)	687	739
Other charges	-	4
Total	**448,442**	**421,141**

29. FEE AND COMMISSION INCOME

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

	Thousands of Euros	
	2008	2007
Commitment fees	9	34
Contingent liabilities	1,758	1,667
Bank and other guarantees	1,758	1,667
Collection and payment services	77	69
Non-banking financial products sales	-	4
Other fees and commissions	129	144
Total	**1,973**	**1,918**

30. FEE AND COMMISSION EXPENSES

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

	Thousands of Euros	
	2008	2007
Brokerage fees on lending and deposit transactions	38	21
Fees and commissions assigned to third parties	106	107
Other fees and commissions	81	65
Total	**225**	**193**

31. 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	
	2008	2007
Net gains or losses on sale or measurement of assets		
Financial assets held for trading	874	1,620
Available-for-sale financial assets (Note 9)	1	(1,377)
Total	**875**	**243**

The breakdown, by financial instrument, is as follows:

	Thousands of Euros	
	2008	2007
Debt instruments	1	(1,377)
Derivatives	874	1,620
Total	**875**	**243**

32. OTHER OPERATING INCOME AND EXPENSES

The detail of the heading "Other operating income" of the accompanying income statements was as follows:

	Thousands of Euros	
	2008	2007
Real estate income	1,251	1,201
Rest of operating income	235	1,814
Total	**1,486**	**3,015**

The detail of the heading "Other operating expenses" of the accompanying income statements was as follows:

	Thousands of Euros	
	2008	2007
Real estate expenses	153	-
Fondo de garantía de depósitos	13	26
Other concepts	144	4
Total	**310**	**30**

33. ADMINISTRATIVE EXPENSES

33.1 Personnel expenses

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

	Thousands of Euros	
	2008	2007
Wages and salaries	51	112
Social security costs	259	311
Contributions to external pension funds (Note 17)	22	25
Other personnel expenses	33	162
Total	**365**	**610**

At 31 December 2008 the Bank had not employees.

33.2. Other administrative expenses

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

	Thousands of Euros	
	2008	2007
Technology and systems	362	530
Communications	29	27
Advertising	23	121
Property, fixtures and materials	12	10
Taxes other than income tax	86	50
Other expenses	941	1,373
Total	**1,453**	**2,111**

At 31 December 2008, the heading "Other Administrative Expenses" of the foregoing detail included €37 thousand, relating to fees paid to the Bank's auditor for the audit of the 2008 financial statements.

Also, the Bank has engaged the external auditor to provide other services amounting to €7 thousand.

The services provided by our accountants meet the independence requirements established in Law 44/2002, of 22 November, on Measures Reforming the Financial System and in the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC), and accordingly they did not include the performance of any work that is incompatible with the auditing function.

34. RELATED-PARTY TRANSACTIONS

34.1. Transactions with Subsidiaries

The balances of the main aggregates in the financial statements arising from the transactions carried out in 2008 and 2007 by 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	
	2008	**2007**
Assets:	**151,666**	**2,310,747**
Loans and advances to credit institutions	53,619	2,206,955
Available for sale financial assets	-	4,145
Insurance contracts	5,477	5,711
Other assets	294	-
Derivatives	92,276	93,936
Liabilities:	**3,307,162**	**459,019**
Deposits from credit institutions	2,886,910	165,073
Customer deposits	211,463	166,646
Derivatives	208,789	127,300
Other liabilities	503	353
Off-balance-sheet items	**659,102**	**623,797**
Contingent liabilities	659,102	623,797
Income statement	**98,169**	**81,894**
Income	43,987	30,863
Expenses	54,182	51,031

At 31 December 2008 and 2007, the notional amount of the futures transactions arranged by the Bank with the main Group companies mentioned above amounted to €6,377,519 and €7,192,252 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.

34.2. 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 36.

At 31 December 2008 and 2007 no credits or loans had been granted to the members of the Bank's Board of Directors.

At 31 December 2008, the accounts payable to the Bank's directors amounted to €6 thousand.

34.3. Other related-party transactions

There were no other significant related-party transactions.

35. STATEMENT OF CASH FLOWS

Cash flows from operating activities amounted to €169,665 thousand in 2008, compared to €83,692 thousand in 2007. The most significant changes occurred in "Deposits to other customers" and "Loans and receivables".

Cash flows from investing activities amounted to €3,411 thousand in 2008, compared to €1,314 thousand in 2007. The most significant changes occurred in investments in material assets.

Cash flows from financing activities amounted to €49,676 thousand in 2008, compared to €40,922 thousand in 2007. The most significant movements were in the payments of dividends of previous periods.

36. REMUNERATION OF THE BANK'S DIRECTORS AND SENIOR MANAGEMENT

The remuneration paid to the non-executive members of the Board of Directors during 2008 is indicated below. The figures are given individually for each non-executive director and itemised in thousand euros.

			Thousands of Euros
	Charge	Concept	Amonunt
José Ramón Guerediaga Mendiola (**)	President	-	-
Rita Barberá Nolla	Director	Attendance fees	10
Luis Escauriaza Ibañez (**)	Director	-	-
Pedro Fontana García (*)	Director	-	-
Ignacio Marco-Gardoqui Ibañez	Director	Attendance fees	10
Ramón Herrera Otal (*)	Director	-	-
Mª Angeles Peláez Morón (*)	Director		-
Pedro Urresti Laca (*)	Director		
Luis González López (*)	Director	-	-
Rafael Varela Martínez (*)	Director	-	-
Total			**20**

(*) Members of the management team of Banco Bilbao Vizcaya Argentaria, S.A. They do not earn any remuneration in their capacity as directors of Banco de Crédito Local de España, S.A.

(**) Members of the management team of Banco Bilbao Vizcaya Argentaria, S.A. who took early retirement. They do not earn any remuneration in their capacity as directors of Banco de Crédito Local de España, S.A.

At 31 December 2008 and 2007 the Bank did not have any pension or life insurance obligations to the members of the Board of Directors.

37. DETAIL OF THE DIRECTORS' HOLDINGS IN COMPANIES WITH SIMILAR BUSINESS ACTIVITIES

Pursuant to Article 127 of the Spanish Corporations Law introduced by Law 26/2003 of July amending Securities Market Law 24/1988 of July, and the revised Corporations Law, in order to reinforce the transparency of listed companies, set forth below are the companies engaging in an activity that is identical, similar or complementary to that which constitutes the corporate purpose of BBVA, in which constitutes the corporate purpose of the Bank, in which the members of the Board of Directors have a direct or indirect ownership interest in 2008:

	Investments			
Surname (s) and First Name	Company	Number of Shares	Type of Ownership Interest	Position or Function
D. Ignacio Marco-Gardoqui	B. SANTANDER	26,266	DIRECT	-
	POPULAR	800	DIRECT	-
	BBVA	367,313	DIRECT	-
D. Luis Escauriaza Ibañez	BBVA	12,800	DIRECT	-
	B. SANTANDER	12,950	DIRECT	-
	BNP	1,500	DIRECT	-
D. Ramón Herrera Otal	BBVA	52,121	DIRECT	Executive
D. Pedro Fontana García	BBVA	17,689	DIRECT	Executive
	BBVA	250,000	INDIRECT	-
Dª. Rita Barberá Nolla	B. SANTANDER	1,003	DIRECT	-
	BCO. VALENCIA	1,956	DIRECT	-
	BBVA	2,063	DIRECT	-
D. José Ramón Guerediaga Mendiola	BBVA	17,000	DIRECT	-
	BBVA	330,000	INDIRECT	-
Dª Mª Angeles Peláez Morón	BBVA	2,175	DIRECT	
	Banco de Promoción de Negocios, S.A.	1	DIRECT	President
D. Rafael Varela Martínez	BBVA	34,315	DIRECT	Executive

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. (Sole Shareholder Company).

Surname (s) and First Name	Activity Carried On	Company Through Which the Activity Is Carried On	Position or Function at the Company Concerned
Dª Mª Angeles Peláez Morón	President	Banco Industrial de Bilbao S.A. (*)	President
	President	Banco Depositario BBVA, S.A. (*)	President
	President	Banco Occidental, S.A. (*)	President

(*) Belonging to the BBVA Group

38. SUBSEQUENT EVENTS

Subsequent to the year-end close, the Directors of Banco de Crédito Local de España, S.A. (Sole Shareholder Company) and BBVA Factoring E.F.C., S.A. (both sole shareholder companies), in their respective Board meetings held on January 26, 2009, and Banco Bilbao Vizcaya Argentaria, S.A., in its Board meeting of January 27, 2009, approved the proposal to merge the first two sole shareholder companies into Banco Bilbao Vizcaya Argentaria, S.A. and the subsequent transfer *en bloc* of their assets to BBVA, which will acquire by universal succession the transferors' rights and obligations.

The merger agreement will be submitted to shareholders for approval in general meeting during the first quarter of the year. Given that the merged companies are wholly and directly owned by Banco Bilbao Vizcaya Argentaria, S.A., in accordance with article 250.1 of the Spanish Public Limited Companies Act, it will not be necessary to increase the capital of Banco Bilbao Vizcaya Argentaria, S.A. or for management reports to be prepared by the companies involved in the merger, or for reports to be prepared by independent experts on the merger proposal.

On 9th January 2009, the majority shareholder, Banco Bilbao Vizcaya Argentaria, S.A., became sole shareholder as a consequence of the acquisition of the share owned by Cidessa Uno, S.L. on 31st December de 2008.

Pursuant to article 128.1 in the Companies Act (Act 2/95), the following contains express, itemised reference to the contracts that the Company has with the sole shareholder, indicating their nature and terms and conditions:

- Financial leasing contract with Banco Bilbao Vizcaya Argentaria, S.A. for the building booked as a non-current Asset Available For Sale (Note 12).
- Interest Rate Swaps and options with Banco Bilbao Vizcaya Argentaria, S.A. signed for interest-rate hedging (see Notes 11 and 34).
- Interbank deposits with Banco Bilbao Vizcaya Argentaria, S.A. signed to fund the Company's financing activity (see Notes 11 and 34).
- Financial guarantee contracts signed with Banco Bilbao Vizcaya Argentaria, S.A. (see Note 34).

39. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

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

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

- **Balance sheet**: in contrast to the balance sheet forming part of the financial statements as of December 31, 2007, the model balance sheet included in these financial statements:

  a) Includes within "Tangible assets – Tangible fixed assets" both "Tangible assets – For own use" and "Tangible assets – Other assets leased out under and operating lease", included in the asset side of the balance sheet forming part of the financial statements for 2007.

  b) Includes under "Loans and advances to credit institutions" and "Loans and advances to other debtors," all the amounts previously classified in under "Loans and receivables – Other financial assets" in the asset side of balance sheet forming part of the financial statements for 2007.

  c) Includes "Other assets - Other," which combines the captions "Prepayments" and "Other assets" presented in the asset side of balance sheet forming part of the financial statements for 2007.

  d) Includes on the liability side of the balance sheet "Other liabilities", which combines the "Accrued expenses" and "Other liabilities" headings included on the balance sheet forming part of the annual financial statements as of December 31, 2007.

- **Income statement:** in contrast to the model income statement used in the financial statements as of December 31, 2007, the income statement presented in these financial statements:

  e) Does not contemplate "Net interest income" per se instead introducing a new margin called "Net interest income" representing the difference between "Interest and similar income" and "Interest expense and similar charges" and "Income from equity instruments" (this last caption is new with respect to the model income statement used in the annual financial statements as of December 31, 2007).

  f) Includes a new margin called "Gross margin". "Ordinary margin" is no longer included. This new "Gross margin" is similar to the previous "Ordinary margin" except for the fact that it includes other operating income and expense which previously did not form part of the ordinary margin. In addition, the new model includes interest income and charges arising on non-financial activities (see letter g, below) and comprises other items previously recognized under "Other gains" and "Other losses" (see letter i, below).

  g) Eliminates the headings "Sales and income from the provision of non-financial services" and "Cost of sales" from the income statement. These amounts are now recognized primarily under "Other operating income" and "Other operating expenses," respectively, in the income statement.

  h) "Staff expenses" and "General and administrative expenses" include amounts previously recognized under "Other gains" and "Other losses" in the earlier model.

  i) "Impairment losses (net)" is now divided into two headings: "Impairment losses on financial assets (net)", which comprises net impairment losses on the financial assets other than equity instruments classified as shareholdings; and "Impairment losses on other assets (net)", which includes net impairment losses on equity instruments classified as shareholdings and on non-financial assets.

  j) Eliminates "Net operating income" and creates "Income from operating activity." These measures of profit mainly differ in that "Income from operating activity" includes the expense arising on the Bank's non-financial activity, net impairment losses on financial instruments and net provisions, as well as the amounts previously recognized under "Other gains" and "Other losses" in the earlier statement format.

  k) Does not include "Other gains" and "Other losses," instead creating the following new headings: "Gains/(losses) on derecognized assets not classified as non-current assets held for sale” and “Gains/(losses)on non-current assets held for sale not classified as discontinued operations” which comprise, basically, the captions that previously formed part of the two eliminated headings mentioned above.

In accordance with paragraph 38 of IAS 1, reconciliation between the income statement during 2008 and 2007, prepared by Bank in accordance with the Circular 4/2004 of the Bank of Spain, and the income statement prepared in accordance with the Circular 6/2008 of the Bank of Spain, is provided below:

Thousands of Euros

Income statement in accordance with Bank of Spain Circular4/2004	2007	Reconciliation	2007	Income statement in accordance with Bank of Spain Circular 6/2008
1.INTEREST AND SIMILAR INCOME	492,987		492,987	1. Interet income
2.INTEREST EXPENSE AND SIMILAR CHARGES	(421,141)		(421,141)	2. Interet expense
2.1.Income on equity having the nature of financial liability	-		-	3. Remuneration on refundable capital
2.2.Other interests	(421,141)		(421,141)	
				A) NET INTEREST INCOME
3.INCOME FROM EQUITY INSTRUMENTS	-		-	4. Income from equity instruments
A) NET INTEREST INCOME	71,846			
5.FEE AND COMMISSION INCOME	1,918		1,918	6. Fee and commission income
6. FEE AND COMMISSION EXPENSES	(193)		(193)	7. Fee and commission expenses
8.GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	243		243	8. Gains or losses on financial assets and liabilities (net)
8.1. Held for trading	1,620		1,620	8.1 Held for trading
8.2. Other financial instruments at fair value through profit or loss	-		-	8.2 Other financial instruments at fair value through profit or loss
8.3.Available-for-sale financial assets	(1,377)		1,377	8.3 Other financial instruments not valued at fair value through profit and loss
8.4.Loans and receivables	-		-	8.4 Accounting hedging not included in interests
8.5.Other	-		-	
9.DIFERENCIAS DE CAMBIO (NETO)	3		3	9. Exchange differences (net)
B) GROSS INCOME	73,817			
12.OTHER OPERATING INCOME	1,371	1,644	3,015	10. Other operating income
16.OTHER OPERATING EXPENSES	(30)		(30)	11. Other operating expenses
			76,802	B) GROSS MARGIN
			(2,721)	12. Administration cost
13.PERSONNEL EXPENSES	(610)		(610)	12.1 Staff expenses
14.OTHER ADMINISTRATIVE EXPENSES	(2,111)		(2,111)	12.2 General and administrative expenses
15.DEPRECIATION AND AMORTISATION	(707)		(707)	13. Amortisation
15.1. Tangible assets	(707)			
15.2.Intangible assets	-			
C) NET OPERATING INCOME	71,730			
18.PROVISION EXPENSE (NET)	(1,466)		(1,466)	14. Provision expense (net)
17.IMPAIRMENT LOSSES (NET)	1,479	455	1,934	15. Impairment losses on financial assets (net)
17.1.Available-for-sale financial assets	-			
17.2.Loans and receivables	1,934		1,934	15.1 Loans and receivables
17.3.Held-to-maturity investments	-			
17.4.Non-current assets held for sale (tangible assets)	-			
17.5.Investments	(455)	455		
17.6.Tangible assets	-			
17.7.Goodwill	-			
17.8. Other intangible assets	-			
17.9. Other assets	-			
			-	15.2 Other financial instruments not valued at fair value through profit and loss

Thousands of Euros

Income statement in accordance with Bank of Spain Circular4/2004	2007	Reconciliation	2007	Income statement in accordance with Bank of Spain Circular 6/2008
			73,842	C) INCOME FROM OPERATING ACTIVITY
			(455)	16. Impairment losses for other assets (net)
			-	16.1 Goodwill and other intabgible assets
		(455)	(455)	16.2 Other assets
			-	17. Gains (Losses) in written of assets not classified as non-current assets held for sale
			-	18. Negative Goodwill
			-	19. Gains (Losses) in non-current assets held for sale not classified as discontinued operations
21.OTHER GAINS	1,644			
21.1.Gains on disposal of tangible assets	-			
21.2.Gains on disposal of investment	-			
21.3.Other	1,644	(1,644)		
22.OTHER LOSSES	-			
22.1 Losses on disposal of tangible assets	-			
22.2.Losses on disposal of investment	-			
22.3.Other	-			
D) INCOME BEFORE TAX	73,387		73,387	D) INCOME BEFORE TAX
23.INCOME TAX	(23,711)		(23,711)	20. Income tax
E) INCOME FROM ORDINARY ACTIVITIES	49,676		49,676	E) INCOME FROM CONTINUED OPERATIONS
25.iNCOME FROM DISCONTINUED OPERATIONS (NET)	-		-	22. Income from discontinued operations (net)
F) INCOME FOR THE YEAR (+/-)	49,676		49,676	F) CONSOLIDATED INCOME FOR THE YEAR

BANCO DE CREDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company)

MANAGEMENT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

Banco de Crédito Local de España, S.A. (Sole Shareholder Company) ("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 and focuses mainly on providing financing to the public sector in Spain and to the agencies and subsidiaries thereof, for which end it has a network of 55 branches integrated in the BBVA commercial network located in the major cities of the autonomous communities in Spain.

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 6/2008, as of November 26.

ECONOMIC ENVIRONMENT IN 2008

During the third trimester of 2008 the international macroeconomic environment has kept deteriorating. Financial markets have suffered important disruptions, especially in September, marked by this crisis of various Financial and insurance companies. This then resulted in higher liquidity tensions and a practical halt in the interbank lending market. All of this has led to continued increase in interest rates, especially for short terms. Likewise stock indexes around the world have suffered new drops, with volatility increasing.

In the USA, where the crisis originated, activity indicators show a notable slowdown in the economy. The real state market is still immersed in its adjustment period, reflected by house sales data (new and old), consumer confidence indicator and unemployment numbers. Other activity indicators, such as the Industrial Production and the Manufacturing Index ISM, have finished the year below 50 points. This clearly reflects the recession de American economy is in the midst of.

Nonetheless, the decrease in the price of oil has lightened the pressure on inflation. The Euro Zone indicators point to a slow rhythm in economic advancement, in line with what is happening in Spain. In Europe, the slowdown in economic growth continues. The industrial and service activities are at all time lows, as reflected by the PMI index being under 50 points, with an increased deterioration of consumer confidence levels as well. Mirroring the situation in the USA, industrial production is slowing down significantly, while unemployment is on the rise, confirming the deterioration of the real economy. This is appreciated in the slowdown of GDP growth.

In view of the seriousness of the situation, during the month of October the governments of the USA and from numerous countries in the European Union started to approve specific plans to combat the crisis. The measures taken by the Spanish government aim to resolve the lack of liquidity of financial entities, re-establish confidence and to recover the mechanism of long term financing, with a limited cost and that will be recovered in the future. This will all be done through the Financial Assets Acquisition Fund (there has already been auctions in 2008).

Likewise, Central Banks have intervened by the means of liquidity injections, and in a coordinated action lowered the interest rates in December the Federal Reserve (down to 0.25%), the European Central Bank (down to 2.5%) and the Bank of England (down to 2%). In January 2009 the ECB and the Bank of England again lowered the interest rates half a point, down to 2% and 1.5% respectively.

LENDING TO AUTONOMOUS COMMUNITY AND LOCAL AUTHORITIES

According to the latest available (at 30 September 2008) the overall indebtedness of Autonomous Community governments increased by 10% in the first nine months of 2008 to €62.93 billion, compared with growth of 1.7% for the year-ago period. Lending to local government corporatios was higher at €30.79 billion at 30 September 2008, 6.6% up on the previous year.

FINANCIAL LIABILITIES OF REGIONAL AND LOCAL GOVERNMENTS	As of September 30, 2008		As of September 30, 2007	
	Amount	% variation 2007	Amount	% variation 2006
Local governments	30.79	6.6	28.76	6.40
Autonomous community governments	62.93	10.0	57.05	1.50
Total	93.72	8.9	85.81	3.10

Source: Bank of Spain Statistical Gazette. Tables 13.7 and 14.7 in billions of euros

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

1. The trend in Spain's economic situation from 2007, with a significant increase in local and regional government savings, boosted autonomous community and local government finances.

2. The plans of containment of expense started by any administrations are not sufficient to compensate the strong descent of the public income, do not deriving in a deterioration of the accounts of the territorial entities.

3. On the other hand, the will of the administrations to increase the public investment to reactivate the real estate sector, raises the level of public deficit, and with it his debt.

As for the future perspectives, everything makes to think that this tendency should increase during 2009.

As regards competition in this market, the macroeconomic environment once again had a significant effect. In 2008 low interest rates continued to put pressure on margins; in addition, the increase in lending flows from financial institutions to local governments, - whict 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.

Billions of Euros

MARKET SHARE	As of September 30, 2008		As of September 30, 2007	
	Volume	%	Volume	%
Commercial Banks	24.9	42.3	21.8	42.1
Savings Banks	13.7	23.3	12.3	23.8
ICO and others	1.6	2.8	1.6	3.0
Other	18.6	31.7	16.1	31.1
Total	58.8	100.0	51.8	100.0

Source: Bank of Spain Statistical Gazette. Tables 13.7 and 14.7 in billions of euros

ACTIVITY OF BANCO DE CREDITO LOCAL DE ESPAÑA, S.A. (Sole Shareholder Company) IN 2008

INSTITUTIONAL BUSINESS

Loans and receivables

Total loans and credits to the sector amounted to €8,022 million, with a growing over 2007 of 297.3 million.

Customer flows and funds

The balances of depositors grew by 25.6% compared with 2007 to €2,536 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 assumpion 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, participated 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 a 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 follow:

- The Board of Directors of Group BBVA is the most senior body that determines the Bank's risk policy and approves any non-delegated transactions.
- The Lending Committee, is a specialised body whose functions include, inter alía: evaluation of the general risk policies and establishment of limits by type of risk, management resources, procedure 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 pf its delegated powers to the Lending Committee.
- The Asset-Liability Committee (ALCO) is the body responsible for actively managing the Bank´ s structural liquidity, interest rate and currency 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 grom the branches that makw up the Bank's network.

In addition, the risk accpetance areas of the regional offices have been stregthened through the provision of suitable means to carry out risk acceptance tasks- Delgation 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

The Financial Management Unit, with the Asset-Liability Committee (ALCO), manages the Bank´ s structural liquidity, interest rate and currency risks, and its core capital.

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 ar any given time base on expected trends in economic and finance variables.

Liquidity Risk

The management of the structural liquidity has to be financed for an object the growth by appellant of the bank business in suitable conditions of term and cost, across a wide scale of instruments of financing that allow to gain access to different sources of alternative financing.

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, th 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.

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 31 December 2008 and 2007, are as follows (in millions of euros):

			Variation	
BALANCE SHEETS	**2008**	**2007**	**Absolute**	**%**
CASH AND BALANCES WITH CENTRAL BANKS	216,651	100,073	116.6	116.5
FINANCIAL ASSETS HELD FOR TRADING	104,439	57,377	47.1	82.0
AVAILABLE FOR SALE FINANCIAL ASSETS	2,376,983	2,678,927	(301.9)	(11.3)
LOANS AND RECEIVABLES	8,278,408	10,019,655	(1,741.2)	(17.4)
Loans and advances to credit institutions	*255,810*	*2,294,399*	*(2,038.6)*	*(88.9)*
Loans and advances to other debtors	*8,022,598*	*7,725,256*	*297.3*	*3.8*
HEDGING DERIVATIVES	214,013	182,052	32.0	17.6
NON-CURRENT ASSETS HELD FOR SALE	27,400	-	27.4	n/a
INSURANCE CONTRACTS LINKED TO PENSIONS	5,477	5,711	(0.2)	(4.1)
TANGIBLE ASSETS	0.983	25,143	(24.2)	(96.1)
TAX ASSETS	86,681	18,211	68.5	n/a
OTHER ASSETS	0.861	0.338	0.5	155.7
TOTAL ASSETS = LIABILITIES	**11,311,896**	**13,087,487**	**(1,775,591.0)**	**0.14**
FINANCIAL LIABILITIES HELD FOR TRADING	86,186	47,524	38.7	81.41
FINANCIAL LIABILITIES AT AMORTISED COST	10,591,784	12,464,760	(1,873.0)	(15.0)
HEDGING DERIVATIVES	440,308	254,172	186.1	73.2
PROVISIONS	22,054	27,053	(5.0)	(18.5)
TAX LIABILITIES	17,137	4,554	12.6	n/a
OTHER LIABILITIES	8,634	0.608	8.0	n/a
VALUATION ADJUSTMENTS	(187,382)	(7,147)	(180.2)	n/a
CAPITAL AND RESERVES	246,287	246,287	0.000	0.0
PROFIT	86,888	49,676	37.2	74.9

The Bank's Total Assets at 31 December 2008 amounted to €11,312 million, a decrease of €1,775 million with respect to 2007, due mainly to the decerse of interbank activity in the Asset (Loans to credit entities) and the maturity of issuances in the Liability.

The main caption of the balance sheet, Loans and receivables amounted to €8,022 million, a increase of €297 millions with respect last year amount.

As regards liabilities, on-balance-sheet funds relating to the business with customers amounted to €2,323 million, an increase of 25% with respect last year.

Funds from wholesale funding obtained on capital markets, i.e. the sum of non-resident sector deposits and debt certificates (including bonds), amounted to €4,837 million a similar figure to that of 2007.

	Millions of Euros		
	DEC. 08	DEC. 07	% variation
FINANCIAL LIABILITIES AT AMORTISED COST	**10,592**	**12,465**	**(15.0)**
Central banks and credit institutions	3,369	4,865	(30.8)
Resident sector deposits	2,323	1,852	25.6
Non-resident sector deposits	211	167	26.3
Debt certificates (Including bonds)	4,626	5,529	(16.3)
Other financial liabilities	60	52	15.4
MEMORANDUM ITEMS			
Actitivity with customers	2,323	1,852	25.4
Wholesale funding	4,837	5,696	(15.1)

CAPITAL REQUIREMENTS

Capital management at the BBVA Group is undertaken with the overriding objective of complying with its regulatory capital requirements under Bank of Spain criteria, as set forth in Bank of Spain Circular 3/2008, of May 22, regarding the calculation and oversight of minimum capital requirements at Spanish credit institutions, under the Bank for International Settlements' new Basel Capital Accord (BIS-II).

This circular stipulates that the consolidated groups of credit institutions must at all times maintain a capital adequacy ratio or solvency coefficient of no less than 8% of that entity's risk-weighted assets, measured as set forth in the same circular.

At December 31, 2008, the regulatory capital management function analyzed eligible capital and minimum capital requirements under the Bank of Spain criteria stipulated in Circular 3/2008, of May 22.

The Bank, in compliance with the minimum capital requirements established in that circular, computes its equity within the minimum requirements presented by the Group.

In 2008, the Bank requested exemptions from the separate capital disclosure requirement as it met the circumstances provided for under rule 5 of Circular 3/2008 for qualifying for this exemption. At December 31, 2008, the Bank of Spain had not yet ruled on the matter; meanwhile the Bank is making the necessary arrangements to present its official statements in the event that its request is turned down or it does not hear back before the presentation deadline.

At 31 December 2008, 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

	Millions of euros		Variation	
INCOME STATEMENT	**2008**	**2007**	**Absolute**	**%**
Interest and similar income	540,176	492,987	47,189	9.6
Interest expense and similar charges	(448,442)	(421,141)	(27,301)	6.5
NET INTEREST INCOME	**91,734**	**71,846**	**19,888**	**27.7**
Fee and commission income	1,973	1,918	0.055	2.9
Fee and commission expense	(0.225)	(0.193)	(0.032)	16.6
Gains (losses) on financial assets and liabilities (net)	*0.875*	*0.2430*	*0.632*	260.1
Exchange differences	-	*0.003*	*(0.003)*	(100.0)
Other operating income	*1,486*	*3,015*	*(1,529)*	(50.7)
Other operating expenses	*(0.310)*	*(0.030)*	*(0.280)*	933.3
GROSS INCOME	**95,533**	**76,802**	**18,731**	**24.4**
Adminitrative expenses	(1,818)	(2,721)	0.903	(33.2)
Personnel expenses	(0.365)	(0.610)	0.245	(40.2)
Other administrative expenses	(1,453)	(2,111)	0.658	(31.2)
Amortisation	(0.171)	(0.707)	0.536	(75.8)
Provision expenses (net)	1,819	(1,466)	3,285	(224.1)
Impairment losses of financial assets (net)	28,791	1,934	26,857.0	1,388.7
NET OPERATING INCOME	**124,154**	**73,842**	**50,312.0**	**68.1**
Impairment losses of other assets (net)	-	(0.455)	0.455	(100.0)
INCOME BEFORE TAX	**124,154**	**73,387**	**50,767**	**69.2**
Income tax	(37,266)	(23,711)	(13,555)	57.2
INCOME FOR THE YEAR	**86,888**	**49,676**	**37,212**	**74.9**

In 2008 net interest income amounted to €95,533 million a increase of 24% compared with the previous year.

Profit before tax amounted to €124,154 million, which represents a increase of 70% as compared with 2007. Net of the estimated corporation tax, profit for the year amounted to €86,888 million, 74.9% up on 2007.

With these results, the return on average total assets (ROA) was 0.76% and the return on average equity (ROE) was 35.32%.

ORGANISATION AND RESOURCES

Structures and organisation

In order to ensure the uniformity of administrative support procedures, under the Wholesale Banking Project the administration of BCL's loan transactions was included in the new Madrid Operating Centre, thereby supporting operational risk control through the incorporation of task- or function-based processes.

As a result of the inclusion of the derivatives and options trading operations in the ABACO application, the integration of all the Treasury Department's back-office operations in the BBVA Group's information systems was substantially completed, including automation of the existing manual interfaces and automatic adaptation of the accounting information generated to the new standards in force.

Similarly, in keeping with the Group's new organisation, management of BCL's Operational Risk tools was integrated in the Business and Corporate Banking Division.

RESEARCH AND DEVELOPMENT

The BBVA Group considers innovation to be a strategic priority and a key to growth and differentiation. Accordingly, it has launched an ambitious Innovation and Transformation Plan of which innovation is the driving force.

The BBVA Group's business units are responsible for implementing their innovation plans and a unit for Innovation and Development was created that is developing projects based on three lines of activity:

- New methods of marketing and communication: as a result of identifying the changes that are taking place in society, the BBVA Group has initiated a plan to establish new customer relationship and communication models.
- New digital businesses: the BBVA Group is developing new services that will enable it to extend its relationship with consumers. To implement the new services, emphasis is being placed on two channels: on the one hand, extending the Bank's internal capacities and, on the other, building on the attributes and values associated with our brand.
- New methods of internal cooperation: the objective is to include new tools and modes of internal relationship to improve the Bank's efficiency and benefit teamwork and communication.

OUTLOOK

The future perspectives are framed inside the merger project with BBVA, on which one comments in the paragraph of subsequent events.

ENVIRONMENTAL IMPACT

At 31 December 2008, 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 2008 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.

REPORT OF CORPORATE GOVERNMENT

BANK OF LOCAL CREDIT OF SPAIN, S.A. (Sole Shareholder Company) entity domiciled in Spain which rights to vote correspond in its entirety to BANK BILBAO VIZCAYA ARGENTARIA, S.A., in fulfillment of the established thing the 6th Norm of the Circular 1/2004 of March 17 of the National Commission of the Stock market, it does not prepare an Annual Report of Corporate Government that is prepared and presented before the CNMV by Banco Bilbao Vizcaya Argentaria, S.A. as parent company of the Group BBVA.

SUBSEQUENT EVENTS

Subsequent to the year-end close, the Directors of Banco de Crédito Local de España, S.A. (Sole Shareholder Company) and BBVA Factoring E.F.C., S.A. (both sole shareholder companies), in their respective Board meetings held on January 26, 2009, and Banco Bilbao Vizcaya Argentaria, S.A., in its Board meeting of January 27, 2009, approved the proposal to merge the first two sole shareholder companies into Banco Bilbao Vizcaya Argentaria, S.A. and the subsequent transfer *en bloc* of their assets to BBVA, which will acquire by universal succession the transferors' rights and obligations.

The merger agreement will be submitted to shareholders for approval in general meeting during the first quarter of the year.

Given that the merged companies are wholly and directly owned by Banco Bilbao Vizcaya Argentaria, S.A., in accordance with article 250.1 of the Spanish Public Limited Companies Act, it will not be necessary to increase the capital of Banco Bilbao Vizcaya Argentaria, S.A. or for management reports to be prepared by the companies involved in the merger, or for reports to be prepared by independent experts on the merger proposal.

On 9th January 2009, the majority shareholder, Banco Bilbao Vizcaya Argentaria, S.A., became sole shareholder as a consequence of the acquisition of the share owned by Cidessa Uno, S.L. on 31st December de 2008.

Pursuant to article 128.1 in the Companies Act (Act 2/95), the following contains express, itemised reference to the contracts that the Company has with the sole shareholder, indicating their nature and terms and conditions:

- Financial leasing contract with Banco Bilbao Vizcaya Argentaria, S.A. for the building booked as a non-current Asset Available For Sale.
- Interest Rate Swaps and options with Banco Bilbao Vizcaya Argentaria, S.A. signed for interest-rate hedging.
- Interbank deposits with Banco Bilbao Vizcaya Argentaria, S.A. signed to fund the Company's financing activity.
- Financial guarantee contracts signed with Banco Bilbao Vizcaya Argentaria, S.A.