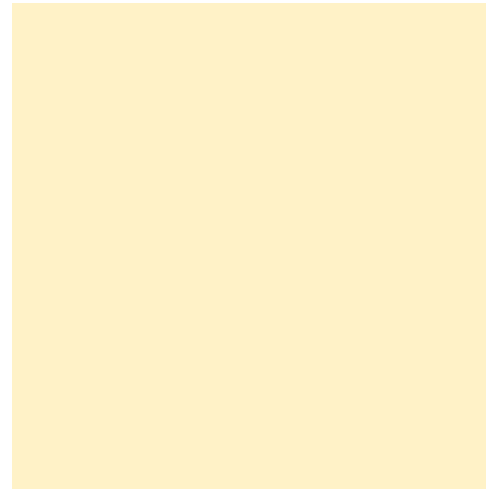
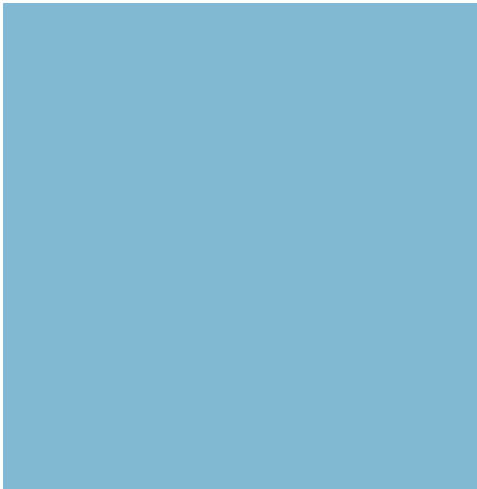
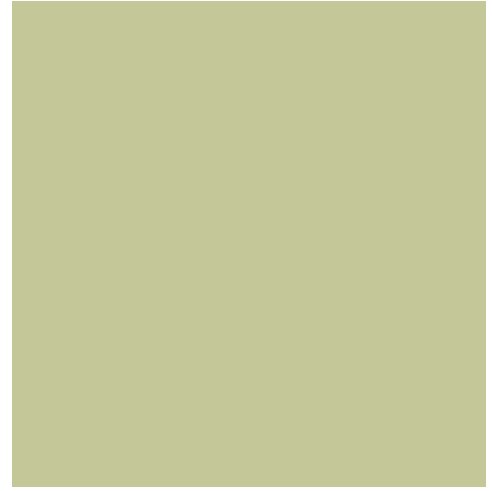


**BBVA**



**Corporate Governance Report 2003**

**WARNING:** *The English version is only a translation of the original in Spanish for information purposes. In case of a discrepancy, the Spanish original prevails.*

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- SECTION III RELATED-PARTY AND INTRA-GROUP TRANSACTIONS
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# Section I

## Ownership structure

## 1. SHARE CAPITAL

The share capital of the Banco Bilbao Vizcaya Argentaria, S.A. amounts to 1,565,967,501.07 Euros, represented by 3,195,852,043 bearer shares with a par value of 0.49 Euros each, fully subscribed and paid up. This figure was last changed on 30th November 2000.

All BBVA shares are of the same class and series, with the same political and economic rights. There are no limits in the Bylaws restricting either the free trading of shares or their voting rights, except the limitation in Article 9 preventing shareholders from voting if they have not paid a capital call.

There are no statutory constraints on the trading of BBVA shares, except in articles 56 and subsequent of Spanish Act 26/1988, on the Discipline and Comptrol of Financial Institutions (Disciplina e Intervención de las Entidades de Crédito), which makes it obligatory to report to the Bank of Spain prior to acquisition or divestment of significant shareholdings in financial institutions.

## 2. SIGNIFICANT HOLDINGS IN THE SHARE CAPITAL

There are no significant individual holdings in the BBVA share-capital structure in the meaning provided under Royal Decree 377/1991, 15<sup>th</sup> March, on disclosure of significant holdings in public companies and treasury stock acquisition. During 2003, there were no significant changes in BBVA's shareholding structure.

Consequently, there are no persons exercising control over the Company under the terms established in article 4 of the Spanish Securities Market Act (Mercado de Valores).

However, on 31.12.2003 Chase Nominees Ltd., as international custodian/deposit bank, held 5.25 % of the Bank's capital.

The shareholding structure in BANCO BILBAO VIZCAYA ARGENTARIA, S.A. on 31<sup>st</sup> December 2003 is shown in the following table:

TRANCHES	SHAREHOLDERS		SHARES	
	Number	%	Number	%
Up to 150	447,725	38.6	36,729,873	1.1
151-450	347,959	30.0	91,365,696	2.9
451-1,800	243,116	21.0	210,477,164	6.6
1,801-4,500	68,312	5.9	191,003,480	6.0
4,501- 9,000	25,842	2.2	162,070,175	5.1
9,001-45,000	21,767	1.9	387,048,451	12.1
45,000 on	4,166	0.4	2,117,157,204	66.2
<b>TOTALS</b>	<b>1,158,887</b>	<b>100.0</b>	<b>3,195,852,043</b>	<b>100.0</b>

## 3. EXTRA-CORPORATE AGREEMENTS

To 31st December 2003, BBVA has not received any information of extra-corporate agreements on the exercise of voting rights at its General Shareholders Meetings (GSMs) or restricting or placing conditions over the free transferability of BBVA shares.

## 4. RELATIONS BETWEEN SIGNIFICANT SHAREHOLDERS AND THE COMPANY

Given that on 31st December 2003 there were no significant BBVA shareholders, this item is not applicable.

## 5. DIRECTORS' SHAREHOLDINGS

On 31st December 2003, the members of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. held 38,012,890 BBVA shares. The following table shows how many shares each Director holds directly or indirectly and the percentage of total BBVA share capital held by each Director individually and the Board as a whole.

DIRECTOR	No. of shares (direct)	No. of shares (indirect) *	Total no. of shares	Total share capital	Percentage
ALVAREZ MEZQUÍRIZ, JUAN CARLOS	30,530	0	30,530	3,195,852,043	0.0010
BREEDEN, RICHARD C.	8,000	0	8,000	3,195,852,043	0.0003
BUSTAMANTE Y DE LA MORA, RAMÓN	10,139	710	10,849	3,195,852,043	0.0003
FERRERO JORDI, IGNACIO	2,350	7,000	9,350	3,195,852,043	0.0003
GOIRIGOLZARRI TELLAECHÉ, JOSÉ IGNACIO	117,612	281,819	399,431	3,195,852,043	0.0125
GONZÁLEZ RODRÍGUEZ, FRANCISCO	666	1,139,626	1,140,292	3,195,852,043	0.0357
KNÖRR BORRÁS, ROMÁN	13,536	1,827	15,363	3,195,852,043	0.0005
LACASA SUÁREZ, RICARDO	8,184	0	8,184	3,195,852,043	0.0003
MALDONADO RAMOS, JOSÉ	11,537	0	11,537	3,195,852,043	0.0004
MARAÑÓN Y BERTRÁN DE LIS, GREGORIO	28,727	54,600	83,327	3,195,852,043	0.0026
MEDINA FERNÁNDEZ, ENRIQUE	26,028	974	27,002	3,195,852,043	0.0008
RODRÍGUEZ VIDARTE, SUSANA	9,607	0	9,607	3,195,852,043	0.0003
SAN MARTÍN ESPINÓS, JOSÉ MARÍA	18,490	33,087	51,577	3,195,852,043	0.0016
TELFÓNICA de España, S.A.	0	36,215,223	36,215,223	3,195,852,043	1.1329
TOMÁS SABATÉ, JAUME	2,618	0	2,618	3,195,852,043	0.0001
	288,024	37,724,866	38,012,890	3,195,852,043	1.1894

\* Telefónica S.A., parent company of "Telefónica de España, S.A." holds 36,215,223 BBVA shares. This holding represents 1.13% of its share capital.

\* Through:

DIRECTOR	No. of shares (indirect)	Name	No. Shares
ÁLVAREZ MEZQUÍRIZ, JUAN CARLOS	0		
BREEDEN, RICHARD C.	0		
BUSTAMANTE Y DE LA MORA, RAMÓN	710	Inés Bustamante Piñeyro	710
FERRERO JORDI, IGNACIO	7,000	LEMPIRA SIMCAV, S.A.	7,000
GOIRIGOLZARRI TELLAECHÉ, JOSÉ IGNACIO	281,819	AZATRA, S.L.	281,819
GONZÁLEZ RODRÍGUEZ, FRANCISCO	1,139,626	INVERSIONES BOREAL, S.L.	1,139,626
KNÖRR BORRÁS, ROMÁN	1,827	Pilar Alonso Verastegui	1,827
LACASA SUÁREZ, RICARDO	0		
MALDONADO RAMOS, JOSÉ	0		
MARAÑÓN Y BERTRÁN DE LIS, GREGORIO	54,600	CIGARRAL DE INVERSIONES SIMCAV, S.L.	32,500
		LOCALES EMA, S.L.	22,100
MEDINA FERNÁNDEZ, ENRIQUE	974	DESPACHO LEGAL, S.L.	634
		Hortensia Malo González	340
RODRÍGUEZ VIDARTE, SUSANA	0		
SAN MARTÍN ESPINÓS, JOSÉ MARÍA	33,087	CONSTRUCCIONES SAN MARTÍN, S.A.	33,087
TELFÓNICA de España, S.A.	36,215,223		
TOMÁS SABATÉ, JAUME	0		

## 6. TREASURY STOCK

On 31st December 2003, the Bank and some consolidated group holding companies owned 7,486,321 shares, (0.2210% of the Banco Bilbao Vizcaya Argentaria S. A. share capital in circulation). These shares were basically to hedge against future transactions related to the performance of certain stock indexes. Their book value on this same date was 66 million euros. The average annual treasury stock during 2003 has varied from a minimum of 0.153% to a maximum of 0.683% of share capital.

Other associated undertakings held 0.0026% of the share capital, as investors.

The net loss obtained from treasury stock trading during 2003 was 2.7 million euros.

### COMPOSITION OF BBVA TREASURY STOCK

Date	Company	No. of Shares	BBVA	
				% Treasury Stock
	BBVA	5,120,920		0.1512
	Corporación General	2,289,056		0.0676
	Others	76,345		0.0023
31.12.03	Total	7,486,321		0.2210

The net earnings and trading of BBVA treasury stock (held by the Bank and its instrumental companies) during 2003 is shown in the following table:

BBVA	Transaction	No. shares	Av. price	(Million euros)		
				Capital gains	Capital losses	Profit/loss
To 31.12.03	Bought	409,645,989	9.19	16.0	18.7	2.7
	Sold	412,953,654	9.68			

The profit from divesting Bank treasury stock for trading is shown under the heading "Earnings from Financial Transactions" in the 2003 income statement. It was 16,048 thousand euros. During 2003, 18,758 thousand euros loss has been generated from divestment of Bank treasury stock unrelated to the general hedging of price risk. These are shown under "Extraordinary Losses" in the income statement.

The following table shows the Bank shares traded by companies on the Banco Bilbao Vizcaya Argentaria Group consolidated balance sheet in 2003:

ITEMS	Thousand euros			
	Nominal	Rest to cost	Securities Fluctuation Fund	TOTAL
Balance on 31st December 2002	5,284	93,136	(749)	97,671
Bought	200,711	3,566,322	-	3,767,033
Sold	(202,332)	(3,795,463)	-	(3,997,795)
Net provisioning to fluctuation fund	-	-	-	-
Other movements	5	214,260	(15,115)	199,150
Balance on 31st December 2003	3,668	78,255	(15,864)	66,059

On the date of this report, the authorisation conferred by the General Shareholders Meeting held 1st March 2003 is in force, empowering the Board of Directors to purchase treasury stock. Below is the English version of the resolution taken by the GSM under Agenda item Six:

*“1. Annulling unfulfilled elements of the agreement adopted at the General Meeting of 9th March 2002, to authorise the Bank to, directly or via any of its subsidiaries, and during a maximum period of eighteen months as of the date of this present Ordinary General Shareholders Meeting to purchase at any time and as many times as it considers appropriate, Banco Bilbao Vizcaya Argentaria, S.A. shares, by any means permitted by law, including charging them to the year’s profits and/or freely disposable reserves, as well as to dispose of them or redeem them at a later date, all in accordance with Article 75 and others of the Spanish Companies Act (Ley de Sociedades Anónimas).*

*2. To approve the limits or requirements of these acquisitions, which shall be as follows:*

- That the nominal of the shares purchased, added to those already in possession of the Bank and its subsidiaries will not exceed, at any time, five per cent of the Banco Bilbao Vizcaya Argentaria, S.A. share capital, at all times respecting the limitations established for the acquisition of treasury stock by the regulatory authorities governing the Exchanges on which Banco Bilbao Vizcaya Argentaria, S.A. securities are listed.*
- To provision a restricted reserve under the Liabilities on the Bank’s Balance Sheet, equivalent to the sum of the treasury stock booked under Assets. This reserve must be maintained until the shares are sold or redeemed.*
- The stock purchased must be fully paid up.*
- The purchase price will not be below the nominal price nor exceed 20% of the listed price or any other price associated to the stock on the date of purchase or, in the case of derivatives, on the date of the call contract. Operations to purchase treasury stock will respect the standards and customs of Securities Markets.*

*3. To authorise expressly that shares purchased by the Bank or any of its subsidiaries in use of this authorisation may be earmarked, in whole or in part, to workers, employees or directors of the Bank when an acknowledged right exists, either directly or as a result of exercising the option rights of holders, as established in the final paragraph of Article 75, Section 1, of the Spanish Companies Act (Ley de Sociedades Anónimas), introduced by the Additional Provision 19 part 1 of Law 55/1999, 29<sup>th</sup> December, regarding fiscal, administrative and corporate measures.*

*4. To reduce share capital in order to redeem such treasury stock as the Bank may hold on its Balance Sheet, charging this to profits or free reserves and for the amount which is appropriate or necessary at any time, to the maximum number of own shares existing at any time.*

*5. Authorise the Board, in accordance with Article 30 c) of the Company Bylaws, to implement the above resolution to reduce share capital, either all at once or on several occasions and within the maximum period of eighteen months from the date of this General Meeting, undertaking such procedures, processes and authorisations as necessary or as required by the Spanish Companies Act (Ley de Sociedades Anónimas) and other applicable provisions. Specifically, the Board is delegated, within the time and limits established for the aforementioned execution, to establish the date(s) of each capital reduction, its/their timeliness and appropriateness, taking into account market conditions, listed price, the Bank’s economic and financial position, its cash position, reserves and corporate evolution and any other factor relevant to the decision; specifying the amount of the capital reduction; determining where the amount of the reduction is to be booked, whether to a restricted or to an*

*unrestricted reserve, providing the necessary guarantees and complying with legally established requirements; adapting Article 5 of the Corporate Bylaws to reflect the new figure for share capital; request the de-listing of the redeemed stock and, in general, adopt such agreements as necessary in order to be able to able to redeem or reduce capital as resolved, designating the people able to formalise these actions.”*

**Section II**  
**Structure of corporate  
administration**

## 1. COMPOSITION OF THE BOARD OF DIRECTORS

The Board shall comprise the number of directors established in the Company's Bylaws and in any resolution adopted by the General Shareholders Meeting (GSM). However, this number shall not be greater than 16.

At present, the Company Bylaws establish a maximum of 18 Directors and a minimum of 9. However, the Board of Directors has resolved to propose a reduction of the maximum figure to 16 at the next GSM.

Directors can be executives or non-executives. The executive directors shall be those who have been delegated general powers to represent the Company in a permanent manner and the remainder of the Board shall be external directors.

At any time at least two-thirds of the Board shall consist of independent directors. These are external directors who are not any of the following:

- A shareholder of the Company or a director appointed by virtue of a special connection with a shareholder, when the holding in either case is greater than 3% of shares in capital stock with voting rights.
- Organisations that are directors of the Bank or individuals who such organisations have designated as their representatives.
- A person who has been an executive director, or member of the Group's senior management, or a member of the firm that is or has been the Company's auditors, unless a period of three years has transpired since he/she ceased to be so.
- A person that has a significant relationship with the Company, either directly or as a partner, shareholder, manager or employee of a party that has such a relationship with the Group and where this could influence that person's independence.
- When there is a family relationship with any of the individuals mentioned above or any other circumstance which, in the judgement of the Board of Directors might compromise that person's independence.

Independent directors must comprise a majority of the Bank's Executive Committee and they are the only directors entitled to be members of the Audit and Compliance Committee and of the Appointments and Remuneration Committee.

An institutional director is an external director designated by virtue of her or his relationship with someone who is a significant shareholder of the Company. This shall mean direct or indirect control of at least 5% of the share capital or of the voting rights of the Bank or, being less than this percentage, one whose shareholding allows him or her to exercise a notable influence on the Company. Under this definition, BBVA does not have any institutional directors.

The above criteria – used to determine whether a person is a institutional director – shall also apply in the event of agreements or pacts between shareholders that oblige those concerned, by means of concerted action entailing voting rights, to adopt a common policy in regard to management of the Company or whose goal is to influence it in a relevant manner.

On 31st December 2003, the BBVA Board of Directors comprised 15 Directors actively pursuing their duties, of whom 3 are executive Directors. The table below shows the identity of the Board members, the date on which they were appointed and, where applicable, re-elected, and the kind of directorship they hold, in accordance with the Regulations for the Board of Directors:

**SECTION II. STRUCTURE OF CORPORATE ADMINISTRATION**

FULL NAME	Post on board of Directors	Type of Directorship	Date of first appointment	Date of latest appointment
González Rodríguez, Francisco	Chairman & CEO	Executive	28.01.2000	-----
Goirigolzarri Tellaeche, José Ignacio	President & COO	Executive	18.12.2001	01.03.2003
Álvarez Mezquíriz, Juan Carlos	Director	Independent	28.01.2000	10.03.2001
Breeden, Richard C.	Director	Independent	29.10.2002	-----
Bustamante y de la Mora, Ramón	Director	Independent	28.01.2000	-----
Ferrero Jordi, Ignacio	Director	Independent	28.01.2000	-----
Knörr Borrás, Román	Director	Independent	28.05.2002	01.03.2003
Lacasa Suárez, Ricardo	Director	Independent	28.05.2002	01.03.2003
Maldonado Ramos, José	Director & Secretary	Executive	28.01.2000	-----
Marañón y Bertrán de Lis, Gregorio <sup>(2)</sup>	Director	Independent	28.01.2000	-----
Medina Fernández, Enrique	Director	Independent	28.01.2000	-----
Rodríguez Vidarte, Susana	Director	Independent	28.05.2002	01.03.2003
San Martín Espinós, José María	Director	Independent	28.01.2000	10.03.2001
Tomás Sabaté, Jaume	Director	Independent	28.01.2000	10.03.2001
Vilá Boix, Ángel (representing Telefónica de España, S.A.) <sup>(1)</sup>	Director	External	17.04.2000	-----

(1) Telefónica de España, S.A. has designated Mr. Angel Vilá Boix as its representative. According to the Board Regulations, Telefónica de España, S.A. must be considered an external rather than an independent director, since it is an organisation (not an individual) and does not own more than 5% of BBVA's share capital.

(2) D. Gregorio Marañón y Bertrán de Lis presented his resignation from the Board of Directors on 30th January 2004.

The following table shows the Directors sitting on each of the Board Committees:

FULL NAME	BOARD COMMITTEES			
	Executive committee	Audit & Compliance	Appointments & Remuneration	Risks
González Rodríguez, Francisco	X			
Goirigolzarri Tellaeche, José Ignacio	X			
Álvarez Mezquíriz, Juan Carlos		X	X	
Breeden, Richard C.				
Bustamante y de la Mora, Ramón		X		X
Ferrero Jordi, Ignacio		X	X	
Knörr Borrás, Román	X			
Lacasa Suárez, Ricardo		X		X
Maldonado Ramos, José				
Marañón y Bertrán de Lis, Gregorio <sup>(1)</sup>			X	X
Medina Fernández, Enrique	X			X
Rodríguez Vidarte, Susana		X		
San Martín Espinós, José María	X		X	
Tomás Sabaté, Jaume	X		X	
Vilá Boix, Ángel (representing Telefónica de España, S.A.)				

(1) D. Gregorio Marañón y Bertrán de Lis presented his resignation from the Board of Directors on 30th January 2004.

During 2003 Mr. Jesús María Caínzos Fernández presented his resignation from his posts as member and Deputy Chairman of the Board of Directors and Chairman of the Risks Committee.

Below is a brief profile of each of the BBVA Directors:

## Mr. JUAN CARLOS ÁLVAREZ MEZQUÍRIZ

Director

Born in Cremenés (León) in 1959

Married

Graduated in Economic Science from the Universidad Complutense de Madrid

### PROFESSIONAL BACKGROUND:

1988 – Joined FISEG, Empresa Financiera de Servicios Generales.

1990 – General Manager of EL ENEBRO, S.A. (Grupo Eulen)

1993 – Financial Area Director, EULEN, S.A.

2002 – Managing Director of GRUPO EULEN, S.A.

He was appointed BBVA director on 28th January 2000

## Mr. RICHARD C. BREEDEN

Director

Born in the United States of America in 1949

Married

Lawyer. Studied at Stanford University and Harvard Law School

### PROFESSIONAL BACKGROUND:

1976-1981; 1985-1988 Practiced law with the law offices of Cravath, Swaine & Moore in New York, and was partner of the Baker & Botts firm in Washington.

1982-1985 Deputy Legal Advisor to the Vice President of the United States of America at the White House.

1989 Assistant to the President of the United States of America at the White House.

1989-1993 Chairman of the U.S. Securities and Exchange Comisión (SEC)

1993-1996 Chairman of International Financial Services for Coopers & Lybrand, LLC.

From 1996, has been Chairman of Richard C. Breeden & Co., a firm that specialises in business bankruptcies, turnaround advisory services and strategic consultancy regarding corporate governance, accounting and public disclosure requirements. Since 2002 he has served as the Court-appointed Corporate Monitor of WorldCom, Inc. (now known as MCI, Inc.).

Since 1997, he has chaired the Audit Committee and served on the Remuneration Committee of W.P. Stewart & Co., Ltd. He also chairs the Audit Committee of Audio Visual Services Corporation. He also serves as an ex-officio member of the board of MCI, Inc. and its audit committee.

He was appointed BBVA director on 29th October 2002

## Mr. RAMÓN BUSTAMANTE Y DE LA MORA

Director

Born in Madrid in 1948

Married

Graduated in Economic and Business Sciences from Universidad Complutense de Madrid.

### PROFESSIONAL BACKGROUND:

1972 – IBERIA, L.A.E. Studies Service

## SECTION II. STRUCTURE OF CORPORATE ADMINISTRATION

1975 – BANCO COMERCIAL DE CATALUÑA. Accounts Director.

1976 – BANCA GARRIGA NOGUÉS. Accounts Director.

1986 – BANCA GARRIGA NOGUÉS. Deputy General Manager.

1986 – BANESTO. Various senior posts and responsibilities: Director of Territorial Norte; (1987) Director O.P. Madrid and Regional Director for Madrid; (1990) Deputy General Manager for Commercial and Marketing Strategy; (1992) Deputy General Manager for Managing Director; (1993) Managing Director at Bandesco.

1996 – ARGENTARIA. Senior Managing Director and Chairman of the Control Committee; Senior Managing Director of Retail Banking; non-executive Deputy Chairman; (1997) Chairman of Unitaria.

He was appointed BBVA director on 28th January 2000

### Mr. IGNACIO FERRERO JORDI

Director

Born in Barcelona in 1945

Married

Graduated in Law from Universidad de Barcelona.

#### PROFESSIONAL BACKGROUND:

Chairman of Board of Directors of NUTREXPA, S.A., from 7th July 1997.

Chairman of the Board of LA PIARA, S.A., from 10th July 1997.

Deputy Chairman of FEDERACIÓN DE INDUSTRIAS DE ALIMENTACIÓN Y BEBIDAS, from 23rd April 1980.

Deputy Chairman of INSTITUTO DE LA EMPRESA FAMILIAR, from 10th July 2000.

Member of Board and of Executive Committee of FOMENTO DEL TRABAJO NACIONAL, from January 1997.

Member of the Board of MAZ (Mutua Accidentes de Zaragoza) from 31st March 2000.

Member of Board of AECOC (Asociación Española de Codificación Comercial) from 25th February 2003.

Member of Board of SODIGEI (Lladró), Sociedad de Desarrollo Industrial y Gestión de Inversiones, S.A., from 7th November 2003.

He was appointed BBVA director on 28th January 2000 Has been Chairman of its Appointments and Remuneration Committee since May 2002 and member of its Audit and Compliance Committee since June 2002.

### Mr. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHÉ

President and COO

Born in Bilbao (Vizcaya)

Married

Doctor in Economics and Business Science from Universidad de Deusto.

#### PROFESSIONAL BACKGROUND:

His professional career has always been linked to banking, and more specifically, to BBVA, which he joined in 1978, after having taught Strategic Planning at the Universidad Comercial de Deusto.

Main stages in BBVA:

- Joined the Banco de Bilbao in 1978, assigned to the Strategic Planning Area. Was member of BBV Holding (company he led into the merger between BB and BV).
- In 1992, was appointed General Manager of the BBV.
- From 1993 to 1998, he directed Retail Banking for the BBV Group. From 1995 he has also directed the BBV-Americas Group, coinciding with the BBV Group's expansion in Latin America.
- In 1994 he became a member of the BBVA Management Committee.
- In 1999, BBV and Argentaria announced their merger. José Ignacio Goirigolzarri was appointed member of the BBVA Management Committee and head of the Latin-American businesses.

- Since 2000 has sat on the BBVA Bancomer Board.
- In April 2001, was appointed General Manager of the BBVA Group, in charge of Retail Banking. His responsibilities cover the following areas: Retail Banking in Spain, Retail Banking in the Americas, Pensions, Private Banking and e-Banking.

He was appointed BBVA director on 18th December 2001

## Mr. FRANCISCO GONZÁLEZ RODRÍGUEZ

Chairman and CEO

Born in Chantada (Lugo)

Married

Graduated in Economic and Business Sciences from Universidad Complutense de Madrid.

### PROFESSIONAL BACKGROUND:

Francisco González has been Chairman and CEO of BBVA since January 2000.

Francisco González is currently a member of the European Financial Services Roundtable (EFR), Director of the Institute for International Finance (IIF), member of the Institut Européen d'Etudes Bancaires (IIEB), member of the International Monetary Fund's Capital Markets Consultative Group, member of the International Monetary Conference and Global Counsellor of The Conference Board, as well as being an active participant at other international fora.

He is also Chairman of the Fundación BBVA and Governor of the Red Cross, Foundation for Help Against Drug Addiction, Foundation for Terrorism Victims, the Guggenheim Museum in Bilbao, Museo de Bellas Artes in Bilbao, Fundación Príncipe de Asturias, Real Instituto Elcano, Fundación Carolina, ESADE, FEDEA, Fundación de Estudios Financieros, Instituto de Estudios Económicos and Institut Europeu de la Mediterrània.

Prior to the merger between Banco Bilbao Vizcaya and Argentaria, Francisco González was Chairman of Argentaria from 1996 to 1999, when he led the integration, transformation and privatisation of a very diverse group of State-owned banks.

During this period, Francisco González was also Director of Endesa, Chairman of Banco Uno-e, Banco Hipotecario de España, Banco Exterior de España, Caja Postal and Banco de Crédito Local.

Before joining Argentaria, Francisco González founded the brokerage firm, FG Inversiones Bursátiles, which became the first independent brokers in Spain, and was later bought out by Merrill Lynch.

Francisco González is also a registered Spanish Stock Broker (Number 1 of the new brokers appointed in 1980) and Mercantile Agent for the Bolsa de Madrid. Was member of the Executive Committee of the Bolsa de Madrid and the Executive Committee of Bancoval.

He began his professional career in 1964 as a programmer in an I.T. company. His ambitions to transform 21st-century banking with the support of new technology dates back to this time.

## Mr. ROMÁN KNÖRR BORRÁS

Director

Born in Sueca (Valencia) en 1939

Married

Commercial Management, Marketing and Advertising qualifications from various Institutes in Barcelona and San Sebastian.

### PROFESSIONAL BACKGROUND:

1955-1961 AREITIO, S.A. Business Group

1961-1992 KAS Business Group (Head of Advertising and PR; Sales and Marketing Manager; Deputy Chairman of KAS, S.A. and KNÖRR ELORZA, S.A.

Director and Chairman of ZUMOS DE NAVARRA, S.A.; Director and Chairman of MIKO, AVIDESA and CASTILLO DE MARCILLA; Director of S.A. DE ALIMENTACIÓN and Director of ALIMENTOS NATURALES, S.A.

## SECTION II. STRUCTURE OF CORPORATE ADMINISTRATION

Has also been Deputy Chairman of ASOCIACIÓN NACIONAL DE FABRICANTES DE ZUMOS, and member of the Management Committee of ASOCIACIÓN ESPAÑOLA DE ANUNCIANTES, and the Management Committee and Board of Directors of la ASOCIACIÓN NACIONAL DE FABRICANTES DE BEBIDAS REFRESCANTES.

Also Chairman of CONSULNOR ALAVA, S.A. and Board member of PATRIMIX SIMCAVF, S.A.

From June 1994 to June 1999 was Chairman of SINDICATO EMPRESARIAL ALAVÉS.

Director of AGUAS DE SAN MARTÍN DE VERI, S.A., and MEDIASAL 2000, S.A., and Chairman of EUROKAS SIMCAVF, S.A. and CARBÓNICAS ALAVESAS, S.A.

Is currently Chairman of the Basque Industrial Confederation, (Confederación Empresarial Vasca or CONFEBASK) since July 1999, and member of Executive Committee and Management Board of Spanish Industrial Confederation (CEOE).

He was appointed BBVA director on 28th May 2002

### Mr. RICARDO LACASA SUÁREZ

Director

Born in Zaragoza, in 1936

Married

Doctor in Industrial Engineering from Escuela de Barcelona.

#### PROFESSIONAL BACKGROUND:

1962-1970 Consultant Engineer at BEDAUX, S.A.E.

Joined BANCO POPULAR ESPAÑOL in 1970

1970-1973 Systems Department

1973-1975 IT Manager.

1975-1981 Administrative Departments Manager.

1981-1985 Secretary of Organisation.

1985-1988 Department of Banks and Subsidiaries.

1988-1995 General Management, with responsibilities for banks and specialist companies, treasury and markets, international, personnel and media.

1995-1999 Managing Director.

Was appointed Director of BBVA and Chairman of Audit and Compliance Committee on 28th May 2002.

### Mr. JOSÉ MALDONADO RAMOS

Director and Secretary:

Born in Madrid in 1952

Married

Graduated in Law from Universidad Complutense de Madrid, winning the extraordinary first Graduation Prize.

#### PROFESSIONAL BACKGROUND:

In 1978 passed State Exams and joined Spanish State Counsel Corps (Cuerpo de Abogados del Estado).

Was appointed Technical General Secretary to the Ministry of Territorial Administration, the Undersecretary of the same Department in 1982.

Has acted as Legal Secretary for various governing bodies on public companies, including: Astilleros y Talleres del Noroeste, S.A. (ASTANO); Aplicaciones Técnicas Industriales, S.A. (ATEINSA); Oleaginosas Españolas, S.A. (OESA); Camping Gas, S.A. and Aviación y Comercio, S.A. (AVIACO).

Has been Secretary of the Board and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria Alimentaria, S.A. (ENDIASA); Astilleros Españoles, S.A.; and Iberia Líneas Aéreas de España, S.A.

Practicing lawyer: Legal Counsel for Banco Exterior, S.A.; Legal Counsel for Banco Internacional de Comercio, S.A. and Banco Central Hispanoamericano S.A., as well as Director and Secretary of Sindibank, S.B.

Was appointed Director and Secretary General of ARGENTARIA in April 1997.

Was appointed Director and Secretary General of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. on 28th January 2000.

## Mr. GREGORIO MARAÑÓN Y BERTRÁN DE LIS

### Director

Born in Madrid

Married

Graduated in Law from Universidad Complutense de Madrid

#### PROFESSIONAL BACKGROUND:

In 1967, founded one of the first group practices of Spanish lawyers, "ALZAGA & MARAÑÓN", where he practiced as senior partner until 1974 and from 1984 to 2000.

Between 1974 and 1984, was General Manager of BANCO URQUIJO and the Chairman of BANIF. Also sat on the boards of Banco de Jerez and Grupo Zurich.

In 1986, he founded GESCAPITAL, S.A. and acted as its Chairman until it was sold to Banco Espíritu Santo (1999).

Has sat on the Boards of Directors for: REDLAND IBERICA; INMOBILIARIA ALCAZAR; VALLEHERMOSO; Director for CONTINENTAL GRAIN, S.A.; EMPRESA MUNICIPAL DE LA VIVIENDA DE TOLEDO; JOHNSON & JOHNSON, S.A. and PUNTO EDITORIAL.

Currently holds the following posts in the business world:

Chairman of ROCHE FARMA.

Chairman of UNIVERSAL MUSIC ESPAÑA.

Director of PRISA and Chairman of its Remuneration Committee.

Director of SOGECABLE and Chairman of its Control Committee.

Director of LAFARGE ASLAND and Chairman of its Organisation and Remuneration Committee.

Director of VISCOFAN and Member of its Audit and Control Committee.

Advisor to the Chairman's Office of ALTADIS.

He was appointed BBVA director on 28th January 2000

## Mr. ENRIQUE MEDINA FERNÁNDEZ

### Director

Born in La Puebla de Montalbán (Toledo) in 1942

Married

Graduated in Law at Universidad Complutense de Madrid

#### PROFESSIONAL BACKGROUND:

1967 Joined Spanish State Counsel Corps (Cuerpo de Abogados del Estado).

Held posts in the Government's Tax and Courts Service in Cáceres; Directorate General for Administrative Judicial Review; and in the Supreme Court.

Head of the Technical Advisory Bureau for the Undersecretary of Finance and Director General for Territorial Planning.

In 1971, was appointed Director on the Board of Banco de Crédito a la Construcción.

From 1975 to 1981, held the post of Director and Secretary of the Board for Banco de Progreso.

From 1985 to 1989, held same posts in Corporación Financiera Alba and

From 1989 to 1991, in Banco Urquijo.

Deputy Chairman of Ginés Navarro Construcciones until it merged to become Grupo ACS.

He was appointed BBVA director on 28th January 2000

## Ms. SUSANA RODRÍGUEZ VIDARTE

### Director

Born in Bilbao (Vizcaya) in 1955. Married

Doctor in Economic and Business Sciences from Universidad de Deusto.

#### PROFESSIONAL BACKGROUND:

Has mainly worked in the academic world.

Teacher and Researcher at Management Department, Faculty of Economic and Business Sciences. La Comercial de la Universidad de Deusto.

Held Chair in Business Economics and Management Control, with teaching activities in undergraduate and postgraduate programmes at La Comercial in Spain, Argentina and Chile.

Since 1996 has been Dean of the Economics and Business Sciences Faculty La Comercial de la Universidad de Deusto and since 2003, Director of Instituto Internacional de Dirección de Empresas. Is currently member of the Executive Committee of the Management Board of the Universidad de Deusto and its Academic Committee.

Member of Board of Governor of Fundación Deusto; of Fundación Luis Bernaola and the Management Board of Cluster del Conocimiento en Gestión Empresarial.

Joint Editor of Boletín de Estudios Económicos.

Member of Instituto de Contabilidad y Auditoría de Cuentas (Accountants and Auditors Institute).

He was appointed BBVA director on 28th May 2002.

## Mr. JOSÉ MARÍA SAN MARTÍN ESPINÓS

### Director

Born in Madrid in 1935. Married

Doctor in Engineering (Public Works) from E.T.S.I. de Caminos, Canales y Puertos de Madrid.

#### PROFESSIONAL BACKGROUND:

CONSTRUCCIONES SAN MARTÍN, S.A. Managing Director and member of the Board.

INMOBILIARIA NAVARRA, S.A. Chairman

SAFINCA, S.A. Director

INMOBILIARIA COSMAR, S.A. Chairman

FIDAI, S.A. Director

ARESOL, S.A. Deputy Chairman:

CONSTRUCCIONES INDUSTRIALES Y URBANAS, S.A.: Deputy Chairman:

SAN MARTÍN PROYECTOS INMOBILIARIOS, S.A.: Director

S.A.I.D.E. Director

He was appointed BBVA director on 28th January 2000

## Mr. JAUME TOMÁS SABATÉ

### Director

Born in Barcelona en 1933

Married

Economist

#### PROFESSIONAL BACKGROUND:

1957 Joined GALLINA BLANCA, becoming the company's General Manager.

1977 Joined AGROLIMEN, S.A., becoming Director and General Manager of the Group.

1998 Chairman of ACEF, S.L., Asesoría y Consultoría de la Empresa Familiar.

1998 Chairman of SEGASCO, S.L. Servicios Generales de Asesoría y Consultoría.

Other Posts:

Chairman of the Board of Directors of FIRA DE BARCELONA.

Director of AGROLIMEN, S.A.

Member of the Academic Committee of IEF, Càtedra de l'Empresa Familiar.

Member of the Consell Social at the UNIVERSITAT POMPEU FABRA.

Board Advisor at FLAMAGAS, S.A.

He was appointed BBVA director on 28th January 2000.

## Mr. ANGEL VILÁ BOIX

Director

Born in Barcelona in 1964. Married

Graduated in Industrial Engineering from Universidad Politécnica de Cataluña.

MBA from Colombia University (New York)

PROFESSIONAL BACKGROUND:

Began his career as Financial Analyst at CITIBANK NA

Consultant at MCKINSEY & CO.

Involved in business development in the FERROVIAL and PACSA groups.

In January 1997, joined the TELEFÓNICA Group as Deputy Comptroller General.

From January to August 1998 was General Manager of Finanzas, Control e Inversiones de Telefónica Internacional.

From September 1998 to September 1999, was General Manager for Corporate Development and Control in TELEFÓNICA, S.A.

In October 1999, joined GRUPO PLANETA as General Business Manager.

Re-joined TELEFÓNICA in May 2000 as General Manager of Corporate Development, sitting on the Group's Executive Committee.

Is member of the Boards of Directors of TERRA LYCOS and ENDEMOL.

Was appointed representative of the Telefónica de España, S.A. directorship on the BBVA Board of Directors on 7th March 2001.

## 2. STANDARDS FOR THE ORGANISATION AND CONDUCT OF THE BOARD

The BBVA structure comprises two governing bodies, in the strict sense of the expression: the Board of Directors and the Executive Committee. Both are composed of an ample majority of independent Directors, who must make up at least two thirds of the Board members and half plus one of the Executive Committee.

In accordance with the Company's Bylaws, the Board of Directors of Banco Bilbao Vizcaya Argentaria S.A. is the natural organ of representation, administration, management and control of the Company. It is responsible for examining and guiding corporate strategy, for major action plans, risk policies, annual plans and budgets, establishing goals, ensuring their implementation and compliance at corporate level, and for supervising the principle allocations of capital, disinvestments and acquisitions. It shall be governed by the Law, the Company's Bylaws and these Regulations.

To optimise performance, the Board has an Executive Committee, as well as an Audit and Compliance Committee; an Appointments and Remuneration Committee, and a Risks Committee, whose standards of organisation and conduct are described in specific sections of this report.

### SESSIONS, NOTICE AND QUORUM FOR THE BOARD OF DIRECTORS

The Board of Directors shall hold ordinary meetings once a month, and shall draw up a yearly schedule of its ordinary sessions sufficiently in advance of these. During 2003 the Board of Directors has met thirteen times. The Chairman of the Board has attended all its meetings.

## SECTION II. STRUCTURE OF CORPORATE ADMINISTRATION

In addition the Board shall meet whenever required by the Chairman or the Executive Committee or at the request of directors who represent at least one-fourth of the total members of the Board at that particular time.

In such event, the Chairman shall convene the meeting within 15 days of the request.

The Board shall be convened by the Chairman and otherwise, by the Vicepresident or by the Deputy Chairman who shall replace him in the manner determined in the Company Bylaws. In the event of absence or impossibility affecting both these parties, the Board of Directors shall be convened by the oldest director.

Notice of the meeting shall be considered as valid for the dates shown on the calendar of ordinary meetings drawn up for the year in question. However, the Secretary, at the request of the Chairman, is empowered to notify the members of the Board sufficiently in advance of the meeting, attaching the agenda. This can be done by letter, fax, telegram, electronic mail or other means of telecommunications. The same means can be used to cancel such meetings.

However, board meetings can be held on dates other than those in the annual schedule provided all members are notified more than seven days in advance unless, in the opinion of the Chairman, this is not possible for urgent reasons.

A board meeting shall be valid when, all members being present, they unanimously decide to form the meeting.

Notice of a meeting shall be accompanied by an agenda although other matters can be included if the Chairman considers this appropriate for the corporate interest. She or he may likewise decide not to deal with a particular matter even though the notice has been issued.

The Board of Directors shall be valid when half the members plus one are present or represented.

Resolutions shall be adopted by an absolute majority of votes - present or represented - with no member holding a casting vote in case of deadlock.

Nonetheless, the Bylaws requires that two thirds of the members (2/3) must vote in favour of appointing an Executive Committee and/or a COO.

Moreover, the Transition Clause in the Bylaws establishes that, once the Transition Period has ended, a resolution to remove the Chairman and eliminate or limit his/her executive powers, and to appoint a new Chairman, requires a positive vote by three quarters (3/4) of the Board members.

Directors can be represented at board meetings by another director without limitation. This proxy must be notified specifically for each session by letter, fax, telegram or electronic mail addressed to the Chairman. Such notification can be channelled through the Secretary of the Board.

## BOARD MEETING PROCEDURES

Meetings of the Board of Directors shall be held at the place and on the date indicated following the agenda established for this purpose by the Chairman. She or he shall draw up the proposed resolutions, submit them to the Board and moderate the corresponding deliberations and discussions.

In the Chairman's absence, the Deputy Chairman shall chair the meetings. If there is more than one, then they shall take the chair in the order the Board of Directors established when appointing them and, where no such order has been established, it shall be the eldest. In the absence of a Deputy Chairman, the meeting shall be chaired by its oldest member.

The Secretary of the Board shall act as Secretary, then the Deputy Secretary, if there is one, or if neither can, then the person accepted as Secretary by the majority attending the meeting.

Directors shall be provided with any information or clarification they deem necessary or appropriate in connection with the matters to be considered at the meeting, either before or during the meeting.

The Chairman shall promote the participation of directors in the meetings and deliberations of the Board and shall put matters to the vote when she or he considers they have been sufficiently debated.

Group executives or other persons whose presence is considered advisable for appropriate treatment of the matters submitted to the consideration of the Board, can be incorporated in the meeting if the Chairman agrees.

## RECRUITMENT AND APPOINTMENT OF DIRECTORS

Members shall be appointed to the Board by the General Shareholders Meeting without detriment to the faculty of the Board to co-opt members in the event of a vacancy.

In any event, persons proposed for appointment as directors must meet the requirements of applicable legislation in regard to the special code for financial entities, and the provisions of the Company's Bylaws.

There are no other restrictions on the appointment of directors than those contained in Law and in the Company's Bylaws and no specific requirements may be established by the Board.

It has been resolved to propose the corresponding Bylaws amendment to the AGM in order to lift the limitations currently placed on appointments to a seat on the Bank's Board, membership of its Executive Committee and becoming Chairman and Deputy Chairman of its Board of Directors.

The qualifications of a person proposed as a member of the Board of Directors shall be judged by the Appointments and Remuneration Committee. The Committee shall take into account the personal and professional characteristics of the candidates and the current needs of the company's governing bodies and convey its opinion in this respect to the Board.

This Committee must report to the Board of Directors on this assessment, focussing on the personal and professional qualities of the candidate and the needs of the Company's governing bodies at any time.

The term of office of directors shall be the time defined by the Company's General Shareholders Meeting (GSM) in accordance with the Company's Bylaws. If they have been appointed by co-option, their term of office shall be the remaining term of office of the director whose vacancy they have covered in this manner, unless the GSM fixes a greater length of time when ratifying the appointment made by the Board.

## REMOVAL OF DIRECTORS

Directors shall resign their office when the term for which they were appointed has expired, unless they are re-elected.

Furthermore, in the following circumstances directors must tender their resignation to the Board and accept its decision regarding their continuity in office:

- When they are affected by circumstances of incompatibility or prohibition as defined in current legislation, in the Company's Bylaws or in the Director's Charter.
- When there is a significant change in their professional status or in the condition that led to their appointment.
- In the event of a serious breach of their obligations related to the performance of their duties as directors.
- When, through action in their capacity as directors, serious harm has been caused to the corporate assets or when their commercial and professional reputation, as required for the office of director of the Bank, has been damaged.

In all cases, directors shall resign their position on reaching 70 years of age. They must present their resignation at the first meeting of the Board of Directors that takes place after the GSM that approves the accounts for the year in which they reach this age.

The COO and the executive Directors of the Bank shall resign from their executive posts at 62, following the same rule for counting time as in the previous paragraph. When they cease to be executive Directors, for this or other reasons, they must place their posts at the disposition of the Board of Directors, which may notwithstanding resolve they continue to sit on the Bank's Board.

The Chairman of the Board shall cease to be Chairman at the age of 65, continuing as a member of the Board. He or she shall tender their resignation at the first meeting of the Bank's Board taking place after the GSM approving the accounts for the year in which he or she reached said age.

## RENEWAL OF BOARD MEMBERS

The Company Bylaws establish that one fifth of Board members shall be renewed each year. Nonetheless, directors may be re-elected as many times as desired.

The Bank's Board, when proposing Directors for re-election, shall evaluate the performance of the Directors standing for re-election, their time availability and other circumstances that may make their re-election advisable or not.

The Board resolutions adopted on this matter, and its deliberations, shall be carried out without the involvement of the Director whose re-election is being proposed. If the Director is at the meeting, he or she shall leave the meeting.

## PROCEDURES FOR THE RECRUITMENT, APPOINTMENT AND RE-ELECTION OF COMMITTEE MEMBERS WITH THEIR STANDARDS OF ORGANISATION AND CONDUCT

The number of committees, their names and their duties shall be established by the Board of Directors which shall also appoint or dismiss their members and shall appoint or dismiss their respective chairmen.

The Board shall be able to establish complementary rules to improve the operation of these committees provided they do not contradict the provisions of the BBVA Board Regulations.

Non-executive directors on Board committees shall be subject to time limitations. The Board Regulations stipulate that non-executive Directors shall cease to be members of the different board committees three years after their appointment although the Board can determine their re-election. This enables Directors to have greater mobility in carrying out their duties, fitting their activities into a reasonable time frame.

## STANDARDS OF ORGANISATION AND CONDUCT OF THE DIFFERENT COMMITTEES.

### EXECUTIVE COMMITTEE

In accordance with the Company's Bylaws, the Board of Directors, following a favourable vote of two-thirds of its members and the corresponding entry in the Mercantile Registry, can appoint an Executive Committee consisting of directors of the company of which half plus one must be independent directors.

The Board of Directors has constituted an Executive Committee, to which it has delegated all its powers of administration, except those that the Law and/or the Bylaws state that the Board cannot delegate due to their essential nature.

On 31st December 2003, this Committee was made up of six members, of whom two are executive directors and four independent directors. Its composition is as follows:

Chairman and CEO	Mr. Francisco González Rodríguez
President and COO	Mr. José Ignacio Goirigolzarri Tellaeché
Directors	Mr. Román Knörr Borrás
	Mr. Enrique Medina Fernández
	Mr. José María San Martín Espinós
	Mr. Jaume Tomás Sabat

The Executive Committee shall deal with those matters which the Board of Directors, in accordance with current legislation or with the Company's Bylaws, has delegated.

In accordance with the Company Bylaws, it is authorised to: formulate and propose policy guidelines, the criteria to be followed in the preparation of programmes and to fix goals, to examine the proposals put to it in this regard, comparing and evaluating the actions and results of any direct or indirect activity carried out by the entity; to determine the volume of investment in each individual activity; to approve or reject operations, determining methods and conditions; to arrange inspections and internal or external audits of all areas of operation of the entity; and in general to exercise the faculties delegated to it by the Board of Directors.

Specifically, the Executive Committee is entrusted with evaluation of the Bank's system of corporate governance. This shall be analysed in the context of the Company's development and of the results obtained during such development and taking into account any rules that have been established or recommendations made regarding best market practice, adapted to its corporate circumstances.

The Executive Committee shall be chaired by the Chairman of the Board of Directors, or in her or his absence, by the deputy chairman or deputy chairmen of the Board who form a part of this committee, in the order established by the committee or otherwise, by a member chosen by those participating in the meeting.

With regard to quorums, the system of adopting resolutions and other details, the provisions made for the Board of Directors shall apply.

The Executive Committee shall hold ordinary meetings twice a month and it shall establish an annual schedule of these meetings.

However, it shall meet as often as considered necessary by its Chairman or by the person who exercises her or his functions, or at the request of a majority of its members.

During 2003, the Executive Committee has met 28 times.

## AUDIT AND COMPLIANCE COMMITTEE

The BBVA Audit and Compliance Committee shall be formed exclusively of independent Directors who are not members of the Bank's Executive Committee. They shall assist the Board of Directors in supervising the accounts and the exercise of control over the BBVA Group.

It shall have a minimum of four members appointed by the Board, all independent Directors. One of these shall act as Chairman, also appointed by the Board.

## SECTION II. STRUCTURE OF CORPORATE ADMINISTRATION

On 31st December 2003, the BBVA Audit and Compliance Committee comprised the following directors:

Chairman	Mr. Ricardo Lacasa Suárez
Members	Mr. Juan Carlos Álvarez Mezquíriz
	Mr. Ramón Bustamante y de la Mora
	Mr. Ignacio Ferrero Jordi
	Ms. Susana Rodríguez Vidarte

The scope of its functions is as follows:

- To supervise the extent, adequacy and effectiveness of the internal control systems and to ensure the accuracy, reliability, scope and clarity of the financial statements of the Company and its consolidated Group in the annual and quarterly reports. This also applies to the accounting and financial information required by the Bank of Spain or other regulatory bodies including those of countries where the group carries out its activities.
- To monitor compliance with applicable standards of a domestic or international nature regarding money laundering, conduct in the securities markets, data protection and the scope of the Group's activities related to competition as well as ensuring that requests for information or action by official organisations with authority in these matters are attended to in a timely and suitable manner.
- To ensure that the internal codes of ethics and conduct and securities market operations, as they apply to Group personnel, comply with legislation and are adequate for the Bank's purposes.
- To monitor carefully compliance with the provisions of the BBVA Directors' Charter and directors' compliance with the applicable standards of conduct in the securities markets.

To ensure the financial statements are correct, reliable, sufficient and clear, the Committee shall constantly monitor the process used to draw up the Financial Statements, holding frequent meetings with the Bank executives in charge of drawing them up and the external auditor.

The Committee's functions include monitoring the independence of external auditors. This entails two main aspects:

- Avoiding any situation whereby the auditors' recommendations, opinions or warnings could be compromised.
- Establishing the incompatibility between providing audit and consultancy services, unless there were no other alternatives on the market of the same value in content, quality or efficiency other than those that the audit firm or its associated undertakings could offer. In such event, the Committee's approval would be required. This can be delegated in advance to its Chairman.

The Committee shall also select the external Auditor for the Bank and its Group, and for all the Group companies. It shall verify that the audit schedule is being carried out under the service agreement, with suitable periodicity, and that it satisfies the requirements of the competent authorities and the Bank's governing bodies.

During 2003, the external auditor has appeared before Audit and Compliance Committee meetings on 8 occasions, and during this time, has held habitual meetings with the Chairman of the Committee.

The Audit and Compliance Committee shall meet as often as necessary to comply with its functions although an annual calendar of meetings shall be drawn up in accordance with its duties. In 2003, the Audit and Compliance Committee met thirteen times.

The staff responsible for Comptrol, Internal Audit and Standards Compliance can be invited to attend the meetings and, at the request of these managers, other staff from these departments who have particular knowledge or responsibility in the matters contained in the agenda, can also be invited when their presence at the meeting is deemed advisable. However, only the Committee members and the Secretary shall be present when the results and conclusions of the meeting are evaluated.

The Committee can hire external consultants for relevant matters when it considers that, for reasons of specialisation or independence, these services cannot be provided by Group experts or technical staff.

The Committee may also request personal help and reports from any member of the management team when these are deemed necessary to comply with its functions in relevant matters.

The Committee has its specific Regulations, approved by the Board of Directors, which can be found on the Company's Website. Amongst other things, these regulate the way the Committee shall work.

## APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee of the BBVA Board of Directors shall assist the Board on issues relating to the appointment of Bank Directors under the terms of the BBVA System of Corporate Governance and on other issues regarding pay that the Board may put to it, in particular the pay of the Bank's Directors.

The Appointments and Remuneration Committee shall have a majority of independent directors, with a minimum of three members, appointed by the Board of Directors, which shall also appoint its chairman.

On 31st December 2003, the composition of the Appointments and Remuneration Committee was as follows:

<b>Chairman</b>	Mr. Ignacio Ferrero Jordi
<b>Members</b>	Mr. Juan Carlos Álvarez Mezquíriz
	Mr. Gregorio Marañón y Bertrán de Lis
	Mr. José María San Martín Espinós
	Mr. Jaume Tomás Sabaté

The Chairman of the Appointments and Remuneration Committee shall call it to meet as often as necessary to comply with its functions although an annual calendar of meetings shall be drawn up in accordance with its duties. During 2003 the Appointments and Remuneration Committee met 13 times.

In accordance with the BBVA Board of Directors Regulations, the Committee may ask people from within the Group organisation to attend their meetings, who have duties related to its functions. It may also receive such advisory services as may be needed to form criteria on issues falling within its scope. This shall be arranged through the Secretary of the Board.

The system of convening meetings, quorums, the approval of resolutions and other details of its system of operation shall be governed by the regulations for the Board of Directors insofar as they are applicable.

## RISKS COMMITTEE

The Risks Committee has been set up for the periodic analysis and monitoring of risk management. It comprises a majority of non-executive Directors appointed by the Board, which shall also appoint its Chairman.

On 31st December 2003, the composition of the Risks Committee was as follows:

Acting chairman	Mr. Ricardo Lacasa Suárez
Members	Mr. Ramón Bustamante y de la Mora
	Mr. Gregorio Marañón y Bertrán de Lis
	Mr. Enrique Medina Fernández

The Committee has specific Regulations, approved by the Board of Directors, which can be consulted on the Corporate Website. Under these Regulation, the Committee will meet as often as necessary to comply with its mission. It will be convened by its Chairman or whoever may be substituting him or her, in accordance with the provisions of the previous point. However, a basic time schedule shall be drawn up in accord with its tasks. During 2003, the Risks Committee has met 106 times.

The system of convening meetings, quorums, the approval of resolutions and other details of its system of operation shall be governed by the Regulations for the Board of Directors insofar as they are applicable.

## CONFERRAL OF AUTHORITY TO DIRECTORS OR COMMITTEES

The Board of Directors has delegated all its powers of administration to the Executive Committee, except those that the Law and/or the Bylaws state that the Board cannot delegate due to their essential nature.

The Chairman of the Board, who is Company Chairman, is attributed the powers established under the Company's Bylaws. The Board has conferred him or her maximum authority for the administration and representation of the Company.

The President and COO has been conferred the permanent authorities of administration and representation inherent to the post.

The Director and General Secretary, as executive Director, is conferred the authority required in order to pursue the duties inherent to the post.

## REGULATIONS FOR THE BOARD OF DIRECTORS AND REGULATIONS FOR THE BOARD COMMITTEES. ACCESS TO THESE DOCUMENTS AND AMENDMENTS TO THEM

The BBVA Board of Directors has, on today's date, approved a set of Regulations establishing the standards of the internal regime and operation for the Board and the rights and duties of the Directors in executing their mission.

The BBVA Board of Directors will inform the forthcoming General Shareholders Meeting (GSM) of said Board Regulations, and will disclose and send, in compliance with prevailing laws and regulations, a copy of said Regulations to the CNMV and the Vizcaya Mercantile Registry.

The Board Regulations and the Regulations of the Audit and Compliance, and the Risks Committees, are available to the public on the company Website ([www.bbva.com](http://www.bbva.com)).

## RELATIONS WITH SHAREHOLDERS AND MARKETS

The Board of Directors recognises the principle of transparency that must govern the actions of the Company on financial markets. It has established due means to ensure that the Company discloses all

information that may be relevant to investors and shareholders and that this information is correct and true.

To such end, its Website shall publish any relevant events that may have a significant influence over the listed price of BBVA shares and other information whose dissemination is required by applicable rules and standards or that the Company deems advisable in order to best comply with the objectives mentioned above.

### 3. REMUNERATION OF THE BOARD OF DIRECTORS

Article 53 of the BBVA Bylaws, on the Application of Earnings, paragraph 2, part c) establishes that after the legal reserves and the shareholders' dividend have been provisioned from the earnings of each year, "four percent of said earnings shall be paid to remunerate the services of the Board of Directors and the Executive Committee, unless the Board itself resolves to reduce this percentage in the years on which it deems fit. The resulting amount shall be available to the Board of Directors to distribute amongst its members in the moment, form and proportion that the Board shall determine. This amount may only be withdrawn after the shareholders have been apportioned the minimum dividend of 4% mentioned in the previous item."

The Board of Directors, at the proposal of the Appointments and Remuneration Committee (comprising solely independent directors), shall approve the system for remuneration of Directors, for their directorship duties.

On the basis of the above, the Board of Directors has adopted a pay system that does not apply to executive Directors. The system determines a fixed amount for being a Director, valuing the responsibility, time availability and incompatibilities it entails, and then another fixed amount for the members of the different Committees, valuing the responsibility, time availability and incompatibilities each Committee entails, weighting the duties of Chairman more heavily for each Committee.

In this manner, the members of the BBVA Board of Directors have accrued the following remuneration during 2003, as shown in the itemised table below:

DIRECTOR	(in thousand euros)						TOTAL
	BOARD	Exec.	Audit.	APP. & R.	Risks	Chairman	
Álvarez Mezquíriz, Juan Carlos	110		60	36			206
Bustamante y de la Mora, Ramón	110		60		60	45	275
Ferrero Jordi, Ignacio	110		60			90	260
Marañón y Bertrán de Lis, Gregorio	110			36	60		206
Medina Fernández, Enrique	110	140			60		310
San Martín Espinós, José María	110	140		36			286
Tomás Sabaté, Jaume	110	140		36			286
Telefónica de España	110						110
Lacasa Suárez, Ricardo	110				60	150	320
Knörr Borrás, Román	110	140					250
Rodríguez Vidarte, Susana	110		60				170
Breeden, Richard C.	300						300
<b>TOTAL</b>	<b>1,510</b>	<b>560</b>	<b>240</b>	<b>144</b>	<b>240</b>	<b>285</b>	<b>2,979</b>

N.B.: In 2003, José María Caínzos Fernández received a total of 381 thousand euros for belonging to the Board of Directors.

## SECTION II. STRUCTURE OF CORPORATE ADMINISTRATION

The executive Directors of the Bank, according to Article 50 bis of the Company Bylaws, are entitled to be paid for pursuing their duties, which have been established in their contracts by the independent Directors sitting on the Board's Appointments and Remuneration Committee.

The remuneration of the executive Directors in 2003 are shown below:

	Fixed pay	Variable pay	TOTAL (in thousand euros)
CHAIRMAN	1,461	2,393	3,854
COO	1,081	1,999	3,080
SECRETARY GENERAL	491	607	1,098

The following table itemises the Company's obligations regarding healthcare and insurance benefits for the members of its Board of Directors to 31st December 2003:

DIRECTORS	CUMULATIVE AMOUNT (in thousand euros)
Álvarez Mezquíriz, Juan Carlos	124
Bustamante y de la Mora, Ramón	147
Ferrero Jordi, Ignacio	140
Knörr Borrás, Román	85
Lacasa Suárez, Ricardo	99
Marañón y Bertrán de Lis, Gregorio	125
Medina Fernández, Enrique	219
Rodríguez Vidarte, Susana	56
San Martín Espinós, José María	212
Tomás Sabaté, Jaume	207

Moreover, during 2003, a total of 71,000 euros has been paid in medical and accident insurance premiums for the Board of Directors as a whole.

The obligations for healthcare and insurance benefits for executive Directors to 31.12.2003 are as follows:

EXECUTIVE DIRECTORS	CUMULATIVE AMOUNT (in thousand euros)
CHAIRMAN	28,882
COO	23,697
SECRETARY GENERAL	3,090

With respect to stock options, BBVA has a programme called "Programa DOS MIL". Said programme granted the current COO of the Bank, Mr. José Ignacio Goirigolzarri Tellaeché, 8,332 stock options, 4,166 to be converted at 6.01 euros per share under the premiums for 1998 and 4,166 at 10.65 euros per share with the premiums for 1999. These options shall be settled as of 1st June 2003 by settling the differences.

The remuneration of the members of the BBVA Management Committee in 2003, excluding executive Directors, was 3,239,500 euros under the item “fixed remuneration” and 6,331,300 euros under “variable remuneration”.

The Executives on the Management Committee have not been paid per diem payments by the Bank nor any remuneration by the BBVA Group companies.

Both the executive Directors and the other executives who are members of the Bank Management Committee are included under a specific plan for remuneration for the years from 2003 to 2005. Should they meet the targets established, they will be entitled to receive additional variable pay in 2006. The targets are set in view of the Group’s position against its main competitors. Where applicable, this plural-annual bonus would consist of a core amount indexed to the annual bonuses received by the beneficiaries of the above-mentioned three-year plan, to which a multiplier will be applied as a function of the outcome of the comparison. The plan does not entail granting shares or options to the executive Directors and members of the Management Committee, nor is it indexed to the BBVA share price.

#### 4. DIRECTORSHIPS OF BOARD MEMBERS ON OTHER GROUP COMPANIES.

The following table shows the directorships held by some BBVA Directors on Group companies:

BBVA DIRECTOR	Group Company
Mr. Francisco González Rodríguez	- Grupo Financiero BBVA Bancomer S.A. de C.V.
	- BBVA Bancomer, S.A.
	- BBVA Bancomer Servicios, S.A. (Mexico)
Mr. José Ignacio Goirigolzarri Tellaeché	- Grupo Financiero BBVA Bancomer S.A. de C.V.
	- BBVA Bancomer, S.A.
	- BBVA Bancomer Servicios, S.A. (Mexico)

The following table shows the members of the BBVA Board of Directors who hold directorships in other Spanish public companies:

DIRECTOR	PUBLIC COMPANY
Mr. Gregorio Marañón y Bertrán de Lis	Sogecable, S.A.
	Promotora de informaciones, S.A.
	Viscofán, S.A.

**Section III**  
**Related-party and**  
**intra-group transactions**

## 1. TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

Since there are no individual holdings comprising more than 5% of BBVA share capital (the threshold established for significant share holdings in Royal Decree 377/1991, 15th March), this item is not applicable.

## 2. TRANSACTIONS WITH DIRECTORS AND SENIOR STAFF IN THE COMPANY AND ITS GROUP

The amount of advance payments and loans granted to members of the Board of Directors of the Bank at 31st December 2003 came to 261 thousands of euros. Interest of between 4% and 5% was payable on this amount. Furthermore, at 31st December 2003 no bank guarantees had been extended on their behalf.

Loans granted to senior managers of the Bank and to members of the Executive Committee at 31st December 2003, excluding executive directors, came to 1,945 thousands of euros. At that date no bank guarantees had been extended on behalf of the senior managers.

## 3. SIGNIFICANT TRANSACTIONS WITH OTHER GROUP COMPANIES

All the operations carried out by BBVA with the companies in its group form part of the usual transactions of the Company in regard to their terms and purpose.

However and for the purpose of information, the breakdown given below shows the most significant items on the attached consolidated financial statements, arising from transactions the Group has carried out with companies carried by the equity method and integrated in a proportional manner (see Note 2c). These transactions were made at market prices in 2003, 2002 and 2001.

ITEMS	2003	Thousands of euros 2002	2001
<b>Assets:</b>			
Banks	25,831	4,068	167,658
Loans over customers	3,547,407	3,727,728	4,330,815
Debentures and other fixed-income securities	52,178	-	39,006
	3,625,416	3,731,796	4,537,479
<b>Liabilities:</b>			
Banks	65,295	175,395	318,657
Customer debits	2,071,304	1,964,815	1,651,894
	2,136,599	2,140,210	1,970,551
<b>Memorandum accounts:</b>			
Contingent liabilities	958,066	1,345,629	1,078,841
Contingent risks and commitments	962,110	489,931	1,002,488
	1,920,176	1,835,560	2,081,329
<b>Profit and loss:</b>			
Financial revenues	137,888	98,143	105,346
Financial costs	(136,280)	(142,937)	(84,665)

The Group's financial statements show no other significant effects from relations with these companies, except those deriving from the application of the equity method (see Notes 2c and 28f) to evaluate them and from the insurance policies to cover pensions commitments or similar items – as described in Note 3j.

The notional value of future transactions by the Group with the main associated undertakings is approximately 3,856,027 thousand euros (compared to 5,388,845 thousand euros in 2002).

The Group has also signed various agreements and commitments within its habitual area of activity with shareholders of subsidiaries and associated undertakings, which do not have any significant impact on the annual accounts.

#### **4. RULES RELATING TO POSSIBLE CONFLICTS OF INTEREST BETWEEN THE COMPANY AND/OR ITS GROUP, AND ITS DIRECTORS AND SENIOR MANAGEMENT**

In accordance with article 10 of the Regulations of the Board of Directors, directors must refrain from attending or intervening in any matters that may create a conflict of interest with the Company.

A director shall not be present when the corporate bodies to which she or he belongs are discussing matters in which the director might have a direct or indirect vested interest, or matters that might affect parties with which she or he has a relationship as defined by legislation.

Furthermore, a director may not conduct, either directly or indirectly, personal, professional or commercial transactions with the Company or Group companies other than customary banking transactions unless these are subject to a procedure which ensures their transparency, with a number of offers and at market prices.

A director must also refrain from taking a direct or indirect interest in operations or companies in which Bank or companies of its Group hold an interest, unless such interest was held prior to her or his appointment as a director or prior to the Group's interest in such enterprise, or unless such companies are listed on domestic or international stock exchanges, or unless authorised by the Board of Directors.

Directors shall not use their position in the Company to obtain a capital gain or to obtain a direct or indirect advantage for themselves or for parties to which they are related, regarding a business opportunity that they have learned of as a result of their position as directors of the Bank, unless this opportunity had been previously offered to the Bank and it had decided not to take it up and the action of the director has been authorised by the Board.

In any event directors must comply with the applicable provisions of the BBVA Group Code of Conduct with regard to the stock exchanges, with regard to legislation and with any other internal codes that apply to requests for loans, bank bonds and guarantees from the financial subsidiaries of the BBVA Group. They must also abstain from conducting or from suggesting to any party, a transaction involving shares of the Company and its subsidiaries, or companies that are affiliates or associates when they have privileged or confidential information by virtue of their position, before such information is known to the public.

In addition BBVA has a code of ethics that is applicable to all Group employees including senior management. This code defines the necessary procedures to prevent conflicts of interest. There is also a code of conduct for the securities market. The director of compliance is the person in charge of examining possible conflicts of interest that might arise between the Company and its managers.

**Section IV**  
**Systems of risk control**

## 1. THE RISK FUNCTION IN THE GROUP

The BBVA Group believes that risk management is a basic component of its competitive edge. It therefore dedicates the necessary effort and resources to ensure that the different types of risk incurred by the Group in the performance of its activities, are appropriately identified, measured, valued and managed.

Management and control risk at the BBVA Group entails the intervention of various bodies at different levels. Each has a specific function.

According to the recommendations of the Basel Committee, monitoring and supervision of risk management is the duty of the Board of Directors. This is the ultimate body responsible for approval and periodic review of the Bank's strategies and its policies on risk. They reflect its risk tolerance and the expected levels of return. The Board delegates approval of the Group's strategy and risk policies to the Executive Committee.

However, the growing complexity of risk management at financial entities requires them to define a risk profile that matches their strategic goals. They must advance gradually, as circumstances permit, towards a model that establishes a system of delegation based on amounts and ratings. This also applies to active tracking of exposure to quantifiable risks by means of a map of risk capital, expected losses and control of non-quantifiable risk.

Thus analysis and periodic tracking of risk management with regard to the attributes of the administrative bodies of the Bank, made it advisable to set up a specific board committee for this purpose. Within the scope of its defined functions, this committee should apply the necessary dedication to analyse the way risk is handled in the entire Group.

Consequently, the Risk Committee of the Board was set up with the following goals:

- To analyse and evaluate proposals related to the Group's strategy and risk policies and to submit these to the Executive Committee of the Bank for approval.
- To monitor the degree to which the risks assumed match the established profile, as a measure of the Bank's tolerance to risk and the expected returns commensurate with the risks taken.
- To approve risk operations through an established system of delegation.
- To check that the Group possesses the means, systems, structures and resources that are in line with best practice and that will allow implementation of its strategy for risk management.
- To submit proposals to the Bank's Executive Committee as it considers necessary or advisable, in order to bring the Group's risk management procedures into line with best practice (as defined through recommendations on the corporate governance system or as established by supervisory bodies on risk matters).

In addition, the Group uses an advanced risk management model whose main purpose is to define a risk profile. On one hand, this helps the Group to achieve its strategic objectives and to create a value for its shareholders and, on the other, it ensures the Group's capital adequacy.

Precise management of lending risk, market risk and operating risk is required to make these two goals compatible and to integrate them in a manner which goes beyond a mere fixed approach to each one. This implies the availability of suitable structures and the development of tools to support decision-making (ratings, scorings, etc). New corporate systems for measuring risk are also required and the Group has advanced significantly on these in 2003. They must also take into account the future standards that will

apply to financial institutions (i.e., the Capital Agreement adopted by the banking supervision committee in Basel in April 2003 – now known as Basel 2).

In order to bring risk management into line with the principles of the model, a structure has been designed for the risk area on two specialised levels. One level is the development of measurement methods, integration and definition of global risk policies (the global risk management unit and the corporate risk methodology unit), and the other entails the daily management of risk and execution of policies (the central risk units). In fact, there are four central risk units. These are specialised in lending risk, market area risks, operational risk and non-banking entity risk.

Furthermore, the Risk Area includes an internal co-ordination and control unit that evaluates the effectiveness of the risk control system and the associated management procedures. The technical secretary of this area is in charge of co-ordination and providing technical comparisons of the decision-making processes in the senior bodies of the Bank.

## 2. PRINCIPLES OF RISK MANAGEMENT AT BBVA

The risk management model at BBVA is based on the following four basic principles:

- A risk function that is independent of decision-making.
- Uniform systems of measurement and methods of evaluating risk.
- Uniform structures, processes and operation of the units responsible for the Group's management.
- A global approach in the management of risk.

### PRINCIPLE OF INDEPENDENCE

In the BBVA Group, the Central Risk Area is independent in the performance of its functions, reporting to the Chief Operating Officer, the Risk Committee, the Executive Committee and to the Board.

The independence of the risk function is achieved through a special procedure. Risk managers in the individual business areas report to the Central Risk Area although, in terms of organisation, they come under the business manager of their particular area. Therefore they apply risk criteria based on the admission, tracking and control policies, and they use the corporate management tools for this purpose.

This system of control follows recommendations by supervisory and watchdog organisations as well as those of leading expert groups (Garp).

### THE PRINCIPLE OF UNIFORMITY

The principle of uniformity is reflected in the existence of a common measurement for quantifying risk in all the Group's companies and by the uniform risk evaluation methods.

The BBVA Group ensures a consistent and uniform method of integrated management of all risks that affect its ordinary operations (lending, markets, operations). This entails their quantification and uniform management based on a common measurement – economic capital allocation. This is an estimate of the unexpected loss that can be incurred in different risk activities at a certain level of statistical confidence.

The concept of economic capital is a key factor in evaluation of the Group's global risk profile. It allows capital to be attributed to the different businesses and activities depending on the different levels of risk and the corresponding amount.

Thus, an estimate of risk capital provides a more accurate calculation of the risk-adjusted return of the different business lines. It furnishes a comparison between earnings obtained and the risk capital effectively consumed.

In addition, BBVA uses uniform methods for valuing, controlling and managing the different risks that might arise in its ordinary operations. This type of risk can be divided into four general categories: (i) lending, (ii) market risk, (iii) structural risk and (iv) operational risk.

In regard to lending risk, the Group uses rating and scoring tools for the acceptance of risk and classification of customers. These tools consider the risk factors that are seen as relevant to the particular operation or to the customer segment in question (and this is done in a uniform manner for the whole Group). Following this the risk analyst can integrate these two tools (rating and scoring) in the decision process, using the one that matches the business segment in question. Scoring is used for very large segments while rating is applied to business segments, financial and public institutions and for sovereign risk.

As a result of this, every activity in the Bank's operations can be associated with a consistent and uniform probability of failure. The system in general allows for unified criteria, decentralised decisions, reduced response times and better decisions.

These classification tools are in accordance with the future capital requirements of Basel 2 and they are subject to validation by regulators and independent experts.

The Group has established a corporate tool to measure market risk in all the areas where it operates. It is based on the Value-at-Risk (VaR) methodology.

The VaR model for measuring market risk calculates the maximum loss at a given level of probability that can occur in market positions over a certain period of time. Although the VaR is the basic factor for measuring and controlling the Group's market risk, other measurements of sensitivity and nominal exposure are calculated and used by the business units.

The VaR model is subject to a continuous process of improvement by adapting it to new products and the needs that arise in the different areas of the BBVA Group. In addition, any new product must be approved by the New Products Committee before any contracts are signed. For this purpose, the Risk Committee must first give its approval from the point of view of measurement of the different risks involved.

On the other hand, control of market risk relies on a system of limitations that are established by the figures calculated by VaR (and other figures). These are fixed each year by the Executive Committee.

Other risks that are also commonly associated with BBVA's ordinary operations are those called structural risks. They are defined as those which have a general effect on the Group's balance sheet or on the subsidiaries. They include interest rate risk, liquidity risk and exchange rate risk.

The Risk Area designs the measurement models, establishes the policies on limits, periodically quantifies the risk level and carries out tracking, control and communication with the rest of the organisation. All this is done under the supervision of the Risk Committee and the Executive Committee.

Structural interest rate risk arises in a decentralised manner at each business unit of the group. However, its management is handled by the Assets and Liabilities Committees (COAP) following uniform corporate criteria. This body is entrusted with analysing the structure of the company's balance sheet and, supported by the risk measurements, it proposes operations that will improve the Group's position in terms of financial margins and economic value.

In respect to liquidity risk, the BBVA Group tracks this differently in the short and long term. Short-term liquidity is handled by the various Market Areas while control and tracking (preparation of the daily liquidity map based on forecast flows of collections and payments) is handled by an independent unit within the Risk Area.

Longer term liquidity issues are managed by the COAP in each Group company. In the case of medium-term tracking, corporate policies and procedures have been set up. Many aspects of these are similar to those for structural risk, so they are controlled in parallel.

In the same way, estimates are prepared of the impact that a difficult situation could have on the company's liquidity. These are used as input for the preparation of contingency plans for liquidity based on a corporate model that anticipates a need for funds in the event of a crisis.

Structural risk mainly arises from capital investments made by the parent company. These entail the acquisition of assets in currencies other than those in which they were financed.

Management of this risk is handled by the COAP where the level of risk incurred is analysed, evaluating the possibility of coverage according to the strategic nature and permanent character of the investment that originated the structural exchange rate positions.

By simulating future exchange rate scenarios, the model quantifies the maximum variation in value that can occur in BBVA's structural positions in the event of changes in market conditions, within a timeframe of one year and for a given level of confidence. This allows the impact of different finance structures and coverage operations to be evaluated

Finally, another type of risk that occurs in the Group's operations is operational risk. This is defined as risk that is linked to neither lending nor markets. This definition covers the one proposed by Basel 2 (risk that can produce losses as a result of human errors, inadequate or defective internal procedures, system failures or through external causes) apart from other risk such as strategic or business risk and regulatory risk.

The Risk Area is responsible for the definition of management methods at corporate level as well as for their deployment in the Group. The position of Operational Risk Manager has been created to facilitate implementation of the defined methods. This position is located inside the business or support units.

Uniform management of operational risk at BBVA rests on two methods:

- **Quantitative method:** this is based on the development of databases that record the impact of operational risk events that occur in the Group. It helps to model and calculate the economic capital. These databases are generated at internal level, classifying events along business lines and by class of risk. They also classify events at the external level through an international ORX consortium (of which BBVA is a founder member). This consortium was set up in 2002 and it classifies risk in accordance with the Basel schemes.
- **Qualitative method:** this is based on the use of tools for identifying and evaluating operational risk by area (Ev-Ro) and tracking by means of indicators or variables associated with the processes in each area (TransVar).

## THE PRINCIPLE OF UNIFORMITY

The principle of uniformity is basically related to the definition of common corporate criteria for risk management for the whole Group. This refers to policies, tools and systems, circuits and processes, structures and models.

In this manner the Risk Area can exercise its functional responsibility on the entire risk cycle in the whole of the BBVA Group. With regard to lending risk, this character is reflected in the work of the risk admission function and through the tracking and eventual recovery functions while such risk exists. It is qualified as non-performing/bad or finally, as a write-off. With regard to market risk and operational risk, the duties of the Risk Area extend to the entire risk cycle, through policies, structures, processes, systems and methodologies.

The BBVA Group has a uniform risk management model that allows risk to be accepted, tracked and recovered in a uniform manner regardless of the details of the business line in question, the geographic area or the customer segments in which it operates.

Further development of the uniformity principle is based on centralised definition of structures, tools and the risk culture (vision), combined with decentralisation of decisions.

Decentralisation of decisions is aided by a corporate-defined structure of limitations related to market risks and delegation rules for lending risk.

The delegated limit at a particular level is the maximum aggregate of limits and risk that can be granted to a specific customer at that level. Operations that, due to the amount, type or term, cannot be authorised at the specific level or that are related to customers that are not delegated, are passed to a higher level.

The various decision levels for lending risk, in order from highest to lowest, are as follows: the Board of Directors, the Executive Committee, the Risk Committee, the Technical Operations Committee, the Risk Committee of the Central Lending Risk Unit and the Area Committee of the Central Lending Risk Unit.

Operations associated with customers with a public presence or linked to such customers, or their subsidiary banks, are subject to stricter criteria.

## THE PRINCIPLE OF GLOBAL APPROACH

The importance of the global aspect in risk management stems from the nature of BBVA as a financial conglomerate that incurs many different types of risk in different geographic areas, with different customer profiles and via a wide range of products and financial services.

The global aspect of risk has two important parts. First, a global vision of risk that, based on the different management needs of a financial entity, allows risk to be grouped under different business and management headings (customer, product, country, business unit, risk type, etc). And second, the conviction that risk and return must be analysed jointly in a consistent manner.

The ultimate goal is a form of risk management that is aligned with the strategic objectives of the institution, that fosters the creation of value and that guarantees the capital adequacy of the institution in terms of preservation of its target rating.

The present philosophy at BBVA holds that an integrated risk system must be simple, attainable and controllable. It must be capable of being understood and developed by the company without difficulty, simultaneously fostering a risk culture. It is therefore a firm goal of the Bank to make these principles known and valued by all those who have an interest in its activities.

**Section V**  
**General shareholders meeting**

## 1. OPERATION AND PROCEDURES IN THE GENERAL SHAREHOLDERS MEETING (GSM)

### REGULATIONS FOR THE GENERAL SHAREHOLDERS MEETING

The BBVA Board of Directors has approved draft regulations for the BBVA General Shareholders Meeting (GSM). This will be submitted to the GSM for approval, in compliance with Spanish Law 26/2003.

These regulate matters related to the conduct of GSMs (notice of meeting and publicity, place, procedures, voting and adoption of resolutions, etc.) and shareholders' rights in relation to BBVA GSMs. They have been drawn up in compliance with the Law and the Corporate Bylaws.

### CONDUCTING THE GENERAL SHAREHOLDERS MEETING

The draft Regulations establish that GSMs shall be convened at the initiative of the Board of Directors and according to the agenda they determine. The Board must convene a GSM when so requested by shareholders representing a minimum of five percent of the share capital. Should the Board of Directors convene the GSM to be held within thirty days as of the date on which required to do so by notarised document, it shall make this circumstance known in the notice of meeting, and the agenda shall cover the matters that said notarised document puts forward as grounds for holding the meeting.

Ordinary and Extraordinary GSMs must be convened by notices published by the Board of Directors or its agents, in the Official Gazette of the Mercantile Registry and in one of the highest-readership daily newspapers in the province of its registered offices, at least fifteen days before the date established for the meeting, except where a longer term of notice is established.

The notice shall state on which date the GSM is to meet at first summons and the business it will deal with. It must contain all references stipulated under the Spanish Companies Act. It must also state the date on which the GSM will be held at second summons.

There must be at least twenty-four hours between the first and second summons.

The notice of meeting for the GSM shall state the shareholders' right, as of the date of its publication, to immediately obtain at the registered offices, free of charge, any proposed resolutions, reports and other documents required by Law and by the Bylaws.

Once the notice of meeting has been published, documents relating to the GSM shall be hung on the Corporate Website, with information on the agenda, the proposals from the Board of Directors, and any relevant information shareholders may need to issue their vote.

It shall also include necessary details regarding shareholder information services, indicating telephone numbers, email addresses, offices and opening hours.

Where applicable, information shall be provided on systems to follow the GSM from a remote location employing proper means of transmission. Information on anything else considered useful or convenient for the shareholders for such purposes shall be included.

GSMs shall be held in the place where the Company offices are registered, on the day established in the notice of meeting. Its sessions may be extended over one or more consecutive days at the behest of the Board of Directors or of shareholders representing at least one quarter of the capital present at the GSM.

The draft Regulations cover the procedures for sending out proxy forms in accordance with the Law and the Company Bylaws.

It establishes that the form of proxy must contain or be attached to the agenda, and include request for voting instructions indicating the general way in which the proxy shall vote should no precise instructions be given.

It also regulates how directors may send out forms of proxy and the way they may exercise proxies, with regulations for cases where there could be a conflict of interests.

The draft Regulations also establish the most significant aspects related to the conduct of the GSMs, the voting procedures for motions presented at the GSM, how resolutions are to be adopted and other issues related to the operation of the GSM. All these aspects are subject to the provisions of Law and the Company Bylaws.

The regime under which the GSM shall adopt resolutions is established in the Company Bylaws. In general, it follows the provisions of the Spanish Companies Act, with the following differences:

A larger quorum is required to adopt the following resolutions, representing two thirds of subscribed capital at first summons, and 60% at second: substitution of corporate mission, transformation, total split, winding up of the company, and amendments to the article in the Bylaws establishing the higher quorum requirement.

A larger quorum of 70% of the share capital with voting rights is required to amend the Transitory Provision of the Bylaws; such amendment must be adopted by a majority of at least 70% of the votes issued.

## 2. SHAREHOLDERS' RIGHTS RELATED TO THE GENERAL SHAREHOLDERS MEETING

The draft Regulations to be submitted to the next GSM also regulate the exercise of shareholders' rights in aspects related to the meeting, in the following terms:

### RIGHT TO INFORMATION

Until the seventh day before the GSM date, Shareholders may apply to the management for information or clarification, or formulate written questions regarding matters covered in the agenda and publicly available information that the Company may have furnished to the Comisión Nacional del Mercado de Valores (CNMV – the National Securities Market Committee) since the last GSM was held. Moreover, once this period has ended, Shareholders may request information, clarification or pose questions during the GSM, in the manner established under Article 18 of the GSM Regulations.

Applicants shall be given the information requested through the Shareholders Helpdesk, in writing and up until the day on which the GSM is held, except in the following cases:

- (i) When the request does not meet the timing and scope requirements determined by Law and by these Regulations.
- (ii) When the Chairman considers that making the data requested by shareholders representing less than 25% of the capital could damage the Company's best interests.
- (iii) When the applicant has proceeded in clear abuse of law.
- (iv) When so established by provisions of law or the Bylaws, or judicial or administrative rulings.

The right to information may be exercised through the Corporate Website, which shall publish the lines of communication open between the company and its shareholders and, in particular, explanations pertinent to the exercise of the shareholders' right to information. It shall indicate the postal and email addresses to which shareholders may address their requests and queries.

## RIGHT OF ATTENDANCE AND REPRESENTATION

The company's GSMs may be attended by anyone holding the minimum number of shares established in the Bylaws, which is 500 shares, providing that, five days before the date on which the GSM is to be held, their ownership is recorded on the corresponding company ledgers and they retain at least this same number of shares until the GSM is actually held.

Holders of fewer shares may group together until achieving the required number, appointing a representative.

Given its high number of shareholders, the Company shall issue an attendance form for access to the GSM. The Bank shall furnish a form to each shareholder entitled to attend the GSM who applies for one. The form shall indicate the number of shares held by its bearer. Applications may be sent to the Shareholders Helpdesk (Oficina de Atención al Accionista), over the Website or be presented at any BBVA branch office.

The above notwithstanding, if holders of fewer shares than the Bylaws establish for entitlement wish to attend, they may apply for an invitation to the GSM through the Shareholders Helpdesk, the Website or any BBVA branch. It will be facilitated to them, after taking due account of inevitable space constraints in the facilities where GSMs can be held and the very high number of shareholders in the Company.

In order to accredit the identity of shareholders and their valid representatives, persons entering the building where the GSM is to be held may be asked to prove their identity by presenting their National Identity Document or any other official document generally accepted for such purposes.

Organisations (juridical persons) shall act through people acting as their legal proxy. This circumstance must be duly accredited.

Any shareholders entitled to attend may be represented at the GSM by another shareholder, using the delegation form established by the Company for any GSM that will be displayed on the attendance form. A single shareholder may not be represented at the GSM by more than one representative.

Proxies conferred to those not legally entitled to act proxy shall be neither valid nor efficacious. Nor shall proxy conferred by a holder in trust or in agency.

Proxies wishing to vote remotely shall be conferred authority in writing or by remote means of communication in compliance with the requirements of article 105 in the Spanish Companies Act and other applicable legislation. Rights of proxy shall be specific to each GSM.

Representation shall always be revocable. Should the shareholder represented attend the GSM, his/her representation shall be deemed null and void.

BBVA wishes to encourage the participation of its broad shareholder base at its GSMs. Apart from establishing all information measures required by Law, it shall also send an Attendance Form to the domiciled address of any shareholders entitled to attend the GSM, in sufficient time for them to use it. This shall include the agenda and information on the time, place and date of the GSM.

It shall also post information to its Website on the GSM regarding its agenda, notice of meeting, proposals for resolutions from the Board of Directors and the communication channels by which shareholders can ask for more details.

Moreover, in exercise of the powers conferred on it by law and under the Bylaws, the Board of Directors, in order to permit the broadest expression of corporate will, shall send out a proxy form, by which any shareholder not intending to personally attend the GSM may manifest his or her will in the sense he or she deems opportune on each of the agenda items for the GSM.

### 3. DELEGATION OR EXERCISE OF VOTE BY MEANS OF REMOTE COMMUNICATION

In accordance with the Bylaws, voting rights on proposals regarding Agenda items of any kind of GSM may be delegated or exercised by the shareholder by post, e-mail or any other remote means of communication, provided the voter's identity is duly guaranteed.

Shareholders casting their vote remotely shall be deemed present for the purposes of constituting the GSM quorum.

Shareholders wishing to vote by post may apply to the Company, once the notice of meeting has been published, through the Shareholders Helpdesk or any BBVA branch, requesting it issue the proper document for postal voting in their name. Once completed in due time and according to its instructions, this shall be sent by mail with certified receipt to the Shareholders Helpdesk to be processed and counted. Information on the exercise of postal vote shall be provided on the Company's Website.

In order to process mail votes, these must be received at the Shareholders Helpdesk more than 24 hours before the date on which the GSM is to be held at first summons. Votes arriving later than this shall not be counted.

E-mail voting shall follow the procedures the Company establishes according to Law and any regulations it may publish for such purpose, with technical media available at any time. Shareholders shall be provided with information on this over the Company's Website.

### 4. SHAREHOLDERS HELPDESK

In order to facilitate communication with the shareholders and thus ensure that GSMs are properly conducted, the Bank's Board of Directors shall maintain a permanent Shareholder Helpdesk to channel requests for information, clarification or queries and their answers, according to the terms of the GSM Regulations. It shall also deal with questions shareholders may put to the Bank in relation to their shareholding.

### 5. PUBLICITY

The Board of Directors shall adopt necessary measures to ensure the dissemination of the GSM Regulations amongst its shareholders, once approved by the GSM, by informing the CNMV of their content, lodging them with the Mercantile Registry and publishing them on the Company's Website.

### 6. INFORMATION ON ATTENDANCE AT PREVIOUS GSMS

The list of participants at the BBVA 2003 GSM is given below:

Shareholders	GENERAL SHAREHOLDERS MEETING 1st March 2003		
	Number	Shares	% Total Capital
Present	1.287	58.166.286	1.82
Represented	205.287	1.523.174.799	47.66
Total	206.574	1.581.341.085	49.48

## 7. RESOLUTIONS ADOPTED BY THE GSM DURING THE YEAR

Resolutions passed by the last BBVA GSM, held 1<sup>st</sup> March 2003, are literally transcribed below:

### RESOLUTIONS ON AGENDA ITEM ONE

1. To approve, in accordance with the terms of the legal documentation, the Annual Accounts (Balance Sheet, Profit and Loss Account and the Annual Report) plus the Management Report of Banco Bilbao Vizcaya Argentaria, S.A. corresponding to the year ending 31st December 2002, as well as the Annual Accounts (Balance Sheet, Profit and Loss Account and Annual Report) and the consolidated BBVA Group Management Report corresponding to the same financial year.

2. Approve the proposal to apply the earnings of Banco Bilbao Vizcaya Argentaria, S.A. corresponding to the financial year 2002, for the sum of ONE BILLION, TWO HUNDRED AND SEVEN MILLION, NINETY-SIX THOUSAND, ONE HUNDRED AND THIRTY-ONE EUROS, TWELVE EURO-CENTS (1,207,096,131.12 euros), to be distributed as follows:

- The sum of ONE BILLION, ONE HUNDRED AND TWELVE MILLION, ONE HUNDRED AND FIFTY-SIX THOUSAND, FIVE HUNDRED AND TEN EUROS, NINETY-SIX EURO-CENTS (1,112,156,510.96 euros) for the payment of dividends; of which EIGHT HUNDRED AND SIXTY-TWO MILLION, EIGHT HUNDRED AND EIGHTY THOUSAND, FIFTY-ONE EUROS, ONE EURO-CENT (862,880,051.61 euros) have already been paid out in the first, second and third interim dividends; the remaining TWO HUNDRED AND FORTY-NINE MILLION, TWO HUNDRED AND SEVENTY-SIX THOUSAND, FOUR HUNDRED AND FIFTY-NINE EUROS, THIRTY-FIVE EURO-CENTS (249,276,459.35 Euros) correspond to the amount destined to pay the complementary dividend for the financial year 2002 to the sum of SEVENTY-EIGHT EURO-CENTS (0.78 euros) per share and which will be paid to the shareholders on 10th April 2003.
- The sum of NINETY-FOUR MILLION, NINE HUNDRED AND THIRTY-NINE THOUSAND, SIX HUNDRED AND TWENTY EUROS, SIXTEEN EURO-CENTS (94,939,620.16 Euros) for the provision of the Bank's voluntary reserves.

To resolve that the sums paid as interim dividends plus the sum destined to the complementary dividend constitute the total amount of the dividend for the financial year for the Banco Bilbao Vizcaya Argentaria, S.A., ratifying the resolutions adopted by the Board of Directors according to which the aforementioned sums were paid as interim dividends.

3. To approve the management of the Board of Directors of the Banco Bilbao Vizcaya Argentaria, S.A. in 2002.

4. To authorise the Chairman, Mr. Francisco González Rodríguez, and the Company Secretary and Board Member, Mr. José Maldonado Ramos, severally, to deposit the Annual Accounts, Management Reports and Audit Reports corresponding to the Bank and its consolidated Group, as well as to issue the certificates referred to in Article 218 of the Spanish Companies Act (Ley de Sociedades Anónimas) and in Article 366 of the Mercantile Register Regulations (Reglamento del Registro Mercantil).

This resolution was passed by a majority vote of 99.78% with 1,415,360 votes against and 2,085,413 abstentions.

## RESOLUTIONS ON AGENDA ITEM TWO

Informing the General Shareholders Meeting that the powers conferred on the Board of Directors by the company's General Shareholders Meeting held on 9th March 2002 under item two of its Agenda, to increase its share capital, have not been used.

1. To annul the resolution to increase the share capital adopted by the bank's General Shareholders Meeting held 9th March 2002 under item 2 of its Agenda.
2. (a) To increase the share capital by the nominal amount of 782,983,750 euros by issuing new ordinary shares with identical nominal value and rights as the shares already released on the date of their launch. This shall be subject to obtaining due authorisation from pertinent authorities and regulators.
  - (b) For the legal term of one year, to delegate the Board of Directors all powers needed to implement this resolution on one or several occasions. The powers hereby delegated shall include, but never be limited to, the following:
    - i. To determine the date and the conditions of the capital increase.
    - ii. To determine the type of issue and the nominal value of the new shares, the premium being payable in cash; to establish the deadline for exercising preferential subscription rights; to offer unsubscribed shares to third parties once said deadline has expired, and to be able to conclude the capital issue agreed at the figures that are effectively subscribed in accordance with Art. 161 of the Spanish Companies Act (Ley de Sociedades Anónimas); to request official listing on stock exchanges in Spain and abroad for the new shares issued, and to rewrite Article 5 of the company's Bylaws:
    - iii. To authorise directors to abstain from implementing this increase. The Directors shall report on this to the first Ordinary General Shareholders Meeting held after said legal term of one year. If within the term established by the Shareholders Meeting to implement this resolution, the Board of Directors does not exercise the powers delegated to them in full or in part, these powers shall be without value or effect once said term has expired with respect to the amount to which the share capital has not been increased.
3. To apply for shares issued under the above resolution to be listed in the Spanish continuous trading system (Sistema de Interconexión Bursátil - Mercado Continuo) at the Bilbao, Madrid, Barcelona and Valencia stock exchanges, and to make similar applications to foreign securities exchanges on which the Bank's shares are listed at the time of implementing this capital increase. This may require compliance with the applicable regulations, to which effect the company's Board of

Directors is authorised, with express powers of substitution by the Executive Committee and/or one or several of the company's Directors or authorised executives, to issue such documents and take such steps as may be necessary therefor, including any action, statement or arrangement before the competent authorities of the United States of America for accepting shares represented by American Depositary Shares (ADSs) for trading.

In compliance with article 27, part b) of the Commodities Exchange Regulations (Reglamento de las Bolsas de Comercio) approved under decree 1506/1967, 30th June, the company is expressly declared to fall under the rules that exist or may be laid down in the future regarding stock exchanges, and especially regarding trading, remaining on or being excluded from the official listings.

4. Likewise, to authorise the Board of Directors, in compliance with article 141 of the Spanish Companies Law (Ley de Sociedades Anónimas), to pass on the powers delegated to them by the Shareholders Meeting regarding the earlier resolutions to the Executive Committee, with express authority for substitution by the Chairman of the Board, the Managing Director or any other Director or proxy of the Bank.

This resolution was passed by a majority vote of 87.72% with 183,585,076 votes against and 10,619,774 abstentions.

### RESOLUTIONS ON AGENDA ITEM THREE

One.- Annuling the authorisations granted at the General Meeting held 9th April 2002 under Agenda Items six and seven, to authorise the Board of Directors, under article 319 of the Mercantile Registry Regulations and prevailing regulations on bond issuance, and applying by analogy articles 153.1 b) and 159.2 of the Spanish Companies Act, to issue securities convertible and/or exchangeable to Bank shares in accordance with the following conditions:

1. The securities convertible and/or exchangeable for Bank shares may be issued one or more times within a maximum five (5) year period as of the date of this resolution.
2. The maximum total amount of the convertible and/or exchangeable securities approved under this authority shall be SIX BILLION EUROS (6,000,000,000). However, the amount effectively issued, together with the other Company securities already released at the time of issuance, shall not exceed the maximum limit of paid-up share capital plus the reserves identified in the last approved balance sheet and the revised and updated balance sheets accepted by the Ministry of Economy and Finance established in Section 1 of Article 282 of the Spanish Companies Act (Ley de Sociedades Anónimas).
3. The authority to issue convertible and/or exchangeable securities shall extend to establishing the various aspects and conditions of each issue (nominal value, type of issue, redemption price, interest rate, exchange ratio, amortisation, anti-dilution clauses, issue guarantees, listing, etc.). It shall specifically comprise the following powers:
  - i) To increase capital by the amount necessary to meet applications for conversion and to re-write article 5 of the Corporate Bylaws. Said power may only be exercised provided the Board does not exceed the limit of half the amount of share capital established under Article 153.1 b) of the Spanish Companies Act (Ley de Sociedades Anónimas), after having added together the capital

increase to meet convertible bond issues plus further capital increases approved under the authorisations granted by the General Shareholder Meeting.

- ii) The power to exclude the preferential subscription rights of shareholders or convertible and/or exchangeable bond holders, whenever this is necessary to raise capital on international markets or if corporate interests so require. Be this as it may, should the Board decide to waive preferential subscription rights for a specific convertible bond issue that it eventually decides to make hereunder, it shall also provide a detailed report clarifying the grounds for the decision. This report must be approved in the auditors' report referred to in article 159.2 of the Spanish Companies Act (Ley de Sociedades Anónimas).
- iii) The power to determine the conversion rate (fixed or variable) and the limits detailed below, as well as the timing of the conversion (which may be limited to a predetermined period within a maximum of twenty years), ownership entitlements of the conversion rights (which may be allocated to the Bank or the bond holders) and, in general, such limits and conditions as may be necessary or proper for the issue.

If the issue has a fixed exchange and/or conversion rate, the corresponding share conversion and/or exchange price shall not be lower than whichever is higher of (i) the arithmetic average of the closing price on the continuous market over a period to be specified by the Board of Directors (not exceeding three months and not less than two weeks) prior to the Board Meeting (making use of this delegation) to approve the issue, or (ii) the closing share price on the continuous market the day prior to the Board of Directors Meeting to approve the issue

If the issue has a variable exchange and/or conversion rate, the share price shall be the arithmetic mean of the closing share prices on the continuous market over a period to be specified by the Board of Directors, not exceeding three months and not less than five days prior to the conversion or exchange date, including a premium or, where applicable, a discount on said share price. The premium or discount may be different for each conversion or exchange date, although these shall not exceed 30% of said share price

For the purpose of conversion and/or exchange, the value of the share shall never drop below its nominal value. It must be higher than the net worth stated in the last audited annual balance sheet approved by the General Shareholders Meeting. Likewise, the valuation for conversion and/or exchange of bonds into shares may include accrued interest that has not been paid at the time of their conversion and/or exchange.

During subsequent General Shareholder Meetings convened by the Bank, the Board of Directors shall notify shareholders of the implementation or non-implementation to date of the authorisations mentioned in this resolution.

Two.- Likewise, it is agreed to request acceptance for trading of bonds and other securities issued by the Bank by virtue of this delegation, on official/unofficial, regulated/deregulated, Spanish/foreign secondary markets. The Board is empowered to implement such procedures and actions as may be necessary to obtain approval for listing on Spanish and foreign securities exchanges.

Should the securities issued by virtue of this delegation later be de-listed, the request to de-list them shall comply with the provisions of article 27 of the Exchange Regulations (Reglamento de Bolsas de Comercio) and guarantee the interests of shareholders or bond holders who oppose or do not vote for the de-listing resolution, thereby satisfying the requirements of the Spanish Companies Law (Ley de Sociedades Anónimas) and other similar provisions. All this must meet the stipulations of said

Exchange Regulations, the Securities Exchange Law (Ley de Mercado de Valores) and its accompanying provisions.

Three.- Likewise, to authorise the Board of Directors, in compliance with article 141 of the Spanish Companies Law (Ley de Sociedades Anónimas), to pass on the powers delegated to them by the Shareholders Meeting regarding the earlier resolutions to the Executive Committee, with express authority for substitution by the Chairman of the Board, the President/COO or any other Director or proxy of the Bank.

This resolution was passed by a majority vote of 98.47% with 13,474,399 votes against and 10,797,033 abstentions.

## RESOLUTIONS ON AGENDA ITEM FOUR

1. To amend Article 31 of the Corporate Bylaws in order to cease limiting the exercise of voting rights to 10% of the total share capital, such that Article 31 of the Bylaws will read as follows:

*“Article 31 Adopting resolutions.*

*The resolutions of ordinary and extraordinary General Meetings shall be adopted with the majorities demanded under the Spanish Companies Act.*

*Each shareholder attending the GSM shall have one vote for each share held or represented, whether paid up or not. Shareholders who have not paid the amount due on any call shall not be entitled to vote. This limitation shall only refer to the shares called but not paid up, or shares without voting rights.”*

2. To amend Article 34 of the Corporate Bylaws in order to adjust the maximum and minimum number of seats on the Board of Directors, such that Article 34 of the Bylaws will read as follows:

*“Article 34 Number and Election.*

*The Board of Directors shall be made up of a minimum of nine members, and a maximum of eighteen, elected by the General Shareholders Meeting, with the exception contained in article 37 of these Bylaws.*

*The exact number of Directors shall be determined by the General Shareholders Meeting within the stipulated limits.”*

3. To amend Article 48 of the Corporate Bylaws in order to adapt them to the new law 44/2002 on Measures to Reform the Financial System (Medidas de Reforma del Sistema Financiero), by making it obligatory under the Bylaws to set up the Audit Committee, such that Article 48 of the Bylaws will read as follows::

*“Section Four: The Board Committees*

*Article 48.*

*The Board of Directors, in order to better pursue its duties, may create the Committees it deems necessary to help it on such issues as fall within the scope of its powers.*

*However, for the supervision of the financial statements and the exercise of its control function, the*

*Board of Directors shall have an Audit Committee, which will have proper powers and means to exercise this fundamental function for corporate matters.*

*This Committee shall comprise a minimum of four non-executive Directors appointed by the Board of Directors, who have sufficient time, capacity and expertise to pursue their duties. The Board shall appoint one of them Chair of the Committee, who must be replaced every four year. He/she may be re-elected to the post when one year has passed since he/she stood down.*

*The Committee shall have its own specific regulations, approved by the Board of Directors. These will determine its duties, and establish procedures to enable it to meet its commitments.*

*The Audit Committee shall have, as a minimum, the following powers:*

- a) to report, at the General Shareholders Meeting on issues that shareholders bring up there regarding matters within the scope of their powers*
- b) to propose to the Board of Directors, for submission to the General Shareholders Meeting, the appointment of the Auditor of Accounts referred to in article 204 of the Spanish Company Act (Ley de Sociedades Anónimas) and, where applicable, the conditions under which they are to be hired, the scope of their professional remit, and the termination or renewal of their appointment.*
- c) To supervise internal auditing services.*
- d) to know the financial information process and the internal control systems.*
- e) to maintain relations with the Accounts Auditor to receive information on such questions as could jeopardise the Accounts Auditor's independence, and any others related to the process of auditing the accounts, as well as to receive information and maintain communications with the Accounts Auditor as established under the legislation of accounts audits and the technical auditing standards."*

4. The preceding amendments to the Bylaws must first obtain such authorisation as may be demandable under prevailing laws and/or regulations. The Board of Directors is expressly delegated the broadest most efficient powers possible at law to obtain said authorisations and/or any others that may be required to implement and effect the preceding resolutions. Said powers may be passed on totally or in part to the Board's Executive Committee or any of the Board members.

This resolution was passed by a majority vote of 99.60% with 4,479,819 votes against and 1,887,158 abstentions.

## RESOLUTIONS ON AGENDA ITEM FIVE

To ratify the acceptance of BANCO BILBAO VIZCAYA ARGENTARIA, S.A., as sole shareholder in the company BBVA PRIVANZA BANCO, S.A., the global transfer of its net worth, comprising all its assets and liabilities, with the later dissolution without liquidation of the aforementioned company. Any obligations entered into by BBVA PRIVANZA BANCO, S.A. with all types of creditors will be assumed by Banco Bilbao Vizcaya Argentaria, S.A. by virtue of this agreement, as resolved by the Banco Bilbao Vizcaya Argentaria, S.A. board meeting on 29<sup>th</sup> January 2003.

This resolution was passed by a majority vote of 99.80% with 1,370,182 votes against and 1,822,571 abstentions.

## RESOLUTIONS ON AGENDA ITEM SIX

1. Annuling unfulfilled elements of the agreement adopted at the General Meeting of 9th March 2002, authorising the Bank to, directly or via any of its subsidiaries, and throughout a maximum term of eighteen months as of the date of this present Ordinary General Shareholders Meeting to purchase at any time and as many times as it deems appropriate, shares of Banco Bilbao Vizcaya Argentaria, S.A., by any means permitted by law, including charging them to the year's profits and/or freely disposable reserves, as well as to dispose of them or amortise them at a later date, all in accordance with Article 75 and others of the Spanish Companies Act (Ley de Sociedades Anónimas).
2. To approve the limits or requirements of these purchases, which shall be as follows:
  - That the nominal of the shares purchased, added to those already in possession of the Bank and its subsidiaries will not exceed, at any time, five per cent of the share capital of Banco Bilbao Vizcaya Argentaria, S.A., at all times respecting the limitations established for the purchase of treasury stock by the regulatory authorities governing the Exchanges on which Banco Bilbao Vizcaya Argentaria, S.A. securities are listed.
  - That the Bank's Balance Sheet provision, under Liabilities, a restricted reserve equivalent to the sum of Treasury Stock calculated under Assets. This reserve must be maintained until the shares are sold or amortized.
  - That the stock purchased must be fully paid up.
  - That the purchase price will not be inferior to the nominal price nor exceed 20% of the listed price or any other price associated to the stock on the date of purchase or, in the case of derivatives, on the date of the call contract. Operations to purchase treasury stock will respect the rules and customs of Securities Markets.
3. It is authorised expressly that shares purchased by the Bank or any of its subsidiaries in use of this authorisation may be earmarked, in whole or in part, to workers, employees or administrators of the Bank when there exists an acknowledged right, either directly or as a result of exercising the option rights of holders, as established in the final paragraph of Article 75, Section 1, of the Spanish Companies Act (Ley de Sociedades Anónimas), introduced by the Additional Provision 19 of Law 55/1999, December 29th, regarding fiscal, administrative and corporate measures.
4. Reduce the share capital in order to amortise such treasury stock as the Bank may hold on its Balance Sheet, charging this to profits or free reserves and for the amount which is appropriate or necessary at any time, to the maximum number of own shares existing at any time.
5. Delegate the Board, in accordance with Article 30 c) of the Corporate Bylaws, to implement the above resolution to reduce share capital, either all at once or on several successive occasions and within the maximum period of eighteen months from the date of this General Meeting, undertaking such procedures, processes and authorisations as necessary or as required by the Spanish Companies Law (Ley de Sociedades Anónimas) and other applicable provisions. Specifically, the Board is delegated, within the time and limits established for the aforementioned execution, to establish the date or dates of the specific capital reduction or reductions, their timeliness and appropriateness, taking into account market conditions, listed price, the Bank's economic and financial position, its cash position, reserves and corporate

evolution and any other factor relevant to the decision; specifying the amount of the capital reduction; determining where the amount of the reduction is to be booked, whether to restricted or unrestricted reserves, providing the necessary guarantees and complying with legally established requirements; adapting Article 5 of the Corporate Bylaws to reflect the new figure for share capital; request the de-listings of the amortised stock and, in general, adopt such agreements as necessary regarding this amortisation and capital reduction, designating the people able to formalise these actions.

This resolution was passed by a majority vote of 99.83% with 1,481,559 votes against and 1,190,849 abstentions.

## RESOLUTIONS ON AGENDA ITEM SEVEN.

To re-elect Deloitte & Touche España, S.L. as Auditors for the Accounts of Banco Bilbao Vizcaya Argentaria, S.A. and its Consolidated Financial BBVA Group. The firm of Deloitte & Touche España, S.L. is domiciled in Madrid, at Calle Raimundo Fernández Villaverde, nº 65 and its tax code is C.I.F. B-79104469, number S0692 on the Official Registry of Auditors of Accounts in Spain, and lodged in the Madrid Mercantile Registry under tome 13,650, folio 188, section 8, sheet M-54414.

This resolution was passed by a majority vote of 99.53% with 1,267,832 votes against and 6,102,083 abstentions.

## RESOLUTIONS ON AGENDA ITEM EIGHT.

1. To ratify the Board of Directors' resolution of 28<sup>th</sup> May 2002, appointing the following members of the Board of Directors: Mr. Román Knörr Borrás, Mr. Ricardo Lacasa Suárez and Ms. Susana Rodríguez Vidarte.
2. To ratify, under the same terms adopted by the Board of Directors in their meeting of 20<sup>th</sup> October 2002, the appointment of the shareholder, Mr. Richard C. Breeden, as member of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A..
3. In compliance with article 36 of the Corporate Bylaws, to re-elect to the Board of Directors, for 5 years, the current Directors, Mr. José Ignacio Goirigolzarri Tellaeche, Spanish national of full age, married, and domiciled at Paseo de la Castellana nº 81, with Spanish Tax Identification Number 14,909,223 W; Mr. Román Knörr Borrás, Spanish national of full age, married, and domiciled at Gran Vía nº 1, Bilbao, with Spanish Tax Identification Number 16,184,205 W; Mr. Ricardo Lacasa Suárez, Spanish national of full age, married, and domiciled at Paseo de la Castellana nº 81, Madrid, with Spanish Tax Identification Number 16,938,384 B and Ms. Susana Rodríguez Vidarte, Spanish national of full age, married, and domiciled at Number Gran Vía nº 1, Bilbao, with Spanish Tax Identification Number 14,915,845T.

This resolution was passed by a majority vote of 99.48%, with 6,398,929 votes against and 1,888,155 abstentions.

## RESOLUTIONS ON AGENDA ITEM NINE

To deposit, after meeting applicable legally established requirements and procedures, in the amount authorised by the Bank of Spain, reserves freely disposable by Banco Bilbao Vizcaya Argentaria, S.A. to a special fund to cover the costs resulting from early retirements and pre-retirements occurring during 2003. This will be done within the special plan to be drawn up by the Board of Directors, and in accordance with the authorisation that the Bank of Spain may grant, in due time, to charge the costs ensuing on said plan against said voluntary reserves.

Provided it is acceptable under the above-mentioned Bank of Spain authorisation, all anticipated taxes ensuing on the constitution of the above-mentioned fund shall be entered on the accounts simultaneously with the fund, posting them to reserves.

Once the plan has been approved and authorised, the constitution of the authorised fund must correspond exclusively to early retirements or pre-retirements effectively formalised during 2003. It may not properly be used for pension contingencies other than those mentioned.

This resolution was passed by a majority vote of 99.68% with 3,022,349 votes against and 1,969,586 abstentions.

## RESOLUTIONS ON AGENDA ITEM TEN

To authorise the Board to formalise, interpret and implement previously adopted resolutions as well as to correct, adjust, clarify and harmonise these resolutions in line with the verbal and/or written opinion of the Mercantile Registrar until their eventual inscription in the corresponding Registries, as well as to delegate all or part of the aforementioned powers to the Board Executive Committee and/or one or several members of the Board or agents of the Bank, as the Board deems appropriate.

Authorize the Chairman, Mr. Francisco González Rodríguez, the President/COO, Mr. José Ignacio Goirigolzarri Tellaeche, and the Secretary and Board Member, Mr. José Maldonado Ramos, so that any one of them may undertake any acts and confer any public or private documents as may be necessary or convenient for the effectiveness of the aforementioned resolutions and to negotiate such authorisations or procedures as may be required until the agreements are formally recorded in the corresponding Public Registries.”

This resolution was passed by a majority vote of 99.79% with 1,441,982 votes against and 1,863,9043 abstentions.

**Section VI**  
**Monitoring recommendations on**  
**corporate governance**

In 2002, conscious of the importance of good corporate governance guidelines regarding the structure and function of its governing bodies in the best interests of the Company and its shareholders, the Banco Bilbao Vizcaya Argentaria S.A. Board of Directors adopted a new system of Corporate Governance.

This was laid down in some basic systemic principles, in the regulations of the Board of Directors' Committees and the Directors' Charter, all of which pursue principles of corporate governance already essential to the organisation of the Bank's governing bodies.

Recent legislation on corporate governance led the Board to approve specific regulations for the BBVA Corporate Governance System based on the principles, regulations and standards that apply to the Board, its committees and its directors.

This part of the Corporate Governance Report contains the fundamental characteristics of the BBVA system of governance, pursuant to international benchmarking and generally accepted practices. More specifically, it follows the recommendations of the Special Commission for Fostering Transparency and Security on Financial Markets and in Public Companies, which is the latest report to be published on this matter in Spain.

## 1. INDEPENDENT DIRECTORS

One of the characteristic elements of the Bank's Corporate Governance System is to have a significant majority of independent directors on its governing bodies, especially on the Board of Directors. There will be a maximum number of sixteen directorships, should this year's GSM ratify the Board's proposal.

Establishing the most stringent requirements from the various reports and recommendations to qualify as an Independent Director. This commitment is reflected in the Directors' Charter and is now part of the new Regulations for the Board. Persons who may have a significant relationship with the group that could compromise their independence shall not be eligible, as contained in Section II of this Report.

The Board of Directors shall be composed such that at least two thirds of its members are independent Directors. Independent Directors shall always be a majority on the Executive Committee, such that all resolutions by the Bank's governing bodies shall have the support of a significant number of independent Directors.

The Audit and Compliance and the Appointments and Remuneration Committees are composed exclusively of independent Directors, complying with the requirements of the Board Regulations.

## 2. AUDIT AND COMPLIANCE COMMITTEE

Another essential element in the BBVA Corporate Governance System is the Board's Audit Committee. This has powers and means to pursue the tasks delegated to it by the Board regarding supervision of the financial statements and the function of oversight for the BBVA Group.

The members of this Committee (independent Directors, as explained above) have the skills and experience required to carry out their job. Their Chairman shall also have the qualifications in financial management and accounting procedures required by industry regulators.

The Committee has other duties as well. It shall enforce legal compliance, especially with respect to Group ethics. It is to ensure that internal codes of ethics and general conduct and conduct on the securities market comply with prevailing standards and are suitable to the Bank. It shall especially oversee the Directors' compliance with the rules of corporate governance.

Following the general principles of corporate governance, the Committee shall select the external Auditor for the Bank and its consolidated Group, and be involved in the process of hiring the Auditor and determining its fees. It shall be involved in this process for its subsidiaries in Spain and in any other countries where they operate. It has the duty of ensuring the independence of the external audit.

To ensure efficient performance of its duties in compliance with the Corporate Bylaws, the Committee has its own specific Regulations. These describe its powers under the Regulations for the Board of Directors and specify the rules for its constitution and operation.

### 3. THE EXECUTIVE CHAIRMAN

The codes and recommendations on corporate governance posit different administrative models. BBVA follows the model of an Executive Chairmanship. The Chairman of the Board of Directors is thus the Bank's Chief Executive Officer (CEO). There is also a President and Chief Operating Officer (COO).

Thus, the Standards of Corporate Governance specify that the Chairman of the Board shall be the Chairman of the Company, with the attributes established in the Bylaws and the Board Regulations, plus such powers as the Board may authorise to him/her inherent to effectively steering the Company.

A specific age limit is established for such Chairmanship, which the Directors' Charter sets at 65. This limit is different from the age limit for Directorships.

### 4. APPOINTMENT OF DIRECTORS

The Board's Appointments and Remuneration Committee, comprising only independent Directors, assesses the qualifications of persons who may be appointed to a Bank directorship.

This Committee must report to the Board of Directors on this assessment, focussing on the personal and professional qualities of the candidate and the needs of the Company's governing bodies at any time.

To conserve the power of the Committee, the Bank's Board of Directors has resolved to propose that this year's GSM approve amendments to the Bylaws to eliminate limitations that the current Bylaws impose on the appointment of directors. These limitations are, for example, holding a shareholding for a certain amount of time, and requirements on seniority for the Board in order to occupy posts such as that of Deputy Chairman or member of the Executive Committee, as explained in Section II of this Report.

### 5. AGE LIMIT FOR DIRECTORS

The BBVA's Corporate Governance System imposes an age limit of 70 years for persons acting as Bank Directors.

Establishing that Directors must tender resignation on reaching this age, at the first meeting of the Bank's Board of Directors after the GSM in which the current year's Accounts are approved.

### 6. THE PERFORMANCE OF DIRECTORS

Directors are bound to be loyal, complying with duties imposed by laws and by the Bylaws and displaying loyalty towards corporate interests, understood as the Company's best interests.

They participate in deliberations, discussions and debates on business put to their consideration, and dispose of sufficient information to be able to form criteria regarding the questions that the Bank's governing bodies are empowered to deal with. They must receive this information with sufficient time in each case, and may even request additional information or further clarification after the Board has sat, when they deem this advisable. Participation of Directors in the Board meetings and deliberations is encouraged.

Directors may suggest the Board bring in experts from outside the Bank regarding business submitted to their consideration, whose special complexity or importance they deem require outside help. They may also suggest any further training required to be able to properly pursue their duties.

In particular, independent Directors meet, without the executive Directors, as often as they deem fit, usually before the Bank's governing bodies meet.

## 7. REMUNERATION OF BOARD MEMBERS

BBVA takes special care with this aspect, through its procedures to determine the remuneration of each Bank Director. The amount each Board members is to receive in any one year, as indicated in the Board Regulations, shall be published in an itemised list as part of the annual information given to Company shareholders.

The Board Appointments and Remuneration Committee also plays an essential role in this, since according to the Bylaws, its members must determine the scope and amount of the remuneration, rights and economic compensation for executive Directors in order to include these aspects in a written contract. The Committee proposes, within the framework established under the Bylaws, the system of remuneration for the Board of Directors as a whole, and its different items, focus and settlement.

The remuneration of the executive Directors has been contractually established in this way, and the Committee has proposed the pay system for the other members of the Board of Directors. The Board has ratified its proposal, which is based on establishing the pay for non-executive members according to principles of responsibility, time availability and incompatibilities, as established under the Directors' Charter that forms part of the Board Regulations.

## 8. CONFLICTS OF INTEREST

The rules comprising the BBVA Directors' Charter detail different situations in which conflicts of interest could arise between Directors, their family members and the organisations with which they are linked, and the BBVA Group. They establish procedures for such cases, in order to avoid conduct contrary to the Company's best interests.

These rules are guidelines for the Directors' conduct to reflect stringent ethical codes in keeping with applicable standards and according to core values of the BBVA Group.

## 9. INCOMPATIBILITIES

Directors are also subject to a strict regime of incompatibilities in sitting on governing bodies of Group companies or associated undertakings. Thus, except for executive Directors, through express authorisation, Board members may not take up directorships in subsidiaries or associated undertakings, when the directorship arises from the Group's shareholding in such company.

When someone has ceased to be director of the Bank, he/she may not provide services to another financial institution in competition with the Bank or its subsidiaries for two years, except with express authorisation from the Board, which it may refuse to give on the grounds of the company's best interests.

## 10. DIRECTORS' RESIGNATION

Under certain circumstances, Board members must place their directorship at the disposal of the Board of Directors and accept the Board's decision on whether or not they are to continue to sit on it. Should the Board decide against their continuity, they are obliged to present their formal resignation. Such circumstances would arise in the following cases:

- When subject to cases of incompatibility or prohibition established under prevailing regulations, under the Bylaws or under the Directors' Charter.
- When significant changes occur in the professional situation or character by virtue of which they were appointed to the Board.
- When they are in serious breach of their obligations in pursuing their duties as Directors.
- When the Director, acting as such, has caused severe damage to corporate assets or no longer displays the commercial and professional honour required to hold a directorship in the Bank.

## 11. ANALYSIS, QUANTIFICATION AND APPROVAL OF RISKS

The Board of Directors holds final responsibility for supervising risk management in the Group, periodically reviewing and ratifying the strategy behind the Bank's risk policy.

In order to do this, the Board has the Executive Committee, to which it delegates approval of the Group's risk strategy and policies, and the Board's Risks Committee, which periodically analyses and monitors risk management within the scope of the Bank's governing bodies' powers.

The duties of this Committee are comprehensively described in the corresponding part of this Report dealing with risk control systems in relation to the activities pursued by the Company.

## 12. RELATIONS WITH SHAREHOLDERS AND MARKETS

As established under the Regulations suitable measures should be taken to ensure that the Company discloses all information that may be relevant for investors, according to the principle of transparency that is to govern the Company's activities on financial markets. This information must be correct and true.

Directors shall try to ensure that all shareholders have access to information that is substantially the same and within the same amount of time.

## 13. REVISING THE BBVA CORPORATE GOVERNANCE SYSTEM

Finally, the Bank's Corporate Governance System is conceived as a dynamic process, which must be analysed in view of the Company's development; the results achieved; any standards that may be

## SECTION VI. MONITORING RECOMMENDATIONS ON CORPORATE GOVERNANCE

established and recommendations benchmarked against best practices in markets that correspond to the Bank's circumstances at any time. This is entrusted to the Board's Executive Committee, comprising a majority of independent Directors.