

# BBVA



Annual Report **2002**

“ BBVA forges ahead with its project to enhance customer service, shareholder value and corporate development”  
**Francisco González,**  
**Chairman and CEO**





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# Highlights

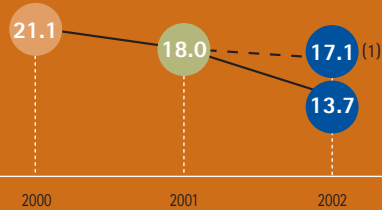
## BBVA Group Highlights

(Consolidated figures)

	US \$ <sup>(1)</sup>	2002 Euros	Δ%	2001	2000
<b>BALANCE SHEET (millions of euros)</b>					
Total assets	293,156	279,542	(9.6)	309,246	296,145
Total lending (gross)	153,543	146,413	(6.2)	156,148	142,771
Customer funds recorded on balance sheet	189,364	180,570	(9.5)	199,486	185,718
Other customer funds managed	114,114	108,815	(12.6)	124,496	118,831
Total customer funds managed	303,478	289,385	(10.7)	323,982	304,549
Shareholders' funds <sup>(2)</sup>	12,956	12,354	(7.2)	13,315	13,265
<b>INCOME STATEMENT (millions of euros)</b>					
Net interest income	7,381	7,808	(11.5)	8,824	6,995
Basic margin	10,849	11,476	(10.8)	12,862	10,364
Ordinary revenue	11,573	12,241	(8.3)	13,352	11,143
Operating income	5,272	5,577	(0.4)	5,599	4,376
Operating income (Argentina consolidated by equity method)	4,964	5,251	2.8	5,109	3,947
Pre-tax profit	2,949	3,119	(14.2)	3,634	3,876
Net attributable profit	1,625	1,719	(27.3) <sup>(3)</sup>	2,363	2,232
<b>DATA PER SHARE AND MARKET CAPITALISATION (31-12)</b>					
Share price	9.56	9.12	(34.4)	13.90	15.85
Market capitalisation (millions)	30,566	29,146	(34.4)	44,422	50,654
Net attributable profit	0.51	0.54	(27.3)	0.74	0.73
Book value	4.05	3.87	(7.2)	4.17	4.15
Dividend	0.365	0.348	(9.1)	0.383	0.363
PER (Price Earnings Ratio; times)		17.0		18.8	21.8
P/BV (Price/Book value; times)		2.4		3.3	3.8

## ROE

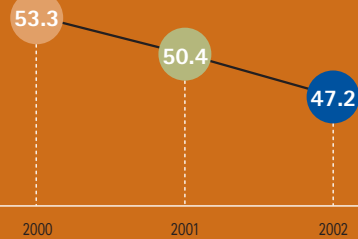
(Percentage)



(1) Without extraordinary provisions.

## Cost/income ratio

(Percentage)



## BBVA Group Highlights

(Consolidated figures)

	2002	2001	2000
<b>RELEVANT RATIOS (%)</b>			
Operating income / ATA	1.93	1.85	1.63
ROE (Net attributable profit / Average equity)	13.7	18.0	21.1
ROA (Net income / Average total assets)	0.85	0.99	1.08
RORWA (Net income / Risk weighted assets)	1.48	1.78	1.85
Cost/income ratio	47.2	50.4	53.3
NPL ratio	2.37	1.71	1.96
Coverage ratio	146.8	221.6	189.5
<b>CAPITAL ADEQUACY RATIOS (BIS regulations) (%)</b>			
Total	12.5	12.6	11.9
TIER I	8.4	8.5	8.9
<b>OTHER INFORMATION</b>			
Number of shares (millions)	3,196	3,196	3,196
Number of shareholders	1,179,074	1,203,828	1,299,621
Number of employees	93,093	98,588	108,082
• Spain	31,737	31,686	33,733
• America <sup>(4)</sup>	59,293	64,835	72,314
• Rest of the world	2,063	2,067	2,035
Number of branches	7,504	7,988	8,946
• Spain	3,414	3,620	3,864
• America <sup>(4)</sup>	3,886	4,161	4,865
• Rest of the world	204	207	217

(1) Exchange rates used – Balance sheet: 0.953562 euros/US \$ (31-12-02).  
– Income statement: 1.057752 euros/US \$ (2002 average).

(2) After applying fiscal year earnings.

(3) Excluding the extraordinary provisions allocated in 4Q2002, net attributable would only have been 9.2% lower.

(4) This heading includes BBVA Group's banking and pension management activities in all Latin American countries in which it is present.

## Chairman's Letter

Dear shareholder,

After the world economy decelerated in 2001, 2002 was another hard year. Neither the economic growth figures or business earnings confirmed the hopes of a rally that had emerged at the start of the year, and the economy remained shrouded in uncertainty as share indices tumbled. This scenario negatively impacted the earnings of the world's leading financial groups, as the economic downturn conditioned business, the low interest rates narrowed spreads, the volatile markets hit the wholesale and asset management businesses and the scope for obtaining capital gains dwindled.

The higher risk aversion reduced the flow of investment towards the emerging countries, in particular towards Latin America, which was also affected by the slowdown in US economic growth, the crisis in Argentina and the instability generated by the elections in Brazil. All these factors prompted heavy depreciation of the Latin American currencies - which had a bearing on the expression in euros of the Group's business figures and the earnings obtained in the region - and impacted the Group's investee companies with interests in Argentina.

Despite the stock markets having penalized the companies with a relevant presence in Latin America, the BBVA share price outperformed the Euro Stoxx 50 and, on December 31, 2002, the

Group ranked third in terms of market capitalization among the Euro Zone banks.

Despite this difficult environment, the sound performance of the retail business in Spain, Mexico and most Latin American countries enabled BBVA to generate an increasing volume of recurrent income, with 9.4% rise in operating income, excluding Argentina and at a constant exchange rate, and achieve new breakthroughs in efficiency.

In view of the uncertainty about economic trends, and applying prudent and medium term management criteria when appraising possible contingencies, in December 2002 BBVA decided to allocate extraordinary provisions totalling 455 million euros (427 million after tax), such that net attributable for the year amounted to 1.719 billion euros, 27.3% less than in the previous financial year. Without these extraordinary provisions, net attributable would have been 2.146 billion, down only 9.2%.

Throughout the year, BBVA allocated 2.73 billion euros of provisions and extraordinary charges, 18.7% more than in 2001, while at the same time reporting significantly lower contributions from investee companies and capital gains.

In the current circumstances, BBVA is convinced that giving priority to solvency is the best way of assuring the generation of greater



**“Our goal is to be on the European banking podium, in terms of efficiency, profitability and EPS growth.”**

shareholder value in the medium term. Accordingly, the Board of Directors will propose to the General Shareholders' Meeting a 2002 dividend of 0.348 euros per share, 9.1% less than last year, in line with the change in net attributable before extraordinary provisions.

BBVA ended 2002 as one of Europe's strongest financial groups in terms of efficiency, yield and solvency. The efficiency ratio inched a further 3.2 points to 47.2%, bolstering the Group's standing on the European stage, where it enjoys a reputation as one of the most efficient banks. BBVA's ROE of 13.7% is also clearly higher than the European average, despite the extraordinary provisions, without which the ROE would have been 17.1%, one of the highest in Europe.

As well as standing out in terms of efficiency and profitability, from day one BBVA has been reputed for its capital strength and the quality of its assets. In 2002, the Group kept its solvency ratios high, with a core capital of 5.9%, Tier 1 of 8.4%, BIS Ratio of 12.5% and an equity surplus of 5.559 billion euros; and while the ratings of some large financial groups were downgraded during the year, BBVA's ratings were confirmed, pushing it closer towards the top of the European banking league.

Furthermore, despite the economic slowdown, the Group managed to keep its global NPL ratio



under control, and even reduced the ratio in its domestic business, and coverage is at comfortable levels. The Group also improved its risk profile, reducing its exposure in non-investment grade countries. When BBV Brasil is integrated into Bradesco in return for a 4.5% stake, non-investment grade countries will only represent 5% of the total assets of the Group, which has written off all the goodwill related to these countries.

The General Shareholders' Meeting held on March 9, 2002 marked the start of a new phase in the BBVA Group, based on value creation levers: cost-effective growth, a new business approach, a corporate culture consistent with objectives and excellent corporate governance.

In 2002 we demonstrated that we achieve our objectives. BBVA not only compares favourably with other European banks in the most relevant financial indicators, but also has its own business approach and the capacity to make decisions with a medium and long-term perspective. The Group strives to create differential value in each of its business units, such that the sustainable rate of return of any of them and of any investment outweighs the cost of the capital consumed.

One example of this in Latin America, apart from the Brazilian deal, with which the Group is reorienting its strategy in the country and will become a reference shareholder of Brazil's first private bank, is raising our stake in BBVA Bancomer to 54.7%, thus allowing us to spearhead one of the region's key markets through a Bank that is very well-placed to develop the business and secure growing earnings. Elsewhere in Latin America, in addition to handling the Argentinean crisis, the Group gave priority in 2002 to maintaining liquidity at suitable levels, a healthy balance sheet and its asset strength.

In Spain, BBVA launched its Personal Financial Services, which embody a new approach to residential customers, with a closer and stronger relationship based on confidence and the mutual contribution of value, and the Special Financial Services, with initiatives such as the integration of Uno-e and Finanzia's consumer financing business or the launch of Dinero Express.



**“BBVA will forge ahead with its project to enhance customer service and shareholder value and give society what it expects and deserves”**



The linchpin of the Group's strategy is its brand-new customer-oriented and team-oriented corporate culture, which will be implemented throughout the Organization and serve to strengthen its commercial capacity, boost employee motivation by making them proud to be part of the team, and enhance the external image of the BBVA brand. A corporate culture with values that include social responsibility and creating value for shareholders. The key actions in this field are highlighted in the document Corporate social responsibility in BBVA, enclosed with this Annual Report.

Furthermore, during the year the Group implemented a new corporate governance system that incorporates the most advanced principles, in accordance with international standards, based on the strictest regulatory compliance, transparency and fairness, as commitments with our shareholders, customers, employees and society. In this respect, BBVA has reduced the size of the Board of Directors, which is now formed by a majority of independent directors, reorganized the Board's Committees and approved the Director's Code.

2003 is set to be another tough year for the financial sector. Uncertainty will keep on shrouding economic trends for some time yet, the falling rates will continue narrowing spreads in Spain, and the depreciation of the Latin American currencies will once again affect the expression in euros of our earnings in the region.

It's when the going gets tough that organizations demonstrate their true capacity. The BBVA Group looks upon these hard times like a long-distance race. It ranks at the top of the European league in terms of efficiency, profitability, balance sheet quality and solvency, but has not used up all its strength in the first laps, administering it instead so that it can steadily pick up speed and then sprint off down the home stretch. In 2002 it enhanced its competitive edge and improved its risk profile, allowing it to make decisions from a medium and long-term perspective. Our goal is to consistently be on the European banking podium, in terms of efficiency, profitability and EPS growth.

BBVA has set its sights on organic and non-organic cost-effective growth. In the current scenario, we are focusing on further organic growth, placing special emphasis on the markets where we enjoy a stronger toehold, Spain and Mexico. Yet without sacrificing non-organic growth; what is more, we fulfil all the requirements for undertaking such ventures with full guarantees of success. The Group is strong and experienced enough to spearhead integration projects when the time is ripe, and remains on the watch for opportunities, especially in Europe and the United States.

BBVA stepped into January 2003 with a lighter, more flexible management structure that gives more scope of action and decision-making power to its three business units - Retail Banking in Spain and Portugal, America and Wholesale and Investment Banking. This will allow us to cope with the difficulties and achieve significant growth in our business, customer base and income-generation.

I am convinced that with all this, the Group's strength and the commitment of its 93,000-strong team, BBVA will forge ahead with its project and attain the goals that it has set itself, with realism yet also with ambition, to enhance customer service and shareholder value, and give society what it expects from a company as great as the BBVA Group.

February 17, 2003

Francisco González Rodríguez





## 2002 Annual Report





# BBVA in 2002

- The Financial Year 2002
- BBVA: a Solid and Profitable Group

## The Financial Year 2002

In 2002, the world economy was marked by a downturn in growth and highly volatile markets that eroded levels of confidence among market-players. The emerging markets, and in particular Latin America, were hit hard by investor risk aversion, with Argentina and Brazil being the main causes for concern. The Latin American currencies ended up losing heavily against the dollar, which, in turn, lost ground against the Euro throughout the financial year. The US economic slowdown spread to the Mexican economy, in spite of its more solid fundamentals, and the peso was caught up in the depreciation that gripped other Latin American countries.

This cloud of uncertainty also overshadowed the financial markets, which became highly volatile and shares suffered heavy losses in value. The leading share indices lost far more ground than in 2001 and the losses affected most of the sector indices.

The situation in Argentina attracted special attention throughout the year. The first measures enforced by the country's authorities, namely the freezing of public debt payments, ending the peso's parity with the US dollar, and asymmetrical pesification of bank assets and liabilities, were followed by others to alleviate the banks' cash liquidity situation (imposition of cash withdrawal limits on sight and savings accounts, and re-planning of term deposit maturities). As the situation improved, these restrictions were gradually lifted during the second half of the year, allowing the payment system and financial institutions an albeit relative return to normal. Even though all these events affected the business and the earnings of the Group's Argentinean affiliate, Banco Francés managed to end the year in a comfortable liquidity situation and with solid asset strength, reinforced by the capital increase in December.

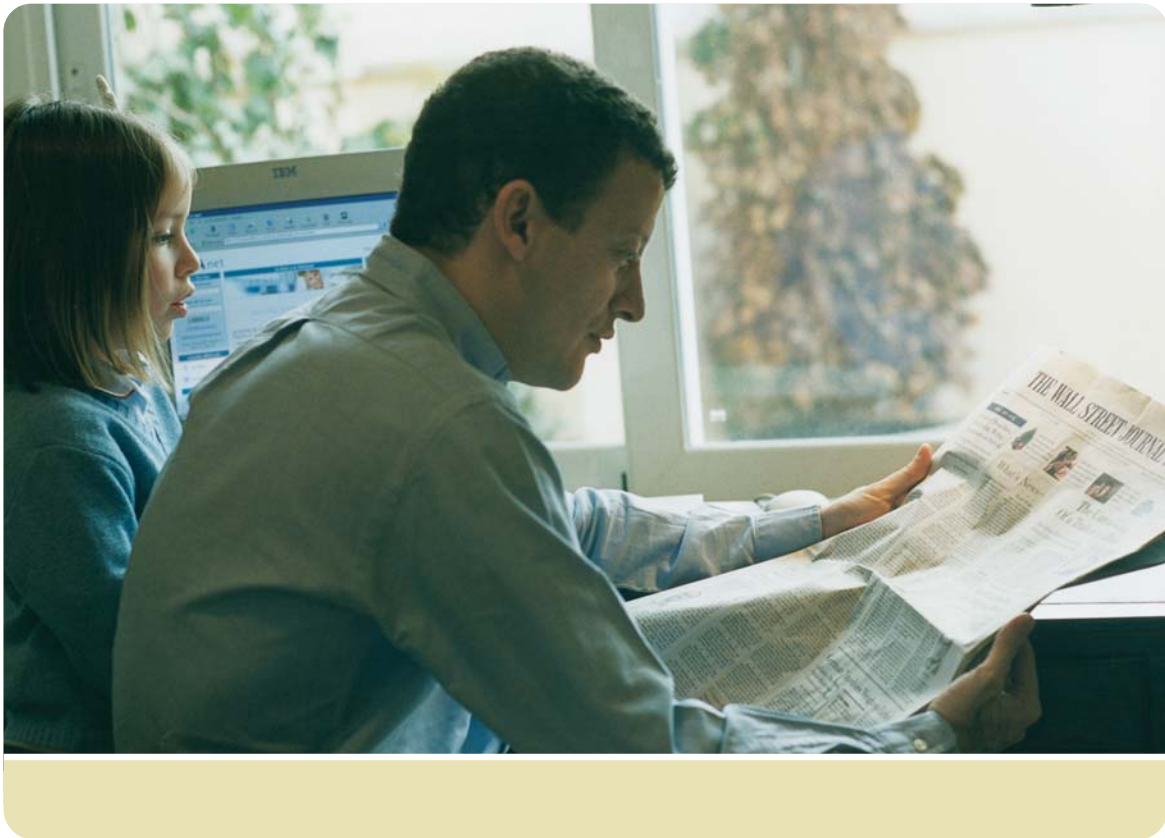
As a result, Banco Francés' 2002 earnings were neutralized at source and BBVA kept its

Argentinean investment fully allocated. To allow a more precise analysis of the Group's performance compared against the preceding year, a pro forma account is present with Argentina carried by the equity method, yet without affecting the net attributable profit figure.

The depreciation of the dollar and most Latin American currencies is another factor to bear in mind when analysing the BBVA Group's earnings in 2002. Apart from the dollar having depreciated an average of 5.3% against the euro during the year, the Mexican peso lost 8.7%, the bolivar depreciated 41.7% and the real dropped 24.5%. These depreciations gathered pace as the year went by, and had a negative bearing on the expression in euros of the Group's earnings in the Latin American region.

The bearish markets also affected different lines of the Group's income statement, with an impact that varied from one business unit to





another. On the domestic market, fund management fee income dropped as investors began looking for more attractive products, while the state of the markets also impacted the volume of funds under management. Wholesale banking and retail banking both reported a downturn in stockbrokerage fees. The market situation in 2002 restricted both the generation of capital gains and investment banking activities.

Lastly, the interest rate cut in the fourth quarter of 2001 put pressure on spreads in the domestic market, and the pressure became heavier in December when the European Central Bank decided to lower its intervention rate again. Spreads in Mexico were also hit by heavy rate cuts. In both areas, the Group improved its customer deposit mix by achieving higher growth in transactional deposits than in other products and increasing volumes in the lines of business with a more favourable "return per unit of risk" ratio.

In this harsh context, in 2002 the BBVA Group managed to boost its most recurrent earnings and reported a significant gain in efficiency. Operating income with Argentina by the equity accounting method was 2.8% higher than the previous year, and 9.4% without the exchange rate effect. The best performing business areas in this line of the income statement were Retail Banking in Spain and Portugal (up 11.8%) and Banking in America (up 27.0%, or 65.3% without the exchange rate effect). Efficient management of operating expenses, which dropped 1.7% at constant exchange rates, enabled most of the businesses to improve their efficiency ratio, and the global ratio now stands at 47.2%, as compared to 50.4% in 2001 (the ratio without Argentina is 47.8%, as opposed to 50.5% in 2001). In Mexico, the 6.7% drop in expenses and 18.3% increase in net fee income (both at a constant exchange rate), offset the decline in net interest income caused by the falling interest rates.





In contrast to this healthy operating income, all the other items of the income statement up to pre-tax profit subtracted more than double the amount recorded in 2001, due to the combination of a much larger volume of provisions and a decline in income from companies carried by the equity method and Group transactions.

Income from companies carried by the equity method was 79.2% down on the previous year, following the 209 million euro charge allocated due to the Group's share in Telefónica's UMTS licence provisions and the 104 million euro restatement of the income contributed in 2001 by Repsol, Banca Nazionale del Lavoro and Telefónica. The Group's affiliates in Argentina contributed earnings of 6 million euros and a loss of 218 million in 2002 and 2001, respectively, these

amounts having been recorded in the proforma income statement. Meanwhile, in a fairly negative context, capital gains dropped 62.2% and amounted to 361 million euros in the financial year 2002, as opposed to 954 million the previous year.

In 2002, the BBVA Group allocated a total of 2.730 billion euros, 7% more than the previous year, to provisions and charges. Of this amount, 455 million euros (427 million after tax) were extraordinary provisions that the Group allocated after applying prudent and medium term management criteria in view of the uncertainty about economic and market trends for 2003. The main factors behind this decision were as follows: a) the prospects that the world economy would not fully recover until the second half of 2003, b) the social and economic situation in certain Latin American countries, c) the prolongation of the negative effect of the Latin American currency exchange rates' depreciation on earnings and d) the further narrowing of spreads on the domestic market as a result of the falling interest rates.

The 455 million euros of provisions and extraordinary charges include the exchange rate differences generated in BBV Brasil's transaction with Bradesco (245 million, recorded as net income on Group transactions) 129 million euros of extraordinary amortization of investments in non-investment grade countries and an 81 million provision to special early retirement funds.

The amount earmarked towards loan writedowns increased 7.8% with respect to the previous year, including the 103 million euro country-risk provisions allocated after the risks with Argentina were reclassified from Group 4 to Group 5. Goodwill amortization charges increased 9.0%, while other writedowns rose 7.44%.

Pre-tax profit totalled 3.197 billion euros, down 23.9% in y-o-y terms. The corporate tax reserve dropped 24.2%, bringing down net profit 23.9% to 2.452 billion euros. Minority interests were 14.6% lower due to the increased stake in Bancomer, meaning that net

attributable profit amounted to 1.719 billion euros, a y-o-y decrease of 27.3%. Without considering the aforementioned provisions and extraordinary charges, net income would have amounted to 2.146 billion, 9.2% less than in 2001. Return on equity is 13.7%, or 17.1% disregarding the extraordinary provisions.

The dividend proposed for 2002, 0.348 euros per share, represents a drop of 9.1% with respect to 2001, in line with drop in net attributable before the said extraordinary charges. This represents a pay-out of 51.7%, similar to the pay-out in 2001.

## **BBVA: a solid and profitable group**

Even though 2002 was a tough financial year for the Group, as it was for most comparable financial institutions, by the year-end BBVA had consolidated its status as a point of reference on the European banking map, having won ground in the majority of the key management ratios.

The difficulties in raising profit levels together with the increased risks prompted banks to toughen loan requirements and triggered greater concern for banks' financial strength. In this respect, BBVA ended 2002 with comfortable capital ratios, with a BIS Ratio of 12.5% and a TIER I of 4%, above the European average. Their structure is also favourable, with a core capital of 5.9%. After the Brazil transaction, these ratios would be 12.6%, 8.5% and 6.0%, respectively.

BBVA also enhanced its credit risk rating in Europe. Despite the NPL ratio having risen in some Latin American countries and the difficulties faced by certain sectors and large companies, the Group's NPL ratio as of 31-12-02, excluding Argentina, was 1.71% and 1.59% if one also excludes the effect of Argentina's reclassification from Group 4 to Group 5, for country-risk purposes, a level similar to 2001. Worth noting is that, on

aggregate, the domestic business NPL ratio fell during 2002 from 0.96% to 0.87%, while the NPL coverage ratio, despite having slipped during the financial year, now stands at 189.5% without Argentina and 200% if one also excludes the group 5 reclassification effect, highly significant percentages in view of the current panorama of widespread uncertainty.

Moreover, BBVA throughout the year reduced its exposure in non-investment grade countries, which accounted for 10% of the Group's total assets on 31-12-01, but only 7% at the end of 2002, and only 5% after the Brazil transaction.

Leveraging on its firm foothold in the retail business, BBVA preserved its capacity to generate recurrent earnings, while at the same time achieving further cost containment in most lines of business, boosting the Group's efficiency ratio 3.2 points to 47.2%. The year-end efficiency ratio not only compares favourably with the average of the leading European banks, but significantly outperformed most of them. Efficient management of operating expenses and income saw operating income increase once more by 9.4% (Argentina consolidated by equity method and at a constant exchange rate).

Even though the extraordinary provisions allocated during the financial year had a bearing on the return on equity, it now stands at 13.7% (17.1% without the provisions) and remains above the average of our European competitors.

At the end of the year, BBVA's market capitalisation amounted to 29.146 billion euros, one of the highest among the largest Euro Zone banking groups, all in spite of the share price having lost ground and the fact that there were no rights issues in 2002.

The Group's outstanding capital strength has enabled BBVA to maintain its ratings by the main rating agencies, among the best awarded to any European bank (S&P AA-, Moody's Aa2, Fitch AA-).

During the year, the Group continued to develop its new business approaches, with initiatives such as the launch of Personal Financial Services in Retail Banking in Spain and Portugal, which now includes Privanza's branch offices, or the integration of Uno-e and Finanzia's consumer financing business. Furthermore, BBVA repositioned its equities business, international trading rooms and Institutional Banking, and reinforced and restructured its Risks and Systems areas.

During the year the Group implemented a new corporate governance system that incorporates the most advanced principles, in accordance with international standards. BBVA has reduced the size of the Board of Directors, which is now formed by a majority of independent directors, reorganized the Board's Committees and approved the Director's Code. Furthermore, BBVA established corporate social responsibility as one of its core values. Its key action in this field are highlighted in the document Corporate social responsibility in BBVA which is published together with this annual report.

The Group's performance and achievements won it public recognition in 2002, in the form of the following awards: BBVA was named the Best On-line Bank for private individuals in Europe, Best Trade Finance Bank and the Best Bank in Latin America, (all by Global Finance), Best Bank of Peru and Venezuela (The Banker), the Top Quality Prize in Brazil while Banc International-Banca Mora de Andorra won the EFQM Business Excellence Prize. Furthermore, the German fund manager DWS named BBVA as one of Europe's best governed companies, while its commitment to transparent information won it the Barcelona Chamber of Commerce, Industry and Navigation Llotja Prize for the best financial information.

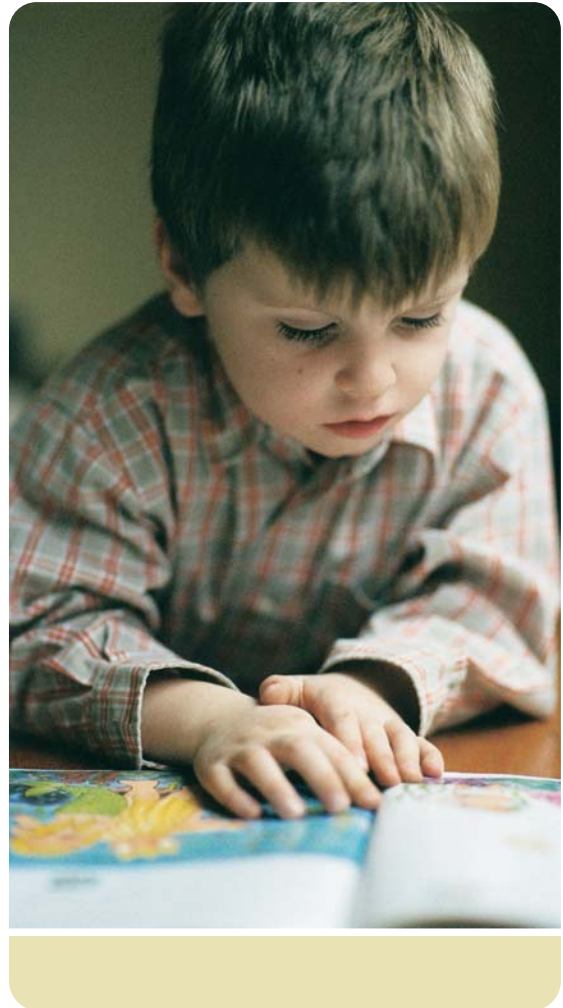
As part of a process that began at the AGM last March, at which a new business approach was outlined, in January 2003 the BBVA Board of Directors gave the go-ahead to an extensive Group management reshuffle, which reduced the number of business areas to three, while the number of Steering Committee was reduced from 14 to 12.



The BBVA management reshuffle is designed to afford the Group a lighter, more flexible structure, giving more scope of action and decision-making power to the business units, which are now responsible for producing and distributing all the financial products oriented to their customers. In short, BBVA has moved one step further towards the objective of fully orienting business management to value-creation.

In the new organizational structure, the Group's business areas are as follows:

- Retail Banking in Spain and Portugal: formed by the branch networks of Commercial Banking and SME Banking in Spain, Finanzia-Uno-e and Portugal, as well as the Asset Management and Private Banking and Insurance activities in Spain. Its customer-oriented approach is structured around Personal Financial Services, which are geared to residential customers, Commercial Financial Services for SMEs, and the Special Financial Services through Finanzia and Uno-e.
- America: this includes all of BBVA's banking, pension and insurance activities in Latin America, as well as BBVA Bancomer and International Private Banking.
- Wholesale and Investment Banking: includes the business of Corporate Banking, Institutional Banking and Global Markets and Distribution, as well as BBVA Real Estate and the holdings in business projects (except for those of the larger quoted corporations).



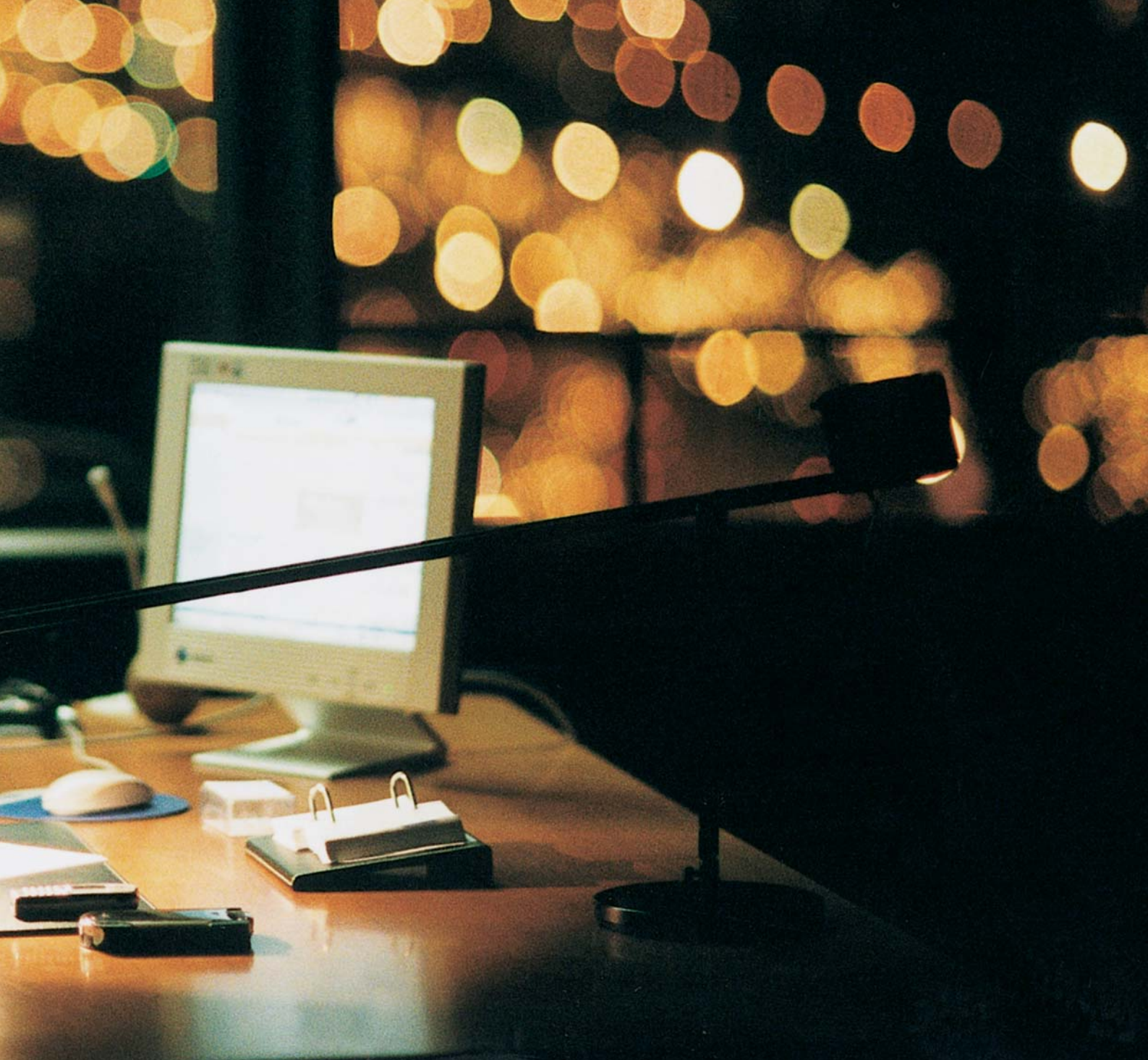
The following are now classified as business support areas: Systems and Operations, Risks, Human Resources and Services and the Finance Division, as well as the Areas reporting to the Executive Chairman, General Secretariat, Legal Affairs and Corporate Communications.





## 2002 Annual Report





# Financial Report

- Balance Sheet and Business Activity
- Capital Base
- Earnings for the Period
- The BBVA Share

## Balance Sheet and Business Activity



- Customer Loans
- Customer Funds

Following the global economic downturn in 2001, heightened by the September 11 events, which had a negative bearing both on the world's leading economies and those of the developing countries, 2002 began with prospects of a rally (driven by certain macroeconomic indicators) and an interest rate rise in the second half. However, as the year went by, these prospects were dampened by less encouraging economic figures, continuous downgrading of business earnings, accounting irregularities detected at several major corporations and drop in business and consumer confidence levels, joined towards the end of the year by the threat of a conflict in Iraq and its impact on oil prices.

All these factors have combined to trigger further uncertainty and risk aversion among investors, and financial markets fared very badly, with share indices sinking to all-time lows. Furthermore, instead of being raised as forecast, interest rates were cut again to help the economic pulse pick up, and the dollar lost 16.0% against the euro in the year.

This environment has especially affected the emerging countries, and in particular Latin America, which is seeing a downturn in direct foreign investment flows and signs of economic stagnation, affected by the slower pace of economic activity in the United States and the hardships faced by some of its main economies. In this respect, the Argentinean crisis remains unchanged, and has spread to countries such as Uruguay, while the Brazilian elections have fuelled fresh uncertainty that raised country-risk levels and brought down the price of the Brazilian real; and in Venezuela the political and social crisis sparked a general strike in December.

One of the main outcomes of this situation was that most of the Latin American currencies lost ground against the dollar and, therefore, even more ground against the Euro. The Argentinean peso lost 75.1% against the euro, the Venezuelan Bolivar 53.5%, the Brazilian real 44.8%, the Colombian peso 32.8%, the





Mexican peso 26.4%, the Chilean peso 22.9% and the Peruvian currency depreciated 17.7%. This had a significant bearing on the expression in euros of the Group's business figures originally nominated in these currencies.

In this environment, the BBVA Group balance sheet now depends more heavily on business with customers, and in particular on domestic business, and less heavily on Latin America, especially the non investment grade countries, implying an improvement in the Group's risk profile. The highlights on the domestic market were the sustained growth in lending, especially in mortgage loans, the decline in the NPL ratio and bigger share of less expensive customer fund products, while in Latin America priority was given to

maintaining appropriate levels of liquidity, especially in certain countries, and risk management.

BBVA Group total assets on December 31, 2002 amounted to 280 billion euros, 9.6% less than one year before. Latin American assets declined from 36% at the end of 2001 to 30% on 31-12-02, while assets in Spain and the rest of the world jumped from 64% to 70% in the same time frame. The Latin American investment grade countries (Mexico, Chile and Puerto Rico) account for 23% of the total (as compared to 26% one year ago), meaning that non investment grade countries now represent only 7%, compared to the previous 10%, and will represent 5% when BBVA signs the agreement with Bradesco in Brazil in 2003.

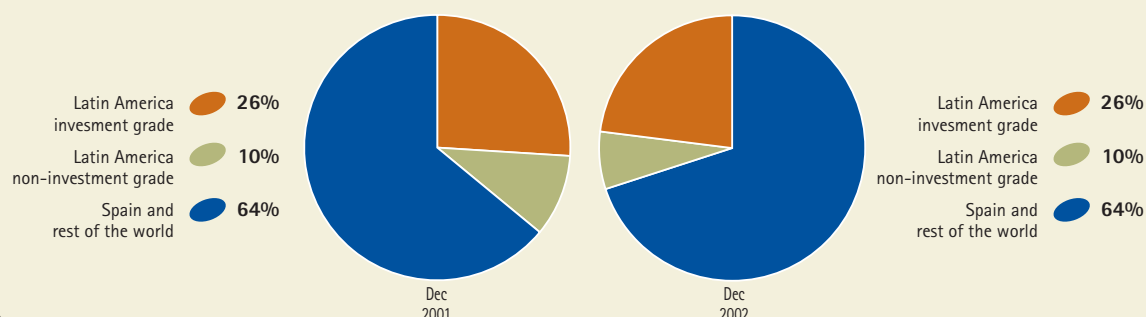
## Consolidated balance sheet

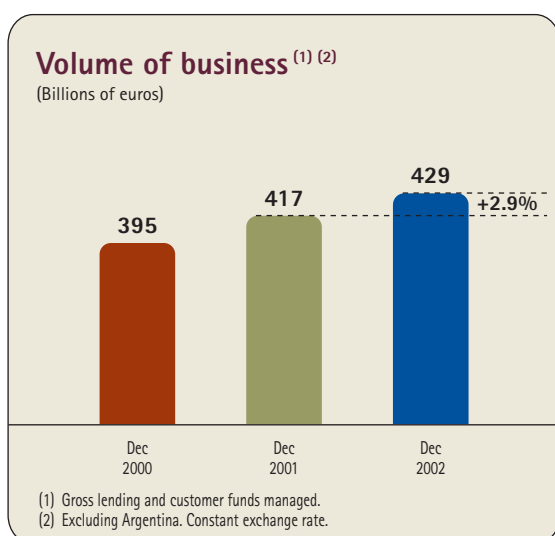
(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-00
Cash on hand and on deposit at Central Banks	8,050	(12.9)	9,240	7,198
Due from credit entities	21,476	(7.4)	23,199	35,334
Total net lending	141,315	(5.9)	150,220	137,467
Fixed-income portfolio	68,901	(15.8)	81,816	72,624
• Government debt securities	19,768	(2.0)	20,165	14,735
• Other debt securities	49,133	(20.3)	61,651	57,889
Equities portfolio	10,071	(11.9)	11,430	11,661
• Companies carried by the equity method	7,064	(8.9)	7,756	8,623
• Other holdings	3,007	(18.1)	3,674	3,038
Goodwill in consolidation	4,257	(7.8)	4,617	4,075
Property and equipment	4,634	(24.9)	6,172	5,969
Treasury Stock	98	28.6	76	113
Prior years' losses at consolidated companies	3,650	26.5	2,885	2,706
Other assets	17,090	(12.8)	19,591	18,998
<b>TOTAL ASSETS</b>	<b>279,542</b>	<b>(9.6)</b>	<b>309,246</b>	<b>296,145</b>
Due to credit entities	56,119	(13.1)	64,588	68,284
Customer funds	180,570	(9.5)	199,486	185,718
• Deposits	146,560	(12.0)	166,499	154,146
• Marketable debt securities	27,523	8.5	25,376	26,460
• Subordinated debt	6,487	(14.8)	7,611	5,112
Other liabilities	19,221	(6.9)	20,634	17,951
Net income	2,466	(18.0)	3,009	2,914
Minority interests	5,674	(11.3)	6,394	6,304
Capital	1,566	-	1,566	1,566
Reserves	13,926	2.6	13,569	13,408
<b>TOTAL LIABILITIES</b>	<b>279,542</b>	<b>(9.6)</b>	<b>309,246</b>	<b>296,145</b>
Other customer funds managed	108,815	(12.6)	124,496	118,831
• Mutual funds	43,582	(12.7)	49,901	50,035
• Pension funds	36,563	(11.4)	41,249	38,319
• Customers' portfolios and assets	28,670	(14.0)	33,346	30,477
<b>MEMORANDUM ITEMS:</b>				
Average total assets	288,712	(4.6)	302,662	269,158
Risk-weighted average assets	166,163	(1.7)	169,028	157,601
Average shareholders' funds	12,531	(4.8)	13,159	10,564

## Geographical distribution of assets

(Percentage)





The volume of business, obtained as the sum of the loans and the total customer funds managed, amounted to 436 billions of euros, having dropped 9.2%, due to the exchange rate fluctuations and the Argentinean situation, without which the volume would have grown 2.9%. Within this item, net lending totaled 146 billion euros, down 6.2% in y-o-y terms, while total customer funds managed, including funds

recorded on-balance-sheet as well as mutual funds, pension funds and portfolios managed, slipped 10.7% to 289 billion. Disregarding exchange rate fluctuations and excluding Argentina, net lending jumped 4.5% and total customer funds managed rose 2.1%.

## Customer Loans

The 6.2% downturn in gross lending was spurred by the very different trends followed by its main components. Public Sector financing totaled 12.5 billion euros at the end of the year, up 2.9%, confirming the Group's leadership in this business segment of the domestic market, while loans to other residential sectors inched towards 90 billion euros, rising 8.9% in y-o-y terms, and now account for 61.2% of the total, as compared to 52.7% on 31-12-01. Meanwhile lending to non-residents fell 30.8% to 41 billion euros, its share of the total sliding from 37.8% to 27.9% in the same period. By geographical

## Total lending

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-00
Public sector	12,506	2.9	12,155	11,096
Other resident sectors	89,539	8.9	82,259	77,432
• Secured loans	44,912	14.9	39,077	35,262
• Commercial loans	8,093	11.8	7,242	6,751
• Other term loans	30,821	1.0	30,502	30,407
• Credit card debtors	993	10.4	900	860
• Other	1,278	(24.9)	1,700	1,628
• Finance leases	3,442	21.3	2,838	2,524
Lending to non-residents	40,895	(30.8)	59,059	51,444
• Secured loans	12,069	(28.5)	16,877	15,352
• Other	28,826	(31.7)	42,182	36,092
Non-performing loans	3,473	29.8	2,675	2,799
<b>GROSS LENDING</b>	<b>146,413</b>	<b>(6.2)</b>	<b>156,148</b>	<b>142,771</b>
Loan loss provisions	(5,098)	(14.0)	(5,928)	(5,304)
<b>NET LENDING</b>	<b>141,315</b>	<b>(5.9)</b>	<b>150,220</b>	<b>137,467</b>
<b>MEMORANDUM ITEM (excluding Argentina):</b>				
Total lending	139,041	(2.6)	142,707	130,771



areas, lending in non investment grade Latin American countries dropped from 11.6% at the close of 2001 to 6.2% on 31-12-02, with the Latin America investment grade countries (Mexico, Chile and Puerto Rico) accounting for 14.0% of loans, and the other areas in which the Group operates, basically in the Euro Zone, accounting for the remaining 79.8%.

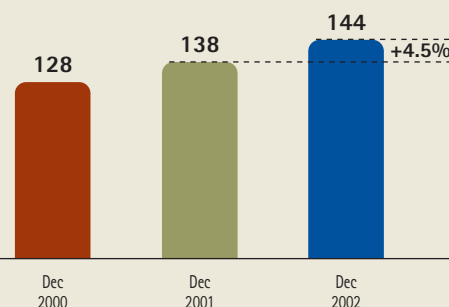
Throughout the year, domestic lending continued to grow by around 10%, driven especially by the loans secured by in-rem collateral, which totaled 45 billion euros, a y-o-y increase of 14.9%, driven in turn by the financing of freely-priced housing, since the financing of Subsidized Housing schemes has remained at the same levels over the last few years. As a result, secured loans accounted for nearly half of total loans to other residential sectors, almost 5 points more than two years ago. The pace of growth also stepped up in commercial loans, which jumped 11.8% to 8 billion euros, credit cards (up 10.4%), due to revolving cards, and financial leasing, which picked up during the year, ending 21.3% higher on 31-12-02.

The depreciation of the Latin American currencies against the euro brought about a 30.8% y-o-y decline in lending to non-residents, to 41 billion euros, because, in local currency terms, lending increased 19.4% in Chile, 11.2% in Brazil, 10.8% in Peru, 5.1% in Venezuela and 4.3% in Mexico, where growth in lending accelerated throughout the year, especially in consumer products and credit cards. Furthermore, the Group applied a prudent lending policy in all the countries, maintaining levels of liquidity and giving preference to demand from the most solvent sectors and lower-risk types of loans.

Quality of assets is one of BBVA's strategic priorities. The Group's NPL ratio ended the year at 2.37% (2.24% including off-balance sheet exposure), or 1.71% if one disregards Argentina, only slightly higher than the

### Total lending (gross)<sup>(1)</sup>

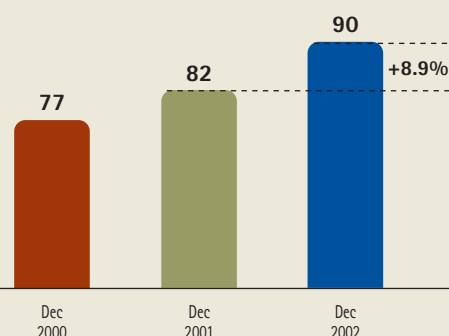
(Billions of euros)



(1) Excluding Argentina. Constant exchange rate.

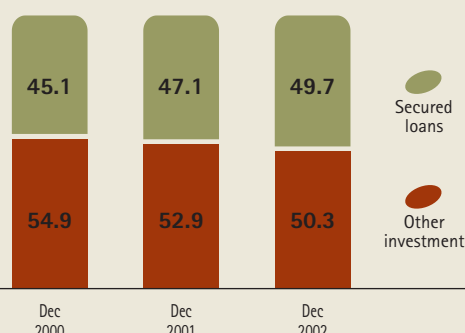
### Gross lending to other resident sectors

(Billions of euros)



### Breakdown of gross lending to other resident sectors

(Percentage)



1.58% recorded on 31-12-01 and lower than the 1.85% at the end of 2000. If one also disregards the effect of Argentina's reclassification from Group 4 to Group 5, for country-risk purposes, the Group's NPL ratio was only 1.59%, similar to the 1.58% NPL ratio without Argentina recorded on 31-12-01.

In the domestic business (Retail Banking and Domestic Corporate) the NPL ratio fell by the end of the year to 0.87%, from 0.96% on 31-12-01, staying at record low levels, despite the economic slowdown seen during 2002. In America,

without considering Argentina, which reported a significant increase in loan loss, due to its special circumstances, due to the strict risk management criteria and moderate growth in lending, and despite the region's difficult financial situation, the NPL ratio ended the year at 3.97% (vs. 3.66% on 31-12-01).

At the end of December, the NPL coverage ratio stood at 146.8%, at 189.5% if one excludes Argentina, and at 200% without Argentina's reclassification to Group 5, for country-risk purposes (206.1% as at 31-12-01).

## Evolution of non-performing loans

(Millions of euros)

	4Q02	3Q02	2Q02	1Q02
<b>INITIAL BALANCE</b>	<b>3,061</b>	<b>2,720</b>	<b>2,418</b>	<b>2,675</b>
Net change	412	341	302	(257)
+ Entries	1,108	1,101	863	389
- Outflows	(519)	(441)	(470)	(343)
- Write-offs	(177)	(319)	(91)	(303)
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>3,473</b>	<b>3,061</b>	<b>2,720</b>	<b>2,418</b>

## Non-performing and loan loss provisions

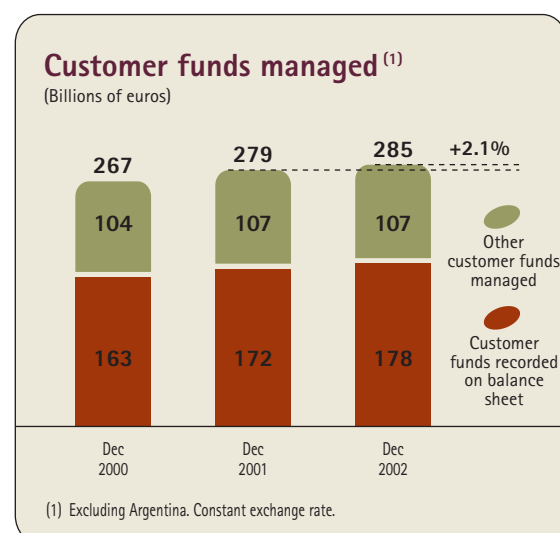
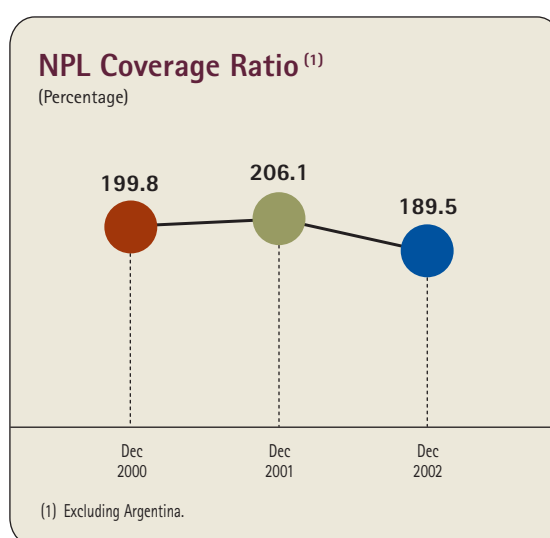
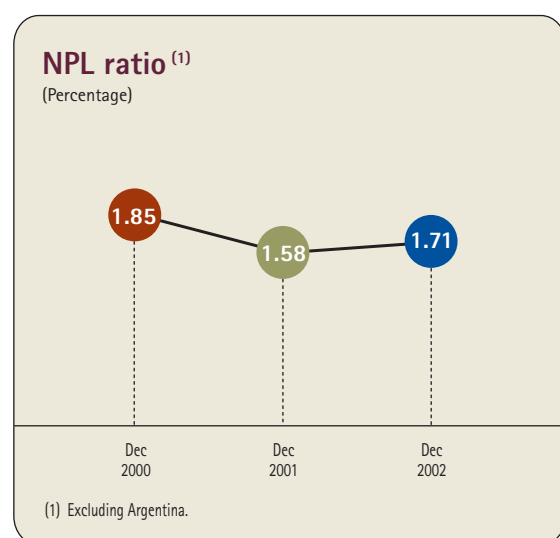
(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-00
<b>TOTAL NON-PERFORMING LIABILITIES</b>	<b>3,684</b>	<b>33.1</b>	<b>2,767</b>	<b>2,868</b>
Non-performing loans	3,473	29.8	2,675	2,799
• Public sector	56	38.6	41	58
• Other resident sectors	771	(1.9)	786	805
• Non-resident sector	2,646	43.2	1,848	1,936
Non-performing off-balance items	211	129.0	92	69
<b>TOTAL RISK</b>	<b>164,570</b>	<b>(4.7)</b>	<b>172,624</b>	<b>157,899</b>
Total lending (gross)	146,413	(6.2)	156,148	142,771
Off-balance items	18,157	10.2	16,476	15,128
<b>PROVISIONS</b>	<b>5,370</b>	<b>(12.2)</b>	<b>6,113</b>	<b>5,451</b>
Loan loss provisions	5,098	(14.0)	5,928	5,304
Off-balance items provisions	272	46.6	185	147
<b>MEMORANDUM ITEMS:</b>				
Assets repossessed	500	(41.5)	856	926
Reserves	260	(23.1)	338	932
Coverage (%)	52.0		39.5	100.7

## NPL ratios and coverage

(Percentage)

	31-12-02	31-12-01	31-12-00
<b>NPL RATIOS:</b>			
Non-performing loans / Total lending	2.37	1.71	1.96
Non-performing liabilities / Total risk	2.24	1.60	1.82
<b>COVERAGE RATIO:</b>			
Coverage of non-performing loans	146.8	221.6	189.5
Coverage of total risks	145.7	220.9	190.1
Coverage with mortgage guarantees	166.1	249.0	214.7
<b>MEMORANDUM ITEMS (excluding Argentina):</b>			
Non-performing loans / Total lending	1.71	1.58	1.85
Coverage of non-performing loans	189.5	206.1	199.8



## Customer Funds

Total customer funds managed by the Group, this including funds on balance sheet, mutual funds, pension funds and customer portfolios totaled 289 billion euros at the end of 2002, down 10.7% compared to 31-12-01, but up 2.1% without considering Argentina and at a constant exchange rate.

Funds recorded on-balance-sheet accounted for more than 180 billion euros and funds recorded off-balance-sheet for the remaining 109 billion, with y-o-y drops of 9.5% and 12.6% respectively. Excluding Argentina and exchange rate changes, funds recorded on-

## Customer funds managed

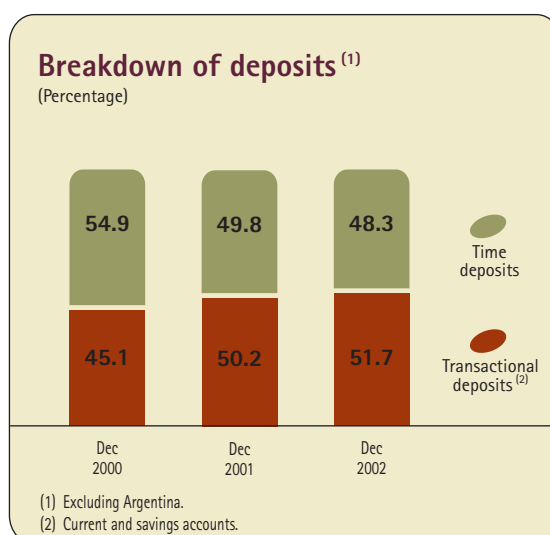
(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-00
<b>CUSTOMER FUNDS RECORDED ON BALANCE SHEET</b>	<b>180,570</b>	<b>(9.5)</b>	<b>199,486</b>	<b>185,718</b>
<b>DEPOSITS</b>	<b>146,560</b>	<b>(12.0)</b>	<b>166,499</b>	<b>154,146</b>
Public sector	9,264	39.6	6,638	6,836
Other resident sectors	64,221	(2.0)	65,502	61,476
• Current accounts	20,430	(0.2)	20,480	18,585
• Savings accounts	15,078	6.4	14,173	12,911
• Time deposits	16,944	(0.4)	17,008	18,513
• Assets sold with repurchase agreement	11,769	(15.0)	13,841	11,467
Non-resident sector	73,075	(22.6)	94,359	85,834
• Current and savings accounts	24,870	(25.3)	33,308	26,758
• Time deposits	40,268	(19.1)	49,793	55,023
• Assets sold with repurchase agreement and other accounts	7,937	(29.5)	11,258	4,053
<b>MARKETABLE DEBT SECURITIES</b>	<b>27,523</b>	<b>8.5</b>	<b>25,376</b>	<b>26,460</b>
Mortgage bonds	8,777	44.3	6,083	6,838
Other	18,746	(2.8)	19,293	19,622
<b>SUBORDINATED DEBT</b>	<b>6,487</b>	<b>(14.8)</b>	<b>7,611</b>	<b>5,112</b>
<b>OTHER CUSTOMER FUNDS MANAGED</b>	<b>108,815</b>	<b>(12.6)</b>	<b>124,496</b>	<b>118,831</b>
Mutual funds	43,582	(12.7)	49,901	50,035
Pension funds	36,563	(11.4)	41,249	38,319
Customers' portfolios and assets	28,670	(14.0)	33,346	30,477
<b>TOTAL CUSTOMER FUNDS MANAGED</b>	<b>289,385</b>	<b>(10.7)</b>	<b>323,982</b>	<b>304,549</b>
<b>MEMORANDUM ITEMS (excluding Argentina):</b>				
Customer funds recorded on balance sheet	178,506	(6.6)	191,153	176,518
Other customer funds managed	106,522	(10.6)	119,093	113,318
Total customer funds managed	285,028	(8.1)	310,246	289,836

balance-sheet rose 3.8% while those funds recorded off-balance-sheet dropped 0.6%.

Just like in the previous year, in 2002 the Group continued improving the structure of its deposits, reporting higher increases in the volume of transactional deposits (current accounts and savings accounts), which are less expensive, and now account for 51.7% of total deposits (without considering Argentina), as compared to 50.2% at the end of 2001 and 45.1% in 2000).

In line with this policy, the highlight change in deposits to other resident sectors, which fell 2.0% to 64 billion euros, was the 6.4% rise in savings accounts, which amounted to 15



billion, spurred by the "savings fortnights" in March and November, while current accounts totaled 20 billion euros. Consequently, these modes of transactional deposits account for 55.3% of other resident sector deposits, as opposed to 52.9% one year ago and 51.2% at the end of 2000.

Term deposits remained stable and totaled 17 billion euros on 31-12-02, mainly due to the maturity of high-cost products issued in previous years and which the Group decided not to renew, in line with its policy of lowering the cost of its fund structure, this having been offset by new fund-capturing through the marketing of the "BBVA Plus Creciente" deposit and the BBVA Dynamic (BBVA Dinámico) deposit account, among others products. Assets sold with repurchase agreement fell 15.0%, while Public Authorities

debits jumped nearly 40%, topping 9 billion euros on 31-12-02.

Non-resident debits totaled 73 billion euros after dropping 22.6% in y-o-y terms, following the depreciation of the Latin American currencies, because in local currency terms, deposits increased significantly in Brazil (43.3%), Colombia (35.9%), Chile (35.1%), Venezuela (20.1%) and Peru (8.3%), remaining stable in Mexico. Consequently, together with the prudent lending policy, BBVA maintained an adequate level of liquidity in view of the difficulties faced in certain countries.

Most of the growth in the volume of negotiable securities, which increased 8.5% to 27.5 billion euros, came in mortgage bonds, which soared 44.3% following the 3,000 million euros of mortgage bonds issued in September (BBVA's biggest fixed-income issue

## Other customer funds managed

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-00
<b>SPAIN</b>	<b>55,243</b>	<b>(5.7)</b>	<b>58,604</b>	<b>59,049</b>
<b>MUTUAL FUNDS</b>	<b>33,377</b>	<b>(9.0)</b>	<b>36,691</b>	<b>39,099</b>
Mutual Funds (ex Real Estate)	33,059	(9.5)	36,517	38,951
• Money Market	10,201	(1.7)	10,378	6,941
• Fixed-income	12,471	5.7	11,803	13,540
Of which: Guaranteed	6,504	11.2	5,847	5,894
• Mixed	3,197	(36.2)	5,009	7,284
Of which: International funds	2,557	(36.7)	4,037	3,971
• Equities	6,577	(29.1)	9,272	11,088
Of which: Guaranteed	3,742	(17.9)	4,556	4,080
Of which: International funds	2,370	(41.5)	4,052	4,742
• Global	613	n.m.	55	98
Real Estate Mutual Funds	318	83.2	174	148
<b>PENSION FUNDS</b>	<b>11,028</b>	<b>3.3</b>	<b>10,680</b>	<b>9,740</b>
Individual pension plans	5,596	5.5	5,303	5,056
Employment and associated funds	5,432	1.0	5,377	4,684
<b>CUSTOMERS' PORTFOLIOS AND ASSETS</b>	<b>10,838</b>	<b>(3.5)</b>	<b>11,233</b>	<b>10,210</b>
<b>REST OF THE WORLD</b>	<b>53,572</b>	<b>(18.7)</b>	<b>65,892</b>	<b>59,782</b>
Mutual funds	10,205	(22.8)	13,210	10,936
Pension funds	25,535	(16.5)	30,569	28,579
Customer's portfolios and assets	17,832	(19.4)	22,113	20,267
<b>OTHER CUSTOMER FUNDS MANAGED</b>	<b>108,815</b>	<b>(12.6)</b>	<b>124,496</b>	<b>118,831</b>



to date, geared to domestic and international institutional investors). Subordinated liabilities amounted to 7 billion euros after falling 14.8%, due to the expiry of issues that matured during the year and to the pre-payment of two issues totaling 250 million dollars.

Customer funds managed off-balance-sheet (mutual funds, pension funds and customers' portfolios and assets), which ended the year at 109 billion euros, were hit by market trends, which negatively affected the total volume of funds under management, although the 12.6% decline compared to 31-12-01 is only 0.6% excluding Argentina and at constant exchange rates.

Spain reported a 5.7% drop to 55 billion euros, mainly on account of mutual funds having fallen 9.0% to 33 billion, due to the market slumps, which had a particular bearing on equity and mixed funds and pushed customers towards low-risk funds, such as money market funds and bond funds. In this scenario, the Group has been especially active in marketing guaranteed bond funds, also reporting significant growth in real estate investment trusts and the new alternative management funds, despite their still accounting for a limited volume of business.

BBVA maintained its leadership in the Spanish pension funds market (individual, company and associated pension schemes), with 11 billion euros of funds under management

and y-o-y growth of 3.3%, having been dampened by the sluggish markets, which also had a bearing on customer portfolios, which amounted to 10.8 billion, 3.5% less than one year ago.

Customer funds managed off-balance-sheet in the other markets in which the Group operates amounted to 54 billion euros, having fallen 18.7% due to the depreciation of the Latin American currencies, otherwise, and excluding Argentina, they would have risen 5.6%. Pension funds, a field in which BBVA ranks number one throughout Latin America with a market share of 28.2%, totaled 26 billion euros, mutual funds totaled 10 billion and customer portfolios amounted to 18 billion.

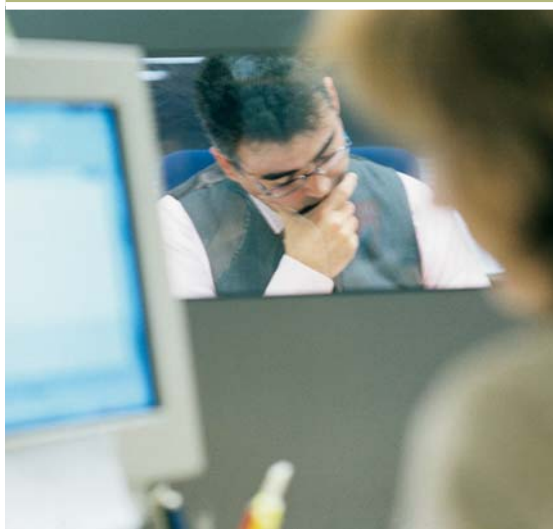
The other balance sheet highlights include the decline in fixed-income securities (due to cash operations and the effect of the peso's depreciation on the Bancomer portfolio expressed in euros) and equities, as a result of the rotation of the Group's interests. BBVA also reduced its tangible fixed assets by almost a quarter, as a result of the balance sheet optimization and office space rationalization policy, and goodwill by 7.8%, because depreciation and amortization charges, including extraordinary charges in non-investment grade countries, exceeded the goodwill generated by BBVA's increased stake in Bancomer.

## Goodwill in consolidation

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-00
By global and proportional integration	2,871	(5.7)	3,045	2,470
• Banks in America	2,077	2.7	2,022	1,502
• Pension fund managers in America	515	(27.2)	709	919
• Other	279	(11.3)	314	49
Carried by the equity method	1,386	(11.9)	1,572	1,605
<b>GOODWILL IN CONSOLIDATION</b>	<b>4,257</b>	<b>(7.8)</b>	<b>4,617</b>	<b>4,075</b>

## Capital Base



The financial year was shrouded in uncertainty, and as risks began rising, financial institutions had to pay special attention to maintaining solid capital bases. The BBVA Group ended 2002 with a sound standing in terms of its equity, and comfortable capital ratios that are among the highest of the main European banks.

Efficient capital base management throughout the financial year enabled BBVA to keep its net worth from being affected by the heavy depreciation of most of the Latin American currencies against the euro. On December 31, 2002, the BBVA Group capital base stood at 20.345 billion euros, a surplus of 5.559 billion euros in accordance with the criteria of the Bank for International Settlements (BIS). The core capital stands at 5.9% (vs. 6.0% on 31-12-01), Tier I at 8.4% and the BIS Ratio at 12.5% (8.5% and 12.6%, respectively, on 31-12-01). Considering the effect of the deal with Bradesco in Brazil, the core capital, Tier I and BIS Ratio would be 6.0%, 8.5% and 12.6%, respectively, the same as at the end of 2001. According to the Bank of Spain regulations, the capital adequacy ratio is 11.2%, and 11.3% including the Brazil transaction (11.4% as at 31-12-01).

As for rights issues, in January BBVA completed the early repayment of the outstanding balance of the 1996 convertible debenture issue. Furthermore, in view of market conditions, BBVA decided to complete the early repayment of 150 million dollars of subordinated debt (maturing on 25-2-07) in February and a further 100 million dollars (maturing on 20-9-07) in September.

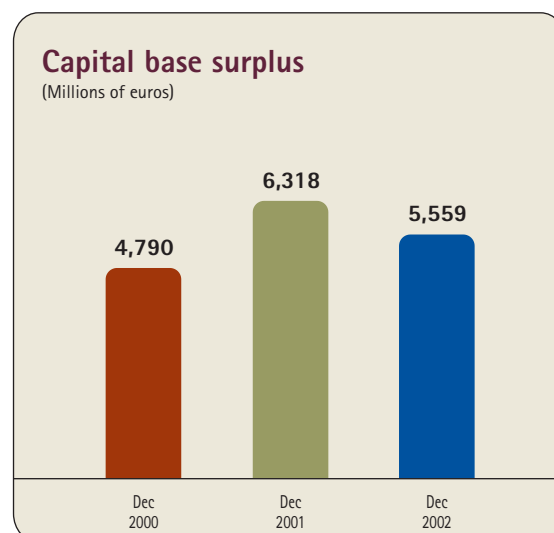
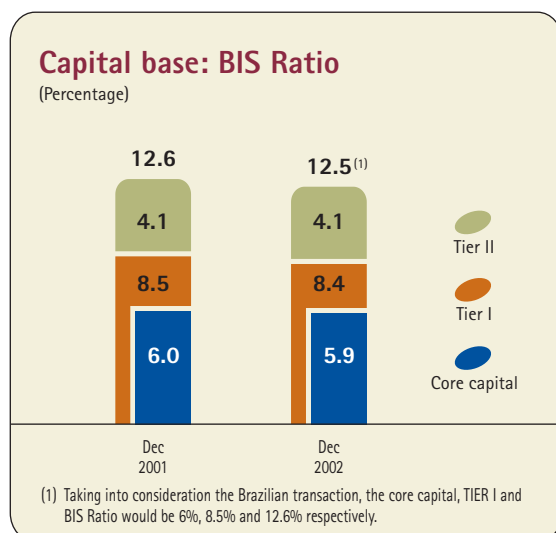
Similarly, series of preferred stock were repaid early. In April BBVA repaid 102 million euros with the coupon at 9%, in June it repaid two series (Gibraltar Series E with the coupon at 8% and Preferred Capital Series A with the coupon at 7.8%) of 250 million dollars each and in December it repaid 100 million dollars of the Gibraltar Series B, with the coupon at 9%.

## Capital base (BIS regulations)

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-00
<b>HIGHER QUALITY CAPITAL (TIER I)</b>	<b>13,680</b>	<b>(8.0)</b>	<b>14,872</b>	<b>15,117</b>
Capital	1,566	-	1,566	1,566
Reserves <sup>(1)</sup>	10,709	(8.1)	11,649	11,635
Minority interests	6,120	(12.5)	6,990	6,904
• Preference shares	4,075	(6.3)	4,349	4,006
• Other	2,045	(22.6)	2,641	2,898
Deductions	(4,715)	(11.6)	(5,333)	(4,988)
• Goodwill	(4,257)	(7.8)	(4,617)	(4,075)
• Other	(458)	(36.0)	(716)	(913)
<b>OTHER ELIGIBLE FUNDS (TIER II)</b>	<b>6,665</b>	<b>(7.8)</b>	<b>7,229</b>	<b>4,978</b>
Subordinated debt	4,867	(12.6)	5,569	3,563
Revaluation reserves and other	2,583	4.2	2,479	1,621
Deductions	(785)	(4.1)	(819)	(206)
<b>CAPITAL BASE</b>	<b>20,345</b>	<b>(7.9)</b>	<b>22,101</b>	<b>20,095</b>
Minimum equity required	14,786	(6.3)	15,783	15,305
<b>CAPITAL BASE SURPLUS</b>	<b>5,559</b>	<b>(12.0)</b>	<b>6,318</b>	<b>4,790</b>
<b>MEMORANDUM ITEM:</b>				
Risk-weighted assets	163,110	(6.8)	174,927	169,527
<b>BIS RATIO (%)</b>	<b>12.5</b>		<b>12.6</b>	<b>11.9</b>
<b>TIER I (%)</b>	<b>8.4</b>		<b>8.5</b>	<b>8.9</b>
<b>TIER II (%)</b>	<b>4.1</b>		<b>4.1</b>	<b>3.0</b>
<b>CAPITAL RATIO (Bank of Spain regulation)</b>	<b>11.2</b>		<b>11.4</b>	<b>11.0</b>

(1) Does not include revaluation reserves as these are considered as TIER II.



## Ratings

	Short term	Long term	Financial strength
Moody's	P-1	Aa2	B+
Fitch - IBCA	F-1+	AA-	B
Standard & Poor's	A-1+	AA-	-

The Group boosted its capital base in 2002 through two 500 million euro issues of preferred stock on the domestic market, one in March and another in December, which offset the aforementioned early repayments.

During 2002, the volatile stock markets, the Argentinean crisis, the situation in Brazil, as well as the banking sector's structural problems in some countries, had a negative bearing on some banks'

performance, which is why the ratings of some of Europe's leading banks were downgraded.

Against this background, BBVA's ratings have been confirmed and among the highest of the European banks. BBVA's firm toehold in the Spanish market, the high yield, the excellent quality of its assets and its asset strength are the main reasons for it having been rated so highly by the leading agencies.





## Earnings for the Period



- Net Interest Income
- Basic Margin
- Ordinary Revenue
- Operating Income
- Portfolio of Holdings under Management
- Provisions and Other Items
- Profit and Distribution

The BBVA Group obtained an attributable profit of 1,719 million euros in the financial year 2002, down 27.3% with respect to the previous year. The keys to the Group's earnings were the growth in operating income, the decline in income from companies carried by the equity method and Group transactions and the larger writedowns, which included 455 million euros of extraordinary provisions (427 million after tax) allocated in the fourth quarter. Without these effects, net attributable would have been 2,146 million euros, only 9.2% down on 2001.

In order to compare the Group's income statements for 2002 and 2001, and unless stated otherwise, the comments below refer to the proforma income statement that includes Argentina by the equity accounting method. Consequently, the impact of the country's situation on its income statement is limited, making it easier to analyze and compare the Group's earnings.

The heavy depreciation of the Latin American currencies had a growing effect on the average exchange rates applied when the earnings obtained by the Group's affiliates in the region are converted into euros. Throughout the financial year 2002 and in comparison with the previous year, the most significant depreciations affected the Mexican peso (-8.7%), Venezuelan Bolivar (-41.7%), Brazilian real (-24.5%) and Chilean peso (-12.8%). Therefore, whenever relevant, reference is made to changes in Group's earnings at constant exchange rates (or without the exchange rate effect), after applying the average exchange rates of 2002 to the income for 2001.

The BBVA Group reported 5,251 million euros of operating income, a y-o-y increase of 2.8% (or 9.4% without the exchange rate effect). In a complex environment marked by the downturn in economic activity and the highly volatile financial markets, the BBVA Group managed to generate recurrent income, spurred by the healthy income (ordinary

## Consolidated income statement

(Millions of euros)

	2002	Δ% (YoY)	2001	2000
Financial revenues	17,234	(20.2)	21,608	19,325
Financial expenses	(9,784)	(26.3)	(13,279)	(12,714)
Dividends	358	(27.7)	495	384
<b>NET INTEREST INCOME</b>	<b>7,808</b>	<b>(11.5)</b>	<b>8,824</b>	<b>6,995</b>
Net fee income	3,668	(9.1)	4,038	3,369
<b>BASIC MARGIN</b>	<b>11,476</b>	<b>(10.8)</b>	<b>12,862</b>	<b>10,364</b>
Market operations	765	56.1	490	779
<b>ORDINARY REVENUE</b>	<b>12,241</b>	<b>(8.3)</b>	<b>13,352</b>	<b>11,143</b>
Personnel costs	(3,698)	(12.9)	(4,243)	(3,774)
General expenses	(2,074)	(16.4)	(2,482)	(2,163)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(5,772)</b>	<b>(14.2)</b>	<b>(6,725)</b>	<b>(5,937)</b>
Depreciation and amortization	(631)	(14.9)	(742)	(653)
Other operating revenues and expenses (net)	(261)	(8.7)	(286)	(177)
<b>OPERATING INCOME</b>	<b>5,577</b>	<b>(0.4)</b>	<b>5,599</b>	<b>4,376</b>
Net income from comp, carried by the eq. method	33	(91.5)	393	589
Memorandum item: dividends received	(242)	(36.1)	(379)	(268)
Amortization of goodwill in consolidation	(679)	9.0	(623)	(665)
Net income on Group transactions	361	(62.2)	954	1,307
Net loan loss provisions	(1,743)	(9.2)	(1,919)	(973)
• Gross provisions	(2,385)	(4.6)	(2,501)	(1,612)
• Reversals	434	47.8	294	365
• Recoveries	208	(27.8)	288	274
Net securities writedowns	3	n.m.	(43)	(7)
Extraordinary items (net)	(433)	(40.4)	(727)	(751)
<b>PRE-TAX PROFIT</b>	<b>3,119</b>	<b>(14.2)</b>	<b>3,634</b>	<b>3,876</b>
Corporate income tax	(653)	4.4	(625)	(962)
<b>NET INCOME</b>	<b>2,466</b>	<b>(18.0)</b>	<b>3,009</b>	<b>2,914</b>
Minority interests	(747)	15.8	(646)	(682)
• Preference shares	(276)	(12.5)	(316)	(288)
• Other	(471)	42.8	(330)	(394)
<b>NET ATTRIBUTABLE PROFIT <sup>(1)</sup></b>	<b>1,719</b>	<b>(27.3)</b>	<b>2,363</b>	<b>2,232</b>

(1) Excluding the effect of the extraordinary provisions made in 4Q02, 455 million euros (427 million euros after tax), the decrease in net attributable profit would be 9.2%.

## Consolidated income statement (Argentina consolidated by equity method)

(Millions of euros)

	2002	Δ% (YoY)	Δ% at constant exchange rate	2001	2000
Financial revenues	16,152	(20.3)	(15.0)	20,264	18,132
Financial expenses	(9,026)	(28.4)	(24.4)	(12,599)	(12,152)
Dividends	358	(27.7)	(27.2)	495	383
<b>NET INTEREST INCOME</b>	<b>7,484</b>	<b>(8.3)</b>	<b>(0.9)</b>	<b>8,160</b>	<b>6,363</b>
Net fee income	3,567	(1.0)	5.1	3,602	2,970
<b>BASIC MARGIN</b>	<b>11,051</b>	<b>(6.1)</b>	<b>1.0</b>	<b>11,762</b>	<b>9,333</b>
Market operations	664	47.3	60.3	451	733
<b>ORDINARY REVENUE</b>	<b>11,715</b>	<b>(4.1)</b>	<b>3.1</b>	<b>12,213</b>	<b>10,066</b>
Personnel costs	(3,606)	(7.3)	(0.7)	(3,890)	(3,419)
General expenses	(1,993)	(12.4)	(3.5)	(2,275)	(1,957)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(5,599)</b>	<b>(9.2)</b>	<b>(1.7)</b>	<b>(6,165)</b>	<b>(5,376)</b>
Depreciation and amortization	(612)	(8.6)	(0.9)	(669)	(578)
Other operating revenues and expenses (net)	(253)	(6.4)	2.8	(270)	(165)
<b>OPERATING INCOME</b>	<b>5,251</b>	<b>2.8</b>	<b>9.4</b>	<b>5,109</b>	<b>3,947</b>
Net income from comp. carried by the eq. method	35	(79.2)	(79.3)	168	731
Memorandum item: dividends received	(242)	(36.1)	(35.5)	(379)	(268)
Amortization of goodwill in consolidation	(679)	9.0	9.0	(623)	(665)
Net income on Group transactions	361	(62.2)	(61.9)	954	1,307
Net loan loss provisions	(1,494)	7.8	15.5	(1,387)	(874)
• Gross provisions	(2,113)	10.7	24.1	(1,908)	(1,415)
• Reversals	422	54.5	64.9	273	313
• Recoveries	197	(20.9)	(14.0)	248	228
Net securities writedowns	3	n.m.	n.m.	(43)	(7)
Extraordinary items (net)	(280)	n.m.	n.m.	24	(712)
<b>PRE-TAX PROFIT</b>	<b>3,197</b>	<b>(23.9)</b>	<b>(20.2)</b>	<b>4,202</b>	<b>3,727</b>
Corporate income tax	(745)	(24.2)	(20.6)	(982)	(881)
<b>NET INCOME</b>	<b>2,452</b>	<b>(23.9)</b>	<b>(20.0)</b>	<b>3,220</b>	<b>2,846</b>
Minority interests	(733)	(14.6)	(7.0)	(857)	(614)
• Preference shares	(276)	(12.5)	(12.5)	(315)	(288)
• Other	(457)	(15.7)	3.2	(542)	(326)
<b>NET ATTRIBUTABLE PROFIT <sup>(1)</sup></b>	<b>1,719</b>	<b>(27.3)</b>	<b>(24.5)</b>	<b>2,363</b>	<b>2,232</b>

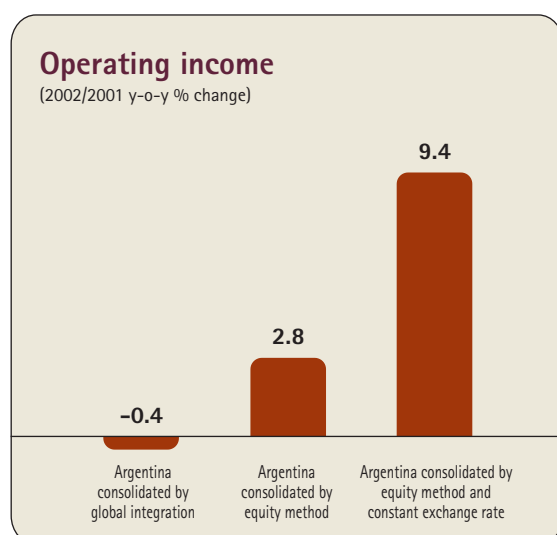
(1) Excluding the effect of the extraordinary provisions made in 4Q02, 455 million euros (427 million euros after tax), the decrease in net attributable profit would be 9.2%.

## Consolidated income statement

(% of ATA)

	2002	2001	2000
<b>NET INTEREST INCOME</b>	<b>2.70</b>	<b>2.92</b>	<b>2.60</b>
Net fee income	1.27	1.33	1.25
<b>BASIC MARGIN</b>	<b>3.97</b>	<b>4.25</b>	<b>3.85</b>
Market operations	0.27	0.16	0.29
<b>ORDINARY REVENUE</b>	<b>4.24</b>	<b>4.41</b>	<b>4.14</b>
General administrative expenses	(2.00)	(2.22)	(2.21)
Other operating expenses	(0.22)	(0.34)	(0.31)
<b>OPERATING INCOME</b>	<b>1.93</b>	<b>1.85</b>	<b>1.63</b>
Net income from comp, carried by the eq. method	0.01	0.13	0.22
Net income on Group transactions	0.13	0.32	0.49
Total net provisions <sup>(1)</sup>	(0.60)	(1.16)	(0.77)
Extraordinary items	(0.15)	0.07	(0.12)
<b>PRE-TAX PROFIT</b>	<b>1.08</b>	<b>1.20</b>	<b>1.44</b>
Corporate income tax	(0.23)	(0.21)	(0.36)
<b>NET INCOME</b>	<b>0.60</b>	<b>0.99</b>	<b>1.08</b>
<b>MEMORANDUM ITEMS</b>			
Average total assets (millions of euros)	288,712	302,662	269,158

(1) Includes special reserves.



revenue only dropped 4.1% due to exchange rate differences, otherwise it would have risen 3.1%) and, in particular, by total operating expenses falling 9.2%, or 1.7% at a constant

exchange rate, on account of the major structural changes carried out since the merger, both in Spain and Latin America.

As a result, the efficiency ratio improved nearly 3 percentage points, from 50.5% in 2001 to of 47.8% at the end of 2002. The ratio including Argentina is even lower, 47.2%, and compares favorably with the 50.4% reported in 2001 and the 53.3% of the financial year 2000, when Bancomer was incorporated.

In contrast to the operating income's healthy performance, all the other income statement items up to pre-tax profit subtracted a net amount that more than doubled the amount recorded in 2001, due to the larger writedowns, some of which were extraordinary items, and the heavy reduction in income from companies carried by the equity method and capital gains.



## Consolidated income statement: quarterly evolution

(Millions of euros)

	4Q	3Q	2002 2Q	1Q	4Q	3Q	2001 2Q	1Q
Financial revenues	3,813	4,240	4,662	4,519	4,828	5,206	5,736	5,838
Financial expenses	(2,077)	(2,569)	(2,649)	(2,489)	(2,663)	(3,023)	(3,747)	(3,846)
Dividends	77	66	131	84	142	66	198	89
<b>NET INTEREST INCOME</b>	<b>1,813</b>	<b>1,737</b>	<b>2,144</b>	<b>2,114</b>	<b>2,307</b>	<b>2,249</b>	<b>2,187</b>	<b>2,081</b>
Net fee income	920	866	911	971	1,021	1,016	1,089	912
<b>BASIC MARGIN</b>	<b>2,733</b>	<b>2,603</b>	<b>3,055</b>	<b>3,085</b>	<b>3,328</b>	<b>3,265</b>	<b>3,276</b>	<b>2,993</b>
Market operations	231	182	146	206	59	204	181	46
<b>ORDINARY REVENUE</b>	<b>2,964</b>	<b>2,785</b>	<b>3,201</b>	<b>3,291</b>	<b>3,387</b>	<b>3,469</b>	<b>3,457</b>	<b>3,039</b>
Personnel costs	(895)	(860)	(941)	(1,002)	(1,061)	(1,064)	(1,106)	(1,012)
General expenses	(539)	(470)	(515)	(550)	(648)	(628)	(620)	(586)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(1,434)</b>	<b>(1,330)</b>	<b>(1,456)</b>	<b>(1,552)</b>	<b>(1,709)</b>	<b>(1,692)</b>	<b>(1,726)</b>	<b>(1,598)</b>
Depreciation and amortization	(146)	(142)	(166)	(177)	(183)	(185)	(190)	(184)
Other operating revenues and expenses (net)	(58)	(57)	(66)	(80)	(65)	(78)	(83)	(60)
<b>OPERATING INCOME</b>	<b>1,326</b>	<b>1,256</b>	<b>1,513</b>	<b>1,482</b>	<b>1,430</b>	<b>1,514</b>	<b>1,458</b>	<b>1,197</b>
Net income from comp, carried by the eq. method	77	24	(59)	139	(45)	177	93	168
Memorandum item: dividends received	(53)	(30)	(100)	(59)	(92)	(47)	(166)	(74)
Amortization of goodwill in consolidation	(288)	(129)	(126)	(136)	(269)	(125)	(123)	(106)
Net income on Group transactions	(95)	(29)	373	112	350	(36)	368	272
Net loan loss provisions	(439)	(311)	(556)	(437)	(942)	(326)	(323)	(328)
• Gross provisions	(561)	(495)	(699)	(630)	(1,072)	(455)	(466)	(508)
• Reversals	63	137	89	145	71	74	67	82
• Recoveries	59	47	54	48	59	55	76	98
Net securities writedowns	-	-	-	3	(23)	(8)	(13)	1
Extraordinary items (net)	(118)	118	(347)	(86)	(374)	(165)	(131)	(57)
<b>PRE-TAX PROFIT</b>	<b>463</b>	<b>781</b>	<b>798</b>	<b>1,077</b>	<b>127</b>	<b>1,031</b>	<b>1,329</b>	<b>1,147</b>
Corporate income tax	(244)	(128)	(7)	(274)	358	(309)	(385)	(289)
<b>NET INCOME</b>	<b>219</b>	<b>653</b>	<b>791</b>	<b>803</b>	<b>485</b>	<b>722</b>	<b>944</b>	<b>858</b>
Minority interests	(155)	(164)	(212)	(216)	62	(186)	(217)	(305)
• Preference shares	(63)	(63)	(74)	(76)	(83)	(82)	(71)	(80)
• Other	(92)	(101)	(138)	(140)	145	(104)	(146)	(225)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>64</b>	<b>489</b>	<b>579</b>	<b>587</b>	<b>547</b>	<b>536</b>	<b>727</b>	<b>553</b>

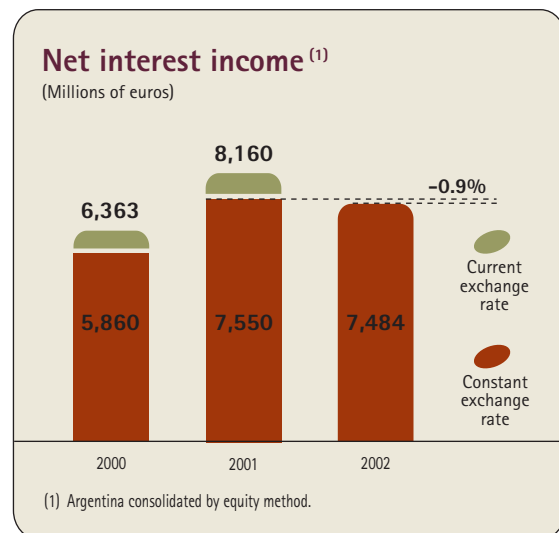
## Consolidated income statement (Argentina consolidated by equity method): quarterly evolution

(Millions of euros)

	4Q	2002			4Q	2001		
		3Q	2Q	1Q		3Q	2Q	1Q
Financial revenues	3,802	3,987	4,106	4,257	4,504	4,838	5,399	5,523
Financial expenses	(2,118)	(2,297)	(2,275)	(2,336)	(2,475)	(2,839)	(3,591)	(3,694)
Dividends	77	66	131	84	143	66	199	87
<b>NET INTEREST INCOME</b>	<b>1,761</b>	<b>1,756</b>	<b>1,962</b>	<b>2,005</b>	<b>2,172</b>	<b>2,065</b>	<b>2,007</b>	<b>1,916</b>
Net fee income	901	849	891	926	922	912	958	810
<b>BASIC MARGIN</b>	<b>2,662</b>	<b>2,605</b>	<b>2,853</b>	<b>2,931</b>	<b>3,094</b>	<b>2,977</b>	<b>2,965</b>	<b>2,726</b>
Market operations	214	97	185	168	60	195	184	12
<b>ORDINARY REVENUE</b>	<b>2,876</b>	<b>2,702</b>	<b>3,038</b>	<b>3,099</b>	<b>3,154</b>	<b>3,172</b>	<b>3,149</b>	<b>2,738</b>
Personnel costs	(875)	(843)	(929)	(959)	(967)	(975)	(1,020)	(928)
General expenses	(511)	(452)	(506)	(524)	(598)	(576)	(565)	(536)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(1,386)</b>	<b>(1,295)</b>	<b>(1,435)</b>	<b>(1,483)</b>	<b>(1,565)</b>	<b>(1,551)</b>	<b>(1,585)</b>	<b>(1,464)</b>
Depreciation and amortization	(144)	(141)	(160)	(167)	(166)	(167)	(173)	(163)
Other operating revenues and expenses (net)	(57)	(56)	(63)	(77)	(61)	(74)	(79)	(56)
<b>OPERATING INCOME</b>	<b>1,289</b>	<b>1,210</b>	<b>1,380</b>	<b>1,372</b>	<b>1,362</b>	<b>1,380</b>	<b>1,312</b>	<b>1,055</b>
Net income from comp, carried by								
the eq. method	92	(136)	(53)	132	(399)	205	140	222
Memorandum item: dividends received	(53)	(30)	(100)	(59)	(92)	(47)	(166)	(74)
Amortization of goodwill in consolidation	(288)	(129)	(126)	(136)	(269)	(125)	(123)	(106)
Net income on Group transactions	(95)	(29)	373	112	350	(36)	368	272
Net loan loss provisions	(280)	(304)	(517)	(393)	(518)	(279)	(287)	(303)
• Gross provisions	(397)	(483)	(654)	(579)	(626)	(393)	(415)	(474)
• Reversals	61	135	86	140	61	66	65	81
• Recoveries	56	44	51	46	47	48	63	90
Net securities writedowns	-	-	-	3	(23)	(8)	(13)	1
Extraordinary items (net)	(172)	167	(260)	(15)	295	(128)	(98)	(45)
<b>PRE-TAX PROFIT</b>	<b>546</b>	<b>779</b>	<b>797</b>	<b>1,075</b>	<b>798</b>	<b>1,009</b>	<b>1,299</b>	<b>1,096</b>
Corporate income tax	(343)	(124)	(8)	(270)	(58)	(299)	(364)	(261)
<b>NET INCOME</b>	<b>203</b>	<b>655</b>	<b>789</b>	<b>805</b>	<b>740</b>	<b>710</b>	<b>935</b>	<b>835</b>
Minority interests	(139)	(166)	(210)	(218)	(193)	(174)	(208)	(282)
• Preference shares	(63)	(62)	(75)	(76)	(82)	(82)	(71)	(80)
• Other	(76)	(104)	(135)	(142)	(111)	(92)	(137)	(202)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>64</b>	<b>489</b>	<b>579</b>	<b>587</b>	<b>547</b>	<b>536</b>	<b>727</b>	<b>553</b>

## Net Interest Income

Net interest income for 2002 amounted to 7,484 million euros, having dropped 8.3% on a y-o-y basis, fully attributable to the exchange rate effect (without which the drop would only be 0.9%) and dividends, which fell 27.7%, because net interest income without dividends and at a constant exchange rate increased 1.0%.



## Breakdown of yields and costs

	2002		2001		2000	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Credit entities	9.4	5.25	12.8	5.83	14.3	7.00
• Euros	3.3	2.69	6.3	3.34	7.1	4.28
• Foreign currencies	6.1	6.62	6.6	8.19	7.2	9.67
Lending	51.3	7.40	48.0	8.22	49.3	7.91
• Euros	35.7	5.33	31.0	6.12	33.5	5.69
– Resident	32.6	5.43	28.3	6.16	30.3	5.80
– Other	3.1	4.29	2.8	5.68	3.2	4.57
• Foreign currencies	15.6	12.10	17.0	12.07	15.8	12.62
Securities portfolio	29.8	6.03	30.9	8.32	27.4	8.73
• Fixed-income securities	26.2	6.38	27.0	8.90	23.2	9.69
– Euros	14.0	4.22	12.6	5.19	10.5	5.26
– Foreign currencies	12.2	8.87	14.4	12.16	12.7	13.38
• Equity portfolio	3.6	3.45	3.8	4.25	4.2	3.40
– Companies carried by the equity method	2.5	3.44	2.8	4.44	2.9	3.41
– Other holdings	1.1	3.45	1.0	3.75	1.3	3.37
Non-income producing assets	9.5	–	8.3	–	9.0	–
<b>AVERAGE TOTAL ASSETS</b>	<b>100.0</b>	<b>6.09</b>	<b>100.0</b>	<b>7.31</b>	<b>100.0</b>	<b>7.32</b>
Credit entities	20.8	4.54	22.6	5.53	25.7	6.42
• Euros	11.4	3.49	11.7	4.68	12.6	4.11
• Foreign currencies	9.4	5.81	10.9	6.44	13.1	8.64
Customer funds	64.2	3.70	62.9	4.83	60.4	4.95
• Customer deposits	52.6	3.59	52.2	4.80	47.7	4.51
– Euros	28.4	2.19	25.4	2.61	27.2	2.44
• Resident deposits	18.4	1.55	17.3	1.96	18.5	1.64
• Other	10.0	3.38	8.1	3.98	8.6	4.16
– Foreign currencies	24.2	5.24	26.9	6.86	20.6	7.24
• Debt and other marketable securities	11.6	4.17	10.7	5.00	12.7	6.62
– Euros	8.4	3.84	7.1	3.91	6.2	4.66
– Foreign currencies	3.2	5.04	3.6	7.10	6.5	8.50
Shareholders' funds	4.4	–	4.4	–	3.9	–
Other funds without cost	10.6	–	10.1	–	10.0	–
<b>AVERAGE TOTAL LIABILITIES</b>	<b>100.0</b>	<b>3.39</b>	<b>100.0</b>	<b>4.39</b>	<b>100.0</b>	<b>4.72</b>
<b>NET INTEREST MARGIN / ATA</b>		<b>2.70</b>		<b>2.92</b>		<b>2.60</b>

On the domestic market, Retail Banking reported a 5.4% upturn in net interest income, due to the larger volumes under management, especially in the less costly transactional deposits (current and savings accounts) and mortgage loans, and efficient asset and liability management. In contrast, the customer spread (return on loans minus cost of deposits) narrowed throughout the year, mainly as a result of the steady repricing of the mortgage portfolio after interest rate cut in the last quarter of 2001, because the low cost of funds, slightly above 1.50%, hardly changed during the year.



In Mexico, net interest income slumped 17.4% (9.6% at constant exchange rates) due to the heavy interest rate cuts. However, quarterly net interest income at constant exchange rates improved through the year, due to the upturn in lending and the customer spread (in this case, as a result of price management and the improved liability structure, the less expensive products have increased more). In Banking in America, net interest income was hit hard by the depreciation of the currencies, and dropped 6.6%, but grew 23.7% at constant exchange rates, with especially significant increases in Venezuela and Brazil.

## Basic Margin

Fee income in 2002 amounted to 3,567 million euros, 1.0% lower than the previous year, though at a constant exchange rate it rose 5.1%. The highlights are to be found in Latin American, with Mexico reporting an increase of 8.0%, as compared to the 9.5% decrease in Banking in America. At a constant exchange rate, however, fee income grew 18.3% and 17.6% respectively, as a result of the plans to improve this type of income.

## Net fee income<sup>(1)</sup>

(Millions of euros)

	2002	Δ% (YoY)	2001	2000
<b>NET FEE INCOME</b>	<b>3,567</b>	<b>(1.0)</b>	<b>3,602</b>	<b>2,970</b>
Collection and payment services	1,422	6.7	1,333	933
• Credit and debit cards	569	12.5	506	314
• Others	853	3.2	827	619
Clients' portfolios	1,200	(7.3)	1,294	1,276
• Mutual and pension funds	1,095	(7.4)	1,182	1,159
• Portfolios managed	105	(6.4)	112	117
Other securities services	566	(9.7)	626	498
• Purchase / sale of securities	135	(24.8)	179	242
• Underwriting and placing	135	(13.4)	155	58
• Custody services	296	1.7	292	198
Other commissions	379	8.6	349	263

(1) Argentina consolidated by equity method.



implemented in the different countries. On the opposite side of the coin, the domestic business was hit by the volatile markets, which had a negative bearing on fund and security management fee income.

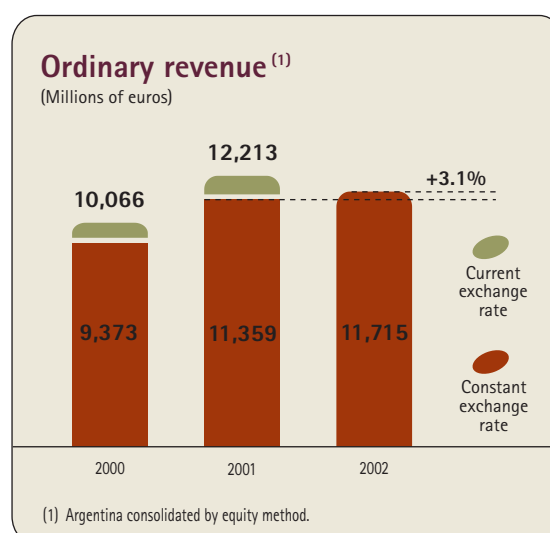
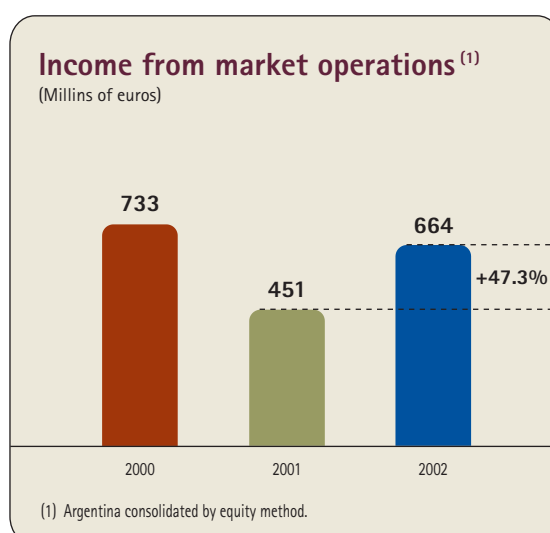
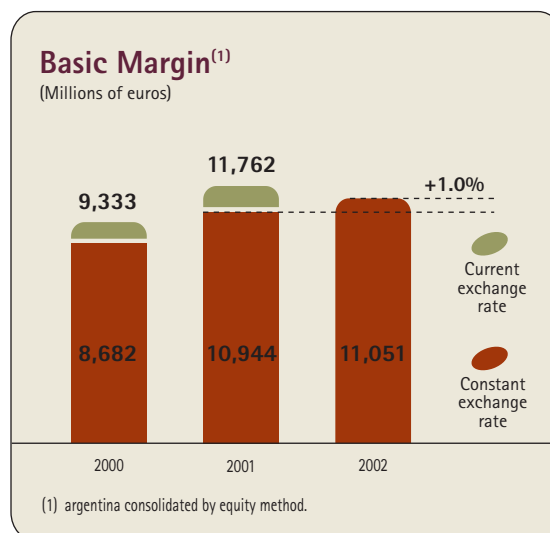
Throughout the Group, income from card fees and other collection and payment services did best, growing 6.7%, the best performers being credit and debit cards, which rose 12.5%. This contrasts with the 24.8% drop in stockbrokerage fee income and 13.4% fall in security underwriting and placing fee income, due to lower volume of transactions, and the 7.3% decline in asset management fees, as the volume of assets administered shrank due to the market slumps, and average fees fell as more customers expressed a preference for funds with a lower risk profile and therefore lower fees, such as money market funds.

Adding net interest income and net fee income results in a basic margin of 11,051 million euros, 6.1% lower than in 2001, though 1.0% higher at a constant exchange rate, with fee income accounting for 32.2%, as compared to only 30.6% in 2001.

## Ordinary Revenue

Income from market operations totaled 664 million euros, up 47.3% on the previous year. The y-o-y comparisons of this item were distorted in the first quarters of 2002 by the exchange differences derived from the financing of investments in America, which were recorded in 2001, but these differences became negligible in the third quarter of 2001, and disappeared altogether in 2002 when BBVA began to record the investments in euros.

After adding income from market operations to the basic margin, ordinary revenue amounted to 11,715 million euros, down 4.1% in y-o-y terms, but up 3.1% if one disregards the exchange rate effect.



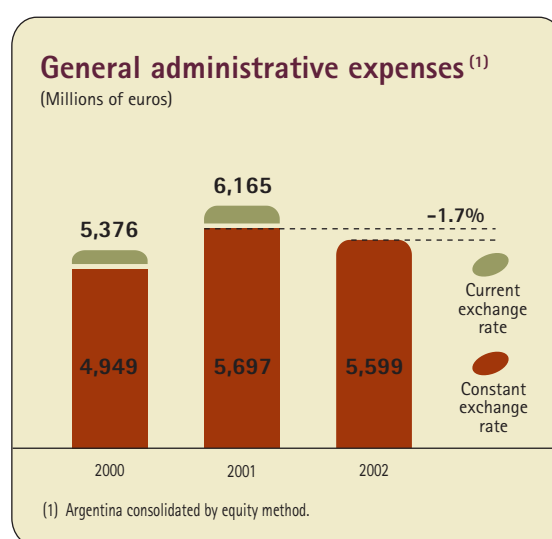
## Operating Income

During the financial year, personnel expenses fell 7.3%, general expenses fell 12.4% and together the two dropped 9.2%, or 1.7% at constant exchange rates, despite the rates of inflation in some of the markets in which the Group operates. Throughout the year, expenses followed a downward trend in all the business areas, on account of the cost containment and structural adjustment measures applied throughout the Group to tailor its headcount and branch network more closely to its business requirements and to fully integrate its systems.

Specifically, expenses fell 3.9% in Retail Banking in Spain and Portugal, 11.5% in Wholesale and Investment Banking, 2.4% in Asset Management and Private Banking, 14.8% in Mexico (6.7% at a constant exchange rate) and 17.3% in Banking in America (where they rose 10.2% at constant exchange rates, clearly below the average inflation of all the area's countries).

During 2002, the Group downsized its headcount by nearly 5,500 people (5.6%), mostly in Latin America, because in Spain it

applied a combined policy of early retirements and recruitment of a large number of young graduates. Over the last two years, net departures totaled 15,000 people (13.9%), with approximately 2,000 having taken place in Spain and 13,000 in Latin America, basically in Mexico, Venezuela, Argentina and Colombia. Meanwhile, the Group cut its number of branch offices by 6.1%, closing 484 (more than



## General administrative expenses<sup>(1)</sup>

(Millions of euros)

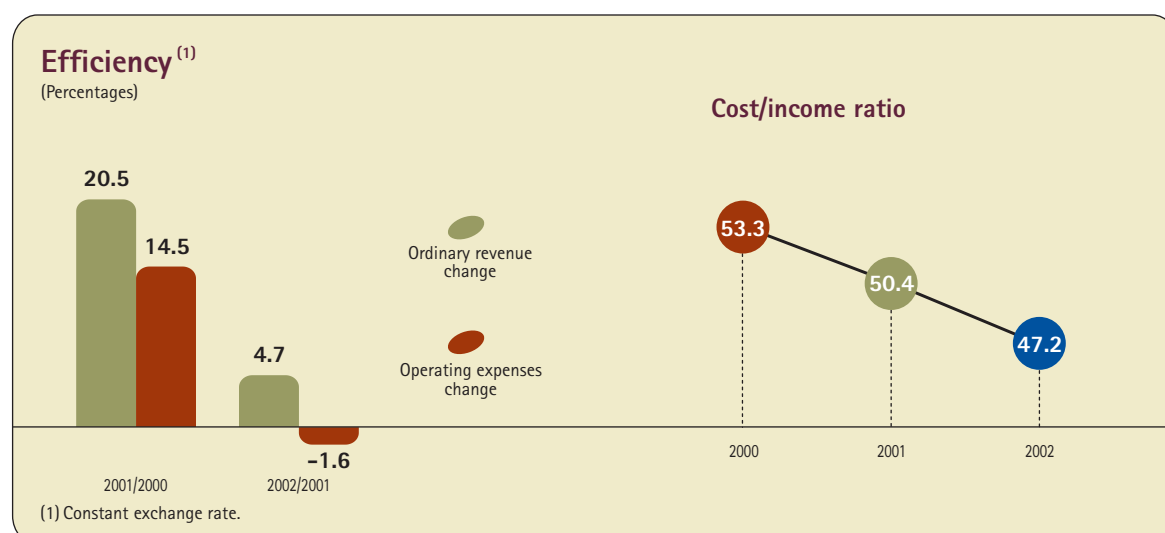
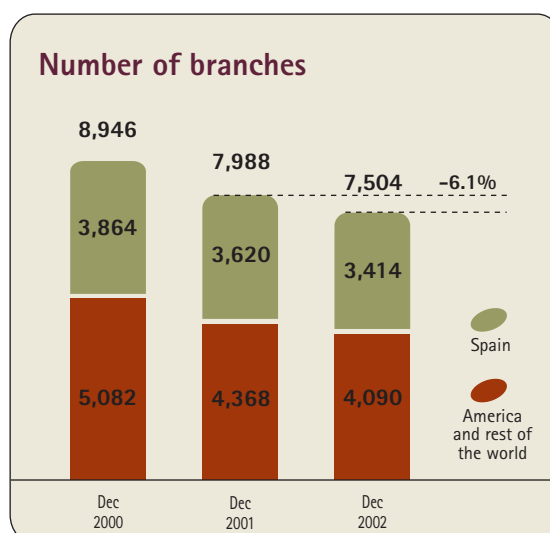
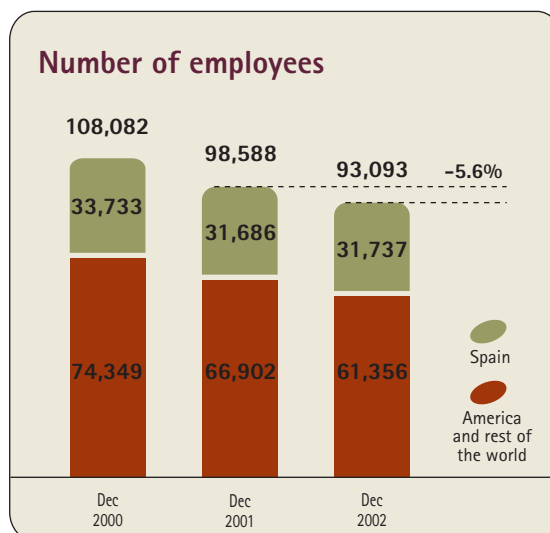
	2002	Δ% (YoY)	2001	2000
<b>PERSONNEL COSTS</b>	<b>3,606</b>	<b>(7.3)</b>	<b>3,890</b>	<b>3,419</b>
Wages and salaries	2,679	(8.7)	2,936	2,579
• Fixed remuneration	2,186	(7.8)	2,371	2,205
• Variable remuneration	493	(12.8)	565	374
Employees welfare expenses	610	1.9	598	549
• Of which: pension funds	133	8.3	122	110
Training expenses and other	317	(11.0)	356	291
<b>GENERAL EXPENSES</b>	<b>1,993</b>	<b>(12.4)</b>	<b>2,275</b>	<b>1,957</b>
Premises	440	(16.2)	525	463
Computer equipment	369	(21.3)	469	341
Communications	249	(16.8)	300	261
Publicity	154	(5.6)	163	158
Corporate expenditure	81	(15.0)	96	95
Other expenses	540	4.4	517	480
Taxes	160	(22.0)	205	159
<b>TOTAL GENERAL ADMINISTRATIVE EXPENSES</b>	<b>5,599</b>	<b>(9.2)</b>	<b>6,165</b>	<b>5,376</b>

(1) Argentina consolidated by equity method.

200 in Spain and almost 300 in America). Over the last two years, BBVA has closed a total of 1,442 branch offices, or 16.1%, 450 of them in Spain (11.6%) and 979 in America (20.1%), mainly in Mexico and Argentina.

The BBVA Group's successful management of income and expenses ever since it was created has allowed significant and continuous improvements in its efficiency ratio. Including Argentina, the ratio has improved more than 6 percentage points in the last two years, from 53.3% in 2000 to 50.4% in 2001 and 47.2% in 2002 (without Argentina the figures would be 53.4%, 50.5% and 47.8%, respectively), making the BBVA Group one of the leading euro zone banks in terms of efficiency. As far as each business area is concerned, during 2002 the efficiency ratio improved 3.4 points to 47.0% in Retail Banking in Spain and Portugal, 2.1 points to 46.1% in Mexico, 8.6 points to 48.9% in Banking in America and 1.3 points to 32.5% in Wholesale and Investment Banking. The downturn in income triggered a light slowdown in Asset Management and Private Banking, which ended that year with an efficiency ratio of 31.6%.

Operating income ended the financial year 2002 at 5,251 million euros, up 2.8% on the previous year, or 9.4% higher at a constant exchange rate. Even disregarding operating



income, dividends and income from market operations, which are more prone to be volatile, y-o-y growth totaled 8.7% at a constant exchange rate, underscoring the Group's capacity to generate recurrent earnings even in adverse scenarios such as at present and compares favorably with the levels of growth being reported by other international financial groups.

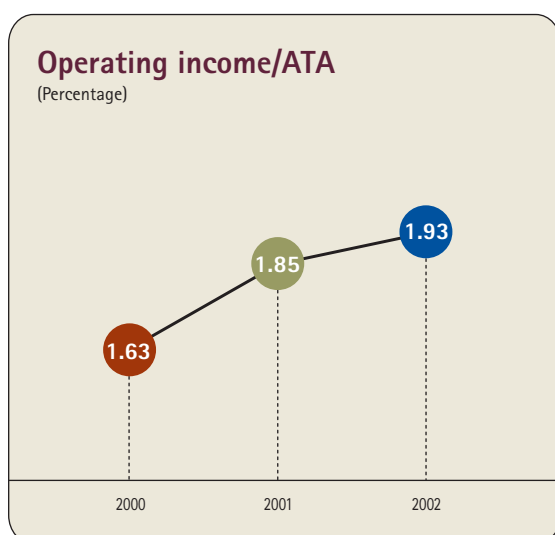
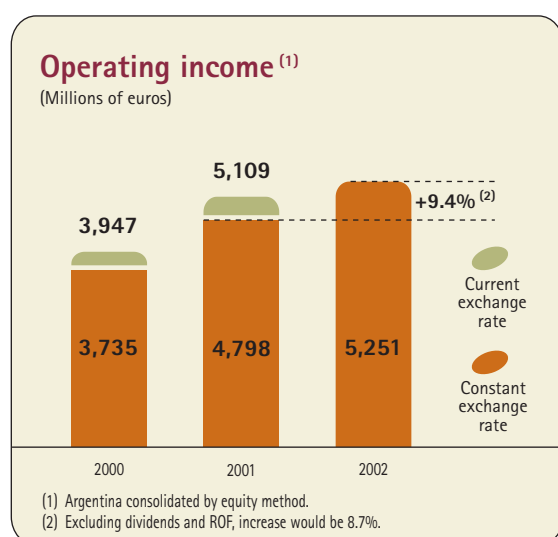
The best performing business area was Retail Banking in Spain and Portugal, which recorded an upturn of 11.8%, and Banking in America, where income soared 27.0% (or 65.3% without the exchange rate effect). The

6.9% decline in Mexico was fully due to the peso's depreciation against the euro, because operating income increased 2.0% at constant exchange rates. By contrast, the Wholesale and Investment Banking and Asset Management and Private Banking areas were hit by the state of the markets, which is why operating income fell 5.4% and 6.4%, respectively.

## Portfolio of Holdings under Management

In 2002 and 2001, respectively, the Group's affiliates in Argentina contributed earnings of 6 million euros and a loss of 218 million. Disregarding this effect, the BBVA Group reported 2873 million euros of income from companies carried by the equity method, 482 million less than in 2001. It recorded 242 million, or 36.1% less, as dividends and 41 million as net income from companies carried by the equity method. The main factors behind this decline were as follows: the 104 million euro charge allocated during the first half of the year to restate the income contributed during the financial year 2001 by Repsol, Banca Nazionale del Lavoro and Telefónica, after the companies filed their final accounts, which adjusted the impact of their investments in Argentina; and the downgrading of the 2002 earnings forecasts, including the extraordinary charge allocated on account of Telefónica's decision to write off the UMTS licenses balances, which detracted 209 million euros from the Group's earnings.

Furthermore, the sluggish markets prevented BBVA from making capital gains through investment rotation, limiting net income on Group transactions to 361 million euros, a y-o-y decrease of 62.2%, as compared to 954 million in 2001. The key transactions during 2002 were the sale of the 27.7% stake in Metrovacesa, taking advantage of the good scenario in the real



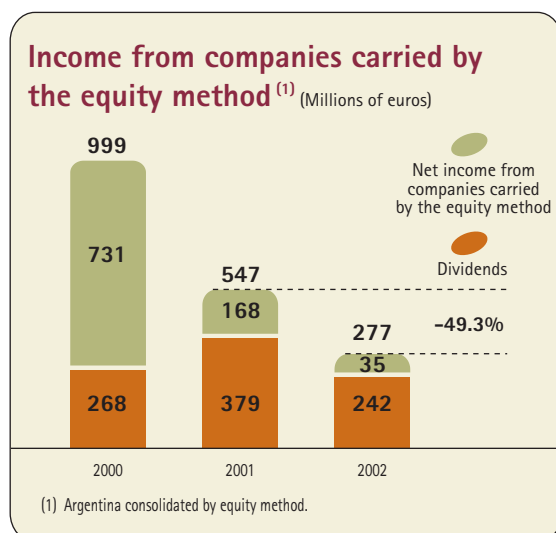


## Income from companies carried by the equity method <sup>(1)</sup>

(Millions of euros)

	2002	Δ%	2001	2000
Dividends	242	(36.1)	379	268
Net income from companies carried by the equity method	35	(79.2)	168	731
<b>TOTAL INCOME FROM COMPANIES CARRIED BY THE EQUITY METHOD</b>	<b>277</b>	<b>(49.3)</b>	<b>547</b>	<b>999</b>
Industrial holdings	185	(44.3)	333	478
Banks and Insurance	77	(76.3)	326	263
Real estate and others	21	(80.6)	106	114
Argentina	(6)	(97.2)	(218)	144

(1) Argentina consolidated by equity method.



estate sector, which generated a capital gain of 375 million euros, and the sale of the 7.6% stake in Acerinox, with a capital gain of 66 million.

## Provisions and Other Items

The BBVA Group allocated total provisions of 2,485 million euros in 2002, 8.0% more than the previous year, or 2,730 million (18.7% more than in 2001) if one considers the 245

million of exchange rate differences generated in BBV Brasil's transaction with Bradesco, which has been recorded as income from Group transactions. Of this amount, 455 million euros (427 million after tax) were extraordinary provisions that the Group allocated in the fourth quarter after applying prudent criteria when assessing possible contingencies. In addition to the aforementioned 245 million euros of exchange rate differences from the Brazil transaction, BBVA recorded 129 million euros of extraordinary goodwill amortization charges related to non investment grade countries, and an 81 million provision allocated to special early retirement funds (53 million after tax).

Net loan loss provisions rose 7.8% in y-o-y terms to 1,494 million euros, mainly due to the 103 million euro country-risk provisions allocated after the risks with Argentina were reclassified from Group 4 to Group 5, in line with Bank of Spain regulations, resulting in coverage being increased to 50% of the positions held.

Goodwill amortization charges amounted to 679 million euros, up 9.0% with respect to 2001, due to the Group's increased stake in Bancomer and Banca Nazionale del Lavoro, and the 129 million euros of extraordinary goodwill charges associated to investments in non investment grade countries.

## Net income on Group transactions and total net provisions<sup>(1)</sup>

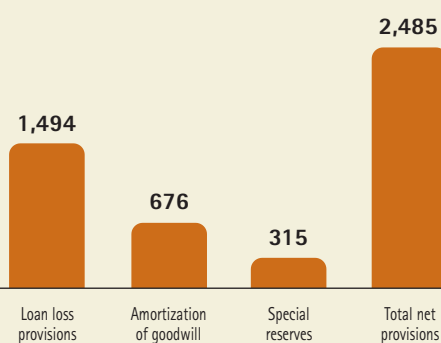
(Millions of euros)

	2002	Δ% (YoY)	2001	2000
<b>NET INCOME ON GROUP TRANSACTIONS</b>	<b>361</b>	<b>(62.2)</b>	<b>954</b>	<b>1,307</b>
<b>TOTAL NET PROVISIONS</b>	<b>(2,485)</b>	<b>8.0</b>	<b>(2,301)</b>	<b>(1,954)</b>
Net loan loss provisions	(1,494)	7.8	(1,387)	(874)
• Gross provisions	(2,113)	10.7	(1,908)	(1,415)
• Reversals	422	54.5	273	313
• Recoveries	197	(20.9)	248	228
Amortization of goodwill in consolidation	(679)	9.0	(623)	(665)
Net securities writedowns	3	n.m.	(43)	(7)
Special reserves	(315)	27.3	(248)	(408)

(1) Argentina consolidated by equity method.

### Total net provisions 2002<sup>(1)</sup>

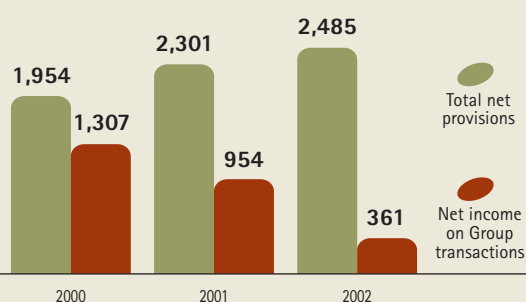
(Millions of euros)



(1) Argentina consolidated by equity method.

### Total net provisions and net income on Group transactions<sup>(1)</sup>

(Millions of euros)



(1) Argentina consolidated by equity method.

## Profit and Distribution

On account of the lower income from companies carried by the equity method and Group transactions and the higher provisions and goodwill charges, the operating income not recorded as net income rose from 17.7% in 2001 (907 million euros) to 39.1% this year (2,054 million). Consequently, pre-tax profit fell 23.9% to 3,197 million euros. The corporate tax reserve fell by a similar amount, 24.2%, for two reasons: firstly, because capital gains tax was cut from 35% to 18%; secondly, due to the tax deductions associated to the provisions allocated to offset the devaluation of the Latin American currencies.

Consequently attributable profit ended the year 23.9% lower than in 2001, at 2,452 million euros. Minority interests were 14.6% lower due to the increased stake in Bancomer, meaning that net attributable profit totaled 1,719 million euros, a y-o-y decrease of 27.3%. Without the extraordinary provisions, the net attributable would have been 2,146 million, a decline of only 9.2%.

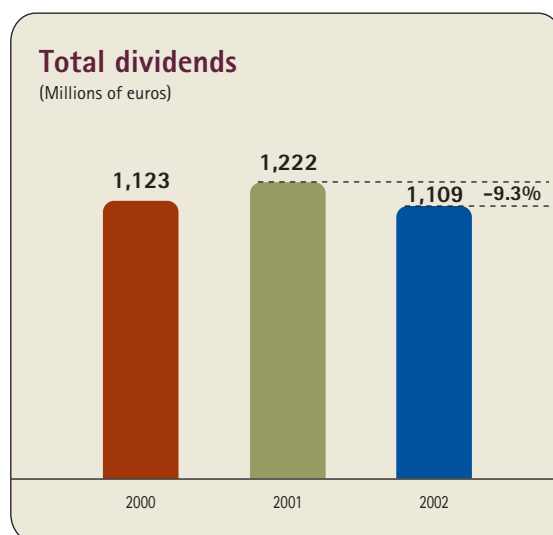
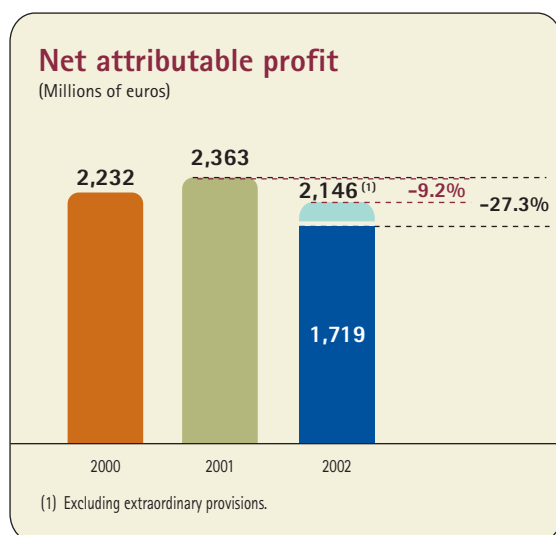
EPS stands at 0.54 euros, having dropped by the same amount as net attributable profit. Return on equity (ROE) is 13.7%, or 17.1% disregarding the aforementioned extraordinary provisions, these ratios comparing favorably with those of the main European banks. Return

## Net attributable profit<sup>(1)</sup>

(Millions of euros)

	2002	Δ% (YoY)	2001	2000
<b>PRE-TAX PROFIT</b>	<b>3,197</b>	<b>(23.9)</b>	<b>4,202</b>	<b>3,727</b>
Corporate income tax	(745)	(24.2)	(982)	(881)
<b>NET INCOME</b>	<b>2,452</b>	<b>(23.9)</b>	<b>3,220</b>	<b>2,846</b>
Minority interests	(733)	(14.6)	(857)	(614)
• Preference shares	(276)	(12.5)	(315)	(288)
• Other	(457)	(15.7)	(542)	(326)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,719</b>	<b>(27.3)</b>	<b>2,363</b>	<b>2,232</b>
Dividends	1,109	(9.3)	1,222	1,123
Reserves	610	(46.5)	1,141	1,109

(1) Argentina consolidated by equity method



on Assets (ROA) is 0.85% (1.00% without extraordinary writedowns), while the Return on Risk-Weighted Assets (RORWA) is 1.48%.

The dividend proposed by the Board of Directors for approval by the General Shareholders' Meeting, 0.348 euros per share, represents a drop of 9.1% with respect to the

dividend of 0.383 distributed in 2001. With this dividend per share, the volume to be distributed among BBVA shareholders would total 1,109 million euros, compared to the 1,222 million distributed for 2001, representing a pay out of 64.5%, or 51.7% excluding extraordinary provisions.

## The BBVA Share



As at 31-12-02, BBVA's market capitalization stood at 29,146 million euros, 15,276 million euros lower than the previous year. In market value terms, BBVA ranks third among the European banks listed in the Euro Stoxx 50 - the index representing the general average of the market in the Monetary Union.

The BBVA share ended 2002 at a price of 9.12 euros, having lost 34.4% since the 31-12-01, slightly less than the Euro Stoxx 50, which lost 37.3% during the same time frame.

During 2002, the international markets heightened the trend that began in 2000 and continued in 2001, in three clearly different stages.

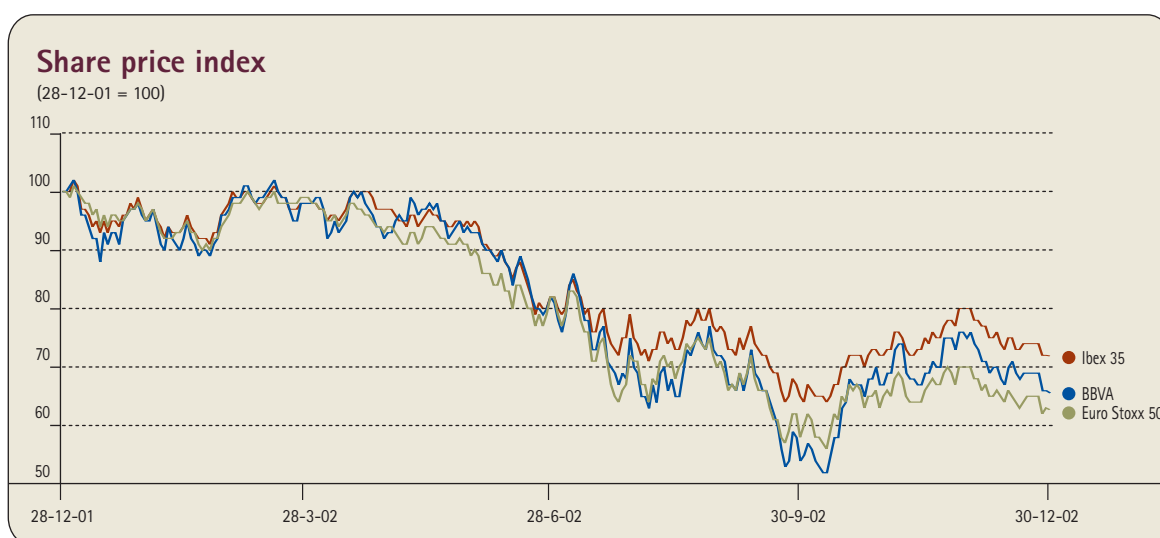
During the first stage, which lasted the first quarter, the stock market failed to follow any clear-cut trend, with contradicting market sentiment being triggered by the publication of macroeconomic figures that pointed to the economy picking up earlier than forecast, while business earnings failed to convince investors and were subject to constant review.

In the next stage, which lasted throughout the second and third quarter, the market was markedly bearish, and the indices fell to the levels seen in the first half of 1997. During this time frame, the hopeful data of the first quarter hinting at economic recovery were not followed by figures demonstrating subsequent growth, business and consumer confidence, or corporate profit forecasts, generating a climate of widespread distrust due to the lack of prospects of an economic recovery. In addition, problems of financial stability and accounting irregularities confirmed at several major U.S. corporations, the uncertainty shrouding the first anniversary of the September 11 terrorist attacks and the possible conflict in Iraq, which pushed up the price of oil, prompted a significant increase in the stock market's risk premium. Another factor that affected the market-place during this period was the Latin American crisis, and in particular the crisis in Brazil, which thereby joined Argentina and Venezuela, because the heavy depreciation of



## The BBVA share

	31-12-02	31-12-01	31-12-00
Number of shareholders	1,179,074	1,203,828	1,299,621
Number of shares issued	3,195,852,043	3,195,852,043	3,195,852,043
Daily average number of shares traded	24,392,253	15,199,693	10,213,486
Daily average trading (millions of euros)	272.21	213.97	155.41
Maximum price (euros)	14.21	17.30	17.60
Minimum price (euros)	7.06	9.18	12.23
Closing price (euros)	9.12	13.90	15.85
Book value per share (euros)	3.87	4.17	4.15
Market capitalization (millions of euros)	29,146	44,422	50,654



the Brazilian real wiped out much of the value of the assets denominated in that currency.

In the fourth quarter, even though the possibility of a conflict in Iraq and the situation in Venezuela pushed oil prices to an annual high at the end of the year, the markets managed to stage a rally.

The BBVA share price was also caught up in the general market trend, and suffered particularly from the political, economic and

social situation in Latin America, given its economic exposure in the region, which is why it lost slightly more ground than the Euro Stoxx Banking Index (the index representing the sector in the Monetary Union), which slipped 26.8%, and the IBEX Financials Index, which lost 28.1%.

As at 31-12-02, the BBVA share PER stood at 17.0, attesting that both investors and analysts harbor excellent prospects about the

## Stock performance ratios

	31-12-02	31-12-01	31-12-00
Price / Book value (times)	2.4	3.3	3.8
PER (Price Earnings Ratio; times)	17.0	18.8	21.8
Yield (Dividend / Price; %)	3.82	2.76	2.29

growth of Group profit in the next few years. The book value per share was 3.87 euros, with a price/book value multiple of 2.4. EPS is 0.54 euros, 27.3% lower than in 2001, similar to the drop in net attributable, as the number of shares did not change in 2002.

The BBVA share trades on the Spanish electronic stock market, as well as on the New York Stock Market as ADS's represented by ADR's, and in Frankfurt, London, Milan and Zurich. The BBVA share is listed on the Ibex 35 and Euro Stoxx 50, with weightings of 13.5% and 2.6%, respectively.

In July and October 2002 and January 2003, BBVA's shareholders were paid three interim dividends of 0.09 euros each, for the 2002 financial year. If one adds the final dividend of 0.078 euros, which is to be submitted to the approval of the General Shareholders' Meeting, shareholders will receive a total dividend of 0.348 euros per share in 2002, 9.1% more than in 2001, in line with the fall in the EPS without the extraordinary provisions allocated in the fourth quarter. This makes for a pay-out of 64.5% and without the provision would have been 51.7%, similar to last year, while the dividend yield, calculated with the share price at the year end, is 3.82%, as compared to 2.76% in 2001.

On a medium and long term investment horizon, BBVA remains one of the companies with the greatest shareholder value generating capacity. The table below displays investor returns on BBVA shares over the last seven years for each purchase and sale date (considering share price changes, reinvestment of dividends and nominal paybacks). In the

period 1996-2002, the annual average return of the BBVA share was 18.7%, meaning that anybody who invested in BBVA shares on 31-12-95 has more than their capital by 31-12-01, while their capital would have gained only 66.3% on the Ibex 35 in the same period.

On 31-12-02, BBVA had a total of 1,179,074 shareholders, 2% less than on 31-12-01, in spite of which it remains the broadest shareholding base of the Spanish financial system.

BBVA has a very broad shareholding structure, and no individual shareholder owns 5% or more of the Bank's share capital. 95.9% of shareholders own fewer than 4,501 shares, representing 15.8% of the capital, and the average investment per shareholder is 2,710 shares, making for an average volume of 24,720 euros at the year-end price. Non-resident shareholders account for 45.6% of the share capital, similar to the figure reported last year.

The BBVA share, characterized by its high liquidity, traded on the 250 days of the 2002 stock exchange calendar. During the year, 6,100 million shares were traded on the electronic market (60% more than in 2001), representing 190.8% of the share capital. On average, 24.4 million shares, or 0.76% of the Bank's share capital, were traded every day, representing a mean daily cash volume of 272 million euros, 27% more than in 2001. The block market (market for institutional investors that requires a minimum volume to trade) and special transactions accounted for 28.5% of this mean daily volume, and the remaining 71.5% was traded on the ordinary market.

## BBVA share yield

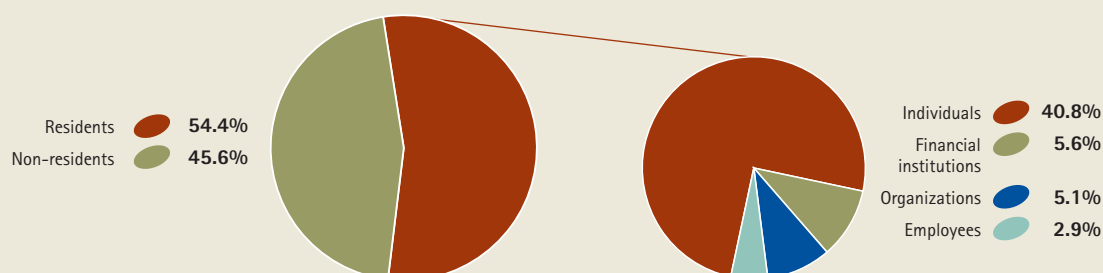
(1996-2002)<sup>(1)</sup>

		Average annual yield at end of each period (%)							Δ % 2002
		1996	1997	1998	1999	2000	2001	2002	
Year purchased (31.12)	1995	50.6	74.0	63.4	47.4	40.1	30.1	<b>18.7</b>	<b>232.4</b>
	1996		97.6	69.6	46.0	37.4	26.2	<b>14.0</b>	<b>119.2</b>
	1997			47.1	26.1	22.1	13.1	<b>2.3</b>	<b>12.0</b>
	1998				8.1	11.3	3.6	<b>(6.6)</b>	<b>(23.9)</b>
	1999					14.5	1.5	<b>(11.0)</b>	<b>(29.6)</b>
	2000						(10.1)	<b>(21.6)</b>	<b>(38.5)</b>
	2001							<b>(31.6)</b>	<b>(31.6)</b>

(1) Considering share price variations, reinvestment of dividends and nominal paybacks.

## Shareholder structure

(31-12-02)



## Shareholder structure

(31-12-02)

Number of shares	Shareholders		Shares	
	Number	%	Number	%
Up to 150	475,418	40.3	38,995,200	1.2
151-450	359,624	30.5	93,753,529	2.9
451-1,800	233,093	19.8	198,769,195	6.2
1,801-4,500	62,014	5.3	173,802,472	5.5
4,501-9,000	23,964	2.0	150,554,195	4.7
9,001-45,000	20,830	1.8	374,060,779	11.7
More than 45,000	4,131	0.3	2,165,916,673	67.8
<b>TOTAL</b>	<b>1,179,074</b>	<b>100.0</b>	<b>3,195,852,043</b>	<b>100.0</b>



## 2002 Annual Report





# Risk Management

- Risk at BBVA
- Global Risk Map
- New Capital Proposal: Basel II
- Credit Risk Management
- Market Risk
- Interest and Forex Structural Risk
- Liquidity Risk
- Global Operational Risk Management

## Risk at BBVA

The businesses and activities performed by a diversified financial group such as BBVA are exposed to different kinds of risks. In order to manage them appropriately, the Group has an advanced risk management model, the main aim of which is to configure risk profiles that, on the one hand, make it easier to achieve strategic aims and create value for shareholders and, on the other hand, guarantee the bank's medium- and long-term solvency.

Making both aims compatible with one another requires precise management of credit, market and operational risks and integrating them so as to go beyond merely viewing each of them in isolation. In addition, this involves having suitable structures available and making progress with implementing new developments through decision-making support tools (ratings, scorings, etc.) or new corporate risk measurement systems.

In order to support this process, in the financial year 2002, two structural decisions were taken that strengthen corporate governance of risks in the Group. The first was the creation of the Risk Committee, a body with powers delegated by the Board of Directors, the main aims of which are as follows:

- Analyzing the proposals regarding strategy and the Group's risk policies in order to submit them for approval to the Board of Directors, which is ultimately responsible for both aspects and for the risk governance structure in BBVA.
- Monitoring the suitability of the risks undertaken to the profile set as a reflection of the Bank's risk tolerance and yield expectations in relation to the risks incurred.
- Checking that the Group has put suitable means, systems, structures and resources in place to implement its risk management strategy.
- Promoting the action needed to adapt the Group's risk management to the best practices that have arisen from the



recommendations about corporate governance systems or from risk supervision bodies.

- Approving individual or group risks in accordance with the delegation system, in line with the risk established by the Executive Committee, which may significantly affect the Bank's equity solvency and potentially create operational risks or risks to its reputation.

The second measure adopted during the financial year was to strengthen the risk function in the Group, so that in any activity or business area in which risks are undertaken, those responsible for them report directly and functionally to the central risk area. In this manner, implementation of a homogeneous risk management system throughout the BBVA Group is ensured (measurement tools, monitoring, channels, procedures, limits, policies, etc.). In addition, it ensures that this system is of a global nature, as it acts on the full cycle of risk in the whole Group.

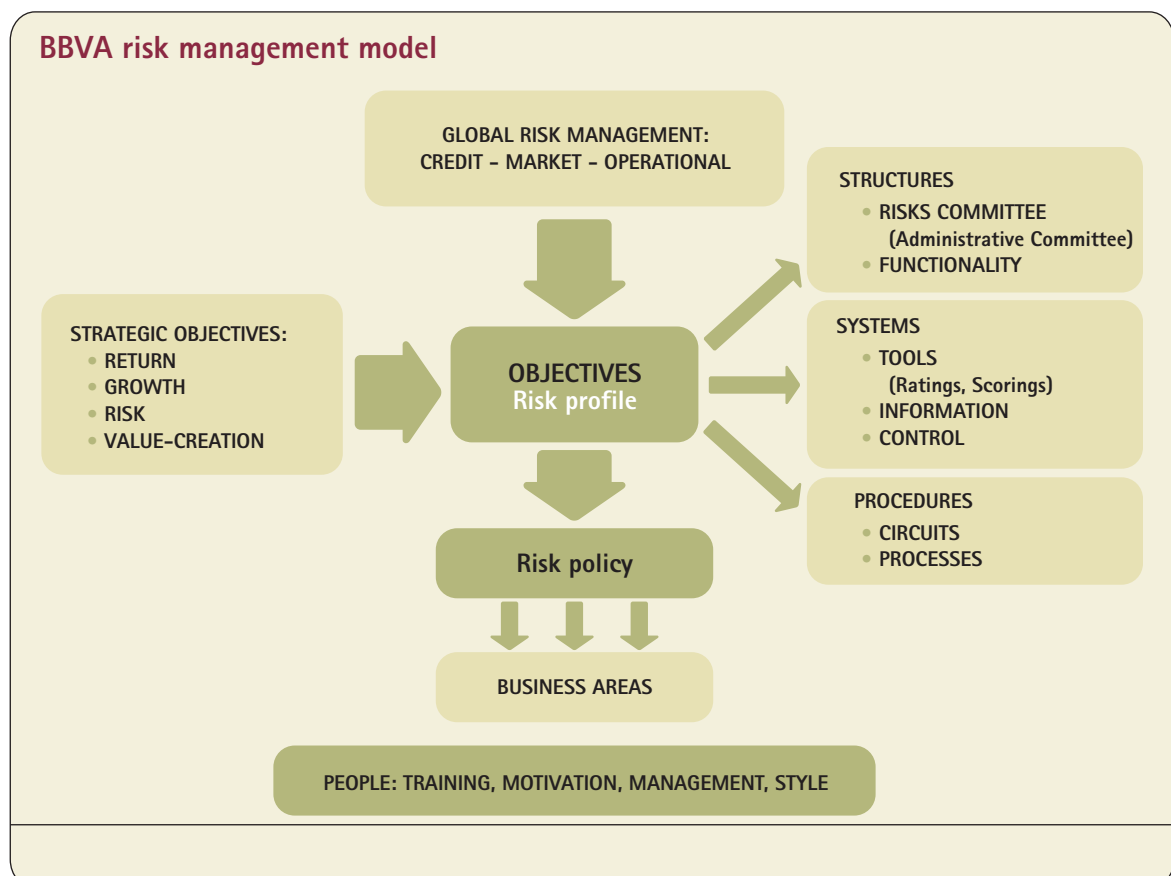
Within this scope of developing the management system, corporate risk assessment and measurement models have been implemented, which will be extended throughout the Group. This is the case for the new risk platform for the Markets that, in line with the progress towards integrating risks, will make it possible to jointly measure market and credit risks. Other progress includes having also developed measurement models for structural liquidity risk, which are especially important when global markets are highly volatile.

Another highly important aspect for the development of the model was the progress made in improving systems for measuring risk capital, which has allowed us to deepen our awareness of the exposure and risk profiles undertaken by the various businesses.

All this makes it possible to manage risk and capital in an integrated manner, as well as assess the strategy followed in each business.

All in all, it is a matter of ensuring that the risk profiles are suited to the Group's strategic objectives and in line with the yields expected by the shareholders. This integrated management model allows dynamic management of the risks undertaken and ensures that they are in line with the appetite for risk that results from the Group's strategic definition. Three areas of action are involved in this comprehensive management process:

- Assigning risk capital by business areas.
- Monitoring the risk profile and its suitability to that established by the Group.
- Developing a corporate methodology that makes it possible to assess each of the Group's businesses and activities and setting strategic indicators that contribute to identifying the value creation levers in each activity and the very configuration of the Group's strategy.





In order to develop the comprehensive risk management system that BBVA is implementing, it is essential to have a team of qualified professionals who:

- Establish consistent and homogeneous criteria in the Group with regards to accepting and monitoring risks of whatever nature.
- Spread a strong risk culture throughout the Group, which is consistent with the corporate risk management system implemented in BBVA.
- Ensure that risk management is carried out by adopting decisions supported by corporate tools and models and follows the stipulated procedures and channels.

Throughout 2002, the Risks area, together with Human Resources, has extended the skill management model, which has enabled training plans to be established that are suited to the needs of the various professionals and encouraged the consolidation of a closer and more participatory style of management that stimulates and encourages teamwork.

The following sections provide a detailed description of the exposure to each risk and the main progress that was made in 2002.

this way will be enough to cover potential losses in 999 out of every 1,000 cases.

The concepts of economic capital and capital map are essential for assessing the Group's global risk profile. They let the bank allocate its capital to the various lines of business and activities in terms of the risk incurred (basically, credit, market and operational) as well as the amount thereof. In the second place, the risk capital estimate makes it possible to have a more accurate awareness of the yield suited to the risk of the various businesses, by relating the profit obtained to the capital actually employed.

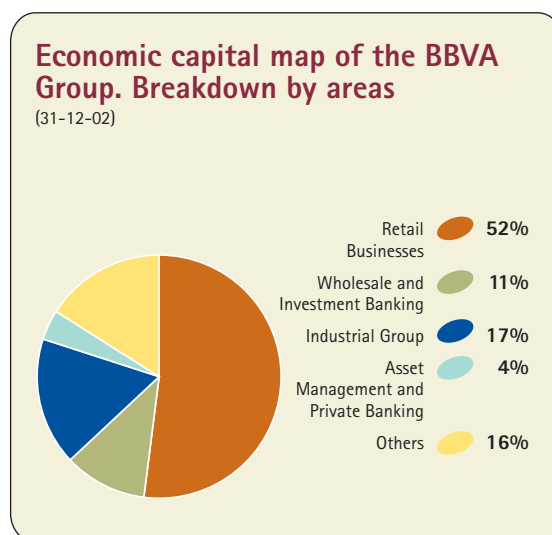
The calculations of economic capital in the Group are dynamic measurements that are updated periodically and include the improvements and advances arising from the implementation of BBVA's risk model, as new tools and systems are implemented and new information is drawn from the historical risk databases.

The graph below displays the distribution of economic capital in the Group as at December 31, 2002 in attributable terms - net of minorities. Retail businesses account for 52% of total consumption, of which domestic business in turn accounts for 56%.

## Global Risk Map

An important risk management tool at BBVA is the so-called economic capital map. Economic capital or risk capital is the measure used for homogeneous quantification of risks at BBVA and is defined as the estimated losses that could be suffered in the various risk activities with a one-year time horizon, taking into account the interrelations between them (correlations) in extreme scenarios that are very unlikely to take place.

The BBVA Group, which defines capital in terms of its basic components - capital and reserves - uses a confidence factor of 99.9% in its risk capital calculation. This means that BBVA expects that the volume of capital calculated in



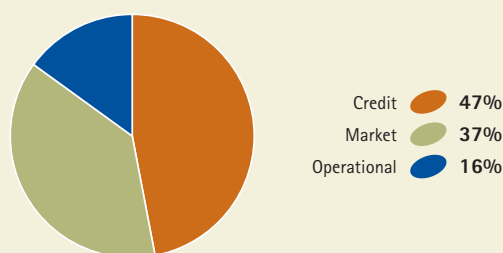


Compared to 2001, the main change is the growth in capital attributed to the Industrial Group, basically due to the change in equity (an increase in volatility, as well as falls in value that have affected the underlying capital gains in the portfolio). Thus, the relative amount of capital attributed to the Industrial Group went from 9% in 2001 to 17% in 2002, despite exposure having remained practically constant in nominal terms.

By risk type, credit risk still represents the major part of risk capital employed (47%), as is typical for an institution with a significant weighting in commercial banking. Market risk, which includes structural risk of the balance sheet associated with variations in interest rates and exchange rates, as well as the share and real estate portfolio, rose from 30% of total capital in 2001 to 37% in 2002, for the reason mentioned above, while 16% of total capital is attributed to operational risk. It should be noted that, in this classification, the concept of operational risk is broader than in the new Basel II capital proposal, such that this heading includes all risks that do not fit into the credit or market categories, including business, reputation or insurance risk for example.

#### Economic capital map of the BBVA Group. Breakdown by risk type

(31-12-02)



## New Capital Proposal: Basel II

The BBVA Group is closely following the new capital proposal being drawn up by the Basel Committee on Banking Supervision (Basel Committee), actively participating in international discussion forums and making our opinions and proposals known to the various supervisors.

There have been a few changes compared to the situation at the end of 2001. Firstly, the implementation schedule has been delayed, so that the new regulations are expected to come into force at the end of 2006. Secondly, the technical aspects of the proposal are being considerably revised and updated.

In the last quarter of 2002, the Committee launched a new impact test to estimate the potential impact of the proposal in its current state on the capital requirement of financial institutions. BBVA was one of those that took part in such test, which is now being analyzed by the supervisors in order to make the appropriate modifications to the proposal, if applicable.

In its current state of development, the proposal still maintains its original principles:

- It establishes a closer relationship between the capital requirement and the risks incurred.
- It includes the possibility of using certain parameters estimated internally by the banks themselves for the capital calculation.
- It includes a new operational risk capital charge.
- It establishes two new pillars to supplement and strengthen the calculation of the minimum capital requirements: pillar II (Supervision) and pillar III (Transparency).

However, the calculation of regulatory capital does not include all risks, nor does it take account of one of the critical components of risk management, namely diversification.

In any case, the new proposal is a very positive development because it proposes capital requirements that are more sensitive to risk, thus reducing or removing certain incentives to

regulatory arbitrages linked to the current regulations. Significant changes have already been made to the last version of the proposal, although many questions are still open that are expected to be resolved during 2003.

## Credit Risk Management

**Evolution of credit risk quality and exposure.** The global credit risk exposure of the BBVA Group, considering customer lending, potential exposure to credit risk in market activities, off-balance sheet exposure and third-party realizable assets, fell by 8.4% in the financial year 2002 to 315 billion euros at the end of the year, due to the reduction in risk in Latin America.

Customer exposure is broken down as follows: customer lending represents 47%, 31% in market activity and 15% third-party realizable assets and 6% contingent liabilities. Retail Banking in Spain and Portugal accounts for most of the exposure with 53%, followed by Wholesale Banking and Investment with 25%. Exposure in Latin America has fallen from 28% to 20%, affected in part by the depreciation of the areas' currencies against the euro, especially the Argentinean Peso (-75.1%), the Mexican Peso (-26.4%), the

Venezuelan Bolivar (-53.5%) and the Brazilian Real (-44.8%).

During 2002, the Group in Spain (including the branches abroad) increased the weight of lending by 8 percentage points to 77% of the total. Mexico accounts for 10%. Europe, which represents 3% of Group lending, is far behind, followed by Argentina, Puerto Rico and Chile with 2% each.

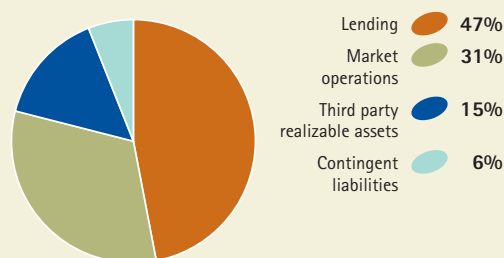
On December 31, 2002, the NPL of the BBVA Group was 2.37%, or 1.71% excluding Argentina. If one also excludes the effect of reclassifying Argentina from country risk group 4 to group 5 during the financial year, the Group's NPL fell to 1.59% at the close of 2002, similar to the 1.58% on December 31, 2001.

In the domestic businesses (Retail Banking in Spain and Portugal and National Corporate) NPL fell to 0.87% from 0.96% during the financial year. The business area with the greatest volume of lending, Retail Banking reported an NPL of 1.01% at the close of 2002 compared to 1.14% on December 31, 2001, while Wholesale and Investment Banking it was 1.28%. In America, excluding Argentina, NPL was 3.97% (3.66% on December 31, 2001), 4.22% in Mexico and 3.65% in the rest of the countries.

Due to the intensification and implementation of credit risk monitoring and acceptance tools, the

### Exposure. Customer risk

(31-12-02)



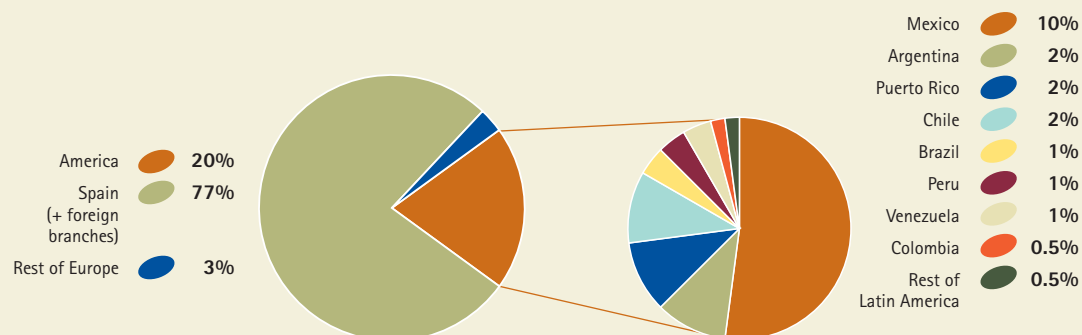
### Exposure. Gross lending by business areas

(31-12-02)



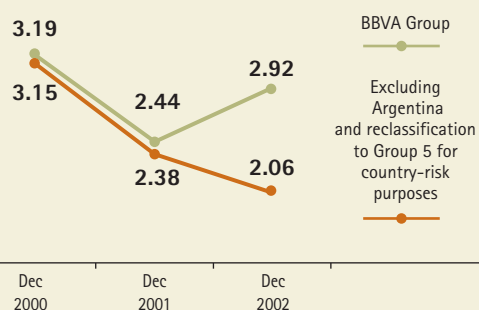
## Exposure. Gross lending per country

(31-12-02)



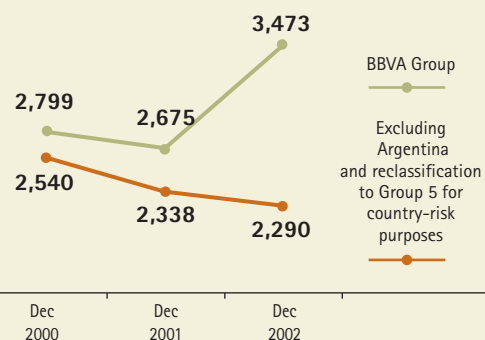
## New NPL/investment

(Percentage)



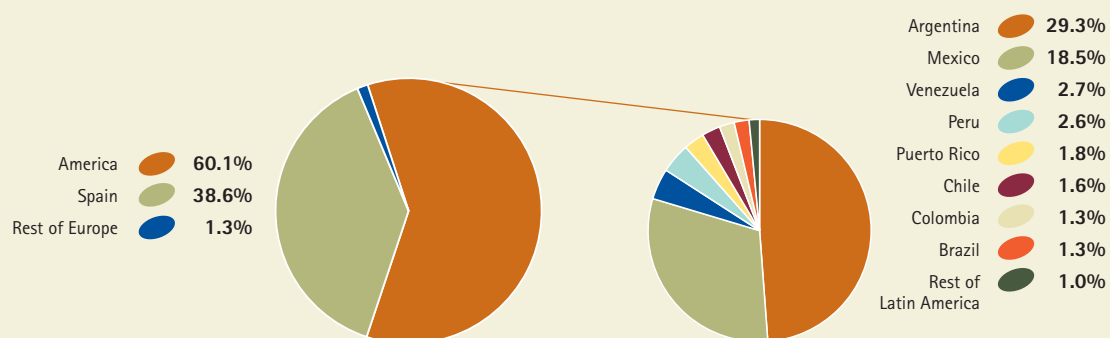
## NPL balances

(Millions of euros)



## NPL Lending per country

(31-12-02)



New NPL/lending ratio fell from 2.38% in 2001 to 2.06% at the close of 2002 (excluding Argentina and the impact of reclassification to group 5 for risk-country purposes). This fall in new NPL, together with the notable effort in recoveries, resulted in the NPL balance falling 2.1% to 2,290 million euros (excluding Argentina and the impact of reclassification to group for risk-country purposes).

Spain, Argentina and Mexico account for 38.6%, 29.3% and 18.5% of total NPL balances, respectively.

The NPL coverage ratio stood at 146.8% on December 31, 2002, 189.5% excluding Argentina and 200% if one excludes Argentina's country risk reclassification to group 5 (206.1% on December 31, 2001).

Risks are highly diversified between financing for individuals and business activities, without relevant concentrations in the sectors most sensitive to the current economic and political scenario.

**Credit Risk Profile.** The BBVA Group uses two elements for the advance measurement of its credit risk: expected loss and economic capital per credit risk.

The expected loss defined as a percentage of the risk exposure would be as follows:

$$\begin{array}{|c|} \hline \text{Expected} \\ \text{Loss} \\ \hline \% \end{array} = \begin{array}{|c|} \hline \text{Probability} \\ \text{of default} \\ \hline \% \end{array} \times \begin{array}{|c|} \hline \text{Severity} \\ \hline \% \end{array}$$

Moreover, the economic capital derived from the credit exposure depends on the same components and, additionally, on elements such as the confidence factor used and the portfolio diversification or correlations.

- **Probability of default.** In general, this is taken to mean a delay longer than 90 days in payment of an obligation. This definition is basically the same as the one set out in the Basel II white paper. The probability of default is calculated for a one-year time horizon.

At BBVA, the probability of default associated with the different transactions and/or customers is obtained using rating and scoring tools.

The classification tools used include the risk factors deemed relevant for the segment in question. Suitable consideration and combination of these factors gives rise to the customer's creditworthiness rating - in the case of ratings - or of the transaction - in the case of scoring. This score is then associated with a probability of default by means of the statistical process known as calibration. Thus, the score of each tool is linked to a rating on the BBVA master scale, which is a classification for each section of the probability of default.

The reduced version of the BBVA master scale classifies the outstanding risk portfolio into thirteen categories. The Group uses a more granular version of the scale, which enables it to better adjust it to the diversity of the Group's activities, avoid concentrations in certain degrees and thus have sufficient granularity in all the lines of business and countries.

By applying this master scale, the distribution by ratings - weighted by exposure - of company, financial institution and sovereign risk shows that 66.9% of the credit risk exposure is concentrated in the A or better rated sector.

## BBVA master scale

(Reduced version)

Master scale rating	Default probability (in basis points)		
	Average	Minimum	Maximum
AAA	1	0	2
AA	3	2	5
A	7	5	11
BBB+	14	11	17
BBB	20	17	24
BBB-	31	24	39
BB+	51	39	67
BB	88	67	116
BB-	150	116	194
B+	255	194	335
B	441	335	581
B-	785	581	1,061
CCC	2,122	1,061	4,243

If we exclude sovereign risks, 54% is still concentrated in level A or better and 72.7% of the exposure has a rating of BBB- or better.

In accordance with the regulatory authorities' future requirements in the framework of the new Basel II capital accord, the BBVA Group has started to validate ratings tools with regulatory authorities and independent experts.

One relevant issue is how the term affects the probability of default. In the retail segment - mortgages and consumer loans - as is clearly shown in the graphs below, which have been obtained by segmenting the historic information

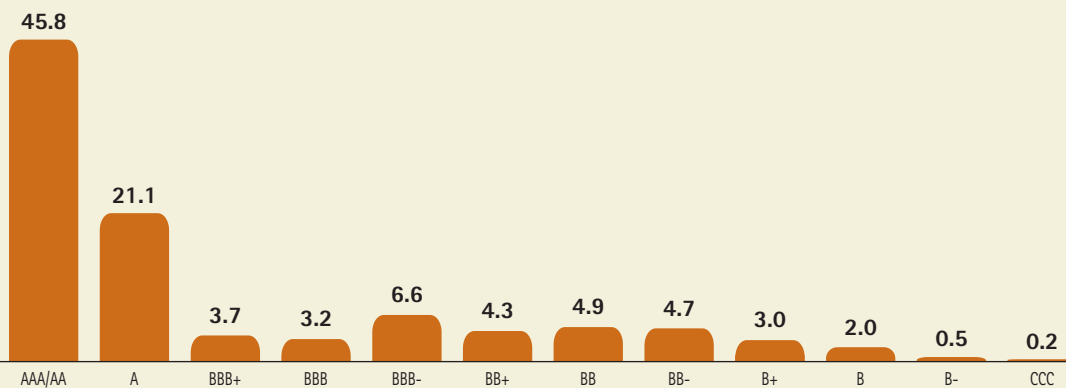
on the risk of the consumer loans and mortgage portfolio of BBVA in Spain. In addition, the average probability of default for the two portfolios in shown. Two kinds of criteria were followed to group the information:

- The corresponding score: divided into 5 groups, group 1 being the best-scoring loans and group 5 the worst-scoring loans.
- The time, in years, that has elapsed since the loan was granted.

As can be seen, the scoring method's default prediction capacity is clear, because the best-scoring loans are seen to have the least

### Distribution by ratings<sup>(1)</sup>

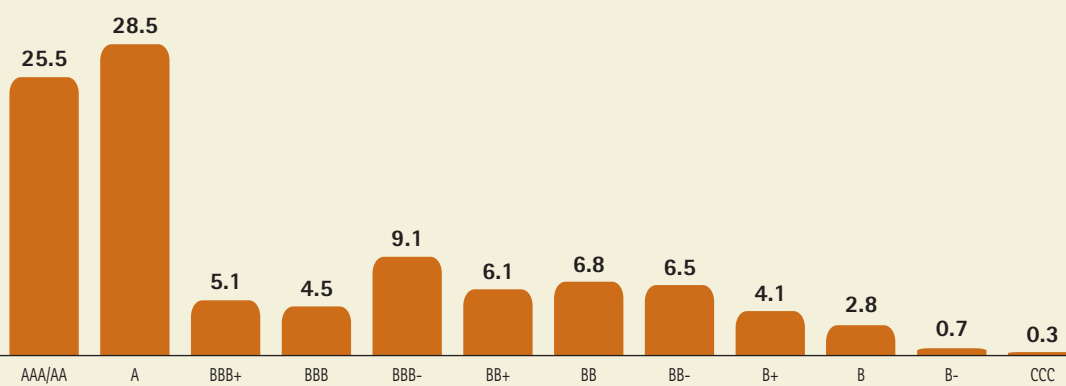
(Weighted by exposure, 31-12-02. Percentage)



(1) Activities by parent company and affiliates in Spain. Companies, banks, institutions and sovereign risks.

### Distribution by ratings<sup>(1)</sup>. Excluding sovereign risks

(Weighted by exposure, 31-12-02. Percentage)



(1) Activities by parent company and affiliates in Spain. Companies, banks, institutions and sovereign risks.



probability of default, and vice versa. In both business segments and for all the scoring groups, one can see how the probability of default is estimated to increase until the second year, when there is a tendency for change, with the probability of default starting to decrease.

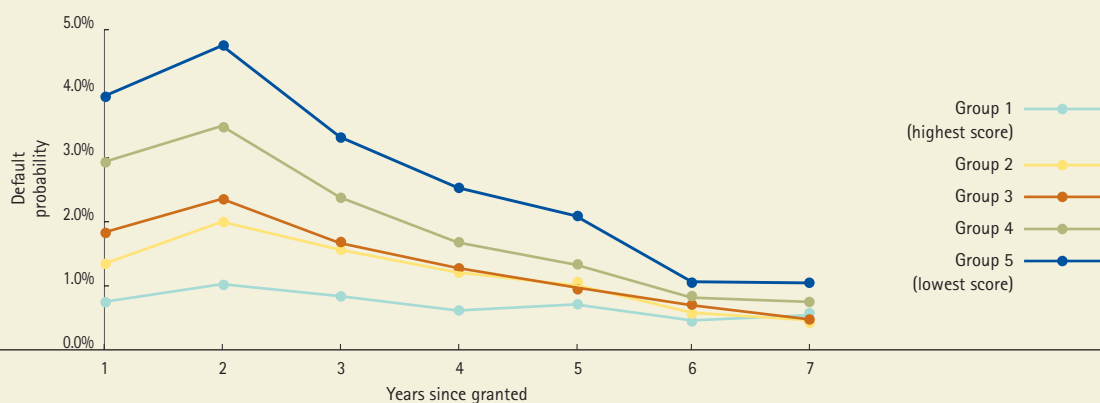
2002 was a very good year in terms of the implementation and calibration of scoring tools for the retail banking activities in all the Latin American affiliates in which scoring has already been implemented and calibrated according to the Group's homogeneous standards.

As for the rating tools, during 2002, under the coordination and supervision of the Central Risk Area, teams from the various Latin American affiliates have been working on the development and implementation of homogeneous ratings according to corporate standards. The starting goal was to have classification tools for each of the business segments worked with and this process has almost been completed.

Thus, most of the BBVA Group's activities subject to credit risk are assessed at origin with rating or scoring tools, so each transaction has

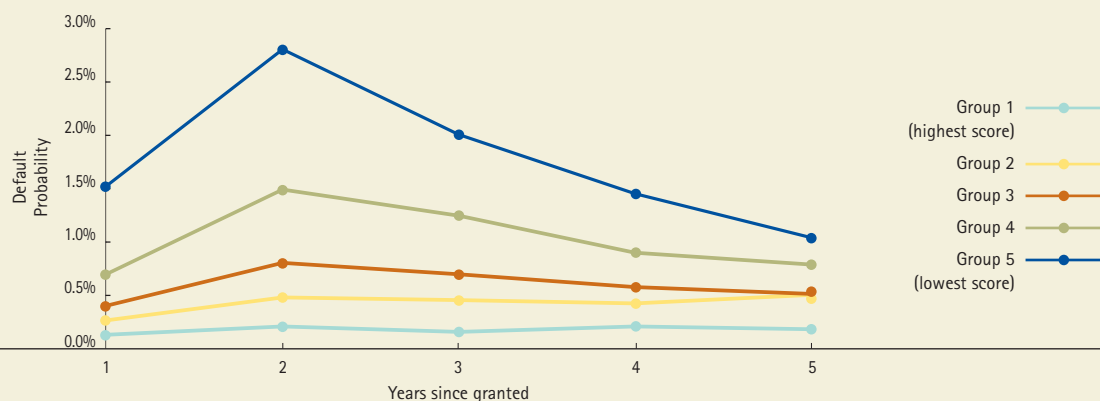
### Consumer loan default probabilities

(Transactions for the period 1994-2001)



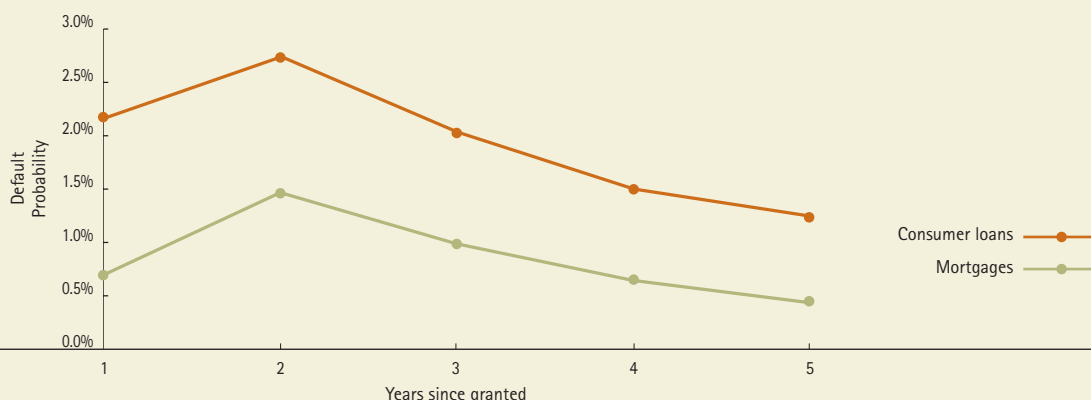
### Mortgage loan default probabilities

(Transactions for the period 1997-2001)



### Default probabilities. Average of the consumer and mortgage portfolios

(Consumer loans 1994-2001 and mortgages 1997-2001)



associated default probability that is consistent and homogeneous with corporate requirements.

With regards to the global risk maps, the probabilities of default in those cases in Latin America that still do not have a classification tool are gathered from historical data of the average behaviour of the portfolios.

- **Severity.** Severity can be defined as an advance estimate of the final loan losses in the event of default. In addition to the efficiency of the recovery process, the aspects that affect it are the type of product in question and the collateral associated with the transaction.

Making severity estimates entails having historical databases to allow the result of the recovery processes to be analysed according to various segmentation criteria. This has culminated in the development of an historical recovery analysis database for the whole Group, which can segment severity information by all the relevant potential axes (type of product, collateral, country, customer's pre-default rating, etc.). The information gathered refers to 1995 onwards.

When it is not possible to use the results from such database, the Group uses portfolio-level severity estimates, which in some cases are based

on sample recovery proceedings, and in others on dynamic analysis of NPL and bad debt recoveries compared to new NPL and in still other cases on external parameters.

- **Expected losses.** Throughout the financial year 2002, the estimates of BBVA Group expected losses were adjusted as the various rating and scoring tools made new information available from the historical risk databases, in which all the credit risk exposure information is being included together with the estimates of the probability of default and severity broken down by portfolios.

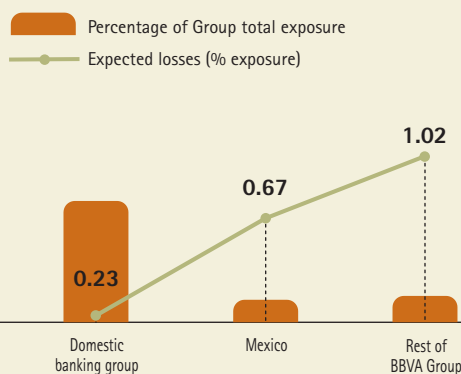
The breakdown of the Group's expected losses, as a percentage of exposure shows that the domestic banking Group accounts for 78.1% of total exposure and has an expected loss of 0.23%, while Mexico and the rest of the Group have an expected loss of 0.67% and 1.02%, respectively.

The attributable loss in the main areas by exposure, Wholesale and Investment Banking and Retail Banking in Spain and Portugal (35.5%), was 0.06% and 0.48%, respectively.

By activities, the highest level of expected loss is in business, with 0.53%, followed by residential customers and SMEs with 0.47%. The percentages for the rest of the activities are insignificant.

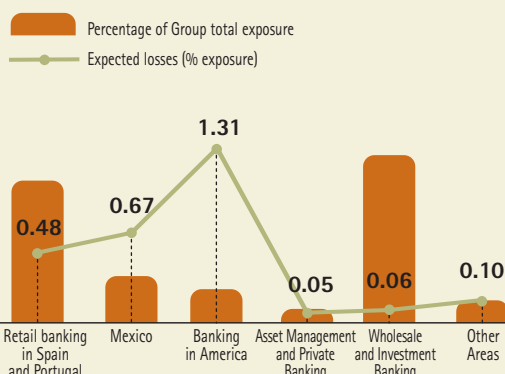
### Attributable expected losses by geographic areas

(Percentage of exposure. 31-12-02)



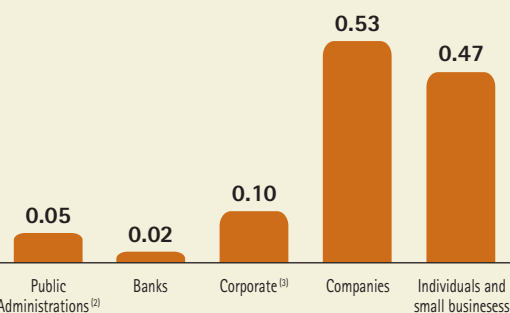
### Attributable expected losses by business areas

(Percentage of exposure. 31-12-02)



### Expected losses by segments<sup>(1)</sup>

(Percentage of exposure. 31-12-02)



(1) Activities by parent company and affiliates in Spain.

(2) Excluding sovereign risks.

(3) Corporations with approx. turnover in excess of 150 million euros.

**Credit risk in market activities.** Measurement of the credit risk of OTC financial instruments is carried out in terms of the daily market valuations of the positions held, plus an estimate of the maximum potential risk that such security can be expected to reach up until maturity.

The notional amounts of these financial instruments are not a representative measurement for assessing the risk exposure of these transactions. At the end of 2002 they amounted to 676,516 million euros, down 11.2% on the previous year.

The equivalent maximum exposure in credit risk with balancing transactions was 19,532 million euros on December 31, 2002, 13.8% down on the previous year.

The net market value of the OTC financial instruments in the portfolio as at such date was 832.5 million euros, with a mean residual term of 75 months. The average replacement value measured in gross terms is 6,552 million euros.

The following chart shows the term distribution of equivalent maximum exposure from OTC financial instruments compared to their structure at the end of 2001.

The weighting of the balancing transactions managed under OTC financial instrument collateral agreements signed has risen to 27.2% of transactions carried out with non-resident financial institutions in Europe and the United States.

BBVA has continued with its policy of signing legally valid netting agreements with each of the jurisdictions in which we operate, and which account for a relevant share of total exposure.

The balancing transaction risk undertaken in OTC financial instrument transactions is carried out with institutions with the best credit ratings, of A- or better in 90% of cases.

Exposure is concentrated in financial institutions (85%) and the rest (15%) in corporations and customers and is suitably diversified.

The distribution of risks by geographical zones can be seen in the graph on page 62, which shows that Europe and North America account for the majority, 78% of the total. Mexico accounts for 10.1% and the rest of Latin America for 11.6%.

## OTC Derivatives. Equivalent maximum exposure

(Millions of euros)

OTC Derivatives	Gross replacement value	Net replacement value	Equivalent maximum exposure	Mean term (months)
IRS	4,990.4	1,286.6	10,739.8	93
Fras	18.8	2.6	33.2	0
Interest rate options	250.2	(25.1)	776.7	6
<b>Total Interest Rate OTC</b>	<b>5,259.4</b>	<b>1,264.1</b>	<b>11,549.7</b>	<b>100</b>
Term FX	397.1	(474.3)	3,046.4	4
FX rate swaps	458.0	(10.1)	2,476.5	28
FX rate options	70.4	62.4	131.0	0
<b>Total FX Rate OTC</b>	<b>925.5</b>	<b>(422.0)</b>	<b>5,653.9</b>	<b>33</b>
Equity options	121.9	(174.5)	1,527.2	11
Fixed income and others	245.6	164.9	801.4	0
<b>Total Equity and other OTCs</b>	<b>367.5</b>	<b>(9.6)</b>	<b>2,328.6</b>	<b>10</b>
<b>TOTAL</b>	<b>6,552.4</b>	<b>832.5</b>	<b>19,532.2</b>	<b>75</b>

## Term distributions. Equivalent maximum exposure in financial instruments OTC

(Percentage)

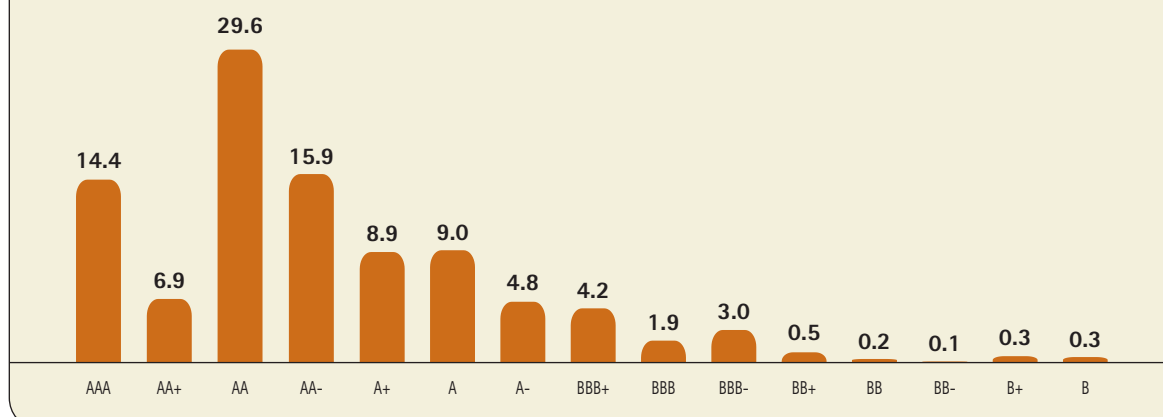
Product class	2002				2001			
	Up to one year	1-5 years	More than 5 years	TOTAL	Up to one year	1-5 years	More than 5 years	TOTAL
Interest rate OTC	15%	34%	51%	100%	4%	30%	66%	100%
FX rate OTC	60%	30%	10%	100%	64%	30%	6%	100%
Equity, fixed income and other OTCs	75%	22%	3%	100%	77%	20%	3%	100%
<b>TOTAL</b>	<b>36%</b>	<b>31%</b>	<b>33%</b>	<b>100%</b>	<b>42%</b>	<b>28%</b>	<b>30%</b>	<b>100%</b>

In addition, we have continued to measure credit risk in terms of expected loss plus economic capital for the activities performed with each

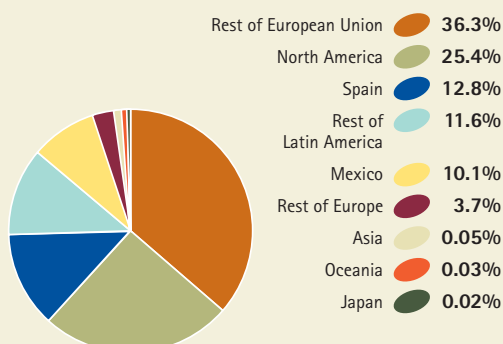
balancing entry and/or issuer, thanks to the tool specially developed for this, as shown in the graph on the next page.

### Rating distribution of equivalent maximum exposure

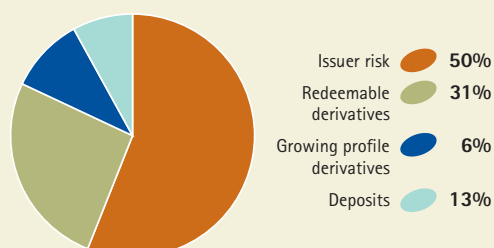
(Percentage)



### Distribution of equivalent maximum exposure by geographical regions



### Distribution of expected loss + economic capital



## Market Risk Management

Market risk management in the BBVA Group is made up of a set of policies and processes aimed at identifying, measuring and controlling the risk derived from the uncertain future change in the markets, which is inherent to financial activity. Broadly speaking, such management is basically geared to creating shareholder value, which more specifically translates into limiting possible losses that may arise from the position held as a result of adverse movements in the relevant market variables and optimizing the relationship between

the level of risk undertaken and the returns obtained from the various activities, in accordance with the Group's general objectives.

In order to carry out this function effectively, the market risk management and control systems applied in the Group are subject to an ongoing process of rationalization, revision and improvement, stimulated by the constant innovation taking place in both the range of financial products and the risk measurement methodologies and by the growing importance that regulators are giving to internal risk control and management systems in financial institutions.

This task is mainly carried out by the Global Market Risk Management Unit, which is independent of the business units and is also responsible for making sure that the limits and risk policies are complied with by both the various business units and on aggregate, as well as regularly reporting to senior management on such aspects.

Setting risk limits is one of the basic pillars for controlling market risk. They are approved by the Executive Committee, following a report by the Risk Committee using proposals from the business units themselves, based on both the activity budgets and the foreseen change in the various risk factors. This process, which is repeated at the start of each financial year and whenever market circumstances make it advisable, ensure that the risk undertaken by the various units is in line with the risk profile defined for the Group as a whole and with the risk activities actually performed. The Group's system of limits works effectively because of the clear definition, communication and compliance with the procedures to be followed in the case of one of the approved limits being exceeded. Another aspect of this system is the definition of prior warning signs. If these are triggered, the envisaged plans are put into effect in order to prevent such situations as far as possible.

The limits are mainly set in terms of value at risk (VaR), or maximum estimated loss, complemented with others based on non-statistical measurements such as delta sensitivity, nominal



exposure and stop-loss. Some specialist units have sub-limits set at desk or business line level and for low liquidity and high volatility risk factors.

The basic focus followed in the Group to estimate the value at risk is the parameter model, based on a covariance matrix, calculated with a confidence level of 99% and a one-day time horizon. This estimate assumes that market price performance follows a normal statistical distribution, which is a function of the past. As an end-result, it provides the maximum loss that may take place in the positions considered with the given level of probability. This is supplemented by measuring the market risk of exotic products or those with optional features, for which the model's assumptions cannot be complied with, using specific simulations.

Centralized VaR measurements are made daily, providing results that are broken down into various levels and regularly published and sent to all the managers of risks and businesses involved. The use of a single corporate tool for the whole Group ensures the consistency of the risk figures obtained in the various business units.

In addition, the Group has put a new risk platform in place that makes it possible to obtain risk estimates from historical situations and Monte Carlo analysis. The new corporate platform measures the risks of BBVA's market

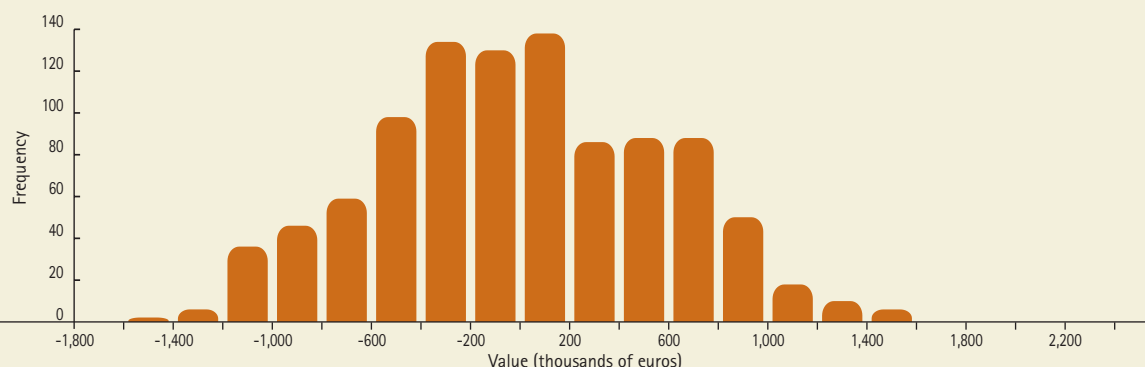
units and will be fully operational in 2003.

By way of example, the attached graph shows the distribution of changes in the value of the portfolio of short-term interest rates subject to a set of scenarios generated by Monte Carlo analysis.

The histogram shows the frequency of the various changes in value in the simulation, showing a distribution close to normality due to the relatively low weighting of the optional risk components in the total risk of the analyzed portfolio. The 1% percentile of such distribution shows the figure of value at risk with a one-day horizon for a level of confidence of 99%, which is 1,233 thousand euros; in other words, according to the Monte Carlo simulation technique, it is 99% certain that the losses that may take place in one day in this portfolio will not exceed such amount.

The Risks area regularly validates the risk measurement models used, in line with the Basel Committee's recommendations. The area performs back-tests, which consists of contrasting the levels of risk estimated by the model with the ex-post theoretical results obtained by the units each day, taking into account daily data for a sample period of one year. Back-tests seek to determine whether the number of times that losses exceed the estimated VaR for the date is compatible with that

**Distribution of variations in the short-term interest rate portfolio in a Monte Carlo simulation** (31-12-02)



expected according to the 99% confidence level in the model, i.e. 1 every 100 days, which is approximately 3 times a year. Normality tests are also regularly carried out.

In addition to measuring market risk through VaR, stress testing is regularly carried out in order to identify the scope of the losses in "non-normal" or very-low probability situations, with the aim of assessing possible negative impacts on the value of the bank's portfolio. Several stress scenarios are simulated, based on both historical crises and hypothetical situations, calculating the losses that would occur in such situations with the positions held at any time. The scenarios are periodically reviewed. Generic situations are simulated, as well as others specifically designed for the various business units depending on the kind of sensitive positions typically held in each of them. Extreme situations in which there is a breakdown in the correlations that exist between the various markets and that could significantly affect the value of the portfolios are also simulated. All this makes it easier to draw up plans with the actions that must be carried out should a critical situation similar to those examined take place.

Lastly, risk monitoring is supplemented with other non-statistical measurements such as sensitivity or nominal exposure, which are more intuitive and simpler to calculate and provide relevant supplementary information about the level and nature of the risk undertaken.

**Market risk in 2002.** Market performance in 2002, heavily conditioned by the pessimism about the expected delay in the recovery of the world's main economies, was characterized by an increase in uncertainty at international level. This situation raised levels of risk aversion, which has especially affected the Latin American financial markets. In addition to these general factors came the crisis unleashed in July in Brazil, greatly increased by the electoral process.

The graph displaying the change in the Group's market risk shows that levels of risk rose in the second half of the year, mainly as a result of the increased volatility of the Latin American

markets. The highest levels were attained during the summer, associated with the highly unstable international situation described above. Risk has been falling since then, ending close to the lowest levels recorded during the year.

The average risk for the market areas during the year was 23,475 thousand euros, with a high of 32,653 thousand euros and a low of 17,702 thousand euros, respectively. The dispersion of average risk is somewhat higher than in the previous financial year as result of the difficult economic climate described. However, when the various rates of risk are aggregated, a significant reduction can be seen due to the effect of the diversification of the portfolio positions. This effect has increased compared to 2001, highlighting the conservative management of risk in situations of market tension.

In any case, as shown in the attached graph, the dominant risk in the Group is related to movements in interest rates (69% of the total at the end of the year), followed by foreign exchange risk (14%), risk derived from the volatility of options (10%) and, lastly, equity risk (7%).

The graph of distribution by geographical areas shows that as at December 31, 2002, the Group's risk was equally shared between BBVA's investment banking area and all the Latin American banks' treasury desks (50.3% of the total). It is worth highlighting the moderate profile of the Latin

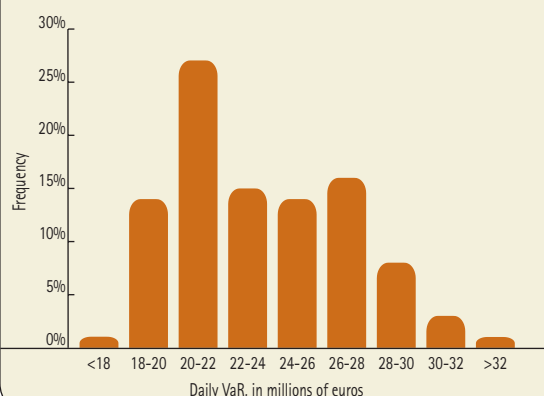


## Market risk by risk factors

(Thousands of euros)

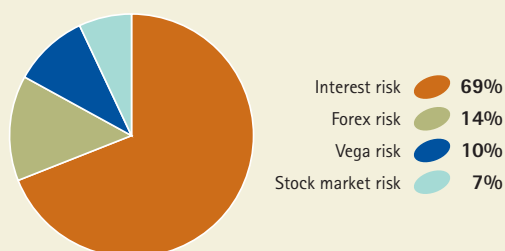
Risk	Daily VaR			
	31-12-02	Average	Maximum	Minimum
Interest	15,253	19,770	29,048	12,554
FX	3,061	3,688	8,924	1,358
Equity	2,766	4,413	7,128	2,226
Vega	2,151	3,766	5,556	2,151
<b>TOTAL</b>	<b>18,432</b>	<b>23,475</b>	<b>32,653</b>	<b>17,702</b>

### Distribution of market risk frequency



### Market risk factors

(31-12-02)

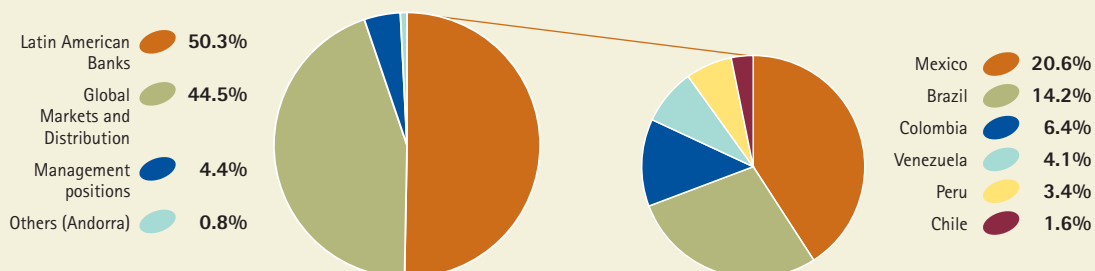


American area, despite the increase in risk in Brazil, due to the rise in volatility, as well as that seen in the rest of the Latin American markets. We should point out that the diversification between

the positions of BBVA's investment banking area and the Latin American banks is equally important, which reflects active management aimed at optimizing the risk-reward relationship.

### Market risk by areas

As at 31-12-02: 18,432 thousand euros (Daily VaR)



The average use of VaR limits approved by the Executive Committee for each of the treasury desks in the year 2002 also shows the diversification of risk in the treasury desks of the Group's banks. The attached graph shows the use of limits, which on average was 46%.

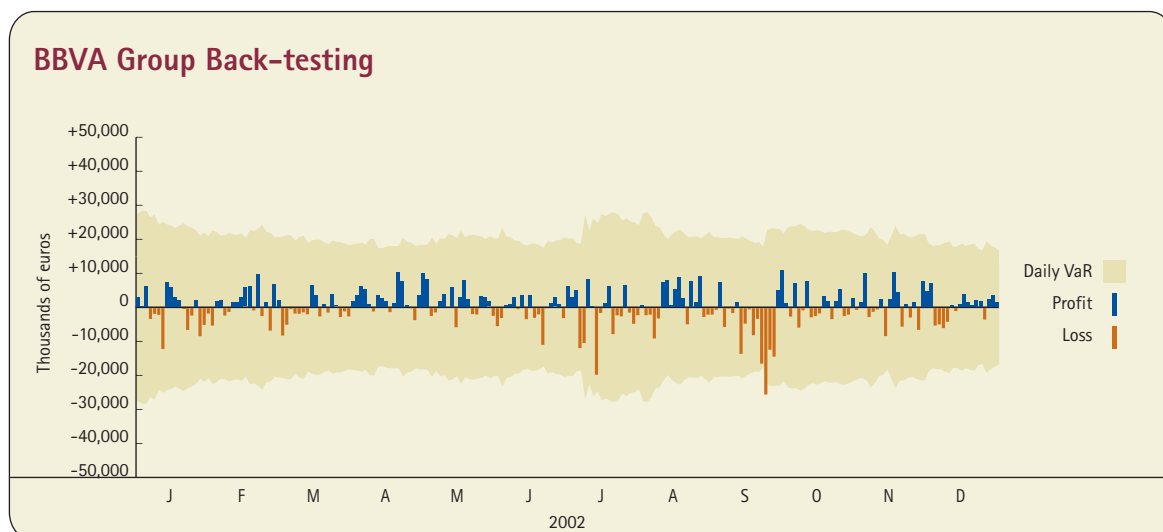
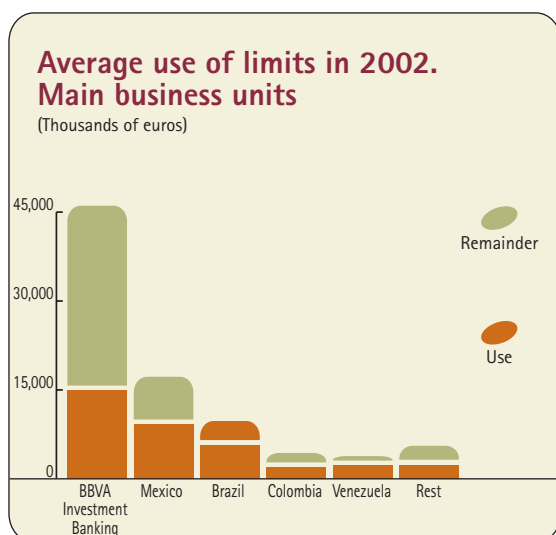
Finally, the back-testing carried out for the year 2002 according to the aforementioned model, comparing the revaluation losses with the maximum losses anticipated by the corporate risk model each day, shows that the VaR model works with the 99% confidence level defined by the Group.

## Interest and Forex Structural Risk

Structural interest risk refers to the potential effect that interest rate changes can have on a bank's net interest income and economic value, as a result of the gaps between maturities and repricing of sensitive balance sheet assets and liabilities, as well as other off-balance sheet products and obligations. The BBVA Group conducts sensitivity analysis from both points of view. Firstly, from the earnings perspective, the measurements calculate the impact that interest rate changes have on the financial income projected over a time horizon of 12 months and, secondly, from the economic value perspective, the sensitivity analysis refers to the impact that interest rate changes have on the current discounted value of expected future flows.

The Assets and Liabilities Committee (COAP) establishes the balance sheet management policies and proposes the coverage strategies it considers best for mitigating the negative impact of interest rate changes, both on net interest income and on the economic value of BBVA, depending on the existing expectations regarding future changes in interest rates.

The measurement model is based on the structural balance sheet at the end of each month, with the structure of maturities and repricing of





the various volumes (depending on whether they are linked to a fixed or variable interest rate, respectively), which are dynamically projected for the future on the basis of certain behavioural hypotheses. Some of the most important of these hypotheses are assumptions about growth in volumes and, in the case of lending, the estimate of prepayment or early repayment functions. Another set of relevant hypotheses are those concerning renewals, both regarding the renewal term and the spread compared to the market rates at which the volumes are expected to be remunerated. In addition, the behaviour of accounts without explicit maturity (current and savings accounts) is monitored. Due to their importance, these hypotheses are periodically subjected to a process of revision with the aim of adapting the model so that it reflects reality as closely as possible.

Changes in interest rate curves are included in the model in two different ways. On the one hand, parallel changes to the interest rate curve of 100 basis points are taken into account and, in addition, simulations of scenarios that include changes of slope and curvature are carried out. According to this methodology, and for a confidence level of 99.9%, the measurements made during the year for BBVA show that net interest income has a sensitivity level of less than 5% of the Group's net interest income. As for the sensitivity of the economic value, in average terms it has also been held clearly below 5% of the capital base.

In addition to calculating the sensitivity of the economic value we calculate the average duration of the balance sheet and the different assets on it. According to these measurements, the average duration of equity is very short and, therefore, BBVA's economic value sensitivity was, on average, less than 2% of the capital base in the event of rises of 100 basis points in 2002.

The Executive Committee, following a report by the Risk Committee, authorizes BBVA's structural interest risk limits. This authorization establishes a limit to the sensitivity of the financial income if market interest rates change by 200

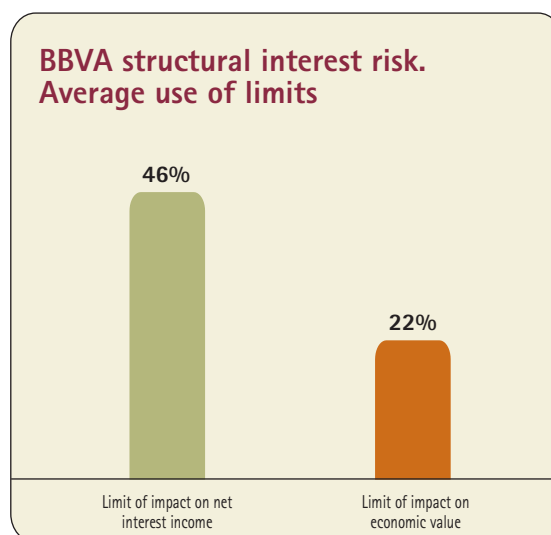
basis points. Likewise, changes in the economic value cannot exceed a given percentage of the capital base. The graph below shows that, on average, moderate use was made of limits during the year 2002. It is worth highlighting that the fall in average use of the economic value limit, due to active management of the balance sheet, allowed BBVA to reduce its total duration in view of expectations of future changes in interest rates.

The gaps chart on the next page shows the time distribution of the maturities or repricing of the sensitive volumes on the balance sheet (depending on whether they are fixed or variable rate, respectively) grouped by kinds of market, as at December 31, 2002:

- Money, credit and fixed interest on the asset side.
- Money market, customer debits and securities on the liability side.

Aggregating these volumes determines the gap of the balance sheet products which, together with the gaps generated by the off-balance sheet products, form BBVA's total balance sheet gap in euros. Similarly, the maturity and repricing matrices are constructed for the rest of the most important currencies in the BBVA Group.

In addition, structural interest risk is analyzed on an individual basis for the main banks in the Group. The graph on the next page shows that



## Structural interest risk: Consolidated balance sheet sensitivity in euros (\*)

(Thousands of euros)

	Balance	1-6 months	6-12 months	1-3 years	3-10 years	+10 years
<b>ASSETS</b>						
Money market	12,563,175	12,116,524	341,359	76,829	28,353	110
Credit investment	94,887,628	49,513,364	25,910,703	9,937,187	7,250,992	2,275,382
Security portfolio	26,410,346	3,297,397	3,802,108	10,439,853	6,030,794	2,840,194
Rest	(24,652,826)	(21,065,090)	(2,207,450)	(155,556)	(553,910)	(670,820)
<b>TOTAL SENSITIVE ASSETS</b>	<b>109,208,323</b>	<b>43,862,195</b>	<b>27,846,720</b>	<b>20,298,313</b>	<b>12,756,229</b>	<b>4,444,866</b>
<b>LIABILITIES</b>						
Money market	6,527,462	5,876,972	127,420	102,172	270,965	149,933
Customer debits	74,455,928	37,278,091	2,003,945	3,691,926	31,481,880	86
Securities	22,449,872	8,463,243	493,203	2,082,926	8,628,678	2,781,822
<b>TOTAL SENSITIVE LIABILITIES</b>	<b>103,433,262</b>	<b>51,618,306</b>	<b>2,624,568</b>	<b>5,877,023</b>	<b>40,381,523</b>	<b>2,931,841</b>
<b>ON-BALANCE GAPS</b>	<b>5,775,061</b>	<b>(7,756,111)</b>	<b>25,222,152</b>	<b>14,421,290</b>	<b>(27,625,294)</b>	<b>1,513,025</b>
<b>OFF-BALANCE GAPS</b>	<b>(900,620)</b>	<b>(14,117,999)</b>	<b>(29,309)</b>	<b>5,330,737</b>	<b>7,969,482</b>	<b>(53,531)</b>
<b>TOTAL GAPS</b>	<b>4,874,441</b>	<b>(21,874,110)</b>	<b>25,192,842</b>	<b>19,752,027</b>	<b>(19,655,812)</b>	<b>1,459,494</b>

(\*) Ex Cash assets.

diversification creates an offsetting effect that reduces the possible impact on the Group as a whole.

Structural forex risk is managed by assessing the impact that changes in exchange rates have on the banks' net interest income and net worth. BBVA is exposed to forex risk due to the investments it makes, which involves holding certain assets in currencies other than those they were financed with. The greatest risks come from holdings acquired in Latin American companies.

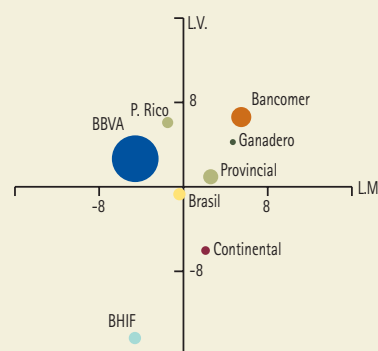
The COAP assesses this structural risk at regular intervals and decides whether or not to carry out hedging transactions to mitigate the negative impact of exchange rate changes. In 2002, this Committee decided to keep the income statement's exposure to losses from unfavourable exchange rate movements at minimum levels, carrying out more sensitive hedging.

A methodology is used to calculate structural forex risk in which forex crisis scenarios in Latin American are taken into account and assigned certain probabilities of taking place.

Structural forex risk in 2002 was low and followed a downward trend due in large part to the hedging carried out.

### Structural interest risk profile

(+100 basis points)



L.M.: Impact on net interest income (%)  
L.V.: Impact on economic value (%)

## Liquidity Risk

Liquidity risk is a bank's potential inability to obtain the required funds from the markets at a reasonable cost, in order to meet its payment obligations.

The Executive Committee, following a report by the Risks Committee, is responsible for approving the liquidity management policies, which contain the action guidelines for the whole

of the Group. The Liquidity and Emergency Committees are delegated the authority to take the relevant measures in the event of the warning signs being activated.

The contingency plans are based on the premise that in order to successfully deal with a crisis situation serious prior training is required, which is provided through the BBVA Group's daily actions under normal conditions. The existence of a detailed liquidity administration plan, clear definition of the responsibilities and effective performance of the approved principles are the cornerstone of the contingency plan.

Liquidity requirements in a crisis situation are assessed according to the specific features of each crisis, differentiating between possible critical situations due to systemic factors and those due to the bank itself.

Each month, BBVA's Asset and Liability Committee (COAP) analyzes the medium-term liquidity (12 months) of the main currencies (euro and dollar), as well as the liquidity gaps by business structure (credit and market gaps and the rest) and by kind of financing (wholesaler, equity and rediscountable assets). It also approves policies for each type of issue (EMTN, mortgage bonds, asset securitization, capital instruments), in terms of market conditions, objective terms and available instruments.

Short-term liquidity is measured daily through its state of liquidity, which shows the bank's basic liquidity (flows foreseen for a given horizon) as well as cash assets available for meeting existing payment commitments.

## Global Operational Risk Management

At the BBVA Group, operational risk management is a priority, because it is directly involved in creating shareholder value. This can be carried out in two ways: firstly, by improving the income statement (mitigating risks that cause losses or loss of profit) and secondly, by making use of the advantages of the new Basel regulations (reduction

of the minimum regulatory capital) when they come into force in 2006.

There are two ways of managing operational risk:

- The quantitative method, which consists of developing event databases like bad debt risk databases, which are used to model and calculate risk capital.
- The qualitative method, which is based on using tools to identify, quantify and monitor operational risk. The difference to the qualitative approach is that exposure to operational risk can be detected and therefore mitigated, without such risk necessarily having to result in adverse events.

Both focuses are combined in the BBVA Group. These methods are used in the tools designed internally to manage operational risk (Ev-Ro, TransVaR and SIRO), which are explained below.

- **Ev-Ro:** this is a tool for identification and quantification of operational risk by business or support areas. The information obtained is used to draw up risk maps. It is also used as a starting point for mitigation processes, with particular emphasis placed on the most relevant aspects.
- **TransVaR:** this is a monitoring tool based on the use of indicators. The indicators are variables that characterize each area's processes and are linked to the causes of operational risk. The tool mixes quantitative and qualitative indicators (the latter in the form of scoring). Both TransVaR and Ev-Ro are, by their nature, qualitative tools that are used for proactive management of operational risk without adverse events having to take place.
- **SIRO (Integrated Operational Risk System):** this is a set of databases in each country that feed a central database in which the Group can be observed as a whole. Operational risk events that have an accounting impact are recorded in these databases. Such events are classified by business lines and risk classes. It is therefore a quantitative tool.



The databases only contain information about the BBVA Group. The classification of events into risk classes and business lines (56 possible combinations in all) means that some parts have a lot of information and other parts contain very little. This is due to the nature of certain operational events, which occur very infrequently.

In order to complete the database and so have more information to model risk with, the Group has decided to become a founding member of the international consortium ORX (Operational Risk Exchange Association), which was set up this financial year. Twelve leading banks will initially be members. ORX will be in operation in 2003 and will enable information about events to be exchanged (anonymously) between the members. This information will be very useful for calculating risk capital.

At BBVA, operational risk is defined as risk that cannot be classified as credit or market risk. The Basel Committee defines it as any risk that can cause losses as a result of human errors, failures or inadequate internal processes, system failures and as a consequence of external events.

Internally, we distinguish between the following classes of operational risk, which are present in the three aforementioned tools:

- **Processes:** this is the risk of common operational errors due to human error in processes, documents and controls thereof.
- **Fraud and unauthorized activity:** this category includes the risk and events derived from perpetration of criminal acts (external or internal, depending on whether or not Group employees are involved) and also the risk derived from unauthorized internal activities.
- **Technological:** this category includes operational risk associated with technological deficiencies (occasional or ongoing) in hardware and software and in communication systems and networks.
- **Human Resources:** this covers the risk associated with the human resources policy.
- **Commercial practices:** the risk of harm caused by having to compensate third parties for improper sales practices.
- **Disasters:** this is the risk of external events taking place (natural, accidental or provoked), which cause damage to physical assets or interrupt one of the Group's services.
- **Suppliers:** dependence on certain external suppliers in processes (both supply of materials and services) generates an operational risk if to the contracted service is not carried out.

During the financial year 2002, the Group has continued to implement management tools. Specifically, the Ev-Ro tool has been implemented in the Systems and Operations area (which covers most of the support units in Spain) and Private Banking, as well as 30% of the Latin American support/business lines. The TransVaR tool has



been implemented in Markets, Finances, Asset Management and Systems and Operations in Spain.

It is worth highlighting the implementation of operational risk event databases throughout the Group, from the beginning of the year in Spain and since July in the rest of the world.

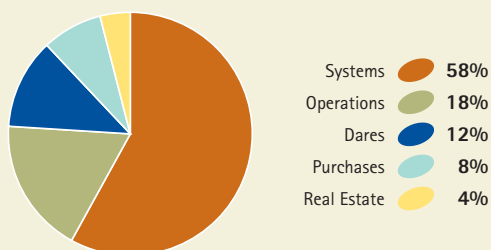
At BBVA, operational risk is dealt with by means of a four-stage management cycle:

identification, quantification, mitigation and monitoring. Special attention is paid to mitigation in the business and support areas. This process ensures that all the relevant risk factors are solved by means of improvements in the processes in order to avoid possible future harm.

The graphs below illustrate Ev-Ro in the Systems and Operations and Asset Management areas.

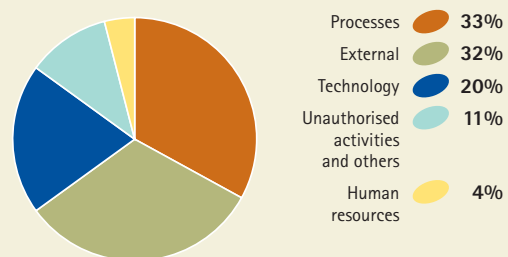
### Distribution of operational risk in Systems and Operations

(by departments)



### Distribution of operational risk in Systems and Operations

(by risk classes)



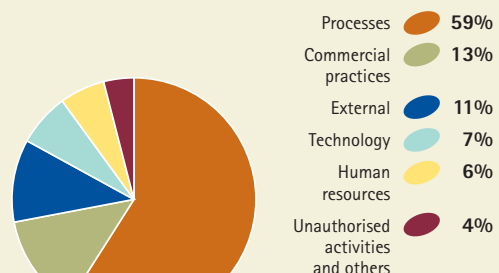
### Distribution of operational risk in Asset Management

(by business units)



### Distribution of operational risk in Asset Management

(by risk classes)





## 2002 Annual Report





# Business Areas

- Retail Banking in Spain and Portugal
- Wholesale and Investment Banking
- Mexico
- Banking in America
- Asset Management and Private Banking
- Corporate Activities

This chapter breaks down the BBVA Group's business activities and earnings into the different lines of business that contribute towards generating such earnings.

Information by areas is a fundamental tool for controlling and monitoring the different lines of business. In order to prepare these financial statements, BBVA takes into consideration the smallest units, which is where all the accounting information related to the business that they handle is to be found. Subsequently, in accordance with the existing area structure, they are classified and aggregated in order to determine the composition of each of the areas. Additionally, all the companies composing the Group are also assigned to businesses in line with their activity and, whenever necessary, their businesses are segregated and allocated to various areas or units whenever required by the diversity of their business.

Once the structure of each area has been established, the management adjustments inherent to the model are defined and applied. These adjustments include the allocation of the capital base resources, the assignment of internal liquidity requirements and the application of direct and indirect expenses, to each business unit and area.

With regard to the allocation of the capital base resources, the model uses an economic capital allocation system based on the risks incurred by each business, evaluating the capital needs and credit, operational, and market risks. This establishes a closer relationship each area's capital requirement and the risks incurred in its transactions.

The model first quantifies the volume of full equity (capital and reserves) that should be allocated to the risk of each business area, and this serves as a reference for determining the Return on Equity (ROE) of each business; followed by the allocation of other capital base resources (subordinated debt, preferred shares) as well as the costs associated with these finance facilities.

There is one exception to the capital base resource allocation system described above. In the businesses related to Banking in America and Mexico, BBVA has maintained the book equity that would be derived from consolidation in each



of the countries, since it considers that this allocation is best suited to these areas' economic situation. Therefore the full equity figure represents the BBVA Group's share, while minorities are recorded under Other eligible funds.

With regard to the internal transfer prices used to calculate the liquidity shortfalls of each area, a different reference is established in terms of the duration and terms of the products, thus tying balance sheet assets more closely to their respective terms and prices.

Furthermore, the model allocates all direct and indirect expenses to each area of business, except for markedly institutional expenses, which are not clearly linked to the business.

Lastly, it should be underscored that the method used in the model to calculate each area's volume of business does not eliminate any intergroup transactions that affect the different

areas, which are considered an integral part of each business unit's activities.

As explained earlier, to present the financial information about each area, BBVA has used objective criteria of homogeneity and coherence to group the lines of business. By doing so, the image of the Group is much more realistic, affording a better overview of its structure and evolution. Due to the situation of the Argentinean economy and in order to permit homogeneous monitoring of the areas, the contribution of the Banco Francés Group, the pension fund manager Consolidar AFJP and the insurance companies that operate in such country have been included in the Corporate Activities area by means of equity accounting, without this altering the profit figure attributed to the Group in any way.

Thus, the information included in this Annual Report breaks down into the following lines of business:

**Retail Banking in Spain and Portugal:**

manages the Group's retail businesses in Spain and Portugal. In addition to the residential customer

and SME segments in the domestic market, this area includes the Finanzia group (which specializes in consumer financing, card distribution and renting activities), the e-banking business through Uno-e and that carried out by BBVA Portugal.

**Wholesale and Investment Banking:** this covers the Group's businesses with large companies and institutions through national and international corporate banking and institutional banking. In addition, it also includes the trading room businesses located in Spain, Europe and New York, the capital market business and the business carried out by BBVA's stock market company.

**Mexico:** this covers the whole of the business generated in Mexico through the BBVA Bancomer Financial Group and its subsidiaries, which include the pension fund manager Afore Bancomer and the insurance companies.

**Banking in America:** this covers the activity and profits of each of the Group's subsidiary banks in







Latin America and their investee companies, except for the business of the pension fund management and insurance companies, which is included in the Asset Management and Private Banking area. As mentioned above, this area does not include the results of the Banco Francés Group, which is included in Corporate Activities under the equity accounting results heading.

**Asset Management and Private Banking:** this covers the private banking and pension fund management businesses carried out through the various specialist units in Spain and abroad (excluding those of Afore Bancomer, which is part of the Mexico business area, as well as those of Argentina, the results of which are presented in the Corporate Activities area by means of equity accounting), as well as the business performed by the mutual fund managers in Europe and the security deposit and custody service businesses. It also includes the results of our insurance business, both in Spain and Latin America (except the insurance companies in Mexico and Argentina).

**Corporate Activities:** this includes the Group's real estate and industrial holdings activities, e-business and strategic holdings in Europe, as well as the activities and results of the support units, such as the COAP area. In addition, this chapter includes the other items that, by their nature, cannot be assigned to the business areas, such as country risk provisions and amortization of goodwill. Lastly, for the reasons explained above, the results of the group companies in Argentina are included, presented under the equity accounting heading.

This structure of areas is in line with the internal organization established to manage and monitor the businesses in the BBVA Group during 2002. The balances for the financial year 2001, which are presented for comparative purposes, were drawn up following the same criteria.

During the financial year 2002, most of the recurrent income generated by the Group came from the retail business areas. Thus, the operating income not including dividends or income from

market operations (which are prone to be more volatile) saw increases of 11.8% in Retail Banking Spain and Portugal and 16.5% in Banking America (which rose to 51.7% at a constant exchange rate), and the 2.6% fall in Mexico is simply the result of the exchange rate effect, without which it rose 6.6%. Thus, these areas contributed growth of 7.7%, or 15.4% at a constant exchange rate, as compared to the 1.6% and 8.7% respectively obtained by the Group as a whole. Meanwhile, the changes in the markets affected the Asset Management and Private Banking areas and Wholesale and Investment Banking, which saw lower margins than in 2001.

There was similar performance in terms of contribution of attributable profit to the Group, in which Retail Banking in Spain and Portugal stood out, with growth of 13.9% and 7.8% in Mexico. Banking in America took advantage of the high operating income generated to make major provisions for reasons of prudence, while the contribution of Wholesale and Investment Banking and Asset Management and Private Banking fell as a result of the aforementioned reduction in operating income. Lastly, the lower results due to equity accounting, capital gains and extraordinary provisions meant that the Corporate Activities area saw bigger losses than the previous year.

## Business areas contribution to net attributable profit

(Millions of euros)

	2002	Δ%	2001
Retail banking in Spain and Portugal	1,095	13.9	962
Wholesale and Investment Banking	328	(12.4)	376
Mexico	429	7.8	397
Banking in America	169	(12.4)	192
Asset Management and Private Banking	376	(14.3)	438
Corporate Activities	(678)	n.m.	(2)
<b>BBVA GROUP NET ATTRIBUTABLE PROFIT</b>	<b>1,719</b>	<b>(27.3)</b>	<b>2,363</b>

## ROE and efficiency

(Percentage)

	ROE		Cost/Income Ratio	
	2002	2001	2002	2001
Retail banking in Spain and Portugal	31.7	28.6	47.0	50.4
Wholesale and Investment Banking	23.6	27.1	32.5	33.8
Mexico	32.2	34.8	46.1	48.2
Banking in America	8.0	10.4	48.9	57.5
Asset Management and Private Banking	55.8	71.1	31.6	30.7
<b>BBVA GROUP</b>	<b>13.7</b>	<b>18.0</b>	<b>47.8 <sup>(1)</sup></b>	<b>50.5 <sup>(1)</sup></b>

(1) With Argentina carried by the equity method.

## Retail Banking in Spain and Portugal



- Transforming the retail businesses: BBVA Financial Services
- Commercial Banking in Spain
- SME Banking
- BBVA Portugal
- Finanzia
- Uno-e

Retail Banking in Spain and Portugal is the Group area that manages the retail business in Spain and Portugal. In addition to the residential customer and SME business segments in the domestic market, this area includes the Finanzia group (which specializes in consumer financing, card distribution and renting activities), the e-banking business through Uno-e and that carried out by BBVA Portugal.

In the financial year 2002, the area achieved attributable profit of 1,095 million euros, 13.9% higher than the previous year, which gives a ROE of 31.7%, higher than the previous financial year's 28.6%. Operating income amounted to 2,175 million euros, 11.8% more than in 2001, as a result of the improvement in revenue and the fall in costs. Net interest income increased 5.4%, while the ordinary margin grew less, 2.9%, due to the lower fee income, especially on mutual funds, and lower income from market operations. General administrative costs dropped 3.9%. All this enabled an improvement of 336 basis points in the efficiency ratio, which is 47.0%.

As regards to activity, gross lending of this area at the end of 2002 was almost 79,800 million euros, a year-on-year increase of 11%, especially supported by the growth in mortgage lending. The NPL ratio fell from 1.14% on December 31, 2001 to 1.01% at the close of the financial year. The coverage ratio rose to 223.4% from 179.7% one year before.

On-balance sheet customer funds, which were 49,327 million euros on December 31, 2002, increased by 3% year-on-year, despite the issues placed by Group companies through the commercial branch network. Off-balance sheet funds under management through mutual and pension funds amounted to 37,861 million euros on December 31, 2002, a fall of 5.6% due to the instability of the financial markets during the financial year, which affected both the value of the assets and the ability to attract new resources to mutual funds.

## Income statement

(Millions of euros)

	2002	Δ% (YoY)	2001
<b>NET INTEREST INCOME</b>	<b>3,074</b>	<b>5.4</b>	<b>2,916</b>
Net fee income	1,344	(1.0)	1,358
<b>BASIC MARGIN</b>	<b>4,418</b>	<b>3.4</b>	<b>4,274</b>
Market operations	44	(28.2)	61
<b>ORDINARY REVENUE</b>	<b>4,462</b>	<b>2.9</b>	<b>4,335</b>
Personnel costs	(1,389)	(2.5)	(1,425)
General expenses	(708)	(6.6)	(758)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(2,097)</b>	<b>(3.9)</b>	<b>(2,183)</b>
Depreciation and amortization	(139)	(4.9)	(146)
Other operating revenues and expenses	(51)	(15.3)	(60)
<b>OPERATING INCOME</b>	<b>2,175</b>	<b>11.8</b>	<b>1,946</b>
Net income from companies carried by the equity method	(4)	2.3	(4)
Amortization of goodwill in consolidation	-	-	-
Net income on Group transactions	-	-	-
Net loan loss provisions	(434)	8.0	(402)
Extraordinary items (net) and other	11	4.2	10
<b>PRE-TAX PROFIT</b>	<b>1,748</b>	<b>12.8</b>	<b>1,550</b>
Corporate income tax	(578)	12.5	(513)
<b>NET INCOME</b>	<b>1,170</b>	<b>12.9</b>	<b>1,037</b>
Minority interests	(75)	0.1	(75)
<b>NET ATTRIBUTABLE</b>	<b>1,095</b>	<b>13.9</b>	<b>962</b>

## Balance sheet

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01
Gross lending	79,796	11.0	71,914
Securities portfolio	156	(76.1)	653
Cash, interbank & monetary assets	2,108	81.0	1,164
Inter-area positions	9,638	30.4	7,390
Fixed assets	798	(10.2)	889
Other assets	1,217	(33.3)	1,825
<b>TOTAL ASSETS / LIABILITIES</b>	<b>93,713</b>	<b>11.8</b>	<b>83,835</b>
Deposits and debt securities	49,327	3.0	47,875
Income for the period	1,170	12.9	1,037
Equity assigned	6,323	6.8	5,922
• Shareholders' funds	3,633	3.4	3,514
• Other eligible funds	2,690	11.7	2,408
Interbank accounts	3,708	11.9	3,313
Inter-area positions	29,499	33.1	22,163
Other liabilities	3,686	4.6	3,525
<b>OTHER CUSTOMER FUNDS MANAGED</b>			
• Mutual funds	32,171	(7.4)	34,754
• Pension funds	5,690	6.3	5,355
• Customers' portfolios and assets	1,716	(29.8)	2,443

## Relevant ratios

(Percentage)

	31-12-02	31-12-01
ROE	31.7	28.6
Cost/income ratio	47.0	50.4
NPL ratio	1.01	1.14
Coverage ratio	223.4	179.7

## Transforming the retail businesses: BBVA Financial Services

BBVA is developing the retail business through three means of approaching customers: Personal Financial Services aimed at residential customers, Commercial Financial Services for SMEs and businesses and Special Financial Services, which are offered through Finanzia and Uno-e.

The Personal Financial Services project was launched in October. It is based on three key aspects for new residential customer banking (personal service, financial advice and transactional banking) and means a new structure and philosophy for BBVA's retail banking sales network in Spain and Portugal.

Personal Financial Services - of which customers are the central focus - is aimed at customers' getting more value out of their relationship with BBVA by offering a wide range of products and services at a good price, which can be accessed through different channels, with a Bank that focuses its relationship on customers to whom it offers solutions to their needs, both in the financial scope and also, increasingly, outside of that scope.

In this way, BBVA is approaching the new situation in the Spanish financial market with a focus on differentiation. It is moving away from the current segmentation through different networks to a single network that covers the particular needs of each individual, which enables financial dialog and allows each customer's user experience to be improved.

In order to do this, plans are in place to physically convert 150 main Commercial Banking branches in Spain in 2003. The first four opened in November. A new role has also been designed: that of a financial advisor specializing in investment and mortgage products, who will hold an internal quality certificate. The project involves high investment in the first three years and training around 6,000 professionals in 2003.

Another of the initiatives in this project is reorganizing the Private Banking unit by



integrating it into Commercial Banking. This has been carried out by means of BBVA taking over the branch network of BBVA Privanza - the Group's private bank - which will enable it to transfer its experience to the retail network. Under the BBVA brand, this will cover the whole gamut of the residential customer market by integrating the Commercial Banking, Personal Banking and Private Banking networks.

In addition, as an innovative value proposition from Special Financial Services, the integration of Uno-e and Finanzia's consumer financing division has been approved. The resulting company, the new Uno-e Bank, will have more than 2.2 million customers and will manage more than 1,300 million euros. This initiative will launch a new banking model with a significant critical mass of customers by integrating two complementary activities (Uno-e's fund capturing and Finanzia's consumer financing), generating significant cross-selling



opportunities by combining the broad catalogue of Uno-e products with the customer capture capability provided by Finanzia's business model.

Also part of Special Financial Services, in Spain, BBVA has set up the company BBVA Dinero Express, which exclusively offers fast money sending services for emigrants to their home countries. It aims to be one of the main operators in this market, which has an estimated volume of more than 1,000 million euros a year. In order to do this, collaboration agreements have been signed with different banks in Peru, Colombia and Ecuador to enable immediate payment of remittances sent from Spain.

## Commercial Banking in Spain

The Commercial Banking unit makes the biggest contribution to Retail Banking Spain and Portugal as it accounts for 80% of the area's ordinary margin, 85% of customer funds and 72% of lending. In Spain, Commercial Banking manages the business from the residential, commercial and small business segments, including the specialist Mortgage Banking, Personal Banking and Private Banking services.

In the financial year 2002, this unit's basic margin increased 3.8%, which together with the 4.0% fall in administrative expenses, means growth in operating income of 14.2% to 1,642 million euros. Meanwhile, loan loss provisions were 266 million euros, 4.6% more than in the previous financial year. Attributable profit rose to 863 million euros, which is 17.5% more than in 2001.

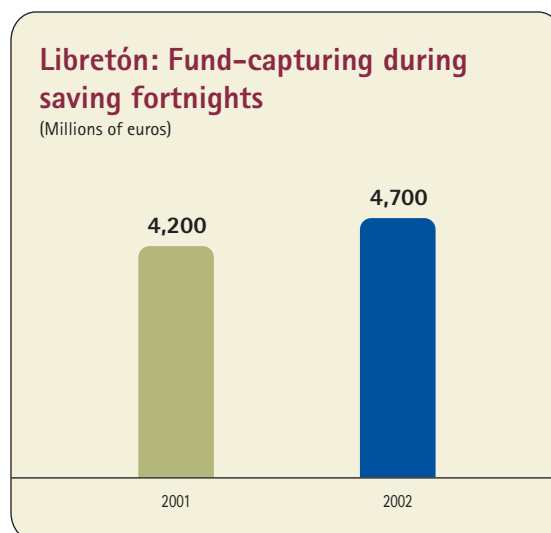
Commercial Banking followed three main courses of action in 2002: boosting business, customer-orientation and improving efficiency.

With regards to the first point, a set of commercial action has been carried out throughout the year aimed at increasing the number of customers and forging closer ties with them. This is a constant strategic aim, which has made it possible to capture high business volumes in the various segments.

As far as capturing funds is concerned, Libretón BBVA is still the product on the market that is most successful at attracting liquid funds. The campaigns carried out during the financial year enabled gross funds worth 4,700 million euros to be captured. In addition, issues of fixed-interest securities aimed at strengthening the equity of BBVA (1,000 million) and Telefónica (1,000 million) were wholly sold through the commercial network. These issues were characterized by their attractive yield and low risk conditions.

The strategy for capturing stable resources was not so much based on price policies as on differentiation by innovating in value-added products, such as Depósito BBVA Plus Creciente, Depósito BBVA DVD 4.0, Depósito Dinámico and Financial Contracts, as well as issuing guaranteed funds. The latter include mutual funds, rising interest funds and, in pensions, the guaranteed variable interest fund, BBVA Plan Tranquilidad Mundibolsa.

In addition, in 2002, the Multiventajas BBVA program was set up, which segments and increases the advantages of direct transfer of salary and pensions into a BBVA account depending on the customer's age and specific needs. This has enabled us to reach the figure of 2.2 million customers who have their salary or pension paid into BBVA accounts.



As far as lending is concerned, BBVA is the leading mortgage lender, with a market share of 13.4% among banks and savings banks, thanks to great experience in this business, the network's marketing capability, diversification of channels and product innovation. In 2002, the volume of loans granted rose 24% higher than the previous year and, with regards to the product offer, the benefits of BBVA "Easy Mortgage" have been increased. This product offers the greatest financing, flexibility in payment of instalments, availability of money paid off for any other purpose without procedural hassle or charges, plus other services such as tax advice, registering with utilities and home surveying.

In the consumer loan segment, BBVA remains the institution with the highest share, 15.4% (according to the latest report by FRS Ibérica). Creditón is the main product, which is characterized by its great flexibility with regards to the means and term of repayment, which can extend to as much as ten years.

Moreover, it is worth pointing out the high increases attained in certain business lines in the shop and small business segment: 70% in the ICO (Official Credit Institute) SME loan line, 75% in leasing and renting products and 149% in marketing of agricultural insurance. The campaign aimed at shops carried out during the financial year made it possible to install 9,000 point-of-sale terminals and capture more than 3,500 new customers.

With regards to means of payment, BBVA has launched many novel products on the market, especially credit cards. Through the Blue Joven loyalty-building scheme, more than 1,500,000 customers have this card; among others, the Nova Oro revolving card has also been launched to meet the growing demand for financing of small consumer expenses, along with the Visa Iberia BBVA, Business Electron BBVA, Company Gift and Restaurant cards, which help companies manage their employee's meal allowances. In addition, BBVA was the first Spanish bank to include EMV chip technology on its deferred-payment cards, which includes a more secure cardholder authentication system.

The second course of action for Commercial Banking during the financial year was customer-orientation, with service quality and differentiation as basic aspects of the value proposition. Project Customer has begun, which covers the whole of the Organization, aimed at providing a swift response to changes in customers' expectations and their increasing demands. In order to do this, we have created the position of Quality Developer.

Improved efficiency by optimising the mix of distribution channels was the third course of action for Commercial Banking during the financial year and materialized in action aimed at optimising the branch network and its management structures, taking advantage of the possibilities offered by technology to reduce administrative tasks, boost activities with greater value for customers and improve the internal information systems through BBVA's intranet.

In 2002, 70 new branches were opened in expansion areas and the business of 314 branches



has been integrated in others where there was redundancy. The Commercial Banking network thus now has 3,226 branches. In addition, the structures of the Central Services and Territorial Management have been rationalized.

The strategy of migrating commonplace, low-value transactions to complementary channels, mainly electronic and on-line banking, has meant that the proportion of transactions carried out by branches during the year fell by 9%, 19 million transactions less and 33% of the total by the close of 2002.

The expansion and improvement of the ATM network infrastructure, led to 235 ATMS being installed, along with 1,500 bankbook updaters. Thus, at the close of the financial year the total number of machines installed was 4,205 and 2,520 units respectively. Meanwhile, new on-line banking services and functions have been developed (BBVA net - aimed at residential customers - and BBVA net office and BBVA net c@sh, aimed at companies, shops, professionals and SMEs), which have contributed to deepening the relationship with customers.

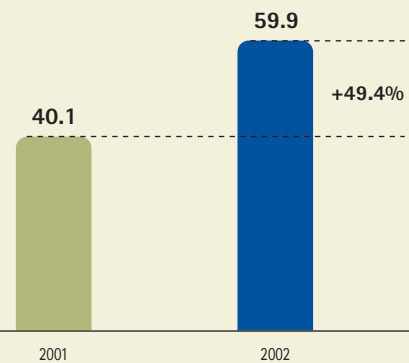
BBVA net has broken through the 1,000,000 user mark, with the number of transactions jumping almost 50% to nearly 60 million. BBVA net caught the attention of the U.S. publication Global Finance, which awarded it the prize for the

best European Internet bank in the residential customer category.

Lastly, in the on-line means of payment segment, Mobipay was launched on the market. It is a pioneering product that enables payments through mobile telephones by means of a credit card associated with them.

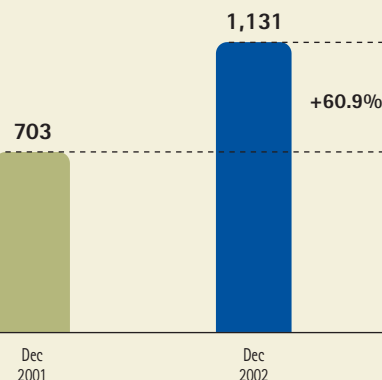
#### BBVA net: Transactions

(Millions)



#### BBVA net: Customers

(Thousands)



## SME Banking

SME Banking, the second-largest unit in the area after Commercial Banking, obtained operating income of 495 million euros in 2002, a similar amount to the previous year, while loan loss provisions increased 9.4% to 123 million euros, which gives attributable profit of 226 million euros, 2.9% less than in the preceding financial year. As at December 31, 2002, the unit managed almost 18 billion euros of lending and 4.6 billion euros of on-balance sheet funds, with year-on-year growth of 10.1% and 6.5%, respectively. In 2002, SME Banking managed to increase its customer base by 4% and started banking business relationships with more than 14,500 SMEs.

Renting and confirming, activities for which there are broad product catalogues, saw y-o-y investment growth of 51.1% and 53.1%, respectively at the close of the financial year. In leasing, a business line with investment growth of 22.1%, new products have been launched such as BBVA Segur Leasing (financing plus insurance of goods up to 100% of the financed risk) and SME Financing (to cover new fixed asset investment needs with preferential financial conditions).

In 2002, BBVA again became the leading bank in carrying out ICO SME transactions. Of the total of 2,604 million euros made available on the market by the ICO, BBVA carried out 10,527

transactions worth a total of 577 million euros (22% share), which is a 58.4% rise in this activity compared to 2001.

Access to e-banking services over the internet, with products such as BBVA net c@sh and BBVA net office, made it possible to increase user numbers to over 30,000 SMEs and attain operating volumes worth 48,000 million euros in collections and payments.

## BBVA Portugal

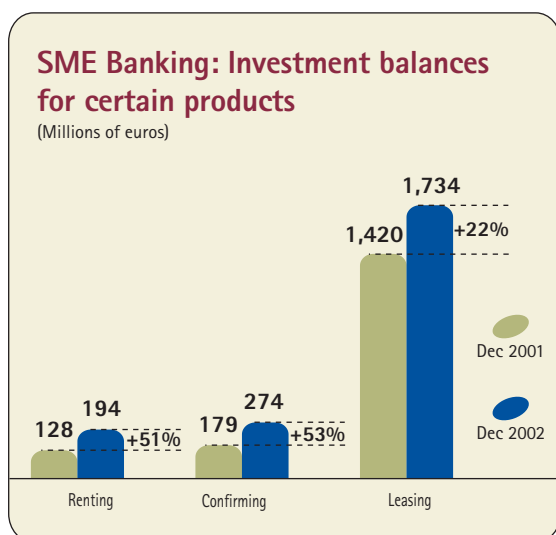
With regards to the business in Portugal, we should mention that in the financial year 2002 it was integrated with the Retail Banking in Spain area. This means that the whole of the market in the Iberian peninsula is managed with the same strategy, which helps adapt products that have been a resounding success in Spain to the Portuguese market. For example, Surprise Account has been launched with remuneration in kind through a gift.

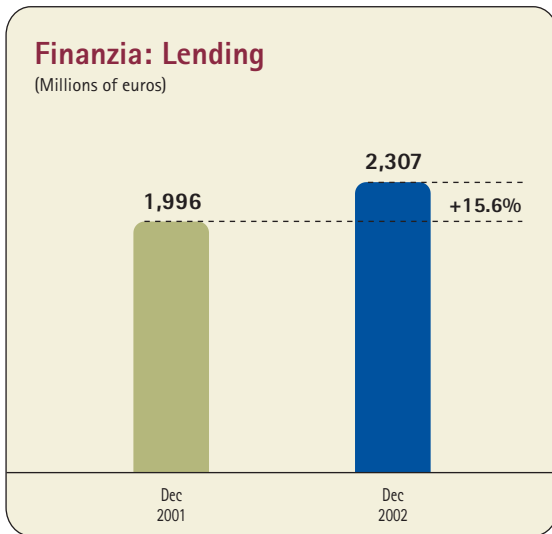
In the financial year 2002, this unit obtained operating income of 22 million euros, similar to the previous year. Lending increased 20.5% year on year, boosted especially by mortgage loans.

## Finanzia

The Finanzia Group saw increases in operating income and attributable profit in 2002 of 45% and 55%, respectively. Its levels of activity increased during the year and it ended the financial year with a credit portfolio of more than 2,300 million euros (more than 15% higher than December 31, 2001) and 2.7 million customers, 17% more.

BBVA Finanzia operates in Spain and Portugal. Its activity is structured into three business areas: financing of capital goods, automobiles and consumer products and credit cards. In the sales financing activity it mainly operates through collaboration agreements with manufacturers, importers and distributors, using a product range





that goes from credit, loans and leasing to private and co-branded cards and automobile and equipment renting.

The automobile division achieved turnover of 609 million euros during the financial year, with year-on-year growth of 21%, despite new registrations of private cars falling 7.7% in 2002, which caused its market share in this sector to rise from 3.1% to 4.1%.

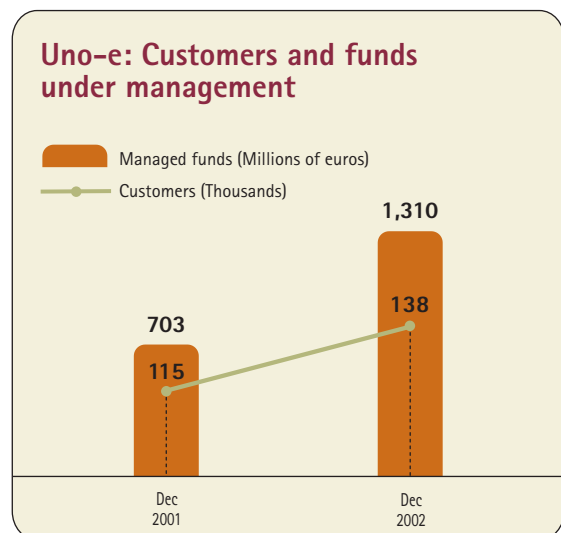
## Uno-e

Uno-e, the Group's on line bank, was the first internet bank launched in Spain that developed and promoted the “financial supermarket” concept on the internet, offering a brokerage service that enables its customers to manage their resources and optimize their yield. At the close of 2002, it had more than 138,000 customers in Spain and a managed volume of funds of 1,310 million euros, which means growth compared to

December 2001 of 54.7% and 86.2%, respectively. Uno-e has chosen to use a high-yield savings account as an instrument for capturing customers and loyalty-building, while the competition has preferred to use term deposits with no investment limit.

In 2002, Uno-e marketed a set of new products: credit cards, high-yield savings accounts, payroll savings accounts, international on-line brokerage, consumer loans, car loans, mortgages, automobile insurance, health insurance and flat-rate trading in securities. New services have been included such as a real estate search engine, tax advice and on-line payment of taxes.

During the financial year, it was decided to integrate consumer financing for Finanzia residential customers with Uno-e, taking advantage of the fact that they complement one another. This makes it possible to increase cross-selling of products, offer a full range of financial products to customers of large subscribers and bring down costs.





## Wholesale and Investment Banking



- Global Corporate Banking
- Institutional Banking
- Global Markets and Distribution

Wholesale and Investment Banking draws together the activities that the Group carries out with large companies and institutions through Global Corporate Banking and Institutional Banking. The Global Markets and Distribution unit also includes the business of trading rooms located in Europe and New York and those linked to BBVA's stock brokerage company.

The aim of this area is to offer customers a global service and put the synergies generated by the various units at their service, following a full relationship business model. Each customer is assigned a global account manager who is responsible for the relationship worldwide and whose mission is to meet their needs with high levels of quality of service, supported by specialist product teams.

There was a sluggish and uncertain situation during the financial year 2002, mainly due to the political and financial crisis that some Latin American countries went through, the impact of the accounting irregularities of certain large international companies and the solvency crisis and fall in expectations that affected some large companies and business sectors. For the banking industry in general and for the wholesale businesses in particular, this meant a general fall in activity, an increase in business NPL, notably weak stock markets and a lower volume of investment banking transactions.

In this context, Wholesale and Investment Banking recorded an attributable profit of 328 million euros in 2002, 12.4% lower than the previous year. Net interest income fell by 4.6% and ordinary revenue by 7.4%. The year-on-year comparison is affected by the higher income from market operations in 2001, especially in the second quarter of such year.

By adapting to the new market situation and putting efficiency measures in place, BBVA managed to cut administrative expenses by 11.5% during the financial year. The efficiency ratio improved by 133 basis points, from 33.8% to 32.5%. The NPL ratio for the area at the close of the financial year 2002 was 1.28%. The calculation of the latter does not include NPL balances derived

## Income statement

(Millions of euros)

	2002	Wholesale and Investment Banking Δ% (YoY)	2001	2002	Memorandum Item Banking Δ% (YoY)	2002	Markets Δ% (YoY)
<b>NET INTEREST INCOME</b>	<b>665</b>	<b>(4.6)</b>	<b>697</b>	<b>499</b>	<b>(4.3)</b>	<b>166</b>	<b>(5.6)</b>
Net fee income	189	(4.7)	200	147	1.2	42	(20.8)
<b>BASIC MARGIN</b>	<b>854</b>	<b>(4.6)</b>	<b>897</b>	<b>646</b>	<b>(3.1)</b>	<b>208</b>	<b>(9.1)</b>
Market operations	72	(31.4)	105	59	63.7	13	(85.1)
<b>ORDINARY REVENUE</b>	<b>926</b>	<b>(7.4)</b>	<b>1,002</b>	<b>705</b>	<b>0.3</b>	<b>221</b>	<b>(26.6)</b>
Personnel costs	(188)	(14.4)	(219)	(107)	(10.7)	(81)	(19.3)
General expenses	(113)	(6.3)	(120)	(55)	(0.3)	(58)	(11.6)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(301)</b>	<b>(11.5)</b>	<b>(339)</b>	<b>(162)</b>	<b>(7.4)</b>	<b>(139)</b>	<b>(16.3)</b>
Depreciation and amortization	(15)	(6.4)	(16)	(8)	(3.7)	(7)	(9.3)
Other operating revenues and expenses	(2)	43.4	(1)	(2)	78.3	-	n.m.
<b>OPERATING INCOME</b>	<b>608</b>	<b>(5.4)</b>	<b>646</b>	<b>533</b>	<b>2.7</b>	<b>75</b>	<b>(40.9)</b>
Net income from companies carried by the equity method	1	(87.4)	7	1	(74.4)	-	n.m.
Amortization of goodwill in consolidation	-	-	-	-	-	-	-
Net income on Group transactions	-	-	-	-	-	-	-
Net loan loss provisions	(145)	12.6	(129)	(138)	12.1	(7)	23.6
Extraordinary items (net) and other	43	13.0	38	43	20.9	-	n.m.
<b>PRE-TAX PROFIT</b>	<b>507</b>	<b>(9.3)</b>	<b>562</b>	<b>439</b>	<b>0.9</b>	<b>68</b>	<b>(47.2)</b>
Corporate income tax	(140)	(2.3)	(145)	(134)	5.6	(6)	(68.5)
<b>NET INCOME</b>	<b>367</b>	<b>(11.7)</b>	<b>417</b>	<b>305</b>	<b>(1.1)</b>	<b>62</b>	<b>(43.6)</b>
Minority interests	(39)	(5.9)	(41)	(31)	2.6	(8)	(31.9)
<b>NET ATTRIBUTABLE</b>	<b>328</b>	<b>(12.4)</b>	<b>376</b>	<b>274</b>	<b>(1.5)</b>	<b>54</b>	<b>(44.8)</b>

## Balance sheet

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01	31-12-02	Δ% (YoY)	31-12-02	Δ% (YoY)
Gross lending	36,943	(10.2)	41,154	36,811	(9.1)	132	(80.1)
Securities portfolio	20,669	(15.5)	24,453	4,349	3.9	16,320	(20.2)
Cash, interbank & monetary assets	26,068	0.8	25,850	4,729	(1.0)	21,339	1.3
Inter-area positions	54,229	(3.8)	56,386	8,865	(15.7)	45,364	(1.1)
Fixed assets	60	(15.1)	70	39	(6.4)	21	(27.9)
Other assets	6,609	16.6	5,666	371	(13.8)	6,238	21.7
<b>TOTAL ASSETS / LIABILITIES</b>	<b>144,578</b>	<b>(5.9)</b>	<b>153,579</b>	<b>55,164</b>	<b>(8.7)</b>	<b>89,414</b>	<b>(4.0)</b>
Deposits and debt securities	32,455	25.6	25,832	22,398	18.3	10,057	45.7
Income for the period	367	(11.7)	417	305	(1.1)	62	(43.6)
Equity assigned	2,449	(7.0)	2,632	1,966	(1.5)	483	(24.3)
• Shareholders' funds	1,348	(9.6)	1,491	1,057	(5.3)	291	(22.6)
• Other eligible funds	1,101	(3.5)	1,141	909	3.4	192	(26.6)
Interbank accounts	68,425	(11.6)	77,368	10,102	(13.9)	58,323	(11.1)
Inter-area positions	30,162	(8.9)	33,111	16,273	(18.4)	13,889	5.5
Other liabilities	10,720	(24.6)	14,219	4,120	(45.2)	6,600	(1.5)
<b>OTHER CUSTOMER FUNDS MANAGED</b>							
• Mutual funds	680	42.3	478	680	42.3	-	-
• Pension funds	2	(60.0)	5	2	(60.0)	-	-
• Customers' portfolios and assets	1,144	205.1	375	1,144	205.1	-	-

## Relevant ratios

(Percentage)

	31-12-02	31-12-01	31-12-02	31-12-02
ROE	23.6	27.1	25.3	17.8
Cost/income ratio	32.5	33.8	23.0	62.9
NPL ratio	1.28	0.51	1.28	1.72
Coverage ratio	119.0	301.8	114.8	995.0

from borrowers classified in accordance with the country risk regulations in force, provisions for which are made in the Corporate Activities area.

Wholesale and Investment Banking continued to strengthen its capabilities for advanced management and control of credit risk, as well as procedures and tools to manage operational risk. The area applied a more conservative risk assessment policy, especially in terms of the international component, which led to a decrease of 10.2% in lending. On-balance sheet funds, on the other hand, are still enjoying high growth rates close to 26%.

The technological developments during the year focused on improving applications and management tools in order to increase the area's profitability and efficiency, while achieving quality and risk mitigation goals. BBVA was the first Spanish bank authorized by Identrus to issue global digital identification certificates, which increases the safety of internet transactions for companies that are BBVA customers, as well as enabling real-time validation of transactions carried out over the internet. In addition, BBVA is the first European bank and the second bank in the world to obtain CLS (Continuous Linked Settlement) operating approval, a project aimed at eliminating the liquidation risk of foreign exchange transactions.

## Global Corporate Banking

Global Corporate Banking manages large national and multinational corporations through its four branches in Spain, as well as through its overseas network: New York, Lisbon, London, Paris, Milan, Frankfurt and Hong Kong. In addition, it includes units responsible for products aimed at this segment. In the year 2002 it took in the Capital Market and Corporate Finance units, which is enabling it to maximize the synergies between relationship banking and high value-added product units.

During the financial year, Corporate Banking in Spain has seen growth of 11.4% in ordinary

revenue and 17.5% in attributable profit. International Corporate Banking, on the other hand, has been greatly affected by the difficult climate, which has meant reductions in the main lines (both ordinary revenue and attributable profit fell by around 10%). The change to Argentina's country risk classification has meant having to record interest on loans according to a cash criterion, which together with the fall in rates and the appreciation of the euro, has unfavourably affected the business' revenue.

After all this, Global Corporate Banking achieved a 0.8% increase in operating income during the financial year, by adapting the price of financing to the risk conditions (with a 26 basis point increase in the lending spread) and holding down administrative expenses with a reduction close to 7% compared to the financial year 2001. The unit's attributable profit in 2002 was 211 million euros, which is 4.3% less than the previous year.

Lending was voluntarily reduced, especially in international transactions (-23.5%). On-balance sheet funds grew 11.2%, bolstered by outstanding positions held by international customers.

According to the last market positioning report by a prestigious research and consulting company, BBVA has held onto the top position in Spain, having a relationship with 88% of large corporations. It is the leading bank (first or second banker) in 73% of this segment.

In a complicated international context, BBVA has continued to actively finance Spanish exports of capital goods to emerging countries with export credit insurance cover and has continued to develop the financing business with cover of exports by other credit agencies (SACE, NEXI, US EXIMBANK, OeKB and HERMES).

In forfainting, BBVA attained growth of 10%. In addition, BBVA's market share in overseas collections and payments originating in or for Spain is 19.3% (source: Bank of Spain, October 2002). All this, together with close collaboration with the trade finance teams of the Latin American subsidiary banks, has aided global development of the overseas trade finance activity

and led Global Finance magazine to select BBVA as "Best Trade Finance Bank in Spain".

BBVA Factoring EFC has established its leadership in this segment, boosting its market share to 37.9% (source: Spanish Factoring Association, September 2002).

The Capital Market activity covers the debt origination business (bonds, syndicated loans and structured financing transactions) in close collaboration with the Global Markets and Distribution unit.

In 2002, the BBVA Group took part in many major loan transactions in terms of their volume or particular nature, holding the top position in syndicated loans in Spain (source: Dealogic, December 2002) and second place in Latin America (source: Loan Pricing Corp./Gold Sheets, January 2003).

It was also involved in structured purchase transactions such as leveraged buy-outs and

project financing transactions, in which it acts as advisor or lender. BBVA has an excellent track-record and know-how in this field, as borne out by the fact that the Termopernambuco project financing has been named "Latin America Private Power Deal of the Year 2002" by Project Finance Magazine (Euromoney).

In collaboration with Global Markets and Distribution, Capital Market was involved in many fixed-interest issues to both resident and non-resident customers. The issuing of the king size Spanish treasury bond stands out for its amount and term (5,000 million euros at 15 years), which is the first treasury issue to use the underwriting method rather than traditional auctions.

Corporate Finance is the unit responsible for the global advisory services and mergers and acquisitions activity for large and medium-sized companies, institutions, investment funds and

### Syndicated loans, fixed-interest issues and preference shares. Most relevant transactions in 2002

<p>Dec. 2002</p> <p>EURO 1,750,000,000 Syndicated loan</p> <p>Iberdrola</p>  <p>Mandated Lead Arranger</p>	<p>Jul. 2002</p> <p>EURO 786,400,000 Bridge Facility</p> <p>Auna</p>  <p>Mandated Lead Arranger</p>	<p>Jun. 2002</p> <p>EURO 300,000,000 Syndicated loan</p> <p>Renfe</p>  <p>Mandated Lead Arranger</p>	<p>Dec. 2002</p> <p>EURO 2,000,000,000</p> <p>Telefónica Finance USA LLC</p>  <p>Joint Bookrunner</p>	<p>Jan. 2002</p> <p>USD 150,000,000 Syndicated loan</p> <p>Pepsi-Gemex, S.A. de C.V.</p>  <p>Mandated Arranger</p>
<p>Aug. 2002</p> <p>USD 300,000,000 Syndicated loan</p> <p>Entel</p>  <p>Mandated Arranger</p>	<p>Jun. 2002</p> <p>USD 400,000,000 Syndicated loan</p> <p>Votorantim</p>  <p>Mandated Arranger</p>	<p>Apr. 2002</p> <p>USD 150,000,000 Syndicated loan</p> <p>Electrobras</p>  <p>Mandated Arranger</p>	<p>May. 2002</p> <p>USD 100,000,000 Syndicated loan</p> <p>Grupo Cementos de Chihuahua, S.A. de C.V.</p>  <p>Mandated Arranger</p>	<p>Mar. 2002</p> <p>EURO 5,000,000,000 Bond</p> <p>Kingdom of Spain</p>  <p>Joint Bookrunner</p>
<p>Jun. 2002</p> <p>EURO 750,000,000 Bond</p> <p>Ford Motor</p>  <p>Joint Bookrunner</p>	<p>Jan. 2002</p> <p>USD 500,000,000 PRI Enhanced Structure</p> <p>PIFCO</p>  <p>Joint Lead Manager</p>	<p>Mar. 2002</p> <p>USD 300,000,000 PRI Enhanced Structure</p> <p>Vale Overseas Limited</p>  <p>Joint Lead Manager</p>	<p>Sep. 2002</p> <p>EURO 3,000,000,000 Mortgage deeds</p> <p>BBVA S.A.</p>  <p>Joint Lead Manager</p>	<p>Jan. 2002</p> <p>EURO 325,000,000 Syndicated loan</p> <p>Eroski</p>  <p>Mandated Lead Arranger</p>

privatisation agencies. Its aim is to intensify the relationship with corporate customers, offering a comprehensive, value-added service, focusing on the medium and medium-high segment.

Despite the general market downturn, mandate origination and attainment has kept up a good pace. The Group is in second place in Spain in mergers and acquisitions in terms of the number of transactions carried out (source: Bloomberg, December 2002).

## Institutional Banking

Institutional Banking is the specialist unit through which the BBVA Group renders services to public and private institutions in Spain and Brussels. It is responsible for managing relations with the general state administration, autonomous communities, local councils

(regional and city councils) and their dependent bodies and companies. It also deals with private institutions such as insurance companies, associations, foundations and non-governmental organizations.

Institutional Banking completed its strategic repositioning in the first half of 2002. It optimised its commercial approach to customers by unifying the branch networks, formerly run by BBVA Institutional Banking and Banco de Crédito Local, and putting a single commercial policy in place that focuses on value creation. The current strategy is also based on the strengths of Banco de Crédito Local (BCL) as a bank that specializes in long-term financing.

This unit's business has undergone notable growth, with rates in excess of 5.6% for lending and 23.5% for on-balance sheet funds. This has allowed BBVA to reconfirm its leadership in lending to public administrations in Spain with a

### Structured Financing and Corporate Finance. Most relevant transactions in 2002

<p>Mar. 2002</p> <p>EUR 1,065,000,000 Project Finance</p> <p>Infraspeed</p>  <p>Arranger</p>	<p>Dec. 2002</p> <p>GBP 426,400,000 Project Finance</p> <p>Wembley National Stadium</p>  <p>Lead Arranger</p>	<p>Jul. 2002</p> <p>EUR 440,500,000 Project Finance</p> <p>Infraestructuras Radiales S.A. (Radial 2)</p>  <p>Mandated Lead Arranger</p>	<p>Jun. 2002</p> <p>USD 160,000,000 Project Finance</p> <p>Termopemambuco, S.A.</p>  <p>Mandated Lead Arranger</p>	<p>May. 2002</p> <p>EUR 150,253,000 Project Finance</p> <p>Ausol AUTOSOL Autopista del Sol Concesionaria Española, S.A.</p>  <p>Mandated Lead Arranger</p>
<p>Mar. 2002</p> <p>USD 500,000,000 Telecom Finance</p> <p>Digitel</p>  <p>Arranger</p>	<p>May. 2002</p> <p>HSL Perpignan-Figueres Euroferro</p>  <p>Financial consultant</p>	<p>Jan. 2002</p> <p>EUR 1,600,000,000 Cognis LBO-acquisition</p> <p>Cognis</p>  <p>Lead Arranger</p>	<p>Jun. 2002</p> <p>EUR 356,000,000 Acquisition finance</p> <p>Gamesa</p>  <p>Mandated Lead Arranger</p>	<p>Jul. 2002</p> <p>USD 305,000,000 Leveraged capitalisation</p> <p>Colomer</p>  <p>Lead Arranger</p>
<p>Dec. 2002</p> <p>EUR 282,100,000 Credit Linked Note</p>  <p>Arranger</p>	<p>Apr. 2002</p> <p>EUR 186,390,000 LBO-acquisition of Mivisa Envases</p>  <p>Mandated Lead Arranger</p>	<p>Jul. 2002</p> <p>EUR 52,600,000 Iberia financial consultant in Binter Canarias sale</p> 	<p>2002</p> <p>Financial consultant in CLH share sale</p> 	<p>Dec. 2002</p> <p>EUR 805,700,000 Financial consultant in transport network sale</p> 



share of 36.7% (source: Bank of Spain, November, 2002). In addition, this growth in business volumes allowed it to absorb the heavy impact that the fall in interest rates has had on the differential for on-balance sheet customer funds.

Net interest income grew 1.7%, which together with the increase in fee income (7.1%) and the effort to hold costs down (they have fallen 14.7% with a significant contribution made by the economies of scale obtained from the strategic repositioning) brought about an improvement in operating income of 9.9%. The efficiency level is thus 27.2%, an improvement of 540 basis points. Attributable profit rose to 70 million euros, 7.8% more than in the financial year 2001.

During the year 2002, Institutional Banking participated in 30 competitive bidding procedures convened by the general state administration and renewed 11 contracts in force in previous financial

years. Among the new contracts awarded, it is worth mentioning the contract to collect civil service insurance premiums, the accounts of the 53 regional offices of the National Statistics Institute and Section II of the Ministry of Justice. Renewed contracts included the provision of the cash service in the Inland Revenue Service's regional and administrative offices, as well as the Internal Treasury, the Official State Gazette, the General Council of the Judiciary and the armed forces (navy, army and air force). It has also continued its policy of innovation and commercial advances in terms of products and services, strengthening processing of collections and payments through e-banking channels, where the volume handled was 33% higher than the previous financial year's figure and the number of customer orders grew 30%.

Throughout the financial year, BCL, in collaboration with Global Markets and



Distribution, expanded its financing programs, both short-term (European Commercial Paper Program) worth 1,500 million euros, as well as medium- and long-term (European Medium Term Note Program) worth 4,000 million euros.

Through Gobernalía Global Net S.A., BBVA carries out projects geared to supporting public and private administrations in becoming part of the information society. In addition, in 2002, Foro Local was set up. This company is jointly owned by BCL and the General Council of the National College of Local Administration Secretaries, Receivers and Treasurers (COSITAL) and is aimed at serving local and regional administrations, making proposals to improve management and promoting the production and distribution of publications, as well as organizing conferences and seminars for people in the sector.

AFINA, Asistencia en Gestión Tributaria, S.A., provides advisory services and collaborates with municipal management, thus establishing its presence in local administration.

## Globals Markets and Distribution

The Global Markets and Distribution unit made progress in 2002 with its new business strategy aimed at a more global vision, greater internationalisation and generating recurrent revenue. Thus, the international trading room business was reorganized, the overseas network becoming distribution points as part of a global sales unit. The distribution and fixed-interest origination business has completed its new strategic focus so that fixed-interest activities are functionally integrated in a global, broader conception of the markets, encouraging cross-selling to the institutional customer base. In addition, the analysis activities of Global Markets and Distribution - equity, credit, strategies and theoretical analysis - have been brought together in a single unit.

The market situation in 2002 restricted business options and affected the level of trading

by customers. Nevertheless, changes in the interest rate curves and players' flight towards quality has allowed profits to be made.

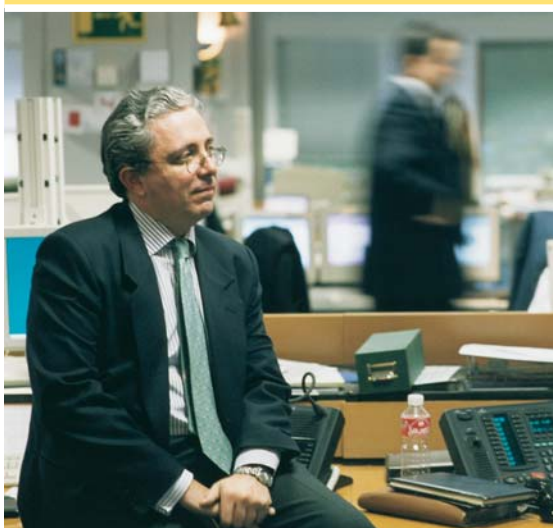
The high levels of uncertainty and the increase in volatility have led the unit to set a strict risk control policy, making very restricted use of VaR limits authorized for operating in the market, focusing the lion's share of its activity on its customer base, which has allowed it to obtain ordinary revenue of 221 million euros. This amount is 26.6% less than the previous financial year, partly due to the high income from market operations in 2001. During the financial year, the unit adapted its structures and costs to the market situation, reducing its administrative expenses by 16.3%.

The synergies with Capital Market and the Corporate Banking and Institutional Banking units are particularly notable in transactions with customers, in which structured transactions for wholesale customers stand out in addition to fixed-interest and equity issues. Novel products have also been designed and marketed through the Group's retail network, such as warrants, an activity in which BBVA achieved a share of issue of 32.6% in 2002 (source: Madrid Stock Market) and structured deposits.

Although the year 2002 was generally characterized by the downturn in fixed-interest market activity, BBVA managed to maintain revenue levels through its primary market transactions, which included the following: the Gas Natural private share offer made to institutional investors, the stock market floatation of ENAGAS and a block trade of Acerinox shares worth 124 million euros. As far as international issues are concerned, BBVA took part in the 3,900 million dollar stock market launch of Travelers Property Casualty.

BBVA Bolsa continues to be the top company in the Spanish stock markets in terms of trading volume, ending 2002 with a 15.8% share (source: Commodities Exchanges) and the second company in trading on the Spanish electronic market with a share of 11.3% at the close of the financial year (source: Stock Market Company).

# Mexico



This area covers the whole of the business generated in Mexico through the BBVA Bancomer Financial Group and its affiliates, which include the pension fund manager Afore Bancomer and the insurance companies.

In 2002, the Mexican economy began to recover, ending one of the longest though most moderate recessions of recent decades. The firm economic foundations (the Bank of Mexico's credibility, the monetary authority's commitment to keeping inflation under control, a low current account deficit, a comfortable profile and the low cost of external public debt and high levels of international reserves, among other factors) made it possible for its country risk perception to improve and financial uncertainty to lessen.

Despite the lower inflationary pressure and the large inflow of foreign direct investment, the peso depreciated against the euro by 26.4% over the year, with the resulting impact when converting the business and balance sheet figures to euros. The average exchange rate for the financial year, meanwhile, depreciated 8.7%, affecting the conversion of the profit and loss account into euros. In the following comments, the evolution of business figures is presented at a constant exchange rate in order to show their development in local currency. However, unless otherwise stated, the income statement figures refer to Mexico's contribution to the Group's consolidated financial statements. Their evolution at a constant exchange rate is mentioned when deemed appropriate.

Another factor that had a major influence on banking activity during the financial year was the sharp fall in interest rates compared to the financial year 2001. Thus, the inter-bank interest rate went from an average of 12.9% in 2001 to 8.2% in 2002, with the resulting negative effect on customer spreads.

In the year 2002, the Mexican payment system underwent major changes due to various modernization initiatives: 1) implementation of the universal banking key, which identifies each customer in the system by bank, branch and account number, which makes it easier to use

## Income statement

(Millions of euros)

	2002	Δ% (YoY)	Δ% at constant exchange rate	2001
<b>NET INTEREST INCOME</b>	<b>2,154</b>	<b>(17.4)</b>	<b>(9.6)</b>	<b>2,608</b>
Net fee income	1,250	8.0	18.3	1,158
<b>BASIC MARGIN</b>	<b>3,404</b>	<b>(9.6)</b>	<b>(1.0)</b>	<b>3,766</b>
Market operations	118	(37.3)	(31.3)	188
<b>ORDINARY REVENUE</b>	<b>3,522</b>	<b>(10.9)</b>	<b>(2.4)</b>	<b>3,954</b>
Personnel costs	(908)	(9.2)	(0.6)	(1,001)
General expenses	(715)	(21.0)	(13.5)	(904)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(1,623)</b>	<b>(14.8)</b>	<b>(6.7)</b>	<b>(1,905)</b>
Depreciation and amortization	(175)	(10.4)	(1.9)	(196)
Other operating revenues and expenses	(151)	(8.2)	0.5	(164)
<b>OPERATING INCOME</b>	<b>1,573</b>	<b>(6.9)</b>	<b>2.0</b>	<b>1,689</b>
Net income from companies carried by the equity method	(7)	n.m.	232.7	(2)
Amortization of goodwill in consolidation	-	-	-	-
Net income on Group transactions	(4)	n.m.	n.m.	9
Net loan loss provisions	(423)	(25.5)	(18.4)	(568)
Extraordinary items (net) and other	(10)	n.m.	n.m.	79
<b>PRE-TAX PROFIT</b>	<b>1,129</b>	<b>(6.4)</b>	<b>2.5</b>	<b>1,207</b>
Corporate income tax	(347)	(9.1)	(0.5)	(382)
<b>NET INCOME</b>	<b>782</b>	<b>(5.2)</b>	<b>3.8</b>	<b>825</b>
Minority interests	(353)	(17.3)	(9.4)	(428)
<b>NET ATTRIBUTABLE</b>	<b>429</b>	<b>7.8</b>	<b>18.1</b>	<b>397</b>

## Balance sheet

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01
Gross lending	15,220	(23.3)	19,834
Securities portfolio	23,607	(22.8)	30,582
Cash, interbank & monetary assets	13,703	(9.7)	15,179
Inter-area positions	240	(38.8)	392
Fixed assets	1,818	(30.3)	2,609
Other assets	3,530	(32.6)	5,239
<b>TOTAL ASSETS / LIABILITIES</b>	<b>58,118</b>	<b>(21.3)</b>	<b>73,835</b>
Deposits and debt securities	38,143	(27.6)	52,649
Income for the period	782	(5.2)	825
Equity assigned	2,292	3.1	2,224
• Shareholders' funds	1,335	16.6	1,145
• Other eligible funds	957	(11.3)	1,079
Interbank accounts	11,813	(8.9)	12,965
Inter-area positions	-	n.m.	40
Other liabilities	5,088	(0.9)	5,132
<b>OTHER CUSTOMER FUNDS MANAGED</b>			
• Mutual funds	6,030	(12.1)	6,861
• Pension funds	6,364	(4.6)	6,671
• Customers' portfolios and assets	7,473	(29.5)	10,593

## Relevant ratios

(Percentage)

	31-12-02	31-12-01
ROE	32.2	34.8
Cost/income ratio	46.1	48.2
NPL ratio	4.22	3.37
Coverage ratio	288.3	319.6

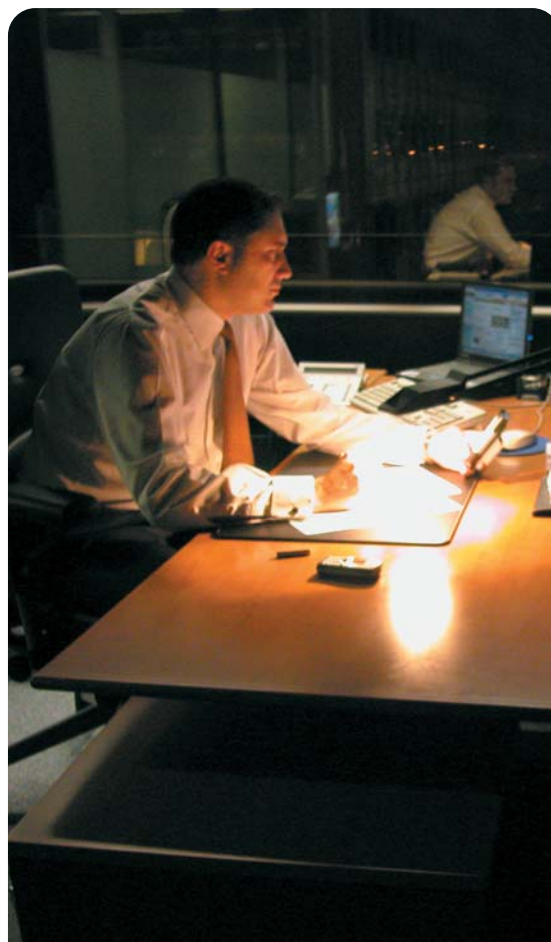


payments and electronic transfers, 2) payment of services by direct debit, which will allow greater efficiency and a fall in costs due to decreasing counter transactions, and 3) electronic check clearing, which will reduce the costs of clearing houses.

On June 26, 2002, the Mexican Federal Government and the Institute for the Protection of Bank Savings (IPAB) sold a total of 1,032,201,860 shares in the BBVA Bancomer Financial Group equivalent to 11.1% of its share capital, in a secondary offer that was public in Mexico and private on international markets, at a price of 8.10 pesos per share. Banco Bilbao Vizcaya Argentaria bought 276 million shares in this offer, equivalent to 3% of the stock capital. With this purchase and other additional purchases made in the market, the BBVA Group had a 54.7% stake in Bancomer on December 31, 2002.

In 2002, "Project Customer" was put into effect with the aim of making Bancomer seen by its customers as the best bank in Mexico and the most highly-valued in terms of its level of service. This project is made up of a set of programs that cover all the networks, segments, channels and affiliates. It has measurable goals and internal measurement schemes that are regularly checked against external perception surveys and is supervised at the highest level. It initially focused on identifying operational problems and stabilizing the level of service. A process was later introduced to continually improve service with a set of initiatives that include the following: shorter waiting time in branches, providing explanations, security, attitude and service availability, among others. The project's results in 2002 can be summed up in the improvement in the overall customer perception score from 7.0 in December 2001 to 8.1 twelve months later.

At the close of the financial year, Bancomer held the top spot in market share in terms of both funds (28.8%) and lending (23.3% not including Fobaproa) as well as total assets (25.3%), according to the Spanish Securities Market Commission (September 2002, latest figure available).



With regards to funds, current and savings account balances increased by 7.2% in 2002. This growth was aided by the ongoing "Libretón" campaign, which resulted in a market share of 47.9% according the Mexican Bankers' Association (December 2002). The structure of funds is thus continuing to improve, as sight deposits as a percentage of total deposits went from 40.9% at the close of 2001 to 47.2% on December 31, 2002. Meanwhile, mutual fund assets grew 13.9% over the last twelve months. This means that Bancomer Gestión, the mutual fund management company, now has 6 billion euros of funds under management, taking first place in fixed-interest mutual funds in the Mexican market with a 23.8% market share in December 31, 2002.



Lending performed well during the financial year, with a year-on-year increase of 3.9% in private sector lending excluding trust. The consumer lending portfolio was the main source of growth, with a year-on-year increase of 32.1%, due to increased issuing of credit cards (more than 600,000 cards sold in 2002), automobile financing (around 19,000 new loans during the year) and salary advance credit (213,000 new loans since the launch of the product in April 2002). The commercial portfolio started to grow in the second half of the financial year, indicating the start of a recovery in this segment, which increased by 1.6% between the third and fourth quarters of 2002. The only portfolio that fell behind was the mortgage portfolio, as the mortgage market for mid-range residential dwellings in Mexico only grew marginally.

As at December 31, 2002, the NPL ratio was 4.22%, compared to 3.37% on the same date the previous year, while coverage reached 288.3%.

In 2001, the Group's management in Mexico concentrated on reducing the cost of the merger of BBV Mexico, the Bancomer Financial Group and Banca Promex. In the financial year 2002, however, faced with pressure on margins due to the fall in interest rates, BBVA Bancomer's strategy focused on defending the customer spread, boosting fee income and additional efficiency improvements.

With regards to the first point, despite the average inter-bank rate having fallen 470 basis points during the year, net interest income only dropped 9.6% at a constant exchange rate, as a result of the measures taken to counteract the impact. The measures notably included, firstly, the aforementioned increase in the proportion of sight deposits as a percentage of traditional deposits and, in second place, managing the cost of funds, reducing the percentage remuneration above the inter-bank rate from an average of 50% in 2001 to 40% in 2002. Due to this, there was a slight recovery in the customer spread funds throughout the year, from 4.9% in the first quarter and 4.6% in the second to 5.2% in the fourth quarter, which

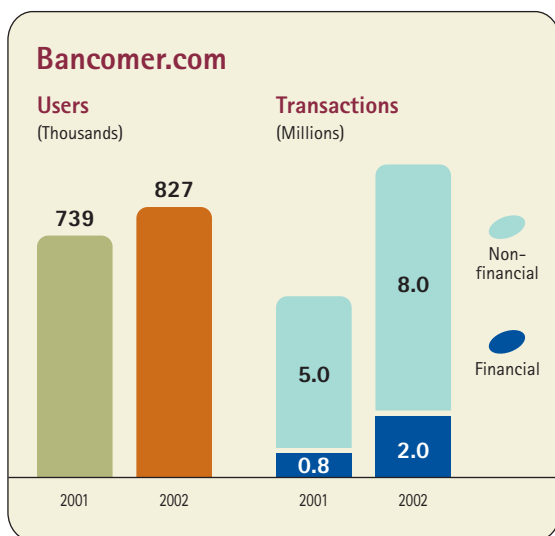
is 4.9% for the year as a whole. Excluding the effect of exchange rate changes, this enabled net interest income to continue to rise from 498 million euros in the first quarter to 580 million in the fourth quarter.

Another area of action was improving fee income, which grew 8.0% during the year (18.3% without the exchange rate effect), which meant that its weighting as a proportion of the ordinary margin grew from 29.3% in 2001 to 35.5% in 2002. The highest increases came in credit card and current account management fee income, as well as fee income from on domestic bond issue placements, an activity in which Bancomer became the established leader with a 20.2% market share, according to Dealogic (December 2002). There are plans to increase product cross-selling in the future, especially non-banking products (Afore, insurance, pensions, remittances), supported by the greater customer knowledge provided by the unified platform.

The healthier net interest income and fee income means that the basic margin fell just 1.0% at a constant exchange rate and, with the drop in income from market operations, the ordinary margin was 3,522 million euros, 2.4% less than in 2001 without the exchange rate effect.

As far as expense management is concerned, since the merger that gave rise to the BBVA Bancomer Financial Group in July 2000, a major effort has been made to bring out synergies and adapt structures to the business' requirements. Thus, both personnel and branch numbers have been reduced by 31% since then, which together with integration in the unified platform, process reengineering and intense development of on-line banking through the Bancomer.com service, has enabled significant reductions in costs and efficiency improvements.

During the financial year 2002, operating expenses fell 14.8% compared to 2001 (6.7% in constant euros), with falls in both personnel expenses and, especially, general expenses, which contributed to improving the efficiency ratio by more than two percentage points, from 48.2% in 2001 to 46.1% in 2002.



Excluding the exchange rate effect, the combination of the higher fee income and lower expenses offset the fall in net interest income, such that operating income in constant euros grew 2.0% higher than the previous financial year to 1,573 million euros. Excluding dividends and income from market operations, the area's most recurrent earnings fell to just 2.7% in current euros, but increased 6.6% in constant euros, which in a situation marked by a heavy drop in interest rates, demonstrates BBVA Bancomer's profit-generating capacity.

As a result of the foregoing, the area's net income amounted to 782 million euros, which is a 5.2% fall compared to the year before, but a 3.8% increase excluding the exchange rate effect. Due to BBVA's increased stake in Bancomer, attributable profit totalled 429 million euros, with growth of 7.8% or 18.1% at a constant exchange rate.

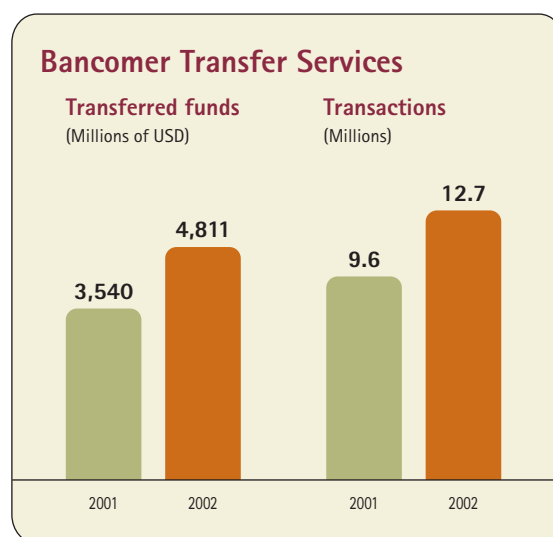
In the pensions business, the Group has held onto its leading position in Mexico through Afore Bancomer, a pension fund management company with 6,364 million euros under management on December 31, 2002, which means year-on-year

growth of 23.6% and market share of 21.7%. It has 4.4 million members, a share of 14.8%.

In 2002, programs were put into effect to increase operational efficiency and synergies between the Bank and Afore and to attract higher-income members to establish fee income flows, which together with marketing alternative products to compulsory pension schemes, enabled net income of 99 million euros to be generated, with year-on-year growth of 6.7% in constant euros.

Meanwhile, Seguros Bancomer, an insurance company that exclusively sells insurance through the bank branch network, achieved a 17.9% increase in premiums during the year and its market share was 39.3%.

Bancomer has a major presence in the market of remittances by Mexicans who live in the United States through Bancomer Transfer Services. The number of transactions grew from 9.6 million in 2001 to 12.7 million in 2002, while transferred funds increased from 3,540 to 4,811 million dollars over the same period.



## Banking in America



### ● Evolution by Countries

In 2002, the Banking in America area was responsible for managing the BBVA Group's banks in Latin America, except for Mexico. In order of asset volume, these banks are located in Puerto Rico and Chile (between them, the two most stable countries in the region, they account for a third of this area and with Mexico hold 75% of the Group's assets in Latin America), Argentina, Brazil, Peru, Venezuela, Colombia, Panama, Uruguay and Paraguay. Due to the special situation in Argentina, the figures for this country are not included in this section, but in the Corporate Activities area.

As at December 31, 2002, the reported total assets of 23,051 million euros and earned net profit of 260 million euros. The activity is carried out through 1,463 branches and 21,592 employees.

During the financial year 2002, the environment in which the activity in Latin America was performed was especially difficult: a major crisis in Argentina, which spread to Uruguay, political instability in Venezuela, pre-electoral instability with consequences for the economy and markets in Brazil, elections in Colombia, with the United States being at the bottom of the economic cycle, which spread to the rest of the Americas, and depreciation of the region's currencies against the dollar and euro, especially in Venezuela and Brazil. All of this made a year that could be classified as the most difficult year for this region since BBVA carried out large-scale diversification of its activities there.

In this difficult context, the Group's management firstly sought to create a suitable liquidity situation in the banks to prevent any tension. As a result, there has been much more intense growth in customer funds (debits increased 20.7% in local currency) than in lending (6.4%). The latter even fell in some cases, which made it possible to deal with immediate difficulties in certain countries such as Uruguay without any problems.

The second matter that guided management in America was optimizing the bank's operating

## Income statement

Millions of euros

	2002	Δ% (YoY)	Δ% at constant exchange rate	2001
<b>NET INTEREST INCOME</b>	<b>1,463</b>	<b>(6.6)</b>	<b>23.7</b>	<b>1,565</b>
Net fee income	330	(9.5)	17.6	365
<b>BASIC MARGIN</b>	<b>1,793</b>	<b>(7.1)</b>	<b>22.5</b>	<b>1,930</b>
Market operations	153	112.1	178.8	72
<b>ORDINARY REVENUE</b>	<b>1,946</b>	<b>(2.8)</b>	<b>28.2</b>	<b>2,002</b>
Personnel costs	(537)	(17.3)	9.9	(649)
General expenses	(415)	(17.2)	10.5	(502)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(952)</b>	<b>(17.3)</b>	<b>10.2</b>	<b>(1,151)</b>
Depreciation and amortization	(124)	(18.7)	4.5	(153)
Other operating revenues and expenses	(26)	(22.8)	6.0	(34)
<b>OPERATING INCOME</b>	<b>844</b>	<b>27.0</b>	<b>65.3</b>	<b>664</b>
Net income from companies carried by the equity method	8	n.m.	n.m.	(6)
Amortization of goodwill in consolidation	-	-	-	-
Net income on Group transactions	1	(86.5)	(76.7)	4
Net loan loss provisions	(319)	23.9	48.9	(258)
Extraordinary items (net) and other	(229)	98.6	178.3	(115)
<b>PRE-TAX PROFIT</b>	<b>305</b>	<b>5.1</b>	<b>44.0</b>	<b>289</b>
Corporate income tax	(45)	3.6	29.9	(42)
<b>NET INCOME</b>	<b>260</b>	<b>5.3</b>	<b>46.8</b>	<b>247</b>
Minority interests	(91)	67.7	246.2	(55)
<b>NET ATTRIBUTABLE</b>	<b>169</b>	<b>(12.4)</b>	<b>11.7</b>	<b>192</b>

## Balance sheet

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01
Gross lending	11,731	(25.9)	15,832
Securities portfolio	5,185	(20.2)	6,495
Cash, interbank & monetary assets	4,342	(22.3)	5,589
Inter-area positions	-	n.m.	59
Fixed assets	689	(36.8)	1,089
Other assets	1,104	(11.3)	1,245
<b>TOTAL ASSETS / LIABILITIES</b>	<b>23,051</b>	<b>(23.9)</b>	<b>30,309</b>
Deposits and debt securities	15,897	(17.2)	19,202
Income for the period	260	5.3	247
Equity assigned	2,288	(13.0)	2,630
• Shareholders' funds	1,945	(4.2)	2,030
• Other eligible funds	343	(42.8)	600
Interbank accounts	3,180	(52.5)	6,694
Inter-area positions	10	(87.8)	82
Other liabilities	1,416	(2.6)	1,454
<b>OTHER CUSTOMER FUNDS MANAGED</b>			
• Mutual funds	1,477	(35.1)	2,277
• Pension funds	-	-	-
• Customers' portfolios and assets	170	(54.1)	370

## Relevant ratios

(Percentage)

	31-12-02	31-12-01
ROE	8.0	10.4
Cost/income ratio	48.9	57.5
NPL ratio	3.65	4.03
Coverage ratio	154.0	139.3

income. The weak environment and the low interest rates (except in countries such as Venezuela and Brazil) conditioned net interest income and led us to look to cost reductions as a sure way of improving profits (although fee income and income from market operations grew of 17.6% and 178.8%, respectively, at constant exchange rates). The area's operating income grew 10.2% compared to average inflation in the 9 countries of 12.6%, despite the strong devaluation of many of the currencies, which made dollar-denominated costs more expensive. The number of employees fell by 2,077 (-8.8%), while the number of branches only dropped by 25 (-1.7%). The efficiency ratio significantly improved to 48.9% from 57.5% the previous year.

The third aspect worth highlighting is risk management and the highly conservative provisions made. During the financial year there was a general drop in the NPL ratio, which fell from 4.03% to 3.65%, while the coverage ratio rose from 139.3% to 154.0%. In addition, voluntary reserves were made in countries such as Venezuela, where the high interest rates and the devaluation of the Bolivar generated high income that we did not wish to allocate to profit for the financial year.

Lastly, several important strategic decisions have been made in several countries, such as the "Milodón" Project in Chile, "Plan Líder" in Colombia and, in 2003, the agreement with Bradesco in Brazil, which is explained in detail in the relevant sections.

## Evolution by Countries

The most relevant events in each of the area's banks and the environments in which they operate are mentioned below. The information concerning the evolution of the activity and the balance sheet figures are shown at constant exchange rates, in order to show their evolution in local currency. The earnings figures refer to each unit's contribution to the Group's profits, unless otherwise stated.



The supplementary information section of this Annual Report shows the financial statements of the main banks using local accounting criteria and in each country's currency, but in uniform format.

**Brazil.** The year 2002 was marked by the highly volatile markets, uncertainty in the electoral process, intensified by the international crisis and the fear that the Argentinean crisis might spread. This had a heavy impact on Brazil's country risk perception and the exchange rate, causing the Real to depreciate by 44.8% during the year with interest rate rises.

In this situation, for reasons of prudence, BBV Brazil's strategy was to prioritize balance sheet liquidity rather than growth in lending, which



rose 11.2% less than originally planned, while customer debits grew 43.3% (6.0% in transactional liability and 53.4% in term liability).

The need for a more liquid balance sheet worsened net interest income from the financial business, although it was offset by profits from dollar-denominated income (due to the heavy depreciation of the Real) and rigorously holding down expenses, which resulted in net profit of 26 million euros.

In 2002, BBV Brasil redefined its business strategy, with increasingly specific segmentation of its customer base, greater focus on customers and a direction more in line with its small relative size in the Brazilian financial system. Nevertheless, the lack of critical mass made it impossible to attain the profitability standards required by the BBVA Group, so the strategic dilemma was whether to invest strongly to achieve an ideal competitive position or partially or totally divest. BBVA for the latter for two reasons: the huge capital

resources that the first option would have required, increasing our risk profile, and the good conditions of the strategic agreement with Bradesco, providing much clearer prospects of profits for the BBVA Group. Thus, in January 2003, it was decided to integrate BBV Brasil's business with Bradesco, with BBVA taking a 4.5% holding in the Brazilian bank in exchange.

**Colombia.** 2002 was a complicated year in Colombia, both politically, due to the electoral process and the intensification of guerrilla attacks, and economically, with weaker growth than expected, higher inflation and an increase in the public deficit. In addition to these internal factors there was the uncertainty caused by the Brazilian electoral process, which affected the foreign exchange and public debt market, generating great volatility during the summer months.

In this difficult environment, BBVA Banco Ganadero launched the “Plan Líder” with the aim





of repositioning itself in the customer segments with greatest economic power, pulling out of marginal, low-profitability businesses. Its market share in deposits during the year was 7.2%. Optimization of the commercial network continued; on December 31, 2002 it had 233 branches and 3,708 employees (-5.7% and -8.4%, respectively during the year).

The launch of “El Creditón” is aimed at the consumer loan segment, due to its potential for growth and high margins, although always under strict risk control. In this regard, loan quality indicators continued to improve and the coverage ratio jumped to 257.9%.

The application of the “Plan Líder”, the policy to reduce high-yield liabilities and replacement of low-yield assets, with special emphasis on maintaining the customer spread, in an environment with interest rates at record lows,

started to bear fruit during the last months of the year, when net interest income began to improve. Expenses remained under control and fell again this year, even absorbing the increase in indirect taxes levied by the Government to mitigate the country’s high tax deficit. However, the Bank was affected by the aforementioned turbulence on the financial markets, with losses on the markets that produced an attributable loss of 11 million euros.

**Chile.** Chile, one of the most open economies in Latin America, saw scant GDP growth due to stagnant internal demand and weak external demand, which led the Central Bank to lower interest rates to 3% from 6.5% in December 2001.

In Chile, the Group has a mid-range market share in banking through BBVA Banco BHIF. On the other hand, it is by far the leader in pension management through Provida. As a whole, it is the largest financial group in Chile in terms of number of customers and one of the three largest in terms of funds under management and stock market capitalization. Thus, the strategic decision has been taken to move towards convergence of both businesses insofar as legislation allows, in addition to banking activity growth above the average rate for competitors. The so-called “Milodón” Project should progressively allow cost savings, greater commercial efficiency, revenue synergies and, all in all, a clear increase in medium-term profitability.

BBVA Banco BHIF has managed to take advantage of the consolidation taking place in the Chilean financial system, achieving growth in market share of 72 basis points in lending to 6.6% and 152 basis points in customer funds to 6.9%, the highlight being the 226 basis point increase in the share of mutual funds. The launch of new, innovative products and services contributed to this. As well as being the bank that started the debate in 2001 that led in 2002 to the possibility of paying interest on current account balances, it launched the mortgage with the lowest interest rate on the market and was the first company to offer mortgage loans not indexed to inflation (“Hipotecón en Pesos”). BBVA Banco

BHIF won recognition as one of the ten best developed companies in the country in 2002 (Estrategia) and its web page was selected as the best in the Chilean financial system and the third best in Latin America (Internet Banking, Speer&Associates).

As a result of these actions, both lending and customer debits enjoyed double-digit annual growth (19.4% and 35.1%, respectively). With regards to profits, Chile generated operating income of 78 million euros, a 6.7% fall, which is a 7% increase in local terms, while attributable income was 15 million euros.

**Panama.** BBVA Panama has 19 branches and 222 employees. During 2002, it continued its commercial focus on the higher-profit residential segment, starting to establish itself in consumer loans and mortgages and pulling out of low-profit sectors, as well as boosting growth in sight and savings accounts.

This helped improve net interest income to 5.5%, which together with the lower increase in operating costs and the lower provisions required, produced attributable income of 19 million euros, 52.4% more than in 2001.

**Paraguay.** BBVA Banco came out of the crisis in the Paraguayan financial system stronger. The crisis was due to the knock-on effect of the Argentinean crisis, the third largest bank in the country being placed under an administrative order and a vast withdrawal of deposits from the entire system. The Bank strengthened the structure of its balance sheet by better adapting the maturities of assets and liabilities and benefiting from a positive inflow of funds due to its image of solvency and strong equity. All this brought about increases in market share: 459 basis points in lending, taking it to 10.7% and 460 basis points in customer funds, which rose to 9.8%. We should point out that BBVA Banco ranks as the top-graded bank by the supervisory board that assesses their level of capitalization and the structure and quality of their assets, profits, management quality and liquidity.

VIP Banking was launched during the year as part of the strategy of encouraging growth in business with higher-profit customers. In the income statement, all margins increased by more than 50%, making for total attributable income of 8 million euros (73.4% higher than in the previous financial year).

**Peru.** In 2002, Peru was once of the countries in the region that performed best in macroeconomic terms, boosted by strong public and private consumption, inflation kept under control and the return to political stability. In this situation, the financial year of BBVA Banco Continental, which has a network of 176 branches and 2,369 employees, was notable for the revival of its activity (after several financial years of stagnancy), the end of the loan portfolio provision process and the improvement to the income statement.

In 2002, the Bank gained market share in deposits (up 172 basis points to 22.3%), and now ranks second. Much of this gain is due to the launch of Contiahorro, which is aimed at a segment in which it has less presence. It also improved, albeit to a lesser extent, in loans, where it attained a share of 16.4%. Mortgage growth was particularly notable, in excess of 30%, along with the revival in retail banking loans, focusing on large, low-risk customers and always following strict, prudent criteria when granting and monitoring risk.

In addition, the mutual funds business reported an increase of more than 30% in funds under management and a market share of 26.3% and BBVA Continental Bolsa kept its leadership of the brokerage business on the Peruvian stock market, both in equity and fixed interest.

During the financial year, two years ahead of schedule, the Bank completed the streamlining process it began in 1999, when it joined a legal scheme to sell portfolio to the Government. The process entailed significant provisions, which were possible due to good income growth and, especially, suitable expense management, which saw the efficiency ratio improve to 45.4%. The attributable income obtained in 2002 was 8 million euros.

**Puerto Rico.** The delay in the revival of the US economy States influenced growth on the island in 2002. In this context, BBVA Puerto Rico, which has 48 branches and 1,113 employees, saw scant growth in lending, especially in automobile loans in which the Bank is the sector leader and which accounts for about 30% of its portfolio. In order to boost this business, BBVA has launched the Auto Portal, an interactive module that allows dealers and end-customers to negotiate and process their loan applications.

On the other hand, the mortgage business benefited from the launch of the BBVA Mortgage brand and the Bank started to sell its mortgage portfolio to securitize it, generating capital gains in the income statement, while reducing interest risk. In addition, it launched the BBVA Business Account to establish itself in the SME segment and continued to replace expensive liabilities, adopting a strict price policy in order to maintain the customer spreads in a situation of falling interest rates.

Securitization and lower-yield fund capturing was boosted by the Bank's grading this year (Aa3 by Moody's in the long-term deposits category and A-1 by Standard & Poor's for commercial paper), the highest for any bank under Puerto Rican law and just one step below the BBVA Group.

As far as earnings go, and isolating the exchange rate effect, the financial year was marked by the fall in interest rates, which forced the bank to modify the balance sheet strategy in order to adapt to the new environment. Net interest income grew 0.2%, costs stayed in line with the previous year and there were fewer provisions. All this enabled a 15.2% improvement in operating income and a 27.8% rise in attributable income to 44 million euros.

**Uruguay.** In 2002, Uruguay was severely affected by the knock-on effect of the Argentinean crisis, with a fall in GDP close to 10% and a general flight of deposits out of the banking system, which even led to a general closure of banks during August with the worst-hit banks

subsequently brought under administrative orders.

In this context, management focused on generating sufficient liquidity, with customer loan sales, acquisition by BBVA of the 60% of the Uruguayan affiliate owned by Banco Francés and provision of credit lines to weather the crisis, which died down after the banks reopened, with a progressive return of deposits to the banks. BBVA Banco's liquidity position has been reestablished and it is worth highlighting that in the last months of the year some 9,000 new accounts were captured and there was an increase in customer balances of 24 million dollars.

However, the necessary liquidity policy put in place also had a clear cost in terms of profits, due to the loss of volumes traded, both on the liability side due to the loss of deposits, and on the asset side due to portfolio sales in order to finance them. This, together with the need to pay a high cost for deposits, basically explains the worsening of profits during the financial year, which turned into losses of 22 million euros.

**Venezuela.** In 2002, Venezuela went through a major political and social crisis, which in December led to a general strike that paralyzed the country's production system, especially the oil industry, thus deepening the economic recession. This situation affected the entire financial system, which saw lending fall in the absence of quality demand, while the portfolio of domestic public debt held by banks increased as alternative lending.

BBVA Provincial, which has a network of 396 branches and 7,521 employees, ranks third in Venezuela in terms of total deposits, with a share of 14.5%, and still leads the market in low-cost deposits. The financial year's highlight was the launch of "El Club Libretazo", a saving product with which customers win points and are offered discounts on purchases of products and services. This replaces "El Libretazo" after banking institutions were legally prohibited from holding prize draws.

In lending, with the deterioration of the country's situation, prudence has been the key



note, which explains the stagnation of loans. At the same time, progress continued to be made in improving risk quality, focusing the process on decision-making. Thus, at the close of the year, the Bank had an NPL ratio of 7.4% and a coverage ratio of 132%.

In terms of earnings, despite the crisis situation, BBVA Provincial obtained a significant increase in financial income as a result of the sharp jump in interest rates and the devaluation of the Bolivar.

Operating costs were also kept under control in a situation of high inflation and devaluation. A headcount reduction of over 10% contributed to this, while the branch network remained practically stable. All this brought about an increase of 103.6% in operating income (without the exchange rate effect). We have taken advantage of this to make extraordinary provisions, such that attributable income is 81 million euros, slightly lower than the previous financial year.



## Asset Management and Private Banking



- Mutual Funds
- Pensions Spain
- Pensions America
- Private Banking
- Insurance

The Asset Management and Private Banking area's activity and earnings are those generated in the domestic and international mutual fund business (excluding those in America), pensions (excluding those of Afore Bancomer, which is part of the Mexico business area, as well as those in Argentina, which are included in the Corporate Activities area), private banking and insurance, the latter case also excluding the insurance activity in Mexico and Argentina.

During the financial year 2002, the area was affected by the downturn in the markets and the depreciation in Latin American currencies. This had a particular impact on the off-balance sheet funds managed by the area, as it had a negative effect on both the net worth of the funds and capturing new funds. Thus, fee income dropped 10.8%, although the higher income from market operations contributable to the ordinary margin falling to a lesser extent (5.3%) and amounting to 806 million euros. Moreover, the 2.4% fall in general administrative expenses was not enough to improve the efficiency ratio, which was 31.6% compared to 30.7% the previous financial year. Attributable income was 376 million euros, a year-on-year drop of 14.3%.

### Mutual Funds

The volume of the Group's mutual funds in Spain fell 9.5% during the year, mainly due to the impact of the changes in the markets on the funds' yields. They were worth 33,059 million euros at the close of 2002, which is a market share of 19.4%.

In a financial year that was again characterized by great volatility in the markets, customer preferences were for safe products. In this regard it is worth mentioning the growth in the Group's guaranteed funds; BBVA gained leadership in this segment, ending the year with 10,200 million euros under management and market share of 26.8%, with 250 basis points of annual growth.

It is also worth highlighting the performance of the Group's real estate mutual fund, BBVA

## Income statement

Millions of euros

	2002	Δ% (YoY)	2001
<b>NET INTEREST INCOME</b>	<b>191</b>	<b>(7.5)</b>	<b>207</b>
Net fee income	565	(10.8)	633
<b>BASIC MARGIN</b>	<b>756</b>	<b>(10.0)</b>	<b>840</b>
Market operations	50	n.m.	11
<b>ORDINARY REVENUE</b>	<b>806</b>	<b>(5.3)</b>	<b>851</b>
Personnel costs	(155)	(9.3)	(171)
General expenses	(100)	10.5	(90)
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(255)</b>	<b>(2.4)</b>	<b>(261)</b>
Depreciation and amortization	(20)	(12.9)	(23)
Other operating revenues and expenses	(3)	4.5	(3)
<b>OPERATING INCOME</b>	<b>528</b>	<b>(6.4)</b>	<b>564</b>
Net income from companies carried by the equity method	57	9.3	52
Amortization of goodwill in consolidation	-	-	-
Net income on Group transactions	1	(98.4)	41
Net loan loss provisions	2	n.m.	(3)
Extraordinary items (net) and other	(21)	88.6	(12)
<b>PRE-TAX PROFIT</b>	<b>567</b>	<b>(11.9)</b>	<b>642</b>
Corporate income tax	(105)	(6.4)	(111)
<b>NET INCOME</b>	<b>462</b>	<b>(13.0)</b>	<b>531</b>
Minority interests	(86)	(6.9)	(93)
<b>NET ATTRIBUTABLE</b>	<b>376</b>	<b>(14.3)</b>	<b>438</b>

## Balance sheet

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01
Gross lending	1,895	(17.2)	2,290
Securities portfolio	761	(44.9)	1,380
Cash, interbank & monetary assets	7,377	(25.5)	9,902
Inter-area positions	557	9.4	509
Fixed assets	64	(60.3)	160
Other assets	71	(66.0)	212
<b>TOTAL ASSETS / LIABILITIES</b>	<b>10,725</b>	<b>(25.8)</b>	<b>14,453</b>
Deposits and debt securities	6,661	(18.2)	8,146
Income for the period	462	(13.0)	531
Equity assigned	1,099	(17.5)	1,332
• Shareholders' funds	609	(2.1)	622
• Other eligible funds	490	(31.0)	710
Interbank accounts	2,378	(31.7)	3,483
Inter-area positions	-	n.m.	678
Other liabilities	125	(55.8)	283
<b>OTHER CUSTOMER FUNDS MANAGED</b>			
• Mutual funds	3,172	(36.0)	4,956
• Pension funds	22,283	(8.9)	24,464
• Customers' portfolios and assets	18,151	(6.9)	19,491

## Relevant ratios

(Percentage)

	31-12-02	31-12-01
ROE	55.8	71.1
Cost/income ratio	31.6	30.7

Property; this fund closed the financial year 2002 with income of 7.2% (9.35% on average in the last three financial years) and volume of almost 318 million euros, 140 million euros more than a year before. The fund strategy is based on prudence and stability, which enable recurrent generation of capital gains with the resulting positive effect on their liquidation value.

After discounting the distribution to the marketing businesses, the attributable income obtained by the Asset Management unit, which includes the mutual fund, securities trust and custodial services businesses, amounted to 92 million euros, which is a 5% fall compared to that achieved one year before. This evolution was possible because the lower income motivated by the sluggish market performance was offset by higher income from market operations. The unit's efficiency ratio is 19.4% and, although it is worse than a year ago due to the impact of the markets on income-generation, it is still at high levels.

## Pensions Spain

The total volume of pensions managed by the Group in the domestic market exceeded 11,000 million euros at the close of the financial year 2002 and underwent year-on-year growth of 3.3%. Company pension funds account for 5,400 million euros with growth of 1.0%, while the individual scheme funds grew 5.5% and closed the financial year at 5,600 million euros.

BBVA is the leader in the pension scheme business in Spain, with a market share above 21% at the close of 2002, according to the latest data published by Inverco, almost 8 percentage points more than the next competitor.

Pensions Spain has obtained a Quality Certificate from AENOR and has passed data protection, operational risk and data integrity audits with flying colors in all cases. In addition, the BBVA Group's two management companies were the first pension fund and plan managers in



Spain to obtain investment certification through the GIPS Certificate, which has been obtained for the investments every year since 1996.

The unit's attributable income, after discounting the remuneration of the Group's sales networks, was 8 million euros in 2002 and the efficiency ratio was 25% (27% in 2001).

## Pensions America

The BBVA Group is the clear leader of the Latin American pension market, with a volume of 25,321 million euros of assets under management and a 28.0% market share, holding first-rate positions in the countries it operates in. Apart from Afore Bancomer and Consolidar AFJP, which are included in the Mexico and Corporate Activities business areas respectively, the volume managed by the fund managers included in the Asset Management and Private Banking area totalled 16,733 million euros.

Consistent with this position of leadership, the Group has decided to seek out new opportunities in countries where pensions are expected to be privatized in the short term. Based on this strategy, BBVA set up BBVA Crecer AFP to operate in the pension funds market in the Dominican Republic, in view of the imminent entry into force of the country's new Social Security Act.

In the financial year 2002, Pensions America's efforts have focused on consolidating common management parameters in order to develop the business and maximize efficiency. In this regard, a common commercial management and administration model has been implemented for all the pensions management companies. With the management companies in El Salvador and Bolivia, the standardization of the corporate image of the whole of the Group's network has been completed.

In Chile, the BBVA Group is the undisputed leader in the compulsory pensions market through Provida, with a volume of 10,505 million euros of funds under management on December 31, 2002,

a share of 31.5%, and 2.7 million members (40.3% share). Its net income was 32 million euros in the financial year 2002. During the year, Provida broadened its range of products and services with the Multifondos system, which enables members to choose between five funds with different degrees of risk depending on their risk aversion and their age. It has also started to sell voluntary pensions (APVs) and unemployment insurance.

In Colombia, the BBVA Group is present in the pensions market through two pension fund managers, BBVA Horizonte and Porvenir (an investee company of the Provida Group). The total volume of funds managed by BBVA Horizonte Pensions y Cesantías amounted to 1,260 million euros, of which 975 million euros are for compulsory pensions, which is a share of 18.7%, third place in the ranking, while the remaining 285 million euros are voluntary pension and unemployment insurance funds. The net income in the financial year 2002 amounted to 10 million euros, with year-on-year growth of 4% (20.5% in constant exchange rate terms). Porvenir holds top place in the compulsory pensions market with a 27% share.

The pension fund manager BBVA Horizonte ranks number one by number of members in Peru, with a 26.3% share of members, and assets under management worth 1,089 million euros, which is a share of 25.5%. The net income for the financial year 2002 was 13 million euros, with a y-o-y increase of 7.7%.

In El Salvador, the Group was present in the compulsory pensions market through the pension fund manager BBVA Crecer, being the leader in number of members with a share of 55.0% and 492 million euros of assets under management, which is a share of 48.2%. In 2002, BBVA Crecer was graded as EAAA by the rating agency Fitch.

The pension fund manager BBVA Previsión held onto its leading position in the Bolivian market with 1,312 million euros of assets under management, which is a 51.4% share. It has a 54.1% share of members with more than 400,000.

In Panama, BBVA manages SIACAP (Government Employee Pension Capitalization and Saving System) funds through two management companies, BBVA Horizonte and Progreso. The total volume managed by both of them amounts to 264 million euros, of which 81.3% are SIACAP funds, a market share of 50.1%.

## Private Banking

The Private Banking business underwent significant structuring during the financial year 2002. Domestically, the foundations were laid to carry out a line of activity of integrated personal financial services, perfectly suited to a market with vast potential, while the international business' structure has been streamlined and the future guidelines have been defined.

In the domestic business, in which more than 11,000 million euros of worth of funds were under management at the close of the financial year, BBVA was firm leader in the securities investment firm market, with a share of almost 22% according to the latest figures published by the Spanish Securities Market Commission and 3,600 million euros of assets under management. In this respect, the Group continued with its technological renewal and investment plan in order to guarantee personal service and better quality.

The international business, which manages 14,100 million euros in customer assets and portfolios, saw a fall in its level of activity in line with the changes in the foreign exchange and financial markets.

During 2002, the money laundering prevention regulations were tightened and tools and procedures were put in place in line with the highest international standards.

As an example of the importance given to quality of service, in addition to the renewal of ISO 9001:2000 and ISO 14001 certificates, Banc Internacional-Banca Mora de Andorra received

the EFQM European Quality Award in the Category for Subsidiary SMEs for the second time. In addition, it was rated by Moody's as Aa3 for the long term, Prime-1 in the short term and B for its overall financial strength.

The income from Private Banking in the financial year 2002 amounted to 108 million euros, a fall compared to the previous financial year of 32.7%, basically motivated by the impact of the changes in the foreign exchange and financial markets.

## Insurance

In 2002, BBVA Seguros reported net premiums in excess of 1,600 million euros. Worth noting was bank insurance, which grew almost 60% in terms of volume of net premiums, exceeding 970 million euros at the close of the financial year.

The best performers were the individual life assurance and guaranteed income businesses. In the first case, net premiums grew 4% in 2002 to 147 million euros and BBVA Seguros is far and away the market leader with a share of 23%, according to the latest data published - more than twice its nearest rival. In the case of guaranteed income, 633 million euros in net premiums were collected compared to 179 million in 2001, the financial year in which the product was launched.

Financial indicators evolved in a manner consistent with the business. Pre-tax profit totalled 151 million euros, up 10% on the previous year. Claim indicators also improved in all lines of activity, with significant progress made in free life (380 basis points) and home (150).

Throughout the financial year, BBVA Insurance passed the most demanding quality audits of its systems and procedures, which is an additional service guarantee for all its customers.

BBVA has finished streamlining and restructuring the companies in the America Insurance unit, which does not include the activity in Mexico or Argentina.



## Corporate Activities



- Industrial and Real Estate Group
- Argentina

This area includes the Industrial and Real Estate Group holdings, the e-business, the European strategic interests, the activities and earnings of the support units, such as the COAP area, and any other items that cannot be assigned to any of the Group's business areas on account of their nature, such as country risk provisions and goodwill amortization. Furthermore, due to the exceptionally harsh economic climate in Argentina, the earnings of the Group's companies based in that country are recorded as equity accounting income, and in the year reported a loss of 6 million euros, compared to the loss of 218 million recorded in 2001 due to the extraordinary provisions made at the end of such financial year.

The impact of the Argentinean crisis on investee companies with interests in the country, the amortization of the UMTS licenses by Telefónica and the stock market situation, which did not enable capital gains to be made, dented the earnings of the Industrial and Real Estate Group, which recorded attributable income of 432 million euros, 54.6% less than the previous financial year.

The Corporate Activities area includes the 301 million euro income from market operations earned by the COAP unit during the financial year. It also includes 499 million euros of operating expenses, distributed among different income statement items, generated by the support areas and not passed on to the areas of business as well as others that due to their institutional or corporate nature were not assigned to the various business areas, sub-areas or units.

In addition, this area includes country risk provisions, especially conditioned this financial year by the reclassification of Argentina from group 4 to group 5, which led to an increase in coverage of risk positions of up to 50% and a provision of 103 million euros.

The goodwill amortization charge made during the financial year 2002 amounted to 679 million euros, 9.0% more than the previous year basically due to the higher amortizations derived from the increased holding in Bancomer and BNL, as well

## Income statement

(Millions of euros)

	2002	Δ% (YoY)	2001
<b>NET INTEREST INCOME</b>	<b>(63)</b>	<b>n.m.</b>	<b>167</b>
Net fee income	(111)	1.8	(112)
<b>BASIC MARGIN</b>	<b>(174)</b>	<b>n.m.</b>	<b>55</b>
Market operations	227	n.m.	15
<b>ORDINARY REVENUE</b>	<b>53</b>	<b>(26.1)</b>	<b>70</b>
Personnel costs	(429)	0.9	(425)
General expenses	58	(42.9)	99
<b>GENERAL ADMINISTRATIVE EXPENSES</b>	<b>(371)</b>	<b>14.5</b>	<b>(326)</b>
Depreciation and amortization	(139)	2.0	(135)
Other operating revenues and expenses	(20)	185.7	(9)
<b>OPERATING INCOME</b>	<b>(477)</b>	<b>20.4</b>	<b>(400)</b>
Net income from companies carried by the equity method	(20)	n.m.	121
Of which: Argentina	(6)	(97.2)	(218)
Amortization of goodwill in consolidation	(679)	9.0	(623)
Net income on Group transactions	363	(59.6)	900
Net loan loss provisions	(176)	n.m.	(27)
Extraordinary items (net) and other	(70)	267.1	(18)
<b>PRE-TAX PROFIT</b>	<b>(1,059)</b>	<b>n.m.</b>	<b>(47)</b>
Corporate income tax	470	121.8	211
<b>NET INCOME</b>	<b>(589)</b>	<b>n.m.</b>	<b>164</b>
Minority interests	(89)	(47.4)	(166)
<b>NET ATTRIBUTABLE</b>	<b>(678)</b>	<b>n.m.</b>	<b>(2)</b>

## Balance sheet

(Millions of euros)

	31-12-02	Δ% (YoY)	31-12-01
Gross lending	2,005	(34.4)	3,058
Securities portfolio	22,590	(5.1)	23,807
Cash, interbank & monetary assets	20,389	14.9	17,741
Inter-area positions	-	-	-
Fixed assets	6,071	(5.8)	6,448
Other assets	8,318	(11.3)	9,375
<b>TOTAL ASSETS / LIABILITIES</b>	<b>59,373</b>	<b>(1.7)</b>	<b>60,429</b>
Deposits and debt securities	42,472	1.5	41,859
Income for the period	(589)	n.m.	164
Equity assigned	7,835	(16.6)	9,397
• Shareholders' funds	2,874	(14.8)	3,372
• Other eligible funds	4,961	(17.7)	6,025
Interbank accounts	2,940	(22.3)	3,783
Inter-area positions	5,134	(40.7)	8,662
Other liabilities	1,581	n.m.	(3,436)

as the 129 million euro extraordinary amortization of investments in non investment grade countries carried out at the end of the financial year

In the e-business field, during 2002 BBVA launched various e-commerce initiatives: the B2C (Business to Consumer) highlight was the launch of Mobipay España (payment by mobile telephone) and the Atrea real estate portal, while in B2B (Business to Business) BBVA bolstered the offerings of the Adquira marketplace and Solium as an internet portal I.T. support company. Moreover, the unit adapted its structure to the new market situation and was involved in advising the Group's business units on new technologies (mobile internet, domotics, digital TV, etc.).

## Industrial and Real Estate Group

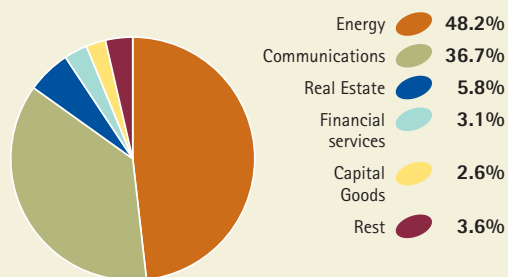
This area manages the Group's portfolio of industrial and real estate holdings in Spain, which is made up of different companies with a high degree of diversification among sectors. The most significant sector is energy, which accounts for more than 48% of the portfolio's book value, after which comes communications with close to 37%. The BBVA Group is the largest or a leading shareholder in the most notable companies in each of these sectors: Telefónica, Repsol, Iberdrola, Iberia, Corporación IBV, etc.

The unit's main aim is to create medium- and long-term value based on the Group's strengths (capital, know-how and brand) and with four key elements: profitability, rotation, liquidity and consumption of economic capital.

The portfolio rotation policy led to divestments that provided 1,417 million euros and generated capital gains in excess of 590 million euros. The key transactions were the sale of 27.7% of Metrovacesa, with a capital gain of 375 million euros, 7.6% of Acerinox, with a capital gain of 66 million, as well as 4.6% of Acesa and 1.8% of Havas, with capital gains of 20 million and 41 million euros, respectively.

### Distribution of the holding portfolio by sectors

(Book value on 31-12-02)



This financial year was characterized by market volatility, which had a direct effect on trading portfolio investments, leading to 153 million euros in provisions being made.

Equity accounting contributed 108 million euros, compared to 427 million the previous financial year, largely as a result of the adjustment made due to Telefónica amortizing the balances for the UMTS licenses, as well as the losses of investee companies with interests in Argentina.

In real estate, BBVA invested 148 million euros in 15 land and housing development projects, with 700,000 m2 available for development. In 2002, 370 dwellings were handed over and BBVA divested from several land projects, generating capital gains of 30 million euros. Thus, as at December 31, 2002 the development portfolio contained 2.3 million m2 available for development and 3,500 dwellings under management in 50 projects, 20 of which were co-managed by development partners.

In addition, BBVA continued to sell-off the assets derived from repossession proceeds, as well as its surplus of former branch offices, all as part of its property-streamlining plan. Sales totalled 320 million euros, generating capital gains in excess of 127 million euros. At the end of the year, BBVA had 2,335 non-productive real estate assets

in stock, with a book value of 114 million euros and a provision level of around 50%.

In all, in 2002 the Industrial and Real Estate Group reported an attributable income of 432 million euros, which is a year-on-year decrease of 54.6%.

## Argentina

The measures approved in Argentina at the end of 2001 in response to the serious economic crisis (freezing of public debt payments, the end of currency convertibility, devaluation and asymmetrical pesification of bank assets and liabilities, imposition of cash withdrawal limits on sight and savings accounts - the “corralito” - and re-planning of term deposit maturities - the “corralón”-) had a heavy impact on the liquidity and solvency of financial institutions.

Far from alleviating banks' liquidity situation, the “corralito” triggered a rush to withdraw the maximum amount authorized and the filing of legal appeals, which caused a continual drain on funds that started to let off from July onwards, enabling partial release of term deposits in October to 7,000 pesos (rising to 10,000 pesos in some banks such as BBVA Banco Francés) and all funds in sight accounts in December. Customers were also given the possibility of swapping re-planned deposits for bonds, an offer taken up by 22% of people (30% in Banco Francés) for the plan that ended in June (a second plan is in force until March 5, 2003).

As far as solvency is concerned, some of the imbalances caused by the measures decreed were offset with public bonds. However, the pesification prompted asymmetries and losses that have not been offset and are affecting banks' profits: the difference between the free exchange rate at which foreign currency deposits were paid in performance of the legal decisions in favor of depositors and the exchange rate at which they were converted into pesos (1.40 pesos/dollar); and the losses caused by applying a lower updating rate to certain loans converted to pesos than deposits.



This banking crisis prompted a downturn in the stockbrokerage business, forcing BBVA Banco Francés to redefine its business strategy and adapt it to the new environment. In addition, the operating structure was reviewed in depth and redesigned to adapt it to the new business profile, resulting in the headcount being downsized by 907 people (17.7%) and the closure of 96 branches during the year.

Income-generation was clearly conditioned by the limited scope for banking business during the financial year, as well as by the high provisions made, since as a prudent response to the many uncertainties that still persist, all of the operating income generated in 2002 was allocated to provisions.



Net interest income was hit by the high rates paid on liabilities in order to maintain liquidity (the priority objective during the financial year) on the one hand and on the other by meager performance of private sector lending, with interest rates administered by the government in large part and clearly below market rates. This was partly offset by the positive effect of updating the public sector loan portfolio and a small part of the private portfolio with inflation.

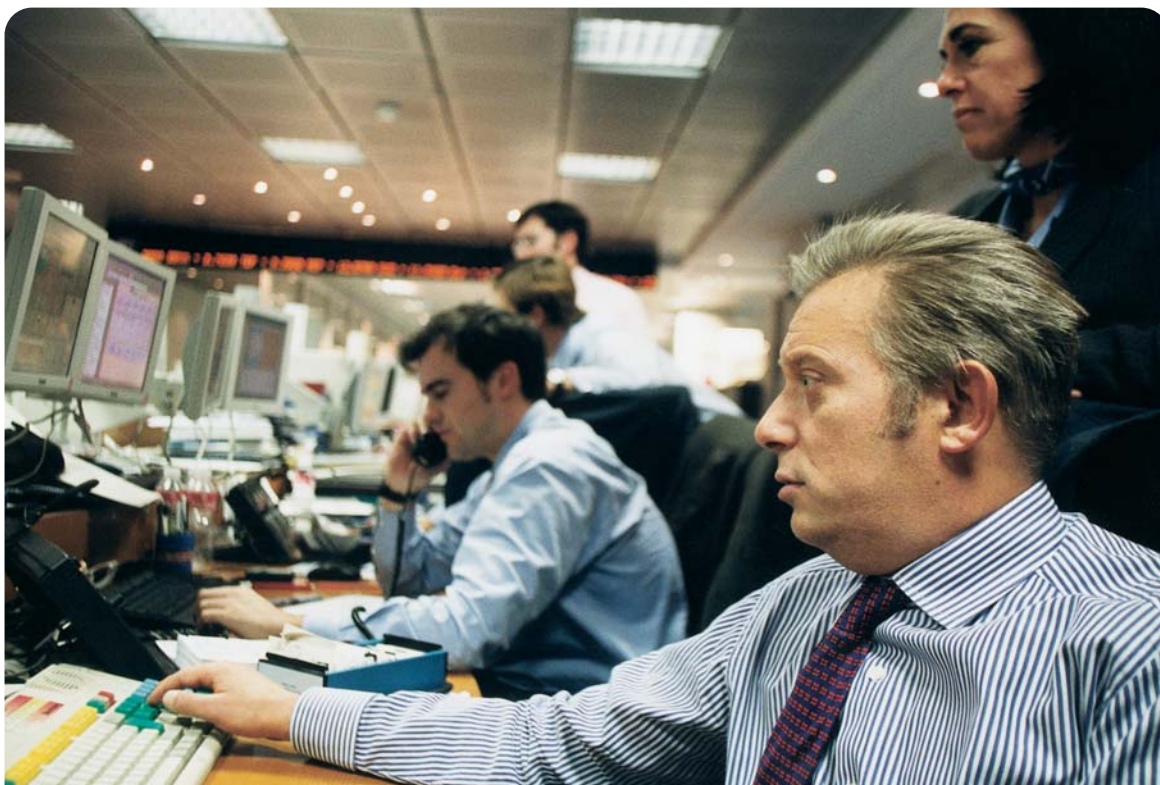
In this context, operating expenses and loan recovery are the only variables that can be acted upon effectively, and BBVA is already actively working along these lines.

Having overcome the liquidity problems - Banco Francés exceeds all the legally established liquidity requirements - it also has a firm equity situation with which to face 2003, following the increase in capital carried out in December 2002, with capitalization of debt by BBVA and

third-party cash contributions. The Group thus raised its stake in Banco Francés from 68.2% to 79.6%.

The Consolidar Group meanwhile is outright leader in the Argentinean pension and insurance market (pensions, insurance, retirement, health and accident insurance). AFJP BBVA Consolidar manages assets worth 2,224 million euros, with a market share of 20.4%.

In the complicated environment of the Argentinean financial system, Consolidar has demonstrated its management capability, holding onto its top position in the market in terms of yield. In addition, the selective commercial policy, focused on the high-income segment, made it possible to maintain the quality of the membership portfolio and increase the share of funds collected. With inflation-adjusted accounting, BBVA Consolidar recorded an attributable loss of 6 million euros during the financial year.







2002 Annual Report





# Other Areas and Activities

- Human Resources
- Quality
- Intellectual Capital
- Systems and Operations

## Human Resources

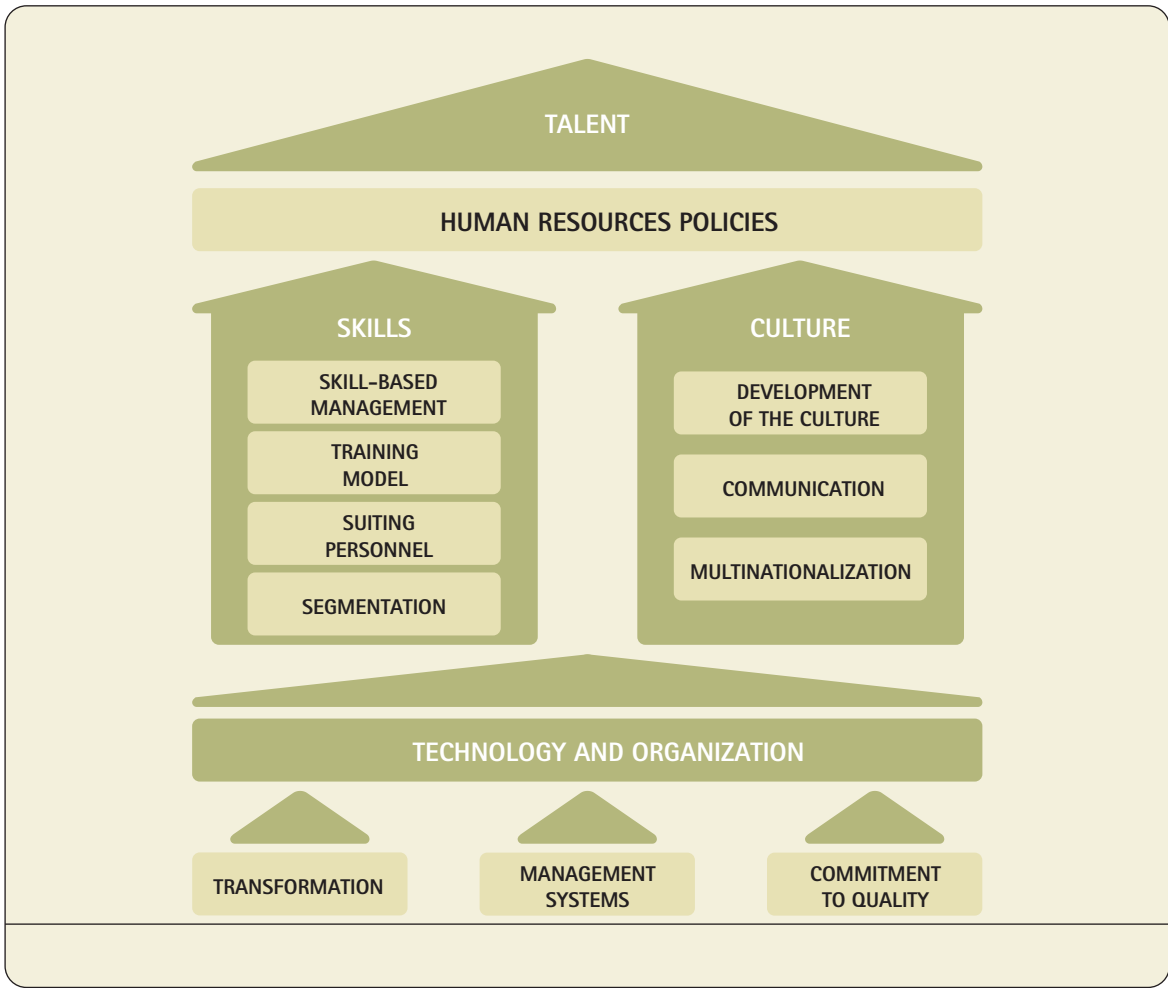
Viewing growth in talent as a basic need derived from a current environment characterized by ongoing transformation processes and increasingly global competition is the guiding principle behind BBVA's action strategy for human resources.

Two critical factors have been defined as the driving forces behind talent in our Organization: the corporate culture and skills-based management. Both factors have determined our human resources activity in 2002, and the configuration of the different policies.

**Corporate Culture.** The Human Resources area has taken part in defining the vision, principles and commitments of BBVA's Corporate Culture, leading a project that involved setting up more

than 150 working parties with 1,200 participants, who have compared the desired culture with the current situation and, by pointing out aspects with room for improvement, have allowed BBVA to establish an initial action plan to implement the cultural principles throughout the Group.

At the same time, in 2002, progress was made in providing the group with more of a multinational direction, furthering the application of global systems. For this reason, the Human Resources area has been restructured, becoming an umbrella area with a global scope, which includes the main support activities (policies and systems, recruitment, training, knowledge management, labor framework, administration and management control) in order to ensure corporate action regarding these matters. Likewise, we have gone further in encouraging



cross-border movement of professionals, with the creation of the global coverage committee, which manages the movements that affect 586 posts regarded as global with a group vision.

In this financial year, we have also defined the principles and a new policy for internal communication, configured under the two-fold focus of systematizing communication through managerial channels and strengthening it through corporate channels.

**Skills-based management.** The skills-based management model is based on viewing the level of development of professionals' skills (personal abilities and technical knowledge) as directly influencing the organization's performance and so managing them systematically will make it possible to achieve better results.

The model is based on the contrast between the requirements of a post (functional profile) and the valuation of the post-holders' skills (professional profiles). This contrast makes it possible to detect each professional's strengths, as well as the areas they need to improve in order to better perform their role. The Group has defined 430 functional profiles into which 26,400 professionals fit (82% of the staff in Spain), which will receive the information resulting from the aforementioned contrast in the early months of 2003.

In cooperation with all the business and support areas, an inventory has been carried out of the knowledge needed to create value in the Group and we have started to locate it in any of its forms: documents, training options, experts, communities, external links, etc. in order to later provide access to it through a "knowledge portal". This is intended both to enable professionals to develop and as a response to the challenges that arise in daily work.

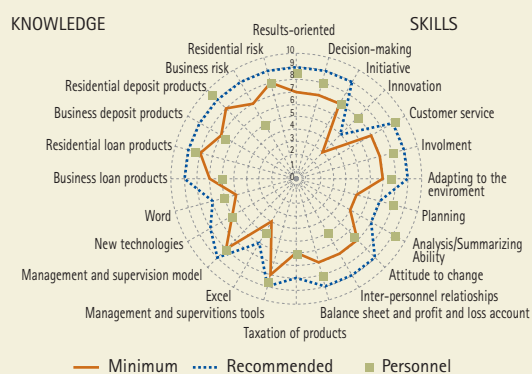
In 2002, we included employees' opinions in the assessment of managers' skills (using the 180° technique) with each professional carrying out self-assessment of their knowledge in order to determine the degree of technical knowledge that affects their role.

The highlight as far as training is concerned is the setting up of the Corporate Training Center, made up of four schools (Management, Languages, Finance and Technology) for the purpose of boosting both management skills and specific knowledge. Since May, when it opened, more than 2,100 managers and technical staff from the various BBVA units in the world have attended the 50 sessions held among the various schools and the different programs they teach.

Distance learning is becoming increasingly important and makes up 36.5% of all training activity. Of this, e-learning has grown strongly, with the number of users doubling compared to 2001. Mass training has been carried out through this channel such as the training of 21,000 employees in the commercial network on BBVA net (the Group's transactional internet portal).

The need to have a competitive body of personnel over time has meant that in 2002 we continued the policy of renewing personnel, which has involved 7,652 coming into the Group while 13,147 have left. With more than 1,400 young graduates recruited in Spain alone, BBVA has become one of the organizations with the most graduates in the country, both in order to meet the needs of the various business areas and to attract talent to the Group.

### Skills-based management: contrast between the functional and professional profile





The processes for recruiting new personnel are increasingly supported by the use of technology. Thus the sole entry point for résumés is BBVA web page on which 120,000 résumés have been received in little more than a year. The web page enables job offers to be advertised as widely as possible, allowing equal opportunities, personal treatment of candidates and recruitment based exclusively on merit and ability. Use of advanced analysis tools made it possible to carry out recruitment tests on more than 11,000 people in 2002 in Spain alone, with the greatest objectivity ensured in the processes of bringing people into the Group.

**Other actions.** In 2002, we began to put the more critical and widely-used human resources processes in Spain on the intranet through the Employee Portal: 1) the annual skills assessment, including the basic annual assessment of skills and self-assessment of knowledge, 2) annual assessment of results, 3) personal information (salaries, loans and tax information) and 4) the employee's manual with documentation about human resources policies and processes.

The creation of the Employee Care Service has also meant significant progress towards the goal of making a specialist channel available to all personnel for queries and information.

In October, BBVA launched nuestroBBVA.com, an internet portal for all BBVA personnel in Spain, which throughout 2003 will extend to all the countries in which the Group operates. Part of the

transformation project, nuestroBBVA has a three-fold purpose: to encourage development of technological skills, create a permanent communication channel and help create a virtual community that fosters a sense of belonging. NuestroBBVA complements and strengthens other initiatives set up beforehand such as Plan Conect@ and C@mpus BBVA.



## Quality

In 2001, BBVA developed a new corporate quality model. It is a simple model in its theoretical design but very powerful in its practical development, because it enables us to approach quality concepts and designs in a very intuitive way. 2002 was the year the model was launched on a worldwide scale, along with the multi-nationalization program embarked on by the Group.

The model has the same application system in its basic modules (external customer, internal customer and people), based on identifying their needs and expectations, assessing their level of satisfaction, identifying areas that could be improved, establishing new plans and results follow-up, with a sequence that is cyclically repeated.

The process module is based on identifying the key processes in each area of activity, checking that customers' needs or expectations are met, and continuous improvement or redesign, and, as in the previous modules, within a cyclically repeated sequence.







Within the external customer module, 2002 has been strongly focused on situations that give rise to customer dissatisfaction, with standardized assistance and procedure guides for problem solving and analyzing the reasons for these situations. This means work has been carried out not only in improving incident and claim management but also in reducing the reasons for dissatisfaction.

Likewise, the satisfaction level assessment has been extended to all the internal services, by means of a broad survey, which measures the general nature of the services rendered, and in-depth surveys, which broadly and deeply assess each and all of those that are considered key services.

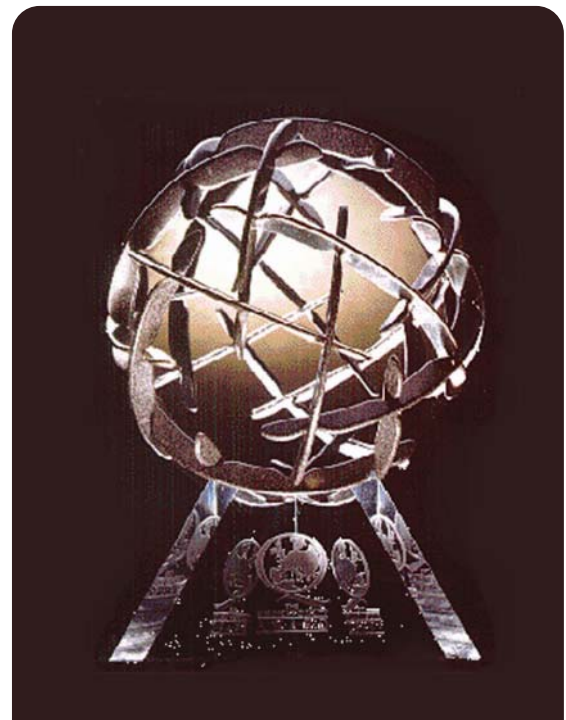
Regular analysis of the internal service situation has been essential to extend quality service agreements that, with the high levels we have set of ourselves and taking external standards as a reference to make them highly competitive, has meant a clear improvement in internal efficiency.

Regarding the process module, during 2002 the migration of the ISO 9000 certification continued towards the new 2000 version, in which BBVA has pioneered and spearheaded certification activities in most of the areas in which it operates, keeping the same strategy of determining the suitability of certification based on its

contribution to the quality of products and services and not based on the number of certifications.

Due to this activity and the leadership of BBVA in its initiatives and progress towards excellence in management, the annual forum of the European Foundation for Quality Management (EFQM), held in October in Barcelona and which was attended by 800 officers from the most important companies and institutions from all the countries of Europe, was presided by BBVA not only on an institutional level but also within an organizational scope.

Lastly, within the field of international recognition of excellence in management, after an in-depth and demanding assessment process, the subsidiary of the BBVA group in Andorra, Banc International–Banca Mora, won the European Prize for excellence in management, for the second time in a row. This prize is awarded each year by the European Foundation for Quality Management (EFQM).



# Intellectual Capital

The importance that the BBVA Group places on its teams, its firm commitment to transformation, passion for customers and the growing awareness of its social impact are reflected in a set of indicators that BBVA has included in its intellectual capital measurement model. The aim of this is to show the Group's intangible assets that contribute to creating value, with the aim of complementing the other financial and tangible asset indicators.

**Human Capital.** The key human resource processes that have the most direct effect on intellectual capital focus on the need to attract, retain, motivate and develop talent:

- Skills-based management, which considers that the level of development of professionals' skills (personal skills and

technical knowledge) influences the Organization's performance, so it is necessary to manage them systematically by contrasting the requirements of each post (the functional profile) and assessing the skills of each post-holder (professional profiles). This contrast makes it possible to detect each professional's strengths, as well as the areas they need to improve in order to better perform their role.

- Segmentation is a response to the fact that the value contributed by each employee is different, as are their professional needs. Accordingly, personal management increases the level of efficiency and quality in the human resources activity, as differentiation enables greater adaptation to the professional's aforementioned needs.



- Training based on skills-based management and segmentation, which is oriented towards qualification (suited to the person to the post) and development

(increasing skills in order to access roles with greater responsibility and encouraging self-development).

## Human capital indicators

	2002	2001	2000
<b>DESCRIPTION</b>			
Number of employees *	93,093	98,588	108,082
• Spain	31,737	31,686	33,733
• America	59,293	64,835	72,314
• Rest of the world	2,063	2,067	2,035
Average workforce age	42.1	42.5	42.6
Men/women ratio (%)	66/34	68/32	69/31
<b>TALENT MANAGEMENT</b>			
New recruits	1,716	889	167
• High potential young people	1,485	759	31
• Specialists	231	130	136
Number of people promoted	4,810	4,324	3,787
% Undesired external turnover	0.30	0.47	0.57
Officers incorporated into training plans in other countries (cum.) (no.) *	333	306	275
People for whose post a functional profile has been defined (%)	82.5	-	-
Managers who have undergone 180° assessment (%) *	95.0	-	-
Managers who have undergone assessment through the assessment center (%) *	20.0	-	-
Employees who have carried out self-assessment of their knowledge (no.)	18,857	-	-
% training hours/ working day	3.2	3.4	2.9
Managers and technical personnel trained in the Corporate Training Center (no.) *	2,100	-	-
No. specialists trained at Finance School	394	550	214
No. courses at BBVA C@mpus	65	60	31
No. people who have used C@mpus for training	10,500	7,000	2,500
Employees who are active users of nuestrobbva.com (no.)	6,568	-	-
<b>MOTIVATION</b>			
% of people under management by objectives	75.8	73.2	64.2
% of people with variable remuneration	80.1	79.9	73.0
Average % variable/total remuneration	10.9	10.1	8.5

\* These figures refer to the Group. The rest refer to Spain.

# Intellectual Capital

**Structural capital.** The BBVA Corporate Culture project is one of the key parts of this. We should also highlight the growing importance of the e-space corporate intranet as a tool for transforming internal processes, as a basis for structuring and spreading corporate knowledge and as a means of communication. Many processes have already been automated through it, which has not only brought about a notable reduction in time, but also savings worth €8.5 million. A large part of these processes individually affect the professionals in the Group and have been included in the Employee Portal.

**Relational capital.** All internal initiatives have an indirect or knock-on effect on relations with customers, shareholders, employees and the company. Projects and results of particular importance emerge from these relations, such as the new corporate governance rules or actions related to corporate social responsibility. Improvement in the customer satisfaction index, which in this financial year has fallen throughout the financial sector, is the aim of all service quality improvement initiatives, as well as the Financial Services project. Other projects, such as the portal for

## Structural capital indicators

	2002	2001	2000
<b>CULTURE AND VALUES</b>			
Focus groups that have taken part in the Project (no.)	150	-	-
Employees who have worked on the Project (no.)	1,200	-	-
<b>ONGOING IMPROVEMENT</b>			
No. ISO certifications obtained (cum.) *	79	77	66
No. external quality recognitions (EFQM) *	1	3	3
No. quality projects implemented *	110	103	95
% people with quality training (cum.)	16.3	15.6	14.2
Areas subject to internal client survey (%)	85	80	78
Service quality agreements (no.)	132	-	-
% teleprocessing availability	99.7	99.7	99.5
<b>NEW TECHNOLOGIES AND TRANSFORMATION</b>			
No. intranet daily users	12,000	3,500	-
No. intranet pages viewed per day	1,700,000	800,000	-
No. documents stored on the intranet	108,120	27,000	-
No. people contributing to intranet content development and maintenance	250	200	-
No. intranetized processes (cum.)	84	31	-
Intranet projects	114	-	-
Virtual communities in progress (no.)	15	10	-
No. professionals in BBVA Communities program	623	410	-

\* These figures refer to the Group. The rest refer to Spain.

employees and relatives, nuestroBBVA.com, contribute to increasing, improving and

strengthening relations with all interest groups related to the Organization.

## Relational capital indicators

	2002	2001	2000
<b>RELATIONS WITH CUSTOMERS</b>			
% level of satisfaction of commercial network customers	70.0	73.2	76.2
No. branches *	7,504	7,988	8,729
• Spain	3,414	3,620	3,864
• America	3,886	4,161	4,865
• Rest of world	204	207	217
% Workforce in management and front-office positions	98.5	98.5	97.0
New channels			
• Calls handled by telephone banking (millions)	6.5	6.4	6.9
• No. customers subscribed to Internet service (BBVA net)	1,131,517	703,485	341,966
• ATMs and other self-service devices (no.)	6,553	5,216	4,366
• Annual activity through self-service devices (millions of transactions)	172	153	143
Number of countries where Group operates	37	37	37
Spontaneous awareness (1st mention, BBVA brand, in %) **	14.1	14.3	8.0
Number customers members of Blue Joven plan	1,495,300	1,420,000	1,198,215
Net solutions for customers (no.)	15	14	-
No. publicly accessible webs with Group contents	18	11	-
<b>RELATIONS WITH SOCIETY</b>			
Relatives registered on the portal for employees and relatives (nuestrobbva.com) (no.)	617	-	-
Daily log-ins to nuestrobbva.com (no.)	600	-	-
Periodical publications externally issued by the Bank (no.)	10	9	9
Publications issued by BBVA Foundation (no.)	37	81	-
Scientific and social action promoted or sponsored by BBVA Foundation (no.)	359	293	-
Cultural events promoted or sponsored by BBVA Foundation (no.)	30	19	-
BBVA Foundation partners (individuals and institutions) (no.)	975	693	-
<b>RELATIONS WITH SHAREHOLDERS *</b>			
No. shareholders	1,179,074	1,203,828	1,299,621
Channels available to shareholders (no.)	9	9	9
Annual communications issued to individual shareholders (no.)	8	8	8
Communications to the international financial community (no.)	500	470	600

\* These figures refer to the Group. The rest refer to Spain.

\*\* FRS Ibérica (June 2002).



## Operations and Systems

One of the strategic areas that is having an impact on developing and creating value for the BBVA Group is intense use of information technology, specifically the internet, both in Group's internal management and organization and in new channels for distribution and communication with customers and suppliers.

Internally speaking, following the design of the BBVA 'e-space' intranet in 2001, in 2002 it was implemented and effectively rolled out in all workplaces in Spain, as an initial step towards future convergence of the current intranets that exist in the Group's various companies in Latin America.

More than 12,000 employees currently access the intranet each day. They have 108,000 documents of various kinds at their fingertips as well as many processes and applications, both horizontal (used by the whole Organization) and specific to the various business areas. This set of content generates over 4 million document/page views a week.

E-space is a tool for adding value to the Group, geared towards three main areas: revenues (improving commercial capacity and customer service), efficiency (cost savings, reducing administrative tasks, etc.) and knowledge management (internal communication, corporate identity, information repository, etc.).

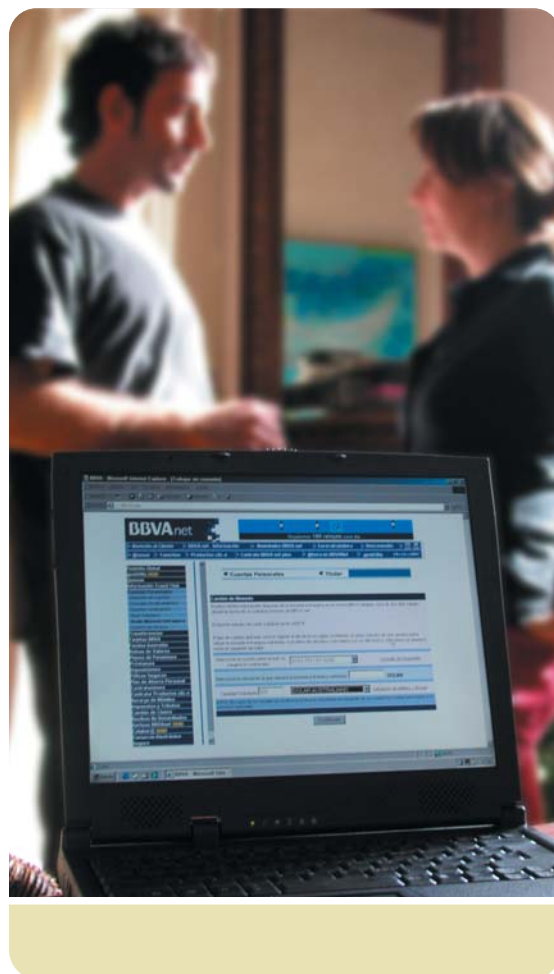
**On-line banking.** In 2002, BBVA has continued to broaden its Internet banking solutions for residential customers in Spain (BBVA net) with new services such as GestiONa, which enables customers to personally monitor and control their finances. The high level attained in this area has been rewarded this year, being distinguished by the prestigious magazine Global Finance as the best Internet banking service for residential customers in Europe.

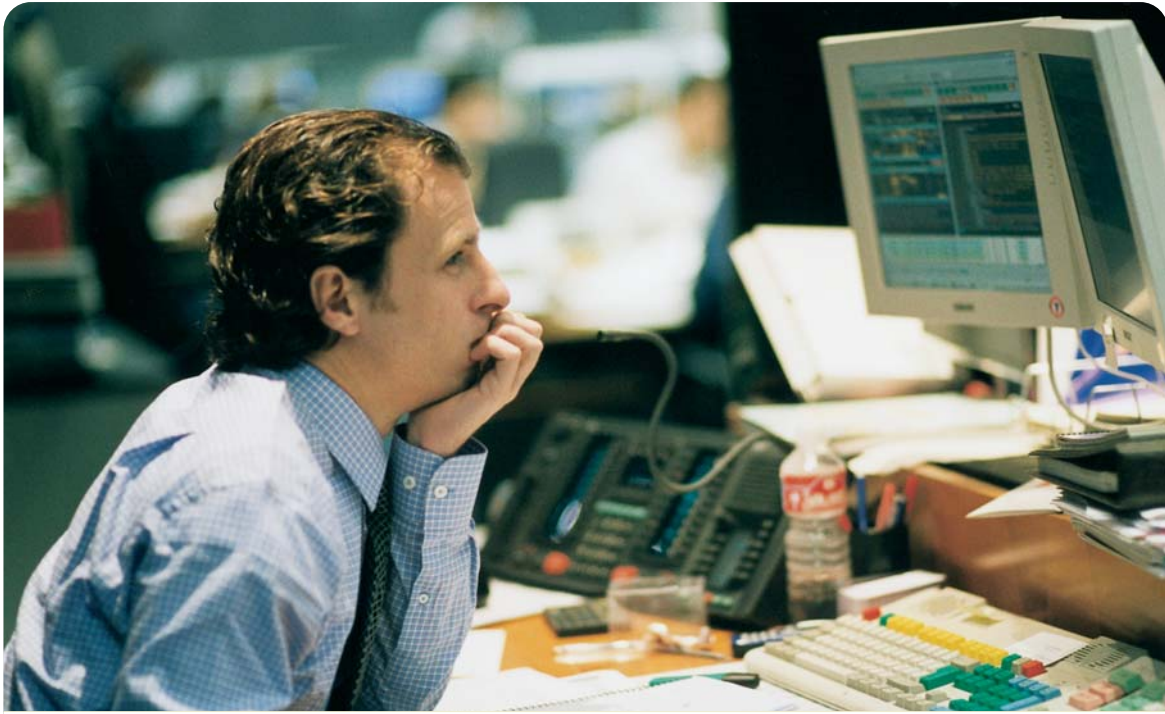
As for e-commerce, worth mentioning from a B2C (Business to Consumer) point of view is the marketing of the new multi-purpose Virtual TPV (which brings together all internet payment

solutions in a single, new platform), as well as the launch of Mobipay España (payment by mobile telephone) and auction portals for holders of the Blue Joven card.

In the B2B (Business to Business) environment, BBVA has launched virtual cards for companies, BBVA e-Purchasing and e-Distribution, together with the BBVA Infopayments portal (internet billing and management information service). Lastly, new functions have been included in BBVA net c@sh.

In the field of digital certificates, on March 26, 2002, BBVA became the first Spanish company and the fourteenth in the world to be authorized by Identrus as a CA (Certification Authority). This authorization will enable companies that are customers of the Group to interoperate in the B2B environment with customers of other banks also





authorized by Identrus, completely securely. This system incorporates several technologies, including Verisign, which provides the certificates and the technology for issuing them.

#### **Reorganisation of the BBVA Group Systems unit.**

In line with the internal transformation of the Group's organizational structures, in June BBVA approved the restructuring of the Systems unit, which is now a global unit, offering a single face to the business areas and has full responsibility for the Group's technological solutions in Europe and Latin America.

In this new structure, Systems' activities are distributed according to their scope, with regional project areas defined for Europe and America and global corporate projects to provide solutions for the Group's global projects and business.

Global project management has been aimed at multinationalizing the technological platforms while providing a different model for reaching customers for each bank/country by fitting in with regional and local developments. The

developments underway include securing a global e-banking solution for companies (BBVA net c@sh), designing and implementing a corporate risk-weighted return system (in line with the requirements of the Group's model and Basel II) and implementing a global management information system that makes the alignment and quest for synergies compatible with the definition of solutions for the current and future information needs of the various units and the Group as a whole.

From this same global project viewpoint and as part of the strategic Systems plan for the Global Markets and Distribution unit, as well as starting a development for the trading room back office and the price and risk management platforms, we have undertaken to expand corporate tools to enable to Group to be a leader in the financial markets. In 2002, BBVA finished implementing the model throughout its external network (New York, Milan, London and Lisbon), including the single credit risk measurement tool, the management control tool, the customer analysis

tool and automatic connection to local administration applications. In addition, BBVA began implementing its corporate model in the Latin American banks this year, starting with BBVA Bancomer.

The restructuring of the Systems unit involves a new relationship model for Latin America and putting into practice a set of plans that will provide a more efficient response to the technological needs of the Group's institutions in the region:

- The progressive centralization of the Latin American banks' use of computing systems with the setting up of a Regional Data Processing Center, which will bring together the existing centers in the various countries. November saw the completion of the moving of the Banco BHIF operation in Chile to Monterrey in Mexico.
- The setting up of a Regional Development Center to build and maintain computer systems, which will undertake the regional projects and global developments for banks in the Americas.

- The launch of a project to regionalize the operations areas, setting up a Regional Operations Center, which will bring together part of the operations currently carried out locally.

These three initiatives make up the Latin America Systems Corporate Regional Center, which has been set up in order to provide shared and more efficient service to the BBVA Group institutions in the region.

### **New expenses and investment management model.**

In order to further improve operational efficiency, in 2002 BBVA implemented the new expenses and investment management model, the basic principles of which are as follows:

separation of authorization and contracting processes (for both investment and expenses), standardization of processes throughout the Group, decentralization, simplification of the administrative processes and transparency.

Alongside this, BBVA has boosted the implementation of technological support for the



model, which improves the functions of the current systems and includes a new e-procurement tool (SAP EBP) for handling purchases electronically. By integrating the new procurement system with the Adqira marketplace, it is now possible to make orders over the Internet and negotiate on-line (electronic auctions, requests for proposals, etc.) with highly satisfactory results.

At the same time, the Group has drawn up and issued an ethical code that applies to everyone involved in the procurement process, based on the principles of respect for the law, complying corporate policy, integrity, confidentiality, transparency and corporate social responsibility. The latter principle involves BBVA adhering to the signing of the UN's global pact on social commitment, including it in our supplier and contractor authorization procedure.

The expenses and investment model consolidates and globalizes the whole process in the Purchases corporate unit in order to make it more efficient to manage, as it makes it possible to aggregate consumption, modernize purchasing methods and lower prices, while improving the quality and level of service. This unit, which

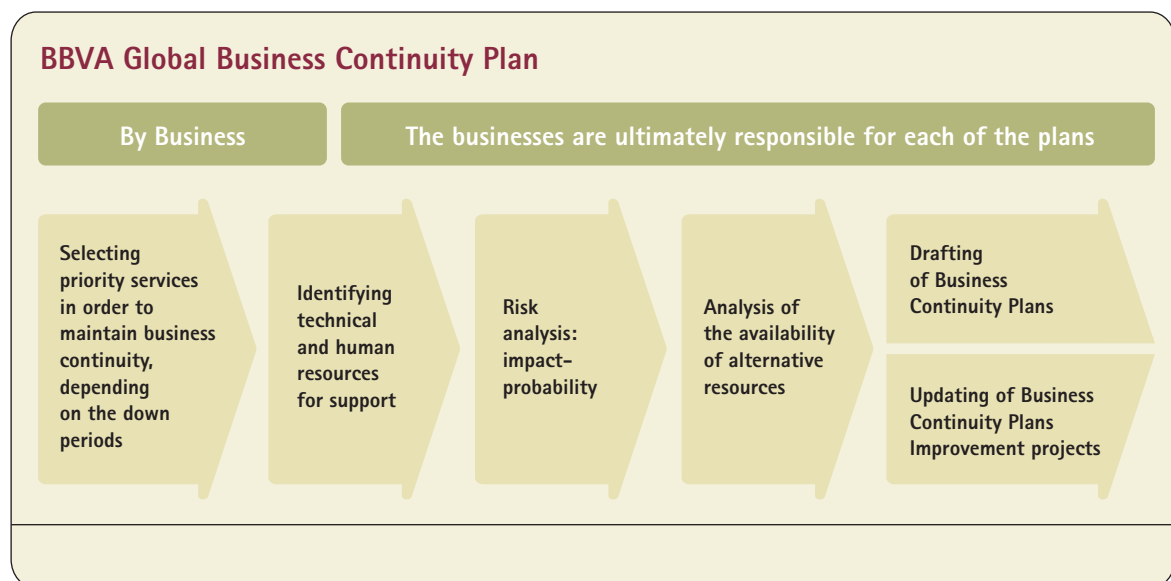
centralizes the Group's procurement, carried out more than 17,500 transactions in 2002, worth more than €1,000 million.

**Business Continuity Plan.** In 2002, in line with the most advanced international developments regarding social responsibility, a structured set of initiatives were put into effect aimed at ensuring the continuity of the business when faced with possible exceptional catastrophes or contingencies.

This plan is carried out through two sets of actions:

- a) Preventive action, based on crisis management structures and the relevant operating protocols when faced with these kinds of eventualities.
- b) Reactive action, by drawing up recovery plans that would be activated when the normal response mechanisms fail.

The first of these plans was approved in November for the Spanish Operations Unit, and plans are to be developed in 2003 for all the Group's critical functions in Spain and Latin America.







## 2002 Annual Report





# Corporate Social Responsibility

- Good Governance
- Compliance
- The Relationship with Customers
- The Relationship with Employees
- The Relationship with Suppliers
- General Interest Activities
- The Environment

Modern society is undergoing profound changes that are leading to a significant reconsideration of the nature of companies and their social role. A major corporation that aspires to leadership - such as BBVA - cannot focus its attention exclusively on productive, commercial, financial or resource management issues. Society is calling for a new type of company with a broader perspective, in which importance is attached to issues such as good governance, transparency, ethics, quality, knowledge, a more seamless approach to human resources management, respect for the Environment or support for socio-economic development. All these issues define one of the company's more general commitments: not only with its shareholders, employees, customers and suppliers, but also with the whole of the society with which it operates and with the Environment. A multiple commitment, to which the company must be held accountable. That is the meaning of an expression that is becoming more widespread by the day: the triple bottom line, (financial, social and environmental results), which shows that "social" and "environmental" issues are not mere

extras that are more or less desirable than the "financial" issues, but a constituent part of business activities.

That is the essential idea behind corporate social responsibility (CRS), a term that encompasses the voluntary (i.e., over and above what the law requires) positive contributions that a company makes to society, and which must be handled as efficiently as possible to contribute to create value for shareholders and employees, and to enhance society.

This contribution is embodied through better relations with the main interest groups with which the company deals: shareholders and investors, employees, customers, suppliers, public sector, local communities most directly affected by the firm's activities and society in general.

Therefore BBVA does not regard corporate social responsibility as a cost; it is neither philanthropy nor a cosmetic accessory of business activity. It is an investment capable of generating value and consequently calls for profit-oriented management, based on sustainability criteria and a medium and long term perspective. CRS affords







an integral conception of the company that is incorporated into its strategic vision and to the core values of its corporate culture. BBVA defines it as one of its Corporate Principles: the Group's commitment with the development of the societies in which it operates. A commitment that BBVA has ratified in 2002 by signing the United Nations' Global Agreement, which seeks to encourage businesses to collaborate in building a society that is better and more respectful of the Environment.

From this perspective, BBVA does not look upon corporate social responsibility as the exclusive obligation of certain areas, but as a set of values, attitudes, rules, criteria, patterns of behaviour and achievements that form part of each unit's everyday routines. It is a responsibility that BBVA accepts in its entirety and that encompasses many different fields, such as:

- The corporate governance system.
- Compliance.

- The relationship with customers.
- The relationship with employees.
- The relationship with suppliers.
- Non-profitmaking relationship with society: in other words, general interest activities carried out through the foundations and the Group's other sponsorship and patronage schemes.
- The relationship with the Environment.

The document Corporate social responsibility in BBVA, which has been published for the first time this year and is enclosed with this annual report, describes the main initiatives launched by the Group throughout year in each of these fields, and which are summarised below.

## Good Governance

Good governance is essential to the quality of management of any company, but also reflects its social responsibility and ethical commitment. These aspects are particularly important in financial institutions, which base their success on the confidence of broad sectors of society, and even more so in the case of multinational institutions, such as BBVA, that need rigorous, seamless and verifiable criteria that are valid for all markets around the world.

The highlights in this field in 2002 included:

- New System of Corporate Governance, approved on June 28, 2002.
- New Director's Code, approved on November 22, 2002.

## Compliance

The BBVA regulatory compliance system, which enforces rigorous respect for the law and strict ethical criteria in all areas of activity, and during 2002 BBVA focused on three key courses of action that it had implemented in previous years:

- Prevention of money laundering and of the financing of terrorist activities.
- Securities Market Code of Conduct.
- Privacy.

## The Relationship with Customers

BBVA's social responsibility is to be seen prioritarily in its specific productive or commercial activities, and its desire to make a positive contribution to society is a cornerstone of its business philosophy. This entails offering customers the highest possible standards of quality and personalisation, establishing relations of mutual value and trust and putting forward viable solutions to the problems of especially needy population groups. Listed below are some products and services of particular interest in terms of their social benefit and impact on the aforementioned population groups, and which the



Group tailors to the different geographical areas where it operates:

- Microloans.
- Special SME services.
- International trade financing and guidance.
- Special schemes for young people.
- Special services for immigrants.
- Special schemes for people with disabilities.
- Special services for Senior Citizens.
- Special products for families.
- Special services for non-profit organisations and specific agreements with such types of organisations.
- Colabor@ Service for facilitating donations to charities by internet.
- Red Cross Visa Card.
- BBVA Solidarity mutual fund.
- BBVA Biogen mutual fund.
- Special schemes with the Public Sector (in particular in the fields of education, research and development of new technologies).
- Housing.
- Help in emergency situations.
- Awareness-raising schemes and collaboration with humanitarian causes.
- Business continuity plan (in case of large-scale external incidents).
- Customer Care Service and Customer Ombudsman.

## The Relationship with Employees

One of BBVA's top priorities is to build the best possible relationship with its employees, fostering their motivation, their positive integration in the company and furthering their personal and career development. BBVA gave preference to these aspects in 2002, as part of a strategy oriented to fully aligning its human resources policy with the principles of its corporate culture. At the heart of this strategy is the skills management model, which seeks to fully stimulate aspects such as:



- Recognition of merit.
- Equal opportunities.
- Training.
- Demonstrating talent.
- Initiative and decision-making capacity.
- Teamwork.
- Customer and results orientation.
- Internal communication.
- Transparency and dialogue in industrial relations.

This general strategy is embodied by a broad spectrum of initiatives that mirror the Group's commitment to social responsibility in this field: for further details, please refer to the document mentioned above.

## The Relationship with Suppliers

Corporate social responsibility also includes implementing objective, transparent and neutral criteria in relations with suppliers, an approach that BBVA has been applying systematically for many years now. However, this year it launched two particularly notable two initiatives: the implementation of the Annual Efficiency Plan and the drawing up of a code of ethics for Purchases, Premises and General Services, which embodies the ethical principles and values applicable to such activities, to guarantee the criteria of transparency, competition and contrast.

## General Interest Activities

The BBVA Group has always been heavily involved in an extensive array of sponsorship and patronage activities, both in Spain and all the Latin American countries in which it operates, and these activities are of great social importance. On account of the Group's multinational nature and the complexity of its activities, it is a highly decentralised policy, enforced by different units.

The main ones are as follows:

- BBVA Foundation (Spain).
- BBVA Bancomer Foundation (Mexico).
- BBVA Provincial Foundation (Venezuela).
- BBVA Banco Francés Foundation (Argentina).
- BBVA Banco Continental Foundation (Peru).
- Areas reporting to the Executive Chairman and Corporate Communications.
- Retail Banking Network.
- Group's banks in Latin America.
- Pension fund managers in Latin America.

These activities cover a wide range of fields, which can be grouped as follows:

**Direct social action.** BBVA helps the disadvantaged sectors of society through labour integration schemes, support of charities, the BBVA Foundation's research programmes in this field (social policies, inequalities, exclusion of immigrants), the BBVA Bancomer Foundation's





coaching and volunteer work initiatives, BBVA Banco Francés' sponsorship of the Ecumenical Forum for Social Responsibility and numerous social welfare initiatives (in particular for children, teenagers and disadvantaged women) in Argentina, Brazil, Colombia, Chile, Mexico, Panama, Paraguay, Peru, Puerto Rico, Uruguay and Venezuela.

**Education and training.** Some of the key projects in this field are: BBVA Quetzal Route (coordinated by the Director General for Corporate Communications), BBVA Bancomer in Education (coordinated by the BBVA Bancomer Foundation), the Mad Science workshops sponsored by BBVA Bancomer, the Papagayo Project of the BBVA Provincial Foundation, the Francisco Giner de los Ríos Prizes for the Enhancement of Educational Quality of the BBVA Foundation and the numerous courses, seminars and projects that the Foundation organizes with university establishments, as well as the Courses for Entrepreneurs and the Annual "Learning outside the classroom" Programme of the BBVA Banco Francés Foundation.

**Art and culture.** The Group's different units organise and sponsor significant artistic and cultural events, very especially in field of Plastic

Arts. The following foundations organise major exhibitions and museum events: BBVA Foundation (which also sponsors the restoration of masterpieces of Spain's artistic heritage), BBVA Bancomer Foundation (the most renowned event being the Bancomer Art Salon), and the BBVA Banco Francés, BBVA Banco Continental and BBVA Provincial Foundations.

**Socio-economic research.** Above all, mention must be made of the work of the Group's Economic Research Departments and the research and dissemination programmes conducted by the BBVA Banco Francés and BBVA foundations (which runs specific schemes on industrial and financial economy, public economy, social integration and demography, the knowledge society, social values, Europe and Latin America), not to mention the numerous schemes that many of the Group's units launch in different countries to back public and private institutions engaged in research and training in these fields.

**Health.** The main initiatives in this field form part of the BBVA Foundation's Biomedicine, Health and Health System programme. The Group's banks in Argentina, Bolivia, Puerto Rico and Venezuela also organise and sponsor health-related activities.

## The Environment

Respect for the Environment and efficient use of natural resources is another unavoidable aspect of corporate social responsibility. BBVA accepts this, in the firm belief that it can make a significant contribution in advancing towards a sustainable conception of development. BBVA believes that economic activity and nature are compatible with one another, and fosters this compatibility through four courses of action: laying down increasingly stricter internal quality and efficiency objectives regarding the environment and the use of natural resources; making the environment a variable that must be evaluated systematically in financial transactions; engaging actively in the financing and guidance of environmental conservation and improvement projects; and supporting numerous practical, educational and research initiatives related to these issues.

As regards the first course of action, throughout 2002 BBVA made consistent progress in enforcing the environmental criteria applicable to the building and adaptation of workplaces (having obtained ISO 14001 certification for three workplaces, while the Banc Internacional d'Andorra-Banca Mora obtained a global certification), in applying regulations regarding paper, electricity and water saving, and the use of recycled paper and renewable resources, and in applying strict environmental criteria to suppliers and subcontractors. Two key tools in achieving these advances have been the Efficiency and Transform@ Plans.

As for the second dimension, the Group is developing its own methodology for including environmental criteria in financial transaction risk analysis, which is already applied systematically in the appraisal of the environmental impact of large investment projects.

As for the third, the Corporate Banking and Institutional Banking units have financed and provided guidance in a wide array of environmental enhancement projects (water, energy, infrastructures, town planning), and a

European Investment Bank credit line for SME environmental enhancement projects.

Finally, it is also worth mentioning also the sponsorship of environmental initiatives by the Banc Internacional d'Andorra-Banca Mora and the environmental research, training and dissemination projects that the BBVA Foundation is carrying out as part of its Environment, Urban Space and Quality of Life scheme.











# Legal Documentation



## Audit of Accounts

The consolidated annual accounts included in this Report are presented in accordance with the rules established by the Bank of Spain and have been drawn up by the Directors of Banco Bilbao Vizcaya Argentaria on the basis of the accounting records of the Bank and its dependent companies eligible for consolidation.

These accounts have been audited by our external auditor, Deloitte & Touche Spain, S.L., for the purpose of issuing the relevant auditors' report, also included herein.

Translation of a report originally issued in Spanish based on our work  
performed in accordance with generally accepted auditing standards in Spain.  
In the event of a discrepancy, the Spanish-language version prevails.

**Auditors' report on consolidated financial statements**

To the Shareholders of  
Banco Bilbao Vizcaya Argentaria, S.A.:

1. We have audited the consolidated financial statements of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. and COMPANIES composing the BANCO BILBAO VIZCAYA ARGENTARIA Group ("the Group" - Note 4), which consist of the consolidated balance sheet as of December 31, 2002, and the related consolidated statement of income and notes to consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the directors of the Bank as the Parent Company. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.
2. As required by Spanish corporate law, for comparison purposes the Bank's directors present, in addition to the 2002 figures for each item in the consolidated balance sheet and consolidated statements of income and of changes in financial position, the figures for 2001. Our opinion refers only to the 2002 consolidated financial statements. Our auditors' report dated February 14, 2002, on the 2001 consolidated financial statements contained an unqualified opinion.
3. As indicated in Note 2-h, in 2002 the Group charged to reserves the estimated cost of the indemnity payments, deferred compensation and future contributions to external pension funds arising from the early retirement of certain employees who effectively formalized their early retirement in that year, for an amount, net of the related tax effect, of €324 million, for which it had the express authorization of the Bank of Spain pursuant to Bank of Spain Circular 4/1991 and of the related Shareholders' Meetings.
4. In our opinion, the consolidated financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of Banco Bilbao Vizcaya Argentaria, S.A. and Companies composing the Banco Bilbao Vizcaya Argentaria Group as of December 31, 2002, and of the results of their operations and of the funds obtained and applied by them in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.
5. The accompanying consolidated management report for 2002 contains the explanations which the directors of the Parent Company consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated management report is consistent with that contained in the consolidated financial statements for 2002. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the consolidated companies.

Deloitte & Touche España, S.L.  
Registered in ROAC under no. S0692



Diego Aguinaga

February 10, 2003

**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.  
AND COMPANIES COMPOSING  
THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP**

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2002 AND 2001  
(Notes 1 to 5)**

- Thousands of Euros -

ASSETS	2002	2001 (*)
<b>CASH ON HAND AND DEPOSITS AT CENTRAL BANKS:</b>		
Cash	1,868,358	2,402,894
Bank of Spain	1,081,684	1,828,490
Other central banks	5,100,286	5,008,840
	8,050,328	9,240,224
<b>GOVERNMENT DEBT SECURITIES (Note 6)</b>	19,767,776	20,165,369
<b>DUE FROM CREDIT INSTITUTIONS (Note 7):</b>		
Current accounts	1,328,749	2,629,808
Other	20,147,530	20,568,948
	21,476,279	23,198,756
<b>TOTAL NET LENDING (Note 8)</b>	141,315,012	150,219,820
<b>DEBENTURES AND OTHER DEBT SECURITIES (Note 9)</b>	49,133,179	61,650,938
<b>COMMON STOCKS AND OTHER EQUITY SECURITIES (Note 10)</b>	3,007,492	3,673,699
<b>INVESTMENTS IN NON-GROUP COMPANIES (Note 11)</b>	6,024,175	6,641,935
<b>INVESTMENTS IN GROUP COMPANIES (Note 12)</b>	1,039,688	1,114,144
<b>INTANGIBLE ASSETS (Note 14):</b>		
Incorporation and start-up expenses	20,946	18,770
Other deferred charges	377,691	523,313
	398,637	542,083
<b>CONSOLIDATION GOODWILL (Note 13):</b>		
Fully and proportionally consolidated companies	2,871,545	3,044,907
Companies accounted for by the equity method	1,385,801	1,572,235
	4,257,346	4,617,142
<b>PROPERTY AND EQUIPMENT (Note 14):</b>		
Land and buildings for own use	1,938,287	2,530,935
Other property	908,073	1,424,146
Furniture, fixtures and other	1,787,605	2,216,809
	4,633,965	6,171,890
<b>CAPITAL STOCK SUBSCRIBED BUT NOT PAID (Note 23)</b>	-	-
<b>TREASURY STOCK (Note 23)</b>	97,671	75,944
<b>OTHER ASSETS (Note 15)</b>	12,298,880	12,000,115
<b>ACCRUAL ACCOUNTS (Note 16)</b>	4,391,562	7,049,067
<b>ACCUMULATED LOSSES AT CONSOLIDATED COMPANIES (Note 24)</b>	3,650,208	2,884,756
<b>TOTAL ASSETS</b>	<b>279,542,198</b>	<b>309,245,882</b>
<b>MEMORANDUM ACCOUNTS (Note 26)</b>	<b>69,776,213</b>	<b>71,764,775</b>

*- Thousands of Euros -*

LIABILITIES AND EQUITY	2002	2001 (*)
<b>DUE TO CREDIT INSTITUTIONS (Note 17):</b>		
Current accounts	1,537,357	1,412,818
Other	54,581,691	63,175,177
	<u>56,119,048</u>	<u>64,587,995</u>
<b>DEPOSITS (Note 18):</b>		
Savings accounts-		
Current	63,723,745	71,012,969
Time	57,436,352	67,512,171
Other deposits-		
Current	-	-
Time	25,400,268	27,974,294
	<u>146,560,365</u>	<u>166,499,434</u>
<b>MARKETABLE DEBT SECURITIES (Note 19):</b>		
Bonds and debentures outstanding	22,393,876	20,639,098
Promissory notes and other securities	5,129,396	4,736,576
	<u>27,523,272</u>	<u>25,375,674</u>
<b>OTHER LIABILITIES (Note 15)</b>	<u>9,735,905</u>	<u>9,142,645</u>
<b>ACCRUAL ACCOUNTS (Note 16)</b>	<u>4,593,777</u>	<u>6,665,074</u>
<b>PROVISIONS FOR CONTINGENCIES AND EXPENSES (Note 20):</b>		
Pension provision	2,621,907	2,358,552
Provision for taxes	-	-
Other provisions	2,221,411	2,425,588
	<u>4,843,318</u>	<u>4,784,140</u>
<b>GENERAL RISK ALLOWANCE</b>	<u>-</u>	<u>-</u>
<b>NEGATIVE CONSOLIDATION DIFFERENCE (Note 13)</b>	<u>47,554</u>	<u>42,744</u>
<b>CONSOLIDATED INCOME FOR THE YEAR:</b>		
Group	1,719,129	2,363,336
Minority interests (Note 22)	746,919	645,223
	<u>2,466,048</u>	<u>3,008,559</u>
<b>SUBORDINATED DEBT (Note 21)</b>	<u>6,486,942</u>	<u>7,610,791</u>
<b>MINORITY INTERESTS (Note 22)</b>	<u>5,674,163</u>	<u>6,394,029</u>
<b>CAPITAL STOCK (Note 23)</b>	<u>1,565,968</u>	<u>1,565,968</u>
<b>ADDITIONAL PAID-IN CAPITAL (Note 24)</b>	<u>6,512,797</u>	<u>6,834,941</u>
<b>RESERVES (Note 24)</b>	<u>771,484</u>	<u>1,419,218</u>
<b>REVALUATION RESERVES (Note 24)</b>	<u>176,281</u>	<u>176,281</u>
<b>RESERVES AT CONSOLIDATED COMPANIES (Note 24)</b>	<u>6,465,276</u>	<u>5,138,389</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>279,542,198</u>	<u>309,245,882</u>

(\*) For comparison purposes only.

The accompanying Notes 1 to 32 and Exhibits I to IV are an integral part of the consolidated balance sheet as of December 31, 2002. Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (Note 32). In the event of a discrepancy, the Spanish-language version prevails.



**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.  
AND COMPANIES COMPOSING  
THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP**

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001  
(Notes 1 to 5)**

- Thousands of Euros -

	(DEBIT)	CREDIT
	2002	2001 (*)
<b>FINANCIAL REVENUES (Note 28)</b>	<b>17,232,909</b>	<b>21,608,104</b>
Of which: Fixed-income portfolio	4,820,640	7,283,233
<b>FINANCIAL EXPENSES (Note 28)</b>	<b>(9,783,505)</b>	<b>(13,279,446)</b>
<b>INCOME FROM EQUITIES PORTFOLIO (Note 28):</b>	<b>358,062</b>	<b>495,444</b>
Common stocks and other equity securities	113,623	116,037
Investments in non-Group companies	93,669	177,774
Investments in Group companies	150,770	201,633
<b>NET INTEREST INCOME</b>	<b>7,807,466</b>	<b>8,824,102</b>
<b>FEES COLLECTED (Note 28)</b>	<b>4,330,993</b>	<b>4,833,617</b>
<b>FEES PAID (Note 28)</b>	<b>(662,612)</b>	<b>(795,994)</b>
<b>MARKET OPERATIONS (Notes 20 and 28)</b>	<b>765,123</b>	<b>490,095</b>
<b>GROSS OPERATING INCOME</b>	<b>12,240,970</b>	<b>13,351,820</b>
<b>OTHER OPERATING INCOME (Note 28)</b>	<b>34,341</b>	<b>51,345</b>
<b>GENERAL ADMINISTRATIVE EXPENSES (Note 28):</b>	<b>(5,771,725)</b>	<b>(6,724,760)</b>
Personnel costs	(3,697,428)	(4,243,374)
Of which:		
Wages and salaries	(2,743,819)	(3,211,099)
Employee welfare expenses	(624,360)	(652,454)
Of which: Pensions	(132,624)	(122,474)
Other Administrative Expenses	(2,074,297)	(2,481,386)
<b>DEPRECIATION AND AMORTIZATION (Note 14)</b>	<b>(631,021)</b>	<b>(741,817)</b>
<b>OTHER OPERATING EXPENSES</b>	<b>(295,821)</b>	<b>(337,763)</b>
<b>NET OPERATING INCOME</b>	<b>5,576,744</b>	<b>5,598,825</b>

	(DEBIT) CREDIT	
	2002	2001 (*)
<b>NET OPERATING INCOME</b>	<b>5,576,744</b>	<b>5,598,825</b>
NET INCOME FROM COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD (Note 28):	33,244	392,671
Share in income of companies accounted for by the equity method	561,322	876,131
Share in losses of companies accounted for by the equity method	(285,726)	(104,306)
Correction for payment of dividends	(242,352)	(379,154)
AMORTIZATION OF CONSOLIDATION GOODWILL (Note 13)	(679,170)	(623,111)
INCOME ON GROUP TRANSACTIONS:	570,934	1,004,525
Income on disposal of investments in fully and proportionally consolidated companies	3,806	33,957
Income on disposal of investments accounted for by the equity method (Note 11)	551,326	896,186
Income on transactions involving Parent Company shares and Group financial liabilities	15,802	74,382
Reversal of negative consolidation differences	-	-
LOSSES ON GROUP TRANSACTIONS:	(209,938)	(50,538)
Losses on disposal of investments in fully or proportionally consolidated companies	(156,290)	(12,699)
Losses on disposal of investments accounted for by the equity method (Note 11)	(29,750)	(5,980)
Losses on transactions involving Parent Company shares and Group financial liabilities	(23,898)	(31,859)
NET LOAN LOSS PROVISIONS (Note 8)	(1,743,338)	(1,919,230)
NET SECURITIES WRITEDOWNS (Note 11)	3,366	(42,792)
NET CHARGE TO GENERAL RISK ALLOWANCE	-	-
EXTRAORDINARY INCOME (Note 28)	1,606,654	1,294,983
EXTRAORDINARY LOSSES (Note 28)	(2,039,235)	(2,021,253)
<b>PRE-TAX PROFIT</b>	<b>3,119,261</b>	<b>3,634,080</b>
CORPORATE INCOME TAX (Note 25)	(175,567)	(60,462)
OTHER TAXES (Note 25)	(477,646)	(565,059)
<b>NET INCOME</b>	<b>2,466,048</b>	<b>3,008,559</b>
MINORITY INTERESTS (Note 22)	746,919	645,223
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,719,129</b>	<b>2,363,336</b>

(\*) For comparison purposes only.

The accompanying Notes 1 to 32 and Exhibits I to IV are an integral part of the consolidated statement of income for the year ended December 31, 2002.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (Note 32). In the event of a discrepancy, the Spanish-language version prevails.

## BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

#### (1) DESCRIPTION OF THE BANK-

Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain. The Bank conducts its business through branches and offices located throughout Spain and abroad.

On June 1, 1988, the Special Shareholders' Meetings of Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. resolved, *inter alia*, to approve the equal-footing merger of the two companies by dissolving them without liquidation and transferring en bloc to the new company, which adopted the name of Banco Bilbao Vizcaya, S.A. (BBV), by universal succession, the assets and liabilities of the two dissolved companies.

On December 18, 1999, the Special Shareholders' Meetings of Banco Bilbao Vizcaya, S.A. and Argentaria, Caja Postal y Banco Hipotecario, S.A. approved the merger of the two entities through the absorption of Argentaria by Banco Bilbao Vizcaya, S.A. The Shareholders' Meetings also approved the audited merger balance sheets of the two entities as of September 30, 1999. After the mandatory time periods had elapsed and the relevant administrative authorizations had been obtained, on January 25, 2000, the related public deed was executed, the registration of which at the Vizcaya Mercantile Registry on January 28, 2000, determined the legal effectiveness of the merger, and simultaneously the corporate name of Banco Bilbao Vizcaya, S.A. was changed to Banco Bilbao Vizcaya Argentaria, S.A.

#### (2) BASIS OF PRESENTATION AND CONSOLIDATION PRINCIPLES -

##### *a) Basis of presentation-*

The consolidated financial statements of the Bank and companies composing the Banco Bilbao Vizcaya Argentaria Group («the Group» - Note 4) are presented in the formats stipulated by Bank of Spain Circular 4/1991 and its subsequent amendments and, accordingly, they present a true and fair view of the Group's net worth, financial position and results. These consolidated financial statements were prepared from the individual accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and of each of the Group companies and include the adjustments and reclassifications required to conform the accounting principles and presentation criteria followed by the subsidiaries with those followed by the Bank (Note 3).

The 2001 consolidated financial statements were approved by the Shareholders' Meeting on March 9, 2002.

The 2002 consolidated financial statements of the Group, of the Bank and of each of the companies included in consolidation, have not yet been approved by the respective Shareholders' Meetings. However, the Bank's Board of Directors considers that they will be approved without material changes.

##### *b) Accounting policies-*

The consolidated financial statements were prepared by applying the generally accepted accounting principles described in Note 3. All obligatory accounting principles with a material effect on the consolidated financial statements were applied in preparing them.

##### *c) Consolidation principles-*

In accordance with Law 13/1985 and Bank of Spain Circular 4/1991, the Banco Bilbao Vizcaya Argentaria Group is defined as including all the companies whose line of business is directly related to that of the Bank and which, together with the latter, constitute a single decision-making unit (Note 4). In accordance with this Circular, these companies were fully consolidated and the adjustments and reclassifications required to unify the accounting principles and presentation criteria followed by the subsidiaries were performed, taking into account the comments in Note 3-ñ. All material intercompany accounts and transactions between the consolidated companies were eliminated in consolidation. In accordance with Bank of Spain Circular 4/1991, the consolidated financial statements maintain the provisions for country risk recorded by the Bank and other Group companies for risk-asset and off-balance-sheet risk exposure to Group entities with registered offices in financially-troubled countries. As of December 31, 2002 and 2001, these provisions amounted to €93,714 thousand and €98,674 thousand, respectively (Notes 7, 8 and 9).

The companies whose line of business is related to that of the Bank, and which are at least 20% owned by the Bank and managed jointly with another shareholder (or shareholders) were consolidated proportionally, which consists of including the assets, rights and obligations, and revenues and expenses of these companies in proportion to the Group's holding in them. As of December 31, 2002 and 2001, this consolidation method was applied to E-Ventures Capital Internet, S.A., Corporación IBV Participaciones Empresariales, S.A., Altura Markets, A.V., S.A., PSA Finance Argentina Cía. Financiera, S.A. and Corporación IBV Servicios y Tecnologías, S.A.

Additionally, the long-term holdings in the capital stock of subsidiaries not consolidable because their line of business is not directly related to that of the Bank and of other unlisted

companies in which significant influence is exercised or with which the Bank has a lasting relationship and in which such holdings generally represent 20% or more of the capital stock (3% or more if listed) are valued at the amount of the portion of the investees' net worth corresponding to such holdings, after deducting the dividends collected from them and other eliminations (equity method). Other holdings in companies (Note 11) which are short term or which do not represent significant influence, or for which futures transactions have been arranged to eliminate the price risk, are valued separately by the methods described in Note 3-e.

The remaining equity investments are presented in the accompanying consolidated balance sheets as described in Note 3-e.

In accordance with standard practice, the consolidated financial statements do not include the tax effect of transferring to the Bank the accumulated reserves and undistributed earnings of the fully and proportionally consolidated companies or of the companies accounted for by the equity method, because it is considered that no funds will be transferred since these reserves will be used as a source of self-financing at each of these companies.

#### d) Determination of net worth-

In evaluating the net worth of the Group, the balances of the following captions in the accompanying consolidated balance sheets should be taken into consideration:

	Thousands of Euros	
	2002	2001
<b>Capital stock (Note 23)</b>	<b>1,565,968</b>	<b>1,565,968</b>
<b>Reserves (Note 24)-</b>		
Additional paid-in capital	6,512,797	6,834,941
Reserves	771,484	1,419,218
Revaluation reserves	176,281	176,281
Reserves at consolidated companies	6,465,276	5,138,389
Accumulated losses at consolidated companies	(3,650,208)	(2,884,756)
	<b>10,275,630</b>	<b>10,684,073</b>
<b>Add-</b>		
<b>Net income-</b>		
<b>Net attributable profit</b>	<b>1,719,129</b>	<b>2,363,336</b>
<b>Less-</b>		
<b>Interim dividends (Notes 5 and 15)-</b>		
Paid	(572,996)	(542,369)
Unpaid	(287,620)	(271,588)
	<b>(860,616)</b>	<b>(813,957)</b>
<b>Treasury stock (Note 23)</b>	<b>(97,671)</b>	<b>(75,944)</b>
<b>Net worth per books</b>	<b>12,602,440</b>	<b>13,723,476</b>
<b>Less-</b>		
<b>Final dividend (Note 5)</b>	<b>(248,420)</b>	<b>(408,286)</b>
<b>Net worth, after the distribution of income for the year</b>	<b>12,354,020</b>	<b>13,315,190</b>

#### e) Equity-

Law 13/1992 and Bank of Spain Circular 5/1993 and subsequent amendments enacted the regulations governing minimum equity requirements for credit entities at both individual and consolidated group levels.

As of December 31, 2002 and 2001, the Group's eligible equity amounted to €17,840,156 thousand and €19,730,574 thousand, respectively. These amounts exceed the minimum equity requirements stipulated by the aforementioned regulations.

#### f) Detail of risk provisions and coverage-

In accordance with Bank of Spain regulations, the risk provisions and coverage are presented as assigned to the related assets and/or in specific accounts. The detail of the aggregate risk provisions, coverage and guarantees, disregarding their accounting classification, is as follows:

	Thousands of Euros	
	2002	2001
<b>Loan loss provision (Note 3-c) (*)</b>		
Due from credit institutions (Note 7)	122,787	138,533
Total net lending (Note 8)	5,097,695	5,927,703
Debentures and other debt securities (Note 9)	125,401	253,772
Off-balance-sheet risks (Notes 8 and 20)	271,545	185,268
	<b>5,617,428</b>	<b>6,505,276</b>
<b>Security revaluation reserve (Notes 3-d and 3-e)</b>		
Government debt securities (Note 6)	34	6
Debentures and other debt securities (Note 9)	2,586	3,396
Common stocks and other equity securities (Note 10)	240,726	153,655
Investments in non-Group companies (Note 11)	82	1,791
	<b>243,428</b>	<b>158,848</b>
<b>Pension provision (Notes 3-j and 20)</b>		
At Spanish companies	1,981,414	1,736,384
At foreign companies	640,493	622,168
	<b>2,621,907</b>	<b>2,358,552</b>
<b>Provision for property and equipment (Notes 3-h and 14)</b>	<b>308,518</b>	<b>391,463</b>
<b>Other provisions for contingencies and expenses (Note 20)</b>	<b>1,949,866</b>	<b>2,240,320</b>
<b>TOTAL</b>	<b>10,741,147</b>	<b>11,654,459</b>
<b>(*) Loan loss provisions</b>		
Provisions for specific risks	3,253,724	4,358,160
General-purpose provision	1,324,441	1,469,168
Country-risk provision	446,919	317,281
Provision for the statistical coverage of loan losses	592,344	360,667



### g) Comparative information

The effects of the crisis in Argentina and the measures adopted by the Government and the Central Bank of the Republic of Argentina as described in Note 3-ñ gave rise to significant changes to the balance sheet of the BBVA Banco Francés Group, mainly stemming from the pesification, the devaluation of the Argentine peso and the high increase in inflation.

Additionally, the macroeconomic performance in 2002 in most Latin-American countries affected, among other variables, their currencies, which experienced a sharp devaluation against the euro. This devaluation particularly affects the consolidated balance sheet as of December 31, 2002, since the year-end exchange rates were used, and the 2002 consolidated statement of income, since average exchange rates were applied (Note 3-b).

Accordingly, for the purpose of facilitating comprehension of the Group's performance in 2002, the accompanying Management Report includes comparative information which takes into account the aforementioned effects.

### h) Early retirements-

In 2002 and 2001 the Group charged to reserves the estimated cost of future indemnities, deferred compensation and future contributions to external pension funds deriving from the early retirement of Group employees in Spain, amounting to €324,465 thousand and €479,241 thousand, respectively, net of the related tax effect, which was estimated at €174,712 thousand and €252,502 thousand, respectively. These transactions were authorized by the respective Shareholders' Meetings of the Group's Spanish banks and by the Bank of Spain (Notes 3-j, 20 and 24).

	Thousands of Euros			
	2002		2001	
	BBVA, S.A.	Total(*)	BBVA, S.A.	Total (*)
Charged to:				
Unrestricted reserves	321,101	324,465	471,780	479,241
Prepaid taxes	172,901	174,712	248,488	252,502
<b>Total</b>	<b>494,002</b>	<b>499,177</b>	<b>720,268</b>	<b>731,743</b>

(\*) BBVA Group in Spain

## (3) ACCOUNTING PRINCIPLES APPLIED

The accounting principles applied in preparing the consolidated financial statements were as follows:

### a) Accrual principle-

Revenues and expenses are recorded on an accrual basis for accounting purposes and the interest method is applied for transactions whose settlement periods exceed 12 months. However, in accordance with the principle of prudence and with Bank of Spain regulations, the interest earned on nonperforming loans, including interest subject to country risk in countries classified as very doubtful, doubtful or experiencing temporary difficulties, is not recognized until it is collected.

In accordance with banking practice in Spain, transactions are recorded as of the date they are made, which may differ from the value date as of which interest revenues and expenses are calculated.

The consolidated finance companies record the revenues and expenses arising from their regular financing and lease contracts over the accrual period by the interest method. Under this method, these revenues and expenses are recognized over the collection period on the basis of the principal amount outstanding.

### b) Foreign currency transactions-

From January 1, 1999, the currency of the national monetary system is the euro, which fully and uninterruptedly succeeded the peseta as the currency of the national monetary system. The notes and coins denominated in euros were put in circulation on January 1, 2002, and have been the only legal tender in Spain since March 1, 2002.

The breakdowns by currency of several accounts and captions in these notes to consolidated financial statements include under the foreign currencies heading currencies other than the euro.

### Assets, liabilities and futures transactions

Assets and liabilities in foreign currencies, including those of branches and subsidiaries abroad, and unmatured foreign currency purchases and sales arranged for hedging purposes have been translated to euros at the average year-end exchange rates in the Spanish spot foreign exchange market (through the exchange rate of the U.S. dollar in local markets, for currencies not traded on the Spanish market), except for:

- The reserves of subsidiaries and the long-term investments in securities denominated in foreign currencies but funded in euros or in a currency other than that of the investment, which have been translated at historical exchange rates.
- The revenue and expense accounts of the subsidiaries abroad, which have been translated at the average exchange rates in each year.
- The unmatured forward foreign currency purchases and sales arranged for purposes other than hedging are valued at the year-end exchange rates in the Spanish forward foreign exchange market, which are published by the Bank of Spain for this purpose.

The equivalent euro value of the assets and liabilities denominated in foreign currencies was €102,210 million and €107,367 million, respectively, as of December 31, 2002 (€131,115 million and €137,720 million, respectively, as of December 31, 2001).

## Exchange differences

The exchange differences arising from application of the above-mentioned translation methods are recorded as follows:

- Exchange losses and gains in consolidation are recorded under the «Accumulated Losses at Consolidated Companies» and «Reserves at Consolidated Companies» captions, respectively, in the accompanying consolidated balance sheets, net of the portion of such gains and losses corresponding to minority interests (Notes 22 and 24).
- The net amount of the other exchange differences is recorded in full under the “Market Operations” captions in the accompanying consolidated statements of income (Note 28), and charged to the “Other Assets – Exchange Differences on Forward Transactions” caption, if positive, or credited to the “Other Liabilities – Exchange Differences on Forward Transactions” caption, if negative, in the accompanying consolidated balance sheets (Note 15).

## Structural exchange positions

The Group's general policy is to finance investments in foreign subsidiaries and capital assigned to branches abroad in the same currency as that of the investment, in order to eliminate any future risk of exchange differences arising from these transactions. However, the investments in countries whose currencies do not have a market enabling the Bank to obtain unlimited financing that is unlimited, lasting and stable at long term are financed in another currency. Through 2001 this financing was in dollars and in 2002 most of the financing was provided in euros.

Exchange differences arising from financing in currencies other than the euro and the investment currency, net of the amount hedged by specific derivative transactions, are charged or credited to Group income, whereas those relating to investments are recorded under the “Reserves at Consolidated Companies – Translation Differences” caption in the accompanying consolidated balance sheet. Based on this principle, €32,699 thousand euros were credited and €77,753 thousand were charged to the “Market Operations” caption in the accompanying 2002 and 2001 consolidated statement of income, respectively (Note 28-b)

## Inflation

Certain subsidiaries located in Mexico, Uruguay, Chile, Peru and, since 2002, Argentina –Note 3-ñ are subject to local regulations on adjustments for inflation, and, accordingly, record charges and credits in their statements of income to protect their net worth from the theoretical decline in value arising from inflation. These accounting entries are recorded under the “Extraordinary Income” and “Extraordinary Losses” captions in the accompanying consolidated statements of income (Note 28-g). The detail of the net amount of these items, by country, is as follows:

	Thousands of Euros	
	2002	2001
Extraordinary income		
Mexico	20,454	80,247
Argentina	38,456	-
Peru	-	3,414
	<b>58,910</b>	<b>83,661</b>
Extraordinary losses		
Peru	(3,703)	-
Chile	(9,293)	(10,512)
Uruguay	(41,483)	(3,870)
	<b>(54,479)</b>	<b>(14,382)</b>
	<b>4,431</b>	<b>69,279</b>

## c) Loan loss provisions (Note 2-f)-

The loan loss provisions are intended to cover the losses, if any, which might arise in the full recovery of all credit and off-balance-sheet risks assumed by the Group in the course of its financial business (Notes 7, 8 and 9). For presentation purposes, they are recorded as a reduction of the “Due from Credit Institutions”, “Total Net Lending” and “Debentures and Other Debt Securities” captions on the asset side of the accompanying consolidated balance sheets. The provisions to cover any losses on the Group's off-balance-sheet risks are included under the «Provisions for Contingencies and Expenses - Other Provisions» caption in the accompanying consolidated balance sheets (Note 20).

The loan loss provisions were determined on the basis of the following criteria:

1. Specific provisions: on an individual basis, as stipulated by Bank of Spain Circular 4/1991. The balance of the specific loan loss provision is increased by provisions from period income and decreased by chargeoffs of debts deemed to be uncollectible or which have been nonperforming for more than three years (six years in the case of mortgage transactions with full coverage) and, if appropriate, by recoveries of the amounts previously provided for.
2. General-purpose provision: in accordance with Bank of Spain regulations, an additional general-purpose provision, representing 1% of loans, fixed-income securities, contingent liabilities and nonperforming assets without mandatory coverage (0.5% in the case of certain mortgage transactions with full coverage), is set up to cover risks not specifically identified as problematic at the present time. The balance of the general-purpose loan loss provision is increased by provisions recorded with a charge to income and is decreased when the risk assets making up the calculation basis diminish with respect to the previous period and provisions are released.

3. Provision for the statistical coverage of loan losses: from July 1, 2000, the Group is required to record a provision for the statistical coverage of the unrealized loan losses on the various homogeneous loan portfolios, by charging each quarter to the "Net Loan Loss Provisions" caption in the accompanying consolidated statements of income, the positive difference resulting from subtracting the specific net charges for loan losses recorded in the quarter from one-fourth of the statistical estimate of the overall unrealized loan losses on the various homogeneous loan portfolios (credit risk of each portfolio multiplied by the weighting coefficients established by Circular 4/1991 which range from 0% to 1.5%). If the resulting difference were negative, the amount would be credited to the consolidated statement of income with a charge to the provision recorded in this connection (to the extent of the available balance). The maximum amount of this provision is three times the sum of the amount of each credit risk category multiplied by its respective weighting coefficient.
4. Country-risk provision: this provision is recorded on the basis of each country's degree of debt-servicing difficulty, per the classification and schedule established in Bank of Spain Circular 4/1991.

**d) Government debt securities, debentures and other debt securities-**

The securities comprising the Group's fixed-income securities portfolio are classified as follows:

- 1) *Trading portfolio*: which includes the listed securities held for the purpose of obtaining gains at short term taking advantage of market price fluctuations. The securities in the trading portfolio are stated at market price at year-end. The differences arising from valuation variations (except for those arising from accrued interest) are recorded at their net amount under the «Market Operations» caption in the accompanying consolidated statements of income (Note 28).
- 2) *Held-to-maturity portfolio*: which includes the securities which the Group has decided to hold until final maturity, since it has the financial capacity to do so, or has appropriate hedging of the value of these investments against interest rate fluctuations. Securities allocated to the held-to-maturity portfolio are carried at acquisition cost adjusted by the amount resulting from accrual by the interest method of the positive or negative difference between the redemption value and the acquisition cost over the term to maturity of the security. The gains or losses on disposal of debt securities classified in this portfolio are recorded as extraordinary income/losses in the consolidated statement of income and, if gains are obtained, a specific provision is recorded for the amount thereof. This provision is released on a straight-line basis over the term to maturity of the securities sold. No fixed-

income securities classified in this portfolio were sold in 2002.

- 3) *Available-for-sale portfolio*: which includes all other securities not classified in either of the two portfolios described above. The debt securities in the available-for-sale portfolio are individually stated at acquisition cost, adjusted by the accrued amount of the difference between acquisition cost and redemption value.

A securities revaluation reserve is recorded for the net difference with respect to the total market value of this portfolio, if lower, based on the year-end closing market prices in the case of listed securities, and on the present value at market interest rates on that date in the case of unlisted securities. The unrealized losses on securities sold to third parties under repurchase agreement are written down for the proportional part of the period from the expected repurchase date to the maturity date. Also, securities acquired to hedge other transactions at the same term and with fixed interest, which therefore are not exposed to interest rate risk, are recorded at acquisition cost.

The writedown of the listed fixed-income portfolio was charged to asset accrual accounts, which are presented together with the securities written down under the appropriate consolidated balance sheet captions, or to income in the case of permanent losses. As of December 31, 2002 and 2001, these accrual accounts had no balance.

Bank of Spain Circular 4/1991 also requires that an additional securities revaluation reserve be recorded for the amount of the gains on the disposal of fixed-income securities in the available-for-sale portfolio, which is applied to the asset accrual account described in the preceding paragraph, up to the balance calculated therefor. No amounts were charged or credited to this account in this connection in 2002 and 2001.

**e) Equity securities-**

Securities in the trading portfolio, which includes the portions of the associated companies which are not held at long term, are stated at market price. The net differences arising from price fluctuations are recorded under the "Market Operations" caption in the accompanying consolidated statements of income.

Equity securities representing holdings in subsidiaries not fully consolidable or holdings of generally 20% or more in unlisted companies (3% if listed) which do not meet the conditions for proportional consolidation are accounted for by the equity method as indicated in Note 2-c, except for holdings for which hedging transactions were arranged to eliminate the equity price risk, which are valued at acquisition cost. The investments accounted for by the equity method were valued on the basis of the interim financial statements furnished by the companies.

Other equity securities are recorded in the balance sheet at the lower of cost, revalued where appropriate, or market. The market value of these securities was determined as follows:

- *Listed securities*: lower of average market price in the fourth quarter or year-end closing price.
- *Unlisted securities*: underlying book value of the holding per the latest available balance sheet, after taking into account the income projections for coming years and other unrealized gains which were used in determining the acquisition cost and persisted at year-end.

The difference between acquisition cost and the amount calculated as indicated in the preceding paragraph which may be offset by the annual increase in the underlying book values of the investees over a maximum period of 20 years need not be written down.

The securities revaluation reserve is recorded to recognize the unrealized losses arising from application of the aforementioned methods, and is presented as a reduction of the balances of the «Common Stocks and Other Equity Securities» and «Investments in Non-Group Companies» captions on the asset side of the accompanying consolidated balance sheets (Notes 2-f, 10 and 11). This reserve is recorded with a charge to the “Market Operations” caption in the accompanying consolidated statements of income.

Equity securities were revalued pursuant to the applicable enabling legislation on account revaluations or by the methods stipulated in the regulations on corporate mergers which were applied at the related merger dates (Note 24).

#### **f) Intangible assets-**

This caption in the accompanying consolidated balance sheets includes, among other items, the payments made to acquire computer applications, which are amortized over a maximum period of three years.

This caption also includes incorporation and preopening expenses, expenses of capital increases carried out at the Bank and subsidiaries and the unamortized expenses of bond and other financial instrument issuances. These expenses are amortized in a maximum period of five years, except for the financial instrument issuance expenses, which are amortized over the life of each issue.

#### **g) Consolidation goodwill and negative consolidation difference-**

The positive differences between the acquisition cost of shares of subsidiaries or companies accounted for by the equity method (Note 2-c) and their underlying book value are recorded as goodwill, if they cannot be classified as additions to the value of specific assets of the acquired companies.

As these differences are deemed to persist, they are generally amortized on a straight-line basis over a maximum period of ten years (20 years for certain basically nonfinancial holdings), since it is considered that this is the period over which the underlying investments will contribute to obtaining income for the Group. In 2002 the Group wrote off in full the goodwill resulting from its holdings in companies located in certain Latin-American countries. In 2001 the Group wrote off in full the unamortized goodwill as of December 31, 2001, resulting from its holdings in Argentine companies (Notes 3-ñ, 4 and 13).

The unrealized gains assigned to specific assets are amortized, if appropriate, on the basis of their disposal or effective decline in value over a maximum period of ten years in the case of operating assets.

When the cost of acquisitions is lower than their underlying book value, a negative consolidation difference arises which is treated as a provision and may not be credited to income unless the investment in the capital stock of these companies is fully or partially disposed of (Note 13).

#### **h) Property and equipment-**

##### **Assets for own use-**

Property and equipment are carried at cost, revalued where appropriate pursuant to the applicable enabling legislation (Note 24), net of the related accumulated depreciation. The buildings owned by certain of the Group companies which were involved in mergers were stated, pursuant to the applicable legislation, on the basis of the market prices on the related merger dates as determined by independent appraisers.

Depreciation is provided at the following depreciation rates:

	<b>Annual Depreciation Rate</b>
Buildings	1.33% to 4%
Furniture	8% to 15%
Fixtures	6% to 12%
Office and automation equipment	10% to 33%

Revaluation surpluses are depreciated over the remaining years of useful life of the revalued assets.

Gains or losses on disposal of property and equipment are recorded under the “Extraordinary Income” or “Extraordinary Losses” captions, respectively, in the consolidated statement of income.

##### **Assets received in payment of debts-**

These assets are recorded at the lower of the book value of the assets used to acquire them or market value, net, initially, of any provisions covering the assets received, up to 25% of that value. In accordance with Bank of Spain regulations, additional



provisions are recorded in the years following foreclosure of the assets based on their age, type of asset and appraisal by independent appraisers.

The provisions recorded with a charge to the «Extraordinary Losses» caption in the accompanying consolidated statements of income are presented as a reduction of the balance of the «Property and Equipment - Other Property» caption in the consolidated balance sheets (Notes 14 and 28-g).

#### *i) Treasury stock-*

The balance of the «Treasury Stock» caption in the accompanying consolidated balance sheets as of December 31, 2002 and 2001, relates to shares of Banco Bilbao Vizcaya Argentaria, S.A. owned by the Bank and by consolidated subsidiaries (Note 23). These shares are reflected at cost, net, where appropriate, of the provision recorded to write them down to the lower of consolidated underlying book value or market price.

The provision mentioned above is recorded with a charge to the «Losses on Group Transactions» caption in the accompanying consolidated statements of income. Gains or losses arising from the disposal of Bank shares are recorded under the «Income on Group Transactions» or «Losses on Group Transactions» captions respectively, in the accompanying consolidated statements of income.

The treasury stock and shares of Group and associated companies that are acquired as a result of futures hedging transactions related to certain stock market indexes are valued at market price. Valuation differences are recorded under the «Market Operations» caption in the consolidated statement of income.

In accordance with the revised Spanish Corporations Law, a restricted reserve has been recorded for the net book value of the aforementioned treasury stock (Note 24).

The total Bank shares owned by the Bank and consolidated companies represented 0.3374% of the capital stock issued by the Bank as of December 31, 2002. At that date, the subsidiaries not fully consolidable held 0.0061% of the Bank's capital stock.

#### *j) Pension commitments and other commitments to employees-*

##### **Pension commitments**

###### **- In-house pension provisions**

###### **- Companies in Spain**

In 2002 and 2001 the Group offered certain employees the possibility of taking early retirement before the age stipulated in the current collective labor agreement. 1,439 and 1,887 employees availed themselves of this offer in 2002 and 2001, respectively. The total cost of these agreements was €575,906 thousand in 2002 and

€731,743 thousand in 2001 (Notes 2-h, 20 and 24), including indemnities, deferred compensation and future contributions to external pension funds. To meet this commitment, the related provisions were recorded, after considering the tax effect, with a charge to the «Additional Paid-In Capital» and «Reserves» captions in the accompanying consolidated balance sheets as of December 31, 2002 and 2001 (Notes 2-h and 24), and with a charge, amounting to €76,729 thousand, to the «Extraordinary Losses» caption in the accompanying 2002 consolidated statement of income based on the authorizations by the related Shareholders' Meetings and the express authorization of the Bank of Spain, in accordance with Rule 13.13 of Bank of Spain Circular 4/1991. The commitments to this employee group from their normal retirement age are included in the Employee Welfare System, as described below.

The early retirement payments payable, which include the present value of the compensation and indemnities payable to and of the future contributions to the external pension funds of the personnel who took early retirement in 2002 and prior years, through their normal retirement date, amounted to €1,942,975 thousand as of December 31, 2002 (€1,715,218 thousand as of December 31, 2001), net of the payments of €407,153 thousand made in 2002 (€346,061 thousand in 2001), and are included under the «Provisions for Contingencies and Expenses - Pension Provision» caption in the accompanying consolidated balance sheets.

In addition to the above, there are other internal pension provisions amounting to €949 thousand as of December 31, 2002 (€1,530 thousand as of December 31, 2001) which are not subject to the externalization process.

###### **- Companies abroad**

Certain Group entities abroad have pension and other commitments to their employees, the accrued liability of which amounted to €640,493 thousand and €622,168 thousand as of December 31, 2002 and 2001, respectively, and is included under the «Provisions for Contingencies and Expenses - Pension Provision» caption in the accompanying consolidated balance sheets. €570,060 thousand and €555,618 thousand of these amounts as of December 31, 2002 and 2001, respectively, related to provisions recorded by BBVA Bancomer, S.A. (Notes 4 and 20) to cover accrued defined benefit pension commitments and long-service bonuses at the retirement date and to cover, from 2002, post-retirement occupational obligations regarding medical services. The shortfall for past services as of December 31, 2002, resulting from the recording of the latter commitment amounted to €187,234 thousand and is amortized over the

average remaining working life of the employee group. The actuarial studies to evaluate these commitments were performed on an individual basis and quantified using the projected unit credit method and the discount rates and mortality and disability rates authorized by the Mexican National Banking and Securities Commission. In 2002, net charges of €32,016 thousand were made by BBVA Bancomer, S.A. in this connection and were recorded with a charge to the “General Administrative Expenses – Personnel Costs” caption in the accompanying 2002 consolidated statement of income.

#### – External pension funds

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

Since 2000, by virtue of the collective agreement on the employee welfare system dated November 14, 2000, all the commitments to serving and retired employees of the Group’s Spanish banks have been externalized and instrumented in external pension plans and insurance policies. This employee welfare system covers all employees, including those hired subsequent to March 8, 1980. The employee welfare system also includes the pension commitments and obligations to former directors of the Bank with executive functions, amounting to €80,477 thousand as of December 31, 2002.

The employee welfare system includes defined contribution commitments, the amounts of which are determined in each case as a percentage of certain compensation items and/or a preset annual amount, and defined benefit commitments that are covered by insurance policies. These latter commitments as of December 31, 2002 and 2001, were valued in accordance with the externalization contracts entered into by the Group’s Spanish banks and the insurance companies using PEM/F 2000 mortality tables (GRM/F 95 for the insurance policies between the external pension plans and the insurance companies) and discount rates lower than the internal rates of return on the investments assigned to cover them.

The status of the commitments covered by external pension plans as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros	
	2002	2001
<b>Pension commitments to retired employees (*)</b>		
External pension funds	400,122	377,663
Insurance contracts (mathematical reserves)		
With insurance companies related to the Group	1,469,260	1,342,240
With unrelated insurance companies	662,613	548,496
	<b>2,531,995</b>	<b>2,268,399</b>
<b>Possible commitments to serving employees</b>		
External pension funds		
Employees with full coverage of accrued and unaccrued possible commitments (*)	487,056	506,434
Other employees (**)	1,252,123	1,180,245
	<b>1,739,179</b>	<b>1,686,679</b>
Insurance contracts with insurance companies (mathematical reserves) in the Group (***)	145,622	258,125
	<b>1,884,801</b>	<b>1,944,804</b>
	<b>4,416,796</b>	<b>4,213,203</b>

(\*) Commitments instrumented in defined benefit systems

(\*\*) Commitments instrumented in defined contribution systems

(\*\*\*) Commitments of which €123,812 thousand are instrumented in defined benefit systems and €21,810 thousand in defined contribution systems.

#### – Differences in the pension fund-

The externalization process, in which new valuation assumptions were used, disclosed differences which represent the discounted present value of the contributions yet to be made to the external pension funds for possible pension commitments as of December 31, 2000. These amounts were calculated using discount rates of 3.15% for the insurance contracts and 5.64% for the external pension plans. The initial differences that arose were recorded with a charge to accrual accounts and are being amortized over a maximum period of 14 years in the case of the external pension plans, and over nine years in the case of the insurance contracts, starting from 2000 in accordance with the stipulations of Bank of Spain Circular 5/2000 and as required by the transition regime established in current regulations. In turn, the initial differences were credited to the “Deposits” caption on the liability side of the consolidated balance sheets, reducing the balance for the payments made. For presentation purposes, the balances of these two items as of December 31, 2002, are included at the net amount under the “Other Assets” caption in the consolidated balance sheet as of that date (Note 15). The variations in 2002 in this connection were as follows:

	Thousands of Euros		
	Pensions Commitments to Retired Employees	Possible Commitments to Serving Employees	Total
<b>Other assets - Differences in the pension fund</b>			
Balance at January 1, 2002			
External pension plan	–	586,447	586,447
Insurance contracts	206,715	86,539	293,254
	206,715	672,986	879,701
Amortization			
External pension plan	–	(50,553)	(50,553)
Insurance contracts	(18,087)	(31,025)	(49,112)
	(18,087)	(81,578)	(99,665)
Other variations	(89,135)	12,563	(76,572)
<b>Balance at December 31, 2002</b>	<b>99,493</b>	<b>603,971</b>	<b>703,464</b>
<b>Deposits - Deferred contributions</b>			
Balance at January 1, 2002	(256,749)	(154,652)	(411,401)
Add-			
Interest cost allocable:	(5,006)	(4,274)	(9,280)
Less-			
Payments made:	50,698	86,939	137,637
Reduction due to assignment of investments:	4,051	3,319	7,370
	54,749	90,258	145,007
Other variations	92,665	(12,951)	79,714
<b>Balance at December 31, 2002</b>	<b>(114,341)</b>	<b>(81,619)</b>	<b>(195,960)</b>
<b>Net balance at December 31, 2002 (Note 15)</b>	<b>(14,848)</b>	<b>522,352</b>	<b>507,504</b>

#### - Statement of income-

The charges recorded in 2002 and 2001 to cover the aforementioned commitments are summarized as follows:

	Thousands of Euros	
	2002	2001
<b>Detail by item-</b>		
Allocable interest cost of deferred contributions	9,280	39,464
Expense of contributions made in the year by Spanish banks in the Group to external pension funds and insurance companies-		
Accrued in the year	79,752	72,073
Extraordinary	87,342	85,885
	176,374	197,422
Expense of contributions made by other Group entities	13,805	18,199
Net charges by Spanish banks in the Group to in-house pension provisions	156,910	42,378
Net charges by other Group companies to in-house pension provisions	43,824	32,749
	<b>390,913</b>	<b>290,748</b>
<b>Detail by account-</b>		
Financial expenses - Customer deposits	9,280	39,464
Financial expenses - Cost allocable to the recorded pension provision (Note 20)	60,041	42,480
General administrative expenses - Personnel costs-		
Net charges to in-house pension provisions (Notes 20 and 28-c)	39,067	32,203
Contributions to external pension funds (Note 28-c)	93,557	90,272
Extraordinary losses-		
Net extraordinary charges to in-house pension provisions (Note 20)	3,345	445
Other losses	189,501	85,884
Extraordinary income-	(3,878)	–
	<b>390,913</b>	<b>290,748</b>

#### Other commitments to employees

The situation as regards performance bonuses payable in shares as of December 31, 2002, and the variations in 2002 are as follows:

	Number of Shares	Exercise Price (euros)	Year Granted	Group	Number of People	Vesting Date	Expiration Date
<b>Plans in force at January 1, 2002</b>	<b>26,738,636</b>						
Options exercised upon expiration of the Plan (**)	(4,116,073)						
Options exercised due to early retirement and other variations	(2,482,921)						
Plans in force at 12/31/02	20,139,642						
1997 Plan	3,500,409	3.67	1998	Employees	6,812	02/20/03	02/20/03
1998 Plan	4,242,866	6.01	1999	Employees	9,052	06/01/03	07/31/04
1999 Plan	5,103,957	10.65	2000	Employees	10,795	06/01/03	07/31/04
2000 Plan	7,292,410	12.02	2001	Employees	20,029	03/31/03	03/31/04
<b>Plans in force at 12/31/02</b>	<b>20,139,642</b>						
<b>Pro memoria: number of Bank shares issued</b>							
<b>at 12/31/02 (Note 23)</b>	<b>3,195,852,043</b>						
<b>Percentage of stock options to shares issued</b>							
<b>at 12/31/02</b>	<b>0.63%</b>						
<b>Market price of Bank shares at 12/31/02</b>		<b>9.12</b>					

(\*) Employees of the BBVA Group in Spain.

(\*\*) The extraordinary performance bonuses relating to 1996 were paid at maturity, in 2002.

In March 1999, pursuant to a resolution adopted by the Bank's Shareholders' Meeting on February 27, 1999, 32,871,301 new shares were issued at a price of €2.14 per share, similar to the average reference price of the bonus commitments to Group employees at that date, which they were allocated to cover, which included the bonus commitments for the years 1995 through 1998 and a portion of the accrued commitment relating to long-service bonuses. These shares were subscribed and paid in full by a non-Group company and, simultaneously, the Bank acquired a call option on these shares which can be exercised on any date, at one or several times, prior to December 31, 2011, at an exercise price equal to the share issue price, adjusted on the basis of the antidilution clauses. On various occasions since 1999 the call option was partially exercised to meet commitments to Group employees, a total of 20,381,069 shares being purchased. Accordingly, as of December 31, 2002, the Bank still held an option on a total of 12,490,232 shares (18,262,345 shares as of December 31, 2001), at a price of €2.09 per share, after adjustment of the issue price as a result of the reductions in the par value in July 1999 and April 2000.

Also, as of December 31, 2002, the bonuses for 1999 and 2000, which consist of a cash payment tied to the market price of 5,103,957 and 7,292,410 Bank shares, respectively, and the other accrued long-service bonus commitments (1,900,000 shares) had been hedged in full with call options and other futures transactions (Note 3-m).

Additionally, as of December 31, 2002, the time period stipulated in the variable compensation program tied to the BBVA share price for executive directors and senior managers

of the Bank ended on December 31, 2002. This program was completed with the granting of loans or credit facilities for the acquisition of BBVA shares on the market and guaranteed a maximum loss in the share value of 5% of the acquisition cost. Since at the time of maturity of the program the share price was below the value set (€15 plus 10%), the program beneficiaries were not entitled to receive any amount under the program.

#### **k) Severance costs-**

Under current Spanish labor legislation, companies are required to pay severance to employees terminated without just cause. There is no labor force reduction plan which would make it necessary to record a provision in this connection. However, as required by Bank of Spain Circular 5/2000, the Group recorded in-house provisions, with a charge to the "Extraordinary Losses" caption in the accompanying 2002 and 2001 consolidated statements of income, to cover, in accordance with the schedule established in that Circular, the contractual severance payments for terminations or dismissals additional to those provided for by current legislation on a general basis. As of December 31, 2002 and 2001, these provisions amounted to €37,490 thousand and €19,636 thousand, respectively, and were recorded under the "Provisions for Contingencies and Expenses - Pension Provision" caption in the accompanying consolidated balance sheets (Note 20).

#### **l) Corporate income tax and other taxes-**

These captions in the consolidated statements of income include all the debits or credits arising from Spanish corporate



income tax and those taxes of a similar nature of subsidiaries abroad, including both the amounts relating to the expense accrued in the year and those arising from adjustments to the amounts recorded in prior years (Note 25).

The expense for corporate income tax accrued each year is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from the income for tax purposes, i.e. differences between the taxable income and book income before taxes that do not reverse in subsequent periods. The tax assets arising from tax losses at subsidiaries (basically Latin-American companies) and prepaid taxes arising from timing differences are only capitalized if they will be recovered within a period of ten years (Note 15).

The tax benefit of tax credits for double taxation, tax relief and tax credits for certain activities or investments is treated as a reduction of the amount of corporate income tax for the year in which the tax credits are used. Entitlement to these tax credits is conditional upon compliance with the legally stipulated requirements.

#### ***m) Derivatives and other futures transactions-***

These instruments include, inter alia, unmatured foreign currency purchase and sale transactions, unmatured securities purchase and sale transactions, financial futures on securities, on exchange rates and on interest rates, forward rate agreements, options on exchange rates, on securities and on interest rates and the various types of financial swaps. These transactions are basically carried out for hedging and overall management of the financial risks to which the Group is exposed.

In accordance with Bank of Spain regulations, transactions involving these products are recorded in memorandum accounts either for the future rights and commitments that might have a net worth effect, or for the balances that might be necessary to reflect the transactions, even if they did not have any effect on the Group's net worth. Accordingly, the notional and/or contractual value of these products does not express the total credit or market risk assumed by the Group.

Also, the premiums paid and collected for options purchased and sold, respectively, must be recorded under the "Other Assets" and "Other Liabilities" captions in the accompanying consolidated balance sheets as an asset for the purchaser and as a liability for the writer (Note 15), until their exercise or maturity date.

Transactions whose objective and effect is to eliminate or significantly reduce currency, interest rate or price risks on asset and liability positions or on other transactions were treated as hedging transactions, provided that the hedged asset and the hedging transactions were identified explicitly from initiation of the latter. Similarly, transactions which, although not specifically assigned to a specific hedged item, form part of global or macrohedges used to reduce the risk to which the

Group is exposed as a consequence of overall management of correlated assets, liabilities and other transactions, were also treated as hedging transactions.

As of December 31, 2002, the Group had arranged share price risk and interest rate risk macrohedges consisting of securities listed on the main international stock markets and long-term deposit transactions, respectively. The security price macrohedges were valued at market price. The settlements relating to the interest rate macrohedge were recorded by the accrual method. These transactions are permanently subject to an integrated, prudent and consistent system of risk and earnings measurement, management and control enabling transactions to be monitored and identified. This system involves, for each macrohedge, the recording of provisions for credit, market and operational risk in accordance with banking practice for transactions of this type. As required by current legislation, the macrohedges have been authorized by the Bank of Spain.

The gains or losses arising from these hedging transactions are recorded symmetrically to the revenues or costs of the hedged item, and the collections or payments made in settlements are recorded with a balancing entry under the "Other Assets" and "Other Liabilities" captions in the accompanying consolidated balance sheets (Note 15). Forward currency transactions classified as hedges are recorded for accounting purposes as described in Note 3-b.

Nonhedging transactions, which are also known as trading transactions, are valued in accordance with Bank of Spain regulations, based on the market on which they are arranged:

Transactions arranged in organized markets are valued at market price in their respective markets and the gains or losses arising as a result of market price fluctuations are recorded in full in the consolidated statement of income.

Theoretical closings are performed at least every month of securities and interest rate futures transactions arranged outside organized markets, and provisions are recorded with a charge to income for the potential net losses, if any, in each risk category and currency arising from such valuations (Notes 20 and 26). The potential gains, which amounted to €1,137 thousand and €8,848 thousand as of December 31, 2002 and 2001, respectively, are only recognized in the accompanying consolidated statements of income when effectively realized (Note 26). This procedure is also applied to currency options traded outside organized markets.

#### ***n) Assets and liabilities acquired or issued at a discount-***

Assets and liabilities acquired or issued at a discount, except for marketable securities, are recorded at redemption value. The difference between this value and the amounts paid

or received is recorded under the liability and asset "Accrual Accounts" captions in the consolidated balance sheets (Note 16).

## **ñ) Investments in Argentina-**

### **Macroeconomic situation**

Argentina's economic situation deteriorated sharply in late 2001. The commencement of 2002 was affected by the flight of capital, the end of convertibility, the devaluation and asymmetric pesification of balances, and the return of inflation.

The Law on Convertibility was amended in January 2002, and the exchange rate in the official market was set at ARP 1.40/US\$ 1 and the closing exchange rate in the "free" market on the first day on which the exchange market was reopened ranged from ARP 1.60 to ARP 1.70/US\$ 1. The exchange rate as of December 31, 2002, was ARP 3.37/US\$ 1.

The crisis had a strong impact on the financial system and jeopardized the solvency and liquidity of banks. The structural imbalances caused by the national government's measures were largely offset by government bond issues. However, the pesification gave rise to asymmetries and losses that were not fully offset and therefore had to be partially borne by the banks.

These measures established by the Argentine Government to control the movement of capital have been repealed and unrestricted access to deposits restored without new liquidity tensions.

Also, as a result of the devaluation and the inflationary pressures, the Argentine National Securities Commission and Central Bank decreed that financial statements must be adjusted for inflation. The index used to restate financial statements is the general wholesale price index (IPMNG), which had risen by approximately 119% as of December 31, 2002.

### **BBVA Banco Francés Group**

In 2002 BBVA Banco Francés implemented a financial strengthening plan to enable it to meet liquidity requirements. This plan included, inter alia, the following measures:

- financial assistance from BBVA to meet certain commitments assumed in the past and consisting of:
  - o US\$ 79 million loan secured by pledge of the claims arising from loans guaranteed by the Argentine Government for a face value of US\$ 185 million;
  - o Credits totaling US\$ 80 million secured by pledge of customer loans amounting to US\$ 120 million.

Full provision was made for both risks in 2002.

- Sale of 60.879% of BBVA Uruguay to BBVA, S.A. for US\$ 55 million.
- Capital increase approved by the Special Shareholders' Meeting of BBVA Banco Francés, S.A. on August 7, 2002. As a result of this capital increase, 158,496,540 new shares were issued on December 26, 2002, at ARP 3.59 per share.

BBVA converted into equity the aforementioned US\$ 79 million loan plus the accrued interest together with the subordinated debt issued by BBVA Banco Francés amounting to US\$ 130 million. The two transactions were fully provisioned at both individual and consolidated level. Following this capital increase, the Group increased its holding in BBVA Banco Francés from 68.25% to 79.61% (Note 4). This capital increase gave rise to goodwill of €34,789 thousand, which was written off in 2002 (Note 13).

This capital increase was also subscribed by third parties which contributed ARP 30 million in cash.

- Additionally, Argentine Government debt securities were sold to BBVA, S.A. under repurchase agreement at a discount of 45.43%. The balance outstanding as of December 31, 2002, was €98,867 thousand.

### **BBVA Group – Consolidation of the Group companies located in Argentina.**

The financial statements of the Group companies located in Argentina were prepared in accordance with the regulations in force in that country and the applicable unification adjustments were made in the accompanying consolidated financial statements on the basis of the information available.

As of December 31, 2001, the Group had recorded a specific provision, equal to the underlying book value of the Banco Francés Group at that date, the variations in which in 2002 were as follows:

	Thousands of Euros
<b>Provision as of December 31, 2001</b>	<b>447,435</b>
Transfer due to capital increase	160,387
Release of country-risk provision (*)	(160,608)
Transfer due to sale of Banco Francés Uruguay	(71,569)
Amortization of goodwill arising in capital increase	(34,789)
Result per local books and exchange differences	(188,736)
<b>Provision as of December 31, 2002</b>	<b>152,120</b>

(\*) This relates to the country-risk provision for Banco Francés Cayman Ltd's exposure to Argentina.

As of December 31, 2001, the Group additionally recorded a specific provision amounting to €170,201 thousand to fully cover the value of the fixed-income securities issued by BBVA

Banco Francés that are held by the Bank. In 2002 the balance of this provision was increased with a charge of €131,110 thousand to the “Extraordinary Losses” caption in the consolidated statement of income relating to 100% of the financial assistance referred to above and was reduced by the transfer of €160,387 thousand to the specific provision covering the underlying book value of the Banco Francés Group referred to in the table above, and by exchange differences amounting to €5,318 thousand.

The aforementioned provisions, which amounted to €287,726 thousand as of December 31, 2002, were recorded under the “Provisions for Contingencies and Expenses” caption (Note 20). These provisions were not assigned to specific assets in view of their nature and their amount is equal to the Group’s investment in the BBVA Banco Francés Group, the lines of financing and the fixed-income securities issued by that group and subscribed by BBVA.

The Bank’s directors and their legal advisers believe that these provisions reasonably cover the maximum losses which might be incurred by the Group while the situation described above continues and until such time as objective conditions of security and profitability for new potential investments are reestablished.

#### **BBVA Group – Loans to Argentine customers**

As of December 31, 2002, the total lending to non-Group Argentine residents, disregarding the loans granted by the BBVA Banco Francés Group companies, amounted to €705,645 thousand. In accordance with Bank of Spain regulations, €328,700 thousand are classified as available-for-sale investment since they are current in payment and have effective

guarantees outside Argentina, including policies covering country risk. The portion of the lending which does not meet the aforementioned requirements, amounting to €376,945 thousand, is classified as nonperforming and a country-risk provision of €103,441 thousand and a specific provision of €71,940 thousand have been recorded.

#### **(4) BANCO BILBAO VIZCAYA ARGENTARIA GROUP**

Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) is the Group’s parent company. Its individual financial statements are prepared on the basis of the accounting principles and methods described in Note 3, except for the valuation of the Bank’s direct holdings of 20% or more in unlisted companies and of 3% or more in listed companies, which, pursuant to Bank of Spain Circular 4/1991, are recorded at the lower of cost, revalued where appropriate, or market. The market value was deemed to be the underlying book value of these holdings, adjusted by the amount of the unrealized gains disclosed at the time of acquisition and still existing at the valuation date.

The Bank represented approximately 58.96% of the Group’s assets and 49.39% of pre-tax profits as of December 31, 2002 (52.82% and 54.08%, respectively, as of December 31, 2001), after the related consolidation adjustments and eliminations.

Summarized below are the financial statements of Banco Bilbao Vizcaya Argentaria, S.A. as of December 31, 2002 and 2001:

**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**  
**BALANCE SHEETS AS OF DECEMBER 31, 2002 AND 2001 (SUMMARIZED)**  
- Thousands of euros -

<b>ASSETS</b>	<b>2002</b>	<b>2001(*)</b>	<b>LIABILITIES AND EQUITY</b>	<b>2002</b>	<b>2001(*)</b>
CASH ON HAND AND DEPOSITS			DUE TO CREDIT INSTITUTIONS	47,029,366	55,251,331
AT CENTRAL BANKS	1,671,111	2,281,075	DEPOSITS	98,472,990	96,615,730
GOVERNMENT DEBT SECURITIES	19,091,299	19,273,261	MARKETABLE DEBT SECURITIES	8,714,150	6,073,820
DUE FROM CREDIT INSTITUTIONS	19,662,904	18,728,729	OTHER LIABILITIES	7,381,866	6,029,952
TOTAL NET LENDING	100,687,471	99,509,141	ACCRUAL ACCOUNTS	3,768,498	5,545,639
DEBENTURES AND OTHER DEBT			PROVISIONS FOR CONTINGENCIES		
SECURITIES	17,131,192	22,505,543	AND EXPENSES	3,064,754	2,788,484
COMMON STOCKS AND OTHER			GENERAL RISK ALLOWANCE	-	-
EQUITY SECURITIES	2,071,348	2,164,087	INCOME FOR THE YEAR	1,207,096	1,311,561
INVESTMENTS IN NON-GROUP			SUBORDINATED DEBT	9,735,824	10,232,345
COMPANIES	4,357,296	4,306,431	CAPITAL STOCK	1,565,968	1,565,968
INVESTMENTS IN GROUP COMPANIES	8,699,420	8,814,491	ADDITIONAL PAID-IN CAPITAL	6,512,797	6,834,941
INTANGIBLE ASSETS	191,903	165,209	RESERVES	530,664	440,449
PROPERTY AND EQUIPMENT	2,190,317	2,357,723	REVALUATION RESERVES	176,281	176,281
TREASURY STOCK	97,555	7			
OTHER ASSETS	8,994,431	7,263,368			
ACCRUAL ACCOUNTS	3,314,007	5,497,436			
<b>TOTAL ASSETS</b>	<b>188,160,254</b>	<b>192,866,501</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>188,160,254</b>	<b>192,866,501</b>
MEMORANDUM ACCOUNTS	78,116,151	77,512,135			

(\*) For comparison purposes only.

**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**  
**STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 (SUMMARIZED)**  
- Thousands of euros -

	<b>(DEBIT) / CREDIT</b>	
	<b>2002</b>	<b>2001 (*)</b>
FINANCIAL REVENUES	7,531,595	9,476,865
FINANCIAL EXPENSES	(4,627,304)	(6,675,315)
INCOME FROM EQUITIES PORTFOLIO	1,283,859	1,400,194
<b>NET INTEREST INCOME</b>	<b>4,188,150</b>	<b>4,201,744</b>
FEES COLLECTED	1,532,072	1,386,039
FEES PAID	(275,284)	(290,044)
MARKET OPERATIONS	362,923	(71,877)
<b>GROSS OPERATING INCOME</b>	<b>5,807,861</b>	<b>5,225,862</b>
OTHER OPERATING INCOME	14,673	8,306
GENERAL ADMINISTRATIVE EXPENSES	(2,625,233)	(2,684,797)
DEPRECIATION AND AMORTIZATION	(257,964)	(270,627)
OTHER OPERATING EXPENSES	(87,795)	(81,321)
<b>NET OPERATING INCOME</b>	<b>2,851,542</b>	<b>2,197,423</b>
NET LOAN LOSS PROVISIONS	(631,928)	(531,856)
NET SECURITIES WRITEDOWNS	(1,181,581)	(976,812)
NET CHARGE TO GENERAL RISK ALLOWANCE	-	1,439
EXTRAORDINARY INCOME	582,816	998,855
EXTRAORDINARY LOSSES	(389,544)	(536,053)
<b>PRE-TAX PROFIT</b>	<b>1,231,305</b>	<b>1,152,996</b>
CORPORATE INCOME TAX AND OTHER TAXES	(24,209)	158,565
<b>NET INCOME (Note 5)</b>	<b>1,207,096</b>	<b>1,311,561</b>

(\*) For comparison purposes only.



**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**  
**STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 (SUMMARIZED)**  
**- Thousands of euros -**

APPLICATION OF FUNDS	2002	2001(*)	SOURCE OF FUNDS	2002	2001(*)
DIVIDENDS PAID	1,255,970	1,102,572	FROM OPERATIONS:		
			Net income	1,207,096	1,311,561
			Add-		
			Depreciation and amortization	329,335	270,627
			Net provision for asset writedown and other special provisions	2,404,260	1,667,620
			Losses on sales of investments and fixed assets	62,475	82,972
			Less-		
			Gains on sales of investments and fixed assets	(390,505)	(821,205)
				3,612,661	2,511,575
NET PURCHASE OF TREASURY STOCK	97,548	3,178	CAPITAL INCREASES	-	104,056
SUBORDINATED DEBT	496,521	204,927	SUBORDINATED DEBT	-	2,626,376
FINANCING, NET OF INVESTMENT, AT BANK OF SPAIN AND CREDIT AND SAVINGS INSTITUTIONS	8,608,296	-	FINANCING, NET OF INVESTMENT, AT BANK OF SPAIN AND CREDIT AND SAVINGS INSTITUTIONS	-	10,306,688
TOTAL NET LENDING	1,802,746	8,156,795	DEPOSITS	1,857,260	1,435,466
DEBT SECURITIES	-	5,872,794	DEBT SECURITIES	5,656,629	
SHORT-TERM EQUITY SECURITIES	62,550	458,615			
MARKETABLE SECURITIES	-	785,762	MARKETABLE SECURITIES	2,640,330	-
ACQUISITION OF LONG-TERM INVESTMENTS -			SALE OF LONG-TERM INVESTMENTS-		
Purchase of investments in Group and associated companies	6,311,401	5,894,598	Sale of investments in Group and associated companies	4,807,104	5,166,983
Additions to property and equipment and intangible assets	399,968	485,799	Sale of property and equipment	305,184	553,355
	6,711,369	6,380,397		5,112,288	5,720,338
			OTHER LIABILITY ITEMS LESS		
			ASSET ITEMS	155,832	260,541
<b>TOTAL FUNDS APPLIED</b>	<b>19,035,000</b>	<b>22,965,040</b>	<b>TOTAL FUNDS OBTAINED</b>	<b>19,035,000</b>	<b>22,965,040</b>

(\*) For comparison purposes only.

The subsidiaries fully consolidated as of December 31, 2002, which, based on the information available, were more than 5% owned by non-Group shareholders, were as follows:

- Grupo Financiero BBVA Bancomer, S.A.
- Banc Internacional D'Andorra, S.A.
- Holding Continental, S.A.
- Banco Provincial, S.A.
- PSA Finance Argentina Compañía Financiera, S.A.
- Inversiones BanPro International Inc., N.V.
- BBVA Horizonte Pensiones y Cesantías, S.A.
- BBVA Banco BHIF, S.A.
- Administradora Fondo Pensiones Provida, S.A.

- Uno-e Bank, S.A.
- BI-BM Gestio D'Actius, S.A.
- A.F.P. Crecer, S.A.
- BBVA & Partners Alternative Invest, A.V., S.A.

Based on the available information, as of December 31, 2002, there were no Spanish or foreign credit institutions outside the Group with significant holdings in fully consolidated companies.

The main changes in the consolidated Group in 2002 and the situation as of December 31, 2002, were as follows:

#### **BBVA Banco Ganadero Group (Colombia)-**

In August 1996, the Group acquired 40% of the common stock (equal to 35.1% of the total capital) of Banco Ganadero, S.A. (currently BBVA Banco Ganadero, S.A.). In 2000 this entity carried out a major financial restructuring and strengthening process, which included a capital increase of approximately US\$ 254 million, substantially all of which was subscribed by the Group. This capital increase, together with various additional acquisitions resulting in US\$ 14 million of disbursements, raised the Group's holding in BBVA Banco Ganadero, S.A. to 85.56% as of December 31, 2000. On January 23, 2001, the Bank's Board of Directors resolved to launch a tender offer to purchase all the shares of BBVA Banco Ganadero, S.A. The tender offer took place on April 9, 2001, and gave rise to a disbursement of US\$ 44.4 million and increased the Group's holding in BBVA Banco Ganadero, S.A. to 95.36%. This percentage of ownership was maintained as of December 31, 2002.

The Ganadero group companies contributed €1,907,398 thousand and €2,983,467 thousand to the Group's assets as of December 31, 2002 and 2001, respectively, and €227,215 thousand and €292,229 thousand to its financial revenues in 2002 and 2001, respectively.

#### **BBVA Banco Francés (Argentina) (Note 3-ñ)-**

In December 1996, the Group acquired 30% of BBVA Banco Francés, S.A. (formerly Banco Francés Río de la Plata, S.A.) and took on its management. From that date through December 31, 2001, additional acquisitions were made to increase the Group's holding in this entity to the 68.25% as of December 31, 2001. The total cost of this holding was US\$ 1,179 million. As of December 31, 2001, the Group amortized extraordinarily the unamortized goodwill as of that date relating to BBVA Banco Francés, which amounted to €13,998 thousand.

On May 30, 2002, BBVA Banco Francés reached an agreement with the Argentine authorities to increase capital, for which BBVA would contribute the subordinated marketable debentures of BBVA Banco Francés held by it amounting to US\$ 130 million and a financial loan granted to BBVA Banco Francés amounting to US\$ 79 million (Note 3-ñ). The preemptive subscription period ended on December 26, 2002. In accordance with the issue terms, a total of 158.4 million new shares were issued, which increased the Bank's capital stock to 368.1 million shares. The Group, as the majority shareholder, increased its ownership interest in the capital of BBVA Banco Francés, S.A. from 68.25% to 79.61% as a result of this capital increase. The resulting goodwill amounted to €34 million and was written off with a charge to the 2002 consolidated statement of income (Notes 3-ñ and 13).

The companies in this group contributed €5,916,673 thousand and €11,333,454 thousand to the Group's total assets as of December 31, 2002 and 2001, and €1,081,248 thousand and €1,352,265 thousand to its

financial revenues in 2002 and 2001, respectively (Note 3-ñ).

#### **Consolidar Group (Argentina) (Note 3-ñ)-**

The Consolidar Group joined the Group in October 1997, when a 63.33% ownership interest was reached through BBVA Banco Francés.

As of December 31, 2001 and 2002, the Group held all the capital stock of Consolidar Administradora de Fondos de Jubilación y Pensiones (AFJP), S.A., Consolidar Cia de Seguros de Vida, S.A. and Consolidar Seguros de Retiro, S.A. (through Banco Francés, in percentages between 53.89% and 66.67%). As of December 31, 2001, the Group amortized extraordinarily the unamortized goodwill as of that date relating to Consolidar AFJP, which amounted to €109,030 thousand.

#### **Continental Group (Peru)-**

In April 1995, the Group acquired a 75% holding in the capital stock of Banco Continental, S.A. through Holding Continental, S.A. Subsequent acquisitions increased the ownership interest in Banco Continental to 81.78% as of December 31, 2001.

On November 26, 2002, BBVA, as the owner of 50% of the capital stock of the Peruvian company Holding Continental, S.A., subscribed to a capital increase at this entity amounting to US\$ 10 million. This capital increase will be used to finance the tender offer to acquire the shares of Banco Continental which are not currently held by it (143,713,997 shares) at 1.59 soles per share. On November 27, 2002, Holding Continental, S.A. submitted this transaction to the Lima Stock Exchange and to the related National Companies and Securities Supervisory Commission. The tender offer resulted in the acquisition of 8.84% of the capital stock of Banco Continental. The current stake of Holding Continental and its subsidiaries in the aforementioned Bank is 91.51%.

The companies in the Continental Group contributed €3,510,614 thousand and €3,740,783 thousand to the Group's total assets as of December 31, 2002 and 2001, and €204,232 thousand and €272,926 thousand to its financial revenues in 2002 and 2001, respectively.

#### **Grupo Provincial (Venezuela)-**

In March 1997, the Group acquired 40% of the capital stock of Banco Provincial, S.A. and higher holdings in the other Provincial Group companies, thereby assuming management of the group. Additional acquisitions were made in subsequent years which raised the Bank's holding in the Provincial Group to 54.98% as of December 31, 2001 and to 55.53% as of December 31, 2002.

The total assets contributed to the Group by the Provincial Group companies amounted to €3,627,193 thousand and €6,043,026 thousand, respectively, and the

financial revenues to €746,284 thousand and €810,940 thousand, respectively, in 2002 and 2001.

#### **BBVA-Bancomer Group (Mexico)-**

Grupo Financiero BBV-Probursa, S.A. de C.V. and the companies in its group, including most notably Banco Bilbao Vizcaya Mexico, S.A., joined the Group in July 1995.

In the first half of 2000, it was resolved to merge Grupo Financiero BBV-Probursa, S.A. de C.V. and Grupo Financiero BBVA Bancomer, S.A. de C.V. (the holdings of which include most notably 100% of BBVA Bancomer, S.A. and 51% of Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. -AFORE Bancomer-). This merger was carried out in July 2000, after the Group subscribed in June to a capital increase of US\$ 1,400 million at Grupo Financiero BBV-Probursa, S.A. de C.V.

The Group's holding in Grupo Financiero BBVA Bancomer, S.A. de C.V. resulting from the merger, following open-market acquisitions of shares amounting to approximately US\$ 325 million, stood at 36.6% as of December 31, 2000.

At the end of the year 2000 an agreement was reached with Bank of Montreal to acquire an additional 2.2% of Grupo Financiero BBVA Bancomer, S.A. de C.V. for approximately US\$ 125 million, in a transaction which was performed in 2001. Also, on April 4, 2001, the Group reached an agreement with Bank of Montreal to purchase 9% of its holding in Grupo Financiero BBVA Bancomer, S.A. de C.V. (812 million shares) which signified an investment of US\$ 558 million. The transaction was performed in two tranches: the first consisting of 500 million shares on April 5, 2001, raised the holding to 45%, and the second, consisting of 312 million shares, raised the holding in Grupo Financiero BBVA Bancomer, S.A. de C.V. to 48%. Also, in 2001 other acquisitions amounting to US\$ 140 million were made, leaving the total holding in Grupo Financiero BBVA Bancomer S.A. de C.V. at 48.76% as of December 31, 2001. The total goodwill recorded in relation to Grupo Financiero BBVA Bancomer S.A. de C.V. in 2001 amounted to €739 million.

In 2001, BBVA Bancomer Capital Trust, a wholly-owned investee of BBVA Bancomer, S.A. de C.V. issued ten-year capital notes amounting to US\$ 500 million with an annual yield of 10.5% (Note 21).

As a result of the placement of Grupo Financiero BBVA Bancomer S.A. de C.V. shares by the Government of Mexico in 2002, BBVA acquired approximately 276 million shares representing 3% of the entity's capital stock for €240 million. Additionally, in November 2002, the Group acquired a further 2.5% holding in the capital stock of BBVA Bancomer for €175 million, thus raising the Bank's ownership interest to 54.67% as of December 31, 2002. The increase in goodwill recorded in 2002 was €338,350 thousand (Note 13).

The assets and financial revenues contributed to the Group by the companies in the BBVA-Bancomer Group

amounted to €60,061,343 thousand and €5,070,718 thousand, respectively, in 2002 (€71,079,719 thousand and €7,472,793 thousand in 2001).

#### **BBVA Brasil Group-**

In August 1998, the Group acquired control of Banco Excel Económico, S.A. (now Banco Bilbao Vizcaya Argentaria Brasil, S.A. - BBVA Brasil) and acquired substantially all its capital stock by subscribing to the full amount of a capital increase carried out by the bank for US\$ 853 million.

In addition, as part of the capitalization plan agreed upon with the Brazilian authorities, the Group placed a deposit at BBVA Brasil amounting to US\$ 700 million, convertible into capital in future years. US\$ 31 million of this amount were converted in December 2000 and US\$ 46 million were converted in 2001. In 2002 the remaining deposit amount (US\$ 623 million) was converted into equity.

The BBVA Brasil group companies contributed €4,020,841 thousand to the Group's assets and €1,218,811 thousand to its financial revenues in 2002 (€6,390,255 thousand and €761,669 thousand, respectively, in 2001).

In 2002 the Group decided to reconsider the business model implemented in Brazil. As a result of the new approach, a strategic agreement was reached in that year with Banco Bradesco, S.A., which was executed on January 13, 2003. The main aspects of the agreement are as follows:

- Integration of the banking and insurance business of BBVA in Brazil, carried on by BBVA Brasil and its subsidiaries, into Banco Bradesco, S.A. through the transfer of all the shares of BBVA Brasil owned by BBVA to Banco Bradesco, S.A.
- As a consideration for the transfer of shares, BBVA will receive newly-issued common shares and preferred shares of Banco Bradesco, S.A. representing 4.5% of its capital stock and, additionally, will receive cash amounting to approximately 2,000 million Brazilian reais.

In 2002 the Group recorded the accounting effects of the agreement with a charge of €245,717 thousand to the "Losses on Disposal of Investments in Fully or Proportionally Consolidated Companies" caption in the accompanying consolidated statement of income and a credit to the "Losses at Consolidated Companies Arising from Negative Exchange Differences on Consolidation" caption (Note 24) to eliminate, as required by Bank of Spain regulations, the accumulated negative exchange differences which were recorded against consolidation reserves and arose from the translation of the financial statements of BBVA Brasil from the time of its acquisition. The aforementioned entry has no effect on the Group's shareholders' equity. Also, a capital gain of €92,000 thousand was recorded with a credit to the aforementioned caption in the accompanying consolidated statement of income, and a charge to the "Other Assets" caption in the accompanying consolidated balance sheet. Finally, a specific

provision of €34,719 thousand was recorded with a charge to the “Extraordinary Losses” caption in the consolidated statement of income (Note 28-g) equal to the theoretical goodwill that will be disclosed as a result of booking the shares of Banco Bradesco, S.A. as mentioned above.

At the date of preparation of these financial statements, this agreement was conditional upon the required due diligence review and the necessary approval from the various regulatory authorities, although it is expected to be concluded in the first half of 2003.

#### **BBVA Banco BHIF Group (Chile)-**

In September 1998, the Group acquired a 44% holding in the Chilean financial institution BBVA Banco BHIF, S.A. and assumed the management of the group headed by it. In 1999 additional shares were acquired to raise the Group's total holding in this entity to 53.3% as of December 31, 1999. In September 2000 the Group completed the contribution of the capital subscribed in September 1998, with an amount of US\$ 108 million, which brought the Group's holding to 62.6% as of December 2000. As of December 2001 and 2002, the Group's holding in BBVA Banco BHIF, S.A. was 62.89% and 66.098%, respectively.

The assets and financial revenues contributed to the Group by this bank and its subsidiaries in 2002 amounted to €4,309,550 thousand and €300,519 thousand, respectively (€4,181,488 thousand and €363,938 thousand, respectively, in 2001).

#### **AFP Provida, S.A. (Chile)-**

On July 1, 1999, the Group acquired a 41.17% holding in, and assumed the management of, Administradora de Fondos de Pensiones Provida, S.A. This acquisition was undertaken through the issue of 19,780,108 new shares resolved by the Special Shareholders' Meeting on June 30, 1999. These new shares were exchanged for all the shares of the companies that owned the aforementioned holding in AFP Provida, S.A. (Corp Group Pensions Ltd. and Brookline Investment Ltd.). Also, the Group made further investments in AFP Provida, mainly through the majority subscription to a capital increase carried out by this company in October 1999, which, together with the open-market acquisitions of US\$ 11 million in 2001 and US\$ 51 million in 2000, brought the Group's holding as of December 31, 2002 and 2001, to 64.32%.

The gross operating, principally fees, contributed by AFP Provida, S.A. to the Group in 2002 and 2001 amounted to €106,216 thousand and €127,204 thousand, respectively.

#### **Banco de Crédito Local, S.A.-**

At the end of 2000 an agreement was entered into with the Dexia group to terminate the strategic alliance for the institutional business which Argentaria had with that group. The agreement included the purchase by BBVA of 40% of

Banco de Crédito Local, S.A., owned by the Dexia group since 1998, which was performed in January 2001 and gave rise to the disbursement of approximately €429,435 thousand, generating goodwill of €298,037 thousand (Note 13).

#### **Other variations in the Group in 2002-**

The most noteworthy transactions in 2002 were as follows:

- In 2002 Brunara, S.A., in which the Group has a 14.066% holding, was no longer fully consolidated and was accounted for by the equity method.
- On January 25, 2002, BBVA and Grupo Progreso announced the launch of BBVA Crecer AFP, a new pension fund manager for the Dominican Republic market. As of December 31, 2002, BBVA had a 70% holding in this company and Grupo Progreso had the remaining 30% holding. The total investment in 2002 was US\$ 3.6 million.
- The sale of all the shares held by BBVA Banco Francés, S.A. in BBVA Uruguay (60.88%) to BBVA for US\$ 55 million was formally executed on May 14, 2002, after obtaining authorization from the Central Bank of Uruguay (Note 3-ñ). As a result of this transaction, the BBVA Group's ownership interest in BBVA Uruguay rose from 80.658% to 100%.
- On May 15, 2002, Terra Networks and BBVA entered into a preliminary agreement for the integration of Uno-e Bank, S.A. and the individuals consumer financing business of Finanzia Banco de Crédito, S.A., a wholly-owned subsidiary of BBVA, whereby Terra Networks' holding in Uno-e Bank, S.A. stood at 33%. This integration transaction and the percentage of ownership by Terra Networks were subject to the formalization of final contracts, which were executed on January 10, 2003, and the obtainment of the required authorizations. Also, a mechanism was implemented for the liquidity of the shares held by Terra Networks in the resulting combined entity.

## **(5) DISTRIBUTION OF INCOME**

The proposed distribution of 2002 income that the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. will submit for approval by the Shareholders' Meeting is as follows:

	Thousands of Euros
<b>2002 net income (Note 4)</b>	<b>1,207,096</b>
Allocation to:	
Dividends (Note 2-d)	
- Interim dividend	862,880
- Final dividend	249,276
Voluntary reserves	94,940



In 2002, the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. resolved to pay the shareholders three interim dividends out of 2002 income, amounting to a total of €0.27 gross per share. The aggregate amount of the interim dividends declared as of December 31, 2002, net of the amount collected and to be collected by the consolidable Group companies, was €862,616 thousand and is recorded under the «Other Assets» caption in the related consolidated balance sheet (Note 15). The last of the aforementioned interim dividends, which amounts to €0.09 gross per share, is payable to the shareholders on or after January 10, 2003, and is recorded under the “Other Liabilities – Debentures Payable” caption in the accompanying consolidated balance sheet (Note 15). The Bank’s Board of Directors will propose to the Shareholders’ Meeting that a final dividend of €0.078 per share be paid out of 2002 income.

The projected 2002 accounting statements prepared by Banco Bilbao Vizcaya Argentaria, S.A. in accordance with legal requirements, disclosing the existence of sufficient liquidity for distribution of the interim dividends, were as follows:

	Thousands of Euros		
	05/31/2002	08/31/2002	11/30/2002
	First	Second	Third
<b>Interim dividend-</b>			
Income at each of the stated dates, after the provision for corporate income tax	654,028	636,918	1,117,109
Less-			
Interim dividends distributed	–	(287,627)	(575,254)
<b>Maximum amount of possible distribution</b>	<b>654,028</b>	<b>349,291</b>	<b>541,855</b>
<b>Proposed amount of interim dividend</b>	<b>287,627</b>	<b>287,627</b>	<b>287,626</b>

## (6) GOVERNMENT DEBT SECURITIES

The balances of this caption in the accompanying consolidated balance sheets are made up as follows:

	Thousands of Euros			
	2002		2001	
	Book Value	Market Value	Book Value	Market Value
<b>Fixed-income portfolio:</b>				
<b>Held-to-maturity portfolio-</b>				
<b>Listed government debt securities</b>	<b>1,880,783</b>	<b>1,983,010</b>	<b>2,271,905</b>	<b>2,381,703</b>
<b>Available-for-sale portfolio-</b>				
Treasury bills	1,145,563	1,146,566	6,502,073	6,526,390
Other listed book-entry debt securities	9,243,858	9,538,272	8,914,018	9,088,884
Other listed securities	24,784	27,219	75,433	79,514
	10,414,205	10,712,057	15,491,524	15,694,788
Less-				
Securities revaluation reserve (Note 2-f)	(34)	–	(6)	–
	<b>10,414,171</b>	<b>10,712,057</b>	<b>15,491,518</b>	<b>15,694,788</b>
<b>Trading portfolio-</b>				
Treasury bills	4,697,945	4,697,945	3,113	3,113
Other book-entry debt securities	2,774,877	2,774,877	2,398,833	2,398,833
	<b>7,472,822</b>	<b>7,472,822</b>	<b>2,401,946</b>	<b>2,401,946</b>
	<b>19,767,776</b>	<b>20,167,889</b>	<b>20,165,369</b>	<b>20,478,437</b>

In 2002, securities amounting to €1,811,502 thousand were transferred from the trading portfolio to the available-for-sale portfolio at market prices.

The acquisition cost of securities assigned to the trading portfolio amounted to €7,378,856 thousand as of December 31, 2002 (€2,403,315 thousand as of December 31, 2001).

The variations in 2002 in the balance of this caption in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>20,165,369</b>
Purchases	67,115,695
Sales	(63,935,970)
Redemptions	(3,634,226)
Other	56,908
<b>Balance at year-end</b>	<b>19,767,776</b>

The average annual interest rate on Treasury bills in 2002 was 2.82% (4.58% in 2001). As of December 31, 2002, €5,991,369 thousand (effective amount) of these assets and of those acquired under resale agreement from credit institutions (Note 7) and from customers (Note 8) had been sold under repurchase agreement by the Group to other financial intermediaries (Note 17) and to customers (Note 18).

The nominal interest rates on listed government debt securities ranged from 10.9% to 3.25% at 2002 and 2001 year-ends. As of December 31, 2002, €15,185,661 thousand (effective amount) of these securities and of those acquired under resale

agreement from credit institutions (Note 7) and from customers (Note 8) had been sold under repurchase agreement by the Group to the Bank of Spain and other financial intermediaries (Note 17) and to customers (Note 18).

The breakdown of this caption, by maturity, as of December 31, 2002 and 2001, disregarding the securities revaluation reserve, is as follows:

	Thousands of Euros			
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years
<b>Balances at December 31, 2002-</b>				
Fixed-income portfolio:				
Held-to-maturity portfolio	-	1,264,802	-	615,981
Available-for-sale portfolio	1,492,066	2,478,865	4,926,042	1,517,232
Trading portfolio	520,045	3,018,011	2,423,940	1,510,826
	<b>2,012,111</b>	<b>6,761,678</b>	<b>7,349,982</b>	<b>3,644,039</b>
<b>Balances at December 31, 2001-</b>				
Fixed-income portfolio:				
Held-to-maturity portfolio	376,515	-	1,277,361	618,029
Available-for-sale portfolio	1,329,025	3,069,565	6,426,546	4,666,388
Trading portfolio	581,161	184,457	634,885	1,001,443
	<b>2,286,701</b>	<b>3,254,022</b>	<b>8,338,792</b>	<b>6,285,860</b>

## (7) DUE FROM CREDIT INSTITUTIONS

The breakdown of the balances of this caption in the accompanying consolidated balance sheets, by currency and type, is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	6,752,842	8,752,036
In foreign currencies	14,723,437	14,446,720
	<b>21,476,279</b>	<b>23,198,756</b>
<b>By type:</b>		
<b>Current accounts-</b>		
Current accounts	348,420	284,784
Other accounts	1,029,288	2,358,426
	1,377,708	2,643,210
<b>Other-</b>		
Deposits at credit and finance entities	11,169,447	9,647,849
Assets acquired under resale agreement (Notes 6, 8, 17 and 18)	8,301,701	10,694,548
Other accounts	750,210	351,682
	20,221,358	20,694,079
Less-		
Loan loss provisions (Notes 2-f, 3-c and 8)	(5,439)	(34,714)
Country-risk provisions (Notes 2-f, 3-c and 8)	(117,348)	(103,819)
	<b>21,476,279</b>	<b>23,198,756</b>

As of December 31, 2002 and 2001, the foregoing "Country-Risk Provisions" account included €93,322 thousand and €98,548 thousand, respectively, relating to provisions recorded to cover intercompany country-risk positions (Notes 2-c and 3-c).

The detail, by maturity, of the balances of the «Due from Credit Institutions - Other» caption (except for "Other Accounts") in the accompanying consolidated balance sheets, disregarding the loan loss and country risk provisions, and the average interest rates for each year are as follows:

	Thousands of Euros				Average Interest Rate in the Year
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	
<b>Balances at December 31, 2002-</b>					
Deposits at credit and financial institutions	10,205,195	842,615	75,910	45,727	4.2%
Assets acquired under resale agreement	4,664,761	1,623,713	2,013,134	93	6.6%
	<b>14,869,956</b>	<b>2,466,328</b>	<b>2,089,044</b>	<b>45,820</b>	
<b>Balances at December 31, 2001-</b>					
Deposits at credit and financial institutions	7,464,116	1,908,679	217,918	57,136	5.3%
Assets acquired under resale agreement	10,574,970	119,578	-	-	5.4%
	<b>18,039,086</b>	<b>2,028,257</b>	<b>217,918</b>	<b>57,136</b>	

## (8) TOTAL NET LENDING

The detail, by currency and borrower sector, of the balances of this caption in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	106,589,553	98,982,084
In foreign currencies	34,725,459	51,237,736
	<b>141,315,012</b>	<b>150,219,820</b>
<b>By sector:</b>		
Public sector	12,561,840	12,195,701
Agriculture	698,161	533,339
Industrial	11,970,286	11,377,851
Real estate and construction	13,651,669	12,767,362
Trade and finance	9,336,199	8,676,667
Loans to individuals	38,514,900	36,105,108
Lease	3,216,394	2,684,525
Other	12,923,030	10,899,947
Total resident borrowers	102,872,479	95,240,500
Non-resident sector	43,540,228	60,907,023
Europe	7,453,873	8,636,490
USA	772,262	1,052,007
Latin America	31,335,166	46,382,514
Other countries	3,978,927	4,836,012
Less-		
Loan loss provisions (Notes 2-f and 3-c)	(4,771,009)	(5,715,979)
Country-risk provisions (Notes 2-f and 3-c)	(326,686)	(211,724)
	<b>141,315,012</b>	<b>150,219,820</b>

The detail, by maturity and by loan type and status, of this caption in the accompanying consolidated balance sheets, disregarding the balance of the «Loan Loss Provisions» and «Country-Risk Provisions» accounts in the foregoing detail, is as follows:

	Thousands of Euros	
	2002	2001
<b>By maturity:</b>		
Up to 3 months	39,559,494	45,470,250
3 months to 1 year	22,308,438	25,519,364
1 to 5 years	37,365,648	34,911,609
Over 5 years	47,179,127	50,246,300
	<b>146,412,707</b>	<b>156,147,523</b>
<b>By loan type and status:</b>		
Commercial bills	9,326,491	11,051,537
Financial bills	29,154	55,931
Secured loans	57,590,451	56,485,533
Assets acquired under resale agreement (Notes 6, 7, 17 and 18)	318,107	406,782
Other term loans	66,332,030	74,465,447
Demand and other loans	5,303,066	7,350,174
Financial leases	4,040,129	3,657,087
Nonperforming loans	3,473,279	2,675,032
	<b>146,412,707</b>	<b>156,147,523</b>

The variations in 2002 in the balance of the «Nonperforming Loans» caption included under this heading in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>2,675,033</b>
Additions	4,275,505
Recoveries	(1,773,530)
Transfers to bad debts	(889,913)
Exchange differences	(813,816)
<b>Ending balance</b>	<b>3,473,279</b>

As of December 31, 2002 and 2001, the face amount of the assets, basically loans, credits and securities pledged as security for own and third-party obligations, amounted to €18,190,848 thousand and €11,200,566 thousand, respectively, and related basically to the pledge of certain assets as security for financing facilities with the Bank of Spain and other central banks (Note 17) and to a portion of the assets assigned to mortgage bond issues which, pursuant to the Mortgage Market Law are admitted as security for obligations to third parties.

As of December 31, 2002 and 2001, there were no loans to customers without fixed maturity dates.

In 2002 and 2001 €2,910,899 thousand and €1,109,649 thousand, respectively, of loans were transferred to securitization funds.

Assets under financial lease contracts are reflected in the «Financial Leases» account in the foregoing detail at the principal amount of the unmatured lease payments, plus the residual value applicable for purchase option purposes, excluding financial charges and VAT.

As of December 31, 2002 and 2001, the outstanding amounts of the loans granted to employees and customers for the acquisition of shares of Banco Bilbao Vizcaya Argentaria, S.A. were €17,286 thousand and €107,605 thousand, respectively.

The advances and loans granted to Bank directors as of December 31, 2002 and 2001, totaled €1,099 thousand and €6,091 thousand, respectively, and earned annual interest between 4% and 5%. As of December 31, 2002, no guarantees had been provided for them. As of December 31, 2001, the guarantees provided for directors amounted to €142 thousand.

The variations in 2002 in the overall balance of the «Loan Loss Provisions» and «Country-Risk Provisions» accounts in the above detail and of the provisions allocated to credit institutions (Note 7) and to fixed-income securities (Note 9) were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>6,320,008</b>
Net charge for the year:	
Nonperforming loan provision	1,889,927
Country-risk provision (Note 2-c)	286,195
Reversals	(433,964)
	1,742,158
Variations in the consolidable Group (Note 4)	(1,861)
Transfer to loan writeoffs	(1,333,611)
Transfer to foreclosed asset provisions (Note 14)	(8,156)
Other variations:	
Exchange differences	(1,441,192)
Transfer to provision for off-balance-sheet risks (Note 20)	(86,278)
Other	154,815
<b>Ending balance</b>	<b>5,345,883</b>

The €207,677 thousand of written-off loans recovered in 2002 are presented net of the balances of the «Net Loan Loss Provisions» caption in the accompanying consolidated statements of income. This caption also includes the writeoffs of loans classified as bad debts, which amounted to €208,857 thousand in 2002.

The detail of the total risk exposure as of December 31, 2002 and 2001, to third parties outside the Group in countries experiencing differing degrees of debt-servicing difficulty (country-risk) and of the provisions recorded for coverage thereof, which are included in the loan loss provisions (Note 3-c), is as follows:

	Thousands of Euros	
	2002	2001
Country-risk	1,046,687	1,404,722
Provision recorded (*)	482,719	493,942
% of coverage	46.1%	35.2%

(\*) €353,264 thousand and €218,605 thousand of these amounts as of December 31, 2002 and 2001, respectively, were recorded in the «Country-Risk Provision» account. The remaining amounts were recorded in the «Specific Risk Provision» account.

The country-risk amount as of December 31, 2002 and 2001 does not include assets for which insurance policies have been taken out with third parties that include coverage of the risk of confiscation, expropriation, nationalization, nontransfer, nonconvertibility and, if appropriate, war and political violence. The sum insured as of December 31, 2002 and 2001 amounted to US\$ 584.5 million and US\$ 555 million, respectively (approximately €557,357 thousand and €629,752 thousand).

Also, pursuant to current Bank of Spain regulations, the provision for off-balance-sheet risk losses, recorded under the «Provisions for Contingencies and Expenses - Other Provisions» caption (Notes 2-f and 20) on the liability side of the accompanying consolidated balance sheets amounted to €271,545 thousand and €185,268 thousand, respectively, as of December 31, 2002 and 2001.

## (9) DEBENTURES AND OTHER DEBT SECURITIES

The breakdown, by currency, issuer sector, listing status and type, of the balances of this caption in the accompanying consolidated balance sheets, is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	18,785,929	22,570,025
In foreign currencies	30,347,250	39,080,913
	<b>49,133,179</b>	<b>61,650,938</b>
<b>By type:</b>		
Held-to-maturity portfolio	522,077	596,769
Available-for-sale portfolio	28,914,106	41,805,296
Trading portfolio	19,696,996	19,248,873
	<b>49,133,179</b>	<b>61,650,938</b>
<b>By sector:</b>		
Resident public sector	1,436,106	1,351,886
Resident credit entities	258,027	459,373
Other resident sectors	2,441,327	2,468,122
Other non-resident sectors	45,125,706	57,628,725
Europe	14,629,779	18,622,973
USA	2,905,029	2,533,603
Latin America	26,765,261	35,257,299
Other countries	825,637	1,214,850
Less-		
Securities revaluation reserve		
(Note 2-f)	(2,586)	(3,396)
Loan loss and country-risk		
provisions (Notes 2-f, 3-c and 8)	(125,401)	(253,772)
	<b>49,133,179</b>	<b>61,650,938</b>
<b>By listing status:</b>		
Listed	37,955,161	45,144,591
Unlisted	11,178,018	16,506,347
	<b>49,133,179</b>	<b>61,650,938</b>

The breakdown, by maturity, of the balance of the fixed-income portfolio classified as available-for-sale and held-to-maturity in the accompanying consolidated balance sheets, disregarding the «Securities Revaluation Reserve» and the «Loan

Loss and Country-Risk Provisions» accounts in the foregoing detail, is as follows:

	Thousands of Euros		
	Up to 1 Year	1 to 5 Years	Over 5 Years
<b>Balances at December 31, 2002-</b>			
Fixed-income portfolio:			
Held-to-maturity portfolio	10,355	432,307	79,415
Available-for-sale portfolio	4,224,678	10,960,229	13,729,199
	<b>4,235,033</b>	<b>11,392,536</b>	<b>13,808,614</b>
<b>Balances at December 31, 2001-</b>			
Fixed-income portfolio:			
Held-to-maturity portfolio	74,755	355,701	166,313
Available-for-sale portfolio	9,624,030	22,233,218	9,948,048
	<b>9,698,785</b>	<b>22,588,919</b>	<b>10,114,361</b>

In 2002 securities in the trading portfolio amounting to €1,054,336 thousand were transferred to the available-for-sale portfolio at market prices.

The acquisition cost of the securities assigned to the trading portfolio was €19,598,881 thousand as of December 31, 2002 (€19,278,581 thousand as of December 31, 2001).

As of December 31, 2002, the market value of the debentures and other debt securities included in the available-for-sale portfolio and in the held-to-maturity portfolio exceeded their book value by €57,754 thousand and €39,683 thousand, respectively.

As of December 31, 2002, the face value of the securities which were securing financing lines, assigned by the Bank of Spain and other central banks, amounted to €7,091,312 thousand.

As of December 31, 2002 and 2001, a portion of the debt securities on hand had been sold under repurchase agreement basically to private-sector depositors and is recorded under the «Deposits - Other Deposits» caption in the accompanying consolidated balance sheets (Note 18).

The balance of the «Available-for-Sale Portfolio - Other Nonresident Sectors» caption includes promissory notes issued by the Banking Fund for the Protection of Savings (FOBAPROA) in Mexico, now the Banking Institute for the Protection of Savings (IPAB). These promissory notes arose as part of the measures adopted by the Mexican government as a result of the banking crisis suffered due to the economic situation in Mexico at the end of 1994 and in 1995. Under certain regulations, the banks transferred to the Mexican government a portion of the loan portfolio with payment difficulties. These transactions were structured as a transfer of future rights to the flows generated by the loans. In exchange for these rights, the credit institutions received nontransferable FOBAPROA promissory notes of an amount equal to the net book value (net of the provisions) of the assets subject to the scheme. As of December 31, 2002 and 2001, these promissory notes amounted to €11,173,894 thousand and €15,661,263 thousand, respectively. The promissory notes earn capitalizable interest and are payable through maturity in 2005. The interest



on these promissory notes is recorded under the “Financial Revenues” caption in the accompanying consolidated statements of income. In accordance with the terms established in the agreements with FOBAPROA, Grupo Financiero BBVA Bancomer is responsible for 25% of the losses arising from the difference between the amount of the FOBAPROA promissory notes at the commencement of the transaction plus the accumulated accrued interest and the recoveries of the loans subject to the program. This contingency was written off.

The variations in 2002 in the balances of this caption in the accompanying consolidated balance sheets, disregarding the “Securities Revaluation Reserve” and the “Loan Loss Provisions”, were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>61,908,106</b>
Purchases	6,215,765,285
Sales and redemptions	(6,220,035,030)
Transfers and other	(8,377,195)
<b>Ending balance</b>	<b>49,261,166</b>

The variations in the balance of the “Securities Revaluation Reserve” account in 2002 were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>3,396</b>
Transfers and other	(810)
<b>Ending balance</b>	<b>2,586</b>

## (10) COMMON STOCKS AND OTHER EQUITY SECURITIES

This caption in the accompanying consolidated balance sheets includes the shares of companies generally less than 20% owned (less than 3% if listed), and units in mutual funds. The detail of the balances of this caption, by currency and listing status, is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	1,986,299	2,357,074
In foreign currencies	1,021,193	1,316,625
	<b>3,007,492</b>	<b>3,673,699</b>
<b>By type:</b>		
Available-for-sale portfolio	2,075,564	2,641,419
Trading portfolio	931,928	1,032,280
	<b>3,007,492</b>	<b>3,673,699</b>
<b>By listing status:</b>		
Listed	2,447,460	2,435,746
Unlisted	800,758	1,391,608
Less-		
Securities revaluation reserve		
(Notes 2-f and 3-e)	(240,726)	(153,655)
	<b>3,007,492</b>	<b>3,673,699</b>

The variations in 2002 in the balances of this caption in the accompanying consolidated balance sheet, disregarding the securities revaluation reserve, were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>3,827,354</b>
Purchases	16,582,585
Sales	(16,336,109)
Other	(825,612)
<b>Ending balance</b>	<b>3,248,218</b>

Exhibit IV lists the Group's direct or indirect acquisitions of holdings in companies, the percentages of ownership acquired net of subsequent sales, and the notification dates thereof, in compliance with the provisions of Article 86 of the Corporations Law and Article 53 of Securities Market Law 24/1988.

As of December 31, 2002 and 2001, the market value of the shares and other equity securities included under this caption exceeded their book value by €125,789 thousand and €77,645 thousand, respectively.

The acquisition cost of the securities assigned to the trading portfolio amounted to €942,194 thousand as of December 31, 2002. As of December 31, 2001, the book value of the securities in the trading portfolio did not significantly differ from their acquisition cost.

The variations in the balances of the “Securities Revaluation Reserve” account in 2002 were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>153,655</b>
Net charge for the year	161,794
Amount used	(62,143)
Transfer and other	(12,580)
<b>Ending balance</b>	<b>240,726</b>

## (11) INVESTMENTS IN NON-GROUP COMPANIES

This caption in the accompanying consolidated balance sheets reflects the ownership interests in the capital of other companies which, although not constituting a single decision-making unit, have a lasting relationship with the Group pursuant to Article 185.2 of the Corporations Law and Bank of Spain Circular 4/1991, which generally range from 20% (3% if listed) to 50%.

The “Other Investments in Associated Companies” account in the following table includes the holdings in companies acquired by the Group but not intended to be held at long-term and the holdings for which hedging futures transactions have been arranged (Note 2-c).

The detail of the balances of this caption in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	5,891,886	6,333,502
In foreign currencies	132,289	308,433
	<b>6,024,175</b>	<b>6,641,935</b>
<b>By listing status:</b>		
Listed	5,614,439	6,048,381
Unlisted	409,818	595,345
Less-		
Securities revaluation reserve		
(Notes 2-f and 3-e)	(82)	(1,791)
	<b>6,024,175</b>	<b>6,641,935</b>
<b>By type of investment:</b>		
Long-term investments	4,921,149	5,605,568
Other investments in associated companies	1,103,026	1,036,367
	<b>6,024,175</b>	<b>6,641,935</b>

€1,024,136 thousand and €1,144,862 thousand of the foregoing balances as of December 31, 2002 and 2001, respectively, related to investments in credit institutions, basically Banca Nazionale del Lavoro, S.p.A., Credit Lyonnais, S.A., Banco Atlántico, S.A. and Wafabank, S.A.

Exhibit II lists the main associated companies, showing the percentages of direct and indirect ownership, the book values of these investments and other relevant information.

The variations in the balances of this caption in the accompanying 2002 consolidated balance sheet, disregarding the securities revaluation reserve, were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>6,643,726</b>
Capital increase and purchases	1,707,627
Sales	(1,824,169)
First-time consolidation differences (Note 13), transfers (Note 12) and other	(502,927)
<b>Year-end balance</b>	<b>6,024,257</b>

The most notable transactions in 2002 were as follows:

#### Investments-

- Further holdings representing 0.202% of the capital stock of Gas Natural, S.A. were acquired in 2002 for €16 million, raising the BBVA Group's ownership interest to 3.065%.
- A 0.201% holding in the capital stock of Telefónica de España, S.A. was acquired for €82 million between May and October 2002.

#### Divestments-

- In 2002 and as a result of certain corporate agreements, shares of Banca Nazionale del Lavoro (BNL) were

purchased and sold with no variation in the percentage of ownership. Also, in the framework of these corporate agreements there was a dilutive effect which brought the percentage of ownership to 14.614%. These purchases and sales gave rise to a capital loss at the Group amounting to €15 million.

- A 0.037% holding in the capital stock of Telefónica de España, S.A. was sold in March 2002 at a gain of €8 million.
- A 1.756% holding in Iberdrola, S.A. was sold in 2002, giving rise to a gain of €75 million.
- In the first quarter of 2002 the Group sold 3.823% of its holding in Metrovacesa, giving rise to gains of €14 million. In June 2002, BBVA and BAMÍ, S.A. Inmobiliaria de Construcciones y Terrenos agreed on the sale of 23.9% of the capital stock of Metrovacesa, S.A. for €545.4 million (€36.55 per share), which was formally executed once the authorization from the antitrust authorities was obtained. As a result of this sale, as of December 31, 2002, the BBVA Group had a 0.581% holding in Metrovacesa, S.A. and obtained a gain of approximately €361 million. This holding is recorded under the "Common Stocks and Other Equity Securities" caption in the accompanying consolidated balance sheet (Note 10).
- Shares representing 4.612% of the capital stock of Acesa Infraestructuras, S.A. were sold in 2002 for €171 million at a gain of €20 million.
- In 2002 the Group sold a 7.641% holding in the capital stock of Acerinox, S.A. at a gain of €66 million.
- Lastly, in December 2002, Credit Agricole, S.A. and SACAM Development launched a tender offer on the shares of Credit Lyonnais. The transaction is expected to be performed in 2003 giving rise to a gain of approximately €300 million for the Group's total holding in this entity.

The gains and losses obtained on the aforementioned transactions are recorded under the "Income on Group Transactions" and "Losses on Group Transactions" captions, respectively, in the accompanying 2002 consolidated statement of income.

Exhibit IV lists the notifications by the Group in compliance with Article 86 of the Corporations Law and Article 53 of Securities Market Law 24/1988.

As of December 31, 2002 and 2001, the market price of the shares and other equity securities included in this caption of the accompanying consolidated balance sheets was lower and higher, respectively, than their net book value by approximately €159,496 thousand and €2,009,917 thousand, after taking into account the related goodwill, negative consolidation differences and hedges of certain holdings (Note 13).

The variations in the balances of the “Securities Revaluation Reserve” account in 2002 were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>1,791</b>
Charge for the year	–
Reversals	(3,366)
Other variations	1,657
<b>Year-end balance</b>	<b>82</b>

## (12) INVESTMENTS IN GROUP COMPANIES

This caption in the accompanying consolidated balance sheets reflects the investments in subsidiaries, which are generally majority-owned and were not consolidated by the global integration method because their business activities are not directly related with those of the Group.

The breakdown, by currency and listing status, of the balances of this caption in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	779,876	732,249
In foreign currencies	259,812	381,895
	<b>1,039,688</b>	<b>1,114,144</b>
<b>By listing status:</b>		
Listed	–	3,011
Unlisted	1,039,688	1,111,133
	<b>1,039,688</b>	<b>1,114,144</b>

Exhibit III presents relevant information about the companies comprising the balance of this caption in the accompanying consolidated balance sheets.

The variations in 2002 in the balance of this caption in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>1,114,144</b>
Capital increases and purchases	75,332
Sales	(73,490)
Exchange differences	(95,400)
Transfers (Note 11) and other	19,102
<b>Ending balance</b>	<b>1,039,688</b>

On December 27, 2002, the Special Shareholders' Meeting of BBVA Seguros, S.A. de Seguros y Reaseguros resolved to increase its capital stock by €30 million, with additional paid-in capital of €19 million, through the issuance of approximately 5 million shares for €9.82 per share (€6.01 par value each and the remainder as additional paid-in capital). The Group will subscribe to a total of 4.9 million shares for a total amount of €49,085 thousand.

As of December 31, 2002, there were no capital increases in progress at nonconsolidable subsidiaries other than the one described above.

In 1990, 1994 and 1995, tax assessments for 1986 to 1990 were issued to the nonconsolidable subsidiaries BBVA Seguros, S.A. (formerly Euroseguros, S.A.) and Senorte Vida y Pensiones, S.A. totaling €88,066 thousand of principal and €39,072 thousand of late-payment interest, plus €66,057 thousand of penalties, after adjustment pursuant to the revised General Tax Law. The companies filed pleadings and appeals against the assessments and several administrative decisions and court rulings were handed down in 1997 through 2000. As a result of application of the criteria set forth in these court rulings, some of which have been appealed by the Group and by the Spanish tax authorities, the tax debts would be reduced to €50,677 thousand of principal and €19,851 thousand of interest. In order to file these appeals, the Bank provided guarantees totaling €85,193 thousand to the tax authorities. The Bank's directors and legal advisers consider that these matters will be resolved satisfactorily for the Group and that, in any case, the possible effects thereof would not materially affect the accompanying consolidated financial statements.

## (13) CONSOLIDATION GOODWILL AND NEGATIVE CONSOLIDATION DIFFERENCE

The detail, by company, of the balances of the «Consolidation Goodwill» caption in the accompanying consolidated balance sheets as of December 31, 2002 and 2001, and of the variations therein in 2002, is as follows:

	Thousands of Euros					
	Balance at December 31, 2001	Additions (Notes 4 and 11)	Retirements (Notes 4 and 11)	Amortization (Note 3-g)	Exchange Differences and Other	Balance at December 31, 2002
<b>Fully or proportionally consolidated companies (Note 4)-</b>						
Grupo Financiero BBVA Bancomer, S.A. de C.V.	1,861,034	338,350	(8,379)	(235,659)	(6)	1,955,340
AFORE Bancomer	364,387	-	-	(40,139)	(13,521)	310,727
Provida Group	244,894	-	-	(40,848)	3	204,049
BBVA Banco BHIF, S.A.	74,988	2,574	(368)	(10,354)	-	66,840
BBVA Puerto Rico, S.A.	73,473	-	-	(9,085)	(12,740)	51,648
BBVA Horizonte Pensiones y Cesantías, S.A. - Colombia	69,183	-	-	(64,960)	(4,223)	-
AFP Horizonte, S.A. - Peru	28,590	-	-	(28,490)	(100)	-
Midas Group (Portugal)	18,001	-	(15,459)	(2,542)	-	-
BBVA Banco Francés, S.A. (Note 3-ñ)	-	34,789	-	(34,789)	-	-
Finanzia, Banco de Crédito, S.A.	8,618	-	-	(1,728)	-	6,890
BBVA (Portugal), S.A.	4,700	15,459	(546)	(578)	-	19,035
Banco de Crédito Local, S.A.	270,715	-	-	(29,808)	-	240,907
BBVA, Banco Ganadero, S.A.	4,429	19	-	(4,448)	-	-
Other companies	21,895	10,956	-	(16,466)	(276)	16,109
	<b>3,044,907</b>	<b>402,147</b>	<b>(24,752)</b>	<b>(519,894)</b>	<b>(30,863)</b>	<b>2,871,545</b>
<b>Companies accounted for by the equity method (Note 11)-</b>						
Telefónica, S.A.	424,687	41,101	(4,149)	(23,593)	-	438,046
Repsol YPF, S.A.	124,289	-	-	(7,680)	-	116,609
Gas Natural, S.D.G.	191,753	8,681	-	(10,998)	-	189,436
Seguros Bancomer, S.A. de C.V.	195,659	-	-	(20,526)	(12,511)	162,622
Banca Nazionale del Lavoro, S.p.A.	338,026	29,853	(11,588)	(57,495)	-	298,796
Crédit Lyonnais, S.A.	77,391	4,531	-	(10,264)	-	71,658
Autopistas Concesionaria Española, S.A.	59,121	-	(56,856)	(2,265)	-	-
Iberia, S.A.	37,431	-	-	(2,100)	-	35,331
Iberdrola, S.A.	46,717	-	(9,954)	(1,978)	-	34,785
Acerinox, S.A.	22,808	-	(19,881)	(708)	-	2,219
Wafabank, S.A.	20,152	-	-	(2,688)	-	17,464
Pensiones Bancomer, S.A. de C.V.	14,748	-	-	(1,440)	(2,802)	10,506
Other companies	19,453	10,837	(3,566)	(17,541)	(854)	8,329
	<b>1,572,235</b>	<b>95,003</b>	<b>(105,994)</b>	<b>(159,276)</b>	<b>(16,167)</b>	<b>1,385,801</b>
	<b>4,617,142</b>	<b>497,150</b>	<b>(130,746)</b>	<b>(679,170)</b>	<b>(47,030)</b>	<b>4,257,346</b>

Per the information available, the estimated future revenues attributable to the Group from each of the investments generating goodwill in the remaining amortization period of this goodwill exceed the related unamortized balances as of December 31, 2002.

The variations in 2002 in the balances of the "Negative Consolidation Difference" caption in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
<b>Beginning balance</b>	<b>42,744</b>
Add-	
Additions	12,269
Less-	
Retirements	(7,459)
<b>Ending balance</b>	<b>47,554</b>

## (14) PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

### Property and equipment-

The variations in 2002 in property and equipment accounts in the accompanying consolidated balance sheet were as follows:



	Thousands of Euros			
	Land and Buildings for Own Use	Other Property	Furniture, Fixtures and Other	TOTAL
<b>Revalued cost-</b>				
<b>Beginning balance</b>	<b>3,456,216</b>	<b>1,793,192</b>	<b>5,781,159</b>	<b>11,030,567</b>
Additions	25,500	244,981	480,546	751,027
Retirements	(111,503)	(544,393)	(290,761)	(946,657)
Transfers	(136,913)	158,576	(21,663)	-
Exchange difference and other	(491,711)	(467,296)	(845,944)	(1,804,951)
<b>Ending balance</b>	<b>2,741,589</b>	<b>1,185,060</b>	<b>5,103,337</b>	<b>9,029,986</b>
<b>Accumulated depreciation-</b>				
<b>Beginning balance</b>	<b>885,591</b>	<b>27,941</b>	<b>3,553,682</b>	<b>4,467,214</b>
Additions	61,592	851	444,889	507,332
Retirements	(29,241)	(29,633)	(140,017)	(198,891)
Transfers	(18,575)	19,382	(807)	-
Exchange difference and other	(131,674)	(1,671)	(554,807)	(688,152)
<b>Ending balance</b>	<b>767,693</b>	<b>16,870</b>	<b>3,302,940</b>	<b>4,087,503</b>
<b>Provisions for property and equipment (Note 2-f)-</b>				
<b>Beginning balance</b>	<b>39,690</b>	<b>341,105</b>	<b>10,668</b>	<b>391,463</b>
Additions	2,236	122,958	13,720	138,914
Retirements	(3,172)	(104,076)	(13,471)	(120,719)
Transfers and other	2,718	(5,566)	2,848	-
Transfers from loan loss provisions (Note 8)	-	8,156	-	8,156
Exchange difference and other	(5,863)	(102,460)	(973)	(109,296)
<b>Ending balance</b>	<b>35,609</b>	<b>260,117</b>	<b>12,792</b>	<b>308,518</b>
<b>Property and equipment, net-</b>				
<b>Balance at December 31, 2002</b>	<b>1,938,287</b>	<b>908,073</b>	<b>1,787,605</b>	<b>4,633,965</b>

The net property and equipment provisions of €122,508 thousand and €111,127 thousand charged to 2002 and 2001 income, respectively, to supplement the loan loss provisions transferred when loans were foreclosed (Note 8), are recorded under the “Extraordinary Losses – Net Special Provisions” caption in the accompanying consolidated statements of income (Notes 3-h and 28-g).

The gains and losses on property and equipment disposals amounted to €195,493 thousand and €99,712 thousand, respectively, in 2002 (€325,827 thousand and €70,829 thousand, respectively, in 2001), and are included under the «Extraordinary Income» and “Extraordinary Losses” captions in the accompanying consolidated statements of income (Note 28-g).

The net book value as of December 31, 2002 and 2001, of the property and equipment of foreign subsidiaries was €2,383,965 thousand and €3,754,114 thousand. Also, the amount of leased assets on which the purchase option is expected to be exercised was not material as of December 31, 2002 and 2001.

### Intangible assets-

The detail of the balance of intangible asset accounts as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros		Average Amortization Period
	2002	2001	
Incorporation and preopening expenses	20,946	18,770	5
Computer software acquisition expenses	201,187	272,851	3
Other deferred charges	167,426	242,841	5
Other intangible assets	9,078	7,621	5
<b>Total</b>	<b>398,637</b>	<b>542,083</b>	

The variations in 2002 in intangible asset accounts were as follows:

INTANGIBLE ASSETS	Thousands of Euros
<b>Balance at January 1, 2002</b>	<b>542,083</b>
- Additions	248,120
- Period amortization	(253,164)
- Exchange differences and other	(138,402)
<b>Balance at December 31, 2002</b>	<b>398,637</b>

€129,475 thousand of computer software acquisition costs were amortized in 2002 with a charge to the “General Administrative Expenses – Other Administrative Expenses” caption in the consolidated statement of income.

€123,689 thousand and €151,472 thousand of other expenses were amortized in 2002 and 2001, respectively, and were recorded under the “Depreciation and Amortization” caption in the accompanying consolidated statements of income.

## (15) OTHER ASSETS AND OTHER LIABILITIES

The detail of the balances of these captions in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>Other assets-</b>		
Taxes receivable (Notes 3-l and 25):		
Prepaid income tax	2,911,123	3,574,478
Tax assets	1,717,407	1,821,770
Interim dividends (Notes 2-d and 5)	860,616	813,957
Checks drawn on credit institutions	761,381	689,253
Clearing house	369,066	761,248
Transactions in transit	20,182	43,808
Options acquired (Note 3-m)	665,438	879,142
Exchange differences on forward transactions (Note 3-b)	663,091	471,488
Items to be adjusted for hedging futures transactions (Note 3-m)	2,274,328	1,333,375
Financial transactions pending settlement	30,590	25,026
Differences in pension provision less deferred contributions of Group companies in Spain (Note 3-j)	507,504	468,300
Differences in pension provision of Group companies abroad (Note 3-j)	187,234	-
Other	1,330,920	1,118,270
	<b>12,298,880</b>	<b>12,000,115</b>
<b>Other liabilities-</b>		
Tax collection accounts	2,089,075	1,867,879
Special accounts	862,618	708,095
Debentures payable (Note 5)	795,677	960,820
Options written (Note 3-m)	993,126	1,251,854
Transactions in transit	16,669	110,641
Items to be adjusted for hedging futures transactions (Note 3-m)	1,696,545	290,890
Deferred income tax (Notes 3-l and 25)	246,918	383,836
Financial transactions pending settlement	80,797	160,422
Net effect on balance sheet of devaluation of Argentine peso (Note 3-ñ)	-	440,235
Other	2,954,480	2,967,973
	<b>9,735,905</b>	<b>9,142,645</b>

## (16) ACCRUAL ACCOUNTS

The detail of the balances of these asset and liability captions in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>Assets:</b>		
Prepaid interest on funds taken at a discount (Note 3-n)	308,603	418,521
Accrued interest earned on investments not taken at a discount	3,313,166	4,724,809
Prepaid expenses	400,391	248,969
Deferred interest expenses (Note 21)	50,311	57,090
Other accruals	319,091	1,599,678
	<b>4,391,562</b>	<b>7,049,067</b>
<b>Liabilities:</b>		
Unearned interest revenues on transactions taken at a discount (Note 3-n)	110,972	169,654
Accrued costs incurred on funds not taken at a discount	2,926,966	4,278,768
Accrued expenses	763,308	917,126
Other accruals	792,531	1,299,526
	<b>4,593,777</b>	<b>6,665,074</b>

## (17) DUE TO CREDIT INSTITUTIONS

The breakdown, by currency, type and customer residence sector, of the balances of this caption in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	32,482,221	36,508,793
In foreign currencies	23,636,827	28,079,202
	<b>56,119,048</b>	<b>64,587,995</b>
<b>By type:</b>		
<b>Current accounts-</b>		
Current accounts	133,796	52,240
Other accounts	1,403,561	1,360,578
	<b>1,537,357</b>	<b>1,412,818</b>
<b>Other-</b>		
Bank of Spain and other central banks:		
Credit account drawdowns	7,827,204	3,021,624
Assets sold under repurchase agreement (Notes 6, 7 and 8)	2,020,801	1,686,789
Due to credit institutions:		
Time deposits	26,983,251	34,759,980
Assets sold under repurchase agreement (Notes 6 and 7)	14,598,398	20,659,474
Security payables	2,600,588	2,352,866
Other accounts	551,449	694,444
	<b>54,581,691</b>	<b>63,175,177</b>
	<b>56,119,048</b>	<b>64,587,995</b>
<b>By sector</b>		
Resident sector	22,692,790	20,677,484
Non-resident sector	33,426,258	43,910,512
Europe	13,104,189	20,318,646
United States	3,264,860	3,221,272
Latin America	11,183,869	13,190,079
Other countries	5,873,340	7,180,515
	<b>56,119,048</b>	<b>64,587,995</b>

As of December 31, 2002, the Group had assets, mainly loans, credits and securities (see Note 8) securing financing lines assigned by the Bank of Spain and other central banks. As of that date, the financing limit assigned to the Group was €11,653,181 thousand, of which it had drawn down €7,998,063 thousand.

The detail, by due date, of the balances of the «Due to Credit institutions - Other» caption in the accompanying consolidated balance sheets, and of the average interest rates for each year, is as follows:

	Thousands of Euros				Average Interest Rate in the Year
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	
<b>Balances at December 31, 2002-</b>					
Bank of Spain	9,848,005	-	-	-	4.0%
Due to credit institutions:					
Time deposits	15,097,271	5,522,083	4,387,679	1,976,218	4.0%
Assets sold under repurchase agreement	13,879,667	670,678	48,053	-	5.0%
Security payables and other accounts	969,629	76,311	1,306,900	799,197	1.2%
	<b>39,794,572</b>	<b>6,269,072</b>	<b>5,742,632</b>	<b>2,775,415</b>	
<b>Balances at December 31, 2001-</b>					
Bank of Spain	4,708,413	-	-	-	5.7%
Due to credit institutions:					
Time deposits	22,405,770	4,919,780	4,634,552	2,799,878	5.3%
Assets sold under repurchase agreement	19,016,591	1,485,601	157,282	-	6.2%
Security payables and other accounts	791,920	120,398	1,353,075	781,917	2.7%
	<b>46,922,694</b>	<b>6,525,779</b>	<b>6,144,909</b>	<b>3,581,795</b>	

## (18) DEPOSITS

The breakdown, by currency and sector, of the balances of this caption in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>By currency:</b>		
In euros	83,469,150	80,968,079
In foreign currencies	63,091,215	85,531,355
	<b>146,560,365</b>	<b>166,499,434</b>
<b>By sector:</b>		
Public sector	9,264,244	6,637,674
Other resident sectors-		
Current accounts	35,508,915	34,653,467
Time deposits (Note 3-j)	16,943,643	17,007,765
Assets sold under repurchase agreement (Notes 6, 7, 8 and 9)	11,768,772	13,841,201
	<b>73,485,574</b>	<b>72,140,107</b>
Non-resident sector		
Europe	10,375,037	11,277,271
United States	5,220,043	3,994,320
Latin America	51,662,008	73,275,468
Other countries	5,817,703	5,812,268
	<b>73,074,791</b>	<b>94,359,327</b>
	<b>146,560,365</b>	<b>166,499,434</b>

The detail, by due date, of the balances of the «Savings Accounts - Time» and «Other Deposits - Time» captions in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>Savings accounts - Time-</b>		
Up to 3 months	43,060,188	40,081,216
3 months to 1 year	7,871,440	12,770,250
1 to 5 years	5,338,418	10,829,710
Over 5 years	1,196,306	3,830,995
	<b>57,436,352</b>	<b>67,512,171</b>
<b>Other deposits - Time-</b>		
Up to 3 months	24,762,519	27,593,148
3 months to 1 year	622,128	380,455
1 to 5 years	15,621	691
	<b>25,400,268</b>	<b>27,974,294</b>

## (19) MARKETABLE DEBT SECURITIES

The breakdown, by type of security and currency, as of December 31, 2002 and 2001, of the balances of the «Marketable Debt Securities - Bonds and Debentures Outstanding» account in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>In euros-</b>		
Nonconvertible floating rate bonds and debentures	6,877,013	7,883,268
Nonconvertible bonds and debentures at weighted fixed rate of 5.27% (*)	2,993,778	2,238,299
Convertible debentures	5,387	7,879
Mortgage bonds	8,416,727	5,656,161
	<b>18,292,905</b>	<b>15,785,607</b>
<b>In foreign currencies-</b>		
Nonconvertible floating rate bonds and debentures	2,202,332	2,611,650
Nonconvertible bonds and debentures at weighted fixed rate of 4% (**)	1,538,140	1,815,471
Floating rate mortgage bonds	360,499	426,370
	<b>4,100,971</b>	<b>4,853,491</b>
	<b>22,393,876</b>	<b>20,639,098</b>

(\*) The interest rate refers to 2002, the equivalent in 2001 was 5.79%.

(\*\*) The interest rate refers to 2002, the equivalent in 2001 was 4.51%.

The "Mortgage Bonds" account includes various issues with an average weighted interest rate of 4.82% and 5.83% in 2002 and 2001, respectively, and the final maturity of the last of them is in 2011. The nominal amount outstanding and the interest on the mortgage bonds are guaranteed, without a registration requirement, by such mortgages as may, at any time, be registered in favor of the Bank (the issuer), without prejudice to its financial liability.

In 2002 and 2001, BBVA Global Finance Ltd. launched various issues amounting to €5,080,695 thousand and €5,594,750 thousand, respectively, within a medium-term foreign currency euro-bond program with a limit of €20,000 million (Note 21). These issues are denominated in euros, U.S. dollars, Japanese yen and various other currencies and have a fixed or variable yield based, in the latter case, on a floating annual return plus a variable issue or redemption premium dependent on certain factors.

The debt securities composing the balance of this caption as of December 31, 2002, are scheduled to mature (disregarding the possibility of the early redemption of certain issues) as follows:

Maturity	Thousands of Euros
2003	7,483,991
2004	4,393,795
2005	451,722
2006	846,731
Subsequent years	9,217,637
	<b>22,393,876</b>

Following is a breakdown, by due date and currency, of the balance of «Promissory Notes and Other Securities» in the accompanying consolidated balance sheets:

	Thousands of Euros	
	2002	2001
<b>By due date:</b>		
Up to 3 months	4,103,111	3,253,591
3 months to 1 year	1,018,879	1,189,990
1 to 5 years	7,406	292,995
	<b>5,129,396</b>	<b>4,736,576</b>
<b>By currency:</b>		
In euros	3,379,742	3,243,740
In other currencies	1,749,654	1,492,836
	<b>5,129,396</b>	<b>4,736,576</b>

## (20) PROVISIONS FOR CONTINGENCIES AND EXPENSES

The variations in 2002 in the «Provisions for Contingencies and Expenses - Pension Provision» and «Provisions for Contingencies and Expenses - Other Provisions» captions in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros	
	2002	
	Pension Provision	Other Provisions
<b>Beginning balances</b>	<b>2,358,552</b>	<b>2,425,588</b>
<b>Add-</b>		
Provisions charged to income for the year	200,734	948,556
Provision charged to reserves (Notes 2-h, 3-j and 24)	499,177	-
Inclusion of companies in the Group	-	149
Transfers from loan loss provisions (Note 8)	-	86,278
Other variations	159,927	-
<b>Less-</b>		
Reversal	-	(546,724)
Payments to personnel taking early retirement (Note 3-j)	(407,153)	-
Amounts used and other variations	(189,330)	(692,193)
Exclusion of companies from the Group	-	(243)
<b>Ending balances (Note 2-f)</b>	<b>2,621,907</b>	<b>2,221,411</b>

The provisions out of 2002 income to the «Pension Provision» were charged to the «Financial Expenses» (€60,041 thousand), «General Administrative Expenses» (€39,067 thousand) and «Extraordinary Losses» (€101,626 thousand) captions in the accompanying consolidated statement of income (Note 28). The provisions out of 2002 income to «Other Provisions» were mainly charged to the «Market Operations» (€141,218 thousand), «Extraordinary Losses» (€785,267 thousand) and «General Administrative Expenses» (€21,471 thousand) captions in the accompanying consolidated statement of income (Note 28). The reversals are recorded mainly in «Extraordinary Income» in the related accompanying consolidated statement of income.



The breakdown of the balances of the «Other Provisions» caption in the accompanying consolidated balance sheets as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros	
	2002	2001
Provisions for other commitments to employees (Notes 3-j and 3-k):		
– Covered by shares (Note 3-i)	9,921	12,339
– Other commitments	46,183	112,395
Provisions for contingencies	877,691	624,121
Provisions for off-balance-sheet risks (Notes 3-c and 8)	271,545	185,268
Provision for futures transactions (Notes 3-m and 26)	280,721	168,229
Specific provision for Argentina (Note 3-ñ)	287,726	617,636
Other provisions	447,624	705,600
	<b>2,221,411</b>	<b>2,425,588</b>

## (21) SUBORDINATED DEBT

The detail of the balances of the «Subordinated Debt» caption in the accompanying consolidated balance sheets as of December 31, 2002 and 2001, is as follows:

ISSUER	Thousands of Euros		Interest Rate Rate at 12/31/02	Final Maturity Date
	2002	2001		
Issues in euros-				
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.:				
July 1996	84,142	84,142	9.33%	December 2006
July 1996	27,947	27,947	9.37%	December 2016
February 1997	60,101	60,101	6.97%	December 2007
September 1997	36,061	36,061	6.65%	December 2007
December 2001	1,500,000	1,500,000	3.92%	January 2017
BBVA CAPITAL FUNDING, LTD.:				
September 1995	13,613	13,613	4.31%	September 2005
March 1997	45,735	45,735	3.69%	October 2011
October 1997	76,694	76,694	3.63%	October 2007
October 1997	228,674	228,674	6.00%	December 2009
July 1999	73,000	73,000	6.35%	October 2015
February 2000	500,000	500,000	6.38%	February 2010
December 2000	750,000	750,000	4.08%	December 2010
July 2001	500,000	500,000	5.50%	July 2011
October 2001	60,000	60,000	5.73%	October 2011
October 2001	40,000	40,000	6.08%	October 2016
October 2001	50,000	50,000	4.01%	October 2016
November 2001	55,000	55,000	4.22%	November 2016
December 2001	56,000	56,000	4.22%	December 2016
Issues in foreign currencies-				
BBVA GLOBAL FINANCE, LTD.:				
July 1995	143,034	170,203	6.875%	July 2005
July 1995	47,678	56,734	2.420%	January 2005
December 1995	71,517	85,102	2.280%	May 2005
December 1995	71,517	85,102	2.280%	May 2006
December 1995	190,712	226,937	7.000%	December 2025
BILBAO VIZCAYA INVESTMENTS BV:				
July 1996	-	601	-	July 2006
BBVA BANCO BHIF, S.A.	41,714	53,083	Several	Several
BBVA BANCO FRANCES, S.A.	29,473	88,601	Several	Several
BBVA CAPITAL FUNDING, LTD.:				
July 1995	95,356	113,469	2.83%	September 2004
August 1995	24,117	26,013	3.45%	August 2010
September 1995	-	113,469	-	September 2007
October 1995	80,392	86,707	5.40%	October 2015
October 1995	143,034	170,203	6.88%	October 2005
February 1996	238,391	283,672	6.38%	February 2006
November 1996	190,712	226,937	2.46%	November 2006
February 1997	-	170,203	-	February 2007
BBVA PUERTO RICO	15,418	-	6.25%	Several
BBVA BANCOMER:				
Convertible debentures - Dec. 1996	-	34,083	-	December 2006
Nonconvertible debentures - November 1998	232,243	309,753	Several	Several
Bancomer Gran Cayman (various)	237,883	398,370	Several	2004
BBVA Bancomer	-	32,524	-	Several
Bancomer UDIS - December 1996	-	154,714	-	March 2002
GRUPO FINANCIERO BBVA BANCOMER:				
BBVA BANCOMER CAPITAL TRUST:				
February 2001 (Note 4)	476,784	567,344	10.05%	February 2011
	6,486,942	7,610,791		

The issues of BBVA Capital Funding, Ltd. and BBVA Global Finance, Ltd. are guaranteed (secondary liability) by the Bank.

The issue by Bilbao Vizcaya Investment BV, of US\$ 250 million, was redeemed early in January 2002 through conversion of the bonds into shares of the Bank. This exchange was performed at the fixed conversion rate of €3.99 euros per share, which gave rise to the delivery of 377,330 previously-issued shares.

The interest on the subordinated debt amounted to €405,775 thousand in 2002 and €429,694 thousand in 2001 (Note 28).

## (22) MINORITY INTERESTS

The variations in 2002 and 2001 in the balances of this caption in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2002	2001
<b>Beginning balance</b>	<b>6,394,029</b>	<b>6,304,286</b>
Prior year's net income	645,223	681,800
	<b>7,039,252</b>	<b>6,986,086</b>
Capital increases and reductions	714,451	226,731
Dividends paid to minority shareholders	(343,029)	(501,779)
Changes in the composition of the Group and changes in the percentages of ownership (Note 4)	(438,191)	(440,247)
Exchange differences (Note 3-b)	(1,364,210)	172,521
Other variations	65,890	(49,283)
<b>Equity in income for the year</b>	<b>746,919</b>	<b>645,223</b>
<b>Ending balance</b>	<b>6,421,082</b>	<b>7,039,252</b>

The breakdown, by company, of the "Minority Interests" caption in the accompanying consolidated balance sheets as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros	
	2002	2001
<b>Preferred shares-</b>		
BBVA International, Ltd.	3,216,505	2,295,794
BBVA Preferred Capital, Ltd.	198,993	523,722
BBVA Privanza International (Gibraltar), Ltd.	266,152	663,175
BBVA Capital Funding, Ltd.	418,496	550,930
	<b>4,100,146</b>	<b>4,033,621</b>
<b>By company-</b>		
BBVA Bancomer group	957,149	1,079,124
BBVA Banco Francés group	18,836	212,115
BBVA Banco Ganadero group	11,748	18,709
BBVA Banco BHIF group	103,295	145,511
BBVA Banco Continental group	104,339	159,773
BBVA Banco Provincial group	117,890	271,958
Provida group	50,636	47,558
Banc Internacional d'Andorra, S.A.	91,008	69,080
Brunara, SIMCAV, S.A. (Note 4)	-	284,212
Other companies	119,116	72,368
	<b>1,574,017</b>	<b>2,360,408</b>
	<b>5,674,163</b>	<b>6,394,029</b>

The breakdown, by company, of the share in income for the years ended December 31, 2002 and 2001, is as follows:

	Thousands of Euros	
	2002	2001
<b>Preferred shares-</b>		
BBVA International, Ltd.	167,743	146,286
BBVA Preferred Capital, Ltd.	29,862	32,280
BBVA Privanza International (Gibraltar), Ltd.	43,925	95,074
BBVA Capital Funding, Ltd.	34,099	41,542
	<b>275,629</b>	<b>315,182</b>
<b>By company-</b>		
BBVA Bancomer group	317,813	427,812
BBVA Banco Francés group	14,380	(212,115)
BBVA Banco Ganadero group	1,109	535
BBVA Banco BHIF group	5,373	8,330
BBVA Banco Continental group	30,900	(15,710)
BBVA Banco Provincial group	65,649	62,619
Provida group	13,232	25,807
Banc Internacional d'Andorra, S.A.	46,498	60,973
Brunara, SIMCAV, S.A. (Note 4)	-	(20,921)
Other companies	(23,664)	(7,289)
	<b>471,290</b>	<b>330,041</b>
	<b>746,919</b>	<b>645,223</b>

The foregoing balances include various issues of noncumulative, nonvoting, preferred stock guaranteed by Banco Bilbao Vizcaya Argentaria, S.A., the detail of which is as follows:

	Issued Amount (Millions)	Fixed Annual Dividend
<b>BBVA Privanza International (Gibraltar), Ltd.-</b>		
June 1993	US\$ 248.25	8.00%
June 1997	US\$ 70	7.76%
<b>BBVA International, Ltd.-</b>		
March 1998	US\$ 350	7.20%
November 1998	€ 700	6.24%
February 1999	€ 1,000	5.76%
April 2001	€ 340	7.01%
March 2002	€ 500	3.94%
December 2002	€ 500	3.94%
<b>BBVA Capital Funding, Ltd.-</b>		
April 1998	DM 500	6.35%
April 1998	US\$ 200	7.20%
<b>BBVA Preferred Capital, Ltd.-</b>		
June 2001	US\$ 240	7.75%

These issues were subscribed by third parties outside the Group and are wholly or partially redeemable at the Company's option after five or ten years from the issue date, depending on the terms of each issue.

## (23) CAPITAL STOCK

As of December 31, 2002 and 2001, the capital stock of Banco Bilbao Vizcaya Argentaria, S.A. amounted to €1,565,967,501.07, and consisted of 3,195,852,043 fully subscribed and paid registered shares of €0.49 par value each.

There were no variations in the Bank's capital stock in 2002.

The shares of Banco Bilbao Vizcaya Argentaria, S.A. are listed on the computerized trading system of the Spanish stock exchanges and on the New York, Frankfurt, London, Zurich, Milan and Buenos Aires stock markets. Also, as of December 31, 2002, the shares of Grupo Financiero BBVA-Bancomer, S.A., BBVA Banco Continental, S.A., Banco Provincial C.A., BBVA Banco Ganadero, S.A., BBVA Banco BHIF, S.A., BBVA Banco Francés, S.A. and AFP Provida were listed on their respective local stock markets and, in the case of the last three entities, on the New York Stock Exchange. In addition, Grupo Financiero BBVA Bancomer, S.A. and BBVA Banco Francés, S.A. are listed on the Latin-American market of the Madrid Stock Exchange.

The variations in 2002 in the «Treasury Stock» caption on the asset side of the accompanying consolidated balance sheets were as follows:

	Thousands of Euros			
	Par value	Remaining Portion up to Cost	Securities Revaluation Reserve (Note 3-i)	TOTAL
<b>Balance at December 31, 2001</b>	<b>2,987</b>	<b>81,539</b>	<b>(8,582)</b>	<b>75,944</b>
Purchases (Note 4)	195,077	4,251,285	-	4,446,362
Sales	(192,675)	(4,237,173)	-	(4,429,848)
Net release of the securities revaluation reserve (Note 3-i)	-	-	7,833	7,833
Other variations	(105)	(2,515)	-	(2,620)
<b>Balance at December 31, 2002</b>	<b>5,284</b>	<b>93,136</b>	<b>(749)</b>	<b>97,671</b>

Securities revaluation reserves to cover treasury stock were recorded amounting to €749 thousand and €8,582 thousand as of December 31, 2002 and 2001, respectively. The net provisions and releases of securities revaluation reserves in 2002 and 2001 due to disposals of treasury stock amounted to €1,053 thousand and €40,538 thousand and are recorded under the «Losses on Group Transactions» and «Income on Group Transactions» captions in the accompanying consolidated statements of income, respectively.

As of December 31, 2002, the Bank held treasury stock with a nominal value of €5,242 thousand to cover futures transactions related to the performance of certain stock market indexes (see Note 26).

In 2002, the percentage of outstanding shares held by BBVA and its consolidated companies varied from 0.13% to 0.74%, calculated on a monthly basis.

The gains and losses on treasury stock transactions, amounting to €15,802 thousand and €22,845 thousand, respectively, in 2002 and €33,843 thousand and €31,859 thousand, respectively, in 2001, are recorded under the «Income on Group Transactions» and «Losses on Group Transactions» captions, respectively, in the accompanying consolidated statements of income.

The bylaws of the Bank limit voting rights, regardless of the number of shares that may be owned, to 10%. As of December 31, 2002 and 2001, there were no individual equity investments of over 5% in the Bank's capital stock. As of December 31, 2002 and 2001, Fundación Banco Bilbao Vizcaya, a private not-for-profit cultural institution set up in 1988 with a contribution of €84,142 thousand from the Bank which was charged to the merger surpluses, owned a total of 34,365,852 shares of the Bank.

On March 9, 2002, the Shareholders' Meeting resolved, in accordance with the stipulations of Article 153. 1. a) of the Spanish Corporations Law, to increase the capital stock by €782,983,750. As of December 31, 2002, the additional capital stock authorized by that Shareholders' Meeting amounted to €782,983,750, representing half of the capital stock as of that date. The directors have a five-year period to increase capital up to that limit. Also, the aforementioned Shareholders' Meeting in March 2002 authorized the Board of Directors for a five-year period to issue up to €4,000 million, or the equivalent in another currency, of bonds convertible to and/or exchangeable for Bank shares without preemptive subscription rights to shareholders. In addition, the aforementioned Shareholders' Meeting authorized the issuance of up to €1,500 million of debentures convertible to and/or exchangeable for Bank shares. As of December 31, 2002, no issue had been made under this authorization.

Also, the aforementioned Shareholders' Meeting in March 2002 authorized the issuance of securities incorporating warrants on shares of the Company up to a maximum of €1,500 million, fully or partially convertible to or exchangeable for Company shares over a maximum period of five years. None of these securities were issued in 2002.

As of December 31, 2002, there were no capital increases in progress at any of the companies in the Finance Group.

## (24) RESERVES

The variations in 2002 in the «Reserves» captions in the accompanying consolidated balance sheets were as follows:



Thousands of Euros					
	Additional Paid-in Capital	Reserves	Revaluation Reserves	Net Reserves and Accumulated Losses at Consolidated Companies	TOTAL
<b>Balance at December 31, 2001</b>	<b>6,834,941</b>	<b>1,419,218</b>	<b>176,281</b>	<b>2,253,633</b>	<b>10,684,073</b>
Prior year's net income	–	1,311,561	–	1,051,775	2,363,336
Dividends out of prior year's net income	–	(1,224,010)	–	4,398	(1,219,612)
Recording of provisions for early retirement, net of taxes (Notes 2-h, 3-j and 20)	(224,589)	(96,512)	–	(3,364)	(324,465)
Exchange differences arising from consolidation (Notes 3-b and 4)	–	–	–	(1,246,358)	(1,246,358)
Transfers and other variations	(97,555)	(638,773)	–	754,984	18,656
<b>Balance at December 31, 2002</b>	<b>6,512,797</b>	<b>771,484</b>	<b>176,281</b>	<b>2,815,068</b>	<b>10,275,630</b>

**Additional paid-in capital-**

This caption in the accompanying consolidated balance sheets includes the surpluses arising from the merger of Banco Bilbao, S.A. and Banco Vizcaya, S.A. (Note 1), the detail of which is as follows:

	Thousands of Euros
Revaluation of:	
– Buildings	592,243
– Equity securities portfolio	278,383
Less-	
Appropriations in 1988	(229,484)
	<b>641,142</b>

The revised Corporations Law expressly permits the use of the additional paid-in capital balance to increase capital and establishes no specific restrictions as to its use.

**Reserves and revaluation reserves-**

The balances of these captions in the accompanying consolidated balance sheets relate to the reserves of the Group attributed to the Bank, the detail of which is as follows:

	Thousands of Euros	
	2002	2001
<b>Restricted reserves-</b>		
Legal reserve	313,194	313,194
Restricted reserve for retired capital stock	87,918	87,918
Restricted reserve for Parent Company shares	121,140	30,923
Restricted reserve for redenomination of capital stock in euros	1,861	1,861
Revaluation reserves Royal Decree-Law 7/1996	176,281	176,281
<b>Unrestricted reserves-</b>		
Voluntary and other reserves	6,551	6,551
Consolidation reserves attributed to the Bank	240,820	978,771
	<b>947,765</b>	<b>1,595,499</b>

**Legal reserve:**

Under the revised Corporations Law, 10% of the income for each year must be transferred to the legal reserve. These amounts must be transferred until the balance of this reserve reaches 20% of capital stock. This limit had already been reached by Banco Bilbao Vizcaya Argentaria, S.A. as of December 31, 2002 and 2001. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount.

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

**Restricted reserves:**

Pursuant to the revised Corporations Law and to Law 46/1998 on the introduction of the euro, the respective restricted reserves were recorded in relation to treasury stock held by the Group, to customer loans secured by shares of the Bank, to the reduction of the par value of each share in April 2000 and to the redenomination of capital stock in euros.

**Asset revaluation reserves (Notes 3-e and 3-h):**

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the asset revaluation provisions of the applicable enabling legislation. In addition, on December 31, 1996, the Bank revalued its property and equipment pursuant to Royal Decree-Law 7/1996 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. The resulting increases in the cost and accumulated depreciation of property and equipment and, where appropriate, in the cost of equity securities, were allocated as follows:

	Thousands of Euros	
	Prior Revaluations	Revaluation Reserves Royal Decree-Law 7/1996
<b>Legal revaluations of property and equipment:</b>		
Cost	307,334	186,692
Accumulated depreciation	(51,807)	-
	<b>255,527</b>	<b>186,692</b>
<b>Legal revaluations of securities portfolio</b>	<b>179,060</b>	-
	<b>434,587</b>	<b>186,692</b>
Less-		
Single revaluation tax (3%)	-	(5,601)
Transfers to:		
Capital stock	(240,729)	-
Legal reserve and other reserves	(154,646)	-
Amounts assigned to cover losses on the disposal of revalued assets and other	(39,212)	-
<b>Balance at December 31, 1999</b>	<b>-</b>	<b>181,091</b>
Adjustment as a result of review by the tax authorities	-	(4,810)
<b>Balance at December 31, 2000, 2001 and 2002</b>	<b>-</b>	<b>176,281</b>

Once the tax authorities reviewed in 2000 the balance of the "Revaluation Reserves Royal Decree-Law 7/1996" account, it can only be used, free of tax, to offset recorded losses and to increase capital stock through January 1, 2007. From that date, the remaining balance of this account can be taken to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or written off. If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

#### Reserves and accumulated losses at consolidated companies-

The breakdown, by company, of these captions in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2002	2001
<b>Reserves at consolidated companies- Fully or proportionally consolidated companies:</b>		
Holding Continental, S.A.	164,864	89,557
Ancla Investments, S.A.	83,430	78,642
Banc Internacional d'Andorra, S.A.	75,145	58,527
BBVA Puerto Rico, S.A.	158,443	160,596
Banco Industrial de Bilbao, S.A.	80,459	66,790
Banco Provincial, S.A.	45,520	114,282
BBVA Privanza Bank (Jersey), Ltd.	54,781	49,175
Canal International Holding, S.A.	494,888	400,082
Cia. de Cartera e Inversiones, S.A.	-	107,094
Corporación General Financiera, S.A.	586,490	419,464
BBVA Banco BHIF, S.A.	59,092	57,439
Banco de Crédito Local, S.A.	32,997	61,904
Argentaria Cartera de Inversión SIMCAV	55,311	56,627
Grupo Financiero BBVA Bancomer, S.A. de C.V.	-	4,760
Cia. Chilena de Inversiones, S.L.	108,309	117,973
BBVA Bancomer Servicios, S.A.	230,696	196,573
BBVA Bolsa, S.V., S.A.	90,073	75,355
Sdad. De Estudios y Análisis Financieros, S.A.	55,185	58,268
BBV América, S.L.	354,912	317,749
BBVA Privanza Bank (Switzerland) Ltd.	72,941	52,348
Banco Francés (Cayman) Ltd.	36,343	86,371
Bilbao Vizcaya Holding, S.A.	33,744	46,404
Corporación Industrial y de Servicios, S.L.	-	162,472
Bilbao Vizcaya América B.V.	-	108,284
Casa de Bolsa BBV Probusa, S.A. de C.V.	56,030	51,753
Corporación IBV Servicios y Tecnologías, S.A.	114,304	91,005
BBVA Participaciones Internacionales, S.L.	28,406	54,518
BBVA Banco Ganadero, S.A.	48,261	-
BBVA Banco Francés, S.A.	134,690	811
Consolidar A.F.J.P.	71,801	4,063
Inversora Otari, S.A.	192,444	-
BBVA Renting, S.A.	36,162	32,665
Banco Bilbao Vizcaya Brasil, S.A.	283,815	-
Administradora de Fondos de Retiro Bancomer, S.A.	83,257	22,021
Other companies	560,465	515,013
	<b>4,483,258</b>	<b>3,718,585</b>
<b>Companies accounted for by the equity method:</b>		
Iberdrola, S.A.	180,588	130,768
Senorte Vida y Pensiones, S.A.	33,377	33,392
Telefónica, S.A.	358,556	195,185
Repsol YPF, S.A.	397,727	232,682
Banco Atlántico, S.A.	59,408	52,985
Banca Nazionale del Lavoro, S.p.A.	138,780	12,158
Acerinox, S.A.	58,647	55,996
Other companies	438,664	337,605
	<b>1,665,747</b>	<b>1,050,771</b>
<b>Exchange gains:</b>		
<b>Fully or proportionally consolidated companies:</b>		
BBVA Banco Continental Group	-	20,386
BBVA Banco Ganadero Group	-	19,635
BBVA Bancomer Group	61,898	-
BBVA Puerto Rico, S.A.	37,113	81,088
Other companies	201,030	222,117
	<b>300,041</b>	<b>343,226</b>
<b>Companies accounted for by the equity method:</b>	<b>16,230</b>	<b>25,807</b>
	<b>6,465,276</b>	<b>5,138,389</b>

	Thousands of Euros	
	2002	2001
<b>Accumulated losses at consolidated companies-</b>		
<b>Fully or proportionally consolidated companies:</b>		
Inversora Otaz, S.A.	-	268,364
BBVA Banco Continental, S.A.	179,108	104,462
BBVA Gestión, S.A. SGIIC	-	77,915
BBVA Banco Ganadero, S.A.	-	308,728
BBVA Portugal, S.A.	54,045	61,441
AFP Horizonte, S.A.	51,527	52,865
BBVA Brasil, S.A.	-	18,836
AFP Provida, S.A.	47,817	73,366
BBVA Global Finance, Ltd.	25,620	63,593
BBVA International Investment Corporation	61,199	69,892
BBVA Puerto Rico Holding Corporation	158,404	155,951
BBVA Banco Francés, S.A.	-	130,017
Cía.de Cartera e Inversiones, S.A.	87,979	-
Corporación Industrial y de Servicios, S.L.	46,474	-
Bilbao Vizcaya América B.V.	119,592	-
Fideicomiso de Vivienda Bancomer	47,338	52,601
BBVA Bancomer, S.A.	39,293	-
BBVA Área Inmobiliaria, S.L.	135,748	-
BBVA Pensiones Chile	93,223	11,978
Other companies	162,951	215,966
	<b>1,310,318</b>	<b>1,665,975</b>
<b>Companies accounted for by the equity method:</b>		
	<b>151,054</b>	<b>223,541</b>
<b>Exchange losses in consolidation:</b>		
<b>Fully or proportionally consolidated companies:</b>		
BBVA Bancomer Group	-	35,153
BBVA Banco Ganadero Group	45,130	-
Bilbao Vizcaya América, B.V.	94,483	-
Provida Group	45,354	11,774
BBVA Brazil Group	86,001	152,958
BBVA Banco Francés Group	535,832	408,147
BBVA Banco Provincial Group	259,480	88,529
BBVA International Investment Corporation	337,789	-
Other companies	188,615	517
	<b>1,592,684</b>	<b>697,078</b>
<b>Companies accounted for by the equity method:</b>		
	<b>596,152</b>	<b>298,162</b>
	<b>3,650,208</b>	<b>2,884,756</b>

The exchange differences in consolidation include the net cumulative effect of the differences arising in translation and, accordingly, reflect the effect of the devaluation described in Note 3-ñ.

For the purpose of allocating reserves and accumulated losses at the consolidated companies in the preceding table, the transfers of reserves arising from the dividends paid and the writedowns or transactions between these companies are taken into account in the year in which they took place.

The individual financial statements of the subsidiaries which give rise to the balances recorded under the «Reserves» and «Accumulated losses at Consolidated Companies - Fully and Proportionally Consolidated Companies» captions in the

foregoing table as of December 31, 2002 and 2001 include €4,059,581 thousand and €2,249,005 thousand, respectively, of restricted reserves, of which €121,893 thousand and €84,502 thousand, respectively, are restricted reserves for Parent Company shares.

## (25) TAX MATTERS

The balances of the «Other Liabilities – Tax Collection Accounts» caption in the accompanying consolidated balance sheets include the liability for applicable taxes, including the provision for corporate income tax in each year, net of tax withholdings and prepayments in each year, in the case of companies with a net tax liability. The amount of the tax refunds due to Group companies is included under the “Other Assets – Taxes Receivable – Other” in the accompanying consolidated balance sheets.

Banco Bilbao Vizcaya Argentaria, S.A. and its tax-consolidable subsidiaries file consolidated tax returns. The subsidiaries of Argentaria, which had been in Tax Group 7/90, were included in Tax Group 2/82 from 2000, since the merger had been carried out under the tax neutrality system provided for in Title VIII, Chapter VIII of Corporate Income Tax Law 43/1995. On December 30, 2002, the Group made the pertinent notification to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation. The other Group companies file individual tax returns in accordance with the applicable tax regulations.

As in prior years, in 2002 certain Group entities performed or participated in corporate restructuring transactions under the special tax neutrality system regulated by Law 29/1991 adapting certain tax items to EU directives and regulations and by Title VIII, Chapter VIII of Corporate Income Tax Law 43/1995. The disclosures required under the aforementioned legislation are included in the notes to financial statements of the relevant Group entities for the year in which the transactions took place.

The reconciliation of corporate income tax payable, calculated on the basis of the income per books before taxes, to the provision recorded is as follows:

	Thousands of Euros	
	2002	2001
Corporate income tax at the standard rate of 35%	1,091,741	1,271,930
Decrease arising from permanent differences:		
Tax credits and tax relief at consolidated companies	(203,445)	(302,143)
Effect of allocation of the Group's share in the net income of associated companies	(7,698)	(190,063)
Other items, net	(270,774)	(75,836)
	(481,917)	(568,042)
Net increase (decrease) arising from timing differences	(249,256)	595,993
<b>Corporate income tax and other taxes payable</b>	<b>360,568</b>	<b>1,299,881</b>
Recording (use) of prepaid or deferred taxes	249,256	(595,993)
<b>Provision for corporate income tax and other taxes accrued in the year</b>	<b>609,824</b>	<b>703,888</b>
Adjustments to the provision for prior years' corporate income tax and other taxes	43,389	(78,367)
<b>Corporate income tax and other taxes</b>	<b>653,213</b>	<b>625,521</b>

As required by Bank of Spain Circular 4/1991 and concordant regulations, the deferred tax assets that will foreseeably be recovered during the next ten years are included under the «Other Assets» caption in the accompanying consolidated balance sheets (Note 15). The main items for which the Group companies have recorded deferred tax assets are provisions to cover pensions and similar obligations to employees (€828,432 thousand at the Spanish companies) and the loan loss provisions (€962,668 thousand at BBVA Bancomer, S.A. de C.V. and €207,089 thousand at BBVA, S.A.).

The Bank and certain Group companies have opted to defer corporate income tax on the gains on disposals of property and equipment and shares in investee companies more than 5% owned by them, the breakdown of which by year is as follows:

Year	Thousands of Euros
1996	29,187
1997	378,097
1998	733,896
1999	194,980
2000	707,917
2001	995,202

Pursuant to the regulations in force until December 31, 2001, the amount of the aforementioned gains must be included in equal parts in the taxable income of the seven tax years ending from 2000, 2001, 2002 2003, 2004 and 2005, respectively. Following inclusion of the portion relating to 2001, the amount of the income not yet included was €2,976,931 thousand, with respect to which the Group companies availed themselves of the provisions of the Third Transitory Provision of Law 24/2001 on Administrative, Tax

and Social Security Measures, and practically all of this amount (€2,971,625 thousand) constitutes an addition to the 2001 taxable income for timing differences.

The share acquisitions giving rise to an ownership interest of more than 5%, particularly investments of this kind in Latin America, have been assigned to meet reinvestment commitments assumed in order to apply the above-mentioned tax deferral.

In 2002 the Bank and certain Group companies availed themselves of the corporate income tax credit for reinvestment of extraordinary income obtained on the transfer for consideration of property and of shares in investees more than 5% owned. The income subject to this tax credit amounted to €560,742 thousand. The acquisition in 2002 of shares of BBVA Banco Francés, S.A., Banco Bilbao Vizcaya Argentaria Brasil, S.A. and BBVA International Investment Corporation was included under the reinvestment commitment in order to take the aforementioned tax credit.

As of December 31, 2002 and 2001, certain consolidated companies had tax losses qualifying for carryforward against the taxable income, if any, of the ten years following the year in which they were incurred. As of December 31, 2002, the tax assets recorded for tax loss carryforwards amounted to €1,018,229 thousand, of which €695,573 thousand relate to BBVA Bancomer, S.A. de C.V. and €236,226 thousand to BBVA Bancomer Servicios, S.A. de C.V. Based on the available financial projections, the income expected to be generated by these two companies will enable these amounts, and the deferred tax assets recorded by them, to be recovered over a period of less than ten years.

As a result of the tax audits by the tax inspection authorities in 2002, tax assessments were issued to certain Group companies for the years through 1997, some of which were contested. Taking into account the timing nature of certain tax assessment items, and in accordance with the principle of prudence, full provisions had been included at 2002 year-end in the accompanying consolidated financial statements for the amounts that could arise in this connection. The other Group companies generally have 1998 and subsequent years open for review by the tax inspection authorities for the main taxes applicable to them.

The varying interpretations which can be made of the tax regulations applicable to the operations of banks give rise to certain contingent tax liabilities for the open years that are not susceptible to objective quantification. However, the Bank's Board of Directors and its tax advisers consider that the possibility of these contingent liabilities materializing in future reviews by the tax authorities is remote and that, in any event, the tax charge which might arise therefrom would not materially affect the accompanying consolidated financial statements.

## (26) MEMORANDUM ACCOUNTS AND OTHER OFF-BALANCE-SHEET TRANSACTIONS

The detail of the balances of the “Memorandum Accounts” caption in the accompanying consolidated balance sheets as of December 31, 2002 and 2001, which include the main commitments and contingent liabilities that arose in the normal course of banking business, is as follows:

	Thousands of Euros	
	2002	2001
<b>Contingent liabilities-</b>		
Deposits, guarantees and sureties	15,109,713	13,713,924
Rediscounts, endorsements and acceptances	5,370	62,097
Other	3,041,745	2,699,583
	<b>18,156,828</b>	<b>16,475,604</b>
<b>Commitments-</b>		
Balances drawable by third parties:		
– Credit institutions	2,521,177	2,349,633
– Public sector	4,288,788	2,994,873
– Other resident sectors	25,842,248	26,183,898
– Non-resident sector	16,101,984	21,388,686
	48,754,197	52,917,090
Other commitments	2,865,188	2,372,081
	<b>51,619,385</b>	<b>55,289,171</b>
	<b>69,776,213</b>	<b>71,764,775</b>

In addition to the above-mentioned contingent liabilities and commitments, at the end of 2002 and 2001 the Group had other transactions which, pursuant to current legislation, are not reflected in the accompanying consolidated balance sheets. The detail of the notional or contractual value of these transactions as of December 31, 2002 and December 31, 2001, is as follows:

	Thousands of Euros	
	2002	2001
<b>Foreign currency purchase and sale transactions and swaps</b>		
– Foreign currency purchases against euros	19,611,600	17,456,059
– Foreign currency purchases against foreign currencies	21,640,807	9,896,857
– Foreign currency sales against euros	8,832,980	10,552,226
	<b>50,085,387</b>	<b>37,905,142</b>
<b>Financial asset purchase and sale transactions</b>		
– Purchases	1,085,452	633,455
– Sales	5,553,424	2,118,309
	<b>6,638,876</b>	<b>2,751,764</b>
<b>Forward rate agreements (FRA)</b>		
– Bought	13,759,612	57,444,797
– Sold	8,653,722	53,915,045
	<b>22,413,334</b>	<b>111,359,842</b>
<b>Interest rate swaps</b>	<b>454,602,653</b>	<b>463,403,810</b>
<b>Securities swaps</b>	<b>6,921,838</b>	<b>3,848,898</b>
<b>Interest rate futures</b>		
– Bought	13,136,816	15,572,963
– Sold	36,106,890	26,505,175
	<b>49,243,706</b>	<b>42,078,138</b>
<b>Securities futures</b>		
– Bought	33,051	301,546
– Sold	398,859	755,707
	<b>431,910</b>	<b>1,057,253</b>
<b>Interest rate options</b>		
– Bought	37,819,076	36,721,077
– Sold	31,547,425	32,562,187
	<b>69,366,501</b>	<b>69,283,264</b>
<b>Securities options</b>		
– Bought	4,303,747	4,878,950
– Sold	14,748,739	15,484,073
	<b>19,052,486</b>	<b>20,363,023</b>
<b>Foreign currency options and futures</b>		
– Bought	3,949,889	10,552,096
– Sold	4,745,871	11,791,166
	<b>8,695,760</b>	<b>22,343,262</b>
<b>Other transactions</b>	<b>1,292,090</b>	<b>818,597</b>
	<b>688,744,541</b>	<b>775,212,993</b>

The notional or contractual amounts of these transactions do not necessarily reflect the volume of actual risk assumed by the Group, since the net position in these financial instruments is the result of offset and/or combination of them. This net position, even if it is not deemed a hedge for accounting purposes, is used by the Group basically to eliminate or significantly reduce interest rate, market or exchange risk. The resulting gains or losses on these transactions are included under the “Gains (Losses) on Financial Transactions” caption in the consolidated statements of income. Any gains or losses on hedging transactions are included as an increase in, or offset of, the results on the positions covered by them.

Also, per the recommendation made by the European Commission on the publication of information relating to financial instruments, the accompanying 2002 management report includes the relevant qualitative and quantitative information.



For the purposes of calculating the minimum capital requirements established by Bank of Spain Circular 5/1993, credit and counterparty risk arising from OTC interest rate and currency derivative transactions is measured by the original risk method. The risk-weighted assets amounted to €4,387,162 thousand as of December 31, 2002, which entails a minimum capital requirement of €350,973 thousand for this type of transactions.

The detail, by maturity, of these transactions as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros			
	Up to 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
<b>Balances at December 31, 2002-</b>				
<b>Interest rate and securities transactions-</b>				
Swaps	329,331,193	70,949,128	34,833,180	26,410,990
Forward rate agreements	20,656,539	1,756,795	-	-
Financial futures	35,503,837	14,166,096	5,683	-
Unmatured financial asset purchase and sale transactions	6,638,876	-	-	-
Securities and interest rate options	20,384,422	36,302,213	24,498,414	7,233,938
	<b>412,514,867</b>	<b>123,174,232</b>	<b>59,337,277</b>	<b>33,644,928</b>
<b>Exchange rate transactions-</b>				
Forward foreign currency purchase and sale transactions and swaps	47,868,117	2,217,270	-	-
Foreign currency options and futures	8,413,004	233,176	30,987	18,593
Other transactions	1,292,090	-	-	-
	<b>57,573,211</b>	<b>2,450,446</b>	<b>30,987</b>	<b>18,593</b>
	<b>470,088,078</b>	<b>125,624,678</b>	<b>59,368,264</b>	<b>33,663,521</b>
<b>Balances at December 31, 2001-</b>				
<b>Interest rate and securities transactions-</b>				
Swaps	364,213,213	50,607,244	30,695,284	21,736,967
Forward rate agreements	103,826,959	7,532,883	-	-
Financial futures	36,774,654	6,353,789	6,948	-
Unmatured financial asset purchase and sale transactions	2,751,764	-	-	-
Securities and interest rate options	31,272,253	28,437,416	18,751,158	11,185,460
	<b>538,838,843</b>	<b>92,931,332</b>	<b>49,453,390</b>	<b>32,922,427</b>
<b>Exchange rate transactions-</b>				
Forward foreign currency purchase and sale transactions and swaps	26,673,787	11,231,355	-	-
Foreign currency options and futures	21,498,639	844,623	-	-
Other transactions	818,597	-	-	-
	<b>48,991,023</b>	<b>12,075,978</b>	<b>-</b>	<b>-</b>
	<b>587,829,866</b>	<b>105,007,310</b>	<b>49,453,390</b>	<b>32,922,427</b>

The detail, by maturity and currency, of the interest rate swaps and forward rate agreements as of December 31, 2002 and 2001, stating the interest rates collected and paid, is as follows:

Balances at December 31, 2002	Thousands of Euros (except for percentages)			
	Up to 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
<b>Swaps-</b>				
<b>In euros:</b>				
Collecting fixed interest-				
Notional value	133,273,453	23,353,844	15,876,403	11,780,908
Average interest rate collected	3.20%	4.91%	5.38%	5.73%
Average interest rate paid	3.43%	3.34%	3.65%	3.86%
Paying fixed interest-				
Notional value	152,123,286	19,621,239	13,030,682	11,261,379
Average interest rate collected	3.42%	3.24%	3.65%	3.37%
Average interest rate paid	3.21%	5.19%	5.23%	5.96%
Floating rate/floating rate-				
Notional value	2,309,867	5,966,248	1,038,244	1,435,651
Average interest rate collected	3.64%	3.60%	3.25%	3.62%
Average interest rate paid	3.71%	3.59%	3.23%	3.58%
	<b>287,706,606</b>	<b>48,941,331</b>	<b>29,945,329</b>	<b>24,477,938</b>
<b>In foreign currencies:</b>				
Collecting fixed interest-				
Notional value	23,417,615	13,973,168	2,238,984	1,055,070
Average interest rate collected	5.47%	7.59%	6.00%	6.61%
Average interest rate paid	4.05%	5.35%	2.89%	1.68%
Paying fixed interest-				
Notional value	13,034,006	6,915,482	2,126,473	451,839
Average interest rate collected	1.30%	1.65%	1.63%	1.57%
Average interest rate paid	2.35%	4.39%	5.20%	5.77%
Floating rate/floating rate-				
Notional value	233,262	85,550	-	-
Average interest rate collected	1.22%	3.64%		
Average interest rate paid	2.05%	2.61%		
	<b>36,684,883</b>	<b>20,974,200</b>	<b>4,365,457</b>	<b>1,506,909</b>
	<b>324,391,489</b>	<b>69,915,531</b>	<b>34,310,786</b>	<b>25,984,847</b>
	Up to 3 Months	From 3 to 6 Months	From 6 to 12 Months	Over 1 Year
<b>Forward rate agreements-</b>				
<b>In euros:</b>				
Collecting fixed interest-				
Notional value	4,209,934	1,946,625	2,229,355	227,039
Average interest rate collected	3.14%	2.95%	2.85%	3.37%
Average interest rate paid	3.46%	2.98%	2.92%	4.66%
Paying fixed interest-				
Notional value	5,892,332	2,870,899	2,881,666	564,233
Average interest rate collected	3.50%	3.40%	2.99%	3.64%
Average interest rate paid	3.09%	2.93%	2.86%	3.15%
	<b>10,102,266</b>	<b>4,817,524</b>	<b>5,111,021</b>	<b>791,272</b>
<b>In foreign currencies:</b>				
Collecting fixed interest-				
Notional value	410,137	12,242	-	482,762
Average interest rate collected	9.33%	6.59%		2.46%
Average interest rate paid	6.29%	6.36%		4.56%
Paying fixed interest-				
Notional value	123,162	80,187	-	482,761
Average interest rate collected	1.40%	3.27%		4.72%
Average interest rate paid	1.89%	2.19%		2.46%
	<b>533,299</b>	<b>92,429</b>	<b>-</b>	<b>965,523</b>
	<b>10,635,565</b>	<b>4,909,953</b>	<b>5,111,021</b>	<b>1,756,795</b>

Balances at December 31, 2001	Thousands of Euros (except for percentages)			
	Up to 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years
<b>Swaps-</b>				
<b>In euros:</b>				
Collecting fixed interest-				
Notional value	113,803,428	12,932,747	12,303,040	7,342,658
Average interest rate collected	3.55%	4.98%	5.47%	5.82%
Average interest rate paid	3.60%	3.78%	3.75%	3.70%
Paying fixed interest-				
Notional value	131,488,682	10,259,905	7,561,875	5,220,691
Average interest rate collected	3.60%	3.72%	3.75%	3.74%
Average interest rate paid	3.57%	5.23%	5.44%	6.29%
Floating rate/floating rate-				
Notional value	126,265	492,581	1,447,795	3,960,440
Average interest rate collected	3.27%	3.89%	3.87%	4.52%
Average interest rate paid	3.47%	3.75%	3.65%	4.34%
	<b>245,418,375</b>	<b>23,685,233</b>	<b>21,312,710</b>	<b>16,523,789</b>
<b>In foreign currencies:</b>				
Collecting fixed interest-				
Notional value	50,058,494	9,697,465	3,990,606	3,369,965
Average interest rate collected	4.44%	5.91%	5.62%	6.27%
Average interest rate paid	2.74%	2.75%	3.09%	2.96%
Paying fixed interest-				
Notional value	64,445,162	17,055,201	5,301,302	1,833,307
Average interest rate collected	3.00%	3.63%	3.24%	5.12%
Average interest rate paid	4.02%	5.40%	4.36%	5.44%
Floating rate/floating rate-				
Notional value	442,284	169,345	90,666	9,906
Average interest rate collected	4.25%	5.45%	4.65%	4.25%
Average interest rate paid	2.46%	2.60%	4.77%	4.25%
	<b>114,945,940</b>	<b>26,922,011</b>	<b>9,382,574</b>	<b>5,213,178</b>
	<b>360,364,315</b>	<b>50,607,244</b>	<b>30,695,284</b>	<b>21,736,967</b>
	<b>Up to 3 Months</b>	<b>From 3 to 6 Months</b>	<b>From 6 to 12 Months</b>	<b>Over 1 Year</b>
<b>Forward rate agreements-</b>				
<b>In euros:</b>				
Collecting fixed interest-				
Notional value	30,400,003	15,853,600	99,998	1,019,927
Average interest rate collected	3.27%	3.16%	3.31%	3.38%
Average interest rate paid	3.33%	3.12%	3.38%	3.80%
Paying fixed interest-				
Notional value	31,899,994	8,550,000	6,200,000	2,399,998
Average interest rate collected	3.27%	3.19%	3.17%	3.90%
Average interest rate paid	3.33%	3.31%	3.07%	3.48%
	<b>62,299,997</b>	<b>24,403,600</b>	<b>6,299,998</b>	<b>3,419,925</b>
<b>In foreign currencies:</b>				
Collecting fixed interest-				
Notional value	2,583,215	497,616	615,354	2,592,106
Average interest rate collected	4.10%	6.53%	3.38%	4.48%
Average interest rate paid	3.71%	5.62%	3.44%	3.55%
Paying fixed interest-				
Notional value	4,464,630	2,322,143	340,406	1,520,852
Average interest rate collected	4.10%	3.95%	2.46%	3.85%
Average interest rate paid	3.84%	4.14%	5.80%	5.02%
	<b>7,047,845</b>	<b>2,819,759</b>	<b>955,760</b>	<b>4,112,958</b>
	<b>69,347,842</b>	<b>27,223,359</b>	<b>7,255,758</b>	<b>7,532,883</b>

Following is the detail, by market type (organized or over-the-counter), of derivatives transactions as of December 31, 2002 and 2001:

	Type of Market	Thousands of Euros	
		2002	2001
Foreign currency purchase and sale transactions and swaps	Over-the-counter	50,085,387	37,905,142
Financial asset purchase and sale transactions	Organized	6,638,876	2,751,764
Forward rate agreements (FRAs)	Over-the-counter	22,413,334	111,359,842
Interest rate swaps	Over-the-counter	454,602,653	463,403,810
Securities swaps	Over-the-counter	6,921,838	3,848,898
Interest rate futures	Organized	49,243,706	42,078,138
Securities futures	Organized	431,910	1,057,253
Interest rate options	Organized	1,638,260	1,517,281
Interest rate options	Over-the-counter	67,728,241	67,765,983
Securities options	Organized	984,495	419,495
Securities options	Over-the-counter	18,067,991	19,943,528
Foreign currency options and futures	Over-the-counter	8,695,760	22,343,262
Other risks	Over-the-counter	1,292,090	818,597
		<b>688,744,541</b>	<b>775,212,993</b>

As of December 31, 2002, the Group had arranged share price risk and interest rate risk macrohedges consisting of securities listed on the main international markets and long-term deposit transactions, respectively (Note 3-m).

The detail of the notional value of hedging and trading futures transactions as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros		
	NOTIONAL AMOUNT		
	HEDGING	TRADING	TOTAL
<b>Balances at December 31, 2002-</b>			
<b>Interest rate and securities transactions</b>	<b>67,319,615</b>	<b>561,351,689</b>	<b>628,671,304</b>
Swaps	28,110,825	433,413,666	461,524,491
Forward rate agreements	40,762	22,372,572	22,413,334
Options and futures	38,811,011	99,283,592	138,094,603
Unmatured financial asset purchase and sale transactions	357,017	6,281,859	6,638,876
<b>Exchange rate transactions</b>	<b>17,713,727</b>	<b>42,359,510</b>	<b>60,073,237</b>
Forward foreign currency purchase and sale transactions, currency futures and swaps	15,347,014	37,763,263	53,110,277
Foreign currency options	1,267,696	4,403,174	5,670,870
Other transactions	1,099,017	193,073	1,292,090
	<b>85,033,342</b>	<b>603,711,199</b>	<b>688,744,541</b>

<b>Balances at December 31, 2001-</b>			
<b>Interest rate and securities transactions</b>	<b>54,176,295</b>	<b>659,969,697</b>	<b>714,145,992</b>
Swaps	39,659,881	427,592,827	467,252,708
Forward rate agreements	-	111,359,842	111,359,842
Options and futures	13,626,874	119,154,804	132,781,678
Unmatured financial asset purchase and sale transactions	889,540	1,862,224	2,751,764
<b>Exchange rate transactions</b>	<b>11,586,284</b>	<b>49,480,717</b>	<b>61,067,361</b>
Forward foreign currency purchase and sale transactions, currency futures and swaps	9,811,197	30,960,364	40,771,561
Foreign currency options	956,490	18,520,353	19,476,843
Other transactions	818,597	-	818,957
	<b>65,762,579</b>	<b>709,450,414</b>	<b>775,213,353</b>

Following is a breakdown, by balance sheet account hedged, of the notional balances of interest rate, securities and exchange rate hedging derivatives as of December 31, 2002 and 2001:

	Amount	Thousands of Euros			
		NOTIONAL AMOUNT			
B/S ACCOUNT HEDGED		Swaps	Forward Rate Agreements	Options and Futures	Other
<b>Balances at December 31, 2002-</b>					
Total net lending	3,665,079	2,081,217	-	650,638	933,223
Due from credit institutions	9,685,366	943,038	-	223,608	8,518,721
Securities portfolio	25,478,487	7,642,755	-	12,955,835	4,879,897
Deposits	10,280,687	7,892,260	-	2,388,417	10
Other assets and liabilities	35,923,723	9,551,555	40,762	24,120,036	2,211,370
	<b>85,033,342</b>	<b>28,110,825</b>	<b>40,762</b>	<b>40,338,534</b>	<b>16,543,221</b>
<b>Balances at December 31, 2001-</b>					
Total net lending	3,786,157	2,680,866	-	886,849	218,442
Due from credit institutions	3,703,965	2,771,588	-	932,377	-
Securities portfolio	29,924,107	20,259,558	-	8,137,161	1,527,388
Deposits	11,061,791	5,326,252	-	958,439	4,777,100
Other assets and liabilities	17,286,559	8,621,617	-	3,797,752	4,867,190
	<b>65,762,579</b>	<b>39,659,881</b>	<b>-</b>	<b>14,712,578</b>	<b>11,390,120</b>

The market value of the trading futures transactions corresponding to the notional amounts of the underlying assets in the table above as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros	
	2002	2001
<b>Interest rate and securities transactions</b>		
Swaps	(727,839)	(169,678)
Forward rate agreements	(5,827)	(13,733)
Options and futures	268,156	148,684
Unmatured financial asset purchase and sale transactions	(13,219)	9,532
	<b>(478,729)</b>	<b>(25,195)</b>
<b>Exchange rate transactions</b>		
Forward foreign currency purchase and sale transactions, currency futures and swaps	(71,853)	(85,939)
Foreign currency options	(197)	16,552
Other transactions	-	-
	<b>(72,050)</b>	<b>(69,387)</b>

As of December 31, 2002 and 2001, the provisions covering unrealized losses on trading interest rate and securities futures transactions (Notes 3-m and 20) amounted to approximately €280,721 thousand and €168,229 thousand, respectively.

#### Off-balance-sheet managed funds

The detail of the off-balance-sheet funds managed by the Group as of December 31, 2002 and 2001, is as follows:

	Thousands of Euros	
	2002	2001
Mutual funds	43,581,299	49,900,947
Pension funds	36,563,294	41,248,849
Assets managed	28,670,233	33,345,967
	<b>108,814,826</b>	<b>124,495,763</b>

## (27) TRANSACTIONS WITH PROPORTIONALLY CONSOLIDATED COMPANIES OR COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

Following is a detail of the major balances in the accompanying consolidated balance sheets of the Group as of December 31, 2002 and 2001, with proportionally consolidated companies and companies accounted for by the equity method (Note 2-c) at market prices:

	Thousands of Euros	
	2002	2001
<b>Assets:</b>		
Due from credit institutions	4,068	167,658
Total net lending	3,727,728	4,330,815
Debentures and other debt securities	–	39,006
	<b>3,731,796</b>	<b>4,537,479</b>
<b>Liabilities:</b>		
Due to credit institutions	175,395	318,657
Deposits	1,964,815	1,651,894
	<b>2,140,210</b>	<b>1,970,551</b>
<b>Memorandum accounts:</b>		
Contingent liabilities	1,345,629	1,078,841
Commitments and contingent liabilities	489,931	1,002,488
	<b>1,835,560</b>	<b>2,081,329</b>
<b>Statement of income:</b>		
Financial revenues	98,143	105,346
Financial expenses	(142,937)	(84,665)

There are no other material effects on the financial statements of the Group arising from transactions with these companies, other than the effects arising from valuing the investments in them by the equity method (Notes 2-c and 28-f) and from the insurance policies to cover pension and similar commitments (Note 3-j).

The notional amount of the futures transactions arranged by the Group with the main related companies amounts to approximately €5,388,845 thousand.

In addition, as part of its normal activity, the Group has entered into agreements and commitments of various types with shareholders of investees and associated companies, which have no material impacts on the financial statements.

## (28) INCOME STATEMENT DISCLOSURES

Following is certain relevant information in connection with the accompanying consolidated statements of income:

### A. GEOGRAPHICAL BREAKDOWN-

The following table shows the geographical breakdown of the main revenue balances in the accompanying consolidated statements of income, by country of location of the Bank branches and Group companies giving rise to them:

	Thousands of Euros	
	2002	2001
<b>Financial revenues-</b>		
Spain	7,335,211	7,846,238
Other European countries	633,049	1,714,574
United States	63,872	2,777
Latin America	8,289,627	11,387,675
Rest of the world	911,150	656,840
	<b>17,232,909</b>	<b>21,608,104</b>
<b>Income from equities portfolio-</b>		
Spain	329,903	459,450
Other European countries	1,709	2,140
United States	5	24
Latin America	25,848	32,569
Rest of the world	597	1,261
	<b>358,062</b>	<b>495,444</b>
<b>Fees collected-</b>		
Spain	1,853,326	1,920,384
Other European countries	204,015	230,602
United States	22,997	71,556
Latin America	2,217,039	2,554,778
Rest of the world	33,616	56,297
	<b>4,330,993</b>	<b>4,833,617</b>
<b>Market operations-</b>		
Spain	319,078	179,618
Other European countries	41,938	13,445
United States	(36)	8,853
Latin America	692,027	310,585
Rest of the world	(287,884)	(22,406)
	<b>765,123</b>	<b>490,095</b>
<b>Other operating income-</b>		
Spain	4,179	14,936
Other European countries	8,039	3,263
United States	254	937
Latin America	21,132	31,001
Rest of the world	737	1,208
	<b>34,341</b>	<b>51,345</b>

## B. BREAKDOWN BY TYPE OF TRANSACTION-

The detail, by type of transaction, of certain captions in the accompanying consolidated statements of income is as follows:

	Thousands of Euros	
	2002	2001
<b>Financial revenues-</b>		
Bank of Spain and other central banks	352,169	457,707
Due from credit institutions	1,077,074	1,807,592
Fixed-income portfolio	4,820,640	7,283,233
Loans to public authorities	1,509,262	1,053,502
Loans to customers	9,446,574	10,891,783
Other revenues	27,190	114,287
	<b>17,232,909</b>	<b>21,608,104</b>
<b>Financial expenses-</b>		
Due to Bank of Spain and other central banks	256,433	258,393
Due to credit institutions	2,463,730	3,516,840
Deposits	5,456,666	7,592,170
Bonds and other marketable debt securities	997,669	1,189,925
Subordinated debt (Note 21)	405,775	429,694
Cost allocable to the recorded pension provision (Note 20)	60,041	42,480
Other interest	143,191	249,944
	<b>9,783,505</b>	<b>13,279,446</b>
<b>Fees collected-</b>		
Contingent liabilities	135,595	136,052
Collection and payment services	1,842,831	1,877,845
Securities services	1,899,437	2,272,090
Other transactions	453,130	547,630
	<b>4,330,993</b>	<b>4,833,617</b>
<b>Fees paid-</b>		
Ceded to other entities and correspondents	472,780	570,968
Brokerage on asset and liability transactions	15,394	19,383
Other fees	174,438	205,643
	<b>662,612</b>	<b>795,994</b>
<b>Market operations-</b>		
Sales and futures transactions on fixed-income securities and on interest rates (Notes 3-m and 26)	566,453	115,749
Sales and futures transactions on equity securities and other assets (Notes 10 and 26)	(30,685)	47,173
Writedowns of securities and other	(194,355)	(2,759)
Exchange differences (Note 3-b)	423,710	329,932
	<b>765,123</b>	<b>490,095</b>

## C. GENERAL ADMINISTRATIVE EXPENSES - PERSONNEL COSTS-

The detail of the balances of this caption in the accompanying consolidated statements of income is as follows:

	Thousands of Euros	
	2002	2001
Wages and salaries	2,743,819	3,211,099
Social security costs	491,736	529,979
Net charge to in-house pension provisions (Notes 3-j and 20)	39,067	32,203
Contributions to external pension funds (Note 3-j)	93,557	90,272
Other expenses	329,249	379,821
	<b>3,697,428</b>	<b>4,243,374</b>

The average total number of employees in the Group in 2002 and 2001, by category, was as follows:

	Number of Employees	
	2002	2001
<b>Spanish banks-</b>		
- Senior management	166	172
- Supervisors	20,746	20,222
- Clerical staff	10,646	11,593
- Central services personnel.	133	174
- Abroad	676	678
	<b>32,367</b>	<b>32,839</b>
<b>Companies abroad</b>	<b>63,078</b>	<b>69,383</b>
<b>Other nonbanking companies</b>	<b>537</b>	<b>499</b>
	<b>95,982</b>	<b>102,721</b>

## D. DIRECTORS' COMPENSATION AND OTHER BENEFITS-

In 2002 and 2001 the members of the Board of Directors earned €4,693 thousand and €1,785 thousand, respectively, of fixed compensation, and €2,006 thousand and €7,567 thousand, respectively, of attendance fees and variable compensation. Also, Bank executive directors earned in this capacity €2,428 thousand and €3,354 thousand, respectively, of fixed compensation and €8,419 thousand and €7,771 thousand, respectively, of variable compensation in those years.

As of December 31, 2002 and 2001, the accrued pension commitments to Bank executive directors amounted to €36,376 thousand and €25,395 thousand, respectively, of which €8,689 thousand and €7,374 thousand were recorded with a charge to 2002 and 2001 income, respectively. The net charges to directors' pension provisions amounted to €180 thousand and €1,358 thousand, respectively, in those years. Also, the provisions recorded in 2002 to cover pension commitments to current members of the Board of Directors amounted to €604 thousand.



**E. OTHER ADMINISTRATIVE EXPENSES-**

The breakdown of the balances of this caption in the accompanying consolidated statements of income is as follows:

	Thousands of Euros	
	2002	2001
Technology and systems	390,541	483,394
Communications	260,899	336,993
Advertising	157,891	183,429
Buildings and fixtures	370,082	458,308
Taxes other than income tax	165,957	227,549
Other expenses	728,927	791,713
	<b>2,074,297</b>	<b>2,481,386</b>

Included in the "Other Expenses" balance are the fees paid by the Group companies to their respective auditors, which amounted to €15,879 thousand in 2002. Of the 2002 total, €5,784 thousand were incurred in company annual audits performed by firms belonging to the Deloitte & Touche world organization and €2,453 thousand were incurred to other audit firms.

In 2002 the Group engaged these firms to perform non-attest services, the detail of which is as follows:

- Services provided by other audit firms: €3,780 thousand.
- Services provided by Deloitte & Touche: €3,862 thousand. In 2002 a business line which has subsequently left the organization was engaged by the Group, to provide certain services the fees for which were included in the foregoing figure and amounted to €2,688 thousand.

**F. NET INCOME FROM COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD-**

The breakdown, by company, of the net balances of this caption in the accompanying consolidated statements of income is as follows:

	Thousands of Euros	
	2002	2001
<b>Share in income and losses of companies accounted for by the equity method, net-Share in income before taxes of nonconsolidated Group companies (Note 12):</b>		
BBVA Seguros, S.A.	145,910	135,769
BBVA Desarrollos Inmobiliarios, S.L.	(5,916)	12,387
Seguros Bancomer, S.A. de C.V.	44,323	33,741
Unitaria Inmobiliaria, S.A.	13,880	18,072
BBVA Seguros Ganadero Cia. de Seguros, S.A.	1,847	(18,145)
BBVA Seguros Ganadero Cia. de Seguros de Vida, S.A.	1,246	(15,278)
Fianzas Probrusa, S.A. de C.V.	(2,561)	(9,352)
Pensiones Bancomer, S.A. de C.V.	19,669	15,488
Other companies, net	35,203	56,105
	<b>253,601</b>	<b>228,787</b>
<b>Share in net income of associated companies (Note 11):</b>	<b>21,995</b>	<b>543,038</b>
<b>Less- Correction for payment of dividends-</b>		
Final or prior years' dividends	(111,461)	(171,192)
Interim dividends paid out of income for the year	(130,891)	(207,962)
	<b>(242,352)</b>	<b>(379,154)</b>
	<b>33,244</b>	<b>392,671</b>

**G. EXTRAORDINARY INCOME/LOSSES-**

The breakdown of the net balances of these captions in the accompanying consolidated statements of income is as follows:

	Thousands of Euros	
	2002	2001
Net special provisions (Notes 14 and 20)	(647,284)	(308,139)
Other losses arising from pension commitments (Notes 3-j and 20)	(192,846)	(86,336)
Other income arising from adjustment of deferred contributions (Note 3-j)	3,878	-
Merger expenses	-	(44,325)
Gains on disposal of property and equipment and long-term financial investments (Notes 10 and 14)	99,646	252,551
Recovery of interest earned in prior years	73,864	271,856
Adjustment of earnings due to currency redenomination (Note 3-b)	4,431	69,279
Net charge to the specific provision for Argentina (Note 3-ñ)	263,084	(617,636)
Net charge to the theoretical goodwill relating to Bradesco (Note 4)	(34,719)	-
Other extraordinary income (losses), net	(2,635)	(263,520)
	<b>(432,581)</b>	<b>(726,270)</b>

## (29) CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

The 2002 and 2001 consolidated statements of changes in financial position are as follows:

	Thousands of Euros	
	2002	2001
<b>APPLICATION OF FUNDS</b>		
Dividends paid	1,252,870	1,100,240
External capital contributions-		
Purchase of own shares, net	21,990	3,407
Minority interests	715,330	1,025,062
Subordinated debt (Note 21)	505,594	474,849
Total net lending	-	15,218,935
Fixed-income securities	-	9,423,564
Equity securities	-	656,853
Marketable securities	-	1,084,011
Deposits	19,939,069	-
Financing, net of investment, at credit institutions	5,540,828	-
Acquisition of long-term investments-		
Purchase of investments in Group and associated companies (Notes 11 and 12)	2,316,991	2,718,113
Additions to property and equipment and intangible assets	999,147	2,824,121
Other asset items less liability items	3,403,194	-
<b>TOTAL FUNDS APPLIED</b>	<b>34,695,013</b>	<b>34,529,155</b>
<b>SOURCE OF FUNDS</b>		
From operations-		
Net income	1,719,129	2,363,336
Add-		
- Depreciation and amortization expense	1,439,666	1,641,663
- Net provision for asset writedown and to other special provisions	2,646,688	2,490,035
- Losses on sales of treasury stock, investments and fixed assets	309,651	258,434
- Minority interests	746,919	645,223
- Income of companies accounted for by the equity method, net of taxes	49,151	-
Less-		
- Income of companies accounted for by the equity method, net of taxes	-	(305,290)
- Gains on sales of treasury stock, investments and fixed assets	(770,292)	(1,295,853)
	6,140,912	5,797,548
External capital contributions-		
Minority interests, net (Note 22)	714,451	260,484
Subordinated debt (Note 21)	-	3,253,057
Financing, net of investment, at credit institutions	-	6,404,308
Deposits	-	12,353,241
Total net lending	8,554,159	-
Fixed-income securities	13,031,268	-
Equity securities	504,413	-
Marketable securities	2,147,598	-
Sale of long-term investments-		
Sale of investments in Group and associated companies (Notes 11 and 12)	2,879,384	3,603,288
Sale of property and equipment and intangible assets	722,828	2,531,180
Other asset items less liability items	-	326,049
<b>TOTAL FUNDS OBTAINED</b>	<b>34,695,013</b>	<b>34,529,155</b>

## (30) OTHER INFORMATION

On March 22, 2002, BBVA notified the supervisory authorities of the stock markets on which its shares are listed that the Bank of Spain had commenced a proceeding against BBVA and 16 of its former directors and executives. These proceedings arose as a result of the existence of funds belonging to BBV that were not included in the entity's financial statements until they were voluntarily regularized by being recorded in the 2000 consolidated statement of income as extraordinary income, for which the related corporate income tax was recorded and paid. These funds totaled Ptas. 37,343 million (approximately €225 million) and arose basically from the gains on the sale of shares of Banco de Vizcaya, S.A. and Banco Bilbao Vizcaya, S.A. from 1987 to 1992, and on the purchase and sale by BBV of shares of Argentaria, Caja Postal and Banco Hipotecario, S.A. in 1997 and 1998.

After dissolving the legal vehicles where the unrecorded funds were located and including the funds its accounting records, BBVA notified the Bank of Spain of these matters on January 19, 2001. The Bank of Spain's supervisory services commenced an investigation into the origin of the funds, their use and the persons involved, the findings of which were included in the supervisory services' report dated March 11, 2002. On March 15, 2002, the Bank of Spain notified the Bank of the commencement of a proceeding relating to these events.

On April 9, 2002, the Central Examining Court Number 5 of the National Appellate Court ordered that these events be investigated in preliminary proceedings which are being conducted at the Court. Also, it required the Bank of Spain to stay the conduct of its proceeding until the criminal liability that may arise as a result of these events, if any, is determined.

On May 22, 2002, the Council of the Spanish National Securities Market Commission (CNMV) commenced a proceeding against BBVA, S.A. for possible contravention of the Securities Market Law (under Article 99 ñ) thereof owing to the same events as those which gave rise to the Bank of Spain's proceeding and the legal proceedings. On January 7, 2003, the CNMV stated that the proceeding was stayed until the final court decision on the criminal proceedings is handed down.

As of the date of preparation of these financial statements, none of the persons party to the proceedings or accused of the events referred to above is a member of the Board of Directors or the Management Committee or holds executive office at BBVA. Although the stayed proceedings, in which charges have not yet been brought, and the preliminary proceedings are at a very early stage, in view of the events and the surrounding circumstances, the Group's legal advisers do not expect them to have a material effect on the Bank.

## (31) ENVIRONMENTAL INFORMATION

As of December 31, 2002 and 2001, there were no items in the accompanying consolidated financial statements of the Group that should be included in the separate environmental information document envisaged in the Ministry of Economy Order dated October 8, 2001.

## (32) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

**EXHIBIT I**  
**ADDITIONAL INFORMATION ON CONSOLIDATED SUBSIDIARIES**  
**COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP**

Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros (*)			
			Direct	Indirect	Total	Capital Stock as of 12/31/02	Reserves as of 12/31/02	Net Income (Loss) for 2002	Net Investment G.E.
ADMINISTRAD. DE FONDOS PARA EL RETIRO-BANCOMER.S.A DE C.V.	MEXICO	PENSIONS	17.50	82.50	100.00	14,309	76,903	99,212	432,787
ADMINISTRADORA DE FONDOS DE PENSIONES PROVIDA (AFP PROVIDA)	CHILE	PENSIONS	12.70	51.62	64.32	107,465	94,078	52,031	182,453
AEROCER, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	4,717	6,030	169	10,877
AFP CRECER, S.A.	EL SALVADOR	PENSIONS	0.00	62.08	62.08	22,450	-5,388	5,706	16,832
AFP GENESIS ADMINISTRADORA DE FONDOS, S.A.	ECUADOR	PENSIONS	0.00	100.00	100.00	726	533	475	1,673
AFP HORIZONTE, S.A.	PERU	PENSIONS	24.85	75.15	100.00	4,951	3,970	18,687	91,822
AFP PREVISION BBV-ADM.DE FONDOS DE PENSIONES S.A.	BOLIVIA	PENSIONS	75.00	5.00	80.00	2,734	170	2,888	3,959
ALGORTA, S.A.	BILBAO	PORTFOLIO	100.00	0.00	100.00	3,010	3,186	204	6,197
ALIMENTACION, S.A. DE	BILBAO	PORTFOLIO	0.00	100.00	100.00	26,504	31,173	1,633	59,310
ALMACENES GENERALES DE DEPOSITO, S.A.E. DE	BILBAO	PORTFOLIO	83.90	16.10	100.00	14,934	13,876	2,520	12,646
ALTA VENTURES SOC.GEST.DE FONDOS CAPITAL RIESGO, S.A.	MADRID	FINANCE	0.00	100.00	100.00	301	60	-2	369
ALTURA MARKETS, A.V. S.A.	MADRID	SECURITIES DEALER	50.00	0.00	50.00	10,000	326	4,864	5,000
ANCLA INVESTMENTS, S.A.	PANAMA	PORTFOLIO	0.00	100.00	100.00	10	104,364	18,425	8,142
APOYO MERCANTIL S.A. DE C.V.	MEXICO	INSTRUM. REAL EST.	0.00	100.00	100.00	664	-624	-2	0
AQUANETUN, S.A.	MADRID	PORTFOLIO	100.00	0.00	100.00	6,657	1,106	220	7,583
ARAGON HOLDINGS LIMITED	GUERNSEY ISLANDS	FINANCE	99.90	0.00	99.90	2	27,703	1,226	38,976
ARGENTARIA CARTERA DE INVERSION, SIMCAV	MADRID	PORTFOLIO	75.41	0.00	75.41	55,633	78,978	-520	46,876
ARGENTARIA INTERNACIONAL DE PANAMA, S.A.	PANAMA	PENSIONS	0.00	100.00	100.00	1,201	1	147	1,254
ARGENTARIA SERVICIOS, S.A.	CHILE	SERVICES	100.00	0.00	100.00	1,096	42	120	676
ARGENTARIA, S.A.	MADRID	PORTFOLIO	100.00	0.00	100.00	60	-2	0	59
BANC INTERNACIONAL D'ANDORRA, S.A.	ANDORRA	BANKING	0.00	51.00	51.00	42,407	222,517	94,044	15,528
BANC INTERNACIONAL OF ANDORRA (CAYMAN) LTD.	CAYMAN ISLANDS	BANKING	0.00	100.00	100.00	4,768	2,165	6	4,788
BANCA MORA, S.A.	ANDORRA	BANKING	0.00	100.00	100.00 <sup>(1)</sup>	30,060	0	0	0
BANCO BILBAO VIZCAYA (DEUTSCHLAND), A.G.	GERMANY	BANKING	0.00	100.00	100.00	256	5,980	103	279
BANCO BILBAO VIZCAYA ARGENTARIA (PANAMA), S.A.	PANAMA	BANKING	53.96	44.81	98.77	27,367	74,257	18,477	22,414
BANCO BILBAO VIZCAYA ARGENTARIA (PORTUGAL), S.A.	PORTUGAL	BANKING	9.52	90.48	100.00	125,000	40,544	13,970	263,466
BANCO BILBAO VIZCAYA ARGENTARIA BRASIL, S.A.	BRAZIL	BANKING	100.00	0.00	100.00	561,207	-97,409	71,664	652,911
BANCO BILBAO VIZCAYA ARGENTARIA PUERTO RICO, S.A.	PUERTO RICO	BANKING	0.00	100.00	100.00	132,300	164,899	40,975	132,300
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY, S.A.	URUGUAY	BANKING	100.00	0.00	100.00	45,821	38,463	-20,991	58,705
BANCO CONTINENTAL, S.A.	PERU	BANKING	0.00	91.54	91.54	212,665	39,564	32,307	397,206
BANCO DE CREDITO LOCAL, S.A.	MADRID	BANKING	100.00	0.00	100.00	151,043	121,099	49,311	509,597
BANCO DE PROMOCION DE NEGOCIOS, S.A.	VALENCIA	BANKING	0.00	99.74	99.74	14,039	17,919	615	15,106
BANCO DEPOSITARIO BBVA, S.A.	MADRID	BANKING	0.00	100.00	100.00	5,412	16,108	38,500	1,595
BANCO FRANCES (CAYMAN), LTD	CAYMAN ISLANDS	BANKING	0.00	100.00	100.00	78,463	484,328	-234,536	400,964
BANCO INDUSTRIAL DE BILBAO, S.A.	BILBAO	BANKING	0.00	99.92	99.92	32,775	131,695	112,932	97,211
BANCO OCCIDENTAL, S.A.	MADRID	BANKING	49.43	50.57	100.00	11,630	2,561	446	14,582
BANCO PROVINCIAL OVERSEAS N.V.	DUTCH ANTILLES	BANKING	0.00	100.00	100.00	28,607	1,305	1,586	31,290
BANCO PROVINCIAL S.A. - BANCO UNIVERSAL	VENEZUELA	BANKING	1.85	53.69	55.54	63,258	197,440	158,243	348,551
BANCO UNO-E BRASIL, S.A.	BRAZIL	BANKING	100.00	0.00	100.00	12,228	390	1,789	16,927
BANCOMER ASSET MANAGEMENT INC.	U.S.	FINANCE	0.00	100.00	100.00	5	-2	-1	2
BANCOMER FINANCIAL SERVICES INC.	U.S.	FINANCE	0.00	100.00	100.00	4,461	-13	-314	4,156
BANCOMER FOREIGN EXCHANGE INC.	U.S.	FINANCE	0.00	100.00	100.00	1,907	868	208	2,957
BANCOMER PAYMENT SERVICES INC.	U.S.	FINANCE	0.00	100.00	100.00	53	1	-15	41
BANCOMER SECURITIES INTERNATIONAL, INC.	U.S.	FINANCE	0.00	100.00	100.00	3,251	-2,920	3,886	3,814
BANCOMER TRANSFER SERVICE	U.S.	FINANCE	0.00	100.00	100.00	2,861	10,187	6,473	18,846
BANINBAO DE INVERSIONES, S.A.	MADRID	PORTFOLIO	0.00	100.00	100.00	734	747	36	1,516
BBV ADMINISTRADORA DE CARTOES LTDA.	BRAZIL	FINANCE	0.00	100.00	100.00	4,453	573	-6,252	321
BBV AMERICA FUND MANAGER LTD	CAYMAN ISLANDS	FINANCE	0.00	100.00	100.00	458	10,825	4,530	445
BBV AMERICA, S.L.	BILBAO	PORTFOLIO	100.00	0.00	100.00	583,127	340,119	-474,124	332,823
BBV BANCO DE FINANCIACION S.A.	BILBAO	BANKING	0.00	100.00	100.00	58,298	7,591	1,349	64,200
BBV BANCO DE INVESTIMENTO, S.A.	BRAZIL	BANKING	0.00	100.00	100.00	3,681	397	167	4,204
BBV BRASIL CIA. SECURITIZADORA DE CREDITOS FINANCIEROS	BRAZIL	FINANCE	0.00	100.00	100.00	10,157	114	0	6,652
BBV CARTOES, CREDITO, FINANCIAMENTO E INVESTIMENTO, S.A.	BRAZIL	BANKING	0.00	100.00	100.00	14,258	-5,972	-7,918	2,328
BBV CORRETORA DE CAMBIO E VALORES MOBILIARIOS LTDA.	BRAZIL	SERVICES	0.00	100.00	100.00	7,324	160	483	7,846
BBV GESTION DE CAPITALES, S.A. S.G.C.	MADRID	FINANCE	100.00	0.00	100.00	903	2,981	1,314	1,271
BBV LEASING BRASIL S.A. ARRENDAMIENTO MERCANTIL	BRAZIL	FINANCE	0.00	100.00	100.00	8,081	578	2,312	10,398
BBV PRIVANZA SERVICIOS PATRIMONIALES, S.L.	MADRID	FINANCE	0.00	100.00	100.00	3	323	47	1

Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros (*)			
			Direct	Indirect	Total	Capital Stock	Reserves as	Net Income	Net Investment
						as of 12/31/02	of 12/31/02	(Loss) for 2002	G.E.
BBV SECURITIES HOLDINGS, S.A.	BILBAO	PORTFOLIO	99.86	0.14	100.00	15,571	13,507	4,414	33,495
BBV SERVIÇOS E NEGOCIOS LTDA.	BRAZIL	SERVICES	0.00	100.00	100.00	8,027	-428	-1,498	6,473
BBV TRUST COMPANY (CAYMAN), LTD	CAYMAN ISLANDS	FINANCE	0.00	100.00	100.00	477	23	-83	556
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	MADRID	SECURITIES DEALER	70.00	0.00	70.00	908	-64	75	967
BBVA AREA INMOBILIARIA, S.L.	MADRID	INSTRUM. REAL EST.	100.00	0.00	100.00	72,475	41,387	201,066	109,537
BBVA BANCO BHIF, S.A.	CHILE	BANKING	59.19	6.92	66.11	201,086	111,273	30,972	264,880
BBVA BANCO FRANCES, S.A.	ARGENTINA	BANKING	40.71	38.92	79.63	104,010	828,675	-351,765	71,158
BBVA BANCO GANADERO, S.A.	COLOMBIA	BANKING	76.14	19.22	95.36	24,188	152,254	-6,926	130,985
BBVA BANCOMER ASESORA DE FONDOS, S.A. DE C.V.	MEXICO	FINANCE	0.00	100.00	100.00	5	11	-13	5
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCE	0.00	99.99	99.99	91	572	9,678	8,747
BBVA BANCOMER HOLDING CORPORATION	U.S.	PORTFOLIO	0.00	100.00	100.00	2,565	-2,262	3,500	3,452
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	FINANCE	0.00	100.00	100.00	5	31	102	121
BBVA BANCOMER SERVICIOS, S.A.	MEXICO	BANKING	0.00	100.00	100.00	329,788	92,154	98,774	504,455
BBVA BANCOMER, S.A. DE C.V.	MEXICO	BANKING	0.00	100.00	100.00	348,941	2,788,759	585,481	3,615,631
BBVA BOLSA S.V., S.A.	BILBAO	SECURITIES DEALER	89.97	10.03	100.00	6,892	144,480	21,140	39,699
BBVA CAPITAL FUNDING, LTD.	CAYMAN ISLANDS	FINANCE	100.00	0.00	100.00	0	544	36,708	0
BBVA CAPITAL MARKETS OF PUERTO RICO, INC	PUERTO RICO	FINANCE	100.00	0.00	100.00	768	5,310	558	8,513
BBVA COMMERCIAL PAPER, LIMITED	CAYMAN ISLANDS	FINANCE	100.00	0.00	100.00	10	0	33	10
BBVA CRECER AFP, S.A.	DOMINICAN REPUBLIC	FINANCE	70.00	0.00	70.00	5,219	0	-932	3,650
BBVA DINERO EXPRESS, S.A.	SPAIN	FINANCE	100.00	0.00	100.00	3,306	0	-336	3,306
BBVA E-COMMERCE, S.A.	BILBAO	SERVICES	100.00	0.00	100.00	60,000	-763	-9,709	49,529
BBVA FACTORING E.F.C., S.A.	MADRID	FINANCE	0.00	100.00	100.00	26,874	118,889	5,662	126,447
BBVA FIDUCIARIA, S.A.	COLOMBIA	FINANCE	0.00	99.98	99.98	2,917	1,144	26	4,073
BBVA FINANCE (DELAWARE) INC.	U.S.	FINANCE	100.00	0.00	100.00	143	406	-17	143
BBVA FINANCE (UK), LTD.	U.K.	FINANCE	0.00	100.00	100.00	3,459	8,315	420	3,324
BBVA FINANCE SPA.	ITALY	FINANCE	100.00	0.00	100.00	4,648	361	57	4,648
BBVA FUNDOS	PORTUGAL	FINANCE	0.00	100.00	100.00	1,000	2,759	702	998
BBVA GEST	PORTUGAL	FINANCE	0.00	100.00	100.00	1,000	4,315	1,178	998
BBVA GESTINNOVA CAPITAL S.G.I.I.C.S.A	MADRID	FINANCE	100.00	0.00	100.00	12,080	5,221	1,015	11,119
BBVA GESTION, SOCIEDAD ANONIMA, SGIC	MADRID	FINANCE	17.00	83.00	100.00	2,140	79,519	48,292	11,436
BBVA GLOBAL FINANCE LTD.	CAYMAN ISLANDS	FINANCE	100.00	0.00	100.00	1	2,936	20	0
BBVA HORIZONTE PENSIONES Y CESANTIAS, S.A.	COLOMBIA	PENSIONS	78.52	1.76	80.28	11,559	11,658	12,333	84,565
BBVA HORIZONTE, S.A.	PANAMA	PENSIONS	90.00	0.00	90.00	4,768	0	446	4,291
BBVA INTERNATIONAL INVESTMENT CORPORATION	PUERTO RICO	FINANCE	100.00	0.00	100.00	286	-141,120	-399	3,247,106
BBVA INTERNATIONAL LIMITED	CAYMAN ISLANDS	FINANCE	100.00	0.00	100.00	1	3,374,666	183,576	1
BBVA IRELAND PUBLIC LIMITED COMPANY	IRELAND	FINANCE	100.00	0.00	100.00	312	220,532	16,668	180,381
BBVA LEASING SOC. LOCAÇÃO FINANCEIRA (PORTUGAL)	PORTUGAL	FINANCE	0.00	100.00	100.00	12,500	296	-854	12,488
BBVA PARAGUAY, S.A.	PARAGUAY	BANKING	99.99	0.00	99.99	4,402	7,926	7,193	16,985
BBVA PARTICIPACIONES INTERNACIONAL, S.L.	MADRID	FINANCE	92.69	7.31	100.00	53,307	247,806	6,541	272,517
BBVA PENSIONES CHILE, S.A.	CHILE	PENSIONS	32.23	67.77	100.00	196,815	45,301	20,946	268,440
BBVA PENSIONES, SA, ENTIDAD GESTORA DE FONDOS DE PENSIONES	MADRID	PENSIONS	100.00	0.00	100.00	12,922	70,016	56,167	12,922
BBVA PR HOLDING CORPORATION	U.S.	PORTFOLIO	100.00	0.00	100.00	132,300	238	782	332,250
BBVA PREFERRED CAPITAL	CAYMAN ISLANDS	FINANCE	100.00	0.00	100.00	1	0	30,141	1
BBVA PRIVANZA (PORTUGAL), SOCIEDADE GESTORA DE PATRIMO.S.A	PORTUGAL	FINANCE	0.00	100.00	100.00	500	352	148	2,306
BBVA PRIVANZA BANCO, S.A.	MADRID	BANKING	100.00	0.00	100.00	18,317	34,345	18,393	34,585
BBVA PRIVANZA BANK (JERSEY), LTD.	CHANNEL ISLANDS	BANKING	0.00	100.00	100.00	10,003	79,851	4,755	20,610
BBVA PRIVANZA BANK (SWITZERLAND) LTD.	SWITZERLAND	BANKING	39.72	60.28	100.00	49,917	100,674	19,069	58,769
BBVA PRIVANZA GESTORA SGIC, S.A.	MADRID	FINANCE	0.00	100.00	100.00	3,907	10,607	14,914	3,906
BBVA PRIVANZA INTERNATIONAL (GIBRALTAR), LTD	GIBRALTAR	BANKING	0.00	100.00	100.00	3,075	323,287	46,784	8,523
BBVA PROMOCIONES, S.A.	MADRID	PORTFOLIO	0.00	100.00	100.00	285	82	16	354
BBVA RENTING, S.A.	MADRID	FINANCE	0.00	100.00	100.00	47,118	9,601	7,400	20,557
BBVA SECURITIES HOLDINGS (UK) LIMITED	U.K.	FINANCE	0.00	100.00	100.00	31,781	-31,595	-312	0
BBVA SECURITIES INC.	U.S.	FINANCE	0.00	100.00	100.00	0	38,149	-1,384	36,850
BBVA SECURITIES LTD.	U.K.	FINANCE	0.00	100.00	100.00	37,141	-32,428	-639	3,106
BBVA SFAC.	PORTUGAL	FINANCE	0.00	100.00	100.00	15,500	407	-6,923	23,237
BBVA SOCIEDAD LEASING HABITACIONAL BHIF	CHILE	FINANCE	0.00	97.48	97.48	2,387	1,288	1,747	5,056
BBVA VALORES GANADERO, S.A. COMISIONISTA DE BOLSA	COLOMBIA	FINANCE	0.00	100.00	100.00	1,293	1,116	800	3,045
BBVA, S.A.	BILBAO	PORTFOLIO	99.99	0.01	100.00	60	2	1	60
BBVA-BANCOMER CAPITAL TRUST I.	CAYMAN ISLANDS	FINANCE	0.00	100.00	100.00	14,746	0	0	14,720
BCL INTNAL. FINC. LTD.	CAYMAN ISLANDS	FINANCE	0.00	100.00	100.00	0	282	60	0
BCL PARTICIPACIONES, S.L.	MADRID	PORTFOLIO	0.00	100.00	100.00	3,723	-657	-1,671	1,395
BERMEO, S.A.	BILBAO	PORTFOLIO	100.00	0.00	100.00	3,010	1,160	103	4,273
BEX AMERICA FINANCE INCORPORATED	U.S.	FINANCE	100.00	0.00	100.00	1	0	0	0
BEXCARTERA, S.I.M.C.A.V., S.A.	MADRID	PORTFOLIO	0.00	79.92	79.92	4,176	10,891	-3,002	8,519



Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros (*)			
			Direct	Indirect	Total	Capital Stock as of 12/31/02	Reserves as of 12/31/02	Net Income (Loss) for 2002	Net Investment G.E.
BHIF ADMINISTRADORA DE FONDOS DE INVERSION, S.A.	CHILE	FINANCE	0.00	100.00	100.00	1,659	288	17	1,963
BHIF ADMINISTRADORA DE FONDOS MUTUOS, S.A.	CHILE	FINANCE	0.00	100.00	100.00	1,995	3,501	2,181	7,377
BHIF ADMINISTRADORA DE FONDOS PARA LA VIVIENDA, S.A.	CHILE	FINANCE	0.00	100.00	100.00	601	-232	37	401
BHIF ASESORIAS Y SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCE	0.00	98.60	98.60	217	680	569	1,371
BHIF CORREDORES DE BOLSA, S.A.	CHILE	SECURITIES DEALER	0.00	100.00	100.00	8,543	810	2,211	11,243
BI-BM GESTIO D'ACTIUS, S.A.	ANDORRA	FINANCE	0.00	51.00	51.00	301	1,215	8,861	154
BILBAO VIZCAYA AMERICA B.V.	NETHERLANDS	FINANCE	0.00	100.00	100.00	20	775,985	-362,412	449,292
BILBAO VIZCAYA HOLDING, S.A.	BILBAO	PORTFOLIO	89.00	11.00	100.00	35,549	34,839	-6,794	34,771
BILBAO VIZCAYA INVESTMENT ADVISORY COMPANY	LUXEMBOURG	FINANCE	100.00	0.00	100.00	75	10,240	-1,600	77
BILBAO VIZCAYA INVESTMENTS, BV	NETHERLANDS	FINANCE	100.00	0.00	100.00	20	413	-75	18
BROOKLINE INVESTMENTS S.L.	SPAIN	PORTFOLIO	100.00	0.00	100.00	3	32,392	-774	33,969
CANAL INTERNATIONAL HOLDING (NETHERLANDS) BV.	NETHERLANDS	PORTFOLIO	0.00	100.00	100.00	150	544	3,002	494
CANAL INTERNATIONAL HOLDING, S.A.	LUXEMBOURG	PORTFOLIO	36.00	64.00	100.00	149,893	628,403	85,820	255,843
CANAL REAL ESTATE, S.A.	PANAMA	FINANCE	0.00	100.00	100.00	7,124	-1,654	-208	7,124
CANAL TRUST COMPANY, LTD.	CHANNEL ISLANDS	INACTIVE	0.00	100.00	100.00	38	0	725	38
CARTERA E INVERSIONES S.A., CIA DE	MADRID	PORTFOLIO	100.00	0.00	100.00	132	71,698	130,709	60,541
CASA DE BOLSA BBV - PROBURA, S.A. DE C.V.	MEXICO	FINANCE	0.00	100.00	100.00	54,652	16,993	8,244	78,528
CASA DE CAMBIO PROBURA, S.A. DE C.V.	MEXICO	INSTRUM. REAL EST.	0.00	89.56	89.56	8	9	0	15
CATYA INVESTMENTS LIMITED	CAYMAN ISLANDS	FINANCE	0.00	100.00	100.00	0	0	204	10
CIA. GLOBAL DE MANDATOS Y REPRESENTACIONES, S.A.	URUGUAY	FINANCE	0.00	100.00	100.00	11	0	-1,119	11
CIDESSA DOS, S.L.	BILBAO	PORTFOLIO	0.00	100.00	100.00	72	9,440	-171	9,266
CIDESSA UNO, S.L.	BILBAO	PORTFOLIO	0.00	100.00	100.00	60	16,827	13,949	4,754
CIERVANA, S.L.	BILBAO	PORTFOLIO	100.00	0.00	100.00	6,026	41,505	1,932	49,463
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	FINANCE	100.00	0.00	100.00	3	173,291	-3,889	246,169
CONSOLIDAR A.E.I.P. S.A.	ARGENTINA	PENSIONS	46.11	53.89	100.00	996	70,930	-8,976	59,598
CONSULTORES DE PENSIONES BBV, S.A.	MADRID	PENSIONS	0.00	100.00	100.00	60	880	109	175
CONTABILIDAD Y ADMINISTRACION DE NEGOCIOS, S.A. DE C.V.	MEXICO	SERVICES	0.00	96.00	96.00	0	9	0	5
CONTIDATA, S.A.	PERU	SERVICES	0.00	100.00	100.00	4,086	566	1,203	4,236
CONTINENTAL BOLSA, SDAD. AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	0.00	100.00	100.00	1,503	50	482	1,527
CONTINENTAL S. TITULIZADORA	PERU	SERVICES	0.00	100.00	100.00	490	11	-30	459
CONTINENTAL S.A. SOCIEDAD ADMINISTRADORA DE FONDOS	PERU	FINANCE	0.00	100.00	100.00	2,546	79	664	2,590
CORPORACION AREA INMOBILIARIA BBVA, S.L.	MADRID	PORTFOLIO	0.00	100.00	100.00	97,455	62,327	26,453	162,449
CORPORACION DE ALIMENTACION Y BEBIDAS, S.A.	BILBAO	PORTFOLIO	0.00	100.00	100.00	54,090	91,956	4,484	138,508
CORPORACION DE SERVICIOS LOGISTICOS, S.A.	MADRID	PORTFOLIO	87.64	12.36	100.00	2,009	-1,005	8	1,013
CORPORACION GENERAL FINANCIERA, S.A.	MADRID	PORTFOLIO	100.00	0.00	100.00	149,152	711,295	265,597	541,251
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A.	SPAIN	PORTFOLIO	0.00	50.00	50.00	228,446	45,676	-16,550	136,586
CORPORACION IBV SERVICIOS Y TECNOLOGIAS, S.A.	BILBAO	PORTFOLIO	0.00	50.00	50.00	265,642	262,798	-4,534	0
CORPORACION INDUSTRIAL Y DE SERVICIOS, S.L.	BILBAO	PORTFOLIO	0.00	100.00	100.00	60	127,099	-126,814	345
CREDILOGROS COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCE	29.96	70.04	100.00	16,133	24,686	-35,072	13,041
DESARROLLO OMEGA, S.A.	PANAMA	PORTFOLIO	0.00	100.00	100.00	10	445	155	10
DESITEL TECNOLOGIA Y SISTEMAS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	272	1,198	-102	1,384
DEUSTO, S.A. DE INVERSION MOBILIARIA	BILBAO	PORTFOLIO	0.00	100.00	100.00	3,624	6,679	476	10,778
E-VENTURES CAPITAL INTERNET, S.A.	BILBAO	PORTFOLIO	0.00	50.00	50.00	3,012	23,130	-11,530	0
ELANCHOVE, S.A.	BILBAO	PORTFOLIO	100.00	0.00	100.00	1,204	1,367	-55	1,500
EUROPEA DE TITULIZACION, S.A., SDAD.GEST.DE FDOS.DE TITUL.	MADRID	FINANCE	82.97	0.00	82.97	1,803	1,154	1,374	1,506
EZIBRAS MOVEIS E REPRESENTAÇÕES LTDA.	BRAZIL	SERVICES	0.00	100.00	100.00	7,026	-1,819	-373	4,926
FACTOR MULTIBA, S.A. DE C.V.	MEXICO	FINANCE	0.00	100.00	100.00	1,834	-1,808	0	0
FACTORAJE PROBURA, S.A. DE C.V.	MEXICO	INSTRUM. REAL EST.	0.00	100.00	100.00	3,017	-2,277	0	740
FAMIAIRO, S.A.	PANAMA	INSTRUM. REAL EST.	0.00	100.00	100.00	357	-99	-31	281
FINANCIERA ESPAÑOLA, S.A.	MADRID	PORTFOLIO	85.85	14.15	100.00	4,495	929	306	4,992
FINANZIA RENTING, S.A.	MADRID	FINANCE	0.00	100.00	100.00	60	2,056	1,266	79
FINANZIA TRUCK, EFC, S.A.	MADRID	FINANCE	0.00	100.00	100.00	5,416	2,269	1,459	8,596
FINANZIA, BANCO DE CREDITO, S.A.	MADRID	BANKING	0.00	100.00	100.00	14,983	65,710	15,470	56,203
FINIDES SDAD. COMANDITARIA POR ACCIONES FRANCES ADMINISTRADORA DE INVERSIONES, S.A. G.F.C.INVERS.	FRANCE	PORTFOLIO	0.00	100.00	100.00	6	0	0	10
FRANCES VALORES SOCIEDAD DE BOLSA, S.A.	ARGENTINA	FINANCE	0.00	100.00	100.00	28	3,039	299	2,594
FRECCIA HOLDING, S.A.	PANAMA	INSTRUM. REAL EST.	0.00	100.00	100.00	10	-44	-98	0
FRONARINA, S.A.	PANAMA	INSTRUM. REAL EST.	0.00	100.00	100.00	10	-78	-57	0
GENERAL DE PARTICIPACIONES E INVERSIONES, S.A. SDAD.	MADRID	PORTFOLIO	100.00	0.00	100.00	156	44	8	192
GESCA, S.A.	BILBAO	PORTFOLIO	100.00	0.00	100.00	1,204	-265	-257	683
GESTION DE PREVISION Y PENSIONES, S.A.	MADRID	PENSIONS	70.00	0.00	70.00	12,600	4,483	1,361	8,830
GESTION Y ADMINISTRACION DE RECIBOS, S.A.	SPAIN	SERVICES	0.00	100.00	100.00	150	25	87	150



Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros (*)			
			Direct	Indirect	Total	Capital Stock as of 12/31/02	Reserves as of 12/31/02	Net Income (Loss) for 2002	Net Investment G.E.
GGFB SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	803	1,326	-327	1,857
GRAN JORGE JUAN, S.A.	MADRID	REAL ESTATE	100.00	0.00	100.00	13,222	-3,035	-71	10,116
GRELAR GALICIA, S.A.	BILBAO	PORTFOLIO	0.00	100.00	100.00	3,089	844	58	3,991
GRUPO FINANCIERO BBVA BANCOMER, S.A. DE C.V.	MEXICO	FINANCE	3.65	51.02	54.67	93,020	4,025,928	737,593	3,077,167
HOLDING CONTINENTAL, S.A.	PERU	PORTFOLIO	50.00	0.00	50.00	287,771	-4,652	-6,833	149,412
HOLDING DE CENTRALES INTEGRADAS DE MERCANCIAS, S.A.	MADRID	PORTFOLIO	0.00	100.00	100.00	5,788	-162	186	4,462
INMOBILIARIA ASUDI, S.A.	BILBAO	INSTRUM. REAL EST.	99.99	0.01	100.00	84	2,760	109	2,953
INMOBILIARIA BERNARDO, S.A.	BILBAO	INSTRUM. REAL EST.	51.22	48.78	100.00	736	3,489	2,291	3,932
INMOBILIARIA CONTINENTAL	PERU	INSTRUM. REAL EST.	0.00	100.00	100.00	36,959	-6,165	-4,416	26,807
INVERAHORRO, S.L.	BARCELONA	PORTFOLIO	100.00	0.00	100.00	61	392	8	465
INVERSIONES BANPRO INTERNATIONAL INC. N.V.	DUTCH ANTILLES	FINANCE	48.01	0.00	48.01	33,337	1,401	1,654	16,252
INVERSIONES BAPROBA, C.A.	VENEZUELA	SERVICES	100.00	0.00	100.00	1,046	260	244	2,483
INVERSIONES COPROVINCA, C.A.	VENEZUELA	PORTFOLIO	0.00	100.00	100.00	69	61	70	184
INVERSIONES MOBILIARIAS, S.L.	MADRID	PORTFOLIO	100.00	0.00	100.00	489	126	18	633
INVERSIONS I SERVEIS INTERNACIONALS, S.A.									
COMPANYIA DE	ANDORRA	PORTFOLIO	0.00	100.00	100.00	3,010	-3	2	3,010
INVERSORA OTAR, S.A.	ARGENTINA	PORTFOLIO	0.00	99.91	99.91	18	225,815	-182,972	590
KANTARA LIMITED	GUERNSEY	INSTRUM. REAL EST.	0.00	100.00	100.00	2	2,230	-57	1,871
LEADER MIX, S.A.	MADRID	SERVICES	100.00	0.00	100.00	60	5,446	-94	602
LEASIMO - SOCIEDADE DE LOCAÇAO FINANCEIRA, S.A.	PORTUGAL	FINANCE	0.00	100.00	100.00	7,500	8,221	394	11,576
LEHKA	PANAMA	INSTRUM. REAL EST.	0.00	100.00	100.00	284	-6	-1	284
MERCURY BANK & TRUST LTD.	CAYMAN ISLANDS	BANKING	0.00	100.00	100.00	3,989	11,472	969	16,302
MILANO GESTION, SRL.	ITALY	INSTRUM. REAL EST.	0.00	100.00	100.00	46	165	4	46
OCCIVAL, S.A.	MADRID	PORTFOLIO	100.00	0.00	100.00	3,141	3,689	178	7,008
OLIMAR, S.A.	BILBAO	PORTFOLIO	100.00	0.00	100.00	619	1,681	75	2,374
OPCION VOLCAN, S.A.	MEXICO	INSTRUM. REAL EST.	0.00	100.00	100.00	23,632	39,721	-883	62,615
PARTICIPACIONES ARENAL, S.L.	BILBAO	PORTFOLIO	0.00	100.00	100.00	4,673	1,017	128	5,808
PARTIDES SDAD. COMANDITARIA POR ACCIONES	FRANCE	PORTFOLIO	0.00	100.00	100.00	6	0	0	11
PILOT INVESTSECS CORP	CAYMAN ISLANDS	PORTFOLIO	100.00	0.00	100.00	0	14,565	3,660	0
PROBURSA INVESTMENT LIMITED	CAYMAN ISLANDS	PORTFOLIO	0.00	100.00	100.00	72	443	-315	230
PROCESOS OPERATIVOS, S.A.	MADRID	SERVICES	0.00	100.00	100.00	60	551	945	718
PROMOCION EMPRESARIAL XX, S.A.	MADRID	PORTFOLIO	100.00	0.00	100.00	1,599	329	428	1,522
PROMOCIONES INMOBILIARIAS ARJONA, S.A.	BILBAO	INSTRUM. REAL EST.	100.00	0.00	100.00	1,202	240	30	1,210
PROMOTORA PROMEX, S.A. DE C.V.	MEXICO	FINANCE	0.00	100.00	100.00	188	-152	0	36
PROVIDA INTERNACIONAL, S.A.	CHILE	PENSIONS	0.00	100.00	100.00	36,424	5,814	13,909	54,654
PROVINCIAL CORREDOR DE BOLSA DE PRODUCTOS AGRICOLAS, C.A.	VENEZUELA	SECURITIES DEALER	0.00	100.00	100.00	34	-12	-16	10
PROVINCIAL DE VALORES CASA DE BOLSA	VENEZUELA	FINANCE	0.00	90.00	90.00	2,064	489	2,136	3,769
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA, C.A.	VENEZUELA	FINANCE	0.00	100.00	100.00	1,066	66	470	1,666
PROVIVIENDA, ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSIONS	0.00	100.00	100.00	136	67	15	1,399
PROYECTOS INDUSTRIALES CONJUNTOS, S.A. DE	BILBAO	PORTFOLIO	0.00	100.00	100.00	3,005	285	66	3,148
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.	ARGENTINA	FINANCE	0.00	50.00	50.00	5,086	6,034	-4,480	3,649
RIO DE LA PLATA PARTICIPACOES, LTDA	BRAZIL	BANKING	0.00	100.00	100.00	27	382	-336	157
S.GESTORA FONDO PUBL.REGUL.MERCADO HIPOTECARIO, S.A.	MADRID	FINANCE	77.20	0.00	77.20	150	30	-1	138
S.I.P.I.E.M.S.A.	MOROCCO	PORTFOLIO	0.00	100.00	100.00	1,313	-1,210	0	0
SCALDIS FINANCE, S.A.	BELGIUM	PORTFOLIO	0.00	100.00	100.00	3,084	387	6	3,416
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	PENSIONS	0.00	100.00	100.00	5	232	22	256
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	692	745	-13	1,426
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANC.S.A.	MADRID	PORTFOLIO	100.00	0.00	100.00	1,470	171,238	-81	114,518
SOCIETAT GENERAL D'INVERSIONS, S.L.	ANDORRA	PORTFOLIO	0.00	100.00	100.00	1	1	72	1
SOCIETE HISPANO-MAROCAINE DE SERVICES, S.A.	MOROCCO	PORTFOLIO	0.00	100.00	100.00	1,219	-192	0	814
SPORT CLUB 18, S.A.	MADRID	PORTFOLIO	0.00	100.00	100.00	1,599	3,155	-18,065	0
TRANSITORY CO	PANAMA	INSTRUM. REAL EST.	0.00	100.00	100.00	10	-18	-283	0
UNO-E BANK, S.A.	MADRID	BANKING	51.00	0.00	51.00	54,091	51,766	-24,370	41,558
VIZCAYA INTERNATIONAL N.V.	NETHERLANDS	FINANCE	0.00	100.00	100.00	160	853	4	122

Information on foreign companies at exchange rate on 12/31/02.

(1) Consolidated with Banc Internacional D'Andorra, S.A.

(\*) Unaudited data.

**EXHIBIT II**  
**ADDITIONAL INFORMATION ON OWNERSHIP INTERESTS HELD**  
**BY THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP**

(Including the most significant companies which, taken as a whole, represent 98% of the total investment in this connection)

Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros			
			Direct	Indirect	Total	Capital Stock	Reserves	Net Income (Loss)	Consolidated Cost
A. SOCIEDADES PUESTAS EN EQUIVALENCIA									
LISTED COMPANIES									
ACERINOX, S.A.	MADRID	INDUSTRIAL	4.68	5.01	9.69 (3)	60,000	1,081,582	86,389 (1)	187,815
BANCA NAZIONALE DEL LAVORO, S.P.A.	ITALY	BANKING	14.61	0.00	14.61	1,073,946	2,508,944	32,762 (1)	510,373
BANCO ATLANTICO, S.A.	BARCELONA	BANKING	24.37	0.00	24.37	125,568	370,078	50,573 (1)	141,266
BANQUE DE CREDIT LYONNAIS, S.A.	FRANCE	BANKING	3.73	0.00	3.73	1,783,759	5,611,000	812,000 (1)	341,696
BRUNARA SIMCAV, S.A.	BILBAO	PORTFOLIO	0.46	13.61	14.07	28,026	294,610	-23,477	28,180
CEMENTOS LEMONA, S.A.	BILBAO	INDUSTRIAL	6.54	0.00	6.54	6,215	79,579	14,801 (1)	7,094
GRUPO AUXILIAR METALURGICO, S.A. (GAMESA)	VITORIA	INDUSTRIAL	0.91	18.89	19.80 (4)	40,550	154,260	62,062 (1)	88,109
IBERDROLA, S.A.	BILBAO	SERVICES	2.75	6.39	9.14 (5)	2,704,600	5,279,300	905,900 (1)	853,568
IBERIA LINEAS AEREAS DE ESPAÑA, S.A.	MADRID	SERVICES	9.41	0.00	9.41 (6)	712,110	392,297	53,138 (1)	152,828
REPSOL YPF Y EMPRESAS VINCULADAS	MADRID	SERVICES	7.86	0.29	8.15 (7)	1,221,000	12,292,000	1,025,000 (1)	1,566,824
SOGECABLE, S.A.	MADRID	SERVICES	0.16	5.01	5.17 (8)	194,048	152,658	2,798 (1)	17,073
TELEFONICA, S.A.	MADRID	SERVICES	2.51	4.02	6.53 (9)	4,671,920	18,822,190	1,835,800 (1)	1,584,191
TERRA NETWORKS, S.A.	MADRID	SERVICES	0.18	1.38	1.56 (10)	1,242,532	4,878,371	-566,298 (1)	70,680
THE ARGENTINE INVESTMENT COMPANY	ARGENTINA	PORTFOLIO	0.00	5.24	5.24	114	123,250	908 (2)	10,720
TUBOS REUNIDOS, S.A.	BILBAO	INDUSTRIAL	0.00	24.26	24.26	17,078	110,343	18,075 (1)	19,031
VIDRALA, S.A.	LLODIO-ALAVA	INDUSTRIAL	15.66	1.53	17.19	21,522	88,536	13,123 (1)	22,045
WAFABANK	MOROCCO	BANKING	0.00	9.99	9.99	62,880	38,115	35,749 (1)	30,801
UNLISTED COMPANIES									
COMPANÍA ESPAÑOLA DE FINANCIACION DEL DESARROLLO S.A.	MADRID	SERVICES	21.82	0.00	21.82	39,396	5,214	1,064	10,225
CONCESION SABANA DE OCCIDENTE, S.A.	COLOMBIA	SERVICES	0.00	47.20	47.20	7,781	9,961	1,636	8,234
CONSERVAS GARAVILLA, S.A.	BERMEO-VIZCAYA	INDUSTRIAL	0.00	41.17	41.17	8,270	40,329	990 (1)	20,891
GRUBARGES INVERSION HOTELERA, S.L.	MADRID	SERVICES	33.33	0.00	33.33	228,873	28,501	6,790 (1)	98,233
HILO DIRECT SEGUROS Y REASEGUROS, S.A.	MADRID	INSURANCE	0.00	50.00	50.00	48,307	0	-10,162	20,883
HOLDING DE PARTICIPACIONES INDUSTRIALES 2000, S.A.	BILBAO	PORTFOLIO	0.00	50.00	50.00	41,469	-27,544	34,630	21,798
INICIATIVAS DE MERCADOS INTERACTIVOS, S.A.	MADRID	SERVICES	0.00	40.00	40.00	448	31,754	-4,671	7,543
LANDATA PAYMA, S.A.	SPAIN	SERVICES	0.00	50.00	50.00	15,381	54,685	-1,187	38,600
ONEXA, S.A. DE C.V.	MEXICO	FINANCE	0.00	49.80	49.80	334,737	-203,477	-79,246 (1)	6,531
PROMOTORA METROVACESA, S.L.	MADRID	REAL ESTATE	0.00	50.00	50.00	18,278	1,392	3,262	11,532
SOCIEDAD ADMINISTRADORA DE PENSIONES Y GARANTIAS PORVENIR	COLOMBIA	PENSIONS	0.00	20.00	20.00	16,863	35,963	10,115	10,051
TECNICAS REUNIDAS, S.A.	MADRID	SERVICES	0.00	25.00	25.00	5,687	87,825	14,757 (1)	37,779
OTHER COMPANIES									99,581
TOTAL									6,024,175

Data taken from the latest financial statements (generally relating to 2001) approved as of the date of preparation of this annual report.

In the case of foreign companies, the exchange rate as of the reference date is applied.

(1) Consolidated data.

(2) Data as of 06/30/99.

(3) 5.01% of which relates to the long-term holding.

(4) 18.89% of which relates to the long-term holding.

(5) 6.39% of which relates to the long-term holding.

(6) 7.30% of which relates to the long-term holding.

(7) 8.08% of which relates to the long-term holding.

(8) 5.02% of which relates to the long-term holding.

(9) 5.28% of which relates to the long-term holding, including 1.36% which is not accounted for by the equity method because its market risk is hedged with derivatives.

(10) 1.38% of which relates to the long-term holding.

**EXHIBIT III**  
**ADDITIONAL INFORMATION ON COMPANIES IN THE NON-CONSOLIDABLE GROUP**  
**OF THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP**  
**(Including the most significant companies which, taken as a whole, represent 91% of total investment in this connection)**

Company	Location	Line of Business	Percentage of Ownership			Thousands of Euros			
			Direct	Indirect	Total	Capital Stock	Reserves	Net Income (Loss)	Consolidated Cost
LISTED COMPANIES									
BBV CEME MONETARIO, S.A., SIMCAV	MELILLA	PORTFOLIO	56.67	0.00	56.67	12,941	-9,919	57	3,307
UNLISTED COMPANIES									
ALMACENERA CONTINENTAL, S.A.	PERU	SERVICES	0.00	100.00	100.00	5,513	476	-728	4,210
ASSEGURANCES PRINCIPAT, S.A.	ANDORRA LA VELLA	INSURANCE	0.00	100.00	100.00	1,503	1,440	182	3,972
AUTOMERCANTIL-COMERCIO E ALUGER DE VEICULOS AUTOM., LDA.	PORTUGAL	SERVICES	0.00	100.00	100.00	1,247	16,364	1,112	17,723
BBV INSERVEX, S.A.	MADRID	SERVICES	100.00	0.00	100.00	1,202	834	282	3,055
BBV PARQUE ROZAS, S.A.	MADRID	REAL ESTATE	0.00	100.00	100.00	601	6,133	117	6,921
BBV PREVIDENCIA E SEGURADORA BRASIL, S.A.	BRAZIL	INSURANCE	0.00	100.00	100.00	5,797	212	2,031	4,507
BBV PROMOCIONES DEL NOROESTE, S.A.	MADRID	REAL ESTATE	0.00	100.00	100.00	5,709	3,593	1,268	10,849
BBV REALTY, S.A.	MADRID	REAL ESTATE	0.79	99.21	100.00	3,906	791	156	4,585
BBV SEGUROS, S.A.	ARGENTINA	INSURANCE	87.78	12.22	100.00	1,166	5,392	251 (1)	8,174
BBV URDANBIA, S.A.	MADRID	REAL ESTATE	0.00	75.00	75.00	1,202	5,369	771	5,873
BBVA BROKER, CORREDURIA DE SEGUROS Y REASEGUROS, S.A.	BILBAO	INSURANCE	0.00	100.00	100.00	60	1,048	1,590	3,715
BBVA CORREDORA TECNICA DE SEGUROS BHIF LTDA.	CHILE	INSURANCE	0.00	100.00	100.00	2	1,284	1,344	3,702
BBVA DESARROLLOS INMOBILIARIOS, S.L.	MADRID	REAL ESTATE	0.00	100.00	100.00	31,316	2,087	20,093	37,719
BBVA SEGUROS DE VIDA, S.A.	CHILE	INSURANCE	0.00	100.00	100.00	5,049	11	360	4,110
BBVA SEGUROS GANADERO COMPAÑIA DE SEGUROS DE VIDA, S.A.	COLOMBIA	INSURANCE	94.00	6.00	100.00	25,649	-207	-15,668	6,874
BBVA SEGUROS, S.A.	MADRID	INSURANCE	97.15	2.78	99.93	180,377	43,836	91,767	340,099
BBVA TRADE, S.A.	MADRID	SERVICES	0.00	100.00	100.00	1,803	7,579	996	23,386
CENTRO LOGISTICO DE ABASTECIMIENTO, S.A.	MADRID	REAL ESTATE	0.00	100.00	100.00	7,688	2,242	2,977	10,685
CONSOLIDAR ASEGURADORA DE RIESGOS DEL TRABAJO, S.A.	ARGENTINA	INSURANCE	87.50	12.50	100.00	777	22,216	-1,960 (1)	29,230
CONSOLIDAR CIA. DE SEGUROS DE RETIRO, S.A.	ARGENTINA	INSURANCE	33.33	66.67	100.00	777	11,553	-1,751 (1)	11,775
CONSOLIDAR CIA. DE SEGUROS DE VIDA, S.A.	ARGENTINA	INSURANCE	34.04	65.96	100.00	777	8,884	-1,188 (1)	10,232
DESARROLLO URBANISTICO DE CHAMARTIN, S.A.	MADRID	REAL ESTATE	0.00	72.50	72.50	13,523	-457	-310	52,925
EDIFICIO LINARES, S.L.	MADRID	REAL ESTATE	100.00	0.00	100.00	4,988	-112	-181	4,395
EL ENCINAR METROPOLITANO, S.A.	MADRID	REAL ESTATE	0.00	98.76	98.76	64	7,598	269	11,294
FINANZIA AUTORENTING, S.A.	BARCELONA	SERVICES	0.00	85.00	85.00	6,880	3,023	1,257	11,179
GRUPO CONSTRUCTORA RAM, S.A. DE C.V.	MEXICO	REAL ESTATE	0.00	55.00	55.00	26,524	7,429	-812	10,994
INMOBILIARIA BILBAO, S.A.	MADRID	REAL ESTATE	0.00	100.00	100.00	1,746	1,554	149	11,169
INMOBILIARIA Y PROMOTORA RURAL MEXIQUENSE, S.A. DE C.V.	MEXICO	REAL ESTATE	0.00	73.66	73.66	62,182	-28,598	-360	10,992
LARRABEZUA INMOBILIARIA, S.L.	BILBAO	REAL ESTATE	0.00	100.00	100.00	3	3,891	182	4,298
MARQUES DE CUBAS 21, S.L.	MADRID	REAL ESTATE	100.00	0.00	100.00	2,863	431	101	2,717
MEDITERRANIA DE PROMOCIONS I GESTIONS INMOBILIARIES, S.A.	BARCELONA	REAL ESTATE	0.00	100.00	100.00	909	-207	-194	3,424
PENSIONES BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	0.00	100.00	100.00	20,881	1,336	15,860	49,011
PROMOCION DE NEGOCIOS MOBILIARIOS E INMOB., S.A.	BILBAO	REAL ESTATE	100.00	0.00	100.00	3,253	656	219	3,902
RESIDENTARIA, S.L.	MADRID	SERVICES	99.99	0.01	100.00	1,427	-114	-223	2,490
SEGUROS BANCOMER, S.A. DE C.V.	MEXICO	INSURANCE	24.99	75.01	100.00	21,728	79,272	19,103	92,743
SEGUROS PROVINCIAL, C.A.	VENEZUELA	INSURANCE	0.00	100.00	100.00	1,925	3,308	1,995	8,513
SENORTE VIDA Y PENSIONES, S.A. CIA.DE SEGUROS Y REASEG.	MADRID	INSURANCE	0.00	100.00	100.00	33,356	6,958	1,511	43,181
SUERTE NUEVAS, S.A.	MADRID	REAL ESTATE	0.00	100.00	100.00	3,067	4,481	167	7,687
UNITARIA INMOBILIARIA, S.L.	MADRID	REAL ESTATE	0.00	100.00	100.00	42,071	1,575	14,286	51,131
URBANIZADORA TINTERPEÑA, S.A.	MADRID	REAL ESTATE	0.00	100.00	100.00	6,987	1,058	510	10,733
VISACOM, S.A. DE C.V.	MEXICO	SERVICES	0.00	100.00	100.00	4,124	-3,429	-116	3,446
OTHER COMPANIES									88,761
TOTAL									1,039,688

Data taken from the latest financial statements (generally relating to 2001) approved as of the date of preparation of this annual report.

In the case of foreign companies, the exchange rate as of the reference date is applied.

(1) Data as of 06/30/02.

**EXHIBIT IV**  
**NOTIFICATION OF ACQUISITION OF INVESTEES**  
**(ART. 86 OF THE CORPORATIONS LAW AND ART. 53 OF SECURITIES MARKET LAW 24/1988)**

Investee	Line of Business	Percentage of Ownership		Date of Notification to Investee
		Net Percentage Acquired/ (Sold) in the Year	Percentage at Year-End	
Acquisitions in 2001				
ADVANCED ENGINEERING MANAGEMENT, S.A.	SERVICES	100.00	100.00	09/18/01
ARGENTARIA AHORRO SIMCAV	FINANCE	13.14	74.31	05/14/01, 11/16/01
BANCO DE CREDITO LOCAL, S.A.	BANKING	40.00	100.00	02/16/01
BBVA & PARTNERS, S.A.	FINANCE	12.05	63.84	01/14/02
BODEGAS Y BEBIDAS, S.A.	COMMERCIAL	(39.10)	0.00	01/10/02
EL ENCINAR METROPOLITANO, S.A.	REAL ESTATE	28.36	98.76	07/11/01
FINANZIA TRUCK, EFC, S.A.	FINANCE	40.00	100.00	08/10/01
HILO DIRECT SEGUROS Y REASEGUROS, S.A.	INSURANCE	21.43	50.00	02/16/01
HTI TASK S.L.	SERVICES	100.00	100.00	12/18/01
IBAIBIDE, S.A.	REAL ESTATE	17.21	17.21	04/17/01
ILUSTRACION SIMCAV., S.A.	PORTFOLIO	(15.34)	4.96	04/17/01
INICIATIVAS DE MERCADOS INTERACTIVOS, S.A.	SERVICES	40.00	40.00	12/17/01
SERVICIOS DE AUTOMOCION Y MOVILIDAD, S.L.	SERVICES	40.00	40.00	01/14/02
SHOPNET BROKERS, S.A.	SERVICES	6.07	19.74	07/11/01
URBAPLAN 2.001, S.A.	REAL ESTATE	33.30	33.30	01/14/02
VALDEVIVAR, S.A.	REAL ESTATE	45.00	100.00	01/14/02
Acquisitions in 2002				
ACERINOX, S.A.	INDUSTRIAL	(4.12)	9.69	12/17/02
ACESA INFRAESTRUCTURAS, S.A.	SERVICES	(5.28)	0.12	10/15/02
ARGENTARIA AHORRO, S.A., SIMCAV (1)	PORTFOLIO	(74.31)	0.00	02/18/02 and 01/17/03
BBV CEME MONETARIO, S.A., SIMCAV	PORTFOLIO	56.67	56.67	07/16/02 and 01/17/03
BBV SAN IGNACIO, S.A. (2)	REAL ESTATE	(67.50)	0.00	03/20/02 and 04/16/02
BBV URDANBIA, S.A.	REAL ESTATE	5.50	75.00	03/20/02
BBVA & PARTNERS ALTERNATIVE INVESTMENT A.V., S.A.	SECURITIES DEALER	6.16	70.00	08/16/02
BOLSAS Y MERCADOS ESPAÑOLES SDAD.HOLDING				
MERCAD.Y SIT.FIN.	FINANCE	10.45	10.45	12/16/02
ECUALITY E-COMMERCE QUALITY, S.A.	SERVICES	28.00	28.00	02/18/02
GLADIUS CONSULTING, S.L.	REAL ESTATE	10.00	36.00	01/10/03
METROVACESA, S.A.	REAL ESTATE	(28.28)	0.58	07/17/02
PROYECTOS INDUSTRIALES CONJUNTOS, S.A. DE	PORTFOLIO	50.00	100.00	02/18/02
RESIDENCIAL O'DONNELL, S.A. (2)	REAL ESTATE	(75.00)	0.00	04/16/02

(1) Company absorbed by BBV CEME Monetario, S.A., SIMCAV in December 2002.

(2) Company absorbed by BBV URDANIBIA, S.A. in December 2002.

# **BANCO BILBAO VIZCAYA ARGENTARIA, S.A. AND COMPANIES COMPOSING THE BANCO BILBAO VIZCAYA ARGENTARIA GROUP**

## **MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2002**

### **THE BBVA GROUP**

Banco Bilbao Vizcaya Argentaria, S.A. ("the Bank" or "BBVA") is a private-law entity governed by the rules and regulations applicable to banks operating in Spain and is the parent company of the finance group which engages in the direct or indirect performance of activities, transactions, agreements and services relating to banking. The Bank conducts its business through branches and offices located throughout Spain and abroad.

The BBVA Group ("the Group") is an internationally diversified finance group with a significant presence in traditional retail banking, asset management, private banking and wholesale banking.

In 2002, BBVA reorganized its business units to optimize earnings, increase value creation in each of its lines of business and bring its organizational structure into line with its strategy and earnings management. Accordingly, the Group's activities and earnings are classified on the basis of the following business areas: Retail Banking Spain and Portugal, Wholesale and Investment Banking, Mexico, Banking in America, Asset Management and Private Banking and Corporate Operations.

### **SCENARIO IN 2002**

2002 was characterized by a slowdown in growth and pronounced market instability worldwide. This dented investor confidence, and strongly affected the emerging markets, particularly Latin America. As a result, the currencies of this region depreciated sharply against the U.S. dollar, which in turn depreciated against the euro during the year. Also, the financial markets showed the effects of the reigning uncertainty, with high volatility and substantial losses in the value of assets. The falls in the main stock market indexes were greater than those in 2001 and affected most sectoral indexes.

Lastly, the decrease in interest rates in Spain and Mexico in 2002 put constant pressure on spreads in customer operations.

### **SITUATION IN ARGENTINA**

The deterioration in Argentina's economic situation in late 2001 led, in early 2002, to the flight of capital, the end of convertibility, the devaluation and asymmetric pesification of balances, and the return of inflation.

The crisis had a strong impact on the financial system and jeopardized the solvency and liquidity of banks. The structural imbalances caused by the national government's measures were largely offset by government bond issues. However, the pesification gave rise to asymmetries and losses that were not offset and therefore had to be borne by the banks. The most notable of these adverse effects were as follows:

- Asymmetric conversion of certain assets and liabilities in foreign currencies to local currency. Loans were converted at the rate of ARP 1 to US\$ 1, and deposits at ARP 1.4 to US\$ 1.
- The legal decisions supporting the claims of certain depositors against the difference between the exchange rate used in the pesification (ARP 1.4 per US\$ 1) and the free market exchange rate.

The financial system's liquidity problem arose on two fronts:

- Restrictions imposed in December 2001 on withdrawal of cash from demand deposits, in order to prevent the flight of these funds (corralito). This measure adversely affected the liquidity of banks because depositors tended to withdraw the maximum amounts permitted due to fears of greater restrictions.
- Rescheduling of time deposit balances in pesos and dollars and of demand deposit balances in dollars. The Argentine government offered depositors the option of exchanging their balances for Argentine state government bonds.



Substantially all these measures have been repealed and unrestricted access to deposits restored without new liquidity tensions.

Also, as a result of the devaluation and the inflationary pressures, the Argentine National Securities Commission and Central Bank decreed that financial statements must be adjusted for inflation. The index used to restate financial statements is the general wholesale price index (IPMNG), which had risen by 119% as of December 31, 2002.

This situation meant that in the first half of 2002 the liquidity of the financial system was significantly impacted by massive withdrawals from deposits, legal judgments in favor of depositors, precautionary measures, the suspension of legal enforcement of past-due debt collections and a profusion of laws, decrees, Ministry of Economy resolutions and Central Bank communications which repeatedly changed their positions on the issues at hand.

The financial statements of the Group companies located in Argentina were prepared in accordance with the Argentine regulations and the Group's consolidated financial statements include the uniformity adjustments applicable based on the information available.

The Group has recorded provisions of €288 million, equal to the Group's investment in the BBVA Banco Francés Group and the latter's lines of financing and debt subscribed by BBVA.

Following are the main captions reflecting the contribution by the Group companies in Argentina to the consolidated balance sheet. The exchange rate used for 2002 is the year-end rate and that used for 2001 is shown in the table:

(Millions of euros)	2002	2001(*)	Variation	
			Amount	%
ASSETS				
Cash and deposits at central banks	293	444	-151	-34.0
Due from credit institutions	-8	369	-377	-102.2
Loans and credits	2,274	4,419	-2,145	-48.5
Fixed-income portfolio	830	422	408	96.7
Other assets	1,064	570	494	86.7
	4,453	6,224	-1,771	-28.5
LIABILITIES				
Due to credit institutions	745	314	431	137.3
Deposits	1,900	4,639	-2,739	-59.0
Debt securities and promissory notes	135	211	-76	-36.0
Other liabilities	1,673	1,060	613	57.8
	4,453	6,224	-1,771	-28.5

(\*) Pro forma using an exchange rate of ARP 1.7 /US\$ 1

Following is the contribution by the Group companies in Argentina to the Group's consolidated statement of income:

(Millions of euros)	2002	2001(*)	Variation	
			Amount	%
<b>NET INTEREST INCOME</b>	<b>323</b>	<b>664</b>	<b>-340</b>	<b>-51.3</b>
FEES	102	435	-334	-76.6
<b>BASIC MARGIN BASICO</b>	<b>425</b>	<b>1,099</b>	<b>-674</b>	<b>-61.3</b>
MARKET OPERATIONS	101	39	62	158.0
<b>GROSS OPERATING INCOME</b>	<b>526</b>	<b>1,138</b>	<b>-612</b>	<b>-53.8</b>
ADMINISTRATIVE EXPENSES	-172	-560	388	-69.2
DEPR., AMORT. AND OTHER	-28	-89	61	-68.6
<b>NET OPERATING INCOME</b>	<b>326</b>	<b>489</b>	<b>-164</b>	<b>-33.4</b>
INCOME FROM EQUITY-				
ACCOUNTED Cos. EQUIVALENCIA	-8	6	-14	n.m.
NET LOAN LOSS PROVISIONS	-249	-532	283	-53.2
NET	-153	-751	598	-79.7
<b>PRE-TAX PROFIT</b>	<b>-84</b>	<b>-787</b>	<b>704</b>	<b>-89.4</b>
CORPORATE INCOME TAX	92	357	-265	-74.3
<b>NET INCOME</b>	<b>8</b>	<b>-430</b>	<b>438</b>	<b>-101.9</b>
MINORITY INTERESTS	-14	212	-226	-106.8
<b>NET ATTRIBUTABLE PROFIT</b>	<b>-6</b>	<b>-218</b>	<b>212</b>	<b>-97.1</b>

To facilitate comparison of the Group's 2002 figures with those for 2001, unless otherwise indicated, this Management Report presents the Group's consolidated statement of income including the balances with Argentina accounted for by the equity method.

For comparison purposes, the following table sets forth the variations in the main margins of the Group's consolidated statement of income for 2002 including Argentina in one case and in the other case, isolating their effect by including these balances by the equity method:

	Including Argentina	Excluding Argentina
Net interest income	-11.5	-8.3
Basic margin	-10.8	-6.1
Gross operating income	-8.3	-4.1
Net operating income	-0.4	2.8
Net operating income (*)	-3.5	1.6

(\*) Excluding dividends and market operations.

## FINANCIAL REVIEW

### Balance sheet and business activity-

The environment of uncertainty and economic instability in 2002 strongly affected the emerging markets, particularly Latin America, which saw a reduction in direct foreign investment and suffered economic stagnation. The situation of countries like Uruguay, Brazil and Venezuela worsened in 2002.

As in 2001, the inter-year comparison of the Group's business figures is unaffected by changes in the consolidated Group. However, the depreciation of the dollar (16.0% against the euro) and, above all, of most of the Latin-American currencies (the

Argentine peso by 75.1%, the Bolivar by 53.5%, the Brazilian real by 44.8%, the Colombian peso by 32.8%, the Mexican peso by 26.4%, the Chilean peso by 22.9% and the Peruvian sol by 17.7%) adversely affected the translation into euros of the balance-sheet figures denominated in these currencies.

The Group's total assets as of December 31, 2002, amounted to €280 billion, down 9.6% on 2001, as shown in the following table:

#### Consolidated balance sheets

(Millions of euros)	12/31/02	Δ%	12/31/01
Cash on hand and deposits			
at central banks	8,050	(12.9)	9,240
Due from credit institutions	21,476	(7.4)	23,199
Loans and credits	141,315	(5.9)	150,220
Fixed-income portfolio	68,901	(15.8)	81,816
– Government debt securities	19,768	(2.0)	20,165
– Debentures and other debt securities	49,133	(20.3)	61,651
Equity securities	10,071	(11.9)	11,430
– Accounted for by the equity method	7,064	(8.9)	7,756
– Other investments	3,007	(18.1)	3,674
Consolidation goodwill	4,257	(7.8)	4,617
Property and equipment	4,634	(24.9)	6,172
Treasury stock	98	28.6	76
Accumulated losses at consolidated companies	3,650	26.5	2,885
Other assets	17,090	(12.8)	19,591
<b>TOTAL ASSETS</b>	<b>279,542</b>	<b>(9.6)</b>	<b>309,246</b>
Due to credit institutions	56,119	(13.1)	64,588
On-balance-sheet customer funds	180,570	(9.5)	199,486
– Deposits	146,560	(12.0)	166,499
– Marketable debt securities	27,523	8.5	25,376
– Subordinated debt	6,487	(14.8)	7,611
Other liabilities	19,221	(6.9)	20,634
Net income	2,466	(18.0)	3,009
Minority interests	5,674	(11.3)	6,394
Capital stock	1,566	–	1,566
Reserves	13,926	2.6	13,569
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>279,542</b>	<b>(9.6)</b>	<b>309,246</b>
Other customer funds under management	108,815	(12.6)	124,496
– Mutual funds	43,582	(12.7)	49,901
– Pension funds	36,563	(11.4)	41,249
– Customer portfolios	28,670	(14.0)	33,346

The business volume, calculated as the sum of lending (gross balance) and total customer funds under management, stood at €436 billion as of December 31, 2002. This decrease of 9.2% with respect to 2001 was due to exchange rate fluctuations and the Argentine crisis, since if these two factors are excluded, the result is growth of 2.9%. Within this aggregate, lending to customers amounted to €146 billion, down 6.2% year-on-year, while total customer funds under management, which includes on-balance-sheet funds as well as mutual funds, pension funds and managed portfolios, stood at €289 billion, a decrease of 10.7%. Excluding the effect of exchange rate fluctuations and Argentina, lending would increase by 4.5% and total customer funds under management by 2.1% with respect to 2001.

#### Total net lending

Total gross lending as of December 31, 2002 decreased by 6.2% with respect to 2001. Lending to the public sector, which amounted to €12.5 billion at 2002 year-end, was up by 2.9%, and lending to other resident sectors amounted to €90 billion, up 8.9% year-on-year, meaning that as a percentage of the total it increased from 52.7% as of December 31, 2001 to 61.2% at 2002 year-end. In contrast, lending to nonresidents decreased by 30.8% to €41 billion, and its relative weight declined from 37.8% to 27.9% in the same period.

#### Total net lending

(Millions of euros)	12/31/02	Δ%	12/31/01
Public sector	12,506	2.9	12,155
Other resident sectors	89,539	8.9	82,259
– Secured loans	44,912	14.9	39,077
– Commercial bills	8,093	11.8	7,242
– Other term loans	30,821	1.0	30,502
of which: personal loans	22,905	1.5	22,577
– Credit card lending	993	10.4	900
– Other demand loans and sundry	1,278	(24.9)	1,700
– Financial leases	3,442	21.3	2,838
Non-resident sector	40,895	(30.8)	59,059
– Secured loans	12,069	(28.5)	16,877
– Other loans	28,826	(31.7)	42,182
Nonperforming loans	3,473	29.8	2,675
<b>Total lending (Gross)</b>	<b>146,413</b>	<b>(6.2)</b>	<b>156,148</b>
Loan loss provisions	(5,098)	(14.0)	(5,928)
<b>Total net lending</b>	<b>141,315</b>	<b>(5.9)</b>	<b>150,220</b>

Lending in the domestic market grew sustainably at approximately 10% during 2002, fueled mainly by secured loans which, at €45 billion, grew by 14.9% year-on-year. As a result, secured loans represented nearly half the total lending to other resident sectors in 2002. Other particularly buoyant classes of lending were commercial loans, which grew by 11.8% to €8 billion in 2002 with a notable surge in the fourth quarter, credit cards, up 10.4% due to revolving credit cards, and financial leases, the growth of which accelerated during the year to 21.3% at December 31.

The decrease in lending to nonresidents by 30.8% year-on-year to €41 billion as of December 31, 2002, is the result of depreciation of the Latin-American currencies against the euro, since, in local currency terms, there was growth of 19.4% in Chile, 11.2% in Brazil, 10.8% in Peru, 5.1% in Venezuela and 4.3% in Mexico, the latter showing an acceleration in lending throughout the year with notable growth in consumer and credit card lending.

As of December 31, 2002, the Group's nonperforming loans ratio (nonperforming loans/total risk exposure) was 2.37%, which declines to 1.71% if Argentina is disregarded (1.58% as of

December 31, 2001). If, in addition, the effect of reclassifying Argentina from Group 4 to Group 5 for country-risk purposes is disregarded, the Group's nonperforming loans ratio is only 1.59% as of December 31, 2002.

In domestic business (Spanish Retail and Corporate Banking), the nonperforming loans ratio declined from 0.96% to 0.87% in 2002, which is a historically low level despite the economic slowdown during the year. In America, excluding Argentina (whose special circumstances drove nonperforming loans up significantly to 37.4% in 2002), the moderation in lending growth permitted the nonperforming loans ratio to stand at 3.97% as of December 31, 2002 (3.66% as of December 31, 2001), while it was 4.22% in Mexico at 2002 year-end. The level of doubtful loan coverage was 146.8% as of December 31, 2002, rising to 189.5% if Argentina is excluded and to 200% if the reclassification of Argentine country-risk is excluded.

### Customer funds

Total customer funds managed by the Group, which include on-balance-sheet funds as well as mutual funds, pension funds and managed portfolios, stood at €289 billion at 2002 year-end, down 10.7% on 2001 (up 2.1% excluding Argentina and applying a constant exchange rate).

#### Customer funds under management

(Millions of euros)	12/31/02	Δ%	12/31/01
<b>On-balance-sheet customer funds</b>	<b>180,570</b>	<b>(9.5)</b>	<b>199,486</b>
<b>Deposits</b>	<b>146,560</b>	<b>(12.0)</b>	<b>166,499</b>
Public sector	9,264	39.6	6,638
Other resident sectors	64,211	(2.0)	65,502
– Current accounts	20,430	(0.2)	20,480
– Savings accounts	15,078	6.4	14,173
– Time deposits	16,944	(0.4)	17,008
– Assets sold under repurchase agreement	11,769	(15.0)	13,841
Non-resident sector	73,075	(22.6)	94,359
– Current and savings accounts	24,870	(25.3)	33,308
– Time deposits	40,268	(19.1)	49,793
– Assets sold under repurchase agreement & other accounts	7,937	(29.5)	11,258
<b>Marketable debt securities</b>	<b>27,523</b>	<b>8.5</b>	<b>25,376</b>
Mortgage securities	8,777	44.3	6,083
Other marketable securities	18,746	(2.8)	19,293
<b>Subordinated debt</b>	<b>6,487</b>	<b>(14.8)</b>	<b>7,611</b>
<b>Other customer funds under management</b>	<b>108,815</b>	<b>(12.6)</b>	<b>124,496</b>
Mutual funds	43,582	(12.7)	49,901
Pension funds	36,563	(11.4)	41,249
Customer portfolios	28,670	(14.0)	33,346
<b>Total customer funds under management</b>	<b>289,385</b>	<b>(10.7)</b>	<b>323,982</b>

On-balance-sheet customer funds amounted to €181 billion and off-balance-sheet customer funds to €109 billion, with year-on-year decreases of 9.5% and 12.6%, respectively (excluding Argentina and with no variation in the exchange rates, there would be increases of 3.8% and 0.6% in on-balance-sheet and off-balance-sheet customer funds, respectively).

Time deposits, which remained steady at €17 billion, were influenced by the maturity of high-cost products issued in prior years, while securities sold under repurchase agreement fell by 15.0%. Balances due to the public sector increased by nearly 40% and exceeded €9 billion as of December 31, 2002.

Non-resident-sector deposits stood at €73 billion after a decrease of 22.6% year-on-year as a result of the depreciation of Latin-American currencies, since, in local currency terms, there was significant growth in customer deposits in Brazil (43.3%), Colombia (35.9%), Chile (35.1%), Venezuela (20.1%) and Peru (8.3%), with no change in Mexico.

The 8.5% growth in the marketable debt securities caption to €27.5 billion was concentrated in mortgage securities, which rose by 44.3% as a result of the €3,000 million mortgage bond issue in September (the biggest fixed-income issue by BBVA in its history, aimed at Spanish and foreign institutional investors). Subordinated debt decreased by 14.8% due to maturities in the year and to early redemption of two issues for US\$ 250 million.

Customer funds managed off the balance sheet (mutual funds, pension funds and customer portfolios), which amounted to €109 billion at 2002 year-end, were affected by the adverse impact of market developments on managed funds, with a decrease of 12.6% relative to 2001 (0.6% decline excluding Argentina and at constant exchange rates).

In Spain, total off-balance-sheet funds decreased by 5.7% to €55 billion as of December 31, 2002; mutual funds, which amounted to €34 billion at that date, were down by 9.0% due to the impact of markets, which was particularly notable in equity and balanced funds.

The Group's pension funds in Spain (individual, occupational and associated plans) totaled €11 billion as of December 31, 2002, with year-on-year growth of 3.3%. Managed customer portfolios stood at €11 billion as of December 31, 2002, which was 3.5% less than the previous year.

Off-balance-sheet funds in the other markets in which the Group operates were €54 billion as of December 31, 2002, down 18.7% on 2001 (excluding Argentina they would have risen by 5.6%). Pension funds amounted to €26 billion, mutual funds to €10 billion and managed portfolios to €18 billion as of December 31, 2002.

## Group income statement for 2002-

The Group's net attributed profit was €1,719 million in 2002, down 27.3% on 2001. The most notable developments in the Group's earnings were the growth of net operating income, the decline in income from equity-accounted companies and from Group transactions and the increase in write-offs, including €455 million of extraordinary write-offs in the fourth quarter of 2002, without which the net attributed profit would have been €2,146 million and the decrease with respect to 2001 would have been 9.2%, in line with the projections made at the end of the first half of 2002.

The efficiency ratio improved by nearly three percentage points from 50.5% in 2001 to 47.8% as of December 31, 2002 (47.2% including Argentina).

The sharp depreciation in Latin-American currencies during the course of 2002 had an increasingly marked effect on the average exchange rates applied in translating to euros the results obtained by the Group's subsidiaries in the region. For this reason, to facilitate understanding of the Group's results, our comparison of the Group's consolidated income statement items refers to variations based on constant exchange rates (i.e. excluding the exchange rate effect), because the results obtained in prior years are translated at the average exchange rates in 2002. The main variations in the average exchange rates applied to the main Latin-American currencies were as follows:

	Average Cumulative Variation in Rate December 2001
Mexican peso	-8.7%
Venezuelan bolivar	-41.7%
Brazilian real	-24.5%
Colombian peso	-13.6%
Chilean peso	-12.9%

Also, as indicated in the "Situation in Argentina" section of this Management Report, for the purposes of presentation of the Group's consolidated statement of income, the balances contributed by the Group companies in Argentina are included by the equity method.

## Consolidated statements of income

### With Argentina accounted for by the equity method

(Millions of euros)	2002	Δ%	Δ%(*)	2001
Financial revenues	16,152	(20.3)	(15.0)	20,264
Financial expenses	(9,026)	(28.4)	(24.4)	(12,599)
Dividends	358	(27.7)	(27.2)	495
<b>Net interest income</b>	<b>7,484</b>	<b>(8.3)</b>	<b>(0.9)</b>	<b>8,160</b>
Net fees	3,567	(1.0)	5.1	3,602
<b>Basic margin</b>	<b>11,051</b>	<b>(6.1)</b>	<b>1.0</b>	<b>11,762</b>
Market operations	664	47.3	60.3	451
<b>Gross operating income</b>	<b>11,715</b>	<b>(4.1)</b>	<b>3.1</b>	<b>12,213</b>
Personnel costs	(3,606)	(7.3)	(0.7)	(3,890)
Other administrative expenses	(1,993)	(12.4)	(3.5)	(2,275)
<b>General administrative expenses</b>	<b>(5,599)</b>	<b>(9.2)</b>	<b>(1.7)</b>	<b>(6,165)</b>
Depreciation and amortization	(612)	(8.6)	(0.9)	(669)
Other operating revenues and expenses (net)	(253)	(6.4)	2.8	(270)
<b>Net operating income</b>	<b>5,251</b>	<b>2.8</b>	<b>9.4</b>	<b>5,109</b>
Net income from equity-accounted companies	35	(79.2)	(79.3)	168
Pro memoria: correction for payment of dividends	(242)	(36.1)	(35.5)	(379)
Amortization of consolidation goodwill	(679)	9.0	9.0	(623)
Net income on Group transactions	361	(62.2)	(61.9)	954
Net loan loss provisions	(1,494)	7.8	15.5	(1,387)
– Gross charges	(2,113)	10.7	24.1	(1,908)
– Releases	422	54.5	64.9	273
– Recovery of assets previously written off	197	(20.9)	(14.0)	248
Write-down of long-term financial investments	3	n.m.	n.m.	(43)
Net extraordinary income (loss)	(280)	n.m.	n.m.	24
<b>Pre-tax profit</b>	<b>3,197</b>	<b>(23.9)</b>	<b>(20.2)</b>	<b>4,202</b>
Corporate income tax	(745)	(24.2)	(20.6)	(982)
<b>Net income</b>	<b>2,452</b>	<b>(23.9)</b>	<b>(20.0)</b>	<b>3,220</b>
Minority interests	(733)	(14.6)	(7.0)	(857)
– Preferred shares	(276)	(12.5)	(12.5)	(315)
– Minority shareholders	(457)	(15.7)	3.2	(542)
<b>Net attributable profit</b>	<b>1,719</b>	<b>(27.3)</b>	<b>(24.5)</b>	<b>2,363</b>

(\*) At constant exchange rates.

## Net interest income

Net interest income in 2002 amounted to €7,484 million, with a decline of 8.3% year-on-year, practically all of which is attributable to the exchange rate effect (in constant euros the decline is 0.9%).



In the domestic market, net interest income grew by 5.4% in the Retail Banking area, thanks to the higher volumes of lower-cost managed funds, particularly in the form of mortgage loans and transactions deposits (current accounts and savings accounts). In contrast, the customer spread (return on loans less cost of deposits) progressively narrowed during the year. This was mainly a result of the gradual downward repricing of the mortgage portfolio after interest rates were cut in the last quarter of 2001, since the adjusted cost of funds (slightly above 1.50%) scarcely changed in the year.

In Mexico net interest income decreased by 17.4% in 2002 (9.6% at constant exchange rates) as a result of the sharp fall in interest rates. However, the quarterly variations in net interest income at constant exchange rates traced out an upward path in the year, due to the pick-up in lending and to the spread on customer funds (in the latter case, a consequence of price management and the improved liability structure as lower-cost funds grew more quickly). Banking in America's net interest income, which was highly influenced by the depreciation of Latin-American currencies, fell by 6.6%, although it grew by 23.7% in constant euros, with particularly strong rises in Venezuela and Brazil.

### *Basic margin*

The net fee revenue of €3,567 million in 2002 was 1% lower than in 2001, although at constant exchange rates it grew by 5.1%. Noteworthy in the Latin-American businesses were the rise of 8.0% in Mexico and the decline of 9.5% in Banking in America, which at constant exchange rates converts into growth of 18.3% and 17.6%, respectively. However, domestic business was more strongly affected by the market situation, which adversely affected fund management and securities fees.

Turning to the separate items, the best performer in the Group as a whole was collection and payment service fees, which grew by 6.7%, with credit and debit card fees deserving a special mention (up 12.5%). In contrast, there was a 24.8% fall in securities brokerage fees, a 13.4% decline in securities underwriting and placement fees due to the lower volume of transactions and a 7.3% drop in asset management fees due to the decrease in assets under management as markets slumped and in average fees due to customer preference for funds with lower risk and thus lower fees, such as money market funds.

Adding together the net interest income and net fees gives a basic margin of €11,051 million in 2002, which is 6.1% less than in 2001 (1.0% higher at constant exchange rates).

### *Gross operating income*

Income from market operations amounted to €664 million in 2002, up 47.3% on 2001. The inter-year comparisons of this caption were affected in the first two

quarters of 2002 by the exchange differences arising from the financing of investments in America booked in 2001. However, in the third quarter of 2001 their balance ceased to be significant and this factor disappeared in 2002 because the financing of these investments had been changed to euros.

Adding this income from market operations to the basic margin results in gross operating income of €11,715 million in 2002, with a year-on-year decrease of 4.1% which, excluding the exchange rate effect, converts into an increase of 3.1%.

### *Net operating income*

Personnel costs decreased by 7.3% in 2002, general expenses by 12.4% and the sum of the two by 9.2% (even at constant exchange rates they fell by 1.7%, despite the inflation rates in some of the markets in which the Group operates). Throughout the year and in all business areas, expenses showed a downward trend. This was a result of the cost control and structural adjustment measures adopted by the Group, which have endowed it with a labor force and branch network more commensurate with business requirements and with fully integrated systems.

Specifically, the reduction was 3.9% in Retail Banking Spain and Portugal, 11.5% in Wholesale and Investment Banking, 2.4% in Asset Management and Private Banking, 14.8% in Mexico (even in pesos they fell by 6.7%) and 17.3% in Banking in America (in this area they grew by 10.2% at constant exchange rates).

In 2002 the labor force was reduced by approximately 5,500 people (5.6%), mainly in America. In the last two years, the net reduction amounted to about 15,000 people (13.9% of total employees), approximately 2,000 in Spain and 13,000 in Latin America. The branch network, for its part, was reduced by 484 in 2002 (more than 200 in Spain and nearly 300 in Latin America), representing 6.1% of the total, while in the last two years the decrease was 1,442 branches (16.1%), 450 in Spain (11.6%) and 979 in America (20.1%).

Consequently, net operating income amounted to €5,251 million in 2002, with a year-on-year increase of 2.8%, which becomes 9.4% at constant exchange rates (excluding from the net operating margin the dividends and market operations, which are the more volatile components, the year-on-year growth was 8.7% at constant exchange rates).

By business area, the best performances were by Banking in America, with an increase of 27.0% (65.3% excluding the exchange rate effect), and Retail Banking Spain and Portugal (11.8%). The decrease of 6.9% in Mexico is practically all due to the depreciation of the peso, since at constant rates it would rise by 2.0%. In contrast, the Wholesale and Investment Banking and Asset Management and Private Banking areas posted decreases of 5.4% and 6.4%, respectively, due to the impact of the market situation in 2002.



## Investment portfolio

In 2002 and 2001, the Argentine companies contributed losses of €6 million and €218 million, respectively, to the Group's income statement. For presentation purposes, the Group's consolidated statement of income in this management report includes these losses under the "Net Income from Companies Accounted for by the Equity Method" caption.

Net of the effect described above, the income contributed by equity-accounted companies, disregarding dividends collected, decreased by €482 million in 2002 with respect to 2001, which represents approximately 20.4% of 2001 income. The reasons for this decline include most notably the charge of €104 million in the first half of 2002 to adjust the income contributed in 2001 by Telefónica, Repsol and Banca Nazionale del Lavoro, once their final financial statements had been approved adjusting the impact of their investments in Argentina. Also calling for comment are the downward revisions to projected 2002 income, including the extraordinary charge to income due to Telefónica's decision to write off its UMTS license balances, which had an impact of €209 million on earnings.

The unfavorable performance of markets in 2002 was not conducive to the realization of capital gains through investment portfolio turnover. Accordingly, the income on Group transactions amounted to €361 million in 2002 (€514 million disregarding the effect of the transaction in Brazil described in the next section). The year-on-year decrease, disregarding this Brazilian transaction, was 46%. The main transactions in 2002 were the sale of 27.7% of the capital of Metrovacesa, which took advantage of the favorable situation in the real estate industry and resulted in a gain of €375 million, and the sale of 7.6% of Acerinox, with a gain of €66 million in 2002.

## Writedowns and extraordinary items

The Group recorded writedowns totaling €2,485 million in 2002, which was 8.0% more than in 2001, as shown in the following table:

### Income on Group transactions and

#### Total net writedowns <sup>(1)</sup>

(Millions of euros)	2002	Δ%	2001
<b>Total net writedowns</b>	<b>(2,485)</b>	<b>8.0</b>	<b>2,301</b>
Net loan loss provisions	(1,494)	7.8	(1,387)
– Gross charge	(2,113)	10.7	(1,908)
– Releases	422	54.5	273
– Recovery of assets previously written off	197	(20.9)	248
Amortization of consolidation goodwill	(679)	9.0	(623)
Writedown of long-term investments	3	n.m.	(43)
Charges to special provisions	(315)	27.3	(248)

(1) With Argentina accounted for by the equity method. Including additional extraordinary writedowns of €455 million made in the fourth quarter of 2002.

Of this amount, €455 million (€427 million of attributed income) were extraordinary writeoffs by the Group in the fourth quarter of the year in application of prudent valuation standards in estimating its possible contingencies. Included here are €245 million of translation differences arising in BBV Brazil's transaction with Bradesco, S.A., €129 million of extraordinary writeoffs of goodwill in countries which are not investment grade and €81 million of charges to special provisions for early retirement.

Loan writeoffs amounted to €1,494 million in 2002, with a year-on-year increase of 7.8%, largely arising from the country-risk provisions recorded as a result of reclassification of lending in Argentina from Group 4 to Group 5, which raised the lending coverage by 50% and entailed a provision of €103 million with a charge to 2002 income.

Amortization of consolidation goodwill amounted to €679 million, with a year-on-year increase of 9.0% in 2002 with respect to 2001. The main variations arose from the additional investments in Bancomer and Banca Nazionale del Lavoro, and from the extraordinary writeoff of goodwill relating to investments in countries with ratings below investment grade. This compared with the writeoff in 2001 of all the goodwill relating to Banco Francés and Consolidar AFJP.

## Income and its distribution

Pre-tax profit decreased by 23.9% to €3,197 million in 2002. The corporate income tax estimate declined in much the same proportion (24.2%). This left net income at €2,452 million, which was 23.9% lower than in 2001. The portion relating to minority interests decreased by 14.6% due to the increased holding in Bancomer, and, accordingly, the net attributable profit was €1,719 million in 2002, down 27.3% year-on-year.

Since there was no variation in the number of shares during the year, earnings per share in 2002 were €0.54, a decrease of 27.3% with respect to 2001. Return on equity (ROE) was 13.7% (17.1% excluding the €455 million of additional write-offs in December). Return on average total assets (ROA) in 2002 was 0.85% (1.00% excluding the aforementioned writedowns).

## GROUP EQUITY

As of December 31, 2002, the Group's net worth after the distribution of income for the year as it will be proposed to the Shareholders' Meeting amounted to €12,384 million. This represents a decrease of 7% with respect to 2001, basically due to the sharp depreciation in most of the Latin-American currencies against the euro and the resulting substantial reduction in the net worth of the companies located in the region.

Eligible equity as defined by the Basel Bank for International Settlements (BIS) amounted to €20,345 million,

representing a ratio of capital to risk-weighted assets of 12.5% and a cushion of nearly €5,559 million. Tier 1 or core capital represented 8.4% of risk assets, slightly down on the values as of December 31, 2001 (12.6% and 8.5%, respectively). Excluding the Brazil transaction, the capital ratios at 2002 year-end would be the same as those in 2001.

## CAPITAL AND TREASURY STOCK

As of December 31, 2002, the Bank's capital stock amounted to €1,565,967,501.07 and consisted of 3,195,852,043 registered shares of €0.49 par value each, held by 1,179,074 shareholders (1,203,828 shareholders as of December 31, 2001), none with an ownership interest of more than 5%. Resident shareholders owned 54.38% of the total capital stock. There were no transactions involving capital stock in 2002 and, accordingly, as of December 31, 2002, the Bank's capital stock was unchanged from that as of December 31, 2001.

As of December 31, 2002, the Bank and consolidated Group companies held 10,783,616 shares of BBVA, representing 0.3374% of capital stock (6,101,296 shares as of December 31, 2001, representing 0.19% of capital stock). The variations in 2002 in the "Treasury Stock" caption on the asset side of the accompanying consolidated balance sheets were as follows:

	Millions of Euros
<b>Balance at December 31, 2001</b>	<b>76</b>
Purchases	4.446
Sales	(4.430)
Charge to securities revaluation reserve	8
Other variations	(2)
<b>Balance at December 31, 2002</b>	<b>98</b>

As of December 31, 2002, the nonconsolidable subsidiaries held 0.0061% of the capital stock issued by the Bank.

## DISTRIBUTION OF INCOME

The total dividend for 2002 to be submitted for approval by the Shareholders' Meeting amounts to €0.348 per share. This dividend represents the distribution to shareholders of €1,112,157 thousand with a charge to 2002 income, down 9.14% on 2001. This decrease in the dividend is in line with the 2002 income had the €455 million of extraordinary writedowns referred to in this Management Report not been made.

The distribution of this dividend is as follows: in 2002 three interim dividends totaling €0.27 gross per share, equivalent to a total of €863 million, were paid in July and October 2002 and the last on January 10, 2003 (€0.09 per share). Accordingly, the final dividend to be submitted for approval by the Shareholders' Meeting amounts to €0.078 gross per share (€249 million).

## RISK MANAGEMENT

### The Risk function in the Group–

To manage risk appropriately, the Group has an advanced risk management model whose main purpose is to build a risk profile which, on the one hand, enables strategic objectives to be achieved and value to be created for shareholders, and, on the other, assures the Group's medium- and long-term solvency. The simultaneous pursuit of these two objectives requires credit, market and operational risk to be precisely managed and integrated in such a way as to advance beyond the view of them as separate, non-interacting compartments. Also, this implies the use of appropriate structures and the implementation of new developments in the form of decision-making support tools (ratings, scorings, etc.) or new corporate risk measurement systems.

To support this process, in 2002 the Group made two decisions of a structural nature to strengthen the corporate governance of risk. The first was to set up the Lending Committee, with delegated authority from the Board of Directors. The second was to strengthen the Group's risk function by bringing the Group's areas of business or activity that assume risk under the control of the Central Risk Area for risk management purposes. This ensures that a uniform global risk management system is implemented in the BBVA Group through the establishment of standard measurement and monitoring tools, suitable risk policies, appropriate procedures, etc. encompassing the whole of the Group and all the risk generation processes.

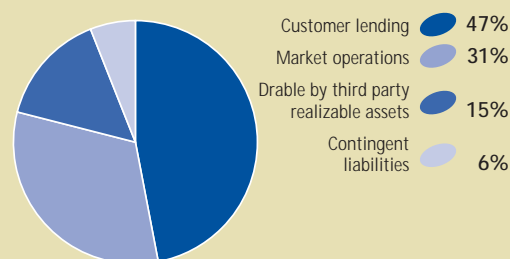
Accordingly, the Group's final objective is to ensure that the risk profile is in line with its strategic objectives and commensurate with the returns expected by shareholders, thus permitting dynamic management of risk and assuring that it is at the strategically defined level.

### Credit risk management–

The Group's overall credit risk exposure, which comprises customer lending, potential credit risk exposure in market operations, off-balance-sheet risks and credit lines drawable by third parties, decreased by 8.4% in 2002 to €315 billion at 2002 year-end. The exposure was distributed as follows: 47% related to customer lending, 31% to market operations, 15% to credit lines drawable by third parties and 6% to contingent liabilities, as shown in the following chart:

## Exposure. Customer risk

(31-12-02)



The following chart shows that most of the gross lending of €146 billion arises in Retail Banking Spain and Portugal (53.4%), which thus accounts for the bulk of exposure to customers, followed by Wholesale and Investment Banking (25.3%). The exposure to Latin-American countries declined from 28% to 20%, owing basically to the sharp depreciation of the Latin-American currencies, including most notably the Argentine peso (-75.1%), the Mexican peso (-26.4%), the Venezuelan bolivar (-53.5%) and the Brazilian real (-44.8%).

## Exposure. Gross lending by business areas

(31-12-02)



As regards credit risk in market operations, the notional amounts of the financial instruments stood at €676 billion at the end of 2002, down 11.2% on 2001. The equivalent maximum credit risk exposure to counterparties was €19,532 billion as of December 31, 2002, down 13.8% on 2001. Most of the exposure arose in over-the-counter (OTC) interest rate transactions.

## Market risk management–

The Group estimates market risk through the value at risk approach, using the parametric model based on the covariance

matrix, calculated with a confidence level of 99% and a time horizon of one day. This approximation assumes that market price performance follows a normal statistical distribution that is a function of the past and furnishes, as the final result, the maximum loss that can occur in the positions in question with a given probability. This is supplemented by specific simulations to measure the market risk arising from exotic products or those with optional features, for which the model's assumptions are usually not valid.

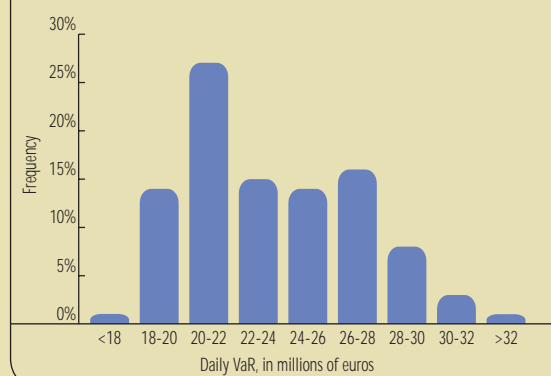
According to these estimates, the average risk in the Group's market areas in 2002 was €23,475 thousand, with a maximum and minimum of €32,653 thousand and €17,702 thousand, respectively. The main risk in the Group is that arising from interest rate fluctuations (69% of the year-end total), followed by currency risk (14%), risk arising from the volatility of options (10%) and, finally, stock market risk (7%).

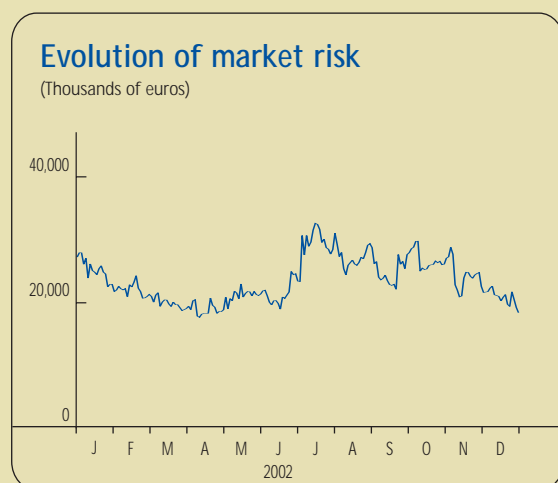
## Market risk by risk factor (thousands of euros)

Risk	Daily Var			
	12/31/2002	Average	Máximo	Minimum
Interest	15,253	19,770	29,048	12,554
Currency	3,061	3,688	8,924	1,358
Equity	2,766	4,413	7,128	2,226
Vega	2,151	3,766	5,556	2,151
<b>Total</b>	<b>18,432</b>	<b>23,475</b>	<b>32,653</b>	<b>17,702</b>

The dispersion around the average risk was higher than in 2001 as a result of the difficult international economic situation, which significantly raised the levels of risk aversion and particularly affected the Latin-American financial markets. In addition to these general factors, a crisis broke out in Brazil in July, fueled to a large extent by the uncertainty surrounding the election. The maximum risk values were reached in summer, associated with the situation described above. From that time, the risk progressively moderated to levels near the lows for the year.

## Market risk frequency distribution





With regard to the distribution by geographical area, as of December 31, 2002, approximately 50% of the Group's total market risk arose from the treasury operations of Latin-American banks, to the detriment of Investment Banking, which had traditionally predominated in the Group's total market risk. This development is attributable to the increase in the volatility of the Latin-American markets, particularly Brazil.

The average level assumed with respect to the VaR limits authorized by the Standing Committee for the Group's treasury operations was 46% in 2002.

The back-testing carried out for 2002 in accordance with the recommendations of the Basel Committee, which consisted of comparing for each day the maximum losses estimated under the corporate risk model with the ex-post theoretical results obtained, confirmed the functioning of the VaR model with the 99% confidence level defined in the Group.

However, in interpreting the foregoing figures for market risk, regard must be had to certain considerations concerning the model's limitations, such as the inaccuracy of the forecasted

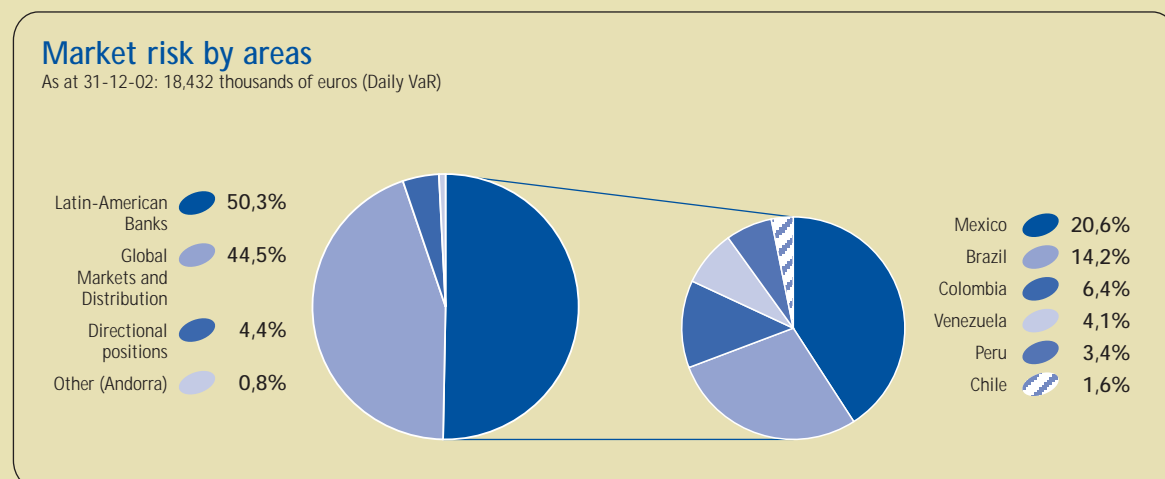
future changes in the value of a portfolio as a result of the historical variations in risk factors, the inability to model accurately all the market risk factors impinging on portfolios and the partial treatment of intraday positions and other positions that cannot be settled or covered within one day in the VaR estimate on this time horizon. Consequently, the estimates of future risk and the actual results on portfolios may significantly differ from the VaR figures stated above.

Also, to supplement the measurement of market risk using VaR, the Group regularly performs stress tests to identify the extent of losses in "non-normal" or very low probability situations, for the purpose of assessing the possible negative impact on its portfolio value. As recommended by the Basel Committee, the Group simulates diverse stress scenarios based on historical crises and on hypothetical situations, and evaluates the effects of each scenario on its sensitive position.

## RESEARCH AND DEVELOPMENT

As in previous years, in 2002 the Group regarded technology as one of the driving forces of the Group's modernization and the transformation of its business model to a more customer-centered approach. In this connection, various projects were undertaken in 2002, including most notably a new integral price management at global level, through new technology which will centralize in a single database all the information from different sources relating to market prices and linked to the data on the various business areas and applications. This new data integration platform will enable advanced and efficient price management and the use of appropriate methodology for each product type, thus minimizing the operational risk arising from the administration of market data. The Group commenced implementation of this platform in Spain and will subsequently extend it to Europe and Latin America.

2002 also saw the implementation of the Personal Finance Services Plan, which constitutes the new individual banking model launched initially in Spain. The objective of this project



is to increase the Group's customer base and its market penetration in one of the Group's most strategic markets: Spanish retail banking. Specifically, the three-year objectives of this Plan focus on increasing the number of Retail Banking customers in Spain (from eleven to twelve million), raising the number of products per customer (from 3.6 to 4.5) and lifting from 55% to 65% the Group's share in each customer's product portfolio. Also, in Latin America, the Group undertook an information management infrastructure plan involving the establishment of a single network and a common platform for the whole area.

In the field of internal processes, further headway was made in adapting the information systems to meet the requirements of the new Basel Capital Accord, and Group personnel participated in various national and international workshops with a view to establishing mechanisms to address more efficiently the implementation of new international accounting standards in the European banking industry. Simultaneously, work is progressing on an ambitious project to restructure the Management Information System aimed at harnessing its full potential and based on five basic pillars: legal information, risk measurement and control, product management, service quality indicators and measurement of results. This will give rise to a flexible and consistent information structure which will enable the Group to respond actively to market information demands.

## ENVIRONMENTAL INFORMATION

The Group views the environment as having particular importance also for the financial services industry, where environmental care and improvement should be considered to be a long-term investment. In this regard, in 2002 the Group started to develop a social and environmental impact evaluation methodology, which will be applicable in financial risk analysis. This signifies that the ecological impact will be evaluated in the financing of large investment projects with a substantial environmental content, such as public works, power plants, urban and telecommunications infrastructure, etc.

Also, in 2002 the Group set high standards in the building and adaptation of work space, as evidenced by the fact that many of the Group's branches obtained the ISO 14001 environmental certificate. It is planned to extend this process further in 2003.

## OUTLOOK

The 2003 macroeconomic forecast, both for Spain and for the other economies in which the Group operates, holds out economic expectations of a worldwide recovery in 2003, although a high level of uncertainty will persist.

Most international analysts expect that 2003 will see a pick-up in the economy led by the United States, which will achieve higher growth rates than Europe, although the European

countries will also show growth rates above 2002 levels.

In view of this scenario, 2003 marks a new stage for the BBVA Group which, from the standpoint of management, will be based on the following:

- Profitable growth
- Closer customer relationships
- A corporate culture focused on these objectives
- Solid corporate governance

From the financial standpoint, the Group faces 2003 with the objective of becoming one of the three top banks in the euro area in terms of profitability, efficiency and earnings-per-share growth. This will enable it to create shareholder value in a sustained and differentiated manner, based on the following strategic factors:

- Growth as the key to shareholder value creation
- Appropriate management of the capital base
- Low volatility in business distribution

The Group's growth model for 2003 includes both organic and non-organic growth, although it regards the two basic areas of natural growth to be Spain and Latin America.

The Group considers that Latin America has strong growth potential, mainly because of demographic and economic factors and because it is underbanked. In Mexico the Group envisages three forms of medium- and long-term growth based on the transformation of the Mexican financial system, credit expansion and, as in the other Latin-American countries, the underbanked nature of the country.

## EVENTS SUBSEQUENT TO DECEMBER 31, 2002

### Tender offer to acquire Credit Lyonnais

On December 16, 2002, Credit Agricole, S.A. and SACAM Development launched a tender offer to acquire all the shares of Credit Lyonnais. This transaction will be performed in 2003, with an estimated gain of approximately €300 million on the Group's total investment in this bank.

### Dissolution of BBVA Privanza Banco, S.A.

The Shareholders' Meeting of BBVA Privanza Banco, S.A., a wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A., called for January 29, 2003, has on its agenda the dissolution without liquidation of this company, with the en bloc transfer of all its assets and liabilities per the dissolution balance sheet as of December 31, 2002, to its sole shareholder, which by virtue of this resolution assumes all the obligations that BBVA Privanza Banco, S.A. may have to creditors of any type.





## 2002 Annual Report





# Supplementary Information

- Financial Statements of Principal Group Banks
- Consolidated Historical Series
- BBVA Group Branch Network

## FINANCIAL STATEMENTS OF PRINCIPAL GROUP COMPANIES (I)

### BANKS IN SPAIN AND IN OTHER EUROPEAN COUNTRIES

#### Balance sheets

(Millions of euros)

	31-12-02	BBVA 31-12-01	Δ%	Banco de Crédito Local 31-12-02	31-12-01	Δ%	BBVA Privanza 31-12-02	31-12-01	Δ%
Cash on hand and on dep. at Central Banks	1,671	2,281	(26.7)	20	97	(79.4)	2	3	(33.3)
Due from credit entities	19,663	18,729	5.0	80	209	(61.7)	1,333	2,007	(33.6)
Total net lending	100,688	99,509	1.2	7,789	7,599	2.5	303	341	(11.1)
Fixed-income portfolio	36,222	41,779	(13.3)	3,706	3,582	3.5	10	21	(52.4)
Equities portfolio	15,127	15,285	(1.0)	1	3	(66.7)	5	6	(16.7)
Other assets	14,789	15,283	(3.2)	197	250	(21.2)	57	71	(19.7)
<b>TOTAL ASSETS</b>	<b>188,160</b>	<b>192,866</b>	<b>(2.4)</b>	<b>11,793</b>	<b>11,740</b>	<b>0.5</b>	<b>1,710</b>	<b>2,449</b>	<b>(30.2)</b>
Due to credit entities	47,029	55,251	(14.9)	5,396	6,303	(14.4)	182	196	(7.1)
Customer funds	116,923	112,922	3.5	5,841	4,883	19.6	1,438	2,142	(32.9)
• Deposits	98,473	96,616	1.9	5,812	4,806	20.9	1,438	2,142	(32.9)
• Marketable debt securities	8,714	6,074	43.5	29	77	(62.3)	-	-	-
• Subordinated debt	9,736	10,232	(4.8)	-	-	-	-	-	-
Other liabilities	14,215	14,364	(1.0)	235	231	1.7	19	28	(32.1)
Net income	1,207	1,312	(8.0)	49	48	2.1	18	37	(51.4)
Capital and reserves	8,786	9,017	(2.6)	272	275	(1.1)	53	46	15.2
<b>TOTAL LIABILITIES</b>	<b>188,160</b>	<b>192,866</b>	<b>(2.4)</b>	<b>11,793</b>	<b>11,740</b>	<b>0.5</b>	<b>1,710</b>	<b>2,449</b>	<b>(30.2)</b>

#### Income statement

(Millions of euros)

	2002	BBVA 2001	Δ%	Banco de Crédito Local 2002	2001	Δ%	BBVA Privanza 2002	2001	Δ%
<b>NET INTEREST INCOME</b>	<b>4,188</b>	<b>4,202</b>	<b>(0.3)</b>	<b>88</b>	<b>87</b>	<b>1.1</b>	<b>21</b>	<b>31</b>	<b>(32.3)</b>
Net fee income	1,257	1,096	14.7	-	-	-	24	33	(27.3)
<b>BASIC MARGIN</b>	<b>5,445</b>	<b>5,298</b>	<b>2.8</b>	<b>88</b>	<b>87</b>	<b>1.1</b>	<b>45</b>	<b>64</b>	<b>(29.7)</b>
Market operations	363	(72)	n.m.	3	3	-	1	3	(66.7)
<b>ORDINARY REVENUE</b>	<b>5,808</b>	<b>5,226</b>	<b>11.1</b>	<b>91</b>	<b>90</b>	<b>1.1</b>	<b>46</b>	<b>67</b>	<b>(31.3)</b>
General administrative expenses	(2,625)	(2,685)	(2.2)	(12)	(16)	(25.0)	(21)	(20)	5.0
Depreciation and amortization	(258)	(271)	(4.8)	(1)	(1)	-	(2)	(2)	-
Other oper. revenues and expenses (net)	(73)	(73)	-	1	1	-	-	-	-
<b>OPERATING INCOME</b>	<b>2,852</b>	<b>2,197</b>	<b>29.8</b>	<b>79</b>	<b>74</b>	<b>6.8</b>	<b>23</b>	<b>45</b>	<b>(48.9)</b>
Net loan loss provisions	(632)	(532)	18.8	(3)	2	n.m.	(2)	(2)	-
Other net income <sup>(2)</sup>	(989)	(512)	93.2	-	(3)	n.m.	(1)	2	n.m.
<b>PRE-TAX PROFIT</b>	<b>1,231</b>	<b>1,153</b>	<b>6.8</b>	<b>76</b>	<b>73</b>	<b>4.1</b>	<b>20</b>	<b>45</b>	<b>(55.6)</b>
Corporate income tax	(24)	159	n.m.	(27)	(25)	8.0	(2)	(8)	(75.0)
<b>NET INCOME</b>	<b>1,207</b>	<b>1,312</b>	<b>(8.0)</b>	<b>49</b>	<b>48</b>	<b>2.1</b>	<b>18</b>	<b>37</b>	<b>(51.4)</b>

(1) Consolidated groups.

(2) Net income from companies carried by the equity method and net securities writedowns.

BBVA Finanzia			Uno-e Bank			BBVA Portugal <sup>(1)</sup>			Banc Internacional D'Andorra		
31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%
4	2	100.0	23	12	91.7	48	49	(2.0)	83	78	6.4
51	16	218.8	1,238	272	n.m.	400	529	(24.4)	1,789	1,685	6.2
1,840	1,526	20.6	1	-	-	2,513	2,113	18.9	632	599	5.5
-	-	-	-	428	n.m.	92	95	(3.2)	73	61	19.7
45	72	(37.5)	1	-	-	59	19	210.5	77	49	57.1
37	35	5.7	56	48	16.7	222	154	44.2	143	170	(15.9)
1,977	1,651	19.7	1,319	760	73.6	3,334	2,959	12.7	2,797	2,642	5.9
1,804	1,460	23.6	6	35	(82.9)	1,355	988	37.1	241	270	(10.7)
18	17	5.9	1,213	657	84.6	1,657	1,637	1.2	2,150	1,975	8.9
12	11	9.1	1,213	657	84.6	1,578	1,558	1.3	2,150	1,975	8.9
-	-	-	-	-	-	10	10	-	-	-	-
6	6	-	-	-	-	69	69	-	-	-	-
59	79	(25.3)	19	17	11.8	94	134	(29.9)	47	41	14.6
15	15	-	(24)	(31)	(22.6)	9	12	(25.0)	94	114	(17.5)
81	80	1.3	105	82	28.0	219	188	16.5	265	242	9.5
1,977	1,651	19.7	1,319	760	73.6	3,334	2,959	12.7	2,797	2,642	5.9

BBVA Finanzia			Uno-e Bank			BBVA Portugal <sup>(1)</sup>			Banc Internacional D'Andorra		
2002	2001	Δ%	2002	2001	Δ%	2002	2001	Δ%	2002	2001	Δ%
104	78	33.3	(1)	1	n.m.	68	67	1.5	35	42	(16.7)
(4)	3	n.m.	-	-	-	22	28	(21.4)	91	110	(17.3)
100	81	23.5	(1)	1	n.m.	90	95	(5.3)	126	152	(17.1)
(1)	-	n.m.	(1)	-	n.m.	8	1	n.m.	10	10	-
99	81	22.2	(2)	1	n.m.	98	96	2.1	136	162	(16.0)
(47)	(43)	9.3	(30)	(44)	(31.8)	(64)	(68)	(5.9)	(31)	(42)	(26.2)
(1)	(1)	-	(5)	(4)	25.0	(5)	(10)	(50.0)	(6)	(5)	20.0
-	-	-	-	-	-	-	(3)	n.m.	-	-	-
51	37	37.8	(37)	(47)	(21.3)	29	15	93.3	99	115	(13.9)
(22)	(17)	29.4	2	(1)	n.m.	(17)	(13)	30.8	1	-	-
(6)	2	n.m.	(3)	(1)	n.m.	(2)	13	n.m.	(6)	(1)	n.m.
23	22	4.5	(38)	(49)	(22.4)	10	15	(33.3)	94	114	(17.5)
(8)	(7)	14.3	14	18	(22.2)	(1)	(3)	-	-	-	-
15	15	-	(24)	(31)	(22.6)	9	12	(25.0)	94	114	(17.5)



## FINANCIAL STATEMENTS OF PRINCIPAL GROUP COMPANIES (II)

### LATIN AMERICAN BANKS

#### Balance sheets

	ARGENTINA BBVA Banco Francés (Consolidated) (Millions of pesos)			BRASIL BBV Brasil (Millions of reales)			CHILE BBVA Banco BHIF (Billions of pesos)		
	31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%
Cash on hand and on dep. at Central Banks	1,373	1,046	31.3	735	201	265.4	49	41	18.2
Due from credit entities	368	485	(24.1)	3,600	3,865	(6.9)	4	40	(90.0)
Total net lending	8,943	6,952	28.6	5,302	4,719	12.4	1,941	1,632	18.9
Securities portfolio	3,248	621	n.m.	3,208	2,872	11.7	600	356	68.7
Other assets	2,285	714	220.3	965	717	34.6	429	270	58.8
<b>TOTAL ASSETS</b>	<b>16,218</b>	<b>9,817</b>	<b>65.2</b>	<b>13,810</b>	<b>12,375</b>	<b>11.6</b>	<b>3,022</b>	<b>2,339</b>	<b>29.2</b>
Due to credit entities	4,439	518	n.m.	3,927	6,655	(41.0)	272	170	60.0
Customer funds	7,585	7,491	1.3	6,942	4,560	52.2	2,419	1,844	31.2
• Deposits	6,892	6,984	(1.3)	6,281	4,363	44.0	1,890	1,380	37.0
• Marketable debt securities	45	29	54.3	661	197	234.8	-	-	-
• Subordinated debt	648	478	35.5	-	-	n.m.	528	465	13.7
Other liabilities	2,134	866	146.5	416	298	39.7	75	81	(7.1)
Net income	(1,242)	14	n.m.	200	21	n.m.	20	15	36.0
Capital and reserves	3,302	928	n.m.	2,325	841	n.m.	236	229	3.0
<b>TOTAL LIABILITIES</b>	<b>16,218</b>	<b>9,817</b>	<b>65.2</b>	<b>13,810</b>	<b>12,375</b>	<b>11.6</b>	<b>3,022</b>	<b>2,339</b>	<b>29.2</b>

#### Income statement

	BBVA Banco Francés (Consolidated) (Millions of pesos)			BBV Brasil (Millions of reales)			BBVA Banco BHIF (Billions of pesos)		
	2002	2001	Δ%	2002	2001	Δ%	2002	2001	Δ%
<b>NET INTEREST INCOME</b>	<b>893</b>	<b>567</b>	<b>57.4</b>	<b>819</b>	<b>518</b>	<b>58.1</b>	<b>86</b>	<b>83</b>	<b>3.2</b>
Net fee income	211	263	(20.0)	149	119	25.1	17	13	31.7
<b>BASIC MARGIN</b>	<b>1,104</b>	<b>831</b>	<b>32.9</b>	<b>968</b>	<b>637</b>	<b>51.9</b>	<b>103</b>	<b>96</b>	<b>7.0</b>
Market operations	(59)	58	n.m.	44	71	(37.9)	9	7	22.3
<b>ORDINARY REVENUE</b>	<b>1,045</b>	<b>888</b>	<b>17.6</b>	<b>1,012</b>	<b>708</b>	<b>42.9</b>	<b>112</b>	<b>103</b>	<b>8.1</b>
General administrative expenses	(480)	(408)	17.6	(540)	(468)	15.4	(55)	(53)	2.8
Depreciation and amortization	(129)	(74)	75.2	(91)	(67)	35.5	(12)	(9)	43.0
Other oper. revenues and expenses (net)	(25)	(14)	79.9	(14)	(12)	14.2	-	-	n.m.
<b>OPERATING INCOME</b>	<b>410</b>	<b>393</b>	<b>4.6</b>	<b>367</b>	<b>161</b>	<b>128.5</b>	<b>45</b>	<b>42</b>	<b>7.5</b>
Net loan loss provisions	(739)	(477)	55.0	(87)	(56)	54.0	(22)	(23)	(7.4)
Other net income <sup>(1)</sup>	(935)	(15)	n.m.	(173)	(59)	191.1	(2)	(3)	(52.1)
<b>PRE-TAX PROFIT</b>	<b>(1,264)</b>	<b>(99)</b>	<b>n.m.</b>	<b>108</b>	<b>45</b>	<b>139.0</b>	<b>22</b>	<b>15</b>	<b>43.1</b>
Corporate income tax	(2)	117	n.m.	93	(24)	n.m.	(1)	-	n.m.
<b>NET INCOME</b>	<b>(1,266)</b>	<b>19</b>	<b>n.m.</b>	<b>200</b>	<b>21</b>	<b>n.m.</b>	<b>20</b>	<b>15</b>	<b>36.0</b>

(1) Net income from companies carried by the equity method and net securities writedowns.



COLOMBIA BBVA Banco Ganadero (Billions of pesos)			MÉXICO Grupo bancario BBVA Bancomer (Millions of pesos)			PERÚ BBVA Banco Continental (Millions of soles)			PUERTO RICO BBVA Puerto Rico (Millions of US \$)			VENEZUELA BBVA Banco Provincial (Billions of bolívars)		
31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%	31-12-02	31-12-01	Δ%
339	212	59.8	44,825	29,075	54.2	3,197	2,526	26.6	19	18	1.5	644	754	(14.6)
68	235	(71.2)	96,165	85,328	12.7	682	665	2.5	193	303	(36.5)	666	42	n.m.
2,824	2,755	2.5	125,280	115,818	8.2	5,594	5,023	11.4	2,686	2,889	(7.0)	1,541	1,613	(4.5)
1,407	1,818	(22.6)	293,634	285,633	2.8	2,169	2,014	7.7	2,003	1,341	49.3	630	782	(19.4)
674	772	(12.8)	55,060	58,123	(5.3)	513	634	(19.2)	210	222	(5.3)	276	341	(19.1)
5,312	5,793	(8.3)	614,964	573,977	7.1	12,154	10,862	11.9	5,110	4,774	7.0	3,757	3,533	6.4
717	1,047	(31.5)	129,589	173,515	(25.3)	501	486	3.1	790	1,526	(48.3)	79	68	16.2
3,686	3,784	(2.6)	406,628	333,175	22.0	9,863	9,077	8.7	3,859	2,799	37.9	2,801	2,798	0.1
3,686	3,783	(2.6)	396,026	153,257	158.4	9,527	8,800	8.3	2,634	2,545	3.5	2,564	2,642	(2.9)
1	1	-	-	167,696	n.m.	-	-	-	161	184	(12.8)	5	-	n.m.
-	-	-	10,602	12,222	(13.3)	336	278	21.0	1,064	69	n.m.	232	156	48.6
392	428	(8.4)	33,431	30,769	8.7	753	349	n.m.	111	107	3.3	335	221	51.8
(17)	(50)	(67.3)	6,270	5,606	11.8	108	70	54.6	39	33	18.4	176	100	75.6
533	584	(8.8)	39,046	30,912	26.3	930	880	5.7	312	308	1.1	366	345	5.8
5,312	5,793	(8.3)	614,964	573,977	7.1	12,154	10,862	11.9	5,110	4,774	7.0	3,757	3,533	6.4

BBVA Banco Ganadero (Billions of pesos)			Grupo bancario BBVA Bancomer (Millions of pesos)			BBVA Banco Continental (Millions of soles)			BBVA Puerto Rico (Millions of US \$)			BBVA Banco Provincial (Billions of bolívars)		
2002	2001	Δ%	2002	2001	Δ%	2002	2001	Δ%	2002	2001	Δ%	2002	2001	Δ%
332	320	3.6	17,141	18,535	(7.5)	485	493	(1.6)	158	162	(2.6)	555	384	44.3
126	113	10.8	9,739	8,357	16.5	223	199	12.0	19	20	(5.0)	96	82	17.3
457	434	5.4	26,880	26,892	-	709	693	2.3	177	182	(2.9)	651	466	39.6
(25)	24	n.m.	862	1,914	(55.0)	55	41	33.5	10	(2)	n.m.	45	13	n.m.
432	458	(5.6)	27,742	28,806	(3.7)	763	733	4.1	187	180	4.2	696	479	45.2
(293)	(301)	(2.8)	(13,690)	(15,132)	(9.5)	(331)	(329)	0.6	(98)	(97)	1.1	(326)	(280)	16.4
(61)	(59)	3.2	(1,320)	(1,252)	5.4	(49)	(60)	(17.5)	(7)	(8)	(2.1)	(23)	(27)	(17.0)
(24)	(15)	52.9	(1,335)	(669)	99.6	(18)	(19)	(7.1)	-	-	-	(12)	(11)	4.6
55	82	(33.1)	11,397	11,753	(3.0)	366	326	12.2	81	75	8.9	335	161	108.9
(14)	(54)	(73.5)	(2,941)	(3,399)	(13.5)	(205)	(209)	(1.8)	(30)	(36)	(15.3)	(74)	(29)	157.2
(47)	(67)	(30.8)	264	(278)	n.m.	(21)	(27)	(22.6)	(3)	(2)	62.0	(80)	(26)	208.7
(6)	(39)	-	8,720	8,076	8.0	140	90	55.5	48	37	29.6	182	106	71.7
(11)	(11)	(5.9)	(2,450)	(2,470)	(0.8)	(32)	(20)	58.4	(9)	(4)	114.1	(6)	(6)	4.5
(17)	(50)	(67.2)	6,270	5,606	11.8	108	70	54.6	39	33	18.3	176	100	75.6

## FINANCIAL STATEMENTS OF PRINCIPAL GROUP COMPANIES (III)

### PENSION FUND MANAGERS IN AMERICA

	CHILE AFP Provida (Billions of pesos)			ARGENTINA Consolidar AFJP (Millions of pesos)			MÉXICO Afore Bancomer (Millions of pesos)		
	2002	2001	Δ%	2002	2001	Δ%	2002	2001	Δ%
<b>ASSETS MANAGED</b>	<b>7,934</b>	<b>7,309</b>	<b>8.5</b>	<b>7,873</b>	<b>4,187</b>	<b>88.0</b>	<b>69,810</b>	<b>53,844</b>	<b>29.7</b>
<b>NET INTEREST INCOME</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>37</b>	<b>15</b>	<b>146.7</b>	<b>27</b>	<b>106</b>	<b>(74.5)</b>
Net fee income	64	62	3.2	110	146	(24.7)	2,273	2,122	7.1
General administrative expenses	(30)	(34)	(11.8)	(90)	(100)	(10.0)	(793)	(804)	(1.4)
Other operating costs	1	3	(66.7)	15	(17)	n.m.	(92)	(69)	33.3
<b>OPERATING INCOME</b>	<b>34</b>	<b>30</b>	<b>13.3</b>	<b>72</b>	<b>44</b>	<b>63.6</b>	<b>1,415</b>	<b>1,355</b>	<b>4.4</b>
Other income and writedowns	3	3	-	(83)	1	n.m.	(16)	(75)	(78.7)
<b>PRE-TAX PROFIT</b>	<b>37</b>	<b>33</b>	<b>12.1</b>	<b>(11)</b>	<b>45</b>	<b>n.m.</b>	<b>1,399</b>	<b>1,280</b>	<b>9.3</b>
<b>NET INCOME</b>	<b>34</b>	<b>32</b>	<b>6.3</b>	<b>(27)</b>	<b>32</b>	<b>n.m.</b>	<b>909</b>	<b>851</b>	<b>6.8</b>

# Consolidated Historical Series

## Balance sheets

(Millions of euros)

	31-12-02	31-12-01	31-12-00	31-12-99	31-12-98
Cash on hand and on dep. at Central Banks	8,050	9,240	7,198	8,035	4,434
Due from credit entities	21,476	23,199	35,334	38,018	41,784
Total net lending	141,315	150,220	137,467	113,607	99,907
Fixed-income portfolio	68,901	81,816	72,624	46,238	33,170
• Government debt securities	19,768	20,165	14,735	12,027	10,542
• Other debt securities	49,133	61,651	57,889	34,211	22,628
Equities portfolio	10,071	11,430	11,661	10,188	7,742
Goodwill in consolidation	4,257	4,617	4,075	1,990	1,182
Property and equipment	4,634	6,172	5,969	4,857	4,730
Other assets	20,838	22,552	21,817	15,233	9,962
<b>TOTAL ASSETS</b>	<b>279,542</b>	<b>309,246</b>	<b>296,145</b>	<b>238,166</b>	<b>202,911</b>
Due to credit entities	56,119	64,588	68,284	68,607	58,748
Customer funds	180,570	199,486	185,718	139,934	119,941
• Deposits	146,560	166,499	154,146	105,077	99,351
• Marketable debt securities	27,523	25,376	26,460	31,552	17,562
• Subordinated debt	6,487	7,611	5,112	3,305	3,028
Other liabilities	19,221	20,634	17,951	11,876	9,795
Net income	2,466	3,009	2,914	2,168	1,785
Minority interests	5,674	6,394	6,304	5,333	3,951
Capital and reserves	15,492	15,135	14,974	10,248	8,691
<b>TOTAL LIABILITIES</b>	<b>279,542</b>	<b>309,246</b>	<b>296,145</b>	<b>238,166</b>	<b>202,911</b>

# Consolidated Historical Series

## Income statement

(Millions of euros)

	2002	2001	2000	1999	1998
<b>NET INTEREST INCOME</b>	<b>7,808</b>	<b>8,824</b>	<b>6,995</b>	<b>5,760</b>	<b>5,516</b>
Net fee income	3,668	4,038	3,369	2,707	2,341
<b>BASIC MARGIN</b>	<b>11,476</b>	<b>12,862</b>	<b>10,364</b>	<b>8,467</b>	<b>7,857</b>
Market operations	765	490	779	641	517
<b>ORDINARY REVENUE</b>	<b>12,241</b>	<b>13,352</b>	<b>11,143</b>	<b>9,108</b>	<b>8,374</b>
General administrative expenses	(5,772)	(6,725)	(5,937)	(4,976)	(4,638)
Depreciation and amortization	(631)	(742)	(653)	(502)	(458)
Other operating revenues and expenses	(261)	(286)	(177)	(173)	(158)
<b>OPERATING INCOME</b>	<b>5,577</b>	<b>5,599</b>	<b>4,376</b>	<b>3,457</b>	<b>3,120</b>
Net income from comp. carried by the eq. method	33	393	589	238	220
Amortization of goodwill in consolidation	(679)	(623)	(665)	(697)	(782)
Net income on Group transactions	361	954	1,307	923	1,032
Net loan loss provisions	(1,743)	(1,919)	(973)	(750)	(1,015)
Net securities writedowns	3	(43)	(7)	6	(5)
Extraordinary items (net)	(433)	(727)	(751)	(275)	(196)
<b>PRE-TAX PROFIT</b>	<b>3,119</b>	<b>3,634</b>	<b>3,876</b>	<b>2,902</b>	<b>2,374</b>
Corporate income tax	(653)	(625)	(962)	(734)	(589)
<b>NET INCOME</b>	<b>2,466</b>	<b>3,009</b>	<b>2,914</b>	<b>2,168</b>	<b>1,785</b>
Minority interests	(747)	(646)	(682)	(422)	(361)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>1,719</b>	<b>2,363</b>	<b>2,232</b>	<b>1,746</b>	<b>1,424</b>

## Additional information

	2002	2001	2000	1999	1998
Dividends (millions of euros)	1,109	1,222	1,123	854	699
Provisions (millions of euros)	610	1,141	1,109	892	725
Number of shareholders	1,179,074	1,203,828	1,299,621	1,267,987	1,337,774
Number of shares (millions) <sup>(1)</sup>	3,196	3,196	3,196	2,931	2,861
Employees	93,093	98,588	108,082	88,556	86,349
• In Spain	31,737	31,686	33,733	37,052	37,847
• Abroad	61,356	66,902	74,349	51,504	48,502
Branches	7,504	7,988	8,946	7,491	7,226
• In Spain	3,414	3,620	3,864	4,336	4,495
• Abroad	4,090	4,368	5,082	3,155	2,731

(1) Data for the years 1998 and 1999 have been re-calculated pursuant to the exchange equation (5 BBV shares to 3 Argentaria shares).





# BBVA Group Branch Network

## In Spain



### BBVAGroup Central Services

#### Bilbao

Gran Vía, 1  
48001 Bilbao  
Tel.: 944 875555  
Fax: 944 876161

#### Madrid

Paseo de la Castellana, 81  
28046 Madrid  
Tel.: 913 746000  
Fax: 913 746202

Paseo de Recoletos, 10  
28001 Madrid  
Tel.: 915 377000  
Fax: 915 377855

### Territorial and Regional Divisions

#### Catalonia Management Division

Plaza Cataluña, 5 - 3ª planta  
08002 Barcelona  
Tel.: 934 043818  
Fax: 934 043883

#### Alicante-Murcia

Rambla Méndez Núñez, 42 -  
1ª planta  
03002 Alicante  
Tel.: 965 208871  
Fax: 963 880042

#### Aragón-Navarra- La Rioja

Manuel Lasala, 42  
50006 Zaragoza  
Tel.: 976 717600  
Fax: 976 563955

#### Baleares-Girona- Lleida-Tarragona

Plaza Cataluña, 5 - 6ª planta  
08002 Barcelona  
Tel.: 934 014500  
Fax: 934 014555

#### Barcelona

Plaza Cataluña, 5 - 5ª planta  
08002 Barcelona  
Tel.: 934 014500  
Fax: 934 014555

#### Basque Country

Gran Vía, 12  
48001 Bilbao  
Tel.: 944 876000  
Fax: 944 875241

#### Canary Islands

Albareda, 6 - 5ª planta  
35008 Las Palmas  
Tel.: 928 451500  
Fax: 928 271411

#### Castilla-León

Duque de la Victoria, 12  
(Ed. Anexo)  
47001 Valladolid  
Tel.: 983 421000  
Fax: 983 421257

#### Eastern Andalusia

Calle Hilera, 45  
29007 Málaga  
Tel.: 952 075202  
Fax: 952 075280

#### Galicia-Asturias

Cantón Pequeño, 18-21 -  
2ª planta  
15003 A Coruña  
Tel.: 981 188500  
Fax: 981 188630

#### Madrid

Alcalá, 16 - 6ª planta  
28014 Madrid  
Tel.: 913 748424  
Fax: 915 315249

#### Mancha- Extremadura

Nueva, 6  
45001 Toledo  
Tel.: 925 287495  
Fax: 925 287460

#### Valencia- Castellón

Pl. Ayuntamiento, 9 -  
3ª planta  
46002 Valencia  
Tel.: 963 880000  
Fax: 963 880042

#### Western Andalusia

Avda. de la Palmera, 61-63  
41013 Sevilla  
Tel.: 954 559000  
Fax: 954 612666

### Domestic Banks

#### Banco de Crédito Local

Plaza Santa Bárbara, 2  
28004 Madrid  
Tel.: 915 376500  
Fax: 915 376525

#### BBVA Finanzia

Julián Camarillo, 4  
28037 Madrid  
Tel.: 913 743916  
Fax: 913 743076

#### BBVA Privanza

Padilla, 17  
28006 Madrid  
Tel.: 913 748700  
Fax: 915 768394

#### Uno-e Bank

Julián Camarillo, 4  
28037 Madrid  
Tel.: 914 536100  
Fax: 914 536101

## Abroad



### Main Branches Outside of Spain

#### Belgium Brussels

Avenue des Arts, 43  
B-1040 Bruxelles  
Tel.: 322/5123262  
Fax: 322/5129318

#### Cayman Islands Grand Cayman

P.O. Box 1115  
Elizabethan Square, 4th  
Fl.  
Georgetown  
Grand Cayman  
Tel.: 1345/9497790  
Fax: 1345/9499086

#### China Hong Kong

63/F - 02 Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong  
Tel.: 852/25823111  
Fax: 852/28244868

#### France Paris

29 Avenue de l'Opéra.  
75001 Paris CEDEX 01  
Tel.: 331/44868300  
Fax: 331/44868488

#### Great Britain London

108 Cannon Street  
EC4N 6EU London  
Tel.: 44207/6233060  
Fax: 44207/9294718

#### Italy Milan

Via Cino del Duca, 8  
20122 Milano  
Tel.: 3902/762961  
Fax: 3902/76296266

#### Puerto Rico San Juan

San Juan  
Torre BBVA, piso 3  
254 Ave. Muñoz Rivera  
San Juan, PR 00918  
Tel.: 1787/7772200  
Fax: 1787/7772217

#### U.S.A. Miami

One Biscayne Tower  
2 South Biscayne Blvd.,  
suite 3301  
Miami FL 33131  
Tel.: 1305/3717544  
Fax: 1305/5774811

#### New York

1345 Av. of the Ameri-  
cas, 45th Fl.  
New York NY 10105  
Tel.: 1212/7281500  
Fax: 1212/3332906

### Representative Offices

#### Argentina Buenos Aires

Av. Pte. Roque Sáenz  
Peña, 832-7º  
1388 Buenos Aires  
Tel.: 5411/43288311  
Fax: 5411/43289209

#### Rosario

Paraguay, 777 - piso 8 -  
Oficina H  
Rosario Santa Fe  
Tel.: 54341/4255356  
Fax: 54341/4113894

#### Belgium Brussels

43 Avenue des Arts  
B-1040 Bruxelles  
Tel.: 322/2892790  
Fax: 322/2892791

#### Brazil

#### Rio de Janeiro

Avda. Rio Branco, 1 Sala.  
709 Centro  
20090 - 003 Rio de Janeiro  
Tel.: 5521/2031282  
Fax: 5521/2339741

#### Sao Paulo

Avda. Paulista, 453,  
13 Andar Conjunto 131  
Cerqueira César  
01311 - 907 Sao Paulo  
Tel.: 5511/2878715  
Fax: 5511/2896469

#### Chile

#### Santiago de Chile

Av. Pedro de Valdivia, 100,  
piso 14  
Torre Provida Providencia  
Santiago de Chile  
Tel.: 562/2314199  
Fax: 562/2344918

#### China

#### Beijing

Scitech Tower 1007  
22, Jianguomenwai Dajie  
Beijing 100004  
Tel.: 8610/65123838  
Fax: 8610/65239154

#### Colombia

#### Santa Fe de Bogotá

Edificio Teleport  
Calle 114, nº 9-01, Torre A,  
piso 7, Oficina 710  
Santa Fe de Bogotá D.C.  
Tel.: 571/6291717  
Fax: 571/6291742

# BBVA Group Branch Network

## Abroad



### **Costa Rica** **San José**

Centro Corporativo  
Plaza Robles  
Edif. el Pórtico piso 2  
Guachipelin de Escazu  
Contiguo al Hotel Real  
Intercontinental  
San José  
Tel.: 506/2902170  
Fax: 506/2902171

### **Cuba** **Havana**

5ª Avenida 4205 e/42 y 44  
Miramar - La Habana  
Tel.: 537/240600  
Fax: 537/249279

### **Dominican Republic** **Santo Domingo**

Edificio Corominas Pepín  
Av. 27 Febrero, 233, piso 7º  
Santo Domingo,  
República Dominicana  
Tel.: 809/5675500  
Fax: 809/5471495

### **Germany** **Frankfurt**

Bettinastrasse, 62  
60325 Frankfurt/Main  
Tel.: 4969/74381000  
Fax: 4969/7432791

### **Guatemala** **Guatemala**

Edificio Centro Financiero  
Industrial  
7ª Avda. 5-10, Zona 4,  
Torre I Nivel 7  
Apartado 1130  
Guatemala City  
Tel.: 502/3311735  
Fax: 502/3321678

### **Indonesia** **Yakarta**

Suite 1704-BRI II Building  
Hl. Jend. Sudirman  
Fav. 44-46  
Jakarta 10210  
Tel.: 6221/5735006  
Fax: 6221/5735009

### **Iran** **Teheran**

3rd. Floor, No 14, 4th Alley  
Shahid Ahmad Ghasir Ave.  
Teheran 15146  
Tel.: 98/21-8734154  
Fax: 98/21-8731089

### **Japan** **Tokyo**

Fukoku Seimei Bldg. 12th  
2-2 Uchisaiwai-cho  
Chiyoda-ku (100 - 0011 Tok-  
yo)  
Tel.: 813/35011076  
Fax: 813/35970249

### **Mexico** **Mexico City.**

Col. Bosques de  
Chapultepec,  
Delegación Miguel Hidalgo  
Rubén Darío, 281, piso 21  
11580 México D.F.  
Tel.: 525/2807608  
Fax: 525/2807497

### **Paraguay** **Asunción**

Yegros 437 - 4º piso,  
esquina 25 de Mayo  
Asunción  
Tel.: 59521/490605  
Fax: 59521/498908

### **Peru** **Lima**

Av. de las Begonias, 441-  
451, ofc. 225-226  
San Isidro - Lima 27  
Tel.: 511/2217107  
Fax: 511/2218008

### **Russia** **Moscow**

B. Gnezdnikovsky  
Pereulok 1/2; 5th Floor  
103 009 Moscow  
Tel.: 7095/7972415  
Fax: 7095/7972413

### **Venezuela** **Caracas**

Torre Hener  
Avda. Guaicaipuro  
c/c Moledano  
Torre Hener 5º, Oficina  
5B,  
El Rosal 1060 Caracas,  
Venezuela  
Tel.: 582/9511150  
Fax: 582/9517763

**Foreign  
Banks**

**Andorra**  
**Banc Internacional**  
**d'Andorra-Banca**  
**Mora**

Avenida Meritxel, 96  
Andorra  
Tel.: 376/884488  
Fax: 376/884499

**Argentina**  
**BBVA Banco**  
**Francés**

Reconquista, 199  
D.P. 1003 Buenos Aires  
Tel.: 5411/43464000  
Fax: 5411/43345618

**Brazil**  
**BBV Brasil**

Rua Cincinato Braga, 340,  
15 Andar  
01333-010 Sao Paulo  
Tel.: 5511/31493000  
Fax: 5511/31494096

**Channel Islands**  
**BBVA Privanza**  
**Bank (Jersey) Ltd.**

2, Mulcalster Str. St. Helier  
Jersey JE4 4WP  
(Channel Islands)  
Tel.: 44/1534/511200  
Fax: 44/1534/511201

**Chile**  
**BBVA Banco BHIF**

Huérfanos, 1234  
Santiago de Chile  
Tel.: 562/6791000  
Fax: 562/6791350

**Colombia**  
**BBVA Banco**  
**Ganadero**

Carrera Novena, nº 72-21,  
piso 5º  
Apdo. 53851/859  
Santa Fe de Bogotá  
Tel.: 571/3124666  
Fax: 571/3214653

**Gibraltar**  
**BBVA Privanza**  
**International**  
**(Gibraltar) Ltd.**

260-262 Main Street  
Gibraltar  
Tel.: 9567/79420  
Fax: 9567/73870

**Mexico**  
**BBVA Bancomer**

Avda. Universidad, 1200  
Colonia Xoco  
CP 03339 México D.F.  
Tel.: 525/55-6213434  
Fax: 525/55-6212905

**Panamá**  
**BBVA Panamá**

Av. Balboa esq. Calles 42 y 43  
Apdo. 8673 Panamá, 5  
República de Panamá  
Tel.: 507/2271122  
Fax: 507/2253744

**Paraguay**  
**BBVA Paraguay**  
Yegros 435 y 25 de Mayo  
Asunción  
Tel.: 59521/492072  
Fax: 59521/448103

**Peru**  
**BBVA Continental**  
Avda. República de Panamá,  
3055 - 3065  
San Isidro - Lima 27  
Tel.: 511/2110006  
Fax: 511/2112463

**Portugal**  
**BBVA Portugal**  
Avda. da Liberdade, 222  
1200-148 Lisboa  
Tel.: 35121/3117200  
Fax: 35121/3117500

**Puerto Rico**  
**BBVA Puerto Rico**  
Torre BBVA, piso 15  
254 Ave. Muñoz Rivera  
San Juan, PR 00918  
Tel.: 1787/7772000  
Fax: 1787/274-5488

**Switzerland**  
**BBVA Privanza**  
**Bank (Suiza)**  
Zeltweg, 63  
Postfach 8021  
8023 Zürich  
Tel.: 411/2659511  
Fax: 411/2519014

**Uruguay**  
**BBVA Banco**  
**Uruguay**  
25 de Mayo, 401  
esquina Zabala  
11000 Montevideo  
Tel.: 598/29161444  
Fax: 598/29165131

**Venezuela**  
**BBVA Banco**  
**Provincial**  
Centro Financiero  
Provincial  
Avda. Este O.  
San Bernardino  
1011 Caracas  
Tel.: 58212/5045111  
Fax: 58212/5041765





2002 Annual Report





# Corporate Governance System

## BBVA BOARD OF DIRECTORS

### BOARD COMMITTEES

	Date of Appointment	Executive Committee	Audit & Compliance Committee	Appointments & Compensation Committee	Risk Committee	Briefing Committee
<b>CHAIRMAN AND CEO</b>						
Mr. Francisco González Rodríguez	28-01-2000	Chairman				
<b>VICE-CHAIRMAN</b>						
Mr. Jesús María Caínzos Fernández *	28-01-2000	Vice-Chairman			Chairman	Member
<b>PRESIDENT AND COO</b>						
Mr. José Ignacio Goirigolzarri Tellaeché	18-12-2001	Member				
<b>DIRECTORS</b>						
Mr. Juan Carlos Álvarez Mezquíriz *	28-01-2000		Member	Member		Member
Mr. Richard C. Breeden *	29-10-2002					Member
Mr. Ramón Bustamante y de la Mora *	28-01-2000		Member		Member	Chairman
Mr. Ignacio Ferrero Jordi *	28-01-2000		Member	Chairman		Member
Mr. Román Knörr Borrás *	28-05-2002	Member				Member
Mr. Ricardo Lacasa Suárez *	28-05-2002		Chairman		Member	Member
Mr. Gregorio Marañón y Bertrán de Lis *	28-01-2000			Member	Member	Member
Mr. Enrique Medina Fernández *	28-01-2000	Member			Member	Member
Ms. Susana Rodríguez Vidarte *	28-05-2002		Member			Member
Mr. José María San Martín Espinós *	28-01-2000	Member		Member		Member
Mr. Jaume Tomás Sabaté *	28-01-2000	Member		Member		Member
Mr. Angel Vilá Boix (Telefónica de España, S.A.)	17-04-2000					Member
<b>DIRECTOR AND SECRETARY OF THE BOARD</b>						
Mr. José Maldonado Ramos	28-01-2000	Secretary		Secretary	Secretary	Secretary

\* Independent Directors.



## THE CORPORATE GOVERNANCE SYSTEM OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

BBVA's Board of Directors, aware of the importance for major institutions to have a system of corporate governance establishing principles that guide the structure and functioning of its corporate bodies in the interest of the Company and its shareholders, adopted a new corporate governance system in 2002.

In the Bank's structure, there are two corporate bodies in a strict sense: the Board of Directors and the Executive Committee, both formed by an important majority of independent Directors.

These are complemented with other Board Committees that have been set up to ensure that this corporate body's duties are performed as best as possible, namely the Audit and Compliance Committee and the Appointments and Compensation Committee, formed by Directors who must be independent Directors.

Furthermore, its status as a financial institution advises strengthening the function which the Board of Directors must carry out as the party responsible, in the last instance, for the periodic review of the Bank's risk strategies and policies. The Board is therefore supported by a specific Risk Committee serving such purpose.

The rights and duties of the Directors, a consequence of conduct and ethical principles, are laid down in the new BBVA's Director's Code, an essential element of its system of governance.

The Bank's new system of corporate governance is constituted by the Principles of Corporate Governance, the determination of the duties and terms of reference of the Board's different Committees, and the Director's Code.



However, it is conceived as a dynamic process, which must be analyzed periodically in line with the evolution of the Company, of the results occurring in the implementation thereof, of any regulations that may be established, and of recommendations made on the best market practices adapted to the corporate reality.

## The Bank's Board of Directors

Pursuant to the Corporate Bylaws, BBVA's Board of Directors constitutes the natural body of representation, administration, management and control of the company. In such regard, it is responsible for reviewing and guiding the corporate strategy, the most important action plans, risk policies, annual budgets and plans, as well as for establishing objectives, monitoring the implementation thereof and their attainment at corporate level, and supervising the principal capital assignments, divestments and acquisitions.

The number of Directors sitting on the Board shall fall within the limits established by the Bylaws and the resolutions passed by the Company's General Shareholders' Meeting, although it should not be more than eighteen, according to the BBVA Principles of Corporate Governance.

The Directors may be executive or non-executive Directors. Executive Directors are those with general powers to represent the Company delegated to them on a permanent basis.

The Board shall be formed such that at least two thirds of its members at any one time are independent Directors, i.e. non-executive Directors who are not in any of the following situations:

- Are shareholders in the Company, or have been appointed because of a special relationship with any of its shareholder, when the shareholding, in either of these cases, is more than three percent of the shares with voting rights.
- Organizations entitled to a seat on the Board of the Bank or the individuals they may have appointed as their representatives.
- Have been executive Director, or a member of the Senior Management of the Company, or executive Director, or a member of the Senior Management of the Auditing Firm which is or has been auditing the Company, until three years have elapsed since this situation ceased.
- Have been executive Director, or a member of the Senior Management of the Company, or executive Director, or a member of the Senior Management of the Auditing Firm which is or has been auditing the Company, until three years have elapsed since this situation ceased.
- Have a family relationship with any of the individuals mentioned above, or be in other circumstances that the Board of Directors may deem to impair their independence.

The Bank's Executive Committee must consist of a majority of independent directors, and only independent directors may be members of the Audit Committee and the Appointments and Compensation Committee.

The Chair of the Board shall be Chairman of the Company and, consequently, the Chief Executive Officer of the Bank, and is entitled not just to the attributes established in the Corporate Bylaws, but also, by delegation from the Board, to all the powers inherent to such position with which to exercise effective management of the Company.

The Bank's Board of Directors acts as a corporate body, by means of periodic meetings in which the most important matters affecting the Bank are addressed.

For the best performance of its duties, and in accordance with internationally accepted principles of good corporate governance, the Board has created the Audit and Compliance Committee; the Appointments and Compensation Committee; the Risk Committee; and a specific committee that serves to contribute to the Directors' knowledge about the Bank's organization and activities.

On 31 December 2002, the Board of Directors was formed by 16 active Directors, only three of whom are executive Directors.

Their rights and obligations are stipulated by law, the Corporate Bylaws, and by the rules contained in the BBVA Corporate Governance System, and in particular by the Director's Code. They are also subject to the Securities Market Code of Conduct approved by the Bank's Board of Directors.

## Director's Code

The new Code adopted by the Bank's Board of Directors is an essential part of the rules of the BBVA Corporate Governance System, and is oriented towards the Principles of Governance that inspire the system as a whole.

Essentially, it is a code of ethics and conduct, but also serves to define the rights and obligations of the Directors, and lay down their rules of conduct within the Bank.

The Code is divided into sections, each of which regulate different issues and which are reasonably grouped below to facilitate their understanding:

### **Appointment and Re-election of Directors**

The qualifications of the persons proposed for appointment as members of the Board of Directors shall be assessed by the Appointments and Compensation Committee with due reference to the candidates' personal and professional attributes, as well as the needs of the Company's governing bodies at any time.

When proposals for re-electing Directors are made, the Bank's Board of Directors will evaluate the performance of directorship duties of Directors proposed for a further term, their dedication, and such other circumstances as may make it advisable to re-elect them or not.

### **Term of directorships**

Directors shall retire from their directorships at the age of 70, and the Chairman, as Chief Executive Officer, shall retire at the age of 65, continuing to sit on the Board as Director. Their respective resignations should be instrumented in the first session of the Bank's Board of Directors to be held after the General Shareholders Meeting that approves the accounts for the year in which they reach said age.

The executive Directors of the Bank will retire from their executive posts at the age of 62, following the same timing rules as established in the above paragraph. When, for this or any other reasons, they cease to be executive Directors, they shall place their membership of the Bank's Board of Directors at the disposal of said Board, which may agree that they should continue to be Directors notwithstanding.

Non-executive Directors shall cease to be members of the different Board Committees three years after they are appointed, although the Board of Directors may decide to re-elect them.

### **Performance of Directors' duties**

The members of the Bank's Board of Directors shall carry out the duties inherent to their post on the Board and on the Board Committees on which they sit, according to the Law, the Corporate Bylaws, the Bank's rules on Corporate Governance, and the resolutions adopted in this respect by the Company's administrative bodies.

The Director will be required to attend the meetings of the corporate bodies and Committees of which he forms part, except for just cause, and participate in the deliberations, discussions and debates thereof, with regard to the matters which arise at such meetings.



The Directors shall have sufficient information to be able to form criteria regarding the issues related to the Bank's corporate bodies, and the information shall be furnished as far in advance as required in each case, Directors may propose to the Board of Directors that external experts, not directly involved in the Bank, be brought in on matters submitted to their consideration, whose special complexity or importance they deem to require such help.

The deliberations of the corporate bodies are secret. Consequently, Directors shall keep secret the deliberations of the Board and the Committees on which they sit, and all information to which they may have access in the exercise of their post, which they shall use exclusively in pursuit of their duties and shall look after with due diligence. The obligation of confidentiality shall remain in force even after they have ceased to hold the post.

### **Ethics and Code of Conduct**

Directors shall behave ethically in their activities, in keeping with the statutory requirements applicable to those who pursue directorship duties in mercantile companies, and more particularly financial institutions, in good faith, and according to the principles constituting the values of the BBVA Group.

In this Code, this means the regulation of such conflicts as may arise between the interests of the Directors and/or their family members, and the interests of the Bank and its Group, as well as of the instances of incompatibility preventing them from exercising their duties as Directors, amongst other aspects.

Directors shall abstain from attending and taking part in cases from which a conflict of interest with the Company may ensue.

They shall not be present in the deliberations of the corporate bodies they sit on when these relate to affairs in which they may have a direct or indirect interest, nor shall they carry out personal, professional or commercial transactions with the Company or its subsidiaries, other than habitual banking relations, unless these are subject to procurement procedures of guaranteed transparency, with competitive bidding and at market prices.

Directors shall also abstain from having a direct or indirect stake in businesses or companies in which the Bank or its subsidiaries have a holding, unless it predates their joining the Board or the Bank or its subsidiaries' taking out the holding, or the companies are listed on domestic or international stock markets, or the stake is authorized by the Board of Directors.

Directors may not use their position in the Company to obtain material advantage, nor take advantage of any business opportunities that they may get to know of in pursuit of their activity as Director of the Bank, whether to their own direct or indirect profit.

### **Incompatibilities**

In pursuit of their duties, Directors shall be subject to the general regime of incompatibilities, and in particular to the provisions regarding senior management in banking.

However, the Director's Code also establishes specific rules regarding cases of strict incompatibility for the performance of specific duties inside and outside the BBVA Group, except in those cases expressly authorized by the Bank's corporate bodies.

In accordance with these incompatibility regulations, Directors may not: provide professional services or be an employee, manager or director in companies competing with the Bank or any company of its Group, hold administrative posts in any of the companies in which the Bank holds shares, or in any company of its Corporate Group, or perform any activity that may in any way affect the image of the Company.

### **Dismissal of Directors**

Directors shall place their post at the disposal of the Board of Directors and accept whatever decision the Board may adopt regarding whether or not they should continue as a member. Should the Board decide that they should not, they shall formally tender their resignation in the following cases:

- Should they fall into any of the categories entailing incompatibility or proscription stipulated in the prevailing regulations, in the Bylaws or in the Directors' Code.
- Should significant changes take place in their professional situation or in the character by virtue of which they were appointed Directors.
- Should they be in serious breach of their duties as Directors.
- Should events for which the Director, acting as such, may be responsible have occasioned serious damage to the Company's assets, or should they lose the commercial and professional honourability necessary to hold a directorship in the Bank.

#### **Incompatibility after severance**

Directors who cease to belong to the Bank's Board of Directors may not provide services to any other financial institution competing with the bank or any of its subsidiaries for two years after leaving the Board, unless the Board should expressly authorise them to do so. This authorisation may be denied on the ground of the Company's best interest.

## **Executive Committee**

Moreover, the Board has delegated all its management authority to the Executive Committee, except for those matters that are legally or statutorily its responsibility due to their crucial nature.

On 31 December 2002, this Committee was formed by seven members, two executive directors and five independent directors, as follows:

<b>CHAIRMAN AND CEO:</b>	Mr. Francisco González Rodríguez
<b>VICE-CHAIRMAN:</b>	Mr. Jesús María Caínzos Fernández
<b>PRESIDENT AND COO:</b>	Mr. José Ignacio Goirigolzarri Tellaeche
<b>DIRECTORS:</b>	Mr. Román Knörr Borrás
	Mr. Enrique Medina Fernández
	Mr. José María San Martín Espinós
	Mr. Jaume Tomás Sabaté

According to the Corporate Bylaws, its duties, among others, are to draw up and propose the general policy guidelines, the criteria to be followed in creating programs and indicating targets, examining proposals presented in this respect, comparing and authorizing the actions and results regarding any direct or indirect activities carried out by the bank; to determine the investment volume for each of them; to approve or reject operations, deciding on the types and conditions; to order internal or external inspections and audits in any or all areas of the bank's business; and, generally, to exercise such authorities as may be delegated by the Board of Directors.

The Executive Committee holds ordinary meetings three times a month, and during 2002 it held a total of 32 meetings.

The matters submitted to the Executive Committee's consideration during 2002 referred, among others, to the following issues:

- The Group's Financial Plan, commitments made to the markets, and regular monitoring of the income statement.
- Strategic and specific projects.
- Investments and divestments of special relevance.

- Credit risk transactions that entail high amounts or are particularly important and must be authorised by the Committee, establishment of market risk limits, and general review of the Group's risk policy.
- Granting of powers that refer to specific areas or actions, or that differ significantly from the Bank's general models.
- Proposals regarding appointments in investee companies.
- Specific issues which, on account of their special interest, have been submitted to the Executive Committee's consideration.

## Audit and Compliance Committee

The Board of Directors has an Audit and Compliance Committee for supervising both the financial statements as well as the exercise of the BBVA Group control function. This Committee will be vested with the powers and resources necessary for the exercise of this fundamental function within the corporate sphere.

In accordance with the BBVA Principles of Corporate Governance, it is formed exclusively by independent Directors, who may not be members of the Bank's Executive Committee, with the dedication, capacity and experience necessary for carrying out their duty.

On 31 December 2002, the Audit and Compliance Committee members were:

<b>CHAIRMAN:</b>	Mr. Ricardo Lacasa Suárez
<b>MEMBERS:</b>	Mr. Juan Carlos Álvarez Mezquíriz
	Mr. Ramón Bustamante y de la Mora
	Mr. Ignacio Ferrero Jordi
	Mrs. Susana Rodríguez Vidarte

This Committee has specific regulations, approved by the Board of Directors, which determine its functions, and establish the procedures to enable it to comply with its mission. In this regard, the following represents the sphere of its functions:

- To supervise the sufficiency, adequacy and efficient functioning of internal control systems in such a manner that, on the one hand, the correctness, reliability, sufficiency and clarity of the financial statements of both the Bank as well as of its consolidated Group, as contained in the annual and quarterly Reports and, on the other hand, the accounting or financial information which may be required by the Bank of Spain or other regulatory bodies, including those pertaining to countries where the Group carries out activities, is assured.
- To monitor compliance with applicable domestic or international regulations, in matters relating to money-laundering, conduct in the securities markets, data protection, and the scope of the Group's actions in the area of competition, as well as that the requests for information or action made by official bodies holding competency in these areas are fulfilled in time and form.
- To assure that the Ethical Codes and Code of Conduct, internal and vis-à-vis the securities market, applicable to the Group's personnel, meet regulatory requirements and are adequate for the Institution.
- To especially strive to comply with the provisions contained in BBVA's Director's Code, as well as for the compliance by Directors of regulations applicable to conduct in the securities markets.

The Committee may outsource the contracting of advisory services in material matters when it is considered that, due to reasons of specialization or independence, these cannot be rendered by experts or technical staff of the Group.

The Audit and Compliance Committee meets as frequently as is necessary in order to fulfil its functions, although an annual meeting schedule is drawn up in accordance with its tasks, and since 28 June 2002 –the date on which it was formed– the Audit and Compliance Committee has met on seven occasions.

The matters discussed at this Committee's meetings in 2002 included the following:

- Analysis of the quarterly earnings of the Bank and its consolidated group.
- Preview of the 2002 annual closing of accounts.
- Annual external audit plan for the financial year 2002.
- Follow-up of external audit activities.
- 2002 external audit fees.
- External auditors in the consolidated Group's affiliates.
- Annual internal audit plan for the financial year 2002 and special plans.
- Follow-up of internal audit activities.
- Internal audit master plan.
- Compliance Area activity plan for the financial year 2002.
- Presentations about the Group's different banks in America.
- Information on communications from the Bank of Spain and other regulatory authorities.

As a result of the work it performed during the year, the Audit and Compliance Committee approved the Bank's and the Consolidated Group's Accounts and Management Report for the financial year 2002, and informed the Bank's Board of Directors accordingly.

Moreover, in January 2003, the Audit and Compliance Committee made a proposal to the Board of Directors for Deloitte & Touche España, S.L. to be re-elected as the Company's Auditors, and for this proposal to be submitted to the Bank's General Shareholders' Meeting.

## Appointments and Compensation Committee

In accordance with the BBVA Principles of Corporate Governance, the qualification of the persons proposed to be appointed as members of the Bank's Board of Directors must be evaluated by the Board's Appointments and Compensation Committee, considering the personal and professional conditions of the candidate, as well as the needs which the company's governing bodies may have from time to time.

This Committee assists the Board of Directors with matters related to remuneration, and is responsible for proposing the remuneration system for the Board as a whole, evaluating the responsibility, dedication and incompatibilities which are required of the Bank's Directors, the members of this Committee determining the extension and amount of remuneration, rights and compensation of an economic content of the Company's Chairman and CEO and other executive Directors.

This Committee also analyses proposals for multi-annual incentive plans which affect the Bank's Senior Management and, in particular, those which may be established in respect of the value of the share, and will be made aware of the fundamental aspects relating to the general salary policy of the Bank and of the members of the Executive Committee.

All the members of this Committee must be independent Directors, and on 31 December 2002 its members were as follows:

**CHAIRMAN:**

Mr. Ignacio Ferrero Jordi

**MEMBERS:**

Mr. Juan Carlos Álvarez Mezquíriz

Mr. Gregorio Marañón y Bertrán de Lis

Mr. José María San Martín Espinós

Mr. Jaume Tomás Sabaté

The Appointments and Compensation Committee meets as often as is necessary to fulfil its duties, and has held eight meetings since 28 June 2002, the date on it was formed.

Since then, the Committee has focused its work on examining the Board of Directors' remuneration system applicable to the Directors.

Furthermore, it has examined the contractual terms and conditions applicable to the Bank's executive directors, and their remuneration.

It has analysed the remuneration policy applied to the Bank's Senior Management, and the average fixed and variable remuneration of the members of the Steering Committee.

Finally, it has drawn up a proposal regarding a new remuneration system applicable to the Board of Directors, and a new benefit scheme to replace the one in force until now, which was adopted by the Board, and is described hereunder.

## Risk Committee

The Risk Committee has been created to ensure the analysis and periodic monitoring of risk management within the sphere of the attributes of the Bank's management bodies. Formed by a majority of independent Directors, its mission is to analyse and evaluate proposals on the Group's risk strategy and policies, the approval of which is vested in the Bank's Executive Committee, and to monitor the degree of adequacy of the aggregate risks assumed, approving transactions within the system of delegation to be established in each case, and verifying that the Group is equipped with the means, systems, structures and resources which pertain to the best practices of the market in this area.

On 31 December 2002 the Risk Committee members were:

**CHAIRMAN:**

Mr. Jesús María Caínzos Fernández

**MEMBERS:**

Mr. Ramón Bustamante y de la Mora

Mr. Ricardo Lacasa Suárez

Mr. Gregorio Marañón y Bertrán de Lis

Mr. Enrique Medina Fernández

The Committee accomplishes its duties by holding regular meetings that are mainly devoted to covering two different spheres of action: one, reviewing and approving customer and transaction credit risk proposals; and the other, performing the Committee's other duties, including the review of the Bank's risk profile, risk policies, and the active monitoring of risk exposure, in other words, in general, "Policies and Risks".

The Risk Committee held its first meeting on 2 July, and drew up a calendar that established two meetings a week to discuss transaction issues, and a weekly meeting to discuss policies and risks. Accordingly, between July and December 2002, the Committee held forty meetings to examine transactions and sixteen meetings to analyse policies and risks.



All the Group transactions involving a credit risk that exceeded the authorised limits of the Central Risk Control Unit been revised by and submitted to the Committee's approval and any transactions involving a given amount of credit risk or reputational risk were referred for final approval to the Executive Committee, pursuant to the Delegation Rule.

In December, and after confirming the positive experience in the use of rating and scoring tools, the Committee proposed to the Executive Committee a change in the Delegation Rule that was approved on 23 December 2002, which will allow the Committee to dedicate more time to policies and risks and to the study and review of the Bank's main customers, economic sectors, geographical areas and types of risk.

Furthermore, the Committee, together with the Bank's Risk Department, drew up an agenda for the review and discussion of the tools currently in place in the Bank and of the Basel II-related projects, including the monthly monitoring of the different types of risks. By December, the Committee had completed approximately two thirds of the items on the agenda and expects to complete it in the first quarter of 2003.

## Board Briefing Committee

The mission of the Board Briefing Committee is to ensure that the Bank's Directors, and in particular the independent directors, are informed not only about the matters that are submitted to the Board or to the meetings of the Committees of which they form part, but also about other matters that serve to form criteria about the Group as a whole.

This Committee responds to one of the Bank's Principles of Corporate Governance, which establishes that for the best knowledge of the Bank's organization and activity, there will be a specific Board Committee, to which the Group's executive area will periodically present those subjects which, due to their importance or status as current events, are deemed to be able to contribute towards the continued training of the Director for the best performance of his duties at the Company.

It is formed by all the members of the Bank's Board of Directors, although generally speaking, on account of its nature the executive Directors do not attend its meetings. The Committee Chairman is an independent Director, Mr. Ramón Bustamante y de la Mora, who chairs the meetings and establishes the Committee's Agenda with the executive area.

During 2002, the Briefing Committee held twelve meetings, at which it discussed the following issues, among others:

- Retail Banking in Spain and Portugal.
- Mortgage Banking: BBVA's position in the development business.
- Wholesale and Investment Banking.
- Banking in America.
- State of the Argentinean economy.
- BBVA Bancomer.
- Industrial and Real Estate Group.
- Asset Management and Private Banking.
- Operations and Systems and Computer Systems Area.
- Risks Area.
- Human Resources.
- Quality.

- Economic Research Department.
- Banking financial statements. Structure and regulations.
- Global Markets and Distribution Area.
- Market risk in the Global Markets and Distribution Areas

## Board of Directors' remuneration system

Within the framework established in the Bylaws, the Board of Directors' remuneration system consisted of a combined package of fixed remuneration, and an allowance for attending the meetings of the Board of Directors, the Executive Committee, and the Board's other Committees.

However, on 28 June 2002 the Compensation Committee analysed this remuneration system, and considered that it should be replaced by a new system which, within the framework established in the Bylaws, would comply better with the new Corporate Governance System that had been adopted by the Bank's Board of Directors, linking Directors' remuneration to the principles of responsibility in discharging their post, dedication, and incompatibilities.

This new remuneration system, which has been proposed to and accepted by the Board, comprises the determination of a fixed amount to which Board members are entitled as Directors, evaluating the responsibility, dedication and incompatibilities that such directorship involves, and another fixed amount for the members of the Executive Committee, in accordance with the duties performed by the Committee as the Board of Directors' delegate body.

Taking into account that the Board operates through other Committees formed by Directors: namely the Audit and Compliance Committee, Risk Committee and the Appointments and Compensation Committee, Directors also received a fixed amount for membership of these Board Committees, which also evaluates the responsibility, dedication and incompatibilities that such membership involves, a greater weighting being given to the Chairmanship of each Committee, including the Chairmanship of the Board Briefing Committee.

This new remuneration system came into force on 1 May 2002, and therefore during the year, two different remuneration systems were applied to the Board members in their capacity as such, the first based essentially on attendance fees, and the second based on the dedication, responsibility and incompatibilities inherent to BBVA Directorship.

The following amounts of remuneration have been accrued under the new remuneration system adopted by the Board of Directors, since May 2002:

	Thousands of euros
• Board of Directors:	2,484
• Executive Committee:	982
• Audit and Compliance Committee:	260
• Appointments and Compensation Committee:	133
• Risk Committee:	260
• Briefing Committee:	40

As at 31.12.2002, the remuneration of all the members of the Bank's Steering Committee amounted to €6,735,000 of fixed remuneration, and €22,112,000 of variable remuneration, including the payment of the extraordinary incentives -not linked to share performance - for 2000 and 2001.

## Compliance

### General aspects

BBVA considers that corporate integrity, this meaning systematically observing strict standards of ethical conduct, is the only way to safeguard the confidence of society in the capacity of an institution to sustain fulfillment of its commitments, and thus create stable value.

The BBVA Compliance System implies, in terms of policies, procedures and resources, the priority goal in the management and administration of the Group's operations: which is to efficiently preserve corporate integrity. This goal, expressed in terms of personal attitude, becomes the main responsibility of all the people involved in the performance of our business (directors, officers and employees, agents, outsourcers, etc.).

The BBVA corporate integrity policy (which includes the codes of conduct adopted by the Group) is approved by the Board of Directors upon a proposal by an Executive Advisory Group formed by officers from the Chairman's Office responsible for Internal Auditing and Global Compliance (who is responsible for promoting initiatives adapted to best market practices) and others representing the business areas and Operations and Systems areas.

The Compliance units, under the management of the business units, assess and supervise internal procedures and controls, which must ensure that the activities of the Group are performed in compliance with the applicable rules, principles and standards of conduct, and that any possible incidents are detected and promptly dealt with and reported to the executive level or the relevant body (the Group's Auditing and Compliance Committee in particularly serious situations).

### Prevention of money-laundering and funding of terrorist activities

The prevention of the use of the Group's products and services for illegal purposes and, in particular, related to laundering money from criminal activities and financing terrorist activities is one of the main goals of the BBVA Compliance System.

In 2002, BBVA created an intelligence division, under the management of Global Compliance, exclusively dedicated to ensuring that the Group's policies, procedures and systems in this matter are in line with the best practices in the international financial industry and adapted to the changes taking place in criminal techniques.

New developments in terms of IT systems (particularly in private banking and international correspondence), along with a considerable increase in human resources assigned to the central Monitoring and Investigation divisions, have effectively strengthened our capacity to detect suspicious activities in the Group as a whole.

Since September 2001, the Group has placed special emphasis, and will continue to do so in the future, on collaborating with the authorities in hunting down possible financial connections of international terrorism.

In 2002, following an agreement with the Secretary General of the Organization of American States (OAS) and the Inter-American Development Bank (IDB), BBVA also developed a multimedia training course, based on materials created by these international bodies, aimed towards providing efficient knowledge regarding the prevention of money-laundering between private and public financial institutions in Latin America, to which these institutions provide services.

### Rules of conduct related to securities market dealings

In 2000 the Board of Directors of BBVA adopted the BBVA Group Code of Conduct within the scope of the Securities Markets. This Code, which has been adapted to the Financial System Reform Act at the

beginning of 2003, establishes the necessary procedures for ensuring a controlled and responsible flow of privileged information within the Group, along with a series of guidelines aimed at controlling dealings in the securities market by managers, officers and employees whose activities in the Group are related to such markets, and other aspects with the final aim of furthering transparency in the securities markets, preserving, at all times, investors' interests.

In addition, in line with the BBVA criteria to follow standards that consolidate its commitment with efficient market dealings and transparency, the Group has adopted the principles contained in Standard 2711 of the National Association of Securities Dealers (approved by the United States Securities Exchange Commission in May 2002) and implements the internal procedures that must ensure its compliance. Application of the aforementioned principles reinforces the objectivity and independence that are required in technical opinions on securities provided in the market by financial institutions offering these kinds of services to their customers.

### Privacy

The internal operational model has been implemented throughout 2002 to ensure ongoing compliance of the requirements imposed by Spanish personal data protection regulations (including the security measures imposed by regulations that must be implemented by June 26).

Simultaneously, a specific training plan has been implemented for all the staff, using various multimedia methodologies, in addition to presence classes adapted to the features of the business in the recipient area. Others prepared through the BBVA Intranet provide continuous updated information on this subject.

## Shares owned by the Directors

Directors	Shares (direct)	Shares (indirect)	Total	Percentage of capital
Mr. Juan Carlos Álvarez Mezquíríz	30,530	-	30,530	0.0010
Mr. Richard C. Breeden	8,000	-	8,000	0.0003
Mr. Ramón Bustamante y de la Mora	10,139	330	10,469	0.0003
Mr. Jesús María Caínzos Fernández	43,286	1,168	44,454	0.0014
Mr. Ignacio Ferrero Jordi	2,273	7,000	9,273	0.0003
Mr. José Ignacio Goirigolzarri Tellaeche	117,612	281,819	399,431	0.0125
Mr. Francisco González Rodríguez	666	1,139,626	1,140,292	0.0357
Mr. Román Knörr Borrás	13,102	1,774	14,876	0.0005
Mr. Ricardo Lacasa Suárez	8,050	-	8,050	0.0003
Mr. José Maldonado Ramos	11,537	-	11,537	0.0004
Mr. Gregorio Marañón y Bertrán de Lis	27,822	50,600	78,422	0.0025
Mr. Enrique Medina Fernández	25,188	941	26,129	0.0008
Ms. Susana Rodríguez Vidarte	9,607	-	9,607	0.0003
Mr. José María San Martín Espinós	18,490	33,087	51,577	0.0016
Grupo Telefónica	-	36,205,223	36,205,223	1.1329
Mr. Jaume Tomás Sabaté	2,534	-	2,534	0.0001
	328,836	37,721,568	38,050,404	1.1906

## STEERING COMMITTEE

### CHAIRMAN AND CEO

Mr. Francisco González Rodríguez

### PRESIDENT AND COO

Mr. José Ignacio Goirigolzarri Tellaeché

### OTHER MEMBERS OF THE STEERING COMMITTEE

Mr. José María Abril Pérez	Wholesale and Investment Banking
Mr. Eduardo Arbizu Lostao	Legal
Mr. Ángel Cano Fernández	Human Resources and Services
Mr. Manuel González Cid *	Finance Division
Mr. Julio López Gómez	Retail Banking – Spain and Portugal
Mr. José Maldonado Ramos	General Secretariat
Mr. Manuel Méndez del Río	Risks
Mr. Vitalino Nafría Aznar	America
Mr. Ignacio Sánchez-Asiaín Sanz	Operations and Systems
Mr. José Sevilla Álvarez *	Chairmanship Area

\* Appointed on January 2003

On 31 December 2002 the following people were also members of the Steering Committee: Mr. José Antonio Fernández Rivero, Mr. José Fonollosa García, Mr. Antonio Ortega Parra and Mr. Gregorio Villalabeitia Galarraga.



*Banco Bilbao Vizcaya Argentaria, S.A. was formed as a consequence of the merger of Banco Bilbao Vizcaya, S.A. and Argentaria, Caja Postal y Banco Hipotecario, S.A., by public deed executed on January 25, 2000 in the presence of Bilbao Notary Public José María Arriola Arana, under number 149 of his official record, and was registered at the Vizcaya Mercantile Registry on January 28, 2000, under volume 3858, folio 1, section 8, page BI-17-1, entry number 1,035<sup>a</sup>.*

*Banco Bilbao Vizcaya Argentaria is registered in the Bank of Spain's Special Bankers Registry under number 182. Its tax identification number is A-48265169.*

*The Bank has its registered offices in Bilbao (Vizcaya), at Plaza de San Nicolás, 4, where public information on the Company may be consulted. The Corporate Bylaws may be examined at the Mercantile Registry of the province of Vizcaya.*

*Banco Bilbao Vizcaya Argentaria is a member of the Spanish Deposit Guarantee Fund.*

#### INVESTOR RELATIONS

- MADRID 28046 - Pº Castellana, 81 - 14th floor  
Tel: 34-91 537 52 40 / 73 20 and  
34-91 374 42 22  
Fax: 34-91 537 85 12  
e-mail: inversores@grupobbva.com
- NEW YORK - 1345 Ave. of the Americas,  
45th floor, NY 10105  
Tel: 1-212-728 16 60  
Fax: 1-212-333 29 05  
e-mail: julissa.bonfante@bbvany.com

The 2002 Annual Report is available in its entirety at the following Internet address:  
<http://www.bbva.es>

**BBVA**