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Month ended	High	Low
May 31, 2003	1.1853	1.1200
June 30, 2003 (through June 20)	1.1870	1.1616

The noon buying rate for euros in New York city for cable transfers from the Federal Reserve Bank of New York, expressed in dollars per €1.00, on June 20, 2003, was 1.1616.

At December 31, 2002, approximately 36.7% of our assets and approximately 38.4% of our liabilities were denominated in currencies other than euros (principally dollars).

For a discussion of our foreign currency exposure, please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Market Risk Management—Market risk in 2002—Structural foreign exchange risk".

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Relating to us

Since our loan portfolio is highly concentrated in Spain, adverse changes affecting the Spanish economy could have a material adverse effect on our financial condition.

We historically have developed our lending business in Spain, which continues to be our main place of business. As of December 31, 2002, business activity in Spain accounted for 71.48% of our loan portfolio. See "Item 4. Information on the Company—Selected Statistical Information—Loans by Geographic Area". Any adverse changes affecting the Spanish economy are likely to have a significant adverse impact on our loan portfolio and, as a result, on our financial condition and results of operations.

A substantial percentage of our customer base is particularly sensitive to adverse developments in the economy, which renders our lending activities relatively riskier than if we lent primarily to higher-income customer segments.

Medium- and small-size companies and middle and lower middle income individuals typically have less financial strength than large companies and high-income individuals and accordingly can be expected to be more negatively affected by adverse developments in the economy. As a result, it is generally accepted that lending to these segments of our existing and targeted customer base represents a relatively higher degree of risk than lending to other groups.

A substantial portion of our loan portfolio consists of residential mortgages and consumer loans to middle and lower middle income customers and commercial loans to medium and small companies. Consequently, during periods of slowdown in economic activity we may experience higher levels of past due amounts which could result in higher levels of allowance for loan losses. We cannot assure you that we will not suffer substantial adverse effects on our base portfolio to these customer segments in the event of adverse developments in the economy.

Increased exposure to real estate in Spain makes us more vulnerable to developments in this market.

The decrease in interest rates in Spain has caused an increase in the demand of mortgage loans in the last few years. This has had repercussions in housing prices, which have also risen strongly. As residential mortgages are one of our main assets, comprising between 30% and 40% of our loan portfolio, we are currently highly exposed to developments in real estate markets. A strong increase in interest rates in Spain might have a significant negative impact in mortgage payment delinquency rates. An increase in delinquency rates could have an adverse effect on our business, financial condition and results of operations.

Highly-indebted households and corporations could endanger asset quality and future revenues.

Spanish households and firms have reached, in recent years, a high indebtedness level, which represents increased risk for the Spanish banking system. The increase of loans referenced to variable rates make debt service on such loans more vulnerable to changes in interest rates than in the past. Finally, the increase in households' and firms' indebtedness limits their future ability to incur additional debt, decreasing the number of new products we may otherwise be able to sell them.

A sudden shortage of funds could cause an increase in our costs of funding and an adverse effect on our operating revenues.

Historically, one of our principal sources of funds has been savings and demand deposits. Time deposits represented 36.1%, 36.2% and 35.0% of total funding at December 31, 2000, 2001 and 2002, respectively. Large-denomination time deposits may, under some circumstances, be a less stable source of deposits than savings and demand deposits. In addition, since we rely heavily on short-term deposits for our funding, we cannot assure you that, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets in which we operate, we will be able to maintain our levels of funding without incurring higher funding costs or having to liquidate certain of our assets.

We face increasing competition in our business lines.

The markets in which we operate are highly competitive. Recent financial sector reforms in the markets in which we operate have increased competition among both local and foreign financial institutions, and we believe that this trend will continue. For example, the adoption of the euro as the common currency throughout the EU is making it easier for European banks to compete against us in Spain. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which we must now compete.

We also face competition from non-bank competitors, such as:

- department stores (for some credit products);
- leasing companies;
- factoring companies;
- mutual funds;
- pension funds; and
- insurance companies.

We cannot assure you that this competition will not adversely affect our business, financial condition and results of operations.

Our business is particularly vulnerable to volatility in interest rates.

Our results of operations are substantially dependent upon the level of our net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are highly sensitive to many factors beyond our control, including deregulation of the financial sectors in the markets in which we operate, monetary policies pursued by national governments, domestic and international economic and political conditions and other factors.

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities. These changes could result in an increase in interest expense relative to interest income leading to a reduction in our net interest income.

In addition, income from treasury operations is particularly vulnerable to interest rate volatility. Finally, since 70.98% of our portfolio consists of variable interest rate loans maturing in more than one year, rising interest rates may also bring about an increase in the non-performing loan portfolio.

Our financial statements and periodic disclosure under securities laws may not give you the same information as financial statements prepared under U.S. accounting rules and periodic disclosures provided by domestic U.S. issuers.

Publicly available information about public companies in Spain is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States. In addition, although we are subject to the periodic reporting requirements of the Securities Exchange Act of 1934 (the “Exchange Act”), the periodic disclosure required of foreign issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. Finally, we maintain our financial accounts and records and prepare our financial statements in conformity with Spanish GAAP, which differs in certain respects from U.S. GAAP, which is the financial reporting standard to which many investors in the United States may be better accustomed.

Risks Relating to Latin America

The devaluation of the Argentinean peso, the adverse macroeconomic conditions prevailing in Argentina and emergency measures adopted by the Argentinean government have had, and may continue to have, a material adverse effect on our business, financial condition and results of operations.

Argentina’s economic situation deteriorated sharply in late 2001. The beginning of 2002 was marked by the continued flight of capital out of Argentina, the end of convertibility of the peso, devaluation, and the return of inflation. The crisis had a strong impact on the financial system and jeopardized the solvency and liquidity of banks.

As a result of the measures described in “Item 4. Information on the Company––Business Overview—Business Areas—Argentina”, we have written off our entire investment in Argentina to date. However, despite our provisions and writedowns, the situation in Argentina may continue to have a material adverse effect on our financial condition and results of operations.

We cannot assure you that the laws and regulations currently governing the Argentinean economy will not change in the future, in particular in light of uncertainty over the newly-elected government, or that any changes which may occur will not adversely affect our business, financial condition or results of our operations in the country, or the business which we transact with counterparties located in the country.

Risks relating to our investments in Argentina in light of the current social and political crises include the potential for: (i) civil unrest, rioting, looting, nationwide protests, widespread social unrest and strikes; (ii) expropriation, nationalization and forced renegotiation or modification of existing contracts; (iii) additional restrictions on repatriation of investments and transfer of funds abroad; (iv) adverse changes to taxation policies, including retroactive tax claims; and (v) further changes in laws and policies of Argentina affecting foreign trade and investment.

Our Latin American subsidiaries’ growth, asset quality and profitability may be affected by volatile macroeconomic conditions, including government default on public debt, in the Latin American countries where they operate.

The Latin American countries where we operate have experienced significant economic volatility in recent decades, characterized by slow growth, declining investment and significant inflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend. Negative and fluctuating economic conditions, such as a changing interest rate environment, also affect our profitability by causing lending margins to decrease and leading to decreased demand for higher-margin products and services.

Negative and fluctuating economic conditions in some Latin American countries could result in government defaults on public debt. This could affect us in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in several countries.

While we seek to mitigate these risks through conservative risk policies described in "Item 11. Quantitative and Qualitative Disclosures About Market Risk", no assurance can be given that our Latin American subsidiaries' growth, asset quality and profitability will not be affected by volatile macroeconomic conditions in the Latin American countries where they operate.

Latin American economies can be directly and negatively affected by adverse developments in other countries.

Financial and securities markets in Latin American countries where we operate are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition and operating results of our subsidiaries in Latin America.

Significant competition and continued consolidation of the banking industry in some Latin American countries could intensify price competition and limit our ability to increase our market share in those markets.

Because some Latin American countries do not differentiate between locally- or foreign-owned banks and do not restrict capital movements, we face significant competition in those markets from both domestic and foreign commercial and investment banks.

We are exposed to foreign exchange and, in some instances, political risks as well as other risks in the Latin American countries in which we operate, which could cause an adverse impact on our business, financial condition and results of operations.

We operate commercial banks in 11 Latin American countries and our overall success as a global business depends, in part, upon our ability to succeed in differing economic, social and political conditions. We are confronted with different legal and regulatory requirements in many of the jurisdictions in which we operate. These include, but are not limited to, different tax regimes and laws relating to the repatriation of funds or nationalization of assets. Our international operations may also expose us to risks and challenges which our local competitors may not have to face, such as exchange rate risks, the difficulties in managing a local entity from abroad, and political risks which may be particular to foreign investors. Our expansion in these markets requires us to respond to rapid changes in market conditions in these countries. We cannot assure you that we will continue to succeed in developing and implementing policies and strategies that are effective in each country where we operate or that any of the foregoing factors will not have a material adverse effect on our business, financial condition and results of operations.

Regulatory changes in Latin America that are beyond our control may have a material effect on our business, financial condition and results of operations.

A number of banking regulations designed to maintain the safety and soundness of banks and limit their exposure to risk are applicable in the jurisdictions in which we operate. Local regulations differ in a number of material respects from equivalent regulations in Spain and the United States.

Changes in regulations that are beyond our control may have a material effect on our business and operations. In addition, since some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have an adverse effect on our business, financial condition and results of operations.

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ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

BBVA's predecessor bank, BBV, was incorporated as a limited liability company (a *sociedad anónima* or "S.A.") under the Spanish Corporations Law on October 1, 1988. BBVA was formed as the result of a merger by absorption of Argentaria into BBV that was approved by the shareholders of each institution on December 18, 1999 and registered on January 28, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office in Bilbao, Spain, Plaza de San Nicolás 4, 48005, telephone number 34-94-420-3001. Its agent in the U.S. for U.S. federal securities law purposes is Raúl Santoro de Mattos Almeida (BBVA New York, 1345 Avenue of the Americas, 45^{th} floor, NY, New York, 10105). It is incorporated for an unlimited term.

Capital Expenditures

Our principal capital expenditures from 2000 to the date of this Annual Report are the following:

2002

The sale of the shares held by BBVA Banco Francés in BBVA Uruguay (60.88%) to BBVA for $55 million closed on May 14, 2002, after obtaining authorization from the Central Bank of Uruguay. As a result of this transaction, BBVA's ownership interest in BBVA Uruguay rose from 80.66% to 100%.

On May 15, 2002, Terra Networks, S.A. ("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. ("Finanzia"), BBVA's wholly-owned subsidiary, whereby Terra Networks' holding in Uno-e Bank would decrease to 33%. This integration transaction and the percentage of ownership held by Terra Networks were subject to the formalization of final contracts, which were executed on January 10, 2003, and approved at extraordinary shareholders' meetings of Finanzia and Uno-e Bank held on April 23, 2003. Also, Terra Networks has a put option over its shares in the resulting combined entity which it has the right to sell to BBVA. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—Strategic Alliance with Telefónica" and "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Off-balance sheet arrangements".

In two transactions occurring in June and November 2002, BBVA purchased from the Mexican government 3% and 2.5% interests in Grupo Financiero BBVA Bancomer, S.A. de C.V. for approximately €240 million and €175 million, respectively. Grupo Financiero BBVA Bancomer includes 100% of BBVA Bancomer, S.A. ("Bancomer"). As a result of these transactions, BBVA's ownership interest in Grupo Financiero BBVA Bancomer increased to 54.67% as of December 31, 2002.

2001

In January 2001, BBVA acquired 200 million shares of Grupo Financiero BBVA Bancomer from the Bank of Montreal, representing approximately 2.2% of Grupo Financiero BBVA Bancomer, for approximately $125 million. On April 4, 2001, BBVA reached an agreement with Bank of Montreal to purchase in two tranches 812 million shares of Grupo Financiero BBVA Bancomer, representing 9% of the Bank of Montreal's holding, for a total of $558 million. The first tranche, consisting of 500 million shares, was acquired in April 2001, and the second tranche, consisting of 312 million shares, in May 2001, raising BBVA's holding in Grupo Financiero BBVA Bancomer to 48% of its share capital. Further acquisitions amounting to $140 million were made in October and November 2001, increasing BBVA's stake in Grupo Financiero BBVA Bancomer.

BBVA acquired in the first and last quarters of 2001 a 4.87% interest in Banca Nazionale del Lavoro, S.p.A. ("BNL") for approximately €398 million, increasing its holding to 14.8% at December 31, 2001. BBVA increased its holding to 14.9% as of January 31, 2002.