REPORT PRESENTED BY THE BOARD OF DIRECTORS OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A., IN ACCORDANCE WITH ARTICLES 144, 152, 155.1 AND 159.1B OF THE SPANISH COMPANY ACT (CONSOLIDATED TEXT, APPROVED UNDER LEGISLATIVE ROYAL DECREE 1564/1989, 22ND DECEMBER) REGARDING THE PROPOSAL TO INCREASE CAPITAL AGAINST A NON-CASH CONSIDERATION AND SUPPRESSING THE RIGHT OF PREFERENTIAL SUBSCRIPTION REFERRED TO UNDER AGENDA ITEM ONE OF THE EXTRAORDINARY GENERAL MEETING (EGM) OF SHAREHOLDERS

Madrid, 28th March 2005

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

Contents

1. INTRODUCTION

This report is issued by the board of directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**") in compliance with articles 144 and 152 (regarding the resolution to increase capital and the corresponding amendment to the bylaws), 155.1 (regarding the non-cash consideration established as countervalue to the increase) and 159.1b) (on the exclusion of the right of pre-emptive subscription) of the Company Act (consolidated text approved by royal legislative decree 1564/1989), in relation to the proposal to increase share capital against non-cash consideration and suppressing the pre-emptive subscription rights that is to be put to the approval of the BBVA Extraordinary General Meeting (EGM).

Given the unitary nature of the operation to which this report refers, and for the sake of a clearer understanding, the reports established in the aforementioned provisions are issued jointly, albeit divided up into different sections. BBVA shareholders will be given a summary description of the terms and conditions of the public offer to acquire shares in Banca Nazionale del Lavoro S.p.A. which originated the proposal to increase the capital that is covered by this report.

In order to draw up this report, the BBVA board of directors has relied on the report from the Finance Department of BBVA and advice from external financial and legal consultants.

2. PUBLIC OFFER TO ACQUIRE SHARES IN BANCA NAZIONALE DEL LAVORO.

The BBVA board of directors has resolved to file a public offer (the "Offer") to take over all the ordinary shares of the Italian credit institution, Banca Nazionale del Lavoro S.p.A. (hereinafter, "BNL") that it does not yet own, once the due administrative permits have been obtained. BBVA currently holds 444,034,181 ordinary shares in BNL representing 14. 747% of its ordinary share capital, such that the Offer is targeted at the remaining 2,567,030,375 ordinary shares, representing 85.253% of its ordinary share capital, as well as the 88,630,289 ordinary BNL shares that may be issued before the deadline for accepting the Offer by virtue of the stock option programmes that BNL has with its staff. Consequently, the maximum number of shares to which the Offer may be extended (hereinafter “Target Shares”) is 2,655,660,664 ordinary shares. The Offer is not targeted at shares without voting rights issued by BNL.

The consideration offered will comprise ONE (1) newly issued BBVA share for every FIVE (5) BNL ordinary shares.

2.1 Strategic grounds for the operation

The proposed operation is based on recognition, in accordance with the opinion of the Financial Management upheld by the financial advisors for the operation, that BNL is a strategic asset of special strategic importance for BBVA for the following reasons:

- Geographical diversification of profit sources, since greater involvement in the Italian market by controlling BNL fits in with the group's guidelines for expansion.

- The Italian banking market is considered a highly attractive market as it shows significant growth potential. It is also the biggest European market in numbers of small and medium-sized enterprises, a sector that BBVA considers to be strategic. In this context, the takeover of BNL represents an opportunity for BBVA to create value by applying its commercial and management skills.

- BNL’s high-profile presence throughout Italy and the value of its brand equity represent two distinguishing elements that, with the right kind of commercial and management programme to back them, will enable BNL to improve its competitive position and its potential to increase its market shares.

- Incorporating BNL into the BBVA group would facilitate a significant increase in the size of the group and help consolidate one of the most competitive banking groups Europe-wide, well able to cope with new competitors.

- The presence of BBVA as core BNL shareholder since its privatisation in 1998 lowers the acquisition risk, since it is a market and an asset regarding which BBVA has developed in-depth knowledge over the years.

- The success of BBVA's business project for BNL is backed by BBVA's track record. BBVA is present in several markets where it has proven its ability to successfully acquire and integrate national and foreign organisations.

The proposed operation would enable the BBVA to take over full control of BNL and incorporate it completely into the BBVA group and therefore speed up the process of transforming BNL, which is one of the main ways to create value for the BBVA group by realising the synergies and advantages of integration. In this manner, BBVA would obtain revenues and reduce BNL's costs by doing the following:

- Obtaining revenue synergies in BNL by improving its retail-banking distribution platform, boosting the capacities of the retail business in various different segments and passing the BNL network over to the BBVA productivity model.

- As part of its plans to extract cost synergies, BBVA has designed the necessary plans to optimise BNL's cost-income ratios by improving its technology platform and rationalising overheads and central and intermediate structures.

- Finally, it is also possible to extract synergies by implementing the risk and recovery procedures that BBVA is already using.

2.2 Strategic grounds for the operation

Taking control of BNL via an all-share offer, as envisaged herein, is, according to the financial advice received, the most appropriate way to do the operation in the current context. It presents the following financial and market advantages:

- Reduces market risk: given that the consideration offered are BBVA shares, once the swap ratio has been established, market fluctuations affecting BNL and/or BBVA will be reflected in the listed price for both companies' stock.

- The financing is matched to the terms and the success of the Offer, by eliminating the risk that the Offer schedule may not coincide with the timing of the capital increase. Likewise, compared to the option of paying in cash, the capital can be increased in consonance with the Offer take-up, thereby avoiding the risk of a surplus or a shortfall.

- The risk of increasing capital by raising cash is eliminated. Such cash raising would generate additional risks in the roll-out of the Offer due to the large sum involved in the increase.

- Finally, the capital increase means the Group will maintain its core capital ratios and capital adequacy. In effect, an Offer covered solely by newly issued shares can maintain a core Tier I capital ratio above BBVA's floor level, maintaining sufficient financial flexibility for possible future acquisitions.

2.3 Reasons for the swap ratio offered:

The analysis of BNL's value has been done by the Financial Management, with advice from top-level international investment banks, applying the following valuation methods generally accepted in financial circles that it considered suitable for the operation herein described. The basis of these were the following methods:

- Dividend discount model including synergies. This is the methodology that best estimates BNL's underlying value for a strategic buyer. It incorporates the present value of synergies, which reflects the impact managers would have on the company should they take over its management.

- Premiums paid on the Italian market in the context of public takeover Offers on listed companies. This is an important method in estimating the price that current BNL shareholders would expect to obtain in the context of a takeover Offer and what would be sufficient incentive for them to accept it.

On the basis of these methods, BNL shares can be said to be worth between 2.31 and 2.72 euros per share. The 2.52 euros per share that served as a base from which to determine the swap ratio is, therefore, appropriate for the offer to buy BNL shares and would generate value for BBVA shareholders.

Said range of values is further backed by the application of the method calculating multiples from peer Italian companies. This price makes for an attractive Offer, as it entails paying a 7% premium against the closing price on 18th March 2005 and a premium of 17% against the average closing price of the last month, 18% against the average of the last 3 months and of 29% against the average of the last 6 months.

In order to determine the swap ratio being proposed (five ordinary BNL shares to one BBVA share), the board of directors has considered a BBVA share value of 12.60 euros, corresponding to the closing price of BBVA stock on 18th March 2005 (when the Offer was publicly announced). Thus, the implicit price being offered for each BNL share is 2.52 euros.

In conclusion: the call offer is appropriately valued, and is attractive to BNL shareholders, which boosts the likelihood of a successful operation at the same time as it maximises BBVA shareholder value.

In view of the analyses described, the suggestions from the financial advisors and the Financial Management proposal, the board of directors has resolved to propose the BBVA General Meeting of Shareholders increase capital by the amount ensuing from this report in order to cover the swap ratio of one BBVA share to five BNL ordinary shares.

BBVA's various financial advisors for this operation have expressed to the board of directors in their respective fairness opinions that the swap ratio offered is fair in financial terms.

3. REASONS FOR THE CAPITAL INCREASE PROPOSED (ARTICLE 152 IN RELATION TO ARTICLE 144 OF THE COMPANY ACT)

According to articles 144.1a) and 152.1 of the Company Act, in order for an EGM to resolve the capital increase proposed, the board of directors must first issue a written report explaining the reasons for it.

In compliance with said legal requirement, the BBVA board of directors declares the following:

3.1 Purpose of the increase

As explained in the previous part, the capital increase being proposed to the general meeting of shareholders is intended to have sufficient shares for the swap established in the Offer.

Thus, the countervalue of this capital increase will consist of non-cash contributions to the BBVA share capital comprising ordinary BNL shares swapped by those shareholders who accept the Offer, such that the increase shall be subscribed and paid up by said shareholders by the non-cash (*in natura*) consideration of BNL shares, according to the above-mentioned swap ratio.

The specific procedure for the swap will be described in the Offer documents.

3.2 Maximum amount of capital increase and incomplete subscription

The board of directors has resolved to propose a capital increase to the BBVA EGM for a maximum nominal value of 260,254,745.17 euros, by issuing and putting into circulation a maximum of 531,132,133 ordinary shares with a face value of 0.49 euros each.

This amount corresponds to the maximum number of shares that would have to be issued should the Offer be taken up by the holders of all the target shares, given the swap ratio of one BBVA share to five BNL shares.

Said shares will be newly issued BBVA shares of the same class and series as the current ones, and will confer the same political and economic rights on their holders as the shares currently in circulation, as of the moment in which they are issued. The new shares will entitle holders to participate in any distribution of corporate earnings paid out after the date on which their ownership is filed on the Iberclear records and in distribution of shareholders funds resulting from liquidation.

Given that the final amount of the capital increase will depend on the number of ordinary BNL shares offered for swap under the Offer, the BBVA board of directors proposes the EGM approve the capital increase for the aforementioned sum, which is the maximum amount that could be required were all target-share holders to take up the Offer, whilst expressly acknowledging the possibility that the subscription may be incomplete, pursuant to article 161 of the Company Act.

3.3 Issue price

The new BBVA shares shall be issued at their face value plus an issue premium to be determined according to the following:

The issue price (face value plus issue premium) shall be equal to the closing price of the BBVA stock at close of the last trading day prior to the EGM approving the increase that is the subject of this report. To such effect, the closing price shall be the price published as such by the Sistema de Interconexión Bursátil (SIBE). Thus, the proposed issue price would correspond to the aforementioned fair price linked to the BBVA stock price.

The above notwithstanding, should this price be below or equal to 4.59 euros per share (equal to the book value per already existing BBVA share according to the annual consolidated BBVA accounts to 31st December 2004), the issue price shall be 4.60 euros per share.

However, should this reference exceed 12.60 euros per share (average of BBVA stock closing prices over the three months prior to and including 18th March 2005 (date on which the operation was launched), the issue price shall be 12.60 euros per share.

This gives a minimum issue price of 4.60 euros per share, higher than the book value for existing BBVA shares according to the annual consolidated BBVA accounts to 31st December 2004.

The issue premium shall be the difference between the issue price determined and the face value of the shares (0.49 euros).

The board of directors shall inform the EGM when it is being held of the issue price ensuing on the above.

3.4 Amendment of bylaws

The capital increase being proposed for all the reasons given herein, will require the amendment of article 5 of the company bylaws governing the BBVA share capital.

Given that incomplete subscription is expected since the number of ordinary BNL shares put into the swap is unknown, it is proposed that authority be conferred on the board of directors and the executive committee, with express faculties of substitution in both cases, to amend article 5 of the company bylaws to adapt it to the figure for share capital and the number of shares resulting from the new issue.

The above notwithstanding, provided the capital increase resolved is fully subscribed and paid up, article 5 of the company bylaws will read as follows:

> Article 5. Share Capital
>
> The bank's share capital is ONE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, SEVEN-HUNDRED AND SEVENTY-TWO THOUSAND, TWO-HUNDRED AND FORTY-SIX EUROS TWENTY-OUR CENTS (1,921,772,246.24), represented by THREE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, NINE-HUNDRED AND EIGHTY-FOUR THOUSAND, ONE-HUNDRED AND SEVENTY-SIX (3,921,984,176) shares, each of FORTY-NINE (49) EURO-CENTS face value, all of the same class and series, fully subscribed and paid up. "

3.5 Suspensive Condition

As explained in part 2.2 above, given that the resolution to increase the capital covered by this report is intended solely to finance the swap under the Offer and given that this is subject to certain conditions being met, the capital increase shall be subject to the effective execution, unfolding and conlusion of the Offer that BBVA has filed over the ordinary BNL shares, and subject to obtaining due administrative permits and or authorisation and the materialisation of such arrangements as may be necessary in order to go ahead.

4. PROJECTED NON-CASH CONSIDERATION (ARTICLE 155 OF THE COMPANY ACT)

Since this is capital increase earmarked exclusively to be swapped for a non-cash consideration, according to article 155 of the Company Act, the BBVA directors must issue a report describing in detail the projected consideration; the persons making the swaps, the number and face value of the shares to be handed over by BBVA and the guarantees adopted according to the nature of the assets to be swapped.

In compliance with this legal requirement, we hereby state the following:

4.1 Description of the non-cash considerations

The projected considerations to be incorporated into the BBVA shareholders funds comprise ordinary shares *(azioni ordinarie)* in BNL, with a face value of 0.72. euros each. The ordinary BNL shares are currently traded on the *"Mercato Telematico Azionario"* organised and managed by *Borsa Italiana S.p.A.*

BNL is an Italian lending institution, domiciled at Via Vittorio Veneto, 119 in Rome (Italy).

The BNL share capital is represented in 3,011,064,556 ordinary shares *(azioni ordinarie)* each with a face value of 0.72 euros, and by 23,198,331 shares without voting rights (*azioni di risparmio*) also with a face value of 0.72 euros.

The number of target shares comprises the 2,567,030,375 ordinary shares that BBVA does not currently own and the 88,630,289 ordinary BNL shares that may be issued before the end of the Offer acceptance period as part of the stock/option programmes that BNL has agreed with its staff.

BNL is the holding company of one of the biggest financial groups in Italy. It is the seventh biggest bank in Italy in terms of customers (2.5 million), with a 4% market share, and ranks tenth in terms of its network, which has a 2.4% share of the total Italian banking network.

4.2 Identification of target shareholders

The persons who will present the non-cash consideration projected herein will be holders of BNL shares who accept the Offer in the terms described in the Offer documents.

4.3 Number and face value of the BBVA shares issued for the swap

a) The number of newly issued shares to be transferred to holders of ordinary BNL shares depends on the take-up of the Offer, such that it is impossible to establish in advance exactly how many new BBVA shares will be issued. Should all the holders of ordinary BNL target shares accept the Offer for their entire holdings, then BBVA would issue 531,132,133 new shares. This would entail increasing its share capital to the sum of 260,254,745.17 euros.

   Given the above and according to the swap ratio determined, the final number of shares to be issued would be the amount ensuing on the published results of the Offer and its settlement pursuant to applicable regulations. To such effects, the incomplete subscription of the capital increase has been expressly acknowledged.

b) The face value of the new BBVA shares to be issued for swaps under the Offer will be 0.49 euros per share. The issue price is covered in para. 5.3 of this report.

c) The shares shall be of the same class and series as the current ones, and will confer the same political and economic rights on their holders as the shares currently in circulation, as of the moment in which the resolution to issue them is put into effect. The new shares will entitle holders to participate in any distribution of corporate earnings paid out after the date on which their ownership is filed on the Iberclear records and in distribution of shareholders funds resulting from liquidation.

4.4 Guarantees adopted

Given the nature of the assets to be swapped, it is hereby stated that pursuant to article 38 of the Company Act, the Vizcaya Company Registry will be asked to designate an independent expert to issue the report stipulated therein. Said report will describe the nature of the non-cash consideration in the swap, with due data for identification, and the valuation criteria adopted. It will indicate whether the shares to be swapped correspond to the number, face value and issue premium of the shares to be issued by BBVA.

Moreover, given that the capital increase will be subscribed and paid up within the framework established in the Offer, Italian regulations on securities markets will be applicable with respect to how the Offer is carried out and Spanish regulations regarding the issue of shares. To such effects, BBVA shall proceed in accordance with applicable regulations to prepare and, where applicable, register such documents as may be requirable.

5. EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHT AND ISSUE PRICE (ARTICLE 159 OF THE COMPANY ACT)

In accordance with the information given above and given that the capital increase is earmarked for the swap with BNL shares, it is proposed that the EGM exclude the pre-emptive subscription rights of current shareholders with respect to this capital increase, pursuant to article 159 of the Company Act.

As established in para. 1b) of said article 159 of the Company Act, the resolution to suppress the pre-emptive rights is only valid if the directors draw up a report giving detailed reasons for the proposal and the issue price of the shares, indicating to whom these will be attributed.

In compliance with said legal requirement, the BBVA board of directors declares the following:

5.1 Corporate interest and the exclusion of pre-emptive subscription rights

The increased BBVA holding in BNL of up to 100%, where forthcoming, is considered most advisable for the interests of the company. This assessment is based both on strategic reasons that make the operation especially advisable and also on the manner in which said operation is to be structured.

BNL is a strategic asset for BBVA as explained in para. 2.1 above. The reasons for this are summarised below:

- Geographical diversification. BBVA’s search for a balance between its presence in emerging markets and in areas of mature growth is realised in an optimum manner with the Offer over BNL.

- Realisation of the opportunities offered by the Italian market. The size of the Italian market and its potential for growth in banking services make it especially attractive and an especially good fit with the BBVA strategy.

- BNL’s growth potential in strategic segments. BNL’s high-profile presence throughout Italy and the value of its brand equity represent add significant value to the operation.

- Growth opportunity for the BBVA group. The significant increase in the size of the group following the possible incorporation of BNL will enable it to adopt more attractive strategies for its customers and become more competitive against its peers.

- Prior knowledge of the investment reduces the risk associated to any takeover.

- BBVA-s experience and know-how in the implementation of takeovers and integration of international enterprises guarantees the success of the operation.

The proposed operation would enable the BBVA to take over full control of BNL and incorporate it completely into the BBVA group and therefore speed up the process of transforming BNL, which is one of the main ways to create value for the BBVA group by realising the synergies and advantages of integration. In this manner, BBVA would obtain revenues and reduce BNL's costs by doing the following:

- Boosting its commercial area (retail distribution platform and wholesale area).

- Optimising BNL cost/income ratios as a consequence of cost synergies.

- Optimising BNL risk management by implementing the BBVA risk-management system.

Regarding the operation's structure, ie, a share swap as described in detail in section 2.2 above, under current circumstance the capital increase with the exclusion of pre-emptive rights eliminates the financial and market risks of the operation and makes it possible to maintain the demanding targets for core-capital and capital-adequacy ratios that the BBVA group has set itself. Moreover, since the proposed issue price is matched to the fair value linked to the listed BBVA stock value, the operation is financially neutral, whichever way one looks at it.

Given the above, we consider that the reasons of corporate interest underlying capital issue being proposed to the EGM are more than justified.

Since an operation of these characteristics makes it impossible to uphold the pre-emptive rights of current BBVA shareholders, the capital issue being proposed entails suppressing said rights. The BBVA board of directors considers that this is necessary for the sake of corporate interest.

5.2 Issue price of new BBVA shares

As explained in section 3.3 above, the issue price (face value plus issue premium) of the new shares shall be (subject to the minimum and maximum prices given in said section) equal to the closing price of the BBVA stock at close of the last trading day prior to the EGM approving the increase that is the subject of this report. To such effect, the closing price shall be the price published as such by the Sistema de Interconexión Bursátil (SIBE). Thus, the proposed issue price would correspond to the aforementioned fair price linked to the BBVA stock price.

Pursuant to article 159.1c) of the Company Act, capital increases excluding pre-emptive subscription rights in listed companies, the general meeting of the company's shareholders may approve the issue of new shares at any price, providing it is above the consolidated book value of the company. To such effects, it is hereby stated that, as explained in section 3.3 above, the minimum issue price must be 4.60 euros per share, a sum higher than the net book value for already existing BBVA shares according to the annual consolidated BBVA accounts to 31st December 2004.

For compliance with article 159.1 of the Company act, this net consolidated book value per share will be accredited by a report issued by an auditor of accounts other than the company's current auditor, to which shareholders will have access in compliance with said article 159 of the Company Act.

5.3 Persons to whom the new shares shall be attributed

As indicated above, the persons to whom the new shares to be issued in the capital increase described in this report shall be holders of BNL target shares who accept BBVA's Offer and who, consequently, will subscribe and pay up said increase through a non-cash consideration comprising their BNL shares.

6. PROPOSED RESOLUTIONS:

ONE: INCREASE OF SHARE CAPITAL TO BE EXCHANGED FOR A NON-CASH CONSIDERATION

To increase BBVA share capital by a nominal amount of two-hundred and sixty million, two-hundred and fifty-four thousand, seven-hundred and forty-five euros seventeen cents (€260,254,745.17), by issuing and putting into circulation five-hundred and thirty-one million, one-hundred and thirty-two thousand, one-hundred and thirty-three (531,132,133) ordinary shares, each of 0.49 euros face value, of the same class and series as existing BBVA shares, represented in book entries, in order to cover the sum established in the public Offer (the "Offer") intended to acquire up to 2,655,660,664 (two billion, six-hundred and fifty-five million, six-hundred and sixty thousand, six-hundred and sixty-four) ordinary shares in the Banca Nazionale del Laboro SpA ("**BNL**").

6.1 Issue price

The shares shall be issued at an issue price (nominal price plus issue premium) equal to the price of BBVA stock on closing of the previous day's trading immediately before the EGM that approves this increase, provided said closing price is above 4.59 euros (net book value per share of already existing BBVA shares as accredited in the report from an accounts auditor other than the company's own auditor, as established in article 159.1 of the Company Act, according to the financial statements audited to 31st December 2004) and not higher than 12.60 euros (closing prices of BBVA stock on

18th March 2005, date on which BBVA announced its intention to carry out the operation to the market).

Should the closing price of BBVA stock on the trading day prior to the EGM approving this increase not be higher than 4.59 euros (net book value per share) the issue price will be 4.60 euros. Should said closing price be higher than 12.60 euros, the issue price per share will be 12.60 euros. To such effects, the closing price shall be the price published as such by the Sistema de Interconexión Bursátil (SIBE).

The issue premium shall be the difference between the issue price determined according to the above provisions and the face value of the shares (0.49 euros) and the Board of Directors will tell it.

6.2 Target of increase - Consideration

The shares targeted through this increase shall be fully subscribed and paid up by a non-cash consideration comprising ordinary shares of the Italian company BNL listed on the Mercato Telemático Azionario organised and managed by Borsa Italiana, in the ratio of five (5) ordinary BNL shares for each one (1) newly issued share in Banco Bilbao Vizcaya Argentaria, S.A.

6.3 Incomplete subscription

Pursuant to article 161.1 of the Company Act, the possibility of incomplete subscription to the increase is expressly foreseen.

Consequently, should the Offer not be accepted by all the holders of ordinary BNL shares targeted by it, this resolution to increase BBVA capital will be implemented to the amount corresponding to the Banco Bilbao Vizcaya Argentaria, S.A. shares effectively subscribed and paid up, the remaining amount being left null and void.

6.4 Exclusion of pre-emptive subscription rights

With respect to the requirements of corporate interest, and in order to permit the new BBVA shares to be subscribed and paid up by holders of ordinary BNL stock that they will swap for them, a total waiver is placed on the preferential subscription right of BBVA share holders and convertible bond holders.

To such effects, pursuant to 1.1 above, the issue price must be higher than the net book value of BBVA stock, as accredited in the report issued by an auditor of accounts other than the company's current auditor, in compliance with article 159.1 of the Company Act.

6.5 Rights of the new shares

The newly issued shares shall be ordinary shares, the same as those currently in circulation. They shall be represented by book entries to be recorded by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) and its partner companies.

The new shares will grant holders the right to participate in any payout of corporate earnings that may be distributed after the date of their inclusion on the Iberclear books and in the net worth resulting from liquidation.

6.6 Suspensive Condition

This capital increase is subject to the effective implementation, development and conclusion of the Offer launched by BBVA over ordinary BNL shares, and the granting of due authorisations or permits and the success of any arrangements that may be necessary to complete the process.

6.7 Application of the special tax regime established in Chapter VIII of Part VII of the Consolidated Text of the Company Tax Act

Pursuant to article 96 of the consolidated text of the Company Tax Act approved by legislative royal decree 4/2004, it is resolved to choose to apply the special tax regime established under Chapter VIII of Part VII and in the Second Additional Provision of the aforementioned consolidated text of the Company Tax Act with respect to the capital increase for a non-cash consideration comprising BNL stock.

6.8 Request to list the new shares

It is resolved to request admission to trading of the new shares to be issued, subscribed and paid up by virtue of the above resolutions, on the Securities Markets of Madrid, Barcelona, Bilbao and Valencia, through the electronic trading system (Sistema de Interconexión Bursátil, Mercado Continuo). It is further resolved to take necessary measures and actions to submit any documents required to the competent bodies of Securities Exchanges abroad where BBVA shares are listed at the time of issue, so that the new shares issued as a consequence of the capital increase herein resolved can also be listed there.

To such effects, authority is conferred on the board of directors and the executive committee, with express rights of substitution in both cases, once this resolution has been executed, to make the corresponding applications, draw up and present any documents deemed appropriate in the terms they consider advisable, and take any measures that may be necessary for such purpose.

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

6.9 Amendment of Bylaws

As a consequence of this capital increase, article 5 of the company bylaws will be amended. Provided the share capital increase resolved is fully subscribed and drawn up, article 5 will read as follows:

> Article 5. Share Capital
>
> The bank's share capital is ONE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, SEVEN-HUNDRED AND SEVENTY-TWO THOUSAND, TWO-HUNDRED AND FORTY-SIX EUROS TWENTY-OUR CENTS (1,921,772,246.24), represented by THREE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, NINE-HUNDRED AND EIGHTY-FOUR THOUSAND, ONE-HUNDRED AND SEVENTY-SIX (3,921,984,176) shares, each of FORTY-NINE (49) EURO-CENTS face value, all of the same class and series, fully subscribed and paid up. "

6.10 Proxy

The board of directors is authorised to delegate in turn to its executive committee with express powers of substitution, all powers necessary to decide within a maximum term of one year the date on which this increase shall be put into effect, fully or partially, within the limits established. Likewise, to determine the opening and closing dates of the Offer, and even to decide not to implement this capital issue should the terms of the Offer be altered. In such event, the board may approve a capital increase different from the one resolved herein, pursuant to the authorisation conferred by the AGM, 28th February 2004, in compliance with article 153.1 b) of the Company Act. The board is likewise empowered, with authorisation to delegate in turn to its executive committee, with express powers of substitution, to determine the figure for which the capital increase will finally be made, including incomplete subscription of the increase, the way the contribution and swap of shares shall proceed, and the amended wording of article 5 of the company bylaws, to adapt it to the new figure for share capital and the number of shares resulting from the new issue, and to establish the terms and conditions of the increase that are not established by this EGM. Finally, the board is empowered to do the following, and authorised to delegate in turn to its executive committee with express powers of substitution: to take such measures as they deem necessary in any jurisdiction where the BBVA shares are traded, listed or a listing application has been made; to draw up any protocols, applications, communications or notifications required by applicable law in each competent jurisdiction; to take such measures as they deem necessary before any national or foreign competent authorities; to approve and sign such public and private documents as may be necessary or appropriate for the full enforcement of the resolutions to increase capital; to implement the choice of special tax regime established in Chapter VIII of Part VII and the second additional provision of the consolidated text of the Company Tax Law and to appreciate compliance with the condition to which the execution of the present capital increase is subject.

Madrid, 28th March 2005

SPECIAL REPORT ON THE EXCLUSION OF THE PRE-EMPTIVE SUBSCRIPTION RIGHT IN THE EVENT ESTABLISHED UNDER ARTICLE 159 OF THE CONSOLIDATED TEXT OF THE SPANISH COMPANY ACT

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

SPECIAL REPORT ON THE EXCLUSION OF THE PREEMPTIVE SUBSCRIPTION RIGHT IN THE EVENT ESTABLISHED UNDER ARTICLE 159 OF THE CONSOLIDATED TEXT OF THE SPANISH COMPANY ACT

To the shareholders of:
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

For the ends established in article 159 of the Consolidated Text of the Spanish Companies Act, and in accordance with the commission received from **BANCO BILBAO VIZCAYA ARGENTARIA, S.A.** (hereinafter BBVA or the Bank) at the designation of Antonio Arias Fuentes, Company Registrar of Bilbao and its Province, we issue this special report on the €260,254,745.17 increase of share capital by issuing and putting into circulation 531,132,133 ordinary shares, which will be fully paid up by non-cash consideration consisting of ordinary shares of the Banca Nazionale del Lavoro S.p.A. (hereinafter BNL), with exclusion from the right of pre-emptive subscription. The possibility of incomplete subscription is expressly acknowledged, according to article 161 of the Consolidated Text of the Spanish Companies Act (hereinafter referred to by its Spanish acronym, TRLSA).

Annex I to this report attaches a copy of the report from the Bank Directors regarding the proposal to make the aforementioned capital increase, formulated at the Bank's board of directors' meeting, 28th March 2005. This gives detailed reasons for the proposal and the issue price of the shares, indicating the persons to whom these must be attributed and the nature of the consideration.

Legislation requires that these shares be issued at fair value, which, for a listed company, is understood to be their market value and this is presumed to be their listed price, unless demonstrated otherwise. However, the legislation allows new shares to be issued at any price providing it be higher than their net book value. In valuing shares, one can only speak of approximations to or estimates regarding the fair value, which may depend to a high degree on subjective evaluations of very varied aspects of the business.

According to the Bank directors' report, the issue price will equal the closing price of the BBVA stock on the trading day immediately prior to the date of the EGM which will approve the capital increase dealt with in said report, such that it corresponds to the market value with reference to the BBVA stock's listed price.

However, the Directors have seen fit to establish a maximum issue price of 12.60 euros per share, corresponding to the closing price of BBVA stock on 18th March 2005, the date on which the CNMV was sent a relevant event filing announcing the Bank's intentions and the conditions for the offer to be made to BNL shareholders (the persons to whom the new shares to be issued will be attributed). These conditions were later approved by the Bank's board of directors, 28th March 2005, as mentioned above.

On the day of the EGM, the board of directors will report to its shareholders on the issue price resulting from this procedure.

Our responsibility is to issue a professional judgement, as independent experts, on the fair value of the Bank's shares, on the theoretical value of the pre-emptive subscription rights exercise of which it is proposed to suppress and on the reasonability of the data contained in the Directors' Report. Our work has been carried out in accordance with the Technical Standard on Special Reports regarding exclusion of the pre-emptive subscription right in the event established under article 159 of the Consolidated Text of the Spanish Companies Act.

The accounting information used in this study has been obtained from the consolidated annual accounts for the year ended 31st December 2004, which were audited by Deloitte & Touche España, S.L., who issued an audit report, dated 3rd February 2005, on said annual accounts in which they expressed a favourable opinion.

In compliance with the aforementioned Technical Standard on drawing up this Special Report, our work has consisted in applying the following procedures:

a) Obtaining the audit report mentioned above, with reference to the consolidated annual accounts of Banco Bilbao Vizcaya Argentaria, S.A. and the companies comprising the BBVA Group for the financial year ending 31st December 2004.
b) Obtaining information from the Bank accounts auditor regarding possible significant factors or events with respect to the economic and net worth situation of the BBVA Group that may have become known after issuing the auditors' report on the annual consolidated accounts for the year ending 31st December 2004, which has been facilitated to us.
c) Formulating questions to the Bank management regarding matters of importance that may have a significant effect on the Group's value and, where applicable, verifying them.
d) Studying the performance of the Bank's stock price and determining the average listed price of said stock over the last representative trading period prior to the date of this special report (the quarter from 17th February 2005 to 16th May 2005) and the latest listed price available prior to said date, as values to indicate the fair value of the Bank. We found out this value on the basis of a certificate from Sociedad Rectora de la Bolsa de Bilbao (Governing Company of the Bilbao Stock Exchange) (see Annex II), which includes, apart from the aforementioned listed prices, the frequency and volume of trading during the period analysed.
e) Checking that the issue price proposed by the directors is higher than the net book value resulting from the latest audited consolidated annual accounts of the group, having taken into account, where applicable, the quantified reservations expressed in the auditors' report.
f) Analysing and evaluating whether the issue price proposed by the directors corresponds with the fair value of the Bank's shares drawn from the information obtained in the previous bullet points.
g) Evaluating how reasonable the data are, contained in the Directors' Report to justify the proposal and the issue price for the shares, including reviewing

the documents justifying the evaluation methodology and the bases of the calculation.

h) Determining the theoretical value of the pre-emptive subscription rights, suppression of whose exercise is proposed, calculated with reference both to the listed price of the stock and the theoretical book value (net worth) taken from the BBVA Group's audited consolidated annual accounts for 2004.

i) Obtaining a letter of warrant from the Bank directors informing us that they have made known to us all relevant hypotheses, data and information.

The report drawn up by the directors proposes that the issue price for the new shares to be subscribed by the BNL shareholders be the closing price for the trading day immediately prior to the date of the EGM approving the capital increase, providing this price be higher than the net book value per share taken from the BBVA Group audited consolidated annual accounts for the financial year ending 31st December 2004, and not above 12.60 euros, which corresponds to the listed price of BBVA stock on closing 18th March 2005, the date on which the operation over the BNL shares was made public and the terms and conditions of the offer made known which were to be proposed to the BBVA board of directors at its meeting, 28th March 2005. Should the closing price of the BBVA stock on the trading day immediately prior to the date of the EGM approving the capital increase not be greater than 4.59 euros (book value of the share, 31st December 2004), the issue price would be 4.60 euros, and should said closing price be greater than 12.60 euros, the issue price per share would be 12.60 euros.

On 21st February 2005, BBVA published an estimate of the impact on the BBVA Group net worth to 31st December 2004 of applying the International Financial Reporting Standards, required by Company Law, in particular EC Regulation 1606/2002 of the European Parliament and Council, 19th July 2002, regarding the application of international accounting standards, and the final provision no. 11 of Law 62/2003, 30th December, on tax, administrative and corporate measures, under which BBVA must file its annual consolidated accounts for financial years initiated as of 1st January 2005, inclusive, applying the International Financial Reporting Standards that have been adopted by the European Union. However, this estimate cannot be considered definitive, given that it will depend, amongst other aspects, on the available options that BBVA selects and the new standards or interpretations finally adopted by the European Union (IFRS adopted).

According to this estimate, the net consolidated book value of BBVA, 31st December 2005, according to the adopted IFRS would be below that taken from the audited annual consolidated reports to 31st December 2004. Consequently, the net book value per share calculated with these new standards would be below the minimum issue price proposed, which in any case is linked to the trading price of the BBVA stock on the last trading day prior to the EGM approving the increase.

Bearing in mind the above, our professional judgement as independent experts is as follow:

- The data contained in part 5 of the Bank's directors' report (see Annex I) to justify their proposal are reasonable as they are suitably documented and presented.

- For a listed company, fair value is understood to be market value and this is presumed to refer to its listed price, unless otherwise demonstrated. The listed share price, according to certificates from the Sociedad Rectora de la Bolsa de Bilbao was as follows:

	Euros
Listed price on closing, 16th May 2005	12.51
Average listed price from the period between 17th February 2005 to 16th May 2005	12.598

- The issue price the directors propose is the listed price for the trading day immediately before the EGM approving the capital increase provided it be higher than the net book value per share on 31st December 2004 and not higher than 12.60 euros. Consequently, given the minimum issue price (4.60 euros per share) is higher than the consolidated net book value on 31st December 2004 for the Bank's shares, there is no dilution effect on the worth of the shares.
- In accordance with the procedures described to determine the issue price the directors are proposing, there would not be any theoretical dilution effect on the listed price per share of the trading day immediately prior to the date on which the EGM approves the capital increase, providing the listed price on said date were below 12.60 euros. Should the listed price on said date be higher than 12.60 euros, the dilution per share would be determined by applying the following formula:

$$D = \frac{C - 12.60}{R + 1}$$

Where:

D = theoretical value per share of the subscription right (dilution)
C = listed price per share of the trading day immediately before the date on which the EGM approves the capital increase.
R = proportion of old shares with respect to new shares, ie, number of old shares in circulation (excluding treasury stock), divided by the number of new shares to be issued.

With respect to the theoretical value of the pre-emptive subscription right, whose exercise it is proposed to suppress, calculated with reference to the listed price, 16th May 2005 (date prior to issuing this report) and the average listed price for the three-month period between 17th February 2005 and 16th May 2005, we cannot quantify its worth, given that on the date of this report the issue price is unknown, as it will be established on the date on which the Bank's EGM approves the capital increase.

Nonetheless, merely for the sake of information, we have determined the theoretical value of the pre-emptive subscription rights whose exercise it is proposed to suppress, with respect to the maximum issue price of 12.60 euros per share (which would be applicable if the listed price on the trading day before the capital increase is approved were above 12.60 euros). The outcome of this determination is that there would be no theoretical dilution effect, and therefore the worth of the pre-emptive subscription right would be nil, either over the listed price of the stock at closing, 16th May 2005 or over the average listed price of the stock during the three-month period ending 16th May 2005.

With this Special Report, we hereby comply with the provisions of article 159 of the Consolidated Text of the Spanish Companies Act with respect to the account auditors' report. This Report must not be used for any other purpose.

ERNST & YOUNG, S.L.

17th May 2005

ANNEXES

ANNEX I	Copy of Directors' Report
ANNEX II	Copy of the Certificate from the Sociedad Rectora de la Bolsa de Bilbao

ANNEX I Copy of Directors' Report

REPORT PRESENTED BY THE BOARD OF DIRECTORS OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A., IN ACCORDANCE WITH ARTICLES 144, 152, 155.1 AND 159.1B OF THE SPANISH COMPANY ACT (CONSOLIDATED TEXT, APPROVED UNDER LEGISLATIVE ROYAL DECREE 1564/1989, 22ND DECEMBER) REGARDING THE PROPOSAL TO INCREASE CAPITAL AGAINST A NON-CASH CONSIDERATION AND SUPPRESSING THE RIGHT OF PREFERENTIAL SUBSCRIPTION REFERRED TO UNDER AGENDA ITEM ONE OF THE EXTRAORDINARY GENERAL MEETING (EGM) OF SHAREHOLDERS

Madrid, 28th March 2005

Contents

INTRODUCTION

This report is issued by the board of directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. ("**BBVA**") in compliance with articles 144 and 152 (regarding the resolution to increase capital and the corresponding amendment to the bylaws), 155.1 (regarding the non-cash consideration established as countervalue to the increase) and 159.1b) (on the exclusion of the right of pre-emptive subscription) of the Company Act (consolidated text approved by royal legislative decree 1564/1989), in relation to the proposal to increase share capital against non-cash consideration and suppressing the pre-emptive subscription rights that is to be put to the approval of the BBVA Extraordinary General Meeting (EGM).

Given the unitary nature of the operation to which this report refers, and for the sake of a clearer understanding, the reports established in the aforementioned provisions are issued jointly, albeit divided up into different sections. BBVA shareholders will be given a summary description of the terms and conditions of the public offer to acquire shares in Banca Nazionale del Lavoro S.p.A. which originated the proposal to increase the capital that is covered by this report.

In order to draw up this report, the BBVA board of directors has relied on the report from the Finance Department of BBVA and advice from external financial and legal consultants.

PUBLIC OFFER TO ACQUIRE SHARES IN BANCA NAZIONALE DEL LAVORO.

The BBVA board of directors has resolved to file a public offer (the "Offer") to take over all the ordinary shares of the Italian credit institution, Banca Nazionale del Lavoro S.p.A. (hereinafter, "BNL") that it does not yet own, once the due administrative permits have been obtained. BBVA currently holds 444,034,181 ordinary shares in BNL representing 14. 747% of its ordinary share capital, such that the Offer is targeted at the remaining 2,567,030,375 ordinary shares, representing 85.253% of its ordinary share capital, as well as the 88,630,289 ordinary BNL shares that may be issued before the deadline for accepting the Offer by virtue of the stock option programmes that BNL has with its staff. Consequently, the maximum number of shares to which the Offer may be extended (hereinafter "Target Shares") is 2,655,660,664 ordinary shares. The Offer is not targeted at shares without voting rights issued by BNL.

The consideration offered will comprise ONE (1) newly issued BBVA share for every FIVE (5) BNL ordinary shares.

1.1 Strategic grounds for the operation

The proposed operation is based on recognition, in accordance with the opinion of the Financial Management upheld by the financial advisors for the operation, that BNL is a strategic asset of special strategic importance for BBVA for the following reasons:

- Geographical diversification of profit sources, since greater involvement in the Italian market by controlling BNL fits in with the group's guidelines for expansion.
- The Italian banking market is considered a highly attractive market as it shows significant growth potential. It is also the biggest European market in numbers of small and medium-sized enterprises, a sector that BBVA considers to be strategic. In this context, the takeover of BNL represents an opportunity for BBVA to create value by applying its commercial and management skills.
- BNL's high-profile presence throughout Italy and the value of its brand equity represent two distinguishing elements that, with the right kind of commercial and management programme to back them, will enable BNL to improve its competitive position and its potential to increase its market shares.
- Incorporating BNL into the BBVA group would facilitate a significant increase in the size of the group and help consolidate one of the most competitive banking groups Europe-wide, well able to cope with new competitors.
- The presence of BBVA as core BNL shareholder since its privatisation in 1998 lowers the acquisition risk, since it is a market and an asset regarding which BBVA has developed in-depth knowledge over the years.

- The success of BBVA’s business project for BNL is backed by BBVA's track record. BBVA is present in several markets where it has proven its ability to successfully acquire and integrate national and foreign organisations.

The proposed operation would enable the BBVA to take over full control of BNL and incorporate it completely into the BBVA group and therefore speed up the process of transforming BNL, which is one of the main ways to create value for the BBVA group by realising the synergies and advantages of integration. In this manner, BBVA would obtain revenues and reduce BNL’s costs by doing the following:

- Obtaining revenue synergies in BNL by improving its retail-banking distribution platform, boosting the capacities of the retail business in various different segments and passing the BNL network over to the BBVA productivity model.
- As part of its plans to extract cost synergies, BBVA has designed the necessary plans to optimise BNL's cost-income ratios by improving its technology platform and rationalising overheads and central and intermediate structures.
- Finally, it is also possible to extract synergies by implementing the risk and recovery procedures that BBVA is already using.

1.2 Strategic grounds for the operation

Taking control of BNL via an all-share offer, as envisaged herein, is, according to the financial advice received, the most appropriate way to do the operation in the current context. It presents the following financial and market advantages:

- Reduces market risk: given that the consideration offered are BBVA shares, once the swap ratio has been established, market fluctuations affecting BNL and/or BBVA will be reflected in the listed price for both companies’ stock.
- The financing is matched to the terms and the success of the Offer, by eliminating the risk that the Offer schedule may not coincide with the timing of the capital increase. Likewise, compared to the option of

paying in cash, the capital can be increased in consonance with the Offer take-up, thereby avoiding the risk of a surplus or a shortfall.

- The risk of increasing capital by raising cash is eliminated. Such cash raising would generate additional risks in the roll-out of the Offer due to the large sum involved in the increase.
- Finally, the capital increase means the Group will maintain its core capital ratios and capital adequacy. In effect, an Offer covered solely by newly issued shares can maintain a core Tier I capital ratio above BBVA's floor level, maintaining sufficient financial flexibility for possible future acquisitions.

1.3 Reasons for the swap ratio offered:

The analysis of BNL's value has been done by the Financial Management, with advice from top-level international investment banks, applying the following valuation methods generally accepted in financial circles that it considered suitable for the operation herein described. The basis of these were the following methods:

- Dividend discount model including synergies. This is the methodology that best estimates BNL's underlying value for a strategic buyer. It incorporates the present value of synergies, which reflects the impact managers would have on the company should they take over its management.

- Premiums paid on the Italian market in the context of public takeover Offers on listed companies. This is an important method in estimating the price that current BNL shareholders would expect to obtain in the context of a takeover Offer and what would be sufficient incentive for them to accept it.

On the basis of these methods, BNL shares can be said to be worth between 2.31 and 2.72 euros per share. The 2.52 euros per share that served as a base from which to determine the swap ratio is, therefore, appropriate for the offer to buy BNL shares and would generate value for BBVA shareholders.

Said range of values is further backed by the application of the method calculating multiples from peer Italian companies. This price makes for an attractive Offer, as it entails paying a 7% premium against the closing price on 18th March 2005 and a premium of 17% against the average closing price of the last month, 18% against the average of the last 3 months and of 29% against the average of the last 6 months.

In order to determine the swap ratio being proposed (five ordinary BNL shares to one BBVA share), the board of directors has considered a BBVA share value of 12.60 euros, corresponding to the closing price of BBVA stock on 18th March 2005 (when the Offer was publicly announced). Thus, the implicit price being offered for each BNL share is 2.52 euros.

In conclusion: the call offer is appropriately valued, and is attractive to BNL shareholders, which boosts the likelihood of a successful operation at the same time as it maximises BBVA shareholder value.

In view of the analyses described, the suggestions from the financial advisors and the Financial Management proposal, the board of directors has resolved to propose the BBVA General Meeting of Shareholders increase capital by the amount ensuing from this report in order to cover the swap ratio of one BBVA share to five BNL ordinary shares.

BBVA's various financial advisors for this operation have expressed to the board of directors in their respective fairness opinions that the swap ratio offered is fair in financial terms.

REASONS FOR THE CAPITAL INCREASE PROPOSED (ARTICLE 152 IN RELATION TO ARTICLE 144 OF THE COMPANY ACT)

According to articles 144.1a) and 152.1 of the Company Act, in order for an EGM to resolve the capital increase proposed, the board of directors must first issue a written report explaining the reasons for it.

In compliance with said legal requirement, the BBVA board of directors declares the following:

1.4 Purpose of the increase

As explained in the previous part, the capital increase being proposed to the general meeting of shareholders is intended to have sufficient shares for the swap established in the Offer.

Thus, the countervalue of this capital increase will consist of non-cash contributions to the BBVA share capital comprising ordinary BNL shares swapped by those shareholders who accept the Offer, such that the increase shall be subscribed and paid up by said shareholders by the non-cash (*in natura*) consideration of BNL shares, according to the above-mentioned swap ratio.

The specific procedure for the swap will be described in the Offer documents.

1.5 Maximum amount of capital increase and incomplete subscription

The board of directors has resolved to propose a capital increase to the BBVA EGM for a maximum nominal value of 260,254,745.17 euros, by issuing and putting into circulation a maximum of 531,132,133 ordinary shares with a face value of 0.49 euros each.

This amount corresponds to the maximum number of shares that would have to be issued should the Offer be taken up by the holders of all the target shares, given the swap ratio of one BBVA share to five BNL shares.

Said shares will be newly issued BBVA shares of the same class and series as the current ones, and will confer the same political and economic rights on their holders as the shares currently in circulation, as of the moment in which they are issued. The new shares will entitle holders to participate in any distribution of corporate earnings paid out after the date on which their ownership is filed on the Iberclear records and in distribution of shareholders funds resulting from liquidation.

Given that the final amount of the capital increase will depend on the number of ordinary BNL shares offered for swap under the Offer, the BBVA board of directors proposes the EGM approve the capital increase for the aforementioned sum, which is the maximum amount that could be required were all target-share holders to take up the Offer, whilst expressly acknowledging the possibility that the subscription may be incomplete, pursuant to article 161 of the Company Act.

1.6 Issue price

The new BBVA shares shall be issued at their face value plus an issue premium to be determined according to the following:

The issue price (face value plus issue premium) shall be equal to the closing price of the BBVA stock at close of the last trading day prior to the EGM approving the increase that is the subject of this report. To such effect, the closing price shall be the price published as such by the Sistema de Interconexión Bursátil (SIBE). Thus, the proposed issue price would correspond to the aforementioned fair price linked to the BBVA stock price.

The above notwithstanding, should this price be below or equal to 4.59 euros per share (equal to the book value per already existing BBVA share according to the annual consolidated BBVA accounts to 31st December 2004), the issue price shall be 4.60 euros per share.

However, should this reference exceed 12.60 euros per share (average of BBVA stock closing prices over the three months prior to and including 18th March 2005 (date on which the operation was launched), the issue price shall be 12.60 euros per share.

This gives a minimum issue price of 4.60 euros per share, higher than the book value for existing BBVA shares according to the annual consolidated BBVA accounts to 31st December 2004.

The issue premium shall be the difference between the issue price determined and the face value of the shares (0.49 euros).

The board of directors shall inform the EGM when it is being held of the issue price ensuing on the above.

1.7 Amendment of bylaws

The capital increase being proposed for all the reasons given herein, will require the amendment of article 5 of the company bylaws governing the BBVA share capital.

Given that incomplete subscription is expected since the number of ordinary BNL shares put into the swap is unknown, it is proposed that authority be conferred on the board of directors and the executive committee, with express faculties of substitution in both cases, to amend article 5 of the company bylaws to adapt it to the figure for share capital and the number of shares resulting from the new issue.

The above notwithstanding, provided the capital increase resolved is fully subscribed and paid up, article 5 of the company bylaws will read as follows:

Article 5. Share Capital

(a)

(b) The bank's share capital is ONE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, SEVEN-HUNDRED AND SEVENTY-TWO THOUSAND, TWO-HUNDRED AND FORTY-SIX EUROS TWENTY-OUR CENTS (1,921,772,246.24), represented by THREE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, NINE-HUNDRED AND EIGHTY-FOUR THOUSAND, ONE-HUNDRED AND SEVENTY-SIX (3,921,984,176) shares, each of FORTY-NINE (49) EURO-CENTS face value, all of the same class and series, fully subscribed and paid up. "

1.8 Suspensive Condition

As explained in part 2.2 above, given that the resolution to increase the capital covered by this report is intended solely to finance the swap under the Offer and given that this is subject to certain conditions being met, the capital increase shall be subject to the effective execution, unfolding and conlusion of the Offer that BBVA has filed over the ordinary BNL shares, and subject to obtaining due administrative permits and or authorisation and the materialisation of such arrangements as may be necessary in order to go ahead.

PROJECTED NON-CASH CONSIDERATION (ARTICLE 155 OF THE COMPANY ACT)

Since this is capital increase earmarked exclusively to be swapped for a non-cash consideration, according to article 155 of the Company Act, the BBVA directors must issue a report describing in detail the projected consideration; the persons making the swaps, the number and face value of the shares to be handed over by

BBVA and the guarantees adopted according to the nature of the assets to be swapped.

In compliance with this legal requirement, we hereby state the following:

1.9 Description of the non-cash considerations

The projected considerations to be incorporated into the BBVA shareholders funds comprise ordinary shares *(azioni ordinarie)* in BNL, with a face value of 0.72. euros each. The ordinary BNL shares are currently traded on the *"Mercato Telematico Azionario"* organised and managed by *Borsa Italiana S.p.A.*

BNL is an Italian lending institution, domiciled at Via Vittorio Veneto, 119 in Rome (Italy).
The BNL share capital is represented in 3,011,064,556 ordinary shares *(azioni ordinarie)* each with a face value of 0.72 euros, and by 23,198,331 shares without voting rights (*azioni di risparmio*) also with a face value of 0.72 euros.

The number of target shares comprises the 2,567,030,375 ordinary shares that BBVA does not currently own and the 88,630,289 ordinary BNL shares that may be issued before the end of the Offer acceptance period as part of the stock/option programmes that BNL has agreed with its staff.

BNL is the holding company of one of the biggest financial groups in Italy. It is the seventh biggest bank in Italy in terms of customers (2.5 million), with a 4% market share, and ranks tenth in terms of its network, which has a 2.4% share of the total Italian banking network.

1.10 Identification of target shareholders

The persons who will present the non-cash consideration projected herein will be holders of BNL shares who accept the Offer in the terms described in the Offer documents.

1.11 Number and face value of the BBVA shares issued for the swap

a) The number of newly issued shares to be transferred to holders of ordinary BNL shares depends on the take-up of the Offer, such that it is impossible to establish in advance exactly how many new BBVA shares will be issued. Should all the holders of ordinary BNL target shares accept the Offer for their entire holdings, then BBVA would issue 531,132,133 new shares. This would entail increasing its share capital to the sum of 260,254,745.17 euros.

Given the above and according to the swap ratio determined, the final number of shares to be issued would be the amount ensuing on the published results of the Offer and its settlement pursuant to applicable regulations. To such effects, the incomplete subscription of the capital increase has been expressly acknowledged.

b) The face value of the new BBVA shares to be issued for swaps under the Offer will be 0.49 euros per share. The issue price is covered in para. 5.3 of this report.

c) The shares shall be of the same class and series as the current ones, and will confer the same political and economic rights on their holders as the shares currently in circulation, as of the moment in which the resolution to issue them is put into effect. The new shares will entitle holders to participate in any distribution of corporate earnings paid out after the date on which their ownership is filed on the Iberclear records and in distribution of shareholders funds resulting from liquidation.

1.12 Guarantees adopted

Given the nature of the assets to be swapped, it is hereby stated that pursuant to article 38 of the Company Act, the Vizcaya Company Registry will be asked to designate an independent expert to issue the report stipulated therein. Said report will describe the nature of the non-cash consideration in the swap, with due data for identification, and the valuation criteria adopted. It will indicate whether the shares to be swapped correspond to the number, face value and issue premium of the shares to be issued by BBVA.

Moreover, given that the capital increase will be subscribed and paid up within the framework established in the Offer, Italian regulations on securities markets will be applicable with respect to how the Offer is carried out and Spanish regulations regarding the issue of shares. To such effects, BBVA shall proceed in accordance with applicable regulations to prepare and, where applicable, register such documents as may be requirable.

EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHT AND ISSUE PRICE (ARTICLE 159 OF THE COMPANY ACT)

In accordance with the information given above and given that the capital increase is earmarked for the swap with BNL shares, it is proposed that the EGM exclude the pre-emptive subscription rights of current shareholders with respect to this capital increase, pursuant to article 159 of the Company Act.

As established in para. 1b) of said article 159 of the Company Act, the resolution to suppress the pre-emptive rights is only valid if the directors draw up a report giving detailed reasons for the proposal and the issue price of the shares, indicating to whom these will be attributed.

In compliance with said legal requirement, the BBVA board of directors declares the following:

1.13 Corporate interest and the exclusion of pre-emptive subscription rights

The increased BBVA holding in BNL of up to 100%, where forthcoming, is considered most advisable for the interests of the company. This assessment is based both on strategic reasons that make the operation especially advisable and also on the manner in which said operation is to be structured.

BNL is a strategic asset for BBVA as explained in para. 2.1 above. The reasons for this are summarised below:

- Geographical diversification. BBVA’s search for a balance between its presence in emerging markets and in areas of mature growth is realised in an optimum manner with the Offer over BNL.

- Realisation of the opportunities offered by the Italian market. The size of the Italian market and its potential for growth in banking services make it especially attractive and an especially good fit with the BBVA strategy.

- BNL’s growth potential in strategic segments. BNL’s high-profile presence throughout Italy and the value of its brand equity represent add significant value to the operation.

- Growth opportunity for the BBVA group. The significant increase in the size of the group following the possible incorporation of BNL will enable it to adopt more attractive strategies for its customers and become more competitive against its peers.
- Prior knowledge of the investment reduces the risk associated to any takeover.
- BBVA-s experience and know-how in the implementation of takeovers and integration of international enterprises guarantees the success of the operation.

The proposed operation would enable the BBVA to take over full control of BNL and incorporate it completely into the BBVA group and therefore speed up the process of transforming BNL, which is one of the main ways to create value for the BBVA group by realising the synergies and advantages of integration. In this manner, BBVA would obtain revenues and reduce BNL's costs by doing the following:

- Boosting its commercial area (retail distribution platform and wholesale area).
- Optimising BNL cost/income ratios as a consequence of cost synergies.
- Optimising BNL risk management by implementing the BBVA risk-management system.

Regarding the operation's structure, ie, a share swap as described in detail in section 2.2 above, under current circumstance the capital increase with the exclusion of pre-emptive rights eliminates the financial and market risks of the operation and makes it possible to maintain the demanding targets for core-capital and capital-adequacy ratios that the BBVA group has set itself. Moreover, since the proposed issue price is matched to the fair value linked to the listed BBVA stock value, the operation is financially neutral, whichever way one looks at it.

Given the above, we consider that the reasons of corporate interest underlying capital issue being proposed to the EGM are more than justified.

Since an operation of these characteristics makes it impossible to uphold the pre-emptive rights of current BBVA shareholders, the capital issue being proposed entails suppressing said rights. The BBVA board of directors considers that this is necessary for the sake of corporate interest.

1.14 Issue price of new BBVA shares

As explained in section 3.3 above, the issue price (face value plus issue premium) of the new shares shall be (subject to the minimum and maximum prices given in said section) equal to the closing price of the BBVA stock at close of the last trading day prior to the EGM approving the increase that is the subject of this report. To such effect, the closing price shall be the price published as such by the Sistema de Interconexión Bursátil (SIBE). Thus, the proposed issue price would correspond to the aforementioned fair price linked to the BBVA stock price.

Pursuant to article 159.1c) of the Company Act, capital increases excluding pre-emptive subscription rights in listed companies, the general meeting of the company’s shareholders may approve the issue of new shares at any price, providing it is above the consolidated book value of the company. To such effects, it is hereby stated that, as explained in section 3.3 above, the minimum issue price must be 4.60 euros per share, a sum higher than the net book value for already existing BBVA shares according to the annual consolidated BBVA accounts to 31st December 2004.

For compliance with article 159.1 of the Company act, this net consolidated book value per share will be accredited by a report issued by an auditor of accounts other than the company's current auditor, to which shareholders will have access in compliance with said article 159 of the Company Act.

1.15 Persons to whom the new shares shall be attributed

As indicated above, the persons to whom the new shares to be issued in the capital increase described in this report shall be holders of BNL target shares who accept

BBVA’s Offer and who, consequently, will subscribe and pay up said increase through a non-cash consideration comprising their BNL shares.

PROPOSED RESOLUTIONS:

ONE: INCREASE OF SHARE CAPITAL TO BE EXCHANGED FOR A NON-CASH CONSIDERATION

To increase BBVA share capital by a nominal amount of two-hundred and sixty million, two-hundred and fifty-four thousand, seven-hundred and forty-five euros seventeen cents (€260,254,745.17), by issuing and putting into circulation five-hundred and thirty-one million, one-hundred and thirty-two thousand, one-hundred and thirty-three (531,132,133) ordinary shares, each of 0.49 euros face value, of the same class and series as existing BBVA shares, represented in book entries, in order to cover the sum established in the public Offer (the “Offer”) intended to acquire up to 2,655,660,664 (two billion, six-hundred and fifty-five million, six-hundred and sixty thousand, six-hundred and sixty-four) ordinary shares in the Banca Nazionale del Laboro SpA (“**BNL**”).

1.16 Issue price

The shares shall be issued at an issue price (nominal price plus issue premium) equal to the price of BBVA stock on closing of the previous day’s trading immediately before the EGM that approves this increase, provided said closing price is above 4.59 euros (net book value per share of already existing BBVA shares as accredited in the report from an accounts auditor other than the company’s own auditor, as established in article 159.1 of the Company Act, according to the financial statements audited to 31st December 2004) and not higher than 12.60 euros (closing prices of BBVA stock on 18th March 2005, date on which BBVA announced its intention to carry out the operation to the market).

Should the closing price of BBVA stock on the trading day prior to the EGM approving this increase not be higher than 4.59 euros (net book value per share) the issue price will be 4.60 euros. Should said closing price be higher than 12.60 euros, the issue price per share will be 12.60 euros. To such effects, the closing price shall be the price published as such by the Sistema de Interconexión Bursátil (SIBE).

The issue premium shall be the difference between the issue price determined according to the above provisions and the face value of the shares (0.49 euros) and the Board of Directors will tell it.

1.17 Target of increase - Consideration

The shares targeted through this increase shall be fully subscribed and paid up by a non-cash consideration comprising ordinary shares of the Italian company BNL listed on the Mercato Telemático Azionario organised and managed by Borsa Italiana, in the ratio of five (5) ordinary BNL shares for each one (1) newly issued share in Banco Bilbao Vizcaya Argentaria, S.A.

1.18 Incomplete subscription

Pursuant to article 161.1 of the Company Act, the possibility of incomplete subscription to the increase is expressly foreseen.

Consequently, should the Offer not be accepted by all the holders of ordinary BNL shares targeted by it, this resolution to increase BBVA capital will be implemented to the amount corresponding to the Banco Bilbao Vizcaya Argentaria, S.A. shares effectively subscribed and paid up, the remaining amount being left null and void.

1.19 Exclusion of pre-emptive subscription rights

With respect to the requirements of corporate interest, and in order to permit the new BBVA shares to be subscribed and paid up by holders of ordinary BNL stock that they will swap for them, a total waiver is placed on the preferential subscription right of BBVA share holders and convertible bond holders.

To such effects, pursuant to 1.1 above, the issue price must be higher than the net book value of BBVA stock, as accredited in the report issued by an auditor of accounts other than the company's current auditor, in compliance with article 159.1 of the Company Act.

1.20 Rights of the new shares

The newly issued shares shall be ordinary shares, the same as those currently in circulation. They shall be represented by book entries to be recorded by Sociedad de

Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) and its partner companies.

The new shares will grant holders the right to participate in any payout of corporate earnings that may be distributed after the date of their inclusion on the Iberclear books and in the net worth resulting from liquidation.

1.21 Suspensive Condition

This capital increase is subject to the effective implementation, development and conclusion of the Offer launched by BBVA over ordinary BNL shares, and the granting of due authorisations or permits and the success of any arrangements that may be necessary to complete the process.

1.22 Application of the special tax regime established in Chapter VIII of Part VII of the Consolidated Text of the Company Tax Act

Pursuant to article 96 of the consolidated text of the Company Tax Act approved by legislative royal decree 4/2004, it is resolved to choose to apply the special tax regime established under Chapter VIII of Part VII and in the Second Additional Provision of the aforementioned consolidated text of the Company Tax Act with respect to the capital increase for a non-cash consideration comprising BNL stock.

1.23 Request to list the new shares

It is resolved to request admission to trading of the new shares to be issued, subscribed and paid up by virtue of the above resolutions, on the Securities Markets of Madrid, Barcelona, Bilbao and Valencia, through the electronic trading system (Sistema de Interconexión Bursátil, Mercado Continuo). It is further resolved to take necessary measures and actions to submit any documents required to the competent bodies of Securities Exchanges abroad where BBVA shares are listed at the time of issue, so that the new shares issued as a consequence of the capital increase herein resolved can also be listed there.

To such effects, authority is conferred on the board of directors and the executive committee, with express rights of substitution in both cases, once this resolution has been executed, to make the corresponding applications, draw up and present any documents deemed appropriate in the terms they consider advisable, and take any measures that may be necessary for such purpose.

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

1.24 Amendment of Bylaws

As a consequence of this capital increase, article 5 of the company bylaws will be amended. Provided the share capital increase resolved is fully subscribed and drawn up, article 5 will read as follows:

> Article 5. Share Capital
>
> The bank's share capital is ONE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, SEVEN-HUNDRED AND SEVENTY-TWO THOUSAND, TWO-HUNDRED AND FORTY-SIX EUROS TWENTY-OUR CENTS (1,921,772,246.24), represented by THREE-THOUSAND NINE-HUNDRED AND TWENTY-ONE MILLION, NINE-HUNDRED AND EIGHTY-FOUR THOUSAND, ONE-HUNDRED AND SEVENTY-SIX (3,921,984,176) shares, each of FORTY-NINE (49) EURO-CENTS face value, all of the same class and series, fully subscribed and paid up. "

1.25 Proxy

The board of directors is authorised to delegate in turn to its executive committee with express powers of substitution, all powers necessary to decide within a maximum term of one year the date on which this increase shall be put into effect, fully or partially, within the limits established. Likewise, to determine the opening and closing dates of the Offer, and even to decide not to implement this capital issue should the terms of the Offer be altered. In such event, the board may approve a capital increase different from the one resolved herein, pursuant to the authorisation conferred by the AGM, 28th February 2004, in compliance with article 153.1 b) of the Company Act. The board is likewise empowered, with authorisation to delegate in turn to its executive committee, with express powers of substitution, to determine the figure for which the capital increase will finally be made, including incomplete subscription of the increase, the way the contribution and swap of shares shall proceed, and the amended wording of article 5 of the company bylaws, to adapt it to the new figure for share capital and the number of shares resulting from the new issue, and to establish the terms and conditions of the increase that are not established by this EGM. Finally, the board is empowered to do the following, and authorised to delegate in turn to its executive committee with express powers of substitution: to take such measures as they deem necessary in any jurisdiction where the BBVA shares are traded, listed or a listing application has been made; to draw up any protocols, applications, communications or notifications required by applicable law in each competent jurisdiction; to take such measures as they deem necessary before any national or foreign competent authorities; to approve and sign such public and private documents as may be necessary or appropriate for the full enforcement of the resolutions to increase capital; to implement the choice of special tax regime established in Chapter VIII of Part VII and the second additional provision of the consolidated text of the Company Tax Law and to appreciate compliance with the condition to which the execution of the present capital increase is subject.

Madrid, 28th March 2005

ANNEX II — Copy of the Certificate from the Sociedad Rectora de la Bolsa de Bilbao

Logo: Bolsa de Bilbao *(Bilbao Stock Exchange)*

JOSE LUIS DAMBORENEA ORTIZ DE ZARATE, DIRECTOR AND GENERAL MANAGER OF THE SOCIEDAD RECTORA DE LA BOLSA DE VALORES DE BILBAO, S.A.

HEREBY CERTIFIES:

That on the basis of the information that this Sociedad Rectora de la Bolsa de Valores de Bilbao (Bilbao Stock Exchange Management Company) has regarding the Banco Bilbao Vizcaya Argentaria stock (ISIN Code: ES113211835):

The closing price of BBVA stock for 16th May 2005 is 12.51 euros, a total of 14,044,601 BBVA shares having been traded in said session with an effective total trading turnover of 175,360,976.25 euros.

Likewise, that on the basis of earlier information that the Sociedad Rectora holds, it can be seen that during the period from 17th February 2005 to 16th May 2005, both inclusive, the simple average price of the weighted daily average prices for exchange trading of BBVA stock was 12.598 euros.

During the aforementioned period, 61 trading sessions were held over the Sistema de Interconexión Bursatil (the exchange interconnection system), in all of which the BBVA stock was listed, with 1,215,119,570 shares being traded and an effective total turnover of 15,291,131,871.67 euros.

In witness whereof, for due effect, I hereby sign this document in Bilbao on the seventeenth of May two-thousand and five.

(illegible signature)

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(round company seal)