

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

**EXPLANATORY REPORT ON THE MANAGEMENT REPORT
FOR THE YEAR ENDING
31st DECEMBER 2008**

In compliance with article 116.b of the Securities Market Act, this explanatory report has been drawn up with respect to the following aspects:

a) Capital structure, including securities not traded on the regulated EU market, with indication, where applicable, of the different classes of shares and, for each class of shares, the rights and obligations they confer and the percentage of total share capital they represent:

At 31st December 2008, BBVA share capital stood at €1,836,504,869.29, divided into 3,747,969,121 nominative shares each with a face value of €0.49, all of the same class and series, fully subscribed and paid up and represented by account entries. On 10th September 2007, the capital increase approved by the Extraordinary General Meeting of shareholders, 21st June 2007, was executed by the issue of 196,000,000 ordinary shares of the same class and series as those already in existence. This issue was made for settlement of the consideration agreed for the acquisition of Compass Bancshares, Inc.'s total share capital. At 31st December 2008 there were no significant capital increase procedures in any of the Group entities.

All the shares in BBVA's capital bear the same voting and economic rights. There are no distinct voting rights for any shareholder. There are no shares that do not represent capital.

BBVA shares are traded on the continuous market of the Spanish securities exchanges and on the Frankfurt, London, Zurich, Milan and Mexico markets.

BBVA American Depositary Shares (ADS) are traded in New York and also on the Lima exchange (Peru) under an exchange agreement between both markets.

Additionally, at 31st December 2008, the shares of BBVA Banco Continental, S.A., Banco Provincial S.A., BBVA Colombia, S.A., BBVA Chile, S.A., BBVA Banco Francés, S.A. and AFP Provida were traded on their respective local securities markets, and the BBVA Banco Francés, S.A. and AFP Provida shares were also traded on the New York exchange. BBVA Banco Francés, S.A. is also listed on the LatAm market at the Bolsa de Madrid.

b) Any restriction on the securities' transferability

There are no legal or bylaw restrictions on the free acquisition or transfer of shares in the company's capital other than those established in articles 56 and following in Act 26/1988, 9th July, on discipline and oversight in financial institutions, which establish that any individual or corporation intending to directly or indirectly acquire a significant holding in a Spanish financial institution or to divest a significant holding, must first inform the Bank of Spain. The Bank of Spain will have a maximum of three months as of the date on which it is informed, to challenge the transaction intended, where applicable.

c) Significant direct or indirect holdings in the capital

At 31st December 2008, BBVA was not aware of any significant holdings in its share capital, except that owned by Mr Manuel Jove Capellán, who on said date held 4.343% of BBVA's share capital through the companies, Inveravante Inversiones Universales, S.L., Doniños de Inversiones, SICAV, S.A. and Bourdet Inversiones, SICAV, S.A. The drop in Mr Manuel Jove's holding in BBVA from the 5.01% he held at year-end 2007, according to the filing to the CNMV, 11th December 2008, corresponds to a securities loan deal (specifically against 25.000.000 shares) carried out pursuant to additional provision 18 in Act 62/2003, 30th December. In due time, the cancellation of the loan would mean that Mr Jove can recover his previous 5.01% holding.

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Moreover, on 31st December 2008, State Street Bank and Trust Co., Chase Nominees Ltd, the Bank of New York International Nominees and Clearstream AG, as international custodian/depository banks, held 4.62%, 4.15%, and 3.40% of BBVA's share capital, respectively.

d) Any restriction on voting rights.

There are no legal or bylaw restrictions on the exercise of voting rights.

e) Paracorporate pacts

To 31st December 2003, BBVA has not received any information of extracorporate agreements including the regulation of the exercise of voting rights at its general meetings or restricting or placing conditions on the free transferability of BBVA shares.

f) Rules applicable to the appointment and substitution of members of the governing body and the amendment of the corporate bylaws

Appointment and Re-election

The rules applicable to the appointment and re-election of members of the board of directors are laid down in articles 2 and 3 of the board regulations, which stipulate that members shall be appointed to the board by the AGM without detriment to the Board's right to co-opt members in the event of any vacancy.

In any event, persons proposed for appointment as directors must meet the requirements of applicable legislation in regard to the special code for financial institutions, and the provisions of the corporate bylaws.

The Board of Directors will put its proposals to the Company AGM in such a way that there is an ample majority of external directors to executive directors on the board and that the number of independent directors accounts for at least one third of the total seats.

The proposals that the board submits to the Company's AGM for the appointment or re-election of directors and the resolutions to co-opt directors made by the board of directors shall be approved (i) at the proposal of the Appointments & Remuneration committee in the case of independent directors and (ii) on the basis of a report from said committee in the case of all other directors.

The Board's resolutions and deliberations on these matters shall take place in the absence of the director whose re-election is proposed. If the director is at the meeting, she/he must leave.

Directors shall remain in office for the term defined by the corporate bylaws under a resolution passed by the AGM. If they have been co-opted, they shall work out the term of office remaining to the director whose vacancy they have covered through co-option, unless a proposal is put to the AGM to appoint them for the term of office established under the corporate bylaws.

Termination of directorship

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

Directors must apprise the board of any circumstances affecting them that might harm the Company's reputation and credit and, in particular, of any criminal charges brought against them, and any significant changes that may arise in their standing before the courts.

Directors must place their office at the disposal of the board and accept its decision regarding their continuity in office. Should the board resolve they not continue, they shall accordingly tender their resignation.

Directors will resign their positions on reaching 70 years of age. They must present their resignation at the first meeting of the Bank's board of directors after the AGM that approves the accounts for the year in which they reach this age.

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Changes to the corporate bylaws

Article 30 of the BBVA corporate bylaws establishes that the AGM has the power to amend the corporate bylaws and to confirm or rectify the manner in which the board has interpreted them.

To such end, the regime established under articles 144 and following of the Companies Act will be applicable.

The above paragraph notwithstanding, two-thirds of the capital subscribed with voting rights must attend the AGM at first summons, or 60% of said capital at second summons in order to validly adopt resolutions on any change in the corporate object, transformation, total break-up or winding up of the company and amendment of this second paragraph of this current article.

g) Powers of board members and, in particular, those relating to the possibility or issuing or buying back shares.

The executive directors have broad-ranging powers of representation and administration in keeping with the characteristics and needs of the posts they hold.

Regarding the board of directors' capacity to issue BBVA shares, the AGM, 28th February 2004, resolved to confer authority upon the board of directors, pursuant to article 153.1.b) of the Companies act, with powers to resolve, on one or on several occasions, to increase capital up to the maximum nominal amount representing 50% of the Company's subscribed and paid-up share capital on the date on which the resolution is adopted, ie, €830,758,750.54. The directors may use this authority to increase capital for the term established by law, namely 5 years. BBVA has only drawn against this resolution to date in November 2006, for the sum of €78,947,368.22.

Since five years have ensued since said authority was conferred, the board of directors has resolved to propose to the AGM, 13th March 2009, that it renew the authority for a further five-year period.

Likewise, the Bank's AGM, 14th March 2008, resolved to confer authority to the board of directors, for five years, to issue securities convertible and/or exchangeable for the Bank's shares for up to a maximum of €9 bn (9,000,000,000 euros), establish the various aspects and terms and conditions of each issue, including authority to exclude or not exclude the pre-emptive subscription rights pursuant to article 159.2 of the Companies Act, determine the bases and modalities of the conversion and increase share capital by the amount required.

Moreover, the AGM, 14th March 2008, pursuant to article 75 of the Companies Act, authorised the Company to acquire Banco Bilbao Vizcaya Argentaria, S.A. shares, directly or through any of its subsidiaries, during a maximum of eighteen months, at any time and on as many occasions as it deems timely, by any means accepted by law. The board of directors will once again propose to the AGM, 13th March 2009, that it adopt this resolution.

h) Significant agreements reached by the company that come into force, are amended or conclude in the event of a change in the control of the company stemming from a public takeover bid, and its effects, except when such disclosure may be seriously harmful to the company. This exception will not be applicable when the company is legally obliged to make this information public.

No agreement is known that could give rise to changes in the control of the issuer.

i) Agreements between the Company and its directors and managers and employees who are entitled to compensation when they resign or are unfairly dismissed or if their employment relationship terminates due to a public takeover bid.

The contracts of the executive directors in the Bank (chairman & CEO, president & COO and director & company secretary) recognise their right to receive compensation in the event of severance on grounds other than their own will, retirement, disability or severe dereliction of duty. The amount and the terms and conditions of this compensation are detailed in Note 54 to this report.

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Moreover, the Bank recognises the right of some members of its management team, 51 executives, to receive compensation in the event of severance on grounds other than their own will, retirement, disability or severe dereliction of duty. The amount of this compensation will be calculated firstly as a function of their annual remuneration and their seniority in the company and then as a function of any amounts for which they have accumulated rights in each case.

The Bank has also agreed compensation clauses with some employees (50 members of the technical and specialist staff) in the event of unfair dismissal. The amount of this compensation is calculated as a function of the wage and professional conditions of each employee.