



# BBVA



QUARTERLY REPORT  
**January-March 2005**



## 2 BBVA Group Highlights

### 3 Group financial information

- 3 > Relevant events
- 7 > Earnings
- 13 > Business activity
- 17 > Risk management
- 20 > Capital base
- 22 > The BBVA share

### 24 Business areas

- 26 > Retail Banking in Spain and Portugal
- 30 > Wholesale and Investment Banking
- 33 > The Americas
- 39 > Corporate Activities

### 41 Financial statements

- 41 > Balances
- 42 > Consolidated income statement
- 43 > Statement of changes in equity
- 43 > First applications of the IFRS
- 45 > Information by segments

## &gt; BBVA Group Highlights (consolidated figures)

	31-03-05	31-03-04	Δ%
<b>BALANCE SHEET (million euros)</b>			
Total assets	345,221	315,180	9.5
Customer lending (gross)	185,533	156,192	18.8
On-balance sheet customer funds	211,389	193,786	9.1
Other customer funds managed	125,336	117,335	6.8
Total customer funds managed	336,725	311,121	8.2
Equity	14,220	12,287	15.7
Shareholders' funds (including profit for the year)	11,767	10,321	14.0
<b>INCOME STATEMENT (million euros)</b>			
Net interest income	1,549	1,445	7.2
Core revenues	2,567	2,393	7.3
Ordinary revenues	2,854	2,617	9.0
Operating profit	1,432	1,232	16.3
Pre-tax profit	1,203	1,028	17.0
Net attributable profit	815	679	20.0
<b>DATA PER SHARE AND MARKET CAPITALIZATION</b>			
Share price	12.56	10.77	16.6
Market capitalization (million euros)	42,589	36,519	16.6
Net attributable profit	0.24	0.20	17.4
Book value	3.47	3.04	14.0
PER (Price/earnings ratio; times) <sup>(1)</sup>	12.3	12.5	
P/BV (Price/book value; times)	3.6	3.5	
<b>SIGNIFICANT RATIOS (%)</b>			
Operating profit/ATA	1.69	1.53	
ROE (Net attributable profit/Average equity)	30.8	32.0	
ROA (Net profit/ATA)	1.02	0.94	
RORWA (Net profit/Risk weighted average assets)	1.76	1.55	
Efficiency ratio	45.0	46.9	
Efficiency ratio including depreciation and amortization	48.5	51.2	
NPL ratio	1.06	1.46	
NPL coverage ratio	228.1	194.9	
<b>CAPITAL ADEQUACY RATIOS (BIS Regulation) (%)</b>			
Total	12.3	11.4	
Core capital	6.0	5.4	
TIER I	8.0	7.5	
<b>OTHER INFORMATION</b>			
Number of shares (million)	3,391	3,391	
Number of shareholders	1,058,876	1,150,391	
Number of employees	88,588	88,750	
• Spain	31,033	31,294	
• America <sup>(2)</sup>	55,579	55,456	
• Rest of the world	1,976	2,000	
Number of branches	7,006	6,958	
• Spain	3,410	3,390	
• America <sup>(2)</sup>	3,420	3,374	
• Rest of the world	176	194	

(1) The 2005 PER is calculated taking into consideration the median of the analysts' estimates (April 2005).

(2) Includes those related to the BBVA Group's banking, pension fund managers and insurance companies in all the American countries in which it is present.

## > Relevant events

The financial information included in this report follows the criteria established by Circular 4/2002 of the Bank of Spain and the international financial reporting standards (IFRS) approved by the European Parliament. The 2004 numbers are shown using the same criteria and are therefore homogeneous. Nonetheless, the figures are un-audited and may change.

The most relevant aspects of the BBVA group's financial status and strategy in the first quarter are summarised below:

- As part of its strategy of profitable growth in recent years, BBVA launched a takeover bid for 100% of the share capital of Banca Nazionale del Lavoro. The Italian bank's board of directors accepted the bid and Consob and the European Commission have authorised the operation. The main agencies (S&P, Fitch y Moody's) have confirmed their ratings for the group.
- Net attributable profit in the first quarter of 2005 comes to €815m. This is a 20% increase over the €679m obtained in the same quarter last year. Earnings per share increased 17.4% and return on equity to 30.8%.
- The higher profit is due to increases in all types of revenue and to the restrained rise in operating expenses. Operating profit was €1.43 billion, a year-on-year increase of 16.3%.
- Net interest income grew 7.2% on important increases in volume in the Spanish market and on the combined effect in Mexico of higher interest rates and significant growth in the more profitable lines of business.
- Ordinary revenues increased 9.0% to €2.85 billion. Apart from net interest income, this figure includes net fee income and insurance (which grew 7.9%) and net trading income (up 27.8%, helped by the markets unit and the large industrial companies unit). In addition €28m was contributed by net sales from non-financial activities (mainly the group's real estate companies).
- Operating expenses increased 4.7% (3.5% if depreciation and amortization are included).
- The cost/income ratio (an area in which BBVA outshines other large European banks) improved to 45%, compared to 46.9% in the same period of 2004. Including amortisation, the ratio is 48.5% and the year-on-year improvement is 2.7 percentage points.
- The amount of non-performing loans (NPLs) continued to decline despite the sharp growth in customer loans. Thus the NPL ratio improved to 1.06% at 31-Mar-05, compared to 1.46% at 31-Mar-04. Coverage now stands at 228.1% (194.9% in March 2004).
- The group's capital base remains sound with core capital at 6% and a BIS ratio of 12.3% at 31-Mar-05.
- Following distribution in January of the third interim dividend of €0.10 per share against 2004 earnings and a final dividend of €0.142 in April, the total dividend per share comes to €0.442, an increase of 15.1% over the previous year.
- The high level of growth in the Retail Banking area for Spain and Portugal continued and ordinary revenues increased 6.2% while expenses were practically flat. Operating profit increased 11.5% and net attributable profit 13.2%.
- The Wholesale and Investment Banking area also recorded high levels of activity in its main business units with strong results in the Markets unit activity. Operating profit grew by 12% compared to the same period a year earlier and attributable net income grew even further (22.7%) a consequence of the significant drop in loan provisioning requirements.
- In the Americas business activity grew faster in the quarter, especially in lending to companies as well as individuals. The important increase in net interest income helped operating profit to climb 15% (21.8%

at constant exchange rates). Net profit was 37.4% higher than the first quarter of 2004.

- Net interest income at Bancomer performed particularly well, causing operating profit to rise 28.4% year-on-year at constant exchange rates. Net profit grew 50.6% (41.2% excluding Hipotecaria Nacional).

## > ECONOMIC ENVIRONMENT

The characteristic features of the international financial situation are the increase in long-term interest rates in the US and the increase in raw material prices, especially oil, which set a new record at the end of March. The Federal Reserve lifted interest rates to 2.75% at the end of the quarter. In the context of moderate advances in activity and low inflation in the first quarter, the ECB held rates unchanged at 2.0% in the euro zone.

Following considerable economic growth in most Latin-American countries in 2004, indicators in the first quarter of this year point to slower growth in business activity although growth will remain high. In Mexico interest rates continued to rise and the TIIE now stands at 9.4% for the quarterly average, compared to 8.54% at 31-Dec-04 and 5.90% at 31-Mar-04.

The dollar in March finished slightly higher against the euro, compared to the end of 2004. The increasing gap between interest rates in the US and the euro zone probably had some influence on this. However the average exchange rate in the first quarter recorded a depreciation of 4.8% compared to the same period a year earlier. Likewise and although the Mexican peso has rebounded since the end of December, there was a depreciation of 6.4% compared to the first quarter of 2004. After a 10.7% depreciation against the dollar in March, the bolivar closed the quarter with a 14.5% year-on-year depreciation against the euro.

## > Exchange rates <sup>(1)</sup>

	Year-end exchange rates			Average exchange rates	
	31-03-05	Δ% on 31-03-04	Δ% on 31-12-04	1Q 05	Δ% on 1Q 04
Mexican peso	14.4898	(5.7)	4.8	14.6606	(6.4)
Argentine peso	3.7920	(7.4)	6.8	3.8476	(5.4)
Chilean peso	760.46	(0.9)	(0.2)	758.15	(3.0)
Colombian peso	3,067.48	6.9	4.5	3,086.42	9.5
Peruvian new sol	4.2270	0.1	5.9	4.2773	1.4
Venezuelan bolivar	2,785.52	(15.9)	(6.3)	2,604.17	(14.5)
US dollar	1.2964	(5.7)	5.1	1.3113	(4.8)

(1) Expressed in currency/euro.

## > Interest rates (Quarterly average)

	2005	2004			
	1Q	4Q	3Q	2Q	1Q
Official ECB rate	2.00	2.00	2.00	2.00	2.00
Euribor 3 months	2.14	2.16	2.12	2.08	2.06
Euribor 1 year	2.33	2.31	2.35	2.29	2.14
Spain 10 year bond	3.64	3.79	4.15	4.31	4.14
USA 10 year bond	4.29	4.16	4.29	4.58	3.99
USA Federal rates	2.45	1.95	1.43	1.00	1.00
TIIE (Mexico)	9.40	8.54	7.45	6.73	5.90

## > THE BNL TAKEOVER BID

BBVA announced to the market on the 29th of March that its board of directors had approved an unsolicited takeover bid for all the shares of Banca Nazionale del Lavoro (BNL) it does not already possess. This comes to 85.675% of the authorised capital stock of BNL (85.038% including the *risparmio* shares). BBVA notified the Commissione Nazionale per la Società (CONSOB) accordingly on 29th March and required the approval of the Bank of Italy and the European Commission.

The bid, which is subject to authorisation, consists of one new ordinary BBVA share for five ordinary BNL shares. Based on the closing price of BBVA on 18th March (at this date, the preventive information was presented to the Bank of Italy complying with Italian regulations), this values the BNL share at €2.52, a premium of 14.3% on the average price in the previous 30 days and 26.6% on the market price six months earlier.

The BBVA board of directors consequently called an extraordinary general shareholders meeting to propose a capital increase in the form of 531m new ordinary shares, excluding pre-emptive rights of purchase, to cover the proposed share swap. The board authorised the chairman and board secretary-director to determine the date, place and time of the EGM once the pertinent approvals are obtained.

This operation will strengthen BBVA's presence in Italy, one of the most attractive financial markets in Europe. It has great potential for profitable development and BBVA has been present since 1998 as the main shareholder in BNL following its privatisation. During this time BBVA has developed its knowledge of the Italian financial system. This, combined with its operating and marketing experience, will enable BBVA to develop BNL's growth potential and efficiency.

BNL is the sixth-largest Italian bank in terms of lending and deposits, it is one of the most recognised brands in the country and has a solid customer base among companies and institutions. Its current strategy is focused on reinforcing the domestic position, increasing business with individual customers and SMEs, improving the risk profile and consolidation of its systems.

Features of BBVA's proposed action plan include: reinforcing the BNL branch network, improving marketing efficiency, integration of wholesale banking and continuation of the cost-reduction strategy started by the current BNL management. BBVA also plans to co-ordinate procurement, to make available BBVA's systems, procedures and skills related to the IT structure and risk management, and to improve recovery systems.

BBVA estimates that the combined effect of these proposed measures will generate gross savings of about €60m in 2005, €201m in 2006 and €282m in 2007. At the end of this period the savings will represent 2.6% of BNL's revenue base and 10.2% of its operating expense (as estimated by a selection of analysts). The impact on BBVA's earnings per share will be zero in 2005 and positive from there on.

At a BNL board meeting on 8th April, all those present unanimously approved the offer made by BBVA. They accepted it as advantageous and appropriate and "agreed with the business reasons supporting the offer and the advantages for BNL and its shareholders". They said "the bid ensures continuity of BNL's operational strategy in the service of the domestic economy and Italian customers".

On 13th April Consob issued a "*nulla osta*" regarding publication of a leaflet describing the bid. On 27th April the EU Commission issued a favourable verdict, saying the operation was compatible with the European common market.

The proposed tender offer for the BNL shares is not being made directly or indirectly in the United States, Canada, Japan, Australia or any other jurisdiction in which such offer may require the authorisation of the competent authorities or could be against the laws in force in the excluded States. BBVA will not be allowed to attend to any petition coming from any of the previously described jurisdictions.

No offer for purchase or sale of shares will be made directly or indirectly through the electronic mail or any other means (including, but without limitation, the mail, telex, telephone and the internet) of international or intra-state trade in the United States of America, nor the described offer will be able to be accepted through the referred means.

The information is not an offer to sell, or the solicitation of an offer to buy, securities in the United States. The BBVA shares being offered in exchange for BNL shares have not been and will not be registered under the United States Securities Act of 1933 and they will not be offered, sold or delivered directly or indirectly in the United States, except pursuant to an exemption from registration.

The complete information on the offer is detailed in the prospectus surveyed by CONSOB ([www.bbva.com](http://www.bbva.com)).

### > APPLICATION OF NEW ACCOUNTING STANDARDS

In accordance with European Union directives, 2005 is the first year the BBVA group is presenting its consolidated account in accordance with the new international financial reporting standards (IFRS). The Bank of Spain approved these in Circular 4/2004 on standards for public and reserved financial information and financial statement formats.

The group has applied the new accounting criteria to the first quarter of 2005, the year 2004 and its quarterly figures so all the data is homogeneous. Nevertheless, the figures in question are un-audited and may change.

The main changes derived from the application of the IFRS and the impact on the BBVA group were detailed in the relevant events published on 21st February 2005 (impacts for the group as a whole) and 29th April 2005 (impacts for business areas) as well as in the “Folleto Continuo” registered with the Spanish Securities Exchange Commission (CNMV) on the 22nd April 2005

(section 7.1.1). All these documents are available in the group’s web page ([www.bbva.com](http://www.bbva.com), investor relations, financial information) and in the Spanish Securities Exchange Commission web page ([www.cnmv.es](http://www.cnmv.es)).

### > CHANGES IN INFORMATION PRESENTATION AND CONTENT

As a result of the IFRS and the group’s desire to increase transparency in its dealings with the market on financial developments, the bank has made some changes in this quarterly report in connection with previous years.

There are three main types of change:

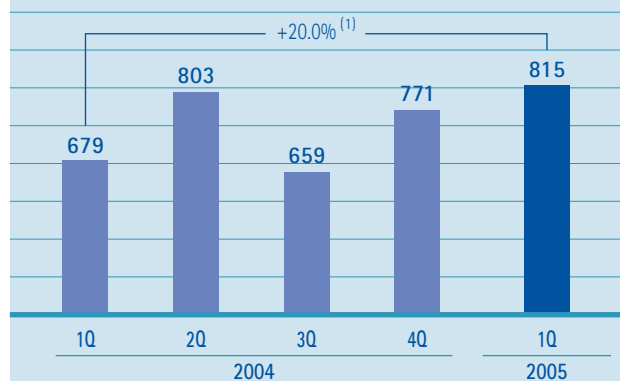
- **Group financial information:** apart from a summary of relevant events in the quarter, the report contains specific sections on results, business activity, risk management, the capital base and the share price.
- **Business areas:** in keeping with the group’s financial statements and applying uniform criteria, the bank has adapted the information on business areas to match IFRS. The figures for 2004 have been recalculated based on the new criteria. It has not changed the top-level structure of business areas (Retail Banking in Spain and Portugal, Wholesale and Investment Banking, the Americas and Corporate Activities). However, it has changed the arrangement of some units at the second level.
- **Financial statements:** this consists of the balance sheet, income statement, a statement of general changes in shareholders’ equity, and a reconciliation between earnings and equity on the first application of the IFRS.



Net attributable profit generated by the BBVA group in the first quarter of 2005 came to €815m. This was an increase of 20% over the €679m obtained in the same quarter last year. Operating profit, which grew 16.3%, was the determining factor in the increase in net profit because items on the income statement between operating profit and profit before tax cancelled each other out.

## > Net attributable profit

(Million euros)



(1) At constant exchange rates: +22.2%.

## > Consolidated income statement (Million euros)

	1Q 05	Δ%	1Q 04	Memorandum item: Δ% at constant exchange rates
Core net interest income	1,528	7.9	1,416	10.8
Dividends	22	(25.0)	29	(25.0)
<b>NET INTEREST INCOME</b>	<b>1,549</b>	<b>7.2</b>	<b>1,445</b>	<b>10.1</b>
Net income by the equity method	23	(10.7)	26	(10.4)
Net fee income	899	8.2	831	10.7
Income from insurance activities	96	5.8	90	9.5
<b>CORE REVENUES</b>	<b>2,567</b>	<b>7.3</b>	<b>2,393</b>	<b>10.0</b>
Net trading income	286	27.8	224	29.5
<b>ORDINARY REVENUES</b>	<b>2,854</b>	<b>9.0</b>	<b>2,617</b>	<b>11.7</b>
Net revenues from non-financial activities	28	33.5	21	35.2
Personnel costs	(838)	3.3	(811)	5.2
General expenses	(479)	7.3	(447)	10.6
Depreciation and amortization	(102)	(9.8)	(113)	(7.9)
Other operating income and expenses (net)	(31)	(15.1)	(36)	(9.6)
<b>OPERATING PROFIT</b>	<b>1,432</b>	<b>16.3</b>	<b>1,232</b>	<b>19.3</b>
Impairment losses on financial assets (net)	(123)	(46.8)	(230)	(45.7)
• Loan-loss provisions	(118)	(47.5)	(225)	(46.4)
• Other	(5)	(18.5)	(6)	(18.5)
Provisions (net)	(131)	(54.2)	(286)	(53.9)
Other income/losses (net)	24	(92.4)	313	(92.4)
• From disposal of equity holdings	4	(98.5)	240	(98.5)
• Other	20	(72.2)	73	(71.8)
<b>PRE-TAX PROFIT</b>	<b>1,203</b>	<b>17.0</b>	<b>1,028</b>	<b>19.8</b>
Corporate income tax	(337)	8.5	(311)	11.3
<b>NET PROFIT</b>	<b>866</b>	<b>20.6</b>	<b>718</b>	<b>23.5</b>
Minority interests	(50)	31.3	(38)	50.5
<b>NET ATTRIBUTABLE PROFIT</b>	<b>815</b>	<b>20.0</b>	<b>679</b>	<b>22.2</b>



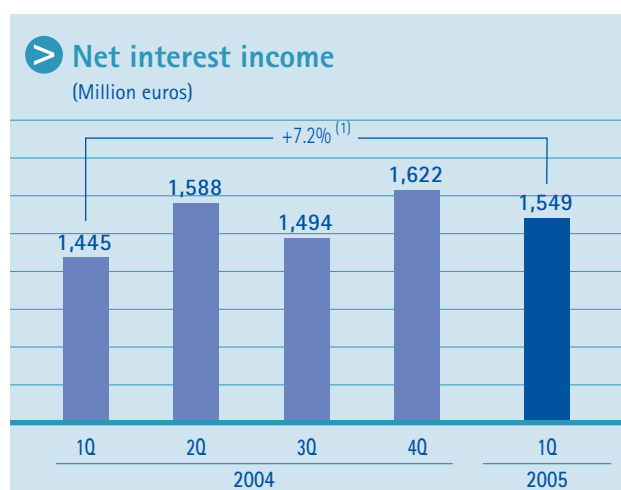
## Consolidated income statement: quarterly evolution (Million euros)

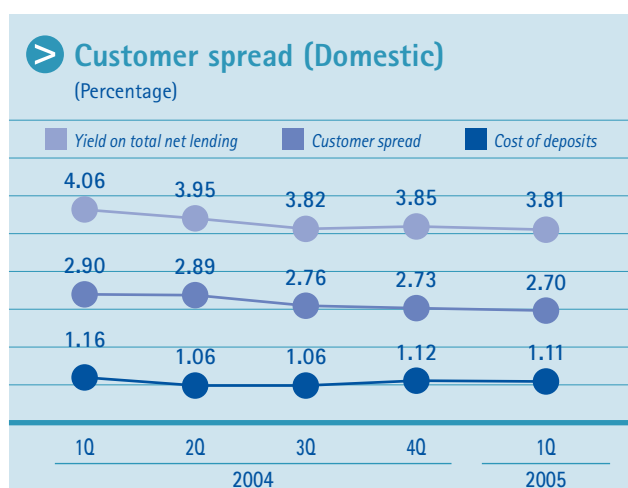
	2005		2004		
	1 <sup>st</sup> Quarter	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
Core net interest income	1,528	1,519	1,473	1,460	1,416
Dividends	22	103	22	128	29
<b>NET INTEREST INCOME</b>	<b>1,549</b>	<b>1,622</b>	<b>1,494</b>	<b>1,588</b>	<b>1,445</b>
Net income by the equity method	23	34	29	25	26
Net fee income	899	866	857	845	831
Income from insurance activities	96	88	94	88	90
<b>CORE REVENUES</b>	<b>2,567</b>	<b>2,609</b>	<b>2,474</b>	<b>2,546</b>	<b>2,393</b>
Net trading income	286	265	207	243	224
<b>ORDINARY REVENUES</b>	<b>2,854</b>	<b>2,874</b>	<b>2,681</b>	<b>2,789</b>	<b>2,617</b>
Net revenues from non-financial activities	28	54	24	41	21
Personnel costs	(838)	(852)	(796)	(800)	(811)
General expenses	(479)	(496)	(442)	(445)	(447)
Depreciation and amortization	(102)	(110)	(114)	(111)	(113)
Other operating income and expenses (net)	(31)	(30)	(27)	(31)	(36)
<b>OPERATING PROFIT</b>	<b>1,432</b>	<b>1,440</b>	<b>1,325</b>	<b>1,441</b>	<b>1,232</b>
Impairment losses on financial assets (net)	(123)	(349)	(183)	(183)	(230)
• Loan-loss provisions	(118)	(171)	(183)	(187)	(225)
• Other	(5)	(178)	-	4	(6)
Provisions (net)	(131)	(116)	(196)	(223)	(286)
Other income/losses (net)	24	59	39	42	313
• From disposal of equity holdings	4	27	21	22	240
• Other	20	32	18	20	73
<b>PRE-TAX PROFIT</b>	<b>1,203</b>	<b>1,033</b>	<b>985</b>	<b>1,078</b>	<b>1,028</b>
Corporate income tax	(337)	(213)	(274)	(225)	(311)
<b>NET PROFIT</b>	<b>866</b>	<b>820</b>	<b>711</b>	<b>853</b>	<b>718</b>
Minority interests	(50)	(50)	(52)	(50)	(38)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>815</b>	<b>771</b>	<b>659</b>	<b>803</b>	<b>679</b>

### > NET INTEREST INCOME

Net interest income grew 7.2% to €1.55 billion on increased activity in all business areas, on greater stability of spreads in the domestic market and on increased spreads in the Americas (especially in Mexico).

Customer spreads on domestic business with residents stand at 2.70% compared to 2.73% in the previous quarter. This confirms the improved trend towards





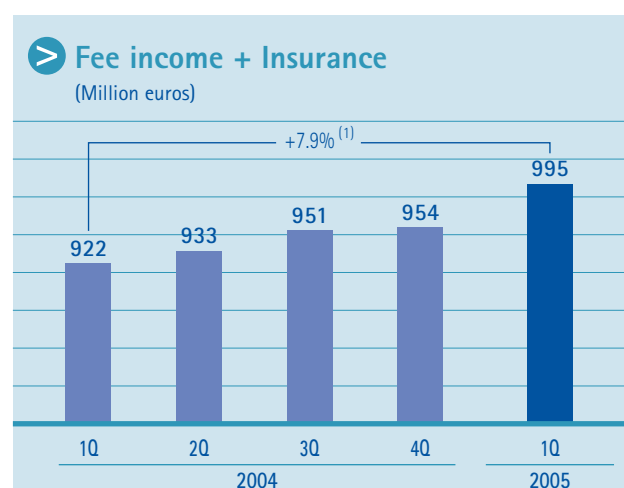
stability. Return on lending is 3.81% and has not changed greatly over the last three quarters. Furthermore the cost of deposits is 1.11%. This level is similar to the previous quarter and reflects, as then, a higher level of time deposits, with a positive effect on the group's overall cost of finance.

In the Americas the contribution of customer business to net interest income is increasing because the significant increases in activity coincide with widening spreads as rates rise. In Mexico the spread between yield on loans and the cost of deposits in local currency now stands at 11.54 percentage points compared to 9.66 points a year earlier. This positive development is due to a moderate increase in the cost of deposits and an increase in the yield on loans due to the positive structural effect of higher growth in more profitable lines of business (eg, consumer finance and cards).

Dividends received during the quarter came to €22m, mainly from Bradesco. In the same quarter last year dividends were €29m.

## > ORDINARY REVENUES

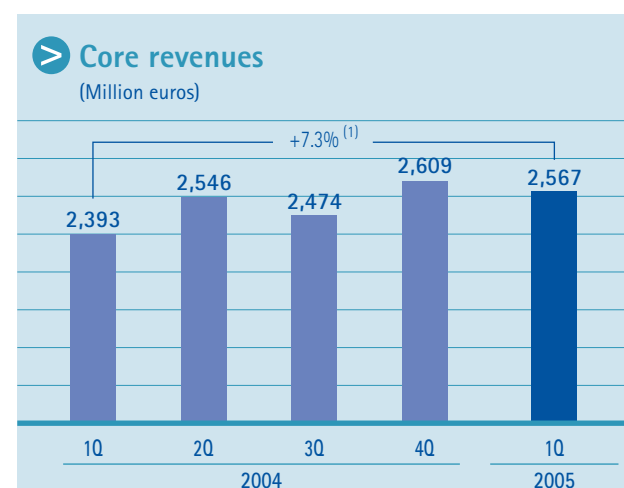
Net fee income rose 8.2% in the quarter, to €899m. Insurance business generated revenues of €96m, a 5.8% increase. In aggregate these items grew 7.9% and 10.6% at constant exchange rates.



(1) At constant exchange rates: +10.6%.

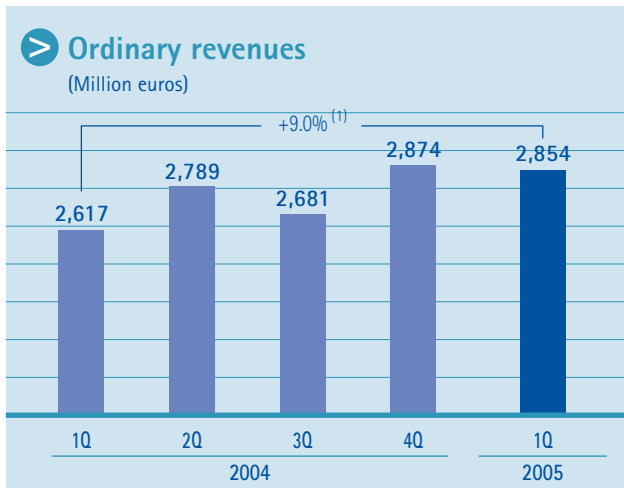
Earnings via the equity method, which basically consist of BNL and Corporación IBV, came to €23m, slightly less than the same period in 2004.

In the first quarter core revenues rose 7.3% to €2.57 billion.



(1) At constant exchange rates: +10.0%.

Net trading income increased 27.8% to €286m helped by the markets unit and the large industrial companies unit which more than compensated for the negative effect of higher interest rates in Mexico. As noted above, the higher rates had a positive impact on net interest income.

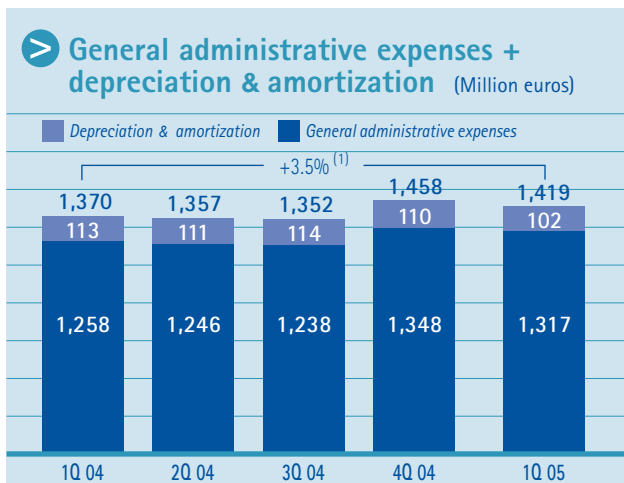


(1) At constant exchange rates: +11.7%.

Thus ordinary revenues grew 9% to €2.85 billion. If net profit of €28m from non-financial companies (real estate business) is added, operating income comes to €2.88 billion, a year-on-year increase of 9.2%.

### > OPERATING PROFIT

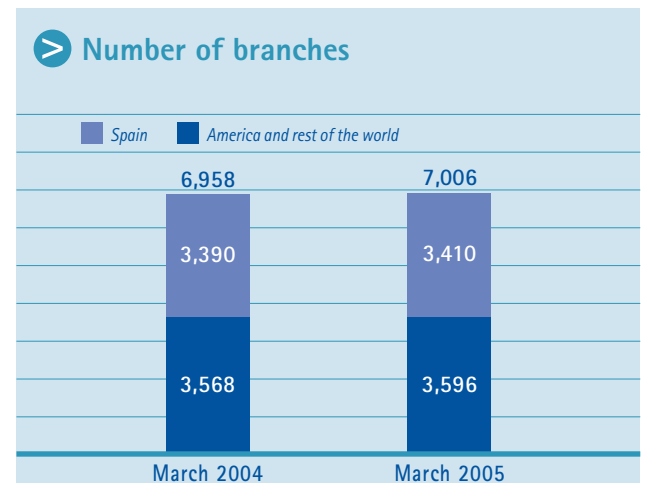
General administrative expenses plus depreciation and amortization grew 3.5%, with an increase of 1.9% in the domestic area and 5.6% in the Americas. On a uniform basis (ie, excluding the overheads of Hipotecaria Nacional and Valley Bank) the increase of costs in the quarter in the Americas was limited to 3.0% (8.5% at constant rates).



(1) At constant exchange rates: +5.9%.

Under current accounting standards, companies previously carried by the equity method are now consolidated by global integration. This also applies to other companies that were not previously included in consolidation because of their activity. These companies, whose revenue and operating costs are now reported in accordance with current standards under the respective line items on the income statement, had 2,960 employees at 31-Mar-05. Hipotecaria Nacional added 1,317 employees and Valley Bank 57. Therefore at the end of the quarter the group's headcount came to 88,588.

During the quarter the branch network increased (net) by 25 offices in Spain under the expansion plan for Retail Banking and Dinero Express. A further 114 branches were added by Hipotecaria Nacional in Mexico, bringing the total to 7,006.



## > Efficiency (Million euros)

	1Q 05	Δ%	1Q 04	2004
Ordinary revenues	2,854	9.0	2,617	10,961
Net revenues from non-financial activities	28	33.5	21	140
<b>TOTAL REVENUES</b>	<b>2,882</b>	<b>9.2</b>	<b>2,638</b>	<b>11,101</b>
Personnel costs	(838)	3.3	(811)	(3,260)
General expenses	(479)	7.3	(447)	(1,830)
Recovered expenses	21	2.4	21	84
<b>GENERAL ADMINISTRATIVE EXPENSES (NET)</b>	<b>(1,296)</b>	<b>4.8</b>	<b>(1,237)</b>	<b>(5,005)</b>
<b>EFFICIENCY RATIO (Costs/revenues, %)</b>	<b>45.0</b>		<b>46.9</b>	<b>45.1</b>
Depreciation and amortization	(102)	(9.8)	(113)	(448)
<b>GENERAL ADMINISTRATIVE EXPENSES (NET) + DEPRECIATION AND AMORTIZATION</b>	<b>(1,397)</b>	<b>3.6</b>	<b>(1,349)</b>	<b>(5,454)</b>
<b>EFFICIENCY INCLUDING DEPRECIATION AND AMORTIZATION</b>	<b>48.5</b>		<b>51.2</b>	<b>49.1</b>

After deducting expenses, amortisation and other charges, operating profit in the quarter came to €1.43 billion. This was 16.3% higher than a year earlier. By business area the increases were about 12% in retail banking and in wholesale banking, and 15% in the Americas (including an important increase of 20.2% in Mexico). At constant exchange rates, operating profit grew 21.8% in the area as a whole and 28.4% in Bancomer.

The increase of 9.2% in revenues (ordinary revenues plus non-financial activities) is higher than the 4.8%

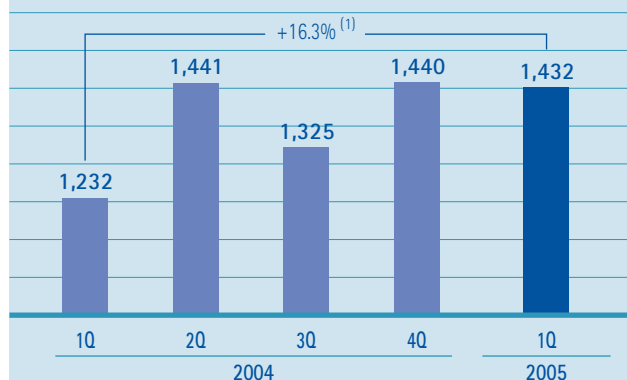
increase in net operating expense. Therefore the cost/income ratio improved 1.9 points over the first quarter of 2004 and now stands at 45.0%. Including depreciation and amortization the ratio is 48.5%, an improvement year on year of 2.7 points.

## > PROVISIONS AND OTHERS

The group set aside €118m for loan-loss provisions in the first quarter, compared to €225m in the same period last year. Specific provisions accounted for €106m and

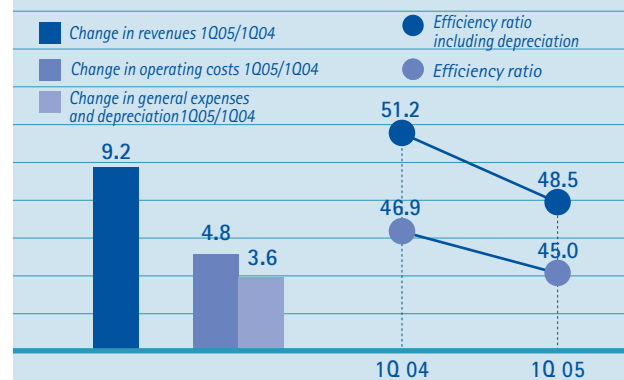
## > Operating profit

(Million euros)



## > Efficiency

(Percentages)



generic provisions €91m (€169m and €94m, respectively, in 2004). The drop in specific provisions is mainly due to the improved quality of domestic loans. During the quarter adjustments in country risk resulted in a write-back of €37m, compared to a €10m increase in provisions a year earlier.

Transfers to provisions in the first quarter included €75m for early retirements. The same quarter last year recorded €143m for this concept, being part of the early retirement charge at the end of 2004 (€572m before tax), which was apportioned over the year. The first quarter of 2004 also included a €90m charge in Mexico to complete the provisions against Fobaproa notes.

Divestment of holdings contributed €4m this quarter, compared to €240m last year. The latter figure reflected capital gains on the sale of holdings in Banco Atlántico (€218m) and Direct Seguros (€26m).

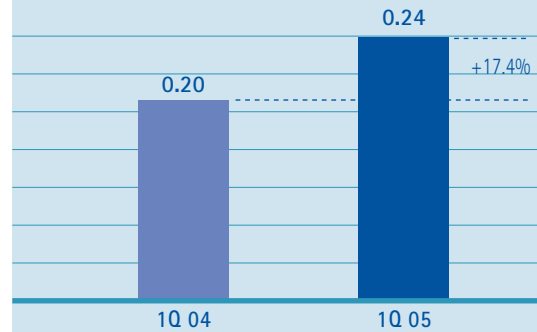
### > ATTRIBUTABLE PROFIT

Pre-tax profit rose 17% year-on-year to €1.2 billion. After provision for tax, net profit came to €866m with an increase of 20.6%.

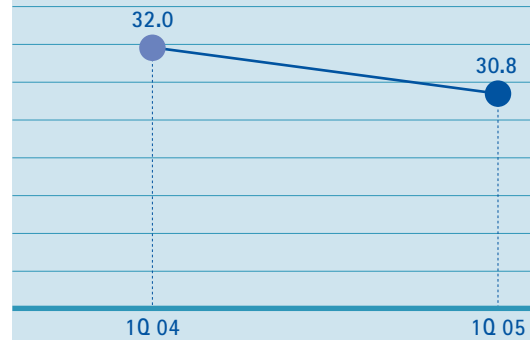
Of the above amount, €50m goes to minority interests and therefore net attributable profit in the first quarter came to €815m, which is 20% higher than the same period of 2004. At constant exchange rates the increase is 22.2%.

Earnings per share in the quarter were €0.24, ROE rose to 30.8% and ROA was 1.02%.

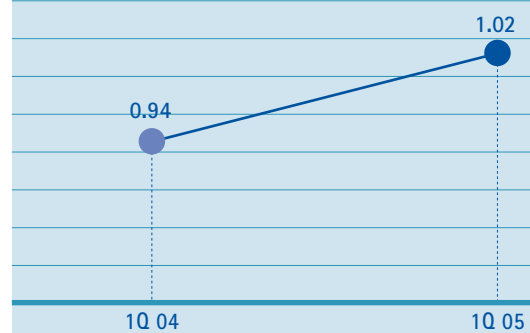
### > Earnings per share (Euros)



### > ROE (Percentage)



### > ROA (Percentage)

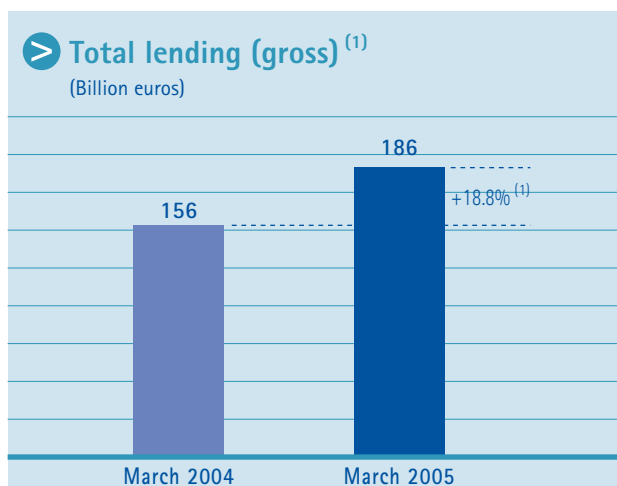


In the first quarter of 2005, BBVA's business grew strongly in Spain and in the Americas. In the domestic market, homebuyers and other retail segments such as SMEs and retail outlets continued to drive the growth in customer lending. The Americas recorded important increases in all areas. Customer funds continued to grow in Spain, divided evenly between deposits and funds (mutual and pension). In the Americas deposits confirmed their upward trend.

## > LENDING TO CUSTOMERS

At the end of March customer loans came to €186 billion, rising 18.8% over the €156 billion a year earlier (19.6% at constant exchange rates). In accordance with new accounting standards, the securitized balance of two operations in the fourth quarter of 2004 with an outstanding balance of nearly €1.9 billion is once again recorded under customer loans.

Lending to other resident sectors rose to €120 billion, an increase of 16.8% year-on-year. Of this, €68 billion were secured loans (basically mortgages) which grew 22.1%.



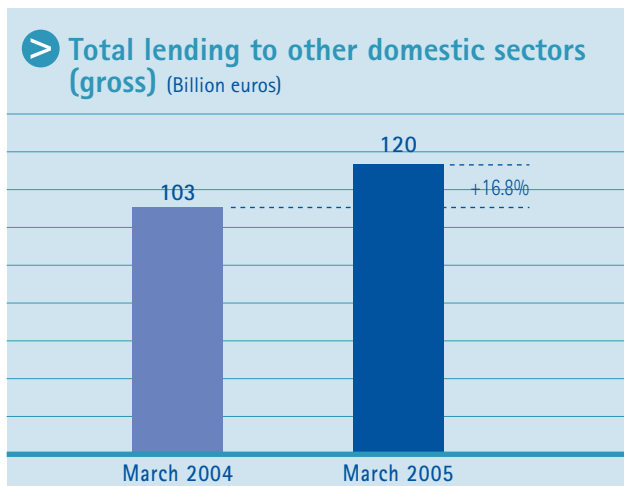
(1) At constant exchange rates: +19.6%.

Commercial loans also grew strongly (up 35.3%) and financial leasing (21.3%) together with operations related to SME and retailer finance which appear as other term loans. Total lending to SMEs and retailers in the Retail Banking area grew 20% year-on-year.

Loans to non-residents came to €47 billion, about 25% higher in euros than at 31-Mar-04 and 28.6% higher at constant exchange rates. Of this figure, Hipotecaria

## > Total lending (Million euros)

	31-03-05	Δ%	31-03-04	31-12-04
Public sector	16,384	21.8	13,450	15,483
Other domestic sectors	120,237	16.8	102,916	117,743
• Secured loans	68,076	22.1	55,764	64,617
• Commercial loans	10,748	35.3	7,943	9,231
• Other term loans	32,914	1.6	32,406	36,012
• Credit card debtors	1,033	5.9	975	1,067
• Other	1,976	51.7	1,303	1,630
• Financial leases	5,490	21.3	4,525	5,186
Non-domestic sector	46,733	25.0	37,395	40,638
• Secured loans	14,653	25.2	11,705	12,300
• Other loans	32,080	24.9	25,690	28,338
Nonperforming loans	2,179	(10.4)	2,431	2,222
• Public sector	107	48.0	72	107
• Other domestic sectors	800	(11.3)	902	892
• Non-domestic sectors	1,272	(12.7)	1,457	1,223
<b>TOTAL LENDING (GROSS)</b>	<b>185,533</b>	<b>18.8</b>	<b>156,192</b>	<b>176,086</b>
Loan loss provisions	(4,702)	(0.3)	(4,717)	(4,747)
<b>TOTAL NET LENDING</b>	<b>180,831</b>	<b>19.4</b>	<b>151,475</b>	<b>171,339</b>



Nacional and Valley Bank accounted for €2.3 billion, excluding them the increase was 18.8% at current exchange rates and 22.3% at constant rates. As in 2004, growth in the Latin-American economies continued to drive lending higher. In Mexico it increased 61.6% in pesos (36.9% excluding Hipotecaria Nacional) and 19% in the other countries.

Lastly, public sector loans came to €16 billion, an increase of 21.8% over March 2004.

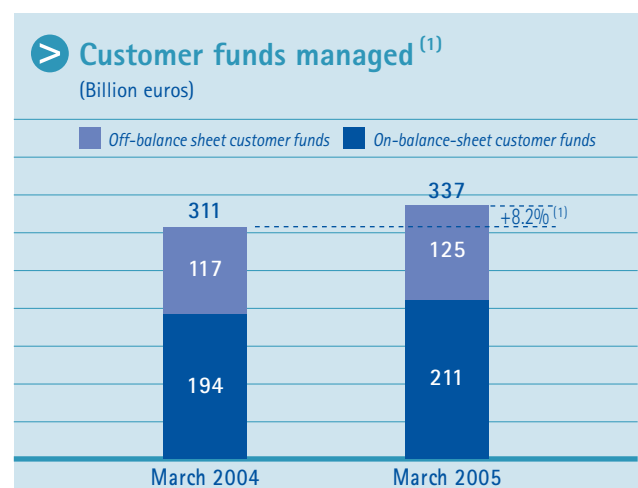
It should be noted that although outstanding loans have increased significantly in the last twelve months, the volume of non-performing loans (NPL) has fallen 12.3% in the same period. This caused the NPL ratio to improve from 1.46% at 31-Mar-04 to 1.06% at the end of the first quarter.

## > CUSTOMER FUNDS

Total customer funds on and off balance sheet came to €337 billion at the end of the first quarter. This was 8.2% higher than the €311 billion at 31-Mar-04 (9.6% at constant exchange rates).

Funds on the balance sheet came to €211 billion after rising 9.1% year-on-year. Of this amount, €153 billion are customer deposits, which increased 4.1%.

Negotiable securities accounted for another €49.5 billion (up 27.9%). They include mortgage backed securities, which increased 53.1% after two



(1) At constant exchange rates: +9.6%.

issues of covered bonds (“cedulas hipotecarias”) worth €3.5 billion in the quarter. Subordinated debt accounted for another €8.5 billion (up 9.6%).

Customer funds off the balance sheet (mutual funds, pension funds and customers' portfolios) came to €125 billion at 31-Mar-05, an increase of 6.8% year-on-year. Of this amount, €70 billion came from Spain, an increase of 9.1% over 31-Mar-04, and €55 billion from other countries, with year-on-year increases of 4.1% at current exchange rates and 8.2% at constant rates.

In the domestic market the aggregate of deposits of other resident sectors (excluding repos and other accounts) and mutual and pension funds, came to €115 billion, an increase of 7.1% over 31-Mar-04.



## > Customer funds managed (Million euros)

	31-03-05	Δ%	31-03-04	31-12-04
<b>ON-BALANCE-SHEET CUSTOMER FUNDS</b>	<b>211,389</b>	<b>9.1</b>	<b>193,786</b>	<b>203,023</b>
<b>DEPOSITS</b>	<b>153,323</b>	<b>4.1</b>	<b>147,280</b>	<b>149,030</b>
Public sector	4,247	(57.7)	10,053	4,850
Other domestic sectors	71,255	6.8	66,690	73,916
• Current accounts	20,537	3.0	19,948	21,370
• Savings accounts	17,784	6.8	16,653	18,236
• Time deposits	19,845	8.5	18,295	18,992
• Assets sold under repurchase agreement	10,695	(5.5)	11,316	12,921
• Other	2,394	n.m.	478	2,397
Non-domestic sector	77,821	10.3	70,537	70,264
• Current and savings accounts	27,314	9.5	24,943	25,812
• Time deposits	43,857	11.9	39,194	39,962
• Assets sold under repurchase agreement and other accounts	6,649	3.9	6,400	4,490
<b>MARKETABLE DEBT SECURITIES</b>	<b>49,519</b>	<b>27.9</b>	<b>38,706</b>	<b>45,503</b>
Mortgage bonds	22,555	53.1	14,735	19,143
Other marketable securities	26,964	12.5	23,971	26,360
<b>SUBORDINATED DEBT</b>	<b>8,547</b>	<b>9.6</b>	<b>7,800</b>	<b>8,490</b>
<b>OTHER CUSTOMER FUNDS MANAGED</b>	<b>125,336</b>	<b>6.8</b>	<b>117,335</b>	<b>121,553</b>
Mutual funds	51,745	5.8	48,897	51,083
Pension funds	43,419	8.5	40,016	41,490
Customer portfolios	30,172	6.2	28,422	28,980
<b>TOTAL CUSTOMER FUNDS MANAGED</b>	<b>336,725</b>	<b>8.2</b>	<b>311,121</b>	<b>324,576</b>

Total deposits increased 6% to €58 billion. Of this amount, current and savings accounts represent €38 billion (up 4.7%) and €20 billion is time deposits, which increased 8.5% year-on-year. Balances increased considerably in the quarter.

The aggregate of stable funds (time deposits and mutual and pension funds) came to €76 billion, with a year-on-year increase of 8.3%. Assets under management in mutual funds came to €42.7 billion after increasing 8% year-on-year. Slower growth of mutual funds (which other banks also noted) was influenced by the market effect in this quarter, which was much lower than the first quarter of 2004. Fixed income guaranteed funds and the real estate fund (BBVA Propiedad) performed well. Pension funds came to €13.6 billion (up 9%) boosted by a 12.3% increase in personal plans.

In the non-resident sector, the aggregate of deposits (excluding repos and other accounts) and mutual and pension funds came to €110 billion, a year-on-year increase of 8.9% (12.4% at constant exchange rates). Of this €27.3 billion is current and savings accounts (with year-on-year increases of 9.5% at current rates and 14.5% at constant rates). Time deposits accounted for €43.9 billion (up 11.9% at current rates and 14.7% at constant rates). Mutual funds accounted for another €9 billion (down 3.4% at current rates and up 0.1% at constant rates) and pension funds accounted for €29.8 billion with increases of 8.3% at current rates and 11.2% at constant rates.

Finally, public sector deposits came to €4 billion. After deducting the amounts assigned in the Treasury liquidity auction, this represents a year-on-year increase of more than 20%.

## > Other customer funds managed (Million euros)

	31-03-05	Δ%	31-03-04	31-12-04
<b>SPAIN</b>	<b>69,911</b>	<b>9.1</b>	<b>64,087</b>	<b>69,006</b>
<b>MUTUAL FUNDS</b>	<b>42,744</b>	<b>8.0</b>	<b>39,577</b>	<b>42,212</b>
Mutual Funds (ex Real Estate)	41,444	6.6	38,890	41,070
• Money market	11,930	7.1	11,141	12,019
• Fixed-income	14,145	18.1	11,976	13,592
Of which: Guaranteed	8,159	36.1	5,996	7,963
• Balanced	2,313	(17.7)	2,810	2,444
• Equity	12,637	0.9	12,527	12,606
Of which: Guaranteed	9,660	3.2	9,362	9,606
• Global	419	(3.9)	436	409
Real Estate investment trusts	1,300	89.2	687	1,142
<b>PENSION FUNDS</b>	<b>13,647</b>	<b>9.0</b>	<b>12,515</b>	<b>13,501</b>
Individual pension plans	7,419	12.3	6,609	7,320
Corporate pension funds	6,228	5.4	5,906	6,181
<b>CUSTOMER PORTFOLIOS</b>	<b>13,520</b>	<b>12.7</b>	<b>11,995</b>	<b>13,293</b>
<b>REST OF THE WORLD</b>	<b>55,425</b>	<b>4.1</b>	<b>53,248</b>	<b>52,547</b>
Mutual funds	9,001	(3.4)	9,320	8,871
Pension funds	29,772	8.3	27,501	27,989
Customer portfolios	16,652	1.4	16,427	15,687
<b>OTHER CUSTOMER FUNDS MANAGED</b>	<b>125,336</b>	<b>6.8</b>	<b>117,335</b>	<b>121,553</b>

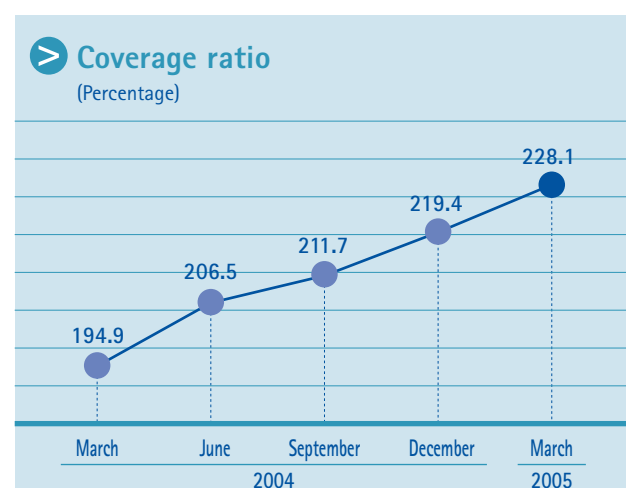
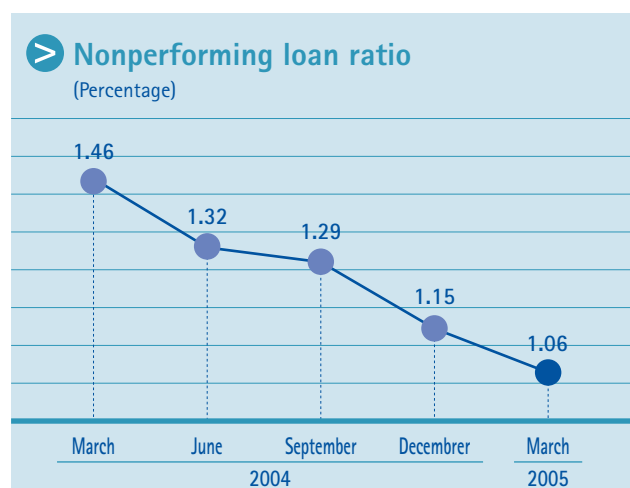
## > LENDING RISK

The current rules on non-performing loans (NPLs) are more stringent than the previous ones. They assume the whole loan is at risk if a single instalment is in arrears and extended the period for writing off an NPL from three to four years. This means an increase in NPLs and in the NPL ratio, compared to the previous rules.

Expressed according to the current rules, the group's ratio once again improved in the quarter, to 1.06%. It was 1.15% at 31-Dec-04 and 1.46% at 31-Mar-04. Apart from the rise in lending, the positive trend is due to a 12.3% decline in non-performing balances over the last 12 months. In a uniform comparison (ie, excluding Hipotecaria Nacional) the decline is 14.4%. The

coverage provided by loan provisions has increased to 228.1%, compared to 219.4% at 31-Dec-04 and 194.9% at 31-Mar-04. Generic provisions reached maximum coverage (1.25 $\alpha$ ) at the end of 2004 and continued at this level at 31-Mar-05.

Despite an increase in total risk, default risk fell in all business areas due to improvements in the NPL ratio. The ratio in retail banking now stands at 0.71% (0.99% at 31-Mar-04), in wholesale banking it is 0.29% (0.52% at 31-Mar-04) and in the Americas it is 3.13% (down from 4.28%). In Mexico the ratio improved to 2.53% (3.92%) and in the other countries in that region, to 4.31% (5.37%).



## > Credit risk management (Million euros)

	31-03-05	$\Delta\%$	31-03-04	31-12-04
<b>TOTAL RISK EXPOSURE <sup>(1)</sup></b>				
Nonperforming assets	2,219	(12.3)	2,531	2,268
Total risks	208,517	20.2	173,451	197,739
Provisions	5,062	2.6	4,933	4,977
NPL ratio (%)	1.06		1.46	1.15
NPL coverage ratio (%)	228.1		194.9	219.4
<b>MEMORANDUM ITEM:</b>				
Foreclosed assets	323	(14.6)	378	324
Foreclosed asset provisions	166	(20.1)	208	167
Coverage (%)	51.4		55.0	51.7

(1) Including contingent liabilities.

## > Variations in nonperforming assets (Million euros)

	1Q 05	4Q 04	3Q 04	2Q 04
<b>BEGINNING BALANCE <sup>(1)</sup></b>	<b>2,268</b>	<b>2,436</b>	<b>2,412</b>	<b>2,531</b>
Net variation	(49)	(168)	24	(119)
• Entries	401	476	521	548
• Outflows	(379)	(394)	(428)	(362)
• Write-offs	(151)	(181)	(75)	(193)
• Exchange rate differences and other	80	(69)	6	(112)
<b>PERIOD-END BALANCE <sup>(1)</sup></b>	<b>2,219</b>	<b>2,268</b>	<b>2,436</b>	<b>2,412</b>
<b>MEMORANDUM ITEM:</b>				
• Nonperforming loans	2,179	2,222	2,361	2,336
• Nonperforming contingent liabilities	40	46	75	76

(1) Including contingent liabilities.

## > MARKET RISK

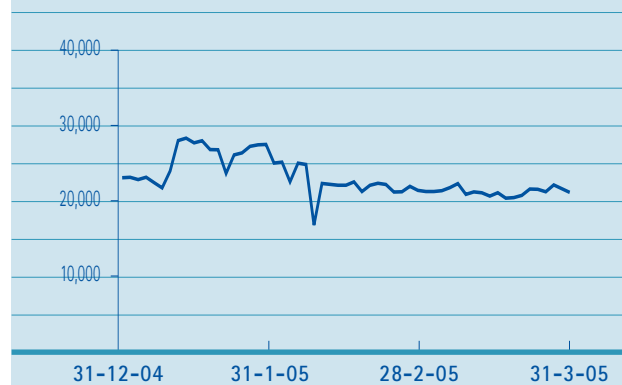
Market risk, measured by Value-at-Risk (VaR), continued at moderate levels and tended to decline in the quarter. The average weighted consumption was 42% of maximum at 31-Mar-05. Average risk in the period was €23m and on 31-Mar-05 it was €21.1m. This was lower than the €23m recorded at 31-Dec-04.

The geographic distribution of average risk has changed little. The group's banks in Europe and the USA accounted for 63% and its Latin-American banks for 37% (mostly Mexico). The lower exposure of Bancomer in the quarter contributed to a decline for the group as a whole.

The main factor in market risk is interest rates (including spread-related risk). Excluding the effect of diversification, this accounts for 60%. It is followed by volatility risk associated with option positions (vega) and correlation risk (which is 25%). Lastly, stock-market or equity risk accounted for 9% and exchange-rate risk 6%.

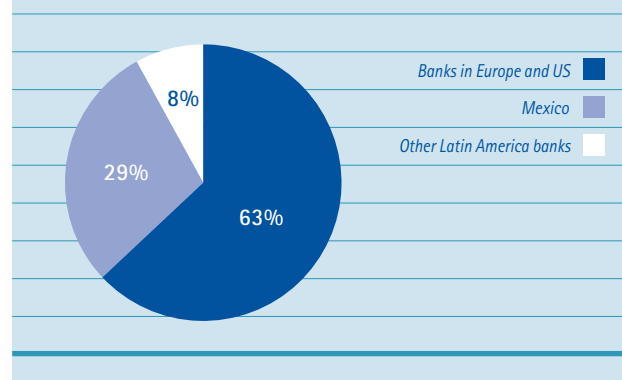
### > Trends in market risk

(VaR, thousand euros)



### > Market risk by geographical areas

(Average first quarter 2005)



## > Market risk by risk factors (Thousand euros)

	31-3-05	Average	Daily VaR Maximum	Minimum
Interest <sup>(1)</sup>	13,989	15,655	20,178	9,990
Exchange rate <sup>(1)</sup>	1,496	1,368	3,395	475
Equity <sup>(1)</sup>	2,159	2,297	4,751	1,275
Vega and correlation	5,891	6,171	6,985	5,514
Diversification effect	(2,427)	(2,495)	(6,994)	(489)
<b>TOTAL</b>	<b>21,108</b>	<b>22,996</b>	<b>28,314</b>	<b>16,764</b>

(1) Includes gamma risk of fixed-income, exchange rate and equity options respectively. Interest risk includes the spread.

## > OPERATIONAL RISK

In the first quarter of 2005 the group continued its plan to achieve the corporate targets for operational risk and bring it up to the Basel advanced management level. In particular it has installed the Ev-Ro

qualitative operational-risk management tool in 84% of units. Operational-risk management concentrates on the design of mitigation plans at the group's different units.

In accordance with the international financial reporting standards (IFRS) and the standards of the Bank for International Settlements (BIS), the capital base of the BBVA group at 31-Mar-05 was €23.1 billion. This was 13.0% higher than at 31-Mar-04. Therefore the capital base surplus (the amount in excess of 8% of risk-weighted assets as required by the above standards) comes to €8.1 billion, which is 33.5% higher than a year ago.

Core capital stands at €11.2 billion, an increase of 15.8% year-on-year. This figure is higher than the 4.4% increase in risk-weighted assets. Therefore the ratio is now 6.0%. This is in line with the group's target and

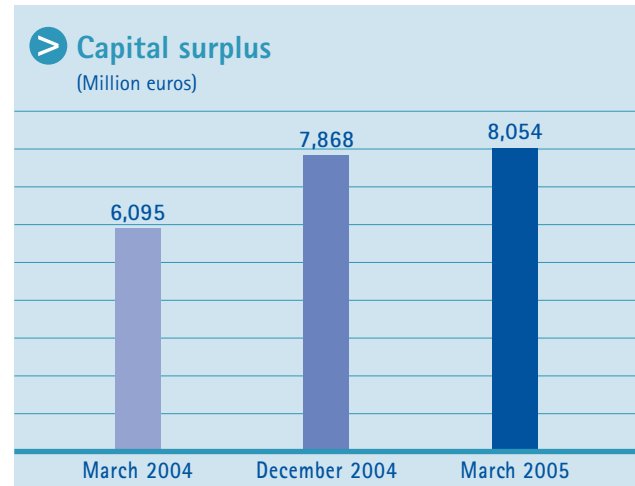
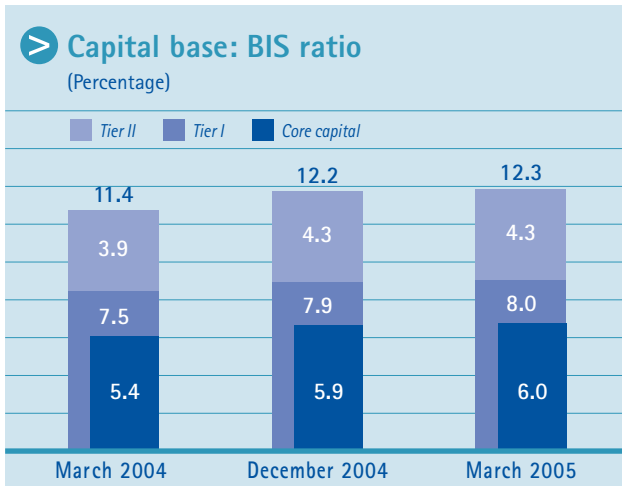
with the ratio at the end of 2004. (At 31-Mar-04, following acquisition of minority interests in Grupo Financiero Bancomer, the ratio stood at 5.4%.)

After factoring in the preference shares, Tier I comes to 8.0% (similar to 31-Dec-04 and higher than the 7.5% at 31-Mar-04) and it accounts for 65.1% of the capital base. It should be noted that preference shares at the end of the quarter were 25.5% of Tier I compared to 28.8% a year ago.

Other eligible capital (mainly subordinated debt and valuation adjustments) comes to €8.1 billion. This brings Tier II to 4.3% and added to Tier I it means the

### > Capital base (BIS Regulation) (Million euros)

	31-03-05	31-12-04	31-03-04
<b>CAPITAL (TIER I)</b>	<b>15,011</b>	<b>14,865</b>	<b>13,558</b>
Capital	1,662	1,662	1,662
Reserves	9,416	7,996	7,996
Minority interests	745	751	647
Preference shares	3,829	3,809	3,899
Deductions	(1,456)	(2,265)	(1,324)
Net attributable profit	815	2,912	678
<b>OTHER ELIGIBLE CAPITAL (TIER II)</b>	<b>8,064</b>	<b>8,072</b>	<b>6,928</b>
Subordinated debt	6,996	7,077	6,277
Valuation adjustments and other	1,799	1,701	1,398
Deductions	(731)	(706)	(747)
<b>CAPITAL BASE</b>	<b>23,075</b>	<b>22,937</b>	<b>20,486</b>
Minimum capital requirement (BIS Regulation)	15,021	15,069	14,391
<b>CAPITAL SURPLUS</b>	<b>8,054</b>	<b>7,868</b>	<b>6,095</b>
<b>MEMORANDUM ITEM:</b>			
Risk-weighted assets	187,756	188,365	179,893
<b>BIS RATIO (%)</b>	<b>12.3</b>	<b>12.2</b>	<b>11.4</b>
<b>CORE CAPITAL</b>	<b>6.0</b>	<b>5.9</b>	<b>5.4</b>
<b>TIER I (%)</b>	<b>8.0</b>	<b>7.9</b>	<b>7.5</b>
<b>TIER II (%)</b>	<b>4.3</b>	<b>4.3</b>	<b>3.9</b>



BIS ratio stands at 12.3%. This figure is similar to 31-Dec-04 and 11.3% higher than 31-Mar-04.

In the first quarter of 2005 there were no issues or amortisation of preference shares or subordinated debt.

On the 29th of March BBVA notified the market that its board of directors had agreed to set up a share buyback programme of up to 3.5% of capital stock at a price not greater than €14.5 per share and lasting up to 30-Sep-05. The purpose of this programme is to reduce capital at the end of the programme by amortising any treasury

shares at that date, in accordance with regulation CE 2273/2003. Under the share buyback programme approved by the board, 5.9m shares were acquired in April (see separate section on the BNL takeover bid).

### > Ratings

Following announcement of the BNL takeover bid, the three main agencies have confirmed BBVA's rating. They recognised the strategic logic of the operation and the moderate impact it will have on BBVA's fundamentals.

### > Ratings

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

The start of 2005 has been very mixed on stock exchanges around the world. Although the S&P 500 index fell 2.6% in the first quarter, the Japanese Nikkei rose 1.6% and the European Stoxx 50 rose 3.3% (the Euro Stoxx Banks index, which covers the banking sector in Europe, rose 2.4%).

The BBVA share price slipped 3.8% in the quarter. On the other hand, it has risen 16.6% in the last 12 months, much faster than the Stoxx 50 (7.6%) and Euro Stoxx Banks (12.1%). At the closing price of €12.56 per share the bank's market capitalisation comes to

€42.59 billion, which is also 16.6% higher than 31-Mar-04 as the number of shares did not vary in the intervening period.

It is particularly noteworthy that the market has welcomed the launch of the BNL takeover bid. Evidence of this is the share price, which by the end of the quarter had recovered the level prior to announcement of the operation despite the capital increase it will involve.

During the quarter, the share price fluctuated between €12.2 and €13.4, a range of 12%. Average daily turnover was 36 million shares. The average value traded daily was €460m and this was 12% higher than the first quarter of 2004.

In regard to shareholder remuneration, on 10th January the bank paid a third gross interim dividend of €0.10 per share for 2004. On 11th April it paid a final gross dividend of €0.142 per share. Therefore the total dividend for 2004 came to €0.442 per share, which was 15.1% more than the amount paid against 2003 results.





## > The BBVA share

	31-03-05	31-12-04	31-03-04
Number of shareholders	1,058,876	1,081,020	1,150,391
Number of shares issued	3,390,852,043	3,390,852,043	3,390,852,043
Daily average number of shares traded	35,575,363	36,013,282	37,791,802
Daily average trading (million euros)	460	403.45	409.06
Maximum price (euros)	13.44	13.11	11.47
Minimum price (euros)	12.23	10.15	10.15
Closing price (euros)	12.56	13.05	10.77
Book value per share (euros)	3.47	3.42	3.04
Market capitalization (million euros)	42,589	44,251	36,519

## > Share performance ratios

	31-03-05	31-12-04	31-03-04
Price/Book value (times)	3.6	3.8	3.5
PER (Price/Earnings; times) <sup>(1)</sup>	12.3	15.2	12.5
Yield (Dividend/Price; %) <sup>(2)</sup>	3.90	3.39	4.10

(1) The 31-03-05 PER is calculated taking into consideration the median of the analysts' estimates (April 2005).

(2) Dividend yield at 31-03-05 is calculated taking into consideration the median of analysts' estimates (April 2005).

Following introduction of IFRS, the group has restated the information on business areas in 2004 in accordance with the financial statements, so that the year-on-year comparisons in the present report have a uniform basis.

Information by area is a fundamental tool for monitoring and controlling the group's various businesses. Preparation starts at the lowest level where all the initial accounting data for the business in question are kept. Management classifies and combines data from these units in accordance with the defined structure to arrive at the picture for the entire area. The individual companies in the group also belong to a particular business area. When the diversity of a company requires, the group assigns its activity and results to different units.

Once management has defined the composition of each area, it applies the necessary management adjustments inherent in the model. The most relevant of these are:

- **Capital:** the group allocates economic capital commensurate with the risks incurred by each business. It assesses capital requirements according to the lending, market and operational risks incurred. The first step is to quantify the amount of core equity (capital and reserves) attributable to the risks in each area. The bank uses this amount as a basis to determine the return generated on the equity in each business (ROE). Following this, it assigns other eligible funds issued by the group (subordinated debt and preference shares) together with their associated costs. In the Americas business area (except Argentina and international private banking, which follow the above criteria), the bank assigns as capital the book value of the group's interest. It records the amounts related to minority interests under "Other eligible funds".
- **Internal transfer prices:** management uses rates adjusted for maturity to calculate the margins for each business. It also revises the interest rates for the different assets and liabilities that make up each unit's balance sheet.
- **Assignment of operating expenses:** in line with the new accounting standards, BBVA has perfected the process of assigning expenses. It assigns direct and indirect costs to business areas except for those where

there is no close and defined relationship with the areas, ie, they are of a clearly corporate or institutional nature for the entire group.

In regard to information by area, the main division consists of the areas: Retail Banking in Spain and Portugal, Wholesale and Investment Banking, and the Americas. The structure of the group's senior management echoes this division. The details of the more important units in each area are as follows:

- Retail Banking in Spain and Portugal:
  - Financial services (which includes the commercial banking unit, SME banking and Finanzia/Uno-e).
  - The asset management and private banking unit.
- Wholesale and Investment Banking:
  - Wholesale banking (comprising corporate banking and institutions banking).
  - Global markets and distribution
- The Americas:
  - Banks in the Americas
  - Pensions and insurance

The Corporate Activities area handles the group's general management functions. These consist of structural positions on interest and exchange rates, liquidity and shareholders' funds. It also includes the industrial portfolio management unit and financial shareholdings.

The second level is geographic. In the case of the Americas, management prepares information by country, where each country contains banking, and pensions and insurance activities. Due to its relevance, we show the complete income statement for Mexico (which combines the statements of Bancomer and of the pension and insurance activities in that country). Lastly, to complete the geographic vision, business in Europe would be the aggregate of Retail banking in Spain and Portugal and Wholesale and Investment banking.

Thus the present composition of the group's main business areas is as follows:

### > Retail Banking in Spain and Portugal

This includes retail business, asset management and private banking conducted by the group in Spain and Portugal. Consequently it covers individual customers and SMEs in the Spanish market, the Finanzia/Uno-E group (e-banking business, consumer finance,

distribution of cards and renting), the private banking business, the mutual and pension fund managers, the insurance business and BBVA Portugal. It also includes the depository services for the area's customers, which were previously included under Wholesale Banking.

### > Wholesale and Investment Banking

This covers the business that the group conducts with large companies and institutions through corporate banking (whether domestic or international) and institutional banking. It also incorporates the trading floors in Spain, Europe and New York, the origination and distribution of equities and the depository (for the area's customers) and custodial services. It includes

business and real estate projects if they are not associated with a group interest in large companies.

### > The Americas

This area covers the activity and results of the group's banks in Latin America and their subsidiary undertakings, including pension managers, insurance companies and international private banking.

The information on each area and on the units it contains consists of the income statement and a series of key indicators. In the case of units in the Americas area, we provide the year-on-year percentage changes calculated at constant exchange rates as well as at current rates.

## > Net attributable profit by business area (Million euros)

	1Q 05	Δ%	1Q 04
Retail Banking in Spain and Portugal	403	13.2	356
Wholesale and Investment Banking	112	22.7	92
The Americas	334	61.1	207
Corporate Activities	(34)	n.m.	24
<b>BBVA GROUP NET ATTRIBUTABLE PROFIT</b>	<b>815</b>	<b>20.0</b>	<b>679</b>

## > ROE and Efficiency (Percentage)

	ROE		Efficiency including depreciation and amortization	
	1Q 05	1Q 04	1Q 05	1Q 04
Retail Banking in Spain and Portugal	34.3	33.9	45.5	48.0
Wholesale and Investment Banking	20.2	16.6	32.9	33.6
The Americas	27.4	21.1	48.5	50.3
<b>BBVA GROUP</b>	<b>30.8</b>	<b>32.0</b>	<b>48.5</b>	<b>51.2</b>

## > Income statement (Million euros)

	Retail Banking in Spain and Portugal			Memorandum item:			
	1Q 05	Δ%	1Q 04	Financial Services 1Q 05	Δ%	Asset management and Private Banking 1Q 05	Δ%
<b>NET INTEREST INCOME</b>	<b>749</b>	<b>5.4</b>	<b>710</b>	<b>733</b>	<b>5.1</b>	<b>9</b>	<b>32.7</b>
Net income from equity method	-	(44.5)	1	-	(99.7)	-	(5.5)
Net fee income	374	6.4	352	348	8.3	55	0.1
Income from insurance activities	75	10.8	68	-	-	-	-
<b>CORE REVENUES</b>	<b>1,199</b>	<b>6.0</b>	<b>1,131</b>	<b>1,081</b>	<b>6.1</b>	<b>64</b>	<b>3.5</b>
Net trading income	16	26.2	12	16	52.4	-	(70.9)
<b>ORDINARY REVENUES</b>	<b>1,215</b>	<b>6.2</b>	<b>1,143</b>	<b>1,097</b>	<b>6.6</b>	<b>65</b>	<b>2.3</b>
Net revenues from non-financial activities	6	(17.6)	7	6	(13.9)	-	-
Personnel and general administrative expenses	(552)	1.5	(544)	(510)	1.1	(19)	3.7
Depreciation and amortization	(24)	(16.9)	(29)	(20)	(20.3)	(1)	0.5
Other operating income and expenses (net)	10	9.8	9	10	9.6	-	36.9
<b>OPERATING PROFIT</b>	<b>654</b>	<b>11.5</b>	<b>586</b>	<b>582</b>	<b>13.0</b>	<b>44</b>	<b>1.5</b>
Impairment losses on financial assets (net)	(53)	(23.6)	(69)	(53)	(18.3)	(1)	n.m.
• Loan loss provisions	(55)	(20.5)	(69)	(53)	(18.3)	(1)	n.m.
• Other	2	n.m.	-	-	-	-	-
Provisions (net)	2	n.m.	(3)	2	n.m.	-	(99.5)
Other income/losses (net)	17	(39.7)	28	17	(40.3)	-	(78.3)
• From disposal of equity holdings	-	200.0	-	-	-	-	(100.0)
• Other	17	(39.7)	28	17	(40.3)	-	(78.4)
<b>PRE-TAX PROFIT</b>	<b>620</b>	<b>14.2</b>	<b>543</b>	<b>549</b>	<b>14.7</b>	<b>43</b>	<b>0.2</b>
Corporate income tax	(215)	15.9	(186)	(191)	16.0	(15)	1.2
<b>NET PROFIT</b>	<b>405</b>	<b>13.3</b>	<b>357</b>	<b>358</b>	<b>14.0</b>	<b>28</b>	<b>(0.3)</b>
Minority interests	(1)	49.2	(1)	(1)	69.6	-	(14.4)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>403</b>	<b>13.2</b>	<b>356</b>	<b>357</b>	<b>13.9</b>	<b>28</b>	<b>(0.1)</b>

## > Relevant business indicators (Million euros and percentages)

	31-03-05	Δ%	31-03-04	31-03-05	Δ%	31-03-05	Δ%
Loans to customers <sup>(1)</sup>	110,061	19.9	91,792	106,093	20.1	887	12.2
Customer deposits	53,153	7.0	49,692	49,877	6.5	1,356	14.0
• Deposits	53,090	7.0	49,602	49,827	6.5	1,342	16.7
• Assets sold under repurchase agreement	63	(30.4)	90	49	(4.9)	14	(64.7)
Off balance sheet funds	56,531	8.8	51,975	43,859	9.2	11,823	6.1
• Mutual funds	42,619	8.6	39,244	36,868	8.6	5,171	6.9
• Pension funds	13,913	9.3	12,731	6,992	12.7	6,652	5.4
Other placements	7,078	12.2	6,310	6,578	14.1	500	(7.8)
Customer portfolios	9,257	16.1	7,970	1,338	50.8	7,919	11.8
Equity	7,523	12.4	6,695	6,323	13.8	391	15.7
• Shareholders' funds	4,806	12.4	4,276	4,043	13.8	245	15.9
• Other eligible funds	2,716	12.3	2,419	2,279	13.8	145	15.3
Total assets <sup>(2)</sup>	116,726	19.7	97,526	111,549	19.9	1,975	12.1
ROE (%)	34.3		33.9	36.2		45.9	
Efficiency ratio (%)	43.5		45.5	44.3		29.9	
Efficiency incl. Depreciation and amortization (%)	45.5		48.0	46.2		31.4	
NPL ratio (%)	0.71		0.99	0.72		0.04	
Coverage ratio (%)	283.4		212.7	283.4		n.m.	

(1) Excluding NPLs.

(2) Excluding insurance.

Through the financial services plan, the Retail Banking area for Spain and Portugal caters for three types of customer using a separate approach in each case. The three approaches are: personal financial services (for individuals), commercial financial services (businesses, retailers, self-employed and SMEs) and special financial services (Finanzia and Uno-e). In order to maintain an overall view of each segment, this area of the bank controls the distribution network in Spain and Portugal, the product generation units (mutual funds, pension funds, insurance and cards) and the so-called alternative channels (mortgage banking, phone banking, Internet banking, e-banking and the prescription unit).

In the first quarter retail banking generated net attributable profit of €403m, compared to €356m in the same period of 2004 (an increase of 13.2%). This increase was largely due to the positive performance of operating profit, which increased 11.5% year-on-year, and to lower loan-loss provisions following continued improvement in loan quality and the corresponding reduction in specific provisions.

Net interest income came to €749m, an increase of 5.4% year-on-year. The important increases in high-street banking business and in activity at all the area's units have consolidated the upward trend of net interest income initiated in 2004, in a context of more stable customer spreads.

Lending continues to grow strongly. At 31-Mar-05 it reached €110bn, an increase of 19.9%. Furthermore growth spread evenly across all units and business lines. Residential mortgages are up 23.8% and developer finance 30.2%. Lending to SMEs and businesses has increased 20.0%, consumer finance increased 9.7% overall (22.8% in Finanzia and Uno-e) and lastly, lending in Portugal has increased 16.3%.

At 31-Mar-05 total funds under management by this area (the sum of deposits and mutual and pension funds) grew 8.2% to €116.7 billion. Total deposits rose 7.0% including a 9% increase in long-term savings which was due to term deposits (up 5.6%) and savings insurance (up 35.5%). Mutual and pension funds grew by 8.8%. The improvement in pensions included higher net contributions connected with the pension protection campaign. Placements of fixed-income securities through the area's branch network increased 12.2% to €7.1 billion.

Net fee income came to €374m, some 6.4% more than the first quarter of 2004. Fees for banking services are 56% of the total and grew 7.2% especially those related to credit cards (12.2%). Management fees associated with mutual and pension funds increased 5.8%. Insurance activity contributed €75m up to March. This was a year-on-year increase of 10.8% due to positive performance and control of non-life claims.

Net trading income recorded an increase of 26.2% based on development and distribution of cash management products for SMEs and businesses. As a result, the sum of fee income, insurance activities and trading income grew 7.7% year on year and thus ordinary revenues grew 6.2% year-on-year to €1.2 billion.

Operating expenses grew moderately, taking into account the opening of new branches under the network expansion plan for Madrid and the Mediterranean area. This is progressing smoothly with 76 branches opened last year. Following the 6.1% increase in revenues (ordinary revenues plus non-financial activities) and a 1.5% increase in expenses (net of recoveries), the cost/income ratio improved further to 43.5% (an improvement of 2 points compared to last year). If amortisation is included in the calculation, the improvement increases to 2.5 points.

Following the above changes, operating profit came to €654m, which is 11.5% higher than the first quarter last year.

The lower part of the area's income statement includes a reduction in loan-loss provisions of 20.5% as a result of lower specific provisions (down 41.9%) while generic provisions rose (up 7.6%), a consequence of lending growth. Careful risk management in the area helped reduce non-performing loans (NPL) despite a surge in lending. At the end of the quarter the NPL ratio stood at 0.71% (0.82% at 31-Dec-04 and 0.99% at 31-Mar-04), and coverage climbed to 283.4%.

Thus net attributable profit generated by the area in the first quarter was €403m. ROE (return on equity) was 34.3% (0.4 points higher than last year).

## > FINANCIAL SERVICES

The financial services unit accounts for 90% of overall margins and profit of the area and therefore its figures

for business volume, earnings, etc, follow a similar profile. In year-on-year terms, operating profit grew 13.0% and net attributable profit 13.9%. Regarding activity, lending grew 20.1% and total funds 8.2%.

### > Personal Financial Services

In the individual customer segment, BBVA is the best-known brand with 48.4% awareness (according to the FRS report for 2002-2004). More potential customers (17% according to Research International) also considered it the prime alternative. The area has initiated a new quality programme that will conduct a survey of 100,000 customers to consolidate and improve this position. In addition more than 10,000 people took part in a campaign on the “Network Management Model” and learned about new IT applications (“Management Solutions”). This is an important step in the supply of personalised products and services by the account officers and the above actions contributed to an increase of 13.1% in products sold in the first quarter.

During the quarter new products for individual customers included the 2005 Easy Mortgage, with a final premium. This contributed to a 24.7% increase in mortgage lending. New operations signed with homebuyers during the quarter came to €3.32 billion. Developers accounted for another €2.25 billion (Banca Hipotecaria, the specialized unit dedicated to the financing of building projects increased 25.5% its portfolio). Consumer finance operations in the quarter came to more than €800m.

Regarding fund-gathering activities, the area launched two new five-year guaranteed funds during the quarter – Doble Depósito III and IV. Together with other term products launched last year and the capture in savings insurance (€240m in the quarter), long-term savings products on the balance sheet increased 9.1% year-on-year. Placement of mutual funds was supported by the roll-out of four plans that captured €354m, and the BBVA Extra 5 Acciones, BBVA Ranking Plus and BBVA 75 Ibex that added a further €568m. In March the area launched Carteras Gestionadas, a personalised portfolio management service that is being extended to the entire customer base. New pension fund business through Planes Protección came to €215m.

Regarding payment channels, the total number of cards rose to nearly 7 million with an increase of 13.5% in

retail purchases. The Mobipay payment service via mobile phones now has more than 130,000 subscribers with a 56.9% market share among the member organisations.

In terms of channels other than the branch network, the Prescription unit increased sales by 30.6% helped by growth of 33.4% in the business equipment and mortgage segment. BBVANet, the on-line banking service, increased activity by 50.2% and holds first place for the sixth quarter running as the best Internet bank in Spain according to AQMetrix, an independent ranking organisation. AQMetrix also prepared the first European ranking in which BBVANet is in top place. The number of customers using Linea BBVA (telephone banking) is almost 1.2 million and the volume of automated transactions is up 40.0%. Lastly, the number of self-service stores in the system has increased to 4,600.

### > Commercial Financial Services

Commercial financial services is part of BBVA's services for SMEs, micro-firms, professional practices, self-employed and retailers. The customer base is serviced by a special sales force of almost 3,000 advisors located in the SME banking network (213 branches) and at a further 1,629 branches in the commercial network.

The latest FRS report on SMEs for 2002-2004 places BBVA once again as best SME bank in Spain with 35.1% of the market. Some 17.2% of these customers consider it the first provider.

Lending increased 20.0% to €37 billion with similar increases in all lines of the business activity. Initiatives included the launch of the 2005 ICO Pyme campaign which triggered massive sales of interest-rate coverage and achieved 20% penetration in operations financed with these funds. Customers hedged a total of 1,300 operations during the campaign. In addition, marketing of the wide range of cash management products, which started in the SME banking network in 2004, were extended to the commercial banking network, consolidating new sources of revenue.

Regarding customer funds, €310m was added via fixed-income funds destined to manage liquidity of companies and private portfolios (BBVA Cash Empresas and BBVA Corto Plus Empresas). Lastly, marketing of products that protect companies' assets, their activity and their

directors, resulted in 17,577 policies and €6m in premiums at 31-Mar-05.

### > Special Financial Services

Special financial services, which works through Finanzia and Uno-e, currently handles loans of €2.9 billion after signing new operations worth €656m in the quarter. This is an increase of 23.9% over the same period last year and stems from growth of 14.7% in car loans, 26.0% in automobile renting, 31% in equipment finance and 31.8% in consumer finance. In addition, Finanzia manages BBVA Finanziamento, a Portuguese company that has increased sales by 14.0%.

Funds under management came to €991m after an increase of 5.7% following the launch of the Deposito Doble Tipo in Uno-e and an increase of 26.6% in mutual and pension funds. The area also opened a new line of business in the form of associated banking. Through this, Iberdrola customers can access a wide range of financial services and the first integrated home plan under the Quieres Plan.

### > ASSET MANAGEMENT AND PRIVATE BANKING

The asset management and private banking unit generated net attributable profit of €28m in the quarter. This was similar to the same period last year.

BBVA Gestion increased their range of products with the launch of new added-value funds. These included the guaranteed equity funds (BBVA Ranking Plus and BBVA Extra 5 Acciones) and fixed-income funds (Planes Renta), as well as five-year guaranteed deposits (Doble Depósito III and IV). Marketing also commenced of discretionally-managed fund portfolios that match the customer's investment horizon, liquidity requirements and risk profile.

Assets under management by BBVA in Spain totalled €42.7 billion at 31-Mar-05 after increasing 8.0% in the last 12 months. Mutual funds increased 6.6% and BBVA's real estate fund (BBVA Propiedad) increased 89.2% to €1.3 billion.

The Spanish pension unit now manages assets of €16.6 billion, some 9% more than March 2004 (individual plans are up 12.3% and group plans are up 5.4%). Following the marketing success of the

Protection Plans, BBVA has significantly improved its position in the individual pension-plan market. This reinforces the group's leadership in terms of total pension assets under management.

The private banking business in Spain manages €13.8 billion (up 11.2% over 31-Mar-04). Of this amount €7.6 billion is BBVA Patrimonios (up 17.1%) and €7.95 billion is Personal Banking (up 5.3%). During the quarter the area marketed Altitude Dynamic, a guaranteed capital structure based on hedge funds with two different formats (bonds and deposits). BBVA Patrimonios, in co-operation with the commercial banking unit, also launched a programme to provide private plans for customers in this segment (prescription). In addition, the personal banking unit is using its Plan Comercial to support business activity and the agent network.

### > EUROPEAN INSURANCE

This unit consists of various insurance companies that provide direct insurance and reinsurance in Spain and Portugal. They mainly market their products through different parts of the area's network or use external channels for group insurance.

The insurance business is handled by BBVA Seguros which has increased its sales by 29.4%. This reflects a 66% increase in individual life insurance bringing premiums to €75m, due to the good performance of policies linked to loans. Premiums on multi-risk household policies increased 14.8% to €31m. Savings insurance activity includes €240m of investment insurance which now exceeds €2 billion in funds under management. Complementary premiums rose 29.4% to €123m. The unit has brokered premiums of €32m, some 33% more than the first quarter of 2004.

### > BBVA PORTUGAL

Loans to customers rose 16.7% year-on-year overall with increases of 44.8% in mortgages and 15.7% in loans to companies. Customer funds increased 14.6%, including an increase of 27.9% in off-balance sheet funds following a 26.1% jump in mutual funds. It also consolidated its position in guaranteed funds and special investment funds.

## &gt; Income statement (Million euros)

	Wholesale and Investment Banking			Memorandum item:			
	1Q 05	Δ%	1Q 04	Wholesale Banking 1Q 05	Δ%	Markets 1Q 05	Δ%
<b>NET INTEREST INCOME</b>	<b>87</b>	<b>(22.2)</b>	<b>111</b>	<b>110</b>	<b>(7.1)</b>	<b>(17)</b>	<b>n.m.</b>
Net income from equity method	12	(31.7)	17	-	n.m.	-	-
Net fee income	54	11.8	48	41	9.1	15	36.9
Income from insurance activities	-	-	-	-	-	-	-
<b>CORE REVENUES</b>	<b>152</b>	<b>(13.8)</b>	<b>177</b>	<b>151</b>	<b>(2.9)</b>	<b>(2)</b>	<b>n.m.</b>
Net trading income	91	81.9	50	14	58.1	80	118.6
<b>ORDINARY REVENUES</b>	<b>243</b>	<b>7.2</b>	<b>227</b>	<b>165</b>	<b>0.3</b>	<b>78</b>	<b>65.6</b>
Net revenues from non-financial activities	18	90.6	10	-	n.m.	-	-
Personnel and general administrative expenses	(85)	8.7	(78)	(43)	(1.1)	(35)	20.9
Depreciation and amortization	(2)	(9.9)	(2)	(1)	(7.3)	-	(19.4)
Other operating income and expenses (net)	(1)	(25.0)	(1)	-	5.5	-	82.5
<b>OPERATING PROFIT</b>	<b>174</b>	<b>12.0</b>	<b>156</b>	<b>121</b>	<b>1.1</b>	<b>43</b>	<b>139.8</b>
Impairment losses on financial assets (net)	(20)	(43.6)	(36)	(14)	(56.6)	(6)	63.4
• Loan loss provisions	(20)	(43.5)	(36)	(14)	(56.5)	(6)	63.4
• Other	-	-	-	-	-	-	-
Provisions (net)	-	(97.2)	6	-	n.m.	-	(82.1)
Other income/losses (net)	7	n.m.	-	2	(62.1)	-	n.m.
• From disposal of equity holdings	3	-	-	-	-	-	-
• Other	4	n.m.	-	2	(62.1)	-	n.m.
<b>PRE-TAX PROFIT</b>	<b>161</b>	<b>28.9</b>	<b>125</b>	<b>108</b>	<b>11.1</b>	<b>37</b>	<b>n.m.</b>
Corporate income tax	(48)	40.6	(34)	(36)	9.1	(11)	n.m.
<b>NET PROFIT</b>	<b>113</b>	<b>24.5</b>	<b>91</b>	<b>72</b>	<b>12.2</b>	<b>26</b>	<b>179.3</b>
Minority interests	(1)	n.m.	-	-	n.m.	(1)	n.m.
<b>NET ATTRIBUTABLE PROFIT</b>	<b>112</b>	<b>22.7</b>	<b>92</b>	<b>72</b>	<b>9.5</b>	<b>25</b>	<b>167.8</b>

## &gt; Relevant business indicators (Million euros and percentages)

	31-03-05	Δ%	31-03-04	31-03-05	Δ%	31-03-05	Δ%
Loans to customers <sup>(1)</sup>	42,964	11.6	38,492	40,490	10.6	2,388	38.2
Customer deposits	50,555	(0.6)	50,846	21,056	35.7	29,478	(16.6)
• Deposits	39,116	23.9	31,566	21,050	35.7	18,046	12.4
• Assets sold under repurchase agreement	11,438	(40.7)	19,280	6	(37.2)	11,432	(40.7)
Off balance sheet funds	709	(10.8)	795	692	(10.9)	17	(7.1)
• Mutual funds	705	(11.0)	793	689	(11.1)	17	(7.1)
• Pension funds	3	79.0	2	3	79.0	-	-
Customer portfolios	4,263	5.9	4,025	4,263	5.9	-	-
Equity	3,587	(0.2)	3,595	2,261	11.6	757	3.4
• Shareholders' funds	2,278	(0.5)	2,289	1,447	11.6	479	2.3
• Other eligible funds	1,309	0.2	1,307	814	11.6	278	5.4
Total assets	166,029	10.7	150,033	54,111	12.2	122,926	7.8
ROE (%)	20.2		16.6	20.6		21.6	
Efficiency ratio (%)	32.3		32.9	25.9		44.3	
Efficiency incl. Depreciation and amortization (%)	32.9		33.6	26.5		44.8	
NPL ratio (%)	0.29		0.52	0.32		-	
Coverage ratio (%)	473.2		247.2	442.6		-	

(1) Excluding NPLs.



Wholesale and Investment Banking comprises the domestic and international global corporate banking units, institutional banking and the global markets and distribution unit (including the trading floors in Europe and New York), equity and bond distribution and the depository (for the area's customers) and custodial services. This area also includes the business and real estate projects unit, and global transaction services.

In the first quarter of 2005 the area generated net attributable profit of €112m, an increase of 22.7% over the €92m recorded in the same period last year. The higher profit is due to a 12% increase in operating profit and lower loan provisioning in the form of less specific provisions. The cost/income ratio (efficiency) stands at 32.9% after improving 0.7 points over the same period last year and ROE is 20.2% (16.6% in the same quarter of 2004).

Ordinary revenues increased 7.2% to €243m while net revenues from non-financial activities (the area's real estate operations) were nearly double at €18m. As a result total revenues rose 10.6% year-on-year. Attention is drawn to the cross-compensation between net interest income and net trading income, which is mainly due to asymmetrical market positions. Therefore in this business area, ordinary revenues are the best indicator of revenue generation.

Despite the above adjustments, the strong increase in lending and customer funds had a positive effect on net interest income. At the end of the quarter lending had grown 11.6% and customer funds 23.9% year-on-year. Institutional banking and global corporate banking both grew strongly. In the latter unit, lending through the international network jumped 47%. The non-performing loan (NPL) ratio for the quarter stands at 0.29%, compared to 0.52% a year earlier.

The positive development of risk quality led to a significant decline in specific provisions. The area set aside €20m for loan provisioning in the quarter and this was €16m less than the previous year.

## > WHOLESALE BANKING

Wholesale banking, which consists of the global corporate banking and institutional banking units, maintained high levels of activity with 10.6% growth

in lending and 35.7% in deposits. After the performance of revenues and expenses, the cost/income ratio is 26.5%. The net attributable profit of €72m generated in the quarter is 9.5% higher than the same period last year.

## > Global Corporate Banking

This unit lifted net attributable profit 29.2% to €50m. The main factors behind the increase were the higher level of business activity (both lending and deposits), net fee income and net trading income. Because of the above, ordinary revenues grew 6.2% year-on-year. The unit kept expenses under control (leading to an improvement of more than one point in the cost/income ratio) and the change in net provisions was positive.

During the quarter BBVA was co-underwriter of \$1.19 billion in finance for the Chicago Skyway Toll Bridge System. In addition it was the mandated lead arranger in syndicated loans for Sanofi-Aventis, Arcelor and Qatargas, and in finance for the high-speed rail link between Figueras and Perpignan.

In terms of fixed income activity, BBVA was the joint bookrunner in eight euromarket operations (senior debt and covered bonds), including a €6 billion Kingdom of Spain issue at 32 years. This is the longest benchmark operation in European sovereign debt and the biggest syndicated issue in the kingdom. This quarter the unit was also underwriter for €488m in 26 private placements with more than seven issuers. They included KBC, BNP Paribas and Unicredito.

## > Institutional Banking

Lending increased 6.3% to more than €18.5 billion and deposits increased 28.7%. This compensated the effect of lower spreads on net interest income. However, it was lower than the first quarter of 2004, which was the highest that year due to extraordinary items (mainly loan cancellation fees). Net attributable profit in the quarter came to €22m, compared to €27m a year earlier.

Operations by the institutional banking unit in the quarter included two syndicated loans of €200m and €500m for the Madrid City Council, various finance operations for the regional government of Castilla y

Leon totalling €254m (short-term finance and bond issues) and the winning tender for managing the payrolls and disbursements of the Ministry of Housing.

In addition Banco de Crédito Local, which is part of this unit, launched its third issue of regional covered bonds (repackaged regional government debt) worth €1 billion.

## > GLOBAL MARKETS AND DISTRIBUTION

In the quarter the global markets and distribution unit generated net attributable profit of €25m. This figure is much higher than the same quarter last year and higher than the quarterly average. The increased profit is due to ordinary revenues, which rose 65.6% over the previous year on higher net trading income. This in turn was the result of management of the bank's positions and greater customer activity.

In terms of proprietary trading, interest-rate positioning strategy played an important role. In the case of customer activities, these focused mainly on dollar/euro forex hedging as a result of increased volatility.

Single operations with customers included constant proportion portfolio insurance (CPPI) with Banco Comercial Portugués. This was a five-year structure with a nominal amount of €100m. Other operations included participation in the Spanish Treasury 30-year bond auction; management, underwriting and stabilisation for the Cintra IPO; and the ICH (Mexico) IPO as global coordinator of the Mexican and international parts.

## > BUSINESS AND REAL ESTATE PROJECTS

The business and real estate projects unit actively manages a portfolio of companies and real estate ventures whose value at the end of the quarter came to more than €1.1 billion with latent capital gains of €817m. The main companies concerned are Corporacion IBV, Iberia, Tubos Reunidos, Tecnicas Reunidas, Anida Grupo Inmobiliario and Unitaria Inmobiliaria. Depending on the type of activity the unit reports the results of these companies under equity-accounted income (€12m in this quarter) and under revenues from non-financial activities (€18m). Net attributable profit came to €21m, an increase of 11.5% over the same quarter last year.

Under the strategic business plan the unit acquired 64.5% of Textil Textura, a retail chain of household products, during the quarter.

In the real estate business, Anida has a portfolio of developable land with more than 2.5 million square metres in building entitlement and about 16,000 housing units in rental and an investment of €515m. The company is currently marketing about 500 dwellings and 1,000 more are under construction. The unit is making plans to invest in new real estate projects in Mexico, in partnership with developers. It has already completed an investment in Residencial Las Cumbres de Santa Fe. This project entails construction of three buildings housing 328 units on 10 hectares of land.

Anida's distinguishing feature is its commitment to the environment and to environment-friendly policies. Apart from applying for an ISO 14001 certificate (the definitive environmental qualification), the company will allocate 0.7% of its net profit to reforestation. It already has ISO 9001-2000 and IQNET quality certificates for its "BBVA Housing Plan".

## > GLOBAL TRANSACTION SERVICES

This unit covers a wide range of services, including electronic banking for companies and institutions, factoring and confirming, cross-border payment brokering and trade finance.

More than 66,000 companies and institutions in Spain use the unit's electronic banking services. In the first quarter the number of operations increased 12% and volume 23.6% year-on-year. In cross-border payments, BBVA handled €22.2 billion in collections and payments in the quarter. This was a 6% increase over the same quarter last year.

After the 2004 Dealogic ranking declared BBVA top bank worldwide in trade finance by number of operations, Trade & Forfeiting Review has awarded it "Deal of the Year 2004" for a seven-year, export pre-finance operation for the Votorantim group – one of the biggest conglomerates in Brazil. Activities in the first quarter included the signing of a three-year, export pre-finance operation for Petrobras of \$150m with help from the teams in New York and Sao Paulo.

## > Income statement (Million euros)

	1Q 05	Δ%	Δ% at constant exchange rate	1Q 04
<b>NET INTEREST INCOME</b>	<b>812</b>	<b>22.4</b>	<b>29.8</b>	<b>663</b>
Net income from equity method	(1)	n.m.	n.m.	2
Net fee income	459	8.2	13.2	424
Income from insurance activities	46	39.6	53.9	33
<b>CORE REVENUES</b>	<b>1,316</b>	<b>17.3</b>	<b>23.9</b>	<b>1,122</b>
Net trading income	(24)	n.m.	n.m.	55
<b>ORDINARY REVENUES</b>	<b>1,292</b>	<b>9.8</b>	<b>15.9</b>	<b>1,177</b>
Net revenues from non-financial activities	2	(53.9)	(50.9)	4
Personnel and general administrative expenses	(584)	8.3	14.2	(540)
Depreciation and amortization	(44)	(20.4)	(16.9)	(55)
Other operating income and expenses (net)	(37)	(7.8)	(2.5)	(40)
<b>OPERATING PROFIT</b>	<b>629</b>	<b>15.0</b>	<b>21.8</b>	<b>547</b>
Impairment losses on financial assets (net)	(52)	(46.3)	(43.5)	(96)
• Loan loss provisions	(46)	(52.6)	(50.2)	(96)
• Other	(6)	n.m.	n.m.	-
Provisions (net)	(42)	1.9	7.3	(41)
Other income/losses (net)	(9)	n.m.	n.m.	19
• From disposal of equity holdings	-	-	-	-
• Other	(9)	n.m.	n.m.	19
<b>PRE-TAX PROFIT</b>	<b>527</b>	<b>22.8</b>	<b>30.3</b>	<b>429</b>
Corporate income tax	(141)	(5.0)	0.3	(148)
<b>NET PROFIT</b>	<b>386</b>	<b>37.4</b>	<b>46.2</b>	<b>281</b>
Minority interests	(52)	(29.0)	(24.0)	(74)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>334</b>	<b>61.1</b>	<b>71.1</b>	<b>207</b>

## > Relevant business indicators (Million euros and percentages)

	31-03-05	Δ%	Δ% at constant exchange rate	31-03-04
Loans to customers <sup>(1)</sup>	29,050	29.4	35.0	22,450
Customer deposits <sup>(2)</sup>	49,789	7.0	12.3	46,543
• Deposits	46,130	7.0	12.2	43,125
• Assets sold under repurchase agreement	3,659	7.1	13.8	3,417
Off balance sheet funds	37,926	4.9	8.0	36,144
• Mutual funds	8,422	(5.0)	(1.4)	8,861
• Pension funds	29,504	8.1	11.0	27,283
Customer portfolios	16,652	1.4	3.6	16,427
Equity	5,615	5.8	10.8	5,304
• Shareholders' funds	4,956	6.4	11.6	4,660
• Other eligible funds	658	2.2	5.2	644
Total assets <sup>(3)</sup>	77,879	2.4	7.4	76,050
ROE (%)	27.4			21.1
Efficiency ratio (%)	45.1			45.7
Efficiency incl. Depreciation and amortization (%)	48.5			50.3
NPL ratio (%)	3.13			4.28
Coverage ratio (%)	169.1			172.4

(1) Excluding NPLs and Bancomer's old mortgage portfolio.

(2) Excluding deposits and repos issued by Bancomer's Markets unit.

(3) Excluding insurance.

The Americas business area consists of all the activities conducted by the BBVA group's eleven banks, nine pension managers and various insurance companies on that continent. It also manages international private banking. The financial statements for the area do not yet include Laredo National Bancshares. BBVA plans to add this bank in the second quarter. However the statements do include Hipotecaria Nacional, which is part of the BBVA Bancomer financial group since the beginning of the year.

The macro-economic environment in the region during the first quarter echoed the positive features of the previous year. There was high economic growth, moderate inflation and an upward trend in interest rates. All this continued to favour banking business, reflected especially by higher lending activity in most countries. Unlike earlier periods, exchange rates were not a particularly worrying factor when expressing the accounts of the group's companies in euros. In general, currency fluctuations were less important than in previous periods.

The favourable economic climate helped BBVA America to maintain the positive trend of recent quarters. Thus net attributable profit contributed by this area in the quarter came to €334m, an increase of 61.1% over the same period last year (71.1% at constant exchange rates). The takeover bid launched in March 2004 for BBVA Bancomer's minority interests still affects the growth in attributable profit. However, net profit (not affected by the takeover) increased year-on-year to 37.4% at current exchange rates (46.2% at constant rates).

The trend in results is due to faster growth in revenues, especially net interest income which rose 29.8% year-on-year to €812m at constant exchange rates. Unless otherwise indicated, we have calculated all variations below at constant exchange rates. The high growth is particularly due to a significant volume effect in Mexico and other countries, even where the price factor has been unfavourable (Venezuela and Chile). Lending in the area grew faster at 35% year-on-year. Although all types of lending benefited, growth was highest in credit cards, consumer finance and mortgages. Customer funds (deposits, mutual funds and pension funds) grew 10.1%. Deposits alone grew 12.2%.

Net fee income in the quarter grew 13.2% to €459m and this came from traditional banking business as well as pension funds and securities. Revenues from

the insurance business came to €46m, an increase of 53.9% year-on-year that was due to higher activity at the main companies, especially in bancassurance. The fluctuations in interest rates in some countries, especially Mexico, are to blame for negative trading income of €24m.

The faster growth of business activity in this quarter was mainly due to the important marketing effort by the group's companies in the area. Logically, this had an effect on costs, which rose 11.3% (including depreciation and amortization). This figure drops to 8.5% excluding the impact of Hipotecaria Nacional and Valley Bank. Despite this, the cost/income ratio stands at 48.5%, which is 1.8 points lower than a year earlier. The recurrency ratio remained unchanged at 78.5%.

Asset quality in the region continued to improve with a 7.9% decline in non-performing loans (NPL) despite the inclusion of Hipotecaria Nacional. Combined with the increase in lending, this brings the NPL ratio to 3.13% at 31-Mar-05, an improvement of 115 basis points over the 4.28% recorded a year earlier. Thus the combined effect of provisioning and extraordinary items was 8.7% less negative than the first quarter of 2004 and the level of NPL coverage was not affected. After deducting taxes and minority interests, net attributable profit comes to €334m and the ROE is 27.4% (compared to 21.1% a year ago).

## > BANKS IN THE AMERICAS

In the first quarter of the year, the banking business of BBVA America recorded high growth in activity and in revenues, with net attributable profit increasing 71.6% to €267m. The performance of the different banks is described below.

### > Mexico

The economy in Mexico continued the positive trend started in mid-2004. However, unlike previous quarters, the main component of growth was domestic demand and not foreign trade. This points to high and sustained growth of private sector lending in 2005. Inflation remained at moderate levels while short-term interest rates rebounded to nearly 10%. In this context BBVA Bancomer continue to record high rates of growth in business activity and net revenues. Thus during the

## > Income statement (Million euros)

Memorandum item	Banks in America			Of which: Mexico			Pensions and Insurance		
	1Q 05	Δ%	Δ% at constant exchange rate	1Q 05	Δ%	Δ% at constant exchange rate	1Q 05	Δ%	Δ% at constant exchange rate
<b>NET INTEREST INCOME</b>	<b>799</b>	<b>23.4</b>	<b>31.0</b>	<b>545</b>	<b>36.6</b>	<b>46.0</b>	<b>2</b>	<b>(50.4)</b>	<b>(48.0)</b>
Net income from equity method	-	n.m.	n.m.	-	n.m.	n.m.	-	(62.4)	(61.2)
Net fee income	308	9.0	15.2	211	8.6	16.1	97	4.2	8.1
Income from insurance activities	-	n.m.	n.m.	-	n.m.	n.m.	67	18.4	25.2
<b>CORE REVENUES</b>	<b>1,106</b>	<b>18.7</b>	<b>25.9</b>	<b>755</b>	<b>27.2</b>	<b>36.0</b>	<b>165</b>	<b>8.2</b>	<b>13.1</b>
Net trading income	(35)	n.m.	n.m.	(56)	n.m.	n.m.	8	(28.3)	(26.1)
<b>ORDINARY REVENUES</b>	<b>1,072</b>	<b>10.2</b>	<b>16.9</b>	<b>700</b>	<b>14.3</b>	<b>22.2</b>	<b>173</b>	<b>5.8</b>	<b>10.5</b>
Net revenues from non-financial activities	(1)	n.m.	n.m.	(1)	n.m.	n.m.	3	(27.1)	(22.3)
Personnel and general administrative expenses	(484)	11.0	17.6	(292)	14.9	22.8	(86)	2.3	6.8
Depreciation and amortization	(36)	(23.9)	(20.2)	(23)	(21.8)	(16.4)	(3)	(31.4)	(29.5)
Other operating income and expenses (net)	(33)	(13.4)	(8.1)	(25)	(16.8)	(11.1)	1	n.m.	n.m.
<b>OPERATING PROFIT</b>	<b>517</b>	<b>14.7</b>	<b>22.0</b>	<b>358</b>	<b>20.2</b>	<b>28.4</b>	<b>89</b>	<b>11.2</b>	<b>16.4</b>
Impairment losses on financial assets (net)	(57)	(40.5)	(37.3)	(37)	(53.3)	(50.1)	-	91.3	101.7
• Loan loss provisions	(51)	(46.7)	(43.9)	(34)	(57.7)	(54.8)	-	(20.9)	(16.6)
• Other	(6)	n.m.	n.m.	(4)	n.m.	n.m.	-	n.m.	n.m.
Provisions (net)	(39)	1.1	6.8	(29)	75.6	87.7	(2)	n.m.	n.m.
Other income/losses (net)	(8)	n.m.	n.m.	(6)	(62.9)	(60.3)	-	(97.1)	(97.0)
• From disposal of equity holdings	-	-	-	-	-	-	-	-	-
• Other	(8)	n.m.	n.m.	(6)	(62.9)	(60.3)	-	(97.1)	(97.0)
<b>PRE-TAX PROFIT</b>	<b>413</b>	<b>19.8</b>	<b>27.8</b>	<b>286</b>	<b>54.2</b>	<b>64.8</b>	<b>86</b>	<b>21.5</b>	<b>27.5</b>
Corporate income tax	(114)	(5.5)	(0.2)	(91)	93.3	106.6	(29)	(3.1)	1.8
<b>NET PROFIT</b>	<b>299</b>	<b>33.5</b>	<b>43.1</b>	<b>195</b>	<b>40.9</b>	<b>50.6</b>	<b>57</b>	<b>39.4</b>	<b>46.3</b>
Minority interests	(32)	(44.7)	(40.0)	-	(98.5)	(98.4)	(9)	35.1	41.6
<b>NET ATTRIBUTABLE PROFIT</b>	<b>267</b>	<b>60.8</b>	<b>71.6</b>	<b>195</b>	<b>80.7</b>	<b>93.1</b>	<b>48</b>	<b>40.3</b>	<b>47.2</b>

## > Relevant business indicators (Million euros and percentages)

	31-03-05	Δ%	Δ% at constant exchange rate	31-03-05	Δ%	Δ% at constant exchange rate	31-03-05	Δ%	Δ% at constant exchange rate
Loans to customers <sup>(1)</sup>	27,693	32.2	38.3	14,654	52.4	61.6	-	-	-
Customer deposits <sup>(2)</sup>	46,163	7.9	13.8	27,838	3.7	10.0	-	-	-
• Deposits	42,504	8.0	13.8	24,693	3.9	10.2	-	-	-
• Assets sold under repurchase agreement	3,659	7.1	13.8	3,145	2.1	8.2	-	-	-
Off balance sheet funds	6,176	(5.0)	(0.1)	5,127	(4.9)	0.9	29,494	8.1	11.0
• Mutual funds	6,176	(5.0)	(0.1)	5,127	(4.9)	0.9	-	-	-
• Pension funds	-	-	-	-	-	-	29,494	8.1	11.0
Customer portfolios	6,468	8.0	14.8	6,468	10.8	17.5	-	-	-
Equity	4,687	12.5	18.4	2,886	20.6	27.9	824	(1.3)	2.5
• Shareholders' funds	4,288	12.2	18.0	2,877	21.1	28.4	786	3.4	7.6
• Other eligible funds	399	15.9	22.4	9	(50.1)	(47.1)	38	(49.0)	(48.5)
Total assets <sup>(3)</sup>	72,454	3.5	9.1	47,714	0.4	6.5	-	-	-
ROE (%)	25.3			27.4			24.6		
Efficiency ratio (%)	45.2			41.9			48.6		
Efficiency incl. Depreciation and amortization (%)	48.6			45.2			50.3		
NPL ratio (%)	3.31			2.53			-		
Coverage ratio (%)	167.0			263.5			-		

(1) Excluding NPLs and Bancomer's old mortgage portfolio.

(2) Excluding deposits and repos issued by Bancomer's Markets unit.

quarter, banking generated net profit of €195m, a year-on-year increase of 50.6%. This figure rises to 93.1% at the level of net attributable profit because the increase in BBVA's holding following the takeover had hardly any effect on the first quarter results in 2004. Furthermore, if the €12m contributed by Hipotecaria Nacional are left out, the increases are 41.2% in net profit and 81.1% in net attributable profit. ROE increased to 27.4% from the 25.2% achieved in the first quarter of the previous year.

Lending continued to develop strongly with uniform growth of 36.9% in the manageable loan portfolio (excluding Hipotecaria Nacional) based on positive performance in all product lines. Compared to March 2004, consumer finance and credit cards are up 69.5%, loans to SMEs increased 34.9% and residential mortgages continue to grow strongly. Funds under management at BBVA Bancomer (banking deposits, repos placed through the branch network and mutual funds) rose 8.4%. As in previous quarters, deposits turned in the best performance with a year-on-year increase of 10%. However, growth was fairly evenly spread. Current accounts and savings accounts were 9.8% higher than a year earlier. The high level of business together with the positive effect of higher interest rates on the large volume of low-cost funds in the balance sheet, brought net interest income to €545m, an increase of 46% year-on-year.

The high level of activity is also responsible for the 16.1% increase in net fee income, which rose to €211m helped by fees related to transactional business. Interest-rate volatility had a negative effect of €56m on net trading income in the quarter. The higher level of retail activity in recent quarters means an increase in costs directly related to business. However this did not prevent the bank from maintaining the optimum levels of efficiency and recurrency (fee income/expenses) attained last year.

As a result, operating profit increased 28.4% year-on-year to €358m. The steady improvement in non-performing loans (the NPL ratio ended at 2.53% compared to 3.92% a year earlier) and the provisions made last year, allowed BBVA Bancomer to reduce provisioning in the quarter. This had no negative impact on coverage, which in fact increased from 252.3% at 31-Mar-04 to 263.5%.

### > Other countries

In Argentina **BBVA Banco Francés** continued to experience the high level of activity observed in 2004. Starting from an admittedly low base, the private sector grew 95.8% year-on-year. Growth was financed by an increase in deposits and reflects the recovery in banking intermediation. The boost in retail activity, combined with higher performance of inflation adjusted assets and strict control of the cost of funds, led to an increase of 13.8% in net interest income. This, plus the 29% rise in net fee income and cost control, brought year-on-year growth in operating profit to 35.8%, closing the quarter with net attributable profit of €13.3m.

Lending and funds continued to grow at a fast rate at **BBVA Chile**. The bank made sure this was compatible with rigorous cost control and improvement in portfolio quality, opening the way to lower provisions. Net attributable profit rose 46.3% to €6.4m.

**BBVA Colombia** had its best quarter ever with net attributable profit of €10.8m, a year-on-year increase of 36.3%. The increases of 25.0% and 26.0% in lending and deposits, respectively, together with a strict policy of passive rates in a context of historically low interest rates, led to a 8.7% increase in net interest income and 11.7% in net fee income. Combined with effective cost containment, this meant operating profit increased 38.5% over the same period last year.

The US retail business unit, which consists of **BBVA Puerto Rico**, **Bancomer Transfer Services** and **Valley Bank**, generated net attributable profit of €10m, a year-on-year increase of 12.0%. The restructuring by **BBVA Puerto Rico** in the second half of 2004 has started to bear fruit. This is particularly evident in lending where growth was 14.4%, supported mainly by lending to individuals (mortgages, car loans and consumer finance). The higher level of activity led to growth in net interest income of 7.1%. Together with the increase in net fee income and cost restraint, net attributable profit grew 7.3% over the first quarter of 2004, to €8m.

In Peru, **BBVA Banco Continental** generated net attributable profit of €8.4m, a year-on-year increase of 60.9%, based on higher revenues and control of expenses (operating profit rose 28.6%) and lower provisioning requirements due to continued improvement in asset quality. In terms of business

activity, lending increased 17.4% and deposits 10.7% year-on-year.

In Venezuela, **BBVA Banco Provincial** maintained net interest income and managed to compensate the important drop in interest rates during 2004 and the introduction of maximum government rates for some products, with higher volumes. The good performance of net fee income and net trading income was enhanced by cost increases that were kept below inflation. Furthermore the outcome of provisioning and extraordinary items was positive in view of the high level of existing coverage. As a result of these factors, net attributable income came to €18m.

Other banks contributed net attributable profit in the quarter as follows: **Panama** €5m (up 29.4%), **Paraguay** €2m (same level as last year) while **Uruguay** reduced its losses to practically zero.

## > PENSION FUNDS AND INSURANCE

The pension fund managers and insurance companies in BBVA America contributed net attributable profit of €48m in the first quarter of 2005. This was a year-on-year increase of 47.2%. Brief comments on the performance of the main companies are provided below.

### > Pensions

The favourable Mexican economy in recent quarters has not yet reached the job market and therefore it continues to have a negative impact on pension business. Against this backdrop, core revenues at Afore Bancomer (the second largest Mexican pension fund administrator) grew moderately by 5.9% year-on-year. Its expenses grew faster (12.9%) due to important marketing efforts in recent months. Despite this, net attributable profit increased 27.3% to €13.6m, partly due to the BBVA

group's larger stake following the takeover bid launched at the end of the first quarter of 2004.

In Chile, **AFP Provida** generated net attributable profit of €6.2m in the quarter supported by a strong year-on-year increase in net fee income (up 26%). This reflected the higher business volume with higher contributions and lower operating expenses.

**Consolidar AFJP** (the pension fund manager in Argentina) engaged in a strong marketing effort during the quarter, increasing contributions by 15.8% year-on-year. This produced a rebound in net fee income, which together with lower expenses, led to net attributable profit of €1.5m.

### > Insurance

Among the insurance companies, business was good in Mexico which saw a strong increase in activity at the group's three Mexican companies, especially **Seguros Bancomer** whose level of premiums increased 39.3% year-on-year. As a result, net attributable profit generated by the insurance business in Mexico rose 72.2% to €16m.

In Argentina the insurance companies of the **Consolidar Group** achieved net attributable profit of €2.1m on higher activity in the quarter.

## > INTERNATIONAL PRIVATE BANKING

The first quarter of 2005 confirmed the improvement noted by this unit in the second half of 2004. This is leading to faster revenue growth, especially net fee income, which increased 16.8% year-on-year. Thanks to this and to lower costs, net attributable profit grew 37.2% to €21m of which €12m came from Andorra and €6m from Switzerland.


**Data per country (banking business, pensions and insurance) (Million euros)**

Country	Operating income				Net attributable profit			
	1Q 05	Δ%	Δ% at constant exchange rate	1Q 04	1Q 05	Δ%	Δ% at constant exchange rate	1Q 04
Mexico	407	18.0	26.1	345	224	73.7	85.6	129
Argentina	41	21.2	28.0	34	17	62.4	71.6	10
Chile	32	11.3	14.7	29	13	175.1	183.6	5
Colombia	24	47.2	34.5	16	14	45.6	33.0	10
United States <sup>(1)</sup>	21	(1.0)	4.0	21	10	6.0	11.3	10
Panama	6	12.7	18.3	5	5	23.2	29.4	4
Paraguay	2	(6.3)	2.2	3	2	(9.8)	(1.6)	2
Peru	40	25.9	24.2	32	12	45.5	43.5	8
Uruguay	-	n.m.	n.m.	1	(1)	257.9	222.2	-
Venezuela	33	(23.8)	(10.9)	43	19	(17.0)	(2.9)	22
Other countries <sup>(2)</sup>	-	(82.4)	(81.5)	2	-	(67.6)	(65.9)	-
<b>TOTAL</b>	<b>606</b>	<b>14.2</b>	<b>21.2</b>	<b>531</b>	<b>315</b>	<b>57.3</b>	<b>67.4</b>	<b>200</b>

(1) Includes Puerto Rico.

(2) Bolivia, Ecuador and Dominican Republic. In 2004 also includes El Salvador.


**Mexico (banking business, pensions and insurance). Income statement (Million euros)**

	1Q 05	Δ%	Δ% at constant exchange rate	1Q 04
<b>NET INTEREST INCOME</b>	<b>546</b>	<b>36.7</b>	<b>46.1</b>	<b>399</b>
Net income from equity method	-	n.m.	n.m.	1
Net fee income	252	6.3	13.6	237
Income from insurance activities	48	25.1	33.7	38
<b>CORE REVENUES</b>	<b>845</b>	<b>25.2</b>	<b>33.8</b>	<b>675</b>
Net trading income	(54)	n.m.	n.m.	21
<b>ORDINARY REVENUES</b>	<b>791</b>	<b>13.6</b>	<b>21.4</b>	<b>696</b>
Net revenues from non-financial activities	-	n.m.	n.m.	3
Personnel and general administrative expenses	(338)	14.5	22.4	(295)
Depreciation and amortization	(23)	(21.5)	(16.1)	(30)
Other operating income and expenses (net)	(22)	(25.3)	(20.2)	(30)
<b>OPERATING PROFIT</b>	<b>407</b>	<b>18.0</b>	<b>26.1</b>	<b>345</b>
Impairment losses on financial assets (net)	(37)	(53.3)	(50.1)	(80)
• Loan loss provisions	(34)	(57.7)	(54.8)	(80)
• Other	(4)	n.m.	n.m.	-
Provisions (net)	(29)	75.6	87.7	(16)
Other income/losses (net)	(6)	(63.9)	(61.4)	(16)
• From disposal of equity holdings	-	-	-	-
• Other	(6)	(63.9)	(61.4)	(16)
<b>PRE-TAX PROFIT</b>	<b>335</b>	<b>44.2</b>	<b>54.2</b>	<b>232</b>
Corporate income tax	(109)	60.9	71.9	(68)
<b>NET PROFIT</b>	<b>226</b>	<b>37.4</b>	<b>46.8</b>	<b>164</b>
Minority interests	(1)	(96.5)	(96.2)	(35)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>224</b>	<b>73.7</b>	<b>85.6</b>	<b>129</b>



This area includes the results of ALCO (the assets and liability committee), the large industrial companies unit and the financial shareholdings unit. It also covers certain provisions such as early retirement, provisions at the corporate level and the cost of the HQ units that support the business areas.

In the quarter this area generated €104m in ordinary revenues, including an increase in net trading income to €204m as a result of active management of the large industrial companies portfolio and ALCO activities.

## > Income statement (Million euros)

	1Q 05	Δ%	1Q 04
<b>NET INTEREST INCOME</b>	<b>(98)</b>	<b>147.0</b>	<b>(40)</b>
Net income from equity method	12	93.2	6
Net fee income	12	68.0	7
Income from insurance activities	(25)	146.7	(10)
<b>CORE REVENUES</b>	<b>(100)</b>	<b>170.9</b>	<b>(37)</b>
Net trading income	204	91.2	107
<b>ORDINARY REVENUES</b>	<b>104</b>	<b>49.0</b>	<b>70</b>
Net revenues from non-financial activities	2	n.m.	-
Personnel and general administrative expenses	(96)	(0.2)	(96)
Depreciation and amortization	(33)	19.0	(27)
Other operating income and expenses (net)	(2)	(32.8)	(4)
<b>OPERATING PROFIT</b>	<b>(25)</b>	<b>(55.9)</b>	<b>(58)</b>
Impairment losses on financial assets (net)	2	n.m.	(29)
• Loan loss provisions	3	n.m.	(24)
• Other	(1)	(84.8)	(6)
Provisions (net)	(91)	(63.3)	(248)
Other income/losses (net)	9	(96.7)	266
• From disposal of equity holdings	-	(99.9)	240
• Other	8	(67.3)	26
<b>PRE-TAX PROFIT</b>	<b>(106)</b>	<b>53.1</b>	<b>(69)</b>
Corporate income tax	67	16.7	57
<b>NET PROFIT</b>	<b>(39)</b>	<b>229.5</b>	<b>(12)</b>
Minority interests	5	(87.2)	36
<b>NET ATTRIBUTABLE PROFIT</b>	<b>(34)</b>	<b>n.m.</b>	<b>24</b>

## > Relevant business indicators (Million euros and percentages)

	31-03-05	Δ%	31-03-04
Structural portfolio	23,479	0.1	23,447
Industrial portfolio	6,116	12.6	5,433
Financial portfolio	1,685	80.1	935
Equity	3,440	0.4	3,427
• Shareholders' funds	2,056	0.3	2,050
• Other eligible funds	1,384	0.5	1,377

Operating expenses (including general administrative expenses, amortisation and other items) came to €131m, which was similar to the same quarter last year. Of the €91m assigned to provisions in the quarter, €75m was earmarked for early retirements. Last year total provisions came to €248m, including €143m for early retirements and €90m provided against Fobaproa's notes (Mexico). Lastly, in this quarter there were no gains from the sale of industrial holdings while the first quarter of 2004 recorded capital gains on the sale of Banco Atlantico (218m) and Direct Seguros (26m). As a result the area recorded a loss of €34m in the quarter.

### > ALCO

The assets and liabilities committee (ALCO) administers the group's interest rate and exchange rate positions, group liquidity and shareholders' equity. In the first quarter it generated net attributable profit of €55m.

At 31-Mar-05 ALCO held a portfolio of fixed income investments worth €23.5 billion to compensate or reduce the negative impact on the group's net interest income of a decline or continuation of interest rates. This portfolio contributed €64m to net interest income. Additionally, ALCO has contributed with €64m to the net trading income between January and March.

Management of the group's exchange-rate risk (mainly associated with the Latin-American franchise) brought overall hedging of BBVA's equity in the Americas at the end of the quarter to 43%. Perfect hedging in Mexico was 42%, in Chile 76% and in Peru 37%. These levels of hedging do not include the long position in US dollars held by some affiliate banks at local level. The cost of this cover in the quarter was €16m net of tax.

In addition, the bank has hedged about 80% of the overall results for the year. Therefore even a sharp drop in Latin-American exchange rates would have a limited effect on the group's results.

### > LARGE INDUSTRIAL COMPANIES

The portfolio managed by this unit mainly consists of holdings in Telefonica, Repsol, Iberdrola and Sogecable. All these holdings are currently classified as "available for sale" but under the previous accounting standards they were consolidated by the equity method.

At 31-Mar-05 the market value of the portfolio was €6.1 billion (including equity swaps) with capital gains of €1.2 billion net of tax. During the quarter the unit made investments of €22m and divested €80m. Furthermore it conducted operations of €338m to reduce economic exposure.

There were no dividends from holdings during the quarter so the most relevant item on the income statement is "trading income" which came to €129m. Net attributable profit rose to €91m, compared to €35m in the same period last year.

### > FINANCIAL SHAREHOLDINGS

This unit mainly comprises the holdings in Banca Nazionale del Lavoro and Bradesco. The market value of the portfolio at 31-Mar-05 was €1.69 billion with capital gains of €730m.

Profit in the quarter was €19m, thanks mainly to Bradesco's dividends and the BNL results carried by the equity method. In the same quarter last year profit came to €199m after incorporating the capital gain from the sale of Banco Atlantico.

## > Consolidated balance sheet (Million euros)

	31-03-05	Δ%	31-03-04	31-12-04
Cash on hand and deposits at Central Banks	12,434	33.8	9,290	10,123
Trading portfolio assets	47,960	23.8	38,726	46,678
Other financial instruments at fair value	1,000	7.5	931	1,134
Financial instruments available for sale	50,999	0.5	50,754	56,020
Lending	207,651	8.5	191,333	196,232
• Memorandum item: Loans to customers	180,831	19.4	151,475	171,339
Fixed income portfolio held to maturity	3,404	149.0	1,367	2,168
Investments in associates	1,556	(29.5)	2,206	1,215
Property and equipment	3,982	11.3	3,576	3,940
Intangible assets	1,065	1.3	1,051	817
Other assets	15,170	(4.9)	15,946	15,147
<b>TOTAL ASSETS</b>	<b>345,221</b>	<b>9.5</b>	<b>315,180</b>	<b>333,474</b>
Financial liabilities held for trading	15,417	107.6	7,425	15,033
Other financial liabilities designated at fair value	794	(14.6)	930	834
Financial liabilities measured at amortised cost	282,960	7.1	264,169	271,180
• Memorandum item:				
• Deposits	153,323	4.1	147,280	149,030
• Marketable debt securities	49,519	27.9	38,706	45,503
• Subordinated debt	8,547	9.6	7,800	8,490
Insurance contract liabilities	8,977	42.1	6,320	8,265
Other liabilities	19,024	(5.6)	20,150	20,403
Loan capital	3,829	(1.8)	3,899	3,809
<b>TOTAL LIABILITIES</b>	<b>331,001</b>	<b>9.3</b>	<b>302,893</b>	<b>319,524</b>
Minority interests	760	15.1	660	764
Valuation adjustments	1,693	29.7	1,306	1,593
Shareholders' equity	11,767	14.0	10,321	11,593
<b>EQUITY</b>	<b>14,220</b>	<b>15.7</b>	<b>12,287</b>	<b>13,950</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>345,221</b>	<b>9.5</b>	<b>315,180</b>	<b>333,474</b>
<b>MEMORANDUM ITEM:</b>				
Contingent liabilities	22,984	33.2	17,259	21,653

 Consolidated income statement (Million euros)

	1Q 05	Δ%	1Q 04
Core net interest income	1,528	7.9	1,416
Dividends	22	(25.0)	29
<b>NET INTEREST INCOME</b>	<b>1,549</b>	<b>7.2</b>	<b>1,445</b>
Net income by the equity method	23	(10.7)	26
Net fee income	899	8.2	831
Income from insurance activities	96	5.8	90
<b>CORE REVENUES</b>	<b>2,567</b>	<b>7.3</b>	<b>2,393</b>
Net trading income	286	27.8	224
<b>ORDINARY REVENUES</b>	<b>2,854</b>	<b>9.0</b>	<b>2,617</b>
Net revenues from non-financial activities	28	33.5	21
Personnel costs	(838)	3.3	(811)
General expenses	(479)	7.3	(447)
Depreciation and amortization	(102)	(9.8)	(113)
Other operating income and expenses (net)	(31)	(15.1)	(36)
<b>OPERATING PROFIT</b>	<b>1,432</b>	<b>16.3</b>	<b>1,232</b>
Impairment losses on financial assets (net)	(123)	(46.8)	(230)
• Loan-loss provisions	(118)	(47.5)	(225)
• Other	(5)	(18.5)	(6)
Provisions (net)	(131)	(54.2)	(286)
Other income/losses (net)	24	(92.4)	313
• From disposal of equity holdings	4	(98.5)	240
• Other	20	(72.2)	73
<b>PRE-TAX PROFIT</b>	<b>1,203</b>	<b>17.0</b>	<b>1,028</b>
Corporate income tax	(337)	8.5	(311)
<b>NET PROFIT</b>	<b>866</b>	<b>20.6</b>	<b>718</b>
Minority interests	(50)	31.3	(38)
<b>NET ATTRIBUTABLE PROFIT</b>	<b>815</b>	<b>20.0</b>	<b>679</b>
<b>EARNINGS PER SHARE CALCULATION</b>			
Average ordinary shares in circulation (thousand)	3,390,852	2.3	3,315,852
Basic earnings per share	0.24	17.4	0.20
Diluted earnings per share	0.24	17.4	0.20

## > Statement of Changes in Equity (Million euros)

	Capital	Reserves (losses)	Profit for the year	Treasury shares	Valuation adjustments	Minority interest	Paid dividends	TOTAL EQUITY
<b>BALANCE AT 31-12-04</b>	<b>1,662</b>	<b>8,053</b>	<b>2,912</b>	<b>(18)</b>	<b>1,593</b>	<b>764</b>	<b>(1,015)</b>	<b>13,950</b>
Valuation adjustments					100	(3)		97
Profit retained		1,413	(1,413)					-
Dividends			(1,499)			(31)	1,015	(514)
Shares issued								-
Results of treasury shares traded				(164)				(164)
Profit for the year			815			50		866
Other		6				(20)		(15)
<b>BALANCE AT 31-03-05</b>	<b>1,662</b>	<b>9,472</b>	<b>815</b>	<b>(183)</b>	<b>1,693</b>	<b>760</b>	<b>-</b>	<b>14,220</b>

## > Reconciliation of equity due to application of new accounting regulation (Million euros)

<b>GROUP EQUITY AT 31-12-03</b>	<b>12,774</b>
<b>ADJUSTMENTS AFTER FIRST APPLICATION OF IFRS</b>	
Accrual of arrangement fees	(177)
Valuation of derivatives	51
Loan loss provisions (net)	(217)
Goodwill	(1,964)
Provisions for pension fund	(899)
Other (net)	(212)
Valuation adjustments	1,267
<b>EQUITY AT 1-01-04</b>	<b>10,624</b>
<b>MOVEMENTS DURING 1<sup>ST</sup> QUARTER 2004</b>	
Share capital increase	1,999
Dividend	(386)
Profit for the period	678
Buy-out of Bancomer minorities	(1,376)
Valuation adjustments	39
Other	49
<b>EQUITY AT 31-03-04</b>	<b>11,627</b>
<b>MOVEMENTS FROM 31-03-04 TO 31-12-04</b>	
Profit for the period	2,234
Valuation adjustments	287
Dividend paid	(1,015)
Other	53
<b>EQUITY AT 31-12-04</b>	<b>13,186</b>


**Reconciliation of profit due to application of new accounting regulation (Million euros)**

<b>YEAR 2004 PROFIT</b>	<b>2,802</b>
ADJUSTMENTS IFRS	111
• Accrual of arrangement fees	(47)
• Valuation of derivatives and financial assets	(48)
• Loan loss provisions	11
• Goodwill	344
• Provisions for pension fund	(23)
• Securities portfolio (associates)	(126)
• Other	(1)
<b>YEAR 2004 PROFIT ADJUSTED UNDER IFRS</b>	<b>2,912</b>
<b>FIRST QUARTER 2004 PROFIT</b>	<b>667</b>
ADJUSTMENTS IFRS	12
• Accrual of arrangement fees	(12)
• Valuation of derivatives and financial assets	(11)
• Loan loss provisions	23
• Goodwill	121
• Provisions for pension fund	(6)
• Securities portfolio (associates)	(32)
• Other	(72)
<b>FIRST QUARTER 2004 PROFIT ADJUSTED UNDER IFRS</b>	<b>679</b>

## > Information by segments. 1<sup>st</sup> Quarter 2005 (Million euros)

### INCOME STATEMENTS

	Retail Banking Spain and Portugal	Wholesale and Investment Banking	The Americas	Corporate Activities	TOTAL BBVA GROUP
Net interest income	749	87	812	(98)	1,549
Ordinary revenues	1,215	243	1,292	104	2,854
Operating profit	654	174	629	(25)	1,432
Pre-tax profit	620	161	527	(106)	1,203
Net attributable profit	403	112	334	(34)	815

### RETAIL BANKING SPAIN AND PORTUGAL

	Financial Services	Asset Management and Private Banking	Rest of business	TOTAL AREA
Net interest income	733	9	7	749
Ordinary revenues	1,097	65	53	1,215
Operating profit	582	44	28	654
Pre-tax profit	549	43	28	620
Net attributable profit	357	28	18	403

### WHOLESALE AND INVESTMENT BANKING

	Wholesale Banking	Global Markets and Distribution	Rest of business	TOTAL AREA
Net interest income	110	(17)	(6)	87
Ordinary revenues	165	78	-	243
Operating profit	121	43	11	174
Pre-tax profit	108	37	16	161
Net attributable profit	72	25	15	112

### AMERICA

	Banks in America		Pensions and insurance	Rest of business	TOTAL AREA
	Mexico	Rest of banks			
Net interest income	545	254	2	11	812
Ordinary revenues	700	372	173	47	1,292
Operating profit	358	159	89	23	629
Pre-tax profit	286	127	86	28	527
Net attributable profit	195	73	48	19	334

 Information by segments. 1<sup>st</sup> Quarter 2004 (Million euros)

**INCOME STATEMENTS**

	Retail Banking Spain and Portugal	Wholesale and Investment Banking	The Americas	Corporate Activities	TOTAL BBVA GROUP
Net interest income	710	111	663	(40)	1,445
Ordinary revenues	1,143	227	1,177	70	2,617
Operating profit	586	156	547	(58)	1,232
Pre-tax profit	543	125	429	(69)	1,028
Net attributable profit	356	92	207	24	679

**RETAIL BANKING SPAIN AND PORTUGAL**

	Financial Services	Asset Management and Private Banking	Rest of business	TOTAL AREA
Net interest income	697	7	7	710
Ordinary revenues	1,029	63	51	1,143
Operating profit	515	43	28	586
Pre-tax profit	479	43	21	543
Net attributable profit	314	28	15	356

**WHOLESALE AND INVESTMENT BANKING**

	Wholesale Banking	Global Markets and Distribution	Rest of business	TOTAL AREA
Net interest income	118	(1)	(6)	111
Ordinary revenues	164	47	15	227
Operating profit	120	18	18	156
Pre-tax profit	97	9	19	125
Net attributable profit	66	9	16	92

**AMERICA**

	Banks in America		Pensions and insurance	Rest of business	TOTAL AREA
	Mexico	Rest of banks			
Net interest income	399	249	4	12	663
Ordinary revenues	612	361	164	41	1,177
Operating profit	298	153	80	16	547
Pre-tax profit	186	159	71	13	429
Net attributable profit	108	58	34	7	207



## INVESTOR RELATIONS

- MADRID 28046 - Pº Castellana, 81 - 23rd floor  
Tel: 34-91 537 53 12  
Fax: 34-91 537 85 12  
e-mail: [inversoresbbva@grupobbva.com](mailto:inversoresbbva@grupobbva.com)
- NEW YORK - 1345 Av. of the Americas, 45th floor, NY 10105  
Tel: 1-212-728 16 60 - Fax: 1-212-333 29 05  
e-mail: [julissa.bonfante@bbvany.com](mailto:julissa.bonfante@bbvany.com)

**INTERNET INFO (<http://www.bbva.com>)**

**BBVA**

QUARTERLY REPORT • JANUARY-MARCH 2005