BBVA

QUARTERLY REPORT

January-March 2004

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Contents

BBVA Group Highlights

BBVA GROUP HIGHLIGHTS (CONSOLIDATED FIGURES))	31-03-04	31-03-03	Δ%
BALANCE SHEET (million euros)			
Total assets	304,639	271,830	12.1
Total lending (gross)	157,221	144,168	9.1
On-balance-sheet customer funds	192,740	178,825	7.8
Other customer funds managed	118,500	105,925	11.9
Total customer funds managed	311,240	284,750	9.3
Shareholders' funds (including profit for the year)	15,094	12,385	21.9
INCOME STATEMENT (million euros)			
Net interest income	1,684	1,650	2.1
Core revenues	2,508	2,456	2.1
Ordinary revenues	2,672	2,653	0.7
Operating profit	1,279	1,217	5.2
Pre-tax profit	1,067	892	19.6
Net attributable profit	667	514	29.9
DATA PER SHARE AND MARKET CAPITALIZATION			
Share price	10.77	7.63	41.2
Market capitalization (million euros)	36,519	24,384	49.8
Net attributable profit	0.20	0.16	25.1
Book value	4.45	3.88	14.9
PER (Price/earnings ratio; times) (1)	14.6	10.9	
P/BV (Price/book value ratio; times)	2.4	2.0	
SIGNIFICANT RATIOS (%)			
Operating profit/ATA	1.75	1.81	
ROE (Net attributable profit / Average equity)	20.3	16.9	
ROA (Net profit/Average total assets)	1.04	1.02	
RORWA (Net profit/Risk weighted average assets)	1.76	1.72	
Efficiency ratio	46.0	47.1	
NPL ratio (Nonperforming assets/Total risks)	1.23	1.78	
NPL coverage ratio	209.8	167.5	
CAPITAL ADEQUACY RATIOS (BIS regulations) (%)			
Total	12.1	12.6	
Core capital	5.7	6.0	
TIER I	8.0	8.5	
OTHER INFORMATION			
Number of shares (million)	3,391	3,196	
Number of shareholders	1,150,391	1,189,260	
Number of employees	85,695	88,960	
• Spain	31,017	31,588	
• America (2)	52,678	55,331	
• Rest ot the world	2,000	2,041	
Number of branches	6,943	7,027	
• Spain	3,380	3,415	
• America (2)	3,370	3,410	
• Rest of the world	193	202	

N.B.: Non-audited data. Consolidated statements follow generally accepted accounting principles of Bank of Spain Circular 4/91 and later Circulars.

(1) The 1Q04 PER is calculated taking into consideration the median of the analysts' estimates (April 2004).
(2) Including those relating to the BBVA Group's banking and pension fund management activities in all the Latin-American countries in which it is present.

BBVA Group in the first quarter of 2004

Economic indicators in the first quarter of 2004 point to a continuation of the trends present at the closing months of 2003 with a slower than expected recovery in the world's economic activity. Growth in the US and Asia is clearly higher than in the European Union. The EU is weighed down by consumer weakness in countries such as France and Germany although Spain continues to perform better than average and better than the euro zone as a whole. Latin America shows signs of recovery and in 2004 it could achieve growth more in accordance with its potential. The Federal Reserve and the European Central Bank kept interests rates on hold at 1.0% and 2.0%, respectively.

In the securities markets increased uncertainty caused by the terrorist attacks in Madrid on 11th March was overcome relatively quickly and the main stock exchanges recovered their upwards trend. Currency markets continued to be unstable. The euro climbed from $1.26 at the end of 2003 to $1.29 and later fell in March to $1.22. The majority of Latin American currencies appreciated against the euro during the quarter. However, they remained significantly below the levels in March 2003.

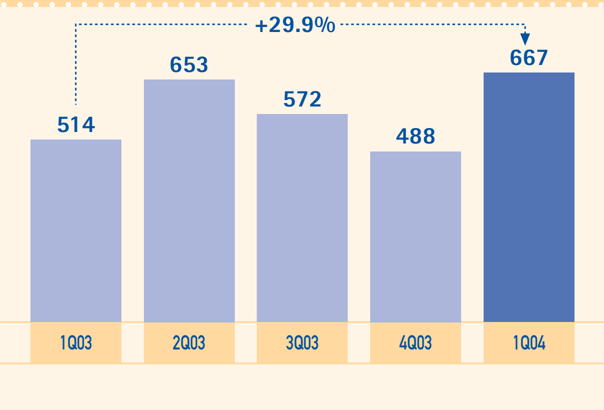
The table on the next page shows the exchange rates at 31-Mar-04 (used to convert the balance sheet and business activity figures to euros). It also shows the average exchange rate in the first quarter (used to convert the income statement from local currency to euros). The Mexican peso has the greatest effect on the Group's financial statements and depreciation was 13.8% by the end of the period and 15.4% in average terms. As usual, the year-on-year percentage variation at constant exchange rates is included. This is the result of applying the exchange rates of the first quarter 2004 to the figures from the first quarter of 2003. This is done in order to facilitate a comparison between the different lines of the income statement by eliminating the depreciation in exchange rates. These figures are referred to below where relevant. Likewise, remarks regarding business activity also include variations calculated at constant exchange rates. These are calculated by applying the exchange rates at 31-Mar-04 to the figures at 31-Mar-03.

In view of the progressive normalisation of the financial situation in Argentina, this quarterly report solely considers the consolidated public account. Furthermore, the business figures and results of Group subsidiaries in Argentina are once again reported as part of the Americas Area. It should be remembered that in previous periods, management accounts were given with Argentina's results carried by the equity method and in the breakdown by business area it was included under Corporate Activities. This was done to remove the effect of accounting instability in Argentina from the Group's financial statements.

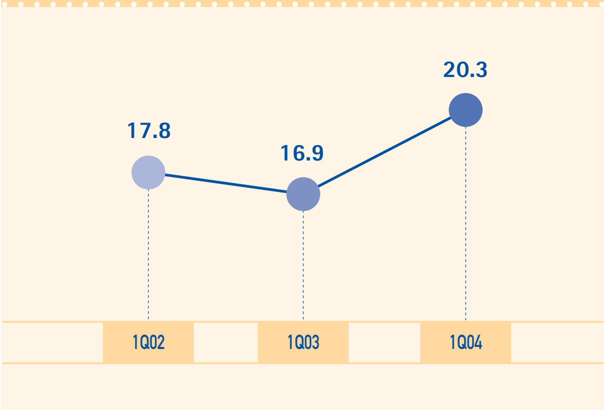
The most relevant aspects of the BBVA Group in the first quarter of 2004 are summarised below:

- Attributable net income rose to 667 million euros with an increase of 29.9% over the 514 million euros obtained in the first quarter of 2003. At constant exchange rates this increase was 35.0%. This level of quarterly income is the highest in the last two years.
- Earnings per share increased by 25.1% while return on equity improved to 20.3% compared to 16.9% in the first quarter of 2003. Return on assets increased to 1.04%.

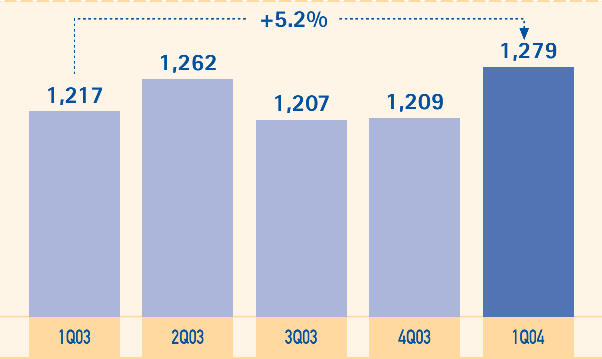
NET ATTRIBUTABLE PROFIT
(MILLION EUROS)



ROE
(PERCENTAGE)



OPERATING PROFIT
(MILLION EUROS)



- Operating profit came to 1,279 million euros and for the first time in recent years this is greater at current exchange rates than the same quarter of the previous year (up by 5.2%). It is also greater than the other quarters of 2003. At constant exchange rates it grew by 12.5%, including 15.0% in the aggregate of the domestic business (Retail Banking, Wholesale Banking and Corporate Activities) and 9.7% in the Americas. Excluding net trading income, the most recurrent part of operating profit grew 9.3% at current exchange rates and 17.8% at constant rates.
- The increase in operating profit carried over to net attributable income. The intermediate items on the income statement had a neutral effect and the net amount was similar to the first quarter of 2003. In the first quarter of 2003 net income from companies carried by the equity method was lower following restatement of 2002 profits by certain companies in which the Bank holds an interest. Therefore in the latest quarter, this income together with that of Group transactions (the sale of Banco Atlántico and Direct Seguros, versus the Crédit Lyonnais operation in 2003) recorded an increase. On the other hand, corporate tax increased. Smaller minority interests in Bancomer and the lower cost of preferred stock, led to an additional increase in attributable net income.
- Like operating profit, other earnings figures on the income statement also reflect positive year-on-year variations at current exchange rates. At constant exchange rates net interest income increased by 9.0%, core revenues by 9.0% and ordinary revenues by 7.3%.
- The increase in recurrent earnings is supported by activity which continues to accelerate quarter by quarter. Thus, in Retail Banking in Spain and Portugal the year-on-year rate of increase in lending rose to 16.3% at 31-Mar-04, compared to 13.9% at the end of 2003. The sum of deposits, mutual and pension funds rose by 10.9% (10.5% on average balances against 7.4% in December 2003). In the Americas, lending (excluding the old mortgage portfolio at Bancomer and NPLs) grew 10.2% in local currency (6.8% in December 2003) and traditional fund-gathering including repos placed through the branch network and mutual funds, recorded an increase of 9.7% (7.4% in December). The significant increase in activity in the euro zone and in the Americas compensated the effect of the decline in interest rates since the first quarter of 2003. Therefore the year-on-year increase in net interest income was 2.1% at current exchange rates and 9.0% at constant rates.
- Net fee income increased 2.3% at current rates and 9.1% at constant rates with solid growth in all business areas. This included 7.8% in Retail Banking –a significant turnaround following the decline

EXCHANGE RATES (1)

	End of period Exchange Rates			Average Exchange Rates	
	31-03-04	Δ% on 31-03-03	Δ% on 31-12-03	1Q04	Δ% on 1Q03
Mexican peso	13.6640	(13.8)	3.8	13.7176	(15.4)
Argentine peso	3.5113	(7.4)	5.9	3.6415	(6.3)
Chilean peso	753.58	5.7	(0.7)	735.29	7.6
Colombian peso	3,278.69	(1.6)	7.0	3,378.38	(6.6)
Peruvian new sol	4.2295	(10.5)	3.6	4.3353	(13.7)
Venezuelan bolivar	2,341.92	(25.6)	(13.7)	2,227.17	(19.1)
U.S. dollar	1.2224	(10.9)	3.3	1.2487	(14.1)

(1) Expressed in currency/euro.

recorded in 2003, 14.7% in Wholesale Banking and 12.7% in the Americas (13.5% in Mexico).

- Furthermore costs continued to be contained, falling 1.7% at current exchange rates and increasing 4.1% at constant rates. As a result, the cost/income ratio improved by more than 1 point to 46.0% compared to 47.1% in the first quarter of 2003. This confirms that BBVA is one of the most efficient large financial entities in the euro zone.
- Retail Banking in Spain and Portugal continues to broaden activity through the branch network in terms of lending and customer funds. This helped net interest income to grow by 2.1% despite the decline in interest rates. Net fee income also increased by 7.8% and this, together with cost control, led to a further improvement in the cost/income ratio, which stands at 44.1% (45.5% in the first quarter of 2003) and year-on-year increases of 8.1% in operating profit and 12.7% in attributable net income.
- Wholesale and Investment Banking generated high operating profits in the quarter. This is similar to the first quarter of last year and 17.4% higher than the 2003 quarterly average. Attention is drawn to the trend in net fee income which grew 14.7% year-on-year.
- The Americas Area (including Argentina) was also helped by price management and greater growth in lending and customer funds. Net interest income increased 7.7% at constant exchange rates and this, together with the strength of net fee income (up by 12.7%), helped operating profit to grow 9.7%. Thus, with the lower provisioning required and the smaller minority interests, attributable net income grew 54.2% (35.7% at current exchange rates).
- The picture in Mexico was particularly positive with an increase of 7.9% in net interest income calculated at constant exchange rates, despite the decline in interest rates. Note that in the first quarter of 2003 interest rates were at the highest level for the year. Operating profit also grew by 18.9% and net income by 20.8%. Lower minority interests meant that attributable net income grew by 61.6%. Activity continued to grow strongly especially in the more profitable segments. Thus, traditional fund-gathering grew by 11.8% while transactional deposits in pesos grew 19.1%. Likewise, lending grew 17.5% while consumer credit and cards achieved year-on-year growth of 34.2%.
- The Group's non-performing loan ratio, defined as non-performing assets (excluding country risk) divided by total exposure, continued to fall to 1.23% at the end of the quarter (1.37% at 31-Dec-03 and 1.78% at 31-Mar-03). Coverage increased to 209.8% (184.9% at 31-Dec-03 and 167.5% at 31-Mar-03).
- Following an investment of 3,254 million euros for the acquisition of Bancomer's minority interests, the Group's capital base continues to be solid. At 31-Mar-04 core capital was 5.7% (in line with the figure of 6.0% set as the target at the end of last year), Tier I capital was 8.0% and the BIS ratio 12.1%.
- After payment on 13th April of a final dividend of 0.114 euros per share, the total dividend paid against 2003 results comes to 0.384 euros per share. This is an increase of 10.3% over the 0.348 euros paid against 2002 results.

In line with the strategy of profitable growth, on 2nd February 2004 BBVA announced a take-over bid for 40.6% of BBVA Bancomer's capital, to increase its holding from 59.4% to 100% of this Mexican company. BBVA offered a cash payment of 12 pesos per BBVA Bancomer share. This price offered a premium of 13.7% on the closing price on Friday, 30th January and of 18.9% on the average price in the previous 30 trading sessions. After obtaining the corresponding authorisation, the offer was open from 19th February to 19th March. Shares received represent 39.46% of the share capital for which BBVA paid 3,254 million euros. At the end of March BBVA's control of Bancomer has increased to 99.4%.

The established goal is to achieve core capital of 6% by the end of the year and thus the bid has been financed in three parts: through core capital generated in 2004, through divestment of part of the Group's industrial portfolio at the end of 2003 and in January 2004 and of non-strategic financial shareholdings including Banco Atlántico and Direct Seguros (concluded during the quarter) and, lastly, by means of a capital increase which took place on 4th February 2004 through an institutional placement of 195 million new shares at 10.25 euros per share, raising a total of 1,999 million euros.

Income for the period

The first quarter of 2004 once again confirmed the ability of the BBVA Group to generate recurrent earnings and the upward trend in income that had been noted throughout 2003. For the first time since the middle of 2002 when the depreciation of Latin America currencies started to have a strong impact on the euro value of the Group's earnings in the region, all earnings figures in the income statement once again display positive year-on-year variations at current exchange rates.

Operating profit rose to 1,279 million euros. This is the highest quarterly figure since the fourth quarter of 2002 and represents a year-on-year increase of 5.2% at current exchange rates. This is in contrast to the 12.2% decline recorded in 2003. At constant exchange rates the increase is 12.5% and this easily beats the figures for any quarter in 2003. The group that best represents domestic activity consists of Retail Banking in Spain and Portugal, Wholesale and Investment Banking and Corporate Activities (an area that contains the results of the Group's financial management and specifically management of assets, liabilities and hedging). This group recorded a year-on-year increase of 15.0%. In the Americas Area which once again includes Argentina (as mentioned above), operating profit increased 9.7% at constant exchange rates. In Mexico it increased by 18.9%.

If trading income (which is more variable) is excluded, the operating profit increased by 9.3% at current exchange rates and by 17.8% at constant rates. There were increases of 7.7% in Retail Banking, 11.8% in Wholesale Banking and 12.8% in the Americas.

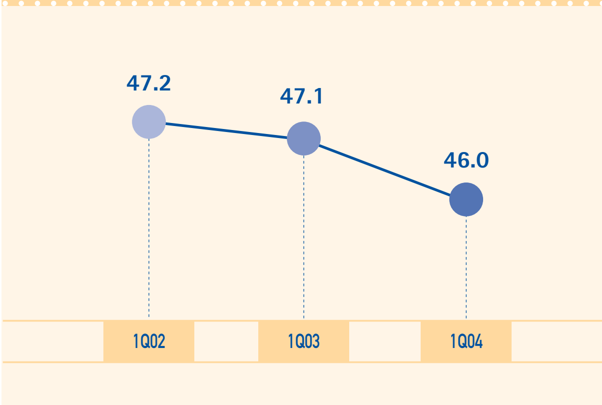
Net interest income in the first quarter of 2004 came to 1,684 million euros. This was 2.1% higher than the same period a year earlier, expressed in terms of current exchange rates and 9.0% at constant rates. In both cases these percentages are substantially better than those recorded for the whole of 2003. In Retail Banking in Spain and Portugal, interest income increased 2.1% as higher levels of activity compensated for narrower margins. At the same time, Wholesale Banking increased by 7.4%. However, the most representative figures for domestic business are provided by the aggregate results of the above two areas and corporate activities. This group incorporates the impact of the portfolio covering structural interest rate risk exposure and it recorded growth of 9.9%. In the Americas the decline of 7.2% year-on-year is the consequence of currency depreciation. Excluding this, the figure would have increased by 7.7% (7.9% in Mexico). This is particularly encouraging when seen in the light of the sharp fall in interest rates compared to the first quarter of 2003 in countries such as Mexico, Venezuela and Argentina.

Net fee income confirmed the upward trend noted in the second half of 2003, with a total of 824 million euros. This is 2.3% better than the first quarter of 2003 at current exchange rates and 9.1% better at constant rates. All business areas are growing faster at constant rates: 7.8% in Retail Banking in Spain and Portugal, 14.7% in Wholesale Banking and 12.7% in the Americas where the steady improvement of recent years continues. In terms of products, attention is drawn to mutual and pension funds which generated 274 million euros (11.6% higher at constant rates) and collection and payment services which came to 327 million euros (an increase of 8.9%) and to the 10.2% increase in cards.

Core revenues reached 2,508 million euros, 9.0% more than the first quarter of 2003 at constant exchange rates (2.1% higher at current rates). This, together with the decrease of 14.0% in trading income to 164 million euros, meant that ordinary revenues increased by 7.3% to 2,672 million euros (0.7% more at current exchange rates).

Operating expenses decreased 1.7% in current euros and increased 4.1% in constant euros. This resulted in a further improvement in the cost/income ratio which fell to 46.0% in the first quarter of 2004 compared to 47.1% in the same quarter of the previous year and compared to 47.2% for the whole of 2003. In Retail Banking in Spain and Portugal the cost/income ratio improved 1.4 points to 44.1%. In Wholesale and Investment Banking the ratio stands at 27.2% and in the Americas at 43.2%. Attention is drawn to Mexico where, for the first time the ratio

EFFICIENCY RATIO
(PERCENTAGE)



dropped below 40% with an improvement of nearly 2 points over the first quarter of 2003.

Net income from companies carried by the equity method rose to 84 million euros in the quarter compared to 26 million in the same period a year earlier (when there were extraordinary adjustments of 96 million euros following publication of the final 2002 results by companies such as Telefónica y Terra). In addition, income on Group transactions generated a further 245 million euros. This figure includes capital gains of 218 million euros and 26 million euros arising from the sale of holdings in Banco Atlántico and Direct Seguros, respectively. The first quarter of 2003 included 216 million euros related to the capital gain generated by the sale of the holding in Crédit Lyonnais.

During the quarter the Group set aside 291 million euros for loan loss provisions. Year-on-year this was a decrease of 9.8% (a decrease of 2.0% at constant exchange rates). Amortisation of goodwill accounted for 132 million euros. Although this figure is similar to the first quarter of 2003, it differs in composition. Compared to a year earlier, there was greater amortisation associated with Bancomer and lower amortisation associated with holdings in other companies following the divestment programme.

After deducting 309 million euros for taxes, attributable net income was 758 million euros, 11.0% more than the 683 million euros obtained in the first quarter of 2003. This increase is almost entirely due to the improvement in operating profit. The overall effect of the items on the statement between operating profit and net income is neutral. The higher earnings from the equity method and from group transactions were absorbed by higher taxes.

Income attributable to minority holdings was 91 million euros compared to 169 million in the period January-March 2003. This was due to the lower cost of preferred stock following amortisation of old issues and their partial replacement by lower-cost issues. It was also due to the reduction in income attributable to minority interests in Bancomer following the take-over and, lastly, to the effect of exchange rates. The net income attributable to the Group in the first quarter of 2004 therefore came to 667 million euros. This is the highest quarterly figure recorded by BBVA in the last two years and represents growth of 29.9% over the 514 million euros obtained in the first quarter of 2003. This percentage swells to 35.0% at constant exchange rates. Following the capital increase of 1,999 million euros on 4th February, earnings per share increased by 25.1% to 0.20 euros and the ROE was 20.3%, compared to 16.9% in the first quarter of 2003. Therefore, in terms of these two important references, BBVA maintained a high position among the top large banking groups in the euro zone. Furthermore, ROA rose to 1.04%, compared to 1.02% in January-March 2003.

Balance sheet and business activity

As a result of the economic crisis in Argentina at the end of 2001, the Group made a decision to write-off the book value of the Banco Francés Group in the consolidated accounts and set up a fund that was progressively assigned to coverage of assets and obligations according to the information available.

In view of the significant improvement in the social and economic environment and the obvious stability emerging during 2003, the Group decided to completely merge all the companies in the Banco Francés Group. The result was transferred to the Group's income statement and balance sheet in accordance with the criteria established in circular 4/91 of the Bank of Spain. In the merger process, assets were valued in accordance with the criteria established in the circular. Where necessary, funds set up in the Group to cover the book value of the investment were assigned to the process. During the merger process, no need arose for additional funds beyond those already created.

The year-on-year comparisons of figures on the Group's balance sheet continued to be affected during the quarter in the same manner as previous periods, by the depreciation of Latin American currencies against the euro. The greatest effect on the Group was caused by the 13.8% depreciation of the Mexican peso in the last twelve months.

Total group assets at the end of the quarter came to 305 billion euros. This was 12.1% more than a year earlier in current euros and 15.8% more at constant exchange rates. Total activity, represented by the sum of lending and customer funds under management, rose to 468 billion euros with a year-on-year increase of 9.2%. At constant exchange rates the increase was 12.3%. These percentages are considerably better than the improvement recorded at the end of 2003 when business activity grew 3.1% at current exchange rates and 8.4% at constant rates (excluding the sale of Brazil, this was 4.0% at current rates and 9.4% at constant rates).

Lending rose to 157 billion euros at 31-Mar-04, an increase of 9.1% over the same period in 2003 (at constant exchange rates this was 11.2%). This continues the trend of faster growth noted during 2003 (at the end of that year the increase was 4.7% at current rates and 8.3% at constant rates and after adjusting for the sale of Brazil, the figures were 5.8% and 9.5%, respectively).

Lending to other resident sectors continued to be the main engine of lending growth, reaching 104 billion euros, 14.5% more than at 31-Mar-03 and also topping the year-on-year increase at December 2003 (13.4%). The figure includes secured loans which came to 56 billion euros after growing 19.4% over 31-Mar-03 and leasing (up by 26.3%).

Lending to non-residents continued to be affected by currency depreciation. Thus, the year-on-year decline of 0.3% at current exchange rates becomes an increase of 6.9% at constant rates.

In regard to problem loans it should be noted that these fell by 538 million euros in the quarter. This was due to a reduction of 167 million euros in non-performing loans and to a fall of 371 million euros in country risk. The latter change is linked to the transaction under which BBVA acquired Banco Francés (Cayman) Limited from BBVA Banco Francés at market value. In the context of this operation, various assets in pesos originally located in the Cayman Islands were transferred to BBVA Banco Francés. Thus the transfer risk disappeared. This operation did not alter the Group’s capitalisation and has improved the local capital adequacy of BBVA Banco Francés.

The non-performing loan (NPL) ratio was 1.36% and the ratio of non-performing assets over total exposure (excluding Group 5 country risk) was 1.23%. This figure was 1.37% at 31-Dec-03 and 1.78% at 31-Mar-03). These changes clearly reveal the systematic improvement in the Group’s risk quality after excluding the effect of country risk. The total exposure rate is used in the breakdown by business unit.

All business areas reported significant improvements: Retail Banking in Spain and Portugal closed the quarter with an NPL ratio of 0.76% compared to 0.93% a year earlier, in Wholesale Banking the figure was 0.38% (0.79% at 31-Mar-03) and in the Americas it was 4.06% against 5.52% twelve months earlier. The ratio also fell in Mexico to 3.63%, from 4.45% at 31-Mar-03. The Group's coverage now stands at 209.8% compared to 167.5% at 31-Mar-03 and 184.9% at 31-Dec-03.

Total customer funds under management by the Group came to 311 billion euros at the end of the quarter. This was a year-on-year increase of 9.3% (12.8% at constant exchange rates). As in the case of lending, this is a significant improvement on the growth rates recorded at 31-Dec-03: these were 2.3% at current rates and 8.4% at constant rates (3.1% and 9.4%, respectively, after adjustment for the sale of Brazil).

Customer funds on the balance sheet rose to 193 billion euros, a year-on-year increase of 7.8% which increases to 11.6% at constant exchange rates. Public Administration deposits grew to 10 billion euros and deposits by other resident sectors, which came to 68 billion euros, increased 1.7% helped by the 8.6% increase in transactional deposits (current and savings accounts). This was because from last year the growth in stable funds has mainly concentrated in mutual funds. Non-resident deposits increased for the first time in recent years by 2.1% despite currency depreciation. Excluding the effect of depreciation they grew by 11.7% and transactional deposits (which have a lower cost) grew by 16.2%. There was also a notable increase in marketable debt securities due to the 3 billion euros issue of mortgage warrants during the period.

The volume of off-balance sheet funds (mutual funds, pension funds and customers' portfolios) grew in the first quarter of 2004 to 118.5 billion euros, a year-on-year increase of 11.9% (an increase of 14.9% at constant exchange rates).

Spain accounted for 64 billion euros with an increase of 16.7%. Mutual funds played a leading role in this with 39.6 billion euros and growth continues to increase quarter by quarter. At the end of March it was 19.3%, compared to an increase of 11.6% for the whole of 2003. This was made possible by the new funds launched by the Group in March, Triple Óptimo, Plan Rentas 2007 and Plan Rentas 2009 which collected close to 900 million euros in a single month. Pension funds also increased 13.4% year-on-year to 12.5 billion euros and managed portfolios grew by 12.2% to 12 billion euros. In other countries where the Group operates, off-balance sheet funds came to 54 billion euros with increases of 6.7% at current exchange rates and 12.9% at constant rates. Of this, 27.5 billion euros relates to pension funds, 17.6 billion to managed portfolios and 9.3 billion to mutual funds.

Capital base

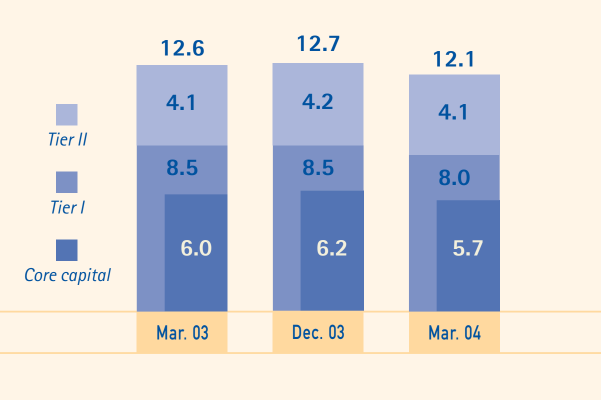
The operation with the biggest impact on the Group's capital base in the first quarter of 2004 was the acquisition of 39.5% of the Bancomer Financial Group. This produced a significant change in the capital base structure especially in core equity. Goodwill increased by 2,103 million euros while minority interests fell by 1,210 million euros. In order to maintain capital adequacy targets, capital was increased through the issue of 195 million shares leading to an increase in capital and reserves of 1,999 million euros.

Therefore, at 31st March 2004 the capital base of the BBVA Group was 20,967 million euros, based on the standards of the Bank for International Settlements (BIS) with a capital base surplus above the level of 8% of the risk weighted assets of 7,071 million euros. Core capital was 9,979 million euros. The year-on-year increase of 2.5% was less than the growth in risk weighted assets between these dates. Thus, the ratio is now 5.7% and this is in line with achieving the target of 6.0% at the end of 2004. After factoring in preference shares, Tier I came to 8.0% and this comes to 66.2% of the capital base.

Other eligible funds were 7,089 million euros bringing Tier II to 4.1%. This was similar to 31-Mar-03 and slightly below the figure at the end of 2003. Together with Tier I, this brings the BIS ratio to 12.1% (12.6% at 31-Mar-03 and 12.7% at 31-Dec-03).

In the first quarter of 2004 there were no issues or amortisation of preferred stock or subordinate debt.

CAPITAL BASE: BIS RATIO
(PERCENTAGE)



The BBVA share

During the first quarter of 2004 the world's stock exchanges consolidated the levels achieved at the end of 2003 with minor changes in the major indices: the Euro Stoxx 50 increased by 1.0% and the S&P by 1.3%. The only exception was the Nikkei with an increase of 9.7%. Investors are sidelined on economic and financial concerns. The markets were affected by the 11-M attacks with an increase in volatility.

The BBVA share price fell 1.6% in the first quarter of 2004. This was in line with the Euro Stoxx Bank Index (which fell 1.0%). This index represents the average of the banking sector in the euro area. The Bank's shares performed better than other leading Spanish banks despite having increased capital by 6.1%. Over the last twelve months the BBVA share has risen 41.2%. This is higher than the Euro Stoxx 50 (36.9%) and the Ibex 35 (36.6%), and in line with the Euro Stoxx Bank Index (42.8%). Following the capital increase, the market capitalisation of BBVA is 36.5 billion euros, nearly 50% higher than at 31-Mar-03.

Attention is drawn to the excellent reception of this capital increase by the market. It was carried out to finance part of the purchase of minority interests in Bancomer and was placed within four hours and oversubscribed 1.7 times. Proof of the operations' success was reflected in the share price which rose 2.1% in the first two weeks, compared to 0.8% in the Euro Stoxx 50 and 0.6% for the Euro Stoxx Bank Index.

During the quarter the variation in the BBVA share price, expressed as the percentage difference between maximum and minimum, was 13% and the average number of shares traded was 38 million. The increase in trading and the level of the share price led to a considerable increase in average daily turnover. This rose from 269 million euros in the fourth quarter of 2003 to 409 million euros in the first quarter of 2004.

In regard to shareholder remuneration, a third interim dividend of 0.09 euros per share for 2003 was paid on 10th January. On 10th April, a final dividend of 0.114 euros per share was paid for 2003. Therefore the total dividend for 2003 came to 0.384 euros per share which was 10.3% more than the amount paid against the 2002 results.

Income statement

CONSOLIDATED INCOME STATEMENT
(MILLION EUROS)

	1Q04	Δ%	1Q03	Memorandum item: Δ% at constant exchange rates
Financial revenues	2,932	(13.1)	3,375	(7.2)
Financial expenses	(1,392)	(23.8)	(1,827)	(18.7)
Dividends	144	41.5	102	45.5
NET INTEREST INCOME	1,684	2.1	1,650	9.0
Net fee income	824	2.3	806	9.1
CORE REVENUES	2,508	2.1	2,456	9.0
Net trading income	164	(16.5)	197	(14.0)
ORDINARY REVENUES	2,672	0.7	2,653	7.3
Personnel costs	(794)	(4.2)	(829)	0.6
General expenses	(434)	3.2	(420)	11.2
GENERAL ADMINISTRATIVE EXPENSES	(1,228)	(1.7)	(1,249)	4.1
Depreciation and amortization	(113)	(11.4)	(128)	(6.5)
Other operating income and expenses (net)	(52)	(12.3)	(59)	(3.0)
OPERATING PROFIT	1,279	5.2	1,217	12.5
Net income from companies accounted for by the equity method	84	219.3	26	207.8
Memorandum item: correction for payment of dividends	(102)	49.1	(68)	55.4
Amortization of goodwill	(132)	0.5	(131)	0.5
Net income from Group transactions	245	22.3	200	22.3
Net loan loss provisions	(291)	(9.8)	(323)	(2.0)
Net securities writedowns	–	–	–	–
Net extraordinary income (loss)	(118)	21.4	(97)	34.6
PRE-TAX PROFIT	1,067	19.6	892	25.7
Corporate income tax	(309)	48.0	(209)	55.7
NET PROFIT	758	11.0	683	16.6
Minority interests	(91)	(46.4)	(169)	(41.8)
• Preferred shares	(51)	(22.0)	(64)	(22.0)
• Minority interests	(40)	(61.6)	(105)	(55.9)
NET ATTRIBUTABLE PROFIT	667	29.9	514	35.0

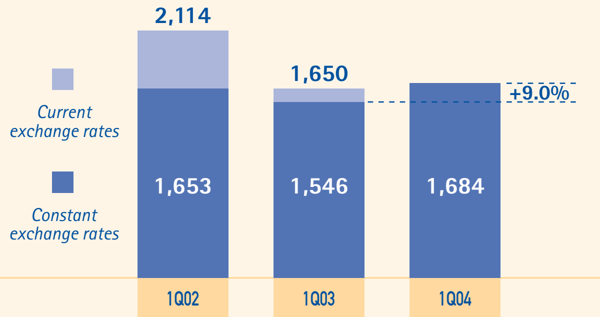
CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION
(MILLION EUROS)

	2004	2003			
	1Q	4Q	3Q	2Q	1Q
Financial revenues	2,932	2,994	2,978	3,190	3,375
Financial expenses	(1,392)	(1,408)	(1,372)	(1,653)	(1,827)
Dividends	144	132	69	161	102
NET INTEREST INCOME	**1,684**	**1,718**	**1,675**	**1,698**	**1,650**
Net fee income	824	815	850	792	806
CORE REVENUES	**2,508**	**2,533**	**2,525**	**2,490**	**2,456**
Net trading income	164	149	100	206	197
ORDINARY REVENUES	**2,672**	**2,682**	**2,625**	**2,696**	**2,653**
Personnel costs	(794)	(835)	(799)	(800)	(829)
General expenses	(434)	(471)	(435)	(442)	(420)
GENERAL ADMINISTRATIVE EXPENSES	**(1,228)**	**(1,306)**	**(1,234)**	**(1,242)**	**(1,249)**
Depreciation and amortization	(113)	(124)	(129)	(130)	(128)
Other operating income and expenses (net)	(52)	(43)	(55)	(62)	(59)
OPERATING PROFIT	**1,279**	**1,209**	**1,207**	**1,262**	**1,217**
Net income from companies accounted for by the equity method	84	98	170	89	26
Memorandum item: correction for payment of dividends	(102)	(105)	(32)	(114)	(68)
Amortization of goodwill	(132)	(208)	(130)	(170)	(131)
Net income from Group transactions	245	159	116	78	200
Net loan loss provisions	(291)	(223)	(207)	(524)	(323)
Net securities writedowns	–	–	–	–	–
Net extraordinary income (loss)	(118)	(200)	(52)	246	(97)
PRE-TAX PROFIT	**1,067**	**835**	**1,104**	**981**	**892**
Corporate income tax	(309)	(185)	(357)	(164)	(209)
NET PROFIT	**758**	**650**	**747**	**817**	**683**
Minority interests	(91)	(162)	(175)	(164)	(169)
• Preferred shares	(51)	(46)	(48)	(56)	(64)
• Minority interests	(40)	(116)	(127)	(108)	(105)
NET ATTRIBUTABLE PROFIT	**667**	**488**	**572**	**653**	**514**

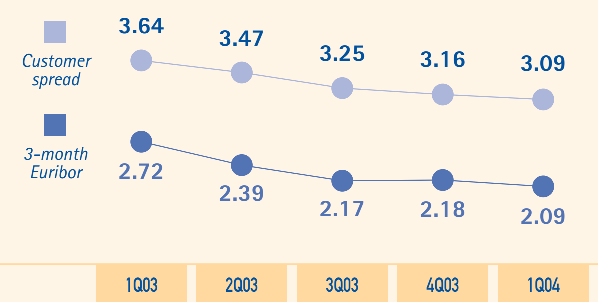
BREAKDOWN OF YIELDS AND COSTS

	1Q04		4Q03		3Q03	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Credit entities	10.3	3.60	10.0	4.30	10.2	3.79
• Euros	4.4	1.74	3.5	1.04	3.1	2.54
• Foreign currencies	5.9	4.99	6.5	6.06	7.1	4.35
Total net lending	53.0	4.88	53.0	5.02	53.2	5.09
• Euros	42.2	4.15	41.8	4.29	41.3	4.25
- Domestic	38.3	4.23	38.0	4.29	37.3	4.39
- Other	3.9	3.40	3.8	4.36	4.0	2.97
• Foreign currencies	10.8	7.71	11.2	7.72	11.9	7.99
Securities portfolio	28.6	4.50	28.4	4.32	28.0	4.20
• Fixed-income securities	25.3	4.29	25.2	4.15	24.7	4.37
- Euros	15.3	2.95	14.8	3.03	14.6	3.18
- Foreign currencies	10.0	6.34	10.4	5.72	10.1	6.11
• Equity securities	3.3	6.08	3.2	5.68	3.3	2.93
- Investments accounted for by the equity method	2.2	6.54	2.2	6.57	2.3	1.66
- Other investments	1.1	5.19	1.0	3.68	1.0	5.81
Non-interest earning assets	8.1	–	8.6	–	8.6	–
AVERAGE TOTAL ASSETS	**100.0**	**4.26**	**100.0**	**4.34**	**100.0**	**4.28**
Credit entities	21.0	2.81	21.3	3.36	20.0	3.05
• Euros	12.8	1.98	12.7	2.05	12.3	2.71
• Foreign currencies	8.2	4.12	8.6	5.32	7.7	3.58
Customer funds	64.2	1.99	63.8	1.89	65.1	1.92
• Customer deposits	50.0	1.79	49.3	1.66	50.9	1.66
- Euros	30.2	1.29	29.1	1.24	30.4	1.09
- Domestic deposits	18.8	1.14	19.1	1.13	19.3	1.14
- Other	11.4	1.53	10.0	1.46	11.1	0.98
- Foreign currencies	19.8	2.55	20.2	2.27	20.5	2.51
• Debt and other marketable debt securities	14.2	2.71	14.5	2.68	14.2	2.85
- Euros	12.7	2.54	12.8	2.50	12.3	2.62
- Foreign currencies	1.5	4.18	1.7	4.06	1.9	4.29
Shareholders' funds	4.7	–	4.2	–	4.2	–
Other non-interest bearing liabilities	10.1	–	10.7	–	10.7	–
AVERAGE TOTAL LIABILITIES	**100.0**	**1.93**	**100.0**	**1.96**	**100.0**	**1.93**
NET INTEREST INCOME/ATA		**2.33**		**2.39**		**2.35**

NET INTEREST INCOME
(MILLION EUROS)

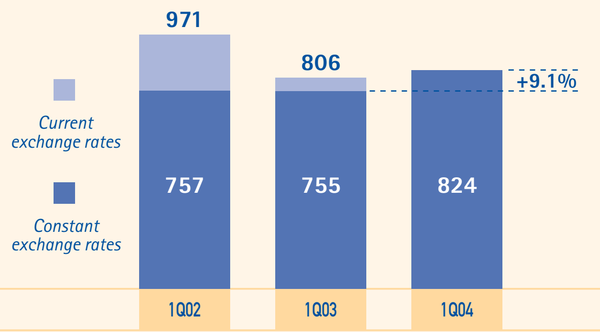


CUSTOMER SPREAD (DOMESTIC) (1)
(PERCENTAGE)

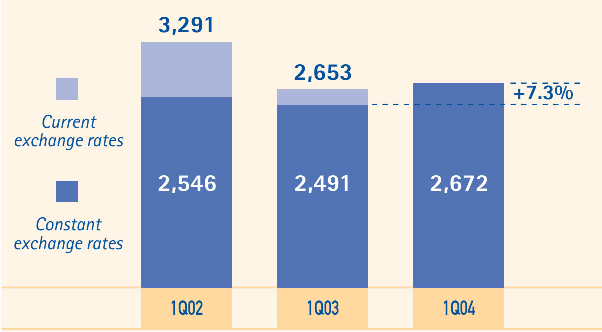


(1) Return on total net lending less costs of deposits.

FEE INCOME
(MILLION EUROS)



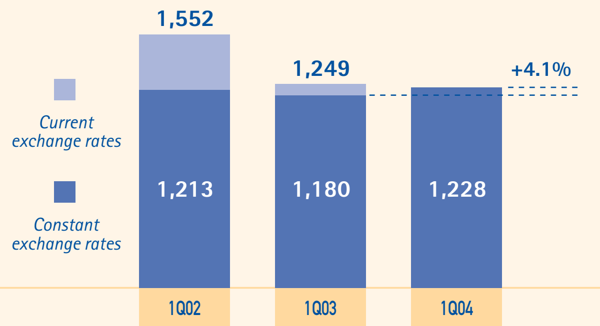
ORDINARY REVENUE
(MILLION EUROS)



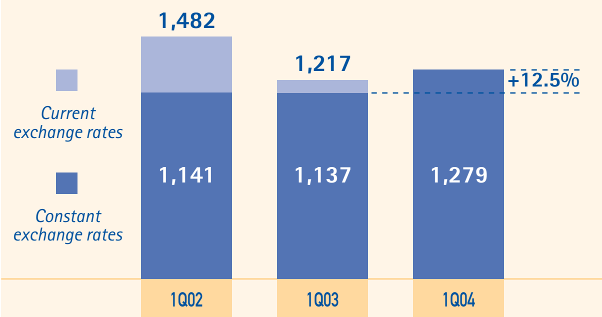
NET FEE INCOME
(MILLION EUROS)

	1Q04	Δ%	1Q03
NET FEE INCOME	**824**	**2,3**	**806**
Collection and payment services	327	(0.3)	327
• Credit and debit cards	139	0.1	139
• Other collection and payment services	188	(0.5)	188
Asset management	299	7.9	278
• Mutual and pension funds	274	6.6	258
• Managed portfolios	25	24.6	20
Other securities services	116	1.7	114
• Purchase/sale of securities	40	39.7	29
• Underwriting and placement	9	(58.6)	21
• Administration and custody services	67	4.8	64
Other fees	82	(5.5)	87

GENERAL ADMINISTRATIVE EXPENSES
(MILLION EUROS)



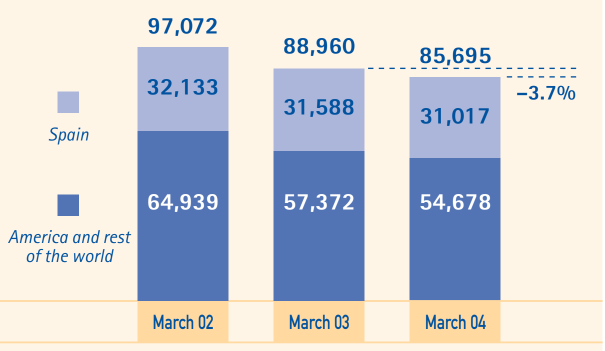
OPERATING INCOME
(MILLION EUROS)



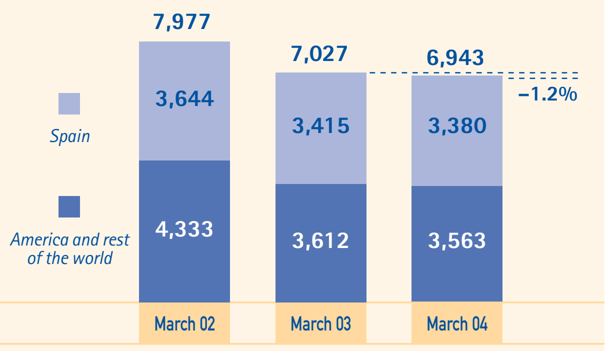
GENERAL AND ADMINISTRATIVE EXPENSES
(MILLION EUROS)

	1Q04	Δ%	1Q03
PERSONNEL COSTS	794	(4.2)	829
Wages and salaries	591	(4.3)	617
• Fixed compensation	476	(5.5)	503
• Variable compensation	115	1.0	114
Employee welfare expenses	145	(3.6)	151
• Of which: pension funds	36	(5.0)	37
Training expenses and other	58	(4.6)	61
GENERAL EXPENSES	434	3.2	420
Premises	89	(2.2)	91
IT	98	10.8	89
Communications	47	(13.2)	54
Advertising and publicity	31	14.3	27
Corporate expenses	16	(0.8)	16
Other expenses	118	11.8	105
Levies and taxes	35	(8.1)	38
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	1,228	(1.7)	1,249

NUMBER OF EMPLOYEES



NUMBER OF BRANCHES

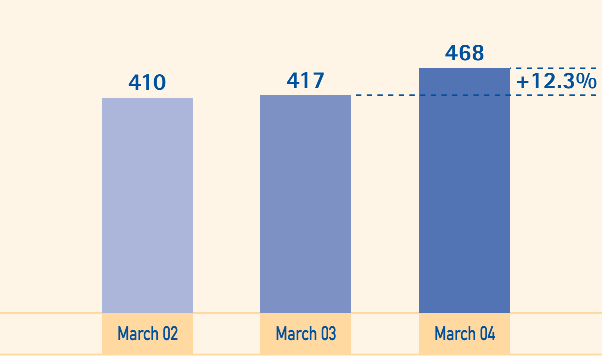


Balance sheet and activity

CONSOLIDATED BALANCE SHEETS
(MILLION EUROS)

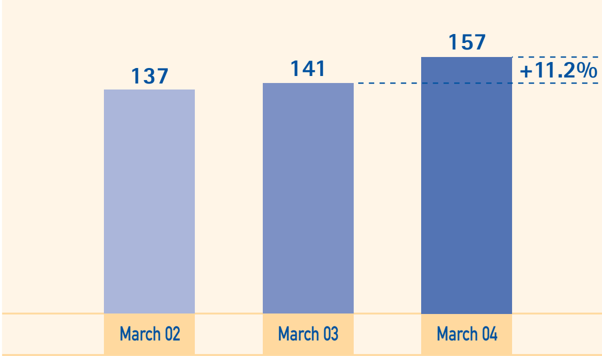
	31-03-04	Δ%	31-03-03	31-12-03
Cash on hand and deposits at Central Banks	9,290	6.6	8,714	8,110
Due from credit entities	26,556	28.4	20,675	20,907
Total net lending	152,901	9.7	139,435	148,827
Fixed-income securities portfolio	76,801	18.6	64,743	71,881
• Government debt securities	18,671	5.4	17,719	18,945
• Debentures and other debt securities	58,130	23.6	47,024	52,936
Equity securities portfolio	9,529	(2.7)	9,795	9,740
• Accounted for by the equity method	5,790	(21.0)	7,334	6,648
• Other investments	3,739	51.9	2,461	3,092
Goodwill in consolidation	5,682	32.3	4,296	3,707
Property and equipment	3,878	(10.5)	4,331	3,790
Treasury stock	71	(32.0)	104	66
Accumulated losses at consolidated companies	3,671	9.5	3,351	3,611
Other assets	16,260	(0.8)	16,386	16,511
TOTAL ASSETS	**304,639**	**12.1**	**271,830**	**287,150**
Due to credit entities	68,558	31.8	52,019	61,570
On-balance-sheet customer funds	192,740	7.8	178,825	182,832
• Deposits	147,659	6.3	138,961	141,049
• Marketable debt securities	37,642	12.5	33,471	34,383
• Subordinated debt	7,439	16.4	6,393	7,400
Other liabilities	19,817	5.4	18,796	19,341
Net profit for the year	758	11.0	683	2,897
Minority interests	4,597	(22.5)	5,931	5,426
Capital	1,662	6.1	1,566	1,566
Reserves	16,507	17.8	14,010	13,518
TOTAL LIABILITIES AND EQUITY	**304,639**	**12.1**	**271,830**	**287,150**
Other customer funds managed	118,500	11.9	105,925	113,075
• Mutual funds	48,853	17.7	41,515	45,752
• Pension funds	40,016	9.4	36,587	40,016
• Customer portfolios	29,631	6.5	27,823	27,307
Contingent liabilities	17,259	10.3	15,647	16,652
MEMORANDUM ITEM:				
Average total assets	293,343	4.3	281,293	279,245
Average risk-weighted assets	173,721	6.3	163,476	166,050
Average shareholders' funds	13,217	6.3	12,437	12,069

BUSINESS VOLUME (1) (2)
(BILLION EUROS)



(1) Total gross lending plus total customer funds.
(2) At constant exchange rates.

TOTAL LENDING (GROSS) (1)
(BILLION EUROS)

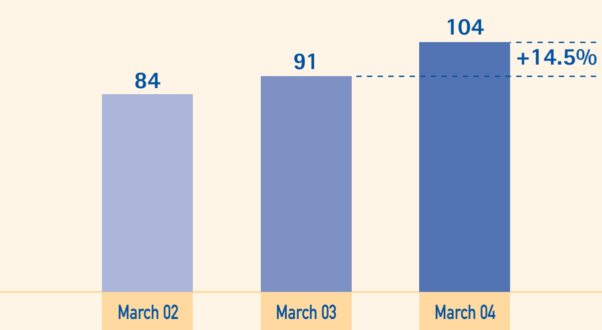


(1) At constant exchange rates.

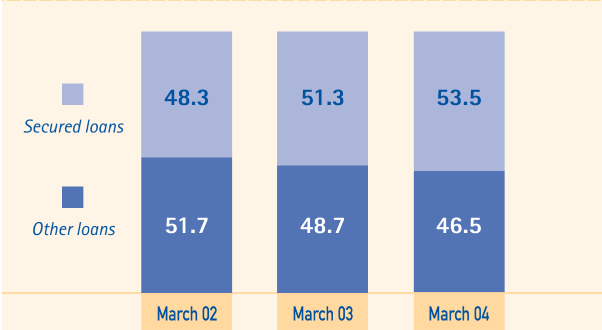
TOTAL LENDING
(MILLION EUROS)

	31-03-04	∆%	31-03-03	31-12-03
Public sector	13,358	9.1	12,241	13,334
Other domestic sectors	104,393	14.5	91,194	101,532
• Secured loans	55,839	19.4	46,777	53,166
• Commercial loans	7,943	13.3	7,012	8,309
• Other term loans	33,720	7.9	31,238	33,222
• Credit card debtors	975	3.8	940	1,076
• Other	1,391	(15.4)	1,644	1,507
• Financial leases	4,525	26.3	3,583	4,252
Non-domestic sector	37,335	(0.3)	37,459	35,732
• Secured loans	11,705	5.0	11,152	10,473
• Other loans	25,630	(2.6)	26,307	25,259
Nonperforming loans	2,135	(34.8)	3,274	2,673
• Public sector	72	10.6	65	69
• Other domestic sectors	676	(6.9)	725	734
• Non-domestic sectors	1,388	(44.1)	2,484	1,870
TOTAL LENDING (GROSS)	**157,221**	**9.1**	**144,168**	**153,271**
Loan loss provisions	(4,320)	(8.7)	(4,733)	(4,444)
TOTAL NET LENDING	**152,901**	**9.7**	**139,435**	**148,827**

TOTAL LENDING TO OTHER DOMESTIC SECTORS (GROSS)
(BILLION EUROS)



DETAIL OF TOTAL GROSS LENDING TO OTHER DOMESTIC SECTORS
(BILLION EUROS)

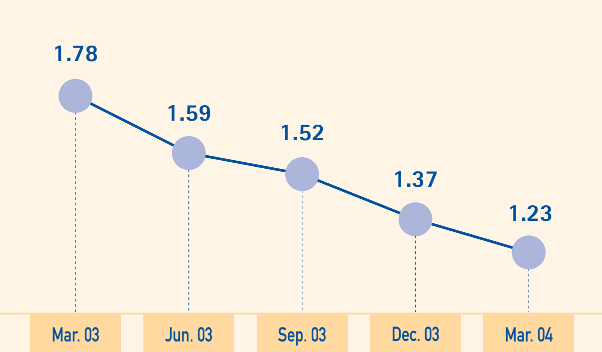


VARIATIONS IN NONPERFORMING LOANS
(MILLION EUROS)

	1Q04	4Q03	3Q03	2Q03
BEGINNING BALANCE [1]	**2.320**	**2.520**	**2.588**	**2.831**
Net variation	(170)	(200)	(68)	(243)
+ Entries	485	460	517	568
- Outflows	(390)	(424)	(311)	(533)
- Write-offs	(265)	(236)	(274)	(278)
PERIOD-END BALANCE [1]	**2,150**	**2,320**	**2,520**	**2,588**
MEMORANDUM ITEM:				
• Nonperforming loans	2,135	2,673	2,948	3,126
• Country risk (group 5)	(86)	(457)	(547)	(631)
• Nonperforming contingent liabilities	101	104	119	93

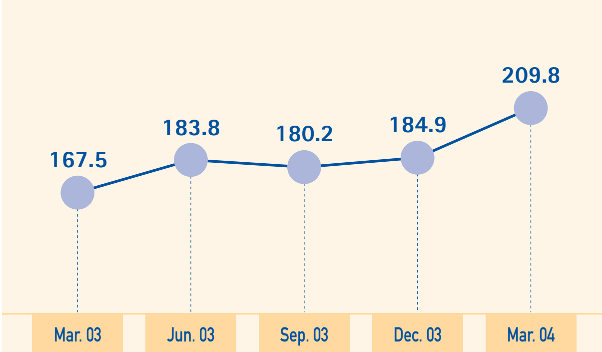
(1) Including contingent liabilities but excluding country risk (group 5).

NONPERFORMING LOAN RATIO [1]
(PERCENTAGE)



(1) Nonperforming assets/Total risks.

COVERAGE RATIO
(PERCENTAGE)



RISK MANAGEMENT
(MILLION EUROS)

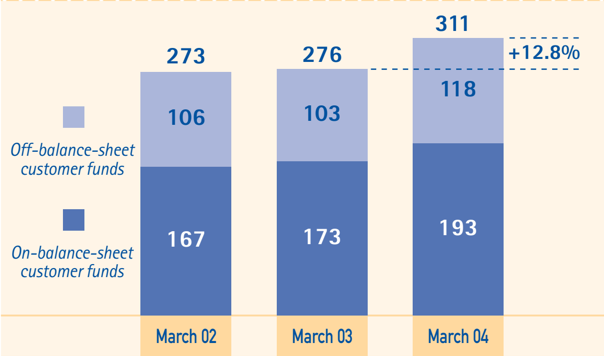
	31-03-04	Δ%	31-03-03	31-12-03
TOTAL RISK EXPOSURE [1]				
Nonperforming assets	2,150	(24.1)	2,831	2,320
Total risks	174,394	9.6	159,165	169,466
Provisions	4,512	(4.9)	4,743	4,290
NPL ratio (%)	1.23		1.78	1.37
NPL coverage ratio (%)	209.8		167.5	184.9
CREDIT RISK				
NPL ratio (%)	1.36		2.27	1.74
NPL coverage ratio (%)	202.3		144.6	166.3
Coverage ratio including secured loans (%)	222.5		164.9	184.2
MEMORANDUM ITEM:				
Foreclosed assets	378	(17.3)	457	373
Foreclosed asset provisions	208	(13.6)	241	202
Coverage (%)	55.0		52.7	54.2

(1) Including contingent liabilities but excluding country risk (group 5).

CUSTOMER FUNDS MANAGED
(MILLION EUROS)

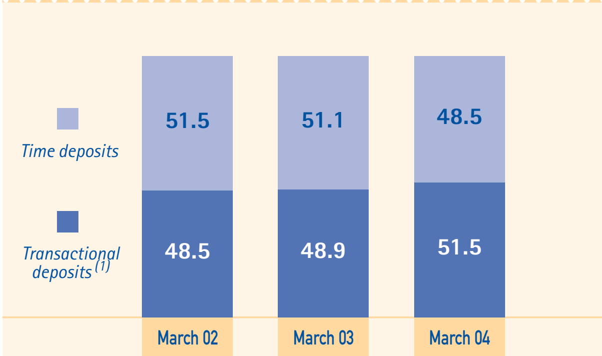
	31-03-04	Δ%	31-03-03	31-12-03
ON-BALANCE-SHEET CUSTOMER FUNDS	**192,740**	**7.8**	**178,825**	**182,830**
DEPOSITS	**147,659**	**6.3**	**138,961**	**141,048**
Public sector	10,034	156.2	3,917	8,115
Other domestic sectors	67,523	1.7	66,366	65,917
• Current accounts	20,019	3.3	19,381	19,874
• Savings accounts	16,653	15.7	14,390	17,144
• Time deposits	18,835	(7.2)	20,298	17,466
• Assets sold under repurchase agreement	12,016	(2.3)	12,297	11,433
Non-domestic sector	70,102	2.1	68,678	67,016
• Current and savings accounts	24,943	4.8	23,790	24,535
• Time deposits	39,194	(1.9)	39,934	37,747
• Assets sold under repurchase agreement and other accounts	5,965	20.4	4,954	4,734
MARKETABLE DEBT SECURITIES	**37,642**	**12.5**	**33,471**	**34,382**
Mortgage bonds	14,735	25.9	11,708	11,741
Other marketable securities	22,907	5.3	21,763	22,641
SUBORDINATED DEBT	**7,439**	**16.4**	**6,393**	**7,400**
OTHER CUSTOMER FUNDS MANAGED	**118,500**	**11.9**	**105,925**	**113,075**
Mutual funds	48,853	17.7	41,515	45,752
Pension funds	40,016	9.4	36,587	40,016
Customer portfolios	29,631	6.5	27,823	27,307
TOTAL CUSTOMER FUNDS MANAGED	**311,240**	**9.3**	**284,750**	**295,905**

CUSTOMER FUNDS MANAGED [1]
(BILLION EUROS)



(1) At constant exchange rates.

BREAKDOWN OF CUSTOMER DEPOSITS
(PERCENTAGE)



(1) Current accounts and savings accounts.

OTHER CUSTOMER FUNDS MANAGED
(MILLION EUROS)

	31-03-04	∆%	31-03-03	31-12-03
SPAIN	**64,087**	**16.7**	**54,909**	**60,596**
MUTUAL FUNDS	**39,577**	**19.3**	**33,181**	**37,245**
Mutual Funds (ex Real Estate)	38,890	18.6	32,795	36,673
• Money market	11,141	5.6	10,551	10,666
• Fixed-income	11,976	0.1	11,963	11,057
Of which: Guaranteed	5,996	(1.7)	6,100	5,609
• Balanced	2,810	(2.1)	2,871	2,393
Of which: International funds	2,701	17.4	2,301	2,288
• Equity	12,527	85.0	6,773	12,019
Of which: Guaranteed	9,362	124.1	4,177	8,957
International funds	2,217	1.4	2,187	2,426
• Global	436	(31.5)	637	538
Real Estate investment trusts	687	77.8	386	572
PENSION FUNDS	**12,515**	**13.4**	**11,033**	**12,208**
Individual pension plans	6,609	17.8	5,612	6,413
Corporate pension funds	5,906	8.9	5,421	5,795
CUSTOMER PORTFOLIOS	**11,995**	**12.2**	**10,695**	**11,143**
REST OF THE WORLD	**54,413**	**6.7**	**51,016**	**52,479**
Mutual funds	9,276	11.3	8,334	8,507
Pension funds	27,501	7.6	25,554	27,808
Customer portfolios	17,636	3.0	17,128	16,164
OTHER CUSTOMER FUNDS MANAGED	**118,500**	**11.9**	**105,925**	**113,075**

GOODWILL IN CONSOLIDATION
(MILLION EUROS)

	31-03-04	∆%	31-03-03	31-12-03
Global and proportional integration method	4,651	65.7	2,806	2,651
• Banks in America	3,989	95.3	2,042	1,961
• Pension fund management companies in America	427	(13.6)	494	447
• Other	235	(12.9)	270	243
Companies accounted for by the equity method	1,031	(30.8)	1,490	1,056
GOODWILL IN CONSOLIDATION	**5,682**	**32.3**	**4,296**	**3,707**

Capital base

CAPITAL BASE (BIS REGULATIONS)
(MILLION EUROS)

	31-03-04	31-12-03	31-03-03
CAPITAL (TIER I)	13,878	14,392	13,727
Capital stock	1,662	1,566	1,566
Reserves [1]	12,660	9,731	10,483
Minority interests	4,637	5,837	5,931
• Preferred shares	3,899	3,891	3,994
• Other	738	1,946	1,937
Deductions	(5,748)	(3,745)	(4,767)
Net attributable profit	667	2,227	514
Dividends	–	(1,224)	–
OTHER ELIGIBLE CAPITAL (TIER II)	7,089	7,192	6,573
Subordinated debt	6,288	6,328	4,764
Revaluation reserves and other	1,548	1,590	2,522
Deductions	(747)	(726)	(713)
CAPITAL BASE	20,967	21,584	20,300
Minimum capital requirement	13,896	13,602	12,932
CAPITAL SURPLUS	7,071	7,982	7,368
MEMORANDUM ITEM:			
Risk-weighted assets	173,706	170,024	161,650
BIS RATIO (%)	12.1	12.7	12.6
CORE CAPITAL	5.7	6.2	6.0
TIER I (%)	8.0	8.5	8.5
TIER II (%)	4.1	4.2	4.1

(1) Not including revaluation reserves, since these are considered as TIER II.

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 BBVA share

THE BBVA SHARE

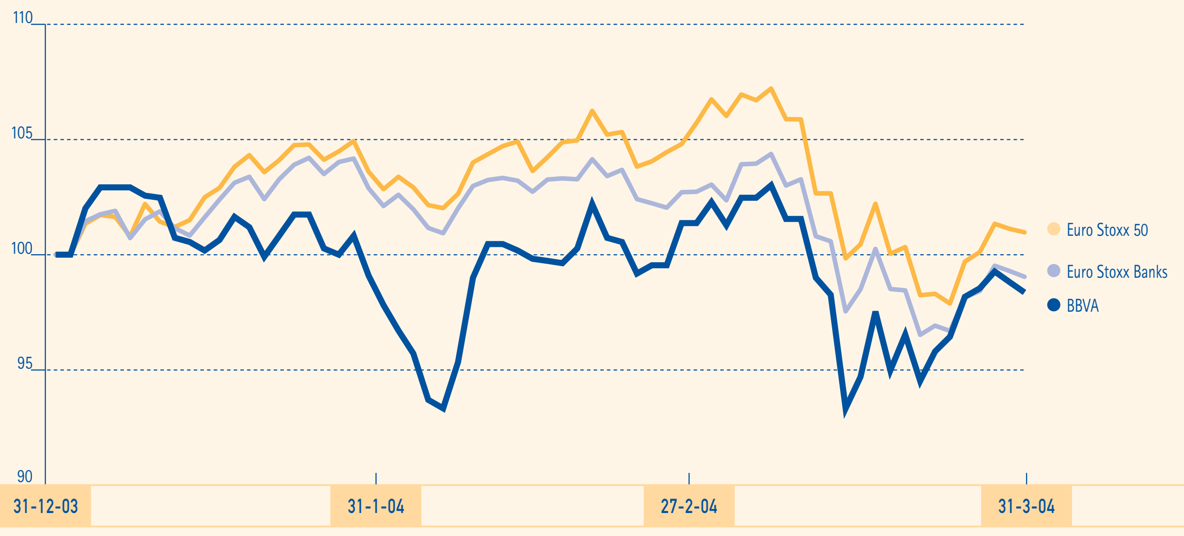
	31-03-04	31-12-03	31-03-03
Number of shareholders	1,150,391	1,158,887	1,189,260
Number of shares issued	3,390,852,043	3,195,852,043	3,195,852,043
Daily average number of shares traded	37,791,802	32,436,618	31,442,809
Daily average trading (million euros)	409.06	297.86	269.27
Maximum price (euros)	11.47	10.99	10.39
Minimum price (euros)	10.15	6.83	6.83
Closing price (euros)	10.77	10.95	7.63
Book value per share (euros)	4.45	3.88	3.88
Market capitalization (million euros)	36,519	34,995	24,384

SHARE PERFORMANCE RATIOS

	31-03-04	31-12-03	31-03-03
Price/Book value (times)	2.4	2.8	2.0
PER (Price/Earnings; times) (1)	14.6	15.7	10.9
Yield (Dividend/Price; %) (2)	3.81	3.51	5.03

(1) PER at 31-3-04 is calculated on the profit median estimated by analysts (April 2004).
(2) Dividend yield at 31-3-04 is calculated using the median of analysts' estimates (April 2004).

SHARE PRICE INDEX
(31-12-03=100)



Business areas

This section reports the activity and results of the BBVA Group broken down into business areas. The contribution of each area is then discussed separately.

The presentation of information by area is a basic tool for controlling and monitoring the different businesses. Preparation starts with the low-level business units where all the initial accounting data are kept. These units are then classified and combined in accordance with the defined structure of the areas to arrive at the composition of each one. Likewise, the Group's companies are also assigned to a business area depending on their activity. If this activity is too diverse, then the area is broken down into the corresponding units as necessary.

Once the composition of each area has been defined, the necessary management adjustments inherent in the model are applied. These adjustments include a charge for the use of equity via the allocation of economic capital commensurate with the risks incurred by each business. Capital requirements are assessed 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 relative risk in each area. This amount is used as a basis to determine the return generated on the equity of each business (ROE). Following this, other equity eligible funds issued by the Group (subordinated debt and preferred stock) are assigned together with their associated costs. There is one exception to this system of allocating equity. The Americas Area (except for Argentina and international private banking) continues to use book equity based on a hypothetical consolidated subgroup in each country. Thus the core equity figures used correspond to the BBVA Group's interest in each case. Amounts associated with minority interests are recorded under Other eligible funds.

The internal transfer charges are adjusted for maturity and interest rate revision period for the different assets and liabilities that make up each unit's balance sheet. This is part of the permanent improvement process for management information by business area.

Direct and indirect expenses are assigned to areas except for those items where there is no close and defined link to the businesses in question, ie, when they are clearly of a corporate or institutional nature in the context of the overall Group.

Lastly, it should be noted that the procedure followed to balance the activities of each business (Retail, Wholesale and the Americas) does not include the elimination of intergroup transactions that affect different areas. It is considered that these are an integral part of the activity and operation of each business. Thus, intergroup eliminations arising from the consolidation process are assigned to the Corporate Activities Area. This means that certain items on its balance sheet may contain negative amounts.

In regard to the composition of the business areas it should be noted that given the continuing normalisation of the financial situation in Argentina and therefore of the financial statements of Group companies in that country, from now on and starting with this quarter, these statements will be incorporated in the Americas Area. Previously, Argentina was reported under Corporate Activities by the equity method. All figures for previous periods presented for comparative purposes and specifically those related to the Americas and Corporate Activities, reflect these modifications and have been prepared using uniform criteria.

Consequently the composition of the Group's 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 includes individuals and SMEs in the domestic market, the Finanzia/Uno-E group (e-banking business, consumer finance, distribution of cards and renting), BBVA Portugal, the private banking business, the mutual and pension fund managers and the results of the insurance business.

- **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 rooms in Spain, Europe and New York, the origination and distribution of equities and the depository and custodial services. Business and real estate projects not associated with Group interests in large companies is also included.

- **The Americas:** this area covers the activity and results of the Group's subsidiaries in Latin America and their subsidiary undertakings, including pension managers, insurance companies and international private banking. As mentioned above, the Group's companies in Argentina are now included in this area.

- **Corporate Activities:** this contains the Group's holdings in large industrial companies and in financial entities, as well as the activities and results of support units such as the Assets and Liabilities Committee. The area also includes those items which, due to their nature, cannot be assigned to other business areas. Examples of these items are country risk provisions and the write-off of goodwill (except in the case of interests held by the business and property projects unit which comes under the Wholesale and Investment Banking Area).

NET ATTRIBUTABLE PROFIT BY BUSINESS AREA
(MILLION EUROS)

	1Q04	Δ%	1Q03
Retail Banking in Spain and Portugal	345	12.7	306
Wholesale and Investment Banking	111	(18.1)	136
America	220	35.7	162
Corporate Activities	(9)	(89.9)	(91)
BBVA GROUP NET ATTRIBUTABLE PROFIT	**667**	**29.9**	**514**

ROE AND EFFICIENCY RATIO
(PERCENTAGE)

	ROE		Efficiency ratio	
	1Q04	1Q03	1Q04	1Q03
Retail Banking in Spain and Portugal	33,0	30,8	44,1	45,5
Wholesale and Investment Banking	21,4	27,9	27,2	26,0
America	23,4	19,1	43,2	43,3
BBVA GROUP	20,3	16,9	46,0	47,1

Retail Banking in Spain and Portugal

INCOME STATEMENT
(MILLION EUROS)

	Retail Banking Spain and Portugal			Memorandum item: Commercial and SME Banking		Memorandum item: Asset Management and Private Banking	
	1Q04	Δ%	1Q03	1Q04	Δ%	1Q04	Δ%
NET INTEREST INCOME	812	2.1	796	718	0.3	9	(3.2)
Net fee income	373	7.8	346	310	4.9	56	19.1
CORE REVENUES	1,185	3.8	1,142	1,028	1.6	66	15.3
Net trading income	13	30.3	10	11	12.0	1	n.m.
ORDINARY REVENUES	1,198	4.0	1,151	1,039	1.7	67	18.2
Personnel costs	(357)	2.6	(348)	(324)	2.9	(13)	(5.5)
General expenses	(171)	(3.2)	(177)	(149)	(3.3)	(7)	(3.9)
GENERAL ADMINISTRATIVE EXPENSES	(528)	0.7	(524)	(472)	0.9	(20)	(4.9)
Depreciation and amortization	(27)	(9.5)	(30)	(24)	(10.3)	(1)	6.8
Other operating income and expenses	(11)	(12.7)	(13)	(11)	(14.5)	–	–
OPERATING PROFIT	632	8.1	585	532	3.5	45	33.2
Net income (loss) from companies accounted for by the equity method	2	(75.5)	7	1	n.m.	–	–
Amortization of goodwill	–	–	–	–	–	–	–
Net income (loss) from Group transactions	26	n.m.	–	–	–	–	–
Net loan loss provisions	(122)	9.8	(112)	(112)	9.1	(1)	(10.3)
Net extraordinary income (loss)	7	(2.8)	7	10	22.4	(1)	(40.6)
PRE-TAX PROFIT	544	11.7	487	431	2.8	44	36.0
Corporate income tax	(182)	12.7	(161)	(146)	3.6	(15)	33.9
NET PROFIT	362	11.2	325	285	2.4	29	37.2
Minority interests	(17)	(11.8)	(19)	(13)	(23.2)	(1)	(24.3)
NET ATTRIBUTABLE PROFIT	345	12.7	306	272	4.1	28	42.4

BALANCE SHEETS
(MILLION EUROS)

	31-03-04	Δ%	31-03-03	31-03-04	Δ%	31-03-04	Δ%
Total net lending	94,207	16.3	80,978	88,051	16.5	792	6.5
Securities portfolio	411	103.2	202	13	70.3	42	(28.0)
Liquid assets	2,048	(37.8)	3,293	1,139	8.4	263	(82.8)
Inter-area positions	16,897	1.8	16,597	15,710	2.7	883	(9.8)
Property and equipment and intangible assets	664	(5.8)	705	550	(3.1)	10	(63.5)
Other assets	1,447	80.0	804	578	17.9	55	44.2
TOTAL ASSETS/LIABILITIES AND EQUITY	115,674	12.8	102,580	106,041	14.0	2,045	(39.5)
Deposits	51,572	1.5	50,826	47,788	4.8	1,213	(50.9)
Debt securities	6	(47.3)	11	–	–	–	–
Equity	7,219	3.6	6,971	6,154	6.7	358	(29.9)
• Shareholders' funds	4,167	3.8	4,016	3,550	6.7	210	(30.8)
• Other eligible funds	3,052	3.3	2,955	2,604	6.8	148	(28.7)
Liquid liabilities	3,377	28.7	2,624	24	(40.0)	1	(99.5)
Inter-area positions	49,429	26.8	38,994	48,960	25.9	304	n.m.
Other liabilities	4,071	29.1	3,154	3,116	16.3	169	11.7
OTHER CUSTOMER FUNDS MANAGED							
• Mutual funds	39,244	20.7	32,521	33,915 (1)	7.3	4,837 (1)	n.m.
• Pension funds	12,731	13.3	11,235	6,197 (1)	12.4	6,310 (1)	14.2
• Customer portfolios (3)	7,970	(34.0)	12,078	887	(35.9)	7,083	(33.8)

SIGNIFICANT RATIOS
(PERCENTAGE)

	31-03-04	31-03-03	31-03-04	31-03-04
ROE	33.0	30.8	31.2	39.3
Efficiency ratio	44.1	45.5	45.5	30.2
NPL ratio (Nonperforming assets/Total risks)	0.76	0.93	0.73	0.02
Coverage ratio	298.2	234.8	309.2	n.m.

(1) In the second quarter of 2003, €3 billion were transferred from Commercial and SME Banking to Asset Management and Private Banking. In homogenous terms, the year-on-year variations in these areas would be 18.5% and 37.1%, respectively.
(2) In the second quarter of 2003, €220 million were transferred from Commercial and SME Banking to Asset Management and Private Banking. In homogenous terms, the year-on-year variations in these areas would be 17.1% and 9.8%, respectively.
(3) In the second quarter of 2003, €2.6 billion were transferred to America business area (Private International Banking) and €2.5 billion to Wholesale and Investment Banking (Institutional Banking).

Retail Banking in Spain and Portugal includes business with customers who are individuals, retailers or small and medium companies plus the management of mutual funds, pensions and insurance products. It also covers special financial services (Finanzia, Uno-e and Dinero Express), conducts the e-banking business, consumer finance, the distribution of cards, renting and transfers of immigrant funds.

In the first quarter of 2004 Retail Banking stepped up marketing activity with the launch of new products. The innovative and timely nature of these products was received positively by customers. The favourable acceptance of products distributed by the Group led to a significantly higher growth in business volume when compared to 31-Mar-03 and to December 2003.

The year-on-year increase of 16.3% in lending, the 10.9% increase in total funds under management including mutual and pension funds, and the very moderate increase in operating expenses, were the basis of the 8.1% increase in operating profit.

The positive trend in operating profit, the higher level of loan provisioning (in line with greater volume) and capital gains from the sale of the holding in Direct Seguros, resulted in attributable net income of 345 million euros in the quarter. This figure was an increase of 12.7% over the same period in 2003 and is higher than any quarter last year. Thus, ROE rose to 33.0% (from 30.8%).

At 31-Mar-04 total lending in retail banking came to 94 billion euros with a year-on-year increase of 16.3%, compared to 13.9% at 31-Dec-03. The higher rate of growth extended to all products and segments: market mortgages grew by 20.5% (18.5% in December) and lending to SMEs and business by 18.0% (15.0% in December).

Total funds on and off the balance sheet (the sum of deposits, mutual funds and pensions) increased by 10.9% in terms of final balances compared to 31-Mar-03 and by 10.5% on average balances. This increase compares favourably with the 7.4% (excluding the Law Courts account) recorded in December 2003. On balance, creditors overall recorded an increase of 1.5% and within these transactional deposits increased 9.1%. Off-balance sheet items were more active and increased by 17.3%. This included a 20.7% increase in mutual funds which helped to lift year-on-year growth of stable customer funds to 13.0% in terms of final balances and 12.8% on average balances (10.3% in December 2003).

This important increase in business volume together with appropriate management of prices, helped to absorb the impact of the reduction in interest rates on net interest margins when compared to the first quarter of 2003. Core revenues in the area thus increased by 3.8%, with an advance of 2.1% in net interest income and of 7.8% in net fee income. These increases included fee income linked to mutual and pension funds which together rose 12.8% and banking services which grew by 9.1%.

There was a year-on-year increase of 4.0% in ordinary revenues and of 0.7% in operating expenses. The cost/income ratio further improved to 44.1%. This was 1.4 points better than the level of 45.5% in the first quarter of 2003.

Some 122 million euros were set aside for loan provisioning, 9.8% more than the first quarter of 2003 due to greater activity and the contribution to the statistical provision. This was because specific provisioning requirements fell on improvement in the non-performing loan ratio (NPLs over total risks). The NPL ratio was 0.76% (0.93% at 31-Mar-03) and the coverage ratio was 298.2% (234.8% a year earlier). Group operations include 26 million euros generated by the sale of the Bank's holding in Direct Seguros. As a result of these movements, attributable net income came to 345 million euros.

Commercial banking and SME banking together achieved operating profits of 532 million euros and attributable income of 272 million euros. As these activities represent more than 75% of the total Retail Banking Area, the profile of the income statement was broadly similar: net interest and net fee income grew, costs were contained, the cost/efficiency ratio improved (to 45.5%) and asset quality also improved.

Innovative activity in all customer segments was the most notable feature of the quarter. In regard to assets, attention is drawn to the launch of Hipoteca Fácil (Easy Mortgage) with a final payment, advantages for families in terms of flexibility and east of payment. This led to new mortgage operations in the first quarter of close to 3.1 billion euros – a year-on-year increase of 48%. Including promoters, the total value of mortgages signed exceeded 5.1 billion euros in the quarter (up by 47%). In addition, the Bank's social action plan was set in motion with the New Baby Loan to cover the cost of a birth or adoption, which carries zero interest and no commissions.

In the SME and businesses segment, which includes the self-employed, professional practices and small companies, there was intense marketing activity conducted through the two specialised branch networks that comprises 1,048 branches and 1,930 specialists. As a result, the point of sale terminals (TPV Móvil and TPV-PC) helped to increase the number of retailers that accept credit cards by 39%. SME banking also launched a number of initiatives. They included a capital markets service for SMEs which introduced structured finance, project and syndicated products to this segment. Initiatives also included the roll-out of market risk coverage products (interest rates and currency) via the branch network as well as the ICO-SME finance 2004 campaign. Lastly, a new multi-insurance product (Segurpyme) was launched with a wide range of coverage. All these activities were reflected in the increase in turnover of close to 40% in leasing, renting and SME loans, and more than 30% in factoring.

In regard to customer funds, the range of guaranteed products was extended. This entailed the launch of Depósito BBVA Óptimo, a five-year product that consolidates gains and allows the client to benefit from the best of three baskets of mutual fund managers (conservative, balanced and dynamic) chosen from among the best in the world. After two months of marketing, this product has captured 28,000 customers and 428 million euros. Encouraged by this experience the BBVA Triple Óptimo mutual fund was launched in March. It builds on the advantages of it predecessor and in less than one month it reached net subscriptions of 375 million euros from more than 16,000 customers. Furthermore, two guaranteed fixed income funds of 3 and 5 years were launched in March. These were BBVA Plan Rentas 2007 and BBVA Plan Rentas 2009. In this case customers receive fixed quarterly income up to the expiry date. In less than three weeks of marketing it collected more than 500 million euros.

The success of these marketing campaigns meant that at 31-Mar-04 the value of mutual funds managed by BBVA rose to 38.9 billion euros – a year-on-year increase of 18.6%. Following the gains recorded in the first quarter, the increase in market share since September 2003 comes to 45 basis points. Average fee commission increased by 4 basis points to 1.41% compared to March 2003. In addition, real estate funds rose to 687 million euros, which is 77.8% higher than at 31-Mar-03. The return is 8.7% or 198 basis points above the sector average.

Total funds under management by the asset management and private banking unit grew 18.3% in year-on-year terms to nearly 62 billion euros including mutual funds with a total of 39,578 million euros. BBVA is the leader in pensions funds with 20.0% of the market according to the latest data. The pension funds unit closed the quarter with total assets under management of 12,515 million euros, some 13.4% more than a year earlier. The wide-spread acceptance of the personal plan campaign (Planes Protección), concluded in February, led to the collection of more than 1 billion euros. The private banking unit currently manages 12.7 billion euros, which is an increase of 5.1% compared to 31-Dec-03. Of these, 6.8 billion euros is handled by BBVA Patrimonios (HNW individuals) and 5.9 billion euros by personal banking. Asset management and private banking achieved attributable net income of 28 million euros. This was 42.4% higher than the first quarter of 2003 due to the increase in net fee income (up by 19.1%) and the reduction in operating expenses (down by 4.9%).

The Special Finance Services unit recorded a year-on-year increase of 16.1% in lending which rose to 2,689 million euros while funds under management came to 1,095 million euros. At Finanzia there was an increase of 64% in car loans, 22% in equipment loans and 33% in equipment renting. Purchases associated with car renting grew by 94%. Uno-e obtained operating profit of 3.8 million euros in the quarter (compared to a loss of 8 million euros in the first quarter of 2003). Earnings before tax came to 2.4 million euros (compared to a loss of 7.2 million euros). In regard to Dinero Express, it should be noted that the volume of transfers made by immigrants has tripled. Selected new offices continue to be added and new co-operative agreements have been reached with banks in Ecuador and Colombia. There are now more than 1,000 points of payment in the region.

BBVA Portugal also improved its market share in lending (up by 14 basis points) and in customer funds (7 basis points) through the launch of innovative products. The marketing of the Easy Mortgage brought year-on-year growth in mortgage loans to 32.9% while off-balance sheet funds increased by 16.5%. Operating profit grew by 52.7% thanks to net fee income (up by 37.4%) and control of costs (1.1% increase).

The BBVA insurance operations generated earnings before taxes of 54 million euros. This was 12.3% more than the first quarter of 2003. The product range has been extended with a life policy that has a single financed premium associated with mortgage loans. Other products were added including Segurpyme (mentioned above), Leasing Autos and Multiagros (for agriculture). Attention is also drawn to the 29% increase in sales of guaranteed-return products.

Wholesale and Investment Banking

INCOME STATEMENT
(MILLION EUROS)

	Wholesale and Investment Banking			Memorandum item:			
				Wholesale Banking		Markets	
	1Q04	Δ%	1Q03	1Q04	Δ%	1Q04	Δ%
NET INTEREST INCOME	190	7.4	177	130	4.3	28	5.5
Net fee income	55	14.7	48	38	4.4	18	46.2
CORE REVENUES	246	8.9	225	168	4.3	46	18.4
Net trading income	22	(43.4)	39	9	13.5	14	(52.3)
ORDINARY REVENUES	268	1.2	264	177	4.8	61	(12.3)
Personnel costs	(49)	7.0	(46)	(29)	(2.2)	(17)	23.0
General expenses	(24)	3.3	(23)	(12)	4.4	(11)	(0.1)
GENERAL ADMINISTRATIVE EXPENSES	(73)	5.8	(69)	(41)	(0.4)	(27)	12.9
Depreciation and amortization	(2)	(42.1)	(3)	(1)	(11.1)	(1)	(67.5)
Other operating income and expenses	(1)	(40.2)	(2)	(1)	(26.6)	–	–
OPERATING PROFIT	192	0.6	191	134	6.9	33	(23.7)
Net income (loss) from companies accounted for by the equity method	(17)	n.m.	16	(5)	n.m.	–	–
Amortization of goodwill	(1)	–	(1)	–	–	–	–
Net income (loss) from Group transactions	27	n.m.	7	–	–	–	–
Net loan loss provisions	(46)	146.4	(19)	(42)	172.6	(4)	73.9
Net extraordinary income (loss)	–	(88.8)	(2)	9	n.m.	(6)	n.m.
PRE-TAX PROFIT	156	(19.0)	192	96	(11.9)	24	(41.5)
Corporate income tax	(37)	(20.4)	(46)	(30)	(6.0)	(4)	(66.5)
NET PROFIT	119	(18.5)	146	67	(14.3)	20	(31.9)
Minority interests	(8)	(24.0)	(10)	(5)	(26.6)	(1)	(9.6)
NET ATTRIBUTABLE PROFIT	111	(18.1)	136	61	(13.0)	18	(33.1)

BALANCE SHEETS
(MILLION EUROS)

	31-03-04	Δ%	31-03-03	31-03-04	Δ%	31-03-04	Δ%
Total net lending	39,232	1.8	38,556	37,327	2.0	1,583	(12.7)
Securities portfolio	28,308	14.4	24,745	3,565	(7.6)	23,162	17.2
Liquid assets	53,428	48.3	36,028	6,868	(12.8)	46,406	66.1
Inter-area positions	45,319	13.4	39,952	(1,145)	n.m.	46,393	16.3
Property and equipment and intangible assets	45	(10.6)	51	40	(9.4)	5	(21.9)
Other assets	6,466	(8.9)	7,095	448	1.5	5,962	(9.4)
TOTAL ASSETS/LIABILITIES AND EQUITY	172,798	18.0	146,426	47,102	(3.5)	123,512	28.6
Deposits	52,780	27.2	41,496	15,518	(12.6)	37,260	57.2
Debt securities	5,657	9.7	5,156	5,657	9.7	–	–
Equity	3,788	13.4	3,340	2,234	1.9	739	40.1
• Shareholders' funds	2,234	15.5	1,935	1,193	2.0	440	40.0
• Other eligible funds	1,554	10.6	1,405	1,040	1.7	299	40.2
Liquid liabilities	78,934	32.5	59,588	7,224	(6.3)	71,227	37.3
Inter-area positions	24,126	(17.1)	29,098	15,280	3.0	8,059	(40.2)
Other liabilities	7,513	(3.0)	7,748	1,188	3.1	6,228	(3.4)
OTHER CUSTOMER FUNDS MANAGED							
• Mutual funds	793	9.8	722	775	7.4	18	n.m.
• Pension funds	2	7.5	2	2	7.5	–	–
• Customer portfolios (1)	4,025	227.8	1,228	4,025	227.8	–	–

SIGNIFICANT RATIOS
(PERCENTAGE)

	31-03-04	31-03-03	31-03-04	31-03-04
ROE	21.4	27.9	20.6	19.3
Efficiency ratio	27.2	26.0	23.1	45.0
NPL ratio (Nonperforming assets/Total risks)	0.38	0.79	0.41	–
Coverage ratio	313.9	150.3	293.4	–

(1) In the second quarter of 2003, €2.5 billion were transferred from the Retail Banking in Spain and Portugal area (Asset Management and Private Banking).

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 rooms in Europe and in New York, equity and bond distribution and the depository and custodial services. This area also includes the business and real estate projects unit and global transaction services.

Activity in this area continued to be guided by a prudent policy in regard to risk. Thus, lending grew by 1.8% (4.5% on average balances). However, excluding the international corporate banking business which declined by 15.5% due in part to the depreciation of the dollar against the euro, lending in the rest of the area increased by 5.0% (8.3% on average balances). At the same time asset quality continues to improve as shown by the reduction in the non-performing loan ratio to <0.38>% at the end of the quarter (compared to 0.79% at 31-Mar-03) while coverage climbed to <385.3>% from 150.3% a year earlier. Deposits and off-balance sheet funds in this area increased by 15.6% (8.5% on average balances).

With regard to earnings, the quarter was marked by a positive trend in core revenues (up by 8.9%) due to appropriate management of the asset and liability prices, fee-income from services in the traditional banking business and dividends from the portfolio of business and real estate holdings. The decline of 43.4% in trading income compared to the first quarter of 2003 (which witnessed the highest figures for a stand-alone quarter last year, especially in markets) means that ordinary revenues increased by only 1.2%. The cost/income ratio was 27.2% and the operating profit was 192 million euros. Although this is only 0.6% more than the same period last year due to the variation in trading income mentioned above, it is 17.4% higher than the quarterly average in 2003, confirming steady generation of recurrent earnings in this area.

Despite the significant improvement in risk quality, as noted above, loan provisioning is more than double that recorded in the first quarter of last year. This is the consequence of increased generic provisions in global corporate banking compared to the reduction that occurred in January-March 2003. This trend, together with the decline in net income from companies carried by the equity method, and despite the greater earnings on Group transactions, has meant that attributable net income from the area in the first quarter came to 111 million euros. This was 18.0% less than the same period in 2003, which was the quarter of highest profit in that year. By unit, wholesale banking accounted for 61 million euros, global markets and distribution contributed 18 million euros while business and real estate projects contributed 39 million euros and other activities made a negative contribution of 7 million euros.

Wholesale banking, which includes global corporate banking and institutional banking, recorded an operating profit of 134 million euros. This was 6.9% higher than the same period a year earlier. Attributable net income was 61 million euros – lower than the first quarter of 2003 due to the increase in loan-loss generic provisions mentioned above.

Global corporate banking activities are divided into 4 management areas: Iberian corporate banking, European and Asian corporate banking, corporate banking in the Americas, and global and investment banking. The latter activity includes the product units – capital markets, bond origination services and corporate finance. These units provide services to customers of the wholesale division and to other group areas.

Attributable net income in the quarter was 34 million euros. This was affected by the following factors: the positive development of business and recurrent activity in a quarter with less significant operations than those recorded in the same period a year earlier. Other factors included action to defend spreads on lending and customer funds, containment of administrative expenses and the above charges to generic provisions.

In the more significant lending operations during the quarter, BBVA acted as mandated lead arranger in syndicated loans to Cemex España SA (a multi-currency 400-million euro loan over 5 years and for Grupo Izasa SA (115 million euros over 5 years). The latter loan was closed in the initial underwriting phase without the need for general syndication.

Bond origination services in the first quarter included an issue for Banca Nazionale de Lavoro (BNL) organised by BBVA, Citibank and Nomura of 500 million euros with a seven-year term. BBVA was the manager that placed the greatest amount of script. An issue of 3 billion euros in mortgage warrants was also co-managed with four other banks.

Institutional banking provides services to public and private institutions through a network of 42 offices in Spain, Portugal and Belgium. In the first quarter of 2004 it achieved attributable net income of 27 million euros, a year-on-year increase of 37.0%. The period was marked by the defence of asset and liability prices, the existence of important transactional deposit balances, efficient application of fees, good earnings from market operations and the results of internal cost-cutting campaigns. The cost/income ratio fell to 18.4%, 5.1 points better than the first quarter of 2003.

It should be noted that the institutional banking unit was one of the organisations that won a tender to provide the State Lottery Commission with treasury services. It thus renewed a service that it has already been providing to this organisation.

During the quarter, global markets and distribution obtained an operating profit of 33 million euros which was 23.7% lower in year-on-year terms. This was due to the results of market operations because core revenues increased 18.4% thanks to the good performance of fee income (up by 46.2%). Short-term activity in terms of the volume of customers operations and earnings, was noted during the period.

The markets unit co-operated with the Retail Banking in Spain and Portugal business area in marketing the product Depósito Optimo and also hedged the entire Triple Optimo fund. It also hedged the first dynamic management product with capital guaranteed on expiry and a return linked to the performance of various international hedge funds.

In terms of equity origination and distribution services, BBVA co-ordinated the execution of the take-over bid for the remaining 40.6% of the BBVA Bancomer's capital that it did not already possess. It also managed, together with Morgan Stanley, the placement of BBVA's capital increase of 1,999 million euros. Furthermore it participated in the public share offer by Banco Sabadell to finance the purchase of Banco Atlántico and it placed 200 million euros of a loan to the Valencia regional government with German institutional investors in the form of schudlschein with help from the institutional banking unit.

In the first quarter, BBVA was the market leader in terms of trading volume on the electronic continuous market (Spanish Stock Exchange) with 11.0% of volume. It also occupied first place in the AIAF ranking for operations with maturity, with 26.2% of the market in February 2004. These operations include bills of exchange and medium and long-term operations. It should also be noted that BBVA is in 16th position in credit default swaps and 19th position in investment-grade swaps at European level according to the 2004 credit research poll by Euromoney in the secondary credit market. It competes with the world's leading banks in these products.

Within the global transaction services, BBVA factoring launched a new confirming product that will help to consolidate the traditional leadership position held by the bank in this product. In 2003 BBVA's market share (in factoring and confirming) was 35%. The 2003 annual rankings for trade finance activity were published during the quarter by the Trade Finance Magazine and by Dealogic. BBVA is in second place in Latin America by number of operations and in fourth place by volume of activity.

The business and real estate projects unit is currently handling a portfolio of 120 investments with a book value of more than 1 billion euros. This portfolio is widely diversified and includes the real estate sector with 31.8% of book value and market services with 27.8%.

In accordance with the policy of portfolio rotation, it divested 100 million euros during the quarter, basically in real estate holdings, generating capital gains of more than 30 million euros. New investments came to 20 million euros.

The unit's operating profit came to 34 million euros, an increase of 51.2% and attributable net income came to 39 million euros (similar to the same period a year earlier).

America

INCOME STATEMENT
(MILLION EUROS))

	1Q04	Δ%	Δ% at constant exchange rates	1Q03
NET INTEREST INCOME	699	(7.2)	7.7	753
Net fee income	426	(0.6)	12.7	428
CORE REVENUES	1,125	(4.8)	9.6	1,182
Net trading income	54	(21.8)	(14.5)	69
ORDINARY REVENUES	1,179	(5.7)	8.2	1,250
Personnel costs	(282)	(8.7)	4.6	(308)
General expenses	(227)	(2.6)	11.9	(233)
GENERAL ADMINISTRATIVE EXPENSES	(509)	(6.0)	7.7	(542)
Depreciation and amortization	(51)	(12.3)	(1.1)	(58)
Other operating income and expenses	(36)	(10.2)	4.7	(40)
OPERATING PROFIT	583	(4.6)	9.7	611
Net income (loss) from companies accounted for by the equity method	7	n.m.	n.m.	(3)
Amortization of goodwill	–	–	–	–
Net income (loss) from Group transactions	–	–	–	–
Net loan loss provisions	(87)	(51.8)	(43.9)	(181)
Net extraordinary income (loss)	(54)	(36.9)	(29.0)	(85)
PRE-TAX PROFIT	448	31.5	50.6	341
Corporate income tax	(152)	107.7	141.7	(73)
NET PROFIT	296	10.6	26.2	268
Minority interests	(76)	(28.1)	(17.6)	(105)
NET ATTRIBUTABLE PROFIT	220	35.7	54.2	162

BALANCE SHEETS
(MILLION EUROS)

	31-03-04	Δ%	Δ% at constant exchange rates	31-03-03
Total net lending	25,820	(7.3)	2.8	27,862
Securities portfolio	27,667	5.9	20.8	26,136
Liquid assets	17,712	(7.3)	4.7	19,103
Inter-area positions	485	45.2	40.8	333
Property and equipment and intangible assets	2,016	(17.9)	(7.8)	2,456
Other assets	4,222	(44.8)	(37.8)	7,648
TOTAL ASSETS/LIABILITIES AND EQUITY	77,922	(6.7)	4.9	83,537
Deposits	49,393	(7.3)	4.4	53,291
Debt securities	2,076	31.9	42.8	1,574
Equity	5,581	5.5	17.0	5,292
• Shareholders' funds	4,876	44.2	58.8	3,382
• Other eligible funds	705	(63.1)	(58.5)	1,910
Liquid liabilities	13,333	8.6	22.5	12,279
Inter-area positions	836	16.8	16.1	716
Other liabilities	6,702	(35.5)	(26.4)	10,386
OTHER CUSTOMER FUNDS MANAGED				
• Mutual funds	8,816	6.6	16.8	8,272
• Pension funds	27,279	7.6	11.4	25,350
• Customer portfolios (1)	17,636	21.5	30.5	14,517

SIGNIFICANT RATIOS
(PERCENTAGE)

	31-03-04	31-03-03
ROE	23.4	19.1
Efficiency ratio	43.2	43.3
NPL ratio (Nonperforming assets/Total risks)	4.06	5.52
Coverage ratio	154.3	148.2

(1) In the second quarter of 2003, €2.6 billion were transferred from the Retail Banking in Spain and Portugal area (Asset Management and Private Banking).

The Americas business area includes the banks, pension-fund managers and insurance companies of the BBVA Group on that continent. It also incorporates the international private banking business that includes Andorra, Miami and Switzerland. With the relative normalisation of Argentina, it has become possible to report its results under this Area again, after some years during which it was included under Corporate Activities.

The economic environment has been noticeably more buoyant in 2004 than over the last two years. Significantly higher economic growth is forecast and inflation is expected to stay under control. Interest rates are low throughout nearly all the Latam countries, although there are some signs of volatility, especially in Mexico. In this context, the Area is aiming to focus on the Group's strongest points: boosting synergies between different units, gaining market share, controlling costs and maintaining good risk quality.

Although exchange rates with the euro have levelled out this quarter, their impact is still present in year-on-year comparisons. The attached tables thus include variations at current and at constant rates. Unless otherwise indicated, any reference to variance will be at constant rates, which are more significant for analytical purposes.

In the first quarter, revenues rose more than costs, with operating profit increasing 9.7%. Lower provisioning requirements due to a falling NPL ratio boosted profit after tax to 296 million euros, with a year-on-year increase of 26.2%. As the greater control over Bancomer has reduced minority shareholdings, attributable profit (220 million euros) is 54.2% higher than in the same period of 2003 at constant exchange rates (+35.7% at current rates). Of this, Mexico recorded 132 million; banks in America 60 million; pensions and insurance in America 14 million; and international private banking 14 million euros.

The most outstanding characteristic of the business activity has been the progressive upturn in growth rates. Total lending excluding Bancomer’s old mortgage portfolio and doubtful loans, has risen 10.2% as compared to 6.8% growth in December 2003. Total customer deposits, the aggregate of current and savings accounts, repos placed through the branch network and mutual funds have grown 9.7% (+7.4% last December). Assets administered by pension-fund managers have gone up 11.4% and insurance companies have written 24.8% more business in premiums.

Net interest income was 699 million euros (7.7% more than in the first quarter of 2003) despite large falls in interest rates across the region, especially in Mexico and Venezuela. Fee income, meanwhile, recorded year-on-year growth of 12.7%, the highest in recent quarters, as the implementation of specific plans are bearing fruit. Net trading income reached 54 million euros, although this was 14.5% below the exceptionally high figure for the first quarter of 2003, when the impact of the dollar exchange rate with local currencies was especially marked in Argentina and Uruguay. This meant ordinary revenues were 1,179 million euros, increasing 8.2%.

Costs, including depreciation and others, went up 6.7%. The increase in overheads was mainly set-up costs for the Regional Data Processing Centre in Monterrey, which will permit savings and efficiencies in the longer term and bring down depreciation charges.

Thus, operating profit has shown a year-on-year growth of 9.7% (12.9% excluding net trading income) and the cost-income ratio continues to improve (at 43.2% as compared with 43.3% in the first quarter of 2003). Especially gratifying is the recurrence ratio (fees over costs), which rose to 83.6% from 79.1% in the same period last year.

Below the operating profit line, note should be taken of the 43.9% reduction in loan provisioning as well as 29% growth in extraordinary earnings, as risk quality improved throughout the entire region, coverage ratios remained high and there was no need to repeat the extraordinary, non-recurrent provisioning some countries had made in the first quarter of last year. Indeed, the non-performing loan ratio for the area (NPLs as a percentage of total risk) went down to 4.06%, against 4.46% at year-end 2003 and 5.52% at 31-Mar-03. The reductions were especially marked in Mexico (down to 3.63% from 4.45% at 31-Mar-03), and in Venezuela (4.10% from 8.46%). Meanwhile, the coverage ratio was 154.3%, showing year-on-year improvement of 6.1 points; in Mexico it was 238.2%.

After tax, net profit grew 26.2%. With the reduction in minority holdings after last year’s acquisitions and the

INCOME STATEMENT
(MILLION EUROS)

Memorandum item:	Mexico			Banking in America		
	1Q04	Δ%	Δ% at constant exchange rates	1Q04	Δ%	Δ% at constant exchange rates
NET INTEREST INCOME	441	(8.7)	7.9	244	(3.9)	9.0
Net fee income	264	(4.0)	13.5	76	14.1	25.9
CORE REVENUES	706	(7.0)	9.9	320	(0.1)	12.6
Net trading income	20	n.m.	n.m.	22	(61.6)	(57.6)
ORDINARY REVENUES	726	(4.7)	12.6	342	(9.4)	1.8
Personnel costs	(162)	(11.6)	4.5	(89)	(7.6)	3.8
General expenses	(125)	(6.0)	11.1	(83)	0.9	13.5
GENERAL ADMINISTRATIVE EXPENSES	(287)	(9.2)	7.3	(172)	(3.7)	8.3
Depreciation and amortization	(28)	(13.9)	1.7	(17)	(17.6)	(11.2)
Other operating income and expenses	(28)	(14.4)	1.2	(9)	24.9	39.9
OPERATING PROFIT	383	0.6	18.9	144	(15.7)	(4.8)
Net income (loss) from companies accounted for by the equity method	–	n.m.	n.m.	1	282.4	323.9
Amortization of goodwill	–	–	–	–	–	–
Net income (loss) from Group transactions	–	–	–	–	–	–
Net loan loss provisions	(79)	(36.3)	(24.7)	(8)	(85.8)	(84.0)
Net extraordinary income (loss)	(62)	122.1	162.5	19	n.m.	n.m.
PRE-TAX PROFIT	243	10.5	30.6	156	160.0	200.2
Corporate income tax	(76)	34.6	59.0	(67)	n.m.	n.m.
NET PROFIT	167	2.3	20.8	88	79.5	108.5
Minority interests	(35)	(47.7)	(38.2)	(28)	31.3	52.8
NET ATTRIBUTABLE PROFIT	132	36.8	61.6	60	117.0	151.7

BALANCE SHEETS
(MILLION EUROS)

	31-03-04	Δ%	Δ% at constant exchange rates	31-03-04	Δ%	Δ% at constant exchange rates
Total net lending	12,858	(7.6)	7.1	11,433	(7.4)	(0.7)
Securities portfolio	21,769	4.5	21.2	5,173	10.7	20.3
Liquid assets	10,492	(11.8)	2.3	3,766	17.0	40.6
Inter-area positions	144	n.m.	n.m.	28	219.9	286.3
Property and equipment and intangible assets	1,297	(15.9)	(2.5)	593	(24.5)	(18.5)
Other assets	2,689	(54.3)	(47.0)	1,231	(14.4)	(10.9)
TOTAL ASSETS/LIABILITIES AND EQUITY	49,249	(9.0)	5.6	22,225	(1.1)	7.8
Deposits	30,751	(10.7)	3.5	14,834	2.5	12.2
Debt securities	776	(14.6)	(0.9)	1,300	95.2	93.9
Equity	3,059	11.8	29.7	1,641	(1.8)	8.5
• Shareholders' funds	3,045	98.8	130.5	1,264	(0.1)	9.5
• Other eligible funds	14	(98.8)	(98.6)	376	(7.1)	5.1
Liquid liabilities	9,563	12.9	30.9	2,863	(2.5)	5.6
Inter-area positions	144	161.1	202.8	43	118.4	123.6
Other liabilities	4,956	(33.7)	(23.1)	1,543	(43.2)	(37.7)
OTHER CUSTOMER FUNDS MANAGED						
• Mutual funds	5,364	8.1	25.3	1,095	25.1	31.3
• Pension funds	6,563	5.4	22.2	–	–	–
• Customer portfolios [1]	7,048	0.8	16.9	152	(3.8)	26.2

SIGNIFICANT RATIOS
(PERCENTAGE)

	31-03-04	31-03-04
ROE	25.4	19.9
Efficiency ratio	39.5	50.2
NPL ratio (Nonperforming assets/Total risks)	3.63	5.13
Coverage ratio	238.2	84.5

recent tender offer over Bancomer shares, attributable profit rose to the already mentioned figure of 54.2%.

In Mexico, the macroeconomic environment was marked by volatile short-term interest rates, although they finished the quarter at more or less the same level as at the end of last year. This volatility has not prevented the Group's earnings in Mexico from continuing the upward pattern of recent quarters. Thus, after-tax profit was 167 million euros, 20.8% more than in the first quarter of 2003, and attributable profit was 132 million (+61.6%, or even +36.8% at current exchange rates). Banking operations accounted for 100 million; pension fund management for 24 million and insurance business for 8 million euros.

Net-interest income was 441 million euros, growing 7.9% year on year. It should be noted that the average level of interest rates in the first quarter of 2003 was nearly 4 percentage points higher than at present. Thus, increased income is entirely due to management of pricing and spreads over recent years and to a significant increase in business volumes.

Total customer deposits (traditional fund gathering, repos placed through the branch network and mutual funds) increased 11.8% (10.0% in December 2003). Their structure also improved with the excellent performance of lower-cost products (sight and savings accounts in pesos), which grew 19.1% against March 2003.

Total lending rose 7.1% year on year, while lending excluding the old mortgage portfolio and doubtful loans was up 17.5%, as compared to 14.6% at 31-12-03. As in previous quarters, the most dynamic performance came from consumer lending and cards, with a combined increase of 34.2%. Commercial lending increased 8.4%, while mortgage loans grew 11.4% against March 2003.

Net fee income remains buoyant, reaching 264 million euros, with year-on-year growth of 13.5%. Those from the traditional banking business have grown 17.2%, while those from Afore Bancomer have held up despite the sluggish growth of the Mexican job market. Net trading income showed excellent growth following on from a low figure in the same period of the previous year.

Administrative costs continued to grow at a moderate pace. Thus, the cost-income ratio has continued to improve (39.5% as opposed to 41.4% in the first quarter of 2003), while the percentage of costs covered by fees was 92.3%, compared with 87.3% in the first quarter of 2003.

All this generated an operating profit of 383 million euros, with year-on-year growth of 18.9% or even 0.6% at current exchange rates, despite the peso weakening against the euro. The increased operating profit led into a 20.8% growth in profit after-tax, because provisioning and extraordinaries as a whole were at similar levels to the first quarter of 2003. Lastly, attributable profit grew 61.6%, as mentioned, due to the increase in the Bancomer holding, up from 55.4% in the first quarter of 2003 to 99.4% on 31-Mar-04 as a result of acquisitions made last year and the take-over of Bancomer's minorities this quarter.

The most relevant aspects of activity in the rest of the countries over this period were as follows:

Banco Provincial de Venezuela obtained an attributable profit of 22 million euros (97.3% growth at constant exchange rates). This was helped by increased fee income and the positive contribution of lower provisioning and extraordinaries given the high level of existing coverage of non performing loans. Net interest income went down only moderately, offsetting the country's plummeting interest rates with significant volume growth, while costs grew below inflation.

BBVA Chile maintained dynamic performance in activity, increasing attributable profit 30.3% to 7 million euros. This was helped by increased net fee income (28.2%) and greater net trading income, which offset the lower net interest income obtained in a scenario of falling interest rates year on year. Meanwhile, AFP Provida recorded increasing fee income and a higher contribution of its portfolio of investments, although attributable profit (2 million euros) was brought down by an extraordinary debit for insurance costs that had risen beyond the covered ratio. This was due to a decision to apply the principle of accounting prudence and regularise expired and payable outstanding policies with one single charge.

Banco Continental de Perú contributed an attributable profit of 5 million euros, with 73.1% year-on-year growth, resulting from higher revenues and better cost control (operating income increased 13.2%) alongside lower provisioning requirements as asset quality continued to improve. AFP Horizonte obtained an attributable profit of 3 million euros, new business outstripping the loss of insurance-company fees imposed by new regulations.

In Colombia, Banco Ganadero enjoyed its best quarter on record, with attributable profit of 9 million euros, as compared with net losses of 8 million in the first quarter of 2003. The implementation of its business plan, with excellent price management boosted net-interest income by 16.3% year on year. This, along with better cost control, led to an increase of 48.6% in its operating profit. AFP Horizonte and the Colombian insurance companies also contributed 2 million euros to attributable profit.

The difficult interest rate environment ate into BBVA Puerto Rico's net-interest income, which dropped 3.4% year on year. Nonetheless, the good performance of fee income, lower costs and lower provisioning needs enabled pre-tax profit to grow 7.2%, but a significant rise in taxes, left attributable profit at 8 million euros.

In Argentina, as the financial industry emerged from the worst of its two-year crisis, Banco Francés' net interest income grew thanks to the policy it pursued in 2003, which significantly reduced the cost of funds in a context of slow lending growth. Added to which, the drive to increase transactional business led to a 41% rise in fee income, while costs were kept under strict control. Furthermore, effective risk management and recoveries resulted in a positive contribution of the NPLs provision item as asset quality improved and bad debts were recovered. All this led to an attributable quarterly profit of 5 million euros plus a further 3 million obtained by the Consolidar Group in the pension and insurance business.

From the other countries, Panama recorded an attributable profit of 4 million euros, and Paraguay of 2 million euros (+30.1%).

Corporate Activities

INCOME STATEMENT
(MILLION EUROS)

	1Q04	Δ%	1Q03
NET INTEREST INCOME	(17)	(77.2)	(76)
Net fee income	(30)	77.8	(17)
CORE REVENUES	(47)	(49.0)	(93)
Net trading income	76	(4.5)	79
ORDINARY REVENUES	28	n.m.	(14)
Personnel costs	(107)	(15.9)	(127)
General expenses	(11)	n.m.	13
GENERAL ADMINISTRATIVE EXPENSES	(118)	3.8	(114)
Depreciation and amortization	(34)	(9.1)	(37)
Other operating income and expenses	(4)	(19.6)	(5)
OPERATING PROFIT	(128)	(24.7)	(170)
Net income (loss) from companies accounted for by the equity method	92	n.m.	7
Amortization of goodwill	(131)	0.5	(130)
Net income (loss) from Group transactions	192	(0.8)	194
Net loan loss provisions	(36)	219.6	(11)
Net extraordinary income (loss)	(71)	n.m.	(17)
PRE-TAX PROFIT	(81)	(36.8)	(128)
Corporate income tax	62	(13.8)	72
NET PROFIT	(19)	(66.6)	(56)
Minority interests	9	n.m.	(35)
NET ATTRIBUTABLE PROFIT	(9)	(89.9)	(91)

BALANCE SHEETS
(MILLION EUROS)

	31-03-04	Δ%	31-03-03
Total net lending	(1,826)	(29.3)	(2,581)
Securities portfolio	29,996	27.1	23,598
Liquid assets	(17,353)	25.4	(13,837)
Inter-area positions	11,690	(2.0)	11,925
Property and equipment and intangible assets	1,542	(3.5)	1,597
Other assets	10,327	80.0	5,736
TOTAL ASSETS/LIABILITIES AND EQUITY	34,375	30.0	26,437
Deposits	(3,997)	39.1	(2,873)
Debt securities	23,170	(6.5)	24,779
Equity	8,233	14.1	7,213
• Shareholders' funds	3,150	13.0	2,788
• Other eligible funds	5,083	14.9	4,425
Liquid liabilities	-	-	-
Inter-area positions	-	-	-
Other liabilities	6,970	n.m.	(2,681)

This area comprises the Group's holdings in large industrial corporations and financial institutions; the activities and earnings of the corporate support units such as the Assets and Liabilities Committee; and other activities that, due to their nature, cannot be assigned to a particular business area. The latter include country-risk provisioning and amortisation of goodwill (except that related to business projects within the Wholesale Banking Area). As previously explained, the results of Group companies registered in Argentina are now included in the Americas Area rather than in this area and the 2003 figures have been adjusted to make them comparable Group-wide.

A comparison of this area's quarterly income statement against the same quarter last year highlights first of all, the improvement in the net interest income (from -76 million euros to -17 million euros in this quarter), mainly due to management of interest-rate risk, liquidity and higher dividends, and secondly, an increase in income from companies carried by the equity method due to higher contributions from stakes held in other companies and the absence of negative corrections to their profit statements of the previous year; these were significant amounts in 2003. All this resulted in attributable net profit for the area of -9 million euros, compared to -91 million euros in the first quarter of 2003.

The large industrial corporations unit basically manages the holdings in Telefónica, Repsol and Iberdrola, which make up 94% of total holdings. Attributable net profit this quarter was 85 million euros, against a loss of 57 million euros in the comparable period a year before. The switch from loss to profit was mainly due to the negative adjustments in 2003 brought about by the restatement of 2002 earnings (-96 million euros). It was also due to these companies' greater earnings in this quarter and to the increase in net trading income which contributed with 19 million euros.

The financial holdings unit recorded the income from the sale of Banco Atlántico (218 million euros) in the first quarter of the year. In the first quarter of last year, 216 million euros were recorded under this item as the capital gain corresponding to the cash amount received during the Crédit Agricole take-over of Crédit Lyonnais. At present, the most significant holdings managed by the unit are BNL and Bradesco.

The Assets and Liabilities Committee manages the Group's interest rate and exchange rate risks, Group's liquidity and shareholders' equity. Net interest income and net trading income together amount to 146 million euros, compared to 92 million in the first quarter of 2003. The increase is driven by hedging and active management of the portfolio covering structural interest rate risk, which amounts to 23.5 billion euros at the end of March (16,650 million at 31-3-03).

Furthermore, exchange-rate hedging transactions now protect more than 80% of book-value in the Americas and 83% of BBVA Bancomer's book-value after the acquisition of minority holdings.

The Corporate Activities Area includes personnel and administrative costs, depreciation and other operating costs generated by central corporate units. It also absorbed other costs of an institutional nature that cannot be assigned to a particular area (corporate IT costs, severance payments, etc). The total for these items (156 million euros this quarter) is similar to the previous year.

Amortisation of goodwill arising from the Group's investments and holdings in Latin-American affiliates came to 131 million euros (similar to the same quarter of 2003). However, its composition has changed as Bancomer's amortisation increased while that of industrial corporations declined as a result of the divestment programme.

Lastly, it should be pointed out that the business volume figures for the Retail, Wholesale and the Americas areas record intergroup transactions as an integral part of their activities and business management. All intergroup transactions eliminated during consolidation are assigned to the Corporate Activities Area and therefore some items on its balance sheet may contain negative amounts.

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