QUARTERLY REPORT

January-June 2004

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Contents

BBVA Group Highlights

BBVA GROUP HIGHLIGHTS (CONSOLIDATED FIGURES))	30-06-04	30-06-03	∆%
BALANCE SHEET (million euros)			
Total assets	316,396	277,874	13.9
Total lending (gross)	165,634	147,620	12.2
On-balance-sheet customer funds	195,986	182,771	7.2
Other customer funds managed	119,872	112,024	7.0
Total customer funds managed	315,858	294,795	7.1
Shareholders' funds (including profit for the year)	15,349	13,126	16.9
INCOME STATEMENT (million euros)			
Net interest income	3,519	3,348	5.1
Core revenues	5,169	4,946	4.5
Ordinary revenues	5,443	5,349	1.8
Operating profit	2,670	2,479	7.7
Pre-tax profit	2,118	1,873	13.1
Net attributable profit	1,355	1,167	16.1
DATA PER SHARE AND MARKET CAPITALIZATION			
Share price	10.98	9.15	20.0
Market capitalization (million euros)	37,232	29,242	27.3
Net attributable profit	0.40	0.37	10.6
Book value	4.53	4.11	10.2
PER (Price/earnings ratio; times) (1)	14.2	13.1	
P/BV (Price/book value ratio; times)	2.4	2.2	
SIGNIFICANT RATIOS (%)			
Operating profit/ATA	1.79	1.82	
ROE (Net attributable profit / Average equity)	19.8	19.3	
ROA (Net profit/Average total assets)	1.04	1.10	
RORWA (Net profit/Risk weighted average assets)	1.80	1.87	
Efficiency ratio	44.9	46.6	
NPL ratio (Nonperforming assets/Total risks)	1.11	1.59	
NPL coverage ratio	223.4	183.8	
CAPITAL ADEQUACY RATIOS (BIS regulations) (%)			
Total	12.0	12.0	
Core capital	5.9	6.0	
TIER I	8.0	8.1	
OTHER INFORMATION			
Number of shares (million)	3,391	3,196	
Number of shareholders	1,132,490	1,183,969	
Number of employees	84,958	86,791	
• Spain	30,784	31,275	
• America (2)	52,198	53,464	
• Rest ot the world	1,976	2,052	
Number of branches	6,927	6,968	
• Spain	3,361	3,384	
• America (2)	3,376	3,384	
• Rest of the world	190	200	

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

(1) The 1H04 PER is calculated taking into consideration the median of the analysts' estimates (July 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 half of 2004

Expectations of recovery in the world's economy in the second quarter of 2004 improved with noticeable growth in the United States, Japan, China and other emerging economies, and more moderate reactivation in the European Union. The main Latin-American economies also appear poised for greater growth this year. These trends together with the inflationary impact arising from higher oil prices have increased expectations of a gradual rise in interest rates. Already in the second quarter, interest rates over shorter periods in the euro zone remained at levels similar to the previous quarter, slightly above 2%. This is in contrast to the continuous decline recorded over the last two years. On the other hand, longer-term interest rates, specifically the 12-month rate, have rebounded during the quarter with a corresponding increase in the slope of the 3-12 month curve. In Mexico short-term interest rates also consolidated their tendency to rise during the quarter. At the end of June, in a move that had been widely discounted by the market, the Federal Reserve increased its reference rate by a quarter point to 1.25%. The European Central Bank held rates steady at 2.0%.

Currency markets were little changed during the quarter. The currencies of Mexico, Argentina and Chile fell by approximately 2.5% against the euro and there were minor appreciations in other Latin-American currencies as well as in the US dollar. The table on the next page shows the final exchange rates at 30-Jun-04 (used to convert the balance sheet and business figures from local currency to euros). It also shows the average exchange rate in the first half (used to convert the income statement). The Mexican peso is the currency that has the greatest effect on the Group's accounts. It has depreciated by approximately 15.0% against the final rate on 30-Jun-03 and by 14.4% against the average exchange rate in the first half of 2003. The Venezuelan bolivar also witnessed significant depreciation (20.1%) and the fall in the Argentine peso has been smaller. On the other hand, the Chilean peso has revalued by 6.9% compared to the first half of last year.

As usual, the year-on-year percentage variation at constant exchange rates is given in this report. This is done to facilitate a comparison between the different items on 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.

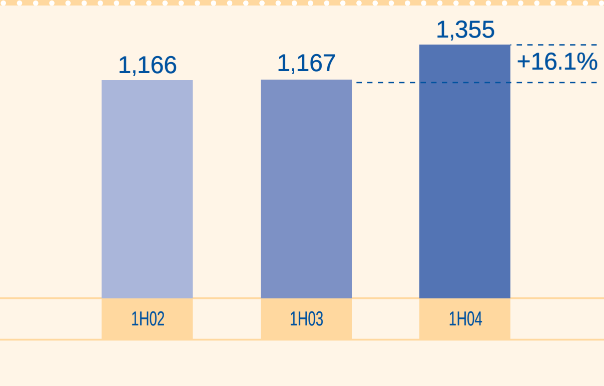
Like the last quarterly report, the income statement analysed in this report is the consolidated public account which incorporates Argentina in a fully consolidated manner. Likewise, the business figures and results of Group subsidiaries in Argentina are reported as part of the Americas Area.

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

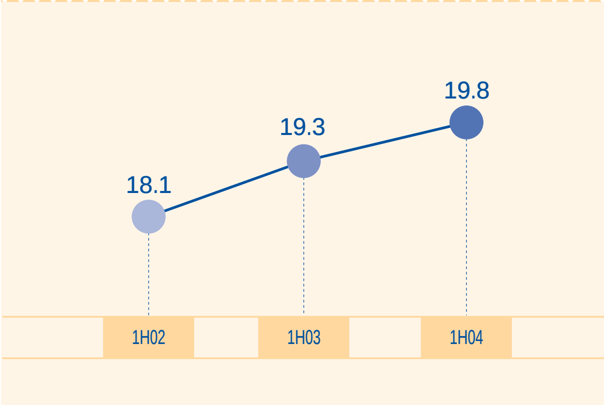
- Attributable net income in the second quarter came to 688 million euros. This is the highest quarterly figure in the last three years. It brings the half-year earnings to 1,355 million euros –a year-on-year increase of 16.1% (an increase of 20.1% at constant exchange rate).

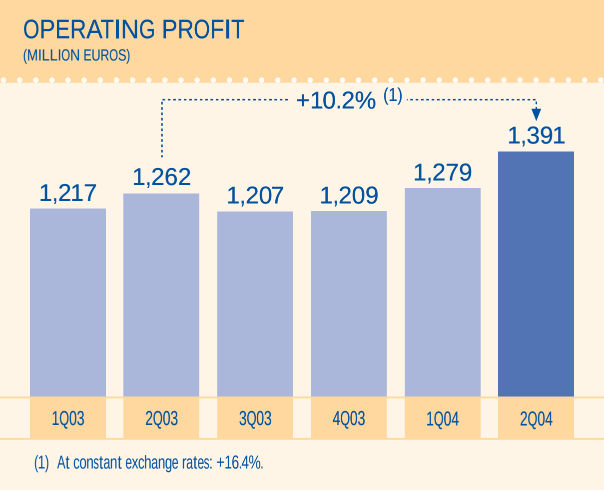
- Earnings per share increased by 10.6%, ROE rose to 19.8% (19.3% in the first half of 2003) and ROA was 1.04%.

NET ATTRIBUTABLE PROFIT
(MILLION EUROS)



ROE
(PERCENTAGE)





- The main features in the Group's results were as follows:
  - High quality of earnings; attributable net income in the half year was supported by the positive evolution of the operating profit and the effect of the items between these two figures was neutral.
  - Faster year-on-year growth of the more recurrent earnings with higher quarterly increases in all income lines (net interest income, core revenues, ordinary revenues and operating profit) –even at current exchange rates.
  - In all the Group's business areas, the growth in operating profit in the second quarter and in the first half was higher than in previous periods.
- Thus operating profit in the second quarter came to 1,391 million euros and year-on-year growth (10.2% at current exchange rates and 16.4% at constant rates) was higher than growth in the first quarter (5.2% and 12.5%, respectively). As a result, the figure for the first half, 2,670 million euros, was higher than the first half of 2003 by 7.7% at current exchange rates and by 14.5% at constant rates.
- Net interest income in the second quarter was high, rising to 1,835 million euros compared to 1,684 million euros in the first quarter. This was due to dividends received (a seasonal effect) and to an improvement in core net interest income (financial revenues less financial expenses). Solid growth in the level of business activity, particularly in lending to the Spanish resident sector and transactional deposits at the Latin-American units, is being more directly transformed into net interest income in a context of spreads behaving better than previous quarters.
- Net fee income also improved compared to the first half of last year, growing by 3.3% at current exchange rates and by 9.4% at constant rates. The improvement extended to all business areas.
- Costs were contained and fell 1.8% at current exchange rates while they increased 3.5% at constant rates. Together with higher revenues this meant that the cost/income ratio improved to 44.9%, compared to 46.6% in the first half of 2003, with improvements in all business areas.
- Retail Banking in Spain and Portugal shows higher growth in all items on the income statement compared to the first quarter. Lending grew 18.0% year-on-year (16.3% at 31-Mar-04) and customer funds (deposits, mutual and pension funds) by 8.9% (10.9% at 31-Mar-04). Thus core revenues increased in the half year by 5.4% (3.8% in the first quarter) supported by faster growth in net interest income (2.6% compared to 2.1% in the first quarter) and by net fee income

EXCHANGE RATES (1)

	End of period Exchange Rates			Average Exchange Rates	
	30-06-04	Δ% on 30-06-03	Δ% on 31-03-04	1H04	Δ% on 1H03
Mexican peso	14.0207	(15.0)	(2.5)	13.7199	(14.4)
Argentine peso	3.6009	(10.7)	(2.5)	3.5745	(6.9)
Chilean peso	773.40	3.5	(2.6)	747.38	6.9
Colombian peso	3,267.97	(1.6)	0.3	3,311.26	(3.2)
Peruvian new sol	4.2208	(6.0)	0.2	4.2620	(9.8)
Venezuelan bolivar	2,331.00	(21.7)	0.5	2,267.57	(20.1)
U.S. dollar	1.2155	(6.0)	0.6	1.2265	(9.9)

(1) Expressed in currency/euro.

(12.0% compared to 7.8% to March). The increase in revenues combined with control of operating costs has improved the cost/income ratio by 2.1 points to 43.1% (45.2% in the first half of 2003). It has also led to year-on-year increases of 11.0% in operating profit and of 13.7% in attributable net income.

- Wholesale and Investment Banking closed the second quarter with outstanding levels of operating profit and net income. All profit lines on the income statement were higher than the figures for the first quarter. Operating profit in the first half came to 409 million euros (up by 16.8%) and attributable net income was 277 million euros (up by 26.7%). The record earnings figure demonstrates the high profitability and power of the Group's approach in the wholesale business.

- Lending in the Americas (excluding Bancomer's old mortgage portfolio and doubtful loans) increased 15.8% in local currency and traditional fund gathering including repos placed through the branch network and mutual funds increased by an average of 11.7% for all the banks. This meant that net interest income increased by 15.5% at constant exchange rates (7.7% in the first quarter). Net fee income grew 11.8% and costs grew by 5.7% (lower than the 7.7% figure for the first quarter). Therefore despite lower net trading income, the operating profit increased by 11.2% (9.7% at March). Lower provisioning requirements following an improvement in the non-performing loan ratio, helped profit after tax to rise 28.7%. Finally, the lower minority interests after the purchase of Bancomer caused attributable net income to grow by 49.8% in current euros and by 68.3% at constant exchange rates.

- Mexico continues to add customer funds at high speed and lending is growing faster. This has resulted in net interest income increasing 14.3% at constant exchange rates and is considerably higher than the 7.9% recorded in the first quarter. Despite the decline in net trading income compared to last year, operating profit grew 10.9% in year-on-year terms and net income by 35.0%. With the decrease in minority interests, attributable net income in the half year is more than double the same period in 2003.

- Risk quality in the Group continues to improve. As bad debt levels declined in all business areas and lending activity increased, the non-performing loan ratio as a percentage of total exposure fell in all areas to 1.11% at 30-Jun-04 (1.23% three months earlier and 1.59% twelve months earlier). The increase in provisioning together with the above decline in bad debts resulted in an increase in coverage which rose to 223.4% (209.8% at 31-Mar-04 and 183.8% at 30-Jun-03).

- The Group maintained its solid capital base: core capital was 5.9% (compared to 5.7% at 31-Mar-04 and in line with the target of 6.0% established for year end), Tier I capital was 8.0% and the BIS ratio 12.0%.

- On 12th July a first interim dividend of 0.10 euros per share was paid against 2004 results. This is an increase of 11.1% over the first interim dividend paid in 2003.

Following the successful bid to buy out the minority interests in Bancomer in the first quarter (BBVA's interest in Bancomer rose to 99.7% at 30th June) an agreement has been reached for the acquisition of Valley Bank. This bank has a licence to operate in California and six branches located south of Los Angeles. It is expected that this operation will be completed in the third quarter subject to the corresponding authorisations. At that time the Group will be able to offer its customers full banking services in southern California through Bancomer Transfer Services. This company is the leader in remittances from the United States to Mexico. It will also help the Group explore the specific needs of the Hispanic community in the U.S.

After the end of the half year, Bancomer together with other Mexican banks, has reached an agreement with the Mexican Bank Savings Protection Institute (known as IPAB) under which bills of exchange issued by the Bank Savings Protection Fund (Fobaproa) are being exchanged for IPAB bonds. This agreement includes auditing provisions and an end to the litigation between the parties. The provisions in the local books together with those made at the consolidated level, fully cover the expected contingencies arising from this agreement.

Income for the period

In the second quarter of 2004, the BBVA Group once again increased the speed at which it is generating recurrent earnings. It recorded the highest operating profit since the second quarter of 2002 and the highest attributable net income since the second quarter of 2001

–despite the impact of intense depreciation of Latin-American currencies in recent years. Following this positive quarter, all profit lines on the income statement from net interest income to operating profit, show that growth in the first half (in year-on-year terms) was higher than the equivalent figures for the first quarter –both at current and constant exchange rates.

Operating profit generated between April and June comes to 1,391 million euros, which is a year-on-year increase of 10.2% (16.4% at constant exchange rates). These percentages are better than the year-on-year growth of 5.2% and 12.5%, respectively, in the first quarter. This means that the operating profit of 2,670 million euros in the first half is 7.7% higher than the same period in 2003 at current exchange rates (14.5% at constant rates).

Faster growth of recurrent earnings in the Group are coming from all business areas. In the Retail Banking Area in Spain and Portugal operating profit grew 11.0% (8.1% in the first quarter), in Wholesale and Investment Banking it grew 16.8% (0.6% at March) and in the Americas the figure was 11.2% at constant exchange rates (9.7% in the first quarter). The figure for the Americas is the result of a 10.9% increase in Mexico and 11.5% in the rest of the continent.

This favourable trend in operating profit is supported by good performance of net interest income and net fee income and by the containment of costs.

In the first half, net interest income came to 3,519 million euros. This was 5.1% higher than the same period in 2003 at current exchange rates and 11.4% at constant rates. It was the consequence of dividends received and of an improvement in the core net interest income (financial revenues less financial expenses).

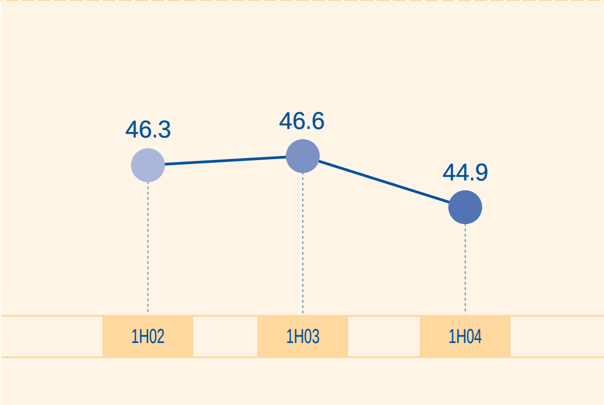
In the first half year Retail Banking in Spain and Portugal recorded a year-on-year increase in net interest income of 2.6% boosted by higher activity in a context of more stable customer spreads. In Wholesale Banking it grew 14.7% and in the Americas it grew by 0.6% at current exchange rates despite the impact of currency depreciation. When stated at constant rates this growth was 15.5% (14.3% in Mexico). In the first quarter of the year, these year-on-year improvements were 7.7% and 7.9%, respectively.

Net fee income came to 826 million euros in the second quarter with a year-on-year increase of 4.3%. This was higher than the 2.3% recorded in the first quarter. In the first half fee income came to 1,650 million euros, an increase of 3.3% (9.4% at constant exchange rates). Attention is drawn to the improvement in Retail Banking in Spain and Portugal where the year-on-year increase was 12.0%. Fee income includes mutual and pension funds, which make up about one third of the total. They exceeded fee income in the first half of 2003 by 13.4% at constant exchange rates. Commissions on securities intermediation rose by 9.2% and fees from collections and disbursements increased by 8.4%.

Thus core revenues for the quarter rose to 2,661 million euros, 6.9% higher than the second quarter of 2003. Consequently the cumulative figure for the half year was 5,169 million euros. It exceeded the first half of 2003 by 4.5% at current exchange rates and by 10.7% at constant rates. Net trading income declined by 32.0% in the half year. This was due to the Americas and specifically to Mexico where an increase in interest rates and sovereign risk in the second quarter affected the value of the trading portfolio. It was also influenced by the high levels in Argentina in 2003. Ordinary revenues came to 5,443 million euros in the half year with increases of 1.8% at current exchange rates and 7.7% at constant rates. This was despite the above-mentioned decline in net trading income. The corresponding figures in the first quarter were 0.7% and 7.3%, respectively.

Operating expenses in the half year fell 1.8% at current exchange and increased 3.5% at constant rates. In Retail Banking and in Wholesale Banking they were practically

EFFICIENCY RATIO
(PERCENTAGE)



flat while in the Americas they increased 5.7%. The evolution of revenues and expenses led to a new improvement in the cost/income ratio. This was 43.9% in the second quarter –the best figure in BBVA's history. This puts the figure for the first half at 44.9% with an improvement of 1.7 points over the 46.6% for the same period of 2003. Improvement was recorded in all business areas, falling to 43.1% in Retail Banking (45.2% in the first half of 2003), to 26.4% in Wholesale Banking (compared to 29.2%) and to 43.2% in the entire Americas area with 40.2% in Mexico (43.9% and 41.0%, respectively, in the first half of 2003).

The contribution of companies carried by the equity method came to 386 million euros in the half year. The year-on-year increase was 29.8% and was mainly due to extraordinary adjustments in 2003 following restatement of the final 2002 results of companies such as Telefónica and Terra. After discounting the dividends received, net earnings from companies carried by the equity method came to 156 million euros, a year-on-year increase of 35.6%.

Earnings on Group transactions in the half year came to 307 million euros (10.4% higher than the same period in 2003). This included capital gains of 218 million euros and 26 million euros generated in the first quarter by the sale of shares in Banco Atlántico and Direct Seguros, and by capital gains of 36 million euros from the sale of the 5% stake in Acerinox in the second quarter. The first half of 2003 included 343 million euros on the sale of the interest in Crédit Lyonnais.

The Group earmarked 514 million euros for loan provisions in the half year compared to 847 million euros in the same period last year which included 285 million euros for increasing the coverage of exposure associated with Argentina's country risk, from 50% to 75%. It also included other provisions related to that country with simultaneous write-back of special funds under extraordinary results. After considering the above mentioned provisions and extraordinary results, the change with regard to the first half of 2003 is practically zero. Amortisation of goodwill accounted for 313 million euros, an increase of 4.0% compared to the same period last year. This was due to greater amortisation for Bancomer as goodwill on industrial shareholdings was reduced as a result of divestments. It should also be taken into account that the second quarter of 2003 included amortisation of 39 million euros generated by the purchase of the interest in Bradesco.

Net income before tax comes to 2,118 million euros. This is 13.1% more than the first half of 2003 at current exchange rates and 18.9% higher at constant rates. It should be noted that at constant exchange rates the increase in net income before tax is exactly the same as the operating profit. In terms of the overall effect of the intermediate items of the profit and loss account, the higher earnings from the equity method and, to a lesser extent, from Group operations, are compensated by goodwill, provisioning and extraordinary items.

Corporate tax for the half year comes to 569 million euros. A tax rate of 27% is considered normal. Thus net profit was 1,549 million euros, 3.3% more than than the 1,500 million euros in the same period in 2003 (an increase of 8.1% at constant exchange rates). Income attributable to minority holdings was 194 million euros – 41.7% less than the first half of 2003. This was mainly due to the reduction in minority interests in Bancomer following the takeover, to the effect of exchange rates and to the decrease in the cost of preferred stock on amortisation of old issues and their partial replacement by lower cost issues.

This brings the attributable net income of the Group in the second quarter of 2004 to 688 million euros and the cumulative figure for the first half is 1,355 million euros. This is an increase of 16.1% over the 1,167 million euros in the first half of 2003 (20.1% at constant exchange rates).

Despite the capital increase of 1,999 million euros done in February, earnings per share increased by 10.6% to 0.40 euros and return on equity (ROE) rose to 19.8% compared to 19.3% in the first half of 2003. Return on assets (ROA) is 1.04%.

Balance sheet and business activity

At 30th June 2004 the total assets of the BBVA Group came to 316 billion euros. This represents a year-on-year increase of 13.9% in current euros and 17.7% at constant rates and it is an improvement on the growth recorded in the first quarter (12.1% and 15.8%, respectively). Business volume, the sum of total loans and customer funds under management, came to 481.5 billion euros, 8.8% more than 30-Jun-03 at current exchange rates and 11.9% more at constant rates. These figures are similar to those at the end of the first quarter of 2004 and confirm the sustained growth of the Group's business.

Lending to customers was especially active and closed the quarter with a balance of 166 billion euros, 12.2% higher than the balance at 30-Jun-03 (14.3% higher at constant exchange rates). At 31-Mar-04 the year-on-year increase was 9.1% at current rates and 11.2% at constant rates.

Lending to other resident sectors continues to grow faster and reached 110 billion euros at the end of the half year. This was 16.8% more than twelve months earlier (14.5% at 31-Mar-04). Of the above figure, secured loans continue to be the most active. They increased by 22.3% over June 2003 to 59 billion euros (in March the increase was 19.4%). They now account for 53.9% of loans to other resident sectors, compared to 51.4% a year earlier. Other lending includes leasing (up by 21.9%) and other term loans (up by 9.9%).

Lending to non-residents also grew faster and although they continue to be affected by currency depreciation, they came to 39 billion euros. For the first time in recent years they recorded a positive year-on-year variation in current euros of 3.6%. This becomes 11.0% at constant exchange rates (a 0.3% decline and a 6.9% increase, respectively, at 31-Mar-04).

Non-performing loans declined for the sixth quarter running to 1,995 million euros at 30-Jun-04. This was a year-on-year fall of 36.2%. This reduction, together with the above increase in lending, has led to an important improvement in asset quality. The non-performing loan (NPL) ratio is defined as bad loans (including contingent liabilities and excluding group 5 country risk) divided by total exposure. The ratio for total risk exposure was 1.11% compared to 1.23% at 31-Mar-04 and to 1.59% at 30-Jun-03. The ratio for credit risk also improved to 1.20% from 2.12% in June 2003.

The improvement continued to come from all business areas, both in the quarter and in the last twelve months. In all cases it was the result of the decline in doubtful loans and the increase in lending activity. In Retail Banking in Spain and Portugal the NPL ratio for total risk exposure fell to 0.65% compared to 0.89% at 30-Jun-03. In the case of Wholesale Banking the ratio is now 0.30% (0.61% a year earlier) and in the Americas it has fallen to 3.88%, compared to 5.08% in June 2003 (3.47% and 4.12%, respectively, in Mexico).

The above decline in non-performing loans together with the increase in provisions during the quarter, resulted in coverage increasing to 223.4%, compared to 209.8% at 31-Mar-04 and 183.8% at 30-Jun-03.

Total customer funds under management came to 316 billion euros at the end of the half year. This was 7.1% more than the same date a year earlier and at constant exchange rates the figure swells to 10.7%.

Customer funds on the balance sheet rose to 196 billion euros, a year-on-year increase of 7.2% at current exchange rates and 10.8% at constant rates. Public sector deposits were 6 billion euros and deposits by other resident sectors were 73 billion euros. This was 7.1% more than June 2003. They include transactional deposits (current and savings accounts) which increased 5.7%. Time deposits fell due to the marked preference of customers for mutual funds. Non-resident deposits increased by 0.7% at current exchange rates and by 9.7% at constant rates. There was a notable increase in transactional deposits (up by 18.2% in local currency). Marketable debt securities continue to grow at a significant pace due to the 3 billion euro issue of “cédulas hipotecarias” (covered bonds) in the first quarter.

Off-balance sheet funds (mutual funds, pension funds and customer’s portfolios) came to 120 billion euros at the end of June 2004, 7.0% higher than the amount twelve months earlier (10.5% higher at constant exchange rates).

Spain accounted for 66 billion euros with an increase of 16.5% year-on-year. This was supported by growth of 19.0% in mutual funds which rose to 41.2 billion euros. The success of the new funds launched by the Group in the first half (*Triple Óptimo, Plan Rentas 2007, Plan Rentas 2009, BBVA 4-100 Ibex*) means that in absolute terms BBVA is the manager with the greatest growth in assets since the end of 2003. It has grown more than other big fund managers and has gained most market share: 48 basis points in the first half and 69 basis points in the last twelve months. At the end of June pension funds came to 12.6 billion euros and customer’s portfolios to 12.4 billion euros, with year-on-year increases of 10.5% and 14.5%, respectively.

In other countries where the Group operates, off-balance sheet funds came to 54 billion euros with a year-on-year decline of 2.7% at current exchange rates. At constant rates this becomes an increase of 4.0%. Of this figure, 27.1 billion euros are pension funds, 17.4 billion euros are customer’s portfolios and 9.2 billion euros mutual funds.

Capital base

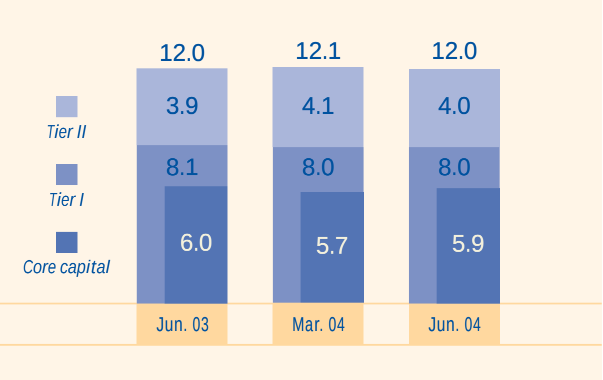
At 30th June 2004 the capital base of the BBVA Group was 21,073 million euros with a capital base surplus of 7,002 million euros –based on the standards of the Bank for International Settlements (BIS).

Core capital was 10,348 million euros and the ratio now stands at 5.9%, compared to 5.7% at 31-Mar-04. This improvement is a result of recurrent earnings in the second quarter and is in line with the target of 6.0% for the end of 2004. After incorporating other core equity, Tier I, which represents 66.7% of the capital base, was 8.0%.

In view of market conditions, the Group's capital base was further improved on 30th June 2004 by early amortisation of 700 million euros of preference shares (series B of BBVA International Ltd) with a coupon of 6.24%. Furthermore in June BBVA Capital Finance, a wholly-owned Group subsidiary with headquarters in Bilbao, issued 500 million euros of preference shares. This was distributed through the bank's branch network. It carries 3% p.a. interest over the first two quarters and after this interest will be variable and linked to 3-month Euribor (with a minimum of 2.75% and a maximum of 6.50% up to 30-Sept-09).

Tier II is 4.0% and, together with Tier I, brings the BIS ratio to 12.0%.

CAPITAL BASE: BIS RATIO
(PERCENTAGE)



The BBVA share price

In the second quarter of 2004 and despite the expected rises in interest rates and higher oil prices, the world's stock exchanges managed to consolidate the levels achieved at the end of March and closed the quarter with moderate advances in the most important indices: the Euro Stoxx 50 increased by 0.8%, the S&P by 1.3% and the Nikkei rose by 1.2%.

The BBVA share price rose 1.9% during the second quarter. This was better than the Euro Stoxx Banks which rose 1.1%. This index represents the average of the banking sector in the Euro area. The share price also outperformed the Euro Stoxx 50, the Ibex 35 (up by 0.8%) and the share price of other major Spanish banks.

In the last twelve months the BBVA share price has risen by a total of 20.0%. This is higher than Euro Stoxx Banks (16.8%), the Euro Stoxx 50 (16.2%) and the Ibex 35 (17.7%). Together with the capital increase in February 2004, this means that BBVA has increased its market capitalisation by 27.3% over the above period, bringing it to 37.2 billion euros at the end of June.

In the second quarter the variation in the BBVA share price, expressed as the percentage difference between the maximum and minimum price, was 12% and the average number of shares traded was 34 million. The latter figure is somewhat lower than that of the first quarter of 2004. Average daily volume has declined from 409 million euros in the first quarter to 375 million euros in the second.

In regard to shareholder remuneration, a final dividend of 0.114 euros per share for 2002 was paid on 13th April. On 12th July the first interim dividend of 0.10 euros per share was paid against 2004 results. This is an increase of 11.1% over the first interim dividend last year.

Income statement

CONSOLIDATED INCOME STATEMENT
(MILLION EUROS)

	1H04	Δ%	1H03	Memorandum item: Δ% at constant exchange rates
Financial revenues	6,043	(7.9)	6,565	(2.3)
Financial expenses	(2,908)	(16.4)	(3,480)	(11.5)
Dividends	384	46.1	263	47.6
NET INTEREST INCOME	3,519	5.1	3,348	11.4
Net fee income	1,650	3.3	1,598	9.4
CORE REVENUES	5,169	4.5	4,946	10.7
Net trading income	274	(32.0)	403	(28.8)
ORDINARY REVENUES	5,443	1.8	5,349	7.7
Personnel costs	(1,579)	(3.1)	(1,629)	1.4
General expenses	(866)	0.5	(862)	7.5
GENERAL ADMINISTRATIVE EXPENSES	(2,445)	(1.8)	(2,491)	3.5
Depreciation and amortization	(225)	(12.8)	(258)	(8.5)
Other operating income and expenses (net)	(103)	(14.9)	(121)	(6.8)
OPERATING PROFIT	2,670	7.7	2,479	14.5
Net income from companies accounted for by the equity method	156	35.6	115	37.2
Memorandum item: correction for payment of dividends	(230)	26.2	(182)	28.0
Amortization of goodwill	(313)	4.0	(301)	4.0
Net income from Group transactions	307	10.4	278	10.4
Net loan loss provisions	(514)	(39.3)	(847)	(36.4)
Net securities writedowns	-	-	-	-
Net extraordinary income (loss)	(188)	n.m.	149	n.m.
PRE-TAX PROFIT	2,118	13.1	1,873	18.9
Corporate income tax	(569)	52.6	(373)	64.1
NET PROFIT	1,549	3.3	1,500	8.0
Minority interests	(194)	(41.7)	(333)	(36.5)
• Preferred shares	(103)	(14.1)	(120)	(14.1)
• Minority interests	(91)	(57.1)	(213)	(50.9)
NET ATTRIBUTABLE PROFIT	1,355	16.1	1,167	20.1

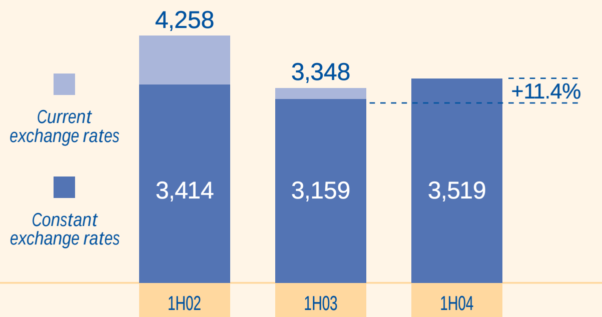
CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION
(MILLION EUROS)

	2004		2003			
	2Q	1Q	4Q	3Q	2Q	1Q
Financial revenues	3,111	2,932	2,994	2,978	3,190	3,375
Financial expenses	(1,516)	(1,392)	(1,408)	(1,372)	(1,653)	(1,827)
Dividends	240	144	132	69	161	102
NET INTEREST INCOME	1,835	1,684	1,718	1,675	1,698	1,650
Net fee income	826	824	815	850	792	806
CORE REVENUES	2,661	2,508	2,533	2,525	2,490	2,456
Net trading income	110	164	149	100	206	197
ORDINARY REVENUES	2,771	2,672	2,682	2,625	2,696	2,653
Personnel costs	(785)	(794)	(835)	(799)	(800)	(829)
General expenses	(432)	(434)	(471)	(435)	(442)	(420)
GENERAL ADMINISTRATIVE EXPENSES	(1,217)	(1,228)	(1,306)	(1,234)	(1,242)	(1,249)
Depreciation and amortization	(112)	(113)	(124)	(129)	(130)	(128)
Other operating income and expenses (net)	(51)	(52)	(43)	(55)	(62)	(59)
OPERATING PROFIT	1,391	1,279	1,209	1,207	1,262	1,217
Net income from companies accounted for by the equity method	72	84	98	170	89	26
Memorandum item: correction for payment of dividends	(128)	(102)	(105)	(32)	(114)	(68)
Amortization of goodwill	(181)	(132)	(208)	(130)	(170)	(131)
Net income from Group transactions	62	245	159	116	78	200
Net loan loss provisions	(223)	(291)	(223)	(207)	(524)	(323)
Net securities writedowns	-	-	-	-	-	-
Net extraordinary income (loss)	(70)	(118)	(200)	(52)	246	(97)
PRE-TAX PROFIT	1,051	1,067	835	1,104	981	892
Corporate income tax	(261)	(309)	(185)	(357)	(164)	(209)
NET PROFIT	791	758	650	747	817	683
Minority interests	(103)	(91)	(162)	(175)	(164)	(169)
• Preferred shares	(52)	(51)	(46)	(48)	(56)	(64)
• Minority interests	(51)	(40)	(116)	(127)	(108)	(105)
NET ATTRIBUTABLE PROFIT	688	667	488	572	653	514

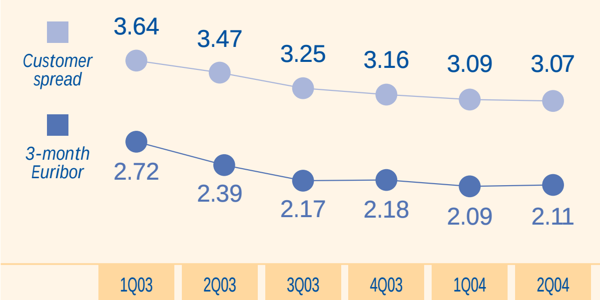
BREAKDOWN OF YIELDS AND COSTS

	2Q04		1Q04		4Q03	
	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost	% of ATA	% Yield/Cost
Credit entities	10.2	3.76	10.3	3.60	10.0	4.30
• Euros	4.3	2.13	4.4	1.74	3.5	1.04
• Foreign currencies	5.9	4.94	5.9	4.99	6.5	6.06
Total net lending	52.6	4.88	53.0	4.88	53.0	5.02
• Euros	42.1	4.01	42.2	4.15	41.8	4.29
- Domestic	39.0	4.13	38.3	4.23	38.0	4.29
- Other	3.1	2.52	3.9	3.40	3.8	4.36
• Foreign currencies	10.5	8.35	10.8	7.71	11.2	7.72
Securities portfolio	28.7	4.99	28.6	4.50	28.4	4.32
• Fixed-income securities	25.2	4.43	25.3	4.29	25.2	4.15
- Euros	16.1	2.89	15.3	2.95	14.8	3.03
- Foreign currencies	9.1	7.15	10.0	6.34	10.4	5.72
• Equity securities	3.5	9.00	3.3	6.08	3.2	5.68
- Investments accounted for by the equity method	2.1	7.91	2.2	6.54	2.2	6.57
- Other investments	1.4	10.67	1.1	5.19	1.0	3.68
Non-interest earning assets	8.5	-	8.1	-	8.6	-
AVERAGE TOTAL ASSETS	100.1	4.39	100.0	4.26	100.0	4.34
Credit entities	22.3	2.81	21.0	2.81	21.3	3.36
• Euros	13.5	2.14	12.8	1.98	12.7	2.05
• Foreign currencies	8.8	3.83	8.2	4.12	8.6	5.32
Customer funds	63.3	2.04	64.2	1.99	63.8	1.89
• Customer deposits	48.7	1.85	50.0	1.79	49.3	1.66
- Euros	29.4	1.23	30.2	1.29	29.1	1.24
- Domestic deposits	18.2	1.06	18.8	1.14	19.1	1.13
- Other	11.2	1.50	11.4	1.53	10.0	1.46
- Foreign currencies	19.3	2.79	19.8	2.55	20.2	2.27
• Debt and other marketable debt securities	14.6	2.68	14.2	2.71	14.5	2.68
- Euros	13.2	2.47	12.7	2.54	12.8	2.50
- Foreign currencies	1.4	4.71	1.5	4.18	1.7	4.06
Shareholders' funds	4.7	-	4.7	-	4.2	-
Other non-interest bearing liabilities	9.7	-	10.1	-	10.7	-
AVERAGE TOTAL LIABILITIES	100.0	1.99	100.0	1.93	100.0	1.96
NET INTEREST INCOME/ATA		2.40		2.33		2.39

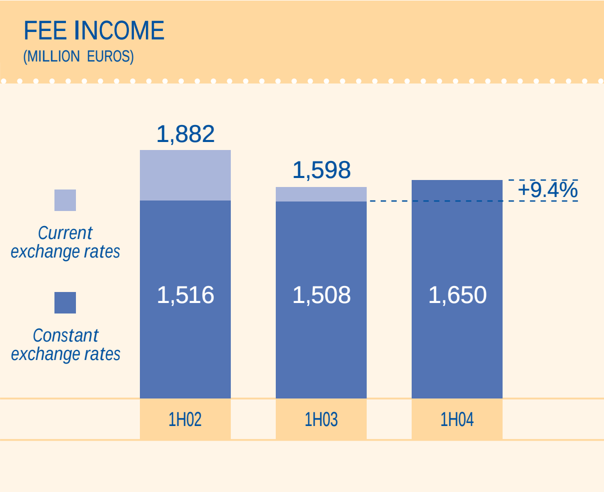
NET INTEREST INCOME
(MILLION EUROS)

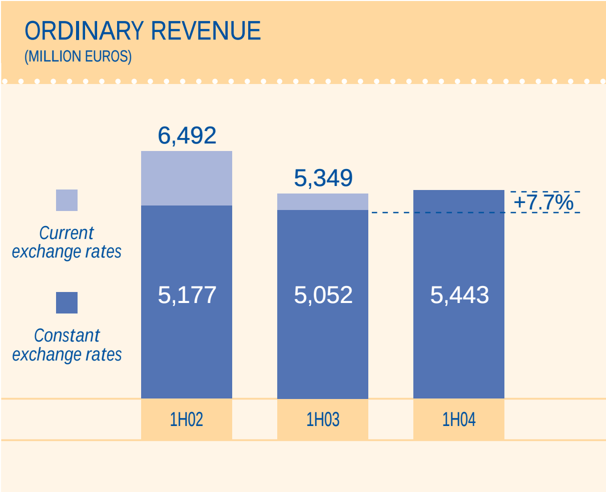


CUSTOMER SPREAD (DOMESTIC) (1)
(PERCENTAGE)



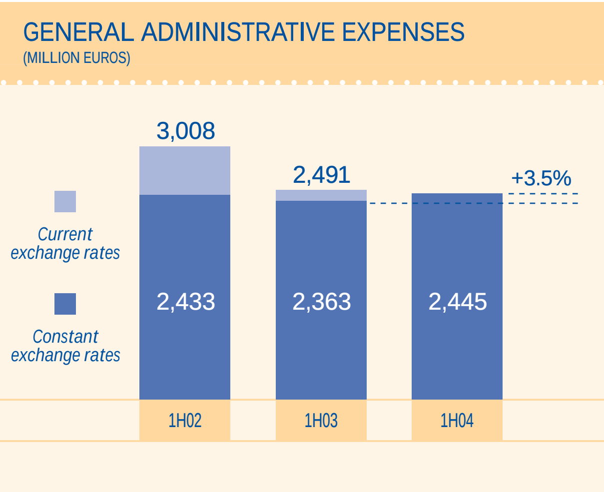
(1) Return on total net lending less costs of deposits.

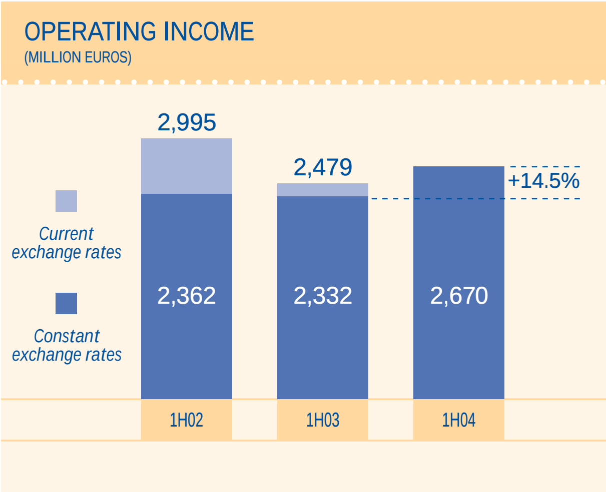




NET FEE INCOME
(MILLION EUROS)

	1H04	Δ%	1H03
NET FEE INCOME	1,650	3.3	1,598
Collection and payment services	666	(0.3)	667
• Credit and debit cards	279	(1.4)	282
• Other collection and payment services	387	0.6	385
Asset management	577	9.7	526
• Mutual and pension funds	531	9.6	485
• Managed portfolios	46	10.1	41
Other securities services	235	4.5	226
• Purchase/sale of securities	72	23.0	59
• Underwriting and placement	27	(21.1)	34
• Administration and custody services	136	3.0	133
Other fees	172	(4.1)	179

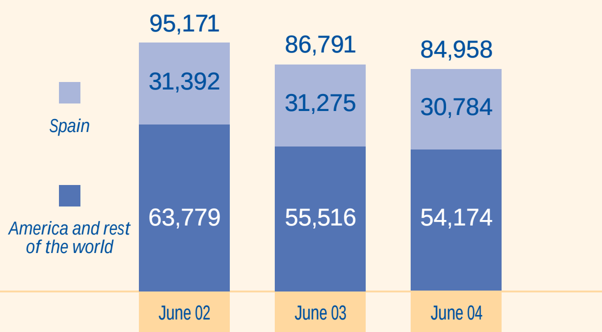




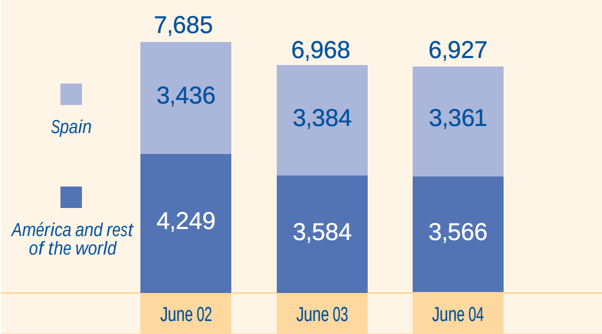
GENERAL AND ADMINISTRATIVE EXPENSES
(MILLION EUROS)

	1H04	Δ%	1H03
PERSONNEL COSTS	1,579	(3.1)	1,629
Wages and salaries	1,179	(2.6)	1,211
• Fixed compensation	955	(3.4)	989
• Variable compensation	224	1.1	222
Employee welfare expenses	285	(4.6)	298
• Of which: pension funds	67	(11.0)	75
Training expenses and other	115	(4.0)	120
GENERAL EXPENSES	866	0.5	862
Premises	176	(2.9)	181
IT	199	11.9	178
Communications	90	(13.4)	104
Advertising and publicity	68	11.0	62
Corporate expenses	35	2.9	34
Other expenses	226	(0.2)	226
Levies and taxes	72	(6.9)	77
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	2,445	(1.8)	2,491

NUMBER OF EMPLOYEES



NUMBER OF BRANCHES

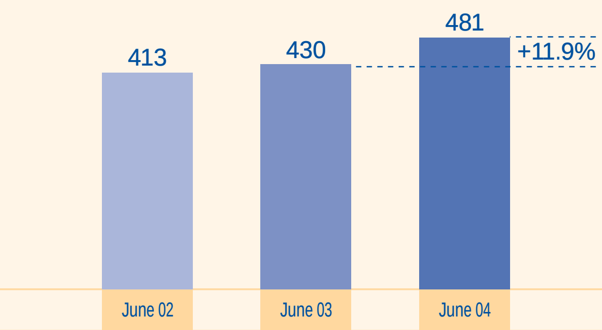


Balance sheet and activity

CONSOLIDATED BALANCE SHEETS
(MILLION EUROS)

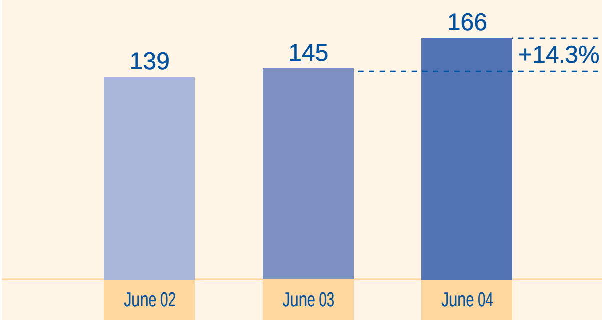
	30-06-04	∆%	30-06-03	31-03-04
Cash on hand and deposits at Central Banks	9,186	1.2	9,073	9,290
Due from credit entities	23,441	24.4	18,845	26,556
Total net lending	161,266	13.1	142,637	152,901
Fixed-income securities portfolio	78,478	13.8	68,982	76,801
• Government debt securities	20,600	14.2	18,032	18,671
• Debentures and other debt securities	57,878	13.6	50,950	58,130
Equity securities portfolio	13,150	37.1	9,588	9,529
• Accounted for by the equity method	7,732	18.1	6,545	5,790
• Other investments	5,418	78.0	3,043	3,739
Goodwill in consolidation	5,572	35.7	4,106	5,682
Property and equipment	3,826	(10.0)	4,254	3,878
Treasury stock	73	22.9	60	71
Accumulated losses at consolidated companies	3,518	4.7	3,360	3,671
Other assets	17,886	5.4	16,969	16,260
TOTAL ASSETS	316,396	13.9	277,874	304,639
Due to credit entities	75,028	41.7	52,964	68,558
On-balance-sheet customer funds	195,986	7.2	182,771	192,740
• Deposits	150,125	5.4	142,414	147,659
• Marketable debt securities	38,649	13.4	34,072	37,642
• Subordinated debt	7,212	14.8	6,285	7,439
Other liabilities	21,546	8.8	19,811	19,817
Net profit for the year	1,549	3.3	1,500	758
Minority interests	4,363	(19.9)	5,449	4,597
Capital	1,662	6.1	1,566	1,662
Reserves	16,262	17.7	13,813	16,507
TOTAL LIABILITIES AND EQUITY	316,396	13.9	277,874	304,639
Other customer funds managed	119,872	7.0	112,024	118,500
• Mutual funds	50,404	12.6	44,772	48,853
• Pension funds	39,670	3.7	38,265	40,016
• Customer portfolios	29,798	2.8	28,987	29,631
Contingent liabilities	19,143	19.9	15,966	17,259
MEMORANDUM ITEM:				
Average total assets	300,308	9.4	274,429	293,343
Average risk-weighted assets	173,414	7.0	162,121	173,721
Average shareholders' funds	13,784	13.1	12,187	13,217

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)

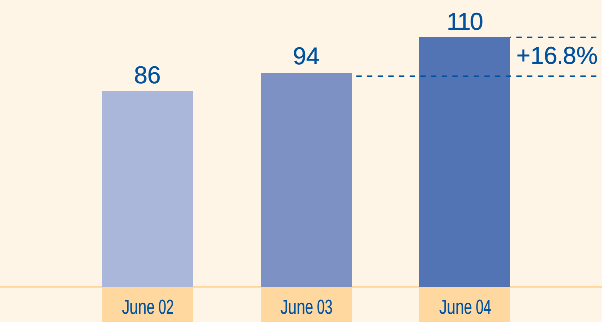


(1) At constant exchange rates.

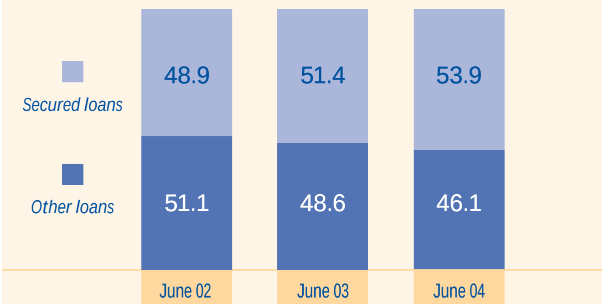
TOTAL LENDING
(MILLION EUROS)

	30-06-04	∆%	30-06-03	31-03-04
Public sector	14,370	15.6	12,427	13,358
Other domestic sectors	110,169	16.8	94,343	104,393
• Secured loans	59,336	22.3	48,516	55,839
• Commercial loans	7,800	8.8	7,171	7,943
• Other term loans	35,009	9.9	31,864	33,720
• Credit card debtors	1,018	4.7	972	975
• Other	2,171	17.1	1,854	1,391
• Financial leases	4,835	21.9	3,966	4,525
Non-domestic sector	39,100	3.6	37,724	37,335
• Secured loans	11,971	7.3	11,154	11,705
• Other loans	27,129	2.1	26,570	25,630
Nonperforming loans	1,995	(36.2)	3,126	2,135
• Public sector	82	26.2	65	72
• Other domestic sectors	620	(12.3)	707	676
• Non-domestic sectors	1,293	(45.1)	2,354	1,388
TOTAL LENDING (GROSS)	165,634	12.2	147,620	157,221
Loan loss provisions	(4,368)	(12.3)	(4,983)	(4,320)
TOTAL NET LENDING	161,266	13.1	142,637	152,901

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



DETAIL OF TOTAL GROSS LENDING TO OTHER DOMESTIC SECTORS
(PERCENTAGE)

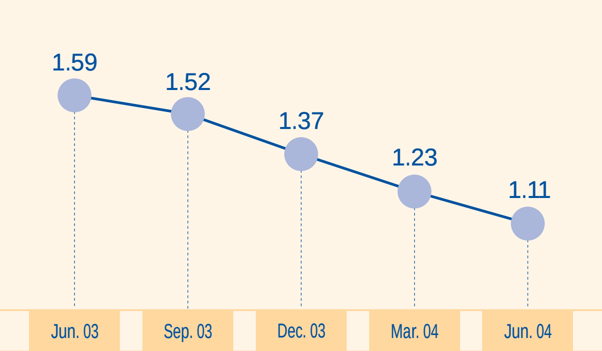


VARIATIONS IN NONPERFORMING LOANS
(MILLION EUROS)

	2Q04	1Q04	4Q03	3Q03
BEGINNING BALANCE [1]	2,150	2,320	2,520	2,588
Net variation	(105)	(170)	(200)	(68)
+ Entries	450	485	460	517
- Outflows	(357)	(390)	(424)	(311)
- Write-offs	(198)	(265)	(236)	(274)
PERIOD-END BALANCE [1]	2,045	2,150	2,320	2,520
MEMORANDUM ITEM:				
• Nonperforming loans	1,995	2,135	2,673	2,948
• Country risk (group 5)	(26)	(86)	(457)	(547)
• Nonperforming contingent liabilities	76	101	104	119

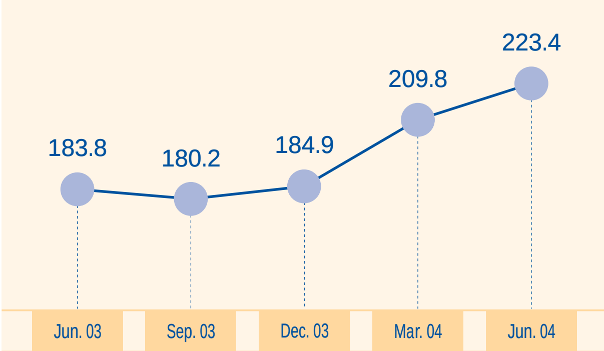
(1) Including contingent liabilities but excluding country risk (group 5).

NONPERFORMING LOAN RATIO [1]
(PERCENTAGE)



(1) Nonperforming assets/Total risks.

COVERAGE RATIO
(PERCENTAGE)



RISK MANAGEMENT
(MILLION EUROS)

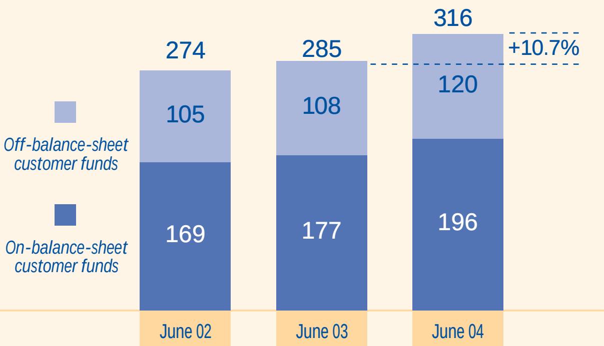
	30-06-04	Δ%	30-06-03	31-03-04
TOTAL RISK EXPOSURE [1]				
Nonperforming assets	2,045	(21.0)	2,588	2,150
Total risks	184,751	13.4	162,955	174,394
Provisions	4,569	(3.9)	4,755	4,512
NPL ratio (%)	1.11		1.59	1.23
NPL coverage ratio (%)	223.4		183.8	209.8
CREDIT RISK				
NPL ratio (%)	1.20		2.12	1.36
NPL coverage ratio (%)	218.9		159.4	202.3
Coverage ratio including secured loans (%)	236.8		179.4	222.5
MEMORANDUM ITEM:				
Foreclosed assets	364	(19.4)	452	378
Foreclosed asset provisions	197	(10.4)	219	208
Coverage (%)	54.0		48.5	55.0

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

CUSTOMER FUNDS MANAGED
(MILLION EUROS)

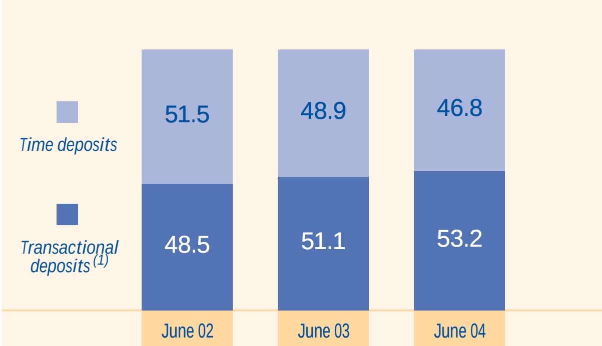
	30-06-04	∆%	30-06-03	31-03-04
ON-BALANCE-SHEET CUSTOMER FUNDS	195,986	7.2	182,771	192,740
DEPOSITS	150,125	5.4	142,414	147,659
Public sector	6,065	65.6	3,662	10,034
Other domestic sectors	73,180	7.1	68,355	67,523
• Current accounts	21,670	3.8	20,872	20,019
• Savings accounts	18,015	8.0	16,687	16,653
• Time deposits	17,640	(6.9)	18,945	18,835
• Assets sold under repurchase agreement	15,855	33.8	11,851	12,016
Non-domestic sector	70,880	0.7	70,397	70,102
• Current and savings accounts	25,832	6.5	24,247	24,943
• Time deposits	39,970	(0.5)	40,175	39,194
• Assets sold under repurchase agreement and other accounts	5,078	(15.0)	5,975	5,965
MARKETABLE DEBT SECURITIES	38,649	13.4	34,072	37,642
Mortgage bonds	14,726	25.7	11,717	14,735
Other marketable securities	23,923	7.0	22,355	22,907
SUBORDINATED DEBT	7,212	14.8	6,285	7,439
OTHER CUSTOMER FUNDS MANAGED	119,872	7.0	112,024	118,500
Mutual funds	50,404	12.6	44,772	48,853
Pension funds	39,670	3.7	38,265	40,016
Customer portfolios	29,798	2.8	28,987	29,631
TOTAL CUSTOMER FUNDS MANAGED	315,858	7.1	294,795	311,240

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)

	30-06-04	∆%	30-06-03	31-03-04
SPAIN	66,181	16.5	56,830	64,087
MUTUAL FUNDS	41,198	19.0	34,619	39,577
Mutual Funds (ex Real Estate)	40,339	18.0	34,177	38,890
• Money market	11,837	11.1	10,653	11,141
• Fixed-income	12,758	6.4	11,995	11,976
Of which: Guaranteed	6,973	10.3	6,323	5,996
• Balanced	2,622	(5.1)	2,765	2,810
Of which: International funds	2,545	(4.1)	2,653	2,701
• Equity	12,630	54.5	8,174	12,527
Of which: Guaranteed	9,538	76.9	5,392	9,362
International funds	2,125	(6.7)	2,278	2,217
• Global	492	(16.6)	590	436
Real Estate investment trusts	859	94.5	442	687
PENSION FUNDS	12,555	10.5	11,358	12,515
Individual pension plans	6,632	15.1	5,761	6,609
Corporate pension funds	5,923	5.8	5,597	5,906
CUSTOMER PORTFOLIOS	12,428	14.5	10,853	11,995
REST OF THE WORLD	53,691	(2.7)	55,194	54,413
Mutual funds	9,206	(9.3)	10,153	9,276
Pension funds	27,115	0.8	26,907	27,501
Customer portfolios	17,370	(4.2)	18,134	17,636
OTHER CUSTOMER FUNDS MANAGED	119,872	7.0	112,024	118,500

GOODWILL IN CONSOLIDATION

(MILLION EUROS)

	30-06-04	∆%	30-06-03	31-03-04
Global and proportional integration method	4,508	66.4	2,710	4,651
• Banks in America	3,878	96.4	1,975	3,989
• Pension fund management companies in America	402	(15.2)	474	427
• Other	228	(12.7)	261	235
Companies accounted for by the equity method	1,064	(23.8)	1,396	1,031
GOODWILL IN CONSOLIDATION	5,572	35.7	4,106	5,682

Capital base

CAPITAL BASE (BIS REGULATIONS)
(MILLION EUROS)

	30-06-04	31-03-04	30-06-03
CAPITAL (TIER I)	14,049	13,878	13,627
Capital stock	1,662	1,662	1,566
Reserves [1]	12,567	12,660	10,276
Minority interests	4,454	4,637	5,449
• Preferred shares	3,700	3,899	3,567
• Other	754	738	1,882
Deductions	(5,651)	(5,748)	(4,544)
Net attributable profit	1,355	667	1,167
Dividends	(338)	-	(287)
OTHER ELIGIBLE CAPITAL (TIER II)	7,024	7,089	6,469
Subordinated debt	6,181	6,288	4,695
Revaluation reserves and other	1,600	1,548	2,639
Deductions	(757)	(747)	(865)
CAPITAL BASE	21,073	20,967	20,096
Minimum capital requirement	14,071	13,896	13,421
CAPITAL SURPLUS	7,002	7,071	6,675
MEMORANDUM ITEM:			
Risk-weighted assets	175,884	173,706	167,761
BIS RATIO (%)	12.0	12.1	12.0
CORE CAPITAL	5.9	5.7	6.0
TIER I (%)	8.0	8.0	8.1
TIER II (%)	4.0	4.1	3.9

(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

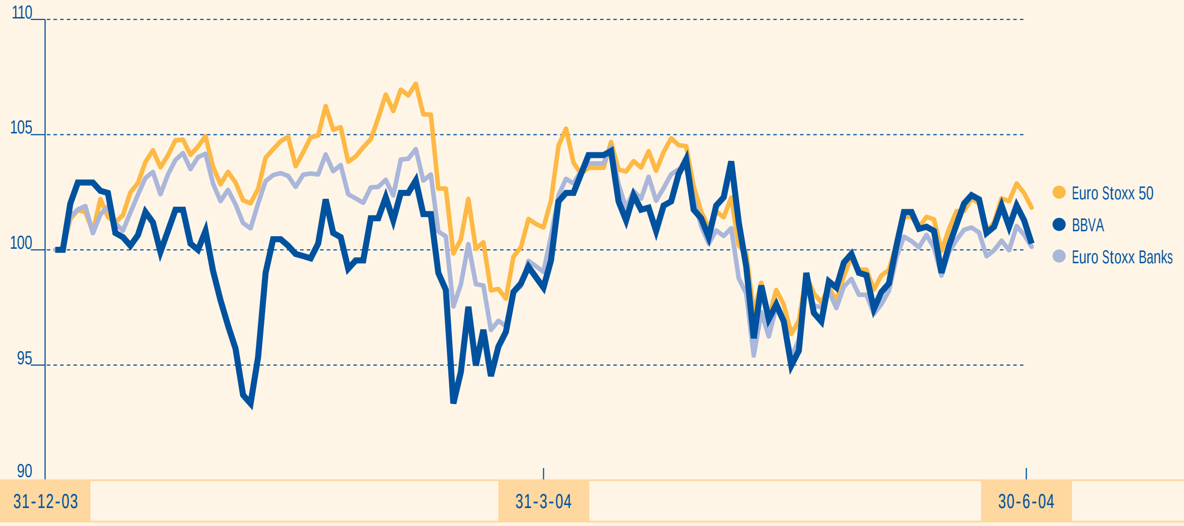
	30-06-04	31-03-04	30-06-03
Number of shareholders	1,132,490	1,150,391	1,183,969
Number of shares issued	3,390,852,043	3,390,852,043	3,195,852,043
Daily average number of shares traded	35,887,982	37,791,802	31,966,836
Daily average trading (million euros)	392.21	409.06	278.77
Maximum price (euros)	11.48	11.47	10.39
Minimum price (euros)	10.15	10.15	6.83
Closing price (euros)	10.98	10.77	9.15
Book value per share (euros)	4.53	4.45	4.11
Market capitalization (million euros)	37,232	36,519	29,242

SHARE PERFORMANCE RATIOS

	30-06-04	31-03-04	30-06-03
Price/Book value (times)	2.4	2.4	2.2
PER (Price/Earnings; times) (1)	14.2	14.6	13.1
Yield (Dividend/Price; %) (2)	3.92	3.81	4.20

(1) PER at 30-6-04 is calculated on the profit median estimated by analysts (July 2004).
(2) Dividend yield at 30-6-04 is calculated using the median of analysts' estimates (July 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 (subordinate 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 that follow the above mentioned method) continues to 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, these statements are now incorporated in the Americas Area. In previous years, Argentina was reported under Corporate Activities by the equity method. The figures for previous periods in these two areas, which are presented for comparative purposes, incorporate 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 individual customers 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 fund and pension 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 also 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 (ALCO). 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 real estate projects unit which comes under the Wholesale and Investment Banking Area).

NET ATTRIBUTABLE PROFIT BY BUSINESS AREA
(MILLION EUROS)

	1H04	Δ%	1H03
Retail Banking in Spain and Portugal	687	13.7	604
Wholesale and Investment Banking	277	26.7	218
America	527	49.8	352
Corporate Activities	(136)	n.m.	(7)
BBVA GROUP NET ATTRIBUTABLE PROFIT	1,355	16.1	1,167

ROE AND EFFICIENCY RATIO
(PERCENTAGE)

	ROE		Efficiency ratio	
	1H04	1H03	1H04	1H03
Retail Banking in Spain and Portugal	32.3	30.3	43.1	45.2
Wholesale and Investment Banking	25.4	22.0	26.4	29.2
America	24.6	21.0	43.2	43.9
BBVA GROUP	19.8	19.3	44.9	46.6

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	
	1H04	Δ%	1H03	1H04	Δ%	1H04	Δ%
NET INTEREST INCOME	1,645	2.6	1,603	1,458	1.2	21	3.2
Net fee income	787	12.0	703	660	10.4	114	18.1
CORE REVENUES	2,431	5.4	2,306	2,118	3.9	135	15.5
Net trading income	24	3.3	23	22	3.3	1	91.4
ORDINARY REVENUES	2,455	5.4	2,329	2,140	3.9	136	15.8
Personnel costs	(707)	2.1	(692)	(641)	2.1	(25)	(5.6)
General expenses	(351)	(2.6)	(361)	(306)	(3.1)	(14)	(10.5)
GENERAL ADMINISTRATIVE EXPENSES	(1,058)	0.4	(1,053)	(948)	0.3	(39)	(7.4)
Depreciation and amortization	(53)	(10.8)	(59)	(46)	(11.8)	(2)	8.3
Other operating income and expenses	(22)	(12.9)	(26)	(21)	(14.4)	(1)	(11.2)
OPERATING PROFIT	1,323	11.0	1,191	1,125	8.3	95	29.7
Net income (loss) from companies accounted for by the equity method	2	26.6	2	1	n.m.	1	(16.8)
Amortization of goodwill	-	-	-	-	-	-	-
Net income (loss) from Group transactions	26	n.m.	-	-	-	-	-
Net loan loss provisions	(281)	15.4	(244)	(258)	14.1	(3)	95.6
Net extraordinary income (loss)	11	27.8	9	16	55.8	(2)	8.5
PRE-TAX PROFIT	1,081	12.8	958	884	7.6	91	27.9
Corporate income tax	(360)	14.3	(315)	(299)	9.7	(31)	30.7
NET PROFIT	721	12.1	643	585	6.5	60	26.5
Minority interests	(34)	(12.8)	(39)	(28)	(22.3)	(2)	(35.9)
NET ATTRIBUTABLE PROFIT	687	13.7	604	557	8.5	58	31.5

BALANCE SHEETS
(MILLION EUROS)

	30-06-04	Δ%	30-06-03	30-06-04	Δ%	30-06-04	Δ%
Total net lending	99,775	18.0	84,562	93,073	18.0	856	17.5
Securities portfolio	416	174.6	152	14	60.8	38	0.2
Liquid assets	2,216	14.3	1,939	1,142	-	359	63.1
Inter-area positions	16,590	4.7	15,845	15,228	5.9	944	(17.5)
Property and equipment and intangible assets	661	(2.2)	676	548	(1.1)	10	(32.5)
Other assets	1,451	105.5	706	576	41.1	67	97.7
TOTAL ASSETS/LIABILITIES AND EQUITY	121,109	16.6	103,880	110,581	16.0	2,275	4.4
Deposits	52,653	1.7	51,751	48,682	2.2	1,382	2.8
Debt securities	6	-	6	-	-	-	-
Equity	7,557	8.9	6,937	6,397	11.4	358	(37.1)
• Shareholders' funds	4,377	9.9	3,984	3,690	11.3	210	(37.8)
• Other eligible funds	3,179	7.7	2,953	2,707	11.5	148	(36.2)
Liquid liabilities	3,906	50.3	2,599	27	(8.1)	1	(68.7)
Inter-area positions	52,180	34.2	38,869	51,695	33.6	309	295.9
Other liabilities	4,807	29.3	3,718	3,779	17.0	225	21.6
OTHER CUSTOMER FUNDS MANAGED							
• Mutual funds	40,917	19.5	34,237	35,539	17.9	4,862	31.3
• Pension funds	12,768	10.4	11,563	6,239	14.9	6,309	6.3
• Customer portfolios	8,335	17.5	7,094	968	22.4	7,367	16.9

SIGNIFICANT RATIOS
(PERCENTAGE)

	30-06-04	30-06-03	30-06-04	30-06-04
ROE	32.3	30.3	31.3	46.8
Efficiency ratio	43.1	45.2	44.3	28.6
NPL ratio (Nonperforming assets/Total risks)	0.65	0.89	0.61	0.03
Coverage ratio	353.1	249.1	373.8	n.m.

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

In the second quarter this area recorded higher activity in lending and customer funds, and it managed output and costs in an appropriate manner. There was also a further improvement in the cost/income ratio. Thus it consolidated the progressive quarterly improvement in revenues, which grew faster than the first quarter in year-on-year terms. Specifically, operating profit –which in March was growing at 8.1%– closed the second quarter at 691 million euros, 13.8% above the same period in 2003. This is the highest amount in recent years. As a result, operating profit for the first half rose to 1,323 million euros, with year-on-year growth of 11.0%.

The positive trend in operating profit carried over to attributable net income which increased 14.8% in the second quarter and 13.7% in the half year in year-on-year terms. It rose to 687 million euros – lifting ROE from 30.3% (in first half of 2003), to 32.3%.

Lending activity reinforced the upward trend noted in recent quarters and at 30-Jun-04 it reached 100 billion euros with a year-on-year increase of 18.0%, compared to 16.3% on 31-Mar-04 and 13.9% on 31-Dec-03. All products and segments recorded positive variations including mortgages which grew 23.3% (20.5% in March) and SMEs and businesses lending (up 18.1%).

Total funds under management (the sum of deposits and mutual and pension funds) grew 8.9% year-on-year (they were growing at 7.3% on 31-Dec-03). In the first half they increased by more than 6 billion euros (against 4.1 billion euros in the first half of 2003). Attention is drawn to mutual funds which increased 19.5% following the BBVA's roll out of new high value-added products and personalised customer advisory. In the half year, mutual funds led the market in terms of asset growth and ranking by net contributions. The latter figure came to 3.3 billion euros, more than 30% of the entire banking system. Therefore the bank has gained 48 basis points in market share during the half year and 69 basis points over the last 12 months, bringing its share to 19%. It was the only large fund manager to record significant market gains in both periods. Stable funds (mainly time deposits and mutual and pension funds) grew 10.0% over 30-Jun-03 and transactional deposits increased 9.3%, supported by the year's first savings campaign. This attracted some 1.3 billion euros.

In the second quarter these important business improvements were accompanied by almost stable customer spreads because the cost of deposits fell significantly. All this resulted in a year-on-year increase of net interest income in the second quarter of 3.1% (2.6% in the half year). Net fee income also grew strongly in the quarter, by 16.1% in year-on-year terms, and lifted the half year figure to 12.0% (12.6% in mutual and pension funds). Thus in the first half both core revenues and ordinary revenues increased 5.4%.

The positive trend of revenues and control of operating expenses (which grew only 0.4%) meant that the cost/income ratio once again improved, by 2.1 points to 43.1%, compared to the first half of 2003. Furthermore the percentage of costs covered by fee income (the recurrency ratio) increased 7.7 percentage points to 74.4%.

During the half year, 281 million euros were set aside for loan-loss provisioning (15.4% more than the first half of 2003) due to greater activity and transfers to the statistical reserve. This was because specific provisioning requirements fell on further improvement in the non-performing loan ratio. The NPL ratio was 0.65% (0.89% at 30-Jun-03) and the level of coverage was 353.1% (249.1% a year earlier). NPLs fell by 14.7% and related provisions rose by 20.9%. Therefore, attributable net income came to the figure of 687 million euros mentioned above. Of this, 557 million euros came from Commercial and SME Banking, 58 million from Asset Management and Private Banking, 58 million euros from Insurance Activities, 14 million from Special Financial Services and 1 million from Portugal.

Taken together, Commercial and SME Banking business accounts for more than 80% of the operating profit and net income in the Retail Banking Area. The profile of these businesses results is similar with faster growth in net interest income and net fee income, a further improvement in the cost/income ratio and higher operating profit (rising 8.3% to 1,125 million euros) and higher attributable net income (up 8.5%). Asset quality also improved further.

Marketing innovation continued to be an outstanding feature in the second quarter. *Hipoteca Fácil* (Easy Mortgage) added new features related to flexibility and ease of payment. New residential lending operations in the second quarter came to more than 3.7 billion euros (3.1 billion euros in the first quarter); a year-on-year increase of 52.9%. Including developers, the total volume of mortgages signed in the second quarter came to 6.1 billion euros. This was 48.4% higher than the same period last year. In June the bank launched a novel consumer credit campaign that has financial advantages, a 25%-discount on comprehensive risk insurance policies and a 2-year subscription to Auto Club Repsol at no charge. In the first month it generated 12% more sales than June 2003.

SME and Businesses Banking –with a network of 1,044 branches and 1,866 specialists– recorded year-on-year lending growth of 18.3%. Leasing volumes during the half year increased by 29% and renting, factoring and confirming by 40%. In addition, the BBVA Group increased its market share of placement of the *ICO-PYMES 2004* credit line by 410 basis points to a total of 23.9%. This entailed 12,333 operations worth 716 million euros. In the businesses segment new lines have been started, such as medium and long-term fixed-rate loans for capital expenditure and leasing and promotion of renting. The mobile POS terminal was used in campaigns to win new customers.

In regard to fund-gathering activities, attention is drawn to the relaunch of mutual funds, traditional savings campaigns and improvements to the range of insurance policies.

With regard to mutual funds and as already mentioned above, BBVA Gestión was the best manager in the first half in terms of performance, achieving its target of increasing market share. It launched two new types of guaranteed funds: these were the *Planes Renta* (that allow you to invest safely over the medium term with a financial-fiscal return that is higher than the alternatives) and equity funds such as *Triple Óptimo* and the recent *4-100 Ibex* fund (with greater expectations of returns linked to equities). With this the Group has reinforced its leadership in the guaranteed fund segment. Moreover, marketing has been enhanced through the use of a new guidance tool known as the *profiler*. This allows investment solutions (baskets of funds) to be matched to the customer's risk profile. Thanks to their success, the value of mutual funds managed by BBVA in Spain rose to 40.34 billion euros – a year-on-year increase of 18.0% (against 13.8% for the entire banking system). Assets of the real estate fund rose to 859 million euros. This was 94.5% more than at 30-Jun-03. It produces steady returns of 8.3%, which is 157 basis points higher than the sector average. Lastly, BBVA continues to be the leader in terms of net fee income average. The rate stands at 1.376%, which is 11 basis points higher than the average fee income of the large management firms.

Pension funds under management in Spain recorded year-on-year growth of 10.5%, rising to 12.55 billion euros (15.1% growth in individual plans and 5.8% in employer pension schemes). Thus BBVA strengthened its leadership in pensions with a market share of 20.0% – based on the latest figures (March 2004). It outperformed the market in individual plans and it continues to lead in employer pension schemes. BBVA won the competitions for the Barcelona Town Hall and Frudesa. In July it competed with the main Spanish firms to win management and custody of the pension plan for employees of the central government with 530,000 participants and an initial amount of 55 million euros.

Private banking now handles 13.13 billion euros of assets. This is 8.4% more than at the end of 2003. Of this amount, 7.05 billion is handled by BBVA Patrimonios (11.5% more than at 31-Dec-03) after net contributions of 639 million euros. Apart from the resources transferred to BBVA Patrimonios, the Personal Banking unit manages 6.08 billion euros directly.

The sharp increase in activity carried over to the income statement of the asset management and private banking unit. Year-on-year it increased attributable net income by 31.5% to the 58 million euros mentioned above – boosted by net fee income (up 18.1%) and cost cutting (costs were down by 7.4%). Total assets under management by the unit came to 64 billion euros, growing 16.4% over 30-Jun-03.

In the insurance business, BBVA Seguros achieved 102 million euros in earnings before taxes. This was 17.4% more than in the first half of 2003. During the quarter single-premium policies were launched for mortgages, the *Vida 15* policy was reformed, life and household policies were adjusted to return part of the premium as a no-claims bonus, specific products were marketed to independent professionals and company managers and lastly, a product was launched specifically for the businesses segment.

Special Finance Services recorded an increase in lending of 16.5% compared to 30-Jun-03. Total lending rose to 2,838 million euros with significant increases in all products: 52% in car finance, 21% in equipment and 31% in equipment renting. In vehicle renting, sales climbed 131% to 5,808 units. During the first half Uno-e obtained operating profit of 8 million euros and net income before tax of 5 million euros (against a loss of 11 million euros in the first half of 2003). In the immigrant remittance business, Dinero Express tripled the activity during the half year to 36,000 transfers worth 10.4 million euros.

BBVA Portugal also closed the first half with gains in its market share of lending (up by 10 basis points) and mutual funds (up 24 basis points). Mortgage loans increased by 39% –reflecting the marketing success of *Easy Mortgage*– and mutual funds increased 25.4%. Operating profit grew by 31.3% thanks to net interest income (up by 2.6%), net fee income (up by 15.2%) and cost control (a 2.0% increase).

Wholesale and Investment Banking

INCOME STATEMENT
(MILLION EUROS)

	Wholesale and Investment Banking			Memorandum item: Wholesale Banking		Markets	
	1H04	Δ%	1H03	1H04	Δ%	1H04	Δ%
NET INTEREST INCOME	399	14.7	348	249	(3.4)	91	76.7
Net fee income	110	21.3	91	80	16.7	32	33.6
CORE REVENUES	509	16.1	439	329	0.8	123	62.9
Net trading income	53	(19.6)	66	18	51.7	43	(4.3)
ORDINARY REVENUES	563	11.4	505	348	2.6	166	37.6
Personnel costs	(100)	4.0	(96)	(57)	(2.5)	(37)	14.0
General expenses	(49)	(5.2)	(51)	(24)	1.3	(22)	(11.4)
GENERAL ADMINISTRATIVE EXPENSES	(148)	0.8	(147)	(81)	(1.4)	(59)	3.0
Depreciation and amortization	(3)	(42.6)	(6)	(2)	(9.9)	(1)	(67.9)
Other operating income and expenses	(2)	(3.2)	(2)	(2)	-	-	-
OPERATING PROFIT	409	16.8	350	262	4.0	106	76.3
Net income (loss) from companies accounted for by the equity method	1	(93.9)	22	(3)	n.m.	-	-
Amortization of goodwill	(1)	(2.7)	(1)	-	-	-	-
Net income (loss) from Group transactions	63	n.m.	1	-	-	-	-
Net loan loss provisions	(96)	68.6	(57)	(84)	67.3	(10)	266.0
Net extraordinary income (loss)	6	n.m.	(3)	9	n.m.	(3)	(83.4)
PRE-TAX PROFIT	382	22.3	312	184	(9.7)	93	148.2
Corporate income tax	(89)	22.2	(73)	(56)	(6.6)	(22)	234.7
NET PROFIT	293	22.3	239	129	(11.0)	70	129.4
Minority interests	(16)	(23.2)	(21)	(11)	(27.7)	(3)	(2.8)
NET ATTRIBUTABLE PROFIT	277	26.7	218	118	(9.0)	67	144.7

BALANCE SHEETS
(MILLION EUROS)

	30-06-04	Δ%	30-06-03	30-06-04	Δ%	30-06-04	Δ%
Total net lending	40,965	5.1	38,988	37,924	1.4	2,820	90.5
Securities portfolio	35,857	33.9	26,777	3,571	(7.2)	30,642	39.5
Liquid assets	50,686	39.5	36,329	6,249	(40.7)	44,248	73.2
Inter-area positions	45,144	12.4	40,160	-	-	44,972	12.2
Property and equipment and intangible assets	45	(5.8)	48	39	(4.0)	5	(20.9)
Other assets	6,919	6.0	6,529	461	(1.6)	6,403	6.9
TOTAL ASSETS/LIABILITIES AND EQUITY	179,616	20.7	148,831	48,244	(7.7)	129,090	35.8
Deposits	55,176	18.2	46,684	17,075	(22.4)	38,100	54.6
Debt securities	6,156	(6.3)	6,568	6,156	(6.3)	-	-
Equity	3,857	5.4	3,659	2,267	(1.5)	807	28.5
• Shareholders' funds	2,265	5.7	2,143	1,210	(1.6)	480	28.4
• Other eligible funds	1,592	5.0	1,516	1,057	(1.4)	326	28.5
Liquid liabilities	81,265	47.8	54,967	6,592	5.4	74,163	52.2
Inter-area positions	24,905	(14.2)	29,039	14,692	6.2	9,383	(36.1)
Other liabilities	8,258	4.3	7,914	1,462	9.4	6,637	3.4
OTHER CUSTOMER FUNDS MANAGED							
• Mutual funds	760	(0.3)	763	751	(1.6)	10	n.m.
• Pension funds	2	7.5	2	2	7.5	-	-
• Customer portfolios	4,093	8.9	3,759	4,093	8.9	-	-

SIGNIFICANT RATIOS
(PERCENTAGE)

	30-06-04	30-06-03	30-06-04	30-06-04
ROE	25.4	22.0	19.8	31.2
Efficiency ratio	26.4	29.2	23.4	35.3
NPL ratio (Nonperforming assets/Total risks)	0.30	0.61	0.33	-
Coverage ratio	410.8	198.3	380.8	-

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, equities and bond distribution and the depository and custodial services. This area also includes the business and real estate projects unit and global transaction services.

Lending is currently 40.96 billion euros and is growing at 5.1% annually (3.2% on averages balances). This is a considerable improvement on the figure of 1.8% recorded at the end of March. Institutional banking put in the best performance with an increase of 10.4%. Asset quality also continues to improve as shown by the non-performing loan ratio of 0.30%, comparing favourably to 0.61% at 30-Jun-03, while coverage has climbed to 410.8% from the figure of 198.3% a year earlier. Deposits and off-balance sheet funds in this area increased by 3.4% (4.8% on average balances) over the figure for 30-Jun-03, which was exceptionally high.

With regard to earnings, all the main items on the income statement in the second quarter reflect excellent developments. Attributable net income rose to 166 million euros – double the figure for the same period last year and the highest obtained by this area in the last three years. Ordinary revenues grew 22.5% over the second quarter of 2003, due to two factors. These were the growth in net interest income (up by 22.4% due to dividends from the portfolio of business and real estate holdings and due to defensive pricing strategies) and fee income (up by 28.7%) in both wholesale and markets activities. These factors, aided by strict cost control (costs fell by 3.6%), boosted operating profit to 216 million euros. This was also the highest figure in the last three years and 36.3% higher than the same period a year earlier. Pre-tax profit came to 226 million euros (up by 88.5%) after setting aside 12 million euros more than in the second quarter of 2003 (an increase of 30.8%) for generic and statistical provisions. Earnings were also helped by better results o n group transactions.

Thus all the main lines on the income statement in the first half are improving faster in year-on-year terms than in the first quarter. Attributable net income for the area in the first half comes to 277 million euros. This is an improvement of 26.7% year-on-year and all margins increased significantly. The cost/income ratio stands at 26.4%, having improved by close to 3 percentage points from the figure of 29.2% in the first half of 2003. This was due to an increase in ordinary revenues (up 11.4%) and to control of general expenses (up by only 0.8%). Operating profit grew by 16.8% to 409 million euros.

Wholesale Banking, which includes global corporate banking and institutional banking, achieved operating profits of 262 million euros in the first half. This was 4.0% higher than the same period of 2003. However attributable net income fell by 9.0% to 118 million euros –affected by the 67.3% increase in net loan provisioning due mainly to the higher generic and statistical reserves mentioned above derived from the increase of contingent liabilities. This was in contrast to a write-back in the first half of 2003.

Despite slack demand in the loan market, global corporate banking performed well based on an increase in guarantee operations and back-up lines, based on defensive pricing and on a year-on-year increase of 14.7% in fee income. Operating profit for the half year came to 175 million euros –a similar level compared to the previous year. The above mentioned higher provisions meant that the attributable net income amounted to 64 million euros.

Lending operations led by BBVA in the second quarter included syndicated loans of 4.5 billion euros to Auna Operadores de Telecomunicaciones, 10 billion euros to France Telecom and a 5-year syndicated credit line of 3 billion euros to finance Telefónica’s purchase of BellSouth’s assets in Latin America.

Bond origination services included a 10-year Kingdom of Spain issue of 5 billion euros and the placement of a 150-million euro issue for Corporación Andina de Fomento (CAF). BBVA also managed the second issue of 1 billion euros in territorial warrants with a 5-year term for Banco de Crédito Local.

A consulting assignment from the Renault Group for a 173-million euro real estate operation with technical support from BBVA Inmobiliaria, was a particularly relevant operation in the area of corporate finance.

Institutional banking closed the first half with attributable net income of 54 million euros – 22.7% higher than the first half of 2003. BBVA continues to enjoy a position of leadership in the public sector with a market share of more than 38% in lending to both banks and savings banks and nearly 17% in Treasury liquidity ex-auction funds (based on the latest available data). The half-year results echoed the positive trend in volume (lending activities grew 10.4% with help from regional government and private institution lending, and customer funds grew by 7.5% –some 11.4% on average balances). The results also reflected the effort to maintain spreads as well as fee income and cost control. The cost/income ratio therefore improved by 4.8 points over the first half of 2003, to 18.8%. Operating profit increased 17.3%.

In the second quarter institutional banking renewed important agreements with the central government (banking services for the State Port Authority, MUGEJU and payment of salaries for FROM, for the State Vehicle Agency and for the Ministry of Justice). The bank successfully bid for contracts such as the IT Centre banking services for the Madrid Town Hall, custodial and payment collection services for the Madrid Regional Government and financial services for the Spanish Federation of Municipalities and Provinces.

BBVA also continued to strengthen its position among the different European organisations on the Iberian peninsula. It renewed its appointment as the custodian bank of the European Commission in Spain and in Portugal it was selected as custodian bank for the accounts of the European Organisation for the Safety of Air Navigation (Eurocontrol).

In the second quarter the global markets and distribution unit achieved its best income figures in three years thanks to particularly good earnings on interest rate management (in respect of both the proprietary and customers' positions). Growth in the securities business, supported by better volume and quality of customer transactions, also contributed to the income figure. Thus in the first half of 2004 this unit achieved operating profit of 106 million euros and attributable net income of 67 million euros with year-on-year increases of 76.3% and 144.7%, respectively.

Sales of dynamically-managed products, with capital guaranteed on expiry and returns linked to the performance of various international hedge funds, grew during the first half. In June, 80 BBVA warrants were listed and the monthly market share reached a record 13.6%. Furthermore in the second quarter BBVA participated in the flotation of FADESA as overall co-ordinator of the issue and manager of the retail tranche.

BBVA also continued to strengthen its leadership in the electronic continuous market (Spanish Stock Exchange) which it achieved at the beginning of the year, with a cumulative market share of 11.6% in June.

In regard to global transaction services, BBVA Factoring reinforced its leadership in the first quarter when its market share increased to 35.3% according to figures for 31st March 2004 released recently by the Spanish Factoring Association.

Attributable net income of the business and real estate projects unit in the first half came to 105 million euros –an increase of 68.6% year-on-year. This unit is currently handling a portfolio of 114 investments with a book value of 910 million euros. There are latent capital gains of 848 million euros. The portfolio is widely diversified and includes the real estate sector with 39.4% of book value and market services with 27.8%.

In line with the portfolio rotation plan, some 200 million euros were divested in the quarter. This included a 5% stake in Acerinox which generated capital gains of 36 million euros and a series of real estate plots with services installed. In addition 80 million euros were set aside for new investments.

In the second quarter a new strategy was rolled out for real estate projects. This takes the form of a new brand –*Anida*– and a strategic plan to make this one of the top three firms in the sector in terms of profit, yield and efficiency. The business plan focuses on land development (75%) and residential development (25%) with average annual investments of 250 million euros in the first two years.

America

INCOME STATEMENT
(MILLION EUROS))

	1H04	Δ%	Δ% at constant exchange rates	1H03
NET INTEREST INCOME	1,467	0.6	15.5	1,458
Net fee income	840	(0.2)	11.8	841
CORE REVENUES	2,306	0.3	14.1	2,299
Net trading income	57	(69.7)	(66.5)	190
ORDINARY REVENUES	2,364	(5.0)	7.8	2,489
Personnel costs	(570)	(7.6)	4.6	(617)
General expenses	(450)	(5.5)	7.2	(476)
GENERAL ADMINISTRATIVE EXPENSES	(1,020)	(6.7)	5.7	(1,093)
Depreciation and amortization	(100)	(15.5)	(5.8)	(118)
Other operating income and expenses	(70)	(7.4)	7.3	(76)
OPERATING PROFIT	1,173	(2.4)	11.2	1,202
Net income (loss) from companies accounted for by the equity method	27	60.5	73.9	17
Amortization of goodwill	-	-	-	-
Net income (loss) from Group transactions	1	n.m.	n.m.	-
Net loan loss provisions	(161)	(41.8)	(32.6)	(277)
Net extraordinary income (loss)	(125)	(16.3)	(4.8)	(150)
PRE-TAX PROFIT	914	15.5	30.6	792
Corporate income tax	(265)	19.5	35.4	(222)
NET PROFIT	649	13.9	28.7	570
Minority interests	(122)	(43.9)	(36.0)	(218)
NET ATTRIBUTABLE PROFIT	527	49.8	68.3	352

BALANCE SHEETS
(MILLION EUROS)

	30-06-04	Δ%	Δ% at constant exchange rates	30-06-03
Total net lending	26,759	(2.7)	8.1	27,502
Securities portfolio	24,690	(9.1)	4.6	27,158
Liquid assets	19,777	11.2	26.1	17,784
Inter-area positions	355	(36.8)	(34.0)	561
Property and equipment and intangible assets	1,840	(23.2)	(13.4)	2,397
Other assets	4,187	(46.3)	(39.0)	7,802
TOTAL ASSETS/LIABILITIES AND EQUITY	77,608	(6.7)	5.5	83,204
Deposits	48,700	(4.6)	7.7	51,068
Debt securities	2,003	32.7	45.9	1,509
Equity	5,328	3.1	14.8	5,169
• Shareholders' funds	4,647	40.9	55.6	3,297
• Other eligible funds	681	(63.6)	(58.9)	1,871
Liquid liabilities	13,898	(2.3)	11.4	14,227
Inter-area positions	707	(22.5)	(19.9)	912
Other liabilities	6,972	(32.4)	(22.2)	10,319
OTHER CUSTOMER FUNDS MANAGED				
• Mutual funds	8,727	(10.7)	(0.3)	9,772
• Pension funds	26,900	0.7	5.3	26,701
• Customer portfolios	17,371	(4.2)	2.7	18,134

SIGNIFICANT RATIOS
(PERCENTAGE)

	30-06-04	30-06-03
ROE	24.6	21.0
Efficiency ratio	43.2	43.9
NPL ratio (Nonperforming assets/Total risks)	3.88	5.08
Coverage ratio	145.9	156.6

This business area comprises the ten banks that the BBVA Group manages on the American continent, plus its insurance companies in seven countries and pension fund managers in another ten. The area also includes the Group's international private banking business in Andorra, Miami and Switzerland.

2004 has so far been a year of high economic growth in Latin America, even in countries that have suffered recent crises. Interest rates are relatively low, although they are showing an incipient tendency to rise that will be accentuated in the next few months. Exchange rates for local currencies, in general, have not recorded any sudden depreciation against the dollar. However, a year-on-year comparison for the half year shows a significant weakening of the dollar against the euro, which affects the accounts. This report thus gives the rate of growth for different items in local currencies and in constant euros in order to better understand the underlying patterns.

In the first half of 2004 the Americas area obtained an attributable profit of 527 million euros, 49.8% higher in current euros and 68.3% higher in constant euros than the same period in 2003. These growth rates were bolstered by the increased holding in Bancomer after the minority buy-out operation of the first quarter. But even net profit before minority interests shows strong growth of 28.7% in constant euros.

Greater economic activity in the region as a whole is driving growth in lending by all the Group banks in the region (excluding the old Bancomer mortgage portfolio and problem loans). At the end of June, lending was growing year-on-year at 15.8%, as against the 9.6% growth recorded to 31-Mar-04. The increase mainly stems from investment-grade countries (Mexico, Chile and Puerto Rico) which grew at 19.2%. Meanwhile, customer funds (traditional fund gathering, repos placed through the branch network and mutual funds) grew 11.7%, with an excellent 14.4% growth in deposits and a 20.5% growth in current and savings accounts. Additionally, assets under management for the pension funds grew 5.5% and insurance companies' premiums 36.7%.

Net interest income for the area showed 15.5% growth while fee income grew 11.8%. However, net trading income recorded a large fall, mainly due to higher interest rates in Mexico over the second quarter. Staff and general administrative expenses only went up 5.7% (7.7% in the first quarter of 2004) and including depreciation this figure reduces to a mere 4.6%. All of this allowed operating profit to grow 11.2%. But the most recurrent part of profit generation –operating income minus net trading income– grew 26.1%, demonstrating the quality of the results achieved.

The recurrence ratio (fee income divided by expenses) is already at 82.4%, ie, 5.4 percentage points up on one year ago. The cost-income ratio has not progressed as fast because of the performance of net trading income, although it has improved 0.7 points, to 43.2%.

Below the operating income line, there is a clear reduction in loan provisioning and in extraordinary losses. The causes were enhanced risk quality (which can be appreciated in the drop of over one percent in the non-performing loan ratio which went down to 3.88%) and the high coverage ratio which currently stands at 145.9%. Moreover, in the first half of 2003 substantial extraordinary provisions were made that will not recur this year.

All of which has led to an increase in pre-tax profit of 30.6% and an increase in profit after-tax of 28.7%, reaching 649 million euros, after a second quarter whose 353-million euros profit was the highest recorded in recent years, even in current euros. As explained above, attributable profit increased 68.3% due to the drop in minority interests.

In Mexico, the first half of the year was characterised by a significant improvement in the economic climate, with expectations of higher growth for the year as a whole. However, it was also marked by high volatility in interest rates, especially during April and May. In this context, BBVA Bancomer has taken advantage of greater economic activity to speed up considerably its own rate of activity growth. This has enabled it to more than offset the negative effect of volatile interest rates on market results. Consequently, the net profit of the Mexican companies in the Group increased 35.0% against the first half of 2003. Moreover, the increased Group interest in BBVA Bancomer –now 99.7% following the bid to buy out minority holdings in the first quarter of this year- has allowed attributable profit to rise to 346 million euros, 107.7% more than the

INCOME STATEMENT
(MILLION EUROS)

Memorandum item:	Mexico			Banking in America		
	1H04	Δ%	Δ% at constant exchange rates	1H04	Δ%	Δ% at constant exchange rates
NET INTEREST INCOME	931	(2.2)	14.3	506	6.6	19.3
Net fee income	506	(5.4)	10.6	152	10.6	20.3
CORE REVENUES	1,437	(3.3)	13.0	658	7.5	19.6
Net trading income	(1)	n.m.	n.m.	41	(57.1)	(53.2)
ORDINARY REVENUES	1,436	(7.8)	7.7	700	(1.3)	9.5
Personnel costs	(330)	(9.4)	5.9	(179)	(6.8)	3.2
General expenses	(248)	(9.6)	5.7	(162)	(1.2)	9.6
GENERAL ADMINISTRATIVE EXPENSES	(578)	(9.5)	5.8	(341)	(4.2)	6.1
Depreciation and amortization	(54)	(20.1)	(6.6)	(35)	(15.1)	(10.1)
Other operating income and expenses	(55)	(12.2)	2.6	(16)	19.8	32.6
OPERATING PROFIT	749	(5.1)	10.9	307	3.2	15.4
Net income (loss) from companies accounted for by the equity method	14	375.8	n.m.	-	-	-
Amortization of goodwill	-	-	-	-	-	-
Net income (loss) from Group transactions	-	-	-	-	-	-
Net loan loss provisions	(144)	(40.1)	(30.0)	(16)	(55.8)	(51.7)
Net extraordinary income (loss)	(77)	(0.9)	15.8	(24)	(63.3)	(59.0)
PRE-TAX PROFIT	542	14.4	33.7	268	35.7	52.4
Corporate income tax	(160)	11.8	30.6	(88)	33.9	44.5
NET PROFIT	382	15.5	35.0	180	36.5	56.6
Minority interests	(36)	(73.6)	(69.2)	(60)	17.9	37.6
NET ATTRIBUTABLE PROFIT	346	77.7	107.7	120	48.2	68.1

BALANCE SHEETS
(MILLION EUROS)

	30-06-04	Δ%	Δ% at constant exchange rates	30-06-04	Δ%	Δ% at constant exchange rates
Total net lending	12,863	(6.4)	10.2	12,337	1.8	7.7
Securities portfolio	19,216	(11.0)	4.8	4,846	(1.1)	5.7
Liquid assets	12,495	18.2	39.2	3,881	12.9	32.4
Inter-area positions	98	n.m.	n.m.	24	n.m.	n.m.
Property and equipment and intangible assets	1,146	(23.8)	(10.3)	569	(25.7)	(21.2)
Other assets	2,612	(54.4)	(46.3)	1,388	(21.2)	(17.1)
TOTAL ASSETS/LIABILITIES AND EQUITY	48,430	(8.8)	7.3	23,046	(1.0)	6.5
Deposits	29,508	(7.2)	9.2	15,382	2.4	10.1
Debt securities	589	(32.4)	(20.5)	1,414	121.9	123.8
Equity	2,986	10.7	30.3	1,588	(1.0)	7.4
• Shareholders' funds	2,980	98.4	133.6	1,220	0.3	8.2
• Other eligible funds	6	(99.5)	(99.4)	368	(5.2)	4.6
Liquid liabilities	10,293	1.6	19.6	2,858	(11.9)	(5.1)
Inter-area positions	98	n.m.	n.m.	45	n.m.	n.m.
Other liabilities	4,956	(37.0)	(25.9)	1,760	(29.2)	(22.5)
OTHER CUSTOMER FUNDS MANAGED						
• Mutual funds	5,347	(18.3)	(3.9)	1,072	8.5	12.6
• Pension funds	6,381	(3.9)	13.2	-	-	-
• Customer portfolios	7,051	(10.2)	5.7	85	(45.9)	(32.1)

SIGNIFICANT RATIOS
(PERCENTAGE)

	30-06-04	30-06-04
ROE	27.2	19.0
Efficiency ratio	40.2	48.8
NPL ratio (Nonperforming assets/Total risks)	3.47	4.84
Coverage ratio	226.5	82.4

previous year (77.7% at current exchange rates). Of this attributable profit figure, 291 million euros come from the banking business, 35 million from pension fund management and 20 million from insurance companies.

Greater activity in the first six months is especially evident in the higher loan-book growth. Manageable lending (ie, excluding the old mortgage portfolio or problem loans) presents a year-on-year increase of 22.1%, as opposed to 17.5% in March 2004 and 14.6% in December 2003. As in previous periods, consumer credit and credit cards are the fastest-growing items (standing 42.0% higher than June 2003), although loans to small and medium sized enterprises have also gone up significantly, growing at over 30%, while mortgage lending (excluding the old mortgage portfolio) have been growing at 18.3%.

On 30-Jun-04, customer funds as a whole (traditional fund gathering, branch-placed repos and mutual funds) recorded a 12.7% increase against the same date on the previous year (as compared to a growth of 11.8% at 31-Mar-04 and 10.0% at 31-Dec-03). Deposits went up 17.7% and, as in several recent quarters, sight and savings accounts in pesos have recorded the best year-on-year growth, at 18.4%, which allows the structure of customer funds to go on becoming even more cost efficient.

Driven on by faster activity growth, net interest income was 931 million euros, showing a year-on-year growth of 14.3%, although average interest rates in Mexico during the first half of 2004 were nearly 2 percentage points below the same period in the previous year.

Brisker activity also affected fee income, which grew 10.6% against the first half of 2003, reaching 506 million euros. As in previous periods, services more closely related to transactional business (especially cards, account maintenance, cheques and payment orders) grew most dynamically. As pointed out above, the high volatility of interest rates over the last months has had a very negative effect on the trading income results for the entire Mexican financial industry. But despite this, BBVA Bancomer has still managed to avoid significantly negative figures in its net trading income for these six months.

The cost-income ratio in BBVA Bancomer has improved again, reaching 40.2% this semester, ie, 0.7 percentage points lower than the previous year. The improvement is not only due to good revenue performance but also to the overall trimming of general expenses, which grew only moderately despite greater commercial activity over the six months. This moderation in expenses has allowed 87.6% of costs to be covered by fee income, 3.7 percentage points better than in the first half of 2003.

The year-on-year drop in net trading income has significantly slowed growth in the half-year operating profit. Its +10.9% growth rate would be +22.1% excluding NTI results. Below the operating income line, there is a drop in loan-loss provisioning, both because of extraordinary provisions made in the first half of 2003 and because less provisioning was required as asset quality improved. On 30th June 2004, the NPL ratio was 3.47%, 65 basis points below where it stood a year earlier, with a coverage ratio of 226.5%.

Below, we give the most relevant aspects of the rest of the countries in the area over the last six months.

Banco Provincial of Venezuela has had an excellent half year, with attributable profit growing 36.9% at constant exchange rates, to 43 million euros. This was due to high growth of fee income (+47.6%); higher net trading income figures and the positive contribution of provisions and extraordinary items (through recoveries of loans and disposal of assets repossessed). These have offset the drop in net interest income which, although volumes grew strongly, were affected by significantly lower interest rates, which fell to less than half their earlier levels.

In Chile, the bank has maintained its dynamic growth in activity, leading to a continuous gain in its market share for loans (up 67 basis points over the last twelve months) and deposits (up 78 bp). This growth in volume offsets the adverse impact of interest rates, allowing attributable profit to reach 11 million euros this semester. The bank's strong commercial drive and growing penetration in different business segments was reflected in the performance of fee income, which increased 11.7%. Meanwhile, AFP Provida has ended the six months with an attributable profit of 4 million euros, affected by an extraordinary charge to cover insurance costs higher than provisioned, as matured policies pending payment were regularised ahead of time. These charges apart, the business has developed positively, managing to offset the lower contribution from regulatory ratios to the half-year results via higher commissions.

Banco Continental of Peru has also recorded a good half year, with an 11-million euro attributable profit growing at 31.5% thanks to the favourable performance of all the lines in the income statement. Thus, revenue growth –net interest income plus fee income– was accompanied by efficient cost control and lower provision requirements due to the continuous quality improvement of the loan book. AFP Horizonte obtained attributable profit of 5 million euros, as a result of its dynamic business performance, which has continually boosted its fee income.

In Argentina manageable business has evolved positively, with 13 million euros in attributable profit in the first six months. Effective price management and strong transactional business have meant healthy growth in net interest income and fee income, which were also boosted by the gradual recovery of brokerage business. Strict cost control and the positive contribution of provisions also helped, benefiting from the company's effective credit-risk management and loan recoveries. In pensions and insurance, the Consolidar Group has obtained a half-year attributable profit of 8 million euros.

BBVA Colombia has reported record half-year performance. Attributable profit was 18 million euros, which compares very favourably against net losses of 4 million euros in the first six months of 2003. The good performance of revenue lines, especially net interest income which grew at 21.8%, along with the moderate growth of expenses, are the key elements explaining the bank's radical turnaround. The other companies in Colombia, AFP Horizonte and the insurance companies, contributed 5 million euros to the Group's attributable profit.

In the rest of the countries, Puerto Rico, with low interest rates and higher provisioning, obtained a 15-million euro attributable profit (as against 18 million in the first half of 2003), Panama contributed an attributable profit of 9 million euros (+8.1%) and Paraguay 4 million (+29.8%), while Uruguay reduced its losses to 3 million (against 6 million in the same period of the previous year).

Finally, the results of International Private Banking have shown improvement in recurring income, especially fee income which improved 5.2% (at constant exchange rates). Attributable profit for the first half was 34 million euros.

Corporate Activities

INCOME STATEMENT
(MILLION EUROS)

	1H04	∆%	1H03
NET INTEREST INCOME	9	n.m.	(61)
Net fee income	(87)	137.4	(36)
CORE REVENUES	(78)	(20.3)	(98)
Net trading income	139	12.6	123
ORDINARY REVENUES	61	138.6	26
Personnel costs	(202)	(9.5)	(223)
General expenses	(17)	n.m.	25
GENERAL ADMINISTRATIVE EXPENSES	(219)	10.6	(198)
Depreciation and amortization	(70)	(7.8)	(76)
Other operating income and expenses	(8)	(54.4)	(17)
OPERATING PROFIT	(235)	(11.1)	(264)
Net income (loss) from companies accounted for by the equity method	126	68.6	75
Amortization of goodwill	(312)	4.0	(300)
Net income (loss) from Group transactions	217	(21.4)	277
Net loan loss provisions	24	n.m.	(269)
Net extraordinary income (loss)	(79)	n.m.	293
PRE-TAX PROFIT	(259)	36.7	(189)
Corporate income tax	144	(38.9)	236
NET PROFIT	(115)	n.m.	47
Minority interests	(21)	(61.2)	(54)
NET ATTRIBUTABLE PROFIT	(136)	n.m.	(7)

BALANCE SHEETS
(MILLION EUROS)

	30-06-04	∆%	30-06-03
Total net lending	(1,757)	(35.7)	(2,731)
Securities portfolio	30,671	26.8	24,195
Liquid assets	(23,461)	45.9	(16,085)
Inter-area positions	16,185	32.0	12,263
Property and equipment and intangible assets	1,529	(3.4)	1,583
Other assets	11,948	64.1	7,280
TOTAL ASSETS/LIABILITIES AND EQUITY	35,115	32.5	26,505
Deposits	(3,638)	34.1	(2,714)
Debt securities	23,717	(1.9)	24,187
Equity	7,655	20.8	6,338
• Shareholders' funds	3,043	20.1	2,534
• Other eligible funds	4,612	21.3	3,804
Liquid liabilities	-	-	-
Inter-area positions	-	-	-
Other liabilities	7,381	n.m.	(1,306)

This area deals with the Group's holding in big industrial corporations and financial institutions; the activities and results of the corporate support units, such as ALCO (Assets and Liabilities Committee); and other activities that do not fit into the rest of the Group's business areas, such as country-risk provisioning and goodwill amortisation (except for business projects within the Wholesale Banking Area).

A comparison of this area's half-year income statement against the comparable period for 2003 highlights the improvement in operating profit, largely due to better net interest income. This was 9 million euros in profit this year (as against -61 million losses last year), largely due to better liquidity and interest risk management. Below the line, equity-accounted income was boosted by both greater contributions from associated companies and the absence of any corrections like those that were so significant in the first half of 2003. However, lower capital gains and a net negative contribution from provisioning and extraordinary losses compared poorly against the positive performance of the year before, when both items were reclassified, the one offsetting the other, mainly with respect to Argentina. Finally, the regularisation of corporate tax this year and the lower weight of minorities led to a negative attributable profit for the area of -136 million euros, as against -7 million in the first half of 2003.

The Large Industrial Corporations Unit basically manages the holdings in Telefónica, Repsol and Iberdrola, which comprise 90% of total holdings. Active management of this portfolio has increased the half-year operating profit by 20.1% over the same period in 2003, reaching 93 million euros. Moreover, the equity-accounted contribution of its companies has made a greater contribution in the year-on-year comparison following adjustments to 2002 results (96 million euros). All this allowed the unit to record an attributable profit of 136 million euros in the last six months, as compared to 19 million in the same period of the previous year.

The Financial Holdings Unit has not made any especially relevant operations this quarter, maintaining its holdings in BNL and Bradesco. In the first quarter of 2004 it sold its stake in Banco Atlántico, with 218-million euros of capital gains, while in the first six months of 2003 its divestment from Crédit Lyonnais added 343 milllion euros to its accounts. In the first quarter of 2003, 216 million were booked in capital gains from the cash proceeds, and in the second quarter, 127 million euros from selling the Crédit Agricole shares received in the swap. The low tax impact of the capital gains obtained by Banco Atlántico explains the lower corporate tax for 2004. All in all, attributable profit for the first six months, at 187 million euros, was 28 million down on the figure recorded for the same period the previous year.

The Assets and Liabilities Committee (ALCO) administers the Group's interest and exchange rate risks as well as its overall liquidity and shareholders' equity. Net interest income and net trading income added up to 237 million euros in the first six months of 2004, as against 173 million in the same period of 2003. This increase was the outcome of active management of the structural interest-rate risk portfolio, which showed a balance of 24,409 billion euros at 30-6-04 (17.6 billion at 30-6-03) and the positions taken to cover exchange-rate risk. Since this portfolio has a life of less than two years, its sensitivity to interest rate movements is reduced. However, it is worth noting that 51% of the latent capital gains in the portfolio are covered.

The Corporate Activities Area includes personnel and general expenses, depreciation and other operating costs generated by corporate areas for the Group. It also absorbs other costs of an institutional nature that cannot be assigned to a particular area (corporate IT costs, severance payments, etc.). The overall amount for these items, 296 million euros this half year, is similar to last year.

Amortisation of goodwill came to 312 million euros, up 12 million euros on the first six months of 2003. The increase of 65 million euros from the Bancomer acquisition is partially offset by the early amortisation, in June 2003, of 39-million euros' goodwill from Bradesco and the lesser amortisation following divestments from the various associated undertakings (mainly Crédit Lyonnais, Gas Natural and Wafabank).

Lastly, it should be pointed out that the business volume figures (for Retail, Wholesale and The Americas) incorporate intergroup transactions considered an integral part of business activities and 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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QUARTERLY REPORT • JANUARY-JUNE 2004