

BBVA Group in the first quarter of 2004

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

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

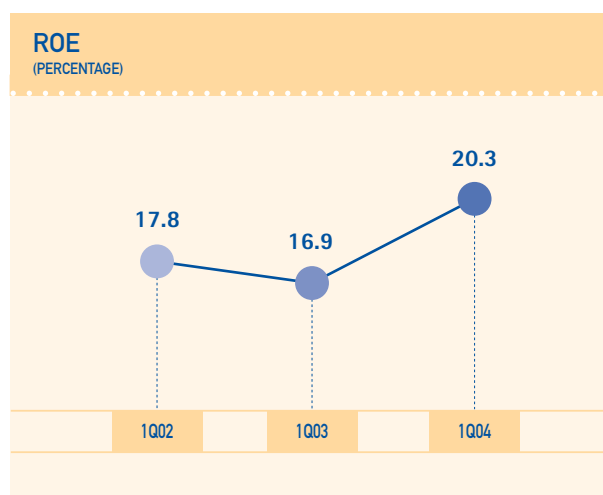
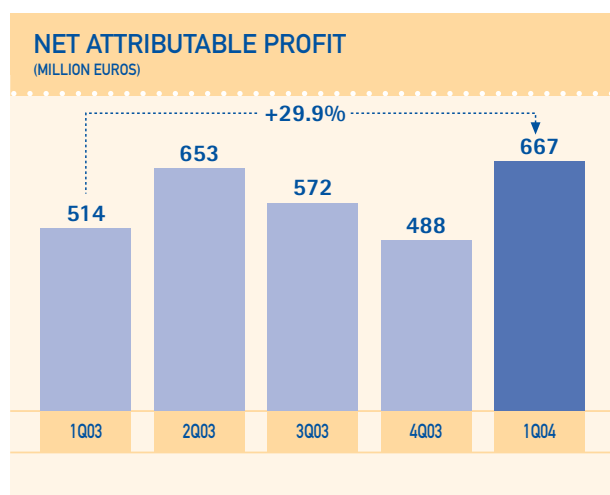
The table on the next page shows the exchange rates at 31-Mar-04 (used to convert the balance sheet and business activity figures to euros). It also shows the average exchange rate in the first quarter (used to convert the income statement from local currency to euros). The Mexican peso has the greatest effect on the Group's financial statements and depreciation was 13.8% by the end of the period and 15.4% in average terms. As usual, the year-on-year percentage variation at constant exchange rates is included. This is the result of applying

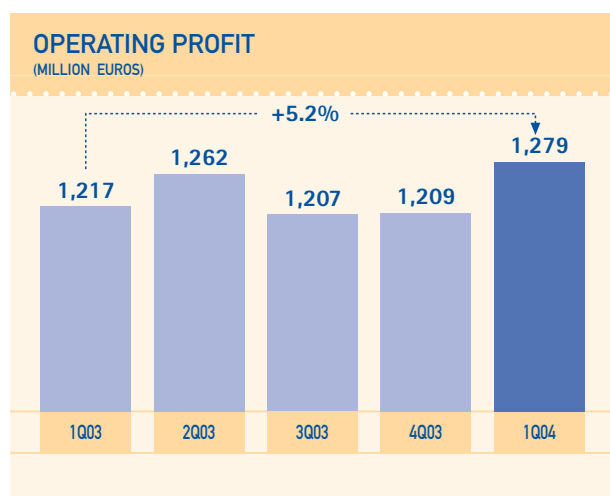
the exchange rates of the first quarter 2004 to the figures from the first quarter of 2003. This is done in order to facilitate a comparison between the different lines of the income statement by eliminating the depreciation in exchange rates. These figures are referred to below where relevant. Likewise, remarks regarding business activity also include variations calculated at constant exchange rates. These are calculated by applying the exchange rates at 31-Mar-04 to the figures at 31-Mar-03.

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

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

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





- Operating profit came to 1,279 million euros and for the first time in recent years this is greater at current exchange rates than the same quarter of the previous year (up by 5.2%). It is also greater than the other quarters of 2003. At constant exchange rates it grew by 12.5%, including 15.0% in the aggregate of the domestic business (Retail Banking, Wholesale Banking and Corporate Activities) and 9.7% in the Americas. Excluding net trading income, the most recurrent part of operating profit grew 9.3% at current exchange rates and 17.8% at constant rates.
- The increase in operating profit carried over to net attributable income. The intermediate items on the income statement had a neutral effect and the net amount was similar to the first quarter of 2003. In the first quarter of 2003 net income from companies carried by the equity method was lower following restatement of 2002 profits by certain companies in which the Bank holds an interest. Therefore in the latest quarter, this income together with that of Group

transactions (the sale of Banco Atlántico and Direct Seguros, versus the Crédit Lyonnais operation in 2003) recorded an increase. On the other hand, corporate tax increased. Smaller minority interests in Bancomer and the lower cost of preferred stock, led to an additional increase in attributable net income.

- Like operating profit, other earnings figures on the income statement also reflect positive year-on-year variations at current exchange rates. At constant exchange rates net interest income increased by 9.0%, core revenues by 9.0% and ordinary revenues by 7.3%.
- The increase in recurrent earnings is supported by activity which continues to accelerate quarter by quarter. Thus, in Retail Banking in Spain and Portugal the year-on-year rate of increase in lending rose to 16.3% at 31-Mar-04, compared to 13.9% at the end of 2003. The sum of deposits, mutual and pension funds rose by 10.9% (10.5% on average balances against 7.4% in December 2003). In the Americas, lending (excluding the old mortgage portfolio at Bancomer and NPLs) grew 10.2% in local currency (6.8% in December 2003) and traditional fund-gathering including repos placed through the branch network and mutual funds, recorded an increase of 9.7% (7.4% in December). The significant increase in activity in the euro zone and in the Americas compensated the effect of the decline in interest rates since the first quarter of 2003. Therefore the year-on-year increase in net interest income was 2.1% at current exchange rates and 9.0% at constant rates.
- Net fee income increased 2.3% at current rates and 9.1% at constant rates with solid growth in all business areas. This included 7.8% in Retail Banking –a significant turnaround following the decline

EXCHANGE RATES ⁽¹⁾

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

(1) Expressed in currency/euro.

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

- Furthermore costs continued to be contained, falling 1.7% at current exchange rates and increasing 4.1% at constant rates. As a result, the cost/income ratio improved by more than 1 point to 46.0% compared to 47.1% in the first quarter of 2003. This confirms that BBVA is one of the most efficient large financial entities in the euro zone.
- Retail Banking in Spain and Portugal continues to broaden activity through the branch network in terms of lending and customer funds. This helped net interest income to grow by 2.1% despite the decline in interest rates. Net fee income also increased by 7.8% and this, together with cost control, led to a further improvement in the cost/income ratio, which stands at 44.1% (45.5% in the first quarter of 2003) and year-on-year increases of 8.1% in operating profit and 12.7% in attributable net income.
- Wholesale and Investment Banking generated high operating profits in the quarter. This is similar to the first quarter of last year and 17.4% higher than the 2003 quarterly average. Attention is drawn to the trend in net fee income which grew 14.7% year-on-year.
- The Americas Area (including Argentina) was also helped by price management and greater growth in lending and customer funds. Net interest income increased 7.7% at constant exchange rates and this, together with the strength of net fee income (up by 12.7%), helped operating profit to grow 9.7%. Thus, with the lower provisioning required and the smaller minority interests, attributable net income grew 54.2% (35.7% at current exchange rates).
- The picture in Mexico was particularly positive with an increase of 7.9% in net interest income calculated at constant exchange rates, despite the decline in interest rates. Note that in the first quarter of 2003 interest rates were at the highest level for the year. Operating profit also grew by 18.9% and net income by 20.8%. Lower minority interests meant that attributable net income grew by 61.6%. Activity continued to grow strongly especially in the more profitable segments. Thus, traditional fund-gathering grew by 11.8% while transactional deposits in pesos grew 19.1%. Likewise, lending grew 17.5% while consumer credit and cards achieved year-on-year growth of 34.2%.

- The Group's non-performing loan ratio, defined as non-performing assets (excluding country risk) divided by total exposure, continued to fall to 1.23% at the end of the quarter (1.37% at 31-Dec-03 and 1.78% at 31-Mar-03). Coverage increased to 209.8% (184.9% at 31-Dec-03 and 167.5% at 31-Mar-03).
- Following an investment of 3,254 million euros for the acquisition of Bancomer's minority interests, the Group's capital base continues to be solid. At 31-Mar-04 core capital was 5.7% (in line with the figure of 6.0% set as the target at the end of last year), Tier I capital was 8.0% and the BIS ratio 12.1%.
- After payment on 13th April of a final dividend of 0.114 euros per share, the total dividend paid against 2003 results comes to 0.384 euros per share. This is an increase of 10.3% over the 0.348 euros paid against 2002 results.

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

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

Income for the period

The first quarter of 2004 once again confirmed the ability of the BBVA Group to generate recurrent earnings and the

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

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

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

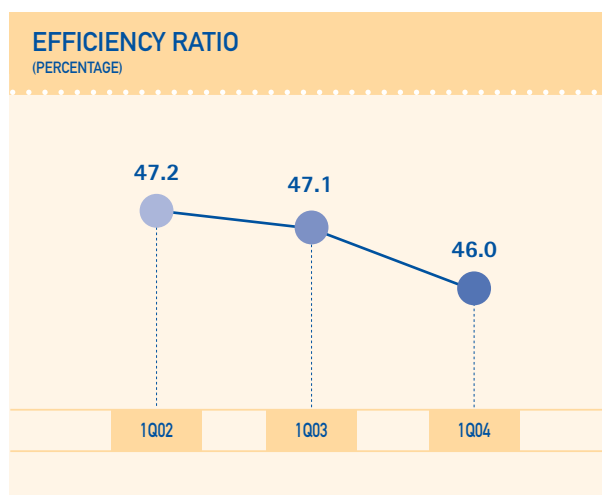
Net interest income in the first quarter of 2004 came to 1,684 million euros. This was 2.1% higher than the same period a year earlier, expressed in terms of current exchange rates and 9.0% at constant rates. In both cases these percentages are substantially better than those recorded for the whole of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

interest rates compared to the first quarter of 2003 in countries such as Mexico, Venezuela and Argentina.

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

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

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



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

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

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

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

Income attributable to minority holdings was 91 million euros compared to 169 million in the period January – March 2003. This was due to the lower cost of preferred stock following amortisation of old issues and their partial replacement by lower-cost issues. It was also due to the reduction in income attributable to minority interests in Bancomer following the take-over and, lastly, to the effect of exchange rates. The net income attributable to the Group in the first quarter of 2004 therefore came to 667 million euros. This is the highest quarterly figure recorded by BBVA in the last two years and represents growth of 29.9% over the 514 million euros obtained in the first quarter of 2003. This percentage swells to 35.0% at constant exchange rates. Following the capital increase of

1,999 million euros on 4th February, earnings per share increased by 25.1% to 0.20 euros and the ROE was 20.3%, compared to 16.9% in the first quarter of 2003. Therefore, in terms of these two important references, BBVA maintained a high position among the top large banking groups in the euro zone. Furthermore, ROA rose to 1.04%, compared to 1.02% in January- March 2003.

Balance sheet and business activity

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

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

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

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

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

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

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

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

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

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

Group's coverage now stands at 209.8% compared to 167.5% at 31-Mar-03 and 184.9% at 31-Dec-03.

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

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

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

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

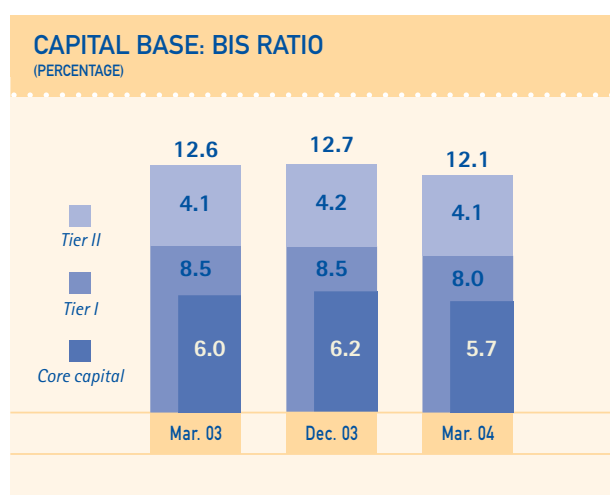
Capital base

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

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

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

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



The BBVA share

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

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

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

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

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