

# Business areas

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

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

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

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

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

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

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

Consequently the composition of the Group's business areas is as follows:

- **Retail Banking in Spain and Portugal:** this includes retail business, asset management and private banking conducted by the Group in Spain and Portugal. Consequently it includes individuals and SMEs in the domestic market, the Finanzia/Uno-E group (e-banking business, consumer finance, distribution of cards and renting), BBVA Portugal, the private banking business, the mutual and pension fund managers and the results of the insurance business.
- **Wholesale and Investment Banking:** this covers the business that the Group conducts with large companies and institutions through corporate banking (whether domestic or international) and institutional banking. It also incorporates the trading rooms in Spain, Europe and New York, the origination and distribution of equities and the depository and custodial services. Business and real estate projects not associated with Group interests in large companies is also included.
- **The Americas:** this area covers the activity and results of the Group's subsidiaries in Latin America and their

subsidiary undertakings, including pension managers, insurance companies and international private banking. As mentioned above, the Group's companies in Argentina are now included in this area.

- **Corporate Activities:** this contains the Group's holdings in large industrial companies and in financial entities, as well as the activities and results

of support units such as the Assets and Liabilities Committee. The area also includes those items which, due to their nature, cannot be assigned to other business areas. Examples of these items are country risk provisions and the write-off of goodwill (except in the case of interests held by the business and property projects unit which comes under the Wholesale and Investment Banking Area).

<b>NET ATTRIBUTABLE PROFIT BY BUSINESS AREA</b>			
<small>(MILLION EUROS)</small>			
	<b>1Q04</b>	<b>Δ%</b>	<b>1Q03</b>
Retail Banking in Spain and Portugal	345	12.7	306
Wholesale and Investment Banking	111	(18.1)	136
America	220	35.7	162
Corporate Activities	(9)	(89.9)	(91)
<b>BBVA GROUP NET ATTRIBUTABLE PROFIT</b>	<b>667</b>	<b>29.9</b>	<b>514</b>

<b>ROE AND EFFICIENCY RATIO</b>				
<small>(PERCENTAGE)</small>				
	<b>ROE</b>		<b>Efficiency ratio</b>	
	<b>1Q04</b>	<b>1Q03</b>	<b>1Q04</b>	<b>1Q03</b>
Retail Banking in Spain and Portugal	33,0	30,8	44,1	45,5
Wholesale and Investment Banking	21,4	27,9	27,2	26,0
America	23,4	19,1	43,2	43,3
<b>BBVA GROUP</b>	<b>20,3</b>	<b>16,9</b>	<b>46,0</b>	<b>47,1</b>