

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: | | | |
|---------------------------------------------------------------------|-----------------------------------|--------|---------|----------------------------|--------|--------------------------------------|--------|
| | 1H04 | Δ% | 1H03 | Commercial and SME Banking | | 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 | | | 30-06-03 | | | 30-06-04 | | | 30-06-04 | | |
|----------------------------------------------|----------|-------|----------|----------|-------|----------|----------|----|----------|----------|----------|----|
| | 30-06-04 | Δ% | 30-06-03 | 30-06-04 | Δ% | 30-06-03 | 30-06-04 | Δ% | 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: | | | |
|---------------------------------------------------------------------|----------------------------------|--------|-------|-------------------|--------|---------|--------|
| | 1H04 | Δ% | 1H03 | Wholesale Banking | | Markets | |
| | | | | 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 | | 30-06-03 | | 30-06-04 | | 30-06-04 | |
|----------------------------------------------|----------|--------|----------|--------|----------|---------|----------|----|
| | | Δ% | | | | Δ% | | 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 on 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 | Δ% | 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 | Δ% | 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 million 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.