

Corporate Activities

INCOME STATEMENT			
<small>(MILLION EUROS)</small>			
	9M04	Δ%	9M03
NET INTEREST INCOME	(66)	11.3	(59)
Net fee income	(114)	95.6	(58)
CORE REVENUES	(180)	53.0	(118)
Net trading income	229	23.7	185
ORDINARY REVENUES	49	(27.4)	67
Personnel costs	(295)	(8.0)	(320)
General expenses	(13)	n.m.	41
GENERAL ADMINISTRATIVE EXPENSES	(307)	10.0	(279)
Depreciation and amortization	(105)	(6.9)	(113)
Other operating income and expenses	-	n.m.	(22)
OPERATING PROFIT	(364)	4.8	(347)
Net income (loss) from companies accounted for by the equity method	259	32.3	196
Amortization of goodwill	(495)	15.3	(429)
Net income (loss) from Group transactions	249	(28.7)	349
Net loan loss provisions	70	n.m.	(216)
Net extraordinary income (loss)	(47)	n.m.	270
PRE-TAX PROFIT	(328)	85.2	(177)
Corporate income tax	164	(17.9)	199
NET PROFIT	(164)	n.m.	22
Minority interests	(45)	(40.5)	(76)
NET ATTRIBUTABLE PROFIT	(210)	n.m.	(54)
BALANCE SHEETS			
<small>(MILLION EUROS)</small>			
	30-09-04	Δ%	30-09-03
Total net lending	(1,865)	(28.5)	(2,607)
Securities portfolio	29,427	9.4	26,889
Liquid assets	(23,502)	52.5	(15,408)
Inter-area positions	19,392	177.2	6,995
Property and equipment and intangible assets	1,542	(2.2)	1,576
Other assets	11,917	87.5	6,357
TOTAL ASSETS/LIABILITIES AND EQUITY	36,911	55.1	23,802
Deposits	(4,590)	43.8	(3,191)
Debt securities	26,761	13.8	23,509
Equity	7,362	7.0	6,884
• Shareholders' funds	2,832	9.7	2,581
• Other eligible funds	4,530	5.3	4,303
Liquid liabilities	-	-	-
Inter-area positions	-	-	-
Other liabilities	7,377	n.m.	(3,399)

This area comprises the Group's holdings in large industrial corporations and financial institutions; the activities and earnings of the central support units such as the Assets and Liabilities Committee; and other activities that, due to their nature, cannot be assigned to a particular business area. The latter include country-risk provisioning and amortisation of goodwill (except that related to business projects in the Wholesale Banking Area).

In the first nine months of 2004 the ordinary revenues of this area rose to 49 million euros compared to 67 million euros for the same period in 2003. After including corporate expenses, operating profit presented a deficit of 364 million euros, which was similar to the deficit of 347 million for the first nine months of 2003. However attributable net profit is 156 million euros lower than last year and this is mainly due to the greater amount earmarked for amortisation of goodwill (Bancomer) and the decline in capital gains.

The large industrial corporations unit mainly manages the bank's holdings in Telefónica, Repsol and Iberdrola, which make up 90% of the portfolio. Active management of the investments resulted in an increase of 40.6% in operating profit compared to the same period in 2003, rising to 133 million euros. The contribution of companies carried by the equity method also increased year-on-year. Thus the unit generated attributable net income of 232 million euros in the year to September compared to 161 million euros in the same period last year.

The financial stakes unit did not conduct any relevant operations in the third quarter, maintaining the holdings in BNL and Bradesco. In the first quarter of 2004 the holding in Banco Atlántico was sold with capital gains of 218 million euros while in 2003 the sale of the bank's interest in Crédit Lyonnais reported capital gains of 343 million euros. Lower taxes on the capital gains generated by the sale of Banco Atlántico explain the

lower corporate taxes in 2004. Thus the attributable net profit for the first nine months of 2004 comes to 192 million euros and this is 31 million less than the same period a year earlier.

The Assets and Liabilities Committee administers the Group's interest rate and exchange rate positions, group liquidity and shareholders' equity. Ordinary revenues came to 322 million euros at 30-Sep-04 compared to 268 million euros at the same date last year. The higher figures are the result of active management of exchange-rate risk and of the structural portfolio associated with interest-rate risk. The size of the interest-rate portfolio at 30-Sep-04 was 23.2 billion euros.

The Corporate Activities Area includes personnel and administration expenses, depreciation and other operating expenses generated by headquarters. It also absorbs other costs of an institutional nature that cannot be assigned to a particular area (corporate IT costs, severance payments, etc). The aggregate of these concepts, 412 million euros in the year to 30-Sep-04, is similar to the same period last year.

Some 495 million euros were earmarked for amortisation of goodwill. This was 66 million euros more than the first nine months of 2003. The additional 120 million euros arising from the purchase of Bancomer were partly absorbed by the 39 million euros of early amortisation of Bradesco goodwill done in June 2003 and lower amortisation of various holdings (mainly Crédit Lyonnais, Gas Natural and Wafabank) following divestments.

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