

Wholesale and Investment Banking

INCOME STATEMENT

(MILLION EUROS)

	Wholesale and Investment Banking			Memorandum item:			
	9M04	Δ%	9M03	Wholesale Banking		Markets	
				9M04	Δ%	9M04	Δ%
NET INTEREST INCOME	583	12.3	519	375	(1.0)	138	40.8
Net fee income	162	18.7	136	121	17.0	44	22.2
CORE REVENUES	744	13.6	655	496	2.8	182	35.8
Net trading income	22	(74.7)	88	28	76.1	9	(84.9)
ORDINARY REVENUES	767	3.1	744	524	5.2	190	(0.2)
Personnel costs	(149)	1.7	(147)	(85)	(2.7)	(56)	9.6
General expenses	(73)	(5.3)	(77)	(36)	0.3	(34)	(10.3)
GENERAL ADMINISTRATIVE EXPENSES	(222)	(0.7)	(224)	(120)	(1.8)	(90)	1.2
Depreciation and amortization	(5)	(44.1)	(9)	(3)	(11.9)	(1)	(69.3)
Other operating income and expenses	(3)	(13.0)	(4)	(3)	(3.0)	(1)	16.4
OPERATING PROFIT	537	5.7	507	398	7.8	98	1.9
Net income (loss) from companies accounted for by the equity method	22	(37.4)	35	(9)	n.m.	-	-
Amortization of goodwill	(2)	(3.2)	(2)	-	-	-	-
Net income (loss) from Group transactions	81	156.2	32	-	-	-	-
Net loan loss provisions	(150)	58.3	(95)	(132)	53.6	(15)	n.m.
Net extraordinary income (loss)	7	n.m.	(2)	11	n.m.	(4)	(83.3)
PRE-TAX PROFIT	495	4.0	476	267	(6.5)	80	9.7
Corporate income tax	(93)	(12.0)	(106)	(81)	(4.0)	(2)	(86.7)
NET PROFIT	401	8.6	369	186	(7.5)	78	28.5
Minority interests	(25)	(21.7)	(32)	(17)	(26.3)	(5)	(2.2)
NET ATTRIBUTABLE PROFIT	377	11.5	338	170	(5.2)	73	31.3

BALANCE SHEETS

(MILLION EUROS)

	30-09-04		Δ%	30-09-03		30-09-04		Δ%
Total net lending	41,025	2.2		40,161	38,668	5.1	2,231	(30.2)
Securities portfolio	30,135	8.0		27,916	3,334	(10.9)	25,482	9.7
Liquid assets	52,748	27.0		41,518	6,661	(44.6)	45,979	57.0
Inter-area positions	45,191	5.5		42,842	-	-	45,088	5.3
Property and equipment and intangible assets	44	(4.2)		46	39	(2.5)	5	(19.3)
Other assets	7,308	9.3		6,689	537	6.9	6,704	9.5
TOTAL ASSETS/LIABILITIES AND EQUITY	176,453	10.9		159,172	49,240	(7.3)	125,489	19.9
Deposits	53,783	11.8		48,122	17,907	(7.4)	35,875	24.9
Debt securities	5,153	(15.9)		6,129	5,153	(15.9)	-	-
Equity	3,937	9.4		3,599	2,338	4.3	834	28.0
• Shareholders' funds	2,304	9.2		2,109	1,248	4.2	496	27.9
• Other eligible funds	1,633	9.6		1,489	1,090	4.4	337	28.0
Liquid liabilities	79,933	14.3		69,913	8,170	(4.4)	71,442	16.4
Inter-area positions	24,634	5.8		23,274	14,131	(8.8)	10,075	38.4
Other liabilities	9,012	10.8		8,135	1,541	13.6	7,264	9.8
OTHER CUSTOMER FUNDS MANAGED								
• Mutual funds	742	(4.5)		777	727	(6.5)	16	n.m.
• Pension funds	2	2.2		2	2	2.2	-	-
• Customer portfolios	4,257	7.4		3,965	4,257	7.4	-	-

SIGNIFICANT RATIOS

(PERCENTAGE)

	30-09-04		30-09-03		30-09-04		30-09-04	
ROE	22.6		22.3		18.8		21.2	
Efficiency ratio	29.0		30.1		23.0		47.4	
NPL ratio (Nonperforming assets/Total risks)	0.28		0.67		0.30		-	
Coverage ratio	469.7		177.6		435.8		-	

Wholesale and Investment Banking comprises the domestic and international global corporate banking units, institutional banking, and the global markets and distribution unit that includes the trading rooms in Europe and in New York, equities and bond distribution and the depository and custodial services. It also includes the business and real estate projects unit, and global transaction services.

Lending handled by this area rose to 41,025 million euros with a year-on-year increase of 2.2%. In terms of average balances the increase was 3.7% compared to 3.2% at the end of June. Institutional Banking was the unit that grew most (9.7%). Asset quality also continues to improve as shown by the non-performing loan ratio of 0.28% which compares favourably with 0.67% at 30-Sep-03, while coverage climbed to 469.7% from the figure of 177.6% a year earlier. Deposits and off-balance sheet funds in this area increased 10.2% over the amount at 30-Sep-03 (7.9% on average balances). Both figures were higher than the 3.4% and 4.8%, respectively, recorded at the end of June.

In the first nine months of the year net interest income increased 12.3% over the same period in 2003 while net fee income grew 18.7%. This brought the increase in core revenues to 13.6%. However, lower net trading income (mainly in the Global Markets unit although partly compensated by higher dividends) meant that ordinary revenues increased by only 3.1% to 767 million euros. This increase, together with the 0.7% decline in general expenses, resulted in a 1.1 point improvement in the cost/income ratio to 29.0% compared to 30.1% for the first nine months of 2003. Operating profit rose to 537 million euros, a year-on-year increase of 5.7%.

Items below the operating profit line on the income statement include income from group transactions related to Business and Real Estate Projects (which was higher than a year earlier). They also include a 58.3% increase in loan-loss provisions that was mainly due to transfers to general provisions and statistical reserves by the global corporate banking unit. Thus attributable net income for this area came to 377 million euros which was 11.5% higher than the first nine months of 2003. ROE was 22.6%, also comparing favourably with the figure of 22.3% a year earlier.

Wholesale Banking, which includes Global Corporate Banking and Institutional Banking, achieved an operating profit of 398 million euros in the year to September. This was 7.8% higher than the same period in 2003 (4.0% higher in the first half). Revenues grew faster, especially fee income, and cost reductions were deeper. After the loan-loss provisions mentioned above, attributable net income came to 170 million euros.

The strategy at Global Corporate Banking continues to focus on moderate growth in lending, on action to defend customer spreads and on the achievements in fee income (which grew 15.8%). Operating profit for the first nine months came to 271 million euros, up 4.1% over the same period a year ago, and attributable net income came to 91 million euros.

Lending operations led by BBVA in the third quarter included joint underwriting of finance for the take-over of Fomento de Construcciones y Contratas S.A. (controlled by Veolia Environment) by Dominum Dirección y Gestión S.A., finance for the Real Ocaña-La Roda tollway with a total value of 522 million euros and a four-year, \$600m syndicated loan for Codelco.

Mandates in the area of fixed-income securities included an issue of 200 million euros of subordinate debt by Eroski, a ten-year 1 billion euro issue by Repsol International Finance SA and underwriting of a four-year 500 million euro issue by KBC IFIMA NV. Attention is drawn to a two-year 150 million euro issue by Paccar Financial Europe BV. This was the first time the financial arm of this US truck manufacturer tapped the euro market.

In the first nine months of the year Institutional Banking generated attributable net income of 78 million euros – 21.3% higher than the same period in 2003. Increases in lending activities and funds under management (with year-on-year growth of more than 8% on average balances), together with action to defend spreads, higher fee income and cost control, brought the cost/income ratio to 19.3%. This was a 4.4 point improvement over the first nine months of 2003 and operating profit grew 16.5%.

In the third quarter Institutional Banking won a competitive tender to manage the current accounts of the

Spanish State Council and of the Spanish National Transplant Centre. Furthermore a co-operation agreement was signed with AECEMCO – an organisation that co-ordinates and represents special employment centres and promotes integration of the handicapped. This will help BBVA in its commitment to corporate social responsibility.

In addition, the Institutional Banking unit and the European Investment Bank signed a new general loan agreement for 200 million euros. This will be used to finance investments by regional governments – in line with the goals of the European Union.

In the first nine months the Global Markets and Distribution unit achieved attributable net income of 73 million euros, an increase of 31.3%. Operating profit was 98 million euros, which was slightly higher than the first nine months of 2003, although trading income was lower.

The third quarter saw continued sales of dynamically-managed products linked to international hedge funds. Furthermore BBVA was appointed as the co-ordinator of the Cintra IPO. This company is a subsidiary of the Ferrovial group. BBVA is also the underwriter for a share issue by Arcelor (the steel producer). In the OTC market, BBVA continued to be the leader with a cumulative market share of 11.35% at 30-Sep-04, according to stock-exchange figures.

In regard to the Transactional Services unit, attention is drawn to the Dealogic league tables for trade finance in the first half of 2004. BBVA is in first place world-wide based by number of mandates and fourth by amount insured (second in Latin America). For the third year running Global Finance ranked BBVA as the Best Trade Finance Bank in Spain.

In factoring and confirming, BBVA consolidated its leadership with a market share of 35.5% according to figures for end of June published recently by the Spanish Factoring Association. Year-on-year growth was 22.3% for the nine months to September.

Electronic banking in Spain is used by nearly 64,000 companies and institutions. In the first nine months of 2004 activity grew 9.8% by number of transactions and 35.7% by volumes. Moreover, BBVA was recognised by Global Finance as the best Internet bank in Spain for companies and institutions.

In the first nine months of the year the Business and Real Estate Projects unit achieved attributable net income of 165 million euros, a year-on-year increase of 60.8%. This was generated by improvements in dividends from associate companies, in net trading income and in group operations. In the third quarter the bank sold its 17.1% stake in Vidrala with capital gains of 19 million euros.

This unit is currently handling a portfolio of 113 investments with a book value of 927 million euros. There are latent capital gains of 801 million euros. By sector, 43.2% of the book value is in the real estate sector and 27.4% in market services.

In the third quarter, BBVA's real estate developer, Anida, continued with the rotation and value adding generation of its portfolio of projects. Turnover reached 68 million euros and it has invested in various property projects entailing 300,000 m² of construction in Madrid, Cáceres and Zaragoza.

Furthermore, the Yucatan Project was launched in July. The aim is to invest in new real estate projects and in partnerships with developers, through a local office and the creation of Mexican subsidiaries of Anida.