



Informe Anual Annual Report 2003

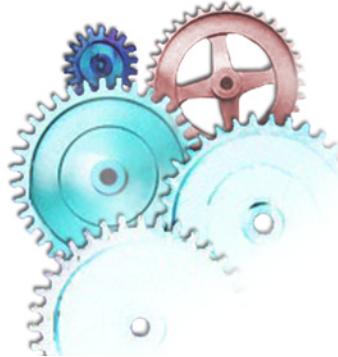
BANCOVAL, S.A. AND DEPENDENT COMPANIES
Consolidated Annual Financial Statements and Management Report

31 December 2002
(Accompanied by the Auditor's Report)

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Management Report 2003



Interest rates in the euro zone hit record lows, after the cut of 75 basis points applied by the European Central Bank in the first half of the year. The official rate was fixed at 2%, which undoubtedly pushed banking margins down considerably. Consequently, the interest rates applied by financial institutions continued at historically low levels.

Moreover, the one-year EURIBOR stood at around 2.2%, which indicates that the markets seem to be assigning a very low probability to official interest rates being raised before the end of next summer.

In the fixed income markets, the 10-year public debt yield rose slightly to reach around 4.30%; and in the local government debt, corporate and matador bond markets, the improvement in the economic climate favoured the gradual narrowing of corporate bond spreads, which significantly reduced the cost of corporate debt.

In the domestic and international equity markets, the rally in prices during the year marked a turning point with respect to the performance of the last two years. Madrid Stock Exchange's general index appreciated by 27.4%, in contrast with the negative performance of the two preceding years. This rise, which was similar to the performance of the S&P 500 in the North American markets (26.4%), outstripped the appreciation of the EUROSTOXX in the European bourses (18.1%). The recovery in prices was accompanied by further reductions in volatility, which is currently at levels below its historical average.

The trading volume on the Spanish stock market increased by around 10% to reach some € 570 billion. Bancoval's systems processed just under 7% of the total volume and directly settled some 265,000 transactions.

In April Dexia Equities España, AV started up, with a view to providing equity brokering services in the domestic market, mainly aimed at non-resident institutional clients. This forms part the Dexia group's pan-European strategy with regard to brokering activities in the financial markets.

In the area of domestic securities, the systems were adapted to the incorporation of the different settlement cycles introduced by Iberclear, and the adaptation to the new ISO15022 of the STP process for communicating and treating transactions was completed.

The activities as custodian for collective investment institutions registered a net increase of 24 institutions during the year, attaining a volume of some € 2,397 million, which is an increase of around 11% in assets deposited. In addition, the tax exemption for fund transfers made it necessary to adapt the systems to this change in regulation.

The balances in custody in international markets amounted to € 1,809 million, a 5% increase on the previous year. In this business, positions were reorganized and centralized in the new sub-custodian structure, according to the type of asset. In this way, an effective improvement in the service and a considerable reduction in costs were achieved.

Overall, the total assets deposited at the end of 2003 amounted to over € 17,354 million, a similar figure to that for 2002.

In the Capital Market businesses, the bank's activity in Equity Finance and margin-lending transactions was consolidated and made a significant contribution to the performance of the Income Statement.

As regards information systems, activity was centred on two major elements in 2003: the consolidation of new technologies and the reduction in the number of active projects.

The consolidation of the information technologies used at the organization is clearly reflected in the migration to open protocols of the systems used for interchange with Iberclear and different stockbroker firms. A cost reduction of as much as 80% is estimated.

As regards projects, in January 2003 a total of 32 projects were being developed and another 7 were added. At the end of the year, the number of projects under development had fallen to 20. The most important of these are a new application for bank management and

the delivery of the successive modules of the custody and settlement application.

Of the products developed in 2003, all of those related to fund distributor services should be mentioned.

In respect of legislative novelties, because of its impact on the bank, we should highlight the new Collective Investment Institutions Act and the Financial System Reform Act. Both of them affect the bank's business as a custodian for collective investment institutions and contemplate the possibility of margin lending to the said institutions. Additionally, the recent explanation of the regulations in respect of the tax treatment of these operations has been of great service in terms of interpreting them.

In the chapter of risk control, the bank has taken the first steps towards adapting the entity to the requirements of the New Basle Agreement, considering the Dexia group's strategy in this area.

At 173 people, the Group's workforce remained stable with respect to the end of business year 2002. As occurred in previous years, human resources management was dominated by the attention paid to training for all personnel and the application of variable remuneration systems based on merit.

The total balance sheet amounted to € 1,530 million, in line with the figure posted the previous year. We should highlight the increases in lending and in customer funds, and the downturns in the fixed income portfolio and sundry accounts. The bank's low risk profile did not change, as is illustrated by the fact that at the end of 2003, Bancoval had € 30 million in surplus equity in relation to the minimum level required by Bank of Spain regulations.

For its part, the equity portfolio includes a basket of Ibex 35 stocks for an amount of approximately € 5 million which is in turn hedged with futures, acquired with a view to covering the margin buying business. In addition, the bank borrowed Ibex 35 shares for € 7.4 million for the same purpose as the mentioned portfolio.

The sluggish activity in the financial markets was reflected in the ordinary margin, which amounted to € 23.7 million, down 4% with respect to the preceding year.

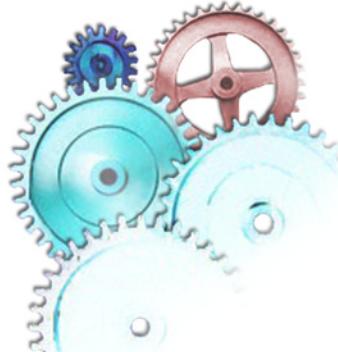
General expenses increased by 2%, although personnel expenses were 3% lower than the previous year.

During the year the Bank put an end to the lawsuit in which it had been involved with an American software company since 1992. The agreement implied US\$2.7 million (€ 2.3 million) in losses for the Bank, which are posted under extraordinary items. In addition, the Bank recovered a provision it had allocated for this purpose, which came from previous years, amounting to € 1.5 million.

Net income amounted to € 4.9 million, a reduction of 14% with respect to the previous year.

The General Meeting held on 26th June 2003 renewed the powers of the Board of Directors to acquire treasury stock within the legal limits. As of 31st December 2003, the Bank had no treasury stock on its balance sheet.

*Balance Sheets and Statements
of Income of Bancoval, S.A. and
Dependent Companies*



Bancoval, S.A. and Dependent Companies
Balance Sheets as of 31 December 2003 and 2002

ASSETS	CONSOLIDATED GROUP	
	2003	2002
Cash on hand and due from Central Banks (note 6)	2.655	8.936
Cash	154	115
Bank of Spain	2.501	8.821
Government Debt securities (note 7)	30.526	95.697
Due from banks (note 8)	1.256.265	1.126.865
Sight deposits	82.831	54.536
Other	1.173.434	1.072.329
Loans (note 9)	55.044	44.843
Bonds and other fixed income securities (note 10)	44.302	65.672
Shares and other equities (note 11)	16.830	8.434
Holdings in group companies (note 20)	-	-
Intangible fixed assets (note 12)	1.169	664
Tangible fixed assets (note 12)	12.521	13.346
Treasury stock (note 20,1)	-	0
Other assets (note 13)	106.339	152.384
Prepayments and accrual accounts (note 14)	4.465	7.642
TOTAL ASSETS	1.530.116	1.524.483
Memorandum accounts (note 21)	235.816	257.477

The accompanying annual report forms an integral part of the financial statements for 2003.

Bancoval, S.A. and Dependent Companies
Balance Sheets as of 31 December 2003 and 2002

LIABILITIES AND SHAREHOLDERS' EQUITY	CONSOLIDATED GROUP	
	2003	2002
Thousands of Euros		
Due to banks (note 15)	334.376	125.443
Sight deposits	180.963	59.540
Time deposits	153.413	65.903
Customer deposits (note 16)	1.038.138	1.112.836
Savings accounts	461.433	179.248
Other deposits	576.705	933.588
Other liabilities (note 17)	91.136	216.350
Accrual accounts (note 18)	3.593	7.449
Provision for contingencies and expense (note 19)	1.628	3.228
Profit for the year	4.954	5.771
Subscribed capital stock (note 20,1)	12.500	12.500
Paid-in surplus	7.275	7.275
Reserves (note 20,2)	35.672	33.114
Reserves in Group Companies	844	517
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.530.116	1.524.483

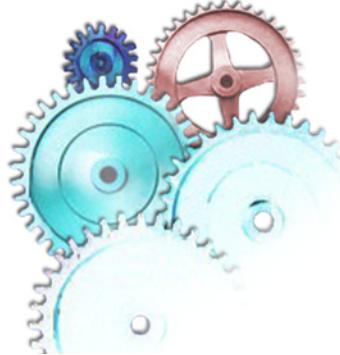
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**Bancoval, S.A. and Dependent Companies
Statements of Income for the Business Years
ended on 31 December 2003 and 2002**

	CONSOLIDATED GROUP	
	Thousands of Euros	
	2003	2002
Interest and similar revenue	32.629	40.294
From fixed income portfolio	3.114	5.203
Interest and similar charges	(27.679)	(36.555)
Income from equities portfolio	414	162
Shares and other equities	414	162
Net Interest Income	5.364	3.901
Fees and commissions received	15.816	18.645
Fees and commissions paid	(2.214)	(3.020)
Results from financial transactions	4.758	5.128
Ordinary Income	23.724	24.654
Other operating income	-	22
General administrative expenses	(13.182)	(12.958)
Personnel expenses (note 22)	(8.158)	(8.386)
Other administrative expenses	(5.024)	(4.572)
Depreciation, amortization and write-down		
of tangible and intangible fixed assets (note 12)	(2.064)	(1.945)
Other operating expenses	(64)	(72)
Operating Income	8.414	9.701
Bad debt write-offs and provisions for loan loss		
(notes 9, 10 and 19)	(207)	(297)
Provisions for investment securities	-	-
Extraordinary income	1.704	93
Extraordinary expenses (note 22.2)	(2.372)	(750)
Profit before tax	7.539	8.747
Corporate income tax (note 25)	(2.585)	(2.976)
Profit for the year	4.954	5.771

The accompanying annual report forms an integral part of the financial statements for 2003.

*Annual Report for the Business Year
ended as of 31 December 2003*



1. Nature, Activities and Structure of the Group

Bancoval, S.A., (hereinafter the Bank), was incorporated under the name of Banco de Valls, S.A. through public deed on 27 November 1881 and entered in the Tarragona Register of Companies, folio 64 reverse, number 153.

On 3 October 1979 it changed its name to Banco Hispano Industrial, S.A. by public deed, which was duly entered in the Madrid Register of Companies in volume 5.540 general, 4.624 of section 3 of the Book of Companies, folios 1 to 14, page 44.353, entries 1 and 2.

On 17 April 1989 the Company By-laws were amended and the name changed to Bancoval, S.A., by public deed, on the day indicated, duly entered in the Madrid Register of Companies on 24 April 1989. The bank has two offices located in Madrid and Barcelona from which it conducts its business.

Its corporate purpose and its main activity is to conduct banking operations of all kinds, in accordance with the relevant legislation and under the supervision of the Bank of Spain and also, for certain activities, in compliance with the regulations and under the supervision of the Comisión Nacional del Mercado de Valores.

As of 31 December 2003, the Bancoval Group (hereinafter the Group) comprises the bank and the following dependent companies:

- Bancoval Activos S.A., a fully-owned public limited company. The principal activity of Bancoval Activos S.A. is the design, development, management and providing of all kinds of auxiliary, support, IT and administrative services related to brokerage, consultancy, analysis, investment, acquisition, appraisal, control, management, custody, deposit, administration and, in general, any private, business and professional activities involving financial assets and instruments and any other investment and funding instruments. The Company By-laws expressly exclude activities that are reserved by law for particular types of company. The Bank owns 100% of its share capital.
- Dexia Equities España, S.A. Agencia de Valores (previously Valmetric, S.A.), whose core business is to provide investment services such as the receipt and transmission of orders from third parties for securities and other financial instruments, brokering on direct or indirect behalf of the issuer in the placement of issues and public offerings and also to provide advice and research on investments. The Bank owns 100% of its share capital. This company started its business in April 2003.

- Alex Finanz S.A., a fully-owned public limited company. Its main business is the design, development, management and provision of all types of auxiliary, support, EDP and administrative services related to brokerage, advisory services, research, investment, acquisition, evaluation, control, management, custody, deposit, administration and, in general, any private, business and professional activities related to marketable securities and financial instruments and any other investment and financing instruments, excluding from its corporate purpose the activities reserved by Law to a particular type of Company. The Banks owns 100% of its share capital.

This company was constituted in March 2001 and have not yet started his activity.

2. Bases of Presentation

The annual financial statements of the Group and the Bank were prepared by the Directors to give a true and fair view of net equity, the financial situation and the results of the operations of the Group for business year 2003 and of the source and application of funds during the said business year, and the proposal for distribution of the profit obtained in business year 2003.

The Group's annual financial statements were prepared in compliance with the models established in Bank of Spain Circular 4/1991 of 14 June and subsequent amendments and on the basis of the accounting records of Bancoval, S.A. and its dependent companies, which together form the Group (see Note 1).

The consolidated annual financial statements contain certain adjustments and reclassifications to standardize the accounting and presentation principles followed by the companies in the Group with those followed by the Bank.

The annual financial statements corresponding to 2002 were approved at the Ordinary General Shareholders' Meeting held on 27 June 2003.

The annual financial statements for Group for business year 2003 are pending approval from the respective Ordinary General Shareholders' Meetings. However, the Bank's Board of Directors, which in turn effectively controls the consolidated companies, expects these annual financial statements to be ratified without any significant changes.

3. Distribution of Profit

The proposal for the distribution of the Group's profit for the business year ended as of 31 December 2003 formulated by the Directors and pending approval at the Ordinary General Shareholders' Meeting is as follows:

	<u>Thousands of Euros</u>
Net profit for business year 2003	4.954
Distribution:	
To Voluntary Reserves	4.954

The distribution of profit for the year ended as of 31 December 2002 effected in 2003 can be found in the breakdown of the movement of shareholders' equity in Appendix I of this annual report.

4. Consolidation Principles

The Group has been consolidated in accordance with article 2 of Royal Decree Law 1815/91 of 20 December and Bank of Spain Circular 4/1991 of 14 June and subsequent amendments governing the consolidation of the annual accounts of financial institutions.

In compliance with the relevant Bank of Spain Circulars, the dependent company was consolidated through the global integration method. All the balances and transactions between the Bank and its subsidiaries have been eliminated.

The Bank's holdings in other non-consolidated companies are included under the heading "Shares and Other Equities" on the balance sheet and have been valued according to the principles described in note 5.5.

5. Accounting and Valuation Principles

The accompanying annual financial statements were drawn up following the accounting and valuation principles established in Bank of Spain Circular 4/1991 of 14 June and subsequent amendments. The most significant principles are as follows:

5.1 Accrual principles

Revenues and expenses are accounted for on an accrual basis and not on the basis of their date of collection or payment, with the exception of the interest on lending and other risks without investment with borrowers where collection is considered to be doubtful. These amounts are charged to results at the time of collection.

Interest income and expenses are recognized following the straight-line method, except where the operation exceeds twelve months. In these cases interest is calculated on the basis of internal rates of return.

Following normal banking practice, transactions are recorded as of the date they take place, which may be different from the value date, on which interest income and expenses are calculated.

5.2 Foreign currency transactions and balances

Balances in foreign currency, including accrued interest receivable and payable, are valued at the average rate at the close of the foreign exchange market on the last business days of 2002 and 2003. Foreign exchange gains or losses that may arise from this valuation are recorded as revenues or expenses on the income statement.

Forward contracts are included under "Memorandum accounts" at the exchange rates at which they were contracted. At the end of the month, all the operations are restated at the futures rate for the period to maturity. Foreign exchange gains or losses arising from this restatement are recorded on the consolidated income statement.

In the case of future swap operations contracted for hedging purposes, differences arising between contracted forward and spot rates are accrued over the life of the respective contracts and are charged to income or expenses, whichever is relevant.

5.3 Provisions for loan loss

Provisions for loan loss are allocated to cover losses that might arise on the realization of loans included under the heading "Loans" and "Bonds and other fixed income securities" under assets and other off-balance sheet transactions recorded in the memorandum accounts. These provisions were in compliance with Bank of Spain Circular 4/1991, of 14 June. Provisions for loan loss are presented either netted from "Loans" and "Bonds and other fixed income securities" under assets or under the heading "Provisions for contingencies and expense" under liabilities when the provisions are to hedge risks carried in memorandum accounts.

The Group is also required to set aside a general provision for loan losses. This fund is equal to 0,5% of secured loans and 1% of other loans.

Moreover, as from 1 July 2000 the Group is obliged to create a provision for the statistical coverage of loan losses. Every quarter the Bank must allocate on the income statement the positive difference between one fourth of the statistical estimate of latent global losses in the Bank's different homogeneous risk portfolios and the specific net allocations for loan losses effected during the quarter, until this provision reaches an amount equivalent to treble the loan risk weighted by coefficients established in Bank of Spain Circular 9/1999. If this difference is negative, the amount is recorded on the income statement and charged to the provision constituted for this item if a balance is available. The Group calculates the said statistical estimate using the method described in the Circular, based on the application of coefficients. The amount of this allocation totals Euro 1.296 thousand (notes 9, 10 and 19), which is equivalent to 100% coverage of the maximum amount of the said provision.

5.4 Government Debt Securities, Bonds and Other Fixed Income Securities

Fixed income securities are valued as follows:

- **Trading portfolio**

These securities are stated at their acquisition cost without deducting accrued interest.

They are restated monthly at market value, understood as the price on the day in question and recorded under revenues or expenses for the year.

- **Ordinary investment portfolio**

Government Debt, bonds and other fixed income securities comprising the ordinary investment portfolio are stated at their acquisition price, deducting, where relevant, accrued interest and the commissions and credits obtained on subscription. Positive or negative differences between the acquisition price and the redemption value are taken to income or expenses over the remaining life of the securities. The resulting amount is termed "adjusted cost of acquisition".

The adjusted acquisition cost, defined above, is compared on a quarterly basis with the price on the last trading day or the average of the last ten trading days. When the net differences arising from this comparison are negative, these losses are not carried to the income statement, but are recorded under accrual accounts on the asset side of the balance sheet with a charge to the securities valuation reserve. The positive differences are recorded under accrual accounts on the asset side of the balance sheet to the limit of the negative differences mentioned above. To determine shareholders' equity, this accrual account on the asset side of the balance sheet is applied to net the figure.

However, the Group may make allocations, totally or partially, charged to results, considering, in particular, the changes foreseen as being lasting in market conditions.

Profits or losses on the disposal of securities with respect to the adjusted acquisition price are recorded on the income statement and, in the case of profits, an allocation is made to the securities valuation provision. At the end of each quarter such provisions are offset against prepayments/accrual accounts on the asset side of the balance sheet, as mentioned in the previous paragraph, to the limit of the balance of prepayments for these securities. Any surplus provisions are released to the income statement. However, in subsequent quarters of the same year the provisions released are constituted once again if there is an increase in said accrual account.

- **Investment portfolio held to maturity**

This portfolio comprises the fixed income securities held to maturity, as the Group has sufficient financial capacity for this. These are stated at their adjusted acquisition cost, which consists of the acquisition price without accrued interest plus the accrual of the positive or negative difference between the redemption value and the acquisition price without accrued interest over the remaining period to maturity.

5.5 Shares and participations

Equity securities and participations in investment funds are recorded on the balance sheet at their acquisition price.

Allocations are made to the securities valuation provision when any of following circumstances arise:

- The average price for the last quarter or last trading day is less than the book value of the shares listed on the Stock Market.
- In the case of unlisted securities, the fair value of the shares is less than their book value.

5.6 Tangible fixed assets

Tangible fixed assets are carried at their acquisition price, net of the corresponding accumulated depreciation.

Annual depreciation of fixed assets is calculated on a straight-line basis on the cost prices or the restated cost using the following coefficients:

Furniture, installations and other tangible assets	8% a 16%
Computer hardware and installations	25%

The costs of conservation and maintenance of tangible fixed assets which do not improve the use of related assets or prolong their useful life are charged to the consolidated income statement when they are incurred.

5.7 Intangible fixed assets

Intangible fixed assets correspond to other capitalized expenses and are presented net of the corresponding accumulated depreciation, which is calculated on a straight-line basis over a period of three years.

5.8 Pensions

Under the present Collective Agreement for private banking, the Group is obliged to supplement the payments made by the Social security authorities to employees or their beneficiaries in respect of pensions, widows' and orphan's benefits and permanent disability. Supplementary pension commitments are not applicable to employees who joined the Bank subsequent to 8 March 1980.

5.9 Financial futures operations

Financial futures operations are recorded under memorandum accounts at their contractual value, distinguishing between hedging and non-hedging operations.

Non-hedging financial futures operations are valued as follows:

- Financial futures contracted in official markets are settled at the quoted closing price on the day of the close. Gains or losses are recorded on the income statement.
- Financial futures contracted in OTC markets: Each month the Group carries out the theoretical close of futures positions. When potential losses become apparent from the theoretical close, provisions are created and charged to the income statement. The profits or losses on these operations are recognized as revenues or expenses at the time of settlement.

Profits and losses on hedging financial futures operations are recorded on the balance sheet simultaneously with the revenues or expenses of the items covered.

5.10 Options

Options on marketable securities are recorded in memorandum accounts when contracted at the euro value of the underlying commitments, differentiating between those purchased and those sold (issued).

The rights and liabilities resulting from the purchase and sale or issue of options are recorded at the cost of the premium paid or the amount resulting from the sale under other assets or liabilities on the balance sheet.

If the options are contracted in official markets and are not for hedging purposes, they are valued and compared with market prices. Gains or losses with respect to the cost price are posted on the income statement.

If the option is exercised, its book value is incorporated into the cost of the assets acquired or sold. In the case of acquisitions, the total cost may not exceed the market prices on the day when the option is exercised, and the difference is registered as losses in portfolio, losses on financial transactions or foreign exchange differences, whichever is appropriate.

Each month the Bank effects the theoretical settlement of the options purchased or issued without forward hedging. The corresponding provision is allocated and charged to the income statement when it can be inferred from the difference between the contracted price and the market value of the underlying asset that the option will not be exercised, in the case of options purchased, or when non-hedged potential losses may arise, in the case of options issued.

5.11 Severance payments

Except when there is a justifiable cause, companies are required to pay indemnities to employees whose services are discontinued.

In the absence of a specific redundancy plan, severance payments are considered as an expense in the year in which they occur.

5.12 Corporate income tax

Corporate income tax for each year is calculated on the basis of book profit before tax, adjusted for permanent differences in the recognition of taxable income, understood as the tax base of the said tax. The tax effects of timing differences, where applicable, are recorded as prepaid or deferred tax on the balance sheet.

Tax credits corresponding to deductions for investments and others are regarded as a reduction in corporate tax expense for each year.

Payments and withholdings on account of corporate income tax made during the year are recorded under "Other assets" for deduction on the definitive settlement of the said tax. Prepaid or deferred tax is recorded in the chapter "Other Assets" on the asset side and in the chapter "Other liabilities" on the liability side of the balance sheet respectively.

6. Cash on Hand and Due from Central Banks

The breakdown of the balances in this chapter for the Group and the Bank as of 31 December is as follows:

	Thousands of Euros	
	2003	2002
Cash	154	115
Bank of Spain, current account	2.501	8.821
	<hr/> 2.655	<hr/> 8.936

These amounts correspond to liquid assets, which are required to be held pursuant to regulations governing the cash and other ratios.

7. Government Debt Securities

As of 31 December, the breakdown of this item was as follows:

	Thousands of Euros	
	2003	2002
Treasury bills	30.278	90.399
Other annotated debt securities	248	5.298
Less, securities valuation provision	<hr/> -	<hr/> -
	<hr/> 30.526	<hr/> 95.697

The average yield on the Treasury Bills acquired outright by the Bank was of 2,84% and 3,45% in business years 2003 and 2002 respectively. The average interest rates on the bonds and debentures under the caption "Other Annotated Debt Securities" was of 2,47% and 4,52% during the same periods respectively. As of 31 December 2003 and 2002 these investments generated income in excess of the average cost of external funding.

The breakdown of this chapter by maturity as of 31 December 2003 and 2002 was as follows:

	Thousands of Euros				
	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total

Balances on 31/12/2003:

Fixed Income, ordinary					
Investment portfolio	75	410	4.375	-	4.860
Trading portfolio	-	64	37	147	248
Investments held to maturity	25.173	245	-	-	25.418
	25.248	719	4.412	147	30.526

Balances on 31/12/2002:

Fixed Income, ordinary					
Investment portfolio	6.446	245	-	-	6.691
Trading portfolio	-	25	176	122	323
Investments held to maturity	85.726	582	2.375	-	88.683
	92.172	852	2.551	122	95.697

In compliance with regulation 8 of Circular 4/1991, the breakdown of this chapter by portfolio would be as follows:

	Thousands of Euros	
	2003	2002
Trading portfolio	248	323
Ordinary investment portfolio	4.860	6.691
Investment portfolio held to maturity	25.418	88.683
	30.526	95.697

As of 31 December 2003 the market value of the investment portfolio held to maturity amounted to Euro 25,4 million (Euro 89,9 million as of 31 December 2002).

The market value of the Bank's ordinary investment portfolio as of 31 December 2003 and 2002 amounted to Euro 4,9 million and Euro 6,7 million, respectively.

During the exercise no movements occurred in the securities valuation provision.

8. Due from Banks

The breakdown of this heading for the Group is as follows:

	Thousands of Euros	
	2003	2002
Correspondent accounts and other	82.831	54.536
Time deposits	450.000	105.000
Securities loans	31.181	35.903
Repos	<u>692.253</u>	<u>931.426</u>
	1.256.265	1.126.865

The breakdown by currency is as follows:

	Thousands of Euros	
	2003	2002
Balances in euros	1.228.404	1.114.128
Balances in foreign currency	<u>27.861</u>	<u>12.737</u>
	1.256.265	1.126.865

The maturities and average interest generated on "Time Deposits" and "Repos" in this chapter of the balance sheet are as shown below:

	Thousands of Euros			
	Up to 3 months	Between 3 months and 1 year	Total	Average interest rate for the year
Balances as of 31/12/03				
Time deposits	450.000	-	450.000	2,38%
Repos	692.253	-	<u>692.253</u>	2,31%
	<u>1.142.253</u>	-	<u>1.142.253</u>	
Balances as of 31/12/02				
Time deposits	105.000	-	105.000	3,30%
Repos	931.426	-	<u>931.426</u>	3,26%
	<u>1.036.426</u>	-	<u>1.036.426</u>	

9. Loans

This heading includes different loans in foreign currency for the equivalent of Euro 2,04 million as of 31 December 2003 (Euro 2,5 million in 2002).

The breakdown of this chapter on the consolidated balance sheets is as follows:

	Thousands of Euros	
	2003	2002
To other resident sectors		
Secured loans	38.535	28.457
Other loans	16.819	14.406
To non-resident borrowers	979	3.124
Less provisions for loan loss		
Specific coverage	-	(38)
Generic coverage	(630)	(577)
Statistical coverage	(659)	(529)
	<hr/> 55.044	<hr/> 44.843

The breakdown of this heading on the balance sheets, not considering the balance in the "Provisions for loan loss" account, are as shown below, considering the period remaining to maturity, the type and the credit situation of the operations:

	Thousands of Euros	
	2003	2002
By maturity:		
- With unspecified maturity	5.910	9.351
- Up to 3 months	21.881	20.982
- Between 3 months and 1 year	3.773	2.397
- Between 1 and 5 years	21.727	9.596
- Over 5 years	3.042	3.661
	<hr/> 56.333	<hr/> 45.987

The movements in the "Provisions for loan loss" account corresponding to this item on the balance sheet are as summarized below:

	Thousands of Euros	
	2003	2002
Balances as of 1 January	1.144	1.022
Net allocations charged to the income statement		
Specific coverage	(38)	32
General coverage	53	(238)
Statistical coverage	130	328
	<hr/> 1.289	<hr/> 1.144
Balances as of 31 December	1.289	1.144

In business year 2002 Euros 6 thousand in loan losses was written off.

10. Bonds and other Fixed Income Securities

The breakdown of this item on the consolidated balance sheet as of 31 December is as follows:

	Thousands of Euros	
	2003	2002
Spanish Government Debt	-	-
Other issuers	44.464	65.844
Less provisions for loan loss		
Generic coverage	(101)	(124)
Statistical coverage	(61)	(48)
	<hr/> 44.302	<hr/> 65.672

As of 31 December 2003 these securities earn annual interest of 2,7% (3,63% in 2002).

In accordance with Regulation 8 of Circular 4/1991, the breakdown of this chapter by portfolio would be as follows:

	Thousand of Euros	
	2003	2002
Ordinary investment portfolio	42.295	53.247
Investment portfolio held to maturity	-	7.826
Trading portfolio	2.007	4.599
	<hr/> 44.302	<hr/> 65.672

The ordinary investment portfolio comprises investments made in securities with part of the funds obtained on the issuance of non-typical financial contracts in the form of time deposits (note 16). It should be noted that the investment and financing periods are similar.

The Group's trading portfolio is a result of its growing brokerage activity, especially in international markets.

All the securities in the fixed income portfolio are listed in the stock market. The majority of them are from financially sound issuers with high credit ratings.

As of 31 December 2003 and 2002 the Bank's ordinary investment portfolio amounted to Euro 42,3 and Euro 54,3 million, respectively.

As of 31 December 2002 and 2001 the breakdown of this chapter is as follows:

	Thousands of Euros				
	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Balances as of 31/12/2003					
Ordinary investment portfolio	8.663	19.578	14.054	-	42.295
Investments held to maturity	-	-	-	-	-
Trading portfolio	309	25	1.010	663	2.007
	8.972	19.603	15.064	663	44.302
Balances as of 31/12/2002					
Ordinary investment portfolio	13.553	31.508	8.186	-	53.247
Investments held to maturity	-	7.826	-	-	7.826
Trading portfolio	-	-	4.354	245	4.599
	13.553	39.334	12.540	245	65.672

The movements in the "Provisions for loan loss" account in business year 2003, corresponding to this item on the balance sheet, were as follows:

	Thousands of Euros
Balances as of 1 January	172
Net allocations charged to results for the year	
Generic coverage	(23)
Statistical coverage	13
Balances as of 31 December	162

11. Shares and Other Equities

The breakdown of this chapter on the balance sheet both for the Group is as follows:

	Thousands of Euros	
	2003	2002
Unlisted shares	112	124
Listed shares	16.718	8.310
	16.830	8.434

The listed shares include a basket of shares amounting to Euro 5 million that replicate the IBEX 35 index. The object of this position is the transfer of shares in our short sales margin activity. The Group holds a position in IBEX 35 futures contracts, to hedge the realization value of these shares (note 21). The remainder of the portfolio corresponds to the growing brokerage business, mainly in international markets.

12. Tangible and Intangible Fixed Assets

As of December 2003 and 2002 the Group's tangible fixed assets, their accumulated depreciation and the movement during the business years ended on the above dates were as follows:

TANGIBLE FIXED ASSETS				
	Thousands of Euros			
	Lands and buildings	Computer, hardware and installation	Furniture, installations and others	Total
GROSS FIXED ASSETS				
Balances as of 31/12/01	9.449	3.441	3.160	16.050
Additions	-	802	428	1.230
Additions on consolidation	-	-	-	-
Withdrawals on consolidation	-	-	-	-
Withdrawals	-	(815)	(123)	(938)
Balances as of 31/12/02	9.449	3.428	3.465	16.342
Additions	-	484	267	751
Additions on consolidation	-	-	-	-
Withdrawals on consolidation	-	-	-	-
Withdrawals	-	(445)	(169)	(614)
Balance as of 31/12/03	<u>9.449</u>	<u>3.467</u>	<u>3.563</u>	<u>16.479</u>
LESS DEPRECIATION				
Balances as of 31/12/01	89	1.543	693	2.325
Additions	177	906	472	1.555
Additions on consolidation	-	-	-	-
Withdrawals on consolidation	-	-	-	-
Withdrawals	-	(815)	(69)	(884)
Balances as of 31/12/02	266	1.634	1.096	2.996
Additions	177	899	453	1.529
Additions on consolidation	-	-	-	-
Withdrawals on consolidation	-	-	-	-
Withdrawals	-	(443)	(124)	(567)
Balance as of 31/12/03	<u>443</u>	<u>2.090</u>	<u>1.425</u>	<u>3.958</u>
NET AS OF 31/12/03	9.006	1.377	2.138	12.521

INTANGIBLE FIXED ASSETS

All the balances in this chapter correspond to computer software.

	<u>Total</u> Thousands of Euros
GROSS FIXED ASSETS	
Balance as of 31/12/01	701
Additions	570
Withdrawals	(40)
Balance as of 31/12/02	1.231
Additions	1.040
Withdrawals	(149)
Balance as of 31/12/03	2.122
LESS DEPRECIATION	
Balance as of 31/12/01	218
Additions	390
Withdrawals	(41)
Balance as of 31/12/02	567
Additions	535
Withdrawals	(149)
Balance as of 31/12/03	953
NET AS OF 31/12/03	1.169

13. Other Assets

The breakdown of this item on the consolidated balance sheets as of 31 December 2003 and 2002 respectively is as follows:

	Thousands of Euros	
	2003	2002
Cheques drawn on other banks	122	11
Options acquired (note 5.10)	3.319	5.467
Due from tax authorities	2.539	3.237
Prepaid income tax (note 25)	808	854
Withholdings and payments on account (note 25)	1.481	2.291
Tax credit	174	80
Other items	76	12
Guarantees paid in cash	75.414	1.269
Other items	<u>24.945</u>	<u>142.400</u>
	<u>106.339</u>	<u>152.384</u>

At 31 December 2003 options acquired include premiums paid on the acquisition of derivatives that serve to hedge the guarantees constituted for participants in Investment Funds amounting to Euro 2.682 thousand. There are premiums paid amounting to Euros 637 thousand, which correspond to operations fully reconciled with transactions on the liability side of the balance sheet (note 17). The remaining premiums paid (Euros 88 thousand) correspond to derivatives contracted to hedge issues of non-typical financial contracts in the form of time deposits (note 21).

The increase in "Other items" corresponds to the balance of Financial Operations Pending Settlement, reflecting the significant increase in the clearing business in international markets. This item is offset with the corresponding item under Liabilities (note 17).

"Guarantees paid in cash" includes the guarantees presented at MEFF. S.A. to guarantee future operations on behalf of clients. This item is offset with the corresponding item under Liabilities (note 17).

14. Prepayments and Accrual Accounts

The breakdown of this chapter on the consolidated balance sheets as of 31 December 2003 and 2002 respectively is as follows:

	Thousands of Euros	
	2003	2002
Accrual interest receivable	2.600	2.531
Prepaid expenses	94	584
Other accrued receivables	1.771	4.527
	<hr/> 4.465	<hr/> 7.642

As of 31 December 2003 this item on the balance sheet included balances in foreign currency for an equivalent of Euro 3,5 thousand (Euro 6 thousand in 2002).

15. Due to Banks

The breakdown by type of this item on the Group's balance sheets as of 31 December is as follows:

	Thousands of Euros	
	2002	2002
Correspondent accounts	-	-
Term Reverse Repo Transactions	111.931	
Time deposits		30.000
Other accounts	180.963	59.540
Creditors for securities lent	41.482	35.903
	<hr/> 334.376	<hr/> 125.443

The breakdown by currency is as follows:

	Thousands of Euros	
	2003	2002
Balances in euros	332.360	122.676
Balances in foreign currency	2.016	2.767
	<hr/> 334.376	<hr/> 125.443

The breakdown by maturity and the average interest rates on time deposits and repos is as shown below:

	Thousands of Euros		
	Up to 3 months	Total	Average interest rate for the year
Balances as of 31/12/03			
Term Reverse Repo Transactions	111.931	111.931	2,31%
	111.931	111.931	
Balances as of 31/12/02			
Time deposits	30.000	30.000	3,71%
	30.000	30.000	

16. Customer Deposits

This caption on the balance sheet includes different balances in foreign currency for an equivalent of Euro 27,3 million as of December 2003 (Euro 14 million in 2002).

The breakdown of this item on the consolidated balance sheets is as follows:

	Thousands of Euros	
	2003	2002
Other resident sectors:		
Current accounts	335.907	148.279
Time deposits (*)	4.867	26.985
Repos	568.147	922.754
Other accounts	2.894	1.348
Non-resident sector:		
Current accounts	120.469	3.984
Time deposits (*)	190	-
Repos	5.664	9.486
	1.038.138	1.112.836

(*) The significant increase in this item is due to the new business conducted by the Bank as an issuer of non-typical financial contracts in the form of time deposits, the yield on which is linked to the final performance of the stock market indices or shares listed in official markets. The Bank has contracted financial instruments to hedge the yield on these operations (note 21).

The maturities of the time deposits and repos are as shown below:

	Thousands of Euros			
	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	Total
Balances as of 31/12/03				
Time deposits	190	-	4.867	5.057
Repos	573.811	-	-	573.811
	<hr/>	<hr/>	<hr/>	<hr/>
	574.001	-	4.867	578.868
Balances as of 31/12/02				
Time deposits	101	-	26.884	26.985
Repos	932.240	-	-	932.240
	<hr/>	<hr/>	<hr/>	<hr/>
	932.341	-	26.884	959.225

17. Other Liabilities

The breakdown of this caption on the Group's balance sheets as of 31 December is as follows:

	Thousands of Euros	
	2003	2002
Options issued (note 5.10)	3.849	8.664
Guarantees received	58.480	60.963
Public entities:		
Corporate income tax payable (note 25)	2.599	3.511
Other tax payable	850	938
Social Security	132	145
Other items	<hr/>	<hr/>
	25.226	142.129
	<hr/>	<hr/>
	91.136	216.350

Options issued include the premiums collected on the cession of derivatives to hedge guarantees extended in favor of investment fund holders amounting to Euro 2.825 thousand. There are premiums collected amounting to Euro 644 thousand corresponding to operations that are reconciled with asset operations (note 13). The remaining premiums collected (Euro 380 thousand) correspond to derivatives contracted to hedge issues of non-typical financial contracts in the form of time deposits (note 21).

"Guarantees received" include the guarantees from customers for futures operations realized at MEFF. S.A.

The increase in "Other items" refers to the balance of Financial Operations Pending Settlement which reflects the significant increase in the clearing activity in international markets. This item is offset by the corresponding asset account (Note 13).

18. Accrual Accounts

The breakdown of this item on the Group's balance sheets for 2003 and 2002 is as follows:

	Thousands of Euros	
	2003	2002
Accrued interest payable	1.897	3.885
Accrued expenses	896	1.928
Other accruals	800	1.636
	<hr/> 3.593	<hr/> 7.449

As of 31 December 2003 this item on the balance sheet includes different balances in foreign currency, for an equivalent of Euro 4 thousand (Euro 4 thousand in 2002).

19. Provision for Contingencies and Expense

The breakdown and movements in this account are as follows:

	Thousand of Euros		
	Pensions funds (note 5.8)	Other provisions	Total
Balances as of 31/12/01	104	2.327	2.431
Provisions released	(26)	(60)	(86)
Net allocations of which:			
Generic coverage	402	481	883
Statistical coverage	(14)	(14)	
	115	115	
Balances as of 31/12/02	480	2.748	3.228
Provisions released	(30)	(1.973)	(2.003)
Net allocations of which:			
Generic coverage	168	235	403
Statistical coverage	(7)	(7)	
	79	79	
Balances as of 31/12/03	<hr/> 618	<hr/> 1.010	<hr/> 1.628

The breakdown of Pension funds as of 31 December 2003 is as follows:

	Thousands of Euros
	2003
Pension funds RD 1588/1999	59
Pension fund, other	559
	<hr/>
	618

In the valuation of the internal pension fund, the criteria established in RD 1588/1999 of 15 October, those set out by the Bank of Spain in Circular 5/2000 and the General Directorate of Insurance's Resolution of 31 October were taken into consideration.

In July 2002, Bancoval applied to the Ministry of Finance for authorization to maintain coverage for part of its pension commitments in the internal fund. On 17 January 2003, the Finance Ministry, at the Bank of Spain's proposal, informed that the authorization had been granted.

The Bank's internal pension fund includes the benefits for the risk of retirement and widowhood of staff no longer on the payroll. As of 31 December 2003 the corresponding actuarial study was made on the basis of the new regulations using the following technical bases:

- Demographic assumptions:
 - Males: PERM-2000
 - Females: PERF-2000
 - Disabled: plus 5 years
 - Retirement age: generally at 65 years of age and at 60 for employees who have worked in Banking for over 40 years and contributed to the Social Security prior to 1 January 1967 (there are currently no employees in a position to retire at 60 years of age).
 - Disability rate: 50% of EVK-80 for the male population.
- Economic and financial assumptions:
 - Technical interest rate: 4,00%
 - Salary growth rate: 3,00%
 - Rate of increase Social Security bases: 2,00%
 - Rate of increase maximum pension: 2,00%
 - Length of time contributing to the Social Security according length of service in Banking.
- System of capitalization: Individual

- **Actuarial valuation method:**

For retirement benefits, through the assignation of benefits proportional to the worker's length of service in the entity, measured as the calendar years the worker has been on the entity's payroll. The accrual starts from the time the worker joins the entity. In asset risk benefits, the annual cost corresponding to the accrual of coverage for the contingencies caused during the year. Thus, there are no provisions for assets, as those that occurred during the year are included in the benefits caused.

The disability, widows and orphans' benefits for staff on the payroll are covered by an insurance policy.

The cost accrued in business years 2003 and 2002 in respect of pensions is recorded under the heading "Interest and similar charges" on the income statement.

The "Pension fund, other" responds to the obligation required by regulation thirteen, section 14 of Bank of Spain Circular 4/91 with regard to contractual severance payments for resignations or dismissals other than the general obligations established in the current legislation.

The breakdown of the "Other Provisions" caption as of 31 December was as follows:

	Thousands of Euros
	2003
Contingent liabilities:	
Generic coverage	172
Statistical coverage	576
Provision for third-party liabilities	262
Other risks	390
	<hr/>
	1.010

During the year the Bank put an end to the lawsuit in which it had been involved with an American software company since 1992. The agreement implied US\$ 2.7 million (2.3 million) in losses for the Bank, which are posted under extraordinary items. In addition, the Bank recovered a provision it had allocated for this purpose, which came from previous years, amounting to 1.5 million (note 22.3).

20. Shareholders' Equity

The breakdown and movement of the Group's shareholders' equity are presented in Appendix I, which forms an integral part of this note. Appendices II to V give separate information on Bancoval. S.A., Bancoval Activos. S.A., Dexia Equities España. S.A., and Alex Finanz S.A.

The annual financial statements were consolidated using the global integration method, since the Bank fully owns the dependent companies.

20.1 Subscribed capital stock

As of 31 December 2003 subscribed capital stock was represented by 2.500.000 bearer shares of the same class and series, each with a par value of Euros 5, fully subscribed and paid up. None of the shares are listed on the stock market. All the shares enjoy the same economic and voting rights. Consequently, share capital now stands at 12.500.000 eur.

The said Shareholders' Meeting also resolved to empower the Board of Directors to acquire treasury stock within the legal limits and according to legal requirements, provided they are fully paid up and at a maximum price equivalent to the theoretical book value of the share, according to the balance sheet closed as of 31 December 2002 and a minimum price equivalent to 80% of maximum price for a maximum period of 18 months as from the date this resolution was passed.

20.2 Legal reserve

In accordance with the Amended Text of Corporation Law, companies are obliged to transfer 10% of profits for the year to a legal reserve until such reserve reaches an amount equal to 20% of share capital. The legal reserve may be used to increase share capital provided that the balance left in the reserve is at least equal to 10% of share capital. Except for this purpose and while it does not exceed 20% of share capital, this reserve may only be used to offset losses, and this provided there are no other reserves available to this end.

At 31 December 2003 and 2002 the Bank's legal reserve exceeded the amount established in current legislation by Euro 1,3 and 1,3 million respectively.

20.3 Paid-in Surplus

In accordance with the Amended text of Corporation Law, the balance of this reserve may be used to increase capital and there are no specific restrictions as to its distribution.

20.4 Shareholders' Equity

Article 25 of Royal Decree Law 1343/92, of 6 November, a regulation that develops Law 13/1992, of 1 June, establishes that the shareholders' equity of consolidated banking groups may not be below 8% of the sum of assets, positions and memorandum accounts subject to risk, weighted with the coefficients established in Bank of Spain Circular 5/1993, of 26 March.

As of 31 December 2003 and 2002, the Bank had surplus equity of Euro 29,8 and 30 million respectively.

20.5 Shareholders

As of 31 December 2003 the Bank's shareholder structure was as follows:

	Nº of shares	% Share Capital
Banque Internationale à Luxembourg	1.271.401	50,86%
Shareholders owning more than 10%	398.242	15,93%
Shareholders owning less than 10%	830.357	33,21%
 Total	 2.500.000	 100%

20.6 Profit Attributable to the Group

The breakdown by companies is as follows:

	Thousands of Euros	
	2003	2002
Bancoval, S.A.	4.720	5.444
Adjustments in consolidation	210	144
	4.930	5.588
 Bancoval Activos, S.A.	 348	 333
Dexia Equities España, S.A.	(324)	(150)
Alex Finanz, S.A.	-	-
	4.954	5.771

21. Memorandum Accounts

The breakdown of this caption for the Group as of 31 December is as follows:

	Thousands of Euros	
	2003	2002
Contingent liabilities		
Guarantees and other collateral	11.920	11.716
Other contingent liabilities	5.258	6.196
 Commitments and contingent liabilities	 218.638	 239.565
	235.816	257.477

Apart from the amounts reflected on the balance sheet, the Group recorded the following operations on the memorandum accounts:

	Thousands of Euros	
	2003	2002
Futures operations:		
Forward currency purchases and sales	61.148	71.898
Forward purchase and sale of financial assets	8.196	16.138
Financial futures	7.616	5.804
Options	156.010	217.728
Other interest rate operations	578.366	253.073
	<hr/> 811.336	<hr/> 564.641
Other commitments:		
Pensions for staff on payroll	124	177
Other memorandum accounts	<hr/> 17.440.458	<hr/> 17.586.290
	<hr/> 18.251.918	<hr/> 18.151.108

The breakdown by type of transaction of the underlying and/or contractual values of the Bank's futures operations as of 31 December 2003 and 2002 is as follows:

	Thousands of Euros	
	2003	2002
Foreign currency forwards:		
Purchases	30.545	35.959
Sales	30.603	35.939
Financial interest rate futures:		
Sold (*)	7.616	5.804
Cash transactions on annotated debt pending execution:		
Purchases	56	1.065
Sales	8.140	15.073
Interest rate options (**):		
Purchased	7.399	17.405
Sold	-	-
Securities options (**):		
Purchased	48.554	72.839
Sold	100.057	127.484
Other interest rate operations (***)		
Forward rate agreement	-	53.570
Swap	578.366	199.503
	<hr/> 811.336	<hr/> 564.641

(*) Amount corresponding to an IBEX 35 futures contract position to hedge the realization value of a basket of securities which replicate the IBEX 35 index (note 11).

(**) These amounts correspond to operations contracted to hedge certain investment funds for which the Bank has issued minimum revaluation guarantees and to hedge the yield on issues of non-typical financial contracts in the form of time deposits. Additionally, there are other options operations which are totally reconciled (notes 13, 16 and 17).

(***) The agreements with respect to interest rates correspond to Call Money Swap contracts signed with other financial institutions to hedge the interest risk on certain assets/liabilities. They are Equity Swap contracts which fully match one another.

The breakdown of other memorandum accounts is as shown below:

	Thousands of Euros	
	2003	2002
Securities in custody	17.353.654	17.443.883
Restated assets in suspense	636	636
Own securities portfolio in the hands of other entities	43.406	39.780
Allocation assets	26.150	90.214
Futures operations contracted on behalf of third parties	16.612	11.777
	17.440.458	17.586.290

22. Other Information

22.1 Personnel Expenses

As of the 31 December, the breakdown of this item on the Group's income statement is as follows:

	Thousands of Euros	
	2003	2002
Wages and salaries	6.107	6.403
Social security	1.313	1.268
Other expenses	738	715
	8.158	8.386

In business years 2003 and 2002 the average number of people employed by the Group, by category, was as follows:

	2003	2002
General management and supervisors	26	25
Clerical staff	146	147
	172	172

22.2. Extraordinary expenses

The breakdown of this chapter as of 31 December is as follows:

	Thousands of Euros
	2003
Allocation to the provision for third-party liabilities	2.362
Profits from previous years	1
Another losses	9
	<hr/>
	2.372

The epigraph extraordinary expenses includes an amount of 2.3 million euros arising from the resolution of the lawsuit included in note 18.

22.3. Extraordinary income

The breakdown of this chapter as of 31 December is as follows:

	Thousands of Euros
	2003
Recovery of other provisions for risks and charges	1.649
Others	55
	<hr/>
	1.704

23. Transactions and Balances with Related Parties

The annual financial statements reflect the following significant balances and transactions with the dependent companies:

	Thousands of Euros	
	2003	2002
Balance sheet		
Assets		
Due from banks	-	-
Other assets	-	-
Prepayments and accrual accounts	-	-
Liabilities		
Due from banks	3.156	3.438
Other assets	-	-
Prepayments and accrual accounts	-	-
Statement of income		
	Thousands of Euros	
	2003	2002
Interests and similar charges	(72)	(59)
Commissions received	-	-
Other operating income	182	142

All of these transactions were effected at market prices.

24. Remuneration of and Balances with the Bank's Directors

In 2003 and 2002 the total remunerations received by the members of the Board of Directors of the Bank and the companies in the Group amounted to Euro 798 and 672 thousand respectively.

As of 31 December 2003 and 2002 the Bank had not granted any advances, guarantees or contingent liabilities in the form of pension funds or other to present or former members of the Board of Directors. As of 31 December 2003 and 2002 amounts drawn by Directors on credit lines totaled Euro 16 and 25 thousand respectively.

25. Director's Activities

In compliance with Art. 127 three 4 of the Amended Text of the Corporation Act, passed by Royal Legislative Decree 1564/1989, of 22 December, the Directors have issued the following communications:

- In respect of the posts or functions they exercise in companies with the same, similar or complementary type of activity as that which constitutes the bank's corporate purpose, and the exercise on their own account or on account of third parties of the same, similar or complementary type of activity. These communications are shown in annex VII.
- In respect of the stake they own in the capital of companies with the same, similar or complementary type of activity as that which constitutes the bank's corporate purpose.

These communications are shown in Annex VIII.

26. Taxation

At their Ordinary General Meeting held on 10 May 1999, the shareholders agreed to apply for authorization to file corporate income tax under the consolidated tax regime provided for in Chapter VII, Section VIII of Law 43/1995, of 27 December, on Corporate Income Tax. The tax group for business year 2002 is formed by Bancoval, S.A., Bancoval Activos, S.A., Dexia Equities España, S.A. and Alex Finanz, S.A.

The Group has the authorization of the Tax Authority to file its returns under the Group of Companies regime.

Thus, in 2003 the Bank filed annual Corporate Income Tax returns under the regime mentioned in the previous paragraph.

The reconciliation of the book profit for the year with the Group's taxable income for Corporate Tax purposes is as shown below:

	Thousands of Euros	
	2003 (consolidated)	2002 (consolidated)
Book profit for the year, before tax	7.539	8.747
Permanent differences:		
Taxable book income	7.539	8.747
Timing differences:		
Net allocation to provisions for loan loss	213	453
Net allocation to other specific provisions	(346)	845
Previous taxable income	7.406	10.045
Reversion adjustment in consolidation	(324)	(144)
Taxable income	7.082	9.901
Total income tax	2.479	3.465
Deductions	(54)	(34)
Net income tax (note 13 and 17)	2.425	3.431
Withholdings and payments on account (note 13)	1.481	2.291
Income tax payable	944	1.140

Corporate income tax expenses is calculated as follows:

	Thousands of Euros	
	2003 (consolidated)	2002 (consolidated)
Book income (including adjustments for consolidation)	2.639	3.010
Deductions	(54)	(34)
	2.585	2.976

The corporate tax expense of the Bank was as follows:

	Thousands of Euros	
	2003	2002
Profit from ordinary activities	2.885	3.206
Extraordinary items	(300)	(230)
	2.585	2.976

In 2003 and 2002 tax deductions in the Group amounted to Euro 54 and 34 thousand.

In accordance with Spanish legislation, losses declared may be carried forward to be offset against profits within the ten subsequent business years. Losses are offset when the corporate tax returns are filed, without prejudice to the powers of inspection corresponding to the tax authorities.

The breakdown of timing differences in the recognition of expenses and income for accounting and tax purposes and the resulting deferred tax assets is as follows:

	Thousands of Euros			
	2003	2002	Timing Difference	Tax Effect
Deferred tax assets				
Provisions for loan loss	1.750	612	1.537	538
Other provisions	559	196	904	316
	2.309	808	2.441	854
	(note 13)		(note 13)	

In accordance with current legislation, taxes cannot be considered definitively settled until they have been inspected by the tax authorities or before the inspection period of four years has elapsed. Both Bancoval, S.A. and Bancoval Activos, S.A. have all the taxes applicable since 1 January 2000 open to inspection. Dexia Equities España, S.A. and Alex Finanz, S.A., have business year 2001 open to inspection. The Directors of the Bank and its dependent companies do not expect that significant additional liabilities would arise in the event of inspection.

27. Statements of Changes in Financial Position

The statement of changes in the Bank's financial position corresponding to business years 2003 and 2002 are presented below:

SOURCE OF FUNDS	Thousands of euros	
	2003	2002
Funds generated on operations		
Profit for the year	4.954	5.771
Depreciation and amortization	2.064	1.945
Change in the Provision for Contingencies and Expense (note 19)	(1.600)	778
Net variation in the Provision for Loan Loss	135	297
	5.553	8.791
Disposal of tangible and intangible fixed assets	47	54
Rights issue	-	(718)
Government Debt	65.171	(62.241)
Investment net of financing at Bank of Spain and banks and saving banks (net change)	85.814	16.385
Other liabilities less assets (net change)	(79.848)	57.224
Lending	(10.346)	4.579
Total sources	66.391	24.074
 APPLICATIONS OF FUNDS		
Customer Deposits (net increase)	74.698	(2.412)
Acquisition of Treasury Stock	-	-
Dividends	2.886	-
Fixed income securities	(21.380)	31.514
Shares and other participations	8.396	(6.828)
Purchase of tangible and intangible fixed assets (note 12)	1.791	1.800
Total applications	66.391	24.074

27. Other Information

28. Other Information

28.1 Note on the environment

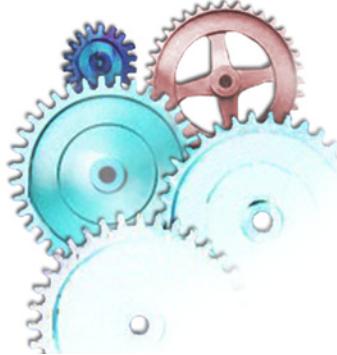
The Bank's global operations are governed by laws regarding the protection of the environment ("environmental laws") and workers' safety and health ("laws on safety at work"). The Bank considers that it substantially complies with these laws and has procedures designed to foment and guarantee their observance.

The bank has adopted the opportune measures as regards the protection and improvement of the environment and the minimization, where relevant, of the impact on the environment, in compliance with current legislation. During the year, the Bank made no environmental investments and neither did it believe it necessary to record any allocations for environmental risks and charges as there are no contingencies related to the protection and improvement of the environment.

28.2 Note on the fees of the auditing firm

The fees charged by Pricewaterhousecoopers Auditores, S.L. for performing the auditing work for business year 2003 amounted to a total of Euros 49.965. The fees corresponding to other professional services provided by the said Firm and associated Firms during the year amounted to Euros 29.968.

Board of Directors



Board of Directors of Bancoval, S.A.

Mr. MARC HOFFMANN

Chairman

Valores Pirineos-2, S.L. represented by:

Mr. AGAPITO GARCÍA SÁNCHEZ

Vice-chairman

Mr. JOSÉ LUIS VELASCO ARANGÜENA

Managing Director

Mr. JOSÉ MARÍA ALONSO-GAMO SANDOVAL

Managing Director

Mr. MICHEL FELIX JEAN MARIE GHISLAIN MALPAS

Director

BANQUE INTERNATIONALE À LUXEMBOURG representado por:

Mr. CLAUDE SCHON

Director

Mr. FÉLIX CARBÓ ALONSO

Director

Mr. LADISLAO PEREZ BUSTAMANTE

Director

Ms. PILAR LLUESMA RODRIGO

Secretary to the Board

Audit Committee

Mr. MARC HOFFMANN

Chairman

Mr. AGAPITO GARCÍA SÁNCHEZ

Vice-chairman

Mr. FÉLIX CARBÓ ALONSO

Member

Mr. MICHEL FELIX JEAN MARIE GHISLAIN MALPAS

Member

Ms. PATRICIA GOZALO

Member

Ms. PIA HAAS

Member

Board of Directors of Bancoval Activos, S.A.

Mr. AGAPITO GARCÍA SÁNCHEZ
Chairman

Mr. JOSÉ LUIS VELASCO ARANGÜENA
Vice-chairman

Ms. ASUNCIÓN MARTINEZ MUÑOZ
Managing Director

Mr. GONZALO FERNANDEZ ATELA
Secretary to the Board

Board of Directors of Dexia Equities España, S.A.

Mr. JOSÉ LUIS VELASCO ARANGÜENA
Chairman

Mr. JOSÉ MARÍA ALONSO-GAMO SANDOVAL
Director

Mr. DAVID STIX
Director

Mr. JOSÉ PORTA
Director

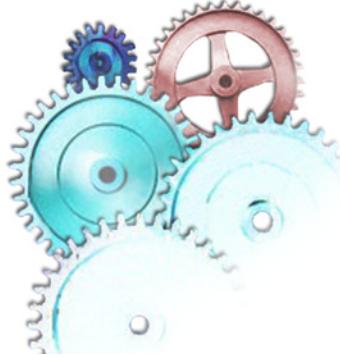
Mr. MICHEL FELIX JEAN MARIE GHISLAIN MALPAS
Director

Mr. GONZALO FERNANDEZ ATELA
Secretary to the Board

Board of Directors of Alex Finanz, S.A.

Mr. GONZALO FERNANDEZ ATELA
Secretary to the Board

Appendix



Appendix I

Bancoval, S.A. and Dependent Companies

Breakdown and Movements of Shareholders' Equity for the Business Years ended as of 31 December 2003 and 2002

(Expressed in thousands of Euros)

	Subscribed Capital Stock	Paid-in Surplus	Legal Reserve	Voluntary Reserves	Other Reserves	Total Reserves	Reserve at Consolidated Companies	Distributable Consolidated Profit	Total Profit	Profit distributed
Balances as of 31 December 2001	12,671	7,579	3,756	24,212	530	28,471	96	5,307	54,124	
Write-off of treasury stock	(171)	(304)		475	(718)	(243)			(718)	
Distribution of 2001 profit			4,616	270	4,886	421	(5,307)			
Rights issue										
Profit for 2002							5,771	5,771		
Balances as of 31 December 2002	12,500	7,275	3,756	29,303	55	33,114	517	5,771	59,177	-
Write-off of treasury stock										
Distribution of 2002 profit			2,558		2,558	327	(5,771)	(2,886)	2,886	
Rights issue										
Profit for 2003							4,954	4,954		
Balances as of 31 December 2003	12,500	7,275	3,756	31,861	55	35,672	844	4,954	61,245	2,886



This appendix forms an integral part of note 20 of the annual report on the consolidated financial statements, and should be read with the same.

Appendix II **Holdings in Group Companies**

The breakdown of this chapter of the balance sheet of Bancoval, S.A. as of 31 December 2003 and 2002 is as follows:

	Thousands of Euros	
	2003	2002
Bancoval Activos, S.A.	902	902
Dexia Equities España, S.A., AV	2,299	299
Alex Finanz, S.A.	60	60
Less securities valuation fund	(468)	(145)
	2,793	3,116

The movements in the securities valuation fund during the year were as shown below:

	Thousands of Euros	
	2003	2002
Balance as of 1 January	145	0
Allocations charged to results	323	145
Write-backs	-	-
Balance as of 31 December	(468)	(145)

The breakdown of the shareholder's equity of bancoval Activos, S.A. as of 31 December 2003 and 2002 is as follows:

	Thousands of Euros	
	2003	2002
Capital	902	902
Reserves	844	512
Losses from the previous year	-	-
Profit for the year	347	333
	2,093	1,747

Appendix III
Bancoval, S.A.
Balance Sheets as of 31 December
2003 and 2002

ASSETS	INDIVIDUAL	
	2003	2002
Cash on hand and deposits at central banks	2.655	8.936
Cash	154	115
Bank of Spain	2.501	8.821
Government debt	30.526	95.697
Due from banks	1.256.264	1.126.865
Sight	82.831	54.536
Other loans	1.173.433	1.072.329
Loans	54.890	44.740
Bonds and other fixed income securities	44.302	65.672
Shares and other equities	16.830	8.434
Holdings in Group companies	2.793	3.116
Intangible fixed assets	1.169	664
Tangible fixed assets	12.124	12.807
Treasury stock	-	-
Other assets	106.125	152.213
Prepayments and accrual accounts	3.987	7.234
TOTAL ASSETS	1.531.666	1.526.378
Memorandum accounts	235.816	257.477

Bancoval, S.A.
Balance Sheets as of 31 December
2003 and 2002

LIABILITIES AND SHAREHOLDERS' EQUITY	INDIVIDUAL	
	2003	2002
Due to banks	334.376	125.443
Sight	180.963	59.540
Time	153.413	65.903
Customer deposits	1.041.294	1.116.273
Savings deposits	464.589	182.685
Other deposits	576.705	933.588
Other liabilities	90.729	215.943
Accrual accounts	3.472	7.348
Provision for contingencies and expense	1.628	3.038
Profit for the year	4.720	5.444
Subscribed capital stock	12.500	12.500
Paid-in surplus	7.275	7.275
Reserves	35.672	33.114
TOTAL LIABILITIES	1.531.666	1.526.378

Bancoval, S.A.
Statements of Income for the Business Years
ended as of 31 December 2003 and 2002

	INDIVIDUAL	
	Thousands of Euros	
	2003	2002
Interest and similar revenue of which:		
Fixed income portfolio	3.114	5.203
Interest and similar charges	(27.752)	(36.614)
Gains on the equities portfolio	413	162
From shares and other equities	413	162
Net interest income	5.291	3.842
Fees and commission received	13.649	16.793
Fees and commission paid	(2.034)	(3.020)
Results from financial operations	4.758	5.129
Ordinary income	21.664	22.744
Other operating revenues	142	163
General administrative expenses	(11.320)	(11.711)
Personnel expenses	(6.786)	(7.378)
Other administrative expenses	(4.533)	(4.333)
Amortization and write-down of tangible and intangible assets	(1.888)	(1.742)
Other operating expenses	(63)	(72)
Operating income	8.535	9.382
Amortization and provisions for loan loss	(245)	(260)
Provision for financial investments	(324)	(144)
Extraordinary income	1.674	94
Extraordinary expenses	(2.462)	(750)
Profit before tax	7.178	8.322
Corporate income tax	(2.458)	(2.878)
Profit for the year	4.720	5.444

Appendix IV

Bancoval Activos, S.A. Balance Sheets as of 31 December 2003 and 2002

ASSETS	Thousands of Euros	
	2003	2002
Due from banks	1.486	1.356
Sight	1.486	1.356
Loans	152	140
Holdings in Group companies	1	1
Tangible fixed assets	255	407
Other assets	26	85
Prepayments and accrual accounts	472	408
TOTAL ACTIVO	2.392	2.397
LIABILITIES	Thousands of Euros	
	2003	2002
Other liabilities	233	329
Accrual accounts	66	94
Provision for loan loss	-	37
Provision for contingencies and expense	-	190
Profit for the year	347	333
Subscribed capital stock	902	902
Reserve	844	512
Profit/loss from previous years	-	-
TOTAL LIABILITIES	2.392	2.397

Bancoval Activos, S.A.
Statements of Income for the Business Years
ended as of 31 December 2003 and 2002

	Miles de Euros	
	2003	2002
Interest and similar revenue	35	29
Net interest income	35	29
Fees and commissions received	1.477	1.852
Ordinary income	1.512	1.881
General administrative expenses	(983)	(1.130)
Personnel expenses	(668)	(805)
Other administrative expenses	(315)	(325)
Amortization and write-down of tangible and intangible assets	(152)	(202)
Operating income	377	549
Extraordinary expenses	(157)	(37)
Profit before tax	534	512
Corporate income tax	(187)	(179)
Profit for the year	347	333

Appendix V
Dexia Equities España, S.A., AV
Balance Sheets as of 31 December 2003 and 2002

	Thousands of Euros	
	2003	2002
ASSETS		
Due from banks	1.612	2.022
Tangible fixed assets	142	131
Other assets	195	86
TOTAL ASSETS	1.949	2.239
LIABILITIES		
Other liabilities	61	76
Accrual accounts	56	7
Profit for the year	(324)	(150)
Profit for another years	(150)	-
Subscribed capital stock	2.300	2.300
Reserve	6	6
TOTAL LIABILITIES	1.949	2.239

Dexia Equities España, S.A., AV
Statements of Income for the Business Years
ended as of 31 December 2003 and 2002

	Thousands of Euros	
	2003	2002
Interest and similar revenue	37	30
Ordinary income	37	30
Fees and commissions received	79	-
Fees and commissions paid	(180)	-
Results from financial operations	651	-
Ordinary income	587	30
General administrative expenses	(1,061)	(258)
Personnel expenses	(702)	(203)
Other administrative expenses	(359)	(55)
Amortization and write-down of tangible and intangible assets	(24)	(2)
Profit before tax	(498)	(230)
Corporate income tax	174	80
Profit for the year	(324)	(150)

Anexo VI
Alex Finanz, S.A.
Balance Sheets as of 31 December 2003 and 2002

	Thousands of Euros	
	2003	2002
ASSETS		
Due from banks	60	60
Tangible fixed assets	-	-
Other assets	1	1
TOTAL ASSETS	61	61
LIABILITIES		
Other liabilities	1	-
Profit for the year	-	1
Subscribed capital stock	60	60
TOTAL LIABILITIES	61	61

Alex Finanz, S.A.
Statements of Income for the Business Years
ended as of 31 December 2003 and 2002

	Thousands of Euros	
	2003	2002
Interest and similar revenue	-	1
General administrative expenses	-	-
Profit before tax	-	1
Corporate income tax	-	-
Profit for the year	-	1

Anexo VI

Directors	Company	Post/Function
Mr. Marc Hoffman	Dexia Asset Management Belgium, S.A.	Chairman of the Board of Directors
	Dexia Asset Management Luxembourg, S.A.	Chairman of the Board of Directors
	Dexia Banque International à Luxembourg S.A.	Chairman of the Executive Committee
	Clearstream Luxembourg, S.A.	Director
	Dexia Bank Nederland Holding N.V.	Director
	Dexia Bank Nederland N.V.	Director
	Dexia BIL Asia Singapore Ltd	Director
	Dexia Financiere S.A.	Director
	Dexia Pension Fund S.A.	Director
	Kempen & Co N.V.	Director
	Luxair	Director
	Luxempart, S.A.	Director
	Popular Banca Privada. S.A.	Director
	Société de la Bourse de Luxembourg	Director
	Dexia, S.A.	Member of the Executive Committee
Mr. José Luis Velasco Arangüena	First European Transfer Agent S.A.	Director
	Dexia Fund Services Italia	Director

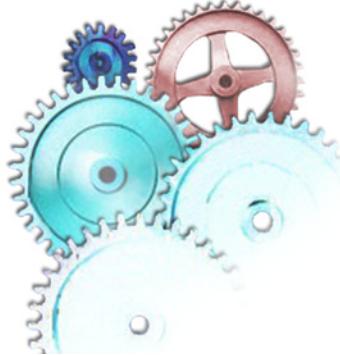
Mr. Michel F.J.M.G. Malpas	Dexia Asset Management Luxembourg S.A.	Director
	Dexia Banque Internationale à Luxembourg S.A.	Member of the Executive Committee
	Dexia Banque Internationale à Luxembourg Singapore Branch	Director
	Dexia BIL Asia Singapore Ltd.	Director
	Dexia BIL Holding(Hong Kong) Ltd.	Director
	Dexia Corporate Services Hong Kong Ltd.	Director
Mr. Michel F.J.M.G. Malpas	Dexia Fund Services Belgium S.A.	Chairman of the Board of Directors
	Dexia Fund Services Cayman Ltd.	Director
	Dexia Fund Services Dublin Ltd.	Chairman of the Board of Directors
	Dexia Fund Services France S.A	Director
	Dexia Fund Services Italia	Vice-chairman of the Board of Directors
	Dexia Fund Services Luxembourg	Member of the Executive Committee
	Dexia Fund Services Singapore Ltd.	Chairman of the Board of Directors
	Dexia Securities Services N.V.	Chairman of the Board of Directors
	Dexia Trust Services Hong Kong Ltd.	Director
	Dexia Trust Services Singapore Ltd.	Chairman of the Board of Directors
	First European Transfer Agent S.A.	Chairman of the Board of Directors
	Popular Banca Privada S.A.	Director

Mr. Philippe Jouard	Dexia Asset Management Luxembourg S.A.	Director
	Dexia Banque Internationale à Luxembourg S.A.	Member of the Executive Committee
	Dexia Banque Privée France, S.A.	Vice-chairman of the Board of Directors
	Dexia Banque Privée Suisse, S.A.	Chairman of the Board of Directors
	Dexia PH Private Bank & Holding	Director
	Ely Fund Managers (Holding) Ltd	Director
	Experta AG Suisse	Director
	Experta Corporate & Trust Services, S.A.	Chairman of the Board of Directors
	Popular Banca Privada S.A.	Director
Mr. Claude Schon	Société Monégasque de Banque Privée	Director
	Dexia Banque Internationale à Luxembourg S.A.	Adviser to the Executive Committee
Mr. Claude Schon	Dexia BIL London Branch	Member of the Coordination Committee
	Dexia Securities France	Vice-chairman of the Board of Directors
	Dexia Securities France Holding	Vice-chairman of the Board of Directors
	Société Luxembourgeoise de Leasing BiL Lease S.A.	Director
	Société de la Bourse de Luxembourg	Director
	Immo Croissance Conseil, S.A.	Director
	Fides Capital SCR, S.A.	Director

Anexo VI

Directors	Company	Number of shares
Mr. José Luis Velasco Arangüena	Dexia, S.A. Banco Bilbao Vizcaya Argentaria, S.A. Santander Central Hispano, S.A.	1.500 shares 1.000 shares 300 shares
Mr. José M ^a Alonso-Gamo Sandoval	Dexia, S.A. Banco Bilbao Vizcaya Argentaria, S.A.	1.500 shares 1.000 shares
Mr. Philippe Jouard	Dexia Banque Privée France, S.A. Société Monégasque de Banque Privée	1 share 1 share
Mr. Claude Schon	Dexia Securities France Dexia Securities France Holding	1 share 1 share

External Auditor's Report



A free translation of the report on the annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Bancoval, S.A.

1. We have audited the consolidated annual accounts of Bancoval, S.A. and its subsidiaries consisting of the consolidated balance sheet as at 31 December 2003, the consolidated profit and loss account and the related notes to the annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of Bancoval, S.A. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.
2. In accordance with Spanish Corporate Law, Bancoval, S.A. Directors has presented, for comparative purposes only, for each item of the consolidated balance sheet, the consolidated profit and loss account and the consolidated statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2003. Our opinion refers exclusively to the consolidated annual accounts for 2003. On 24 March 2003, we issued our audit report on the 2002 consolidated annual accounts, in which we expressed an unqualified opinion
3. In our opinion, the accompanying consolidated annual accounts for the year 2003 present fairly, in all material respects, the consolidated financial position of Bancoval, S.A. and its subsidiaries at 31, December 2003 and the consolidated results of its operations and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.
4. The accompanying consolidated Directors' Report for 2003 contains the information that Bancoval, S.A. Directors consider relevant to the consolidated companies' position, the evolution of its business and of other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2003. Our work as auditors is limited to checking the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the group companies' accounting records.

PricewaterhouseCoopers Auditores, S.L.


Rafael García Anguita
Partner

April 1, 2004