OFFERING CIRCULAR

$200,000,000

BBV International Finance Ltd.

(Incorporated with limited liability in the Cayman Islands)

7% Subordinated Guaranteed Notes Due December 1, 2025
Guaranteed on a subordinated basis to the extent set forth herein by

Banco Bilbao Vizcaya, S.A., New York Branch

The 7% Subordinated Guaranteed Notes due December 1, 2025, offered hereby are being issued by BBV International Finance Ltd. (the "Company"). The payment of principal of and interest on the Notes is guaranteed by the New York Branch of Banco Bilbao Vizcaya, S.A. (the "Branch" and the "Bank", respectively) to the extent set forth herein.

Interest on the Notes is payable on June 1 and December 1 of each year, commencing June 1, 1996. The Notes are redeemable at any time after December 11, 2000, subject to prior approval of the Bank of Spain, at the option of the Company, in the event of certain developments affecting taxation. See "Description of the Notes and Guarantees — Optional Tax Redemption".

The Notes will be represented by one or more global Notes registered in the name of the nominee of The Depository Trust Company ("DTC"). Beneficial interests in the global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Except as described herein, Notes in definitive form will not be issued. The Notes are offered, and will be transferable, only in denominations of $100,000 and in integral multiples of $10,000 in excess thereof. The Notes will trade in DTC's Same-Day Funds Settlement System until maturity, and secondary market trading activity for the Notes will therefore settle in immediately available funds. See "Description of the Notes and Guarantees — Book Entry System; Delivery and Form".

THE NOTES AND THE GUARANTEES ARE NOT REQUIRED TO BE, AND HAVE NOT BEEN, REGISTERED UNDER THE SECURITIES ACT OF 1933. NEITHER THE NOTES NOR THE GUARANTEES ARE DEPOSITS AND WILL NOT BE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC") OR ANY OTHER GOVERNMENT AGENCY.

	Price to Public (1)	Underwriting Commission (2)	Proceeds to Company (1)(3)
Per Note	98.214%	.875%	97.339%
Total	$196,428,000	$1,750,000	$194,678,000

(1) Plus accrued interest, if any, from December 11, 1995.

(2) The Company, the Branch and the Bank have agreed to indemnify the Underwriter against certain liabilities, including liabilities under the U.S. Securities Act of 1933. See "Underwriting".

(3) Before deducting expenses payable by the Bank and the Company.

The Notes are offered by the Underwriter, subject to prior sale, when, as and if issued by the Company, delivered to and accepted by the Underwriter and subject to its right to reject orders in whole or in part. It is expected that delivery of the Notes, in book-entry form, will be made through the facilities of DTC in New York, New York, on or about December 11, 1995, against payment therefor in immediately available funds.

UBS Securities Inc.

December 4, 1995

NOTICE TO NEW HAMPSHIRE RESIDENTS

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUERS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Notes may not be offered, transferred or sold as part of their initial distribution to any persons (including legal entities) established or domiciled in, or residents of, Spain. No invitation may be made to the public in the Cayman Islands to subscribe for Notes.

The Notes will not be listed on any securities exchange, and there can be no assurance that there will be a secondary market for the Notes.

ENFORCEMENT OF LIABILITIES

The Company and certain of the experts named in this Offering Circular are nonresidents of the United States and all or a substantial portion of the assets of the Bank and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons with respect to matters arising under the U.S. Securities Act of 1933 (the "Securities Act"), or to enforce against them judgments of courts of the United States predicated upon civil liability under the Securities Act. The Bank has been advised by its Spanish legal counsel, Despacho Melchor de las Heras, and the Company has been advised by its Cayman Islands legal counsel, Maples and Calder, that there is doubt as to the enforceability in Spain and the Cayman Islands, respectively, in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States. To the extent that a holder of a Note is entitled to any recovery with respect to the Guarantees in any Spanish action or proceeding, any recovery in such an action or proceeding may be available only in Spanish pesetas.

The Company and the Bank have agreed that any action arising out of or based upon the Indenture, Notes or Guarantees may be instituted in any state or federal court in the Borough of Manhattan, New York, and the Company and the Bank will irrevocably submit to the non-exclusive jurisdiction of any such court in any such action. See Description of the Notes and Guarantees — Governing Law and Consent to Jurisdiction.

AVAILABLE INFORMATION

The Bank is subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files or furnishes reports and other information with the U.S. Securities and Exchange Commission (the "Commission"). Reports and other information filed or furnished by the Bank with or to the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: New York Regional Office, 13th Floor, 7 World Trade Center, New York, New York 10048 and Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such reports and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which the Bank's American Depositary Shares ("ADSs") representing its shares of capital stock, par value 600 Ptas. each ("Shares"), are listed.

The Bank will furnish to any holder of Notes, upon request of such holder, its most recent Annual Report on Form 20-F. Such annual report will include a description of operations and annual audited consolidated financial statements prepared in accordance with generally accepted accounting principles in Spain, including the accounting requirements established by the Bank of Spain ("Spanish GAAP"), together with a reconciliation of net income and stockholders' equity reported therein to amounts estimated to be in accordance with generally accepted accounting principles in the United States. The Bank also will furnish to any holder of Notes, upon request of such holder, interim reports of the Bank, which will include unaudited interim consolidated financial information prepared in conformity with Spanish GAAP. The Bank will furnish to any holder of Notes, upon request of such holder, its most recent annual report made available to shareholders.

The Bank holds and will hold from time to time debt of Cuban issuers. This information is accurate as of September 30, 1995. Additional current information with respect to such holdings may be obtained from the Florida Department of Banking and Finance, The Capitol, Tallahassee, Florida 32399-0350; (904) 488-9805.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Bank's Annual Report on Form 20-F for 1994 filed with the Commission (the "1994 Form 20-F"), a copy of which is attached hereto as Annex A, is incorporated herein by reference and made a part hereof. This Offering Circular is qualified in its entirety by the more detailed information contained in the 1994 Form 20-F. In addition, the Bank's Report on Form 6-K for September 1995 filed with the Commission (the "September Form 6-K") and the Bank's Report on Form 6-K for November 1995 filed with the Commission (the "November Form 6K") incorporated herein by reference and made a part hereof. This Offering Circular is qualified in its entirety by the more detailed information contained in the 1994 Form 20-F, the September Form 6-K and the November Form 6-K. The Bank will provide without charge to each person to whom a copy of this Offering Circular is delivered, upon the request of any such person, a copy of the September Form 6-K and the November Form 6-K. Requests should be directed to the Bank at Gran Via 1, 48001 Bilbao, Spain, Attention: Director of Investor Relations (011-344-487-6587)

USE OF PROCEEDS

The net proceeds from the sale of Notes will be used for general corporate purposes of the Bank together with its consolidated subsidiaries (the "Group"). The Company and the Bank have raised capital in various markets from time to time, and anticipate that they will continue to raise capital as and when they deem appropriate.

THE GROUP

The Bank is one of the largest commercial banks in Spain based on assets and deposits. The Bank is engaged in all aspects of retail, corporate and private banking, both in Spain and abroad. The Group is engaged in a wide range of banking, financial and related activities in Spain and has offices or subsidiaries in 26 other countries. The primary businesses of the Group are deposit-taking, lending, trade finance, securities underwriting and brokerage and related financial services. Financial services offered by consolidated subsidiaries of the Group include lease and specialized financing, factoring, securities trading, securities brokerage, mortgage and consumer financing, venture capital and real estate development and management. At December 31, 1994, the Group had total assets of Ptas. 12,972.9 billion, total deposits of Ptas. 9,221.2 billion and stockholders' equity of Ptas. 631.6 billion. The Group's net income for the year ended December 31, 1994 amounted to Ptas. 72.3 billion. The Bank's total assets represented approximately 78.3% of the Group's total consolidated assets at December 31, 1994.

The New York Branch

The Branch is licensed by the Superintendent of Banks of the State of New York (the "Superintendent") and engages primarily in wholesale banking, trade related business and foreign exchange operations. The Branch funds itself primarily in the interbank markets. The Branch is located at 116 East 55th Street, New York, NY 10022.

The following table presents certain financial information concerning the Branch:

	At December 31, 1994	At December 31, 1993
	($ in millions)	
Total loans	25.3	20.9
Total assets	1,164.8	702.6
Total deposits	139.4	140.4

As of the date of this Offering Circular, the Branch has outstanding approximately $200 million in subordinated guarantees. The Branch currently does not have outstanding any subordinated debt.

Supervision and Regulation of the New York Branch. The Branch is licensed by the Superintendent under the New York State Banking Law ("NYBL"). The Branch is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In this regard, New York branches of foreign banks are regulated substantially the same as, and have similar powers to, New York state-chartered banks.

Under the NYBL and currently applicable regulations, the Branch is required to maintain a specified amount of eligible assets. In addition, the Superintendent is empowered by law to require any branch of a foreign bank to maintain in New York specified assets equal to such percentage of the branch's liabilities as the Superintendent may designate.

The NYBL authorizes the Superintendent to take possession of the business and property in New York State of a foreign bank licensed in New York whenever an event occurs which would permit the Superintendent to take possession of the business and property of a New York state-chartered bank. Those events include the violation of any law, unsafe business procedures, an impairment of capital, and the suspension of payments of obligations. In liquidating or dealing with such a branch's business after taking possession of the branch, the NYBL provides that only the claims of creditors which arose out of transactions with the branch shall be accepted by the Superintendent for payment out of the foreign bank's assets in New York; however, such acceptance or rejection shall not prejudice such creditors' rights to otherwise share in the assets of the foreign bank. Under the terms of the Notes, a liquidation or taking possession of the Branch would not constitute an Event of Default (as defined below) entitling the holders of the Notes to accelerate payments. In the event of the liquidation, dissolution or discontinuance of the Branch, the obligations of the Branch would terminate, but the Guarantees would continue thereafter to represent subordinated obligations of the Bank. See "Description of the Notes and Guarantees — Subordination of Notes and Guarantees" and "— Events of Default; Notice and Waiver".

NYBL Section 618-a generally permits the Superintendent in liquidating a branch or agency to assume or repudiate any contract. If the Superintendent were to contend successfully that the power to repudiate "contracts" extended to obligations such as the Guarantees, the claims of holders of the Notes and Guarantees against the Superintendent would be limited to actual direct compensatory damages for principal due and interest accrued through the date the Superintendent took possession of the Branch. Section 618-a also provides, however, that it does not affect the right of parties to such "contracts" to seek performance or damages in any other jurisdiction. In this regard, the terms of the Guarantees expressly provide that, upon the liquidation, dissolution or discontinuance of the Branch for any reason, or upon any repudiation of the obligations of the Branch by the Superintendent pursuant to Section 618-a of the NYBL, the Guarantees shall continue as subordinated obligations of the Bank.

In addition to being subject to New York State laws and regulations, the Branch and the Bank are subject to federal regulations, primarily under the International Banking Act of 1978, as amended (the "IBA"). The IBA generally extends federal banking supervision and regulations to the U.S. offices of foreign banks. Pursuant to the IBA, the Bank is subject to regulations applicable to a U.S. Bank Holding Company ("BHC"). Under the IBA, U.S. branches of foreign banks, including the Branch, are subject to reserve requirements on deposits and to reporting and examination requirements imposed by the Board of Governors of the Federal Reserve System (the "Board") similar to those imposed on domestic banks that are members of the Federal Reserve System. In this regard, the Foreign Bank Supervision Enhancement Act of 1991 (the "FBSEA") has amended the IBA to enhance the authority of the Board to supervise the operations of foreign banks in the United States. In particular, the FBSEA has expanded the Board's authority to regulate the entry of foreign banks into the United States, supervise their ongoing operations, conduct and coordinate examinations of their U.S. offices with state banking authorities, and terminate their activities in the United States for a violation of law or for an unsafe or unsound banking practice. In addition, under the FBSEA, state-chartered branches and agencies of foreign banks may not engage in any activity that is not permissible for a federal branch unless the Board has determined that such activity is consistent with sound banking practices.

The Branch is generally subject to the same lending limits, as a function of capital, as apply to a New York state-chartered bank and, by virtue of the FBSEA, as apply to a federal branch, but these limits are applied on the basis of the Bank's worldwide capital.

Under the IBA, the Bank is restricted in the opening of new full service branches and establishing or acquiring subsidiary banks in states outside of its "home-state", which in the case of the Bank is the State of New York. However, on September 29, 1994 new federal legislation was enacted which permits federal banking agencies to allow BHCs (including the Bank) to acquire banks across state lines, generally without regard to state laws to the contrary. The legislation also provides for interstate bank mergers and de novo interstate branching, subject to state action in some respects. The IBA also restricts the Bank's ability to engage in non-banking activities in the United States.

THE COMPANY

The Company was incorporated on June 23, 1983 under the laws of the Cayman Islands and with the name Bilbao International Limited. Following the merger of Banco de Bilbao, S.A. and Banco de Vizcaya, S.A., in August 1990, the Company changed its name to BBV International Finance Ltd. All of the ordinary shares of the Company are owned by the Bank. The Company was formed to issue debt securities in various markets and advance the net proceeds to the Bank. The Company engages in no activities other than those incidental to the borrowing and lending of such funds.

EXCHANGE RATES

Under the heading "Exchange Rates", the 1994 Form 20-F sets forth, at the dates and for the periods indicated therein, certain information regarding the noon buying rate in The City of New York for cable transfers in pesetas as announced by the Federal Reserve Bank of New York for customs purposes (the "Noon Buying Rate"). The Noon Buying Rate was $1.00 = 123.000 Ptas. on December 4, 1995.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information set forth below has been selected from the audited consolidated financial statements of the Group. The information should be read in connection with, and is qualified in its entirety by reference to, the Group's consolidated financial statements and notes thereto included in the 1994 Form 20-F.

The Group's consolidated financial statements included in the 1994 Form 20-F have been prepared in accordance with Spanish GAAP. Spanish GAAP differs in certain significant respects from US GAAP. See Note 21 to the consolidated financial statements that appear in the 1994 Form 20-F (the "Consolidated Financial Statements"). The Group's Consolidated Financial Statements included in the 1994 Form 20-F are presented after giving effect to material reclassifications that are required by regulations of the United States Securities and Exchange Commission (the "Commission"), and therefore differ in presentation from the financial statements appearing in the Group's annual reports for the years shown.

Effective January 1, 1992, Circular 4/1991 imposed certain changes on the accounting principles applicable to Spanish banks, and effective March 26, 1993, Circular 4/1993 amended Circular 4/1991. Figures in the 1994 Form 20-F for 1994 have been stated in accordance with the revised accounting principles of Circular 4/1993. In order to provide a comparison between the financial statements for the years ended December 31, 1993 and December 31, 1992, which were prepared according to the principles of Circular 4/1991, and the financial statements for the year ended December 31, 1991, which were restated in accordance with Circular 4/1991, the 1992 and 1991 financial statements have been restated in accordance with the revised accounting principles of Circular 4/1993, and therefore differ in certain respects from the financial statements for the years ended December 31, 1992 and December 31, 1991 which have been previously filed by the Group. The financial statements for the year ended December 31, 1990 (and prior years) have not been restated in accordance with Circular 4/1993 or Circular 4/1991.

	Year Ended December 31,					
	1990	1991	1992	1993	1994	1994
	(In millions, except per share amounts and percentages)					
Spanish GAAP Income Statement Data						
Income Statement Data						
Interest income	Pts. 941,299	Pts. 967,536	Pts. 1,030,034	Pts. 1,095,621	Pts. 960,642	$ 7,292
Interest expense	628,451	663,527	730,960	781,733	640,784	4,864
Net interest income	312,848	304,009	299,074	313,888	319,858	2,428
Provision for possible loan losses	(27,272)	(41,144)	(48,834)	(71,783)	(48,723)	(370)
Non-interest income	140,101	189,808	161,987	201,449	139,303	1,058
Non-interest expense	(288,447)	(321,255)	(303,528)	(337,581)	(309,894)	(2,353)
Income before income taxes (operating income)	137,230	131,418	108,699	105,973	100,544	763
Income tax expense	(35,896)	(37,601)	(39,221)	(34,888)	(28,214)	214
Net income	101,334	93,817	69,478	71,085	72,330	$ 549
Per Share						
Net income(1)	439	406	301	308	313	2.38
Dividends(2)	158	163	169	169	174	1.32
Per ADS(3)						
Net income(1)	439	406	301	308	313	2.38
Dividends(2)	158	163	169	169	174	2.38
Consolidated Balance Sheet Data						
Total assets	8,288,241	8,816,424	9,993,841	11,528,211	12,972,937	$98,481
Loans and leases, net	3,822,998	4,029,593	4,180,076	4,455,170	4,668,142	35,437
Deposits	5,626,006	6,142,525	6,879,214	8,136,648	9,221,194	70,001
Short-term borrowings	1,412,986	1,462,836	1,851,114	1,974,416	2,463,065	18,698
Long-term debt	155,017	146,655	133,396	170,390	179,617	1,364
Stockholders' equity	533,967	539,191	580,127	617,915	631,564	4,794
Minority interests	25,084	59,790	76,330	135,984	135,641	1,030
Total capitalization	714,068	745,636	789,853	924,289	946,822	$ 7,188
Stockholders' equity per share	2,312	2,334	2,511	2,675	2,734	20.75
Stockholders' equity per ADS	2,312	2,334	2,511	2,675	2,734	20.75
Consolidated Ratios						
Profitability ratios						
Net interest margin(4)	4.33%	3.84%	3.61%	3.17%	2.87%	2.87%
Return on average total assets	1.28%	1.08%	0.75%	0.65%	0.59%	0.59%
Return on average stockholders' equity	19.94%	16.89%	12.26%	11.81%	11.59%	11.59%
Capital ratios						
Average stockholders' equity to average total assets	6.42%	6.40%	6.10%	5.52%	5.09%	5.09%
Stockholders' equity to total assets	6.45%	6.12%	5.80%	5.36%	4.87%	4.87%
Credit quality data						
Allowance for possible loan losses	112,227	140,453	165,267	181,882	165,551	1,257
Allowance for possible loan losses as a percentage of total loans and leases	2.84%	3.35%	3.79%	3.90%	3.41%	3.41%
Substandard loans(5)	185,760	210,870	248,024	270,182	237,732	1,805
Substandard loans as a percentage of total loans and leases	4.70%	5.04%	5.68%	5.80%	4.90%	4.90%
Allowance for possible loan losses as a percentage of substandard loans	60.42%	66.61%	66.63%	67.32%	69.59%	69.59%
Net loan charge-offs at end of period	13,289	25,560	26,229	59,912	61,884	470
Net loan charge-offs as a percentage of average total loans and leases at end of period	0.35%	0.64%	0.63%	1.36%	1.32%	1.32%

(footnotes appear on following page)

(1) Calculated on the basis of the weighted average number of Shares outstanding during the relevant period.

(2) Calculated based on total dividends paid in respect of each period indicated.

(3) Each ADS represents the right to receive one Share.

(4) Net interest margin represents net interest income (not on a tax equivalent basis) as a percentage of average interest-earning assets.

(5) Disclosures here and in the 1994 Form 20-F with respect to the amount of "substandard loans" at any date reflect Bank of Spain classifications at such date. See "Business — Assets — Allowance for Possible Loan Losses," "— Substandard Loans", and "— Foreign Country Outstandings" in the 1994 Form 20-F. Such classifications differ from the classifications applied by U.S. banks in reporting loans as non-accrual, past due, restructured and potential problem loans. One of the more important differences is that under Bank of Spain classifications, in the case of loans which are classified as substandard because any payment of principal or interest is 90 days or more past due, initially only past due payments of principal or interest (to the extent accruing at the time that the relevant loan is classified as substandard) are treated as substandard. If any payment on a loan is past due for more than one year or the aggregate amount of past due principal and interest exceeds 25% of such loan, then the entire principal amount of the loan is required to be classified as substandard. Accordingly, in the table above, only such past due payments are included in substandard loans unless and until the entire principal amount is classified as substandard.

U.S. GAAP(1)

	Year Ended December 31,				
	1991	1992	1993	1994	1994
	(millions, except per share amounts and percentages)				
Net income	Pts. 104,901	Pts. 60,247	Pts. 94,716	Pts. 63,703	$ 484
Stockholders' equity(2)	464,135	497,424	555,063	561,953	4,266
Total assets(2)	8,804,784	9,996,201	11,546,603	13,015,433	98,804
Per share					
Net income per share	454	261	410	276	2.10
Net income per ADS(3)	454	261	410	276	2.10
Stockholders' equity per share(2)	2,009	2,153	2,403	2,433	18.47
Stockholders' equity per ADS(2)(3)	2,009	2,153	2,403	2,433	18.47

(1) For information concerning significant differences between Spanish GAAP and U.S. GAAP, see Note 21 to the Consolidated Financial Statements in the 1994 Form 20-F.

(2) At the end of the reported period.

(3) Each ADS represents the right to receive one Share.

First Nine Months of 1995

On October 19, 1995, the Bank announced that for the nine months ended September 30, 1995, the Group had net attributable profit (determined under Spanish GAAP) of Ptas. 55,691 million, as compared to net attributable profit of Ptas. 47,909 million for the nine months ended September 30, 1994 (an increase of 16.2%). Net income (determined under Spanish GAAP) for the nine month period increased 24.62% from Ptas. 57,735 million in 1994 to Ptas. 71,949 million in 1995.

The Group's operating income for the first nine months of 1995 amounted to approximately Ptas. 117,985 million, representing a 23% increase over the comparable period in 1994. Contributing to this increase was income of Ptas. 3,455 million, instead of a loss of Ptas. 27,662, from market operations for the period (which benefitted from more favorable market conditions during the period as opposed to difficult conditions during the prior period) and, to lesser extent, increases in the Group's fees and commissions and net interest income. These increases were partially offset by a decrease in income accounted for by the equity method which was principally due to a nonrecurring charge during the first quarter of 1995. In addition, the Group's operating expenses for the nine month period increased 8% from Ptas. 189,085 to Ptas. 204,163. The increase was primarily due to the incorporation of the Group's recent acquisition of a majority stake in Probursa in Mexico and the Group's acquisition of Banco Continental in Peru; if the costs of these operations were excluded, the rate of growth of operating expenses would have been 2.4%, reflecting the Group's cost-cutting efforts in recent years. Pension fund expenses were substantially higher during the first nine months of 1995, as compared to the first nine months of 1994, due, in part, to the charging of a lower proportion of the expected annual pension fund expense in the first nine months of 1994.

The Group's net interest margin decreased during the nine month period (from 2.49% in the nine months ended September 30, 1994 to 2.31% in the nine months ended in September 30, 1995), primarily reflecting a change in the mix of both deposits and loans and the higher cost of deposits resulting from increased competition.

Income from the acquisition and disposition of equity holdings was Ptas. 23,819 million for the first nine months of 1995, 7.3% less than in the first nine months of 1994.

Improvement in the quality of the Group's domestic assets allowed for a reduction in loan loss provisions and a simultaneous increase in bad debt recoveries at September 30, 1995, as compared to September 30, 1994. The non-performing loan coverage ratio of the Group at September 30, 1995 was 76%, an increase of 6% over the ratio at September 30, 1994. This reflects a decline in the net loan loss provision, which was Ptas. 28,540 million for the nine months ended September 30, 1995, as compared to Ptas. 32,806 million for the nine months ended September 30, 1994. The domestic non-performing loan ratio of the Group was 3.9% at September 30, 1995 (4.8% at September 30, 1994), as compared to an average of 5.6% for the Spanish financial system.

Pre-tax profit for the nine months ended September 30, 1995 increased by 26.3% to Ptas. 107,479 million, as compared to the same period in 1994. However, the Group experienced a higher tax rate and higher minority interest expenses during the period.

Results for the first nine months of 1995 are not necessarily indicative of results for any other period or for the full year. The Group's results for the first nine months of 1995 are published in Spanish format, and are not available in a format that gives effect to the material reclassifications required by the Commission for presentation of the Consolidated Financial Statements. See "Selected Financial Data — Selected Consolidated Financial Information" in the 1994 Form 20-F. Management believes that the material adjustments that would be required to reconcile to U.S. GAAP the net income figures given above for the first nine months of 1995 are comparable in nature to those discussed in Note 21 to the Consolidated Financial Statements.

DESCRIPTION OF THE NOTES AND GUARANTEES

The Notes will be issued under an indenture dated as of December 1, 1995 (the "Indenture") among the Company, the Bank acting through the Branch and Bankers Trust Company, as trustee (the "Trustee"). The holders of the Notes (the "Holders") will be bound by, and deemed to have notice of, all the provisions of the Indenture. The Notes will be guaranteed by the Bank on a subordinated basis pursuant to a guarantee issued by the Bank acting through the Branch to the Trustee, for the benefit of the Holders. A counterpart of the guarantee issued to the Trustee will also be endorsed on the reverse of each Note certificate (each such guarantee, and the guarantee issued to the Trustee, collectively the "Guarantees"). The following summaries of certain provisions of the Notes, the Guarantees and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the detailed provisions of the Notes, the Guarantees and the Indenture, copies of which (including the forms of the Notes and the Guarantees) will be available for inspection at the office of the Trustee in New York City located at 4 Albany Street, New York, New York 10006.

General

The Notes will be direct and unconditional unsecured subordinated debt obligations of the Company. The Notes will rank without preference or priority among themselves and *pari passu* with all other unsecured and subordinated indebtedness of the Company. The obligations of the Company under the Notes, whether on account of principal, interest or Additional Amounts, are subordinated in the manner and under the circumstances provided in the Indenture to all unsecured and unsubordinated payment obligations of the Company. The claims of Holders will, in the event of the bankruptcy, suspension of payments, reorganization, dissolution, winding up, liquidation or composition or arrangement with creditors of the Company, be junior in right of payment to the claims of all other creditors (other than holders of subordinated indebtedness, if any) of the Company but shall rank at least *pari passu* with the holders of all other Subordinated Indebtedness (as defined below), and shall rank prior to holders of indebtedness which by its terms ranks junior to the Notes, and prior to the claims of shareholders of the Company. The Notes and Guarantees do not limit the amount of other indebtedness or securities which may be issued by the Company or the Bank.

The Notes will be limited to $200,000,000 aggregate principal amount and will mature on December 1, 2025. The Notes will not be redeemable prior to their maturity except as described below under "Optional Tax Redemption" and will not be entitled to the benefit of any sinking fund.

The Notes will be issued in minimum denominations of $100,000 and in multiples of $10,000 in excess thereof. The Notes will initially be issued in the form of one or more permanent global Notes (each a "Global Note") registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Interests in the Global Notes will be represented through financial institutions acting on behalf of holders of such interests as direct or indirect participants in DTC. Except in limited circumstances, investors will be required to hold the interests in Global Notes purchased by them through DTC and owners of interests in the Global Notes will not be entitled to receive physical delivery of Notes in definitive form. See "Book Entry System; Delivery and Form" below.

Each Note will bear interest on the principal amount thereof at the rate of 7% per annum until such principal amount is duly paid or made available for payment. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Notes will be payable semi-annually on June 1 and December 1 each year (each an "Interest Payment Date") commencing on June 1, 1996 and at maturity or earlier redemption. The "Record Date" for the Notes with respect to any Interest Payment Date will be the May 15 or November 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. If any Interest Payment Date or maturity date or date of redemption for the Notes falls on a day that is not a Business Day, the related payment of principal or interest will be made on the next succeeding Business Day as if it were made on the date such payment was due, and no interest will accrue on the amount so payable for the period from and after such Interest Payment Date or maturity date or date of redemption, as the case may be. Any interest on any Note which is payable, but is not paid or duly provided for, on any Interest Payment Date ("Defaulted Interest") shall forthwith cease to be payable to the Holder on the Record Date, and such Defaulted Interest shall be paid by the Company to the persons in whose name the Notes are registered at the close of business on a "Special Record Date" fixed by the Trustee for such purpose. For the purposes hereof, "Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in The City of New York (or any other city in which a paying agent for the Notes is located) are generally authorized or obligated by law or executive order to close.

Each Note, including any Global Note, will have the benefit of a Guarantee issued by the Bank, acting through the Branch, to the Trustee, for the benefit of the Holders, of the due and punctual payment of the principal of, and interest (including Additional Amounts) on, the Notes when and as the same shall become due and payable. A counterpart of the Guarantee will be endorsed on the reverse of the certificate for each Note. The aggregate obligation of the Bank under the Guarantees is limited to the principal of, and interest (including Additional Amounts, if any) on, the initial $200,000,000 principal amount of the Notes.

For so long as Notes are represented by one or more Global Notes, the registered owner of a Global Note, in accordance with and subject to the terms of the Global Notes and the Indenture, may be treated at all times and for all purposes by the Company, the Bank and the Trustee as the sole owner of such Notes with respect to all payments on Notes and for all other purposes under the Indenture.

The Trustee is not required to register the transfer of any Note (i) that has been called for redemption during the period beginning at the opening of business 15 days before the date of mailing of the notice of its redemption or (ii) during the period beginning 15 days before the due date for any payment of principal of or interest on such Note.

The Notes and the Guarantees have not been registered with the Commission and are offered pursuant to an exemption from registration under Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the Indenture is not required to be, and has not been, qualified under the Trust Indenture Act of 1939, as amended. The Notes and the Guarantees are not deposits and are not insured by the FDIC or any other government agency.

Book Entry System; Delivery and Form

Investors may hold interests in the Notes directly through DTC if they are participants in DTC ("Participants"), or indirectly through organizations that are Participants. The ability of a holder of an interest in the Notes to pledge such interest to a person or entities that do not participate in DTC or otherwise take actions in respect of such interest may be affected by the lack of a physical certificate for such interest. No Global Note may be transferred, except as a whole by a nominee of DTC to DTC or to another nominee of DTC, or by DTC or any such nominee to a successor of DTC.

Upon the issuance by the Company of one or more Global Notes to be registered in the name of DTC or its nominee, DTC will credit on its book-entry registration and transfer system the respective amounts of the interests in any such Global Notes to the accounts of DTC Participants designated by the Trustee. Such interests will trade in DTC's Same-Day Funds Settlement System until maturity, and secondary market trading activity in the interests will therefore be required by DTC to settle in same-day funds. Any reference herein to DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Trustee.

All payments on the Global Notes will be made by the Trustee to DTC or its nominee, as the case may be, as the registered owner of the related Global Notes. Neither the Bank, the Branch, the Company nor the Trustee shall have any responsibility or liability for maintaining, supervising or reviewing any records relating to interests in the Notes. DTC has agreed that, upon receipt of any payment of amounts owing in respect of a Global Note, it will credit immediately the accounts of the related Participants with payment in amounts proportionate to their respective holdings of interests in such Global Note as shown on the records of DTC.

Global Notes shall be exchangeable for definitive Notes only if (x) DTC notifies the Company that it is unwilling or unable to continue as depositary and a successor depositary is not appointed within 90 days or if at any time it ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed within 90 days, (y) the Company or the Bank in its sole discretion determines that such Global Notes shall be exchangeable for definitive Notes, or (z) an Event of Default shall have occurred and maturity of the Notes shall have been declared. Notes so issued in definitive form will be issued in denominations of $100,000 or integral multiples of $10,000 in excess thereof and will be issued in registered form only, without coupons. Such definitive Notes shall be registered in the name or names of such person or persons as DTC shall instruct the Trustee. The registration or transfer of any Notes in definitive registered form may be effected only on the books of the Trustee maintained pursuant to the Indenture.

Global Notes

So long as DTC or its nominee is the registered owner of a Global Note, DTC or its nominee, as the case may be, will be the sole holder of such Note for the purposes of payments under the Notes or the Guarantees and for all other purposes under the Indenture. Persons holding an interest in any Global Note will not be entitled to receive physical delivery of Notes (except as described above) and may not be considered the holders thereof by the Bank, the Company or the Trustee for any purpose. As a result, each person holding an interest in a Note must rely upon the procedures of DTC and of any Indirect Participant or Direct Participant (as such terms are defined below) through which it holds such interest in order to receive payments with respect to such Notes or the Guarantee or to exercise any rights of a Holder under such Note or under the Guarantee or the Indenture and, accordingly, should prior to the acquisition of any such interest satisfy itself as to such procedures.

Neither the Bank, the Company nor the Trustee accepts any liability or responsibility for such procedures or for any act or omission of DTC or of any Direct or Indirect Participant.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Note.

The following is based on information furnished by DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of Exchange Act. DTC holds securities that its Participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc. and the American Stock Exchange, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (each an "Indirect Participant"). The rules of DTC applicable to DTC and its Participants are on file with the Commission.

Guarantees

The Bank, acting through the Branch, will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of the principal of, and interest (including Additional Amounts) on, the Notes. See "— Additional Amounts". Any amounts payable under the Guarantees will constitute direct, unconditional and unsecured obligations of the Branch and the Bank and will be subordinated as set forth below under "Subordination of Notes and Guarantees". The Guarantees will remain in effect until the entire principal of, and interest on, the Notes shall have been paid in full, or prescribed, in accordance with the provisions of the Notes, the Guarantees and the Indenture. The rights of the Holders under the Guarantees will be reinstated with respect to any payments made to or on behalf of the Holders that are subsequently avoided and returned to or for the benefit of the Company or its estate in the bankruptcy or insolvency of the Company, as though such payments had not been made.

The Bank will be subrogated to all rights of the Holders against the Company in respect of any amounts paid or other performance by the Bank pursuant to the provisions of the Guarantees; provided, however, that the Bank will not be entitled to enforce or to receive any payment or other satisfaction arising out of or based upon, such right of subrogation until all amounts payable on or in respect of the Notes shall have been paid in full to the Holders or, as the case may be, to the Trustee under the Indenture.

Subordination of Notes and Guarantees

The Notes are direct, unconditional and unsecured obligations of the Company ranking without preference or priority among themselves. The claims of the Holders will, in the event of the bankruptcy, suspension of payments, reorganization, dissolution, winding up, liquidation or composition or arrangement with creditors of the Company, be junior in right of payment to the claims of the holders of unsecured and unsubordinated payment obligations of the Company, but will rank at least *pari passu* with the holders of all other Subordinated Indebtedness of the Company and in priority to the holders of indebtedness which by its terms ranks junior to the Notes and to the claims of shareholders of the Company.

"Subordinated Indebtedness" means, with respect to the Company, any indebtedness (including any liability, whether actual or contingent, under any guarantee or indemnity) in respect of any notes, bonds or other debt securities, deposits or loans, including the Notes, which, in the event of any distribution of assets in connection with bankruptcy, suspension of payments, reorganization, dissolution, winding up, liquidation or composition or arrangement with creditors of the Company, is subordinated in right of payment at least to, or the repayment of or payment in respect of which is conditional upon, the complete payment of the claims of all unsubordinated creditors of the obligor of such indebtedness.

Under the terms of the Notes and Guarantees, the Holders will, by their acceptance of the Notes, irrevocably waive their rights as creditors of the Branch under Section 606.4 of the NYBL (relating to the liquidation of New York operations of foreign banking corporations) to the extent necessary to give effect to the subordination provisions of the Guarantees. In addition, each Holder by his acceptance of a Note shall be deemed to have waived, to the extent provided for in the Guarantees, all his rights of priority with respect to the Guarantees that would otherwise be accorded to him under Spanish law. Moreover, each Holder by his acceptance of a Note irrevocably agrees that if any payment or payments shall be made pursuant to the Guarantee and the amount or total amount of such payment or payments exceeds the amount, if any, that such Holder would be entitled to receive upon the proper application of the subordination provisions of the Guarantee, the payment of such excess amount shall be deemed null and void and the Holder agrees that he will be obligated to return the amount of the excess payment to the Bank, as instructed in a written notice of such excess payment, within ten days of receiving such notice. Each Holder by his acceptance of a Note thereby also irrevocably agrees that such Holder shall not exercise any right to set off any liabilities of the Bank under the Guarantee against any liabilities of such Holder owed to the Bank unless, until and only in such amount as the liabilities of the Bank under the Guarantee become payable pursuant to the proper application of the subordination provisions of the Guarantee.

In the event of liquidation, dissolution or discontinuance of the Branch when the Bank is not similarly subject to liquidation, dissolution or discontinuance, the Holders would not be entitled to accelerate the maturity of the Notes. In the event of liquidation, dissolution or discontinuance of the Branch, the Guarantees would continue thereafter to represent subordinated obligations of the Bank. In addition, should the New York State Superintendent of Banks, the FDIC or any receiver, liquidator or similar official in such a proceeding successfully repudiate the obligations of the Branch pursuant to the Guarantees, the Guarantees will continue thereafter to represent the subordinated obligations of the Bank. See "The Group — The New York Branch — Supervision and Regulation of the New York Branch".

In the event of proceedings relating to the bankruptcy, suspension of payments, dissolution or winding up of the Bank or any other proceeding that requires the application of the priorities provided by the Spanish Commercial Code (*Código de Comercio*), the Spanish Civil Code (*Código Civil*) and any other applicable Spanish laws (collectively, *Procedimientos Concursales*), the rights and claims of Holders pursuant to the Guarantees shall rank in right of payment, in accordance with Law 13/1985 and Law 13/1992, Royal Decree 1343/1992 and Royal Decree 538/1994, and Bank of Spain Circulars 5/1993 and 2/1994: (i) after the rights and claims of all the unsecured and unsubordinated creditors (*Acreedores Comunes*) of the Bank; (ii) after the rights and claims of the holders of all other Subordinated Indebtedness (if any) of the Bank notarized or recorded in a public deed (*escritura pública*) prior to the date of the notarization or recordation (if ever) of the Guarantee, unless and to the extent permitted by Spanish law the holders of such Subordinated Indebtedness have waived their rights to priority under Spanish law arising as a result of such notarization or recordation; (iii) to the extent permitted by Spanish law, at least *pari passu* with the rights and claims of the holders of all other Subordinated Indebtedness (if any) of the Bank incurred on or after the date of the notarization or recordation (if ever) of the Guarantee; (iv) to the extent permitted by Spanish law, at least *pari passu* with the rights and claims of other Subordinated Indebtedness of the Bank existing prior to the date of such notarization or recordation of the Guarantee, to the extent the holders of such Subordinated Indebtedness have waived their rights to priority under Spanish law as a result of such notarization or recordation, and (v) in priority to the rights and claims of shareholders and creditors of the Bank who are characterized as holders of equity (*otros acreedores a título asimilado a la aportación de capital*) with respect to their claims as such holders.

In the case of such proceedings relating to the bankruptcy, suspension of payments, dissolution or winding up of the Bank or any other such similar proceeding that requires the application of the priorities set out in the previous paragraph, any assets that remain after satisfaction of claims of depositors and other unsubordinated creditors of the Branch (including any of the assets deposited by the Bank with other New York banks pursuant to Section 202-b.1 of the NYBL (requiring certain foreign banking corporations opening a New York branch to maintain on deposit with certain New York banks an amount of certain classes of interest-bearing stocks, bonds, notes, debentures and other obligations)) would be transferred to the receiver, liquidator or other similar official for the insolvency, liquidation or similar proceeding of the Bank and applied first to satisfy claims of depositors and other creditors of the Bank to which obligations the Guarantees are subordinated before being applied to satisfy claims in respect of the Guarantees and other obligations ranking *pari passu* with the Guarantees in accordance with the priorities set out in the previous paragraph. In the event amounts due to the Holders are not paid in full following a liquidation of the Bank, the obligations of the Branch and the Bank in respect of the Guarantees would terminate.

"Subordinated Indebtedness" means, with respect to the Bank, any indebtedness (including any liability, whether actual or contingent, under any guarantee or indemnity, including the Guarantees) in respect of any notes, bonds or other debt securities, deposits or loans, which, in the event of any *Procedimientos Concursales* of the Bank, is subordinated in right of payment at least to, or the repayment of or payment in respect of which is conditional upon, the complete payment of the claims of the unsecured and unsubordinated creditors (*acreedores communes*) of the Bank; *provided, however*, the term Subordinated Indebtedness does not include any indebtedness to the extent that the holders thereof are characterized as holders of equity (*otros acreedores a título asimilable a la aportactión de capital*) with respect to their claims as holders.

Article 913.4 of the Spanish Commercial Code provides that, solely in the event of bankruptcy, the rights and claims of the holders of indebtedness which has been notarized or recorded in a public deed (*escritura pública*) will generally rank prior to those of holders of indebtedness that has not been so notarized or recorded. However, Despacho Melchor de las Heras, Spanish counsel to the Bank, has advised the Bank that, in their opinion, although to the best of their knowledge there are no judicial *precedents directly on point, under current Spanish law Subordinated Indebtedness containing* a statement of waiver of the holder's rights of priority with respect to other Subordinated Indebtedness not expressed to be junior to such Subordinated Indebtedness will rank equally with such other Subordinated Indebtedness (such as the Guarantee) containing a similar waiver (irrespective of the date of issue of any such Subordinated Indebtedness or whether it has been notarized or recorded in a public deed).

At September 30, 1995, the Group had approximately Ptas. 96.8 billion of Subordinated Indebtedness outstanding. As of the date of this Offering Circular, the Group has notarized or recorded in public deeds (*escritura pública*) not more than half of such Subordinated Indebtedness and has not obtained waivers from the holders of such Subordinated Indebtedness of their rights to priority under Spanish law arising as a result of such notarization. The Group has neither notarized, nor obtained such waivers from the holders of, the remaining Subordinated Indebtedness of the Bank outstanding at September 30, 1995. In October 1995, the Company issued, and the Bank guaranteed, an additional $150 million aggregate principal amount of Subordinated Indebtedness due October 2005. In addition, the Company has agreed to issue on December 5, 1995, and the Bank has agreed to guarantee, an additional $75 million aggregate principal amount of Subordinated Indebtedness due May 2005 and an additional $75 million aggregate principal amount of Subordinated Indebtedness due May 2006.

Since September 30, 1995, the Company has also issued, and the Bank has guaranteed, ¥750,000,000 aggregate principal amount of guaranteed notes due 1997. These notes are senior to the Subordinated Indebtedness of the Company and the Bank.

The Bank will represent and warrant in the Guarantees that the Bank's obligations in respect of existing Subordinated Indebtedness are expressed to be subordinated to the rights and claims of unsecured and unsubordinated creditors in the event of *Procedimientos Concursales* of the Bank. The Bank will agree in the Guarantees that, for so long as (a) the proceedings collectively referred to as *Procedimientos Concursales* exist as concepts under Spanish law and (b) the covenant contained in this paragraph would not breach any regulations of the Bank of Spain then prevailing, obligations in respect of any Subordinated Indebtedness assumed or incurred by the Bank on or after the date of the Guarantees will be expressed to be subordinated to the rights and claims of unsecured and unsubordinated creditors in the event of *Procedimientos Concursales* of the Bank; *provided* that the foregoing shall not apply to any Subordinated Indebtedness assumed, or certain Subordinated Indebtedness incurred, as a result of any consolidation, sale, conveyance, lease or merger not prohibited as described under "Mergers; Sales of Assets; Assumption".

The Bank will agree in the Guarantees that it will not assume or incur any Subordinated Indebtedness on or after the date of the Guarantees that is expressed to rank in priority to the Bank's payment obligations under the Guarantees (or if the Bank assumes or incurs Subordinated Indebtedness which ranks in priority to the Bank's payment obligations under the Guarantees, the Bank shall have obtained, to the extent permitted by Spanish law, a waiver of such rights of priority); *provided* that the foregoing agreement shall not apply to any Subordinated Indebtedness assumed, or certain Subordinated Indebtedness incurred, as a result of any consolidation, sale, conveyance, lease or merger not prohibited as described under "Mergers; Sales of Assets; Assumption".

Under the terms of the Notes and Guarantees, the Holders will by their acceptance of the Notes and the Guarantees, irrevocably waive, to the extent necessary to give effect to the subordination provisions of the Guarantees, all rights of priority which would otherwise be provided to the Holders under Spanish law (including, without limitation, the priority created under Spanish law by means of notarization or recordation in a public deed (*escritura pública*) of indebtedness). The Bank will agree in the Guarantees to obtain from the holders of any Subordinated Indebtedness incurred on or after the date of the Guarantees a waiver of rights of priority substantially similar in form and substance to that described in the previous sentence; *provided* that the foregoing agreement shall not apply to any Subordinated Indebtedness assumed, or certain Subordinated Indebtedness incurred, as a result of any consolidation, sale, conveyance, lease or merger not prohibited as described under "Mergers; Sales of Assets; Assumption".

The Bank will also agree in the Guarantees not to notarize or record in a public deed (*escritura pública*) any Subordinated Indebtedness of the Bank which is also External Indebtedness (as defined below) of the Bank, whether incurred on or after the date of the Guarantee, unless, not later than one day prior thereto, the obligations of the Bank under the Guarantees are also notarized or recorded in a public deed at the expense of the Bank; *provided* that the foregoing agreement shall not apply to any Subordinated Indebtedness assumed, or certain Subordinated Indebtedness incurred, as a result of any consolidation, sale, conveyance, lease or merger not prohibited as described under "Mergers; Sales of Assets; Assumption". As used in the covenant described in the previous sentence:

"External Indebtedness" means any present or future Indebtedness for Borrowed Money in respect of notes, bonds or other debt securities, certificates of deposits or loans; (i) which is capable of being, quoted, listed or ordinarily traded on any stock exchange, over-the-counter or in any other established securities market (for which purpose any such indebtedness shall be deemed not to be capable of being so quoted, listed or ordinarily traded if the terms of issue thereof expressly so provide), and (ii) which, by its terms is payable, or may be required to be paid, in or by reference to a currency other than Spanish pesetas, but (iii) which shall not include Indebtedness for Borrowed Money arising in the ordinary course of the Bank's Banking Business;

"Indebtedness for Borrowed Money" means any amount representing principal in respect of any indebtedness (including any liability, whether actual or contingent, under any guarantee or indemnity) in respect of moneys borrowed or raised, including (i) notes, bonds or other debt securities, certificates of deposits or loans; (ii) acceptance or documentary credit facilities, (iii) note or bill discounting facilities, which, in the case of each of (i), (ii) and (iii), have a stated maturity of or which by their terms are capable of being extended for a period of more than one year;

"Banking Business" means in relation to the Bank (i) banking business as ordinarily carried on or permitted to be carried on at the relevant time by banking institutions in the country in which the Bank is incorporated or carries on business; (ii) the seeking or obtaining from the public of moneys by way of deposit; or (iii) any other part of the business of the Bank which an expert (which shall for this purpose include any officer of the Bank) nominated by in good faith for such purpose by the Bank shall certify to be part of, or permitted to be part of, the Bank's banking business.

In the event of *Procedimientos Concursales* of the Bank, the Holders may recover less ratably that the holders of deposit liabilities and other claims against the Bank ranking senior to the obligations of the Bank under the Guarantees. The Trustee, on behalf of Holders would likely be required to pursue its claims with respect to the Guarantees in Spain. To the extent that the Trustee, on behalf of Holders is entitled to any recovery with respect to the Guarantees in any Spanish action or proceeding, the Trustee might be entitled in such an action or proceeding only to a recovery in Spanish pesetas.

Additional Amounts

All payments of the principal of and interest on the Notes and all payments in respect of the *Guarantees by the Company or by the Branch and the Bank will be made without deduction or* withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Cayman Islands or the Kingdom of Spain, as the case may be, or any political subdivision or territory or possession thereof therein (each a "Taxing Jurisdiction"), unless the withholding or deduction of such taxes or duties is required by law or regulation or by the official interpretation thereof. *In that event the Company or the Branch and the Bank, as the case may be, will pay to each* holder of a Note such additional amounts ("Additional Amounts") as may be necessary in order that each net payment on such Note after such deduction or withholding will not be less than the amount provided for in such Note to be then due and payable, *provided, however,* that the foregoing obligations to pay Additional Amounts will not apply to:

(a) any tax, assessment or other governmental charge that would not have been imposed but for (i) the existence of any present or former connection between the Holder or the beneficial owner of the Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Holder or beneficial owner, if such Holder or beneficial owner is an estate, trust, partnership or corporation) and the Taxing Jurisdiction imposing such tax, assessment or other governmental charge, other than the mere receipt of payments in respect of a Note or the holding or ownership of a Note or beneficial interest therein; or (ii) the presentation of a Note (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments of (or in respect of) principal of, or any interest on, the Notes;

(d) any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure to comply by the Holder or the beneficial owner of the Note with a request of the Company, the Branch or the Bank, addressed to the Holder (i) to provide information concerning the nationality, residence, identity or connection with a Taxing Jurisdiction of the Holder or such beneficial owner or (ii) to make any declaration or other similar claim to satisfy any information or reporting requirement, which in the case of (i) or (ii), is required or imposed by a statute, treaty, regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of such tax, assessment or other governmental charge; or

(e) any combination of items (a), (b), (c) and (d) above;

nor shall Additional Amounts be paid with respect to any payment of principal or any interest on any Note or any payment under the Guarantees to any Holder or beneficial owner that is a fiduciary or partnership or other than the sole beneficial owner of such Note to the extent such payment would be required by the laws of a Taxing Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had it been a Holder of such Note.

Optional Tax Redemption

The Notes may be redeemed at the option of the Company, subject to the prior approval of the Bank of Spain, in whole but not in part, at any time after December 11, 2000 upon not less than 30 nor more than 60 days notice to the Holders given in the manner described in "Notices" below at a redemption price equal to the principal amount thereof plus interest accrued to the date fixed for redemption if, as a result of any change in or amendment to the law or regulations of a Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change, amendment, application or interpretation becomes effective on or after December 4, 1995, (i) the Company or the Bank has or will become obligated to pay Additional Amounts on the next payment of principal or interest in respect of the Notes or on payments under the Guarantees, as provided or referred to in "Additional Amounts" above, or (ii) the Bank is or would be required to deduct or withhold tax on any payment to the Company to enable the Company to make any payment of principal or interest in respect of the Notes, and in each case, the payment of such Additional Amounts in the case of clause (i) above, or such deduction or withholding in the case of clause (ii) above, cannot be avoided by the use of any reasonable measures available to the Company or the Bank (excluding the assumption of the Company's obligations under the Notes by the Bank or a subsidiary of the Bank); *provided,* that no such notice shall be given earlier than 90 days prior to the earliest date on which the Company, the Branch or the Bank, as the case may be, would be obligated to pay such Additional Amounts in the case (i) above, or deduct or withhold in the case of (ii) above, were a payment in respect of the Notes or the Guarantees then due. Prior to giving any notice of redemption pursuant to this paragraph, the Company or the Bank, as the case may be, shall deliver to the Trustee (i) an opinion of counsel (which may include in-house counsel of the Company or the Bank, as the case may be) to the effect that the Company or the Bank is or will be required to pay such Additional Amounts or the Bank is or will be required to make such withholding or deduction, as the case may be, as a result of such change and (ii) a certificate signed by an officer of the Company or the Bank, as the case may be, stating that the obligation referred to in (i) and (ii) above cannot be avoided by the use of any reasonable measures available to the Company or the Bank (excluding the assumption of the Company's obligations under the Notes by the Bank or a subsidiary of the Bank) and the Trustee shall accept such opinion and certificate as sufficient evidence of the satisfaction of the condition precedent set out above, which acceptance shall be conclusive and binding on the Holders.

The Bank has been advised that, under existing Spanish law, the Bank is not required to deduct or withhold tax on any payment to the Company to enable the Company to make any payment of principal or interest in respect of the Notes.

Payments

The Company has appointed the New York City office of the Trustee as a Paying Agent ("Paying Agent") for payment to the registered owners of the Global Notes and the Holders of definitive Notes in registered form, if any. The Notes will provide that payments of principal and interest will be made in U.S. dollars by the Paying Agent, upon receipt of funds therefor from the Company, to the registered owners thereof. The obligations of the Company or the Bank with respect to any payment owing under the Notes or the Guarantees shall be fully satisfied upon payment in full of any such payment obligations to the Paying Agent.

So long as Global Notes are outstanding, the registered owner of a Global Note shall be the only person entitled under the Notes, the Guarantees and the Indenture to receive payments of the principal and interest in respect of such Global Note. Each of the persons shown on the records of DTC as the beneficial owner of Notes must look solely to DTC for such beneficial owner's share of each payment so made by the Company to the registered owner of the relevant Global Note. No such person other than the registered owner of a Global Note shall have any claim against the Company, the Branch or the Bank in respect of any payments due on such Global Note or the related Guarantees.

Payments at maturity or earlier redemption of principal and interest of each Note will be made in immediately available funds upon surrender of the Notes (together with any necessary endorsements) at the corporate trust office of the Trustee.

Payments of interest on each Note, other than interest payable at maturity or any earlier redemption, will be made on each Interest Payment Date therefor by check mailed by the Paying Agent to the registered Holder as such on the immediately preceding Record Date therefor. Notwithstanding the foregoing, upon receipt of written instructions from a registered Holder of at least U.S. $1,000,000 in principal amount of Notes not less than 15 days prior to an Interest Payment Date for the Notes, the Trustee will make the payment of interest on such Interest Payment Date by the transfer of immediately available funds to such account at such bank in New York City as the registered Holder shall have designated in writing, provided that such bank has appropriate facilities therefor.

Interest will accrue on the Notes from and including the most recent date in respect of which interest has been paid or duly provided for or, if no interest has been paid, from and including December 11, 1995 to but excluding the date on which the principal thereof has been paid or duly made available for payment.

The Company, the Bank and the Trustee may treat the person in whose name a Note is registered as the owner or such Note for the purpose of receiving payments of principal and interest on such Note and for all other purposes whatsoever.

The Company may vary or terminate the appointment of the Paying Agent from time to time, except that the Company will at all times maintain at least one Paying Agent in New York City.

Mergers; Sale of Assets; Assumption

Neither the Company nor the Bank will consolidate with, sell, convey or lease all or substantially all of its assets to, or merge into, any other corporation, unless (A) in the case of a transaction involving the

Company, such corporation or, in the case of a merger or consolidation, the resulting corporation, is a wholly-owned subsidiary of the Bank that expressly assumes all of the obligations of the Company under the Notes and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed by the Company and (B) in the case of transactions involving the Bank, *(i) such corporation or, in the case of a merger or consolidation, the resulting corporation, shall be* incorporated under the laws of Spain or a member State of the European Union or the Organization for Economic Cooperation and Development and shall expressly assume all of the obligations of the Branch and the Bank under the Indenture and the Guarantees and the due and punctual performance and observance of all of the covenants and conditions of the Indenture and the Guarantees to be performed by the Branch and the Bank, and (ii) immediately after giving effect to such transaction, no event which, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing. In the event of any merger, consolidation, sale, conveyance or lease not prohibited by (A) or (B), Additional Amounts under the Notes will be payable in respect of taxes imposed by the jurisdiction in which the acquiring corporation, or the resulting corporation is incorporated (subject to exceptions equivalent to those that apply to the obligation to pay Additional Amounts in respect of taxes imposed by the laws of a Taxing Jurisdiction) on payments of interest or principal made on or subsequent to the date of such merger, consolidation, sale, conveyance or lease rather than taxes imposed on such payments by the laws of the Taxing Jurisdiction of the Company, in the case of (A), or the Taxing Jurisdiction of the Bank, in the case of (B). Additional Amounts with respect to payments of interest or principal made on or prior to the date of such merger, consolidation, sale, conveyance or lease will be payable only in respect of taxes imposed by a Taxing Jurisdiction. The acquiring or resulting corporation, as the case may be, will also be entitled to redeem the Notes in the circumstances described under "Optional Tax Redemption" above with respect to any change or amendment to, or change in the application or official interpretation of the laws or regulations of such jurisdiction that becomes effective after the date of such merger, consolidation, sale, conveyance or lease. Upon the assumption of the obligations of the Company, the Branch or the Bank by any such successor corporation in such circumstances, the Company, the Branch or the Bank, as the case may be, shall be discharged from all obligations under the Notes, the Guarantees and the Indenture.

The Bank or any wholly-owned subsidiary of the Bank may assume the obligations of the Company under the Notes without the consent of the holders of such Notes. In the event of any such assumption, all obligations of the Company under the Notes shall immediately be discharged. Any Notes the obligations of the Company under which are so assumed, except if assumed by the Bank, will have the benefit of the Guarantee. In the event of such an assumption, Additional Amounts under the Notes will be payable in respect of taxes imposed by the jurisdiction in which the assuming corporation is incorporated (subject to exceptions equivalent to those that apply to the obligation to pay Additional Amounts in respect of taxes imposed by the Taxing Jurisdiction of the Company) on payments of interest or principal made on or subsequent to the date of such assumption rather than taxes imposed on such payments by the Taxing Jurisdiction of the Company. Additional Amounts with respect to payments of interest or principal made on or prior to the date of such assumption will be payable only in respect of taxes imposed by the Taxing Jurisdiction of the Company. The Bank or Bank subsidiary that assumes the obligations of the Company in such cases will also be entitled to redeem the Notes in the circumstances described in "Optional Tax Redemption" above with respect to any change or amendment to, or change in the application or official interpretation of the laws or regulations of such jurisdiction that becomes effective after the date of such assumption.

An assumption of the obligations of the Company, the Branch or the Bank under the Notes might be deemed for U.S. federal income tax purposes to be an exchange of the Notes for new notes by the holders thereof, resulting in recognition of taxable gain or loss for such purposes and possibly certain other adverse tax consequences. Holders should consult their tax advisors regarding the U.S. federal, state and local income tax consequences of such an assumption.

Events of Default; Notice and Waiver

The Notes provide that (subject to the next succeeding sentence) if an Event of Default specified therein shall have occurred and be continuing, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare the Notes, plus all interest accrued from the most recent Interest Payment Date to the date of such declaration, to be immediately due and payable. The Trustee shall thereupon seek recovery on the Guarantees and may also proceed to protect and enforce such other rights of Holders as it may, in its discretion, determine in appropriate judicial proceedings. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and the consequences of the acceleration. Interest shall continue to accrue and be payable on demand following a default in the payment of principal, and interest shall accrue and be payable on demand on overdue interest to the extent that payment of such interest shall be legally enforceable.

In the Notes, Events of Default are defined as:

(a) default in the payment of principal of any of the Notes as and when the same shall become due and payable and continuance of such default for fifteen Business Days; or

(b) default in the payment of any interest or Additional Amounts upon any of the Notes as and when the same shall become due and payable and continuance of such default for fifteen Business Days; or

(c) the Company or the Bank shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or the like for itself or of its property, (ii) make a general assignment for the benefit of its creditors, (iii) be adjudicated bankrupt or insolvent, (iv) file a voluntary petition in bankruptcy or seeking to take advantage of any applicable insolvency law or, (v) in the case of the Bank, be declared in bankruptcy (*quiebra*), apply for a moratorium (*suspensión de pagos*) or commence any proceedings (*procedimientos concursales*) requiring the application of priorities provided by the Commercial Code (*Código de Comercio*), the Civil Code (*Código Civil*) or any other applicable Spanish laws.

The Trustee shall give notice to the Holders of any continuing Event of Default known to the Trustee within 90 days after the occurrence thereof; *provided, however,* that the Trustee may withhold such notice as to any default other than a payment default, if it determines in good faith that withholding the notice is in the interests of the Holders.

The Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that such directions shall not be in conflict with any rule of law or the Indenture and subject to certain other limitations. Before proceeding to exercise any right or power under the Indenture at the direction of such Holders, the Trustee shall be entitled to receive from such Holders reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in complying with any such direction. No Holder will have any right to pursue any remedy with respect to the Indenture or the Notes, unless (i) such Holder gives the Trustee written notice of a continuing Event of Default; (ii) the Holders of at least 25% in aggregate principal amount of the outstanding Notes shall have made a written request to the Trustee to pursue such remedy; (iii) such Holder or Holders have offered to the Trustee reasonable indemnity satisfactory to the Trustee; (iv) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with such request within 60 days after receipt of such request; and (v) the Trustee shall have failed to comply with the request within such 60 day period.

Nevertheless, the right of any Holder (x) to receive payment of principal and interest in respect of a default in the payments of any such amounts on the Notes held by such Holder, on or after the due date expressed in the Notes or any date fixed for redemption or (y) to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or adversely affected without such Holder's consent.

Prior to the declaration of the maturity of the Notes, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding (or of such lesser percentage as may act in a meeting of Holders as described in "Meeting, Modification and Waivers" below), may waive an existing default and its consequences, except in respect of a provision of the Indenture, Notes or Guarantees that cannot be modified without the consent of each Holder affected thereby, as set forth in "Meeting, Modification and Waivers" below.

Meeting, Modification and Waivers

The Indenture contains provisions for convening meetings of the Holders to consider matters affecting their interest. A meeting of the Holders may be called at the request of the Trustee, the Company, the Bank or the Holder or Holders of at least 10% in principal amount of the outstanding Notes.

The Trustee, the Company and the Bank may enter into an indenture or indentures supplemental to the Indenture at any time, and without the consent of the Holders, for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision, contained therein or in the Notes or the Guarantees, or to make such other provisions necessary or desirable and which shall not adversely affect the interests of the Holders in any material respect.

The Company, the Bank and the Trustee may enter into an indenture or indentures supplemental to the Indenture for the purpose of making any amendment to the Indenture, the Notes and the Guarantees, and any past default by the Company or the Bank may be waived, with the consent (in writing or at a meeting) of the holder or holders of at least a majority in aggregate principal amount of the Notes at the time outstanding (or of such lesser percentage as may act at a meeting of Holders, as described below); *provided* that no such amendment or waiver may, without the consent of the holder of each such Note affected thereby, (i) change the stated maturity of the principal of or interest on any such Note, (ii) reduce the principal amount of or interest on any such Note, or change the obligation of the Company or the Bank to pay Additional Amounts, (iii) change the currency of payment of principal of or interest (including Additional Amounts) on any such Note, (iv) waive a default in the payment of the principal of or interest or Additional Amounts on any Note, or (v) reduce the above-stated percentage of aggregate principal amount of Notes Outstanding necessary to enter into supplemental indentures or reduce the quorum requirements or the percentages of votes required for the adoption of any action at a Holders' meeting.

The quorum at any meeting called to adopt a resolution will be persons holding or representing 25% in aggregate principal amount of the outstanding Notes. At a meeting duly convened and at which such a quorum is present, any resolution to modify or amend, or to waive default with respect to, any provision shall be effectively passed and decided if approved by the persons entitled to vote the greater of (i) a majority in aggregate principal amount of Notes represented and voting at such meeting and (ii) 25% in aggregate principal amount of the Notes then outstanding. Any instrument given by or on behalf of any holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note. Any modifications, amendments or waivers to the Indenture or to the Terms shall be conclusive and binding upon all Holders, whether or not they have given such consent, and on all future Holders, whether or not notation of such modifications, amendments or waivers is made upon the Notes.

Outstanding Notes

In determining whether the Holders of the requisite principal amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, the Notes or the Guarantees, Notes owned by the Bank, the Branch, the Company or any company controlled by or under common control with the Bank (if any Notes are so owned) will not be deemed to be outstanding.

Notices

Notices will be mailed by the Trustee to registered Holders of Notes at their addresses as shown in the register maintained by the Trustee, as registrar and transfer agent for the Notes.

The Trustee

The Trustee, Bankers Trust Company, is organized under the laws of the United States with an office in New York City located at 4 Albany Street, New York, New York 10006. The Indenture contains the provisions for the indemnification of the Trustee and for its relief from responsibility. The obligations of the Trustee to the Holders are subject to such immunities and rights as set forth in the Indenture.

Successor Trustee

The Indenture provides that the Trustee may resign or be removed at any time by the Company, the Bank or the holders of a majority in aggregate principal amount of the Notes at the time outstanding, effective upon the acceptance by a successor Trustee of its appointment. The Indenture provides that any successor Trustee shall have a combined capital and surplus of not less than $50,000,000 and shall be a corporation authorized under the laws of the jurisdiction in which it is doing business to exercise corporate trust powers, and subject to supervision or examination by federal, state, territorial or any other governmental authority.

Repayment of Funds

All monies deposited with or paid to the Trustee or any paying agent for payment of principal of or interest and any Additional Amounts of any Note which remain unclaimed at the end of two years after such payment has been made will be repaid to the Company, together with any interest accrued on such monies during such two year period at a rate agreed by the Trustee and the Company, and all liability of the Trustee with respect thereto will cease and, to the extent permitted by law, the Holder of such Note shall thereafter look only to the Company and the Bank for payment.

Prescription

All claims against the Company or the Bank for payment of principal of, or interest (including Additional Amounts) on, or in respect of, the Notes shall become void unless made within ten years (in the case of principal) and five years (in the case of interest) from the later of (i) the date on which such payment first became due and (ii) if the full amount payable has not been received by the Trustee in New York City on or prior to such due date, the date on which the full amount is so received.

Governing Law and Consent to Jurisdiction

The Notes, the Guarantees and the Indenture are governed by and will be construed in accordance with the laws of the State of New York, except that the subordination provisions of the Guarantees will be governed by, and construed in accordance with, the laws of Spain. The Company and the Bank have agreed that any action arising out of or based upon the Indenture may be instituted in any state or federal court in the Borough of Manhattan, New York, and the Company and the Bank will irrevocably submit to the non-exclusive jurisdiction of any such court in any such action.

The Company and the Bank will appoint the Branch as the authorized agent thereof upon whom service of process may be served in any action arising out of or based on the Notes or Guarantees, as the case may be (including any action based on or arising out of the United States Federal securities laws), that may be instituted in a court of competent jurisdiction located in the State of New York.

TAXATION

The following discussion is a summary of certain Spanish and Cayman Islands income tax consequences of the purchase, ownership and disposition of Notes and is based upon the advice of Maples and Calder with respect to Cayman Islands taxes and on the advice of Despacho Melchor de las Heras, with respect to Spanish taxes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. The summary deals only with purchasers of Notes in connection with this offering.

This summary is based on tax laws in effect in Spain and the Cayman Islands and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S., SPANISH, CAYMAN ISLANDS OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, INCLUDING THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

Cayman Islands

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Company has received from the Governor in Council of the Cayman Islands an undertaking pursuant to the Tax Concessions Law (1995 Revision) of the Cayman Islands that, for a period of twenty years from August 9, 1983, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations and no such tax or tax in the nature of estate duty or inheritance tax shall be payable on the shares, debentures or other obligations of the Company.

The Company has been advised that, under existing Cayman Islands laws:

(i) Payments in respect of the Notes and payments in respect of the Guarantees will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of Notes and gains derived from sale of Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income tax or taxation in the nature of a withholding tax, corporate or capital tax and no estate duty, inheritance tax or gift tax;

(ii) The Holder of a Note (or the legal personal representative of such holder) whose Note is brought into the Cayman Islands in original form may be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note (currently 0.25% of the face amount of the Note, up to a maximum of CI $250 per Note).

Spain

General. The following summary refers solely to the principal Spanish tax consequences of the ownership and disposition of the Notes by a non-resident of Spain whose holding of the Notes is not effectively connected to a permanent establishment in Spain through which such person carried on business or trade in Spain ("Non-Resident Holder").

For Spanish tax purposes the holding of the Notes will not in and of itself cause a non-Spanish resident to be considered a resident of Spain nor to be considered to have a permanent establishment in Spain.

Taxation of Interest and Gains on Notes. Payments in respect of the Notes and payments in respect of the Guarantees obtained by a Non-Resident Holder will not be subject to taxation in Spain and no withholding tax will be required on such payments to a Non-Resident Holder of a Note. Gains obtained by a Non-Resident Holder derived from the sale of Notes will not be subject to income tax on individuals or corporation income tax.

Spanish Wealth Tax. Non-Resident Holder individuals who hold Notes deposited outside of Spain are not generally subject to the Spanish wealth tax. Non-Resident Holder individuals who hold Notes that are located in Spain on the last day of any year are subject to the Spanish wealth tax which is imposed at marginal rates varying between 0.2% and 2.5% on property located in Spain on the last day of any year. If such tax applies, Notes will be valued at face value.

Spanish Inheritance and Gift Taxes. Spanish inheritance and gift tax could be levied, under certain circumstances, on acquisitions of Notes by way of inheritance and gift even if title passes outside of Spain and neither the heir nor the beneficiary, as the case may be, resides in Spain for tax purposes. The tax rates of Spanish inheritance and gift tax are imposed at marginal rates between 7.65% and 81.6% depending on the amount of the inheritance or gift, the relationship between the transferor and the transferee and the net worth of the transferee.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement (the "Underwriting Agreement") among the Company, the Branch and UBS Securities Inc. (the "Underwriter"), the Company has agreed to sell to the Underwriter, and the Underwriter has agreed to purchase, all the Notes if any are purchased.

The Company, the Branch and the Bank have been advised by the Underwriter that it proposes to offer the Notes in part directly to the public at the initial public offering price set forth on the cover page of this Offering Circular, and in part to certain securities dealers at such price less a concession not in excess of 0.500% of the principal amount per Note. The Underwriter may allow and such dealers may reallow a concession not in excess of 0.225% of the principal amount per Note to certain brokers and dealers. After the Notes are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriter.

The Company, the Branch and the Bank have been advised by the Underwriter that the Underwriter currently intends to make a market in the Notes, but may discontinue market making at any time without notice. The Company cannot predict the liquidity of the trading market for the Notes.

The Company, the Branch and the Bank have agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act.

The Notes may not be offered, transferred or sold as part of their initial distribution to any persons (including legal entities) established, domiciled or residents of Spain.

No invitation may be made to the public in the Cayman Islands to subscribe for Notes.

CERTAIN LEGAL MATTERS

Certain Cayman Islands legal matters in connection with this offering will be passed upon by Maples and Calder, Cayman Islands counsel to the Company. Certain Spanish legal matters will be passed upon on behalf of the Branch and Underwriter by Despacho Melchor de las Heras, Spanish counsel for the Branch and the Bank. Certain U.S. legal matters will be passed upon on behalf of the Branch by Davis Polk & Wardwell, United States counsel for the Branch and the Bank, and on behalf of the Underwriter, by Brown & Wood, United States counsel for the Underwriter. As to all matters of Spanish law, Davis Polk & Wardwell and Brown & Wood may rely upon the opinion of Despacho Melchor de las Heras and as to all matters of United States and New York law, Despacho Melchor de las Heras, will rely upon the opinion of Davis Polk & Wardwell.

EXPERTS

The audited consolidated financial statements of the Group included in the 1994 Form 20-F, which is incorporated by reference in this Offering Circular, have been examined by Arthur Andersen, independent public accountants, as indicated in their report with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in giving said report.

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SECURITIES AND EXCHANGE COMMISSION

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 1994
Commission file number: 1-10110

BANCO BILBAO VIZCAYA, S.A.

(Exact name of Registrant as specified in its charter)

Kingdom of Spain

(Jurisdiction of incorporation)

Plaza de San Nicolás 4
48005 Bilbao, Spain

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Shares and Guaranties of Non-Cumulative Guaranteed Preference Shares issued by Banco Bilbao Vizcaya International (Gibraltar) Limited. The Shares and the Preference Shares are listed on the New York Stock Exchange not for trading, but only in connection with the registration of American Depositary Shares and Preference American Depositary Shares, pursuant to the requirements of the New York Stock Exchange.

American Depositary Shares and Preference American Depositary Shares, each representing at December 31, 1994 the right to receive one Share and one Preference Share, respectively, listed on the New York Stock Exchange.

Securities registered or to be registered pursuant to
Section 12(g) of the Act:

None

Securities for which there is a reporting obligation
pursuant to Section 15(d) of the Act:

None

The number of issued shares of each class of stock of BANCO BILBAO VIZCAYA, S.A. as of December 31, 1994 was:

Shares, nominal value 600 pesetas each: 231,000,000

The number of issued shares of each class of stock of Banco Bilbao Vizcaya International (Gibraltar) Limited, an indirect wholly-owned subsidiary of Banco Bilbao Vizcaya, S.A., as of December 31, 1993 was:

Non-Cumulative Guaranteed Preference Shares, Series A, nominal value $.01 each: 13,800,000

Non-Cumulative Guaranteed Preference Shares, Series B, nominal value $.01 each: 4,000,000

Non-Cumulative Guaranteed Preference Shares, Series C, nominal value $.01 each: 9,930,000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☒.

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EXCHANGE RATES

Banco Bilbao Vizcaya, S.A. (the "Bank" or "BBV") publishes its consolidated financial statements in Spanish pesetas ("pesetas," "Pts." or "Ptas."). In this Annual Report on Form 20-F, references to dollars or "$" are to United States dollars. Amounts stated in dollars, unless otherwise stated, have been translated from pesetas at an assumed rate solely for convenience, and should not be construed as representations that the peseta amounts actually represent such dollar amounts or could be converted into dollars at the rate indicated. Unless otherwise indicated, such dollar amounts have been translated from pesetas at the rate of Ptas. 131.73 = $1.00, the noon buying rate in The City of New York for cable transfers in foreign currencies as announced by the Federal Reserve Bank of New York for customs purposes (the "Noon Buying Rate") on December 30, 1994. The Noon Buying Rate on December 30, 1994 differs from the actual rates used in the preparation of the financial statements, and dollar amounts in this Annual Report on Form 20-F may differ from the actual dollar amounts which were translated into pesetas in the preparation of such financial statements in accordance with generally accepted accounting principles in Spain, which include accounting requirements promulgated by the Bank of Spain ("Spanish GAAP").

The following table sets forth, for the periods and dates indicated, certain information regarding the exchange rate for pesetas, based on the Noon Buying Rate for pesetas expressed in pesetas per $1.00.

Year Ended December 31,	Period end	Average(1)	High	Low
1990	95.75	101.59	111.40	93.18
1991	95.98	103.78	113.68	91.97
1992	114.92	102.75	116.44	90.35
1993	143.15	129.17	144.60	111.38
1994	131.73	132.90	145.47	124.54
1995 (through May 26, 1995)	119.89	127.62	133.93	119.89

(1) The average of the Noon Buying Rates on the last day of each month during the relevant period.

Fluctuations in the exchange rate between the peseta and the dollar will affect the dollar equivalent of the peseta price of shares of the Bank ("Shares" or "Bank Shares") on the Spanish Stock Exchanges and the price of the American Depositary Shares ("ADSs") on the New York Stock Exchange. Cash dividends are paid by the Bank and its consolidated subsidiaries (together, the "Group") in pesetas, and exchange rate fluctuations will affect the dollar amounts received by holders of American Depositary Receipts ("ADRs") on conversion by Morgan Guaranty Trust Company of New York (the "Depositary") of cash dividends on the Shares underlying the ADSs evidenced by such ADRs. See "Monetary Policy and Exchange Controls".

At December 31, 1994, approximately 36.8% of the Group's assets and approximately 34.9% of the Group's liabilities were denominated in currencies other than pesetas (principally dollars). See Note 18 to the Consolidated Financial Statements. For a discussion of the accounting principles used in the translation of foreign currencies to pesetas, see Note 2(b) to the Consolidated Financial Statements.

Spain is a member of the European Monetary System ("EMS") of the European Union ("EU") and consequently seeks to maintain the value of the peseta within an agreed range ("trading range") with respect to the currencies of other EMS members participating in the European exchange rate mechanism ("ERM"). In 1992, the trading range of the peseta against the currencies of other EMS members participating in the ERM was lowered by 8%, 5% and 6% in May, September and November of 1993, respectively, and in March 1995 it was lowered by 7%.

OTHER INFORMATION

Unless otherwise indicated, the financial information contained in this Annual Report on Form 20-F has been (or has been derived from financial statements) prepared in accordance with Spanish GAAP which, as disclosed in Note 21 to the Consolidated Financial Statements, differ in some respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Unless otherwise indicated, any reference in this Annual Report on Form 20-F to Consolidated Financial Statements are to the Consolidated Financial Statements of the Bank included herein.

Unless otherwise indicated, in this Annual Report on Form 20-F all averages are based on beginning and quarter-end figures. Management does not believe that the quarterly averages present trends materially different from those that would be presented by daily averages. The book value of Shares held by consolidated subsidiaries of the Bank has been deducted from stockholders' equity of the Bank, as indicated in Note 1(b) to the Consolidated Financial Statements. Unless the context otherwise requires, any reference herein to loans refers to both loans and leases.

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PART I

Item 1. DESCRIPTION OF BUSINESS

INTRODUCTION

Introduction

As of December 31, 1994, Banco Bilbao Vizcaya (the "Bank") was one of the largest commercial banks in Spain based on assets and deposits. The Bank is engaged in all aspects of retail, corporate and private banking, both in Spain and abroad. The Bank together with its consolidated subsidiaries (the "Group") is engaged in a wide range of banking, financial and related activities in Spain and has offices or subsidiaries in 26 other countries. The primary businesses of the Group are deposit-taking, lending, trade finance, securities underwriting and brokerage and related financial service. Financial services offered by consolidated subsidiaries of the Group include lease and specialized financing, factoring, securities trading, securities brokerage, mortgage and consumer financing, venture capital and real estate development and management. At December 31, 1994, the Group had total assets of Ptas. 12,972.9 billion ($98.5 billion), total deposits of Ptas. 9,221.2 billion ($70.0 billion) and stockholders' equity of Ptas. 631.6 billion ($4.8 billion). The Group's net income for the year ended December 31, 1994 amounted to Ptas. 72.3 billion ($549 million). The Bank's total assets represented approximately 78.3% of the Group's total consolidated assets at December 31, 1994.

The following table summarizes the principal components of the Group's average assets for the year ended at December 31, 1994.

	Average amount (in millions)	Percentage of total average assets
Loans and leases, net of unearned income	Pta. 4,670,016	38.1%
Interest-bearing deposits in other banks	3,689,473	30.1
Investment securities	2,144,844	17.5
Other earning assets	1,118,623	9.1
Total earning assets	11,622,956	94.8
Total average assets	12,256,731	100.0%

The Group operates principally in five business areas: retail banking, wholesale banking, private banking, markets activities and diversification activities. In 1994, the Group derived approximately 75.4% of its total revenues from its domestic businesses and at December 31, 1994, the Group's domestic assets accounted for approximately 62.8% of its total consolidated assets. Retail banking is the most significant of the Group's banking activities accounting for approximately 50% of the Group's total assets and 67% of net income. The Group's wholesale banking business provides banking services to domestic and foreign corporations and to public sector institutions in Spain.

During 1994, the Group's non-consolidated activities and investments consisted principally of equity investments in approximately 108 non-financial Spanish companies, including three Spanish insurance companies and one Spanish insurance broker. At December 31, 1994, the book value of the Group's equity investment in affiliated companies amounted to Ptas. 330 billion ($2.5 billion) or approximately 2.5% of the Group's total assets. In accordance with Spanish law applicable to banking institutions, insurance companies and other companies and other entities partly or wholly owned by the Group that are not engaged in financial services businesses are not consolidated in the Group's financial statements unless the Groups's holdings exceed 20% of the capital stock of the company (10% in the case of listed companies) in which case the company is consolidated by the equity method.

The Group's international business is centered in Western Europe and the United States, which together accounted for 30.7% of the Group's total assets at December 31, 1994, and 20.4% of its total 1994 revenues. The Group's entire international operations accounted for 37.2% of total assets at December 31, 1994 and 24.6% of total 1994 revenues, respectively.

The following table shows the Group's total assets, total revenues and income before tax by geographic area for the periods indicated.

	Year Ended December 31, 1994		
	Total assets(1)	Total revenues (in millions)	Income before tax
DOMESTIC	Pta. 8,143,534	Pta. 829,725	Pta. 76,013
INTERNATIONAL			
--Western Europe	3,245,792	181,865	16,943
--United States	741,482	42,522	1,865
--Other	842,129	45,833	5,723
Total International	4,829,403	270,220	24,531
Total	12,972,937	1,099,945	100,544

(1) At year end.

For additional information with respect to domestic and international operations, see Note 18 to the Consolidated Financial Statements.

The Group's medium-term strategic objective is to increase shareholder value through implementation of the Group's "1,000 Days Plan". The 1,000 Days Plan contemplates a reorganization of the Group's businesses to eliminate areas of substandard performance and to take advantage of the synergies among the Group's various operations, a relaunching of the Group's profitable businesses, a review of its international strategy and the development of new projects and initiatives to enhance the Group's overall profitability.

The Bank was formally incorporated on October 1, 1988 to succeed the businesses of Banco de Bilbao, S.A. ("Bilbao") and Banco de Vizcaya, S.A. ("Vizcaya"). Its registered office is located at Plaza de San Nicolás 4, 48005 Bilbao, Spain.

BUSINESS

Retail Banking

Domestic. The Group's domestic retail banking business is conducted through the Bank and its 10 domestic subsidiary banks (the "Subsidiary Banks"), which provide a full range of banking and related financial services to individuals and small and medium-sized businesses in Spain. These services include wholesale and retail deposit-taking, commercial and consumer lending, bill discounting, the transmission of payments and credit card operations. During 1994, the Group increased its market share both in terms of customer deposits and loans made in Spain. Related financial services provided by the Group's retail network to this customer group include commercial paper distribution, securities brokerage and investment advisory services.

The Bank, with 1,963 branches throughout Spain at December 31, 1994, is the largest bank in the Group. The Group's principal Subsidiary Banks are Banca Catalana, S.A. and Banco del Comercio, S.A., which, at December 31, 1994, operated 407 and 215 branches, respectively. The remaining Subsidiary Banks, other than Banca Catalana, S.A. and Banco del Comercio, S.A., had 24 branches at December 31, 1994, bringing the Group total to 2,609 branches in Spain.

During 1994, the Bank continued to hold the largest market share of any Spanish bank in the Spanish bank card market in terms of cards issued and volume processed. This position was initially attained when the Bank was the exclusive issuer of VISA cards in Spain and has been complemented subsequently by the Bank's Eurocard credit card and Electron debit card operations. At December 31, 1994, the Bank had 3.3 million VISA, Eurocard and Electron cards outstanding and accounted for approximately 25.3% of total VISA and Eurocard credit cards issued in Spain. In 1994, the bank card sales volume processed by the Bank reached Ptas. 371 billion, an increase of 14.3% over 1993. For the year ended December 31, 1994, fees from credit card operations amounted to Ptas. 10.1 billion, or 16.4% of non-interest income. During 1994, 1993 and 1992, the Group's losses related to credit card loans were insignificant.

In order to increase its retail banking services, the Group has continued to expand its automated banking facilities and to introduce home banking technology. Home banking services include real time cash management for corporate customers, and retail banking for individuals and small companies, giving customers instantaneous access to account information, payment transactions and stock market information and transactions. At December 31, 1994, the Group operated over 1,200 automated teller machines (ATMs) which provide payment services in addition to the traditional deposit and withdrawal capabilities. The Bank is also a member of Servired and, through agreements with the principal automatic teller networks, offers to its cardholders access to approximately 25,000 ATMs in Spain, and 175,000 ATMs worldwide.

International. The Group's international retail banking business is conducted through subsidiaries in Portugal, Morocco, Puerto Rico and Belgium. Total assets of the Group's subsidiary banks abroad amounted to Ptas. 500 billion at December 31, 1994. The Group's international expansion policy is to focus on markets having geographical, cultural, or economic links with Spain.

In Portugal, BBV owns Banco Bilbao Vizcaya (Portugal), S.A. ("BBV Portugal") which at December 31, 1994 had assets of escudos 238 billion, 50 branches and 535 employees. BBV Portugal offers a range of products to large, mid-sized and small companies and individuals.

In Morocco, BBV owns Union Bancaria Hispano-Marroqui ("Uniban") which at December 31, 1994 had assets of dirhams 3,017 million, a network of 27 offices in Morocco's main commercial centers and 331 employees. Uniban is the only Spanish-owned bank operating in Morocco.

In Puerto Rico, BBV owns BBV Puerto Rico which at December 31, 1994 had total assets of $1,097 million, 31 offices and 581 employees. In 1992, the Bank acquired a 20% stake in General Electric Capital

Corporation Puerto Rico ("GECC Puerto Rico") a corporation that specializes in equipment financing and financial and operating leases in Puerto Rico.

In Belgium, BBV owns Gesbanque which at December 31, 1994 had total assets of Belgian frances 23 billion, 33 branches and 180 employees. Gesbanque mainly operates in retail banking.

As of December 31, 1994, BBV held a 20.65% stake in Grupo Financiero Probursa, S.A. de C.V. ("Probursa") of Mexico, a diversified financial services holding company. At December 31, 1994, Probursa, Mexico's 12th largest bank in terms of deposits as of December 31, 1994, had 171 branch offices and approximately 3,500 employees, with total assets of approximately U.S.$4.5 million and deposits of approximately U.S.$2.5 million. As of December 31, 1994, BBV's total investment in Probursa was approximately Ptas. 9.8 billion ($74.4 million).

On May 31, 1995, BBV reached an agreement in principle to increase its stake in Probursa from 20.65% to 70% as part of a bid to ease Probursa's past-due loan problems. The agreement among Probursa, BBV and the Mexican government provides for (i) the offset of previous losses with a reduction of capital from U.S. $225 million to U.S. $30 million, (ii) the purchase by the Mexican government of approximately one third of Probursa's loan portfolio (approximately U.S. $1 billion of Probursa's total estimated loan portfolio of U.S.$3 billion at March 31, 1995) through an issuance of peso-denominated government bonds, (iii) an increase of Probursa's capital by U.S.$220 million of which BBV will contribute U.S.$170 with U.S. $50 million coming from the other shareholders of Probursa through a rights offering and (iv) the purchase by BBV of U.S. dollar-denominated $180 million in mandatorily convertible subordinated debt with a maximum maturity of five years convertible beginning one year after issue. The agreement is expected to be signed on June 30, 1995.

During the first half of 1995, BBV, jointly with the Peruvian financial group Brescia, purchased a 60% majority interest in the third largest bank in Peru, Banco Peruano Continental ("Banco Continental") from the government of Peru. BBV acquired its 33% stake in Banco Continental for U.S.$111 million and as of May 1995 has taken control of the management of such bank. Banco Continental had total assets of approximately U.S.$2 billion at year-end 1994 with net income in 1994 of approximately U.S.$6 million. As of December 31, 1994, Banco Continental had a market share of 15% in terms of deposits and a network of 116 branches in Peru. This acquisition fits within BBV's international strategy to be present in retail markets with growth and cost saving potential.

Mortgage and Consumer Finance. Comercio Financiación Hipotecaria, S.A. is a mortgage finance company that provides financing for the purchase or construction of commercial buildings and private homes. At December 31, 1994, this company had total assets of Ptas. 3.5 billion ($26.8 million).

Two of the Group's subsidiaries, Financiera Bancobao, S.A. and Sociedad de Ventas a Crédito Bancaya, S.A., provide financing for consumer and capital goods, respectively. At December 31, 1994, these two companies had total assets of Ptas. 2.9 billion ($22.1 million).

Wholesale Banking

Corporate Banking. The Group's corporate banking business provides full banking services to domestic corporations, foreign corporations and to public sector institutions. As of December 31, 1994, the Group's corporate banking business had approximately 4,000 clients from approximately 1,000 corporate groups. The Group does business with nearly all of the top 100 Spanish companies based on sales. The Group's corporate loan portfolio consists principally of loans to companies in the civil works, public sectors, utilities, food, transports and communications and chemicals. Banking services provided include short-, medium-, and long-term finance both in pesetas and in foreign currencies. The Group also provides sophisticated cash management and investment services to its corporate clients and is a leader in the commercial paper distribution market in Spain. Corporate services are offered through 14 corporate banking offices in Spain, a corporate branch in Lisbon and corporate banking desks located in the main international financial centers: New York, Tokyo, London, Paris, Frankfurt, Milan and Brussels. The Group's corporate overseas operations concentrate on deposit-taking, trade-related business, and foreign exchange operations and foreign currency deposits. The Group also participates in the sale of Spanish government securities to investors overseas and participates in the primary and secondary markets for euro-securities.

Factoring. The Group operates three factoring companies, BBV Factoring, S.A., Catalana de Cobros y Factoring, S.A. and Electrolux Factoring, S.A. The Group is a leader in Spain in this sector with total volume of Ptas. 202 billion ($1.53 billion) in 1994, with an estimated market share in Spain of 33% and expects its business in this sector to continue to grow.

Private Banking

Private banking services to domestic clients of the Group are offered through Privanza, S.A., which provides services to sophisticated customers. Privanza has a network of 13 offices, with total assets of, as of December 31, 1994, Ptas. 51.2 billion ($388.7 million). At December 31, 1994 Privanza had under management Ptas. 388 billion ($2.9) of customers' funds.

In the international private banking area, the Group is present in Andorra through Banc International-Banca Mora; in Gibraltar, Jersey, Grand Cayman, Switzerland, and the United States through its agency in Miami. The Group's international private banking activity encompasses more than Ptas. 698 ($5.3) billion of total assets, Ptas. 779 billion ($5.9) billion of customer funds, and a staff of nearly 371 employees.

Markets Activities

Investment Banking. In 1994, BBV remained the market leader in the Peseta bond market, underwriting Ptas. 286 billion, both in the domestic and "Matador" markets. In the domestic market BBV participated in the underwriting of Ptas. 109 billion, of which Ptas. 77 billion were new issues and Ptas. 32 billion were as a dealer. In the "Matador" market, BBV underwrote Ptas. 23 billion, and was the bookrunner of a 30-year bond issue by Eurofina, the longest maturity ever in the "Matador" and peseta markets.

In 1994, BBV was also an active participant in the Eurobond market in which the bank was involved in trading and underwriting in Ecu, Deutsche marks, Italian liras, Portuguese escudos, Swiss francs, US dollars and French francs.

Throughout 1994, BBV maintained a leading position in the peseta loan market, being lead manager for Ptas. 189 billion of syndicated loans, both in the domestic and europeseta loan market.

Brokerage. BBV Interactivos, the Group's securities and stock exchange company, was the overall market leader in Spain in 1994, with market shares of 11.0% in the continuous market and 16.8% in the traditional market, representing an aggregate 11.1% in the equities market and 8.3% in the fixed-income market. Its 1994 profits represented 25.6% of the profits of all the stock market brokers (Sociedades y Agencias de Valores) in Spain. BBV Interactivos is active in Spain's small but growing derivatives market. In addition, BBV Interactivos participated as a manager, broker or advisor in most of the largest Spanish privatizations and public offerings that took place in 1994.

Venture Capital and Investment Management. The Group also has a venture capital company, Promoción Empresarial S.C.R., S.A., which invests in emerging growth companies in Spain. The total assets of this company equaled Ptas. 3.4 billion ($25.8 million) at December 31, 1994.

The Group operates a number of other subsidiaries engaged in securities investment activities.

Trading. The Group conducts trading activities through BBV Trade, S.A., which specializes in import-export consulting services and in direct foreign trading operations as either principal or agent. To assist in the development of its world-wide activities, BBV Trade, S.A. has set up subsidiary companies in Jersey and in the Channel Islands (Ibertrade Limited).

Specialized Financing. The Group conducts specialized financing through a 55% owned joint venture in Spain, Finanzia Banco de Crédito, S.A., with General Electric Capital Corporation ("GECC"). Finanzia has 10 offices and total assets, as of December 31, 1994, of Ptas. 45.4 billion ($344.6 million). Specialized financing is the marketing of secured financing of durable goods, through sellers of durable goods.

Diversification Activities

Industrial Holdings. The Group holds investments in 90 industrial companies, some of which are not affiliates. At December 31, 1994, the book value of these investments was Ptas. 213 billion ($1.5 billion) or 1.63% of the Group's total assets. The Group's controlling investments (investments in which the Group owns over 50% of the company or in which the Group exercises management control) account for approximately 16% of the book value of its total industrial portfolio. The Group's industrial portfolio is largely concentrated in the energy, services, distribution and food industries.

The table below sets forth, at December 31, 1994, by industrial sectors, the percentage of the Group's investments in such sectors that such amounts represent of the Group's total industrial portfolio.

Industrial Sector	Percent of Bank's Portfolio
Electricity and Water	38.9
Services	15.4
Distribution	11.6
Oil and Refining	10.9
Food	9.5
Heavy Industry	4.0
Construction	3.7
Transportation and Warehousing	2.3
Venture Capital	1.8
Manufacturing	1.2
Electronics	0.3
Health, Culture and Tourism	0.3
Metals and Other	0.1
	100.00%

During 1994, the Group invested Ptas. 66 billion in industrial companies, of which Ptas. 9 billion was attributable to 6 new investments and the remainder to additional investments in companies that were already in the Group's investment portfolio. During 1994, the Group also sold industrial holdings amounting to approximately Ptas. 68 billion book value.

Insurance. The most significant non-banking business of the Group is insurance. Since 1988, Euroseguros, a wholly owned insurance company of the Banks, held the second largest market share of any Spanish company in volume of life insurance premiums with 12.1% of all such premiums in the Spanish market. The Group carries out conventional distribution through agents of insurance products primarily through Aurora Polar, S.A. de Seguros y Reaseguros ("Aurora") whose volume of premiums billed reached Ptas. 70.3 billion ($533.4 million) in 1994, with net income of Ptas. 6.6 billion ($50.1 million), compared to Ptas. 65.4 billion ($496.5 million) and Ptas. 984 million ($7.5 million) in 1993.

The Group carries out marketing of standardized products on a large scale through the Bank branch network. This area includes Euroseguros, S.A., which in 1994 received total premiums of Ptas. 177.1 billion ($1.3 billion), representing 15% of the total premiums received by Spanish insurance companies, and Senorte, Vida y Pensiones, S.A., with the support of the brokerage company Bilbao Vizcaya Broker, S.A. The total volume of premiums in this area in 1994 was Ptas. 180.9 billion ($1.4 billion), with a pre-tax profit of Ptas. 5.8 billion ($44.0 million).

Real Estate Development and Management. The Group is active in the development and management of residential real estate through 48 non-financial subsidiaries. These companies are involved in the development of residential real estate, shopping malls, commercial parks, theme parks and timeshares. Of the subsidiaries, only Corporacion Inmobiliaria Bilbao Vizcaya, S.A. ("CIBV") is consolidated by global integration. See Note 1(b) to the Consolidated Financial Statements for a discussion of consolidation principles. At December 31, 1994, the equity of CIBV amounted to Ptas. 24.6 billion. In 1992, CIBV acquired 26,000 square meters of land for offices in the Campo de las Naciones, considered to be a prime expansion area for the financial district of Madrid. In 1993, construction began on the Centro Logistico de Abastecimiento, a logistics, supply and distribution center for foodstuffs in Madrid. During 1994, CIBV was active in the development of mid-level residential housing units in Madrid through the *Plan BBV en Favor de la Vivienda* with sales of more than Ptas. 10 billion. In 1995, CIBV has continued its activities in the residential housing sector as well as expanded its activities in the commercial sector including development in the financial centers of Madrid and Zaragoza.

In accordance with Spanish law, all banking and financial subsidiaries which, together with the Bank, constitute a single decision-making unit are consolidated in the Consolidated Financial Statements by the global integration method. For this purpose insurance companies are not considered to be financial subsidiaries and therefore are not consolidated by global integration, but real estate subsidiaries whose principal activities are related to the Bank's activities are consolidated. The Group's holdings in non-banking and non-financial businesses that are 20% or more owned by the Group (10% in the case of listed companies) are consolidated by the equity method, and are reflected as "investments in affiliated companies" in the Group's consolidated financial statements. See Note 1(b) to the Consolidated Financial Statements. Investments of more than 3% and less than 10% in a listed company are reflected as "investments in affiliated companies" but are not consolidated by the equity method. See Note 8 to the Consolidated Financial Statements. At December 31, 1994, the book value of the Group's equity investments in affiliated companies amounted to Ptas. 330 billion ($2.5 billion) or approximately 2.5% of the Group's total assets. The Group's investments in non-affiliated companies (those less than 20% owned in the case of unlisted companies and less than 3% owned in the case of listed companies) are carried on the balance sheet as investment securities.

At December 31, 1994, the Group had an approximately 25% interest in Inmobiliaria Metropolitana Vasco Central, S.A. ("Metrovacesa"), a company which is managed and controlled by the Group. Metrovacesa is listed on the Madrid Stock Exchange with a total market capitalization of Ptas. 79.3 billion ($8.3 million). At the end of 1994, the appraised value of the assets and liabilities of Metrovacesa was Ptas. 198.8 billion ($1.5 billion) and Ptas. 9.4 billion ($71.3 million), respectively, giving a net asset valuation of Ptas. 189.4 billion ($1.4 billion). The difference between Metrovacesa's net asset valuation and its total market capitalization was a result of the market's response to political uncertainty and instability in the foreign exchange markets. In 1994, Metrovacesa's net profit and cash flow was Ptas. 4.4 billion and Ptas. 6.3 billion, respectively, representing increases of 4% and 15%, respectively, over 1993. Metrovacesa is involved in residential and commercial real estate development and management with assets consisting of shopping centers, offices, hotels and residential and industrial warehouses.

Cooperation Agreements with General Electric Capital Corporation and Alliance Capital

The Group has entered into several transactions as a result of the long-term cooperation framework agreement entered into with GECC in 1991. In 1992, GECC acquired 1.85% of the capital stock of the Bank and a 45% stake in Finanzia Banco de Credito, S.A., a specialized financing bank that had previously been wholly-owned by the Bank. In 1992, the Bank acquired from GECC a 20% stake in GECC Puerto Rico, a company specializing in equipment financing and financial and operating leases in Puerto Rico and a 10% stake in the First Personal Bank Group, a United Kingdom company specializing in the issuance and management of store credit cards.

During 1993, the Group entered into a long-term cooperation framework agreement with Alliance Capital Management, a company engaged in the global management of portfolios and the distribution of funds.

SELECTED STATISTICAL INFORMATION

The tables below set forth selected statistical information on the Group's average balance sheets which are based on the beginning and quarter-end balances in each year. Management does not believe that the quarterly averages present trends materially different from those that would be presented by daily averages. Interest income figures, when used, include interest income on non-accruing loans to the extent that cash payments have been received.

Average Balance Sheet -- Assets and Income from Earning Assets

Description	1992 Average Balance	1992 Interest	1992 Average Rate	1993 Average Balance	1993 Interest	1993 Average Rate	1994 Average Balance	1994 Interest	1994 Average Rate
	Year Ended December 31, (in millions, except percentages)								
ASSETS									
Interest-bearing deposits in other banks:									
Domestic	Pta. 965,250	Pta. 114,695	11.88%	Pta. 1,206,042	Pta. 124,520	10.32%	Pta. 1,016,115	Pta. 95,288	9.38%
International	1,570,027	146,586	9.34%	2,104,008	139,404	6.63%	2,673,358	137,850	5.16%
Total	2,535,277	261,281	10.31%	3,310,050	263,924	7.97%	3,689,473	233,138	6.32%
Securities purchased under agreements to resell:									
Domestic	235,207	31,203	13.27%	679,702	84,452	12.42%	630,991	53,072	8.41%
International	1,303	57	4.37%	24,831	931	3.75%	11,360	501	4.41%
Total	236,510	31,260	13.22%	704,533	85,383	12.12%	642,351	53,573	8.34%
Investment securities:									
Domestic	1,062,362	109,219	10.28%	913,410	98,625	10.80%	1,202,917	100,359	8.34%
International	285,718	29,396	10.29%	579,280	48,570	8.38%	941,927	65,932	7.00%
Total	1,348,080	138,615	10.28%	1,492,690	147,195	9.86%	2,144,844	166,291	7.75%
Loans and leases, net of unearned income:									
Domestic	3,688,316	551,842	14.96%	3,774,650	539,570	14.29%	3,954,052	456,658	11.55%
International	478,521	47,036	9.83%	623,683	59,549	9.55%	715,964	50,982	7.12%
Total	4,166,837	598,878	14.37%	4,398,333	599,119	13.62%	4,670,016	507,640	10.87%
Total interest-earning assets:									
Domestic	5,951,135	806,959	13.56%	6,573,804	847,167	12.89%	6,804,075	705,377	10.37%
International	2,335,569	223,075	9.55%	3,331,802	248,454	7.46%	4,342,609	255,265	5.88%
Total	8,286,704	1,030,034	12.43%	9,905,606	1,095,621	11.06%	11,146,684	960,642	8.62%
Trading securities:									
Domestic	157,545	8,631	5.48%	100,147	10,545	10.53%	109,158	8,677	7.95%
International	0	0	0.00%	0	0	0.00%	47,186	853	1.81%
Total	157,545	8,631	5.48%	100,147	10,545	10.53%	156,344	9,530	6.10%
Investments in affiliated companies:(1)									
Domestic	220,200	23,301	10.58%	292,750	19,182	6.55%	274,779	22,679	8.25%
International	10,327	--	0.00%	29,170	2,451	8.40%	45,149	1,071	2.37%
Total	230,527	23,301	10.11%	321,920	21,633	6.72%	319,928	23,750	7.42%
Total earning assets:									
Domestic	6,328,880	838,891	13.25%	6,966,701	876,894	12.59%	7,188,012	736,733	10.25%
International	2,345,896	223,075	9.51%	3,360,972	250,905	7.47%	4,434,944	257,189	5.80%
Total	8,674,776	1,061,966	12.24%	10,327,673	1,127,799	10.92%	11,622,956	993,922	8.55%
Cash and due from banks:									
Domestic	225,577	—	—	149,440	—	—	138,934	—	—
International	16,372	—	—	11,538	—	—	18,055	—	—
Total	241,949	—	—	160,978	—	—	156,989	—	—
Allowance for possible loan losses:									
Domestic	(128,561)	—	—	(152,409)	—	—	(140,104)	—	—
International	(17,825)	—	—	(21,432)	—	—	(30,063)	—	—
Total	(146,386)	—	—	(173,841)	—	—	(170,167)	—	—
Premises and equipment:									
Domestic	238,410	—	—	245,927	—	—	240,485	—	—
International	19,691	—	—	23,283	—	—	25,909	—	—
Total	258,101	—	—	269,210	—	—	266,394	—	—
Other non-interest-bearing assets:									
Domestic	198,831	—	—	214,073	—	—	252,031	—	—
International	65,581	—	—	96,513	—	—	128,528	—	—
Total	264,412	—	—	310,586	—	—	380,559	—	—
TOTAL AVERAGE ASSETS:									
Domestic	6,863,137	838,891	12.22%	7,423,732	876,894	11.81%	7,679,358	736,733	9.59%
International	2,429,715	223,075	9.18%	3,470,874	250,905	7.23%	4,577,373	257,189	5.62%
Total	Pta. 9,292,852	Pta. 1,061,966	11.43%	10,894,606	1,127,799	10.35%	Pta. 12,256,731	Pta. 993,922	8.11%

Amounts shown as "interest" represent dividends received from affiliated companies.

Description	1992 Average Balance	1992 Interest	1992 Average Rate	1993 Average Balance	1993 Interest	1993 Average Rate	1994 Average Balance	1994 Interest	1994 Average Rate
	Average Balance Sheet -- Liabilities and Stockholders' Equity and Interest Expense — Year Ended December 31, (in millions, except percentages)								
LIABILITIES AND STOCKHOLDERS' EQUITY:									
Demand deposits:									
Domestic	Pta. 1,433,693	Pta. 84,102	5.87%	Pta. 1,294,314	Pta. 58,164	4.49%	Pta. 1,311,352	Pta. 42,799	3.26%
International	118,080	4,325	3.66%	151,324	4,445	2.94%	205,278	4,397	2.14%
Total	1,551,773	88,427	5.70%	1,445,638	62,609	4.33%	1,516,630	47,196	3.11%
Savings deposits:									
Domestic	616,155	28,562	4.64%	714,798	35,403	4.95%	847,057	30,051	3.55%
International	66,410	1,229	1.85%	97,957	2,775	2.83%	89,557	3,470	3.87%
Total	682,565	29,791	4.36%	812,755	38,178	4.70%	936,614	33,521	3.58%
Other time deposits:									
Domestic	1,582,944	185,690	11.73%	2,218,528	257,613	11.61%	2,597,844	198,645	7.65%
International	2,331,081	228,951	9.82%	2,735,553	172,825	6.32%	3,282,094	175,353	5.34%
Total	3,914,025	414,641	10.59%	4,954,081	430,438	8.69%	5,879,938	373,998	6.36%
Due to Bank of Spain and Deposit Guarantee Fund:									
Domestic	140,378	10,704	7.63%	85,956	8,313	9.67%	38,241	3,494	9.14%
International	0	0	0.00%	0	0	0.00%	0	0	0.00%
Total	140,378	10,704	7.63%	85,956	8,313	9.67%	38,241	3,494	9.14%
Short-term borrowings(1):									
Domestic	1,509,739	173,040	11.46%	1,893,014	219,366	11.59%	1,927,236	155,336	8.06%
International	3,307	232	7.02%	103,326	8,712	8.43%	232,055	16,531	7.12%
Total	1,513,046	173,272	11.45%	1,996,340	228,078	11.42%	2,159,291	171,867	7.96%
Long-term debt:									
Domestic	83,951	8,674	10.33%	72,705	7,489	10.30%	77,786	5,654	7.27%
International	53,788	5,451	10.13%	74,060	6,628	8.95%	99,625	5,054	5.07%
Total	137,739	14,125	10.25%	146,765	14,117	9.62%	177,411	10,708	6.04%
Total interest-bearing liabilities:									
Domestic	5,366,860	490,772	9.14%	6,279,315	586,348	9.34%	6,799,516	435,979	6.41%
International	2,572,666	240,188	9.34%	3,162,220	195,385	6.18%	3,908,609	204,805	5.24%
Total	7,939,526	730,960	9.21%	9,441,535	781,733	8.28%	10,708,125	640,784	5.98%
Other non-interest-bearing deposits:									
Domestic	293,031	—	—	256,154	—	—	350,739	—	—
International	48,772	—	—	68,115	—		32,133	—	—
Total	341,803	—	—	324,269	—	—	382,872	—	—
Other liabilities:									
Domestic	320,700	—	—	337,848	—	—	310,715	—	—
International	59,560	—	—	82,258	—	—	92,218	—	—
Total	380,260	—	—	420,106	—	—	402,933	—	—
Minority interest:									
Domestic	24,222	—	—	28,192	—	—	32,712	—	—
International	40,163	—	—	78,601	—	—	106,034	—	—
Total	64,385	—	—	106,793	—	—	138,746	—	—
Stockholders' equity:									
Domestic	524,594	—	—	556,748	—	—	568,723	—	—
International	42,284	—	—	45,155	—	—	55,332	—	—
Total	566,878	—	—	601,903	—	—	624,055	—	—
TOTAL AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY									
Domestic	6,529,407	490,772	7.52%	7,458,257	586,348	7.86%	8,062,405	435,979	5.41%
International	2,763,445	240,188	8.69%	3,436,349	195,385	5.69%	4,194,326	204,805	4.88%
Total	Pta. 9,292,852	Pta. 730,960	7.87%	Pta. 10,894,606	Pta. 781,733	7.18%	Pta. 12,256,731	Pta. 640,784	5.23%

(1) Includes securities sold under agreements to repurchase

Changes in Net Interest Income--Volume and Rate Analysis

The following table allocates, by domicile of customer, changes in net interest income of the Group between changes in volume and changes in rate for 1993 compared to 1992 and 1994 compared to 1993. Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. Variances caused by changes in both volume and rate have been allocated to volume. The only out of period items and adjustments excluded from the following table are interest payments on loans which are made in a period other than the period during which they are due. Loan fees are included in the computation of interest income. Such fees amounted to Ptas. 9.9 billion in 1994, to Ptas. 10.5 billion in 1993 and Ptas. 9.6 billion in 1992.

	1993/1992			1994/1993		
	Increase (Decrease) Due to Changes in			Increase (Decrease) Due to Changes in		
	Volume	Rate	Increase	Volume	Rate	Increase
		(in millions)			(in millions)	
Interest Income						
Interest-bearing deposits in other banks:						
Domestic	Pta. 24,861	Pta.(15,036)	Pta. 9,825	Pta.(17,811)	Pta.(11,421)	Pta.(29,232)
International	35,380	(42,562)	(7,182)	29,358	(30,912)	(1,554)
Total	60,241	(57,598)	2,643	11,547	(42,333)	(30,786)
Securities purchased under agreements to resell:						
Domestic	55,228	(1,979)	53,249	(4,097)	(27,283)	(31,380)
International	882	(8)	874	(594)	164	(430)
Total	56,110	(1,987)	54,123	(4,691)	(27,119)	(31,810)
Investment securities:						
Domestic	(16,083)	5,489	(10,594)	24,153	(22,419)	1,734
International	24,614	(5,440)	19,174	25,384	(8,022)	17,362
Total	8,531	49	8,580	49,537	(30,441)	19,096
Loans and leases, net of unearned income:						
Domestic	12,341	(24,613)	(12,272)	20,719	(103,631)	(82,912)
International	13,860	(1,347)	12,513	6,571	(15,138)	(8,567)
Total	26,201	(25,960)	241	27,290	(118,769)	(91,479)
Total interest-earning assets:						
Domestic	76,347	(36,139)	40,208	22,964	(164,754)	(141,790)
International	74,736	(49,357)	25,379	60,719	(53,908)	6,811
Total	151,083	(85,496)	65,587	83,683	(218,662)	(134,979)
Trading Securities:						
Domestic	(6,044)	7,958	1,914	716	(2,584)	(1,868)
International	0	0	0	853	0	853
Total	(6,044)	7,958	1,914	1,569	(2,584)	(1,015)
Investment in affiliated companies:						
Domestic	4,754	(8,873)	(4,119)	(1,483)	4,980	3,497
International	1,583	868	2,451	379	(1,759)	(1,380)
Total	6,337	(8,005)	(1,668)	(1,104)	3,221	2,117
Total earning assets:						
Domestic	75,057	(34,054)	38,003	22,197	(162,358)	(140,161)
International	76,319	(48,489)	27,830	61,951	(55,667)	6,284
Total	Pta. 151,376	Pta. (85,543)	Pta. 65,833	Pta. 84,148	Pta. (218,025)	Pta. (133,877)
Interest Expense						
Demand deposits:						
Domestic	(6,263)	(19,675)	(25,938)	556	(15,921)	(15,365)
International	977	(857)	120	1,156	(1,204)	(48)
Total	(5,286)	(20,532)	(25,818)	1,712	(17,125)	(15,413)
Savings deposits:						
Domestic	4,886	1,955	6,841	4,692	(10,044)	(5,352)
International	894	652	1,546	(325)	1,020	695
Total	5,780	2,607	8,387	4,367	(9,024)	(4,657)
Other time deposits:						
Domestic	73,803	(1,880)	71,923	29,005	(87,973)	(58,968)
International	25,553	(81,679)	(56,126)	29,200	(26,672)	2,528
Total	99,356	(83,559)	15,797	58,205	(114,645)	(56,440)
Due to Bank of Spain and Deposit Guarantee Fund:						
Domestic	(5,263)	2,872	(2,391)	(4,360)	(459)	(4,819)
International	0	0	0	0	0	0
Total	(5,263)	2,872	(2,391)	(4,360)	(459)	(4,819)
Short-term borrowings:						
Domestic	44,415	1,911	46,326	2,758	(66,788)	(64,030)
International	8,433	47	8,480	9,170	(1,351)	7,819
Total	52,848	1,958	54,806	11,928	(68,139)	(56,211)
Long-term debt:						
Domestic	(1,158)	(27)	(1,185)	369	(2,204)	(1,835)
International	1,814	(637)	1,177	1,297	(2,871)	(1,574)
Total	656	(664)	(8)	1,666	(5,075)	(3,409)
Total interest-bearing liabilities:						
Domestic	110,420	(14,844)	95,576	33,020	(183,389)	(150,369)
International	37,671	(82,474)	(44,803)	40,498	(31,078)	9,420
Total	148,091	(97,318)	50,773	73,518	(214,467)	(140,949)
Net Interest Income						
Domestic	(35,363)	(22,210)	(57,573)	(10,823)	21,031	10,208
International	38,648	33,985	72,633	21,453	(24,589)	(3,136)
Total	Pta. 3,285	Pta. 11,775	Pta. 15,060	Pta. 10,630	Pta. (3,558)	Pta. 7,072

Earning Assets--Yield Spread

The following table analyzes, by domicile of customer, the levels of average earning assets and net interest and dividend income of the Group and illustrates the comparative gross and net yields obtained for each of the years indicated.

	Year Ended December 31,		
	1992	1993	1994
	(in millions, except percentages)		
Average earning assets:			
Domestic	Pta. 6,328,880	Pta. 6,966,701	Pta. 7,188,012
International	2,345,896	3,360,972	4,434,944
Total	Pta. 8,674,776	Pta. 10,327,673	Pta. 11,622,956
Net interest income and dividends of affiliated companies:			
Domestic	Pta. 348,119	Pta. 290,546	Pta. 300,754
International	(17,113)	55,520	52,384
Total	Pta. 331,006	Pta. 346,066	Pta. 353,138
Gross yield (1):			
Domestic	13.25%	12.59%	10.25%
International	9.51%	7.47%	5.80%
Total	12.24%	10.92%	8.55%
Net yield (2):			
Domestic	5.50%	4.17%	4.18%
International	(0.73)%	1.65%	1.18%
Total	3.82%	3.35%	3.04%
Yield spread (3):			
Domestic	4.11%	3.25%	3.84%
International	0.17%	1.29%	0.56%
Total	3.04%	2.64%	2.57%
Net Interest Margin (4):			
Domestic	5.31%	3.97%	3.96%
International	(0.73)	1.59%	1.16%
Total	3.61%	3.17%	2.87%

(1) Gross yield represents the total of interest income and dividends from affiliated companies divided by average earning assets.

(2) Net yield represents the total of net interest income and dividends from affiliated companies, divided by average earning assets.

(3) Yield spread represents the difference between gross yield on earning assets and average cost of interest-bearing liabilities.

(4) Net interest margin represents net interest income (not on a tax equivalent basis) as a percentage of average interest-earning assets.

Assets

Return on Equity and Assets

The following table presents certain selected financial ratios of the Group for the periods indicated.

	Year Ended December 31,		
	1992	1993	1994
Net income as percentage of:			
Average total assets	0.75%	0.65%	0.59%
Average stockholders' equity	12.26%	11.81%	11.59%
Dividends per Share as a percentage of net income per Share(1)	56.15%	54.87%	55.59%
Average stockholders' equity as a percentage of average total assets	6.10%	5.52%	5.09%

(1) Per Share data have been calculated using total dividends paid in respect of each period.

Interest-Bearing Deposits in Other Banks

The following table shows the funds deposited with other banks by principal geographic area at dates indicated.

	December 31,				
	1990	1991	1992	1993	1994
			(in millions)		
DOMESTIC	Pta. 953,011	Pta. 920,283	Pta.1,047,367	Pta. 852,918	Pta. 910,200
INTERNATIONAL					
Western Europe	Pta. 808,078	Pta.1,033,253	Pta.1,217,967	Pta.1,589,411	Pta.2,099,874
United States	155,288	204,604	340,830	447,252	235,866
Other O.E.C.D.	74,354	118,993	107,931	218,648	138,025
Central and South America	8,417	12,914	49,208	39,858	60,200
Other	63,543	36,270	75,507	222,178	221,878
Total International	939,171	1,406,034	1,791,443	2,517,347	2,755,843
Total	Pta.1,670,537	Pta.2,326,317	Pta.2,838,810	Pta.3,370,265	Pta.3,666,043

During the period 1991-1993, interbank deposits increased as a proportion of total assets as a result of the Group's policy to refrain from entering into certain loans and leases in light of the general worsening of the economy in Spain. In 1994, despite a mild improvement in the Spanish economy, interbank and public debt activity continued to increase at a faster rate than loans and leases. As of December 31, 1994, 28.3% of the Group's assets were represented by interbank deposits. Interbank deposits at December 31, 1994 were 75.2% international and 24.8% domestic. Management believes that its deposits are generally placed in highly rated banks. These deposits, in the view of management, generally carry lower risk than would certain loans and leases in Spain; however, such deposits remain subject to the risk that a bank might fail or that the banking system of a particular country may experience difficulties.

Securities

At December 31, 1994, the Group's securities (not including investments in affiliates) were carried on the Group's consolidated balance sheet at a book value of Ptas. 2,604.7 billion, representing 20.1% of its assets. Ptas. 745 billion or 28.6% of the Group's securities consisted of Spanish Treasury bonds and Treasury bills. The average yield during 1994 on Treasury bonds and bills held by the Group was 8.29% compared to an average yield of approximately 11.55% earned on domestic loans and leases during 1994. Except for Spanish government securities, the Group does not hold the securities of any single issuer the book value of which exceeds 10% of the Group's stockholders' equity. All of the Group's securities as of December 31, 1994 were held for trading or for sale. See Note 4 to the Consolidated Financial Statements. The market or appraised value of the total portfolio at December 31, 1994 was Ptas. 2,611.4 billion. See Note 4 to the Consolidated Financial Statements. For a discussion of the Group's investments in affiliates, see Note 8 to the Consolidated Financial Statements. For a discussion of the manner in which the Group values its securities, see Note 2(d) to the Consolidated Financial Statements.

The following table analyzes the book value of the Group's investment securities by type and geographic area at each of the dates indicated.

	December 31,		
	1992	1993	1994
		(in millions)	
DOMESTIC			
Spanish Government and government agencies	Pta.1,017,400	Pta. 738,501	Pta. 1,253,535
Other securities	127,287	200,630	133,927
Total domestic	1,144,687	939,131	1,387,462
INTERNATIONAL			
Spain:			
Spanish Government	588	778	-
Other securities	8,902	2,729	14,148
Total	9,490	3,507	14,148
United States:			
U.S. Treasury and other U.S. Government agencies and corporations	13,565	60,538	88,142
States and political subdivisions	1,641	2,867	4,227
Other securities	78,539	140,073	118,996
Total	93,745	203,478	211,365
Other			
Governments	140,826	372,785	621,174
Other securities	117,949	195,689	252,872
Total	258,775	568,474	874,046
Total International	362,010	775,459	1,099,559
Total Investment Securities	Pta.1,506,697	Pta.1,714,590	Pta. 2,487,021

The following table analyzes the maturities and weighted average yields of the Group's investment securities by type and geographical area at December 31, 1994. Yields on tax exempt obligations have not been calculated on a tax equivalent basis because the effect of such a calculation would not be significant.

		Maturing within one year		Maturing between one and five years		Maturing between five and ten years		Maturing after ten years	
	Total	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
				(in millions, except percentages)					
DOMESTIC									
Spanish Government and government agencies:									
Spanish Treasury bills	Pta. 744,873	Pta. 744,873	7.86%						
Other Spanish Government securities	508,622	33,952	8.12%	Pta. 285,486	9.29%	Pta. 187,161	8.58%	Pta. 2,063	9.21%
Total	1,253,535	778,825	7.87%	285,486	9.29%	187,161	8.58%	2,063	9.21%
Other securities	133,927	24,787	7.89%	36,768	7.86%	30,065	8.32%	42,307	8.27%
Total domestic securities	1,387,462	803,612	7.87%	322,254	9.13%	217,226	8.54%	44,370	8.31%
INTERNATIONAL									
Spain:									
Spanish Government	0								
Other securities	14,148	1,803	10.54%	10,828	9.39%	1,007	5.07%	510	
	14,148	1,803	10.54%	10,828	9.39%	1,007	5.07%	510	
United States									
U.S. Treasury and other U.S. Government agencies and corporations	88,142	17,346	5.08%	17,909	4.93%	42,972	6.21%	9,915	6.17%
States and political subdivisions	4,227			590	7.57%	771	7.93%	2,866	6.84%
Other securities	118,996	31,092	5.28%	65,494	6.35%	11,878	6.83%	10,532	7.85%
	211,365	48,438	5.21%	83,993	6.06%	55,621	6.37%	23,313	7.01%
Other									
Governments	621,174	107,771	7.42%	360,479	6.46%	145,100	7.97%	7,824	5.40%
Other securities	252,872	67,451	7.22%	149,018	5.71%	19,785	6.65%	16,618	6.84%
	874,046	175,222	7.34%	509,497	6.24%	164,885	7.81%	24,442	6.38%
Total International Securities	1,099,559	225,463	6.91%	604,318	6.27%	221,513	7.44%	48,265	6.62%
Total Investment Securities	Pta.2,487,021	Pta.1,029,075	7.66%	Pta.926,572	7.26%	Pta.438,739	7.98%	Pta.92,635	7.43%

Loan Portfolio

At December 31, 1994, the Group's total loans and leases net of unearned income equaled Ptas. 4,833.7 billion, or 37.3% of total assets. Net of allowance for possible loan losses and unearned income, loans and leases equaled Ptas. 4,668.1 billion. For a discussion of certain mandatory ratios, see "Description of Business--Supervision and Regulation--Investment Ratio" and "--Liquidity Ratio." In addition to loans and leases, the Group had outstanding at December 31, 1994 loan commitments, guarantees, endorsements, and other similar commitments to third parties amounting to Ptas. 2,325.4 billion of which Ptas. 1,619.4 billion represented undrawn loan facilities.

Loans by Geographic Area

The following table analyzes, by domicile of the lending office, loans and leases by the Group to customers for each of the years indicated.

	December 31,				
	1990	1991	1992	1993	1994
			(in millions)		
DOMESTIC	Pta. 3,596,769	Pta. 3,757,707	Pta. 3,866,959	Pta. 3,977,697	Pta. 4,196,878
INTERNATIONAL					
Western Europe	253,855	289,037	341,683	425,428	423,487
United States	35,046	37,383	46,936	101,172	123,629
Other	67,328	103,389	109,136	154,660	108,997
Total International	356,229	429,809	497,755	681,260	656,113
Total	Pta. 3,952,998	Pta. 4,187,516	Pta. 4,364,714	Pta. 4,658,957	Pta. 4,852,991

Loans by Type of Customer

The following table analyzes by domicile and type of customer, loans and leases by the Group at December 31, 1990 through 1994. The analyses by type of customer are based principally on the requirements of the regulatory authorities in each country.

	December 31,				
	1990	1991	1992	1993	1994
		(in millions)			
DOMESTIC					
Government	Pta. 115,735	Pta. 137,287	Pta. 205,676	Pta. 225,389	Pta. 277,194
Agricultural	108,560	120,883	94,282	59,479	55,689
Industrial	1,112,945	1,072,358	1,196,143	1,117,910	1,107,621
Real estate and construction	267,128	262,606	278,338	277,854	292,205
Commercial and financial	674,333	842,811	879,671	928,238	913,213
Loans to individuals	904,447	863,728	860,940	921,950	1,147,967
Lease financing	277,923	286,200	230,475	230,793	188,395
Other	105,082	126,797	87,902	118,568	132,454
Total Domestic	3,566,153	3,712,670	3,833,427	3,880,181	4,114,738
INTERNATIONAL					
Government	13,128	34,392	39,538	98,663	92,384
Banks and other financial institutions	17,475	18,023	17,743	107,153	21,625
Commercial and industrial	292,607	343,013	406,559	410,110	229,597
Loans to individuals	33,173	59,509	58,361	142,605	358,535
Other	30,462	19,909	9,086	20,245	36,112
Total International	386,845	474,846	531,287	778,776	738,253
Total	Pta.3,952,998	Pta.4,187,516	Pta.4,364,714	Pta.4,658,957	Pta.4,852,991

At December 31, 1994, loans by the Group's banks to affiliates consolidated by the equity method, i.e., those companies 10% (in the case of listed companies) and 20% (in the case of non-listed) or more owned by the Group amounted to Ptas. 125.9 billion ($ 955.7 million). Loans outstanding to the Spanish Government and its agencies amounted to Ptas. 279.5 billion ($2.1 billion), excluding Treasury bills and bonds, or 5.7% of total loans and leases.

Diversification in the Group's loan portfolio is the principal means by which the Group seeks to reduce the risk of loan losses. Moreover, the Group monitors carefully its loans to borrowers in sectors or countries experiencing liquidity difficulties (e.g., steel and shipping; Central and South America). The Group's principal single customer is a government-controlled entity with total loans of Ptas. 91.5 billion at December 31, 1994, which represented approximately 1.9% of total loans and leases at that date. None of the Group's loans to companies controlled by the Spanish Government is guaranteed by the Kingdom of Spain and, accordingly, the Group exercises normal credit judgment in extending credit to such entities. Moreover, the Group carefully monitors such loans because governmental policies necessarily affect such borrowers. The Group's outstanding exposure to its five largest borrowers at December 31, 1994, excluding government-related loans, totalled Ptas. 188.1 billion (1.4 billion), or approximately 3.9% of total outstanding loans and leases.

Maturity and Interest Sensitivity

The following table sets forth an analysis by maturity and interest sensitivity of the Group's loans and leases by domicile of customer at December 31, 1994. The determination of maturities is based on contract terms.

	Maturity			
	Less than one year	One to five years	Over five years	Total
DOMESTIC				
Commercial, financial, agricultural and industrial	Pta.1,322,148	Pta. 505,161	Pta. 249,214	Pta. 2,076,523
Real estate and construction	194,953	60,670	36,582	292,205
Other	1,034,062	443,756	268,192	1,746,010
Total Domestic	2,551,163	1,009,587	553,988	4,114,738
INTERNATIONAL	546,701	133,794	57,758	738,253
TOTAL LOANS AND LEASES	Pta. 3,097,864	Pta. 1,143,381	Pta. 611,746	Pta. 4,852,991

	Interest sensitivity in outstanding loans and leases maturing in more than one year		
	Domestic	International (in millions)	Total
Fixed rate	Pta.1,321,273	Pta. 247	Pta.1,321,520
Variable rate	242,302	191,305	433,607
Total	Pta.1,563,575	Pta.191,552	Pta. 1,755,127

Allowance for Possible Loan Losses

The Group's allowance for possible loan losses is provided to cover losses in connection with substandard loans (including risks and other losses relating to certain performing loans and operations of the Group). The allowance for losses is based on estimates of management, in accordance with Bank of Spain requirements. Ultimate losses may vary from current estimates, which are reviewed on a periodic basis. As changes become necessary, management adjusts the level of the allowance, and appropriate provisions are taken in the period in which the necessity to make such adjustment becomes known. The Group does not expect to use all specific allowances to cover losses on credits with respect to which such allowances have been established. For both Spanish and foreign borrowers, management estimates the allowance for loan losses based on an individual analysis of the quality of the exposure to the principal borrowers and debtors and a statistical basis for the remaining lending risks. Country risk, as described under "-- Foreign Country Outstandings" is based on the degree of debt servicing difficulty of each country estimated by management based on Bank of Spain guidelines. In accordance with current Bank of Spain regulations, the allowance for doubtful guarantees, acceptances and documentary credits is recorded under "Other liabilities--Other accounts." See Note 9 to the Consolidated Financial Statements.

The following description is based on Circular 4/1991, as modified in part by Circular 4/1993 which came into effect on March 26, 1993. See Note 1 to the Consolidated Financial Statements. Except as described below, the Bank of Spain regulations as to required allowances for possible loan losses that applied at December 31, 1990, 1991, and 1992 and 1993 were substantially similar. Disclosures in this Annual Report on Form 20-F for 1990 reflect Bank of Spain requirements and classifications at such dates and disclosures for 1992, 1993 and 1994 reflect the requirements of Circular 4/1993. See "Management's Discussion and Analysis of Results of Operations and Financial Condition."

Bank of Spain regulations applicable to Spanish banks require that loans on which any payment of principal or interest is 90 days past due must be classified as substandard to the extent described herein ("non-performing substandard loans") and, so long as they are reflected on the balance sheet, must, except as described in the next paragraph, be reserved as set forth in the following table. Until the amount of principal and interest past due on a non-performing substandard loan is more than 25% of the outstanding balance of the loan or a payment of principal or interest on such loan is at least 12 months overdue, the allowance set forth in both of the tables below is a percentage of past due payments of principal and interest to the extent accrued at the time that the loan becomes substandard (and with respect to such loans, only such payments and not the entire loan, as in the case of a U.S. bank holding company, are treated as substandard in accordance with Bank of Spain regulations and, accordingly are treated as "substandard" for the purposes of this Annual Report on Form 20-F). When the amount of principal and interest past due on a non-performing substandard loan is greater than 25% of the outstanding balance of the loan, or when any payment on such loan is 12 months overdue, the allowance set forth in both of the tables below is a percentage of the entire amount of the outstanding balance of the loan and in accordance with Bank of Spain regulations, the entire principal amount of the loan becomes substandard, and is so treated for the purposes of disclosure in this Annual Report on Form 20-F.

Period overdue	Allowance
6-12 months	25%
12-18 months	50
18-21 months	75
More than 21 months	100

Non-performing substandard loans (including leasing agreements) that are considered fully-secured mortgage loans, however, are reserved according to the table set forth below. For this purpose, a "fully secured mortgage loan" must meet three criteria. First, it must be secured by a mortgage on residential, commercial or mixed-use properties or certain rural properties; second, the mortgage must have been placed on the property at the time the loan was originated: and third, the value of the property must exceed the sum of (i) the outstanding principal balance of the loan, (ii) any past-due amounts of principal and interest and (iii) an additional sum sufficient to cover the payment of one year of interest. Compliance with these conditions is determined as of the time the loan first becomes a non-performing substandard loan.

Period overdue	Allowance
3-4 years	25%
4-5 years	50
5-6 years	75
More than 6 years	100

The foregoing requirements apply to allowances with respect to a single loan to a borrower. In some cases, all loans to a borrower may be required to be reserved against. If the amount of principal and interest past due on non-performing substandard loans to a borrower, whether fully secured mortgage loans or otherwise, exceeds 25% of the outstanding balance of all of a Spanish bank's loans to such borrower, then all of the bank's loans to such borrower (even if otherwise performing) must be declared substandard, and, except in the case of any loan on which no payment of principal or interest is overdue, reserved as set forth in the preceding two tables. Once a non-performing loan has been declared substandard, application of the Bank of Spain requirements generally results in a higher allowance with respect to a substandard loan than would be required by management estimates made independently of such requirements.

If management, for reasons relating to the financial condition of the borrower, has a reasonable doubt that a loan will be collected (or if a loan is described in the third sentence of this paragraph), such loan (an "other *substandard loan"), must be classified as substandard, even if payments are past due for less than 90 days or the loan* is otherwise performing. Other substandard loans are subject to an allowance equal to the percentage of the loan as to which, in management's estimate, there is a reasonable doubt as to collectibility, which amount must be at least 10% of the outstanding balance of the loan. If the loan is to a borrower who is experiencing negative net worth, continuing losses, suspension of payments or a general delay in payments, the minimum allowance is 25% of the outstanding balance of the loan.

None of the foregoing Bank of Spain requirements as to allowances apply to any loan (even if classified as substandard) to the extent that such loan is (i) collateralized by cash, (ii) guaranteed by companies directly or indirectly majority owned by the Spanish government whose principal activity is to provide guarantees, (iii) to or guaranteed by an EU country (other than the Spanish government), or (iv) to or guaranteed by the Spanish government (including any subdivision thereof, such as autonomous communities, provinces and municipalities) or any instrumentality thereof.

In accordance with Bank of Spain regulations, an additional general purpose allowance, representing 1% of the sum of loans, discounts, fixed-income securities, contingent liabilities and certain doubtful assets (other than substandard loans exempted from provisioning as described in the foregoing paragraph), is set aside to cover risks which are not specifically identified but which may arise in the future. This general purpose allowance is limited to 0.5% for fully secured mortgage loans.

Prior to 1992, substantially the same rules as to required allowances for possible loan losses applied as described above, except that (a) the requirement that the entire loan be treated as substandard if any payment with respect to such loan is one year or more past due did not apply, (b) the conditions that were required to be met in order to qualify for treatment as a fully secured mortgage loan and the requirement to treat as substandard loans to borrowers in financial difficulties were in each case less stringent, and (c) the general purpose allowance was 1% for all loans and guarantees.

The Group's Spanish banks, consistent with Bank of Spain guidelines, generally charge off immediately only those loans which they believe will not be repaid at any time or which are outstanding to countries that are considered "bankrupt" under Bank of Spain guidelines. Substandard loans, even though fully reserved for within 18 months after such classification (six years in the case of fully secured mortgage loans), are not normally charged off until at least three years (six years in the case of fully secured mortgage loans) after such classification, as required by Bank of Spain regulations.

The following table analyzes, by domicile of customer, the allowance for possible loan losses of the Group and movements of loan charge-offs and recoveries for the periods indicated.

	Year Ended December 31,				
	1990	1991	1992	1993	1994
	(in millions, except for percentages)				
Allowance for possible loan losses at beginning of period:					
Domestic	Pta. 72,952	Pta. 102,398	Pta. 120,322	Pta. 144,401	Pta. 144,822
International	27,832	21,951	20,131	20,866	37,060
Total	100,784	124,349	140,453	165,267	181,882
Loans charged off:					
Domestic	(15,477)	(27,180)	(30,356)	(57,486)	(60,403)
International	(4,558)	(6,739)	(5,084)	(9,832)	(13,064)
Total	(20,035)	(33,919)	(35,440)	(67,318)	(73,467)
Recoveries of loans previously charged off:					
Domestic	6,494	8,202	9,172	7,119	10,796
International	252	157	39	287	787
Total	6,746	8,359	9,211	7,406	11,583
Net loans charged off	(13,289)	(25,560)	(26,229)	(59,912)	(61,884)
Provision for possible loan losses:					
Domestic	26,765	39,278	45,109	60,748	43,118
International	507	1,866	3,725	11,035	5,605
Total	27,272	41,144	48,834	71,783	48,723
Acquisition and disposition of subsidiaries	—	(1,418)	—	859	(574)
Effect of foreign currency translation	816	(520)	1,275	3,536	(1,029)
Other	1,724	2,458	934	349	(1,567)
Allowance for possible loan losses at end of period:					
Domestic	90,276	120,322	144,401	144,822	136,097
International	21,951	20,131	20,866	37,060	29,454
Total	Pta. 112,227	Pta. 140,453	Pta. 165,267	Pta. 181,882	Pta. 165,551
Allowance as a percentage of total loans and leases at end of period	2.84%	3.35%	3.79%	3.90%	3.41%
Net charge-offs as percentage of average total loans and leases	0.35%	0.64%	0.63%	1.36%	1.32%

The Group does not maintain records allocating allowances for possible loan losses, the amount of charge-offs and the amount of recoveries by loan category. See "Description of Business--Business --Substandard Loans" for information as to the breakdown at December 31, 1994 by loan category of substandard loans. Also, at the time that a loan is charged off in accordance with Bank of Spain guidelines it will normally be fully reserved and, accordingly, such charge-off would have a very limited effect on net income or shareholders' equity. Accordingly, management believes that information relating to allowances and charge-offs by loan category is of less relevance than would be the case for a U.S. bank.

Substandard Loans

The Group classifies its loans as substandard according to the regulations of its primary bank regulator, the Bank of Spain (see "Business--Assets--Allowance for Possible Loan Losses"), and not in the manner defined by the United States Securities and Exchange Commission (the "Commission"). However, management has estimated, as set forth below, the amount of loans, without giving effect to available security, which would be reported had Commission classifications been used.

	December 31,				
	1990	1991	1992	1993	1994
	(in millions, except for percentages)				
SUBSTANDARD LOANS:					
90 days or more past due as to principal or interest and other doubtful loans(1)					
Domestic	Pta. 143,385	Pta. 167,327	Pta. 203,482	Pta. 218,711	Pta. 193,709
International	17,923	25,521	27,479	37,784	32,892
Total	161,308	192,848	230,961	256,495	226,601
Sovereign and cross-border risk (principally Central and South American countries)	24,452	18,022	17,063	13,687	11,131
Total	Pta. 185,760	Pta. 210,870	Pta. 248,024	Pta. 270,182	Pta. 237,732
Substandard loans as a percentage of total loans and leases	4.70%	5.04%	5.68%	5.80%	4.90%
Substandard loans (net of allowances) as a percentage of total loans and leases(1)	1.86%	1.68%	1.90%	1.90%	1.49%

(1) The Group is unable to calculate and disclose the aggregate principal amount of loans, payments on which are 90 days or more past due, unless and until the entire principal amount of such loan is classified as substandard as described above under "-- Allowances for Possible Loan Losses." Such overdue payments are included in the table above to the extent described under "-- Allowances for Possible Loan Losses".

Consistent with Bank of Spain regulations, all loans that are 90 days past due, even if well-collateralized and in the process of being collected, are automatically put on non-accrual if they are classified as substandard as described in "Allowance for Possible Loan Losses" above. Interest on such loans is not credited to income until collected. At December 31, 1994, all sovereign and cross-border risk loans included in the foregoing table were non-accruing. Management does not believe that there is a material amount of loans not included in the foregoing table where known information about possible credit problems of the borrowers gives rise to serious doubts as to the ability of the borrowers to comply with the present loan repayment terms.

The following table analyzes, by domicile and type of customer, substandard loans held by the Group at December 31, 1994.

DOMESTIC:	December 31, 1994 (Pesetas in Millions)
Agricultural	3,236
Industrial	50,157
Real estate and construction	16,109
Commercial and financial	59,295
Individuals	53,382
Other	11,530
Total Domestic	193,709
INTERNATIONAL:	
Sovereign and cross-border risk	11,131
Other	32,892
Total International	44,023
Total	237,732

The following table shows, at each of the dates indicated, the amount of interest owing the Group on substandard loans reflected on the balance sheet at such date but which had not been recorded as income:

	(in millions)
December 31, 1992	Pta. 52,628
December 31, 1923	61,330
December 31, 1994	62,515

The following table shows the approximate amount of interest collected (and included in income) on substandard loans during the periods indicated below:

Year Ended December 31,		
1992	1993	1994
(in millions of pesetas)		
10,908	10,853	12,745

Foreign Country Outstandings

The following table sets forth, at the end of each of the years indicated, the aggregate amount of the Group's cross-border outstandings (including loans, interest-bearing deposits in other banks, acceptances and other monetary assets denominated in a currency other than pesetas) to borrowers outside of Spain, identifying each country in which loans to borrowers domiciled in that country exceeded 0.75% of the Group's total assets.

	December 31,					
	1992		1993		1994	
	Amount	% of Total Assets	Amount	% of Total Assets	Amount	% of Total Assets
	(in millions, except percentages)					
O.E.C.D.						
United Kingdom	Pta. 327,125	3.27%	Pta.668,501	5.80%	Pta. 810,043	6.24%
Italy	430,704	4.30	444,848	3.85	675,074	5.20
United States.......	282,215	2.82	783,401	6.80	608,666	4.69
France	217,674	2.17	240,315	2.08	465,319	3.59
Japan	376,383	3.76	230,333	2.00	163,542	1.26
Other O.E.C.D.(1) ...	610,411	6.10	801,239	6.95	1,016,302	7.83
Total O.E.C.D.	2,244,512	22.42	3,168,637	27.49	3,738,946	28.82
Central and South America	102,041	1.02	200,516	1.74	211,650	1.63
Other						
Singapore	-	-	117,319	1.02	137,138	1.06
Other	49,814	0.49	105,042	0.91	98,798	0.76
Total Other	49,814	0.49	222,361	1.93	235,936	1.82
Total	Pta.2,396,367	23.97%	Pta3,591,514	31.15%	Pta. 4,186,532	32.27%

(1) Aggregate outstandings in any single country in this group did not exceed 0.75% of the Group's total assets.

The Group's international business is concentrated in Western Europe. The Bank's domestic subsidiaries have no significant exposure to overseas borrowers.

The following table sets forth the amounts of the Group's cross-border outstandings at December 31 of each year by type of borrower where outstandings in the borrower's country exceeded 0.75% of the Group's total assets.

	Governments	Banks and Other Financial Institutions	Commercial and Industrial and Other	Total
		(in millions)		
1992-				
Italy	Pta. 17,272	Pta. 346,748	Pta. 66,684	Pta. 430,704
United Kingdom	737	284,059	42,329	327,125
United States	5,466	228,384	48,365	282,215
France	235	180,613	36,826	217,674
Japan	127	261,118	115,138	376,383
Total	Pta. 23,837	Pta.1,300,922	Pta. 309,342	Pta.1,634,101
1993-				
United States	Pta. 32,281	Pta. 380,788	Pta. 370,332	Pta. 783,401
United Kingdom	246	564,459	103,796	668,501
Italy	131,167	272,597	41,084	444,848
France	226	159,907	80,182	240,315
Japan	719	160,832	68,782	230,333
Singapore	-	117,319	-	117,319
Total	Pta. 164,639	Pta.1,655,902	Pta. 664,176	Pta2,484,717
1994-				
United Kingdom	Pta. 648	Pta. 701,821	Pta. 107,574	Pta. 810,043
Italy	236,681	391,070	47,323	675,074
United States	39,989	203,660	365,017	608,666
France	75,102	265,790	124,427	465,319
Japan	311	102,328	60,903	163,542
Singapore	25	137,113	0	137,138
Total	Pta. 352,756	Pta.1,801,782	Pta. 705,244	Pta2,859,782

There is no material amount of outstandings to borrowers in the United States, the United Kingdom, France, Italy, Japan or Belgium that are required to be included in the table set forth under "Substandard Loans."

The Bank of Spain requires that minimum allowances be maintained for cross-border risk arising with respect to loans and other outstandings to countries, or residents of countries, falling into certain categories established by the Bank of Spain on the basis of the level of perceived transfer risk. The category that a country falls into is determined by management, subject to review by the Bank of Spain.

The following table shows the minimum required allowances with respect to each category of country.

Categories(1)	Minimum percentage of coverage (outstandings within category)
Countries belonging to the OECD whose currencies are quoted in the Spanish foreign exchange market	0.0%
Countries included in no other category	1.5
Countries with transitory difficulties(2)	15.0
Doubtful countries(2)	20.0-35.0
Very doubtful countries(2)(3)	50.0-90.0
Bankrupt countries(4)	100.0

(1) Any outstanding which is guaranteed may be treated, for the purposes of the foregoing, as if it were an obligation of the *guarantor*.

(2) Coverage for the aggregate of these three categories must equal at least 35% of outstanding loans within these categories. The Bank of Spain has recommended up to 50% aggregate coverage.

(3) Outstanding to very doubtful countries are treated as substandard under Bank of Spain regulations.

(4) Outstandings to bankrupt countries must be charged off immediately. As a result, no such outstandings are reflected on the balance sheet.

The Group met or exceeded the minimum percentage of coverage with respect to each of the foregoing categories.

The Group's exposure to possible loan losses in troubled-debtor countries is limited primarily to certain countries in Central and South America. The Group's exposure to borrowers in these countries (including exposure of Group members and companies managed by the Group, but excluding trade-related debt), amounted to Ptas. 13.7 billion ($103.9 million) at December 31, 1993 and Ptas. 11.1 billion ($84.5 million) at December 31, 1994. These figures do not reflect allowances for possible loan losses of 54% and 54%, respectively, against the relevant amounts outstanding at such dates. Deposits with or loans to borrowers in all such countries at December 31, 1994 did not exceed in the aggregate 0.9% of the Group's total assets.

Liabilities

Deposits

The principal components of the Group's customer deposits are domestic demand and savings deposits and international time deposits. The Group competes actively with other commercial banks and with savings banks for savings deposits.

The following table analyzes deposits of the Group by principal geographic area for the dates indicated.

	December 31,		
	1992	1993	1994
		(in millions)	
DOMESTIC:	Pta.4,614,851	Pta.5,473,352	Pta.5,903,658
INTERNATIONAL:			
Western Europe	1,445,248	1,826,482	2,284,719
United States	337,658	294,753	419,616
Other	481,457	542,061	613,201
Total International	2,264,363	2,663,296	3,317,536
Total	Pta.6,879,214	Pta.8,136,648	Pta.9,221,194

The foregoing table includes interbank deposits totalling Ptas. 2,085.6 billion at December 31, 1992, Ptas. 2,757.8 billion, at December 31, 1993 and Ptas. 3,178.2 billion at December 31, 1994.

At December 31, 1994, the maturity of time deposits (excluding interbank deposits) in denominations of Ptas. 14 million (approximately $100,000) or more was as follows:

	December 31, 1994		
	Domestic	**International**	**Total**
		(in millions)	
Under 3 months	Pta. 497,736	Pta. 873,143	Pta. 1,370,879
3 to 6 months	39,543	112,803	152,346
6 to 12 months	71,479	93,513	164,992
Over 12 months	42,566	28,187	70,753
	Pta. 651,324	Pta.1,107,646	Pta. 1,758,970

Time deposits from Spanish and foreign financial institutions amounted to Ptas. 872.9 billion and Ptas. 2,232.3 billion, respectively, at December 31, 1994, substantially all of which were in excess of $100,000.

Large denomination deposits may be a less stable source of funds than demand and savings deposits because they are more sensitive to variations in interest rates. For a breakdown by currency of deposits at December 31, 1993 and 1994, see Note 10 to the Consolidated Financial Statements.

Short-Term Borrowings

Securities sold under agreements to repurchase and promissory notes issued by the Bank constituted the only categories of short-term borrowings that equaled or exceeded 30% of stockholders' equity at December 31, 1992, 1993 and 1994. The following table analyzes such short-term borrowings at such dates.

	December 31,					
	1992		1993		1994	
	Amount	**Average Rate**	**Amount**	**Average Rate**	**Amount**	**Average Rate**
Securities sold under agreements to repurchase (principally Spanish Treasury bills):						
At December 31	Pta.1,656,339	13.39%	1,902,208	9.35%	Pta. 2,445,116	7.59%
Average during year	1,305,117	11.99	1,829,123	11.45	2,127,017	7.98
Maximum quarter-end balance	1,656,339	—	2,234,487	—	2,445,116	—
Other short-term borrowings (principally bank promissory notes):						
At December 31	Pta.194,775	12.07	72,208	9.94	17,949	8.62
Average during year	207,929	8.17	167,217	11.13	32,274	6.81
Maximum quarter-end balance	194,775	—	204,397	—	45,272	—
Total short-term borrowings at year-end	Pta.1,851,114	13.25%	Pta.1,974,416	9.37%	Pta. 2,463,065	7.60%

At December 31, 1993 the Bank had a balance due to the Bank of Spain and the Deposit Guarantee Fund of Ptas. 59.9 billion. At December 31, 1994 the Bank had no balance due to the Bank of Spain and the Deposit Guarantee Fund. Pursuant to the provisions of Royal Decree-Law 8/1984, in mid-1984, the Spanish Government issued Ptas. 440,000 million of 9.5% government bonds, which do not qualify for investment ratio purposes, redeemable in increasing semi-annual installments through July 1996, for the purpose of funding the net worth deficiency of the companies in the Rumasa Group. The Group subscribed for Ptas. 116,031 million of these bonds. At December 31, 1993 and 1994, the Group held Ptas. 36.4 billion and Ptas. 26.1 billion of these bonds, respectively. At December 31, 1993 and 1994, the Bank of Spain had granted to several banks in the Group maximum credit facilities of Ptas. 432.1 billion and Ptas. 424.7 billion, respectively, for successive money market loans, secured by government debt securities. At December 31, 1993 and 1994 there were no drawings against these facilities.

Competition

The Group faces strong competition in all of its principal areas of operation. The deregulation of interest rates on deposits in the past decade has led to increased competition for large demand deposits in Spain and the widespread promotion of interest-bearing demand deposit accounts and mutual funds *(fondos de inversión)*. During 1994 competitive pressure, which had been centered on capturing customer funds, spread to lending products, particularly mortgages.

The commercial banking sector in Spain is dominated by five Spanish banking groups which, at December 31, 1994, accounted for approximately 74% of total deposits and 74% of total loans among private banks. In addition to the Bank, the major banking groups in Spain are Banco de Santander which owns a majority of the shares of Banco Español de Credito, S.A., Banco Central Hispano Americano, S.A., Corporación Bancaria de España, S.A and Banco Popular Español, S.A. As of December 31, 1994, BBV was the largest consolidated financial group, in terms of customer deposits, in Spain.

As of December 31, 1994, 55 foreign banks maintained branches in Spain, over 69 foreign banks maintained representative offices and several foreign banks have acquired small and medium-sized Spanish banks. In 1994, through Law 3/1994 of April 14, 1994, Spain implemented the European Union's Second Banking Directive which permits banks from other member states of the European Union to open branches in Spain without prior authorization and otherwise liberalizes the requirements for banks from member states (and non-member states with the requirement there be reciprocity) to enter the Spanish banking market. Accordingly, the Group anticipates that competition from foreign banks, particularly for business customers, will increase in the future.

Spanish savings banks and money market mutual funds provide strong competition for savings deposits, which form an important part of the Bank's deposit base, and, in the case of savings banks, for other retail banking services. Since 1991, Spanish savings banks, which have traditionally been regional institutions, have been permitted to open branches and offices throughout Spain. Credit cooperatives, which are active principally in rural areas, where they provide savings bank and loan services and related services such as the financing of agricultural machinery and supplies, are also a source of competition.

Insurance companies and other financial services firms also compete for customers' funds. Like the commercial banks, savings banks, insurance companies and other financial services firms are expanding services offered to consumers in Spain.

Employees

At December 31, 1994, the Group had 27,987 employees. Of the total staff, approximately 52.5% held technical, managerial and executive positions and the remainder were clerical and support staff. The terms and conditions of employment in the private sector banks in Spain are negotiated with the trade unions which represent bank employees. Wage negotiations take place on an industry-wide basis. This process has historically produced collective agreements binding upon all the private banks and their employees. The most recent private sector industry-wide agreement will expire on December 31, 1995.

SUPERVISION AND REGULATION

Bank of Spain

The Bank of Spain is a public law entity (*entidad de derecho público*) with public and private capacity which was established in its present form in 1962 and serves as Spain's autonomous central bank. Except in its performance of public functions, the Bank of Spain's relations with third parties are governed by private law and its actions are subject to the civil and business law codes.

In accordance with the provisions of the Treaty on European Union, Law 13/1994 of June 1, 1994 granted the Bank of Spain the autonomy in the area of monetary policy contemplated by the Treaty for monetary institutions to be integrated under the Central European Bank System.

Pursuant to Law 13/1994, the Bank of Spain is responsible for (i) determining and executing monetary policy with the primary purpose of attaining price stability (monetary policy determined by the Bank of Spain will support the general financial policy of the Government but will not be subject to regulation by the Government or the Ministry of Economy and Finance); (ii) maintaining and managing Spain's foreign exchange and precious metal reserves in order to carry out the Government's exchange policy; (iii) promoting stability in the performance and operation of financial payment systems; (iv) issuing Spanish currency and managing currency circulation; (v) rendering treasury services to the Spanish Treasury and to autonomous communities (however, granting of loans by the Bank of Spain or permitting overdraws in favor of the Government, autonomous communities or other bodies referred to in Section 104 of the Treaty on European Union are, in general, prohibited); (vi) rendering services related to the public debt to the Government and autonomous communities; (vii) advising the Government and issuing reports regarding the matters under its responsibility; and (viii) supervising financial institutions within its authority.

Fondo de Garantía de Depósitos

The *Fondo de Garantía de Depósitos en Establecimientos Bancarios* ("Deposit Guarantee Fund" or "FGD"), which operates under the guidance of the Bank of Spain, acquired approximately 50 Spanish banks in the wake of a series of bank failures during the period from 1977 to 1984. The FGD guarantees bank deposits up to Ptas. 1.5 million per depositor. Pursuant to Bank of Spain regulations, the FGD may purchase doubtful loans or may acquire, recapitalize and then sell banks which experience difficulties. Pursuant to Royal Decree 437/1994 of March 11, 1994, which partially amended applicable regulations to the FGD and to take-over bids, the FGD is not required to make public offers when acquiring or selling shares within the scope of operations aimed at reorganization of banks which experience difficulties.

The FGD is funded by contributions from member banks, including the Bank and its Subsidiary Banks, and the Bank of Spain. The Bank and its Subsidiary Banks' present annual contribution, like that of other private banks, is 0.20% (compared to 0.15% in 1994) of total deposits at year-end (excluding interbank deposits). If in any year the outstanding balance of funds loaned to the FGD by the Bank of Spain exceeds four times the total amount contributed to the FGD during the previous year by the Bank of Spain and all private Spanish banks, the required annual contribution by private Spanish banks may be increased to 0.30% of total deposits.

Banesto

On December 28, 1993, the Bank of Spain dismissed the Chairman and Board of Directors of Banco Español de Crédito ("Banesto"), the fourth largest banking organization in Spain at December 31, 1992 in terms of reported total assets, and appointed a new Board of Directors of Banesto composed of representatives of the five major Spanish banks, including the Bank.

A restructuring plan for Banesto (the "Plan") was implemented by means of (i) a Ptas. 285 billion one-time cash infusion effected by the FGD's purchase of nonperforming loans and other impaired assets from Banesto at gross book value and the immediate resale of the assets back to Banesto at gross book value less an amount corresponding to the provisions on such assets, allowing Ptas. 285 billion of provisions to be released, (ii) a Ptas. 315 billion subsidized four year loan to Banesto, and (iii) the acquisition by the FGD from Banesto of 450,000,000 newly issued shares of Banesto common stock, representing 73.45% of Banesto's voting capital, at the restated par value of Ptas. 400 per share, or Ptas. 180 billion in total. The Plan has subsequently been carried out.

In March 1994, the FGD held an auction of its Banesto shares. In April 1994, the FGD accepted an offer by Banco Santander, S.A. ("Banco Santander") to purchase the 450,000,000 shares of Banesto common stock acquired by the FGD. On August 1, 1994, Banco Santander completed its purchase of the Banesto shares held by the FGD at a total purchase price of Ptas. 313,459 million. Under the terms of the FGD auction, Banco Santander has guaranteed Banesto's obligation to repay the Ptas. 315 billion loan made by the Bank of Spain to Banesto in connection with Banesto's restructuring.

Pursuant to the purchase contract under which Banco Santander acquired its stake in Banesto, the FGD agreed, subject to certain conditions, to indemnify Banesto against, among other things, final judgments resulting from certain suits brought by shareholders between March 29, 1994 and March 29, 1996 and certain tax liabilities arising from occurrences before March 29, 1994.

Liquidity Ratio

To implement Spain's monetary policy with regard to money supply, the Ministry of Economy and the Bank of Spain can, under Spanish law, require banks to place up to 7% of their "Qualifying Liabilities" with the Bank of Spain in the form of deposits. "Qualifying Liabilities" are defined for this purpose to include (i) peseta and non-peseta denominated deposits by Spanish residents (excluding interbank deposits and deposits by Spanish government bodies), (ii) peseta denominated deposits of non-residents (excluding interbank deposits) and (iii) certain debts and debt securities (excluding subordinated debt included as stockholders' equity). As of December 31, 1994, the liquidity ratio was 2% (reduced from 3% on September 31, 1993) of an amount equal to the Qualifying Liabilities of the banks to be deposited with the Bank of Spain interest free.

Additionally, on March 23, 1990, when the liquidity ratio was decreased from 17% to 5%, banks were required to invest an amount equal to 12% of such bank's average Qualifying Liabilities during the period from October 1989 through January 1990 in the purchase of Bank of Spain certificates as a way to avoid a sudden increase in the liquidity of the Spanish economy. The certificates mature no later than December 31, 2000 and bear annual interest at a rate of 6%. The Bank and the Subsidiary Banks acquired Ptas. 331.8 billion of such certificates.

Law 13/1994 superseded Law 26/1983 of December 26, 1983 regarding liquidity ratios, as the Bank of Spain is responsible for implementation of monetary policy pursuant to Law 13/1994. However, Law 13/1994 established that prior regulations addressing liquidity ratio shall remain in force until replaced by new regulations. Such new regulations have not yet been issued.

According to Law 13/1994, in order to attain monetary policy objectives, the Bank of Spain may require credit institutions to freeze funds by means of a liquidity ratio. Although the main characteristics of the future liquidity ratio are stated in Law 13/1994 (such funds shall be deposited at the Bank of Spain and shall not exceed 5% of the basis and debt capital shall be the basis for calculation of the liquidity ratio), the Bank of Spain has not yet promulgated specific regulations.

Investment Ratio

The investment ratio is an instrument of the Government's economic policies used in the past to allocate funds towards specific sectors or investments. As part of the liberalization of the Spanish economy, it has been gradually reduced by successive Royal Decrees until being fixed at the rate of 0%, as of December 31, 1992. However, the law which established the ratio has not been abolished and the Government could impose the ratio again subject to applicable EU requirements.

Capital Adequacy Requirements

As part of a program to modernize Spain's banking regulations, capital adequacy requirements were revised in 1985 and, pursuant to EU directives, further amended effective January 1, 1993. The capital adequacy requirements are applicable to the Group on a consolidated basis. The Bank of Spain may apply the requirements to individual subsidiaries of the Group as well. Until December 31, 1992, the Group was subject, pursuant to the 1985 law, to two minimum capital requirements as set forth in regulations of the Ministry of Economy and the Bank of Spain. The Group has complied with such requirements since their promulgation in 1985.

On June 1, 1992, the Spanish State published Law 13/92, which required that, as of January 1, 1993, the Group calculate its capital adequacy according to the new capital adequacy requirements introduced by Law 13/92 and its implementing regulations. Law 13/92 was designed to adapt Spanish capital adequacy rules to EU directives.

The principal characteristics of the capital adequacy requirements introduced by Law 13/92 are a distinction between "core" and "complementary" capital and the adoption of a ratio of stockholders' equity to risk-weighted assets rather than net assets.

Core capital generally includes voting equity, certain non-voting equity, most reserves and generic allowances less losses, financing shares and financing for the acquisition (by persons other than the issuer's employees) of the issuer's shares. Complementary capital generally includes certain non-voting equity, revaluation and similar reserves, and subordinated and perpetual debt. The computation of both core and complementary capital is subject to provisions limiting the type of stockholdings and the level of control which these stockholdings grant a banking group. The level of non-perpetual subordinated debt taken into account for the calculation of complementary capital may not exceed 50% of core capital and the total amount of complementary capital admissible for computing total capital may not exceed the total amount of core capital.

The consolidated total of core and complementary capital of a banking group calculated in the manner described above may not be less than 8% of the group's risk-weighted assets net of specified provisions and amortizations. The calculation of total risk-weighted assets applies minimum multipliers of 0%, 20%, 50% and 100% to the group's assets. Loans to the Spanish Government or OECD and EU countries' central banks and debt securities of Spanish autonomous communities (authorized by the Spanish Government) receive a 0% weighing. Loans to autonomous communities, to EU and OECD regional and local governments, to banks, savings banks and brokerage firms and to multilateral development banks receive at least a 20% weighing. Residential mortgage loans receive at least a 50% weighing. All other loans are weighted at 100%; however, such weighing may be lower if the loan is guaranteed or secured. Off-balance sheet assets are also included in the calculation of risk-weighted assets.

At December 31, 1994, the Bank's ratio of total capital to risk-weighted assets under Law 13/92 was 11.3% which represented a 34.0% excess of stockholders' equity over required stockholders' equity.

Banks which fail to comply with the above ratios by more than 20% are required to devote all of their net profits to increasing their capital ratios. Banks which fail to meet either ratio by 20% or less must obtain prior approval of the Bank of Spain to distribute any dividends and must devote at least 50% of net profits to increasing their capital ratios. In addition, banks (and their directors and executive officers) that do not comply with the liquidity and investment ratios and capital adequacy requirements may be subject to fines or other sanctions. As noted, compliance with the ratios is determined on a consolidated basis. The Bank of Spain may apply the requirements to individual subsidiaries of the Group as well. The Group's Spanish subsidiary banks are in compliance with these capital adequacy requirements on both a consolidated and individual basis.

In addition to the basic requirements described above, the Bank of Spain regulates the concentration of risk. Pursuant to Law 13/1992, beginning on January 1, 1999, any exposure to a person or group exceeding 10% of a group's or bank's stockholders' equity is deemed a concentration; the total amount of exposure represented by all of such concentrations may not exceed 800% of stockholders' equity. Exposure to a single person or group may not exceed 25% of such group's or bank's stockholders' equity. Up to January 1, 1994, exposure to a person or group could not exceed 40% of stockholders' equity; from January 1, 1994 to January 1, 1999, any exposure to a person or group exceeding 15% of stockholders' equity is deemed a concentration and exposure to a person or group may not exceed 40% of stockholders' equity.

Legal Reserve

The Group is also subject to legal reserve requirements applicable to Spanish companies pursuant to Article 214 of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), enacted on December 22, 1989 by Royal Legislative Decree 1564/1989 of the same date, which became effective on January 1, 1990 (the "Corporations Law"). See "Legal Reserve" under Note 17 to the Consolidated Financial Statements.

Allowance for Possible Loan Losses

For a discussion of Bank of Spain regulations relating to allowances for possible loan losses and country risk, see "Business--Assets--Allowance for Possible Loan Losses."

Regulation of Fees and Interest Rates

In the past decade, interest rates on deposits, and fees and commissions were substantially deregulated. Interest rates on most kinds of loans and deposits are no longer subject to a maximum limit. Banks must publish their prime rates, rates applied on overdrafts and fees and commissions charged in connection with banking transactions. Banking clients must be provided with written disclosure adequate to permit them to ascertain net transaction costs. Disclosure requirements have been made more stringent in order to comply with directives of the European Union. Subject to such disclosure requirements, the level of fees and commissions is generally not regulated. The remaining regulations are enforced by the Bank of Spain in response to complaints from bank customers.

Audit

Arthur Andersen examined the financial statements of Bilbao and Vizcaya from 1982 to 1988 and has examined the financial statements of the Bank since its incorporation in 1988. Pursuant to Articles 203 and 204 of the Corporations Law, the financial statements and the management memorandum of the Bank should be examined by auditors appointed by the general meeting of shareholders for a period of not less than three years but not more than nine years. Auditors may be reappointed by the general meeting of shareholders upon termination of the original period of appointment. The 1990 annual meeting of the Bank held on March 17, 1990 appointed Arthur Andersen for a period of nine years. Such appointment may be canceled pursuant to Article 204 of the Spanish Corporations Law.

Employee Pension Plans

The Bank of Spain required employee pension plans to be fully funded by the end of 1988. At December 31, 1992, 1993 and 1994, the Bank had complied with this requirement. For information about employee pension commitments and allowances for such, see Note 2(g) to the Consolidated Financial Statements.

Dividends

Payment of dividends by Spanish banks, including the Bank and its Subsidiary Banks, is restricted by law. In particular, the Bank of Spain requires that certain minimum capital requirements be met in connection with payment of dividends. See "Description of Business--Supervision and Regulation--Capital Adequacy Requirements." If a bank group or bank not consolidated with a group meets the minimum capital requirements described in "Capital Adequacy," it may dedicate all of its net profits to the payment of dividends, although, in practice, banks consult with the Bank of Spain before declaring a dividend. Under Spain's new capital adequacy requirements, which became effective on January 1, 1993, the Bank estimates that at December 31, 1994, the Bank had Ptas. 185.2 billion ($1.4 billion) of unrestricted reserves available for payment of dividends consistent with Bank of Spain's capital adequacy requirements. Compliance with such requirements notwithstanding, the Bank of Spain may advise a bank against the payment of dividends on prudential grounds. In no event may dividends be paid from non-distributable reserves.

If a bank has no net profits, the board of directors may propose at the general meeting of the shareholders of such a bank that a dividend be declared out of retained earnings.

The Bank of Spain recommends that interim dividends not exceed an amount equal to one-half of all net income from the beginning of the corresponding fiscal year. No interim dividend may be declared when a bank does not meet the minimum capital requirements and, according to the recommendations of the Bank of Spain, interim dividends may not be declared until the Bank of Spain has sufficient knowledge with respect to the year's profits. Although banks are not legally required to seek prior approval from the Bank of Spain before declaring interim dividends, the Bank of Spain has asked that banks, on a voluntary basis, consult with it before declaring interim dividends.

Limitations on Types of Business

Spanish banks are not subject to any limitations on the types of businesses in which they may engage indirectly, although they are subject to certain limitations on the types of businesses in which they may engage directly.

Recent Legislation

Legislation that has been approved by Spain's Parliament may limit prepayment penalties on floating rate residential mortgage loans and limit the notarial costs and registration fees charged to borrowers in connection with renegotiation of mortgage terms on fixed and floating rate residential mortgages. The Bank does not expect the impact of such legislation to be material. Pursuant to Order of May 5, 1994, the terms and conditions of residential mortgage loans in amounts up to 25 million must be summarized in writing and delivered to mortgagees.

United States Regulation

By virtue of the operation of its branch in New York City and its ownership of commercial banks in Puerto Rico, Arizona and New Mexico, the Bank is subject to the United States Bank Holding Company Act of 1956, as amended. That statute imposes certain restrictions on the activities in which the Bank may engage in the United States and subjects the Bank to supervision and regulation by the Board of Governors of the Federal Reserve System. In addition, certain of the Bank's banking activities in the United States are subject to supervision by state banking authorities.

MONETARY POLICY AND EXCHANGE CONTROLS

The earnings of the Group are affected by the policies of the Spanish government and regulatory authorities, particularly by those of the Bank of Spain. The Bank of Spain influences conditions in the money and credit markets, which affect interest rates, the growth in lending, the distribution of lending among various industry sectors and the growth of deposits. Monetary policy has had a significant effect on the operations and profitability of Spanish banks in the past and is expected to do so in the future. There are no assurances that the present regulatory climate in Spain will endure or that particular policies presently in effect will be maintained. Similarly, the monetary policies of governments in other countries in which the Group has operations affect the operations and profitability of the Group in those countries. The Group cannot predict the effect which changes in such policies may have in the future upon such operations.

Spain has traditionally regulated foreign currency movements and foreign investment. Royal Decree 1816/91 which came into effect on December 20, 1991 (and was partially modified by Royal Decree 42/1993, of January 15, 1993) removed substantially all restrictions on foreign currency transactions. In the fall of 1992, however, as a result of the volatility in the markets for the various currencies of the members of the EU, the Bank of Spain imposed temporary exchange controls on certain foreign exchange transactions. All such controls, with the exception of certain reporting requirements with respect to certain positions, were lifted as of November 24, 1992.

Spain is a member of the European Monetary System ("EMS") of the EU, and consequently seeks to maintain the value of the peseta within a range of rates with respect to the currencies of other EMS members participating in the European exchange rate mechanism (the "ERM"). In 1992, the trading range of the peseta against the currencies of other EMS members participating in the ERM was lowered by 8%, 5% and 6% in May, September and November of 1993, respectively, and in March 1995 it was lowered by 7%.

Under the current Spanish exchange controls, Spanish banks accept foreign currency deposits freely, and within certain limits may place funds in foreign currencies to facilitate client transactions and to finance imports and exports in foreign currencies.

Item 2. DESCRIPTION OF PROPERTY

The Group has a substantial network of premises in Spain and abroad, including 2,609 branch offices in Spain and 193 offices abroad. Approximately 1,230 of these premises are rented from third parties pursuant to short-term leases which may be renewed by mutual agreement. The remaining premises, including the major branches, are owned by the Group. As an anticipated result of the merger between Bilbao and Vizcaya, since December 31, 1988, the Group has closed over 602 domestic branches.

Item 3. LEGAL PROCEEDINGS

Neither the Bank nor any of its subsidiaries is engaged in litigation or is subject to claims of material importance, and the Bank believes that no litigation or claims are pending or threatened against the Bank or any of its subsidiaries which are likely to have a materially adverse effect on the business, financial condition or results of operations of the Group.

Item 4. CONTROL OF THE REGISTRANT

At December 31, 1994, to the Bank's knowledge, no person, corporation or government owned beneficially, directly or indirectly, more than 5% of the Bank Shares. At December 31, 1994, the Directors, Executive Officers and certain family members as a group owned beneficially, directly or indirectly, 9,172,593 Shares, or 3.97% of the issued and outstanding share capital of the Bank.

Item 5. NATURE OF THE TRADING MARKET

The Bank Shares are currently listed on the Madrid, Bilbao, Barcelona, Valencia, Frankfurt, Zurich, Geneva, Basel, London and Tokyo stock exchanges.

ADSs representing Bank Shares are listed on the New York Stock Exchange. Each ADS represents one Share. Morgan Guaranty Trust Company of New York is the Bank's Depositary issuing the ADRs evidencing the

ADSs. ADSs began trading on the New York Stock Exchange on December 13, 1988. The table below sets forth the high and low daily quoted prices for the Bank's ADSs on the New York Stock Exchange for the periods indicated.

	As Reported Dollars per ADS	
	High	Low
1993		
First Quarter	26.000	20.375
Second Quarter	26.500	23.000
Third Quarter	27.250	22.000
Fourth Quarter	27.000	21.375
1994		
First Quarter	25.000	20.750
Second Quarter	24.500	21.625
Third Quarter	25.375	21.000
Fourth Quarter	26.875	23.623
1995		
First Quarter	27.125	23.500
Second Quarter (through May 26, 1995)	29.625	24.875

The table below sets forth, for the periods indicated, the high and low daily quoted prices for the Shares of the Bank on the Madrid Stock Exchange, the principal market for the Shares of the Bank. The Spanish stock exchanges quote share prices as a percentage of nominal value and the table below represents a translation of those percentages into pesetas per share.

	Actual Per Share	
	High	Low
1993		
First Quarter	2,980	2,300
Second Quarter	3,280	2,775
Third Quarter	3,585	3,005
Fourth Quarter	3,540	3,020
1994		
First Quarter	3,535	2,990
Second Quarter	3,320	2,835
Third Quarter	3,235	2,780
Fourth Quarter	3,480	3,040
1995		
First Quarter	3,545	3,125
Second Quarter (through May 26, 1995)	3,740	3,190

Securities Trading in Spain

The Spanish securities market comprises two official secondary markets: the Stock Exchange and the Public Debt market. The Stock Exchange is composed of five exchanges, the Automated Quotation System and four stock exchanges located in Madrid, Barcelona, Bilbao and Valencia (the "local exchanges"). During the year ended December 31, 1994, the Automated Quotation System accounted for approximately 97.1% of total volume of equity securities on the Stock Exchange, followed by the Madrid (2.2%), Barcelona (0.3%), Bilbao (0.3%) and Valencia (0.1%) stock exchanges. According to statistics of the CNMV (defined below), the shares of Spanish banks are among the most heavily-traded securities on the Spanish Stock Exchange.

Automated Quotation System. The Automated Quotation System was introduced in 1989 and links the four local exchanges, providing those securities listed on it with a uniform continuous market that eliminates certain of the differences among the local exchanges. The principal feature of the system is the computerized matching of buy and sell orders at the time of entry of the order. Each order is executed as soon as a matching order is entered, but can be modified or canceled until executed. The activity of the market can be continuously monitored by investors and brokers. The Automated Quotation System is quoted and regulated by Sociedad de Bolsas, S.A., (the "Sociedad de Bolsas"), a corporation owned by the companies that manage the local exchanges. All trades on the Automated Quotation System must be placed through a brokerage firm, an official stock broker or a dealer firm. Stock prices are quoted in pesetas, rather than as a percentage of par value as on the local exchanges.

In a pre-opening session held from 10:30 a.m. to 11 a.m. each trading day, (the "Adjustment Period") bids and offers are introduced, modified and cancelled, and no orders are executed. Once the Adjustment Period has ended, trading begins at the opening price that, based on bids and offers introduced and outstanding after the Adjustment Period, will permit the greatest number of shares to be traded, provided however that such opening price does not differ by more than 15% from the previous trading day's closing price. If after the Adjusted Price no bids and offers can be matched, securities will be traded as soon as matching occurs. The computerized trading hours are from 11 a.m. to 5 p.m., during which time the trading price of a security is permitted to vary by up to 15% of the previous day's closing price. If the quoted price exceeds this limit, trading in the security is usually suspended until the next trading day. However, if a significant amount of bids or offers vary from the previous day's closing price by more than 15%, the Trade Committee of the Automated Quotation System, may, at its discretion, allow trading prices to vary by up to 20% from the previous day's closing price.

Between 5:00 p.m. and 8:00 p.m. trades may occur outside the computerized matching system without prior authorization of the Sociedad de Bolsas, at a price within the range of 5% above the higher of the average price or closing price for the day and 5% below the lower of the average price or closing price for the day, if the trade involves more than Ptas. 50 million and more than 20% of the average daily trading volume of the stock during the preceding three months. At any time, trades may take place (with the prior authorization of the Sociedad de Bolsas) at any price if the trade involves more than Ptas. 250 million and more than 40% of average daily trading volume of the stock during the preceding three months or the Sociedad de Bolsas finds other justifiable cause. Information with respect to computerized trades between 11:00 a.m. and 5:00 p.m. is made public immediately, and information with respect to trades outside the computerized matching system is reported to the Sociedad de Bolsas by the end of trading day and published in the Boletín de Cotizacíon and in the computer system by the beginning of the next trading day.

Clearance and Settlement System. Transactions carried out on the Automated Quotation System and on the local stock exchanges are cleared and settled through the Servicio de Compensacion y Liquidacion, S.A. (the "SCL"). Only members of the system are entitled to use it, and membership is restricted to authorized brokers, banks and savings banks. The corporation is owned by its members and by the companies that manage the local exchanges.

Book-Entry System. As of February 22, 1993, ownership of shares listed on any Spanish stock exchange is required to be represented by entries in a register maintained by the SCL and transfers or changes in ownership are effected by entries in such register. The SCL is responsible for maintaining the records of purchases and sales under the book entry system.

Securities Market Legislation

The Securities Markets Act was enacted in 1988 with the purpose of reforming the organization and supervision of the Spanish securities markets. This legislation and regulation implementing it (i) established an independent regulatory authority, the Comisión Nacional del Mercado de Valores (the "CNMV") to supervise the securities markets, (ii) established a framework for the regulation of trading practices, tender offers and insider trading, (iii) required stock exchange members to be corporate entities, (iv) required companies listed on a Spanish stock exchange to file annual audited financial statements and to make public quarterly financial information, (v) established the legal framework for the Automated Quotation System, (vi) exempted the sale of securities from transfer and value added taxes, (vii) deregulated brokerage commissions and (viii) provided for transfer of shares by book-entry or by delivery of evidence of title.

On February 14, 1992, Royal Decree No. 116/92 established the clearance and settlement system and the book entry system, and required that all companies listed on a Spanish stock exchange adopt the book entry system.

Trading by the Bank and its Affiliates in the Shares

Under Spanish Corporations Law, trading by subsidiaries in a parent company's shares is restricted. The Bank and its affiliates may not purchase the Shares unless such purchases are approved at a meeting of shareholders of the Bank, and the Bank must create reserves equal to the amount of any Shares held by the Bank. In the event a purchase of Shares is permitted, such Shares do not have economic or voting rights while held by the Bank or any of its affiliates and the total number of Shares held by the Bank and its affiliates may not exceed 5% of the total capital of the Bank. Any such acquisitions must be reported to the CNMV when they exceed one percent of the total capital of the Bank.

The Corporations Law, however, now prohibits the purchase by the Bank and its affiliates of Shares of the Bank in the secondary market except in limited circumstances. In the event a purchase of Shares is permitted, the Shares do not have economic or voting rights while held by the Bank or its affiliates, the Shares may not be held for more than one year and the total number of Shares held by the Bank and its affiliates may not exceed 5% of the total capital of the Bank. During 1993 and 1994, the percentage of outstanding Shares held by the Bank and its affiliates ranged between 0.1% and 0.72%, and 0.27 and 1.62%, respectively.

Stock Repurchase Plan

In February 1994, the annual general meeting of Shareholders granted management the authority to repurchase up to 5% of the outstanding Shares. The Bank used this authorization to repurchase 4 million shares primarily in the last quarter of 1994. The annual general meeting of Shareholders held in February 1995 granted authorization to repurchase up to an additional 5% of the outstanding Shares. The Bank has no current plans to repurchase any Shares in 1995 although there can be no assurance that such plans would not change in light of a change in market conditions.

Holders of Shares and ADRs

At December 31, 1994, there were, in the aggregate, 286,937 holders of Shares of the Bank. At December 31, 1994, a total of 40,076,106 Shares of the Bank were held by shareholders with registered addresses in the United States. These shares were held by 28 record holders. Since certain of such shares and ADRs are held by nominees, the foregoing figures may not be representative of the number of beneficial holders. The Bank's directors and executive officers do not own any ADRs. For information regarding ownership of Shares by the directors and executive officers of the Bank, see "Control of the Registrant."

Item 6. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

Restrictions on Foreign Investment

Under present regulations, foreign investors may transfer invested capital, capital gains and dividends out of Spain without limitation as to amount other than applicable taxes. See "Taxation." The Spanish stock exchanges and securities markets are open to foreign investors.

Foreign governments and state-owned entities and state-controlled entities, that are not related to EU countries, are required to obtain specific consent from the relevant Spanish authorities to make capital investments in Spain.

Pursuant to Royal Decree 671/1992, certain foreign investments which increase blocks of foreign shareholding in any company over 50% may require a review (verification previa) or an approval of the Dirección

General de Economía Internacional y Transacciones Exteriores, the unit of the Ministry of the Economy in charge of financial transactions with entities outside of Spain. Blocks of foreign shareholdings (which are the only types of foreign investments taken into account to calculate the 50% threshold) are those which involve a holding of at least 10% of stock or, if less than 10%, those which involve representation on the board of directors, provided that the foreign equity exceeds 500 million pesetas or that such investment is made from a tax haven (as defined in accordance with Royal Decree 1080/1991). Purchases of less than 10% of the share capital of a Spanish company which do not entitle the holder to any representation on its board of directors do not require any prior consent of the Dirección General de Economía Internacional y Transacciones Exteriores.

Foreign investment in Shares must be registered with the Spanish Registry of Foreign Investments if foreign investors wish to remit dividends, sale proceeds or other benefits with respect to their Shares to a country outside of Spain. The Shares underlying the ADSs are so registered.

Dividends

Dividends payable by the Bank to non-residents of Spain who are holders of ADRs are subject to a Spanish withholding tax at the rate of 25%, subject to reduction by applicable tax treaties. See "Taxation."

Restrictions on Acquisition of Shares

Law 3/1994 provides that any individual or corporation that intends to acquire, directly or indirectly, a significant participation ("participación significativa") in a Spanish bank must give prior notice to the Bank of Spain, including the amount of such participation, the terms and conditions of the acquisition and the period in which it is intended to execute the transaction. A significant participation is considered 5% of the outstanding share capital of a bank or a lower percentage if such holding allows for the exercise of a significant influence.

Any individual or company which intends to increase, directly or indirectly, its significant participation in such a way that its share capital or voting rights after the acquisition reaches or exceeds the following percentages, 10%, 15%, 20%, 25%, 33%, 40%, 50%, 66% or 75%, is required to give prior notice to the Bank of Spain of such operation. Any acquisition without such prior notification, or before three months have elapsed after the date of such notification, or against the objection of the Bank of Spain, will produce the following results: (i) the acquired shares will have no voting rights; and (ii) if considered appropriate, the target bank may be taken over or its directors replaced and a sanction imposed.

The Bank of Spain has a period of three months to object to a proposed transaction. Such objection may be based on the fact that the Bank of Spain does not consider the acquiring person suitable to guarantee its sound and prudent operation of the target bank.

Any individual or institution which intends to sell its significant participation or reduce the above mentioned percentages, or which, because of such sale, loses control of the entity, must give prior notice to the Bank of Spain, indicating the amount to be sold and the period in which the transaction is to be executed. Noncompliance with this requirement will be subject to sanctions.

Banks will be required to give shareholder information to the Bank of Spain in the manner yet to be established.

The Ministry of Economy and Finance, following a proposal by the Bank of Spain, may, whenever the control by a person with a significant participation may jeopardize the sound and prudent management of a credit institution, adopt any of the following measures as deemed appropriate: (a) suspend the voting rights corresponding to such shares; (b) take control of the bank or replace the directors; or (c) revoke the bank's authorization.

Reporting Requirements

Pursuant to Royal Decree 377/91, enacted March 15, 1991, any entity which transfers 5%, or any multiple of 5% of the capital stock of a company listed on a Spanish stock exchange must, within 7 days after that transfer, report the transfer to such company, to the stock exchange on which such company is listed and to the National Securities Market Commission (Comisión Nacional del Mercado de Valores). In addition, any company listed on a Spanish stock exchange must report any acquisition by such company (or an affiliate) of the company's own shares if such acquisition causes the company's ownership of its own shares to be more than 1% of its capital stock. Members of the Board of Directors must report any transfer or acquisition of share capital of a company listed in the Spanish Stock Exchange, regardless of the size of the transaction.

Item 7. TAXATION

Certain U.S. Federal Income Tax Considerations

A foreign corporation will be a "passive foreign investment company" (a "PFIC") for any taxable year if, after the application of certain "look-through" rules, either (i) at least 75% of its gross income is "passive income" (which generally includes interest and dividends) or (ii) at least 50% of its assets produce, or are held for the production of, "passive income." Passive income generally does not include income derived in the active conduct of a banking business.

A U.S. holder of stock in a PFIC must make an annual return on Internal Revenue Service Form 8621, which describes the income received from the company, and generally will be subject to certain adverse U.S. tax consequences, unless certain elections are available. In particular, (i) the amount of any gain realized on the sale or other disposition of such stock, or the amount of any distributions received with respect to such stock in a taxable year that exceed 125% of the average annual distributions received by the holder in the three preceding taxable years (or such shorter time as the holder has held such stock), would be allocated ratably over the holder's holding period for such stock, (ii) the amount allocated to the current taxable year would be treated as ordinary income, and (iii) the amount allocated to each prior taxable year would be subject to tax at the highest tax rate in effect for that year, and an interest charge calculated at the rate generally applicable to underpayments of tax would be imposed with respect to the resulting tax attributable to each such prior year. For purposes of the foregoing rules, the use of stock of a PFIC as security for a loan is treated as a disposition of such stock.

The Bank believes that the majority of the Bank's and the Group's income and assets for the taxable year ended December 31, 1994 should be considered derived in the active conduct of a banking business, and therefore that the Bank should not have been considered to be a PFIC for such year.

Certain Spanish Income Tax Considerations

The following is a summary of certain Spanish tax consequences of the acquisition, ownership and disposition of ADSs or Shares by a United States Holder (as defined below). As used herein, a United States Holder means a beneficial owner of ADSs or Shares (i) who is a United States citizen, a resident of the United States for United States federal income tax purposes, or a corporation organized in or under the laws of the United States or any political subdivision thereof, (ii) who is not also a resident of Spain, (iii) who, in the case of an individual, has a substantial presence in the United States, (iv) who owns less than 25% of the capital and the voting stock of the Bank, (v) whose ownership of Shares or ADSs is not effectively connected with a permanent establishment or fixed base in Spain, and (vi) to whom the limitations on benefits provisions contained in Article 17 of the Treaty (as defined below) do not apply.

Although the following discussion does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Shares or ADSs, in the opinion of Despacho Melchor de las Heras, such discussion, insofar as it relates to Spanish tax matters currently applicable to the United States Holders discussed herein, accurately reflects the material tax consequences of owning Shares or ADSs.

This summary is based on Spanish tax laws in force as of the date of this Report, including the Convention between the United States of America and the Kingdom of Spain for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, together with a related Protocol (collectively, the "Treaty"). This summary is also based in part on representations of the Depositary and on the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For purposes of the Treaty, United States Holders of ADRs will be treated as the owners of the Shares represented by the ADSs evidenced by such ADRs.

Spanish Taxation of Dividends

The Treaty provides that dividends paid by a Spanish company to a United States Holder may be taxed in Spain, but only at a rate not in excess of 15% of the gross amount of the dividends. However, until regulations are promulgated clarifying the applicability of the Treaty to United States Holders, the Bank, as required under Spanish law, will continue to withhold at the general rate of 25% with respect to cash dividends paid to all of its stockholders and ADR holders. Notwithstanding the foregoing, the Bank intends to take all necessary measures to withhold as soon as possible at the rate of 15% with respect to cash dividends paid to United States Holders of ADRs.

A United States Holder may claim a refund, in pesetas, from the Spanish tax authorities of the amount withheld in excess of the Treaty rate of 15%. In order to claim such refund, the United States Holder must appoint a Spanish tax representative and file with the Spanish tax authorities through such representative a Spanish "210 Form" together with a certificate of residence from the IRS stating that, to the best knowledge of the IRS, such holder is a resident of the United States within the meaning of the Treaty. Under Spanish law, an IRS certificate of residence is valid for six months after issuance. In the case of United States Holders of ADRs, the Bank will adopt a procedure for facilitating an expedited refund directly from the Bank of the amount withheld in excess of the Treaty rate of taxation. To use this procedure, a United States Holder of ADRs will need to provide the Bank with the IRS certificate of residence described above and certain other information. The expedited refund procedure is permitted at the administrative convenience of the Spanish tax authorities and there is no guarantee that it will continue to be available. Potential United States Holders are urged to consult their own tax advisors regarding Spanish refund procedures and any United States tax implications thereof.

No other Spanish tax on cash dividends is currently payable by a United States Holder. Preemptive rights to subscribe for new Shares that appertain to Shares by operation of law are not subject to Spanish withholding tax.

Spanish Taxation of Capital Gains

Sales or other dispositions by United States Holders of ADSs or Shares (including deposits and withdrawals of Shares in exchange for ADSs) will not be subject to Spanish income tax, provided that in the case of a sale or other disposition of Shares all applicable certification and reporting requirements are satisfied.

Spanish Wealth Tax

Due to Law 19/1991, which became effective on January 1, 1992, individuals not residing in Spain who hold ADRs located outside of Spain, under certain circumstances, could be subject to the Spanish Wealth Tax which is imposed at marginal rates varying between 0.2% and 2.5% on property located in Spain on the last day of any year. In addition, individual United States Holders of Shares or ADRs that are located in Spain on the last day of any year are subject to such tax. If such tax applies, the Shares or ADRs will be valued at their average market value during the last quarter of each year. Holders of Shares or ADRs should consult their tax advisors.

Spanish Inheritance and Gift Taxes

Due to Royal Decree 1629/1991, which became effective on December 6, 1991, Spanish inheritance or gift tax could be applicable in certain circumstances to some transfers of ADRs, even if title passes outside of Spain and the heir or the beneficiary, as the case may be, is not a Spanish resident. In addition, individual United States Holders of Shares or ADRs are subject to Spanish inheritance or gift tax if their Shares are acquired by inheritance or gift and such Shares or ADRs evidencing such ADSs are located in Spain on the date of such acquisition. Holders of Shares or ADRs should consult their tax advisors.

Spanish Taxes on Transfer

No Spanish transfer tax (or value added tax) will be payable on any transfer of ADRs or Shares.

Obtaining legal title to shares of a company listed on a Spanish stock exchange requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorized under Spanish law to record the transfer of shares. Prior to January 1, 1992, official stockbrokers were required to charge to each party a fee of 0.25% of the value of the shares transferred. Brokerage commissions have since been deregulated. See "Nature of the Trading Market--Securities Market Legislation." Brokers' fees, to the extent charged, will apply upon transfer of title of Shares from the Depositary to a holder of ADRs in exchange for such ADSs, and upon any later sale of such Shares by such holder. Transfers of ADSs do not require the participation of an official stockbroker. The Deposit Agreement provides that holders depositing Shares with the Depositary in exchange for ADSs or withdrawing Shares in exchange for ADSs will pay the fees of the official stockbroker or other person or entity authorized under Spanish law applicable both to such holder and to the Depositary.

Item 8. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information set forth below has been selected from the audited consolidated financial statements of the Group. The information should be read in connection with, and is qualified in its entirety by reference to, the Group's consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 20-F.

The Group's consolidated financial statements included in this Annual Report on Form 20-F have been prepared in accordance with Spanish GAAP. Spanish GAAP differs in certain significant respects from US GAAP. See Note 21 to the Consolidated Financial Statements. The Group's consolidated financial statements included in this Annual Report on Form 20-F are presented after giving effect to material reclassifications that are required by regulations of the United States Securities and Exchange Commission (the "Commission"), and therefore differ in presentation from the financial statements appearing in the Group's annual reports for the years shown.

Effective January 1, 1992, Circular 4/1991 imposed certain changes on the accounting principles applicable to Spanish banks, and effective March 26, 1993, Circular 4/1993 amended Circular 4/1991. Figures in this Form 20-F for 1994 have been stated in accordance with the revised accounting principles of Circular 4/1993. In order to provide a comparison between the financial statements for the years ended December 31, 1993 and December 31, 1992, which were prepared according to the principles of Circular 4/1991, and the financial statements for the year ended December 31, 1991, which were restated in accordance with Circular 4/1991, the 1992 and 1991 financial statements have been restated in accordance with the revised accounting principles of Circular 4/1993, and therefore differ in certain respects from the financial statements for the years ended December 31, 1992 and December 31, 1991 which have been previously filed by the Group. The financial statements for the year ended December 31, 1990 (and prior years) have not been restated in accordance with Circular 4/1993 or Circular 4/1991.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	Year Ended December 31,					
	1990	1991	1992	1993	1994	1994
	(Spanish pesetas in millions, except U.S. dollar and percentages)					
Spanish GAAP Income Statement Data						
Income Statement Data						
Interest income	941,299	967,536	1,030,034	1,095,621	960,642	$ 7,292
Interest expense	628,451	663,527	730,960	781,733	640,784	4,864
Net interest income	312,848	304,009	299,074	313,888	319,858	2,428
Provision for possible loan losses	(27,272)	(41,144)	(48,834)	(71,783)	(48,723)	(370)
Non-interest income	140,101	189,808	161,987	201,449	139,303	1,058
Non-interest expense	(288,447)	(321,255)	(303,528)	(337,581)	(309,894)	(2,353)
Income before income taxes (operating income)	137,230	131,418	108,699	105,973	100,544	763
Income tax expense	(35,896)	(37,601)	(39,221)	(34,888)	(28,214)	214
Net income	101,334	93,817	69,478	71,085	72,330	$ 549
Per Share						
Net income(1)	439	406	301	308	313	2.38
Dividends(2)	158	163	169	169	174	1.32
Per ADS(3)						
Net income(1)	439	406	301	308	313	2.38
Dividends(2)	158	163	169	169	174	1.32
Consolidated Balance Sheet Data						
Total assets	8,288,241	8,816,424	9,993,841	11,528,211	12,972,937	$ 98,481
Loans and leases, net	3,822,998	4,029,593	4,180,076	4,455,170	4,668,142	35,437
Deposits	5,626,006	6,142,525	6,879,214	8,136,648	9,221,194	70,001
Short-term borrowings	1,412,986	1,462,836	1,851,114	1,974,416	2,463,065	18,698
Long-term debt	155,017	146,655	133,396	170,390	179,617	1,364
Stockholders' equity	533,967	539,191	580,127	617,915	631,564	4,794
Minority interests	25,084	59,790	76,330	135,984	135,641	1,030
Total capitalization	714,068	745,636	789,853	924,289	946,822	$ 7,188
Stockholders' equity per share	2,312	2,334	2,511	2,675	2,734	20.75
Stockholders' equity per ADS	2,312	2,334	2,511	2,675	2,734	20.75
Consolidated Ratios						
Profitability ratios						
Net interest margin(4)	4.33%	3.84%	3.61%	3.17%	2.87%	2.87%
Return on average total assets	1.28%	1.08%	0.75%	0.65%	0.59%	0.59%
Return on average stockholders' equity	19.94%	16.89%	12.26%	11.81%	11.59%	11.59%
Capital ratios						
Average stockholders' equity to average total assets	6.42%	6.40%	6.10%	5.52%	5.09%	5.09%
Stockholders' equity to total assets	6.45%	6.12%	5.80%	5.36%	4.87%	4.87%
Credit quality data						
Allowance for possible loan losses	112,227	140,453	165,267	181,882	165,551	1,257
Allowance for possible loan losses as a percentage of total loans and leases	2.84%	3.35%	3.79%	3.90%	3.41%	3.41%
Substandard loans(5)	185,760	210,870	248,024	270,182	237,732	1,805
Substandard loans as a percentage of total loans and leases	4.70%	5.04%	5.68%	5.80%	4.90%	4.90%
Allowance for possible loan losses as a percentage of substandard loans	60.42%	66.61%	66.63%	67.32%	69.59%	69.59%
Net loan charge-offs at end of period	13,289	25,560	26,229	59,912	61,884	470
Net loan charge-offs as a percentage of average total loans and leases at end of period	0.35%	0.64%	0.63%	1.36%	1.32%	1.32%

(footnotes appear on following page)

(1) Calculated on the basis of the weighted average number of Shares outstanding during the relevant period.

(2) Calculated based on total dividends paid in respect of each period indicated.

(3) Each ADS represents the right to receive one Share.

(4) Net interest margin represents net interest income (not on a tax equivalent basis) as a percentage of average interest-earning assets.

(5) Disclosures in this Annual Report on Form 20 with respect to the amount of "substandard loans" at any date reflect Banks of Spain classifications at such date. See "Business--Assets--Allowance for Possible Loan Losses," "--Substandard Loans", and "--Foreign Country Outstandings." Such classifications differ from the classifications applied by U.S. banks in reporting loans as non-accrual, past due, restructured and potential problem loans. One of the more important differences is that under Bank of Spain classifications, in the case of loans which are classified as substandard because any payment of principal or interest is 90 days or more past due, initially only past due payments of principal or interest (to the extent accruing at the time that the relevant loan is classified as substandard) are treated as substandard. If any payment on a loan is past due for more than one year or the aggregate amount of past due principal and interest exceeds 25% of such loan, then the entire principal amount of the loan is required to be classified as substandard. Accordingly, in the table above, only such past due payments are included in substandard loans unless and until the entire principal amount is classified as substandard.

U.S. GAAP(1)

	Year Ended December 31,				
	1991	1992	1993	1994	1994 (dollars)
Net income	104,901	60,247	94,716	63,703	484
Stockholder's equity(2)	464,135	497,424	555,063	561,953	4,266
Total assets(2)	8,804,784	9,996,201	11,546,603	13,015,433	98,804
Per share					
Net income per share	454	261	410	276	2.10
Net income per ADS(3)	454	261	410	276	2.10
Stockholders' equity per share(2)	2,009	2,153	2,403	2,433	18.47
Stockholders' equity per ADS(2)(3)	2,009	2,153	2,403	2,433	18.47

(1) For information concerning significant differences between Spanish GAAP and U.S. GAAP, see Note 21 to the Consolidated Financial Statements.

(2) At the end of the reported period.

(3) Each ADS represents the right to receive one Share.

DIVIDENDS

The Bank has paid annual dividends to its shareholders from the date it was founded. The Bank has paid interim dividends each year, and the total dividend for a year has been approved by the Board of Directors usually following the end of the year to which it relates. The unpaid portion of such dividend (final dividend) has been paid after the approval of the Bank's financial statements by the shareholders at the General Meeting of Shareholders. Interim and final dividends are payable to holders of record on the dividend payment date. Since 1989, the Bank has been paying the interim dividend on a quarterly basis. Unclaimed dividends revert to the Bank five years after declaration.

The table below sets forth the amounts of interim, final and total dividends paid by the Bank on its Shares for the years 1990 to 1994 adjusted to reflect certain stock splits that occurred in 1989 and 1990. Dollar amounts have been converted at the Noon Buying Rate at the end of the relevant year.

	Banco Bilbao Vizcaya, S.A. Per Share First Interim		Second Interim		Third Interim		Final		Total	
1990	Pta. 36.0	$0.31	Pta. 36.0	$0.31	Pta. 36.0	$0.31	Pta. 50.0	$0.44	Pta. 158.0	$1.37
1991	Pta. 36.0	$0.31	Pta. 36.0	$0.31	Pta. 36.0	$0.31	Pta. 55.0	$0.48	Pta. 163.0	$1.42
1992	Pta. 38.0	$0.33	Pta. 38.0	$0.33	Pta. 38.0	$0.33	Pta. 55.0	$0.48	Pta. 169.0	$1.47
1993	Pta. 38.0	$0.27	Pta. 38.0	$0.27	Pta. 38.0	$0.27	Pta. 55.0	$0.37	Pta. 169.0	$1.18
1994	Pta. 38.0	$0.29	Pta. 38.0	$0.29	Pta. 38.0	$0.29	Pta. 60.0	$0.45	Pta. 174.0	$1.32

While the Bank expects to declare and pay dividends on the Shares on a quarterly basis in the future, the payment of dividends will depend upon the Bank's earnings, financial condition, governmental regulations and policies and other factors.

Item 9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion is based on the Financial Statements included in this Form 20-F. Such Financial Statements are prepared in accordance with Spanish GAAP. The significant differences between Spanish GAAP and U.S. GAAP are discussed in Note 21 to the Consolidated Financial Statements, which includes reconciliations of net income and stockholders' equity. Unless otherwise indicated, financial data for the Group included in this Form 20-F are presented on a consolidated basis.

Effective January 1, 1992, Circular 4/1991 imposed certain changes on the accounting principles applicable to Spanish banks. Bank of Spain Circular 4/1991 was amended effective March 26, 1993 by Circular 4/1993 and again in January 1994 and September 1994 by Circulars 11/1993 and 6/1994, respectively. Circulars 4/1991, 4/1993, 11/1993 and 6/1994, and their effect on the accounting principles applicable to the Bank, are discussed in Notes 1 and 2 to the Consolidated Financial Statements.

Years Ended December 31, 1994, 1993 and 1992

Summary

Decreasing net interest margins, the sharp increase in long-term interest rates while short-term interest rates remained low and the depreciation of the peseta resulted in another difficult year for Spanish banks. The recession in Spain, which had lasted almost three years, ended in 1993. In 1994, gross domestic product grew by almost 2%, although, by the end of the year, that growth had not yet produced significant demand for banking products. Despite the relatively weak economic growth overall during 1994, the pace of growth increased in the second half of the year. The pressure to reduce unemployment combined with an improvement in the rate of inflation enabled the Bank of Spain to reduce short-term interest rates putting pressure on financial margins. At the same time, a sharp and unexpected increase in long-term interest rates resulting from increases in international rates and the higher risk premium assigned by foreign investors to Spain produced losses on banks' government bond portfolios.

Against this background, the Group's 1994 net income of Ptas. 72.3 billion represented a 1.8% increase from 1993 net income of Ptas. 71.1 billion, which, in turn, represented an increase of 2.3% from 1992 net income of Ptas. 69.5 billion. The slight increase in net income in 1994 was the result of a 1.9% increase in net interest income (Ptas. 6 billion), a decrease in the provision for loan losses (Ptas. 23 billion) and decreases in non-interest and income tax expenses (Ptas. 28 billion and Ptas. 6 billion, respectively), offset by a decrease in non-interest income of Ptas. 62 billion due to losses in fixed income trading operations and in profits from trading in foreign currencies. The increase in net income in 1993 was substantially attributable to a Ptas. 39.6 billion increase in non-interest income derived from higher gains in fixed income trading operations and in profits from trading in foreign currencies. The 1993 increase was almost completely offset by the increase in provisions for possible loan losses and larger amortizations, higher personnel costs resulting from an increase in pension liability, and an increase in the minority interest partially due to a larger outstanding balance of preference shares.

Net income per Share for 1994 was Ptas. 313, a 1.6% increase from 1993 net income per Share of Ptas. 308, which was 2.3% higher than 1992 net income per Share of Ptas. 301. The Group's 1994 income before income taxes (operating income) was Ptas. 100.5 billion, a decrease of 5.1% from Ptas. 106.0 billion in 1993 which, in turn, represented a decrease of 2.5% from Ptas. 108.7 billion in 1992.

Return on average total assets for 1994 was 0.59% compared with 0.65% for 1993 and 0.75% for 1992. The decreases in 1993 and 1992 are the result of a significant increase in deposits placed at other banks which grew from 27.3% of average assets in 1992 to 30.4% in 1993. The decrease in 1994 is a result primarily of a 43.7% increase of average assets of investment securities (both domestic and foreign governments) in 1994. These deposits and investment securities, although generally of lower risk than loans result in lower yield spreads. Return on average stockholders' equity for 1994 was 11.59% compared with 11.81% for 1993 and 12.26% for 1992. The decrease in 1994 reflects the decrease in the return on average total assets described above. The decrease in 1993 reflects the negative impact on earnings from the recession, which produced only a slow growth in banking activities and a need for higher provisions for possible loan losses.

The following table summarizes the principal components of the Group's net income for the periods under review.

	Year Ended December 31,		
	1992	1993	1994
		(in millions)	
Net interest income	Pta. 299,074	Pta. 313,888	Pta.319,858
Provision for possible loan losses	(48,834)	(71,783)	(48,723)
Non-interest income	161,987	201,449	139,303
Non-interest expense	(303,528)	(337,581)	(309,894)
Income before income taxes (operating income)	108,699	105,973	100,544
Income tax expense	(39,221)	(34,888)	28,214
Net income	Pta. 69,478	Pta. 71,085	Pta. 72,330

The Group's total assets at December 31, 1994 and 1993 were Ptas. 12,972.9 billion and Ptas. 11,528.2 billion respectively, an increase of 12.5% from 1993 to 1994. The Group's stockholders' equity at December 31, 1994 and 1993 was Ptas. 631.6 billion and Ptas. 617.9 billion respectively, an increase of 2.2% from 1993 to 1994.

Results of Operations

Net income. The Group's net income for 1994 was Ptas. 72.3 billion, a 1.8% increase over 1993 net income of Ptas. 71.1 billion which, in turn, represented a 2.3% increase over 1992 net income of Ptas. 69.5 billion.

Net interest income. The Group's interest income for 1994 was Ptas. 960.6 billion, a 12.3% decrease from 1993 interest income of Ptas. 1,095.6 billion which, in turn, represented a 6.4% increase over 1992 interest income of Ptas. 1,030.0 billion.

The 1994 decrease was the net result of a decrease in average interest rates earned on average interest earning assets (Ptas. 218.7 billion) offset in part by growth in average interest earning assets (Ptas. 83.7 billion) derived from the Ptas. 1,295.3 billion increase in the volume of average interest earning assets. The decline in average interest rates reflects the relatively flat short-term rates which prevailed during 1994 in contrast to the sharp, unexpected increase in long-term interest rates during the same period as discussed below. The growth in average interest earning assets occurred as a result of increases in domestic and international fixed income securities and, to a lesser extent, to an increase in loans and leases (mainly domestic ones). In light of the improvements in the Spanish economy, the Group began to increase its domestic loans with the greatest increase coming from loans to the Spanish government and mortgages and consumer loans to individuals.

The 1993 increase was the net result of growth in average interest earning assets (Ptas. 147.6 billion) offset in part by a decrease in the average interest rates earned on average interest earning assets (Ptas. 65.6 billion). The increase attributable to the growth in average interest earning assets was due to an increase in interbank deposits (primarily international deposits) and, to a lesser extent, to an increase in loans and leases (mainly international). The increase in international loans and leases was due partly to the 1993 peseta depreciation, which increased the counter-value of foreign currency denominated assets in pesetas and the expansion of BBV's retail banking in Puerto Rico. Although average interest earning assets continued to rise by 18.5%, average investment securities rose by 5.8%, average interbank deposits rose by 30.6%, total average loans and leases rose by only 5.6% and average securities purchased under resale agreements (which at December 31, 1993 represented only 7.0% of total average earning assets) trebled. Interbank deposits and securities purchased under agreements to resell rose more rapidly than loans and leases as a result of a determination by the Group to continue its policy of refraining from entering into certain loans and leases in light of the general worsening economy in Spain and elsewhere and, to a lesser extent, to the September 1990 institution of tighter credit standards by the Group. The Ptas. 81.5 billion fall in interest income attributable to lower average interest rates was caused by the general decrease in the average domestic and international interest rates.

Interest expense amounted to Ptas. 640.8 billion in 1994, an 18.0% decrease from the 1993 amount of Ptas. 781.7 billion which, in turn, represented a 6.9% increase over the 1992 amount of Ptas. 731.0 billion. The 1994 decrease was the net result of a decrease in average interest rates paid on average interest bearing liabilities (Ptas. 214.4 billion) offset in part by growth in the volume of average interest bearing liabilities (Ptas. 73.5 billion). Average interest rates declined for all types of interest bearing liabilities reflecting the movement of short-term interest rates during 1994. The growth in average interest bearing liabilities amounted to Ptas. 1,267.0 billion and occurred as a result of increases in domestic and international time deposits (Ptas. 930.2 billion) and domestic savings deposits (Ptas. 132.2 billion). The growth in domestic time and savings deposits was in part attributable to a reversal of the trend of Spanish customers to switch deposits into off-balance sheet mutual funds.

The 1993 increase was the net result of a decrease in average interest rates paid on average interest bearing liabilities (Ptas. 97.3 billion) more than offset by growth in the volume of average interest bearing liabilities (Ptas. 148.1 billion). The decrease attributable to the decrease in average interest rates was mainly attributable to the decrease in interest rates on international time deposits and on domestic demand deposits. The Ptas. 1,502.0 billion increase in the volume of average interest-bearing liabilities was derived mainly from an increase in the volume of time deposits and in domestic short-term borrowings, offset only in part by a fall in domestic demand deposits (as Spanish customers withdrew amounts from some domestic high yield current accounts to invest in off-balance sheet products such as mutual funds).

The Group's net interest income for 1994 was Ptas. 319.9 billion, a 1.9% increase over 1993 net interest income of Ptas. 313.9 billion which, in turn, represented a 5.0% increase over 1992 net interest income of Ptas. 299.1 billion.

Net interest margin (net interest income, not on a tax equivalent basis, as percentage of average interest earning assets) in 1994, 1993, and 1992 was 2.87%, 3.17% and 3.61% respectively. Net interest margin decreased in 1994 as average rates earned on average interest earning assets fell at a quicker pace than the average rates paid on average interest bearing liabilities. The decrease in 1994 was a result of the change in the composition of the Bank's loan portfolio to a higher proportion of lower risk, lower margin instruments such as foreign currency bonds and mortgages and, to a lesser extent the reduction in average rates earned on average interest earning assets as a result of a decrease in both domestic and international interest rates on loans and leases (but principally domestic loans and leases) and on investment securities, both domestic and international reflecting the movement of short-term interest rates during 1994. Net interest margin also fell in 1994 as a result of the fact that a greater proportion of the Bank's interest-earning assets were in investment securities and interbank deposits rather than loans.

Net interest margin in 1993 decreased as the average rates earned on average interest earning assets fell at a quicker pace than the average rates paid on average interest bearing liabilities. The reduction in 1993 in average rates earned on average interest earning assets was a result of a general decrease in both domestic and international interest rates on loans and leases (but principally domestic loans and leases) and on international interest bearing deposits in other banks. Net interest margin also fell in 1993 as a result of the fact that a greater proportion of the Bank's interest-earning assets were in interbank deposits. The decrease in average rates paid on interest-bearing liabilities occurred in spite of the higher average costs of domestic savings and short-term borrowings.

Provision for Possible Loan Losses. The Group's provision for possible loan losses for 1994 of Ptas. 48.7 billion represented a 32% decrease from the 1993 provision of Ptas. 71.8 billion which, in turn, represented an increase of 47% from the 1992 provision of Ptas. 48.8 billion. The decrease in 1994 was due to a decrease of 11.65% in substandard loans as the beginning of an upturn in the Spanish economy halted, to some extent, the deterioration in credit quality. The increases in

1993 and 1992 were due to the recession in Spain which caused a deterioration in credit quality and a resulting increase in substandard loans of 8.9% in 1993 and 17.6% in 1992.

Substandard loans at year-end 1994, 1993 and 1992 were Ptas. 237.7 billion (4.9% of total loans and leases), Ptas. 270.2 billion (5.8% of total loans and leases), and Ptas. 248.0 billion (5.68% of total loans and leases), respectively. The Group's level of substandard loans (including cross-border risk), net allowances for loan losses, as a percentage of total loans and leases in 1994, 1993 and 1992 was 1.49%, 1.90% and 1.89% respectively. Bank of Spain regulations require specified levels of provisions for various categories of substandard loans and allow a longer period before loans must be charged off compared with general U.S. banking practice. The Group generally charges off loans classified as substandard three years after such classification even though, in compliance with Spanish banking requirements, such loans will have been 100% reserved within 18 months after such classification. Accordingly, the levels of substandard loans for the Group and for other Spanish banks are higher than the comparable levels for U.S. banks.

The Group's allowance for possible loan losses was Ptas. 165.6 billion at December 31, 1994 which equaled 3.41% of total loans and leases and 69.6% of substandard loans. The corresponding figures were Ptas. 181.9 billion, 3.90% and 67.3% for 1993 and Ptas. 165.3 billion, 3.79% and 66.6% for 1992.

The Group's net charge-offs during 1994 were Ptas. 61.9 billion, a 3.3% increase over 1993 net charge-offs of Ptas. 59.9 billion which, in turn, almost doubled 1992 net charge-offs of Ptas. 26.2 billion. The fact that a substantial portion of the loans charged off each year (over 90% of the total) has been largely reserved in prior years means that charge-offs have a very limited effect on income. The ratio of net charge-offs to average loans and leases was 1.32%, 1.36% and 0.63% in 1994, 1993 and 1992, respectively.

Non-interest Income. The Group's non-interest income for 1994 was Ptas. 139.3 billion, a 30.9% decrease from 1993 non-interest income of Ptas. 201.5 billion, which, in turn, represented a 24.4% increase over 1992 non-interest income of Ptas. 162.0 billion. Non-interest income include commissions and fees, gains (losses) from affiliated companies' securities and investment securities, trading gains (losses) and other income, principally foreign exchange and futures contracts. Management expects that those portions of non-interest income which can be materially affected by unpredictable factors, such as sharp changes in interest rates, changes in the relative values of currencies and movements in the market, will continue to follow the pattern of the market and its volatile nature.

Commissions and fees from fiduciary and securities activities and fees for other services for 1994 was Ptas. 106.5 billion, a 13.2% increase over 1993 income of Ptas. 94.1 billion, which, in turn, represented an 8.8% increase over 1992 income of Ptas. 86.5 billion. The 1994 increase was principally attributable to an increase in fees from mutual funds, the average volume of which continued to grow during the first half of 1994 although at a slower rate than the recent past, and to increases in the volume of the Group's services in 1994. The 1993 increase was principally attributable to an increase in fees from mutual funds (which increased 40% in average volume during this period) which trend has reversed for 1994 and increases in charges to demand accounts and fees derived from credit card activities.

Non-interest income from gains (losses) from affiliated companies' securities and investment securities for 1994 was Ptas. 43.0 billion, a 28.3% decrease from 1993 income of Ptas. 60.0 billion, which, in turn, represented a 10.9% increase over 1992 income of Ptas. 54.1 billion. The 1994 decrease was a result of the sharp increase in long-term interest rates (from approximately 8% to almost 12%) which resulted in unrealized losses on fixed income securities contrasted with gains realized in 1993 from sales of fixed-income securities, partially offset by higher capital gains on sales of certain companies. Pursuant to new accounting rules issued by the Central Bank in 1994, the Group must mark to market the trading portion of its fixed-income securities, must deduct from its capital base for regulatory purposes the unrealized losses of the available-for-sale portion of its fixed-income securities and need not recognize unrealized losses on fixed-income securities that are held to maturity. The Group has no holdings in this last category. See Note 2.d to the Consolidated Financial Statements.

The 1994 decrease contrasts sharply with the 1993 increase which was the result of a doubling of net income derived from selling activities of fixed-income securities reflecting a significant decrease in long-term interest rates. Profits from trading fixed income securities were Ptas. 13.1 billion in 1993, after the drop in long-term interest rates and losses from trading fixed income securities in 1994 were Ptas. 13.2 billion, after the sharp rise in long-term interest rates. The 1993 increase, however, was offset in part by lower capital gains from the sale of equity securities from the Group's industrial holdings.

Other income for 1994 was Ptas. 3 billion, a 91.3% decrease from 1993 other income of Ptas. 34.2 billion, which, in turn, represented a 104.5% increase from the 1992 amount of Ptas. 16.7 billion. Foreign exchange and futures operations included in non-interest income for 1994, 1993 and 1992 was a loss of Ptas. 18.7 billion, Ptas. 3.7 billion and Ptas. 6.5 billion, respectively. See "-- Asset and Liability Management -- Derivative Products". The loss in 1994 was attributable to swings in the currency and interest rate market of which Ptas. 9.7 billion were unrealized.

Non-interest Expense. Non-interest expense amounted to Ptas. 309.9 billion in 1994, an 8.2% increase over the 1993 amount of Ptas. 337.6 billion which, in turn, represented an 11.2% increase over the 1992 amount of Ptas. 303.5 billion.

Expenses related to salaries and employee benefits amounted to Ptas. 171.7 billion in 1994, an 11% decline from the 1993 amount of 193.0 billion which, in turn, represented a 10.5% increase over the 1992 amount of Ptas. 174.6 billion. The decrease in 1994 was attributable to the freeing up of Ptas. 18.3 billion which had previously been held as a reserve for pension liabilities for current employees and which was permitted as a result of the transfer to a third-party of pension funds. For a discussion of the Group's pension fund liabilities, see Note 2(g) to the Consolidated Financial Statements. But for the one-time event, expenses related to salaries and employee benefits would have decreased by 1.5% in 1994. This decrease occurred as a result of the continuing reduction in personnel (by 740) and despite an increase in union wages of 2.75%.

The increase in 1993 was attributable to a provisional increase of salaries in Spain of 4%, a 29% rise in the costs in the international network (because of the translation of the foreign currency paid to international staff after the peseta's depreciation and the expansion of retail banking operations in Puerto Rico), additional increases in the social security charges in Spain, and the change of the actuarial rate of pension funds from 6.5% to 6%, partly offset by a reduction in the number of employees.

Net occupancy expense amounted to Ptas. 40.0 billion in 1994, a 3.3% increase over the 1993 amount of Ptas. 38.8 billion which, in turn, represented a 8.8% increase over the 1993 amount of 35.6 billion. The increase in 1994 was attributable to a change in accounting for the value added tax in May 1994. Without such an accounting change, net occupancy expense would have remained flat.

General administrative and other expenses amounted to Ptas. 83.9 billion in 1994, a 6.9% decrease from the 1993 amount of Ptas. 90.1 billion which, in turn, represented a 5.8% increase over the 1992 amount of Ptas. 85.1 billion. The decrease in 1994 was principally attributable to cost control and rationalization efforts during 1994 and occurred despite an increase in marketing costs. The increase in 1993 was principally attributable to a 24% increase in marketing costs and a Ptas. 2 billion allowance for potential losses associated with real estate owned as a result of loan foreclosures.

Income before Income Taxes (Operating Income). The Group's operating income in 1994 was Ptas. 100.5 billion, a decrease of 5.1% from 1993 operating income of Ptas. 106.0 billion, which represented a decrease of 2.5% over the 1992 amount of Ptas. 108.7 billion.

Income Tax Expense. For 1994, 1993 and 1992, the Group had effective tax rates of 28.1%, 32.9% and 36.1%, respectively. The changes have been caused by changes in the structure of the Group's profits.

Net Income Information on a U.S. GAAP basis. The Consolidated Financial Statements included elsewhere in this Prospectus have been prepared in accordance with Spanish GAAP, which differs in certain significant respects from U.S. GAAP. For a summary of the most significant adjustments required to calculate net income on a U.S. GAAP basis, see Note 21 to the Consolidated Financial Statements.

	Year Ended December 31,		
	1992	1993	1994
	(in millions, except per Share data)		
As reported:			
Net income	Pta. 69,478	Pta. 71,085	Pta. 72,330
Net income per share[(1)]	301	308	313
U.S. GAAP:			
Net income	60,247	94,716	63,703
Net income per share[(1)]	261	410	276

(1) Calculated on the basis of the weighted average number of Shares outstanding in the relevant period.

Net income for the year ended December 31 1994 in accordance with U.S. GAAP was lower than net income as reported in accordance with Spanish GAAP, principally due to an adjustment in pension costs (Ptas. 12.2 billion). See Note 21 to the Consolidated Financial Statements.

Financial Condition

At December 31, 1994, the Group's assets totaled Ptas. 12,972.9 billion, a Ptas. 1,444.7 billion, or 12.5% increase over 1993 year-end assets of Ptas. 11,528.2 billion. Loans and leases, net of unearned income, accounted for Ptas. 4,833.7 billion, or 37.3% of total assets at December 31, 1994, an increase of Ptas. 196.6 billion, or 4.2% over 1993 year-end of Ptas. 4,637.1 billion, which, in turn, represented an increase of Ptas. 291.8 billion, or 6.7% over year-end 1992 of Ptas. 4,345.4 billion. At year-end 1994, international lending had decreased 5.2% from year-end 1993 which, in turn represented an increase of 46.6% over 1992. The increase in international assets in 1994 was principally due to an increase in business in Western Europe. In 1994, domestic lending increased by 6%. Loans to government and individuals (including mortgages) increased, while loans in the agricultural, commercial and financial and lease financing sectors decreased. The industrial sector declined slightly and construction and real estate increased slightly. The increase in international assets in 1993 was principally due to the impact of the depreciation of the peseta in May 1993, and the expansion of the retail banking operation in Puerto Rico. In 1993, domestic lending increased by 1.2%. Loans to the government, commercial and financial sectors and installment loans to individuals increased, while loans to the agricultural, industrial, real estate and construction sectors decreased.

Of the Group's total loan portfolio at December 31, 1994, 84.8% represented exposure to domestic borrowers and 15.2% represented exposure to international borrowers. Of the Group's total loan portfolio at December 31, 1993, 83.3% represented exposure to domestic borrowers and 16.7% represented exposure to international borrowers.

At December 31, 1994, investment securities accounted for Ptas. 2,487.0 billion or 19.2% of total assets, an increase of Ptas. 772.4 billion or 45.0% from 1993 year-end of Ptas. 1,714.6 billion or 14.9% of total assets. The increase in 1994 was attributable to an increase in Spanish Government securities and, to a lesser extent, in securities of foreign governments. Interest-bearing deposits in other banks at December 31, 1994 accounted for Ptas. 3,666.0 billion, or 28.3% of total assets, an increase of Ptas. 295.7 billion, or 8.8% from the 1993 year-end of Ptas. 3,370.3 billion or 29.2% of total assets.

At December 31, 1994, the Group's total liabilities were Ptas. 12,205.7 billion, a 13.3% increase over total liabilities of Ptas. 10,774.3 billion at December 31, 1993, which, in turn, represented a 15.4% increase over total liabilities of Ptas. 9,337.1 billion at December 31, 1992. The 1994 increase of Ptas. 1,431.4 billion in liabilities was principally due to an increase in time and savings deposits. The 1993 increase of Ptas. 1437.2 billion in liabilities was mainly driven by an increase of Ptas. 1,164.5 billion in time deposits and Ptas. 245.9 billion in securities sold under repurchase agreements. In 1993, demand deposits declined Ptas. 76.0 billion as Spanish customers withdrew funds from domestic high-yield current accounts to invest in off-balance sheet products such as mutual funds (which trend reversed beginning in April 1994), other deposits have also decreased Ptas. 122.6 billion as a result of the decrease in interest rates. Total deposits as a percentage of total liabilities were 75.6% at year-end 1994, 75.5% at year-end 1993 and 73.7% at year-end 1992. The maintenance of total deposits as a percentage of total liabilities in 1994 is principally due to an increase in time deposits and securities sold under repurchase agreements. The increase in total deposits as a percentage of total liabilities in 1993 is principally due to a sharp increase in time deposits both from customers and from interbank activities, which increased by 27.5% in comparison with an 18.3% increase in total deposits.

Long-term debt represented 19.0%, 18.4% and 16.9% of the Group's total capitalization at December 31, 1994, December 31, 1993 and December 31, 1992, respectively. The increases in 1993 were due to the increase of floating rate foreign currency debentures and the depreciation of the peseta.

Minority interests in the Group at December 31, 1994 amounted to Ptas. 135.6 billion ($1.0 billion), a decrease of Ptas. 0.3 billion ($2.3 million) from Ptas. 136.0 billion ($950 million) at December 31, 1993 which, in turn, represented an increase of Ptas. 59.4 billion ($415 million) over December 31, 1992 figure of Ptas. 76.6 billion. The 1993 increase came mainly from a public offering in the United States, Spain, and internationally by Banco Bilbao Vizcaya International (Gibraltar) Limited of $248.25 million of Series C Non-Cumulative Preferred Guaranteed Stock.

Stockholders' equity at December 31, 1994 was Ptas. 631.6 billion, an increase of Ptas. 13.7 billion, or 2.2% over stockholders' equity of Ptas. 617.9 billion at December 31, 1993 which, in turn, represented an increase of Ptas. 37.8 billion, or 6.5% over stockholders' equity of Ptas. 580.1 billion at December 31, 1992. As of January 1, 1993, the European Union's minimum capital requirements were implemented by the Spanish Government. Pursuant to these requirements, the ratio of total capital (core and complementary) to risk-weighted assets must be at least 8% and the total amount of complementary capital admissible for computing total capital may not exceed the total amount of core capital. See "Supervision and Regulation--Capital Adequacy Requirements". At December 31, 1994, the Group's ratio of core capital to risk-weighted assets of total capital to risk-weighted assets was 11.3%, which represented a 34.0% excess of stockholders' equity over required stockholders' equity.

ASSET AND LIABILITY MANAGEMENT

The purpose of asset and liability management is to structure the Group's consolidated balance sheet in light of interest rate, liquidity and foreign exchange risks. The Bank's assets and liability committee regularly reviews these risks and establishes asset and liability management policy.

Risk Management

Risk is an inherent part of the Group's business, and the extent to which the Group properly and effectively identifies, assesses, monitors and manages each of the various types of risk involved in its activities is critical to its success and profitability. The Group seeks to actively manage the principal risks involved in each area of business activity: market risk, corporate interest rate risk and credit risk.

The Group analyzes market risk, the risk that changes in interest rates, exchange rates and prices for financial instruments may have an adverse impact on the Bank's portfolio of investment securities, what management refers to as "corporate interest rate risk", the risk that movements in interest rates may have an adverse impact on results of operations and the value of the entire balance sheet and credit risk.

The Group's Board of Directors and its senior management take an active role in the risk management process and have developed policies and procedures to measure, monitor and control the various risks. Specific risk limits are assigned to each operational division which are then internally distributed among activities and dealers. These limits are monitored both by the individual division and by Central Market Risk Unit. The Central Risk Unit reports directly to the Standing Committee of the Board of Directors as well as the Executive Committee (consisting of the chairman, chief executive officer and the most senior general managers). The Central Market Risk Unit verifies each division's compliance with its individual limits and calculates total risk by consolidating the positions of the individual divisions. The Central Market Risk Unit establishes the methods used to measure risk, reports to senior management on each division's risk and approves each division's internal regulations established for risk management. Auditing and internal control validates the integrity of the data used in calculating overall risk and monitors each division's compliance with policies and procedures established by the Central Market Risk Unit.

Market Risk. The Group uses analytic and quantitative tools to measure market risk, to set appropriate limits and to assess the sensitivity of positions at risk to changes in market conditions. The primary analytic and quantitative tools used by the Group are a variant of the value-at-risk family. Value-at-risk is a concept derived from statistical estimates of the losses or gains a portfolio could experience, due to changes in underlying prices, over a given holding period, for given confidence intervals. The confidence interval is an estimate of the changes in portfolio value that are likely to occur some proportion of the time. Value-at-risk takes into account both the tendency of the risk factors to change quantitatively (i.e., volatility) and the tendency of movements in these factors to offset or strengthen each other (i.e., correlation). For the Group, positions selected for calculating maximum value-at-risk are maintained for a period of one week, with estimates generally made at a 95% level of statistical reliability (at December 31, 1994, such amount was Ptas. 2,500 million - Ptas. 3,000 million). Analyses are also made of stress situations simulating scenarios with more demanding statistical reliability levels, greater volatility and adverse changes in the correlation ratios.

Corporate Interest Rate Risk. Corporate interest rate risk is measured based on the difference between assets and liabilities that mature or are repriced at varying intervals. The financial margin of risk is determined by multiplying this difference by the maximum change in rates for a given level of statistical reliability. These calculations take into account both the estimates of expected settlements and the sensitivity of the volumes to reflect in time and quantity the changes in market interest rates. In addition, a simulation program is used to incorporate the sensitivity of the results to different scenarios of volumes and contract maturities, as well as different interest rate scenarios.

Calculations are made for each foreign currency in which assets and liabilities are denominated, adding the results using models which factor in the correlation between interest rate and currency movements. Estimates are made both for the Group and each principal subsidiary. Using these calculations and taking into account the outlook for interest rates, the assets and liabilities committee proposes the most appropriate strategy for hedging open positions. Corporate interest rate risk is managed not only through changes in the structure of the volume and contract maturity of assets and liabilities but also through the treasury division's trading in derivative instruments.

Credit Risk. The Group evaluates the risk associated with derivatives in much the same way as the risks associated with balance sheet financial instruments. The Credit Department reviews trading transactions to ensure that credit exposures are appropriate for the particular counterparty with whom business is being conducted. All counterparties are reviewed periodically to establish appropriate exposure limits for various transactions. In certain cases, specific transactions are analyzed to determine the amount of potential exposure that could arise, and the counterparty's credit is reviewed to determine whether it supports such exposure. In addition to the counterparty's credit status, the Credit Department analyzes market movements that could affect exposure levels. The Credit Department considers, among other things, the factors that may affect trades in determining trading limits: the settlement method; the time it will take for a trade to settle (i.e., the maturity of the trade); the volatility that could affect the value of the securities involved in the trade; and the size of the trade. In addition to determining trading limits, the Group actively manages the credit exposure relating to its trading activities by monitoring the creditworthiness of counterparties and the related trading limits on an ongoing basis and requesting additional collateral when deemed necessary; diversifying and limiting exposure to individual counterparties and geographic locations; and limiting the duration of exposure. In certain cases, the Group also may close out transactions or assign them to other counterparties when deemed necessary or appropriate to mitigate credit risk. At December 31, 1994, among the counterparties with whom the Group conducts business, 21.38% were rated "AAA", 43.14% were rated "AA", 30.63% were rated "A" and 4.85% either have a rating lower than "A" or were not classified as having a rating.

Liquidity

The Group's asset and liability management policy attempts to ensure that sufficient liquidity is available to meet the Group's funding requirements. Spanish banking regulations require the Group's Spanish banks to comply with certain liquidity requirements. See "Description of Business -- Supervision and Regulation" and Note 3(b) to the Consolidated Financial Statements.

The Group's primary source of funds is its retail deposit base, which consists primarily of demand, savings and time deposits generated by the Group's extensive branch network. Time deposits, which account for largest percentage of deposits (67.4%, 66.3% and 61.5% of total deposits at December 31, 1994, December 31, 1993 and December 31, 1992, respectively), provide a stable base of funding. The Group also supplements its funding with borrowings from the Bank of Spain and interbank borrowings. Interbank funds are generally borrowed on an overnight basis.

Short-term borrowings, which consist principally of securities sold under agreements to repurchase, amounted to Ptas. 2,463.1 billion at December 31, 1994, an increase of 24.8% over Ptas. 1,974.4 billion at December 31, 1993 which, in turn, represented an increase of 6.7% over Ptas. 1,851.1 billion at December 31, 1992. The Group also issues to its customers, largely through certain Subsidiary Banks, promissory notes with maturities generally ranging from 15 days to one year. These promissory notes, which are included in short-term borrowings in the Consolidated Financial Statements, decreased by 62.9% from Ptas. 194.8 billion in December 31, 1992 to Ptas. 72.9 billion at December 31, 1993 and then decreased by 75.4% to Ptas. 17.9 billion at December 31, 1994.

To provide additional stability to the Group's funding base, the Group had Ptas. 179.6 billion of long-term debt at December 31, 1994 of which Ptas. 100.4 billion or 56.0% matures after 1998. For a breakdown of long-term debt at December 31, 1994, and December 31, 1993 see Note 13 to the Consolidated Financial Statements.

The following table shows the Group's application of funds (other than dividends paid) during the last three years.

	Year Ended December 31,		
	1992	1993	1994
Increase (decrease) in assets			
Cash and due from banks	(8,741)	(43,576)	23,781
Interest-bearing deposits in other banks	512,493	531,455	295,778
Securities purchased under agreements to resell	105,914	485,459	49,758
Investment and trading securities	296,794	273,783	751,721
Loans and lease	208,528	354,283	273,278
Premises and equipment	28,030	30,518	18,735
Investments in affiliates companies	71,951	(15,244)	23,023
Other assets	60,967	19,402	110,827

Interest-Earning Assets

Loans constitute the most significant part of the Group's interest-earning assets. Although approximately 90% of the Group's loans are made on a variable rate basis, fixed rate lending is becoming more common in Spain and as a result the Group's portfolio of fixed rate loans is increasing.

The following table shows the percentage mix of average interest-earning assets for each of the past three years.

	Year Ended December 31,		
	1992	1993	1994
Interest-earning assets with banks and money at call and short notice			
Domestic	11.4%	12.1%	9.1%
International	18.6	21.0	24.0
Total	30.0	33.1	33.1
Securities purchased under agreement to resell	2.8	7.0	5.8
Loans and leases			
Domestic	43.7	37.7	35.5
International	5.7	6.3	6.4
Total	49.4	44.0	41.9
Investment Securities			
Domestic	14.4	10.1	7.9
International	3.4	5.8	11.3
Total	17.8	15.9	19.2
Total	100.0%	100.0%	100.0%

Interest Rate Sensitivity

A key component of the Group's asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income. The composition of the Group's assets and liabilities, and the gap position resulting from such composition, means the Group's net interest income, particularly in the short term, would be effected by changes in the general level of interest rates.

The interest earning assets and interest bearing liabilities of the Group (representing 88.4% and 81.2% of consolidated financial assets, respectively) and the related interest rate sensitivity gap is given in the following table as at December 31, 1994 and may not be reflective of positions of subsequent periods. In addition, variations in interest rate sensitivity may arise within the repricing periods presented or among the currencies in which interest rate positions are held. Changes in positions can be made promptly as market outlooks change. Such positions are monitored and limits are established by and are actively enforced by senior management.

	December 31, 1994				
	Up to 30 Days	31-90 Days	91-365 Days	Over 365 days	Total
	(in millions, unless otherwise indicated)				
Interest-Earning Assets					
Financial intermediaries, including securities purchased under agreements to resell, treasury bills and notes and loans tied to LIBOR	Pta. 4,121,937	Pta. 858,449	Pta. 544,013	Pta. 753,964	Pta. 6,278,363
Loans and leases	1,346,982	539,670	741,609	1,302,806	3,931,067
Investment securities, except treasury bills and notes	263,854	86,381	176,021	728,757	1,255,013
Total interest-earning assets(1)	Pta. 5,732,773	Pta. 1,484,500	Pta. 1,461,643	Pta. 2,785,527	Pta. 11,464,443
Interest-Bearing Liabilities					
Financial intermediaries and bank of Spain deposits and securities sold under agreements to repurchase	Pta. 3,513,683	Pta. 490,436	Pta. 120,532	Pta. 45,295	Pta. 4,169,946
Customer deposits, promissory notes and long term debt(2)	4,249,662	583,117	1,380,740	227,467	6,440,986
Total interest-bearing liabilities(1)	Pta. 7,763,345	Pta. 1,073,553	Pta. 1,501,272	Pta. 272,762	Pta. 10,610,932
Asset/liability gap	Pta. (2,030,572)	Pta. 410,947	Pta. (39,629)	Pta. 2,512,765	Pta. 853,511
Cumulative sensitivity gap	(2,030,572)	(1,619,625)	(1,659,254)	853,511	853,511
Cumulative sensitivity gap percentage of total assets	(15.54%)	(12.40%)	(12.70%)	6.53%	6.53%
Ratio of interest-earning assets to interest-bearing liabilities	(73.84%)	138.28%	(97.36%)	1,021.23%	108.04%

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(1) No effect is given to interest rate swaps and other off-balance sheet hedging transactions.

(2) All high-yield demand and savings deposits are included in the Up to 30 Days and 91-365 days repricing period.

Foreign Exchange Rate Sensitivity

As part of its asset liability management, the Group attempts to minimize the impact of foreign exchange rate volatility on the matching of assets and liabilities not denominated in pesetas. The Group is an active participant in global foreign exchange markets and consequently generates certain elements of exposure. Foreign exchange trading activities are subject to limits with respect to open positions. Although positions are monitored and the limits are actively enforced by senior management, limiting the effects of exchange rate changes is primarily the responsibility of the management of the specific branch or subsidiary dealing in foreign exchange.

The Group's international branches and subsidiaries are funded to the extent possible in local currencies, thus limiting currency mismatch between assets and borrowings. Furthermore, borrowings are generally generated on a short-term basis through deposits and the local interbank market.

Derivative Products

Derivatives, generally speaking, are contracts or agreements which derive their value from underlying interest rates, foreign exchanges rates, prices of securities, or financial or commodity indices. Derivatives used by the Group during the year ended December 31, 1994 include futures, forwards, swaps, options and cap and floor contracts.

The Group uses derivatives for both trading and hedging, i.e., asset and liability management activities. See Note 19 to the Consolidated Financial Statements. As part of its trading activities, the Group acts as a dealer in derivative products to satisfy the risk management needs of its clients. For example, it acts as an intermediary in arranging interest rate swap transactions for its customers and typically becomes a principal in the exchange of interest payments between the parties and, therefore, is exposed to loss should one of the parties default. In addition, the Group assumes trading positions based on its market expectations and to benefit from price differentials between products and markets. As an end user, the Group uses derivatives in the execution of its asset and liability management strategies. Derivatives are used to hedge exposures to interest rate or currency fluctuations and to modify the interest rate characteristics of related balance sheet instruments. As a financial accounting matter and as a result of the Bank of Spain's requirements, the vast majority of the Group's derivatives activities are accounted for as trading activities rather than hedging activities. For a discussion of accounting policies with respect to derivatives, see Note 2(j) to the Consolidated Financial Statements.

As with balance sheet financial instruments, derivatives used by the Group are subject to market risk, corporate interest rate risk and credit risk. See "-- Risk Management". With respect to derivatives, the Group's exposure to credit risk is represented by the positive market value of the relevant instrument which is generally a small portion of the notional value of a derivative instrument unlike balance sheet financial instruments where credit exposure is generally represented by the notional or principal value.

The following table shows the notional amounts and average volumes of derivatives contracts held by the Group during 1994, together with closing balances at December 31, 1994, the end-of-month maximum for each type of contract and the credit exposure for each type of contract:

Derivative Instruments

Notional principal amounts in 1994
(millions of Pesetas)

	At December 31,	Average during year	Maximum month-end	At December 31, Credit Exposure[1]
Interest Rate and Commodity Products-				
Future contracts	Pta. 312,039	Pta. 742,011	Pta. 1,460,501	--[2]
Forward contracts	1,492,539	2,363,379	3,528,441	Pta. 2,056
Swap contracts	3,961,801	3,182,612	3,961,801	31,852
Purchased options	180,911	168,343	270,937	803
Written options	121,854	193,260	249,419	--[3]
Other products	301,913	500,676	784,998	2,366
	At December 31,	**Average during year**	**Maximum month-end**	**At December 31, Credit Exposure[1]**
Foreign Exchange Products-				
Forward contracts	Pta. 10,625,824	Pta. 13,741,838	Pta. 16,213,630	Pta. 75,676
Swap contracts	208,513	104,443	209,340	11,468
Purchased options	93,033	75,331	144,080	405
Written options	111,358	123,829	201,109	--[3]
	Pta. 17,409,785	Pta. 21,194,722	Pta. 24,682,045	Pta. 124,626

(1) Credit exposure is on a gross basis without considering the effect of any netting agreements.
(2) There is no credit exposure associated with future contracts as these contracts are settled daily in cash.
(3) There is no credit exposure associated with written options contracts as these contracts represent obligations, rather than assets, of the Group.

The table below gives the breakdown by maturity of the Group's derivatives contracts at December 31, 1994:

Maturity by Notional Value of Derivatives

	Notional principal amounts maturing			
	Within One Year	One to Two Years	After Two Years	Total
Interest Rate and Commodity Products-				
Future contracts	312,039	--	--	312,039
Forward contracts	1,124,990	364,549	3,000	1,492,539
Swap contracts	81,760	1,004,701	2,875,340	3,962,801
Purchased options	103,337	13,400	64,174	180,911
Written options	121,854	--	--	121,854
Other products	301,913	--	--	301,913
Foreign Exchange Products-				
Forward contracts	8,073,926	2,150,270	401,628	10,625,824
Swap contracts	--	--	208,513	208,513
Purchased options	93,033	--	--	93,033
Written options	111,358	--	--	111,358
	10,324,210	3,532,920	3,552,655	17,409,785

Unrealized net losses on derivatives contracts at December 31, 1994 amounted to Ptas. 5,524 million (unrealized profits of Ptas. 31,497 million and unrealized losses of Ptas. 37,021 million), with allowances for possible losses made of Ptas. 9,678 million, in accordance with Bank of Spain criteria. See Note 21 to the Consolidated Financial Statements. Taking into account these allowances, management does not anticipate that any material losses will arise out of the derivatives contracts carried on its books as of December 31, 1994. See Note 19 to the Consolidated Financial Statements.

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Bank is managed by the Board of Directors which, in accordance with the Bank's By-laws (Estatutos), must consist of not less than 20 and not more than 30 members. All members of the Board of Directors are elected to serve five-year terms. One-fifth of the members are subject to re-election every year by the Bank's shareholders at a general meeting. In order to qualify to serve as a Director, a person must either (a) have held Shares having an aggregate nominal value of Ptas. 100,000 for more than two years or (b) have been party to an employment or service contract with the Bank. The Board of Directors delegates certain policy-making functions to the Permanent Delegated Committee (Comisión Delegada Permanente) which is comprised of the Chairman, the two Vice-Chairmen and certain non-executive directors. The members of this Committee generally meet once a week. The Bank's By-laws provide that the Chairman of the Board must retire from that position during the calendar year in which the Chairman becomes 65 years old.

The following table sets forth the names of the members of the Board of Directors of the Bank, their current positions with the Group and the date each such position was assumed.

Name	Current Position
Emilio de Ybarra y Churruca	Executive Chairman (1990); Vice Chairman (1986); Chief Executive (1976); Director (1971)
Javier Gúrpide Huarte	Vice Chairman (1994) Second Vice Chairman (1990)
Pedro Luis Uriarte Santamarina	Chief Executive (1994) Director (1990)
José Angel Sánchez Asiaín	Director (1970)
Federico Lipperheide Wicke	Director (1973)
Eduardo Aguirre Alonso-Allende	Director (1981)
Gervasio Collar Zabaleta	Director (1976)
Juan Manuel de Zubiría y Uhagón	Director (1949)
Ramón de Icaza y Zabálburu	Director (1963)
Ignacio Zubiría Mac-Mahón	Director (1973)
Vicente Eulate Mac-Mahón	Director (1975)
Fernando de Ybarra y López-Dóriga	Director (1975)
Francisco Javier Aresti Victoria de Lecea	Director (1983)
José Domingo Ampuero Osma	Director (1985)
Luis Lezama-Leguizamón Dolagaray	Director (1986)
Andrés Vilarino Maura	Director (1987)
José Antonio Sáenz-Azcúnaga Usandizaga	Director (1988)
Luis Maria de Ybarra y Zubiría	Director (1988)
Ricardo Muguruza Garteizgogeascoa	Director (1988)
José Aureliano Recio Arias	Director (1988)
Plácido Arango Arias	Director (1990)
Manuel Francisco Clavero Arévalo	Director (1990)
Juan Entrecanales de Azcárate	Director (1990)
José Lladó Fernandez-Urrutia	Director (1990)
Juan Urrutia Elejalde	Director (1990)

The Executive Officers of the Bank and their positions with the Group and year appointed to such positions are as follows:

Name	Position	Age	Year Appointed
Emilio de Ybarra y Churruca	Executive Chairman*	58	1990
Pedro Luis Uriarte Santamarina	Chief Executive Officer*	52	1994
José Luis Marcaida Onaindia	General Manager	57	1988
Luis Javier Bastida Ibargüen	General Manager*	49	1990
José Ramon Guerediaga Mendiola	General Manager	51	1990
Juan Palacios Raufast	General Manager	54	1990
Gonzalo Terreros Ceballos	General Manager	50	1990
Javier Echenique Landiríbar	General Manager*	43	1992
José Ignacio Goirigolzarri Tellaeche	General Manager*	41	1992
José Luis Carranza Ortiz	General Manager*	51	1993
José Fonollosa García	General Manager*	44	1994

* Member of the Executive Committee

The following family relations exist among the directors and officers: Fernando de Ybarra and Luis Maria de Ybarra are first cousins; Ignacio Zubiria and Vicente Eulate are first cousins: and Luis Maria de Ybarra and Federico Lipperheide are first cousins by marriage; Ramon Icaza and Francisco Javier Aresti are brothers-in-law; and Eduardo de Aguirre and Federico Lipperheide are brothers-in-law.

Item 11. COMPENSATION OF DIRECTORS AND OFFICERS

The aggregate compensation of all current Directors and executive officers of the Group paid or accrued for the year ended December 31, 1994, was Ptas. 1,085 million ($8.2 million). The Board of Directors is empowered by the Bank's By-laws to distribute up to 4% of the Bank's annual net income to its members. This amount may only be distributed after provision for reserves as required by the law has been made and distribution of 4% of the Bank's share capital has been made in the form of dividends to the Bank's shareholders. Funding for retirement plans for directors for the year ended December 31, 1994 was approximately Ptas. 183 million ($1.4 million).

Item 12. OPTION TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

Not applicable.

Item 13. INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

As of December 31, 1994, the aggregate advances and loans made by the Bank and its consolidated subsidiaries to members of the Bank's Board of Directors amounted to Ptas. 358 million ($2.7 million), a decrease of Ptas. 238 million ($1.8 million) over the 1993 amount of Ptas. 596 million ($4.5 million). As of December 31, 1994 and 1993, these advances and loans bore annual interest rates ranging from 5% to 12%. In addition, guarantees provided by the Bank and its consolidated subsidiaries to members of the Bank's Board of Directors amounted to Ptas. 50 million ($0.4 million), a decrease of Ptas. 10 million ($0.1 million) from the 1993 amount of Ptas. 60 million ($0.4 million). For additional discussion regarding loans to directors, executive officers and related parties see Note 5 to the Consolidated Financial Statements.

PART II

Item 14. DESCRIPTION OF SECURITIES TO BE REGISTERED

Not applicable.

PART III

Item 15. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 16. CHANGES IN SECURITIES AND CHANGES IN SECURITY FOR REGISTERED SECURITIES

Not applicable

PART IV

Item 17. **FINANCIAL STATEMENTS**

Not applicable.

Item 18. **FINANCIAL STATEMENTS**

See pages F-1 through F-51.

Item 19. **FINANCIAL STATEMENTS AND EXHIBITS**

(a) Index to Financial Statements:

(b) Index to Exhibits:

2.1--Consent of Despacho Melchor de las Heras

2.2--Consent of Arthur Andersen

2.3--Consent of KPMG Peat Marwick

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANCO BILBAO VIZCAYA, S.A.

By /s/ Raymond E. C. Surguy
Raymond E. C. Surguy
Executive Vice President and
Group Chief Executive North America

Date: June 2, 1995

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To the Shareholders and the Board of Directors of
Banco Bilbao Vizcaya, S.A.

We have examined the accompanying consolidated balance sheets of BANCO BILBAO VIZCAYA, S.A. and DEPENDENT COMPANIES comprising the BANCO BILBAO VIZCAYA GROUP (see Notes 1 and 3) as of December 31, 1993 and 1994, and the related consolidated statements of income, changes in financial position and changes in stockholders' equity for each of the three years in the period ended December 31, 1994. The preparation of these financial statements is the responsibility of the Group's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in the United States, which require examination, by means of selective tests, of the documentation supporting the financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.

In our opinion, the consolidated financial statements referred to above present in all material respects, a true and fair view of the net worth and financial position of Banco Bilbao Vizcaya, S.A. and Dependent Companies comprising the Banco Bilbao Vizcaya Group (see Notes 1 and 3) as of December 31, 1993 and 1994, and of the results of their operations and of the funds obtained and applied by them in each of the three years ended December 31, 1994, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a consistent basis.

/s/ ARTHUR ANDERSEN
ARTHUR ANDERSEN

Bilbao - Spain,
January 27, 1995
(except for Note 20
which is as of May 31, 1995)

BANCO BILBAO VIZCAYA GROUP

CONSOLIDATED BALANCE SHEETS (NOTES 1, 2 AND 3)

(Currency - Millions of Spanish Pesetas)

	December 31, 1993	December 31, 1994
ASSETS		
Cash and due from banks	143,522	167,303
Interest bearing deposits in other banks	3,370,265	3,666,043
Securities purchased under agreements to resell	808,915	858,673
Trading securities (Note 4)	146,220	117,667
Investment securities, market or appraised value for 1993 and 1994 of Ptas. 1,755,358 million and Ptas. 2,493,779 million, respectively (Note 4)	1,714,590	2,487,021
Net loans		
Loans and leases, net of unearned income (Note 5)	4,637,052	4,833,693
Less: Allowance for possible loan losses (Note 6)	(181,882)	(165,551)
	4,455,170	4,668,142
Premises and equipment, net (Note 7)	271,399	267,538
Investments in affiliated companies (Note 8)	307,982	330,077
Other assets (Note 9)	310,148	410,473
	11,528,211	12,972,937
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits (Notes 10 and 18)		
Noninterest bearing	373,892	418,541
Demand	1,502,678	1,609,012
Savings	863,044	981,713
Time	5,397,034	6,211,928
Total deposits	8,136,648	9,221,194
Due to Bank of Spain and Deposit Guarantee Fund (Note 11)	59,947	-
Short-term borrowings (Note 12)	1,974,416	2,463,065
Long-term debt (Note 13)	170,390	179,617
Other liabilities (Note 9)	432,911	341,856
Total liabilities	10,774,312	12,205,732
Commitments and contingencies (Note 19)	-	-
Minority interest (Note 15)	135,984	135,641
Stockholders' equity		
Capital stock (Note 16)	138,600	138,600
Retained earnings and other reserves (Note 17)	479,315	492,964
Total stockholders' equity	617,915	631,564
	11,528,211	12,972,937

The accompanying notes 1 to 21 are an integral part of these balance sheets.

BANCO BILBAO VIZCAYA GROUP

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1992, 1993 AND 1994 (NOTES 1, 2 AND 3)

(Currency - Millions of Spanish Pesetas)

	Year Ended December 31,		
	1992	1993	1994
INTEREST INCOME			
Interest and fees on loans	558,589	566,410	484,363
Interest on lease financing	40,289	32,709	23,277
Interest on deposits in other banks	261,281	263,924	233,138
Interest on securities purchased under agreements to resell	31,260	85,383	53,573
Interest on investment securities	138,615	147,195	166,291
Total	**1,030,034**	**1,095,621**	**960,642**
INTEREST EXPENSE			
Interest on deposits (Note 10)	532,859	531,225	454,715
Interest on:			
Bank of Spain and Deposit Guarantee Fund	10,704	8,313	3,494
Short-term borrowings	173,272	228,078	171,867
Long-term debt	14,125	14,117	10,708
Total	730,960	781,733	640,784
NET INTEREST INCOME	299,074	313,888	319,858
Provision for possible loan losses (Note 6)	48,834	71,783	48,723
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	250,240	242,105	271,135
NONINTEREST INCOME			
Commissions and fees from fiduciary and securities activities	31,381	37,485	47,041
Fees for other customer services	55,141	56,621	59,485
Gains (losses) from:			
Affiliated companies' securities	37,231	26,727	34,731
Investment securities	16,909	33,304	8,278
Trading securities	4,594	13,097	(13,216)
Other income	16,731	34,215	2,984
Total	**161,987**	**201,449**	**139,303**
NONINTEREST EXPENSE			
Salaries and employee benefits	174,601	192,954	171,671
Occupancy expense of premises, depreciation and maintenance, net	35,640	38,768	40,054
General, administrative and other expenses	85,104	90,068	83,856
Minority shareholders' interest	8,183	15,791	14,313
Total	**303,528**	**337,581**	**309,894**
INCOME BEFORE INCOME TAXES	108,699	105,973	100,544
Income tax expense (Note 14)	39,221	34,888	28,214
NET INCOME	69,478	71,085	72,330

The accompanying notes 1 to 21 are an integral part of these statements.

BANCO BILBAO VIZCAYA GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994 (NOTES 1, 2 AND 3)

(Currency - Millions of Spanish Pesetas)

	Year Ended December 31,		
	1992	1993	1994
SOURCE OF FUNDS :			
From operations-			
Net income for the year	69,478	71,085	72,330
Depreciation and amortization	28,675	27,789	29,595
Provision to the allowance for possible loan losses and other special reserves	68,378	99,655	68,245
Writedown of investment securities	12,646	(5,496)	8,771
Discount of financial support	3,887	1,744	-
Minority interests	8,183	15,791	14,313
	191,247	**210,568**	**193,254**
From equity-			
Decrease (increase) in parent company shares owned by subsidiaries	3,282	(454)	(10,299)
Other	6,895	5,814	(7,586)
	10,177	**5,360**	**(17,885)**
Increase (decrease) of resources-			
Noninterest bearing deposits	(141,223)	54,297	44,649
Demand deposits	(6,141)	(75,989)	106,334
Savings deposits	92,619	114,633	118,669
Time deposits	791,434	1,164,493	814,894
Due to Bank of Spain and Deposit Guarantee Fund	(30,004)	(51,857)	(59,947)
Short-term borrowings	388,278	123,302	488,649
Long-term debt	(13,259)	36,994	9,227
Other liabilities	23,641	49,328	(97,677)
Minority interest	7,446	43,563	(14,656)
	1,112,791	1,458,764	1,410,142
Total source of funds	**1,314,215**	**1,674,692**	**1,585,511**
APPLICATION OF FUNDS:			
Cash dividends paid (Note 17)	38,286	38,612	38,610
Increase (decrease) in assets -			
Cash and due from banks	(8,748)	(43,576)	23,781
Interest-bearing deposits in other banks	512,493	531,455	295,778
Securities purchased under agreements to resell	105,914	485,459	49,758
Investment and trading securities	296,794	273,783	751,721
Loans and leases	208,528	354,283	273,278
Premises and equipment	28,030	30,518	18,735
Investments in affiliated companies	71,951	(15,244)	23,023
Other assets	60,967	19,402	110,827
Total application of funds	**1,314,215**	**1,674,692**	**1,585,511**

The accompanying notes 1 to 21 are an integral part of these statements.

BANCO BILBAO VIZCAYA GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994 (NOTES 1, 2 AND 3)

	Year ended December 31, Thousands of Shares		
	1992	1993	1994
Number of registered shares-			
Balance at beginning and end of year	231,000	231,000	231,000
		(Spanish Pesetas)	
Par value, per share at end of year	600	600	600
		(Millions of Spanish Pesetas)	
Capital stock (Note 16)-			
Balance at beginning and end of year	138,600	138,600	138,600
Retained earnings and other reserves-			
Balance at beginning of year	400,591	441,527	479,315
Effect of application of Circular 11/1993	-	-	(2,277)
Net income for the year	69,478	71,085	72,330
Dividends	(38,719)	(38,657)	(38,519)
Decrease (increase) in parent company shares owned by subsidiaries	3,282	(454)	(10,299)
Exchange in consolidation differences (Note 2.b)	4,563	6,623	(7,310)
Other variations, net	2,332	(809)	(276)
Balance at end of year	**441,527**	**479,315**	**492,964**

The accompanying notes 1 to 21 are an integral part of these statements.

BANCO BILBAO VIZCAYA GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION AND CONSOLIDATION PRINCIPLES

(a) *Basis of presentation-*

The accounting systems and records of Banco Bilbao Vizcaya, S.A. (the "Bank") and of the subsidiaries comprising the Banco Bilbao Vizcaya Group (the "Group") (see Note 3) comply with the reporting requirements stipulated by the Bank of Spain and/or the central banks or monetary authorities of the countries where the Group's non-Spanish subsidiaries are located. The financial statements of the Bank and the Group which are included in annual reports and other public financial information are normally presented in accordance with these requirements.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Spain ("Spanish GAAP") which, in the case of banks, are largely dictated by the Bank of Spain. However, they include material reclassifications in order to reflect the format for banks and bank holding companies required by the Securities and Exchange Commission of the United States of America.

The significant differences between Spanish GAAP and those accounting principles generally accepted in the United States of America ("U.S. GAAP") and their effect on the net income for each of the three years ended December 31, 1994, and on stockholders' equity as of December 31, 1993 and 1994, are set forth in Note 21.

Accounting principles set out by Bank of Spain Circular 4/1991 ("Circular 4"), dated June 14, 1991, which became effective on January 1, 1992, have been followed to prepare the Consolidated Financial Statements as of December 31, 1993 and 1994 and for each of the three years in the period ended December 31, 1994.

The individual financial statements of the Bank and of their corresponding consolidated subsidiaries as of December 31, 1994, have not yet been approved by the respective Shareholders' Meetings. However, management of Banco Bilbao Vizcaya, S.A. does not expect any changes in the financial statements of the consolidated companies as a result of such approval.

(b) *Consolidation principles-*

The Banco Bilbao Vizcaya Group (Note 3) is defined, pursuant to Article 2 of Royal Decree 1371/1985 regulating consolidation of the financial statements of deposit-taking entities and Circular 4, as including all the dependent companies whose line of business is directly related to that of the Bank, and which, together with the Bank, constitute a single decision-making unit.

All of these subsidiaries are consolidated by using the global integration method of consolidation, in accordance with Article 6 of Royal Decree 1371/1985 and the requirements of Circular 4. Results of operations of companies purchased or disposed of have been included from or up to the date of acquisition or disposal, as the case may be. All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. Also, the holdings of third parties in the Group are included under the "Minority interest" caption in the accompanying consolidated balance sheets.

Also, in accordance with Bank of Spain Circular 4/1993, from 1993, the proportional integration method, which consists of including the assets, rights and obligations, and revenues and expenses of these companies in proportion to the Group's holding in them, is applied to companies whose line of business is related to that of the Bank, and which are at least 20% owned and managed jointly with another shareholder (or shareholders).

In addition, as required by Circular 4, the Group concept includes the other unlisted companies in which the Group has holdings of 20% or more and listed companies in which the Group has holding of 10% or more; these companies were reported for the first time in 1992 using the equity method. The business of these nonconsolidated Group subsidiaries is not directly related to that of the Bank and they are valued on the balance sheet of the Group at the amount of investees' net worth multiplied by the Group's percentage ownership in the investee, after deducting dividends and other equity eliminations (equity method).

In accordance with standard practice, the accompanying consolidated financial statements do not include the tax effect of transferring to the Bank the accumulated reserves and retained earnings of the companies consolidated by the global or proportional integration methods or carried by the equity method.

The remaining equity investments are individually presented in the accompanying consolidated balance sheets at the lower of average cost (or cost restated, where appropriate, pursuant to the applicable enabling legislation) or market value in accordance with the principles described in Note 2.d.

Certain of the consolidated subsidiaries own shares of the Bank. As disclosed in Note 17, the book value of these shares has been deducted from the balance of "Retained earnings and other reserves" in the accompanying consolidated balance sheets. The net increase or decrease in such book value during each year, is reflected as "Decrease (increase) in parent company shares owned by subsidiaries" in the accompanying consolidated statements of changes in stockholders' equity and of changes in financial position. Following Circular 4, the gains or losses on disposals and value adjustments of Bank shares held by subsidiaries are reported as income or losses in the consolidated statements of income (Note 2.l.).

(c) *Comparative information-*

Bank of Spain Circular 4/1993 amended Circular 4/1991 as regards the accounting treatment of exchange differences in consolidation, which from 1993 must be directly charged or credited to the "Retained earnings and other reserves" account in the consolidated balance sheet. Previously, interannual variations in exchange losses in consolidation were recorded with a charge or credit to income and exchange gains were recorded in liability accounts with no effect on income or stockholders' equity. The accompanying 1992 consolidated statement of income has been adjusted to conform with the new method and therefore reflects a decrease in income of Ptas. 3,428 million with respect to those presented in Form 20-F for the year ended December 31, 1992.

Bank of Spain Circular 11/1993, which came into force on January 1, 1994, amended Circular 4/1991 as regards various aspects relating to, inter alia, the recording of credit loss allowances and the writedown of assets acquired as a result of loan defaults. The effect of these changes was to reduce Group's reserves by Ptas. 2,277 million in 1994 (Ptas. 3,503 million less the corresponding tax effect). The effect on the 1992 and 1993 consolidated financial statements of retroactively applying these new methods would not have been material.

Bank of Spain Circular 6/1994 also amended Circular 4/1991, establishing new accounting methods for the classification and valuation of fixed-income securities (as described in Note 2.d below), which have been applicable since September 1994, when Circular 6/1994 came into force. However, had the new accounting standards been in force in 1993 and for the whole of 1994, the Group's results and net worth position as of December 31, 1993 and 1994, would not have differed substantially from those presented in the related accompanying consolidated financial statements.

Finally, in 1994, the Group's share of the corporate income tax of the companies carried by the equity method is presented jointly with that of the companies consolidated by the global or proportional integration methods. This reclassification has also been included in the accompanying 1992 and 1993 financial statements to facilitate comparison.

NOTE 2 - SIGNIFICANT ACCOUNTING PRINCIPLES

The significant accounting principles applied in preparing the accompanying consolidated financial statements were as follows:

(a) *Recognition of income and expenses-*

Income and expenses generally are recognized on an accrual basis and the financial interest method is applied for transactions whose settlement periods exceed 12 months. The main exception to the foregoing general rule is that, in accordance with requirements imposed by Bank of Spain, interest on substandard loans including certain loans subject to country risk or transfer risk, is not recognized in income until collected. In addition, in accordance with Spanish banking practice, transactions are recorded as of the date they are made, which may differ from the value date as of which interest income and expenses are computed.

(b) *Translation of foreign currency transactions and balances-*

Assets and liabilities in foreign currencies, including those of branches and dependent companies abroad and unmatured foreign currency forward purchases and sales arranged for hedging purposes, have been translated to pesetas at the average 1993 and 1994 year-end exchange rates in the Spanish spot foreign exchange market, except for:

- The equity of dependent companies and the long-term investments in securities denominated in foreign currencies but funded with pesetas, which have been translated at historical exchange rates, and

- The revenue and expense accounts of consolidated foreign companies, which have been translated at the average exchange rates of each year.

Also, unmatured forward purchases and sales arranged for purposes other than hedging are valued at the 1993 and 1994 year-end exchange rates in the Spanish forward foreign exchange market, which are published by the Bank of Spain for this purpose.

The exchange differences arising from application of the above-mentioned translation methods are recorded as follows:

- Exchange losses and gains in consolidation are recorded under the "Retained earnings and other reserves" account in the accompanying consolidated balance sheets, net of the portion of such gains and losses corresponding to minority interest (see Notes 15 and 17).

- The net amount of the other exchange differences is recorded in full under the "Other income" account in the accompanying consolidated statements of income (Ptas. 6,288 million, Ptas. 17,992 million and Ptas. 3,317 million in 1992, 1993 and 1994, respectively), and the exchange differences on forward transactions are debited to the "Other assets" caption in the accompanying consolidated balance sheets (see Note 9).

In order to mitigate the future risk of exchange differences, a portion of the investment in dependent companies abroad and of the capital assigned to branches abroad, which had originally been funded in pesetas, was refinanced in 1992 in the currency in which the investment was made. Accordingly, starting this year, the exchange differences arising on these investments are offset, where applicable, by the differences arising on the related financing.

The peseta value of asset and liability items denominated in foreign currencies was Ptas. 4,253,298 million and Ptas. 3,678,801 million, respectively, as of December 31, 1993 and Ptas. 4,769,267 million and Ptas. 4,531,845 million, respectively, as of December 31, 1994.

(c) *Allowance for possible loan losses, doubtful guarantees and other-*

The allowance for possible loan losses is provided to cover possible losses which might arise as the result of lending transactions made by the Group. The allowance for possible loan losses was determined on the basis of the following criteria:

- Spanish and foreign risks, except for country risk: on the basis of individual analysis made by management of the quality of the exposure to the borrowers and debtors. Also, in accordance with Bank of Spain regulations, an additional general purpose allowance, representing 1% of loans and discounts, fixed-interest securities, contingent liabilities and doubtful assets without mandatory coverage (0.5% in the case of certain mortgage loans), is set aside to cover risks which are not specifically identified as problematic at the present time. This allowance amounted to Ptas. 39,979 million and Ptas. 41,690 million as of December 31, 1993 and 1994, respectively.

- Country risk: on the basis of the estimated degree of debt servicing difficulty of each country estimated by management based on Bank of Spain guidelines.

- Balances more than three years past-due are written off (six years in the case of fully secured mortgage loans).

The interest relating to the individual borrowers and countries addressed in determining this allowance is not recorded as income until collected.

In accordance with current Bank of Spain regulations, the allowance for doubtful guarantees, acceptances and documentary credits (Ptas. 608 million and Ptas. 571 million *as of December 31, 1993 and 1994, respectively) is recorded under the "Other liabilities - Other accounts"* caption in the accompanying consolidated balance sheets (Note 9).

The allowance for possible loan losses is increased by net provisions from income and is reduced by specific net charge-offs of uncollectible debts, and, if appropriate, by recoveries, and is adjusted for the effect of foreign currency translations.

(d) *Securities-*

(d)(1) *Fixed income securities:*

Ordinary investment portfolio-

Since the entry into force of Bank of Spain Circular 6/1994 (see Note 1), the government debt securities and debentures and other fixed-income securities in the ordinary investment portfolio have been individually stated at acquisition price, adjusted by the accrued amount of the difference between acquisition price and redemption value. In the case of listed securities, a security price fluctuation allowance is recorded for the net difference from the market value of this portfolio as a whole, if lower, based on the year-end closing market prices. As of December 31, 1993, the securities in this portfolio were individually stated at acquisition price, or market value of listed securities if lower. The unrealized losses on securities sold to third parties with repurchase commitment are written down only for the proportional part of the period from the expected repurchase date to the maturity date. Also, securities acquired to hedge other transactions at the same term and with fixed interest rate, which therefore are not exposed to interest-rate fluctuation risk, are recorded at acquisition price. Consequently, as of December 31, 1994, the difference between the adjusted acquisition price and the market value of the listed securities in the ordinary investment portfolio, after considering the effect on the market value of the aforementioned hedging or repo transactions, is included in the balance of the security price fluctuation allowance account which is recorded as a reduction of the "Investment securities" caption.

As permitted by the provisions of Bank of Spain Circular 18/1992 on the writedown of fixed-income securities with residual maturity exceeding two years, in 1992 the proportional part of the provision for this two-year period was charged to the income statement and Ptas. 2,732 million were debited to asset accrual accounts. Since the conditions which made these provisions necessary ceased to exist, either because of sale or redemption of these securities or because of the increase in their market value, this accrual was almost fully written off in 1993.

In 1994, until Bank of Spain Circular 6/1994 came into force, the listed fixed-income securities were written down by the method established in Circular 18/1992, and a charge of Ptas. 5,391 million was made to the consolidated statement of income. Thereafter, the writedown was charged in full to asset accrual accounts (see Note 9). However, the provisions recorded with a charge to the statement of income can only be credited to income in the event of the disposal or the recovery of the market value of the specific securities which gave rise to them.

Bank of Spain Circular 6/1994 also requires that an additional security price fluctuation allowance to be recorded for the amount of the gains on the disposal of fixed-income securities in the ordinary investment portfolio, which is applied to the asset accrual account described in the preceding paragraph, up to the balance calculated therefor. The provisions recorded in this connection in 1994 amounted to Ptas. 277 million.

The net provisions charged to income in each year for all the aforementioned items are recorded under the "Gain (Losses) from investment securities" and "Gains (Losses) from affiliated companies' securities" captions in the accompanying consolidated statements of income.

Trading portfolio-

Securities in the trading portfolio are stated at the closing market price in each year, which does not differ materially from cost. The differences arising from valuation variations are recorded at their net amount under the "Gains (Losses) from trading securities" caption in the consolidated statements of income.

(d)(2) *Equity securities:*

Equity securities representing holdings in non-consolidated subsidiaries or holdings of 20% or more in unlisted companies or of 10% or more in listed companies which do not meet conditions for proportional consolidation are valued in accordance with the equity method as indicated in Note 1.

The securities included in the trading portfolio (amounting to Ptas. 19,350 million) are stated at the year-end closing price, which did not differ materially from cost.

Other equity securities are recorded in the balance sheet at the lower of cost, restated where appropriate, or market. The market value of these securities was determined as follows:

- Listed securities: lower of average market price in the fourth quarter or closing market price.

- Unlisted securities: underlying book value of the investment according to the latest available balance sheet, after taking into account, in the case of companies with which there is a lasting relationship, the income projections for coming years which were used in determining the acquisition price and persisted at year-end.

Equity securities were restated pursuant to the applicable enabling legislation or by the methods stipulated in the regulations on corporate mergers which were applied at the related merger dates.

In order to cover the unrealized losses disclosed by application of the foregoing principles, a security price fluctuation allowance was provided and recorded as a deduction from the balances of "Investment Securities" and "Investment in Affiliated Companies" on the asset side of the accompanying consolidated balance sheets amounting to Ptas. 27,225 and Ptas. 59,320 million as of December 31, 1993 and 1994, respectively. These provisions were recorded with charges to the "Gains (Losses) from investment securities" and "Gains (Losses) from affiliated companies' securities" accounts on the consolidated statements of income, and to asset accrual accounts, as explained before.

The variations in the balances of the security price fluctuation allowance is as follows:

	1993	1994
Beginning balance	**32,742**	**27,225**
Net provision for the year-		
Provision charged to income	2,007	9,618
Allowance released	(7,611)	(991)
	(5,604)	8,627
Provision charged to asset accrual accounts	**(2,650)**	**32,571**
Amount used in sales, for writedown and other	**2,737**	**(9,103)**
Ending balance	**27,225**	**59,320**

(e) *Premises and equipment-*

The buildings owned by certain of the companies in the Group which were merged are stated, pursuant to the applicable legislation (see Note 17), on the basis of market prices on the related merger dates, as determined by independent appraisers. Additions to buildings subsequent to these mergers are carried at cost.

The remaining premises and equipment acquired prior to December 31, 1983 are generally carried at cost, restated pursuant to the applicable enabling legislation. Subsequent additions are valued at cost.

Depreciation of premises and equipment is provided by the straight-line method at rates based on the years of estimated average useful life. The annual provisions for depreciation are calculated at the following rates:

	Rates
Buildings	2%
Furniture	8% to 10%
Installations	6% to 10%
Office and data processing equipment	10% to 25%

(f) *Deferred charges-*

The balance of "Other Assets" in the accompanying consolidated balance sheets includes, among other items, the unamortized expenses of capital increases at subsidiaries and bond and other financial instruments issuance expenses and other intangible assets. As of December 31, 1993 and 1994, the net balance of these deferred charges amounted to Ptas. 6,538 million and Ptas. 6,830 million, respectively. Capital increase expenses are amortized over a maximum period of five years and bond and other financial instrument issuance expenses over the term of the issue.

(g) *Pension commitments-*

Under the collective labor agreement currently in force, Spanish banks have undertaken to make payments to their employees, or to their employees' beneficiary rightholders, to supplement the social security benefits for retirement, permanent disability, widows and orphans. In the case of retirement benefits, this commitment is not applicable to employees hired since March 8, 1980.

In 1994, the Spanish banks in the Group arranged certain insurance contracts with Euroseguros, S.A. Compañía de Seguros y Reaseguros, which is a Group investee (see Note 8), to guarantee the future coverage of supplementary pension payments to serving employees and employees retiring at the regulatory age or taking early retirement. In 1992, 1993 and prior years, similar contracts were arranged with Euroseguros and Aurora Polar, S.A. de Seguros y Reaseguros (also a Group investee - see Note 8), only in connection with employees retiring at the regulatory age or taking early retirement in each year. The single premiums paid amounted to Ptas. 12,140 million in 1992, Ptas 15,045 million in 1993 and Ptas. 9,705 million in 1994 for employees who retired during these years and Ptas. 57,615 million in 1994 for serving employees. The allowance previously recorded for supplementary pension payments to these employees was simultaneously canceled. As of December 31, 1994, the mathematical reserves relating to these and prior-year insurance contracts amounted to Ptas. 57,610 million for serving employees and Ptas. 124,637 million for all the employees who had retired or who had taken early retirement at those dates (Ptas. 115,006 million for retired employees as of December 31, 1993).

As of December 31, 1993, the discounted present value of the liability incurred for the past service costs of serving employees and for pension payment commitments to retired employees of branches and dependent companies abroad amounted to Ptas. 54,409 million, and this amount is included under the "Other liabilities" caption in the related accompanying consolidated balance sheet. The banks in the Group valued these commitments pursuant to actuarial studies prepared on an individual basis and quantified by the projected credit unit method, using a nominal discount rate of 6% per annum and the PEM/F 1980 life expectancy tables. As of December 31, 1994, this caption basically included in this connection the liability incurred for employees of branches and dependent companies abroad.

The "Other liabilities-Other accounts" caption in the accompanying consolidated balance sheet as of December 31, 1993, also includes Ptas. 26,952 million to cover the total discounted present value of potential pension commitments which may arise from a portion of the compensation outside the collective labor agreement, as established before December 31, 1990, and which will not be modified in future years. The charges to this *allowance relate to contributions made in this connection to the insurance companies by* the employees retiring in this year and for a portion of the possible commitments to serving employees, maintaining Ptas. 7,318 million in the aforementioned caption of the *consolidated balance sheet as of December 31, 1994, to cover the total discounted present* value of these commitments as of that date.

The above-mentioned commitments were covered by charges to income in 1992, 1993 and 1994 of Ptas. 9,481 million, Ptas. 17,304 million and Ptas. 13,736 million, respectively, for the cost incurred in those years. Ptas. 18,289 million, arising from the aforementioned insurance contracts, were credited to 1994 income.

The movement of funds under "Other liabilities" that relate to the pension allowance and commitments is as follows:

	Millions of Spanish Pesetas			
	1993		1994	
	Pension Liabilities	Other Commitments	Pension Liabilities	Other Commitments
Allowance at beginning of year	50,667	29,147	54,409	26,952
Provision charged to income for the year	15,568	1,736	11,690	2,046
Allowances released	-	-	(18,289)	-
Insurance contracts with affiliated insurance companies.	(11,114)	(3,931)	(45,651)	(21,669)
Disposition of subsidiaries (Note 3) and other movements	(712)	-	1,672	(11)
Allowance at end of year	**54,409**	**26,952**	**3,831**	**7,318**

In 1992, 1993 and 1994, supplementary pension payments were paid by the aforementioned insurance companies in compliance with the contracts entered into with them.

Also, the Bank and the Spanish dependent banks established a mixed contributory system materialized in an external pension fund in which all their employees may participate, and the amount of which is determined on the basis of a portion of the compensation not included in the collective labor agreement. The Ptas. 626 million, Ptas. 666 million and Ptas. 622 million charged to income in 1992, 1993 and 1994, respectively, in this connection are recorded under the "Salaries and employee benefits" caption in the accompanying consolidated statements of income.

(h) *Employee termination indemnities-*

Under current Spanish regulations, companies are required to make indemnity payments to employees terminated without just cause. There is no labor force reduction plan which would make it necessary to record a provision in this connection.

(i) Income taxes-

The expense for corporate income tax each year is calculated on the basis of book income before taxes, increased or decreased, as appropriate, by the permanent differences from the income for tax purposes; permanent differences are defined as differences between taxable income and book income before taxes that do not reverse in subsequent periods. However prepaid taxes arising from timing differences are only capitalized if they are expected to be recovered within a period of 10 years.

The tax benefit of tax credits for double taxation, tax relief and investment tax credits is treated as a reduction in the amount of corporate income tax for each year. Entitlement to these tax credits is conditional upon compliance with the legally stipulated requirements.

(j) Off-balance-sheet financial instruments-

As part of its asset/liability management activities, which include both interest rate and foreign currency risk management, the Group enters into various derivative contracts, including interest rate swaps and currency exchange agreements and forward, futures, option, cap and floor contracts.

These contracts are accounted for in a manner consistent with the accounting treatment appropriate for the asset or liability hedged by such contracts, generally on an accrual basis. Swap and currency exchange agreement income and expense are reported in "Interest income" or "Interest expense" applicable to the related hedged assets or liabilities in the period that they accrue. Yield-related payments or receipts associated with such contracts are accrued over the terms of the contracts. Premiums on purchased option and option-related products are amortized over the term of the option contract. Gains (losses) realized on interest rate contracts that are effective as hedges are generally deferred and amortized over the remaining life of the related assets or liabilities. Such deferred gains and losses are amortized to income as adjustments to "Interest income" or "Interest expense" arising from the related assets or liabilities.

Other options and financial futures traded in organized markets are valued at market price. The variations in market prices are recorded in full in the income statement. The gains (losses) on futures transactions carried out outside organized markets are recorded when the transactions are settled. However, theoretical closes of nonhedging positions are made at each year-end and provision is made for the potential losses, if any, on each type of risk with a charge to income.

(k) Goodwill in consolidation-

The goodwill arising on the acquisition of the consolidated subsidiaries is recorded under "Other assets" account (Note 9) in the accompanying consolidated balance sheets. The unamortized balance as of December 31, 1993 and 1994, amounted to Ptas. 21,680 million and to Ptas. 25,068 million, respectively, and its composition is as follows:

Company	Millions of Peseta 1993	1994	Number of Years of Amortization (Straight-Line Method
Consolidated by the global or proportional integration method-			
Banco Bilbao Vizcaya (Portugal), S.A.	9,797	8,394	10
Axa-Aurora, S.A.	2,598	2,322	10
Other	1,216	159	5 - 10
Carried by the equity method-			
Helados y Congelados,S.A. (Nota 8)	350	5,148	10
Axa Gestión, S.A. de Seguros y Reaseguros	1,867	1,675	10
Grupo Financiero Probursa, S.A.	2,866	2,542	10
G.E. Capital Corporation (Puerto Rico)	945	825	10
Other	2,041	4,003	5 - 10
	21,680	25,068	

This goodwill is amortized on a straight-line basis over a maximum period of ten years, since it is considered that this is the period over which the underlying investments will contribute to the Group's income. The amortization provided in 1992, 1993 and 1994 of Ptas. 4,128 million, Ptas. 4,036 million and Ptas. 4,327 million, respectively, is included under the "General, administrative and other expenses" account in the accompanying consolidated statements of income.

In 1993, the goodwill relating to the Group's holding in Aurora Polar, S.A. de Seguros y Reaseguros was assigned to the holding company Axa-Aurora, S.A. as a result of the contribution of shares described in Note 8.

Additionally, the "Other liabilities - Other accounts" caption (Note 9) includes the balance of the "Negative Difference in Consolidation" amounting Ptas. 44,474 million and Ptas. 29,014 million as of December 31, 1993 and 1994. This last balance relates basically to Iberdrola, S.A. and the 1994 retirements relate basically to the balances arising from Compañía Sevillana de Electricidad, S.A., the holding in which is no longer carried by the equity method since it is under 10%. (Note 8).

(l) *Own shares-*

The shares of Banco Bilbao Vizcaya, S.A. owned by consolidated dependent companies, amounting Ptas. 3,103 million and Ptas. 13,402 million as of December 31, 1993 and 1994, respectively, are recorded at cost written down, if appropriate, to the lower of underlying book value or market price, under the "Retained earnings and other reserves" account in the accompanying consolidated balance sheets.

The 1994 net gains of Ptas. 133 million on sales of equity securities (Ptas. 1.792 million in 1993 and Ptas. 287 million in 1992) are recorded under the "Gains (losses) from affiliated companies' securities" account in the accompanying consolidated statements of income.

NOTE 3 - BANCO BILBAO VIZCAYA GROUP AND SPANISH RESTRICTIONS AND CONTROLS ON BANKING

(a) *Banco Bilbao Vizcaya Group-*

As of December 31, 1994, the Group consisted of the Bank and the following consolidated companies:

	Total Percentage of Ownership (*) by Banco Bilbao Vizcaya, S.A.
Banca Catalana, S.A.	95.71%
Banco del Comercio, S.A.	99.98%
Banco Industrial de Bilbao, S.A.	99.89%
Banco Industrial de Cataluña, S.A.	100.00%
Banco Occidental, S.A.	100.00%
Banco Depositario BBV, S.A. (formerly Bilbao Merchant Bank, S.A.)	100.00%
Banco de Barcelona, S.A.	100.00%
Finanzia, Banco de Crédito, S.A.	55.00%
Banco Bilbao Vizcaya Puerto Rico, S.A.	99.92%
Bilbao Vizcaya Bank (Jersey) Ltd.	100.00%
Banco Bilbao Vizcaya (Panamá), S.A.	100.00%
Banco de Promoción de Negocios, S.A.	99.67%
Banco Bilbao Vizcaya (Deutschland) A.G.	100.00%
Banque de Gestión Financière, S.A. GESBANQUE	99.98%
Banco Bilbao Vizcaya (Suisse), S.A.	100.00%
Privanza Banco Personal, S.A.	100.00%
BBV International (Gibraltar) Ltd.	100.00%
Banco Bilbao Vizcaya (Portugal), S.A.	100.00%
110 other portfolio, finance, security investment, investment fund management and property instrumentality companies	16.12% to 100.00%

(*) Direct and indirect through subsidiaries.

In March 1994, the Extraordinary Shareholders' Meetings of Banco Bilbao Vizcaya, S.A., Banco Meridional, S.A., Banco de Crédito Canario, S.A. and BBV Leasing, S.A. resolved to merge into Banco Bilbao Vizcaya, S.A. the last three companies, which were wholly owned by the Bank.

This transaction, and the dissolution, without liquidation, of several Group companies which transferred their assets and liabilities to their respective shareholders, had no effect on the Group's consolidated financial statements.

The most notable changes in the consolidated Group's structure in 1993, which in aggregate did not materially affect the total consolidated assets or the total income or revenues of the Group, were as follows:

- Incorporation of Brunara, S.A. (SIMCAV), through the merger of Financiera Española, S.A. (SIMCAV), Financiera Gran Vía, S.A. (SIMCAV) and Cartera de Inversiones Bancobao, S.A., which, following sales made subsequent to this merger, was 21.78% and 16.12% owned by the Group as of December 31, 1993 and 1994, respectively.

- Dissolution, without liquidation, of Corporación Hipotecaria Bancobao, S.A., de Crédito Hipotecario, and transfer of all its assets and liabilities to its sole shareholder, Banco Bilbao Vizcaya, S.A.

- Acquisition of Royal Bank of Puerto Rico, S.A., with a disbursement of US$28 million and subsequent merger into Banco Bilbao Vizcaya Puerto Rico, S.A. This purchase did not give rise to material goodwill.

Banco Bilbao Vizcaya, S.A. is the parent company of the Group and its total assets represent, as of December 31, 1993 and 1994, approximately 76.9% and 78.3%, respectively, of total consolidated assets. Condensed financial information for Banco Bilbao Vizcaya, S.A. (parent company only) is set forth below, and has been prepared in accordance with the same accounting principles and procedures as those described in Note 2, except for the valuation of the Bank's direct holdings of 20% or more in unlisted companies and of 10% or more in listed companies, which are recorded at the lower of restated cost, where appropriate, or market. The market value was deemed to be the underlying book value of these holdings, adjusted by the amount of the unrealized gains disclosed at the acquisition date and still existing at the valuation date. Accordingly, the individual financial statements of Banco Bilbao Vizcaya, S.A. do not reflect the net worth variations which would result from consolidating these holdings or recording them by the equity method, as appropriate. These variations are reflected in the accompanying consolidated financial statements (Note 17).

Following are the summarized financial statements of Banco Bilbao Vizcaya, S.A. as of December 31, 1993 and 1994 and for the three years ended December 31, 1994.

	December 31, (Millions of Pesetas) 1993	1994
CONDENSED BALANCE SHEETS		
(Parent company only)		
Assets-		
Cash and due from banks	3,044,390	3,391,687
Investment securities	1,915,369	2,364,868
Investment in consolidated subsidiaries	266,355	246,830
Loans, net	3,250,486	3,662,050
Premises and equipment	188,028	193,144
Other assets	201,877	294,158
	8,866,505	10,152,737
Liabilities and Stockholders' Equity-		
Deposits	6,692,289	7,800,565
Due to Bank of Spain and Deposit Guarantee Fund	43,680	-
Short-term borrowings	1,307,907	1,552,809
Long-term debt	73,635	79,866
Other liabilities	299,722	247,669
Stockholders' equity	449,272	471,828
	8,866,505	10,152,737

	Year Ended December 31, (Millions of Pesetas) 1992	1993	1994
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY			
(Parent company only)			
Balance at beginning of year	408,167	428,100	449,272
Net income for the year	58,805	60,211	60,452
Dividends paid	(39,039)	(39,039)	(39,039)
Effect of merger	-	-	2,671
Effect of application of Circular 11/1993	-	-	(1,528)
Other	167	-	-
Balance at end of year	428,100	449,272	471,828

	Year Ended December 31, (Millions of Pesetas)		
	1992	1993	1994
CONDENSED STATEMENTS OF INCOME			
(Parent company only)			
Interest income			
Interest from earning assets	707,103	875,866	739,153
Interest and dividends from subsidiaries:			
Consolidated	50,540	50,747	56,899
Nonconsolidated	112	217	4,838
	757,755	928,830	800,880
Interest expense	541,515	692,314	541,622
Net interest income	216,240	236,516	259,258
Provision for possible loan losses	33,153	49,426	36,885
Net interest income after provision for possible loan losses	183,087	187,090	222,373
Noninterest income	109,351	125,389	94,198
Noninterest expense	221,639	241,118	246,991
Income before income taxes	70,799	71,361	69,580
Income tax expense	11,994	11,150	9,128
Net income	58,805	60,211	60,452

	1992	1993	1994
	Year Ended December 31, (Millions of Pesetas)		
CONDENSED STATEMENTS OF CHANGES IN FINANCIAL POSITION (Parent company only)			
Sources of financial resources:			
From operations-			
Net income	58,805	60,211	60,452
Depreciation and provisions	52,962	93,191	73,349
Resources provided from operations	111,767	153,402	133,801
From equity-			
Effect of merger	-	-	3,072
Other	167	-	-
Resources provided from equity	167	-	3,072
Increase (decrease) of resources-			
Deposits	455,854	1,166,812	1,108,276
Due to Bank of Spain and Deposit Guarantee Fund	(6,837)	(12,159)	(43,680)
Short-term borrowings	381,378	129,192	244,902
Long-term debt	1,522	13,061	6,231
Other liabilities	(6,818)	60,755	(51,929)
	825,099	1,357,661	1,263,800
Total	937,033	1,511,063	1,400,673
Applications of financial resources:			
Cash dividends	38,577	39,039	39,039
Increase (decrease) in assets-			
Cash and due from banks	147,273	466,001	347,297
Investments	433,723	557,343	454,407
Loans	252,627	414,602	448,449
Premises and equipment	23,164	13,022	16,849
Other assets	41,669	21,056	94,632
	898,456	1,472,024	1,361,634
Total	937,033	1,511,063	1,400,673

(b) *Spanish restrictions and controls on banking-*

The Spanish banking system is subject to the maintenance of a liquidity ratio, which consists of two elements. The first element specifies the level of the non-interest earning cash balance that must be deposited with the Bank of Spain. As of December 31, 1994, this first element was 2% of total deposits excluding interbank accounts ("qualifying liabilities"). The second element sets the level of certificates of deposit issued by the Bank of Spain (which bear interest at an annual rate of 6%) to be acquired by the Group. The Group acquired in 1990 Ptas. 331,753 million of these assets, redeemable semiannually from March, 1994, to September, 2000, a portion of which had been sold to the Bank of Spain under agreement to repurchase (see Note 12). These certificates of deposit, amounting to Ptas. 295,508 million and Ptas. 264,523 million as of December 31, 1993 and 1994, respectively, are included under "Interest bearing deposits in other banks" in the accompanying balance sheets.

In addition to the above ratio, the Bank of Spain sets a range of controls, including maximum exposure, minimum liquidity, maximum leverage, minimum provisions for domestic and country risk exposure (see Note 6), and minimum equity (see Note 17) and other. The Bank and all of its Spanish banking subsidiaries comply with all such requirements. The foreign banking subsidiaries are also in compliance with the requirements established by the authorities of the countries where they operate.

NOTE 4 - INVESTMENT AND TRADING SECURITIES

These captions reflect the ownership of fixed income securities and the shares of unlisted companies less than 20% owned and those of listed companies less than 3% owned, and participations in security investment funds.

The breakdown of the Group's trading and investment securities is as follows:

	December 31,			
	1993		1994	
	Book Value	Market or Appraised (*)	Book Value	Market or Appraised (*)
TRADING SECURITIES				
Spanish Government securities	146,220	146,220	72,175	72,175
Other fixed income securities	-	-	26,142	26,142
Equity securities	-	-	19,350	19,350
	146,220	146,220	117,667	117,667
INVESTMENT SECURITIES-				
Spanish Treasury bills	576,963	576,963	744,873	744,873
Other fixed interest securities:				
Securities of, or guaranteed by, the Spanish Government	191,836	194,125	566,718	567,347
Other fixed interest securities listed in Spain	29,872	30,222	47,562	47,730
	221,708	224,347	614,280	615,077
U.S. Treasury securities	60,538	60,768	88,143	87,437
Securities of other U.S. Government agencies and corporations	2,867	3,067	4,227	4,240
Securities of other foreign Governments	372,785	379,458	621,175	621,080
Other fixed interest securities listed outside of Spain	306,962	315,823	334,988	339,470
	743,152	759,116	1,048,533	1,052,227
Total listed fixed interest securities	1,108,140	1,126,743	2,407,686	2,412,177
Other Spanish and foreign securities:				
Equity listed	49,732	63,415	48,581	48,149
Equity unlisted	47,364	55,636	14,962	18,047
Other	75,671	75,881	15,792	15,406
	172,767	194,932	79,335	81,602
	1,714,590	1,755,358	2,487,021	2,493,779
Total	**1,860,810**	**1,901,578**	**2,604,688**	**2,611,446**

(*) Market values are determined on the basis of their respective quoted value at the end of the year for listed securities. Appraised values are used for unlisted securities based on management's estimate or on unaudited financial statements, where available.

As of December 31, 1993 and 1994, the breakdown by currency of these balances was as follows:

	(Millions of Pesetas)	
	1993	1994
In pesetas	1,067,015	1,465,493
In other currencies	793,795	1,139,195
	1,860,810	2,604,688

The "Spanish Treasury bills" caption reflects the effective value of the ordinary Treasury bills acquired outright without a resale commitment. The average annual interest rate on the bills in 1993 was 11.21%, and 8.29% in 1994. A substantial portion of these bills, and of the bills acquired under agreements to resell (classified in "Securities purchased under agreements to resell" caption of the balance sheet), was sold to banks and private-sector depositors under agreements to repurchase and is included in the "Short-term borrowings" account in the accompanying consolidated balance sheets (Note 12).

In 1994 the Deposit Guarantee Fund issued Ptas. 910,000 million of unlisted government debt securities earning floating annual interest based on the average Bank of Spain certificate of deposit auctions held each ten days (7.55% as of December 31, 1994) maturing from June 1994 to June 1998. These debt securities were issued to finance the support to the Banesto Group. The Bank subscribed Ptas. 243,450 million of these securities, of which Ptas. 124,400 million were redeemed in 1994 and Ptas. 119,050 million were therefore still held by the Group as of December 31, 1994.

Fixed-income securities securing own and third-party obligations amounted to Ptas. 80,881 million and Ptas. 50,974 million as of December 31, 1993 and 1994, respectively. The balances of "Fixed-interest securities" include Ptas. 4,344 and 26,642 million, provided by two foreign consolidated banks as security for deposits of government debt securities, financing facilities, public-sector deposits and assets sold with repurchase commitment at December 31, 1993 and 1994, respectively.

The average annual interest rate on the non-public fixed-interest securities in the Bank's portfolio was approximately 6.41% and 6.46% at December 31, 1993 and 1994.

The book value and estimated market value of investment securities at December 31, 1994, by contractual maturity, are shown below.

	Book Value	Market Value
Debt securities:		
Due in one year or less	1,029,075	1,029,770
Due after one year through five years	926,572	928,838
Due after five years through ten years	438,739	439,812
Due after ten years	29,092	29,163
Equity securities	63,543	66,196
	2,487,021	2,493,779

A 2% holding in the capital of Repsol, S.A. was sold in May 1994 giving rise to a gain of approximately Ptas. 12,700 million, which is recorded under "Gains (losses) from investment securities" account in the accompanying 1994 consolidated statement of income.

Also, in 1994 the Bank acquired 2,482,030 shares of Alliance Capital Management, L.P., representing a holding of approximately 3%, for US$50 million as part of an extensive asset management cooperation agreement between the two groups.

NOTE 5 - LOANS AND LEASES

Loans and leases on December 31, 1993 and 1994, were as follows:

	December 31, (Millions of Pesetas) 1993	1994
DOMESTIC:		
Government	225,389	277,194
Agricultural	59,479	55,689
Industrial	1,117,910	1,107,621
Real estate and construction	277,854	292,205
Commercial and financial	928,238	913,213
Individuals	921,950	1,147,967
Lease financing	230,793	188,395
Other	118,568	132,454
	3,880,181	4,114,738
INTERNATIONAL (non-Spain domiciled customers)	778,776	738,253
Total loans and leases	4,658,957	4,852,991
Less unearned income	(21,905)	(19,298)
Net loans and leases	4,637,052	4,833,693

As of December 31, 1993 and 1994, the breakdown by currency of the balances "Total loans and leases" was as follows:

	(Millions of Pesetas) 1993	1994
In pesetas	3,741,110	3,996,157
In other currencies	917,847	856,834
	4,658,957	4,852,991

At December 31, 1993 and 1994, domestic loans included Ptas. 657,676 million and Ptas. 856,780 million of loans secured by real estate and Ptas. 794,001 million and Ptas. 764,644 million of discounted commercial bills, respectively.

As of December 31, 1993 and 1994, nonaccrual loans, which include both domestic and total transfer and country risk exposure, net of charge-offs, totalled approximately Ptas. 270,182 million and Ptas. 237,732 million, respectively. During 1993 and 1994, the interest on nonaccrual and reduced-rate loans included in total interest income amounted to, approximately, Ptas. 6,777 million and Ptas. 6,821 million, respectively. Also, "Other income" account includes Ptas. 4,076 million in 1993 and Ptas. 5,924 million in 1994 of interests collected on nonaccrual loans accrued in prior years. The amount of interest which would have been earned on these loans had they been on an accrual basis was Ptas. 62,515 million as of December 31, 1994. Loan fees included in the

"Interest and fees on loans" account amounted to Ptas. 9,653 million in 1992, Ptas. 10,458 million in 1993 and Ptas. 9,902 million in 1994.

Among the measures taken to expand the shareholder base in connection with the merger in 1988 of Banco de Bilbao, S.A. and Banco de Vizcaya, S.A., certain Group banks granted loans to shareholders, employees and customers for the acquisition of Banco Bilbao Vizcaya, S.A. shares on favorable share price and interest rate terms. As of December 31, 1993 and 1994, the outstanding balances of these loans amounted to Ptas. 2,069 million and Ptas. 1,812 million.

As of December 31, 1993 and 1994, loans to directors, executive officers and those individuals or organizations (other than those disclosed in Note 8) that under Article 9 of Regulation S-X are determined to be related parties were Ptas. 4,689 million and Ptas. 3,957 million, respectively. The loans granted for the acquisition of Banco Bilbao Vizcaya, S.A. shares included in these amounts were Ptas. 1,340 million and Ptas. 1,090 million, respectively.

NOTE 6 - ALLOWANCE FOR POSSIBLE LOAN LOSSES

Movements in the allowance for possible loan losses were as follows:

	(Millions of Pesetas)		
	1992	1993	1994
Beginning balance	140,453	165,267	181,882
Loans charged off	(35,440)	(67,318)	(73,467)
Recoveries of loans previously charged off	9,211	7,406	11,583
Net charged off	(26,229)	(59,912)	(61,884)
Provision for possible loan losses	48,834	71,783	48,723
Effect of foreign currency translation and other	2,209	4,744	(3,170)
Ending balance	**165,267**	**181,882**	**165,551**

At December 31, 1993 and 1994, the total sovereign and cross-border risk (Note 2.c), excluding trade related credits, amounted to Ptas. 13,687 million and Ptas. 11,131 million, respectively, and was reflected in the allowance for possible loan losses of 54% against the relevant amounts outstanding at both dates.

The allowance for possible loan losses is based on the estimates of management. Ultimate losses, however, may vary from current estimates. Management reviews these estimates on an ongoing basis and, as changes become necessary, adjusts the provision for possible loan losses to reflect them in operations in the periods in which they become known.

NOTE 7 - PREMISES AND EQUIPMENT

The restated cost and accumulated depreciation of "Premises and equipment, net" comprise the following:

	December 31, (Millions of Pesetas) 1993	1994
Restated cost-		
Buildings	210,633	203,941
Furniture, equipment and installations	220,417	227,533
	431,050	431,474
Accumulated depreciation-		
Buildings	34,563	36,461
Furniture, equipment and installations	125,088	127,475
	159,651	163,936
Premises and equipment, net	271,399	267,538

Ptas. 25,732 million and Ptas. 24,938 million of the net balance of these accounts in the accompanying consolidated balance sheets as of December 31, 1993 and 1994, respectively, related to premises and equipment of entities and branches abroad.

As indicated in Notes 2.e and 17, the Banks and some of the consolidated companies restated the carrying value of their premises and equipment in accordance with applicable legislation in their respective countries. Depreciation has been calculated on the restated value of premises and equipment from the date when the restatements were recorded.

NOTE 8 - INVESTMENTS IN AFFILIATED COMPANIES

Investments in affiliated companies include:

- The investments in majority-owned companies which were not consolidated by the global integration method because their business activities are not directly related with those of the Group.

- Investments, in general, between 20% and 50% (beginning at 3% if the stock is listed) in the stock of other companies which, although not constituting a single decision-making unit, have a lasting relationship with the Group pursuant to Article 185-2 of the Corporations Law and Circular 4/1991.

At December 31, 1994, this caption comprised the following:

	% of Ownership	Millions of Pesetas
Book value over Ptas. 1,000 million:		
Owned more than 50%-		
Euroseguros, S.A.	100.00%	10,423
Bodegas y Bebidas, S.A.	61.70%	10,083
Helados y Congelados, S.A.	94.90%	5,731
Inversiones Carlton, S.A.	99.61%	2,918
Inmobiliaria Bilbao, S.A.	100.00%	2,776
Urbanizadora Tinerfeña, S.A.	100.00%	2,581
Senorte Vida y Pensiones, S.A.	100.00%	2,338
Alnatur, S.A.	77.92%	1,871
Imocris, S.A.	65.99%	1,813
Marbella Life, S.A.	100.00%	1,777
Mediterránea Prom. i Gest. Inmobil., S.A.	100.00%	1,772
Inmobiliaria Navarra, S.A.	100.00%	1,498
Sebastián de la Fuente, S.A.	99.97%	1,442
Cía. Frío Alimentario, S.A.	94.90%	1,326
Hotel La Calzada, S.A.	100.00%	1,214
Inmob.Estrella Polar, S.A.	100.00%	1,110
Martín Samaniego, S.A.	100.00%	1,075
Other	—	14,546
Owned less than 50%-		
Iberdrola, S.A.	11.42%	110,766
Metrovacesa, S.A.	25.34%	24,682
Promodés, S.A.	6.75%	19,599
Sevillana de Electricidad, S.A.	6.51%	11,774
Autopista Vasco-Aragonesa, S.A.	27.43%	10,560
Grupo Financiero Probursa, S.A.	20.65%	9,739
Aurora Polar, S.A.	49.65%	8,889
Acerinox, S.A.	5.90%	8,374
Centros Comerciales Continente, S.A.	10.12%	6,008
Axa Gestión, S.A.	49.80%	5,494
Encinar de los Reyes, S.A.	33.12%	5,351
Televisión Canal Plus, S.A.	15.79%	4,011
Tecnicas Reunidas, S.A.	25.16%	2,315
Conservas Garavilla, S.A.	33.65%	2,232
Koipe, S.A.	7.82%	2,059
Brilen, S.A.	33.33%	1,419
General Electric C.C. Puerto Rico	20.00%	1,393
Sicione, S.A.	34.54%	1,384
Inmob. Duque Avila, S.A.	50.00%	1,099
Corpor. Financiera Reunida, S.A.	3.09%	1,094
Vidrala, S.A.	14.73%	1,086
Unión Resinera, S.A.	22.54%	1,022
Other	—	23,433
		330,077

The most notable transactions in 1992, 1993 and 1994 were as follows:

- Purchase of shares of the French company Promodés, S.A. (4.10% in 1992, 2.41% in 1993 and 0.24% in 1994). As of December 31, 1993 and 1994, the holding in this company was recorded at Ptas. 18,424 million and Ptas. 19,599 million, respectively. This company's shares are listed on the Paris Stock Exchange.

- Purchase of shares in the Mexican finance group Grupo Financiero Probursa, S.A.: 10.73% in 1992 and 9.91% in 1993, with a disbursement of Ptas. 7,300 million and Ptas. 8,187 million and initial goodwill of Ptas. 1,245 million and Ptas. 2,025 million, respectively. In 1994 the Group subscribed a capital increase in proportion to its holding in this company, with an additional disbursement of Ptas. 2,820 million.

- Sale in 1994, for a gain of Ptas. 4,090 million, of 9.9% of the capital stock of First Personal Bank, Plc., First Personal Insurance Brokers Ltd. and Personal Insurance Ltd.

acquired in 1992 under the cooperation framework agreement entered into with General Electric Capital Corporation, which envisaged the sale to the latter company in 1992 of a 45% holding in Finanzia, Banco de Crédito, S.A. for Ptas. 2,400 million. The holdings in these companies were recorded at Ptas. 10,754 million as of December 31, 1993. Also, a 20% holding in General Electric Capital Corporation of Puerto Rico was acquired in 1992 for Ptas. 1,930 million, giving rise to goodwill in initial consolidation of Ptas. 1,135 million.

- The Bank's holdings in the KAS and KESA Groups were sold to Pepsicola España, S.A. in 1992 for an aggregate amount of Ptas. 18,500 million. The gain on this transaction, amounting to Ptas. 12,725 million before considering the tax effect, is included under the "Gains (losses) from affiliated companies securities" caption in the 1992 consolidated statement of income.

- As part of a strategic alliance with the French insurance group Axa, in 1992 the Group disposed of 23.6% of its subsidiary Aurora Polar, S.A. de Seguros y Reaseguros for Ptas. 12,970 million and recorded a gain of Ptas. 9,625 million in this connection which is included under the "Gains (losses) from affiliated companies securities" caption in the accompanying consolidated statement of income for 1992. In 1993 the two groups contributed substantially all the shares of Aurora Polar, S.A. de Seguros y Reaseguros and of Axa Gestión, S.A. de Seguros y Reaseguros, a Spanish subsidiary of the Axa insurance group, to the holding company Axa-Aurora, S.A., which is owned equally (50% each) by them and was consolidated by the proportional integration method.

- Sale in June 1994 of 5.99% of the capital stock of Compañía Sevillana de Electricidad, S.A. for Ptas. 15,748 million, giving rise to a gain of Ptas. 5,288 million (see Note 2.k).

- In 1994 the Group entered into a contract for the sale of its holdings in Helados y Congelados, S.A. and Compañía del Frío Alimentario, S.A. Completion of this sale transaction is pending of receiving the related administrative authorizations, which are expected to be obtained in early 1995, at which time the estimated gain on this sale (approximately more than Ptas. 15,000 million, before considering the tax effect) will be recorded. Prior to this sale, in 1994 the Group acquired an additional 25.38% holding in the capital of the aforementioned companies, increasing its total holding in the two companies to 94.90% as of December 31, 1994. This acquisition involved a disbursement of Ptas. 9,325 million, giving rise to goodwills of Ptas. 5,762 million.

- In December 1994, Bodegas y Bebidas, S.A. (a company more than 60%-owned by the Group) acquired 66.67% of Bodegas AGE, S.A. for Ptas. 4,545 million, giving rise to goodwill of approximately Ptas. 2,130 million at the Bodegas y Bebidas Group, which will be amortized over a 10-year period.

Tax assessments for 1986 to 1988 were issued to Euroseguros, S.A., Compañía de Seguros y Reaseguros in 1990 for Ptas. 4,711 million of principal, Ptas. 11,776 million of penalties and Ptas. 808 million of interest for late payment. An appeal was filed with the Spanish National Court of Appeals against the assessment, but no definitive decision has yet been handed down. Banco Bilbao Vizcaya, S.A. provided a guarantee to the tax authorities for the principal and interest for late payment. No guarantee was required for the penalties. Also, tax assessments for 1987 to 1990 were issued in 1994 to Senorte Vida y Pensiones, Compañía de Seguros y Reaseguros for Ptas. 4,576 million of principal and Ptas. 2,404 million of interest for late payment. An appeal has been filed with the Head of the State Tax Administration Agency against the assessment, but no settlement has been made to date in this connection.

As indicated in Note 2.d, investments in affiliated companies representing holdings of over 10% share if listed and 20% if unlisted are valued by the fraction of the net equity assets which these shares represent. If the percentage of participation is of less than 10%, these shares are individually valued at the lower of average cost or market value.

The "Gains (losses) from affiliated companies' securities" caption includes net gains of Ptas. 19,115 million, Ptas. 20,985 million and Ptas. 21,392 million in 1992, 1993 and 1994, respectively, due to equity earnings from affiliated companies.

Summarized financial information with respect to the affiliated companies for the year ended December 31, 1994 and as of such date is presented below:

	Over 50% owned companies	Other affiliated companies	Total
		(Millions of Pesetas)	
Net sales	281,539	3,970,192	4,251,731
Operating income	3,266	185,114	188,380
Net income	1,207	132,722	133,929
Current assets	215,384	1,165,472	1,380,856
Noncurrent assets	225,429	4,625,337	4,850,766
Current liabilities	318,440	1,659,122	1,977,562
Noncurrent liabilities	13,325	2,175,617	2,188,942

The following table analyzes the major consolidated balances maintained by the Banco Bilbao Vizcaya Group at December 31, 1993 and 1994, with affiliated companies.

	1993	1994
	(Millions of Pesetas)	
Assets:		
Due from credit entities	362	-
Receivable from customers	154,667	125,898
Debentures and other fixed-income securities	9,191	1,664
	164,220	127,562
Liabilities:		
Customer funds	151,201	106,493
	151,201	106,493
Memorandum accounts:		
Contingent liabilities	18,912	34,448
	18,912	34,448

The amounts shown above are included as part of the related captions in the consolidated balance sheets.

NOTE 9 - OTHER ASSETS AND OTHER LIABILITIES

The balances of "Other assets" and "Other liabilities" in the consolidated balance sheets are made up as follows:

	December 31, (Millions of Pesetas) 1993	1994
Other assets:		
Accrual of fixed-income securities writedown (Note 2.d)	82	32,653
Other accrual accounts	157,422	210,180
Transactions in transit	9,447	1,944
Goodwill in consolidation (Note 2.k)	21,680	25,068
Real estate acquired through foreclosure and other non-performing real estate	45,766	55,624
Prepaid income tax (Note 14)	28,641	25,974
Exchange differences on forward transactions (Note 2.b)	49	3,412
Other accounts (Note 2.f and 3)	47,110	59,030
	310,148	410,473
Other liabilities:		
Accrual accounts	151,876	173,436
Transactions in transit	2,023	753
Other payment obligations	50,490	46,135
Income taxes payable (Note 14)	13,955	9,124
Pension plan liabilities (Note 2.g)	54,409	3,831
Special reserves	46,847	39,691
Other accounts (Note 2.k)	113,311	68,886
	432,911	341,856

The balance of "Income taxes payable" includes the liability for corporate income tax in each year, net of the related prepayments and withholdings on accounts.

As of December 31, 1993 and 1994 the breakdown of the balances of the "Special reserves" caption in the table above was as follows.

	1993 (Millions of Pesetas)	1994
Allowance for other supplementary pension payments (Note 2.g)	26,952	7,318
Allowance for contingencies	13,699	13,804
Allowance for off-balance sheet risks (Note 2.c)	608	571
Allowance for futures transactions (Note 21)	285	9,678
Other allowances	5,303	8,320
	46,847	39,691

The balance of the "Allowance for futures transactions" account as of December 31, 1994, includes a provision of Ptas. 5,002 million charged to the "General, administrative and other expenses" account in 1994 to cover possible losses on the theoretical close of certain options on equity securities arranged outside organized markets and maturing in 1995.

NOTE 10 - DEPOSITS

At December 31, 1993 and 1994, the breakdown by currency of these balances was as follows:

	December 31, (Millions of Pesetas)	
	1993	1994
In pesetas	4,915,442	5,390,999
In other currencies	3,221,206	3,830,195
	8,136,648	9,221,194

As of December 31, 1994, domestic and international time deposits from individuals in denominations of U.S. dollars 100,000 (approximately Ptas. 13 million) or more amounted to Ptas. 651,324 million and Ptas. 1,107,646 million, respectively.

In addition, at December 31, 1993 and 1994, deposits include Ptas. 11,503 million and Ptas. 23,194 million of demand deposits and Ptas. 2,716,895 million and Ptas. 3,105,171 million of time deposits, respectively, from other Spanish and foreign financial institutions. Substantially all of these deposits were in excess of Ptas. 13 million.

The components of interest expense on deposits were as follows:

	December 31, (Millions of Pesetas)		
	1992	1993	1994
Domestic:			
Demand	84,102	58,164	42,799
Savings	28,562	35,403	30,051
Time	185,690	257,613	198,645
	298,354	351,180	271,495
International:			
Demand	4,325	4,445	4,397
Savings	1,229	2,775	3,470
Time	228,951	172,825	175,353
	234,505	180,045	183,220
Total	532,859	531,225	454,715

NOTE 11 - DUE TO BANK OF SPAIN AND DEPOSIT GUARANTEE FUND

At December 31, 1993 and 1994, the Bank of Spain had granted to several banks in the Group maximum credit facilities of Ptas. 432,069 million and Ptas. 424,659 million, respectively, for successive money market loans, secured by government debt securities. As of December 31, 1993 and 1994, no drawings against these facilities have been made.

The financing support received by the banks acquired from the Deposit Guarantee Fund or from the Directorate-General of State Property was included under this caption in the consolidated balance sheets at its discounted present value, calculated at interest rates between the average cost of deposits and of bank bonds at each bank, which amounted to Ptas. 33,430 million as of December 31, 1992. This financial aid matured in full in July, 1993. The charge for interest incurred on the financing support during 1992 and 1993, amounting Ptas. 3,887 million and 1,744 million, respectively, is included under "Interest on Bank of Spain and Deposit Guarantee Fund" in the accompanying consolidated statements of income.

NOTE 12 - SHORT-TERM BORROWINGS

Securities sold under agreements to repurchase were secured by investment securities, mainly Spanish Treasury bills and other government securities (Note 4). The following is an analysis of short-term borrowings:

	1993		1994	
	(Millions of Pesetas) Amount	Average Rate	(Millions of Pesetas) Amount	Average Rate
Securities sold under agreements to repurchase:				
At December 31	1,902,208	9.35%	2,445,116	7.59%
Average during year	1,829,123	11.45%	2,127,017	7.98%
Maximum quarter-end balance	2,234,487	-	2,445,116	-
Other short-term borrowings, basically bank promissory notes:				
At December 31	72,208	9.94%	17,949	8.62%
Average during year	167,217	11.13%	32,274	6.81%
Maximum quarter-end balance	204,397	-	45,272	-
Total short-term borrowings at year-end	1,974,416	9.37%	2,463,065	7.60%

At December 31, 1993 and 1994, short-term borrowings include Ptas. 630,223 million and Ptas. 1,217,931 million, respectively, of securities sold under agreements to repurchase from Bank of Spain and other Spanish and foreign financial institutions.

Terms of the securities sold under agreements to repurchase that compose the balance at December 31, 1994, are as follows:

	Millions of Pesetas
Under 3 months	2,036,329
3 to 9 months	324,657
Over 9 months	84,130
	2,445,116

A breakdown of securities sold under agreements to repurchase by type of security at December 31, 1993 and 1994 is as follows:

	December 31, (Millions of Pesetas)	
	1993	1994
Spanish Treasury Bills and Notes	731,634	846,862
Bank of Spain Certificates of Deposits (Note 3.b)	288,851	261,321
Securities of, or Guaranteed by, the Spanish Government	764,714	966,692
Other investment securities	117,009	370,241
	1,902,208	2,445,116

NOTE 13 - LONG-TERM DEBT

The breakdown of "Long-term debt" in the consolidated balance sheets is as follows:

	December 31, (Millions of Pesetas)	
	1993	1994
Domestic:		
Subordinated debt	36,706	30,707
Floating-rate non convertible bonds (average annual interest rate of 9.16% and 7.85% in 1993 and 1994, respectively)	29,122	24,874
Fixed-rate non convertible bonds (average annual interest rate of 8.95% in 1993	1,610	-
Floating-rate non convertible bonds tied to futures and options market indices	8,964	19,230
	76,402	74,811
International:		
Subordinated debt	28,763	27,023
Floating-rate notes with interest rates tied to LIBOR for six months (average annual interest rate of 3.54% and 5.14% in 1993 and 1994, respectively)	18,725	18,576
Fixed-rate non convertible bonds (average annual interest rate of 7.81% and 6.30% in 1993 and 1994, respectively)	35,603	51,157
Floating-rate foreign currency debentures tied to various indices	10,897	8,050
	93,988	104,806
	170,390	179,617

"Domestic - Subordinated debt" in the above table reflects the unmatured portions of five issues of the Bank, as follows:

	December 31, (Millions of Pesetas)	
	1993	1994
Banco Bilbao Vizcaya, S.A.:		
1st - July 1989	2,118	1,716
2nd - July 1989	491	397
3rd - September 1990	17,447	17,447
4th - July 1991	3,000	3,000
5th - December 1991	13,650	8,147
	36,706	30,707

These issues rank, for credit collection purposes, behind all the common creditors. The return on the second issue is determined by the discount to be made on the price of the Shares to be acquired in each exchange or conversion option. The return on the July 1991 issue is determined by capitalizing the ten years of the issue, the principal thereof at the one-year MIBOR rate on July 17 of each year plus 0.25%. Those issues that bear floating interest rates cannot exceed 11% or be lower than 5% in the case of the first issue, or exceed 14% in the case of the third.

The holders of subordinated bonds of the first and second issues may also opt to redeem their bonds early by exchanging them for, or converting them into, outstanding shares of the Bank or shares specifically issued for this purpose, with a discount of 10% for the bonds of the first Bank issue and a discount equal to a cumulative annual fixed rate of 6% and another variable rate based on the dividends paid on the Bank's shares earned from the starting date of the subscription period, for the second Bank issue, on the lower of the average market price in the month prior to the exchange or conversion date or the market price on the exchange date. The exchange or conversion can be made semiannually at various dates through December 1, 1995. The third and fifth Bank subordinated bond issues will be fully redeemed at par, in cash and free of charge for the bondholder, on January 15, 2001.

"International - subordinated debt" reflects basically the outstanding principal amount of a subordinated perpetual debt issue of Bilbao Vizcaya International Limited, dated April 1990, which amounts to US$180 million and is secured by a subordinated deposit at the Bank. The return on this issue is tied to average LIBOR at six months plus a margin which increases progressively throughout the life of the issue and amounts to 0.575% for the first five years. Also, includes the principal and interest on the subordinated debt security issue made by the subsidiary BBV International Finance Limited in Luxembourg which are unconditionally and irrevocably guaranteed by the Bank (Ptas. 2,967 million and Ptas. 3,103 million outstanding as of December 31, 1993 and 1994, respectively).

The interest on the subordinated debt financing securities amounted to Ptas. 6,190 million in 1992, Ptas. 6,662 million in 1993 and Ptas. 4,673 in 1994.

The balance of the "Floating-rate non convertible bonds tied to futures and options market indices" account as of December 31, 1993, includes the subscribed face value of the second and third issues of Banco Bilbao Vizcaya, S.A. Bank Bonds carried out on December 30, 1993, amounting to Ptas. 5,000 million and Ptas. 3,964 million, respectively. The balance of this account for 1994 also includes the balance of the Bank's fourth issue carried out on March 30, 1994 and the Ptas.

1,750 million issued by a dependent company. The bonds of the second and fourth issues are zero-coupon bonds and their yield is determined by a variable-rate redemption premium calculated on the percentage by which the IBEX 35 index varies between the issue date and the redemption date, three years later. The yield for the subscribers of the third issue is an explicit annual 4% coupon plus a variable redemption premium equal to 50% of the aforementioned variation. Market risk arising from these issues is covered by the Group through the acquisition of derivative instruments in the related organized market.

The issues launched in 1993 and 1994 by a Group company as part of a medium-term foreign currency Euro-notes program with a limit of Ecus 500 million amounted to Ptas. 14,406 and Ptas. 22,704 million, respectively. These issues are denominated in U.S. dollars, deutsche marks, yens and Italian lires and generally have a variable yield based on an annual return plus a variable redemption premium dependent on certain factors. The outstanding balances of these Euro-notes amounted to Ptas. 14,406 million and Ptas. 21,501 million as of December 31, 1993 and 1994, respectively, and are included in the "Floating-rate foreign currency debentures tied to various indices" and "Fixed-rate foreign currency debentures" accounts.

The balance of "Long-term debt" at December 31, 1994, is scheduled to mature as follows:

	Millions of Pesetas
1995	34,330
1996	19,244
1997	25,627
1998	2,953
1999	503
Thereafter	96,960
	179,617

These dates do not reflect the possibility of conversion into Banco Bilbao Vizcaya, S.A. shares prior to maturity.

NOTE 14 - INCOME TAXES

Banco Bilbao Vizcaya, S.A. and its tax-consolidated dependent companies filed consolidated tax returns. The Ministry of Economy and Finance granted the Group an extension of consolidated taxation status for the 1994-1996 three-year tax period.

Except for the companies at which the running of the statute of limitations has been interrupted by a tax inspection, the consolidated companies generally have the last five years open for review by the tax inspection authorities with respect to the main taxes applicable to them.

Banco Bilbao Vizcaya, S.A. and certain of the consolidated companies have availed themselves of the tax benefits relating to corporate income tax credits as regulated by the relevant legislation. Although the 1994 corporate income tax return has not yet been filed, the provision for 1994 income tax reflected in the accompanying financial statements is net of tax credits for investment in new fixed assets of approximately Ptas. 658 million (Ptas. 565 million in 1993 and Ptas. 800 million in 1992). Entitlement to these tax credits is conditional upon compliance with the regulatory requirements as to retention of the underlying investments.

Also, Banco Bilbao Vizcaya, S.A. and certain of the Group companies have availed themselves of the tax exemption for reinvested capital gains both under the general tax system and with regard to the assets revalued as a result of the merger. As a result, certain reinvestment commitments were undertaken, of which basically those relating to certain Group companies, with a tax effect of approximately Ptas. 391 million, were still outstanding as of December 31, 1994 (Ptas. 251 million in 1993 and Ptas. 148 million in 1992).

A reconciliation of the difference between the Spanish statutory income tax rate and the effective tax rate is shown in the following table:

	(Millions of Pesetas)		
	1992	1993	1994
Tax at 35% statutory rate	38,045	37,091	35,190
Foreign subsidiaries not taxed by Spanish income tax	(5,365)	(6,808)	(6,447)
Net provisions for non-deductible expenses for tax purposes	304	460	(743)
Tax credits for investments in new fixed assets	(800)	(565)	(658)
Tax credits from acquisition of qualified investment securities and double taxation	(1,644)	(3,956)	(3,187)
Effect of minority interest, net of tax	2,864	5,527	5,010
Miscellaneous items, each less than 5% of tax at statutory rate	5,817	3,139	(951)
Income tax expense	39,221	34,888	28,214

The varying interpretations which can be made of the tax regulations applicable to the operations of banks give rise to certain contingent tax liabilities for the open years that are not susceptible to objective quantification. However, it is considered that the possibility of these contingent liabilities being disclosed in future reviews by the tax authorities is remote and that, in any event, the tax charge which might arise therefrom would not materially affect the financial statements of the Group.

NOTE 15 - MINORITY INTERESTS

The variations in 1993 and 1994 in the balances of this caption in the accompanying consolidated balance sheets were as follows:

	(Millions of Pesetas)	
	1993	1994
Balance at the beginning of the year	76,630	135,984
Capital increases	32,224	7,697
Equity in income for the year	15,791	14,313
Dividends paid to minority shareholders	(11,503)	(14,060)
Changes in the composition of the Group and in the percentages of ownership	6,638	(456)
Exchange differences	16,147	(7,419)
Other	57	(418)
Balance at year-end	135,984	135,641

The balances of this caption in the accompanying consolidated balance sheets relate mainly to Brunara, S.A. (SIMCAV) and to Banco Bilbao Vizcaya International (Gibraltar) Limited which in 1991, 1992 and 1993 issued US$345 million, US$100 million and US$248 million, respectively, of non-cumulative, non-voting, preferred stock guaranteed by Banco Bilbao Vizcaya, S.A., with fixed annual dividends of 9.75%, 9% and 8%, respectively. These shares were subscribed by third parties outside the Group and are wholly or partially redeemable at the Company's option after 5 years in the case of the 1993 issue and after 10 years in the case of the prior two issues.

NOTE 16 - CAPITAL STOCK

The capital stock of Banco Bilbao Vizcaya, S.A. as of December 31, 1993 and 1994, consisted of 231,000,000 fully subscribed and paid registered shares of Ptas. 600 par value each.

The shares of Banco Bilbao Vizcaya, S.A. are listed on the continuous market of the Spanish stock exchanges and in the stock markets of New York, Frankfurt, London, Zurich, Geneva, Basel and Tokyo. Also, as of December 31, 1994, the shares of Brunara, S.A. (SIMCAV) and a portion of the shares of Banca Catalana, S.A. were listed on the Spanish stock exchanges.

As of December 31, 1993 and 1994, certain of the consolidated dependent companies owned, for discretionary purposes, 0.38% and 1.61%, respectively, of the outstanding capital stock of Banco Bilbao Vizcaya, S.A. At those same dates, other consolidated dependent companies owned, for investment purposes, 0.17% and 0.34%, respectively, of the capital stock then outstanding.

As of December 31, 1993 and 1994, Fundación Banco Bilbao Vizcaya, a not-for-profit charitable and educational private institution set up in 1988 with a contribution of Ptas. 14,000 million from Banco Bilbao Vizcaya, S.A., which was charged to the merger surpluses, owned 3,818,428 shares of Banco Bilbao Vizcaya, S.A.

As of December 31, 1994, the additional capital authorized by the Shareholders' Meeting amounted to Ptas. 69,300 million and the Board of Directors may make capital increases up to this limit through February 1998.

NOTE 17 - RETAINED EARNINGS AND OTHER RESERVES

"Retained earnings and other reserves" in the consolidated balance sheets as of December 31, 1993 and 1994, before the allocation of period income, consisted of:

	December 31, (Millions of Pesetas)	
	1993	1994
Legal reserve	27,720	27,720
Paid-in surplus	160,800	160,800
Special reserve	-	13,041
Other reserves	88,275	97,549
Net reserves and losses at consolidated companies	160,645	160,903
Net income for the year	71,085	72,330
	508,525	532,343
Less-		
Interim dividends	26,107	25,977
Parent company shares owned by subsidiaries	3,103	13,402

	479,315	**492,964**

The dividends actually paid were as follows:

	Year Ended December 31, (Millions of Pesetas)		
	1992	1993	1994
Supplementary of prior year	12,525	12,550	12,542
Interim of current year	26,194	26,107	25,977
	38,719	**38,657**	**38,519**

Interim dividends for 1993 and 1994 include Ptas. 8,729 and 8,638 million declared in December, 1993 and 1994, respectively, but payable to the shareholders from January 10, 1994 and January 10, 1995, respectively, which are recorded under "Other liabilities" in the accompanying balance sheets as of December 31, 1993 and 1994.

Bank of Spain Circular 5/1993, which came into force in 1993 and implements Law 13/1992, regulating equity and the supervision of financial entities on a consolidated basis, requires consolidable groups of credit entities to have, at all times, a solvency ratio of not less than 8% of the weighted credit risk on balance sheets assets, commitments and other memorandum accounts, and of the exchange rate risk on their overall net foreign currency position and on their weighted trading portfolio and derivatives positions. As of December 31, 1993 and 1994, the *Group's net computable equity amply exceeded the minimum amounts required by Bank of Spain* Circular 5/1993.

Bank of Spain Circular 5/1993 also stipulates that the net tangible fixed assets and aggregate exposure of a consolidated group of credit entities to any one individual or economic group may not exceed 70% and 40%, respectively, of computable equity, and sets limits for foreign currency positions, which were complied with as of December 31, 1993 and 1994.

Legal reserve-

Under the Corporations Law, as amended, 10% of the income for each year of companies must be transferred to the legal reserve until the balance of this reserve reaches 20% of capital stock. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount. Otherwise, until the legal reserve exceeds 20% of capital stock, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Paid-in surplus-

This account basically includes the voluntary reserve balances of Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. and the merger capital gains (see Notes 2.d and 2.e), which were reflected in the balance sheets of the banks involved in the merger.

The merger capital gains of the Bank recorded in this account in 1988 and at consolidated level were as follows:

	Millions of Pesetas	
	Bank	Consolidated level
Revaluation of:		
Buildings	98,541	119,041
Equity securities	46,319	24,941
Less- 1988 transfers	(38,183)	(45,490)
	106,677	98,492

The Corporations Law, as amended, expressly permits the use of the paid-in surplus balance to increase capital and establishes no specific restrictions as to its use.

Restatement reserves (Notes 2.d and 2.e)-

Certain of the consolidated companies availed themselves of the restatement provisions of the applicable enabling legislation. The resulting increases in the cost and accumulated depreciation of tangible fixed assets and, where appropriate, in the carrying values of equity investment securities, and the portion of the surpluses used were as follows:

	Millions of Pesetas
Legal restatements of tangible fixed assets:	
Cost	78,875
Accumulated depreciation	(10,577)
Legal restatements of investment securities	31,199
	99,497
Less- Appropriation through December 31,1990:	
Capital increases	(41,073)
Transfer to legal reserve and other reserves	(34,135)
Offset of losses and other	(24,289)
	-

The surpluses which arose on the restatement of premises and equipment began to be amortized from the date on which they were recorded, in accordance with the same principles as those applied to depreciate the related costs.

Special reserve-

As required by the Corporations Law, as amended, as of December 31, 1994, the Bank had recorded a restricted reserve for the book value of Bank's shares owned by dependent companies which do not have sufficient equity to enable them to record this reserve in their individual financial statements.

Reserves and losses at consolidated companies-

The breakdown, by company, of these captions in the accompanying consolidated balance sheets is as follows:

	(Millions of Pesetas)	
	1993	1994
Reserves at companies consolidated-		
By the global and proportional integration methods:		
Banco del Comercio, S.A.	26,409	28,618
Canal International Holding, S.A.	17,116	19,889
Banca Catalana, S.A.	7,813	4,038
Banco Industrial de Bilbao, S.A.	7,336	7,515
Other companies and consolidation adjustments	98,069	93,430
	156,743	153,490
Carried by the equity method	23,286	24,017
Translation differences in consolidation	7,758	448
	187,787	**177,955**
Losses at companies consolidated-		
By the global integration method:		
Corporacion Inmobiliaria Bilbao Vizcaya, S.A.	3,770	1,101
Other companies	12,863	9,064
	16,633	10,165
Carried by the equity method	10,509	6,887
	27,142	**17,052**
Net reserves and losses at consolidated companies	**160,645**	**160,903**

The individual financial statements of the dependent consolidated companies as of December 31, 1994 include Ptas. 31,088 million of restricted reserves, of which Ptas. 381 million relate to the restricted reserve for shares of the controlling company (Ptas. 32,466 million and Ptas. 3,103 million, respectively, as of December 31, 1993).

NOTE 18 - INTERNATIONAL OPERATIONS

The international operations of the Group are conducted mainly by the International Division of the Bank in Madrid, Spain and through several offshore locations. The operations of the foreign subsidiary banks and companies are primarily funded basically with domestic funds.

Foreign operations include business conducted at foreign offices and international business conducted from offices in Spain. Since many domestic operating departments play an important role in relation to foreign business, a precise division of domestic and foreign assets, operating income and net income (loss) before income tax is not practicable. Certain internal allocations, which are of necessity subjective and based primarily on the domicile of the customer, have been made in assigning identifiable assets, operating income and net income (loss) before income tax to various geographical areas. In addition, the internal costs of transfers of funds between different geographical areas have been taken into account in the distribution of income (loss) before income taxes.

The following tables present total assets, total revenues and income before income taxes for the Group for the years indicated. Apart from Spain, the United States and the United Kingdom contribute in excess of 5% of total assets, total revenues or income before income tax of the Group.

	December 31, (Millions of Pesetas)	
	1993	1994
Total assets		
Domestic	7,476,655	8,143,534
International:		
Western Europe	2,224,297	3,245,792
United States	883,306	741,482
Other	943,953	842,129
	4,051,556	4,829,403
	11,528,211	12,972,937

	Year Ended December 31, (Millions of Pesetas)		
	1992	1993	1994
Total revenues *			
Domestic	943,370	1,017,724	829,725
International:			
Western Europe	179,073	189,511	181,865
United States	38,312	42,708	42,522
Other	25,393	41,369	45,833
	242,778	273,588	270,220
	1,186,148	1,291,312	1,099,945
Income (loss) before income taxes			
Domestic	83,284	76,647	76,013
International:			
Western Europe	13,145	15,259	16,943
United States	1,062	2,876	1,865
Other	5,335	5,433	5,723
	19,542	23,568	24,531
	102,826	100,215	100,544

* Total revenues includes interest and noninterest income.

Loans and leases and foreign investments-

For analysis of loans and leases and foreign investments by domicile of lending office and by domicile of the borrower, see the discussion under "Selected Statistical Information - Loan Portfolio".

Deposits-

The following table presents deposits, by domicile of office and type at December 31, for each of the years indicated:

	Deposits (Millions of Pesetas)				
	Noninterest Deposits	Demand	Savings	Time	Total
1993-					
Domestic	321,241	1,358,135	797,488	2,996,488	5,473,352
International:					
Western Europe	48,426	96,250	56,609	1,625,197	1,826,482
United States	1,296	29,291	7,120	257,046	294,753
Other	2,929	19,002	1,827	518,303	542,061
	52,651	144,543	65,556	2,400,546	2,663,296
	373,892	1,502,678	863,044	5,397,034	8,136,648
1994-					
Domestic	407,293	1,439,113	914,323	3,142,929	5,903,658
International:					
Western Europe	7,174	122,614	30,691	2,124,240	2,284,719
United States	2,378	28,764	30,245	358,229	419,616
Other	1,696	18,521	6,454	586,530	613,201
	11,248	169,899	67,390	3,068,999	3,317,536
	418,541	1,609,012	981,713	6,211,928	9,221,194

Long-term debt-

Details of long-term borrowings of the Group's international operations are provided in Note 13.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

The principal commitments and contingent liabilities of the Group as of December 31, 1993 and 1994, all of which arise in the normal course of banking business, were as follows:

	December 31, (Millions of Pesetas)	
	1993	1994
Contingent liabilities-		
Rediscounts, endorsements and acceptances	2,656	3,137
Deposits, guarantees and sureties	423,763	491,313
Assets assigned to sundry obligations	13,790	16,232
Other	80,182	93,690
Commitments-		
Balances drawable by third parties:		
Credit entities	158,859	181,851
Public authorities	117,161	136,595
Other residents	880,139	1,033,860
Nonresidents	173,953	267,138
Other commitments	114,376	101,545
Derivative instruments-	17,933,858	17,409,785

Financial instruments with off-balance sheet risk-

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk. The Group enters into such financial instruments to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, documentary credits, guarantees, forward and futures contracts, interest rate and currency swaps and options. These instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized in the balance sheet.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The Group's exposure to credit loss under commitments to extend credit, documentary credits and guarantees is represented by the contractual amount of these instruments. The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. For interest rate swap and similar transactions, forward and futures contracts, and options, the contract or notional amounts do not represent exposure to credit loss. The Group controls the credit risk of its interest rate swap agreements and forward and futures contracts through established credit approvals, risk control limits and monitoring procedures.

Market risk represents the possibility that the value of a financial instrument will change, either positively or negatively, with changes in market prices, such as interest rates.

Options and financial futures traded in organized markets are valued at market price. The variations in market prices are recorded in full in the income statement.

The gains (losses) on futures transactions carried out outside organized markets are recorded when the transactions are settled. However, theoretical closes of non-hedging positions are made at each year-end and provision is made for the potential losses, if any, on each type of risk with a charge to income.

The Group requires collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Commitments are contractual agreements to extend credit, generally having fixed expiration dates or other termination clauses and usually requiring payment of a fee. Substantially all of the Group's commitments to extend credit are contingent upon the customers maintaining specific credit standards at the time of loan funding.

Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Documentary credit and guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. Documentary credits are primarily issued as credit enhancements for public and private borrowing arrangements. The credit risk involved in issuing documentary credit is essentially the same as that involved in extending facilities to customers. Risks associated with documentary credits are reduced by participations to third parties.

Forward and futures contracts are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. Risks arise from the possible inability of counter-parties to meet the terms of their contracts and from movements in securities values and interest rates.

Interest rate swap transactions generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of the underlying notional amounts. Though swaps are also used as part of asset/liability management, most of the interest rate swap activity arises when the Group acts as an intermediary in arranging interest rate swap transactions for customers. The Group typically becomes a principal in exchange of interest payments between the parties and, therefore, is exposed to loss should one of the parties default. The Group minimizes this risk by performing normal credit reviews on its swap customers and minimizes its exposure to the interest rate risk inherent in intermediated swaps by entering into offsetting swap positions that essentially counterbalance each other. As of December 31, 1993 and 1994, the Group had interest rate swap contracts with a notional amount of approximately Ptas. 2,079,999 million and Ptas. 3,961,801 million, respectively.

The Group enters into a variety of interest rate contracts, including interest rate options and interest rate swap agreements, in its trading activities and in managing its interest rate exposure. Interest rate options are contracts that allow the holder of the option to purchase or sell a financial instrument at a specified price and within a specified period of time from the seller of the option. As a seller of interest rate options, the Group receives a premium at the outset and bears the risk of an unfavorable change in the price of the financial instruments underlying the option.

The following table presents the aggregate notional principal amounts of the Group's outstanding derivative and foreign exchange contracts as of December 31, 1993 and 1994, along with the related balance sheet credit exposure at December 31, 1994. The table includes all contracts with third parties, including both dealer and end-user positions.

	December 31, (Millions of Pesetas)		
	Notional principal		Credit exposure
	1993	1994	1994
Interest rate and commodity products-			
Futures contracts	337,219	312,039	--
Forward contracts	1,801,703	1,492,539	2,056
Swap agreements	2,079,999	3,961,801	31,852
Purchased options	53,676	180,911	803
Written options	68,942	121,854	--
Other products	530,170	301,913	2,366
Foreign exchange products-			
Forward contracts	13,017,106	10,625,824	75,676
Swap agreements	--	208,513	11,468
Purchased options	18,331	93,033	405
Written options	26,712	111,358	--
	17,933,858	17,409,785	124,626

Management does not anticipate that any material losses will arise out of these operations, once taking into account the Ptas. 9,678 million of allowances provided for as of December 31, 1994 (see Note 21).

Concentrations of credit risk-

The Group's portfolio of off-balance sheet financial instruments is managed with the same practices utilized for on-balance sheet instruments, and is broadly diversified among industries and geographic areas. No material concentration of credit risk exists with regard to the Group's portfolio of off-balance financial statements.

Although the Group is engaged in business both domestically and internationally, its lending and investment activities are concentrated in Spain. Total loans to Spanish domiciled customers at December 31, 1994 amounted to Ptas. 4,114,738 million including Ptas. 1,109,866 million to the industrial sectors and Ptas. 1,293,327 million to individuals. Total Spanish investment securities amounted to Ptas. 1,401,610 million, including Ptas. 1,253,535 million of Spanish Government and government agency securities.

NOTE 20 - SUBSEQUENT EVENTS

At the Bank's Shareholders' Meeting on February 25, 1995, the shareholders approved the 1994 financial statements (see Note 1.a) and a supplementary dividend of Ptas. 60 per share out of 1994 earnings, that was paid on April 10, 1995.

The shareholders' meeting also approved the issuance of 2,310,000 new shares of Ptas. 600 par value (Ptas. 1,386 million of capital stock) to be subscribed by the employees in 1996, 1997 and 1998, subject to the meeting of certain conditions, at a price of Ptas. 1,983 per share.

On March 3, 1995, after receiving the related administrative authorizations, the Group completed the sale of its holding in Helados y Congelados, S.A. and Compañia del Frío Alimentario, S.A. (see Note 8).

On April 29, 1995, the Bank amortized 4,000,000 shares previously owned by subsidiaries, giving rise to a reduction of Ptas. 2,400 million of the capital stock and Ptas. 10,381 million of "Special reserve" (see Note 17), without effecting total stockholders' equity.

On April , 1995, the Group, together with Brescia Group, won the public auction for a 60% share of Banco Continental, S.A. of Peru, for a total of US$225 million. As of December 31, 1994, total assets and stockholders' equity of Banco Continental, S.A. amounted to approximately Ptas. 200,000 million and Ptas. 14,500 million, respectively.

In May 1995, the Group reached a preliminary agreement with the Mexican government and the other shareholders of Grupo Financiero Probursa, S.A. ("Probursa") (see Note 8) for the Group to increase its holding in this company to approximately 70%. The investment is expected to be formally made on June 30, subject to certain conditions, including the purchase by the Mexican government of approximately Ptas. 120,000 million of Probursa's assets and implementation of a stringent net worth amelioration plan. The Group's investment will total approximately US$350 million, through the subscription of convertible subordinated debentures, of which US$160 million would be converted into capital stock immediately and the remainder in one to five years.

NOTE 21 - DIFFERENCES BETWEEN SPANISH AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As indicated in Notes 1 and 2, the accompanying consolidated financial statements are presented in accordance with Spanish GAAP, which varies from U.S. GAAP in the following significant respects:

Revaluation of property and equity securities-

As described in Notes 2.d and 2.e, certain of the Spanish and foreign consolidated companies restated the cost and accumulated depreciation of tangible fixed assets and, where appropriate, the carrying values of their equity investment securities pursuant to the relevant legislation. Also, the buildings and equity securities owned by certain of the companies in the Group, whose Shareholders' Meetings adopted merger resolutions in 1988, were restated on the basis of the principles explained in Note 1 and 2.e. Under U.S. GAAP these revaluations are not permitted to be reflected in the financial statements.

In accordance with Spanish GAAP, fixed asset depreciation is computed on the restated value and the total amount charged to income is deductible for corporate income tax purposes. In addition, results on sales or dispositions of both fixed assets and equity investments are determined as the difference between the selling price and the net restated value.

The amounts of the adjustments indicated below have been calculated to reflect the additional income that would have resulted had the Group not restated the equity securities and fixed assets that have been sold and not charged the additional depreciation to income on the remaining restated fixed assets.

Equity investments-

As indicated in Note 2.d, under Spanish GAAP, investments in nonconsolidated listed affiliated companies owned over 10% and in nonconsolidated unlisted affiliated companies owned over 20% are recorded by the equity method.

Under U.S. GAAP, investments in affiliated companies over 20% but less than 50% are accounted for by the equity method and those exceeding 50% by the global integration method. Investments of less than 20% are accounted for at the lower of average cost or market.

The adjustments indicated below have been computed after eliminating the net effect of the restatement, if any, of fixed assets and equity investments recorded in the books of the affiliated companies.

The effect of including less than majority owned investees in the consolidation using the proportional consolidation method (see Note 1.b) is not material.

Pension plan contributions-

As of December 31, 1988, the total liability for retired and active employees was recorded by a charge to income and to the merger reserves adopted by some companies in 1988.

In 1991, the Group recalculated the actuarial liability, changing certain assumptions and varying certain of the items included in the pensionable basis. Gains and losses derived from this recalculation were covered with charges to "Retained earnings and other reserves". In 1992, 1993 and 1994, actuarial gains and losses were recorded in the income statement. Under U.S. GAAP, SFAS 87 requires net gain or loss on actuarial assumptions to be amortized, by the straight-line method, by charges to income in a period not exceeding the average remaining service period of active employees or average remaining expectancy of retired participants.

Adjustments to net income for the years 1992, 1993 and 1994 relate, basically, to the amortization of such gains and losses. After such adjustment, unamortized net loss as of December 31, 1994, amounts to Ptas. 22,702 million, that will be amortized in a period of 19 years from such date.

Deferred income taxes-

In 1991, deferred tax assets were recorded for the first time, only for part of the amount related to the provisions to the pension allowance, and with the limits mentioned in Notes 2.i and 14. In addition, the Group's policy provides for deferred tax liabilities where, in the opinion of management, liability is likely to arise in the foreseeable future.

In addition to the deferred tax impact of Spanish and U.S. GAAP differences described below, for U.S. GAAP reporting purposes, effective January 1, 1993 the Group adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes". Under SFAS 109, the balance sheet reflects deferred tax assets and liabilities and the tax benefit of net operating loss carryforwards at enacted tax rates. The cumulative effect of initially applying SFAS 109 is shown in net income reconciliation for 1993, without effecting net income for 1992 in accordance with U.S. GAAP.

The Bank has recorded deferred tax assets of Ptas. 34,047 million (Ptas. 35,072 million as of December 31, 1993) related to the legal revaluations of property and equity securities, including those derived from the merger in 1988. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. A Ptas. 13,619 million valuation allowance has been established based upon an analysis of future reversal of temporary tax differences and the ability of the Bank to realize the related benefit (Ptas. 14,029 million as of December 31, 1993).

The tax basis of the Bank's investment in domestic and foreign subsidiaries is generally less than the investment reflected in the consolidated financial statements. Considering the tax planning strategies available to the Group, as defined in SFAS 109, the corresponding tax and financial reporting difference of approximately Ptas. 158,507 million is not anticipated to decline in the foreseeable future and has been accounted for as a permanent difference against which no deferred tax liability has been recorded.

Goodwill-

In accordance with past Spanish accounting practice, certain employee benefit liabilities related to the acquisition of certain banks were not recorded at the date of acquisition. Under U.S. GAAP those liabilities should have been recorded. If such adjustment were made, additional goodwill would be recorded.

In addition, the general policy of the Group is to amortize goodwill through charges to income over a maximum period of ten years. However, a different period was used to amortize goodwill in some of the subsidiaries acquired before the merger in 1988.

In the United States, goodwill is amortized to income over the periods estimated to be benefited but not to exceed 40 years. For purposes of calculating the effect of applying U.S. GAAP, goodwill arising on acquisitions has been amortized over five to ten years.

Early retirements-

Certain Group banks apply a cash-basis procedure to record the amounts paid monthly to employees who have taken early retirement, until they reach the effective retirement age.

Under Statement N° 88 of the Financial Accounting Standards Board (SFAS 88), the discounted current value of all such payments should be expensed in full in the year in which early retirement is taken.

Additional allowances for loan losses required by Circular 4/1991 and 11/1993-

In 1992 Circular 4/1991 created new requirements in the allowances for loan losses which were applied retroactively in the financial statements for 1991. Also, in 1994 Circular 11/1993 amended the recording of writedown of assets acquired as a result of loan defaults, which effect was directly charged to reserves. (See Note 1).

Under U.S. GAAP the effect of such changes in estimated allowances must be recorded in the statement of income of the period in which the changes have appeared.

Results on transactions with parent company shares-

Following Circular 4/1991, results of sale transactions with Bank shares owned by subsidiaries must be accounted for as extraordinary profit or losses (Note 1).

Under U.S. GAAP, these results must be accounted for in reserves.

Valuation of investment securities

For U.S. GAAP reporting purposes, effective January 1, 1994, the Group adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities". Under SFAS 115, available-for-sale securities (as defined) must be recorded at market value, with changes in value recognized directly in stockholders' equity. The Group's criteria of accounting for such securities, following Bank of Spain Circulars, are described in Note 2.d.

Also, under U.S. GAAP the investment securities allowance required must be estimated on an investment security portfolio basis whereas under Spanish GAAP such allowance is recorded on an individual basis for equity securities (and debt securities before 1994). An adjustment to net income and stockholders' equity reflects the reversal of the excess allowance recorded under Spanish GAAP.

Employee and other third party loans-

As described in Note 5, certain Group banks granted loans to shareholders, employees and customers for the acquisition of Banco Bilbao Vizcaya, S.A. shares. Under Spanish GAAP, these loans were recorded in the consolidated financial statements under the caption "Loans and Leases". Also Group Banks have granted certain loans secured by Banks shares. Under U.S. GAAP, these loans should be recorded as a reduction of Stockholders' Equity.

Balance sheet presentation-

In accordance with Spanish GAAP, the number of shares authorized, issued and outstanding of the Bank is not presented on the face of the balance sheet. This has no effect on the following reconciliations.

* * * *

The following is a summary of the estimated effect of the most significant adjustments to the combined net income and the consolidated stockholders' equity which would be required if United States generally accepted accounting principles had been applied instead of those generally accepted in Spain.

	Increase (Decrease) Year Ended December 31, (Millions of Pesetas, except per share data)		
	1992	1993	1994
NET INCOME:			
As reported under Spanish GAAP in the accompanying consolidated statements of income	69,478	71,085	72,330
Adjustments to conform to U.S. GAAP-			
Pension plan cost	(1,408)	1,341	(12,160)
Elimination of over-depreciation relating to restated fixed assets and recognition of additional profits on the sale and disposal of restated items	8,176	5,884	2,930
Effect of following the equity method of accounting for investments in affiliated companies more than 20% owned	(7,130)	576	(2,164)
Amortization of goodwill	(1,405)	(710)	(707)
Changes in estimated allowances for loan losses charged to retained earnings pursuant to Circulars 4/1991 and 11/1993	(13,166)	-	(3,503)
(Gains) losses on transactions with parent company shares owned by subsidiaries accounted for as income for the year	(287)	(1,792)	(133)
Valuation of investment securities	7,290	(626)	9,668
Early retirements and other adjustments	(2,586)	1,882	(4,854)
Tax effect of above mentioned adjustments	1,285	(300)	661
Effect of following SFAS 109 in the accounting for income taxes for each year	-	(389)	1,635
Cumulative effect of initial adoption of SFAS 109	-	17,765	-
Approximate net income in accordance with U.S. GAAP	**60,247**	**94,716**	**63,703**
Net income per share (Ptas.)*	**261**	**410**	**276**

* Net income per share has been calculated on the basis of the weighted average number of shares outstanding in the relevant period including those held by certain of the Bank's consolidated subsidiaries.

	Increase (Decrease) December 31, (Millions of Pesetas)	
	1993	1994
STOCKHOLDERS' EQUITY:		
As reported in the consolidated balance sheets	617,915	631,564
Reversal of the net effect of the restatement of fixed assets and equity securities	(100,207)	(97,277)
Effect of adjustments to conform to U.S. GAAP to the equity in investments in affiliated companies	(16,096)	(18,915)
Pension plan cost	9,495	(2,665)
Goodwill amortized in excess	4,329	3,622
Reduction for employee and third-party loans issued to purchase shares of capital stock	(2,069)	(1,812)
Valuation of investment securities	8,487	17,934
Early retirements and other adjustments	(12,616)	(17,470)
Tax effect of above mentioned adjustments	28,449	27,961
Effect of following SFAS 109	17,376	19,011
Approximate stockholders' equity in accordance with U.S. GAAP	**555,063**	**561,953**

Consolidated statements of Cash-Flows-

The following consolidated statements of cash flows for 1992, 1993 and 1994 are presented in connection with U.S. Statement of Financial Accounting Standards No. 95 and reflect the adoption of U.S. Statement of Financial Accounting Standards No. 104.

	Year Ended December 31, (Millions of Pesetas)		
	1992	1993	1994
CASH FLOWS FROM OPERATING ACTIVITIES (a):			
Net income	60,247	94,716	63,703
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and depreciation	27,299	26,018	27,870
Provision for loan losses	62,000	79,189	60,306
Provision to special reserves	219	12,546	15,066
Discount of financial support	3,887	1,744	-
Gains on sale of premises and equipment	(5,562)	(5,936)	(3,975)
Gains on sale of investment securities and affiliated companies securities	(13,501)	(46,933)	(11,684)
Minority interests	8,183	15,791	14,313
Increase (decrease) in taxes payable	2,484	(13,058)	(9,856)
Net decrease (increase) in interest receivable and payable and other accrued income and expense	(23,316)	35,535	(73,632)
Net cash provided by operating activities	121,940	199,612	82,111

	Year Ended December 31, (Millions of Pesetas)		
	1992	1993	1994
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in interest bearing accounts with banks	(512,493)	(531,455)	(295,778)
Net decrease (increase) in securities purchased under agreements to resell	(105,135)	(483,428)	(49,586)
Net decrease (increase) in trading securities	148,073	(71,394)	(158,807)
Purchase of investment securities	(4,168,479)	(5,003,012)	(6,224,496)
Proceeds from sales of investment securities	3,754,917	4,822,477	5,604,891
Net increase in loans and leases	(196,391)	(354,523)	(273,203)
Purchase of premises and equipment	(37,118)	(40,516)	(27,874)
Proceeds from sales of premises and equipment	12,212	12,899	12,121
Purchase of affiliated companies securities	(1,058,304)	(17,604)	(57,738)
Proceeds from sales of affiliated companies securities	990,901	51,386	54,405
Other investing activities	(38,999)	(6,755)	(32,269)
Net cash used in investing activities	(1,210,816)	(1,621,925)	(1,448,334)

	Year Ended December 31, (Millions of Pesetas)		
	1992	1993	1994
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in non-interest-bearing deposits	(141,223)	54,297	44,649
Net increase (decrease) in demand deposits	(6,141)	(75,989)	106,334
Net increase in savings deposits	92,619	114,633	118,669
Net increase in time deposits	791,434	1,164,493	814,894
Payments of financing support received from Bank of Spain and Deposit Guarantee Fund	(23,297)	(35,174)	-
Net increase (decrease) in other Bank of Spain and Deposit Guarantee Fund accounts	(6,707)	(16,683)	(59,947)
Net increase (decrease)in short-term borrowings	348,338	131,570	499,268
Proceeds from issuance of long- term debt	2,132	28,741	40,658
Repayment of long-term debt	(15,791)	(6,742)	(27,540)
Other financing activities	76,650	58,203	(108,371)
Dividends paid	(38,286)	(38,612)	(38,610)
Net cash provided by financing activities	**1,080,128**	**1,378,737**	**1,390,004**
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	(8,748)	(43,576)	23,781
CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR (b)	195,846	187,098	143,522
CASH AND DUE FROM BANKS AT END OF THE YEAR (b)	187,098	143,522	167,303

(a) The cash paid by the Company for interest and income taxes during 1992, 1993 and 1994 was as follows:

	(Millions of Pesetas)		
	1992	1993	1994
Interest expense	722,529	781,733	633,027
Income taxes	42,469	20,765	27,946

(b) For purposes of the statement of cash flows, the Group considers as cash and cash equivalents the cash on hand and at banks.

Disclosures about fair value of financial instruments (FASB 107)-

As required by SFAS No. 107 "Disclosures about Fair Value of Financial Instruments" (SFAS No. 107) the Group has presented estimated fair value information about financial instruments for which it is practicable to estimate that value. Fair value is best determined by values quoted through active trading markets. Active trading markets are characterized by numerous transactions of similar financial instruments between willing buyers and willing sellers. Because no active trading market exists for various types of financial instruments, many of the fair values disclosed were derived using present value discounted cash flow or other valuation techniques. As a result, the Group's ability to actually realize these derived values cannot be assured.

The estimated fair values disclosed under SFAS No. 107 may vary significantly between institutions based on the estimates and assumptions used in the various valuation methodologies.

SFAS No. 107 excludes disclosure of nonfinancial assets such as buildings as well as certain financial instruments such as leases.

Accordingly, the aggregate estimated fair values presented do not represent the underlying value of the Group.

The actual carrying amounts and estimated fair values of the Group's financial instruments that are included in the Consolidated Balance Sheets as of December 31, 1993 and 1994, are as follows:

	1993		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Millions of Pesetas)			
Assets:				
Cash and due from banks	143,522	143,522	167,303	167,303
Interest-bearing deposits	3,370,265	3,367,635	3,666,043	3,655,869
Securities purchased under agreements to resell	808,915	808,915	858,673	858,638
Trading securities	146,220	146,220	117,667	117,667
Investment securities	1,714,590	1,755,358	2,487,021	2,493,779
Net loans	4,455,170	4,507,511	4,668,142	4,730,639
Liabilities				
Deposits - Non interest	373,892	373,892	418,541	418,541
Demand	1,502,678	1,502,678	1,609,012	1,609,012
Savings	863,044	863,044	981,713	981,713
Time	5,397,034	5,414,454	6,211,928	6,193,413
Short-term borrowings	1,974,416	1,974,416	2,463,065	2,458,978
Long-term debt	170,390	170,643	179,617	180,337

The following methods and assumptions were used by the Group in estimating fair value for financial instruments for which it is practicable to estimate such value:

1. **Cash and due from banks-**

   For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

2. **Interest-bearing deposits in other banks, securities purchased under agreement to resell-**

   a) For the assets maturing within three months, the carrying amount is a reasonable estimate of fair value.

   b) For the assets maturing in over three months, the fair value represents the present value of estimated future cash flows discounted at the average year-end market rates for each type of instrument.

3. **Investment securities-**

Fixed income:

a) Listed securities: at closing market prices as of December 31, 1993 and 1994.

b) Unlisted securities: on the basis of market prices of other listed fixed-income securities of similar interest rate, credit risk and maturity. If no similar listed fixed-income securities can be identified, the fair value is taken to be equal to the present value of future cash flows discounted at the average year-end market interest rates for such securities.

Equity securities:

a) Listed securities: at the 1993 and 1994 closing market price.

b) Unlisted securities: at underlying book value per the December 31, 1993 and 1994 financial statements (in some cases unaudited) of each investee, or otherwise per the latest financial statements currently available.

4. **Loans-**

The fair value of the Group's loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The fair value of loans was estimated by discounting scheduled cash flows through the estimated maturity using prevailing market rates at year-end, and is implemented as follows:

a) The estimation of the provision for possible loan losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the allowance for possible loan losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

b) For fixed and floating-rate loans for which the interest rate was similar to the average rates available for each type of loan (such as commercial or mortgage loans) as of December 31, 1993 and 1994, the carrying amount, net of the related allowance for possible loan losses, is considered a reasonable estimate of fair value.

c) For the remaining loans which the Group determined were at rates different than average market, the fair value of these loans has been estimated and presented based on the present value of future cash flows discounted at the average year-end market interest rate.

5. **Deposits and short-term borrowings-**

a) For liabilities maturing within three months, the carrying amount is a reasonable estimate of fair value.

b) For the liabilities maturing in over three months, the fair value represents the present value of estimated future cash flows discounted at the average year-end market rates for each type of instrument.

6. **Long-term debt-**

The fair value is estimated on the basis of the discounted present value of the cash flows over the remaining term of such debt. The discount rates were determined based on market rates available as of December 31, 1993 and 1994 on debt with similar credit and maturity characteristics of the Company's.

7. **Commitments and contingencies-**

a) Guarantees and other sureties provided and documentary credits:

It is estimated that the differential, if any, between the fee charged by the Group for these transactions and the average year-end market fee would not give rise to a material difference.

b) Forward foreign currency purchases and sales, swaps and options:

As indicated in Note 19, since the Group makes theoretical year-end closes for all positions, their carrying amount represents a reasonable estimate of fair value. No significant unrealized gains are derived from these positions.

c) Interest rate commodity contracts:

The fair value of these agreements is estimated based on the discounted cash flows relating to the fixed rates to be collected or paid, using for this purpose the year-end prevailing rates. As calculated in this manner, the fair value of these off balance sheet financial instruments of the Bank (that do not differ materially from those of the Group) as of December 31, 1994, is as follows:

	Unrealized Gains	Unrealized Losses	Net Gains (Losses)
		(Millions of Pesetas)	
Forward rate agreements	167	1,840	(1,673)
Interest rate swaps	31,282	28,623	2,659
Options	48	6,558	(6,510)

As of December 31, 1994, the Group has provided Ptas. 9,678 million for the coverage of such losses (Note 9).

AUDITORS' REPORT TO THE MEMBERS OF

BANCO BILBAO VIZCAYA INTERNATIONAL (GIBRALTAR) LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10 and have obtained all the information and explanations required for the purposes of our audit.

Respective responsibilities of directors and auditors

As described in the Report of the Directors, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the United Kingdom Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1994 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Ordinance 1930.

KPMG Peat Marwick

Regal House

Queensway

Gibraltar

BANCO BILBAO VIZCAYA INTERNATIONAL (GIBRALTAR) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 DECEMBER 1994

	Notes	1994 £	1993 £
GROSS BANKING INCOME		44,587,659	40,714,889
PROFIT BEFORE TAXATION	3	41,589,765	37,016,645
TAXATION	4	(225)	(225)
PROFIT AFTER TAXATION		41,589,540	37,016,420
Dividends	5	(40,062,500)	(35,816,750)
RETAINED PROFIT FOR THE YEAR		1,527,040	1,199,670
Retained profit brought forward		2,637,841	1,438,171
RETAINED PROFIT CARRIED FORWARD		£ 4,164,881	£ 2,637,841

The notes on pages 9 to 14 form part of these financial statements.

BANCO BILBAO VIZCAYA INTERNATIONAL (GIBRALTAR) LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1994

	Notes	1994 £	1993 £
ASSETS EMPLOYED			
Cash and due from banks		3,238,046	1,167,566
Term deposits with banks	6	488,020,849	496,094,942
Loans and advances		3,010,407	6,460,893
Debtors and other accounts		342,373	323,378
Fixed assets	7	53,120	73,561
		£ 494,664,795	£ 504,120,340
LIABILITIES AND SHAREHOLDERS FUNDS			
Shareholders funds:			
Share capital	9	2,169,806	2,169,806
Share premium	10	412,951,667	412,951,667
Foreign exchange equalisation reserve	2	19,267,534	42,639,913
Retained profit		4,164,881	2,637,841
Liabilities:			
Due to banks	6	12,037,147	5,150,009
Current, deposit and other accounts		43,848,224	38,236,343
Creditors and other accounts		225,536	334,761
		£ 494,664,795	£ 504,120,340
CONTRA ACCOUNTS			
Guarantees		£ 2,009,948	£ 703,899

The financial statements were approved by the Board on

)
) Directors
)

The notes on pages 9 to 14 form part of these financial statements.

BANCO BILBAO VIZCAYA INTERNATIONAL (GIBRALTAR) LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 1994

	Notes	1994 £	1993 £
ASSETS EMPLOYED			
Cash and due from banks		3,238,046	1,167,566
Term deposits with banks	6	488,020,849	496,094,942
Loans and advances		3,010,407	6,460,893
Debtors and other accounts		342,373	323,378
Fixed assets	7	53,120	73,561
Investment in subsidiaries	8	300	300
		£ 494,665,095	£ 504,120,640
LIABILITIES AND SHAREHOLDERS FUNDS			
Shareholders funds:			
Share capital	9	2,169,806	2,169,806
Share premium	10	412,951,667	412,951,667
Foreign exchange equalisation reserve	2	19,267,534	42,639,913
Retained profit		4,164,881	2,637,841
Liabilities:			
Due to banks	6	12,037,147	5,150,009
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Creditors and other accounts		225,536	334,761
		£ 494,665,095	£ 504,120,640
CONTRA ACCOUNTS			
Guarantees		£ 2,009,948	£ 703,899

The financial statements were approved by the Board on

) *Directors*
)

The notes on pages 9 to 14 form part of these financial statements.

BANCO BILBAO VIZCAYA INTERNATIONAL (GIBRALTAR) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £	1994 £	1993 £	1993 £
NET CASH FLOW FROM OPERATING ACTIVITIES	12		65,505,954		(134,386,610)
SERVICING OF FINANCE					
Preference share dividends paid		(40,062,500)		(35,816,750)	
Movement in Foreign Exchange Equalisation Reserve		(23,372,379)		6,420,974	
Net cash outflow from servicing of finance			(63,434,879)		(29,395,776)
TAXATION PAID			(225)		(225)
INVESTING ACTIVITIES					
Purchase of fixed assets			(370)		(21,941)
FINANCING ACTIVITIES					
Issue of preference share capital			-		164,606,405
NET CASH INFLOW	13	£	2,070,480	£	801,853

The notes on pages 9 to 14 form part of these financial statements.

1. BASIS OF PREPARATION

The financial statements are presented in consolidated form and have been prepared under the historical cost convention. The financial statements of all the company's subsidiaries as listed below have been incorporated into these consolidated financial statements.

Company	% Holding	Activity
BBV (International Gibraltar) Nominees Ltd.	100%	Non trading company
BBV (International Gibraltar) Directors Ltd.	100%	Non trading company
BBV (International Gibraltar) Trustees Ltd.	100%	Non trading company

2. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the group.

Fixed assets

Fixed assets are stated at cost less depreciation.

Depreciation

Depreciation is calculated on a straight line basis in order to write off the cost of fixed assets over their anticipated useful lives at the following annual rates:

Furniture, fittings, equipment	-	10%
Vehicles	-	25%
Computer and related equipment	-	20%

Foreign exchange

Assets and liabilities expressed in foreign currencies at the year end have been translated to pounds sterling at the rates of exchange ruling at 31 December 1994. Foreign currency transactions during the year have been translated at the rate of exchange ruling on the fixing date being the rate on the last day of each month with the exception of US dollar income on assets denominated in US dollars which have been designated as matching the liability of the company in respect of its US dollar redeemable share capital, and dividends on the redeemable share capital paid in US dollars, which have been translated to pounds sterling at the rate of exchange ruling at the reporting date.

Expenses of share issue

Expenses incurred in the issue of preference shares are set off against the share premium.

Foreign Exchange Equalisation Reserve

Assets denominated in a foreign currency which have been designated as matching the liability of the company in respect of its redeemable share capital are translated into sterling at the rate of exchange ruling at the reporting date. As the relevant share capital is translated into sterling at the historical rate of exchange ruling at the date of issue, the difference between the carrying value of such share capital and the designated matched assets is reflected in a Foreign Exchange Equalisation Reserve.

3. PROFIT BEFORE TAXATION

The results for the year are shown after charging:

	1994 £	1993 £
Depreciation	20,811	19,400
Audit fees	4,120	3,550
Directors remuneration	35,000	31,000

4. TAXATION

The company has been granted an exemption certificate under the provisions of the Companies (Taxation and Concessions) Ordinance in consequence of which the company is only liable to pay taxation at a fixed annual rate of £ 225.

5. DIVIDENDS

During the year the directors authorised the payment of dividends of US$ 33,637,500 on the non-cumulative guaranteed 'A' series preference shares, US$ 9,000,000 on the non-cumulative guaranteed 'B' series preference shares and US$ 19,860,000 on the non-cumulative guaranteed 'C' series preference shares.

6. **TERM DEPOSITS WITH BANKS/DUE TO BANKS**

	1994	1993
TERM DEPOSITS:		
Related parties	£ 488,020,849	£ 496,094,942
DUE TO BANKS:		
Related parties	£ 12,037,147	£ 5,150,009

7. **FIXED ASSETS**

Group and company	Furniture, fittings & equipment £	Vehicles £	Computer & related equipment £	Total £
COST:				
At 1 January 1994	69,488	9,855	67,738	147,081
Additions during year	-	-	370	370
At 31 December 1994	69,488	9,855	68,108	147,451
DEPRECIATION:				
At 1 January 1994	26,931	9,639	36,950	73,520
Charge for the year	7,003	216	13,592	20,811
At 31 December 1994	33,934	9,855	50,542	94,331
NET BOOK VALUE:				
At 31 December 1993	£ 42,557	216	30,788	73,561
At 31 December 1994	**£ 35,554**	**-**	**17,566**	**53,120**

8. **INVESTMENT IN SUBSIDIARIES**

AT COST (100% Holdings)

	1994 £	1993 £
BBV (International Gibraltar) Nominees Ltd	100	100
BBV (International Gibraltar) Directors Ltd	100	100
BBV (International Gibraltar) Trustees Ltd	100	100
	£ 300	£ 300

The above companies have not traded during the year.

9. SHARE CAPITAL

	1994	1993
Authorised: 2,000,000 ordinary shares of £1 each	£ 2,000,000	£ 2,000,000
150,000,000 non-cumulative guaranteed preference shares. US$ 0.01 each	US$ 1,500,000	US$ 1,500,000
Share capital allotted, called up and fully paid: 2,000,000 ordinary shares of £1 each	2,000,000	2,000,000
13,800,000 non-cumulative guaranteed preference shares of US$ 0.01 each: Designated A Series	76,837	76,837
4,000,000 non-cumulative guaranteed preference shares of US$ 0.01 each: Designated B Series	25,510	25,510
9,930,000 non-cumulative guaranteed preference shares of US$ 0.01 each: Designated C Series	67,459	67,459
	£ 2,169,806	£ 2,169,806

10. SHARE PREMIUM

The 13,800,000 non-cumulative A preference shares, 4,000,000 non-cumulative B preference shares and 9,930,000 non-cumulative C preference shares were issued at a premium of US$ 24.99. The figure shown as the total premium figure is net of any expenses relating to the issues and translated to sterling at the rate of exchange ruling at the date of issue (US$ 1.796 to £, US$ 1.568 to £ and US$ 1.472 to £ respectively).

11. REDEMPTION OF SHARES

The non-cumulative guaranteed preference shares, series A and series B are redeemable at the option of the company in whole or in part from time to time, at US$ 25 per share on or after November 19th 2001 and 15th December 2002 respectively. The non-cumulative guaranteed preference shares, series C, are redeemable at the option of the company, in whole or in part from time to time, at US$26 per share on or after 30 June 1998 and prior to 30 June 1999, and at decreasing prices thereafter, declining to US$25 per share on or after 30 June 2003.

Any shortfall on redemption resulting from expenses of the share issues having been offset against the share premium account, will be made good at the redemption date.

12. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1994 £	1993 £
Operating profit	41,589,765	37,016,645
(Increase)/decrease in accruals receivable	(18,995)	69,412
Decrease in accruals payable	(109,225)	(348,568)
Depreciation	20,811	19,400
Net cash flow from trading activities	41,482,356	36,756,889
Net increase in deposits	5,611,881	4,624,652
Net decrease in loans to customers	3,450,486	2,711,421
Net increase/(decrease) in placings received from banks	6,887,138	(3,889,686)
Net decrease/(increase) in placings with banks	8,074,093	(174,589,886)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	£ 65,505,954	£ (134,386,610)

13. ANALYSIS OF CHANGES IN CASH DURING THE YEAR

	1994 £	1993 £
Opening Balance	1,167,566	365,713
Closing Balance	3,238,046	1,167,566
Increase in cash held	£ 2,070,480	£ 801,853

14. CONTINGENCIES AND COMMITMENTS

In the ordinary course of business there are contingent liabilities to and on behalf of customers. Specific guarantees are shown on the face of the balance sheet as contra accounts.

15. RESTATEMENT OF PRIOR YEAR FIGURES

The prior year figures have been restated to correct a misclassification between the 'Share Premium Account' and the 'Foreign Exchange Equalisation Reserve'.

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No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Offering Circular and, if given or made, such information or representations must not be relied upon as having been authorized by the Branch or the Bank or by the Underwriter. The Offering Circular does not constitute an offer to or solicitation of any person in any jurisdiction in which such offer or solicitation would be unlawful. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date thereof.

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$200,000,000

BBV International Finance Ltd.

(Incorporated with limited liability in the Cayman Islands)

7% Subordinated Guaranteed Notes Due December 1, 2025 Guaranteed on a subordinated basis to the extent set forth herein by

Banco Bilbao Vizcaya, S.A., New York Branch

OFFERING CIRCULAR
December 4, 1995

UBS Securities Inc.