

General Shareholders Meeting 2007

Speech by Francisco Gonzalez, BBVA Chairman and CEO

**“Principles, Innovation,
and Globalization are the Foundations
on which we are Building the BBVA
of the Future”**

- **“In 2006, BBVA has confirmed its strong profitable growth path through new, record profits, which have reinforced our position among large international banks.”**
- **“Our goal is to make BBVA one of the few, no more than eight or ten, large global reference groups in the industry.”**
- **“When I say principles, I mean BBVA’s aspiration to give a full answer to a growing social demand in advanced democratic societies that goes further than strict compliance with the Law.”**
- **“BBVA undertakes an absolute integrity commitment before every one of its stakeholder groups: Shareholders, clients, employees, suppliers, and society in general.”**
- **“Innovation is a key factor for differentiation in the environment the financial industry is facing.”**
- **“In BBVA we are advancing in differential developments with the banking standards that are leading us in the road to becoming a new class of financial distribution industrial corporation.”**
- **“In a decade, BBVA has gone from a bank operating exclusively in Spain to a multinational, diversified financial group. Now, we aspire to make BBVA a global group. but we do not want size for the sake of size.”**
- **“We want to be global in order to create value. This is why we keep strengthening our positions in strong growth areas such as the United States and Asia.”**

“In 2006, we have achieved new and clear differences with our competitors, but the most important is that we achieved differences in building the BBVA of the future,” Francisco Gonzalez stated today during the ordinary shareholders’ general assembly the Bank held at Palacio Euskalduna in Bilbao. **“The foundations on which we are building our future are three: Principles, Innovation, and Globalization,”** BBVA’s Chairman highlighted, and affirmed that **“after 150 years of success, the best times for BBVA are still to arrive.”**

Francisco Gonzalez divided his speech into three parts. In the first place, he briefly referred to BBVA results in 2006, which marked new records for the Group; he then referred to building the BBVA of the future and, finally, he spoke about the Bank’s expectations for 2007, when it becomes 150 years old.

“In 2006, BBVA has reconfirmed its strong profitable growth with a new record profit. Attributable earnings have increased more than 24%, up €4,736m (excluding one-offs, profits increased by more than 20%). Earnings per share, the best way to measure the value BBVA creates for its shareholders, have increased 23.9%, to €1.39 per share.”

“This record was reached on very solid foundations. Our results are supported by the most recurrent earnings strength,” the BBVA Chairman underlined.

Dividend Increases 20%

“The Group’s excellent results, the quality of its foundations, and strong perspectives allow us a new and substantial dividend increase. I have the honor to launch a proposal to this meeting for a new dividend increase of 20%, up to €0.637 per share. This amount already represents 44% more than the amount distributed in fiscal 2004.”

“As you have seen, BBVA had a great 2006. But the most important fact is that BBVA has strengthened its extraordinary journey over the last few years. Since 2002, when the current team undertook the responsibility to lead the project, BBVA has taken a significant step forward:

- We have grown strongly: In four years we have multiplied assets by 1.5 times and attributable earnings by 2.8.
- And, at the same time, we have significantly improved our fundamentals:
 - Our ROE has increased more than 22 points, over 36.4%
 - Efficiency has improved around 10 points, up to 44%
 - Profit per share has multiplied by 2.5, i.e. it has annually increased 26.8%
 - And dividend per share has multiplied by 1.8.”

“This path has reinforced our position as a reference among the main European banks,” Francisco Gonzalez underlined, and added that **“during the last four years, total profitability for BBVA shareholders has been 126%, almost 23% annual cumulative.”**

After reviewing the results for 2006, Francisco Gonzalez spoke about BBVA's future, "a future for which we have laid very sound foundations," he pointed out.

A Global Reference Group

"Which are these foundations?" he asked. "On one side, we have addressed the Group's complete transformation. We have renewed corporate government, corporate culture, human teams' management schemes, processes, and organizational structures. We have also transformed the Group's positioning, focusing on businesses and geographic areas with excellent future perspectives. And we have reached all this by accelerating BBVA's growth, both in activities and results. Today, BBVA has an internationally recognized successful story."

However, according to Francisco Gonzalez, the Group's aspirations are higher: "Our goal is to make BBVA one of the few, no more than eight or ten, large global reference groups in the industry." I believe we have the strength to achieve this."

"The environment is going to offer us opportunities because the environment will be more and more open, competitive, and intelligent. Therefore, this is a hard environment that offers larger differentiation margins for the good and less good, for those that are excellent and those that are just good. We, BBVA, are already more than good. And we are on the road to excellence," he underlined.

Social Demand

After pointing out that in many aspects BBVA is already making the difference, "which is reflected in our results," Francisco Gonzalez highlighted the difference among three aspects, "which are the key to success in the 21st Century financial industry, and the three basic foundations of our strategy: Principles, Innovation, and Globalization."

"When I refer to principles, I am referring to BBVA's aspiration to provide a full response to the growing social demand of advanced democratic societies. This demand goes further than strict compliance with the Law."

BBVA's Chairman made the following questions on this issue: "What do societies and their citizens demand from us?"

- Better products and services at better prices
- More transparency, good government, and an irreproachable ethical behavior.
- More respect for the environment and a better contribution to the economic and social development of the societies where we operate."

"Why do we, at BBVA, want to give a comprehensive answer to these demands? Firstly, because we consider them fair. And, secondly, because we want to make a positive difference before the market. We believe this is a key factor to create more value in a sustained way."

Integrity Commitment

“For this reason, BBVA undertakes an absolute integrity commitment before every one of its stakeholders: Shareholders, clients, employees, suppliers, and society in general.” Integrity is a synonymous of: Loyalty, correctness, morals, honesty, and decency. This integrity commitment is one of the seven key principles of BBVA’s corporate culture. This commitment may be demanded from each and every person in the Group in each and every one of their actions, and it is systematically managed through three complementary systems.”

“The first - he stated - is our corporate government system, a key element in our strategy and in daily operations at BBVA. For this reason, we have adopted a very advanced corporate government system, in accordance with the most demanding international standards, which especially emphasizes independence, transparency, and elimination conflicts of interest. A corporate government that leads the entire organization in accordance to these same principles, because a corporate government of honest people promotes honesty in the entire organization.”

The second system that manages principles in BBVA is Compliance. “This function guarantees that BBVA strictly complies with the Law. Furthermore, that our Group performs every activity in compliance with the Law and in accordance to strict ethical standards,” Francisco Gonzalez affirmed.

“In order to manage this mission, BBVA has adopted a strict Code of Behavior, which establishes the guidelines everybody in the Group should abide by. This general code is complemented with other specific codes such as: Stock Market, Personnel Screening, Suppliers, Real Estate Activities, etc. In order to guarantee the system’s coherence, the Compliance Function is submitted to the Board Audit and Compliance Commission control and supervision.”

The third main system in principle management is Corporate Responsibility and Reputation. “Definitely, this function dialogues with society and knows what the latter expects from BBVA, in order to act accordingly,” he underlined.

“Certainly, BBVA Corporate Responsibility translates into social action initiatives. In fact - he added -, today we are submitting the approval the BBVA Foundation for Micro-finances to the Meeting. This is a significant and innovating initiative that will have an enormous effect on the struggle against poverty and exclusion.”

“But the fundamental part of our Corporate Responsibility is in our daily activities. We want to work in harmony with the legitimate demands of peoples and societies.”

“In short, BBVA has established a very complete and demanding scheme where the Corporate Government, Compliance, and Corporate Responsibility and Reputation systems guarantee the integrity of the Group’s actions and ensure that they are in tune with social demands. Because being different based on our ethical principles and by taking society into consideration is a fundamental aspect of our strategy for sustained value creation,” Francisco Gonzalez affirmed.

“Being Different Due to Innovation”

To follow, he analyzed the second main foundation of the BBVA project: Innovation. “Innovation is of key importance in the environment the 21st Century financial industry is facing. But, How can we be different based on innovation? How can we innovate more and better?” he asked.

“In BBVA we understand innovation very broadly. In our innovation strategy we distinguish four major lines: Organization Innovation, Operation Innovation, Business Innovation, and Business Model innovation.

“In 2004, BBVA was a pioneer in the industry when it created an I+D+I. Department. As of 2006 we have decentralized innovation. The Group’s units are responsible for their own innovation strategy. We have also created a top-level Innovation Committee, which promotes and coordinates the efforts of the entire organization,” he explained.

To follow, Francisco Gonzalez highlighted: “Our value-based management model is another of BBVA’s major organizational innovations, because each one of the Group’s 29 business units defines its own business strategy.”

New Business Models

“What are we doing regarding operation innovation?” he asked. “Since the launch of the Transformation Plan in 2006, we have introduced a fundamental innovation: Units became responsible for their processes and this is greatly promoting dynamism, efficiency, and closeness with clients,” he said.

“In what we call business innovation, we are generating new and better products and services to serve out clients’ convenience at very low unit costs. We have also explored what we call ‘the business’ edges’: products and services that are a natural extension of the current ones. And, finally, we are seeking new business models, non-financial solutions that serve the needs of our clients/people.”

“We are carrying out many actions –Francisco Gonzalez affirmed-, with our eyes in the future. We are making efforts in areas where innovation will represent a huge competitive advantage.”

To follow, the BBVA Chairman mentioned some of these initiatives, “which represent great challenges for our industry, great challenges for which we have a vision and advance in differential developments on banking standards. These developments place us on the way to become a new type of financial distribution industrial corporation, and they will create a large value for you, our shareholders.”

Growth Opportunities

Finally, Francisco Gonzalez addressed the BBVA project third major foundation: Globalization. “In a decade, BBVA has gone from a bank exclusively in Spain to a multinational, diversified financial group. Now, we aspire to make BBVA a global group. But we do not want size for the sake of size”, he stated.

“We have good reasons –value-creation reasons- for wanting to be global. Because our business has become global. Markets are global. Our clients are more and more global. We must have a strong position in the markets and attend to our clients’ requirements.”

“But, above all, we want to be global because the world offers great opportunities to grow. The world economy is having a strong growth wave, and the economic weight of different areas of the world is changing every quickly.”

In this sense, he explained, “the three major economic areas contribution to the world GDP since 1994: The Euro Europe only contributes 10%, while the United States practically contributes double of the European contribution and Asia, led by China, represents half of the world’s growth.”

“To sum up –Francisco Gonzalez affirmed-, new opportunities are arising. And BBVA could take advantage of such opportunities. Because we have a very strong Group, with a great financial muscle. Because we have a business model that may be exported, which has proved its capacity to advantageously compete and create value in different environments.”

“That is, we can and should create more value by being more global. Not taking advantage of these opportunities would be contrary to the Group’s and your, the shareholders’ interests.”

Creating more Value

“We want to be global in order to create more value. For this reason, we continue to strengthen our positions in Spain, Mexico, and the rest of Latin America, areas of strong growth. For this reason, our expansion operations must meet very clear conditions: To be able to build strong franchising that fully develops our business model and allow us a better use of our strength and competitive advantages,” the BBVA Chairman affirmed.

In that aspect, he underlined that “the areas where we have centered our expansion are areas with a great growth potential:

- The United States, the first economy in the world and, within it the Southern States are growing faster and have more future potential.
- Asia: The most dynamic area in the world, which contributes half the global growth. And within Asia, China, a giant with 10% annual growth.”

“In the United States, we have followed a progressive sequence:

- We started with the purchase of Valley, a very small bank, and then Laredo, a larger bank that serves Mexican and USA clients.
- Then, with the purchase of State National and Texas Regional in 2006, we tripled our size and became the first Texas regional bank in the eighth world economy.
- A few weeks ago we announced the agreement to purchase Compass, the best, most attractive and higher-quality franchise in the fastest growing markets in the United States, in which we have a large strategic interest.”

“The Compass purchase is an open operation –the BBVA Chairman stated-, which we expect to close by the end of the year, although this is not the moment to go into details. Today’s Board has called an Extraordinary Shareholders’ Meeting to duly present the operation to all of you. But, once we close this operation, BBVA will become the first regional bank in the entire ‘Sunbelt’, i.e. the southern strip, the area with the largest population and activity growth in the entire United States.”

To follow, Francisco Gonzalez explained BBVA’s strategy in the other Group’s large expansion area: Asia. “Two years ago, during the Shareholders’ Meeting in 2005, I announced the launching of the Asia Plan. Since then, we have opened branch or representative offices in Tokyo, Shanghai, Singapore, Taipei, Seoul, Sydney, and Mumbai, which add to our previous presence in Beijing and Hong-Kong.”

“We are already present in every major and most dynamic economies in the region –he affirmed-, and we have a powerful business model, with corporate banking and trade finance and project finance operations as spearhead for expanding

our activity. We also count on another fundamental asset: Our great implementation in Latin America which, together with our position in Asia, makes us the best-positioned bank in the world to intermediate in the quickly growing flows between Asia and Latin America.”

Leadership Position

“On these bases, the strategic alliance with the Citic Group, which we created just a fortnight ago, becomes a milestone in the construction of BBVA global presence. The Citic Group is a large conglomerate with a bank operating in Continental China (China Citic Bank) and another in Hong-Kong, which is its international bank (Citic International Financial Holdings).”

“Citic is leader in the East Coast urban areas, those with the largest growth in the country, and it is one of the most dynamic and respected Chinese banks. With the signing of the agreement we became Citic exclusive partners in commercial banking and in global markets in all Asia.”

Initially, BBVA has invested around €1bn to take 4.83% of China Citic Bank in Continental China, and 15% of Citic International Financial Holdings. This is the most important investment a Spanish corporation has ever made in China. In future, the bank may significantly increase these participations.

“But mostly, as Citic partners, we configured a large platform to jointly capture the huge potential growth of the Chinese market and of other countries in Asia. We are already developing a joint business plan taking advantage of our respective strengths. I am convinced that this business plan is going to quickly place us at the forefront of international financial groups in China.”

“2006 has been an excellent year for BBVA. A year of records. A year when we continued to make the difference due to our principles, innovation, and building of our global presence,” Francisco Gonzalez affirmed.

In 2006, BBVA has strengthened its leading position in the financial industry. Leading in growth, in shareholders’ profitability, leading in foundations, and in future projects.”

At the Vanguard of the Industry

“But we do not consider ourselves satisfied. We want much more, especially in 2007, the year of our 150th anniversary, marked by the creation of Banco de Bilbao in 1857. We have a brilliant history, a successful history to celebrate. But, above all, we want to celebrate that at 150 we are a young group, with great vitality and an enormous power to have an even more brilliant future.”

“In 2007 we want to celebrate the great future that lies ahead for BBVA. We are already doing it with operations such as Citic or Compass, which tremendously strengthen our global positioning. We also want to do it with a real innovation explosion. In 2007 we will show clearly differential developments in innovation. Developments in the fronts that will place us at the industry vanguard,” Francisco Gonzalez underlined.

The BBVA Chairman ended his speech to the BBVA shareholders with a message on the Group’s future. “I firmly believe that BBVA is in a position to carry out every important action. Actions that a few years ago were unimaginable. In fact: Who could have imagined that we would become an important player in China; or that we would be a leader bank in the United States’ more dynamic markets? 2007 will be the year of the future in BBVA”.

“I am fully convinced that after 150 years of a history of successes, the best for BBVA is still to come.”

“I hope that in 2007 and in the following years we will be able to correspond to that trust with a larger growth, more innovation, and more value for all of you,” he concluded.