

Annual Shareholder Meeting 2009**Francisco González, Chairman & CEO of BBVA****“Spain needs a major economic and social contract to face the country’s problems”**

The Chairman & CEO of BBVA advocates a commitment by all to face the serious problems of today and take steps toward a new model that will enable Spain’s economy to produce more, become more globally competitive and create more wealth and jobs.

“At the global level, public and private resources must be used to identify and isolate weak institutions, clean them up and restructure them, and return them as quickly as possible to the private sector”

“We must assume that if the recession is hard-hitting and drawn out, some Spanish institutions may begin to face solvency issues”

“The crisis will prompt a radical transformation in the financial industry, which will completely overhaul the global banking landscape.”

“Despite its smaller size, BBVA was the second most profitable bank in 2008 and surely the strongest of all big league financial groups worldwide”

“At BBVA, we managed the first phase of the crisis well and consolidated our position of strength in the banking industry”

“BBVA will remain steadfast in its strategy and its underpinning principles: maximized cost containment efforts and the strongest balance sheet possible without diluting our shareholders’ stake”

The Chairman and CEO of BBVA, Francisco González, stated today that Spain needs a national agreement at this time, a major economic and social contract to

face the serious problems faced by the country today and to take steps toward a new model that will enable the economy to produce more, be more competitive in the global market and create more wealth and jobs. In his speech at the Annual General Meeting held by the bank at Euskalduna Palace in Bilbao, Mr. González underlined that the Spanish economy's recovery "is a task of such proportions that no government or party can take it on alone. It requires the efforts, sacrifice and involvement of all". The Chairman and CEO of BBVA also advocated for a solution to the solvency issues faced by the global banking system as a necessary condition for economic recovery. In this vein, he expressed his disagreement with the idea of using government aid "to keep afloat" institutions that were "irreparably damaged" and proposed that these resources worldwide be used "to identify and isolate weak institutions, clean them up and return them to the private sector". He also stated that BBVA "is likely the strongest of all big league financial groups worldwide" and that it will maintain its strategy and underpinning principles in 2009.

Francisco González began his speech before the shareholders commenting on the economic and financial climate of 2008, which had been marked by a steep decline in the economy and finances worldwide. After discussing its origins and impact on the real economy, he explained that the crisis will prompt a radical transformation in the financial industry, which will completely overhaul the global banking landscape, prompt new, stricter regulations and oversight and cause sweeping changes in many business models.

In his opinion, the financial industry will be rebuilt in a three-phase process that will play out in step with how the crisis progresses. The initial phase, which occurred in 2008, is financial in nature and characterized by liquidity problems and losses owed to a drop in the value of financial assets. The second phase, which is already underway, consists of a recession in the real economy, leading to a swift rise in the default rate and in which capital and solvency are key. The institutions that survive the second phase will face a third and final phase: the "inevitable" industrial reconstruction of the sector.

The first phase of the crisis – he explained – was a true 'tsunami' for the global financial industry. Total losses are enormous and twenty-one of the 27 largest groups in Europe and the United States received over €440bn in 2007 between rights issues and public capital injections. "There were two exceptions, two banks that did not need new capital, and one of them was BBVA," underscored Francisco González, who also reminded those present that BBVA is one bank that has remained entirely private.

Working without distractions

After explaining that the second phase of the crisis consists of a global economic recession, he pointed out that the impact of the global crisis in Spain is exacerbated by a production model that depends heavily on the real estate sector and by the high level of debt of companies and households, which cause an abrupt rise in unemployment. He explained that the government has reacted with various fiscal stimulus measures and a program to help ensure the liquidity of financial institutions. BBVA has not participated in the program, which does not award government resources, "because we are able to ensure our liquidity through the markets and we prefer to leave those funds for other institutions that may need liquidity".

In this “truly demanding” environment, BBVA’s results in 2008 afforded it a prominent position in the banking industry as a whole: “BBVA will surely be, and despite its smaller size, the second most profitable bank in the world in 2008. In 2007, we ranked eleventh”. In addition, BBVA maintains its leadership position in the global financial industry in terms of efficiency and profitability, and is the second most capitalized bank among its peers, taking into account its ‘core capital’ and surplus provisions compared to total assets.

After stating that as the shape of the future grows clearer, BBVA's share price will rebound quite significantly, “which will reflect the position of strength that sets us apart.” He added: “the entire BBVA Group works to this end every day. We can focus on working every day in our field and, at the same time, build a BBVA of the future without known events altering the course of this institution.”

Francisco González reserved the last portion of his speech to address the prospects of the crisis’ second phase and BBVA’s approach to a “difficult 2009”. In this connection, he viewed a solution to the solvency issues faced by the global banking system as a “necessary condition for economic recovery that could only result from transparency about each institution’s situation”.

Suitable procedures

“Keeping an irreparably damaged institution afloat with government aid negatively affects the way in which the system works and perpetuates distrust. The institution is unable to issue credit, which is the essence of banking. And, at the same time, it is using up public and private resources, which are so scarce and so necessary for other more productive uses”, he stated.

In his opinion, these resources worldwide should be used for three purposes: “to identify and isolate weak institutions; to clean them up and restructure them; and to return them as quickly as possible to the private sector using transparent procedures”. According to Francisco González, “two fundamental objectives are achieved by doing so: a financial system that is strong enough and capable of channeling credit to companies and households is rebuilt more quickly and the cost to taxpayers is reduced”.

“At the same time – he added – efforts to lay the foundations for a global system of the future must be steadfast and coordinated. The system should have better regulations and oversight and be much more homogeneous at the international level, less leveraged, more stable and undoubtedly closer to the banking model that BBVA has always defended”.

The Chairman and CEO of BBVA went on to examine the impact of the crisis on Spain's financial sector. He stated that, while there were no solvency issues during the first phase of the crisis, thanks largely to the efforts of the Bank of Spain, “we must assume that if the recession is hard-hitting and drawn-out enough, some institutions may face solvency issues”.

He underscored that Spain has the right institutions and procedures to face and resolve these types of problems: the Bank of Spain’s regulation and intervention norms, the

Deposit Insurance Fund clean-up procedures and the inclination to return a cleaned-up institution to the private sector.

In his opinion, the financial system must be stable and run smoothly for the Spanish economy to recover, although this not enough to ensure its recovery. This is because the economic and social impact of the crisis must be limited and the foundation also laid for a new economic model to replace the outdated model from before. “This is a task of such proportions that no government or party can take it on alone. It requires the efforts, sacrifice and involvement of all. Its success will depend on our ability to put aside our differences and individual interests and work together to face this situation of national emergency proportions”, he said.

“At this time, our country needs a national agreement that everyone expressly commits to; that is to say, a major economic and social contract to face the serious problems faced by us today and to take steps toward this new model to ensure that the Spanish economy is more productive and more competitive in the global market, more modern and better able to create wealth and jobs”, underscored Francisco González. He also reminded those present that Spain had already overcome very difficult situations in the past with consensus and collective efforts.

Position of strength

At this point in his speech, he highlighted BBVA’s sound footing, which comes from the underpinnings of its strategy: principles, people and innovation, and stressed the importance of principles in particular: “the most important lesson of this crisis is the importance of always taking action in accordance with steadfast principles of integrity: transparency and prudence. Many have worked with a very short-term approach, with very little transparency and without measuring risk”.

As regards BBVA’s approach to the crisis, he said: “We have never strayed from our principles at BBVA. As a result, we managed the first phase of the crisis well. We have consolidated a position of strength in the banking industry and BBVA is likely the strongest of all big league financial groups worldwide. We have prepared ourselves to successfully face this second phase of the crisis currently underway”. To this end – he explained – the BBVA Group must remain steadfast in its strategy and its underpinning principles.

“In the current environment – he underlined – prudence is the key. This means cost containment efforts must be maximized: in 2009, the BBVA Group’s general expenses will have zero growth, that is, expenses will be significantly reduced in real terms and senior management salaries will be frozen, and that the balance sheet must be strengthened to the extent possible without diluting our shareholders’ stake”.

In this respect, the BBVA Chairman and CEO stressed: “Our current capital ratios, our potential capital gains, the quality of our assets and our ability to generate capital internally guarantees us a sufficiently solvent position to face the crisis without diluting our shareholders with rights issues at discounted prices”.

“We will face 2009 prudently but optimistically as well. We have confidence in the soundness of our financial position and capital ratios and in the potential of our business model”, Francisco González said, who concluded by saying: “In 2009, we will continue to anticipate the rest of the industry. We will harness our advantages in terms of solvency, risk management, technology and innovation focused on customers, the business and new stages of our transformation. All of this will strengthen our Group even further and show, yet again, the ability to generate recurrent earnings and create value in a sustained manner that sets us apart”.