

Spain's BBVA Plots Its Rise in the U.S.

By Thomas Catan and Christopher Bjork

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MADRID -- Earlier this year, Federal Deposit Insurance Corp. Chairman Sheila C. Bair had a discreet visit from a Spanish banker.

Francisco González, chairman and chief executive of [Banco Bilbao Vizcaya Argentaria](#) SA, the second-largest bank in Spain by stock-market value after Banco Santander SA, wanted to make sure the FDIC kept him in mind when selling assets the agency is getting from failed U.S. banks, according to people familiar with the meeting. BBVA's 64-year-old boss dropped by the Treasury Department and Federal Reserve with a similar message, these people said.

In a recent interview, Mr. González wouldn't comment on the meetings, but he said BBVA is interested in making "tactical" acquisitions in the southern half of the U.S. that would build on the foothold the bank has established during the past several years, including the \$9.6 billion purchase of Compass Bancshares Inc., of Birmingham, Ala., in 2007.

"It would be logical that at the right moment the bank should grow tactically in the U.S., for it to make an acquisition," Mr. González said. "A player like us should be at the table" when the FDIC is hunting for prospective buyers of bank assets.

Thanks partly to its risk-averse culture, BBVA has avoided the brunt of the global financial crisis, putting it in position to pick up pieces of banks that won't survive. While many other financial institutions traded in complex derivatives and toxic instruments, BBVA stuck to the unglamorous business of taking deposits and making loans.



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Francisco Gonzalez, chairman of Banco
Bilbao Vizcaya Argentaria

"They've been one of the clear winners of this crisis," says Carlos Peixoto, a banking analyst at BPI in Portugal.

In the U.S., some analysts expect BBVA to pop up soon as at least a serious bidder for midsize banks imperiled as rising loan losses erode their capital. A BBVA spokesman declined to say how interested the bank was in Colonial Bank, the [Colonial BancGroup](#) Inc. unit that was seized Friday in the sixth-largest bank failure in U.S. history. Most of Colonial was sold to [BB&T](#) Corp., a regional bank based in Winston-Salem, N.C. The FDIC wouldn't comment on BBVA.

Last month, BBVA reported a 35% jump in second-quarter profit, which hit a record high of €1.56 billion (\$2.2 billion). For all its recent success, though, the company remains heavily dependent on Spain and Mexico, both suffering from severe economic downturns. Along with Portugal, Spain and Mexico accounted for just above 71% of group profits in the first half of 2009.

Mr. González said Spain won't begin to recover before the second half of 2010, but Mexico should rebound along with the U.S. "The worst is not over in Spain," he said. "Growth is going to come from Mexico, and partially from the U.S., even though what we have there is still small. But remember: We're bankers; we know how to live through crises."

Spanish banks have benefited from strict regulation by the Bank of Spain, which kept them on a tight leash after two banking crises since the 1980s. In a system that international banking regulators now hope to emulate, Spain forced banks to build up capital cushions during the years of plenty. That has helped them ride out the crisis so far with little government aid.

Outside experts and bankers who have worked at BBVA say caution is hard-wired into its DNA. "They spend an awful lot of time dealing with risk-related issues and doing a lot of training," said Richard Apostolik, president of the Global Association of Risk Professionals, who recently visited the company in Spain.



BBVA was forged through a long string of mergers and takeovers in Spain, culminating in the 1999 tie-up of Banco Bilbao Vizcaya and Argentaria. Since then, BBVA has looked for growth outside Spain, concentrating its bets on Mexico and the U.S.

Nine years ago, it purchased a majority stake in Bancomer, buying the rest of what was then Mexico's No. 2 bank in 2004. Since then, it has dethroned [Citigroup](#) Inc.'s Banamex as the largest and most profitable bank in Mexico.

BBVA's U.S. push hasn't yet been as successful. For the U.S. push, a pet project of Mr. González, BBVA has so far spent more than \$13 billion building a franchise along the U.S.-Mexico border. The 2004 purchase of Laredo National Bancshares Inc. was a move to tap into the large Hispanic population in Texas and booming remittances to Mexico from migrant workers.

Two years later, BBVA snapped up two small Texas banks on the same day, and Mr. González declared that the bank was no longer targeting just Hispanic clients. The Compass deal gave BBVA a traditional regional bank with a sizable presence in the southeastern U.S. and Texas. That unit now has about 650 branches.

In the first six months of 2009, BBVA's U.S. operations had net income of €85 million, down 48% from a year earlier. While customer deposits and loans grew by double-digit percentages, nonperforming assets surged to 4.5%, up from 2.4% in mid-2008.

José María García-Meyer, who led BBVA's charge into Mexico and now is general manager of BBVA in the U.S. and chairman of Compass, said his top priority is to develop the existing U.S. franchise, where the bank is upgrading systems to bring the unit in line with the rest of the company.

But with so many suffering U.S. banks looking for a way to escape their problems, BBVA has plenty of opportunities to push west. "The bank's second great step could well be California," he said. "To go there, we'd have to think of [buying] another bank."

BBVA is interested in failed or healthy financial institutions, but the bank hasn't said how large it wants to become in the U.S. As of June 30, BBVA had €40.46 billion in assets, ranking it 32nd in size among U.S. bank holding companies, according to the Fed.

Mr. González is determined to ramp up what has been largely a defensive strategy during the financial crisis.

"Clearly, this bank has to raise its sights and have more ambition," he said. "Now we're going to make a push. We're going to switch gears."