

150
years
adelante



BBVA making the difference



Ángel Cano

General Manager Human Resources, IT & Operations

Innovation and Transformation:
“A New Approach to Productivity and Efficiency”

BBVA making the difference



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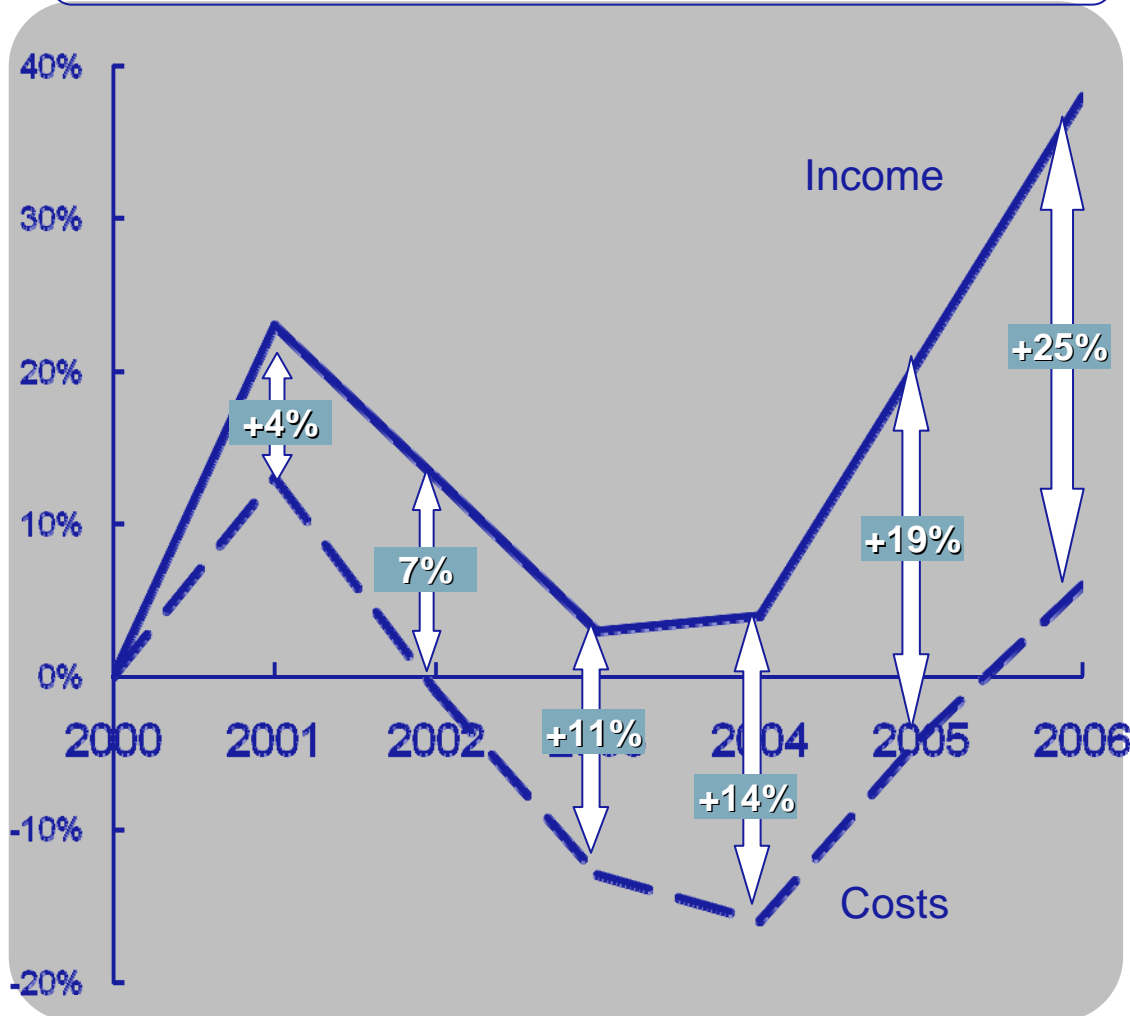


- Challenging productivity standards
- Why now is the right time?
- Innovation: new marketing perspectives
- Transformation: a global approach to our business model
- Conclusions

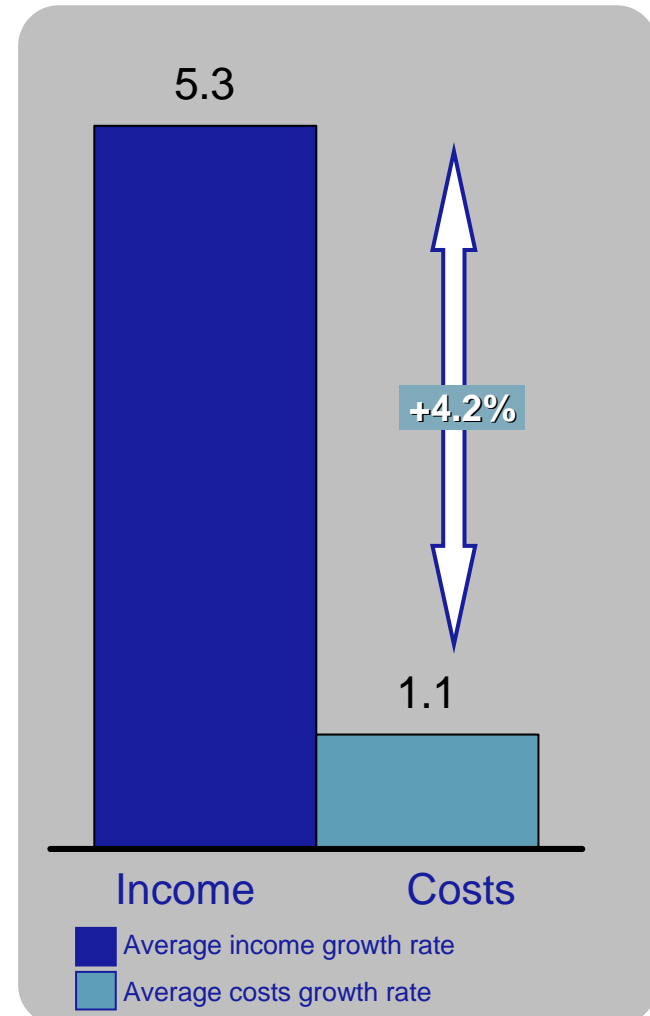


BBVA: An undisputed leader in efficiency across the economic cycle

Accumulated operating leverage:
Income-costs accumulated growth (%)



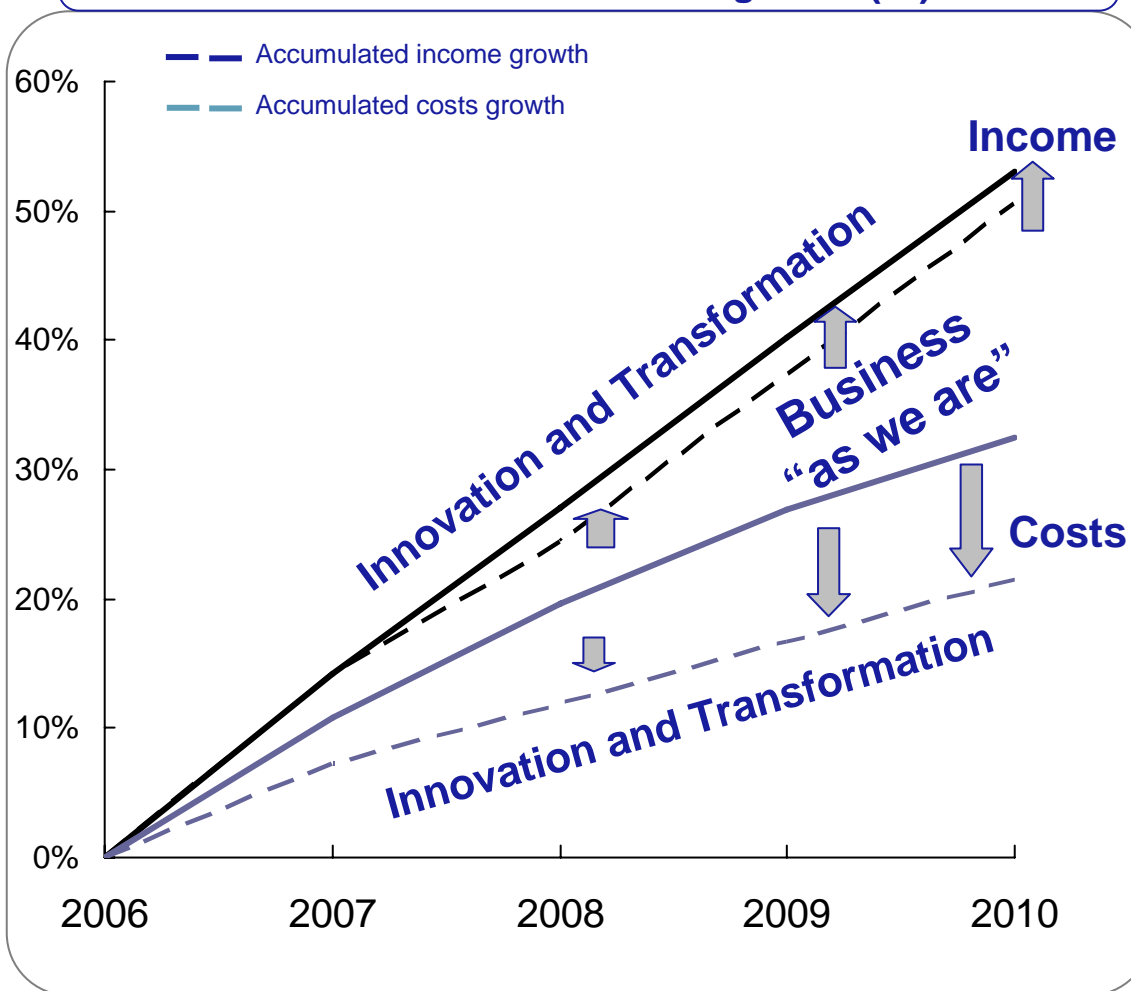
Average operating leverage (%)



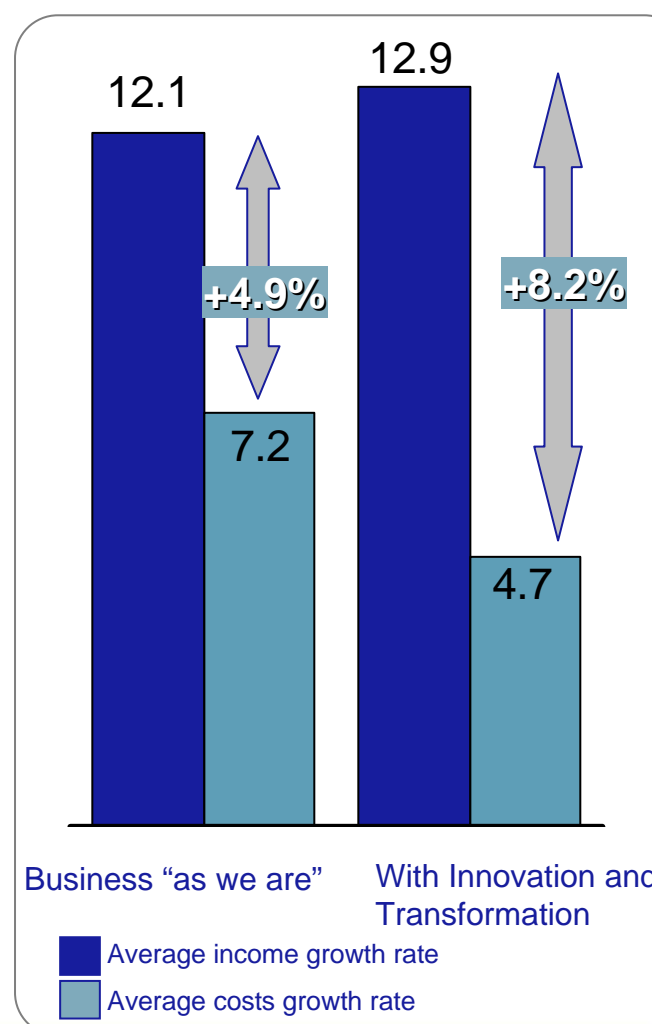


Next 3 years: “Reaching the Efficiency Frontier” based on a differential strategy: Innovation + Transformation

**Accumulated operating leverage:
Income-costs accumulated growth (%)**



Average operating leverage (%)





Innovation + Transformation: a new approach to foster higher earnings growth

Our Strategy for additional earnings growth:

BBVA

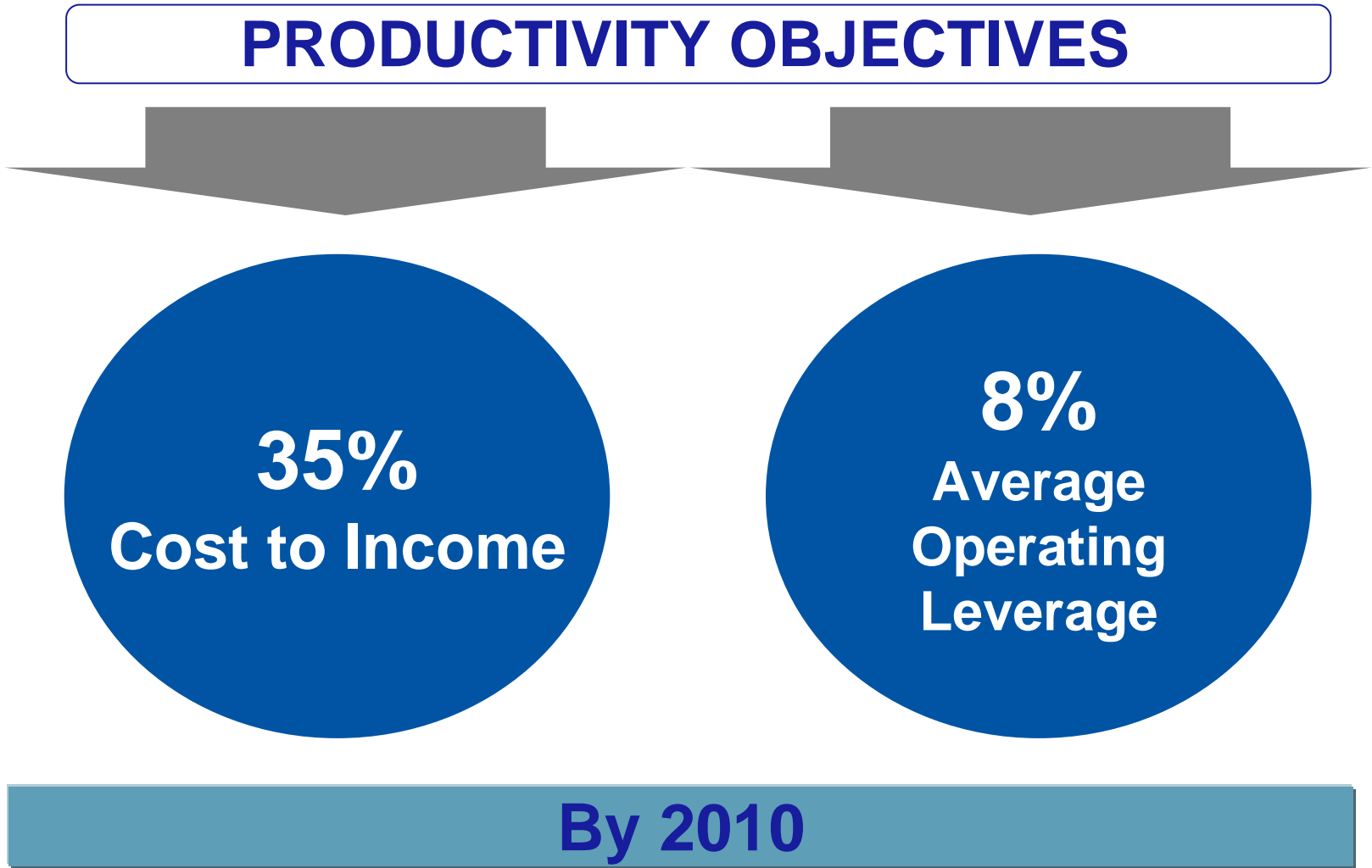
**INNOVATION +
TRANSFORMATION**

3.3%

**ADDITIONAL OPERATING
LEVERAGE**



PRODUCTIVITY OBJECTIVES



The diagram illustrates BBVA's productivity objectives for 2010. At the top, a box labeled 'PRODUCTIVITY OBJECTIVES' has two large grey arrows pointing downwards to two blue circles. The left circle contains the text '35% Cost to Income' and the right circle contains '8% Average Operating Leverage'. Below these circles is a light blue bar with the text 'By 2010'.

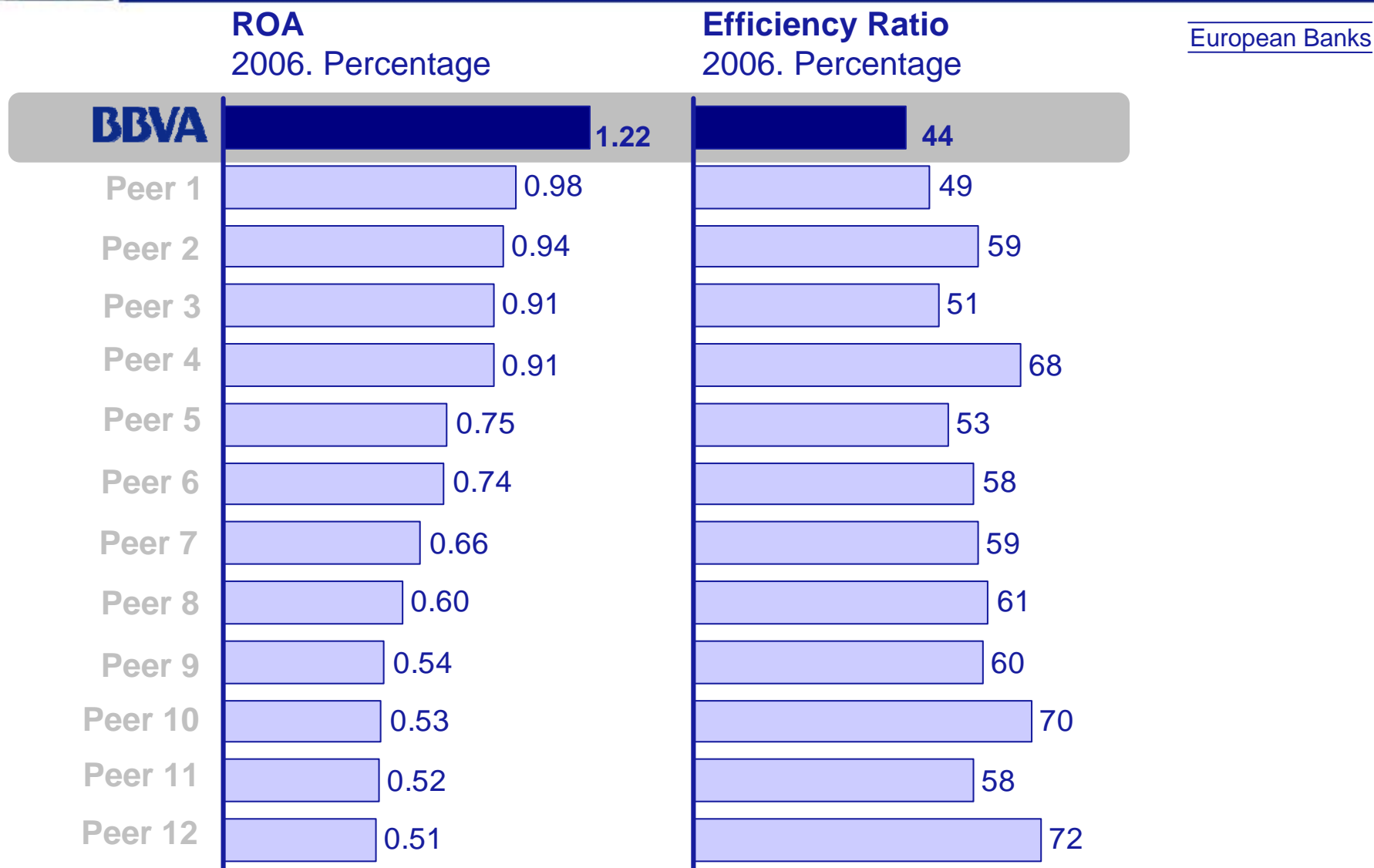
35%
Cost to Income

8%
**Average
Operating
Leverage**

By 2010



Why now is the right moment?



Source: Company annual reports. Figures excluding extraordinary income

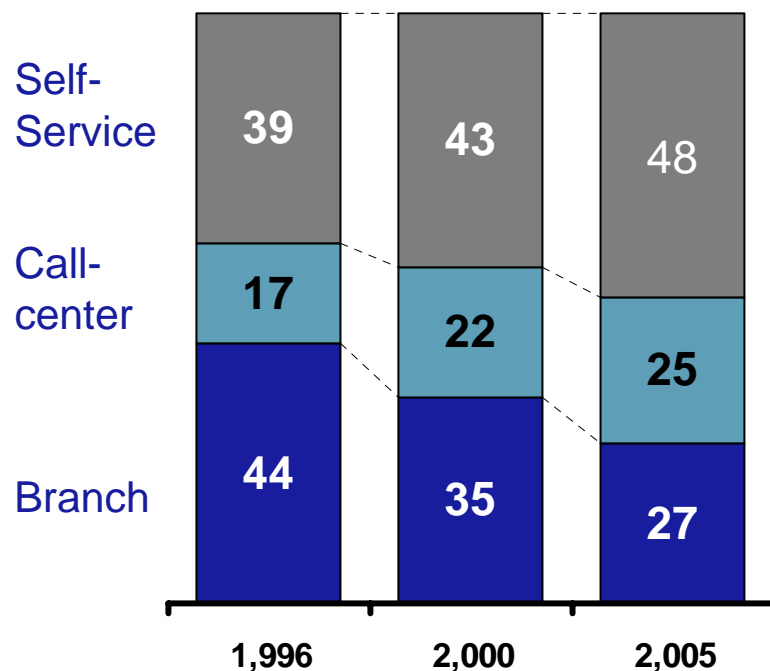


Customer behavior trends increasingly favours self-service as a successful customer service strategy

Financial services customers increasingly demand Self-Service as relationship channel

US Transactions by Channel

\$ bn, %



Other sectors' experiences show us the way to convert self-service into an opportunity



Airlines self check-in

- Average savings per check-in: 2.5US\$
- Productivity enhancement: From 22 check-ins per attended counter to 40 by self-service
- Increased customer satisfaction



IKEA On-line help desk

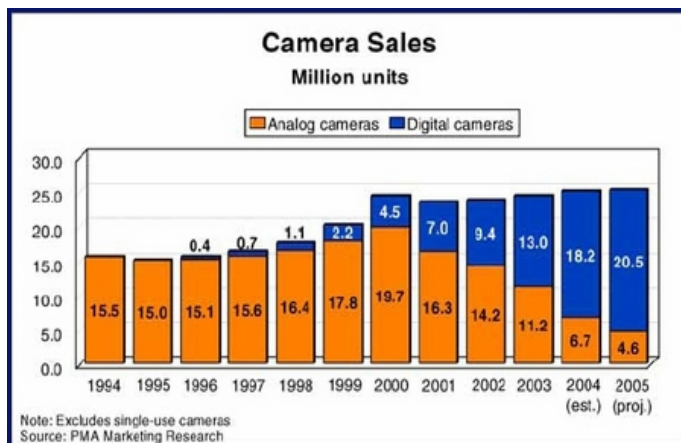
- Improves brand image
- Helps customers' product identification and selection
- More than 4000 monthly visits just in Spain

Self-service gives the industry the opportunity to reshape a high cost activity

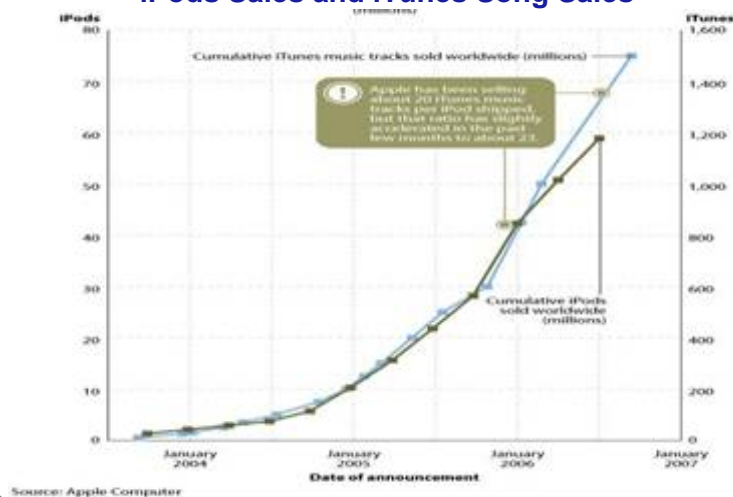


Digitalization and communications are now key business levers that enable business process redefinition

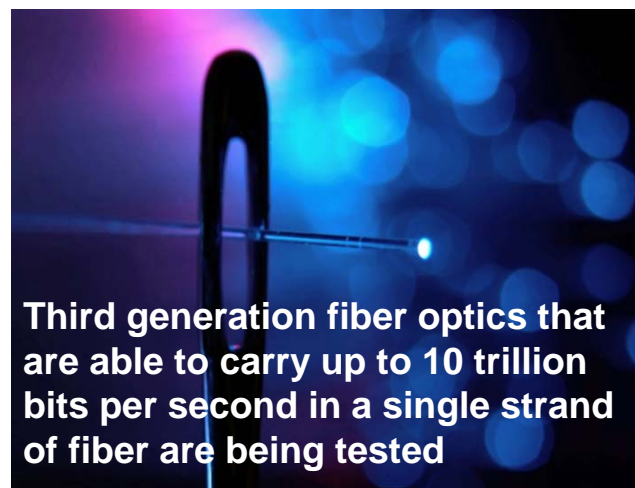
Digitalization



iPods Sales and iTunes Song Sales



Communication



Third generation fiber optics that are able to carry up to 10 trillion bits per second in a single strand of fiber are being tested

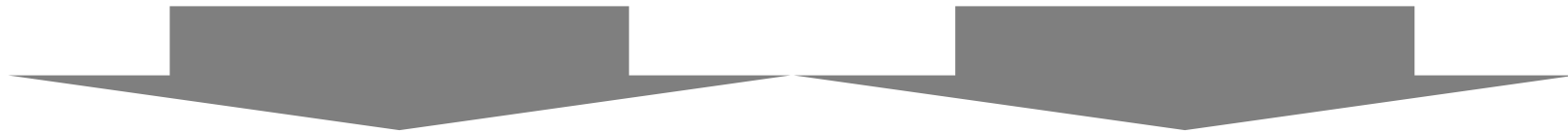


The number of text messages sent and received every day **exceeds the total population of the planet**



In this context, Innovation + Transformation plans are a key part of our strategy to foster higher earnings growth

BBVA EFFICIENCY FRONTIER 2010



Innovation

**Transfor-
mation**



We are now able to capitalize on the efforts and achievements of the last 4 years

I + T Strategy Roll-out

C/I:
52.2%

C/I: 44%

Traditional
Efficiency
Management

Global Transformation
Plan

Innovation:
Infrastructure
Deployment

Innovation within the
Business Areas

New Concepts: Incubated
centrally

C/I: 35%
Operating
Leverage: 8%

2002

2006

2007

2008

2009

2010

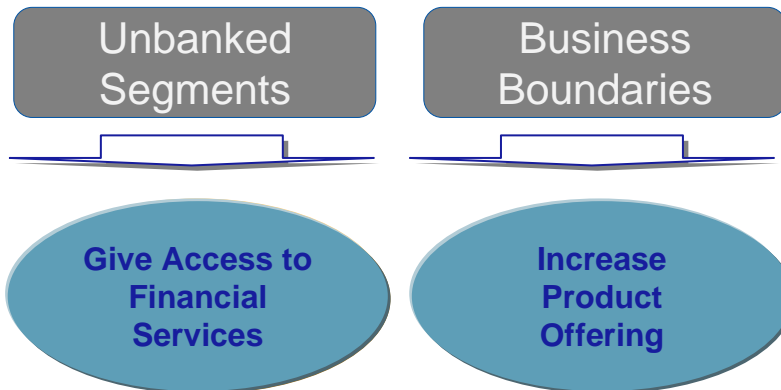
2010



Innovation Plan: Two complementary approaches

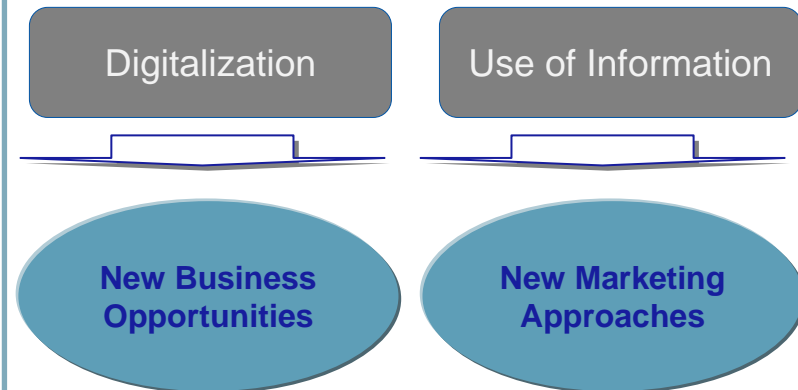
Innovation Plan

1 Within the Business Units BBVA



Developed and managed by the business units

2 Emerging Concepts BBVA



Incubated centrally until roll-out



Innovation within the Business Units: Significant commitments

Innovation Plan

BBVA

Business Units Objectives

SPAIN

- 1 m new young customers
- 0.5 m new immigrant customers
- 10% of operating profit growth coming from non financial products

MEXICO

- 100,000 new SME customers
- 300% increase in customer loans and credit card balances
- 300% increase in home mortgages

LATIN-AMERICA

- 3 m new customers
- 245% increase in customer loans and credit card balances



"The Bank in Your Card"





Emerging Concepts: A portfolio of initiatives that can have an impact in the way client relationships will be managed

Innovation Plan

Digital marketing

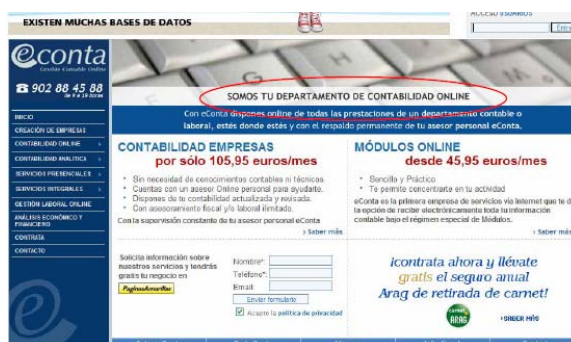
Innovation in new digital business

Innovative ways of employee collaboration

Webzine



E-Conta



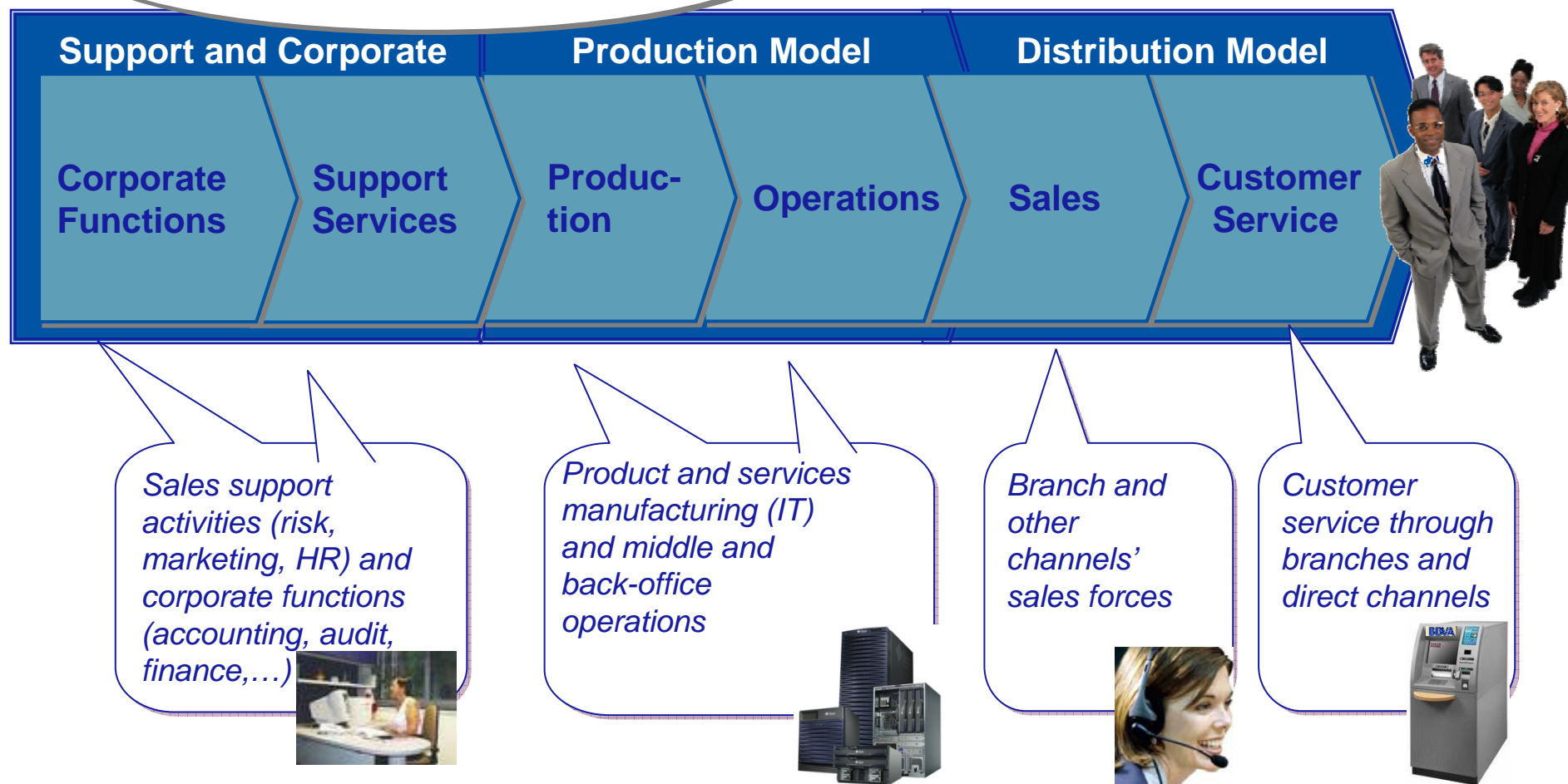
Blogosfera BBVA





Transformation Plan: A differential approach, a global view of the business value chain

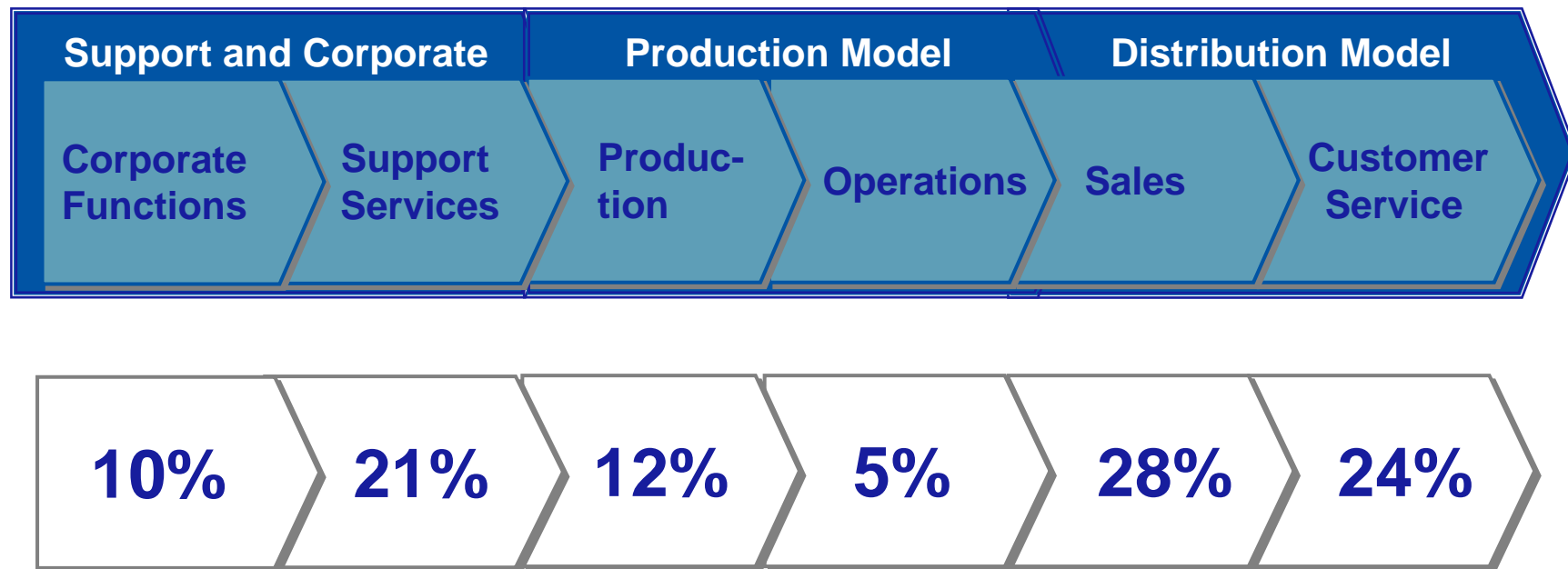
Transformation Plan





An approach that helps us to identify activities with the highest current costs and highest expected returns

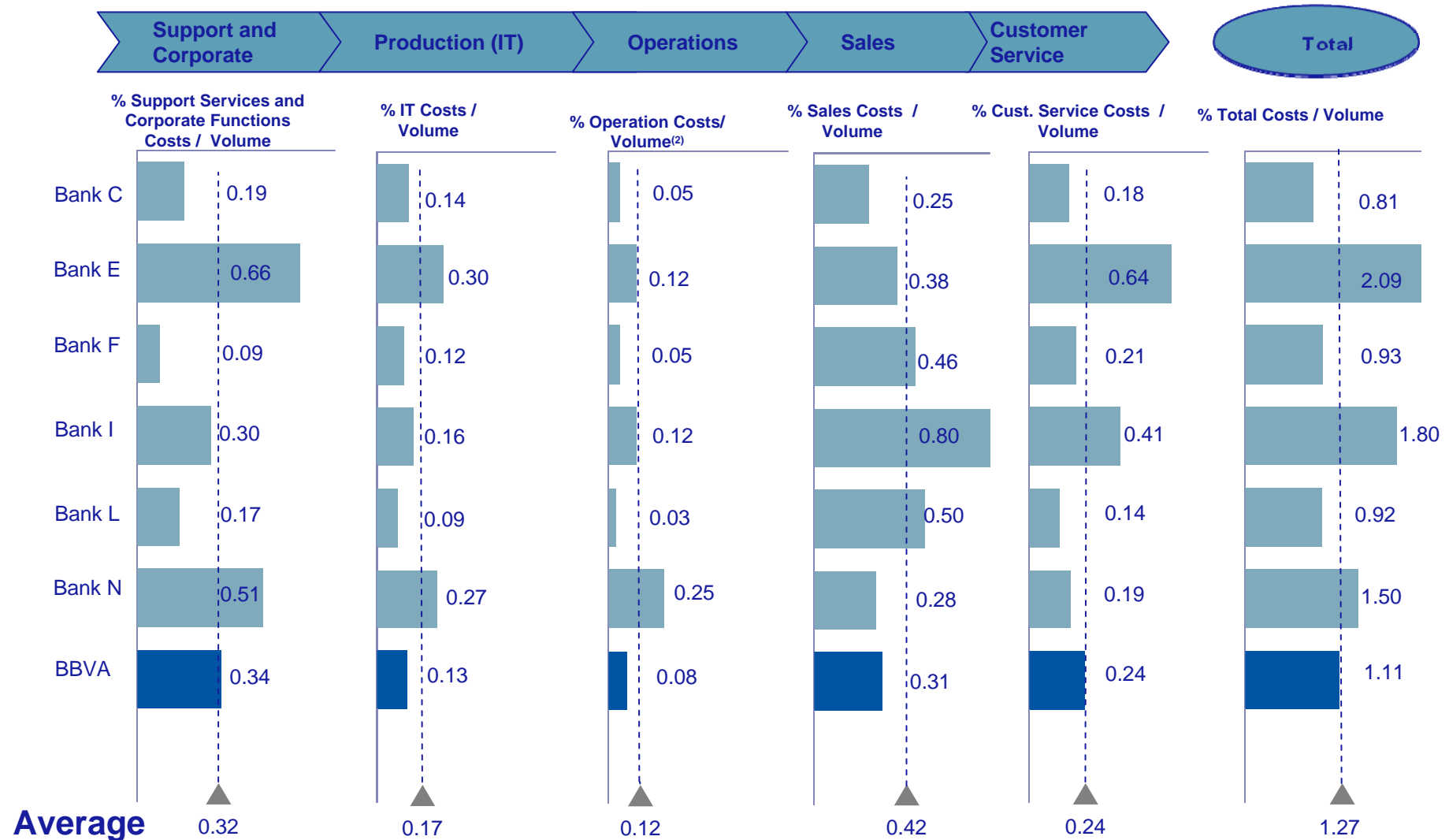
Cost structure, relative weighting





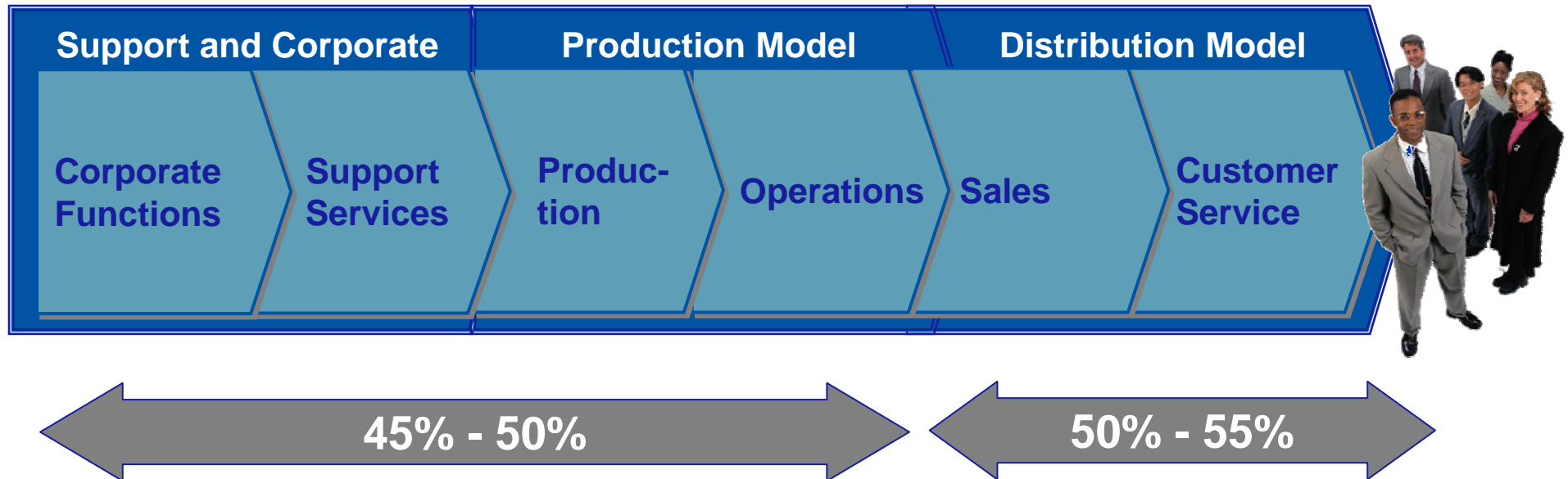
A clear aim: to reach the “efficiency frontier”, in each activity of the value chain

ILLUSTRATIVE





The distribution model is the key starting point, as it makes up more than 50% of total costs



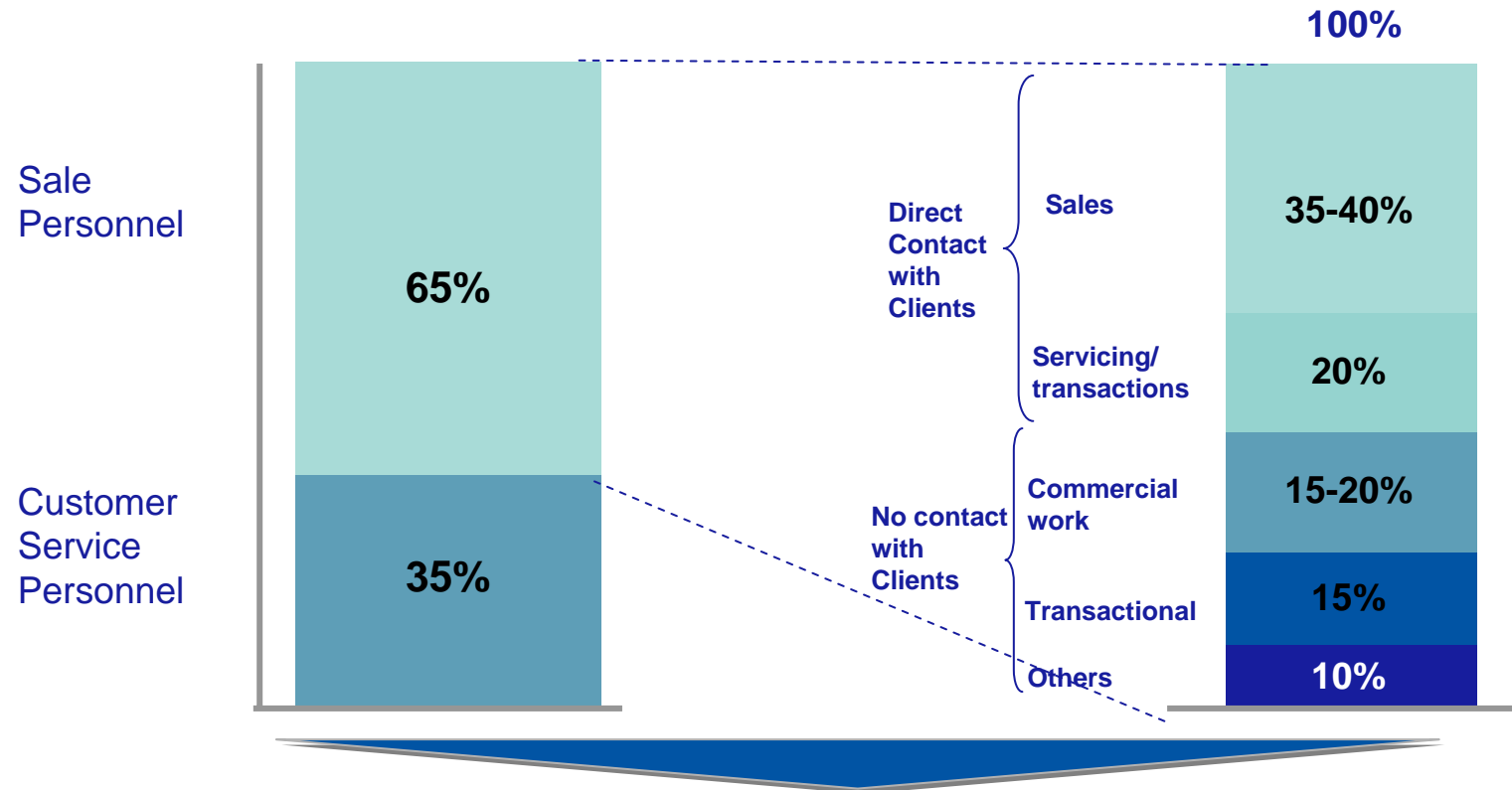
The point of sale is the key element of the cost structure of any universal bank



The current model has a large proportion of customer service and operations, i.e. low value added activities

Branch Structure

Sales force time break down



Sales effort: 30-35% of total time



Transforming service and operations at the point of sale can significantly improve the cost structure of distribution

- Transformation of customer service / operations at the point of sale

(60-65%
branch
activity)

**Automation and
Separation of Customer
Service from Sales**

**Service and Operations
Centralization**

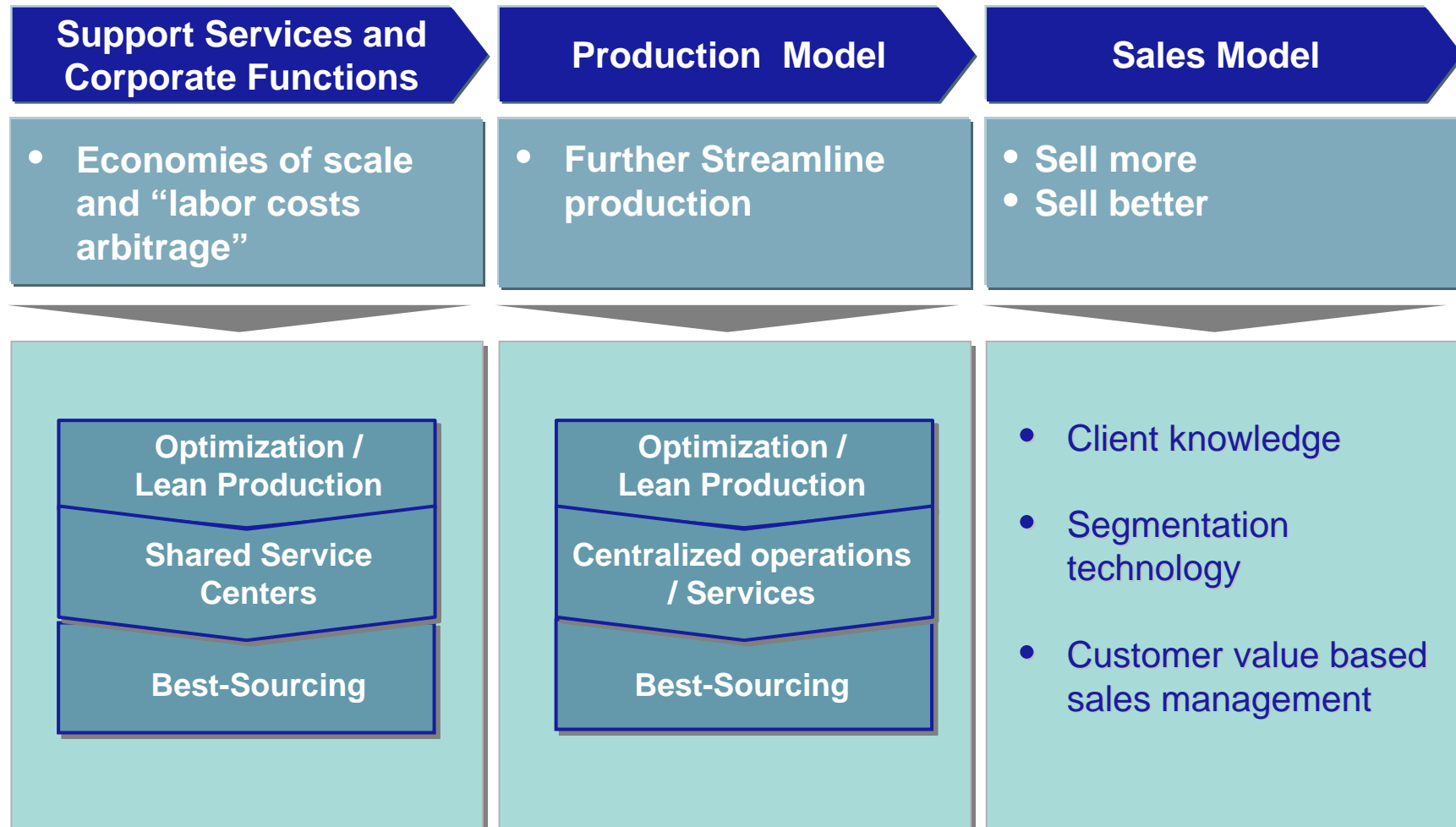
**Self-service: Reduce
Service Costs**

**Sales: Increase Selling
Capacity**

**Production: Gather and
concentrate
scale related costs**

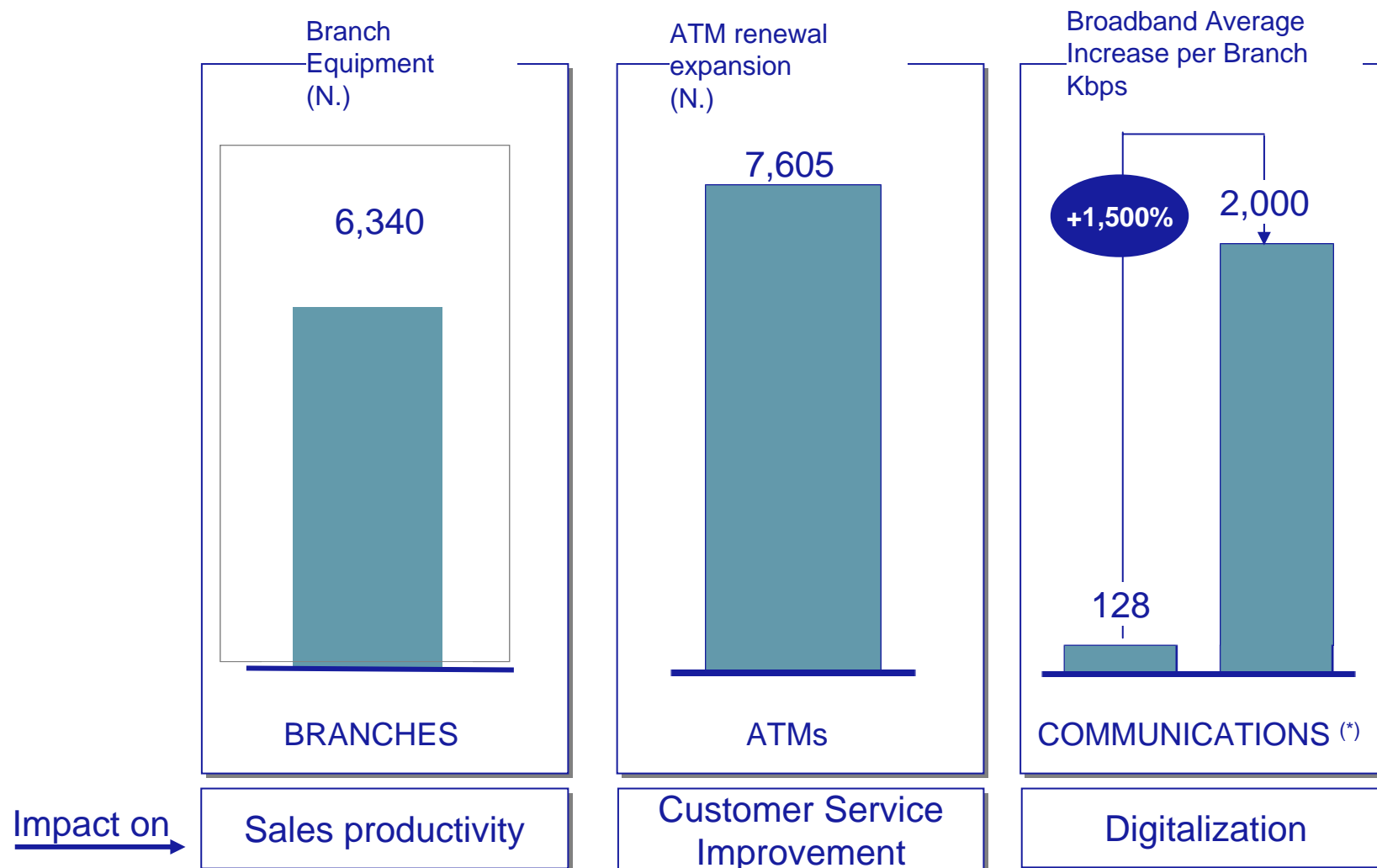


Whilst fostering the transformation strategies of the rest of the value chain





In this context, an important initiative in progress is the “upgrade” of technological infrastructure at the point of sale



(*) Differences between countries, Spain 1Mbps



Global Transformation Plan

Global Transformation Plan

1

Reconfigure the distribution model

2

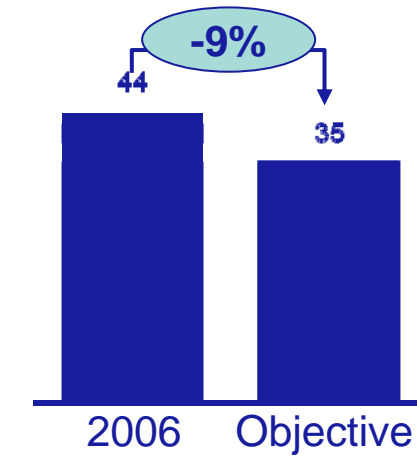
Develop a “best-in-class” production model

3

Improve efficiency of support services and corporate functions

Aimed at:

Improve cost to income ratio



Create Value





A 23 initiatives program within an integrated plan ...

Productivity Improvement by Type of Action

	Optimization	Efficiency	New Models	TOTAL
Sales	0.2%	3.3%	10%	13.5%
Customer Service	--	10.3%	12.2%	22.5%
Production Model	2.3%	12.3%	(9,7% not considered due to reinvestment)	14.5%
Support Services	3.1%	5.0%	0.8%	9.0%
Corporate Functions	2.8%	6.0%	1.1%	9.9%

With the objective of improving global productivity by **15%**



... being a key element to achieve the ambitious objectives of the Innovation and Transformation

BBVA's Innovation and Transformation Plan

ADDITIONAL
INVESTMENT

€1,400 M

ADDITIONAL
REVENUE

€520 M

EXPENSE
REDUCTION

€827 M

NPV: €5,500 M



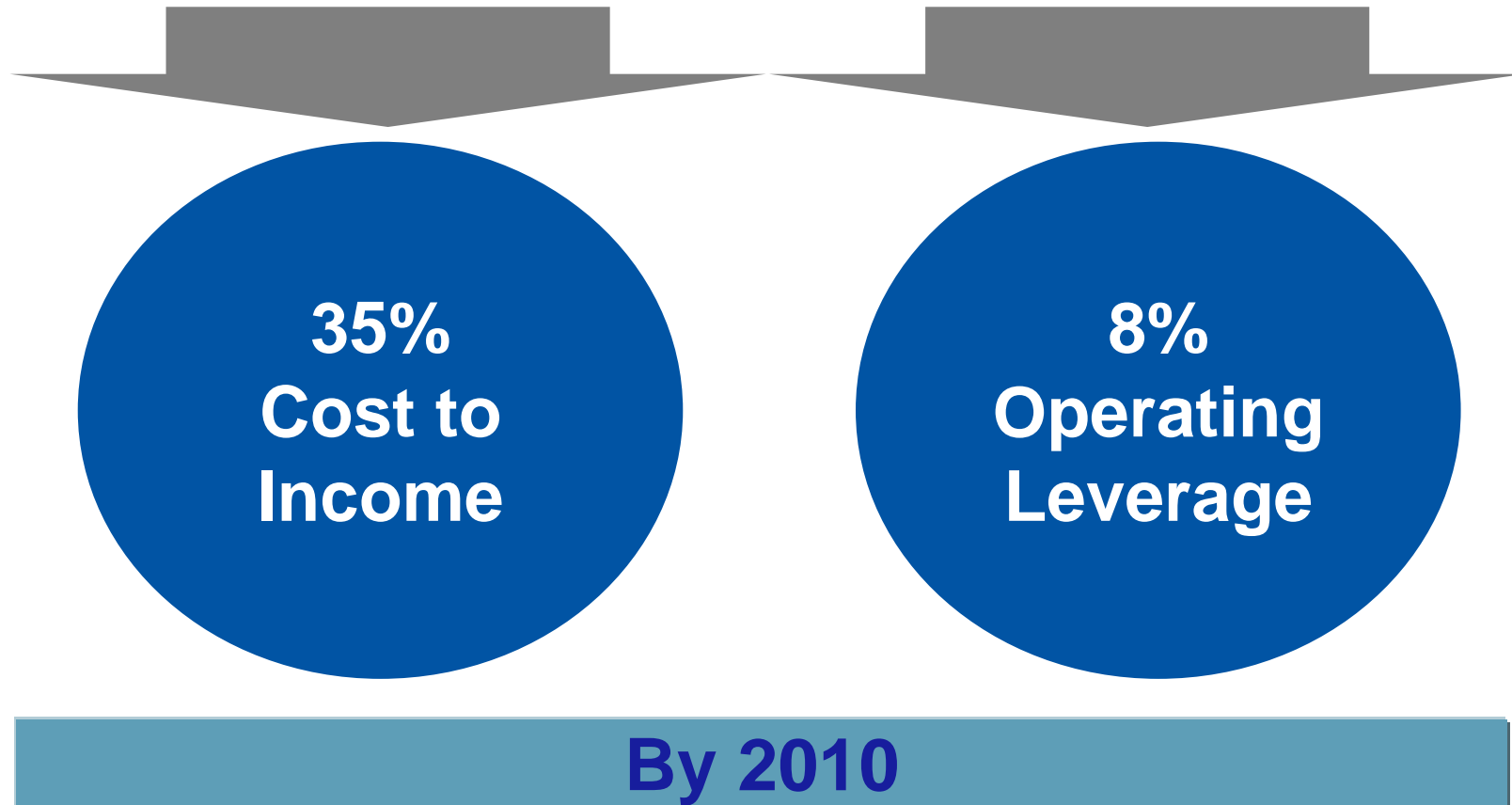
A plan that will involve an in-depth review of all aspects of the business model





To summarize: Corporate Goals

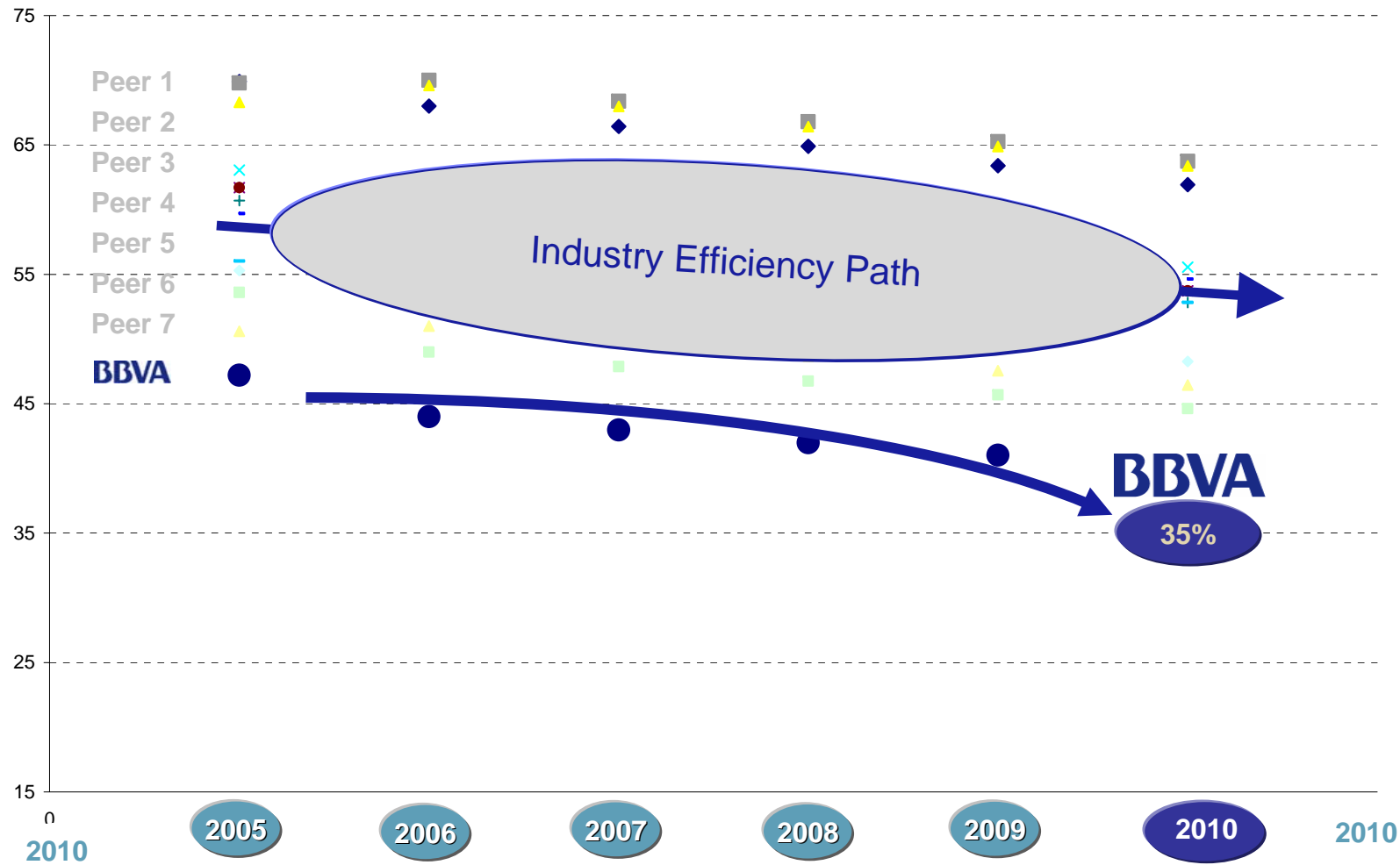
PRODUCTIVITY OBJECTIVES





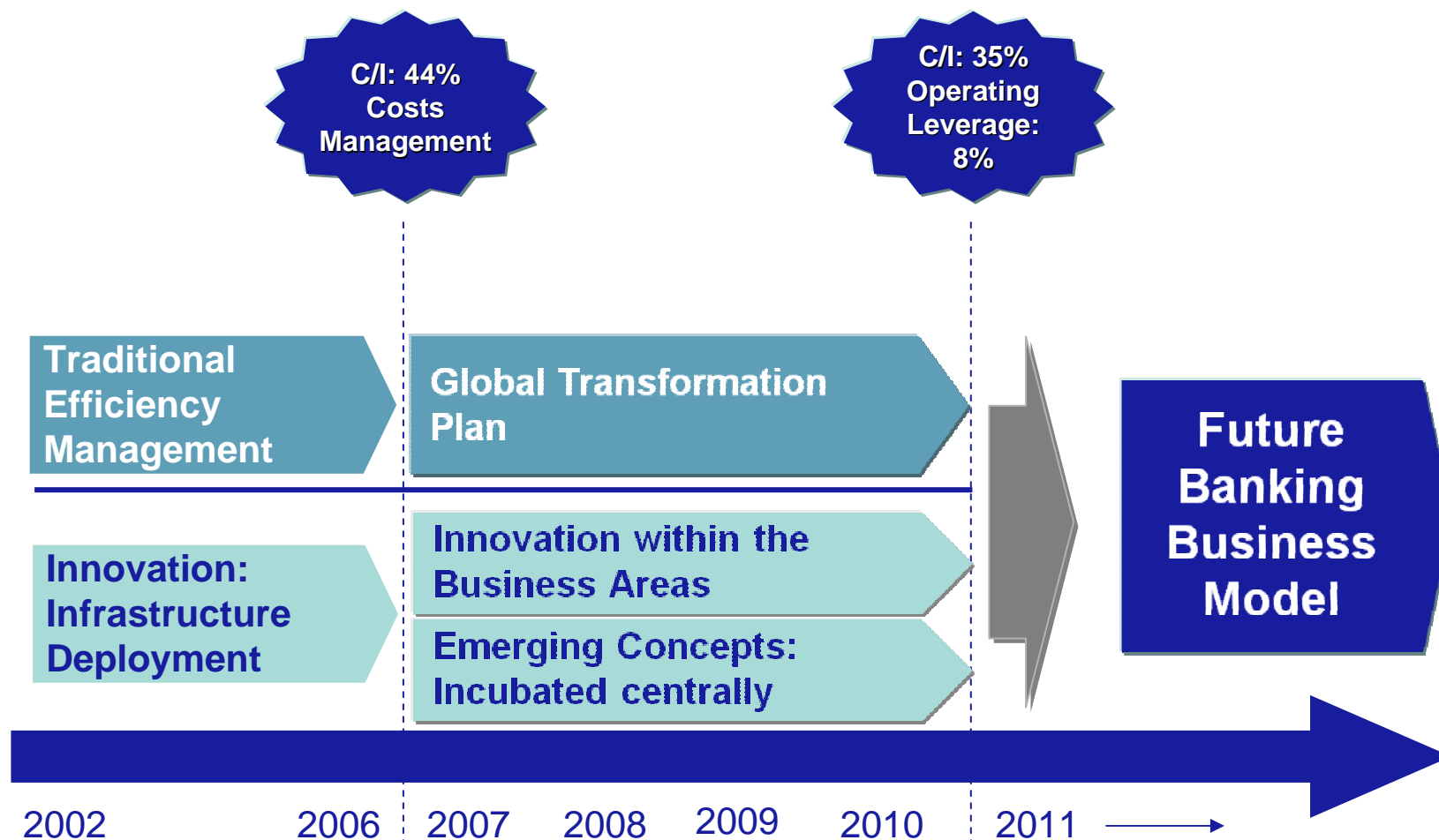
BBVA will remain at the leading edge of productivity in 2010

NEW EFFICIENCY FRONTIER





But, what's on the other side of the frontier?



150
years
adelante



BBVA making the difference

Madrid, 15th November 2007