

150  
years

adelante



**BBVA** making the difference



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President & COO BBVA Group

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*“Future Growth Levers”*

**BBVA** making the difference



## BBVA, a case of ...

**Excellent combination of Strategy & Execution**

**Delivering results every quarter**

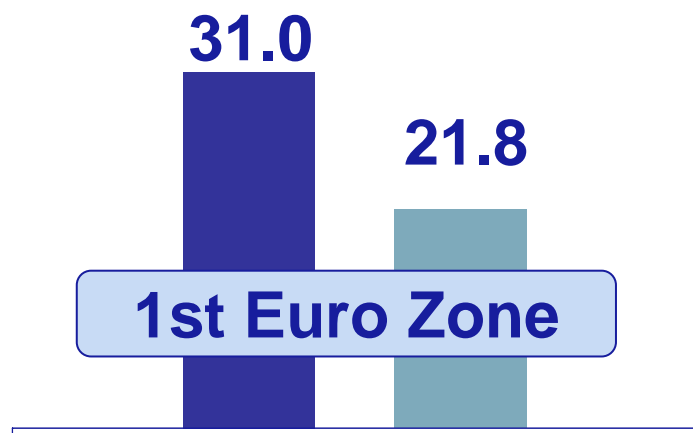
**With a vision of medium and long term**

**With strong focus on value creation**

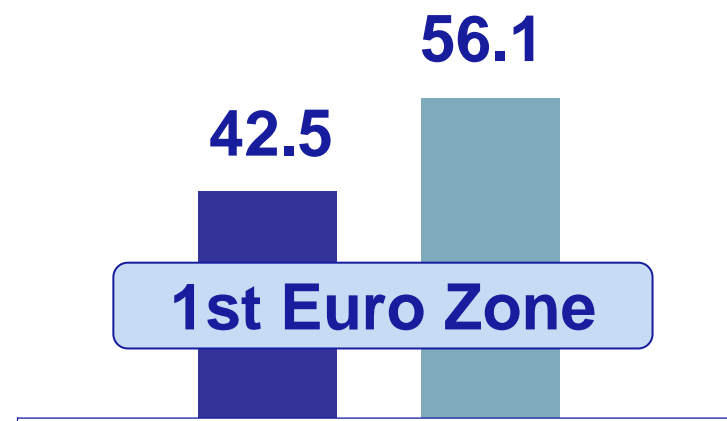


# An approach that makes a difference in terms of results and banking fundamentals

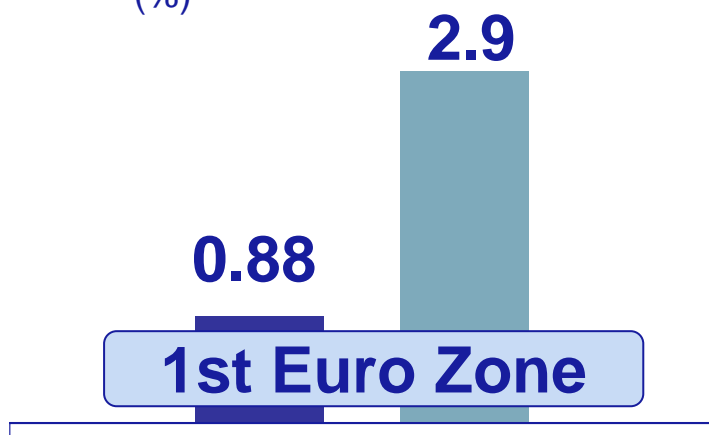
ROE  
(%)



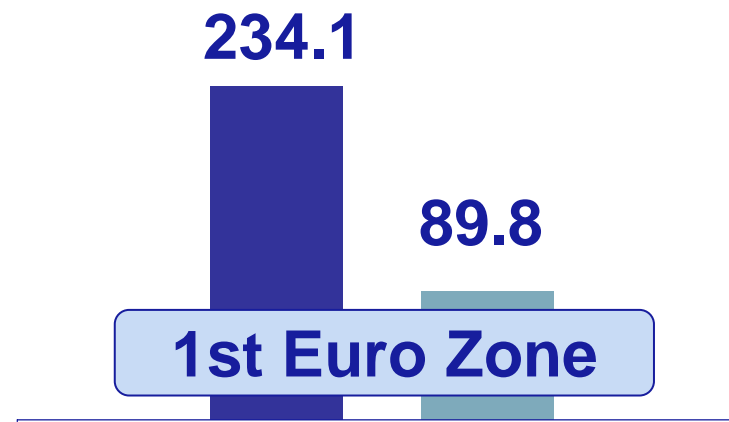
Cost:income Ratio  
(%, incl. amortizations)



NPL Ratio  
(%)



Coverage Ratio  
(%)

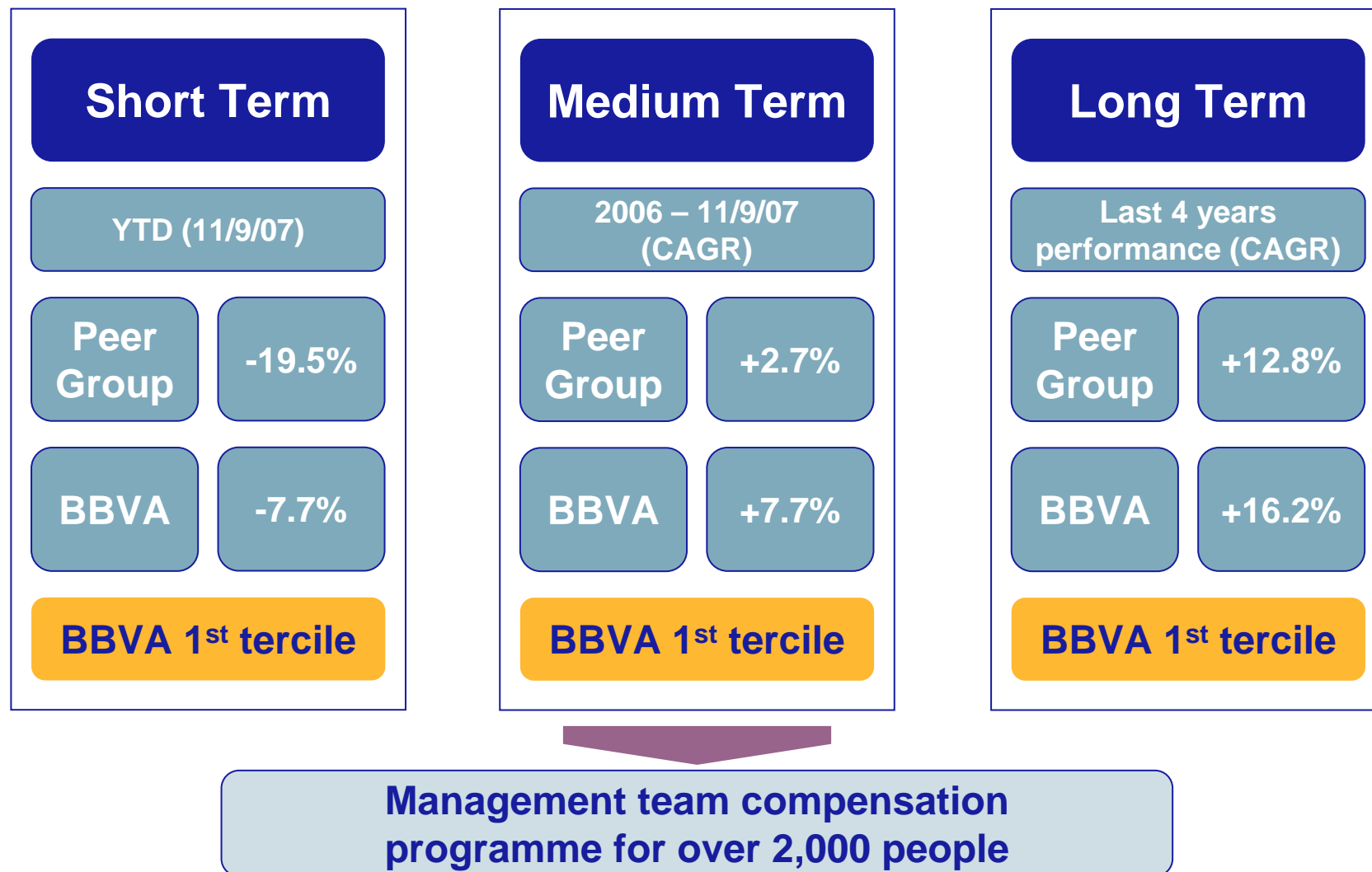


Excluding one-offs. Data available 3Q07

■ BBVA ■ Average Euro Zone



# Differential TSR delivery



Peer Group: Santander, Deutsche Bank, BNP Paribas, SG, Unicredit, Intesa Sanpaolo, ABN, RBOS, Barclays, UBS, CS.  
Source: Datastream



## The environment has changed for the banking sector

From...strong global growth, positive capital markets  
and revenues, sound asset quality and ample liquidity ...

... to Liquidity Squeeze

How is BBVA going to perform in the current environment?



# Why is BBVA going to outperform in the current environment?

1

Unbeatable starting point and resources

2

An organisation focused on TSR generation

3

An attractive corporate positioning

4

A solid business model

5

Best in class risk management



1

# Unbeatable starting point and resources

**Unbeatable  
starting point ...**

**An excellent track  
record of delivering  
growth and strengthening  
of fundamentals**

**... and excellent set of resources**

**Strong liquidity  
position**

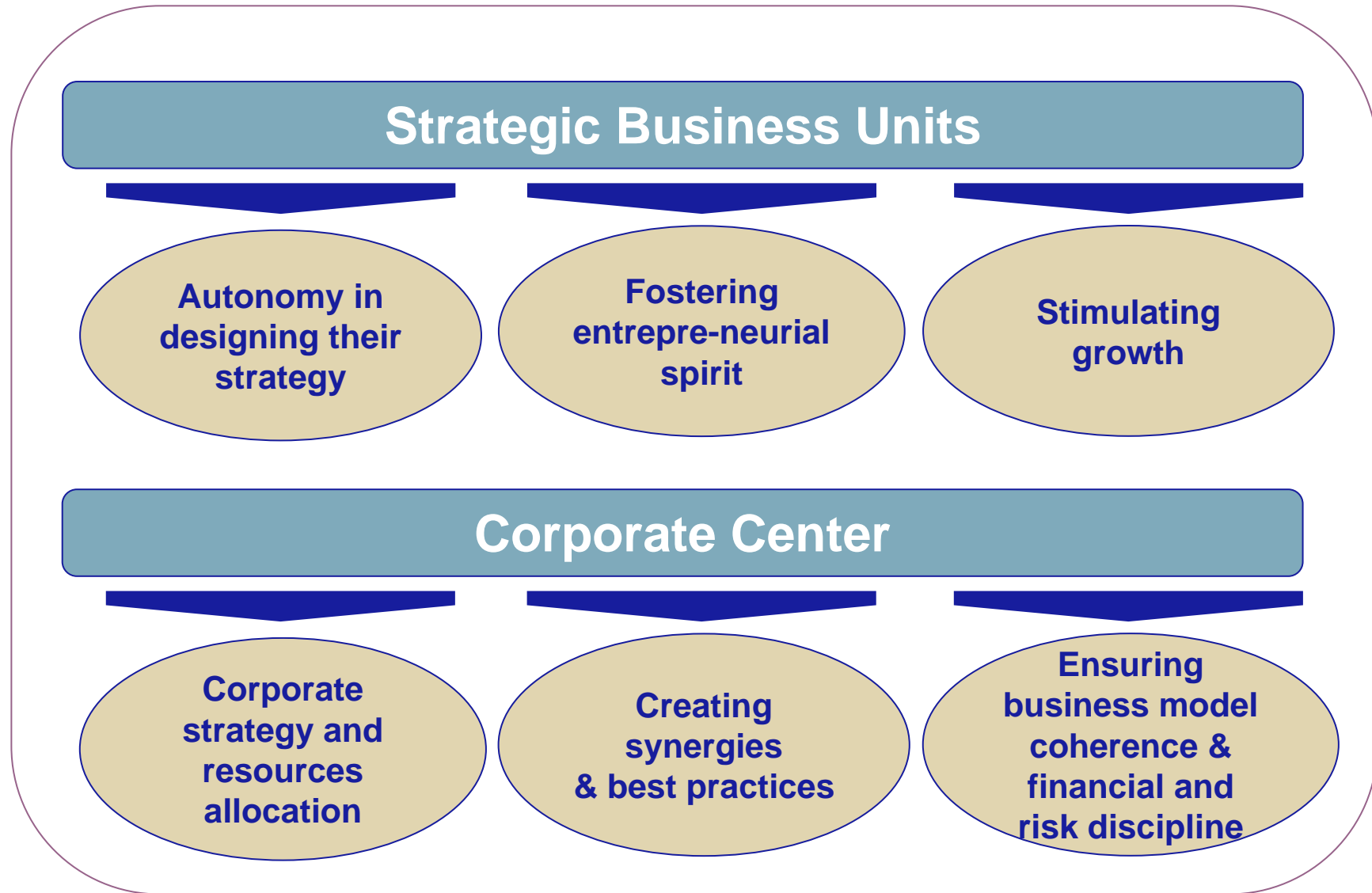
**Sound regulatory  
capital**

**Active hedging of  
balance sheet risks**



2

## BBVA Group is strongly focused on TSR generation, with a clear role distribution





## All our procedures are aligned with TSR

### Planning

SBU's autonomy in designing their business strategy to foster growth

Setting medium term targets and budgeting

### Follow-up

Performance metrics

Strategic & Financial indicators

EVA

RAROC

### Incentives

Multi-annual variable payment based on value metrics

Linking managers interests to those of shareholders



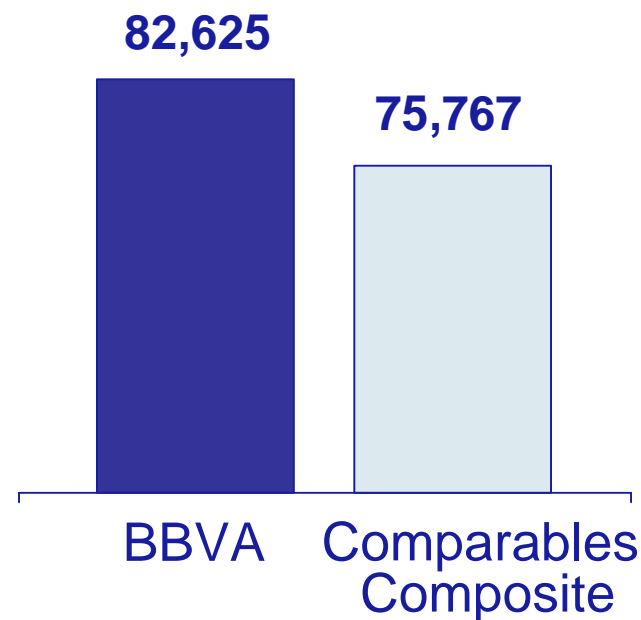
# As a consequence, value creation at Group level

We are good owners  
of our businesses

Value Whole >  
Sum of Parts

	BBVA	Composite <i>The best player in each market</i>
C/I 2006	44.0%	44.9%
ROE 2006	36.4%	24.7%
Operating Profit CAGR 06/03	+18.9%	+13.1%
Net Income CAGR 06/03	+28.6%	22.8%

PER Relative Valuation  
(€m)



\* Excluding one-offs  
Data available 3Q07



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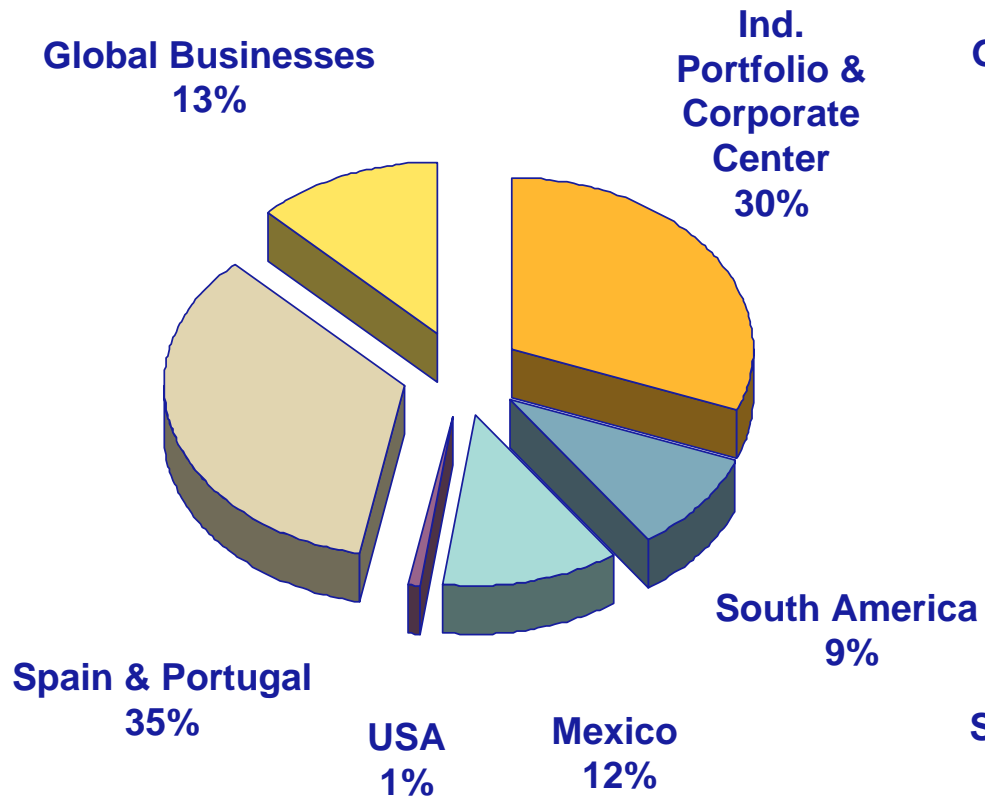
Best in class risk management



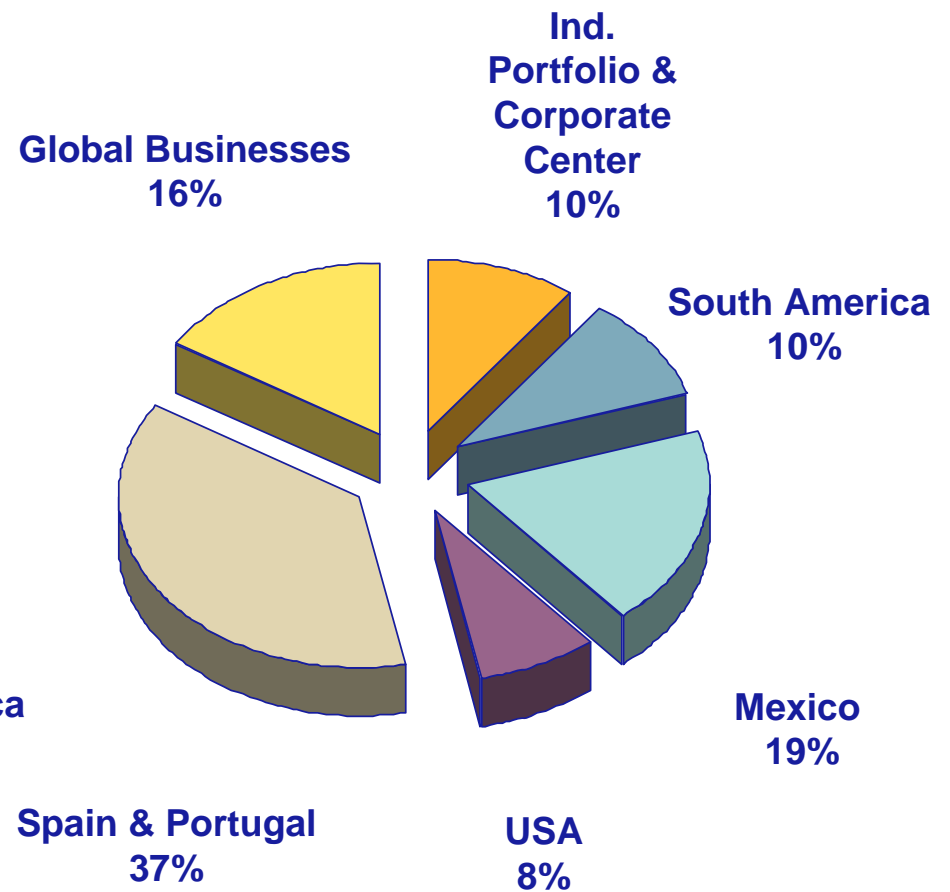
3

## During the past years we have actively managed our business portfolio

Economic Capital 2002



Economic Capital 9M 2007



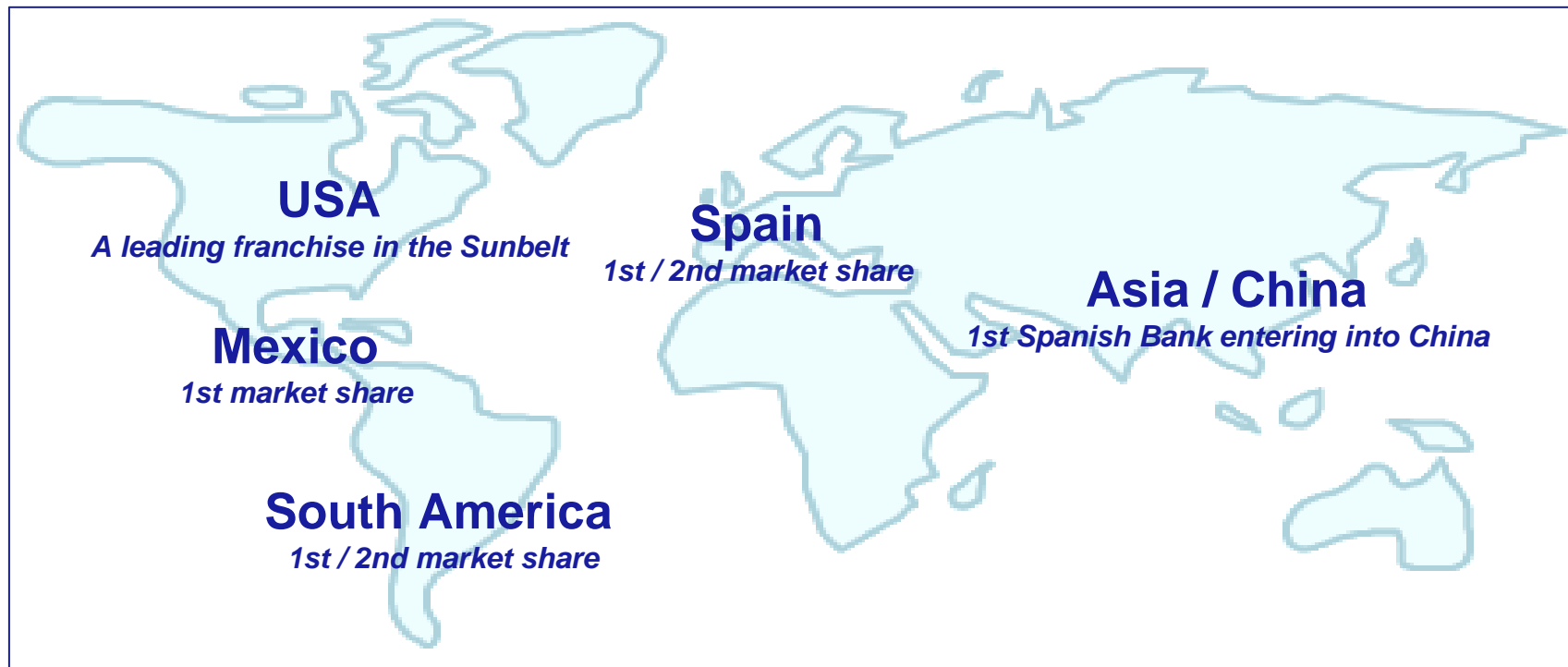
Towards a positioning in markets with a high “structural” growth rate



Thus, BBVA's corporate positioning  
is characterised by ...

**Growth Markets**

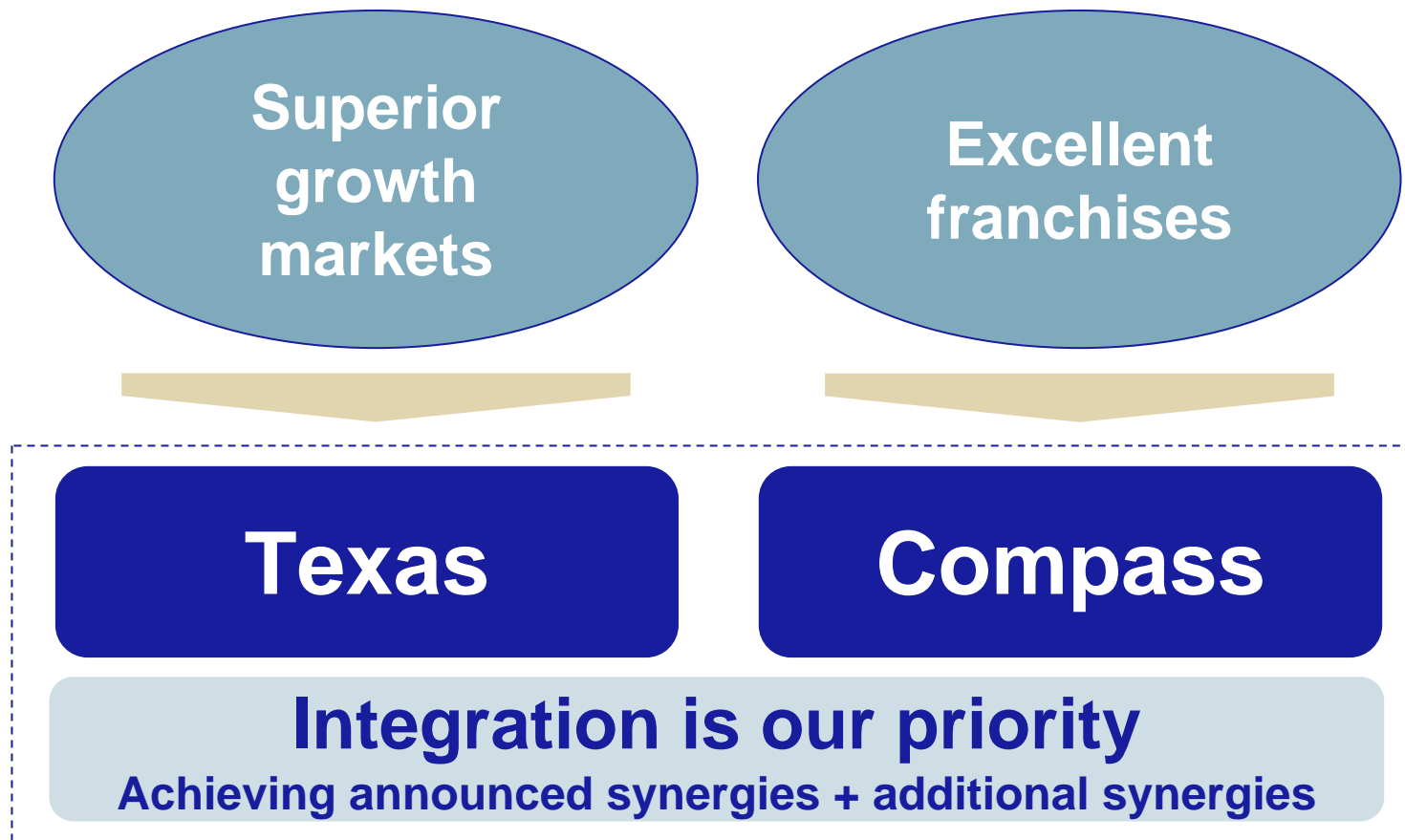
**Strong franchises**



**And a wholesale franchise close to our customers**



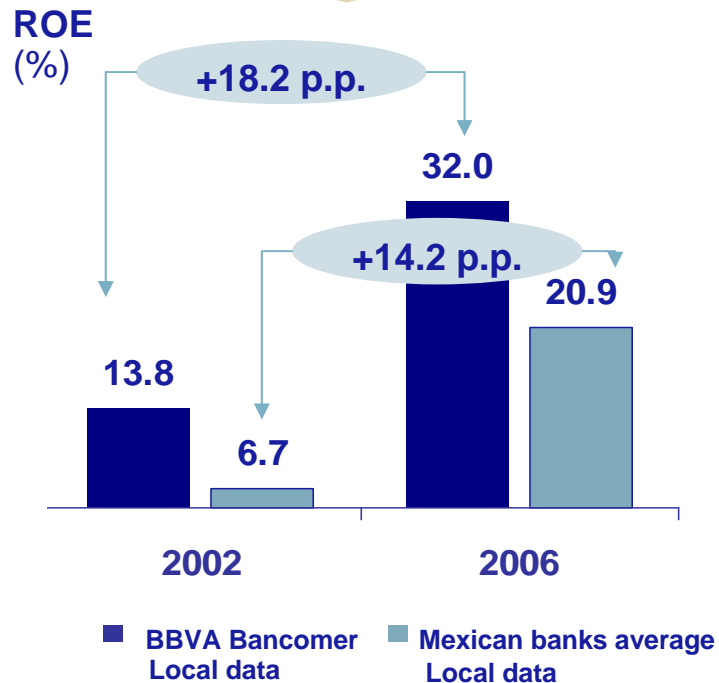
**And BBVA USA is a good example**





# As we have already done with excellent results

## A proven track record for integration capabilities



## Excellent acquisition track record

### ROI

Bancomer

28%

Banks in South America

21%

Total Businesses Mexico + South America

24%



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4

## Our business model responds to a changing environment





## Customers are changing

**More people aiming to  
access financial services**

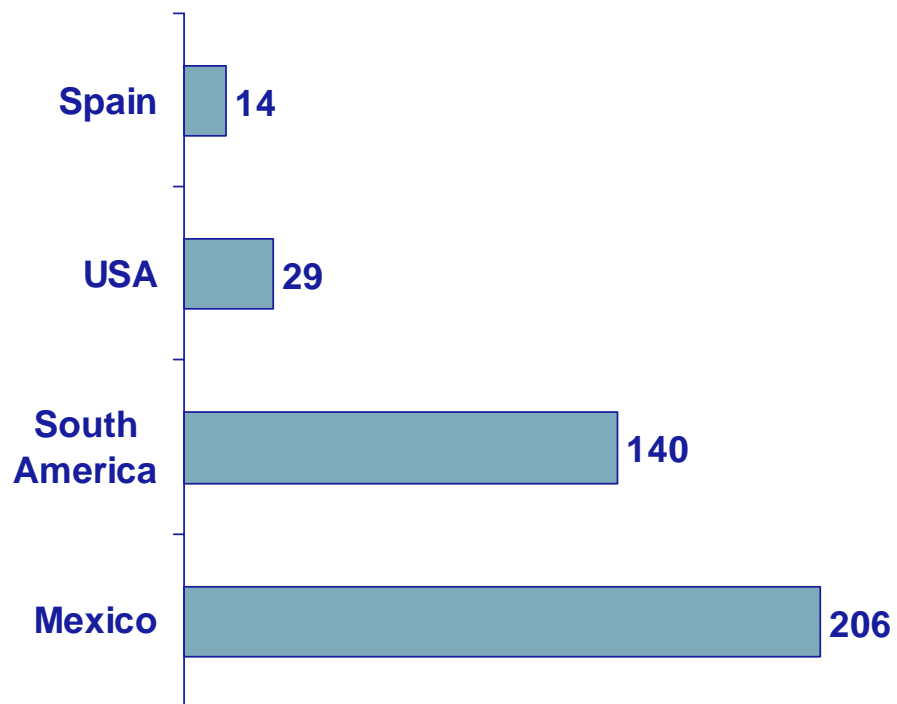
**Customers have more diverse needs**

**Customers increasingly favour self-service**

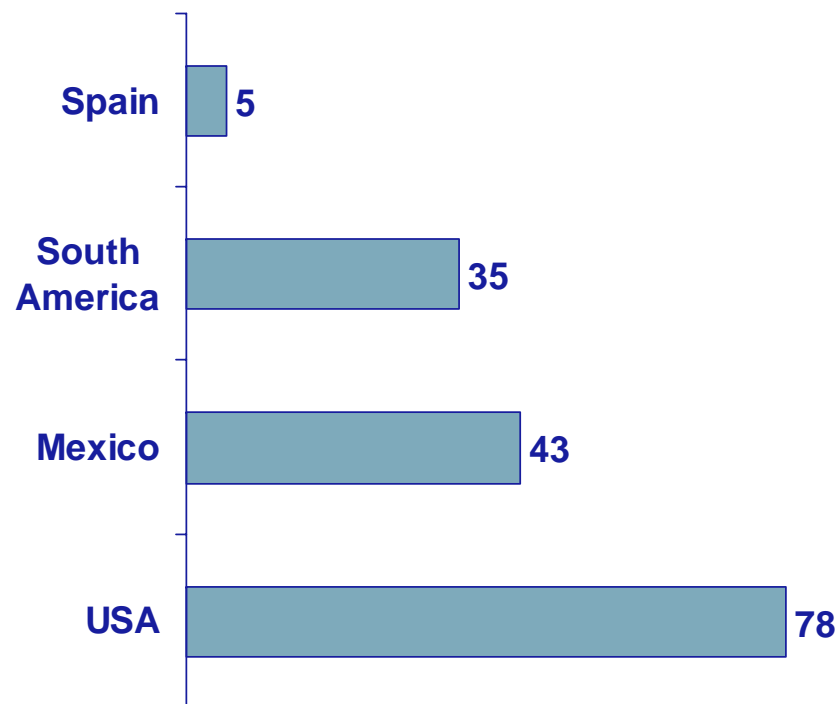


# More people aiming to access financial services

**Bancarisation potential**  
(2005-2030, % variation)



**Bancarisation potential**  
(2005-2030, million people)

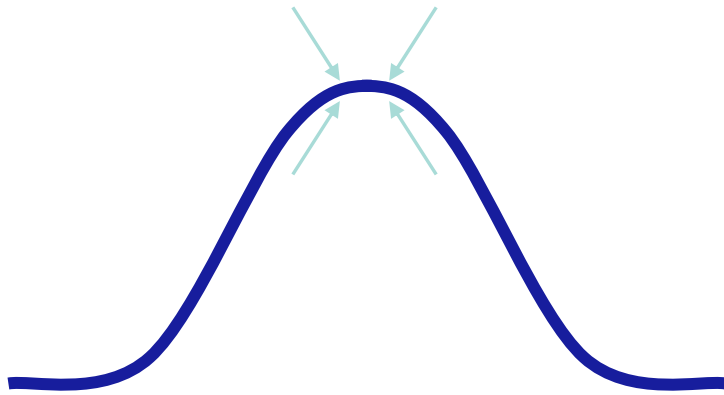


Source: BBVA Research Department



# Customers have more diverse needs

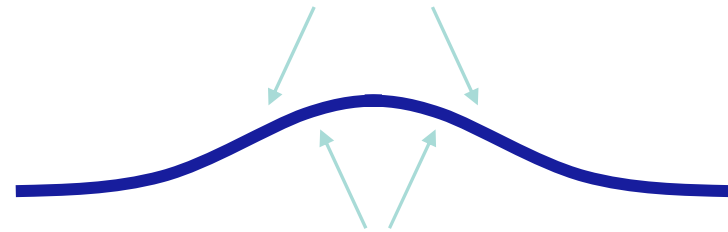
## YESTERDAY



Customer needs  
were  
homogeneous

Branch was  
main  
distribution  
channel

## TODAY



Need to  
understand  
customer-  
product  
combinations ...

... Mastering the  
customer -  
channel  
relationship

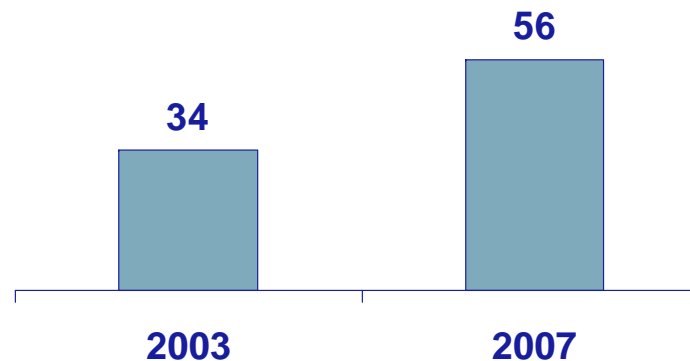


# Customers increasingly favour self-service

**Trend easily seen  
in other sectors ...**

**Airlines,  
Retailers,  
etc...**

**Transactions in Retail Banking Spain**  
(off-brach transactions as a % of total)



**Transactions through  
alternative channels x2**

**BBVA is also  
converting it into  
a business  
opportunity**

**P.I.D.E.**  
26% of total  
consumer loans  
production



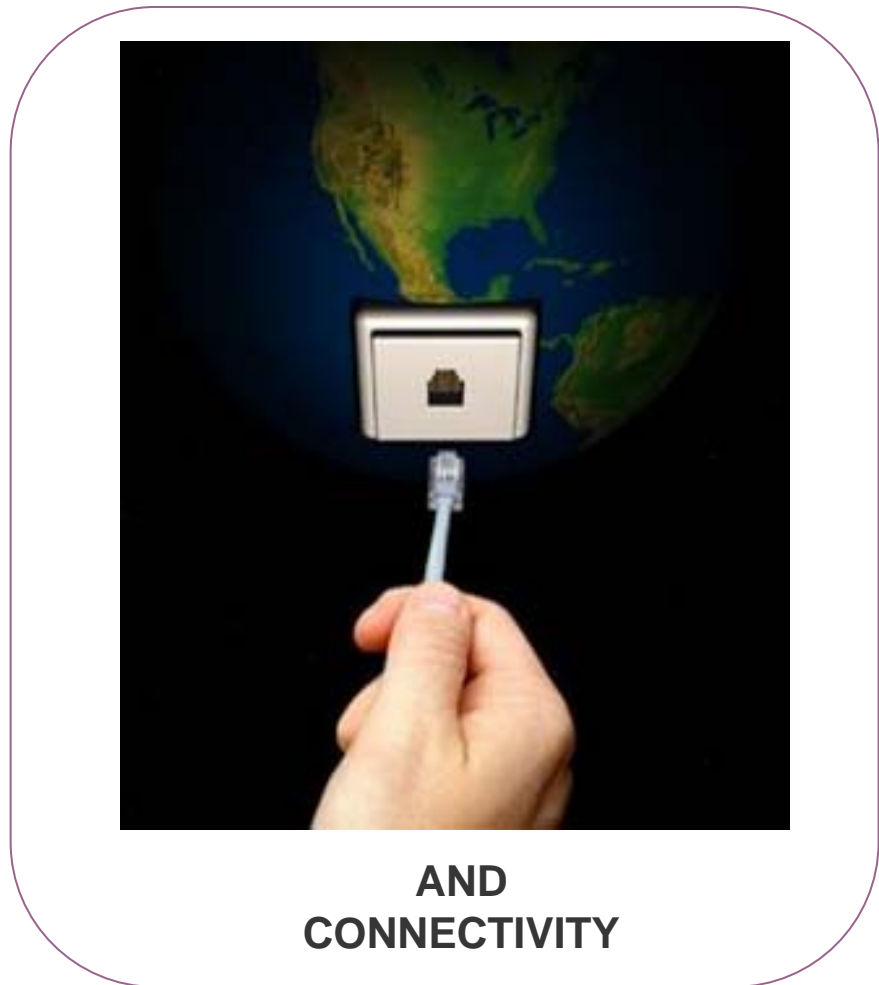
4

## Our business model responds to a changing environment





# IT is revolutionising the way of managing information



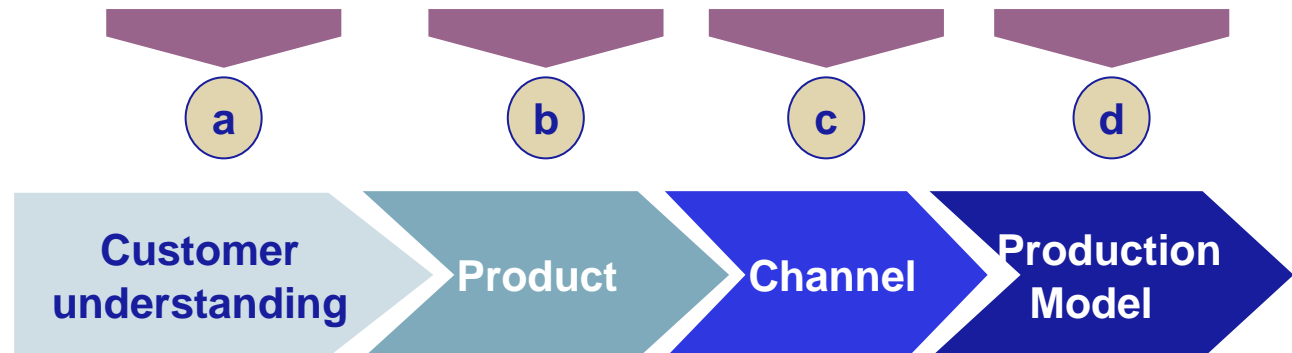
What drives a competitive advantage is not IT *per se*, but leveraging the business model on IT



# Information technology opens up new opportunities

**Customers are  
changing**

**IT as enabler**

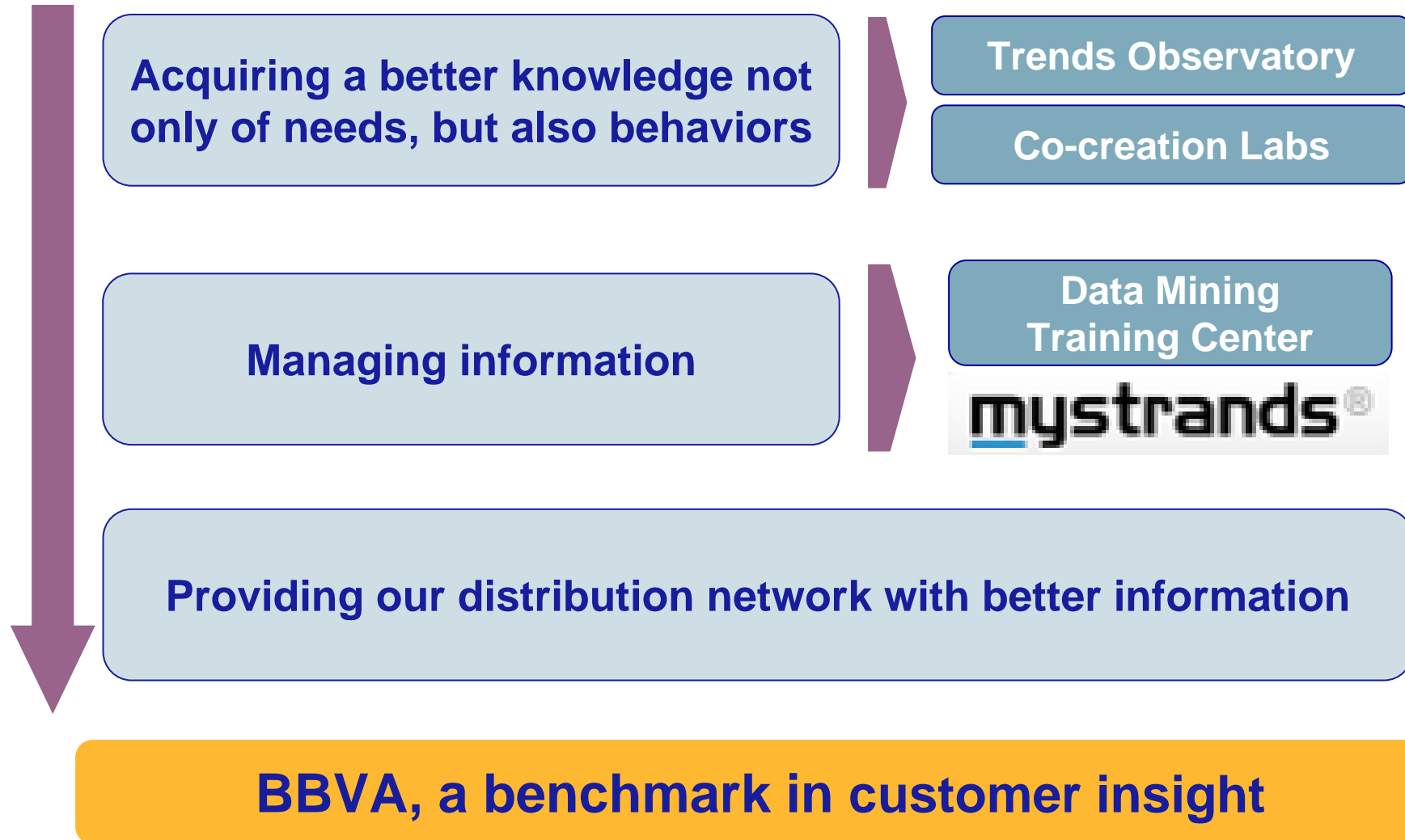


**And it's also key to improving credit risk management**



4.a

## We aim to have a better customer understanding





4.b

IT allows us to expand our current offer to more customers, with a different approach

Based on low cost products

Mexico

Customers from  
14 to 18 million

Customer loans  
x 2.5

Mortgages  
x 3

South  
America

Customers from  
8.7 to 12 million

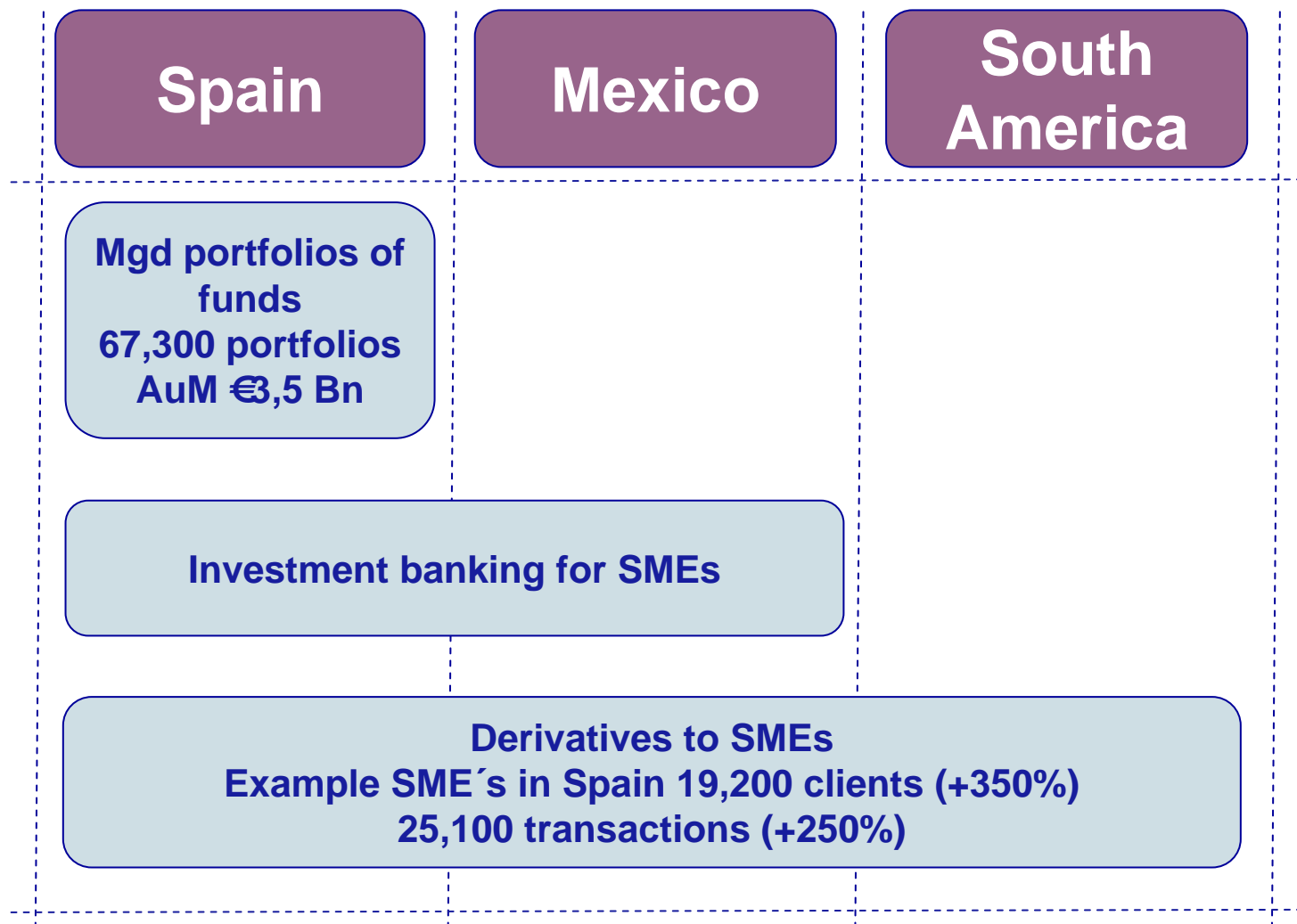
Consumer and Cards  
x3

“The bank in your card”





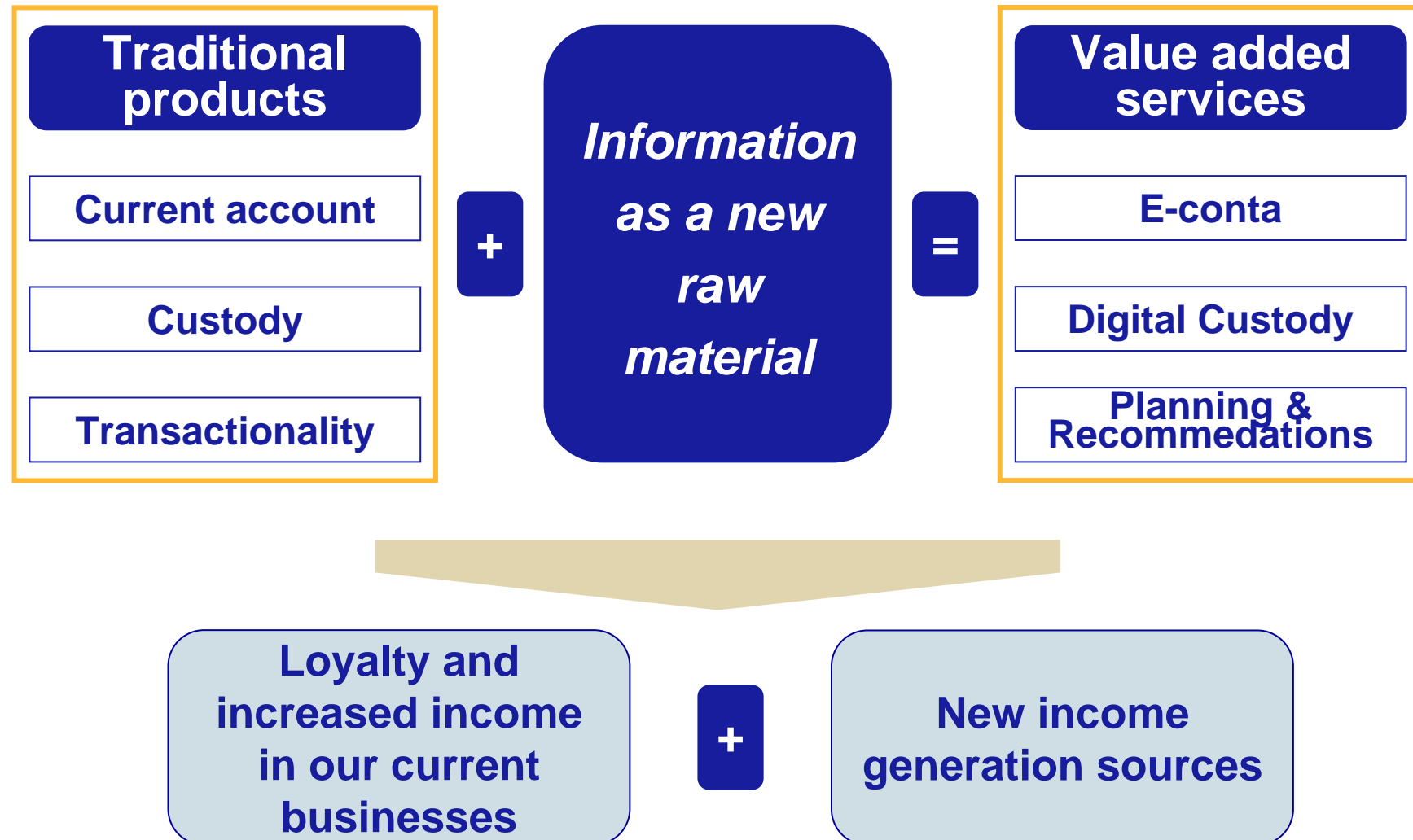
## Distribution synergies: sophisticated products for massive distribution



Data Sep-07



## And IT even helps us cross financial business borders





4.c

## IT enables powerful channel combination

Aiming at better channel combination in accordance with customer needs

“Net” at Group level

- 4.2 million customers
- 1,300 million annual transactions

“Net” in Spain

- 1.6 million customers
- 440k daily visits
- 550 million annual transactions

Net  
*Functionality*

Branches  
*Functionality*



Transactions  
Efficiency

Mid 80's-  
Mid 90's

Transactions

Revenue generation  
by cross-selling

Mid 90's-  
Today

A way to attract clients

From transactions to  
recommendations

Revenue generation  
by widening  
product catalogue

Next  
years



4.d

IT enables us to “produce”  
more efficiently

## Transformation Plan

... to reduce  
“servicing”...

... and  
industrialise  
back &  
middle  
offices

... continue  
boosting  
commercial  
productivity



# A new servicing model based on transaction automation

## Opportunity

30% staff at branches



Devoted to “transaction servicing”



## Plan

Investment in IT & new generation ATM's

## Target

Transactions Through alternative channels



More staff focused on commercial activities

“Sell More”



# New productive model based on large scale operation industrialisation

## Opportunity

70% staff at branches devoted to commercial activity



But only 50% “real commercial activity”

And the other 50% operating activity

## Plan

Operations



Centralised  
On/Off-shore  
Back-Offices

## Target

Increase in commercial focus:  
**“Sell More”**

More efficient production



**As a consequence, selling more and selling better**

**“Sell More”**

**More commercial  
staff**

**Staff more  
focused**

**“Sell better”**

**Using customer  
insights outputs  
and CRM  
methodology**



**Increasing network productivity**



# The application of a new standard will drive an incremental leap over our competitors

**Excellent  
track record**

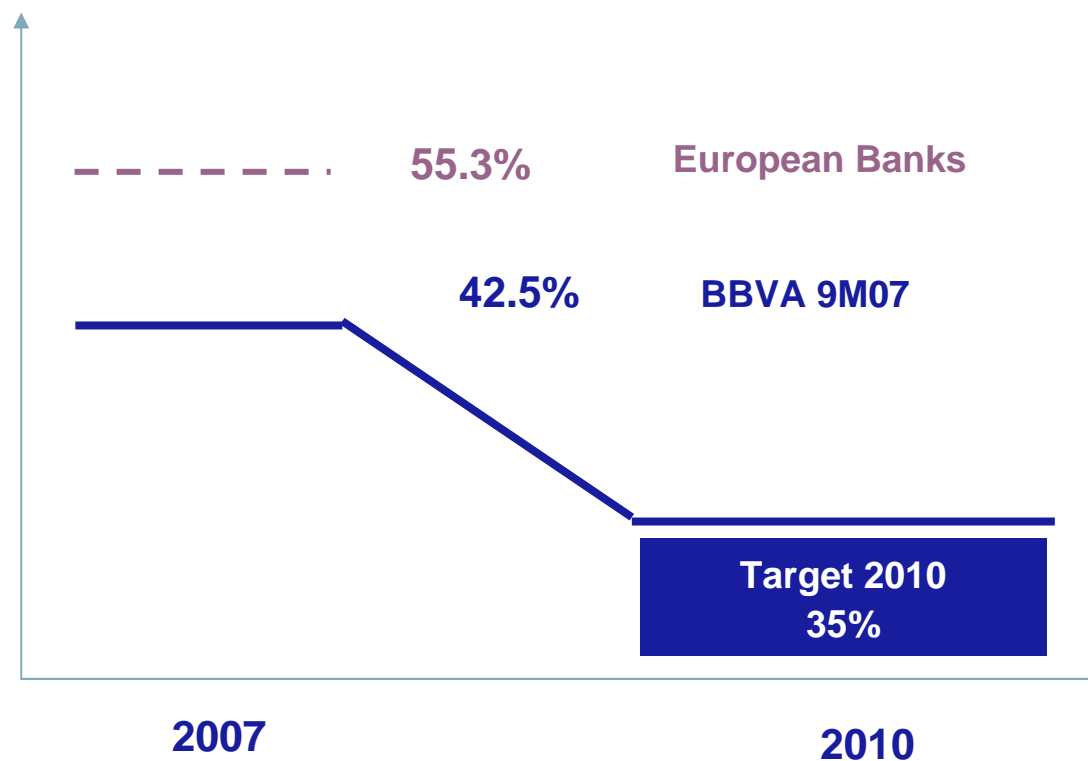
**Transformation Plan**

**Commercial  
productivity  
increase in the  
last 2 years**

**Spain  
+39.8%**

**Mexico  
+27.9%**

**Cost:Income Ratio  
(%, incl. amortisations)**





## In short, a business model

**Customer understanding and focus**

**Rethinking the value chain**

**Adapted to each local market**

**Anticipation capacity**

**Liqui-  
dity and  
capital**

**New  
network  
model  
in  
Spain**

**SME's**

**Mortga-  
ges in  
Mexico**

**Time  
depo-  
sits**

**Consu-  
mer  
finance**



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5

## Best in class risk management

### Diversification

Geographical

Product

Risk type

Well protected against  
market turbulence and stress  
scenarios

With provisions well in excess of  
expected loss

€5.6 billion generic provisions  
vs €2.3 billion expected loss

Coverage Ratio 234.1%

NPL Ratio 0.88%

Stable credit risk  
premiums for the future

Aprox. 65 b.p.



## **In conclusion, the strategy of the BBVA Group is based on ...**

**An attractive corporate positioning  
with financial discipline**

**A strong business with innovation as a growth driver**

**Continuous improvement in efficiency**

**And a management team strongly  
committed to value creation**

**Delivery in the short, medium and long term  
with a strong focus on value creation**

150  
years

adelante



**BBVA** making the difference