150 years
adelante

BBVA making the difference

150 years adelante.

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General Manager Human Resources, IT & Operations

Innovation and Transformation:
"A New Approach to Productivity and Efficiency"

BBVA making the difference

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- Transformation: a global approach to our business model
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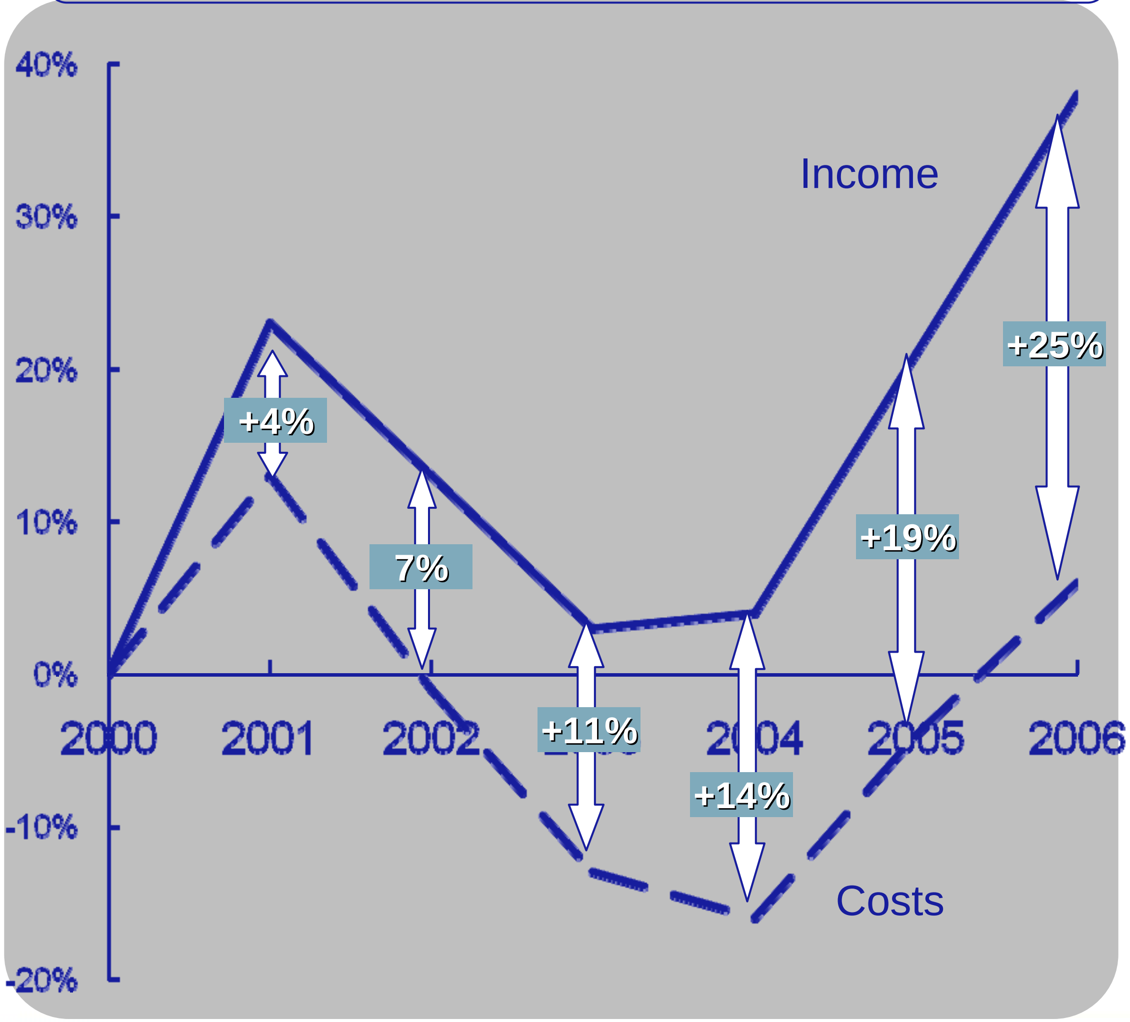
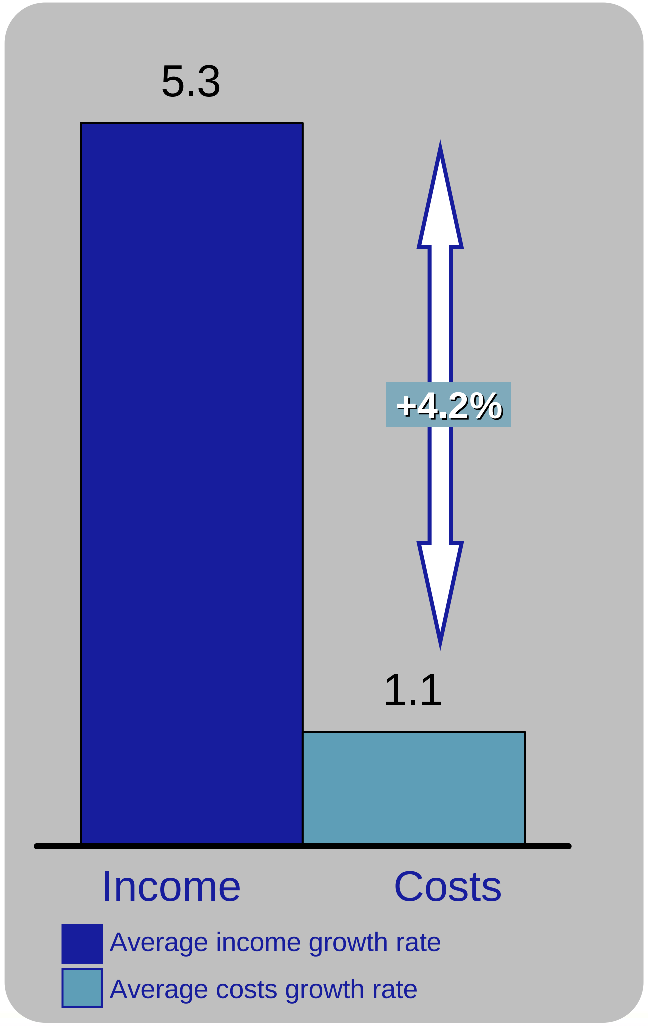
BBVA: An undisputed leader in efficiency across the economic cycle

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

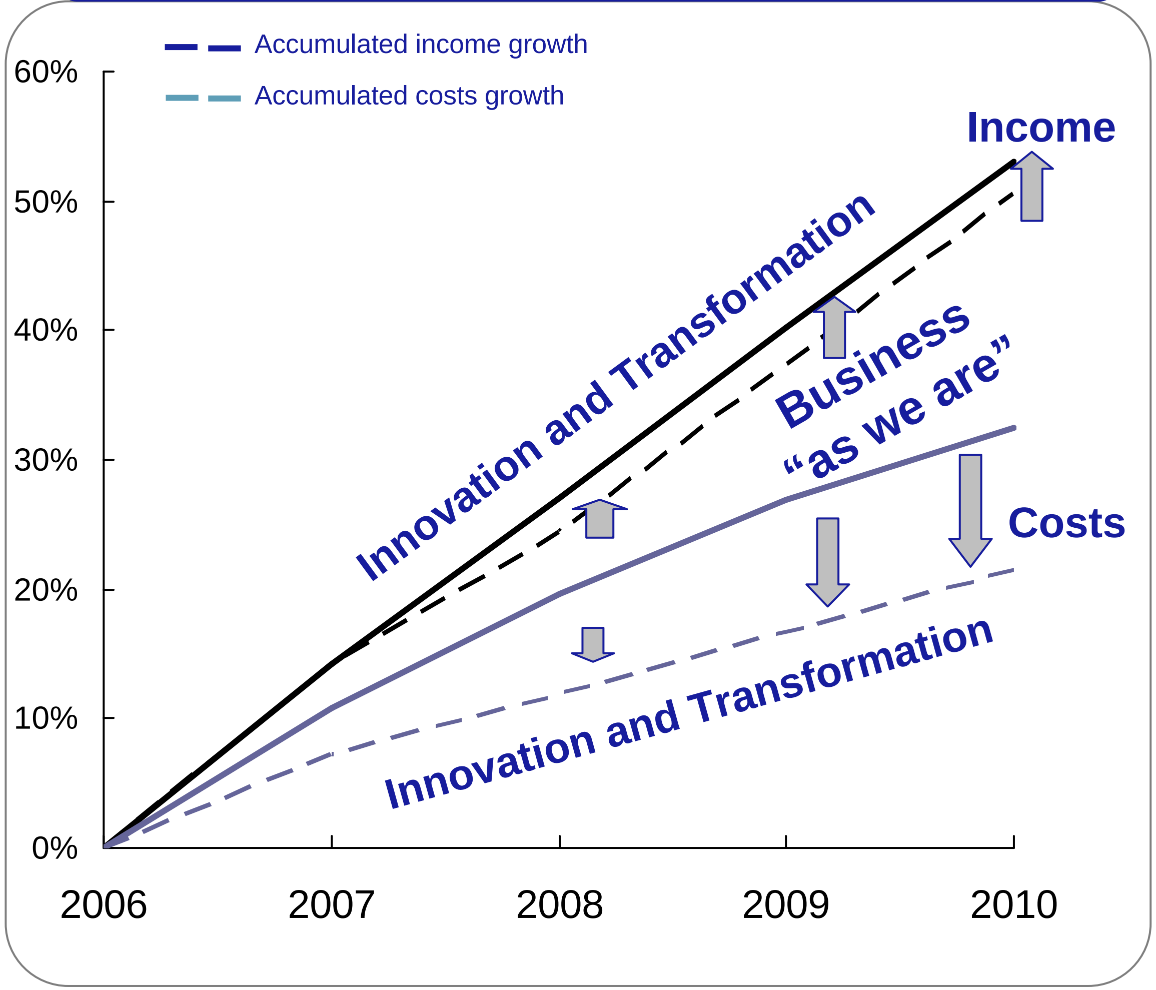


Average operating leverage (%)

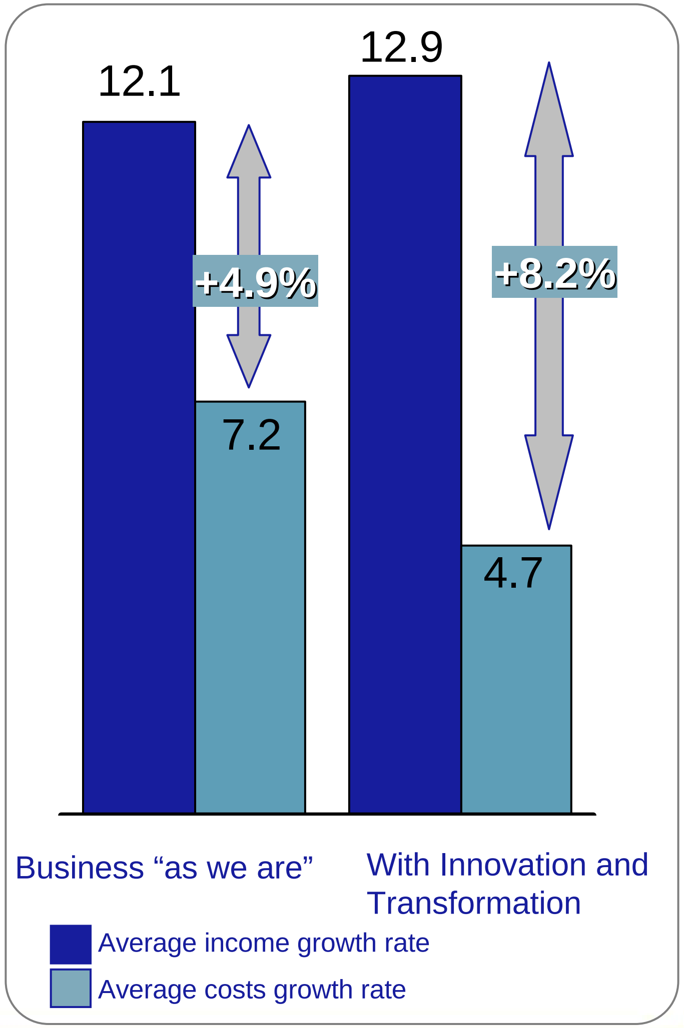


Next 3 years: "Reaching the Efficiency Frontier" based on a differential strategy: Innovation + Transformation

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:

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INNOVATION + TRANSFORMATION

3.3%

ADDITIONAL OPERATING LEVERAGE

BBVA corporate objectives

PRODUCTIVITY OBJECTIVES

35%
Cost to Income

8%
Average Operating Leverage

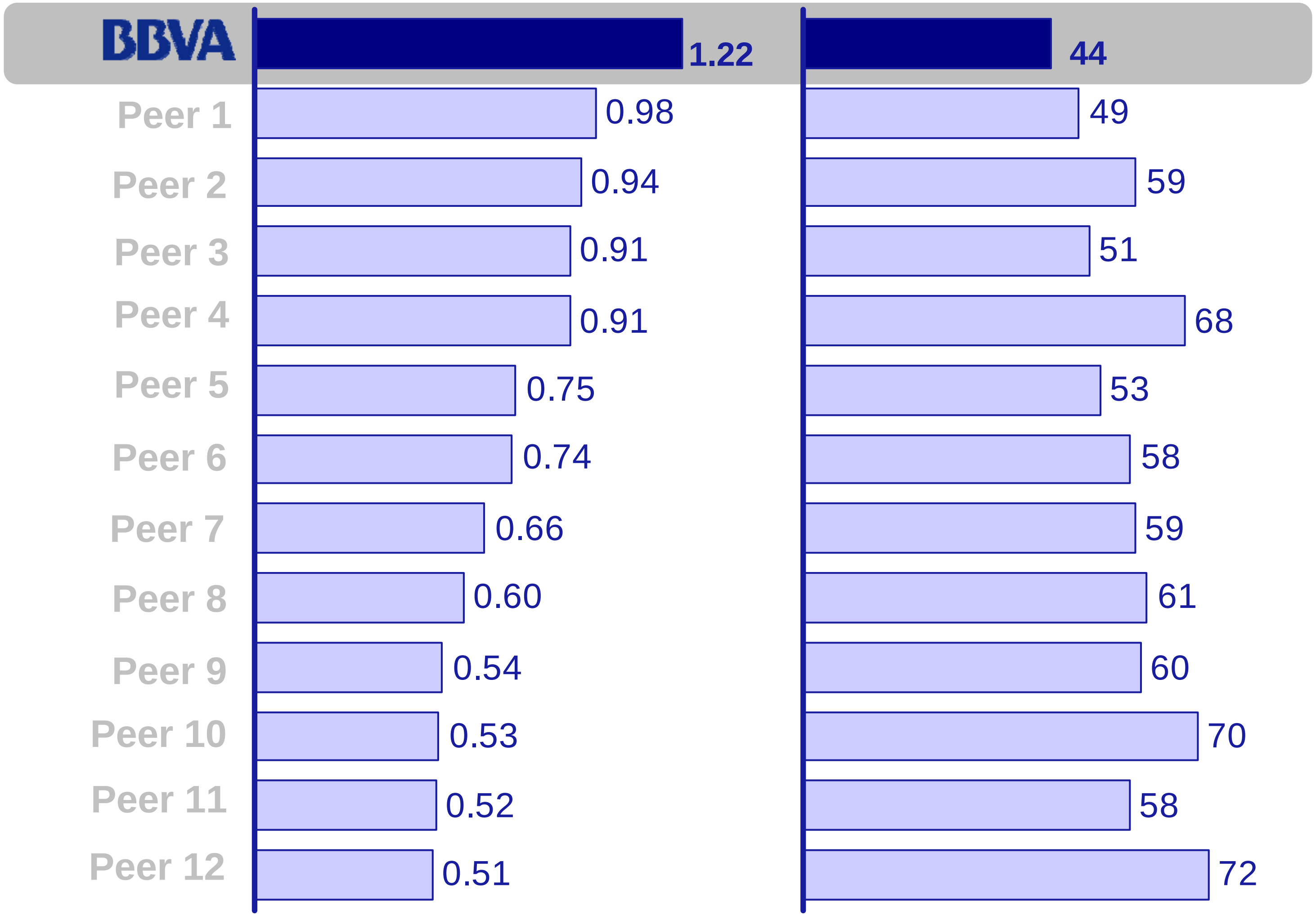
By 2010

Why now is the right moment?

ROA
2006. Percentage

Efficiency Ratio
2006. Percentage

European Banks

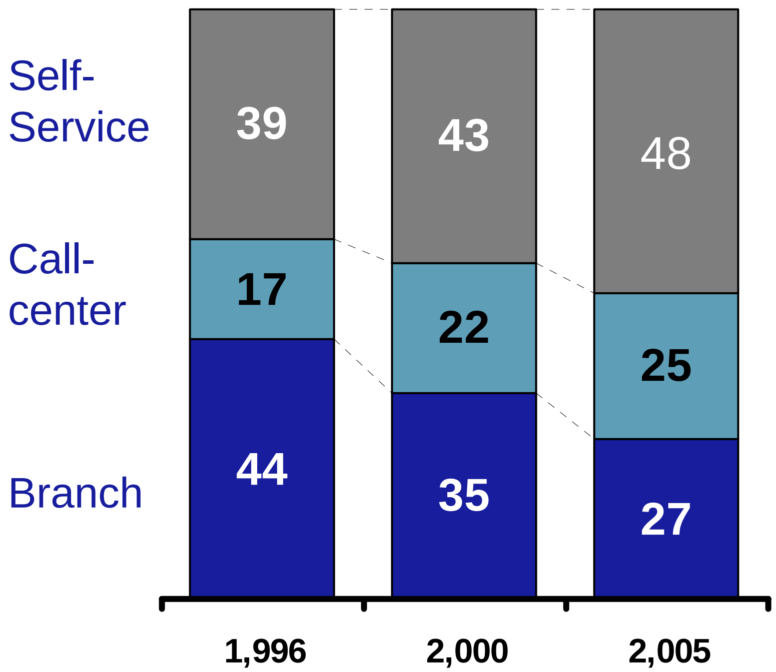


Source: Company annual reports. Figures excluding extraordinary income

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

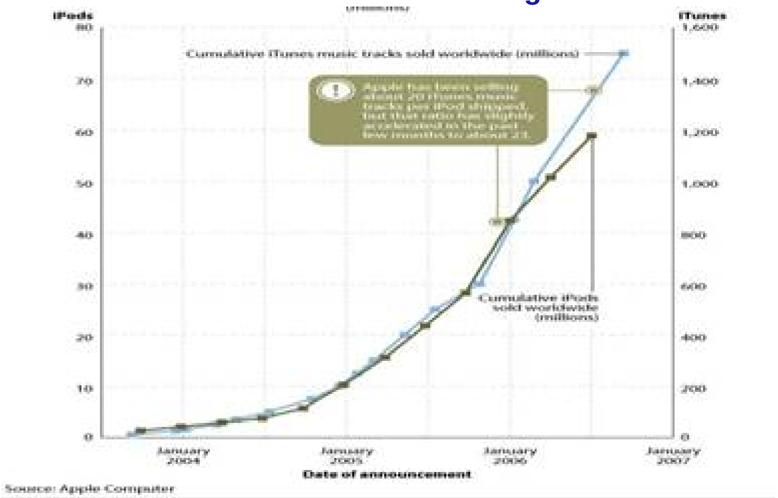
- Improves **brand image**
- Helps customers' **product identification and selection**
- More than 4000 monthly visits just in Spain

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

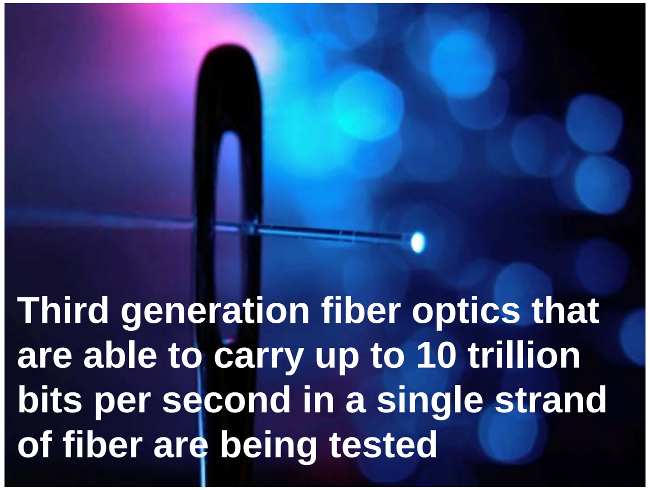
Digitalization and communications are now key business levers that enable business process redefinition

Digitalization

iPods Sales and iTunes Song Sales



Communication



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

- Unbanked Segments → **Give Access to Financial Services**
- Business Boundaries → **Increase Product Offering**

Developed and managed by the business units

2 Emerging Concepts

BBVA

- Digitalization → **New Business Opportunities**
- Use of Information → **New Marketing Approaches**

Incubated centrally until roll-out

Innovation within the Business Units: Significant commitments

Innovation Plan

BBVA

Business Units Objectives

SPAIN	MEXICO	LATIN-AMERICA
• 1 m new young customers • 0.5 m new immigrant customers • 10% of operating profit growth coming from non financial products	• 100,000 new SME customers • 300% increase in customer loans and credit card balances • 300% increase in home mortgages	• 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**

Webzine

E-Conta

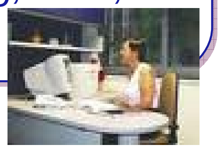
Blogosfera BBVA

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

Transformation Plan

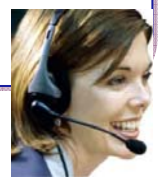
Support and Corporate		Production Model		Distribution Model	
Corporate Functions	Support Services	Produc-tion	Operations	Sales	Customer Service

- *Sales support activities (risk, marketing, HR) and corporate functions (accounting, audit, finance,…)*



- *Product and services manufacturing (IT) and middle and back-office operations*

- *Branch and other channels' sales forces*



- *Customer service through branches and direct channels*

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

Cost structure, relative weighting

Support and Corporate		Production Model		Distribution Model	
Corporate Functions	Support Services	Produc-tion	Operations	Sales	Customer Service
10%	21%	12%	5%	28%	24%

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

ILLUSTRATIVE

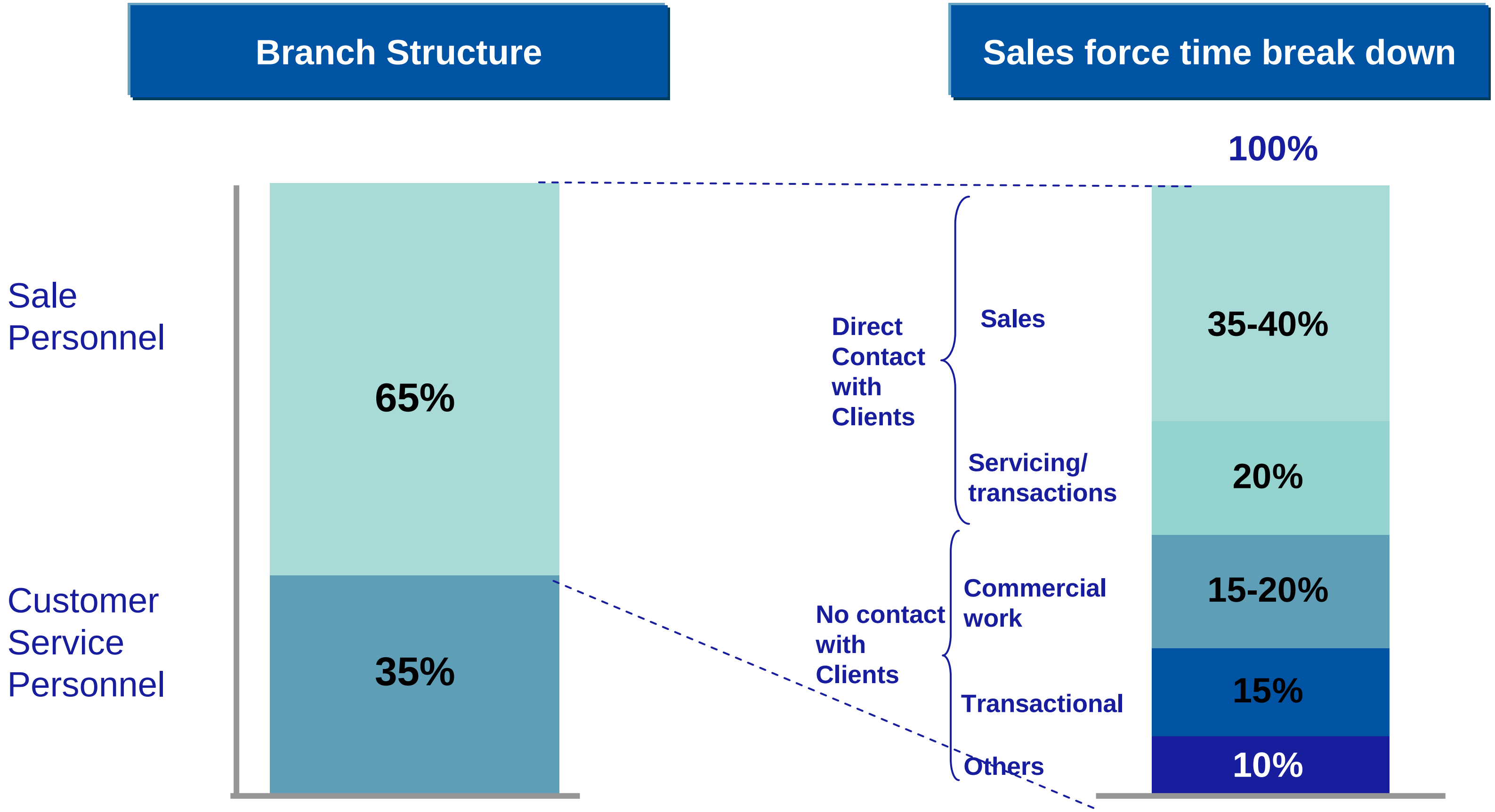
The distribution model is the key starting point, as it makes up more than 50% of total costs

Support and Corporate		Production Model		Distribution Model	
Corporate Functions	Support Services	Produc-tion	Operations	Sales	Customer Service

45% - 50%	50% - 55%

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



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**

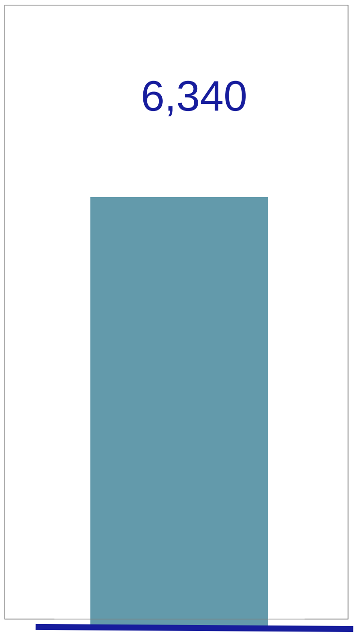
Production: **Gather and concentrate scale related costs**

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

Support Services and Corporate Functions	Production Model	Sales Model
• Economies of scale and "labor costs arbitrage"	• Further Streamline production	• Sell more • Sell better
Optimization / Lean Production Shared Service Centers Best-Sourcing	Optimization / Lean Production Centralized operations / Services Best-Sourcing	• Client knowledge • Segmentation technology • Customer value based sales management

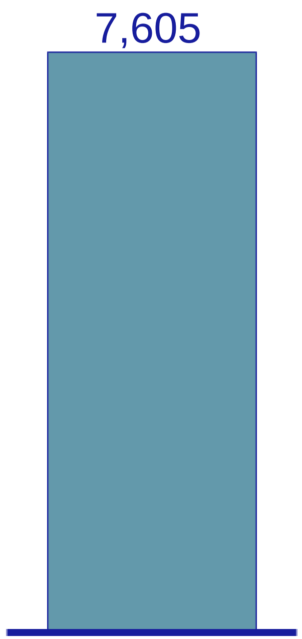
In this context, an important initiative in progress is the "upgrade" of technological infrastructure at the point of sale

Branch Equipment (N.)



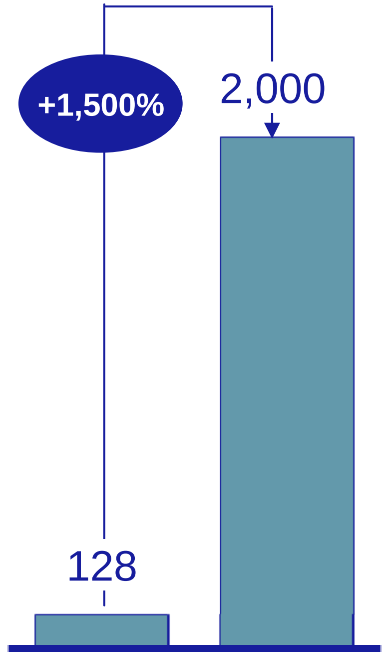
BRANCHES

ATM renewal expansion (N.)



ATMs

Broadband Average Increase per Branch Kbps



COMMUNICATIONS (*)

Impact on

Sales productivity	Customer Service Improvement	Digitalization

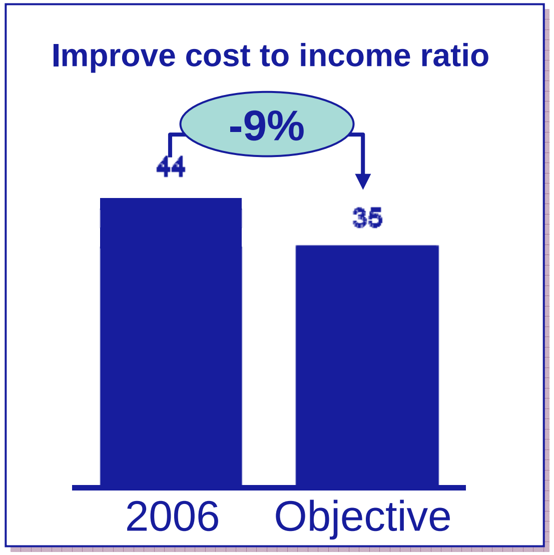
(*) Differences between countries, Spain 1Mbps

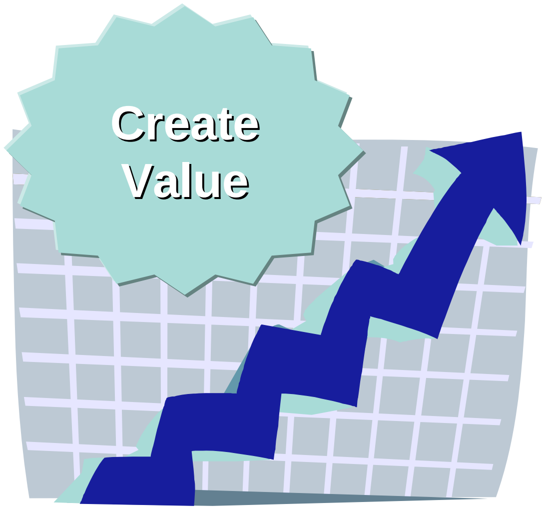
Global Transformation Plan

Global Trans-formation 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:





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	ADDITIONAL REVENUE	EXPENSE REDUCTION
€1,400 M	€520 M	€827 M

NPV: €5,500 M

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

BBVA

A global leading bank with high profitability and a solid reputation

Distribution Model	Production Model

Support Services and Corporate Functions

Brand	Culture	Management of talent

A review that is only feasible, given our strengths at the business "foundations"

To summarize: Corporate Goals

PRODUCTIVITY OBJECTIVES

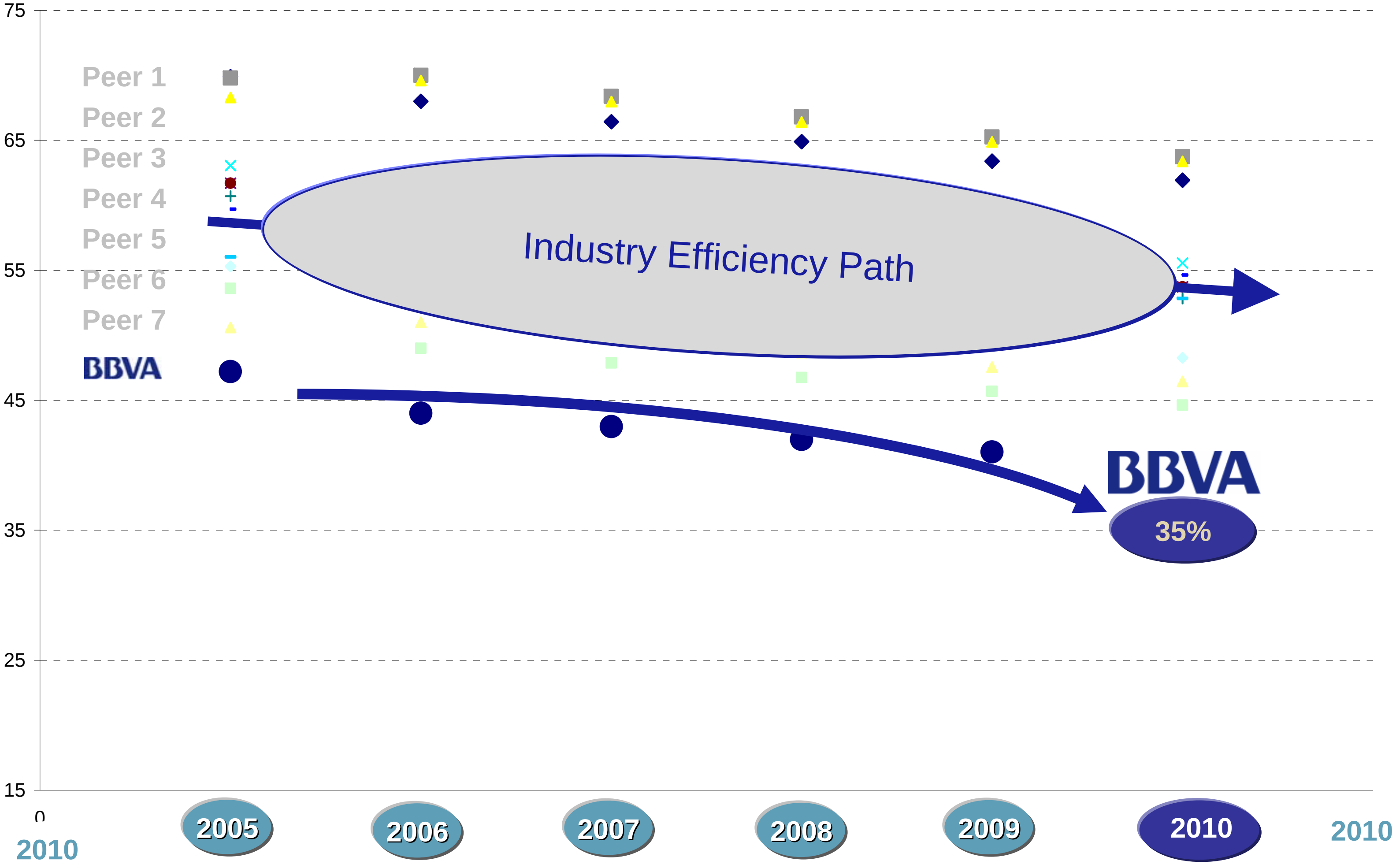
35%
Cost to Income

8%
Operating Leverage

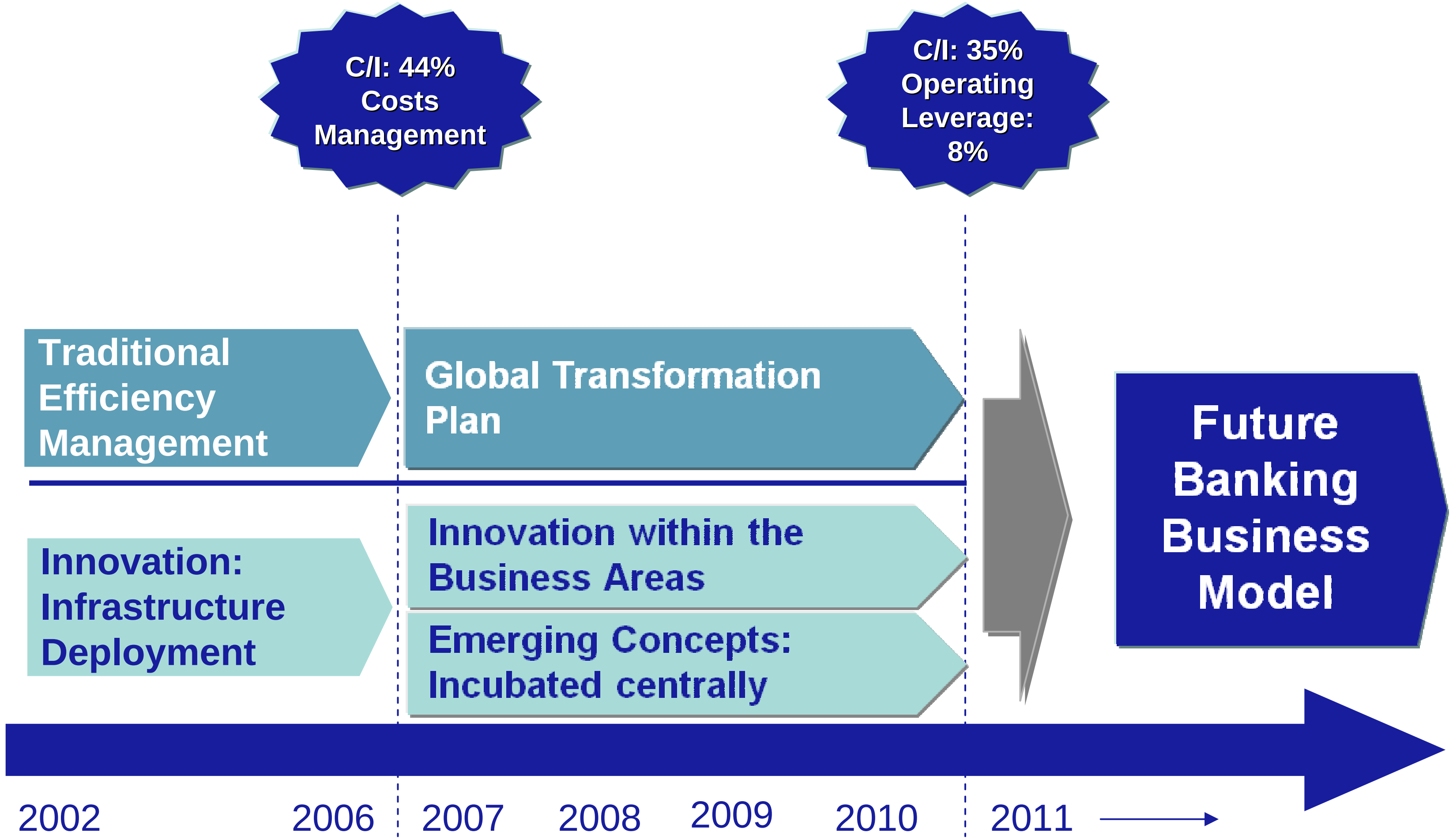
By 2010

BBVA will remain at the leading edge of productivity in 2010

NEW EFFICIENCY FRONTIER



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



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Madrid, 15th November 2007