

150
years

adelante



BBVA making the difference



150
years

adelante.

Juan Asúa

General Manager Banking in Spain

“Anticipating the new environment”

BBVA making the difference.



- **Excellent positioning: Customers and Products**
- New environment, New opportunities
- Strategic Drivers: Innovation and Transformation
- Conclusions



Our excellent positioning is the result of foresight and discipline in implementing ...

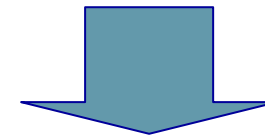
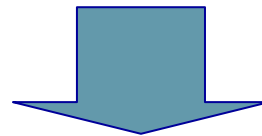
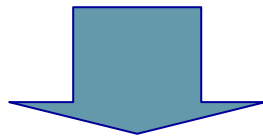
STRATEGIC PLANS

Customers

Products

Transformation

Innovation



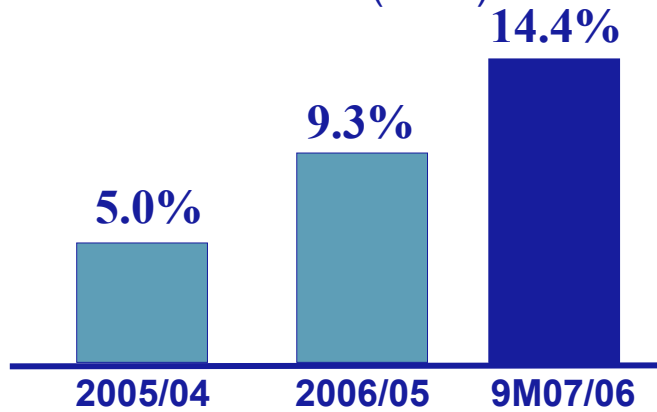
POSITIONING

EARNINGS

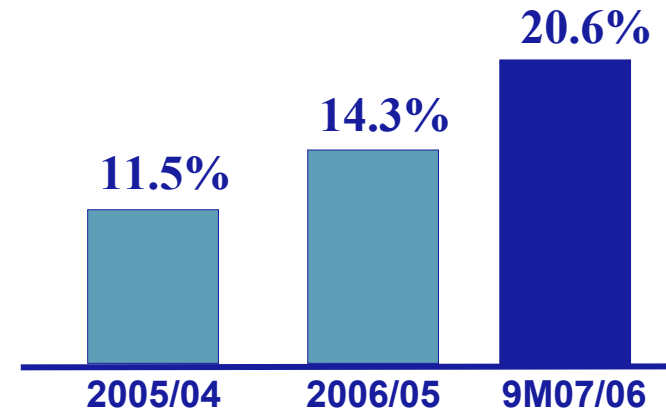


Implementation of strategic plans has reflected in fast earnings growth ...

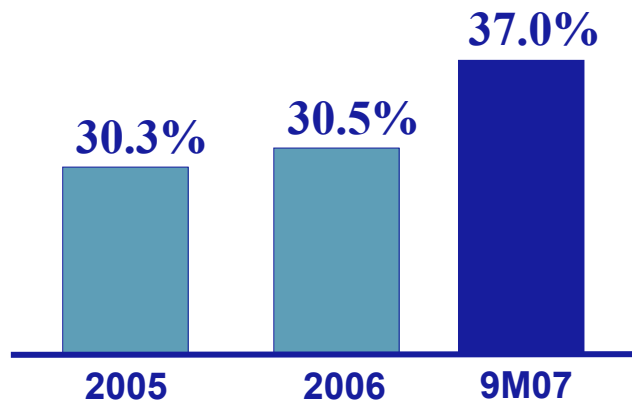
Net Interest Income (YoY)



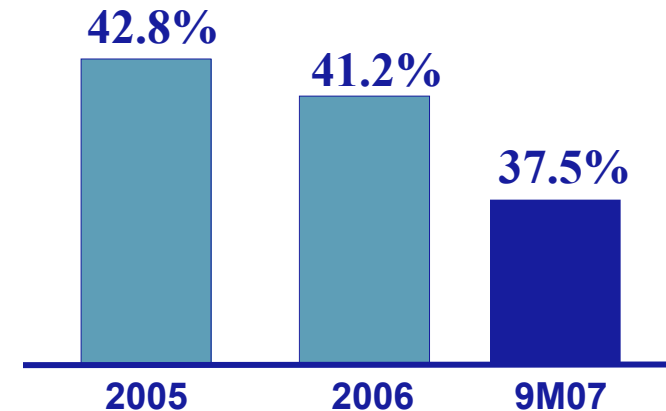
Operating Profit (YoY)



ROE



Cost/income ratio



... the result of strategic anticipation



... anticipation by leveraging on ...

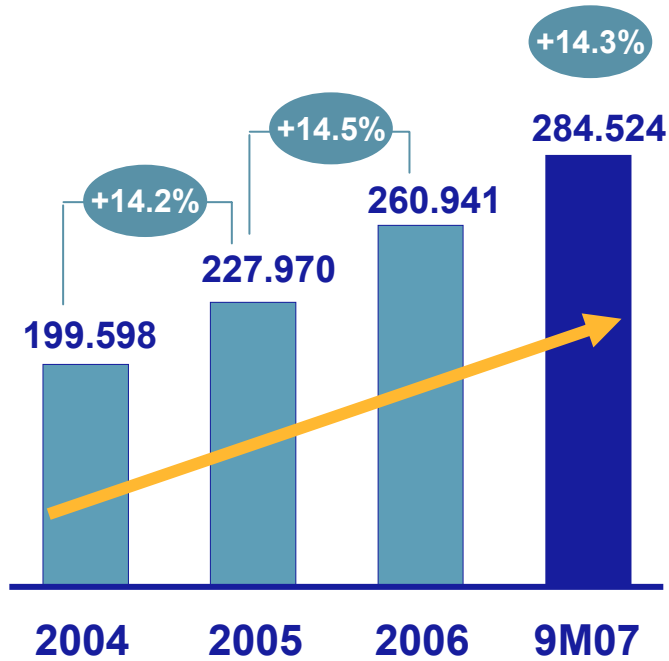




1

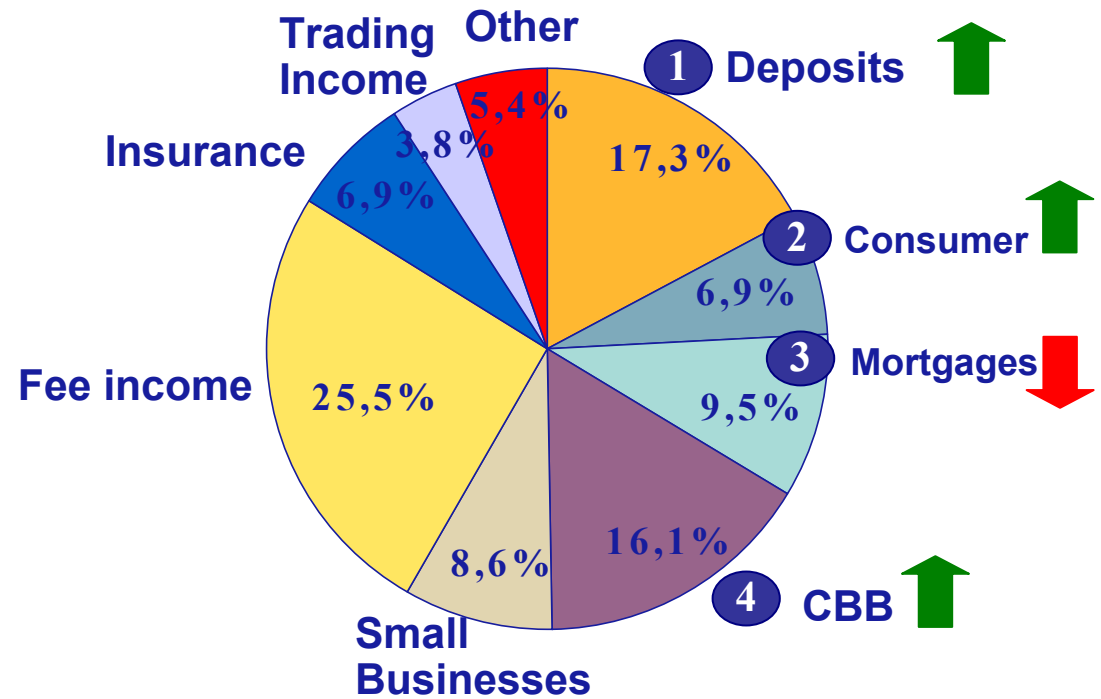
Vigorous business activity, selective and diversified ...

Business Volume €m



Progressive adjustment of growth levers

Breakdown of Ordinary Revenues 9M07

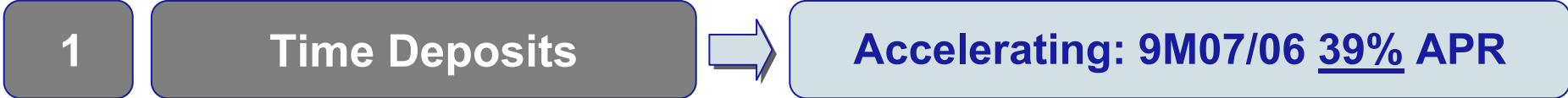


Ordinary Revenues 9M07 €4,943m

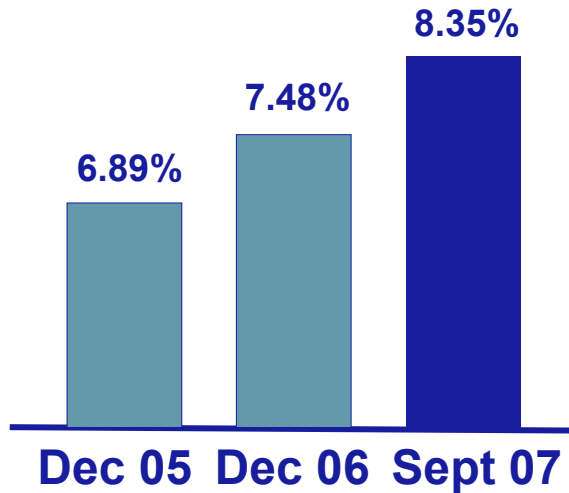


1

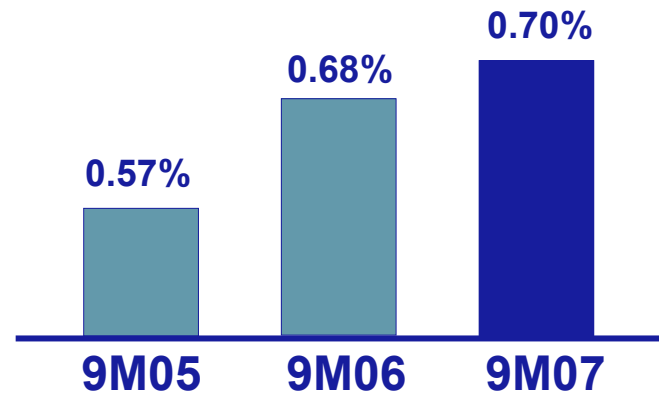
Buoyant business activity



Retail Time Deposits: market share (banks and saving banks)



Time Deposits: average spread



Innovative products:
Extra Deposit, Multideposit, Triple 7, Double 5.5, etc.

Improving spreads



1

Buoyant business activity

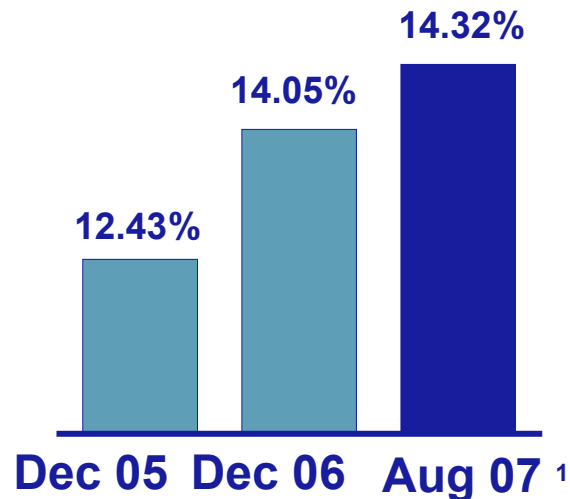
2

Consumer Finance

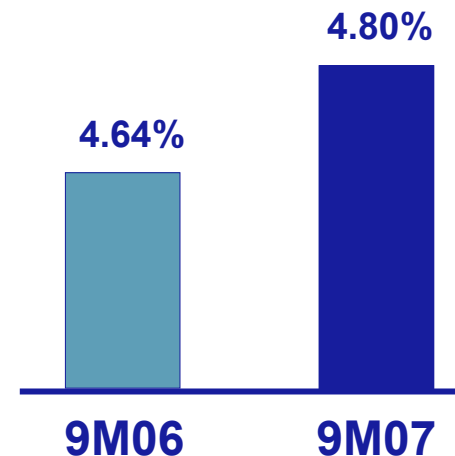


Strategic growth lever

Consumer Finance: market share



Consumer Finance: average spread



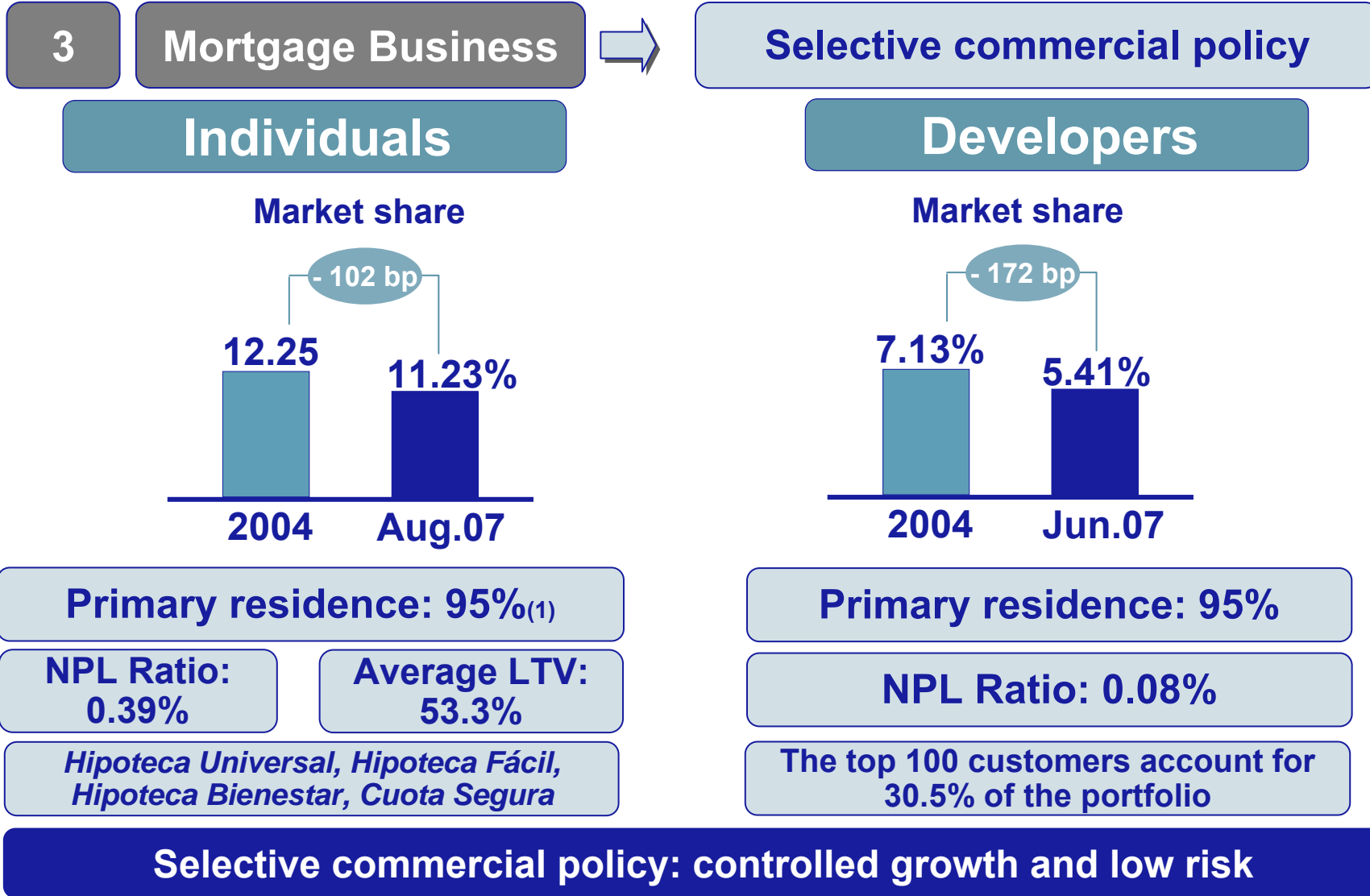
New products: *PIDE, Crédito Fácil*, etc, account for > 50% of total production

¹ Sept. data not available



1

Buoyant business activity



* Sept. 07 data not available

(1) Home mortgage loans

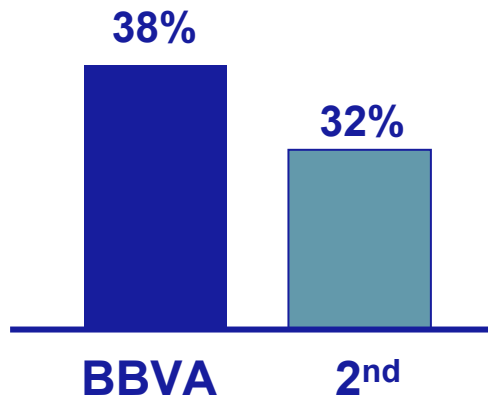


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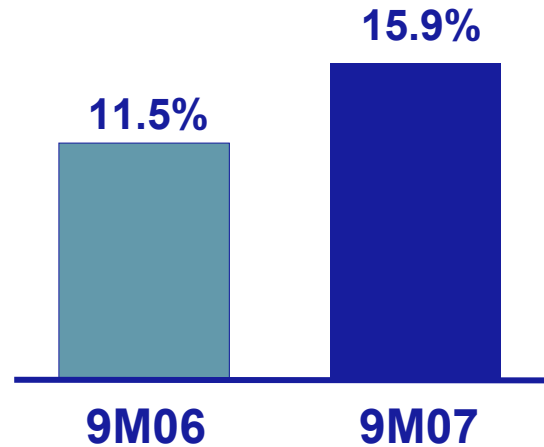
Buoyant business activity



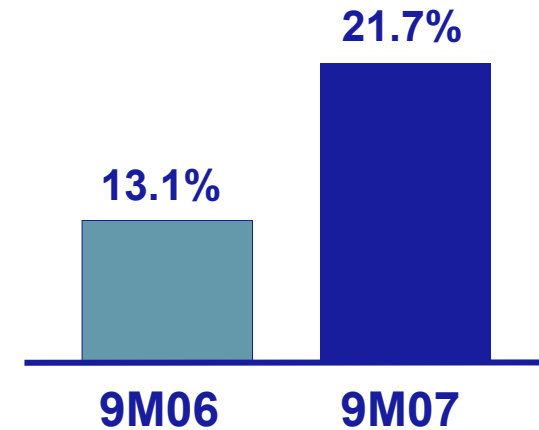
Penetration of SME segment



Business Volume (APR)



Operating Profit (APR)



**Excellent business growth with NPLs at low levels—
leading to outstanding results**



2 Cross-selling: Top supplier of high added-value products

-ings	Mkt Sh. %	
Confirming	32.5	1 st
Factoring	25.5	1 st
Leasing	23.6	1 st



Insurance

Term Life: mkt share	16.9%	1 st
ASSUR- ANCE	Mortgage - Life	45%
	Mortgage- Household	70%
	Consumer - Life	73%

¹ Risk España Magazine

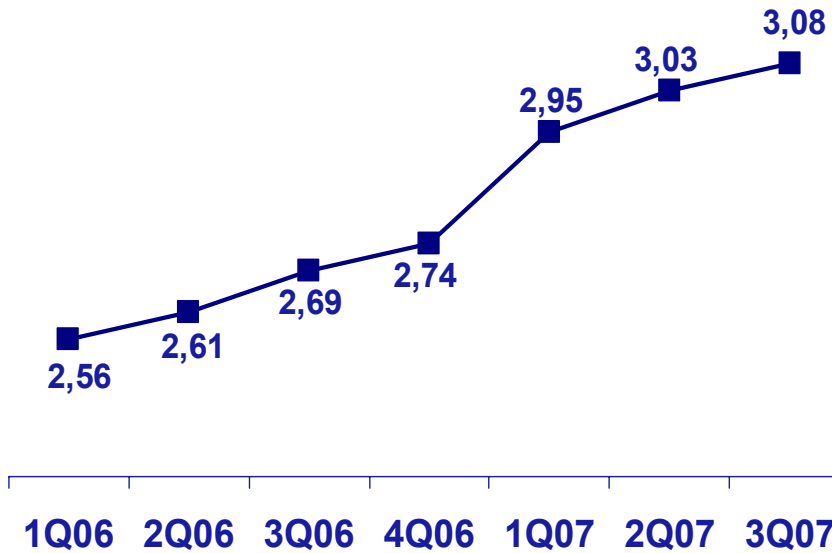


3

Good price management ...

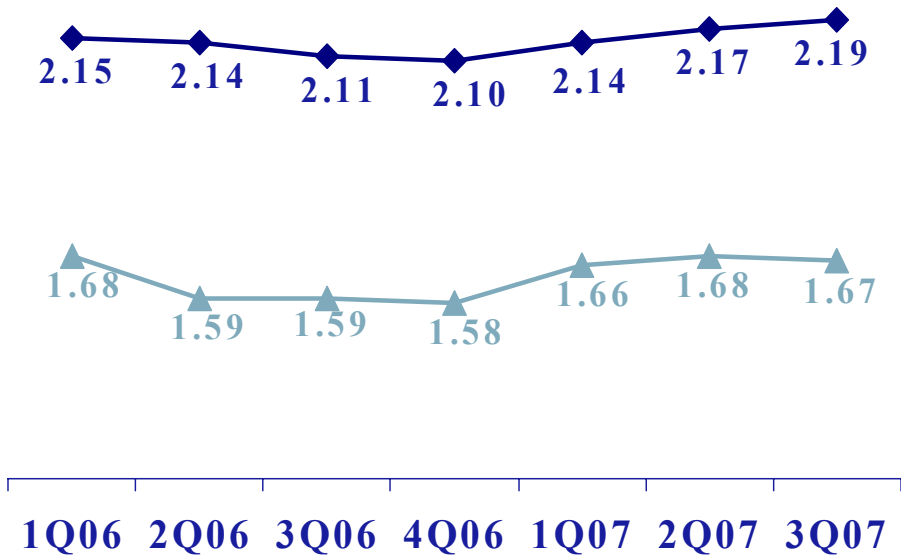
Customer spread (%)

■ BBVA networks



Net Interest Income / Average Total Assets (%)

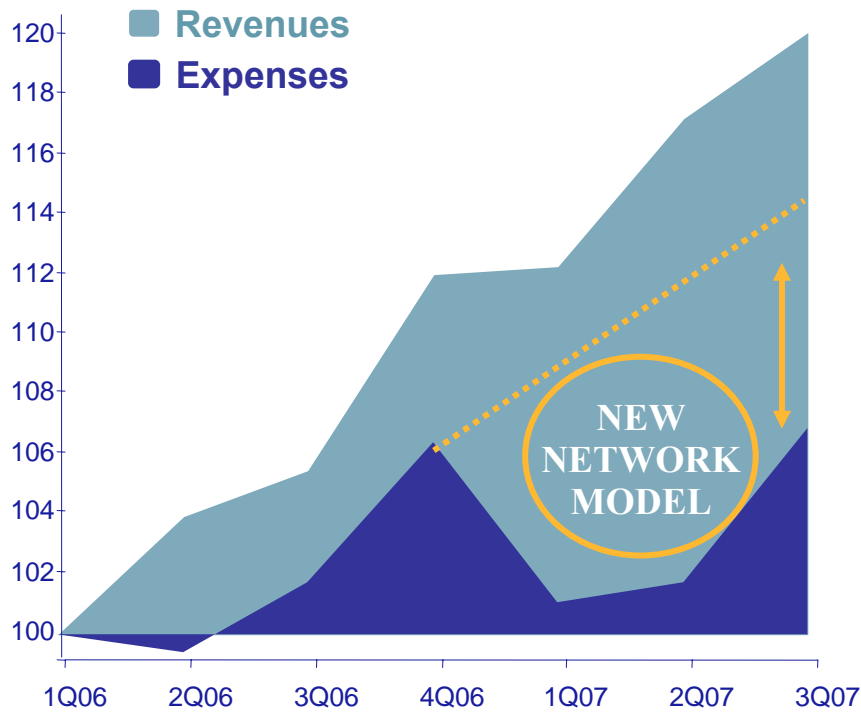
■ BBVA networks
■ Peers



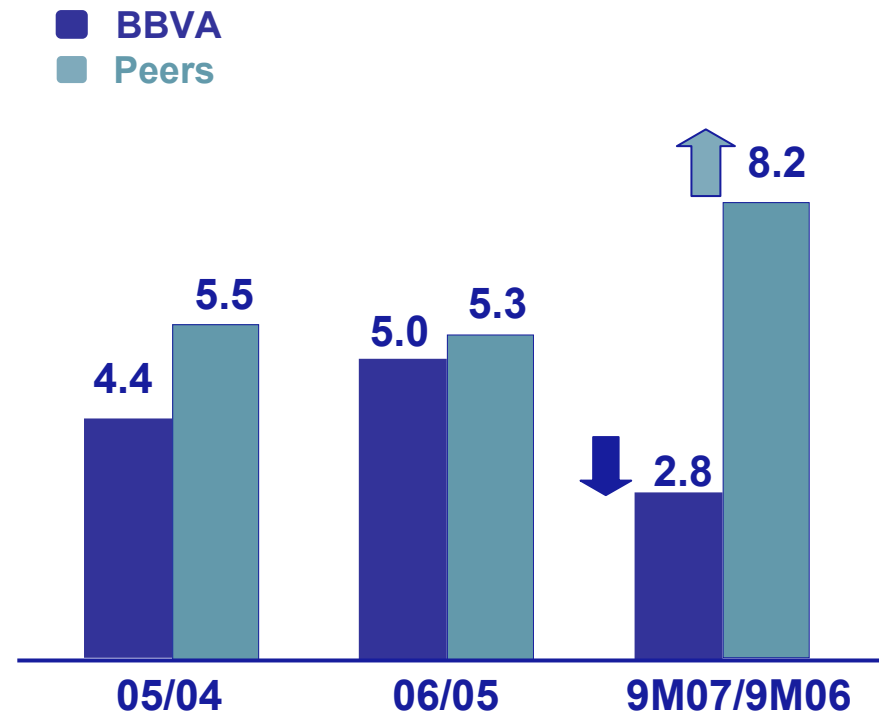
... outperforming our competitors



Revenues and Expenses BBVA (base 100)



Cost growth: BBVA v Peers (%)



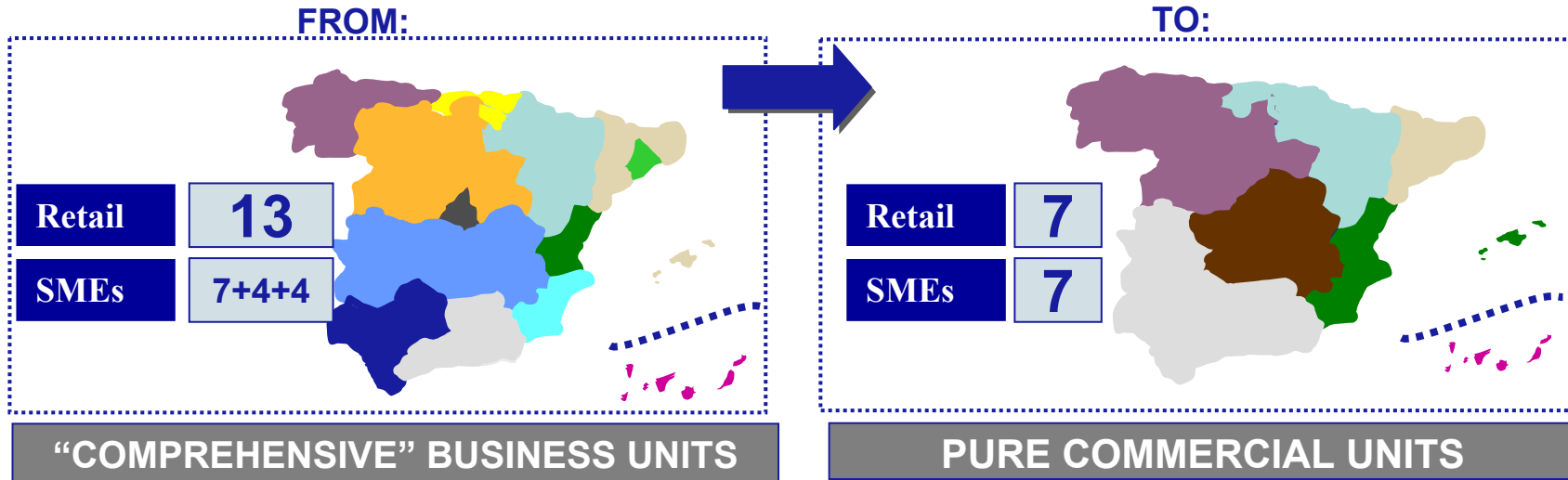
Costs are decreasing in real terms



4

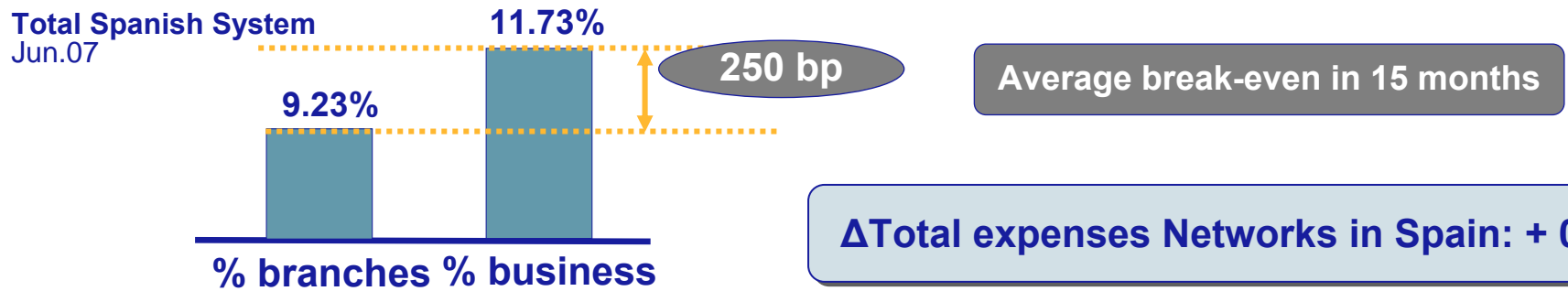
... with more efficient structures:

1) Blue-Net Project (2006)



Intermediate structure expenses ▽ 15%

2) Network expansion plan finalised: +160 branches (+4.4%)

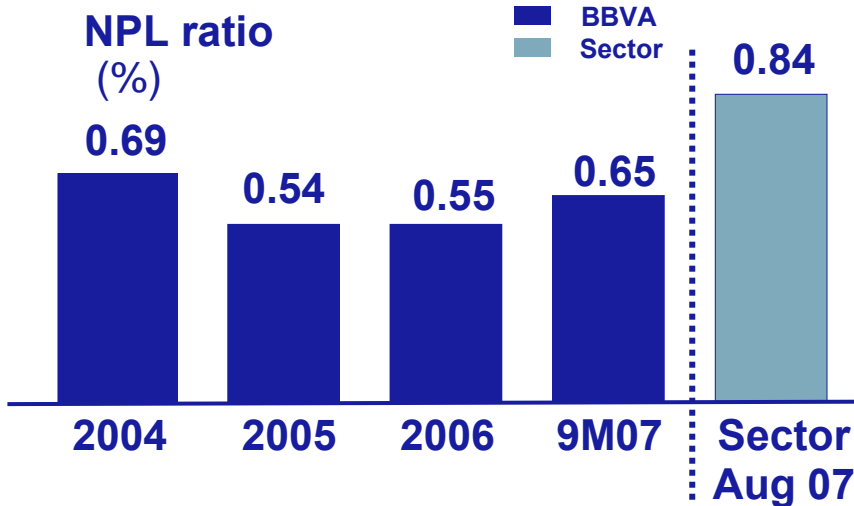


ΔTotal expenses Networks in Spain: + 0.1%

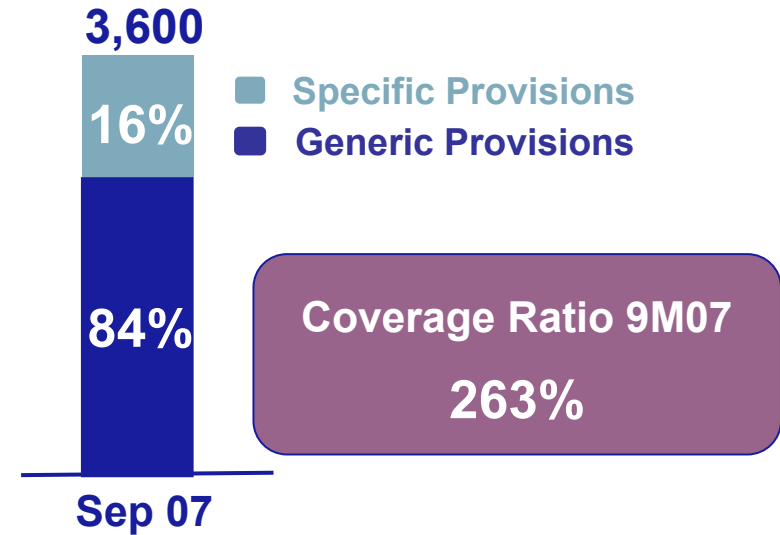


5

Asset quality



Loan-loss provisions (€m)



Management of credit risk
→ competitive advantage



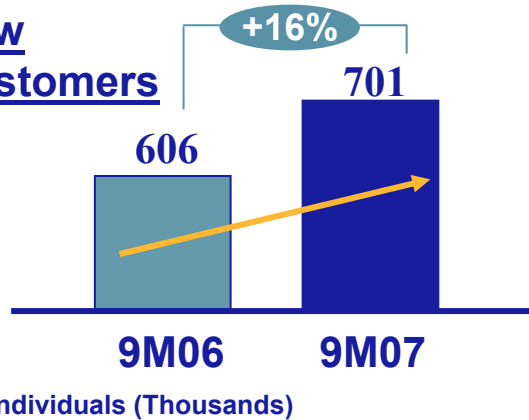
RAROC

... constantly focused on effective recovery process

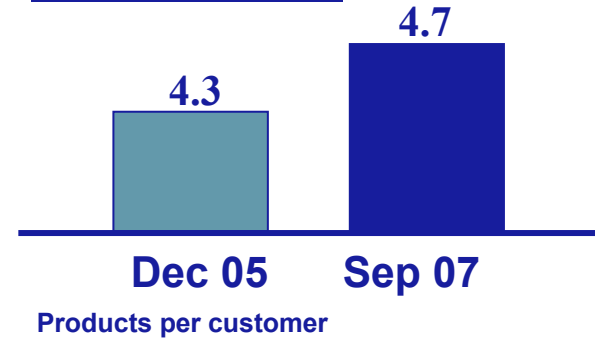


Customer-centric business model ...

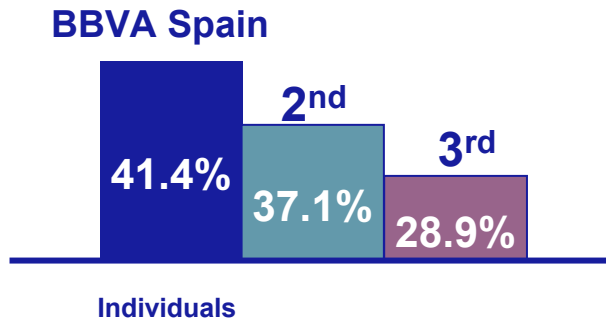
New Customers



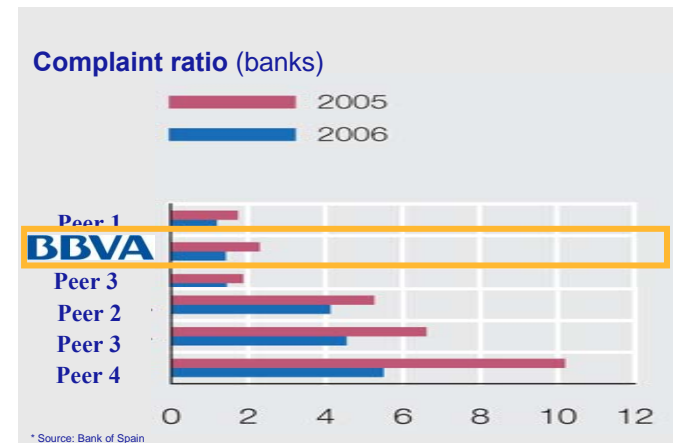
Cross-sell ratio



Recall Level



Service Quality / Satisfaction



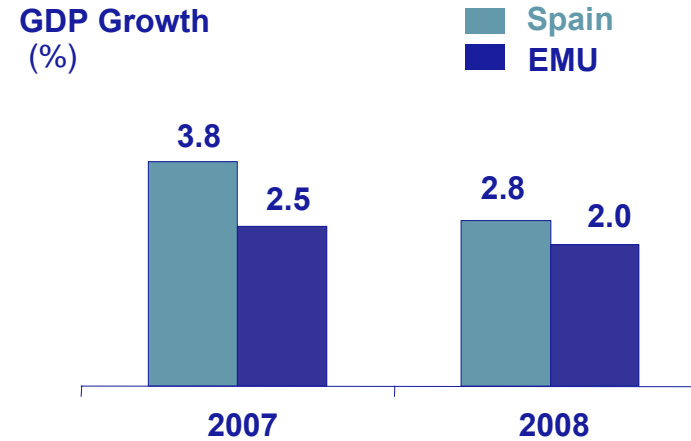
... focused on strategic segments



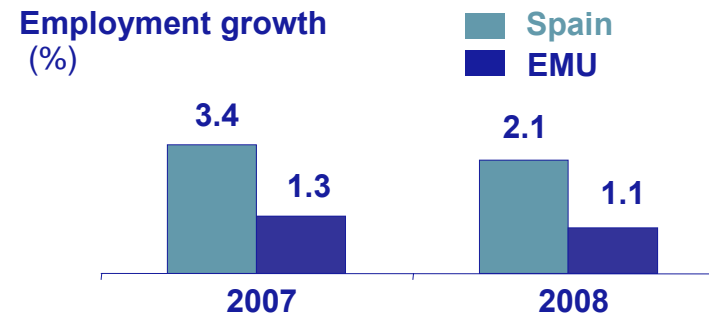
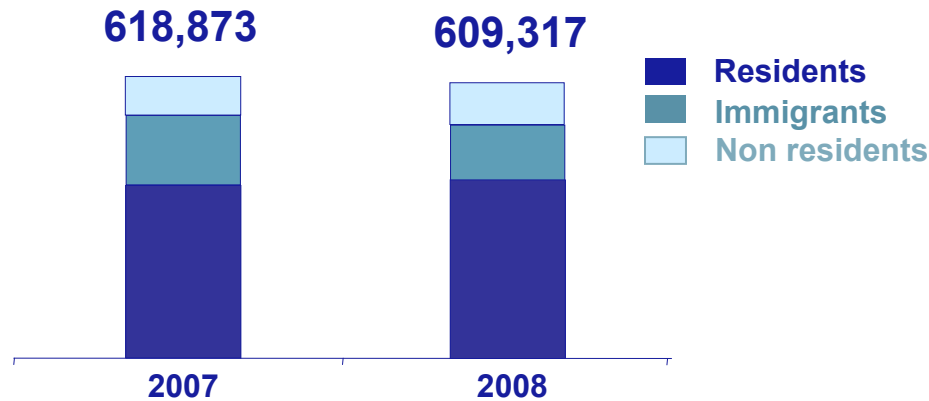
- Excellent positioning: Customers and Products
- **New environment, New opportunities**
- Strategic Drivers: Innovation and Transformation
- Conclusions



Spain is still growing faster than the EMU average although the economic scenario has changed ...



Forecast of gross household formation



Estimated net job creation 2008
435,000



... we are well-placed to capitalise on opportunities in the new situation by ...

Building on our strengths

LIQUIDITY

SOLVENCY

1

Re-pricing of assets

2

Increased customer acquisition / share of wallet

3

Strong focus in on-balance sheet deposits

Goal: increase market share of activity and revenues



- Excellent positioning: Customers and Products
- New environment, New opportunities
- **Strategic Drivers: Innovation and Transformation**
- Conclusions



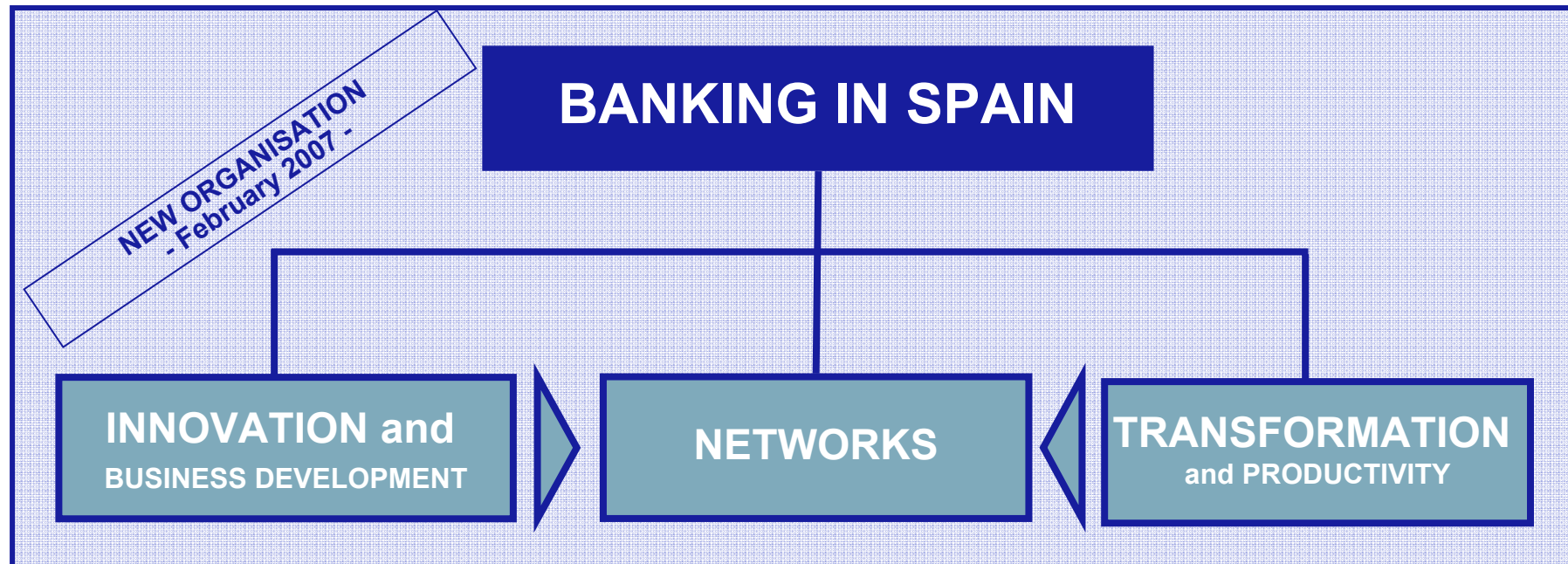
Strategic Drivers

CUSTOMER DIFFERENTIATION

TECHNOLOGY

Innovation

Transformation

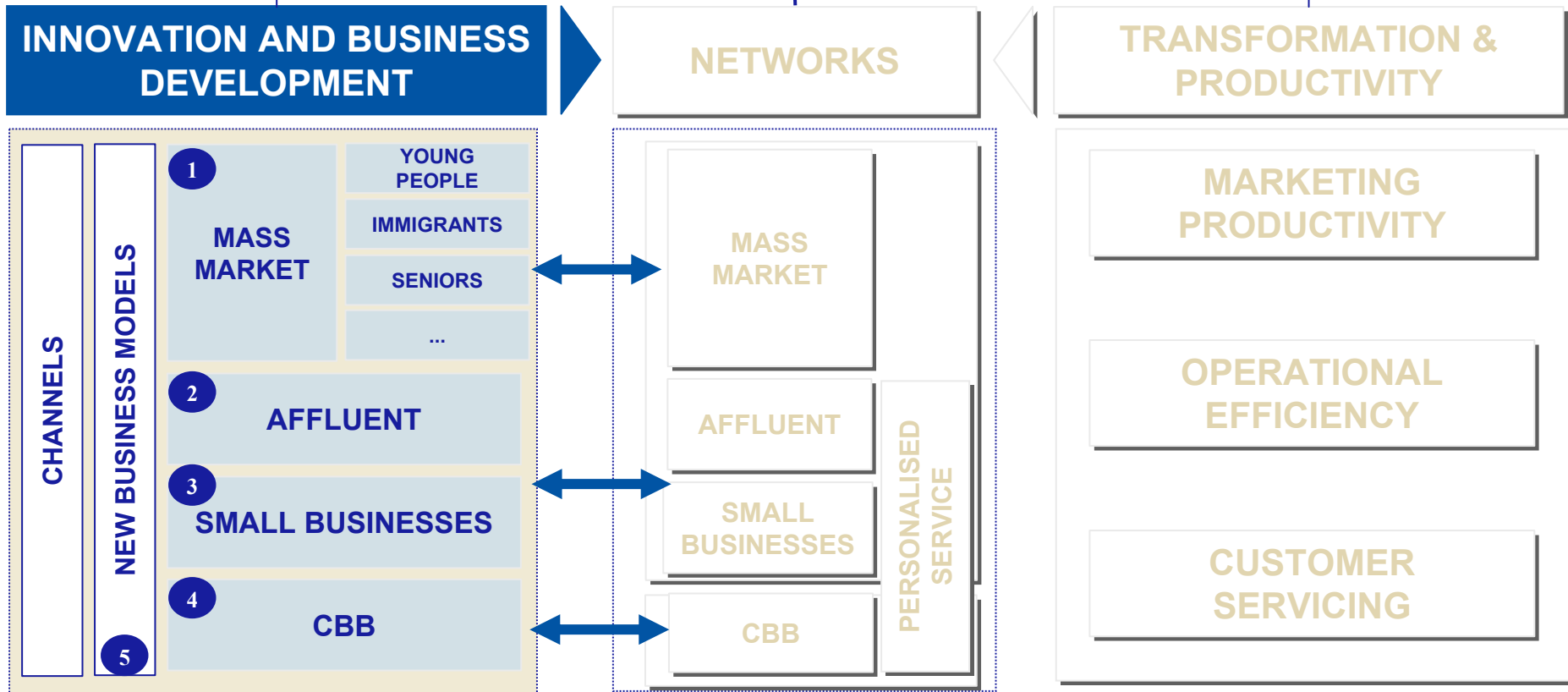


Generating sustainable competitive advantages



Banking in Spain

BANKING IN SPAIN



Making innovative solutions accessible to all customer segments



1

CHANNELS	NEW BUSINESS MODELS	MASS MARKET	YOUNG PEOPLE
			IMMIGRANTS
			SENIORS
		AFFLUENT	...
		SMALL BUSINESSES	
		CBB	

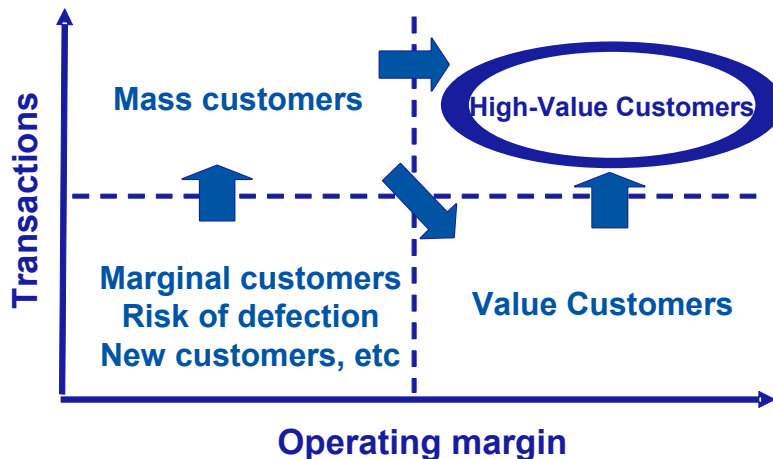
Mass Market: from Marketing Intelligence to Customer Insight ...

AMBITION

- Getting a better knowledge not only of needs but behaviors

OPPORTUNITY

- Marketing tailored to customer's profile



- Phase I: **Model Start-up**
 - 128 campaigns
 - 182 micro-segments
 - 1.800.000 customer contacts
- Phase II: **Model extension**

GOALS

+100,000 customers retained / year

+ 0.25 products per customer



1

CHANNELS	NEW BUSINESS MODELS	MASS MARKET	YOUNG PEOPLE
			IMMIGRANTS
			SENIORS
		AFFLUENT	
		SMALL BUSINESSES	
		CBB	

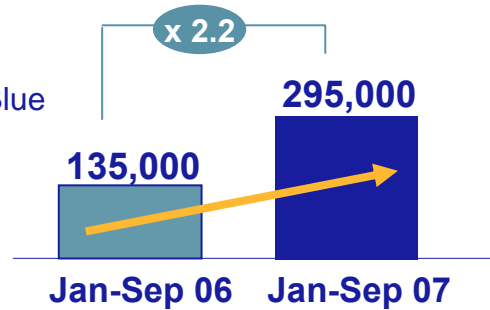
Mass Market: segments

YOUNG PEOPLE SEGMENT

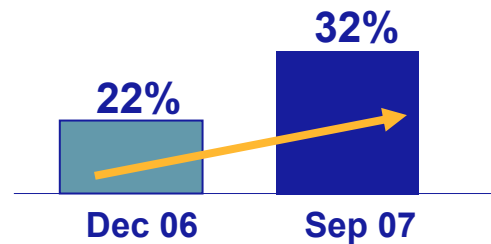
The Blue Program

Youth segment acquisition

New members of Blue BBVA



% mortgage production via Blue BBVA



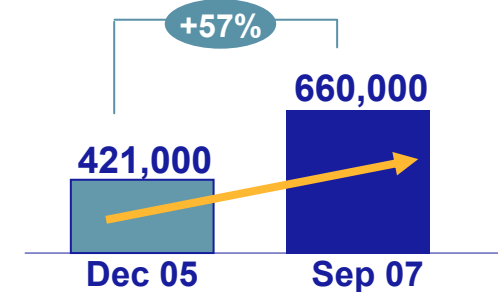
GOALS

1 million young customers acquisition

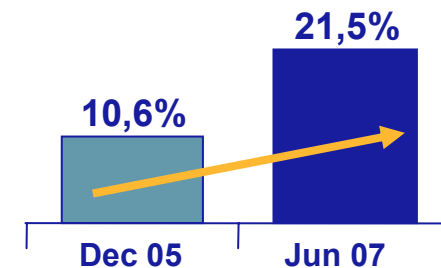
IMMIGRANTS

DUAL RESPONSE: Dinero Express - BBVA

Total Active Customers (by no.)



Money Transfers Mkt. share (Banks & Saving Banks)



GOALS

500,000 immigrant customers acquisition



2	CHANNELS	NEW BUSINESS MODELS	MASS MARKET:	YOUNG PEOPLE
				IMMIGRANTS
				SENIORS
			AFFLUENT	
			SMALL BUSINESSES	
			CBB	

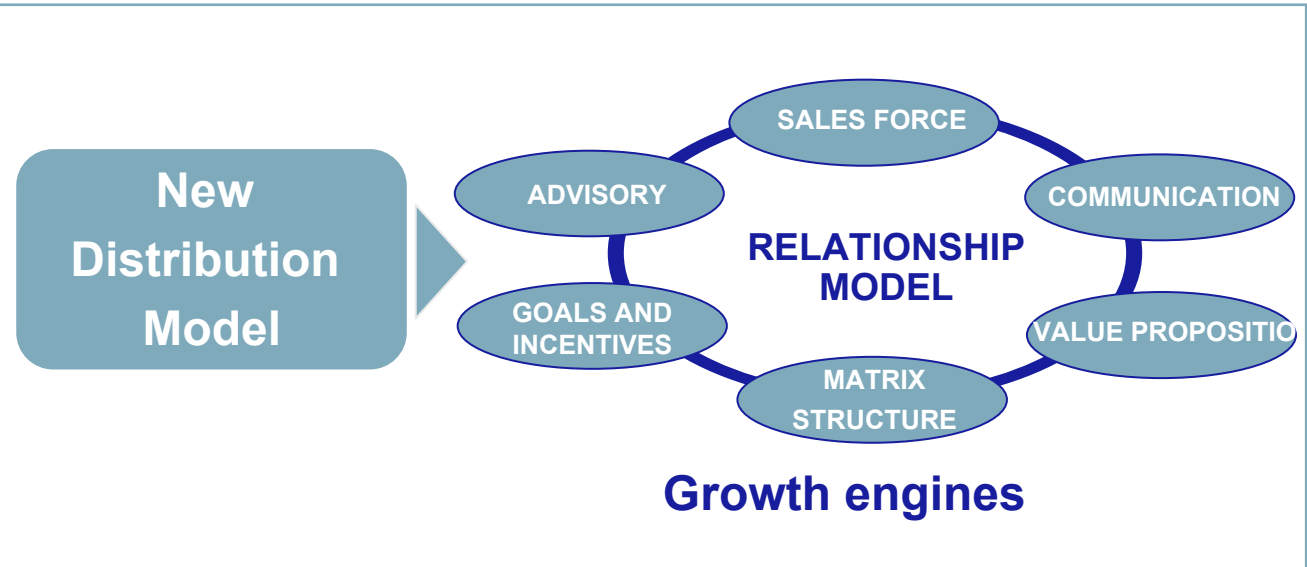
Affluent Segment: advisory and specialised customer service

AMBITION

To spread our Private Banking Model leveraging in our branch network

OPPORTUNITY

- in the last 5 years the Affluent Market has grown by 200,000 people
- Only 20% of the segment receives specialized coverage
- BBVA's brand is well-placed



Excellent Growth

CUSTOMERS (JAN 06 – SEP 07)

+ 27 %

35-50 Plan

1st bank ranked ¹
MARKET SHARE 20%

¹ IFRS 2007



3

CHANNELS	NEW BUSINESS MODELS	MASS MARKET:	YOUNG PEOPLE
			IMMIGRANTS
			SENIORS
			...
		AFFLUENT	
		SMALL BUSINESSES	
		CBB	

Small Businesses Segment: high returns, penetration and bundling

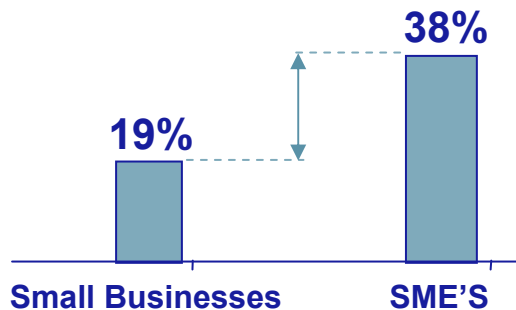
AMBITION

Achieving a clear leadership in the segment (like in CBB)

OPPORTUNITY

1.- Differential growth segment for the next few years

2.- BBVA growth potential



■ Nominal Market Share

² AQmetrix 2007

Excellent Positioning

- 1.- First or second provider in every sub-segment
- 2.- Strong growth (OCT 06 – 07):
 - Ordinary Revenues: + 16%
 - Derivatives Coverage: > 400%

Levers

1 Focus on transactional banking services

POS Number
1st ranked

BBVAnet Office
1st bank ranked ²

2 Global Solutions or bundling

Small businesses/
Small retailers

Professionals
Self-employed people

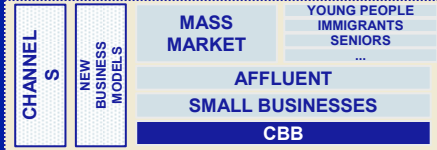
3 High value products and risk approach

Customized derivatives
and insurances

Small Businesses
"PIDE"



4



CBB Segment: to broaden leadership

AMBITION

To broaden the leadership and extend the franchise towards investment banking, advisory and non-financial services

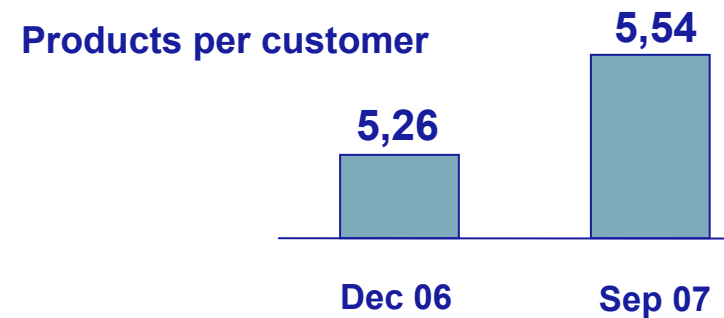
Levers

- 1 RISK MANAGEMENT
- 2 GEOGRAPHICAL COVERAGE
- 3 CROSS-SELLING: PRODUCT SPECIALISTS ON THE GROUND

THE FRANCHISE

	Nominal mkt share	1st provider's mkt. share
SME's	38%	13%
Mid-caps	72%	28%
Large Companies	93%	53%
Institutions	53%	12%

Excellent performance





5	CHANNELS	NEW BUSINESS MODELS	MASS MARKET	YOUTH SEGMENT
				IMMIGRANTS
				SENIORS
			AFFLUENT	...
			SMALL BUSINESSES	
			CBB	

... expanding the relationship beyond financial needs

AMBITION

→ Maximise the customer relationship

INDIVIDUALS

1 Services: leisure, household, health, vehicles, shopping, etc.

2 FROM: TO:

INFORMATION

RECOMMENDATION

Recording deposits and payments

Cash Management

Sequential account entries

Customer's financial planning and recommendations

SMES

3

BBVA Soluciones

@conta

On-line help: accounting, services

Activoa
Recursos Humanos

Pioneer platform for Human Resources services

PymesON
BBVA

Mobility solutions (mobile devices)

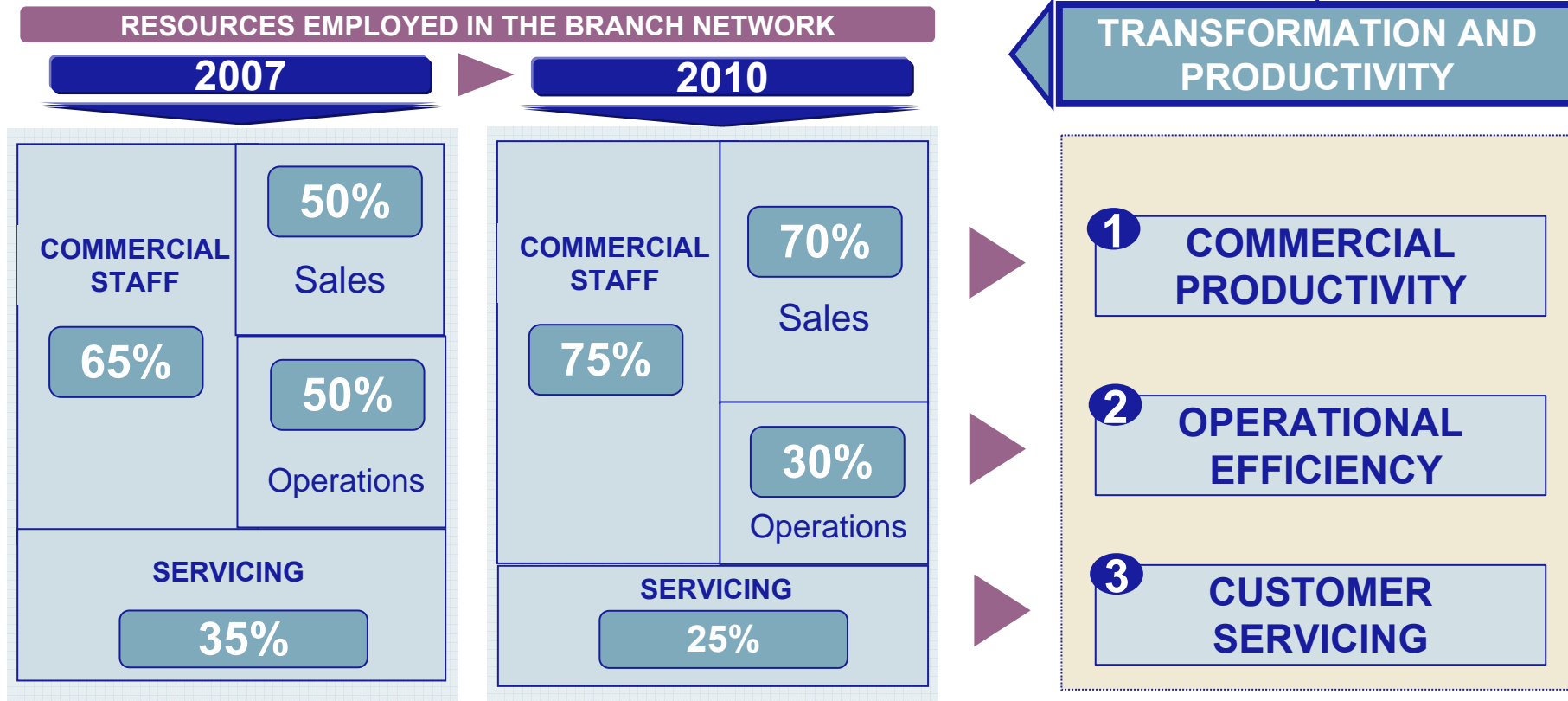
Franchises

Expert guidance + customized finance

GOAL: Operating Profit up 10% in 2010



BANKING IN SPAIN



We are developing new ways of doing things



1

- COMMERCIAL PRODUCTIVITY
- OPERATIONAL EFFICIENCY
- CUSTOMER SERVICING

Commercial Productivity

1 Simplifying sales operations

Processes reengineering /
new software applications

New tools / infrastructure

AVERAGE PROCESSING TIME

▼ 33%

2 Advisory Automation

Affluent and Mass Affluent

1. Guidance

2. Solutions

3. Follow-up

Proprietary Tool

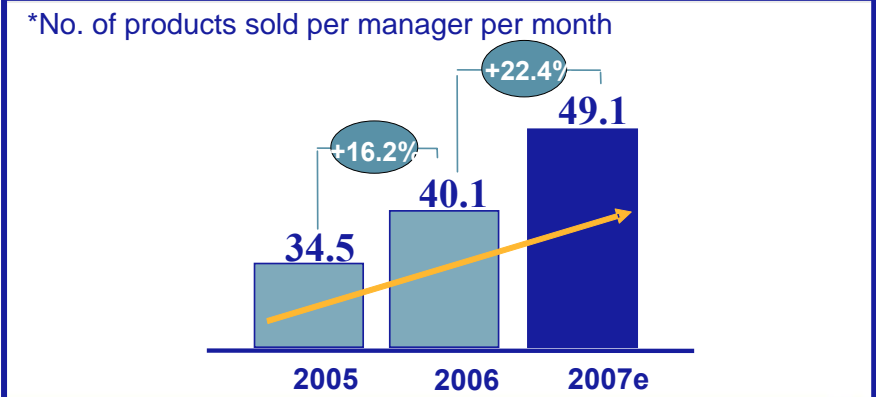
INCREASE IN CORE REVENUES

Customer served + 35% Customer advised

3 Sales Force

- 1 Remuneration aligned to performance
- 2 62% of staff with higher education
- 3 Specialised sales force

4 Improvements in productivity





2

COMMERCIAL PRODUCTIVITY

OPERATIONAL EFFICIENCY

CUSTOMER SERVICING

Operational efficiency

Traditional Model

Up to February 2006

- ✓ Localized
- ✓ Vertical
- ✓ No specialisation

Centralisation

November 2007

- ✓ Partially delocalized
- ✓ Across
- ✓ Specialised

Outsourcing

2010

- ✓ Delocalized
- ✓ Outsourcing
- ✓ New functionalities



51% cost reduction

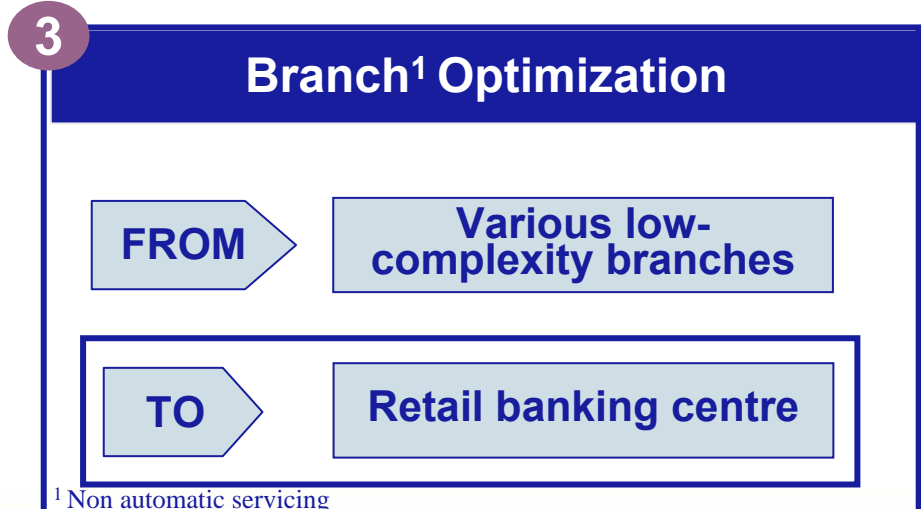
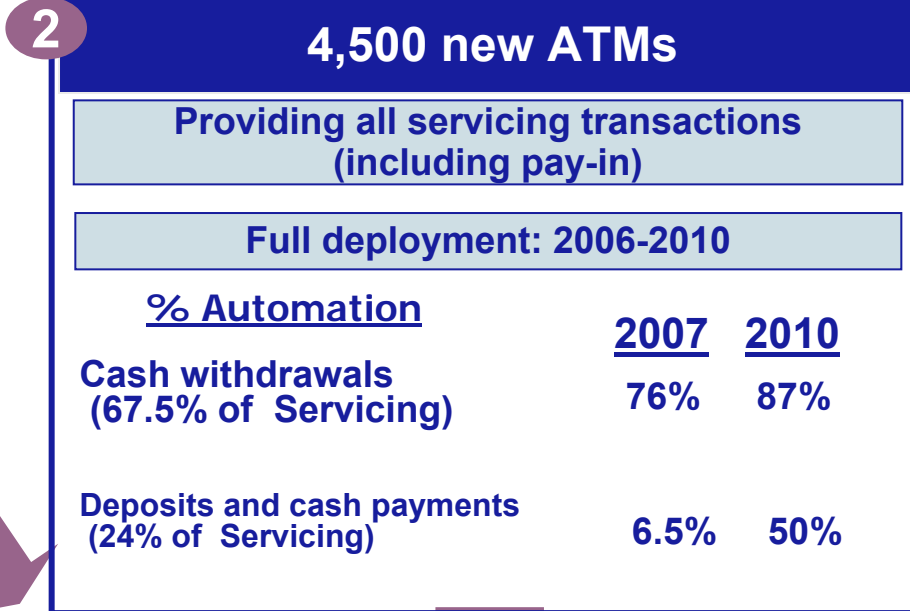
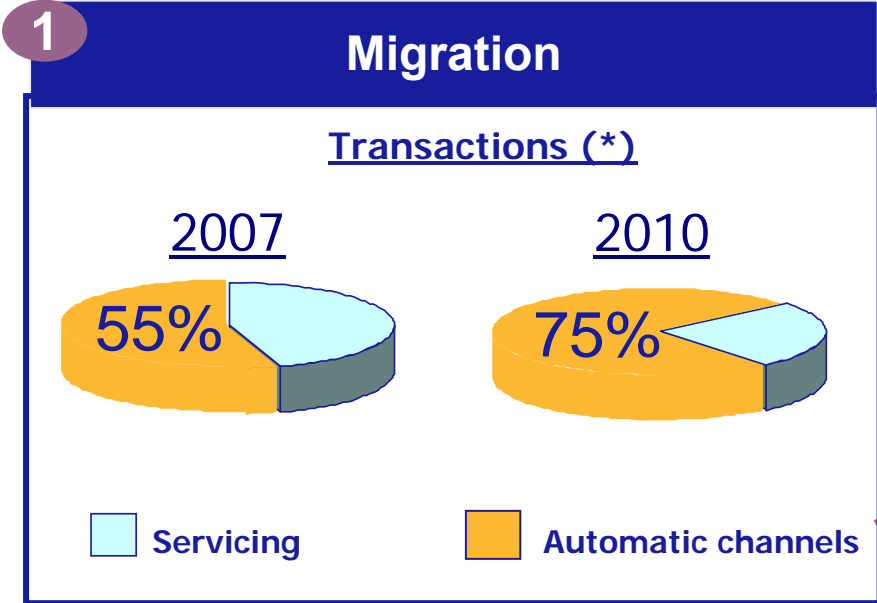
- Reduced operational risk
- Improved service quality
- Potential generator of new revenues



3

- COMMERCIAL PRODUCTIVITY
- OPERATIONAL EFFICIENCY
- CUSTOMER SERVICING

Servicing



¹ Non automatic servicing



- Excellent positioning: Customers and Products
- New environment, New opportunities
- Strategic Drivers: Innovation and Transformation
- **Conclusions**



Banking in Spain : Key Drivers

1

Solid Growth of Earnings

2

Liquidity and Solvency

3

Innovation

4

Transformation

5

New Distribution Models

6

High Credit Quality



... which provide a platform for attaining the following goals

Clients and business targets by 2010

1 million new young customers

500,000 new immigrant customers

10% increase in operating profit coming from non-financial products and services

Net attributable profit 2008-09: >15% CAGR

150
years

adelante



BBVA making the difference