

150
years

adelante



BBVA making the difference



adelante.

Ángel Cano

General Manager Human Resources, IT & Operations

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

BBVA making the difference



Disclaimer

This document is only provided for information purposes and does not constitute, nor must it be interpreted as, an offer to sell or exchange or acquire, or an invitation for offers to buy securities issued by any of the aforementioned companies. Any decision to buy or invest in securities in relation to a specific issue must be made solely and exclusively on the basis of the information set out in the pertinent prospectus filed by the company in relation to such specific issue. Nobody who becomes aware of the information contained in this report must regard it as definitive, because it is subject to changes and modifications.

This document contains or may contain forward looking statements (in the usual meaning and within the meaning of the US Private Securities Litigation Act of 1995) regarding intentions, expectations or projections of BBVA or of its management on the date thereof, that refer to miscellaneous aspects, including projections about the future earnings of the business. The statements contained herein are based on our current projections, although the said earnings may be substantially modified in the future by certain risks, uncertainty and others factors relevant that may cause the results or final decisions to differ from such intentions, projections or estimates. These factors include, without limitation, (1) the market situation, macroeconomic factors, regulatory, political or government guidelines, (2) domestic and international stock market movements, exchange rates and interest rates, (3) competitive pressures, (4) technological changes, (5) alterations in the financial situation, creditworthiness or solvency of our customers, debtors or counterparts. These factors could condition and result in actual events differing from the information and intentions stated, projected or forecast in this document and other past or future documents. BBVA does not undertake to publicly revise the contents of this or any other document, either if the events are not exactly as described herein, or if such events lead to changes in the stated strategies and intentions.

The contents of this statement must be taken into account by any persons or entities that may have to make decisions or prepare or disseminate opinions about securities issued by BBVA and, in particular, by the analysts who handle this document. This document may contain summarised information or information that has not been audited, and its recipients are invited to consult the documentation and public information filed by BBVA with stock market supervisory bodies, in particular, the prospectuses and periodical information filed with the Spanish Securities Exchange Commission (CNMV) and the Annual Report on form 20-F and information on form 6-K that are disclosed to the US Securities and Exchange Commission.

Distribution of this document in other jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. By accepting this document you agree to be bound by the foregoing Restrictions.

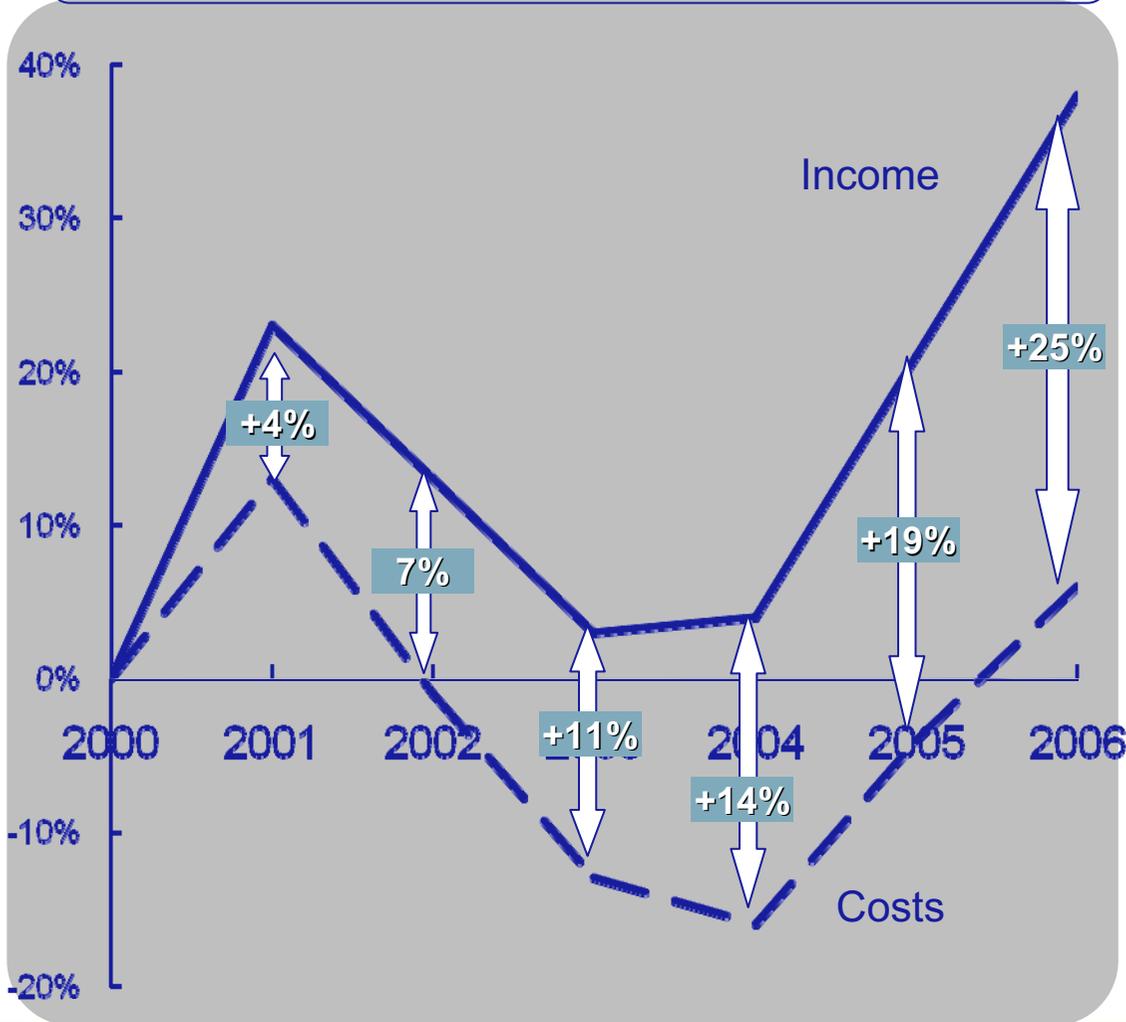


- **Challenging productivity standards**
- **Why now is the right time?**
- **Innovation: new marketing perspectives**
- **Transformation: a global approach to our business model**
- **Conclusions**

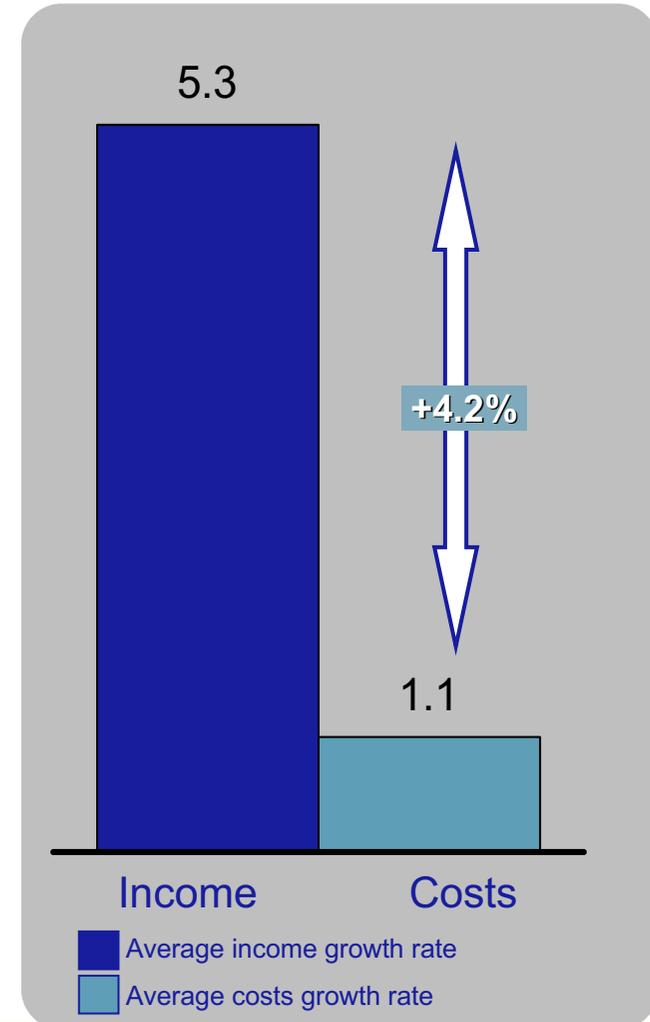


BBVA: An undisputed leader in efficiency across the economic cycle

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



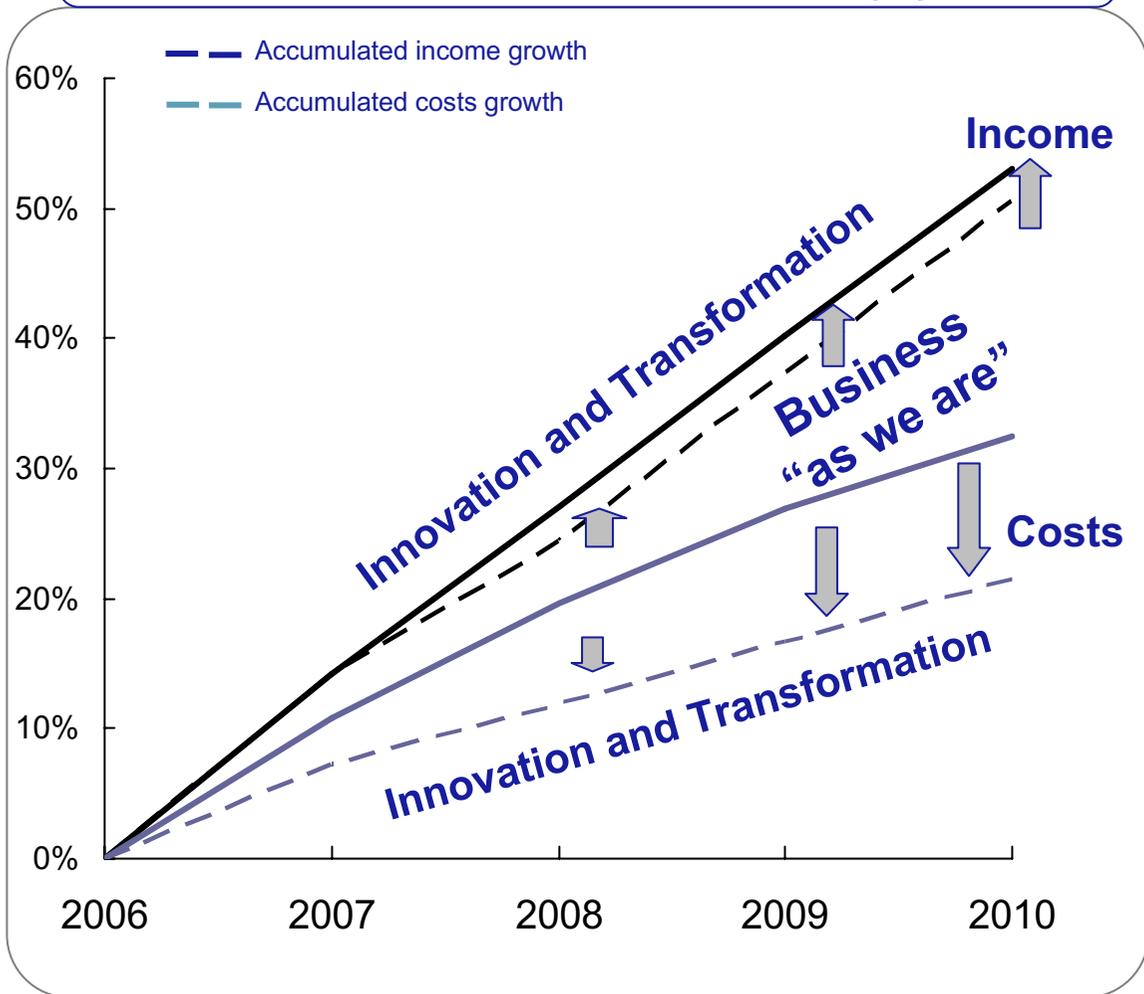
Average operating leverage (%)



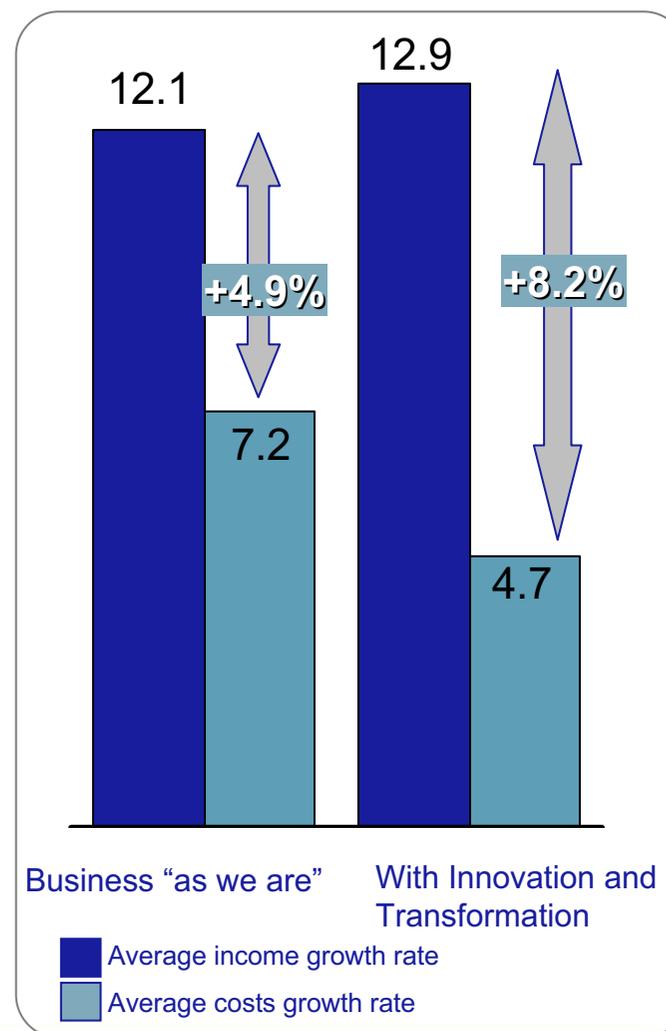


Next 3 years: “Reaching the Efficiency Frontier” based on a differential strategy: Innovation + Transformation

**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

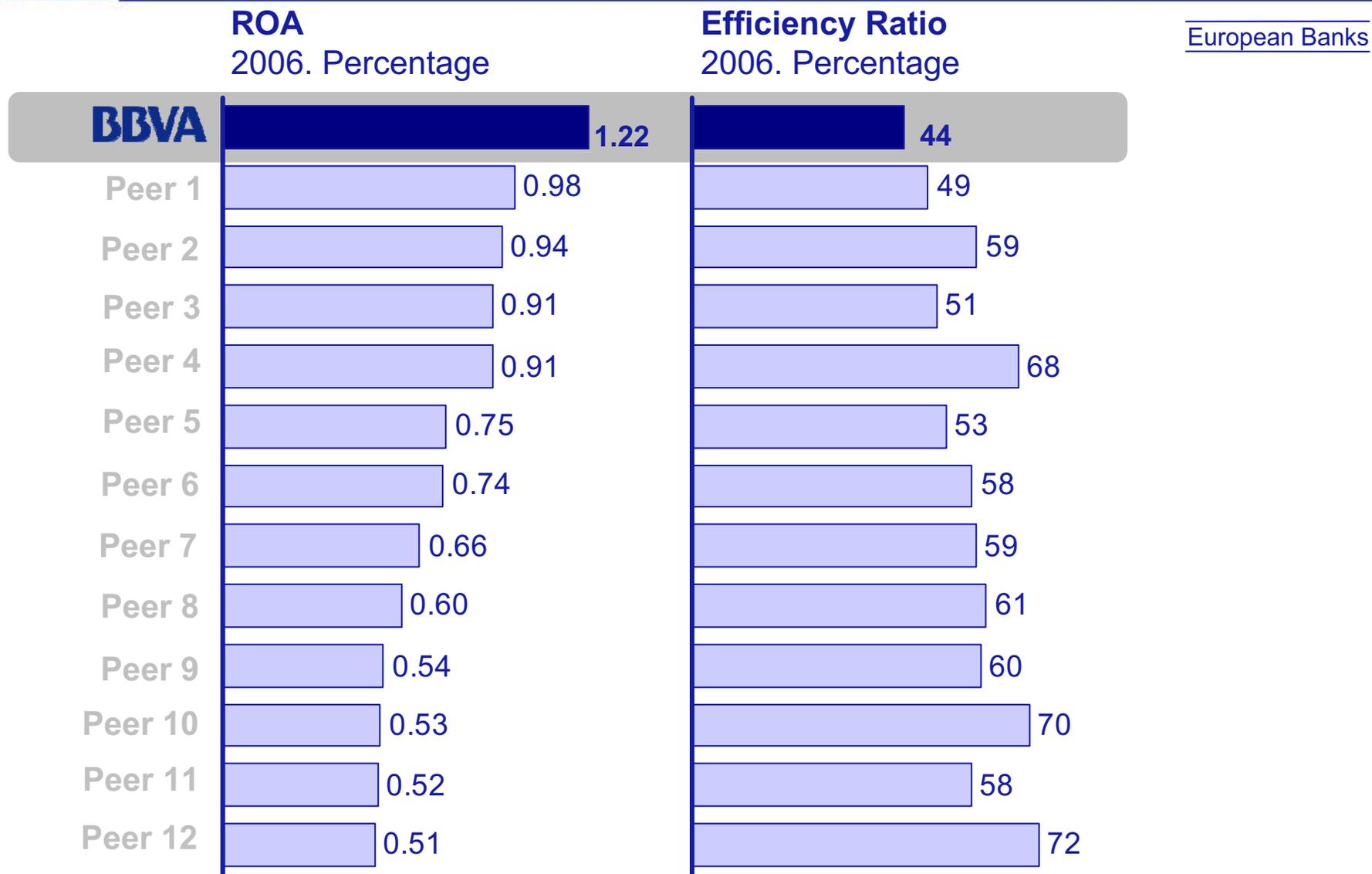
35%
Cost to Income

8%
**Average
Operating
Leverage**

By 2010



Why now is the right moment?



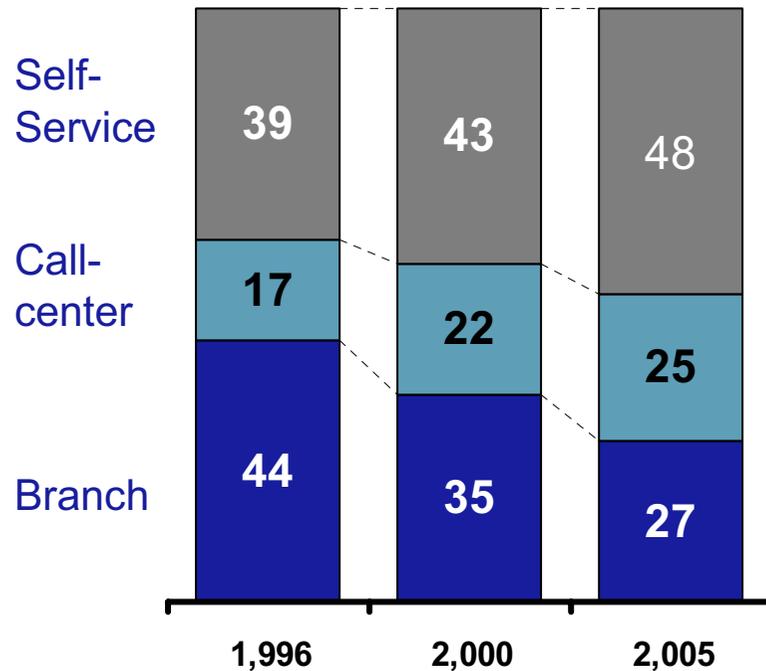
Source: Company annual reports. Figures excluding extraordinary income



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

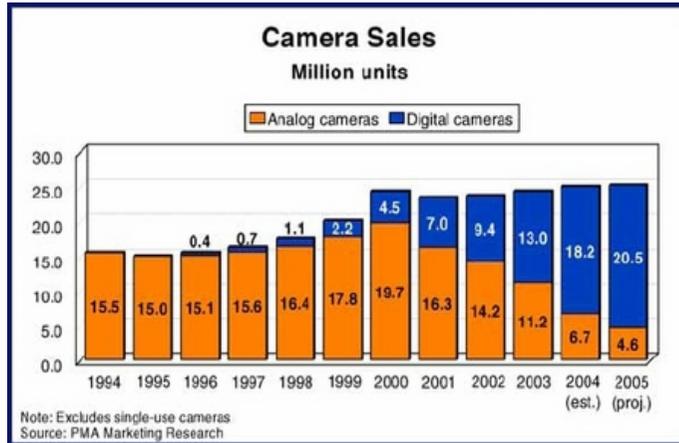
- Improves brand image
- Helps customers' product identification and selection
- More than 4000 monthly visits just in Spain

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

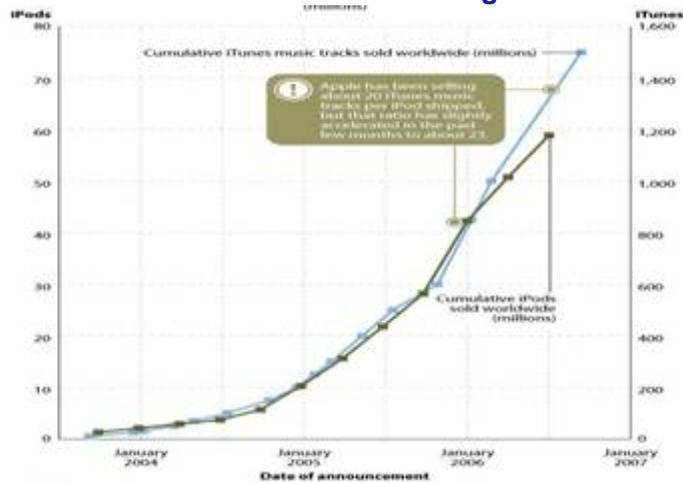


Digitalization and communications are now key business levers that enable business process redefinition

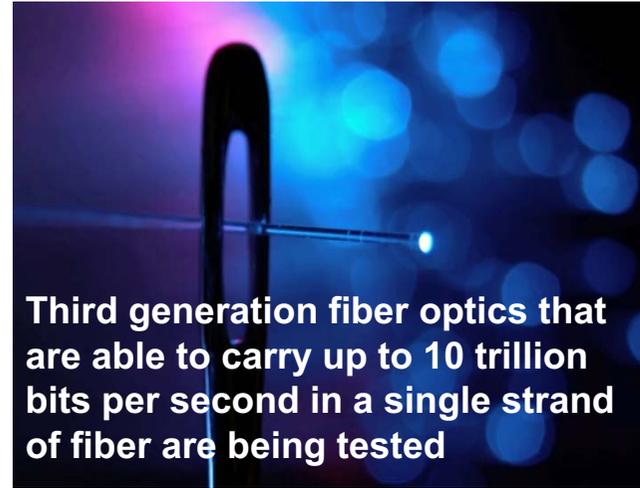
Digitalization



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



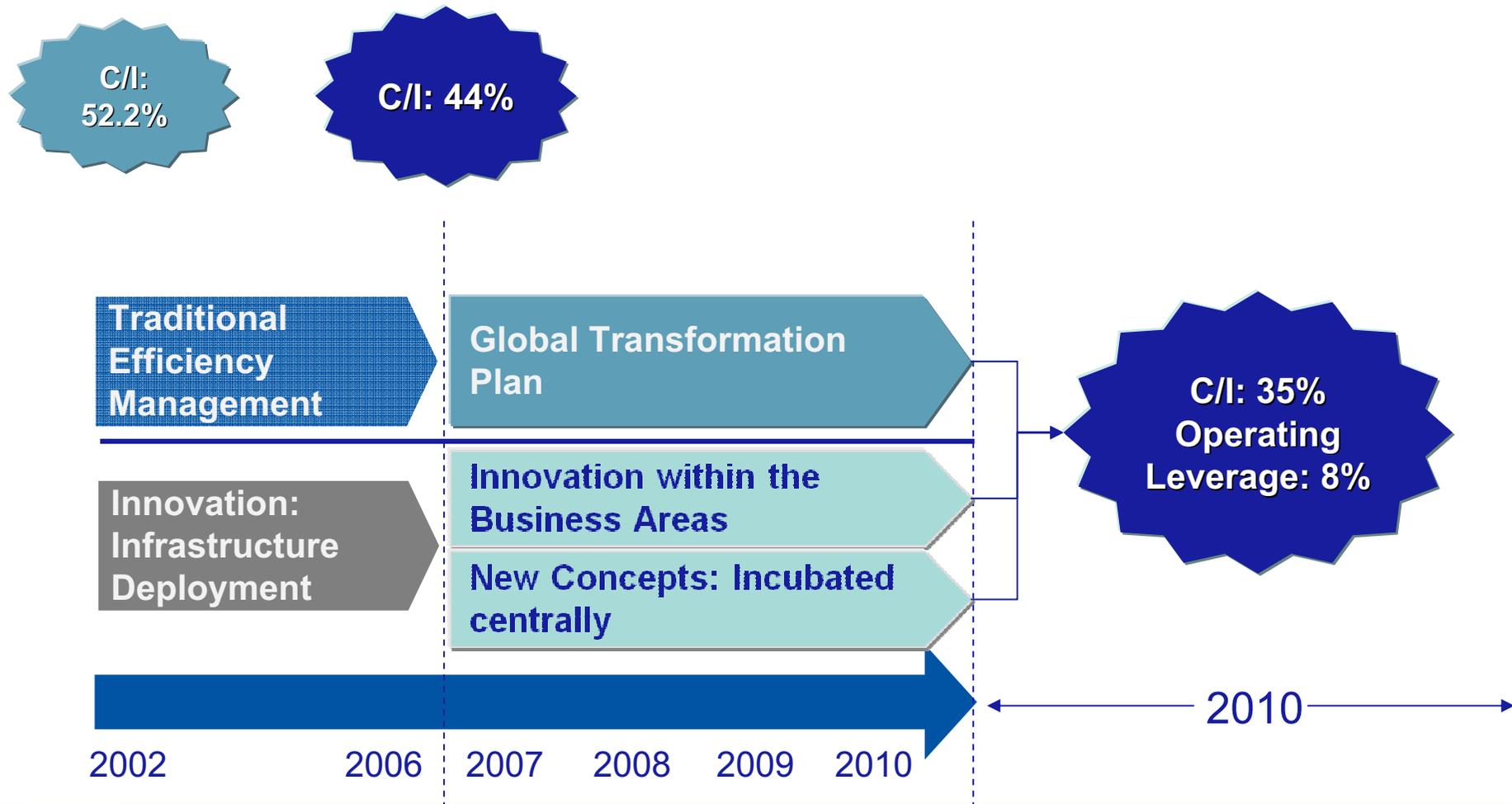
Innovation

Transformation



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

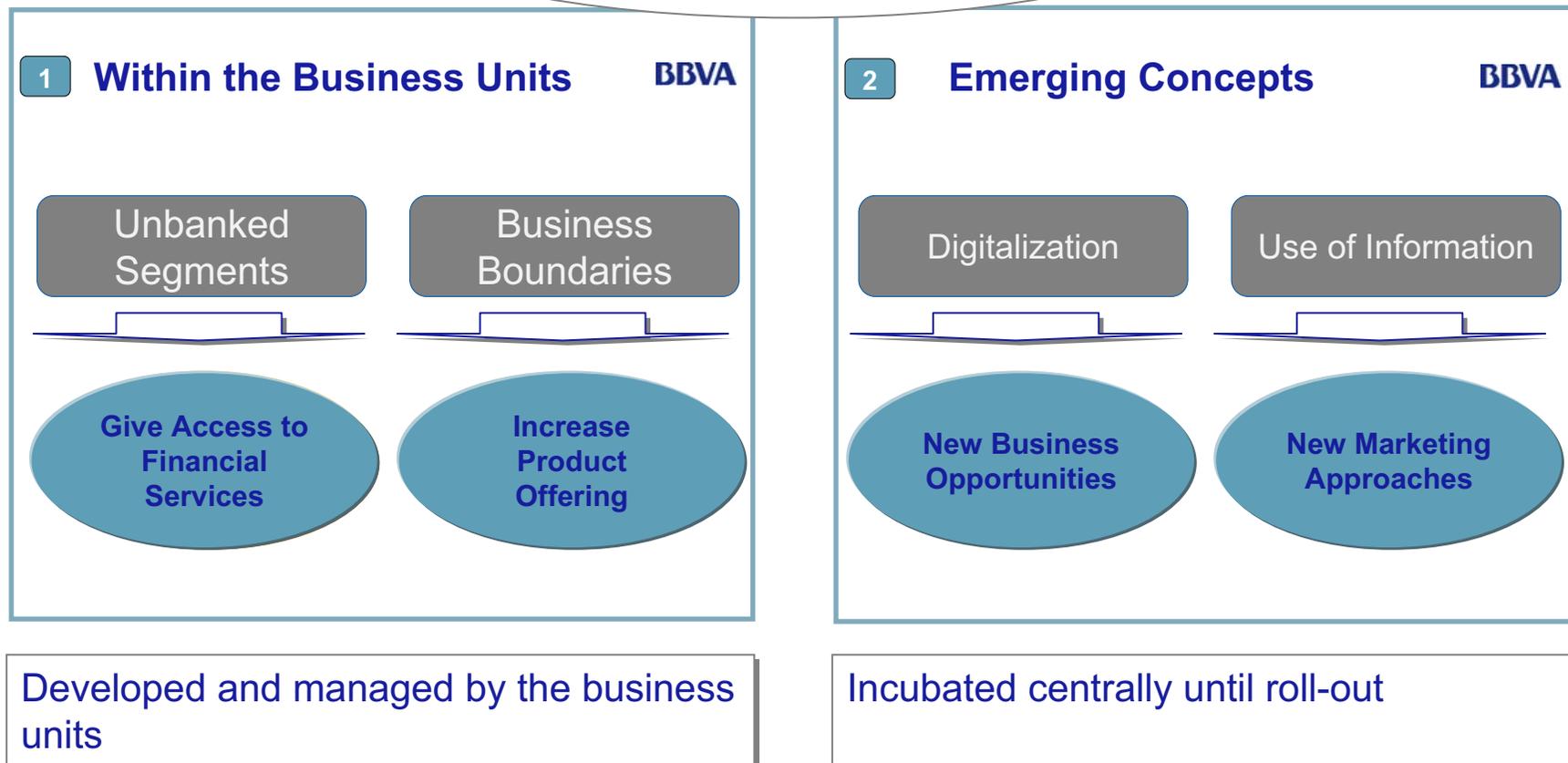
I + T Strategy Roll-out





Innovation Plan: Two complementary approaches

Innovation Plan





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



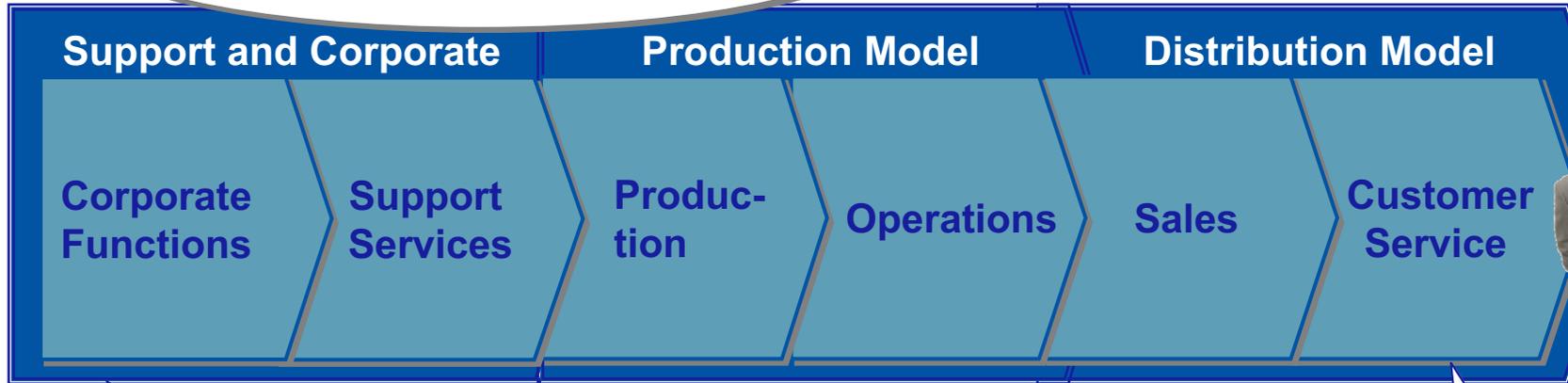
Blogosfera BBVA





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

Transformation Plan



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



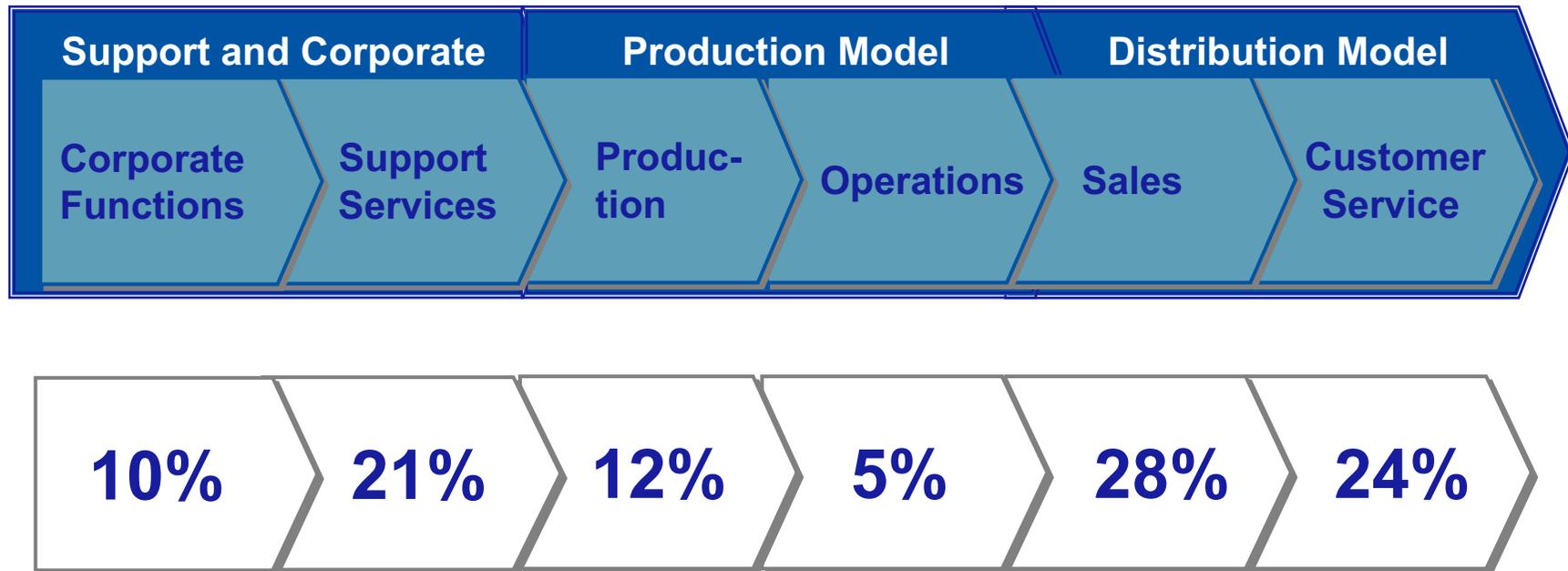
Customer service through branches and direct channels





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

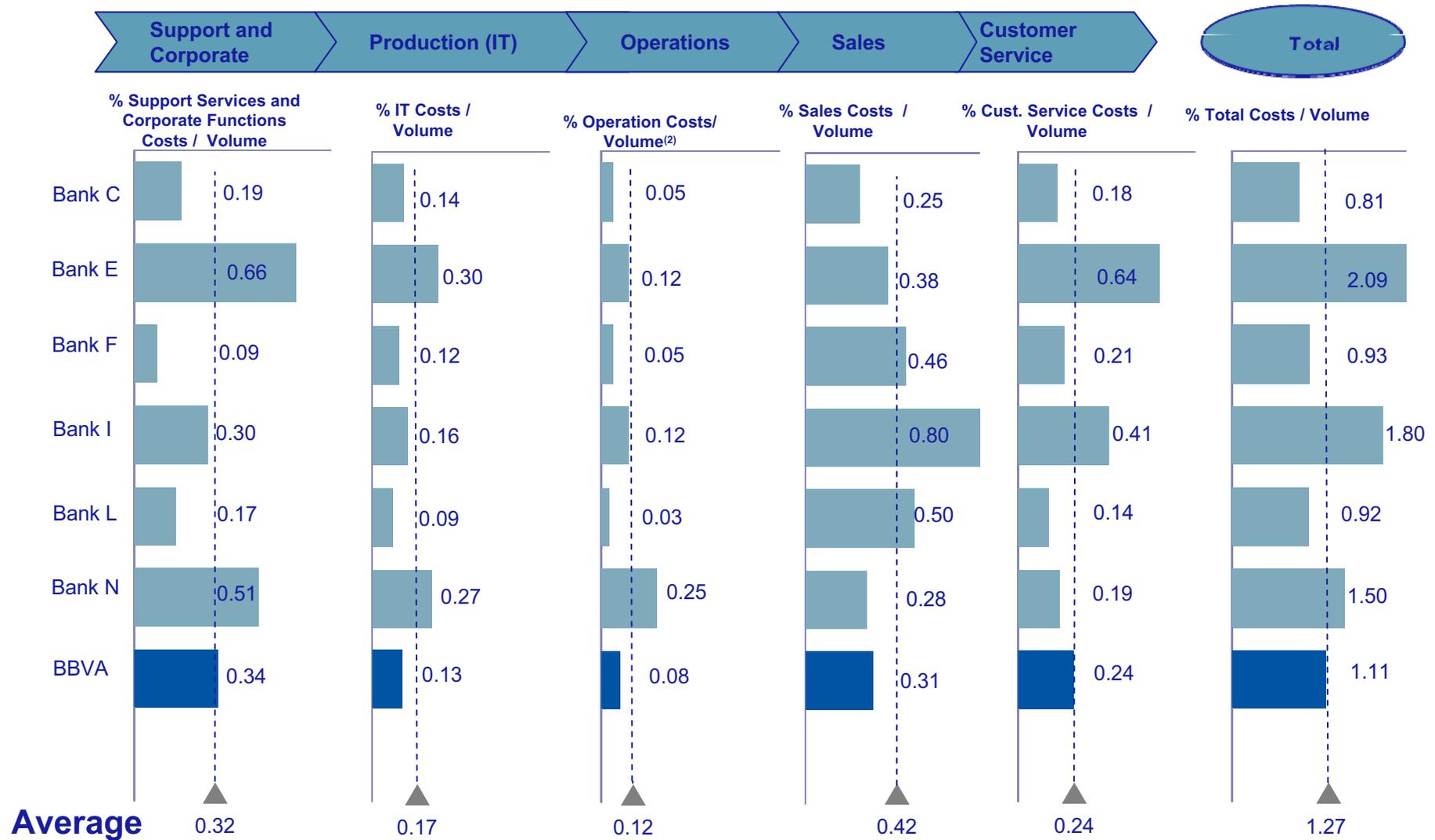
Cost structure, relative weighting





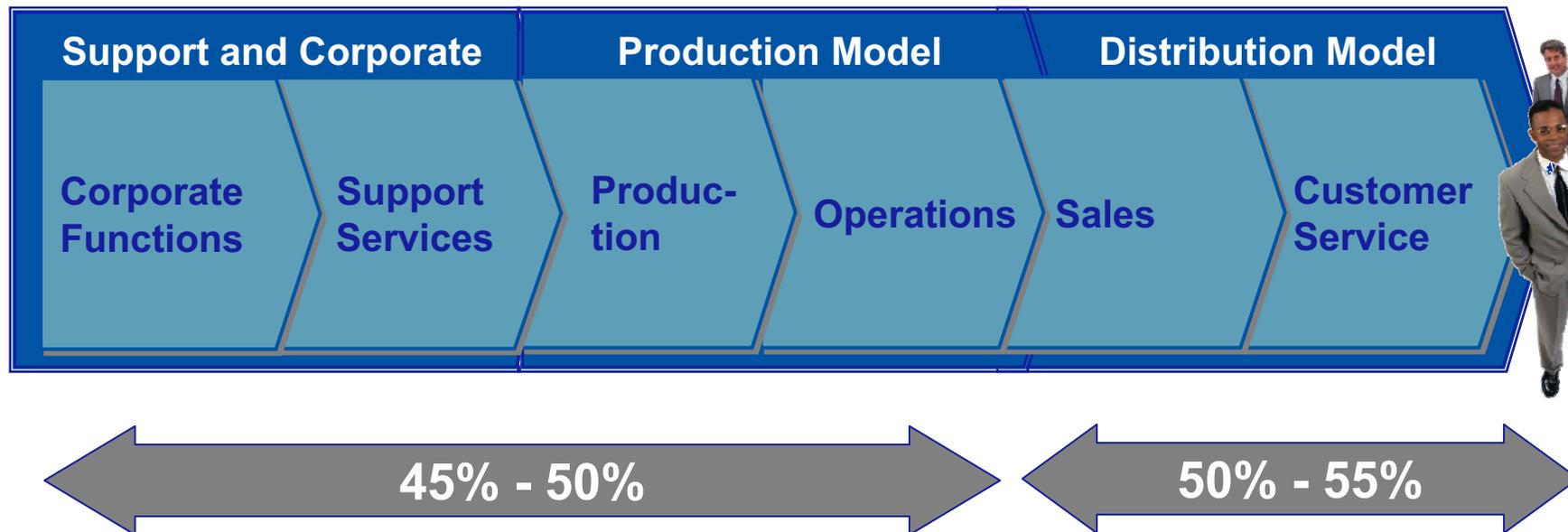
A clear aim: to reach the “efficiency frontier”, in each activity of the value chain

ILLUSTRATIVE





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



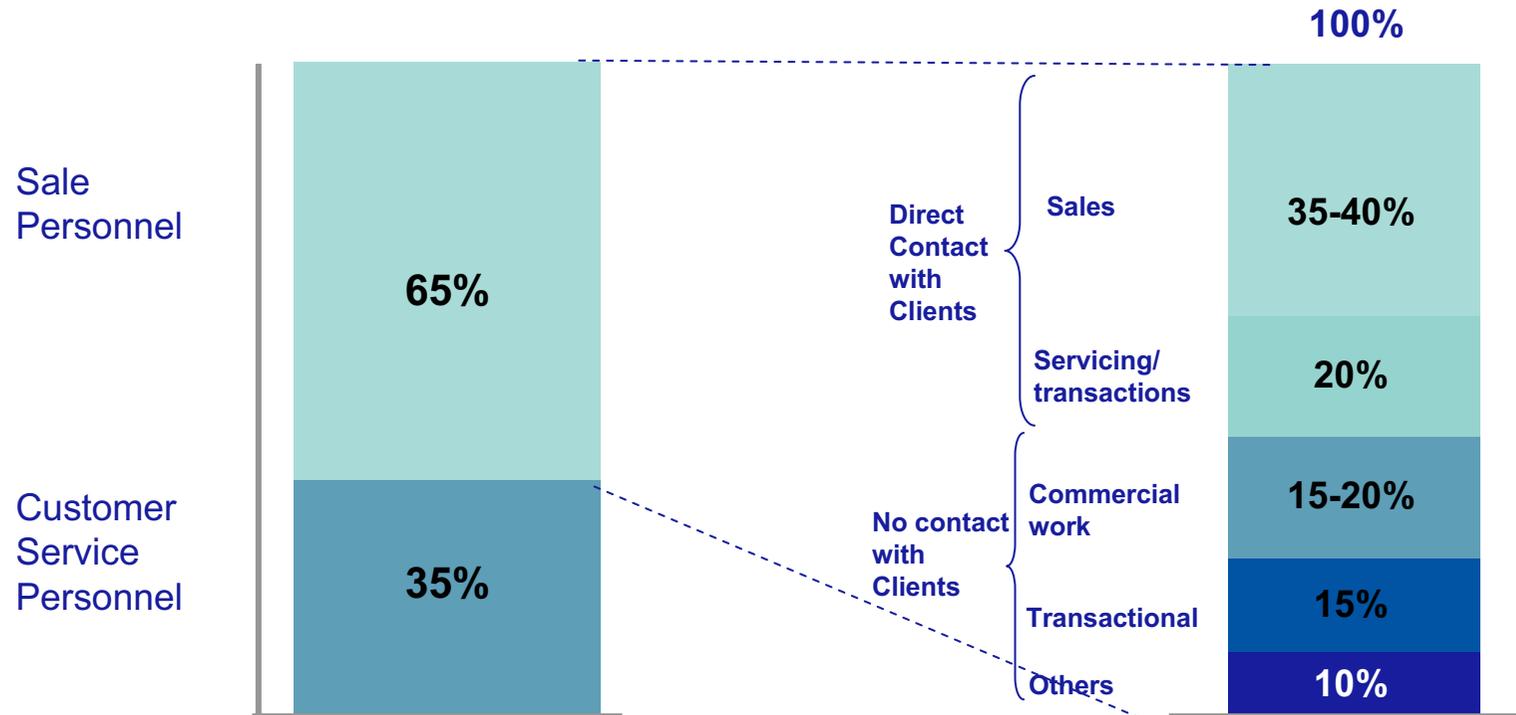
The point of sale is the key element of the cost structure of any universal bank



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**

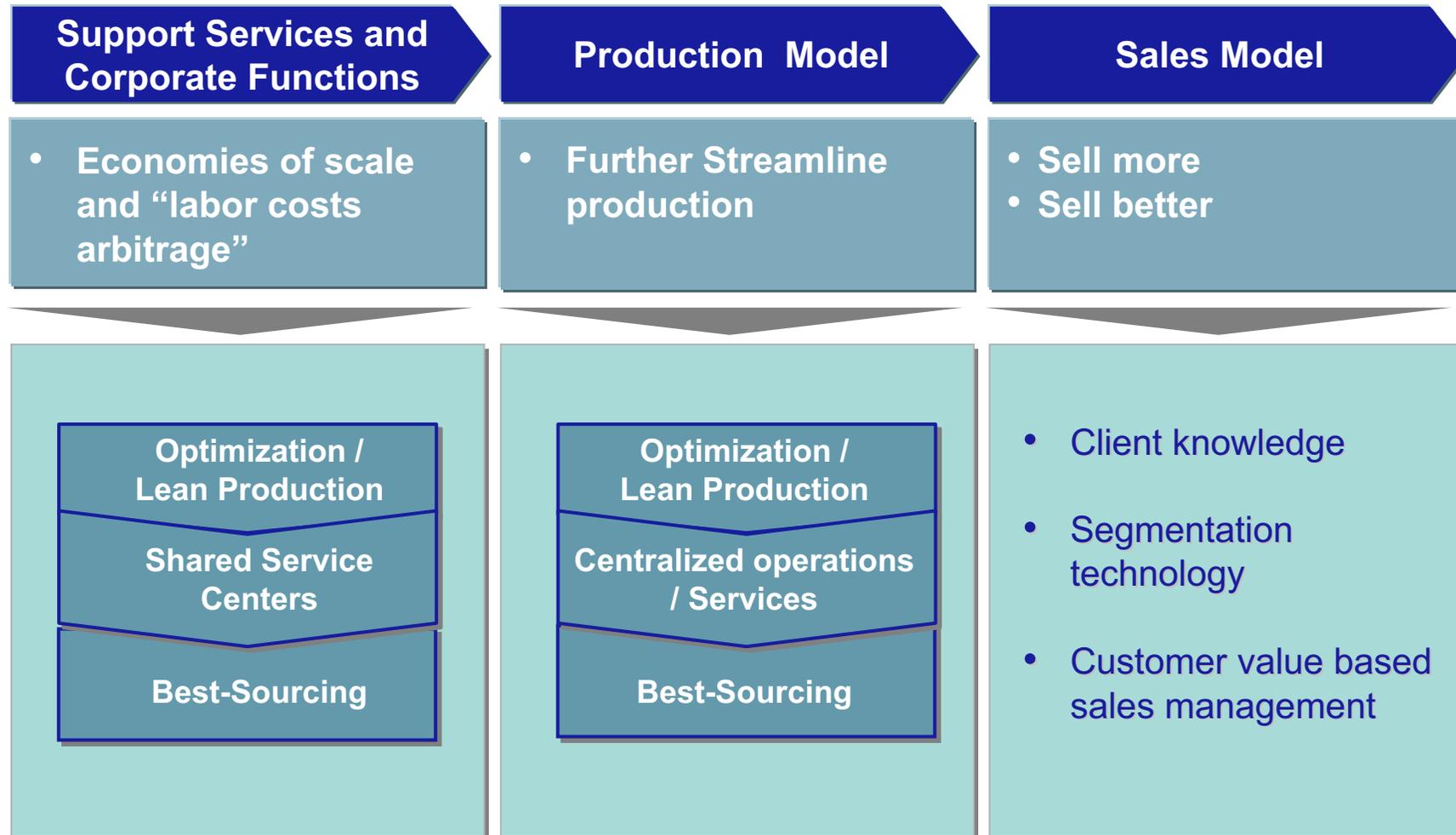
**Self-service: Reduce
Service Costs**

**Sales: Increase Selling
Capacity**

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

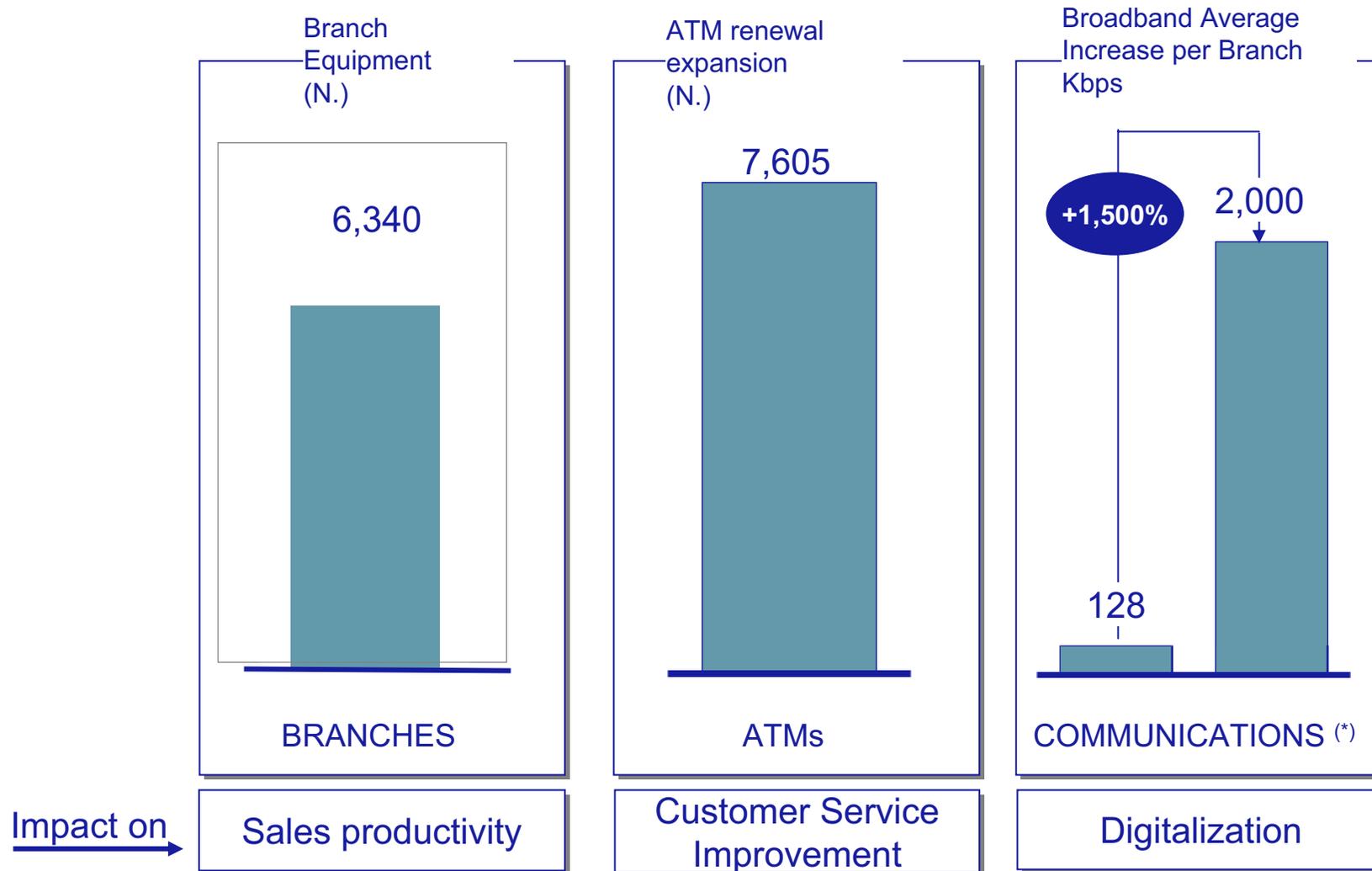


Whilst fostering the transformation strategies of the rest of the value chain





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



(*) Differences between countries, Spain 1Mbps

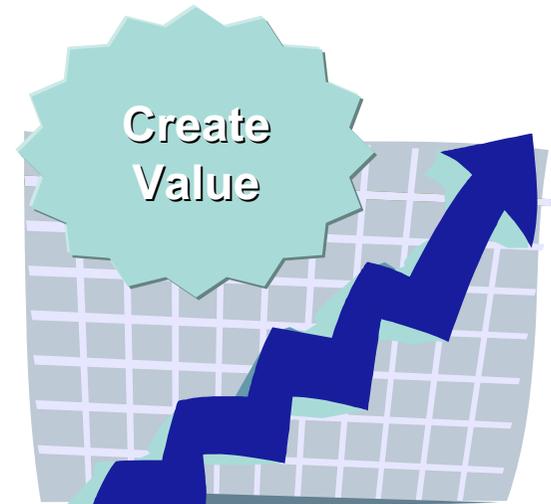
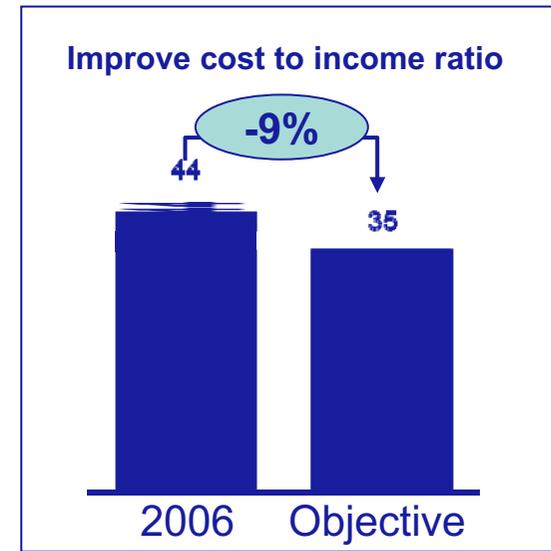


Global Transformation Plan

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:





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

35%
**Cost to
Income**

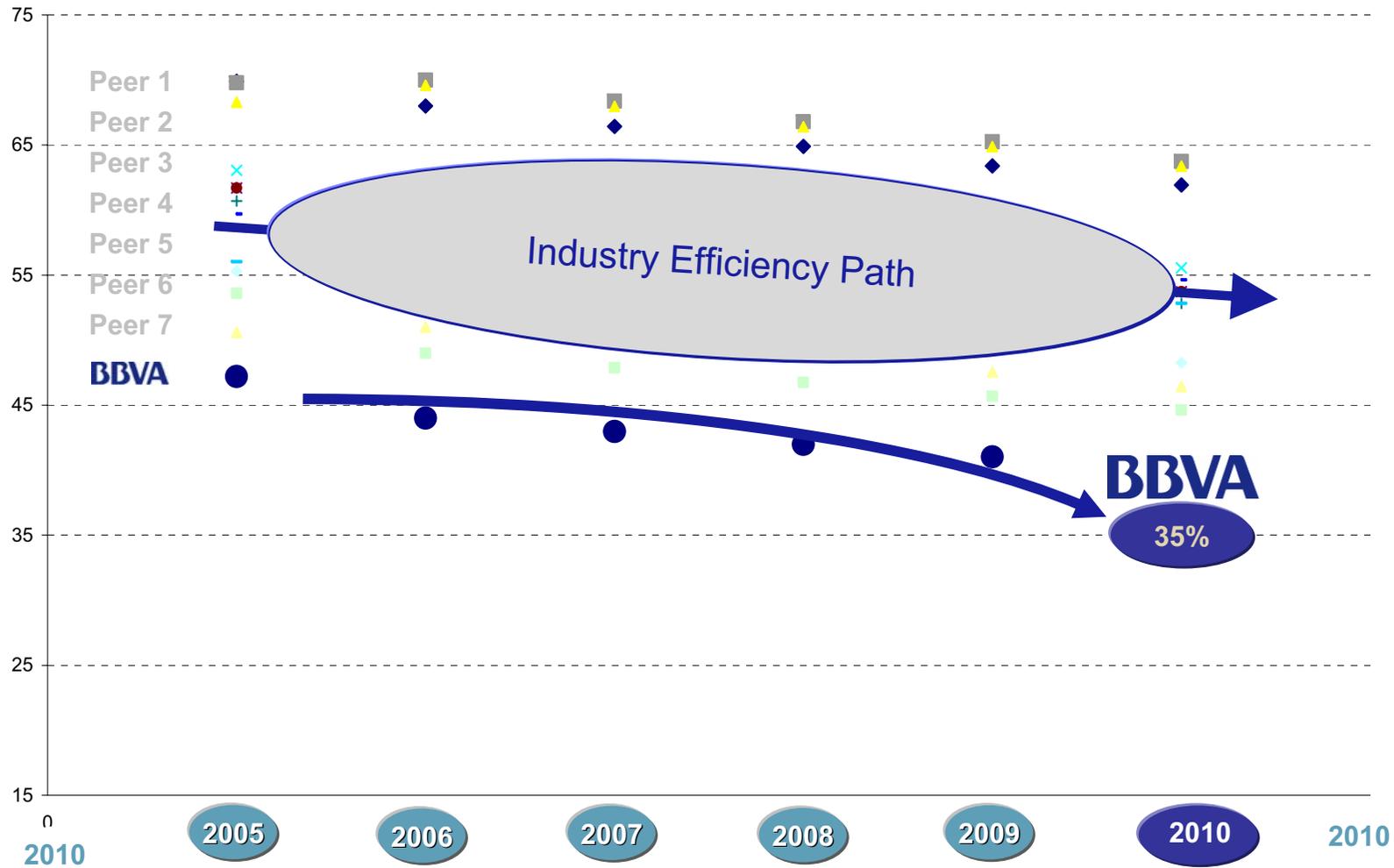
8%
**Operating
Leverage**

By 2010



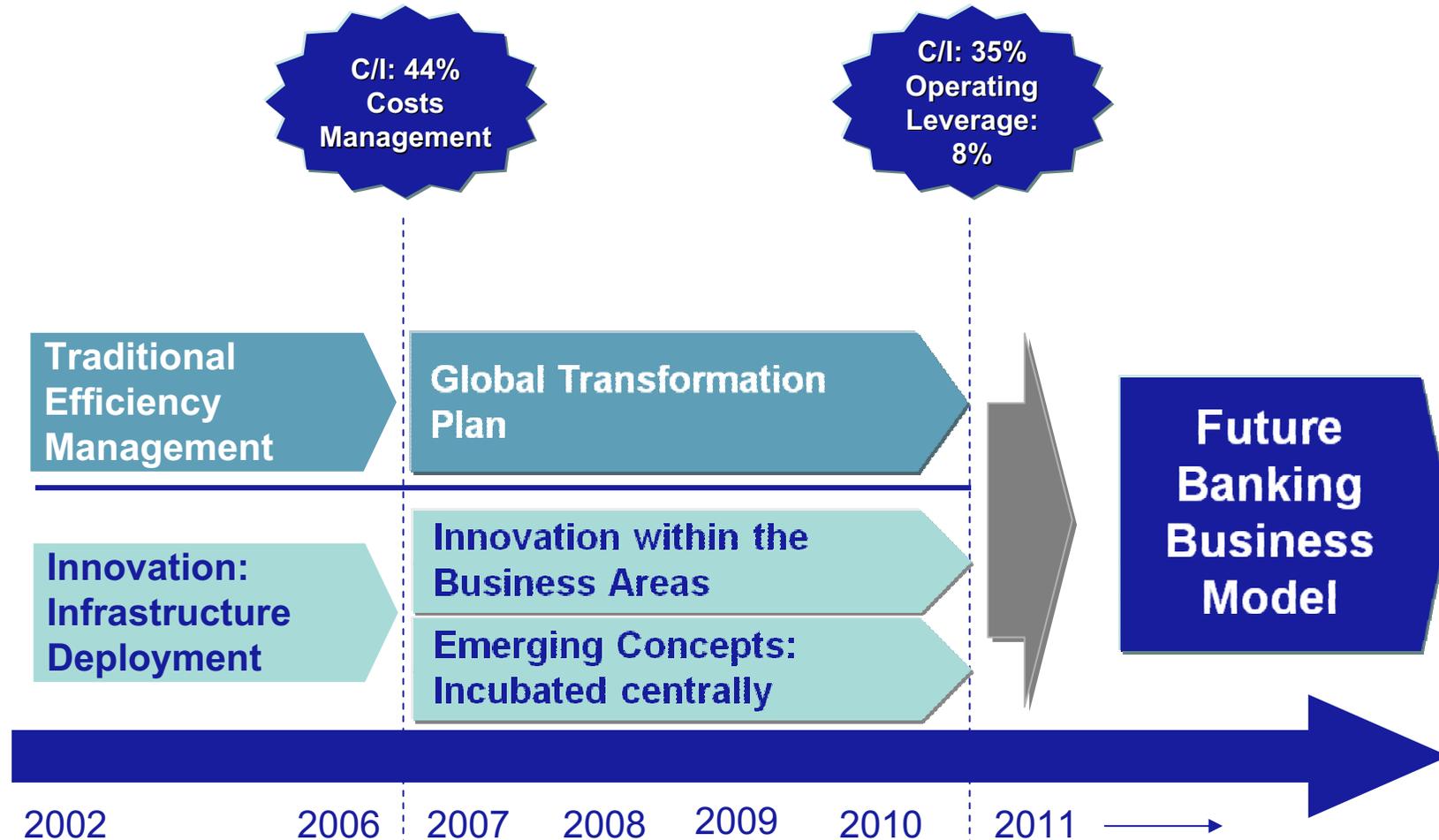
BBVA will remain at the leading edge of productivity in 2010

NEW EFFICIENCY FRONTIER





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



150
years

adelante



BBVA making the difference

Madrid, 15th November 2007