Digitalization in Banking
Payments Forum
Teppo Paavola
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BBVA – A Global Universal Bank
Global Presence

Listed on the main international stock markets

Well diversified capital ownership

BBVA a Universal Bank with more than 150 years of history

+€ 700 billion in total assets
70 million customers
35 countries
8,6K branches
31K ATMs
134K employees

Note: As of December 2016.
Holvi - BBVA’s presence in Finland (and Europe)

Holvi is an online value added current account for business management

1. Collect
   - Holvi online store
   - Holvi invoicing

2. Spend
   - Holvi Business MasterCard
   - SEPA Credit transfers

3. Manage
   - Real time metrics
   - Export to accountant

Founded in 2011 with its HQ in Helsinki, 48 people team

Payment Institution authorized and regulated by FIN-FSA

Part of BBVA since March 2016
Digitalization in Banking – BBVA’s transformation journey
Reshaping of the financial industry, new players and technologies driving digitalization

Regulatory pressure and the impact in profitability

Banks ROE Evolution¹ (%)

Transformative technologies and use of data open up unimaginable opportunities

New disruptive entrants transforming each vertical

Big Data  Biometrics  Cloud  A.I.  (1)  Blockchain

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¹ Source: BBVA; Banks in peer group: Santander, Deutsche, Commerzbank, BNPP, SocGen, CASA, Intesa, Unicredit, HSBC, Barclays, Royal Bank of Scotland, Lloyds, UBS y Credit Suisse, Citigroup, Bank of America, JP Morgan y Wells Fargo.

(2) Juniper Research Future Proofing Digital Banking.

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(1) Artificial Intelligence
BBVA has already started its transformation journey

**Our Purpose**

“To bring the age of opportunity to everyone”
- Helping customers to achieve their life goals
- Having a true impact on people’s lives and businesses
- Be more than a bank

**Our Organization**

*Digital transformation lead from the Top*
- CEO & Top Management renewed (even the board)
- New culture, environment and ways of working
- Attracting and developing talent to build a first class working force

**Our Priorities**

*Strategic agenda with digitalization at the core*
- Redefined value proposition to strengthen our relationship with the customer
- 6 strategic priorities
- Creating new digital businesses as part of the agenda
New Digital Businesses is BBVA’s move to embrace disruption

Why do we exist?

1. Today always wins tomorrow in prioritization
2. It is natural to resist the new
3. If we don’t cannibalize ourselves someone else will
4. We need a home for entrepreneurs

New digital businesses has the task of reinventing the bank from outside, acknowledging how hard it is to transform the core.

Being part of BBVA helps NDB...
- Reputation
- BBVA Assets
- Expertise

NDB helps the bank...
- New revenues
- Portfolio of options
- Capabilities & learnings
- Sandbox for experiments
We have started to build and grow a portfolio of companies

Maximize the value of our portfolio

Grow our portfolio and foster growth

Invest in Fintech and core capabilities

We buy, build, invest and partner with the broader FS ecosystem
The future of payments
Disruption in Payments

Already happening...
- Fintech focused on removing friction
- Value chain unbundling
- E-commerce players in payments
- Smartphones, NFC & hands-free
- Cloud, Big Data & Biometrics
- APIs
- Real time & permanently connected
- Growing m-commerce
- Invisible payments: In-app/In-Chat
- DIY & automation
- SEPA
- Pressure in pricing

... Still to be proven
- Tech Giants – China leading
- Retailers & Telco&OEMs – disintermediating schemes
- Re Bundling based on payments data
- New rails & open source - beyond POCs
- Crypto-currencies & e-identity
- Biometrics, IoT, AI, connected economy
- Willingness to share/manage own data
- Integration into other experiences – China leading
- PSD2
- GDPR
- Open Banking
Disruption in payments – different countries different stories

Emerging Markets
- Mobile money & commerce
- Government involvement e.g. e-identity
- Relevance of cash

China
- Tech Giants
- Integrated experiences
- Value add & incentives

US
- E-Commerce & M-pos
- Relevant Fintech players
- Real-time push payments

Europe
- New regulation
- Cross-border
- Pricing pressure
BBVA already tapping new opportunities

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The road ahead

Emerging Markets
- Massive underserved opportunity; must be mobile. Leapfrog cash and cards
- Mobile commerce as growth driver of “high-end”
- Regional plays

China
- Leader in rebundling and value add from payments data
- Consolidation around Big Tech
- International expansion

US
- Banks and schemes challenged as old rails must be re-invented
- Fintech and banks collaboration increasing
- Higher margins keep funding innovation viable

Europe
- Regulation driving the game – impact uncertain (PSD2!)
- Pan-European play
- Pressure in pricing will lead to reinvention based on data, or innovation funding goes elsewhere
Holvi is solving a real problem for micro entrepreneurs

"Tällä hetkellä tuntuu, että aika (ja samalla rahaa) valuu turhaan isoon määrään paperitöitä ja silti ymmärtämättömyyteen taloudellisesta tilanteesta, kun kaikki kulkee niin sanotusti kirjanpidollisesti jälkijunassa."
1. Collect

Help me pay expenses, collect receipts and store them in one place easily

Help me promote what I do and to build trust with my customers

Make it simple for my customers to pay for my goods and services

2. Spend

Remind me when to pay monthly bills, and warn me before things go wrong

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3. Manage

Show me in a simple way and in real time how my business is doing

Export my financial data directly to my accountant’s software

Meet Satu Tuomela - a well being consultant