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**BBVA**

Creando Oportunidades

# Digitalization in Banking

Payments Forum

Teppo Paavola

Helsinki, May 2017

**01** BBVA

**02** Digitalization in Banking

**03** The future of payments



01

**BBVA – A Global Universal Bank**

# BBVA a Universal Bank with more than 150 years of history

## Global Presence

Listed on the main international stock markets

Well diversified capital ownership



**+€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



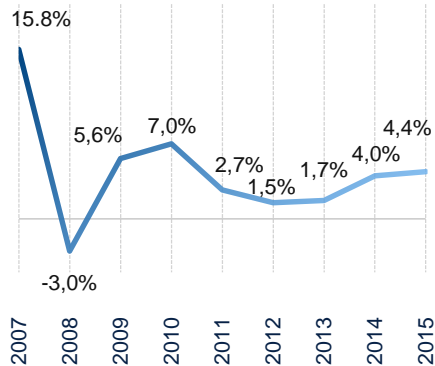
# 02

## **Digitalization in Banking – BBVA's transformation journey**

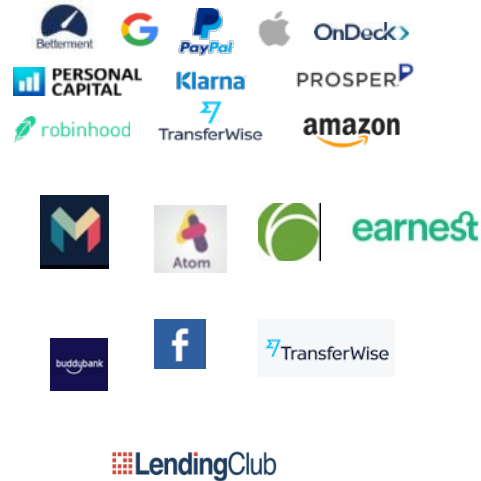
# Reshaping of the financial industry, new players and technologies driving digitalization

## Regulatory pressure and the impact in profitability

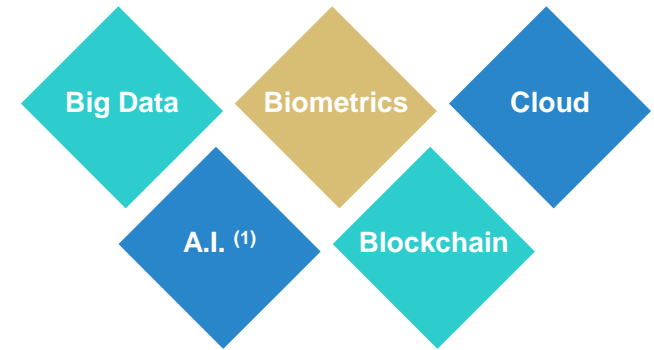
Banks ROE Evolution<sup>1</sup> (%)



## New disruptive entrants transforming each vertical



## Transformative technologies and use of data open up unimaginable opportunities



(1) Artificial Intelligence

(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.

# BBVA has already started it's 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

Being part of BBVA helps NDB...

Reputation

BBVA Assets

Expertise

NDB helps the bank..

New revenues

Portfolio of options

Capabilities & learnings

Sandbox for experiments

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

# We have started to build and grow a portfolio of companies

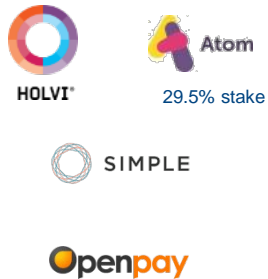
Maximize the value of our portfolio

Grow our portfolio and foster growth

Invest in Fintech and core capabilities



## ACQUISITIONS



## PARTNERSHIPS



## INTERNAL VENTURES



## INVESTMENTS



We buy, build, invest and partner with the broader FS ecosystem



# 03

**The future of payments**

# Disruption in Payments

## Ecosystem expanding

### Already happening...

Fintech focused on removing friction  
Value chain unbundling  
E-commerce players in payments

## New technologies

Smartphones, NFC & hands-free  
Cloud, Big Data & Biometrics  
APIs

## Consumer/Merchant expectations

Real time & permanently connected  
Growing m-commerce  
Invisible payments: In-app/In-Chat  
DIY & automation

## Regulation

SEPA  
Pressure in pricing

### ... Still to be proven

Tech Giants – China leading  
Retailers & Telco&OEMs – disintermediating schemes  
Rebundling 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

International payments and trading	Value Add for consumer & merchants	Serving the under-served	New ways of collaboration
<p><i>“BBVA taps Blockchain to make international payments in seconds”</i></p> 	 <p>HOLVI®</p> <p>Commerce 360</p>  	 <p>Openpay</p>  <p>musioni <sup>BBVA</sup>Open Talent</p>	 <p>API_MARKET</p>  <p>DWOLLA</p> <p>Many others</p>

<https://www.bloomberg.com/news/articles/2017-04-20/bbva-taps-blockchain-to-make-international-payments-in-seconds>

# 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

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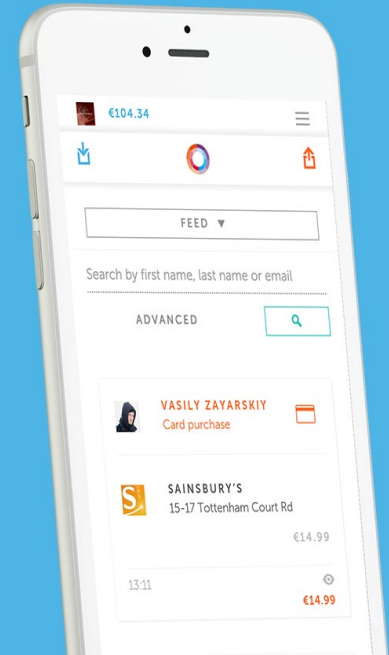
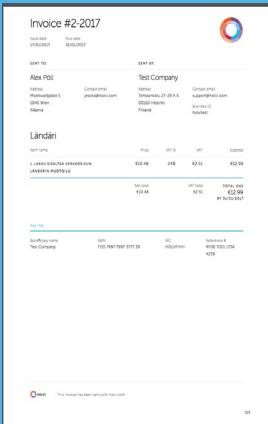
Teppo Paavola

Helsinki, May 2017



# 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."



# Meet Satu Tuomela -a well being consultant

## 1. Collect

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

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

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

## 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

