The One-Stop Shop for immigrants

Presentation to the media
Madrid, 8th March 2005
Contents

1. Immigration and the forecasts
2. A new target
3. Dinero Express
4. Conclusions
In Spain there has been a surge in immigration in recent years.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. foreigners</th>
<th>% of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>923,8</td>
<td>2.3</td>
</tr>
<tr>
<td>2001</td>
<td>1,370,6</td>
<td>3.3</td>
</tr>
<tr>
<td>2002</td>
<td>1,977,9</td>
<td>4.7</td>
</tr>
<tr>
<td>2003</td>
<td>2,664,2</td>
<td>6.2</td>
</tr>
<tr>
<td>2004</td>
<td>3,050,8</td>
<td>7.1</td>
</tr>
<tr>
<td>2005</td>
<td>3,500,0</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Source: INE, 2005 forecasts

There are currently 3.5m foreigners in Spain.

They are 8% of the population.
Inflows of foreigners have lifted population growth to levels not seen since the second half of the 70s (end of the baby boom). They have become the main factor in Spanish population growth.
80% of foreigners can be classified as immigrants (excluding those from the EU)

According to INE forecasts, in 2005 there could be 2.8m immigrants in Spain

Equador, Morocco and Colombia account for 49%
Their effect on the labour market and the economy is increasing

- **New contributors to social security are now 24% of total**
- **With an increase in the number employed that is much greater than the Spanish average (15% v 3%) (Oct 04 / Oct 03)**
- **78% of active resident immigrants are employed or seeking work, compared to the Spanish average of 61%**

**Possible output**

**Native employment**

**Immigrant employment**

**Productivity**

Source: BBVA and Min. of Labour

immigration
Immigration is essential to compensate and delay economic growth restrictions due to an ageing population.

The immigrant age distribution favours higher rates of activity and employment because there are more in the 20-44 range.
The immigrant population will continue to grow . . .

Official forecasts point to 4.5m foreigners in 2008 (3.8m immigrants)

Reaching 10% to 11% of the population

No. of foreigners in Spain (INE forecasts)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Foreigners</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 (Previsión INE)</td>
<td>3,500,000</td>
<td>8.0%</td>
</tr>
<tr>
<td>2005</td>
<td>3,122,622</td>
<td>7.5%</td>
</tr>
<tr>
<td>2006</td>
<td>3,565,923</td>
<td>8.6%</td>
</tr>
<tr>
<td>2007</td>
<td>4,072,158</td>
<td>9.7%</td>
</tr>
<tr>
<td>2008</td>
<td>4,650,230</td>
<td>11.1%</td>
</tr>
</tbody>
</table>

Source: INE
There are three main reasons for this:

- **New arrivals**, filling jobs in the domestic market

- **Birth rate**: twice the Spanish rate (they already account for 10.4% of total births)

- **Family reunion**, 55.8% of immigrants say they are supporting family members in their home country and 46.1% intend to bring them to Spain

Source: FRS / INMARK and Anuario de Extranjería
Immigrants’ needs depend on the time they are here

- **Up to 2nd year** (Stage 1)
  - Information and legal advice
  - Work
  - Processing and paperwork
  - Send money
  - Communicate with home

- **Up to 5th year** (Stage 2)
  - Send money (larger quantities)
  - Bring families
  - More fixed employment
  - Small consumer loans
  - Rent accommodation, sometimes purchase (mortgage)

- **From 5th yr on** (Stage 3)
  - Get a mortgage
  - Buy a car
  - Finance children’s education
  - Pension plans

20.7% of immigrants by length of residence in Spain

79.3% of immigrants by length of residence in Spain

% of immigrants by length of residence in Spain
Loosely banked immigrants

Unbanked immigrants

Loosely banked immigrants

Under-banked immigrants

Banked immigrants

Banks serve this segment with standard products through the usual branches. Remittance activity is still low.

Remittance shops only handle money transfers (80% of market).

There are other needs that are not covered by the banks or the remittance outlets.

Current solutions to their needs are incomplete and the financial approach is divided.
Grand opportunity: the financial behaviour of immigrants is currently outside traditional lines

Immigrants that come from developing nations are not accustomed to financial operations (barriers to access in country of origin)

Bank penetration (%)

- **Sistema financiero español**: 98.0%
- **Inmigrantes con relación laboral**: 76.6%
- **Total inmigrantes**: ??

Source: BBVA based on FRS / Inmark information
Grand opportunity: use of basic banking products is below the Spanish average

Use of banking products (% of immigrants)

<table>
<thead>
<tr>
<th>Service</th>
<th>Usage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Envío de dinero</td>
<td>65,0%</td>
</tr>
<tr>
<td>Domiciliación nómina</td>
<td>29,7%</td>
</tr>
<tr>
<td>Tarjeta débito</td>
<td>57,7%</td>
</tr>
<tr>
<td>Tarjeta crédito</td>
<td>22,0%</td>
</tr>
<tr>
<td>Préstamos personales</td>
<td>8,5%</td>
</tr>
</tbody>
</table>

Source: BBVA based on FRS / Inmark information

Usage can be as low as half the Spanish average for the usual products
In a saturated banking market, immigrants become one of the main sources of new customers and a target for marketing.

- **59.8% of those with no bank account intend to change this soon and 29% of those who have accounts plan to use new products.**

- **Money transfer is currently the main financial product. It is estimated that transfers in 2004 came to €3.2bn and in 2007 they are expected to exceed €5bn.**

Source: BBVA based on FRS / Inmark information
Moreover the current immigrant normalisation process will bring a large number into the banking market. According to the BBVA research department, ‘675,000 immigrants may apply’ of which 450,000 will legalise their situation. This will give these immigrants greater access to products and services that require job consolidation (payrolls, cards, loans, etc). It opens the way to more competitive products because there is a larger target segment for marketing.
From the marketing perspective this is an emerging segment, a catalyst of future change in the Spanish system.

High-growth market

A segment that requires a specific and global approach

... to which BBVA is going to respond in a distinctive manner
In 2002 BBVA launched Dinero Express as a way of transferring immigrants’ money; it opened 10 outlets with considerable success.

Since then we have validated the model and tested the market for other requirements of immigrants that pose a business opportunity.

Thus, we are now reinforcing Dinero Express with a new business model and an ambitious outlet expansion plan.
DINERO EXPRESS becomes a global supplier of services for immigrants.
Covering a gap in the financial market and providing the segment with a comprehensive solution

- **Assets + Liabilities Transfers**
  - Unbanked immigrants
  - Under-banked immigrants
  - Banked immigrants

**Strategies**
- **Unbanked immigrants**: Offer money transfer and basic banking products
- **Under-banked immigrants**: Offer non-finance products
- **Banked immigrants**: More developed financial products

**Positioning of banks**
- Positioning of remittance outlets

**Positioning of Dinero Express**
The new business focus defines an innovative proposal with regard to:

- **a** Retail services
- **b** The distribution and morphology concept at the point of sale
- **c** Short-term implementation
Specific retail services, in tune with migrant culture, covering all financial requirements

**Facilitating integration**

- Fast money transfers
- Personal loans (reunite family, travels, etc)
- Insurance (repatriation, dental, etc)
- Guarantees for rental contracts
- Credit cards
- Mortgages
... and non-financial agreements

Facilitating integration

- Phone outlets
- Legal and paperwork advice
- Jobs vacant
- Travel
- Housing (rental and purchase)
- Subsidies
In addition: a special customer-care line and web pages
Attractive pricing for immigrants

- Service pack: up to 50% savings on market prices
- Free access to:
  - Jobs vacant
  - Housing available
  - Travel
  - Subsidies
- And constant promotions

Market prices

<table>
<thead>
<tr>
<th>Item</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit card</td>
<td>€11</td>
</tr>
<tr>
<td>6 money transfers</td>
<td>€36</td>
</tr>
<tr>
<td>Phone card</td>
<td>€5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€52</strong></td>
</tr>
</tbody>
</table>

Debit card €11
6 money transfers €36
Phone card €5

Total €52

Dinero Express €25
With a solid track record in **Money Transfers**

**Countries**

- Equador
- Colombia
- Peru
- Domin, Rep.
- Argentina
- Bolivia
- Mexico
- Brazil
- Salvador
- Honduras
- Guatemala
- Nicaragua

Eastern Europe and North African countries to be added soon

**Payment network**

- 20 banks
- 6500 payment outlets

**Features of our transfers**

- **On-line transfer:** available in less than 15 sec
- **In cash:** no account needed in Spain or in the destination country
- **Payment network:** the biggest payment network in Latam
- **Business hours:** From 10am to 10pm (continuous) Open Saturdays and Sundays
- **Charges:** attractive and transp. Constant special offers
- **Guarantee:** BBVA Group
The distribution and morphology concept at point of sale

- Transfers to country of origin
- Cash dispenser and deposits
- Payment of bills
- Account transactions

- Order products via the Internet
- Customer information

- Access to financial and non-financial services

- Phone booths
- Waiting area with vending machines
An innovative, versatile and efficient network

- Automatic systems and use of new technologies
- Transactions are made via the ATM
- Sales-oriented
  Minimum operations on site
  (processes centralised in Back Office)
- Opening hours to suit immigrants, every day of the week until 10pm
Point of sale differentiated to the standard bank branch
Short-term implementation

- In 2005: 50 outlets
- In 2006: 100 outlets

Preference:
- Madrid
- Catalonia
- Levante
- Andalusia
- The islands
- Aragon
- Navarre
Dinero Express: A NEW MODEL THAT ADDS VALUE in the market

REMITTANCE AND PHONE OUTLETS
- Money transfers
- Phone booths
- Extended hours

BANKS
- Money transfers
- Financial products
- Restricted hours
- Traditional network

Money transfers
Phone booths
Financial products
Non-financial services

Extended hours
every day of the week
(including holidays) till 10pm

Employees from other countries
Fundamentals of the DINERO EXPRESS model

1. SPECIALISATION and DIFFERENTIATION
   Exclusively for immigrants

2. CONVENIENCE
   One-Stop Shop
   Financial and non-financial products and services

3. ACCESSIBLE and FAST
   Money transfers in 15 seconds
   Personal loans: immediate response

4. ADVANTAGES
   Promos and discounts

Facilitating integration
With a distinctive group strategy, comprehensive and innovative

STAGE 1
STAGE 2
STAGE 3

Penetration of banking

Specific channels and networks
Traditional network

Money transfers
Banking transactions
Basic banking
Special products

A model that adapts perfectly to the needs of customers and their periods of residence

dineroexpress

Page 35
A coherent proposal with a double benefit

- New in-house network model adapted to the segment
- Financial and non-financial products
- Different marketing

Retail branch network

- More advanced financial requirements
- Business adapted to customers’ needs
BBVA has set itself the goal of becoming the top Spanish bank in immigrant services.
Presentation to the media
Madrid, 8th March 2005

The One-Stop Shop for immigrants

dineroexpress