

# Spanish bank waits for right chance

**Brendan Swift**

One of Europe's top bankers has warned that the global credit crisis might take another two years to subside, although the Spanish banking boss expects the financial system to navigate the worst of the turmoil.

A positive sign was that most problem banks had been able to rebuild their capital and adapt to the new environment, said BBVA chairman and chief executive Francisco Gonzalez.

"The financial community as a whole has been able to survive. Over time, the financial sector is going to emerge much, much stronger," Mr Gonzalez told *The Australian Financial Review*.

While many banks in the UK and Europe have been hit hard by the credit crisis, a conservative lending policy and a tough stand by Spanish regulators on off-balance sheet investments mean BBVA and competitor Banco Santander have emerged relatively unscathed and are pushing ahead with global expansion.

Still, Mr Gonzalez said BBVA would resist a spending spree to snap up rivals through Europe and the US. "Of course, we have acquired banks in the past and we'll do it again in the future," he said. "But for the time being, we have to be



BBVA chairman and chief executive Francisco Gonzalez... the finance sector will be 'stronger' after credit crisis.

Photo: JIM RICE

very cautious and to not make the mistake of acquiring a franchise and potentially having more problems." With a market capitalisation of about €47 billion (\$77.2 billion), BBVA is Europe's sixth-biggest lender, the world's 12th-largest bank. Australia's biggest lender, Commonwealth Bank of Australia, has a capitalisation of just over \$52 billion.

Last year BBVA paid nearly \$US10 billion (\$10.35 billion) for US lender Compass, giving it a shot at the mainstream bank market. While the US market remains under pressure, BBVA is yet to experience substantial sub-prime or leveraged finance losses. "The businesses we acquired — pure retail banks — are very well managed," Mr Gonzalez said.

Elsewhere, the bank dominates markets in South America and Mexico and has significant exposure to China through the country's giant financial services house Citic.

The 150-year-old lender opened a representative office in Sydney last year, but Mr Gonzalez has ruled out a bid for St George or

even HBOS's BankWest subsidiary. BBVA is focusing on the institutional space, using its Asia-based operations to provide financing for business customers — mostly in infrastructure.

"We have been very fortunate to be here, we want to expand our activities here," he said. "This country is playing a big role in the entire region. For the time being we are working on wholesale banking."

Still, some headaches are emerging at home. Spain's stockmarket is down 21 per cent this year and economic growth is expected to be sluggish over the next 18 months as the housing sector stalls. That has heightened the importance of global expansion.

Last month BBVA said it would spend more than \$US1.2 billion to double its stake in Citic Bank, China's seventh-biggest, at the same time as boosting its holdings in Citic International, a listed vehicle that has several financial assets, including a Hong Kong-based bank.

Investments in Asia are part of a long-term strategy of turning BBVA into a global bank. "Spain now makes up 40 per cent of profits; over time our aim is to have no more than 10 per cent. But Spain will represent the history of the bank," he said.

## HSBC Lending Rates.

Home Loans		
All-in-one Home Loans	Effective	Comparison Rate*
Home Equity Rate	05.05.2008	9.55% p.a.
Introductory Home Smart	05.05.2008	8.47% p.a.
Variable Home Smart Rate	05.05.2008	9.47% p.a.
Other Variable Rates		
Introductory Variable Rate	Effective	Annual Percentage Rate
Variable Rate	05.05.2008	8.34% p.a.
Home Rewards Yr 1	05.05.2008	9.47% p.a.
Home Rewards Yr 2	05.05.2008	9.47% p.a.
Home Rewards Yr 3+	05.05.2008	9.22% p.a.
Home Value Rate	05.05.2008	8.72% p.a.
Market Linked Base Rate (AUD)	14.07.2008	8.76% p.a.
(HKD)		2.30% p.a.
(USD)		2.94% p.a.
Fixed Rates		
1 year	Effective	Annual Percentage Rate
2 years	16.06.2008	9.44% p.a.
3 years	16.06.2008	9.39% p.a.
4 years	16.06.2008	9.29% p.a.
5 years	16.06.2008	9.25% p.a.
		9.29% p.a.
		9.45% p.a.

\*Credit provider is HSBC Bank Australia Limited ABN 48 006 434 102. Comparison rate calculations for home loans are based on designated amount of \$150,000 and a term of 25 years. A comparison rate schedule is available at our branches and on our website. **WARNING:** This comparison rate applies only to the example or examples given. Different amounts and terms will result in different comparison rates. Costs such as redraw fees or early repayment fees, and cost savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.

Full terms and conditions available upon application. Fees and charges apply. Available for investors only.

Base Lending Rate	Effective	Annual Percentage Rate
	10.03.2008	10.95% p.a.*

\*A margin of up to 5% may be added to the advertised rate to determine the interest rate.

Personal Lending		
Personal Lending	Effective	Annual Percentage Rate
Personal Credit Line	01.10.2006	12.25% p.a.
Car Loans (\$5000 - \$14,999)	07.04.2007	11.95% p.a.
Car Loans (\$15,000 - \$29,999)	07.04.2007	10.95% p.a.
Car Loans (\$30,000 - \$100,000)	07.04.2007	9.95% p.a.
Personal Loans (\$5000 - \$14,999)	07.04.2007	13.95% p.a.
Personal Loans (\$15,000 - \$29,999)	07.04.2007	12.95% p.a.
Personal Loans (\$30,000 - \$100,000)	07.04.2007	11.95% p.a.

\*Credit provider is HSBC Bank Australia Limited ABN 48 006 434 102. Comparison rate calculations are based on designated amounts of \$10,000 over 3 years; \$25,000 over 5 years; \$50,000 over 3 years; \$10,000 over 3 years; \$25,000 over 3 years; \$50,000 over 3 years. A comparison rate schedule is available at our branches and on our website. **WARNING:** These comparison rates apply only to the examples given. Different amounts and terms will result in different comparison rates. Costs such as repayment fees, and cost savings such as fee waivers, are not included in the comparison rate but may influence the cost of the loan.

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## Pillars of wisdom needed

**Dunstan**

Barrie Dunstan

Over the next few months, the superannuation industry is going to be racked with talk about negative returns, the possibility of people switching funds and questions about advice and fees. But, while there are important policy questions yet to be resolved, the really long-term worries still come back to adequacy — or, simply, can the super industry meet the retirement needs of more than 11 million members?

The Minister for Superannuation, Nick Sherry, who has more on his plate than Billy Bunter at a smorgasbord, last week gave some indications of his thinking in areas such as fees and costs and the move to simpler disclosure to fund members. But, given the working list of issues, it will be a hard and lengthy slog. On fees and advice, Sherry says there is no simple solution.

(though he clearly wants the industry to keep debating the question). He urges the industry to exercise a "fair degree of rigorous self-assessment" and to avoid proposals that involve changes, "but not in my area".

The chief executive of the Association of Superannuation Funds of Australia, Pauline Varnos, has a similar message for the industry, calling for a much more constructive approach to the debate on fees and for people to take into account the legacy issues in the present structure.

The minister ticked off a range of other issues: lost super and multiple accounts, a clearing house, projections of benefits, the first-home savers accounts, simpler disclosure and low-cost internal fund advice. But he appears ready to act on issues such as the proposed four-page, simpler disclosure document (being prepared for the FHSA). Asked if he would consider "immunity" (from potential legal challenge) for a fund that followed the four-page template,



Nick Sherry has a lot on his plate with the super review.

Photo: MICHELE MOSSOP

Sherry's immediate response was "yes".

Once the industry gets through the period of negative returns and uncertainties in investment markets, it will be time to readdress the question of how super funds can produce adequate retirement incomes for members. The ASFA and the other major financial services body, the Investment and Financial Services Association, see adequacy as the next big debate.

When everyone gets over the shock of negative returns, there inevitably will be questions about whether the slump in markets means lower long-term investment returns. With the

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defined contribution system in Australia, members rely on contributions and investment returns to produce the desired result and can influence the final result only by contributing more, taking more investment risk in portfolios or deferring their retirement date.

The big worry is the increase in life expectancy that, though good news for everyone, can be not-so-good news for people who outlive their retirement savings. With a

dormant annuity market in Australia, there are virtually no ways in a normal super fund to provide for this longevity risk.

One way is for fund members to save more than what might seem necessary. But, ideally, retirement savings providers should have some strategies or products that can help their members. This is the next big challenge for the super industry.

Because of the nature of the solution — a big pooling of the risks — the most likely provider, ultimately, is the government. All sorts of sophisticated products might be suggested, but the simplest solution is the one that has just celebrated its 100th birthday — the age pension.

The government pension is the first of the three pillars in our retirement system, supplemented by the compulsory super system and the third pillar of individual retirement savings.

For now, the age pension is a safety net for those unable to save enough, though — at one-quarter of the minimum wage — it is rigged quite low for many retirees.

Whether the age pension can play a further role in meeting the problem of longevity among retirees is now a matter that could be addressed by Ken Henry's wide-ranging review of taxes and welfare, as Prime Minister Kevin Rudd indicated late last month.