

# Responsible Banking

**A different way of banking**

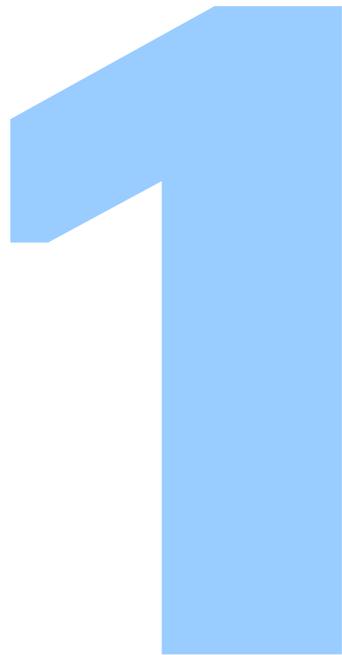
## What's happening today?

1. Financial industry is still suffering a **reputational crisis**
2. More **regulation & soft regulation** in customer protection, responsible practices & non-financial disclosure
3. Competition landscape: **digital disruption & new players** in financial industry mean a world of opportunities but also new material issues as privacy & security
4. Key improvement areas for banks according customer surveys: **transparency & clarity**
5. A growing demand of **ESG performance** (Environmental, Social & Governance) among **investors** community
6. Employees value more highly the **ethical behavior** of the companies they work for
7. Society & Governments expect a higher **commitment to development & climate change management** from companies

At BBVA, we have a different way of doing banking

# Summary

- 1 What do we mean by Responsible Banking?
- 2 How do we do Responsible Banking?
- 3 BBVA's impact on society

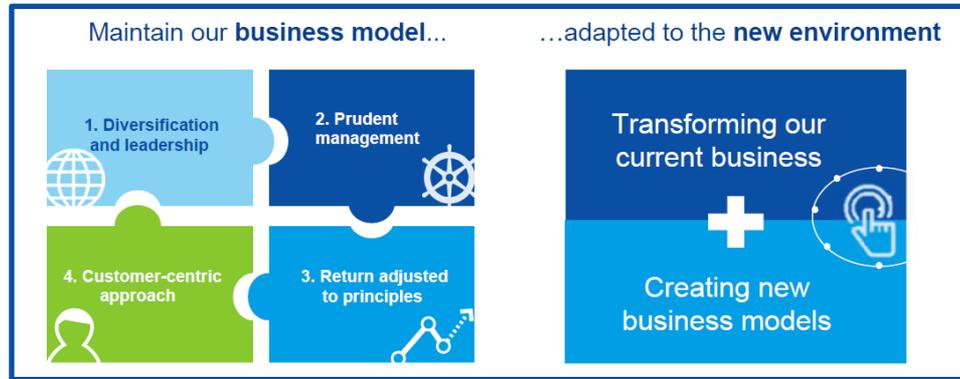


What do we mean  
by Responsible  
Banking at BBVA?

## A **unique banking model** based on 4 pillars



## A new competitive landscape: **strategy** focused on **transformation** from and to the **customer**



### Be the best bank for our customers

**1** Offering the **best banking solutions** to our customers

---

**2** Helping customers make **better financial decisions**

---

### Six strategic priorities

**1**  New standard in customer experience

**2**  Digital sales

**3**  New business models

**4**  Optimal capital allocation

**5**  Unrivalled efficiency

**6**  A first class workforce

## BBVA offers a **different way of banking**



With management systems...



... and an internal control model with three lines of defense



**Role of Responsible Business:** 2<sup>nd</sup> line of defense to ensure that people are systematically placed at the decision-making processes

## Governance and Accountability

Responsible business function reports directly to the Board of Directors

Board of Directors

- Approval and monitoring the CSR policy and responsible business plan
- Report to plenary & to different committees

Operational Model

- Interventions at Strategy & Planning Group Meeting
- Interventions at Local Management Meetings
- RB Co-dependency: Customer Solutions & Communications

Strategic Plan

- New Strategic Plan 2016-2018

**BBVA**

# International standards with BBVA's active participation



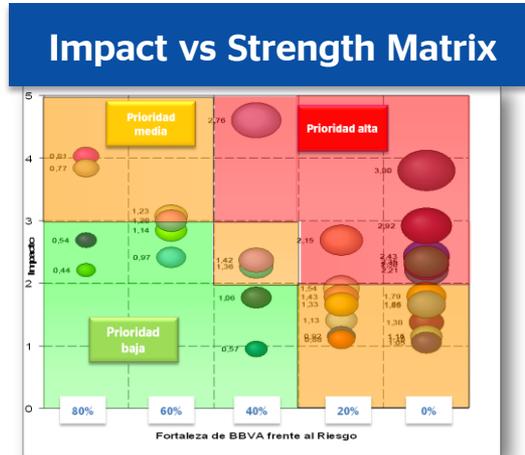
# 2

How do we do  
Responsible  
Banking?

1

# Reputational Risk Management Model

Outcomes  
(Global & local)



Process



Governance & Accountability

Reput. risk appetite + ICAAP  
(integrated in Global Risk Management)

Reputational Risk Working Group  
(integrated in Corporate Assurance Framework)  
Operational Risk, Responsible Business, Compliance & Comms

2

TCR relationships with our customers  
(transparent, clear & responsible)

## TCR relationships

Systematically ensure that BBVA's interactions with customers are transparent, clear and responsible to help them to make better financial decisions

### Transparent

Include **all relevant information** for the customer in balanced way

### Clear

Make it **easy to understand** (it has to do with language and structure)

### Responsible

Take into account **customer interests** in the S/M/L term

**Our aspiration 2018**

1<sup>st</sup> clearest and most transparent bank in major markets

## What are we doing?

### TCR to transform the traditional bank

**TCR advertising code**

**TCR summary pages & commercial protocols**

**TCR external sales & call centers**

**TCR contracts**

**TCR complaints management**

### TCR to create the new bank

**TCR in SDA\* customer solutions**

**TCR in agile methodology**

**TCR training & UX system**

## ROI for TCR relationships (example)

### Growth:

- Higher customer recommendation (NPS)
- Higher non-customer consideration
- More digital sales



### Return on Capital:

- Reduce complaints
- More efficient commercial dialog
- Higher employee pride of belonging and motivation

### Risk Management:

- Lower risk of fines
- Lower reputational risk
- Lower operational costs for unfair commercial practices
- Anticipating regulation

3

# Financial Education & Capability Building

## Financial education for society

**More than 6.7 million participants**  
**€56 million invested**  
 between 2008-2015

## Financial capabilities into customer solutions



## Advocacy & knowledge generation



# 4 Promoting banking solutions for Financial Inclusion, specially in emerging markets

## BBVA Microfinance Foundation



7 Countries

+1.7 million customers

509 branches

7,910 employees



United Nations Award for Best Social Business in 2012



United Nations UN grants consultative status to BBVA Microfinance Foundation

## FI Segment

+10 million customers in Mexico, South America, Spain & Portugal

Low-cost digital channels and easy-to-use products

Cuenta Express: +3.5 million active accounts

+46,000 banking correspondants

Remittances: +10 million transactions/year



New standard in customer experience



Digital sales



New business models



Optimal capital allocation

# 5

## Customer Privacy & Data Security

### Operational and Technological Risk Management

- New Engineering Risk & Corporate Assurance unit
- Focus on adapting the levels of information protection to the new challenges arising from the Group's digital strategy
- BBVA CERT: new center of BBVA Group's cybersecurity and fraud strategy.
- Cyber Trust Program: continuous cybersecurity monitoring and improvement plan

### Data Protection Risk Management

- Risks identification and assessment
- Consistent set of policies and procedures
- Definition of a whole range of mitigation measures/actions focused on mitigating identified risks
- Definition and tracking of indicators such as consumers claims/complaints, security incidents/breaches or independent review processes, including a causal analysis
- Reputational risk assessment

Specific Technology & Cybersecurity Board Committee



New standard in customer experience



Optimal capital allocation



Unrivalled efficiency

6

Climate strategy

Reduction of direct impacts

- **Global Eco-efficiency Plan 2013-2015** (*figures per person*):
  - 16% CO2 emissions
  - 43% paper consumption
  - 23% water consumption
  - 14% electricity consumption
  - 33% people working in certified buildings (ISO, LEED)
- **New Global Eco-efficiency Plan 2016-2020**



Providing climate finance solutions

- **Leading in renewable energy funding:** 1,221 MW financed in 2015 (+17% than 2014)
- **Leading Spanish institution in green bonds underwriting**
- **Green lines financing:** IFC, EIB, IADB...
- **Support to main industry initiatives:** EMF-ECB Energy Efficiency Mortgage Initiative; EBRD-UNEP FI Statement by Financial Institutions on Energy Efficiency; European Financial Services Roundtable

**Sustainable Finance and Customers.**

Integration of environmental factors into risk management\*

(\*) See next slide

# 7 Integration of environmental & social factors in risk management

<b>Environmental Policy</b>	<ul style="list-style-type: none"> <li>Continually improve the identification and management of environmental risks in the Group's operations.</li> </ul>
<b>Equator Principles</b>	<ul style="list-style-type: none"> <li>Reviewing all operations under the EP, regardless of the amount.</li> <li>Application beyond their mandatory scope.</li> </ul>
<b>Rules of Conduct in Defense</b>	<ul style="list-style-type: none"> <li>Applied in all countries.</li> <li>Exclusion lists of companies and countries updated quarterly.</li> </ul>
<b>Social Housing Policy</b>	<ul style="list-style-type: none"> <li>Analysis of every case by the Committee for the Protection of Mortgage Debtors.</li> <li>Providing individual solutions in accordance with each family's specific situation.</li> </ul>
<b>Ecorating tool</b>	<ul style="list-style-type: none"> <li>Risk portfolio rating of SMEs from an environmental perspective.</li> <li>Applied in Spain and Mexico.</li> </ul>
<b>Responsible lending</b>	<ul style="list-style-type: none"> <li>Corporate Retail Credit Risk Policy and Specific Rules on responsible granting of loans and consumer credit.</li> </ul>
<b>Human Rights</b>	<ul style="list-style-type: none"> <li>Specific commitment and global due diligence in process perspective.</li> </ul>

**New environmental & social risk framework  
(to be approved in 2017)**

8

Development of high social impact customers solutions

**Comprehensive Plan to help families in difficult situations in Spain**

- **+67,000 clients** refinanced in light of payment difficulties
- **+7,000 houses** for social rent
- **Over 1,500 families** benefited by the integration program



**BBVA commitment in US on CRA**

**5 year commitment of \$11,000 million** in loans, investments and services pledge for low income communities

**BBVA Compass**

**SMEs integral support in all markets**

- **Yo Soy Pyme (Mexico)**
- **Crédito flexible (Chile)**
- **Líneas ICO & Yo Soy Empleo Academy (Spain)**
- **Women entrepreneurs (Turkey)**



**9** Promotion of a culture of social commitment and shared values among employees

**Global Corporate Volunteering Plan**

**8,148** BBVA volunteers devoted **135,000** hours



**Training**

**€34,3** million investment  
**49,4 hours** of training per employee  
**93%** employees trained



**Territorios Solidarios**

**€7,4** million in grants  
**786** charitable projects approved and  
**+4 million** people benefited since its launch

**Global Diversity Plan**

**20%** women in the management team  
 Employee ratio **54% women / 46% men**  
**Diversity Charter** and **UN Women's Empowerment Principles** signatory

10

Other Social programs: education, entrepreneurship, science & culture

Education

Mexico



Spain



Turkey

**The Teachers Academy Foundation.**

Entrepreneurship

Integral program to support **social enterprises** in their growth



Program to identify, award & support fintech start-ups

BBVA  
**Open Talent**

Science & culture

Fundación **BBVA**

- Support for advanced research in biomedicine, basic science, environment and socio-economics
- Promotion of cultural activities: music and visual arts
- **“BBVA Foundation Frontiers of Knowledge Awards”**

# 3

BBVA's impact on  
society

## BBVA's impact on society

### Contribution to development - customer support

**1.7 million**

people live in homes  
financed

**1,720,968**

SMEs, micro-enterprises  
and self-employed workers  
supported

**€23,552M**

of finance granted to  
SMEs, micro-enterprises  
and self-employed workers

### Creating wealth

**€8,157M**

contribution through  
paid and accrued taxes

**€5.047M**

paid in salaries and  
wages

**€1,013.7M**

of remuneration in  
cash to shareholders

### Contributions to society

**€103.6 M**

investment in social  
programs

**64,807**

children and young  
people with integration  
grants

**6.9 million**

beneficiaries from  
BBVA Microfinance  
Foundation activity

For further information

**[www.bbvaresponsiblebanking.com](http://www.bbvaresponsiblebanking.com)**

# Responsible Banking

**A different way of banking**