Responsible Banking

A different way of banking

November 2014
What’s happening today?

1. Financial activity is losing its social legitimacy

2. There is increasing regulatory pressure in the sector, particularly with respect to customer protection

3. Dignity of our work is being called into question, undermining the pride of belonging of our employees

At BBVA, we have a different way of doing banking
Summary

1. What do we mean by Responsible Banking?
2. Why is Responsible Banking relevant to us?
3. How do we do Responsible Banking?
4. How do we measure value?
5. BBVA’s impact on society
What do we mean by Responsible Banking at BBVA?
BBVA offers a different way of banking

Return adjusted to principles

**INTEGRITY**
As a manifestation of ethics in its actions and in all its stakeholder relations

**PRUDENCE**
Understood basically as the principle of precaution in risk-taking

**TRANSPARENCY**
As a rule offering clear and truthful access to information within the limits of the law

**BBVA is one of the few large banks in the world that**

- has not required state aid
- has not been involved in any controversial issue
- has not received sanctions for misbehavior practices
Governance and Accountability

Responsible business is at the highest level of responsibility of the organization

Who?

- Board of Directors
- Responsible Business Committee (*)
- Local Management Committees

What?

- Approval and monitoring the CR policy and responsible business model
- Driving and monitoring responsible business programs globally
- Driving and monitoring responsible business programs locally

How?

- Report to plenary
- Sessions (3 times a year)
- Interventions (2-4 times a year)

(*) Chaired by Chairman & CEO
BBVA

Reputational Risk Management Model

Outcomes

Impact vs Strength Matrix

Mitigation actions

Process

Risk identification % impact assessment
Assurance Providers identification
Strength assessment & mitigation proposals
Local/ Global review (6 months)
Implementation & follow up

Governance & Accountability

Reputational Risk Committee
Global & Local: Operational Risk, Compliance & CRR
BBVA

International standards with BBVA’s active participation

Green Bond Principles
BBVA as a **best practice**

- MSCI World ESG, MSCI World ex USA ESG, MSCI EAFE ESG and MSCI Europe ESG **AAA Rating**
- DJSI World, DJSI Europe and DJSI Eurozone
- Euronext-Vigeo Europe 120, Euronext-Vigeo Eurozone 120, ESI Excellence Global and ESI Europe
- FTSE4Good Global, FTSE4Good Global 100, FTSE4Good Europe and FTSE4Good Europe 50
- Classified as PRIME
- STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50 and STOXX Europe ESG Leaders 50
- BBVA”long term winner” according to GS Sustain report
- BBVA included on Triodos Investment Funds
BBVA's ESG performance between 2010 and 2012: from 3rd to 1st place

Responsible Banking index *
BBVA Group and Peer Group**
(2012)

* Source: Compiled by PWC from sustainability analysts: SAM (DJSI), MSCI, EIRIS, Sustainalytics, CDP, GS Sustain

** Peer Group: BBVA, ISP, DB, BARCL, UBS, HSBC, BNP, CS, UCI, SG, Citi, RBS, CMZ, WF, SAN, LLOYDS, CA, JPM, BoA
Why is Responsible Banking important to us?
BBVA

BBVA, a **banking model** based on:

1. **Diversification and leadership**
2. **Prudent management**
3. **Return adjusted to principles**
4. **Customer-centric**

Responsible Business Plan 2013-2015

Responsible Banking is at the core of our business model
We put **people** at the center of our business

A model that is based on good practice and the creation of long-term value for **all stakeholders**
BBVA’s stakeholders: **customers**

1. **Long term orientation**
   - Stable and perdurable relationships
   - Rejecting short-term opportunism
   - Linking compensation & long term goals

2. **Balanced relationship**
   - No asymmetries, balanced and equal relationship
   - Honesty, fairness, plain language
   - Responsible product design + best sales practices

3. **Commitment with the **impact and development**
   - Impact in people’s lives, in SMEs, local communities and country development
Employees are the ones who structure the relationship with customers and build trust and closer ties with them.

Great potential of internal ambassadors to extend the way we do responsible banking.

BBVA supports a culture of social engagement and shared values for the Group’s employees.
BBVA’s Corporate Social Responsibility policy aims at maximizing **positive impact on society**

- **Contribution to development of communities where we operate**
- **Improvement of social well-being of our clients**
- **Generation of wealth for stakeholders**
- **Investing in social programs, with focus on education**
How do we do Responsible Banking?
Encouraging transparent, clear and responsible (TCR) commercial communication

**TCR Communication**

Information about the benefits and costs associated with the products we offer

*Customer always making an informed decision*

**Top strategic priority: we must go further**

- **TCR summary pages before the contract is concluded** (Phase 1)
- **TCR contracts** (Phase 1)
- **TCR in digital banking & marketing** (Phase 2)

**Goal 2013-2015**

1st/2nd clearest and most transparent bank in major markets
2. Encouraging responsible banking penetration

Financial Literacy Programs

750,000 people have benefitted in Mexico, South America and the U.S. 2008-2013 (256,000 in 2013)

2.3 million on-line and face-to-face workshops (829,000 in 2013)

BBVA is the exclusive partner of the OECD for the new PISA financial literacy assessment

Best initiative in Latin America in 2010

Goal 2013-2015

1 million people benefitted in Mexico, South America, Spain and the US (of which 256,000 in 2013)

Data verified by Deloitte
Supporting SMEs growth and their social impact

**Yo soy Empleo (I am employment)**

- 4,500 SMEs supported to grow and create
- 6,500 jobs (30% SMEs new customers to BBVA)
- 3,000 SMEs selected to benefit from this training in Spain in 2013
- €26 Million committed

First company to adhere to the Strategy for Entrepreneurship and Youth Employment in Spain

**Goals 2013-2015**

- 10,000 economic grants given to SMEs (Yo soy empleo)
- 8,000 SMEs benefiting from business training programs

**Other local initiatives**

- Yo Soy Pyme (Mexico)
- Crédito flexible (Chile)
- Líneas ICO (Spain)
Promoting banking solutions for financial inclusion, specially in emerging markets

**BBVA Microfinance Foundation**

- 7 countries
- 1.5 million customers
- 481 branches
- 7,069 employees
- United Nations Award for Best Social Business in 2012

**Express Account**

- Low-cost product that has made easier for 2 million people to access financial services in Mexico

**Banking correspondents**

- Enhancing our point of sale network to avoid financial exclusion
- 27,700 service points
- 77 million transactions

**Goal 2013-2015**

Increase in the number of customers of microfinance institutions

Data verified by Deloitte
Supporting people with special needs

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

- **62,580** clients refinanced in light of payment difficulties
- **1000** families benefited by the integration program receiving
- **Up to 2,000** houses for social rent

**Plan for people with Different Capacities 2014**

- “BBVA Integra Award”: **€200,000** cash prize for entities supporting the social and labor integration of people with disabilities
- Contribution to provide with **2,400** employment contracts on the ordinary market in 2013 for disabled people
Driving social integration of children and adults

Valores de Futuro (Future Values)

Niños Adelante (Forward, children) scholarship program

NBA Cares - Team. Works. In school

3 million children participating in Spain, Mexico and Portugal in 2010-2013

400,000 - 1-year scholarships in Latin America in 2007-2013

Part of the Educational Goals 2021 initiative promoted by the OIS and comprises all the Ministries of Education in the region

4,400 beneficiaries in the U.S. with volunteers from BBVA Compass and NBA

Goal 2013-2015

2,000,000 beneficiaries of education for society programs

Data verified by Deloitte
Promoting science and culture

BBVA Foundation

- 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”
  - 8 categories
  - €3.2 million award
Promoting a culture of social commitment and shared values among employees

Global Corporate Volunteering Plan

5,900 BBVA volunteers in the world

Territorios Solidarios

€1.8 million in grants
178 projects approved
966 employees participating in Spain

Training

€39 million investment
46 hours of training per employee
97% employees trained during the year

Global Diversity Plan

BBVA is signatory of the Diversity Charter, the Women’s Empowerment Principles at UN Women and has obtained the “Equality in Company” award by the Ministry of Health, Social Services and Equality

Goal 2013-2015

+2 points internal employee reputation

Data verified by Deloitte
How do we measure value?
A differential model of banking that provides value for BBVA

Objectives

Reputation (internal and external) and positioning

Business

Social

Value drivers (1)

(1) Model (CSR)² by Mckinsey - SERES Foundation
GROWTH

• Business creation: Financial literacy workshops for clients BBVA Colombia:
  • 90% of clients with payrolls
  • Average of workshops for employee: 3.5
  • Satisfaction of participants: 4.3 /5
• Development of new products: BBVA Compass “First time homebuyer” loan

GET THE MORTGAGE BUILT FOR FIRST TIME HOME BUYERS

Required Financial Management Course

We want home affordability to last a lifetime. To make that happen, we ask that all first time homebuyers complete a financial presentation prepared by the FDIC. This course will help you understand the costs associated with a home and review basic financial management tips.

RETURN ON CAPITAL

• Building better debtors and savers: Pilot program in BBVA Bancomer:
  • 27% less of provisions in portfolios receiving financial literacy

RISK MANAGEMENT

• Improving relationship with regulators
Return of TCR Communication Program

GROWTH

- Business creation:
  - average importance of 9.33 on a scale from 0 to 10*
  - It is always the first or second most important aspect in order to be considered a responsible bank
- Increase of customer recommendation and non-customer consideration as a possible financial services provider
- High facility of digital banking hiring

* Source: Millward Brown based on 3,579 interviews in 8 countries

RETURN ON CAPITAL

- Decrease of complaints
- More efficiency of the commercial dialogue
- Increase of employees’ pride and motivation

RISK MANAGEMENT

- Minor risk of fines
- Minor cost for unfair commercial practices
- Better relation with regulators
- Minor reputational risk
BBVA’s impact on society
5 million people live in homes financed by BBVA

348,000 SMEs in the world supported by BBVA

1,117,000 microenterprises and self-employed professionals supported by BBVA

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Creating wealth

€9,800 M contribution through paid and accrued taxes

€890 M investment in technology and innovation

€1,100 average dividend

1 million individual shareholders

2013 Data verified by Deloitte
BBVA’s impact on society

Job creation

- **6,500** new permanent hires at BBVA
- **3,400** new employees with YSE support project
- **59%** under 30 years old

Contributions to society

- **€97 M** investment in social programs (direct contribution to society)
- **1.5 million** beneficiaries of social programs in education
- **6 million** beneficiaries from BBVA Microfinance Foundation activity

2013 Data verified by Deloitte
For further information

www.bbvaresponsiblebanking.com
Responsible Banking

A different way of banking

November 2014