Responsible Banking
A different way of banking
March 2017
Summary

01 What do we mean by Responsible Banking?
02 How do we do Responsible Banking?
03 BBVA’s impact on society
What do we mean by Responsible Banking at BBVA?
Responsible banking policy, a driver to deliver our purpose every day

Our purpose
To bring the age of opportunity to everyone

Aligned with our vision of the future
Helping customers to achieve their life goals
Be more than a bank, be an engine of opportunities

Having a true impact on people’s lives and business

Mission of our responsible banking policy
To manage the responsibility that comes from the impact of BBVA’s activities on people & society
Holistic approach to responsible banking

Return adjusted to principles

With a multistakeholder approach

And with the whole bank involved

- Business Units & Support Areas are integrating it in their operational models
- Responsible Business function working mainly as a second line to challenge and give support to all areas

Role of Responsible Business: 2nd line 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

- Approval and monitoring of the CSR policy and responsible business plan
- Report to plenary (twice a year) & to different committees

Global Leadership
(twice a year)
Local Leadership

Operational Model

Responsible Business co-dependency: Customer Solutions & Communications
Global & local teams
(140 people)
International standards with BBVA’s active participation
How do we do Responsible Banking?
1. Reputational Risk Management Model

Outcomes
(Global & local)

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 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
1st clearest and most transparent bank in major markets
# What are we doing?

## TCR to transform the traditional bank

<table>
<thead>
<tr>
<th>TCR advertising code</th>
<th>TCR summary pages &amp; commercial protocols</th>
<th>TCR external sales &amp; call centers</th>
<th>TCR contracts</th>
<th>TCR complaints management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apply to all main campaigns</td>
<td>550 SP covering 90% of sales in 8 Countries</td>
<td>News scripts in 4 countries</td>
<td>27 contracts in 8 Countries</td>
<td>Pilot in Colombia</td>
</tr>
</tbody>
</table>

## TCR to create the new bank

<table>
<thead>
<tr>
<th>TCR in SDA* customer solutions</th>
<th>TCR in agile methodology</th>
<th>TCR training &amp; UX system</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCR specialists in global SDA, TCR guardians in local SDA</td>
<td>TCR specialists in global SDA, TCR guardians in local SDA</td>
<td>800 people trained</td>
</tr>
</tbody>
</table>

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(*) SDA: Single Development Agenda
ROI for TCR relationships (example)

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

**Return on Capital**
- Less 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

RSC2 Model developed by McKinsey & Seres Foundation
3. Financial Education & Capability Building

Financial education for society

More than 2.5 million participants

€10 million invested

Financial capabilities into customer solutions

Advocacy & knowledge generation

Data verified by Deloitte
4. Promoting banking solutions for Financial Inclusion, specially in emerging markets

**BBVA Microfinance Foundation**

- **5 Countries**
- **+1.8 million customers**
- **507 branches**
- **8,038 employees**

**Financial inclusion segment**

- **+9.5 million customers** in Mexico, South America, Spain & Portugal
- **Low-cost digital channels** and **easy-to-use products**

- **Cuenta Express**: **+3.5 million** active accounts
- **Banking correspondants**: **+50,000**
- **Remittances**: **+70 million** transactions/year

United Nations Award for Best Social Business in 2012

United Nations grants consultative status to BBVA Microfinance Foundation

Data verified by Deloitte
5. Climate strategy

Reduction of direct impacts


- 8% CO2 emissions
- 5% paper consumption
- 5% water consumption
- 5% electricity consumption
- 42% people working in certified buildings (ISO, LEED)
- 48% of energy from renewable sources

Providing climate finance solutions

- Leading in renewable energy funding: 5,194 MW financed for a total of €4,444M
- Leading Spanish institution in green bonds underwriting: €5,350M in 2016
- 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

Integration of environmental factors into risk management*

Sustainable Finance and Customers

(*) See next slide
## 6. Integration of environmental & social factors in risk management

<table>
<thead>
<tr>
<th>Environmental Policy</th>
<th>Continually improve the identification and management of environmental risks in the Group’s operations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equator Principles</td>
<td>Reviewing all operations under the EP, regardless of the amount. Application beyond their mandatory scope.</td>
</tr>
<tr>
<td>Rules of Conduct in Defense</td>
<td>Applied in all countries. Exclusion lists of companies and countries updated quarterly.</td>
</tr>
<tr>
<td>Social Housing Policy</td>
<td>Analysis of every case by the Committee for the Protection of Mortgage Debtors. Providing individual solutions in accordance with each family's specific situation.</td>
</tr>
<tr>
<td>Ecorating tool</td>
<td>Risk portfolio rating of SMEs from an environmental perspective. Applied in Spain and Mexico.</td>
</tr>
<tr>
<td>Responsible lending</td>
<td>Corporate Retail Credit Risk Policy and Specific Rules on responsible granting of loans and consumer credit.</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Specific commitment and global due diligence in process perspective.</td>
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</table>
7. Development of high social impact customers solutions

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

- 66,000 clients refinanced in light of payment difficulties
- 4,000 houses for social rent
- Over 1,800 families benefited by the integration program

**BBVA commitment in US on CRA**

- 6 year commitment of $11,000 million in loans, investments and services pledge for low income communities

**SMEs integral support in all markets**

- Yo Soy Pyme
- Crédito flexible
- Líneas ICO & Yo Soy Empleo Academy
- Women entrepreneurs

**BBVA Compass**
8. 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
9. Promotion of a culture of social commitment and shared values among employees

<table>
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<tr>
<th>Global Corporate Volunteering Plan</th>
<th>Training</th>
<th>Territorios Solidarios</th>
<th>Global Diversity Plan</th>
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<tbody>
<tr>
<td>+8,000 BBVA volunteers devoted +100,000 hours</td>
<td>€45.5 million investment</td>
<td>€1.6 million in grants</td>
<td>20.8% women in the management team</td>
</tr>
<tr>
<td>39 hours of training per employee</td>
<td>176 charitable projects approved and +1 million people benefited</td>
<td>54% women / 46% men</td>
<td></td>
</tr>
<tr>
<td>91% employees trained</td>
<td></td>
<td>Diversity Charter and UN Women’s Empowerment Principles signatory</td>
<td></td>
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</tbody>
</table>

Data 2016 verified by Deloitte
10. Other Social programs: education, entrepreneurship, science & culture

Education
- Mexico
- Turkey
- Spain

Entrepreneurship
- Integral program to support social enterprises in their growth
- Program to identify, award & support fintech start-ups

Science & culture
- 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”
BBVA’s impact on society
BBVA’s impact on society

Contribution to development - customer support

€122,793M in homes financed

2.5 million SMEs, micro-enterprises and self-employed workers supported

€23,552M of finance granted to SMEs, micro-enterprises and self-employed workers

Creating wealth

€9,440M contribution through paid and accrued taxes

€5,267M paid in salaries and wages

€1,043M of remuneration in cash to shareholders

Contributions to society

€92,7 M investment in social programs

150,165 children and young people with integration grants

1.8 million customers supported by the BBVA Microfinance Foundation

2016 Data verified by Deloitte
For further information

www.bbbvaresponsiblebanking.com