

# About this report

BBVA in 2016 is a report published every year that presents the most relevant financial and non-financial information about BBVA Group in 2016, supplemented with other documents and reports published by the Bank. The aim is to provide information on the Group's strategy and performance during the year, with a focus on events that are relevant for our stakeholders. For this purpose, BBVA in 2016 is a report which is interconnected with the rest of the annual information through links and references.



Prepared jointly by the Financial Communication & External Reporting and Responsible Business departments, and with the collaboration of different areas and departments in the whole Bank, BBVA in 2016 follows the latest international reporting trends, such as the IIRC Conceptual Framework, the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G4) and the Institute for Social and Ethical Accountability AA1000 standard.

# 1. Letter from the Group Executive Chairman

Dear Shareholder,

In 2016, the global economy grew by 3.0%, somewhat below the 2015 figure. The macroeconomic environment was affected by high levels of volatility in the financial markets, mainly in the first quarter of the year, with major falls in commodity prices and uncertainty regarding the U.S. and Chinese economies. Recovery was slow over the year and shaped by unexpected political events, depreciation in some emerging countries and geopolitical tension in the Middle East.

Overall, the emerging economies recorded growth of 4.0%, compared with 4.1% in 2015. Growth in developed economies declined to 1.6% from 2.2% in 2015, due largely to the slowdown in the United States.

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**BBVA's net attributable profit amounted to €3,475m, the highest figure since 2010, a year-on-year increase of nearly 32% in current euros and 61% in constant euros**

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Against this backdrop, BBVA's net attributable profit amounted to €3,475m, the highest figure since 2010, a year-on-year increase of nearly 32% in current euros and 61% in constant euros (i.e. not including exchange-rate variations). BBVA achieved these results thanks to improved revenues, cost control and lower loan-loss provisions.

The Group's main risk indicators also improved in 2016. The NPL coverage ratio remained high, the NPL ratio fell to 4.9% and the cost of risk declined by 22 basis points to 0.84%.

BBVA closed the year with a very sound capital position, with a fully-loaded CET1 capital ratio of 10.9%, far higher than the levels required by the regulator, and an increase of 58 basis points on the figure at the close of 2015.

In 2016, we continued to make progress in our transformation process. We began this process some years ago and are ahead of the rest of the industry, with a multi-dimensional vision that includes new platforms and processes, new

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**Over the years we have managed short-term difficulties without losing sight of the medium and long term. We have dealt with all the challenges that have arisen along the way, without wavering from our main project: the transformation of BBVA**

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capacities and talent, a new corporate culture, new work spaces and ways of working, a new organizational structure, new products and businesses and active participation in the digital ecosystem.

Over these years we have managed short-term difficulties without losing sight of the medium and long term. We have dealt with all the challenges that have arisen along the way, without wavering from our main project: the transformation of BBVA.

Our transformation process is now gathering pace. In 2016, we entered fully in the execution phase, creating the new capacities needed for banking in the 21st century and defining a new relationship standard with our customers. They are the great beneficiaries of the BBVA project, and the results are very tangible.

In Spain, according to a survey by Accenture among retail customers, our Bank has the highest proportion of customers with a digital profile among our peers, at 41%, and the figure is growing fast. BBVA also has the highest rating for online banking, branches, ATMs and mobile banking apps in Spain. The survey shows that retail banking customers value BBVA very positively compared with its peers in products such as current accounts, deposits, securities, cards and insurance, and give us the top score when assessing the banking sector's digital transformation.

In other countries, BBVA is ranked high in the surveys and we continue working very hard to be in the top spot in all the markets where we operate.

In 2016, BBVA established its responsible banking priorities for the coming years within the framework of a new Strategic Plan. This includes creating transparent, clear

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**In 2016, BBVA established its responsible banking priorities for the coming years within the framework of a new Strategic Plan and continued to develop educational, economic, cultural and scientific programs around the world**

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and responsible relations with our customers, integrating financial literacy in the solutions we offer, promoting responsible and sustainable growth and investment in the community, with financial literacy initiatives for the community, entrepreneurship and knowledge.

The BBVA Foundation also continued to develop economic, cultural and scientific programs. The BBVA Microfinance Foundation, which in 2017 will celebrate its 10th anniversary, was recognized by the United Nations for its contribution to the Sustainable Development Goals. BBVA also reaffirmed its commitment to the United Nations Global Compact's principles.

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**2016 was a good year for BBVA. We increased our earnings and made major progress in our Strategic Priorities**

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2016 was a good year for BBVA. We increased our earnings and made major progress in our Strategic Priorities: we have taken a quantitative leap forward in customer experience, grown digital sales, developed new business models, strengthened our capital position, improved our efficiency and enhanced the workforce, combining the best banking talent with new digital profiles.

I would like to congratulate the more than 134,000 men and women who work at BBVA Group around the world and who make us a better bank. I encourage them to continue working with the same enthusiasm and dedication.

And thank you, our shareholders, for the support you have shown us. Your trust motivates us to continue working with greater enthusiasm and drive, constructing a new banking standard of service and creating opportunities for all.



March 1, 2017

**Francisco González Rodríguez**

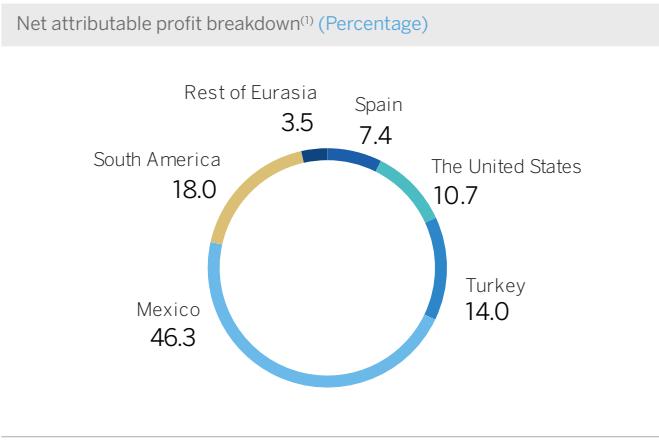
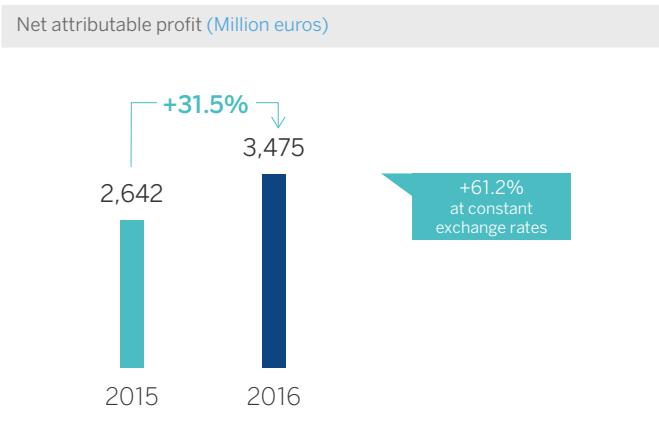
# 2. Performance

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## 2.1. BBVA in figures

### 2.1.1. Results

In 2016, BBVA Group generated a **net attributable profit** of €3,475m, with a positive trend despite the difficult macroeconomic environment during the year and the need for a provision related to the so called "mortgage floor clauses". This positive trend is supported by good geographic diversification and a well defined and executed strategy.

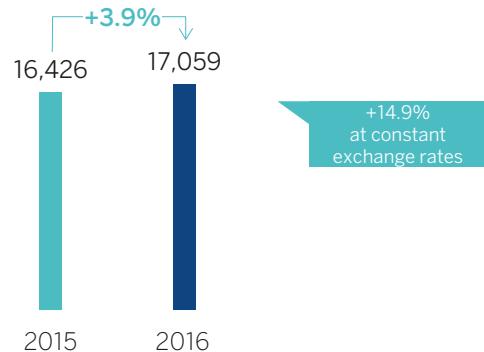


<sup>(1)</sup> Excludes the Corporate Center.

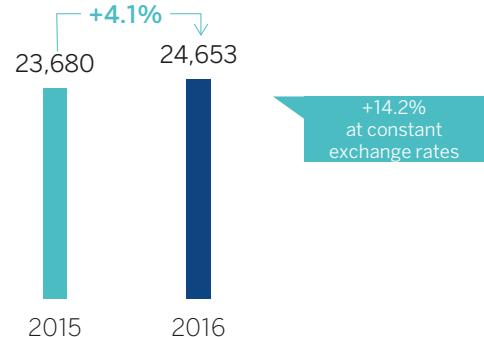
#### Highlights:

- Positive performance of revenues.

#### Net interest income (Million euros)



#### Gross income (Million euros)

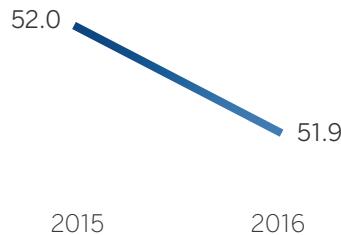


- Limited growth of operating expenses, which have grown below the rate of increase in gross income; thus improving the efficiency ratio.

#### Operating expenses (Million euros)

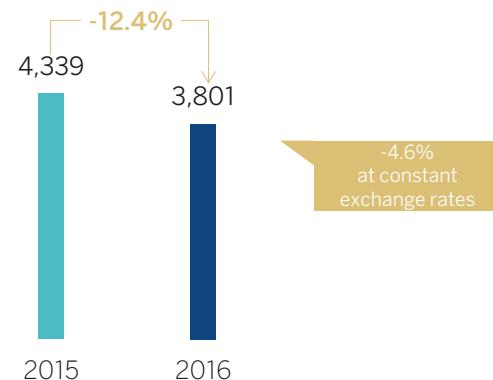


## Efficiency ratio (Percentage)



3. Reduction in impairment losses on financial assets.

## Impairment losses on financial assets (Million euros)



4. Increase in allocation to provisions, strongly affected by the booking of the provisions covering the contingency of possible future claims by customers as a result of the judgment by the Court of Justice of the European Union (CJEU) on "mortgage floor clauses" in loans with consumers.
5. Reduction in other gains (losses), mainly as a result of increased provisioning requirements for properties.

Consolidated income statement<sup>(1)</sup> (Million euros)

	2016	Δ%	Δ% at constant exchange rates	2015
Net interest income	17,059	3.9	14.9	16,426
Net fees and commissions	4,718	0.3	8.5	4,705
Net trading income	2,132	6.1	16.2	2,009
Dividend income	467	12.4	13.5	415
Share of profit loss of entities accounted for using the equity method	25	n.m.	n.m.	8
Other operating income and expenses	252	114.5	86.5	117
<b>Gross income</b>	<b>24,653</b>	<b>4.1</b>	<b>14.2</b>	<b>23,680</b>
Operating expenses	(12,791)	3.9	11.9	(12,317)
Personnel expenses	(6,722)	5.4	12.6	(6,377)
Other administrative expenses	(4,644)	(0.1)	9.5	(4,650)
Depreciation	(1,426)	10.5	16.6	(1,290)
<b>Operating income</b>	<b>11,862</b>	<b>4.4</b>	<b>16.9</b>	<b>11,363</b>
Impairment on financial assets (net)	(3,801)	(12.4)	(4.6)	(4,339)
Provisions (net)	(1,186)	61.9	73.5	(733)
Other gains (losses)	(482)	17.0	16.6	(412)
<b>Income before tax</b>	<b>6,392</b>	<b>8.7</b>	<b>26.2</b>	<b>5,879</b>
Income tax	(1,699)	17.9	43.1	(1,441)
<b>Net income from ongoing operations</b>	<b>4,693</b>	<b>5.7</b>	<b>21.0</b>	<b>4,438</b>
Results from corporate operations <sup>(2)</sup>	-	-	-	(1,109)
<b>Net income</b>	<b>4,693</b>	<b>41.0</b>	<b>69.5</b>	<b>3,328</b>
Non-controlling interests	(1,218)	77.5	98.4	(686)
<b>Net attributable profit</b>	<b>3,475</b>	<b>31.5</b>	<b>61.2</b>	<b>2,642</b>
<b>Attributable profit without corporate transactions</b>	<b>3,475</b>	<b>(7.4)</b>	<b>6.4</b>	<b>3,752</b>
<b>Earning per share (euros)<sup>(3)</sup></b>	<b>0.50</b>			<b>0.37</b>
<b>Earning per share (excluding corporate operations; euros)<sup>(3)</sup></b>	<b>0.50</b>			<b>0.54</b>

<sup>(1)</sup> From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

<sup>(2)</sup> 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the goodwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

<sup>(3)</sup> Adjusted by additional Tier I instrument remuneration.

To ensure comparable figures, the Group's income statement with year-on-year rates of change and Turkey in comparable

terms is presented below (to isolate the effects of the purchase of an additional 14.89% stake in Garanti).

Evolution of the consolidated income statement with Turkey in comparable terms <sup>(1)</sup> (Million euros)

	2016	Δ%	Δ% at constant exchange rates
Net interest income	17,059	(3.6)	7.0
Net fees and commissions	4,718	(5.6)	2.5
Net trading income	2,132	9.7	19.8
Other income/expenses	744	31.1	31.1
<b>Gross income</b>	<b>24,653</b>	<b>(2.2)</b>	<b>7.7</b>
Operating expenses	(12,791)	(1.4)	6.6
<b>Operating income</b>	<b>11,862</b>	<b>(3.1)</b>	<b>8.9</b>
Impairment on financial assets (net)	(3,801)	(16.5)	(8.8)
Provisions (net) and other gains (losses)	(1,669)	46.0	52.3
<b>Income before tax</b>	<b>6,392</b>	<b>(2.3)</b>	<b>13.5</b>
Income tax	(1,699)	7.8	30.5
<b>Net income from ongoing operations</b>	<b>4,693</b>	<b>(5.5)</b>	<b>8.4</b>
Results from corporate operations <sup>(2)</sup>	-	-	-
<b>Net income</b>	<b>4,693</b>	<b>21.7</b>	<b>45.7</b>
Non-controlling interests	(1,218)	9.9	24.9
<b>Net attributable profit</b>	<b>3,475</b>	<b>26.5</b>	<b>54.7</b>
<b>Attributable profit without corporate transactions</b>	<b>3,475</b>	<b>(9.9)</b>	<b>3.6</b>

<sup>(1)</sup> Variations taking into account the financial statements of Garanti Group calculated by the full integration method since January 1, 2015, without involving a change of the data already published.

<sup>(2)</sup> 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the goodwill from the CX operation, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti and the impact of the sale of BBVA's 29.68% stake in CIFH.

A detailed explanation about the Group's results can be found in the Consolidated Annual Accounts, the [Management Report](#) and the Auditors' Report.

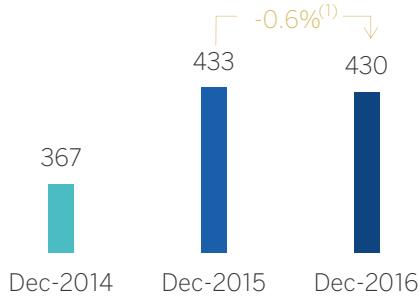
## 2.1.2. Balance sheet and activity

BBVA Group managed €731,856m of assets as of 31-Dec-2016. The most notable aspects of this activity are:

1. Slight slowdown in **lending** due to its performance in the domestic sector, though the non-domestic sector remains robust. Despite the good performance from new production in the domestic sector, its balance declined due to weaker activity with institutions and higher repayments on mortgage loans.

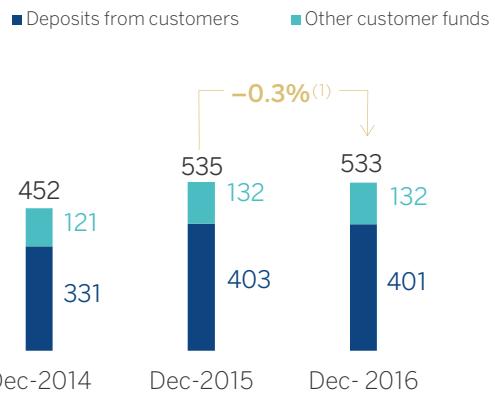
2. Downward trend in **non-performing loans**, particularly in Spain, Turkey and Mexico.
3. Slight downturn in **deposits**, strongly affected by a significant fall in balances from the public sector. In contrast, favorable performance of the most liquid and lower-cost items.
4. **Off-balance sheet funds** were flat, with the most outstanding features being a positive performance in Spain and the adverse exchange-rate effect.

Loans and advances to customers (gross) (Billion euros)



<sup>(1)</sup>At constant exchange rates +2.1%.

Customer funds (Billion euros)



<sup>(1)</sup>At constant exchange rates +1.5%.

## Consolidated balance sheet (Million euros)

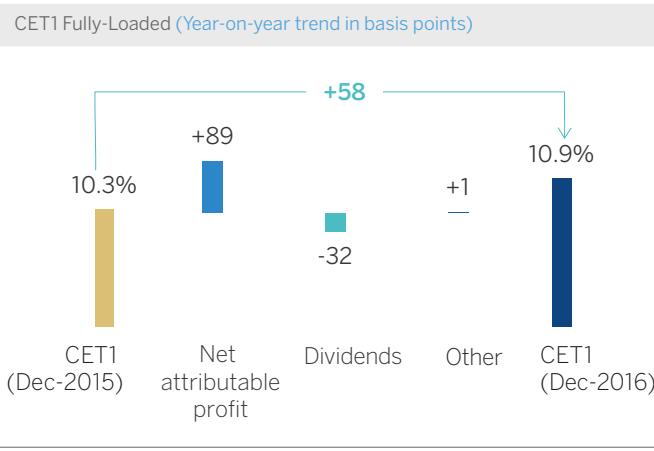
	31-12-16	Δ%	31-12-15
Cash, cash balances at central banks and other demand deposits	40,039	36.7	29,282
Financial assets held for trading	74,950	(4.3)	78,326
Other financial assets designated at fair value through profit or loss	2,062	(10.8)	2,311
Available-for-sale financial assets	79,221	(30.2)	113,426
Loans and receivables	465,977	(1.2)	471,828
Loans and advances to central banks and credit institutions	40,268	(14.6)	47,147
Loans and advances to customers	414,500	0.1	414,165
Debt securities	11,209	6.6	10,516
Held-to-maturity investments	17,696	n.m.	-
Investments in subsidiaries, joint ventures and associates	765	(13.0)	879
Tangible assets	8,941	(10.1)	9,944
Intangible assets	9,786	(2.7)	10,052
Other assets	32,418	(4.1)	33,807
<b>Total assets</b>	<b>731,856</b>	<b>(2.4)</b>	<b>749,855</b>
Financial liabilities held for trading	54,675	(1.0)	55,202
Other financial liabilities designated at fair value through profit or loss	2,338	(11.7)	2,649
Financial liabilities at amortized cost	589,210	(2.8)	606,113
Deposits from central banks and credit institutions	98,241	(9.6)	108,630
Deposits from customers	401,465	(0.5)	403,362
Debt certificates	76,375	(6.8)	81,980
Other financial liabilities	13,129	8.1	12,141
Memorandum item: subordinated liabilities	17,230	7.0	16,109
Liabilities under insurance contracts	9,139	(2.8)	9,407
Other liabilities	21,066	(0.6)	21,202
<b>Total liabilities</b>	<b>676,428</b>	<b>(2.6)</b>	<b>694,573</b>
Non-controlling interests	8,064	0.9	7,992
Accumulated other comprehensive income	(5,458)	63.0	(3,349)
Shareholders' funds	52,821	4.3	50,639
<b>Total equity</b>	<b>55,428</b>	<b>0.3</b>	<b>55,282</b>
<b>Total equity and liabilities</b>	<b>731,856</b>	<b>(2.4)</b>	<b>749,855</b>
<b>Memorandum item:</b>			
Collateral given	50,540	1.3	49,876

A detailed explanation about the Group's balance sheet and activity can be found in the Consolidated Annual Accounts, the [Management Report and the Auditors' Report](#).

## 2.1.3. Solvency

BBVA Group closed 2016 with a capital adequacy position above regulatory requirements. Of note in this regard are:

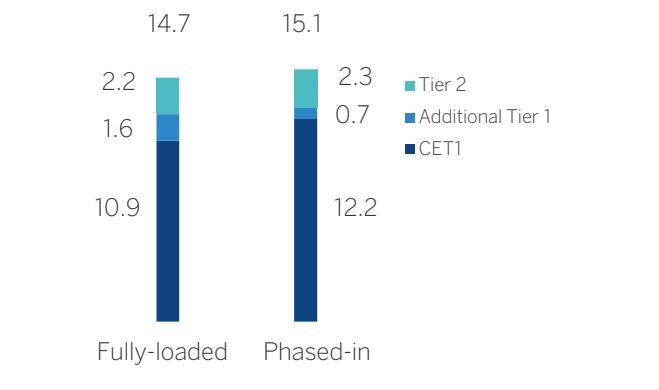
1. The fully-loaded **CET1** ratio was 10.9%, with the phased-in ratio standing at 12.2%.



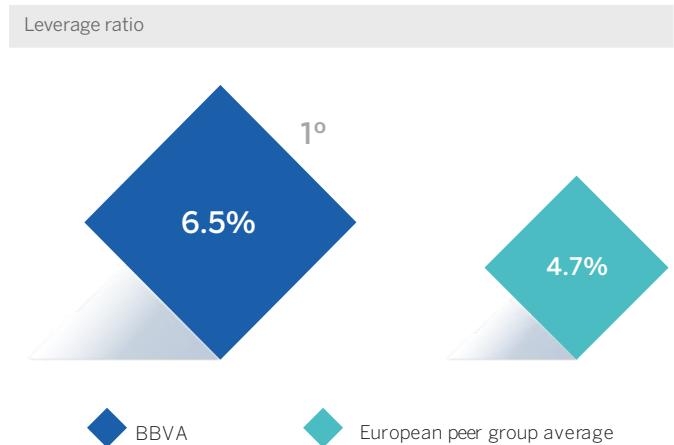
We maintain our 11% CET1 fully-loaded target for 2017.

2. The total fully-loaded capital ratio closed at 14.7%, and the phased-in ratio at 15.1%

Capital ratios (Percentage. 31-12-2016)



3. High capital quality, with leverage levels that continue to compare very favorably with the rest of its peer group.



European peer group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG. European peer group figures as of September. BBVA figures as of December 2016.

Capital base <sup>(1)</sup> (Million euros)

	CRD IV phased-in				
	31-12-2016	30-09-2016	30-06-16	31-03-16	31-12-15
Common Equity Tier 1 (CET 1)	47,370	47,801	47,559	46,471	48,554
Tier 1	50,083	50,545	50,364	48,272	48,554
Tier 2	8,810	11,635	11,742	11,566	11,646
<b>Total Capital (Tier 1 + Tier 2)</b>	<b>58,893</b>	<b>62,180</b>	<b>62,106</b>	<b>59,838</b>	<b>60,200</b>
<b>Risk-weighted assets</b>	<b>388,951</b>	<b>389,814</b>	<b>395,085</b>	<b>399,270</b>	<b>401,277</b>
CET1(%)	12.2	12.3	12.0	11.6	12.1
Tier 1 (%)	12.9	13.0	12.7	12.1	12.1
Tier 2 (%)	2.3	3.0	3.0	2.9	2.9
<b>Total capital ratio (%)</b>	<b>15.1</b>	<b>15.9</b>	<b>15.7</b>	<b>15.0</b>	<b>15.0</b>

<sup>(1)</sup> The capital ratios are calculated under CRD IV from Basel III regulation, applying a 60% phase-in for 2016 and a 40% for 2015.

A detailed explanation about the Group's solvency can be found in the Consolidated Annual Accounts, the [Management Report and the Auditors' Report](#) and in the [Pillar III report](#).

## 2.1.4. Global Risk Management

BBVA Group has closed 2016 with a very positive trend in the main asset quality indicators.

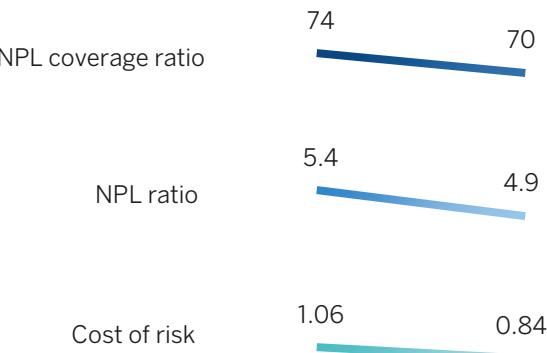
1. Slight reduction in credit risk during the year due to the adverse exchange-rate effect, and favorable performance of **non-performing loans**, which declined 9.2% in year-on-year terms.

Non-performing loans (Million euros)



2. Improvement in the main risk **indicators**.

Risk indicators (Percentage)



Credit risks <sup>(1)</sup> (Million euros)

	31-12-16	31-12-15
Non-performing loans and contingent liabilities	23,595	25,996
Credit risks	480,720	482,518
Provisions	16,573	19,405
NPL ratio (%)	4.9	5.4
NPL coverage ratio (%)	70	74

<sup>(1)</sup> Include gross customer lending plus contingent exposures.

Non-performing loans evolution (Million euros)

	2016	2015
<b>Beginning balance</b>	<b>25,996</b>	<b>23,590</b>
Entries	10,957	9,510
Recoveries	(7,633)	(7,040)
<b>Net variation</b>	<b>3,324</b>	<b>2,470</b>
Write-offs	(5,592)	(5,027)
Exchange rate differences and other	(134)	4,964
<b>Period-end balance</b>	<b>23,595</b>	<b>25,996</b>
<b>Memorandum item:</b>		
Non-performing loans	22,915	25,333
Non-performing contingent liabilities	680	664

A detailed explanation about the Group's risk management can be found in the [Note 7 of Consolidated Annual Accounts, the Management Report and the Auditors' Report](#).

## 2.1.5. Impact on people through the business

Banks have a **simple role in society**: to attract the savings of families, companies and other agents with the aim of preserving them and making them grow; and to lend them, with rigor and prudence, to third parties. These loans can drive the development of personal, business and public-sector projects that make the improvement of our present and future possible. As a bank, BBVA helps people and companies make the best financial decisions by providing guidance and clear, transparent and responsible information.

In addition to its role as a bank, BBVA strives to achieve its **Purpose** of bringing the age of opportunity to everyone and its **aspiration** to strengthen relations with its customers. We do all this because we believe that we are more than just a bank: we are creators of opportunities. In this way, our Purpose and our aspiration have a positive impact on people's lives and on the societies in which we operate. **BBVA, Creating Opportunities.**

### Wealth creation

The income generated from our financial activity goes back into society in the form of salaries and wages for employees, payments to suppliers, taxes and distribution of dividends to shareholders, generating wealth for our stakeholders.

- 935,284 shareholders received €1,043m of remuneration in cash.
- 134,792 employees earned €5,267m in salaries and wages.
- 39 hours of training per year per employee, with an investment of €45.5m.
- 4,240 suppliers were paid €7,751m<sup>1</sup>.
- €9,440m in taxes accrued and collected from BBVA's business activity
- €24,692m of economic value generated, which accounts for 0.5% of the GDP of the economies in which BBVA operates.

### Contribution to growth and welfare

We have a positive impact on the lives of our customers through our products and services, which create the opportunities they need to carry out their projects and manage their savings.

- 70 million customers in 35 countries; 18 million digital customers.
- We finance homes for a total amount of €122,758m.
- We manage pension plans for a total value of €33,418m.
- 2,555,542 SMEs, micro-enterprises and self-employed workers supported or financed by BBVA.
- 9,799,905 customers included in the financial inclusion segment.
- 1.8 million micro-entrepreneurs supported or financed with €1,009m from the BBVA Microfinance Foundation.

### Direct contribution to society

In addition to the impact we generate through the business, we develop social programs via our own initiatives in financial literacy, education in values and entrepreneurship; or through our foundations, which run programs that generate a positive impact on society and benefit a variety of groups.

- More than €93m allocated to social programs, 2.7% of the Group's net attributable profit.
- 150,165 participants have benefited from our programs providing education in values, with an investment of €23.7m.
- €10m invested in financial education programs, in which 2.1m people have participated.
- €6.9m allocated to social entrepreneurship, which have benefited more than 1.8 million entrepreneurs.
- €25m allocated to knowledge, education and culture programs by the BBVA Foundation.

### Contribution to sustainable development

We try to minimize the negative impact of our activity, as well as taking advantage of opportunities arising from new sustainable financial models.

- €4.444m allocated for financing renewable energy operations.
- 5.02% reduction in water consumption per person.
- 5.79% reduction in CO<sub>2</sub> emission per person.

<sup>1</sup> It excludes Turkey

- 40% of the workforce works in environmentally certified buildings.
- €5,350m of green and social bond issues placed.

The [Society section](#) provides a more detailed explanation of all of these impacts.

[Annex 1 - Economic Value Generated, Distributed and Retained](#)

## 2.2. Business areas

### 2.2.1. Banking activity in Spain



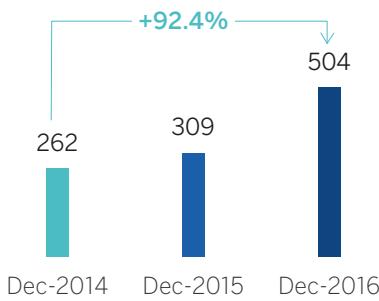
2016  
Net attributable profit  
€ 912 M  
-16.0% vs. 2015

- Decline in lending, but good performance of the more liquid deposits and off-balance sheet funds.
- Weaker revenues due to environment.
- Good evolution in costs and impairments.
- Impact of mortgage floor clauses.
- Risk indicators continue to improve.

#### Definition of the area

This business area includes the Commercial Banking, Consumer Finance, Corporate and Business Banking (CBB), Corporate & Investment Banking (CIB), BBVA Seguros and Asset Management units. It also includes the portfolios, finance and structural interest-rate positions of the euro balance sheet. In addition, in September 2016 the merger of Catalunya Bank (CX) was successfully completed with the integration of the CX business in the BBVA systems.

Active remote clients<sup>(1)</sup> (Banking activity in Spain. Thousands)



<sup>(1)</sup> Attended through remote advisors.

#### Management priorities

Development of the strategic roadmap for the area

In line with the six Strategic Priorities defined by the Group, this area established a **Growth Plan** a year ago, whose priority objectives are to improve customer experience, boost digital sales, optimize capital consumption and increase efficiency continuously as key levers to drive business profitability.

In line with this Plan, the area has advanced along its strategic roadmap based on four core **elements**: transformation and development of the distribution model, development of a new value proposition for customers, adaptation of the ways of acting and working to the new environment, and leadership in customer experience.

#### A. Transformation and development of the distribution model

For **individual customers**, the new distribution model is focused on Retail Banking Hubs (CB); in other words, centers offering specialized advice, with the capacity for remote management (the *BBVA Contigo* manager) as a core element of the model. These centers have managers specializing in segmented customer service and advice, boosting customer relations with the Bank through the channel that is most suitable and convenient for them. In this model, the CB manager is responsible for the overall management of the customers in the Bank, regardless of the relationship channel.

#### Retail Banking

Experts in managing customers across all channels: face-to-face, remote and digital



Boosting each sale through the most suitable channel for the customer

Digital ambassador specializing in digital culture

In the world of **small companies** work is being done on the development of a distribution model based on high-value advice and extreme specialization, which is levered on the new "1+9" model: a relationship manager, responsible for the overall customer relations with the Bank, supported by a team of nine product specialists (insurance, renting, foreign trade -Comex-, payment channels, investment banking, etc.) based on improvements in customer service. It is particularly focused on the flexibility and speed of response, thanks to the new tools boosting manager mobility, the redesign of processes and improvement of response times by support areas.

#### B. New value proposition for customers

Digital disruption and easy access to information has generated changes in our customers' needs and behavior. Customers' demands for more immediacy and customization have led us to drive **digital sales** through a new value offering with three key lines:

New value proposition

#### ✓ Convenience

Mobile as the key relationship device

#### ✓ Simplicity

Transparent and reliable

Simple products

Very simple buying processes

#### ✓ Advice

Advice supported by the innovative tools (Commerce 360. BBVA Valora...)

- A more comfortable and appropriate, in other words, convenient **channel**, through the development of multiple new mobile applications already in the hands of our customers, under the umbrella of the well-known "Revolution of small things" campaign. By way of example: Immediate registration (allows people to open an account and become customers 100% online by mobile phone), remote signature, my conversations, push notifications, ability to request appointments by mobile phone, reservation of turn at

teller and consultation of waiting times in branches, etc.

Convenience: the revolution of small things

✓ Website and smart phone registration "Alta inmediaita"

Become a customer is very simple

✓ Advanced digital servicing (Bizum, on-off, notifications)

All servicing in my app

✓ Call logged and contextualized

My remote manager on my smartphone

✓ My conversations

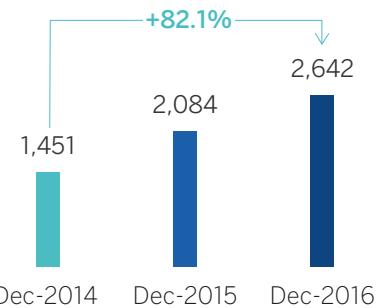
✓ Prior appointment

No waiting in the branch

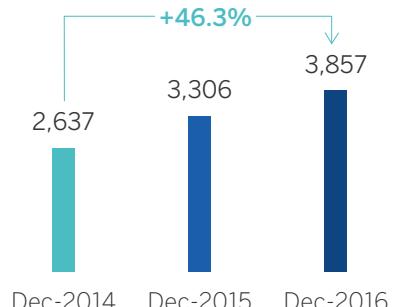
✓ Turn at teller and query: saturation of branch teller

✓ Prioritization

Customers through mobile (Banking activity in Spain. Thousands)



Digital customers (Banking activity in Spain. Thousands)



Digital Sales (Banking activity in Spain. Percentage of total sales YTD, number of transactions)



December 2015   December 2016

- b. Simple, transparent and straightforward **offering**; in other words, make simple and transparent products and services available for customers in person, online and via mobile devices and simplifying the digital application process and timing as much as possible.

Simple & transparent

- ✓ **Transparent, Clear & Responsable communication**
- ✓ **Things to stop doing (10 out 12 measures implemented)**
- ✓ **73% of products contracted via web and 53% of products via smartphone (October)**

Transparent

Very simple paperwork

- c. **Advice**, a key that clearly differentiates BBVA in quality and immediacy in comparison with its peers. By way of example: *Mi día a día* is an application to control the household economy that categorizes and predicts income and expenses, creates budgets or helps users save, by setting "savings targets" with notifications and intermediate objectives; and *BBVA Valora*, a website and pioneering application in the sector, which in six months has achieved a million searches and that advises on the buying and selling of properties, gives information and allows exploration of the chosen neighborhood, values the home and offers advice and a prior simulation of finance.

Advisory

- ✓ **Personal Financial Management**
- ✓ **Budgets**

Control my day-to-day life

- ✓ **Accounts goals (October)**
- ✓ **BBVA Valora**
- ✓ **360 Commerce**

Helps me to save

Helps me with important decisions

#### C. Adaptation of the ways of acting and working to the new environment

The process of digital transformation underway in the area involves undertaking changes in our productive model, processes and ways of acting to achieve progress in efficiency and productivity that are compatible with operational excellence and improvement of customer experience.

- a. **Ways of working**: the teams that head up digital transformation work with the agile methodology, by which multidisciplinary teams are organized in scrums to achieve a clear objective that in turn is divided into quarterly deliverables.

At the same time the area has a new organizational model, with flatter and more flexible structures.

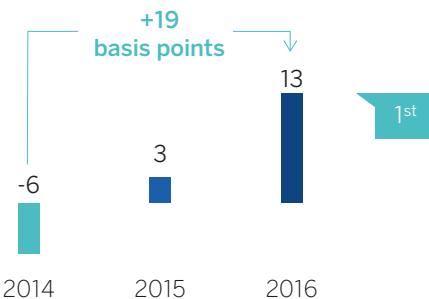
- b. **The Process Plan and new IT model** represents the redesign of the main operations and processes with the aim of optimizing response times and reducing the number of incidents to zero.

#### D. Leadership in customer experience

In 2016 the area has consolidated its leading position among traditional banking institutions<sup>2</sup> in terms of recommendations by individual customers (**Net Promoter Score** index). This leading position is based on the strategy developed over recent years, which puts the customer at the heart of the business and which is focused on minimizing the aspects that generate customer complaints and on improving on-site and remote attention and the quality of service offered. All this has also allowed a very significant reduction in the customer attrition rate.

<sup>2</sup> Santander, Caixabank, Bankia, Sabadell and Popular.

Net Promoter Score (NPS)<sup>(1)</sup> (Banking activity in Spain. Percentage)

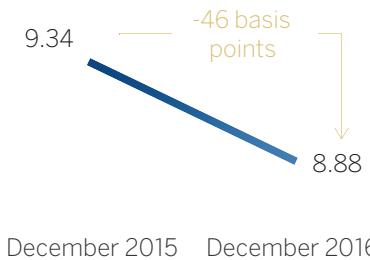


<sup>(1)</sup> Entities: Santander, Caixabank, Bankia, Sabadell and Popular.

Digital customer rating (Play Store Android) (Play Store Spain)



Attrition Rate (Retail customers) (Spain. Percentage)

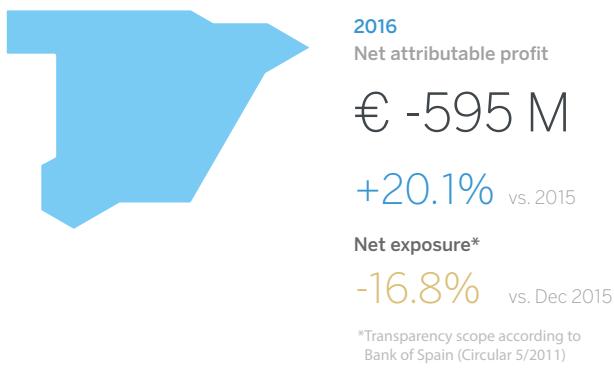


In the coming years, as part of the area's Transformation Plan, the aim will be to achieve a new standard of customer experience for both individuals and companies.

Overall, Banking Activity in Spain, through its strategic roadmap and the four core elements that sustain it, represents a firm commitment to the construction of a long-term competitive advantage: a new standard of customer experience as a lever for **growth, retention and the increased loyalty** of our customer base on which to create lasting relations of trust with them, which is a fundamental pillar of the future profitability of our business.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

## 2.2.2. Real-estate activity in Spain



- Better market dynamics.
- Further reduction in net exposure and NPLs.
- Increased coverage for real-estate assets.

### Definition of the area

This area provides specialized management of the Group's real-estate assets, including foreclosed real-estate assets from both residential and developer mortgages, the developer loan business and other related assets. Management of properties for BBVA's own use is excluded from its scope.

### Management priorities

Real-estate activity in Spain has as its main **objective** to steer and accelerate the reduction of the BBVA Group's real-estate

exposure, preserving the economic value of its assets. To that end, its management aims to:

- a. Boost the sale of retail and wholesale assets.
- b. Make progress in management based on economic rather than accounting values or criteria.
- c. Continuously adapt the structures, procedures and management schemes to achieve set targets, paying particular attention to setting up controls and maintaining high internal governance standards.

In **2016** various initiatives were launched aimed at expediting this process, most notably the Metrovacesa restructuring plan, which included splitting off the real-estate promotion business as the company Metrovacesa Suelo y Promoción, while keeping equity-related assets within Metrovacesa (with additional asset contributions from partners). In October 2016, the tertiary equity business was merged with Merlin Properties, SOCIMI, S.A. Land development agreements were also reached with significant developers through their allocation to joint ventures and other partnership formulas for short and medium-term land sale.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

## 2.2.3. The United States



### Definition of the area

This area incorporates business conducted by the Group in the United States through BBVA Compass Group and the BBVA New York branch.

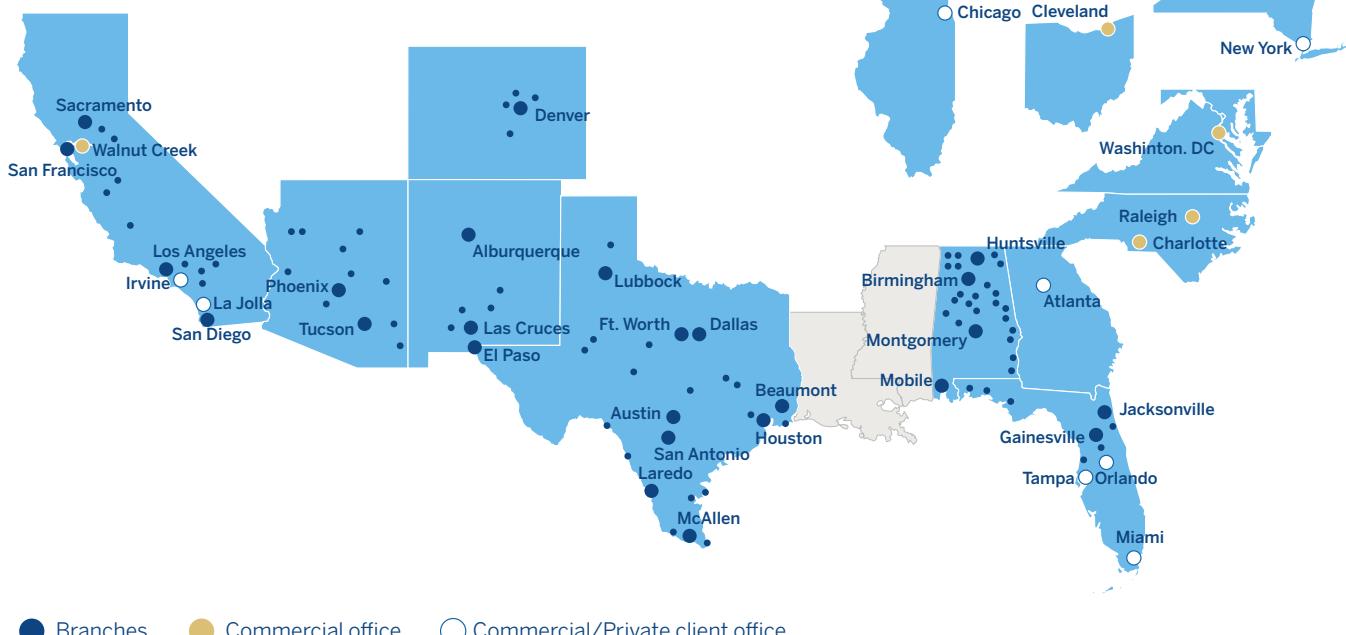
**BBVA Compass** is a bank with 672 branches throughout the United States. It is the 22<sup>nd</sup> largest bank in the United States in terms of deposit market share.

- Focus on profitable and selective growth.
- Good performance of deposits.
- Improved tendency throughout the year.
- Improved risk indicators throughout the year.

BBVA Compass footprint

### BRANCHES BY STATE

Alabama	89	Florida	45
Arizona	75	New Mexico	19
California	62	Texas	344
Colorado	38		



### Management priorities

#### Development of the strategic roadmap for the area

In 2016, BBVA Compass continued making headway on its strategic roadmap, enhancing a differentiated value

proposition aligned with the six Strategic Priorities defined by the Group and focused on profitable growth. In this sense, the area has a different approach model for each segment and product / service offered, as well as handling

the business mix appropriately to achieve profitable growth.

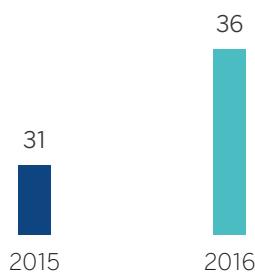
In particular, the BBVA Group subsidiary in the United States has continued to work according to the following **Strategic Priorities**:

- A. To **provide a new standard in customer experience**, BBVA Compass has focused its efforts on improving processes and creating do-it-yourself solutions. The main initiatives carried out in 2016 were therefore primarily aimed at improving end-to-end processes related to:

- Opening accounts and incorporating new customers to the entity.
- Contact center.
- Credit and debit card application and maintenance.
- Granting mortgage loans.
- Other services / complaints.
- Treasury management.

As a result of these initiatives and many others, the results of BBVA Compass in terms of customer satisfaction, as measured by Net Promoter Score (NPS), have improved.

Net Promoter Score (NPS). ([BBVA Compass. Percentage](#))

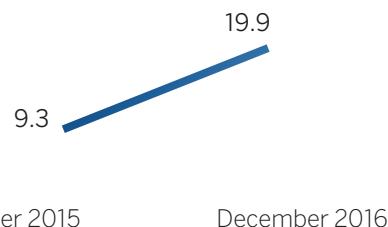


The area's objectives set for **2017** focus on increasing retention, and growing the target customer base, particularly in private and retail banking.

- B. To **drive digital sales**, the area has been working on a number of key initiatives throughout 2016 to foster the transition of customers toward digital channels through "do-it-yourself" solutions, the development of new, cutting-edge functionalities and projects in partnership with the branches; all without losing sight of the initiatives for preventing fraud and improving cybersecurity. One

example of success is the online release in October 2016 of Signature Express Loan, a consumer loan that is arranged entirely online.

Digital Sales (Percentage of total sales YTD, number of transactions)



In **2017**, BBVA Compass will continue to drive digital sales through a proper pricing strategy, an attractive value proposition driven by digital marketing and by leveraging technology and big data. BBVA Compass will also continue to make progress in online launching new products, such as the signing up for credit cards, etc.

- C. Turning to developments in **new business models**, BBVA Compass has opted to open its technology platform to third parties so that others can create business on these supports. This is known as the Open APIs (open application program interface). In this area, the startup Dwolla, connected to the BBVA Compass API, is making its real-time payment systems available to bank customers. Customers using Simple can also enjoy the benefits of being connected to the BBVA Compass platform, as their accounts have been migrated to that platform.

The platform will represent a competitive advantage capable of achieving outstanding earnings and positioning for the bank.

Looking forward to **2017**, work will continue to develop the following products and services on the open platform:

- Corporate accounts.
- Issue of debit cards.
- Know your customer (KYC), i.e. processes for identifying and checking customer identity.
- Payment means.
- Loans.
- Operational processes.

- D. To **optimize capital allocation**, the area is focusing its efforts on generating growth organically by diversifying the loan portfolio, with a particular focus on the most profitable segments and an appropriate risk-adjusted return. In addition, there is the challenge of generating new sources of income from fees and commissions while containing expenses in an environment where interest rates are still low and with the income statement for 2016 affected by the impairment in the oil & gas sector, particularly during the first quarter of the year.
- E. In order to achieve an **unrivaled efficiency**, BBVA Compass is carrying out strict cost control and working on a continuous review of its operating methods, to adapt to a sector that is in constant change. This entails adapting:
- The model, defining new branch prototypes leveraged on new technologies.
  - The processes, with new management practices for daily branch operations.
  - The structures, i.e. adjusting the size of the network

to the new customer behavior in order to optimize profitability.

- F. Lastly, to **attract, develop, motivate and retain a first-class workforce**, the area is implementing a variety of initiatives, focused on:
- Establishing a sense among the workforce of belonging to a “team of teams”.
  - A new mindset.
  - Effective employee communications.
  - Boosting the diversity and inclusion.
  - Creation of online communities that foster best practices.
  - Establishing a new leadership and development model.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

## 2.2.4. Turkey



**2016**  
Constant €

Net attributable profit

€ 599 M

+40.5% vs. 2015

- Focus on profitable growth, driven mainly by business banking loans.
- Net interest income growth driven by price management and activity.
- 2016 costs evolution in line with inflation.
- Risk metrics reflect good management in a complex environment.

### Definition of the area

This area includes BBVA's stake in Garanti, which has been 39.9% since the third quarter of 2015, when Garanti was incorporated into the Group's financial statements by the full integration method. Consequently, the year-on-year rates of change of the earnings in the area have been affected by the change in the scope of consolidation. In order to make the comparison against 2015 easier, some rates of change are shown considering the stake in Garanti in comparable terms, i.e., including the stake in Garanti as if it had been incorporated by the full integration method since January 1, 2015 (Turkey in comparable terms).

**Garanti** is a banking group with 23,678 employees that provides a wide range of financial products and services to its 14.6 million customers through an extensive distribution network, with 959 branches in Turkey, 7 in Cyprus, 1 in Luxembourg and 1 in Malta. It has 3 representative offices in London, Dusseldorf and Shanghai, in addition to a presence in other countries, with 85 offices in Romania, 1 in Holland and 74 offices in Turkey dedicated to other activities such as leasing, factoring, and securities trading.

Garanti Bank footprint in Turkey



Number of branches tripled since 2002



100%  
geographical coverage  
in 2016 vs. 49% in 2002

### Management priorities

Garanti has continued to work on a series of initiatives in line with the Group's six Strategic Priorities. The following is a summary of the most relevant initiatives undertaken in 2016.

A. Improving **customer experience** is a key aspect for Garanti. The goal is always to provide a service above and beyond the customer's expectations, seeking to offer an excellent customer experience through all the channels. To do so, Garanti is putting special emphasis on being a more transparent bank with clearer processes, and one that behaves responsibly to its customers.

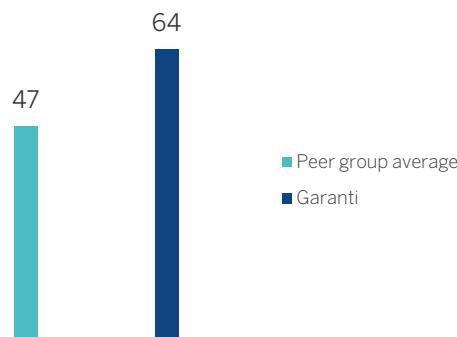
To this end, Garanti has launched the CX platform (Garanti Empati). In addition to ensuring that all employees are better informed regarding all the work and projects underway, it allows them to:

- Share best practices in customer experience.
- Work on building a relationship of trust with customers, in which better communication is crucial.

In addition, there is a mobile platform designed to empower sales force, "STEP", designed as a seamless workspace with the slogan of "a bank in a tablet". Employees can keep up with all customer information, transactions, product usage and customer requests from a single, easy to use interface. It also enables video communication with product / subject matter experts; that is to say, it provides expert level information to our customers from first hand.

As a result, Garanti is ahead of its competitors in the NPS index.

## Net Promoter Score (NPS) (Turkey, Percentage)



Efforts to improve customer experience will continue throughout **2017** with a view to making further improvements in areas considered to be critical for the entity, as well as in the complaint-handling processes.

Garanti has also worked in 2016 to expand the **customer base** effectively, and will continue to do so in 2017 through:

- Continuous efforts on new customer acquisition and retention.
- An increase in cross sales.
- Use of big data as an effective way to identify customers.

B. To drive **digital sales**, Garanti has positioned mobile banking at the center of its omni-channel strategy, investing in digital channels with a view to achieving sustained and profitable growth. It is worth mentioning that the vast majority of non-cash financial transactions are conducted through digital channels, which are thus assuming a very prominent role in terms of what they represent for the bank's total sales.

**92%**  
Of all **non-cash financial transactions** go through digital channels:



With increasing weight in **mobile**  
**Mobile transactions:**

- **70 million** in 2015
- **>111 million** as of December 2016

The bank is convinced of the possibility of value creation through digitalization and is pursuing a more productive use of digital channels, improving existing services, incorporating new features and developing new applications and products for the digital environment.

## Investments in digital channels. Feeding the sustainable and profitable growth model

**Increasing customer satisfaction & loyalty:**  
Branches with >65% digital penetration have **40% higher** operational **service quality & efficiency**

**Sustained Growth**  
Branches increased focus on:  
Building **relationship**  
Providing **Advisory**  
Generating **sales**  
Acquiring **new customers**

**Higher Profitability**  
**Profitability** per digital customer is **30% higher than** traditional branch customers

**Higher cross-sell**  
**Product penetration** of digital customers is **60% higher** than average customers

**Growing fee base**  
Service fees driven by online & mobile banking make up **39% of bank's total service fees**

**Lower transaction costs**  
Transaction costs at online banking is **30 times** and mobile banking is **55 times** lower than branch banking

Some examples of the new mobile apps and functionalities that have been launched include:

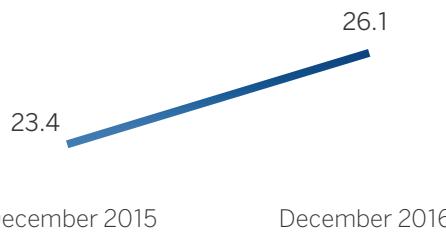
- Bonus Flaş (BBVA Wallet), which has already reached a broad user base with 2.8 million downloads in 2016.

- The launch of "mobile appointment", by which customers can get prioritized queue numbers and are allocated to less busy branches. This has allowed customers to be served quicker and easier, thus improving the customer experience.

- Individual meetings with consultants via video calls.

In addition to providing customers with innovative solutions that best meet their needs, Garanti has redesigned its digital platforms to offer an incident-free experience. These initiatives have resulted in a significant increase in online sales.

Digital sales (Percentage of total sales YTD, number of transactions)



- C. **Optimization of capital allocation** is yet another strategic priority for Garanti to ensure sustainable growth and achieve optimal profitability. This requires alignment of decision-making with capital consumption and business return, as well as a precise calculation of the risks assumed. In this regard, tracking capital consumption for the historical portfolio and new customers alike is an essential part of the decision-making process. To achieve sustained profitability, the focus will continue to be on diversifying the sources of income from fees and commissions. Effective spread management, prudent risk management and policies designed to improve **efficiency** are further key factors

for maintaining and improving the profitability of the business.

- D. **Human capital**, in other words employees, represents Garanti's most valuable asset. This is demonstrated by the investment figures in training and the recognition obtained, which proves the bank's standing among the leaders in terms of quality standards in personnel management.

The most valuable asset: human capital

Training hours per employee:  
**36 hours/year**

**Garanti** Leadership Academy

- 542 thousand hours of in class training
- 113 thousand hours of digital training
- IIIP Gold certificate in 2015:
- Received first Gold in Turkey in 2012
- 85% of our Bank's directors graduated from these programs
- Ambassadors of our common culture of management
- Best Talent Management in Turkey

1st company from Turkey to earn "Gold Certificate" from Investors in People for the second time

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

## 2.2.5. Mexico

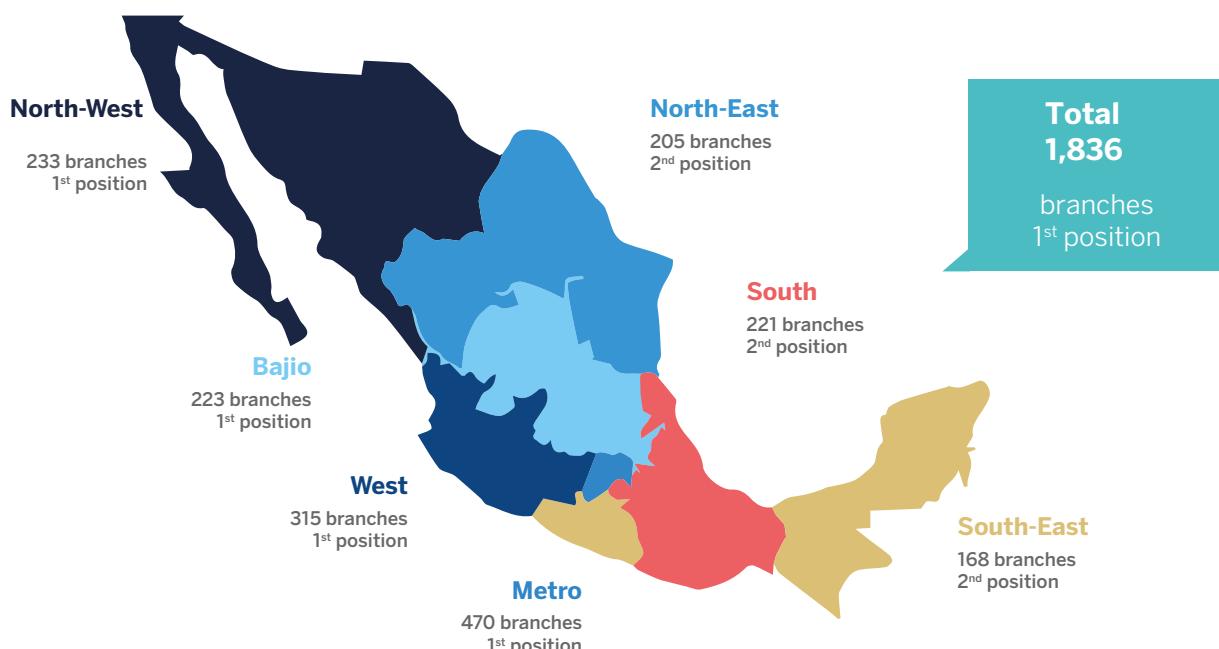


**2016  
Constant €**  
Net attributable profit  
**€ 1,980 M**  
**+11.0%** vs. 2015

### Definition of the area

This area comprises the banking, real-estate and insurance businesses conducted by BBVA Group in Mexico (hereinafter, BBVA Bancomer or BBVA Mexico).

- Activity continues strong
- Operating expenses still growing below gross income
- Double-digit year-on-year growth in net attributable profit
- Sound risk quality



### The largest banking infrastructure:

Banches: **1,836**  
ATMs: **11,434**

Correspondents<sup>(1)</sup>: **31,670**  
TPVs: **171,702**

<sup>(1)</sup> It includes banking and exchange correspondents.

### Management priorities

The **Investment Plan** implemented in 2013 for this area concluded in 2016, entailing a total investment of US\$3.5 billion. The plan included remodeling 1,831 branches (over 99% of the network), the installation of the most modern ATMs available on the market (the number increased during the year by 661 units), the launch of new applications, and the development of a robust operational and informational

platform. In addition, the new head offices have obtained the LEED certificate as sustainable buildings (Torre and Parques BBVA Bancomer). This has resulted in BBVA Bancomer achieving the top ranking on the Net Promoter Score (NPS), with improved customer service excellence and a franchise model implemented in branches, with specialized executives by product and segment.

Additionally, in 2016, BBVA Bancomer continued working on the **Strategic Priorities** that the Group launched in 2015, within an ongoing transformation process to continue

improving customer experience and the efficiency of processes as the key drivers of business profitability.

Investment plan 2013-2016: 3,500 million dollars



#### A. Provide a new standard in customer experience

**Goal:** to provide the best customer experience through a new customer service standard and model, boosting the relationship between customers and the bank through the most suitable and convenient channel for them, while offering the products and services that they need.

In **2015**, BBVA Mexico launched a series of initiatives to enhance customer loyalty and retention. The most significant was the *Experiencia Única* (Unique Experience) model, now implemented in all the branches, which standardizes customer service and generates an internal certification model that allows an ongoing improvement in the service.

BBVA Mexico has continued making further progress in this regard in **2016**. As a result, it has been recognized by its customers as one of the banks offering the best service in Mexico, as reflected in the rise in the Net Promoter Score over the year. Compared with its peers on the open market, BBVA Bancomer closed the year ranked first in the country.

Additionally, the mobile apps launched to simplify use of financial services have undergone a continuous improvement process in terms of user experience (UX) and transparency. Data from December 31, 2016 show that the BMovil, Send and Wallet apps have had over four million downloads, payroll portability reached 79%, the customer contact center was redefined, 82% of transactions were migrated to ATMs or self-service machines, the first cross-border accounts (from Mexico to the United States) were opened for non-resident customers in the SME and retailer segments, and the credit limit on cards for customers with a good financial history was raised.

- ✓ Payroll attraction doubled from **11 to 22 thousand per month**
- ✓ **79% of total payroll portability, meaning that 8 out of 10 employees choose Nómima Bancomer (BBVA Bancomer payroll)**

Net Promoter Score (NPS) (*Mexico. Percentage*)



Peer group average: Banamex, Santander, Banorte, HSBC.

Several initiatives in individual customer segments are being developed in **2017** to consolidate the bank's positioning, improve customer service, create better value-added offerings and increase the customer base loyalty. The initiatives expected to be implemented include, among others: customer sub-segmentation, a new incentive model and expansion of the product offering.

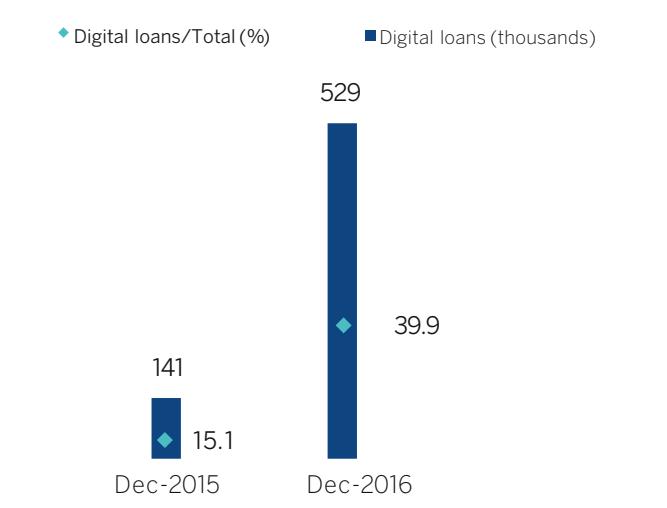
#### B. Drive digital sales

**Goal:** support and boost sales through digital channels and after-sales service, with swift, simple and secure access to financial services. There was only a limited

capability to track the performance of digital campaigns in **2015**. A new CRM (client relationship management) model was implemented in **2016** for digital marketing campaigns.

In **2015** an initial model had been implemented to provide incentives for attracting and converting traditional customers into digital customers, various products and services were designed for digital consumption (One-click) and certain solutions were developed for the digital ecosystem. The Bancomer Trader app for trading shares online was launched in **2016**. BBVA Send received an award at the 2016 Bit Prizes as the most innovative app in the financial sector for boosting digitalization in Mexico. This app lets users withdraw cash without a card (20% of the app users are not customers of the Bank). Additionally, "One-click" is one of the best examples of the boost to digital sales, since it provides the segments of private individuals and small businesses with access to consumer loans through digital and remote channels such as Bancomer.com, *Bancomer Móvil* and ATMs. The number of consumer loans granted through this medium represents over 40% of total loans. This figure for 2015 was 11%.

Consumer loans granted through digital channels (Mexico. Thousands. Percentage)



Since 2014, when we only had six **digital products**, we have increased our range substantially to 31. For instance, in 2016 BBVA Bancomer launched Mexico's first fully digital bank account as a result of a continuous process of renewal to adapt to the needs of new customer segments. As a result of all these efforts, BBVA in Mexico has reached a figure of 3.9 million active **digital customers** and granted over 500,000 **loans** through digital channels at the close of 2016. This means a year-on-year growth of 4.5 times.

Digital Sales<sup>(1)</sup> (Mexico. Percentage of total sales YTD, number of transactions)



December 2015   December 2016

<sup>(1)</sup> Figures have been restated due to changes in the inclusion of some products.

A key focus will be maintained in **2017** on the ongoing technology development and innovation for supporting the sales process with tools that simplify the management and procedure of lending. At the same time, the aim is also to provide financial users with incentives to save, and the launch of several simple savings products is being pursued.

#### C. Optimize capital allocation

**Goal:** To optimize capital allocation by boosting and improving profitability to ensure the successful sustainability of the business.

To achieve this goal, significant progress has been made in improving and generating more efficient processes and tools to enable an integral management of BBVA Bancomer's capital and that of its subsidiaries, while complying with the requirements of local and global authorities. The initiatives currently underway in this regard aim to guarantee that the business has the essential financial information available as the primary management tool. Additionally, more importance is being given to a cross-cutting vision of business profitability (customer, segment, product, region, unit and business area). Likewise, substantial initiatives are being identified for improving cost efficiency.

#### D. Unrivaled efficiency

**Goal:** To provide greater added value at a reasonable price, achieving high levels of productivity across the whole value chain with a clear focus on commercial activity.

A number of action plans are being developed and implemented to generate more efficient processes that will increase network productivity. Improvements are also being made in fraud prevention services and efficiency of information analysis.

#### E. A first-class workforce

**Goal:** To attract, develop, motivate and retain a first-class workforce, provide the best employee experience,

and bring corporate culture into line with the Group's transformation process:

The area seeks the continuous improvement and development of the team. To do so, a leadership model has been incorporated by relaunching the communication strategy for the corporate culture and values. Constant efforts are also being made to increase the levels of transparency and employee satisfaction. Among the **initiatives** are: the substantial simplification of pay scales and salaries; incorporation of an office for retaining, taking care of and developing talent in the entity; creation of a new hiring process for reducing hiring times by half; a change in the design of the training program; and development of a new selection strategy with a view to attracting the best young talent available in the market.

#### F. Social responsibility

An additional strategic priority was defined in 2015 for Mexico due to the importance of the BBVA Bancomer Foundation for the country.

Its **goal** is to enhance our commitment to social development and welfare, foster education in the country

and support the communities within the institution's sphere of action.

Among the **initiatives** implemented to foster this strategic priority, every year some of the bank's earnings are allocated to support education for children with limited resources and scarce opportunities for development through a scholarship program. Financial literacy programs are likewise carried out to raise awareness of the practical advantages and positive impact of a responsible use of financial services and products. Over 2.5 million people benefited from these financial literacy programs in 2016. Additionally, the *Por los que se quedan* (For those left behind) and "Young Knowledge Olympics" programs benefited over 84,000 students in the country. Last but not least, BBVA Bancomer also fosters corporate volunteering. A total of 2,235 employees have been involved in over seven initiatives that benefited over 15,600 citizens, 3,500 students, 9 public schools and a public park.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

## 2.2.6. South America



**2016**  
Constant €  
Net attributable profit  
€ 771 M  
+1.1% vs. 2015

- Activity decelerating on the back of a slower macro growth.
- Positive trend in revenues.
- Costs influenced by high inflation in some countries and the adverse effect of exchange rates.
- Credit risk metrics behavior as expected: slight deterioration due to macro environment.

### Definition of the area

South America manages the BBVA Group's businesses in the region. The area is notably diversified and has units operating in practically the entire zone.

#### BBVA's footprint in South America

	Banks	AFPs	Insurance company
Argentina	x		x
Bolivia		x	
Chile	x		x
Colombia	x		x
Paraguay	x		
Peru	x		
Uruguay	x		
Venezuela	x		x

### Management priorities

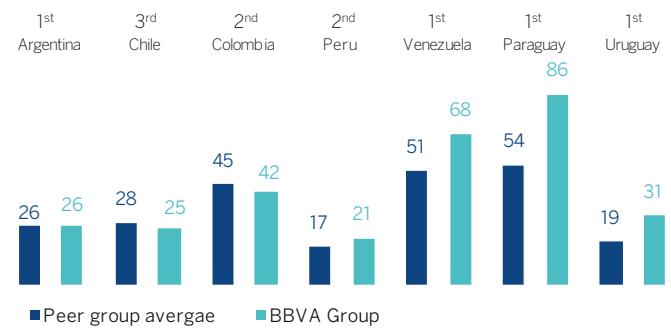
In 2016, the area has focused on the six Strategic Priorities defined by the Group, whose main **objective** is to strengthen BBVA's leading position in the region and become a benchmark for service quality and capacity to build digital relationships with customers.

Work has been undertaken to further the execution of various **transformation and technological development programs**, as well as to expand the offer of the different distribution channels which reinforces value creation for our customers.

Significant **progress** has been made on the objectives set, such as positioning BBVA as the bank most recommended by its customers and increasing the digital offering in the region. The most important developments are described in more detail below.

- A. To **provide a new standard in customer experience**, in **2016** BBVA has worked to sustain and strengthen its leadership in service quality. Specifically, a number of initiatives have been reinforced to ensure ongoing contact with customers and to discover the reasons for satisfaction or displeasure. This is crucial in enabling BBVA to embrace a process of ongoing improvement in real time and to share best practices among different geographic areas. Particularly noteworthy is the launch of the *Experiencia Única* (One Experience) program, successfully implemented in Mexico, which guarantees customers a high quality in all their interactions with the Bank. This focus on quality has enabled BBVA to lead its peers in many of the South American countries in which it operates: Argentina, Paraguay, Uruguay and Venezuela.

Net Promoter Score (NPS)<sup>(1)</sup> (By geography. Percentage)



<sup>(1)</sup>Peer group average: Argentina: Banco Galicia, HSBC and Santander Rio / Chile: BCI, Banco de Chile and Santander / Colombia: Bancolombia, Davivienda and Banco de Bogotá / Peru: BCP, Interbank and Scotiabank / Venezuela: Banesco, Mercantil and Banco de Venezuela / Paraguay: Continental, IATAU and Regional / Uruguay: IATAU, Santander and Scotiabank.

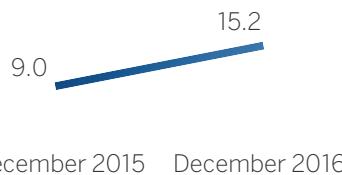
South America will continue working on this line in **2017**, boosting the evolution toward a digital ecosystem. The focus will continue to be on customer experience. In this regard, the region expects to finalize adoption of the new quality model launched in 2016 (*Experiencia Única*), which provides customer feedback in real time, enabling teams to identify and implement improvement opportunities faster.

- B. To **drive digital sales**, progress has been made throughout **2016** in implementing the digital strategy aimed at increasing the functionalities of the different

websites as well as creating and improving specific mobile banking applications. Among these initiatives BBVA Wallet stands out. It was initially launched in Chile and has been expanded to Colombia as part of the implementation process in the rest of the franchises in the region. These initiatives have led to a doubling of sales through digital channels to 1.4 million products sold through the websites and mobile devices. In addition, the region has seen a 60% increase in the volume of customers interacting with BBVA through mobile phone in 2016.

In **2017**, work will also take place to further the transformation of distribution models, paying particular attention to productivity through digital sales and increasing the efficiency of physical networks. The key issue in digital sales will be to transform risk processes and models to adapt them to the new reality of banks in South America. In the physical network, work will be done on the deployment of new management models and customer service protocols, while identifying opportunities for automation and migration to digital channels.

Digital sales (South America. Percentage of total sales YTD, number of transactions)



- C. To **create / associate with / acquire new business models**, the Group has been analyzing the innovation ecosystem. It has identified more than 300 FinTech companies in the region and has connected with the most relevant startups.

In **2017** these interactions will continue with the goal of ensuring BBVA is closely positioned alongside the entrepreneur and developer communities.

- D. To **optimize capital allocation**, in **2016** the area has furthered the development of monitoring tools and indicators for this purpose and, consequently, its optimization.

In **2017**, the banks in South America will begin to

transform their balance sheets, implementing the monitoring tools based on capital consumption that were developed in 2016. Particularly noteworthy are the pricing models based on capital consumption and the monitoring of specific metrics.

- E. To adapt the cost structure and achieve **an unrivalled efficiency**, and as a result of the greater transformation of the Bank towards a digital model, progress has been made in **2016** to identify cross-cutting initiatives in the region that help to achieve this priority.

The adaptation of the Group's cost structure to the new reality in each of the franchises in the region requires a multi-year perspective, but the projects are expected to yield results starting in **2017**.

- F. Finally, **to develop, attract, motivate and retain a first-class workforce**, work has continued on transforming the way of working through initiatives such as:

■ The agile format, which facilitates the rapid and efficient development of solutions and products through the creation of multi-disciplinary teams focused on a common goal. This has enabled transformation initiatives to be implemented in record time, offering customers new capabilities and products. To this regard, a large number of Business Development & Engineering teams in South American countries are already working with this methodology. A total of 215 people have been actively working in 31 scrums.

■ Work has also been carried out to transform work spaces in corporate headquarters to make interaction faster and simpler. This transformation, which already began in Chile in 2015, continued to advance in 2016: Argentina was the latest country to join in, with the opening of its new headquarters in Buenos Aires.

■ Finally, cultural transformation will play a key role in 2017 as we continue to work on our goal to attract and retain top talent. We will therefore continue boosting the agile methodology, which means implementing a project-based organization.

As a result of all the above, in 2017 South America will continue its transformation so that it can fulfill its Purpose: to bring the age of opportunity to everyone.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

## 2.2.7. Rest of Eurasia



**2016**  
Net attributable profit  
**€ 151 M**  
**+100.1 %** vs. 2015

### Definition of the area

This business area includes business activity in the rest of Europe and Asia, i.e. the Group's retail and wholesale businesses in the area.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

- The loan book recovered its upward path in the fourth quarter of the year.
- Reduction in the balance of deposits, strongly impacted by the branches in Europe.
- Significant progress in earnings, supported by good revenues and reduction in costs.

## 2. 2. 8. Corporate Center

The Corporate Center is an aggregate that contains the rest of the items that have not been allocated to the business areas, as it basically corresponds to the Group's holding function. It includes: the costs of the head offices that have a corporate function; management of structural exchange-rate positions; specific issues of capital instruments to ensure adequate management of the Group's global solvency; portfolios and

their corresponding results, whose management is not linked to customer relations, such as industrial holdings; certain tax assets and liabilities; funds due to commitments with employees; goodwill and other intangibles. It also comprises the result from certain corporate operations carried out by the Group in 2015.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.

## 2.2.9. Other information: Corporate & Investment Banking

- The environment of pressure on margins and excess liquidity remains unchanged
- Slight slowdown in lending, but a slowdown in the rate of decline in customer deposits
- Further improvement of results in the fourth-quarter, thanks to good management of market volatility

### Definition of the area

**Corporate & Investment Banking** (CIB or BBVA CIB) includes the Group's wholesale businesses, i.e. investment banking, global markets, global loans and transactional services for international corporate customers and institutional investors across its global footprint.

BBVA CIB is a provider of high added-value services. Thanks to a model with global coverage, it improves the product offering and promotes a strategic dialog with customers, supported by good geographical diversification.

CIB: a global business unit with a diversified business



### Management priorities

#### Progress in digital transformation and customer experience

**Customers** remain the main pillar of BBVA CIB's strategy. In **2016** work has therefore continued on reinforcing this strategy, with particular focus on progress in digital transformation and customer experience, through the development of a less capital-intensive model that is more efficient in terms of costs.

BBVA CIB aims to offer a differential **growth** and higher **profitability** than the industry average, based on a recurring and stable business model, aligned with the Group's main financial objectives and Strategic Priorities, as described below.

#### A. Provide new standard in customer experience

In 2016 major progress has been made on the goal of achieving the best possible experience for our customers across all the business areas, products, channels and geographic areas.

By way of an example, the creation of the **Client Excellence Team** in CIB has boosted this strategy, achieving significant results, such as the implementation of Fenergo in Europe, an internal tool for managing the contracting process; and the launch of **Net Promoter Score** as a key indicator for discovering the level of satisfaction of customers who operate with CIB. Significant improvements have also been recorded in the

automation of some of the post-contracting processes.

There have also been significant achievements in **cross-cutting synergies**, thanks to the marketing initiatives implemented, which have had a positive impact on revenues from customers.

Among the main **objectives** for the future of customer experience in the unit are to extend the internal Fenergo tool to other geographies and customer segments and implement a project for improving customer claims management. With respect to the cross-cutting approach, the aim is to extend the diversification acid test to more customers in order to identify their geographical and product diversification and thus be able to improve cross-selling.

#### B. Drive digital sales and new business models

The CIB digital transformation continues. In this regard, significant progress has been made in driving digital sales in 2016, as the launch of the Net Cash app in Spain. This is an online banking platform for corporates and institutions that has achieved very good results since its implementation, with over 264,000 downloads and 1.8 million connections in the month (December 2016 data), with planned implementation over the coming months in Chile, Peru and Argentina. This is a clear example of the continued development of new channels, leading to greater interaction with customers, making available a wider range of products and improving processes through a higher level of automation, transparency and speed of execution.

The **objectives** for the coming years are: continue to make improvements to the global payments platform and infrastructure and to the e-Banking tool in each country, and enhance the digitalization of products and services, developing the Net Cash architecture and developing the user experience (UX); in other words, everything involving

the interface design, information architecture, usability and web product design.

#### C. New business models

The unit has some initiatives underway that will be maturing in the coming years; among them, the identification of non-bank competitors, the development of alliances with players positioned along the different links of the value chain within the financial industry, and the review of potential new technical developments (Blockchain).

#### D. Optimize capital allocation

BBVA CIB continues to optimize its capital model by developing new processes and tools that can increase the contribution to the Group's capital ratio (CET1), as well as adapt them to the new regulatory requirements.

#### E. Adapt the model, the processes and the structures to achieve an unrivaled efficiency

The unit has a permanent focus on cost efficiency, with particular emphasis on the management of discretionary expenses. Development also continues on the investment plan in information technology.

#### F. Attract, develop, motivate and retain a first-class workforce

Lastly, BBVA CIB is developing initiatives to boost the talent of its team and facilitate the cultural change that is being developed and implemented across the Group by Talent & Culture.

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of BBVA Group's wholesale businesses

# 3. Strategy

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During 2016, the BBVA Group made great progress in its **Transformation Journey**, strongly supported by the Group's Purpose and six Strategic Priorities. The Entity's new strategy has been bolstered with particular focus on digitalization and customer experience, simplifying the organizational structure and in 2017 redefining the Bank's new tagline: "Creating Opportunities".

The BBVA Group is immersed in a transformation process necessary to adapt to the new **environment** of the financial industry and preserve its leadership. This environment is characterized by:

- Economic downturn, increased regulatory pressure, negative impact on the profitability of the industry, low interest rates and increased competition.
- Changes in the expectations of customers, who demand services of greater added value to help them achieve their goals. Customers want advice, transparency and a digital relationship model.

■ Entry of new players and large digital companies with highly attractive value propositions and the resulting risk for traditional banks of a gradual erosion of the relationship with their customers.

Success in this new environment requires a more selective approach, involving a redefinition of the value proposition and the adaptation of the universal banking business model.

In this context, the goal of BBVA Group's transformation strategy is to strengthen its relationship with its customers. This strategy is structured around a **Purpose and six Strategic Priorities**, which are the pillars buttressing not only the strategic plans across all the Group's regions and areas but also the culture of the Organization as a whole.

Finally, in 2016 we strengthened our **responsible banking model** with the approval of a new strategic plan for 2016-2018.

## 3.1. Our vision: a new financial environment for the financial industry

### 3.1.1. Macroeconomic environment

#### Weak global economic growth, vulnerable to risks

**Global growth** improved in the second half of 2016 (estimated at 0.8% for the third quarter and 0.9% for the fourth). Developed countries are speeding up their growth thanks to improved confidence and a stronger industrial sector, which is also having an effect on the Chinese economy. The performance of the rest of the emerging economies is uneven, but in general the trend is for recovery. The improvement in global trade also appears to be confirmed, after a weak first half of the year. Global growth is therefore expected to be slightly higher than 3% in 2017, sustained by support from central banks, relative calm on the financial markets and the recovery of emerging economies.

Global GDP growth and inflation in 2016 (Real percentage growth)

	GDP	Inflation
Global	3.0	4.8
Eurozone	1.7	0.2
Spain	3.2	-0.2
The United States	1.6	1.3
Mexico	2.0	2.8
South America <sup>(1)</sup>	-2.8	43.4
Turkey	2.3	78
China	6.7	2.0

Source: BBVA Research estimates.

<sup>(1)</sup> It includes Brazil, Argentina, Venezuela, Colombia, Peru and Chile.

#### Keys to growth in 2017

The key in this scenario of weak economic growth within a context of reduced global trade and a greater aversion to the spread of globalization lies in addressing the economic consequences of some of the risks linked to economic policies. First, there is the uncertainty in connection with the economic policy of the new administration in the United States, particularly regarding protectionism and its potential global effects. Second, while the impact of Brexit (the referendum at the end of June resulting in a victory for those wanting the United Kingdom to leave the European Union) has not had a systemic impact, there is nevertheless lingering uncertainty regarding the negotiations related to it, which could weigh heavily on economic confidence in 2017. An additional factor is concern with respect to the results of a very busy electoral calendar throughout Europe.

The 2017 outlook for **Spain** is one of moderate growth of up to 2.7%, in light of the weakening of some support factors such as fiscal policy and an increase in oil prices.

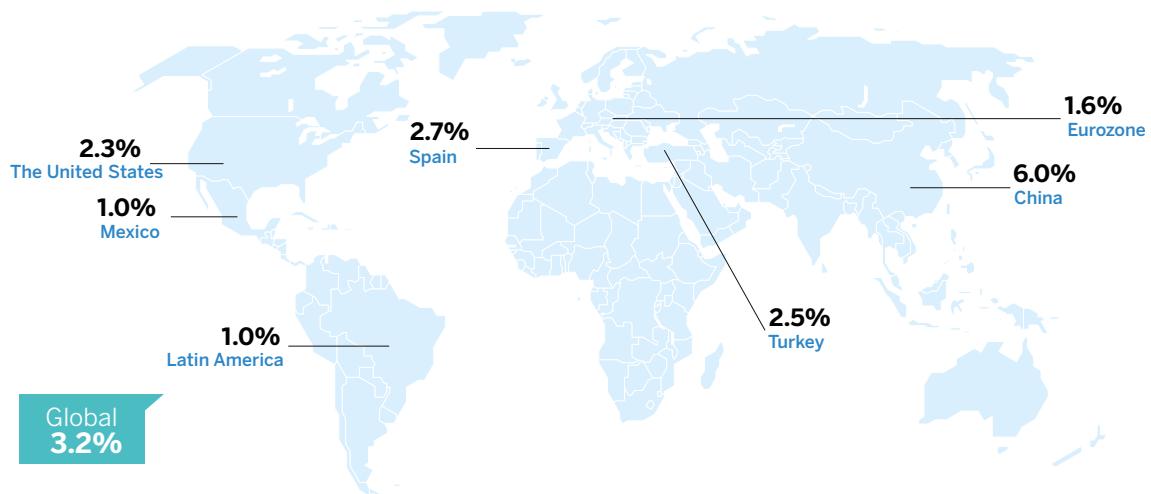
The recovery in the **rest of Europe** faces the risk of a slowdown associated with political uncertainty or the reversal of the reforms implemented in some countries. In this context, we expect a GDP growth of 1.7% in 2016 and 1.6% in 2017.

In the **United States**, there are still major doubts regarding economic policy, particularly with respect to trade agreements, as well as the rate of interest rate hikes by the Federal Reserve (FED) and their resulting impact on emerging economies. In light of the foregoing, the average growth in 2016 will slow to 1.6% and then increase until 2.3% in 2017. In this scenario, the FED is expected to conduct a gradual normalization process in a context characterized by the uncertainty of the external environment together with the FED's own concerns regarding the trending growth in productivity and the economy's potential GDP growth.

The key for **emerging economies** is management of their vulnerability to sudden movements of capital. There has been increased inflationary pressure in Turkey, which could lead to a tougher monetary policy in an environment of moderate growth of 2.3% in 2016 and 2.5% in 2017. The pace of economic growth in Mexico could have tapered off to 2% in 2016 and this slowdown may become more pronounced, down to 1% in 2017, given the uncertainty associated with the trade measures adopted by the United States. The GDP of South America as a whole could contract by 2.8% in 2016, though it should recover and post growth of slightly over 1% in 2017 thanks to the increased contribution from the foreign sector, the end of the downturn in Brazil, private investment in Argentina and the plans for public-sector investment in countries such as Peru and Colombia.

However, in the more medium and longer term, the greatest risk for the global economy remains linked to the imbalances in **China's economy**. In this regard, concerns regarding a substantial slowdown in 2016 were allayed after reports of 6.7% growth (6.9% in 2015). However, the outlook continues to be for a gradual slowdown to around 6% in 2017. In the long term, doubts regarding the prospects of growth remain, given the slow progress of structural reforms in some key areas, particularly in state-owned companies.

Economic growth in 2017 (Percentage of GDP growth)



Source: BBVA Research

Latin America: Argentina, Brasil, Chile, Colombia, Mexico, Peru and Venezuela

### 3. 1. 2. The regulatory environment in the financial industry

#### The Single Resolution Mechanism: an assessment of the first year

The **Single Resolution Mechanism** (SRM) became fully operational on 1 January 2016, passing the responsibility for resolution from the Member States in the banking union to the Single Resolution Board (SRB). The SRM is highly significant, as it is one of the three essential pillars of a true European banking union. Since the beginning of the year, a total of 144 Eurozone banks have been working under the auspices of the SRB, 129 of which are supervised directly by the European Central Bank (ECB) and another 15 are large cross-border groups.

The SRM comprises two **elements**: the SRB and the Single Resolution Fund (SRF). It applies to banks covered by the Single Supervisory Mechanism (SSM). The SRM complements the SSM and attempts to secure an orderly resolution of banks in distress at a minimum cost for taxpayers and the European economy.

The **SRB** is the main decision-making body of the SRM and decides on the resolution mechanisms for distressed banks that are within the scope of the SSM. As the highest authority for banks in the banking union, it has the power to exercise its powers at its own discretion with respect to any of the banks in the Member States forming part of the banking union. In general, as the banking supervisor the ECB informs the SRB of problems faced by any of the banks in the union. The SRB then decides the best strategy for resolution on a case-by-case basis.

The second element of the SRM is the **SRF**, which is essential for financing the resolution of banks in distress when a bail-in of shareholders and creditors is insufficient. The fund's resources come from the banks in the 19 Member States that form the SSM. The target of the SRF is to accumulate at least the equivalent of 1% of the deposits covered during the next eight years (2016 – 2023). It is essential to note that the funds accumulated in the SRF are only used as a last resort. At no time may the funds be used to absorb the losses of an entity or for its recapitalization. However, in some exceptional cases, SRF funds can be used whenever the following conditions are fulfilled: the existence of a bail-in of at least 8% of total liabilities (including own funds) and the SRF contribution does not exceed 5% of total liabilities (including own funds). The SRF does not yet have all the estimated funds needed. The contributions of the banks will gradually increase over the coming years. To make up for this shortfall, bridge financing has been set up through intergovernmental agreements (IGAs), which can be executed in case of need. Currently 14 of the 19 Member States of the banking union have established a Loan Facility Agreement (LFA).

The SRM becoming fully operational is a positive step, even though the SRF is still in the accumulation phase. The SRF is one of the essential elements for mitigating risks in the European banking system and enables genuine banking union.

#### The regulatory reform driven by the G-20 is almost complete and the aim is for its implementation to be more uniform

Completion of the regulatory reform driven by the G-20 following the outbreak of the financial crisis continued into 2016. A vital step was taken at the close of 2015 for completing the resolution framework for global systemically important banks (G-SIBs) with the approval in November of the minimum total loss-absorbing capacity (TLAC) requirements. Implementation continued throughout 2016 in most of the Member States of the Financial Stability Board (FSB). Additionally, the FSB published a Key Attributes Assessment Methodology in October with a view to affording an effective and uniform implementation of the resolution systems. Progress has also been made in the review of the global capital framework (Basel III), particularly as regards the methods for calculating the minimum requirements. In addition, the implementation of the agreed reforms, which involve greater capital and liquidity requirements and boost the transparency and governance of banking institutions, has made significant progress in most jurisdictions and strengthened the banking system. The impact of this global reform on economic activity is drawing increasing interest, since it could restrict economic growth.

#### Europe continues to take steps forward in its process of strengthening and completing banking union

The progress made in European banking union has been significant, in keeping with last year (2015).

An **initial milestone** was the full roll-out of the SRM and the start of the timeline for accumulating the resources necessary in the SRF over the next eight years. This element is essential for reducing risks in the banking system and thus enables more effective banking union.

The European Commission reached a **second milestone** on November 23, when presenting a particularly wide-ranging legislative proposal with a view to including the most recent international regulatory agreements in European regulations, though adapting them to what is still a fragile economic recovery. The legislative proposal revises Europe's prudential rules, particularly the CRR, CRD and BRRD, and includes various elements for shoring up the banking system against adverse shocks and thus reducing possible risks. Among the elements included are: details for the compliance with a leverage ratio, long-term liquidity ratio, implementation of a

more risk-sensitive methodology for calculating the market risk of the financial instruments held for trading by banks, introduction of interest-rate risks in the banking portfolio, and a review of the maximum exposure per counterparty. Turning to bank resolution, the requirement for total loss absorbing capacity (TLAC) was introduced for systemically important banks and the final design of this instrument was clarified for the other European entities (MREL). All these elements mitigate the risk faced by entities and reduce the likelihood that taxpayers will have to bail out banks, though at a possible additional cost. The Commission hopes that the measures specified will be effective enough to minimize undesired effects and their negative impact on growth will be limited, so that the benefits of greater financial stability will more than offset the additional costs.

The step yet to be taken for achieving an effective banking union entails moving toward a **European Deposit Insurance Scheme** (EDIS). Last year the Commission introduced a legislative proposal for a timeline for making steady progress toward combining the different national deposit guarantee

funds into a single European one. The process will conclude in 2024 with a common fund managed centrally, though the legislative process has progressed much slower and faces complications, which means its approval is less certain.

### **The EBA's transparency exercise demonstrates greater resistance by European banks to unexpected shocks**

On July 29, the European Banking Authority (EBA) published the results of its most recent EU-wide stress tests on banks. The results were highly positive. The simulation revealed that only two banks of the fifty analyzed would need extra capital if faced with an unexpected and substantial shock. This is a significant improvement compared with previous exercises and demonstrates the increased resilience of European banks. In turn, the good performance of the entities in Spain is the result of the restructuring of the system and an effective cleaning of their balance sheets. Lastly, if progress is to be made toward an effective banking union it is essential to resolve some issues inherited from the financial crisis in other areas of Europe as soon as possible.

### 3. 1. 3. Digitalization

Digitalization is making an impact on the financial industry, since it can satisfy the new demands of customers in various ways.

Firstly, the entry of **mobile devices** has led to changes in the distribution model. Society as a whole is permanently connected, regardless of location. Mobile devices have become the main channel of contact. The number of mobile banking users worldwide has grown exponentially and customers are increasingly interacting through their mobile devices.

Moreover, new **developments in technology** (big data, artificial intelligence, Blockchain, the cloud, data processing, biometry, etc.) represent a major advance in customer experience. These technologies allow us to analyze automatically data and algorithms (risk profile, habits and preferences, financial needs and expectations, etc.), together with simple interactions and a fluid transition across channels and vendors. Likewise, they provide easy access to the best solutions available on the marketplace with the most beneficial conditions by default. Technological innovations reduce unit costs thanks to process automation and scalability.

New technologies foster the **democratization** of financial services: the entire world will be able to gain access to better and more sophisticated services that were up to now only available for high-value segments. In this context, having access to a customer's relevant information with his/her consent has proven to be critical in providing automated and personalized advice. And to achieve this, it is essential to earn the customer's trust.

Additionally, **new, specialized players** are entering the financial industry and successfully tackling parts of the value chain (payments, financing, asset management, insurance, etc.). Their disruptive proposals are primarily based on improving customer experience and enhancing specialization in certain products. These players include FinTech companies and large digital corporations (Google, Amazon, etc.), which are now competing with banks in the new environment.

In conclusion, **traditional banking** should respond by becoming more competitive and providing value-added solutions, with greater focus on customer experience and the development of their digital offering.

**"The customer will be the main beneficiary in this new environment as financial services become democratized"**

Big Data



Blockchain



Cloud



Artificial intelligence



Data processing



Biometrics



✓ Better experience

✓ More efficiency

### 3.1.4. Shift in consumer behavior

Customers are asking for a **new type of banking relationship** and have begun demanding new services based on new needs. We are currently in an environment where consumers are permanently connected (they want to operate at any time from any place). They are already accustomed to digital experiences (they expect proactive and personalized assistance for managing their money) and the use of multiple devices and applications (they want to be able to operate via what is the most convenient channel for them). They are also calling for greater transparency and trust in their banking relationship, in addition to enhanced customization, accessibility and convenience in financial services in order to achieve their own goals in life.

Furthermore, a **socio-demographic shift** is underway that should also be considered. The Millennial Generation has a clearly digital profile and is becoming a new group of consumers requiring services. Digitalization is reaching the adult population (a greater number and with more purchasing power in developed markets), while the middle class in emerging countries is also increasing their digital potential.

In light of the foregoing, the financial industry has to transform and offer a more extensive service and advice to customers, in addition to a new value proposition based on a digital relationship model focused on an omnichannel approach, personalization and convenience.

### 3. 1. 5. Reputation and materiality analysis

#### Reputation and trust have begun to recover in 2016, but they remain at low levels

The financial sector has experienced a profound crisis in reputation and trust since 2007, particularly in the case of developed economies. Recovery is not yet complete. The reputation of banks in developed economies, according to the **Reputation Institute** (RepTrak Pulse), fell from 61 to 53 points from 2007 to 2013. The decline is even greater in the case of Spain, where the figure fell from 60 to 40 in the same period. Since then there has been a recovery, with the figure rising in 2016 to 53.5 points, still below pre-crisis levels.

Another key indicator is the **Edelman Trust Barometer**, which measures trust in industry. The trend here has been similar. In this case, the percentage of people around the world who trust banks a great deal or quite a lot bottomed out in 2012 at 43% (16% in Spain). Since then, the figures have improved to 51% (35% in Spain), above all in 2016.

However, it is important to note that the financial sector is still the worst rated. According to the report, in 2016 the gap in trust between the informed public and general public has continued to grow (60 versus 48).

#### Materiality analysis

At BBVA, we have a broad range of **tools** for consultation and dialog with all our stakeholders in each country and business area in which we operate. These tools guarantee two things: that stakeholders have the proper service channels available and BBVA has sufficient sources of information to know what their priorities and expectations are with respect to the Entity, and can thus offer them the appropriate response to their needs.

Identification and prioritization of **material issues** in 2016 are summed up in the following materiality matrix, where they are classified according to two variables: the importance for stakeholders and importance for the BBVA business. The matrix has been prepared following the recommendations on disclosure in the GRI G4 sustainability reporting guidelines.

Materiality matrix



The material issues with the highest priority are:

- Ethics and good corporate governance.
- Quality products and services for customers

- Transparency and selling practices
- Digital transformation
- Financial solvency

- Talent attraction, development and retaining

The second-level issues are:

- Financial education.
- Climate change and eco-efficiency.

- Financial inclusion.

- Human rights and quality employment.

BBVA addresses these issues through its six Strategic Priorities.

## 3. 2. Our aspiration

In this context, the main objective of the BBVA Group's transformation strategy, i.e. our aspiration, is **to strengthen the relationship with our customers.**

Customers should be the main beneficiaries of this new environment, in which financial services are becoming more democratic. To do so, we are redefining our **value proposition**, based on the fundamental pillars of **customer experience and trust**.

We want to help our customer take financial decisions through a **clear, simple and transparent** offering of products and services, based on **fair conditions** and concepts of **prudence and integrity** to gain their trust.

Our value proposition must also be **easy and convenient**; in other words, a proposition that offers the chance of accessing our services at any time, from any place and by the means

chosen by each individual customer, allowing the choice of using either do-it-yourself (DIY) options through digital channels or human interaction.

We also have to provide the **relevant assistance and advice**. We have to help our customers take the best decisions (banking and non-banking), support them in the management of their day-to-day finance, provide products and services that are proactive, innovative and personalized, together with the best recommendations from all the possible financial alternatives.

Finally, to attain our aspiration, we are leveraging **technology** and data. Since we began our transformation process in 2007, we have been striving to improve our platforms (multi-channel architecture, core banking system, etc.) while adapting to the new development paradigms (platform as a service), to make technology work for our customers.

### 3. 3. Transformation of the BBVA Group: the Transformation Journey

We have taken great strides in 2016 to fulfill our **Purpose**: "To bring the age of opportunity to everyone". Aligned with our vision of the future, our Purpose is our reason for being and guides our strategy and decision-making. We want to help our customers achieve their goals in life. We want to go beyond being a bank and become a vehicle of opportunities with a

positive impact on the lives of people and on the business of companies.

In line with our Purpose, significant steps have also been taken in the development of the Group's six **Strategic Priorities** to make headway in our transformation process.

Strategic Priorities

<b>1</b>		<b>2</b>		<b>3</b>	
<b>New standard in customer experience</b>		<b>Drive digital sales</b>		<b>New business models</b>	
<b>4</b>		<b>5</b>		<b>6</b>	
<b>Optimize capital allocation</b>		<b>Unrivaled efficiency</b>		<b>A first-class workforce</b>	

#### A new standard in customer experience

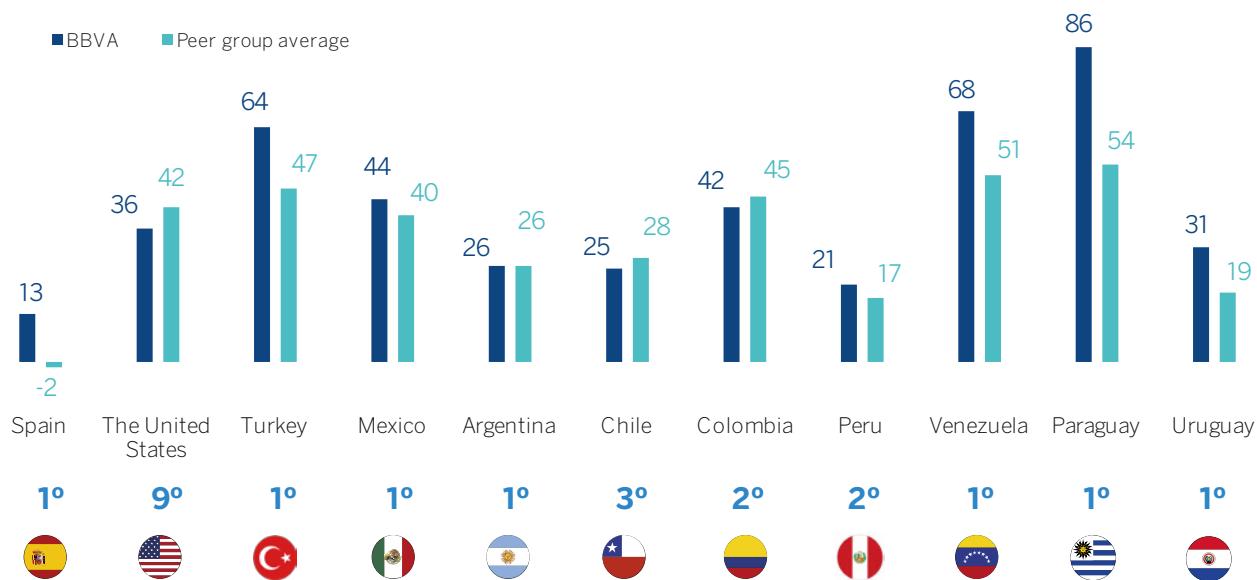
The focus of BBVA Group is on providing the best customer experience that stands out for its simplicity, transparency and swiftness, further empowering our customers while bringing them personalized advice.

We have a customer-oriented business model that offers a differential service with a very ambitious goal: **to be leaders in customer satisfaction across our global footprint**.

Number of customers (BBVA Group. Millions)



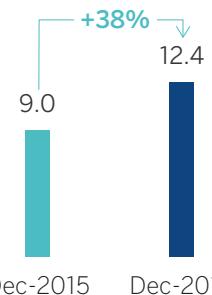
## Net Promoter Score (NPS) (By geography. Percentage)



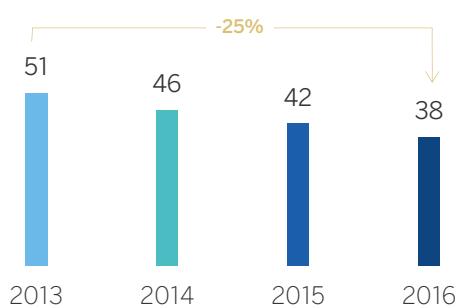
Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular / The United States: Bank of America, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo / Mexico: Banamex, Santander, Banorte , HSBC / Peru: BCP, Interbank, Scotiabank / Argentina: Banco Galicia, HSBC, Santander Rio / Colombia: Bancolombia, Davivienda, Banco de Bogotá / Chile: BCI, Banco de Chile, Santander / Venezuela: Banesco, Mercantil, Banco de Venezuela / Paraguay: Continental, ITAU, Regional / Uruguay: ITAU, Santander, Scotiabank.

Our relationship model is evolving to adapt to our customers' multi-channel profile. The amount of digital and mobile customers in BBVA Group grew considerably in **2016**, while branch activity has declined in recent years.

## Mobile customers (BBVA Group. Millions)



## Branch activity (BBVA Spain. Millions of transactions)



There was also significant progress made in improving the customer experience in terms of the distribution model, products and functionalities.

Various projects were launched in the **distribution model**: "Mis conversaciones" (My conversations) and "Alta Digital (Digital Onboarding) in Spain, a new customer welcome program in the United States, expansion of the remote manager model in Mexico, Argentina, Turkey and Peru, "Step" (a relationship model based on the use of tablets and arrangement of appointments by mobile in Turkey, "Feedback online - Opinator" in Argentina and the launch of "Experiencia única" (Unique experience) in Peru.

## Digital customers (BBVA Group. Millions)



Some of the more prominent **new products and functional features** developed in 2016 include: mobile-to-mobile transfer, "BBVA Valora" and "Commerce 360" in Spain; salary advances, cross-sales of digital insurance, simple credit renewals for SMEs and digital auto and mortgage credits in Mexico; swift signature on loans and aggregation of external

accounts in the United States; online banking notification via mobile devices and smart car insurance in Turkey; a personal financial and expense manager in Spain and Mexico; and the "Precios - Cotiza" model in Peru.

Finally, with a view to prioritizing **global and local projects**, BBVA has implemented a "Single Development Agenda (SDA)", which develops solutions that have a clear impact on customer experience. The aim is also to provide strategic consistency with significant impact at Group level in the development of customer solutions, prioritize and coordinate the allocation of resources, minimize expenses, streamline time to market (or launch times) and develop infrastructure and capabilities adequately.

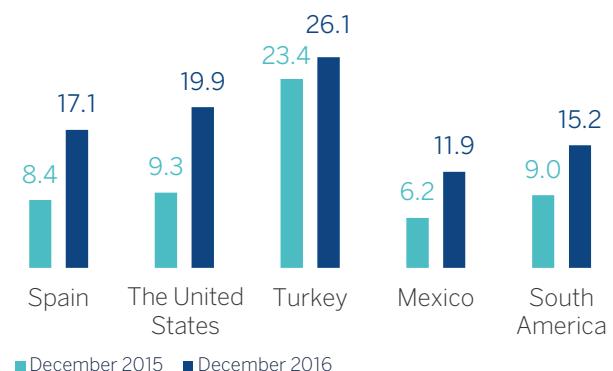
### Driving digital sales

At BBVA, it is essential to drive digitalization for our transformation while boosting business on digital channels. In this regard, we are developing a range of digital products and services that enable customers to use the channel most convenient for them.

The **Product Digitalization Plan** includes the digitalization of traditional products (mortgages, car insurance, receipt financing, one-click loans, etc.) and the launch of native products, i.e. ones that were digital from the start (Wallet, Link, Wibe, etc.)

Moreover, significant work is being carried out on **sales through digital channels**, which have been developing very positively in all countries.

Digital sales  
(By geography. Percentage of total sales YTD, number of transactions)



### New business models

New Digital Businesses (NDB) is the BBVA business unit responsible for participating actively in the digital disruption of the financial industry and thus reinventing BBVA from the outside through a quest for new digital business models for the Bank by leveraging our efforts on the FinTech ecosystem.

Continuing with the strategy initiated in 2015, BBVA further consolidated its position in **2016** as one of the banks that are a benchmark in digital transformation and activity in the FinTech ecosystem. Salient efforts were made throughout the year to develop new business models through four key levers:

#### M&A and strategic investments



#### Strategic alliances

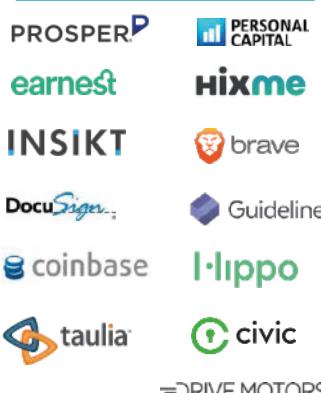


#### Internal incubator



8 proyectos en incubación

#### Venture capital



Note: DriveMotors, Civic, Hippo, Guideline, Hixme and Brave are investments made by Propel Venture Partners U.S. Fund I, LP, a venture capital fund managed independently by Propel Venture Partners LLC, in which BBVA Compass Bancshares Inc. is a Limited Partner.

- M&A and strategic investments:** thanks to our active role in the FinTech ecosystem, BBVA is now considered to be an attractive investor for startups looking for not only a financial investor, but a strategic

ally. For BBVA, investment in companies of this sort means accelerating our digital transformation and is an excellent way to incorporate new products and markets, not to mention talent and digital and

entrepreneurial capabilities. The activity in this area intensified further in 2016, with over 100 companies evaluated as potential targets. Three operations have been concluded:

- a. A strategic investment (29.5%) in the UK's first digital bank with its own license (Atom).
  - b. The acquisition of a "neo-bank" focused on the small business and self-employed segment, currently operating in Finland and Germany (Holvi).
  - c. The conclusion of an agreement for the acquisition of Openpay, a Mexican startup offering online payment solutions.
2. **Strategic alliances:** BBVA's ranking as leader in many countries and its digital reputation have attracted the interest of a number of FinTech and technology companies. The goal is to reach mutually beneficial agreements that also provide our customers with a better value proposition. In 2016, our teams were proactive in the emerging ecosystem, with four agreements reached during the year (Google, Prosper, R3 and Dwolla) and an extensive portfolio of projects that we expect to close in the next few quarters.
3. **Internal incubator:** As part of our strategy to be an active member of this ecosystem, we have decided to create an internal incubation model that combines internal talent and know-how with the partnership of "resident" entrepreneurs. The projects are selected by positioning our customers or potential customers at the center and harnessing technology that best meets their needs. Various generation cycles were generated throughout 2016 in the United States of America and Europe, resulting in a portfolio of eight projects currently at the incubation stage, with the ambitious goal of going live in 2017.

The incubation process has already proved successful, as our first company BBVA Open Platform has reached the marketplace in its Beta version. It is a pioneer in opening APIs (Application Programming Interfaces) for third parties with over 100 users in the test environment in Spain and over 300 users in the United States.

4. **Venture capital:** In addition to our strategic activities, in 2016 we strengthened and made independent our venture capital vehicle through Propel Ventures Partners.

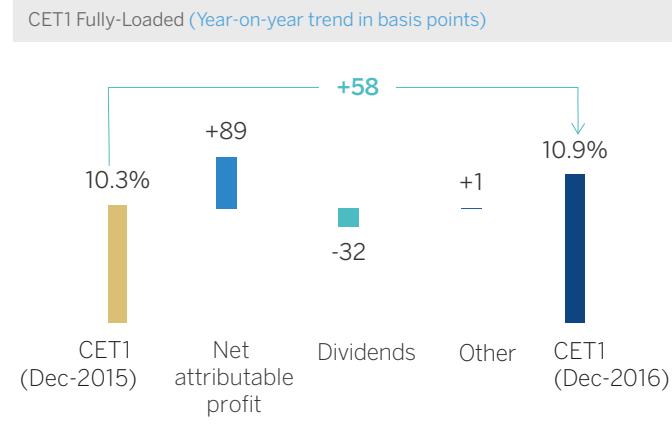
Propel Venture Partners (Propel) is the new independent venture-capital firm that manages BBVA funds destined

for startups that use technology for changing financial services for the benefit of our customers. BBVA has allocated US\$250 million for investment in FinTech companies, and these funds will be managed by the Propel team.

### Optimizing capital allocation

The **objective** of this priority is centered on improving the profitability and sustainability of the business while simplifying and focusing it in on the most relevant activities.

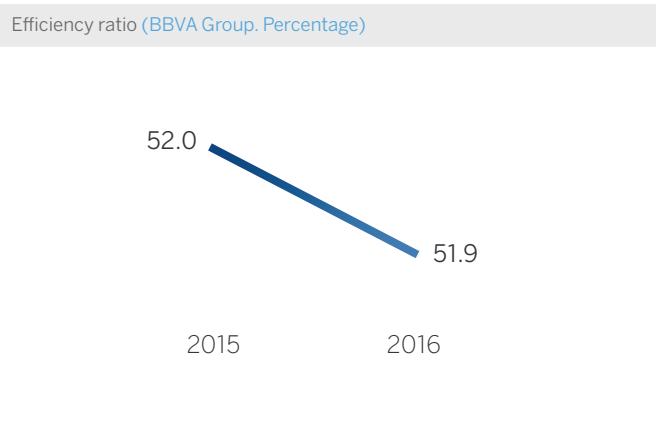
We have been working throughout **2016** to adapt and make our business model more efficient, profitable and dynamic. A number of initiatives (business portfolio optimization, capital tracking committees in all geographic areas, etc.) have been launched that have ensured BBVA Group will achieve solid capital adequacy ratios. In this regard, at the end of 2016, BBVA Group had a fully-loaded CET1 of 10.9%. This represents a rise of 58 basis points on the figure of 10.3% at the close of 2015.



### Unrivaled efficiency

In an environment of lower profit yields for the financial industry, efficiency has become an essential priority in the BBVA transformation plan. This priority is based on building a new organizational model as agile, simple and automated as possible.

In this regard, in **2016** we identified the key levers and developed the action plans necessary to make this change a reality. We are thus transforming our distribution model, systems architecture, operational model, organizational structures and processes. And we are doing so without losing sight of providing a new standard in customer experience.



### A first-class workforce

Our priority at BBVA entails attracting, developing, motivating and retaining a first-class workforce, providing the best employee experience and bringing corporate culture into line with the Group's transformation and its Purpose.

Achieving our **objectives** involves transforming the Organization by implementing new ways of working (organization based on projects, communities of expertise, agile methodology, collaborative tools, etc.) and boosting a culture of collaboration and entrepreneurship, with flatter structures. We have also launched a new model of variable remuneration, aligned with BBVA's strategic objectives. These initiatives will help ensure that BBVA is the best place to work.

## 3. 4. Bringing the BBVA Purpose to life

A year ago, BBVA's new **Purpose** was communicated internally to all our employees. It was a highly anticipated moment since over 28,000 employees had actively participated in providing ideas on what our role should be in creating a better World.

Our Purpose is to bring the age of opportunity to everyone

We're starting 2017 by communicating externally our inspiring message of bringing the age of opportunity to the communities we serve. We are doing that through the launch of our new corporate **tagline**: Creating Opportunities.

This tagline was also the result of a **collaborative effort** where the marketing teams from all countries provided suggestions and local insights. The ideas were consumer tested to find the best fit with the Purpose and also tested against the previous tagline. The final choice was the winner in every consumer survey.

Years ago, **Adelante** was an invitation to move forward. Now, we're inviting people and businesses to explore the amazing opportunities that exist in a world where the access to knowledge through technology is opening all sorts of possibilities. At BBVA, we view ourselves as enablers to help people make better financial decisions, so they can seize opportunities, wherever they may be. We're passionate about the idea of 'creating', a verb that captures the imagination of dreamers, shapers, entrepreneurs and people with everyday aspirations.

The external expression of our Purpose is also part of a broad Customer Solutions initiative. The new tagline comes with a bold new exciting brand identity designed to create a stronger emotional connection through our different consumer touch points. Throughout the year, this new **BBVA Brand** will be expressed in our online/mobile banking experience, through our advertising, in our social media, through the way the brand looks, feels and even sounds. We're committed to building an even more powerful BBVA Brand. That means making our Brand more attractive, not only visually, but providing it with more meaning. Over the years, we've worked hard making our communication more TCR (transparent, clear and responsible) and now our communication will continue to evolve to express other aspects of our customer service. We will reinforce aspects like advice/relevant assistance, ease/convenience, anticipating people's needs.

An inspiring Purpose, a new Brand look & feel, reinforcing Brand principles and communicating how we're helping people create opportunities in their lives. All of this, so that we continue to build BBVA into a power brand and one that people relate to, admire and recommend.

This year will also be devoted to communicating internally the behaviors associated to our new Purpose. All of us have a role in bringing the age of opportunity to life. We can do that in the way we collaborate, communicate, share, innovate and, especially, serve our customers. **BBVA Creating Opportunities.**

## 3. 5. Responsible banking model

At BBVA we have a differential banking **model** that we refer to as responsible banking, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders. It is reflected in the [Bank's Corporate Social Responsibility or Responsible Banking Policy](#), which is approved by the Board of Directors. The Policy's mission is to manage the responsibility for the Bank's impact on people and society, which is key to the delivery of BBVA's Purpose.

All the business and support areas integrate this policy into their operational models. The Responsible Business unit coordinates their implementation and basically operates as a second line for offering support.

In **2016** the governance of the responsible banking model has been strengthened. It is supervised by the Board of Directors and its different committees, as well as by the Global Leadership of the Bank, chaired by the CEO. Furthermore, this year a new BBVA Strategic Plan has been approved. It integrates the strategic initiatives linked to the responsible banking model and their respective action plans.

The main strategic responsible business **initiatives** for 2016-2018 are:

- Creation of lasting and more balanced relationships with our customers through transparent, clear and responsible communication and financial literacy in the solutions that we offer.
- Full integration of how we do business through responsible business policies, a reputational risk model, and a people-centric culture throughout the Organization.
- Promotion of responsible and sustainable growth through financial inclusion, sustainable finance, support for SMEs and responsible investment.
- Investment in the community, with priority for financial literacy initiatives for society, entrepreneurship, knowledge and other social causes that are relevant from a local point of view.

Indicators of reputation as aggregate indicators of responsible business (2016)

### External reputation among customers

Country	Position relative to peer group <sup>(1)</sup>
Spain	1st
The United States	2nd
Turkey	1st
Mexico	3rd
Argentina	2nd <sup>(2)</sup>
Chile	3rd
Colombia	3rd
Peru	1st
Venezuela	2nd
Paraguay	1st
Uruguay	n/av

Source: RepTrak (Reputation Institute); except in Turkey, source: TRI\*M Index (TNS).  
n/av = not available

<sup>(1)</sup>Peer group: Spain: Santander, CaixaBank, Bankia; The United States: Regions, Wells Fargo, Chase; Turkey: Is Bankasi, Ziraat, YKB, Akbank; Mexico: Banamex, Banorte, Santander, HSBC; Argentina: Galicia, Santander, HSBC; Chile: Banco de Chile, Santander, BCI; Colombia: Bancolombia, Bogotá, Davivienda; Peru: BCP, Interbank, Scotiabank; Venezuela: Banesco, Mercantil, Banco de Venezuela; Paraguay: Continental, Itaú.

<sup>(2)</sup>Tie with other entities.

### Internal reputation among employees

Country	Year-on-year score variation
Spain	=
The United States	↓
Turkey	↑
Mexico	=
Argentina	=
Chile	↑
Colombia	=
Peru	=
Venezuela	↑
Paraguay	↓
Uruguay	↑
Group	=

Source: 2016 internal reputation study, RepTrak (Reputation Institute), except in Turkey, source: TRI\*M Index (TNS).

Note: The up/down arrows indicate positive/negative evolution statistically significant; the equals sign (=) indicates stability.

The specific [responsible business indicators](#) are included below in the document in their corresponding chapter.

## Strategic Responsible Business initiatives

STRATEGIC INITIATIVE	STRATEGIC PRIORITY	2018 OBJECTIVE AND KPIs	PROGRESS IN 2016	2017 ACTION PLAN	DELIVERABLES
1) TCR to transform the traditional bank  TCR to create the new Bank	 <b>1.</b> New standard in customer experience   <b>2.</b> Drive digital sales	1 <sup>st</sup> in clarity and transparency (Net TCR score)  1 <sup>st</sup> in recommendations (NPS)	<a href="#">TCR Communication</a>	TCR product leaflets	100% of the units sold in the individual customer segment (80% in Turkey); 80% of units sold in SMEs (except for Turkey and Chile)
				TCR contracts	80% of units sold. (all countries)
				TCR in call centers	Implementation of the script in 80% of the units sold in Argentina, Chile, Colombia, Venezuela, Peru and Turkey
				TCR in complaints management	Pilot projects in Venezuela and Peru
				TCR Advertising Code	Monitoring and feedback
				TCR in key customer journeys	Implementation in Spain, Mexico, Turkey and Peru
				TCR in non-commercial communications	Pilot project in Spain
				TCR in global products	TCR integrated in the GLOMO initiative (global mobile application)
				TCR in other Single Development Agenda projects	API market, the API platform with a variety of functionalities available for companies
				TCR incorporated into scrums	TCR integrated into the agile methodology
2) Financial capabilities in customer solutions	 <b>1.</b> New standard in customer experience	1 <sup>st</sup> in clarity and transparency (Net TCR score)  1 <sup>st</sup> in recommendations (NPS)	<a href="#">Financial education</a>	TCR Training	Training in contracts; training in relevant information, and engagement in the Google + community
				TCR in the UX System	TCR integrated in the design principles
3) Corporate Social Responsibility (CSR) insights in the area of customer solutions	 <b>1.</b> New standard in customer experience	Integration in the Customer Solutions creation process	<a href="#">People-centric solutions</a>	Global products	TCR integrated in the design principles
				Local products	Pilot projects in Spain, Mexico and the United States
				Donations from employees and customers in GLOMO	Integration in the GLOMO initiative
4) Responsible Business as a second line	 <b>4.</b> Optimize capital allocation   <b>6.</b> A first-class workforce	1 <sup>st</sup> /2 <sup>nd</sup> in reputation among customers (RepTrak pulse)  Maintain internal reputation (annual survey)	<a href="#">Standards of conduct</a> <a href="#">Materiality analysis</a> <a href="#">Social, environmental and reputational risks</a> <a href="#">The team</a> <a href="#">The environment</a> <a href="#">Suppliers</a>	Responsible business policies	Human Rights Commitment and defined action plan; purchase approval process; definition of the social and environmental framework
				Monitoring of materiality and reputation	New methodology for the materiality exercise based on big data
				Global Eco-Efficiency Plan	Performance measured against defined objectives for 2020
				Talent & Culture initiatives	Values and Behavior project; work/life balance and diversity plan; second edition of Responsible Banking course
				Momentum & Open Innovation	Launch of the new global program in Spain, Mexico, the United States, Turkey and Colombia
5) Investment in the community	 <b>1.1.</b> New standard in customer experience   <b>5.</b> Unrivaled efficiency	1 <sup>st</sup> /2 <sup>nd</sup> in citizenship reputation (RepTrak citizenship)	<a href="#">Investment in social programs</a> <a href="#">Entrepreneurship</a> <a href="#">Knowledge, education and culture</a>	Center for education and financial capabilities	Launch of the center; annual summit
				Volunteer work	Definition of local volunteer plans; global volunteering initiative and global volunteer recognition plan
				Responsible business reporting	Integrated annual report; integration on the corporate website <a href="#">www.bbva.com</a>
6) Communication and advocacy	 <b>1.1.</b> New standard in customer experience	A benchmark for responsible banking (Synthetic responsible banking index)	<a href="#">Criteria and standards</a> <a href="#">Shareholders</a>	Analyst and investor engagement	Meetings and roadshows with investors and shareholders
				Customer engagement	Communication and marketing plan

## 3. 6. Business organizational chart and structure

BBVA announced in July 2016 that it would **simplify** its organizational structure to streamline and accelerate transformation.

The main **changes** include direct reporting of the main business areas and geographies to the CEO, and the integration of key areas in Customer Solutions to develop our value proposition for customers globally and locally.

BBVA Group. [Organizational Chart](#)



<sup>(1)</sup> Reporting channel to CEO for Argentina, Colombia, Chile, Peru, Venezuela, Uruguay and Paraguay, as well as monitoring of all countries, including Spain, Mexico, Turkey and USA.

<sup>(2)</sup> Integrates Global Products & Digital Sales; Design & Marketing; Data & Open Innovation; Business Development in Spain, Mexico, Turkey, USA and South America; Distribution model; Asset Management & Global Wealth and New Digital Businesses.

The new organization chart is divided into four areas: Execution & Performance, New Core Competences, Risk & Finance and Strategy & Control. The CEO handles the first three functions while the Group Executive Chairman handles Strategy & Control.

### 1. Execution & Performance:

- The geographic areas now report directly to the CEO: Spain, Mexico, the United States and Turkey directly, and the rest of the countries through a newly created area called Country Monitoring, which manages Argentina, Chile, Colombia, Peru, Venezuela, Uruguay and Paraguay,

in addition to monitoring all the geographic areas (including Spain, Mexico, the United States and Turkey).

- Corporate & Investment Banking is the area responsible for managing the Group's investment banking, global markets, global lending and transactional services for international corporate clients and institutional investors.

- New Core Competences:** This group of areas encompasses the critical capabilities and global talent needed to compete in the new environment.

- Customer Solutions (CS) includes the key levers for implementing the offering of products and services for customers in all geographic areas. Its main responsibilities are:
  - Grow and transform our business, defining and shaping the Bank's relationship with our customers.
  - Develop internal capabilities for creating products and customer experiences.
  - Continue attracting and fostering innovation at BBVA
  - Create and acquire new businesses with a perspective that differs from BBVA's.

The new CS organization mainly comprises:

- a. Execution units, which are the driving force of the demand for creating products and experience through innovation, and focus on the execution of results in the countries. These units in turn include the Business Development teams for Spain, Mexico, the United States, Turkey and South America; New Digital Businesses, CIB & Commercial and Asset Management & Global Wealth.
  - b. Capability Units, dedicated to the creation of products and experiences for our external and internal customers, including: Design & Marketing and Data & Open Innovation.
  - c. Product and experience units: the driving force for creating and transforming the experience that our customers have in digital and traditional channels, including: Global Products & Digital Sales and Distribution & Engagement.
- Engineering: In addition to managing technology operations, the area develops the software and processes for customer solutions with a global approach.
  - Talent & Culture: focused on developing talent at the Entity and defining the global models, policies and processes for managing people and developing the Bank's organization and culture.
3. **Risk & Finance** comprises relevant aspects such as the management of global risks, balance sheet and Group solvency.
- Finance: the area in charge of managing asset and liability risk and capital risk, relations with analysts, investors, shareholders and rating agencies, management of investments, and, starting 2016, planning, management

control and management information systems.

- Global Risk Management: the area responsible for risk management and for ensuring Group solvency, supporting its strategy and ensuring business development combined with adequate risk management throughout the entire life cycle and across all geographic areas where the Group operates.
4. The **Strategy & Control** areas, under the responsibility of the Group Executive Chairman, establish the Group's strategy and frameworks for action and control in issues as important as compliance, communications, internal audit and accounting. It is organized as follows:
- Global Economics, Regulation & Public Affairs: the area responsible for the Group's Economic Research Department and for promoting and developing BBVA's institutional relations.
  - Legal & Compliance: legal risk management, legal advice to the Group, management of risks arising from compliance issues (prevention of money laundering, customer protection, personal data and markets) and the compilation, standardization and presentation of the Group's main internal control issues to the Corporate Assurance committees.
  - Strategy & M&A: the area responsible for corporate development functions, definition of the strategy guidelines at Group level, and execution of mergers and acquisitions. It also encompasses the Real Estate and Equity Holdings units.
  - Accounting & Supervisors: responsible for preparing and reporting accounting, regulatory and tax related information, and checking and balancing all the information addressed to the Company's governing bodies, regulators and supervisors. It is also responsible for relations with regulatory and supervisory bodies and external auditors.
  - Communications: manages BBVA Group communications across all geographic areas, defining and implementing brand journalism to boost BBVA's reputation.
  - General Secretary: provides legal and technical advice and support to the company bodies and the different BBVA areas on institutional, legal, corporate and corporate governance matters.
  - Internal Audit: provides an independent, objective assurance and advice conceived to add value and improve the Organization's operations.

# 4. Corporate governance

- |             |                             |      |
|-------------|-----------------------------|------|
| <b>4.1.</b> | Corporate governance system | P.58 |
| <b>4.2.</b> | Compliance system           | P.62 |
| <b>4.3.</b> | Internal control model      | P.66 |

## 4. 1. Corporate governance system

Banco Bilbao Vizcaya Argentaria S.A. ("BBVA", the "Company" or the "Bank") has a corporate governance system made up of a set of principles, rules, structures and processes which regulate and guide relations between the Company, its management, shareholders and other stakeholders, allowing, at the same time, for an adequate management and oversight of the Bank (the "Corporate Governance System").

BBVA's Corporate Governance System has been shaped over time based on sound principles that underpin the Bank's corporate culture and ensure a suitable distribution of functions, balance of powers, transparency and business ethics.

BBVA's Corporate Governance System has been designed on the basis of its own reality as a company, taking into consideration its circumstances and needs, the different external points of view derived from the dialogue with shareholders and investors, supervisors and proxy advisors (entities who provide advisory services related to voting rights resulting from share ownership of listed companies),

as well as the best practices and recommendations on this matter and regulations applicable to the Bank, in its capacity as a financial institution listed on national and international markets.

Based on the foregoing, the essential features of BBVA's Corporate Governance System are as follows:

- An adequate composition of its corporate bodies.
- A clear distribution of duties between the Board of Directors and its Committees, and between the Committees and the senior management.
- An orderly decision-making process.
- A sound system for the monitoring, oversight and control of the Company's management.

BBVA's Corporate Governance System comprises the following **core elements**:

**Shareholders.** Oversight of the Board's management and final say on relevant matters

**Board of Directors.** Two roles: management and oversight of the Entity

**3 Executive Directors**

Executive Chairman  


Chief Executive Officer  


**12 Non-Executive Directors**  
(8 independent and 4 external)

Lead independent director  


**Board Committees specialised to assist the Board in the performance of its duties**

Executive Committee

Audit and Compliance Committee

Risk Committee

Remunerations Committee

Appointments Committee

Technology and Cybersecurity Committee

**Senior Management**

## Shareholders

Considering BBVA's shareholding structure, which has 100% free-float and an important presence of retail and institutional shareholders, both national and international, the Bank's relationship model with its shareholders is predicated on three basic pillars:

1. Respect for the "**one share, one vote**" principle, without imposing limitations on the exercise of shareholders' rights and guaranteeing that all shareholders in the same position are treated equally and afforded the same rights.
2. The General Shareholders' Meeting is reserved the final say on matters of significant relevance for the Company.
3. The existence of a formal **Policy on shareholders and investors' communication and contact**, which: (i) encourage shareholders to participate and exercise their right to vote at the General Meeting; (ii) ensure utmost transparency and disclosure of information for the exercise of their rights; and (iii) promote an active engagement policy with institutional and retail shareholders.

This Policy, which specifies the communication channels with the Bank and the principles of transparency, veracity, immediacy and consistency in the disclosure of information, is available on the Bank's website.

## Board of Directors

In line with Spanish regulations, BBVA has a one-tier board system which entails the existence of a **single collegiate body** (the Board of Directors) which is responsible, collectively and individually, for the management of the Bank as well as the oversight and control of the senior management, with the aim of furthering the corporate interest.

The Board's most **relevant functions** are as follows:

Strategy and general policies	Remuneration policy
Risk management and control (RAF)	Financial and accounting information
Annual budgets	Appointment/removal of Senior Management
Capital and solvency	Oversight of Senior Management
Strategic transactions	Internal organization and annual self-assessment

The fact that these responsibilities are reserved to the Board, without the possibility of delegating them, is a key element

for the balance of powers and control, ensuring that the most relevant matters affecting the Company are analysed and decided by the corporate bodies, which also carry out general oversight functions over the Bank.

The **composition** of the Board of Directors is one of the key elements of BBVA's Corporate Governance System, and is aimed at ensuring the appropriate performance of its functions, so that decisions are taken after debating, analysing and critically reviewing the proposals submitted for its consideration, promoting also the necessary consensus for appropriate decisions to be taken, as well as ensuring effective management oversight and control.

For this purpose, BBVA has a **Policy on the selection, appointment, rotation and diversity of the Board of Directors**, which is available on its corporate website. This Policy outlines the principles and procedures for the selection, appointment and rotation of the Bank's directors, as well as the necessary requirements to be fulfilled in order to hold the position of director.

### Policy on the selection, appointment, rotation and diversity:

- Suitable composition to ensure the adequate performance of the corporate bodies in the pursuit of the best corporate interest.
- Encourages diversity of experience, knowledge, skills and gender.
- Absence of biases that may entail any kind of discrimination, and female representation target of 30% by 2020.
- Suitable balance between the different categories of directors, with at least 50% being independent directors.
- Director training plans.
- Progressive and continuous refreshment in the Board's composition.
- Suitability, dedication and absence of incompatibilities in directors.

To ensure a correct composition at all times, the Bank has been carrying out an orderly **refreshment process** in the Board, based on an adequate rotation planning, in order to achieve the objectives set out in the aforementioned Policy, identifying the needs of the corporate bodies and the most suitable candidates to be incorporated at any given time. This process also considers the composition of the various Board Committees, which assist the Board in the performance of its duties.

For these purposes, BBVA's Appointments Committee, as part of its duties, regularly analyses the Board's structure, size and composition, and whether these are adequate to meet the needs of the corporate bodies, and as a consequence it identifies and assesses possible changes in such composition that may be necessary or advisable. As a result, selection process may be initiated, where appropriate, for the identification and selection of candidates to be proposed as new members of the Board.

BBVA's Board of Directors has a high **level of independence**, both on the Board and its Committees, which promotes the correct performance of the management, oversight and control functions, guaranteeing objective and independent judgment in the decisions adopted by the corporate bodies. As of the date of this document, BBVA's Board of Directors comprises fifteen directors, three of which are executive directors and twelve are non-executive directors. Of them, eight are independent directors and four external directors, which entail a level of independence that exceeds the 50% threshold established in the Policy.

The **composition** of the Bank's Board of Directors is very **diverse** and combines directors with experience and knowledge of the Group, its businesses and the financial sector in general, with others having relevant training, skills, knowledge and expertise in other fields and sectors of particular interest for the Bank (such as risks, audit, digital businesses, technology and cyber-security), thereby ensuring, as a whole, a suitable balance in the composition of the Board and its Committees for a better performance of duties.

Additionally, the members of the Board have the necessary **suitability**, repute, skills, experience and qualifications required to hold their positions, fulfilling the requirements legally established in this regard. They also have the **availability and dedication** necessary to perform their functions. For these purposes, directors are subject to, among others, the incompatibilities and limitation rules set forth in applicable regulations, which provide for a maximum number of directorships they may hold at the same time.

In order to assist the directors in acquiring, updating and reinforcing their knowledge and skills for the better performance of their duties, the Board of Directors has various **initiatives** in place **for the training** of its members. These are aimed at offering sufficient and relevant information on various matters, to ensure a proper understanding of all the issues submitted for consideration of the Bank's corporate bodies, which are combined with the extensive information provided in the ordinary meetings of the different corporate bodies.

The Board of Directors has an executive chairmanship model, as well as a CEO who is responsible for the day-to-day

management of BBVA's business. This model provides for a separation between both the positions and the duties of the Group Executive Chairman and of the CEO, ensuring an adequate balance of powers between both roles. Additionally, to reinforce the checks and balances and control system, the Board of Directors has also a **Lead Independent Director**, with the functions conferred both by law and good governance recommendations.

### **Board's Committees**

To better perform the management and control duties, have a suitable decision-making process in place and promote the checks and balances, BBVA's Board of Directors has set up **specific Committees** to assist it in matters falling within their remit. A coordinated working scheme among the Committees and between the Committees and the Board has been established.

The Board of Directors has created an **Executive Committee**, which performs management functions and oversight and control functions. The Executive Committee is a delegated body of the Board of Directors and its mission is to assist the Board in its general oversight function and, in particular, in overseeing the running of the business and monitoring the risks to which the Bank is or may be exposed, as well as in the decision-making regarding those matters falling within the remit of the Board of Directors, provided that they do not constitute non-delegable powers under Law.

There are also four Board Committees (**Audit and Compliance, Risk, Remunerations and Appointments**) which assist the Board in carrying out control and oversight functions, as well as analysing and preparing decisions within the scope of their functions.

Finally, in order to assist the Board in matters regarding technology and associated risks, which is an area of particular interest for the Group, in 2016 the Board has set up a **Technology and Cybersecurity Committee** to assist it in the understanding and acknowledgment of the risks associated to technology and information systems related to the Group's activity and its management and control, particularly with regard to the Group's technology strategy.

These Committees help ensure that the oversight and control functions and the day-to-day management of the Bank are more appropriate and broader in scope. The Audit and Compliance Committee and the Risk Committee have key roles in this regard. The Committees also ensure that the corporate bodies have a suitable decision-making process in place, guaranteeing, through the performance of the duties entrusted by the Board, the analysis and detail of the proposals submitted for consideration and the challenge

of the approaches presented by the senior management through the direct interaction with them.

The Group's Corporate Governance System ensures the correct operation of the Board Committees and the independent performance of the duties through various means, i.e. a suitable composition, a clear and broad allocation of duties, necessary resources and a relevant role attributed to the respective Chairmen, who also have autonomy to act and organise the operation as they see fit. The Committees are also able to request assistance from external expert where necessary to assist them in their functions.

### Interaction between the Board and its Committees

As part of its basic elements, BBVA's Corporate Governance System incorporates and promotes a suitable **decision-making process**, in which the work of the Committees and the Board of Directors is integrated and the interaction of the corporate bodies among them and with the Bank's Senior Management is reflected.

In the framework of this process, the Board Committees analyse in detail matters falling within their remit and perform a critical challenge and in-depth review of those issues submitted by Senior Management, for the adoption of the relevant decisions prior to submission to the Board, so that proposals to be submitted to the Board for consideration take into account the opinions, approaches and requirements that arise from this analysis and discussion process and they are in line with the strategies and policies approved by the Board of Directors.

Once these proposals have been approved by the various Committees, they are submitted to the Board for approval and final decision. When the corresponding resolution has been adopted by the relevant corporate body, it delegates the implementation and development of the decisions, at both Bank and Group level, to the managers in charge of the relevant areas, and the appropriate oversight and control systems are established.

This decision-making process allows for the existence of an **oversight and monitoring system** of the Group by the corporate bodies, which is completed with a control structure in the executive area covering all the companies in BBVA Group.

BBVA's senior management, comprising the heads of the Group's corresponding business, control and support areas, reports directly to the corporate bodies on matters falling within their remit, thus receiving the information needed at all times to properly perform the duties.

As a result, the performance of the duties of the Board and its Committees promotes the oversight by non-executive directors not only of the proposals submitted by the heads of the Group's management areas, but also of the implementation and development of the matters that have been approved by the Board, assisted by the work carried out by the different Committees.

### Self-evaluation

The quality and efficiency of the operation of the Board and of its Committees is assessed on an annual basis by the Board of Directors through a process directed and coordinated by the Chairman of the Board with the Chairmen of the relevant Committees. This is based on an analysis carried out by the Appointments Committee on the structure, size and composition of the corporate bodies and the activity reports prepared during the year by each Committee, which are submitted to the Board for analysis and assessment.

In order to assess the Board's performance, the Appointments Committee may engage, when necessary, renowned independent experts. The firm Russell Reynolds assisted, as independent expert, in the assessment of the performance of the Board and its Committees carried out in 2015.

This annual, on-going self-assessment helps analyse the efficiency of BBVA's Corporate Governance System, which in turn ensures the correct operation of its corporate bodies and allows for constant evolution in line with the needs and the circumstances that might affect the Bank and its environment.

For further information in this regard, please see the document "[Corporate Governance and Remunerations in BBVA - Overview 2016](#)", which is available at the Bank's website.

## 4. 2. Compliance system

The Group's Compliance System constitutes one of the bases upon which BBVA consolidates its institutional pledge to conduct all operations and businesses in accordance with strict codes of **ethical conduct**. In line with the principles set forth by the Bank for International Settlements (BIS) and the reference regulations in this area, the Compliance Department continues to articulate its business around the development and implementation of policies and procedures, communicating and training in matters of compliance, and the identification, assessment and mitigation of potential compliance risks, understood as those that affect the following issues:

- Market conduct.
- Dealing with conflicts of interest.
- Prevention of money laundering and terrorism financing.
- Personal data protection.

The **model of compliance risk assessment and management** associated with these matters is global in nature. It is not a static concept; it evolves over time, strengthening those elements and pillars on which it is based and anticipating new developments and initiatives that may arise in this field. This model is built on the following pillars:

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the Organization.
- Policies and procedures that clearly define positions and requirements to be applied.
- Mitigation processes and controls applied to enforce the compliance of these policies and procedures.
- A technology infrastructure focused on monitoring and designed to guarantee the above objective.
- Communication, training systems and policies implemented to raise employee awareness of the applicable requirements.
- Metrics and indicators that allow the supervision of the global model implementation.
- Independent periodic review of effective model implementation.

In **2016** the documentation and management of the model was strengthened through a set of technological tools and improvements to the internal processes in the different countries. This effort has been particularly significant in Turkey, following the integration of the Garanti group in BBVA.

### Standards of conduct

A basic element in BBVA's compliance system is the **Code of Conduct**, updated in 2015 and available on the website [bbva.com](http://bbva.com).

The commitments that contribute to the prevention of corruption in the Group in its relations with suppliers, anti-bribery policies, acceptance of gifts, events management, prevention of money laundering, and commitments regarding politically exposed persons, are all included in the Code of Conduct, and in the specific policies that develop and complement it.

In **2016** BBVA completed a review of the anti-corruption framework to adapt it to the new Code of Conduct. Its gradual implementation across the Group is planned for the upcoming months. In addition, stricter precautionary measures have been applied specifically to the group of politically exposed persons, as already introduced in the past and included in the corporate procedure for action in relation to this matter.

The [Policy for Conduct in the Securities Markets](#) includes the principles and general criteria for action designed to uphold BBVA's integrity in the markets. Specifically, this document contains the minimum procedural guidelines regarding the treatment of privileged information, the prevention of price manipulation, the management of potential conflicts of interest and own account trading by employees.

In addition to these mechanisms, BBVA has established other specific instruments for managing core commitments in each functional area. The most salient of these are:

- Internal standards of conduct in securities markets.
- The Compliance Statute.
- The Code of Ethics for Recruitment of Personnel.
- The principles applicable to those parties involved in the BBVA procurement process.

- The basic principles of risk management and the risk management Policy Manual.
- The regulation on dealing with individuals and entities of public importance in matters of finances and guarantees.

Other basic commitments acquired by the Group are:

- [BBVA's Rules of Conduct in Defense](#).
- The [Environmental policy](#).
- The [Responsible Procurement Policy](#).
- The [Commitment to Human Rights](#) (see section on human rights at the end of this chapter).

In relation to **conduct with customers**, in 2016, the Compliance Department has focused its activity on preparing for the entry into force of the new regulations on investor protection, such as the Markets in Financial Instruments Directive (MiFID II) and the PRIIPs (Packaged Retail and Insurance-based Investment Products). Other measures geared to customer protection during the year have been the following:

- Assessment of risks associated with the Group's products, services and activities and the implementation of measures for their mitigation through the presence of the Compliance Department in the New Product Committees. In 2016 these committees have reviewed 288 new activities, products and operations. In addition, control procedures and routines of the new products and services have been strengthened, and new requirements prior to these products and services have been incorporated and must be verified before their launch.
- Coordination of action plans to adapt to any new requirements and criteria issued by the Spanish Securities and Investment Board (CNMV) and the Bank of Spain on the protection of investors and bank users.
- Close and continuous collaboration with wholesale and retail product and business development units, focusing on digital banking initiatives, with the aim of instilling the concept of customer/investor protection into its projects from the outset.
- Maintenance of the internal regulatory framework up to date to ensure that all product and service sales are compliant with requirements.
- Participation in improvement projects and updating sales processes, as well as the supporting IT systems, seeking

to ensure they are in line with best practices in terms of protecting customer interests.

- Promotion of communication and training initiatives for the sales network and support departments, specifically on advisory and sales practices to related customers .
- Review of the information made available to the public and the sales forces, as well as the promotional campaigns and sales of investment products.
- Enhancement of the compliance risk monitoring metrics and indicators to promote a proactive approach, with a particular focus on customer complaints.
- Evaluation of the internal measures in force, based on internal and external audit reviews and regulatory inspections and requirements.

With respect to the standards of **conduct in the markets**, as a result of the entry into force of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse and its secondary legislation, the standards for integrity have been increased and the compliance units dedicated to these matters have been enhanced. Thus in 2016 capacities in the area of prevention and detection of market abuse have been strengthened, to respond to the new legal requirements. These changes have mainly taken shape in the review of the internal regulatory body to adapt its content to new requirements, improved tools and capacities for detecting suspicious transactions and employee training. Specifically, 811 individual training actions have been developed for employees affected by the regulation. In addition, a general rule has been drawn up for activity related to financial indices. It serves as a general framework that tackles the integrity and appropriate behavior in the area of markets and prevention or management of conflicts of interest in activities related to financial indices.

#### **Prevention of money laundering and terrorist financing**

Prevention of money laundering and terrorist financing (hereinafter, PML&TF) constitutes above all an ever-present **objective** that BBVA Group associates with its pledge to make improvements in the different communities in which it operates

For BBVA, ensuring that its products and services are not used for illegal purposes also constitutes an essential requirement for safeguarding its corporate **integrity**, and thereby one of its main assets: the trust of people and institutions it deals with on a day-to-day basis (customers, employees, shareholders, suppliers, etc.) in the different jurisdictions where it operates.

To achieve this objective, as a global financial group with branches and subsidiaries that operate in numerous countries, BBVA has adopted a corporate PML&TF risk management **model** that covers all the compliance issues described above. This model is applicable to all of the entities forming part of BBVA Group within the scope of PML&TF and not only takes into account regulations on prevention of money laundering in the jurisdictions in which BBVA operates, but also incorporates the best practices in the international financial industry in this regard, as well as the recommendations issued by international institutions such as the FATF (Financial Action Task Force). This management model is constantly evolving. In particular, risk analysis ensures that controls can be tightened and any additional mitigating measures that may be required to enhance the model can be implemented.

Progress in **2016** on this area includes the following:

- Increasing human resources assigned directly to the PLD&TF units of each jurisdiction.
- Making progress in improving through centralized guidelines for customer risk categorization or in assigning systems with regard to PLD&TF, based on the factors identified by the sector which are relevant for quantifying the risk of money laundering.
- Upgrading the monitoring systems already in place in all Group areas. In 2015, BBVA adopted the decision to replace the main monitoring tool implemented in the Group. Deployment began in 2016 in Spain and Turkey, and it will continue in the rest of the jurisdictions. Associated with this deployment, best practices will be implemented in the management of alerts to increase the efficiency of the process.
- The development of initiatives opens up new technological opportunities (for example, big data and robotics) that improve BBVA Group's ability to detect suspicious activities in its different entities.

The risk management model of PML&TF is subject to continuous **independent review**. Pursuant to Spanish regulations, an independent expert annually audits the company's system matrix (including supervision of subsidiaries and branches abroad) and all companies subject to PML&TF standards in Spain. This review is complemented by internal and external audits carried out by local supervisory bodies.

Finally, it is worth noting BBVA's **collaboration** with the different governmental bodies and international organizations in this field.

## Ethical and legal behavior consultancy

Following its update in 2015, in **2016** efforts have been focused on the communication and dissemination of the new Code of Conduct, as well as training in its contents.

The new Code has been distributed through audiovisual means at a global level, with the involvement of senior management and related departments in the different countries. Videos have been distributed on each of the chapters of the Code at the global level, supplemented with specific communication initiatives for individual groups or countries.

In addition, an online course has been launched at global level, to allow all Group employees to become familiar with the contents of the Code. In 2016 over 96,000 employees have taken the course and the Group's whole workforce is expected to finish it by 2017. In addition, reminders have been issued on the content of the Code at global level, coinciding with events or facts that are particularly relevant and related to their content.

The Compliance team has also continued in 2016 to offer its advice on applying the Code of Conduct. Specifically, 50 individual written and phone queries have been answered. Basically, they focused on carrying out other professional activities, and on the handling and management of potential conflicts of interest.

In the area of PML&TF, each of the Group's entities has an annual training plan for all its employees, which establishes training actions of a varied nature according to the needs identified for each. These training actions are carried out on site, using methods that include e-learning, videos and leaflets, and its content is adapted to the group that is the target of the training.

In 2016, a total of 79,798 employees in the whole Group received training in PML&TF. Of these, 25,149 correspond to groups of employees whose function requires more specific training in the area of PML&TF.

## Whistleblowing channels

One of the main mechanisms for **managing conduct risk** in the Group is its whistleblowing channels. As set out in the Code of Conduct, BBVA employees have the obligation not to tolerate any conduct that is contrary to the Code, or any conduct in the performance of their professional duties that may harm the reputation or good name of BBVA. This whistleblowing channel is a mean for enabling employees to report any breaches they observe or are notified by their collaborators, customers, suppliers or colleagues.

The **means** by which employees can report any action or situation that may be in violation of the regulations or values and guidelines of the Code of Conduct are as follows:

- Discuss the case with their supervisor or contact at Talent & Culture.
- Report the case through the whistleblowing channel of the geography or area where they work.
- Make use of the corporate whistleblowing channel, by reporting the case to the Compliance Department at the email address [canaldenuncia@bbva.com](mailto:canaldenuncia@bbva.com) or the phone number: (34) 91 537 7222. The whistleblowing channel is open to the Group's suppliers.

### Human rights

Since 2007 BBVA has a [Commitment to human rights](#), which defines the minimum behavioral basics applicable to all the entities making up BBVA's Group, including all its employees and management team. These fundamentals also guide BBVA's relations with its customers, suppliers and the communities in which it carries out its businesses and activities.

Although this Commitment has been **updated periodically** since its approval in **2016**, an in-depth review has been initiated, taking as a reference the [United Nations Guiding Principles on Business and Human Rights](#). The Principles set out the actions that both states and companies must carry out to comply with their respective obligations to protect and respect human rights and implement the mechanisms needed to restore any adverse impact to those affected by breaches of their rights.

Aware of the key role that companies play because of their responsibility to respect human rights, which is included in the current text of the document, we have begun an integrated cross-cutting process of due diligence (applicable to all the functional areas and the Bank's business and all the geographical areas where BBVA operates).

The aim of this due diligence is to identify issues most relevant to human rights that may impact BBVA's activity. As a result of the process, we will have an updated human rights Commitment and an action and monitoring plan to ensure compliance.

In addition, since 2011 BBVA has participated in the sessions and debates of the **Thun Group**, an informal group of representatives of banks that work together with the primordial aim of understanding the Guiding Principles better in the area of banking and considering how they can be applied in the different banking activities. The Thun Group places particular focus on the exchange of knowledge and experience with the aim of supporting the incorporation of the Guiding Principles in the policies and practices of financial institutions. Occasionally, the Thun Group expresses the results of its deliberations in discussion papers. In January 2017 the Group published its latest [discussion paper](#), on which it has been working in recent years. It proposes a conceptual framework to help consider the significance and scope of Principle 13 for banks in a context of corporate and investment banking. In addition, it reflects on the due diligence addressed in Principle 17.

With the publication of these documents we aim to generate a constructive dialogue between the banks and other stakeholders interested in the issues addressed.

## 4. 3. Internal control model

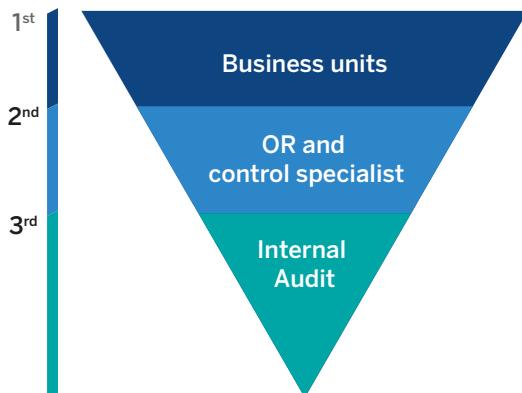
Based on best operational risk management practices, BBVA Group has established and maintained an internal control model organized around three lines of defense (3LoD), as well as a governance scheme called Corporate Assurance. The Group's internal control model has two **components**.

The first component is the model based on **three lines of defense**, which ensures compliance with the most advanced internal control standards and is organized as follows:

- The Group's areas and/or business units constitute the first line of defense. They are responsible for managing current and emerging risks, implementing control procedures and reporting to their unit/business or support area.
- The second line of defense consists of the areas/units specializing in control, the main ones being the following: Compliance, Accounting & Supervisors (specifically, Internal Financial Control), Global Risk Management (including, Internal Risk Control) and Engineering (specifically, Internal Operations Control

and Internal Technology Control). This line helps identify current and emerging risks, defines the control policies within the scope of its cross-sector aspect, ensures that they are implemented correctly, and provides training and advice to the unit representing the first line. In addition, one of its main functions is to monitor and question the control activity carried out by the first line of defense. The control activity of the first and second lines of defense will be coordinated by the Global Internal Control Unit within the Global Risk Management area, which will also be responsible for providing these areas/units with a common internal control methodology.

- The third line of defense is made up of the Internal Audit area, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is designed to provide independent and objective assurance and consulting activity intended to add value and improve the Organization's operations. The duties and lines of work of this area are described below.



The second component is the **Corporate Assurance** scheme, which has the role of providing a comprehensive and standardized approach to the Board of Directors and the management bodies on the Group's internal control situation. This provides timely information on the main control weaknesses that may arise in the different assurance processes and makes it possible to prioritize their solution and monitor the implementation of measures for mitigating them more effectively.



To ensure correct operation, the model includes an orderly mechanism for **reporting** to management. The mechanism is made up of a number of committees that meet every four months, in which members of the senior management of the Group and its subsidiaries take part. The committees seek to discover and make decisions on control issues that may have a significant impact on the objectives of the different areas/units, both at the local level and for the consolidated Group.

## Internal Audit

The Internal Audit area depends directly on the Group's **Executive Chairman**. It is completely independent from the functions being audited and is not part of any other activity that may be subject to an audit.

Its **functions** imply a universal scope and include all activities and entities in BBVA Group, with no exceptions and irrespective of the geographic location or reporting situation. Its scope also extends to the activities and services the Group has outsourced.

This area has unrestricted **access** to employees, workplaces, systems, IT and physical records and, in general, any information required to perform its functions effectively. It must maintain such information confidential and comply with data protection laws.

A three-year plan was drawn up in **2016**, in compliance with ECB guidelines, in response to the expectations of the main stakeholders.

The plan is structured based on 11 **types of risk**, from which the following main points for action have been derived:

- To cover the main sources of risk in the business model; work has been carried out on defining the indicators linked to the Strategic Priorities, as well as on the circuits established for reporting and monitoring.
- The assessment of internal governance risk is based on evaluation of the organization's framework, the global risk management and the Entity's control framework.
- To cover operational risk, the focus has been placed on data governance and information quality, preventive evaluation of the risks associated with the Group's main transformation initiatives, the operational risk associated with the Group's business processes and management of the projects for integrating the banking platforms in Spain, whose current key process is migration of information from Catalunya Banc, Uno-e and Banco Depositario to the BBVA platform.
- To cover legal risk in the Group the legal risk control framework has been reviewed in Spain and Venezuela and work has been developed on compliance with accounting standards, the financial information control model and regulatory reporting in the main geographic areas.
- Reviews have been carried out on compliance risk in all functional and geographic areas. In addition, audits have been carried out on the prevention policies of money laundering and terrorist financing, the specific laws on consumer protection in various countries, the new Code of Conduct and the reputational risk management model in

the Group, as well as the crime prevention model in Spain and compliance with the data protection law in Peru.

- Through the work on cybersecurity, both the exposure and the response capacity to IT security risks have been precisely evaluated.
- The outsourcing lifecycle has been reviewed to cover risks associated with the outsourcing processes in the Group.
- The sources of credit risk identified have been covered through a review of the portfolios associated with the energy sector in Mexico, Colombia and the United States, through the analysis of the credit quality of customers managed by Corporate & Investment Banking, and through the evaluation of the governance of the provision model defined in the new Bank of Spain Circular (4/2016).
- With respect to financial risks in market activities, annual revisions of the internal models used by the Group have been carried out to determine the capital charges for market risk.
- Asset and liability risks are covered with respect to liquidity by a review of the internal liquidity adequacy assessment process (ILAAP), as well as a review of the mechanisms for the governance, management and control of structural risks.
- The framework of the three-year audit plan covers all the internal capital adequacy assessment process (ICAAP), as well as the compliance with local capital adequacy requirements to which the Group is subject in each of the geographical areas in which it operates. In 2016 the internal stress tests and calculation of the leverage ratio were also reviewed.

### Internal Audit Activity: Reports issued by type of risk (BBVA Group, 2016)

Business models	20
Assurance work	11
Due diligence	9
Internal governance	39
Operational	1,269
Assurance work	162
On-site	723
Fraud	384
Legal	67
Compliance	100
Technological	75
Extended enterprise	30
Credit	90
Market	29
Structural risks	18
Capital	19
<b>TOTAL</b>	<b>1,756</b>

# 5. Primary stakeholders

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## 5. 1. Materiality analysis

In **2016** BBVA has taken a great step forward in materiality analysis to make it more solid and ensure that the focus is on the most relevant aspects for both the stakeholders and the BBVA business. This involved carrying out a review of the material issues based on the data collected from a variety of sources, providing a broad information base that is auditable and objective, ensuring that the analysis is more robust than in previous years.

During this process, analysis has been conducted on the current and emerging issues from the perspective of different stakeholders and BBVA's strategy. The tools used were the E-Revalue data analysis platform Datamaran, as well as other usual sources used in previous years.

### Stakeholder input

The **priorities** of stakeholders have been obtained by analyzing two information groups. First, the data has been gathered directly from the stakeholders themselves:

- Direct opinions of customers and non-customers from countries where we operate, are collected through surveys. These surveys measure the key factors to ensure that consumers trust banks, in particular BBVA, as well as the relative importance of each of these factors (source: RepTrak).
- Direct opinions of employees are identified through very similar methods to the above, and carried out in the Group's main countries (source: RepTrak.).
- Investors and analysts' opinions are gathered through surveys answered by BBVA's Investor Relations unit. It reflects the issues relevant to this group and distinguishes between institutional investors and other shareholders. In addition, an analysis of sustainability - oriented priorities is being carried out based on specialized sources such as the Principles for Responsible Investment (PRI) and the Sustainable Investment and Finance Association (SIF).
- The main concerns, demands and requirements of the NGOs most active in the financial sector are analyzed through their campaigns, reports, policies and news.

As well as the above, information has been gathered from other sources contained in the E-Revalue data analysis platform Datamaran, to complete and consolidate the opinion of stakeholders, such as:

- Regulatory analysis to identify the main laws and directives that impact the financial sector in all the regions where BBVA operates. An inquiry has been carried out of both mandatory regulations and recommendations issued by institutions, as well as emerging issues that have arisen from the regulatory changes that took place in recent years.
- Analysis of the latest news related to issues relevant to the financial sector in the online media and social networks like Twitter.
- Series of benchmarking exercises on the reports published by other banks in 2016, as well as the documents from different companies presented before the Securities & Exchange Commission of the U.S. Government (SEC) for the financial sector in BBVA's key markets, including annual sustainability and integrated reports.
- Trend analysis of the sector based on the reports developed by the financial institutions and expert consultants over the last two years, in relation to the way banks offer services to customers.

### Sources used in the materiality analysis

Sources of materiality analysis based on stakeholders' surveys and analysis included in Datamaran (the same number of documents in English and Spanish have been analyzed)

#### **Customers/non-customers and employees**

RepTrack surveys in the key geographical areas of BBVA:

4,500 customer and non-customer surveys

6,000 employee surveys

#### **Analysts and investors**

Department of Investor Relations surveys for investors and analysts

9 sustainability investment reports

#### **NGO**

19 NGO documents

#### **Regulator**

264 regulatory documents

#### **News feeds and social networks**

153 news feeds analyzed, considering:

2,300 news feeds written in English and 2,000 news feeds written in Spanish

30,000 tweets written in English and 10,000 tweets written in Spanish

#### **Benchmark**

88 competitors' reports coming from 36 banks

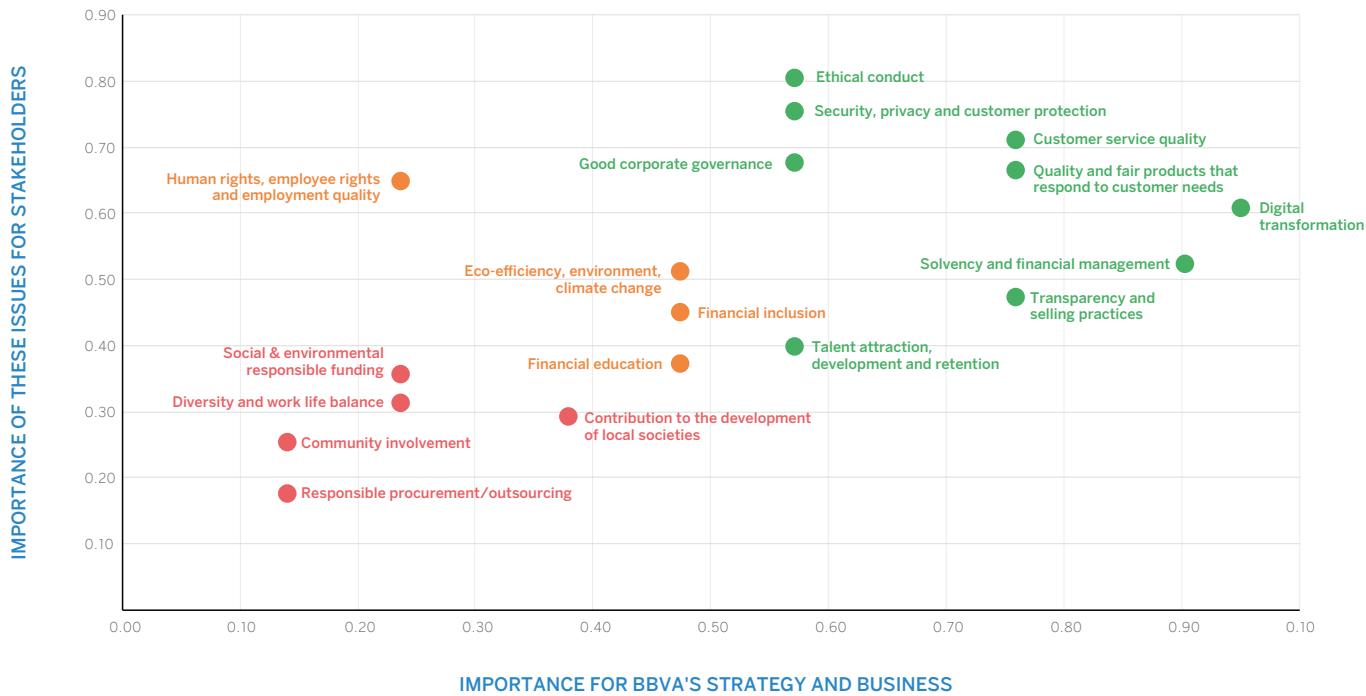
#### **Trends:**

13 industry trend reports

Each of these sources has been analyzed based on the different level of importance. Based on the results, a hierarchical list of **relevant issues** has been defined for the different stakeholders, which has been completed with an analysis of the contribution of each issue to BBVA's strategy and business.

These issues are represented in the **materiality matrix** shown below. The vertical axis reflects the importance of the issues for the stakeholders and the horizontal axis the importance for BBVA's strategy and business. The issues colored in green have a first-level relevance and those in orange a second-level.

BBVA Materiality matrix in 2016



## 5. 2. The customer

### 5. 2. 1. Customer experience

One of BBVA's main Strategic Priorities is to provide "**a new standard in customer experience**" that stands out for its simplicity, transparency and swiftness; empowering customers while offering them personalized advice.

As mentioned in the section on Strategy, enriching customer experience is done through a customer-centric business model that offers a differential service with a very ambitious goal: **to be leaders in customer satisfaction across our global footprint**.

Further, as part of the organizational changes taking place within the Group, in July 2016 the **Customer Solutions** area, responsible for the creation and development of new products, was restructured to adapt to our customers' needs. The new area has four main tasks:

- Grow and transform our business, redefining and shaping the Bank's relationship with our customers.
- Develop internal capabilities for creating new products and customer experiences.
- Maintain innovation as a fundamental pillar of BBVA.
- Launch and acquire new businesses that differ from BBVA's usual activities.

#### A customer-centric approach

The way in which customers interact with their banks has changed radically. We are firmly in the "do-it-yourself" era, an era of new technologies, where customers want to be connected anytime, anywhere. To remain competitive and still be a key player in a changing environment, the Customer Solutions area is promoting a customer-centric mentality throughout the Organization. We want to put the customer at the heart of everything we do, in accordance with the following **principles**:

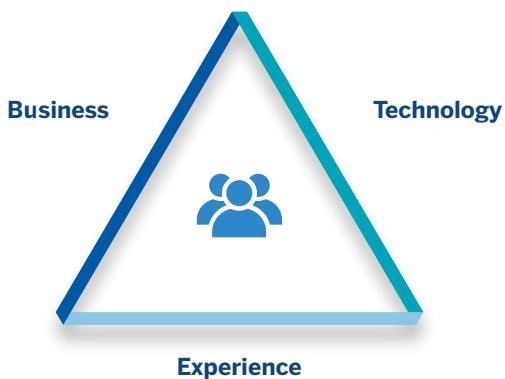
- The transformation of the Group should be guided by our customers' demand for unique and innovative experiences.
- We are investing in capital and talent to create a future of opportunities for our customers.

- We are seeking to take advantage of our relations with customers in a fair and transparent manner.
- At BBVA we are all creators of experiences for our customers.

In order to achieve this, we rely mostly on the power of **design thinking** as the basis for designing our products and services. Design thinking is much more than making things look attractive; it involves mainly the ability of leading companies to put their customers at the center of their businesses. It combines social factors, demographic and technological trends and a deep understanding of consumer behavior. It starts with obtaining an understanding of our customers; knowing who they are and what drives their behavior. It helps us to define the problems we want to resolve and ensures that customers are always at the heart of any solution.

BBVA is also becoming an increasingly **global** bank through its focus on creating global products and experiences. This allows us to leverage our best practices, wherever they come from, to the benefit of our customers.

To do this we are reorganizing around a new concept known as the **Triangle**. The Triangle has three vertices: business, customer experience and technology, where Customer Solutions would be at the center.




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Our Customer Solutions team relies on design thinking and **collaborative work** to create an inspiring vision for the future. It is also responsible for project planning and execution. The focus on creativity and execution ensures us the possibility to make digital innovation available for our customers. This team was originally located in Spain, the United States and Mexico.

It is made up of specialists from the financial industry and from other industries who can offer an analysis under a wider-ranging perspective.

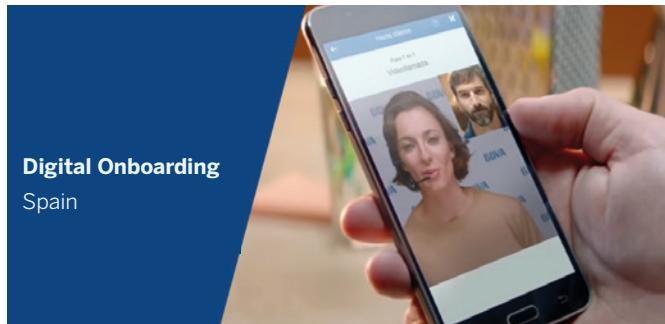
In addition, the opening of the **Creation Center in Dallas** was a step forward for Customer Solutions and our investment in the improvement of customer experience. A group of 55 highly-qualified employees has been hired, with experience in data, computer engineering, user experience and design. They will work with local teams in all BBVA's geographical areas to develop global products and processes used to improve the customer experience from start to finish.

### New customer-centric solutions launched in 2016

In 2016, key customer-centric solutions were developed, and have helped to improve customer experience and drive transformation through the digital channels. Some of the new **initiatives** implemented for customers include:

#### Spain

- **Digital Onboarding:** it is a new functionality for opening accounts online and setting up direct billing for payments using smartphones. It is a simple, 100% online solution that allows customers to be fully operative in less than ten minutes. Customers can also migrate their bills to BBVA simply by photographing them.



**Digital Onboarding**  
Spain

- **BBVA Valora and Commerce 360:** two projects that provide customers with the benefits of big data. BBVA Valora is a tool that is available as an app and also online. It is designed to help customers obtain the most information possible to negotiate and make the best decisions with respect to their homes (real-estate prices, impact on their finances, etc.). The app connects to the home purchasing process and concludes with a mortgage offer tailored to the customer's profile. The Commerce 360 project converts anonymous card purchase data into useful information for businesses and SMEs, helping them to make the best decisions and implement marketing campaigns.

- **No waiting at branches, prioritized queue number at the teller window, and online appointments:** this is an initiative that offers customers the possibility of arranging face-to-face or telephone meetings with their managers online or using their smartphones. When customers visit their branches, they have the option to ask to wait in the priority line of the teller so they won't waste their time. Both solutions save time and allow customers to choose the most convenient time to speak with their advisor.

#### The United States

- **Origination of online signature express loans:** BBVA Compass has introduced its first online credit product, where customers can apply for a loan and receive confirmation, both online and in minutes.
- **Improvements to the BBVA Wallet,** with new functions for activating cards, canceling cards if they are lost or stolen and applying for new cards without having to visit the branch in person.
- **Easy payments and transfers:** an innovative, simple and fast solution to move money between BBVA Compass accounts and other bank accounts, repay loans and transfer money, available via smartphone and online. The initiative was recognized by Javelin Research as the best solution of this kind in the United States.

#### Turkey

- **New mobile app solutions (Garanti Cep),** featuring an interactive mobile assistant (IMA) and an intelligent virtual voice assistant that respond immediately to customer needs and enable banking transactions to be made using voice commands.
- **New user experiences at ATMs.** The ATM application has been adjusted to reduce user time.
- **GarantiOne,** a service that offers a view of the customers' financial position, can compare their expenditure with peers and send digital gifts peer-to-peer (P2P), such as digital subscriptions, game credits, etc.
- **Seamless Technology for Enterprise Platform (STEP).** A mobile platform created to assist the sales force, and designed as a fluid work space under the slogan of "a bank on a tablet". It gives employees up-to-date access to all customer information using a simple and easy-to-use interface.

## Mexico

- **N2 Digital Account**, a new account that allows individuals to become new customers without having to visit a branch through a simple registration process on their smartphone. This is the first 100% digital account that allows card-less cash withdrawals from more than 11,000 ATMs.
- **Salary portability**, a clear and simple process that enables customers to migrate their salary payments to BBVA Bancomer. The portability process may be carried out in-branch or using digital channels, by selecting the "do it yourself" option. The omni-channel experience has produced positive results and underscores BBVA Bancomer's position as leader in salary portability.
- **Digital Auto Credit**, the first 100% digital auto loan arranged online, offering customers an easy, fast and secure experience. Customers and non-customers alike can make loan simulations, and, if they wish, apply for an auto loan online. BBVA Bancomer will respond to all applications by email in approximately one hour.



## South America

- In **Argentina**, new experiences on the web have been developed. For example, an online risk assessment engine has been launched in real time for certain products, in addition to a new function for opening deposits, new tools offering more information on account movements and a new credit card site.
- In **Chile**, new adjustments have been launched for the mobile banking app, BBVA Cloud has been introduced for the web and new One-Click products have been developed, in addition to a new function for the BBVA Wallet that includes the online exchange of points in the Bank's loyalty program.
- In **Colombia**, a new website has been developed, in addition to an online process for opening salary accounts. A system has also been introduced for small consumer loans (ADN) through ATMs, aimed at payroll customers. A new BBVA Wallet has been launched that enables

payments to be made simply, safely and comfortably using a sticker. Further, the mobile app now includes the option to contract time deposits, with the possibility of using a fingerprint sensor to sign documents via smartphones.

- In **Peru**, new web experiences have been implemented, such as a system for opening accounts online, which is digital from start to finish for new customers. A single support system has also been introduced for branches. This is a new tool that includes offers available to customers, their historical data, a planning tool that monitors employees' sales performance, and an improvement in the application process for credit cards and loans. A new value proposition has also been launched for senior customers (Cuenta Mundo Senior), in addition to a range of loans through digital channels (mobile, web, ATM). BBVA Continental is the first entity in the country to offer this service.
- In **Venezuela**, a new function has been developed for the mobile app that allows cash to be transferred via BBVA Provincial ATMs to anyone with a cell phone (customers or non customers). Net Cash has launched a new design for accessing the channel, with the introduction of Provinet Chat (assistance) and the possibility of using a digital fingerprint for identification purposes. This makes it easier to access Provinet Empresas (for companies), improving the user experience.

## Big data

Big data is no longer a trend; it is a reality, and at BBVA data analysis is becoming increasingly important for our business. The banking of the future is data-driven banking: **knowledge banking**. Data-driven companies are transforming the essence of the customer experience. Thanks to data collection, selection, analysis and interpretation, new business opportunities can be detected, companies can remain one step ahead of consumer trends, new experiences can be designed to help customers make decisions and knowledge can be gained from the decisions they make. The information and knowledge held on each customer, among other factors, can be used to create a unique experience.

In big data, the ability to work in **real time** is a fundamental aspect. One of the most ambitious challenges facing the Bank is how to feed the information obtained from customers back into the system so that action can be possible in real time.

Our **objective** is to offer a better service to customers, becoming more efficient and competitive, but at BBVA we are aware of the risk of handling personal data. Data are

therefore used in a generic, aggregate and anonymous format. In this way, our contact with customers is more personalized and significant, but their privacy is not jeopardized at any time.

### Complaints and claims

At BBVA we know that good **complaints and claims management** is key to making us a better bank for our customers.

We offer our customers experiences and solutions related to their money. Because of this, we understand and are aware that mistakes and bad experiences are becoming less and less tolerable. Furthermore, we are aware that bad experiences are not only harmful to our image but can also lead to trusting issues. Knowing and recognizing our mistakes and resolving them quickly and dynamically are part of our objective to provide a new standard in customer experience.

In BBVA Group, the different complaints units are constantly evolving with the aim of improving and optimizing their management models. Further, the analysis and management of complaints and claims provide relevant information on the factors and causes leading to the lack of customer satisfaction. To address this issue, a special **site** has been created that contains all the information relating to complaints, claims and lack of customer satisfaction. These aspects are also monitored periodically in a simple, dynamic and transparent report that examines the different areas relating to complaints at BBVA, contributing value to internal customers that is then transmitted to external customers.

#### Main indicators of complaints (Spain, Mexico and South America)

	2016	2015	2014
Average time for settling complaints (days)	12	11	12
Number of claims settled by First Contact Resolution (FCR) (%)	16	30	14
Number of claims before the banking authority (for each billion euros of activity)	62	58	131

In addition to complaints and claims, there is a growing tendency to collect and address **informal complaints** and customer requests. The aim of collecting this wealth of information is to assess root causes and establish action plans to resolve any issues on time.

The following are the **conclusions** of the complaints management process at BBVA:

- We are improving the customer experience.

- We continue to identify the root causes of problems in order to draw up specific action plans.
- The Bank's digital transformation process is supported by sharing customer insights (NPS index, feedback, complaints and claims, etc.).
- Conversations on social networks are monitored.
- The Activity Report is published periodically at Group level on a special website.

[Annex 2 - Average time for settling complaints by country](#)

[Annex 3 - Complaints settled by FCR](#)

[Annex 4 - Complaints brought before the banking authorities](#)

### Net Promoter Score

Digitalization and simplicity are key factors that mark the improvement initiatives implemented at Group level to make all customer interactions with us a positive experience.

The **Net Promoter Score** (NPS or Net Recommendation Index - IReNe) methodology shows us the level of recommendation, and hence, the level of satisfaction of our customers with the different products, channels and services. This index is based on a survey that measures, on a scale of 0 to 10, whether a bank's customers are positive (score of 9 or 10), neutral (score of 7 or 8) or negative (score of 0 to 6) when asked if they would recommend their bank to a friend or family member. This is vital information for identifying their needs and drawing up quality plans, in addition to projects that, in collaboration with the different areas of the Bank, make it possible for us to create unique experiences.

The **results** of these efforts, coordinated throughout the different countries, have been positive. We have observed an increase in this index that has also been partly due to the exchange of best practices within the Group. Highlights include:

- In **Spain**, the consolidation of the *Calidad en Red Banco 10 - 3.0* (Bank network quality 10 - 3.0) program.
- In **the United States**, a new tool has been launched to improve interaction with customers, speed up processes and reduce paperwork through the digitalization of a variety of products and services.
- In **Turkey**, improvements have been made in communication channels and mechanisms and changes carried out in the most critical customer processes to

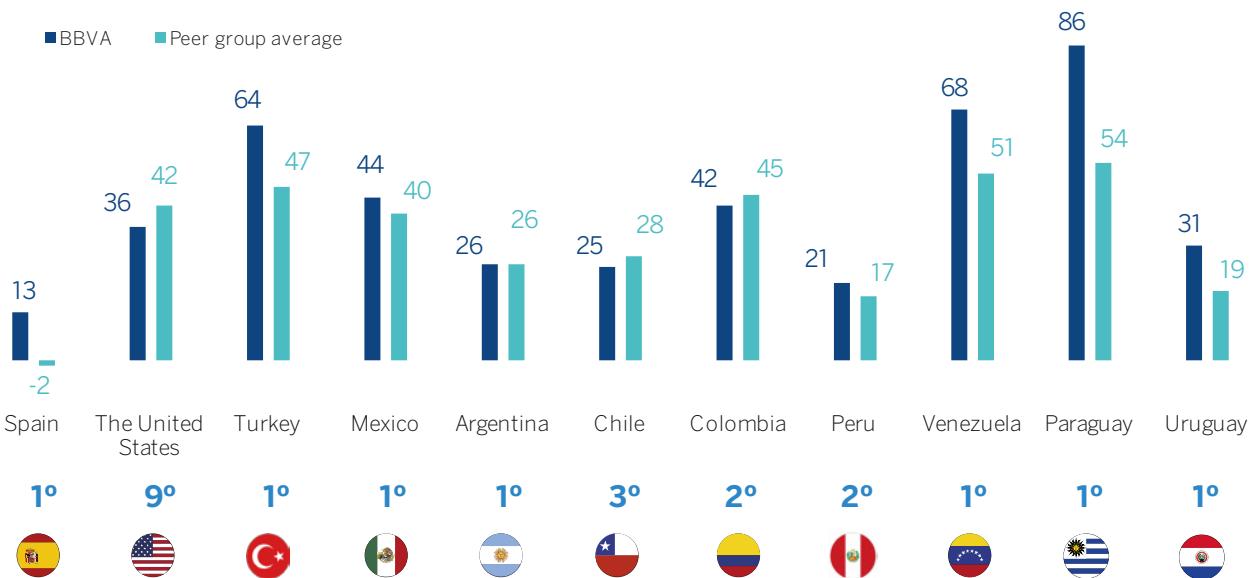
offer the best experience possible.

- In **Mexico**, various tools have been introduced to assess customers' recent experiences with BBVA.
- In **Argentina**, a platform for digital surveys has been installed for the sales network, which has boosted business volumes, improved response times and increased contact with customers; in addition, a new customer contact channel was launched (Chat Automático).

■ In **Chile**, a survey tool has been set up online and on the retail network.

■ In **Colombia**, a diagnosis has been carried out and actions improving matters related to transparency have been implemented; in addition a support model has been introduced for the retail network that responds directly to questions addressed to central areas.

Net Promoter Score (NPS) (By geography. Percentage)



Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular / The United States: Bank of America, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo / Mexico: Banamex, Santander, Banorte , HSBC / Peru: BCP, Interbank, Scotiabank / Argentina: Banco Galicia, HSBC, Santander Rio / Colombia: Bancolombia, Davivienda, Banco de Bogotá / Chile: BCI, Banco de Chile, Santander / Venezuela: Banesco, Mercantil, Banco de Venezuela / Paraguay: Continental, ITAU, Regional / Uruguay: ITAU, Santander, Scotiabank.

## 5.2.2. Customer protection

One of the most important initiatives for the future in terms of the **security and protection** of technological channels is the complete account opening process via mobile devices, meaning customers do not have to go into a branch to open an account. This service has been designed by following the directives of the Executive Service of the Spanish Commission for the Prevention of Money Laundering and Monetary Offenses (SEPBLAC), and by incorporating modern facial recognition technologies, with the capacity to identify forged national ID cards (DNI). These technologies will be incorporated into the most critical processes for customer relations via technological channels.

A number of lines of work have been developed within the scope of **business continuity**, meaning contingency plans for low-probability but extremely high-impact events. Business impact analyses have been updated and implemented, and there has been a review of the technological dependencies on critical processes that improve service recovery in the event of IT system malfunction. Business continuity plans have also been activated in several incidents that have affected BBVA Group, such as the flooding of the Mapocho River affecting the bank's headquarters in Chile, social disturbances that affected the headquarters in Mexico and Venezuela, and the impact of Hurricane Mathew in the Southeastern United States.

At the same time, digital transformation has established itself as a strategic priority for the financial sector in general and for BBVA in particular. In this context, it is vital that we ensure effective protection for **BBVA's brand and assets**, as well as our customers' data, from the threats present in the virtual environment. To achieve this, BBVA has created a reliable and efficient center for cyber-attack prevention, alerts and response. In this way the Group keeps pace with developments in organized technological crime.

BBVA has also consolidated deployment of the cybersecurity standard designed by NIST (National Institute for Standards and Technologies) as a benchmark framework for management and control.

BBVA is firmly committed to protecting its customers. It therefore works closely with regulators and the rest of the industry across its global footprint.

**Protection of personal data**, a fundamental right that ensures respect for people's privacy, is becoming increasingly relevant due to the fact that advances in new technology and communications will give rise to fresh challenges for efficient control of data protection. BBVA Group is aware of how much importance our customers, shareholders and other people involved in its daily activity place on the confidentiality, security and effective protection of the personal data they give us. In this context, in 2016 BBVA has continued with the process of adapting, improving and strengthening the personal data protection risk management model, placing particular emphasis on certain jurisdictions. Specific actions have been launched aiming at undertaking the progressive implementation and adaptation of the new requirements contained in Turkey's new law on personal data protection, which was approved in April 2016.

Additionally, in Spain, the mandatory external biennial audits on **security measures** were conducted at the end of 2016 on the affected entities (54 companies) of BBVA Group in Spain, under Royal Decree 1720/2007 of December 21. No significant deficiencies have been detected.

Lastly, this year has seen the launch of the Implementation Project for the new EU General Data Protection Regulation (GDPR). The project's first milestone was to analyze and evaluate the new data protection requirements that will be applicable to all BBVA Group entities within the European Union, and to identify and progressively implement the necessary actions until they are fully operative.

## 5.2.3. TCR Communication

The **Transparent, Clear and Responsible (TCR) Communication** project was launched in 2014 to promote transparent, clear and responsible relations between BBVA and its customers.

- T is for transparency, providing customers with all relevant information at the right time, maintaining a balance between benefits and costs.
- C is for clarity, meaning easy to understand. It is achieved through language, structure and design.
- R is for responsibility, and means looking after the customers' interests in the short, medium and long term.

The **objective** is to help customers make informed decisions, improve customer relations with the Bank, look out for their interests and differentiate ourselves as the clearest and most transparent entity in all the markets where we operate. The aim is also to attract new customers and encourage existing customers to recommend us. Work is being done to this end at two levels:

- To implement TCR Communication and transform the traditional Bank, by extending and broadening the scope of the 2014 and 2015 initiatives.
- To consolidate TCR Communication in the new Bank, by extending the project to new solutions in digital environments, from mobile to online banking.

This is being achieved through a network of **TCR owners** located in the main countries where the Bank operates, together with a global coordination team, in addition to the direct involvement of many other areas and employees of the Entity.

The BBVA Group has various **initiatives** in place to make the TCR Communication project a reality. The most relevant are described below.

### TCR Communication to transform the traditional Bank

#### TCR product leaflets

Short documents used by managers to describe a product to customers, detailing its benefits, advantages, cost and risks.

In **2016**, the use of product leaflets in concluding the contracts with private customers in Spain, Mexico, Argentina, Chile, Peru, Colombia and Venezuela has increased from 80% to 90%. In the United States, coverage is slightly lower. The project will be implemented in Turkey in 2017.

The use of these leaflets has been included in business protocols for managers. Managers have also received training on the importance and the way of using TCR product leaflets.

The initiative has been extended to the SME and retailers segment in Spain, Peru and Venezuela.

For **2017**, the objective is to extend the use of leaflets in this segment to all other countries.

#### TCR contracts

This initiative involves reworking current customer contracts and structuring them more intuitively with language that is easy to understand.

In **2016** new TCR contracts were introduced in Spain, Argentina, Colombia, Peru, Venezuela and Uruguay (total of 14 new TCR contracts in 2016).

For **2017** the aim is to provide all countries with 80% of products having their own TCR contract, in addition to extending the initiative to Turkey.

#### Telesales script

In **2016** the main telesales scripts were reviewed in Colombia, Peru, Argentina and Venezuela to ensure that the information provided during the calls complies with the TCR initiative. Workshops on using clear language were organized for the people involved in writing these scripts and call center managers.

There are currently 20 sales scripts already written, accounting for 80% of new contracts in these countries, which will be implemented in 2017.

In **2017**, the scripts may be further adapted in other geographical areas, and ad-hoc metrics will be included to ensure they are being used.

#### Complaints

A pilot project was carried out in Colombia in **2016** that involved the review and modification of the structure and wording of response letters to customer complaints, using plain language. The review resulted in changes of 67 letters, which are now adapted and implemented into the system. The project began with a training course for staff responsible for complaints.

The objective for **2017** is to continue implementing these letters in other countries (Venezuela, Peru and Chile).

## TCR advertising

BBVA's TCR Advertising Code came into force on January 1, 2015. In **2016** advertising campaigns in the different countries were monitored to measure their compliance with the Code and, specifically, the extent to which the campaigns were perceived as transparent and clear by their target audience. The results of this study have enabled a process of continuous improvement to be established.

The target for **2017** is to carry out more of these studies and work to secure BBVA's position as leader in global clarity and transparency.

## TCR Communication in the new Bank

### TCR in new digital solutions

In **2016** TCR Communication principles have been applied in BBVA's key global digital projects such as One-Click contracts for specific products, the online registration of new customers, and BBVA Valora. Experts in TCR Communication have joined the global work teams for these initiatives. These experts have also supported the development of local projects, such as the mobile banking product catalog in Spain, in order to transfer their skills and experiences to other countries.

The plan for **2017** is to continue including TCR Communication principles in BBVA's main new global digital solutions through direct collaboration with these experts.

### TCR in agile methodology

For several years, the Bank has been using agile methodologies to design digital solutions in all the countries where it operates. For these solutions to comply with TCR values from the very start, the principles of TCR Communication must be included in the routine work of the scrums (agile work groups).

In **2016**, we identified that the best way to integrate these principles in their routine work was through product owners

(or scrum leaders). This was done in Spain, Mexico, Chile, Colombia, Peru and Venezuela.

In **2017**, the objective is to expand this initiative to other countries and monitor the projects managed using agile methodology, through beta testing, customer feedback and web analytics to undertake a process of continuous improvement.

### TCR training

To ensure the Bank adopts TCR values in all its activities, and specifically, in all new initiatives in the digital transformation process, requires employees to be aware of the principles of TCR Communication.

In **2016**, in addition to the workshops mentioned above, which focused on specific lines of work, online training content was also developed (watch & learn videos), directed mainly at agile teams, and the first global online course in plain language was launched, aiming to be extended on a mass scale in 2017.

Additionally, the TCR community for BBVA employees was launched with the dual purpose of offering training and promoting engagement among the staff involved in the TCR Communication project. In **2017**, the aim is to maintain this community and strengthen the initiatives started in 2016, incorporating TCR Communication principles in Group training plans.

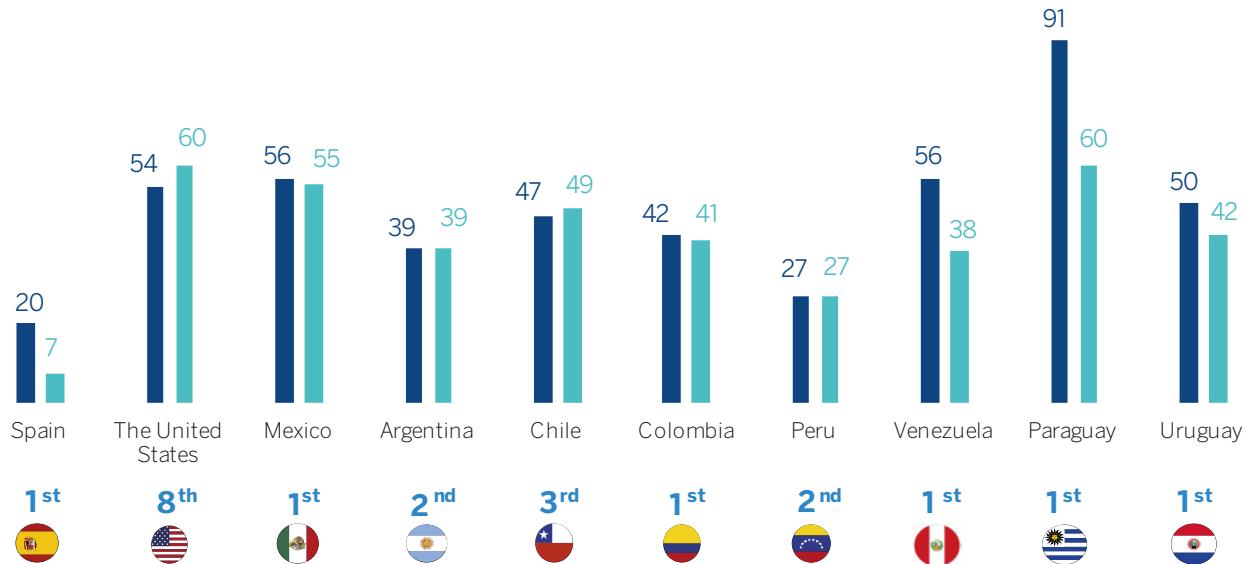
### TCR Indicators

The **Net TCR Score** (NTCRS) indicator measures the degree to which customers perceive BBVA as a transparent and clear bank in comparison with its peers in the main geographic areas where the Group operates.

In **2016** we were ranked first in 6 of the 10 countries where this indicator applies.

Net TCR Score (NTCRS)<sup>(1)</sup> (By geography. Percentage)

■ BBVA ■ Average peer group



Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular / The United States: Bank of America, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo / Mexico: Banamex, Santander, Banorte , HSBC / Peru: BCP, Interbank, Scotiabank / Argentina: Banco Galicia, HSBC, Santander Rio / Colombia: Bancolombia, Davivienda, Banco de Bogotá / Chile: BCI, Banco de Chile, Santander / Venezuela: Banesco, Mercantil, Banco de Venezuela / Paraguay: Continental, ITAU, Regional / Uruguay: ITAU, Santander, Scotiabank .

<sup>(1)</sup>The NTCRS is an indicator, which is calculated based on the valuation (between 0 to 10) given by the customers for each of the entities and that directly answers the following question: Is the information you receive considered to be clear and complete?

## 5.2.4. People-centric solutions

BBVA seeks to incorporate products with distinctive social or environmental attributes into its catalog. This enables BBVA to reach groups that might otherwise remain outside the banking system, or bring products to the market that contribute to the social or environmental development of the communities where it operates.

These products include solutions favoring the financial inclusion and support of SMEs and individuals with special needs, as well as a variety of sustainable financing and socially responsible investment instruments.

### Financial inclusion

BBVA has developed a **financial inclusion (FI) business model** to cover the low-income population in emerging countries within its global footprint. This is an initiative to provide customers with access to financial services through solutions rich in human capital that offer an alternative to the traditional model, by developing channels and digital products that are low-cost, easy to open and simple to work with. These solutions let customers make queries, transactions and transfers quickly and securely, while also offering them availability and proximity.

The **FI strategy** is based on a long-term responsible and sustainable business model that:

- Uses new technologies and platforms with no need for branches.
- Creates low-cost financial solutions designed specifically to cover the needs of each segment.
- Explores non-traditional methodologies for risk assessment.
- Creates standard customer experiences across all channels.

BBVA has a specialized FI **unit** within the BBVA Research department. This unit's primary duty entails monitoring the main FI indicators to detect the most relevant areas of opportunity and generating debates on how to increase financial inclusion.

The main **initiatives** implemented in 2016 were:

- **Mexico:** reduction in the transactional costs of low-income customers (migration of transactions to alternative channels) and development of specific offers for the segment (microloans and micro-insurance).
- **Colombia:** installation of cash-recycling ATMs to increase banking coverage and development of a microloan offer for the segment (salary advances).
- **Peru:** expansion of the network of banking correspondents.
- **Venezuela:** development of basic transactional services enabling mass monetary disbursements to pay government social benefits or wages for low-paid workers, using text messages without the need for cards. With this service, beneficiaries of the program receive the funds by entering a password they receive via their mobile device into the ATM.

BBVA's specialist FI unit also continues working with **banking correspondents**. Banking correspondents are retailers and institutions (retail chains, pharmacies or supermarkets) with which BBVA enters into a business relationship to act upon the Bank's behalf. They allow customers to carry out simple banking transactions, as well as serving as points for deposit and withdrawal of money within the mobile banking model.

Financial inclusion segment (Number of clients)

	2016	2015	2014
Spain	1,401,777	1,218,754	1,265,839
United States	n/a	n/a	n/a
Mexico	5,546,218	6,682,025	4,938,985
Argentina	534,640	556,345	548,254
Chile	66,209	24,847	36,202
Colombia	397,544	292,875	267,987
Perú	880,477	1,394,243	446,980
Venezuela	884,634	872,871	881,305
Paraguay	24,096	23,752	21,412
Uruguay	64,310	61,733	49,236
<b>TOTAL</b>	<b>9,799,905</b>	<b>10,325,749</b>	<b>8,456,200</b>

n/a = not applicable

Banking correspondents. (Mexico and South America)

	2016		2015		2014
	Number of points	Number of transactions	Number of points	Number of transactions	Number of points
					Number of transactions
Mexico	30,169	44,375,737	26,312	39,485,818	24,504
Argentina	4,000	1,530,144	4,000	1,342,236	4,000
Colombia	5,826	1,507,738	7,136	1,961,796	11,160
Peru	10,358	29,788,001	8,993	32,688,993	5,608
<b>TOTAL</b>	<b>50,353</b>	<b>77,201,620</b>	<b>46,441</b>	<b>75,478,843</b>	<b>45,272</b>
					<b>70,379,905</b>

For a second consecutive year, BBVA has presented the special financial inclusion award: **Open Talent 2016**. This year's award went to Musoni, a company that provides microfinance institutions with cloud-based administration services. The company makes an important contribution in bringing quality financial solutions to the low-income sector of the population and thus providing an opportunity for a better future.

In addition to the above, the Group has a non-profit organization, **BBVA Microfinance Foundation**. Its purpose is to promote the social and economic development of the most vulnerable parts of the population through productive and responsible finance. The foundation has two main activities: creating microfinance institutions in Latin America and developing initiatives that benefit this industry. The progress made by the Foundation in 2016 is described in the Entrepreneurship chapter of this report.

## Sustainable finance

In 2016, BBVA declared its **commitment** to achieve the targets set by the Paris COP21 (Conference of the Parties) and the United Nations Sustainable Development Goals. Therefore, it has decided that one of the core elements of its business is the integration of opportunities arising from the transition toward global sustainability, thus providing its customers with innovative solutions for financing their investments with positive environmental and social impacts. For this reason, in 2016 BBVA created the Sustainable Finance Work Group, in which a number of the Bank's departments participate. The purpose is to foster sustainable financing, analyze its strategic impact and boost and manage transformation initiatives that best prepare us to respond to future challenges particularly those related to climate change.

### a. Sustainable bonds and loans

Sustainable bonds and loans are instruments used for channeling funds to finance our customers' projects in sectors such as renewable energies, energy efficiency,

waste management, water treatment or access to essential necessities and services such as homes or inclusive finance.

BBVA has been a signatory of the **Green Bond Principles** (GBP) since 2014. The GBP are voluntary guidelines that set out requirements for emission transparency and promote integrity in the development of the green bond market. In 2016, BBVA has been the Spanish leader in the sustainable bond market, participating in eight green and social bond issues that placed €5,350m for institutional investors. The following are some of the most prominent issues in which the Bank has had a role as advisor and placement agent in 2016:

- Acciona's inaugural green bond for financing the construction of two renewable energy projects in Chile.
- Iberdrola's third green bond issuance for financing its investments in wind power in the United Kingdom.
- Debut of Caja Rural de Navarra with a sustainable bond (environmental and social) for financing social and environmental projects in regions where the entity operates.
- In the Spanish public sector, BBVA has taken the lead in the placement of the second social bond for the Instituto de Crédito Oficial (ICO) to create or maintain jobs in Spain's most economically disadvantaged regions. The funds from this issue will be channeled to SME projects in autonomous regions whose per capita income is below the Spanish average.
- In the European market, BBVA has participated in a green bond placement for the French power utility EDF.
- BBVA has participated in the issuance of the first local-currency Mexican green bond to finance Nafin's renewable energy projects. It has also participated in the issuance of Latin America's most valuable green bond to date, amounting to US\$2 billion, to finance the new Mexico City airport.

## 2016 Green bond credentials

November 2016 € 22,000,000  15 years Bookrunner	November 2016 € 500,000,000  7 years Bookrunner	October 2016 € 1,750,000,000  10 years Bookrunner	September 2016 € 700,000,000  9 years Bookrunner
September 2016 \$ 1,000,000,000 \$ 1,000,000,000  10 & 30 years Bookrunner	August 2016 MXN 2,000,000,000  8 years Bookrunner	April 2016 € 500,000,000  2 years Bookrunner	

The [BBVA Global Markets Research](#) unit analyzes fixed-income and credit markets for sovereign, financial and corporate issuers, including the analysis of the sustainable bond market. According to the analysis, in 2016 a volume of sustainable bond issues amounted to approximately US\$87 billion, a year-on-year increase of 111%, spurred on by the favorable results of the 2015 Paris Agreement, and with an actively growing base of issuers in terms of geography and industrial sectors.

In this environment, BBVA's **objective** is to maintain leadership in its natural markets and contribute to the development of the most innovative sustainable finance instruments.

#### b. Financing renewable energy

BBVA has been committed to the **renewable energy** sector for years. In 2016 the Group has financed projects with a total installed power capacity of over 5,194 MW for a total of over €4,444m.

Moreover, BBVA seeks to support its customers in the transition to a **low-carbon economy**. As further demonstration of this commitment, the revenue of the leading Spanish utilities in the CDP has increased from €7,610m to €10,222m over the last two years.

#### c. Restructuring

The crisis has affected the development and growth of many sectors and companies. Some of BBVA customers have witnessed their sales and profits shrink, in some cases compromising the viability of their companies. In these circumstances, BBVA has returned their loan commitments to customers who have requested it, to ensure the continuity of viable companies and jobs. In recent years the Group's wholesale banking unit CIB has been restructuring customer debt, which, at the close of 2016, totaled over €11 billion.

#### d. Activity with multilateral institutions

BBVA maintains extensive **institutional and business relations** with multilateral institutions worldwide such as the Spanish Instituto de Crédito Oficial (ICO), the European Investment Bank (EIB), World Bank Group, Inter-American Development Bank (IDB), Corporación Andina de Fomento (CAF) and other agencies including the German Investment and Development Corporation (DEG), the Netherlands Development Finance Company (FMO) and the Société de Promotion et de Participation pour le Développement (Proparco).

This activity covers a broad range of **products and geographical areas**, including international trade finance, project co-finance, financial brokerage transactions, debt

issuance on local capital markets, and transactional and treasury operations.

In 2016, this strategic relationship was strengthened by several high-level institutional **meetings**. Particularly notable in this regard have been the meetings that were held in October during the Annual Assembly of the International Monetary Fund (IMF) and World Bank in Washington and representation on panels at the Annual Seminar of Public Investors and Issuers that BBVA organized in March. BBVA Group's work alongside these multilateral institutions covers various **core areas of activity**:

- **Financial intermediation:** operations for multilateral institutions in Europe and Latin America to channel finance to priority sectors (e.g., green energy, urban development, SMEs, export sector, etc.) for transactions that meet the required eligibility criteria. There was a particularly high level of financial intermediation in Spain where €4,700m was intermediated with lines granted by the EIB and ICO. Specifically, 12,462 operations were arranged through ICO for a total of €287m. Elsewhere, IFC, IDB, DEG, FMO and Proparco are key financial intermediation institutions for our subsidiaries in Latin America.
- **Project co-finance:** key products offered by multilateral institutions for project finance in the private sector to contribute to development. In these cases we always have the support of multilateral organizations to co-finance or guarantee projects in which BBVA has an interest.
- **Foreign trade finance:** programs developed by supranational organizations to promote foreign trade activities in the countries where they operate. They offer partial or full guarantees to confirming banks to cover political and commercial risks in operations with local banks. Their aim is to promote inter-regional South-South trade for SMEs in Ibero-American countries. With eight subsidiary banks in Latin America, BBVA's role is crucial.
- **Local capital market development:** through the structuring of debt issuances of multilateral institutions and through the provision of new liquidity sources. CABEI and the Latin American Export Bank (BLADEX) issuances were structured in the Mexican market in 2016 to enable development project financing in local currency.
- **Internationalization of SMEs:** BBVA participates in the IDB's Connect Americas platform, the first social network for internationalizing SMEs, which is based on three basic pillars: (i) education, (ii) connectivity and (iii) financing. They are currently incorporated within the financing modules of all BBVA banks in the region.

## Responsible investment

BBVA assumed its **commitment** to socially responsible investment (SRI) in 2008 when it joined the United Nations Principles for Responsible Investment (PRI) through the employee pension plan and one of the Group's major asset managers, Gestión de Previsión y Pensiones.

The **goal** then was to start building its own SRI model from the ground. From the outset, implementation of this commitment would span the entire employment fund business and gradually extend to the entire BBVA Asset Management (BBVA AM) unit.

Garanti Asset Management also became a signatory to the United Nations PRI in 2011 and has since been working within the framework of this initiative, in line with BBVA Group's commitment. Moreover, BBVA is a founding partner of the Spanish Responsible Investment Forum (Spainsif). Sponsorship of Novaster's [SRI Observatory in Spain](#) was renewed in 2016.

We have continued working throughout **2016** to expand and improve SRI solutions offered by taking a variety of steps, including the hosting of events streamed via our [website](#), our regular newsletters addressing SRI matters, which are also posted on the [BBVA AM website](#), and in particular the personal meetings held with our customers to address their particular concerns in this field.

BBVA AM's SRI model has implemented the following **strategies**:

- a. **Integration of ESG criteria in the investment process**

The inclusion of ESG (Environmental, Social and corporate Governance) criteria was carried out by developing a **proprietary model** that incorporates extra-financial criteria into a model portfolio, constructed according to fundamental analysis. The model was initially implemented in equity and later in fixed income.

Likewise, an internal **ESG rating** was also developed that directly affects the specific management decision-making process, which is communicated to customers in the fund management reports made available periodically.

Lastly, and with a view to having more reliable and specialized information to hand, the Bank commissions the services of an **independent external agent** that regularly provides us with information on each company and country in our investable pool.

### b. Exclusion: Rules of Conduct in Defense

The [Rules of Conduct in Defense](#) apply to all BBVA Group areas, units and subsidiaries, including the asset managers of employment pension funds.

To apply them, BBVA uses **exclusion lists** of companies and countries, which are drawn up and updated on a regular basis with the help of an independent expert adviser. These lists include companies and countries related to defense materiel, military, police and security armaments, ammunition, explosives, etc., which are automatically excluded from the list of companies and countries in which BBVA can invest. This exclusion also applies to all vehicles managed by BBVA AM.

### c. ESG analysis of third-party funds

Gradually, and by extending the model, third-party investment funds in the portfolio for certain assets and geographical areas and their respective asset managers are subject to an in-depth **due diligence** conducted by the team of analysts on the Quality Funds internal platform. This analysis includes questions regarding their SRI engagements and status as signatories to the United Nations PRI.

As the proportion of these vehicles has been growing in employment pension fund portfolios, a highly relevant change was made in 2015 regarding the selection of vehicles to incorporate into these pension fund portfolios to ensure BBVA's SRI policy is consistent with the one implemented by the funds.

Thus, after verifying compliance by the asset managers with the United Nations PRI, the study then has been focused on the **exclusions** applied by the managers and the voting policies in place, both of which are mandatory elements to be eligible for incorporation in the managed employment pension fund portfolios. We have thus extended SRI-related coverage for portfolios by including the percentage managed by third parties.

In addition to the foregoing, in **2016**, 100% of the vehicle managing entities incorporated in pension funds were signatories to the United Nations PRI initiative.

### d. Engagement and exercise of voting rights

BBVA AM's **responsibility** as a managing entity is not limited to the management function itself. It also exercises the right to vote at all the annual general meetings of shareholders of European and Spanish companies when the portfolio positions make it possible. This engagement is not restricted to employment pension funds that have delegated this responsibility to the asset manager; it applies equally to all individual pension funds, mutual funds and SICAVs managed

by BBVA AM. The services of an independent external supplier are used for this purpose, whose opinion complements that of BBVA AM's own analysts.

In **2016** we attended a total of 166 Annual General Meetings (of Spanish and European companies) whose securities are in the portfolios of various investment vehicles managed by BBVA AM, and voted against some items on the agendas.

Assets under SRI management by investment vehicle ([BBVA Asset Management. 31-12-2016](#))

	Investment funds	Pension plans and employee EPSVs	Pension plans and individual EPSVs
Total assets managed (million euros)	32,294	14,271	7,980
<b>Estrategia ISR</b>			
Integration (%)	0.14 <sup>(1)</sup>	7	37
Exclusion (%)	100	100	100
Vote (%)	100	100	100

EPSVs refer to Voluntary Social Welfare Entities.

<sup>(1)</sup> It refers to BBVA Desarrollo Sostenible fund, which is totally managed under the integration strategy.

### e. Solidarity funds

BBVA currently manages the following solidarity funds:

- **BBVA Solidaridad** is a mixed fixed-income fund that invests at least 30% of the portfolio in equity assets. At the time of subscription, the investor can choose one or more NGOs to which the asset manager will donate a percentage of 0.55% of the fund's total assets under management every six months,
- **BBVA Bolsa Desarrollo Sostenible** is an equity SRI fund that invests in the shares of companies considered as a sustainable investment. The fund also makes an annual donation of €15,000 to the Foundation for Applied Medical Research (FIMA), which is intended to fund research projects.
- **B+EDUCA** is a fixed-income fund that allocates 25% of the monthly returns directly to the *Por los que se quedan* (For those left behind) integration grant program in Mexico. BBVA Bancomer also charges a lower fee for funds of this kind, and makes direct contributions to this scholarship program.
- **BBVA Leer es Estar Adelante** was the first investment fund in Peru to support a social cause. It is a fixed-income fund through which investors donate one tenth

of the share value (fund price) to the BBVA Continental Foundation program *Leer es Estar Adelante* (Reading Means Keeping Ahead). BBVA Asset Management Continental undertakes to contribute to the equivalent in dollars for each tenth of the share value, in addition to the unitholders donation.

Amount donated, volume and unitholders of solidarity funds ([BBVA Asset Management. 31-12-2016](#))

	<b>Quantity donated (euros)</b>	<b>Volume (million euros)</b>	<b>Members and beneficiaries</b>
BBVA Solidaridad	37,084	11	444
BBVA Desarrollo sostenible	15,000	46	4,808
B+Educa	6,629,978	719	37,605
Leer es Estar Adelante	2,041	13	142
<b>TOTAL</b>	<b>6,684,103</b>	<b>789</b>	<b>42,999</b>

## Support for individuals

### Social Housing Policy

In Spain, the comprehensive plan to help families in difficulties, which BBVA has applied since the start of the crisis, has been consolidated under BBVA's [Social Housing Policy](#), whose main **aim** is to help customers keep their homes.

This **plan** focuses on three core areas:

- Offering solutions to all families struggling to pay their mortgage loans.
- Ensuring that any family that is a BBVA customer and at risk of exclusion has a roof over its head and cannot be evicted.
- Offering personal support to families through integration programs that allow customers to regain confidence and self esteem.

BBVA Group and the Regional Government of Catalonia reached an agreement in July 2016 to provide access to housing for families in a situation of social vulnerability. The social project includes the assignment of 1,800 homes to the regional government for eight years.

BBVA abides by the **Code of Good Practices**, proactively reporting on the benefits of Spanish [Law 1/2013](#) and has contributed nearly 1,716 houses to the Social Housing Fund (FSV). As of December 2016, BBVA had already arranged 4,047 rented social homes for vulnerable customers.

BBVA is looking at every re-financing option available in

accordance with the customers' ability to pay, in order to allow them to keep their homes. We have done this for 66,772 customers so far. Any situation can be referred to the **Committee for the Protection of Mortgage Debtors** for review. It analyzes every case in which customers or their families face the risk of exclusion without legal protection, and provides individual solutions in accordance with each family's specific circumstances (re-financing, debt remission, dation in payment, rented social housing in the debtor's own home or the Bank's available houses, etc.). Since the beginning of the crisis, BBVA has received more than 15,600 property transfers in lieu of payment from its customers (this transfers in lieu include products such as home buyers loans and personal loans among others).

### Community Reinvestment Act

In the **United States**, BBVA Compass has continued in its commitment to the Community Reinvestment Act (CRA), which was set up by federal legislation to guarantee that financial institutions meet the credit needs of the communities for which they provide services.

Progress was made on the following points in **2016**:

- **Clear Choice Free Checking.** With no monthly charges, this product provides the possibility of issuing unlimited written checks, personalized debit card and cash withdrawals at no cost from BBVA Compass ATMs. A total of 211,429 accounts were opened in 2016.
- **Clear Choice Savings.** With 66,586 accounts opened, the Clear Choice Savings program provides an opportunity to begin saving with an initial deposit starting at 25 dollars.
- **Clear Spend.** Prepaid card with the same benefits as a checking account yet with no risk of overdrawing. An application sets a budget, tracks expenses and suggests a monthly budget. The application also provides real-time information on purchases and expenses, preventing any risk of the customer overspending. In total, 67,027 accounts were opened in 2016 through this program.
- **Easy Checking.** This helps customers monitor their personal finances by going online to check and configure alerts and personalized notifications. The option even lets customers associate a debit card for shopping. Additionally, accounts that remain positive for a year have the possibility to issue checks at no cost. A total of 18,017 accounts of this kind were opened in 2016.
- **First Time Home Buyer Mortgage.** This loan offers initial payments or a grace period and minimizes the impact of the costs of buying a home. A total 2,957 mortgages were granted in 2016 under this system.

Moreover, the Community Development Finance Department (CDF), which is part of the Corporate Responsibility and Reputation Department at BBVA Compass, is responsible for developing and implementing these products for CDFIs (Community Development Financial Institutions), and for providing investment-related technical support. This team works together with the Real-Estate Department to provide capital for assisting in the development low-income communities. The following tools are employed to achieve this goal and reach more and a greater diversity of customers:

- Investments in LIHTC (Low Income Housing Tax Credits).
- Small Business Investment Companies (SBIC) or SBA Programs.
- Community Development Financial Institutions (CDFI), through Equity Equivalent Loans (EQ2s).
- New Market Tax Credit (NMTC) investments.
- Other eligible community development tools.

#### **Mejora Mutualista (Community Improvements)**

In Mexico, the integrated Mejora Mutualista recovery model has after 5 years of operation concluded 5 interventions in various developments of Tijuana city, Baja California. In total 5,150 homes have been developed; of which 3463 correspond to Bancomer. A total of 15,500 people have

benefited from the program. The model is applied mainly to housing developments supported by mortgage loans that are currently highly deteriorated. Their recovery requires intervention through a comprehensive recovery scheme in three parallel lines of action:

- **Social recovery:** Constitution of a wide range of 18 affiliates including different governmental agencies, civil associations, police and the academic world. MXN 4m have been used for the repair of municipal public services, security, recovery of public spaces and social and cultural activities.
- **Financial recovery:** 229 restructured loans in the last two years. Any defaulted portfolio has been written off, and an initiative has been implemented to prevent the performing portfolio from defaulting. This has helped reduce the number of returned homes and significantly increased sales of homes for ownership.
- **Restoration of the urban environment:** investments in civil works, conditioned on full payment by customers (mortgage, water, property tax and maintenance fee) in monthly repayments.

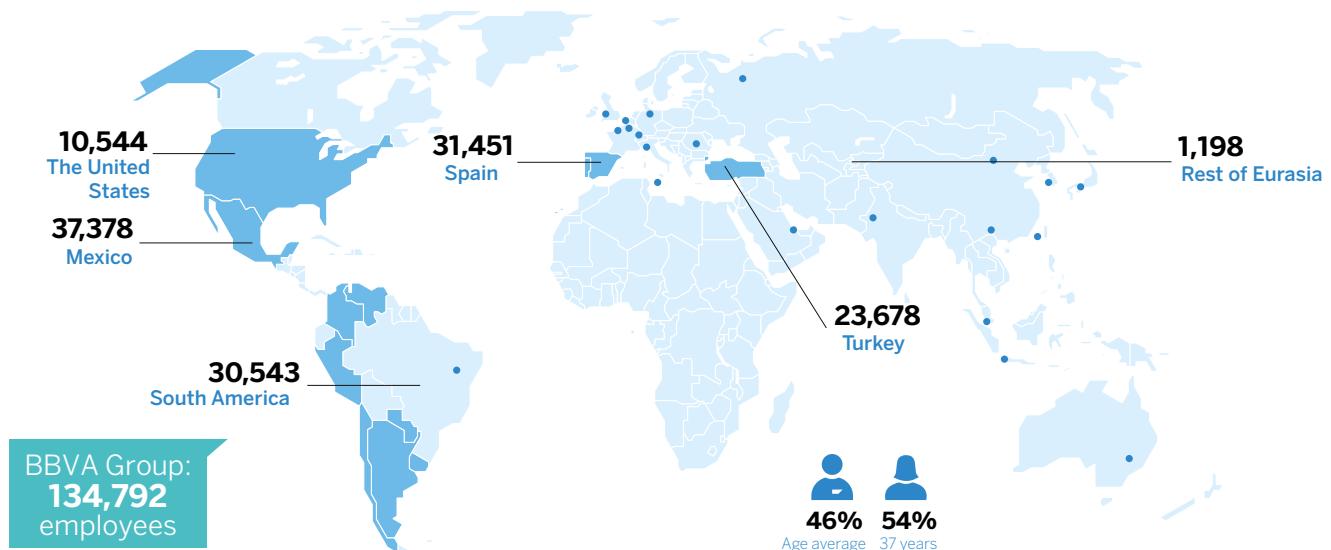
The study of 7 additional developments has shown the need to intervene in Tijuana, Baja California, using the model at the earliest opportunity. Furthermore, other developments are being analyzed in other states in the country.

## 5. 3. The team

One of BBVA's six Strategic Priorities is "**a first-class workforce**". This entails attracting, developing, motivating and retaining the best team, and providing the best employee experience. To do so, as explained in the chapter on Strategy, the Organization is being transformed, fostering a new culture, with new ways of working and flatter structures. A new variable compensation model has also been

implemented in line with the strategic objectives.

As of **December 31, 2016**, BBVA Group has 134,792 employees located in 35 countries, 54% of them women and 46% men. The average age of the workforce is 37 years. The average tenure in the Organization is 10 years, with a staff turnover of 8.2% over the year.



The workforce declined by 3,176 employees in 2016. This reduction is the result of two factors; first, the regulator's requirements to make the workforce more efficient following the purchase of Catalunya Banc (CX), which has led to a decline of 1,974 in employees in Spain; and second, the transformation process in the sector, leveraged on technology, leading to the automation of numerous processes that until now were carried out manually. This is happening with greater force in the geographic areas where the process is most advanced, such as Spain, the United States and Mexico, and to a lesser extent in other areas such as South America, where around 100 net jobs have been created. This process complies with the framework of the legislation current in each country.

At the same time, new talent is also being incorporated, with skills that were not common in the sector before, but in the future will be essential for this process of transforming the banking business (specialists in big data, Blockchain, artificial intelligence, customer experience, etc.).

Also in 2016, as part of the reorganization carried out on the structure of the Group, **Talent & Culture** has defined its role as an area that must support the Bank to achieve its strategic objectives and create a competitive advantage through a first class workforce, inspired by our Purpose and working together as a single team.

Talent & Culture bases its activity on two fundamental pillars: **transparency and consistency**. Three basic principles have also been defined to guide this activity:

- Proximity to the business: acting as business partners for the other areas.
- Focus on execution: delivering new data-based solutions with committed deadlines, and making things simple.
- One team: working as a single team across all regions, with no functional silos.

Talent & Culture has conducted a strategic prioritization process for selecting the global programs in which to make progress. Thus, among the new projects launched were those related to professional careers, internal mobility, values, performance and the leadership model.

BBVA has again obtained the **Great Place to Work®** seal in 2016. It recognizes BBVA as one of the best companies to work for in Argentina, Chile, Spain, Mexico and Uruguay, and one of the ten best at global level.



### 5.3.1. Professional development

A relevant aspect for professional development at BBVA is the **biennial process** for determining each professional's strengths and areas for improvement. The last process was carried out in 2015, when each professional received feedback from his/her manager and training and development plans were established and subsequently executed in 2016. In addition to the performance indicators, the results of the process proved to be key in identifying critical talent in the Group and supporting promotion decisions.

In this sense, BBVA Group makes a variety of **resources** available to employees so they can grow professionally and improve their skills.

#### Recruitment and development

**Recruitment** processes are based on equal opportunity, evaluation based on the requirements of the job position and objectivity of the criteria used. The ultimate goal is to attract and incorporate the best talent in each field. In 2016, BBVA Group received 352,477 resumes worldwide with a ratio of men to women of 57%-43%, of which 75,42% are from young people under the age of 30. Throughout the year, 15,243 people have hired by the Group, 62% of them under the age of 30.

BBVA has a global internal job posting application called **apúntate+**, that fosters development and transparency in promotion criteria, as it publishes vacancies available for which employees can apply.

#### Training

BBVA Group invested €45.5m in training in 2016. There has been an increase in training actions during the year to an average of 39 hours of training per employee, of which 66% are delivered via the Group's global e-learning platform called Campus BBVA.

Basic training data (BBVA Group)

	2016	2015	2014
Total investment in training (million euros)	45.5	35.9	34.9
Investment in training per employee (euros)	337	326	317
Hours of training per employee	39	40	52
Employees who received training (%)	91	93	96
Satisfaction with the training (rating out of 10)	8.9	8.6	8.8
Subsidies received from FORCEM for training in Spain (million euros)	2.7	2.7	2.4

Excluding Turkey in 2015.

BBVA provides access to training programs available on the training platform to boost self-development. **Campus**

**BBVA** has been refurbished in 2016, incorporating a more attractive design, new content and functionalities with the aim of guaranteeing an outstanding learning experience and an innovative offering that is permanently updated and accessible through different devices for all the Group's employees.

BBVA emphasizes the need for its professionals to specialize and update their skills in order to help them achieve the strategic objectives and to create a first-class workforce.

The **strategic training agenda** includes a number of global programs, such as: Responsible Banking Management, an e-learning initiative delivered by BBVA experts and the Institute for Stock Market Studies (IEB, for its acronym in Spanish) and targeted at retail banking middle management, designed to boost cultural exchange and promote entrepreneurship that generates value for society and for the Bank; Responsible Business, an online program for all BBVA employees, which transmits the principles underpinning our differential position in the current environment and the principle of return adjusted to principles; and the Code of Conduct, mandatory online training that includes the principles, behavioral guidelines and procedures for helping to resolve doubts and facilitate compliance with obligations as BBVA employees. As well as this, a number of training actions are provided in TCR (transparency, clarity and responsibility) principles, which enhance the Group's responsibility and ethics. The Commitment on Human Rights course provides employees with knowledge on the commitment adopted by BBVA in this area, as well as the actions carried out by the Group to ensure corporate integrity, the values on which its Code of Conduct is based and the implications of the Ten Principles of the United Nations Global Compact.

With regard to the legal requirements established by the MiFID II Directive, on the knowledge that employees must have when distributing information or providing advice on financial products/services within Europe, there are 7,610 professionals with official EFPA certifications (DAF/EIP, EFA and EFP) in Spain. In all, there are over 10,500 current employee certifications in BBVA, including CFA, FRM and CIA.

#### Diversity

BBVA is aware that correctly managed **diversity** multiplies the impact of talent and represents a competitive advantage. In a disruptive environment such as the current one, companies must encourage the presence of women in organizations because their contribution is a source of strength. Thus women account for 54% of the Group's workforce and their presence on the management team has continued to grow since 2011, to a proportion of 20.8% in 2016. BBVA is a signatory to the Diversity Charter at European level and to the United Nations Women's Empowerment Principles.

In **Spain**, BBVA has renewed the company's Equality Seal and the commitment to the initiative More Women, Better Companies, both organized by the Ministry of Health, Social Services and Equality, as well as the Family-Responsible Company Certificate, highlighting the commitment of our professionals to the promotion of equal opportunities. BBVA also forms part of the Promociona Project, fostered by the CEOE and the Institute for Women and Equal Opportunities, with the aim of increasing the number of women in positions of responsibility in Spanish business.

In **Mexico**, BBVA Bancomer has been chosen as one of the 10 most gender equitable companies, according to Great Place To Work®, which has evaluated the presence of women in positions of responsibility and recruitment and employment practices that promote gender equality.

### Different capabilities

BBVA continues to demonstrate its pledge to ensure the labor integration of people with different capabilities through the **Plan Integra**, which was conceived in the belief that employment is an essential pillar for achieving equal opportunity for everyone. As part of the Plan, each year since 2009, the BBVA Integra Awards have recognized the work of organizations that carry out projects bringing people into the labor market and boosting the development of new initiatives and good practices in this field. The business group Gureak was awarded €150,000 at the 8th Awards.

There are 231 employees with different capabilities working in the Group, located in Spain (162), Mexico (37) and South America (32). For its part, Mexico has implemented the **Inclusion Program** for people with different capabilities within the framework of occupational health, with the aim

of guaranteeing a secure environment for this group. In Venezuela a strategic plan has been designed to increase the effective labor integration of workers with disabilities, as required by local law. Work is also progressing on making bank branches accessible in these geographic areas, and the Group's corporate offices are already accessible in Madrid, as are those of BBVA Bancomer in Mexico and BBVA Chile.

In collaboration with the Adecco Foundation, BBVA has created the **Familia Plan** for its employees with children with different capabilities. The Plan offers advice and guidance, as well as implementing a Personal Support Plan to improve the children's development, autonomy and social integration, focusing particular attention on the medical, family, social, training and employment areas.

In addition, BBVA's commercial network in Spain promotes the labor integration of people with **Down syndrome**, thanks to agreements between the different territorial divisions and associations involved with this group. These alliances have provided over 35 students with the opportunity to carry out professional work experience in our branches across the whole of Spain.

[Annex 5 - Employees by gender](#)

[Annex 6 - Promoted employees by gender](#)

[Annex 7 - Average employee age and breakdown by age bracket](#)

[Annex 8 - Average length of service](#)

[Annex 9 - Breakdown of employees job category and gender](#)

### 5.3.2. Workplace

BBVA conducts a general satisfaction and commitment survey involving all employees every two years. The purpose of this survey is to ascertain the views of our employees, their concerns and the areas for improvement on which they consider we should work in the future. The 2016 **survey** was answered by over 70% of BBVA employees worldwide, with 83% of them being satisfied or very satisfied with BBVA as a place to work. Satisfaction surveys at the local level have also been conducted to monitor the impact of the improvement plans being addressed.

#### Occupational health and safety

BBVA honors its commitment to guarantee healthy working environments and improve the quality of life of people through health promotion and prevention campaigns and training, information and awareness-raising activities.

The occupational health and safety plan in **Spain** is part of the **preventive** planning that sets yearly targets based on the occupational risk prevention activities scheduled for the period. It includes risk assessments and monitoring of corrective measures, evacuation drills and emergency plans, training for workers, coordination of business activity, healthcare monitoring through medical checkups, health promotion campaigns, protection for vulnerable workers, adapting workstations with specific ergonomic material to prevent related pathologies (back pain, carpal tunnel syndrome, etc.).

Occupational health (Spain. Number)

	2016	2015	2014
Technical preventive actions	2,424	3,033	2,157
Preventive actions to improve working conditions	2,981	3,761	2,869
Appointments for health checks	15,100	17,659	16,145
Employees represented in health and safety committees (%)	100	100	100
Absenteeism rate (%) <sup>(1)</sup>	2.4	2.5	2.2

<sup>(1)</sup> Excluding Catalunya Banc in 2015.

With respect to **awards and recognition**, BBVA has received the Company Prevention Prize for the year (in the Large Company category), granted by Prevencionar.com, for its activity in areas of health and safety; in other words, for the way in which it has used new technologies as a tool to integrate and develop its various actions related to the prevention and promotion of health and safety. In addition, BBVA has won the Zaldívar Scholastic Award for the promotion of a preventive culture among its workers.

In **Mexico** BBVA Bancomer has implemented **health plans**, with actions related to control of risk at work, occupational health and safety, an ergonomic program for the prevention of occupational disease, as well as healthy work plans including health communication campaigns and access to the Healthy Life Portal (Mayo Clinic).

The commitment to maintain the health and safety of all BBVA Francés employees in **Argentina** is focused on minimizing risks and ensuring the correct use of facilities and safety equipment. This is done through a team that provides occupational health care and workshops on healthy living.

BBVA **Chile** has developed a **risk prevention program** that clearly specifies the legal compliance applicable in matters of occupational health and safety. The program includes risk assessment and preventive measures, compliance with regulations on health and safety conditions in the workplace, assessment of musculoskeletal and ergonomic risks, the design and communication of emergency and evacuation protocols, and prevention of occupational accidents.

#### Freedom of association and representation

The **rights and working conditions** of Group employees are included in the rules, conventions and agreements concluded in each entity with the corresponding workers' representatives in accordance with local legislation.

On matters of **freedom of association and labor union representation**, BBVA always aims for solutions via consensus. It places a very high value on dialog and negotiation as the best way of resolving any conflict in accordance with the pertinent local regulations in force in the countries where BBVA operates.

The **XXIII Collective Labor Agreement** for the Spanish banking sector, covering our entire workforce, was signed in April 2016 and will remain in force until December 31, 2018. Additional business agreements supplement and develop the provisions of the Labor Agreement, such as the agreement to adapt the provisions of the Collective Labor Agreement with respect to remuneration.

Labor union representatives sitting on company committees are elected every four years by personal, free, direct and secret vote. The labor representatives are kept apprised of any changes in relevant organization that could occur in the Company, as provided for by the pertinent legislation currently in force.

BBVA Spain has also concluded a **Merger Labor Agreement** to integrate the employees of Catalunya Banc (CX) into BBVA. This was done in July, harmonizing the employment conditions of all CX employees to those current in BBVA.

In other countries in South America such as Argentina, Chile and Colombia, BBVA employees are included in collective agreements. BBVA Chile has a collective agreement with the Sindicato Unificado union, in force until November 30, 2018. It covers the 47% of the bank employees who are unionized, but the benefits extend to non-unionized employees and its subsidiaries. Colombian legislation provides for two forms of representation for employees, as a result of which there are two agreements in the bank: the *Pacto Colectivo* (Collective Pact), which covers 81% of the workforce, with representation exercised directly by employees; and the *Convención Colectiva* (Collective Convention), which benefits 19% of

the workforce and is concluded with the labor unions, which chose the representatives eligible.

[Annex 10 - Voluntary resignations \(turnover\) and breakdown by gender](#)

[Annex 11 - Recruitment of employees by gender](#)

[Annex 12 - Discharge of employees by discharge type and gender](#)

[Annex 13 - Breakdown of employees by contract type and gender](#)

[Annex 14 - Amount and type of absenteeism of employees](#)

### 5. 3. 3. Remuneration

BBVA has an advanced **remuneration system** based on the reciprocal long-term generation of value for professionals in line with shareholder interests and dependent on prudent management. This system is adapted to legal specifications in force at any time and also incorporates the standards and principles of the best generally accepted national and international practices.

This model has been designed in accordance with four **objectives**:

- To offer transparency, equity and consistency.
- To channel the importance of achieving the Strategic Priorities, which include both financial and non-financial goals.
- To recognize that all employees form part of a team and to identify the critical inter-dependency that requires teamwork to achieve joint success.

- The importance of maintaining a constant dialog on performance between the supervisor and collaborator during the whole year.

Remuneration is made up of two **clearly differentiated parts**:

- A fixed remuneration, which is established by considering the employee's level of responsibility and professional career path in the Group and setting a salary benchmark for each function.
- Variable remuneration, with a new model that is linked to the Group's strategic objectives through indicators formed by both financial and non-financial indicators. In this new model, each employee's variable remuneration is directly linked to the results at Group, area and sub-area/ individual level.

### 5.3.4. Volunteer work

The BBVA **Corporate Volunteering Policy** covers all countries. It manifests BBVA's pledge to volunteer work of this type and provides employees with the conditions in which they can engage in corporate volunteer work that generates a positive social impact.

In addition to the **impact** at the level of corporate social responsibility, the activity of corporate volunteering enhances the development of employees, channeling their spirit of solidarity, and allowing them to make a personal contribution of their time and knowledge to provide help for people who need it most. This improves self-esteem, increases the sense of pride in belonging to the company and thus has an effect on talent attraction and retention.

The number of BBVA employees who participated in corporate volunteering actions in **2016** was more than 8,000 at global level, representing 6% of the workforce. These employees have dedicated more than 100,000 hours to tasks of this kind. Over 56% of these activities are designed to boost initiatives arising from employees themselves or in coordination with BBVA, in connection with education, primarily to boost financial education, and thus support the strategic lines set out in the responsible banking model.

In **Spain** 1,389 working employees and 180 on early retirement/retirement have participated in the different volunteering initiatives, of which 75% were dedicated to

issues of education, mainly financial education, and the rest were environmental and social action activities. The actions carried out with BBVA volunteers in Spain are channeled through the BBVA Volunteer website and implemented through the Volunteer Office.

The main educational **projects** through which volunteering is developed in the different business areas are:

- In Spain: the JAES Foundation programs, such as *Ventajas de permanecer en el colegio* (Advantages of staying in school), *Habilidades para el éxito* (Skills for success) and *Socios por un Día* (Partners for a day).
- In the United States: the Summer/Fall Day of Service initiatives and the NBA Cares community engagement program.
- In Mexico: the *Valores de Futuro* (Future Values) financial education program and the Momentum Project entrepreneurship support program.
- In South America: financial education workshops in Argentina, the *Adelante con tu Futuro* (Forward with your Future) financial education program in Venezuela, the *Leer es Estar Adelante* (Reading is getting ahead) program in Peru, and the *Becas de Integración Jóvenes con Futuro Adelante* (Integration Grants for Young People with a Future) and a financial education program in Uruguay.

## 5. 4. Shareholders

BBVA seeks to **create long-term value** for all its stakeholders, particularly for its shareholders. To do so, the Bank is working hard to position itself as a model in the new environment for the banking industry, with a transformation based on and designed for the customers, transforming the business as it is today, creating new business models and maintaining a unique banking model.

Among its Strategic Priorities, BBVA includes **capital optimization** as one of the pillars to achieve its Purpose, which is: to bring the age of opportunity to everyone. Managing capital correctly will allow us to be more aware of the risks, make better decisions and have a clearer vision of the future. All this will help us to ensure greater value for our shareholders.

In **2016** BBVA Group:

- Has improved its ROE to 6.7%, from 5.2% of 2015.
- Has increased its ROA to 0.64%, from 0.46% of 2015.
- Continues to demonstrate a solid risk profile, with an NPL ratio down 48 basis points over the year to 4.9% as of 31-Dec-2016, and a cost of risk down 22 basis points to 0.84% (cumulative figure for 2016).
- Maintains sound capital adequacy ratios that are above legal requirements, with a fully-loaded CET1 of 10.9% as of 31-Dec-2016, an improvement of 58 basis points over the last twelve months.

The Bank has also had to deal with a complex environment in 2016; marked by low interest rates in Europe and the United States; a slowdown in growth in developed economies; a difficult political situation in a number of regions, growing regulatory pressure; and the transformation of the banking industry mentioned earlier, with the entry of new competitors (startups and FinTech) and the increased use of mobile devices as the customers' channel of choice.

In this context, the performance of the main **stock-market indices** has varied greatly over the last twelve months. The Stoxx 50 lost 2.9%, while in the Eurozone the Euro Stoxx 50 gained 0.7% and in Spain, the Ibex 35 fell by 2.0%. The S&P 500, which tracks the share prices of U.S. companies, closed the year up 9.5%, most of the gain being in the second half of the year.

In the **banking sector**, the Stoxx Banks index of European banks, including those in the United Kingdom, slowed its decline of the first half of the year, and closed 2016 with a decline of 6.8%. The same trend is reflected in the Eurozone bank index, the Euro Stoxx Banks, which lost 8.0%. In the United States, the S&P Regional Banks sector index gained 32.4% in 2016, with the growth focused at the end of the year following the results of the U.S. elections.

The **BBVA share** performed relatively better in 2016 than the European banking system as a whole. As of December 31, 2016, the BBVA share price was €6.41, a rise over the quarter of 19.2% and a year-on-year decline of 4.8%.

BBVA share evolution compared with European indices  
(Base indice 31-12-2015=100)



The BBVA share and share performance ratios

	31-12-16	31-12-15
Number of shareholders	935,284	934,244
Number of shares issued	6,566,615,242	6,366,680,118
Daily average number of shares traded	47,180,855	46,641,017
Daily average trading (million euros)	272	393
Maximum price (euros)	6.88	9.77
Minimum price (euros)	4.50	6.70
Closing price (euros)	6.41	6.74
Book value per share (euros)	7.22	7.47
Tangible book value per share (euros)	5.73	5.88
Market capitalization (million euros)	42,118	42,905
Yield (dividend/price; %) <sup>(1)</sup>	5.8	5.5

<sup>(1)</sup> Calculated by dividing shareholder remuneration over the last twelve months over the closing price at the end of the period.

As regards **shareholder remuneration**, two cash dividends have been paid for a gross €0.08 per share each. These payments were made on July 11, 2016 and January 12, 2017. The Board of Directors of BBVA also decided at its meetings on March 31 and September 28, 2016, to carry out two capital increases against voluntary reserves to implement the "dividend-option" system, in accordance with the terms agreed at the Annual General Meeting of March 11, 2016. In the first increase, the holders of 82.13% of the rights opted to receive new shares, while in the second, the figure was 87.85%. These percentages once more confirm the popularity of this remuneration system among BBVA shareholders. In the [Note number 4 of the Consolidated Financial Statements, Management Report and Auditors' Report](#), more information about BBVA Group shareholder remuneration system is included.

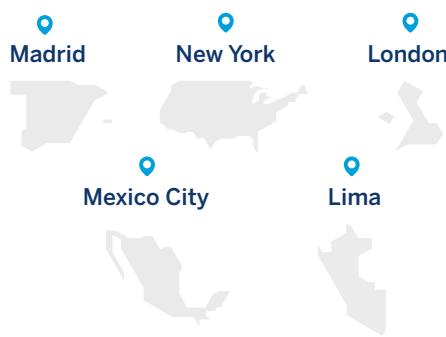
Shareholder remuneration (Gross euros/share)



The number of BBVA shares as of 31-Dec-2016 is 6,566,615,242. The **number of shareholders** is 935,284. Residents in Spain hold 45.4% of the share capital, while the percentage owned by non-resident shareholders stands at 54.6%. It is worth noting that at the last Annual General Meeting both institutional and minority shareholders gave their mass support in a large turnout in favor of the points on the agenda. The percentage approving the annual accounts was over 99%, representing a very strong backing for the management of BBVA.

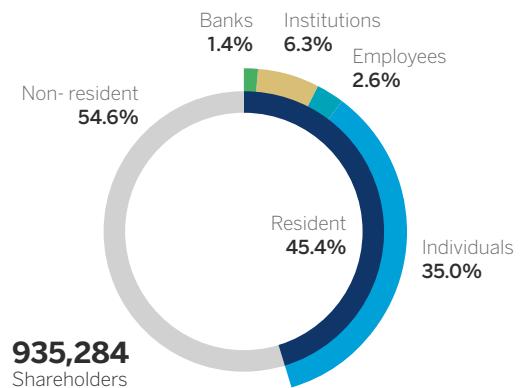
## BBVA share

Listed on the main international stock markets



BBVA's capital ownership is well diversified

## SHAREHOLDER BREAKDOWN



## Weighting (31/12/2016)

IBEX 35	<b>8.7%</b>
Euro Stoxx 50	<b>1.9%</b>
Euro Stoxx Banks	<b>9.3%</b>
Stoxx Europe 600 Banks	<b>4.4%</b>

BBVA **shares** are traded on the Continuous Market of the Spanish Stock Exchanges and also on the stock exchanges in London and Mexico. BBVA American Depository Shares (ADS) are traded on the New York Stock Exchange and also on the Lima Stock Exchange (Peru) under an exchange agreement between these two markets. Among the main stock-market

indices, BBVA shares are included on the Ibex 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 8.70%, 1.90% and 1.21% respectively. They are also listed on several sector indices, such as the Stoxx Banks, with a weighting of 4.39%, and the Euro Stoxx Banks, with a weighting of 9.29%.

## Shareholder and Investor Relations

The bank has a **communication policy with shareholders and investors**, which can be accessed via the corporate website. Its basic principles are:

- Transparency, truthfulness, immediacy and standardization in providing information.
- Facilitate awareness of those issues that may be necessary to enable an appropriate exercise of shareholders' rights, providing clear and direct communication channels and lines which allow any doubt on the provided information to be cleared up.
- Publish information periodically, adequately and available in time to enable shareholders and investors to be informed of the most relevant aspects of the Bank at any time.
- Equal treatment for all shareholders and investors in the same situation, in terms of information, participation and exercise of their rights as shareholders and investors.
- Use a variety of communication instruments and channels that enable shareholders to access the Bank in the easiest and most convenient way.

In addition, through its [website](#) the Investor Relations unit gives all BBVA shareholders access to the [Shareholder Office](#), which provides information on relevant aspects related to the BBVA share and the Group, offers special products and responds to suggestions. Below are some of the most relevant initiatives carried out by the Shareholder Office in 2016:

- Improved access to quarterly information for shareholders and investors, with a digital version of the shareholder report.
- Inclusion of an interactive tool for analyzing the results of the Group and business areas.

Finally, it is worth noting that in 2016 the Shareholder Office has dealt with 3,676 e-mails and 4,216 phone queries. There have also been numerous meetings with both minority and institutional shareholders.

## Sustainability ratings

Lastly, BBVA maintains a significant presence on a number of international sustainability indices or ESG (environmental, social and governance), which evaluate the performance of companies in this area, as summarized in the table below.

Sustainability indices on which BBVA is listed as of 31-12-2016.



Listed on the MSCI Global Sustainability indices  
AAA rating



Listed on the FTSE4Good Global, FTSE4Good Europe and FTSE4Good IBEX indices



Industry leader according to the latest ESG 2015 rating



Listed on the Euronext Vigeo Eurozone 120 indices



Included on the Ethibel Excellence Investment Register



In 2016, BBVA obtained a "B" rating

<sup>(1)</sup>The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein do not constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Since 2014 BBVA has also been part of the investment universe of **Triodos Investment Management**, the Triodos Group subsidiary that manages socially responsible mutual funds. It is the only Spanish Bank on this list.

## 5. 5. Society

### 5. 5. 1. Social, environmental and reputational risks

As a financial institution, BBVA has an **impact** on the environment and society directly through the consumption of natural resources and its relationship with stakeholders, and indirectly through its credit activity and the projects it finances. These impacts lead to direct, indirect and reputational risks.

These **extra-financial risks** may affect the credit profile of borrowers or the projects financed. To manage such risks, BBVA takes into account environmental, social and reputational aspects in its risk management, alongside traditional financial variables.

Their integration into risk management is consistent with the **principle of prudence** that governs BBVA's activity and is focused on various lines of action.

In 2016 we began working with all the areas involved, within a framework that comprehensively encompasses the way in which BBVA manages social and environmental impacts, as well as the opportunities associated with such issues.

#### Equator Principles

The energy, transport and social services infrastructures that boost economic development and create jobs can have an impact on the environment and society. BBVA is **committed** to manage the finance of these projects in order to avoid and reduce negative impacts and boost their economic, social and environmental value.

All the decisions on project finance are based on the criterion of **return adjusted to principles**. Placing people at the core of the business implies dealing with stakeholder expectations and demand from society to fight against climate change and respect human rights.

In line with this commitment, BBVA adhered to the **Equator Principles** (EP) in 2004. Based on the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's Environmental, Health and Safety guidelines, the Equator Principles are a set of standards established to manage the environmental and social risks in project finance. These principles have set the benchmark for responsible finance. Once more in 2016 BBVA has contributed to their

development and dissemination as a member of the working groups in which it takes part.

The CIB **Sustainable Finance and Reputational Risk** team takes on responsibility for analyzing the financed projects, representing the Bank before its stakeholders, being accountable to Senior Management and designing and implementing the management system, proposing the adoption of best practices and contributing toward training and communication on matters related to the EP.

Project analysis involves subjecting each transaction to a process of environmental and social due diligence that starts with assigning a category (A, B or C), which reflects the project's level of risk. The documentation submitted by the customer and the independent advisors is reviewed, allowing the level of compliance with the requirements established in the EP to be graded in accordance with the project category. Finance agreements incorporate the customer's environmental and social obligations, which are monitored by a specialist CIB team.

<b>Initial review</b>	<ul style="list-style-type: none"> <li>■ Selection of independent advisor</li> <li>■ Project classification</li> </ul>
<b>Due diligence</b>	<ul style="list-style-type: none"> <li>■ Review of the Environmental and Social Impact Assessment</li> <li>■ Environmental and Social Due Diligence Report</li> </ul>
<b>Approval</b>	<ul style="list-style-type: none"> <li>■ Sanction by the CIB Reputational Risk Department</li> <li>■ Inclusion of conditions in the approval of the Risks Committee</li> </ul>
<b>Financial close</b>	<ul style="list-style-type: none"> <li>■ Preparation of an Action Plan</li> <li>■ Environmental and social clauses in the finance contract</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>■ Monitoring reports by the independent advisor</li> <li>■ Report on the environmental and social impact of the project</li> </ul>

To guarantee **integrity** in BBVA's application of the EP, their management is integrated into the internal transaction structuring, admitting and monitoring processes and is subject to regular control by the Internal Audit Department.

For BBVA, the EP are the basis for applying best practices in responsible finance and the framework for dialog with customers and stakeholders in the projects we finance. BBVA provides **public information** on the environmental and social management of the projects financed and advised by the Group.

#### Details of Equator Principles operations analyzed

	2016	2015	2014
Number of operations	32	26	44
Total amount (million euros)	6,863	24,557	170,265
Amount financed by BBVA (million euros)	1,451	1,933	1,867

#### Ecorating

The **Ecorating** tool is used to rate the risk portfolio of SMEs from an environmental point of view. This is done by assigning a level of credit risk to each customer in accordance with a combination of several factors such as location, polluting emissions, consumption of resources, potential to affect the environment and applicable legislation. In 2016 the environmental risk of 232,204 customers was rated in Spain, with a total exposure volume of €93,665m.

#### Ecorating Data

Environmental risk level	Volume (million euros)	Customers
Low	81,772	192,392
Medium	11,571	39,263
High	322	549
<b>Total</b>	<b>93,665</b>	<b>232,204</b>

#### Reputational risk management

Since 2006, BBVA has had a **methodology** in place for identifying, evaluating and managing reputational risk. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes the reputational risks it faces, together with a set of action plans to mitigate them.

This **prioritization** is carried out according to two variables: the impact on stakeholder perceptions and the strength of BBVA's resilience to risk.

This reputational exercise is carried out in each country and the integration of all of them leads to a consolidated view of the Group. Since 2015, this exercise has been performed

using a computer **tool** that allows risks to be assessed by the appropriate areas. Reputational risk is by nature highly cross-cutting.

The main **progress** made related to reputational risk management in 2016 is:

- Strengthening of the governance and reporting model. The result of the reputational risk assessment process was submitted through the Risks Committee to both the Corporate Assurance Committee and the Board of Directors.
- Integration of reputational risk into the risk appetite framework and the ICAAP (Internal Capital Adequacy Assessment Process).
- Review of the reputational risk management model by the Internal Audit area.
- Definition of the key risk indicators for each risk factor in order to complete the management model.

#### Reputation in society

Country	Position relative to peer group <sup>(1)</sup>
Spain	2nd for customers and 1st <sup>(2)</sup> for non-customers
United States	2nd for customers and 1st <sup>(2)</sup> for non customers
Turkey	2nd for customers <sup>(2)</sup> and 1st <sup>(2)</sup> for non customers
Mexico	3rd <sup>(2)</sup> for customers and 2nd <sup>(2)</sup> for non customers
Argentina	1st <sup>(2)</sup> for customers and 1st <sup>(2)</sup> for non customers
Chile	3rd <sup>(2)</sup> for customers and 3rd for non customers
Colombia	2nd <sup>(2)</sup> for customers and 2nd <sup>(2)</sup> for non customers
Peru	1st <sup>(2)</sup> for customers and 1st for non customers
Venezuela	1st <sup>(2)</sup> for customers and 1st for non customers
Paraguay	1st <sup>(2)</sup> for customers and 2nd <sup>(2)</sup> for non customers
Uruguay	n/av

Source: RepTrak (Reputation Institute); except in Turkey, source: TRI\*M Index (TNS). n/av = not available.

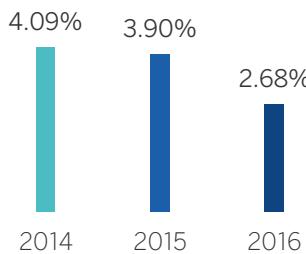
<sup>(1)</sup>Peer group: Spain: Santander, CaixaBank, Bankia; The United States: Regions, Wells Fargo, Chase; Turkey: Is Bankasi, Ziraat, YKB, Akbank; Mexico: Banamex, Banorte, Santander, HSBC; Argentina: Galicia, Santander, HSBC; Chile: Banco de Chile, Santander, BCI; Colombia: Bancolombia, Bogotá, Davivienda; Peru: BCP, Interbank, Scotiabank; Venezuela: Banesco, Mercantil, Banco de Venezuela; Paraguay: Continental, Itaú.

<sup>(2)</sup>Tied with other entities.

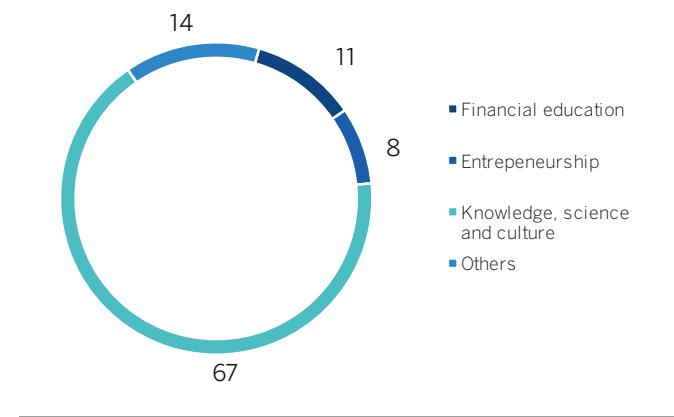
## 5. 5. 2. Investment in social programs

In **2016** BBVA allocated over €93 millions to social projects. This figure accounts for 2.7% of the Group's net attributable profit for the year.

Investment in social programs in relation to the net attributable profit (Percentage)



Graphical Investment data by focused action (Percentage)



Investment in social programs by geographical area and Foundation (Thousand euros)

	2016	%	2015	%	2014	%
Spain and corporative areas	16,923	18%	22,230	21%	39,993	37%
United States	8,732	9%	7,609	7%	4,867	5%
Turkey	6,193	7%	8,518	8%	n/a	n/a
Mexico	24,612	27%	28,068	27%	23,441	22%
South America	6,380	7%	7,586	7%	11,300	11%
BBVA Foundation	25,598	28%	24,288	23%	22,430	21%
BBVA Microfinance Foundation	4,827	5%	5,307	5%	5,119	5%
<b>TOTAL</b>	<b>93,265</b>	<b>100%</b>	<b>103,606</b>	<b>100%</b>	<b>107,150</b>	<b>100%</b>

n/a = not applicable

BBVA also launched the **Community Investment Plan** in 2016 for the period 2016-2018, which is an ambitious initiative setting out the following main areas of action:

- **Financial education**, aimed at promoting training in financial literacy to enable people to make informed financial decisions.
- **Social entrepreneurship**, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.
- **Knowledge**, through support for initiatives that drive development and create opportunities for people.

**Education** for society was one of the main areas of the previous Plan, which from 2016 onward has been framed within the strategic line of knowledge. Nonetheless, it retains a significant weight in BBVA's social investment, which

continues to support access to education and educational quality as sources of opportunity. However, it also shares this space with other Group initiatives such as the BBVA Foundation activities and research work by the BBVA Research Department.

BBVA's community support activities will focus on these three lines over the next three years, although the Group's banks will maintain their commitment to investment in the community to address local social problems. In this regard, the Support to Social Organizations program will continue to back educational and community development projects carried out by non-governmental organizations and other non-profit associations and institutions. In order to establish a global action framework for this program, work has continued in 2016 to prepare a manual that offers guidance on assessing and approving donations by all of the Group's banks and foundations. This manual will be issued in the first half of 2017.

### 5. 5. 3. Financial education

Financial education remains one of our priorities and is thus part of the three main lines of action established in the 2016-2018 Community Investment Plan.

Our overall **objective** is to foster financial education based on the acquisition of knowledge, skills and attitudes with a vision to change the way customers make financial decisions and thus improving their experience.

At a local level, we run our own programs and work together with other actors to provide financial education adapted to the environment and economic reality across our global footprint. These programs are designed for a diverse target audience, including children, young people and adults, and also managers of small businesses. They cover a broad range of topics, from financial planning to savings and investment.

At BBVA we work with a variety of national and multinational organizations to promote the importance of financial knowledge and skills as critical matters that have a direct impact on a people's welfare.

#### Main progress in 2016

Since the Global Financial Education Plan was launched in 2008, we have invested over €67m to help over 9 million people.

Beneficiaries of the Global Financial Educational Plan (BBVA Group)

	2016	2015	2014
Children and Young People	2,143,161	1,108,755	1,009,430
Adults	396,988	368,055	244,543
SMEs	34,305	59,398	41,474
Total number of beneficiaries of Financial Education	2,574,454	1,536,208	1,385,447
Number of total workshops	1,166,251	1,076,452	1,010,681
Total investment in FE (million euros)	10,166,675	12,448,665	17,427,972

Throughout 2016, in addition to continuing our work on a more practical approach toward financial education, we designed and developed the **Financial Education and Skills Center**. This Center is a virtual platform created to promote the importance of financial knowledge and skills through research, information sharing and learning geared toward action. The Center has a team of experts from different fields with solid experience in the world of financial education.

We have also transferred our experience in the field of practical financial education to **customer experience**. This is

achieved by helping customers improve their personal finance decisions through tips, communications and reminders, optimizing their financial capabilities while accompanying them on their financial education path. In doing so we help them discover new opportunities and achieve their goals.

Promoting financial education is a collective task. Since 2010, BBVA has been helping the Organization for Economic Cooperation and Development (OECD) to draw up the **PISA Report** on Financial Competence, which assesses the financial literacy of 15-year-olds. The evaluation has been conducted every three years since 2012 and its results have shed light on a vast improvement in the majority of the participating countries. The results of the assessment conducted in 2015 will be available in the first half of 2017. In 2016, BBVA renewed its agreement with the OECD and will continue supporting this assessment in 2018. Through this partnership with the OECD and other contributions, BBVA honors its commitment to the advocacy and promotion of financial education, for which it invested €2,140,000 euros until 2016.

#### [Annex 15. Table of beneficiaries of the BBVA financial education programs by geography in 2016.](#)

A significant part of our investment in financial education programs is geared to improving the financial culture of **children and young adults** and promoting values related to the responsible use of money. All the programs that we run for this social group are developed by educational experts through workshops in schools and even online courses in some countries, including cross-curricular material available for teachers and educators.

The workshops for children aged 6 to 14 promote the development of values associated with the use of money (effort, solidarity, savings, etc.) and the acquisition of financial culture skills in line with the financial literacy skills included in the PISA report. One of our most important initiatives is the **Valores de Futuro** (Future Values) program. Created in Spain in 2009 and extended to include Mexico in 2012, Valores de Futuro comprises over 60 awareness and active participation workshops given by teachers, in some cases with the participation of BBVA volunteers. A total of 1,149,335 students participated in *Valores de Futuro* workshops in Mexico and Spain in 2016.

Targeted at young people aged 14 to 20, the programs focus on knowledge of basic personal finance concepts and planning. The most salient programs are:

■ **Tus Finanzas Tu Futuro** (Your Finances, Your Future), promoted by the Spanish Banking Association (AEB) and run by the Junior Achievement Foundation. This pioneering sector-specific initiative draws on

an extensive partnership of 24 private financial institutions. It has been a case study and example of good practices in the Sharpening Financial Education Report prepared by the Junior Achievement Foundation Europe and Visa, in collaboration with the European Banking Federation, the OECD and the Vienna University of Economics and Business. The initiative has benefited 7,461 students in 136 educational centers in the country.

#### ■ **BBVA Entrepreneurship School in Colombia.**

**Liga de Educación Financiera BBVA** (BBVA Financial Literacy League) is an educational and interactive game that allows young people to assess the status of their personal finances, plan personal financial goals and learn the importance of savings. The initiative has benefited 10,304 young people in Chile.

■ **Online Financial Education Course for Young People,** which is being run in Venezuela and has 158 beneficiaries.

■ **The Banco Francés Financial Education Program,** in place to help children aged between 12 and 19 learn financial and finance management knowledge and skills.

#### [Annex 16: Table of FE beneficiaries: children and young adults](#)

The financial education initiatives for **adults** were created to provide knowledge that can help in decision-making, thus improving financial well-being and increasing opportunities. Among them are:

■ **Adelante con tu Futuro** (Forward with your Future) was created in Mexico in 2008 and has extended to Chile, Colombia, Paraguay, Uruguay and Venezuela as the financial education program with the largest infrastructure in Latin America. It has fixed classrooms, mobile classrooms and equipment, instructors, volunteers and contents aligned with people's financial life cycle. In this way, it can assist them at different stages of life with the tools necessary for managing better their personal finances. The program provides free workshops on saving, saving for retirement, credit cards, credit health, mortgages, life insurance, mutual funds, electronic banking, stock market literacy, economics and the secure usage of digital banking. *Adelante con tu Futuro* has run over 4 million face to face and online workshops, benefiting over 1.6 people since its launch in 2008.

■ In Chile and Colombia, financial inclusion initiatives were implemented in 2016, promoting financial knowledge and skills in the work centers of companies and institutions that are customers of BBVA through **workshops** for their

employees. Over 37,530 people have participated in these workshops in 2016.

■ In collaboration with the Federal Deposit Insurance Corporation (FDIC), BBVA Compass uses **Money Smart** as an initiative to help people, whether bank users or not, to acquire financial knowledge and use banking services effectively. In 2016, a total of 5,718 people benefited from this program.

■ The **Mi Jubilación** (My Retirement) initiative was launched in 2013 in Spain and has since then become a benchmark for information related to retirement and pensions. In 2016 its website received over 398,469 visits and more than 390,000 simulations were made using the tools. Strategically, *Mi Jubilación* continues driving economic research in the field of pension reforms through the BBVA Pensions Institute and contributes to the discussion on pensions with proposals that guarantee the future of the pension system.

In addition to education for children, young people and adults alike, we support training in financial skills for the management and growth of **small and medium-sized businesses** through educational workshops on subjects related to financial decision-making SMEs. Our main initiatives are:

**Finance for Entrepreneurship and Growth.** Since 2012, Mexico has supported entrepreneurs and micro-businesses, whether customers or non-customers, with classroom and online workshops, interactive videos and practical exercises. Since the initiative was launched, 259,358 companies have benefited from this training.

■ **Activa Tu Negocio**, (Activate Your Business) is an initiative launched in Spain in 2016 in collaboration with Google to provide free training in digital marketing, combining a classroom workshop with 40 hours of online study. Over 519 companies have benefited from these courses.

■ **Camino al Éxito** (Road to Success) has become a comprehensive solution for helping SMEs grow, become solid and be better prepared. Focused on Argentina, Chile, Peru, Paraguay, Uruguay and Venezuela, this program has allowed companies to access courses designed to address their needs, given by top local universities and business schools. In 2016, a total of 548 companies received the classroom courses and over 4,171 signed up for online courses in finance, business and e-commerce.

■ **SME skills training programs** provided in Spain and Mexico to support small and medium-sized enterprises with major growth potential through cognitive tools and

management and administrative skills that allow them to consolidate and grow their projects. Programs that consolidated their success in 2016 were: a diploma course from Anáhuac University, a specialized course at the IPADE Business School in Mexico, and programs provided by Deusto University, ESADE, Instituto de Empresa, ESIC and San Telmo.

#### [Annex 17: Table of SME Beneficiaries](#)

Financial education was also promoted in the **digital media** in 2016. The website [www.bbva.com](http://www.bbva.com) shares information and extends understanding of the financial knowledge and skills that can make society more aware of financial risks and opportunities, and enable people to make informed and effective decisions to improve their personal financial well-being. These contents received over 4 million visits in 2016.

Financial literacy and encouraging formal savings among people with limited resources in rural areas represent

an opportunity for the development of families and communities. One example is the activity carried out by **BBVA Microfinance Foundation**, which promotes education and the development of financial skills, providing ethical and responsible advice on financial decisions related to access to appropriate financial services and the creation of productive activities by customers.

In Chile, the Entrepreneurship School has been created for all the Bank's customers through Fondo Esperanza, which integrates financial education as one of the objectives of its investment strategy. In Colombia, *Bancamía* launches personalized advice and financial education workshops for customers and communities. In Peru, BBVA Microfinance Foundation, through Financiera Confianza, implements financial education and initiatives to promote savings among entrepreneurs and vulnerable groups of the population with projects such as *Ahorro para Todos* (Savings for Everyone).

## 5. 5. 4. Entrepreneurship

In 2016, entrepreneurship gained ground as a main priority. Isolated entrepreneurship support programs were grouped together into a single line of action that became a key part of the 2016-2018 Community Investment Plan. BBVA wishes to support, primarily, two types of entrepreneurs:

- The most vulnerable, which are supported through the BBVA Microfinance Foundation.
- Those who create high and positive social impact through their enterprises, and are supported by the BBVA Momentum program.

### BBVA Microfinance Foundation

As part of its commitment to financial inclusion, in 2007 BBVA set up the **BBVA Microfinance Foundation**<sup>1</sup> (hereinafter, the Foundation). It is a non-profit institution whose mission is to promote sustainable and inclusive economic and social development for the most underprivileged people in society through responsible productive finance. This model seeks the professional development of its customers and offers vulnerable entrepreneurs a customized service by bringing a full range of financial products and services to their homes or companies, as well as advice and training related to the financial administration and management of their small businesses.

The Foundation publishes an annual **Social Performance Report**, entitled "Measuring What Really Matters". It presents

the main figures summarizing the impact of its activity on the life of its customers. This social measuring system has been highlighted by the UN and is a benchmark in the sector.

Since the Foundation was set up, it has disbursed an aggregate volume of US\$ 8,397m to low-income entrepreneurs in Latin America for the development of their productive activities. It is now one of the largest private philanthropic initiatives in the region.

#### BBVA Microfinance Foundation (Basic data)

	2016	2015	2014
Number of Customers	1,826,607	1,712,801	1,544,929
Social Impact (millions of people) <sup>(1)</sup>	7.3	6.9	6.2
Number of Employees	8,038	7,910	7,472
Number of Offices	507	509	488
Volume of credit portfolio (million euros) <sup>(2)</sup>	1,009	936	907
Average amount for microcredits (euros) <sup>(3)</sup>	1,161	1,046	1,026
Number of countries footprint	5	7	7

<sup>(1)</sup> It is calculated by multiplying the number of customers by the average family unit ratio.

<sup>(2)</sup> Composed of current portfolio, portfolio in default and interest.

<sup>(3)</sup> Weighted by cumulative number of operations.

In **2016**, the Foundation, which has more than 8,000 employees, continued to work on the most disadvantaged areas, serving 1.8 million customers. Over half of the entrepreneurs served by the Foundation are women, which directly helps to reduce gender inequality.

Data from a gender perspective of the BBVA Microfinance Foundation.

	2016	2015	2014			
	Number of Women Customers	Women/ Total Customers (%) <sup>(1)</sup>	Number of Women Customers	Women/ Total Customers (%) <sup>(1)</sup>	Number of Women Customers	Women/ Total Customers (%)
Emprende Microfinanzas (Chile)	6,469	58	6,386	60	8,548	63
Fondo Esperanza (Chile)	91,793	83	85,549	84	78,210	84
Bancamía (Colombia)	463,663	56	443,239	56	397,499	57
Financiera Confianza (Peru)	228,393	49	213,740	49	198,620	49
Microserfín (Panamá)	7,198	42	6,754	43	6,152	43
ADOPEM (Rep. Dominicana)	259,996	67	244,577	68	218,959	69
<b>TOTAL</b>	<b>1,057,512</b>	<b>58%</b>	<b>1,000,858</b>	<b>58</b>	<b>908,572</b>	<b>59</b>

<sup>(1)</sup> For the percentage of women, both the assets and liabilities are informed (in net terms).

The mission and methodology of the Foundation have been acknowledged by the **United Nations** on various occasions

for their contribution to the Sustainable Development Goals (SDGs) of the 2030 Agenda, such as ending all forms of

<sup>1</sup>The BBVA Microfinance Foundation was created as a response to BBVA Group's corporate responsibility, but as a non-profit institution it is independent of the Group in both governance and management. This is why BBVA Group makes it clear that the BBVA Microfinance Foundation is not part of the BBVA financial group. For this reason, BBVA Group neither manages nor is responsible for the activity undertaken by the Foundation or by those financial institutions that the Foundation may acquire in pursuit of its goals.

poverty, fight gender inequality and support decent work and inclusive, sustainable economic growth. In 2016, the United Nations Economic and Social Council (ECOSOC) granted the Foundation consultative status, with an acknowledgment of its work within its field of microfinance for development. The Foundation is consulted by the United Nations to steer and recommend actions conducive to sustainable development. The United Nations Sustainable Development Goals Fund (SDG Fund) has renewed the Foundation's membership of

its Private Sector Advisory Panel for 2017-2019. In April 2015, the Foundation became one of the 13 international institutions chosen as founding members of this Advisory Panel, which provides strategic support for the UN to achieve better results in sustainable development in coordination with the private sector. Since 2016, the Foundation has also participated in the Secretariat of the UN Secretary-General's High-Level Panel on Women's Economic Empowerment, which has selected the Foundation as a case study.

Disaggregated data by microfinance institution of the BBVA Microfinance Foundation

	2016			2015			2014		
	Customers	Employees	Offices	Customers	Employees	Offices	Customers	Employees	Offices
Emprende Microfinanzas (Chile)	11,106	163	21	10,568	159	21	13,641	145	26
Fondo Esperanza (Chile)	110,817	560	53	102,141	514	52	92,605	499	53
Bancamía (Colombia)	828,499	3,542	199	785,535	3,583	200	698,642	3,290	187
Financiera Confianza (Perú)	468,902	2,137	149	435,879	2,168	153	408,413	2,225	155
Microserfín (Panamá)	17,084	243	11	15,674	224	11	14,197	200	9
ADOPREM (Rep. Dominicana)	390,199	1,393	74	361,722	1,238	70	316,324	1,085	56
<b>TOTAL</b>	<b>1,826,607</b>	<b>8,038</b>	<b>507</b>	<b>1,712,801</b>	<b>7,910</b>	<b>509</b>	<b>1,544,929</b>	<b>7,472</b>	<b>488</b>

In **2017**, the Foundation will continue working on the development of its scale and scope, with an extended value proposition that allows its entrepreneurs to develop and

progress through technology-based solutions, as well as to improve efficiency and processes.

Credit portfolio data by microfinance institution of the BBVA Microfinance Foundation

	2016			2015			2014		
	Average Loan Amount (euros) <sup>(1)</sup>	Default Rate (%)	Volume of Credit Portfolio (thousand euros)	Average Loan Amount (euros) <sup>(1)</sup>	Default Rate (%)	Volume of Credit Portfolio (thousand euros)	Average Loan Amount (euros) <sup>(1)</sup>	Default Rate (%)	Volume of Credit Portfolio (thousand euros)
Emprende Microfinanzas (Chile)	1,262	6.36	13,861	909	4.87	10,473	828	7.4	10,672
Fondo Esperanza (Chile)	691	0.59	61,308	566	0.66	46,895	492	0.8	35,885
Bancamía (Colombia)	1,205	5.33	354,004	999	5.1	329,843	1,153	4.7	377,731
Financiera Confianza (Peru)	1,871	2.85	434,566	1,820	2.24	419,894	1,709	3	383,776
Microserfín (Panama)	1,397	4.43	25,888	1,278	4.28	22,167	1,043	4.8	16,656
ADOPREM (Rep. Dominicana)	669	3.66	119,571	584	3.48	104,809	486	3.2	80,557

<sup>(1)</sup> Calculation. Microcredit average amount: amount disbursed accumulated in the current year, divided by the number of accumulated operations of the same period. Volume of credit portfolio: Profitable Portfolio + Past-due Portfolio (Change of approach, excluding accrued interests as of 2Q16).

## Momentum Project

Alongside the Foundation, there are other initiatives that support entrepreneurship, such as the **Momentum Project**, a social entrepreneurship support program aimed at promoting the growth and consolidation of innovative social enterprises. The program is carried out by coordination with top business schools and with the participation of BBVA executives, who provide a strategic mentoring service. Created in 2011 and developed in three countries (Spain, Mexico and Peru), it was remodeled in 2016 and became BBVA Momentum, an updated version of the program that has been simultaneously launched in five countries in February 2017.

Since the launch of the program, 112 companies have participated in the integrated training, strategic mentoring, visibility, financing and follow-up program for the social entrepreneurs taking part, to consolidate and extend the social impact they generate. In 2016, the program was only run in Mexico and benefited 20 entrepreneurs.

[Annex 18: BBVA Momentum](#)

## Other initiatives

It is important to mention initiatives adapted to the local environment, such as the **Women Entrepreneur Executive School** program, implemented in 2012 by Garanti Bank in Turkey for training women entrepreneurs through the Boğaziçi University Lifelong Learning Center. As part of the program, women entrepreneurs receive 100 hours of training on subjects such as business creation, innovation and sustainable management. Since 2015, initiatives have been developed in collaboration with various local organizations to drive the process of digitalization in Turkish SMEs.

In Colombia, the **Emprendimiento Met Colombia** (Colombia Met Entrepreneurship) program was developed in 2016, promoting sustainable, responsible and innovative female

entrepreneurship through training, support, networking and communication. It fosters the intensive use of technology and is particularly focused on social innovation. This program has been developed in partnership with the Met Community organization and has benefited 550 women entrepreneurs.

Lastly, **BBVA Open Talent** is a program for entrepreneurs, which was run for the eighth time in 2016, when 1,217 startups from 77 countries took part. Open Talent is the mechanism that connects these startups to BBVA, seeking partnership options that lead to the disruption of the financial industry. When mutual interest exists for both sides, they explore areas that are mutually beneficial to startups, customers and BBVA. Over 350 BBVA executives and experts from around the world also took part in this year's program, allowing them to meet the entrepreneurs in person.

## 5. 5. 5. Knowledge, education and culture

Knowledge, education and culture are three areas of activity that are grouped together in a new line of action included in the new Community Investment Plan for 2016-2018. They basically include the activities of the BBVA Foundation and the BBVA Research department in addition to local programs and initiatives focusing on education, science and culture.

### BBVA Foundation

In **2016**, the BBVA Foundation strengthened its commitment to drive and disseminate knowledge by supporting the community of researchers and creators in Spain, recognizing and raising the profile of the best representatives of these communities and providing objective information in relation to some of the main topics of public debate. In addition to maintaining its close collaboration with leading institutions in all areas, the BBVA Foundation has enhanced its own activities and has been positioned as a benchmark in sectors such as the environment and contemporary music, as well as the publication of socioeconomic research.

The third annual **BBVA Foundation Grants for Research and Creation** have enabled 87 individual and research team projects to be set up in 11 different scientific and cultural areas, and in five scientific areas of high social impact. These grants have become a model for Spain's scientific and creative community, supporting researchers with a strong career path, who are examples of excellence and destined to be leaders in their respective fields. Through this scheme, the Foundation offers them the support they need to develop personal projects, in many cases resulting in a qualitative leap in their careers, with a positive impact on society as a whole. To ensure the selection process for the beneficiaries of the grants is rigorous, in this case (as in all its activities) the Foundation has been advised by specific high-level committees of experts for each area covered, which act with complete independence.

In the case of **grants for individuals**, the scheme is notable for the extensive and diverse range of specialization (11 fields of research and creation), the profile of the recipients (at an intermediate position in their studies or professional activities, with outstanding results) and the flexibility offered in the use of funds. This year, 60 grants for individuals were awarded.

Grants for **research teams** were awarded to 27 applied research projects in five areas of preferential interest for the BBVA Foundation: Biomedicine, Ecology and Conservation Biology, Economics and the Digital Society; Digital Humanities and big data.

The grants awarded in previous years have already had positive results. In 2016, the BBVA Foundation showcased the

creations of the ten audiovisual artists who received grants in the first year.

Through the **Multiverso Videoarte** show, the Foundation has opened its doors to the public as an exhibition center for one of the most innovative and representative cultural demonstrations of our times. This new line of action will be continued and aspires to emulate the success of the Foundation's involvement with contemporary music.

Together with these grants, the dissemination of **research and creation** remains one of the key cross-cutting elements of the BBVA Foundation's work, with a number of cycles of conferences and the production of audiovisual materials. The successful cycle of conferences on astrophysics and cosmology *La ciencia del cosmos* (the Science of the Cosmos) continued in 2016. Speakers at the fifth edition of this event included Nobel Prize winner Samuel Ting, professor Mark McCaughrean from the European Space Research and Technology Center, and David Reitze from the California Institute of Technology (Caltech), one of the leaders behind the direct detection of gravitational waves, considered the scientific milestone of the year. Elsewhere, CERN (European Organization for Nuclear Research) has continued to cooperate with the BBVA Foundation with a new series of conferences. Highlights included the talk given by Michael Benedikt, head of the Future Circular Collider study. The talks in both cycles are available in Spanish and English on the [BBVA Foundation website](#).

The different families of **awards** that the BBVA Foundation organizes exclusively or in collaboration with other institutions, have continued to give visibility and recognition to people who contribute significantly to scientific and technological and cultural progress. This goal can be seen in its highest form at the BBVA Foundation Frontiers of Knowledge Awards, which are outstanding for the number of categories, the standing of its jury and the international prestige of the prizewinners. In 2016, the winners included Stephen Hawking, who shared the Pure Sciences prize with Viatcheslav Mukhanov.

The importance of the 11th year of the BBVA Foundation Awards for Biodiversity Conservation was reflected in the awards ceremony, which has become a meeting point for the Spanish conservation community.

The two families of awards organized in collaboration with the Royal Spanish Society of Physics and the Royal Spanish Society of Mathematics, have linked the BBVA Foundation with the best of several generations of Spanish researchers in these two pillars of scientific knowledge.

The Foundation offers support to other scientific societies and helps ensure that international figures speak at their

congresses. For example, the SEBBM-BBVA Foundation Conference this year was hosted by Paul Nurse, winner of the Nobel Prize for Medicine, and speakers at the 12th Spanish Sociology Congress included sociologist and professor at the universities of Princeton and Miami, Alejandro Portes.

As part of its **cultural activities** and the annual exhibitions program, BBVA Foundation has been the exclusive sponsor of an exhibition celebrating the 5th centennial of Hieronymus Bosch, which attracted an all-time record of visitors (600,000) to the Prado Museum. Louise Bourgeois, *Estructuras de la existencia: las Celdas* (Structures of Existence: Cells), was this year's exhibition at the Guggenheim-Bilbao Museum, and *Fin de partida: Duchamp, el ajedrez y las vanguardias* (Endgame: Duchamp, Chess and the Avant-Gardes) was organized by Fundació Miró, in Barcelona.

In addition to these sponsorships, the BBVA Foundation is partnering with the Thyssen Bornemisza Museum on the electronic front, with the launch this year of new digital publications and apps such as Second Canvas.

**Music** is a key part of the Foundation's cultural activity, both through its support of some of the country's leading institutions (the Teatro Real in Madrid, the Bilbao Association of Friends of the Opera (ABAO) and the Gran Teatre del Liceu in Barcelona), and above all through its own initiatives promoting the creation, performance and dissemination of contemporary music.

In addition to the concerts held regularly in Madrid and Bilbao, in 2016 BBVA Foundation played an important role in the production of the latest CDs by pianists Judith Jáuregui (X) and Alberto Rosado (*e-piano video & electronics*, with DVD included).

Composer Tomás Marco gave a cycle of talks in 2016 called "*Escuchar la Música de los siglos XIX y XX*" (Listening to 19th and 20th century music), open to the public at the Foundation's offices in Bilbao and Madrid.

As part of its collaboration with regional symphonic orchestras, the 4th AEOS-BBVA Foundation Conference was held in 2016, and was used to identify first-hand innovative international experiences that help bring classical music to new audiences.

In the **socioeconomic** field, research produced as part of the collaboration with the Valencia Institute of Economic Research (Ivie) had a significant impact. Highlights include the regular projects, the U-Ranking report, the *Esenciales* (Essentials) series and the following monographs:

- Distribution of income, economic crisis and redistribution policies.
- Educational accounts in Spain 2000-2013: resources, expenses and results.
- The competitiveness of Spanish regions in the knowledge economy.

### BBVA Research

BBVA makes available to shareholders, investors and the public in general a wide range of **reports, analyses and studies** on developments in the economy and the financial sector, both nationally and internationally, particularly across the Group's global footprint. The BBVA Research Department prepares macroeconomic forecasts, in-depth studies, research work and economic analyses on a variety of topics: national and regional macroeconomics, central banks, the financial sector and regulations, the digital economy, geostrategy, migration, financial inclusion and country risk, across various sectors. In 2016, BBVA Research has drafted more than 1,650 economic publications.

These publications have been prepared in different **formats** and document types: flashes, computer graphics, presentations, working papers, books, observatories and magazines, published with a varying **frequency**, ranging from daily to quarterly and annual.

BBVA Research has won increasing prestige through its work. In fact, its forecasts and analyses are regarded as a credible alternative to official statistics, as can be seen by the frequent mentions of its forecasts in the media and among analysts. As a result, it has become, in fact, an **opinion leader**.

All this information is available and constantly updated on the website [www.bbvareresearch.com](http://www.bbvareresearch.com) and the social media, through which it participates very actively.

Lastly, BBVA Research has a global reach, as reflected in the **languages** in which the documents are available. Spanish and English account for over 95% of the total, but documents have also been written in Catalan, Basque and Portuguese.

### Local educational and cultural initiatives

In 2016, in addition to supporting financial education, BBVA continued to focus on **education in values** to promote social integration and training among children and young people. A total of 150,165 people benefited directly from these social and educational programs.

Social and Educational Programs (BBVA Group. Direct Beneficiaries)

	2016	2015	2014
Pre-School and Primary Education	85,295	83,720	71,599
Secondary Education	17,575	53,451	200
Trainings for adults	47,295	152,945	244,893
<b>TOTAL</b>	<b>150,165</b>	<b>290,116</b>	<b>316,629</b>

BBVA continues to promote access to quality education for underprivileged children and young people in South America and Mexico through the **Niños Adelante** (Forward, children) program. In 2016, €9,658,129 was allocated to it, benefiting 73,273 school children. The program is adapted to the reality of each country, and thus benefits a variety of groups. In Mexico, it helps children of Mexican parents who emigrate to the United States in search of a better future; in Colombia, children in deprived areas; and in Peru, children with poor reading skills. In 2016, initiatives continued to increase third-party commitment to the program, with the participation of employees volunteering as sponsors and donations from customers through ATMs, online banking and financial instruments.

[Annex 19 - Niños Adelante \(Forward, children\)](#)

BBVA also develops programs that address other aspects of education, such as **educational quality**, focusing on support for teachers, providing them with ongoing training and tools to improve their educational work. At a global level, BBVA has been a partner in the areas of science and culture with the Organization of Ibero-American States (OIS) since 2008. BBVA supports the creation and development of the OIS's Ibero-American Institute for Early Childhood and the *Becas Paulo Freire* (Paulo Freire Scholarships) program aimed at promoting the mobility of undergraduates and university graduates who are taking studies that lead to a teaching profession. It is also working to develop the project *Metas educativas 2021: La educación que queremos para la generación de los bicentenarios* (Educational targets for 2021: the education we want for the bicentennial generation).

Various programs are also being developed locally to improve the quality of education. In Turkey, Garanti created the Teachers Academy Foundation (ÖRAV) in 2009. Its aim is to contribute to the personal and professional development of teachers, who are the fundamental pillars for the growth of the new generations. ÖRAV, the first and only NGO in Turkey working with a focus in this area, has provided support for more than 90,000 teachers in 81 towns and cities. The program also has a platform for the continuous training and exchange of information accessed by more than 80,000 users.

In **Spain**, BBVA has supported the *Acción Magistral* (Teacher Action) project since 2012. It is a joint initiative with the FAD (Drug Addiction Support Foundation), UNESCO and

BBVA that, in addition to promoting the work of teachers through the Teacher Action Prize, offers them online and in-person training in a variety of areas and provides them with educational resources to improve their performance. In 2016, a total of 6,645 teachers participated in the program through the platform and face-to-face meetings.

BBVA also works in the **United States** in partnership with Teach for America, an organization that works to eliminate educational imbalances for students with limited incomes. The organization recruits, trains and supports talented people who are committed to give classes in schools with limited resources for two years. In 2016, a total of 1,110 people benefited from this program.

BBVA is also working on a program to offer **training in values**, through initiatives such as the BBVA Route, an educational trip sponsored and organized by BBVA since 1993. In 2016 the latest trip was made to Mexico and Spain. In addition to working actively on values such as effort, equal opportunities, mutual respect and eliminating inequality, the 182 participants from 21 countries received training in developing entrepreneurial skills through the Social Entrepreneurship Program developed by the INIT Group. This encourages young people to get involved in resolving social problems in their communities relating to health, environmental sustainability, the collaborative economy and educational innovation.

In addition to these projects to promote access to education, educational quality and education in values, BBVA develops other **local training programs such as**:

- The Reading Counts initiative developed with Scholastic Inc in the United States to encourage reading among underprivileged children.
- A partnership with NBA Cares, with initiatives including financial education sessions.
- A partnership with the Government of the State of Chiapas and the See Well to Learn Better Foundation in Mexico, which works to help high-school children by providing them with customized glasses.
- The Children's Knowledge Olympics also held in Mexico, in collaboration with the Department of Public Education. Each year prizes for academic excellence are awarded to the top students in the sixth year of elementary school.
- The National Teaching Awards in Colombia is an initiative that recognizes the effort made every day by thousands of teachers across the country to promote reading and writing among students.

## Annex 20 - Breakdown of education

Additionally, BBVA has continued to support **culture** in a number of countries across its global footprint in 2016.

In **Mexico**, the BBVA Bancomer Foundation, through its *Fomento Cultural* (Cultural Promotion) program, supported art exhibitions attended by more than 14 million visitors, musical festivals, theater workshops and film projects through various grants and schemes. The Bancomer Grant for the Arts has become a unique cultural promotion platform in Mexico. It makes use of private initiative to drive the production of avant-garde cultural projects and excellence in all art disciplines. It also invests with commitment and enthusiasm in the professionalization and development of the artistic community. The Bancomer-MACG (Carrillo Gil Art Museum) program is a biannual initiative whose objective is the professionalization of ten visual artists under the age of 35. Each artist receives a personalized training program and the support of specialist advisors. In addition, they are given the opportunity to exhibit at prestigious museums that also include a bilingual publication summarizing the process involved in the program.

In **Turkey**, Garanti has focused on making cultural environments suitable for research and production available

to society and on creating a truly authentic and independent cultural institution that develops through interaction with its users. This vision led to the reconstruction of the highly successful Platform Garanti Current Art Center, Ottoman Bank Museum and Garanti Gallery, which formed part of the bank, as a single independent institution called SALT in 2011. Since it was created, SALT has housed 9 exhibitions and attracted more than 175,000 visitors.

A number of initiatives have also been supported in Argentina, Chile, Colombia, the United States, Paraguay, Peru, Uruguay and Venezuela that impact directly the development of the cultural sector in the country. These include:

- Sponsorship of the Art Song Concert at the Higher Institute of Art in Argentina.
- Also in Argentina, BBVA Francés supported the 6th *San Isidro Jazz y Más* (San Isidro Jazz and More) Festival, organized by the municipality of San Isidro.
- In Venezuela, the Banco Provincial Foundation's exhibition program: Of note this year, as one of the events celebrating the 4th centennial of the death of Miguel de Cervantes, was the exhibition *Miguel EN Cervantes: El retablo de las maravillas*.

## 5. 5. 6. Fiscal transparency

### Fiscal strategy

In 2015, the BBVA Board of Directors approved the "[Corporate principles in BBVA's tax and fiscal strategy](#)".

The strategy forms part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy has a global scope and affects everyone who is part of the Bank. Compliance with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions where they operate.

Effective compliance with the fiscal strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basis points:

- BBVA's decisions concerning fiscal-related matters are determined by the payment of taxes, given that they contribute heavily to the economies of all the jurisdictions in which it operates. Tax payments are aligned with effective business practices and the generation of value in the different geographic areas in which BBVA operates.
- Active adaptation to the new digital environment, also in terms of taxation, through the incorporation of virtual presence into the generation of value, and its consequent valuation.
- The establishment of reciprocal cooperative relations with tax authorities that are based on the principles of transparency, mutual trust, good faith and fairness.

- Promotion of a clear, transparent and responsible reporting strategy to stakeholders on its main fiscal-related matters.

### Total tax contribution

BBVA is committed to providing full **transparency** in tax payments, which is why every year since 2011 we have voluntarily disclosed all major tax payments in the countries where we have a significant presence.

The BBVA Group's **total tax contribution** (TTC), which uses a method created by PwC, includes its own and third-party payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The TTC Report gives all the stakeholders an opportunity to understand our tax payment process and represents a forward-looking approach and commitment to corporate social responsibility by which BBVA assumes a leading position in fiscal transparency.

Global Tax Contribution ([BBVA Group. Million euros](#))

	2016	2015	2014
Own taxes	3,762	2,816	3,185
Third-party taxes	5,678	5,341	4,994
<b>Total tax contribution</b>	<b>9,440</b>	<b>8,157</b>	<b>8,179</b>

## 5. 5. 7. The environment

BBVA's **commitment** to the environment is reflected in its global [environmental policy](#). BBVA has adhered to the major international agreements related to this matter, such as the United Nations Environment Program Finance Initiative (UNEP FI), the Equator Principles, the Principles for Responsible Investment (PRI), the United Nations Global Compact, the Green Bond Principles and the Carbon Disclosure Project (CDP). BBVA is also a member of the Spanish Green Growth Group and has subscribed to various initiatives in support of a strong, ambitious response to climate change, such as the statements by the [European Financial Services Round Table](#) (EFR), the [Alliance of Energy Efficiency Financing Institutions](#), and the Energy Efficient Mortgage initiative of the European Mortgage Federation.

BBVA seeks to address the management of environmental risks and the **opportunities** arising from such risks, especially those related to climate change, by implementing an integral approach. To that end, in 2016 it began working on a framework that encompasses both aspects, and which is expected to be released in 2017. The environmental risk management tools at our disposal are described in this Report, specifically in the chapter on Social, Environmental and Reputational Risk; the opportunities are set out in the section on People-Centric Solutions, within the chapter on Customers.

### Eco-efficiency

In 2015 we concluded our second **Global Eco-efficiency Plan** (GEP), far exceeding all the targets that were set. In 2016 we worked on defining a new GEP, focused on positioning BBVA among the world's leading eco-efficiency organizations. The GEP has established the following core strategic areas and global targets for 2016-2020:

1. Environmental management and sustainable construction:
  - 42% of occupants in environmentally certified buildings
2. Energy and climate change:
  - 5% reduction in electricity consumption per person
  - 48% of energy comes from renewable sources
  - 8% reduction in CO2 emissions per person
3. Water:
  - 5% reduction in water consumption per person

- 9% of people in properties with alternative water supply sources

#### 4. Paper and waste:

- 5% reduction in paper consumption per person
- 30% of people in properties with sorted waste collection

#### 5. Extending the commitment:

- Awareness campaigns for employees and suppliers

#### Main GEP indicators (BBVA Group)

	2016	2015	2014
People working in certified buildings (%) <sup>(1) (2)</sup>	40	33	18
Electricity usage per person (MWh)	5.8	6.4	6.4
Energy coming from renewable sources (%) <sup>(3)</sup>	25	30	n/av
CO2 emissions per person (T)	2.5	2.7	2.7
Water consumption per person (m³)	21.1	22.3	24
People working in buildings with alternative sources of water supply (%)	10	14	n/av
Paper consumption per person (T)	0.1	0.1	0.1
People working in certified buildings (%)	32	33	18

n/av = not available.

<sup>(1)</sup> Including ISO 14001 and LEED certifications.

<sup>(2)</sup> Including Torre Reforma and BBVA Bancomer Operational Center buildings in Mexico, which are currently in the process of certification.

<sup>(3)</sup> It corresponds to the electrical energy consumption of Spain with respect to the total.

Note: indicators calculated based on employees and external staff.

To achieve these targets, in 2016 BBVA continued its efforts to minimize its **environmental footprint** through initiatives in all the countries where the Group is present, most notably:

- 100% of the energy supply in Spain to be procured from renewable sources. In Mexico, a fifteen-year agreement has been signed to provide renewable energy to the branch network and corporate head offices starting in 2017. In Uruguay, 52 photovoltaic panels have been installed in one of the main branches in the country, as part of a pilot project aimed at implementing renewable energy in the branch network.
- Implementation of the new IFM (Integrated Facility Management) model for properties in Spain, which has saved 3.2 million kWh in its first year, equivalent to the consumption of 110 retail network branches and the emission of 1,300 tons of CO2. This model is in its initial implementation phase in Mexico and has already reported an average saving of 15% on consumption at 251 branches.

- Automation of air conditioning and lighting systems in the branches of countries such as Mexico, Colombia and Peru, with average energy savings of 19% per year.
- Renewal of Environmental Management System certifications under ISO 14001 in Argentina, Colombia, Spain, Mexico, Peru, Uruguay and Turkey. In total, 1,047 branches and 77 of the Group's buildings around the world possess this certification. Likewise, Environmental Management System certifications under Standard ISO 50001 have been renewed for buildings on the La Moraleja Campus and Ciudad BBVA in Madrid.
- The new BBVA City corporate headquarters and the La Isla service building in Madrid were granted the Gold LEED certification for sustainable construction and design, while the training buildings in Mexico, Toreo and Murano received the Silver LEED certification. Tower A in the Parque Titanium complex, Santiago, BBVA's new headquarters in Chile, was awarded a Gold LEED Core

& Shell certification. These certifications are in addition to the 16 BBVA buildings that have already received this prestigious environmental certification.

- Participation in the Earth Hour campaign, during which 123 buildings and 342 branches in 154 cities throughout Spain, Portugal, Mexico, Colombia, Argentina, Peru, Paraguay, Uruguay, Chile, the United States and Turkey turned off their lights.

[Annex 21 - Public water consumption](#)

[Annex 22 - Paper consumption.](#)

[Annex 23 - Consumption of energy.](#)

[Annex 24 - CO<sub>2</sub> emissions](#)

[Annex 25 - Waste management](#)

## 5. 6. Suppliers

For BBVA, its suppliers are a fundamental part of its business model. For this reason, given the possible impacts that could be generated in the countries where the Bank operates, it was decided in 2015 that its relationship with suppliers should be governed not only by the Responsible Procurement Policy and the corporate standard for Procurement of Goods and Contracting Services, but also by the same Code of Conduct in force within the rest of the Organization. These three documents together establish criteria that affect both the approval process and the tender specifications and contracts.

The principles included in the Code of Conduct are transferred to the purchasing function through the Principles Applicable in the Procurement Process (IPA). They apply to all units involved in the supply process, in any of the entities of the BBVA Group, and link all the people who carry out

their work in some of the functions that are part of this procurement process.

Basic supplier data (BBVA Group)

	2016	2015	2014
Number of suppliers	4,240	4,598	4,321
Supplier turnover (million euros) <sup>(1)</sup>	7,751	8,443	7,186
Supplier satisfaction index <sup>(2)</sup>	n/a	81.6	81.6
Number of approved suppliers <sup>(3)</sup>	1,148	1,037	893

n/a= not applicable.

<sup>(1)</sup> Payments made to third parties. Does not include suppliers with amounts below €100,000.

<sup>(2)</sup> Biennial survey until 2015.

<sup>(3)</sup> Data corresponding to BBVA, S.A.

## 5. 6. 1. Supply chain

BBVA has a **global technological platform** that supports every stage of the procurement process in the Group (budgeting, purchasing and finance): the Global Procurement System (GPS). The platform is operational in Spain, Mexico, Peru, Colombia, Chile, Argentina, Venezuela and the regional procurement organization of South America (hub in Chile), which provides the procurement services for the rest of the countries in the region. GPS is integrated into the Adquira marketplace technology platform. The platform enables online interaction between the Group's companies and their suppliers in a collaborative environment through the electronic exchange of documents.

It thus covers the main stages in the **procurement process**, from the issue of orders to the registration of invoices, including electronic invoicing, and ensures legal validity in Spain and Mexico. In 2016 the Adquira marketplace functionality was extended, allowing suppliers to manage online the exchange of documents and information supporting the supplier approval process, as well as storing their data with BBVA.

Within the GPS, BBVA has an electronic catalog procurement tool (SRM) accessible through the intranet, which is designed to issue decentralized procurement requests; i.e., directly from the user area. SRM is available in Spain, Mexico and Chile, and will be implemented in Peru in the first quarter of 2017. In addition, it is expected to be implemented in Colombia and Argentina in the future.

### Supplier Portal

In 2016, BBVA launched the **Supplier Portal** to facilitate the Group's online relationship with its suppliers. It is a collaborative environment that targets companies and self-employed workers or people interested in working with BBVA Group, allowing them to interact with the Bank electronically during the whole procurement cycle.

The Supplier Portal consists of two **environments**:

- A public environment, accessible from the website (<https://suppliers.bbva.com>), which provides general information on the procurement process in BBVA, as well as relevant aspects of its purchasing model. In addition, companies and self-employed workers who want to offer their products and services to the Bank can register on the portal and keep their data updated.
- A private environment, that allows suppliers who are already working with BBVA to operate fully online, from the tender process (online auctions) and approval, to the payment (e-invoice) through the Adquira platform.

In addition to the Portal, a **Supplier Directory** has also been created. This is a new internal tool that can be accessed via the intranet, allowing users to consult contact data and general information about the Bank's suppliers.

## 5. 6. 2. Supplier management

### Approval process

BBVA has an **approval process** in place for its recurrent suppliers with significant procurement volumes. This approval process assesses the financial, legal, labor and reputational position of the suppliers, gives information on their basic technical capacities and verifies that the shared values are the same as the Group with respect to social responsibility. It also determines whether suppliers are complying with their legal responsibilities (employment or environmental regulations, etc.) and whether they promote their civic responsibilities, through compliance with the following aspects:

- Compliance with UN social and environmental principles.
- Adoption of internal measures to guarantee diversity and equal opportunities in human resources management.
- Adoption of measures to promote occupational health and safety, preventing accidents and incidents at work.
- Support freedom of association and collective bargaining of workers in all the countries in which they operate.
- Existence of a code of conduct or policy to prevent forced labor, child labor, and other human rights violations, by the company itself and by its subcontractors.
- Existence of a code of conduct or policy to avoid bribery and corruption.
- Involvement in activities through direct actions or donations or in collaboration with other organizations and institutions to promote culture, scientific knowledge, sport, the environment or marginalized sectors.
- Hiring people with disabilities.
- Existence of a corporate social responsibility policy in the company.

The approval is reviewed periodically and is subject to continuous monitoring. As part of the constant improvement in this process, in 2016 an alert system for approved suppliers was implemented, to ensure that updated information on certain events, which could affect their solvency or risk is available. Work is being done to establish global approval criteria for all the geographical areas and to determine a reputational risk assessment procedure for suppliers, which aims to strengthen the current approval procedure.

The percentage of approved suppliers is 30%, which accounts for 71% of the total awarded.

### Percentage of local suppliers

BBVA has a firm **commitment** to contribute to economic and social growth in the countries where it operates. Thus 97% of the suppliers are local, and they account for 87% of the total orders. For this purpose, local suppliers are considered those whose tax identification code coincides with the country of the company that receives the goods or services.

### Impact management

A proper management of the real and potential impacts a company such as BBVA can provoke is needed within the procurement process. BBVA has a series of **mechanisms and rules** in place to manage these impacts: Procurement Policy, Approval Process and Corporate Standard for Procurement of Goods and Contracting Services.

These **impacts** may be:

- Environmental impacts.
- Impacts created by unethical employment practices within the suppliers' companies.
- Impacts derived from the lack of freedom of association.
- Impacts on human rights (HR).
- Positive or negative impacts on society.

The Responsible Procurement Policy establishes that during the procurement process special attention should be paid to comply with the legal requirements applicable with respect to **human rights, employment rights, rights of association and environmental rights** by all those involved in the process, and to involve them in the Group's efforts aimed at preventing corruption. Likewise, the aim is to ensure that the choice of suppliers is adapted to the internal rules in place at any time, and in particular aligned to the values of the Group's Code of Conduct, based on respect for the law, commitment to integrity, competition, objectivity, transparency, value creation and confidentiality. The clauses included in the specifications and the contractual models include the following:

- Compliance with the law in each geographical area, and in particular with the obligations it imposes with respect to personnel, Social Security or the systems of alternative social insurance, recruitment of foreign workers, the Tax Authority, public records, etc.
- Compliance with current legislation on the social integration of people with different capabilities.

- Clauses that ensure policies are in place to avoid gender discrimination, as well as measures to reconcile work and family life.
- Equality clause.
- Compliance with labor, security and occupational health legislation.
- Anti-corruption declaration.
- Adhesion to the United Nations Global Compact.

The Responsible Procurement Policy also establishes as one of its principles to "raise awareness in social accountability of staff and other stakeholders involved in the Group's procurement process."

With respect to **security firms**, which are particularly critical on these matters, the specifications and contracts establish compliance with current law, with particular attention to labor law and law specific to these kinds of companies, as well as compliance with human rights, non-discrimination policies, equality, etc.

In order to promote inclusion and diversity BBVA in Spain has been in contact with various **Special Employment Centers** (CEE) to examine in depth the areas of potential collaboration. As a result of this engagement we have signed a significant volume of contracts with CEE. The total volume of purchases in 2016 was over €2.1m.

BBVA maintains its commitment to the **environment**, and uses green energy for its buildings and branches in Spain. Green energy certifies a 100% renewable energy production and source, avoiding emissions of CO<sub>2</sub> and other polluting gases. This commitment has been applied to Mexico, creating a renewable energy integration plan for its buildings and branches. LEED and ISO 14001 energy certifications are further proof of this commitment.

[Annex 26 - Number of suppliers and annual turnover by country](#)

[Annex 27 - Average payment period to suppliers](#)

[Annex 28 - Supplier satisfaction index](#)

[Annex 29 - Supplier Approval](#)

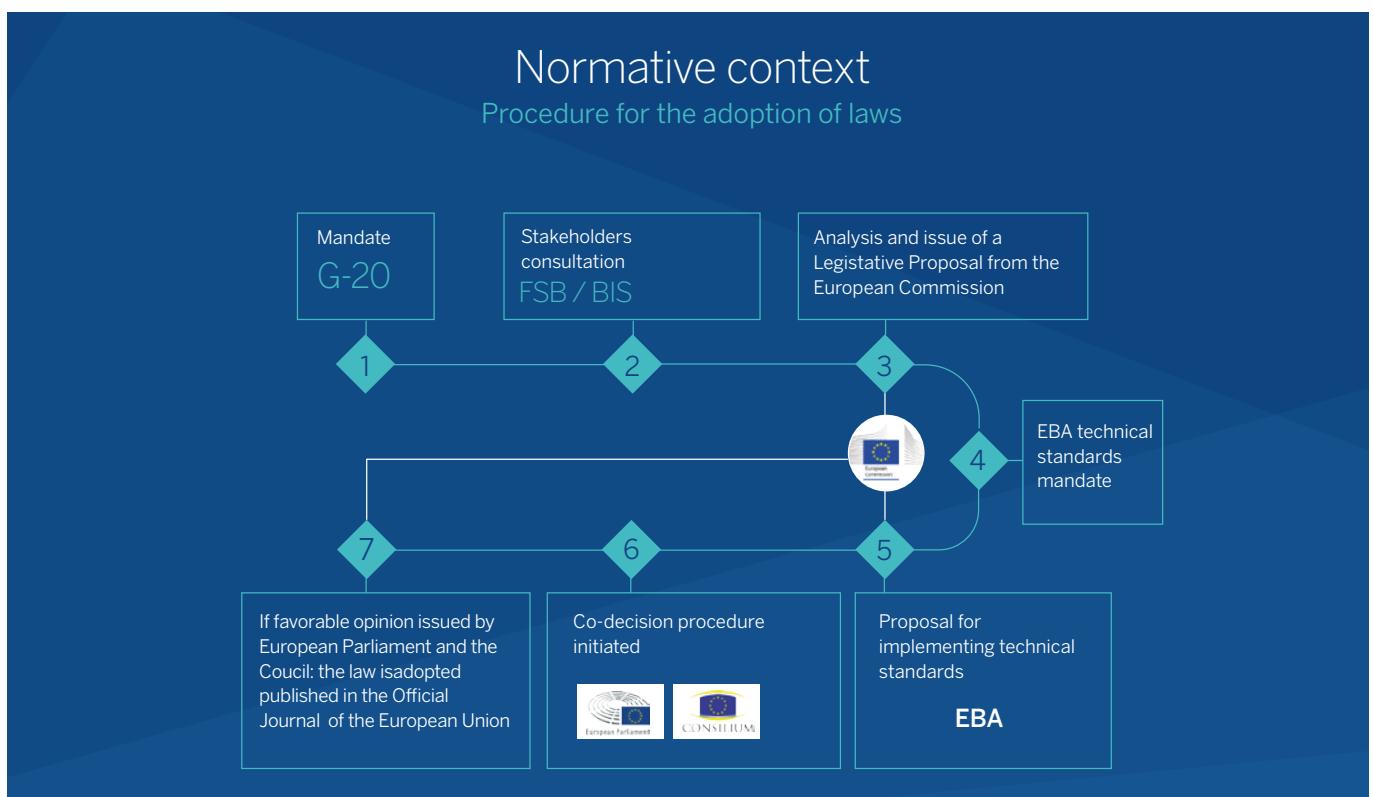
## 5.7. Supervisors and regulators

The nature of the operations involved makes banking one of the key sectors of a country's economy, as much of the savings, investment and finance are channeled through it. That is why banks are subject to special scrutiny, which is known as **banking regulation and supervision**. The regulators and supervisors are therefore important stakeholders in the financial industry in general and BBVA in particular.

**Public regulation** aims to ensure that financial institutions operate correctly, strengthen their resilience to adverse events and harmonize the interests of all the parties directly

affected (such as banks, savers and investors) with the general interest.

Over the last few years, a number of European **authorities** such as the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Commission, etc. and also global authorities such as the Financial Stability Board (FSB), Basel, etc. have developed a regulatory framework to improve the strength of the financial system and thus reduce the virulence and also the probability of future financial crises.



Given the importance of the new regulatory agenda, BBVA has maintained a constant **dialog** with the different regulators to adapt to this new reality under the best conditions.

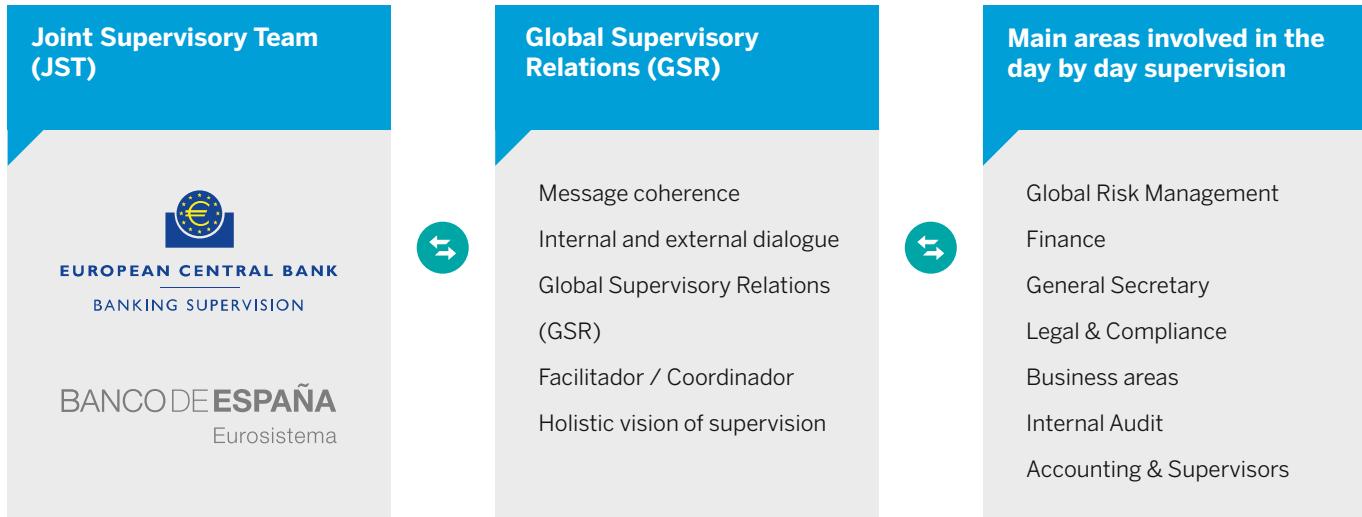
Parallel to this regulation, over the last few years changes have also taken place in the **supervisory environment**, especially in the Eurozone. In June 2012 the heads of state and government of the European Union promoted the creation of a single banking supervisor with the aim of improving the quality of supervision in the Eurozone, boosting market integration and breaking the negative vicious circle that had been created between the lack of confidence in

banking institutions and the doubts about the sustainability of public debt.

Thus, the launch of the **Single Supervisory Mechanism (SSM)** on November 4, 2014 has been one of the fundamental milestones in banking union. Thanks to the SSM, all the financial institutions in the Eurozone of a certain size will be supervised under the same regulatory and methodological framework, regardless of their geographic location. The appearance of this new mechanism, which is now in fact the supervisor with the greatest volume of assets under its responsibility, requires banks to adapt to the new environment.

In addition, the entry into force of Directive 2014/59/EU on January 1, 2015 has involved the establishment of a new European framework for the restructuring and resolution of credit institutions and investment firms, called the **Single Resolution Mechanism (SRM)**, which has been fully operational since January 2016. Its mission is to ensure an orderly resolution of insolvent banks or banking groups, with the minimum impact on the real economy and public finances of the member states participating in the banking union. Its role is not limited to crisis situations; its priority objective is to implement and identify preventive and preparatory measures, such as developing resolution plans, establishing a minimum requirement for own funds and eligible liabilities (MREL) and identifying and dealing with barriers to resolution.

In the case of **BBVA** it was decided to strengthen the relationship with this supervisor with the creation of the Global Supervisory Relations unit, which is responsible for coordinating relations with the SSM and other supervisors, such as the Single Resolution Mechanism (SRM), and to facilitate relations with local supervisors. SSM supervision takes place through mixed groups made up of Bank of Spain teams located in Madrid and ECB teams located in Frankfurt, together named Joint Supervisory Teams (JST). For this reason, BBVA has decided to open an office in Frankfurt to facilitate dialog with the ECB teams. The SRM itself is made up of the Single Resolution Board (SRB), based in Brussels, and the National Resolution Authorities (NRA), which in the case of Spain are the Bank of Spain, the preventive resolution authority, and the Fund for Orderly Bank Restructuring (FROB), the executive resolution authority.



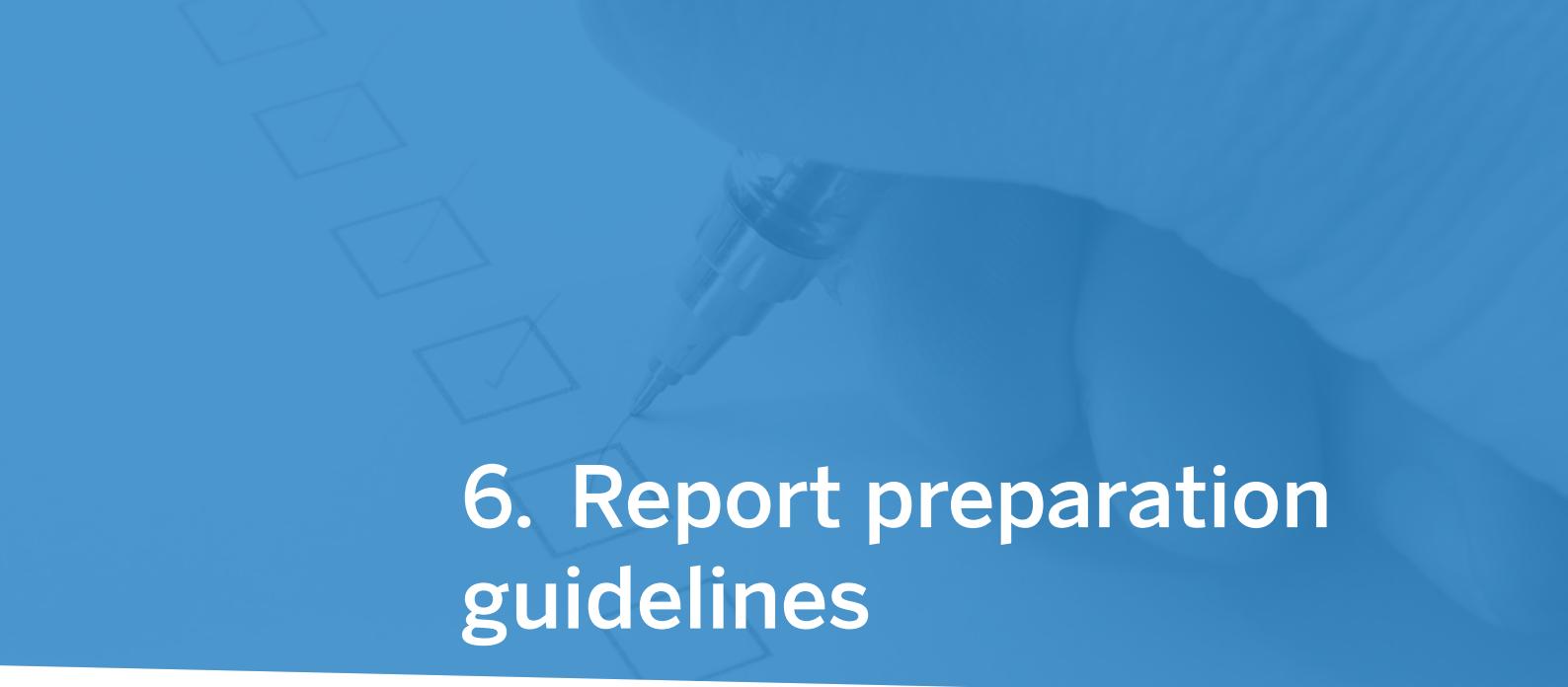
In **2016**, supervisory activity was intense in terms of requests for information, meetings and dialog between BBVA and the supervisor.

In the case of **SSM** this ongoing communication is based on four pillars:

- Review of the business model.
- Corporate governance and risk appetite.
- Capital risk.
- Liquidity risk.

Thus prudential supervision is acquiring a holistic component that extends beyond a simple financial review of the entity, with long-term vision acquiring increasing relevance. As well as the relationship with the **SSM**, the dialog with the **SRM** also took on significant relevance in 2016. Although the focus of the SRM is different from that of the SSM, it will play a significant role over the coming years as another player to be taken into account within the supervisory and regulatory spectrum.

In conclusion, for BBVA constant **dialog** with the supervisor and regulator has become a fundamental task for adapting to this new environment, characterized by greater regulatory pressure and a stronger and more intrusive supervisory culture. Only this way BBVA can guarantee a correct response to the supervisors' new regulatory requirements and demands.



# 6. Report preparation guidelines

<b>6.1.</b>	Criteria and standards	P.122
<b>6.1.1.</b>	Principles to guarantee information quality	P.123
<b>6.2.</b>	GRI indicators	P.124
<b>6.2.1.</b>	General standard disclosures GRI G4	P.124
<b>6.2.2.</b>	Specific standard GRI G4 disclosures	P.129
<b>6.3.</b>	Independent assurance report	P.139

## 6.1. Criteria and standards

The BBVA in 2016 report has been prepared in accordance with the latest reporting trends. This involves following various internationally recognized standards, such as the Conceptual Framework of the IIRC (hereinafter the <IR> Framework), the G4 Sustainability Reporting Guidelines under the Global Reporting Initiative, at a comprehensive level, and the AA1000 standard.

The <IR> Framework has been developed by the International Integrated Reporting Council (IIRC), the global coalition of regulators, investors, companies, regulators of standards, issuers of regulations, accounting professionals and non-governmental organizations (NGOs). This <IR> Framework sets out the principles and contents that govern an integrated report.

In accordance with the <IR> Framework, the BBVA in 2016 report contains relevant and concise financial and non-financial information about the strategy, corporate governance and performance of BBVA Group in the year ending 31 December 2016. This effort focuses not only on financial results but also on the progress, achievements and impacts achieved in our relationships with stakeholders.

The report includes a materiality analysis, which identifies the relevant issues for stakeholders. Different approaches to deal with these issues are used throughout the report.

In addition, it includes information on the social impacts generated from the Bank's activity, based on the recommendations for reporting on the creation of value and social impact, which are proposed in the application Guide of the concept of capitals of the <IR> Banking Network. BBVA has been a member of this group since 2011, as a pioneer in Spain.

This report has also been drafted in accordance with the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G4), at a comprehensive level, including relative information about basic, general and specific content and the financial supplement for which information has been available for publication. It also follows the AA1000 APS standard.

In addition, this information reflects the 2016 Progress Report on the United Nations Global Compact and includes BBVA actions related to the United Nations Millennium Development Goals.

### 6.1.1. Principles to guarantee information quality

The principles for preparing the non-financial information of the BBVA in 2015 report are in line with the GRI G4 guidelines in terms of definition of content and information quality:

- Stakeholder engagement: BBVA specifies its stakeholders and explains how it has responded to their reasonable expectations and interests.
- Sustainability context: The non-financial information in the BBVA in 2016 report presents the organization's performance in the broadest context of sustainability, considering the information available.
- Materiality: The non-financial information in the BBVA in 2016 report covers aspects that show the organization's significant economic, environmental and social impact, or that considerably influence stakeholder evaluations and decisions.
- Exhaustiveness: The non-financial information in the BBVA in 2016 report deals with material aspects and their coverage, reflecting their significant economic, environmental and social impacts. The stakeholders can also analyze the organization's performance during the period under analysis.
- Equilibrium: The non-financial information in the BBVA in 2016 report reflects both the positive and negative

aspects of its performance in order to provide an informed evaluation of its overall performance.

- Comparability: BBVA presents the information consistently so that stakeholders can analyze the changes in BBVA's performance.
- Accuracy: The information is accurate and detailed enough for stakeholders to analyze the organization's performance.
- Punctuality: BBVA presents its reports in accordance with a regular calendar, so that stakeholders can access the information when required and make informed decisions.
- Clarity: The information is presented in such a way that the stakeholders at which it is targeted can easily access and understand it.
- Reliability: The information has been compiled, registered, analyzed and presented so that it can be evaluated by an external auditor. The scope and methodology of the external review conducted can be viewed in the "Independent Review Report of the non-financial information in the BBVA Group's BBVA in 2016 report". An action plan is then drawn up to ensure that the recommendations arising from review processes are implemented.

## 6. 2. GRI indicators

### 6. 2. 1. General standard disclosures GRI G4

Indicator	Page / Omission	Review
<b>Strategy and analysis</b>		
<b>G4-1</b> Provide a statement from the most senior decision-maker of the organization (such as CEO, Chair or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	<a href="#">Letter from the Group Executive Chairman</a>	✓
<b>G4-2</b> Provide a description of the key impacts, risks and opportunities.	<a href="#">Global Risk Management Impact on people through the business</a>	✓
<b>Organizational profile</b>		
<b>G4-3</b> Report the name of the organization	<a href="#">Performance</a>	✓
<b>G4-4</b> Report the primary brands, products and services	<a href="#">Performance</a>	✓
<b>G4-5</b> Report the location of the organization's headquarters	<a href="#">Performance</a>	✓
<b>G4-6</b> Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	<a href="#">Performance</a>	✓
<b>G4-7</b> Report the nature of ownership and legal form	<a href="#">Performance</a> <a href="#">CCAA (Report management)</a> <a href="#">ACGR (section A)</a>	✓
<b>G4-8</b> Report the markets served (including geographic breakdown, sectors involved and types of customers and beneficiaries)	<a href="#">Performance</a>	✓
<b>G4-9</b> Report the scale of the organization, including: - total number of employees; - total number of operations; - net sales or net revenues; - total capitalization broken down in terms of debt and equity (for private sector organizations); and - quantity of products or services provided	<a href="#">Performance</a>	✓
<b>G4-10</b> a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers	<a href="#">The team</a>	✓
<b>G4-11</b> Report the percentage of total employees covered by collective bargaining agreements	<a href="#">The team</a>	✓ <sup>(1)</sup>
<b>G4-12</b> Describe the organization's supply chain	<a href="#">Suppliers</a>	✓
<b>G4-13</b> Report any significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain	<a href="#">Suppliers</a> <a href="#">CCAA (Note 3)</a>	✓
<b>Commitments to external initiatives</b>		
<b>G4-14</b> Report whether and how the precautionary approach or principle is addressed by the organization	<a href="#">Responsible banking model</a> <a href="#">Compliance system</a> <a href="#">Internal control model</a>	✓

Indicator	Page / Omission	Review
<b>G4-15</b> List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	<a href="#">Responsible banking model</a> <a href="#">Compliance system</a> <a href="#">Social, environmental and reputational risks</a>	✓
<b>G4-16</b> List memberships of associations and national or international advocacy organizations in which the organization: - holds a position on the governance body; - participates in projects or committees; - provides substantive funding beyond routine membership dues; - views membership as strategic	<a href="#">Responsible banking model</a> <a href="#">Compliance system</a> <a href="#">Social, environmental and reputational risks</a>	✓

Indicator	Page / Omission	Review
<b>Identified material aspects and boundaries</b>		
<b>G4-17</b> a. List all entities included in the organization's consolidated financial statements or equivalent documents b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	<a href="#">Performance</a> <a href="#">CCAA (Note 3)</a>	✓
<b>G4-18</b> a. Explain the process for defining the report content and the aspect boundaries b. Explain how the organization has implemented the reporting principles for defining report content.	<a href="#">Materiality analysis</a> <a href="#">Criteria and standards</a>	✓
<b>G4-19</b> List all the material aspects identified in the process for defining report content	<a href="#">Materiality analysis</a>	✓
<b>G4-20</b> For each material aspect, report the aspect boundary within the organization	<a href="#">Materiality analysis</a> <a href="#">Criteria and standards</a>	✓
<b>G4-21</b> For each material aspect, report the aspect boundary outside the organization	<a href="#">Materiality analysis</a> <a href="#">Criteria and standards</a>	✓
<b>G4-22</b> Report the effect of any restatements of information provided in previous reports and the reasons for such restatements	<a href="#">Criteria and standards</a>	✓
<b>G4-23</b> Report significant changes from previous reporting periods in the scope and aspect boundaries	<a href="#">Criteria and standards</a>	✓

Indicator	Page / Omission	Review
<b>Stakeholder engagement</b>		
<b>G4-24</b> Provide a list of stakeholder groups engaged by the organization	<a href="#">Materiality analysis</a>	✓
<b>G4-25</b> Report the basis for identification and selection of stakeholders with whom to engage	<a href="#">Materiality analysis</a>	✓
<b>G4-26</b> Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	<a href="#">Materiality analysis</a>	✓
<b>G4-27</b> Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	<a href="#">Materiality analysis</a>	✓

Indicator	Page / Omission	Review
<b>Report profile</b>		
<b>G4-28</b> Reporting period (such as fiscal or calendar year) for the information provided	<a href="#">Criteria and standards</a>	✓
<b>G4-29</b> Date of most recent previous report (if any)	<a href="#">Criteria and standards</a>	✓
<b>G4-30</b> Reporting cycle (such as annual, biennial, etc.)	<a href="#">Criteria and standards</a>	✓
<b>G4-31</b> Provide the context point for questions regarding the report or its contents	<a href="#">Criteria and standards</a>	✓
<b>GRI content index</b>		
<b>G4-32</b>		
a. Report the "in accordance" option the organization has chosen	<a href="#">Optional comprehensive conformity</a>	
b. Report the GRI content index for the chosen option	<a href="#">Criteria and standards</a>	✓
c. Report the reference to the External Assurance Report, if the report has been externally assured		
<b>Verificación</b>		
<b>G4-33</b>		
a. Report the organization's policy and current practice with regard to seeking external assurance for the report		
b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided	<a href="#">Criteria and standards</a>	✓
c. Report the relationship between the organization and the assurance providers		
d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report		

Indicator	Page / Omission	Review
<b>Governance</b>		
<b>G4-34</b> Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	<a href="#">Corporate governance system</a> <a href="#">ACGR (Section C)</a>	✓
<b>G4-35</b> Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	<a href="#">Responsible banking model</a> <a href="#">Corporate governance system</a> <a href="#">ACGR (Section C)</a>	✓
<b>G4-36</b> Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	<a href="#">Responsible banking model</a> <a href="#">ACGR</a>	✓
<b>G4-37</b> Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	<a href="#">Corporate governance system</a> <a href="#">Compliance system</a>	✓
<b>G4-38</b> Report the composition of the highest governance body and its committees	<a href="#">Corporate governance system</a> <a href="#">ACGR (Section C)</a>	✓
<b>G4-39</b> Report whether the chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	<a href="#">ACGR (Section C)</a>	✓
<b>G4-40</b> Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting the highest governance body members	<a href="#">ACGR (Section C)</a>	✓
<b>G4-41</b> Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	<a href="#">ACGR (Section C)</a>	✓
<b>Papel del órgano superior de gobierno a la hora de establecer los propósitos, los valores y la estrategia de la organización</b>		
<b>G4-42</b> Report the highest governance body's and senior executive's roles in the development, approval, and updating of the organization's purpose, values or mission statements, strategies, policies and goals related to economic, environmental and social impacts	<a href="#">Corporate governance system</a> <a href="#">ACGR (Section C)</a>	✓

Indicator	Page / Omission	Review
<b>Highest governance body's competencies and performance evaluation</b>		
<b>G4-43</b> Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	<a href="#">Corporate governance system</a> <a href="#">Compliance system</a>	✓
<b>G4-44</b> a. Report the processes for evaluation of the highest governance body's performance with respect to the governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice	<a href="#">Corporate governance system</a> <a href="#">ACGR (Section C)</a>	✓
<b>Highest governance body's role in risk management</b>		
<b>G4-45</b> a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	<a href="#">ACGR (Section C and E)</a>	✓
<b>G4-46</b> Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	<a href="#">ACGR (Section C and E)</a>	✓
<b>G4-47</b> Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities	<a href="#">ACGR (Section C and E)</a>	✓
<b>Highest governance body's role in sustainability reporting</b>		
<b>G4-48</b> Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	<a href="#">Responsible banking system</a>	✓
<b>Highest governance body's role in evaluating economic, environmental and social performance</b>		
<b>G4-49</b> Report the process for communicating critical concerns to the highest governance body	<a href="#">Materiality analysis</a> <a href="#">ACGR (Section C)</a>	✓
<b>G4-50</b> Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	<a href="#">Materiality analysis</a>	✓
<b>Remuneration and incentives</b>		
<b>G4-51</b> a. Report the remuneration policies for the highest governance body and senior executives b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	<a href="#">El equipo</a> <a href="#">Informe de actividad de la Comisión de Retribuciones</a> <a href="#">The Team</a> <a href="#">Remuneration Committee Activity Report</a>	✓
<b>G4-52</b> Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization...	<a href="#">The Team</a> <a href="#">Remuneration Committee Activity Report</a>	✓ <sup>(2)</sup>
<b>G4-53</b> Report how stakeholder's views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	<a href="#">Materiality analysis</a> <a href="#">Corporate governance system</a> <a href="#">Remuneration Committee Activity Report</a>	✓
<b>G4-54</b> Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	<a href="#">Confidential information</a>	✗
<b>G4-55</b> Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	<a href="#">Confidential information</a>	✗

Indicator	Page / Omission	Review
<b>Ethics and integrity</b>		
<b>G4-56</b> Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	<a href="#">Responsible banking model</a> <a href="#">Compliance system</a>	✓
<b>G4-57</b> Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	<a href="#">Compliance system</a>	✓
<b>G4-58</b> Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	<a href="#">Compliance system</a>	✓

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✗ Content not reviewed

(1) Percentage not reported.

(2) The processes are only reported to determine the remuneration.

## 6.2.2. Specific standard GRI G4 disclosures

### Economic category

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>Economic performance</b>				
G4-EC1 Direct economic value generated and distributed	Impact on people through the business	Global	✓	Solvency and financial management (internal) Contribution to the development of local societies (internal)
G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	People-Centric Solutions Social, environmental and reputational risks CDP 2016 Climate Change (CCO.1 and CCO.2)	Global	✓	Eco-efficiency, environment, climate change (internal)
G4-EC3 Coverage of the organization's defined benefit plan obligations	CCAA (Note 2.2.12)	Global	✓	Talent attraction, development and retention
G4-EC4 Financial assistance received from government	The team CCA (Appendix XIII, Anual Banking report)	Spain	✓	Solvency and financial management (internal)
<b>Market presence</b>				
G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Confidential information		✗	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
G4-EC6 Proportion of senior management hired from the local community at significant locations of operation	The percentage of management team working in their country of birth is 87%	Global	✓ <sup>(3)</sup>	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
<b>Indirect economic impacts</b>				
G4-EC7 Development and impact of infrastructure investments and services supported	Impact on people through the business	Global	✓	Contribution to the development of local societies (external)
G4-EC8 Significant indirect economic impacts, including the extent of impacts	Impact on people through the business	Global	✓	Contribution to the development of local societies (external)
<b>Procurement practices</b>				
G4-EC9 Proportion of spending on local suppliers at significant locations of operation	Suppliers	Global	✓ <sup>(3)</sup>	Responsible procurement/ outsourcing (external)

## Environmental category

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>Materials</b>				
<b>G4-EN1</b> Materials used by weight or volume (paper).	Environment	Global	✓ <sup>(5) (4)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN2</b> Percentage of materials used that are recycled input materials (paper).	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>Energy</b>				
<b>G4-EN3</b> Energy consumption within the organization.	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN4</b> Energy consumption outside of the organization.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>G4-EN5</b> Energy intensity (per employee).	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN6</b> Reduction of energy consumption.	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN7</b> Reductions in energy requirements of products and services.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>Water</b>				
<b>G4-EN8</b> Total water withdrawal by source.	Environment	Global	✓ <sup>(5) (6)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN9</b> Water sources significantly affected by withdrawal of water.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>G4-EN10</b> Percentage and total volume of water recycled and reused.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>Biodiversity</b>				
<b>G4-EN11</b> Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.		x	
<b>G4-EN12</b> Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.		x	
<b>G4-EN13</b> Habitats protected or restored.	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.		x	
<b>G4-EN14</b> Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity.		x	
<b>Emissions</b>				
<b>G4-EN15</b> Direct greenhouse gas emissions (scope 1).	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN16</b> Energy indirect greenhouse gas emissions (scope 2).	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN17</b> Other indirect greenhouse gas emissions (scope 3).	Environment	Global	✓ <sup>(5) (7)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN18</b> Greenhouse gas emissions intensity.	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>G4-EN19</b> Reduction of greenhouse gas emissions.	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN20</b> Emissions of ozone-depleting substances.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>G4-EN21</b> NOx, SOx and other significant air emissions.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>Effluents and Waste</b>				
<b>G4-EN22</b> Total water discharge by quality and destination.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>G4-EN23</b> Total weight of water by type and disposal method.	Environment	Global	✓ <sup>(5)</sup>	Eco-efficiency, environment, climate change (external)
<b>G4-EN24</b> Total number and volume of significant spills.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>G4-EN25</b> Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>G4-EN26</b> Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>Products and Services</b>				
<b>G4-EN27</b> Extent of impact mitigation of environmental impacts of products and services.	Compliance system Social, environmental and reputational risks Environment	Global	✓	Social and environmentally responsible finance (external) Eco-efficiency, environment, climate change (external)
<b>G4-EN28</b> Percentage of products sold and their packaging materials that are reclaimed by category.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>Compliance</b>				
<b>G4-EN29</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	As of December 31, 2016, the BBVA Group has no fines or penalties for non-compliance with regulations related to significant environmental aspects.	Global	✓	Ethical conduct (external) Human rights, employee rights and employment quality (external)
<b>Transport</b>				
<b>G4-EN30</b> Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	Given the activities of BBVA Group, this indicator is not considered material		x	
<b>Environmental investments and expenditures</b>				
<b>G4-EN31</b> Total environmental protection expenditures and investments by type.	The GEP includes a series of investments needed to achieve the targets set. They are not significant in economic terms with respect to BBVA Group's equity and earnings		✓ <sup>(14)</sup>	Eco-efficiency, environment, climate change (external)
<b>Supplier Environmental Assessment</b>				
<b>G4-EN32</b> Percentage of new suppliers that were screened using environmental criteria.	BBVA has not screened suppliers using environmental criteria given that the perceived impact on the Group is not significant		x	
<b>Material aspects identified:</b> 15 and 23 <b>Coverage of the material aspect:</b> External				

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>G4-EN33</b>  Significant actual and potential negative environmental impacts in the supply chain and actions taken.  <b>Material aspects identified:</b> 23 <b>Coverage of the material aspect:</b> External	BBVA has not analyzed the impacts in this aspect because the level of risks for the Group is not significant given the nature of its suppliers		x	
<b>Environment Grievance Mechanisms</b>				
<b>G4-EN34</b>  Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.  <b>Material aspects identified:</b> 14 and 18 <b>Coverage of the material aspect:</b> External	BBVA has not been subject to any significant sanctions or grievances for breach of environmental regulations	Global	✓	Ethical conduct (external)

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✓ Content revised according to the scope described and through procedures indicated in the Independent Review Report of the Responsible Banking information.

x Content not reviewed

Note: the identified material aspects correspond to the relevant material issues in the materiality analysis.

(<sup>1</sup>) Percentage not reported.

(<sup>2</sup>) The processes are only reported to determine the remuneration.

## Social category

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>Labor practices and decent work</b>				
Employment				
<b>G4-LA1</b> Total number and rates of new employee hires and employee turnover by age group, gender and region	The team	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
<b>G4-LA2</b> Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Not available. The proportion of temporary employees in BBVA is not significant (5.7%)		✗	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
<b>G4-LA3</b> Return to work and retention rates after parental leave, by gender	Not reported. There is no homogeneous criterion of this indicator at the Group level		✗	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
Labor/Management relations				
<b>G4-LA4</b> Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	There is no established minimum notice period. In any event, the organizational changes in BBVA Group are analyzed on a case-by-case basis, so the negative impact on employees can be avoided or mitigated, and always within the legal provisions of each country	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
Occupational health and safety				
<b>G4-LA5</b> Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	100% of the workers are represented by a State Health and Safety Committee that channels and assumes the consultation and the participation of workers in all matters related to the prevention of occupational hazards in the company. It is composed of eleven prevention delegates and 11 members of the business representation. Likewise, there are Health and Safety Committees in the large centers and in the territorial ones	Spain	✓	Human rights, employee rights and employment quality (internal)
<b>G4-LA6</b> Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	The team	Spain	✓ <sup>(3)(5)</sup>	Human rights, employee rights and employment quality (internal)
<b>G4-LA7</b> Workers with high incidence or high risk of diseases related to their occupation	Given the nature of BBVA's activity, no high risk of serious diseases related to the workers' occupation has been identified		✗	
<b>G4-LA8</b> Health and safety topics covered in formal agreements with trade unions	Confidential information		✗	Human rights, employee rights and employment quality (internal)
Training and education				
<b>G4-LA9</b> Average hours of training per year per employee by gender, and by employee category	The team	Global	✓ <sup>(5)(8)</sup>	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal)
<b>G4-LA10</b> Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	The team	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal)

<b>Indicator</b>	<b>Page / Omission</b>	<b>Scope</b>	<b>Review</b>	<b>Material aspects identified and coverage of the material aspect</b>
<b>G4-LA11</b> Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	The team	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
<b>Diversity and equal opportunity</b>				
<b>G4-LA12</b> Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	The team IAG (Section C)	Global	✓	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
<b>Equal remuneration for women and men</b>				
<b>G4-LA13</b> Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Confidential information		✗	Talent attraction, development and retention (internal) Human rights, employee rights and employment quality (internal) Diversity and work life balance (internal)
<b>Supplier assessment for labor practices</b>				
<b>G4-LA14</b> Percentage of new suppliers that were screened using labor practices criteria	BBVA has not screened suppliers using labor practices criteria, given that the perceived impact on the Group is not significant		✗	
<b>G4-LA15</b> Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	BBVA has not analyzed the impacts in this aspect because the level of risks for the Group is not significant given the nature of its suppliers		✗	
Labor Practices grievance mechanisms				
<b>G4-LA16</b> Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Compliance system	Global	✓ <sup>(14)</sup>	Ethical conduct (external)
<b>Human rights</b>				
<b>Investment</b>				
<b>G4-HR1</b> Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Compliance system Social, environmental and reputational risks	Global	✓ <sup>(10)</sup>	Social and environmentally responsible finance (mixed) Human rights, employee rights and employment quality (mixed)
<b>G4-HR2</b> Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Compliance system	Global	✓ <sup>(11)</sup>	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
<b>Non-discrimination</b>				
<b>G4-HR3</b> Total number of incidents of discrimination and corrective actions taken	Compliance system	Global	✓ <sup>(14)</sup>	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
<b>Freedom of association and collective bargaining</b>				
<b>G4-HR4</b> Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	BBVA has not identified any operations or suppliers as having significant risk related to freedom of association and collective bargaining	Spain	✓	Responsible procurement/ outsourcing (mixed) Human rights, employee rights and employment quality (mixed)
<b>Child labor</b>				
<b>G4-HR5</b> Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	BBVA has not identified any operations or suppliers as having significant risk for incidents of child labor	Spain	✓	Responsible procurement/ outsourcing (mixed) Human rights, employee rights and employment quality (mixed)

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
Forced or compulsory labor				
<b>G4-HR6</b> Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	BBVA has not identified any operations or suppliers as having significant risk for incidents of forced or compulsory labor	Spain	✓	Responsible procurement/ outsourcing (mixed) Human rights, employee rights and employment quality (mixed)
Security practices				
<b>G4-HR7</b> Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Not reported. The security personnel belong to external companies. Although these companies are committed to assume BBVA's human rights standards, there is no specific commitment on training in this area		✗	Human rights, employee rights and employment quality (mixed)
Indigenous rights				
<b>G4-HR8</b> Total number of incidents of violations involving rights of indigenous peoples and actions taken	BBVA has not identified any significant incidents with relation to this aspect	Global	✓	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
Assessment				
<b>G4-HR9</b> Total number and percentage of operations that have been subject to human rights reviews or impact assessments	BBVA has not identified any significant impacts with respect to human rights in its workplaces	Global	✓	Human rights, employee rights and employment quality (mixed)
Supplier human rights assessment				
<b>G4-HR10</b> Percentage of new suppliers that were screened using human rights criteria	BBVA has not screened suppliers using human rights criteria given that the perceived impact on the Group is not significant except in aspects of legal compliance		✗	
<b>G4-HR11</b> Significant actual and potential negative human rights impacts in the supply chain and actions taken	BBVA has not screened suppliers using human rights criteria given that the perceived impact on the Group is not significant except in aspects of legal compliance		✗	
Human rights grievance mechanisms				
<b>G4-HR12</b> Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	BBVA has not been subject to any significant sanctions for breaches related to human rights	Global	✓	Ethical conduct (mixed) Human rights, employee rights and employment quality (mixed)
Society				
Local communities				
<b>G4-SO1</b> Percentage of operations with implemented local community engagement, impact assessments, and development programs	Financial Education Knowledge, education and culture	Global	✓	Contribution to the development of local societies (external) Social action (external)
<b>G4-SO2</b> Operations with significant actual and potential negative impacts on local communities	Compliance system The customer	Global	✓ <sup>(14)</sup>	Contribution to the development of local societies (external) Human rights, employee rights and employment quality (mixed) Customer service quality (external) Quality and fair products that respond to customer needs (external) Contribution to the development of local societies (external) Financial inclusion (external)
<b>FS13</b> Access points in low-populated or economically disadvantaged areas by type	People-Centric Solutions Knowledge, education and culture	Global	✓	Quality and fair products that respond to customer needs (external) Contribution to the development of local societies (external) Financial inclusion (external)
<b>FS14</b> Initiatives to improve access to financial services for disadvantaged people	People-Centric Solutions Knowledge, education and culture	Global	✓	Quality and fair products that respond to customer needs (external) Contribution to the development of local societies (external) Financial inclusion (external)

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>Anti-corruption</b>				
<b>G4-S03</b>	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified Internal control model Compliance system	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)
<b>G4-S04</b>	Communication and training on anti-corruption policies and procedures Compliance system	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)
<b>G4-S05</b>	Confirmed incidents of corruption and actions taken Confidential information		✗	Ethical conduct (mixed)
<b>Public Policy</b>				
<b>G4-S06</b>	Total value of political contributions by country and recipient/beneficiary BBVA's policy in countries does not allow contributions of this type	Global	✓ <sup>(13)</sup>	Good corporate governance (mixed)
<b>Anti-competitive behavior</b>				
<b>G4-S07</b>	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes BBVA has not identified any significant claim in which a final judgment has been handed down against this concept	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)
<b>Compliance</b>				
<b>G4-S08</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations Compliance System The obligations arising from administrative and judicial proceedings are registered in the CCAA (more information in Note 24)	Global	✓	Good corporate governance (mixed) Ethical conduct (mixed)
<b>Supplier assessment for impacts on society</b>				
<b>G4-S09</b>	Percentage of new suppliers that were screened using criteria for impacts on society BBVA has not screened suppliers in this aspect, given that the perceived impact on the Group is not significant		✗	
<b>G4-S010</b>	Significant actual and potential negative impacts on society in the supply chain and actions taken BBVA has not screened suppliers in this aspect, given that the perceived impact on the Group is not significant		✗	
<b>Grievance mechanisms for impacts on society</b>				
<b>G4-S011</b>	Number of grievances impacts on society filed, addressed, and resolved through formal grievance mechanisms Compliance System The obligations arising from administrative and judicial proceedings are registered in the CCAA (more information in Note 24)	Global	✓	Ethical conduct (mixed)
<b>Product responsibility</b>				
<b>Customer health and safety</b>				
<b>G4-PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement Customer protection	Global	✓ <sup>(14)</sup>	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
<b>G4-PR2</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes Compliance System The customer	Global	✓ <sup>(12)</sup>	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
<b>Product and service labeling</b>				
<b>G4-PR3</b>	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements TCR Communication	Global	✓	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
<b>G4-PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes Compliance System Complaints and claims The obligations arising from administrative and judicial proceedings are registered in the CCAA (more information in Note 24)		✓	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>G4-PR5</b> Results of surveys measuring customer satisfaction	The best customer experience	Global	✓ <sup>(9)</sup>	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
<b>FS15</b> Policies for the fair design and sale of financial products and services	Compliance system TCR Communication	Global	✓	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
<b>FS16</b> Initiatives to enhance financial literacy by type of beneficiary	Financial education	Global	✓	Financial education (external) Customer service quality (external) Commercialization practices (external)
<b>Marketing communications</b>				
<b>G4-PR6</b> Sale of banned or disputed products	TCR Communication	Global	✓ <sup>(15)</sup>	Customer service quality (external) Commercialization practices (external) Ethical conduct (external) Security, privacy and customer protection (external)
<b>G4-PR7</b> Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	The obligations arising from administrative and judicial proceedings are registered in the CCAA (more information in Note 24) TCR Communication Policy	Global	✓ <sup>(12)</sup>	Customer service quality (external) Commercialization practices (external) Ethical conduct (external) Security, privacy and customer protection (external)
<b>Customer privacy</b>				
<b>G4-PR8</b> Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Customer protection	Global	✓ <sup>(16)</sup>	Customer service quality (external) Commercialization practices (external) Ethical conduct (external) Security, privacy and customer protection (external)
<b>Compliance</b>				
<b>G4-PR9</b> Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	The obligations arising from administrative and judicial proceedings are registered in the CCAA (more information in Note 24)	Global	✓	Customer service quality (external) Commercialization practices (external) Ethical conduct (external)
<b>Product portfolio</b>				
<b>FS1</b> Policies with specific environmental and social components applied to business lines	People-centric solutions Social, environmental and reputational risks Environment Suppliers	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
<b>FS2</b> Procedures for assessing and screening environmental and social risks in business lines	Social, environmental and reputational risks Environment	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
<b>FS3</b> Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Social, environmental and reputational risks	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
<b>FS4</b> Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	Social, environmental and reputational risks The team	Global	✓	Quality and fair products that respond to customer needs (external) Commercialization practices (external) Ethical conduct (external) Eco-efficiency, environment, climate change (external)
<b>FS5</b> Interactions with clients/investors/business partners regarding environmental and social risks and opportunities	Materiality analysis People-centric solutions Social, environmental and reputational risks	Global	✓	Social and environmentally responsible finance (external)

Indicator	Page / Omission	Scope	Review	Material aspects identified and coverage of the material aspect
<b>FS6</b> Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	Impact on people through the business People-centric solutions CCAA (Note 7.3)	Global	✓	Contribution to the development of local societies (external)
<b>FS7</b> Monetary value of products and service designed to deliver a specific social benefit for each business line broken down by purpose	People-centric solutions	Global	✓	Contribution to the development of local societies (external)
<b>FS8</b> Monetary value of products and service designed to deliver a specific environmental benefit for each business line broken down by purpose	People-centric solutions	Global	✓	Contribution to the development of local societies (external) Eco-efficiency, environment, climate change
<b>Audit</b>				
<b>FS9</b> Coverage and frequency of audits to assess the implementation of environmental and social policies and risk assessment procedures	Internal control model Social, environmental and reputational risks	Global	✓ <sup>(14)</sup>	Good corporate governance (internal) Solvency and financial management (Internal) Human rights, employee rights and employment quality (internal)
<b>Active ownership</b>				
<b>FS10</b> Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	People-centric solutions	Global	✓ <sup>(14)</sup>	Social and environmentally responsible finance (external)
<b>FS11</b> Percentage of assets subject to positive and negative environmental or social screening	Social, environmental and reputational risks	Global	✓ <sup>(14)</sup>	Social and environmentally responsible finance (external)
<b>FS12</b> Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	People-centric solutions	Global	✓	Social and environmentally responsible finance (external)

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✓ Content revised according to the scope described and through procedures indicated in the Independent Review Report of the Responsible Banking information.

✗ Content not reviewed

Note: the identified material aspects correspond to the relevant material issues in the materiality analysis.

<sup>(1)</sup> Percentage not reported.<sup>(2)</sup> The processes are only reported to determine the remuneration.<sup>(3)</sup> Not broken down by geographical area.<sup>(4)</sup> The information from Turkey has not been verified.<sup>(5)</sup> The limits on the indicator, scope and the criteria applied to the estimates are shown in the table of reference. The intensity indicators have been calculated according to the number of occupants of the buildings, meaning the sum of the average workforce and the estimation of the third parties working in the Bank's facilities. The verification of the number of occupants has been made exclusively for Spain.<sup>(6)</sup> The consumption in the branch network has been estimated using a limited sample of branch offices.<sup>(7)</sup> With respect to business trips, only the emissions derived from trips by the Group's employees by plane are reported.<sup>(8)</sup> Not broken down by gender or employment category.<sup>(9)</sup> The results of the Net Promoter Score depend on the comparative group used, a change in that group could change the results of the NPS.<sup>(10)</sup> Only the operations analyzed with respect to compliance with the Equator Principles are reported.<sup>(11)</sup> The reporting on the employees training is available on the Code of Conduct of BBVA.<sup>(12)</sup> Only reported for BBVA Group companies in Spain.<sup>(13)</sup> BBVA's corporate policy is reported.<sup>(14)</sup> The reporting is qualitative.<sup>(15)</sup> BBVA's product communication policy is reported.<sup>(16)</sup> The audits of security measures for the processing of personal data implemented in BBVA Group companies are reported.

## 6. 3. Independent assurance report



# Annex

Annex 1 - Impact on people through business - Economic Value Generated, Distributed and Retained<sup>(1)</sup> (BBVA Group and its Foundations. Million euros)

	2016	2015	2014
Gross income <sup>(2)</sup>	24,653	23,362	20,725
Gains (losses) from written-off assets	70	(2,135)	46
Profit of non-current assets	(31)	1,019	(47)
Discontinued operations	0	0	0
<b>Economic value generated</b>	<b>24,692</b>	<b>22,246</b>	<b>20,724</b>
Employees - personal costs	6,722	6,273	5,410
Suppliers - other administrative expenses <sup>(2)</sup>	4,211	4,097	3,532
Public sector <sup>(3)</sup>	2,132	1,740	1,316
Shareholders - dividends	1,043	1,145	715
Community involvement (excl. foundations)	33	43	54
<b>Economic value distributed</b>	<b>14,141</b>	<b>13,298</b>	<b>11,027</b>
Community involvement (foundations)	60	61	53
Total economic value distributed	14,201	13,359	11,080
<b>Economic value retained</b>	<b>10,551</b>	<b>8,948</b>	<b>9,697</b>

<sup>(1)</sup> Calculated according to the GRI calculation protocol for EC1.

<sup>(2)</sup> Approximation adjusted to payments made to third parties under the heading of purchases and services rendered, once taxes have been deducted.

<sup>(3)</sup> Including corporate tax and tax accrued for the year.

Annex 2 - Customer experience - Average time for settling complaints  
(Spain, Turkey, Mexico, and South America. Normal days)

	2016	2015	2014
Spain	15	35	15
The United States	n/av	n/av	n/av
Turkey <sup>(1)</sup>	1	1	n/a
Mexico	13	10	14
Argentina	8	6	5
Chile	6	9	9
Colombia	4	4	4
Peru	15	19	10
Venezuela	4	4	5
Paraguay	5	6	7
Uruguay	6	6	9
Portugal	3	4	6

n/a = not applicable/ n/av = not available.

<sup>(1)</sup> In Turkey, the weighting is calculated based on the number of total customers.

Annex 3 - Complaints settled at the first contact with customer (FCR)  
 (Spain, Turkey, Mexico and South America. Percentage)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Spain <sup>(1)</sup>	n/a	n/a	n/a
The United States	n/av	n/av	n/av
Turkey <sup>(3)</sup>	40	43	n/a
Mexico	40	18	13
Argentina	34	42	30
Chile	18	10	7
Colombia	78	63	45
Peru	4	17	24
Venezuela	8	21	19
Paraguay	35	60	14
Uruguay	16	17	12
Portugal <sup>(2)</sup>	n/a	n/a	n/a

n/a = not applicable/ n/av = not available.

<sup>(1)</sup> In Spain, the FCR is applicable to credit card incidents, but not complaints.

<sup>(2)</sup> This kind of management is not applied in Portugal.

<sup>(3)</sup> In Turkey, the weighting is calculated by the total number of customers.

Note: They are not settled complaints, but complaintas in FCR.

Annex 4 - Complaints before the Banking Authority  
 (Spain, Turkey, Mexico and South America)

	2016 <sup>(1)</sup>	2015 <sup>(1)</sup>	2014
Spain	2	1	2
The United States	n/av	n/av	n/av
Turkey	32	35	n/a
Mexico	308	285	632
Argentina	34	41	131
Chile	12	16	16
Colombia	169	156	135
Peru	19	15	10
Venezuela	436	350	55
Paraguay	0	n/a	1
Uruguay	3	6	15
Portugal	41	32	20

n/a = not applicable/ n/av = not available.

<sup>(1)</sup> Complaints in Banking have increased over the last year, because in 2015, countries like Mexico did not provide quarterly data related to this section, so the data of total 2015 is not complete. The data of Mexico 2015 has been modified by the correct one.

Nota: For every billion euros of activity. Activity: gross credit to customers + total customer resources. The Banking Authority refers to the external body in which the customers can complain against BBVA.

## Annex 5 - Employees by gender (BBVA Group)

	2016		2015		2014				
	Number of Employees	Men	Women	Number of Employees	Men	Women	Number of Employees	Men	Women
Spain	31,451	15,699	15,752	32,903	16,656	16,247	28,620	14,962	13,658
The United States	10,544	4,187	6,357	11,153	4,446	6,707	10,944	4,250	6,694
Turkey	23,678	10,087	13,591	23,691	10,106	13,585	16	10	6
Mexico	37,378	17,335	20,043	38,499	17,907	20,592	38,107	17,856	20,251
South America	30,543	13,921	16,622	30,448	13,713	16,735	29,640	13,400	16,240
Rest of Eurasia	1,198	682	516	1,274	723	551	1,443	805	638
<b>Total</b>	<b>134,792</b>	<b>61,911</b>	<b>72,881</b>	<b>137,968</b>	<b>63,551</b>	<b>74,417</b>	<b>108,770</b>	<b>51,283</b>	<b>57,487</b>

Annex 6 - Promoted employees by gender (BBVA Group)

	2016				2015				2014	
	Number of promoted employees	Men	Women	Number of promoted employees	Men	Women	Number of promoted employees	Men	Women	
Spain	3,694	1,906	1,788	3,016	1,490	1,526	2,286	1,191	1,095	
The United States	793	257	536	3,515	1,332	2,183	1,077	421	656	
Turkey	736	325	411	1,039	438	601	n/a	n/a	n/a	
Mexico	7,301	3,469	3,832	7,622	3,907	3,715	10,244	4,724	5,520	
South America	3,610	1,312	2,298	3,205	1,453	1,752	2,821	1,245	1,576	
Rest of Eurasia	124	74	50	124	71	53	159	94	65	
<b>Total</b>	<b>16,258</b>	<b>7,343</b>	<b>8,915</b>	<b>18,521</b>	<b>8,691</b>	<b>9,830</b>	<b>16,587</b>	<b>7,675</b>	<b>8,912</b>	

n/a = not applicable.

## Annex 7 - Average employee age and breakdown by age bracket (BBVA Group. Years and percentage)

	2016			2015			2014					
	Average age	<25	25-45	>45	Average age	<25	25-45	>45	Average age	<25	25-45	>45
Spain	42.2	1.0	66.2	32.8	42.0	1.5	65.0	33.5	42.1	0.5	64.8	34.7
The United States	40.9	5.8	59.4	34.8	40.0	7.9	58.9	32.8	40.0	7.9	60.0	32.1
Turkey	32.9	6.6	88.6	4.8	32.4	8.2	87.6	4.2	n/a	n/a	n/a	n/a
Mexico	34.2	10.8	74.0	15.2	34.2	11.3	73.6	15.1	34.0	13.3	72.3	14.4
South America	37.6	7.4	68.9	23.7	37.3	8.4	68.6	23.1	37.2	8.8	68.9	22.2
Rest of Eurasia	42.6	0.7	59.3	40.0	42.2	0.5	61.2	38.3	41.8	0.7	62.0	37.3
<b>Total</b>	<b>37.2</b>	<b>6.5</b>	<b>72.3</b>	<b>21.2</b>	<b>37.0</b>	<b>7.4</b>	<b>71.5</b>	<b>21.1</b>	<b>37.7</b>	<b>8.0</b>	<b>68.1</b>	<b>24.0</b>

n/a = not applicable.

## Annex 8 - Average length of service (BBVA Group. Years)

	2016			2015			2014		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Spain	16.0	17.5	14.6	16.4	18.3	14.4	16.6	18.8	14.2
The United States	7.3	5.9	8.2	6.7	5.3	7.6	6.7	5.3	7.6
Turkey	6.9	7.0	6.8	6.4	6.6	6.3	n/a	n/a	n/a
Mexico	8.2	8.4	8.0	8.1	8.5	7.8	8.0	8.4	7.6
South America	9.9	10.8	9.2	9.7	10.7	8.9	9.6	10.6	8.8
Rest of Eurasia	11.5	10.8	12.4	11.1	10.6	11.8	11.3	10.9	11.9
<b>Total</b>	<b>10.1</b>	<b>10.9</b>	<b>9.5</b>	<b>10.1</b>	<b>11.0</b>	<b>9.2</b>	<b>10.6</b>	<b>11.8</b>	<b>9.6</b>

n/a = not applicable.

Annex 9 - Breakdown of employees job category and gender (BBVA Group. Percentage)

	2016			2015			2014		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Spain</b>									
Management team	3.3	77.5	22.5	3.1	78.1	21.9	3.7	80.0	20.0
Middle management	5.9	64.5	35.5	5.1	65.0	35.0	5.6	66.7	33.3
Specialists	25.0	54.0	46.0	21.7	53.9	46.1	25.4	54.0	46.0
Sales force	45.5	45.4	54.6	53.0	47.0	53.0	44.8	47.5	52.5
Rank and file	20.3	46.2	53.8	17.1	48.3	51.7	20.5	51.5	48.5
<b>The United States</b>									
Management team	0.3	79.4	20.6	1.3	81.8	18.2	1.5	83.0	17.0
Middle management	18.4	59.1	40.9	16.3	59.1	40.9	13.0	58.9	41.1
Specialists	17.9	41.4	58.6	13.8	41.3	58.7	16.4	44.5	55.5
Sales force	32.5	49.2	50.8	33.1	48.6	51.4	33.3	48.4	51.6
Rank and file	30.9	16.9	83.1	35.6	20.9	79.1	35.8	18.3	81.7
<b>Turkey</b>									
Management team	0.1	91.7	8.3	0.1	91.7	8.3	n.a	n.a	n.a
Middle management	20.6	41.7	58.3	18.8	43.0	57.0	n.a	n.a	n.a
Specialists	34.6	35.8	64.2	37.8	34.7	65.3	n.a	n.a	n.a
Sales force	37.0	38.8	61.2	35.5	39.7	60.3	n.a	n.a	n.a
Rank and file	7.8	93.4	6.6	7.8	93.1	6.9	n.a	n.a	n.a
<b>Mexico</b>									
Management team	0.7	86.2	13.8	0.8	87.7	12.3	0.9	87.9	12.1
Middle management	1.7	70.3	29.7	1.5	70.3	29.7	1.5	73.9	26.1
Specialists	34.2	50.2	49.8	34.3	49.9	50.1	31.8	51.3	48.7
Sales force	31.1	52.2	47.8	33.6	51.4	48.6	35.7	50.9	49.1
Rank and file	32.3	34.7	65.3	29.9	34.9	65.1	30.1	34.7	65.3
<b>South America</b>									
Management team	0.8	74.9	25.1	0.9	76.4	23.6	1.0	76.8	23.2
Middle management	7.5	56.3	43.7	9.7	53.0	47.0	9.8	53.1	46.9
Specialists	36.9	50.6	49.4	33.0	50.2	49.8	32.7	50.1	49.9
Sales force	40.7	38.9	61.1	38.8	39.0	61.0	35.6	39.8	60.2
Rank and file	14.1	44.2	55.8	17.6	42.7	57.3	20.9	41.6	58.4
<b>Rest of Eurasia</b>									
Management team	6.2	89.2	10.8	6.3	91.3	8.8	5.4	88.5	11.5
Middle management	10.4	66.4	33.6	10.7	63.2	36.8	9.9	63.6	36.4
Specialists	41.1	51.8	48.2	40.3	51.1	48.9	41.2	51.5	48.5
Sales force	36.1	58.4	41.6	36.0	57.5	42.5	35.6	56.1	43.9
Rank and file	6.2	33.8	66.2	6.8	44.2	55.8	8.0	44.3	55.7
<b>Group average</b>									
Management team	1.2	79.2	20.8	1.3	80.4	19.6	1.8	81.5	18.5
Middle management	8.7	52.9	47.1	8.4	52.8	47.2	6.1	59.7	40.3
Specialists	31.5	47.8	52.2	30.0	47.1	52.9	28.9	51.2	48.8
Sales force	37.8	44.6	55.4	39.7	45.4	54.6	37.8	46.9	53.1
Rank and file	20.7	40.6	59.4	20.6	40.9	59.1	25.4	37.6	62.4

n/a = not applicable.

Annex 10 - Voluntary resignations (turnover)<sup>(1)</sup> and breakdown by gender (BBVA Group. Percentage)

	2016		2015		2014				
	Total workforce turnover	Men	Women	Total workforce turnover	Men	Women	Total workforce turnover	Men	Women
Spain	0.9	55.9	44.1	0.9	45.8	54.2	0.5	42.2	57.8
The United States	17.7	38.7	61.3	18.2	44.0	56.0	15.2	39.9	60.1
Turkey	8.2	40.3	59.7	2.2	44.4	55.6	n/a	n/a	n/a
Mexico	13.5	50.1	49.9	11.5	48.4	51.6	14.4	52.8	47.2
South America	6.1	43.9	56.1	6.6	45.4	54.6	6.4	41.5	58.5
Rest of Eurasia	4.2	61.1	38.9	4.2	54.7	45.3	4.3	46.8	53.2
<b>Total</b>	<b>8.2</b>	<b>45.6</b>	<b>54.4</b>	<b>8.5</b>	<b>45.4</b>	<b>54.6</b>	<b>8.4</b>	<b>48.1</b>	<b>51.9</b>

<sup>(1)</sup> Turnover = [Resignations (excluding early retirement)/Number of employees at start of period] x 100.  
n/a = not applicable.

## Annex 11 - Recruitment of employees by gender (BBVA Group. Number)

	2016			2015			2014		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Spain	3,515	1,450	2,065	7,929	3,629	4,300	1,989	840	1,149
The United States	2,244	949	1,295	2,910	1,279	1,631	2,762	1,102	1,660
Turkey	3,058	1,225	1,833	25,158	11,176	13,982	n/a	n/a	n/a
Mexico	8,084	4,056	4,028	7,743	3,751	3,992	9,516	5,022	4,494
South America	4,220	2,016	2,204	4,549	2,066	2,483	4,831	2,005	2,826
Rest of Eurasia	111	70	41	95	52	43	78	36	42
<b>Total</b>	<b>21,232</b>	<b>9,766</b>	<b>11,466</b>	<b>48,384</b>	<b>21,953</b>	<b>26,431</b>	<b>19,176</b>	<b>9,005</b>	<b>10,171</b>
Of which new hires are (*):									
Spain	1,038	632	406	692	431	261	588	336	252
The United States	2,219	932	1,287	2,885	1,263	1,622	2,648	1,098	1,550
Turkey	2,879	1,164	1,715	1,803	789	1,014	n/a	n/a	n/a
Mexico	6,016	2,930	3,086	5,063	2,585	2,478	5,745	2,986	2,759
South America	3,045	1,519	1,526	3,309	1512	1797	3,101	1297	1804
Rest of Eurasia	46	27	19	159	61	98	68	34	34
<b>Total</b>	<b>15,243</b>	<b>7,204</b>	<b>8,039</b>	<b>13,911</b>	<b>6,641</b>	<b>7,270</b>	<b>12,150</b>	<b>5,751</b>	<b>6,399</b>

(\*) Including hires through consolidations.

n/a = not applicable.

## Annex 12 - Discharge of employees by discharge type and gender (BBVA Group. Number)

	2016			2015			2014		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Spain</b>									
Retirement and early retirement	1,384	1,128	256	1,395	1,021	374	1,831	1,353	478
Voluntary redundancies	110	71	39	40	27	13	76	47	29
Resignations	281	157	124	271	161	110	160	98	62
Others	3,192	1,075	2,117	1,947	725	1,222	1,678	647	1,031
<b>The United States</b>									
Retirement and early retirement	57	8	49	50	8	42	56	13	43
Voluntary redundancies	25	23	2	7	3	4	8	4	4
Resignations	1,977	765	1,212	1,988	778	1,210	1,711	660	1,051
Others	794	386	408	656	275	381	1,331	487	844
<b>Turkey</b>									
Retirement and early retirement	85	46	39	31	23	8	n/a	n/a	n/a
Voluntary redundancies	65	30	35	35	20	15	n/a	n/a	n/a
Resignations	1,944	783	1,161	528	197	331	n/a	n/a	n/a
Others	977	393	584	887	452	435	n/a	n/a	n/a
<b>Mexico</b>									
Retirement and early retirement	423	269	154	197	122	75	320	246	74
Voluntary redundancies	78	46	32	99	57	42	255	153	102
Resignations	5,184	2,596	2,588	4,387	2,235	2,152	5,418	2,801	2,617
Others	3,520	1,716	1,804	2,668	1,290	1,378	2,935	1,387	1,548
<b>South America</b>									
Retirement and early retirement	20	9	11	1	1	0	1	0	1
Voluntary redundancies	940	423	517	671	328	343	614	315	299
Resignations	1,856	814	1,042	1,961	876	1,085	1,820	813	1,007
Others	1,309	562	747	1,108	544	564	1,247	507	740
<b>Rest of Eurasia</b>									
Retirement and early retirement	6	2	4	1	1	0	3	2	1
Voluntary redundancies	52	28	24	12	10	2	15	5	10
Resignations	54	33	21	61	27	34	70	40	30
Others	75	49	26	185	97	88	162	76	86
<b>Total</b>									
Retirement and early retirement	1,975	1,462	513	1,675	1,176	499	2,211	1,614	597
Voluntary redundancies	1,270	621	649	864	445	419	968	524	444
Resignations	11,296	5,148	6,148	9,196	4,274	4,922	9,179	4,412	4,767
Others	9,867	4,181	5,686	7,451	3,383	4,068	7,353	3,104	4,249

n/a = not applicable.

## Annex 13 - Breakdown of employees by contract type and gender (BBVA Group. Percentage)

	2016			2015			2014		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Spain</b>									
Full-time permanent or indefinite-term	92.2	51.9	48.1	93.6	52.2	47.8	95.0	53.6	46.4
Part-time permanent or indefinite-term	2.7	6.1	93.9	1.9	5.1	94.9	1.9	4.4	95.6
Temporary	5.1	37.6	62.4	4.6	37.5	62.5	3.0	40.5	59.5
<b>The United States</b>									
Full-time permanent or indefinite-term	97.5	40.3	59.7	95.6	40.7	59.3	95.3	39.6	60.4
Part-time permanent or indefinite-term	2.5	17.9	82.1	4.3	21.5	78.5	4.7	23.1	76.9
Temporary	0.0	0.0	100.0	0.1	37.5	62.5	0.0	0.0	100.0
<b>Turkey</b>									
Full-time permanent or indefinite-term	99.3	42.6	57.4	99.0	42.6	57.4	n/a	n/a	n/a
Part-time permanent or indefinite-term	0.0	0.0	0.0	0.0	0.0	0.0	n/a	n/a	n/a
Temporary	0.7	50.0	50.0	1.0	51.9	48.1	n/a	n/a	n/a
<b>Mexico</b>									
Full-time permanent or indefinite-term	89.6	46.4	53.6	89.4	46.9	53.1	89.4	46.9	53.1
Part-time permanent or indefinite-term	0.7	23.5	76.5	0.9	26.3	73.7	1.2	30.8	69.2
Temporary	9.7	47.7	52.3	9.7	45.0	55.0	9.4	48.5	51.5
<b>South America</b>									
Full-time permanent or indefinite-term	89.4	46.3	53.7	89.8	45.8	54.2	90.3	45.9	54.1
Part-time permanent or indefinite-term	3.0	34.6	65.4	2.8	31.7	68.3	2.5	28.4	71.6
Temporary	7.6	41.2	58.8	7.3	41.1	58.9	7.2	41.9	58.1
<b>Rest of Eurasia</b>									
Full-time permanent or indefinite-term	98.7	57.1	42.9	99.0	56.9	43.1	99.4	56.1	43.9
Part-time permanent or indefinite-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	1.3	40.0	60.0	1.0	46.2	53.8	0.6	0.0	100.0
<b>Group average</b>									
Full-time permanent or indefinite-term	92.6	46.5	53.5	92.7	46.7	53.3	91.9	47.8	52.2
Part-time permanent or indefinite-term	1.7	20.9	79.1	1.7	21.7	78.3	2.1	21.9	78.1
Temporary	5.7	43.6	56.4	5.6	42.6	57.4	6.0	45.2	54.8

n/a = not applicable.

Annex 14 - Amount and type of absenteeism of employees  
(BBVA Group <sup>(1)</sup>. 2016)

	<b>Number of Employees</b>	<b>Men</b>	<b>Women</b>
Total leave	58,247	21,425	36,822
New leave	56,100	20,718	35,382
Additions	50,262	19,219	31,043
Number of days of sick leave or total accident in the year	606,711	201,988	404,723
<b>Absenteeism rate (%)</b>	<b>1.6</b>	<b>0.5</b>	<b>1.1</b>

<sup>(1)</sup> Excluding BBVA Compass and Garanti.

## Annex 15 - Financial Education. Data by country (Number of beneficiaries. 2016)

	<b>Children</b>	<b>Adults</b>	<b>SMEs <sup>(2)</sup></b>	<b>Total beneficiaries</b>	<b>Total workshops</b>
Spain	1,140,700	12,578	615	1,153,893	5358
The United States	45,909	5,505	973	52,387	160
Mexico	897,577	331,264	32,169	1,261,010	1010415
South America	58,975	47,641	548	107,164	150,318
Argentina	9,406	0	30	9,436	84
Chile	10,304	1000	83	11,387	256
Colombia	39,107	36,530	0	75,637	149656
Peru	0	1464	200	1,664	55
Venezuela	158	5,685	188	6,031	111
Paraguay	0	2,336	20	2,356	102
Uruguay	0	626	27	653	54
<b>Group <sup>(1)</sup></b>	<b>2,143,161</b>	<b>396,988</b>	<b>34,305</b>	<b>2,574,454</b>	<b>1,166,251</b>

<sup>(1)</sup> Turkey did not develop financial education programs in 2016.

<sup>(2)</sup> Number of beneficiary SMEs does not include beneficiaries of online courses of the Camino al Éxito program in South America.

Annex 16 - Financial education programs for children and young people  
 (Number of beneficiaries. 2016)

<b>Spain</b>	<b>1,140,700</b>
Future Values	1,133,239
Your Finances, Your Future (collaborative program)	7,461
<b>The United States</b>	<b>45,909</b>
EVERFI	45,909
<b>Mexico</b>	<b>897,577</b>
Future Values	16,096
Kidzania	826,237
Sala valores de futuro MIDE	46,242
Sub 14 League	1,200
Ambassadors "For those who remain"	5,998
SNEF	1,804
<b>South America</b>	<b>58,975</b>
<b>Argentina</b>	<b>9,406</b>
BBVA France Financial Education Program	1,466
BBVA France Financial Education "Go for your dreams""	7,823
My First Company	117
<b>Chile</b>	<b>10,304</b>
BBVA Financial Education league	10,304
<b>Colombia</b>	<b>39,107</b>
BBVA Entrepreneurship School in Colombia	39,107
<b>Venezuela</b>	<b>158</b>
Online Financial Education Course for Young People	158
<b>Group</b>	<b>2,143,161</b>

## Annex 17 - Financial education programs for SMEs

<b>Financial education for SMEs in Mexico</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Number of financial education workshops given to SMEs	62,433	47,672	77,616
Number of SMEs benefiting from financial education workshops	31,852	25,410	39,685

<sup>(1)</sup> The main target for this initiatives are SMEs, though access is not restricted that is why some beneficiaries could be individual customers

<b>Training for SMEs growth</b>	<b>2016</b>	<b>2015<sup>(2)</sup></b>	<b>2014<sup>(1)</sup></b>
Spain	615	589	1,009
Camino al Éxito (Road to success)	548	704	553
Training of SMEs Mexico	317	734	n/a
<b>Total</b>	<b>1,480</b>	<b>2,027</b>	<b>1,562</b>

n/a = not applicable.

<sup>(1)</sup> A pilot project for Camino al Éxito was developed in 2014.

<sup>(2)</sup> Camino al Éxito 2015 only includes SMEs benefiting from face-to-face training for growth. It doesn't include SMEs benefiting from online courses.

## Annex 18 - Main indicators of BBVA Momentum (BBVA Group)

	<b>Spain</b>	<b>Mexico</b>	<b>Peru</b>
Candidates	713	491	187
Participants	56	50	6
BBVA Mentors	54	20	6
Job Supported	1717	1004	n/a
Turnover of financial companies (euros) <sup>(1)</sup>	61,662,670	67,895,102	n/a
Companies financed	18	32	n/a
Investment in companies (euros) <sup>(2)</sup>	5,007,125	2,926,796	n/a
Investment in high-impact products (euros) <sup>(3)</sup>	7,579,594	n/a	n/a

n/a = not applicable.

<sup>(1)</sup> It only includes Spanish and Mexican companies participating in Momentum Project 2011-2016 as of December 2016.

<sup>(2)</sup> Investment in capital and loans. BBVA finances the growth of these companies through many products (In Spain an investment fund, in Mexico loans in condition they are out of the market).

<sup>(3)</sup> BBVA's investment in Spanish fund is greater than the amount actually injected by the fund into these companies.

Note: It includes 5 editions from Spain, 4 from Mexico, 1 from Peru.

Annex 19 - Main indicators of *Niños Adelante* (Forward Children)

	Investment (euros)			Number of internships			Indirect beneficiaries			Number of affiliates		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Mexico	8,667,317	11,755,786	11,533,128	17,393	18,000	17,815	69,572	72,000	71,260	0	0	n/a
Colombia	567,441	487,704	454,285	29,904	18,963	6,690	119,616	75,852	41,332	122	18	n/a
Peru	230,909	345,650	318,873	21,303	23,012	25,149	85,212	92,408	100,596	9	13	n/a
Venezuela	10,458	52,414	1,832,934	4,500	4,500	4,872	203,500	26,295	22,500	0	0	n/a
Paraguay	60,086	34,600	109,850	38	192	391	n/av	7,585	7,644	12	1	n/a
Uruguay	121,918	122,932	104,027	135	140	120	n/av	100	32	4	6	n/a
<b>TOTAL</b>	<b>9,658,129</b>	<b>12,799,086</b>	<b>14,761,525</b>	<b>73,273</b>	<b>64,807</b>	<b>59,433</b>	<b>477,900</b>	<b>274,240</b>	<b>249,958</b>	<b>147</b>	<b>38</b>	<b>n/a</b>

n/a = not applicable.

n/av = not available.

Annex 20 - Main educational programs ([Direct beneficiaries](#))

<b>2016</b>	
Knowledge Olympics (Mexico)	2923
Becas Niños Adelante (South America and Mexico)	73,273
Papagayo program(Venezuela)	9099
<b>Total child and primary education</b>	<b>85,295</b>
Adelante scholarships (Mexico)	17,393
BBVA Route	182
<b>Total secondary education</b>	<b>17,575</b>
Acción Magistral (Spain)	6539
Teach for America (The United States)	1,110
Teachers Academy Foundation (Turkey) <sup>(1)</sup>	21012
Educational and Production Centers (Mexico)	18634
<b>Total training given to adults</b>	<b>47295</b>
<b>TOTAL</b>	<b>150,165</b>

<sup>(1)</sup> Garanti data not verified

Beneficiaries from the Acción Magistral program ([Spain](#))

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Trained Teachers	265	237	222
Teachers using the platform	6052	4,327	3,034
Acción Magistral meeting	222	355	147
Prize Magistral Action (Winning centers and mentions to students and teachers)	106	1,286	23
<b>Total</b>	<b>6,645</b>	<b>6,189</b>	<b>3,426</b>

## Annex 21 - Public water consumption (BBVA Group. Cubic meter)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Spain and Portugal	410,174	423,036	361,183
The United States	1,122,956	1,035,531	963,547
Turkey	264,480	269,780	n/a
Mexico	625,619	580,804	805,343
South America	857,436	776,132	875,040
<b>TOTAL</b>	<b>3,280,665</b>	<b>3,085,283</b>	<b>3,005,112</b>

n/a = not applicable.

## Annex 22 - Paper consumption (BBVA Group. Tons)

	2016	2015	2014
Spain and Portugal <sup>(1)</sup>	3,024	2,615	3,431
The United States	1,198	850	1,363
Turkey <sup>(2)</sup>	1,597	n/av	n/a
Mexico	1,770	2,185	1,924
South America	1,897	1,641	1,652
<b>TOTAL</b>	<b>9,485</b>	<b>7,292</b>	<b>8,370</b>

n/a = not applicable / n/av = not available.

<sup>(1)</sup> Paper consumption data for 2015 do not include OPPLUS and Insurance.

<sup>(2)</sup> Paper consumption data for Garanti are not externally reviewed.

## Annex 23 - Consumption of energy (BBVA Group. Megawatt hour)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Spain and Portugal</b>	<b>244,721</b>	<b>263,625</b>	<b>257,260</b>
Electricity <sup>(2)</sup>	229,328	249,036	244,800
Fossil fuels <sup>(1)</sup>	15,393	14,589	12,460
<b>The United States</b>	<b>133,397</b>	<b>141,839</b>	<b>153,481</b>
Electricity	127,297	134,423	143,512
Fossil fuels <sup>(1)</sup>	6,100	7,416	9,970
<b>Turkey</b>	<b>149,781</b>	<b>148,346</b>	<b>n/a</b>
Electricity	116,502	115,693	n/a
Fossil fuels <sup>(1)</sup>	33,279	32,653	n/a
<b>Mexico</b>	<b>266,836</b>	<b>260,690</b>	<b>229,517</b>
Electricity	261,238	254,074	221,782
Fossil fuels <sup>(1)</sup>	5,598	6,616	7,735
<b>South America</b>	<b>162,480</b>	<b>179,337</b>	<b>189,953</b>
Electricity	160,153	177,693	186,892
Fossil fuels <sup>(1)</sup>	2,327	1,644	3,062
<b>TOTAL</b>	<b>957,215</b>	<b>993,838</b>	<b>830,212</b>
Electricity	894,518	930,919	796,985
Fossil fuels <sup>(1)</sup>	62,697	62,919	33,227

n/a = not applicable.

<sup>(1)</sup> The consumption of gasoil, natural gas and LP gas are included.

<sup>(2)</sup> Consumption data for Catalunya Banc premises and branches are not included.

Annex 24 - CO<sub>2</sub> emissions <sup>(1)</sup> (BBVA Group. Tons)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Spain and Portugal</b>	<b>89,998</b>	<b>98,136</b>	<b>102,653</b>
Electricity	68,730	74,163	81,860
Fossil fuels	3,118	3,045	2,496
Air travel	18,150	20,928	18,297
<b>The United States</b>	<b>72,187</b>	<b>77,123</b>	<b>77,564</b>
Electricity	63,836	67,003	71,589
Fossil fuels	1,206	1,442	1,927
Air travel	7,145	8,678	4,049
<b>Turkey</b>	<b>66,587</b>	<b>75,099</b>	<b>n/a</b>
Electricity	54,435	63,875	n/a
Fossil fuels	6,681	11,224	n/a
Air travel	5,472	n/av	n/a
<b>Mexico</b>	<b>128,874</b>	<b>126,827</b>	<b>113,711</b>
Electricity	117,838	113,917	99,802
Fossil fuels	1,350	1,968	2,241
Air travel	9,686	10,943	11,669
<b>South America</b>	<b>36,334</b>	<b>38,722</b>	<b>43,194</b>
Electricity	29,682	32,735	34,388
Fossil fuels	594	404	722
Air travel	6,058	5,583	8,084
<b>TOTAL</b>	<b>393,979</b>	<b>415,906</b>	<b>337,123</b>
Electricity	334,520	351,692	287,638
Fossil fuels	12,948	18,083	7,386
Air travel	46,511	46,131	42,099

n/a= not applicable / n/av = not available.

<sup>(1)</sup> The emission factors used for the calculation of CO<sub>2</sub> emissions per electricity, fossil fuels and air travel consumption, have been updated according to the best estimation available. In the case of CO<sub>2</sub> emitted from electricity consumption in Spain, the last factor published by UNESA for 2011 has been used, whereas in the case of the rest of the Group's countries, the last factor published by DEFRA has been used.

## Annex 25 - Waste management (BBVA Group. Kilograms)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Spain and Portugal</b>	<b>835.893</b>	<b>975,714</b>	<b>771,164</b>
Non-hazardous waste	657,415	775,052	596,779
Hazardous waste	178,478	200,662	162,620
<b>The United States</b>	<b>n.d.</b>	<b>n/av</b>	<b>2,142,465</b>
Non-hazardous waste	n.d.	n/av	2,102,201
Hazardous waste	n.d.	n/av	40,263
<b>Turkey</b>	<b>122.382</b>	<b>n/av</b>	<b>n/a</b>
Non-hazardous waste	n.d.	n/av	n/a
Hazardous waste	122,382	n/av	n/a
<b>Mexico</b>	<b>81.552</b>	<b>99,896</b>	<b>1,098,987</b>
Non-hazardous waste	79,912	65,080	1,051,703
Hazardous waste	45,019	34,816	n/av
<b>South America</b>	<b>223.700</b>	<b>179,847</b>	<b>271,775</b>
Non-hazardous waste	140,552	150,248	182,483
Hazardous waste	51,627	29,598	89,292
<b>TOTAL</b>	<b>1,263,527</b>	<b>1,255,457</b>	<b>4,284,391</b>
Non-hazardous waste	877,879	990,381	3,933,167
Hazardous waste	397,506	125,316	143,343

n/a = not applicable / n/av = not available.

Annex 26 - Suppliers <sup>(1)</sup> and annual turnover <sup>(2)</sup>

	2016	2015	2014			
	Number of suppliers	Annual turnover (million euros)	Number of suppliers	Annual turnover (million euros)	Number of suppliers	Annual turnover (million euros)
Spain	1,240	2,457	1,277	2,660	1,233	1,1
The United States	489	704.28	524	484	419	370
Turkey	n/av	n/av	n/av	n/av	n/av	n/av
Mexico	1,142	3,381	1,238	3,974	1,101	3,577
Argentina	408	458.16	559	576	456	340
Chile	242	171.47	250	197	227	151
Colombia	180	197.76	216	198	213	205
Perú	285	246.32	290	257	270	193
Venezuela	81	61.39	59	20	236	347
Paraguay	49	16.04	51	20	51	17
Uruguay	54	26.72	24	7	51	26
Portugal	70	31.45	110	48	64	29
Bolivia	n/av	n/av	0	0	0	0
<b>TOTAL</b>	<b>4,240</b>	<b>7,751</b>	<b>4,598</b>	<b>8,441</b>	<b>4,321</b>	<b>7,186</b>

Total suppliers <sup>(3)</sup>

	2016	2015	2014			
	Number of suppliers	Annual turnover (million euros)	Number of suppliers	Annual turnover (million euros)	Number of suppliers	Annual turnover (million euros)
Spain	14,020	2,588	14,785	2,796	14,088	2,067
The United States	2,073	731.33	2,241	678	2,370	398
Turkey	n/av	n/av	n/av	n/av	n/av	n/av
Mexico	5,988	3,486	5,674	4,081	5,286	3,677
Argentina	2,262	490.5	2,701	618	2,598	376
Chile	1,462	189.73	1,995	216	1,545	169
Colombia	2,827	222.5	4,146	224	3,070	232
Perú	2,972	273.89	4,421	287	3,444	220
Venezuela	869	67.87	856	41	1,104	362
Paraguay	1,119	23.04	1,141	27	1,106	24
Uruguay	567	33.37	475	11	525	31
Portugal	844	38	1,015	57	1,123	36
Bolivia	n/av	n/av	0	0	0	0
<b>TOTAL</b>	<b>35,003</b>	<b>8,144</b>	<b>39,450</b>	<b>9,036</b>	<b>36,259</b>	<b>7,592</b>

<sup>(1)</sup> Including suppliers and creditors.

<sup>(2)</sup> Payments made to third parties (not including suppliers with amounts less than €100,000). Cash flow criterion.

<sup>(3)</sup> Including all suppliers, creditors and third parties invoicing to BBVA without a limit to the amount.

n/av = not available.

## Annex 27 - Average payment period to suppliers (Days)

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Spain	46.5	47	39
The United States	3.6	7	n.d.
Mexico	21.3	17	20
Argentina	33.6	34	35
Chile	25.5	27	30
Colombia	13.2	16	7
Perú	26.3	31	31
Venezuela	26	19	16
Paraguay	30	30	15
Uruguay	5	5	30
<b>TOTAL</b>	<b>23</b>	<b>23</b>	<b>23</b>

Average payment period calculated as an average resulting from the difference between the payment date and the base date. With no weighing by amount.

## Annex 28 - Customer satisfaction index

	<b>2016 <sup>(1)</sup></b>	<b>2015</b>	<b>2014</b>
Spain	n/av	78	79
The United States	n/av	74	72
Mexico	n/av	82	80
Argentina	n/av	83	84
Chile	n/av	78	83
Colombia	n/av	86	86
Perú	n/av	82	79
Venezuela	n/av	86	88
Uruguay	n/av	87	n/av
Paraguay	n/av	80	n/av
<b>TOTAL</b>		<b>81.6</b>	<b>82</b>

<sup>(1)</sup> Biennial. To be done in 2017.

n/av= not available.

## Annex 29 - Supplier approval

	Number of suppliers who have passed the approval process			Purchases from suppliers who have taken part in the approval process (%) <sup>(1)</sup>			Number of suppliers who have failed the approval process		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Spain	1,148	1,037	893	84	85	84	12	10	2
The United States	579	n/av	n/av	72	n/av	n/av	154	n/av	n/av
Mexico	340	n/av	n/av	74	n/av	n/av	108	n/av	n/av
Argentina	356	n/av	n/av	69	n/av	n/av	0	n/av	n/av
Chile	783	n/av	n/av	89	n/av	n/av	24	n/av	n/av
Colombia	776	n/av	n/av	92	n/av	n/av	16	n/av	n/av
Peru	463	n/av	n/av	77	n/av	n/av	3	n/av	n/av
Venezuela	253	n/av	n/av	57	n/av	n/av	0	n/av	n/av
<b>Total</b>	<b>4,698</b>	<b>1,037</b>	<b>893</b>	<b>614</b>	<b>85</b>	<b>84</b>	<b>317</b>	<b>10</b>	<b>2</b>

n/av = Not available.

<sup>(1)</sup> Other purchases are from suppliers who do not meet the internal criteria that require them to take part in the approval process.