

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**:

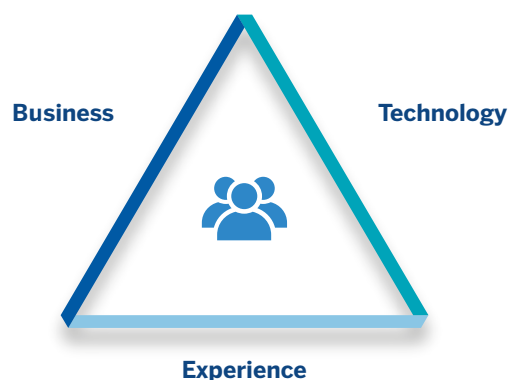
- The transformation of the Group should be guided by our customers' demand for unique and innovative experiences.
- We are investing in capital and talent to create a future of opportunities for our customers.

- 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.



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.

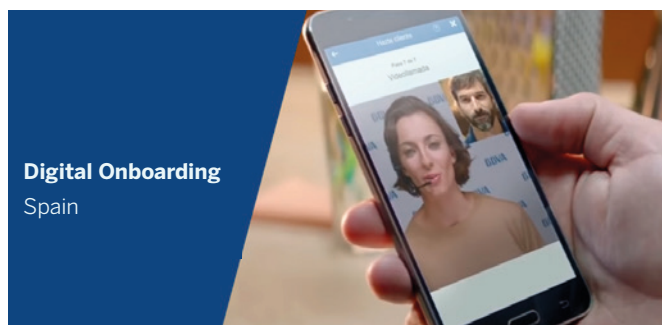
In addition, the opening of the **Creation Center in Dallas** was a step forward for Customer Solutions and our investment in the improvement of customer experience. A group of 55 highly-qualified employees has been hired, with experience in data, computer engineering, user experience and design. They 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.



- **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:

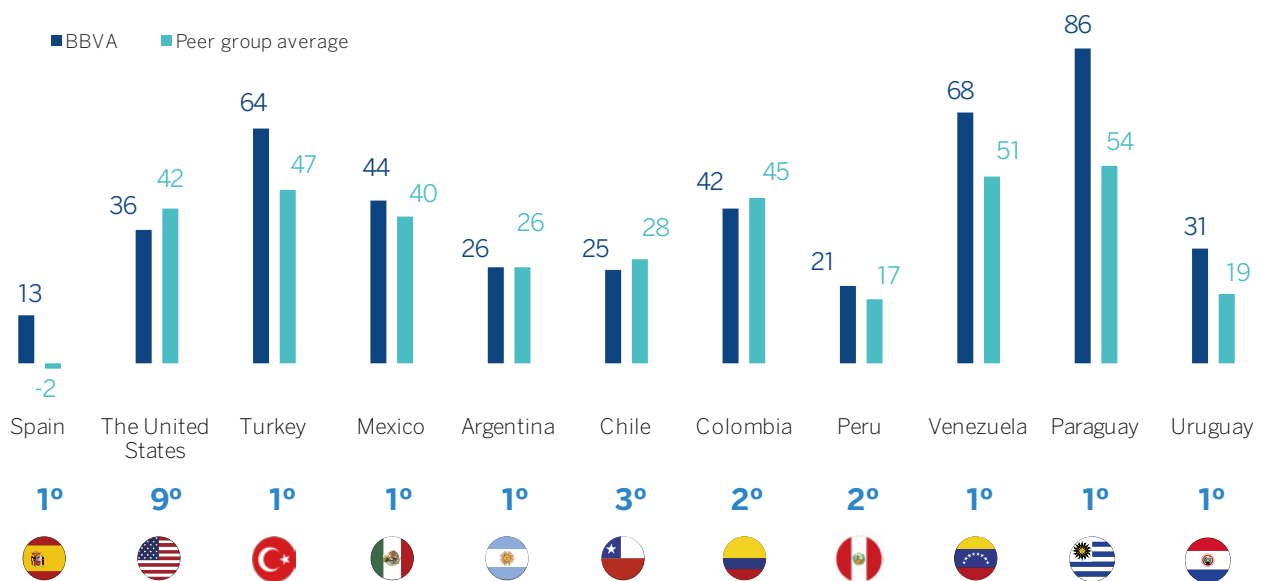
- In **Spain**, the consolidation of the *Calidad en Red Banco 10 - 3.0* (Bank network quality 10 - 3.0) program.
- In **the United States**, a new tool has been launched to improve interaction with customers, speed up processes and reduce paperwork through the digitalization of a variety of products 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 Río / 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, it 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.

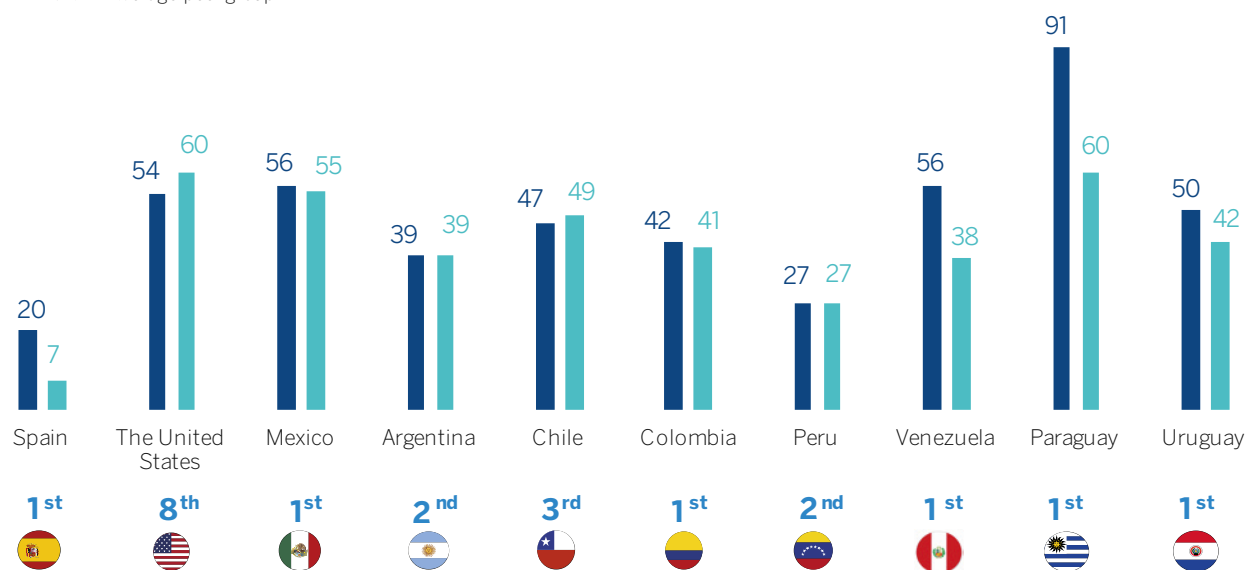
TCR Indicators

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)⁽¹⁾ (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.

⁽¹⁾ 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
TOTAL	9,799,905	10,325,749	8,456,200

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	43,520,112
Argentina	4,000	1,530,144	4,000	1,342,236	4,000	1,194,384
Colombia	5,826	1,507,738	7,136	1,961,796	11,160	2,439,996
Peru	10,358	29,788,001	8,993	32,688,993	5,608	23,225,413
TOTAL	50,353	77,201,620	46,441	75,478,843	45,272	70,379,905

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

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

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. CABEL 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
Estrategia ISR			
Integration (%)	0.14 ⁽¹⁾	7	37
Exclusion (%)	100	100	100
Vote (%)	100	100	100

EPSVs refer to Voluntary Social Welfare Entities.

⁽¹⁾ 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)

	Quantity donated (euros)	Volume (million euros)	Members and beneficiaries
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
TOTAL	6,684,103	789	42,999

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.