

**BBVA**

# BBVA in 2015



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# Letter from the Group Executive Chairman

Dear Shareholder,

The global economy grew by 3.2% in 2015, in a context marked by the slowdown in China, the fall in oil prices, the strong currency depreciation in some emerging countries and geopolitical tension in the Middle East, which caused high volatility in the international financial markets. Emerging economies, as a whole, registered lower growth than in 2014, while developed economies continued to recover, thanks in part to the monetary policies of Central Banks and the low prices of oil and other commodities. Spain grew 3.2% in 2015, more than twice as fast as the Eurozone. Some of the best news last year was the good performance of the labor market, where 525 thousand jobs were created according to the Labor Force Survey (EPA, by its acronym in Spanish) and the unemployment rate fell to 20.9%. Spain needs to continue along these lines.

In a difficult context, BBVA posted a very strong set of results in 2015, thanks to income growth throughout our footprint, smart cost management and lower loan-loss provisions, particularly in Spain. BBVA's net attributable profit amounted to €2,642m, which is a year-on-year increase of 0.9% in current euros and 4.4% in constant euros, i.e. not including exchange rate variations.

In 2015 we completed several corporate operations that strengthened the Group's growth potential and had an extraordinary accounting impact on the year's earnings. First, we increased our stake in Garanti from 25% to 39.9%, becoming the largest shareholder of the best bank in Turkey. In addition, the acquisition of Catalunya Banc enabled us to increase our market share sharply in Catalonia. Lastly, we sold part of our investment in China. Excluding the one-off impacts of these corporate operations, BBVA's net attributable profit in 2015 stood at €3,752m, a year-on-year increase of 43.3% in current euros and 48.2% in constant euros.

Last year, the Group's main risk indicators also improved, with an increase in the coverage ratio to 74%, a reduction in the NPL ratio to 5.4%, and a year-on-year decrease in loan-loss and real-estate provisions of 6.4%.

At the same time, BBVA maintained a very sound capital position and ended the year with a phased-in capital ratio of 12.1%, well above the regulatory requirements, and a fully-loaded ratio of 10.3%. Lastly, our fully-loaded leverage ratio at the end of the year increased to 6%, enabling us to become leaders in our peer group.

2015 was a key year in BBVA's transformation process. Last May, the Board of Directors approved a new organizational structure designed to strengthen the Group's earnings in the short and medium term and build the capabilities needed to compete successfully in the new banking industry of the 21st century. BBVA's new organization is focused on becoming a better bank for our customers as we aim to bring the age of opportunity to everyone. To this end, we have defined six strategic priorities: create a new standard of excellence in customer experience, drive digital sales, develop new business models, optimize capital allocation, obtain an unrivaled efficiency, and develop, motivate and retain a first class workforce.

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BBVA's new organization is focused on becoming a better bank for our customers as we aim to bring the age of opportunity to everyone

In addition to working hard on new products, processes and channels, in 2015 we incorporated new talent and, in particular, we made significant progress in changing our culture, implementing new ways of working that are more agile and proactive. As part of this cultural change, we inaugurated new headquarters in Madrid and Mexico City, which come on top of those we already opened in Houston and London and the ones that have been completed or are being completed in Santiago de Chile, Buenos Aires and Lima. In all these places we are deploying new ways of working that are more collaborative and focused on teamwork.

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In addition to working hard on new products, processes and channels, in 2015 we brought on board a great deal of new talent and, in particular, we made significant progress in our cultural change

In 2015, BBVA also strengthened its responsible banking model. On the one hand, the Board of Directors approved the Group's new Corporate Social Responsibility Policy, adapting it to new international recommendations and standards. On the other, the 2012-2015 Responsible Business Plan was completed, which attained all the goals set in transparent, clear and responsible communication, financial literacy and high social impact solutions. The BBVA Foundation, the BBVA Microfinance Foundation and the Bank itself continued to develop education, economic, cultural and scientific programs around the world. Moreover, in 2015, BBVA reiterated its commitment to the principles of the United Nations Global Compact.

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In 2015, BBVA also strengthened its responsible banking model and continued to develop education, economic, cultural and scientific programs around the world

BBVA has made much progress in 2015. Based on a very sound business model with great growth potential, we have the best business project in the financial industry.

I would like to thank all BBVA employees for their effort and encourage them to continue working with the same dedication and enthusiasm that make BBVA a different bank. And thank you, our Shareholders, for the trust you have placed in BBVA. Your support motivates us to continue making progress building this great project.



March 1, 2016

Francisco González Rodríguez



# The most relevant aspects

BBVA is a customer-centric global financial services group founded in 1857. The Group has a solid position in Spain; it is the largest financial institution in Mexico and leading franchises in South America and the Sunbelt Region of the United States. It is also Turkish bank Garanti's leading shareholder. Its diversified business is biased on high-growth markets and it relies on technology as a key sustainable competitive advantage. Corporate responsibility is inherent to its business model, drives financial literacy and inclusion, and supports scientific research and culture. BBVA's operations are governed by strict integrity standards, a long-term vision and best practices. The company is ranked in the most relevant sustainability indices.

The BBVA in 2015 report explains to its main stakeholders and the public in general what 2015 has meant for the Bank.

The main highlights for the year include the change in its structure to accelerate transformation and boost results; the acquisition of an additional stake in Garanti, which has led to BBVA becoming the leading shareholder in this Turkish bank; and the Group's becoming the first Spanish financial institution to join CSR Europe.

BBVA's Key Performance Indicators (KPIs) in 2015 have been drawn up in accordance with the capital concept of an integrated report: financial capital (balance sheet, results and significant ratios), manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. All the indicators are compared against 2014 figures.

Lastly, this section includes the important awards received in 2015, such as Best Bank of Latin America by Euromoney and Best Bank of Spain, Mexico and Latin America by The Banker. In addition, Great Place to Work® has chosen BBVA as one of the best multinational companies to work for in 2015.

# BBVA in figures

## BBVA Group highlights (KPIs)

|   | 2015    | Var (%) | 2014    |
|---|---------|---------|---------|
| <b>Financial capital</b>  |         |         |         |
| <b>A) Balance sheet (million euros)</b>                           |         |         |         |
| Total assets  | 750,078 | 15.1    | 651,511 |
| Loans and advances to customers (gross)                           | 432,855 | 18.1    | 366,536 |
| Deposits from customers   | 403,069 | 21.9    | 330,686 |
| Total equity  | 55,439  | 7.4     | 51,609  |
| <b>B) Results (million euros)</b>                                 |         |         |         |
| Recurring revenue (net interest income plus fees and commissions) | 21,130  | 8.5     | 19,481  |
| Gross income  | 23,680  | 10.9    | 21,357  |
| Operating expenses  | 12,317  | 12.5    | 10,951  |
| Net attributable profit   | 2,642   | 0.9     | 2,618   |
| Net attributable profit from ongoing operations <sup>(1)</sup>    | 3,752   | 43.3    | 2,618   |
| Earnings per share (euros) <sup>(2)</sup>                         | 0.60    | 45.0    | 0.41    |
| Number of shares issued (million)                                 | 6,367   | 3.2     | 6,171   |
| <b>C) Significant ratios (%)</b>                                  |         |         |         |
| ROE (Net attributable profit/average equity)                      | 5.3     |         | 5.6     |
| ROA (Net income/average total assets)                             | 0.46    |         | 0.50    |
| Efficiency ratio  | 52.0    |         | 51.3    |
| Cost of risk  | 1.06    |         | 1.25    |
| NPL ratio   | 5.4     |         | 5.8     |
| Coverage ratio  | 74      |         | 64      |
| CET1 <sup>(3)</sup>   | 12.1    |         | 11.9    |
| Total capital ratio <sup>(3)</sup>                                | 15.0    |         | 15.1    |

|  | 2015    | Var (%) | 2014    |
|--|---------|---------|---------|
| <b>Manufactured capital</b>  |         |         |         |
| Number of branches <sup>(4)</sup>                                      | 9,145   | 24.1    | 7,371   |
| Number of ATMs <sup>(4)</sup>  | 30,616  | 36.6    | 22,414  |
| Number of customers (millions) <sup>(4)</sup>                          | 66      | 28.8    | 51      |
| Number of digital customers (millions)                                 | 14.8    | 19.0    | 12.4    |
| Number of mobile banking customers (millions)                          | 8.5     | 44.7    | 5.9     |
| Number of countries in which the Group operates                        | 35      |         | 31      |
| <b>Intellectual capital</b>  |         |         |         |
| Number of followers in social networks (millions)                      | 29      | 31.4    | 22      |
| Number of profiles in social networks                                  | 175     | 4.2     | 168     |
| Hours of training per year per employee                                | 49      | (5.0)   | 52      |
| Annual investment in training for employees (million euros)            | 34      | (0.9)   | 35      |
| <b>Human capital</b>   |         |         |         |
| Number of employees <sup>(4)</sup>                                     | 137,968 | 26.8    | 108,770 |
| Number of people in the management team                                | 1,858   | (4.1)   | 1,937   |
| Employee gender diversity (% women/workforce)                          | 53.9    |         | 52.6    |
| Gender diversity in the management team (% women/management team)      | 19.6    |         | 18.5    |
| Employee satisfaction index <sup>(5)</sup>                             | 77.3    |         | 77.3    |
| Employee average age (years)   | 37      |         | 38      |
| Job stability (% permanent employment)                                 | 94.4    |         | 94.0    |
| Employee turnover (%) <sup>(6)</sup>                                   | 8.5     |         | 8.4     |
| Net jobs created <sup>(7)</sup>  | 590     |         | (647)   |
| Participants in volunteer initiatives by BBVA employees <sup>(8)</sup> | 8,148   | 18.2    | 6,894   |

|   | 2015      | Var (%) | 2014      |
|---|-----------|---------|-----------|
| <b>Social and relationship capital</b>  |           |         |           |
| Investment in social programs (million euros)   | 103.6     | (3.3)   | 107.2     |
| Group's net attributable profit allocated to social programs (%)                                  | 3.9       |         | 4.1       |
| Number of beneficiaries of financial literacy programs  | 1,536,208 | 10.9    | 1,385,447 |
| Number of beneficiaries of education for society programs   | 290,116   | (8.4)   | 316,692   |
| Number of micro-entrepreneurs supported by BBVA Microfinance Foundation                           | 1,712,801 | 10.9    | 1,544,929 |
| Total volume of the loan portfolio of BBVA Microfinance Foundation (million euros) <sup>(9)</sup> | 936       | 3.2     | 907       |
| Average microloan (euros) <sup>(10)</sup>   | 1,046     | 1.9     | 1,026     |
| Number of SMEs, micro-enterprises and self-employed people supported or financed by BBVA          | 1,720,968 | 5.3     | 1,634,540 |
| Number of countries in which BBVA is first in IReNe <sup>(11)</sup>                               | 7/10      |         | 4/10      |
| Customer claims for each €1 billion of activity <sup>(12)</sup>                                   | 21        | (84.0)  | 131       |
| Average time for settling complaints (days)   | 11        |         | 12        |
| Supplier turnover (million euros) <sup>(13)</sup>   | 8,442     | 17.5    | 7,186     |
| Average payment period to suppliers (days)  | 23        | -       | 23        |
| <b>Natural capital <sup>(14)</sup></b>  |           |         |           |
| CO <sub>2</sub> emission per person (T)   | 2.7       | -       | 2.7       |
| Paper consumption per person (T)  | 0.1       | -       | 0.1       |
| Water consumption per person (m <sup>3</sup> )  | 22.3      | (7.1)   | 24.0      |
| Electricity consumption per person (MWh)  | 6.4       | -       | 6.4       |
| People working in certified buildings (%)   | 33        | -       | 18        |
| Number of projects financed under the Equator Principles  | 26        | (40.9)  | 44        |

General note: Since the third quarter of 2015, the total stake in Garanti (39.90%) is consolidated by the full integration method. For previous years, the financial information provided in this document is presented integrated in the proportion corresponding to the percentage of the Group's stake at that time (25.01%).

(1) It corresponds to the net attributable profit excluding results from corporate operations.

(2) From ongoing operations. Adjusted by traditional Tier I instrument remuneration.

(3) The capital ratios are calculated under CRD IV, applying a 40% phase-in for 2015.

(4) It includes Garanti figures since third quarter of 2015.

(5) There is no survey in odd years.

(6) Turnover rate (%): [Resignations (excluding early retirement)/People at start of period] x 100.

(7) It does not include new hires and losses due to changes in the scope of consolidation.

(8) Data estimated according to the information provided by participants. A volunteer can participate in more than one activity.

(9) Formed by current portfolio, defaulted portfolio and interest.

(10) Calculated as the cumulative total paid out in the year divided by the number of cumulative operations in the same period.

(11) IReNe = Customer Satisfaction Index. The satisfaction survey is not carried out in Turkey.

(12) Number of complaints procedures before the banking authorities. Not including The United States in 2014. The data for 2015 are provisional.

(13) Supplier with an annual turnover higher than €100,000.

(14) It includes BBVA Group employees and external occupants. For more information on the scope and calculation method of these indicators, see the Eco-efficiency chapter.



# Awards and recognitions

## Bank of the Year Awards

Best Bank of Latin America  
Best Bank of Spain  
Best Bank of Mexico

**The Banker**  
GLOBAL FINANCIAL INTELLIGENCE SINCE 1986

## The Global Private Banking Awards

Best Private Bank in Mexico  
Best Private Bank in Spain  
Best Private Bank in Digital Communication in Spain

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## Best Bank Awards

Best Global Consumer Bank  
Best Bank of Latin America  
Best Bank of Peru  
Best Bank of Venezuela  
Best Bank of Mexico  
Best Debt Bank in Latin America  
Best Investment Bank in Spain  
Best Investment Bank in Mexico

GLOBAL  
FINANCE

## Best Digital Bank

Best Digital Bank in Mexico  
Best Digital Bank in Turkey

## Best Asset Manager for Corporates

BBVA Asset Management, Best Asset Manager for Corporates in Spain and Mexico

## World's Best Sub-Custodian Banks

Best Sub-Custodian in España  
Best Sub-Custodian in México

## Best Treasury & Cash management providers

Global Finance recognizes BBVA's excellence in Treasury and Cash Management solutions in Spain, Mexico and the United States

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## Best Global Bank to Work

BBVA chosen as best global bank to work by Great Place to Work®



## Best Bank to Work in Latin America

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## Francisco González receives the Sorolla Medal from the Hispanic Society of America



## Euromoney Awards for Excellence 2014

Best Bank of Latin America  
Best Bank of Peru  
Best Bank of Paraguay  
Best Bank in Fixed Income in Spain



## Best Trade Finance Provider in Spain

## Best Cash Management Services Provider in Colombia

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## BBVA, Best Company to Work in Spain

BBVA chosen as The Best Company To Work



## BBVA heads the syndicated loan market in Spain

BBVA heads the syndicated loan market in Spain in 2014



## Best CFO

The CFO of BBVA, Jaime Sáenz de Tejada, chosen the best CFO of Europe



## BBVA, silver mention "Best Online Report 2014"

BBVA has been awarded the Silver Mention on "Best Online Report 2014", within the category of international and unlisted companies, on the London Stock Exchange

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## BBVA, gold mention "Best Interactive Annual Report Among International Banks"

"ARC International Awards" give to BBVA the first award to "Best Interactive Annual Report Among International Banks"

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## BBVA, silver mention "Best Annual Report 2014"

BBVA received this award within the category of "Best use of digital to an investment audience" on the Digital Impact Awards

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## Best Children Financial Literacy Program of the year

BBVA Bancomer has been awarded as the best "Programa de Educación Financiera para niños del Año" in "Valores de futuro" given by the Institute for Financial Literacy of EIFLE Awards

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## 2014 Forecaster Accuracy Award

BBVA Research Spain has been awarded "2014 Forecaster Accuracy Award"

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## Honorific mention on the "Premios AECA a la Transparencia Empresarial 2015"

BBVA has received an honorific mention on the XIV edition of "Premios AECA a la Transparencia Empresarial 2015" within the category of listed companies on the IBEX-35

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## Recognition to the Fundación Microfinanzas BBVA

The UN recognizes the Fundación Microfinanzas BBVA for his work in favor of sustainable development



# Strategy

BBVA Group's digital transformation process made significant progress in 2015 with the definition, among other aspects, of the Bank's new strategy and organizational structure.

The economic environment in which BBVA has operated during the year has been determined by moderate economic growth, vulnerable to risks, with a slowdown in emerging economies and mild recovery of the developed world.

The regulatory environment in the financial industry has been marked by the first supervision exercise under the Single Supervisory Mechanism (SSM), with a very positive assessment. In Europe, decisive steps have been taken to strengthen and complete the banking union. The transparency exercise conducted by the European Bank Authority (EBA) showed that banks are now better capitalized. As regards Spain, the Spanish regulatory framework has been adapted to European directives and regulations in the planned timeframes.

BBVA has a banking model based on four pillars that makes us different: diversification and leadership, a management model based on prudence and proactivity, a business model of return adjusted to principles and a customer-centric business approach. The principles inspiring our activity are integrity, prudence and transparency. Our business model is customer oriented, offering a differential service with a very ambitious goal: to be leaders in customer satisfaction across our global footprint.

We are witnessing a new environment for the financial industry that poses a significant challenge for this sector. Transformation journey: BBVA has to tackle this new environment through a transformation from and to the customers. In 2015, the Group defined a new Purpose: to bring the age of opportunity to everyone. This is the Purpose that must guide the strategy and decision-making process in the Organization. To this end, six strategic priorities have been defined, which are aligned with the Purpose and lead this transformation: to provide a new standard in customer experience; to drive digital sales; to create / associate with / acquire new business models; to optimize capital allocation; to adapt the model, the processes and the structures to achieve an unrivaled efficiency; and to develop, retain and motivate a first class workforce.

Lastly, in 2015 we continued to promote the Responsible Business Plan, which has been developed around three pillars: transparent, clear and responsible communication (TCR); financial literacy; and high social impact products.



# Global growth

The loss of momentum in GDP growth worldwide in 2015, which could reach 3.2%, can be explained by the slowdown in the main emerging economies. The mild recovery of the developed world has been insufficient to offset the slowdown in the emerging and developing economies, which already account for nearly 60% of global GDP.

Moderate economic growth, vulnerable to risks

## Global GDP growth and inflation in 2015

(Percentage of real growth)

|                              | GDP   | Inflation |
|------------------------------|-------|-----------|
| Global                       | 3.2   | 3.7       |
| Eurozona                     | 1.5   | 0.0       |
| Spain                        | 3.2   | (0.5)     |
| The United States            | 2.5   | 0.1       |
| Mexico                       | 2.5   | 2.7       |
| South America <sup>(1)</sup> | (1.6) | 20.0      |
| Turkey                       | 3.6   | 7.7       |
| China                        | 6.9   | 1.4       |

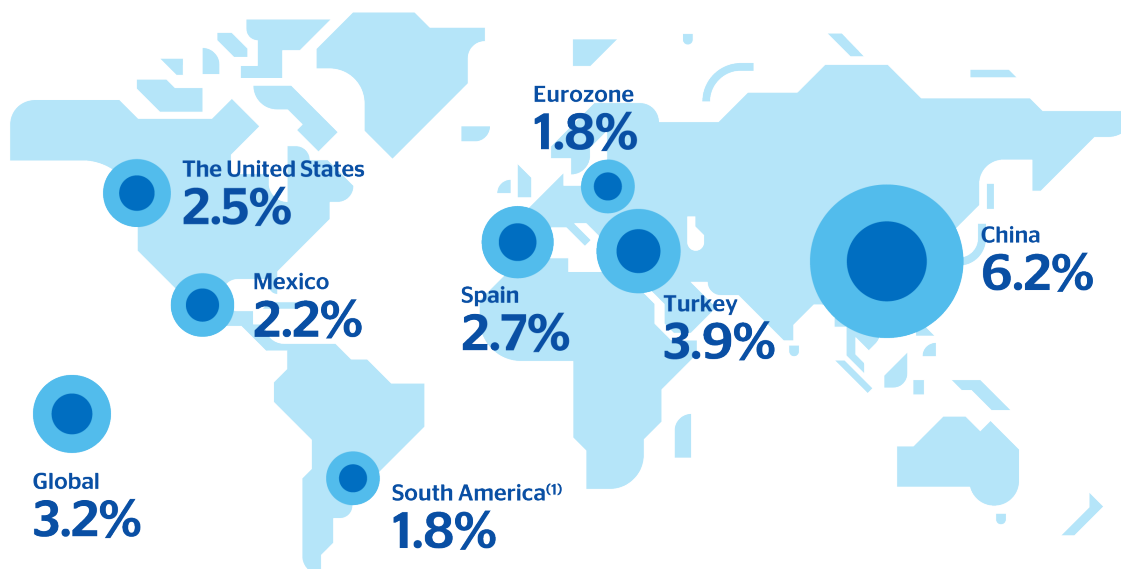
Source: BBVA Research estimates.

(1) It includes: Brazil, Argentina, Venezuela, Colombia, Peru and Chile.

The outlook for growth in 2016 remains at 3.2%. Deleveraging needs to continue in the developed world in an environment of all-time low inflation, weak global trade and doubts that are holding back investment. Against this backdrop, emerging economies are facing China's "landing", the normalization of the monetary policy in the United States and the fall in commodity prices.

## Economic growth for 2016

(Percentage of GDP)



Source: BBVA Research.

(1) South America includes Argentina, Bolivia, Chile, Colombia, Paraguay, Peru and Uruguay.

The key to the global scenario is the final outcome of China's transition toward lower and more sustainable rates of growth, while it rebalances its economy toward a greater weight of services and the market.

A major challenge

The normalization of the monetary policy in the United States, although gradual, involves interest rate hikes that make investments in emerging markets less attractive. The pace of the hikes will be a good thermometer to assess the strength of the cycle in the United States (and in the rest of the world), but it will be slow, given the environment of low inflation.

Lastly, the downward adjustment of commodity prices, due to increases in their production higher than demand expectations, is intensifying the deterioration in exporting economies, while affecting those with the greatest need to fund their domestic growth with external saving and foreign currency.

In short, an uncertain landscape, given that the room for *maneuver* in the face of new global risks is limited, with a Federal Reserve (Fed) that has just begun to increase rates very cautiously; with the European Central Bank (ECB) and the Bank of Japan announcing new measures to achieve their inflation targets; and with great uncertainty on China's economic policy goals (and the ability to implement them).

# The regulatory environment in the financial industry

## Single Supervisory Mechanism: main aspects and assessment of the first year

The assessment of the first supervision exercise under the SSM is clearly positive

The Single Supervisory Mechanism (SSM) was implemented on November 4, 2014. This is a basic pillar of banking union and a milestone on a scale similar to the launch of the single currency. It is one of the world's largest banking supervisors, with more than €20 trillion in assets under its direct supervision, around 80% of total assets in the euro zone. It will also take part in the indirect supervision of more than 3,500 banking groups. Thus, all banks of a certain size in the euro zone will be supervised in a highly standardized way and under the same regulatory framework.

The SSM is already a fully functioning reality with many achievements. Indeed, in just over a year, the supervision methodology has been developed and the required resources have been allocated. This new methodology, the Supervisory Review and Evaluation Process (SREP), is not a mechanical process, but rather also takes into account qualitative aspects. Moreover, it is a holistic and prospective process whereby the supervisor seeks to obtain a broader view of the institution, beyond the financial information. The main pillars of the SREP are:

- Internal governance and risk management. Among other things, this pillar includes a thorough assessment of the bank's organizational structure, making sure that the decision-making processes are suitable and that the members of the boards of directors fulfill the requirements for adequately performing their duties. This aspect is and will continue to be pivotal for the SSM. It should be noted that there is some diversity in the governance models within the European Union, and this should be taken into account when defining best practices, so that no single model prevails, but rather the best of each.
- The business model analysis assesses the capacity to generate earnings over twelve months (viability) and three years (sustainability). This is one of the aspects that raises the most questions from a practical point of view, since there are as many business models as financial institutions, without one of them necessarily being an economically superior model.
- The last two pillars, liquidity and capital, analyze credit or market risk and funding risk, among other aspects. In these areas there are still discrepancies in the level of implementation of the regulations in each country that make full standardization or comparability impossible. However, the European authorities are laying the foundations for achieving convergence in a reasonable period of time.

The assessment of the first supervision exercise under the SSM is clearly positive, although a constructive dialog needs to be maintained with the institutions and with the market in order to better understand the supervisor's concerns and priorities and, of course, the supervision methodology itself.

## Status of the regulatory reforms

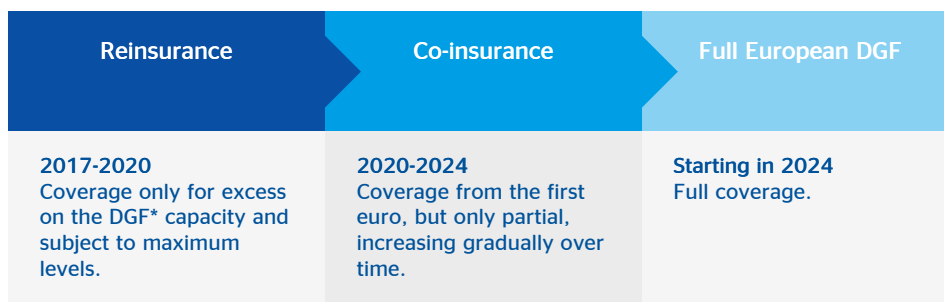
Completion of the regulatory reform driven by the G-20 following the outbreak of the financial crisis has continued in 2015. A vital step has been taken for completing the resolution framework for global systemically important banks (G-SIBs) with the approval in November of the minimum total loss-absorbing capacity requirements (TLAC). 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. However, the effect of this global reform on economic activity is drawing increasing interest, as there is a risk that it may significantly restrict economic growth.

The regulatory reform driven by the G-20 is almost completed and its implementation has substantially strengthened the banking system

The advances made in the European banking union have resulted in much closer integration of the euro zone countries. First, the SSM has completed its first year of operation, as has just been mentioned. Second, the new resolution authority has been created in Brussels, with its accompanying Single Resolution Fund. Both will be fully operational in 2016. In addition, the European Commission has taken a decisive step to complete the banking union with its legislative proposal of November 24, which aims to move gradually toward a European Deposit Insurance Scheme (EDIS) in Europe, culminating in 2024 with a centrally-managed common fund (DGF).

In Europe, decisive steps have been taken to strengthen and complete the banking union

## Stages toward a full European deposit guarantee fund



\* The DGF coverage refers to the funds needed to cover the target level set in the DGF Directive (0.8% of the deposits covered in 2024).



On September 30, the European Commission published the action plan for building the capital markets union with the aim of moving toward greater integration and efficiency of those markets and facilitating access to them by removing the existing barriers, so it can lead to better funding for economic activity (SMEs, infrastructures, R&D, etc.).

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The new project for capital markets union will strengthen the diversification of sources of funding in Europe

This is an ambitious long-term project (it extends at least until 2019) which still needs to be developed and could require the harmonization of aspects such as the insolvency laws or the accounting criteria applied in the different jurisdictions.

On November 24, the European Banking Authority (EBA) published the results of the transparency exercise conducted, which covers 70% of banking assets in the European Union. These results show the enhanced resilience of the banking sector compared with the previous year. Capital positions have been reinforced, mainly through the withholding of profits and the issuance of capital instruments. Capital ratios reach levels well above the minimum regulatory requirements.

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The EBA's transparency exercise shows that banks are better capitalized

As regards the Spanish regulatory framework, Spanish transposition of the European solvency regulations (CRD IV-CRR) was completed in 2015 through Royal Decree-Law (RDL) 84/2015, which implements Act 10/2014 on the Organization, Supervision and Solvency of Credit Institutions.

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The Spanish regulatory framework has been adapted to European directives and regulations in the planned timeframes

In addition, two directives approved in Europe in 2014 have been implemented in Spain, the Bank Recovery and Resolution Directive and the Directive on Deposit Guarantee Schemes. This has been completed through Act 11/2015, on the recovery and resolution of credit institutions, and the implementing Royal Decree (RD) 1012/2015. These measures substantially reinforce the Spanish framework for the resolution of banking institutions and designate the authorities responsible in this area (Bank of Spain for preventive tasks and the Fund for Orderly Bank Restructuring -FROB by its acronym in Spanish- for resolution execution). One key element of the resolution framework is that it is a bank's creditors, and not the taxpayers, who will have to bear the recapitalization costs in the event of resolution. To this end, minimum requirements for bail-inable liabilities (MREL) will be established for Spanish and European banking institutions starting in 2016, insofar as they implement the directive.

The Spanish deposit guarantee system has also been amended to harmonize it with that of other European countries, as regards both the contributions to be made *ex-ante* by the banking institutions, which will be sensitive to the risk of each bank, and the rights and collection times for depositors in the event of a bank's liquidation.

# Unique banking model

BBVA has a banking model based on four pillars that makes us different:

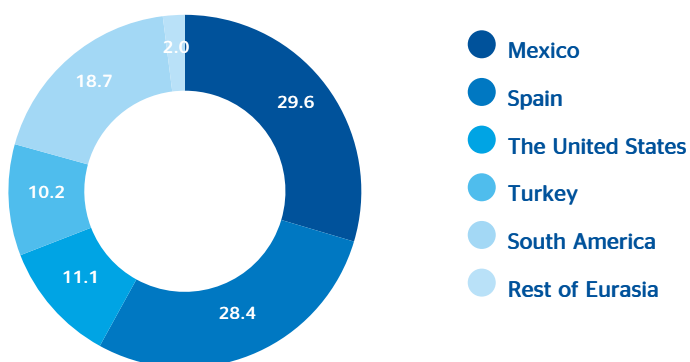


1. Diversification and leadership. A well-diversified portfolio supported by leading and high quality franchises

## Geographic Diversification

Gross income breakdown <sup>(1)</sup>

2015 (percentage)



(1) Excludes Corporate Center. Spain includes banking activity and real-estate activity.

## Market Share and Ranking

### Detail by country <sup>(2)</sup>

|                             | Loans     |     | Deposits  |     |
|-----------------------------|-----------|-----|-----------|-----|
|                             | Share (%) | rnk | Share (%) | rnk |
| Mexico                      | 23.4      | 1st | 23.2      | 1st |
| Spain                       | 14.4      | 2nd | 14.7      | 3rd |
| Turkey                      | 11.8      | 2nd | 11.6      | 2nd |
| South America (ex Brazil)   | 10.4      | n/a | 10.4      | n/a |
| The United States (Sunbelt) | n/a       | n/a | 6.3       | 4th |

(2) Pro-forma calculation including a 39.9% stake in Garanti. Figures exclude Corporate Centre. Spain: Other domestic sector and public sector data as of November, 2015 (BBVA+CX); Mexico: data as of December, 2015; South America: data as of October, 2015; The United States: data as of June, 2015, market share and ranking by deposits considering only Texas and Alabama; Turkey: BRSA data for commercial banks as of December, 2015.

## 2. A management model based on prudence and proactivity

| 1. Structural Risk  | 2. Credit Risk   | 3. Capital Management   | 4. M&A Strategy   |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>Financially independent subsidiaries</li> <li>Optimized balance sheet structure</li> </ul> | <ul style="list-style-type: none"> <li>Defined asset allocation</li> <li>Risk-adjusted growth</li> <li>Identified, measurable and limited risks</li> </ul> | <ul style="list-style-type: none"> <li>Focus on organic capital generation</li> <li>Commitment to shareholders</li> </ul> | <ul style="list-style-type: none"> <li>Creating value through selective acquisitions</li> <li>Sale of non-strategic businesses</li> </ul> |

### resulting in:

| 1. Strong Liquidity Position  | 2. Outstanding Risk Management  | 3. Strong Capital Position   | 4. Well-diversified Portfolio   |
|---|---|--|---|
| <ul style="list-style-type: none"> <li>Well-balanced "Funding Mix"</li> <li>Limited financial needs</li> <li>Enough collateral to face hypothetical shocks</li> </ul> | <ul style="list-style-type: none"> <li>Risk indicators among the best in the markets with presence</li> </ul> | <ul style="list-style-type: none"> <li>Capital &amp; Leverage ratios above the minimum required by regulators</li> <li>First issuing AT1 instruments with capacity to absorb losses</li> </ul> | <ul style="list-style-type: none"> <li>Greater resistance to economic cycles</li> </ul> |

### 3. A business model of return adjusted to principles, that places people at the center of our business

These principles inspiring our activity are integrity, prudence and transparency. Integrity as a manifestation of ethics in our actions and in all our relations with stakeholders. Prudence, understood as precaution in assuming risk. Transparency as a principle offering access to clear and truthful information within the limits of the law.



Our activity's consistency with these principles is reflected in our corporate governance and regulatory compliance systems, in risk management, and in the business model. This means managing our business by assuming the responsibility for our impacts on people's lives and on society.





## 4. A customer-centric business approach



(1) Figures as of December 2015 including Garanti.

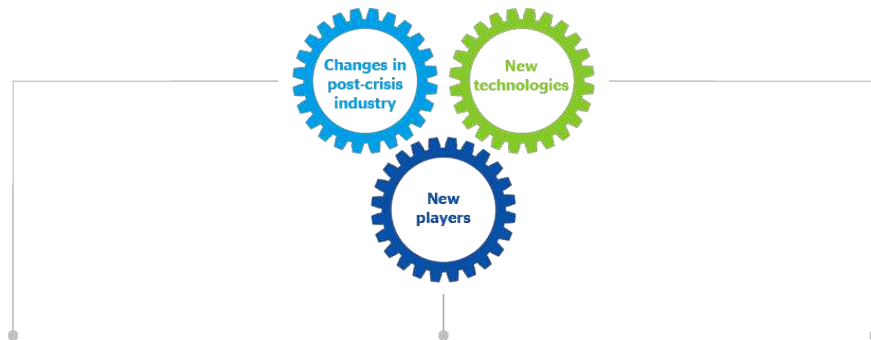
(2) Client Revenues / gross margin.

Our business model is customer oriented, offering a differential service with a very ambitious goal: to be leaders in customer satisfaction across our global footprint.

# A new environment for the financial industry

Technological changes and consumer preferences are transforming society and the way of doing business...

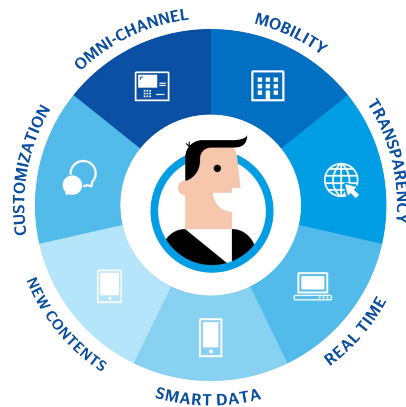
A new environment that poses a significant challenge for the financial industry



| Changes in post-crisis industry  | New players   | New technology   |
|--|---|--|
| <ul style="list-style-type: none"> <li>Higher supervision</li> <li>Restructuring processes</li> <li>Reputation</li> <li>New regulatory requirements</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; width: 40%;">Pillar III</div> <div style="border: 1px solid black; padding: 5px; width: 40%;">CET1 harmonization</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; width: 40%;">Basel IV (RWAs)</div> <div style="border: 1px solid black; padding: 5px; width: 40%;">TLAC/ MREL</div> </div> <div style="border: 1px solid black; padding: 5px; width: 100%; margin-top: 10px; background-color: #92d050; color: white; text-align: center;">IFRS 9</div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; width: 40%; text-align: center;"> <small>From Basel II ...</small><br/> <span style="font-size: 1.2em;">- 6%</span><br/> <small>%CET1 BIS II Q3073<sup>(1)</sup></small> </div> <div style="font-size: 2em; color: green;">➔</div> <div style="border: 1px solid black; padding: 5px; width: 40%; text-align: center;"> <small>... to Basel III</small><br/> <span style="font-size: 1.2em;">≥ 10%</span><br/> <small>%CET1 BIS III FL Q2014<sup>(1)</sup></small> </div> </div> | <ul style="list-style-type: none"> <li>Irruption of competitors (startups and fintech)</li> <li>New business models</li> <li>With a superior customer experience and lower operating costs</li> </ul> | <ul style="list-style-type: none"> <li>The number of mobile-connected devices exceeded the world's population in 201</li> <li><b>10x:</b> Global mobile data traffic will increase nearly tenfold between 2014 and 2019</li> <li><b>&gt;50%:</b> By 2019, more than half of all devices connected to mobile network will be "smart" devices</li> </ul> |

(1) CET1 average, including BBVA and its European Peer Group (BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG).

...and promoting an accelerated and profound transformation of the banking industry.



1. Customers demand services in a completely different way:

- a. Internet and social media make it easier to compare products and services and to share that information immediately.
- b. The availability of more information and a greater number of options (increased competition) are exerting a pressure on business margins and reducing customer loyalty.
- c. The most valued brands offer convenience and simplicity, as customers are less tolerant to services with "friction", i.e. services where the customers have to complete several procedures, fill in a form, cope with waiting times, etc.

2. Digitalization enables new customer demands to be met:

- a. Technological innovations reduce unit costs thanks to process automation and scalability.
- b. Big data can be used to offer more customized services that are more appropriate to each moment in the customer's life cycle.
- c. Smartphones are part of everyday life, enabling the population to be connected anywhere and becoming the main contact channel via applications (App).

The socio-demographic changes taking place also need to be added to these trends:

- 1. The millennial generation (those born between 1981 and 1995 who became adults at the turn of the millennium), with a clear digital profile, are reaching consumption age.
- 2. Digitalization is reaching the adult population (greater number and with more purchasing power in developed markets).
- 3. The middle classes in emerging countries are also increasing their digital potential.

In addition, this new environment poses a significant challenge for the financial industry, since:

- 1. More moderate growth in activity and lower spreads;
- 2. Increased regulatory pressure and capital requirements;
- 3. Context of widespread mistrust of traditional banking;
- 4. New competitors, which are beginning to offer disruptive propositions with lower operating costs;
- 5. And large digital companies (such as Amazon, Google and Apple), which may compete with banks in the short term...

... are exerting a pressure on the system's profitability, calling into question the viability of certain businesses and limiting the ability of banks to finance their growth.

# Transformation journey

In this environment, BBVA is starting from a very advantageous position, because it has an excellent track record in retail banking management and has the following outstanding assets:

1. A large customer base;
2. A great deal of information;
3. A footprint in attractive markets with leading positions;
4. Significant know-how in risk management;
5. And an extremely robust corporate governance and regulatory compliance system.

The Group therefore has a very clear idea of how it should approach this new environment: with a transformation from and to the customers that at the same time enables it to transform today's business, create new business models and maintain the unique banking model.

To guide this transformation journey, BBVA has defined a new Purpose to help us lay the foundations for the Bank's strategy and decision-making. The Purpose is the reason, what determines our conduct and our decisions. Our purpose is to bring the age of opportunity to everyone.

By "to bring", we mean our role in providing access to capital, tools, products and advice. We want to help people manage their money better and be better informed. We are here to offer them that opportunity.

"To everyone" means we serve individuals, families, entrepreneurs, business owners, startups, private and public corporations, as well as BBVA's employees.

"The age of opportunity" means framing this moment in time not by technology itself, but by the core benefit that technology brings to people and society.

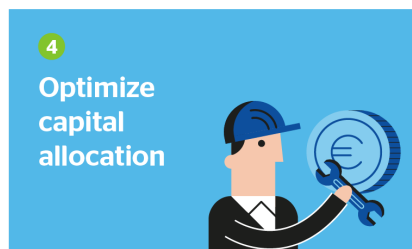
Our new Purpose will serve as a rallying cry to inspire, motivate and galvanize the entire Organization, and it should guide our strategy and decision-making. To this end, six strategic priorities have been defined, which are aligned with the Purpose and lead this transformation.

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We are embarking on a transformation from and to the customers

---

Our Purpose is to bring the age of opportunity to everyone



## 1. To provide a new standard in customer experience:

To develop a better end-to-end experience. To really position ourselves with the customers, to advise the best for them, with no conflict of interest, to devote more time to talking to them. In short, to transform the value proposition to help customers understand their financial situation, plan it and make the right decisions. Our customers are not interested in knowing about the processes, policies, etc. They want us to help them solve their problems.



## 2. To drive digital sales:

To make progress in this transformation it is essential for customers to be digital users. To do so, we have to make the most of the new channels we have available, since a significant part of our customer base is demanding new ways of interacting with the Bank, particularly through mobile devices (for the retail segment) and specialized platforms (in the case of corporates).

### 3. To create / associate with / acquire new business models:

New business models are emerging today with innovative value propositions that are driven by paradigms different from those of the traditional banking industry. To adapt to the new environment it is essential to understand and participate in this evolution, which will enable us to choose the best tailored model to each given opportunity by:

- Creating and developing new models in-house. (Example: Nimble, Open Platform, etc.).
- Building alliances with new players.
- Acquiring stakes in startups that enable us to learn from different disruptive models. (Examples: Prosper, a person-to-person lending platform; Taulia; SumUp).
- In the world of business, FinTech (meaning finance and technology services or companies in the financial sector that use the latest technologies to create innovative products) has entered isolated parts of the value chain and specific products, as well as international payments and currency exchange, trading platforms, trading algorithms, etc. (Examples: Origin, Taulia). BBVA has participated actively in this industry. To this end it has a team based in San Francisco and focused on establishing relations with the most innovative companies, which has also brought on board talent and key skills for the Group through the investments in Simple, Madiva, Spring Studio and Atom Bank, etc. In this way, new sources of income are being created for the Bank through the development of new digital business models, using a diversified approach:

| In-house development   | Strategic Alliances and Partnerships  | Investment in Disruptive Startups <sup>(1)</sup>                                     | Digital M&A   |
|--|---|--|---|
| <p>New independent businesses</p> <p>With a 100% digital culture</p> <p>Leveraged on BBVA's assets</p> | <p>With new technological players</p> <p>With digital competencies and skills</p> |  |  |

(1) Illustrative examples. Ribbit Capital and 500 Startups are venture capital funds.

## 4. To optimize capital allocation:

This priority is focused on maximizing the return on available capital in a sustainable manner over time. There is increasing emphasis on obtaining a return on capital, which is a resource that since the outbreak of the crisis has become the most expensive and scarce resource in the banking industry, as regulatory demands have increased substantially.

BBVA has a model that has shown great strength and resilience during the crisis and continues to be valid, but the environment demands even more efficiency in resource allocation. This is why it is essential that optimization goes hand in hand with the Group's growth decisions, that investments and business decisions that provide a better return on regulatory capital are prioritized, and that this is reflected in day-to-day management, in budgetary processes, in planning, etc.

## 5. To adapt the model, the processes and the structures to achieve an unrivaled efficiency:

It is necessary to leverage technology to enable us to simplify processes and develop the distribution model toward one more efficient from the structural point of view, giving us a competitive advantage over our peers.

Being cost-efficient does not mean a detriment of service or quality, it means providing higher-quality solutions, with straight-through processes, etc.; in other words, processes with no interruptions that contribute to achieving greater efficiency, but offering our customers the best user experience.

## 6. To develop, retain and motivate a first class workforce:

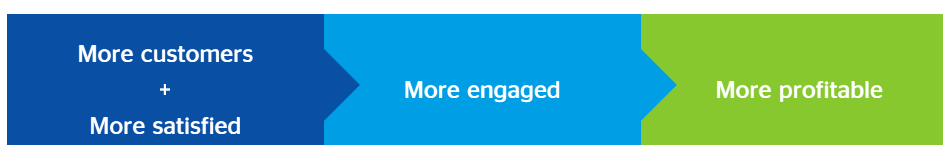
In the same way that we want to offer the best experience for our customers, we also strive to develop the best "employee experience". This means offering an attractive value proposition to enable the best talent to be identified, attracted and retained, contributing to the development of the professional careers of each employee. In this way we want each interaction by employees with the Bank to be excellent, leading to greater satisfaction for both parties.

It is important to adapt the culture to an environment that requires new ways of working, promoting values such as entrepreneurship, curiosity, collaboration among the teams, the breaking down of silos, empathy, etc. In short, it is about remodeling our culture to develop some of our great values while adding new ones.

If we succeed in achieving all of the aforementioned, it will enable us to:

1. Have a positive impact on people's lives.
2. Boost short-term earnings and business profitability.
3. Successfully compete in the long term in the face of a changing environment.

### Goals for the transformation of the value proposition





# Purpose

## Our Purpose is to bring the age of opportunity to everyone

By “to bring”, we mean our role in providing access to capital, tools, products and advice. We want to help people manage their money better and be better informed. We are here to offer them that opportunity.

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# A new Standard in Customer Experience

A great customer experience across all channels has become essential to meeting consumer expectations and building a successful business.

Today's customers expect everything (websites, apps, ATM and branch visits, support and correspondence) to work together, creating a seamless experience.

The financial service landscape is changing fast and we need to change with it.

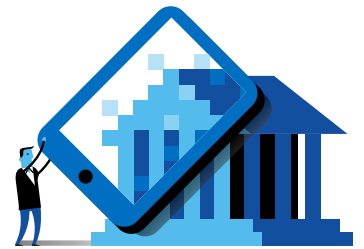
Two proof points:



## 34%

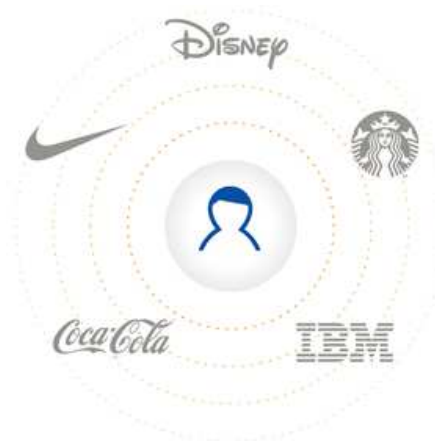
of banking customers in Spain are willing to switch banks for a better digital service experience.

Source: Global Consumer Banking Survey 2012, Ernst & Young



Design Centric Companies outperformed others on the S&P 500 by

## 228%



Source: Design Management Institute, Design Value Index, 2013

Daily, our customers are using products from companies like Google, Facebook, Spotify, and Airbnb who have invested heavily in customer experience design.

They enjoy amazing digital experience in every aspect of their lives and expect the same level of excellence from each brand they interact with, no matter what they're to accomplish.

## Digital alone is not enough

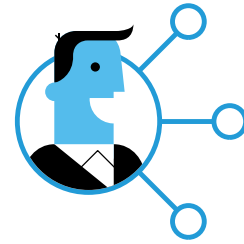
## Two ways

to take a quantum leap in customer experience and have more satisfied and profitable customers.

### 1. Our BIG DATA capabilities



### 2. Experience across channels



We can turn potential detractors into our strongest advocates

## Steps to success



### Focus on fewer projects

in order to go deeper with those that will offer the most customer value.



### Spend more time

figuring out how to deliver a better end-to-end experience for our customers.



### Learn from actual customers

during our design and development process.

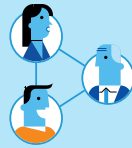
**Design research is an essential practice** that forces us to check our ideas with real people early and often.

## Service Design



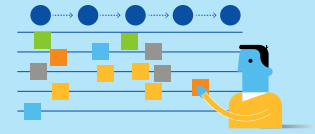
### Customer Journey Maps

tell the story of a customer's experience with a product or service. They show key interactions as well as feelings, motivations and questions at each touchpoint. The goal is to help organisations better understand their customers.



### Collaborative Team

All the different departments throughout BBVA will need to collaborate deeply to ensure that customers needs and pain points are identified and addressed holistically.



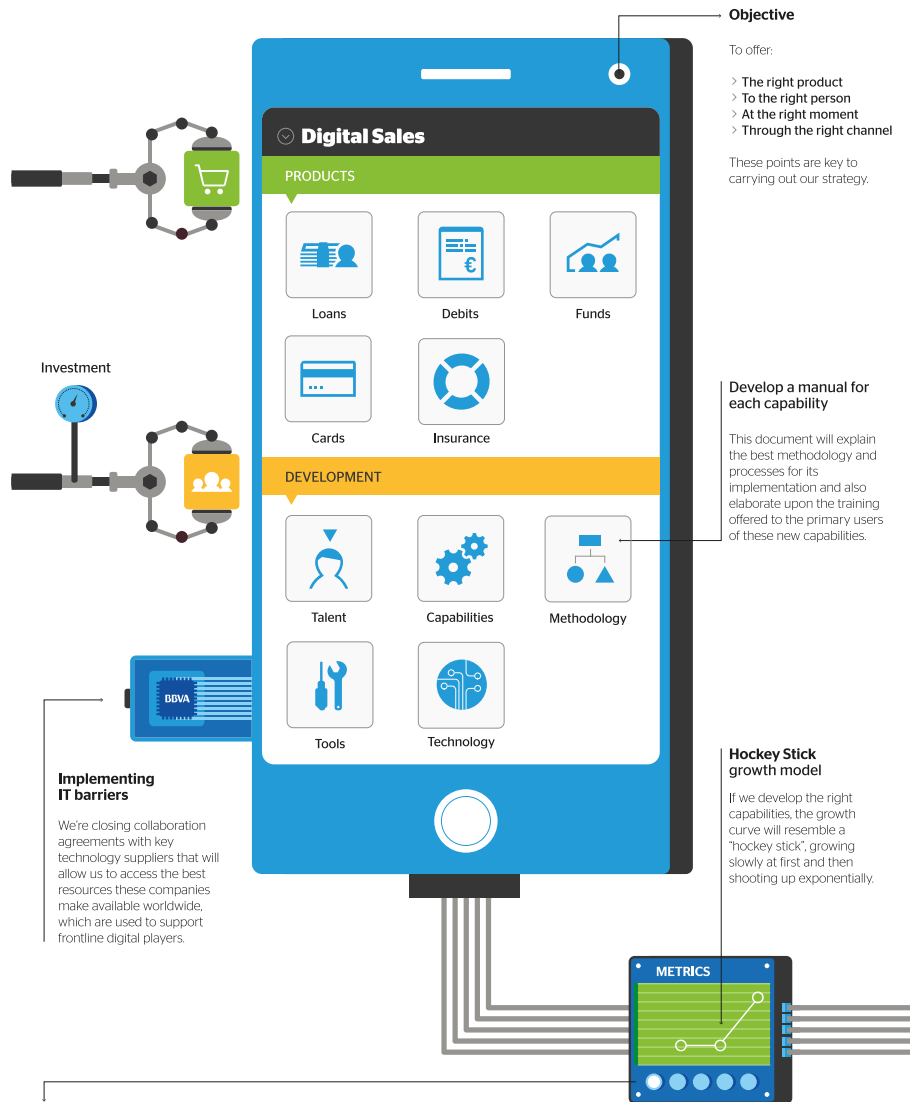
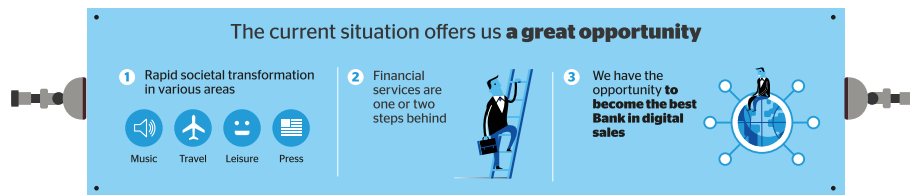
### Service Design Blueprints

graphically describe a service interaction, creating a direct line of sight between "front-stage" customer experiences and "back-stage" organizational people, processes and policies in order to design better customer experiences.





## Drive Digital Sales



**Tracking model:**



We want to go further, measuring turnover and product sales margin as a way to quantify its contribution to the income statement and the relative importance of digital sales for the business overall.



### Greater scale, lower cost

Massive sale of products with global appeal for new and existing customers through digital channels.



### Global Structure

Offer support to digital sales operations in each country.

## **Digital sales are everyone's business**

Although this new team is key in this transformation, becoming the best bank in digital sales will only be possible with everyone's help.



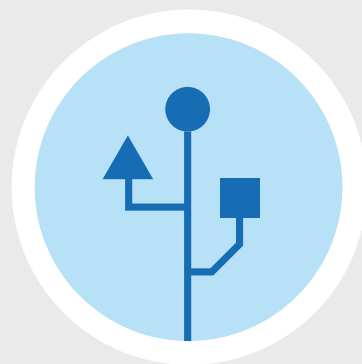
## New Business Models



Digitalization has revolutionized other industries



Money is digital



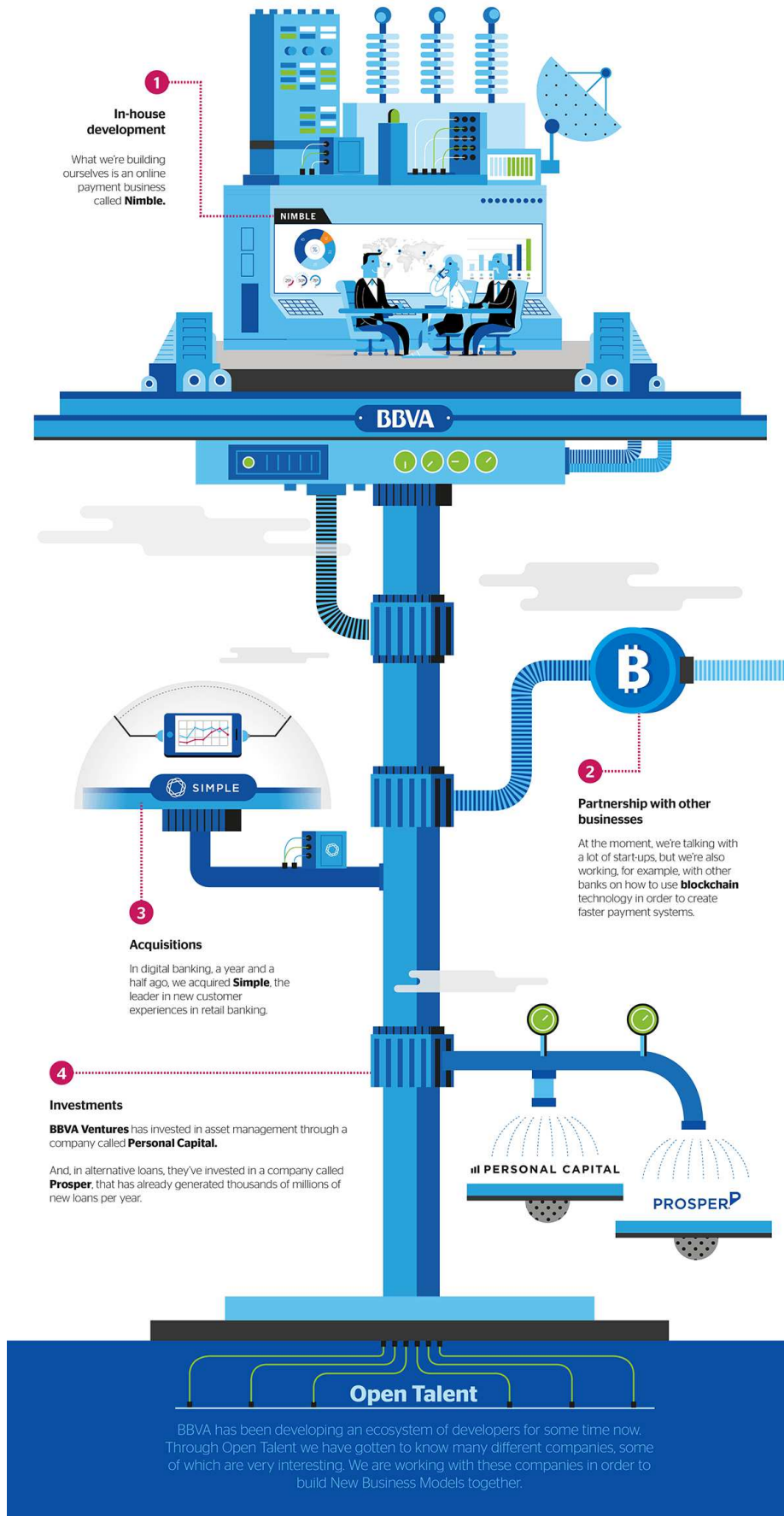
Technology makes it possible to create new experiences and New Business Models

The way we do banking is going to change **In 10 years -50% profit**

A recent study concluded that up to 50% of banks' profits will disappear over the next ten years.

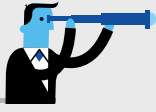
That is why it is of paramount importance to build New Business Models

There are many ways to build New Business Models  
 We need to be capable of developing and choosing the model that is best suited to  
 each opportunity





# The attitude of a technology company



## Look Outside

Always be aware of what is going on in the world.



## Be Brave

When it comes to building new products and putting them on the market.



## Don't Be Afraid to make Mistakes

Be prepared to fail and learn from our mistakes.



## Fast and Efficient

Our ideas and prototypes must change to keep pace with the market.

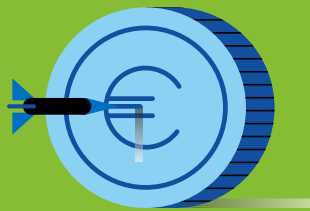


## Become Beta-Testers

For our own products in order to provide feedback.



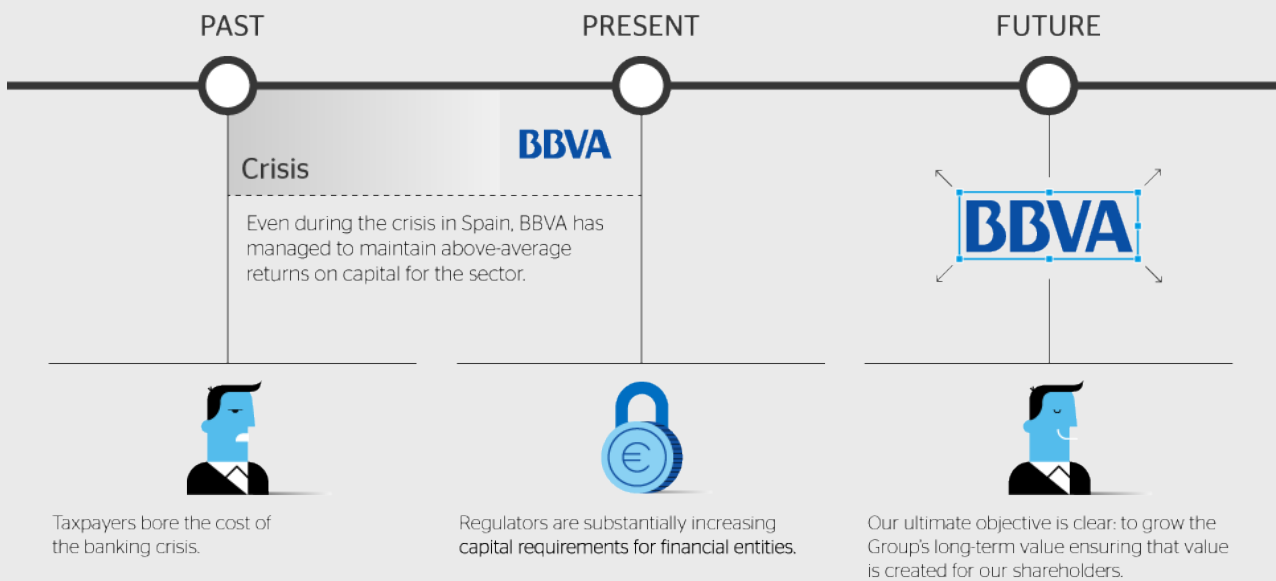
# Optimize Capital Allocation



## OUR OBJECTIVE

To maximize return on capital resources steadily over time.

### A good starting point



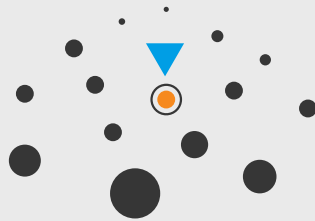
# Benefits of adequate capital allocation



## Greater risk awareness

Use suitable management metrics regularly on RoRWA (Return on Risk-Weighted Assets) or ROE (Return on Equality).

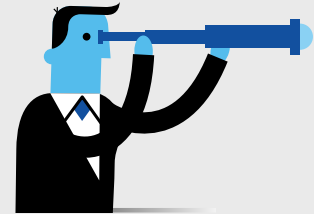
Product vision should not cast a shadow over what really matters: customers vision and the relationship's overall profitability.



## Better decision-making

Efficiently allocating scarce resources.

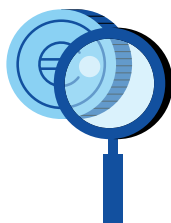
Being brave enough to discontinue lines of business that do not generate the expected value.



## Better vision of the future

Assess our business model's behavior in different economic scenarios.

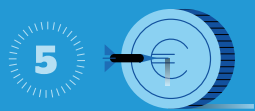
Preserve this Universal Banking Model with its diversification in terms of geography, customers and products, which has proven its solidity over time.



Our stakeholders are demanding greater efficiency and transparency in capital allocation, that is to say, in the resources we use and the risks we take.



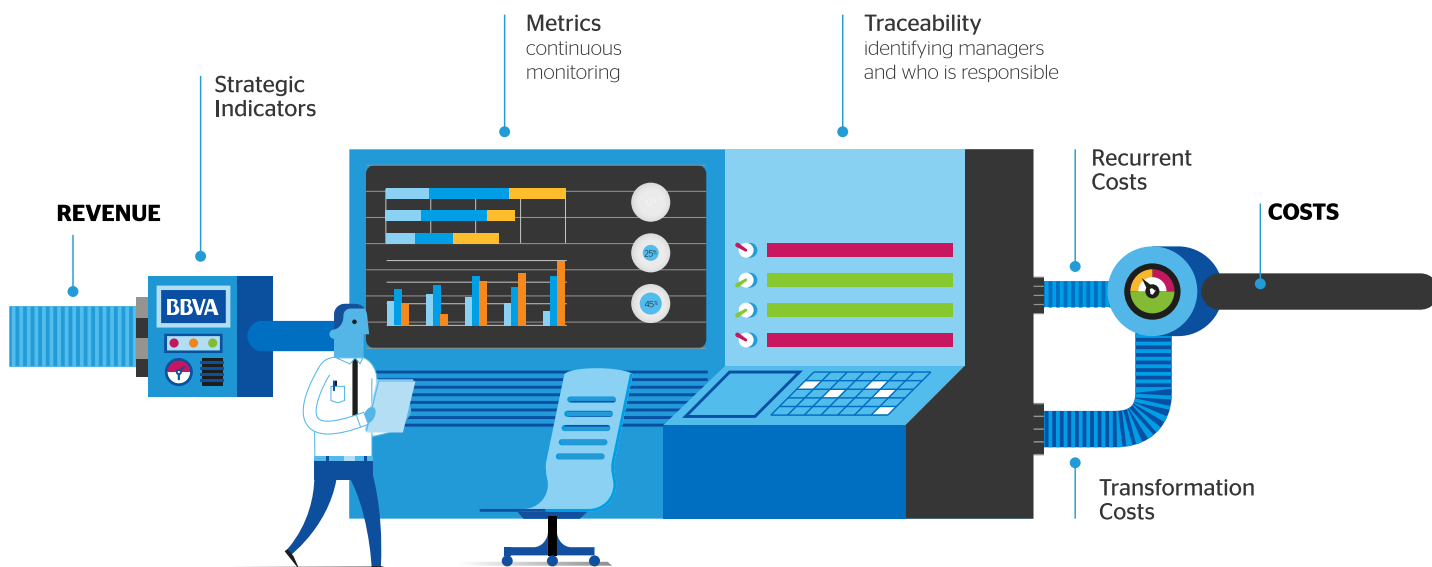
At BBVA we are committed to move more quickly towards improving our return on capital resources



# Unrivaled Efficiency



## Efficiency Model

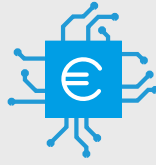


# Action Plan



## Decision-Making

Reinforce and expedite the approval and decision-making processes, as well as the corporate governance of the Group's projects and initiatives.



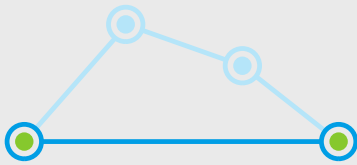
## Investments in Technology

A Technology investment plan that helps us and makes it easier for us to serve our customers by offering lower unit costs.



## Norms and Procedures

Making sure cost and investment norms and procedures are known in the organization and applied in every context, projects and business unit.



## Simplifying Processes

Transforming the productive model in order to become more efficient.



## Control and Monitoring

Analyzing recurrent costs and transformation costs.



## Training Program

Developing a "21st Century Controller" whose objective is to train "Digital Financing Leaders".

## And remember...



Efficiency is everyone's concern

This is not the responsibility of central areas, of the holding or of financial areas.



Efficiency is not incompatible with quality service

Continuously improving processes should allow us to reach both objectives.



Incorporate the concept of "discriminating"

Differentiate costs that contribute to the transformation of the Group from those that don't.



"Single Development Agenda"

In order to achieve a certain order and prioritization that will allow us to reach the objectives we've set.

IT IS NOT A QUESTION OF "NOT SPENDING", BUT OF "SPENDING WISELY"



# A first class workforce

"Attract, retain and inspire a first class workforce"

## NEW WAY OF WORKING



# Talent & Culture



## 1. One bank

Organizational infrastructure and support systems to create a global enterprise.



## 2. Employee value proposition

Make BBVA "the" desired place to work.



## 3. A new kind of HR

Business enablers to better support the organization, you and our business area.



## 4. Policies and procedures

More effective tools in:

- Recruiting
- Compensation
- Training
- And many more to come...

It's not about just doing a job, it's about doing the right job, in the right way, at the right time.

# Business organization chart and structure

The Group's organizational structure was changed in May 2015. This structure is divided into: Execution & Performance, New Core Competencies, Business Development, Risk & Finance and Strategy & Control. The first four functions lie within the responsibility of the CEO and the last one within the responsibility of the Group Executive Chairman.

The main purpose of this new structure is to strengthen the results of the franchises through a function with full dedication over the management of networks and operations across all geographies. To meet that goal, the new model includes the following Execution & Performance areas:

- Corporate & Investment Banking: Area responsible for managing BBVA's investment banking, global lending, global markets and transactional businesses for international corporate clients and institutional investors.
- Country Networks: Responsible for the management of the retail networks and operations across all geographies in which the Group operates.

On the other hand, the structure seeks to build critical competencies and add global talent to build a sustainable competitive advantage in the new landscape. To fulfill these goals, the structure includes the following New Core Competencies:

- Talent & Culture: Responsible for promoting new schemes for talent management and adapting the Group's culture to the new context.
- Customer Solutions: Engaged in delivering the best banking experience to customers across all channels, leveraging data and design to better meet customer expectations.
- Global Marketing & Digital Sales: Committed to driving sales across digital channels and promoting global marketing initiatives.
- Engineering: Responsible for developing software solutions for digital products with a global approach and running IT operations.
- New Digital Businesses unit: Focused on the development of new digital businesses, and on fostering the cooperation with startups and the innovation ecosystem.

The Business Development teams (Spain, The United States and growth markets) are responsible for the transformation of the business model and deploying the global solutions adapted to the local needs.



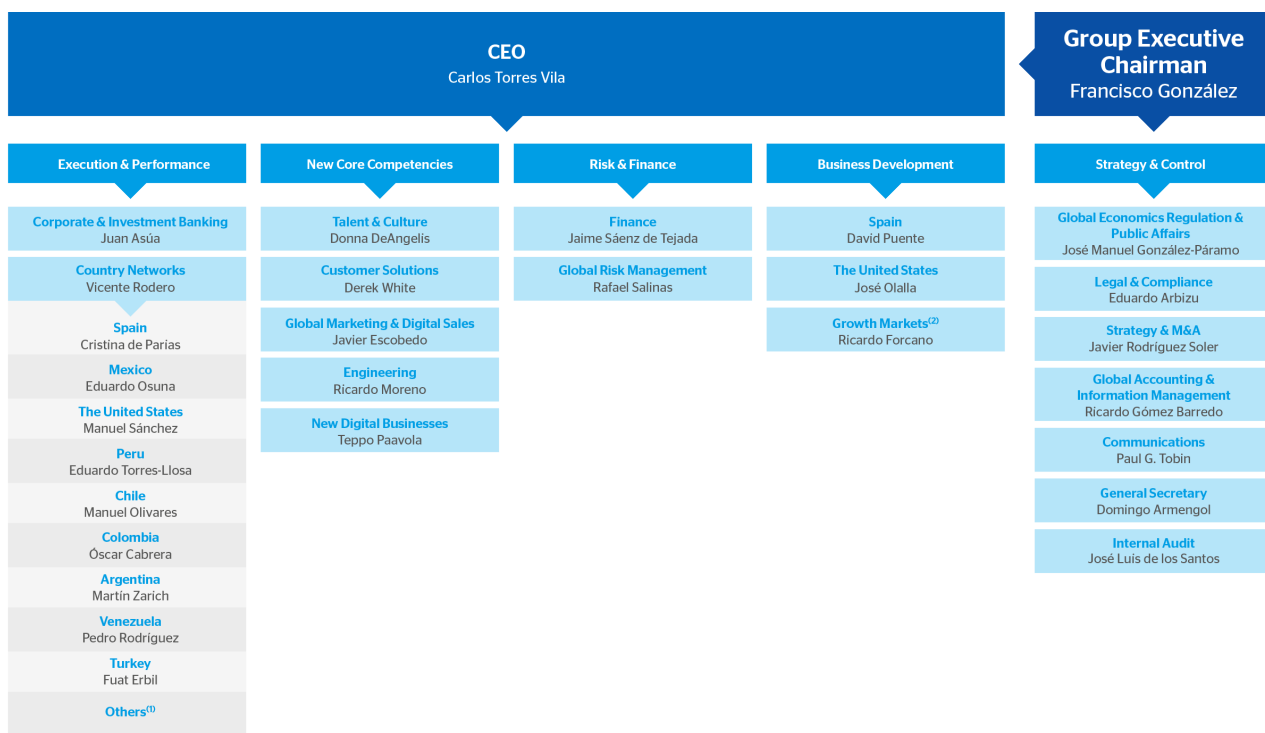
Risk & Finance comprises relevant issues such as the management of global risks, balance sheet and Group solvency. It is divided into:

- Finance: Area in charge of ALM (asset and liability management) and capital management, relations with analysts, investors, shareholders and rating agencies, management of industrial and financial holdings as well as real-estate management and the procurement function.
- Global Risk Management: Area responsible for risk management and for preserving Group solvency, supporting its strategy and ensuring business development within adequate risk management throughout the entire risk life cycle and across all geographies where the Group operates.

The Strategy & Control areas, under the responsibility of the Group Executive Chairman, establish the Group's strategy and define the framework and corporate and control model around relevant issues such as compliance, communications, internal audit or accounting, among others. It is structured as follows:

- Global Economics Regulation & Public Affairs: Area responsible for the economic research service and for promoting and developing institutional relationships.
- Legal & Compliance: Management of legal risk, legal advice to the Group, management of risks derived from compliance issues (anti-money laundering, client protection, personal information and markets) and compilation, review and presentation to the Corporate Assurance committees of the internal control issues of the Group.
- Strategy & M&A: Responsibility for corporate development, including the definition of the corporate strategy and execution of M&A transactions.
- Global Accounting & Information Management: Responsible for the development of accounting and regulatory information, tax information, Planning, Reporting & Management Control and Management Information Systems.
- Communications: Manages BBVA Group's communications in all geographic locations, defines and implements brand journalism strategies and works to boost BBVA's reputation.
- General Secretary: Provides advice and legal and technical support to the governing bodies and the different BBVA areas in institutional, legal, corporate and corporate governance matters.
- Internal Audit: Provides an independent, objective assurance and advice activity designed to add value and improve the operations of the Organization.

# Organization chart



(1) Others includes Paraguay, Uruguay and Switzerland.

(2) Growth markets include Mexico, Argentina, Colombia, Chile, Peru, Venezuela and Turkey.

# Responsible Business Plan

In 2015 we continued boosting our responsible banking model. The Board of Directors approved the Group's new Corporate Social Responsibility Policy, adapting it to new international recommendations and standards. In addition, the conclusion of the 2012-2015 Responsible Business Plan which has been approved, driven and closely monitored at the highest level of responsibility in the Organization. It has been developed over the last three years around three strategic priorities: [Transparent, clear and responsible communication](#), [financial literacy](#) and [high social impact products](#).

The final aim is threefold:

- To ensure transparency, clarity and responsibility in our relationship with our customers.
- To generate long-term value for all stakeholders.
- To integrate opportunities and social and environmental risks into the business.

As it has been illustrated, with these commitments we aim to be the best bank for our customers, offering them the best banking solutions and helping them make the best financial decisions.

## Progress and objectives of the Responsible Business Plan

### Activity targets

|                                      |   | Target<br>2015                         | Progress<br>2015 |
|--------------------------------------|---|--|------------------|
| <b>Education</b>                     | Number of beneficiaries of the financial literacy program                               | 3,000,000                              | 4,140,316        |
|                                      | Number of SMEs benefiting from training for growth programs                             | 8,000                                  | 5,348            |
|                                      | Number of SMEs benefiting from other training programs                                  |  | 120,559          |
|                                      | Number of grants for underprivileged children   | 200,000                                | 215,171          |
|                                      | Number of beneficiaries of other education for society programs                         |  | 110,752          |
| <b>High social impact products</b>   | Consolidate the presence of the BBVA Microfinance Foundation in Latin America           | To increase the number of participants | 419,287          |
|                                      | Number of financial aid packages granted to SMEs to create jobs (Yo Soy Empleo program) | 10,000                                 | 10,000           |
| <b>Shareholders and investors</b>    | Synthetic index <sup>(1)</sup>  | 1st/2nd position in index              | 1st position     |
| <b>Eco-efficiency <sup>(2)</sup></b> | Percentage of reduction in CO <sub>2</sub> emissions per person                         | -6%                                    | -16%             |
|                                      | Percentage of reduction in paper consumption per person                                 | -3%                                    | -43%             |
|                                      | Percentage of reduction in water consumption per person                                 | -3%                                    | -23%             |
|                                      | Percentage of reduction in electricity consumption per person                           | -3%                                    | -14%             |
|                                      | Percentage of people working in certified buildings                                     | 33%                                    | 33%              |

(1) These data correspond to 2014, as they are calculated every two years. This has been calculated by BBVA with an arithmetic mean based on five sustainability analysts.

(2) Including employees and external occupants.

## Perception targets

| TCR Communication                          | Target 2015                     |
|--|---------------------------------|
| Perception of a clear and transparent bank | 1st or 2nd bank in each country |
| Progress in 2015 by country                |                                 |
| Argentina                                  | 1st                             |
| Chile                                      | 3rd                             |
| Colombia                                   | 1st                             |
| Spain                                      | 1st                             |
| The United States                          | 7th                             |
| Mexico                                     | 1st                             |
| Peru                                       | n/av                            |
| Venezuela                                  | 1st                             |

| Education                                    | Target 2015                                 |
|--|---|
| Perception of support for financial literacy | 1st and 2nd bank in each country            |
| Progress in 2015 by country                  |   |
| Argentina                                    | 1st for customers and 3rd for non customers |
| Chile  | 2nd for customers and 3rd for non customers |
| Colombia                                     | 3rd for customers and 3rd for non customers |
| Spain  | 3rd for customers and 2nd for non customers |
| The United States                            | 2nd for customers and 2nd for non customers |
| Mexico                                       | 2nd for customers and 3rd for non customers |
| Peru   | 1st for customers and 1st for non customers |
| Venezuela                                    | 3rd for customers and 1st for non customers |

| Customers                    | Target 2015                      |
|------------------------------|----------------------------------|
| External customer reputation | 1st and 2nd bank in each country |
| Progress in 2015 by country  |                                  |
| Argentina                    | 1st                              |
| Chile                        | 3rd                              |
| Colombia                     | 4th                              |
| Spain                        | 1st                              |
| The United States            | 2nd                              |
| Mexico                       | 3rd                              |
| Peru                         | 1st                              |
| Venezuela                    | 2nd                              |

| The team                     | Objetivo 2015                                   |
|------------------------------|---|
| Internal employee reputation | Increase reputation in each country by 2 points |
| Progress in 2015 by country  |   |
| Argentina                    | 8.3   |
| Chile                        | -0.5  |
| Colombia                     | 2.4   |
| Spain                        | 2.8   |
| The United States            | 4.0   |
| Mexico                       | 1.8   |
| Peru                         | -0.1  |
| Venezuela                    | -0.3  |

| Society                          | Target 2015                      |
|----------------------------------|----------------------------------|
| External non customer reputation | 1st and 2nd bank in each country |
| Progress in 2015 by country      |                                  |
| Argentina                        | 1st                              |
| Chile                            | 3rd                              |
| Colombia                         | 3rd                              |
| Spain                            | 1st                              |
| The United States                | 2nd                              |
| Mexico                           | 4th                              |
| Peru                             | 1st                              |
| Venezuela                        | 2nd                              |

| Society                             | Target 2015                                 |
|-------------------------------------|---|
| Reputation among society in general | 1st and 2nd bank in each country            |
| Progress in 2015 by country         |   |
| Argentina                           | 1st for customers and 2nd for non customers |
| Chile                               | 3rd for customers and 3rd for non customers |
| Colombia                            | 3rd for customers and 3rd for non customers |
| Spain                               | 1st for customers and 1st for non customers |
| The United States                   | 2nd for customers and 2nd for non customers |
| Mexico                              | 4th for customers and 4th for non customers |
| Peru                                | 1st for customers and 1st for non customers |
| Venezuela                           | 3rd for customers and 1st for non customers |

# Corporate governance

BBVA has a corporate governance system that is designed taking into consideration its features and special nature, the rules that are applicable to the Bank as a financial institution listed on national and international institutional shareholders, and best practices and recommendations on this field. BBVA's corporate governance system mainly rests on the adequate composition of its corporate bodies, on its distribution of duties between the Board of Directors and its Committees, on a suitable decision-making process and on a solid supervision and control system.

The Group's compliance system constitutes one of the bases upon which BBVA assumes the institutional pledge to conduct all operations and businesses in accordance with strict codes of ethical conduct. BBVA has updated its Code of Conduct in 2015, which sets out the Group's view of integrity. It entails a different style, more direct, closer, simpler and more accessible.

Lastly, as regards internal control, BBVA has an internal control model organized around three lines of defense (3LoD), as well as a governance scheme called Corporate Assurance.



# Corporate governance system of BBVA and its Group

The corporate governance system of Banco Bilbao Vizcaya Argentaria S.A. (hereinafter "BBVA", the "Company" or the "Bank"), which is considered as the set of principles and rules that regulate the operation of the Company's governing bodies, is covered in the different corporate documents (Bylaws, General Meeting Regulations, Board of Directors Regulations and, for certain Committees of the Board, their own regulations, as well as in other internal corporate governance rules and procedures). Below you can see a summary of the main principles and rules and the operation of such corporate governance system.

BBVA has a corporate governance system that is designed taking into consideration the Bank's idiosyncrasies and nature, as well as the set of rules that are applicable to the Bank, as a financial institution listed on national and international markets, in addition to the best practices and recommendations on this field.

BBVA is a company that has a very broad shareholding base with a strong presence of minority and national and international institutional shareholders. No shareholder has a significant or controlling holding in the Company (its shareholding structure is 100% free float).

Considering this shareholding structure, the Bank's relationship model with its shareholders is based on two basic pillars: respect for the principle of "one share, one vote", without imposing limitations on the exercise of shareholders' rights; and reserving certain matters for the final say of the General Shareholders' Meeting, in accordance with its specific Regulations.

Furthermore, the Bank has a policy on communication with shareholders and investors, which can be accessed via the corporate website and whose general principles are as follows:

- Transparency, truthfulness, immediacy and standardization in the dissemination of 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.
- Periodic disclosure of information, 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 of a variety of communication instruments and channels that enable shareholders to access the Bank in the easiest and most convenient way.

With respect to BBVA's managing and supervisory body, according to Spanish regulations, the Bank has a one tier board system, which entails the existence of a single body (the Board of Directors) that performs management, control and oversight, and administration functions.

On this basis, BBVA's corporate governance system mainly rests on the adequate composition of its corporate bodies, on the distribution of duties between the Board of Directors and its Committees, on a suitable decision-making process and on a solid supervision and control system:

| Board Composition and independence   | Board Competences   | Board Committees  | Decision-making process   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>At least 50% of independent directors</li> <li>Dedication and suitability</li> <li>Refreshment</li> <li>Leadership structure</li> </ul> | <ul style="list-style-type: none"> <li>Focus on the establishment of strategies and policies of the Group and the oversight and control</li> <li>Main management decisions reserved</li> <li>Exercise through different Board Committees</li> </ul> | <ul style="list-style-type: none"> <li>Independence</li> <li>Relevant and ample functions focused on oversight and control</li> <li>Chaired by senior independent directors</li> <li>Dedication and intensive activity</li> </ul> | <ul style="list-style-type: none"> <li>Proposals on key issues come from the Committees</li> <li>Main decisions are adopted by the Board and monitored by the Committees</li> <li>Interaction between Board and Management</li> </ul> |

The composition of BBVA Board of Directors is a key element of its corporate governance system. Therefore, in accordance with the Board of Directors selection, appointment, rotation and diversity policy, which can be accessed via the corporate website ([www.bbva.com](http://www.bbva.com)), it shall be ensured that its composition has an appropriate balance between the different categories of Board members; that non-executive directors represent an ample majority over executive directors; and that the number of independent directors accounts for, at least, 50% of the total Board members.

The Bank shall ensure that the selection processes do not entail any discrimination that may hinder the selection of female directors and that, by 2020, the number of female Board members represent, at least, 30% of the total number of members of the Board of Directors.

The corporate bodies shall also ensure that they have a suitable and diverse composition, combining individuals who have experience and knowledge of the Group, its businesses and the financial sector in general, with others who have training, skills, knowledge and expertise in other areas and sectors that enable the right balance to be attained in the composition of corporate bodies, in order to improve operation and performance of their duties.

Furthermore, the corporate bodies will assess the advisability of carrying out an orderly rotation of the Board of Directors, which enables to achieve the objectives set out in said policy and an adequate composition on the corporate bodies from time to time.

In accordance with the previous principles and taking into account that in March 2016 two of the current independent directors of the Bank will lose their condition as independent directors due to the fact that they have held their directorships for more than twelve years, BBVA Board of Directors has agreed to propose to the General Meeting to be held in that month, to appoint two new independent members to replace other independent directors who lost this condition, therefore ensuring the goal of having, at least, 50% independent directors on the Board, incorporating the profile deemed necessary.

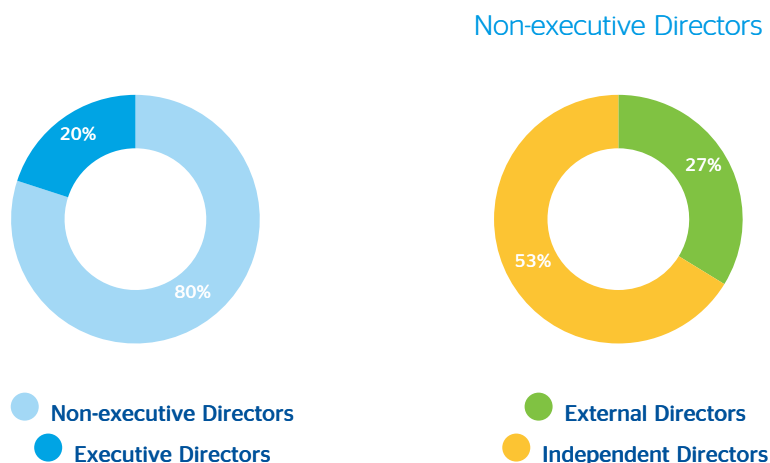
The new independent directors whose appointment is proposed have a remarkable international background and a diverse experience, in financial and risks fields, one of them; and in IT, digital business and cyber security, the other. This will complement the knowledge and expertise of the Board in matters of high interest for BBVA corporate bodies at this time and increase the diversity in nationality, all of which may contribute to the better performance of the Board's duties.

On the date of this document, BBVA Board of Directors comprises a total of 15 members, three of which are executive directors and the remaining twelve are non-executive directors. Eight of the non-executive directors are independent and the other four are external directors.

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## Independence of BBVA Board of Directors

(Composition before 2016 General Meeting)



Given that the composition of the Board is considered to be an essential element of the Bank's corporate governance system, to ensure its suitable composition at any given time, BBVA's Appointments Committee periodically assesses its structure, size and composition, setting out the relevant processes for the identification and selection of candidates to be put forward as new members of the Board of Directors, where applicable.

This is reflected in a Board rotation process, aimed at identifying the needs of the corporate bodies and the most suitable individuals to form part of them at any given time, thus achieving the most appropriate composition for the better performance of its duties.

This analysis shall also consider the composition of the different Board Committees that assist the Board in the performance of its duties and which is an essential element in BBVA's corporate governance.

The members of the BBVA Board have the skills, experience and qualifications needed to exercise their positions; they meet the suitability requirements legally required for this purpose; and they possess the required availability and dedication to perform their duties.

The dedication of the members of the BBVA Board is especially high due to the number of meetings held by both the Board of Directors and its different Committees and its broad content. The number of meetings held during 2015 and the level of attendance of the respective members are shown below:

|                                | Number of meetings 2015 | Level of attendance <sup>(1)</sup> |
|--------------------------------|-------------------------|------------------------------------|
| Board of Directors             | 13                      | 100%                               |
| Executive Committee            | 20                      | 100%                               |
| Audit and Compliance Committee | 11                      | 100%                               |
| Appointments Committee         | 7                       | 100%                               |
| Remuneration Committee         | 7                       | 97%                                |
| Risks Committee                | 45                      | 99%                                |

(1) Includes both personal attendance and by proxy granted with express voting instructions.

BBVA has an executive Chairmanship, having also a Chief Executive Officer (CEO) responsible for the ordinary management of the business. Thus, BBVA's current system maintains the positions and duties of the Group Executive Chairman and of the CEO separate. Furthermore, in 2016, the name of both positions was standardized, under international scope, assigning them the aforementioned names.

Additionally, to reinforce the suitable balance of powers in the Board of Directors, BBVA also has a senior lead director who, since December 2014, has not only been assigned the duties provided by Spanish regulations, but also the additional duties set forth in the 2015 Good Governance Code of listed Spanish companies.

Likewise, the adequate distribution of duties between the Board of Directors and its Committees is another key element of BBVA corporate governance system.

In accordance with the Board Regulations, the Board of Directors has been assigned a set of duties which refer to both corporate management, and supervision and oversight of the Bank, being any matter of importance for the Group reserved for the Board's consideration (i.e. strategic or business plan, budget, corporate governance policy, control and risk management policy, capital and liquidity matters, etc.).

For a better performance of its management and control duties and in order to have a suitable decision-making process, BBVA Board of Directors has set up five specialized Committees that are conferred a broad range of duties pursuant to its Regulations, with the aim of assisting the Board on matters within the scope of their powers. A working scheme coordinated among the Committees and between the Committees and the Board has also been set up. This way, knowledge by the corporate bodies of relevant matters within the Group is ensured and the control environment existing in BBVA is reinforced.

Thus, the Board of Directors has set up four committees that will assist it in the performance of its supervisory and control duties: Audit and Compliance, Appointments, Remuneration and Risks. These Committees are all composed exclusively of external directors and have a majority of independent directors, except for the Audit and Compliance Committee, which is comprised exclusively of independent members. The duties of the Committees refer exclusively to the scope of supervision and control, and their operating rules are set out in the Board Regulations and in their specific regulations in the case of the Audit and Compliance Committee and Risks Committee.

These Committees are chaired by independent members with broad experience in the matters within their scope. In accordance with the Board Regulations, they have extensive and full powers and autonomy in managing their respective Committees, and may convene the meetings as they see fit for the performance their duties, decide on the agenda and be assisted by external experts, when deemed appropriate. They also have direct access to the Bank's senior management, when deemed necessary, who report, on an ongoing basis, both to the Committees and to the Board of Directors.

The Board Committees shall receive the necessary information directly from the managers in charge of the relevant Group's executive areas, thus enabling the most suitable performance of the supervision and control duties.

The following link includes the [Annual Corporate Governance Report](#) and the activity reports of each of the Board Committees that assist the Board with its supervision and control duties.

The Board of Directors has also set up an Executive Committee, comprised of a majority of external directors, which performs both management and supervision and control duties. The Executive Committee develops the risk appetite framework set by the Board of Directors and periodically monitors it; it continuously analyzes and supervises the Group's results and activity and the evolution of the environment in which the businesses are carried out; and it also approves certain transactions which do not fall within the scope of the Board of Directors.

The Board Committees analyze in detail issues falling within the scope of their powers before they are submitted to the Board of Directors for the adoption of the relevant decisions, and carry out a critical and in-depth review of matters presented by the senior management so as the proposals to be submitted to the Board of Directors for its consideration are in-line with the strategy and policies approved by the Board of Directors.

For instance, the Audit and Compliance Committee reviews the financial and accounting information and the financial accounts; the Risks Committee analyzes proposals regarding the Group's risk profile; the Remuneration Committee assesses the remuneration system of the members of the Board and the risk takers; and the Appointments Committee is in charge of appointment proposals for new directors, among other duties.

As a result, the BBVA corporate governance system allows non-executive directors to monitor not only the Group's senior management proposals, but also the implementation and development of the matters that have been approved by the Board, supported essentially on the work carried out by the Committees.

The quality and efficiency of the performance of the Board and its Committees is assessed on an annual basis by the full Board of Directors, based on the report submitted by the Appointments Committee, in the case of the Board's evaluation, and on the report submitted by each Committee, in the case of the Committees' evaluation. Assistance from external experts may be requested for the Board's self-evaluation.

In 2015, the Board's self-evaluation process was carried out following the normal procedures, and it was also assisted by an external expert with acknowledged experience, independence and international prestige, Russell Reynolds Associates.

The result of the evaluation has been very positive and it has confirmed that the Board of Directors suitably fulfilled all its duties, especially highlighting the importance of the adequate decision-making process of the corporate bodies and the composition of the Board and its Committees. It has also been proposed for 2016 the following:

- a) To try to increase the international diversity of the composition of the Board of Directors.
- b) To move forward in the organization of the Board meetings in order to continue analyzing all relevant matters, dedicating the necessary time to debate, given the notable increase of duties attributed to the Board of Directors which cannot be delegated.
- c) To further develop additional training to be made available to non-executive members (training programs), extending such programs, in a more specialized manner, to members of the Committees that may require it.

The BBVA corporate governance system incorporates and promotes, as one of its basic elements, the suitable decision-making process, which integrates the work of the Committees and of the Board of Directors and where the interaction of the corporate bodies with the Bank's senior management is expressed.

Thus, in general, and as indicated, proposals within the senior management's scope are firstly and in-detail analyzed and discussed within the different Board Committees, depending on the subject-matter, and subsequently, once these proposals have been approved by the relevant Committees, they are submitted to the Board for their approval and final decision.

Once the relevant decision has been adopted on the matters within its scope, the Board of Directors delegates the implementation and development of such decisions to the relevant senior managers in charge of the different areas.

Likewise, with the objective that all decisions are taken with sufficient, appropriate and transparent information, the corporate governance system includes procedures aimed at ensuring that the corporate bodies have this information.

This decision-making process enables the corporate bodies to have a control and monitoring system within the Group, which is completed with a control structure within the senior management scope that reaches all the companies in the BBVA Group.

The BBVA Group has a decentralized management model, mainly based on subsidiaries with legal entity, operating in different geographical areas, within a common framework enabling to reach the goals set by the Group.

This common government framework for the Group companies is based on the strategy, corporate policies and management guidelines set by the BBVA corporate bodies for the Group and is specified by the different managers of the global business areas and the transversal corporate areas, on which the local counterpart areas depend and which are responsible for applying this common framework in each geographical area.

Within the common corporate framework, the subsidiaries carry out their activity and manage their businesses with a high level of autonomy, with their own resources, which allow a suitable decision-making process as well as the monitoring and control of their activities.

This monitoring and control is integrated in a supervisory and control system which is coordinated at Group level and based on methodologies and processes that are consistent in all geographical areas. As a result, the report from the local areas to the corporate areas and global businesses, and the report from the later to BBVA corporate bodies, allow to monitor the Group activities as a whole and to supervise compliance with the common management framework.

The BBVA corporate governance system is in constant evolution and improvement, it is an essential element of its principles and values and forms part of the basic pillars of the Bank's strategy.

# 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 EU Markets in Financial Instruments Directive (MiFID), the Compliance unit continues to articulate its business around the development and implementation of policies and procedures, the dissemination and training in matters of compliance and the identification, assessment and mitigation of potential compliance risks, understood as those that affect the following issues:

- Conduct on the markets.
- Dealing with conflicts of interest.
- Prevention of money laundering and terrorist 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 that need to be applied.
- Mitigation processes and controls to enforce these policies and procedures.
- A technology infrastructure focused on monitoring and designed to guarantee the above.
- Communication and training systems and policies to raise employee awareness of the applicable requirements.
- Metrics and indicators to supervise global model implementation.
- Independent periodic review of effective model implementation.

In 2015, the documentation and management of the model continued to be boosted across the jurisdictions in which BBVA is present through a set of technological tools and improvements in internal processes, which Compliance deploys gradually worldwide. In 2015, this effort has been particularly significant in Turkey, following the integration of Garanti Group in BBVA.

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BBVA assumes the institutional pledge to conduct all businesses and operations in accordance with strict codes of ethical conduct

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In 2015, BBVA continued to boost the documentation and management of the compliance model, particularly in Turkey, following the integration of Garanti



## Ethical and legal conduct consultancy

BBVA has reached a milestone in 2015 in its permanent commitment to integrity in business, having updated its [Code of Conduct](#) to:

- Adapt it to new regulatory demands and social expectations: (a) recommendations from international bodies (BIS, EBA, ESMA, etc.); (b) regulatory developments; (c) high demands from supervisory bodies and greater social expectations for a demanding business culture of ethics and legal compliance; and (d) a new social and economic environment.
- Leverage the experience accumulated during 12 years through consultations and criteria of practical application, established since the previous Code of Conduct was approved in 2003.
- Adapt it to the Group's new, more international organizational structure.

BBVA's new Code of Conduct sets out for the Group's companies, suppliers and third parties, how BBVA views integrity: it is a basic tool for implementing a culture of respect for legality, guaranteeing that BBVA's activities are conducted in accordance with ethical criteria and corporate values, clearly reflecting that the conduct of BBVA Group's employees must be legal, morally acceptable and publishable, and providing behavioral guidelines in line with the Group's principles (prudence, integrity and transparency), as well as procedures for helping employees clarify any doubts and make it easier for them to fulfill their obligations. It also contains a simpler and centralized whistleblowing channel to report activities or situations related to BBVA that could infringe regulations or its values and guidelines.

Formally, the new Code represents a change of style, to one that is more direct, closer, simpler and more accessible. It is also a benchmark document with respect to conduct, limiting its content to basic principles and guidelines, while facilitating access to the policies, procedures and detailed internal regulations through a system of interactive links.

The Code of Conduct is applicable to all BBVA Group companies. It has been circulated individually across the Group to ensure that all personnel are familiar with its content and is also posted on the Bank's website ([www.bbva.com](http://www.bbva.com)) and the employee site (intranet). Formal adherence to the Code is through a technological development based on an electronic signature scheme, thus contributing to a more efficient and simpler process, in line also with BBVA Group's technological innovation strategy.

The content of the Code of Conduct is structured around the following blocks: conduct towards our customers; conduct towards our colleagues; conduct towards the business; conduct in society; and application.

To raise global awareness, a communication plan has been defined and launched, supported by audiovisual media, to ensure the involvement of the Organization's senior management and also of the people who have to apply it on a daily basis in the different countries.

BBVA has updated its Code of Conduct in 2015, which sets out the Group's view of integrity. It entails a different style, more direct, closer, simpler and more accessible

An online training plan has also been implemented so all Group employees, through an attractive and interactive way, can (i) gain better knowledge of the Code; (ii) become familiar with the principles and operating guidelines established therein; and (iii) become aware of the importance of applying the operating guidelines in their daily activity. At the end of the course, employees complete an evaluation questionnaire to reinforce the knowledge acquired.

The communication, training and adherence plans are key pillars for the effective implementation of the Code. Its definition has been one of the milestones of the Group's activity in 2015 and completing its execution will be one of its basic tasks in 2016.

In addition, in 2015 the Compliance unit continued to provide consultancy support to members of the Group and senior management for the application of the Group Code of Conduct. Specifically, the Corporate Compliance Unit answered 57 individual queries, made either in writing or by phone. The queries focused basically on the acceptance of gifts or personal benefits, on carrying out other professional activities, on the handling and management of potential conflicts of interest and on the management of personal wealth.

## Prevention of money laundering and terrorist financing

Prevention of money laundering and terrorist financing (henceforth referred to as 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 Group, ensuring that its products and services are not used for illegal purposes likewise constitutes an essential requirement for safeguarding its corporate integrity, and thereby one of its main assets: the trust of the 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 Group has adopted a corporate risk management model which covers all compliance issues (see description in the Compliance System section). 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 provided by international institutions such as the FATF (Financial Action Task Force).

It is also worth noting that the model for managing the risk of money laundering and terrorist financing is constantly evolving and subject to independent review. In particular, risk analysis ensures that controls can be improved and any additional mitigating measures that may be required to bolster the model can be implemented.

For BBVA, ensuring that its products and services are not used for illegal purposes constitutes an essential requirement

In 2015, BBVA Group continued working to strengthen the aforementioned model for managing the risk of money laundering and terrorist financing by:

- Increasing human resources assigned directly to the PLD&TF units in each jurisdiction.
- Making progress in implementing improvements through centralized guidelines for customer risk categorization or assignment systems with regard to PLD&TF, based on the factors identified by the sector as relevant for quantifying the risks of money laundering. The progress made in Spain, Argentina, Colombia, Chile and Venezuela has been particularly significant.
- Upgrading the monitoring systems already in place in all Group units.

In 2015, BBVA took the decision to replace the main monitoring tool implemented in the Group's units and began deployment of the new version, first in Spain and later in the other jurisdictions. This new tool, along with other initiatives that make the most of new technological opportunities (for example, big data), improve BBVA Group's ability to detect suspicious activities in its different entities.

A total of 97,574 employees across the Group received training in PML&TF in 2015. Of these, 12,138 did so through on-site activities and 85,436 through online training.

At the same time, BBVA Group continued to work in partnership with governmental bodies and international organizations in this field. One example is BBVA's participation in the Institute of International Finance's working group on international correspondents.

Lastly, the model for managing the risk of money laundering and terrorist financing is constantly evolving and subject to independent review. Pursuant to Spanish regulations, an independent expert annually audits the PML&TF system for the parent company (including supervision of subsidiaries and branches abroad) and all companies subject to PML&TF standards in Spain. This review is complemented in each jurisdiction with internal audits, external audits and reviews by local supervisory bodies themselves.

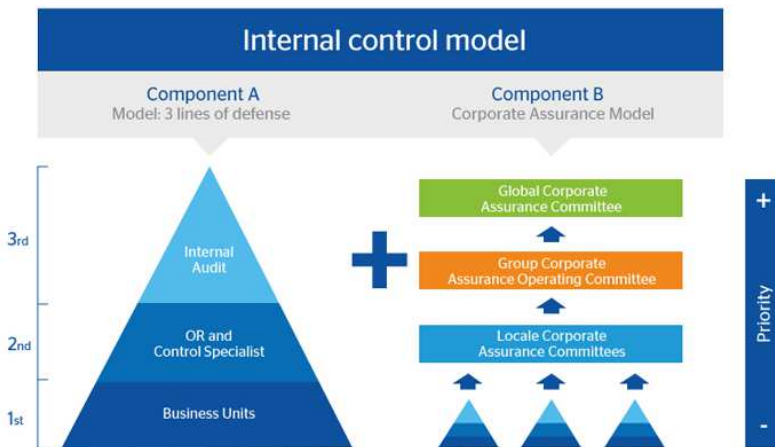
# Internal control model

Based on best operational risk management practices, BBVA Group has established and maintains 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.

A model based on best practices, organized around three lines of defense and with a well-designed governance scheme

1. The first one is the model based on three lines of defense, which guarantees compliance with the most advanced internal control standards and is organized as follows:

- The Group's business units constitute the first line of defense. They are responsible for managing current and emerging risks and implementing control procedures.
- The second line of defense is made up of the units specializing in control (Compliance, Global Accounting & Information Management -GA&IM- / Internal Financial Control, Internal Risk Control and Business Process Assurance). This line of defense identifies current and emerging risks, defines the control policies within the scope of its cross-sector specialty, ensures that they are implemented correctly, provides training and advice to the first line and is responsible for reporting to the management team.
- The third line of defense is made up of the Internal Audit unit, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is that of providing independent and objective assurance and consulting activity designed to add value and improve the Organization's operations. The duties and lines of work of this unit are described below.



2. The second component is the Corporate Assurance scheme, which is tasked with 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 perform its duties, the model is provided with 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 understand control issues and make decisions that will have a significant impact on the objectives of the various units, both at the local level and for the consolidated Group.

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This Corporate Assurance scheme includes an orderly mechanism for reporting to management

## Internal Audit

The functions of the Internal Audit unit are universal in scope and include all activities and entities in BBVA Group, with no exceptions and irrespective of geographic location or reporting situation. Its scope also extends to the activities and services the Group has outsourced.

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Internal Audit: universal scope and unrestricted access to all required information

This unit has unrestricted access to employees, workplaces, systems, IT and physical records and, in general, any information required to perform its functions effectively.

The main focus of the work of Internal Audit in 2015 has been as follows:

- Regulatory work, which is particularly relevant given the new demands made by the different regulators and as it serves to address the new supervisory environment in Europe. Worth mentioning in this respect are: the work carried out to guarantee that the global information submitted to the regulator has the required integrity and quality, such as FinRep and CoRep; the review on compliance with the Volcker Rule and regulations governing loans and deposits in the United States; and the policies on the prevention of money laundering and terrorist financing.
- Security of information, which is essential in an increasingly complex digital environment. Cybertests have been conducted in this area, reproducing in the most reliable way real scenarios for cyberattacks. This work has enabled BBVA to accurately assess both the risk exposure and the response capabilities. The results have been used to define security plans for all Group with the aim of improving the defense in the event of cyberattacks.
- Digital Banking, through the review of processes, infrastructures and applications that support the Group's digital business. Of particular note is the work on digital contracting, digital channels such as Bancomer Móvil and Netcash, the Nimble application and the NBA-AMEX card.
- Customer experience, to assess customer satisfaction in several countries where the Group operates.
- Operational risk associated with various Bank processes, such as the acquiring business in several countries, operations in branch offices through on-site reviews and data analytics work.
- Suppliers, to guarantee control of outsourced processes, through a review of the existing policy and control mechanisms for outsourcing processes.
- Fraud prevention, through forensic work and post-mortem event analysis. Additionally, monitoring of fraud indicators continues through the review of branch offices.

## BBVA Group <sup>(1)</sup>. Main Internal Audit activities by line of activity

|                           |            |
|---------------------------|------------|
| Innovation and technology | 54         |
| Customer- centric         | 17         |
| Banking processes         | 39         |
| Suppliers                 | 12         |
| Fraud prevention          | 323        |
| Regulatory                | 220        |
| <b>TOTAL</b>              | <b>665</b> |

(1) Except Garanti.

# Standards of conduct

A key component of the Compliance System is the BBVA Group [Code of Conduct](#), as described in the section on the [Compliance System](#).

Furthermore, commitments aimed at preventing corruption in the Group (relations with suppliers, anti-bribery policies, gifts, events management, prevention of money laundering, commitments regarding politically exposed persons - PEPs -, etc.) are all included in the Code of Conduct as well as in specific policies.

In 2015, BBVA Group has reviewed its anticorruption framework to adapt it to the new Code of Conduct and, at the same time, detect reinforcement opportunities, which will materialize in the coming months.

In 2015, BBVA Group continued to apply the specific reinforced precautionary measures for politically exposed persons already implemented in the past and set out in the Corporate Procedure for establishing business relationships with politically exposed persons.

Lastly, it is also worth mentioning here the [Policy of Conduct in the Securities Markets](#), which develops the guidelines laid down in the BBVA Group Code of Conduct regarding securities markets, and includes a series of principles and general procedural guidelines that are widely accepted internationally and designed to uphold integrity in the markets. Specifically, it contains the minimum procedural guidelines that everyone in the Group is to observe regarding the treatment of privileged information, the prevention of price manipulation, the management of potential conflicts of interest and the own account trading by employees.

As well as these mechanisms, the Company has established other specific instruments for managing core commitments in each functional area. The more salient of these are:

- Internal standards of conduct in securities markets.
- The Compliance Statute.
- The Code of Ethics for staff recruitment.
- Principles applicable to parties involved in the BBVA procurement process.
- Basic principles of risk management and the risk management Policy Manual.
- Regulation on dealing with individuals or entities of public importance in matters of finances and guarantees.

The commitments that contribute to prevent corruption in the Group are set out in the Code of Conduct. Likewise, the Compliance unit has continued operations aimed at protecting customers/investors

Other basic commitments acquired by the Group are:

- The [Corporate Social Responsibility Policy](#), which establishes the principles and guidelines to comply with BBVA's responsibility for its impact on society. This Policy is approved by the Board of Directors.
- [BBVA's Rules of Conduct in Defense](#): these rules have been in force since February 2012. It is applied in all countries in which the Group is present and is based on exclusion lists of companies and countries, updated quarterly by expert consultants in the area. Under these rules, BBVA does not finance, invest in or provide any financial service to companies related to the manufacture, development, maintenance or trade in controversial armaments, meaning anti-personnel mines, cluster bombs or biological and chemical weapons. Nor does BBVA participate in armament-related operations that originate in or are targeted at countries where there is a high risk of human rights violation.
- [Commitment to human rights](#)
- [Environmental policy](#)
- [Responsible Procurement policy](#)

In relation to conduct toward customers, in 2015, the Compliance unit continued operations aimed at protecting customers/investors:

- Assessing the risks for customers associated with the Group products, services and activities and promoting or implementing measures for their mitigation. The Compliance unit is represented on the various New Product Committees, thus ensuring that this side of product sales is taken into account at all times. In 2015, these committees have reviewed 190 new activities, products or operations. In addition, control procedures and routines have been strengthened.
- Coordinating action plans to adapt to any new requirements and criteria regarding the protection of investors or banking users that are issued, chiefly by the Spanish National Securities and Investment Board (CNMV) and the Bank of Spain.
- Working closely with product and business development units on a permanent basis, both for retail and wholesale markets, and focusing on digital banking initiatives, with the aim of instilling the concept of customer/investor protection into its projects from the outset.
- Keeping the internal regulatory framework fully up-to-date at all times to ensure that all product and service sales made at the Bank are compliant with requirements.
- Participating in improvement projects and updating sales processes, as well as the Bank's supporting IT systems, seeking to ensure their consistency with best practices in terms of protecting customer interests.
- Promoting communication and training initiatives for the sales network and support departments.
- Carrying out specific reviews of the information made available to the public and the sales forces, as well as the promotional campaigns and sales of investment products.
- Strengthening the compliance risk monitoring metrics and indicators to promote a proactive approach.
- Evaluating measures in force at the Bank in the light of customer complaints, internal and independent audit reviews and regulatory inspections and requirements.



## Whistleblowing channels

Another key mechanism 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 means for enabling employees to report any breaches they observe or are notified by their collaborators, customers, suppliers or colleagues.

The following channels are available for employees to report activities or situations related to BBVA they observe or are notified, which may be against regulations or the values and guidelines of the Code of Conduct, even if they are not included as part of their responsibility:

- Discuss the case with their supervisor or contact at Talent & Culture (BBVA's current human resources area).
- Report the case through the whistleblowing channel of the geography or area where they work.
- Make use of the whistleblowing channel, reporting the case to the Compliance unit at the email address [canaldenuncia@bbva.com](mailto:canaldenuncia@bbva.com) or the phone number: (34) 91 537 7222.

Those who report facts or acts in good faith to the whistleblowing channel will not be subject to reprisals or any other adverse consequence for this reason.

The Compliance unit processes the reports received diligently and quickly, checking the circumstances and pushing through measures to resolve them, in accordance with the whistleblowing's management procedures. The information is analyzed in an objective, impartial and confidential manner. Since 2015, the whistleblowing channel is open to the Group's suppliers.

## International initiatives endorsed

BBVA is signatory to the following international initiatives:

- United Nations Global Compact.
- The United Nations Environment Program Finance Initiative (UNEP FI).
- Equator Principles.
- United Nations Principles for Responsible Investment.
- International Integrated Reporting Council.
- Carbon Disclosure Project.
- Thun Group on Banks and Human Rights.
- Natural Capital Declaration.
- Global Initiative for Sustainability Ratings.
- Green Bond Principles.

Whistleblowing channels enable employees to report breaches of the Code of Conduct

Likewise, BBVA publicly manifests its respect for the UN Universal Declaration of Human Rights, the basic employment legislation of the International Labor Organization and the OECD Guidelines for Multinational Enterprises.

## Legal compliance

As of December 31, 2015, BBVA Group has not recorded any fines or penalties for breaches of legislation related to environmental issues or the supply of products and services that might be significant in terms of the Group's equity, financial situation or consolidated results and that are not provisioned in the Group's consolidated financial statements.

The companies making up BBVA Group in Spain have not received any relevant convictions in the employment courts between January 1 and December 31, 2015, inclusive, in cases affecting gender equality or discrimination filed by employees, nor have they been served any penalties due to very serious breaches of employment regulations.

# Performance in 2015

BBVA in 2015 presents the result of the Group's activity during the year in the Performance in 2015 section, which includes both financial and non-financial information under three main headings:

- BBVA Group: this includes an explanation of the earnings, balance sheet and business activity, solvency, global risk management, innovation and technology, and the environment.
- Business areas, focused on the earnings of the business areas and their management priorities.
- Primary stakeholders, which describes the Group's relationships with its customers, the team, shareholders, society, regulators and suppliers.

# BBVA Group

BBVA Group obtained good earnings in 2015, strongly influenced by the corporate operations carried out during the year: incorporation of Catalunya Banc (CX), purchase of an additional 14.89% stake in Garanti and partial sale of the stake in China Citic Bank (CNCB). The net attributable profit generated was €2,642m, a year-on-year rise of 0.9% (up 4.4% at constant exchange rates). The net attributable profit from ongoing operations in 2015, which corresponds to the Group's net attributable profit excluding results from corporate operations, amounts to €3,752m, 43.3% higher than in 2014 (up 48.2% excluding the exchange-rate impact).

The balance sheet and activity figures have also been affected by the aforementioned corporate operations. Taking Turkey on an on-going basis, i.e. not considering the impact of this operation, there has been growth in gross customer lending, with a positive performance in loan production and customer funds in all the geographical areas. The Group's non-performing loans have maintained the downward trend.

In terms of solvency, BBVA maintains a comfortable capital position (phased-in CET1 ratio of 12.1% and fully-loaded ratio of 10.3% as of the close of December 2015), above regulatory requirements and with good quality (the fully-loaded leverage ratio is 6.0%).

From the point of view of risks, the Group's risk management function aims to preserve the Bank's solvency by supporting the definition of its strategy and ensuring sustainable business development. To do so, it has a risk management and control model in place that is applied comprehensively in the Group. As regards credit risk management, the highlight in 2015 has been the favorable performance of the main asset quality indicators: lower NPL ratio, increased coverage ratio and reduced cost of risk. The Group's market risk remains at low levels. This is due to the nature of the business and the Group's policy of minimal proprietary trading. In liquidity and funding risk, BBVA continues to maintain an adequate funding structure in the short, medium and long term, diversified by products. Lastly, in the risk analysis and decision-making processes, BBVA assesses and takes into consideration not only financial aspects, but also social, environmental and reputational factors.

BBVA's digital transformation has a strong innovation and technology component, but what is also very important is the development of new competencies in the Organization.

Lastly, BBVA's commitment to the environment is reflected in its environmental policy and in its adherence to the main international agreements in this area. In 2015, BBVA satisfactorily concluded its second Global Eco-efficiency Plan, far exceeding the goals set.

# Earnings

Earnings influenced by the incorporation of Catalunya Banc (CX), the purchase of an additional 14.89% stake in Garanti and the partial sale of BBVA Group stake of China Citic Bank (CNCB).

## Consolidated income statements <sup>(1)</sup>

(Million euros)

|   | 2015          | Var. %      | Var.% <sup>(2)</sup> | 2014          |
|---|---------------|-------------|----------------------|---------------|
| <b>Net interest income</b>  | <b>16,426</b> | <b>8.7</b>  | <b>21.5</b>          | <b>15,116</b> |
| Net fees and commissions  | 4,705         | 7.8         | 12.1                 | 4,365         |
| Net trading income  | 2,009         | (5.9)       | (2.6)                | 2,135         |
| Dividend income   | 415           | (21.8)      | (22.4)               | 531           |
| Income by the equity method   | 8             | (77.2)      | (78.9)               | 35            |
| Other operating income and expenses                                   | 117           | n.s.        | 2.7                  | (826)         |
| <b>Gross income</b>   | <b>23,680</b> | <b>10.9</b> | <b>15.7</b>          | <b>21,357</b> |
| Operating expenses  | (12,317)      | 12.5        | 15.8                 | (10,951)      |
| Personal expenses   | (6,377)       | 13.7        | 14.7                 | (5,609)       |
| General and administrative expenses                                   | (4,650)       | 11.7        | 17.6                 | (4,161)       |
| Depreciation and amortization   | (1,290)       | 9.3         | 14.7                 | (1,180)       |
| <b>Operating income</b>   | <b>11,363</b> | <b>9.2</b>  | <b>15.6</b>          | <b>10,406</b> |
| Impairment on financial assets (net)                                  | (4,339)       | (3.3)       | 1.6                  | (4,486)       |
| Provisions (net)  | (733)         | (36.6)      | (30.9)               | (1,155)       |
| Other gains (losses)  | (412)         | (41.2)      | (41.3)               | (701)         |
| <b>Income before tax</b>  | <b>5,879</b>  | <b>44.7</b> | <b>54.9</b>          | <b>4,063</b>  |
| Income tax  | (1,441)       | 46.9        | 58.5                 | (981)         |
| <b>Net income from ongoing operations</b>                             | <b>4,438</b>  | <b>44.0</b> | <b>53.8</b>          | <b>3,082</b>  |
| Results from corporate operations <sup>(3)</sup>                      | (1,109)       | n.s.        | n.s.                 | -             |
| <b>Net income</b>   | <b>3,328</b>  | <b>8.0</b>  | <b>15.3</b>          | <b>3,082</b>  |
| Non-controlling interests   | (686)         | 48.0        | 93.9                 | (464)         |
| <b>Net attributable profit</b>  | <b>2,642</b>  | <b>0.9</b>  | <b>4.4</b>           | <b>2,618</b>  |
| <b>Net attributable profit from ongoing operations <sup>(4)</sup></b> | <b>3,752</b>  | <b>43.3</b> | <b>48.2</b>          | <b>2,618</b>  |

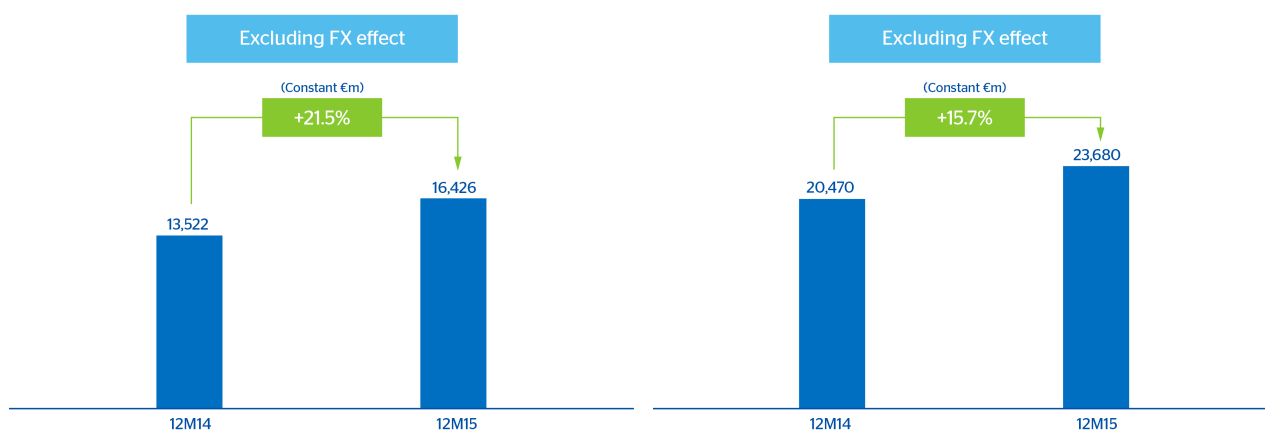
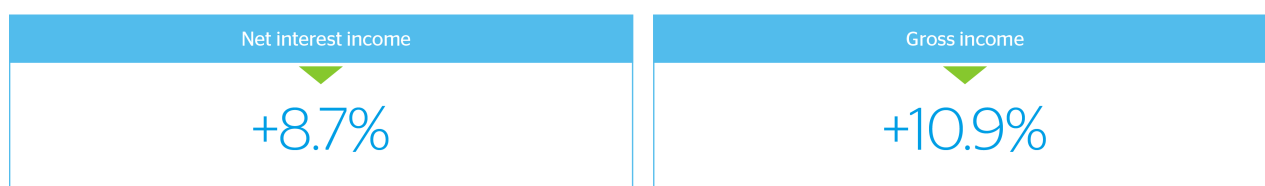
(1) From the third quarter of 2015, BBVA's total stake in Garanti is consolidated by the full integration method. For previous periods, Garanti's revenues and costs are integrated in the proportion corresponding to the percentage of the Group's stake then (25.01%).

(2) At constant exchange rates.

(3) 2015 includes the capital gains from the various sale operations equivalent to 6.34% of BBVA Group's stake in CNCB, the effect of the valuation at fair value of the 25.01% initial stake held by BBVA in Garanti, the impact of the sale of BBVA's 29.68% stake in CIFH and the goodwill from the CX operation.

(4) It corresponds to the attributable profit excluding results from corporate operations.

## Positive income performance



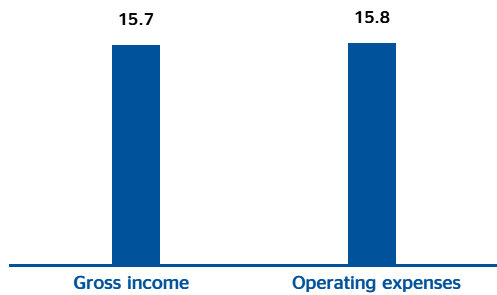
Net interest income growth in all the geographies, supported by activity, offsetting pressure on spreads

Gross income driven by recurring revenue performance...

... despite the absence of dividend income from CNCB and an increased contribution to the deposit guarantee funds and the Spanish Resolution Fund

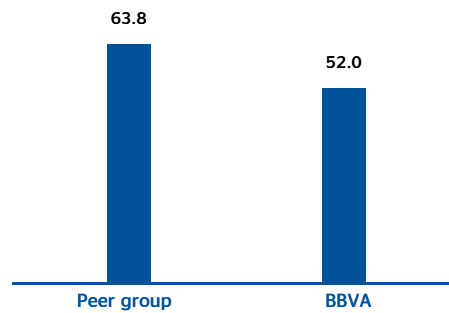
## Operating expenses: efficiency above peer average

Year-on-year rate of change  
(%, at constant exchange rates)



Efficiency

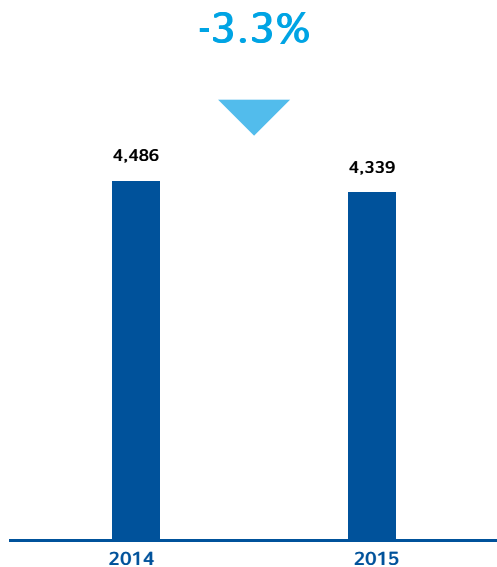
BBVA 12M15 vs. peer group 9M15, (%)



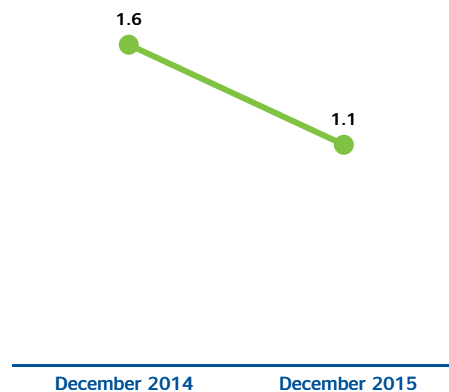
European peer group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG.

## Impairment losses on financial assets continue to decline, with a positive impact on cost of risk

Impairment on financial assets (net)  
(%)



Cost of risk year-to-date  
(%)



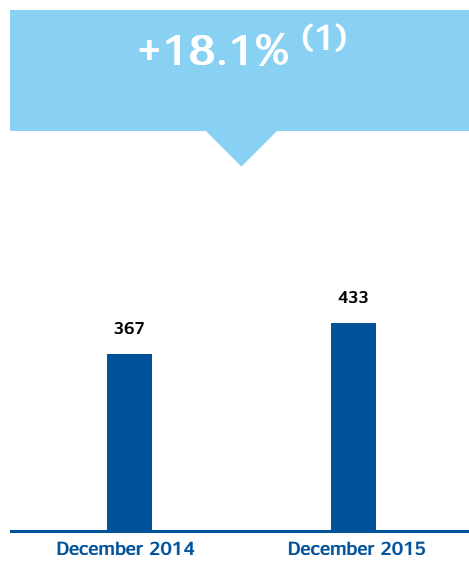
A detailed explanation about the Group's results can be found in the [Consolidated Annual Accounts, the Management Report and the Auditors' Report](#).

# Balance sheet and activity

Increasing credit growth, with a favorable performance of the production of new loans and customer funds in all geographies.

## Loans and advances to customers (gross)

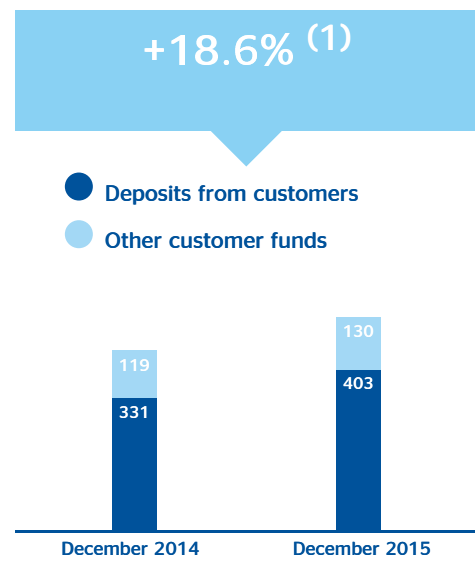
(Billion euros)



(1) At constant exchange rates: +22.4%.

## Customer funds

(Billion euros)



(1) At constant exchange rates: +24.4%.

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](#).



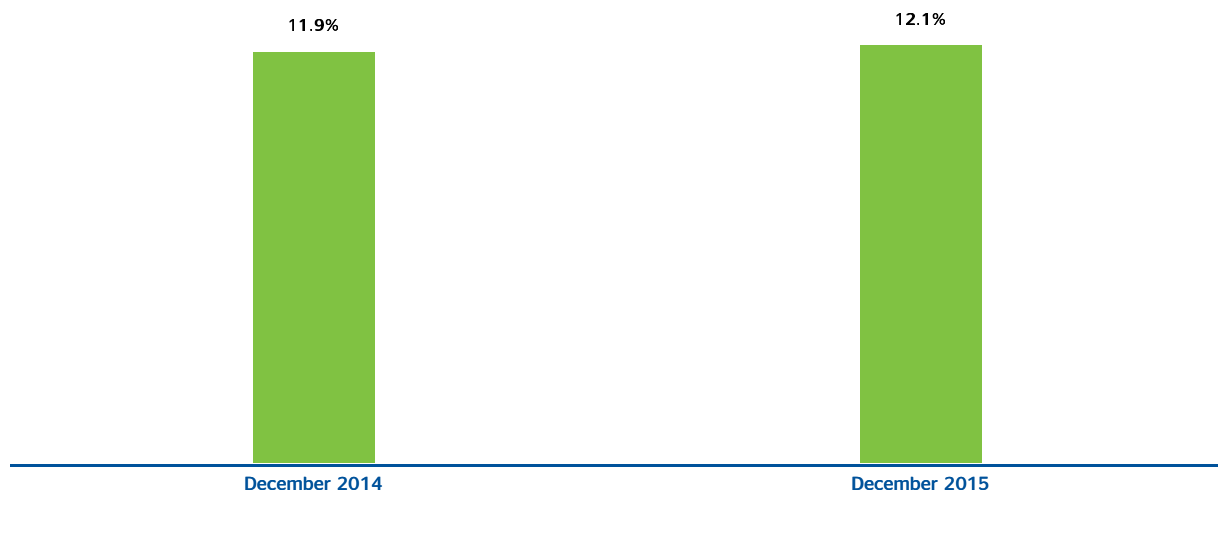
# Solvency

## Solid capital position

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### CET1 Ratio evolution

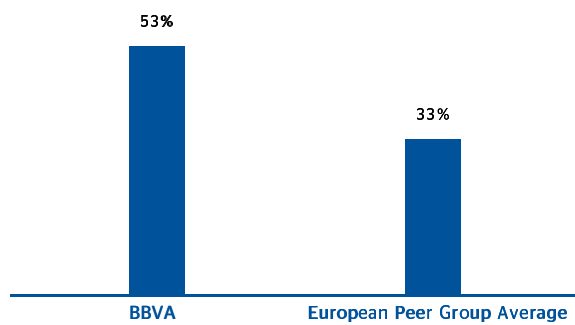
(%, phased-in)



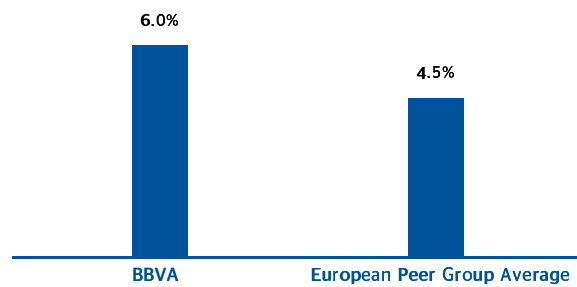
### High quality capital

(%)

RWAs/ Total Assets

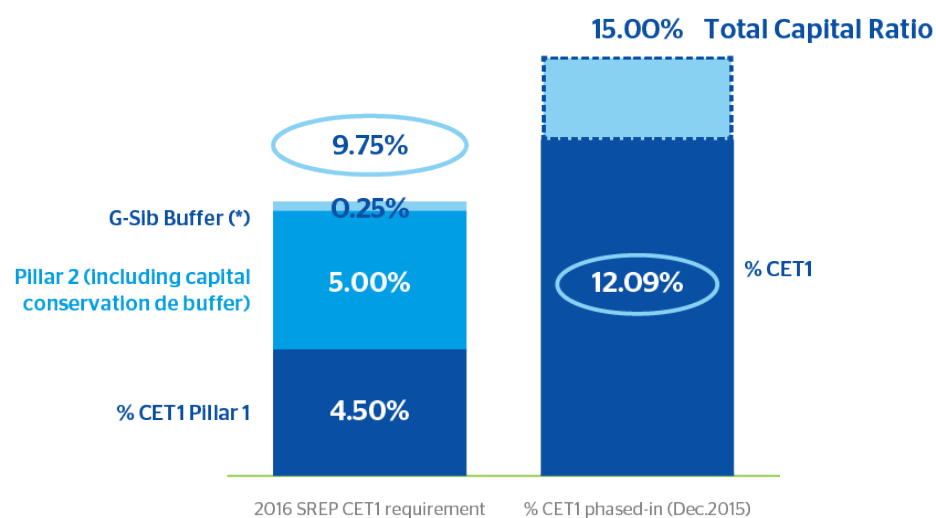


Leverage ratio



European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG. Figures as of September 2015

## Well above 2016 ECB minimum requirement



## +234 bps CET1 buffer above SREP requirement

(\*) BBVA has been excluded from the Financial Stability Board from G-SIB list with effect as of 1st January 2017. Therefore, this G-SIB buffer will no longer be applicable to BBVA. Nevertheless, Bank of Spain has communicated to BBVA its consideration as a domestic systemic financial institution (D-SIB) and it is required to hold a D-SIB buffer of 0.5% on a consolidated basis. This buffer will be phased-in in four years and will be fully implemented in 2019.

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.

# Global Risk Management

## BBVA Group's risk management function. General risk management and control model

BBVA Group's risk management function aims to preserve the Bank's solvency by supporting the definition of its strategy and ensuring sustainable business development. It is a single, independent and global function whose general principles are:

- The risks assumed must be compatible with the target solvency level and must be identified, measured and assessed. Monitoring and management procedures and sound control and mitigation systems must likewise be in place.
- All risks must be managed in an integrated way during their life cycle. They must be treated differently depending on their type and with active portfolio management based on a common variable: economic capital.
- The risk infrastructure must be adequate in terms of human resources, tools, databases, information systems and procedures, so that there is a clear definition of roles and responsibilities, to ensure efficient allocation of resources between the corporate area and the risk units in the geographical and/or business areas.
- It is each business area's responsibility to propose and maintain its own risk profile both independently and within the corporate action framework, using a risk infrastructure appropriate to the established model.

BBVA has a general risk management and control model (hereinafter "the model") that is appropriate to its business model, its organization and the geographical areas in which it operates. This enables it to carry out its activity within the framework of the risk management and control strategy and policy defined by the Bank's corporate bodies and adapt itself to a changing economic and regulatory environment, addressing management both globally and adapted to the circumstances at any given time. This model is applied comprehensively throughout the Group and consists of the basic elements listed below:

- Governance and organization.
- Risk appetite.
- Decisions and processes.
- Evaluation, monitoring and reporting.
- Infrastructure.

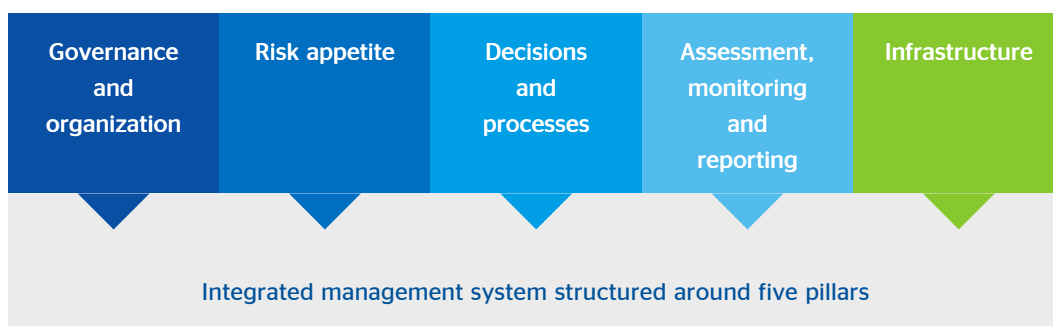
BBVA promotes the development of a risk culture that ensures consistent application of the risk management and control model in the Group and guarantees that the risk management function is understood and internalized at all Organization levels.

The risk management function's aim: to preserve solvency and ensure sustainable business development

BBVA has a risk management and control model in place that is applied comprehensively in the Group

## BBVA Group. Risk function management framework

Goal: to preserve the Group's solvency, supporting its strategy and ensuring a sustainable business growth.



A detailed explanation of each of the aforementioned basic elements of the model can be found in the [Consolidated Annual Accounts, the Management Report and the Auditors' Report](#).

## Credit risk

### 1) Introduction

The credit risk has its origin in the probability that one of the parties to a contract may breach its obligations for reasons of insolvency or inability to pay, causing a financial loss to the other party. It is the most important risk for the Group and includes counterparty risk, issuer risk, settlement risk and country risk management.

### 2) Credit risk quantification methodologies

The Bank quantifies its credit risk using two main metrics: expected loss (EL) and risk economic capital (REC). The expected loss reflects the average value of the estimated losses and is considered the cost of the business, while economic capital is the amount of capital needed to cover unexpected losses (i.e. if actual losses are higher than expected losses).

These risk metrics are combined with information on profitability in the value-based management framework, incorporating the profitability-risk binomial into the decision-making process, from the definition of business strategy to the approval of individual loans, price setting, assessment of non-performing portfolios, incentives to the different areas in the Group, etc.

There are three risk parameters that are essential in the process of calculating the EL and REC metrics: the probability of default (PD), loss given default (LGD) and exposure at default (EAD). They are generally estimated using the available historical information and are assigned to transactions and customers according to their particular characteristics.

The expected loss and the economic capital are the two main metrics to quantify the credit risk in BBVA

The expected loss and the economic capital are obtained, mainly, from three parameters: PD, LGD and EAD

## Probability of default (PD)

PD is a measure of credit rating that is assigned internally to a customer or a contract with the aim of estimating the probability of non-compliance within a year. It is obtained through a process using scoring and rating tools.

### a) Scoring

These tools are statistical instruments designed to estimate the probability of default according to the features of the contract-customer binomial. They are focused on management of retail credit: consumer finance, mortgages, credit cards of individuals, SME's, etc.

An adequate management of the reactive, behavioral, proactive and bureau tools by the Group means that updated risk parameters can be obtained and are adapted to economic reality. This results in precise knowledge of the credit health of transactions and/or customers.

### b) Ratings

The risk assumed by BBVA in the wholesale customer portfolio is classified in a standardized way by using a single master scale in economic terms for the whole Group that is available in two versions: a reduced one with 22 degrees and an extended one with 34. The master scale allows discrimination amongst credit quality levels, taking into account geographical diversity and the different types of risk in the different wholesale portfolios in the countries where the Group operates.

The information provided by the rating tools is used when deciding on accepting transactions and reviewing limits.

Some of the wholesale portfolios managed by BBVA are low default portfolios, in which the number of default events is low (sovereign risks, corporations, etc.). To obtain PD estimates in these portfolios, the internal information is supplemented by external data, mainly from external rating agencies and the databases of external suppliers.

### c) The economic cycle in PD

The latest financial crisis has revealed the importance of a proper anticipation in risk management. In this context, excess cyclicity of risk measurements has been identified as one of the causes of the instability of the metrics of financial institutions. BBVA has always been committed to estimating average cycle parameters that mitigate the effects of economic-financial turbulence in credit risk measurement.

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The internal tools used for the calculation of PD are scoring and rating

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Scoring is used for the retail segment. There are different types of scoring: reactive, behavioral, proactive and bureau

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Rating is used for the wholesale segment, in which default events are predicted at the customer level rather than at the contract level

The probability of default varies according to the cycle: it is greater during recessions and lower during expansions. In general, financial institutions do not have internal information on defaults covering a sufficiently long period of time to serve as an observation of the behavior of portfolios over a complete cycle. That is why adjustments have to be made to the internal data. The adjustment process to translate the default rates observed empirically into average default rates is known as cycle adjustment. The cycle adjustment uses sufficiently long economic series related to the default of portfolios, and their behavior is compared with that of the default events in the Entity's portfolios. Any differences between past and future economic cycles may also be taken into account, thus resulting in a certain prospective approach.

## Loss given default (LGD)

Loss given default (LGD) is another of the key metrics used in quantitative risk analysis. It is defined as the percentage exposure at risk that is not expected to be recovered in the event of default.

BBVA basically uses two approaches to estimate LGD. The most common one is known as "workout LGD", in which estimates are based on the historical information observed by the Entity, by discounting the flows observed throughout the recovery process of the contracts that have been in default at some point. In portfolios with a low rate of default (low default portfolio, or LDP), there is insufficient historical experience to make a robust estimate using the workout LGD method, so external sources of information have to be combined with internal data to obtain a representative rate of loss given default.

LGD estimates are carried out by segmenting operations according to different factors that are relevant for its calculation, such as the default period, seasoning, the loan-to-value ratio, type of customer, score, etc. The factors considered may be different according to the portfolio being analyzed.

In the BBVA Group, different LGDs are attributed to the outstanding portfolio (default and non-default), according to combinations of all the significant factors, depending on the features of each product and/or customer.

Lastly, it is important to note that LGD varies with the economic cycle. Hence, two concepts can be defined: long-run LGD (LRLGD) and LGD at the worst moment in the cycle, or downturn LGD (DLGD).

LRLGD represents the average long-term LGD corresponding to an acyclical scenario that is independent of the time of estimation. DLGD represents the LGD at the worst time of the economic cycle, so it should be used to calculate economic capital, because the aim of EC is to cover possible losses incurred over and above those expected.

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Loss given default (LGD) is a key metric in quantitative risk analysis. It also has other internal management purposes. For example, for proper price discrimination

Every estimate of loss given default (LGD, LRLGD and DLGD) is performed for each portfolio, taking into account all the aforementioned factors. However, no LRLGD or DLGD estimates are made in portfolios in which the loss given default is not significantly sensitive to the cycle, as they are recovery processes that cover extended periods of time in which the isolated situations of the economic cycle are mitigated.

In addition to being a basic input for quantifying losses (both expected and capital losses), LGD estimates have other internal management purposes. For example, LGD is an essential factor to discriminate prices, in the same way that it can determine the approximate value of a defaulted portfolio in the hypothetical event of outsourcing recoveries or defining which potential recovery actions have the highest priority.

## Exposure at default (EAD)

Exposure at default (EAD) is another of the inputs required to calculate expected loss and capital. It is defined as the outstanding debt at the time of default.

The exposure of a contract tends to be the same as its balance, although for products with explicit limits, such as cards or credit lines, exposure should include the potential increase in the outstanding balance from a reference date to the time of default. The EAD is therefore obtained by adding the risk already drawn on the transaction to a percentage of undrawn risk. This percentage of the undrawn balance that is expected to be used before default occurs is known as the credit conversion factor (CCF). Thus, the EAD is estimated simply by calculating this conversion factor. In addition, the relevance of adding to EAD the possibility of using an additional percentage of the limit for transactions that exceed it on a reference date is assessed, according to the risk policy for each product.

The estimate of these conversion factors also includes distinguishing factors that depend on the characteristics of the transaction.

In order to obtain CCF estimates for low-default portfolios, the LDPs, external studies and internal data are combined, or behavior similar to other portfolios is assumed and their CCFs are assigned in this way.

### a) The portfolio model and concentration and diversification effects

Credit risk for the global portfolio of the BBVA Group is measured through a portfolio model where the effects of concentration and diversification are considered. Its purpose is to study the entire loan book as a whole, by analyzing and capturing the effect of interrelations between the various portfolios.

In addition to enabling a more comprehensive calculation of capital needs, this model is a key tool for credit risk management, as it establishes loan limits based on the contribution of each unit to total risk in a global, diversified setting.

The EAD adds the risk already drawn to a percentage (CCF) of undrawn risk

The portfolio model considers that risk comes from various sources (it is a multi-factor model). This feature implies that economic capital is increasingly sensitive to geographic diversification, a crucial aspect in a global entity like BBVA.

The tool is also sensitive to the concentration that may exist in certain credit exposures, such as the Institution's large customers. Apart from geography, industry factors are now key to business concentration analyses.

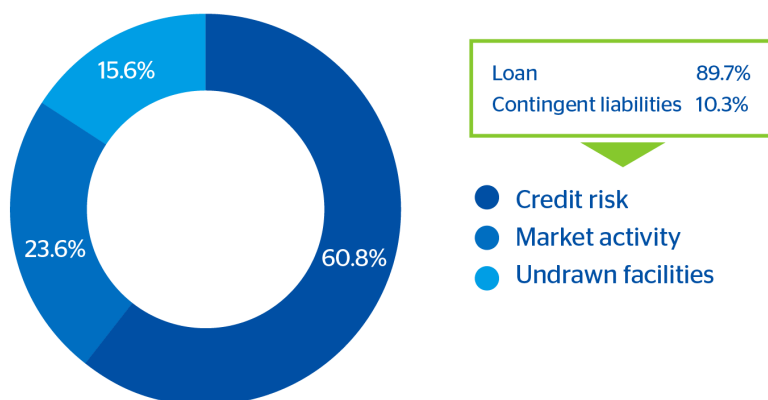
### 3) Credit risk in 2015

At the close of 2015, the main variables related to the Group's credit risk management have been positive. The year-on-year increase in credit risk and non-performing loans, as well as the performance of the main risk indicators, have been affected, mainly, by the incorporation of CX and the effects resulting from the purchase of an additional 14.89% stake in Garanti. On a comparable basis, i.e. excluding CX and taking Turkey on a like-for-like comparison (25.01% stake in Garanti and integration in the proportion corresponding to this percentage), the general tone remains positive.

- The Group's credit risk increased by 19.5% since December 2014.

Favorable and outstanding trend in the main risk indicators

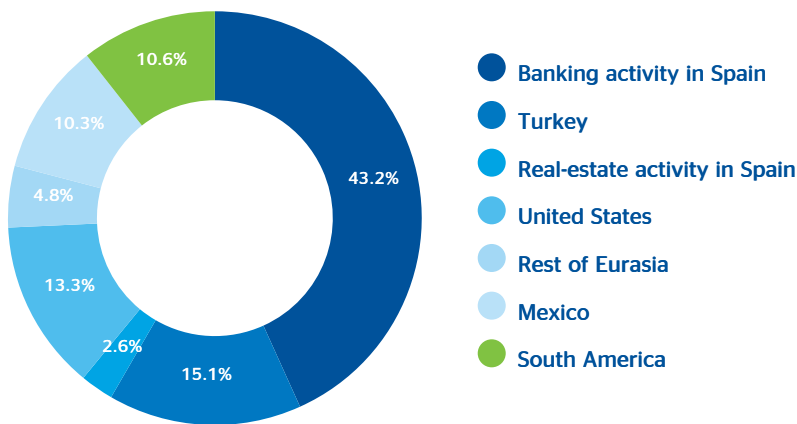
### BBVA Group. Exposure to credit risk. Breakdown by types of risk (31-12-2015)



Exposure: 793,082 million euros



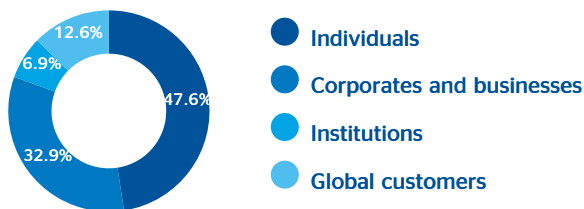
BBVA Group. Exposure to credit risk (gross). Breakdown by business areas (31-12-2015)



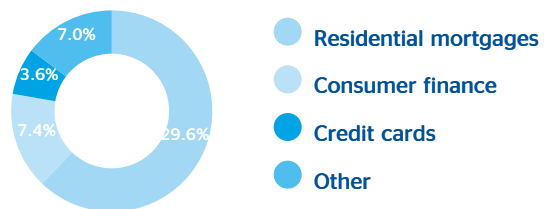
Risk: 482,518 million euros

BBVA Group. Exposure to loans and advances to customers (gross). (31-12-2015)

Breakdown by portfolios



Breakdown of individual customers portfolio



- The balance of non-performing loans amounts to €25,996m; €3,494m come from CX. Additionally, excluding the Garanti effect, there has been a year-on year decline of 11.1% in non-performing loans, with declines across all the geographical areas, although there was a notable reduction in Spain in banking activity and real-estate activity.

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## BBVA Group. Variation in non-performing assets

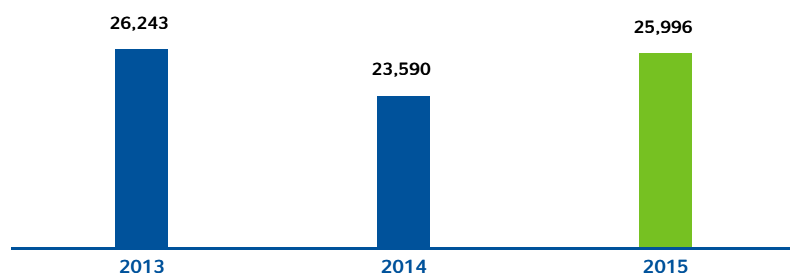
(Million euros)

|                                     | 2015          | 2014          | 2013          |
|-------------------------------------|---------------|---------------|---------------|
| Beginning balance                   | 23,590        | 26,243        | 20,603        |
| Entries                             | 9,473         | 9,074         | 18,027        |
| Recoveries                          | (6,959)       | (7,265)       | (7,840)       |
| <b>Net variation</b>                | <b>2,514</b>  | <b>1,809</b>  | <b>10,187</b> |
| Write-offs                          | (5,003)       | (4,754)       | (3,856)       |
| Exchange rate differences and other | 4,895         | 291           | (691)         |
| <b>Period-end balance</b>           | <b>25,996</b> | <b>23,590</b> | <b>26,243</b> |

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## BBVA Group. Variation in non-performing assets

(Million euros)



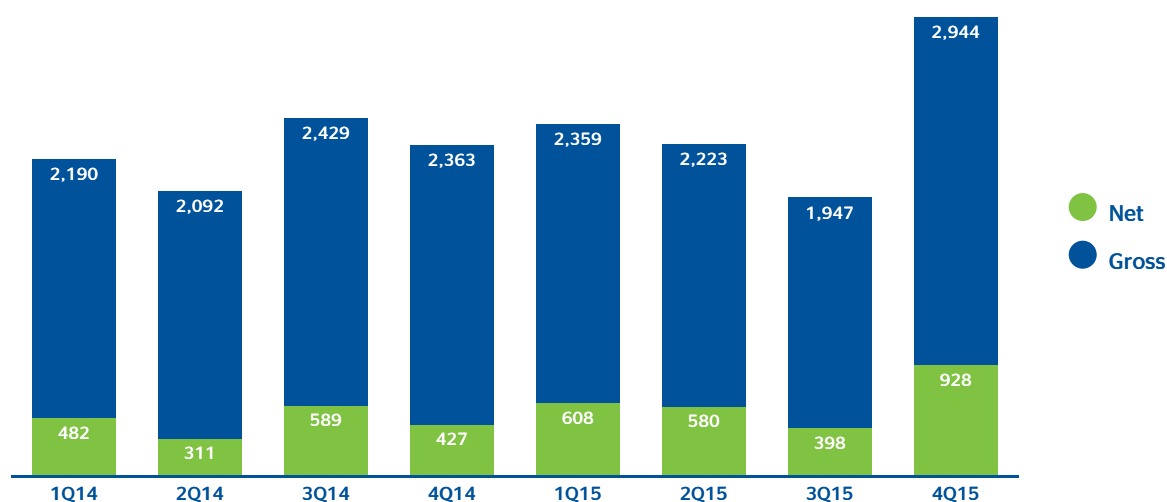
## BBVA Group. Evolution in non-performing loans by business areas

(Million euros)

|                                     | Banking activity in Spain |         | Real-estate activity in Spain |       | The United States |       | Turkey |      | Mexico  |         | South America |       | Rest of Eurasia |      |
|-------------------------------------|---------------------------|---------|-------------------------------|-------|-------------------|-------|--------|------|---------|---------|---------------|-------|-----------------|------|
|                                     | 2015                      | 2014    | 2015                          | 2014  | 2015              | 2014  | 2015   | 2014 | 2015    | 2014    | 2015          | 2014  | 2015            | 2014 |
| Beginning balance                   | 11,385                    | 12,480  | 7,770                         | 9,259 | 459               | 513   | 474    | 390  | 1,385   | 1,469   | 1,220         | 1,108 | 872             | 957  |
| Entries                             | 621                       | 514     | (491)                         | (661) | 226               | 32    | 249    | 107  | 1,549   | 1,418   | 548           | 591   | (184)           | 33   |
| Write-offs                          | (1,856)                   | (1,546) | (1,143)                       | (975) | (152)             | (139) | (38)   | (33) | (1,503) | (1,549) | (365)         | (407) | (58)            | (70) |
| Exchange rate differences and other | 3,695                     | (63)    | 342                           | 148   | 51                | 54    | 1,365  | 10   | (148)   | 47      | (228)         | (72)  | (43)            | (49) |
| Period-end balance                  | 13,844                    | 11,385  | 6,478                         | 7,770 | 584               | 459   | 2,050  | 474  | 1,283   | 1,385   | 1,175         | 1,220 | 587             | 872  |

## BBVA Group. Gross additions to NPL

(Million euros)



Total gross additions  
2014: 9,074

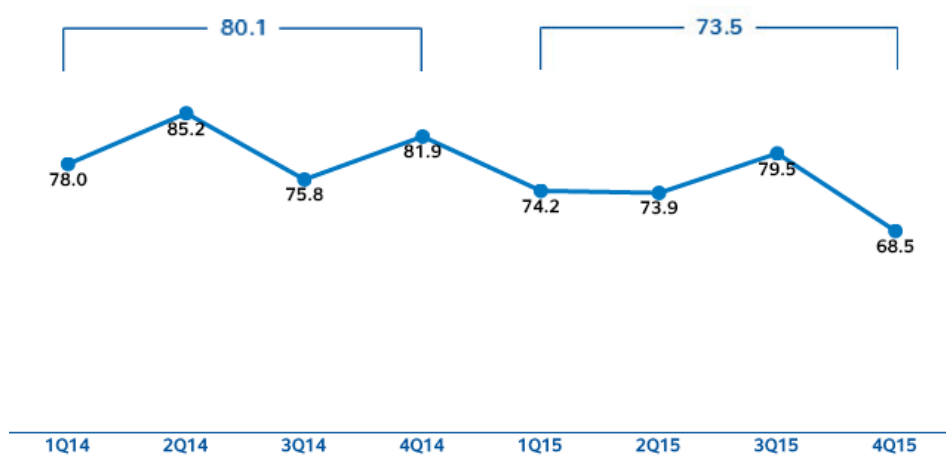
2015: 9,473

Total net additions  
2014: 1,809

2015: 2,514

## BBVA Group. NPL recoveries

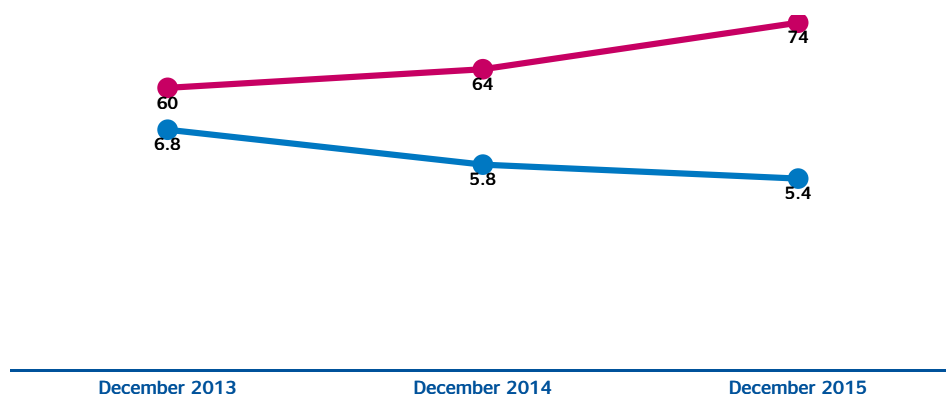
(Percentage)



- As a result, the NPL ratio closes the year at 5.4% (5.8% in Dec-2014) and the coverage ratio at 74% (64% a year before).
- Loan-loss provisions have increased by 28.0% since the close of 2014.

## BBVA Group. NPL and coverage ratios

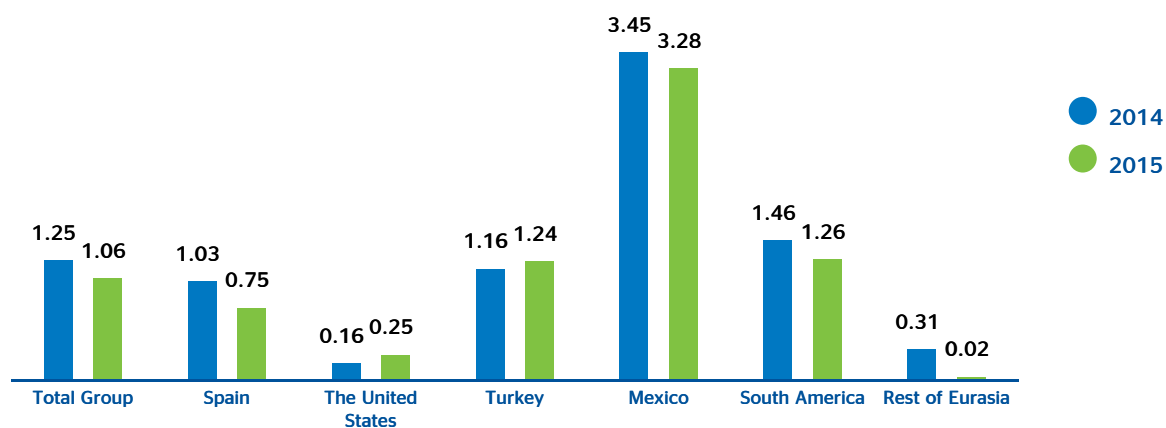
(Percentage)



- Lastly, there has been an improvement in the cost of risk compared with the cumulative figure of December 2014.

## BBVA Group. Cost of risk by business areas

Percentage



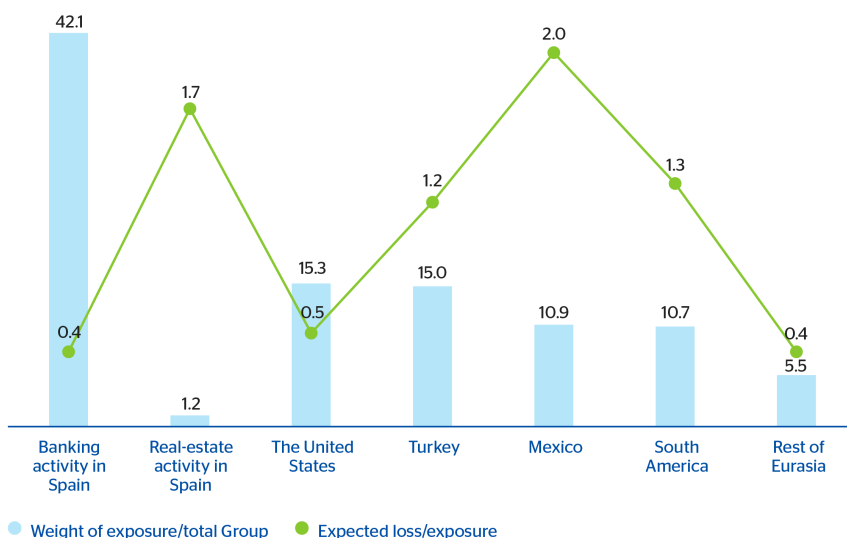
Note: Spain includes real-estate activity.

### Expected losses

Expected losses not attributed in the performing portfolio, adjusted to the economic cycle average, stood at €3,746m as of the close of December 2015, a year-on-year decrease of 2.3% using comparable data. In attributable terms, and not including the non-performing portfolio, as of December 2015 this heading totals €3,092m, 0.1% higher than the previous year, using comparable data.

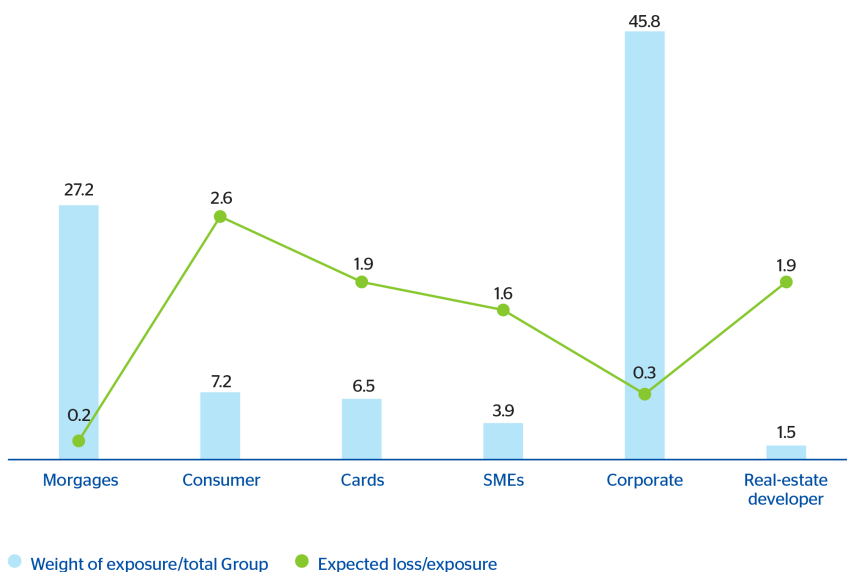
The chart below shows expected losses by business areas as of the close of December 2015.

**BBVA Group. Consolidated expected losses (balances not in default) by business areas**  
 (Percentage over exposure. Figures as of 31-Dec-2015)



The expected losses of the Group's main portfolios at the close of December 2015 are also shown below.

**BBVA Group. Consolidated expected losses (balances not in default) by portfolio**  
 (Percentage over exposure. Figures as of 31-Dec-2015)



A detailed explanation of the aforementioned risk can be found in the [Consolidated Annual Accounts](#), [the Management Report and the Auditors' Report](#) and in the Pillar III Report.

## Market risk

### Market risk in trading book

#### Introduction

This type of risk originates as a result of movements in the market variables that impact the valuation of traded financial products and assets.

The main risks generated can be classified as follows:

- **Interest-rate risk:** This arises as a result of exposure to the movement of the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to these movements are those in the money market (deposits, interest-rate futures, call money swaps, etc.) and traditional interest-rate derivatives (swaps and interest-rate options such as caps, floors, swaptions, etc.), practically all the financial products have exposure to interest-rate movements due to the effect that such movements have on their valuation through the financial discount.
- **Equity risk:** This arises as a result of movements in share prices. This risk is generated in spot positions in shares, as well as any derivative products whose underlying asset is a share or an equity index. Dividend risk is a sub-risk of equity risk, as being an input for any equity option, its variation may affect the valuation of positions and it is a factor that generates risk on the books.
- **Exchange-rate risk:** This is caused by movements in the exchange rates of the different currencies in which a position is held. As in the case of equity, this risk is generated in cash currency positions, and in any derivative product whose underlying is an exchange rate. In addition, the quanto effect (operations in which the underlying asset and the nominal are denominated in different currencies) means that certain transactions in which the underlying asset is not a currency generating an exchange-rate risk that has to be measured and monitored.
- **Credit spread risk.** Credit spread is an indicator of an issuer's asset quality. This risk occurs due to variations in the levels of asset quality of both corporate and government issues, and affects both the positions in bonds and credit derivatives.
- **Volatility risk:** This occurs as a result of changes in the levels of implied price volatility of the different market instruments on which derivatives are traded. This risk, unlike the others, is exclusively a component of trading in derivatives.

The metrics developed to control and monitor market risk in BBVA Group are aligned with best practices in the market and are implemented consistently across all the local market risk units.

Market risk may be of various kinds: interest-rate, equity, exchange-rate, credit spread and volatility risk

Measurement procedures are established in terms of the possible impact of negative market conditions on the trading portfolio of the Group's Global Markets units, both under ordinary circumstances and in situations of heightened risk.

The standard metric used to measure market risk is Value at Risk (VaR), which indicates the maximum loss that may occur in the portfolios at a given confidence level (99%) and time horizon (one day). This statistical value is widely used in the market and has the advantage of summing up in a single metric the risks inherent to trading activity, taking into account how they are related and providing a prediction of the loss that the trading book could sustain as a result of fluctuations in equity prices, interest rates, foreign exchange rates and commodity prices.

The analysis of market risk takes into consideration the following risks: credit spread, basis risk between several instruments, volatility risk or correlation risk.

## Management structure


The current management structure includes the monitoring of:

- Market risk limits, consisting of a scheme of limits based on VaR, economic capital (calculated based on VaR measurements) and VaR sub-limits.
- Stop-loss orders (i.e. orders to cease or limit losses) for each of the Group's business areas.

The global limits are approved annually by the Executive Committee (EC) at the proposal of the market risk unit, following presentation to the GRMC and in the Risk Committee (RC). This limits structure is developed by identifying specific risks by type, trading activity and trading desk. The market risk unit maintains consistency between the limits. This control structure is supplemented by limits on loss and a system of alert signals to anticipate the effects of adverse situations in terms of risk and/or result.

## Market risk in 2015

The Group's market risk remains at low levels compared with the aggregates of risks managed by BBVA, particularly in terms of credit risk. This is due to the nature of the business and the Group's policy of minimal proprietary trading. In 2015, the average VaR was €25 million, slightly higher than in 2014, with a maximum level for the year on March 4 of €30 million. The changes in BBVA Group's market risk in 2015, measured as VaR (without smoothing), with a 99% confidence level and a 1-day horizon, are shown below, expressed in million euros.

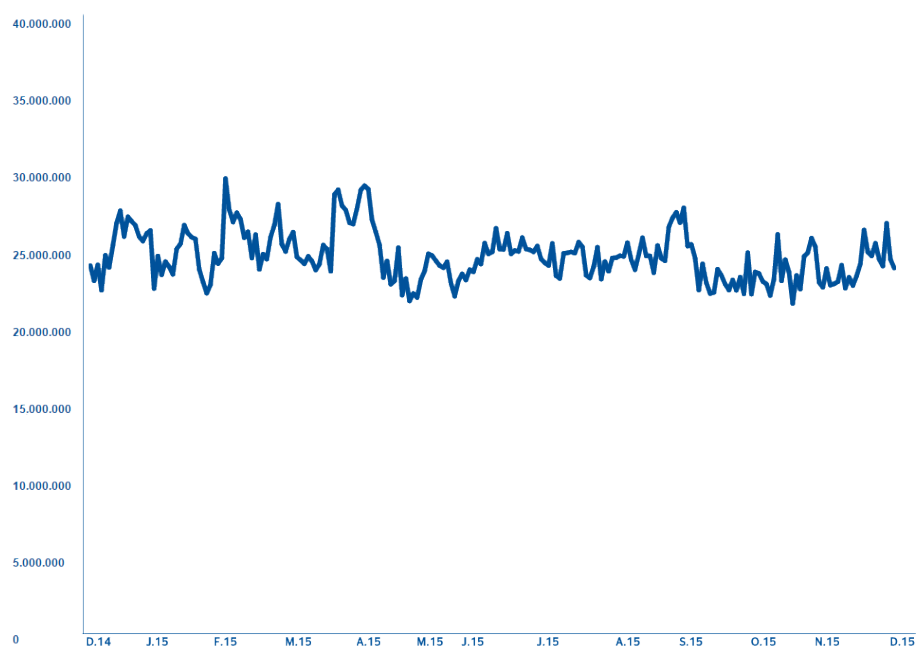


Market risk in BBVA  
remains relatively low



## BBVA Group. Market risk evolution in 2015

(VaR in euros)



By type, the main risk factor in the Group continues to be linked to interest rates, with a weight of 48% of the total at the end of 2015 (this figure includes spread risk); which implies that it has reduced its relative weight compared with the close of 2014 (67%). Foreign exchange risk accounts for 21% and has increased its proportion compared with the same date last year (12%), while equity risk and volatility and correlation risk have increased, with a weight of 32% at the close of 2015 (*versus* 20% at the close of 2014).

## BBVA Group. Market risk by risk factors in 2015

(Million euros)

| VaR by risk factors      | Interest/spread risk | Interest-rate risk | Equity risk | Vega / Correlation risk | Diversification effect <sup>(1)</sup> | Total     |
|--------------------------|----------------------|--------------------|-------------|-------------------------|---------------------------------------|-----------|
| 2015                     |                      |                    |             |                         |                                       |           |
| Average VaR              |                      |                    |             |                         |                                       | 24        |
| Maximum VaR              | 32                   | 5                  | 3           | 9                       | (18)                                  | 30        |
| Minimum VaR              | 20                   | 6                  | 3           | 9                       | (17)                                  | 21        |
| <b>End-of-period VaR</b> | <b>21</b>            | <b>9</b>           | <b>3</b>    | <b>11</b>               | <b>(20)</b>                           | <b>24</b> |

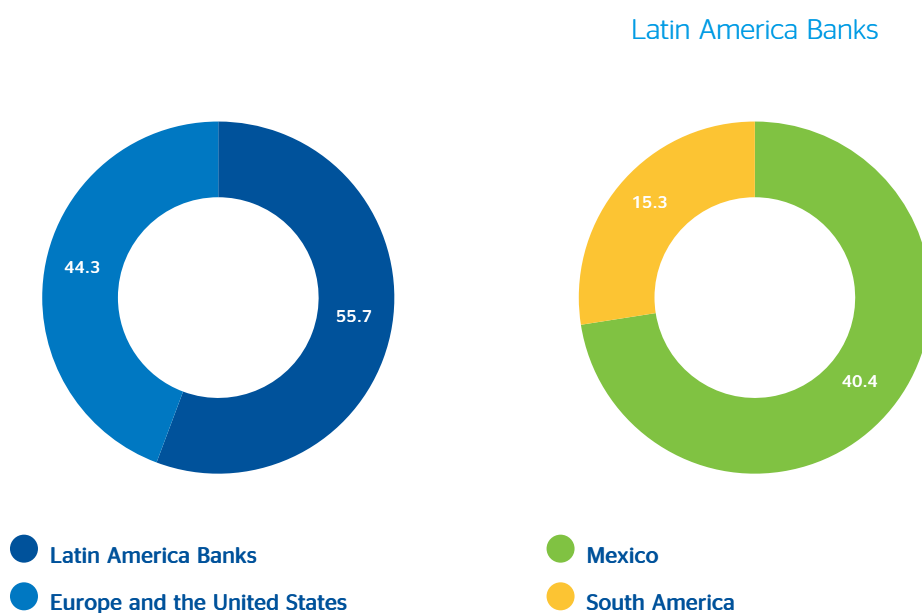
(1) The diversification effect is the difference between the aggregation of each risk factor, individually measured, and the total VaR figure which reflects the implicit correlation among all the variables and scenarios used in the measurement.

By geographical areas, 44.3% of the market risk corresponds to the trading floors of the Global Markets units in Europe, New York, Asia and BBVA Compass, and 55.7% to the Group's banks in Latin America, of which 40.4% is in Mexico.

The change in average daily VaR over 2015 compared with 2014 is basically due to Global Markets Mexico and Global Markets Europe, New York and Asia, which have increased their average risk by 14 % and 5%, respectively. This increase is partially offset by the reduction in the Global Markets units in South America (14%).

## BBVA Group. Market risk by geographical area

Average 2015. Percentage



A detailed explanation of this risk can be found in the [Consolidated Financial Statements, the Management and Auditors' Reports](#) and in the Pillar III Report, specifically of the quantification methodology and the validation of the internal market risk model.

## Credit risk in trading book

The credit risk assessment in OTC financial instruments is made by means of a Monte Carlo simulation, which calculates the current exposure of the counterparties and their possible future exposure to fluctuations in market variables.

The model combines different credit risk factors to produce distributions of future credit losses and thus allows a calculation of the portfolio effect; in other words, it incorporates the term effect (the exposure of the various transactions presents potential maximum values at different points in time) and the correlation effect (the relationship between exposures, risk factors, etc. is normally different from 1). It also uses credit risk mitigation techniques such as legal netting and collateral agreements.

Credit risk in trading book also decreases in 2015

The maximum credit risk exposure in derivatives with counterparties in the Group as of 31-Dec-2015 stood at €49,350 million, an increase of 4% on 2014 year-end. Excluding contractual arrangements of netting and collateral, the net exposure in derivatives stands at €16,705 million as of 31-Dec-2015, which means a 7% reduction against the same figure of last year.

Maximum exposure to credit risk in derivatives at BBVA, S.A. is estimated at €35,535 million (compared with €39,185 in the previous year). BBVA S.A.'s overall reduction in terms of exposure due to netting and collateral agreements is €24,306 million.

Therefore, the net risk in derivatives at BBVA, S.A. as of December 31, 2015 is €11,229 million (compared with €11,203 million the previous year).

The table below shows the distribution by sectors and by products of the amounts of the maximum credit risk exposure in financial instruments in BBVA, S.A. Exposure continues to be mainly concentrated in financial institutions (44%) and in corporates (52%).

### Net counterparty risk by type of product and sector. Maximum exposure at BBVA, S.A. (excluding intra-group counterparties)

(Million euros)

| Units            | Derivates     | Deposits  | Repos      | Other       | Total         |
|------------------|---------------|-----------|------------|-------------|---------------|
| Financial sector | 4,834         | 0         | 202        | (36)        | 5,000         |
| Corporate        | 3,859         | -         | -          | 0           | 3,859         |
| Branches         | 2,152         | 0         | -          | 0           | 2,152         |
| Sovereign        | 384           | 58        | 0          | 0           | 442           |
| <b>TOTAL</b>     | <b>11,229</b> | <b>58</b> | <b>202</b> | <b>(36)</b> | <b>11,453</b> |

And the following table shows the distribution by maturities of the maximum exposure amounts in financial instruments. Maturity index is 3.8 years.

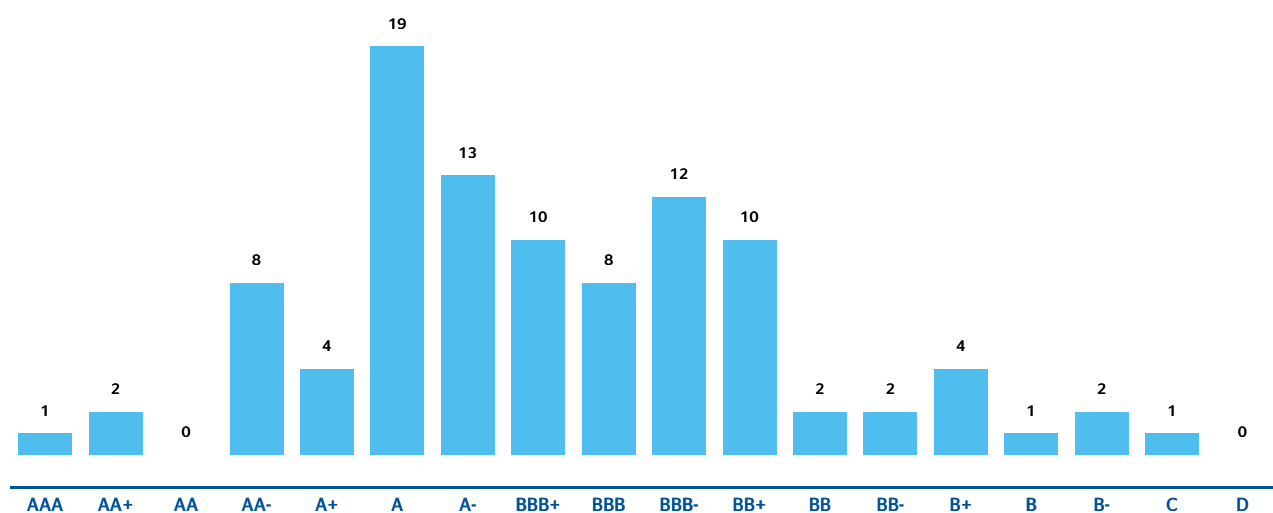
## Maturity vector by rating and tranches at BBVA, S.A. (excluding intra-group counterparties)

(Million euros as of 31-12-2015)

|                      | Up to 3 months | Up to 12 months | Up to 3 years | Up to 5 years | Up to 10 years | More than 10 years |
|----------------------|----------------|-----------------|---------------|---------------|----------------|--------------------|
| AAA                  | -              | -               | -             | -             | 46             | 76                 |
| AA                   | 509            | 105             | 101           | 112           | 112            | 155                |
| A                    | 290            | 858             | 715           | 357           | 708            | 528                |
| BBB                  | 138            | 165             | 489           | 369           | 857            | 634                |
| Non investment grade | -              | 388             | 520           | 457           | 667            | 244                |
| NR                   | -              | -               | -             | 5             | 17             | 5                  |
| D                    | -              | 12              | 14            | 8             | 13             | 7                  |
| <b>TOTAL</b>         | <b>938</b>     | <b>1,528</b>    | <b>1,839</b>  | <b>1,308</b>  | <b>2,419</b>   | <b>1,647</b>       |

The counterparty risk assumed in this activity involves entities with a high credit rating (A- or higher in 48% of cases).

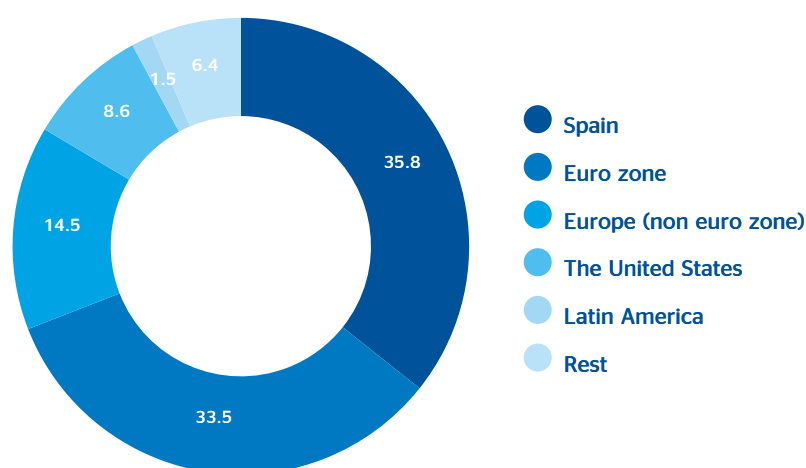
## Distribution of maximum exposure by ratings at BBVA, S.A (Excluding intra-group counterparties)



By geographical areas, the maximum exposure of BBVA, S.A. is in counterparties in Europe (84%) and the United States (9%), which together account for 92% of the total.

## Geographical distribution of maximum exposure at BBVA, S.A (Excluding intra-group counterparties)

(Percentage)



## Structural risks

### Introduction

Structural risks (SR) in BBVA include the risks managed on the Group's balance sheet that arise from the Bank's structural exposure to various market risk factors and conditions in the financial environment. This generic classification includes the risks related to asset and liability management and, in addition, the structural exchange-rate risk and structural equity risk, i.e.:

- Structural interest-rate risk, whose management aims to maintain BBVA Group's exposure to market interest-rate fluctuations at levels consistent with its strategy and risk profile. This risk follows the Group's decentralized management model. The Balance Sheet Management unit, through the Assets and Liabilities Committee (ALCO), designs and executes the defined strategies, respecting the tolerances established within the risk appetite framework.

BBVA's structural risks in 2015 have decreased in relation to previous years in terms of economic capital

- Structural exchange-rate risk is inherent in the activity of international banking groups which, like BBVA, carry out their business in different geographical areas and in different currencies. At Group level, this risk arises basically through exposure to changes in exchange rates in BBVA Group's companies abroad that consolidate on the Group's balance sheet and whose functional currency is not the euro. Managing this risk is based on a simulation model of scenarios to quantify the changes in value that can occur with a given confidence level and a predetermined time horizon. The balance sheet management unit, through the Assets and Liabilities Committee (ALCO), designs and executes the strategies to carry out, being supported by the internal risk metrics according to the corporate model. It also carries out hedging operations with the goal of minimizing the impact on capital of changes in exchange rates, according to their projected trend.
- Structural equity risk, which originates from the possible negative impact derived from the loss of value of investments in industrial and financial companies with medium and long-term investment horizons. The corporate GRM area is responsible for the measurement and effective monitoring of structural equity risk by estimating the sensitivity and the capital necessary to cover possible unexpected losses due to variations in the value of the companies comprising the Group's investment portfolio, at a confidence level that corresponds to the Institution's target rating, and taking into account the liquidity positions and the statistical behavior of the assets under consideration.

The main aspects of structural risk management in BBVA Group in terms of purpose, governance and management are described below.

| Structural risk management              | Structural interest-rate risk   | Structural exchange-rate risk   | Structural equity risk   |
|---|---|---|--|
| <b>Purpose</b>                          | To preserve net interest income, contributing to the generation of recurrent earnings, and optimize the Bank's economic value in the face of variations in market interest rates.   | To minimize potential negative impacts of fluctuations in exchange rates on the Group's equity, solvency and earnings in relation to its strategic international investments. | To optimize the planned profitability according to the assigned tolerance, in each structural portfolio with positions in non-strategic industrial and financial companies, with medium and long-term investment horizons. |
| <b>Governance</b>                       | <p>The Executive Committee approves the system of limits and alerts, following review by the Global Risk Management Committee and the Risk Committee. This approval transposes the tolerances approved by the Board of Directors into the management metrics of each risk.</p> <p>GRM prepares the proposal for the system of limits and alerts as well as performing structural risks' control and monitoring. Their functions include: Designing the measurement models and systems, developing the policies on corporate management, information and control, and preparing the risk measurements that underpin the Group's management</p> <p>GRM regularly reports the management metrics to both the management and administration bodies: ALCO, Risk Committee and the Executive Committee.</p> |   |  |
| <b>Responsible for management</b>       | ALCO is the body that evaluates the implementation of the actions according to the proposals of the Balance Sheet management unit belonging to the Finance area. It designs and executes the strategies to be implemented, in accordance with the tolerances set out in the risk appetite framework.  | Finance units implement strategies, managing their exposure in accordance with the limits set for the management metrics.   |  |
| <b>Control and management variables</b> | Deviations from the budgeted net interest income (going concern dynamic model) and deviations from economic value (economic capital).   | Solvency ratio, earnings and equity (economic capital).   | Economic capital, exposure and earnings.   |
| <b>Management Model</b>                 | Decentralized and independent in each balance sheet management unit/ liquidity management unit associated with the different geographical areas.  | Consolidated for BBVA Group.  | At management portfolio level of holding companies.  |

The elements shown in the above table are regulated in the relevant corporate management policies approved by the Executive Committee for each risk. Moreover, procedures are in place based on and developing these policies, guaranteeing that the processes in all management aspects are consistent with the established principles. With the implementation of a decentralized model for structural interest-rate risks, each of the balance sheet management units (BSMUs) are managed on an individual basis, in accordance with the corporate policy, and with specific control mechanisms.

The contribution of structural risks to the Group's map of capital at risk has decreased compared with the previous year. It is worth noting that the risk arising from equity exposures lost weight in 2015, while the weight of structural interest-rate risk has increased.

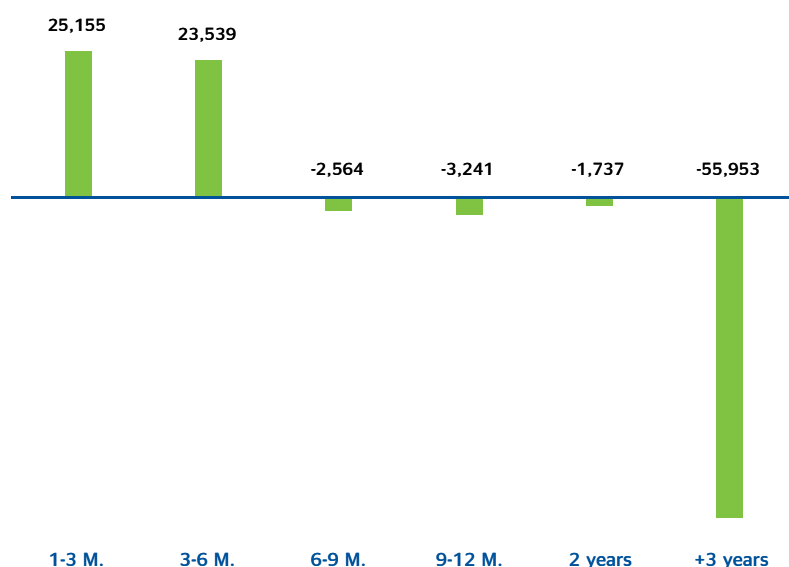
### Structural interest-rate risk

Structural interest-rate risk (SIRR) is related to the potential impact that variations in market interest rates have on an entity's net interest income and equity. In order to properly measure SIRR, BBVA takes into account the main sources that generate this risk: repricing risk, yield curve risk, option risk and basis risk, which are analyzed from two complementary points of view: net interest income (short term) and economic value (long term). The accompanying chart shows the gaps in BBVA's structural balance sheet in euros, i.e. the risk that arises from different maturities or repricing of the assets and liabilities in the banking book.

Appropriate balance sheet management has kept BBVA's exposure to interest-rate fluctuations at moderate levels, consistent with the Group's target risk profile

### Maturity and repricing gaps of BBVA's structural balance sheet in euros

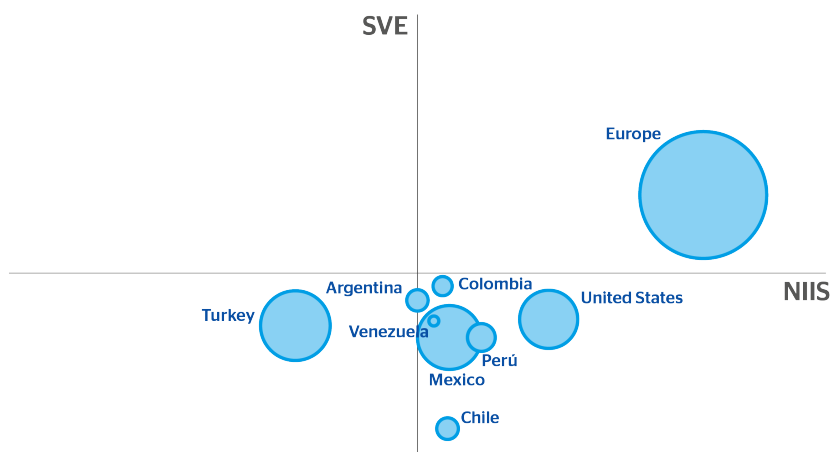
(Million euros)



The chart below shows the profile of sensitivities to net interest income and value of the main entities in BBVA Group.



## BBVA Group. Structural interest-rate risk profile



NIIS: Net interest income sensitivity (in percentage) of the franchise to +100 basis points.  
EVS: Economic value sensitivity (in percentage) of the franchise to +100 basis points.  
Size: Core capital to each franchise.

In 2015, accommodative monetary policies have remained in place with the aim of boosting demand and investment, with interest rates in Europe and in the United States remaining at all-time lows. In Latin America, the slowdown in growth and the upward pressure on inflation in most countries have prompted many central banks (including those in Chile, Peru and Colombia) to hike interest rates, despite the environment of economic slowdown.

BBVA Group's positioning has a positive sensitivity in its net interest income to interest rate hikes, while in terms of economic value the sensitivity is negative to interest rate increases, except for the euro balance sheet. Mature markets, both Europe and the United States, show greater sensitivity in terms of their projected net interest income against a parallel shock of interest rates. However, in 2015 this negative sensitivity to cuts has been confined by the limited downward trend in interest rates. In this interest-rate environment, appropriate management of the balance sheet has maintained BBVA's exposure at moderate levels, in accordance with the Group's target risk profile.

## Structural exchange-rate risk

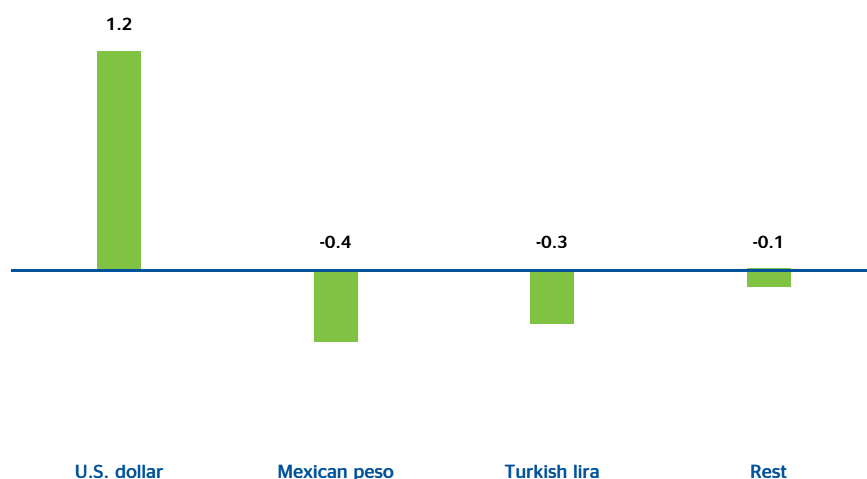
In BBVA Group, structural exchange-rate risk arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. Its management is centralized in order to optimize the joint handling of permanent foreign currency exposures, taking into account the diversification.

In 2015, the most notable aspect in the foreign-exchange markets has been the strength of the United States dollar and the weakness of the currencies of emerging economies, which have depreciated noticeably against the dollar, affected by the slump in commodity prices, particularly of oil, and the uncertainty surrounding the growth of those economies following the change in the Fed's monetary policies and the slowdown in China. This has led to an upturn in volatility in the foreign-exchange markets. Also worth mentioning is the more unfavorable performance of the Argentinean peso and the Venezuelan bolivar fuerte, affected by the imbalances in both economies. In this context, the Group's structural exchange-rate risk has been moderate in 2015 due to the sale of the stakes in the Citic Group and the increase in hedging, focused on the main exposures. Thus, the risk mitigation level of the book value of BBVA Group's holdings in foreign currency has remained on average at 70% at the end of the year and coverage of earnings in foreign currencies in 2015 has reached 46%.

Structural exchange-rate risk in BBVA has been moderate in 2015 due to the sale of the stakes in the Citic Group and the increase in hedging, focused on the main currencies that have an impact on the Group's financial statements

## CET1 ratio sensitivity to a 1% appreciation of the euro exchange rate with respect to other currencies

(Basis points)



## Structural equity risk

In 2015, the good performance of the European stock exchanges in the first half of the year has slowed down sharply in recent months, affected by the slump in oil prices and the uncertainty surrounding global growth. This shifting trend has resulted in a worsening of the capital gains accumulated in the Group's investments in equity.

Structural equity risk, measured in terms of economic capital, has decreased significantly, due mainly to the sale of the stakes in Citic Group.

A detailed explanation of each of the aforementioned risks can be found in the [Consolidated Financial Statements, the Management Report and the Auditors' Report](#) and in the Pillar III Report.

BBVA's structural equity risk has decreased noticeably, due mainly to the sale of the stakes in Citic Group

## Liquidity and funding risk

The main aspects of the management of liquidity and funding risks in BBVA Group in terms of purpose, governance and management are described below.

| Management                              | Liquidity risk  | Funding risk  |
|---|---|---|
| <b>Purpose</b>                          | In the short term, to meet the payment commitments on time and in an appropriate manner, without having to resort to funding under burdensome terms or under conditions that may damage the Institution's reputation.   | In the medium and long term, to ensure that the Group's funding structure is appropriate and that its evolution is suitable regarding the economic situation, the markets and the regulatory changes, in accordance with the established risk appetite. |
| <b>Governance</b>                       | <p>The Executive Committee approves the system of limits and alerts, following review by the Global Risk Management Committee and the Risk Committee. This approval transposes the tolerances approved by the Board of Directors into the management metrics of each risk.</p> <p>GRM prepares the proposal for the system of limits and alerts and performs structural risks control and monitoring. Its functions include designing the measurement models and systems, developing the policies on corporate management, information and control, and preparing the risk measurements that underpin the Group's management.</p> <p>GRM regularly reports the management metrics to both the management and administration bodies.</p> |   |
| <b>Responsible for management</b>       | ALCO is the body that makes the decisions to act according to the proposals of the balance sheet management unit belonging to the Strategy and Finance area, which designs and executes the strategies to be implemented, in accordance with the tolerances set out in the risk appetite framework.   |   |
| <b>Control and management variables</b> | Availability of collateral to hedge against the risk of wholesale markets closing (basic capacity).   | Funding of the loan portfolio through stable customer funds (loan-to-stable customer deposits ratio) and reliance on short-term funding.  |
| <b>Management model</b>                 | Decentralized and independent in each balance sheet management unit/liquidity management unit associated with the different geographica areas.  |   |

Three core elements: to achieve an adequate volume of stable customer funds; proper diversification of the wholesale funding structure; and availability of sufficient collateral to address the risk of wholesale markets closing

In 2015, both long and short-term wholesale funding markets remained stable thanks to the positive trend in sovereign risk premiums and the setting of negative rates by the ECB for the marginal deposit facility. During the year 2015, the ECB has made, every quarter, targeted longer-term refinancing operations (TLTRO) in order to boost credit while improving the financial conditions for the European economy as a whole. At these auctions, BBVA took €8,000 million in 2015 as a whole.

The situation in the rest of the LMUs outside Europe has also been very positive, as the liquidity position has once again been reinforced in all the geographical areas in which the Group operates.

In this context of improved access to the markets, BBVA has maintained its objective of strengthening the funding structure of the different Group franchises on the basis of increasing their self-funding from stable customer funds while guaranteeing a sufficient buffer of fully available liquid assets, diversifying the various sources of funding available, and optimizing the generation of collateral for dealing with stress situations in the markets. The exposure to liquidity risk has been kept within the risk appetite and the limits approved by the Board of Directors.

A detailed explanation of the liquidity and funding risk can be found in the [Consolidated Annual Accounts, the Management Report and the Auditors' Report](#) and in the Pillar III Report.

## Operational risk

### Introduction

Operational risk arises from the possibility of human error, inadequate or faulty internal processes, system failures and/or as a result of external events. This definition includes legal risk, but excludes strategic and/or business risk and reputational risk.

Operational risk is inherent in all banking activities, products, systems and processes. Its origins are diverse (processes, internal and external fraud, technology, human resources, commercial practices, disasters, providers).

### Operational risk management framework

Operational risk management, which is integrated into the global risk management structure of BBVA Group, is based on the following levers of value generated by the advanced measurement approach (AMA):

#### Operational risk management principles

The operational risk management principles (detailed in the Consolidated Annual Accounts, the Management Report and the Auditors' Report) reflect BBVA Group's vision of this risk. They are based on the events resulting from this risk have an ultimate cause that should always be identified and managed to reduce its impact.

Irrespective of the adoption of all the possible measures and controls for preventing or reducing both the frequency and severity of operational risk events, BBVA ensures at all times that sufficient capital is available to cover any expected or unexpected losses that may occur.

BBVA continues to maintain an adequate funding structure in the short, medium and long term, diversified by products

## Three lines of defense in operational risk management



Operational risk management in BBVA is designed and coordinated by the Corporate Operational Risk Management (GCRO) unit, which is part of GRM, and by the Operational Risk Management (GRO) units, located in the risks departments of the different countries (Country GRO). The business or support areas, in turn, have operational risk managers (Business GRO) who report to the Country GRO and are responsible for implementing the model in the day-to-day activities of the areas. This gives the Group a view of risks at the process level, where risks are identified and prioritized and mitigation decisions are made.

Lastly, the control of operational risk management is reinforced by an internal audit process that independently verifies compliance and tests the Group's controls, processes and systems.

### Committee structure

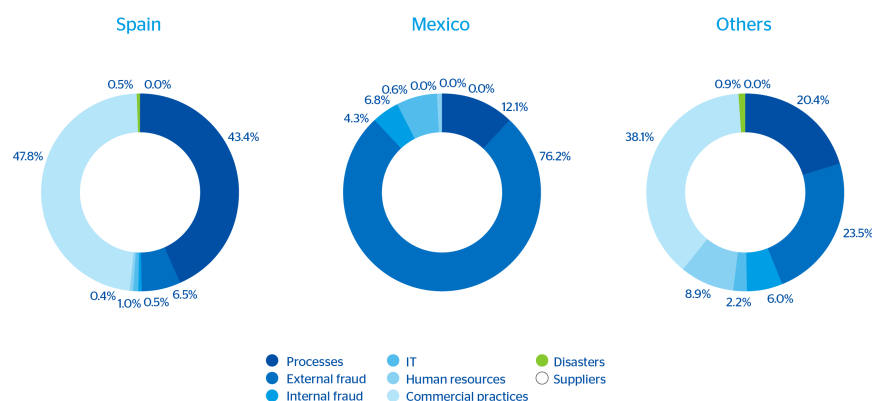
Each business and support unit has one or more GRO committees that meet on a quarterly basis. These committees analyze operational risks and take the appropriate mitigation decisions.

In addition, a system called Corporate Assurance has been designed as one of the components of the Group's internal control model. It undertakes a general monitoring of the main control weaknesses submitted to the Corporate Assurance Operating Committee (OCA) at country level, and to the Global Corporate Assurance Committee (CGCA) at holding level.

### The Group's operational risk profile

The charts below provide a historical distribution of operational risk losses in the different geographical areas where BBVA operates, classified by type of risk.

## Historical distribution of losses by type of risk



## Operational risk capital in 2015

The methodology used by BBVA to calculate capital using advanced internal models (AMA) is the so-called loss distribution approach (LDA), considered the most robust from a statistical point of view among those permitted by the Basel Committee. This methodology is fed by three data sources: the Group's internal operational loss database, events occurring in the domestic and international financial sector (external database), and simulated events (also called scenarios). BBVA's application of AMA models has been approved for Spain and Mexico.

The capital resulting from the application of the advanced models is corrected by factors related to the country environment and by internal control factors, based on the variation of metrics on changes in operational risks.

## Economic capital by operational risk

(Million euros)

| Risk class            | Capital      | Method   |
|-----------------------|--------------|----------|
| Spain                 | 668          | AMA      |
| Mexico                | 373          | AMA      |
| Turkey <sup>(1)</sup> | 517          | Basic    |
| Others <sup>(2)</sup> | 906          | Standard |
| <b>TOTAL</b>          | <b>2,464</b> |          |

(1) Turkey includes the information for Garanti Bank and all its subsidiaries.

(2) Portugal, the United States, Argentina, Chile, Colombia, Peru, Paraguay, Uruguay, Venezuela and Switzerland.

## 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 our credit activity and the projects we finance. These impacts lead to direct, indirect and reputational risks.

These extra-financial risks may affect the credit profile of borrowers or the projects financed, and therefore the quality of the risk assumed and, in short, the repayment of loans.

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 different lines of action.

### Social and environmental risk management

#### 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 managing 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 the social demand 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 for managing the environmental and social risks in project finance. These principles have set the benchmark for responsible finance. Once more in 2015, BBVA has contributed to their development and dissemination as a member of the EP Association Steering Committee and the working groups in which it takes part.

The Corporate & Investment Banking (CIB) Reputational Risk team takes on responsibility for analyzing the financed projects, representing the Bank before 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. In 2015, representatives of the Reputational Risk team took part in training sessions given by the IFC, OECD and IAIA on the best environmental and social risk practices.

In the risk analysis and decision-making processes, BBVA assesses and takes into consideration not only financial aspects, but also social, environmental and reputational factors

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.



To guarantee integrity in BBVA's application of the EP, their management is integrated into the internal transaction structuring and admission processes and is subject to regular checks 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's best practices in environmental and social risk management include:

- Elimination of the minimum threshold of US\$ 10 million established by the IFC, reviewing all operations under the EP, regardless of the amount.
- Application of the EP beyond their mandatory scope, incorporating project bonds, assignment of credit rights, asset finance and project-linked guarantees.
- Review of projects at the operation phase, as well as new projects.
- List of preferred independent advisors.
- [Public information](#) broken down by project.



## BBVA Group. Details of Equator Principles operations

|   | 2015   | 2014    | 2013  |
|---|--------|---------|-------|
| Number of operations                    | 26     | 44      | 28    |
| Total amount (million euros)            | 24,557 | 170,265 | 7,934 |
| Amount financed by BBVA (million euros) | 1,933  | 1,867   | 719   |

### [Appendix RI1 - Classification of finance and advisory projects according to the EP](#)

#### Ecorating and training in social and environmental risks

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 or applicable legislation. In 2015, the environmental risk of 216,976 customers was rated in Spain, with a total exposure volume of €98,914m.

#### Spain. Eco rating data 2015

| Environmental risk level | Volume (million euros) | Customers      |
|--------------------------|------------------------|----------------|
| Low                      | 86,003                 | 177,459        |
| Medium                   | 12,683                 | 38,976         |
| High                     | 228                    | 541            |
| <b>TOTAL</b>             | <b>98,914</b>          | <b>216,976</b> |

As regards training, in 2015 BBVA continued to award grants to risk analysts to complete the Environmental and Social Risks Analysis Online Training Program provided by the United Nations Environment Program Finance Initiative (UNEP FI) and delivered by INCAE Business School. Over the year, four of the Group's risk analysts have received the 30-hour online training.

#### 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.

In 2015, progress was made in defining a more solid governance model, the methodology has been improved and a software tool has been developed for its management.

According to this new governance model, two groups have been defined as responsible for the design and implementation of the methodology to identify and promote reputational risk management: one at the global level and the other locally. In both cases, they are made up of the managers of Internal Risk Control & Operational Risk, Compliance, Communications and Responsible Business.

Two types of key functions are involved in the implementation of the methodology:

- The Responsible Business and Communications teams, responsible for identifying risks and assessing their impact.
- The assurance providers, responsible for assessing and mitigating the risks identified. They come from very different areas because reputational risks are very varied in origin.

Each of these functions must report about the reputational risk management within its scope of action through the reporting channels it uses normally. The aggregate view of the reputational risks is reported according to local regulatory requirements.

### Responsible lending

BBVA has incorporated the best practices of responsible lending and consumer credit granting and has policies and procedures that contemplate these practices.

Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Board of Directors of the Bank on April 3, 2013) and Specific Rules derived from it establish policies, practices and procedures in relation to responsible granting of loans and consumer credit.

The summary of these policies are available in the [BBVA Financial Statements](#).

# Innovation and technology: the digital transformation

BBVA has been aware for some years that transformation involves adapting banking services to people's real lives. Consumers today rate convenience very highly, i.e. being able to make informed and well-advised decisions through face-to-face, remote (by phone or email) or digital channels, depending on their needs. This is demonstrated by the major investment in innovation and technology that BBVA has been making over recent years, with an annual average of around €800m since 2011.

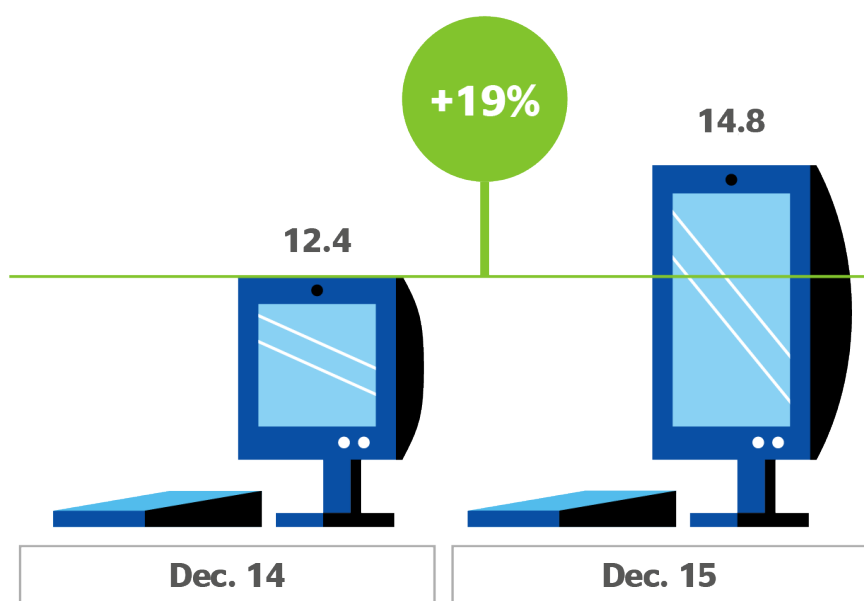
## 1) Increase in the digital customer base

BBVA is continuing to expand the number of customers who interact with the Bank through digital channels. As of December 31, 2015, the Group had 14.8 million digital customers, that means a penetration of 33% and 19% up on last year, of whom 8.5 million are in mobile banking (up 45% on 2014).

In 2015 the digital customer base continued to increase

### BBVA Group. Digital customers <sup>(1)</sup>

(Million)

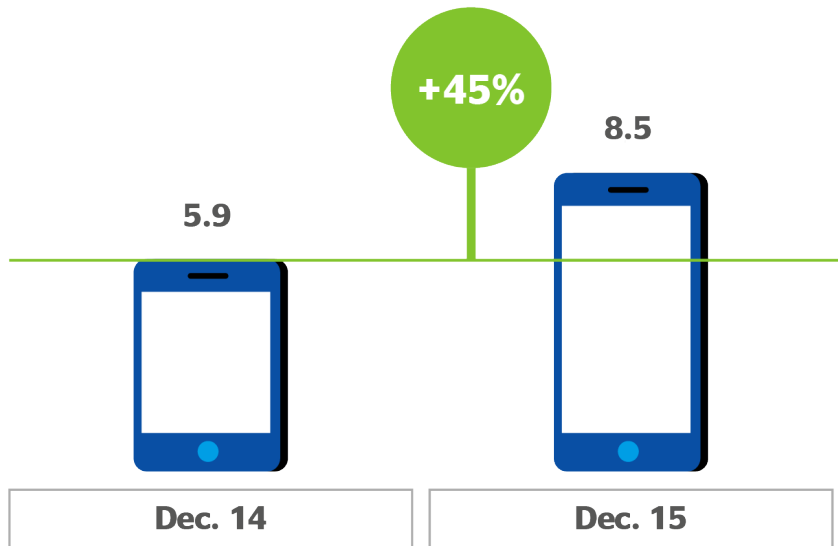


(1) Including Turkey.

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## BBVA Group. Mobile customers <sup>(1)</sup>

(Million)



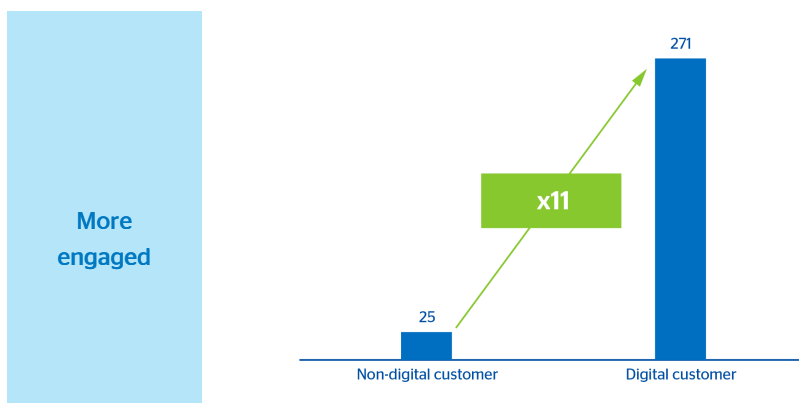
(1) Including Turkey.

They are customers who demand and carry out an increasing number of transactions.

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## BBVA Spain. Annual transactions

(Average transactions per customer)



BBVA's app has had more than 4.2 million downloads and BBVA Wallet, the card management app, 2.3 million. The BBVA Contigo customized remote account management service has more than 600,000 customers Spain. In short, the functionalities developed through digital transformation make financial transactions more agile and simple, while also changing traditional banking concepts.

## 2) Transformation at the branch offices

BBVA's branch network has taken a leading role in the Bank's growth and transformation. It aims to adapt to the profile of customers by using a mix that combines face-to-face, remote or digital service in a 360° model. Beginning in November 2015, the managers of BBVA Contigo in Spain have been working integrated into the branch network teams. Branches also assist customers who have any queries so they can learn about the tools that will make their transactions easier.

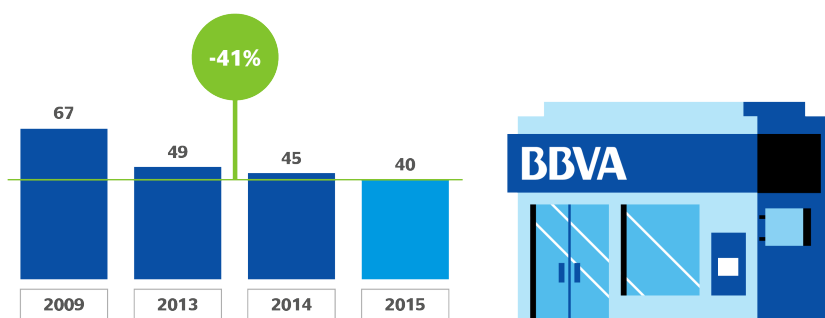
In Mexico, the branch office rehabilitation and upgrading project, which has reached 1,400 branch offices in 2015, becomes a reality with the Bancomer Tower. The change in the comprehensive business model drives technological innovation with a view to improving customer experience.

Today, flexibility and convenience make mobile banking and the Internet the most highly rated channels among BBVA customers. But customers do not have to choose between self-service and the face-to-face channel: they can select face-to-face, remote or digital banking according to their needs at any given time. The new distribution model boosted by digital transformation means that activity in the branch, as measured by the number of transactions, continues to decline.

Flexibility and convenience make mobile banking and the Internet the most highly rated channels among BBVA customers

### BBVA Spain. Branch activity

(Millions of transactions)



### 3) Progress in the development of new competencies

Within the Group's new organizational structure, approved in May 2015, are the New Core Competencies areas, which incorporate critical competencies to succeed in the new environment. Each of these areas has accomplished a number of milestones in 2015 to make progress in the development of these competencies.



#### Customer Solutions

In 2015, BBVA acquired the Californian design company Spring Studio, which specializes in user experience. The aim is to speed up the efforts to become the leading Bank in the digital environment through design and technology. This acquisition is another step by BBVA in the changing scenario of financial services, marked by new customer demands and the entry of digital competitors. BBVA believes that design is fundamental for the success of the business and has made this investment so that it can become one of its competitive features. As the number of customers that access their bank through cell phones, computers and tablets increases, the digital experience will be increasingly important in choosing one bank over others. Customer-centric design is key for innovation in the financial industry and BBVA is developing the best user experience across all its channels. Spring Studio has extensive experience in creating digital solutions for some of the most prestigious and innovative companies in the finance industry, e-commerce and technology. The company will now focus on BBVA's projects in the United States and South America.

Incorporating new design and user experience capabilities

## Engineering

The Bank has created the Engineering area that not only manages technology operations but develops software and processes for customer solutions with a global approach. With the focus on digital transformation, in 2015 it structured its activity around the following lines of action:

- Developing the Group's technological architectures toward more standardized models, boosting the adoption of cloud computing (a paradigm that allows us to offer computing services through a network, usually the Internet).
- Transforming the Technology production function by incorporating elements of new technologies.
- Optimizing processes in search of improved customer experience, efficiency and operational control.
- Guaranteeing integrated management of security, as well as control of operations and information security.
- Facilitating the integration of Garanti and CX.

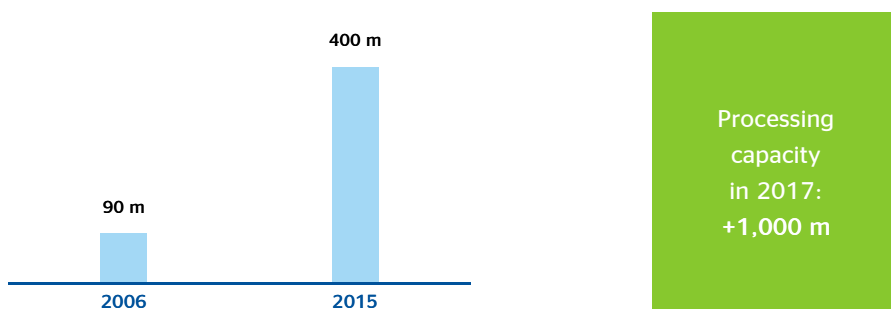
### a) Infrastructure

The increasing use of digital channels by customers has exponentially increased technological infrastructure processing needs. Increasing levels of customer digitization result in greater use of channels, which generates the need for an infrastructure with higher processing capacity.

Leveraging the IT Platform to develop Open Platform and Big Data capabilities

## Processing volume

### Transactions a day in real time



BBVA continues to make progress in its plan to build a network with four new next-generation data centers (two in Madrid and two in Mexico), which will operate in a crossed Business Recovery Services (BRS) model. In 2012, the first Data Processing Center (DPC) became operational in Madrid, and in 2015 the first entered into operation in Mexico (in Lake Esmeralda), with the highest security and reliability levels.

BBVA's DPC 1 in Madrid has obtained a Sustainable Building LEED® Gold certification, granted by the U.S. Green Building Council (USGBC), while the Madrid DPC 2 has obtained the Tier IV certification in construction from the Uptime Institute, as have rooms 1 and 2 of the Mexico DPC.

## b) Architecture

Continuing the technological transformation process that BBVA began in 2007, optimization continues on core banking across the Bank's global footprint, and in the Corporate & Investment Banking business at the global level. The aim is to have modular technological platforms, available with a customer-centric vision. At the same time, progress has continued with migration and/or shutdown plans for old applications.

The data platforms have also continued to develop under the boost from the Informational Platform project, with particular emphasis on Spain and Mexico, incorporating into their capabilities new technologies for using Big Data. This development involves not only the incorporation of new technologies but also the shutdown of previous infrastructure and data operation applications.

Improvements have also been made in channels, particularly web (bbva.net) and mobile apps, which have incorporated new products and purchase functionalities such as one-click. There has also been an improvement in user experience with solid and innovative technological foundations, such as the use of the HTML5 language in the digital channel.

At the same time, a plan has been implemented for developing the architecture organized into two phases: The first involves boosting the adoption of cloud technologies. This will then give way to the following phase based on artificial intelligence (cognitive computing and automation). The aim of this plan is to have an architecture that allows the Group to reduce costs, promote the creation of reusable global components, increase processing capacity and reduce the time needed to integrate a new company into the Group.

## c) Process transformation

There has also been progress on process transformation, providing many of them with a multi-channel capacity and aiming to increase the satisfaction level of customers and their loyalty. In 2015 a number of investments were made in projects including:

- Progress in implementing BBVA Wallet in Spain, Mexico, various parts of South America and Turkey (where it is called BonusFlas).
- The development and implementation of one-click strategies, which allow quick and easy product purchase.
- Complete renewal of banking websites in Chile and Uruguay and the implementation of the NetCash website for companies in Chile.
- The BBVA Provincial Onboarding project, which aims to improve customer experience, starting from the time the customer makes initial contact with the bank.
- Implementation of the Ekip platform for loans to retailers in Mexico and Chile.
- Development and implementation of the Digital Signature, both in Spain and Mexico and in countries in South America.



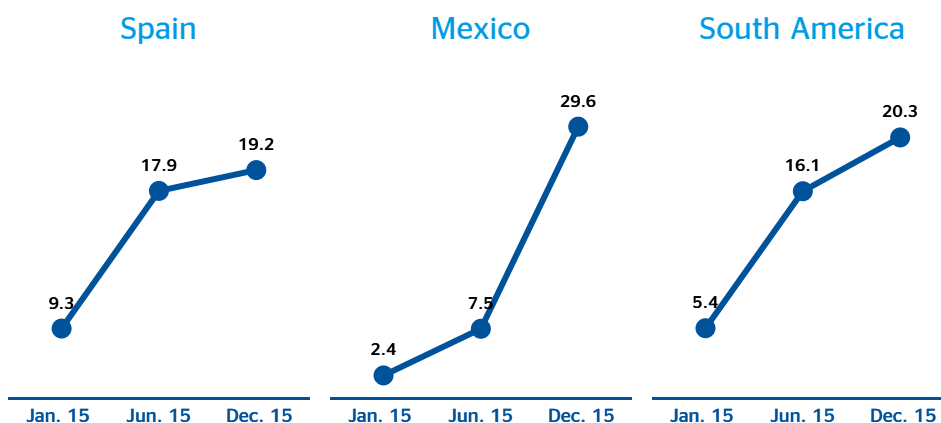
## Global Marketing & Digital Sales

One of the strategic priorities of BBVA is to drive digital sales. This transformation of BBVA's relationship model with its customers brings its communication closer to them and offers new growth opportunities through both digital and remote sales. Thus, transformation has resulted in increased digital sales. In 2015, 19.2% of new consumer finance was granted through digital channels in Spain, 20.3% in South America and 29.6% in Mexico.

Exponential growing of digital sales and customer acquisition

### Digital consumer loan sales

% of total consumers loans sold digitally



South America calculated as the average % of total consumer loans sold digitally in Argentine, Chile and Peru.

In turn, BBVA is investing in developing talent, capabilities, tools, methodologies and technologies to transfer best e-commerce practices and use these new tools and new models consistently and in a standard way across all the countries, and also in the development of the infrastructure to increase our ability to sell products through digital channels.

### New Digital Businesses

Another strategic priority of BBVA is to create / associate with / acquire new business models. The new business models mean in practice that with the help of technology, new customer experiences can be introduced into the market that are not only better, but also cheaper. At BBVA we use different ways of building new business models or new businesses, adapted to each opportunity:

- In association with other companies, startups or even banks, with which we are working together on how we could use blockchain technology for quicker payment systems.
- By building our own applications, such as the online payment business Nimble, a virtual POS solution in Spain.
- Making investments, for which was created Propel Venture Partners (Propel). Its aim is to discover and help the most innovative financial services companies. Since its creation in 2012 it has invested in companies such as Personal Capital, Taulia, DocuSign, SumUp and the venture capital funds Ribbit Capital and 500 Startups. In 2015 it invested in Coinbase, the leading platform for transactions using the virtual bitcoin.

Fostering in-house innovation and accessing external innovation

- Building an ecosystem of developers, such as through the Open Talent competition for very interesting companies with which we can work to build new business models together.

BBVA has signed an agreement to enter into the capital of Atom in November 2015 with a stake of 29.5%. This is the first exclusively mobile bank in the United Kingdom and will begin operating in 2016. BBVA's investment will be used to contribute capital to develop the Atom project. BBVA will have the chance to participate in future rounds of finance and use its digital network to contribute knowledge and support to the development of Atom, whose aim is to offer a great user experience, using the best practices of the main digital companies and applying them to banking. Customers will be able to open an account through the Atom app, access their financial information easily and benefit from a great variety of unique tools to make the most out of their money. It is therefore a customer-centric bank, designed to meet customer needs and optimized for the mobile environment.

#### a) Open innovation model

BBVA continues to develop its open innovation model through BBVA Innovation Centers, which serve as open points of encounter for the innovation and entrepreneurial community. In 2015, another Innovation Center was opened in Mexico in the new Bancomer headquarters. Over the year, 187 events and activities were held, with more than 9,000 people taking part, to promote the entrepreneurial ecosystem, boost the development of innovative projects and make startups known from around the world. Of note was the event organized in Madrid with teachers from the Stanford d.school to teach the methodology of Design Thinking.

In the Living Lab (new open and collaborative innovation model) of the Innovation Centers we publicly share our vision of Digital Banking and some of the projects on which we have been working in this area to deal with changes in the financial sector. It is also a space for research with users, designed to improve our customers' digital experience by trying out ideas before they are launched commercially. The 3,000 people who visited the Living Lab in 2015 were mainly entrepreneurs, from business schools, the media and technological companies, as well as BBVA customers and employees.

The BBVA Innovation Center website and social networks, and the website for BBVAOpen4U.com developers, support and make known all the activities carried out, as well as generating and making available contents of the highest value to everyone.

Of particular note are the ebooks provided by Innovation Edge, a multi-platform publication that analyzes and presents new trends and progress in innovation. Each edition, published in English and Spanish, deals in depth with a subject related to the financial industry. They are available free to everyone. In 2015, a total of 26 books were published, which are also available for download on Amazon via Kindle.

BBVA's activities for entrepreneurs and open innovation include:

- The Innovachallenge Data Week for developers, a training conference that also presents the Innovachallenge MX project winners, with a program focused on creating applications using open-data APIs.
- The BBVABetatesters (more than 7,000 beta testers specializing in Fintech), who give us feedback on our new apps. It is a way of testing our ideas before they are finally launched. This community is growing constantly and so far more than 170 apps have been tested.

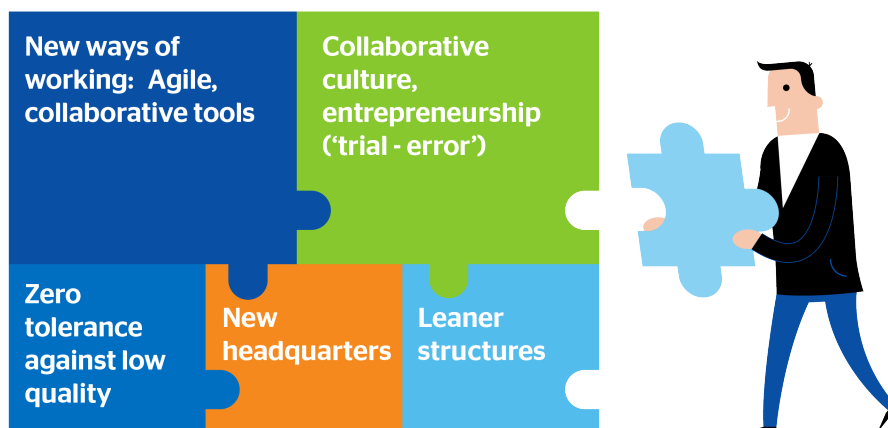
## Talent & Culture

In 2015, the projects to build new corporate headquarters in Spain, Mexico and Chile were completed. The aim was to promote efficiency, corporate culture and digital transformation. To do so, new ways of working have been defined, requiring the implementation of technological equipment capable of meeting the new needs, and the creation of new spaces to foster collaboration, simplicity and improved user experience.

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Transforming the organization internally by fostering a new culture

## Cultural change



# Environment

As a financial institution, BBVA has a significant influence on the environment through the consumption of natural resources and the emissions generated and, particularly, through the products and services it offers, especially those related to its funding, asset management and supply chain activities.

BBVA's commitment to the environment is reflected in its [environmental policy](#), which is global in scope. BBVA has also adhered to the major international agreements in this area, such as the United Nations Environment Programme 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. In 2015, BBVA also joined the Spanish Green Growth Group.

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BBVA's commitment to the environment is reflected in its environmental policy and in its adherence to the main international agreements in this area

## Eco-efficiency

In 2013 we launched our second Global Eco-efficiency Plan (GEP), which set the following objectives per employee based on the consumption levels verified in 2012:

- A 6% reduction in CO<sub>2</sub> emissions.
- A 3% reduction in paper consumption.
- A 3% reduction in water consumption.
- A 3% reduction in electricity usage.
- 33% of people working in buildings and offices that have been awarded environmental certifications.

In addition, the plan included controls on the generation of waste such as paper, toner, electrical and electronic appliances and other dangerous waste. In 2015 we completed the Plan, far exceeding all the goals set. We have reduced electricity usage by 14%, water consumption by 23%, paper consumption by 43% and CO<sub>2</sub> emissions by 16%, always with respect to 2012 figures. Likewise, the 33% objective set for employees working in buildings that have been awarded environmental certification has been reached.

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BBVA has completed its second Global Eco-efficiency plan, far exceeding the goals set

## BBVA Group. Main GEP indicators

|  | 2015 | 2014 | 2013 |
|--|------|------|------|
| People working in certified buildings <sup>(1) (2)</sup> (%) | 33   | 18   | 17   |
| CO <sub>2</sub> emissions per person (t)                     | 2.7  | 2.7  | 2.8  |
| Paper consumption per person (t)                             | 0.1  | 0.1  | 0.1  |
| Water consumption per person (m <sup>3</sup> )               | 22.3 | 24   | 23.5 |
| Electricity consumption per person (MWh)                     | 6.4  | 6.4  | 6.5  |

Note: indicators calculated based on employees and external staff.

(1) Including ISO 14001 and LEED certifications.

(2) Including Torre Reforma and BBVA Bancomer Operational Center buildings in Mexico, which are currently in the process of certification.

BBVA contributes to environmental sustainability, especially through excellence in managing its buildings

For some years now, the Group has moved from traditional maintenance to an integrated and global management of its buildings, where environmental and efficiency aspects play a key role in the design of these new buildings. A total of 16 Group buildings in Spain, the United States and Latin America have been built according to the LEED certification standards of the U.S. Green Building Council. These include the new headquarters in Ciudad BBVA and the data processing center in Madrid. Likewise, the Torre Reforma and BBVA Bancomer Operational Center buildings in Mexico have highly advanced in the process of certification. Application of this standard has resulted in average energy savings of 33%.

At Ciudad BBVA, the Group's new headquarters in Madrid, the use of renewable energy has reduced electricity consumption significantly. The Group has installed 1,945 m<sup>2</sup> of photovoltaic panels, which produce 750 MWh a year; nearly 600 m<sup>2</sup> of solar thermal panels capable of producing 476 MWh a year; and a closed-loop geothermal system that captures the stable underground temperature, with 20 wells, each 100 meters deep, and with an installed capacity of 100 kW.

The new headquarters in Chile, recently completed, and Argentina, currently under construction, are also following the LEED standard, which will result in energy consumption savings of 30% compared with a building that does not take into account these criteria.

Refurbishment work is also being carried out in other Group buildings to improve their efficiency through the use of smart elevators and LED lights, the implementation of high-efficiency air conditioning equipment and the installation of photovoltaic and solar thermal panels in countries such as Colombia, Peru and Uruguay.

As regards energy management system certification (ISO 50001), the certification has been maintained at the BBVA Campus in Madrid and certification has been awarded for Ciudad BBVA, a project where the already efficient facilities have been boosted by a control system that improves even further the efficiency of this large complex.

In line with BBVA's commitment to reducing the impact of buildings on the environment, in 2015 a total of 35 buildings and 60 bank branches were certified in accordance with the Environmental Management System (ISO 14001) in six countries.

An agreement was signed in Spain with the electric power company whereby all the electricity supplied to the network of branch offices and buildings in Spain will come from renewable sources. This will affect BBVA's 3,091 branch offices and 71 buildings in Spain and avoid the emission of 73,240 tons of CO<sub>2</sub> a year.

In line with the plans already implemented and being executed, in 2016 we will launch a new GEP that will set new eco-efficiency commitments.

[Appendix MA1 - Water consumption](#)

[Appendix MA2 - Paper consumption](#)

[Appendix MA3 - Energy consumption](#)

[Appendix MA4 - CO<sub>2</sub> emissions](#)

[Appendix MA5 - Environmental certifications](#)

[Appendix MA6 - Waste management](#)

## Climate change and renewable energy funding

Earlier this year, BBVA joined the [Spanish Green Growth Group \(GECV\)](#), a public-private partnership platform that brings together more than thirty Spanish companies and is supported by the Ministry of Agriculture, Food and the Environment. It aims to convey to society and to government agencies its vision of compatibility between the growth model and efficient use of natural resources. One of the major milestones of the GECV has been the presentation of the [Barcelona Declaration](#) within the framework of the 12<sup>th</sup> Expo, which includes ten recommendations to be included in all economic policies with the aim of responding to the sustainable development challenge.

In addition, this year BBVA signed up to the [Carbon footprint, offsetting and CO<sub>2</sub>](#) absorption projects register of the Ministry of Agriculture, Food and the Environment, a voluntary register that encourages Spanish organizations to calculate and reduce their carbon footprint.

In March 2015, we once again participated in WWF's "Earth Hour" campaign, switching off the lights in more than 500 buildings in 158 cities of 10 countries in America and Europe.

On the occasion of the climate summit in Paris (COP21) BBVA endorsed several international support sector declarations, such as that by the [European Financial Services Round Table](#) (EFR) and the [joint declaration of the Alliance of Energy Efficiency Financing Institutions](#) promoted by the European Bank for Reconstruction and Development and UNEP FI.

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In 2015, BBVA strengthened its commitment to the fight against climate change through its support for several initiatives

It also gave its support to the “1 million commitments to climate” campaign launched by the Ministry of Agriculture, Food and the Environment and the Biodiversity Foundation, among other organizations.

Beyond its support for these initiatives, BBVA is gradually integrating the risks and opportunities of climate change into its day-to-day management. This is set out in a [study published by the international investment manager Boston Common Asset Management](#), which has prepared a ranking of 45 banks based on their control of climate risks. BBVA ranks fourth on this list and is the only Spanish institution mentioned in the study.

In particular, BBVA has been committed to the renewable energy sector. In 2015 we funded projects with a total installed capacity of 1,221 MW in this sector, 17% more than in 2014.

The transactions funded this year include the following projects:

- Silver South solar photovoltaic farm. Located in Nevada, in the United States, it will be built on public land and boast a capacity of 250 MW. It will generate enough electricity to meet the needs of over 110,000 homes and avoid the emission of 150,000 tons of CO<sub>2</sub> a year, equivalent to taking 30,000 cars off the road.
- Cloosh Valley wind farm in Ireland. With a capacity of 108 MW, the farm will produce clean energy equivalent to the annual consumption of 62,500 homes, avoiding the emission of 120,720 tons of CO<sub>2</sub> a year. The project will bring a benefit for the local economy estimated at €180m, of which 45 correspond to work carried out by local suppliers. The farm will create 90 jobs during its construction stage.

BBVA is also active in the green and social bond market. In 2014, it signed the Green Bond Principles, a series of voluntary guidelines that set out the requirements for emission transparency and promote integrity in the development of the green bond market. This type of bonds have the same characteristics as traditional bonds and also offer environmental and social benefits. Capital markets play a key role in the funding of large infrastructures, and green and social bonds enable the channeling of large amounts of funds for projects which, due to their nature and scale, are highly capital-intensive. In 2015, the global volume of issuances of this type of bonds increased to €37,585m, with BBVA leading one of the most innovative deals on the market: the social bond issued by Kutxabank for funding public housing. It is the first social bond issued in Spain and enables the funding of loans for low-income individuals and families for accessing affordable housing. The design of its structure, led by BBVA in accordance with the Green Bond Principles, had the favorable opinion of the independent agency Sustainalytics. The issuance's execution was very well received by the market: €1 billion that attracted the interest of traditional and socially responsible institutional investors. BBVA's business areas are committed to providing advice for this type of funding for social and sustainable purposes.

For some years now we have been committed to funding the investments needed to mitigate global warming and make progress towards a low-carbon economy

# Business areas

## Net attributable profit by business area (million euros)

Access more information about each Business area of the Group by clicking in the table.

| Business areas  | 2015         | Var (%)     | Var (%) <sup>(1)</sup> |
|---|--------------|-------------|------------------------|
| Spain   | 554          | n.m.        | n.m.                   |
| <a href="#">Banking activity</a>  | 1,046        | 21.9        | 21.9                   |
| <a href="#">Real-estate activity</a>                                      | (492)        | (45.4)      | (45.4)                 |
| <a href="#">The United States</a>   | 537          | 25.4        | 5.2                    |
| <a href="#">Turkey</a>  | 371          | 19.5        | 24.4                   |
| <a href="#">Mexico</a>  | 2,090        | 9.1         | 8.8                    |
| <a href="#">South America</a>   | 905          | (9.6)       | 8.1                    |
| <a href="#">Rest of Eurasia</a>   | 76           | (70.4)      | (70.6)                 |
| <a href="#">Corporate Center</a> (from ongoing operations) <sup>(2)</sup> | (782)        | (37.4)      | (37.4)                 |
| <b>Group total (from ongoing operations) <sup>(2)</sup></b>               | <b>3,752</b> | <b>43.3</b> | <b>48.2</b>            |
| <b>Group total</b>  | <b>2,642</b> | <b>0.9</b>  | <b>4.4</b>             |
| <a href="#">Other information: Corporate &amp; Investment Banking</a>     | 1,087        | 3.3         | 8.4                    |

(1) At constant exchange rates.

(2) Corresponds to the net attributable profit excluding results from corporate operations.



# Banking activity in Spain



2015

Net attributable profit

€ 1,046 M

+21.9% vs. 2014

Good performance of the production of new loans and customer deposits

Loan-loss provision reduction

Sound risk indicators

[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

## Definition of the area

This business area includes the Retail Network, 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. Since April 24, 2015 it also includes the activity, balance sheet and earnings of the banking business of Catalunya Banc (hereinafter, "CX").

## Management priorities

In line with the six strategic priorities defined by the Group in 2015, the area has established a Growth Plan, whose priority objectives are to improve customer experience, boost digital sales and increase efficiency continuously as key levers to drive business profitability.

### 1. Strategic priority 1: To provide a new standard in customer experience

In 2015, the area achieved a leading position among traditional banking institutions in recommendations by individual customers (the IReNe index). This leading position is based on the strategy developed by the Bank in recent years, focused on improving the attention and quality of service offered and putting the customer at the center of its business.

In the coming years, as part of the Growth Plan, the aim will be to achieve a new standard of customer experience for both individuals and companies. Based on three major core elements on which the transformation of the customer experience is based, a series of initiatives have been defined:

New Growth Plan for this business area

a) Distribution model: For individual customers, transforming the personal distribution model into a new integrated omni-channel model, with remote management capabilities (the “BBVA Contigo” adviser) to enable improved levels of convenience, personalization and specialization in the customer service model, and putting the mobile phone at the center of customer-Bank relations. For the corporate business, creating a new standard of customer experience implies developing a model of relations in more depth, based on high-value advice and increased specialization and supported by improved service and advice tools, with a particular focus on agility, response speed and operational excellence. In this segment, the adviser is at the center of customer-Bank relations.

b) Processes and operations: Revision and improvement of the processes with the biggest impact on the customers, simplifying their operation through in-depth reengineering, with the aim of offering maximum convenience.

c) Quality: Working on those aspects that generate greatest dissatisfaction among customers and boosting our leading position in service quality.

## 2. Strategic priority 2: To drive digital sales

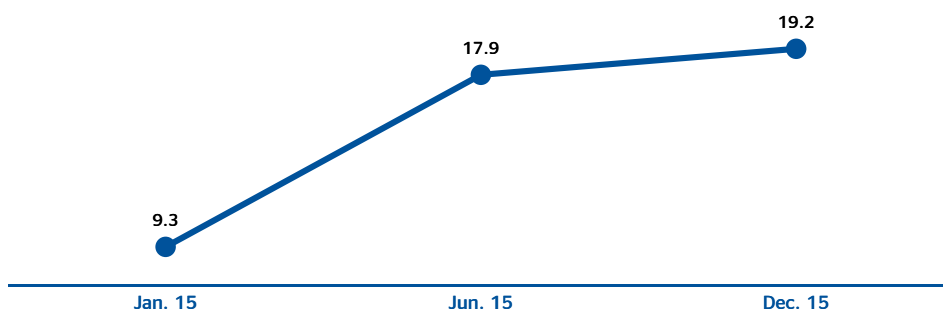
Digital disruption and easy access to information has generated changes in our customers' needs and behavior. Customers' demands for more immediacy and personalization have led us to drive digital sales as a way of responding to their needs.

In 2015, the foundations have been laid to make effective use of the digital sales channels, resulting in a significant increase in the digital sales of products available online.

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### Percentage of total consumer loans sold digitally

Spain



Looking forward, three major lines of work have been identified to provide a sustained boost to the growth of digital sales:

- a) Customer digitalization: By increasing the number of digital and "remote" customers within our customer base, as well as by acquiring new customers through digital channels.
- b) Boost to digital sales: Extending the catalog of products available in the digital environment, improving digital contracting processes and boosting digital sales through new online and big data marketing capabilities.
- c) Digitalization of transactional services for companies.

### 3. Strategic priority 4: To optimize capital allocation

The greater regulatory demands on the banking business in terms of capital adequacy require, more than ever before, the development of strict capital management that can maximize return on capital at all times. With the aim of aligning business decisions to optimize capital consumption, the area is working on the development and implementation of advanced capital management methodologies for the rigorous monitoring and planning of capital consumption.

### 4. Strategic priority 5: To adapt the model, the processes and the structures to achieve an unrivaled efficiency

In terms of efficiency, the digital transformation process being undertaken by the area will in the coming years lead to improvements in disruptive efficiency, supported by changes in our production model.

### 5. Strategic priority 6: To develop, retain and motivate a first class workforce

The ambitious challenges and the in-depth transformation process that this Growth Plan involves require a highly qualified team. Aware of the challenge this represents, a number of initiatives have been implemented with the goal of developing, retaining and motivating the best team, promoting a sense of pride in belonging through new individualized policies and procedures for professional and talent development.

In short, through its Growth Plan and the lines of work underpinning it, Banking Activity in Spain has made a firm commitment to the building of a competitive advantage in the long term: A new standard of customer experience as a driver for the growth, retention and loyalty of our customer base on which to create lasting relations with customers, a fundamental pillar of the future profitability of our business.

# Real-estate activity in Spain



2015

Net attributable profit

€ -492 M

-45.4% vs. 2014

Net exposure\*

-9.6% vs. Dec14

-1.2% with CX

\* According to Bank of Spain's transparency scope (Circular 5/2011)

Negative contribution of the area to earnings continues to decline

Reducing loan-loss and real-estate asset provisions

Improved risk indicators

[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

## 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 a dual mission in BBVA Group's real-estate business:

- To guarantee the reduction in the real-estate stock, minimizing losses.
- To support the know-how for the generation of new finance business for transactions with real-estate collateral, providing the expert knowledge for the valuation and management of this kind of collateral throughout the life cycle of the transactions.

With this twofold goal, real-estate activity in Spain will contribute to the Group's transformation process, providing value in at least four of the strategic priorities defined at the global level.

### 1. Strategic priority 4: To optimize capital allocation

Through the reduction in real-estate exposure and management of the recovery of the portfolio's value.

### 2. Strategic priority 3: To create / associate with / acquire new business models; and strategic priority 6: To develop, retain and motivate a first class workforce

Real-estate intelligence for new business models and first-class human capital: design of policies, processes, procedures and tools for managing balance sheets with underlying real-estate assets.

The goal is to contribute value to the group

### 3. Strategic priority 5: To adapt the model, processes and structures to achieve an unrivaled efficiency

Leadership in efficiency: redefinition of the control and governance structure and management model linked to decision-making.

The portfolio to be managed is diverse and varied. This is why different management lines need to be combined, based on the nature of the assets and the alternatives available on the market, to enable effective divestment processes.

The following has been identified in this regard:

a) The following types of assets:

- Outstanding loans: healthy loans or loans that are expected to become healthy.
- Assets that need to be provisioned legally, materially and/or commercially as a preliminary step for their recovery.
- Assets to be sold, which includes the entire finished product and land that due to its size/characteristics should be sold.
- Assets that require prior transformation in order to recover their value; in general, work in progress and medium-sized or large plots of land. In these cases, in today's market conditions, the sales value of undeveloped property is estimated to be much lower than the developed product's value.
- Management of investees from Unnim and CX, as well as the stake in Metrovacesa.

b) The following management lines or levers:

- Management and control of new foreclosures or auction assignments.
- Boosting sales by focusing on specialized plans according to the nature of the product (finished product/land) and type of channel (retail/wholesale).
- Management, transformation and bringing into operation of work in progress and land (when selling this type of assets is not possible or advisable).

# The United States



2015

Constant €

Net attributable profit

€ 537 M

+5.2% vs. 2014

Positive performance in activity,  
focused on profitable growth

Cost control

Risk indicators continue at very  
low levels

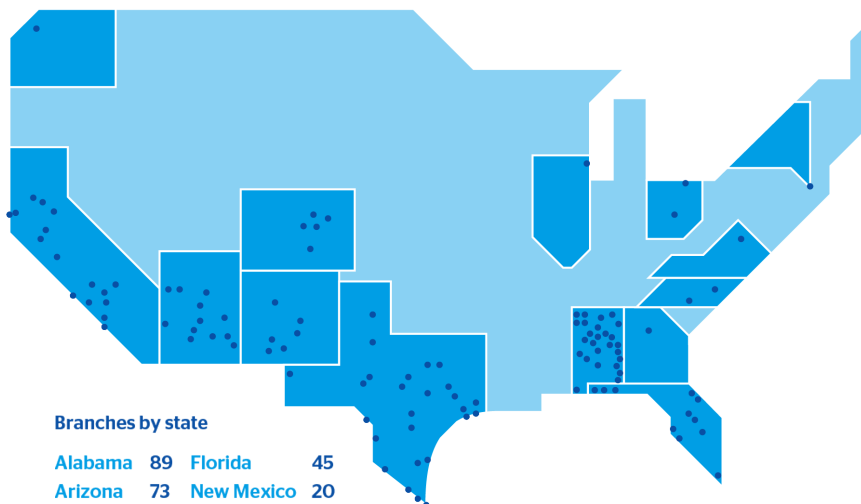
[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

## Definition of the area

This area encompasses the business conducted by the Group in the United States through BBVA Compass and Propel Venture Partners (Propel), as well as the assets and liabilities of the branch in New York.

BBVA Compass is a bank with 666 branches. It is the 22nd largest bank in the United States in terms of deposit market share.

## BBVA Compass footprint



### Branches by state

|            |    |            |     |
|------------|----|------------|-----|
| Alabama    | 89 | Florida    | 45  |
| Arizona    | 73 | New Mexico | 20  |
| California | 61 | Texas      | 340 |
| Colorado   | 38 |            |     |

Propel Venture Partners (Propel) invests in disruptive startups in the financial industry with the aim of transforming the financial services sector. This is done by being in contact with companies that are developing business models and technologies to build the best customer experience in the digital era, one of the key elements in BBVA's comprehensive transformation process. In 2015, BBVA Compass invested in Spring Studio, a company specializing in user experience. This investment, together with others in 2014, such as the purchase of Simple, aims to boost BBVA's efforts to become the leading digital bank across its global footprint.

## Management priorities

In 2015, BBVA Compass has continued making progress on the creation of a differential value proposition, basically through ongoing launches of new and innovative products and services and the establishment of a number of strategic alliances.

In line with the six strategic priorities defined by the Group in 2015, BBVA Compass has established its management priorities for 2016:

### 1. Strategic priority 1: To provide a new standard in customer experience

Through the Net Promoter Score (NPS) tool, BBVA Compass has analyzed its customers' satisfaction and drawn the following conclusions:

- Customer satisfaction has gained momentum throughout 2015.
- The number of incidents has declined, as have their resolution times.
- The customer base is growing, as is its profitability.

BBVA Compass has defined a series of initiatives to continue to improve the level of customer satisfaction and increase the customer base and its profitability:

- To promote straight-through processing, while reducing problem incidence, *via* end-to-end reengineering.
- To provide service excellence, supported and promoted by a cultural shift in the organization.
- To ramp up number of profitable customers, while maximizing customers' relationships.

### 2. Strategic priority 2: To drive digital sales

The data on digital sales in BBVA Compass suggest the following conclusions:

- Digital sales performed better than expected throughout 2015.
- Work continues on developing capabilities so that BBVA Compass can become a digital challenger, and on improving fraud prevention in the new digital channels.
- The data on online and mobile penetration (percentage of all the Bank's customers who use online and mobile banking) are at a comparable level to those of leading banks in the area.

Continue creating a differential digital value proposition has been and will be the management priority for the area

BBVA Compass is working on three initiatives with respect to this priority:

- To continue boosting profitable digital sales through the development of digital marketing and leveraging big data.
- To continue improving the usability and user experience of the digital channels.
- To minimize fraud and improve the security and protection of customer data.

### 3. Strategic priority 3: To create / associate with / acquire new business models

The following conclusions have been drawn from an analysis of the current situation:

- The bases for an open platform with Simple and Dwolla are being laid. This platform will provide a competitive advantage to achieve differential results and positioning.
- Simple customers migration to BBVA Compass platform is on track.
- The service infrastructure is ready to work with new partners.

In this case, an initiative has been established: to maximize synergies and revenue with existing and new partners through the implementation of the open platform model.

### 4. Priority 4: To optimize capital allocation

In the current environment of low interest rates and narrowing spreads, BBVA Compass has defined the following initiatives to maintain its capacity to generate capital:

- To generate growth by diversifying the loan portfolio, with the focus on the most profitable segments.
- To increase the sources of income from fees and commissions.
- To continue monitoring capital, liquidity and asset quality.

### 5. Strategic priority 5: To adapt the model, the processes and the structures to achieve an unrivaled efficiency

Following an analysis of the current situation, BBVA Compass has reached the following conclusions:

- The efficiency gap has been narrowing.
- The Bank's efficiency track has been affected by regulatory changes, which have impacted both the fees and expenses, and also by the more austere risk profile of the area and the costs of building the platform.

The initiatives implemented are focused on:

- To continue with strict expenses control.
- Continue improving network productivity.



## 6. Strategic priority 6: To develop, retain and motivate a first class workforce

The conclusions that the area has drawn from the analysis of the current situation in terms of the team have been as follows:

- The workforce has been reduced over recent years.
- Employee turnover in the network has stabilized.
- The employee base is very diverse.
- The agile methodology is being embraced across the whole organization.

The initiatives that are being implemented are:

- Specific measures to promote the growth and development of the team, as well as its commitment.
- Promote the implementation of the agile methodology.

# Turkey



2015  
Constant €  
Net attributable profit

€ 371 M

-1.1% vs. 2014

Strong activity continues

Good performance of recurring revenue

Outstanding asset quality indicators

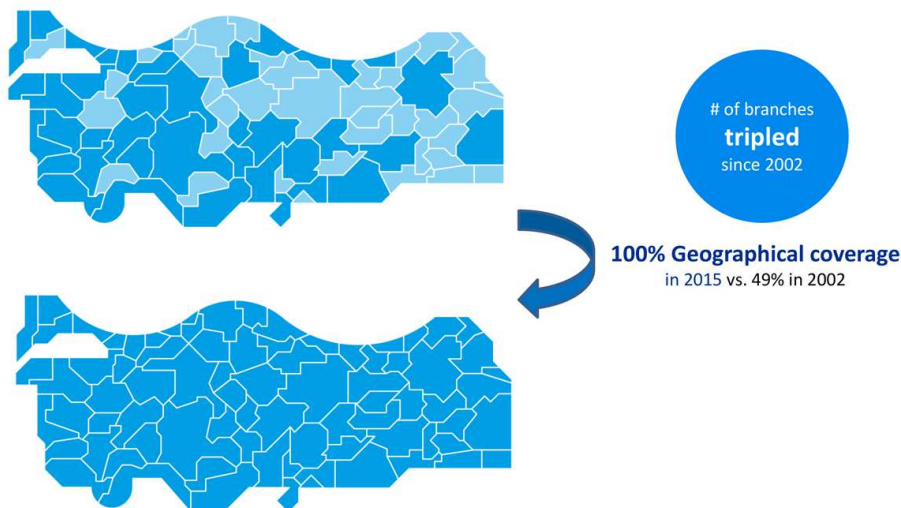
[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

## Definition of the area

This area includes BBVA's stake in Garanti (39.9% since the third quarter of 2015), which has been incorporated into the Group's financial statements by the full integration method.

Garanti is a banking institution with more than 23,000 employees that provides a wide range of financial services to its nearly 14 million customers through an extensive distribution network, with 971 branches in Turkey, 7 in Cyprus, 1 in Luxembourg and 1 in Malta. It also has 3 representative offices in London, Dusseldorf and Shanghai.

## Garanti Bank footprint



## Management priorities

In line with the six strategic priorities defined by the Group in 2015, Garanti has established its management priorities for 2016:

Garanti aligns its management priorities to BBVA Group strategic priorities

### 1. Strategic priority 1: To provide a new standard in customer experience

- 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 not only with smart and streamlined processes, but also with an exceptional service quality. To do so, after-service surveys have been conducted to highlight the focus areas. Garanti is putting special emphasis on being more transparent, having more clear processes and behaving responsibly to its customers.
- Increasing the customer base effectively, focusing on enhancing customer acquisition processes in a customer-friendly manner. In parallel with customer experience efforts, Garanti is seeking to improve their loyalty through specific retention initiatives.

### 2. Strategic priority 2: To drive digital sales

Extend the digitalization of the customer base and digital sales, offering an uninterrupted experience utilizing the most easily accessible channels. Garanti is a leader in both Internet and mobile banking in a market where a vast majority of non-cash financial transactions are conducted through digital channels. Increasing the share of digital channels in bank's total sales is another key priority. The goal is to leverage digital channels more by improving digital services with new features and by developing new applications and new digital products.

### 3. Strategic priority 4: To optimize capital allocation

- Optimization of capital allocation to ensure sustainable growth and achieve optimal return. To do so, work is being carried out on the design of a product / segment based risk-adjusted return methodology to provide a more accurate assessment of the business opportunities with higher return.
- Focus on high profitability through the sustainable value creation for investors and organic capital generation. Achieving a customer related core revenue generation is critical. To do so, Garanti seeks opportunities to diversify the sources of non-financial revenue. Effective spread management, prudent risk management and cost control policies are other key factors to maintain and improve profitability.
- Prudent risk management as another lever to enhance performance. The high asset quality attained through advanced risk management systems and the internalization of a risk culture by all staff, is what differentiates Garanti in its market.

#### 4. Strategic priority 5: To adapt the model, the processes and the structures to achieve an unrivaled efficiency

Ongoing improvement of the high level of efficiency achieved in processes and business models will continue to be a priority in the future, together with other cost reducing measures. Digitalization of customers and processes, together with the mobilization of sales force *via* digital solutions, are the bases supporting improvement of efficiency. In this regard, boosting the digital conversion of branch transactions will be another focus area.

#### 5. Strategic priority 6: To develop, retain and motivate a first class workforce

Development of employee commitment, maintaining the loyalty of Garanti's highly qualified staff as the core for sustainable success. The leadership and competency model will be redesigned and integrated with other human resources and training practices, such as recruitment, performance management, succession planning and development plans.

# Mexico



2015  
Constant €  
Net attributable profit

€ 2,090 M

+8.8% vs. 2014

Double-digit growth in activity

Resilience of the area's earnings,  
in a moderate economic  
environment

Sound risk indicators

[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

## Definition of the area

This area comprises the banking and insurance businesses conducted in Mexico by BBVA Group (hereinafter, BBVA Mexico).

## Management priorities

In 2015, BBVA Bancomer has made progress in line with the Group's digital transformation. Various initiatives, products and services have been implemented in Mexico to improve customer experience and make processes more efficient.

BBVA Bancomer has established the following management priorities for 2016 in line with the six strategic priorities defined by the Group:

### 1. Strategic priority 1: To provide a new standard in customer experience

Goal: In Mexico, BBVA seeks to set a new standard in customer experience. The goal is not only to offer products and services that meet the needs of each customer, but also to generate a sense of belonging. To this end, various initiatives have been developed and implemented so BBVA Bancomer can anticipate the needs of its customers, offering added value and thus improving their experience.

Initiatives: Some of the initiatives and projects include the installation of the Unique Experience model in 100% of the network. This model not only standardizes customer service, it also generates an internal certification to ensure that service can continue to improve. In addition, the remodeling of over 1,400 branches in Mexico has been completed.

This has resulted in BBVA Bancomer being recognized by its customers as the bank with the best service in Mexico. The bank has moved up three positions to the top of the Net Recommendation Index (IReNe) compared with its main competitors in the country.

Strong performance in earnings with high resilience of recurring revenue. The main focus is on the continuous improvement of service quality

## 2. Strategic priority 2: To drive digital sales

Goal: To drive sales through digital channels and be more efficient in order to make the business more scalable more quickly. In Mexico, BBVA has developed some products to make it easier to access financial services. The aim of these new products is to make products more available and easier to buy through digital channels.

Initiatives: With the launch of “One-click”, customers have easier access to consumer loans through digital and remote channels, such as Bancomer.com, Bancomer Móvil and ATMs. In 2015, the number of consumer loans granted through these channels was doubled and at the end of the year 15% of all consumer loans were already placed through those channels.

In 2015, several apps have also been launched to boost the digital business, such as BBVA Send, for sending money; BBVA Wallet, for checking the balance and transactions of credit and debit cards; Vida BBVA Bancomer, a loyalty program for customers; Wibe, for buying insurance online; App Línea Bancomer, a direct telephone service for customers; and Bancomer Trader, for buying and selling stocks online.

## 3. Strategic priority 4: To optimize capital allocation

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

Initiatives: To generate more efficient processes for comprehensive capital management, enabling the right decisions to be made to continue growing. Work has been done on the redesign of processes and tools to make sure that BBVA Bancomer and its subsidiaries are more efficient in terms of capital; always taking into account the importance of fulfilling the requirements of local and international authorities.

## 4. Strategic priority 5: To adapt the model, the processes and the structures to achieve an unrivaled efficiency

Goal: It seeks to provide greater value to customers at a reasonable price, achieving high levels of productivity across all the value chain with a clear focus on commercial activity.

Initiatives: Various action plans are being implemented to increase network productivity. The models defined for each customer segment are also being adapted with the aim of offering differential financial services through specific distribution channels for each one. The fraud prevention services and information efficiency analysis are also being improved.

## 5. Strategic priority 6: To develop, retain and motivate a first class workforce

Goal: To attract, retain and inspire a first-class team. Having a competent work team focused on delivering results aligned with the strategy and developing and retaining the best talent.

Initiatives: Implementation of a leadership model. The Bank has started to relaunch the strategy for communicating the corporate culture and values across the Organization, to keep them deeply rooted in the workforce and in day-to-day activities. Through multidisciplinary initiatives, the aim is to increase the levels of transparency and employee satisfaction. These initiatives have been reflected in an improvement in the annual survey conducted by Great Place To Work®, where the bank moved up 4 positions in 2015.

## 6. Additional strategic priority: Social Responsibility

An additional strategic priority has been defined for Mexico due to the importance of the BBVA Bancomer Foundation for the country.

Goal: The institution is concerned about social development and welfare and has implemented initiatives to drive and support the communities nearby BBVA Bancomer's footprint. It is essential for society to be well educated and informed.

Initiatives: Part of the bank's earnings has been allocated to support education for children with limited resources and scarce opportunities for development. In Mexico, BBVA has implemented scholarship programs to drive education and has also made donations for these scholarships.

Financial literacy programs have been implemented to train people on the practical benefits and positive impact that the use of financial services and products can have in their lives.

Corporate volunteering has also been boosted for the bank's employees with the aim of supporting the most deprived communities through various activities.

In addition, the "Mejora Urbana Bancomer" (Bancomer Urban Improvement) program aims to develop the areas near BBVA Bancomer branch offices so society can feel the benefits of the brand's proximity.

# South America



2015  
Constant €  
Net attributable profit

**€ 905 M**

**+8.7% vs. 2014**

**Activity increase**

**Robust recurring revenues generation**

**Stable risk indicators**

[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

## Definition of the area

South America manages the Group's banking and insurance businesses in the region. The area is notably diversified and has units operating in practically every South American country.

## BBVA's footprint in South America

(31-12-2015)

|           | Bank | 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

The Plan framework includes implementation of various transformation programs, development of a number of technology projects, an increase in the number of distribution channels and enhancement of the value offering. Significant progress has been made in the goals set, such as positioning BBVA as the Bank preferred by customers and the biggest digital financial Group in the region.

The efforts in 2015 have therefore focused mainly on the following lines of action:

### 1. Strategic priority 1: To provide a new standard in customer experience to our customers

Improving the service quality offered across all the channels for interaction and ensuring continuous contact to identify the root causes of their satisfaction or dissatisfaction. This focus on quality has enabled BBVA to lead its peers in many of the South American countries in which it operates, such as Peru, Argentina, Paraguay and Uruguay.

### 2. Strategic priority 2: To drive digital sales

The digital strategy has been strengthened through the launch of websites with more features, specific apps for mobile banking and the design of a new service offering. One example is BBVA Wallet, a product first launched in Chile, that enables customers to manage their payment channels easily and was named Most Innovative Banking Product Chile 2015 by Global Banking and Finance Review magazine. BBVA Wallet will be launched in other South American countries. The Francés GO app created by BBVA Francés in Argentina enables customers to obtain exclusive benefits such as discounts and points for using the bank's payment channels. The banks in the region have enhanced their digital sales capabilities, selling around 10% of the total in some products, such as consumer finance.

### 3. Strategic priority 3: To create / associate with / acquire new business models

New joint ventures have been implemented in the business of consumer finance for vehicles, establishing strategic alliances with global brands that have a significant presence in Colombia and Argentina. In Peru, the purchase of 100% of BBVA Consumer Finance Chile's auto finance business has been completed.

### 4. Moreover, and as part of strategic priority number 6: To develop, retain and motivate a first class workforce

Transformation of the internal working methods has continued with initiatives such as:

- Development of new ways of working, particularly through the gradual introduction of work teams using the agile format, which expedites and makes more efficient the development of solutions and products by setting up multidisciplinary teams focused on a common goal.
- Transformation of the work spaces in the corporate headquarters to enable faster and simpler interaction. This transformation has already been completed in Chile and will soon be implemented in the new headquarters in Argentina.

The new Growth Plan was launched in the second half of 2015 to strengthen BBVA's leading position in the region as a benchmark in service quality and capacity to relate digitally with its customers

For 2016, South America will continue to prioritize its development toward a digital ecosystem, aiming not only at the sale of products but also transactionality and digital self-service. The region will also continue to optimize the commercial capabilities of its physical network. Moreover, it will develop new projects to speed up the launch of products and services and reduce costs.

A new boost will be given to action plans aimed at providing the best possible experience for our customers. The following has been planned:

- More frequent launch of products and development of capabilities geared toward comprehensive customer management, with particular emphasis on creating a differential digital value proposition leveraged on the transformation teams working according to the agile methodology.
- Development of personal formats for telephone service, making available to our customers a more convenient, accessible and specialized relationship model.

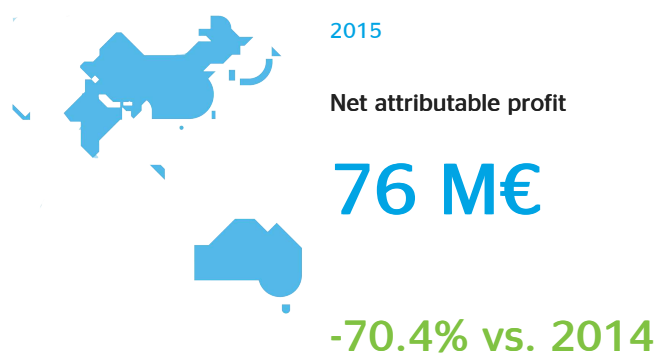
In line with the enhancement of digital sales, tools and capabilities will continue to be developed to boost sales by developing end-to-end remote and digital contracting capabilities such as the launch of one-click products (contracting with just one click).

Moreover, alliances will continue to be developed to improve the value proposition for our customers, for example, through a point programs with leading airlines such as LAN in Argentina, and the extension of Avianca's LifeMiles program, which will cover both Colombia and Peru. Management tools and models will be implemented to optimize fees and prices in the network's sales process. In addition, the value proposition for the bank's international customers will be enhanced, with the focus on the corporate segment, to help them expand their businesses across BBVA Group's footprint.

With the aim of achieving the highest level of efficiency, plans will be implemented to support the network's commercial management with initiatives aimed at increasing its productivity and effectiveness, optimizing resources and reviewing tools, processes and capabilities.

All these activities will be performed by prioritizing our customers' satisfaction, based on a quality model in which both digital and personal interaction with customers is the core element to enable us to improve continuously.

# Rest of Eurasia



Improved lending activity

Significant increase in customer deposits

2015 earnings affected by the absence of the dividend from CNCB

[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)



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.

# Corporate Center

[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

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 that are commented at various points in this report.

# Corporate & Investment Banking

[A detailed explanation of the aforementioned business area can be found in the Management Report.](#)

## Definition

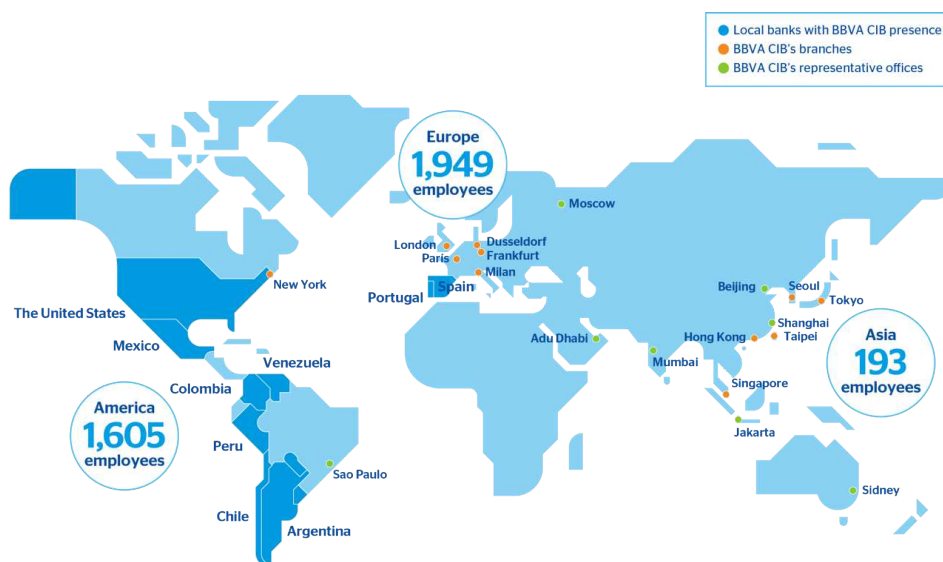
Corporate & Investment Banking (CIB or BBVA CIB) includes the Group's wholesale businesses, i.e. investment banking, global markets, global loans and transactional services for international corporate customers and institutional investors across its global footprint.

BBVA CIB is a provider of high added-value services that, thanks to its successful business model, offers a complete catalog of products for its customers, ranging from the simplest to the most complex solutions.

BBVA's significant presence and experience on the Latin American markets has allowed BBVA CIB to position itself as a benchmark for customers around the world with interests in this region.

## CIB: a global business unit with a diversified business

3,747 employees with a presence in 27 countries



Source: Talent & Culture. Figures as of December 2015.

## Management priorities

In 2015, BBVA CIB has strengthened its customer-centric strategy of previous years, with the customer as one of the main pillars, in line with the Group's strategic priorities. This has meant working to develop a less capital-intensive and more efficient in terms of costs model, and to continue making progress in the digital transformation.

Looking forward, BBVA CIB aims to continue to offer differential growth and profitability that is higher than the industry as a whole, based on a recurring and stable business model, aligned with the Group's main strategic and financial priorities:

### 1. Strategic priority 1: To provide a new standard in customer experience; and 2: To drive digital sales

Customer Experience & Digital Sales are the foundations for business transformation, with the development of new digital channels that can achieve greater customer integration, providing a wider range of products and improving processes through a high level of automation, transparency and speed of execution. All the aforementioned with the aim of a better customer experience.

### 2. Strategic priority 4: To optimize capital allocation

Optimization of the capital model through the development of new processes and tools that help us to adapt to the new regulatory capital requirements.

### 3. Strategic priority 5: To adapt the model, the processes and structures to achieve an unrivaled efficiency

Cost efficiency, through the promotion of a cost policy within corporate guidelines, with greater emphasis on the management of discretionary expenses.

### 4. Strategic priority 6: To develop, retain and motivate a first class workforce

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

The customer as main pillar, in line with the Group's strategic priorities

# Materiality and dialog with stakeholders

## Communication and dialog tools

At BBVA we have a broad range of consultation and dialog tools 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 and can thus respond to their needs.

## Customers and society

| Communication and dialog tools   | Scope      |
|--|------------|
| Satisfaction and recommendation survey for customers and other qualitative and quantitative quality and satisfaction research by our Customer Solutions area   | BBVA Group |
| Customer service and complaints and claims analysis committees   | BBVA Group |
| Customer ombudsman   | BBVA Group |
| External reputation survey of customers and the general public (RepTrak)   | BBVA Group |
| Continuous tracking or monitoring of advertising and the brand   | BBVA Group |
| Focus groups and workshops with customers to learn their opinions on specific issues (in addition to service quality)  | BBVA Group |
| Analysis of our presence on the social networks (Facebook, Twitter, etc.) and online media: <ul style="list-style-type: none"> <li>• HootSuite</li> <li>• Blog bbvasocialmedia.com</li> <li>• Epsilon Dashboard</li> <li>• Alto Analytics</li> </ul> | BBVA Group |
| Analysis of our presence on the media  | BBVA Group |
| Direct dialog with NGOs, the media, experts and academic and research centers  | BBVA Group |
| Secondary sources for trends and expectations in public opinion and civil society organizations  | BBVA Group |
| Involvement in Corporate Responsibility and Reputation events and forums   | BBVA Group |
| BBVA Research  | BBVA Group |
| Communication and Responsible Business / Corporate Responsibility and Reputation Department. It uses most of these tools/sources, acting as a "radar"  | BBVA Group |

## Employees

| Communication and dialog tools  | Scope                                |
|---|--------------------------------------|
| Employee Care Service   | BBVA Group                           |
| Employee satisfaction surveys   | BBVA Group                           |
| Internal reputation survey, RepTrak                                     | BBVA Group                           |
| TÚ&BBVA magazine - Passion for People                                   | BBVA Group                           |
| Employee Portal: TÚ&BBVA  | BBVA Group                           |
| Genera Portal   | BBVA Group                           |
| Interviews setting objectives, competencies and feedback                | BBVA Group                           |
| Talent & Culture managers   | BBVA Group                           |
| Google+ communities   | BBVA Group<br>(except United States) |
| Digital magazine  | Spain                                |
| Apúntate  | BBVA Group                           |
| Department of Labor Relations and liaison with workers' representatives | Spain                                |
| Works Committees  | Spain                                |
| Equality Committee  | Spain                                |
| Health and Safety Committee   | Spain                                |
| Apartments Committee  | Spain                                |
| Pension Fund Control Committee  | Spain                                |
| Technical Pension Fund Committee  | Spain                                |
| European Works Committee  | Spain                                |
| Results presentation meeting  | BBVA Group                           |



## Shareholders and investors

| Communication and dialog tools   | Scope      |
|--|------------|
| Annual General Meeting of Shareholders   | BBVA Group |
| Website (accionistaseinversores.bbva.com)  | BBVA Group |
| Annual report, quarterly reports and significant events  | BBVA Group |
| Constant contact with shareholders and investors (email and telephone helplines, events in branches, etc.)   | BBVA Group |
| Roadshows and meetings with shareholders and investors   | BBVA Group |
| Attendance at conferences for shareholders and investors   | BBVA Group |
| Communication with analysts and rating agencies  | BBVA Group |
| Alert services and distribution of relevant information  | BBVA Group |
| Analysis of the expectations and priorities of sustainability analysts (MSCI, RobecoSAM, Sustainalytics, Vigeo, CDP, GS Sustain, Oekom, EIRIS) and investors interested in the issue | BBVA Group |

## Regulators

| Communication and dialog tools  | Scope      |
|---|------------|
| Institutional Relations: Coordinates the Bank's participation in formal and informal forums to gain a better understanding of regulators' concerns  | BBVA Group |
| Departments involved in managing relations with regulators: General Secretary, Legal & Compliance, Global Economics Regulation & Public Affairs, Internal Audit, Global Risk Management, Group Executive Chairman's Office  | BBVA Group |
| Reports on regulatory trends: <ul style="list-style-type: none"> <li>• KPMG - Evolving Banking Regulation</li> <li>• Deloitte - Top 10 for 2015: Our Outlook for financial markets, regulation and supervision</li> <li>• Sustainability Accounting Standards Board (SASB)</li> </ul> | BBVA Group |

## Suppliers

| Communication and dialog tools | Scope      |
|--------------------------------|------------|
| BBVA supplier mailbox          | BBVA Group |
| Supplier satisfaction survey   | BBVA Group |
| Global supplier helpdesk       | BBVA Group |

## Materiality analysis

This year, the process of defining material issues has been bottom-up: in other words, each of the countries has carried out its materiality exercise taking into account the local reality. All the exercises have then been consolidated to give a global vision of the Group. This methodology has been prepared following the recommendations on disclosure in the GRI G4 sustainability reporting guidelines.

The final result of the process is a materiality matrix in which each of the relevant issues identified is classified according to two variables: importance for stakeholders and importance for the BBVA business.

### 1. Process of defining material issues

#### a) Identification of material issues:

To draw up the final list of material issues, we have used those issues that have been defined as reputational risks for BBVA and identified other material issues that do not represent a risk.

In both cases the sources used have been:

1. Research and contacts that provide information on stakeholder perceptions through the consultation tools described in the above section.
2. Analysis of information from expert observers (NGOs, sustainability analysts, labor unions and other civil associations) that assess company behavior.
3. Regulatory trends in the sector.
4. Analysis of competitors: the most relevant issues or controversial subjects that affect them and that may also affect us.
5. Analysis of the media and social networks: negative news, trending topics, social concerns, etc.

#### b) Prioritization of material issues:

We have analyzed two aspects for prioritizing material issues: relevance for stakeholders and relevance for the BBVA business.

- Relevance for stakeholders: To measure the relevance of these issues for stakeholders, we have taken into account how important the issues are for these groups, as well as whether there are legal requirements or related commitments entered into by BBVA. Thus, an issue is more relevant:
  - The greater the number of stakeholders affected and the greater the importance of these stakeholders for BBVA.
  - The greater the impact of the issues for the stakeholders affected.
  - When there are legal requirements or commitments by BBVA related to the issue.
- Relevance for the business: The relevance for the business involves determining the impact the issue has on BBVA's current and future business. The global Responsible Business Department identifies those responsible for managing each issue at global level and they then identify their local counterparties. These counterparties are those who have calculated the impact on the business of the issues within their area of management.

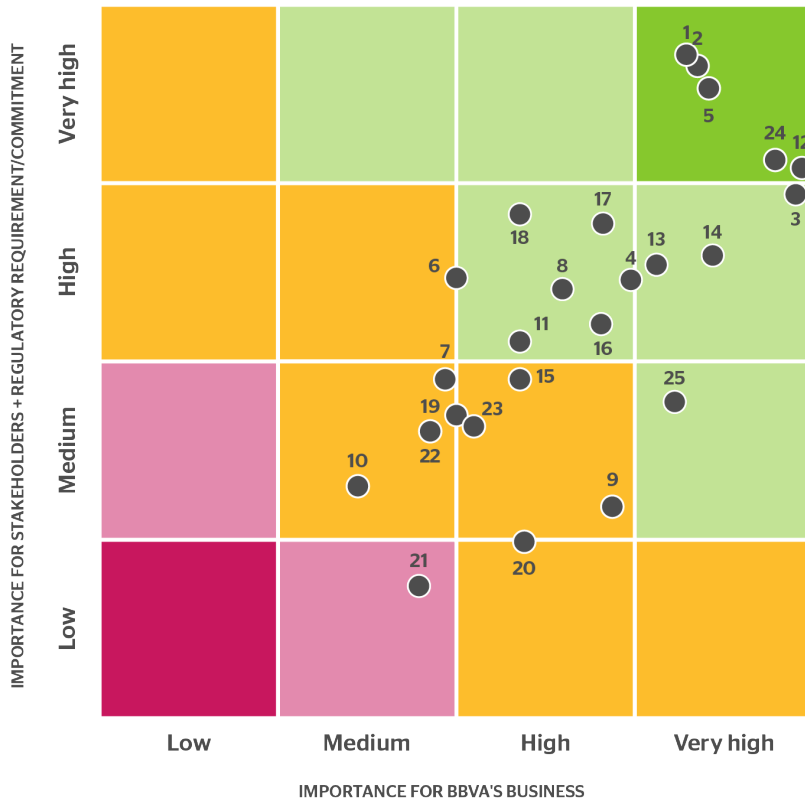
In 2015, the definition of material issues has been bottom-up and its final result has been a materiality matrix in which the relevant issues are classified according to the importance for stakeholders and the BBVA business

## 2. Materiality matrix

In accordance with this process, we have built a materiality matrix for each country. This has then been used to obtain a global materiality matrix for the whole Group.

The consolidation process has been carried out by taking a weighted average of the relevance for the stakeholders and for the business in all the countries. The weighting used has been the gross income in each country.

The resulting global materiality matrix is as follows:



1. Products with good value for money (without abusive clauses).
2. Communication and commercialization practices: foster informed decisions.
3. Quality of customer care and service.
4. Response to the demand for credit in society.
5. Customer security, privacy and protection (including big data).
6. A solution for customers in a difficult situation.
7. Quality of employment (temporary, outsourcing, relocation, etc.).
8. Respect for employee rights.
9. Talent attraction, development and retention.
10. Remuneration policy for senior management and the Board of Directors.
11. Social and environmentally responsible finance.
12. Prevention of money laundering and terrorist financing.
13. Compliance with the tax code.

14. Ethical behavior.
15. Responsible procurement and outsourcing.
16. Good corporate governance.
17. Financial solvency and management.
18. Respect for human rights.
19. Contribution to the development of local communities (job creation, support for SMEs, etc.).
20. Financial inclusion.
21. Community involvement not linked to the business.
22. Diversity and work/life balance.
23. Eco-efficiency and the environment.
24. Digitalization: providing customers with the benefits of digitalization.
25. Financial literacy.

# Customers

## The best customer experience

Financial institutions are experiencing a technological revolution. Users and consumers are adapting to digital interaction in all aspects of their lives. They want their financial institutions to update and allow them to access their finances any time, any place.

At BBVA we have been preparing for success in this new environment. Our goal is to be the best Bank for our customers. That is why we aim to become an organization driven by data and information, which offers new and better products and services adapted to each customer's needs and expectations.

But the transformation of the financial industry is not only based on the digitalization of financial services; it also has to remodel the customer experience. Because digital innovation helps people manage their money better.

To address these new challenges, BBVA has set up a new global unit called Customer Solutions. Its objectives are to:

- Lead the creation of simple, intuitive and transparent products through a different definition of users and their experience, with a design focused on mobile devices and using customer-centric techniques.
- Develop global products using scalable technology that can be easily adapted to different geographical areas.
- Boost personalized contextual experiences through intelligent data engines (big data).
- Rigorously use analytics for decision-making across customers' life cycles, meeting both their current and future needs.

Thus, we are committed to a model in which it is the customers who choose how they want to receive a service at any time and for each need, whether digital, remote or in person; allowing them to manage their financial life better, with tools, information, products and services that contribute real added value.

BBVA's goal is to be "the most recommended Bank, with the best customer experience, adapting ourselves to our customers and making all the channels available to them."

BBVA's customer-centric strategy ensures a high recurrence of earnings and a stable business.

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BBVA has set up a new global unit called Customer Solutions, geared to providing the best customer experience

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At BBVA we believe in a model of relating to our customers in which they choose how they want to interact with the Bank

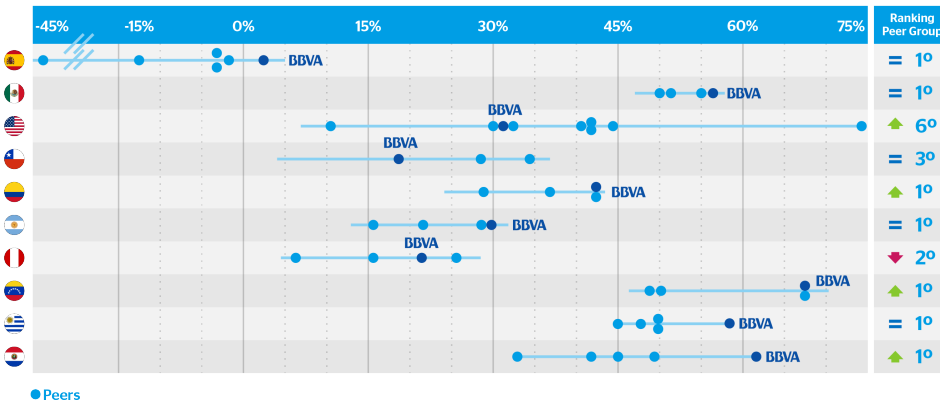
## IReNe and feedback

Over the last four years, the Customer Experience areas have consolidated the implementation of a global methodology based on customer recommendations, called IReNe (Net Recommendation Index). Progress is being made in the way we listen to our customers, giving us an in-depth understanding of their needs.

This methodology and its surveys give us an understanding of BBVA's competitive situation and our position with respect to our competitors in terms of recommendations in each country.

IReNe, a global methodology based on customer recommendations; digital feedback, a platform designed to understand our customers' needs

## Net promoter score by geography



In 2015, BBVA has been a model in the financial sector with respect to customer experience and levels of recommendation, because in 80% of the countries where we have a footprint, we are in first or second place on the IReNe ranking in our market peer group.

In addition, we have begun to use a digital feedback platform to understand our customers' needs. Thus, at the product and service creation stage, we collect customer opinions quickly and efficiently, allowing us to learn from customer experience in real situations. Below we analyze the results to identify factors and trends. Every idea that arises is an opportunity we can incorporate into our designs, and in this way we meet our customers' needs and expectations.

In short, we turn real customer experiences into ideas. We create this different experience that distinguishes us from our competitors and turn our customers into brand advocates.

## Quality initiatives in 2015

Thanks to the IReNe methodology, we know the assessment by type of customer and relationship channel, so we have the elements we need to establish quality plans and integrate the customers' priorities into the Group's transformation projects.

The efforts made by all the areas continue to be geared toward a determined and continuous execution of the quality plans and actions that BBVA has implemented. They are having an effect on increasing customer satisfaction and recommendations, with the aim of offering customers the best experience in banking services.

Initiatives to improve the quality perceived by our customers are giving very good results

The following table sums up the most important initiatives:

|                  |  |
|------------------|--|
| <b>Spain</b>     | <p>Implementation of the program “Calidad en Red Banco 10”.</p> <p>Launch of digital feedback in BBVA.es for all the relevant servicing, recruitment and new function processes.</p>   |
| <b>Mexico</b>    | <p>Implementation of the customer feedback methodology in the commercial network through daily online surveys, which allow an evaluation to be made of customers' most recent (less than 48 hours) experience with BBVA.</p> <p>Launch of digital feedback, in the Bancomer.com, Bancomer Móvil and WIBE products.</p>   |
| <b>Argentina</b> | <p>Improvement in claims processing, with an impact on customer experience.</p> <p>Implementation of the “VIP Segment Experience” care and service model.</p>  |
| <b>Chile</b>     | <p>Implementation of the Customer Experience Model.</p> <p>Improvement plan in strategic products.</p>   |
| <b>Colombia</b>  | <p>Implementation of the customer feedback methodology in the commercial network through daily online surveys, which allow an evaluation to be made of customers' most recent (less than 48 hours) experience with BBVA.</p> <p>Implementation of the customer service process on social networks.</p> <p>New requests, complaints and claims management tool, “rapidez de respuesta”.</p>   |
| <b>Paraguay</b>  | <p>“En Sintonía 2.0” culture of quality program.</p> <p>New CRM for complaints, with improvement plans at resolution service level.</p>  |
| <b>Peru</b>      | <p>Implementation of the customer feedback methodology in the commercial network through daily online surveys, which allow an evaluation to be made of customers' most recent (less than 48 hours) experience with BBVA.</p> <p>Reengineering in the complaints management model.</p> <p>Methodology of Internal IReNe surveys that evaluate the staff and branch network support areas.</p> |
| <b>Uruguay</b>   | <p>Coaching model: the network and those responsible for customer experience.</p> <p>Optimization of the complaints management process (internalization, improvement of response times and quality).</p> <p>Cards: delivery of cards, state of accounts and improvement of experience.</p>   |
| <b>Venezuela</b> | <p>Permeability of service quality in central areas (BBVA experience-Internal IReNe).</p>  |

## Complaints and claims management

Customer complaints and claims are an excellent starting point for improving BBVA Group's processes because they tell us exactly which areas need to be changed to make life easier for our customers. The current economic situation, growth of the business in other regions and more demanding financial rules and regulations for financial institutions are all forcing us to make a bigger effort to handle our customers' requests or disagreements.

At BBVA we understand that a complaint is any kind of disagreement (financial or not) with one of the Bank's products or services by a customer in the terms established in the regulations in force in that country, as registered by the Bank and to which a response has to be made within a specific time.

Since 2007, the Global Quality Department has published a corporate report on the management of complaints and claims that arise within the Group. The process was moved to the intranet/wiki format and this year a special effort has been made to create a specific site in order to obtain all the information needed for periodic reporting and monitoring of this matter.

### Spain, Mexico and South America. Main indicators of complaints

|  | 2015 | 2014 |
|--|------|------|
| Average time for settling complaints (days)  | 11   | 12   |
| Number of claims settled by First Contact Resolution (FCR) (%)                     | 30   | 14   |
| Number of claims before the banking authority (for each billion euros of activity) | 21   | 131  |

This site is for internal use and is organized into a number of aspects. First, it deals with the different fields in the area of complaints, but from a more dynamic approach. Second, it always tries to contribute value to internal customers that can be passed on to external customers.

In BBVA Group, the different complaints units are constantly evolving with the aim of improving and optimizing their management models. The Contact Center is still the main channel for receiving and managing claims for some countries in South America; and cards, particularly credit cards, are the product that receives most claims.

There is also a growing awareness of the need to collect and deal with informal customer complaints or claims, with the aim of having this rich information available in order to analyze the root causes and establish action plans to deal with them in time.

Our customers' complaints and claims indicate ways we can make their lives easier

We are improving our processes so that we can quickly pass on everything we have learned in relating to our customers within the Organization



The following are the conclusions of the complaints management process in BBVA:

- We have identified in depth the root causes of problems.
- We have improved customer experience with the closing of the IReNe process cycle.
- The Bank's digital transformation process has been supported by sharing customer insights (IReNe, feedback, complaints and claims, etc.).
- And activity continues to be reported periodically at the Group level in order to share best practices.

[Appendix CL1 - Average time for settling complaints by country](#)

[Appendix CL2 - Number of claims settled by FCR](#)

[Appendix CL3 - Number of claims before the banking authority](#)

## Customer protection

### Operational and technological risk management

In 2015, as part of the organizational reconfiguration of the Engineering area, a control function called Engineering Risk & Corporate Assurance has been set up, with the aim of developing and maintaining the control model, as well as managing active risks related to business and technological processes, within the framework of the Corporate Assurance model.

As part of the business process control model, in 2015 the operational control function has focused on implementing a new scheme of standardized control in all the Group's companies and businesses, with the focus on the most relevant processes and risks. At the same time, significant progress has been made in managing the main operational weaknesses.

In terms of technological risk, the Group has continued to make progress on the three pillars that make up this discipline: information security, technological fraud management and IT risk management.

It is worth highlighting the effort made this year in terms of adapting the levels of information protection to the new challenges arising from the Group's digital strategy.

At the same time, in 2015 BBVA CERT (Computer Emergency Response Team) has consolidated its position as the nerve center of BBVA Group's cybersecurity and fraud strategy. CERT carries out all the monitoring, immediate response, limitation and investigation of incidents 24/7, supported by sound analytical and intelligence capabilities to handle cybersecurity or fraud threats.

In 2015, BBVA has made major progress in the management of operational and technological risks related to customer protection

BBVA has a continuous cybersecurity monitoring and improvement plan in place called the Cyber Trust Program. It provides a dynamic, structured and standardized response to the challenges that arise in the current cyberthreat scenario. A number of projects have been developed as an integral part of the Cyber Trust Program over the last five years. They aim to secure internal and external (perimeter protection) channels and communications, as well as the management of access by customers through robust authentication processes and mechanisms, such as two-factor authentication. More recently, projects have been implemented designed to protect the applications developed for access by customers to the different technological channels.

In addition, a technological risk measurement methodology has been developed and implemented in 2015, based on indicators linked to the international Cobit 5.0 standard. BBVA has also initiated a process of adopting the standard issued by NIST (National Institute for Standards and Technologies) relating to cybersecurity, as a framework of reference for management and control.

Lastly, in the area of business continuity improvements continue to be made to the different procedures for recovering content in the case of low-probability but very high-impact events. In this respect, work has been done in 2015 to update and improve the plans through technical and crisis management tests that also allow training of the people involved in these situations. Some of these plans have been fully or partially activated during the year, as in the following cases: the eruption of the volcano Calbuco on the border between Chile and Argentina; the threat posed by Hurricane Patricia in Mexico; and minor seismic movements that nevertheless affected operations in the state of Mérida (Venezuela) and the north of Chile.

Regarding personal data protection in Spain, some improvements have been conducted during 2015. These improvements were noted in the action plans based on the biennial audits on the security measures demanded by the Royal Decree 1720/2007 of 21 december, which were carried out during 2014 in the BBVA Group companies in Spain with no significant shortcomings.

Furthermore, the process of adapting, improving and standardizing the personal data protection activities that must be carried out in each jurisdiction where BBVA Group operates was also continued in 2015. The adaptation and implementing activities that have been conducted in BBVA Colombia and BBVA Continental are especially relevant in order to comply with the new regulatory requirements established in Colombia and Peru.

## Transparent, Clear and Responsible Communication

The project for Transparent, Clear and Responsible Communication (TCR) has the goal of helping our customers to make informed decisions over the whole life cycle of their relations with the Bank. As well as taking care of their interests, we want to set ourselves apart from our peers as the clearest and most transparent Bank for our customers in each market, while increasing consideration and recommendations.

We consider this initiative to be a key element for generating an excellent customer experience and for driving sales, especially in digital channels, thus complying with two of the Bank's strategic priorities.

What does being TCR mean in the relation with our customers?

- **Transparency:** means providing all relevant information to the customer, and maintaining a balance between benefits, costs and risks.
- **Clarity:** means that the customer easily understands from the start the information or process we are communicating. Clarity is closely related to language and also to the structure and organization of information; and in digital channels it is linked to navigation.
- **Responsibility:** means looking after the customer's interests in the short, medium and long term.

In 2015, BBVA continued and strengthened its work on the initiatives it had already been carrying out in 2014:

### TCR product leaflets

They describe the products not only in terms of advantages but also the costs and risks involved in them, with a clear language and a glossary of the inevitable technical words and phrases used. They are tested in advanced, and given to customers when they show an interest in a product, before they buy it.

The project was implemented in Spain and Mexico in 2014; and in 2015 the implementation was completed in Argentina, Chile, Colombia, Peru, Venezuela and the United States. In all there are more than 377 product leaflets implemented, meaning they are easily available to executives or branch managers. They cover at least 80% of the contracts in each of these countries.

For 2016, the challenge we have set ourselves is to ensure they are provided on a regular basis.

### TCR contracts

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

In 2014, the legal services teams drew up and tested the first contracts using TCR criteria.

In 2015, these teams drafted TCR contracts for the five most commonly sold products in each geographical area. In the United States, Argentina, Chile and Peru, these contracts have already been fully implemented. In the other geographical areas, work on implementation is still being carried out. In all there are 22 products regulated by TCR contracts.

For 2016, the challenge is to implement TCR contracts for at least 80% of the contracts in all the geographical areas. In addition, in 2016 a guide will be introduced for drafting and distributing TCR contracts, more focused on distribution through digital channels.

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TCR communication: a key element in generating a differential customer experience

## TCR advertising

The aim of this initiative is for the Group's advertising communication to be transparent, clear and responsible. To this end, in 2014 we prepared a TCR Advertising Communication Code, which is a self-regulation document that contains the principles to be followed in the Group's entire advertising communication.

The Code entered into force on January 1, 2015 and must be complied with by all the Group's communication and marketing teams. It was presented by the Group Executive Chairman in April 2015 on the 20th anniversary of Autocontrol, the Association for Self-Regulation of Commercial Communication.

Workshops have been organized to extend knowledge and compliance at the global level, especially for the marketing teams, legal services, product managers and advertising agencies. They learn how to use the Code in practice. Over 200 people have taken part in these workshops and have rated them with an average score of 4.8 out of 5. An email address has also been made available in each geographical area to which employees can send queries, questions or suggestions for improvement. Lastly, an online test has been implemented for which the marketing teams of all the geographical areas have been signed up with the aim of ensuring it is known and read by all the employees.

## Digital TCR

Most of BBVA's digital content and solutions are produced under the Agile methodology. To guarantee that the groups working with this methodology are producing TCR documents, we have carried out the following actions in 2015:

- Drafting of a checklist of the 15 most important TCR principles in digital channels, explaining each of the principles with examples of good and bad practices.
- TCR and human-centered design training workshops for members of the scrums who work on solutions and/or content for customers. Some 395 people have taken part in these workshops, with an average recommendation score of 4.6 out of 5.
- Direct support for some of these working groups.

The challenge in 2016 is to ensure that the TCR checklist is always part of the work routine of these working groups.

## Metrics

In 2015, we have also improved the way in which we measure whether we are TCR for our customers. We have done this by incorporating a question in the local Net Promoter Score (NPS) open-market surveys that allows us to position ourselves with respect to our peers. We have also included questions relating to TCR in the questionnaires that measure the quality of service provided by managers and the quality of the contracting process. We have also analyzed customer behavior and perceptions in our digital channels, especially the Internet.

## Financial Literacy

Financial literacy (FL) is one of the strategic priorities of BBVA Group's Responsible Business Plan and is constructed through the Global Financial Literacy Plan. Our goal in this area is to promote the development of the financial skills that allow society to make informed decisions to improve its financial well-being and be more aware of the existing risks and opportunities.

Together with TCR Communication, at BBVA we work to ensure that financial literacy is part of our day-to-day relationship with our customers, and of our products and services, in order to ensure they are better explained and understood. As well as financial literacy workshops, we work hard to make training content available through the mass media, conveying clearly presented messages, mainly through social networks and through our local websites in [Spain](#), [Chile](#), [Colombia](#), [Mexico](#) and [Venezuela](#).

At BBVA we create our own programs to promote financial literacy at the global level, but adapting them to the environment and local economic reality. They must be targeted at a diverse audience, including children, young people and adults.

We must not forget the growing importance of businesses, especially SMEs, which play a crucial role in the development of the economic and business fabric across our global footprint. At BBVA we target initiatives at this group in order to strengthen the capabilities of people who work in these organizations and boost the growth of small businesses, providing financial, business and management training to entrepreneurs whose projects generate social impact and are sustainable.

### Main progress in 2015

The investment in the development of the Global Financial Literacy Plan was 12.4 million euros and reached 1.53 million beneficiaries.

### BBVA Group. Beneficiaries of the Global Financial Literacy Plan

|  | 2015       | 2014       | 2013       |
|--|------------|------------|------------|
| Children and young people              | 1,108,755  | 1,009,430  | 1,093,071  |
| Adult                                  | 368,055    | 244,543    | 226,462    |
| SMEs                                   | 59,398     | 41,474     | 20,016     |
| Total beneficiaries Financial Literacy | 1,536,208  | 1,385,447  | 1,339,549  |
| Total number of workshops              | 1,076,452  | 1,010,681  | 1,000,039  |
| Total investment in FL (million euros) | 12,448,665 | 17,427,972 | 13,558,503 |

At BBVA we work to help people make better financial decisions

We have a long-term commitment to financial literacy, with over 42 million euros invested and over 4.2 million participants in the various programs since 2013

Financial literacy is on the agenda of public bodies and regulators, so we have a major institutional commitment. In 2010, we began our partnership with the Organization for Economic Cooperation and Development (OECD) to make the PISA financial literacy test possible. With over 30 million young people aged 15, 4,000 participating schools and 26,000 children assessed, the results of the 2012 PISA financial literacy test showed broad scope for improvement in most participating countries.

In 2014, the agreement between BBVA and OECD was renewed to continue to promote this financial culture test.

The fieldwork for the second PISA financial literacy test in 16 countries was carried out in 2015. Among the countries where BBVA operates, Spain, the United States, Chile and Peru have participated. With a contribution of €1,630,000 we are maintaining our commitment to the advocacy and promotion of collective initiatives.

#### [Appendix EF1- Number of beneficiaries by geographical area 2015](#)

### Financial literacy for children and young people

At BBVA we promote financial literacy to improve financial culture and the values related to the responsible use of money in order to prepare children and young people for their future.

The programs are developed by educational experts through workshops in schools, and in some countries through online courses, with cross-curricular material available for teachers and educators. In the case of children aged 6 to 14, the workshops 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 PISA Financial Literacy Report. For young people aged 14 to 18, the programs are focused on knowledge of basic financial concepts and planning of their personal economy.

Of particular note is the Valores de Futuro (Future Values) initiative that was created in Spain in 2009, and extended to Portugal and later to Mexico, in 2012. In 2015, Valores de Futuro involved 4,548 schools and 967,612 students in Spain. In Mexico, 16,523 school students took part in the Valores de Futuro workshops. The program is focused on group awareness workshops (over 60) in the classroom, given by teachers and in some cases with the participation of volunteers from BBVA.

For the second year in a row, BBVA Bancomer has won the "Children's Financial Literacy Program of the Year" award of the EIFLE Awards (Excellence in Financial Literacy Education) by the Institute for Financial Literacy for its Valores de Futuro initiative, which demonstrated exceptional innovation, dedication and commitment to financial literacy.

In 2015, a collective initiative promoted by the Spanish Banking Association (AEB) was carried out for the first time in Spain, with the participation of 15 financial institutions. The financial literacy program Tus Finanzas Tu Futuro (Your Finances, Your Future) is aimed at promoting financial competence among young Spanish people aged between 13 and 15. It benefited 6,750 students in 93 schools across Spain.

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We promote financial literacy as a cross-curricular subject to increase the financial culture and the values associated with the responsible use of money in order to prepare children and young people for their future

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The financial literacy program for children "Valores de Futuro" has consolidated as a referent in Spain and in Mexico with more than 984,135 beneficiaries in 4,579 schools

In Chile, the Liga de Educación Financiera BBVA (BBVA Financial Literacy League) for young people aged between 14 and 17 has benefited 7,760 young people by promoting a didactic and interactive game with which they can learn and practice responsible financial concepts and behavior.

The financial literacy program Becas de Integración BBVA Francés (BBVA Francés Integration Scholarships), which was launched in 2012 in Argentina, has increased the number of participating schools each year, thanks to the involvement of volunteers from BBVA. In 2015, 235 schools were visited and over 1,452 students experienced the workshops that promote responsibility and the administration of money with the aim of including young people in the financial system.

In collaboration with the American Bankers Association, BBVA Compass has run the financial literacy programs for children and young people called Teach Children to Save and Get Smart About Credit. This is a program that, thanks to the collaboration of volunteers from participating banks, helps young people to develop saving habits. In 2015, there were 27,920 beneficiaries. In addition, BBVA Compass continues its partnership with EverFi (the leading educational technology company focused on learning) and Junior Achievement, for the development of the BBVA Compass Future Builders Program. This program invites students to make decisions in real-life scenarios to achieve better goals for saving and planning. In 2015, 38,378 young people benefited from the program.

#### [Appendix EF2 - Main indicators of Valores de Futuro \(Future Values\)](#)

### Financial literacy for adults

The financial literacy initiatives for adults aim to help them make informed decisions through workshops, seminars and tools, on-site and online, on matters related to their financial life cycle.

Adelante con tu Futuro (Forward with your Future) is an initiative that is worth highlighting. It was created in Mexico in 2008 and has already been extended to Chile, Colombia, Paraguay, Uruguay and Venezuela.

This financial literacy program run by BBVA Bancomer has the largest infrastructure of any financial literacy program in Latin America, with 20 fixed classrooms, 15 mobile classrooms, 15 mobile teams and 100 instructors. The content is aligned with the life cycle of people and provides them with the tools they need to better manage their finances at different stages of their lives. It has 10 free workshops: saving, saving for retirement, credit cards, credit health, mortgages, life insurance, investment funds, electronic banking, stock market literacy and economics and banking. Adelante con tu Futuro has run over 3 million on-site and online workshops, benefiting more than 1,200,000 people since its launch in 2008.

In other countries such as Chile and Colombia, initiatives have consolidated during 2015 that foster financial literacy at the workplaces of companies and institutions that are customers of BBVA through workshops for the company employees. This program is also run in Mexico. Over 34,000 people have participated in these workshops in 2015.

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Financial literacy for adults contributes to informed decision-making and, thus, promotes consistent savers and responsible debtors

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Adelante con tu Futuro has benefited more than 1 million people since 2008. We have increased the range of programs, some of them consolidating their position, such as Mi Jubilación

BBVA Compass offers the Money Smart initiative for adults in collaboration with the Federal Deposit Insurance Corporation (FDIC). This program is designed to help people, whether bank users or not, to acquire financial knowledge and use banking services effectively. It is run with the collaboration of employees from BBVA Compass and community organizations. In 2015, 19,481 people benefited from this program. As part of the initiative, BBVA Compass has made the successful completion of a course in the Money Smart program a requirement for first-time mortgage applicants.

The Mi Jubilación (My Retirement) initiative, launched in 2013 in Spain and Portugal, has consolidated its position in 2015 as a model for information related to retirement and pensions. This is evidenced by the number of visits received on its website, at over 130,000 in 2015 (up 46% on the figure for 2014), and the number of people who have used the advice tools, with over 150,000 simulations (up 125% on 2014). Work is continuing in the strategic part of Mi Jubilación on three lines related to retirement and pensions:

- Economic research on pension reform issues, through the BBVA Pensions Institute.
- Contribution to the pension dialog, with proposals that guarantee the future of pensions.
- Financial literacy for society, providing information and knowledge about pensions in order to make informed financial decisions.

In 2015, the digital presence was extended through the website [www.actibva.com](http://www.actibva.com) for increasing information and awareness of financial skills that make society more aware of financial risks and opportunities, as well as able to take informed and effective decisions to improve personal financial well-being.

## Business training

Businesses, especially SMEs, play a crucial and increasingly important role in the development of the economic and business fabric in the countries across our global footprint.

### Financial literacy for SMEs:

We support the development of financial skills through training workshops on subjects related to financial decisions in the area of SMEs to allow them to improve their financial stability, access to finance and growth, with efficient credit management, cash flow and other financial resources.

It is worth highlighting the financial literacy programs for SMEs in Mexico, which since 2012 have provided entrepreneurs and micro-businesses, whether customers or not, with support through on-site and online workshops: interactive videos and practical exercises. They also have instructors skilled in boosting financial viability and solvency with the correct use of cash, supporting growth through identification of types of credit and their appropriate use, and explaining the advantages of interest-rate hedges for businesses.



We promote financial literacy for SMEs and entrepreneurs to support their development, sustainability and social impact



### Training for growth:

Business training initiatives are targeted at boosting the growth and development of SMEs so that they can have a future. These initiatives are based on value solutions that include:

- Training programs for comprehensive management of companies; specific workshops given by business schools and developed in a networking environment; and support for SMEs.
- Programs aimed at speeding up the growth of SMEs, working on their strategic projects through a specific program given by leading local universities.
- Programs supporting social enterprises to consolidate and extend their economic and social impact through a complete training program, strategic support and finance.

In Spain, the training program under the Yo Soy Empleado -YSE- (I am employment) initiative, launched in 2013, continued in place. New on-site training sessions for SMEs and self-employed workers were developed in 2015, given by the top business schools in Spain at no cost for the companies involved.

In 2015, the regional training for growth program Camino al Éxito -CaE- (Path to Success) was consolidated in South America, specifically in Argentina, Chile, Colombia, Peru, Paraguay, Uruguay and Venezuela. This regional program has allowed companies to access courses designed to address their needs, given by top local universities and business schools. In 2015, a total of 728 SMEs took on-site courses in South America. At the end of the program, over 425 of the companies taking part had developed a strategic project that can lay the foundations for their growth. Camino al Éxito has made use of a digital platform with more than 28,196 users registered, who have had access to a broad catalog of online content, with training clips for finance, leadership, and people and business management. In addition, Camino al Éxito rewarded and recognized the best SME growth projects through the Camino al Éxito awards, held at the local level and for the region of South America as a whole.

In recent years, together with the Financial Literacy workshops, BBVA Bancomer has developed a broad range of skills training that aims to support SMEs with major growth potential through cognitive tools and management and administrative skills, that allow them to consolidate and make their projects grow. In 2015, two important programs have been implemented. One of them gives access to a diploma from Universidad Anáhuac after more than 110 hours of blended training in which 911 companies took part; and the other is an on-site program aimed at a segment of SMEs with high potential, given by IPADE (considered the most prestigious business school in Mexico), which has benefited more than 71 medium-sized companies.

Since 2013, BBVA Compass has offered the Money Smart program for SMEs, through 10 training modules that provide knowledge of organizational basics and business management for entrepreneurs and startups. With 31,682 companies benefiting in 2015, the program has consolidated its position as a lever for the development of SMEs.

Of particular note are 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 boost the process of digitalization in Turkish SMEs.

#### [Appendix EF4 - Training for business](#)

In the area of support for social enterprises, in 2015 we continued boosting the growth and consolidation of innovative social enterprises through Momentum Project. This is a program carried out in coordination with top business schools and involves the participation of BBVA executives who provide a pro-bono strategic mentoring service.

The program was set up in 2011 and is currently available in 3 countries: Spain, Mexico and Peru. Since it was launched, 92 companies have participated in the comprehensive training, strategic mentoring, visibility, financing and follow-up program for participating entrepreneurs, to consolidate and boost their social impact.

A total of 1,544,441 people have benefited worldwide.

In Spain, BBVA has financed 18 companies out of the 56 participants in Momentum Project since 2011, with investment of more than €5m.

#### [Appendix EF3 - Main indicators of Momentum Project](#)

# The team

In 2015, BBVA changed the name of its Human Resources Department to Talent & Culture. The change was not merely titular. It marked a significant shift in the department's core function, responsibilities and focus. The Talent & Culture organization is leading the transformation of BBVA to deliver the best customer experience anywhere. In other words, the organization is responsible for creating the kind of culture, environment and ways of working where the customer is at the center of everything we do, as defined by the Group's six strategic priorities.

Talent & Culture: Creating  
a first class workforce

Talent & Culture is delivering on the power and promise of this in multiple ways. First, we are defining and then delivering a unique employee value proposition. We are defining what it means to be an employee at BBVA, and what sets us apart from any other company. This is important because it motivates and inspires existing employees while helping potential employees realize why BBVA is a destination employer for a first class workforce.

Second, we are building on our core principles to help employees understand what each of us needs to do to work at BBVA, to focus squarely on our customers and to fulfill our six strategic priorities.

And, finally, we are shifting the way we work. We are breaking down old silos and allowing collaboration and communication to flow across countries and across functions. We ensure great ideas come from all areas of the Organization, leveraging BBVA's intellectual capital, which is vast and deep.

We believe that people are at the core of our success. We are creating open floor work environments where every employee can participate, ask questions, be closer to the decisions being made and as a result be more engaged in the work they do every day. Instead of creating an open door policy, we have decided to get rid of the doors completely.

In 2015, we established our strategy and vision. We created the foundation for understanding who we are as an organization and where we want to go. In 2016, we will focus on how we get there.

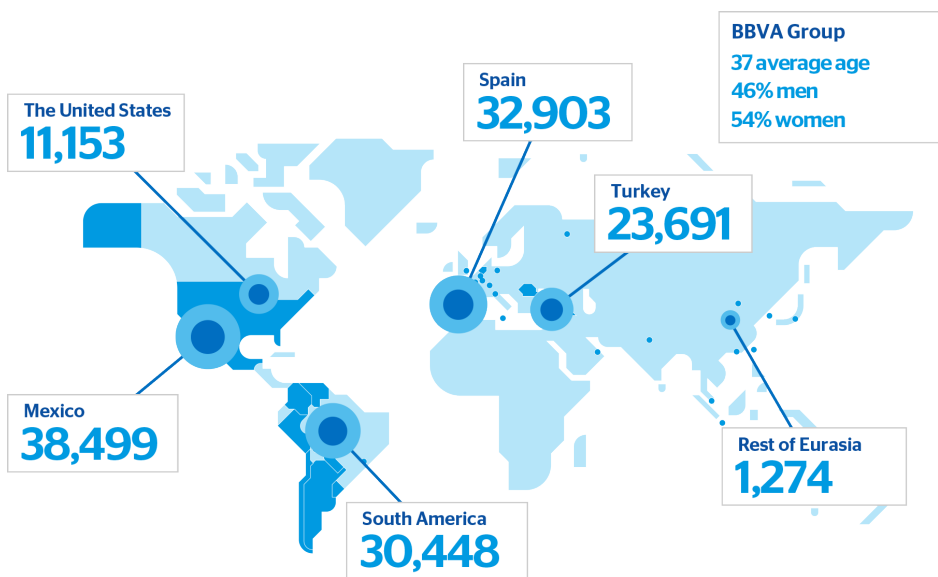
Talent & Culture will embark on a series of programs and initiatives that will build on the successes we initiated in 2015:

- Compensation: Review our compensation model to ensure it is based on simplicity, transparency, equity and accountability. The model should unite all employees globally in a common vision and keep us aligned in delivering on both our strategic and financial goals.
- Career Development: A new approach to career pathing that puts the employee in the driver's seat and offers experiential (as well as traditional) ways for employees to develop new skills/capabilities and explore new opportunities for professional growth.
- Communication: A more interactive and engaging employee communications plan that fosters dialogue rather than passive listening.

2015 has been an incredible year for the Talent & Culture organization and for BBVA in general. The global banking industry is ever changing and increasingly competitive. We expect 2016 to be no different, and will present the Bank with multiple challenges. However, BBVA is well positioned through its strategy, management and people to excel.

## 2015 Talent & Culture by the numbers

- Global workforce of 137,968 people located in 35 countries.
- Employee ratio is 54% women / 46% men.
- Average age is 37 years.
- Average tenure is 10 years.



## Major accomplishments in 2015

Awarded by Great Place to Work®, BBVA listed as 8th in the top 25 World's Best Multinational Workplaces.



## Training and professional development

- Deployed new online training platform delivering 64% of the 3.5 millions hours of global training.
- Broadened English language courses globally.
- Expanded risk program training with over 5,000 participants.

Expanded learning and development programs

## Health, safety and occupational medicine

- Delivered global health promotion programs to improve employees overall physical and mental health.
- Awarded “Certificate of adherence to the Luxembourg Declaration” by the National Institute for Safety and Health at Work, acknowledging the adoption of basic principles of health promotion at work.
- Improved exponentially the ergonomic and environmental conditions of the workplace through new global facility design.

## Diversity and inclusion

- Continued adherence to our core principles of non-discrimination, diversity and inclusion with significant improvements in many key areas, e.g. growth of female managers from 16.76% in 2010 to 19.60% in 2015.

[Appendix EQ1 - Average employee age and breakdown by age bracket](#)

[Appendix EQ2 - Average length of service](#)

[Appendix EQ3 - Employees by job category and geographical area](#)

[Appendix EQ4 - Voluntary resignations and breakdown by gender](#)

[Appendix EQ5 - Recruitment of employees](#)

[Appendix EQ6 - Discharge of employees](#)

[Appendix EQ7 - Breakdown of employees by gender, job category and geographical area](#)

[Appendix EQ8 - Employees by contract type and gender](#)

[Appendix EQ9 - Training](#)

[Appendix EQ10 - Occupational health](#)

## Volunteer Work and Social Engagement

BBVA continues to promote volunteer work across its global footprint

In March 2014, BBVA implemented the Corporate Volunteer Policy designed to make it easier for employees to carry out volunteer work with the aim of generating a positive social impact across its global footprint.

Volunteer work contributes to the Responsible Business Plan and mainly helps drive education programs, with particular emphasis on financial literacy and support for entrepreneurship.

In 2015, 8,148<sup>(1)</sup> people engaged in some kind of volunteer activity. Employees have devoted a total of 135,000 hours to these activities.

Worth mentioning is the assistance provided to children through the integration scholarship program "Niños adelante" (Forward, Children) in Mexico, Peru and Uruguay, the initiatives for supporting financial literacy in the United States through the Everfi-Vault program, "Adelante con tu Futuro" (Forward with your Future) in Mexico and Venezuela, "Valores de Futuro" (Future Values) in Spain, and other programs in Argentina and Paraguay that bring financial literacy to a variety of groups; and the 15 charity runs organized in six countries.

Moreover, employees in Spain who so wish can donate 1 euro from their salary through the "Euro Solidario" campaign, and BBVA will match their contribution. The contributions are allocated to an educational support project for young people at risk of social exclusion in several neighborhoods of Spanish cities coordinated by the non-profit organization Entreculturas.

In Argentina, through "Concurso de Proyectos Solidarios" (Charity Project Competition) and in Chile, with BBVA Solidario, BBVA provides financial support for the charity projects of non-profit organizations proposed by BBVA employees. It also offers employees who promoted the winning projects the chance to join them as volunteers. In Spain, the Territorios Solidarios (Solidarity territories) initiative offers BBVA employees the chance to become actively involved in the selection and granting of aid for community projects. The organizations that receive more votes are granted financial support of up to 10,000 euros in two categories of projects: general and volunteer work. All BBVA employees in Spain decide who they put forward and vote for. Any employee can become an ambassador and submit an organization that proposes a funding project.

Commitment to the environment is also relevant. A variety of initiatives have been implemented in Mexico, Venezuela, the United States and Spain to promote reforestation. In this sense, more than 10,000 trees have been planted in 2015. The "Destapa tu solidaridad" (Bottle Caps for Solidarity) campaign has been launched in Argentina to promote the recycling of bottle caps for the Garrahan Hospital Foundation.

(1) The calculation has been made with volunteers by initiative. An employee may have participated in more than one initiative.

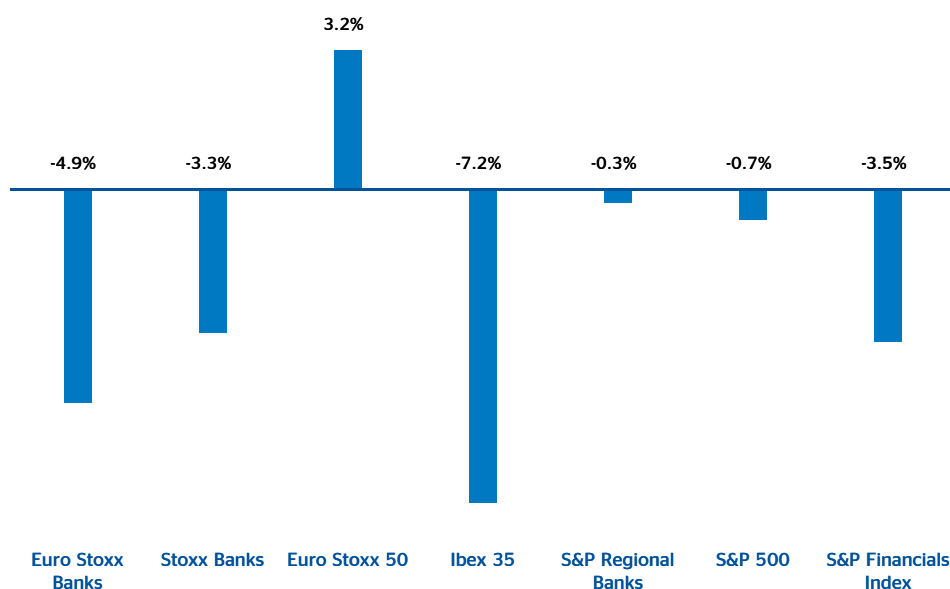
# Shareholders

Global economic growth finally lost momentum in 2015, as mentioned in the first section of the Strategy chapter. In this global situation, the main stock-market indices, except for the European Stoxx 50, have closed 2015 at levels lower than those registered the previous year. The performance of the banking sector in 2015 has to a certain extent proved a burden on these general indices, as it has been affected by a number of factors, including market uncertainty about the potential impact of the regulatory changes currently being discussed and the downward revision of the expectations of earnings growth over the year.

The main stock-market indices in Europe have closed 2015 outperforming the S&P 500 in the United States

## Year-on-year evolution of the main stock-market indices

(Percentage)



The price of the BBVA share increased by 19.8% in the first quarter of 2015 before starting a downward path that continued for the rest of the year. At the close of the year, the price posted a year-on-year decline of 14.2%, mainly in the second half of the year, with a price of €6.74 per share as of 31-Dec-2015. This amount represents a market capitalization of €42,905m, a price/book value ratio of 0.9 and a P/E of 13.2. At these levels, the value of the BBVA share compares favorably with the average for European banks.

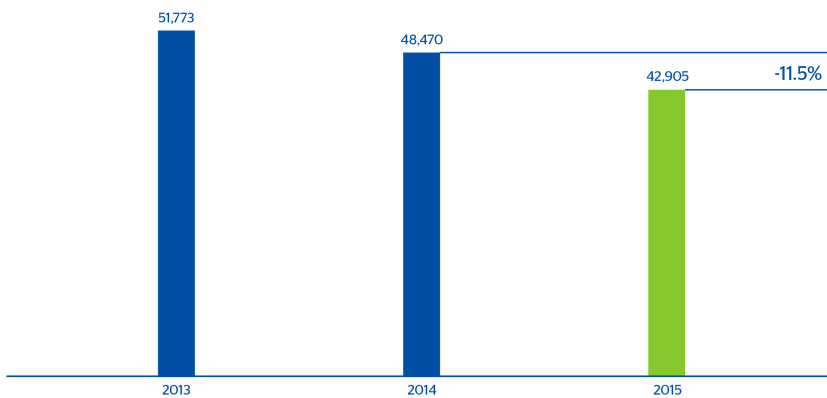
## Share price index

(31-12-14 = 100)



## BBVA's market capitalization

(Million euros)





## The BBVA share and share performance ratios

|                                       | 31-12-15      | 31-12-14      | 31-12-13      |
|---------------------------------------|---------------|---------------|---------------|
| Number of shareholders                | 934,244       | 960,397       | 974,395       |
| Number of shares issued               | 6,366,680,118 | 6,171,338,995 | 5,785,954,443 |
| Daily average number of shares traded | 46,641,017    | 48,760,861    | 55,515,852    |
| Daily average trading (million euros) | 393           | 437           | 411           |
| Maximum price (euros)                 | 9.77          | 9.99          | 9.40          |
| Minimum price (euros)                 | 6.70          | 7.45          | 6.18          |
| Closing price (euros)                 | 6.74          | 7.85          | 8.95          |
| Book value per share (euros)          | 7.47          | 8.01          | 8.00          |
| Market capitalization (million euros) | 42,905        | 48,470        | 51,773        |
| Price/book value (times)              | 0.9           | 1.0           | 1.1           |
| PER (Price/earnings; times)           | 13.2          | 17.3          | 23.2          |
| Yield (Dividend/price; %)             | 5.5           | 4.2           | 4.1           |

As regards shareholder remuneration, two dividends were paid out in cash at €0.08 gross per share each, amounting to disbursements of €504.4m on July 16, 2015 and €509.3m on January 12, 2016, against 2015 earnings. Additionally, at its meetings held on March 25 and September 30, 2015, the Board of Directors of BBVA agreed to complete two capital increases against reserves, under the terms agreed by the Annual General Meeting of Shareholders held on March 13, 2015. These increases have served as instruments for developing the share remuneration scheme called “dividend-option”, which offers shareholders the chance to choose between receiving all or part of the corresponding amount in either new BBVA shares or in cash. Each shareholder is entitled to one free allocation right for each BBVA share held on a given date, usually the date of publication of the announcement of the capital increase in the Official Bulletin of the Companies Register (normally two days after the meeting of the Board of Directors at which the capital increase was agreed). In the case of the first increase, agreed in March, for every 70 rights each shareholder had the option to receive one new BBVA share. In the case of the second, agreed in September, each shareholder needed 92 rights to have the option to receive one new BBVA share.

The acceptance percentages of the “dividend-option” in 2015 are the highest obtained in the last two years

Alternatively, shareholders who wished to receive their remuneration in cash could sell their free allocation rights to BBVA during the first ten calendar days of their trading period, or on the market during the full trading period, at a gross fixed price of €0.13 per right in the case of the first “dividend-option” and of €0.8 per right in the case of the second. In this way, shareholders enjoy a greater degree of flexibility and efficiency, as they can adapt their remuneration to their preferences and personal circumstances. In the case of the implementation of the first “dividend-option”, the holders of 90.31% of these rights chose to receive new shares. In the case of the second, the holders of 89.65% decided to receive new shares. The acceptance percentages are the highest obtained in the last two years, confirming the excellent level of support for this remuneration system among shareholders, as well as their confidence in the future performance of the share.

The number of BBVA shares as of 31-Dec-2015 stood at 6,367 million. Their increase on the figure at the end of 2014 is explained by the capital increases against reserves completed over the year to execute the aforementioned “dividend-option”.

The number of BBVA shareholders as of 31-Dec-2015 stood at 934,244, compared with 960,397 as of 31-Dec-2014, a year-on-year decline of 2.7%. The granularity of the shareholders remained at similar levels in 2015, with no significant holdings.

## BBVA Group. Shareholder structure

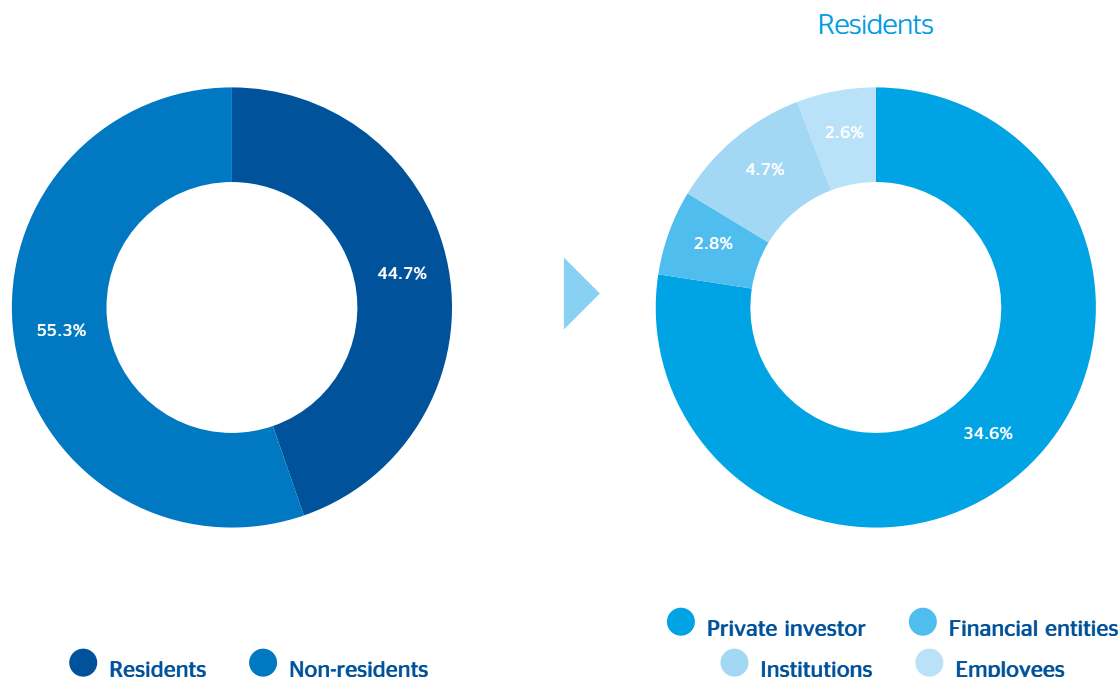
(31-12-2015)

| Number of shares | Shareholders   |              | Shares               |              |
|------------------|----------------|--------------|----------------------|--------------|
|                  | Number         | %            | Number               | %            |
| Up to 150        | 217,876        | 23.3         | 15,490,716           | 0.2          |
| 151 to 450       | 196,590        | 21.0         | 53,455,140           | 0.8          |
| 451 to 1,800     | 282,378        | 30.2         | 265,401,936          | 4.2          |
| 1,801 to 4,500   | 124,071        | 13.3         | 353,693,692          | 5.6          |
| 4,501 to 9,000   | 57,993         | 6.2          | 364,537,906          | 5.7          |
| 9,001 to 45,000  | 48,866         | 5.2          | 851,284,685          | 13.4         |
| More than 45,001 | 6,470          | 0.7          | 4,462,816,043        | 70.1         |
| <b>TOTAL</b>     | <b>934,244</b> | <b>100.0</b> | <b>6,366,680,118</b> | <b>100.0</b> |

In addition, 44.7% of the share capital belongs to investors resident in Spain, while the percentage owned by non-resident shareholders has continued to increase to 55.3% (compared with 53.9% in 2014). This demonstrates once more the brand recognition and improved confidence in BBVA among foreign investors.

## BBVA Group. Shareholder structure

(Percentage 31-12-2015)



BBVA shares are traded on the Continuous Market of the Spanish Stock Exchanges and also on the stock markets in London and Mexico. BBVA American depositary shares (ADS) are traded in New York and also on the Lima Stock Exchange (Peru) under an exchange agreement between these two markets. The BBVA share was traded on each of the 256 days in the 2015 stock market year in Spain. During this period, a total of 11,940 million shares were traded on the continuous market, accounting for 187.54% of the share capital. Thus the daily average volume of traded shares was over 46 million, 0.7% of the total number of shares and a daily average of around €393m.

Lastly, BBVA shares are included in the key Ibex 35 and Euro Stoxx 50 indices, with an 8.82% weighting in the former and 2.02% in the latter, as well as in several banking industry indices, most notably Stoxx Banks, with a weighting of 4.31%, and the Euro Stoxx Banks, with a weighting of 8.96%.

## Sustainability ratings

Sustainability ratings measure a company's ESG (environmental, social and corporate governance) performance and determine its presence in the sustainability indices. Continued presence and ranking in these sustainability indices thus depend on the demonstration of constant progress in a company's sustainability and have an influence on the eligibility of companies in the investment portfolios.

In 2015, BBVA maintained its place on the main sustainability indices at international level

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## Sustainability ratings on which BBVA is listed

(2015)



Listed on the DJSO World and DJSI Europe



Listed on the MSCI Global Sustainability indices  
AAA Rating

(1)



FTSE4Good

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 and Euronext  
Vigeo Europe 120 indices



Included on the Ethibel Excellence Investment Register



Included on the STOXX Global and Europe ESG Leaders  
indices



In 2015, BBVA received a score of 94 points for disclosure  
and a B and C rating for performance

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(1) 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 the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Moreover, since 2014, BBVA has 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.

BBVA is the only Spanish bank included on the list of socially responsible mutual funds of Triodos Investment Management

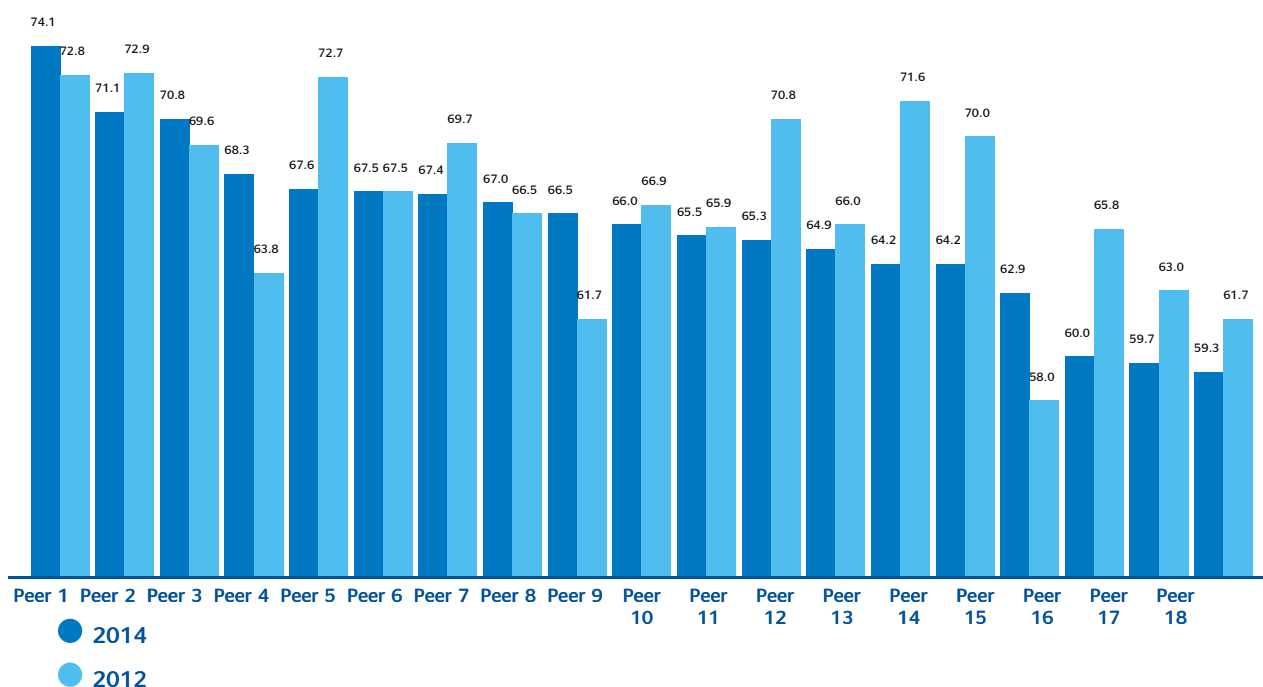
### Synthetic responsible banking index

Given the many different sustainability indices currently available on the market, BBVA has developed the synthetic responsible banking index to provide aggregate information on the Group's position in relation to its competitors, in accordance with the analyses of the main international sustainability agencies. This index also allows us to identify best practices and to continue to make progress in our responsible business strategy.

According to the latest analysis conducted with 2014 figures, BBVA has improved its position and is in first place in the index, ahead of the other 18 banks in its peer group.

### Synthetic responsible banking index

(Peer Group at global scope)



Source: BBVA, own elaboration.

### Dialog with analysts and investors

In recent years, market interest in the ESG performance of companies has increased. BBVA maintains ongoing dialog with specialized investors and analysts through conference calls, face-to-face meetings and constant exchange of information. In 2015 we also took part for the second year in a row in two roadshows specializing in socially responsible investment organized by Société Générale and Exane BNP Paribas in Paris. During these meetings, BBVA had the chance to present to investors, asset managers and specialist analysts, one by one or in reduced groups, its strategic responsible banking lines, which are included in this report.

BBVA maintains ongoing dialog with analysts and investors interested in its ESG strategy

# Society

## Impact on people through the business

Our purpose, our reason for being, is to bring the age of opportunity to everyone. That is because we consider ourselves to be more than a bank: we are a driving force for opportunities and we also aim to have a positive impact on people's lives and to build relationships of trust.

BBVA is aware that the biggest impact it generates is that from its main activity. In its role as a financial intermediary, BBVA gathers the funds of families, companies and other agents and channels those savings efficiently through credit for personal, business and public projects that can contribute to improve our present and our future as individuals and as a society. The difference between what the Bank pays for deposits and the interest it obtains from loans, i.e. the net interest income, is its main source of income.

BBVA seeks to achieve a positive impact on the lives of people and societies across its global footprint

66 Mill.

customers in 35 countries

€403,069M

in customer deposits

€432,855M

in customer loans

However, our role today is to be more than a bank. We have the capacity to make an enormous impact on people and businesses. So, at BBVA:

- we put income 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

934,244

shareholders received €1,013.7M of remuneration in cash

137,968

employees receive €5.047M in salaries and wages

4,598

suppliers were paid €8,442M

€8,157M

in taxes accrued and collected from BBVA's business activity

€22,246M

of economic value generated, which accounts for 0.5% of the GDP of the economies in which BBVA operates

3,202

economic studies by BBVA Research have been made available to the public. BBVA invested €4.6M in this activity

- we support SMEs in all our geographical areas

10,000

people hired in Spain by 6,048 SMEs and self-employed workers thanks to Yo soy empleo

1,720,968

SMEs, micro-enterprises and self-employed workers

€23,552M

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

- we support transparency and financial literacy with the aim of being the first recommended Bank

1.5 Mill.

people have participated in financial literacy programs

80%

of product leaflets with TCR criteria

7 countries

in which BBVA is the first recommended bank out of the 10 in which it operates

- we have initiatives that are within the reach of all, not only a few

10 Mill.

customers in the financial inclusion segment

6.9 Mill.

beneficiaries of the BBVA Microfinance Foundation

€936M

in microloans granted to 1.7 Mill. micro-entrepreneurs by the BBVA Microfinance Foundation

- we offer products and services that make life easier, more comfortable and safer for people and that allow them to make financial decisions with a view to their present and future welfare

14.8 Mill.

customers manage their finances digitally

1.7 Mill.

homes financed by BBVA worth of €125,872M

€31,542M

in pension plans managed by BBVA with more than 3.2 Mill. customers

As well as the impact we generate through the business, we develop social programs through our own initiatives in education or through our foundations that generate a positive impact on society and benefit a variety of groups.

€103.6 M

allocated to social programs, 3.9% of the net attributable profit

64,807

children and young people with integration grants

€24.3 M

allocated to BBVA Foundation initiatives

We also try to minimize the negative impacts that could result from our activity by implementing initiatives that help mitigate or even eliminate such effects.

Specifically, since the start of the crisis in Spain, we have been aware of the difficult situation faced by our customers who find it difficult to pay their mortgage loans, so we have adopted measures that make up a social housing policy.

67,050

refinancings in 2015, granted to customers with difficulties in making their mortgage loan payments

14,205

debts discharged by surrendering the property since the start of the crisis in 2009

1,484

families have taken part in the employment program run with the Adecco Foundation, of whom 55% have found a job

We have a Global Eco-efficiency Plan in place to minimize our environmental impact

43%

reduction in water consumption

33%

of employees working in certified buildings

1,221 MW

of installed capacity in renewable energy projects financed during 2015, 17% more than in 2014

[Appendix - VE Economic value](#)



## High social-impact products

### Introduction

In addition to TCR communication and financial literacy, the BBVA Group's Responsible Business Plan has a third pillar: the "high social impact products". The goal is to integrate differential social attributes within products and initiatives that are part of the Bank's day-to-day business. In this way, in addition to the social impact generated by the regular activity, products and services with a higher social impact can be designed.

These products are grouped into four large blocks: those that promote financial inclusion; others designed for SMEs; products for individuals with special needs; and, lastly, socially responsible investment.

### Financial inclusion

Today, according to the latest World Bank figures, 39% of the world's population over the age of 15 still does not have access to banking services. Despite the huge success achieved, with 700 million new adults using banking services since 2011, universal access to an account and to financial services continues to be a priority not only for the World Bank and United Nations (UN), but also for the financial industry, the G20 and emerging countries.

Financial inclusion (FI) enables people to manage their risks by providing them with a safe place to save, means of payments, as well as access to financial services, such as loans and insurance, and to a regulated system and, thus, consumer protection mechanisms.

In recent years we have witnessed a boom in electronic money, enabling people, particularly those on lower incomes who only have basic devices, to carry their bank on their smartphone inexpensively and securely using simple products designed especially for these people on very low incomes.

For all these reasons, BBVA has worked since 2008 on a global FI strategy to provide the lower-income population in the emerging countries in which we operate access to financial services through alternative solutions to the traditional branch model. To meet this need, we are developing low-cost digital products and channels and easy-to-use products that enable these people to complete their transactions quickly, while guaranteeing security, availability and proximity. We also use big data and non-traditional methodologies to assess risks and create standard customer experiences across all the channels.

The synergy with other organizations involved in FI has also been fundamental to the development of our model. For example, BBVA Group has developed in recent years a Secondment Program in which two members of the Group's management team have participated, seconded temporarily to the Institute of International Finance (IIF) and to the Inter-American Development Bank (IDB). A strategic agreement was also signed in 2015 with Alliance for Financial Inclusion (AFI), a network of regulatory bodies from 96 countries that promotes access for the most disadvantaged people to the financial system.

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BBVA's global financial inclusion strategy is focused on making it easier for the lower-income population to access financial services through alternative solutions to the traditional banking model

The Group's significant commitment to FI is also reflected in the existence of a [specific FI unit](#) within the management of BBVA Research that has been widely recognized around the world. There have been many studies, analyses and indices related to FI that are constantly referred to and used by the World Bank, the International Monetary Fund and the main think tanks that work on FI, such as the Center for Financial Inclusion and the Center for Global Development.

### BBVA Microfinance Foundation

As part of its commitment to financial inclusion, in 2007 BBVA set up the [BBVA Microfinance Foundation](#)<sup>(1)</sup>, which has the goal of promoting sustainable and inclusive economic and social development for the most underprivileged people in society through responsible productive finance. To do so, it provides access to financial products and services, advice, training and support that generate positive impacts on the economic activities of entrepreneurs and also contribute to help their children to remain within the education system, while improving health indicators and the infrastructure of their homes.

The BBVA Microfinance Foundation aims to promote development through responsible productive finance

### BBVA Microfinance Foundation. Basic data

|   | 2015      | 2014      | 2013      |
|---|-----------|-----------|-----------|
| Number of customers                                   | 1,712,801 | 1,544,929 | 1,493,709 |
| Social impact (million people) <sup>(1)</sup>         | 6.9       | 6.2       | 6         |
| Number of employees                                   | 7,910     | 7,472     | 7,069     |
| Number of branches                                    | 509       | 488       | 481       |
| Total microloan volume (million euros) <sup>(2)</sup> | 936       | 907       | 861       |
| Average microloan (euros) <sup>(3)</sup>              | 1,046     | 1,026     | 994       |
| Number of countries where BBVA operates               | 7         | 7         | 7         |

(1) Calculated by multiplying the number of customers by the average ratio for family unit.

(2) Made up of current portfolio, defaulted portfolio and interest.

(3) Weighted by accumulated number of transactions.

Since its creation, it has granted loans for €6.591 billion, in cumulative terms, to more than 5 million low-income entrepreneurs to help them carry out their productive activities (2007-2015), in addition to providing them with advice and training. Now, this initiative has an indirect impact on 6.9 million people and is one of the main microfinance operators in number of customers, using an individual methodology, in Latin America.

At the end of 2015, the BBVA Microfinance Foundation was serving 1,712,801 entrepreneurs, 83% of them in a situation of vulnerability, with a total of €936m granted in loans.

(1) 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.

## BBVA Microfinance Foundation. Data by microfinance institution

|  | 2015             |              |            | 2014             |              |            | 2013             |              |            |
|--|------------------|--------------|------------|------------------|--------------|------------|------------------|--------------|------------|
|  | Customers        | Employees    | Branches   | Customers        | Employees    | Branches   | Customers        | Employees    | Branches   |
| Bancamía (Colombia)                    | 785,535          | 3,583        | 200        | 698,642          | 3,290        | 187        | 604,603          | 2,934        | 181        |
| Financiera Confianza (Peru)            | 435,879          | 2,168        | 153        | 408,413          | 2,225        | 155        | 506,595          | 2,381        | 164        |
| Emprende Microfinanzas (Chile)         | 10,568           | 159          | 21         | 13,641           | 145          | 26         | 15,324           | 166          | 28         |
| Fondo Esperanza (Chile)                | 102,141          | 514          | 52         | 92,605           | 499          | 53         | 80,275           | 436          | 46         |
| Corp. para las Microfinanzas (P. Rico) | 1,112            | 20           | 1          | 883              | 24           | 1          | 597              | 19           | 1          |
| Contigo Microfinanzas (Argentina)      | 170              | 4            | 1          | 224              | 4            | 1          | 1,417            | 17           | 1          |
| Microserfín (Panama)                   | 15,674           | 224          | 11         | 14,197           | 200          | 9          | 12,849           | 170          | 8          |
| ADOPEM (Dom. Republic)                 | 361,722          | 1,238        | 70         | 316,324          | 1,085        | 56         | 272,049          | 946          | 52         |
| <b>TOTAL</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> | <b>1,493,709</b> | <b>7,069</b> | <b>481</b> |

Over half of entrepreneurs who access the financial system thanks to the work carried out by the BBVA Microfinance Foundation are women, thus directly helping to reduce gender inequality.

The Foundation publishes an annual [Performance Report](#) entitled “Measuring What Really Matters”, giving the main figures that summarize the impact of its activity on the life of its customers, at the aggregate level in the region and in each geographical area in which it operates. This social measuring system has been highlighted by the UN and is a benchmark for the sector.

## BBVA Microfinance Foundation. Loan portfolio data by microfinance institution

|  | 2015                                       |               |  | 2014                        |               |  | 2013                        |               |  |
|--|--|---------------|--|-----------------------------|---------------|--|-----------------------------|---------------|--|
|  | Average loan amount (euros) <sup>(1)</sup> | NPL ratio (%) | Loan Portfolio Volume (thousand euros) | Average loan amount (euros) | NPL ratio (%) | Loan Portfolio Volume (thousand euros) | Average loan amount (euros) | NPL ratio (%) | Loan Portfolio Volume (thousand euros) |
| Bancamía (Colombia)                    | 999  | 5.1           | 329,843                                | 1,153                       | 4.7           | 377,731                                | 1,142                       | 5.5           | 388,101                                |
| Financiera Confianza (Peru)            | 1,820                                      | 2.24          | 419,894                                | 1,709                       | 3             | 383,776                                | 1,575                       | 2.8           | 357,054                                |
| Emprende Microfinanzas (Chile)         | 909  | 4.87          | 10,473                                 | 828                         | 7.4           | 10,672                                 | 744                         | 7.8           | 10,810                                 |
| Fondo Esperanza (Chile)                | 566  | 0.66          | 46,895                                 | 492                         | 0.8           | 35,885                                 | 462                         | 0.7           | 29,927                                 |
| Corp. para las Microfinanzas (P. Rico) | 2,147                                      | 13.66         | 1,795                                  | 1,728                       | 14.5          | 1,190                                  | 1,802                       | 24            | 700                                    |
| Contigo Microfinanzas (Argentina)      | 1,412                                      | 2.76          | 192                                    | 1,340                       | 14.8          | 184                                    | 878                         | 18.7          | 900                                    |
| Microserfín (Panama)                   | 1,278                                      | 4.28          | 22,167                                 | 1,043                       | 4.8           | 16,656                                 | 800                         | 4             | 12,223                                 |
| ADOPEM (Rep. Dominicana)               | 584  | 3.48          | 104,809                                | 486                         | 3.2           | 80,557                                 | 406                         | 2.4           | 61,425                                 |

(1) This average is calculated by dividing the average amount placed in the months of the current year, divided by the number of accumulated operations over the same period. Loan portfolio volume: profitable portfolio + expired portfolio + accrued interests.

In addition, the BBVA Microfinance Foundation has been recognized this year by the UN Sustainable Development Goals Fund (SDG-F) as one of the 13 private institutions worldwide that are members of its Private Sector Advisory Panel.

It has also signed a partnership agreement with the United Nations Entity for Gender Equality and the Empowerment of Women with the aim of promoting the huge entrepreneurship potential of women and their ability to have an impact on reducing poverty and become a driving force for prosperity. It also participates in the Microfinance for Ecosystem-based Adaptation to Climate Change project of the United Nations Environment Program, to ensure rural low-income customers can adapt their crops to climate change.

BBVA Microfinance Foundation. Customer data from the gender perspective by microfinance institution

|  | 2015                       |   | 2014                       |  | 2013                       |  |
|--|----------------------------|---|----------------------------|--|----------------------------|--|
|  | Number of female customers | Female customers / total customers (%) <sup>(1)</sup> | Number of female customers | Female customers / total customers (%) | Number of female customers | Female customers / total customers (%) |
| Bancamía (Colombia)                    | 443,239                    | 56  | 397,499                    | 57                                     | 347,956                    | 58                                     |
| Financiera Confianza (Peru)            | 213,740                    | 49  | 198,620                    | 49                                     | 250,685                    | 49                                     |
| Emprende Microfinanzas (Chile)         | 6,386                      | 60  | 8,548                      | 63                                     | 9,675                      | 63                                     |
| Fondo Esperanza (Chile)                | 85,549                     | 84  | 78,210                     | 84                                     | 68,397                     | 85                                     |
| Corp. para las Microfinanzas (P. Rico) | 498                        | 45  | 436                        | 49                                     | 277                        | 46                                     |
| Contigo Microfinanzas (Argentina)      | 115                        | 68  | 148                        | 66                                     | 834                        | 59                                     |
| Microserfín (Panama)                   | 6,754                      | 43  | 6,152                      | 43                                     | 6,032                      | 47                                     |
| ADOPEM (Rep. Dominicana)               | 244,577                    | 68  | 218,959                    | 69                                     | 193,185                    | 71                                     |
| <b>TOTAL</b>                           | <b>1,000,858</b>           | <b>58</b>   | <b>908,572</b>             | <b>59</b>                              | <b>877,041</b>             | <b>59</b>                              |

(1) The percentage of women includes both deposit and loan customers (in net terms).

For 2016, the aim is to increase the scale and scope of its work with an extended value proposition that allows entrepreneurs to develop and progress through technology-based solutions, while improving the efficiency, processes and use of synergy in the Group.

## Financial inclusion initiatives and products

A significant part of the efforts for FI have been concentrated in Mexico, because BBVA Bancomer has 6.9 million customers in the country's low-income segment, which accounts for 74% of these customers in Latin America.

This year, BBVA Bancomer has launched mPos Flap, a user-friendly POS to be used in combination with a mobile device, which is designed for small low-revenue retail outlets. It was launched in Mexico in October and over 100,000 terminals are expected to be in operation by the end of 2016. Also in Mexico, Cuenta Express is an easy to open and 100% non-branch account, either via banking correspondents or electronic means (ATMs, mobile banking, third-party electronic platforms and the Internet). It makes it easier for customers to access more points of contact, which allows them to operate and control their spending and saving. At the end of 2015 there were more than 3.5 million active accounts.

BBVA Bancomer is developing other projects as well: Juntos Finanzas (Finance Together) is a financial training and two-way communication tool that builds customized conversations via text message, with practical advice on the use of accounts and topics of interest, which has contacted 72,134 customers, of which 96% accepted the program; Adelanto Express (Express Advance) provides additional support through payroll microloans via text message and ATM, with 34,000 loans approved and 400,000 pre-approved in the second half of 2015; Seguro Express (Express Insurance) provides insurance against basic low-cost risks and with adequate cover, with 3 million potential customers; and cash-recycling ATMs, which benefit both Bancomer (with 75% less for activities of valuables transport companies, 95% of cash out being recycled and 64% of savings compared to traditional remote ATMs) and corporate customers (by eliminating the cost of cash transport, anti-theft insurance and online deposits).

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## Spain, Portugal, Mexico and South America. Customers in the Financial inclusion segment

|                     | 2015       | 2014      | 2013       |
|---------------------|------------|-----------|------------|
| Number of customers | 10,325,749 | 9,536,477 | 10,309,705 |

In Peru, BBVA Continental has worked during the year with the Association of Banks of Peru (ASBANC) on the development of a low-cost account that can be used on a professional mobile payment platform. Its pilot will be launched in the first half of 2016.

In Colombia, new services will be developed next year for this channel, such as the dispersion of mass payments. As in Mexico, cash-recycling ATMs are also being installed to expand banking coverage, and microloans are being developed for the segment.

Mobile banking is another channel that BBVA is developing in Mexico, Colombia and Peru to reach out to people who do not have access to basic financial services and as an additional model for people who already use banking services. This banking model allows people to check activity, make payments and transfers and set up transaction alerts via text message with any telephone provider. There are already more than 300,000 active services in Mexico.

### Banking correspondents

Banking correspondents are retailers and institutions with which BBVA enters into a business relationship (retail chains, pharmacies or supermarkets) to act on the Bank's behalf and where customers can carry out simple bank transactions, as well as being places to deposit and withdraw money for its mobile banking model.

In Mexico, we have the largest network in the country with over 25,000 correspondents. Through them, nearly 40million transactions were completed in 2015.

In Colombia, the banking correspondent network continued to record sustained growth in 2015, reaching 7,136 points of contact and 978,244 transactions during the year.

In Peru, BBVA Banco Continental has set up "Agentes Bancarios" (Bank Agents) as banking correspondents, with a total of 8,993 points of contact that completed 32,689,000 transactions in 2015. There is a plan to expand this transactional network in 2016.

In Argentina, the BBVA Francés banking correspondent network totals 4,000 points of contact where customers can make payments with their credit cards, with more than 990,000 transactions completed this year.

### South America and Mexico. Banking correspondents by country

|              | 2015             |                        | 2014             |                       | 2013             |
|--------------|------------------|------------------------|------------------|-----------------------|------------------|
|              | Number of points | Number of transactions | Number of points | Number of transaction | Number of points |
| Mexico       | 26,312           | 39,524,625             | 24,504           | 45,557,000            | 24,013           |
| Argentina    | 4,000            | 992,899                | 4,000            | 1,194,384             | n.d.             |
| Colombia     | 7,136            | 978,244                | 11,160           | 1,629,457             | 1,218            |
| Peru         | 8,993            | 32,689,000             | 5,399            | 23,225,000            | 2,491            |
| <b>TOTAL</b> | <b>46,441</b>    | <b>74,184,768</b>      | <b>45,063</b>    | <b>71,605,841</b>     | <b>27,722</b>    |

## Remittances

Remittances are an effective way of boosting access to banking services and credit for the recipient families in Mexico. Over 10.3 million transactions are made each year through Bancomer Transfer Services (BTS). Money can be withdrawn at a variety of establishments, such as Elektra, Coppel stores, pharmacies, supermarkets, etc. The platform generates unique passwords to be sent by text message to the cell phone of the recipient residing in Mexico, and they can be used at BBVA Bancomer ATMs with no need to go to a branch.

## Support for SMEs

### Yo Soy Empleo (I am Employment)

Yo Soy Empleo, which has provided comprehensive support to SMEs and self-employed workers in their key social role of job creation, offered three types of aid:

- €1,500 for each new hiring with a duration of at least one year.
- Training at the best business schools in Spain through specific classroom courses aimed at promoting the growth of participating SMEs.
- A job placement service for interested companies, offered in partnership with the Infojobs portal, which included the entire process for recruiting and selecting the best candidates for each SME.

The [final figures of Yo soy Empleo](#) are:

- 10,000 direct assistance payments for hiring, of which the first 2,000 were for €3,000 for permanent employment contracts. 1,250 of these aid packages have been allocated to self-employment, with the support of the Spanish Federation of Self-employed Workers (ATA). 154, in partnership with the ONCE Foundation, have been allocated to companies that hired workers with some disability.
- Nearly 1,000 recruitment processes and over 17,000 employment vacancies published on the “yosoyempleo.es” portal.
- More than 70,000 hours of training in classroom seminars for more than 3,000 people (SMEs and self-employed workers).
- More than 8,000 companies have benefited in some way from the initiative.
- 55% of the hiring has been through permanent contracts.
- 40% of the workers hired were under the age of 30.

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Yo Soy Empleo, launched by BBVA in February 2013, achieved in September 2015 its target of supporting the creation of 10,000 jobs in Spain



## Yo Soy PyME (I am SME)

The Yo Soy PyME blog is a collective space created in 2010 to meet the business advice needs of small and medium-sized companies, offering valuable information for growing their business. This digital community seeks to bring entrepreneurs and SMEs together.

At the end of November 2015, the segmented platform had an audience of 52% men and 48% women, with followers across Latin America and the United States and contents focused on an audience aged 18 to 44. In 2015, the portal had around 250,000 visits. In addition, 5,500 companies interested in buying BBVA Bancomer products and services for growing their businesses registered in Yo Soy PyME.

In 2016, there are plans to redesign the Yo Soy PyME blog into a portal that works as a business network. The goal is for companies to interconnect and interact to share information, products and services, thus fostering the creation of an entrepreneurship ecosystem.

## ICO Lines

In Spain, 24,464 operations with ICO financing were completed for a total of €534m.

In addition to ICO lines, BBVA Spain's SMEs unit launched a campaign in the third quarter of 2014 to boost investment for SME customers, called Plan Impulso Pymes (Plan to Promote SMEs). This is an offering with no arrangement fees for loan and leasing products. The Plan continued in 2015 with very good results in finance.

## Activity with multilateral financial institutions

The European Investment Bank, the World Bank Group, the IDB, Corporación Andina de Fomento and other local agencies, such as Instituto de Crédito Oficial or Proparco, are some of these institutions with which BBVA maintains a long-standing relationship.

This activity covers many products and geographical areas, including international trade finance, project co-financing, financial intermediation transactions, debt issuance on local capital markets, and transactional and treasury operations.

In 2015, this strategic relationship has been strengthened through the organization of several high-level institutional meetings. In particular, worth mentioning are the meetings held during the Annual Assembly of the International Monetary Fund and the World Bank in October in Peru and its representation on panels at the Annual Seminar of Public Investors and Issuers organized by BBVA in March of the same year.

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Yo Soy PyME, a digital community to bring entrepreneurs and SMEs together

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BBVA maintains an extensive institutional and business relationship with multilateral institutions worldwide

The main areas of shared activity between BBVA Group and the multilateral institutions are summarized below:

- Financial intermediation with transactions both in Europe and Latin America, which channel finance to priority sectors (green energy, urban development, SMEs and the export sector) for transactions that meet the set eligibility criteria. Worth mentioning is the intermediation for €2.6 billion with lines granted by the European Investment Bank and Instituto de Crédito Oficial in Spain.
- Co-financing of private sector projects that contribute to development. In this regard, several multilateral institutions have been sounded out about their interest in participating in projects related to urban transportation, roads and hospitals in Latin America, co-financing the projects with BBVA.
- Funding of foreign trade activities, with programs developed in the countries they cover. These programs offer partial or full guarantees to confirming banks to cover political and commercial risks in transactions with local banks, with the aim of promoting inter-regional "South-South" trade among SMEs in Latin America. In 2015, BBVA Group joined the IDB's new Trade Finance Facilitation Program (TFFP), which offers guarantees for programs of this type and includes other benefits for carrying out foreign trade transactions in Latin America.
- Development of local capital markets and the green bond market: BBVA contributes to local capital market development by structuring the debt issuances of multilateral institutions and providing new sources of liquidity. In 2015, BBVA has participated actively in the green bonds market, offering its structuring and distribution capacities, and led the structuring and distribution of Kutxabank's social bond. This is the first social covered bond issued by a Spanish financial institution, which demonstrates BBVA's commitment to the development of this market.
- Internationalization of SMEs: BBVA participates in the IDB's Connect Americas platform, the first business network for the internationalization of SMEs based on three basic pillars: education, connectivity and financing. All BBVA banks in Latin America are represented in the financing module.

### Support for entrepreneurship

Several initiatives were launched in 2015 aimed at promoting entrepreneurship.

Worth mentioning in Argentina is the Banco Francés Agricultural Entrepreneur Award, aimed at entrepreneurs, producers and professionals who have improved their profitability thanks to innovation.

BBVA Group companies in Chile continued to support innovation and entrepreneurship through Meetlatam BBVA-EI Mercurio, an event that brought together personalities to promote the entrepreneurial mindset and turn ideas with a high impact potential into real businesses.



BBVA also promotes entrepreneurship across its global footprint

In addition, in 2015 BBVA has maintained its commitment to the entrepreneurs of Mexico, participating actively in the program organized by the Mexican Institute for Entrepreneurs (INADEM). At the end of November, a total of 215 projects had been funded, for an amount of over MXN 57 million. Also in Mexico, BBVA Bancomer participates in the Crédito Joven (Credit for Young People) program, granting funding for projects by young people aged 18 to 30, with preferential conditions in terms of interest rates and repayment periods. At the end of November 2015, over MXN 15m had been allocated to this program.

In Turkey, one of Garanti's priorities is to support women entrepreneurs as a way of contributing to the country's economic growth. In addition to the initiatives related to [training](#), Garanti organizes the Turkey's Woman Entrepreneur Competition in cooperation with *Ekonomist* magazine and *KAGIDER* and offers the ŞirketKur program, which supports entrepreneurs when they set up their businesses. Various events are also organized for entrepreneurs, such as the Garanti Anatolian Meetings, Women Entrepreneurs Meetings and the KOBİLGİ SME Informative Meetings, aimed at fostering the development of SMEs. Garanti also offers the Garanti Partners service in partnership with Boğaziçi University Business Angels (BUBA), which is open to anyone who passes the evaluation process, whether they are bank customers or not. Its main goal is to act as an accelerator for projects using the experience and knowledge provided by Garanti and Boğaziçi University. To this end, it provides support by helping to define strategies for projects and draft business plans. A total of 530 entrepreneurs have applied, 180 have been interviewed and 11 have finally joined the program since 2014.

In 2015, BBVA joined the Global Entrepreneurship Week (GEW), a week devoted solely and exclusively to entrepreneurs worldwide. During those days, the focus was training and mentoring of entrepreneurs at the Innovation Centers, getting the participants in touch with potential partners. The GEW ended at BBVA with a Startup League, where 16 entrepreneurs defended their projects before a panel in a battle of pitches.

## Support for individuals with special needs

### Housing

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](#). The main aim is for customers to be able to keep their home and it is focused on three areas:

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

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BBVA supports individuals and families with special needs across its global footprint

BBVA abides by the Code of Good Practice, proactively gives information on the benefits of the Act 1/2013 and has contributed nearly 900 houses to the Social Housing Scheme (FSV), with an average rental price of €93. In 2015, the number of FSV homes was increased by 461 to a total of 1,361.

At BBVA we look at every refinancing option available in accordance with the customers' ability to pay, with the main aim for them to be able to keep their homes. We have done this for 67,050 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 the customer or their family faces the risk of exclusion without legal protection, providing individual solutions in accordance with each family's specific circumstances. These solutions include refinancing, debt remission, dation in payment, rented social housing in the debtor's own home or the Bank's available houses.

In 2013, BBVA also implemented the BBVA Adecco Foundation Plan, which aims to help those customers who, after January 1, 2013, lose their first and only home as a result of mortgage foreclosure processes initiated by the Bank. This plan is based on two elements:

1. A labor-market integration support plan for 24, 12 or 9 months.
2. Financial assistance of €400, €300 or €200, depending on the degree of vulnerability for 24, 12 or 9 months.

These two types of aid are complementary and eligible applicants can benefit from both or only from labor-market integration.

The Plan ended in July 2015, with a total of 1,484 beneficiaries.

| Type of plan                  | Beneficiaries | Percentage of beneficiaries who have found a job |
|-------------------------------|---------------|--|
| 200/400 <sup>(1)</sup>        | 189           | 67%  |
| 300 <sup>(2)</sup>            | 114           | 45%  |
| Labor-market integration only | 1,181         | 57%  |
| <b>TOTAL</b>                  | <b>1,484</b>  | <b>55%</b>                                       |

(1) Phase 1 of the plan completed in June 2014.

(2) Phase 2 of the plan completed in July 2015.

BBVA is also aware of the situation of families who are not customers of BBVA. That is why it is implementing other measures that demonstrate our social responsibility. In 2014, the Group signed a first agreement with Càritas Barcelona, with the initial assignment of 50 homes over a five-year period.

To consolidate this policy, a specific department exclusively devoted to these matters has been set up in 2015.

In housing, BBVA is sensitive to the situation of families, whether they are Bank customers or not. The Bank looks at every option available with the final aim of helping customers keep their homes. It has also developed initiatives for non-customers in this area

Outside Spain, in Uruguay customers are offered mortgage loans with a guarantee fund, in accordance with Act 18,795, which promotes private investment in affordable housing based on the granting of tax exemptions. This Act is part of a wider program aimed at making it easier for low and medium-low income sectors to buy or rent homes. The program also includes a number of benefits for private investors (tax exemptions) and the creation of a new Guarantee Fund for Real-Estate Developments (FOGADI). Six banks, including BBVA, offer the service, which finances up to 90% of the value of the home, with rates in indexed units (UI) at effective annual rate of 7.25% for up to 25 years, as long as the eligibility requirements are met.

#### Other support initiatives

In Turkey, Garanti offers its customers "gold" accounts. In a typically inflationary economy, where it is estimated that the gold in the hands of customers amounts to around US\$ 150 to 200 billion, Garanti offers the possibility of acting as custodian of that gold, registering it in the banking system and thus in the economy. Customers can make transactions based on the gold they own in current currency, either in Turkish liras or US\$, and access those funds through branch offices or ATMs. Interest-earning savings accounts can also be created.

In Mexico, the comprehensive Mejora Mutualista recovery model continues in effect. It is applied in housing developments where mortgage loans are now highly impaired. Their recovery requires them to be intervened by applying a comprehensive recovery scheme with three parallel elements:

1. Financial recovery: Through products that offer a solution to the original mortgage loans.
2. Social recovery: Through neighborhood organizations; neighborhood developers that work directly with the community; and, additionally, through the participation of local authorities such as town councils, water utilities, universities, etc., thus rebuilding the social fabric.
3. Physical recovery: Through investment in physical improvements requested by owners' associations and conditional on full payment (mortgage, water, property tax and maintenance fee).

In 2015, and after 14 months of application of the Mejora Mutualista model, these are the achievements so far:

1. Financial recovery: Restructuring of 115 active loans.
2. Social recovery:
  - Setting up of 85 neighborhood committees registered with the town council.
  - Development of 570 financial literacy workshops for adults.
  - Implementation of 388 Valores de Futuro (Future Values) workshops for children.

### 3. Physical recovery

- Investment in physical improvements involving the restoration of 7 public parks and lighting for 32 private gardens, with 2,064 homes by BBVA Bancomer.
- Restoration of public services such as lighting, paving, reforestation, etc. by the Tijuana town council.

In addition to these achievements, partnerships have been formed with governmental organizations and institutions, such as the Tijuana town council, Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Institute of the Mexican Housing Fund for Workers - Infonavit), the Citizen Coexistence Program of the United States Agency for International Development (USAID), CETYS University, the Secretariat for Municipal Social Development and many other associations.

In 2015, in the United States, BBVA Compass continued to make major efforts to comply with the Community Reinvestment Act (CRA). This is federal legislation designed to guarantee that financial institutions meet the credit needs of the communities to which they provide a service. BBVA Compass has undertaken to offer US\$ 11 billion in loans, investments and services to help individuals and communities on low or moderate incomes. The figures at the close of 2015 are:

- US\$ 2.1 billion in mortgages for low and middle-income customers in low and middle-income neighborhoods.
- Program to support home buyers launched in 2015.
- New product portfolio, with a flexible loan-to-value ratio.
- US\$ 1.8 billion in community development loans.
- US\$ 6.2 billion in loans for small businesses.
- US\$ 900 million in local development investments.

In 2015, BBVA Compass continued with its efforts to achieve better compliance with the CRA in terms of workforce, strategy and governance. Specific training for the different BBVA Compass departments, collecting information on the needs of local communities and the creation of a specific reporting portal are some of the initiatives implemented during the year.

### Responsible investment

BBVA assumed its Socially Responsible Investment (SRI) commitment 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. Two years later, it became a founding member of the Spanish Responsible Investment Forum (Spainsif), in the financial institutions and asset managers sections.

The goal back then was to start building its own SRI model from the ground. From the start, implementation reached across the whole employment funds business and has gradually extended through the BBVA Asset Management area (BBVA AM).

In 2015, we have continued to work in order to expand and enhance the SRI solutions offered to our customers through a variety of channels:

- Organization of streaming SRI events available on our [website](#).
- Publication of regular newsletters on SRI matters, which are also available on the [BBVA AM website](#).
- Customized meetings for our customers.

The strategies implemented by BBVA AM's SRI model are as follows:

### 1. Integration of ESG criteria into the investment process

ESG (environmental, social and corporate governance) criteria were included by developing an internal model that incorporates extra-financial criteria into a model portfolio constructed according to fundamental analysis. The model was initially implemented for equity and later for fixed income.

An internal ESG rating has also been developed that directly affects the specific management decision-making process, which is communicated periodically to customers in the management reports of the affected portfolios.

The analysis and inclusion of these criteria in the management models enhances the information that our managers compile about the pool of investable companies and countries, enabling them to evaluate more accurately any possible risks in portfolios.

Lastly, with the aim of having more reliable and specialized information available, the Bank makes use of the services of an independent external agent that regularly provides us with information on each company and country in our investable pool.

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

The [Rules of Conduct in Defense](#) apply to all BBVA Group units and subsidiaries, including the asset managers of Employment Pension Funds.

For their application, BBVA uses exclusion lists of companies and countries, which are drafted and updated on a regular basis with the help of an independent expert adviser. The list considers companies and countries related to defense materiel, military, police and security armaments, ammunition, explosives, etc., which are automatically excluded from the list of companies in which BBVA can invest. This exclusion also applies to all the financial vehicles managed by BBVA AM.

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

As the model expands, third-party investment funds held in the portfolio, and their respective asset managers, gradually undergo a thorough due diligence process. This analysis includes questions about their SRI actions and their status as signatories of the United Nations PRI.

BBVA AM's SRI model uses for the 100% of its investment the exclusion through the Rules of Conduct in Defense, including the integration of ESG criteria into the investment process and into the analysis of third-party funds, and engagement and the exercise of voting rights

Since the weight of these vehicles has increased in the employment pension plan portfolios, a further step in this process was taken in 2015 to ensure the consistency between BBVA's SRI policy and the one implemented by the aforementioned funds.

Thus, after verifying compliance by the asset managers with the United Nations PRI, the study has focused on the exclusions they apply, as well as on the voting policies implemented. Both matters are now mandatory elements for being eligible to take part in the employment pension fund portfolios managed.

#### 4. Engagement and exercise of voting rights

BBVA AM's responsibility as an asset manager 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 such exercise possible.

This is not limited to employment pension funds that have delegated this responsibility to the asset manager. It applies to the same extent to all individual pension funds, investment funds and SICAVs managed by BBVA AM. The services of an independent external adviser are used for this purpose, whose opinion complements that of BBVA AM's own analysts.

In 2015, a total of 203 AGMs were attended, 39 of Spanish companies and 164 of European companies with holdings in the portfolios of the various investment vehicles managed by BBVA AM, and the vote was against some item on the agenda at 40% of the meetings.

#### BBVA Asset Management: Assets under SRI management by investment vehicle

|                                      | Investment funds     | Pension plans and individual EPSVs | Pension plans and employee EPSVs |
|--------------------------------------|----------------------|------------------------------------|----------------------------------|
| Total assets managed (million euros) | 36,643               | 13,103                             | 7,820                            |
| <b>SRI Strategy</b>                  |                      |                                    |                                  |
| Integration                          | 0.12% <sup>(1)</sup> | 5.44% <sup>(2)</sup>               | 36.42% <sup>(3)</sup>            |
| Exclusion                            | 100%                 | 100%                               | 100%                             |
| Vote                                 | 100%                 | 100%                               | 100%                             |

Nota: EPSVs refer to Voluntary Social Welfare Entities.

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

(2) The integration strategy is applied in those portfolios directly managed by BBVA AM. The 72% of those assets are managed under the integration strategy.

(3) The integration strategy is applied in those portfolios directly managed by BBVA AM. The 78% of those assets are managed under the integration strategy.



## 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, charged against its revenue.
- BBVA Bolsa Desarrollo Sostenible is an equity SRI fund that invests in the shares of companies considered to be a sustainable investment. The fund also makes an annual donation of €15,000 to the Foundation for Applied Medical Research (FIMA) for funding 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 a fund of this type, and instead makes a direct contribution to this scholarship program.
- BBVA Leer es estar Adelante (Read to Get Ahead) was the first mutual fund in Peru to support a social cause. It is a fixed-income fund through which the investor donates one tenth of the unit value (fund price) to the BBVA Continental Foundation program "Leer es estar adelante". BBVA AM Continental undertakes to match the investor's contribution of one tenth of the share value in dollars.

Lastly, Garanti Asset Management signed the United Nations PRI in 2011 and has worked since then within the framework of this initiative, in line with BBVA Group's commitment.

## BBVA Asset Management: Quantity donated, volume and members of solidarity funds

|                                     | Quantity<br>donated (euros) | Volume<br>(million<br>euros) | Members and<br>beneficiaries |
|-------------------------------------|-----------------------------|------------------------------|------------------------------|
| BBVA Solidaridad                    | 42,216                      | 16                           | 487                          |
| BBVA Bolsa<br>Desarrollo Sostenible | 15,000                      | 47                           | 5,115                        |
| B+EDUCA                             | 4,663,418                   | 883                          | 39,923                       |
| BBVA Leer es estar<br>adelante      | 2,933                       | 18.4                         | 175                          |
| <b>TOTAL</b>                        | <b>4,723,567</b>            | <b>964</b>                   | <b>45,700</b>                |

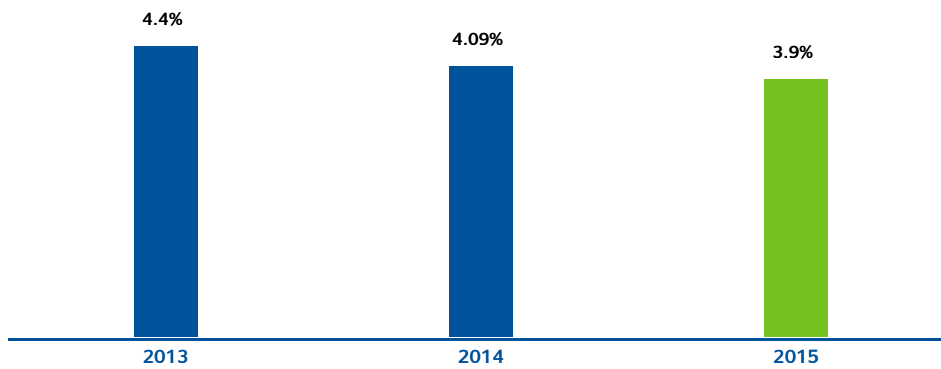
## Social programs and education

### Investment in social programs

During 2015, €103.6m have been allocated to social programs. This figure accounts for 3.9% of the net attributable profit.

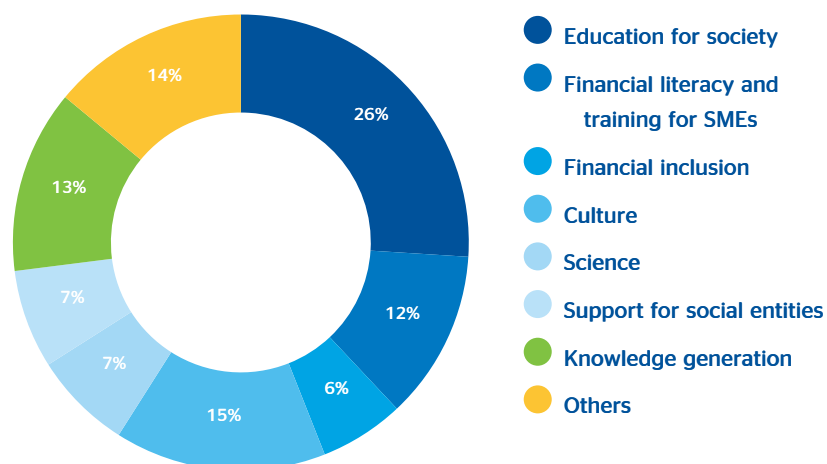
103.6 million euros allocated to social initiatives, which accounts for 3.9% of net attributable profit

### Investment in social programs in relation to the net attributable profit



With this investment, we have continued with our commitment to support education (38% of the total investment).

### Investment in social programs by strategic priority



## BBVA Group and its Foundations. Investment in social programs by strategic priority

(Thousand euros)

|                                 |                | %           |
|---------------------------------|----------------|-------------|
| Financial and business literacy | 12,449         | 12%         |
| High social impact products     | 6,519          | 6%          |
| Education for society           | 27,192         | 26%         |
| Other strategic lines           | 57,446         | 55%         |
| <b>TOTAL</b>                    | <b>103,606</b> | <b>100%</b> |

## BBVA Group. Investment in social programs by geographical area and Foundation

(Thousand euros)

| Social investment by geographical area and Foundation | 2015           |             | 2014           |             | 2013          |             |
|---|----------------|-------------|----------------|-------------|---------------|-------------|
|   |                | %           |                | %           |               | %           |
| Spain and corporate areas                             | 22,230         | 21%         | 39,993         | 37%         | 38,694        | 40%         |
| South America <sup>(1)</sup>                          | 7,586          | 7%          | 11,300         | 11%         | 11,294        | 12%         |
| Mexico  | 28,068         | 27%         | 23,441         | 22%         | 21,217        | 22%         |
| United States   | 7,609          | 7%          | 4,867          | 5%          | 4,143         | 4%          |
| Turkey <sup>(2)</sup>                                 | 8,518          | 8%          | n/a            | n/a         | n/a           | n/a         |
| BBVA Foundation                                       | 24,288         | 23%         | 22,430         | 21%         | 16,792        | 17%         |
| BBVA Microfinance Foundation                          | 5,307          | 5%          | 5,119          | 5%          | 4,989         | 5%          |
| <b>TOTAL</b>  | <b>103,606</b> | <b>100%</b> | <b>107,150</b> | <b>100%</b> | <b>97,129</b> | <b>100%</b> |

(1) In 2015, the investment of Venezuela accounts for 240,589 euros when using the average exchange rate. If we use the exchange rate from 2014, this amount would increase to €7,643,064. That is why the investment decreased.

(2) The investment of Garanti (Turkey) is included for the first time in 2015.

n/a = not applicable.

## Education

At BBVA, the focus of social programs is education to promote social integration and training in values for children and young people. In 2015, a total of 290,116 people benefited directly from our social and educational programs.

### Main indicators of the social and educational programs

|                                 | 2015           | 2014           | 2013           |
|---------------------------------|----------------|----------------|----------------|
| Preschool and primary education | 83,720         | 71,599         | 102,919        |
| Secondary education             | 53,451         | 200            | 225            |
| Training for adults             | 152,945        | 244,893        | 15,276         |
| <b>TOTAL</b>                    | <b>290,116</b> | <b>316,629</b> | <b>118,420</b> |

The following programs are aimed at primary and secondary students:

The "Niños Adelante" (Forward, children) integration scholarships program was set up in 2007 to promote access to quality education for underprivileged children and young people in South America and Mexico. In 2015, 12,799,086 euros was allocated to the program, which benefited 64,807 children. The program is adapted to the reality of each country, and thus benefits a variety of groups. In Mexico, it helps children of parents who emigrate to the United States in search of a better future, through the "Por los que se quedan" (For those left behind) program; in Colombia, children in deprived areas; and in Peru, children with poor reading skills, through the "Leer es estar adelante" (Reading Means Keeping Ahead) program.

In 2015, initiatives continued to increase third-party commitment to the program, with the participation of volunteer employees acting as sponsors, and donations from customers through ATMs, online banking and financial instruments.

#### [Appendix ED1 - "Niños Adelante"](#)

In addition, the Olimpiada del Conocimiento Infantil (Children's Knowledge Olympics), which has been supported since 2002 in Mexico, is a national competition organized by the Department of Public Education. Each year, prizes are awarded to the top students in the sixth year of elementary school. Federal and state teaching staff and authorities take part in the student selection process across the country. It is divided into 3 stages: by area; by region, sector, supervisory area authority or equivalent; and by each institution. Every year, 1,000 children receive scholarships allowing them to continue their studies.

In 2012, Garanti began a partnership with UNICEF to support the implementation of the "Standards for Elementary Educational Institutions" in preschool and elementary schools. A process is currently in place to improve the ability for self-assessment and development planning in 4 schools in Ankara and Istanbul.

With Scholastic Inc. in the United States, reading among underprivileged children has been encouraged through the "Reading counts" initiative. 85 volunteers from BBVA Compass have taken part in reading sessions in schools, with more than 5,500 books donated in 2015. Through the alliance with NBA Cares, which includes financial literacy training, the aim is to improve the lives of people with limited resources through initiatives such as "12 Days of Brightness". For 12 days, goodwill actions were organized in 12 markets with the public treated to surprises and support provided for social institutions and disadvantaged people. This has been done with 50 volunteers from BBVA Compass, who together with Carlos Torres, CEO of BBVA, local dignitaries and NBA legends such as James Harden, gave out toys to children in schools located in low-income areas.

The following programs are of note in education for young people: Ruta BBVA, a training program sponsored and organized by BBVA since 1993, whose bases are social entrepreneurship and education in values associated with effort, equal opportunities, mutual respect and overcoming of inequality. In 2015, it traveled to Spain and Colombia, where the expedition members could discover the world of emeralds and study the work of the winner of the Nobel Prize for Literature, Gabriel García Márquez. As well as cultural exchange activities, the 176 participants from 21 countries have received training on entrepreneurial skills through Ruta BBVA's Social Entrepreneurship Program. In 2015, the young people collaborated in the resolution of social problems in their own communities that have to do with four sectors: Health, Environmental Sustainability, Collaborative Economy and Education.

Garanti's Community Volunteers Foundation (TOG) is another program that focuses on training for young people. Operating in Turkey since 2002, it encourages volunteer work among young people so they can channel their energy to the good of society. Some of the projects that receive the support of Garanti in this area are: Voluntary Education Support, which contributes to the personal development of students in disadvantaged areas; Seasonal Summer Projects, which support education and social activities in summer at national and international level; and 5 Key Training Activities, which aims to make young people aware of basic concepts such as civil society and volunteer work.

Lastly, in Mexico, the partnership with the State Government of Chiapas and the Ver Bien para Aprender Mejor Foundation in 2015 has provided 116 high-school students in 75 schools from 6 municipalities with customized glasses for those identified by optometrists as having problems with their eyesight.

To improve the quality of education, BBVA provides teachers with resources through a variety of initiatives. We have worked with the Organization of Ibero-American States (OIS) for science and culture since 2008 to improve the quality of education provided in early childhood in Latin America and guarantee that teachers have sufficient training. This is currently done through target 7 of 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).

This year we have also renewed our pledge and over 2015 and 2016 we will support the creation and development of the OIS Ibero-American Institute for Early Childhood, the implementation of a pilot phase of "Becas Paulo Freire" (Paulo Freire Scholarships) aimed at promoting the mobility of university undergraduates and postgraduates who are taking courses that lead to a teaching profession, as well as a pilot program in Uruguay that boosts Financial Literacy in the country, benefiting 1,200 students.

FAD, UNESCO and BBVA have been running their "Acción Magistral" (Teacher Action) project since 2012 to provide support for the daily work done by preschool, elementary and high-school teachers who carry out or want to carry out classroom educational projects supporting social values in Spain. The project offers online and in-person teacher training, resources for classroom teaching and forums for debate, as well as other support. In 2015, 4,327 teachers participated through the platform and over 355 teachers attended the 4 face-to-face meetings that have taken place to promote innovation in education. Since its launch in 2012, 667 teachers have been trained through the more than 40 courses offered.

BBVA also works in partnership with Teach for America in the United States, an organization that works to eliminate educational imbalances for students with limited incomes. The organization recruits, trains and supports people with talent who agree to give classes in schools with limited resources for 2 years. In 2015, 1,560 people benefited from this program.

Lastly, in Turkey, Garanti has "The Teachers Academy Foundation" (ÖRAV), created 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 that focuses on this area, supported more than 90,000 teachers in 81 cities. The program has a platform for the continuous training and exchange of information accessed by over 80,000 users. It helps develop face-to-face training programs.

#### [Appendix ED2 - Education](#)

## Knowledge, science and culture

In 2015, the BBVA Foundation strengthened its commitment to boost scientific knowledge and culture and disseminate it in society, while extending its support for the community of researchers and creators in Spain with grants for innovative projects with a social impact.

The annual BBVA Foundation Grants for Research and Creation have enabled 87 individual and team projects to be set up in 2015. Recipients were selected through three highly competitive public invitations for applications aimed at individual researchers, innovators and cultural creators in eleven different areas of science and culture; research teams in four scientific areas with a high social impact; and audiovisual artists for creation in video art.

As it is the case with all its activities, the BBVA Foundation has been supported by specific high-level committees of experts for each area included in the invitation for applications and has operated with complete independence.

The grants awarded have been selected from among a large number of applications: 1,949 applications for individual grants and 608 from teams made up of over 7,600 researchers in all.

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In 2015, the BBVA Foundation continued to support scientific knowledge and culture, as well as its dissemination in society

In the case of grants for individuals, the extensive and diverse range of areas of activity included (eleven fields of research and creation), the profile of recipients (at an intermediate stage in their studies and with highly creative activities) and the flexibility offered in the use of funds are distinctive features of the invitation for applications. In all, 63 grants for individuals were awarded in 2015.

With respect to research teams, the grants were awarded to 15 applied research projects in areas of preferential interest for the BBVA Foundation: biomedicine, with special emphasis on oncology, cardiology and neurodegenerative diseases; ecology and conservation biology, with projects involving collaboration with conservation organizations; and digital humanities.

Together with these grants, the dissemination of research and creation has continued to be one of the key cross-cutting elements of the BBVA Foundation's activity, with series of conferences, the production of audiovisual materials, and concerts and publications.

In 2015, the Foundation continued with the fourth series of conferences on astrophysics and cosmology *La ciencia del cosmos, la ciencia en el cosmos*, of great interest to the public and with researchers of global prestige taking part.

Elsewhere, CERN (European Organization for Nuclear Research) has continued to cooperate with the BBVA Foundation with a new series of conferences on the research program developed by the two of them. The new general manager of the CERN, Professor Fabiola Gianotti, took part in this series. The BBVA Foundation's president, Francisco González, visited the CERN facilities, where he held several meetings and renewed the agreement for the joint organization of another series in 2016. The conferences of both cycles are available in Spanish and English on the BBVA Foundation website.

On the occasion of the centennial of the General Theory of Relativity, the BBVA Foundation has organized a conference by the academic José Manuel Sánchez Ron and, along with the publishing house Crítica, has published the book *Albert Einstein, su vida, su obra, su mundo*, the most systematic monograph on Einstein yet published in Spanish.

The different families of awards that the BBVA Foundation organizes exclusively or in partnership 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 profile of the nominees and the recipients chosen by committees of top-level experts and researchers. Angus Deaton, a winner at the BBVA Foundation Frontiers of Knowledge Awards in 2011, received the Nobel Prize in Economics in 2015. This brings to five the number of winners of the BBVA Foundation Frontiers of Knowledge Awards who have gone on to receive the Nobel Prize, including the last three winners of the Nobel Prize in Economics.

The tenth edition of the BBVA Foundation Awards for Biodiversity Conservation (with three categories: actions in Spain and Latin America, Dissemination and Awareness) was held this year, with a ceremony that became a meeting point for Spanish conservationists. Those attending included the heads of the main public institutions, organizations and communicators in this sector.

The Spanish Royal Society of Physics collaborates on a number of prizes with the Foundation (including the Physics Medal, the Physics, Innovation and Technology Awards and the New Researchers Awards in the Theoretical Physics and Experimental Physics categories); and in 2015, the Vicent Caselles Mathematical Research Awards were awarded for the first time by the BBVA Foundation along with the Royal Spanish Mathematical Society to recognize six young mathematicians. A three-year scholarship has also been set up to fund the work of the young researcher who has been awarded the José Luis Rubio de Francia Prize.

## Culture

In culture, in 2015 the BBVA Foundation continued with the program of major annual exhibitions in partnership with leading museums such as the Prado Museum (*The Divine Morales*), the Guggenheim Bilbao (*Jeff Koons: a retrospective*) and Fundació Miró (*Miró and the Object*). In addition to these exhibitions, the BBVA Foundation is partnering the Thyssen Bornemisza Museum on the electronic front, with the launch of new digital publications and apps this year.

Of note in this area is also the joint production with the Spanish National Radio (RNE) of a new radio version of *Don Quixote*, with a script by the academic Francisco Rico and a cast of famous actors such as José María Pou, José Luis Gómez, Javier Cámara and Michelle Jenner. It was premiered last November 20 and will be broadcast over a period of 20 weeks every Friday as part of the program *El ojo crítico*. The partnership with RNE has also resulted in the program *Punto de fuga*.

The multidimensional support for contemporary music also involved a wide-ranging program this year, with commissions for works from groups and orchestras specializing in music of the 20th century and our time. Noteworthy is also the support for some of the major institutions in the country: the Teatro Real in Madrid, the Bilbao Association of Friends of the Opera (ABAO), the Teatro de la Real Maestranza in Seville and the Gran Teatre del Liceu in Barcelona.

There has also been an innovative series of theatrical concerts *El mundo de ayer*, designed and directed by the composer José Ramón Encinar and which were premiered at the Teatros del Canal.

In 2015, there were two milestones in the BBVA Foundation's collaboration with regional symphony orchestras: the creation of the BBVA Foundation-ORCAM Camerata Infantil children's orchestra which performed for the first time at the Symphony Hall of the National Music Auditorium; and the launch, together with the Spanish Association of Symphony Orchestras (AEOS), of the project *Mosaico de sonidos*, which aims to support the integration of people with disabilities through music.



In the area of social economics, as part of the recurring collaboration between the BBVA Foundation and the Valencia Institute of Economic Research (Ivie), a new monthly series of short informative documents called *Esenciales* was launched with the aim of disseminating the main results of the economic research program developed jointly. The topics being addressed include training, employment and social inclusion, human and technological capital, the financial situation of economies, determining factors in social welfare, changes in the productive model, etc. In addition, a number of reports have been presented as part of the joint effort to generate and spread objective knowledge on fundamental aspects of Spain's economic growth, the distribution of wealth and the development of social welfare. They include the study *Crisis económica, confianza y capital social* (Economic crisis, confidence and social capital).

Moreover, BBVA has continued its major support for culture in a number of countries across its global footprint.

In Chile, BBVA has assisted the production of a number of books: *Historia del Golf en Chile*, which promotes golf in the country and fosters the values inherent to the sport, such as fair play, teamwork and the spirit of achievement; *La mia cucina*, by the famed chef Massimo Funari, which seeks to spread knowledge of international cuisine in the country; and *Patrimonio del Museo Marítimo Nacional*, promoting the preservation and dissemination of the country's collective memory.

In the case of the [BBVA Bancomer Foundation](#) in Mexico, the "Fomento Cultural" (Cultural Promotion) program supported more than ten art exhibitions, musical festivals, theater workshops and film projects through various grants and initiatives.

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 of excellence in all art disciplines and 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. This is achieved through the constant support of specialist Mexican and foreign advisers, who participate in the implementation of a personalized training program for the artists and a schedule of meetings and group dynamics, aimed at expanding their knowledge and artistic practice. They are provided with exhibition platforms at prestigious museums that include a bilingual publication summarizing the process of the program.

The exhibition program aims to disseminate and capitalize on the symbolic value of the Group's artistic heritage and other quality projects, with a view to making them available to our stakeholders and to society in general. It also offers a wide-ranging program of educational activities.

In Turkey, Garanti has focused its efforts on bringing to life society's need to have cultural environments suitable for research and production and on creating a truly independent cultural institution that develops through interaction with its users. This vision led to the reconstruction of the Platform Garanti Current Art Center, Ottoman Bank Museum and Garanti Gallery, which operated as part of the bank and achieved great success, as a single independent institution called SALT in 2011. Since its creation, SALT has hosted 64 exhibitions and 1.7 million people have visited its buildings.

## BBVA Research

BBVA also makes available to shareholders, investors and the public in general a wide range of reports, analyses and studies on developments in the economy, the financial sector and the markets, both nationally and internationally, particularly across the Group's global footprint. Since this year, Turkey is also included among the areas of study. The BBVA Research Department prepares in-depth studies, macroeconomic forecasts, research work, economic analyses (macroeconomic, regional, on central banks, digital economy, geostrategy, migration, financial inclusion, country risk and various sectors, many of them closely related to finances, such as consumption), analyses on regulation and financial systems and, lastly, opinions. In 2015, BBVA Research has drafted more than 4,000 economic publications.

The above is done through a number of formats and documents: flashes, computer graphics, presentations, working papers, books, observatories and magazines, published with a varying frequency, from daily to quarterly and annual.

Specific articles are also prepared on different topics, such as the coming into effect of new regulations.

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 a de facto opinion leader.

All this information is available and constantly updated on the website [www.bbvarresearch.com](http://www.bbvarresearch.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.

## Fiscal transparency

### Fiscal strategy

In 2015, the BBVA Board of Directors approved the “[Corporate principles in BBVA’s tax and fiscal strategy](#)”.

The strategy is framed within BBVA’s corporate governance system and establishes the policies, principles and values that must guide the way BBVA behaves as a tax payer. It has a global scope and affects everyone working in BBVA Group. Compliance with this strategy is very important due to the relevance and impact of the contribution of a big multinational company as BBVA to the economies of all the jurisdictions in which it operates.

Effective compliance with the fiscal strategy will be properly monitored and supervised by BBVA’s governing bodies.

Accordingly, BBVA’s fiscal strategy is built on the following items:

- BBVA’s tax decisions are linked to payments of taxes, as it is an important part of its contribution to the economies of all the jurisdictions in which it operates, aligning its tax payments with effective business practices and the generation of value in all the countries in which it works.
- Adjustment to this new digital environment, also in tax matters, incorporating its virtual presence in the evaluations of value generation.
- The establishments of reciprocally cooperative relations with all the tax authorities based on the principles of transparency, mutual trust, good faith and fairness.
- The endeavour to achieve clear, transparent and responsible communication of its main tax items and issues.

## Total tax contribution

BBVA is committed to providing transparency about tax payments and this is why, since 2011, we voluntarily disclose all major tax payments in the countries in which we have a significant presence.

The [BBVA Group's total tax contribution](#) (Total Tax Contribution - TTC), which uses a method created by PricewaterhouseCooper (PwC), includes own and third-party payments of corporate taxes, VAT, local taxes and fees, PIT, Social Security payments, as well as those made during the year due to tax litigation in relation to the aforementioned taxes. It includes both the taxes borne by BBVA Group's companies (those taxes which are a cost to the companies and affect their results) and taxes they collect on behalf of third parties. The Total Tax Contribution Report gives to all our stakeholders an opportunity to understand our tax payments and represents a forward-thinking approach and commitment to corporate responsibility, assuming a leading role in tax transparency.

BBVA was the first Spanish company to disclose its total tax contribution. This information is becoming more common across the world for both reasons of corporate social responsibility of companies and of reporting transparency

## BBVA Group. Global tax contribution

(Million euros)

|                        | 2015  | 2014  | 2013  |
|------------------------|-------|-------|-------|
| Own taxes              | 2,816 | 3,185 | 4,031 |
| Third-party taxes      | 5,341 | 4,994 | 5,817 |
| Total tax contribution | 8,157 | 8,179 | 9,848 |

# 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 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.

Great importance of regulators and supervisors for BBVA Group, with whom it maintains constant dialog

In 2015 supervisory activity has been very strong and intrusive, with a daily attention and with the direct involvement of the Bank's senior management.

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.

# Suppliers

## Responsible Procurement

BBVA's relationship with its suppliers is governed by the [Group's new Code of Conduct](#) approved in 2015, by the [Responsible Procurement Policy](#) and by the Corporate standard for procurement of goods and contracting services.

The Responsible Procurement Policy is the basis for the progress made in the procurement process. Responsible criteria and clauses for complying with this policy have been introduced in both the supplier approval process and the tender documents and contracts.

During the year, the procurement and contract awarding procedures for goods and services have been reviewed in the Corporate standard for procurement of goods and contracting services", and environmental, social and governance aspects have been added to the technical and financial requirements. The Principles Applicable to Persons Participating in the BBVA Procurement Process (IPA), which contain the same principles set out in the Code of Conduct, also apply to this standard. These Principles apply to all units involved in the procurement process in every entity in BBVA Group, and are binding on all persons involved in the BBVA Group procurement process.

BBVA has stayed in touch in 2015 with various Special Employment Centers to find out about the areas in which we could collaborate, resulting in firm contracts amounting to significant awards. The total volume of BBVA S.A. purchases from these centers over the year amounted to over 1.2 million euros.

In addition, BBVA S.A. has demonstrated its commitment to the environment by using green energy in its buildings and branches in Spain. This energy is guaranteed to come from a clean source. LEED and ISO 14001 (sustainability) and 50001 (energy efficiency) energy certifications are further proof of this commitment.

## BBVA Group. Basic suppliers data

|  | 2015  | 2014  | 2013  |
|--|-------|-------|-------|
| Number of suppliers                              | 4,598 | 4,321 | 5,238 |
| Supplier turnover (million euros) <sup>(1)</sup> | 8,443 | 7,186 | 7,305 |
| Supplier satisfaction index <sup>(2)</sup>       | 81.6  | 81.6  | n/a   |
| Number of approved suppliers <sup>(3)</sup>      | 1,037 | 893   | 94    |

n/a= not applicable.

(1) Payments made to third parties. Does not include suppliers with amounts below €100,000.

(2) Biennial survey until 2015.

(3) Data corresponding to BBVA, S.A.

The new BBVA Code of Conduct continues to set out responsible criteria for the procurement process

## Supplier satisfaction survey

BBVA carries out a survey to measure the satisfaction of its suppliers. The Group's supplier satisfaction index was 81.6 points out of 100 in 2015, aligned with 2014 results.

## Supplier approval process

BBVA has an approval process in place for its recurrent suppliers with significant procurement volumes. This assessment includes ten aspects:

- Technical and human infrastructure.
- Economic-financial solvency.
- Compliance with payment commitments.
- Market consolidation.
- References.
- Supply capacity.
- Quality (processes and products/services).
- After-sales service and guarantees.
- Organization and technology.
- Sustainability (environmental, diversity, equality, occupational health and safety, etc.).

This approval process assesses the productive, technical, financial, legal and commercial capacity required by BBVA Group to ensure compliance with the commitments contracted and checks that suppliers share the same environmental, social and governance criteria as the Group.

The sustainability aspect tells us whether suppliers are complying with their legal responsibilities (employment, data protection, etc.) and whether they promote civic responsibility, 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 for freedom of association and collective bargaining for workers in all the countries in which they operate.
- Existence of a code of conduct or policy to avoid forced labor, child labor, and other human rights breaches, 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 of people with disabilities.
- Existence of a corporate social responsibility policy in the company.



[Appendix PR1 - Number of suppliers and annual turnover by country](#)

[Appendix PR2 - Average payment period to suppliers by country](#)

[Appendix PR3 - Supplier satisfaction index by country](#)

[Appendix PR4 - Supplier approval in Spain](#)

## Global Procurement System

The Global Procurement System (GPS) is the global technological platform that supports every stage of the procurement process in BBVA Group (budgeting, purchasing and finance). This platform is used in Spain (11 companies), Mexico (13 companies), Peru, Colombia, Chile, Argentina and Venezuela (starting in January 2016). The incorporation of Paraguay and Uruguay is planned for 2016. The South America regional procurement organization (hub in Chile), that provides the procurement services for the region, was incorporated into this platform in 2015.

Adquira Marketplace supplier portal is integrated into GPS. This portal enables online interaction between the Group's companies and their suppliers in a collaborative environment through the electronic exchange of documents. It covers the main stages in the procurement process, from the issue of orders to the registration of invoices, including electronic invoicing, and is legally valid in Spain and Mexico.

In addition to GPS, BBVA has an electronic catalog procurement tool (SRM), which is accessible online, in order to issue decentralized procurement requests. SRM is available in Spain, Mexico and Chile and is due to be implemented in Colombia, Peru and Argentina.

# Supplementary information

The BBVA in 2015 report has been prepared in accordance with the latest reporting trends, the Conceptual Framework of the IIRC, the G4 Sustainability Reporting Guidelines under the Global Reporting Initiative Guidelines for preparing sustainability reports (GRI G4), at a comprehensive level, and the AA1000 standard. In addition, this information reflects the 2015 Progress Report on the United Nations Global Compact and includes actions related to the United Nations Millennium Development Goals.

As supplementary information, it also presents the consolidated historical series for BBVA Group's balance sheet and income statement, a specific and complete table showing the GRI Indicators, as well as the principles followed in the preparation of this Integrated Annual Report.

Lastly, the information has been compiled, registered, analyzed and presented so that it can be reviewed by an external auditor. The scope and methodology of the external review conducted can be found in the auditor's independent assurance report.

# Consolidated time series

## Income statements

(Million euros)

|                                   | IFRS (Bank of Spain's Circular 6/2008) |        |        |        |        |        |        |        |        | IFRS (Bank of Spain's Circular 4/2004) |        |        |        |        | Bank of Spain's Circular 4/1991 |        |        |        |
|-----------------------------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--|--------|--------|--------|--------|---------------------------------|--------|--------|--------|
|                                   | 2015                                   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   | 2008   | 2007   | 2008                                   | 2007   | 2006   | 2005   | 2004   | 2004                            | 2003   | 2002   | 2001   |
| Net interest income               | 16,022                                 | 14,382 | 13,900 | 14,474 | 12,724 | 13,316 | 13,882 | 11,686 | 9,628  | 11,891                                 | 9,769  | 8,374  | 7,208  | 6,160  | 7,069                           | 6,741  | 7,808  | 8,824  |
| Gross income/ordinary revenues    | 23,362                                 | 20,725 | 20,752 | 21,824 | 19,640 | 20,333 | 20,666 | 18,978 | 17,271 | 19,853                                 | 18,133 | 15,701 | 13,024 | 11,120 | 11,053                          | 10,656 | 12,241 | 13,352 |
| Operating income/operating profit | 11,254                                 | 10,166 | 9,956  | 11,450 | 10,196 | 11,573 | 12,308 | 10,523 | 9,441  | 11,279                                 | 10,544 | 8,883  | 6,823  | 5,591  | 5,440                           | 4,895  | 5,577  | 5,599  |
| Income before tax                 | 4,603                                  | 3,980  | 954    | 1,582  | 3,398  | 6,059  | 5,736  | 6,926  | 8,495  | 6,926                                  | 8,495  | 7,030  | 5,592  | 4,137  | 4,149                           | 3,812  | 3,119  | 3,634  |
| Net income                        | 3,328                                  | 3,082  | 2,836  | 2,327  | 3,485  | 4,995  | 4,595  | 5,385  | 6,415  | 5,385                                  | 6,415  | 4,971  | 4,071  | 3,108  | 3,192                           | 2,897  | 2,466  | 3,009  |
| Net attributable profit           | 2,642                                  | 2,618  | 2,084  | 1,676  | 3,004  | 4,606  | 4,210  | 5,020  | 6,126  | 5,020                                  | 6,126  | 4,736  | 3,806  | 2,923  | 2,802                           | 2,227  | 1,719  | 2,363  |

## Balance sheet

(Million euros)

|                                 | IFRS (Bank of Spain's Circular 6/2008) |          |          |          |          |          |          |          |          | IFRS (Bank of Spain's Circular 4/2004) |          |          |          |          | Bank of Spain's Circular 4/1991 |          |          |          |
|---------------------------------|--|----------|----------|----------|----------|----------|----------|----------|----------|--|----------|----------|----------|----------|---------------------------------|----------|----------|----------|
|                                 | 31-12-15                               | 31-12-14 | 31-12-13 | 31-12-12 | 31-12-11 | 31-12-10 | 31-12-09 | 31-12-08 | 31-12-07 | 31-12-08                               | 31-12-07 | 31-12-06 | 31-12-05 | 31-12-04 | 31-12-04                        | 31-12-03 | 31-12-02 | 31-12-01 |
| Loans and advances to customers | 414,165                                | 338,657  | 323,607  | 342,163  | 342,543  | 338,857  | 323,441  | 335,260  | 313,178  | 333,029                                | 310,882  | 256,565  | 216,850  | 172,083  | 170,248                         | 148,827  | 141,315  | 150,220  |
| Total assets                    | 750,078                                | 631,942  | 582,697  | 621,132  | 582,838  | 552,738  | 535,065  | 542,650  | 501,726  | 543,513                                | 502,204  | 411,916  | 392,389  | 329,441  | 311,072                         | 287,150  | 279,542  | 309,246  |
| Deposits from customers         | 403,069                                | 319,060  | 300,490  | 282,795  | 272,402  | 275,789  | 254,183  | 255,236  | 219,609  | 267,140                                | 236,183  | 192,374  | 182,635  | 149,892  | 147,051                         | 141,049  | 146,560  | 166,499  |
| Debt certificates               | 66,165                                 | 58,096   | 64,120   | 86,255   | 81,124   | 99,939   | 99,939   | 104,157  | 102,247  | 90,180                                 | 82,999   | 77,674   | 62,842   | 45,482   | 44,326                          | 34,383   | 27,523   | 25,376   |
| Subordinated liabilities        | 16,109                                 | 14,095   | 10,556   | 11,815   | 15,303   | 17,878   | 17,878   | 16,987   | 15,662   | 16,987                                 | 15,662   | 13,597   | 13,723   | 12,327   | 8,108                           | 7,400    | 6,487    | 7,611    |

## Additional information

|  | IFRS (Bank of Spain's Circular 6/2008) |          |          |          |          |          |          |          |          | IFRS (Bank of Spain's Circular 4/2004) |          |          |          |          | Bank of Spain's Circular 4/1991 |          |          |          |
|--|--|----------|----------|----------|----------|----------|----------|----------|----------|--|----------|----------|----------|----------|---------------------------------|----------|----------|----------|
|  | 31-12-15                               | 31-12-14 | 31-12-13 | 31-12-12 | 31-12-11 | 31-12-10 | 31-12-09 | 31-12-08 | 31-12-07 | 31-12-08                               | 31-12-07 | 31-12-06 | 31-12-05 | 31-12-04 | 31-12-04                        | 31-12-03 | 31-12-02 | 31-12-01 |
| Number of shareholders (thousands)         | 934                                    | 960      | 974      | 1,013    | 987      | 953      | 884      | 904      | 890      | 904                                    | 890      | 864      | 985      | 1,081    | 1,081                           | 1,159    | 1,179    | 1,204    |
| Number of shares (millions) <sup>(1)</sup> | 6,367                                  | 6,171    | 5,786    | 5,449    | 4,903    | 4,491    | 3,748    | 3,748    | 3,748    | 3,748                                  | 3,748    | 3,552    | 3,391    | 3,391    | 3,391                           | 3,196    | 3,196    | 3,196    |
| Number of employees <sup>(2-3)</sup>       | 137,968                                | 108,770  | 109,305  | 115,852  | 110,645  | 106,976  | 103,721  | 108,972  | 111,913  | 108,972                                | 111,913  | 98,553   | 94,681   | 87,112   | 84,117                          | 86,197   | 93,093   | 98,588   |
| Spain <sup>(2)</sup>                       | 32,903                                 | 28,620   | 30,376   | 31,697   | 28,934   | 28,416   | 27,936   | 29,070   | 31,106   | 29,070                                 | 31,106   | 30,582   | 31,154   | 31,056   | 30,765                          | 31,095   | 31,737   | 31,686   |
| Abroad <sup>(3)</sup>                      | 105,065                                | 80,150   | 78,929   | 84,155   | 81,711   | 78,560   | 75,785   | 79,902   | 80,807   | 79,902                                 | 80,807   | 67,971   | 63,527   | 56,056   | 53,352                          | 55,102   | 61,356   | 66,902   |
| Number of branches <sup>(2-3)</sup>        | 9,145                                  | 7,371    | 7,420    | 7,978    | 7,457    | 7,361    | 7,466    | 7,787    | 8,028    | 7,787                                  | 8,028    | 7,499    | 7,328    | 6,751    | 6,848                           | 6,924    | 7,504    | 7,988    |
| Spain <sup>(2)</sup>                       | 3,811                                  | 3,112    | 3,230    | 3,518    | 3,016    | 3,024    | 3,055    | 3,375    | 3,595    | 3,375                                  | 3,595    | 3,635    | 3,578    | 3,385    | 3,375                           | 3,371    | 3,414    | 3,620    |
| Abroad <sup>(3)</sup>                      | 5,334                                  | 4,259    | 4,190    | 4,460    | 4,441    | 4,337    | 4,411    | 4,412    | 4,433    | 4,412                                  | 4,433    | 3,864    | 3,750    | 3,366    | 3,473                           | 3,553    | 4,090    | 4,368    |

General note: The BBVA Group's financial statements for the years 2013, 2012 and 2011 show the stake in Garanti Group consolidated using the equity method. The figures related to the income statement, balance sheet and activity of the Group for 2013 and the assets for 2012 have been restated following the change made in accounting policy relating to contributions to the Deposit Guarantee Fund.

(1) The data for the year 1999 were re-calculated based on the share exchange ratio 5 BBV shares for 3 Argentaria shares.

(2) It includes Unnim since 2012 and Catalunya Banc since April 24, 2015.

(3) It includes Garanti since the third quarter 2015.

# Criteria and Standards

The BBVA in 2015 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 2015 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 2015. This effort focuses not only on financial results but also on the progress, achievements and impacts achieved in our relationships with stakeholders.

In addition, BBVA's quantitative key performance indicators (KPIs) are presented following the <IR> Framework capital structure, classified into financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. Along these lines, BBVA has also followed the model for applying the concept of capitals of the <IR> Banking Network, a group of which BBVA has been a member since 2011, as a pioneer in Spain.

The report includes a materiality analysis that can identify the relevant issues for stakeholders that are subject to reporting. The focus of BBVA Group's actions in 2015 is digital transformation as a strategy, which has a direct impact on the activity of the businesses and the relationship with them. Its drafting follows transparent, clear and responsible communication (TCR) criteria.

This report has also been drafted in accordance with the Global Reporting Initiative Sustainability Reporting Guidelines (GRI G4), at a comprehensive level, including 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 2015 Progress Report on the United Nations Global Compact and includes actions related to the United Nations Millennium Development Goals.

## 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 2015 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 2015 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 2015 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 2015 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 2015 report". An action plan is then drawn up to ensure that the recommendations arising from review processes are implemented.

# GRI Indicators

## General standard disclosures GRI G4

| Indicator  | Page / Omission  | Review |
|--|--|--------|
| <b>Strategy and analysis</b>   |  |        |
| <b>G4-1</b><br>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><br>Provide a description of the key impacts, risks and opportunities.  | <a href="#">Global Risk Management Impact on people through the business</a> | ✓      |

| Indicator   | Page / Omission   | Review |
|---|---|--------|
| <b>Organizational profile</b>   |   |        |
| <b>G4-3</b><br>Report the name of the organization.   | <a href="#">The most relevant aspects</a>   | ✓      |
| <b>G4-4</b><br>Report the primary brands, products and services.  | <a href="#">The most relevant aspects</a>   | ✓      |
| <b>G4-5</b><br>Report the location of the organization's headquarters.  | <a href="#">The most relevant aspects</a>   | ✓      |
| <b>G4-6</b><br>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="#">Business areas</a><br><a href="#">The most relevant aspects</a>                                   | ✓      |
| <b>G4-7</b><br>Report the nature of ownership and legal form.   | <a href="#">The most relevant aspects</a><br><a href="#">CFS (Note 1)</a><br><a href="#">ACGR (Section A)</a> | ✓      |
| <b>G4-8</b><br>Report the markets served (including geographic breakdown, sectors involved and types of customers and beneficiaries).   | <a href="#">BBVA in figures</a><br><a href="#">Business areas</a>   | ✓      |
| <b>G4-9</b><br>Report the scale of the organization, including: <ol style="list-style-type: none"> <li>total number of employees;</li> <li>total number of operations;</li> <li>net sales or net revenues;</li> <li>total capitalization broken down in terms of debt and equity (for private sector organizations); and</li> <li>quantity of products or services provided.</li> </ol> | <a href="#">BBVA in figures</a>   | ✓      |

|   |  |              |
|---|--|--------------|
| <p><b>G4-10</b></p> <ol style="list-style-type: none"> <li>1. Report the total number of employees by employment contract and gender.</li> <li>2. Report the total number of permanent employees by employment type and gender.</li> <li>3. Report the total workforce by employees and supervised workers and by gender.</li> <li>4. Report the total workforce by region and gender.</li> <li>5. 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.</li> <li>6. Report any significant variations i employment numbers.</li> </ol> | <p><a href="#">BBVA in figures</a><br/> <a href="#">2015 Talent &amp; Culture by the numbers</a><br/> <a href="#">Diversity and inclusion</a></p>  | <p>✓</p>     |
| <p><b>G4-11</b><br/> Report the percentage of total employees covered by collective bargaining agreements.</p>  | <p><a href="#">The team</a></p>  | <p>✓ (1)</p> |
| <p><b>G4-12</b><br/> Describe the organization's supply chain.</p>  | <p><a href="#">Suppliers</a></p>   | <p>✓</p>     |
| <p><b>G4-13</b><br/> Report any significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain.</p>  | <p><a href="#">Suppliers</a><br/> <a href="#">CFS (Note 3)</a></p>   | <p>✓</p>     |
| <p><b>Commitments to external initiatives</b></p>   |  |              |
| <p><b>G4-14</b><br/> Report whether and how the precautionary approach or principle is addressed by the organization.</p>   | <p><a href="#">Unique banking model</a><br/> <a href="#">Compliance system</a><br/> <a href="#">Internal control model</a><br/> <a href="#">Standards of conduct</a><br/> <a href="#">Social, environmental and reputational risks</a></p> | <p>✓</p>     |
| <p><b>G4-15</b><br/> List externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.</p>  | <p><a href="#">Standards of conduct</a><br/> <a href="#">Social, environmental and reputational risks</a></p>  | <p>✓</p>     |
| <p><b>G4-16</b><br/> List memberships of associations and national or international advocacy organizations in which the organization:</p> <ol style="list-style-type: none"> <li>1. holds a position on the governance body;</li> <li>2. participates in projects or committees;</li> <li>3. provides substantive funding beyond routine membership dues;</li> <li>4. views membership as strategic.</li> </ol>   | <p><a href="#">Standards of conduct</a><br/> <a href="#">Social, environmental and reputational risks</a></p>  | <p>✓</p>     |



| Indicator   | Page / Omission   | Review |
|---|---|--------|
| <b>Identified material aspects and boundaries</b>   |   |        |
| <b>G4-17</b><br>1. List all entities included in the organization's consolidated financial statements or equivalent documents.<br>2. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. | <a href="#">The most relevant aspects CFS (Note 3)</a>                          | ✓      |
| <b>G4-18</b><br>1. Explain the process for defining the report content and the aspect boundaries.<br>2. Explain how the organization has implemented the reporting principles for defining report content.  | <a href="#">Materiality and dialog with stakeholders Criteria and standards</a> | ✓      |
| <b>G4-19</b><br>List all the material aspects identified in the process for defining report content.  | <a href="#">Materiality and dialog with stakeholders</a>                        | ✓      |
| <b>G4-20</b><br>For each material aspect, report the aspect boundary within the organization.   | <a href="#">Materiality and dialog with stakeholders Criteria and standards</a> | ✓      |
| <b>G4-21</b><br>For each material aspect, report the aspect boundary outside the organization.  | <a href="#">Materiality and dialog with stakeholders Criteria and standards</a> | ✓      |
| <b>G4-22</b><br>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><br>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><br>Provide a list of stakeholder groups engaged by the organization.   | <a href="#">Materiality and dialog with stakeholders</a>                    | ✓      |
| <b>G4-25</b><br>Report the basis for identification and selection of stakeholders with whom to engage.  | <a href="#">Materiality and dialog with stakeholders</a>                    | ✓      |
| <b>G4-26</b><br>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 and dialog with stakeholders</a>                    | ✓      |
| <b>G4-27</b><br>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 and dialog with stakeholders</a>                    | ✓      |
| Indicator   | Page / Omission   | Review |
| <b>Report profile</b>   |   |        |
| <b>G4-28</b><br>Reporting period (such as fiscal or calendar year) for the information provided.  | <a href="#">Criteria and standards</a>                                      | ✓      |
| <b>G4-29</b><br>Date of most recent previous report (if any).   | <a href="#">Criteria and standards</a>                                      | ✓      |
| <b>G4-30</b><br>Reporting cycle (such as annual, biennial, etc.).   | <a href="#">Criteria and standards</a>                                      | ✓      |
| <b>G4-31</b><br>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><br>1. Report the "in accordance" option the organization has chosen.<br>2. Report the GRI content index for the chosen option.<br>3. Report the reference to the External Assurance Report, if the report has been externally assured.                             | Optional comprehensive conformity<br><a href="#">Criteria and standards</a> | ✓      |

| Assurance   |   |        |
|---|---|--------|
| Indicator   | Page / Omission   | Review |
| <b>G4-33</b><br>1. Report the organization's policy and current practice with regard to seeking external assurance for the report.<br>2. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.<br>3. Report the relationship between the organization and the assurance providers.<br>4. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. |   |        |
|   | <a href="#">Criteria and standards</a>  | ✓      |
| Governance  |   |        |
| <b>G4-34</b><br>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 in BBVA</a><br><a href="#">ACGR (Section C)</a>   | ✓      |
| <b>G4-35</b><br>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="#">Corporate governance system in BBVA</a><br><a href="#">ACGR (Section C)</a><br><a href="#">Standards of conduct</a> | ✓      |
| <b>G4-36</b><br>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="#">Corporate governance system in BBVA</a><br><a href="#">ACGR</a><br><a href="#">Standards of conduct</a>             | ✓      |
| <b>G4-37</b><br>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 in BBVA</a><br><a href="#">Standards of conduct</a>                                     | ✓      |
| <b>G4-38</b><br>Report the composition of the highest governance body and its committees.   | <a href="#">Corporate governance system in BBVA</a><br><a href="#">ACGR (Section C)</a>   | ✓      |

|   |   |          |
|---|---|----------|
| <p><b>G4-39</b><br/>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).</p>   | <p><a href="#">ACGR (Section C)</a></p>   | <p>✓</p> |
| <p><b>G4-40</b><br/>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.</p>   | <p><a href="#">ACGR (Section C)</a></p>   | <p>✓</p> |
| <p><b>G4-41</b><br/>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.</p>   | <p><a href="#">ACGR (Section C)</a></p>   | <p>✓</p> |
| <p><b>Highest governance body's role in setting purpose, values and strategy</b></p>  |   |          |
| <p><b>G4-42</b><br/>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.</p>  | <p><a href="#">Corporate governance system in BBVA</a><br/><a href="#">ACGR (Section C)</a></p> | <p>✓</p> |
| <p><b>Highest governance body's competencies and performance evaluation</b></p>   |   |          |
| <p><b>G4-43</b><br/>Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.</p>   | <p><a href="#">Corporate governance system in BBVA</a></p>                                      | <p>✓</p> |
| <p><b>G4-44</b></p> <ol style="list-style-type: none"> <li>1. 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.</li> <li>2. 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.</li> </ol> | <p><a href="#">Corporate governance system in BBVA</a><br/><a href="#">ACGR (Section C)</a></p> | <p>✓</p> |

| <b>Highest governance body's role in risk management</b>  |  |   |
|---|--|---|
| <b>G4-45</b><br>1. 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.<br><br>2. 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><br>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><br>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><br>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="#">Standards of conduct</a>   | ✓ |
| <b>Highest governance body's role in evaluating economic, environmental and social performance</b>  |  |   |
| <b>G4-49</b><br>Report the process for communicating critical concerns to the highest governance body.  | <a href="#">Materiality and dialog with stakeholders</a><br><a href="#">ACGR (Section C)</a> | ✓ |
| <b>G4-50</b><br>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 the m.   | <a href="#">Materiality and dialog with stakeholders</a>                                     | ✓ |

| Remuneration and incentives  |  |              |
|--|--|--------------|
| <p><b>G4-51</b></p> <p>1. Report the remuneration policies for the highest governance body and senior executives.</p> <p>2. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.</p>                               | <p><a href="#">The Team Remuneration Committee Activity Report</a></p>   | <p>✓</p>     |
| <p><b>G4-52</b></p> <p>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.</p>                             | <p><a href="#">The Team Remuneration Committee Activity Report</a></p>   | <p>✓ (2)</p> |
| <p><b>G4-53</b></p> <p>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.</p>  | <p><a href="#">Materiality and dialog with stakeholders Corporate governance system in BBVA Remuneration Committee Activity Report</a></p> | <p>✓</p>     |
| <p><b>G4-54</b></p> <p>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.</p>   | <p>Confidential information</p>  | <p>x</p>     |
| <p><b>G4-55</b></p> <p>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.</p> | <p>Confidential information</p>  | <p>x</p>     |

| Indicator  | Page / Omission  | Review |
|--|--|--------|
| <b>Ethics and integrity</b>  |  |        |
| <b>G4-56</b><br>Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.  | <a href="#">Unique banking model</a><br><a href="#">Transformation journey</a><br><a href="#">Responsible Business Plan</a><br><a href="#">Compliance system</a><br><a href="#">Standards of conduct</a> | ✓      |
| <b>G4-57</b><br>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><br><a href="#">Standards of conduct</a>  | ✓      |
| <b>G4-58</b><br>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><br><a href="#">Standards of conduct</a>  | ✓      |

## Specific standard GRI G4 disclosures

### Economic category

| Indicator  | Page / Omission  | Scope  | Review           |
|--|--|--------|------------------|
| <b>Economic performance</b>  |  |        |                  |
| <b>G4-EC1</b><br>Direct economic value generated and distributed.<br><b>Material aspects identified:</b> 17 and 19<br><b>Coverage of the material aspect:</b> : Internal   | <a href="#">Impact on people through the business</a>  | Global | ✓                |
| <b>G4-EC2</b><br>Financial implications and other risks and opportunities for the organization's activities due to climate change.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : Internal | <a href="#">Social, enviromental and reputational risks</a><br>Carbon Disclosure Project (CDP) | Global | ✓ <sup>(3)</sup> |
| <b>G4-EC3</b><br>Coverage of the organization's defined benefit plan obligations.<br><b>Material aspects identified:</b> 19<br><b>Coverage of the material aspect:</b> : Internal  | <a href="#">CFS (Note 2.2.12)</a>  | Global | ✓                |

|   |   |        |                  |
|---|---|--------|------------------|
| <b>G4-EC4</b><br>Financial assistance received from government.<br><b>Material aspects identified:</b> : 16<br><b>Coverage of the material aspect:</b> : Internal   | <a href="#">Training and professional development CFS (Note 3)</a>  | Spain  | ✓ <sup>(4)</sup> |
| <b>Market presence</b>  |   |        |                  |
| <b>G4-EC5</b><br>Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.<br><b>Material aspects identified:</b> 8, 9 and 22<br><b>Coverage of the material aspect:</b> Internal | Confidential information  |        | X                |
| <b>G4-EC6</b><br>Proportion of senior management hired from the local community at significant locations of operation.<br><b>Material aspects identified:</b> 9, 19 and 22<br><b>Coverage of the material aspect:</b> Internal              | <a href="#">Diversity and inclusion</a>   | Global | ✓ <sup>(5)</sup> |
| <b>Indirect economic impacts</b>  |   |        |                  |
| <b>G4-EC7</b><br>Development and impact of infrastructure investments and services supported.<br><b>Material aspects identified:</b> 19<br><b>Coverage of the material aspect:</b> : External   | <a href="#">Impact on people through the business</a>   | Global | ✓                |
| <b>G4-EC8</b><br>Significant indirect economic impacts, including the extent of impacts.<br><b>Material aspects identified:</b> : 19<br><b>Coverage of the material aspect:</b> : External  | <a href="#">Impact on people through the business</a><br><a href="#">Knowledge, science and culture</a><br><a href="#">Fiscal Transparency</a><br><a href="#">Suppliers</a> | Global | ✓                |
| <b>Procurement practices</b>  |   |        |                  |
| <b>G4-EC9</b><br>Proportion of spending on local suppliers at significant locations of operation.<br><b>Material aspects identified:</b> 19<br><b>Coverage of the material aspect:</b> : External   | Not available   |        | X                |



## Environmental category

| Indicator  | Page / Omission   | Scope  | Review           |
|--|---|--------|------------------|
| <b>Materials</b>   |   |        |                  |
| <b>G4-EN1 *</b><br>Materials used by weight or volume (paper).<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External                           | <a href="#">Environment</a>   | Global | ✓                |
| <b>G4-EN2</b><br>Percentage of materials used that are recycled input materials (paper).<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External | <a href="#">Environment</a>   | Global | ✓                |
| <b>Energy</b>  |   |        |                  |
| <b>G4-EN3</b><br>Energy consumption within the organization.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External                             | <a href="#">BBVA in figures Environment</a>                                   | Global | ✓ <sup>(6)</sup> |
| <b>G4-EN4</b><br>Energy consumption outside of the organization.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External                           | Given the activities of BBVA Group, this indicator is not considered material |        | X                |
| <b>G4-EN5</b><br>Energy intensity (per employee).<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External  | <a href="#">Environment</a>   | Global | ✓                |
| <b>G4-EN6</b><br>Reduction of energy consumption.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External  | <a href="#">Environment</a>   | Global | ✓                |
| <b>G4-EN7</b><br>Reductions in energy requirements of products and services.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External               | Given the activities of BBVA Group, this indicator is not considered material |        | X                |

| Water   |   |        |       |
|---|---|--------|-------|
| <b>G4-EN8</b><br>Total water withdrawal by source.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External  | Environment   | Global | ✓ (7) |
| <b>G4-EN9</b><br>Water sources significantly affected by withdrawal of water.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External   | Given the activities of BBVA Group, this indicator is not considered material   |        | X     |
| <b>G4-EN10</b><br>Percentage and total volume of water recycled and reused.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External   | Given the activities of BBVA Group, this indicator is not considered material   |        | X     |
| Biodiversity  |   |        |       |
| <b>G4-EN11</b><br>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External                                | The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity |        | X     |
| <b>G4-EN12</b><br>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External | The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity |        | X     |
| <b>G4-EN13</b><br>Habitats protected or restored.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External   | The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity |        | X     |
| <b>G4-EN14</b><br>Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect :</b> External                 | The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity |        | X     |

| Emissions   |   |        |                  |
|---|---|--------|------------------|
| <b>G4-EN15</b><br>Direct greenhouse gas emissions (scope 1).<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External          | <a href="#">Environment</a>   | Global | ✓ <sup>(6)</sup> |
| <b>G4-EN16</b><br>Energy indirect greenhouse gas emissions (scope 2).<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External | <a href="#">Environment</a>   | Global | ✓ <sup>(6)</sup> |
| <b>G4-EN17</b><br>Other indirect greenhouse gas emissions (scope 3).<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External  | <a href="#">Environment</a>   | Global | ✓ <sup>(8)</sup> |
| <b>G4-EN18</b><br>Greenhouse gas emissions intensity.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External                 | <a href="#">Environment</a>   | Global | ✓                |
| <b>G4-EN19</b><br>Reduction of greenhouse gas emissions.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External              | <a href="#">Environment</a>   | Global | ✓                |
| <b>G4-EN20</b><br>Emissions of ozone-depleting substances.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External            | Given the activities of BBVA Group, this indicator is not considered material |        | X                |
| <b>G4-EN21</b><br>NOx, SOx and other significant air emissions.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> : External       | Given the activities of BBVA Group, this indicator is not considered material |        | X                |

| Effluents and Waste   |   |        |                  |
|---|---|--------|------------------|
| <b>G4-EN22</b><br>Total water discharge by quality and destination.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect :</b> External  | Given the activities of BBVA Group, this indicator is not considered material   |        | X                |
| <b>G4-EN23</b><br>Total weight of water by type and disposal method.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External  | <a href="#">Environment</a>   | Global | ✓ <sup>(6)</sup> |
| <b>G4-EN24</b><br>Total number and volume of significant spills.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External  | Given the activities of BBVA Group, this indicator is not considered material   |        | X                |
| <b>G4-EN25</b><br>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.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External | Given the activities of BBVA Group, this indicator is not considered material   |        | X                |
| <b>G4-EN26</b><br>Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External                                    | Given the activities of BBVA Group, this indicator is not considered material   |        | X                |
| Products and services   |   |        |                  |
| <b>G4-EN27</b><br>Extent of impact mitigation of environmental impacts of products and services.<br><b>Material aspects identified:</b> 11 and 23<br><b>Coverage of the material aspect:</b> External   | <a href="#">Standards of conduct</a><br><a href="#">Social.</a><br><a href="#">environmental and</a><br><a href="#">reputational risks</a><br><a href="#">Environment</a> | Global | ✓                |
| <b>G4-EN28</b><br>Percentage of products sold and their packaging materials that are reclaimed by category.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External   | Given the activities of BBVA Group, this indicator is not considered material   |        | X                |

| Compliance   |   |        |   |
|--|---|--------|---|
| <b>G4-EN29</b><br>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.<br><b>Material aspects identified:</b> 14 and 18<br><b>Coverage of the material aspect:</b> External                      | <a href="#">Standards of conduct</a>  | Global | ✓ |
| Transport  |   |        |   |
| <b>G4-EN30</b><br>Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External | Given the activities of BBVA Group, this indicator is not considered material   |        | X |
| Environmental investments and expenditures   |   |        |   |
| <b>G4-EN31</b><br>Total environmental protection expenditures and investments by type.<br><b>Material aspects identified:</b> 23<br><b>Coverage of the material aspect:</b> External   | 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 |        | X |
| Supplier Environmental Assessment  |   |        |   |
| <b>G4-EN32</b><br>Percentage of new suppliers that were screened using environmental criteria.<br><b>Material aspects identified:</b> 15 and 23<br><b>Coverage of the material aspect:</b> External  | BBVA has not screened suppliers using environmental criteria given that the perceived impact on the Group is not significant  |        | X |
| <b>G4-EN33</b><br>Significant actual and potential negative environmental impacts in the supply chain and actions taken.<br><b>Material aspects identified:</b> 23<br><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 |
| Environment Grievance Mechanisms   |   |        |   |
| <b>G4-EN34</b><br>Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms.<br><b>Material aspects identified:</b> 14 and 18<br><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 | ✓ |

## Social category

| Labor practices and decent work   |  |        |                  |
|---|--|--------|------------------|
| Indicator   | Page / Omission  | Scope  | Review           |
| <b>Employment</b>   |  |        |                  |
| <b>G4-LA1</b><br>Total number and rates of new employee hires and employee turnover by age group, gender and region.<br><b>Material aspects identified:</b> 7, 9 and 22<br><b>Coverage of the material aspect:</b> Internal   | <a href="#">BBVA in figures 2015 Talent &amp; Culture by the numbers Diversity and inclusion</a>   | Global | ✓ <sup>(9)</sup> |
| <b>G4-LA2</b><br>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.<br><b>Material aspects identified:</b> 7, 8, 9 and 22<br><b>Coverage of the material aspect:</b> Internal | Not available. The proportion of temporary employees in BBVA is not significant (5.6%)   |        | X                |
| <b>G4-LA3</b><br>Return to work and retention rates after parental leave, by gender.<br><b>Material aspects identified:</b> 7, 8, 9 and 22<br><b>Coverage of the material aspect:</b> Internal  | Not available  |        | X                |
| <b>Labor/Management relations</b>   |  |        |                  |
| <b>G4-LA4</b><br>Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.<br><b>Material aspects identified:</b> 7 and 8<br><b>Coverage of the material aspect:</b> Mixed                                | 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 | ✓                |

| Occupational health and safety   |  |        |                   |
|--|--|--------|-------------------|
| <b>G4-LA5</b><br>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.<br><b>Material aspects identified:</b> 7 and 8<br><b>Coverage of the material aspect:</b> Mixed | Not available  |        | X                 |
| <b>G4-LA6</b><br>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.<br><b>Material aspects identified:</b> 7 and 8<br><b>Coverage of the material aspect:</b> Mixed                      | <a href="#">Diversity and inclusion</a>  | Spain  | ✓                 |
| <b>G4-LA7</b><br>Workers with high incidence or high risk of diseases related to their occupation.<br><b>Material aspects identified:</b> 7 and 8<br><b>Coverage of the material aspect:</b> Mixed   | Given the nature of BBVA's activity, no high risk of serious diseases related to the workers' occupation has been identified | Global | ✓                 |
| <b>G4-LA8</b><br>Health and safety topics covered in formal agreements with trade unions.<br><b>Material aspects identified:</b> 7 and 8<br><b>Coverage of the material aspect:</b> Mixed  | Confidential information   |        | X                 |
| Training and education   |  |        |                   |
| <b>G4-LA9</b><br>Average hours of training per year per employee by gender, and by employee category.<br><b>Material aspects identified:</b> 7, 8 and 9<br><b>Coverage of the material aspect:</b> Internal  | <a href="#">Training and professional development</a>  | Global | ✓ <sup>(10)</sup> |
| <b>G4-LA10</b><br>Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.<br><b>Material aspects identified:</b> 7 and 9<br><b>Coverage of the material aspect:</b> Internal                        | <a href="#">Training and professional development</a>  | Global | ✓ <sup>(19)</sup> |

|  |  |        |                   |
|--|--|--------|-------------------|
| <p><b>G4-LA11</b><br/> Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.<br/> <b>Material aspects identified:</b>7 and 9<br/> <b>Coverage of the material aspect:</b> Internal</p>   | Not available  |        | X                 |
| <b>Diversity and equal opportunity</b>   |  |        |                   |
| <p><b>G4-LA12</b><br/> Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.<br/> <b>Material aspects identified:</b> 16 and 22<br/> <b>Coverage of the material aspect:</b> Mixed</p> | <a href="#">BBVA in figures 2015 Talent &amp; Culture by the numbers Diversity and inclusion ACGR</a>  | Global | ✓ <sup>(11)</sup> |
| <b>Equal remuneration for women and men</b>  |  |        |                   |
| <p><b>G4-LA13</b><br/> Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.<br/> <b>Material aspects identified:</b> 7, 8 and 22<br/> <b>Coverage of the material aspect:</b> Mixed</p>   | Not available  |        | X                 |
| <b>Supplier assessment for labor practices</b>   |  |        |                   |
| <p><b>G4-LA14</b><br/> Percentage of new suppliers that were screened using labor practices criteria.<br/> <b>Material aspects identified:</b> 15<br/> <b>Coverage of the material aspect:</b> Internal</p>  | BBVA has not screened suppliers using labor practices criteria, given that the perceived impact on the Group is not significant                |        | X                 |
| <p><b>G4-LA15</b><br/> Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.<br/> <b>Material aspects identified:</b> 15<br/> <b>Coverage of the material aspect:</b> External</p>  | 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>Labor Practices grievance mechanisms</b>  |  |        |                   |
| <p><b>G4-LA16</b><br/> Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.<br/> <b>Material aspects identified:</b> 7 and 8<br/> <b>Coverage of the material aspect:</b> Mixed</p>  | <a href="#">Standards of conduct</a>   | Spain  | ✓ <sup>(14)</sup> |



## Human rights

### Investment

#### G4-HR1

Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.

**Material aspects identified:** 11 and 18  
**Coverage of the material aspect:** Mixed

[Standards of conduct](#)  
[Social, environmental and reputational risks](#)

Global

✓ (12)

#### G4-HR2

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.

**Material aspects identified:** 14 and 18  
**Coverage of the material aspect:** Mixed

[Standards of conduct](#)

Global

✓ (13)

### Non-discrimination

#### G4-HR3

Total number of incidents of discrimination and corrective actions taken.

**Material aspects identified:** 14 and 18  
**Coverage of the material aspect:** Mixed

[Standards of conduct](#)

Global

✓ (14)

### Freedom of association and collective bargaining

#### G4-HR4

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.

**Material aspects identified:** 15 and 18  
**Coverage of the material aspect:** Mixed

Not available

x

### Child labor

#### G4-HR5

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.

**Material aspects identified:** 15 and 18  
**Coverage of the material aspect:** Mixed

BBVA has not identified any operations or suppliers as having significant risk for incidents of child labor

Global

✓

| Forced or compulsory labor   |  |        |   |
|--|--|--------|---|
| <b>G4-HR6</b><br>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.<br><b>Material aspects identified:</b> 15 and 18<br><b>Coverage of the material aspect:</b> Mixed | BBVA has not identified any operations or suppliers as having significant risk for incidents of forced or compulsory labor                     | Global | ✓ |
| Security practices   |  |        |   |
| <b>G4-HR7</b><br>Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.<br><b>Material aspects identified:</b> 18<br><b>Coverage of the material aspect:</b> Mixed  | Not available  |        | X |
| Indigenous rights  |  |        |   |
| <b>G4-HR8</b><br>Total number of incidents of violations involving rights of indigenous peoples and actions taken.<br><b>Material aspects identified:</b> 14 and 18<br><b>Coverage of the material aspect:</b> External  | BBVA has not identified any significant incidents with relation to this aspect   | Global | ✓ |
| Assessment   |  |        |   |
| <b>G4-HR9</b><br>Total number and percentage of operations that have been subject to human rights reviews or impact assessments.<br><b>Material aspects identified:</b> 18<br><b>Coverage of the material aspect:</b> Mixed  | BBVA has not identified any significant impacts with respect to human rights in its workplaces   | Global | ✓ |
| Supplier human rights assessment   |  |        |   |
| <b>G4-HR10</b><br>Percentage of new suppliers that were screened using human rights criteria.<br><b>Material aspects identified:</b> 15 and 18<br><b>Coverage of the material aspect:</b> Mixed  | BBVA has not screened suppliers using human rights criteria given that the perceived impact on the Group is not significant                    |        | X |
| <b>G4-HR11</b><br>Significant actual and potential negative human rights impacts in the supply chain and actions taken.<br><b>Material aspects identified:</b> 15 and 18<br><b>Coverage of the material aspect:</b> Mixed  | 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 |

| Human rights grievance mechanisms   |   |        |   |
|---|---|--------|---|
| <b>G4-HR12</b><br>Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.<br><b>Material aspects identified:</b> 14 and 18<br><b>Coverage of the material aspect:</b> Mixed     | BBVA has not been subject to any significant sanctions for breaches related to human rights                             | Global | ✓ |
| Society   |   |        |   |
| Local communities   |   |        |   |
| <b>G4-SO1</b><br>Percentage of operations with implemented local community engagement, impact assessments, and development programs.<br><b>Material aspects identified:</b> 19 and 21<br><b>Coverage of the material aspect:</b> External   | <a href="#">Social programs and education</a><br><a href="#">Knowledge, science and culture</a>                         | Global | ✓ |
| <b>G4-SO2</b><br>Operations with significant actual and potential negative impacts on local communities.<br><b>Material aspects identified:</b> 18 and 19<br><b>Coverage of the material aspect:</b> External                               | BBVA has not identified any significant negative impact on local communities caused by the operations of its workplaces | Global | ✓ |
| <b>FS13</b><br>Access points in low-populated or economically disadvantaged areas by type.<br><b>Material aspects identified:</b> 3, 6, 19 and 20<br><b>Coverage of the material aspect:</b> External                                       | <a href="#">Financial inclusion</a><br><a href="#">Knowledge, science and culture</a>                                   | Global | ✓ |
| <b>FS14</b><br>Initiatives to improve access to financial services for disadvantaged people.<br><b>Material aspects identified:</b> 3, 4, 6, 19 and 20<br><b>Coverage of the material aspect:</b> External                                  | <a href="#">Financial inclusion</a><br><a href="#">Knowledge, science and culture</a>                                   | Global | ✓ |
| Anti-corruption   |   |        |   |
| <b>G4-SO3</b><br>Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.<br><b>Material aspects identified:</b> 14 and 16<br><b>Coverage of the material aspect:</b> Mixed | <a href="#">Internal control model</a>  | Global | ✓ |
| <b>G4-SO4</b><br>Communication and training on anti-corruption policies and procedures.<br><b>Material aspects identified:</b> 14 and 16<br><b>Coverage of the material aspect:</b> Mixed   | <a href="#">Compliance system</a>   | Global | ✓ |

|   |  |        |                   |
|---|--|--------|-------------------|
| <p><b>G4-SO5</b><br/>Confirmed incidents of corruption and actions taken.<br/><b>Material aspects identified:</b> 14<br/><b>Coverage of the material aspect:</b> Mixed</p>  | Confidential information   |        | X                 |
| <b>Public Policy</b>  |  |        |                   |
| <p><b>G4-SO6</b><br/>Total value of political contributions by country and recipient/beneficiary.<br/><b>Material aspects identified:</b> 16<br/><b>Coverage of the material aspect:</b> Mixed</p>  | BBVA's policy in countries does not allow contributions of this type   | Global | ✓ <sup>(15)</sup> |
| <b>Anti-competitive behavior</b>  |  |        |                   |
| <p><b>G4-SO7</b><br/>Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.<br/><b>Material aspects identified:</b> 14 and 16<br/><b>Coverage of the material aspect:</b> Mixed</p>          | There is no relevant legal action with a final ruling against BBVA related to these matters  | Global | ✓                 |
| <b>Compliance</b>   |  |        |                   |
| <p><b>G4-SO8</b><br/>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.<br/><b>Material aspects identified:</b> 14 and 16<br/><b>Coverage of the material aspect:</b> Mixed</p> | <a href="#">Standards of conduct CFS</a>   | Global | ✓                 |
| <b>Supplier assessment for impacts on society</b>   |  |        |                   |
| <p><b>G4-SO9</b><br/>Percentage of new suppliers that were screened using criteria for impacts on society.<br/><b>Material aspects identified:</b> 15<br/><b>Coverage of the material aspect:</b> Mixed</p>   | BBVA has not screened suppliers in this aspect, given that the perceived impact on the Group is not significant                                |        | X                 |
| <p><b>G4-SO10</b><br/>Significant actual and potential negative impacts on society in the supply chain and actions taken.<br/><b>Material aspects identified:</b> 15<br/><b>Coverage of the material aspect:</b> Mixed</p>                                | 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>Grievance mechanisms for impacts on society</b>  |  |        |                   |
| <p><b>G4-SO11</b><br/>Number of grievances impacts on society filed, addressed, and resolved through formal grievance mechanisms.<br/><b>Material aspects identified:</b> 14<br/><b>Coverage of the material aspect:</b> Mixed</p>                        | Not available  |        | X                 |

## Product responsibility

### Customer health and safety

|   |  |               |                          |
|---|--|---------------|--------------------------|
| <p><b>G4-PR1</b><br/>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.<br/><b>Material aspects identified:</b> 3 and 5<br/><b>Coverage of the material aspect:</b> Mixed</p>   | <p><a href="#">Customer protection</a></p> | <p>Global</p> | <p>✓ <sup>(16)</sup></p> |
| <p><b>G4-PR2</b><br/>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.<br/><b>Material aspects identified:</b> 5<br/><b>Coverage of the material aspect:</b> Mixed</p> | <p>Not available</p>                       |               | <p>x</p>                 |

### Product and service labeling

|   |  |               |          |
|---|--|---------------|----------|
| <p><b>G4-PR3</b><br/>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.<br/><b>Material aspects identified:</b> 2<br/><b>Coverage of the material aspect:</b> Mixed</p> | <p><a href="#">TCR Communication</a></p>   | <p>Global</p> | <p>✓</p> |
| <p><b>G4-PR4</b><br/>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.<br/><b>Material aspects identified:</b> 2<br/><b>Coverage of the material aspect:</b> Mixed</p>   | <p>Not available</p>   |               | <p>x</p> |
| <p><b>G4-PR5</b><br/>Results of surveys measuring customer satisfaction.<br/><b>Material aspects identified:</b> 3<br/><b>Coverage of the material aspect:</b> Mixed</p>  | <p><a href="#">The best customer experience</a></p>                                    | <p>Global</p> | <p>✓</p> |
| <p><b>FS15</b><br/>Policies for the fair design and sale of financial products and services.<br/><b>Material aspects identified:</b> 1 and 2<br/><b>Coverage of the material aspect:</b> Mixed</p>  | <p><a href="#">Responsible Business Plan</a><br/><a href="#">TCR Communication</a></p> | <p>Global</p> | <p>✓</p> |

|  |   |        |        |
|--|---|--------|--------|
| <b>FS16</b><br>Initiatives to enhance financial literacy by type of beneficiary.<br><b>Material aspects identified:</b> 2 and 25<br><b>Coverage of the material aspect:</b> Mixed  | <a href="#">Financial literacy</a>  | Global | ✓      |
| <b>Marketing communications</b>  |   |        |        |
| <b>G4-PR6</b><br>Sale of banned or disputed products.<br><b>Material aspects identified:</b> 2 and 14<br><b>Coverage of the material aspect:</b> Mixed   | <a href="#">TCR Communication</a>   | Global | ✓ (17) |
| <b>G4-PR7</b><br>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.<br><b>Material aspects identified:</b> 2, 3 and 14<br><b>Coverage of the material aspect:</b> Mixed | Not available   |        | X      |
| <b>Customer privacy</b>  |   |        |        |
| <b>G4-PR8</b><br>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.<br><b>Material aspects identified:</b> 5<br><b>Coverage of the material aspect:</b> Mixed  | <a href="#">Customer protection</a>   | Global | ✓ (18) |
| <b>Compliance</b>  |   |        |        |
| <b>G4-PR9</b><br>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.<br><b>Material aspects identified:</b> 3 and 14<br><b>Coverage of the material aspect:</b> Mixed  | <a href="#">Standards of conduct</a>  | Global | ✓      |
| <b>Product portfolio</b>   |   |        |        |
| <b>FS1</b><br>Policies with specific environmental and social components applied to business lines.<br><b>Material aspects identified:</b> 1, 2, 3, 11 and 23<br><b>Coverage of the material aspect:</b> Mixed   | <a href="#">Social, environmental and reputational risks</a><br><a href="#">Environment</a> | Global | ✓      |
| <b>FS2</b><br>Procedures for assessing and screening environmental and social risks in business lines.<br><b>Material aspects identified:</b> 1, 2, 3, 11 and 23<br><b>Coverage of the material aspect:</b> Mixed  | <a href="#">Social, environmental and reputational risks</a>                                | Global | ✓      |

|  |  |        |                   |
|--|--|--------|-------------------|
| <p><b>FS3</b><br/>Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.<br/><b>Material aspects identified:</b> 1, 2, 3, 11 and 23<br/><b>Coverage of the material aspect:</b> Mixed</p> | <p><a href="#">Social, environmental and reputational risks</a></p>  | Global | ✓                 |
| <p><b>FS4</b><br/>Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.<br/><b>Material aspects identified:</b> 1, 2, 3, 11 and 23<br/><b>Coverage of the material aspect:</b> Mixed</p>            | <p><a href="#">Social, environmental and reputational risks</a></p>  | Global | ✓                 |
| <p><b>FS5</b><br/>Interactions with clients/investors/business partners regarding environmental and social risks and opportunities.<br/><b>Material aspects identified:</b> 1, 2, 3, 11 and 23<br/><b>Coverage of the material aspect:</b> Mixed</p>                                     | <p><a href="#">Materiality and dialogue with stakeholders</a></p>  | Global | ✓                 |
| <p><b>FS6</b><br/>Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.<br/><b>Material aspects identified:</b> 4 and 6<br/><b>Coverage of the material aspect:</b> Mixed</p>  | <p><a href="#">Support for SMEs</a></p>  | Global | ✓                 |
| <p><b>FS7</b><br/>Monetary value of products and service designed to deliver a specific social benefit for each business line broken down by purpose.<br/><b>Material aspects identified:</b> 1 and 11<br/><b>Coverage of the material aspect:</b> Mixed</p>                             | <p><a href="#">Responsible investment</a></p>  | Global | ✓                 |
| <p><b>FS8</b><br/>Monetary value of products and service designed to deliver a specific environmental benefit for each business line broken down by purpose.<br/><b>Material aspects identified:</b> 11 and 23<br/><b>Coverage of the material aspect:</b> Mixed</p>                     | <p><a href="#">Social, environmental and reputational risks</a></p>  | Global | ✓                 |
| <b>Audit</b>   |  |        |                   |
| <p><b>FS9</b><br/>Coverage and frequency of audits to assess the implementation of environmental and social policies and risk assessment procedures.<br/><b>Material aspects identified:</b> 16, 17 and 18<br/><b>Coverage of the material aspect:</b> Internal</p>                      | <p><a href="#">Internal control model</a><br/><a href="#">Social, environmental and reputational risks</a></p> | Global | ✓ <sup>(16)</sup> |

## Active ownership

|   |   |               |               |
|---|---|---------------|---------------|
| <p><b>FS10</b><br/>         Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.<br/> <b>Material aspects identified:</b> 11<br/> <b>Coverage of the material aspect:</b> External</p>    | <p><a href="#">Responsible investment</a></p>   | <p>Global</p> | <p>✓ (16)</p> |
| <p><b>FS11</b><br/>         Percentage of assets subject to positive and negative environmental or social screening.<br/> <b>Material aspects identified:</b> 11<br/> <b>Coverage of the material aspect:</b> External</p>  | <p><a href="#">Social, environmental and reputational risks</a><br/> <a href="#">Responsible investment</a></p> | <p>Global</p> | <p>✓ (16)</p> |
| <p><b>FS12</b><br/>         Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.<br/> <b>Material aspects identified:</b> 11<br/> <b>Coverage of the material aspect:</b> External</p> | <p><a href="#">Responsible investment</a></p>   | <p>Global</p> | <p>✓</p>      |

ACGR Annual Corporate Governance Report

CFS Consolidated Financial Statements 2015

✓ Content revised according to the scope described and through the Independent Review Report of the information in BBVA in 2015 report.

x Content not reviewed

Overall assessment: the identified material aspects correspond to the relevant material issues in the materiality analysis.

(1) Percentage not reported.

(2) The processes are only reported to determine the remuneration.

(3) Only the projects financed under the Equator Principles are reported.

(4) Only the financial assistance received for the FORCEM training in Spain is reported.

(5) The number of directors by geographical area is reported without specifying their nationality.

(6) The limits on the indicator, scope and the criteria applied to the estimates are shown in the table of reference.

(7) The consumption in the branch network has been estimated using a limited sample of branch offices.

(8) With respect to business trips, only the emissions derived from trips by the Group's employees by plane are reported.

(9) Hires and losses are reported exclusively by area.

(10) Not broken down by gender or employment category.

(11) Minorities or other indicators of diversity are not reported.

(12) Only the operations analyzed with respect to compliance with the Equator Principles are reported.

(13) The reporting on the communication plan and training in relation to the Code of Conduct of BBVA is qualitative.

(14) Only reported for BBVA Group companies in Spain.

(15) BBVA's corporate policy is reported.

(16) The reporting is qualitative.

(17) BBVA's product communication policy is reported.

(18) The audits of security measures for the processing of personal data implemented in BBVA Group companies are reported.

(19) Only the training programs that enhance worker training is reported.



# Independent assurance report



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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

## Independent Assurance Report on the BBVA in 2015 Report

To the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A.

### Scope of our work

We have performed the review, with a limited assurance, of the non-financial information "BBVA in 2015" Report (hereinafter referred to as 'the Report') of Banco Bilbao Vizcaya Argentaria Group (hereinafter BBVA), the scope of which is defined in the 'Supplementary information' chapter, 'Report preparation guidelines-Criteria and standards' section. Our work consisted of the review of:

- The adherence of the Report to the GRI Sustainability Reporting Guidelines version 4 (hereinafter referred to as G4 Guidelines) and the contents, including the Financial Services Supplement, proposed in the aforementioned guidelines.
- The information included in the Report related to the Application of the principles of inclusivity, materiality and responsiveness set out in the AccountAbility's AA1000 Accountability Principles Standard 2008 (AA1000APS).

### Procedures performed

We carried out a limited assurance engagement in accordance with International Standards on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for engagements related to the review of corporate responsibility reports issued by the Spanish Institute of Certified Public Accountants to achieve limited assurance. Also, we have applied AccountAbility's AA1000 Assurance Standard 2008 (AA1000AS), to provide moderate assurance on the application of the principles established in standard AA1000APS and on the sustainability performance indicators (type 2 moderate assurance).

Our work consisted in making enquiries to Management and certain units of BBVA involved in the preparation of the Report and in carrying out the following analytical procedures and sample-based review tests:

- Meetings with BBVA personnel to ascertain the principles, systems and management approaches applied in Spain, Argentina, Chile, Colombia, Mexico, Peru, Venezuela and the United States.
- Review of the steps taken in relation to the identification and consideration of the stakeholders during the year and of the stakeholders' participation processes through the analysis of the available internal information and third-party reports.
- Analysis of the coverage, materiality and completeness of the information included in the Report on the basis of the understanding of BBVA of its stakeholders' requirements in relation to the relevant issues identified by the organisation and described in the 'Primary stakeholders- Materiality and dialog with stakeholders' chapter.
- Review of the information related to the management approaches applied to Corporate Responsibility.
- Analysis of the adherence of the general contents of the Report to those recommended in the GRI G4 Guidelines and verification that the contents included agree with those recommended by the GRI Guidelines.
- Review of the 2015 Corporate Social Responsibility & Reputation local Committee meeting minutes and Responsible Business Committee meetings minutes.
- Verification, by means of review test on selected samples, the quantitative and qualitative information related to the GRI Contents included in the Report and the adequate compilation based on the data provided by the sources of information of BBVA. Review tests on selected samples have been carried out both in Spain and in other countries (Argentina, Chile, Colombia, Mexico, Peru, Venezuela and the United States).

### Responsibilities of BBVA's Management and of Deloitte

- The preparation and contents of the Report is the responsibility of the Responsible Business Management of BBVA, who are also responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained.
- Our responsibility is to issue an independent report based on the procedures applied in our review.
- This report has been prepared in the interest of BBVA in accordance with the terms and conditions of our Engagement Letter.
- We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- Deloitte maintains, in accordance with the International Standard on Quality Control 1 (ISQC1), a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Since a limited assurance is substantially less in scope than a reasonable assurance agreement, we do not provide reasonable assurance on the Report.
- Our team consisted of professionals with assurance on Corporate Responsibility Reports qualifications and, specifically, on economic, social and environmental performance and the stakeholders' participation processes.

## Conclusions

The 'GRI Indicators', within the 'Report preparation guidelines' chapter, provides details of the contents reviewed and the scope limitations of our review, and identifies any contents that do not cover all the areas recommended by the GRI. Based on the procedures performed and evidence obtained, except for the issues identified in the 'GRI Indicators', nothing has come to our attention that causes us to believe that:

- The Report has not been prepared in accordance with the guidelines of the GRI G4 in all material aspects.
- BBVA has not applied the principles of Inclusivity, materiality and responsiveness as described in the section 'Report preparation guidelines-Criteria and standards' in accordance with standard AA1000 APS 2008:
  - Inclusivity: participation process for stakeholders that facilitates their involvement in the development of a responsible approach.
  - Materiality: the process of determining materiality requires an understanding of the important or relevant issues for BBVA and its stakeholders.
  - Responsiveness: specific actions and commitments related to the material issues identified previously.

## Observations and recommendations

Also, we have presented to Responsible Business Management at BBVA our recommendations in relation to the matters for improvement regarding Corporate Responsibility and the application of the principles of inclusivity, materiality and responsiveness. The most significant recommendations, which do not modify the conclusions expressed in this review report, are summarised as follows:

### Inclusivity and materiality

BBVA has continued to adapt its annual non-financial reporting to the GRI G4 Guidelines, and also continues to advance in the integration of its financial and non-financial corporate information. Also, the corporate materiality analysis performed in 2015 was based on the materiality exercise carried out in the Group's main countries in order to include the particular features of each of the businesses in which the Group carries on significant business activities; on the reputational risks identified at BBVA; and on other internal and external sources. In this regard, as recommended by the GRI Guidelines, BBVA could continue improving its process of identifying material aspects through a broader analysis of the impacts on its value chain, also taking into consideration other organisations in which it has an ownership interest or with which it interacts, such as the non-banking companies and the non-Group companies in which it has significant influence.

### Responsiveness

One of BBVA's most relevant matters in 2015 was the update of the Code of Conduct in order to bring it into line with the new regulatory requirements, with social expectations and with the current business structure. In 2016 BBVA must complete the communication, training and adherence plans defined in 2015.

Additionally, in 2015 the Group's new Corporate Social Responsibility Policy was approved by the Board of Directors; this policy will be a key instrument in ensuring the application and high-level supervision of the Group's plans and actions in this area.

2015 also saw completion of the BBVA Group's 2013-2015 Responsible Business Plan and the 2013-2015 General Eco-Efficiency Plan, with a high level of achievement of the objectives set therein. The new plans, which will be applicable from 2016, must facilitate the achievement of the commitments assumed in the CSR policy and the monitoring of the policy's execution. They must focus on the areas of highest impact, increase the scope to include all Group companies and develop a balanced scorecard to monitor the investments made, the activities performed and the results achieved.

In organisational and reporting terms, the entry of Garanti into the BBVA Group's scope of consolidation represented one of the main challenges of 2015. Although BBVA had been in the process of gaining an understanding of Garanti's policies and procedures for some time, Garanti only became part of the BBVA Group in 2015. In this connection, the 2015 BBVA report already included Garanti's information in many of its indicators, and in 2016 this information must be integrated into the process of identifying material aspects and into the corporate reporting of non-financial information, in terms of the timely availability of information, internal control and verification.

The digital transformation of the banking business was another focus of BBVA's attention in 2015. The creation of new global areas such as Engineering, New Digital Business or Global Marketing and Digital Sales represents a milestone in the Group's management of new technologies and their application to the processes and services for customers that increasingly make use of digital channels to interact with the Bank. The identification and implementation of CSR lines of action aligned with this digital transformation must also be a priority for the Entity.

Lastly, BBVA must continue improving the consolidation of its non-financial information in order to have available on a timely basis the information relating to the specific disclosures not provided in full in 2015, as reflected in the table of GRI indicators in the 'GRI Indicators' section.

Deloitte Advisory, S.L.



Helena Redondo  
Madrid, February 25<sup>th</sup>, 2016

