

Financial Inclusion

#FinanceForChange
JC3 FLAGSHIP CONFERENCE



Joint Committee
on Climate Change

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Antoni Ballabriga Torreguitart
Global Head of Responsible Business.
BBVA



Index

- 01 Defining and sizing financial inclusion
- 02 Financial inclusion and banking strategy
- 03 Main actions and challenges for banks promoting financial inclusion
- 04 Our journey at BBVA
- 05 Q & A

BBVA at a glance



€719.7
billion in total
assets

79.8
million customers

>25
countries

7,254
branches

30,747
ATMs

122,021
employees

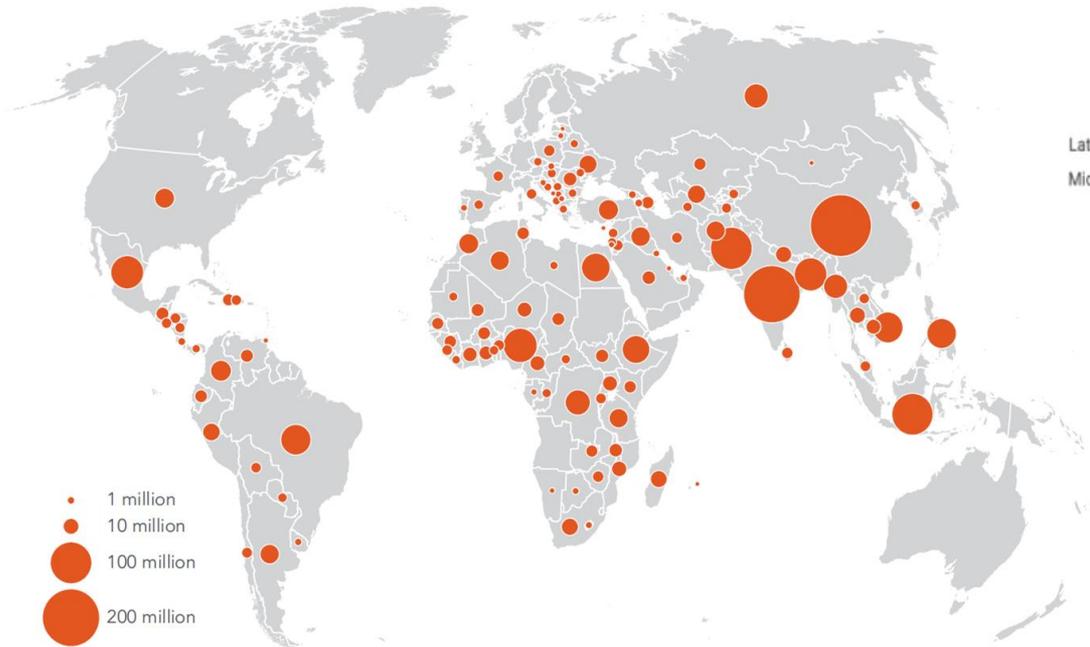
Data at the end of March 2021. Those countries in which BBVA has no legal entity or the volume of activity is not significant, are not included

01

Defining and sizing financial inclusion

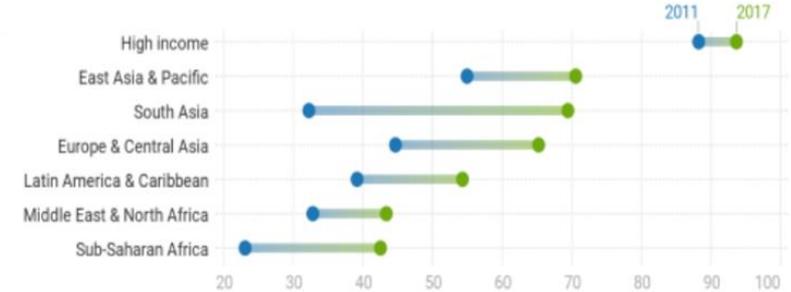
Financial inclusion in the world (1/2)

Globally, 1.7 billion adults lack an account
Adults without an account, 2017

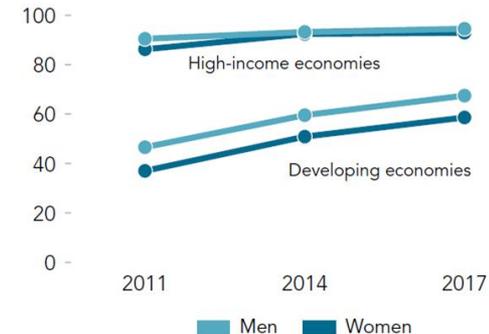


Source: World Findex Database

Financial inclusion is increasing
Accounts (% ages 15+) 2011-2017

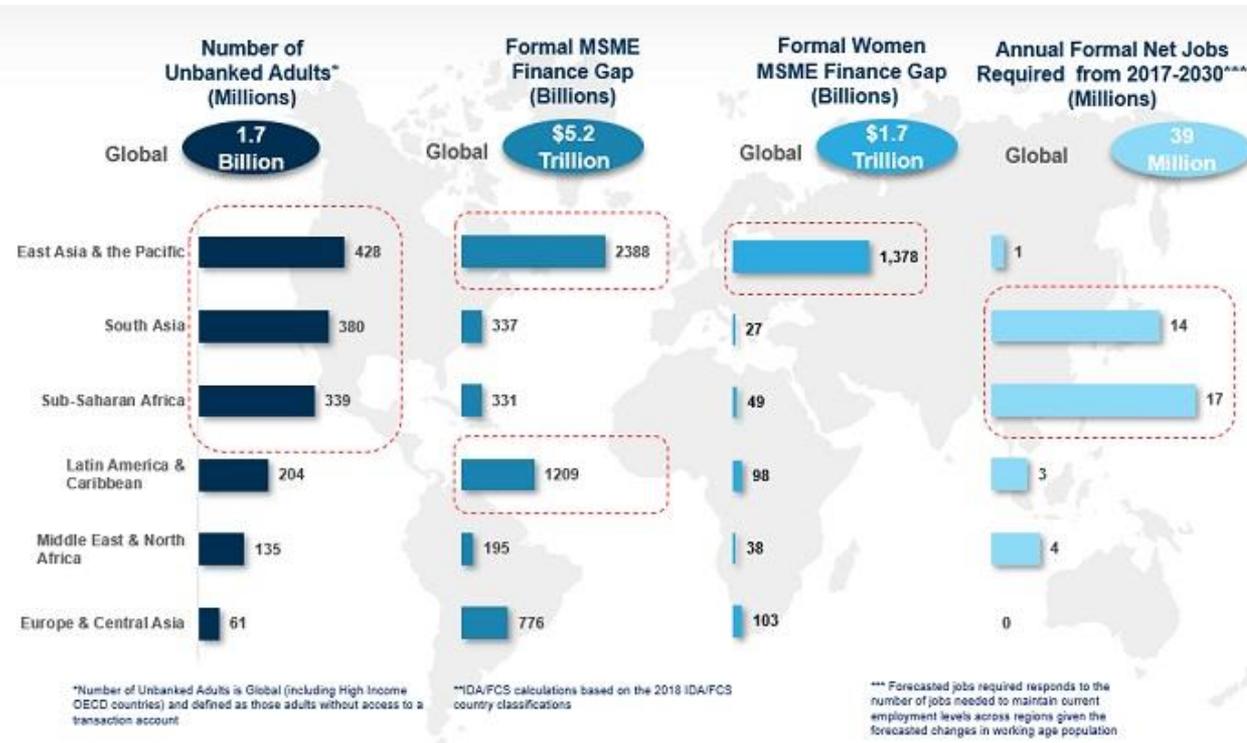


The gender gap persists in developing economies



Financial inclusion in the world (1/2)

Access to finance is a key constraint to SME growth, it is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries



The International Finance Corporation (IFC) estimates that 65 million firms, or 40% of formal micro, small and medium enterprises (MSMEs) in developing countries, have an **unmet financing need of \$5.2 trillion every year**, which is equivalent to 1.4 times the current level of the global MSME lending.

Defining vulnerability

Vulnerable and/or unequal groups in banks' portfolios

- Low-income customers
- Migrant workers
- Low-income customers in rural areas
- Customers from ethnic minority groups
- Women
- People with mental or physical disabilities
- Elderly people
- Refugees
- Indigenous population
- Customers with primary education
- Microentrepreneurs with low access to credit
- Young adults
- People subject to certain life events (i.e., job loss, divorce, abuse)

Drivers of vulnerability



Health



Life events



Resilience



Education and capability



Digital and financial access



Culture and demographics

02

Financial inclusion and banking strategy

Financial inclusion, a cross-cutting area contributing to the UN Sustainable Development Goals agenda



SDGs and business strategy:
placing “impact first”

From a great map to explain (ex-post) our contribution to the sustainable development...

To a the best framework to use (ex-ante) as an input when defining our business strategy and our value proposition

Principles for Responsible banking: a unique framework for aligning banks' strategy and practice with the SDGs



230

Signatories

69

Countries

\$60 trillion Total assets

6 PRINCIPLES

DRIVING CHANGE, REALIZING IMPACT



Alignment



Impact &
target setting



Clients &
customers



Stakeholders

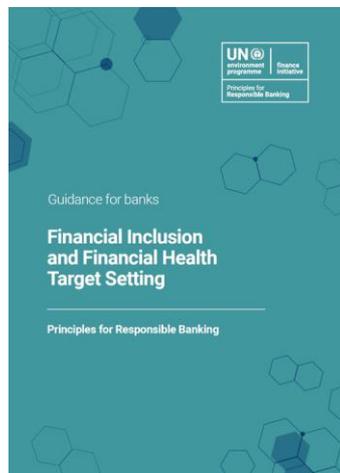


Governance
& culture



Transparency &
accountability

Guidelines for target setting in financial inclusion



Financial health or financial well-being

Financial inclusion

- Bank account access
- Digital inclusion
- Multi-channel access
- Effective access

- Day-to-day finances
- Financial resilience
- Future goals
- Confidence, security and control of finances

Financial education and digital skills

Focusing on vulnerability and equality

Enablers and inhibitors

Products and services:	Internal processes:	Data analytics:	Partnerships:
New or improved products and services User centered accessible and inclusive design	Incentives, nudges, credit/risk Policies, colleague training & culture	Improving measurements, risk models and behavior anticipation	Collaboration with NGO's, governments or other enterprises for systemic changes

Steps for target setting

1. Understand your bank's country context and national policies
2. Set baselines and identity priorities
3. Set SMART targets
4. Determine measures and actions
5. Define key performance indicators

Illustrative examples for Financial Inclusion

Defined SMART target

By 2025

- Increase the percentage of bank accounts held by low-income customers by 46% (achieving 30% of the total consumer banking accounts), and business clients that are microentrepreneurs by 40% (achieving 20% of SMEs accounts)
- Raise the use of digital services (actively and consistently used) by 25%
- Increase loan allocation for individuals and microentrepreneurs by 20% each, disbursing USD 300 bn on loans for low-income clients and microentrepreneurs (2020–2025); and substantially decrease the level of over-indebtedness for low-income customers and microentrepreneurs.
- Engage and train 10 million individuals in financial and digital education programmes, in partnership with other institutions across sectors.



[Accessibility and Inclusion Plan](#)



Standard Bank

[Financial Inclusion as a top impact area](#)

03

Main actions and challenges for banks promoting financial inclusion

1_Financial solutions to promote financial inclusion and financial health



New products

Improve or develop new financial solutions targeting and designing for vulnerable customer groups



Pricing & access to account

Define general pricing policy and establish free-of-charge accounts for specific vulnerable groups



Digitalization

Develop digital solutions, easy-to-use digital accounts and digital apps designed in consideration of specific needs



Bank correspondents

Partner with non financial retailers to provide financial services in rural or unattended areas



Financial education

Develop financial and/or digital skills education programmes, financial and digital toolkits



Advisory

Integrate tools and offer financial advisory services to promote financial health and support over-indebted individuals

Main challenge: pricing models and entry costs generate inequality and do not promote financial inclusion because they tend to charge more and pay less to those who have less

2_Internal processes



Risk policies

Improve credit and risk policies to mitigate over-indebtedness, avoid discrimination, define appetite risk by vulnerable groups



Standards and data

Define standards and improve data capture to identify/track vulnerable clients



Culture and training

Nurture a culture based on fairness, inclusiveness and respect on Human Rights. Develop training initiatives



Compensation

Improve remuneration strategies and policies to promote financial inclusion and financial health of customers



Clear information and accessibility

Ensure accessibility in all channels, refine consume protection policies and use transparent, clear and responsible comms and marketing



Sales protocols

Define specific sales protocols for vulnerable groups and/or integrate specific actions into standard sales protocols to ensure they are design-for-all

Main challenges: defining and identifying vulnerable customers and business appetite to embed financial inclusion in mainstream KPIs

3_Stakeholders engagement and partnerships

- (a) **Collaborate** with NGOs, governments, fintech's or other enterprises and banks **for innovative initiatives and systemic changes**

- (b) Set up **partnerships** with academia, think tanks or global networks **to develop and improve methodologies** to measure financial inclusion and financial health

- (c) **Collective effort** for stewardship and **advocate for public policies** for financial inclusion and financial health

BBVA

Creating Opportunities

04

Our journey at BBVA

Sustainability, at the core of BBVA's strategy

OUR PURPOSE

“ To bring the age of opportunity to everyone

A STRATEGIC PRIORITY



Helping our clients transition towards a sustainable future



Renewed push to sustainability in BBVA's strategic plan

Creating opportunities for a greener and more inclusive future for all our stakeholders

Using our role to impact on our clients' behaviors inspired by selected SDGs

BBVA's mobilization within its 2025 Pledge

GREEN FINANCING

62%

OTHER SUSTAINABLE MOBILIZATION

15%

FINANCIAL INCLUSION AND ENTREPRENEURSHIP

12%

SOCIAL INFRASTRUCTURES AND AGRIBUSINESS

11%



(*) Origination until March 21

Climate Change



ENERGY EFFICIENCY

Technologies that reduce energy use

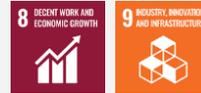
CIRCULAR ECONOMY

Recycling, new materials, responsible use of natural resources

CO2 REDUCTION

Renewables and other clean energy sources

Inclusive Growth



FINANCIAL INCLUSION

Provide financial services to unbanked population

INCLUSIVE INFRASTRUCTURES

Basic services and affordable and sustainable transport

SUPPORT FOR ENTREPRENEURS

Economic growth and productive employment

How we define vulnerable customers at BBVA? (WIP)

Individuals

Vulnerable customers		Standard income threshold	Amplified income threshold	Financing solutions	Access to account and savings	Financial education	Reinforced transparency/clear comms
By income	Income (defined by country)	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
By location	Disaster/emergency zones or rural areas	<input checked="" type="checkbox"/>	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
By other vulnerability factors	Age	-	<input checked="" type="checkbox"/>				
	Disabilities	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Migrants	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Pensioners and people receiving other benefits	-	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Refugees	<input checked="" type="checkbox"/>	-	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Unemployed	-	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Entrepreneurs and microbusiness

Entrepreneurs (up to 3,5 years)

Microbusiness (size defined by country)

Successful financial inclusion experiences at BBVA

Bancarization business strategy in Mexico

Reducing our commissions mhas boosted our sales and bancarization



40%
reduction in
commissions for
new bank account



1.2
million new digital
bank accounts

Digitalization & formalization for SMEs in Mexico

Banca de Barrio



32.000
new clients



66.000
enterprise apps
downloaded

Women entrepreneurs in Turkey

Women Entrepreneur

Garanti BBVA SME Bankings is providing support for Women Entrepreneurs.

€ 850
million loan amount
provided to
women
entrepreneurs by
the end of 2020

Our commitment on financial education and financial health

Through the Global Financial Education Plan, BBVA fosters the acquisition of financial knowledge, skills and abilities that allow people to make better financial decisions and thus access new opportunities

91,4 MM

Investment (2008-2020) 91.4 MM

29,2 MM

People (2008-2020) 29.2 MM

15,7 MM

ADULTS

13,3 MM

CHILDREN &
YOUTH

175,8 K

SME'S

THREE LINES OF ACTION



Financial education for society to promote the acquisition of knowledge, skills and attitudes through the bank's programs and in collaboration with third parties.



Financial education in customer solutions integrating financial knowledge, training and skills into the customer experience to facilitate informed decision-making.

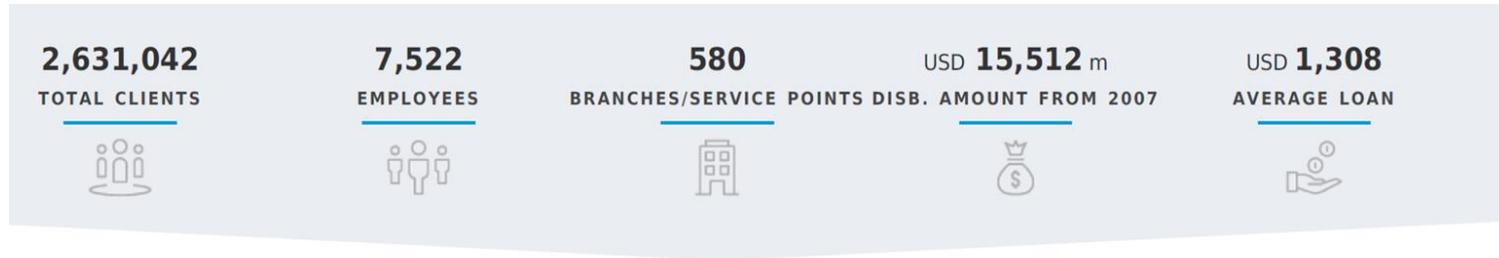


Promotion of financial education through the Center for Financial Education and Capability.

BBVA Microfinance Foundation to support vulnerable entrepreneurs



The leading philanthropic initiative in Latin America, **serving in 2020 over 2.6 million vulnerable entrepreneurs**. Recognized by OECD as the 2nd largest philanthropic institution supporting international financing for development (Colombia, Peru, Dominican Republic, Chile & Panama)



833,951 Client credits



United Nations grants consultative status

60%
WOMEN



32%
RURAL



38%
BASIC EDUCATION



Impact: measuring what really matters



The longer entrepreneurs remain our clients, the more likely they are to generate income over the poverty line

Inequality reduction

% of clients above the poverty line by time banking with the institutions (Dec 2015-2020)



ENTERPRISES



↑ 12% Sales

Annual growth rate

↑ 18% Earnings

Annual growth rate

52% Raise their income

Of clients who took out a loan in 2020, five in ten raised their income since the previous loan

Indirect impacts

12%

of clients generate jobs.

4%

of clients improve their education.

8%

of clients improve their living conditions.

By their third year with the institution.

BBVA

Creating Opportunities

Q & A