

## 2. 2. 6. South America



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

### Definition of the area

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

BBVA's footprint in South America

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

### Management priorities

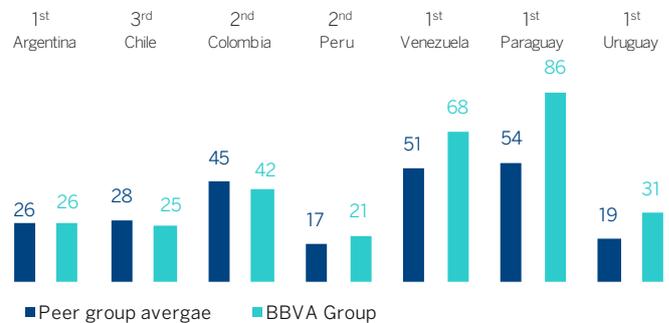
In 2016, the area has focused on the six Strategic Priorities defined by the Group, whose main **objective** is to strengthen BBVA’s leading position in the region and become a benchmark for service quality and capacity to build digital relationships with customers.

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

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

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

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



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

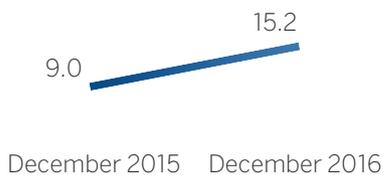
South America will continue working on this line in **2017**, boosting the evolution toward a digital ecosystem. The focus will continue to be on customer experience. In this regard, the region expects to finalize adoption of the new quality model launched in 2016 (*Experiencia Única*), which provides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

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

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

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

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



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

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

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

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

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

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

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

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

- The agile format, which facilitates the rapid and efficient development of solutions and products through the creation of multi-disciplinary teams focused on a common goal. This has enabled transformation initiatives to be implemented in record time, offering customers new capabilities and products. To this regard, a large number of Business Development & Engineering teams in South American countries are already working with this methodology. A total of 215 people have been actively working in 31 scrums.
- Work has also been carried out to transform work spaces in corporate headquarters to make interaction faster and simpler. This transformation, which already began in Chile in 2015, continued to advance in 2016: Argentina was the latest country to join in, with the opening of its new headquarters in Buenos Aires.
- Finally, cultural transformation will play a key role in 2017 as we continue to work on our goal to attract and retain top talent. We will therefore continue boosting the agile methodology, which means implementing a project-based organization.

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

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