

# Customer relationship

## Customer experience

BBVA's main focus of attention is to satisfy its customers' needs and connect with them in a more attractive way that combines innovation, technology and experience. That is because a **new standard in customer experience** is one of the Group's Strategic Priorities, as explained in the Strategy and business model section. BBVA has a customer-oriented business model that offers a differential level of service with a very ambitious goal: to be leaders in customer satisfaction across its global footprint.

### A customer-centric approach

There has been a change in the way customers interact with banks. "Do it yourself", new technologies and the desire of customers to be connected at any time and from anywhere is booming. In this changing scenario, BBVA has a clear strategy: to put the customer at the center of everything we do.

The objective of BBVA is to move from being infrastructure providers around the money to helping our customers in making financial decisions, providing them with relevant advice and solutions with greater added value. In short: at BBVA we want to have a positive impact on the lives of people and companies.

In addition, BBVA promotes a customer-centered mentality throughout the Organization, because it considers all its employees can have a positive effect on customers, regardless of the department they work in. That is why **new ways of doing things** are being implemented, such as:

- The **design thinking** method. This method has recently become an extremely useful tool focused on fostering effective and successful innovation in organizations. Design thinking is a methodology for developing customer-centric innovation, offering a lens through which we can observe challenges, detect needs and overcome them. In other words, design thinking is an approach that uses the sensitivity and problem-solving method of designers to satisfy people's needs in a way that is technologically feasible and commercially viable. In short, it allows the design of new customer experiences. It goes far beyond simple visual design: it guarantees the creation of new

experiences involving people, focusing attention on helping customers at key moments, such as buying a home, sending children to study abroad or moving to another country. To incorporate design thinking in BBVA hundreds of people around the world have been trained in new tools and techniques that are helping implement this methodology in a number of projects, making change possible from the stage of thinking about the design to creating it.

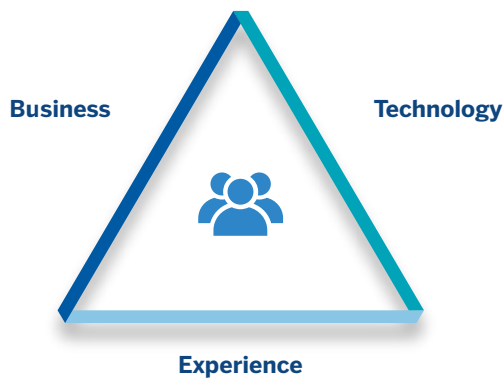
- **Intrapreneurship** is a management and planning system that stimulates the growth of the entrepreneurial spirit within organizations so that the innovative ideas of individuals and groups with a business vision are generated and used to develop new business opportunities. It consists of working as an entrepreneur within the context of a bigger organization. BBVA wants to break down barriers and silos across the Organization, by bringing together the best ideas with the best talent to deliver to its customers. This has been done by using a new internal methodology that challenges intrapreneurs to identify a new idea, ensure the acceptance of key stakeholders, build a prototype, research it with real customers, build a solution, agree a roadmap and pull together a business case; all in only six weeks. This accelerates the innovation process, combining a customer-centric approach, focused work and responsiveness.
- Active collaboration with external suppliers allows BBVA to search for the best ideas and technologies to offer its customers, because not all good ideas come from inside the Organization. This **external collaboration** can take many forms, such as hiring key skillsets from other industries to incorporate new ideas that come from areas such as travel, retail trade, technology, fashion, etc. In addition, BBVA participates and collaborates with many startups and associated ecosystems through the Innovation Centers in San Francisco and Madrid and programs that it has implemented within the new digital ecosystem: BBVA Open Talent and the Open Market AP.

BBVA is also becoming an increasingly **global** bank through its focus on creating global products and experiences. This allows it to leverage best practices, wherever they come from. This model of creation is present in each global project, and is supported by two key elements: the **triangle** and **3-6-9**.

It aims to offer incredible experiences to customers, while reducing execution time.

The **triangle** is formed by three vertices: business, customer experience and technology. It represents the connection between three disciplines in a single project: those responsible for the business, for user experience (designers and data experts) and for technology (or software engineers).

Relationship model



The aim of the **3-6-9** methodology is to speed up the pace of creation and launch solutions onto the market in record time, starting from when teams are defined until the solution is made available to customers.

## New digital ecosystem

Every year BBVA organizes the fintech startups competition **BBVA Open Talent**, a financial technology competition that promotes innovation in the banking and finance ecosystem. Its main aim is to foster BBVA's collaboration with this ecosystem, resulting in specific projects and initiatives designed to create a real impact. In 2017, 798 startups from more than 70 countries competed in the ninth edition of BBVA Open Talent. A total of over €250,000 in prize money was distributed among the different winners of the five categories: Artificial Intelligence, Fintech for Companies, Identity, Regional and Global Trends. Also in 2017, two special prizes were added: Women in Fintech and Financial Inclusion. The winner was the Israeli artificial intelligence startup Change.

In addition the **Open Market API** was launched at the start of 2017, after more than a year of exploration with developers and companies. This is an open banking program that positions BBVA as one of the first major banks to have made many of their APIs (Application Programming Interface) available to businesses. These APIs are the perfect tool for the Bank to develop its vision of how to act in a new financial ecosystem, which will be essentially be formed when in

2018 the European PSD2 Directive is transposed to Spanish legislation. The EU law obliges financial institutions to share their data, thus drastically reducing barriers to market entry for new competitors. With this move, companies, startups and developers will be capable of constructing new products and services by accessing and integrating customers' bank data into their systems and applications (provided that the customers give their consent). This collaborative approach is different from that of the traditional banking business, typically not prepared to share information and open up to outsiders. It is also the logical consequence of a completely new business environment. To achieve this, BBVA has developed nine types of APIs (Customers, Accounts, Cards, Payments, PayStats, Loans, Notifications, Business Accounts and Alipay), which constitute the gateway through which other companies may open up new lines of business and boost their digital transformation.

BBVA is focused on contributing value to customers through APIs based on collaboration with other companies in three vertical lines: i) anonymous aggregate data; ii) personal banking; and iii) business banking. The latest incorporation has been the API Alipay, which allows retailers to connect with the main online means of payment in China. This API offers simple integration with the best possible documentation, making it easier for retailers to accept payments from the Chinese system for their business. The platform opens up the door to a market of nearly half a million Chinese tourists who are estimated to have visited Spain in 2017, who spent a total of €1 billion.

## New solutions launched in 2017

BBVA has continued to deploy global solutions for its customers, making progress in the construction of digital and data capacities.

In 2017 the Group launched a number of products onto the market, such as **Tuyyo**, a mobile app that allows customers to make transfers, send money 24 hours a day and receive funds in a question of minutes, once the transaction has been completed, and access them comfortably and simply, via ATMs, their current accounts or at previously approved stores. The first real pilot was also carried out on international wire transfers based on blockchain technology and APIs. It has made clear how the payment processes can improve significantly by using emerging technologies, turning into clear advantages for customer transactions.

In addition, BBVA has continued to develop global products and solutions across the different geographic areas in which the Group operates, such as **BBVA Wallet** in Colombia and in Peru; the **Commerce360** tool for SMEs in Colombia, which uses big data to offer market studies to customers with POS devices; and the development of **BBVA Net Cash**, an

online banking application for companies that now provides customers' positions in real time.

**Analytical capacities** were also implemented to provide an end-to-end vision of the digital sale processes and more in-depth analysis of their operation.

The following are some of the new customer-centric initiatives and solutions launched in 2017, by **business area**:

### Spain

- **BBVA Bconomy** is a digital and mobile functionality that gives customers a customized diagnostic tool for the status of their financial health, which for the first time measures changes in customers' income and expenses. BBVA Bconomy also offers a demographic comparison with other people in their environment with similar characteristics.
- **Click and Pay** is a new credit line that allows SMEs and self-employed people who are BBVA customers to request financing online or at the branch at zero interest (an opening fee is charged for each amount) and with a renewable annual limit.
- In addition, customers and non-customers in these groups can download a **digital calendar** free from bbva.es that can send them warnings and notifications, including alerts on the dates of the most frequent payments, such as payroll, social insurance and the main taxes.
- **A new mobile BBVA Spain app**, whose design reflects the BBVA tagline "Creating Opportunities", as it continues to allow any transaction to be made from anywhere, simply and easily, but also takes advantage of all the increasing opportunities offered by new technologies and big data. This new app has been recognized by Forrester Research as the best mobile banking application in the world.

### The United States

- **Digital availability of new products**, such as a quick personal loans and credit cards, available to both customers and non-customers.
- **Client Vista**, which reduces the processing time for opening new accounts to 5-7 minutes (before it was 40 minutes). It also makes it easier to add extra products, such as savings accounts and debit cards, and to configure online and mobile banking (all in only a few clicks and not in a separate process). The project was created through the design thinking methodology between employees and technological partners.
- **New functionalities in the mobile app** that allow international wire transfers to be made, increase security and ease of use (facial and fingerprint identification), and most importantly, make it possible to buy new products

with only a couple of clicks, which boosts the rate of adoption of the mobile app. This mobile app has also been named the best banking app by its customer base.

### Mexico

- **BBVA Plan**, an application for savings that offers customers the possibility of creating short-term targets through rules for intelligent and automated savings, which mean that users can save money while spending it. In 2017, 75,000 targets were achieved with more than MXN 250m saved.
- **Financial check-up**, a new mobile functionality geared to maintaining good financial health for its customers. In 2017, 2.5 million more consultations have been recorded.
- **Digital mortgage**, a product for both customers and non-customers that allows them to check whether they are eligible for a mortgage loan and estimate their repayment capacity using a simulator, thus being able to obtain an approved loan that is ready to be formalized.
- Launch of **apartados** (sections) as a financial alternative so that customers can manage the money in their account better and pay all their expenses for the month. A total of 150,000 *apartados* have been generated in the first two months of operation.

### Turkey

- **New dashboard in retail banking** that helps reduce the number of clicks needed to get the information required within the mobile app.
- **Monetary deposits and withdrawals using the QR** (Quick Response) code, through the mobile banking platform, including currency withdrawals.
- **Voice authentication biometrics.**
- **Eye scanning.** Recognition of the iris in mobile banking for access processes.
- **Garanti Plus**, a new operational model in offices that makes use of the benefits of the emerging digital world to reduce waiting time, increase the effectiveness of sales and improve customer service.

### South America

An servicing efficiency plan has been developed in **Argentina**. Its main milestone was the launch of the express office, which is characterized by being operated exclusively using electronic devices. With respect to SMEs, an online risk simulator entered operation to allow an assessment of some products in real time. The Referidos Nóminas (Salary Referrals) campaign was also launched.

In **Chile** new functionalities were launched to improve customer experience. They include BBVA Pass, which can authorize transactions online or through the mobile app without having to use the code card; and the new version of the BBVA Wallet mobile app. In addition, Consumo Go has been launched as an application that offers pre-approved loans to a large universe of non-customers who receive the offer via smartphone.

In **Colombia** anti-theft security was implemented in ATMs in locations where security is not ideal, or at times when ATM thefts are on the increase; Dinero Móvil (Mobile Money) was developed as an application for sending and receiving money; and salary advances were introduced as a way of awarding small consumer loans aimed at customers who receive their salaries by direct billing. Another functionality worth highlighting are online mortgage loans.

In **Peru** Pockets de Ahorro (Savings Pockets) were created as a new solution for simple saving in a single account: customers set a savings target and automatically program the separation of their money until achieving the target. A one-click account was also introduced, which optimizes the process of opening accounts in branches, with identification and signature by biometric means and the contract being sent to the customer's email. The time needed to open an account has been cut from 20 to 2 minutes.

In **Venezuela** a new mobile app called Dinero Rápido (Quick Money) was launched that allows payments to be made immediately to customers and non-customers via their smartphones, and a new instant credit facility, which is the first product that can be contracted end-to-end via mobile apps.

In **Paraguay**, the search for improvements in the customer digital experience was a priority in 2017, so a means of payment was developed that did not need a card to carry out transactions with customers in ATMs and in retailers, using simply the customer's cell phone, thus guaranteeing security and easy use. Also worth noting is the implementation and generation of digital statements, which not only contribute to the environment, but also make statements easier to access for customers, while generating a positive impact on the Bank's costs and on operating processes.

In **Uruguay** the Banred payment app was launched with the BBVA front office, allowing customers to make their payments securely and comfortably, check various aspects of their accounts and recharge their phone balance.

## Net Promoter Score

Agility, simplicity and transparency are key factors that mark the improvement initiatives at BBVA Group to ensure that all customer interactions with the Bank are a positive experience.

The internationally recognized **Net Promoter Score** (NPS or Net Recommendation Index - IReNe) methodology calculates the level of recommendation, and hence, the level of satisfaction of BBVA customers with its different products, channels and services. This index is based on a survey that measures on a scale of 0 to 10 whether a bank's customers are positive (score of 9 or 10), neutral (score of 7 or 8) or negative (score of 0 to 6) when asked if they would recommend their bank, a specific product or a channel to a friend or family member. This is vital information for identifying their needs and drawing up improvement plans, on multidisciplinary teams work to create unique and personal experiences.

The Group's interiorization and application of this methodology over the last six years has led to a steady increase in the customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

Improvements implemented in **2017** are described below, as a result of the analysis of the information facilitated by the NPS methodology:

- **Spain:** design and development of the new Siente la Experiencia (Feel the Experience), to be implemented in 2017 and 2018.
- **The United States:** application of transparency, clarity and responsibility (TCR) criteria across all the channels.
- **Mexico:** integration of customer voice recognition within projects, providing a differential customer experience from the start (quality at origin).
- **Turkey:** redesign of the complaints management process and implementation of an analysis tool based on big data to map and monitor the customer journey.
- **Argentina:** integration of the design thinking methodology in strategic projects, with a user-centric design; and transformation of its chat into an information hub that forms a bridge between the different channels.
- **Chile:** implementation of a new model of service in branches, with a clear focus on transparency and improvement of contact with the manager.
- **Colombia:** implementation of improvements in the digital channels.
- **Peru and Uruguay:** introduction of online measurements in the digital channels to make speedy improvements in these channels/apps.
- **Paraguay:** diagnosis and improvement actions in issues

related to excellence in face-to-face and phone service, with special emphasis on the training and certification of executives in effective customer service.

- **Venezuela:** implementation of a new customer feedback model (IReNe 2.0).

In **2017**, BBVA ranked first in the NPS indicator in eight countries (seven in 2016): Spain, Mexico, Turkey, Argentina, Colombia, Peru, Venezuela and Paraguay. By channels, there was also an improvement in this indicator in both digital banking and branches, with the improvement experienced among digital customers being greater.

Net Promoter Score (NPS) (31-12-2017)

 Spain #1	 Colombia #1
 Mexico #1	 Peru #1
 Turkey #1	 Paraguay #1
 Argentina #1	 Venezuela #1

Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular // Mexico: Banamex, Santander, Banorte, HSBC // Turkey: Akbank, Isbank, YKB, Deniz, Finans // Argentina: Galicia, HSBC, Santander Río // Colombia: Davivienda, Bogotá, Bancolombia // Peru: Interbank, BCP, Scotiabank // Paraguay: Continental, Itaú, Regional // Venezuela: Banesco, Mercantil, Banco de Venezuela.

## TCR Communication

### The Transparent, Clear and Responsible (TCR) Communication

is a project that promotes transparent, clear and responsible relations between BBVA and its customers.

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

The **objectives** are to help customers make informed decisions, improve customer relations with the Bank, look out for their interests and make BBVA the most transparent and clearest bank in all the markets where it operates. It also means BBVA can attract new customers and encourage existing customers to recommend it.

The project is **coordinated** by a global team, together with a network of local TCR owners located in the main countries where the Bank operates, while its execution involves the participation of many of the Bank's areas and employees.

The project has two main **lines of work**:

- Implement TCR to transform the traditional bank, through the creation of TCR product leaflets, the adaptation of the contracts to a TCR format, the amendment of the claim response letters and the follow-up of the telephone sales and advertising of the Entity.
- Implement TCR in the new bank and progress in training and change towards a TCR culture .

### TCR communication to transform the traditional bank

#### ■ TCR product leaflets

TCR product leaflets are short documents used by business managers to describe financial products to customers detailing their benefits, advantages, costs and risks. The objective is the customers have all the information they need to make informed decisions. Currently there are leaflets for 90% of the contracts concluded with individual customers in Spain, Mexico, Argentina, Chile, Peru, Colombia and Venezuela. In the United States, coverage is slightly below this figure; and in Turkey, the project began in 2017. The TCR product leaflets have also been introduced in the SME and commercial segments in Spain, Mexico, Peru, Colombia and Venezuela.

In **2017**, BBVA introduced more than 90 new TCR leaflets and maintained all those already in place. It also initiated actions to encourage their continued and appropriate use by business managers.

For **2018**, the objective is to conclude the process of implementation and guarantee the continued use of these leaflets.

#### ■ TCR contracts

This initiative involves reworking current customer contracts and structuring them in a more intuitive way with an easy to understand language.

In **2017**, new TCR contracts were introduced in Spain, Mexico, Argentina, Chile, Peru and Venezuela (a total of 22 new TCR contracts in 2017).

For **2018**, the aim is to continue with the implementation process, first addressing the contracts for the most common products and those related to the purchase of products via digital channels.

#### ■ Telesales script

In **2017**, the work team in Colombia, Peru and Argentina implemented new TCR telesales scripts to ensure that the information provided during each call is complete and clear. A total of 22 sales scripts were introduced, representing 80% of the contracts in these countries.

In **2018**, the aim, as in the case of the TCR product leaflets, is to conclude the process of implementation and guarantee the continued use of these scripts.

#### ■ **Claims**

In **2017** the claims teams from Chile, Peru and Venezuela modified the main letters of response to claims from customers with the aim of making them TCR (41 new letters in 2017).

The challenge for **2018** is to continue with this process and consolidate it.

#### ■ **TCR advertising**

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

The objective for **2018** is to continue with these studies and work to secure BBVA's position as a global leader in clarity and transparency.

### **TCR Communication in the new bank**

#### ■ **TCR in new digital solutions**

In **2017**, BBVA has extended the number of global digital projects (with implementation in a number of countries) for which there are TCR experts. These projects focus on the key experiences of web and mobile customers.

The plan for **2018** is to continue along the same lines.

### **TCR training**

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

In **2017**, in addition to organizing numerous workshops for workers involved in these initiatives, the Group has developed online training content. The first BBVA Clear Language program has been launched, with a pilot training scheme that will extend to the legal departments of all the countries in 2018 to boost clarity and transparency in interaction with customers.

Also for **2018**, the aim is also to make progress with disseminating TCR among all the Group's partners through a new wave of the training initiatives that have already been created, as well as by launching a new training action that helps apply the TCR principles in day-to-day activity.

### **TCR indicators**

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

In **2017**, BBVA was in first place in six countries: Mexico, Turkey, Colombia, Peru, Venezuela and Uruguay.



## Customer care

### Complaints and claims

The Group has an appropriate claims management and service **model** that positively transforms customer experience. Customer opinions are gathered by digital feedback quickly and efficiently, allowing BBVA to anticipate any problems that they may have in real situations and meet their expectations. In this way, BBVA wants to respond precisely to its customers' demands, avoiding bad experiences that can harm its image and lose trust.

In line with the commitment to **digital transformation**, any type of opinion provided by the customer is examined, whatever its source (NPS, digital feedback, complaints, claims, etc.). In addition, BBVA is active in the social media, which gives it the opportunity to respond and manage negative comments from dissatisfied customers, and offer solutions to problems with simple, friendly, quick and above all personalized responses.

#### Main indicators of claims (BBVA Group)

	2017	2016	2015
Number of claims before the banking authority (for each 10,000 active customers)	10.02	9.93	8.95
Average time for settling claims (normal days)	7	12	11
Claims settled by First Contact Resolution (FCR) (%)	31	37	30

The various **claims units** in BBVA Group are constantly evolving, optimizing processes and improving and developing new functionalities to which defined protocols are applied. All this will lead to greater efficiency in the service offered to customers.

In addition, work continues on a specific **site** for recording and monitoring the claims metrics. All the information related to complaints and claims is loaded into it, and it generates reports that analyze changes and behavior that is reported to senior management. The site also includes work on a system of alerts on the main claims indicators by country, designed to ensure compliance with the benchmark indicators based on the acceptable number of claims for each country.

The Group's claims units implement periodic **action plans** that prioritize the most important initiatives to be carried out and resolve the problems detected, based on understanding of the root causes identified in the claims analysis.

In short, BBVA's claims management is an opportunity to offer greater value to customers and increase their loyalty to the Group.

Customer claims in **2017** showed a growth trend compared to the previous year in Spain, a very focused increase in clauses related to mortgage loans. Mexico, with the biggest active customer base, is also the country with the biggest number of claims.

#### Number of claims before the banking authority (For each 10,000 active customers) <sup>(1)</sup>

	2017	2016	2015
Spain	4.87	0.82	0.66
The United States	4.96	n/av	n/av
Mexico	16.12	19.87	19.12
Turkey	3.21	3.76	4.29
Argentina	2.68	1.90	1.96
Chile	5.55	5.90	7.09
Colombia	21.65	19.69	15.51
Peru	2.21	2.02	1.58
Venezuela	1.04	1.93	2.18
Paraguay	0.79	0.19	0.00
Uruguay	0.41	0.39	0.88
Portugal	34.84	43.66	33.63

n/av = not available.

<sup>(1)</sup> The banking authority refers to the external body in which the customers can complain against BBVA.

The **average time for settling claims** in the Group has been reduced by nearly half, mainly due to the significant reduction in the average time for resolution in Mexico (from 13 days in 2016 to 4 in 2017).

#### Average time for settling claims by countries (normal days)

	2017	2016	2015
Spain	25	15	35
The United States	3	n/av	n/av
Mexico	4	13	10
Turkey	2	1	1
Argentina	7	8	6
Chile	5	6	9
Colombia	4	4	4
Peru	12	15	19
Venezuela	13	4	4
Paraguay	6	5	6
Uruguay	8	6	6
Portugal	5	3	4

n/av = not available.

The claims settled by the First Contact Resolution (FCR) model account for 31% of total claims, thanks to the management and attention of these claims are aimed to reduce the time of resolution and increase the quality service, improving so the customer experience.

Claims settled by First Contact Resolution (FCR. Percentage)

	2017	2016	2015
Spain <sup>(1)</sup>	n/a	n/a	n/a
The United States	63	n/av	n/av
Mexico	38	40	18
Turkey <sup>(2)</sup>	44	39	43
Argentina	27	34	42
Chile	6	18	10
Colombia	73	78	63
Peru	4	4	17
Venezuela	1	8	21
Paraguay	28	35	60
Uruguay	12	16	17
Portugal <sup>(3)</sup>	n/a	n/a	n/a

n/av = not available.

n/a = not applicable.

<sup>(1)</sup> In Spain, is applicable a FCR type called IRR (Immediate resolution response) to credit card incidents, but not claims.

<sup>(2)</sup> In Turkey, the weighting is calculated by the total number of customers.

<sup>(3)</sup> This kind of management does not apply in Portugal.

## Customer Care Service and Customer Ombudsman

The **activities** of the Customer Care Service and Customer Ombudsman in 2017 were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated 11 March, of the Ministry of the Economy, regarding customer care and consumer ombudsman departments at financial institutions, and in line with the new "Regulations for Customer Protection in Spain" of the BBVA Group approved by the Board of Directors of the Bank in 2015, regulating the activities and powers of the Customer Care Service and Customer Ombudsman.

The Customer Care Service processes **claims and complaints** addressed to both the Customer Ombudsman and the Customer Care Service itself in the first instance, except for matters falling within the powers of the Customer Ombudsman as established in the aforementioned regulation.

### Activity report on the Customer Care Service in Spain

2017 was marked by a difficult environment, above all relating to the various clauses in mortgage loan agreements (arrangement fees), which have conditioned the figures for claims in the Spanish financial system. In addition, the Customer Care Service Department assumed the claims of all customers from Catalunya Bank, which were integrated into BBVA in September 2016, which resulted in a greater number of claims compared to the previous year.

Customer **claims** admitted by BBVA's Customer Care Service in Spain amounted to 174,249 cases in 2017, of which 171,146 were resolved by the Customer Care Service itself and concluded in the same year, which accounted for 98% of the total. A total of 3,103 cases remained as pending analysis.

On the other hand, 153,061 cases were not admitted to processing as they did not comply with the requirements of OM ECO/734. Practically 90% of the claims received corresponded to mortgage loans, mainly to expenses from the formalization of mortgages.

In 2016, the admitted claims amounted to 23,060 and the cases resolved and concluded amounted to 18,477, an 88% of the issues.

Claims handled by Customer Care Service by complaint type (Percentage)

Type	2017	2016	2015
Resources	9	24	26
Assets products	79	27	20
Insurances	1	7	8
Collection and payment services	2	8	17
Financial counselling and quality service	2	7	9
Credit cards	4	10	9
Securities and equity portfolios	1	5	4
Other	2	12	7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Claims handled by Customer Care Service according to resolution (Number)

	2017	2016	2015
In favor of the person submitting the claim	29,041	7,071	4,750
Partially in favor of the person submitting the claim	90,047	2,830	1,738
In favor of the BBVA Group	52,058	10,378	7,827
<b>Total</b>	<b>171,146</b>	<b>20,279</b>	<b>14,315</b>

The claims management **model** and the principles governing the activity of the Customer Care Service are aimed at achieving recognition and trust on the part of the Group's customers, with the aim of increasing their satisfaction levels. The model operates from the origination stage, as the Customer Care Service sits on the committees presenting new products and services. In this way, possible customer dissatisfaction can be anticipated and avoided.

Additionally, in accordance with the recommendation of the regulatory body, progress continued in 2017 on the ambitious **training plan** that has been created for the whole team making up this Service. The aim is to guarantee the BBVA managers have the knowledge to improve identification of customer needs and contribute high added value solutions.



## Report on the activity of the BBVA Group Customer Ombudsman in Spain

In 2017, the Customer Ombudsman maintained the goal common to the BBVA Group as a whole of unifying criteria and fostering the protection and security of customers, making progress in compliance with regulations on transparency and customer protection. With the aim of passing on effectively its reflections and criteria on matters subjected to its consideration, the Ombudsman meets with areas and units in BBVA Group: Insurance, Pension Plan Manager, Business, Legal Services, etc.

The number of customer **claims** managed by the Customer Ombudsman for resolution in 2017 was 1,661. Of these, 121 were finally not processed as they did not meet the requirements set out in OM ECO/734/2004.

Claims handled by the Customer Ombudsman by complaint type (Number)

Type	2017	2016	2015
Insurance and welfare product	600	590	459
Assets operations	367	305	161
Investment services	133	141	59
Liabilities operations	257	175	101
Other banking products (credit card, ATMs, etc.)	140	100	48
Collection and payment services	69	63	37
Other	95	127	100
<b>Total</b>	<b>1,661</b>	<b>1,501</b>	<b>965</b>

The **type** of claims managed in the table above follow the criteria established by the Claims Department of the Bank of Spain in their requests for information.

Claims handled by Customer Ombudsman according to resolution (Number)

	2017	2016	2015
In favor of the person submitting the claim	-	-	2
Partially in favor of the person submitting the claim	797	861	544
In favor of the BBVA Group	622	516	324
Suspended processing	8	-	-
<b>Total</b>	<b>1,427</b>	<b>1,377</b>	<b>870</b>

51.5% of the customers who submitted a claim to the Ombudsman in 2017 reported some level of satisfaction, either because of the decision of the Customer Ombudsman or its role as mediator between BBVA Group entities and customers.

Customers who are not satisfied with the Customer Ombudsman's response may refer the matter to the official **supervisory bodies** (the Bank of Spain, CNMV and the Directorate General of Insurance and Pension Funds). The number of claims submitted by customers to the supervisory bodies in 2017 was 127.

In 2017, BBVA Group continued to make progress in implementing the suggestions of the Customer Ombudsman related to adapting products to the profile of customers and the need for transparent, clear and responsible information. The recommendations and suggestions made by the Customer Ombudsman are focused on increasing the level of **transparency and clarity** of information that BBVA Group provides for its customers, both in its commercial products that it makes available to them, and in compliance with the orders and instructions issued by customers. The aim is to guarantee that customers understand the nature and risks of the financial products that they are offered, that the product is adapted to the customer profile and that the information provided by the Entity is impartial and clear, including the advertising targeted at customers. To do so, the Group is employing the Transparent, Clear and Responsible (TCR) communication initiative for Responsible Business, providing as much data and documentation as necessary.

In addition, with the increasing digitalization of the products offered to customers and their growing complexity, a special sensitivity is required with some groups of customers that due to their profile, age or personal situation present a high level of vulnerability.

## Operational risk management and customer protection

**Security measures** have been strengthened in 2017 as a result of the increase in cyber threats and cyber crime in general. Protection and prevention strategies have been applied to mitigate the risk of attacks and their possible impacts on internal and external resources.

A working **methodology** has been developed to allow the deployment of baselines (resources, capacities, plans and responsibilities) according to the different vectors of attack, based on four key elements: prevention, preparation, response and recovery. This working methodology forms part of a general framework that BBVA defined at the end of 2016 for the Group's organizational resilience, geared to:

- improving the procedures for detection, prioritization and escalation;
- improving the global capacity for reaction and response; and
- strengthening the technical teams in all the countries dedicated to cybersecurity and engineering risk management.

In addition, the capacities created by the Engineering Risk & Corporate Assurance (ERCA) committee have been consolidated in the area of **security** mechanisms, and specifically in the area of identification and authentication, allowing the Group to generate new customer experiences

and improve existing ones. As a result of this work with a single team, together with the business areas, and with the precept that the customer is first, a significant increase in new experiences for customers has been noted, which allows BBVA to follow the path of the latest technological innovations offered by the major players.

Examples of this are iris ID access by customers to mobile banking, supported by the technology offered by Samsung devices, access by Face ID, or the possibility of ordering transfers through Siri using the Apple technology. All these make perfectly clear the great responsiveness when it comes to creating new customer opportunities, thinking fast and thinking big, taking into account the available capacities for security, and without reducing the level of protection required by legislators and industry standards.

A number of initiatives have been taken within the area of **business continuity**, in other words, incidents with a low probability of occurrence and very high impact, such as reviewing and updating the corporate regulations; continuing with the implementation of the business impact analysis, with the resulting update of the continuity plans; and reviewing technological dependency on critical processes, informing the corresponding continuity committees of their results so they can be aware and improve response where necessary, in a scenario of unavailability due to failures in the information systems.

During **2017** numerous business continuity strategies have been activated in BBVA Group, among them related to the earthquakes in Chile, and particularly Mexico; those affecting the United States as a result of hurricanes and storms: Harvey in Texas, Irma in Florida and Stella in New York; the problems of social conflict in Venezuela; serious flooding in the north of Peru; and the torrential rains in the area of Mocoa, Colombia.

As regards **personal data protection**, there has been much work done in 2017 to implement the General Data Protection Regulation in BBVA Group, which will enter into force in 2018. Moreover, in compliance with one of the new requirements under the aforementioned Regulation, a Data Protection Officer for the BBVA Group was appointed.

With respect to the personal data **security** measures, and in line with the above, a supplementary organizational project was implemented to review and update all functions, processes, methodologies, classification models, controls, incident management, etc. and ensure they are adapted to the new Regulation.