

Strategy and business model

Vision and aspiration

During 2017, the BBVA Group made significant progress on its **transformation** process, firmly underpinned by the Group's Purpose and six Strategic Priorities. The Bank's strategy has been strengthened with a particular focus on digitalization and customer experience under a new tagline: "Creating Opportunities", as well as the Values established to steer the behavior of the Organization as a whole. A necessary transformation process in order to adapt to the new environment in the financial industry described previously and preserve its leadership.

■ Regulatory pressure and impact on bank profitability

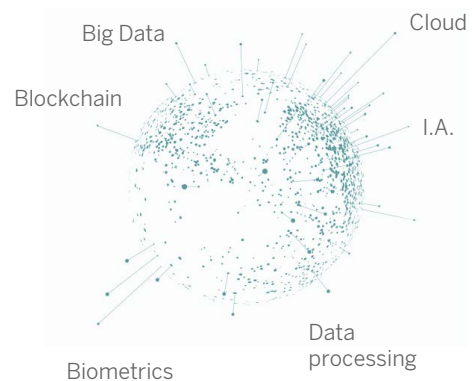
The financial industry is facing an environment characterized by an onslaught of **regulatory reform** which has been carried out in recent years at a global level, which has resulted in regulatory changes in diverse areas ranging from solvency, liquidity, separation of activities, bank resolution, as well as affecting investment banking activities.

■ Technology

New **technological developments** (big data, artificial intelligence, blockchain, the cloud, data processing, biometry, etc.) represent a major step forward in improving the customer experience, enable data and algorithms to be analyzed automatically, as well as providing easy access to the best solutions available on the market and, by default, the most beneficial conditions. Technological innovations reduce unit costs thanks to process automation and scalability.

Within this context, the pace of **change** in the environment in which BBVA operates is accelerating: exponential growth in new technologies is providing customers with new products and services tailored to their evolving needs, at the same time as significant changes are taking place in the different sectors and companies, which is leading to a weakening of boundaries between sectors.

Environment in which BBVA operates



■ Shifting consumer needs

Customers are seeking **a new type of banking relationship** and are demanding greater added-value services based on new needs. Technology is enabling these new demands to be met.

We are in an environment where the **irruption of mobile devices** has led to changes in the distribution model: consumers are permanently connected (wanting to operate at any time from any place), well accustomed to digital experiences (expecting proactive and personalized assistance in managing their money) and making use of multiple devices and applications (seeking the best experience for each of their financial needs). The fact is that the number of mobile banking users worldwide has grown exponentially in recent years and customers are increasingly interacting through these devices.

Furthermore, a **socio-demographic** shift is underway which should also be taken into consideration. The millennial generation has a clear digital profile and constitutes a new group of consumers requiring services. Digitization is reaching the adult population (greater number and with more purchasing power in developed markets). Middle classes in emerging countries are also increasing their digital potential.

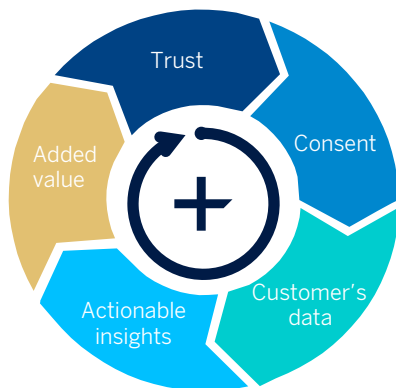
■ **New entrants**

At the same time, **new players** are entering the financial industry and specializing in specific parts of the value chain (payments, financing, asset management, insurance, etc.). Their disruptive proposals are based, mainly, on a better customer experience and a greater specialization in certain products. These new players include fintech companies as well as digital giants, who are already competing with banks in the new environment, offering very attractive value propositions and with major potential.

■ **Data are the key**

Data form the crucial element for helping people take financial decisions, provided customers consent to their data being used. In this regard, at BBVA we believe it is essential to create a trust circle with customers, given that data are a crucial element for better understanding them. Applying intelligence to these data can provide customers with personalized services that offer higher added-value, which will increase the trust, thus completing this circle.

Trust circle



Within this context, the main objective of the BBVA Group's transformation strategy, its **aspiration**, is to strengthen the relationship with its customers. Customers should be the main beneficiaries of this new environment in which the democratization of financial services is taking place. To do so, BBVA is redefining its value proposition, based on the real needs of its customers, helping them make better financial decisions through a clear, transparent and honest product and service offer, in order to gain their trust.

Our aspiration




In addition, the **value proposition** of BBVA must also be easy and accessible; in other words, a proposition that offers access to its services at any time, from any place and by the means chosen by each individual customer, whether on a do-it-yourself basis via digital channels, or through human interaction. We have to help our customers take decisions in their best interests, helping them to manage their day-to-day finances, providing products and services in a proactive, innovative and personalized way, as well as making the most suitable recommendations from among all possible financial alternatives.

Progress in BBVA's transformation journey


During 2017, BBVA has continued to make progress in achieving its **Purpose** to bring the age of opportunity to everyone, through products and services which help people to make better financial decisions and fulfill their goals in life.

In this regard, and in line with its Purpose, significant steps have been taken in pursuit of the Group's six **Strategic Priorities** so as to make headway in this transformation process.


Strategic Priorities




New standard in customer experience




Digital sales




New business models



Optimize capital allocation



Unrivaled efficiency



A first-class workforce

1. A new standard in customer experience

BBVA Group's main focus is on providing a new standard in customer experience that stands out for its simplicity, transparency and swiftness, further empowering its customers while offering them personalized advice.

BBVA increased its customers' empowerment in **2017** by expanding the number of products available on a do-it-yourself basis, allowing them to interact with BBVA at any time and from any place.

This is reflected in the 2017 Global Mobile Banking Benchmark study by Forrester Research which judged BBVA's application in Spain to be the **best mobile banking application in the world**.

Significant progress has been made in improving the customer experience in terms of the relationship model and products and functionalities.



- Various projects have been launched as part of the **relationship model**: MIA, a virtual mobile information assistant, and Facebook Messenger BOT (Turkey), live chat (Mexico), the front-office tool (Peru) and fast track in branches (Spain).

- Some of the more prominent **new products and functional features** developed this year include: Beconomy and BBVA Cashup (Spain), Tuyyo and digital loans to non-customers (the United States), BBVA Plan - financial objectives and BBVA financial situation check up (Mexico), iris recognition login and Garanti Pay (Turkey), one-click credit cards (Argentina) and microinsurance against theft from cash withdrawals (Colombia).

In essence, BBVA has a customer-oriented business model that offers a differential service with one very ambitious **goal**: to be leaders in customer satisfaction across its global footprint.

In order to know the level of recommendation of BBVA's customers, and therefore, their level of satisfaction, the Group applies the **Net Promoter Score** (NPS) methodology, as explained in the section on Customer relationship. The internalization and application of this methodology 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.

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

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

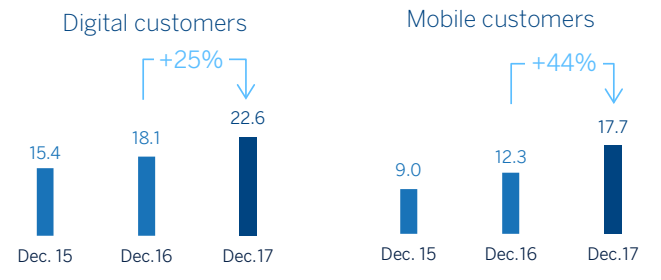
Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular // Mexico: Banamex, Santander, Banorte, HSBC // Turkey: Akbank, Isbank, YKB, Deniz, Finanz // Argentina: Galicia, HSBC, Santander Río // Colombia: Davivienda, Bogotá, Bancolombia // Peru: Interbank, BCP, Scotiabank // Paraguay: Continental,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

2. Digital sales

At BBVA, it is essential to foster **digitalization** as part of its transformation journey while boosting business on digital channels. In this regard, the Bank is developing a significant digital offering of products and services.

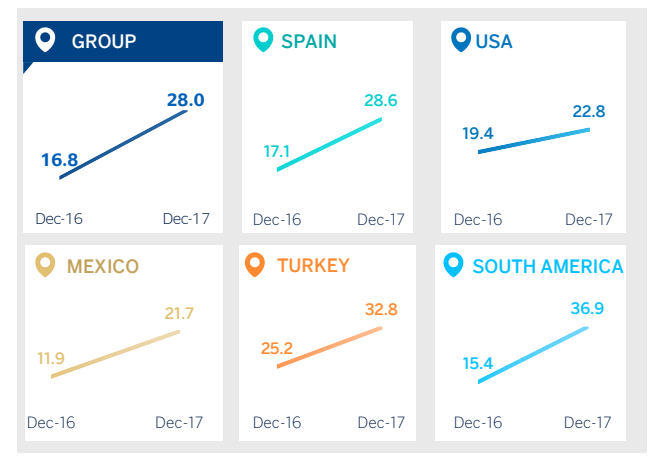
The relationship model of BBVA is evolving to adapt to the multi-channel profile of its customers. The number of **digital and mobile customers** in BBVA Group grew considerably in 2017. The 50% tipping point in digital customers has been reached in most of the countries where BBVA is present (Spain, the United States, Turkey, Argentina, Chile and Venezuela).

Digital and mobile customers (BBVA Group. Million)



Furthermore, a significant boost to **sales through digital channels** is being made, which is having a very positive evolution across the global footprint. In 2017, five million units were sold through the mobile devices.

Digital sales trend (By geography. Year-on-year percentage of digital sales, number of transactions)



3. New business models

Developing new business models is one of the Group’s Strategic Priorities. During **2017**, BBVA has continued to consolidate as one of the reference banks in digital transformation and activity in the entrepreneurship ecosystem. New business models have been developed and implemented through five key levers: i) exploring, ii) constructing, iii) partnering, iv) acquiring and investing and v) venture capital.

i. Exploring: seeking out new business opportunities arising from companies (startups) and connecting the solutions which have been identified with internal projects with the goal of achieving real impact. Open innovation is a key element for ensuring BBVA can bring the age of opportunity to its customers. BBVA is connecting with the global fintech ecosystem to create collaboration opportunities which are embodied in specific projects and initiatives aimed at having a real impact. This work has three main dimensions:

- Firstly, we identify needs and opportunities within BBVA from our global and local strategies. This work is ongoing in collaboration with all business teams and cross-functional areas.
- Secondly, we attract and contact leading startups worldwide who are working to transform the industry. These companies are then subjected to an assessment process with the goal of understanding their strengths and potential to collaborate with the Group.
- Thirdly, we connect these startups with the appropriate BBVA teams in accordance with their needs. The goal of this process is to generate genuine collaborations with potential to make it all the way to our customers. 22 collaborations were initiated in 2017.

The ninth edition of the **BBVA Open Talent** fintech startups competition is a particularly prominent example of the exploring activity undertaken in 2017. More detail on the latter is provided in the Customer relationship section ([New digital ecosystem](#)).

The Group also possesses a network of spaces which serve as a meeting point between BBVA and the ecosystem. The **BBVA Open Space** network currently includes Madrid, Bogota and Mexico. In 2017, more than 30,000 people visited the Madrid space, where they could experience activities such as events, workshops, courses and talks designed to lead the fintech conversation in Spain, generate reputation among the main stakeholders and promote a cultural shift in the BBVA teams. The space was shared with startups, investors and other agents, allowing the exchange of knowledge and experience and demonstrating BBVA’s commitment to and support of the growth of the ecosystem. Research activity on the design carried out in the BBVA Open Space Living Lab included 35 field tests associated with improvement projects for the Group. In essence, it is a place for meeting, innovating and learning for startups and BBVA alike.

BBVA has also participated in key events relating to new technologies and developments in the fintech world (Money2020, Next Money, Seedstars, etc.).

- ii. Constructing:** BBVA has also decided to commit to creating an internal incubation model that combines internal talent and know-how in partnership with “resident” entrepreneurs. Six companies were launched to market in 2017:
- **Muno:** a new form of offering insurance designed specifically for self-employed workers, which is 100% digital and focused on concepts of community, equitable risk and accessibility. The company was launched in Spain in May and has plans to broaden its portfolio of products and regions.

- **Trustu:** an online platform which helps facilitate financing for Spanish SMEs. Trustu takes advantages of the opportunities that will be on offer under the Payment Services Directive (PSD2) to improve the supply to the small company segment. It was launched in the summer of 2017 and is currently being tested.
- **Denizen:** created with the idea of becoming a bank for expats, offering a single bank account with local numbers in each of the countries in which they operate. It has begun operating in the corridor between Europe and the United States.
- **Azlo:** a 100% online bank for small companies in the United States. Over 5,000 customers are currently on a waiting list to receive an invitation with 400 accounts already created.
- **Covault:** a high-security biometric solution for protecting and sharing online identities which was launched in December.
- **Tuyyo:** a secure and rapid application for sending money via cellular devices with the option to collect it from an ATM. This application has been launched in the corridor between the United States and Mexico.

iii. Partnering through strategic alliances: BBVA's ranking as a leading bank in many countries and its digital reputation have attracted the interest of a number of fintech and technology companies. The goal is to reach mutually beneficial agreements that also contribute to providing our customers with a better value proposition. BBVA teams played an active role in the ecosystem in **2017** which has given rise to agreements with companies such as Alipay, Raisin, Walmart, Amazon and Ripple.

iv. Acquiring and investing: thanks to this active role in the fintech ecosystem, BBVA is now considered to be an attractive investor for startups looking not only

for a financial investor, but also a strategic ally. BBVA considers investing in companies of this type a form of accelerating its digital transformation and an excellent way to incorporate new products and markets, not to mention talent and digital and entrepreneurial capabilities. BBVA remained intensely active in this area during 2017, evaluating over 130 companies as potential targets. Two operations have been concluded.

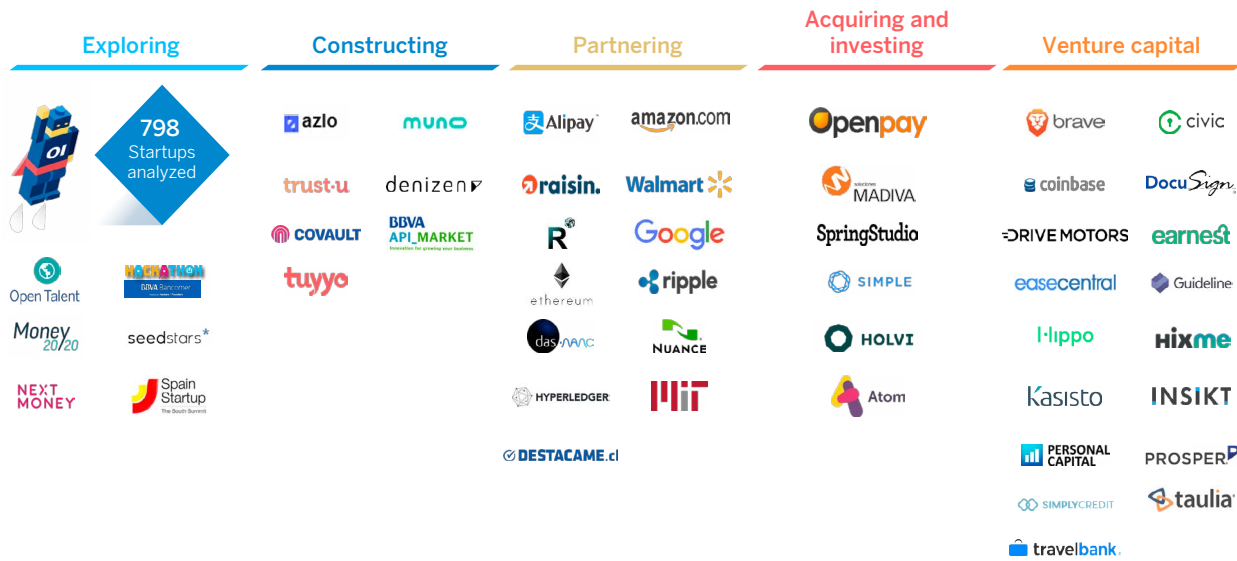
- Participation in the share capital increase in ATOM with the goal of maintaining the 29.5% stake acquired in 2016 in the UK's first licensed digital-only bank.
- Completion of the acquisition of Openpay, a Mexican startup offering online payment solutions.

v. Venture capital: complementary to its strategic activities, BBVA invests, through the independent venture capital company, Propel Ventures Partners, in fintechs and startups which are "rethinking" the financial industry. BBVA's goal is not to control these companies but rather to play a role as an ally and/or advisor on all aspects where the company may need support, as such BBVA has taken minority stakes of up to 20%.

Propel continued its activity in **2017** and has acquired significant positions in a range of startups. To date it has invested in 24 different startups, which cover both financial issues related to insurance (Hixme, Hippo), payments, financing (Prosper, Earnest, Insikt), asset management (Personal Capital, Guideline) and blockchain (Coinbase, Civic, Brave), among others.

It is also worth highlighting that a separate international fund - Propel Venture Partner International - has been created with the purpose of investing outside of the United States, which is also managed by the Propel team. This fund will form part of the \$250m that BBVA has committed to Propel Venture Partners.

New business models

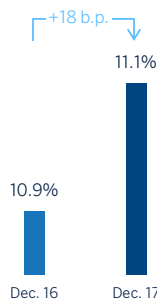


4. Optimize capital allocation

The objective of this priority is to improve the profitability and sustainability of the business while simplifying and focusing it on the most relevant activities.

During 2017, efforts have continued to sensitize the Organization to the importance of the correct allocation of capital. To this end, work has been undertaken to develop new tools to correctly measure the profitability of each activity. These tools are being incorporated in management and corporate processes, enabling the Group to continue making progress in terms of solvency. Accordingly, the fully-loaded CET1 capital ratio stood at 11.1% at the end of 2017, up 18 basis points on the close of the previous year.

CET1 fully-loaded (Year-on-year in basis points)



5. Unrivaled efficiency

In an environment of lower profitability for the financial industry, efficiency has become an essential priority in BBVA's transformation plan. This priority is based on building a new organizational model that is as agile, simple and automated as possible.

In this regard, in 2017 BBVA identified the key levers and developed the action plans necessary to make this change a reality. The Bank is thus transforming its distribution model, systems architecture, model of operations, organizational structures and processes. And it is doing so without losing sight of providing a new standard in customer experience.

In 2017, the efficiency ratio closed at 49.5%, below the figure of 51.9% in the previous year.

Efficiency ratio (BBVA Group, Percentage)



6. A first-class workforce

BBVA Group's most important asset is its people, which is why having "a first-class workforce" is one of the six Strategic Priorities. This entails attracting, selecting, training and retaining top-class talent wherever it may be.

BBVA Group has developed new people management models and ways of working which have enabled the Bank to keep transforming its operational model, but have also enhanced its ability to become a purpose-driven company: a company where staff are genuinely inspired and motivated to work for the same Purpose of: bringing the age of opportunity to everyone.

Our Values

BBVA is engaged in an open process to identify the Group’s Values, which took on board the opinion of employees from across the global footprint and units of the Group. These Values define our identity and are the pillars for making our Purpose a reality:

1. Customer comes first

BBVA has always been customer-focused, but the customer now comes first before everything else. The Bank aspires to take a holistic customer vision, not just financial. This means working in a way which is empathetic, agile and with integrity, among other things.

- **We are empathetic:** we take the customer’s viewpoint into account from the outset, putting ourselves in their shoes to better understand their needs.
- **We have integrity:** everything we do is legal, publishable and morally acceptable to society. We always put customer interests’ first.
- **We meet their needs:** We are swift, agile and responsive in resolving the problems and needs of our customers, overcoming any difficulties we encounter.

2. We think big

It is not about innovating for its own sake but instead to have a significant impact on the lives of people, enhancing their opportunities. BBVA Group is ambitious, constantly seeking to improve, not settling for doing things reasonably well, but instead seeking excellence as standard:

- **We are ambitious:** we set ourselves ambitious and aspirational challenges to have a real impact on people’s lives.
- **We break the mold:** we question everything we do to discover new ways of doing things, innovating and testing new ideas which enables us to learn.
- **We amaze our customers:** we seek excellence in everything we do in order to amaze our customers, creating unique experiences and solutions which exceed their expectations.

3. We are one team

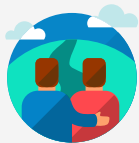
People are what matters most to the Group. All employees are owners and share responsibility in this endeavor. We tear down silos and trust in others as we do ourselves. We are BBVA.

- **I am committed:** I am committed to my role and my objectives and I feel empowered and fully responsible for delivering them, working with passion and enthusiasm.
- **I trust others:** I trust others from the outset and work generously, collaborating and breaking down silos between areas and hierarchical barriers
- **I am BBVA:** I feel ownership of BBVA. The Bank’s objectives are my own and I do everything in my power to achieve them and make our Purpose a reality.

The Values are reflected in the daily life of all BBVA Group employees, influencing every decision.

The implementation and adoption of these Values is supported by the entire Organization, including the Global Leadership, launching local and global initiatives which ensure these Values are adopted uniformly throughout the Group.

Our Values



Customer **comes first**

- 👂 We are empathetic
- 📍 We have integrity
- ✅ We meet their needs



We think **big**

- 🚩 We are ambitious
- 🔄 We break the mold
- 😊 We amaze our customers



We are **one team**

- ❤️ I am committed
- 📧 I trust others
- 🏠 I am BBVA

In conclusion, at BBVA we are accelerating our transformation in order to be the best bank for our customers.

Innovation and technology

BBVA is engaged in a process of digital transformation, the main aim of which is to achieve its aspiration of strengthening relationships with its customers and being the best possible bank for them. **Engineering** is an essential component of this transformation. Its mission has always been to enable a technology strategy that provides the foundation for this transformation, thus becoming more customer-centric and establishing a more global strategy, fast to implement, digital, flexible and leveraged on the Group's data. This must be done while continuing to provide support to the Bank's core business: catering to the demand for traditional business (multi-segment, multi-product, multi-channel, etc.); and b) contributing reliability, with the necessary tools to ensure adequate internal controls, based on consistent information and data. Another Engineering objective is provide the group with all the tools it needs to drive profitability, new productivity paradigms and new business processes.

The area's **responsibilities** continue to be focused on the lines of work that were indicated in 2016:

- A new technology stack to offer customers services that are more suited to their needs, in terms of speed and content.
- Alliances with strategic partners to harness cutting-edge technology, and the necessary collaboration to speed up the transformation process.
- Productivity and reliability, i.e. securing improved performance from technology, and doing so in a manner that is fully reliable and guarantees the highest quality standards.

New technology stack: cloud paradigms

With customers increasingly making use of digital channels, and therefore driving an exponential increase in transaction numbers, the Group is continuing to develop its **IT model** into a more uniform and scalable system, boosting cloud technology.

During **2017**, Engineering continued to construct and deploy the building blocks of the new global technological stack for the whole of BBVA. This stack shares the cloud attributes of flexibility and stability that are demanded by the digital world, while strictly complying with regulatory requirements. The first pilot projects have been executed on the blocks with good results. This new stack will enable real-time access, a new approach to data management and the optimization of processing costs, providing customers with a service that caters directly to their needs.

Strategic alliances

Engineering continues to encourage the creation of a network of strategic alliances, giving traction to BBVA's digital transformation and complement its technology stack. Establishing an **ecosystem of strategic alliances** with some of the leading businesses in the market ensures the adoption of innovative technologies, digitalization of the business, speed in activation, as well as global deployment of solutions. Furthermore, by building a network of technological alliances with strategic partners, BBVA will work in close cooperation with some of the foremost companies in their respective fields.

In **2017** alliances were established with relevant companies that will be responsible, on the one hand, for operating and optimizing BBVA's current technology and, on the other hand, for managing the communications infrastructure in a global manner.

Productivity and reliability

Engineering continues to focus on **productivity** as part of the transformation process. Greater productivity is needed to provide our customers with the best possible service while being profitable. The area is therefore working on the following:

- Technology transformation at two levels:
 - Hardware: creating lower-cost infrastructure components based on the cloud paradigm. There has been very significant progress in the use of this infrastructure in Spain, and Mexico is beginning to use it, resulting in an increase in productivity.
 - Software: multiple global functionalities have been constructed, reused by various of the Group's geographic areas, and construction continues on the technological stack with a high level of automation.
- Transformation of operations: an initial operations optimization exercise has been carried out with good results, and the necessary working methodology has been created to implement it throughout the whole Group. The first robotics activities have also been carried out in Spain.

It is crucial to obtain the best possible performance from infrastructures, architectures, operations and internal processes, and to do so in a way that is fully reliable.

Reliability remains another key factor for the Engineering function and digital transformation.

In **2017** programs have been executed to improve reliability, resulting in a reduction of the volume of incidents in the Group.

Materiality

BBVA took a great step forward in materiality analysis in 2016, to make it more solid and ensure that the focus is on the most relevant aspects for both the stakeholders and the BBVA business. This involved carrying out a review of the material issues based on the data collected from a variety of sources, providing a broad information base that is auditable and objective, ensuring that the analysis is more robust than in previous years.

During this process, analysis was conducted on the current and emerging issues from the perspective of different stakeholders and BBVA's strategy. The tools used were the E-Revalue data analysis platform Datamaran, as well as other usual sources used in previous years.

Stakeholder input

The **priorities** of stakeholders were obtained by analyzing two information groups. First, the data has been gathered directly from the stakeholders themselves:

- Direct opinions of customers and non-customers from countries where we operate, are collected through surveys. These surveys measure the key factors to ensure that consumers trust banks, in particular BBVA, as well as the relative importance of each of these factors (source: RepTrak).
- Direct opinions of employees are identified through very similar methods to the above, and carried out in the Group's main countries (source: RepTrak).
- Investors and analysts' opinions are gathered through surveys answered by BBVA's Investor Relations unit. It reflects the issues relevant to this group and distinguishes between institutional investors and other shareholders. In addition, an analysis of sustainability - oriented priorities is being carried out based on specialized sources such as the Principles for Responsible Investment (PRI) and the Sustainable Investment and Finance Association (SIF).
- The main concerns, demands and requirements of the NGOs most active in the financial sector are analyzed through their campaigns, reports, policies and news.

As well as the above, information was gathered from other sources contained in the E-Revalue data analysis platform Datamaran, to complete and consolidate the opinion of stakeholders, such as:

- Regulatory analysis to identify the main laws and directives that impact the financial sector in all the regions where BBVA operates. An inquiry has been carried out of both mandatory regulations and recommendations issued by institutions, as well as emerging issues that have arisen from the regulatory changes that took place in recent years.
- Analysis of the latest news related to issues relevant to the financial sector in the online media and social networks like Twitter.
- Series of benchmarking exercises on the reports published by other banks in 2016, as well as the documents from different companies presented before the Securities & Exchange Commission of the U.S. Government (SEC) for the financial sector in BBVA's key markets, including annual sustainability and integrated reports.
- Trend analysis of the sector based on the reports developed by the financial institutions and expert consultants over the last two years, in relation to the way banks offer services to customers.

Sources used in the materiality analysis

Source of materiality analysis based on shareholders' surveys and analysis included in Datamaran (the same number of documents in English and Spanish have been analyzed):

Customers/non-customers and employees

RepTrak surveys in the key geographical areas of BBVA:

4,500 customer and non-customer surveys

6,000 employee surveys

Analysts and investors

Department of Investor Relations surveys for investors and analysts

9 sustainability investment report

NGO

19 NGO documents

Regulator

264 regulatory documents

News feeds and social network

153 news feeds analyzed, considering:

2,300 news feeds written in English and 2,000 news feeds written in Spanish

30,000 tweets written in English and 10,000 tweets written in Spanish

Benchmark

88 competitors' reports coming from 36 banks

Trends

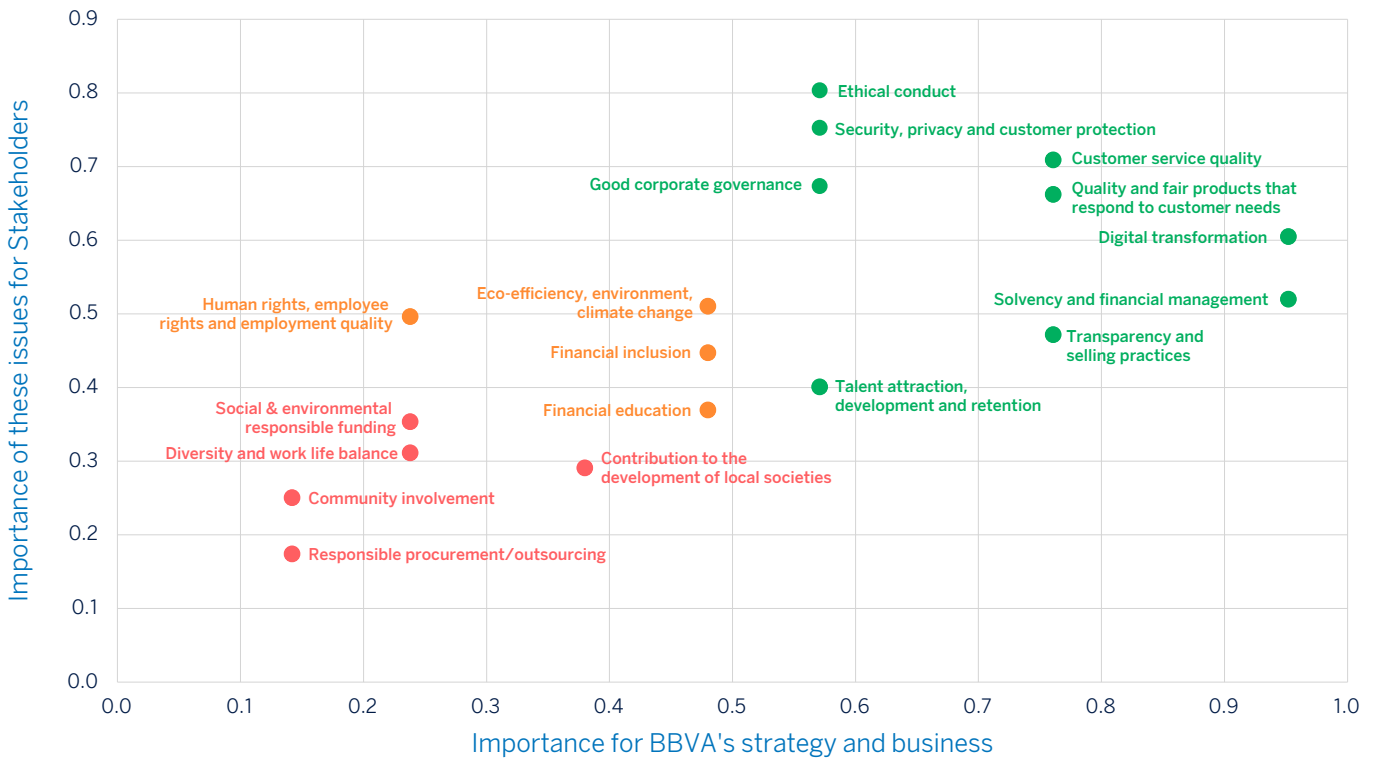
13 industry trend reports

Each of these sources was analyzed based on the different level of importance. Based on the results, a hierarchical list of **relevant issues** was defined for the different stakeholders.

In 2017, the strategy team reviewed the list of issues. As a result, the priority issues remain the same, with the exception of solvency and financial management, which became more important in terms of business Strategy.

These issues are represented in the **materiality matrix** shown below. The vertical axis reflects the importance of the issues for the stakeholders and the horizontal axis the importance for BBVA's strategy and business. The issues colored in green have a first-level relevance and those in orange a second-level.

BBVA materiality matrix



⁽¹⁾ The issues in green represent the highest priority, followed by those in orange and, finally, those in pink.

Therefore, the top three material issues are:

- Customer service quality
- Digital transformation
- Solvency and financial management

Responsible banking model

At BBVA we have a **differential banking model** that we refer to as responsible banking, based on seeking out a return adjusted to principles, strict legal compliance, best practices and the creation of long-term value for all stakeholders. It is reflected in the [Bank's Corporate Social Responsibility or Responsible Banking Policy](#) (or CSR Policy). The Policy's mission is to manage the responsibility for the Bank's impact on people and society, which is key to the delivery of BBVA's Purpose.















The CSR Policy is approved by the Board of Directors. Likewise, the responsible banking model is supervised by the Board of Directors and the Executive Committee, as well as by the Bank's Global Leadership Team (GLT), chaired by the CEO.

All the business and support areas integrate this policy into their operational models. The Responsible Business Unit coordinates the implementation and basically operates as a second line for defining standards and offering support.

The four **pillars** of BBVA's responsible banking model are as follows:

- Balanced relations with its customers, based on transparency, clarity and responsibility.
- Sustainable finance to combat climate change, respect human rights and achieve the UN Sustainable Development Goals (SDGs).
- Responsible practices with employees, suppliers and other stakeholders.
- Community investment to promote social change and create opportunities for all.

During **2017**, the Group has worked on a climate change and sustainable development strategy which address the management of risks and opportunities deriving from the fight against climate change and the achievement of the SDGs in a comprehensive way. BBVA's approach to these kinds of risks and opportunities are included in the section on [Sustainable finance](#).

Responsible banking strategic initiatives						
Strategic initiative	Strategic priority	2018 plans	Deliverables	KPI	2020 goal	Progress in 2017
0. Operating model		CSR Policy update Agile organization within the Responsible Business Department Reporting to the GLT and to the Board of Directors	CSR Policy approval Agile methodology implementation Three reports to the Board of Directors and five to the GLT			Responsible banking model
1. TCR to transform the traditional bank	 New standard in customer experience	TCR in strategic projects (Glomo, public web, Wallet, NetCash, Automik) TCR guidelines and training	80% of features based on TCR principles 12 workshops and 400 people trained Two reports to the Customer Solutions Leadership	Net TCR Score	First in clarity and transparency (except for the United States)	TCR communication
TCR to create the new Bank	 Digital sales					
	 Reputation					
2. Sustainable finance	 New standard in customer experience	Strategy on climate change and sustainable development Task Force on Climate-related Financial Disclosures (TCFD) recommendations Commitment to Human Rights and action plans Sector norms SDG bonds framework	Strategy on climate change and sustainable development approval Sustainable Finance forum TCFD recommendations roadmap Commitment to Human Rights and action plans approved Sector norms approval and implementation SDG bonds framework approval and first green bond issue Two reports to the Board of Directors and to the GLT	Responsible banking synthetic index	Top 3	Sustainable finance
	 Optimize capital allocation					
	 New business models					
3. Reputational risk	 Optimize capital allocation	Local reputational risk specialists Step-in risk assessment	Risk specialist participation in local decision-making bodies Step-in risk assessment execution Annual assessment & due diligences	RepTrak Pulse	Above 60 in all the countries	Reputational risk
	 Reputation					
4. Community investment	 New standard in customer experience	BBVA Momentum Center for Financial Education and Capability Donations norm and platform Global volunteering initiative	BBVA Momentum implementation in five countries Financial education annual summit Donations norm approval and platform implementation -Global volunteering initiative launch and 20% increase of volunteers Two reports to the GLT	RepTrak Citizenship	First or second in all the countries	Contribution to society
	 Reputation					
	 A first-class workforce					
5. Monitoring, communication and advocacy	 Reputation	Reputation monitoring and materiality analysis Non-financial reporting Analysts & investors engagement	Two reports to the GLT Integrated reporting and bbva.com contents Road shows and meetings with investors and shareholders	Responsible banking synthetic index	Top 3 First or second in all the countries	Materiality The BBVA share
	 Unrivaled efficiency					
6. Talent & Culture	 A first-class workforce	Diversity & inclusion plan Work-life balance plan	Launch of various initiatives	RepTrak Employees	Score improvement in related aspects	People management

It is important for BBVA's stakeholders to understand that we are engaged in responsible banking. That is why the Bank measures

this perception using a series of **indicators of reputation** among customers, employees and society in general.

Indicators of reputation as aggregate indicators of responsible banking (BBVA Group. 2017)

Reputation among customers

Country	Position relative to peer group
Spain	1 st
The United States	2 nd
Mexico	2 nd (*)
Turkey	n/av
Argentina	2 nd (*)
Chile	2 nd (*)
Colombia	3 rd (*)
Peru	1 st (*)
Venezuela	2 nd
Paraguay	2 nd (*)
Uruguay	n/av

n/av = not available.

Source: RepTrak (Reputation Institute).

(*) tie with other entities.

Peer Group: Spain: Santander, CaixaBank, Bankia; The United States: Regions, Wells Fargo, Chase; Mexico: Banamex, Banorte, Santander, HSBC; Argentina: Galicia, Santander, HSBC; Chile: Banco de Chile, Santander, BCI; Colombia: Bancolombia, Banco de Bogotá, Davivienda; Peru: Banco de Crédito, Interbank, Scotiabank; Venezuela: Banesco, Mercantil, Banco de Venezuela; Paraguay: Continental, Itaú.

Reputation among employees

Country	Year-on-year score variation
Spain	↑
The United States	↑
Mexico	=
Turkey	n/av
Argentina	=
Chile	↑
Colombia	=
Peru	↓
Venezuela	=
Paraguay	↑
Uruguay	=
Group	=

n/av = not available.

Source: 2017 internal reputation study, RepTrak (Reputation Institute).

Note: The up/down arrows indicate positive/negative evolution statistically significant; the equals sign (=) indicates stability.

Reputation in society

Country	Position relative to peer group
Spain	2 nd for customers and 1 st for non-customers
The United States	1 st for customers and 2 nd for non-customers
Mexico	3 rd (*) for customers and 4 th (*) for non-customers
Turkey	n/av
Argentina	2 nd (*) for customers and 1 st (*) for non-customers
Chile	1 st (*) for customers and 3 rd for non-customers
Colombia	3 rd (*) for customers and 3 rd for non-customers
Peru	1 st (*) for customers and 1 st (*) for non-customers
Venezuela	1 st (*) for customers and 1 st for non-customers
Paraguay	3 rd for customers and 1 st for non-customers
Uruguay	n/av

n/av = not available.

Source: RepTrak (Reputation Institute).

(*) tie with other entities.

Peer Group: Spain: Santander, CaixaBank, Bankia; The United States: Regions, Wells Fargo, Chase; Mexico: Banamex, Banorte, Santander, HSBC; Argentina: Galicia, Santander, HSBC; Chile: Banco de Chile, Santander, BCI; Colombia: Bancolombia, Banco de Bogotá, Davivienda; Peru: Banco de Crédito, Interbank, Scotiabank; Venezuela: Banesco, Mercantil, Banco de Venezuela; Paraguay: Continental, Itaú.

The responsible business indicators linked to each strategic line are included subsequently in the corresponding chapter.