

# Annual General Meeting 2019

Speech by Carlos Torres Vila, BBVA  
Group executive chairman

Bilbao, March 15, 2019

## Speech by Carlos Torres Vila, BBVA Group executive chairman, at the Annual General Meeting 2019

[SLIDE-INTRO]

Ladies and gentlemen, dear shareholders, Egunon guztioi eta ongi etorriak, good morning and welcome to the BBVA 2019 Annual General Meeting.

It is truly an honor, one that I assume with a great sense of responsibility and pride, to stand here, speaking to you for the first time as BBVA Group executive chairman.

I hope to count on your trust to ensure the continuity and keep driving our strategy in the coming years, along with the rest of the new management team, a diverse and young, and, nonetheless, highly experienced team.

Continuity and promotion of a strategy that has allowed us to deliver excellent results in 2018, with over €5.3 billion in profits, achieve significant growth and post some of the best profitability indices of our industry, despite a truly complex, marked by negative interest rates and low credit growth in Europe, combined with high volatility in some of the emerging markets in our footprint, such as Turkey or Argentina.

But before going over our 2018 achievements, the most relevant aspects of which I will comment on later and which Onur Genç, our new CEO, will discuss in further detail during his address,

I would like to begin by describing how we understand the future of banking and the challenges we face, and how that interpretation is reflected in our strategy.

At present, we are facing tremendous challenges to achieve a sustainable future.

[SLIDE-2]

We are facing **pressing environmental challenges**... such as the fight against climate change, the loss of biodiversity, overexploitation of resources, loss of fresh water, atmospheric and ocean pollution, that call for more responsible consumption and production...

It is overwhelming to read the information handled by organizations such as the UN - which this past Wednesday urged its members to take urgent measures in the face of environmental disaster and its threat to human health - or the World Economic Forum - which has issued a warning that if we fail to take proper action, by 2050 there could be more waste plastic in our oceans than fish.

[SLIDE-3]

We are also facing important **social challenges**... to achieve inclusive economic growth and raise the living standards of the world's population at large, offering widespread access to quality education, ensuring equal opportunities in an increasingly automated world, preserving the fundamental rights of people despite the threat to our privacy, even to democracy itself, posed by the proliferation of sensors, connected things, and algorithms capable of making sense of all the personal information that these devices collect.

On top of all this, we are facing another challenge - which is, first-and-foremost, an opportunity: bridging the gender inequality gap, an area where we still have so much to do.

Never before has humankind had a greater responsibility as we do today. A responsibility for which we are increasingly being held accountable by younger generations, the responsibility to act thinking really about what we will be leaving behind for our children.

[SLIDE-4]

Indeed, as of today, young people from almost 100 countries, including many high schools in Spain, are gathering to voice their demands.

The good news is that, for the first time in history, we have a common agenda that binds us all: the United Nations Sustainable Development Goals.

We therefore are facing a plethora of challenges, challenges for a more sustainable future, which are global in nature and which **that demand commitment from us all**, including banks as relevant actors in society.

Given this challenging environment, some of you may be wondering: What is the future of banking?

In response to that question, we say: "*The future of Finance is to finance the Future,*" a Future with a capital F.

[SLIDE-5]

As Chairman of this historic institution, I believe that my responsibility is to ensure that we stand up to these challenges and, that is why we, at BBVA, are committed to honor our role in society. **We want to define the new way of banking that our societies call for and need.**

Today more than ever banks should be organizations guided by a purpose and strong values. A purpose that is transformational, on a large scale and aimed at making a difference in the world, on people's lives.

Our success depends, ultimately, on the prosperity of the societies we serve.

And from BBVA we want to promote the change that our society needs and contribute to ensure the well-being of present and future generations.

We aim to be the link between society and the future, between society and opportunities.

And this is something that we've made abundantly clear in our purpose, which is to *bring the age of opportunity to everyone*.

[SLIDE- PURPOSE]

Realizing this purpose is what motivates us, the idea that drives our strategy, the idea that inspires our culture and values.

At BBVA, **we create opportunities.**

...not only for our customers, but also for our employees, our shareholders, and other stakeholders, for society as a whole.

Because that is what the word **EVERYONE** stands for in our purpose:

[SLIDE-STAKEHOLDERS]

**Customers** who we want to help fulfill their lifetime or business goals, making better financial decisions,

**Employees** satisfied by and committed to our values, with this same purpose that makes their work all the more meaningful.

A more sustainable and inclusive **society**, to face the challenges I just spoke about,

Our **shareholders**, who trust BBVA's ability to deliver adequate and sustainable profitability.

And finally, other **stakeholders**, which also play a key role in our everyday work, including suppliers, strategic partners, regulators and supervisors.

Allow me to briefly comment on what this purpose means for each one of these stakeholders, starting with Society.

As I mentioned, we need more inclusive societies capable of using natural resources in a sustainable way.

[SLIDE- RESPONSIBLE BANKING]

At BBVA we want to be catalysts for change.

Therefore, we develop innovative projects with high social impact. Five of the six projects proposed by the Spanish business communities selected by the B20 due to their contribution to the Sustainable Development Goals have been devised by BBVA and will be presented at the next B20 and G20 summit in Tokyo.

Among these objectives, without a doubt, the fight against climate is the most pressing. Therefore, in 2018 from BBVA we have promoted the Principles of Responsible Banking under the auspices of the United Nations:

A set of principles that require...

...Aligning our business strategy to the Sustainable Development Goals and the Paris Climate Agreement.

...Promoting the positive impacts, and reducing the negative ones resulting from our activity.

... Coaching and working with our clients to promote sustainable practices.

A collective effort on which we are working proactively with other banks and stakeholders,

to implement a culture of responsible banking and achieve specific long-term objectives in high-impact areas

and all this with transparency and responsibility in meeting these objectives .

In practice, these principles will translate into more and better financial and non-financial solutions for our clients, that will allow us to accompany them in this common task of promoting sustainable development.

At BBVA, with our Pledge 2025, which embodies our commitment to sustainable finance, we have already started implementing these principles.

[SLIDE-SUSTAINABILITY]

Today we are the most active Spanish bank in the issue of green and social bonds and the global leader in sustainable loans.

This type of financing is becoming increasingly appealing to our customers, and they contact us because they recognize us as market leaders.

In 2018 we have already mobilized €11.82 billion in sustainable finance, which are part of our commitment to mobilize €100 billion through 2025 to fight climate change, by facilitating the transition to a low carbon economy and fostering the development of sustainable infrastructures as well as promoting financial inclusion and entrepreneurship.

Additionally, to mitigate our environmental footprint, the BBVA Group has pledged to source 70 percent of its energy from renewables by 2025, to reach 100 percent by 2030, and we have committed to reducing our CO2 emissions by 68 percent in a decade.



[SLIDE-CONOCIMIENTO]

Furthermore, we believe that initiatives that support cutting-edge research and knowledge, like our OpenMind knowledge community, are key to the promotion of sustainable development and the creation of wealth.

We are also committed to foster innovation, through programs such as BBVA Open Talent, the world's biggest fintech competition, in which, during its 10 editions, startups from over 90 countries have participated, submitting innovative solutions to transform the financial sector.

At BBVA we believe that education is a critical enabler of improvement in people's lives.

Our financial education program has already been completed by over 2 million participants, and I am sure that many of you are familiar with the 'Aprendemos Juntos' initiative,

[SLIDE- 'APRENDEMOS']

A simple, yet ambitious idea: To turn education into a hot conversation topic and put the best tools in the hands of teachers, parents and children to help them realize their full potential.

Since launch just 14 months ago, 'Aprendemos Juntos' has received 360 million views and has built Spain's largest follower base with 1 million people. The platform's videos were the most watched on YouTube Spain in 2018.

And finally, I want to stress the major direct contribution to society that we make through our foundations.

On the one hand, the BBVA Foundation, an institution that carries out a remarkable and noteworthy work in the economic, cultural and scientific fields, including its prestigious Frontiers of Knowledge Awards, which in their ten editions to date have earned a prominent spot among the world's most relevant awards:

[SLIDE-FRONTIERAS]

Starting this year, the Frontiers of Knowledge award ceremony will be held at this very same venue, the Euskalduna Palace, in Bilbao, the city that represents our roots and which shares with these Awards and with BBVA a desire of openness and global projection based through a strong culture of knowledge, art, innovation and entrepreneurship.

By linking the Frontiers of Knowledge Awards to Bilbao, the city will become the host of a celebration of knowledge, an event that brings together some of the world's most prominent figures in the fields of science, technology and the arts, as evidenced by the fact that seven laureates have gone on to win the Nobel Prize.

[SLIDE-MICROFINANCE]

The work of our BBVA Microfinance Foundation, an organization devoted to creating opportunities for the least favored, women in particular, is just as remarkable. Since it was established in 2007, the institutions that make up the BBVA Microfinance Foundation Group have supported more than 5 million low-income entrepreneurs with productive loans totaling in excess of **€11.7 billion dollars**, a figure that has turned the Foundation into the biggest private philanthropic initiative in Latin America in terms of social impact.

There are many more examples of our contribution to Society, such as *Por los que se quedan (For those who stay)* a school Reconstruction and Scholarship Program sponsored by the BBVA Bancomer Foundation, which helps young Mexican students to pursue their secondary and college studies.

And many other initiatives in all the countries where we have a presence, all of them examples of the banking of the future in which we believe, anchored in strong values and aimed at making a difference on people's lives...

...and, especially on our both our customers' lives and their businesses in the case of companies and freelancers

**At BBVA we want to bring the age of opportunity to our customers.**

And it is undeniable that opportunities are increasingly in the digital world.

[SLIDE-TECHNOLOGY]

We are in the midst of truly transformative times in which new technologies are emerging at an ever-increasing pace... including biometrics, blockchain, cloud computing, the proliferation of connected devices and artificial intelligence, to name just a few.

At BBVA, we have been **pioneers** in our commitment to this digital world that is coming, which is already here

because we want our clients to benefit from the rapid, far-reaching technological change we are experiencing.

[SLIDE-VALUE PROPOSITION]

**Thanks to technology we can help our clients make the best decisions about their money:** anticipate their problems, offer them easier ways to manage their finances, to fulfill their lifetime and business goals.

New technologies allow us to do things that seemed incredible just a few years ago.

We can offer a totally new personal finance management experience...

For example... by predicting of future movements and balances we can help our customers prevent unexpected situations, help them plan for the future and also make it easier for them to check what has happened in their accounts, even to compare, in a quick and easy way, their expenses against those of other people or families of a similar profile.

We can provide financial health indicators to each of our clients, help them create personalized savings plans and budgets to meet their targets.

And, in addition, we can provide both our individual and business customers with a unified vision of all their bank accounts, by aggregating information from their BBVA products and their other accounts with other financial service providers.

The goal is to help our clients to take control over their finances, making a continuous effort to improve transparency and make our products simpler, to allow customers to plan in advance and make the best financial decisions.

At **BBVA**, we are still at the forefront of our commitment to digitization, and thanks to it our clients are increasingly relying on our digital channels to do their banking.

Our **value proposition** is user-friendly and convenient, one that allows **customers to access services anytime, anywhere and any way they choose**, offering them the possibility to interact with us through digital channels, and of course also through human interaction, which is still the best for certain transactions.

[SLIDE-DIGITAL]

In **2018 reached a pivotal milestone: to surpass the threshold of 50 percent of digital customers, which already stand at 27 million.** Our goal for **2019, is to have half of our customers banking via mobile.**

**Customers that use digital channels interact more with us, are more satisfied and more engaged.** In other words, they're better customers.

In addition, **in 2018 we continued to grow sales through digital channels**, which at the end of the year, in the month of December, already accounted for 37 percent of the value of Group's sales, a truly impressive progression from 10 percent just three years ago.

[SLIDE-BEST APP]

Another proof that we are leading the digital way is that for second consecutive year, the **BBVA Spain app has been named the world's best** in the global list prepared by consultancy firm **Forrester Research**. In this same list, **BBVA's app in Turkey was named second best.**

Undoubtedly, this achievement in which we compete with world's leading banks, is a relevant example of the BBVA's positioning at the cutting edge of the transformation in the financial sector.

[SLIDE-EMPLOYEES]

Achieving all this is possible thanks to the unparalleled commitment of all the people who work at BBVA, a group made up of more than **125,000 people**;

**A diverse group**, with 54 percent women. The goal is to increase diversity even more, not just for gender at all organizational levels, but also in terms of place of origin, education and generation because diversity is a valuable asset.

Employees whose commitment is proven by our internal reputation index, which in 2018 stood at about 86 percent...

And which embraced the new ways of working, since we are leading the implementation of the **agile methodology in the financial sector**, through cross-disciplinary teams with autonomy to make decisions, as necessary to meet their quarterly goals.

**It is a more horizontal, less hierarchical, more dynamic results-oriented organization**

Last year, at this very same AGM, I noted that we already had over 4,200 people working in agile at the group. Currently, this figures stands at about **30,000 people** throughout the organization.

This new way of working allows us to improve the quality of what we do, reduce time-to-market, and increase productivity, while fostering a sense of belonging among employees.

It is a way, in short, of creating opportunities for our employees, of delivering on our commitment to them implicit in our purpose.

Also this past year we focused on living by our Values.

[SLIDE-VALUES]

Values that we summarize in **three**, each one broken down into a series of linked behaviors:

**‘Customer comes first,’** i.e. we’re empathic and can step into their shoes. Integrity is, and has always been, one of our defining traits, and we are problem-solvers, taking care of our customers problems, keeping their needs in mind.

**‘We think big’**, not only in the sense that we are ambitious, but also because we think out of the box, innovating and effecting change against the status quo, surprising the customer with our creative and innovative solutions.

And third, **‘We are one team’**, and this is important because we come from different cultures, from different countries, in a group with 160 years of history and very diverse origins. When we say that we are one team we refer to a personal commitment, to being committed to the bank, to the project, and to our clients. We refer to mutual trust and mean taking ownership, of feeling part of BBVA.

Bearing witness to the importance that we attach to these values was the celebration of our first **Values Day** event in 2018, where all the Group employees across the globe devoted a day to celebrate our values, to reflect on their meaning and to discuss the obstacles we can find when trying to put them into practice in our everyday lives.

A values day in which more than 71,000 employees participated, where more than 35,000 workshops and activities were organized, which prompted over 1,800,000 visits to the Values app, and during which almost 160,000 training hours were delivered.

And which achieved a high level of satisfaction, with 95% of employees valuing the event’s usefulness positively and saying they would like a new edition to be held ...

I will conclude with an overview of the Group's year-end results, illustrate on the success of our strategy, aimed at fulfilling our Purpose by delivering sustainable profitability to our shareholders. A profitability, therefore, built on a long-term vision.

But, before looking at the numbers I would like to describe the environment in which they have been achieved

[SLIDE-MACRO]

In 2018 the global economy grew by a significant 3.6%, with incipient normalization of some of the main Central Banks' monetary policies.

It has also been a year of significant commercial stress, especially between the United States and China, which continue to generate uncertainty, also present in Europe due to the political climate surrounding Brexit or the political instabilities of different countries, including Spain.

Spain's economic performance has been very good, with the country's growth clearly above the growth in the eurozone, a 2.5 percent against a growth of 1.8 percent in the euro area, and with solid job creation that has caused unemployment to drop two additional percentage points to 15.3 percent, bringing the total decline to 11 percentage points since 2013.

The United States has also grown at a solid 2.9 percent, with expansionary fiscal policies.

Mexico has also stayed on the right track, with growth above 2 percent in a year marked by the presidential elections and the negotiation of the free trade agreement with Canada and the United States, both of which translated into macroeconomic variable volatility at different times of the year ...



... a volatility that has been much higher in other countries where we have a presence, especially in Turkey and Argentina, countries that fell into a high inflation/currency devaluation feedback cycle that severely undermined both economies. In recent months the situation has stabilized thanks to the restrictive fiscal and monetary policies put in place by their governments.

In Colombia and Peru, meanwhile, growth remained solid during the year.

All this caused the average growth across BBVA's footprint to reach 2.4 percent.

[SLIDE-RESULTS]

In this complex environment, the **BBVA Group earned** €5,32 billion in 2018, up 51 percent from the previous year.

And these results were driven by **recurring revenues and cost containment efforts**.

Disregarding non-recurring effects, such as the impact of Telefónica in 2017 or corporate transactions, such as the sale of BBVA Chile, the group's profit was still 7 percent higher despite the complexity of the environment.

Also, we are leaders among our competitors **in terms of profitability**. Our return on tangible equity, ROTE, stands at 14.1 percent in the year, and the return on equity, the ROE, at 11.6 percent. Both figures at the head of the industry.

All this, thanks to our **diversified model** and our **transformation strategy**, which are the foundation of this good performance and the group's ongoing efficiency improvements.

[SLIDE-CAPITAL]

Thanks to these excellent results, we continue to create value for our shareholders.

And this reflects in the performance of our **tangible book value per share including the dividends** we have paid to our shareholders, and which grew **more than 10 percent during the year**.

And all this as we continue to strengthen our capital position. The Tier 1 Core capital ratio grew 26 basis points in the year, despite market volatility and the impact of IFRS9, the new provisioning standard, and now stands at 11.34 percent in fully-loaded terms, clearly above the regulatory requirement of 9.25 percent"

[SLIDE-DIVIDEND]

These solid results also allowed us to increase the dividend, as reflected in the proposal we are presenting to this Annual General Meeting regarding the distribution of a complementary dividend of €0.16 per share, to be paid in April this year. This represents an increase of 7 percent over the amount paid in April 2018.

If approved by this Board, it will imply a **payout of 37 percent** of the bank's profit excluding corporate transactions.

Looking forward, I would like to underscore our commitment to our dividend policy, clear, predictable and sustainable:

- With a payout in the range of 35-40 percent of the profit
- Paying the dividend in cash
- In two payments per year (tentatively in October and April)

[SLIDE-FINAL]

Before giving the floor to the CEO, who will expand on the information on the year-end results, I would like to by way of summary, reiterate several messages:

We have the responsibility to finance the Future and we assume it through a very clear purpose : to bring the age of opportunity to everyone, a principle by which we abide every day and that is present in everything we do that drives us to define a new way of banking and work to contribute to achieve a more sustainable and inclusive society, to help our clients reach their lifetime and business goals, making it easier for them to make better financial decisions;

And for all this, we have employees strongly committed to our values, whose work allows us to keep growing in terms of results and offer you a sustainable identity-leading profitability. For this reason, I would like to thank each and every one of the people who work at BBVA Group for their great work and dedication.

[SLIDE-CLOSING]

And to you, our shareholders, for your constant support, which encourages us to keep doing our best, every day.

We will continue working to lead the future of banking, to finance the Future.

I want you to feel as proud as I am of belonging to this great global banking project, the best in my opinion, which is BBVA.

Thank you very much ... Eskerrik asko