

Carlos Torres Vila speech – AGM 2020

Ladies and gentlemen, our shareholders, Egunónguztíoi eta, berríz eré, óngietórriak Bachár Nagúsi honétara, hello and welcome to the BBVA 2020 Annual General Meeting.

[SLIDE 1]

First of all, I would like to thank you all for joining us, here at the Euskalduna Congress Center or from other locations via streaming.

And thank you for your understanding in the wake of the measures put in place to hold this meeting, in line with the recommendations from authorities, given the exceptional circumstances as a result of the coronavirus.

In order to hold this AGM, BBVA has been following all recommendations and measures adopted by health authorities.

We have taken all necessary measures to ensure that our shareholders can exercise their rights at this AGM, especially by facilitating remote participation and voting this year, which is something particularly relevant given the circumstances.

All of this is made possible thanks to the extraordinary work of the entire support staff, both at the bank and at collaborating companies, especially at the Euskalduna Conference Center, who I would like to recognize for their hard work, dedication, and professionalism.

Having said that, and despite the circumstances, it is an honor for me to be here today to present our 2019 achievements. It has been another year in which we have delivered outstanding results, a year in which BBVA posted its best net attributable profit of the past decade, excluding one-off items, with profitability rates that position us as leaders in the financial sector.

Before I start my presentation, I would like to briefly address the evolution of BBVA in recent years, because these results are unquestionably the result of our strategy of the past few years.

[SLIDE 2]

As you know, in 2015 we spearheaded a groundbreaking strategy, focused on transforming our business model to the digital world, moving ahead of competitors.

As you may recall, we wanted all our actions to move around a purpose: to bring the age of opportunity to everyone.

This purpose guides us in our strategy and in everything we do over the course of our day-to-day.

In 2015, we also defined six strategic priorities, which we communicated at the time and that have remained at the forefront of everything over these past few years: a new standard in customer experience, digital sales, new business models, optimize capital allocation, unrivaled efficiency, and a first class workforce.

You know them well as we have reviewed recurrently in previous AGMs.

[SLIDE 3]

Digitization of the business is so important that digital sales now represent 59% of all units sold, and 45% in terms of value.

This means that about half of our business is generated via digital means. As you can see, 4 or 5 years ago that number was around 10% to 15%.

It has been an extraordinary transformation of the business, in how we operate, and how clients interact with BBVA.

[SLIDE 4]

We also appreciate this in the number of customers who interact with us over digital channels that has doubled since 2015 and those who use their mobile devices to interact with us have tripled in the period.

This means that currently more than half our customers use their smartphones to bank with us, whereas 57% do so digitally.

[SLIDE 5]

Our transformation has also had a positive impact on the growth of our total active customer base. We now have almost 9 million new active clients, compared to 2015.

And what is even more important to us is that our customers are more satisfied with the products and services of BBVA.

We are leaders in virtually all our footprint in the Net Promoter Score, which is something we have also addressed in previous AGMs.

Furthermore, our customers are also more loyal, as is reflected in the lower customer attrition rate. This is the percentage of customers who leave the bank or are no longer active, and it has dropped 17% in the past five years.

All of this is undoubtedly the result of a differentiated value proposition across all our channels.

Among digital channels, it is worth highlighting our mobile app in all countries in our footprint; in Spain the app has been named as the best in the world for the third consecutive year by prestigious technology consulting firm Forrester. And this year, BBVA's app in Turkey takes second place in the same ranking.

In addition, as our solution development model becomes increasingly global -- like leading global companies' model -- all of our customers in all locations benefit from a more uniform experience and the best solutions.

This is why in 2019 we decided that BBVA, the name that defines our roots, our beginnings here in Bilbao more than 160 years ago, would become our brand across all the countries within our footprint, as you can see in this video.

[SLIDE 6]

As you see, due to all these reasons, so far the transformation of BBVA and the digitization of our business has been extraordinary. And as a result of that, our financial results have improved significantly, even when compared with our competitors.

Thanks to the increase in the number of customers and the improvement of our processes we have bolstered our leading position in terms of efficiency.

We measure efficiency as the ratio of costs divided by revenue; the lower the ratio, the better the efficiency. We have improved that ratio, from 52% to 48.5%, with competitors standing nearly at 64%.

[SLIDE 7]

In addition, our return on tangible equity has increased around 12% which puts us at the head of the financial sector on a national level as well as among the largest European banks. Competitors stand in average at 7%.

Ultimately, the transformation of our business is a reality that is currently bearing fruit: growth in digital sales, more customers who interact more with us and are more loyal because they

are more satisfied, a single global brand that makes us more BBVA, and results that allow us to be leaders in the financial industry.

[SLIDE 8a]

But we are not going to stop there. We want to repeat and increase our success looking to the future, in the coming years.

And that's why, in 2019, following a profound reflection that involved our management team and our Board, we materialized our strategy to be a step ahead one more time.

It is a strategy "that is built on digitization in order to amplify its impact on our customers and clients, and on society in line with our purpose, with the people who make up our teams, data and technology playing a key role.

Now, as we did in 2015, we have defined six new strategic priorities. The first two: 'Improving our clients' financial health' and 'Helping our clients transition toward a sustainable future.'

[SLIDE 8b]

These are two leading components of our value proposition: We want to help our clients with their finances, improve their financial health. And help them be more sustainable.

[SLIDE 9]

I will start with financial health.

Helping people with their finances means anticipating their problems, simplifying their money management, helping them make the best decisions for their lives and their businesses.

It's something that we have been working on in recent years, and we are going even deeper, with features such as:

The 'Programa tu cuenta' functionality, which allows to create automatic rules to manage money; or smart alerts to have everything under control, if they receive an unusual bill, or one that's higher than expected; and now our clients can also link their accounts with other banks so they can have everything in one single place, managing their finances at a single glance, and enjoying the features of our banking app.

And I could give many more examples because thanks to new technologies, we can do things that were unthinkable just a few years ago.

[SLIDE 10]

Today we have features that go beyond the everyday management of finances, and allow us to support our clients at those key moments and events in life, like the purchase of a home, a savings plan for retirement and the expenses related to the birth of a child, or other moments, like a vacation or a trip.

Ultimately, helping them in their lives, their businesses.

[SLIDE 11a]

Our strategy not only aims to amplify our impact on our customers' lives, but on society as a whole.

That's why, our second strategic priority is "helping our clients transition toward a sustainable future": toward a more sustainable economy, supporting inclusive economic development.

Without a doubt, climate change is one of the biggest economic disruptions in history, to which companies and society have to adapt very quickly.

The change in economic value that different activities, sectors and assets are experiencing will be enormous in very little time, long before the risks of climate change materialize.

That's why all industries and companies have to have a transition plan toward a more sustainable business model. There are tremendous risks and tremendous opportunities.

And we, as a bank, are dedicated to taking advantage of investment opportunities and managing the associated risks. That means that we have to start incorporating sustainability in all our decisions.

[SLIDE 11b]

BBVA is leading by example in this transition with our very own direct impact. Starting this very year, 2020, we are carbon neutral in direct emissions produced by our activities and travel.

In addition, as we announced during the Climate Change Conference held in Madrid last December, we set an internal price for CO2 emissions, which fosters emission reduction in all of BBVA's areas and businesses.

Second, and much more importantly, we also want to reduce indirect emissions, meaning those of our clients. We were one of the first five banks in the world to make the commitment

to progressively align our financing flows so they are compatible with a global warming that does not exceed 1.5°C, which is the goal of the Paris Climate Agreement.

[SLIDE 12]

In order to achieve this, it is key that our clients proceed with their own transition toward a low-carbon economy, where they can manage the risks and take the opportunities available, but this will require significant investments in the short term in virtually all industries.

This is not a problem that is limited to large corporations or certain sectors... small and medium sized enterprises need to participate as they are increasingly integrated in supply chains.

At BBVA we can help and accompany our business clients in their transition plans.

Obviously, with financing. As you know, in 2018 we approved our Pledge 2025 through which we intend to mobilize €100 billion in sustainable financing. In the first two years we have already secured €30 billion and that is enormous progress.

And we continue to be one of the most active banks in green and social bond issues, and leaders in certified sustainable loans.

But we also want to offer our customers advisory solutions, helping them prepare their transition plans.

And give SMEs and individuals a sustainable option of all our products, something that is a reality in Spain this year.

Ultimately, at BBVA, we are aware of the significant role of the financial sector in this environmental transition.

As I said at last year's Annual General Meeting, we firmly believe that the future of banking is financing the Future, a Future in all capitals.

[SLIDE 13]

On top of our climate concerns, our vision of sustainability includes achieving inclusive economic development.

That is why in 2019 BBVA allocated over €100 million to social programs, having a positive impact on more than 11 million people.

All this without forgetting the important work that our Foundations undertake.

You all know the BBVA Foundation and its work in the economic, educational, cultural and scientific fields, including the prestigious Frontiers of Knowledge Awards.

On the other hand, I would like to underscore BBVA Foundation's work in Mexico, with initiatives such as its scholarship program, with a total of 315,000 recipients in 2019 or the School Reconstruction Program, that has allowed 16,000 boys and girls to return to the classrooms that the Mexico 2017 earthquakes destroyed.

I would also like to mention the BBVA Microfinance Foundation's significant contribution to development, offering microloans to entrepreneurs with limited resources.

We are very proud that the OECD has recognized it as the second most important private initiative in the world for its contribution to development, and the leader in Europe and Latin America.

But I think this video will give you a much more accurate idea of the Foundation's exceptional work.

[SLIDE 15]

I have already mentioned our first two strategic priorities, the next two are: 'Reaching more customers' and 'Achieving operational excellence'.

[SLIDE 16]

'Reaching more clients' is key to accelerate a profitable growth, we want to get more clients.

For this, we need to be where our customers are.

And customers are increasingly in digital channels. We see it on our own channels, our customers in Spain visit our branches once a month on average, while those that choose our digital platforms to do their banking once every other day. In other words, 15 times more frequently.

On top of our own digital channels, we can grow with third party digital channels. That is why we are working on agreements with them to enable us to leverage third party traffic to market our products and services to a broader customer and client universe, just like we've done with the agreement signed with Uber in Mexico. We offer our services to about 500,000 drivers.

[SLIDE 17]

Our fourth priority is 'achieving operational excellence'.

We aspire to deliver the best experience, keeping cost efficiency in mind, that's why we're using a relationship model that is simple and scalable, with the purpose of offering digital DIY versions of all our products and services. This will allow our managers, the branch network, to focus on value added tasks and segments.

Operating excellence implies focusing on a robust management of all risks with a special focus on the management of non-financial risks, on automation and the development of artificial intelligence models.

Always with an eye on optimizing capital allocation, which remains a key factor in an environment with increasing regulatory demands.

[SLIDE 18]

The two last priorities are the foundation, the cornerstone on which to build the previous ones, the ingredients that make it possible: people, the team that makes up BBVA, and data and technology.

[SLIDE 19]

The team is, without a doubt, the key element to BBVA's - or any organization's - success.

We want the best, more committed team, a team guided by our purpose, a team that embraces our values and lives by them in their daily activity.

Customer comes first, we're empathetic, we have integrity and we get things done; we think big, we are ambitious, we break the mold, we amaze our customers, the innovation element; and finally; we are one team, we trust each other, we're committed to the project, we're all BBVA.

We've transformed quite a bit internally, and we've evolved our way of doing things, to become a much more agile, dynamic organization, with less silos. There are more than 33,000 of us already working under the agile methodology which ensures that resources are assigned much more efficiently.

We have seen noticeable improvements in employee engagement and satisfaction levels worldwide and we will continue to work on it.

We will also continue to promote inclusion and diversity, not only in gender, but also in terms of our origins, educational and training background, and generation. We are convinced that this makes us better both as a society, and as a company.

[SLIDE 20]

The last priority, data and technology. We are in the era of data, a clear source of value for any business.

Thanks to data and technology we will boost the other priorities, i.e., we will create better solutions for our clients, we will see higher growth, reaching more clients, more efficiently, we will boost our teams.

In short, data and technology are the two major facilitators to achieve our goals.

[SLIDE 21]

These are the new strategic priorities that we are going to work on in the coming years.

In short:

Improving our clients' financial health: helping our customers manage their finances.

Helping our customers transition toward a sustainable future, promoting inclusive economic development.

Reaching more clients: leveraging digital challenges to achieve profitable and sustainable growth in the most appealing segments.

Achieving operational excellence, with automated and simple processes. We're focusing on internal control, risk management and optimizing how we use our capital.

The best and more committed team: the team is still a strategic priority for the Group. We want to keep boosting engagement and performance levels of everyone who's part of BBVA to achieve our purpose.

Data and technology: data management and new technologies will be the two key facilitators of our strategy's success.

As you see, we have a great project and we have a very clear idea of how to make it come true.

[SLIDE 22a]

Finally, I would like to briefly go over the key figures of our results in 2019. Figures that, as I indicated at the beginning of my presentation, have been excellent. Our CEO will take the floor after me to offer a more detailed breakdown of our financials.

As I was telling you, this year we achieved our highest profit in the past ten years.

Our attributable profit without one-offs reached €4.83 billion, a figure that represents a 2.7% increase compared to last year's result.

[SLIDE 22b]

These excellent results have been achieved despite a very challenging macroeconomic environment, 2019 was marked by the global economic slowdown triggered by a number of events: geopolitical conflicts, global trade tension that undermined international trade, investment and industrial activity, and all this in an environment of low interest rates and a structural slowdown in China, low growth in Europe and a cyclical slowdown in the United States.

All these factors weighted on the global economy's growth rate, which, at 3.1% in 2019 - the lowest rate recorded since 2009 – caused several economies across our footprint to underperform compared to our forecasts.

In 2020, our initial estimate was that global growth would increase to 3.2%, as a result of the easing of the trade tug of war and the improvement in global manufacturing data.

However, the global economic environment is struggling under the impact of the coronavirus. In the short term, uncertainty over escalating contagion trends across many countries, and quarantine measures will lead to a drop in demand at a global scale, as well as relevant disruptions in supply chains.

All these factors, in combination with falling oil prices, have caused global capital markets to plunge in recent days. Amid increased volatility.

It is still early to estimate the impact in the coming quarters, but BBVA Research estimates that, even under a V-shaped recovery scenario, global growth could fall about 0.5%.

[SLIDE 23]

Back to our results in 2019, I would like to point to our leadership in profitability, compared to our peers.

The return on capital, return on tangible equity - ROTE - ended at 11.9% in 2019, compared to the 7.0% average for our European peers.

Return on equity, the ROE, finished the year at 9.9%, compared to 5.9%t for our competitors.

It is also very important to point out our solid capital position. The core Tier one capital ratio rose 40 basis points during the year, reaching 11.74%, the upper end of our target range of between 11.5% and 12%. This increase reflects our ability to generate capital organically.

[SLIDE 24]

Moreover, the tangible book value, TBV/stock+dividends also saw double digit growth in 2019, reaching 11.5%.

With respect to the dividend, and in line with the shareholder remuneration policy, we will propose a complementary dividend of €0.16 per share to be paid in April of this year, bringing the annual dividend to €0.26 per share (that is €0.16 plus the €0.10 interim dividend in October).

Should it be approved, it would represent a payout of 36% of profit, excluding the goodwill impairment at the U.S. unit.

[SLIDE 25]

2019 was also a year with extensive media coverage in Spain about the Cenyt case, which I will address briefly.

Since the beginning and throughout the entire process, we have followed the priorities set by the Board: clarifying the facts, fully cooperating with the judicial authorities and taking decisive action.

We now have to let the courts do their work. We will continue acting with the utmost determination and diligence, cooperating in clarifying the facts, under the leadership of the Board of Directors, whose members have no connection whatsoever with the case.

And now to close, before handing over to the CEO who will provide more information about the annual results, once again I would like to make some comments about the current situation we are all experiencing: the increased number of coronavirus cases in the world, and specifically in Spain.

In this context, it is very important that all of us — governments, supervisory authorities, businesses, and society as a whole — are working in a coordinated fashion to both contain the epidemic and mitigate the social and economic impact from the adopted measures.

We all have a part to play, which is why I want to appeal to our sense of personal responsibility. We must all rigorously follow the guidelines prescribed by the authorities, and stay home.

This is what we are doing at BBVA. First, with respect to containing the epidemic, we are encouraging our Central Services employees in Spain to work remotely. We already have 9,000 people working from home.

Furthermore, for those employees who cannot work remotely due to the nature of their work, we are offering flexible hours and working days, so they can adapt to their family needs.

All our channels remain operational, but in these circumstances, digital channels are obviously playing a more relevant role as nearly all transactions can be done without moving.

We are serving all our customers and clients, individuals and businesses in these difficult times. Specifically the bank is also making a total of €25 billion of lines of credit immediately available for SMEs and the self-employed.

With respect to BBVA, despite the current uncertainty, which has translated into falling prices in the markets and our share price, we have a good position in profitability, capital and liquidity to face the difficulties related to this crisis.

We are a solid bank with a unique strategy. In recent years, with our approach to digitization, we have celebrated significant milestones, and in 2019 we posted our best net attributable profit of the last decade.

We have defined a new strategy for the coming years, a strategy that will allow us to stay ahead of the trends, and further extend the excellent results of our digital transformation.

Ladies and gentlemen, our shareholders, thank you for your constant support, which motivates us to give the best of ourselves everyday.

I want all of you to feel as proud as I do about being part of this great project, which is BBVA.

Thank you very much.