

**Onur Genç speech – AGM 2020**

Thank you, Chairman. Egunón dánori. Hello ladies and gentlemen, our shareholders.

**[SLIDE 1]**

We are here to talk about 2019. However, before I do that, and as the chairman noted, I don't want to miss this opportunity to refer to the severe drops and high volatility in financial markets over the past few weeks and days.

At this time, it is hard to anticipate the duration of this situation, given the uncertainty generated by the coronavirus. But you can rest assured of the soundness of our bank. We are a strong bank that is prepared to face any risk. We appreciate your support throughout this period.

And now, moving to our 2019 results...

**[SLIDE 2]**

As the Chairman mentioned, 2019 was an excellent year in terms of financial results. Net attributable profit in 2019 was 3,512 million euros.

This result was impacted by the goodwill impairment of our unit in the U.S. The goodwill accounting impact that resulted from the acquisition of the majority of our U.S. assets in 2009 was due to the unfavorable downward trend of interest rates and economic slowdown in the country. It is important to emphasize that the goodwill impairment does not represent a cash outflow, nor does it impact our net tangible equity, our capital, liquidity, nor the ability to distribute dividends of the BBVA Group.

If we exclude this one-time item, the net attributable profit reached 4,830 million euros. This represents a 2.7 percent increase compared to results from the previous fiscal year, excluding the impact of the sale of the BBVA Chile unit, which took place in July 2018.

We achieved this growth in a year defined by a very challenging economic environment in which we saw:

On one hand, a slowdown in global growth, hovering at 3.1 percent, the lowest growth rate in the last ten years. We downgraded our growth forecasts during the year in all countries in our footprint.

On the other hand, in Europe and the U.S. we saw lower interest rates. Particularly in Europe where we have seen the lowest interest rates in history, and as you know, this negatively impacts our business.

In this challenging environment, once again, we demonstrated the strength of our diversified model and our ability to produce excellent results.

As the chairman mentioned, in 2019 we posted our highest attributable profit in the last ten years.

**[SLIDE 3]**

As you can see, on the left-hand side of the slide, our profitability and efficiency indicators are at the head of our European peers.

We are number one in terms of profitability among a group of competitors that includes the fifteen largest European banks.

These excellent results are due to BBVA's ability to generate recurring revenue and apply a strict control of operating expenses.

As a result, and as you can see on the right hand side of the slide, our efficiency ratio improved 92 basis points reaching 48.5 percent, compared to our competitors who on average saw worse results, dropping 90 basis points in 2019.

**[SLIDE 4]**

It is important to point out that in 2019 despite the economic slowdown we were able to grow, to increase our customer base, as well as our revenues.

Last year, the Group's active customers increased by 3.1 million, representing close to a 6 percent growth. We are not just growing our customer base. But thanks to our digital transformation, we are doing so efficiently.

In 2019 our digital sales accounted for 59 percent of total sales; 51 percent of our clients interacted with the bank via the BBVA mobile application. Once again, these numbers demonstrate that we are at the forefront of digital transformation in the financial sector.

Our efficient growth model is reflected in our financial results, specifically on the top of our balance sheet. On the right-hand side of the slide, you can see that our net interest income grew 5.6 percent and fees and commissions by 4.2 percent. This translates into a 5.4 percent increase in gross income and a 7.4 percent increase in operating income.

**[SLIDE 5]**

And we achieved all this while maintaining solid risk indicators.

Of note is the positive performance of our NPL ratio, which ended the year at 3.8 percent, an improvement of 15 basis points from 2018. Our coverage ratio also improved by 349 basis points, closing the year at 77 percent. These two ratios, NPL and coverage, were our best in the past ten years.

I would also like to point out our ability to generate organic capital as can be seen on the right-hand side of the slide. Our core Tier 1 capital ratio increased 40 basis points during the year, reaching 11.74 percent, standing at the upper tier of our target range.

Now please allow me to give a general overview of each of the Group's business areas.

**[SLIDE 6]**

From this point forward, we will look at the financial results, the business activity, and risk indicators for each of the countries within our footprint. We also highlight the key messages.

Starting with Spain. In Spain we had net attributable profit of 1,386 million euros, 1 percent less than the previous year, negatively impacted by the drop in net interest income as a result of the interest rate environment.

Nonetheless, our fees and commissions performed very well with 4.1 percent growth, and we had a significant 2.4 percent reduction in operating expenses.

Additionally, we saw a very positive trend in risk indicators: The cost of risk dropped significantly to 0.12 percent and the NPL ratio continued to fall, finishing at 4.4 percent.

In short, Spain demonstrated excellent efficiency and risk management in an environment of low interest rates.

**[SLIDE 7]**

Moving to Mexico, where we achieved exceptional results, the area's net attributable income was 2,699 million euros. This represents a year-on-year increase of 8.2 percent, at constant exchange rates.

This good performance was underpinned by strong lending activity growth of 6.6 percent in constant terms, boosting net interest income, which grew 5.9 percent, and continues to be one of the principal levers in our income statement in Mexico.

On top of a strong growth in earnings, the cost of risk also improved during the year.

Once again, these results reflect BBVA Mexico's leadership position in terms of both market share and profitability, demonstrating its strength.

**[SLIDE 8]**

In the United States the net attributable profit in fiscal year 2019 reached 590 million euros, 23.9 percent below the 2018 figure in constant euros. The drop in net attributable profit was fundamentally due to the impact of interest rate cuts in the country. The Libor ended the year 113 basis points below our expectations, and 30 percent less than at the beginning of 2019.

Despite the above-mentioned low interest rate cuts, net interest income remained virtually flat. In light of the earnings situation in the country, it is worth mentioning the effective management of operational expenses, which stayed flat throughout the fiscal year.

On another note, during the year we saw an increase in the cost of risk, although this was in line with expectations given the greater one-off impairments and the adjustment of the macroeconomic scenario.

In short, the difficult environment negatively impacted our results.

**[SLIDE 9]**

We continue with Turkey. The unit's net attributable profit reached 506 million euros in constant terms, a similar result to the year prior.

Despite the macroeconomic instability, it is worth mentioning the positive performance of the activity in Turkish lira, which grew nearly 10 percent at constant rates. In addition, we saw strong commission revenue growth of 16.5 percent.

A fantastic job at keeping operating expenses at bay, which grew 8.6 percent far below the country's average inflation rate, which stood at 15.5 percent.

And finally, despite the challenging environment, we reduced the cost of risk compared to the previous year.

To summarize, results were better than expected.

**[SLIDE 10]**

We'll finish up this section with South America, where we earned net attributable profit of 721 million euros in 2019. This represents year-on-year growth of 64 percent in constant terms.

I would like to provide you with a little more detail on some of the countries in our South American footprint.

Argentina, with a positive contribution of 133 million euros in a very difficult environment, with GDP contracting 2.5 percent.

In Peru there was significant revenue growth, driven by an 8.5 percent increase in business activity, which was partially offset by larger impairments resulting from lower expectations in the macroeconomic outlook.

Colombia showed strong growth of business activity of almost 7 percent, with operating expenses growing below the rate of inflation, and lower provisions.

As a result, South America continues to be an area of growth for BBVA.

**[SLIDE 11]**

To sum up, I would like to remind you of the most important messages coming out of 2019:

First, we had our highest net attributable profit of the past 10 years, excluding the impacts from one-off events.

Second, we continue to be leaders in terms of profitability and efficiency in the European financial sector.

Third, our digital transformation continues to bear fruit, translating into strong growth in both our customer base and revenues.

And we achieved all this hand in hand with excellent capital and risk management.

**[SLIDE 12]**

I would like to stress that our outstanding results were made possible by the more than 125,000 people who make up BBVA. It is thanks to their dedication and effort that we have achieved such great results.

As I always say, our business is a business of people, people providing service to people. Therefore our bank is as good as the people who are part of it.

You can be sure that at BBVA, our fundamental competitive advantage is our people.

**[SLIDE 13]**

In conclusion, ladies and gentlemen, our shareholders, I want to share our most sincere appreciation for your constant support, which is an inspiration to realize our Purpose: to bring the age of opportunity to everyone.

You can be sure that we will continue working to be a better bank, for all of you, for our customers and for society as a whole.

Thank you very much for your attention.