

## Transcript of interview with BBVA Chair, Carlos Torres Vila

[0:03]

**Q: Good morning, Carlos.**

[0:04]

**A: Good morning, Esther.**

[0:05]

**Q: Last year we discussed the challenges that BBVA was facing in 2022. Now that it has come to a close, what do you make of the year?**

[0:11]

**A:** Well, it was more difficult - even more so than we expected a year ago. But overall for BBVA, it was very good thanks to the strength of our franchises around the world. And this has allowed us to grow, to grow profitably. We acquired more than 11 million customers worldwide. What's more, customer satisfaction with the service we provide continues to increase in all countries. And even though we have not yet presented the figures for the entire year - we will do so in a couple of weeks - if we look at September numbers, we see very significant growth in lending activity, with double-digit growth, and net attributable profit increasing nearly 50 percent.

Mexico particularly stands out, where we remain leaders, and have strengthened our leadership despite the inrush of digital banks, neobanks, thanks to the digital platforms we have built. And in fact, we are the biggest and best fintech in Mexico, in addition to being the top bank. And in Spain, following a long period of deleveraging that lasted many years, we have seen a sharp rise in activity; and net attributable profit at levels we hadn't seen in 12 years.

When it comes to profitable growth, this makes us leaders in profitability and efficiency in Europe. It was also a good year for shareholder distributions. We completed the €3.1 billion share buyback program - one of the largest in Europe. And in terms of dividends, if we take the consensus on expected profit for the entire year, and considering our 40 to 50 percent payout policy, we expect the dividend this year to clearly exceed the €0.31 dividend from last year, which was already the highest cash dividend we have paid in the last decade.

All of this has also led to the bank's share price performing well. It increased 15 percent throughout the year, also taking into account the dividends that were paid, which compares well with a 2 percent equivalent for European banks as a whole. And if we look further back, in the last four years, performance was also very good, with 65 percent appreciation including dividends for BBVA, compared to a 35 percent equivalent for European banks, and 5 percent for Spanish banks.

And it was also a year of progress for our workforce in 2022. We consolidated the remote work model, a flexible, hybrid work model. We were one of the first companies to do so. We set the target of women holding 35 percent of management roles already by next year, and we have taken steps to improve the purchasing power of our workforce in all countries. In Spain, with additional measures that go beyond the sector-wide agreement on salaries.

[3:11]

**Q: And from a strategic standpoint, what would you underscore from 2022?**

[3:15]

**A:** It was also a year of significant progress. On a strategic level, in certain areas in particular, such as increasing our stake to 86 percent of our bank in Turkey, which is a strategic market for us. And in more structural issues, the two key pillars of our strategy: On innovation, we are pioneers in digitization and continue to see major benefits being at the forefront of innovation. Some examples would be the acquisition of a significant stake in a neobank in Brazil, and the performance of our bank in Italy, where we currently have over 160,000 customers - performance that clearly surpasses our

initial forecasts. The creation of BBVA Spark, the unit that provides financial services to innovative companies - companies that are defining the future, and many other examples, such as the recruitment of tech talent - more than 2,000 software engineers. And it was also a year of progress in the other pillar of our strategy, sustainability, where we have decarbonization targets for six sectors with the highest emissions. They are targets for 2030 as part of our journey to reach zero emissions by 2050. We have also tripled the initial sustainable finance target to €300 billion. And all of this has made us leaders yet another year -the third in a row- in the Dow Jones Sustainability Index.

It has certainly been a year with progress on a strategic level. Earlier we went over the economic and financial figures, which were also very good. And all of this has been thanks to the work of the great team that makes up BBVA. Thanks to their efforts, thanks to their talent and dedication. And I would like to thank everyone for the way they do things, always guided by the bank's purpose and values. I would like to thank them for their commitment, their spirit of customer service, their spirit of teamwork, which has been critical to achieving all of these accomplishments in 2022.

**[5:33]**

**Q: You mentioned sustainability. In the context of the current energy crisis, where do we stand in the transition toward a decarbonized economy?**

**[5:43]**

**A:** Decarbonization is non-negotiable. But it is a huge challenge that can be met if we manage to mobilize the resources that channel the investments that allow the world to function without emissions. And for this, we need mechanisms and regulation that encourage this investment, especially from the private sector. The good news is that we are already seeing a wave of spectacular innovation, searching for solutions to complicated problems, such as being able to manufacture emission-free steel and emission-free cement, being able to capture CO2 from the air and storing it, or finding new and different forms of energy: nuclear fusion and many other fields where this innovation, this wave, is developing. This is the reason BBVA is investing in these fields and in these technologies through venture capital funds, such as Lowercarbon, Hy24 and several others. And that helps us in our fundamental purpose, which is to help our customers and clients in their transition toward an emission-free world, assisting them with advisory services, which give us a better understanding of what is taking place, and of technology's potential to solve these problems. And of course, also helping them with financing, which is at the heart of our business. Helping our customers and clients finance their transition plans.

**[7:06]**

**Q: The year 2022 was another complicated year in terms of social and economic issues. Just when we were leaving the pandemic behind, the Russian invasion of Ukraine took place, with severe consequences from both a human and economic standpoint. What are you expecting for 2023?**

**[7:24]**

**A:** We remain in an environment with great uncertainty. On the geopolitical front, you mentioned the invasion of Ukraine. We also have the COVID situation still in China, in particular; trade tensions in different parts of the world. On the financial front, we have to see how the second-round effects on inflation play out, and whether they could also lead to additional interest rate hikes, to greater financial tensions. And in terms of social inequality, which could increase, as the effects of inflation are asymmetric, impacting those who have the least the most. Having said that, it's true that recent data are better than expected. We hope this will continue, but we can't let our guard down. Episodes of inflation tend to be long-lasting. I think that we have to continue working on the recipes we know work, those that foster sustained long-term growth. Investment is fundamental, especially private investment; so is productivity - and here, education is very important in order to foment this increase in productivity; apart from becoming competitive by reforming different sectors; and of course, fiscal sustainability. Having a good plan in this environment in which country debt has risen significantly, and now interest rates are rising, fiscal sustainability is always important - even more so in this context. Having said that, we could see a 2023 that hopefully gets better and better, in which the uncertainties dissipate, and above all, if they do so in a positive manner, and therefore lead us to

growth - which is what we expect: to have growth in 2023 in practically all countries where we have a presence, although it's true that it will be lower growth than what we saw in 2022.

**[9:14]**

**Q: Taking into account the scenario you are suggesting for 2023, what do you expect for BBVA in this year we are entering?**

**[9:21]**

**A:** In order to tackle the environment of uncertainty I was referring to earlier, BBVA has significant strengths: geographic diversification, with leading franchises in Spain, Mexico, Turkey and South America; a strategy that focuses on the two trends that are defining the future, innovation and sustainability; and the financial strength we have been discussing. Therefore, despite the uncertainty, in 2023 we see a scenario of growth for BBVA, a scenario of creating opportunities for all our stakeholders, starting with the customers and clients, who are at the heart of our business. We play a key role in the economy because by lending, we encourage activity - especially credit for companies. This past year, we granted over €150 billion in new loans to companies, an amount we expect to increase in 2023. Also for our shareholders, with attractive, rising distributions. Our teams, with opportunities for professional growth. And finally, and also very important, society as a whole in this difficult context of rising interest rates and inflation. We are helping the most vulnerable, not only as a bank through our activities, but also through the work of our foundations. Without a doubt, in 2023, despite the environment of economic uncertainty, we will continue to grow and create opportunities for everyone.

**[10:47]**

**Q:** Thank you very much, Carlos.

**[10:49]**

**A:** Thank you.