

Letter from the Chief Executive Officer

Dear shareholders,

In a context of gradual recovery in the health and economic sectors, BBVA was able to produce excellent results - once again demonstrating the strength of its diversified business model.

In 2021, the BBVA Group's net attributable profit amounted to €5.07 billion, excluding non-recurring impacts. This is the highest figure in the last decade, thanks to excellent performance from recurring revenues and lower impairment on financial assets provisions. If non-recurring impacts are taken into account, (i.e. the result of discontinued operations and the net costs related to the restructuring process) net attributable profit was €4.64 billion.

Gross income, or total revenue, ended the year with double-digit year-on-year growth at constant exchange rates, (i.e. excluding the impact of the exchange rate) thanks mainly to strong performance from recurring revenues, which grew by 9.1%. This growth in recurring revenue was primarily due to greater business activity, which has been gaining momentum in all countries, leading to a 7% year-on-year increase in lending and a very positive impact on net interest income and net fees and commissions.

The strong performance of the operating income has allowed us to more than offset the increase in operating expenses, above the Group's average inflation, and improve the efficiency ratio, which stood at 45.2% at the end of 2021. This represents an improvement of 53 basis points compared to the ratio at the end of December 2020, at constant exchange rates, and we continue to lead in this metric among our European competitors. All this has led to a solid growth of 10.8% in the operating income, compared to last year, in constant terms.

At the bottom of the P&L account, the lower amount of impairments on financial assets and provisions stands out - a figure that was especially high in 2020 due to the outbreak of the pandemic. The normalization of the situation has resulted in risk indicators performing better than expected.

The cost of risk stood at 0.93% - a decline of 62 basis points from the end of 2020, and below pre-pandemic levels. The NPL ratio stood at 4.1%, 10 basis points below the figure recorded in December 2020. Finally, the NPL coverage ratio remained at high levels, ending the year at 75%.

For yet another year, our profitability metrics were ahead of our competitors. Excluding the one-off impacts from the year, i.e. the result of discontinued operations and the net costs related to the restructuring process, Return on Equity (ROE) stood at 11.4% and Return on Tangible Equity (ROTE) was 12%. We were also able to continue to create value for shareholders, with a tangible book value per share plus dividends of €6.66, which is 10.1% higher than a year ago.

In terms of capital adequacy, BBVA boasts an excellent capital position with a fully-loaded CET1 ratio of 12.75% - well above the regulatory requirement of 8.60% and the Group's target range of 11.5% to 12%.

These results were possible thanks to BBVA's significant strengths, such as our leading franchises in attractive markets, our leadership in digitization and sustainability, and the best team.

These strengths also allowed us to make progress in our objectives of becoming a larger and more profitable bank, a distinctive bank for our clients, based on a unique value proposition, and continue leading efficiency through operational excellence.

With regard to the main business areas, I would like to highlight the following:

- In **Spain**, GDP experienced a significant recovery, which grew 5.1% according to BBVA Research estimates, after falling 10.8% in 2020. This led to greater momentum in activity, which increased by 1.7%, mainly due to solid performance in SMEs and consumer loans. Within this context, net attributable profit totaled €1.58 billion, up 143% from the previous year, thanks to the higher contribution from fees and commissions, net trading income (NTI) and lower impairment on financial assets and provisions. As a result, operating income grew by 14.5%, driven by net fees and commissions income, NTI and lower operating expenses. The cost of risk continued its downward trend, ending the year at 0.3%. The NPL ratio improved to 4.22% and the NPL coverage ratio ended the year at 62%, at high levels.
- In **Mexico**, economic growth slowed in the second half of 2021 after a strong expansion in the first half of the year, bringing the closing estimate for GDP growth to 5.3% in 2021 compared to a contraction of 8.5% in 2020. Lending grew by 5.1% over 2020 levels thanks to the performance of retail, especially mortgages, credit cards and SMEs. Within this context, the area's attributable profit was €2.57 billion, up 43%, at constant exchange rates. This is due to the strong performance of recurring revenues and lower impairment on financial assets provisions following the higher level of provisions in 2020 for COVID-19. As a result of the latter, the cost of risk fell to 2.67%.

- In **Turkey**, GDP boomed, growing up to 10.8%, according to BBVA Research estimates, bolstered by the strong rebound in the fourth quarter of the year. Lending increased by 39.7% between January and December 2021, driven by growth in local currency loans. Net attributable profit reached €740 million. Excluding currency fluctuations in the year, this is 71% more than the previous year in constant terms. Particularly noteworthy was the solid performance of all revenue lines, which led to gross margin growth of 25% and lower impairment on financial assets provisions following the higher level of provisions for COVID-19 in 2020. Consequently, the cumulative cost of risk decreased from 2.13% at the end of 2020 to 1.33% at the end of December 2021.
- In **South America**, the positive performance by the main countries (Argentina, Colombia and Peru) in activity is particularly noteworthy. The area's net attributable profit amounted to €491 million in 2021, up 23% in constant terms, thanks to the strong performance of recurring revenues and the improvement in credit quality, which has led to a significant reduction in the cost of risk.

None of this would have been possible without the efforts of the more than 110,000 people that make up BBVA, whom I would like to thank for their sustained commitment, and continued effort and contribution to these results, in what was still a complicated year for all of us.

And of course, my thanks also to you, the shareholders, for your ongoing trust and support, as it helps us make our purpose of bringing the age of opportunity to everyone a reality.

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