

# 1. Letter from the Group Executive Chairman

## Dear Shareholder,

In 2016, the global economy grew by 3.0%, somewhat below the 2015 figure. The macroeconomic environment was affected by high levels of volatility in the financial markets, mainly in the first quarter of the year, with major falls in commodity prices and uncertainty regarding the U.S. and Chinese economies. Recovery was slow over the year and shaped by unexpected political events, depreciation in some emerging countries and geopolitical tension in the Middle East.

Overall, the emerging economies recorded growth of 4.0%, compared with 4.1% in 2015. Growth in developed economies declined to 1.6% from 2.2% in 2015, due largely to the slowdown in the United States.

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Against this backdrop, BBVA's net attributable profit amounted to €3,475m, the highest figure since 2010, a year-on-year increase of nearly 32% in current euros and 61% in constant euros (i.e. not including exchange-rate variations). BBVA achieved these results thanks to improved revenues, cost control and lower loan-loss provisions.

The Group's main risk indicators also improved in 2016. The NPL coverage ratio remained high, the NPL ratio fell to 4.9% and the cost of risk declined by 22 basis points to 0.84%.

BBVA closed the year with a very sound capital position, with a fully-loaded CET1 capital ratio of 10.9%, far higher than the levels required by the regulator, and an increase of 58 basis points on the figure at the close of 2015.

In 2016, we continued to make progress in our transformation process. We began this process some years ago and are ahead of the rest of the industry, with a multi-dimensional vision that includes new platforms and processes, new

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capacities and talent, a new corporate culture, new work spaces and ways of working, a new organizational structure, new products and businesses and active participation in the digital ecosystem.

Over these years we have managed short-term difficulties without losing sight of the medium and long term. We have dealt with all the challenges that have arisen along the way, without wavering from our main project: the transformation of BBVA.

Our transformation process is now gathering pace. In 2016, we entered fully in the execution phase, creating the new capacities needed for banking in the 21st century and defining a new relationship standard with our customers. They are the great beneficiaries of the BBVA project, and the results are very tangible.

In Spain, according to a survey by Accenture among retail customers, our Bank has the highest proportion of customers with a digital profile among our peers, at 41%, and the figure is growing fast. BBVA also has the highest rating for online banking, branches, ATMs and mobile banking apps in Spain. The survey shows that retail banking customers value BBVA very positively compared with its peers in products such as current accounts, deposits, securities, cards and insurance, and give us the top score when assessing the banking sector's digital transformation.

In other countries, BBVA is ranked high in the surveys and we continue working very hard to be in the top spot in all the markets where we operate.

In 2016, BBVA established its responsible banking priorities for the coming years within the framework of a new Strategic Plan. This includes creating transparent, clear

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**In 2016, BBVA established its responsible banking priorities for the coming years within the framework of a new Strategic Plan and continued to develop educational, economic, cultural and scientific programs around the world**

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and responsible relations with our customers, integrating financial literacy in the solutions we offer, promoting responsible and sustainable growth and investment in the community, with financial literacy initiatives for the community, entrepreneurship and knowledge.

The BBVA Foundation also continued to develop economic, cultural and scientific programs. The BBVA Microfinance Foundation, which in 2017 will celebrate its 10th anniversary, was recognized by the United Nations for its contribution to the Sustainable Development Goals. BBVA also reaffirmed its commitment to the United Nations Global Compact's principles.

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**2016 was a good year for BBVA. We increased our earnings and made major progress in our Strategic Priorities**

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2016 was a good year for BBVA. We increased our earnings and made major progress in our Strategic Priorities: we have taken a quantitative leap forward in customer experience, grown digital sales, developed new business models, strengthened our capital position, improved our efficiency and enhanced the workforce, combining the best banking talent with new digital profiles.

I would like to congratulate the more than 134,000 men and women who work at BBVA Group around the world and who make us a better bank. I encourage them to continue working with the same enthusiasm and dedication.

And thank you, our shareholders, for the support you have shown us. Your trust motivates us to continue working with greater enthusiasm and drive, constructing a new banking standard of service and creating opportunities for all.



March 1, 2017

**Francisco González Rodríguez**