Sustainability as a business opportunity

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Sustainability, the biggest transformation in human history

At the top of the agenda... ... requiring big investments... ... in all geographies

196 countries with new or updated NDCs (Nationally Determined Contributions)

40% of the world’s financial assets pledged to meet the goals of the Paris Agreement

Global Temperature increase target
+1.5°C by 2050

Worldwide annual investment to limit global warming until 2030

$7\text{Tr}^{(1)}$

European Union
Extensive policy responses geared to sustainability for 2021-2024

NGEU
€750\text{Bn}^{(2)}

LatAm & Turkey
Emerging countries will invest more, relative to GDP, in low-emissions assets during a net-zero transition

€1\text{Tr/year}^{(3)} in emerging economies (ex-China)

A great business opportunity in BBVA’s footprint

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THE OPPORTUNITY

Banks play a key role in the transition to a more sustainable world

The future of banking is financing the Future

Mobilize capital as channeling agent for public funds while encouraging private investment

Develop sustainable financial solutions both in climate change and inclusive growth

Manage impacts (direct and indirect emissions) of banks’ activities

In this new environment, BBVA has been a first mover taking advantage of this relevant business opportunity
BBVA has generated **significant traction in sustainable finance origination**

**SUSTAINABLE FINANCE (EUR Mn)**

- **2019**: 18,157
- **2020**: 20,516
- **2021E**: 35,359

**OF WHICH:**

- **12%** of the Group’s **new business origination**

**Incremental business** driven by sustainable products offering

(1) Includes lending, project finance, bonds, refinancings but excludes asset management business
(2) Based on incremental market shares and new business pools (eg. NGEU funds)
OUR DIFFERENTIAL POSITIONING

Designing and launching new sustainable solutions to market...

New sustainable solutions...

- Energy-efficient linked mortgages
- Hybrid and electric vehicles loans
- Carbon footprint calculator for retail and corporates
- Energy efficiency advisory for enterprise clients

... leveraging BBVA’s digital capabilities

- BBVA offers a sustainable alternative for most of its main products
- Pioneer in adding sustainability advice in the app
- World’s 1st bank to use data analytics to calculate companies’ carbon footprint

Sustainable and successful transition leveraging BBVA’s digital edge
OUR DIFFERENTIAL POSITIONING

...and pioneering in sustainable activity

1st Bank Worldwide in launching all type of sustainable financing solutions

2007
1st Worldwide green bond*

2016
1st Worldwide social bond

2017
1st Worldwide green syndicated loan
1st Worldwide green project finance
1st Spanish green hybrid bond

2018
1st Worldwide green buyers credit-ECA
1st Latam green loan
1st Turkish green loan

2019
1st Worldwide green bond structured on DLT
1st Worldwide gender loan
1st Latam sust.-linked loan

2020
1st Social Covid bond by a financial institution in Europe
1st Mexican gender bond
1st Green CoCo bond by a financial institution Worldwide

2021
1st Social Covid bond in Mexico
1st Colombian ESG rating-linked loan
1st Turkish green IPO

*BBVA acted as co-lead manager
OUR DIFFERENTIAL POSITIONING

Net Zero 2050: Implementing portfolio alignment and excelling in managing emissions

Portfolio alignment strategy well underway
2030 decarbonization goals set in CO2 selected intensive industries

<table>
<thead>
<tr>
<th>Sector</th>
<th>Metric</th>
<th>BBVA Baseline (2020)</th>
<th>Benchmark vs scenario baseline</th>
<th>Absolute effort by 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>Kg CO2e/Mwh</td>
<td>249</td>
<td></td>
<td>(52%)</td>
</tr>
<tr>
<td>Auto</td>
<td>g CO2e/km</td>
<td>220</td>
<td></td>
<td>(46%)</td>
</tr>
<tr>
<td>Steel</td>
<td>Kg CO2e/Tsteel</td>
<td>665</td>
<td></td>
<td>(23%)</td>
</tr>
<tr>
<td>Cement</td>
<td>Kg CO2e/Tcement</td>
<td>695</td>
<td></td>
<td>(17%)</td>
</tr>
<tr>
<td>Coal</td>
<td>Portfolio trend (€Mn)</td>
<td></td>
<td>Phase out plan: 2030 developed markets and 2040 globally</td>
<td></td>
</tr>
</tbody>
</table>

Very solid starting point and strong commitment to help our clients in their transition

Starting point: ⚫⚫⚫ Well below scenario baseline ⚫⚫ Below scenario baseline

Ambitious targets to reduce BBVA’s environmental footprint

100% renewable energy by 2030 in line with SBTI & RE 100 Initiative

Carbon neutral since 2020 in Scope 1 and 2 and travel emissions, leveraging carbon offsetting

(1) Power, Auto, Steel and Cement benchmark scenario according to IEA NET Zero 2050
Growth as the cornerstone of our sustainability strategy

**Growth**
Doubling our target of channeling sustainable financing under a transversal action plan with pre-defined areas of focus

**Enablers**
Superior risk management capabilities integrating transition risk into banking processes while enabling portfolio alignment

Creation of a Sustainability area, at the highest level of the organization, to drive growth:
- Supporting the integration of sustainability across all area’s day-to-day activities
- Leveraging on BBVA’s edge in its digital transformation
BOLD GROWTH AHEAD

Bringing sustainability financing to the next level

2X our target of channeling sustainable financing

<table>
<thead>
<tr>
<th>Year</th>
<th>Old target</th>
<th>New target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>€100 Bn</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
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<tr>
<td>2022</td>
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<tr>
<td>2023</td>
<td></td>
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</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td>€200 Bn</td>
</tr>
</tbody>
</table>

Sustainability as growth lever: 
~20% of the sustainable business originated is incremental (€40Bn by 2025)

Leading bank in sustainable finance commitment

<table>
<thead>
<tr>
<th>Peer</th>
<th>Annualised Target as Share of Total Assets (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td>5.0</td>
</tr>
<tr>
<td>BBVA</td>
<td>4.0</td>
</tr>
<tr>
<td>Peer 2</td>
<td>3.6</td>
</tr>
<tr>
<td>Peer 3</td>
<td>3.4</td>
</tr>
<tr>
<td>Peer 4</td>
<td>2.9</td>
</tr>
<tr>
<td>Peer 5</td>
<td>2.5</td>
</tr>
<tr>
<td>Peer 6</td>
<td>2.3</td>
</tr>
<tr>
<td>Peer 7</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Peers: Credit Suisse, Deutsche Bank, HSBC, NatWest, Santander, Société Générale and Standard Chartered
BOLD GROWTH AHEAD

Prioritizing 12 transition themes for business execution

Themes have been prioritized looking for a balance between

**Size:** topics concentrating short term value

**Growth:** emerging technologies with room for exceptional long term expansion

**Right to win:** potential alignment with BBVA portfolio and/or footprint

BBVA is building the capabilities to capture incremental opportunities early on taking advantage of its geographical footprint and innovation capabilities

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>TRANSITION THEMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>Hydrogen production and use</td>
</tr>
<tr>
<td></td>
<td>Renewables (utility-scale)</td>
</tr>
<tr>
<td>Transport</td>
<td>Electric vehicles</td>
</tr>
<tr>
<td></td>
<td>Infrastructure for electric vehicles</td>
</tr>
<tr>
<td>Industry and O&amp;G</td>
<td>O&amp;G product transformation</td>
</tr>
<tr>
<td></td>
<td>Electrification (and hydrogen) for industrial heating</td>
</tr>
<tr>
<td>Buildings</td>
<td>Distributed solar generation</td>
</tr>
<tr>
<td></td>
<td>Energy efficiency, electrification and insulation</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Agricultural innovation/ adaptation</td>
</tr>
<tr>
<td></td>
<td>(for resiliency and higher yield)</td>
</tr>
<tr>
<td></td>
<td>Decarbonization of on-farm energy</td>
</tr>
<tr>
<td>Circularity</td>
<td>Circular product and upcycle design</td>
</tr>
<tr>
<td>Carbon Markets</td>
<td>Carbon offset marketplaces/ exchanges</td>
</tr>
</tbody>
</table>
Leveraging differential **sustainable opportunities** in **emerging markets**

Emerging countries will invest more, relative to GDP, in low-emissions assets

BBVA will lead the transition in **emerging markets** leveraging on its know-how of sustainability transition in developed economies

**INVESTMENTS IN LOW EMISSIONS TECHNOLOGY**
(as % of GDP under NGFS net-zero 2050 scenario 2020-2050)

- Latin America: 7%
- Europe: 5%

Source: Mckinsey
Creating **specialized sectoral knowledge**

- Monitoring our clients’ strategies and reflecting them in the appropriate scoring tools
- Running and updating sectoral deep dives on different transition scenarios
- Analyzing and quantifying the impact of scenarios in the financial and risk metrics of our clients/ portfolios

**Creation of tools to strategically steer business origination**
BOLD GROWTH AHEAD

Development of a **transition risk indicator as a scoring tool** to support clients’ transition and align our portfolio

Reflects clients’ **awareness and preparedness** to decarbonization

Incorporates **all dimensions** of carbon transition risk

Enables **differentiation among clients and specialized advisory**

- **ADVANCED**: Business model inherently benefits from the transition
- **STRONG**: Clients with strategies and plans that mitigate carbon exposure
- **MODERATE**: Material exposure to carbon transition risks
- **POOR**: Fundamentally inconsistent business models with the transition

Size reflects number of companies with the same transition score
BBVA’s sustainable edge

- **Outstanding track record channeling sustainable finance**
  Throughout 2021 BBVA will have channeled €35Bn in sustainable origination (+72% vs 2020)

- **Ambitious growth strategy**
  In June ’21, BBVA doubled its commitment to channel sustainable finance by 2025

- **Ahead of the market**
  Leading the market with innovative solutions, which allows to capture incremental business

- **Engaging with our clients’ transition**
  Specialized sectoral knowledge and development of transition tools to engage with clients towards better transition outcomes

Rewarded internationally for its sustainability focus: once again Europe’s most sustainable bank and second worldwide, according to the Dow Jones Sustainability Index 2021