

**BBVA**

Creating Opportunities

# 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

**\$7Tr<sup>(1)</sup>**

## European Union

Extensive policy responses geared to sustainability for 2021-2024

NGEU  
**€750Bn<sup>(2)</sup>**

## LatAm & Turkey

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

**€1Tr/year<sup>(3)</sup>**  
in emerging economies (ex-China)

(1) "Financing climate futures: rethinking infrastructure", OECD Publishing (2) Next Generation EU Plan to build a digital, sustainable and inclusive future

(3) excluding China, "The big emerging question", Blackrock Investment Institute

**A great business opportunity in BBVA's footprint**

# 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

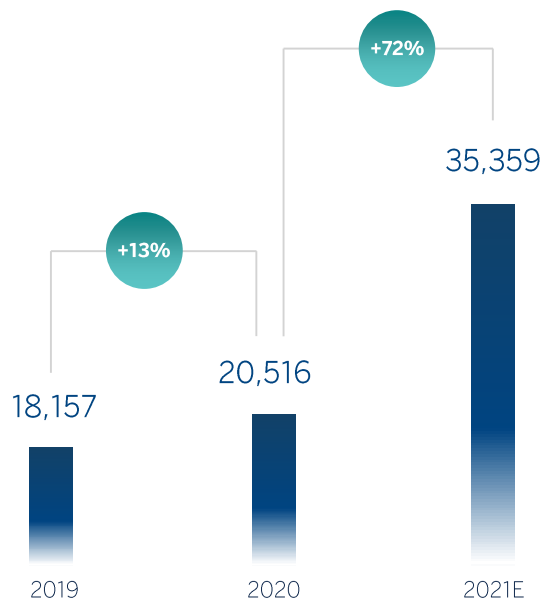


**Manage impacts** (direct and indirect emissions) of banks' activities

**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)



(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)

# 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

BBVA offers a sustainable alternative for most of its main products

## ... leveraging BBVA's digital capabilities



Pioneer in adding sustainability advice in the app

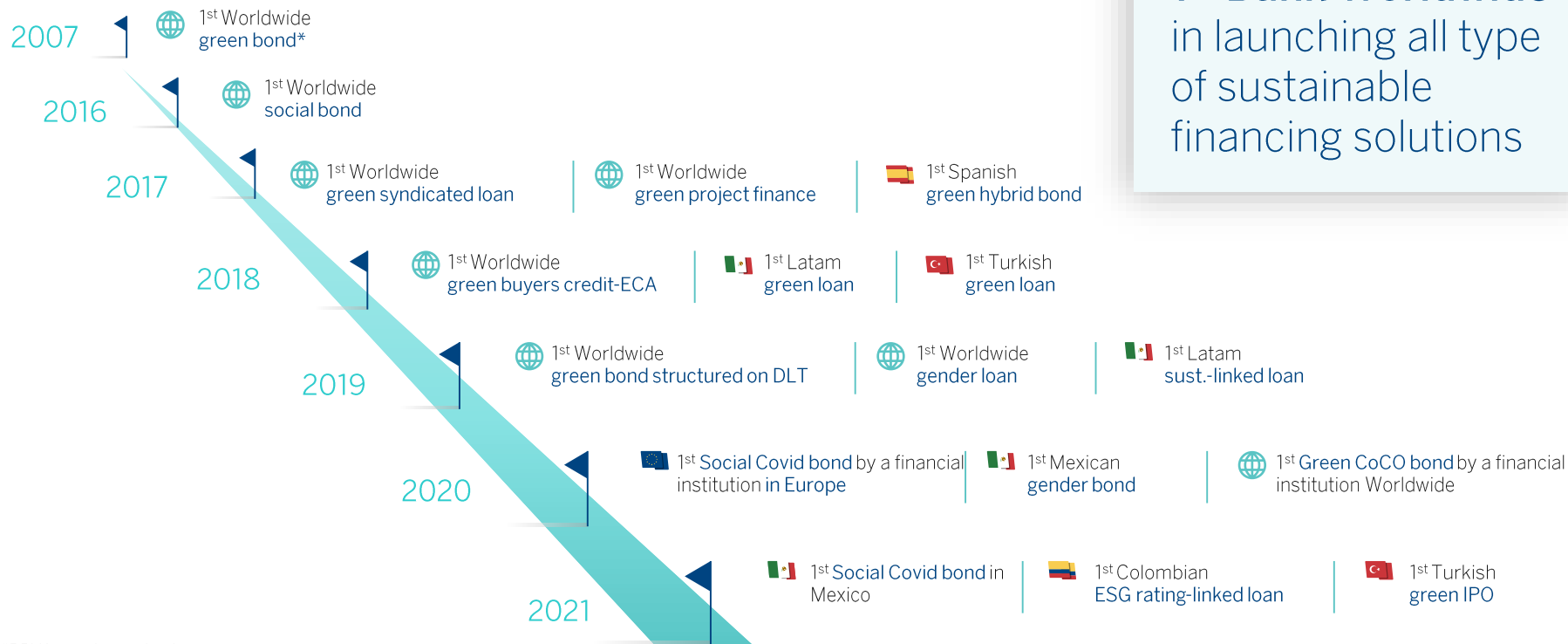


World's 1<sup>st</sup> bank to use data analytics to calculate companies' carbon footprint

## Sustainable and successful transition leveraging BBVA's digital edge

# ...and pioneering in sustainable activity

**1<sup>st</sup> Bank Worldwide**  
in launching all type  
of sustainable  
financing solutions



\*BBVA acted as co-lead manager

# 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

Sector <sup>(1)</sup>	Metric	BBVA Baseline (2020)	Benchmark vs scenario baseline	Absolute effort by 2030
Power	Kg CO <sub>2</sub> e/Mwh	249		(52%)
Auto	g CO <sub>2</sub> e/km	220		(46%)
Steel	Kg CO <sub>2</sub> e/Tsteel	665		(23%)
Cement	Kg CO <sub>2</sub> e/Tcement	695		(17%)
Coal	Portfolio trend (€Mn)	Phase out plan: 2030 developed markets and 2040 globally		

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

Starting point: Well below scenario baseline Below scenario baseline Aligned with 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

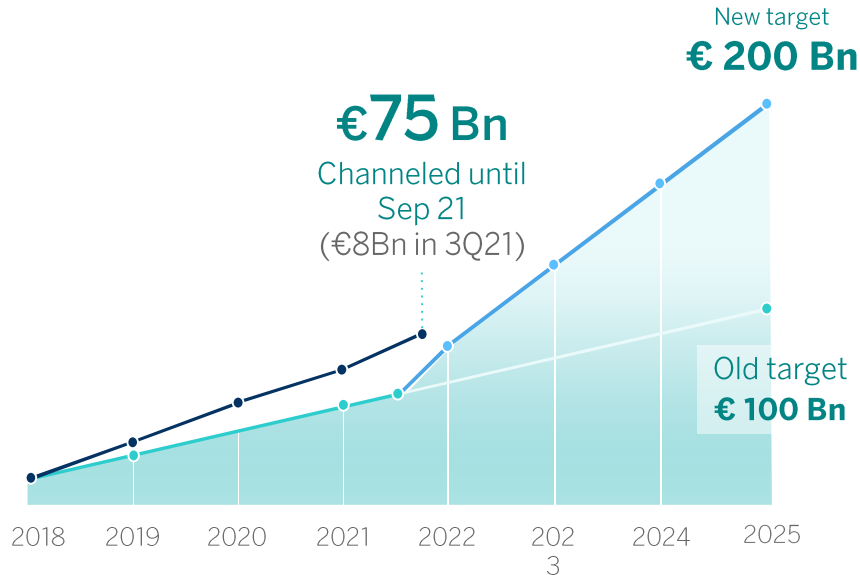
Superior risk management capabilities **integrating transition risk into banking processes** while enabling portfolio alignment

### 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

# Bringing sustainability financing to the next level

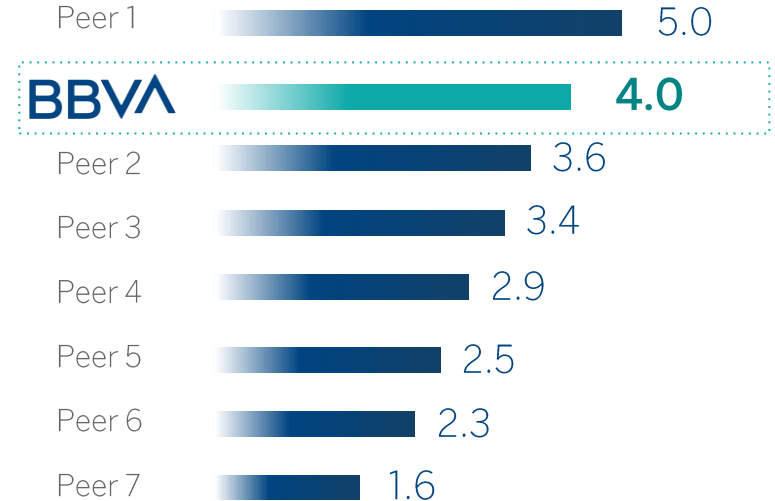
## 2X our target of channeling sustainable financing



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

## Leading bank in sustainable finance commitment

### ANNUALISED TARGET AS SHARE OF TOTAL ASSETS (%)



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

# 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**

SECTORS	TRANSITION THEMES
 Power	Hydrogen production and use Renewables (utility-scale)
 Transport	Electric vehicles Infrastructure for electric vehicles
 Industry and O&G	O&G product transformation Electrification (and hydrogen) for industrial heating
 Buildings	Distributed solar generation Energy efficiency, electrification and insulation
 Agriculture	Agricultural innovation/ adaptation (for resiliency and higher yield) Decarbonization of on-farm energy
 Circularity	Circular product and upcycle design
 Carbon Markets	Carbon offset marketplaces/ exchanges

# 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)



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**

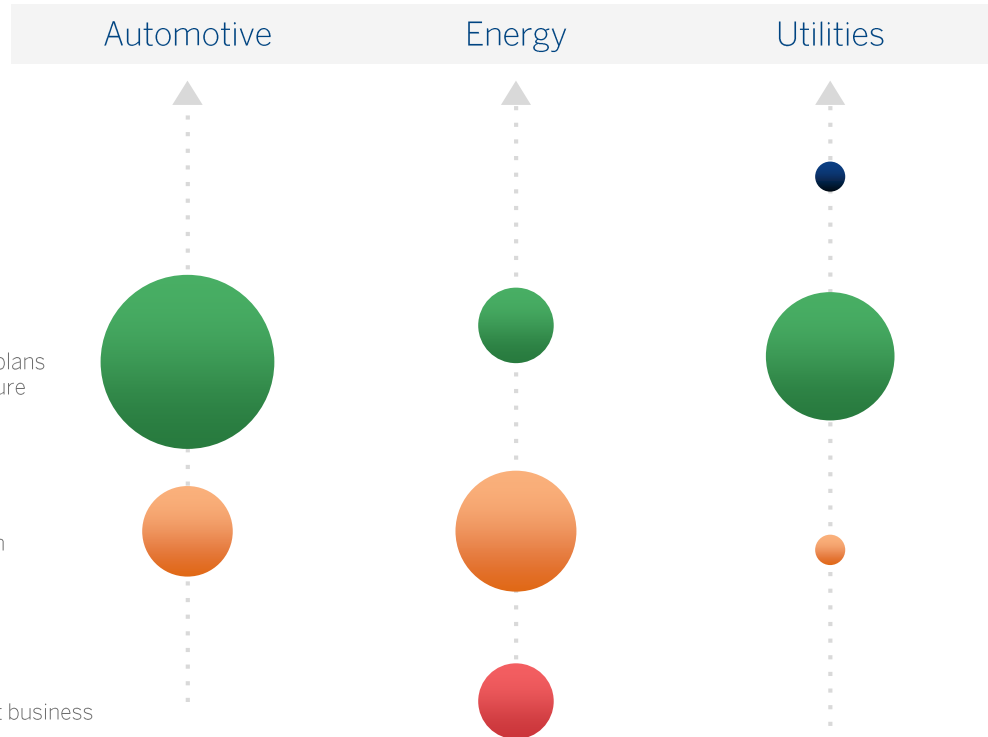
# Development of a **transition risk indicator as a scoring tool** to support clients' transition and align our portfolio

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)

€75Bn

Sustainable origination already channeled



## Ambitious growth strategy

In June '21, BBVA doubled its commitment to channel sustainable finance by 2025

€200Bn

Sustainable finance commitment by 2025



## Ahead of the market

Leading the market with innovative solutions, which allows to capture incremental business

~€40Bn

Incremental sustainability business by 2025



## 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**