BBVA’S SUSTAINABILITY STRATEGY

Building a more sustainable and inclusive future

October 2023
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This document contains forward-looking statements that constitute or may constitute "forward-looking statements" (within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995) with respect to intentions, objectives, expectations or estimates as of the date hereof, including those relating to future targets of both a financial and non-financial nature (such as environmental, social or governance ("ESG") performance targets). Forward-looking statements may be identified by the fact that they do not refer to historical or current facts and include words such as “believe”, “expect”, “estimate”, “project”, “anticipate”, “duty”, “intend”, “likelihood”, “risk”, “VaR”, “purpose”, “commitment”, “goal”, “target” and similar expressions or variations of those expressions. They include, for example, statements regarding future growth rates or the achievement of future targets, including those relating to ESG performance.

The information contained in this document reflects our current expectations and targets, which are based on various assumptions and projections, including non-financial considerations such as those related to sustainability.

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The world is living in an era of **unprecedented change** and sustainability is a significant and long-term opportunity

- A structural, technological transformation **across all industries**
- **Global** and immediate
- An **unprecedented investment** cycle

**Banks have a key role**

to play in financing the transformation by allocating funds to decarbonization technologies that offer long-term growth

The necessary global investments in sustainability imply a great potential incremental business

$275^{\text{TRILLION}} \quad \sim \quad 8\% \quad \text{WORLD GDP}

Annual Average
30 Years

Source: BNEF, McKinsey
BBVA has placed sustainability at the core of its strategy since 2019

Being a first mover bank gives a competitive edge on two goals:

- Capturing a higher share of the incremental business
- Differentiated management of sustainable risks

Capturing the opportunity requires an extended and deep transformation across the entire value chain

- Global Sustainability Area at top management level, with a business-orientated focus
- Risk management that integrates sustainability as a lever
- Variable remuneration of all employees linked to sustainability
Foster new business through sustainability

Channeling sustainable business

2025 GOAL

€ 300 Bn

FROM 2018 TO SEP’23

€ 185 Bn

Achieve Net Zero 2050

Setting and managing 2030’s decarbonization targets

SECTORS

- Oil & Gas
- Power Generation
- Auto
- Steel
- Cement
- Coal

AS OF SEP’23

76% of lending portfolio with clients progressing in their transition¹

(¹) % calculated in terms of portfolio lending amount that includes drawn and undrawn financing (such as Lending, Revolving Credit Facilities unused, Guarantees, ECA facilities, among others). Data as at Sep’23. Corresponds to high-emitting sectors that include Oil & Gas, Power, Auto, Steel and Cement at Grupo level. The % of portfolio does not include the coal sector for which BBVA has defined a phase out plan 2030 in developed countries and 2040 in the rest of the geographies where it operates. Clients are progressing in their transition when they are considered “Advanced”, “Strong” or “Moderate” according to internal transition assessment tools, such as Transition Risk indicator (TRI), considering medium-term emission reduction targets, the identification of levers for the emissions management and the commitment of capital investments to execute its transition plan. See annex for details.

Sustainability is at the core of BBVA's Strategy
We are bringing **sustainable business** to the next level

### Advancing in our goal to sustainable business

Cumulative data (2018 - Sep’23)

- **€185 Bn** channeled since 2018
- **€49 Bn** channeled in 9M2023
- **New target (2022)** 300 €Bn

### Initial target (2018)

- **100 €Bn**

![Graph showing sustainable business channeled since 2018 to 2025 with specific targets.](Image)

1. Sustainable business channeling is considered to be any mobilization of funds, cumulatively, towards activities or clients considered to be sustainable in accordance with existing regulations, internal and market standards and best practices. The foregoing is understood without prejudice to the fact that said mobilization, both at an initial stage or at a later time, may not be registered on the balance sheet. To determine the funds channeled to sustainable business, internal criteria is used based on both internal and external information.

### With a global and holistic approach

Sustainable business channeled breakdown

- **BY PRODUCT**
  - **75% Financing**
  - **17% Bonds**
  - **4% Project finance**
  - **4% Investment products and Others**

- **BY BUSINESS SEGMENT**
  - **Retail Enterprises**
    - 4.3
    - 7.3
    - 69%
  - **CIB**
    - 27.0
    - 26.2
    - -3%

- **9M22**
  - 17.2
  - 17.2

- **9M23**
  - 15.6
  - 26.2
  - +95%

- **€39 Bn**
  - +25%

2. Non-Project Finance and transactional banking activity.
4. Investment products art. 8 or 9 under Sustainable Finance Disclosure Regulation (SFDR) or similar criteria outside the European Union, managed, intermediated or marketed by BBVA. Includes, in CIB and Enterprise: structured deposits, mainly; and in Retail: structured deposits, insurance policies for electric vehicles and self-renting of electric vehicles, mainly.

(2018 - Sep’23)

- **€185 Bn**
- **€49 Bn**
- **€39 Bn**

Cumulative Data (€ billions)
Foster new business with a **holistic approach** and focus on **3 levers**

**Holistic approach** to sustainability

- **Net-zero opportunities**
  - Electric transportation,
  - Energy efficiency,
  - Renewable power...

- **Nature-positive opportunities**
  - Agriculture, Water,
  - Recycling....

- **Social opportunities**
  - Financial inclusion,
  - Entrepreneurship,
  - Social infrastructure...

**Working on 3 growth levers**

1. Providing **personalized advice** to clients to capture business opportunities
2. Developing **best-in-class risk management** capabilities
3. Building levers **to do business in the right way**
Providing personalized advice to clients to capture business opportunities

CORPORATE CLIENTS
Sector-related advice to proactively address transition opportunities
Focus on high-emitting sectors
- Oil and gas
- Power generation
- Auto

ENTERPRISE CLIENTS
Advice focused on savings through specific sustainable solutions
Focus on transversal themes
- Energy efficiency
- Fleet renewal
- Water
- Circularity
- Social infrastructure
- Entrepreneurship

RETAIL CLIENTS
Tailored digital solutions for mass market
Focus on savings
- Mobility
- Self-consumption
- Unbanked

SELECTIVE GROWTH
76% of lending portfolio with clients progressing in their transition +7p.p growth¹ (YTD as at Sep'23)

LEVERAGED CAPILLARITY
to boost business
65% of total bankers closed sustainability deals (YTD as at Sep'23)

TAILOR-MADE SOLUTION
to mass markets
+13,000 solar panels financed (YTD as at Sep'23)

**(1)** Variation Sep'23 (76%) vs Dec 22 (68.8%). % calculated in terms of portfolio lending amount that includes drawn and undrawn financing (such as Lending, Revolving Credit Facilities unused, Guarantees, ECA facilities, among others). Data as at Sep'23. Corresponds to high-emitting sectors that include Oil & Gas, Power, Auto, Steel and Cement at Grupo level. The % of portfolio does not include the coal sector for which BBVA has defined a phase out plan 2030 in developed countries and 2040 in the rest of the geographies where it operates. Clients are progressing in their transition when they are considered “Advanced”, “Strong” or “Moderate” according to internal transition assessment tools, such as Transition Risk indicator (TRi), considering medium-term emission reduction targets, the identification of levers for the emissions management and the commitment of capital investments to execute its transition plan. See annex for details.
Developing best-in-class risk management capabilities to mitigate risks and support business opportunities

1. **SOUND STARTING POINT**
   - Low exposure to high-emitting sectors

2. **FOCUS ON BANKING THE BUSINESS UPSIDE**
   - Leverage in differential risk knowledge to advance dialogue with our clients
   - Developing specific risk frameworks to support new business verticals (e.g., new sustainable technologies)
   - Strategic plan for new clients acquisition based on transition positioning

3. **CONTINUED DEVELOPMENT OF CAPABILITIES**
   - Building up advanced tools and ongoing training for risk teams
   - 6.7% of the total exposure (measured by EAD of BBVA Group)\(^1\)
   - 95% of lending portfolio in high-emitting sectors scored under a Transition Risk Indicator (TRI)
     - of which 76% with clients progressing in their transition\(^2\)
   - 66% of risk team trained on sustainability (~2,000 FTEs)\(^3\)

Competitive advantage built over time to capture business opportunities, while managing sustainability risk

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(1) Corresponds to high-emitting sectors that include Oil & Gas, Power, Auto, Steel, Cement and Coal at Grupo level. Data as at Dec 22. (2) % calculated in terms of portfolio lending amount that includes drawn and undrawn financing (such as Lending, Revolving Credit Facilities unused, Guarantees, ECA facilities, among others). Data as at Sep 23. Corresponds to high-emitting sectors that include Oil & Gas, Power, Auto, Steel and Cement at Grupo level. The % of portfolio does not include the coal sector for which BBVA has defined a phase out plan 2030 in developed countries and 2040 in the rest of the geographies where it operates. Clients are progressing in their transition when they are considered “Advanced”, “Strong” or “Moderate” according to internal transition assessment tools, such as Transition Risk Indicator (TRI), considering medium-term emission reduction targets, the identification of levers for the emissions management and the commitment of capital investments to execute its transition plan. See annex for details. (3) In addition, over 340,000 hours of training in 2022 and more than 100,000 employees trained in sustainability between Dec 21 and 22.
Building levers to **do business in the right way**

- **Defining robust criteria** to classify sustainable business
- **Defining and adapting processes** to ensure operational efficiency and adequate internal controls
- **Leveraging on data quality** on sustainable attributes, at deal level
- **Assessing the non-financial risks** and defining mitigating measures

Committed to transparency in our sustainability reporting and first movers in aligning it to best practices **TCFD + GFANZ transition plan, SASB, WEF-IBC and GRI**
ACHIEVE NET ZERO 2050

Achieve **Net Zero 2050**

**DIRECT IMPACT**

Progress meeting targets as at Dec’22

- **81%** reduction of CO₂ emissions since 2015
- **92%** of renewable electricity use

**SCOPE 1 & 2**

Full perimeter of Scope 1, 2 & 3 will be disclosed in 2024

**INDIRECT IMPACT¹**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target Reduction by 2030*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas (upstream)</td>
<td>(30)%</td>
</tr>
<tr>
<td>Power (generation)</td>
<td>(52)%</td>
</tr>
<tr>
<td>Auto (auto makers)</td>
<td>(46)%</td>
</tr>
<tr>
<td>Steel (manufacturing)</td>
<td>(23)%</td>
</tr>
<tr>
<td>Cement (manufacturing)</td>
<td>(17)%</td>
</tr>
<tr>
<td>Coal (mining) **</td>
<td></td>
</tr>
</tbody>
</table>

* The metric reduction targeted is associated to drawn and undrawn financing for all sectors except Oil & Gas which only includes drawn financing.

** Phase-out thermal coal plan 2030 in developed countries and 2040 in the rest of the geographies, under the terms provided in the BBVA Environmental and Social Framework.

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(1) Indirect Impact includes financed emissions and Assets under management with portfolio alignment targets by 2030 (BBVA Asset Management); (2) Sector and sub sector value chain according to PACTA (Paris Agreement Capital Transition Assessment); BBVA applies the PACTA methodology to measure portfolio alignment and focuses on aligning the most carbon-intensive part of the value chain; See annex for details; (3) Target of using 100% renewable energy by 2030; (4) Full perimeter of Scope 3 (excl. financed emissions). In 2022, Scope 3 includes business travel, employee commuting to central premises and waste (categories 5, 6 and part of 7). BBVA is offsetting its Scope 1 and 2 emissions, and part of Scope 3, in the main geographies in which it operates, using reduction and offsetting mechanisms through the purchase of carbon credit.
Developing **decarbonization strategy** to align the portfolio and capture business opportunities

**SECTORAL ALIGNMENT PLANS**
To define commercial strategy to guide selective growth based on risk considerations and business opportunities

**SPECIFIC TOOLS TO ASSESS CLIENT’S TRANSITION PLANS**
(Transition Risk indicator - TRi)
Integrated into business credit strategy and decision-making process

**INTEGRATION INTO DEAL PROCESS**
Proactive and dynamic portfolio management, assessing the impact of individual deals

A management model to track decarbonization objectives and **capture the business upside potential**
Support clients in the definition of solid plans and setting clear emission reduction targets

Clients who are progressing in their transition\(^2\) account for 11% of the drawn amount

BBVA will not directly finance new projects related to exploration, drilling and extraction\(^3\)

**OIL & GAS\(^1\)**

Absolute Emissions in Mt CO\(_2\)e

- 2020: 14 Mt CO\(_2\)e
- 2022: 9.8 Mt CO\(_2\)e

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**COAL**

- Phase-out thermal coal 2030 in developed countries and 2040 globally\(^4\)
- Clients who are expected to transition in time to meet BBVA’s phase-out target for thermal coal account for 61% of the lending portfolio\(^5\)
- Financing sustainable projects to support the sector transition.

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**BBVA Portfolio**

<table>
<thead>
<tr>
<th>2020</th>
<th>2022</th>
<th>2024</th>
<th>2026</th>
<th>2028</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>9.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is important to note that progress towards these targets is expected to be non-linear in the short term.

(1) For the oil and gas sector, the portfolio alignment metric is an absolute emissions metric with a 2021 baseline and the target reduction is only associated to drawn financing. (2) % calculated in terms of portfolio lending amount. Data as at Dec’22. Clients are progressing in their transition when they are considered “Advanced”, “Strong” or “Moderate” according to internal transition assessment tools, such as Transition Risk Indicator (TRI), considering medium-term emission reduction targets, the identification of levers for the emissions management and the commitment of capital investments to execute its transition plan. See annex for details. (3) In the terms set forth in the BBVA Environmental and Social Framework; (4) In the terms set forth in the BBVA Environmental and Social Framework; (5) Lending portfolio includes drawn and undrawn financing (such as Lending, Revolving Credit Facilities unused, Guarantees, ECA facilities, among others).
Sectors with intensity emissions targets:
Aligning the portfolio on the path for decarbonization

It is important to note that progress towards these targets is expected to be non-linear in the short term.

(1) Alignment metric according to Pillar 3 disclosure as at Jun'23; (2) Lending portfolio €Mn 2020-22 in terms of committed that includes drawn and undrawn financing (such as Lending, Revolving Credit Facilities unused, Guarantees, ECA facilities, among others); (3) % calculated in terms of portfolio lending amount. Data as at Dec'22. Clients are progressing in their transition when they are considered "Advanced", "Strong" or "Moderate" according to internal transition assessment tools, such as Transition Risk indicator (TRi), considering medium-term emission reduction targets, the identification of levers for the emissions management and the commitment of capital investments to execute its transition plan. See annex for details; (4) H2-DRI (Direct Reduction of Iron with Hydrogen)
Sustainability is fully integrated into the organization with a **Strong Governance Model**

### SUSTAINABILITY GOVERNANCE
- **Board of Directors with knowledge and experience in sustainability**
- **Global Sustainability Area (GSA) with business oriented focus** at the top of the organization reporting to the Chairman (for strategy matters) and CEO (for business matters)
- **Sustainability Alignment Steering Group (SASG)** focused on monitoring and achieving portfolio decarbonization targets with all relevant teams across **business and risk areas**
- **Integrated processes** where all business development teams have a co-dependence with the GSA
- **Sustainability Risk integrated into global risk management** processes and governance

### REMUNERATION SYSTEM
- Incentive system linked to sustainable business channeled for **sales teams**
- Annual variable remuneration linked to the mobilization of sustainable business for **all employees**
- Annual long-term variable remuneration scheme linked to the decarbonization targets from 2023 for **risks takers**
BBVA is committed to **making a positive impact on society** with special focus on education and supporting entrepreneurship.

**2.9 Mn** entrepreneurs supported to avoid poverty

Six out of ten have managed to overcome poverty within five years and 69% of the entrepreneurs are women.

**BBVA Foundation**

Committed to **knowledge and innovation**

**Frontiers of Knowledge Awards** for world leaders in scientific research and artistic creation

**BBVA Chavos que inspiran**

Support to **47,000** low-income Mexican young people for 10 years through scholarships and mentoring

**800 Mn views** of inspiring videos to promote education through sustainability

BBVA participates in **initiatives, alliances and actively engages with all stakeholders** to promote sustainability in the financial system.
Sustainability, a competitive advantage for BBVA

ALLOWING

“To capture incremental business, improve sustainable risk management and drive selectively growth while aligning the portfolio”
Financed emissions calculation

Financed emissions (Perimeter Pillar 3)

Jun '23
Mt CO₂e

BBVA SA (ex. Portugal)

Mexico

Total

43.4

30.1

73.5

Working on 3 lines of actions

1. Covering the most relevant sectors in line with the Partnership for Carbon Accounting Financials (PCAF)

2. Expanding the perimeter of the main portfolios and geographic areas during 2023 and 2024

3. Developing cross-sectional assessment of the quality of data available for these calculations

This gradual expansion provides a comprehensive view of financed emissions and facilitates the identification of portfolios and sectors with the highest emissions.
Setting **decarbonization targets for 2030** for portfolio alignment

<table>
<thead>
<tr>
<th>Sector &amp; PACTA Value chain¹</th>
<th>Methodology &amp; Scopes covered</th>
<th>Metric²</th>
<th>2020 Baseline</th>
<th>2030 Target</th>
<th>2022</th>
<th>6M23</th>
<th>Target reduction by 2030*</th>
<th>Reduction 2022 vs baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas (upstream)</td>
<td>PCAF Scope: 1&amp;2&amp;3</td>
<td>Absolute emissions upstream (M t CO₂e)</td>
<td>14³</td>
<td>9.8</td>
<td>14</td>
<td>n/a</td>
<td><strong>(30)%(30)</strong></td>
<td>n/a</td>
</tr>
<tr>
<td>Power (generation)</td>
<td>PACTA Scope: 1&amp;2</td>
<td>Emission intensity (Kg CO₂e/MWh)</td>
<td>221</td>
<td>107</td>
<td>212</td>
<td>198</td>
<td><strong>(52)%(52)</strong></td>
<td>(4.07)%</td>
</tr>
<tr>
<td>Auto (auto makers)</td>
<td>PACTA Scope: 3</td>
<td>Emission intensity (g CO₂/v-km)</td>
<td>205</td>
<td>110</td>
<td>195</td>
<td>171</td>
<td><strong>(46)%(46)</strong></td>
<td>(4.88)%</td>
</tr>
<tr>
<td>Steel (manufacturing)</td>
<td>PACTA Scope: 1&amp;2</td>
<td>Emission intensity (Kg CO₂/tonnes steel)</td>
<td>1,270</td>
<td>984</td>
<td>1,140</td>
<td>1,270</td>
<td><strong>(23)%(23)</strong></td>
<td>(10.24)%</td>
</tr>
<tr>
<td>Cement (manufacturing)</td>
<td>PACTA Scope: 1&amp;2</td>
<td>Emission intensity (Kg CO₂/tonnes cement)</td>
<td>700</td>
<td>579</td>
<td>690</td>
<td>714</td>
<td><strong>(17)%(17)</strong></td>
<td>(1.43)%</td>
</tr>
<tr>
<td>Coal (mining)</td>
<td></td>
<td>Portfolio trend (€mn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>**</td>
<td></td>
</tr>
</tbody>
</table>

*The metric reduction targetted is associated with drawn and undrawn financing for all sectors except Oil&Gas (commitment only over drawn financing)

**Phase-out plan 2030 in developed countries and 2040 in the rest of the geographies, under the terms provided in the **BBVA Environmental and Social Framework**

(1) BBVA applies the Paris Agreement Capital Transition Assessment (PACTA) methodology to measure portfolio alignment and focuses on aligning the most carbon-intensive part of the value chain; (2) For the oil and gas sector, the metric for portfolio alignment is an absolute emissions metric according to PCAF. For the rest of the sectors, a carbon intensity metric is identified that allows a forward-looking measurement of the portfolio alignment; (3) Oil & Gas baseline year 2021. Quality improvements reflected in the baseline and in the targets, maintaining the % reduction effort defined.
Transition Risk indicator (TRi): specific tool integrated in management risk, to assess clients' transition strategies

**ASSESSMENT OF THE TRANSITION MATURITY OF EACH CLIENT**

20% climate change awareness (CCA)
- 25% metrics & targets
- 25% governance model
- 25% risk management
- 25% strategy

80% carbon transition assessment (CTA)
- 25% exposure to medium-term technology/policy/market risk
- 40% medium term response activities
- 35% current low carbon transition business profile

**LOW EXPOSURE AND SIGNIFICANT CLIENT COVERAGE**

<table>
<thead>
<tr>
<th>Exposure to high-emitting sector¹</th>
<th>Oil &amp; Gas</th>
<th>Power Generation</th>
<th>Auto</th>
<th>Steel</th>
<th>Cement</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.8%</td>
<td>3.2%</td>
<td>2.2%</td>
<td>1.4%</td>
<td>0.6%</td>
<td></td>
</tr>
</tbody>
</table>

12.95% wholesale EAD (For BBVA Group, the EAD accounts for 6.7%)

- **Advanced**
  - Business model inherently benefits from the transition
- **Strong**
  - Clients with strategies and plans that mitigate carbon exposure
- **Moderate**
  - Material exposure to carbon transition risk
- **Poor**
  - Fundamentally inconsistent business models with the transition

<table>
<thead>
<tr>
<th>Coverage of TRi score²</th>
<th>97%</th>
<th>97%</th>
<th>99%</th>
<th>90%</th>
<th>88%</th>
</tr>
</thead>
</table>

95% of lending portfolio in high-emitting sectors scored under a Transition Risk indicator (TRi)

(1) Includes the percentage of exposure at default (EAD) over the EAD of the wholesale portfolio as at Dec’22. Coal accounts for 0.1%. The size of the circles represents the number of customers in each category. Clients are progressing in their transition when they are considered “Advanced”, “Strong” or “Moderate” according to internal transition assessment tools, such as Transition Risk indicator (TRi), considering medium-term emission reduction targets, the identification of levers for the emissions management and the commitment of capital investments to execute its transition plan; (2) Data as at Sep’23.
BBVA is **rewarded internationally** for its sustainability focus

### SUSTAINABILITY AWARDS

<table>
<thead>
<tr>
<th>Award</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best Investment Bank in Mexico &amp; Peru and Best ESG Loan House</td>
<td>2023</td>
</tr>
<tr>
<td>World's Best Corporate Bank</td>
<td>(2023)</td>
</tr>
<tr>
<td>World Leader in Sustaining Communities</td>
<td>(2023)</td>
</tr>
<tr>
<td>Best Supply-Chain Finance Provider in Latin America</td>
<td>(2023)</td>
</tr>
<tr>
<td>World's Best Foreign Exchange Bank</td>
<td>(2023)</td>
</tr>
<tr>
<td>Best Trade Finance Provider in Latin America, Spain, Peru, Uruguay</td>
<td>and Turkey (2023)</td>
</tr>
<tr>
<td>Outstanding Leadership in Green Bonds in Western Europe</td>
<td>(2023)</td>
</tr>
<tr>
<td>Gallup Exceptional Workplace Award</td>
<td>(2023)</td>
</tr>
<tr>
<td>Top Employer in Spain</td>
<td>(2023)</td>
</tr>
<tr>
<td>Best Digital Bank in Europe and Mexico's Best Bank and Investment Bank</td>
<td>(2022)</td>
</tr>
<tr>
<td>Bank and Investment Bank of the year in Mexico</td>
<td>(2022)</td>
</tr>
<tr>
<td>Global bank of the year and best bank in Spain, Western Europe, Peru</td>
<td>and Colombia (2022)</td>
</tr>
</tbody>
</table>

### SUSTAINABILITY INDEX AND RATINGS ON WHICH BBVA HAS A PRESENCE

<table>
<thead>
<tr>
<th>Rating</th>
<th>Score</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>4.7/5</td>
<td>ESG Risk Rating</td>
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thank you