



Creating Opportunities

BBVA's Second Green Bond Senior Non-Preferred Issuance

12th June 2019

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Creating Opportunities

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01

Second Green Bond SNP

- Rationale
- Sustainable Development Bond Goal Framework at a glance
- 2019 Funding Plan

BBVA's Second Green Bond SNP

RATIONALE

- Second transaction framed within the **Sustainable Development Goals Bond Framework**, announced in April, 2018.
- **In line with BBVA's Pledge 2025** to mobilize €100 bn in capital for sustainable projects (from 2018 to 2025).
- This transaction is in line with **BBVA's funding plan** to issue €2.5-3.5 bn of SNP within 2019 (€1 bn issued in Feb' 19).

COMMITTED WITH SUSTAINABLE DEVELOPMENT

BBVA's Pledge 2025



**€100
Billion**
MOBILIZED
From 2018 to 2025

- Green finance
- Sustainable infrastructure and agribusiness
- Financial inclusion & entrepreneurship

To finance

We will help to create the **scale of capital mobilization** to halt global climate change & attain the UN Sustainable Development Goals

Sustainable Development Goals Bond Framework

Sustainable Development Goal Bond Framework at a glance

- **Public, Transparent, Standard and Aligned** to the four core components of the ICMA Green and Social Bond Principles and Sustainability Bond Guidelines
- Provides BBVA Group with the possibility to issue three types of bonds **Green bonds** (only green eligible projects), **Social bonds** (only social eligible projects) **or Sustainability Bonds** (mixed)
- **In line with the UN Sustainable Development Goals (SDGs), Agenda 2030**, the bonds issued under this framework will mainly promote the following goals:



- Supported by a **strong governance structure:** Sustainable Finance Working Group and BBVA SDGs Bond Committee responsible for defining which projects will be eligible and will be included in each bond. The Global Head of Responsible Business at BBVA will have a final veto over any project if needed
- **Strict management and tracking of the funds:** an external auditor or other suitably qualified provider will be requested to provide a limited assurance report regarding allocation of the proceeds obtained from the relevant Green, Social or Sustainability Bond to Green or Social Projects
- **Reports** will be made available to the public at BBVA's webpage.
- Framework **verification:** BBVA has obtained an independent verification assessment from DNV-GL

2019 Funding Plan

GOALS:

- Keep AT1 and T2 layers endowed
- Preserve compliance with MREL requirements

FUNDING PLAN FOR 2019:

- Hybrid instruments: keep buckets fulfilled, considering maturities and potential future call options
 - AT1: €1 bn AT1 PNC5 6.00% issuance Mar'19
 - €1.5 bn AT1 7% issued on 2014-call announced Jan'19
 - €1.5 bn AT1 6.75% call date on Feb'20
 - Tier 2: € 750 mn 10NC5 2.575% issuance Feb'19
 - €1.5 bn T2 10NC5 called on Apr'19
- **SNP: Expected issuance of €2.5-3.5bn** ⁽¹⁾
 - € 1 bn 5yr 1.125% issuance Feb'19
 - Roll over of non-capital wholesale funding maturities into MREL eligible instruments
- Senior and covered bonds: dependent on Euro BS evolution

(1) Subject to market conditions

MREL

- More than 90% MREL eligible instruments are subordinated
- Limited amount of corporate deposits accounted as MREL eligible liabilities
- Wholesale debt maturity profile offers flexibility to keep refinancing current instruments into new SNP, if required

BBVA considers it complies with MREL

This plan maintains BBVA's solid capital structure and ensures the fulfillment of MREL requirement in 2020

02

BBVA's portfolio & selected assets for the Second Green Bond

Green categories of BBVA's portfolio & selected assets for the Second Green Bond

GREEN CATEGORIES OF THE BBVA'S GREEN ASSETS PORTFOLIO

May 2019

Use of Proceeds

GREEN ELIGIBLE CATEGORIES



Energy Efficiency



Sustainable Transport



Water



Waste Management



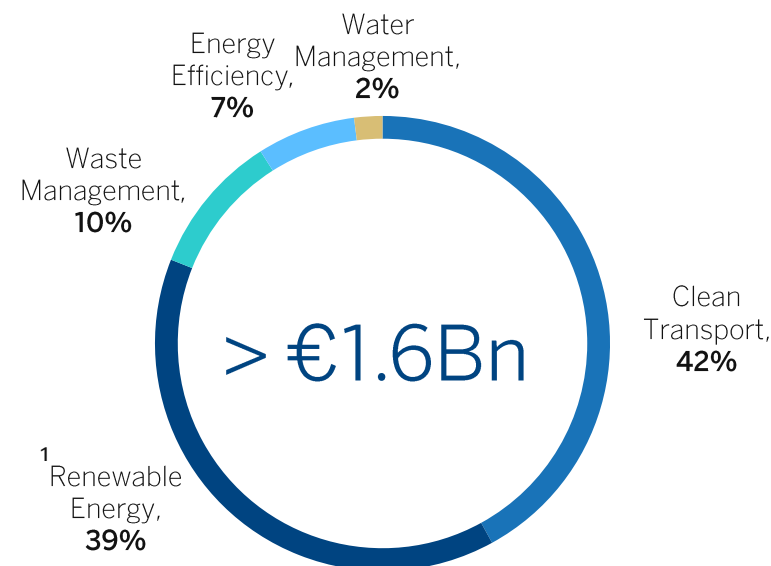
Renewable Energy

Excluded Activities

- Nuclear power generation
- Mining
- Large scale (above 20 MW) dams
- Carbon related
- Defense
- Oil & Gas

BREAKDOWN BY CATEGORY OF SELECTED ASSETS FOR THE 2nd PUBLIC GREEN ISSUANCE

May 2019



THE SECOND GREEN BOND UNDER THE SDG BOND FRAMEWORK INCLUDES THE FOLLOWING INFORMATION:

- The total amount of the selected eligible projects markedly exceeds the targeted issuance amount. Selected assets have obtained an independent verification assessment from DNV-GL
- At issuance 100% of the proceeds raised by the second green bond will be used by BBVA for the refinancing of projects
- The eligible projects have been financed within the past 3 years since the relevant bond year of issuance (2016/2019)
- BBVA will make an effort to dedicate a percentage of the proceeds of each Green, Social or Sustainability Bond for new financing

¹ By Technology: Wind (49%), Solar (44%), Transmission (6%) and Biomass (1%)

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External Review

External Review

For the Second Green Bond BBVA has obtained an independent verification assessment from DNV GL that is accessible on BBVA's website on the following [link](#)

BOND VERIFICATION

Extracts from DNV GL eligibility assessment

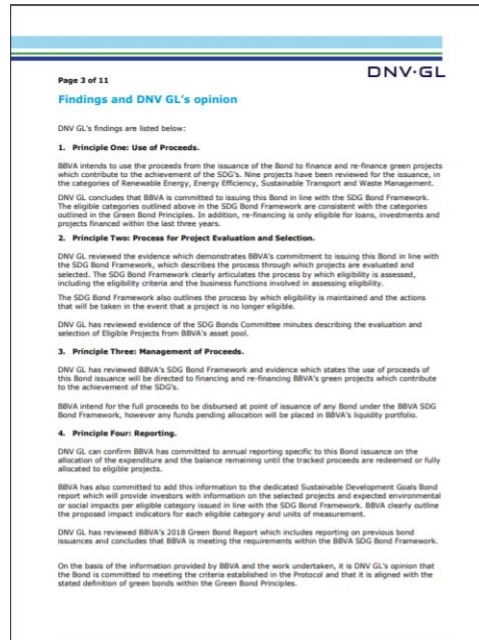
1 **“Use of Proceeds.** Nine projects have been reviewed for the issuance, in the categories of Renewable Energy, Energy Efficiency, Sustainable Transport and Waste Management. DNV GL concludes that BBVA is committed to issuing this Bond in line with the SDG Bond Framework. The eligible categories outlined above in the SDG Bond Framework are consistent with the categories outlined in the Green Bond Principles.”

1 **“Process for Project Evaluation and Selection.** DNV GL reviewed the evidence which demonstrates BBVA's commitment to issuing this Bond in line with the SDG Bond Framework, which describes the process through which projects are evaluated and selected. The SDG Bond Framework clearly articulates the process by which eligibility is assessed, including the eligibility criteria and the business functions involved in assessing eligibility. The SDG Bond Framework also outlines the process by which eligibility is maintained and the actions that will be taken in the event that a project is no longer eligible. DNV GL has reviewed evidence of the SDG Bonds Committee minutes describing the evaluation and selection of Eligible Projects from BBVA's asset pool”

1 **“Management of Proceeds.** DNV GL has reviewed BBVA's SDG Bond Framework and evidence which states the use of proceeds of this Bond issuance will be directed to financing and re-financing BBVA's green projects which contribute to the achievement of the SDG's. BBVA intend for the full proceeds to be disbursed at point of issuance of any Bond under the BBVA SDG Bond Framework, however any funds pending allocation will be placed in BBVA's liquidity portfolio”

1 **“Reporting.** DNV GL can confirm BBVA has committed to annual reporting specific to this Bond issuance on the allocation of the expenditure and the balance remaining until the tracked proceeds are redeemed or fully allocated to eligible projects. BBVA has also committed to add this information to the dedicated Sustainable Development Goals Bond report which will provide investors with information on the selected projects and expected environmental or social impacts per eligible category issued in line with the SDG Bond Framework. BBVA clearly outline the proposed impact indicators for each eligible category and units of measurement

“..it is DNV GL's opinion that the Bond is committed to meeting the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles.”



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2018 Inaugural Green Bond SNP issuance report

2018 Inaugural Green Bond SNP issuance report

Reporting

- First SDGs Bond Report is available on BBVA's website within 12 months from issuance date
- The methodology applied by BBVA for the environmental impact calculations was developed by an independent advisor (Ecodes)
- PWC, as auditor, has verified the compliance of the asset selection with the eligibility criteria and the environmental impacts associated to the projects
- SDGs Bond Report has been prepared by the SDGs Bond Committee and reviewed and approved by the Sustainable Finance Working Group

The first SDGs Bond report includes the following information:

- Allocation of proceeds in each Green Eligible Category
- 100% of proceeds were used for refinancing purposes 78% selected before the issuance in 2018, while the remaining 22% thereafter
- Estimated and real environmental impacts per Green Category
- Sample projects financed under BBVA's inaugural Green Bond

Eligible Category SDGs

Quantitative impact indicators

Renewable energy



- Electrical Energy Generated (GWh/year)
- Impact in tons of CO2 eq avoided

Sustainable transport



- Impact in tons of CO2 eq avoided

Category definition: 7 Affordable and Clean Energy, 9: Industry, Innovation and Infrastructure, 11: Sustainable cities and communities, 13: Climate Action

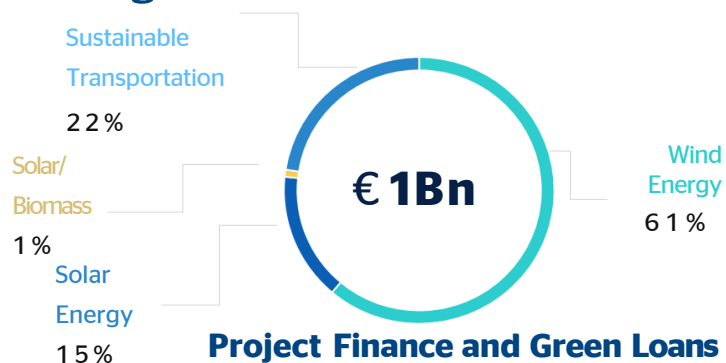
Qualifying eligible assets selected for BBVA's Inaugural Green Bond

Environmental impact of the green bond

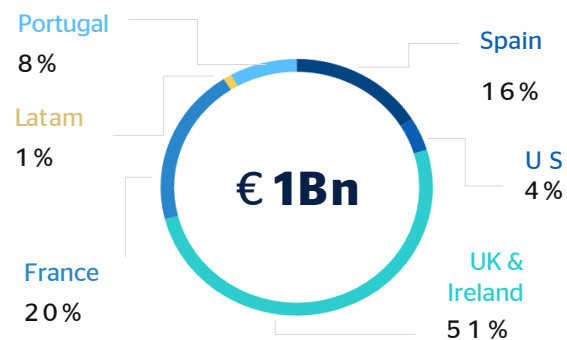
	Use of the proceeds raised (in million euros)	Impact indicators ⁽¹⁾		SDGs
		Impact in tons of CO ₂ eq avoided	Electrical energy Generated (GWh/year)	
Renewable Energy				7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Wind energy	611.3	260,207	498	
Solar energy	154.9	12,771	53	
Solar / biomass	8.8	1,631	7	
Sustainable Transportation	225	-	-	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION
Total	1,000	274,609	558	

⁽¹⁾ Indicators do not include the impacts coming from: a) Sustainable transportation as it was originated after bond issuance (estimated at 106,539 Tons of CO₂), b) €412Mn loan to Iberdrola which use of proceeds have been certified by Vigeo for financing transmission, distribution and smart grids with installed capacity around 700MW.

Eligible Green Assets Breakdown



Eligible Green Assets by Geography



Eligible Green Assets by Date of Origination



Note: BBVA has maintained a buffer above 1bn with the aim of avoiding unexpected variations on projects outstanding amount. Likewise, Eur1Bn does not include undrawn commitment credit lines



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11th June 2019