

BBVA GREEN BOND

DNV GL ELIGIBILITY ASSESSMENT

Scope and Objectives

Banco Bilbao Vizcaya Argentaria SA (henceforth referred to as “BBVA”) offers retail, wholesale, and investment banking services. The Bank offers consumer and mortgage loans, private banking, asset management, insurance, mutual funds, and securities brokerage services. BBVA operates in Europe, Latin America, United States, and Turkey.

BBVA is intending to issue a benchmark size bond under its existing Sustainable Development Goal (SDG) Bond Framework (henceforth referred to as “the Bond”). This is BBVA SA’s second green bond issuance under the BBVA SDG Bond Framework.

DNV GL Business Assurance España, S.L.U. (henceforth referred to as “DNV GL”) has been commissioned by BBVA to provide a Green, Social and Sustainability Bond eligibility assessment on the Bond. Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of the Bond, the value of any investments in the Bond, or the long term environmental benefits of the transaction. Our objective has been to provide an assessment that the Bond has met the criteria established on the basis set out below.

Responsibilities of the Management of BBVA and DNV GL

The management of BBVA has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform BBVA management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by BBVA. DNV GL is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by BBVA management and used as a basis for this assessment were not correct or complete.

Basis of DNV GL's opinion

We have adapted our Green eligibility assessment methodology to create BBVA-specific Green Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle behind the criteria is that a green bond should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the Bond has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using the Bond proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by BBVA in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a BBVA-specific Protocol, adapted to the purpose of the Bond, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by BBVA on the Bond and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with BBVA management, and review of relevant documentation and evidence related to the criteria of the Protocol;
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

Findings and DNV GL's opinion

DNV GL's findings are listed below:

1. Principle One: Use of Proceeds.

BBVA intends to use the proceeds from the issuance of the Bond to finance and re-finance green projects which contribute to the achievement of the SDG's. 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. In addition, re-financing is only eligible for loans, investments and projects financed within the last three years.

2. Principle Two: 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.

3. Principle Three: 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.

4. Principle Four: 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.

DNV GL has reviewed BBVA's 2018 Green Bond Report which includes reporting on previous bond issuances and concludes that BBVA is meeting the requirements within the BBVA SDG Bond Framework.

On the basis of the information provided by BBVA and the work undertaken, 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.

for DNV GL Business Assurance Services

London, 29th May 2019



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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,100 professionals are dedicated to helping customers make the world safer, smarter and greener.

1 SCHEDULE 1: DESCRIPTION OF CATEGORIES/ASSETS TO BE FINANCED THROUGH BOND

Eligible Sustainable Category	Description	SDG
<p>Renewable Energy</p>	<p>Generation of energy from renewable sources: wind, solar, biogas, biomass, thermal, waste to energy, small hydro (20MW and under).</p> <p>Manufacture of components of renewable energy technology: wind turbines, solar panels, etc</p> <p>Transmission and distribution projects when connecting to defined renewable energy assets</p>	<p>13 Climate Action</p>
<p>Energy Efficiency</p>	<p>Measures which reduce energy consumption by at least 30%. Includes the financing of retrofitting/improving/upgrading existing assets, as well as of new technology development and manufacture.</p> <p>Energy recovery (waste to energy)</p> <p>Green buildings. In order for green building financing to be included the asset must possess environmental certifications such as LEED (minimum silver), BREEAM (minimum good), HQE (minimum good), DNGB (minimum silver), or GBC España-VERDE among others. Other rigorous green building rating systems may be included and taken into consideration in the criteria</p>	<p>7 Affordable & Clean Energy</p>

<p>Sustainable Transport</p>	<p>Rail infrastructure and public mass transportation systems which contribute to reducing the circulation of cars. Examples include metro, light rails, buses, etc.</p> <p>Development, operation and upgrade of rail transports for goods.</p> <p>Transportation infrastructure</p> <p>Manufacture of above components</p>	<p>9</p> <p>Industry, Innovation & Infrastructure</p>
<p>Waste Management</p>	<p>Non-conventional waste management and disposal activities which include: source reduction, in-process recycling, reuse, resource recovery, and treatment</p>	<p>12</p> <p>Responsible Production & Consumption</p>

SCHEDULE 2: BBVA-SPECIFIC GREEN, SOCIAL & SUSTAINABILITY BOND ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of bond	The bond must fall in one of the following categories, as defined by the Green Bond Principles: <ul style="list-style-type: none"> Green Use of Proceeds Bond Green Use of Proceeds Revenue Bond Green Project Bond Green Securitized Bond 	Evidence reviewed: <ul style="list-style-type: none"> BBVA TS SNP Green (term sheet) Offering Circular02022018 (GMTN) BBVA-SDGs-Bond-Framework_24042018_Eng 	BBVA have committed to this Bond issuance falling into the category of a Use of Proceeds Bond.
1b	Green Project Categories	The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.	Evidence reviewed: <ul style="list-style-type: none"> BBVA TS SNP Green (term sheet) Offering Circular02022018 (GMTN) BBVA-SDGs-Bond-Framework_24042018_Eng BBVA_samples_eligible_projects_Second_Green_Bond 	We conclude that the legal documentation confirms the utilization of proceeds is appropriately described and commits to adhere to the SDG Bond Framework.
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	Evidence reviewed: <ul style="list-style-type: none"> BBVA TS SNP Green (term sheet) Offering Circular02022018 (GMTN) BBVA-SDGs-Bond-Framework_24042018_Eng BBVA_samples_eligible_projects_Second_Green_Bond 2-slide presentation included in Fixed Income Investor document 	The SDG Bond Framework outlines the expected environmental & social benefits that will be realised by this Bond issuance.

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision process	<p>The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles; • The criteria making the projects eligible for using the Green Bond proceeds; and • The environmental sustainability objectives 	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • BBVA-SDGs-Bond-Framework_24042018_Eng • BBVA_samples_eligible_projects_Second_Green_Bond • Minutes from bond committee 	<p>We conclude that the investment decision process is well documented in the SDG Bond Framework and committed to under this issuance.</p>
2b	Issuer’s environmental and social and governance framework	<p>In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer’s overall framework and performance regarding environmental sustainability.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • BBVA-SDGs-Bond-Framework_24042018_Eng • BBVA_samples_eligible_projects_Second_Green_Bond • 2-slide presentation included in Fixed Income Investor document • Minutes from bond committee 	<p>We conclude that, from the information provided and publicly available information, BBVA’s approach to managing environmental & social sustainability is in line with the objective of the Bond.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure	The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Green Projects.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • BBVA-SDGs-Bond-Framework_24042018_Eng • BBVA_samples_eligible_projects_Second_Green_Bond • 2-slide presentation included in Fixed Income Investor document • Minutes from bond committee 	We conclude that the BBVA Bond will be tracked in an appropriate manner and attested to by a formal internal process, which is documented in the SDG Bond Framework.
3b	Tracking procedure	So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • BBVA-SDGs-Bond-Framework_24042018_Eng • BBVA_samples_eligible_projects_Second_Green_Bond • 2-slide presentation included in Fixed Income Investor document • Minutes from bond committee 	We conclude that there is a clear process in place for the tracking of the balance taking into account disbursements.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • BBVA-SDGs-Bond-Framework_24042018_Eng • BBVA_samples_eligible_projects_Second_Green_Bond • 2-slide presentation included in Fixed Income Investor document 	We conclude that BBVA has disclosed how it will manage any unallocated proceeds within its liquidity portfolio.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		investment instruments for the balance of unallocated proceeds.	<ul style="list-style-type: none"> Minutes from bond committee 	
3d	Over-collateralisation	The issuer shall demonstrate that the value of the bond is smaller than or equal to the financing needs of the eligible nominated projects.	Evidence reviewed: <ul style="list-style-type: none"> BBVA-SDGs-Bond-Framework_24042018_Eng BBVA_samples_eligible_projects_Second_Green_Bond 2-slide presentation included in Fixed Income Investor document Minutes from bond committee 	DNV GL has reviewed evidence of the prospective projects, including the total value of the eligible projects exceeding the bond value.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	Evidence reviewed: <ul style="list-style-type: none"> • BBVA-SDGs-Bond-Framework_24042018_Eng • BBVA_samples_eligible_projects_Second_Green_Bond • 2-slide presentation included in Fixed Income Investor document • Minutes from bond committee • 2018 BBVA Green Bond Report 	We can confirm that BBVA has committed to produce annual reports on the Green Projects that will be selected for this Bond issuance. Information from these reports will be included in the Annual SDG Bond Report which will provide investors with information on all issuances under the SDG Bond Framework. We have reviewed current reporting for previous issues and confirm BBVA is meeting the requirements within the BBVA SDG Bond Framework.