

Inaugural **Green** Additional Tier1 PerpNC5.5

July 2020

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Executive Summary

Offering summary

- **Inaugural Green** Non-cumulative contingent convertible perpetual preferred Tier 1 (AT1) PerpNC5.5 EUR-denominated notes issued by Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”)
- Standalone documentation, governed by Spanish law and listed on AIAF
- Expected issuance rating: (Ba2/ BB by Moody’s and Fitch respectively); Issuer rating: (A3/A-/BBB+ by Moody's, S&P and Fitch respectively)

Rationale

- **This is the first Green AT1 transaction by a financial entity world-wide**, and it reinforces one of our key strategic priorities: *“Helping our clients transition towards a sustainable future”* and is part of BBVA’s commitment to mobilize €100 bn in sustainable finance by 2025 (€30 bn already mobilized during the first 18 months to Dec’19)
- The issuance may be used to refinance the potential early redemption in April 2021 of the AT1 Notes issued in 2016
- Maintain strong capital base, optimise the Pillar 2 Requirement Bucket and reinforce MREL resources

Use of proceeds

- Green eligible assets in BBVA's portfolio stand at €2.9bn, of which circa 70% has been originated in the 2018-2020 period
- Well diversified portfolio including all green eligible categories (Energy Efficiency, Renewable Energy, Sustainable Transportation, Waste Management and Water Management)
- Selected assets have obtained an independent verification assessment from DNV –GL and it will be reported and audited by an external auditor in 1H2021

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01

BBVA's Sustainable Finance Strategy

Sustainability is embedded in BBVA's strategy by supporting inclusive economic development and with a significant contribution in the fight against climate change...

What we stand for



Improving our **client's** financial health



Helping our clients transition towards a **sustainable future**

Drivers of superior Performance



Reaching **more clients**



Operational **excellence**

Accelerators to deliver on our Strategy



The best and most **engaged team**



Data and Technology

... through a journey that started in early 2018 with the launching of an ambitious 2025 Pledge

The pledge is a commitment based on three pillars



To finance

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

**€100
Billion
TO BE
MOBILIZED**

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



To manage

We will manage our environmental & social risks to **minimize potential negative direct & indirect impacts**

**70%
RENEWABLE
ENERGY**

**68% CO₂
EMISSIONS
REDUCTION**

- Transparency in carbon-related exposure
- Progressively alignment with Paris Agreement
- Sector norms in mining, energy, agribusiness & infrastructure



To engage

We will engage with all our stakeholders **to collectively promote the contribution** of financial industry to sustainable development

**ACTIVE
COLLABORATION**

- TCFD recommendations implementation on 2020
- Financial education
- Promotion of Responsible Banking standards within the industry

... with a great progress as already mobilized €30bn in the first two years



To finance

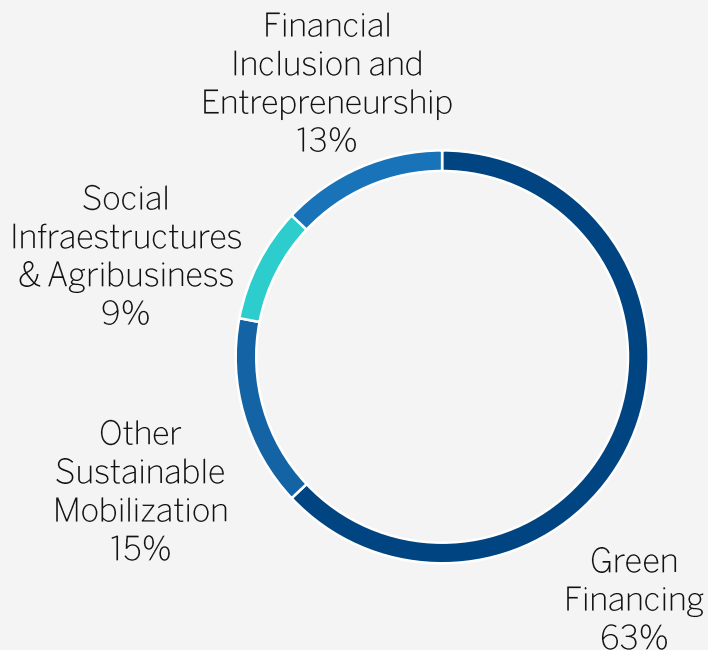


To manage



To engage

Breakdown of the €18bn
originated in 2019



2019 Production in Mn (€)

Green Financing

394	Certified green loans
2,687	Green KPI-linked loans
4,379	Green corporate finance
1,120	Green projects finance
2,886	Green bonds
45	Green retail fund

Other sustainable mobilization

1.137	ESG -linked loans
497	Sustainable bonds
1,022	Socially responsible investment

Financial Inclusion & entrepreneurship

685	Financial inclusion
1,426	Loans to vulnerable entrepreneurs
92	Loans to female entrepreneurs
116	Impact investment

Social infrastructures & Agribusiness

78	Social KPI-linked loans
1,501	Social corporate finance
22	Social infrastructure project finance

Our response to COVID-19



Protect the health and safety of our employees, clients and the community

86,000

employees working remotely

Central services

Network

95%

71%

BBVA donates

€35million for the fight against COVID-19

€2+million in campaigns with employees' donations matched by BBVA

300+ **top management members waive** 2020 bonus

Note: information as of 1Q20



Offer financial support to our clients

€17 billion

Total loan growth in Q1*

Deferrals of mortgages and other loans, repayment flexibility

Proactively providing **new lines of credit** through government facilities



COVID-19 Social Bond issuance to help mitigate the economic and social impact

Senior Preferred

€1 billion

5-year bonds

Use of Proceeds consists of Corporate & SME financing, Social Loans to the public sector, and projects in Education and Healthcare

Milestone as the **first Covid-19 Social bond issued by a European private bank** following BBVA's commitment to support the most affected sectors by the pandemic

(*) Total gross loan book growth in constant €

Other relevant initiatives to continue providing our customers a wide range of sustainable products

**Financing
Consumers/
Business
&
Investment
Products that
meet SRI
criteria**



ENERGY EFFICIENT REAL ESTATE DEVELOPMENT

BBVA is the first financial institution in Spain to launch a line of loans for developers dedicated to the construction of highly energy efficient homes



ELECTRIC VEHICLE LOANS FOR RETAIL CUSTOMERS AND SMES

BBVA has launched a €20 million new line of green loans for customers interested in purchasing electric or hybrid cars with highly attractive conditions



FIRST RECYCLED PVC CARDS

BBVA is the first financial institution in Spain to distribute cards made of recycled plastic
A commitment to reach the 100 percent mark for recycled materials by the end of 2020.



BBVA FUTURO SOSTENIBLE

The only ESG Fund in the Top 10 of most sold funds in 2019. It is a global fund that invest in equity, public debt and credit. It is the first of its kind in Spain, given it is fully aligned to all the pillars of SRI



BBVA BOLSA DESARROLLO SOSTENIBLE

It is an international equity fund that incorporates criteria that evaluate socially responsible investing when selecting the securities that make up the portfolio



BBVA SOSTENIBLE MODERADO

The bank has also recently launched its first individual pension plan (IPP) managed with SRI criteria

02

SDG Bond Framework & Selected assets for an Inaugural Green Additional Tier 1 Transaction

Overview of BBVA's SDG Bond Framework: Green issuance

Use of Proceeds

Green Eligible Categories



Energy Efficiency



Renewable Energy



Sustainable Transportation



Waste Management



Water Management

Management of Proceeds

- BBVA will track the use of proceeds of its Green Bonds issued under this framework
- A percentage of the proceeds of each Green Bond may be dedicated to finance those Green projects originated in the current year of the issue date of the relevant bond
- BBVA will intend to maintain a buffer of Projects above the proceeds arising from the issuance of Green, Social or Sustainability Bonds to ensure compliance with the "Use of Proceeds" under cases of unexpected variations on Projects outstanding amount or maturity mismatches

Process for Project Evaluation & Selection

- A prospective List of Eligible Projects is reviewed by the Sustainable Finance Working Group
- The BBVA SDGs Bonds Committee will conduct an additional review on the selected and labelled Projects and decide which should be finally included in each Green Bond
- Responsible Business Unit will have final veto

Process for Reporting

- Each BBVA issuing entity will gather the information to be included in the relevant SDGs Bond Report
- The BBVA SDGs Bond Committee will prepare the SDGs Bond Reports within 12 months of the issuance date of each Green Bond until the relevant maturity date
- Each SDGs Bond Report will be reviewed and approved by the Sustainable Finance Working Group and published on BBVA's website

Green categories of BBVA's portfolio & selected assets for the inaugural Green Additional Tier 1 Transaction

Green Eligible Assets in BBVA's portfolio

March 2020



Renewable Energy
49%



Efficiency Energy
19%



Clean Transportation
22%



Waste Management
6%



Water Management
4%

Excluded Activities

Nuclear power generation	Oil&Gas
Carbon Related	Defense
Large Scale Dams (above 20MW)	Mining

- As of March 2020, BBVA's portfolio stands at €2.9 billion. This amount represents a net increase of €1.8 billion from the amount in stock in 2018, despite the expected amortization of €500 million.
- Vast majority of the selected assets (c. 70%) were originated in the 2018-2020 period
- All Green buildings selected have obtained a EPC of A, BREEAM (minimum good) or Passive House certification
- BBVA will make an effort to dedicate a percentage of the proceeds of each Green Bond to finance those Green Projects originated in the current year of the issue date of the relevant bond
- Selected assets have obtained an independent verification assessment form DNV-GL

03

Global recognition & Activity in Capital Markets

Global recognition to BBVA as shown by its presence on a number of international sustainable index or Environmental, Social and Governance (ESG) indexes



The most recognised awards in sustainable finance in 2019/2020

01

BBVA is one of the top five European banks with the strongest commitment to sustainable finance

According to a report produced by **World Resources Institute (WRI)**. The bank takes the top position in Europe and the third worldwide, when considered by asset size

03

The BBVA as the best investment bank in Sustainable Finance in 2019 in Western Europe, Latin America and Central & Eastern Europe by Global Finance Magazine

05

BBVA lands triple recognition at the Climate Bonds annual awards

The Climate Bonds Initiative recognized BBVA for its global leadership, best practices and innovation in the field of sustainable financing at the **2019 Green Bond Pioneer Awards**

02

BBVA's SDG Bond Framework recognized as Best Designed Green/SRI Debt Framework in GlobalCapital 2018 SRI Awards

04

BBVA, sustainable finance bank of the year, according to LatinFinance

BBVA has been named sustainable finance bank of the year by international magazine Latin Finance. The publication recognized the bank's performance in the region, notably the experience, creativity, and drive demonstrated by its teams as they promote sustainable finance

06

The BBVA Green Bond issuance program, awarded at the Climate Summit



BBVA plays a key role in developing the sustainable financing market in the wholesale banking business...

Capital Markets

- Over the past three years, **BBVA has actively promoted the market and has participated in relevant inaugural Green, Social and Sustainability Bonds** from different sectors and geographies as Structuring Green Advisor and Joint Bookrunner
- Pioneering sustainable bond issuances in several countries:
 - **SSE's first green bond in the UK (2017)**
 - **Avangrid's first green bond (SEC registered, 2017)**
 - **ESB's first green bond in Ireland (2019)**
 - **Generali's first green bond in Italy (2019)**
 - **BBVA's Covid-19 inaugural Social Bond (2020)**
- **During 2019**, BBVA participated in 30 issues as a Bookrunner, which involved the placement of €23,198m in total
- In Spain, the bank provided advisory and placement services for:
 - **The first public sustainable debt issuance by the Madrid regional government (2017)**; and in February 2019, BBVA **issued the first green structured bond using blockchain technology** — an operation that marked a milestone in the industry due to its sustainable and technological nature.
- Recently, **BBVA was bookrunner in the private placement of an EUR 52mn COVID-19 Social Bond issued by Comunidad de Madrid, the first in Spain**. Proceeds will be directed at supporting the region's efforts in dealing with the pandemic.



BBVA plays a key role in developing the sustainable financing market in the wholesale banking business...

Bilateral & Syndicated Loans

- BBVA has been a pioneer and fundamental driver of sustainable loans, and one of the most active banks worldwide. In 2018, the Bank led a total of 17 operations in Europe and the Americas for clients from a wide range of sectors. **By the end of 2019, BBVA had led an additional 22 operations**
- In bilateral loan, BBVA was one of a pioneer in this type of loans, signing in February 2017 **the world's first green loan to an energy company** for the largest amount at the time.
- In syndicated loans BBVA led **the world's first green syndicated loan** in 2018

Project Finance

- BBVA was a pioneer in signing **the world's first green loan with a project finance structure** in Uruguay with the European operator Terna



... and has become the most active Spanish bank in Green & Social bonds issuance



- In May 2020 BBVA S.A. issued its **inaugural €1 bn 5-year Covid-19 Social Bond**, becoming the first private European bank to do so
- **Inaugural 7-year Non-preferred Senior Green Bond** issued by BBVA S.A. in 2018, which became the largest financial Green Bond in the Eurozone and the first Green Bond for a Spanish Bank
- **BBVA Mexico issued its inaugural 3Y Senior Unsecured Green Bond**, becoming first Mexican financial Corporate to enter the green bond market
- **Turkey's Garanti Bank issued its first private sector gender bond** in emerging markets dedicated to financing enterprises and companies owned or managed by women
- **BBVA Global Markets N.V. issued the first structured green bond** by €35Mn **using blockchain** technology

All transactions are based on BBVA's SDGs Bond Framework publicly launched on May 2018, which follows the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainable Bond Guidelines