

BBVA GREEN BOND

DNV GL ELIGIBILITY ASSESSMENT

Scope and Objectives

Banco Bilbao Vizcaya Argentaria S.A (henceforth referred to as "BBVA") is a global financial group with a diversified business providing financial services in more than 30 countries to 72 million customers. It is a leading bank in the Spanish market and it is the biggest financial institution in Mexico. BBVA also has leading franchises in South America and the Sunbelt region on the U.S. It also has a significant presence in Turkey and operates an extensive network of branches worldwide.

BBVA has established a Sustainable Development Goals (SDG's) Framework that enables BBVA to issue Green, Social and Sustainability Bonds. BBVA is issuing the first benchmark-sized Bond under this framework which is categorised as a Green Bond as per the ICMA Green Bond Principles 2017.

DNV GL Business Assurance Services Limited (henceforth referred to as "DNV GL") has been commissioned by BBVA to provide a Green Bond eligibility assessment on the Bond, including verification of the proposed assets compliance with the BBVA SDG Bond Framework. 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

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 Bond 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 and used as a basis for this assessment are not correct or complete.

Basis of DNV GL's opinion

We have adapted our green bond eligibility assessment methodology to create an 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. 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 Green 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 an 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;
- Review of relevant documentation (including the BBVA SDG Bond Framework, draft term sheet, proposed eligible assets and associated selection criteria) 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 projects and loans to activities that produce clear environmental benefits and that support the global Sustainable Development Goals. As this is a Green Bond, the eligible categories are Renewable Energy (SDG 13), Energy Efficiency (SDG 7), Sustainable Transport (SDG 9), Water (SDG 11) and Waste Management (SDG 12). DNV GL concludes that these categories fall within the defined categories listed within the Green Bond Principles 2017.

The evidence reviewed for the eligible assets show the environmental benefits that have been and will be achieved.

DNV GL can also confirm that approximately 80% of the proceeds will be used for the re-financing of existing projects within a 3-year look-back period and the remainder will be used for financing future spend.

- 2. Principle Two: Process for Project Evaluation and Selection.** DNV GL reviewed the Bond documentation which describes the process through which projects are evaluated and selected. The key evaluation and selection criteria for a project to be eligible are derived from the SDG's and there is a robust selection process that includes several business functions at different stages including the BBVA SDG Bond Committee which has been established and is co-chaired by the BBVA Global Head of Responsible Business. DNV GL has reviewed evidence of the selection process for the eligible assets financed and re-financed by this Bond including the sign-off by the Global Head of Responsible Business, and confirms that the process outlined in BBVA's SDG Bond Framework has been applied to this Bond.
- 3. Principle Three: Management of Proceeds.** The evidence reviewed by DNV GL shows how BBVA plans to trace the Bond's proceeds, from the time of issuance to the time of disbursement. BBVA will match the Bond proceeds to the eligible projects on a portfolio basis, maintaining a buffer of eligible projects to ensure compliance with the Use of Proceeds requirements. BBVA intend to disburse the proceeds immediately after issuance of the Bond, however if this is not possible then BBVA will place any funds pending allocation into BBVA's liquidity portfolio. DNV GL can confirm that the value of the eligible projects exceeds the intended Bond size.
- 4. Principle Four: Reporting.** DNV GL can confirm BBVA has committed to produce a dedicated SDG Bond report on an annual basis within 12 months of issuance. The reporting will include information on the allocation of proceeds, the share of re-financing vs financing and which SDG's apply. BBVA have also established impact indicators aligned to the SDG's which will be used to measure and report on the environmental benefits achieved.

On the basis of the information provided by DNV GL and the work undertaken, it is DNV GL's opinion that the Bond meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles.

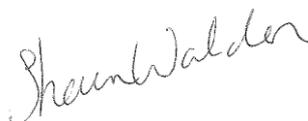
for DNV GL Business Assurance Services UK Limited

London, April 27th, 2018



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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 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

1 SCHEDULE 1: DESCRIPTION OF CATEGORIES / EXAMPLE OF ASSETS TO BE FINANCED THROUGH THE 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>Water</p>	<p>Water collection, treatment, recycling, re-use, upgrades, technologies and related infrastructure</p>	<p>11</p> <p>Sustainable Cities & Communities</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: BR 2 IH - SPECIFIC GREEN 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 	In addition to reviewing the evidence below, we had several detailed discussions with BBVA. Evidence reviewed: <ul style="list-style-type: none"> - BBVA SDG’s Bond Framework – April 2018 - Draft Term Sheet -BBVA TS [7Y] SNP Green - MTNP Supplement - ICM-#29908520-v3-Green_Bond_Supplement-1 	The reviewed evidence confirms that the “the Bond” falls in the category: Green 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.	In addition to reviewing the evidence below, we had several detailed discussions with BBVA. <ul style="list-style-type: none"> - Evidence reviewed BBVA SDG’s Bond Framework – April 2018 - Draft Term Sheet -BBVA TS [7Y] SNP Green - MTNP Supplement - ICM-#29908520-v3-Green_Bond_Supplement-1 	We conclude that the legal documentation confirms the utilization of proceeds is appropriately described.
1c	Environmental benefits	All designated Green Project categories should provide clear	In addition to reviewing the evidence below, we had several detailed discussions	The evidence reviewed gives us the opinion that the designated use of proceeds categories to be financed

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	with BBVA. Evidence reviewed: - BBVA SDG's Bond Framework – April 2018 - Primer bono verde projects-SDGs Committee.xls	through the BBVA Green Bond do provide clear environmentally sustainable benefits. In addition, we have reviewed the proposed eligible projects and find evidence of assessment of the environmental benefits.
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	In addition to reviewing the evidence below, we had several detailed discussions with BBVA Evidence Reviewed: - BBVA SDG's Bond Framework – April 2018 - Draft Term Sheet -BBVA TS [7Y] SNP Green	We can confirm from the information provided and discussions with BBVA that the Bond proceeds will be used for the financing & re-financing on a 36-month look-back period. BBVA have also outlined that 80% of the proceeds are expected to be used for re-financing, with the remainder financing new eligible projects.

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Issuer's environmental and social and governance framework	In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into	We reviewed the following evidence: - BBVA SDGs Bond Framework -April 2018 - BBVA bond selection criteria_April2018 We also performed a desk based study and	We conclude that, from the information provided, BBVA's approach to managing environmental & social sustainability is in line with the objective of the Green Bond.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
		consideration the quality of the issuer’s overall framework and performance regarding environmental sustainability.	<p>reviewed environmental and social governance documentation:</p> <ul style="list-style-type: none"> - Responsible_Banking_BBVA_March2018.pdf - BBVA 2025 Pledge 	

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>We reviewed the following evidence:</p> <ul style="list-style-type: none"> - BBVA SDGs Bond Framework -April 2018 	We conclude that the BBVA Green Bond will be tracked with a portfolio approach and attested to by a formal internal process.
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>We reviewed the following evidence:</p> <ul style="list-style-type: none"> - BBVA SDGs Bond Framework -April 2018 	We conclude that there is a clear process in place for the tracking of the balance taking into account disbursements.

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	We reviewed the following evidence: - BBVA SDGs Bond Framework -April 2018	We conclude that BBVA has disclosed how it will manage any unallocated proceeds within its liquidity portfolio.

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.	We reviewed the following evidence: - BBVA SDGs Bond Framework -April 2018	We confirm BBVA has committed to produce an Annual SDG Bond Report which will provide investors with information on the disbursement of the proceeds and include quantification of the environmental, social and sustainable benefits of the selected projects. The proposed use of impact indicators aligned with the SDG's is a valuable addition and demonstrates best practice.