

BBVA's Inaugural **Social** COVID-19 Bond

May 2020

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Executive Summary

Offering summary

- **Inaugural COVID-19 Social Bond** 5yr FXD EUR-denominated Senior Preferred (“SP”) notes issued by Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”)
- Notes issued out of BBVA's €40bn GMTN programme and governed by Spanish law
- Expected issuance rating: (A3/A-/A by Moody's, S&P and Fitch respectively); Issuer rating: (A3/A-/A- by Moody's, S&P and Fitch respectively)

Rationale

- This issue follows BBVA's commitment to provide support and financing to the **most affected sectors by the COVID-19 pandemic** and it is aligned with **BBVA's Sustainable Development Goals (SDGs) Bond Framework** as the proceeds will be allocated to projects contributing to any of the four social eligible categories within the Framework.
- This transaction is aimed to refinance the €1bn Senior Preferred issued in 2016 that in 1Q20 entered into its last year maturity (ceasing then to compute for MREL purposes).

Use of proceeds

- At issuance 100% of the proceeds raised by the 1st public COVID-19 Social Bond will contribute to alleviate the severe social and economic impacts of the COVID-19 pandemic supporting SMEs, Corporates and funding eligible projects in Healthcare, Education and Affordable Housing
- As of April 30th the identified assets stands at above Eur3.3Bn of which, 79% of the amount is already drawn and fighting the negative effects of the COVID-19 outbreak in Spain
- Selected assets have obtained an independent verification assessment from DNV –GL and it will be reported and audited by an external auditor in 1H2021

Index

- 01 BBVA's Sustainable finance strategy
- 02 Response to COVID-19
- 03 Global recognition &
Activity in Capital Markets

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
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

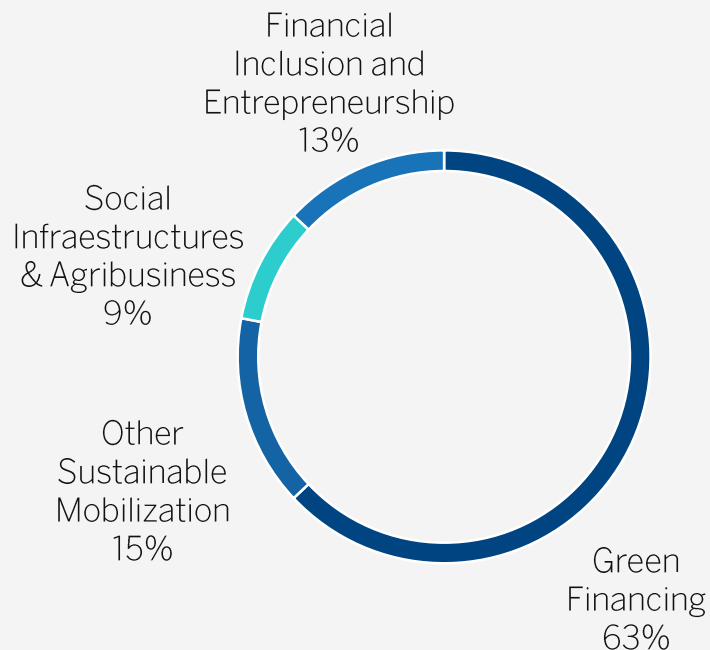


To manage



To engage

Breakdown of the Eur18Bn originated in 2019



2019 Production in Mn (Eur)

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 loans to female entrepreneurs

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

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 RETAILS 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.



THE 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

Response to COVID-19

Our response to COVID-19



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

86,000

employees working remotely

Central services

95%

Network

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



Continue to provide an essential service to the economies where we operate

Reorienting our clients to **remote and digital channels**

Digital customers

59%

Mobile customers

54%

Digital sales

63%



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

Note: information as of 1Q20

(*) Total gross loan book growth in constant €

Rationale for the issuance of a Covid 19 Social Bond

■ Supporting the Spanish economy

The severe effects of the pandemic in the country require a response from the most relevant actors within the Spanish economy, among which BBVA plays an essential role as a provider of financing

■ Aligned with the values and culture of BBVA

BBVA stands out in terms of considering social and sustainable practices in its business decisions, and this source of funding will further contribute to it

With EUR 30bn worth of loans mobilized according to our 2025 Pledge, the issuance of a Covid-19 Social Bond for the most adequate eligible loans is aligned with the lending activity of the bank

■ Complementing the bank's ESG issuance program

Accompanying the market shift towards social bond issuance in 2020, from the previous prevalence of green bonds. To accelerate the development of the social bond market

■ Foster the development of the Covid 19 bond market while leading the way for Spanish financial institutions

BBVA becomes the first financial institution to issue a Covid 19 Social bond in response to the pandemic in Spain, hopefully setting an encouraging precedent for our peers

BBVA aims to play a relevant role in developing a more sustainable and inclusive world, as society demands, and helping its clients in the transition towards a more sustainable future

Overview of BBVA's Inaugural Covid 19 Social Bond

Use of Proceeds



Education

Quality education



Healthcare

Good health and well-being



Reduced inequalities



Decent work and economic growth

SME Financing & microfinancing



No poverty



Reduced inequalities



Sustainable cities and communities

Affordable housing

Process for Project Evaluation & Selection

- A prospective List of Eligible Projects is reviewed by the Sustainable Finance Working Group
- The BBVA SDGs Bonds Committee has conducted a review and will keep reviewing the selected and labelled Projects and decide which should be finally included in the Social Bond
- Responsible Business will have final veto
- Eligible social loans are booked in Spain and will be contributing to COVID-19 relief and recovery efforts
- Should proceeds need to be reallocated during the lifetime of the bond, BBVA will follow the internal criteria for social eligible categories as per its SDG Bond Framework

Management of Proceeds

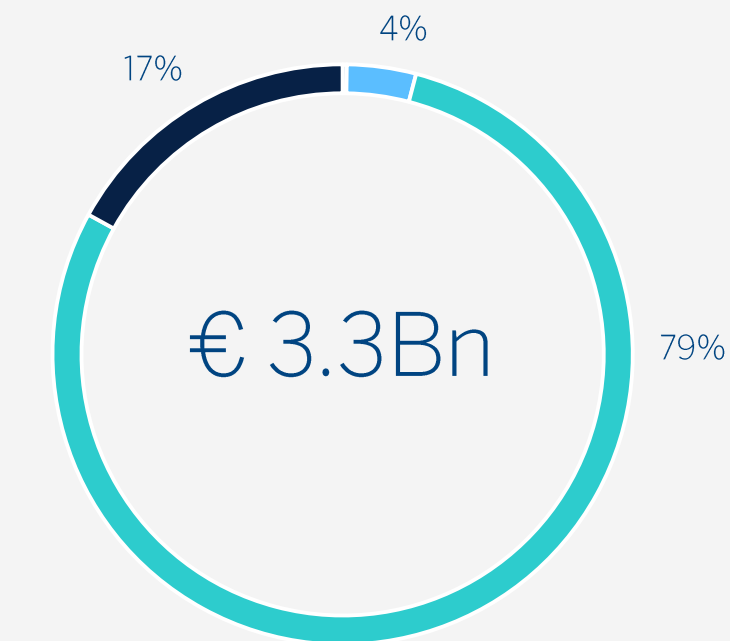
- BBVA will track the use of proceeds of this Inaugural COVID-19 Social Bond
- The eligible loan portfolio will always be higher than the total outstanding amount of Social Bonds

Process for Reporting

- The Social Bond Report will be reviewed and approved by the Sustainable Finance Working Group and published on BBVA's website in 1H2021

Qualifying eligible assets selected for BBVA's Inaugural Covid 19 Social Bond

Total portfolio Breakdown by sector



- Healthcare
- Post Covid-19 Corporate & SMEs Financing
- Public Sector Social Loan¹

■ **Size of eligible portfolio:** €3.3Bn as of April 30th of which, 79% are related to Covid 19 (partially guaranteed by ICO) and maturity higher than 4 years. These loans have been granted to implement the necessary measures to guarantee liquidity and preserve productive activity and employment

■ **Identified projects are constituted** mainly of loans earmarked in Corporates & SMEs financing and disadvantaged and underserved communities. Selected public sector loans are aligned with the Social Bond Principles and Sustainability Bond Guidelines

■ Loans **comply with the look-back period** required by BBVA SGD's framework, that means 36 months since the relevant bond is issued; 21% of the assets were originated from 2017 and 2019 while the vast majority is concentrated in 2020 (79%)

■ BBVA has obtained the **Second Opinion from DNV** confirming that selection criteria and use of proceeds meet with its SGD's framework and the Social Bond Principles

¹ Average allocations: 80% Social inclusion, 16% Healthcare, 3% Education, 1% Affordable Housing

03

Global recognition & Activity in Capital Markets

Global recognition 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 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 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

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

04

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

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)**
- **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

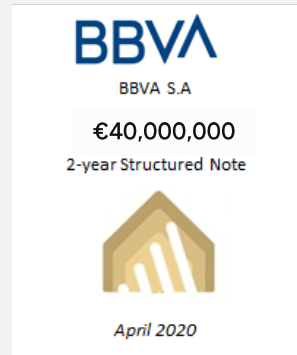
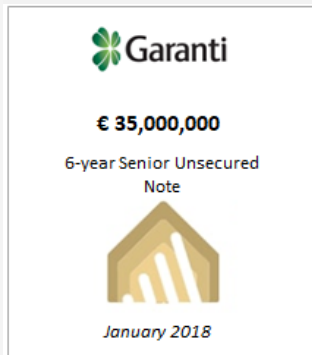
Project Finance

- 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 becomes the most active Spanish bank in Green & Social bonds issues

Sustainable issuances



- **Inaugural 7Y Non-preferred Senior** issued by BBVA S.A in 2018, at the moment 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
- **BBVA second benchmark Green Bond** launched in June 2019, 7Y Non-preferred Senior
- **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 S.A 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