

# BBVA's Second Social Bond

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# Rationale for the Issuance of a Social Bond

## ■ Commitment with the ESG bond market

BBVA is committed to issue at least one Green, Social or Sustainability bond each year, in line with the strategy of the group

## ■ Adequacy to our lending activities

With EUR 67bn worth of sustainable finance origination mobilized according to our 2025 Pledge (as of June 2021), the issuance of green and social bond plays a key role in the achievement of the Bank's target. Sustainable origination allows the Bank to support its client's transition towards a low-carbon economy, and contributes to its progressive alignment with the goal of the Paris agreement

## ■ Inclusive and sustainable social development is a priority

Promoting financial inclusion through basic digital solutions, inclusive infrastructures and supporting entrepreneurs and employment






## ■ Continue leading the market

Since the release of its framework in 2018, BBVA has become one of the most active players in the green bond market. After its inaugural bond, in 2019 the Bank issued a second green bond for the same amount. Additionally, it issued the first green bond structured using blockchain technology. In May 2020, BBVA became the first private institution in Europe to issue a COVID-19 related social bond. Two months later, it issued the first green perpetual contingent convertible (CoCo) bond by a financial institution to finance eligible green assets





# Overview of BBVA's SDG Bond Framework

## Use of Proceeds<sup>1</sup>

### Green Categories

-  Energy Efficiency
-  Renewable Energy
-  Sustainable Transport
-  Waste Management
-  Water

### Social Categories

-  Education
-  Healthcare
-  SME Financing
-  Affordable Housing

## Process for Project Evaluation & Selection<sup>2</sup>

- 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, Social or Sustainability Bond

## Management of Proceeds

- BBVA will track the use of proceeds of its Green, Social or Sustainability Bonds issued under this framework
- A percentage of the proceeds of each Green, Social or Sustainability Bond may be dedicated to finance those Green or Social Projects (as appropriate) originated in the current year of the issue date of the relevant bond

## Reporting

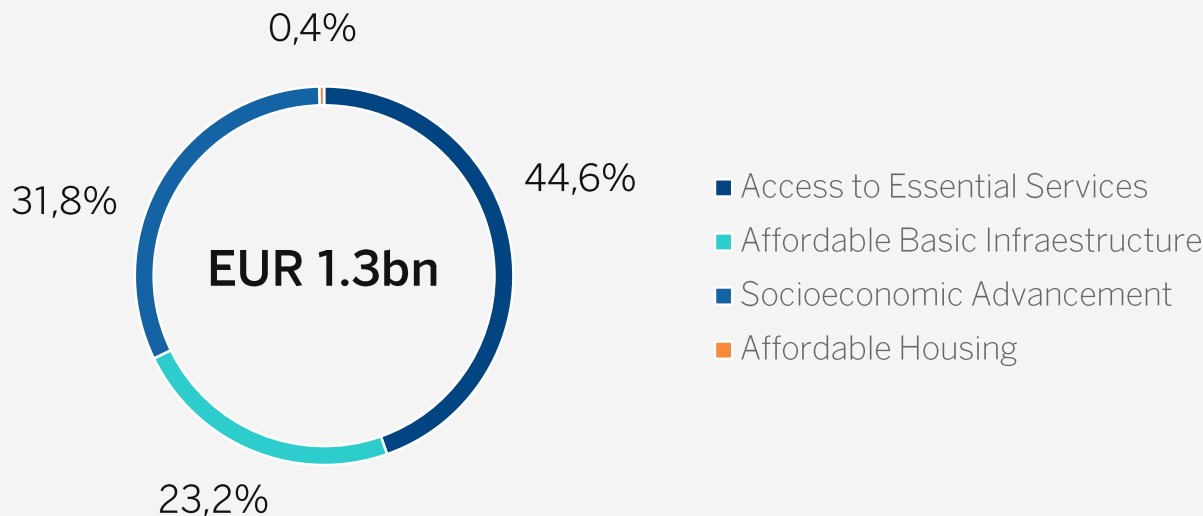
- Each BBVA issuing entity will gather the information to be included in the relevant SDGs Bond Report
- The BBVA SDGs Bond Committee will prepare the SDGs Bond Reports within 12 months of the issuance date of each Green, Social or Sustainability Bond until the relevant maturity date. Social impacts of the new bond will be annually reported from Dec'21 onwards
- Each SDGs Bond Report will be reviewed and approved by the Sustainable Finance Working Group and published on BBVA's website

<sup>1</sup> Social eligible categories may include other projects in accordance with any update of the ICMA Social Bond Principles at any time

<sup>2</sup> Currently the selection process is carried out by just one committee. This will be reflected in the next update of the framework

# Social eligible assets for a New Public Social Bond Issuance

Breakdown of Eligible Assets, according to ICMA Social Bond Principles



- Eligible Assets amount to **EUR 1.3bn**, a figure that considerably exceeds the target issuance size
- 96% of the Eligible Assets are new projects. With respect to the period of origination, 49% were generated in 2020 and 2021, while 19% are from 2019 and 31% from 2018 (according to BBVA's framework a look back period of 3 years is required)
- In terms of maturities, a large portion of loans, matures in 2030 or later (61%)
- **Access to Essential Services:** 58% corresponds to health projects, 36% to financing and 5% to education
- **Affordable Basic Infrastructure:** 91% corresponds to telecommunications projects, 8% to nursing homes and 1% to transport