Good fundamentals, but still low flows in new production

Despite the economic recovery, credit stock to companies is still decreasing
Ultimately, internal funding has been key

Investment and financing flows
(% of NFC GVA)

Source: BoS
Different policies could help boosting the flow of new credit and investment

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Companies

01 Increasing size and fostering exports
02 Digitalization
03 Alternative finance
04 Private public partnership programs

More solid and solvent demand

Complete the credit offer
Increasing size and fostering exports

Productivity and size of Companies, 2010
US$ per worker, en PPA

Source: OCDE Entrepreneurship at a Glance (2013)

Number of exporting companies per thousand inhabitants and % of microenterprises in 2014 (%)

Source: BBVA Research FROM INE & ICEX
BBVA, long and extensive experience helping customers with their international plans

- Retail Banking in >30 countries
- Commercial Banking in 17 countries
- RM responsible for the global customer relationship

Cross border
- Onboarding
- Reward for employees
- Data base
- IT platform

Strategic dialogue
- Global Footprint
- Sectorial coverage
- Capex
- M&A

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Sectorial coverage
Capex
M&A
Specialization in commercial banking

Financial solutions to help our customers in their strategic decision making
Digitalization

The growth generated by innovation and digital transformation has five sources:

- New **markets**
- New **goods and services**
- New **production and distribution methods**
- **Change in productive factors**
- **Changes in the organization and management of companies**

Digitization is a tool to deal with a more complex and globalized world
03 Alternative finance

New production. Private sector
(% new credit production banking sector)

2014
2015
2016

| Source: MARF, MAB, Asociación Española de Crowdfunding, BdE |

**Strong growth** in alternative financing but:

Still incipient volume: less than 4% of the new production.

Crucial role as a **complement to bank financing**, for the early phases of the project and to make the leap of growth.
04 Private public partnership programs

BBVA has been intermediating loans from the European Investment Bank and ICO for more than 25 years.

Despite the current environment of high liquidity due to the ECB’s expansionary monetary policies, BBVA, EIB and ICO continue working actively on i) the traditional business of intermediated loans, including new sectors such as innovation and digitalization, and ii) new financial instruments under the Juncker Plan such as Risk sharing and Synthetic securitizations.

Key Benefits for Banks

- **Preferential terms**: Long tenors and attractive pricing, which are passed through to the final beneficiaries.
- Positive signalling effect towards our clients.
- Alignment of EIB’s goals in supporting EU public Policy objectives with Bank’s commercial strategy.
- New structures allowing an efficient risk management and capital relief in order to increase current lending business.

Recent BBVA-EIB Intermediated Loans and Guarantees

- **Lines for SMES and midcaps**: EUR 200mn
- **Thematic lines**: Lines for SMEs targeted to finance investments in the following sectors:
  - Agriculture: EUR 50mn
  - Vehicle Fleets: EUR 150 mn
  - Environmental and social cohesion: EUR 200 mn
  - Innovation and digitalization: In negotiation
  - Climate change: In negotiation
- **Risk sharing (partial credit guarantees)**: guarantees for an existing portfolio of project finance and/or midcaps and large corporates with capital relief for BBVA, enabling BBVA to provide new loans to SMEs.
- **ICO Lines**: ICO-Exporters and ICO-enterprises and Entrepreneurship.
Synthetic Securitization

Under the Juncker Plan, EIB and EIF are providing a **mezzanine guarantee of EUR 143 million to BBVA**. BBVA retains the Equity and Senior Debt tranches.

The mezzanine guarantee will provide **capital relief to BBVA**. BBVA commits to provide **new funding of EUR 1 billion to SMEs**.

**First mezzanine guarantee** under the Juncker Plan and the biggest synthetic securitization in Spain and Europe.

**EIB and EIF Guarantee of EUR 143 million for the Mezzanine Tranche**

**BBVA can provide new loans for SMEs up to EUR 1 billion**