# BBVA
# 60-60 Low Hurdle Autocall February 2018
# Factsheet



## INVESTMENT DESCRIPTION

A 6 year investment linked to the performance of the Swiss, Swedish, Australian and Canadian indices.

If on any semi-annual early observation date, starting at 12 months, all of the underlyings are at or above their initial levels, the investment will autocall. Initial capital plus the coupon for each semi-annual period which has elapsed is paid and the investment will end.

If the investment does not autocall early then at the final observation date, if all underlyings are at or above 60% of their initial levels, full capital is returned and all of the accumulated coupons are paid (Low Hurdle).

If any underlying is below 60% of its original level at maturity, capital return will be reduced on a 1-for-1 basis. For example if the worst performing underlying has fallen to 40% of its original level, 40% of the capital will be returned and no coupon is paid.

## BENEFITS

- Autocall feature potentially shortens the investment term and is triggered by minimal market growth
- The Low Hurdle feature gives an increased chance of gains at full term
- Early maturity provides an opportunity to re-assess client's wealth strategy
- Minimal market growth needed to deliver enhanced returns
- Daily pricing

## RISKS

- The return is limited to the pre-defined investment terms
- The coupon payment is conditional upon the underlying performance
- There is a risk to capital should one of the underlyings breach the capital protection barrier on its Final Observation Date or in the event of an issuer default.
- Should investors need to sell their investment before maturity, the trading price will likely mean they get back less than they invested.

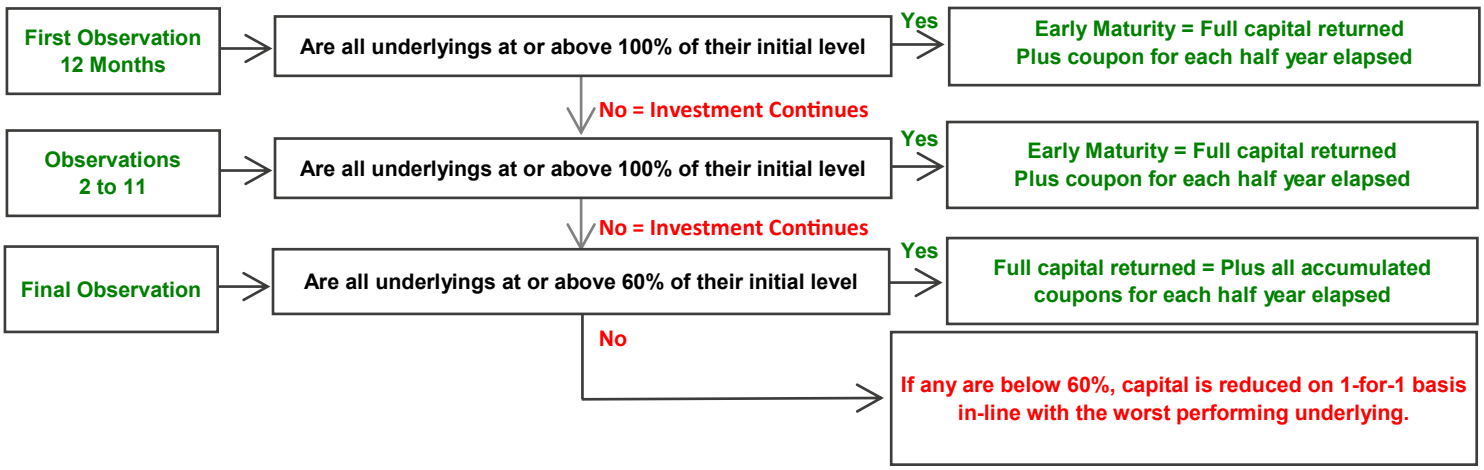
## PRODUCT FACTS & FEATURES

| | |
|---|---|
| **Issuer and Counterparty:** | BBVA |
| **Credit Ratings:** | Fitch A-, Moody's Baa1,S&P BBB+<br>**Source**: Bloomberg 08.02.2018 |
| **Maximum Term:** | 6 years |
| **Investment Structure:** | Semi-Annual<br>Low Hurdle Autocall |
| **Autocall opportunities:** | Semi-Annual<br>(First observation at 12 months) |
| **Autocall Trigger:** | 100% of initial level |
| **Coupon Rate:** | USD = 4.1% Semi-Annual |
| **Low Hurdle Trigger:** | 60% of initial level at maturity for all accumulated coupons |
| **Capital Risk:** | Not capital protected |
| **Capital Protection Barrier:** | 60% Final level<br>(European style) |
| **Underlying Basket** | **Bloomberg Code** |
| Switzerland: SMI | SMI Index |
| Sweden: OMX | OMX Index |
| Australia: ASX 200 | AS51 Index |
| Canada: TSX 60 | SPTSX60 Index |

## KEY INFORMATION

| | |
|---|---|
| **Subscription Period:** | 08 Feb 2018 – 27 Feb 2018<br>(4.30pm UK Time) |
| **Issue Price:** | 100% |
| **Strike Date:** | 28 February 2018 |
| **Issue Date:** | 07 March 2018 |
| **1st Autocall Observation:** | 27 February 2019 |
| **Final Observation:** | 28 February 2024 |
| **Maturity Date:** | 07 March 2024 |
| **Denominations:** | USD = 2,000 then lots of 2,000 |
| **ISIN:** | USD = XS1772363658 |

## HOW THE INVESTMENT WORKS




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## Observation Dates (some dates may vary if a bank holiday occurs)

| | Observation Date | Payment Date | Autocall Trigger |
|---|---|---|---|
| **Observation 1** | 27 February 2019 | 07 March 2019 | 100% |
| **Observation 2** | 29 August 2019 | 09 September 2019 | 100% |
| **Observation 3** | 28 February 2020 | 09 March 2020 | 100% |
| **Observation 4** | 27 August 2020 | 08 September 2020 | 100% |
| **Observation 5** | 26 February 2021 | 08 March 2021 | 100% |
| **Observation 6** | 26 August 2021 | 07 September 2021 | 100% |
| **Observation 7** | 25 February 2022 | 07 March 2022 | 100% |
| **Observation 8** | 26 August 2022 | 07 September 2022 | 100% |
| **Observation 9** | 27 February 2023 | 07 March 2023 | 100% |
| **Observation 10** | 29 August 2023 | 07 September 2023 | 100% |
| **Final Observation** | 28 February 2024 | 07 March 2024 | 60% Low Hurdle Trigger |
| **Final Observation** | 28 February 2024 | 07 March 2024 | 60% European Barrier |

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**BBVA**: Banco Bilbao Vizcaya Argentaria SA (BBVA) attracts deposits and offers retail, wholesale and investment banking services. The bank offers consumer and mortgage loans, private banking, asset management, insurance, mutual funds and securities brokerage services. It operates in Europe, Latin America, United States, China and Turkey.

Source: Bloomberg 08.02.2018

## RATIONALE

Structured products are becoming increasingly popular for investors due to the wide variety of payoffs and levels of protection that can be achieved by the different types of structures that are available.

Autocalls have been one of the most popular structures over the years, although with a classic autocall, returns are only paid if all underlings are at or above the autocall trigger. Adding the 60% Low Hurdle barrier at maturity increases the chances of gains at full term.

These four underlyings have been selected in order to support the anticipated delivery of the coupons.

The autocall payoff can bring an early return of capital allowing the opportunity for a re-assessment of investment strategy. The value of this feature cannot be underestimated as it brings with it the opportunity to secure capital value, as well as the chance to take advantage of future market trends.

To manage the capital risk, a final level barrier set at 60% means an underlying must fall by more than 40% over 6 years before capital is at risk.

## SUITABILITY

This product may be suitable for investors who:

- Are seeking the opportunity for higher returns than current cash rates at the time this product was launched.
- Are seeking growth rather than income
- Understand and accept there is a risk to capital and how the Capital Protection Barrier works.
- Understand the impact of global economic issues and how they will affect the product.
- Understand the criteria which will determine the coupon payments.
- Are looking to invest for the medium to long term, being happy to remain invested until maturity.
- Can afford to have their cash invested for the full term of the Product.
- Wish to use this investment as part of a well-diversified portfolio.
- Understand that the returns are pre-defined and that they will forgo any growth in the underlyings which exceeds the fixed level available with this investment product.
- Understand the risk to capital in the event of a counterparty default.
- Should they need to sell their investment before maturity, accept that the trading price will likely mean they get back less than they invested.
- Appreciate that the coupon payment is conditional but understand that the Low Hurdle feature can deliver gains at a lower percentage trigger at full term.

**Secondary Market**

The Issuing bank will endeavour to provide quotes under normal market conditions for trading purposes upon request, subject to a Bid-Offer spread of 1%. On the secondary market, traded prices will include any accrued interest ("dirty prices").

Sale trades will settle 2 days after the trade date.

Trade orders should be sent to orders@idad.biz

All trades will be settled direct with BBVA's Clearstream a/c 14923

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## THE UNDERLYINGS

The **Swiss Market Index** is an index of the largest and most liquid stocks traded on the Geneva, Zurich, and Basle Stock Exchanges. The index has a base level of 1500 as of June 1988.

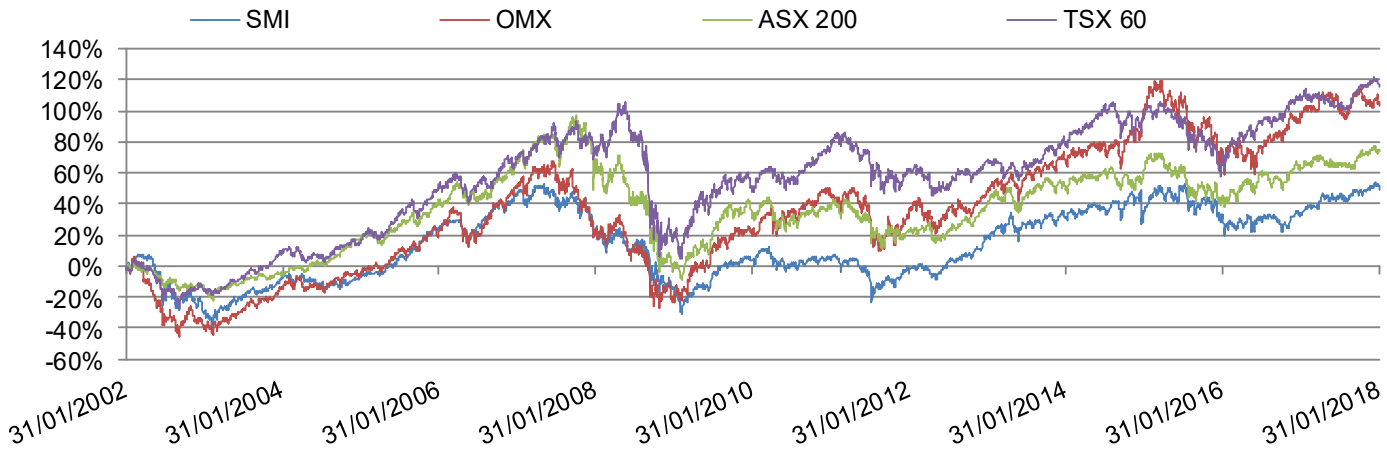
The **OMX Stockholm 30 Index** consists of the 30 most actively traded stocks on the Stockholm Stock Exchange and is a market weighted price index. The composition of the OMXS30 index is revised twice a year. The index was developed with a base level of 125 as of September 30, 1986. Effective on April 27, 1998 there was a 4-1 split of the index value.

The **S&P/ASX 200** measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization. Representative liquid and tradable, it is widely considered Australia's preeminent benchmark index.

The **S&P/Toronto Stock Exchange 60** is a capitalization-weighted index. It consists of 60 of the largest and most liquid (heavily traded) stocks listed on the Toronto Stock Exchange (TSX). They are usually domestic or multinational industry leaders.

**Source**: Bloomberg 08.02.2018

## MOVEMENT IN THE UNDERLYINGS OVER A 16 YEAR PERIOD




## 16 Year Back-Testing

Back-testing shows how the investment would have performed historically using data from previous potential strike dates and observations. Although past performance is not an indication of future performance, it can give a factual insight into how the investment would have performed historically.

This 16 year back-test shows the historical data for a full 10 years of 6 year products that could reach the full term.

Of the 2,501 scenarios tested, 17.31% would reach the full term without autocalling but none of those would have breached the 60% final level barrier meaning no loss to capital.

**Of the 433 scenarios to reach full term all would still receive full gains thanks to the Low Hurdle feature at maturity.**

| Autocall Test | Autocalled | % | Autocall Test | Autocalled | % |
|---|---|---|---|---|---|
| **12 Months** | 1,431 | 57.22% | **48 Months** | 8 | 0.32% |
| **18 Months** | 111 | 4.44% | **54 Months** | 7 | 0.28% |
| **24 Months** | 5 | 0.20% | **60 Months** | 0 | 0.00% |
| **30 Months** | 124 | 4.96% | **66 Months** | 26 | 1.04% |
| **36 Months** | 195 | 7.80% | **Above Low Hurdle at End** | 433 | 17.31% |
| **42 Months** | 161 | 6.44% | | | |

| Total Number Tested | % Matured Early | % To Reach Final Date | Above Low Hurdle | % That Returned Full Capital | % Barrier Breach | Average Historic Return USD |
|---|---|---|---|---|---|---|
| 2501 | 82.69% | 17.31% | 17.31% | 100% | 0.00% | 8.20% p.a. |

**Past performance is not a reliable indicator of future performance and should not be used to assess the future returns or risks**

**Source:** Bloomberg 08.02.2018, Data period: 31.01.2002 to 31.01.2018

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