



BBVA

Corporate Governance and Remunerations in BBVA

Overview 2016



TABLE OF CONTENTS

1. Executive Summary

- 1.1 BBVA's Corporate Governance System
- 1.2 Explanatory Document on the Remuneration of BBVA Directors

2. BBVA's Corporate Governance System

- 2.1 Principles of BBVA's Corporate Governance System
- 2.2 Organisational structure
 - 2.2.1 Shareholders
 - 2.2.2 Board of Directors
 - 2.2.3 Board Committees
- 2.3 Interaction between the Board and its Committees
- 2.4 System for the oversight, control and monitoring of the decisions adopted
- 2.5 Corporate Governance for BBVA Group
- 2.6 BBVA's corporate website

3. Explanatory Document on the Remuneration of BBVA Directors

- 3.1 Introduction
- 3.2 New Remuneration Policy for BBVA Directors for 2017, 2018 and 2019
- 3.3 Application of the Remuneration Policy for BBVA Directors in 2016

4. Activity of the Board Committees

- 4.1 Report on the Activity of the Audit and Compliance Committee
- 4.2 Report on the Activity of the Risk Committee
- 4.3 Report on the Activity of the Remunerations Committee
- 4.4 Report on the Activity of the Appointments Committee

1. Executive Summary

1.1 BBVA's Corporate Governance System

- BBVA's corporate governance system has been designed on the basis of its own reality as a company, taking into consideration its circumstances and needs, the different external points of view derived from the dialogue with shareholders and investors, supervisors and proxy advisors, as well as the best practices and recommendations on this matter and regulations applicable to the Bank, in its capacity as a financial institution listed on national and international markets.
- The pillars of **BBVA's corporate governance system** are (i) the adequate composition of its corporate bodies, (ii) a clear distribution of functions between the Board of Directors and its Committees, and between them and the senior management, (iii) an orderly decision-making process and (iv) a sound system for the monitoring, oversight and control of the Company's management.
- The **General Shareholders' Meeting** has the power to decide on matters of major relevance for the Company, and there are no limitations on the exercise of voting rights of shareholders ("**one share, one vote**" principle).
- BBVA's **Board of Directors** has a **very diverse composition** and combines directors with experience and knowledge of the Group, its businesses and the financial sector in general, with others having the relevant training, skills, knowledge and expertise in other fields and sectors of particular interest for the Bank (such as risks, audit, digital businesses, technology and cyber-security), thereby ensuring, as a whole, a suitable balance in the composition of the Board and its Committees for a better performance of their duties.

The Board is composed **of a majority of independent directors**. All directors have a high level of dedication to the Bank and are subject to a strict incompatibility regime in accordance with the Board Regulations.

The Board has a system for the distribution of functions that ensures the existence and effectiveness of an **adequate balance of powers (checks and balances)** among its members, avoiding concentration in any of them.

To this end, it has **an executive Chairman** and a **Chief Executive Officer (CEO)**, who is responsible for the day-to-day management of BBVA's business. In addition, it has appointed a **Lead Independent Director**, among its independent directors, with a broad range of functions.

- The Board of Directors has four **Committees** that assist the Board in the performance of its oversight and control functions: Audit and Compliance, Risks, Remunerations and Appointments.

All of them are **composed exclusively of non-executive directors and a majority of independent directors**, with the exception of the Audit and Compliance

Committee, which is composed exclusively of independent directors, whose functions refer exclusively to the field of oversight and control.

In addition, the Board has a **Technology and Cybersecurity Committee** aimed at assisting the Board in the best performance of its functions related to an utmost relevant field to the Group: technology and associated risks.

The Board Committees also have a **clear allocation of functions** set forth in both the Board Regulations and, where appropriate, their specific Regulations. They also have necessary resources and their respective Chairmen have full autonomy to organise their operation in the manner they deem most appropriate.

The Board Committees analyse in detail matters falling within their remit before they are presented to the Board of Directors for the adoption of the corresponding decisions. They also perform a critical and in-depth review of all matters submitted by the senior management to ensure that all proposals to be submitted to the Board are in compliance with the strategy and policies approved by the Board of Directors.

This promotes the **oversight by non-executive directors** not only of the proposals submitted by the Group's senior management, but also of the implementation and development of the matters that have been approved by the Board, essentially assisted by the work carried out on the different Committees.

- BBVA's Board of Directors also has a **suitable decision-making process**, in which the work of the Committees and the Board is integrated, and the interaction of the corporate bodies among them and with the Bank's senior management is reflected.

This decision-making process is further supported by an **information model** for the corporate bodies, allowing all decisions to be made with sufficient, adequate and transparent information.

- Once the corresponding decisions have been adopted, the Board of Directors assigns the responsibility for their execution and implementation to the competent executive areas, and **performs general oversight and control functions over the Bank and of the development and implementation by the Bank's executive areas of the Board's decisions**, for which, as in the decision-making process, it is assisted by the different Committees, which have been granted functions also for these purposes.
- The Bank's corporate governance system is constantly evolving and being assessed, through a continuous **process of self-evaluation** that allows for the definition and implementation of the measures considered necessary to cover its needs at all times and to improve the operation of the corporate bodies.

1.2 Explanatory Document on the Remuneration of BBVA Directors

- **New Policy on the Remuneration of BBVA Directors** for 2017, 2018 and 2019. New features **exclusively for executive directors remunerations**:

- ✓ A change in the **balance between the fixed and variable components** of remuneration, in line with the rest of the Identified Staff, to better align it with applicable regulations, providing more flexibility to variable remuneration with respect to fixed remuneration. In no case such change entails an increase in the total remuneration of the beneficiaries.
- ✓ An **increase of the deferred component of variable remuneration** (from 50% to 60%) and an **increase in the deferral period** (from 3 to 5 years).
- ✓ An **increase in the share-based component of deferred variable remuneration** (from 50% to 60%), maintaining the upfront payment at a proportion of 50% in cash and 50% in shares.
- ✓ A **review of "malus" and "clawback" arrangements** to better align them with the criteria set forth in new regulations.
- ✓ The inclusion of the **commitment, for executive directors, to retain a number of shares equivalent to twice their annual fixed remuneration** for a period of, at least, 3 years from the time of their vesting. This shall not apply to the transfer of those shares required to honour the payment of taxes.
- ✓ The **transformation of the CEO's defined-benefit pension scheme** into a defined-contribution scheme, determining an annual fixed contribution.
- ✓ Consideration of a **15% of the annual contributions to pension schemes** as "**discretionary pension benefits**" in line with legal requirements.
- ✓ **Modification of the contractual conditions applicable to payments for termination** of contracts of the CEO and the executive Director of Global Economics, Regulation & Public Affairs ("Director of GERPA"), replacing the current conditions with a **non-compete clause equivalent to twice the annual fixed remuneration**.

- This new policy will be submitted to next **Annual General Shareholder's Meeting**, under agenda item six, accompanied by the Remunerations Committee's Report and including the request to the General Meeting of an authorisation to deliver the overall maximum number of BBVA shares to executive directors to allow for the implementation of the Policy.

- **Remuneration accrued** by BBVA directors **in 2016**:

Non-executive directors

The remuneration scheme for non-executive directors consists of a **fixed remuneration** which comprises: (i) an annual remuneration in cash for carrying out the role of director and, if applicable, member of the Committees; (ii) a deferred remuneration in shares, which shall be delivered, where applicable, on the date on which they cease to be directors for any grounds other than breach of their duties; and (iii) remuneration in kind.

Remuneration of non-executive directors (thousands of euros)								
Non-executive directors	Non-executive directors	Non-executive directors	Non-executive directors	Non-executive directors	Non-executive directors	Non-executive directors	Non-executive directors	Non-executive directors
Tomás Alfaro Drake	129	-	71	-	11	102	25	338
José Miguel Andrés Torrecillas	129	-	179	107	-	31	-	445
José Antonio Fernández Rivero	129	125	-	53	32	10	-	350
Belén Garijo López	129	-	71	-	32	-	-	232
Sunir Kumar Kapoor	107	-	-	-	-	-	25	132
Carlos Loring Martínez de Irujo	129	125	18	80	27	-	-	379
Lourdes Máz Carro	129	-	71	-	-	31	-	231
José Maldonado Ramos	129	167	-	-	-	41	-	336
José Luis Palao García-Suelto	129	-	-	107	32	10	-	278
Juan Pi Llorens	129	-	54	27	91	-	25	325
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
James Andrew Stott	107	-	-	160	32	-	25	325
Total								3,813

Non-executive directors	Theoretical shares allocated in 2016	Accumulated theoretical shares as of 31 December 2016
Tomás Alfaro Drake	11,363	62,452
José Miguel Andrés Torrecillas	9,808	9,808
José Antonio Fernández Rivero	12,633	91,046
Belén Garijo López	6,597	19,463
Sunir Kumar Kapoor	-	-
Carlos Loring Martínez de Irujo	10,127	74,970
Lourdes Máz Carro	5,812	8,443
José Maldonado Ramos	11,669	57,233
José Luis Palao García-Suelto	11,070	51,385
Juan Pi Llorens	9,179	32,374
Susana Rodríguez Vidarte	14,605	78,606
James Andrew Stott	-	-
Total	102,863	485,780

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Executive directors

Executive directors have a remuneration system comprising: (i) a **fixed remuneration**, which takes into account the level of responsibility of the functions carried out and constitutes a significant portion of their total compensation; (ii) a **variable remuneration**, the amount of which is determined on the basis of the level of achievement of pre-established targets, linked to the Group's results, to long-term value creation and to the performance of the functions carried out; and (iii) **other fixed components**, such as payment in kind, contributions to pension plans (except for the amounts provided by the binding rules on "discretionary pension benefits") and any other benefits or allowances not based on variable parameters.

2016 Fixed Remuneration

Executive directors	Annual Fixed Remuneration (thousands of euros)
Group Executive Chairman	1,966
Chief Executive Officer	1,923
Director of GERPA	800

2016 Variable Remuneration

Link between 2016 Annual Variable Remuneration and results

Indicators	Result 2016	Fulfilment		% over maximum remuneration associated with this indicator
		Goal		
Net Attributable Profit excluding corporate transactions	3,475 thousand euros	●		73.11%
Risk-adjusted Return on Economic Capital (RAROEC)	10.86%	●		84.01%
Return on Regulatory Capital (RORC)	6.45%	●		75.21%
Efficiency ratio	51.89%		●	122.08%
Operating Income	11,862 thousand euros	●		92.06%
Customer Satisfaction Index (IreNe)	77.39	●		77.39%

The results of these indicators in 2016 have been affected by the impact of "mortgage floor clauses" (€404 million), as well as the exchange rate performance. As a result, the annual variable remuneration of executive directors in 2016 has significantly decreased with respect to 2015.

Result of 2016 Annual Variable Remuneration for executive directors: Settlement and payment system for risk takers

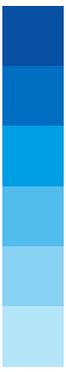
Director	50% Annual Variable Remuneration (to be received in 2017)		Maximum amount of Annual Variable Remuneration (to be received in 2020)	
	Cash (thousands of €)	Shares	Cash (thousands of €)	Shares
Group Executive Chairman	734	114,204	734	114,204
Chief Executive Officer	591	91,915	591	91,915
Director of GERPA	89	13,768	89	13,768

Pension System 2016

Director	Pension payments in 2016 (thousands of euros)	Accumulated funds as of 31/12/2016
Chief Executive Officer	3,178	16,051
Director of GERPA	310	609

As indicated, the Remuneration Policy for BBVA Directors that will be submitted to the General Meeting for approval establishes a **new benefits framework** for the Chief Executive Officer and for the Director of GERPA in order to adapt the framework on their current contracts to the new regulatory requirements and improve alignment with best market practices.

- o The "defined-benefit" scheme for the **CEO** has been changed into a **new "defined-contribution" scheme**.
- o The **possibility for the CEO of receiving the retirement pension in advance has been eliminated**.
- o Since 2016, 15% of the annual contributions to benefits systems agreed with the CEO and the Director of GERPA will be considered **"discretionary pension benefits"**.
- o A **2-year non-compete clause** is established, entailing remuneration in an amount equivalent to **twice the Annual Fixed Remuneration**, provided the termination of directorship is not due to death, retirement, disability of serious breach of duties.



2. BBVA's Corporate Governance System

2.1 Principles of BBVA's Corporate Governance System

Banco Bilbao Vizcaya Argentaria S.A. (“**BBVA**”, the “**Company**” or the “**Bank**”) has a corporate governance system made up of a set of principles, rules, structures and processes which regulate and guide relations between the Company, its management, shareholders and other stakeholders, allowing, at the same time, for an adequate management and oversight of the Bank (hereinafter, the “**Corporate Governance System**”).

BBVA's Corporate Governance System has been shaped over time based on sound principles that underpin the Bank's corporate culture and ensure a suitable distribution of functions, balance of powers, transparency and businesses ethics.

BBVA's Corporate Governance System has been designed on the basis of its own reality as a company, taking into consideration its circumstances and needs, the different external points of view derived from the dialogue with shareholders and investors, supervisors and proxy advisors, as well as the best practices and recommendations on this matter and regulations applicable to the Bank, in its capacity as a financial institution listed on national and international markets.

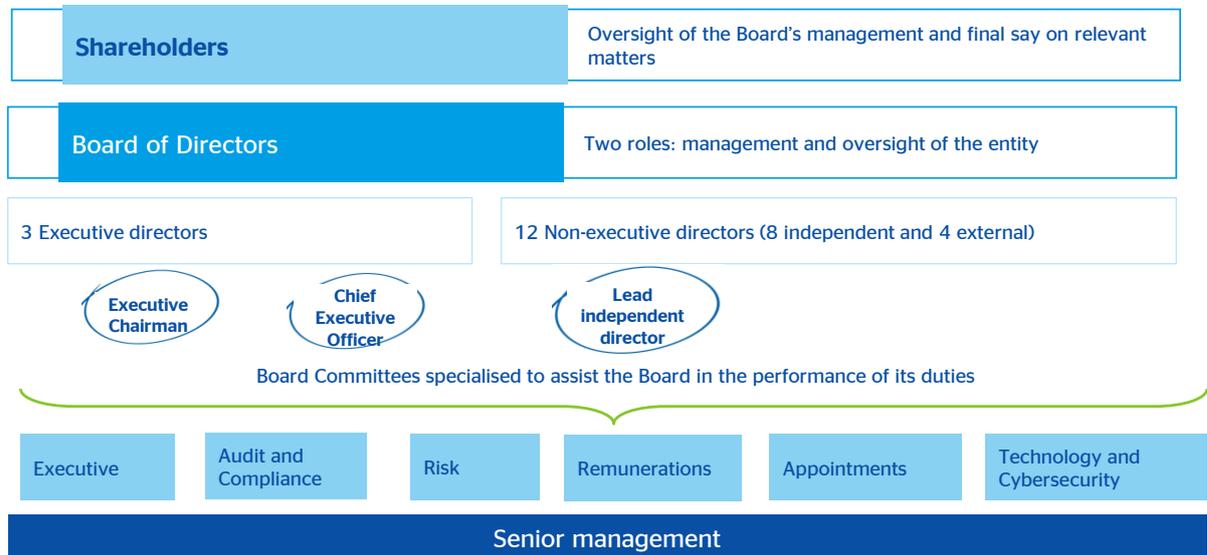
Elements influencing BBVA's Corporate Governance System



Based on the foregoing, the essential features of BBVA's Corporate Governance System, explained in this document, are as follows: (i) an adequate composition of its corporate bodies, (ii) a clear distribution of duties between the Board of Directors and its Committees, and between the Committees and the senior management; (iii) an orderly decision-making process; and (iv) a sound system for the monitoring, oversight and control of the Company's management.

2.2 Organisational structure

Based on the abovementioned principles, BBVA's Corporate Governance System comprises the following core elements¹:



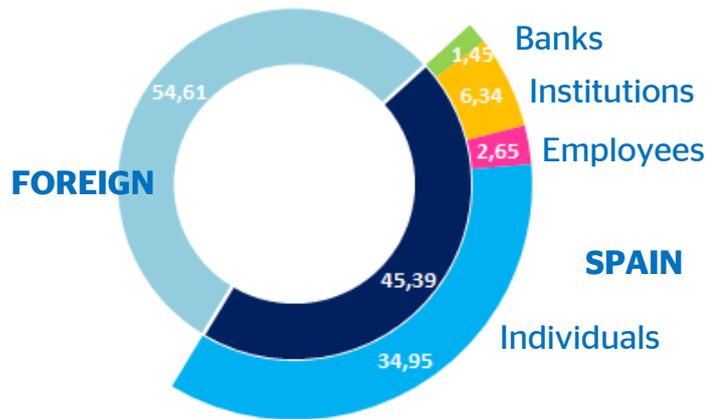
2.2.1 Shareholders

BBVA is a Group with a broad geographical presence and a shareholder base of nearly one million shareholders, including retail and institutional shareholders, both national and international. No shareholder has a significant or controlling interest in the Company. The Bank has 100% free-float, with international institutions holding over 50% of BBVA's share capital.

¹ Information as of 31/12/2016.

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Shareholder's breakdown (figures as of December 2016)



Considering this shareholding structure, the Bank's relationship model with shareholders is predicated on three basic pillars:

1. Respect for the "one share, one vote" principle, without imposing limitations on the exercise of shareholders' rights and guaranteeing that all shareholders in the same position are treated equally and afforded the same rights;
2. The General Shareholders' Meeting is reserved the final say on matters of significant relevance for the Company; and
3. The existence of a formal Policy on shareholders and investors' communication and contact, which: (i) encourage shareholders to participate and exercise their right to vote at the General Meeting; (ii) ensure utmost transparency and disclosure of information for the exercise of their rights; and (iii) promote an active engagement policy with institutional and retail shareholders.

This Policy, which specifies the communication channels with the Bank and the principles of transparency, veracity, immediacy and consistency in the disclosure of information, is available on the Bank's website ([link](#)).

The Bank has obtained attendance quorums in excess of 62% at its last Annual General Shareholders' Meetings over the past five years. Shareholders have repeatedly shown a very significant percentage of support for the issues submitted for their consideration, such as matters related to the composition of the Board of Directors, corporate management, financial statements, remuneration policy and financial resolutions.

Summary:

General Meeting:

- Decisions on key issues
- Equal treatment for all shareholders in the same position ("one share, one vote" principle)
- Policy on shareholders and investors' communication and contact:
 - Transparency
 - Engagement
 - Promotion of participation

2.2.2 Board of Directors

In line with Spanish regulations, BBVA has a one-tier board system which entails the existence of a **single collegiate body** (the Board of Directors) which is responsible, collectively and individually, for the management of the Bank as well as the oversight and control of the senior management, with the aim of furthering the corporate interest.

Functions

The Board's most **relevant functions** are as follows:

Strategy and general policies	Remuneration policy
Risk management and control (RAF)	Financial and accounting information
Annual budgets	Appointment/removal of senior management
Capital and solvency	Oversight of senior management
Strategic transactions	Internal organization and annual self-assessment

The fact that these responsibilities are reserved to the Board, without the possibility of delegating them, is a key element for the balance of powers and control, ensuring that the most relevant matters affecting the Company are analysed and decided by the corporate bodies, which also carry out general oversight functions over the Bank.

Based on the above, to better perform the management and control duties, have a suitable decision-making process in place and promote the checks and balances, BBVA's Board of Directors has set up **specific Committees** to assist it in matters falling within their remit. A coordinated working scheme among the Committees and between the Committees and the Board has been established.

The joint work carried out by the Board of Directors and its Committees, in interaction with the Bank's senior management, guarantees an adequate analysis of the matters

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considered or supervised by the corporate bodies, through the analysis and critical review of the approaches and proposals submitted for their consideration, and it also strengthens the existing control environment in BBVA through the monitoring and control of the management decisions adopted.

Composition

The composition of the Board of Directors, as one of the key elements of BBVA's Corporate Governance System, should help ensure the appropriate performance of its functions, so that decisions are taken after debating, analysing and critically reviewing the proposals submitted for its consideration, promoting also the necessary consensus for appropriate decisions to be taken, as well as ensuring effective management oversight and control.

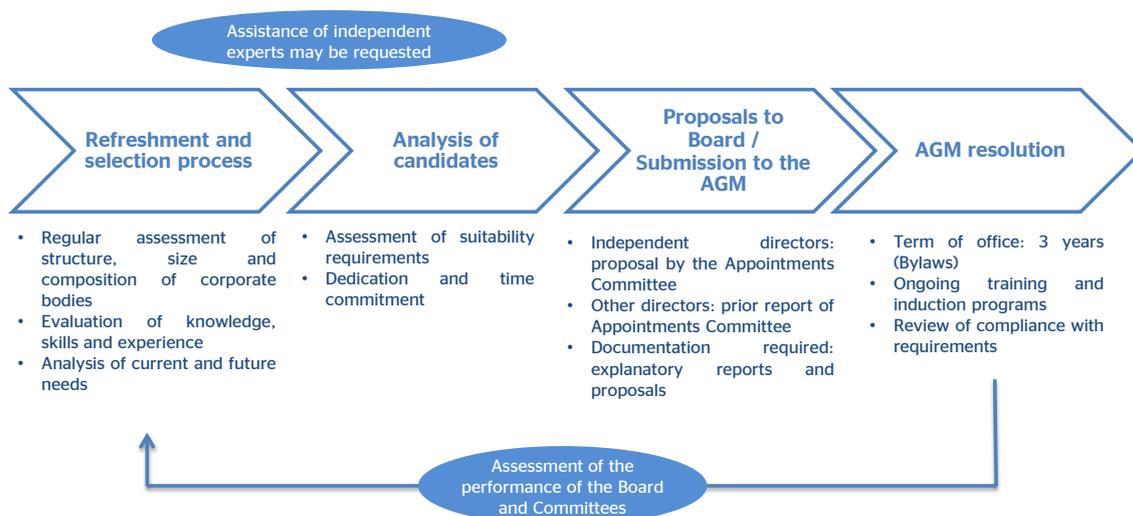
For this purpose, BBVA has a Policy on the selection, appointment, rotation and diversity of the Board of Directors, which is available on its corporate website ([link](#)). This Policy outlines the principles and procedures for the selection, appointment and rotation of the Bank's directors, as well as the necessary requirements to be fulfilled in order to hold the position of director.

Policy on the selection, appointment, rotation and diversity:

- Suitable composition to ensure the adequate performance of the corporate bodies in the pursuit of the best corporate interest
- Encourages diversity of experience, knowledge, skills and gender
- Absence of biases that may entail any kind of discrimination, and female representation target of 30% by 2020
- Suitable balance between the different categories of directors, with at least 50% being independent directors
- Director training plans
- Progressive and continuous refreshment in the Board's composition
- Suitability, dedication and absence of incompatibilities in directors

To ensure a correct composition at all times, BBVA's Appointments Committee, as part of its duties, regularly analyses the Board's structure, size and composition, and whether these are adequate to meet the needs of the corporate bodies, and as a consequence it identifies and assesses possible changes in such composition that may be necessary or advisable. As a result, selection process may be initiated, where appropriate, for the identification and selection of candidates to be proposed as new members of the Board.

As a result, the Bank has been carrying out an orderly **refreshment process** in the Board, based on an adequate rotation planning, in order to achieve the objectives set out in the aforementioned Policy, identifying the needs of the corporate bodies and the most suitable candidates to be incorporated at any given time. This process also considers the composition of the various Board Committees, which assist the Board in the performance of its duties.



In view of these principles and procedures, BBVA's General Shareholders' Meeting held in March 2016 resolved to appoint two new independent directors, Andrew Stott and Sunir K. Kapoor, who have international profiles and extensive expertise in the areas of finance and risk and technology, digital businesses and cybersecurity, respectively.

The addition of these new directors has contributed to (i) broaden the Board's knowledge and expertise in fields of high interest for BBVA; (ii) increase the diversity of nationalities; and (iii) maintain the Board's level of independence.

As of the date of this document, BBVA's Board of Directors comprises 15 directors, as follows:

Director	Status	Position	Date of reelection	Other offices (*)
Francisco González Rodríguez	Executive	Group Executive Chairman	11.03.2016	Director at Grupo Financiero BBVA Bancomer and BBVA Bancomer, Institución de Banca Múltiple
Carlos Torres Vila	Executive	Chief Executive Officer	11.03.2016	Director at Grupo Financiero BBVA Bancomer and BBVA Bancomer, Institución de Banca Múltiple
José Manuel González-Páramo Martínez- Murillo	Executive	Director	14.03.2014	
José Antonio Fernández Rivero	External	Director	13.03.2015	
Carlos Loring Martínez de Irujo	External	Director	14.03.2014	
José Maldonado Ramos	External	Director	13.03.2015	
Susana Rodríguez	External	Director	14.03.2014	

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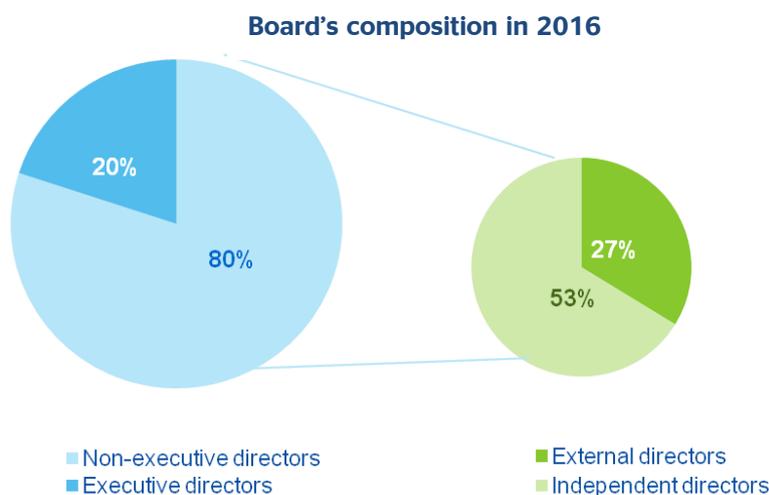
Director	Status	Position	Date of reelection	Other offices (*)
Vidarte				
José Miguel Andrés Torrecillas	Independent	Lead Independent Director		Director at Zardoya Otis
Tomás Alfaro Drake	Independent	Director	14.03.2014	
Garijo López, Belén	Independent	Director	13.03.2015	Director at L'Oreal
Sunir Kumar Kapoor	Independent	Director		
Lourdes Máiz Carro	Independent	Director		
José Luis Palao García-Suelto	Independent	Director	14.03.2014	
Juan Pi Llorens	Independent	Director	13.03.2015	President of Ecolumber
James Andrew Stott	Independent	Director		

(*) Pursuant to information disclosed in the 2016 Annual Corporate Governance Report.

Main features of the composition of BBVA's Board of Directors

Independence

In accordance with BBVA's Policy on the selection, appointment, rotation and diversity of the Board of Directors, an appropriate balance between the different categories of directors shall be ensured, so that non-executive directors represent an ample majority and that the number of **independent directors accounts for, at least, 50%** of the total Board members.



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In line with this principle, the level of independence of BBVA's Board of Directors currently exceeds the 50% threshold established in the Policy. This high level of independence, both on the Board and its Committees, promotes the correct performance of the management, oversight and control functions, guaranteeing objective and independent judgment in the decisions adopted by the corporate bodies.

Diversity

Another element that characterises BBVA's Board of Directors is its diversity. The composition of the Bank's Board of Directors is very diverse and combines directors with experience and knowledge of the Group, its businesses and the financial sector in general, with others having relevant training, skills, knowledge and expertise in other fields and sectors of particular interest for the Bank (such as risks, audit, digital businesses, technology and cyber-security), thereby ensuring, as a whole, a suitable balance in the composition of the Board and its Committees for a better performance of duties.

Director	Background
Tomás Alfaro Drake	Academic, Finance, Marketing
José Miguel Andrés Torrecillas	Accounting, Audit, Multinational
José Antonio Fernández Rivero	Banking, Accounting, Risks
Belén Garijo López	Multinational, Pharmaceutical
Sunir Kumar Kapoor	Technology, Digital Businesses
Carlos Loring Martínez de Irujo	Legal, Banking
Lourdes Máiz Carro	Legal
José Maldonado Ramos	Legal, Banking
José Luis Palao García-Suelto	Accounting, Audit, Finance
Juan Pi Llorens	Multinational, Technology
Susana Rodríguez Vidarte	Academic, Economics, Banking
James Andrew Stott	Finance, Risks

Suitability and dedication

As set out in its Regulations, the Board of Directors also requires that its members have the necessary suitability conditions to hold their positions. They must have the reputation, skills, experience and qualifications needed, fulfilling the requirements legally established in this regard. They are also required to have the availability and dedication necessary to perform their functions. For these purposes, directors are subject to, among others, the incompatibilities and limitation rules set forth in applicable regulations, which provide for a maximum number of directorships they may hold at the same time.

BBVA's directors are highly dedicated to their duties, taking into account the number of meetings of the Board and Committee held during the year, as well as the broad content discussed in such meetings.

Corporate body	No. meetings (*)	Level of attendance (*)
Board of Directors	12	100%
Audit and Compliance Committee	12	100%
Risk Committee	38	99%
Remunerations Committee	6	100%
Appointments Committee	8	100%
IT and Cybersecurity Committee	3	100%
Executive Committee	17	100%

(*) Number of meetings held during 2016. Includes both personal attendance and by proxy granted with express voting instructions.

Training

Given the complexity and diversity of BBVA's businesses, and in order to assist the directors in acquiring, updating and reinforcing their knowledge and skills for the better performance of their duties, the Board of Directors has various initiatives in place for the training of its members. These are aimed at offering sufficient and relevant information on various matters, to ensure a proper understanding of all the issues submitted for consideration of the Bank's corporate bodies.

For these purposes, the Bank provides, at the ordinary meetings of the different corporate bodies, extensive information on the most important issues, but relative to the scope of the respective functions. Additionally, the Bank combines individual programmes for new directors, related to the Bank's various areas of activity, which constitute a comprehensive training plan designed specifically for each director based on their profile. Such plan is complemented by on-going training offered to current directors, which includes sessions and presentations offered by experts in the area in question, which help update and strengthen the knowledge and information they need to better perform their duties.

As part of this training programme, various training sessions were held in 2016 covering, among others, the following topics:

Topics
Regulatory framework and capital management
Financial and accounting regulation
Tax issues
Big Data
Blockchain technology
Macroeconomic issues and their impact on the financial and banking business
New technologies and cybersecurity

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Leadership structure

The Board of Directors has an executive chairmanship model, as well as a CEO who is responsible for the day-to-day management of BBVA's business. This model provides for a separation between both the positions and the duties of the Group Executive Chairman and of the CEO, ensuring an adequate balance of powers between both roles.

Additionally, to reinforce the checks and balances, the Board of Directors has also a **Lead Independent Director**, with the functions conferred both by law and good governance recommendations.

Functions of the Lead Independent Director:

- Request Board of Directors' meetings be convened or the inclusion of new items on the agenda of a Board meeting already convened
- Coordinate and meet with non-executive directors
- Conduct the periodic assessment of the Chairman of the Board of Directors
- Chair the meetings of the Board of Directors in the absence of the Chairman
- Coordinate, with the Appointments Committee, the succession of the Chairman
- Maintain contact with investors and shareholders to make their views known and form an opinion on their concerns, in particular, regarding the Bank's corporate governance

The current Lead Independent Director is José Miguel Andrés Torrecillas. He also chairs the Audit and Compliance Committee and is a member of the Risk Committee and the Appointments Committee, which results in a reinforcement of the checks and balances and a key figure in the control environment within the Bank.

Self-evaluation

The quality and efficiency of the operation of the Board and of its Committees is assessed on an annual basis by the Board of Directors through a process directed and coordinated by the Chairman of the Board with the Chairmen of the relevant Committees. This is based on an analysis carried out by the Appointments Committee on the structure, size and composition of the corporate bodies and the activity reports prepared during the year by each Committee, which are submitted to the Board for analysis and assessment.

In order to assess the Board's performance, the Appointments Committee may engage, when necessary, renowned independent experts. The firm Russell Reynolds assisted, as independent expert, in the assessment of the performance of the Board and its Committees carried out in 2015.

This annual, on-going self-assessment helps analyse the efficiency of BBVA's Corporate Governance System, which in turn ensures the correct operation of its corporate bodies and allows for constant evolution in line with the needs and the circumstances that might affect the Bank and its environment.

As a result of the on-going self-assessment process carried out by the Board in 2016, the following improvement measures were adopted:

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- To increase the diversity of the Board's composition and favour the addition of members with experience in the areas of risks, finance and technology, the Board proposed the appointments of James Andrew Stott and Sunir Kumar Kapoor, as new directors, at the General Shareholders' Meeting held in March 2016.
- In March 2016, the Board created a Technology & Cybersecurity Committee, aimed at assisting the Board in the best performance of its functions related to the technology strategy and risks related to technology and cyber-security.
- The informational model for the corporate bodies has been improved through various initiatives introduced to furnish directors with more comprehensive, consistent, uniform and quality information for the adoption of decision and the performance of both management functions and oversight and control functions.
- The training programme for directors has been also improved, particularly in the areas of technology, cyber-security and digital businesses, in line with the Group's digital transformation process and the environment.
- The decision-making process formalised for BBVA's corporate bodies has been further developed and broadened.
- The Group has also defined systems to integrate and coordinate the preparation, analysis and approval of its main processes and decisions, such as those regarding its strategy, budget, the general risk appetite framework, capital, liquidity and incentive policy, to ensure these are better coordinated and managed.
- Finally, the frequency of reports submitted to the Board has increased and their format and content have improved, particularly those reports presented by the Chairmen of the different Committees and other senior managers of the Group. This has helped reinforce the decision-making process of BBVA's corporate bodies and the Board's control and oversight functions.

Summary:

Board of Directors:

- Collegiate body responsible for the representation, director, management and oversight of the Company
- Certain management functions and oversight and control functions which cannot be delegated
- Coordinated working system and interaction with Committees and senior management
- Policy on the selection, appointment, rotation and diversity
- Comprises a majority of independent directors (+50%) and directors with diverse experience, knowledge and skills
- Highly dedication and suitability requirements
- Separation of positions: Executive Chairman, CEO and Lead Independent Director
- Annual self-assessment of the Board, the Chairman and the Board Committees

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2.2.3 Board Committees

For a better performance of its duties, the Board of Directors has set up six Committees with broad and relevant functions, which assist the Board in matters within their remit.

Functions

The Board of Directors has created an **Executive Committee**, which performs management functions and oversight and control functions. The Executive Committee is a delegated body of the Board of Directors and its mission is to assist the Board in its general oversight function and, in particular, in overseeing the running of the business and monitoring the risks to which the Bank is or may be exposed, as well as in the decision-making regarding those matters falling within the remit of the Board of Directors, provided that they do not constitute non-delegable powers under Law.

There are also four Board Committees (**Audit and Compliance, Risk, Remunerations and Appointments**) which assist the Board in carrying out control and oversight functions, as well as analysing and preparing decisions within the scope of their functions.

Finally, in order to assist the Board in matters regarding technology and associated risks, which is an area of particular interest for the Group, the Board has set up a **Technology and Cybersecurity Committee** to assist it in the understanding and acknowledgment of the risks associated to technology and information systems related to the Group's activity and its management and control, particularly with regard to the Group's technology strategy.

These Committees help ensure that the oversight and control functions and the day-to-day management of the Bank are more appropriate and broader in scope. The Audit and Compliance Committee and the Risk Committee have key roles in this regard. The Committees also ensure that the corporate bodies have a suitable decision-making process in place, guaranteeing, through the performance of the duties entrusted by the Board, the analysis and detail of the proposals submitted for consideration and the challenge of the approaches presented by the senior management through the direct interaction with them.

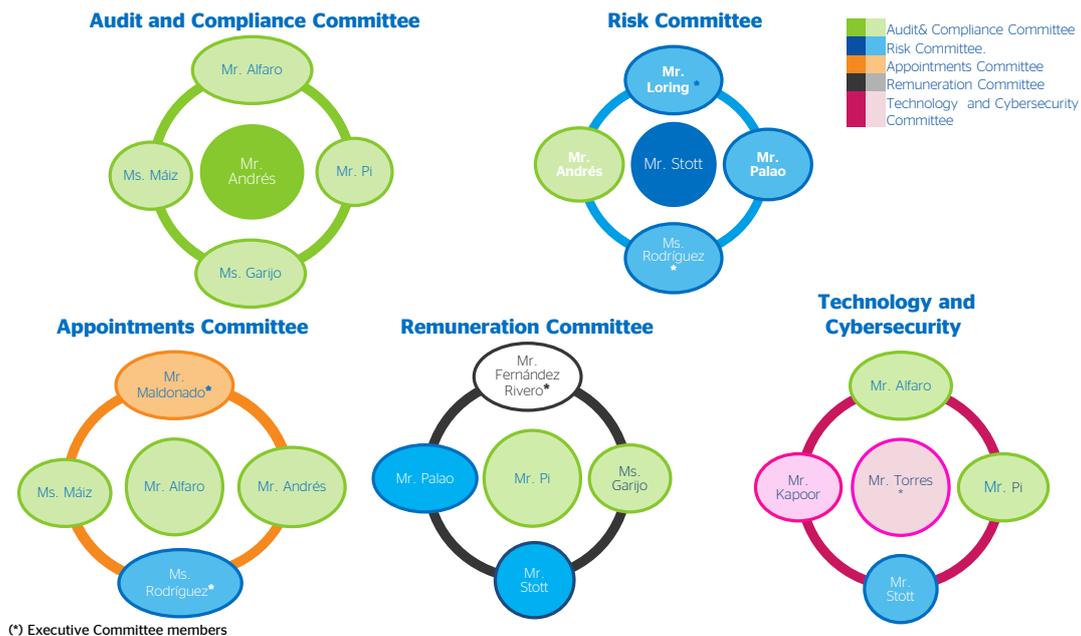
Functions:

- Assist the Board in the performance of its functions
- Oversight and control functions in matters within their remit
- Analyse and submit proposals to the Board, prior to approval
- Critical analysis and constructive challenge
- Ongoing access to, and interaction with, management, external experts and other Committees
- Direct oversight of senior management

Composition

The Audit and Compliance, Risks, Remunerations and Appointments Committees comprise exclusively non-executive directors and have a majority of independent directors, with the exception of the Audit and Compliance Committee, which is composed exclusively of independent directors. The Bank's executive directors do not sit on any of these Committees, neither as members nor as attendees. The Committees are also chaired by independent directors who have extensive functions and full autonomy as well as specialised knowledge and broad experience. Similarly, the Executive Committee and the Technology and Cybersecurity Committee are made up of a majority of non-executive directors.

BBVA's Corporate Governance System is supported by a coordination scheme between the different Committees, according to their areas of expertise, and is reinforced by the cross-membership of various directors to multiple Committees. For example, the Chairmen of four Committees (Audit and Compliance, Risks, Appointments and Remunerations) also sit on other Committees.



Organisation and operation

The Group's Corporate Governance System ensures the correct operation of the Board Committees and the independent performance of the duties through various means, i.e. a suitable composition, a clear and broad allocation of duties, necessary resources and a relevant role attributed to the respective Chairmen, who also have autonomy to act and organise the operation as they see fit. The Committees are also able to request assistance from external expert where necessary to assist them in their functions.

As anticipated, the Board Committees analyse in detail matters relating to the scope of their functions before they are presented to the Board of Directors for the adoption of decisions. They also perform a critical and in-depth review of all matters submitted by

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senior management to ensure that proposals to be submitted to the Board are in compliance with the strategy and policies approved by the Board of Directors.

As a result, BBVA's Corporate Governance System promotes the oversight by non-executive directors not only of the proposals submitted by the Group's senior management, but also of the implementation and development of the matters that have been approved by the Board, essentially assisted by the work carried out on the different Committees.

As noted in section 2.2.2. above, as part of the annual self-assessment process of the performance of the Board, the quality and efficiency of the operation of each of the Committees is assessed on an annual basis by the Board, based on the reports prepared by each Committee regarding the work carried out during the year in the performance of their duties, which are explained and submitted to the Board by each Chairmen.

The reports on the activity of the Board Committees during 2016 are included in section 4 of this document.

Summary:

Board committees:

- ✓ Suitable composition: High levels of independence
- ✓ Intense activity and dedication
- ✓ Relevant functions, particularly oversight and control
- ✓ Coordination in the performance of the functions between the Committees and the Board
- ✓ Essential support for the decision-making process and for the exercise by the Board of oversight and control functions
- ✓ Direct access to and interaction with senior management
- ✓ Annual performance assessment by the Board

2.3 Interaction between the Board and its Committees

As part of its basic elements, BBVA's Corporate Governance System incorporates and promotes a suitable **decision-making process**, in which the work of the Committees and the Board of Directors is integrated and the interaction of the corporate bodies among them and with the Bank's senior management is reflected.

In the framework of this process, the Board Committees analyse in detail matters falling within their remit and perform a critical challenge and in-depth review of those issues submitted by senior management, for the adoption of the relevant decisions prior to submission to the Board, so that proposals to be submitted to the Board for consideration take into account the opinions, approaches and requirements that arise from this analysis

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and discussion process and they are in line with the strategies and policies approved by the Board of Directors.

Once these proposals have been approved by the various Committees, they are submitted to the Board for approval and final decision. When the corresponding resolution has been adopted by the relevant corporate body, it delegates the implementation and development of the decisions, at both Bank and Group level, to the managers in charge of the relevant areas, and the appropriate oversight and control systems are established.

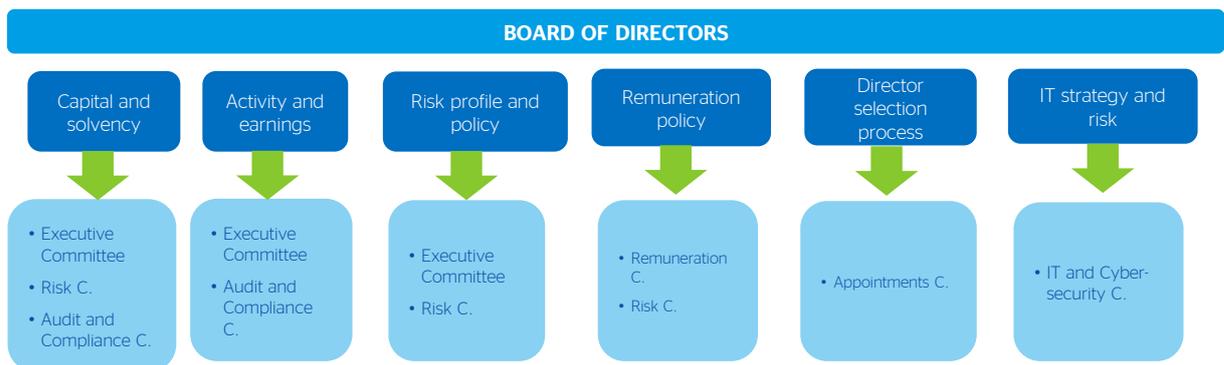
This decision-making process allows for the existence of an **oversight and monitoring system** of the Group by the corporate bodies, which is completed with a control structure in the executive area covering all the companies in BBVA Group.

BBVA's senior management, comprising the heads of the Group's corresponding business, control and support areas, reports directly to the corporate bodies on matters falling within their remit, thus receiving the information needed at all times to properly perform the duties.

As a result, the performance of the duties of the Board and its Committees promotes the oversight by non-executive directors not only of the proposals submitted by the heads of the Group's management areas, but also of the implementation and development of the matters that have been approved by the Board, assisted by the work carried out by the different Committees.

INTERACTION BETWEEN BOARD AND ITS COMMITTEES

The Committees analyse issues in great detail so as to submit solid proposals to the Board for consideration
Specialised knowledge and informed analysis are indispensable for a correct decision-making process



Finally, so that all decisions are taken with sufficient, suitable and transparent information, BBVA's Corporate Governance System includes procedures aimed at ensuring that the corporate bodies have such information.

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Summary:

- The joint work carried out by the Board of Directors and its Committees, in interaction with the Bank's senior management, guarantees an adequate analysis of the matters considered or overseen by the corporate bodies, through the **analysis and critical review** of the proposals submitted for their consideration, and strengthens the existing control environment in BBVA, through monitoring and control of the decisions adopted.
- BBVA's Corporate Governance System is underpinned by the **interaction** between the Board and its Committees, and between these and the Bank's senior management, through direct, regular and recurrent access, enabling these bodies to effectively exercise control, **oversight and challenge** over the Group's main management activities and decisions, as well as their subsequent monitoring.

2.4 System for the oversight, control and monitoring of the decisions adopted

BBVA's corporate bodies conduct an in-depth analysis of all the relevant matters related to the Group's activity, which provides them with the general overview necessary to properly adopt their **decisions** and to **oversee and control** of the decisions adopted in the performance of their functions.

Thus, once the corresponding decisions have been adopted, in performance of its functions, the Board of Directors assigns the responsibility for their execution and implementation to the competent executive areas, and performs general oversight and control functions over the Bank and of the development and implementation by the Bank's executive areas of the Board's decisions; for which, as in the decision-making process, it is assisted by its different Committees, which have been granted also functions for these purposes.

The Bank's corporate bodies oversee the performance of the Group's senior management and of the CEO, who are responsible for the development and implementation of the policies and decisions adopted by the Board of Directors in the framework of the functions conferred by law or by its specific Regulations.

To perform this oversight, the Group's senior management may attend, on a regular basis, meetings of the corporate bodies, whether the Board, the Executive Committee or the different Board Committees, thus facilitating not only the oversight and control of their activity, but also the dissemination of the **corporate culture** from the corporate bodies to the executive areas.

These functions of monitoring, oversight and control, performed directly by the Board of Directors and in a more specific and detailed way by its different Committees, combined with the aforementioned management functions, provide the Board of Directors with a comprehensive overview of the Bank's position and businesses and of the work carried

out by the Bank's executive areas, adopting the decisions deemed necessary at any given time.

2.5 Corporate Governance for BBVA Group

BBVA Group has a **decentralised management model**, mainly based on legally independent subsidiaries which operate in different geographies, within a common framework which enables them to reach the objectives set by the Group.

This common governance framework for the Group's companies is based on the strategy, corporate policies and basic management guidelines set by BBVA's corporate bodies for the whole Group, and is specified by the different heads of the business areas and the transversal corporate areas, on which the local counterpart areas depend. These are responsible for applying the common framework in each area.

Within the common corporate framework, the subsidiaries carry out their activity and manage their businesses with a high level of autonomy, having their own means and resources for these purposes, which allow for a suitable decision-making process and the monitoring and control of their activities.

This monitoring and control is integrated in a **system coordinated at Group level**, based on methodologies and processes that are consistent in all the areas and in an organisation with transversal areas and control functions, with reporting lines from local areas to corporate areas, making it possible to monitor the Group activities as a whole and oversight compliance with the common management framework.

2.6 BBVA's corporate website

BBVA has a corporate website (www.bbva.com) which contains all the information made available to its shareholders and other stakeholders.

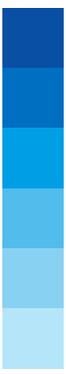
In particular, the Bank has a special section for shareholders and investors that offers wide-ranging institutional, financial and economic information on the Group's business and results, as well as any information that the Bank deems useful, including any content that may be required by law and by best market practice in this regard.

The corporate website also has detailed information on the communication and contact channels with the Bank, such as the Shareholder's Office, the help line and e-mail inbox, as well as other channels and tools to receive financial and institutional information. Additionally, the corporate website also includes contact information of BBVA's Shareholders and Investors Relations Department, which is the natural and permanent communication and contact channel between BBVA and its shareholders, investors and the market in general. Finally, on the occasion of each General Shareholders' Meeting, BBVA also provides, through the website, all types of means and resources to facilitate participation and all necessary information to decide on the issues that are put forward for

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consideration, publishing this information sufficiently in advance and in detail, as required by law and by best practice in good governance, both in Spain and internationally.

The corporate website complies with the principles of transparency, veracity, immediacy and consistency in the disclosure of information, as outlined in the Bank's Policy on shareholders and investors' communication and contact (see section 2.2.1 above). For these purposes, the Bank ensures that all the information on its website is clear, complete, correct, true and up-to-date, and that the content is available both in Spanish and English.



3. Explanatory Document on the Remuneration of BBVA Directors

3.1. Introduction

Transparency on remuneration is one of the guiding principles of BBVA's general remuneration policy.

In application of this principle, this document is made available to BBVA shareholders for information purposes, aiming to provide a simple and clear explanation of the remuneration policy applicable to the members of BBVA's Board of Directors, as well as of the specific remuneration accrued by each member in 2016, in application of this policy.

This document should be read together with the Annual Report on the Remuneration of Directors in BBVA, which will be submitted to consultative vote at the Bank's next Annual General Shareholders' Meeting, as well as with Note 54 of the Annual Report of BBVA's Consolidated Annual Accounts for the year 2016. Both documents have been made available to shareholders on the Bank's website upon notice of the General Meeting (www.bbva.com).

Additionally, a summary of the new remuneration policy for BBVA directors proposed for the years 2017, 2018 and 2019 is likewise included, which will be submitted for approval at the Bank's next Annual General Shareholders' Meeting.

3.2. New Remuneration Policy for BBVA Directors for 2017, 2018 and 2019

Under the framework of the remuneration policy applicable to the categories of staff whose activities have a significant impact on the Group's risk profile, among which BBVA's executive directors and senior management are included (hereinafter jointly referred to as the "**Identified Staff**"), and maintaining the general principles that guide the Group's remuneration policy, as well as the clarity and simplicity of the existing remuneration system, the Board of Directors, at the proposal of the Remunerations Committee, has approved a new remuneration policy applicable to BBVA directors for the years 2017, 2018 and 2019, which contains **exclusively for executive directors new features**, among which:

- ✓ A change in the **balance between the fixed and variable components** of remuneration, in line with the rest of the Identified Staff, to better align it with applicable regulations, providing more flexibility to variable remuneration with respect to fixed remuneration. In no case such change entails an increase in the total remuneration of the beneficiaries.
- ✓ An **increase of the deferred component of variable remuneration** (from 50% to 60%) and an **increase in the deferral period** (from 3 to 5 years).
- ✓ An **increase in the share-based component of deferred variable remuneration** (from 50% to 60%), maintaining the upfront payment at a proportion of 50% in cash and 50% in shares.

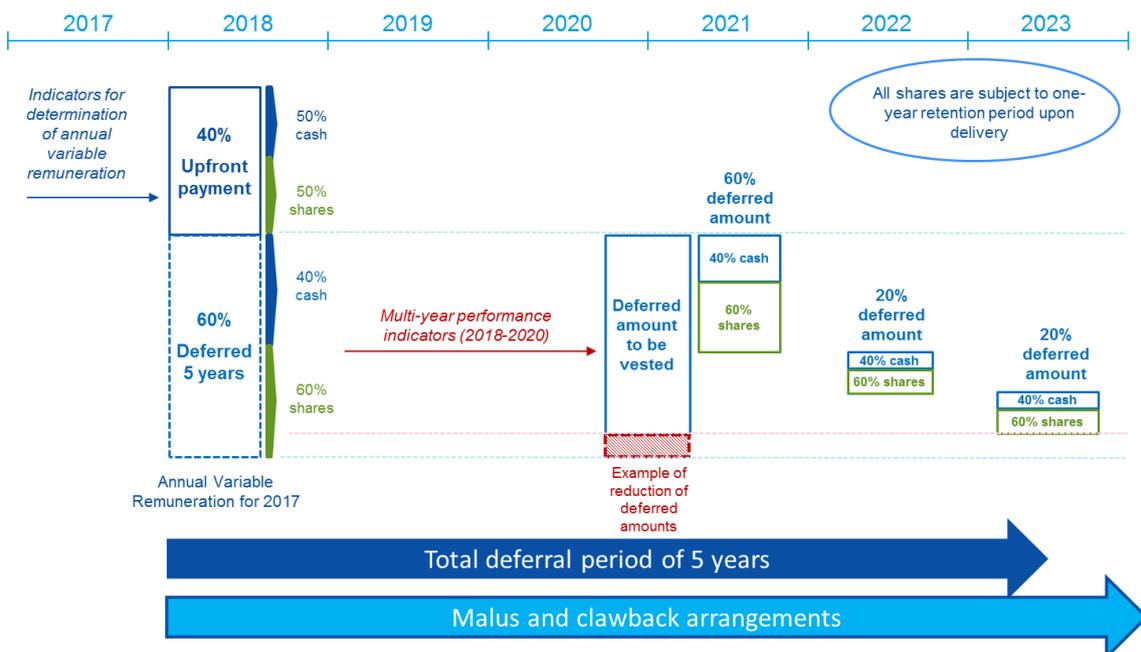
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- ✓ A **review of "malus" and "clawback" arrangements** to better align them with the criteria set forth in new regulations.
- ✓ The inclusion of the **commitment, for executive directors, to retain a number of shares equivalent to twice their annual fixed remuneration** for a period of, at least, 3 years from the time of their vesting. This shall not apply to the transfer of those shares required to honour the payment of taxes.
- ✓ The **transformation of the CEO's defined-benefit pension scheme** into a defined-contribution scheme, determining an annual fixed contribution.
- ✓ Consideration of a **15% of the annual contributions to pension schemes** as "**discretionary pension benefits**", in line with legal requirements.
- ✓ **Modification of the contractual conditions applicable to payments for termination** of contracts of the CEO and the Director of GERPA, replacing the current conditions with a **non-compete clause equivalent to twice the annual fixed remuneration**.

This new policy will be submitted to BBVA's next **Annual General Shareholder's Meeting**, under agenda item six, accompanied by the Remunerations Committee's Report and including the request to the General Meeting of an authorisation to deliver an overall maximum total of 3 million BBVA shares to executive directors to allow for the implementation of the Policy.

Should the new Policy be approved, it will be applicable to the remuneration accrued as of the financial year 2017, with the exception of *malus* and *clawback* arrangements, which will already be applicable from the year 2016, inclusive.

The new remuneration Policy for Directors entails a new scheme for the settlement and payment of variable remuneration of BBVA executive directors, as described in the following **graphic example**, which takes the year 2017 as reference:



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This Policy likewise includes a **description of the remuneration system** applicable to both types of board members, executive and non-executive directors, detailing the different elements that compose each system.

For more information on the new Remuneration Policy for Directors for the years 2017, 2018 and 2019, the full text of the policy proposed, along with the Report issued by the Bank's Remunerations Committee, are available in the company's website (www.bbva.com).

Moreover, the final section of this document includes a comparative chart between the current Policy, applicable to the remuneration awarded in 2016, and the new Policy proposed for 2017, 2018 and 2019.

3.3. Application of the Remuneration Policy for BBVA Directors in 2016

The Remuneration Policy applicable to BBVA Directors in 2016 was approved by the Annual General Shareholders' Meeting held on 13 March 2015, for the years 2015, 2016 and 2017, by 95.41% of the votes (hereinafter, the "**Policy**" or the "**Remuneration Policy for BBVA Directors**").

A description of the remuneration system applicable to BBVA directors in 2016 in accordance with said Policy is provided hereunder, as well as a breakdown of the individual remuneration awarded to each board member in application of the Policy.

a) Remuneration system applicable to BBVA directors in 2016

Non-executive directors

The remuneration scheme for non-executive directors consists of a **fixed remuneration** which comprises the following elements:

- (i) An annual remuneration in cash for carrying out the role of director and, where applicable, as member of the different Committees;
- (ii) A deferred remuneration in shares, which shall be delivered, where applicable, on the date on which they cease to be directors for any grounds other than serious breach of their duties; and
- (iii) Remuneration in kind.

Concept	Allocation / Updating criteria	Form and time of payment	Maximum annual amount	Adjustments / Condition	Remuneration element
Annual remuneration for carrying out the role of director and, where applicable, as member of a Committee	Responsibility, dedication and incompatibilities inherent to the role The relative amount is set by the Board based on the specific nature duties attributed to each Committee and the dedication required, with greater weight allocated to the role of chairman of each Committee. Art. 33 bis of the Company Bylaws	Cash, monthly payment.	Aggregated annual limit of €6 million, approved by the 2012 AGM	N/A	Fixed
Deferred delivery of BBVA shares	Applicable to all non-executive directors Art. 33 bis of the Company Bylaws	Annual allocation of a number of the Bank's "theoretical shares" Vesting when they cease to be directors	20% of the total annual cash remuneration received in the previous year	Not vested if they cease to be directors due to serious breach of duties	Fixed
Remuneration in kind (e.g. health and accident insurance policies)	Applicable to all directors Article 14 of the Board of Directors Regulations	The Bank pays the relevant premiums, which are attributed to the directors as remuneration in kind	N/A	N/A	Fixed

Executive directors

Concept	Allocation / Update criteria	Form and time of payment	Maximum amount / Contribution	Adjustments / Condition	Remuneration element
Annual Fixed Remuneration	Professional experience, level of responsibility of functions and dedication required	Cash, monthly payment.	Group Executive Chairman: €1,966 thousand	N/A	Fixed
	Competitive within the market		CEO: €1,923 thousand		
			Director of GERPA: €800 thousand		
Remuneration in kind and other social benefits or allowances	Under the framework of article 50 bis of the Company Bylaws and in line with those applicable to senior management	Premiums or payments made by the Bank, as remuneration in kind and/or allowances in cash	N/A	N/A	Fixed
Pension scheme contributions	Contractually arranged for executive directors in accordance with article 50 bis of the Company Bylaws, in line with those applicable to senior management	The Bank makes the corresponding contributions to pension schemes and payments of premiums, as appropriate, to cover the contractually recognised contingencies	Group Executive Chairman: N/A CEO: Defined-benefit based on length of tenure, capped at 85% of the Pensionable Salary ³ . Director of GERPA: Defined-contribution of 20% of his Annual Fixed Remuneration	Conditions provided for in their contracts and, in general, provided that they cease to be directors for any reasons other than serious breach of their duties	Fixed²
Annual Variable Remuneration (AVR)	Result of annual (financial and non-financial) performance indicators according to the corresponding scales of achievement and the weights allocated Targets linked to the results of the Group, long-term value creation, performance of functions carried out	50% AVR in the year following accrual, in equal portions in cash and shares	100% of the fixed component / 200% upon approval by the General Meeting	<ul style="list-style-type: none"> Clawback arrangements Withholding of shares for a one-year period after delivery Hedging prohibition 	Variable
		50% deferred for three years, in equal portions in cash and shares			
Multi-year assessment (3 years)	Targets linked to the Group's fundamental risk metrics, profitability and TSR	Result of the deferred portion (50% AVR) to vest after multi-year assessment after the 3-year deferral period	50% AVR	<ul style="list-style-type: none"> Malus and clawback arrangements Withholding of shares for a one-year period after delivery Hedging prohibition 	Variable

² Notwithstanding Bank of Spain Circular 2/2016, on the supervision and solvency of credit institutions, under which 15% of the annual contributions to pension systems agreed from 2016 with executive directors and BBVA's Senior Management shall be based on variable components and be considered **discretionary pension benefits**, deemed as deferred variable remuneration

³ Calculated on the basis of the average gross annual remuneration received in the previous 24 months as fixed remuneration, plus the average figure of reference for the purposes of the pension corresponding to this same period (**Pensionable Salary**).

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b) Remuneration accrued by BBVA directors in 2016

Non-executive directors

Pursuant to the Policy, the General Meeting shall set the global annual amount that the Bank may grant to directors acting in such capacity. The Board of Directors is responsible for distributing said amount and may reduce it if it deems appropriate. To this end, the Bank's General Shareholders' Meeting held in 2012 resolved to set the aggregated annual amount payable by the Bank to directors acting in their capacity as such at six million euros (€6,000,000). This amount shall remain in force until the General Meeting resolves to change it.

Below is a detail of the **remuneration received by non-executive directors in 2016** in this regard, individually (in thousands of euros):

Remuneration of non-executive directors								
Non-executive directors	Board of Directors	Executive Committee	Audit & Compliance Committee	Risk Committee	Remunerations Committee	Appointments Committee	Technology & Cyber-Security Committee	Total
Tomás Alfaro Drake	129	-	71	-	11	102	25	338
José Miguel Andrés Torrecillas	129	-	179	107	-	31	-	445
José Antonio Fernández Rivero	129	125	-	53	32	10	-	350
Belén Garijo López	129	-	71	-	32	-	-	232
Sunir Kumar Kapoor (1)	107	-	-	-	-	-	25	132
Carlos Loring Martínez de Irujo	129	125	18	80	27	-	-	379
Lourdes Máiz Carro	129	-	71	-	-	31	-	231
José Maldonado Ramos	129	167	-	-	-	41	-	336
José Luis Palao García-Suelto	129	-	-	107	32	10	-	278
Juan Pi Llorens	129	-	54	27	91	-	25	325
Susana Rodríguez Vidarte	129	167	-	107	-	41	-	443
James Andrew Stott (1)	107	-	-	160	32	-	25	325
Total (2)								3,813

(1) Sunir Kumar Kapoor and James Andrew Stott were appointed directors upon resolution of the Annual General Shareholders' Meeting held on 11 March 2016.

(2) These amounts include the changes in the composition of the Committees during 2016.

In addition, Ramón Bustamante y de la Mora and Ignacio Ferrero Jordi, who ceased as directors on 11 March 2016, received a total amount of €70 thousand and €85 thousand, respectively, as members of the Board of Directors and the different Board Committees.

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Moreover, as indicated, the Policy establishes a **remuneration system in BBVA shares with deferred delivery** to non-executive directors, based on the annual allocation of a number of "theoretical shares" equivalent to 20% of their annual cash remuneration received in the previous year, according to the average closing prices of BBVA share during the 60 trading sessions prior to the dates of the respective Annual General Shareholders' Meeting approving the corresponding financial statements for each year.

The shares will be vested, where applicable, to each beneficiary on the date they cease in their position as directors for any reason other than serious breach of their duties.

The following **"theoretical shares" were allocated in 2016** to non-executive directors who benefited from the remuneration system with deferred delivery of shares:

Non-executive directors	Theoretical shares allocated in 2016	Accumulated theoretical shares as of 31 December 2016
Tomás Alfaro Drake	11,363	62,452
José Miguel Andrés Torrecillas	9,808	9,808
José Antonio Fernández Rivero	12,633	91,046
Belén Garijo López	6,597	19,463
Sunir Kumar Kapoor (1)	-	-
Carlos Loring Martínez de Irujo	10,127	74,970
Lourdes Máiz Carro	5,812	8,443
José Maldonado Ramos	11,669	57,233
José Luis Palao García-Suelto	11,070	51,385
Juan Pi Llorens	9,179	32,374
Susana Rodríguez Vidarte	14,605	78,606
James Andrew Stott (1)	-	-
Total (2)	102,863	485,780

(1) Sunir Kumar Kapoor and James Andrew Stott were appointed directors upon resolution of the Annual General Shareholders' Meeting held on 11 March 2016.

(2) Additionally, Ramón Bustamante y de la Mora and Ignacio Ferrero Jordi, who ceased as directors on 11 March 2016, were allocated 8,709 and 11,151 theoretical shares, respectively.

Finally, during 2016, €132 thousand was paid in **healthcare and accident insurance premiums** for non-executive directors.

Executive directors

2016 Fixed Remuneration

The Board of Directors resolved, at the beginning of the year, to maintain the Fixed Annual Remuneration of executive directors for 2016 in the same amounts of the previous year.

In application of the above, the individual **remuneration received by executive directors in 2016** is as follows:

Executive directors	Annual Fixed Remuneration (thousands of euros)
Group Executive Chairman	1,966
Chief Executive Officer	1,923
Director of GERPA	800

BBVA's executive directors have further received in 2016 the following amounts as **remuneration in kind** and other allowances established generally for the Bank's senior management, such as vehicle renting, insurance, ADSL and other social benefits:

Executive directors	Remuneration in kind and other (thousands of euros)
Group Executive Chairman	17
Chief Executive Officer	139
Director of GERPA	84

The **contributions to the pension schemes** of the CEO and the Director of GERPA in 2016 are detailed in section "Basic contractual conditions of executive directors" below.

2016 Variable Remuneration

The annual variable remuneration of executive directors corresponding to each year is based on one incentive which reflects their performance measured through the level of achievement of objectives that are in line with the risk incurred (the "**Annual Variable Remuneration**").

The Annual Variable Remuneration **for 2016** was calculated based on the **Annual Performance Indicators** and their weights that were established at the beginning of the year by the Board of Directors, at the proposal of the Remunerations Committee. These indicators are the same for all three executive directors except for the strategic indicators, which are not part of the incentive of the Group Executive Chairman.

Annual Performance Indicators for executive directors in 2016

Indicator	Weight		
	Group Executive Chairman	Chief Executive Officer	Director of GERPA
Net Attributable Profit excluding corporate transactions	20%	15%	10%
Risk-adjusted Return on Economic Capital (RAROEC)	20%	15%	10%
Return on Regulatory Capital (RORC)	30%	20%	20%
Efficiency ratio	15%	15%	10%
Operating Income	5%	5%	-
Customer Satisfaction Index (IreNe)	10%	10%	10%
Strategic Indicators	-	20%	40%

The amount of the Annual Variable Remuneration corresponding to the year 2016 was obtained according to the level of achievement of the aforementioned indicators and to the weight allocated to each indicator, and based on the scales of achievement approved for each indicator by the Board of Directors, at the proposal of the Remunerations Committee. These scales take into account budget compliance and the year-on-year variation of the results of each indicator with respect to those obtained in the previous year.

Explanation of the link between 2016 Annual Variable Remuneration and results

In 2016, Net Attributable Profit excluding corporate transactions was affected by the relative impact of "floor clauses" (€404 million) and fluctuations in exchange rates. Both factors have influenced year-on-year comparisons, with Net Attributable Profit down 7.4% from 2015 (+3.6% in constant euros). Excluding the impact of floor clauses, the year-on-year variation would have had a positive increase of 3% (+15.6% in constant euros).

The negative impact of floor clauses and exchange rates on earnings also had a negative effect on capital ratios (RORC and RAROEC) despite the good performance of capital levels.

Thus, risk-weighted assets declined as a result of capital management measures in 2016.

Likewise, the consumption of economic capital has been reduced, offsetting the negative effect of earnings on the RAROEC indicator.

Meanwhile, the Efficiency Ratio improved compared to 2015, supported by the cost-control effort and the restructuring processes.

Finally, Operating Income has been affected by the negative performance of the exchange rate and the lower fees and commissions associated with market activity.

Accordingly, the results of the aforementioned indicators, combined with the targets established at the beginning of the year, have determined the following Annual Variable Remuneration for executive directors:

Indicators	Result 2016	Fulfilment		% over maximum remuneration associated with this indicator
		Goal		
Net Attributable Profit excluding corporate transactions	3,475 thousand euros	●		73.11%
Risk-adjusted Return on Economic Capital (RAROEC)	10.86%	●		84.01%
Return on Regulatory Capital (RORC)	6.45%	●		75.21%
Efficiency ratio	51.89%		●	122.08%
Operating Income	11,862 thousand euros	●		92.06%
Customer Satisfaction Index (IreNe)	77.39	●		77.39%

Based on the results obtained by each indicator and in accordance with the scales of achievement, the breakdown of the Annual Variable Remuneration of executive director for 2016 is as follows:

Result of 2016 Annual Variable Remuneration for executive directors

Executive directors	Annual Variable Remuneration in 2016		% compared to 2015 AVR
	Cash (thousands of euros)	Shares	
Group Executive Chairman	1,469	228,408	-18.2%
Chief Executive Officer	1,182	183,830	11.5% (*)
Director of GERPA	177	27,536	-9.9%

As a result of the application of the scales defined to the results obtained in 2016, the Annual Variable Remuneration for 2016 of the **Group Executive Chairman** and of the **Director of GERPA** have resulted in a negative evolution with respect to 2015, -18.2% and -9.9%, respectively.

(*) For the **Chief Executive Officer**, the variation of his Annual Variable Remuneration was +11.5%. However, his appointment took place in May 2015, thus the Annual Variable Remuneration for 2015 does not correspond, in its full amount, to the position of Chief Executive Officer. In uniform terms, under the hypothesis that he had held the position of Chief Executive Officer for the full financial year 2015, his Annual Variable Remuneration for 2016 would have also decreased by 12.9% compared with the previous year.

This remuneration, in accordance with the applicable settlement and payment system, must be paid **in equal portions in cash and BBVA shares**⁴, with **50%** of the amount **deferred for a period of 3 years** and subject to the Multi-year Performance Indicators approved in 2016 by the Board of Directors, in accordance with the following breakdown:

Director	50% Annual Variable Remuneration (to be received in 2017)		Maximum amount of Annual Variable Remuneration (to vest in 2020)	
	Cash (thousands of €)	Shares	Cash (thousands of €)	Shares
Group Executive Chairman	734	114,204	734	114,204
Chief Executive Officer	591	91,915	591	91,915
Director of GERPA	89	13,768	89	13,768

100% of the Annual Variable Remuneration for 2016 will be subject to the **malus** and **clawback** arrangements established in the Remuneration Policy for BBVA Directors for the years 2017, 2018 and 2019, if approved by the General Shareholders' Meeting, in accordance with the terms established therein.

Deferred 2016 Annual Variable Remuneration

50% of the Annual Variable Remuneration for 2016 of executive directors, in both cash and shares, shall be deferred for a period of 3 years, with accrual and payment subject to the following **Multi-year Performance Indicators**, which may reduce the Annual Variable Remuneration initially deferred even in its entirety, but in no case they shall increase it.

The Multi-year Performance Indicators, approved by the Board of Directors at the proposal of the Remunerations Committee, for the 3-year period beginning 1 January 2017 and ending 31 December 2019 are the following:

Indicator	Weight
Economic adequacy (Economic capital/ERC)	20%
CET 1 Fully Loaded (CET 1: Core Tier 1 capital ratio)	20%
LTSCD (Loan-to-stable customer deposits)	20%
ROE	20%
(Operating Income/Average Total Assets) - (Cost of Risk / Average Total Assets)	10%
TSR	10%

The result of these indicators, **measured over the 3-year deferral period**, in accordance with the weight allocated to each indicator and their scales of achievement, shall

⁴ The share price taken as a reference for the calculation of the Annual Variable Remuneration for 2016, in accordance with the Policy, has been €6.43.

determine the final amount of the deferred portion of Annual Variable Remuneration, which shall be payable in the first quarter of 2020.

In particular, regarding the **TSR (“Total Shareholder Return”) indicator**, the evolution of total return for the Bank's shareholder will be compared with the evolution of that same indicator during the same period for the following **peer group**:

TSR Peer group for 2016 Annual Variable Remuneration	
Banco Santander	Spain
BNP Paribas	France
Société Générale	France
Barclays	United Kingdom
HSBC	United Kingdom
Lloyds	United Kingdom
Deutsche Bank	Germany
Commerzbank	Germany
Unicredito Italiano	Italy
Intesa SanPaolo	Italy
Bank of America	USA
Citigroup	USA
Wells Fargo	USA
Scotiabank	Canada
ING Group	Netherlands

In any case, the Annual Variable Remuneration for 2016 will vest provided that none of the circumstances established in the Policy arise that limit, reduce or prevent its payment (**malus and clawback arrangements**). Shares vested will be subject to the **retention criteria** contained in the Policy and the hedging prohibitions, and the deferred portion will be subject to the corresponding **updating criteria**, all in accordance with the settlement and payment system of Annual Variable Remuneration applicable to BBVA's executive directors.

Basic contractual conditions of executive directors

The contractual conditions **applicable during 2016** to pension commitments with the **Chief Executive Officer** to cover retirement, disability and death, were as follows:

Contingency	Contractual conditions in 2016
Retirement	<p>Annual retirement benefit calculated on the basis of the average gross annual remuneration paid over the previous 24 months before retirement as fixed remuneration, plus the average figure of reference for the purposes of the pension corresponding to this same period ("Pensionable Salary").</p> <p>Amount depending on the effective length of tenure, capped at 85% on the Pensionable Salary.</p> <p>If the CEO had ceased to hold his position for any reason other than his own will, retirement, disability or serious breach of duty, he could have taken early retirement with a pension calculated on the basis of the provisions that, according to current actuarial criteria applicable at that moment, the Bank might have made to said date in fulfillment of the pension commitments for retirement, though in no case whatsoever would this commitment have bound the Bank to make additional provisions. Additionally, this pension could have not exceeded 75% on the pensionable salary should this had occurred before he is 55, and 85% should it had occurred after he had reached said age. This pension may have been paid through a lifelong annuity pension, or by payment of a lump sum.</p>
Death	<p>Annual widow's pension of 50% of the Pensionable Salary for retirement.</p> <p>Annual orphans' pension for children up to the age of 25; 20% of the Pensionable Salary for each child. In no event may the sum of the widow's and orphans' pension may have exceeded 100% of the Pensionable Salary of the CEO at the time of death.</p>
Disability	<p>Same amount as would correspond on reaching the age of retirement should the director become permanently or totally disabled while in performance of his professional duties.</p>

Similarly, the contractual conditions **applicable during 2016** to pension commitments assumed with the **Director of GERPA** to cover retirement, disability and death, were as follows:

Contingency	Contractual conditions in 2016
Retirement	Defined-contribution of 20% of Annual Fixed Remuneration.
Disability	Annual pension of 46% of the Annual Fixed Remuneration over the previous 12 months.
Death	Annual widow's pension of 50% of the Annual Fixed Remuneration of the previous 12 months and annual orphans' pension for children until they reach the age of 25 of 20% of the Annual Fixed Remuneration over the previous 12 months.

Pursuant to the referred conditions, the Bank has made the following provisions (thousands of euros) **in 2016** to cover the contingencies contractually recognised:

Director	Pension payments in 2016 (*) (**)	Accumulated funds as of 31/12/2016
Chief Executive Officer	3,178	16,051
Director of GERPA	310	609

(*) These provisions cover the benefit accrued over the financial year as well as those provisions required by accounting regulations in force, as stated in Note 54 of BBVA's Consolidated Annual Accounts for 2016.

(**) Contains a variable component (in accordance with "discretionary pension benefits" binding rules), which shall vest in the same way as the Annual Variable Remuneration corresponding to 2016, once the result of the corresponding Multi-year Performance Indicators are known, in all case subject to malus and clawback arrangements and other conditions applicable to the variable remuneration pursuant to the Policy in force at any given time.

Changes in the new Policy for 2017, 2018 and 2019

The Remuneration Policy for BBVA Directors that will be submitted to the General Meeting for approval establishes a **new benefits framework** for the Chief Executive Officer and for the Director of GERPA in order to adapt the frameworks in their current contracts to the new regulatory requirements and improve their alignment with best market practices.

- ✓ The "defined-benefit" scheme for the **CEO** has been changed into a **new "defined-contribution" scheme**.
- ✓ The **possibility for the CEO of receiving the retirement pension in advance has been eliminated**.
- ✓ Since 2016, 15% of the annual contributions to benefits systems agreed with the CEO and the Director of GERPA will be considered **"discretionary pension benefits"**.
- ✓ A **2-year non-compete clause** is established, entailing remuneration in an amount equivalent to **twice the Annual Fixed Remuneration**, provided the termination of directorship is not due to death, retirement, disability or serious breach of duties.

Policy for 2017-2019	Amendments to the contractual framework for the Chief Executive Officer
Retirement	Defined-contribution scheme: <ul style="list-style-type: none"> Entitlement to a retirement benefit, when he reaches the legal retirement age, which shall be the amount arising from the annual contributions made by the Bank and applicable yields at that date. Annual contribution: €1,642 thousand (subject to update to the same extent as the Annual Fixed Remuneration), determined on the basis of the benefit committed under the previous defined-benefit scheme and taking into consideration the provision made by the Bank to date to cover such commitment. Entitlement to receive the benefit ("vesting"), upon reaching the age of retirement provided he does not leave his position as CEO due to serious breach of duties. The amount of the benefit shall be the contributions made by the Bank to that date under such terms. Application of rules on discretionary pension benefits to 15% of the annual contribution.
Death	An annual widow's pension, as well as an orphan's pension for each child until they reach the age of 25, of an amount equivalent to 70% and 25% (40% in the event of total orphaning), respectively, of the Annual Fixed Remuneration.
Disability	Annual pension in an amount equivalent to the Annual Fixed Remuneration, which would revert to his spouse and children in the event of death in the percentages described above.
Post-contractual non-compete clause	Duration: 2 years Amount: Two (2) times Annual Fixed Remuneration

Policy for 2017-2019	Amendments to the contractual framework for the Director of GERPA
Retirement	<ul style="list-style-type: none"> Defined-contribution of 30% of Annual Fixed Remuneration. Application of rules on discretionary pension benefits to 15% of the annual contribution.
Post-contractual non-compete clause	Duration: 2 years Amount: Two (2) times Annual Fixed Remuneration

This English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish original will prevail.

Comparison between the current Policy (2016) and the new Policy (2017, 2018 and 2019)

	Current Policy	New Policy
Deferral	50% Annual Variable Remuneration	60% Annual Variable Remuneration
	3 years	5 years
Payment in shares	50% Annual Variable Remuneration, both upfront and deferred portions	<ul style="list-style-type: none"> – Upfront payment: 50% in shares and 50% in cash – Deferred portion: 60% in shares and 40% in cash
Retention of shares / Shareholding guidelines	1 year (net of taxes)	<ul style="list-style-type: none"> – 1-year withholding (net of taxes) – Retention of shares equivalent to 2 times Annual Fixed Remuneration for 3 years (net of taxes)
Hedging prohibitions	Over shares	Over shares and cash
Ex ante adjustments	Annual Performance Indicators	<ul style="list-style-type: none"> – Target levels of profit and capital – Annual Performance Indicators
Ex post adjustments	Multi-year Performance Indicators	Multi-year Performance Indicators
	Malus	Malus and Clawback
Pension scheme	Defined-benefit (CEO) Defined-contribution (Director of GERPA)	<ul style="list-style-type: none"> – Defined-contribution (both) – 15% contribution: discretionary pension benefits (both)
Payments for extinction of contractual relationship	Early retirement pension (CEO) Severance payment (Director of GERPA)	Post-contractual non-compete clause: 2 years, 2 times Annual Fixed Remuneration (both)



4. Activity of the Board Committees

2016

4.1 Report of the Audit and Compliance Committee

In accordance with article 48 of the Company Bylaws, the Board of Directors of BBVA, in order to better perform its duties, has created an Audit and Compliance Committee to assist the Board in overseeing financial information and the exercise of control duties.

In addition to the Company Bylaws and prevailing legislation, the Audit and Compliance Committee is regulated by articles 29, 30 and 31 of the Board Regulations. This Committee also has its own Regulations which, inter alia, regulate its operation and duties (both regulations are available on the Company's website (www.bbva.com)).

1. Composition

In accordance with the Board Regulations, the Audit and Compliance Committee is formed exclusively by independent directors.

At the end of 2016, the Audit and Compliance Committee was made up of the following directors:

Member	Position	Status
José Miguel Andrés Torrecillas	Chairman	Independent
Tomás Alfaro Drake	Member	Independent
Belén Garjo López	Member	Independent
Lourdes Máiz Carro	Member	Independent
Juan Pi Llorens	Member	Independent

* On 31 March 2016, the Board of Directors agreed to appoint Juan Pi Llorens as a new member of the Audit and Compliance Committee to replace Carlos Loring Martínez de Irujo.

2. Operation

As set out in the Board Regulations and in its own Regulations, the Audit and

Compliance Committee shall meet as often as necessary to perform its duties.

The meetings may also be attended by the executives to whom the Accounting and Supervisors, Internal Audit and Compliance Areas report, and at the proposal of such executives, by such other employees to those areas with knowledge of or responsibility for the matters on the agenda.

The Committee may engage external advisory services and call on the personal cooperation and reports of any employee or member of the Group's senior management when it considers that this is necessary for compliance with its functions in relevant issues.

3. Functions

The Committee's duties are detailed in article 30 of the Board Regulations, as well as in article 3 of the specific Regulations of the Audit and Compliance Committee. Its main duties are summarized as follows:

- Oversee the effectiveness of the Company's internal control, internal audit and risk management systems in the process of drawing up and reporting financial information, including fiscal risks.
- Oversee the drafting and presentation of the financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding its completeness.
- Submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the

external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as the conditions for its engagement, and periodically obtain from the external auditor information on the audit plan and its execution, in addition to preserving its independence in the discharge of its duties.

- Establish correct relations with the external auditor in order to receive information on any matters that may jeopardize its independence, for examination by the Committee, and any others relating to the process of accounts auditing, as well as those other communications provided for by law and in auditing standards.

- Issue each year, before the audit report is issued, a report expressing an opinion on whether the auditor's independence has been compromised.

- Oversee compliance with applicable domestic and international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to anti-trust regulations, and also to ensure that any requests for action or information made by official authorities competent in these matters are dealt with in due time and form.

- Ensure that the internal codes of ethics and conduct on the securities market trading, as they apply to Group personnel, comply with legislation and are suitable.

- Oversee compliance with the provisions applicable to directors contained in the BBVA Board Regulations, as well as their compliance with the applicable standards of conduct on the securities markets.

- Report, prior to the decisions that the Board of Directors may adopt, on all those matters provided for by law, in the Company Bylaws and in these Regulations, and in particular on: (a) the financial information that the Company must periodically publish; (b) the creation or acquisition of holdings in special-purpose entities or entities domiciled in countries or territories considered tax havens; and (c) related party transactions; and

- Inform the Annual General Meeting on the questions raised in relation to matters within the Committee's remit.

4. Activity of the Committee in 2016

The Committee carries out its duties with full autonomy, under the authority of its Chairman, who is responsible for convening the meetings, deciding on the matters included on the agenda and requesting the attendance of any employees or members of the Bank's senior management or third parties as necessary to better perform its duties. In any event, it relies on the full collaboration of the Bank's executive areas and the support of the Board of Directors, to which it reports its activities on a regular basis.

In 2016, the Audit and Compliance Committee held 12 meetings, with the attendance of all of its members, either in person or duly represented.

Likewise, the meetings were attended by the top executives of the areas responsible for the matters brought before it and by the managers of the external auditor.

The main activities carried out by the BBVA Audit and Compliance Committee in 2016 were as follows:

4.1 Financial-accounting information

The functions established in the Audit and Compliance Committee Regulations include analysing the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, sufficiently in detail to verify their accuracy, reliability, scope and clarity, prior to their submission to the Board. For this purpose, the Committee shall have all the necessary information with the level of detail it deems appropriate, and be provided with the necessary support by the Group's senior management, especially of the area responsible for the Accounting function, as well as the Company's and Group's statutory auditor.

In this regard, the Committee was made aware of and approved the accounting principles, policies and practices, as well as the valuation criteria followed by the Bank and the Group during the process of drafting and submitting the mandatory financial information, and verified that such principles, policies and practices coincided with those established by the competent regulators and supervisors and were applied correctly, also reviewing the proper delimitation of the scope of consolidation.

Similarly, it reviewed, in detail, the relevant information from a prudential point of view and the registration documents drafted by the Bank, prior to their submission to the relevant domestic and international regulators.

The Committee also monitored, on a monthly basis, the main figures on the

balance sheet and the income statement of the Bank and of its Group and analysed the additional information it considered appropriate to clarify any doubt arising during its reviews, prior to submitting the information to the Board of Directors.

Based on this, the Committee offered its opinion to the Board of Directors on the annual accounts of the Bank and of the Group for 2016 that their content and form comply with all the requirements established by the regulatory authorities and were drawn up following best domestic and international practices and recommendations on this matter and by current legislation.

Consequently, at the meeting held on 8 February 2017, the Audit and Compliance Committee proposed to the Bank's Board of Directors the authorisation for issue of BBVA's individual and consolidated annual accounts under the same terms as they are put to the vote at the Annual General Shareholders' Meeting, along with the report by the statutory auditor, Deloitte, S.L., in which it expressed a favorable and unqualified opinion.

Moreover, the Committee has ensured that, in accordance with best practices and as provided for in article 3 of its Regulations, the external auditor met with the Board of Directors to submit in person its report on the annual accounts and report on the work carried out and on the developments in the Company's accounting, financial and risk situation.

4.2 Internal control systems

The Committee was informed of the internal control systems established by BBVA Group, the internal audit work and the risk management systems in the drafting and presentation of mandatory

financial information, including fiscal risks.

Moreover, it supervised and was made aware of the different reports drafted both internally and by the Group's external auditor on the effectiveness of the internal control related to the Financial Information Systems.

The Committee considered favorably its conclusions in the sense that BBVA Group has in place a sound and proven internal control model for financial information, in accordance with the requirements established by the Sarbanes Oxley Act (SOX), given BBVA's status as a listed company before the US Securities Exchange Commission (SEC), which enable the Bank to guarantee that the financial information is drafted correctly, having implemented for this purpose the necessary procedures and controls.

4.3 Relations with the external auditor

Given that external audit is one of the fundamental elements in the chain of control mechanisms put in place for the purpose of ensuring the quality and completeness of the financial information, the Audit and Compliance Committee established the appropriate relations in 2016 with the management of the external auditor, Deloitte, S.L., which offered direct information to the Committee on its activities at every meeting.

Thus, in connection with the audit work carried out and the function performed by the Committee in this process:

It was made aware of and expressed its agreement with the planning of the external audit, the scope of the tests, the work schedules proposed by the external

auditor, the work carried out and the results of its execution through the reports submitted to the Committee as well as the auditor's fee proposal for 2016.

It ensured the application of internal procedures to prevent situations that could give rise to conflicts with the independence and objectivity required from the external auditor, ensuring also that the external auditor had access to all the information needed to perform its work and received full collaboration from all the Group's units.

In addition, the Committee checked the statements made by the external auditor as regards its independence regarding its relationship with the entity or its related entities, issuing the corresponding report on the auditor's independence, as per the requirements set out by applicable regulations, which is attached to this report in accordance with best practices in good corporate governance.

The Committee followed the progress of the work being performed and was in permanent contact with the managers of the statutory auditor to so that the Bank could promptly respond to any potential problem arising in the course of its work.

The Committee was also made aware of the recommendations issued by the external auditor and the plans put in place by the Group's entities to implement them. It assessed the quality of the service provided by Deloitte, S.L., as external auditor of the Bank and of its Group.

4.4 Proposal for the selection of new statutory auditor

In the second quarter of 2016, the Committee initiated a process for the potential appointment of a new auditor

for the annual accounts of BBVA and its Group for the 2017-2019 period anticipating the need to change auditor as required by applicable regulations. The Committee, as the body responsible for this selection process, determined the phases and transparent and non-discriminatory selection criteria, in accordance with applicable regulations, through the tender document drafted by a Technical Selection Committee set up for this purpose. The service proposals submitted by the participating firms were addressed at several Committee meetings.

As a result of the selection process, the Committee submitted to the Board its recommendation and preference for the appointment of KPMG as new auditor of the annual accounts of the Bank and its Group for the 2017-2019 period, which was approved by the Board to be submitted for consideration at the next ordinary Annual General Meeting.

4.5 Internal Audit

As regards the duties performed by the Group's Internal Audit Area, which are reported directly to the Audit and Compliance Committee at each meeting, it analyzed and approved the working plan for 2016 prepared by this Area, monitored its execution on a regular basis and was informed directly of the incidents arising during its execution.

Within the framework for the supervision of the effectiveness of the Internal Audit Unit, it was made aware of the reports issued by the Group's Internal Audit at the end of its work and concluded that none of them revealed situations that could entail significant weaknesses in its Financial Information System.

In addition, it was made aware of the recommendations issued by Internal

Audit as a result of its review work, and of the specific action plans defined and implemented for their resolution, monitoring on a regular basis those that were more significant for the entity.

Finally, the Committee paid special attention to compliance with the requirements that, in the internal audit area, had been notified by the European Central Bank following its 2015 SREP review.

4.6 Regulators

The Committee was made aware of the communications sent to the Group's entities by the European Central Bank, the Bank of Spain and the Spanish Securities and Exchange Authority, by the U.S. Federal Reserve and Securities and Exchange Commission and by other national and international regulators, and monitored the matters that gave rise to such communications and, where applicable, was made aware of the replies given, the specific action plans to implement the requests received and their implementation in the financial information.

Likewise, it was made aware of the review of the consolidated annual accounts of BBVA Group for 2015, which were analyzed by different regulatory bodies and in all cases concluded satisfactorily, and was duly informed of the Bank's response to their requests and recommendations.

During the year, the Committee paid special attention to the notifications related to the supervision program notified by the SSM for 2016, risk management, project finance, the Supervisory Review and Evaluation Process (SREP), as well as the stress scenarios carried out by the European Banking Authority in the exercise.

4.7 Regulatory Compliance

The Audit and Compliance Committee carries out a substantial and ongoing supervision of all those matters related to regulatory compliance by the Bank and the entities making up BBVA Group, given its special significance for the provision of the Group's services across its global footprint.

For that purpose, the Committee was informed about and approved the 2016 annual plan drawn up by the Group's Compliance Area, which had been approved and included the development of the new "Compliance Integrated Management Approach" (CIMA) model.

It was also informed of the reviews and examinations conducted by the Compliance Area and the degree of progress of the implementation of the measures and plans underway in 2016.

Finally, among the highlights in this function during the year, was the fact that there were no relevant events in any of the Group's banks in this area, despite the particularly difficult environment in which they were operating. Also noteworthy was the major effort being made by the Compliance Area to cooperate with the business areas in the improvement of the documentation processes for the commercial activity.

4.8 Fiscal policy and strategy and legal risk

In accordance with the provisions of the Corporate Enterprises Act, the Committee analysed the corporate principles on tax matters and the fiscal strategy of BBVA, which was prepared following the best practices and recommendations of the OECD in this area, prior to their consideration and approval by the Board of Directors. Noteworthy was the development of the

Fiscal Control Framework as the area's strategic element for 2016.

Moreover, the Committee monitored the application of such fiscal policy and strategy, as well as the management of legal risk, analyzing those relevant matters related to the legal and fiscal risks applicable to the Group.

4.9 Related-party transactions

The functions of the Audit and Compliance Committee also include the duty to report, prior to the decisions to be adopted by the Board of Directors, on the related-party transactions that BBVA or the companies in its Group conduct with directors or shareholders with a significant ownership interest.

In 2016, in the performance of the aforementioned supervisory role, the Audit and Compliance Committee was not aware of any related-party transactions which, belonging to the Company's ordinary course of business, had not been conducted under normal market conditions and were of little relevance for the Company and its Group.

All the above issues, along with other matters within its remit, were included in the Committee's activities report for 2016 which, as set out in the Board Regulations, was submitted to the Board of Directors by the Audit and Compliance Committee for the purpose of evaluating its operation.

The Board of Directors assessed the quality of the work carried out by the Committee as part of the functions that have been assigned to it, concluding that it had satisfactorily discharged the duties entrusted to it, with a favourable assessment of the quality and efficiency of its operation.

Appendix

REPORT BY THE AUDIT AND COMPLIANCE COMMITTEE OF BANCO BILBAO VIZCAYA ARGENTARIA S.A. ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR

As set out in section 529 quaterdecies 4 f) of Royal Legislative Decree 1/2010, dated July 2, which approves the consolidated text of the Corporate Enterprises Act ("**Corporate Enterprises Act**"), the Audit and Compliance Committee of Banco Bilbao Vizcaya Argentaria S.A. ("**BBVA**" or the "**Bank**"), prior to the issuing of audit report on the annual accounts for 2016, issues this report on the independence of the auditor of BBVA and of its Group, Deloitte, S.L. ("**Deloitte**" or the "**Auditor**").

In accordance with the functions set out in article 30 of the Board Regulations and in article 3 of the Regulations of the Audit and Compliance Committee, and for the purpose of checking the accuracy, reliability, scope and clarity of the financial statements of the Bank and of its consolidated Group, the Audit and Compliance Committee constantly monitors the process of preparation of the financial statements, with the support of the Bank's senior management and, in particular, of the area in charge of the Accounting function, as well as of the Auditor of the Bank and of its Group.

In addition, the Committee has ensured the independence of the auditor in a twofold sense: avoiding any interference with the alerts, opinions and recommendations of the auditors; and establishing the incompatibility between the provision of audit and consultancy services, unless works are required by

the supervisors or which provision of services are allowed by the applicable regulation and that no alternatives exist on the market to the auditors or companies in the auditors' group of equal value in terms of their content, quality or efficiency. In such an event, the Committee must give its approval, which can be done in advance by delegation of its Chairman.

For such purposes, the Audit and Compliance Committee has established appropriate relations with the auditor in order to receive information on any matters that may jeopardize its independence, as well as those related to the conducting of the audit work.

Thus the Committee maintains direct contact with the external auditor, and the latter attends all meetings of the Audit and Compliance Committee throughout the year, which are not attended by the Bank's Senior Management.

In relation to the provisions of the aforementioned section 529 quaterdecies.4 f) of the Corporate Enterprises Act, BBVA's Audit and Compliance Committee received on 8 February 2017 a written statement by Deloitte, as the auditor of BBVA and of its Group, which is attached herewith as Annex, prior to the issuing of the audit report, confirming its independence with regard to BBVA and the entities linked directly or indirectly to the Bank (BBVA Group), in accordance with the requirements set out in Royal Legislative Decree 1/2011, dated July 1, which approves the consolidated text of the Audit Act, in view of which and not having any additional information that calls into question the content of said statement, the Audit and Compliance Committee understands that there are no objective reasons that may call into

question the confirmation of independence made by Deloitte.

Moreover, in relation to the additional services provided by statutory auditor in the course of 2016, the Committee declares that these are the services described in Appendix I to the statement of independence by the auditors on 8 February 2017, in the amount and with the breakdown stipulated therein, and that Deloitte has not provided any additional services for the BBVA Group other than those set out in the aforementioned Appendix I, as verified in the report drawn up by the Group's Internal Audit Division and sent to this Committee.

In accordance with the foregoing, and pursuant to article 30 of the Board Regulations, the Committee states its favorable opinion on the independence of the auditor, having considered in this regard that the additional services provided by the auditors in 2016, considered individually and as a whole, as it is derived from the analysis performed by both the auditor and the Bank's internal auditor, are in line with the independence rules established by applicable audit legislation.

4.2 Report of the Risk Committee

In accordance with article 48 of the Company Bylaws, the Board of Directors of BBVA, in order to better perform its duties, created a Risk Committee, with no executive functions, to assist it in the oversight of risks.

In addition to the provisions set out in the Company Bylaws and current legislation, the Risk Committee is regulated by articles 38, 39 and 40 of the Board of Directors Regulations, as well as the Risk Committee Regulations, which regulate, inter alia, its objective and functions (both documents are available on the Company's website www.bbva.com).

1. Composition

In accordance with the Board Regulations, all Risk Committee members must be non-executive directors, of whom at least one-third must be independent directors. Its Chair must also be an independent director.

The composition of the Risk Committee at the end of 2016, after changes in its composition during the year, was as follows:

Member	Position	Status
James Andrew Stott	Chairman	Independent
José Miguel Andrés Torrecillas	Member	Independent
Carlos Loring Martínez de Irujo	Member	External
José Luis Palao García-Suelto	Member	Independent
Susana Rodríguez Vidarte	Member	External

2. Operation

In accordance with the Board of Directors Regulations and its specific

Regulations, the Risk Committee shall meet as often as necessary to fulfill its duties, although an annual schedule of meetings will be drawn up in accordance with its tasks.

The Committee may request the attendance at its meetings of the Group's Chief Risk Officer, as well as the executives to whom the various risk areas report or persons with tasks in the Group that are related to the Committee's duties. It may also obtain such advice as may be necessary to establish an informed opinion on matters related to its business.

3. Functions

The scope of the Risk Committee's functions is as follows:

- To analyse and assess the proposals on risk control and management strategy of the Group, as well as on the specific corporate policies for the control and management of each risk type, and submit them for approval to the Board of Directors and the Executive Committee, as appropriate.
- To monitor the performance of the Group's risks and their fit with the risk strategy established.
- To participate in the process of establishing the remuneration policy, checking that it is consistent with sound and effective risk management.
- To ensure that the Group is equipped with appropriate means, systems, structures and resources to manage its risks.
- To promote the establishment of a risk culture that ensures the consistency of

the model for risk control and management model within the Group and its application at all levels in the organization.

Notwithstanding the foregoing, the Committee's functions are detailed in article 39 of the Board of Directors Regulations, as well as in article 3 of the Regulations of the Risk Committee.

4. Activity of the Committee in 2016

The Committee carries out its duties with full autonomy, under the authority of its Chairman, who is responsible for setting the meeting schedule and, where appropriate, for convening meetings not previously included in such schedule of meetings; deciding on the items included on the agenda; and requesting the attendance of any Bank employees or senior managers, or third parties, as necessary to better perform its duties.

In any event, it relies on the full cooperation of the Bank's executive and support areas and the support of the Board of Directors, to which it reports its activities on a regular basis.

The Risk Committee also relies on the collaboration of the Technical Secretariat, which is integrated into the Risk area and oversees and coordinates the information made available to the Committee by the various areas of the Bank.

The Risk Committee held 38 meetings in 2016. All of its members attended virtually all the meetings held, either in person or duly represented.

In addition, all the meetings were attended by executives from the areas responsible for the issues addressed, as well as by the Group's Chief Risk Officer,

when requested by the Committee or the Chief Risk Officer himself.

The main activities carried out by the BBVA Risk Committee in 2016 were:

4.1 The Group's general risk management and control model

The Risk Committee participated actively in the update of the Group's general risk management and control model. It received information from the Risk Area and the Chief Risk Officer regarding its scope, and analysed in detail the model's components and alignment with the condition proposed in this respect. Following approval by the Committee, the resulting document was submitted to the Board of Directors, which gave its approval.

4.2 Proposals on risk strategy and control

The functions set out in the Risk Committee's Regulations include the analysis and assessment of the proposals on risk strategy, control and management, including the analysis of, inter alia, the risk appetite statement; the core metrics in relation to solvency, liquidity, funding and recurrence of revenue; the metrics for each type of risk and the basic structure of limits for each type of risk, before submitting them to the Board or the Executive Committee, as appropriate.

This has been done by the Risk Committee with the necessary scope and detail for verifying their accuracy and appropriateness. This process entailed use of all the information necessary, with the appropriate level of disaggregation, and the support of the Chief Risk Officer, senior management and the various areas of the Group participating in these processes, particularly the Risk area.

The Committee also analysed in detail the various proposals put forward by the Risk area for establishing the metrics and the basic structure of limits for each type of risk, for both 2016 and 2017, as the related process was recently amended. It also performed periodic monitoring of compliance with the metrics and limits established for 2016, with the necessary detail and frequency to ensure adequate control of the indicators. All this was prior to their monitoring by the Executive Committee.

4.3 Analysis of corporate policies

In the exercise of the functions expressly attributed to it by its specific Regulations, the Risk Committee conducted a detailed analysis of the corporate policies proposed by the Risk Area for their approval or amendment.

Indeed, in 2016, the Committee participated in the processes for amending the Corporate wholesale and retail credit risk policies. For appropriate analysis of the proposed amendments, the Committee had access to all the necessary information. After analysing the documents, the Risk Committee submitted them to the Executive Committee for its approval.

4.4 Regular monitoring of limits

In 2016, the Risk Committee carried out a comprehensive monitoring of credit risks, including impaired assets and possible concentrations, as well as the structural, market, operational and non-banking risks affecting the Group.

To do so, it received and analysed information from the Risk Area with the required frequency to be able to assess compliance with the limits set by the Executive Committee and the Group's risk profile.

For these purposes, the Committee was assisted by the Chief Risk Officer, the officers responsible for each type of risk at corporate level, and the risk officers of the Group's main entities, thereby gaining both global and individualized direct knowledge of the development of the Group's risks.

In cases where the approved limits were breached, the Committee received detailed information on the reasons, along with proposals on the action plans for their rectification. It subsequently submitted both the information on the limits breached and the action plans approved by the Risk Committee to the Executive Committee.

4.5 Regular monitoring of transactions examined by the Risk committees. Monitoring of sectors.

In 2016, the Risk Committee had access on a monthly basis to information on the main credit-risk transactions authorized by the committees of the Corporate Risk area, enabling it to monitor the Group's largest exposures, as well as the main risks classified as non-performing or on watch-list.

The Risk Committee also had access to the qualitative risk transactions authorised by the Risk area.

Throughout the year, the Risk Committee conducted an analysis of trends in the main business sectors, using information received on the situations of the Group's main customers operating in those sectors. This analysis enabled the Committee, together with the Risk area, to assess the advisability of establishing specific strategies for action for those sectors and/or customers in order to preserve the Group's credit quality and comply with its risk profile.

4.6 Internal capital and liquidity adequacy assessment process (ICAAP and ILAAP) reports

In 2016, the Risk Committee participated actively in drafting the ICAAP and ILAAP documents assessing the Group's capital and liquidity situation.

In this process, the Committee relied on the collaboration and assistance of the Risk area and other areas in the Group, such as the Finance Division or Management Information. This ensure that the documents provided a fair view of the Group's situation in the areas analyzed.

Following approval by the Risk Committee, the documents were submitted to the Board of Directors for its approval, then to the Bank of Spain.

4.7 Credit risk transactions in favor of members of the Board of Directors and senior management

The functions attributed to the Risk Committee also include the analysis, prior to the decision adopted by the Board of Directors, of the credit risk proposals that, given the nature of the applicants (for their membership of the Board of Directors of BBVA or its senior management), are to be approved by the Bank and require the regulator's authorization in accordance with applicable legal regulations.

4.8 Recovery plan

In 2016, the Risk Committee participated, for the first time, in the review of the text of the Group's Recovery Plan to assess the issues therein related most to risk management.

The objective of the Recovery Plan is to illustrate the Group's ability to restore its viability in different scenarios. To do so, an agile escalation process in decision-making is in place, along with various combinations of options, all based on the defined risk policies.

After its review by the Committee, with the cooperation of the Risk and Finance areas, the document was submitted to the Board of Directors.

4.9 Additional control functions

Among the functions of the Risk Committee stated expressly in its Regulations is to oversee that the pricing policy for the assets and liabilities offered to customers takes fully into account the Bank's business model and risk strategy. The Committee verified this in 2016 in collaboration with the Risk area.

Also during the year, the Risk Committee analysed the system for valuing the Group's assets, classifying and estimating the Company's risks, and the use of external credit ratings. This was carried out from a number of perspectives during the year in order to monitor that various types of risk.

4.10 Other matters

In 2016, the Committee supervised projects launched by the Risk area for implementation in the Group.

It had detailed knowledge of progress in the rollout of the Risk Data Aggregation (RDA) process established by the regulator to ensure effective aggregation of data and presentation of reports related to the risks of the institutions. It was assisted in this respect by the Group's Risk areas to verify that the project complied with the regulatory requirements.

Also in 2016, the Committee continued to verify the effectiveness of the various actions designed by the Risk area to strengthen the risk culture among employees of the Group, so it can perform its functions in a secure environment, and mitigate the risks to which its entities are exposed.

The Committee also received regular information on the analysis of risk scenarios, which enabled it to assess the impact on the Group and its entities in the event of the occurrence of the situations envisaged. These scenarios are prepared and updated regularly by the Risk area with the collaboration of the BBVA Economic Research Department. Through this analysis, the Group can anticipate these events and mitigate their effects if they materialize.

The Committee also received timely information on relevant matters arising during the year, such as “Brexit” or oil price trends, either at its own request or on the initiative of the Risk area.

Finally, the Committee monitored, on a regular basis, the activity of the Group's Internal Risk Control unit, which is tasked with ensuring that the Corporate Risk area and the Group's various risk areas comply with the established risk management rules and procedures.

All the above issues, along with other matters within its remit, were included in the Committee's activities report for 2016 which, as set out in the Board Regulations, was submitted to the Board of Directors by the Risk Committee for the purpose of evaluating its operation.

The Board of Directors assessed the quality of the work carried out by the Committee as part of the functions that have been assigned to it, concluding that it had satisfactorily discharged the duties entrusted to it, with a favourable assessment of the quality and efficiency of its operation.

4.3 Report of the Remunerations Committee

Among the Committees created by BBVA's Board of Directors for a better performance of its functions, the Remunerations Committee has been set up as the body that assists the Board in matters related to compensation.

In addition to the provisions established by law, the functions, operation rules and composition of this Committee are set out in articles 35, 36 and 37 of the Regulations of the Board of Directors, accessible on the Bank's website (www.bbva.com).

1. Composition

The Remunerations Committee is composed of five members, appointed by the Board of Directors. All members are non-executive directors, and the majority, including the Chairman, are independent.

In 2016, the Board of Directors have approved changes in the composition of the Committee, and, at the end of 2016, it was composed of the following directors:

Member	Position	Status
Juan Pi Llorens	Chairman	Independent
José Antonio Fernández Rivero	Member	External
Belén Garijo López	Member	Independent
José Luis Palao García-Suelto	Member	Independent
James Andrew Stott	Member	Independent

2. Operation

As set out in the Board Regulations, the Remunerations Committee shall meet as often as necessary to perform its duties. In 2016, the Committee met on six

occasions, with the attendance of all of its members to all meetings.

The Committee carries out its functions with full autonomy, under the authority of its Chairman, who is responsible for convening the meetings, deciding on the matters included on the agenda and requesting the attendance of any Bank employees or third parties as necessary to better perform its duties. In this regard, it is assisted by the Bank's internal services and receives the support of the Board of Directors, to which it reports on a regular basis.

In addition, the Committee may have the advice of external experts that may be required to form an opinion on matters within its remit and may request attendance at the meetings of persons that have related duties within the Group. In particular, in 2016, independent experts such as Towers Watson, McLagan and Garrigues Human Capital Services have provided advice, and the senior managers of the areas responsible for the matters submitted for its consideration have attended all meetings held.

3. Functions

The Remunerations Committee will perform the following functions, in accordance with article 36 of the Board Regulations:

- To propose to the Board of Directors, for submission to the General Meeting, the directors' remuneration policy, with respect to its items, amounts and parameters, for its determination and implementation. Also, to submit the corresponding report, in the terms

established by applicable law at any time.

- To determine the extent and amount of the individual remunerations, entitlements and other economic compensations and other contractual conditions for the executive directors, so that these can be reflected in their contracts. The Committee's proposals on such matters will be submitted to the Board of Directors.

- To propose to the Board of Directors the annual report on the remunerations of the Bank directors each year, which will then be submitted to the Annual General Meeting, in compliance with the applicable legislation.

- To propose to the Board of Directors the remuneration policy for senior managers and employees whose professional activities have a significant impact on the Company's risk profile.

- To propose to the Board of Directors the basic conditions of the senior management contracts and directly supervise the remuneration of the senior managers in charge of risk management and compliance functions within the Company.

- To oversee compliance with the remuneration policy established by the Company and periodically review the remuneration policy applied to directors, senior management and employees whose professional activities have a significant impact on the Company's risk profile.

- To verify the information on directors and senior managers' remunerations contained in the different corporate documents, including the annual report on director's remuneration.

- Any other duties that may have been allocated under the Board Regulations or attributed to the Committee by a Board of Directors' resolution or by applicable legislation.

4. Activity of the Committee in 2016

The main task of the Remunerations Committee is to assist the Board in matters related to the remuneration policy for directors, for senior managers and for those employees whose professional activities may have a significant impact on the Company's risk profile (the "**Identified Staff**").

In this regard, the activity of the Remunerations Committee has focused on the performance of the functions assigned by the Board Regulations and within the framework of the remuneration policy for BBVA directors, as approved by the General Shareholders' Meeting held on 13 March 2015 (the "**Remuneration Policy for BBVA Directors**"), and the remuneration policy applicable to the Identified Staff, as approved by the Board in this same year (the "**Remuneration Policy for the Identified Staff**").

The main activities carried out by BBVA's Remunerations Committee in 2016 are described below:

4.1 Remuneration for non-executive directors

Within the framework of the remuneration system set out in the Bylaws, the Committee has proposed to the Board of Directors, for its subsequent submission to the General Shareholders' Meeting held on 11 March 2016, to extend, for an additional five-year period, the remuneration system with deferred

delivery of shares to non-executive directors, which was approved by the Board in 2006 and extended in 2011. The resolution to extend said system was approved by the General Shareholders' Meeting by a majority of 97.44% of votes.

In addition, following the creation of the Technology and Cybersecurity Committee by the Board at its meeting held on 31 March 2016, the Remunerations Committee has determined, for its proposal to the Board, the remuneration corresponding to the members of this new Committee, taking into consideration the amounts already established for the members of other Board Committees with a similar level of dedication.

4.2 Remuneration for executive directors

The Commission has analysed various issues related to the remuneration of executive directors. On the one hand, it has proposed to the Board of Directors the updates in the annual variable remuneration corresponding to the year 2015, as well as the determination of deferred amounts from previous years, to be paid in 2016, all in view of the degree of achievement of the indicators established by the Board in 2015 and the application of the corresponding scales and weights approved, as well as the criteria applicable for the updating of the deferred amounts of the annual variable remuneration from previous years.

In addition, in application of the Remuneration Policy for BBVA Directors, the Committee has submitted to the Board of Directors, for approval, the scales for the achievement of the multi-year indicators of the annual variable

remuneration corresponding to the year 2015, including the determination of the peer group and the scale for the TSR (Total Shareholder Return) indicator, conditions that shall be applied to all the Identified Staff.

On the other hand, the Committee has determined the fixed and variable remuneration of reference for the executive directors corresponding to 2016, proposing to the Board of Directors the maintenance, in 2016, of the amounts approved in 2015.

Additionally, on the basis of the reports prepared by the relevant areas of the Bank, the Commission has submitted to the Board of Directors proposals on the annual performance indicators for the calculation of the variable remuneration corresponding to 2016, as well as their weights, targets and scales of achievement, together with the multi-year performance indicators and the set of annual rules that form part of the settlement and payment system of the variable remuneration for risk takers, such as the retention period of the shares received as variable remuneration or the updating criteria for deferred variable remuneration.

4.3 Remuneration for the Senior Management

The Remunerations Committee has submitted to the Board of Directors the necessary proposals for the settlement of the variable remuneration corresponding to 2015 for each of the members of the Senior Management. Likewise, it has determined the basic contractual conditions of this group, individualising itemising the amounts corresponding to, among others, its fixed remuneration, variables of reference (or "target bonus", by its new name), contributions to

pension systems and other benefits, submitting the corresponding proposals to the Board.

Similarly, on the occasion of organisational changes within the Group, which have led to new incorporations or changes of function, the Committee has carried out an individual review of the remuneration conditions applicable to some Senior Management members, based on the information and internal and external comparisons provided by the area of Talent and Culture, which in turn was assisted by the advice of independent experts.

4.4 Remuneration for the Identified Staff

Within the framework of the Remuneration Policy for the Identified Staff, the Committee has determined, for its proposal to the Board, the application of the settlement and payment system of the annual variable remuneration corresponding to 2016, establishing aspects such as the retention period of the shares (in line with the conditions proposed for executive directors) and the updating criteria for the deferred variable remuneration.

The Committee has been informed by the area of Talent and Culture of the number of persons comprising the Identified Staff in BBVA Group, in accordance with the criteria set out in applicable regulations and the additional criteria established internally for the identification of the functions comprising such staff.

4.5 Proposal on the Annual Report on the Remuneration of Directors

In compliance with its functions, the Remunerations Committee has analysed the Annual Report on the Remuneration

of Directors for 2015 and verified the remuneration information contained therein.

This Report was subsequently submitted to the Board of Directors for approval and to the General Shareholders' Meeting held on 11 March 2016 for advisory vote, as provided for in applicable legislation, being approved by a majority of 95.04% of votes.

4.6 Verification of the information on remuneration contained in corporate documents

The Committee has verified the information on remuneration for directors and senior managers contained in the Annual Report on the Remuneration of Directors in the corresponding Notes of the Annual Report and the Half-Yearly Financial Report and in the Report with Prudential Relevance.

4.7 Compliance with, and regular review on, the remuneration policy of the Company

The Committee has reviewed in 2016 the application of the Remuneration Policy for the Identified Staff in 2015, including the identification process of such staff, with the collaboration of the Bank's Internal Audit area.

Also, as part of its functions related to ensuring compliance with the remuneration policy established by the Company and its periodic review, the Committee has analysed the regulatory changes that were approved in 2016 regarding remuneration, in order to assess its possible impact on the Remuneration Policy for BBVA Directors and on the Remuneration Policy for the Identified Staff in force. To this end, the Committee has received the necessary

information from the technical areas of the Bank and from consultants specialist in the field.

As a result of these analyses, the Committee has deemed it convenient to submit to the Board of Directors the approval of: (i) a new Remuneration Policy for the Identified Staff; and (ii) a new Remuneration Policy for BBVA Directors for 2017, 2018 and 2019. In particular, the full proposal on the new Remuneration Policy for BBVA Directors has been made available for shareholders and submitted for approval at the Annual General Shareholders' Meeting, under agenda item Six, along with the report issued by the Remunerations Committee justifying the proposal, pursuant to article 529 novodecies of the Corporate Enterprises Act.

All of the matters discussed above, along with other matters within its competence, were included in the corresponding Report on the Activity of the Remunerations Committee for the year 2016, which, pursuant to the Regulations of the Board of Directors, the Committee submitted to the Board for the purpose of assessing its operation.

The Board of Directors assessed the quality of the work carried out by the Remunerations Committee as part of the functions that have been assigned to it, concluding that it had satisfactorily performed the functions entrusted, with a favourable assessment of the quality and efficiency of its operation.

4.4 Report of the Appointments Committee

Among the Committees set up by the Board of Directors of BBVA to better perform its duties, the Appointments Committee assists the Board on the issues attributed to it under the Board Regulations.

Its regulation, in addition to that set out by current legislation, is established in articles 32, 33 and 34 of the Board Regulations which establish the rules on its composition, duties, organisation and operation (available on the Company's website www.bbva.com).

1. Composition

In accordance with the Board Regulations, the Appointments Committee shall comprise a minimum of three members appointed by the Board of Directors. All members must be non-executive directors, and the majority, including the Chairman, must be independent.

At the end of 2016, the Appointments Committee comprised the following directors:

Member	Position	Status
Tomás Alfaró Drake	Chairman	Independent
José Miguel Andrés Torrecillas	Member	Independent
Lourdes Máiz Carro	Member	Independent
José Maldonado Ramos	Member	External
Susana Rodríguez Vidarte	Member	External

2. Operation

As set out in the Board Regulations, the Appointments Committee shall meet as often as necessary to perform its duties.

The Committee may request the attendance at its meetings of persons with tasks in the Group that are related to the Appointment Committee's duties. It may also obtain external advice as necessary to form a judgment about the matters within its remit.

3. Functions

The main task of the Appointments Committee is to assist the Board of Directors in matters relating to the selection and appointment of Board members, additionally to the functions detailed in article 33 of the Board Regulations.

4. Activity of the Committee in 2016

In 2016, the Appointments Committee met on 8 occasions, with the attendance of all of its members present or duly represented.

The main activities carried out by BBVA's Appointments Committee in 2016 are described below:

4.1 Re-election of directors

In due performance of the functions of the Appointments Committee, in 2016 it carried out a constant analysis of the structure, size and composition of the Board of Directors with a view to determining the most suitable parameters to enable the governing bodies of BBVA to discharge their particular duties at all times, in the most appropriate manner, and in the best interests of the company.

In this process the Committee has considered, in addition to the needs of the governing bodies and reality of the

structure and businesses of BBVA, the legislative requirements, the Board of Directors selection, appointment, rotation and diversity policy, and best practices of the market, and the policies of the main institutional investors and international voting advisory agencies, given its character as global financial institution and company listed on the major international securities markets.

Therefore, and so that the Board has the most appropriate composition to best discharge its duties and favoring the diversity of experiences, knowledge, training and gender, the Committee's analysis concluded by proposing the re-election of the five directors whose mandate shall conclude on the occasion of the holding of the 2017 Annual General Meeting.

The Committee thus resolved to submit to the Board the proposals for the re-election of directors for submission to the Annual General Meeting in 2017.

4.2 Assessment of the Board of Directors and the Chairman of the Board of Directors

With the aim of assessing the operation of the Board of Directors, the Appointments Committee has analyzed over the year the structure, size and composition of the Board. It has also considered, among other information, a report on the activity of the Board of Directors and of its Executive Committee during the year.

Based on the analysis conducted, the Committee concluded that the Board's operation in 2016 was very positive, having fulfilled all the duties attributed by law, by the Company Bylaws and by its own Regulations, and that its composition, organisation and preparation and conduct of its meetings

were adequate to properly discharge its duties.

Moreover, the Appointments Committee has defined the process for assessing the performance of the Chairman's duties, which are attributed by the Company Bylaws and the Board Regulations, as well as those that have been delegated by the Board of Directors itself.

The assessment of the Chairman's performance was conducted on the basis of an activities report that was included in the report on activity for the Board and the Executive Committee.

Following its analysis, the Appointments Committee considered that the Chairman had carried out his functions successfully both as Chairman of the Board and First Executive of the Bank, and that his work had been extremely positive. It thus agreed to submit a favorable report to the Board of its assessment of the functions of the Chairman of the Board of Directors.

4.3 Review of the suitability of directors

Credit institutions, within the framework of the assessment of the performance of the members of their governing body, must conduct an ongoing assessment of the suitability of the members of their Board of Directors.

For the purpose of conducting this ongoing assessment, the Appointments Committee has analyzed the suitability of the members of the BBVA Board of Directors for performing their duties and has assessed the existence of circumstances that might affect the commercial and professional repute of BBVA directors.

As a result of the assessment conducted, the Appointments Committee submitted a favorable report to the Board of Directors on the analysis conducted on the suitability of the Bank's directors for performing their duties, considering it positive.

4.4 Review of the status as independent directors

As set out in the Board Regulations, the Appointments Committee is responsible for reviewing on an annual basis the status of each director so it can be reflected in the Annual Corporate Governance Report.

The Committee has reviewed the independent status of all the directors who, according to the definition established in article 1 of the Board Regulations, had such status, analysing the possible changes in their personal circumstances and concluding that those directors could maintain their status as independent, informing the Board of Directors so the conclusions could be included in the Bank's Corporate Governance Report.

Consequently, in the Annual Corporate Governance Report for 2016 approved by the Board of Directors, of the 15 members of the Board, eight directors appear as independent directors.

4.5 Changes in the composition of senior management

The Committee has analysed the proposals for changing the senior management structure, as well as the proposals for the appointment and removal of the members of the Bank's senior management that were submitted by the Chairman during the year, issuing its favorable report in relation to the proposed changes, which were subsequently approved by the Board of Directors.

All the above issues, along with other matters within its remit, were included in the Committee's activities report for 2016 which, as set out in the Company's Board Regulations, was submitted by the Appointments Committee to the Board for the purpose of assessing its operation.

The Board of Directors assessed the quality of the work carried out by the Committee as part of the functions that have been assigned to it, concluding that it had satisfactorily discharged the functions entrusted to it, with a favorable assessment of the quality and efficiency of its operation.
