Report submitted by the Remuneration Committee to the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A., for the purposes set forth in Article 529 novodecies of the Corporate Enterprises Act, in relation to the proposed resolution for approval of the Remuneration Policy for Directors of Banco Bilbao Vizcaya Argentaria, S.A.

The English version is a translation of the original in Spanish for information purposes only. In case of discrepancy, the Spanish original will prevail.
I. Introduction: Legal Framework.

This Report is drawn up by the Remuneration Committee of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter “BBVA”, the “Company” or the “Bank”) pursuant to the provisions of Article 529 novodecies of Royal Legislative Decree 1/2010, of July 2, approving the consolidated text of the Corporate Enterprises Act (hereinafter the “Corporate Enterprises Act”), which stipulates that the remuneration policy for directors shall be approved by the General Meeting of Shareholders at least every three years and that the proposed remuneration policy of the Board of Directors shall be reasoned and accompanied by a specific report of the Remuneration Committee (hereinafter, the “Report”).

In this regard, Article 17 of BBVA’s Board of Directors Regulations establishes that competences of the Board of Directors include approval of the directors’ remuneration policy, in order to submit it to the General Meeting, in accordance with Article 529 novodecies of the Corporate Enterprises Act.

Article 36.1 of the BBVA’s Board Regulations establishes that the Remuneration Committee’s competences include proposing to the Board of Directors, for its submission to the General Meeting, the director's remuneration policy, with respect to its concepts, its amounts, the parameters for its determination and its vesting, and submission of the corresponding report, all the aforementioned in the terms prescribed by applicable law at any given time.

Pursuant to the above, the Remuneration Committee has agreed to submit this Report concerning the remuneration policy for directors of BBVA to the Board of Directors, which is submitted for approval by the General Meeting under agenda item Six.
II. BBVA’s Corporate Governance System: decision-making process.

The Remuneration Committee is aware of the importance, for large institutions, of having a system that establishes standards that guide the structure and operations of their corporate bodies in the interests of the Bank and its shareholders. The creation of long-term value is one of BBVA’s primary goals, and one of the essential premises to achieve this goal is the existence of an adequate Corporate Governance System.

Thus, among the mechanisms of this system, the Board of Directors has Regulations that, embodying the principles and features of BBVA’s Corporate Governance System, establish the internal rules and operation of the Board and its Committees, as well as the rights and obligations of directors concerning the performance of their duties, which comprise the Directors’ Charter.

The text of the Board Regulations is available to shareholders and investors at the Company’s website (www.bbva.com).

**Remuneration Committee.**

In order to optimize performance of its duties, the Board of Directors of BBVA has set up several Committees to assist it in matters within its competence.

Among the Committees established by the Board of Directors emphasis is given, for the purposes of this Report, to the Remuneration Committee, which assists the Board on issues regarding remuneration attributed to it by the Board Regulations.

This Committee, regulated by Article 36 and subsequent articles of the Board Regulations, shall comprise a minimum of three members appointed by the Board of Directors, which shall also appoint its Chairman. All members must be non-executive directors, and the majority, including the Chairman, must be independent members.
At the date of this Report, the Remunerations Committee consist of five directors, all non-executives, with an independent majority. Their names, posts and statuses are listed below:

<table>
<thead>
<tr>
<th>Name and surname</th>
<th>Post</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juan Pi Llorens</td>
<td>Chairman</td>
<td>Independent</td>
</tr>
<tr>
<td>José Antonio Fernández Rivero</td>
<td>Member</td>
<td>External</td>
</tr>
<tr>
<td>Belén Garijo López</td>
<td>Member</td>
<td>Independent</td>
</tr>
<tr>
<td>José Luis Palao García-Suelto</td>
<td>Member</td>
<td>Independent</td>
</tr>
<tr>
<td>James Andrew Stott</td>
<td>Member</td>
<td>Independent</td>
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</tbody>
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This Committee meets as frequently as is needed to discharge its duties, as convened by its Chairman.

As stated, the functions of the Remunerations Committee include proposing the director’s remuneration policy, and it is assisted in this task by the Risks Committee which, under Article 39 of the Board Regulations, participates in the establishment of the remuneration policy by verifying that it is compatible with appropriate and effective risk management, and ensuring that it offers no incentives to undertake risks beyond the levels tolerated by the Bank.

Under Article 36 of the Board Regulations, the Remunerations Committee will perform the following functions:

1. Propose to the Board of Directors, for its submission to the General Meeting, the directors’ remuneration policy, with respect to its items, amounts, and parameters for its determination and its vesting. Also to submit the corresponding report, in the terms established by applicable law at any time.
2. 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.

3. Propose the annual report on the remuneration of the Bank directors to the Board of Directors each year, which shall then be submitted to the Annual General Meeting, in compliance with the applicable legislation.

4. Propose the remuneration policy to the Board of Directors for senior managers and employees whose professional activities have a significant impact on the Company’s risk profile.

5. Propose the basic conditions of the senior management contracts to the Board of Directors, and directly supervise the remuneration of the senior managers in charge of risk management and compliance functions within the Company.

6. Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to directors, senior managers and employees whose professional activities may have a significant impact on the Company’s risk profile.

7. Verify the information on directors and senior managers remuneration in the various corporate documents, including the annual report on directors' remuneration.

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

The Remunerations Committee may request, as provided for in the Board Regulations, the attendance to its sessions of persons within the Group whose tasks are related to the
Committee’s duties; it may likewise obtain advice, as necessary, to establish criteria related to its business. In the discharge of its duties, the Committee has continuously examined the remuneration policy for directors of BBVA, with the assistance of the Bank’s technical services in compensation matters, as well as the external experts deemed necessary at any given time.

On the basis of the foregoing, the Board of Directors, following a proposal by the Remuneration Committee, submitted a proposal to the Bank’s General Meeting, held on 13 March 2015, to approve the remuneration policy for BBVA Directors for the years 2015, 2016 and 2017. This policy was fully in line with the requirements of the Corporate Enterprises Act and Act 10/2014 of June 26 on the regulation, supervision and solvency of credit institutions which, among others, transposed into Spanish law Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (“CRD IV”), which contains specific regulation concerning the remuneration systems of credit institutions with respect to the remuneration of certain employees with an impact on the risk profile, among which members of the Board of Directors are included.

Notwithstanding the above, new regulations concerning remuneration were introduced in 2016 (Bank of Spain Circular 2/2016 of February 2, to credit institutions concerning supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) No 575/2013 and the EBA (European Banking Authority) Guidelines of 27 June 2016, on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013) which, along with developments in market practices, the outcome of the dialogue between BBVA and its investors, as well as the nature of the Bank’s Corporate Governance System, which is under constant development and improvement, have led the Remuneration Committee to conduct a review of the remuneration policy applicable and the overall remuneration system, in order to assess a possible update.

Thus, following an in-depth analysis carried out with the assistance of leading independent international consultants specializing in compensation, such as McLagan...
(part of McLagan/AonHewitt Group company) and Garrigues Human Capital Services, 
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 (hereinafter the “Remuneration Policy for Directors” or the “Policy”) which, 
maintaining the clarity of concepts and simplicity of the previous remuneration scheme, 
incorporates the new features set out below, mostly concerning the variable 
remuneration of executive directors.

The review of the Remuneration Policy for Directors was carried out in parallel and in 
coordination with the review of the remuneration policy for Identified Staff, among 
which executive directors are included, and which has likewise been submitted for the 
approval of the Board of Directors following a proposal by the Remunerations 
Committee, for the same years (hereinafter the “Remuneration Policy for Identified 
Staff”).

As a result of the comprehensive review of both policies, the remuneration system for 
BBVA directors, as established in the Policy, includes the following new features, most 
of which concern executive directors’ variable remuneration system:

- A clearer allocation between fixed and variable components of remuneration, as 
  well as criteria to determine these components.

- A change in the balance between the fixed and variable components of 
  remuneration, in order to better align it with applicable regulations, providing 
  more flexibility of variable remuneration with respect to fixed remuneration. In 
  no case such change entails an increase in the total remuneration of 
  beneficiaries.

- An increase in the deferral of variable remuneration, both in terms of the 
  percentage of deferral, which increases from 50% to 60%, and as regards the 
  deferral period, which increases from three (3) to five (5) years.
- An increase in the share-based component of variable remuneration. While the upfront payment of the variable remuneration of executive directors shall be maintained in the proportion of 50% in cash and 50% in shares, payment of deferred amounts shall be divided into 60% for shares and the remaining 40% in cash.

- A review of arrangements for the reduction and recoupment of variable remuneration (“malus” and “clawback”) to align them with the criteria set forth in new regulations.

- Elimination of the defined-benefit pension scheme established for the Chief Executive Officer.

- Consideration of a portion of the contributions to pension schemes of executive directors and members of the Senior Management as “discretionary pension benefits”, as required by new regulations.

- Modification of the contractual conditions applicable to payments for termination of contracts.

- The commitment for executive directors not to transfer a number of shares equivalent to twice the annual fixed remuneration for a period of, at least, three years from the time of their vesting, maintaining the general one-year retention period applicable to all shares. This shall not apply to the transfer of those shares required to honour the payment of taxes.

The Policy contains a clear description of the remuneration systems applicable to both executive and non-executive directors, contemplating the nature and amount of their remunerations and, in the case of executive directors, the parameters to determine the variable components, the “target” ratios between fixed and variable remuneration, and the main terms and conditions of their contracts, including a description of their pension scheme and any payments for termination of contracts, pursuant to the provisions of Article 529 octodecies of the Corporate Enterprises Act.
Therefore, as provided for in the Company Bylaws, the Remuneration Policy for Directors of BBVA makes distinguishes between the remuneration system applicable to directors acting in their capacity as such (non-executive directors) and the remuneration system for executive directors.

The remuneration system for non-executive directors, as stipulated in the Policy and in accordance with Article 33 bis of the Company Bylaws, is based on the criteria of responsibility, dedication and incompatibilities inherent to the role they perform, and consists of a fixed remuneration which comprises the following elements:

- An annual remuneration in cash for carrying out the role of director and, where applicable, as member of the different Committees, with greater weight allocated to the role of Chairman of each committee; being the specific amount is set depending on the nature of the duties attributed to each Committee, the dedication required and the number of meetings of these Committees. To this end, the General Meeting of Shareholders held in 2012 resolved to establish 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 unless the General Meeting resolves to change it.

- A deferred remuneration in shares instrumented through the annual allocation to each non-executive director of a number of “theoretical shares”, equivalent to 20% of their annual cash remuneration received the previous year. These shares shall be delivered, where applicable, on the date on which they cease to be directors for any reason other than serious breach of their duties.

Executive directors have a remuneration system defined in accordance with best market practices, which includes the concepts set forth in article 50 bis of BBVA’s Bylaws and which in turn correspond to those generally applicable to BBVA Group’s Senior Management. Therefore, executive directors have a remuneration system comprising:
• A fixed remuneration, with no links whatsoever to any variable parameters or results obtained, which takes into account the level of responsibility of the functions carried out and which constitutes a significant portion of their total compensation, procuring it is competitive with the remuneration applied to equivalent functions in leading peer institutions; and

• A variable remuneration which reflects performance measured through the achievement of objectives aligned with the risk incurred, the amount of which shall be determined on the basis of: (i) annual performance indicators (financial and non-financial), which take into account both present and future risks, as well as the strategic priorities defined by the Group; (ii) the scales of achievement, according to the weight allocated to each indicator and (iii) a “target” annual variable remuneration, which represents the amount of annual variable remuneration if 100% of the pre-established objectives are met (hereinafter, the “Annual Variable Remuneration”).

Thus, on the basis of the principles generally applicable to the Identified Staff of BBVA, the Annual Variable Remuneration of each executive director, calculated as explained above, will be subject to a specific settlement and payment system, which contains the following fundamental elements:

**Deferral rules**

- 60% of the Annual Variable Remuneration of executive directors shall be deferred for a period of five (5) years.

**Payment in shares**

- The upfront payment of the Annual Variable Remuneration of executive directors shall be made, in equal portions in cash and in BBVA shares, whilst the deferred portion shall be divided into 60% in BBVA shares and the other 40% in cash.
**Ex ante adjustments to Annual Variable Remuneration**

- The Annual Variable Remuneration of executive directors will not be accrued, or will be accrued in a reduced amount, should a certain level of profit and capital ratio not be obtained.

- Likewise, the Annual Variable Remuneration will be reduced upon performance assessment in the event of negative evolution of the Bank’s results or other parameters such as the level of achievement of budgeted targets (i.e. depending on the results of the Annual Performance Indicators).

**Ex post adjustments to Annual Variable Remuneration**

- The deferred component of the Annual Variable Remuneration of executive directors may be reduced in its entirety, yet not increased, based on the result of multi-year performance indicators aligned with the Company’s fundamental risk management and control metrics, related to the solvency, capital, liquidity, funding or profitability, or to the share performance and recurring results of the Group (“**Multi-year Performance Indicators**”). These indicators are approved by the Board of Directors, after analysis by the Risks Committee, which verifies their adequacy to align the deferred variable remuneration with sound risk management.

**Malus and clawback arrangements to Annual Variable Remuneration**

- The entire Annual Variable Remuneration of executive directors will be subject to malus and clawback arrangements during the entire deferral and retention period, in the same terms as for rest of the Identified Staff.

**Retention periods for shares**

- Shares received by executive directors as Annual Variable Remuneration shall be withheld for a period of one year after delivery.
- Additionally, upon reception of the shares, executive directors will not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration for at least three years after their delivery.

The above shall not apply to the transfer of those shares required to honour the payment of taxes.

**Hedging prohibitions**

- Executive directors shall not be allowed to use personal hedging strategies or insurance in connection with remuneration and responsibility that may undermine the effects of alignment with sound risk management.

**Limitation of variable remuneration**

- The variable component of the remuneration of executive directors for a financial year shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the General Meeting resolves to increase such percentage to 200%.

**Updating criteria**

- On an annual basis, the Board of Directors, at the proposal of the Remunerations Committee, may establish criteria to update only the portion of Annual Variable Remuneration deferred in cash.

The foregoing, in the terms and with the detail set out in the Remuneration Policy for Directors of BBVA which is submitted to the Board of Directors for submission, in turn, to the General Meeting.
Pursuant to the above, the Committee considers that the proposed modifications to the Remuneration Policy for Directors of BBVA are appropriate, under the understanding that they improve the Policy, reinforcing its alignment with the risks and objectives and long-term interests of the Group, meeting the remuneration requirements of the regulations applicable to credit institutions, and enabling BBVA to continue to act as a benchmark for best remuneration practices.

In accordance with the foregoing, the Committee has concluded that the Remuneration Policy for Directors of BBVA, which the Board of Directors will submit to the General Meeting for approval, is in line with regulations and current recommendations, the regulatory environment and best practices, following the criteria of prudence in terms of undertaking risk, good governance and transparency.

In conclusion, it provides BBVA with an adequate remuneration policy, aligned with the interests of shareholders and with sound risk management.