

Recommendations Report presented by the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. for the effects established in article 10 bis One of Act 13/1985, 25th May, on lending coefficients, equity and reporting obligations of financial intermediaries, regarding the approval of a maximum limit of variable remuneration for executive directors, senior managers and certain employees whose professional activities have a significant impact on the Company's risk profile or perform control functions

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1. INTRODUCTION

1.1 Subject of the report and applicable regulations

This recommendations report is filed by the Board of Directors of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (“**BBVA**”, the “**Bank**” or the “**Company**”) pursuant to article 10 bis One of Act 13/1985, 25th May, on lending coefficients, equity and reporting obligations of financial intermediaries, in connection with the proposed resolution submitted to the consideration of the Company's Annual General Meeting under Agenda Item 6, comprising the approval of the maximum variable component of the remuneration of executive directors, senior managers and certain employees whose professional activities have a significant impact on the Company's risk profile or perform control functions (hereinafter the “Recommendations Report” or the “Report”).

Article 10 bis- One of Act 13/1985, 25th May, on lending coefficients, equity and reporting obligations of financial intermediaries, in the drafting given under Royal Decree 14/2013, 29th November, on urgent measures for the adaptation of Spanish law to European Union regulations on supervision and solvency of financial institutions, partially transposing the Community Directive 2013/36/EU of the European Parliament and of the Council, 26th June 2013 (“CRD IV”), on access to the activity of credit institutions and the prudential supervision of credit institutions (hereinafter, the “Act”), establishes that, when setting the variable components of the remuneration of credit institutions, institutions shall set the **appropriate ratios established between the fixed and the variable components of the total remuneration**, applying the following principles:

a) The variable component shall not exceed than 100% of the fixed component of the total remuneration for each individual.

b) Nonetheless, the institution's shareholders may approve a higher level than established in the previous paragraph, providing it does not exceed 200% of the fixed component of the total remuneration.

For the approval of this higher level of variable remuneration, the Act establishes that the institution's shareholders will decide on the resolution on the basis of a detailed recommendation from the Board of Directors that explains the reasons and the scope of the resolution and includes the number of persons affected and their positions, as well as the expected effect on the requirement to maintain a sound capital base.

The purpose of this Recommendations Report is to explain to the Company shareholders, pursuant to the applicable legislation, the reasons why the General Meeting should approve a higher level of variable remuneration for certain individuals whose professional activities have a significant impact on the Company's risk profile or perform control functions, and also the scope of the resolution, including the number of individuals affected and their positions.

Moreover, as determined by the Act, BBVA has analysed the effect that this resolution would have on the Company maintaining a sound capital base, as explained below.

1.2 Advisory services received

This Report is issued on the basis of the report drawn up by the BBVA Human Resources Global Services & Policies area, which was in turn based on the reports: (i) from the BBVA Global Accounting and Information Management area (GAIM); and (ii) from MERCER CONSULTING, S.L., a leading consultancy firm in compensation matters.

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2. ON THE APPROVAL OF THE MAXIMUM LEVEL OF VARIABLE REMUNERATION

2.1 Reasons and scope: personnel affected

Firstly, we should highlight that BBVA has a sound, consistent remuneration policy that it has been applying over time, which is in line with the long term, the shareholders' interests and prudent risk management. This alignment has been confirmed by MERCER CONSULTING, S.L. (owned by MARSH & McLENNAN), top-level consultancy firm in remuneration matters, in their reports issued in 2009 and 2014.

Thus, the BBVA remuneration policy is fully adapted to the requirements established in Chapter XIII of Royal Decree 216/2008, 15th February, on the equity of credit institutions, on remuneration policies of credit institutions, in its wording given under Royal Decree 771/2011, 3rd June transposing into Spanish law the Community Directive 76/2010 (“CRD III”), as accredited in the report drawn up for this purpose in November 2011 by an independent expert at the request of the Bank of Spain; and as can be surmised from the outcome of the annual centralised review carried out by the Bank's Internal Audit area on the application of the remuneration policy approved by the Board of Directors, in compliance with said Royal Decree.

This policy is put into practice through a remuneration scheme governed by the following principles:

- Long-term value creation.
- Reward achievement of results on the basis of prudent, responsible risk taking.
- Attract and retain the best professionals.
- Reward the level of responsibility and professional track record.
- Ensure internal equitability within the Group and competitiveness outside it.
- Benchmark performance against the market using analyses from prestigious consultancy firms specialising in remuneration.

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- Ensure transparency in its remuneration policy.

And is implemented through the following elements:

- i) Fixed remuneration which, taking into account the principle of internal equitability and the value of the position on the market, compensates employees for the level of responsibility borne and their professional track record.

To such effects, the Human Resources area has a Corporate Policies Manual, which establishes that:

"The remuneration policy marks a salary band (wage benchmark) for each position, which reflects its value for the organisation defined by:

- *A control point: is the benchmark fixed remuneration established through a comparison with the market and the analysis of the Group's internal equitability.*
- *A fluctuation range: that allows employees holding the same position to have the same control point but a different fixed remuneration as a function of the professional evolution of each one.*

... Consequently, the salary band is defined by the minimum, the control point and the maximum, values amongst which all the Group employees would be optimally placed."

- ii) Variable remuneration linked to the achievement of previously established targets, which reward individual, Group and organisational performance, measured by customer, financial and non-financial indicators, and which is based for its calculation on benchmarks (benchmark bonus) both in cash and in shares.

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For such purposes, the Human Resources area's Corporate Policy Manual indicates that:

"Each position/function is associated to a benchmark to calculate the variable remuneration: benchmark bonus, fixed amount, equal for all those holding the same position and growing as a function of their responsibility."

The calculation of this benchmark bonus takes into account both internal equitability and external competitiveness through the information provided by various wage surveys.

In turn, BBVA's annual variable remuneration comprises ordinary variable remuneration, applicable to all employees, and variable remuneration in shares, based on a specific incentive for the management team (hereinafter the "Annual Variable Remuneration"), as described below:

- i) The ordinary variable remuneration is based on the establishment of indicators of value creation for each Unit (which are of two types: financial and specific to the Unit). These, along with the performance of the Area to which they belong and the Group as a whole, determine the variable remuneration to be distributed to the members of that Unit. The distribution amongst members of the Unit is carried out on the basis of individual performance, which is specifically reflected in an individual assessment of the indicators established.

The incentivisation model considers prudent risk management to be a determining element, which explains that the Economic Profit is one of the key financial indicators for calculating the variable remuneration of employees. Economic Profit, apart from incorporating present and future risk exposure, also considers the cost of capital incurred in order to obtain such profit.

- ii) The specific incentive in shares for the management team comprises the annual allocation to each executive of certain reference units, determined with the same criteria of internal equitability and external competitiveness as the benchmark bonus in the ordinary variable remuneration, which are transformed into BBVA shares on the settlement date for the incentive, linked to the level of compliance with a set of Group-level indicators, which are determined each year. Specifically, the indicators considered in the last few years have been: (i) Total Shareholders Return (TSR) measured over several years; (ii) The Group's Recurrent Economic Profit without one-offs in constant euros; (iii) The Group's Attributable Profit without one-offs.

Finally, pursuant to applicable legislation, certain special rules have been established for the settlement and payment of the variable remuneration. These rules are applicable to the group of employees whose professional activities may have a significant impact on the Group risk profile or perform control functions (hereinafter, the "*Identified staff*").

This system has been defined to encourage prudent risk management in the Group. It is tailored to the requirements established under the aforementioned Royal Decree 216/2008 and is subject to the following rules:

- In each one of the payments at least 50% of the total Annual Variable Remuneration will be paid in BBVA shares.
- The payment of 40% of the total Annual Variable Remuneration, either in cash or in shares, will be deferred over time. The deferred amount will then be paid by one third a year over the three years following settlement.
- The deferred percentage increases to 50% for executive directors and members of the Management Committee.

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- The shares paid may not be availed for one year as of their delivery date. This retention will be applicable to the net amount of the shares, having discounted the part needed to pay taxes on the shares received.
- The shares received as Annual Variable Remuneration may not be used in hedge trades.

Moreover, it has been established that the parts of the Annual Variable Remuneration that are deferred and pending payment pursuant to the foregoing rules, will not be paid to their beneficiaries when any of the following circumstances arise prior to the payment date:

- i) The beneficiary has not generated the right to variable remuneration of one year as a consequence of the effect on the year's earnings of transactions recorded to the accounts in previous years when they did generate the right to be paid variable remuneration;
- ii) The beneficiary has been sanctioned for serious breach of the code of conduct and other applicable internal rules, in particular with respect to risks.
- iii) Termination of the contractual relationship, except in the cases of retirement, early retirement, declaration of any degree of permanent disability or death. In such cases the right to receive the payment will be maintained under the same terms as if the employee had remained in the Group's employ.

Moreover, if the BBVA Group obtained negative earnings (reporting losses) during one year, without considering the impact of one-offs, the beneficiaries will not receive either the Annual Variable Remuneration corresponding to the year the losses were accrued or the deferred amounts that may be payable in the year in

which the annual financial statements reflecting said negative earnings are approved.

In any event, the variable remuneration will only be paid if it is sustainable in the light of the BBVA Group's situation as a whole, and if it can be justified as a function of the Entity's earnings.

Within the remuneration system described, as can be surmised from the Human Resources Report, there are certain functions that form part of the Identified staff in whose remuneration packages the variable remuneration may reach up to two times their fixed remuneration. Specifically, this would be the case for 163 persons in the BBVA Group.

The positions held by these people, a list of which is attached as an Annex to this Report, are distributed over the following groupings:

- Executive directors and members of the Management Committee
- Corporate & Investment Banking
- United States
- Finance Department
- Heads of Retail Banking

As can be observed by the groupings where these people work, they are:

- i) Outstanding senior management or executive functions within the Group;
- ii) Business areas with special incentivisation models, in line with market practices and geographical markets, where the weight of the variable remuneration is higher than the fixed remuneration; and/o

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- iii) Executives who perform their function in geographical areas where the local legislation does not establish limits on variable remuneration and in which its amount is relevant.

Thus, the remuneration structure and consequently the level of variable remuneration would stem from their level of responsibility and the importance and nature of the functions they perform. All this is determined by the Human Resources area, through the benchmark bonus and salary band scheme described above.

This benchmark bonus and control point scheme is verified and approved by the Human Resources Corporate Compensation department, as established in the Human Resources Corporate Policies Manual, in such a way that no Unit or Area may unilaterally establish its own benchmarks unrelated to the internal equitability and external competitiveness criteria governing the BBVA compensation scheme.

Moreover, for these purposes, in determining its remuneration structure, BBVA aims to maintain a competitive position, taking into account the particularities of the geographical areas in which it operates and the businesses in which the professional activity is performed, for which it is necessary to attract and retain the best professionals.

To guarantee this competitiveness, BBVA has a scheme of market wage surveys, carried out by specialist firms at local and international level, so that it can benchmark remuneration. This, along with the internal equitability criterion, makes it possible to set wage bands and benchmark bonuses (in cash and shares) for all the Group functions, in line with the characteristics of each function, its internal positioning and its positioning *vis-a-vis* the market.

To such effects, the Group has a regulated model establishing the procedure to carry out wage surveys, guaranteeing a strict, uniform use of these surveys in all geographical areas. Thus, said Human Resources Corporate Policy Manual establishes that:

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"Wage surveys provide a complete and proven benchmark for the total compensation of certain positions, as well as the most widespread remuneration policies and practices in the market. It is a market study that aims to:

- Know the remuneration positioning of the different BBVA functions in the market, in order to assess internal and external competitiveness; and*
- Facilitate decision-making with respect to remuneration.*

The information provided by these surveys is one of the factors employed as a criterion in the review of the wage characteristics of the positions and the updating of the Benchmark Bonuses."

Both the determination of the targets established in the incentivisation model, amongst which Economic Profit has been established as the principal indicator, which links the payment of variable remuneration to the level of risks incurred not just by the employee but also by the Group as a whole; and the variable remuneration scheme, described above, in which the performance of the person and also the Unit, the Area and the Group as a whole all come into play; prevent an employee from obtaining variable remuneration stemming exclusively from their personal performance.

In this way, the remuneration system avoids rewarding those individual results that are not linked to the generation of medium- and long-term value, and the individual assumption of excessive risk. This means that there are certain functions whose variable remuneration might comprise a relevant component of their total compensation do not compromise the soundness of the BBVA Group's remuneration policy and management model, which has been applied consistently over time and is fully aligned with the prevailing legislative framework.

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2.2 Effect on the maintenance of a sound capital base

For the purposes of this Report, it is stated that the maximum amount of variable remuneration for the 163 individuals that could be reached over the total fixed remuneration for the year would be €70.8m for 2014.

In light of this fact, and as confirmed by the BBVA Global Accounting and Information Management area, in charge of analysing the impact that this resolution would have on the maintenance of a sound capital base pursuant to the provisions of the Act, it is stated that the resolution to approve a maximum level of variable remuneration for the individuals indicated would not affect the maintenance by BBVA of a sound capital base nor the entity's obligations under solvency regulations.

In the light of the foregoing, it has been deemed advisable to propose that the Annual General Meeting of Shareholders, to be held on 14th March 2014, approve, for the people performing their professional activity in the BBVA Group listed in this Report, a higher ratio between the variable and fixed component of the total remuneration corresponding to one year, such that the variable component may reach up to 200% of the fixed component of the total remuneration of said professionals, pursuant to the provisions of the Act.

3. PROPOSED RESOLUTION

“PROPOSED RESOLUTION UNDER AGENDA ITEM SIX FOR THE ANNUAL GENERAL MEETING OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A. SHAREHOLDERS, TO BE HELD 14TH MARCH 2014

For the purposes of article ten bis one of Act 13/1985, 25th May, on lending coefficients, equity and reporting obligations of financial intermediaries, to approve that the variable component of the annual remuneration of executive directors, senior managers and certain employees whose professional activities have a significant impact

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on the Company's risk profile or perform control functions, may reach up to 200% of the fixed component of the total remuneration of such employees following the Recommendations Report issued to such effects by the Banco Bilbao Vizcaya Argentaria, S.A. Board of Directors, 30th January 2014, and made available to shareholders as of the date on which the General Meeting was called.

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Madrid, 30th January 2014

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GROUP FOR WHICH THE 2:1 RATIO IS REQUESTED FOR 2014

Executive directors

Title/Position	Country
Chairman & Chief Executive Officer	Spain
President & Chief Operating Officer (Consejero Delegado)	Spain
Executive Director (Director of Global Economics, Regulation & Public Affairs)	Spain

Management Committee

Title/Position	Country
Head of Human Resources & Services	Spain
Head of Legal Services, Internal Audit & Regulatory Compliance	Spain
Head of Corporate & Investment Banking	Spain
Head of Global Risk Management	Spain
Head of Retail Banking	Mexico
Head of Global Accounting & Informational Management	Spain
Chief Financial Officer	Spain
Head of Communication & Brand	Spain
Head of Innovation & Technology	Spain
Head of Mexico	Mexico
Head of Spain & Portugal	Spain
Head of BBVA USA	USA
Head of Strategy & Corporate Development	Spain

Heads of Retail Banking

Title/Position	Country
CEO of BBVA Colombia	Colombia
General Manager of BBVA Chile	Chile
CEO of BBVA Banco Francés	Argentina
CEO of BBVA Banco Provincial	Venezuela
General Manager of BBVA Banco Continental	Peru
Chairman & Director of BBVA Paraguay	Paraguay
Director of South-American Businesses	Chile
Director of Global Payment Systems	Turkey

Finance Department

Title/Position	Country
Director of Structural Balance-Sheet Risk Management	Spain
Director of Industrial & Financial Holdings	Spain
Director of Capital & Funding Management	Spain

United States

Title/Position	Country
Management Committee	
BBVA USA Commercial Banking Director	USA
BBVA USA Retail Banking & Networks Director	USA
BBVA USA Human Resources Director	USA
BBVA USA General Counsel & Secretary	USA
BBVA USA Chief Risk Officer	USA

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Title/Position	Country
Commercial Banking	
North Texas Regional Executive	USA
South Texas Regional Executive	USA
West Region Executive	USA
East Texas Regional Executive	USA
Commercial Banking Regional Director	USA
Houston Commercial Banking Executive	USA
Head of Business Development	USA
Head of Large Middle Market	USA
Retail Banking	
West Region Retail Banking Executive	USA
Eastern Region Retail Banking Executive	USA
Retail Banking Affluent Segment - Director	USA
Retail Banking Consumer Segment - Director	USA
Head of Small & Medium Enterprises	USA
National Investment Sales Manager	USA
Wealth Management	
Head of International Wealth Management	USA
Wealth Management Chief Private Banking Officer	USA
Wealth Management North Texas Executive	USA
Private Client Executive	USA
Wealth Management Chief Investment Officer	USA
Risk Management	
Head of Risk Infrastructure Operations & Technology	USA
Head of Asset Recovery Management & Solutions	USA
Loan Administration Director	USA
Financial	
Accounting - Comptroller Director	USA
Head of Portfolio Management (Financial Area)	USA
Business Development & Shared Services	
Head of Multichannel Development	USA
Technology & Support Services	
Head of Design & Development	USA

Corporate & Investment Banking

Title/Position	Country
Global Markets	
Director of Global Markets	United Kingdom
Director of Global Markets Mexico	Mexico
Head of Equity Mexico	Mexico
Head of Interest-Rate & FX Trading Mexico	Mexico
Head of Long-Term Interest Rate Trading Mexico	Mexico
Director of Global Markets USA	USA
Head of Syndication USA	USA
Head of FX USA	USA
Head of Rates Trading in USA	USA
Head of Origination USA	USA
Head of Credit in USA	USA
Head of Business Evolution Group	USA
Head of Global Markets South America	Peru
Title/Position	Country
Head of Global Markets Peru	Peru
Head of Global Markets Chile	Chile
Head of Corporate Sales South America	Mexico
Head of Investor Sales South America	Mexico
Director of Global Rates & Credit	United Kingdom

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Director of Global Markets Asia	Spain
Head of Trading Exotics & CVA	Spain
Head of Interest Rate Flows Trading	Spain
Head of Short Term Interest Rate Flows Trading	Spain
Head of Fixed Income Trading Asia	Hong Kong
Linear Fixed Income Trader	Hong Kong
Head of Credit Origination & Syndication	United Kingdom
Head of Origination South America	USA
Latam DCM Senior Originator	USA
Head of Syndication South America	USA
Head of Syndication Europe	United Kingdom
Debt Management Trader	USA
Head of Credit Sales & Trading	United Kingdom
Head of Market Making South America	USA
SSA Europe Originator	United Kingdom
Director of Global Equities	Spain
Director of Global FX	United Kingdom
Head of TX Trading & Sales Europe	Spain
Product Manager FX	United Kingdom
Head of FX & E-Commerce	United Kingdom
Director of Global Sales & Structuring	Spain
Director of Global Rates FX Sales	Spain
Head of Bond Sales in Europe	Spain
Head of Global Markets Germany	Germany
Head of Fixed Income Derivatives for Investments in Europe	Spain
Head of Sales of Interest Rate Derivatives in Spain	Spain
Head of Corporate Fixed Income Sales in Europe	Spain
Head of FX Sales	United Kingdom
Head of Cash Equities Sales	Spain
Head of Structuring	Spain
Head of Equities Derivatives	Spain
New Products Development Director	Spain
Director of Market & Client Strategy	Spain
Global Client Coverage	
Global Client Coverage Director	Spain
Director of Global Customers Spain & Portugal	Spain
Director of Global Customers Mexico	Mexico
Director of Global Customers South America	Spain
Director of Global Customers & Investment Banking Argentina	Argentina
Director of Global Customers & Investment Banking Colombia	Colombia
Director of Global Customers & Investment Banking Peru	Peru
Director of Global Customers & Investment Banking Chile	Chile
Head of Customers in Chile	Chile
Head of Global Customers & Investment Banking Italy	Italy
Head of Global Customers & Investment Banking Germany	Germany
Head of Global Customers & Investment Banking France	France
Title/Position	Country
Head of Customers in Asia	Hong Kong
Director of Corporate Clients USA	USA
Director of Global Clients & Cross Border	Spain
Head Global Clients & Cross Border Energy	Spain
Director of Consumer Industry Bankers	Spain
Head of Corporate Finance	Spain
Head of Equities Capital Markets	Spain
Head of Financial Sponsors	United Kingdom
Head of Global Client Solutions	Spain
Head of Global Mergers & Acquisitions	Spain
Director of Client Development & Strategy	Spain

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Director of Global Internal Networks	Spain
Head of Global Internal Networks	Spain
Head of Global Internal Networks Mexico	Mexico
Head Investment Banking for SMEs & Corporates	Spain
Director of Institutional Customers & Public Finance	Spain
Head of Institutional Customers Mexico	Mexico
Head of Global Bank Institutional Customers	Spain
Head IIC Investment Office - Secondment BID	USA
Structured & Syndicated Lending	
Structured & Syndicated Lending Director	Spain
Head of Syndicated Loans & Sales	United Kingdom
Head of Structured Finance	Spain
Head of Syndicated Loans EMEA and Asia	United Kingdom
Head of Syndicated Loans in BBVA New York	USA
Head of Project Finance in Latam	USA
Head of Project Finance in North America	USA
US Loan Syndication Banker	USA
Global Transactional Banking	
Director of Global Transactional Banking	Spain
Director of Global Transactional Banking USA	Spain
Head of Transactional Banking Global Europe & Crossborder Banking	Spain
Head of Transactional Banking Latam	Argentina
Director of Customer Funding Desk	Spain
Risk & Portfolio Management	
Risk & Portfolio Management Director	Spain
Global Markets Risk Unit Director	Spain
Head of Restructuring	Spain
COO	
Chief Operating Officer (COO) C&IB	United Kingdom
Director of Operations	Spain
Head of COO Asia	Hong Kong
Head of Production Management Latam	Mexico
Strategy & Finance	
Director of Strategy & Finance C&IB	Spain
Legal	
Legal Director C&IB	Spain
Director of Financial Markets	Spain

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