Remunerations Committee Report

Report submitted by the Remunerations Committee in accordance with Article 529 novodecies of the Spanish Corporate Enterprises Act, in relation to the proposed agreement for approval of the Remuneration Policy for Directors of Banco Bilbao Vizcaya Argentaria, S.A.

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1. Background and regulatory framework

Article 529 novodecies of Royal Legislative Decree 1/2010, of July 2, approving the revised text of the Spanish Corporate Enterprises Act (hereinafter, the "**Spanish Corporate Enterprises Act**"), establishes that the Remuneration Policy for Directors must be approved by the General Shareholders' Meeting and that the said proposed policy must be reasoned and accompanied by a specific report from the Remunerations Committee.

In this regard, Article 17 of the Regulations of the Board of Directors of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, "**BBVA**", the "**Institution**" or the "**Bank**") establishes that the competencies of the Management Body include the approval of the Remuneration Policy for Directors, for the purposes of its submission to the General Shareholders' Meeting, as stipulated in the applicable regulations.

Moreover, Article 36.1 of the Regulations of the Board of BBVA states that the functions of the Remunerations Committee include proposing the Remuneration Policy for BBVA Directors to the Board of Directors for subsequent submission to the General Meeting, regarding its concepts and amounts, the parameters used to calculate the remuneration and the system through which directors receive it, and submitting the corresponding report; all in accordance with the terms established by applicable law at any given time.

During the 2019 financial year, the Board of Directors, following a proposal from the Remunerations Committee, has considered convenient to submit to the General Shareholders' Meeting an update of its Remuneration Policy for BBVA Directors, approved in the 2017 financial year, which includes changes made to the contractual conditions of the new Group Executive Chairman and Chief Executive Officer (CEO) as a result of their new roles and functions. The updated policy also features some technical improvements, aimed at providing its shareholders and the market with utmost transparency and clarity as regards its remuneration scheme for directors.

Pursuant to the aforementioned regulations, the Remunerations Committee has therefore agreed to submit to the Board of Directors its report concerning the Remuneration Policy for BBVA Directors, which will be applicable to financial years 2019, 2020 and 2021 financial years, approval of which is proposed to the General Shareholders' Meeting in item Three of the agenda (hereinafter the "**Report**").

2. Governance model of the Remuneration Policy for Directors

BBVA is aware the importance for large institutions of having a system that acts as a guide to the structure and functioning of their corporate bodies in the interests of the Institution and its stakeholders.

One of BBVA's main objectives is to create long-term value and one of its main premises for achieving this is the existence of a solid and effective Corporate Governance System, adapted to the reality of the Bank, to enable an adequate management and supervision of the Institution.

The BBVA Corporate Governance System has been designed taking into consideration the following elements:

- the reality of the Bank, its circumstances and its needs;
- BBVA's strategy and corporate culture;
- the regulations applicable to it, as a financial institution listed on both national and international markets;
- the result of supervisory actions and expectations and of the engagement with shareholders, investors and proxy advisors; and
- the best practices and recommendations on corporate governance.

As such, the BBVA Corporate Governance System has taken shape over time based on the following **principles**:

1. An appropriate **composition of its corporate bodies**.
2. A clear **distribution of functions** between the Board of Directors and its Committees, as well as between them and the Senior Management.
3. A solid **decision-making process** and a robust **informational model**.

4. A solid **monitoring, supervision and control system** of the management of the Institution.

In line with these principles, the BBVA Corporate Governance System is reflected in various corporate documents, including in the Regulations of the Board of Directors, which detail the rules of the internal regime and operation of the Board of Directors and its Committees, as well as the rights and duties of directors in the performance of their duties, which constitute the Directors' Charter. Shareholders and investors can view the text of the Regulations of the Board of Directors on the Institution's website (www.bbva.com).

With the aim of ensuring a better performance of management and supervision functions, through an appropriate decision-making process, and of promoting a balance of power, BBVA's Board of Directors has established specific committees that assist it in matters within its remit, having established a coordinated work scheme between these corporate bodies.

Among the Board of Directors' Committees, for the purposes of this Report, the Remunerations Committee is highlighted as the one that assists the Board in matters regarding remuneration attributed to it by the Board Regulations.

Remunerations Committee

In accordance with Article 35 et seq. of the Board Regulations, the Remunerations Committee has the following characteristics:

Number of members	The Remunerations Committee will consist of a **minimum of three members**.
Appointment of its members	Members of the Remunerations Committee are appointed by the Board of Directors, which will also appoint its Chair.
Status of its members	**All** members of the Remunerations Committee must be **non-executive** directors. The **majority** of its members must be **independent directors, including the Chair**.
Frequency of meetings	The Remunerations Committee meets as frequently as necessary in order to fulfil its duties, convened by its Chair.

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

The Remunerations Committee may request the attendance at its meetings of individuals who, within the Group's organization, have roles related to the functions of the Remunerations Committee. It may also seek advice, where necessary, in order to form an opinion about matters within its remit.

As of the date of this Report, the Remunerations Committee comprises five directors, all of whom are non-executives, with an independent majority. Their names, positions and statuses are listed below:

Name	Position	Condition
Belén Garijo López	Chair	Independent
Tomás Alfaro Drake	Member	External
Carlos Loring Martínez de Irujo	Member	External
Lourdes Máiz Carro	Member	Independent
Ana Peralta Moreno	Member	Independent

In accordance with Article 36 of the Board Regulations, the Remunerations Committee will carry out the following functions:

- Propose directors' remuneration policy to the Board, for its submission to the General Meeting, as regards its items, amounts, and parameters for its determination and its vesting, likewise submitting the corresponding report, in the terms established by applicable law at any time.
- Determine, so that they can be reflected in their contracts, the extent and amount of individual remuneration, entitlements and other economic rewards, as well as other contractual conditions of executive directors, submitting the appropriate proposals to the Board.
- Yearly submit a proposal to the Board regarding the annual report on the remuneration of the Bank's directors, which will in turn be submitted to the Annual General Shareholders' Meeting, in accordance with the applicable legislation.
- Propose the remuneration policy of senior managers and other Identified Staff members, for submission to the Board.
- Propose the basic conditions of senior managers' contracts to the Board, and directly supervise the remuneration of senior managers in charge of risk management and

compliance functions within the Company.

- Oversee observance of the remuneration policy established by the Company and periodically review the remuneration policy applied to members of the Identified Staff, including executive directors and senior managers.
- Verify the information on directors and senior managers' remuneration contained in the different corporate documents, including the annual report on the remuneration of directors.
- Any other duties that may have been allocated under these Regulations or attributed by a Board resolution or by applicable legislation.

As such, the BBVA Corporate Governance System has been configured so that, generally speaking, proposals concerning remuneration that are submitted to the Bank's Board of Directors for consideration come from the Remunerations Committee, which analyses them in advance.

As part of the decision-making process for remuneration matters, the Remunerations Committee works with the Board's Risk Committee which, in accordance with Article 39 of the Board Regulations, contributes to the establishment of the remuneration policy, verifying that it is consistent with sound and effective risk management and does not provide incentives thank exceed the level of risk tolerated by the Institution.

In any case, decisions regarding directors' remuneration are submitted to the Bank's General Shareholders' Meeting for approval, when the law so requires.

Decision-making process for the elaboration of the Remuneration Policy for BBVA Directors

In exercising its functions, the Committee examines the Remuneration Policy for BBVA Directors on an ongoing basis, counting with the assistance of the Bank's compensation technical services, and, where applicable, with any external experts that it deems necessary at any given time.

On the basis of the foregoing, the Board of Directors, at the proposal of the Remunerations Committee, submitted a proposal to the Bank's General Meeting, held on March 13, 2015, to approve the Remuneration Policy for BBVA Directors for financial years 2015, 2016 and 2017. This policy was already fully aligned with the requirements established in both the Spanish Corporate Enterprises Act and in Act 10/2014 of June 26, on the regulation, supervision and solvency of credit institutions and investment companies (the "**Act 10/2014**") which, among others, transposed into Spanish legislation Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms companies ("**CRD IV**"), which contains a specific regulation concerning the remuneration systems of credit institutions with respect to the remuneration of certain employees with an impact on the risk profile, including the members of the Board of Directors.

This notwithstanding, new regulations pertaining remuneration that were published in 2016, along with developments in market practices, the outcome of the dialogue between BBVA and its investors and the nature of the Bank's Corporate Governance System, which is under constant development and improvement, led the Remunerations Committee to conduct a review of the applicable remuneration policy and the compensation system as a whole.

In accordance with the foregoing, and after an in-depth analysis carried out with the assistance of international first-line independent consultants in the field of compensation, the Board of Directors, at the proposal of the Remunerations Committee, submitted a new Remuneration Policy for BBVA Directors for financial years 2017, 2018 and 2019, for the consideration of the General Meeting, which was approved by 96.54% of the votes.

During financial year 2019, the Board of Directors, following a proposal from the Remunerations Committee, has deemed convenient to submit to the General Meeting an update of the Remuneration Policy for BBVA Directors approved in 2017, notwithstanding it maintains the same remuneration scheme established in it, in order to include the adjustments made in the contractual conditions of the new Group Executive Chairman and Chief Executive Officer, as a result of their new roles and functions, likewise including some technical improvements.

In this regard, the Committee has, in the performance of its functions, counted with the advice provided by BBVA's internal services, as well as with the independent advice provided by two leading consulting firms in the field of director and senior management compensation: Willis Towers Watson, as regards market analyses and comparisons, and J&A Garrigues, S.L.P., pertaining the legal analysis of the Policy.

In light of the above, the Board of Directors, at the proposal of the Remunerations Committee, has submitted a new Remuneration Policy for BBVA Directors for financial years 2019, 2020 and 2021 (hereinafter, the "**BBVA Directors Remuneration Policy"** or the "**Policy"**), for the consideration of the General Meeting.

3. BBVA Directors Remuneration Policy

As has been mentioned above, the BBVA Directors Remuneration Policy, which is submitted for approval to the General Meeting in accordance with the stipulated decision-making process, upholds the same remuneration scheme for directors that was established in the previous policy.

As such, the BBVA Directors Remuneration Policy remains settled on the general principles of the BBVA Group Remuneration Policy, which is geared towards the recurring creation of value for the Group, towards aligning its employees' and shareholders' interests with sound risk management, and defined taking into consideration, in addition to necessary compliance with the legal requirements applicable to the credit institutions and the various sectorial areas in which it operates, alignment with market best practices; having included elements aimed at reducing exposure to excessive risks and adjusting remuneration to the Group's long-term interests, values and objectives.

In accordance with the provisions of BBVA's Bylaws, the BBVA Directors Remuneration Policy distinguishes between the remuneration systems applicable to executive and non-executive directors, and contains a clear description of both, contemplating the nature and amount of their remunerations and, in the case of executive directors, including the parameters for calculating the variable components of their remuneration and the main terms and conditions of their contracts, pursuant to the provisions of Article 529 *octodecies* of the Spanish Corporate Enterprises Act.

As regards **non-executive directors**, in accordance with the provisions of Article 33 *bis* of the Bylaws, the remuneration system for non-executive directors is based on the criteria of responsibility, dedication and incompatibilities inherent to the role that they carry out, and comprises a fixed remuneration which includes the following elements:

- An annual allocation in cash, to be determined by the Board of Directors, taking into account the conditions of each director, the functions and responsibilities attributed thereto by the Board and their membership of the different Committees, which may give rise to different remuneration for each of the non-executive directors; the Board likewise being responsible for determining the frequency and payment method of the remuneration.

In line with the above, the Board of Directors, following a proposal from the Remunerations Committee, may establish differentiated remuneration, associated with membership of the different Board Committees, with the position as chairs of said Committees, or with the position of Lead Independent Director.

- The insurance and pension systems established at any given time.

- A deferred remuneration in shares, approved by the General Meeting, which is implemented through the annual allocation of a number of “theoretical shares” of BBVA to each non-executive director, equivalent to 20% of their annual remuneration in cash received during the previous financial year. These shares will be allocated, as applicable, after they leave directorship for any reason other than serious dereliction of their duties.

The **executive directors**, on the other hand, have a remuneration system that is defined in accordance with best market practices, which concepts are included in Article 50 *bis* of the Bylaws and correspond to those generally applicable to members of BBVA's Senior Management.

To this end, the remuneration system for executive directors comprises the following items:

- A fixed remuneration, which will take into consideration the level of responsibility and the duties performed and which will represent a significant proportion of total compensation. The fixed remuneration will include the salary (Annual Fixed Remuneration), as well as other fixed remuneration elements, such as benefits or remuneration in kind, in line with those that may be applicable to the Senior Management.

- A variable remuneration, the amount of which will be determined according to the degree of attainment of pre-established targets, linked to the Group's results, long-term value creation and the performance of the duties carried out. This remuneration will be subject to the settlement and payment system applied to the rest of the Identified Staff, in a way compatible with sound risk management, and with the specific features applicable to executive directors.

- The general incentive schemes that may, in general, be established for the Bank’s Senior Management.

- A welfare portion, which may include appropriate pension systems and insurance.

The remunerations, rights and financial compensations of each executive director, which BBVA seeks to make competitive with those applied to equivalent functions at the main peer institutions, will be reflected in their respective contracts, which are approved by the Board of Directors and are based primarily on the following conditions:

- They have an indefinite duration.
- They do not establish any notice period, or tenure or loyalty clauses.
- They may contain a welfare portion, according to the individual conditions of each executive director, including appropriate pension systems and insurance.
- They include a paid post-contractual non-competition clause.
- They do not include commitments for severance payments.

Within the general framework described, the Remuneration Policy to be submitted to the General Meeting includes the amounts of Fixed Annual Remuneration for executive directors, determined by the Board of Directors following the proposal of the Remunerations Committee, as well as the criteria for its updating and the percentage of variation that the Fixed Annual Remuneration can experience over the duration of this Policy.

Pursuant to the terms of the Policy, and in accordance with those set out further on in this Report, the Annual Fixed Remuneration of the Group Executive Chairman, Carlos Torres Vila, and of the CEO, Onur Genç, has been determined according to the functions allocated to each of them and their level of responsibility, taking into consideration the market analysis prepared by leading independent consulting firms, in order to establish remunerations that are appropriate to the duties performed, are competitive in the international market and are aligned with those of peer institutions.

The Annual Fixed Remuneration established for José Manuel González-Páramo Martínez-Murillo, Head of Global Economics & Public Affairs (**GE&PA**) has not been modified.

With regard to the balance between the fixed and variable components of executive directors' total remuneration, no changes have been made to the Policy, thus respecting the "target" ratios set in the Policy approved by the General Meeting in 2017, which remain unchanged.

In respect to variable remuneration of executive directors for each financial year, it continues to be based on a single annual incentive that reflects their performance based on the achievement of targets established to assess the results obtained each financial year, in light of the strategic priorities defined by the Group and in consideration of the risk incurred.

In line with the Policy approved in 2017, variable remuneration for each financial year will be subject to *ex-ante* adjustments, in such a way that:

- ✓ it shall not accrue, or shall be reduced at the time of accrual, if certain levels of profit and capital ratio are not achieved; and

- ✓ it will be reduced at the time of performance evaluation in the event of a negative performance of the Group's results or other parameters, such as the level of attainment of budgeted targets.

Additionally, the same settlement and payment system established in the Policy approved in 2017 is retained, which corresponds to hat applied to the rest of Identified Staff, but with certain specificities applicable to executive directors. Therefore:

- A significant percentage of the variable remuneration of each financial year (60%) will be deferred, for a period of five (5) years.

- A substantial portion of the variable remuneration of each financial year (50% of the upfront portion and 60% of the deferred portion) will be established in BBVA shares.

- The deferred component of variable remuneration may be reduced or forfeited, but never increased, based on the result of multi-year indicators aligned with the Group's core risk management and control metrics (*ex-post* adjustments).

- Throughout the entire deferral and withholding periods, variable remuneration will be subject to malus and clawback clauses.

- The deferred amounts in cash that are ultimately paid will be subject to updating, by applying the Consumer Price Index (CPI), measured as year-on-year change in prices, or any other criteria established for such purpose by the Bank's Board of Directors. Deferred shares will not be updated.

- All shares delivered will be unavailable to their beneficiaries for a period of one year from the date of delivery. This will not apply to shares that are transferred for the purpose of honoring tax liabilities arising from their delivery.

- No personal hedging strategies or insurance may be used in connection with the remuneration and responsibility that may undermine the effects of alignment with sound risk management.

- The variable component of the remuneration will be limited to a maximum amount of 100% of the fixed component of the total remuneration, unless the General Meeting agrees to increase this percentage up to 200%.

Additionally, upon receipt of the shares, executive directors may not transfer a number of shares equivalent to twice their Annual Fixed Remuneration for at least three years after their delivery.

With regard to pension systems, the Policy sets out the commitments undertaken by the Bank with each executive director.

With regard to Carlos Torres Vila, the Board of Directors, following a proposal from the Remunerations Committee, has resolved to maintain the pension framework that he had been acknowledged as CEO to cover the contingency of retirement, and has further agreed not to update the amount of the annual contribution to retirement pension for financial year 2019, update to which he was entitled to in execution of his contract.

As regards José Manuel González-Páramo Martínez-Murillo, he will also retain his pension framework in the same terms as were applicable under the previous Policy approved by the General Meeting in 2017.

The commitments to cover the retirement benefit include the following main features, as set out in the Policy and in line with those assumed with the rest of the Senior Management:

- These are defined contribution schemes in which the annual amounts to cover retirement are previously determined.

- They do not provide for the possibility of receiving the retirement pension in advance.

- They stipulate that 15% of the agreed annual contributions are considered "discretionary pension benefits", in accordance with applicable regulations.

The Bank has not made any retirement commitments for Onur Genç.

In addition, the Policy sets out the commitments undertaken by the Bank with regard to its three executive directors to cover the contingencies of death and disability. In this regard, Carlos Torres Vila and José Manuel González-Páramo Martínez-Murillo maintain the pension framework recognized in the previous Policy, while for Onur Genç, a scheme similar to the one enjoyed by José Manuel González-Páramo Martínez-Murillo has been agreed, establishing, in terms of coverages, the specific terms applicable to each, derived from the nature of their position.

On the other hand, taking into consideration his role as a senior international executive, the Policy recognizes Onur Genç's right to the following supplementary fixed remunerations:

- An annual cash amount, in lieu of pension, equivalent to 30% of his Annual Fixed Remuneration in force at any given time.

- An annual cash amount, as mobility allowance, in line with the commitments undertaken with other expatriate members of the Bank's Senior Management and set at EUR 600 thousand per annum for the duration of this Policy.

In determining the remuneration conditions for executive directors Carlos Torres Vila and Onur Genç, as set out in the Policy and described in this Report, the Bank has taken into consideration the functions assigned to each of them and the level of responsibility demanded of them in their roles as Group Executive Chairman and CEO, respectively, on the basis of the BBVA Group's new organizational structure, approved by the Board of Directors in December 2018.

In addition, in order to establish the remunerations payable for these positions, the Bank has analyzed the compensations set by the leading international financial institutions for similar positions, including those institutions that are part of BBVA's peer group for remuneration purposes[1], having counted, for such purposes, on independent external advice provided by the consulting firm Willis Towers Watson.

[1] The list of peer institutions that are part of the BBVA's peer group for remuneration purposes is accompanied, as Annex I to the Annual Report on the Remuneration of BBVA Directors for financial year 2018.

In the particular case of Onur Genç, his remuneration model has also been adapted to take into account his role as a senior international executive, establishing for these purposes an annual cash amount in lieu of pension, as well as an annual amount as mobility allowance, in accordance with the Group's policy on such, which takes into consideration matters such as living costs, tax rates and other relevant circumstances linked to a geographical change. Such a remuneration scheme is aimed at ensuring the retention of a key figure for the BBVA Group as is its Chief Executive Officer.

All of the above, under the terms and with the level of detail stipulated in the Policy, which is submitted to the General Meeting.

In accordance with the foregoing, the Committee considers that the proposed modifications to the Policy are appropriate, on the understanding that they uphold BBVA's transparency with its investors; at the same time, the Policy remains in line with the Bank's long-term interests, objectives and risks.

And thus, in consideration of the foregoing, the Committee has concluded that the BBVA Directors Remuneration Policy for financial years 2019, 2020 and 2021, which the Board of Directors will submit to the General Meeting for its approval, is in accordance with applicable regulations and prevailing recommendations, and is aligned with the interests of its shareholders as well as with sound risk management.

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Madrid, February 8, 2019.